UNITED NATIONS

International Chamber of Commerce
The world business organization

AN INVESTMENT GUIDE TO TANZANIA

Opportunities and conditions
June 2005

UNITED NATIONS
New York and Geneva, 2005

UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 as a permanent intergovernmental body. Its main goals are to maximize the trade, investment and development opportunities of developing countries, to help them face challenges arising from globalization, and to help them integrate into the world economy on an equitable basis. UNCTAD's membership comprises 192 States. Its secretariat is located in Geneva, Switzerland, and forms part of the United Nations Secretariat.

ICC

The International Chamber of Commerce (ICC) is the world business organization. It is the only body that speaks with authority on behalf of enterprises from all sectors in every part of the world, grouping together thousands of members, companies and associations from 130 countries. ICC promotes an open international trade and investment system and the market economy in the context of sustainable growth and development. It makes rules that govern the conduct of business across borders. Within a year of the creation of the United Nations it was granted consultative status at the highest level (category A) with the United Nations Economic and Social Council. This is now known as General Category consultative status.

Notes

The term "country" as used in this study also refers, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process.

References to "dollars" ($) are to United States dollars, unless otherwise indicated.

While every reasonable effort has been made to ensure that the information provided in this publication is accurate, no business or other decision should be made by the reader on the basis of this information alone, without a further independent check. Neither UNCTAD nor ICC accepts any responsibility for any such decision or its consequences.

UNCTAD/ITE/IIA/2005/3

Three good reasons to invest in Tanzania

• Market access

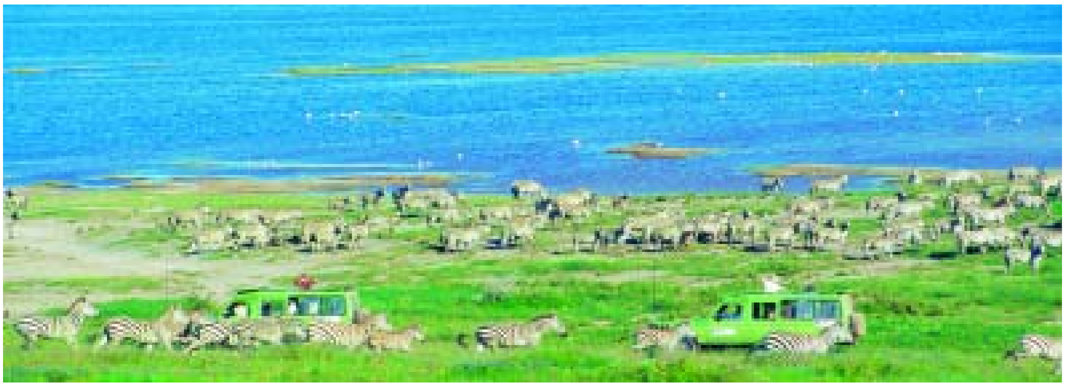
With 36 million people, Tanzania is not a small market by African standards. Although purchasing power is limited, the economy has been growing steadily at around 5–6% for a number of years. However, the more important market for investors is that offered by the East African Community (EAC), which includes Kenya and Uganda, as well as Tanzania, and has 93 million consumers. The EAC customs union that came into effect earlier this year gives Tanzanian exports to its two partners duty-free access. Beyond the EAC, there are at least three other markets to which investors in Tanzania have access. One is the Southern African Development Community (SADC) with its 215 million consumers; another is the European Union, to which Tanzanian exports have access under the EU's Everything But Arms (EBA) initiative; and the third is the United States, to which Tanzania has access under the provisions of the African Growth and Opportunity Act (AGOA).

• Resources and opportunities

All three EAC countries are blessed with excellent natural assets for tourism but none as extravagantly as Tanzania. Twenty-five per cent of the country's enormous land mass of a little under a million sq. km has been set aside for national parks and wildlife reserves. These protected areas include the Serengeti plains, the Ngorongoro crater with its remarkable concentration of large mammals in an area of just over 8,000 sq. km and the beaches of Zanzibar – to mention only three of East African tourism's major attractions. Another set of resources is offered by Tanzania's mineral potential. The country is Africa's third largest producer of gold and also has diamonds, gemstones and industrial minerals. Barrick Gold and Anglogold are among the large investors already in place. Yet other opportunities may be found in agriculture, for which soil and climate are most favourable in many parts of the country.

• Stability and related factors

Tanzania has enjoyed political stability for the nearly 45 years since independence. The country has been free of the coups, civil wars and violence that have featured in the post-independence history of so many African countries. Ethnic tensions have been nearly unknown despite the country's ethnic diversity. The rule of law is well established and the level of security relatively high. The people are welcoming and friendly. One might note too that Tanzania is strategically located, being bordered by *eight* African countries, and has a coastline of more than 1,400 km. The port of Dar es Salaam is one of East Africa's two key ports (along with Mombasa) and, with rehabilitation and the privatization of container services, has substantially improved its efficiency.



Acknowledgements

A great many individuals and institutions have contributed to this project and to the production of this guide. Although we cannot list each and every contributor, some merit special mention. These include the donors to the second phase of the investment guides project, specifically the Governments of Finland, Italy, Norway and Sweden; the company executives and government officials who participated in the consultations in Dar es Salaam; our consultants in Tanzania, Fanuel Lukwaro, Leon Mlambo and Godwin Samuel; and the UNDP office in Tanzania, which facilitated work in the country.

The cooperation of the Tanzania Investment Centre (TIC) and in particular its Executive Director, Mr Samuel J. Sitta, was essential to the success of this project. Our thanks are owed also to the Zanzibar Investment Promotion Agency (ZIPA).

This guide was prepared, with the assistance of consultants and advisers both external and internal, by a project team led by Vishwas P. Govitrikar. Valuable input or feedback was provided by a number of people, including Peter Byrne, Harpeet Duggal, Sophie Frediani, Anne Miroux, Emmanuel Naiko, Samuel J. Sitta and Husein M. Taki. Photographs were provided by Aluminium Africa; La Chataigneraie, International School of Geneva; Ranger Safaris; Eva Schneider; Serena Hotels and Michael Stahl. The guide also benefited from the comprehensive investor's guide prepared by the TIC in 2002. Administrative support was provided by Katia Vieu. The guide was edited by Graham Grayston, and designed and typeset by Nelson Vigneault. Karl P. Sauvant provided overall guidance.

Note to the reader

This document is published as part of the UNCTAD–ICC series of investment guides. The publications in this series are intended for the use of foreign investors who are largely unfamiliar with the countries covered. They are thus designed to offer overviews of potential locations for investment, rather than constitute exhaustive works of reference or provide detailed practical instruction. They do, however, offer pointers to sources of further information, in the private as well as the public sector.

There are two other features of these publications that the reader will find worth noting. One is that they are third-party documents, intended to offer a balanced and objective account of investment conditions. Their principal advantage in drawing the attention of investors to the countries they cover is credibility. The other feature is that both their general structure and some of their specific content are the result of consultations with the private sector.

The executive summary is followed by a brief introductory chapter. Then come the three chapters that account for the bulk of the contents. "The operating environment" describes the general conditions in which investors must operate: macroeconomic conditions, infrastructure, human resources, and so forth. "Areas of opportunity" offers a description of areas of potential interest to foreign investors. "The regulatory framework" focuses on regulations governing investment and foreign direct investment in particular. The fifth and final chapter provides a summary of the perceptions of the private sector in the country, both foreign and domestic.

The primary source of further information for those wishing to explore investing in Tanzania is the Tanzania Investment Centre (TIC) – see box on page 49. Contact details of selected sources of further information, including websites, are provided in appendix 3. Appendix 2 provides a list, including contact details, of some 60 major foreign investors in Tanzania.

Preface

The Millennium Development Agenda of the international community emphasizes the potential role of the private sector in helping countries reach their development goals and targets. Foreign direct investment is recognized as an important factor in this context, since it brings to host countries capital, technology, innovation, management know-how, as well as access to supply chains and new markets. Under the right policy conditions and institutional frameworks, it can thus contribute to economic development and growth.

The United Nations Conference on Trade and Development (UNCTAD) and the International Chamber of Commerce (ICC) launched this series of investment guides in 1998. The idea was to help bring together two parties with complementary interests: *companies* seeking new locations and *countries* seeking new investors. This is not necessarily a straightforward exercise, for firms are driven by their global strategies as much as by a search for specific commercial opportunities, while countries pursue broad economic and social objectives in which foreign investment is only one element among many in the complex process of upgrading competitiveness and enhancing livelihoods.

These investment guides are the products of dialogue, including that among and between the representatives of business and government during the workshops that accompany the preparation of the guides. The guides in their turn are meant to contribute to the dialogue, helping to strengthen and sustain it. In the long run, such dialogue can make a real difference to investment conditions.

An Investment Guide to Tanzania is the fourteenth publication in this series. We hope that it will be useful in the efforts of the Government and the business community in Tanzania to attract greater flows of investment and that the flows in turn will benefit the country.

Carlos Fortin
Officer-in-charge
UNCTAD

Maria Livanos Cattaui
Secretary-General
ICC

The UNCTAD–ICC series of investment guides

PUBLISHED

- *An Investment Guide to Ethiopia,* 1999; revised edition in new format, 2004
- *Guide de l'investissement au Mali,* 2000; revised edition in new format, 2004
- *An Investment Guide to Bangladesh,* 2000
- *An Investment Guide to Uganda,* 2001; revised edition, 2004
- *An Investment Guide to Mozambique,* 2002
- *An Investment Guide to Nepal,* 2003
- *An Investment Guide to Cambodia,* 2003
- *Guide de l'investissement en Mauritanie,* 2004
- *An Investment Guide to Mauritania,* 2004
- *An Investment Guide to Kenya,* 2005
- *An Investment Guide to Tanzania,* 2005
- *An Investment Guide to East Africa,* 2005

(The first editions of the guides to Ethiopia and Mali were published in cooperation with PricewaterhouseCoopers.)

Contents

Standard Chartered was the first international bank to return to Tanzania when the financial sector was liberalized in 1993. Since then, we have become the largest bank in terms of our loan portfolio. The stable political environment, combined with strong macroeconomic growth, has created tremendous opportunities for local entrepreneurs – and for us, as over 75% of our lending now goes to local companies. In 2004, we grew our business by 25% and we expect to see double-digit growth in the future.

Hemen Shah, CEO and Managing Director,
Standard Chartered Bank Tanzania Ltd

Executive summary

The British colony of Tanganyika became independent in 1961. In 1964, together with Zanzibar, it formed the United Republic of Tanzania. In 1967 came the Arusha Declaration, which committed the country to a socialist path of development under the leadership of the widely respected President Julius Nyerere. This experiment in extensive State intervention in the economy lasted for some 20 years. Foreign companies were nationalized, agriculture was collectivized and the one-party State ran nearly all economic activity. In 1985, President Nyerere resigned. By then, there was an increasing awareness that the command economy had not worked and the Government began moving towards a market economy. This process has continued for the past two decades. For quite some time, it moved very slowly; in the past half a dozen years, it has speeded up. As one foreign investor put it, the Government of Tanzania has done more to improve the business environment in the past five years than it had done in the preceding forty.

There have been other positive changes as well, both in Tanzania and in the region. The predecessor of the current East African Community (EAC) was formed in 1967, but it never quite acquired the trust and the momentum it would have needed in order to survive. By the late 1970s, in fact, relations were badly strained in the EAC, sufficiently so to close the Kenya–Tanzania border for six years and lead to armed conflict between Tanzania and Uganda. As against this, the new EAC has made relatively rapid progress (see below). Within Tanzania, multi-party democracy is now established. There have been two successful elections and the third is due later this year. There have been a variety of reforms, including the divestiture of over 300 State-owned enterprises, and foreign direct investment has flowed in (see below).

The Government's present priorities are to achieve macroeconomic stability, boost domestic savings and investment, and promote human-resource development. Tanzania has achieved growth rates of 5–6% in recent years and inflation has been brought down to around 4%.

Why Tanzania?

There are a number of reasons why investors should look seriously at Tanzania as an investment location: market access, location, stability, and resources and opportunities.

The first reason for investors to consider Tanzania very seriously is market access. Investing in Tanzania now gives a company access to a regional market of over 90 million: the East African Community (EAC). The EAC Customs Union Protocol went into effect on 1 January 2005. A three-band common external tariff with a maximum rate of 25% for finished goods now applies to imports into the region. *Within* the region, trade will be fully free in five years, although Tanzanian exports to Kenya and Uganda are already tariff-free. (A declining tariff will apply for five years to imports from Kenya into the other two countries.) The Customs Union is only a way-station on the path towards regional integration. The ultimate goal, to be achieved by 2013 if the recommendation of the EAC's Fast-tracking Committee is accepted, is political federation. But Tanzania's market access goes well beyond the EAC. The country is a member of the Southern African Development Community (SADC), a trading bloc of 13 countries with a combined population of 215 million. Beyond Africa, as a "least developed country" (LDC), Tanzania is eligible for preferential treatment under the European Union's Everything But Arms (EBA) initiative and also has access to the US market under the terms of the African Growth and Opportunity Act (AGOA).

Next, there is Tanzania's location. It shares its borders not only with Kenya and Uganda, its EAC partners, but also with Mozambique, Malawi, Zambia, the Democratic Republic of the Congo, Burundi and Rwanda. All of these save Kenya and Mozambique are landlocked countries and Tanzania provides the natural access to them. The country also has 1,400 kilometres of coastline and the port of Dar es Salaam has undergone substantial rehabilitation. The container terminal has been divested and has significantly improved its performance.

Thirdly, there is Tanzania's long record of stability. Tanzania is a poor country but a stable one, and it has a steadily growing economy. It has had nearly half a century of political stability as a sovereign country, including 10 years as a multi-party democracy. There have been no coups, civil wars or prolonged misgovernance – features prominent in the recent histories of several of its neighbours. The rule of law is well established in Tanzania. A recent World Bank study found that Tanzania performed significantly better in this regard than its EAC partners, Kenya and Uganda, with enterprises involved in lawsuits reporting that it took only a fourth as long to resolve a case in Tanzania as it did in Kenya. The level of security is also significantly higher than in Kenya.

And finally, there are the resources and opportunities in the country, as set out in the next section.

Opportunities

Tanzania has a remarkable set of natural resources that investors can profitably exploit. Soil and climate offer favourable conditions for many kinds of agricultural produce and related processing. Some opportunities have already been seized by foreign investors, for example Brooke Bond in tea and Illovo in sugar. But many others await investor attention, in horticulture and floriculture in the highlands, in fisheries in Tanzania's large freshwater lakes (Victoria, Tanganyika and Nyasa) and in forestry.

The opportunities in mining have thus far been the best exploited. Tanzania is the third largest gold producer in the continent after South Africa. Other mineral resources include diamonds, base metals, gemstones and industrial minerals. Major mining operations already in place include Barrick Gold, Anglogold and De Beers. Mining exports increased from $14 million in 1996 to $241 million in 2003 and, in the past five years, 1,500 prospecting licences have been issued. Significant gas discoveries have been made on Songo Songo island and a comprehensive report on the hydrocarbon potential of the country is available to interested investors. The Government is also particularly interested in developing a lapidary industry, cutting and polishing gemstones.

Tourism offers some of the finest opportunities in Africa. Twenty-five per cent of Tanzania's total area is allocated to wildlife parks and game reserves, which include 12 national parks, 17 game reserves and 50 game-controlled areas, in addition to 2 marine parks and 2 marine reserves. The northern circuit includes the continent's highest mountain (Kilimanjaro), the famous Serengeti plains and Africa's richest reservoir of large mammals – the Ngorongoro crater. The southern circuit, containing the huge Selous game reserve, is as yet largely unexploited. Other attractions include the spice islands of Zanzibar and deep-sea fishing off the Pemba and Mafia islands. There are opportunities in creating accommodations of international standard; in the development of eco-tourism, sea and lake cruising, theme parks and tourist beaches; and in training for the tourism sector.

Substantial opportunities also exist in various infrastructure projects. The process of privatizing the Tanzania Railways Corporation (TRC) has begun. The Government is interested in attracting investors into build-operate-transfer (BOT) schemes in road construction and rehabilitation. The Tanzania Telecommunication Corporation Ltd (TTCL) is set to lose its monopoly as the gateway to international exchanges in 2005.

Difficulties facing investors

The difficulties confronting foreign investors in Tanzania are the fairly standard ones in poor developing countries. They lie in infrastructure, human resources and governance.

For a country of its size, Tanzania's transport infrastructure is far from adequate. Investors complain that it costs more to move cargo overland from Dar es Salaam in Tanzania to Mombasa in Kenya than to get it from Europe to Tanzania. Although there are fewer complaints about the railways in Tanzania than in Kenya, the rail infrastructure is also inadequate. Electric power is a significant problem in many areas, with frequent outages and less reliability than in Kenya. It is, however, when it comes to workforce skills that Tanzania fares notably badly in comparison with its EAC partners, particularly Kenya. Investors rank this at the top of their list of what needs Government attention. Skills are limited and training is inadequate. Hiring expatriates is nearly always a great deal more expensive for companies and substantially increases their costs of doing business in the country.

Bureaucracy is another investor concern. There is too much red tape and things move far too slowly in a number of government departments. (The Tanzania Investment Centre is well regarded.) Corruption is not a problem on anything like the Kenyan scale, but petty corruption is persistent at various levels.

Investment trends

Foreign direct investment is on the whole a remarkable success story in Tanzania. It was not welcome during the socialist period and even as late as the late 1980s, it averaged only a third of a million dollars a year. In the early 1990s, however things began to change and FDI averaged $46 million a year ($9 per $1,000 in GDP). It was in the mid-1990s that it really took off, reaching $260 million per annum ($32 per $1,000 in GDP) in the period 1996–2000. Apart from an exceptional increase in 2001, it has more or less remained at the $250-million level. A large percentage of FDI, perhaps as much as two-thirds, has gone into mining.

Prospects and challenges

Tanzania's prospects are unquestionably bright. Its stability, relative security, coastline and location are serious strengths. In addition, it has an enormous land mass and some of the world's most spectacular wildlife. The question is not whether Tanzania will attract more investment; it almost certainly will. The question is the speed at which this happens. Investors feel that this is a very appealing but rather slow-moving country. The latter feature will no doubt change, as skills and infrastructure improve. No investor with an interest in the opportunities that Tanzania offers can afford to overlook this country.

Tanzania at a glance

Official name	United Republic of Tanzania
Political system	Unitary republic with multi-party democracy
Head of State and Government	President Benjamin William Mkapa
Political parties	In the present parliament, the main parties (with their seats) are: Chama Cha Mapinduzi (239), Civic United Front (21), CHADEMA (5), Tanzania Labour Party (5) and United Democratic Party (4).
Next election date	October 2005
Surface area	945,087 sq. km
Population	36 million
Population density	37 per sq. km
GDP per capita (2003)	$221 (at purchasing power parity $611)
Currency	Tanzania Shilling (TSh)
Exchange rates (May 2005)	$1 = TShs 1,133 €1 = TShs 1,391 ¥100 = TShs 1,046 Rand 1 = TShs 165 KSh 1 = TShs 15 UShs 1.5 = TSh 1
Official language	Kiswahili is the official language of Tanzania. However, English is the language of the courts and is also widely used in business and higher education.
Principal religions[1]	Christian (35%), Muslim (30%), traditional African and other (35%). In Zanzibar, Muslims are an overwhelming majority (99%).
Time zone	GMT + 2 (without DST)
Climatic conditions	Tanzania has a mainly tropical climate, although in the highlands temperatures range between 10^0 C and 20^0 C. Elsewhere, they mostly exceed 20^0 C. The hottest period is between November and February and the coolest between May and August. A large part of the country (south, south-west, central and western) has a single-rainfall regime (December–April). The northern and north-eastern parts have a double rainfall regime, with the short rains coming between October and December, and the long rains between March and June.
Main cities/towns and their populations[2]	Dar es Salaam (capital)[3]: 2.5 million Mwanza: 475,717 Dodoma (see footnote 3 below): 324,947 Arusha: 282,712 Tanga: 243,580 Morogoro: 227,921 Zanzibar: 206,292

[1] The official Tanzania census does not cover religion. These estimates are from the *World Factbook* of the Central Intelligence Agency (CIA).

[2] The Tanzania National Census 2002.

[3] The capital is eventually to move to Dodoma. Thus far, only legislative offices have been transferred to Dodoma, where the National Assembly now meets on a regular basis (CIA, 2005).

Map No. 3667 Rev. 5 UNITED NATIONS
January 2005

Department of Peacekeeping Operations
Cartographic Section

Source: Map of the United Republic of Tanzania by the United Nations Cartographic Section, 2004.

Source: UNCTAD, based on map of Africa by the United Nations Cartographic Section, 2004.

Country and people

The United Republic of Tanzania lies on the eastern coast of Africa, along the Indian Ocean, between latitudes 1° and 12° south of the Equator and longitudes 29° and 41° east. It is bordered by Mozambique, Malawi and Zambia to the south and south-west, the Democratic Republic of the Congo to the west, Rwanda and Burundi to the north-west, and Uganda and Kenya to the North.

This is a country of great diversity in its ethnic, geographical, historical and cultural features. Most of the land mass consists of the inland plateau rising gently from the coastal belt and stretching 1,000 kilometres inland, with highland areas to the north and north-east as well as the south and the south-west. The coastline extends for some 1,424 kilometres, with three major islands along the Indian Ocean – Unguja (also known as Zanzibar), Pemba and Mafia. The great East African lakes – Victoria, Tanganyika and Nyasa – are partly within Tanzania. Tanzania also has a part of the great East African Rift Valley running through the middle of the country from the north in a south-westerly direction. Along the Rift Valley are located some of the most impressive natural features, including the Ngorongoro Crater and Lake Manyara.

The total area of Tanzania is 945,166 sq. km, of which about 25% is set aside as national parks and game reserves. Outstanding natural attractions include the highest peak in Africa, Mount Kilimanjaro; the world-famous Serengeti and Ngorongoro game parks; the Lake Manyara, Tarangire, Ruaha, Gombe Stream, Katavi and Mikumi national parks; and the largest game reserve in the world – the Selous.

There are said to be nearly 130 tribes in Tanzania, with distinctive linguistic and cultural traditions. The most numerous, the Sukuma, account for about 13% of the population. Despite this diversity, Tanzania is remarkably free of ethnic tensions, let alone hostilities – especially when compared with its neighbours. (On security in the region, see box I.2 below.) Some attribute this to the late President Julius Nyerere's *Ujamaa* (togetherness) policy. Although some of the actions under this policy, such as the resettlement of rural people in collective farming villages, were economically damaging, they may have built a stronger sense of nationhood than is generally the case in Africa. The tribes also share a common language – Kiswahili, a Bantu language with extensive word borrowings from Arabic, Persian, Portuguese and other languages, which began as the language of the East African coast and became the lingua franca of East Africa more generally. English is widely used in business, education and the Government.

Agriculture is the main economic activity for over 80% of the population[4] and is dominated by smallholder farmers with average farm sizes varying from 0.9 to 3.0 hectares. There is a small but expanding light manufacturing sector as well as a fast-growing mining sector, dominated by gold and, to a lesser extent, diamond and gemstone mining. Tourism is another fast-growing sector.

[4] United Republic of Tanzania, President's Office (2002).

History and government

The early history of Tanzania indicates a number of trading centres established and ruled by traders from the Middle East, particularly Oman, from around the 10th century. The Arab domination along the coast was accompanied by trading in such items as ivory and slaves. This domination also brought the Islamic religion to the islands, coastal trading centres and inland trading routes.

The early European influence came with the arrival of Portuguese explorers around AD 1500. The Portuguese fought the Arabs along the coastal trading centres and established a brief domination there between the 16th and 18th centuries, notably in Kilwa and Zanzibar. Then the coastal areas reverted to Omani Arab rule, which continued, in the case of Zanzibar, until independence in 1963.

European missionaries and explorers (notably from Britain and Germany), including such famous figures as David Livingstone, Richard Burton and Johan Ludwig Krapf, arrived in the country in the 19th century. The early missionaries went into the interior with a mission to stop slave-trading and establish Christianity. Colonizers followed the missionaries. Germans ruled the then Tanganyika under the German East Africa Company and are credited with setting up the first colonial administration over the whole country. The British took over the colonial administration after the First World War and ruled until the independence of Tanganyika in 1961.

In 1964, just one year after the independence of Zanzibar, Tanganyika and Zanzibar joined to form the United Republic of Tanzania. Under the union, Zanzibar has its own constitution, providing for a presidency, a council of ministers (cabinet), legislature and judiciary. The President of the United Republic of Tanzania is both the Head of State and Head of the Union Government. The cabinet of the Union Government includes elected members of parliament from both the mainland and Zanzibar.

In 1992, Tanzania passed legislation allowing multi-party democracy. The first parliamentary elections under multi-party democracy were held in 1995. Currently, the Tanzania Parliament consists of five categories of members: (a) 231 members elected directly to represent constituencies; (b) 5 members elected by the Zanzibar House of Representatives; (c) 10 members nominated by the President; (d) 49 women members (not less than 15% of all other members) nominated by their respective political parties proportionally to their directly elected members; and (e) the Attorney General of the United Republic of Tanzania, appointed by the President.

The composition of the current parliament clearly demonstrates the dominance of the ruling party (Chama Cha Mapinduzi) over a weak opposition. The percentage of parliamentary seats held by the ruling party increased from 59.2% following the 1995 elections to 86.9% after the 2000 elections.

Market size and access

Tanzania offers a sizeable market with its estimated population of 36 million people and GDP of nearly $10 billion (about $22 billion at purchasing power parity) (see table I.1). However, the level of effective demand is low owing to the low average per capita income of $221 ($611 at PPP).

Additional market opportunities arise out of the country's participation in regional integration, specifically the East African Community (EAC) headquartered in Arusha, Tanzania, which brings together three East African countries – Kenya, Tanzania and Uganda – with a combined population of 93 million people (see box I.1 on the EAC Treaty). Burundi and Rwanda are expected to join the EAC in the not too distant future. Another opportunity flows from Tanzania's membership of the Southern African Development Community (SADC), an economic grouping of 14 countries with a combined population of 215 million. The SADC members are Angola, Botswana, the Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, the Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

Tanzania is eligible to benefit from the African Growth and Opportunity Act (AGOA), which provides preferential trade access to US markets in the form of duty-free entry for over 6,000 products.[5] These include "textile and apparel", "energy-related products" and "transportation equipment". The Act was initially set to last from 1 October 2000 to 30 September 2008. However, in July 2004, it was extended to 2015. Tanzania could benefit from AGOA particularly in textile and leather products, for which raw materials are in abundant supply.

The country is also a founding and active member of the World Trade Organization (WTO).

Access to Tanzania is facilitated by the three major ports located along the Indian Ocean coast – Dar es Salaam, Tanga and Mtwara – as well as international airports at Dar es Salaam and Kilimanjaro. In addition, there are freshwater inland ports at strategic locations on Lakes Victoria, Tanganyika and Nyasa. Tanzania provides access to the landlocked countries of Burundi, the Democratic Republic of the Congo, Malawi, Rwanda, Uganda and Zambia.

[5] See box on AGOA towards the end of chapter III.

Box I.1. The EAC Treaty

The Treaty establishing the East African Community (EAC) was signed on 30 November 1999 and came into force on 7 July 2000, upon ratification by the three partner States – Kenya, Tanzania and Uganda.

The Treaty consists of a long preamble (on the background of East African cooperation) and 153 articles, divided into 29 chapters. It lays down the basic principles, objectives and functioning of the Community (chapters 2 and 28–29) and describes its structures (chapters 3–10) and the proposed fields of cooperation (chapters 11–27).

According to Articles 2 and 5 of the Treaty, the broad purpose of the Community is to further cooperation in the political, economic and social fields among others. The concrete objectives are to establish a Customs Union (already accomplished), a Common Market, a Monetary Union and finally a Political Federation. Chapters 11 to 27 of the Treaty identify three main areas of cooperation: cooperation in economic development (including trade liberalization, monetary and financial matters, and the free movement of persons, capital, goods and services); cooperation in services, science and technology (including infrastructure, health and education); and cooperation in political and legal matters. Partner States may conclude such protocols as necessary, spelling out the aims, scope and institutional mechanisms of cooperation (Article 151). The Customs Union was established through the adoption of a protocol that came into force on 1 January 2005.

The Treaty creates seven main organs to enable the Community to fulfil its mission (Articles 9 to 72): the Summit (the highest organ of the Community), the Council, the Coordination Committee, the Sectoral Committees, the East African Court of Justice, the East African Legislative Assembly and the Secretariat (see chapter IV of UNCTAD's guide to East Africa, listed in Sources consulted, at the end of this document). The Community is headquartered in Arusha (Article 136). Its official language is English, but it recognizes Kiswahili as a lingua franca (Article 137).

The Treaty provides rules and conditions governing membership (Article 3), including acceptance of the Community's fundamental principles such as the equality of sovereign States, the potential contribution to the Community, geographical proximity, and compatibility of social and economic policies with those of the Community. Decisions, directives and regulations of the Community are binding on partner States. A member State failing to observe the fundamental principles and objectives of the Treaty might be suspended from the Community (Article 146) or expelled in the case of gross and persistent violation (Article 147).

The Treaty also establishes the primacy of Community organs, institutions and law over national ones on matters pertaining to the implementation of the Treaty (Article 8).

Source: UNCTAD, based on the East African Community Treaty, 1999, http://www.eac.int/treaty.htm; and the EAC Secretariat, *Important Aspects of the Treaty for the Establishment of the East African Community*, May 2002.

OADER EAST RKET

COUNTRY	POPULATION	GDP [a]	GDP PPP [b]	GDP PER CAPITA [c]	GDP PER CAPITA PPP [d]
	millions 2003	$ billions 2003	$ billions 2003	$ 2003	$ 2003
Burundi	7	0.7	4.5	139	627
Ethiopia	69	6.6	49.1	115	716
Kenya	32	13.8	33.0	320	1 035
Rwanda	8	1.6	10.4	301	1 268
Sudan	34	17.8	68.7	347	2 046
	36		*21.9*		*611*
Uganda	25	6.2	37.2	366	1 471
Zambia	10	4.3	9.2	437	883

Source: Adapted from the World Bank (2004e).
[a] At current $. [b] At current international $. [c] At constant 1995 $. [d] At current international $.
Note: PPP = Purchasing power parity.

Government priorities

The major goals of Tanzania under its "Development Vision 2025" are:

- To achieve macroeconomic stability – that is, to minimize price distortions, ensure price stability and manage macroeconomic balances in ways which ensure that Tanzania does not live beyond its means; and

- To attain high levels of domestic savings and investment, broad-based human resource development and sustainable economic growth.

Major targets include:

- Accelerating the rate of growth from the level of 6.2% achieved in 2002 to between 8 and 9% during the period 2005–2010 and 10% after 2010; and

- Increasing real GDP per capita to about $3,000 by 2025.

As for actual performance in the recent past:

- GDP growth rose from 4% in 1998 to 6.2% in 2003, the target for 2004–2005 being 6.4%; and

- Inflation fell from 12.9% in 1998 to 4.4% in 2003, the target for 2004–2005 being 4%.

Privatization

In 1993, Tanzania embarked on the privatization of its estimated 400 public enterprises. This was preceded by the passing of specific legislation, the Public Corporations Act 1992 (as amended in 1993, 1999 and 2001), which created an independent privatization agency, the Presidential Parastatal Sector Reform Commission (PPSRC).

Under the Act, the Treasury Registrar is empowered to declare public enterprises as "specified public enterprises", thereby putting them under the PPSRC for divestiture. The process of divestiture is transparent and involves public invitation to tender for sales of shares or assets, leases, concessions or joint ventures. A number of loss-making and unviable public enterprises have also been subjected to liquidation and closure.

The privatization procedures currently in place start with specification, which puts the specific public enterprise under the legal mandate of the PPSRC. A Divestiture Technical Support Committee (DTSC), with representation from key ministries and the Attorney General's Chambers, is formed to review the enterprises and recommend divestiture strategies. It also evaluates bids for the advertised public enterprises. The divestiture process follows international tender procedures, with bid submission in two parts – a technical proposal and a financial proposal, each evaluated separately. Evaluation of the technical proposal is on a pass/fail basis, with the bidders who have passed being proposed to the Commission (the PPSRC Governing Board), which opens their financial proposals. The final decision is based on the financial offer and its terms. The Commission then invites the chosen bidder to initial a Sales Agreement upon making a down payment, normally 10% of the bid. The award is subject to government approval, normally obtained within 30–60 days.

Among the complaints against the privatization process is that it can take too long. Also, there have been complaints about delays in the payment of employee termination benefits, which are generally considered by the affected employees to be too meagre.

Privatization has already had a significant impact on the economy. By June 2003, some 309 public enterprises had been privatized. Many of these had been receiving subsidies from the Government and were carrying huge debts. The privatized firms are now paying taxes to the Government and 16 of them are among the top 100 taxpayers in the country. The Tanzania Breweries, for instance, paid TShs 43.5 billion in various taxes plus dividends of TShs 34.5 billion in 2002. Before privatization, the Government was spending TShs 100 billion annually to subsidize parastatals, which also had losses of over TShs 300 billion. Production has increased substantially as well. The Kilombero Sugar Factory, for instance, increased sugar production from 29,000 tons before privatization in 1997 to 98,000 tons in 2003.

Major privatizations undertaken include the following: the national telecommunication company, the Dar es Salaam Water Supply and Sanitation Authority, the national airline, the national commercial bank, the Southern Paper Mill, a brewery, sugar factories, textile mills, cement factories, wood processing factories and hotels. The major success stories from the privatization include Tanzania Breweries, Tanzania Cigarette Company, Tanga Cement and the Dar es Salaam Airport Handling Company, all of which had foreign involvement. All four are listed on the Dar es Salaam Stock Exchange and are performing well. Among the public enterprises still to be privatized are some State-owned farms, the Tanzania Electric Supply Company (TANESCO), the National Insurance Company, the Tanzania Railways Corporation, the Tanzania Zambia Railway (see box on privatizing railways in chapter III), and business units under the Tanzania Harbours Authority, including the Mtwara and Tanga ports, a passenger terminal and an oil jetty.

Box I.2. Security in East Africa

Security, of both persons and property, is critical to investors and there are several different ways in which it might be threatened – or *seem* to be threatened. (This is an area in which perception is nearly as influential as reality.) Broadly speaking, one might see *in*security arising in three different ways in the East African Community (EAC): international terrorism, problematic borders and urban crime.

On 7 August 1998, there were bomb blasts at the US embassies in Dar es Salaam and Nairobi. The casualties were considerable – over 200 dead and some 5,000 wounded – and left no doubt that these were terrorist attacks, particularly when combined with the fact that they were simultaneous attacks in different cities with identical targets. Since then, there has been only one major incident of this kind: a suicide bomber killed 15 people in an Israeli-owned hotel in Mombasa, Kenya, in November 2002. (There were also rockets fired at an Israeli jet as it took off from Mombasa airport at about the same time, but these did no harm.) Although some western countries (e.g. Canada, France, the United Kingdom and the United States) still regard the region as highly threatened by international terrorism, the reality on the ground seems to be more reassuring. This is indeed reflected even in the changing actions and advice of such countries as the United Kingdom. In May 2003, the United Kingdom advised all its citizens to avoid Kenya and directed British Airways to suspend flights to the country. By June, these warnings and restrictions had been lifted, although travellers continue to be advised to be on their guard.

A number of measures have been taken by EAC Governments to increase security in the region. In 2002, Tanzania enacted the *Prevention of Terrorism Act*, which criminalizes support for terrorist groups operating in Tanzania. Similar legislation in Kenya, the *Suppression of Terrorism Bill 2003*, is still under consideration, being thought to violate the Kenyan Constitution and international human rights treaties to which Kenya is party. The Government of Kenya has also formed an Anti-terrorist Police Unit and stationed two army battalions on the Kenya–Somalia border. Other countries are contributing to these efforts as well. In 2003, the United States created a $100 million *East Africa Counterterrorism Initiative*, which includes military training, coastal security and measures to strengthen control of the movement of people and goods across borders. A separate programme aims at combating money laundering. The United States is also funding a police development programme in Ethiopia, Tanzania and Uganda and a training programme for Kenya's law enforcement agencies. Finally, it has set up a computer system in selected airports in Ethiopia, Kenya and Tanzania (to be extended in 2005 to Djibouti and Uganda) which enhances control of the movement of people and goods.

Unstable, porous or conflicted borders are a second source of insecurity in the region. One problematic border is that between Kenya and Somalia. The 2002 attacks in Mombasa are thought to have been planned in Somalia and much crime in Kenya is thought by Kenyans to have its origins in arms-smuggling from Somalia. Another difficult border is that between Uganda and Sudan, where a conflict has raged between Ugandan troops and the "Lord's Resistance Army" since the late 1980s and led to some appalling violations of human rights. The Government of Uganda has now referred the matter to the new International Criminal Court. In western and north-western Tanzania, there are tensions between local communities and refugees from Rwanda and Burundi. These have been linked to the proliferation of small arms, and UNDP Tanzania has launched a programme to control proliferation. Arms-trafficking is actually a major concern in East Africa: there are thought to be some 3.2 million illicit weapons in the region. Given this, the decision taken in 2004 by 11 East African countries to create an Eastern African Standby Brigade (EASBRIG) is a very positive step. The EASBRIG is to be one of the five formations of the African Standby Force, established by the African Union in 2002 to carry out peacekeeping operations. The headquarters of the EASBRIG will be in Addis Ababa and its secretariat in Nairobi.

Urban crime is a third source of insecurity in East Africa. (Not that there is no rural crime, but its nature tends to be different and generally to impinge less on foreign investors.) The level of urban crime in Kenya is one of the highest in Africa, although various measures are being taken by the Government to reduce it. According to the World Bank, almost 70% of investors reported "major" or "very severe" concerns about crime, theft and disorder in Kenya, as opposed to 25% in Tanzania and 27% in Uganda. Urban insecurity is far less of a problem in Tanzania and Uganda, although rural and urban crime is increasing in both countries.

Source: UNCTAD, based on a variety of sources, including Institute for Security Studies (2003); N. Alusala (2004) and D. Shinn (2004).

Tanzania is one of the most stable and peaceful countries in Africa. It also has enlightened leadership and abundant natural resources, particularly for tourism. The combination of the world's best game parks, abounding in hundreds of thousands of wild animals, and the most friendly people on earth offers tourists from around the world an unmatchable safari experience. We at Ranger Safaris are proud of our 30-plus years of history as Tanzania's biggest tourism company and fully expect to grow by expanding the range of our customers.

Husein M. Taki, Group Executive Director, Ranger Safaris

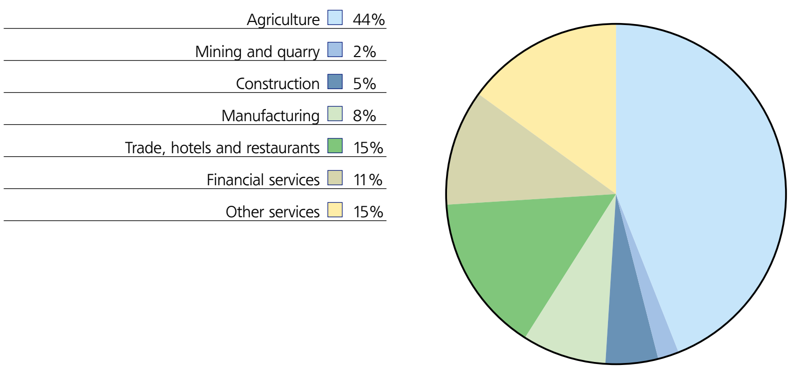
Economic environment

In early 1986, the Government of Tanzania embarked on comprehensive economic reforms, gradually shifting from a command economy to a market economy. The process has culminated in liberalized agricultural produce marketing, the opening up of financial markets to foreign competition, foreign exchange and consumer price deregulation, and enhanced private-sector involvement in the economy. Agriculture makes the largest contribution to the country's GDP (figure II.1).

The World Bank and the donor community fully endorse Tanzania's economic and institutional reform efforts, as evidenced by an expanded level of donor support in numerous bilateral and multilateral endeavours, ranging from public infrastructure building to civil service and governance reforms. Bilateral and multilateral support in annual budgetary allocations has averaged between 40% and 60% of the budget over the last five years. One example of multilateral support is the $200 million World Bank credit for the Songo Songo natural gas fields' development project, which has helped spur private-sector investment in the energy sector.

GDP grew by 5.6% in 2003 and the growth is expected to be maintained. Inflation declined from 28.4% in 1995 to 4.4% in 2003, the lowest over the preceding decade, owing to a positive performance in the agricultural sector coupled with prudent fiscal and monetary policies. The balance of payments recorded significant improvements in 2003, netting a positive balance overall of $297 million, partly due to an increase in banking deposits abroad and a decrease in repayments largely associated with debt relief. Deposit and lending rates continued a downward trend, triggering a lowering of Treasury Bill yields by 2%.

The Government's commitment to further reforms led to a listing of foreign companies on the Dar es Salaam Stock Exchange in May 2003, enabling local companies to access external financial resources at globally competitive rates. Legislation in respect of the establishment and operation of Export Processing Zones (EPZ) came into force in March 2003.



Source: Bank of Tanzania, *Economic and Operations Annual Report* – 2003
and the World Bank, *World Development Indicators*, 2004, http://publications.worldbank.org/WDI/.
Note: GDP 2003 = $9.9 billion; GDP growth rate 2003 = 5.6%.

Trade and investment

Trade

Under the country's trade policy of 2001, both internal and foreign trade regimes have been liberalized, with licensing procedures streamlined to increase speed and decrease cost. The simple average tariff fell from nearly 30% in 1988 to about 14% in 2001. The regime is more open than Kenya's but less so than Uganda's. Non-tariff barriers are similar to those of Kenya and higher than Uganda's (World Bank, 2004b).

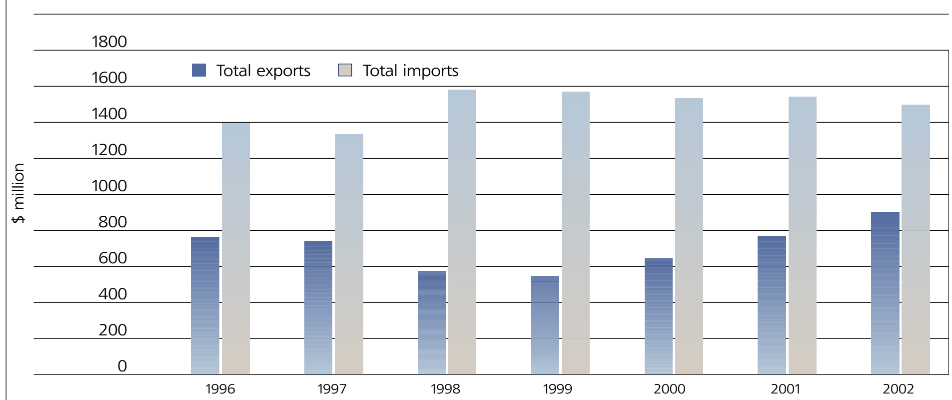
Tanzania's export trade is dominated by agricultural produce, leading foreign-exchange earners being coffee, tea, tobacco, cotton, sisal and cashew nuts. Major imports into Tanzania consist of oil, machinery, industrial raw materials, building/ construction equipment and consumer goods. The trade deficit has reduced lately (figure II.2).

Trade follows the historical pattern, with the United Kingdom the leading destination for Tanzania's exports, followed by France, India and Japan (see table II.1).

NS OF TANZA

COUNTRY	$ MILLION
United Kingdom	136.2
France	132.0
India	79.7
Japan	66.4
Netherlands	50.1
Germany	37.1
Kenya	36.9
Ireland	27.1
United States	14.7
Others (at less than $10 million each)	173.4

Source: Bank of Tanzania and Tanzania Revenue Authority, 2002.



Source: Bank of Tanzania, 2003.

Foreign direct investment (FDI)

FDI is a success story in Tanzania. It has gone from next to nothing 20 years ago to nearly $250 million in 2003. Leaving oil-exporting Sudan aside, only Uganda has done better in the East African region (see table II.2).

Sectoral distribution of FDI stock shows the dominance of mining (39%), followed by manufacturing (22%) and tourism (13%), and with agriculture receiving a paltry 7% (Bank of Tanzania, 2003a). The lake-zone gold fields of Mwanza, Shinyanga and Mara account for 40% of FDI stock, while 36% is absorbed by the commercial capital of Dar es Salaam, leaving Arusha, Morogoro, Iringa and Kilimanjaro to share the balance of 24%, mainly in tourism and agriculture. The stock percentage may actually understate the role of mining in FDI flows in recent years. In 1999, it accounted for 67% of the flows (World Bank, 2004b).

The Mining Act of 1996 led to a surge in the gold mining sub-sector, bringing new investment from Australia, Canada, Ghana and the United States. The United Kingdom retains its second place as a source of FDI, spearheaded by the Globeleq/CDC stake in the Songo Songo gas-to-electricity project, the single largest energy investment in the region.

Tanzania is a signatory to bilateral treaties for the promotion and protection of foreign direct investment with Germany, the Netherlands, Switzerland and the United Kingdom. Treaties with Denmark, Egypt and the Republic of Korea are under consideration (see table on BITs and DTTs in chapter IV).

FDI FLOWS TO EAST AFRICA: 1986–2003

COUNTRY	1986–1990		1991–1995		1996–2000		2001		2002		2003	
	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	in $ millions	in $ per $1,000 of GDP	in $ millions
	Annual average											
Burundi	1.0	1.2	0.7	0.7	3.8	2.8	0.0	0.0	0.0	0.0	0.0	0.0
Ethiopia	0.3	2.0	1.5	8.2	24.2	155.1	3.0	19.6	12.4	75.0	9.0	60.0
Kenya	4.7	38.4	1.5	12.8	3.8	39.8	0.5	5.3	2.2	27.6	5.9	81.7
Rwanda	7.1	15.9	1.9	3.6	2.4	4.3	2.2	3.8	4.3	7.4	2.8	4.7
Sudan	- 0.4	- 4.4	2.7	22.1	21.5	246.4	42.6	574.0	46.9	713.2	77.1	1 349.2
	0.1	*0.3*	*9.0*	*46.4*	*31.6*	*260.4*			*25.5*	*240.4*		
Uganda	- 0.3	- 0.6	12.5	54.2	33.0	200.9	40.5	228.6	43.0	249.3	45.7	283.3
Zambia	35.5	112.5	16.0	53.7	47.9	161.4	19.7	71.7	21.7	82.0	23.6	100.0
MEMORANDUM												
Developing countries	9.0	27 870.2	16.5	80 793.7	32.7	205 856.8	33.6	219 720.7	24.0	157 611.9	23.8	172 032.5
Sub-Saharan Africa (47 countries)	6.0	1 560.5	9.6	2 849.5	20.5	6 783.0	45.2	14 696.2	26.3	8 858.5	25.2	10 587.4
LDCs in Africa (34 countries)	6.4	561.3	10.9	828.1	33.6	3 014.3	60.5	5 827.7	50.1	5 187.2	59.0	7 012.8
COMESA (20 countries)	12.4	1 401.4	13.6	1 542.6	21.0	3 393.3	23.8	4 277.3	21.4	3 935.4	23.1	4 071.7

Source: UNCTAD, FDI/TNC database.

Infrastructure and utilities

Improved infrastructure is essential for economic development in Tanzania. The Government, in collaboration with donors, is making efforts to increase investment in road rehabilitation, the expansion of telecommunication services, water and sewerage services, the modernization of marine and port services, and improvement in air transport services. Opportunities in infrastructure investment are wide-ranging – from highways, bridges, airports and railways to telecommunications, water distribution and power generation. One hundred per cent foreign ownership is allowed in these ventures.

Power supply and energy

Tanzania has abundant untapped energy resources, which could be exploited for electricity generation. Coal reserves are estimated at about 1,200 million tons, 28% of which are proven. Natural gas is estimated at 44 billion cubic metres of proven reserves. Hydroelectric energy has a potential capacity of 4,700 MWh, of which only about 10% is developed.

The electricity sub-sector is largely dominated by the State-owned Tanzania Electric Supply Company Limited (TANESCO), which has a vertically integrated monopoly in the generation, transmission and distribution of electricity in the country. Power generation is largely hydro-based, with the three main stations of Mtera, Kidatu and Kihansi (combined maximum capacity 400 MWh) linked together through the national grid. Weather cycles intermittently subject the grid to periodic load shedding, straining industrial productivity. Power consumption per capita is the lowest in the EAC, and transmission and distribution losses are the highest in the region (see table II.3).

Two independent power producers (IPPs) have been licensed: Independent Power Tanzania Limited (IPTL-120 MWh) and Songas Limited. The 250-km Songo Songo natural gas pipeline will deliver natural gas to generate 188 MWh at TANESCO's Ubungo generators. The idea is to make the power supply less dependent on rain and more reliable. Plans are also under way to convert the IPTL generators from diesel to gas-fired turbines, with the promise of lower power tariffs in the near future.

Energy demand growth is put at between 7% and 9% p.a. and is expected to rise considerably, spurred by investment in the mining sector. Investors complain about the cost of power, although rates per KWh are similar to Kenya's (World Bank, 2004b). However, reliability appears to be worse than Kenya's or Uganda's. Restructuring TANESCO (planned for 2005) is expected to involve unbundling the company into generation,

ECTRIC POWER

COUNTRY	CONSUMPTION PER CAPITA (in kwh)		TRANSMISSION AND DISTRIBUTION LOSSES (as percentage of output)		ELECTRICITY PRODUCTION (in thousands of kwh)	
	1991	2001	1991	2001	1991	2001
Burundi	..	73	..	..	..	..
Ethiopia	18	22	10	10	1 209	1 814
Kenya	117	117	16	21	3 227	4 391
Rwanda	..	23	..	..	..	..
Sudan	49	67	24	15	1 661	2 560
	54	*58*			*1 822*	*2 806*
Uganda	..	66	..	..	..	..
Zambia	731	598	4	3	9 047	8 178

Source: Adapted from the World Bank (2004e) and UNDP (2004).

transmission and distribution entities before inviting private investors to participate, depending on the divestiture strategy adopted.

A study on the Tanzania–Zambia interconnection has recommended the construction of a 670 km-long 33 kV transmission line from Pensulo in Zambia to Mbeya in Tanzania and 330/220 kV step-down facilities, to guarantee supply and lower tariffs.

Telecommunications

The telecommunication sector was liberalized in 1993, opening the market for both local and foreign investment. The Tanzania Telecommunication Company Ltd (TTCL) dominates the sector as the main gateway to international exchanges; however, the monopoly is scheduled to be scrapped in 2005, under a regime regulated by an independent Tanzania Communications Regulatory Authority (TACRA). The arrival of cellular mobile network operators with a total of nearly 1.5 million subscribers made a considerable difference to teledensity. While there were only 4 fixed-line connections per 1,000 inhabitants in 2003, there were also *25* mobile connections (see table II.4).

The Government's divestiture of 35% of its TTCL shares to a consortium of Detecon of Germany and MSI of the Netherlands demonstrates its commitment to increasing the number of connections. TTCL is currently implementing a rural automation project aimed at ensuring that all district centres and suburbs with economic potential have fully automated digital exchanges.

Currently, there are nine Public Data Communica-tion Service providers and Internet service providers are on the increase, with Simunet (TTCL's Internet portal) providing Internet connectivity to regional centres.

TELECOMMUNICAT

COUNTRY	FIXED TELEPHONE LINES per 100 inhabitants		AVERAGE COST OF TELEPHONE CALL TO UNITED STATES ($ per 3 minutes)	CELLULAR MOBILE SUBSCRIBERS		INTERNET	
				Per 100 inhabitants	As % of total telephone subscribers	Users per 10,000 inhab.	Estimated PCs per 100 inhab.
	1993	2003	2002	2003	2003	2003	2003
Burundi	0.3	0.3	4	0.90	72.8	19.7	0.2
Ethiopia	0.3	0.6	7	0.14	18.4	10.8	0.2
Kenya	0.9	1.0	6 [a]	5.02	82.9	127.0	0.7
Rwanda	0.2	0.3	11[b]	1.60	85.2	30.6	..
Sudan	0.3	2.7	4[c]	1.95	41.9	90.1	0.6
	0.3	*0.4*		*2.52*	*85.7*		
Uganda	0.1	0.2	4	3.03	92.7	48.8	0.4
Zambia	0.9	0.8	6	2.15	73.2	60.9	0.9

Source: Adapted from the ITU (2004) and the World Bank (2004e).
[a] In early 2005, the cost was $4.98.
[b] Figure for 1999.
[c] Figure for 2001.

Transport

Road transport

By 1997, only 6% of Tanzania's road network consisted of paved roads – 4,460 km out of 79,500 km. The country is currently in the middle of a ten-year Integrated Roads Programme, which is designed to upgrade 70% of the country's 10,300 km of main roads and build some 3,000 km of new roads. In mid-1998, the European Union announced an aid package of around $1 billion for upgrading and maintaining Tanzanian, Kenyan and Ugandan roads. In order to enhance efficiency, effectiveness and accountability in the road sector, the Government has established an autonomous executive agency, the Tanzania Roads Agency (TANROADS), responsible for the management of trunk road construction, rehabilitation and maintenance.

Sea transport

The Tanzania Harbours Authority (THA), a government parastatal, operates three major ports – Dar es Salaam, Mtwara, and Tanga – and three minor ports – Kilwa, Lindi and Mafia. The port at Dar es Salaam has eight deep-water berths for general cargo, three berths for container vessels, eight anchorages, a grain terminal, an oil jetty and onshore mooring for super tankers.

Dar es Salaam is one of the EAC's two main ports, the other being Mombasa in Kenya. Dar es Salaam port has capacities for dry break-bulk cargo of 3.1 million tons and 6 million tons of bulk liquid. It handles cargo for the landlocked countries of Burundi, the Democratic Republic of the Congo, Rwanda, Uganda and Zambia. The rehabilitation work initiated in 1997 at a cost of $24 million was aimed at modernizing the port, including dredging to handle world-class freighters.

The container terminal of the Tanzania Harbours Authority has been divested and leased to a consortium of International Container Terminal Services Inc (ICTSI) and International Holding Corporation, both of Manila, Philippines, and Vertex Financial Services Ltd of Dar es Salaam. The divestiture transaction was historic in that it made Dar es Salaam port the fastest container terminal in sub-Saharan Africa, ahead of Durban, Mombasa and Mauritius. The Government has engaged external advisors, M/s Rotterdam Maritime Group of the Netherlands, to develop the strategy and the legal and commercial modalities of the privatization of the coastal ports and the maritime sector, a process to be concluded in 2005.

Lake transport

Tanzania's main freshwater lakes are Victoria (covering 35,000 sq. km), Tanganyika (covering 13,000 sq. km), Nyasa (covering 6,000 sq. km), Rukwa (covering 3,000 sq. km) and Eyasi (covering over 1,000 sq. km). The Marine Services Company Limited (MSC), a government parastatal, manages 15 marine vessels on Lakes Victoria (9), Tanganyika (4) and Nyasa (2). There are freight cargo and passenger transport services on Lake Victoria (linking Tanzania, Kenya and Uganda), Lake Tanganyika (linking Tanzania, Burundi, the Democratic Republic of the Congo and Zambia), and Lake Nyasa (linking Tanzania, Malawi and Mozambique). The freshwater bodies support a multitude of people engaged in fishing, agriculture and trading activities. The company posted a turnover of $4.2 million in 2002.

The Government has earmarked MSC for privatization by 2005. Three business units catering for passengers, cargo and ship repair services are to be created for each lake. Bidders will be invited to opt for one or more business units. Whereas the Government will retain ownership of the infrastructure, the businesses will be sold unencumbered, in order to play a competitive role as the main regional gateways to Tanzania's landlocked neighbours: Burundi, the Democratic Republic of the Congo, Malawi, Rwanda, Uganda and Zambia.

Air transport

Three international airports – Dar es Salaam International Airport (DIA), Kilimanjaro International Airport (KIA) and Zanzibar international Airport (ZIA) – provide international gateways, and there are more than 50 other official airports and airstrips. Major airlines flying in and out of Dar es Salaam include Air India, British Airways, Egypt Air, Emirates Airlines, Gulf Air, Kenya Airways, KLM, South African Airways and Swiss. Despite this, direct flights into Dar es Salaam are fewer than the tourism business would like to see. The air freight volume is very low in Tanzania, by far the lowest in the region (see table II.5) and the numbers of passengers carried actually fell by more than 50% between 1990 and 2002 (table II.5). A variety of factor may account for this, including a significant increase in the road network (table II.5).

ATC has been privatized to a strategic investor, South African Airways (SAA), through selling majority government shares. The remaining minority interest will be offloaded to local investors through the Dar es Salaam Stock Exchange. Private operators currently include Precision Air, which provides scheduled flights to more than 14 regional and local destinations. There are several charter operators in the country as well. The privatization of the airport handling services (Dar es Salaam Airport Handling Company – DAHACO) to strategic investor Swissport, together with the subsequent listing of the company on the stock exchange, has proved to be one of the more successful divestitures.

Railway transport

Tanzania has more than 3,500 km of railways, with two railway networks which provide both freight and passenger services: a 2,600 km line linking Dar es Salaam with the Central and Northern regions and operated by the Tanzania Railways Corporation (TRC) and an 1,860 km line, of which 900 km is in Tanzania, linking Dar es Salaam with Kapiri Mposhi in Zambia and operated by the Tanzania Zambia Railways Authority (TAZARA), which is jointly owned by the Governments of Tanzania and Zambia. The railway network is not in good shape and the Government is now in the process of privatizing it (see box on railway privatization in chapter III).

Water, sanitation and health

The national water policy objective was to provide clean and safe water for all residents within a distance not exceeding 400 metres in rural areas by 2002. In spite of the potential national availability of freshwater resources per capita of 2,580 m^3, less than 70% of the urban and 30% of the rural population has access to safe water because of inadequate and wasteful transmission and distribution. Losses of up to 52% of all domestic water supplies are caused by distribution leakage in municipal water supply systems.

At the current rate of growth of 2.8% p.a., Tanzania will have an estimated population of 60 million by 2015 and per capita water supply will dwindle to 1,500 m^3 p.a., well below the universal benchmark of 1,700 m^3. To deal with this potential crisis, the Government has drawn up a water policy with donor support and is inviting the private sector to invest in water in partnership with user communities.

The leading investment in the sector is the $250 million Dar es Salaam Water and Sanitation (DAWASA) project supported by the World Bank. The investment, involving the private operator City Water Services Ltd, will deal with chronic water shortages

R TRANSPORT AND RO

COUNTRY	AIR TRANSPORT: FREIGHT Million tons per km		AIR TRANSPORT: PASSENGERS CARRIED Thousands		ROADS: TOTAL NETWORK Thousands of km	
	1990	2002	1990	2002	1990	2000
Burundi	..	..	8	12[a]	..	14
Ethiopia	67	84	620	1 103	28	32
Kenya	52	118	794	1 600	61	64
Rwanda	..	..	8	..	13	12
Sudan	13	33	454	409	10	12
	1	*2*			*56*	*88*
Uganda	22	21	116	41	..	27
Zambia	30	1[b]	407	47	35	91

Source: Adapted from the World Bank (2004e).
[a] Figure for 1998. [b] Figure for 2001.

in the city of Dar es Salaam and its environs, which are responsible for periodic industrial stoppages and public health crises. Other municipal utilities in Arusha, Mwanza, Dodoma and Tanga have also recently gone commercial to meet consumer needs.

HIV/AIDS is a major health issue in Tanzania, which has the second highest prevalence rate in the region (see box II.1 and table II.6).

Human resources

Of Tanzania's population of 36 million, 55% is in the "working age" group. A low level of education and skills contributes to low productivity, necessitating constant supervision and motivation. Labour costs are low by regional standards, with a minimum wage of about $50 per month.

Traditionally, the education sector has been under-resourced, but liberalization in the sector has recently attracted investment at all levels. Public spending on education remains below 4% of GDP, necessitating World Bank intervention in the Primary Education Development Programme (PEDP) to address compulsory enrolment and completion. Kiswahili is the medium of instruction in primary education, while English is used in secondary and tertiary education.

As table II.7 shows, enrolment ratios are low at the primary level and very low for females at the secondary level. This is reflected in investor concerns over the shortage of skills and managerial and technical staff.

Approved foreign investors are allowed a minimum quota of five expatriate employees,subject to obtaining work permits issued by the Department

COUNTRY	LIFE EXPECTANCY AT BIRTH	HIV PREVALENCE, PERCENTAGE OF PEOPLE AGED 15-49	PHYSICIANS [a] PER 100,000 PEOPLE	PUBLIC EXPENDITURE ON HEALTH AS % OF GDP
	2002	2002	1990-2002	2001
Burundi	42	6	1	2
Ethiopia	42	..	3	1
Kenya	46	7	14	2
Rwanda	40	5	..	3
Sudan	58	2	16	1
		9		*2*
Uganda	43	4	5	3
Zambia	37	16	7	3

Source: Adapted from UNDP (2004) and the World Bank (2004e).
[a] Data are for the most recent year available during the period specified.

Box II.1. HIV/AIDS

The Government of Tanzania recognizes the threat and impact of HIV/AIDS as a national disaster, calling for concerted initiatives at both national and global levels to contain it. In November 2001, the Government launched a national policy on HIV/AIDS and created the Tanzania Commission for AIDS (TACAIDS) to lead a multi-sectoral national response to the pandemic, focusing on awareness/prevention, controlling/counselling and the care of the infected.

About 2 million people are estimated to be living with AIDS, 80% of them in the productive age of 15–49 years. HIV prevalence in the sexually active population (15–49) was the second highest in East Africa (see table II.6), with women of 15–24 accounting for 60% of new infections. The epidemic started in late 1980s and has spread mainly through heterosexual transmission.

Tanzania's efforts to control the epidemic include faith-based interventions, abstinence, the use of condoms and voluntary counselling and testing. Measures also include providing low-cost life-prolonging antiretroviral (ATVs) drugs to AIDS sufferers, as well as attention to broader considerations such as reducing the stigma attached to infection. In 2002, the Government put in place a new strategic plan to combat AIDS, featuring educational campaigns undertaken through radio talk shows, posters, leaflets, seminars, television broadcasts, and so forth. This has greatly enhanced public awareness of the nature and effects of HIV/AIDS.

Source: Prime Minister's Office, Tanzania Commission for AIDS, National Multi-sectoral Strategic Framework on HIV/AIDS 2003–2007.

of Immigration Services in liaison with the Tanzania Investment Centre (TIC).A single-entry business visa is valid for 90 days, while multiple-entry visas for 3, 6, 9 and 12 months are issued on application and the payment of fees shown in table II.8 below.

A defined labour litigation process is in place, involving unions, a commissioner for labour, an industrial court, the high court and ultimately the court of appeal. Investors regard the process as less than business-friendly.

Labour laws stipulate the terms of employment, such as compensation, maximum working hours, vacation, maternity leave, the employee complaint process, night and holiday work, and medical care. Maximum working hours are normally eight hours per day and 48 hours per week, with overtime to be compensated at 1.5 to 2.0 times the normal wage. Some variation in the number of hours worked is permitted under certain circumstances.

Annual leave is set at 2 days for each month of employment, resulting in 24 days of paid leave per year. Maternity leave is mandatory every four years, for 90 days, during which the employee receives half her salary if she has worked for at least one continuous year. For public holidays, see appendix 4.

CATION

COUNTRY	NET ENROLMENT RATIO [a]				ADULT LITERACY RATE
	Primary		Secondary		
	Total % of relevant age group	Female % of relevant age group	Total % of relevant age group	Female % of relevant age group	% of people aged 15 and above
	2001–2002	2001–2002	2001–2002	2001–2002	2002
Burundi	53	48	8	7	50
Ethiopia	46	41	15	11	42
Kenya	70	71	24	24	84
Rwanda	84	85	..	..	69
Sudan	46[b]	42[b]	..	..	60
	54	*54*	*17[c]*	*5*	
Uganda	109[c]	106[c]	14[c]	13[c]	69
Zambia	66	66	20	18	80

Source: Adapted from UNDP (2004).
[a] The net enrolment ratio is the ratio of enrolled children of the official age for the education level indicated to the total population of that age. Net enrolment ratios exceeding 100% reflect discrepancies between these two data sets.
[b] Figure for 1999–2000 school year.
[c] Figure for 2000–2001 school year.

VISA FEES

VISA TYPE	FEES IN $
Single-entry visa	50
Multiple entry visas	
1 to 3 months	100
3 to 6 months	200
6 to 9 months	300
9 to 12 months	500

Source: Tanzania Revenue Authority (2004).

The financial sector and business support services

The financial sector is regulated by the Bank of Tanzania (BOT), which is responsible for formulating and implementing monetary policy. The BOT's responsibilities include enhancing disclosure and stability in the banking sector to promote confidence. Other activities include participating in the inter-bank foreign-exchange market and auctioning government securities.

The Banking and Financial Institutions Act, 1991, provided the legal framework for competitive private banking in Tanzania. There are 28 commercial banks operating in Tanzania, with some 170 branches. These include well-known foreign banks such as Barclays, Citibank and Standard Chartered. (See appendix 2 under financial services; see also the FDI story on banking in chapter III.) In June 2003, the total assets of the banking system (excluding BOT) were $2.295 billion, while deposits stood at $1.762 billion.

Insurance industry

Since the liberalization of the insurance industry through the Insurance Act No.18 of 1996, several international insurance companies have been established in Tanzania, including Imperial Insurance, Jubilee Insurance and Royal & Sun Alliance Insurance (see appendix 2). Currently, there are 10 insurance companies, 32 insurance brokers, 267 insurance agents and 23 loss adjusters. Regulation of the insurance industry is under the Insurance Supervisory Department in the Ministry of Finance.

The Government's strategy to privatize the National Insurance Corporation (NIC) is to sell the life and non-life businesses either separately or together, selling assets to pay old claims. Indicative timelines for divestiture include the engagement of a transaction adviser by the end of 2004 and the signing of the sales agreement by September 2005.

On trade insurance, see box II.2.

Capital markets

The securities market in Tanzania emerged as a result of the structural transformation of the Tanzanian economy. The Capital Markets and Securities Authority (CMSA), eststablished under the Capital Markets and Securities Act, 1994, is a regulatory and supervisory body for capital markets. It licenses and regulates investment intermediaries and deals with the issuance of and trade in securities.

The Dar es Salaam Stock Exchange (DSE) began trading operations in April 1998. Currently, there are nine listed securities at the DSE, including six ordinary share listed companies: Tanzania Oxygen Limited (TOL), Tanzania Breweries Limited (TBL), Tanzania Cigarette Company (TCC), Tanzania Tea Packers Limited (TATEPA), Tanga Cement Company (Simba) and the Dar es Salaam Handling Company (DAHACO). Kenya Airways became the first foreign company to be listed on the DSE in October 2004.

Box II.2. African Trade Insurance Agency

The African Trade Insurance Agency (ATI) is an inward investment guarantee agency, as well as an import and export credit agency, of which Kenya, Tanzania and Uganda are among the seven founding members. ATI is a unique multilateral institution engaged in the provision of financial instruments and insurance and reinsurance for trade, project and investment transactions. Its products secure its policyholders against political and financial risks. ATI's mandate is to increase trade and investment flows into and among its member States, so as to facilitate sustainable private-sector-led economic growth. It was established by a sovereign treaty to which only African States (and eligible international corporate members) may accede. Unlike other national and multilateral agencies, ATI uses its member States' own capital (provided to it under sovereign agreements between ATI, the World Bank (IDA) and individual States), held in its trust funds offshore, as underwriting capital from which to pay insured losses. The agency enjoys diplomatic immunities and privileges in its member States, and is supported by the World Bank and by major public and private-sector players in the export credit and investment insurance market.

Source: UNCTAD, based on information provided by ATI.

Interest rates

The liberalization of the financial sector and the establishment of open markets in foreign exchange and government paper have extended the scope for the implementation of an active monetary policy. Interest rates were liberalized and regular Treasury Bill auctions launched in 1993. The Bank of Tanzania monitors the interest rate structure that the banks effectively apply by compiling and reporting weighted-average lending rates. The twelve-month fixed-deposit rate declined from 6.2% in June 2002 to 5.1% in June 2003, while commercial banks' lending rates decreased slightly from 12.4% in June 2002 to 10.6% in June 2003. In general, the spread between deposit and lending rates remained substantial.

Foreign exchange

Foreign-exchange restrictions have been eliminated to create an environment conducive to attracting potential investors and simplifying international transactions. The liberalizations of external trade and payments were effected when the Foreign Exchange Act, 1992, was enacted to provide for the efficient allocation of foreign-exchange resources and market-determined exchange rates. Along these lines, the Inter-bank Foreign Exchange Market (IFEM) was introduced in 1993, in an effort to demonstrate the Government's commitment to the free flow of profits, dividends and capital.

Taxation

As elsewhere, taxes in Tanzania fall into two broad categories – direct and indirect taxes. Table II.9 provides a summary of the principal taxes in the three members of the East African Community.

Direct taxes

Corporate profit tax

A profit tax is levied on all businesses and calculated on the basis of either actual profit or estimated profit, depending on the tax regime applicable to the taxpayer. Under the amended Laws on Investment and on Taxation adopted in July 2004, the tax on profits is 30% for all taxpayers resident and non-resident. The corporate tax for resident (i.e. locally incorporated) companies is the same in all three EAC countries, with a time-limited reduction for listed companies in Kenya (table II.9). For non-resident companies, it is higher in Kenya but not in Tanzania or Uganda.

Withholding taxes

Dividends

The tax rate for dividends is 10%. For resident corporations listed on the DSE, the rate is 5%. If a corporation distributes dividends to entities which hold, either directly or indirectly, 25% or more of the shares and voting power of the corporation, the dividend is tax-exempt.

Interest

Interest paid by any person to any resident person is subject to a withholding tax rate of 10%.

Royalties and natural resource payments

Payments for the use of natural resources attract a withholding tax rate of 15%. If the recipient is resident the tax is non-final, whereas it is final for non-resident recipients.

Rent

Rental payments to a resident for land or buildings are subject to withholding tax at the rate of 10%, which is final for recipients not in business. Payment to non-residents is taxed at a rate of 15% and is final.

Insurance premium to non-residents

Payment of an insurance premium to a non-resident insurer is subject to withholding tax of 5%.

Gain from the realization of assets

This is 10% for residents and 20% for non-residents. The tax must be paid before the title to the interest is transferred, and the registrar of titles will not register such transfer without certification that the tax has been paid or that none is payable.

Tax on income derived from international transport

This applies where a non-resident receives payments in conducting the business of a land, sea or air transport operator and no part of that business is conducted through a permanent domestic establishment. Tax is charged at the rate of 5% of gross payments.

Personal income tax

There is a distinction between residents and non-residents in the calculation of personal income tax. Residents are taxable on their worldwide salary income, irrespective of where it is paid, whereas non-residents are subject to tax only on Tanzanian-source salaries (see table II.10 for income-tax rates).

Employers are required to pay a fringe benefits tax on benefits provided to employees. The rate is 30% of the market value of the benefit, inclusive of all taxes. Payroll tax is levied at 4% on the gross salary and is intended to fund the creation and management of vocational education.

For non-resident employees of resident employers (temporary employees from outside Tanzania), income is subject to a withholding tax at the rate of 15%, which is final and satisfies the employee's tax liability.

On treaties for the avoidance of double taxation, see the table on BITs and DTTs in chapter IV.

Indirect taxes

Import and excise duties, value-added tax (VAT) and suspended duties are the most important indirect taxes in Tanzania.

The Customs Union Protocol of the East African Community (EAC), which went into effect on 1 January 2005, has spelt out the rules and regulations that are to govern trade inside and outside the Community. The partner States have agreed on a three-band Common External Tariff (CET) of 0%, 10% and 25% for raw materials, intermediate goods and finished goods respectively. (In addition, there is a "sensitive list" of items on which tariffs higher than 25% may be charged.) As for trade within the EAC, Tanzania and Uganda will levy declining tariffs on goods imported from Kenya over the next five years, after which intra-EAC trade is to be duty-free.

Suspended duties ranging from 10% to 40% are imposed on selected products to address the problems of trans-shipment and dumping of substandard goods, and, more broadly, to protect local infant industries.

Export duties are levied on only a limited number of items, such as timber and certain animal products, including most seafood, to address environmental, biodiversity and conservation concerns.

Value-added tax

VAT was introduced on 1 January 1999. It is chargeable on a wide range of goods and services supplied in Tanzania and on the import of goods. The basic principle is to tax each stage of production, allowing each supplier credit for the tax paid, so that the ultimate impact is on the final consumer. Taxable items attract VAT either at the standard rate of 20% or at the zero rate. Zero-rating applies to the export of goods and services, and certain charges related to international transport. On imports, VAT is payable at 20% of the value of the import, including any customs duty, insurance and freight charges.

TABLE II.9. CORPORATE TAXES IN EAST AFRICA (2005)

	KENYA		TANZANIA		UGANDA	
CORPORATE TAX RATES (IN %)						
Resident companies	30[a]		30		30	
Non-resident companies/branches	37.5		30		30	
WITHHOLDING TAXES (IN %)[b]	RESIDENT	NON-RESIDENT	RESIDENT	NON-RESIDENT	RESIDENT	NON-RESIDENT
Dividends	5	10	10[c]	10[c]	15	15
Management, technical or professional fees	-	20	-	20	6[d]	15
Royalties	5	20	15	15	-	15
Interest:						
- *Housing bonds*	10	10	10	10	-	-
- *Bearer instrument*	25	25	10	10	15	15
- *Others*	15	15	-	15	15	15
Mining companies:						
- *Management or technical fees*	-	20	5	15	-	-
- *Dividends*	-	10	10	10	-	-
VALUE-ADDED TAX						
Registration thresholds (annual)	KShs 3 000 000		TShs 40 000 000		UShs 50 000 000	
Rates (in %)						
- *Standard*	16		20		17	
- *Hotel and restaurant services*	14		N/A		N/A	
Penalties (monthly)	2[e]		See note[f]		2[g]	
CAPITAL DEDUCTIONS (IN %)						
Investment deduction:						
- *Plant/machinery*	100		50[h]		50[h]	
- *Buildings*	100		-		-	
First year allowance	-		50		-	
Industrial building allowance:						
- *Manufacturing*	2.5		-		5	
- *Hotels*	4		-		5[i]	
- *Commercial*	-		5		5[i]	
Farmworks allowance[j]	33⅓		20[k]		20[k]	

Source: Adapted from KPMG (2004).
[a] 25% for the first five years upon listing with at least 30%, and 27% for the first three years upon listing with at least 20%, listed in a security exchange approved under the Capital Markets Act (CMA).
[b] This table shows only the most common withholding taxes. For a full list, see KPMG (2004).
[c] 5% for listed companies.
[d] Applies only to taxpayers not up to date with the filing of tax returns.
[e] 2% per month for late payment and KShs 10,000 or 5% of tax due, whichever is higher, for late returns.
[f] For late payment of VAT, the Central Bank lending rate plus 5%; for late submission of the VAT return, for the first month, the greater of TShs 50,000 or 1% of the VAT payable and, for subsequent months, the greater of TShs 100,000 or 2% of the VAT payable.
[g] Greater of 2% or UShs 200,000 in cases of late returns; otherwise 2% compounded.
[h] 50% for urban areas and 75% for rural areas.
[i] Granted upon approval by the Finance Minister.
[j] Structures necessary for the proper operation of the farm.
[k] Allowance granted on reducing balance.

PERSONAL INCOM

	TAX BANDS (IN TSHS PER ANNUM)[a]	RATE (IN %)
First	600 000	0
Next	1 560 000	18½
Next	2 160 000	20
Next	4 320 000	25
Over	6 480 000	30

Source: Adapted from the KPMG Tax Data Card: East Africa, 2004–2005.
[a] $1 = TShs 1,133 in May 2005.

The private sector in Tanzania

The private sector in Tanzania has traditionally been characterized by small, family-owned companies in such areas as retail trade, import/export, transport and hospitality. Most businesses in manufacturing focused on light industries: soaps and detergents, bottling, food-packaging, and so forth. There has also been a very large informal sector. As table II.11 on Doing business in East Africa shows, the informal economy is much larger in Tanzania than in Kenya and even Uganda. Another characteristic of Tanzanian enterprises has been that they were much less likely to export than were Kenyan firms. (Within the East African Community, trade still flows mainly from Kenya to Tanzania and Uganda.)

Liberalization has, however, begun to change things. One important factor here is the establishment of a variety of foreign companies in a range of fields. These include a number of firms in mining (Kahama Mining and Williamson Diamond Mines), manufacturing (South African Breweries and Unilever), banking (Barclays and Standard Chartered) and tourism (Ranger Safaris and Serena Hotels), among others. (See appendix 2 for a list of selected foreign investors in Tanzania.)

In this context, a relatively recent initiative that brings large (mainly foreign-owned) companies together with local SMEs is worth mentioning. The Private Sector Initiative Tanzania, known as Psi Tanzania, began when BP Tanzania approached SBP, a research and private-sector development organization based in South Africa, to help create an enterprise development programme. Psi Tanzania was formally launched in mid-2002. This is a business-linkages programme that helps both large companies – which can carry less stock, reduce import hassles and minimize transaction costs – and local SMEs – which develop their capacities and find new business. It thus addresses the problem of the "missing middle" in the business environment of many developing countries, which have a few large (often foreign) corporations on the one hand and a very large informal sector with limited capacities on the other.

Psi has a database of local SMEs which its members use for import substitution. The concerted efforts in local SME development are tracked quarterly. There is no formal secretariat. Psi members select one of the corporate members to chair the Initiative for a year and this company in effect acts as a secretariat. Psi has been a significant success, with $51 million being spent by its members on local sourcing from SMEs in the first two years of its operations. The initiative was launched by eight charter members: BP Tanzania, Kahama Mining, Kilombero Sugar, National Microfinance Bank, Sumaria Group, Tanga Cement, Tanzania Breweries and Tanzania Cigarette Company. By 2005, the membership had grown to 17 with the following additional members: Celtel, Coca-Cola Kwanza, CRDB Bank, Geita Gold, Mac Group, Mobitel, Placer Dome, Resolute Tanzania and Standard Chartered Bank.

Serious efforts have also been made in recent years to improve dialogue between investors and the Government. The Tanzania Private Sector Foundation (TPSF) was set up in 1998 to create a focal point for the articulation of private-sector concerns. Its key members include the Confederation of Tanzania Industries (CTI), the Tanzania Chamber of Commerce, Industries and Agriculture, the Tanzania Chamber of Mines, and a variety of sectoral and other organizations. Among other things, TPSF nominates private-sector representatives to the Tanzania National Business Council, set up in 2001 by a presidential charter, to provide a forum for public-private dialogue and speed up economic development.

Forty members drawn from the public and private sectors on a 50:50 basis constitute the Council, chaired by the President of Tanzania. The President appoints the public representatives, whereas the Private Sector Foundation nominates private-sector representatives. An Executive Committee, chaired by the Chief Secretary and comprising 10 members, 5 each from the public and the private sector oversees the activities of the Council, aided by a secretariat headed by an Executive Secretary.

The Council organizes biannual investment forums, attended by the cabinet and domestic and foreign investors, as well as eminent persons who can advise on turning Tanzania into a preferred investment destination. It is also working to identify and package investment opportunities at all levels, so as to market them to international investment forums.

The Council is also charged with monitoring and evaluating Business Environment Strengthening for Tanzania (BEST), a programme supported by donors and aimed at leading the reform process and improving the business environment. BEST focuses on improving the legal and regulatory regimes affecting businesses and covers a wide range of issues, including commercial litigation resolution and civil service reform.

Doing business in East Africa

Table II.11, drawn from the World Bank's Doing Business website, provides comparative information on selected indicators in the three EAC countries. The Bank's studies have shown that starting a business is often extremely cumbersome and expensive in poor developing countries, a fact that no doubt accounts for the very large shares of the informal economy in these countries. It is interesting to note in table II.11 that starting a business takes significantly less time in Tanzania than in Kenya and not much more than *half* the average time in sub-Saharan Africa (SSA). On the other hand, it is more than three times as expensive as in Kenya. (It is hardly surprising that a country in which starting a business formally costs nearly twice the average annual income per capita should have a very large informal sector.) It is, however, when it comes to employment that Tanzania shows itself to be consistently more rigid than its EAC partners and somewhat more so than the SSA average. Enforcing contracts, on the other hand, is simpler, faster and cheaper than in Kenya and than the SSA average.

TABLE II.11. DOING BUSINESS IN EAST AFRICA

ECONOMY CHARACTERISTICS (2003) VARIABLE	KENYA	TANZANIA	UGANDA	SSA[a] AVERAGE	OECD AVERAGE
GNI per capita (at PPP)[b]	1,020	610	1,440	1,770	26,000
Informal economy (% GNI, 2003)	34.3	58.3	43.1	42.3	16.8
Population (millions)	31.9	34.9	25.3	19.5	41.5

STARTING A BUSINESS (2004)

The challenges of launching a business in East Africa are shown below through four measures: procedures required to establish a business, the associated time and cost, and the minimum capital requirement.

INDICATOR	KENYA	TANZANIA	UGANDA	SSA AVERAGE	OECD AVERAGE
Number of procedures	12	13	17	11	6
Time (days)	47	35	36	63	25
Cost (% of income per capita)	53.4	186.9	131.3	225.2	8.0
Minimum capital[c] (% of income per capita)	0.0[c]	6.8	0.0	254.1	44.1

HIRING AND FIRING WORKERS (2004)

The first three indices cover the availability of part-time and fixed-term contracts, working time requirements, minimum wage laws, and minimum conditions of employment. The overall Rigidity of Employment Index is an average of these three indices. Higher values represent greater rigidity in all indices.

INDICATOR	KENYA	TANZANIA	UGANDA	SSA AVERAGE	OECD AVERAGE
Difficulty of Hiring Index	22	56	0	53.2	26.2
Rigidity of Hours Index	20	80	20	64.2	50.0
Difficulty of Firing Index	30	60	0	50.6	26.8
Rigidity of Employment Index	24	65	7	56.0	34.4
Firing costs (weeks of wages)	47	38	12	59.5	40.4

REGISTERING PROPERTY (2004)

The ease with which businesses can secure rights to property is measured below, using the following indicators: the number of procedures necessary to transfer a property title from the seller to the buyer, the time required, and the costs as a percentage of the property's value.

INDICATOR	KENYA	TANZANIA	UGANDA	SSA AVERAGE	OECD AVERAGE
Number of procedures	7	12	8	6	4
Time (days)	39	61	48	114	34
Cost (% of property per capita)	4.0	12.6	5.5	13.2	4.9

ENFORCING CONTRACTS (2004)

The ease or difficulty of enforcing commercial contracts in East Africa is measured below, using three indicators: the number of procedures counted from the moment the plaintiff files a lawsuit until actual payment, the associated time, and the cost (in court and attorney fees) expressed as a percentage of debt value.

INDICATOR	KENYA	TANZANIA	UGANDA	SSA AVERAGE	OECD AVERAGE
Number of procedures	25	21	15	35	19
Time (days)	360	242	209	434	229
Cost (% of debt)	41.3	35.3	22.3	43.0	10.8

CLOSING A BUSINESS (2004)

The time and cost required to resolve bankruptcies is shown below. Costs include court costs as well as the fees of insolvency practitioners, lawyers, accountants, etc. The Recovery Rate measures the efficiency of foreclosure or bankruptcy procedures, expressed in terms of how many cents on the dollar claimants recover from the insolvent firm.

INDICATOR	KENYA	TANZANIA	UGANDA	SSA AVERAGE	OECD AVERAGE
Time (years)	4.5	3.0	2.1	3.6	1.7
Cost (% of estate)	18	23	38	20.5	6.8
Recovery rate (cents on the dollar)	14.7	21.3	35.5	17.1	72.1

Source: Adapted from the World Bank (2004a).
[a]"SSA" is "sub-Saharan Africa".
[b]"GNI" is "gross national income", while "PPP" is "purchasing power parity".
[c]The minimum capital requirement for foreign investors has just been set in Kenya at $500,000. See the section "Institutional framework" in Chapter IV.

Investment climate: Key factors for foreign investors

Strengths	Opportunities
• Access to regional markets of over 300 million people (EAC: 93 million and SADC: 215 million), as well as preferential access to the EU and US markets • Considerable natural assets for agriculture, mining and tourism • Unbroken record of post-colonial peace and stability	• Tourism • Commercial agriculture and agro-processing • Mining and gemstone cutting and polishing • Textiles, garments and other light manufacturing • Infrastructure development and services such as training and health

Weaknesses	Threats
• Inadequate infrastructure • Shortage of technically and managerially skilled personnel • Petty corruption	• HIV/AIDS epidemic and its impact on the workforce

Tanzania has no shortage of opportunities – in tourism, in agriculture, in energy. The political maturity of the country and its economic stability are major strengths that investors can rely on. With some serious attention to infrastructure, the Government could ensure that the country's potential becomes reality. Aluminium Africa looks forward to its role in the new Tanzania.

Manu Chandaria, Chairman of the Board, Aluminium Africa

Areas of opportunity

Tanzania covers 945,087 sq. km, made up 942,755 sq. km of mainland Tanzania (formerly Tanganyika) and 2,332 sq. km of Zanzibar (consisting of the islands of Unguja and Pemba). The coastline is 1,424-km long with a narrow continental shelf and an Exclusive Economic Zone (ZEE) in the Indian ocean of about 223,000 sq. km. The country is rich in natural resources, including rich soil, good climate, abundant freshwater resources, marine life and wildlife, rare gemstones and many other mineral deposits. Tanzania is also one of Africa's thriving democracies and has long been a bastion of peace in the region.

Over the last decade, the country has embarked on economic and social reforms supported by the World Bank and the donor community, winning the confidence of both local and foreign investors as a stable economy with growth potential. It posted $248 million in foreign direct investment (FDI) in 2003 and a GDP growth rate of 6.7%.

One hundred per cent foreign ownership is allowed in almost every sector and type of business. Land laws have been amended to permit 99-year leases for foreign companies. Tanzania is strategically located to service most of its landlocked neighbours and offers many investment opportunities targeting the neighbouring States of Burundi, the Democratic Republic of the Congo and Rwanda. A number of opportunities in service sectors such as tourism, communication, education and health remain untapped.

The National Investment Act was enacted in 1997 to provide more favourable conditions for investors and established the Tanzania Investment Centre (TIC), a one-stop shop to co-ordinate, promote and facilitate investment in Tanzania. Approved investors are granted certificates of incentives covering tax relief and concessional tax rates as specified by the Income Tax Act 1973, the Customs Tariffs Act 1976 and the Sales Tax Act 1976.

Priority sectors identified by the Act include:

- Agriculture and agro-processing industries;
- Export-oriented industries;
- Investment in export processing zones (EPZs);
- Manufacturing;
- Mining;
- Physical infrastructure and energy; and
- Tourism and related industries.

Agriculture and related industries

Agriculture is the leading economic sector in Tanzania, providing a livelihood to 80% of the population subsisting on less than two hectares. It is the primary source of food and raw materials, accounting for not quite half of the GDP, and a leading export sector. It remains critical for achieving sustained growth, poverty reduction and rural development. Smallholder farmers responsible for 90% of all farm produce underutilize arable land, as production systems remain archaic in tillage, storage and processing (table III.1).

Favourable climatic conditions in a number of regions (table III.2) provide opportunities for large-scale commercial farming of various cash crops such as coffee, cotton, tobacco, sisal, cashew nuts, sugar and pyrethrum. The flow of FDI into agriculture, at only 5% of the total, remains very small when compared with other sectors. The land laws have been revised to allow for long-term leases of up to 99 years for foreign companies. Global companies involved in large-scale farming operations currently include Brooke Bond (tea) from the United Kindgom, Ilovo (sugar) from South Africa and Africa Plantations (coffee) from Zimbabwe. Divestitures in the Hanang wheat complex are likely to interest world-class growers. The Integrated Road Projects (IRP) sponsored by the World Bank are expected to open up transport networks, including rural roads in key agricultural areas.

Less than 10% of the country's over one million hectares of irrigable land is developed. Irrigation potential exists in river valleys and alluvial plains, the Ruvu corridor, Kilombero, Wami Valleys, Kilosa, Lower Kilimanjaro, Ulanga, Kagera basin, Kyela, Usangu and Rufiji.

The temperate climate in the highlands of Kilimanjaro, Meru, Usambaras and Rungwe is ideal for horticulture and floriculture, where investment opportunities also include the provision of cold-storage facilities and air-cargo transport to foreign markets.

Fisheries

Tanzania is endowed with some of the largest freshwater lakes in the world, occupying 53,480 sq. km (6% of the country's land mass), with substantial fish resources of 730,000 metric tons per year. Investment in fishing is regulated by the Fisheries Act of 1970 under the Ministry of Natural Resources and Tourism, which is responsible for licensing and quota allocation to guard against over-exploitation and environmental damage.

Principal markets include the European Union and Japan for the Nile perch from Lake Victoria. Tanzania controls 55% of Lake Victoria but lags behind Kenya in fish-processing and export.

Forestry

Tanzania has about 33.5 million hectares of forests and woodlands. About 13 million hectares of this total forest area have been gazetted as forest reserves. Over 80,000 hectares is under managed plantation forestry and about 1.6 million hectares are under water catchment management. The value of Tanzania's forests is increasing with an expanding tourism portfolio and the harvesting of organic forest products.

The estimated potential for bee products is about 138,000 tons of honey and 9,200 tons of beeswax per annum from an estimated potential of 9.2 million honeybee colonies. Other investment opportunities include the manufacturing of beekeeping equipment, beeswax and honey-based industries and products, bee-pollination-based industries and the promotion of lesser-known bee products such as royal jelly, for which there is a demand in Japan and other countries.

Softwood and hardwood plantations offer good opportunities for investing in the establishment of wood-based industries such as saw-milling, partial boards, furniture and joinery, prefabricated structures, and pulp and paper industries.

TABLE III.1. AGRICULTURE, 2003

Arable land	88 million hectares
Utilization	5.5%
Agriculture contribution to GDP	44%
Main cash crops	Coffee/cotton/tea/tobacco
Main food crops	Maize/rice/pulses/wheat

Source: Tanzania Investment Centre (TIC), 2002.

TABLE III.2. REGIONS WITH POTENTIAL FOR THE COMMERCIAL FARMING OF CASH CROPS

CROPS	REGIONS
Coffee	Kilimanjaro, Arusha, Ruvuma, Mbeya, Iringa
Cotton	Mara, Mwanza, Tabora, Shinyanga, Kigoma, Singida, Tanga
Tea	Iringa, Tanga, Mbeya, Kagera
Tobacco	Tabora, Iringa, Kigoma, Shinyanga, Ruvuma, Kagera
Sisal	Tanga, Morogoro, Kilimanjaro, Lindi, Mtwara
Cashew nuts	Mtwara, Lindi, Tanga, Coast
Sugar	Morogoro, Kagera, Kilimanjaro

Source: Tanzania Investment Centre (TIC), 2002.

TABLE III.3. REGIONS WITH POTENTIAL FOR THE COMMERCIAL FARMING OF FOOD CROPS

CROPS	REGIONS
Maize	Mbeya, Iringa, Ruvuma, Rukwa, Tanga, Kilimanjaro, Morogoro
Wheat	Arusha, Kilimanjaro, Mbeya, Iringa, Rukwa
Rice	Mbeya, Morogoro, Coast, Rukwa, Tanga, Kilimanjaro, Shinyanga
Millet	Dodoma, Arusha, Singida, Shinyanga, Mwanza
Sorghum	Dodoma, Morogoro, Mwanza, Tanga, Shinyanga, Tabora
Potatoes	Kilimanjaro, Arusha, Mbeya, Morogoro
Bananas	Kilimanjaro, Arusha, Kagera, Mbeya, Morogoro
Chickpeas	Mwanza, Shinyanga, Mara
Pigeon	Arusha, Morongoro, Dodoma

Source: Tanzania Investment Centre (TIC), 2002.

ION AND EXP

TRENDS, 2003

CROP	VOLUME IN THOUSAND TONS	EXPORTS IN $ MILLION	TREND 1980–1981 = 100
Maize	2 698	-	147
Paddy	960.6	-	275
Wheat	72	-	80
Non-cereals	8 547	-	251
Coffee	29.79	32.42	68
Cotton	21.12	18.75	89
Tea	13.5	16.04	140
Cashew nuts	6.03	3.88	125
Tobacco	6.48	10.49	187
Sisal	6.15	3.05	28
Cloves	2.64	5.99	-

Source: UNCTAD, based on Bank of Tanzania (2003); Tanzania Revenue Authority (2003); and Ministry of Agriculture and Food Security (2003).

Tourism

Tanzania is the only country in the world to allocate more than 25% of its total area to wildlife parks and game reserves. There are 12 national parks, 17 game reserves, 50 game-controlled areas, a conservation area, two marine parks and two marine reserves. Tanzania's wildlife resources are among the finest in the world and have long been widely known. The Northern Circuit includes the Serengeti plains, the spectacular Ngorongoro crater, Lake Manyara and Africa's highest mountain – Kilimanjaro. The Southern Circuit, comprising the Mikumi and Ruaha National Parks and the Selous Game Reserve, remains relatively underexploited. Both circuits are famous for being heavily stocked with a wide range of fauna including the big five: elephant, rhino, leopard, lion and buffalo. Additional natural attractions include the sandy beaches north and south of Dar es Salaam, the spice islands of Zanzibar (box III.1) and deep-sea fishing at Mafia and Pemba Islands. Along the Indian Ocean islands are the remains of ancient settlements. At Olduvai Gorge, in the interior Rift Valley, is the site of the discoveries of the traces of early humanity. Gombe Stream National Park is home to the world's best-documented research on primates (chimpanzees and baboons), pioneered by Jane Goodall in the 1960s.

To the tourist, Tanzania also offers interesting culture and crafts, notably the Maasai culture and art and the Makonde sculptures and carvings done in ebony. Tanzanians are a very friendly people with a long tradition of generous hospitality and a wealth of folklore.

Tourism is a critical industry in Tanzania, accounting for 47% of total exports in 2002 (table III.5). The number of arrivals rose steadily from 1995 to 1999, when it reached 627,000. Then it fell to about 500,000 in 2000, perhaps on account of the travel advisories of major source countries after the 1998 bombing incident (box I.2 in chapter I). Since then the numbers have risen again, reaching 576,000 in 2003. Although Tanzania attracts significantly lower numbers of tourists than Kenya, it has much larger tourism receipts (table III.5). In part, this is because Tanzania is more expensive (e.g. higher hotel rates), but it is also because tourists' activities differ in the two countries. In Kenya, a substantial part of the tourist's visit takes the form of a beach holiday, which is relatively cheap, while in Tanzania it is mostly safari tourism, which is more expensive.

Box III.1. Zanzibar

The ancient trading port of the Sultans of Oman, Zanzibar is a unique tourist attraction to the south of the equator. Carved doors and balconies decorate houses made of coral stones. The inland of the island offers the most luxuriant tropical vegetation, giant trees, ferns and various endemic species. Changuu island offers the only sanctuary for its hundred-year old tortoises and the marine reserve in Chumbe for its protected coral reefs. The Zanzibar Channel is famous for scuba diving, providing opportunities for water sports.

Pemba Island lies north of Zanzibar and is famous for its clove production. Pemba Channel is 2,400 ft deep, separating the island from the continent, and the best place for deep-sea fishing, with the biggest catch on the East African coast. Pemba also has pristine great reefs and varied fauna, including the great white shark and giant turtles.

Source: UNCTAD.

Overall, the tourism industry in Tanzania suffers from certain weaknesses:

- Air accessibility, both external and internal, is limited, with international carriers having far more frequent flights to Nairobi than to Dar es Salaam. Scheduled internal flights are few and irregular, and the cost is relatively high.
- Poor roads to and in tourist sites raise the costs of tour operators. A main road into the Manyara, Ngorongoro and Serengeti region has now been constructed, as well as a bridge over the Rufiji Delta, which help alleviate transport problems.
- Service standards in accommodation are inadequate with an insufficient number of high-quality hotels.
- Product pricing is another hindrance, as domestic transport, visa fees, park entrance fees and the like are relatively costly when compared with competing destinations.

(On some of these points, see the FDI story on tourism in box III.2.)

However, these weaknesses also create opportunities for investors:

- More accommodation facilities with i nternational standards are very much needed, including hotels, lodges, guesthouses, and entertainment and camping facilities, not only in the relatively unexploited areas such as the Selous Game Reserve but even in the Serengeti National Park and the Ngorongoro Conservation Area, which contain some of the greatest concentration of wildlife in Africa.
- Opportunities in ecotourism are to be found in areas such as the Eastern Arc mountain ranges of North Pare, the Usambaras, Uluguru and Udzungwa, and the mangrove forests of the Mtwara, Lindi, Coast and Tanga regions.
- Opportunities also exist in hotel development and/or campsites in some of the cultural heritage sites such as Bagamoyo, Pangani, Tabora and Kilwa. Historic buildings in these places can be leased by private operators.
- There are opportunities in the development of deep-sea fishing, trophy hunting, and sea and lake cruising.
- Finally, there is a major need for more training in the tourism sector in Tanzania – and hence an opportunity for investors.

TABLE III.5. INTERNATIONAL TOURISM

COUNTRY	NUMBER OF ARRIVALS		RECEIPTS			
	Thousands		Percentage of total exports		Millions of current $	
	1995	2002	1995	2002	1995	2002
Burundi	34	36[a]	1	3	1	1
Ethiopia	103	148[a]	3	8[a]	26	75[a]
Kenya	896	838	16	9	486	297
Rwanda	..	113[a]	3	23	2	31
Sudan	63	52	3	3[a]	19	56[a]
			20	*47*	*259*	*730*
Uganda	160	254	12	26	78	185
Zambia	163	565	..	11[a]	47	117[a]

Source: Adapted from the World Bank (2004e).
[a] Figure for 2001.

Box III.2. FDI story: Investing in tourism (tour operations)

Pollman's Tours and Safaris Ltd is a tour operating business in Kenya. It has a sister company, Ranger Safaris Ltd that provides the same services in Tanzania. Founded by Karl Pollman, a German citizen, in 1957, Pollman's has been in the tour operating business in Kenya for nearly 50 years. It used to be fully owned by TUI (the largest tour operator in the world, based in Germany), which still has a 25% share in it, the remaining 75% being held by Travel Union Inc., which is a privately owned company based in Mauritius. Ranger Safaris is owned the same way. Both companies also have interests in several hotels and Ranger Safaris has recently completed the construction of a luxury tented camp in the Serenegti National Park in northern Tanzania.

With a combined fleet of over 300 specially designed safari vehicles and an asset base of $25 million, Pollman's and Ranger Safaris are the largest tour operators in East and Central Africa and handle about 55,000 tourists together in an average year. After remaining steady for several years, the tourism business overall has experienced a sharp increase in the last two years in both Kenya and Tanzania. Pollman's employs 260 people in Kenya, of whom only four are expatriates; Ranger Safaris employs 250 persons in Tanzania, of whom only three are expatriates. The two companies have shared business interests since the 1980s. Pollman's customers were handled by Ranger Safaris if they went on safaris in Tanzania and Pollman's provided corresponding services to Ranger's customers who wanted a beach holiday on the Kenyan coast. In the early 1990s, the owners of the two companies decided on a common shareholding in both companies. The typical customer in both countries is a tourist from the European Union, who might spend a week on the Mombasa coast and another week or so on safari in Kenya or Tanzania, or in both.

Asked for his assessment of the investment climate, Mr. Husein Taki, the Group Executive Director of Pollman's and Ranger Safaris, says it is definitely improving in Tanzania and to a lesser extent in Kenya. In both countries, there continue to be some bureaucratic delays in such matters as issuing work permits for expatriates – which can easily take two months. Approvals for new projects are handled faster in Tanzania than in Kenya. The trend, on the whole, is positive in both Tanzania and Kenya, Mr. Taki thinks, but in Kenya both the infrastructure and the regulatory framework need improvement. As to the challenges the companies have faced, they have been quite different in the two countries. In Tanzania, it has been a matter of limited inbound air capacity, not enough first-class hotel accommodation in the game parks in the northern circuit and not enough trained or experienced workers. In Kenya, it has been mainly infrastructure (roads) and security concerns in the past. Although the security situation in Kenya has improved a great deal, the US Government has continued to maintain its travel advisories, which has not helped the business in Kenya, where the number of American tourists has dropped by more than 50%.

As for what the Governments need to do, Mr. Taki thinks that both Kenya and Tanzania have suffered from their past neglect of overseas marketing. This has changed in the past few years, as both have embarked on aggressive marketing campaigns overseas. However, they need to ensure that increased resources for such marketing are made available on a long-term basis. Kenya also needs to improve its roads, while Tanzania needs to improve its hospitality training and lift some of the restrictions on allowing new lodges to be built in the game parks, in order to alleviate an acute shortage of hotel space, especially in the northern circuit. The assets of the two countries are substantial: Tanzania has an abundance of game and friendly people, while Kenya has a well-developed tourism network and a skilled workforce. There is also no shortage of opportunities in either country. Areas that could be profitably developed further include marine and eco-tourism as well as cultural tourism in both countries. In Tanzania, they further include beach resorts in and around Dar es Salaam and the development of the mostly unexploited Southern Circuit, comprising the Mikumi and Ruaha National Parks and the Selous Game Reserve.

The future plans of both companies focus on a diversification of the sources of their business, which have traditionally been tourists from the European Union and (to a lesser extent) North America. There is, Mr. Taki thinks, much untapped potential in the Gulf Countries, the Indian sub-continent and South-East Asia (the ASEAN countries), as well as in the new members of the EU (the countries of Central and Eastern Europe). Pollman's and Ranger Safaris will probably begin by appointing agents in these target countries and then move towards opening a regional office in Asia, possibly in Hong Kong.

Source: UNCTAD, based on information supplied by Pollman's and Ranger Safaris.

Mining

The Mining policy of 1997 has had a remarkable impact on investment in the sector, with 82 mining licences and over 1,500 prospecting licences issued in the last five years. (For major mining operations, see table III.8.) Tanzania has a wide variety of minerals, including diamonds, gold, base metals, gemstones and industrial minerals (table III.6). It is the continent's third largest gold producer after South Africa and Ghana (table III.7). Mining is the fastest-growing sector in Tanzania in terms of its contribution to GDP and its share of exports. The value of mineral exports increased from $14 million in 1996 to $241 million in 2003.

The Government wishes to develop a lapidary industry, cutting and polishing gemstones. This requires, however, that the country attract and develop the requisite skills, which are currently lacking.

TABLE III.6. GEOGRAPHICAL DISTRIBUTION OF MINERALS IN TANZANIA

MINERALS	GEOGRAPHICAL LOCATION IN TANZANIA
Gold	Southern and eastern parts of Lake Victoria; south-west Tanzania
Nickel, cobalt, copper,	North-west Tanzania
Gold and base metal	Western and south-western Tanzania
Diamonds	Central and southern Tanzania
Major gemstones	Eastern, southern and western Tanzania
Apatite, niobium, tanzanite	In the Rift Valley system
Iron Ore	Southern Tanzania
Coal	Southern Tanzania
Evaporates	In the Rift Valley and along the coastal belt
Cement raw materials	In the Rift Valley and along the coastal belt

Source: Tanzania Investment Centre (TIC), 2002.

OURCES BY MID-2

MINES	ORE RESOURCE
Bulyankhulu (Barrick)	14 mozs @13.0 g/t
Nyankanga (Geita Gold Mine)	7.2 mozs @5.7 g/t
Geita/Lone Cone (Geita Gold)	2.3 mozs @ 3.5 g/t
Kukuluma (Geita Gold Mine)	2.1 mozs @ 3.2 g/t
Golden Pride (Resolute)	2.0 mozs @ 3.0 g/t
Nyamulilima (Ashanti/Geita Gold)	2.2 mozs @ 4.0 g/t
Nyabigena (Africa Mashariki)	1.3 mozs @ 2.5 g/t
Nyabirama (Africa Mashariki)	2.8 mozs @ 2.5 g/t
Buzwagi (Barrick)	1.6 mozs @ 1.9 g/t
Total	35.5 million ounces

Source: Tanzania Investment Centre (TIC), 2002.
Note: mozs = million ounces; g/t = grammes per ton.

IINING OPERATIO

COMPANY	OWNER	MINERAL	START PRODUCTION DATE
1. Kahama Mining Corp	Barrick Gold	Gold	April 2001
2. Golden Pride	Resolute	Gold	February 1998
3. Geita Gold Mine	Ashanti/Anglogold	Gold	August 2000
4. Africa Mashariki			
East Africa Mines	Africa Mashariki	Gold	September 2002
	Spinifex	Gold	
5. Merearani	AFGEM	Tanzanite	August 2000
6. Williamson	De Beers & GOT	Diamonds	1940
7. Kabanga Nickel Project	Barrick Gold	Nickel	Exploration

Source: Tanzania Investment Centre (TIC), 2002.

Petroleum and gas

Significant gas discoveries have been made on the coastal shores of Songo Songo island and Mnazi Bay, and commercial exploitation for power generation began in July 2004.

Petroleum seismic coverage in the public domain is approximately 52,000 kms, 52% offshore and 48% onshore, including the interior rift basins. (The Tanzania Petroleum Development Corporation (TPDC) has released the outcome of a study entitled *The Hydrocarbon Potential of Tanzania (1997)*, which is available to interested parties through Alconsult International Limited, Alberta, Canada.) The Energy and Water Regulatory Authority (EWURA) is responsible for regulating gas and petroleum transmission by pipeline.

Infrastructure and other

Foreign ownership up to 100% is allowed in infrastructure investment, including highway construction, bridges, telecommunication, airports, railways, water distribution and power generation.

(See the section on infrastructure in chapter II for further relevant background information.)

Road transport

Starting in the 1990s, the Government launched a concession system aimed at attracting domestic and foreign private investors to participate in build-operate-transfer (BOT) schemes (table III.9). To expedite implementation, the Government has established an autonomous executive agency, the Tanzania Roads Agency (TANROADS), to be responsible for the management of trunk road construction, rehabilitation and maintenance.

The National Social Security Fund (NSSF) is also promoting the Kigamboni Crossing Project, aimed at connecting northern Dar es Salaam and the southern part of the city through the construction of a bridge under a BOT arrangement.

Railway transport

Tanzania has more than 3,500 km of railroads, including a 2,600 km line linking Dar es Salaam with the central and northern regions operated by Tanzania Railways Corporation (TRC). The Government is in the process of privatizing the TRC through concession, retaining ownership of the infrastructure and involving the private sector in the service provision (see box III.3).

Port operations

In May 2000, the container terminal of the Tanzania Harbours Authority was divested and leased to the consortium of International Container Terminal Services Inc (ICTSI) and International Holding Corporation, both of Manila, Philippines, and Vertex Financial Services Ltd of Dar es Salaam, Tanzania. Disbandment of the National Shipping Agencies (NASACO) divested shipping operations, creating opportunities for private operators. (See also section on sea transport under Infrastructure in chapter II.)

FOR BOT/BOO PR

ROADS	COVERAGE
Dodoma – Tabora – Nzega	487 km
Tabora – Kigoma	690 km
Bagamoyo – Sadani (Coast Region)	40 km

Source: Tanzania Investment Centre (TIC), 2002.

Lake transport

Tanzania's major lakes are Victoria (35,000 sq. km), Tanganyika (13,000 sq. km), Nyasa (6,000 sq. km), Rukwa (3,000 sq. km) and Eyasi (over 1,000 sq. km).

Passenger transport and freight cargo services on Lake Victoria (shared with Kenya and Uganda), Lake Tanganyika (shared with Burundi, the Democratic Republic of the Congo and Zambia) and Lake Nyasa (shared with Malawi and Mozambique) present substantial investment opportunities. It is estimated that the regions surrounding Victoria, Tanganyika and Nyasa are home to over 30 million people involved in fishing, agriculture and trading. There are opportunities in establishing fast passenger traffic from the commercial city of Mwanza to Bukoba, Port Bell in Uganda and Kisumu in Kenya.

Air transport

The national carrier, Air Tanzania Corporation (ATC), was divested through a 49% share sale agreement with South African Airways in December 2002; the remaining stake will be offloaded through the Dar es Salaam Stock Exchange. Charter and scheduled air transport services have been liberalized following the promulgation of the Tanzania Civil Aviation Authority as the regulator in the industry. Tanzania has also adopted the open-skies policy, and has invested heavily in infrastructure and safety by buying state-of-the-art radar at £40 million ($63 million) in 2003.

Box III.3. Privatizing railways in East Africa

The EAC Customs Union, launched on 1 January 2005 with the simultaneous implementation of the Customs Union Protocol by the three partner States, is designed to create a single market of some 93 million people with a combined GDP (at purchasing power parity) of around $92 billion. However, the benefits of regional integration depend critically on a functioning regional transport infrastructure, which badly needs to improve its performance. Excessive costs and frequent delays are among the main factors limiting regional trade. Railways in particular, in Kenya, Tanzania and to some extent Uganda, are in a dilapidated state. The three Governments have recognized that privatizing the railways is about the only way to improve their performance, and the entire regional network is therefore in the process of privatization through concession.

In Tanzania, two railway networks provide more than 3,500 kms of track. The Tanzania Railways Corporation (TRC) has a 2,600 km network of two main lines: the central line, which goes from Dar es Salaam to Tabora (850 km), and from Tabora to Kigoma (453 km) and to Mwanza (386 km); and the Tanga line (430 km), which runs from Tanga to Moshi and Arusha. The Tanzania–Zambia Railway (TAZARA), jointly owned by the Governments of Tanzania and Zambia, operates the 1,860 km (900 kms of it in Tanzania) line linking Dar es Salaam with Kapiri Mposhi in Zambia.[1] In addition to the exports and imports of Tanzania and Zambia, TAZARA handles those of the Democratic Republic of the Congo, Malawi, South Africa and Zimbabwe. What with inadequate resources and poor management, its designed capacity of 5 million tons of freight a year has never been more than a quarter used.

The idea of creating a unified East African railways network through the joint concessioning of the KRC, the TRC and the URC was under consideration until 2003, when the Government of Tanzania decided to opt out. The investment requirement of the 25-year concession of the TRC is projected to be around $180–200 million. The concession process is well advanced: three bidders are fully pre-qualified (the RITES Consortium of India, the Great Lakes Railway Company Consortium of South Africa and the NLPI/Spoornet Consortium of South Africa) and four are conditionally pre-qualified (Canac of Canada and Dynamic Rail, the East Africa Rail Consortium and the Sheltam/Mvela Consortium of South Africa). Privatization is expected to occur by mid-2005. At the same time, the Governments of Tanzania and Zambia have agreed to privatize TAZARA jointly through concession.

[1] The construction of TAZARA, completed in 1975, was perhaps the largest Chinese development project in Africa, financed with a $400 million, 30-year, interest-free loan from the Government of China.

Source: UNCTAD, drawing on the World Bank (2004c and 2004d); the Republic of Kenya and the Republic of Uganda (2004) and other sources.

Telecommunications

In 2001, the Government sold 35% of its share in the Tanzania Telecommunication Corporation Limited (TTCL) to a consortium of Detecon of Germany and MSI of the Netherlands. TTCL's monopoly as the main gateway to international exchanges ends in 2005. Complete divestiture of TTCL will open the gates to value-added service providers in voice and imaging products, pre-press, conferencing, data capture and processing, call centres, radio paging, and broadband wireless Internet services.

Currently, four cellular network operators have been licensed to operate on both the mainland and Zanzibar: Celtel, Mobitel, Vodacom and Zantel. Cellular operators have revolutionized the sector by connecting nearly 1.5 million subscribers over the last ten years, greatly improving teledensity from just over 5 per 1,000 people in 1998 to over 25 per 1,000 people in 2002.

Currently, there are nine Public Data Communication Service Providers. TTCL's Internet service provider SIMUNET is implementing a regional Internet point of presence alongside a rural automation project, aimed at ensuring that all district centres and suburbs with economic potential have fully automatic digital exchanges.

Banking and insurance

The liberalization of the financial sector under the guidance of the Banking and Financial Institutions Act of 1991 has seen over 24 private commercial banks and 7 non-bank financial institutions established in Tanzania. (For some foreign investors in banking, see appendix 2. See also the FDI story on banking in box III.4.) The Government is evaluating bids for controlling stakes of up to 70% in the National Micro-finance Bank (NMB), commanding 50% of its branch network, to enhance and entrench rural micro-finance development. The transaction is to be concluded by mid-2005.

Opportunities exist in expanding product and service portfolios in non-traditional services such as brokerage, asset management, real-estate financing, lease finance and agricultural finance. The establishment of the Dar es Salaam Stock Exchange (DSE) opens up opportunities in the formation of unit trusts and mutual funds to facilitate the pooling of savings from small investors for investment in large projects, particularly those generated by the ongoing parastatal and other public utility divestiture programmes.

The insurance business was liberalized through the Insurance Act No. 18 of 1996, and 10 private insurance companies have been licensed (see appendix 2). The State-owned National Insurance Corporation (NIC) is scheduled for privatization in 2005. Investment opportunities in the establishment of venture capital funds, medical and educational insurance, and property and life insurance remain untapped.

Power/energy

In order to increase power generation through attracting investment in the energy sector, the Government licensed two independent power producers (IPPs) in 1992: Independent Power Tanzania Limited (IPTL) and Songas Limited. The Songo Songo gas project (promoted by CDC), utilizing natural gas from Kilwa District in the Lindi Region to generate 188 MW, came on stream in July 2004. Plans are also in hand to convert the IPTL diesel generators to Songas to ease power availability risks associated with rainfall variations.

The restructuring of the Tanzania Electric Supply Company (TANESCO) is expected to create investment opportunities in generation, transmission and distribution. Coal reserves are estimated at about 1,200 million tons, of which 30 million tons are proven, and have a ready demand in paper mills and cement factories located close to the sources. Natural gas is estimated at 44.02 billion cubic metres of proven reserves. Solar, wind and geothermal sources, which could be a viable alternative source to reduce the use of fuel wood and oil for heating purposes, remain virtually untapped. These energy sources also require a low capital investment as compared with hydropower generation.

The East Africa Power Master Plan is being developed under the auspices of the Secretariat of the East African Community, and a study of the East African power systems has been commissioned by the three partner States. A study on the Zambia/Tanzania/Kenya interconnection recommended the construction of 670 km of a 33 kV transmission line from Pensulo in Zambia to Mbeya in Tanzania, and from Namanga to Nairobi.

Box III.4. FDI story: Investing in banking

Standard Chartered is a UK-based international bank employing 30,000 people in more than 50 countries. It has a management team that draws on 70 nationalities. Although headquartered in the United Kingdom, the bank is focused on the established and emerging markets of Asia, Africa, the Middle East and Latin America. About 70% of its business is in Asia and another 12% in Africa. The rest is mostly in the Middle East, with a very small percentage in the Americas. In sub-Saharan Africa, Standard Chartered has more than 130 branches in 12 countries and employs 5,500 people.

The bank first established its presence in what is now Tanzania in 1916 and was nationalized in 1967. Following the liberalization of the banking and financial sector in 1991, Standard Chartered Bank Tanzania (SCBT) opened for business in December 1993 and was the first foreign bank to be registered. SCBT now has six branches – three in Dar es Salaam, one in Mwanza, one in Arusha and one in Moshi. The head office is in Dar es Salaam.

SCBT is fully owned by Standard Chartered plc, with a total investment of $23 million. The Tanzanian company's annual turnover is around $32 million, with profit after tax in the $10 million range. The assets of the bank are $180 million. In early 2005, the bank had 250 employees, of whom 7 were expatriates, 5 of them African. About 90% of the bank's business in Tanzania is corporate, with 75% of corporate customers being domestic companies and 25% foreign ones, mainly multinationals. (Worldwide, about 50% of the bank's business is corporate.) Interest rates on its loans vary between 10% and 23%, with the rate on dollar-denominated loans being around 5%.

Asked how he sees the investor's environment, Mr. Hemen Shah, the Managing Director, identifies several issues. Existing land regulations, for one thing, prevent mortgage lending, a business which the bank thinks has potential. One major challenge the bank has faced is retaining skilled employees, of whom there is a shortage. On the other hand, there are no tax hassles, especially since the revenue authorities set up a large-tax payers' unit. There are also no major problems with foreign-exchange regulations. Mr. Shah thinks it ought to be a priority for the Government to reform the land legislation, so that securing title and using it as collateral are facilitated. Asked what he likes best about the country, Mr. Shah says it is the stable macroeconomic environment. As for FDI opportunities, they are significant in the agriculture and tourism sectors, as well as in infrastructure.

SCBT is optimistic about the country and its own business, which it hopes to see grow at the rate of 15% per annum. The bank expects to increase its capital by 3 to 5% and its employees by 10 to 15%. It would like to do more in the areas of infrastructure, real estate and mining. (At the moment, its corporate business is mainly in oil, trading, agro-processing and manufacturing.) It would also like to see its business with small and medium-sized enterprises grow to a bigger share from the current 5% – perhaps to 15% – and, finally, it would like to do more in consumer loans.

Source: UNCTAD, based on information supplied by Standard Chartered Bank Tanzania.

Manufacturing

Currently, manufacturing contributes only 7.5% to Tanzania's GDP. The Government is emphasizing industrial diversification and encouraging the establishment of some import substitution industries. An expanding domestic market and the regional markets of the Southern Africa Development Community and the East African Community provide Tanzanian manufacturers with opportunities. These can be found in animal-feed processing, beverages, steel and metal (see box III.5), cement and ceramics, chemicals, electrical engineering, canning, bottling and glassware, and so forth.

The chemical industry

Phosphorus fertilizers (TSP, SSP, DAP) from rock phosphates from Minjingu and Arusha are exported to the neighbouring countries of Kenya and Zambia. Kaolin deposits at Kisarawe, only 30 km from Dar es Salaam, have numerous industrial applications including pesticides, agrochemicals, dyes and solvents. Pyrethrum extracts are also finding use in paints and medicinal and pharmaceutical preparations such as vaccines, antibiotics and vitamins.

Textiles

Tanzania is known for the production and export of long handpicked cotton, which produces quality fabrics for both local and export markets. The cotton industry has declined over the decades in both volume and value as production tumbled from 70,000 tons in 1992 to 37,000 tons in 2001, mainly owing to structural weaknesses linked to production, processing and marketing. Liberalization, coupled with privatization in the sub-sector, has seen new private investment in export-based manufacturing focused on AGOA opportunities, but this has been small and is in cut-make-trim (CMT) operations that rely on imported fabric (see box III.6).

Leather

Tanzania has the third largest livestock population in Africa, after Botswana and Ethiopia. The manufacture of leather products such as luggage, handbags and shoes provides a large investment window. Divestitures in tanning industries have not generated the expected export boost, as the bulk of the country's hides and skins are exported raw. Industry sources blame the machinery and technology employed, as compared with Tanzania's South Asian rivals. There are opportunities in establishing modern tanneries and leather-finishing units.

Box III.5 FDI story: Investing in manufacturing

Aluminium Africa Limited (ALAF) is a company with an interesting history, one that helps illuminate the evolution of policies and attitudes towards the private sector in Africa.

ALAF was set up in Dar es Salaam in 1960 by the Comcraft group as a fully foreign-owned company. (Comcraft manages the African operations of companies owned by Clovis Ltd, a privately owned holding company based in Bermuda.) This was done in response to the decision of the then East African High Commission to promote the relocation of specific industries to ensure a less lopsided development of the region. Aluminium, in this scheme, was allocated to Tanzania. With the encouragement of Prime Minister (later President) Julius Nyerere and independent Tanganyika's first Finance Minister Sir Ernest Vesey, the company prospered, expanded and diversified – even into something as unlikely as stationery (exercise books). Following the Arusha Declaration in 1967, Tanzania embarked upon a policy of nationalization. However, this first wave of nationalization left ALAF untouched. It was only in 1973 that the Government, in consultation with the shareholders, decided to acquire a majority stake (60%, growing to 62.5%). But it left management with Comcraft, by means of a management contract.

The company continued to prosper until the 1980s, when it faced an extended loss of its main market (Kenya) as strained relations led Tanzania to close its border with Kenya for a six-year period. Then, in 1989, the Government decided to manage ALAF directly, through the National Development Corporation (NDC). Direct management was not a commercial success. The company was producing around 5,000 tons of aluminium and 25,000 tons of steel when management changed hands. Five years later, the figures were around 500 tons of aluminium and 12,000 tons of steel. Employment, on the other hand, had risen, from some 600 employees to around 1,400 employees. By 1997, with major changes in economic policy in place, 22.5% of the shares were sold back to the original owners and, by 2000, with a new rights issue, 76% of the equity was in the hands of Clovis Ltd.

The current investment in the company is $42 million and the turnover is $31 million. The company has 400 regular employees and 70-100 casual employees. There are seven expatriates. The company makes a special effort to hire qualified local professionals and has recruited seven Tanzanians to middle-management positions over the past two years.

Although ALAF continues to manufacture both aluminium and steel products, the emphasis is on steel. It imports basic steel and makes a variety of products intended mainly for roofing purposes. (The manufacture of basic steel calls for substantial resources of coal, iron ore and electricity; in Africa, it is made only in Egypt and South Africa.) The truth is that, despite its name, ALAF has long been far more of a steel company than an aluminium one. And it sees its future as lying very much in steel.

The broad challenge the company has faced since its return to private hands, according to the Chairman of the Board, Dr. Manu Chandaria, is re-establishing its reputation and regaining market leadership. As for the investment climate, Dr. Chandaria thinks the strengths are Tanzania's political and macro-economic stability. The main problem is the infrastructure and the high cost of transport it generates. (It costs $35 a ton for the company's imports to move from Antwerp to Dar es Salaam and then $50 a ton for its exports to go from Dar es Salaam to Mombasa.) This is something that badly needs the Government's attention. Tanzania is full of opportunities for investors, for example in agriculture/agro-business, mining and tourism, but they would be much easier to exploit with better infrastructure.

ALAF has a very positive view of its future, as reflected by its plans to expand capacity in galvanizing steel and making new products, as well as expanding its regional markets to include the Democratic Republic of the Congo, Zambia, Malawi, Rwanda and Burundi.

Source: UNCTAD, based on information supplied by Aluminium Africa Limited.

Box III.6. AGOA and export opportunities

The *African Growth and Opportunity Act* (AGOA) was signed into law on 18 May 2000. It is meant to encourage market forces in African countries by offering those countries the most preferential access to the US market available outside free-trade agreements. The Act covers some 6,400 items, including textiles and apparel. The *AGOA Acceleration Act*, signed into law on 12 July 2004 and known as AGOA III, extends this preferential access until 30 September 2015. It also extends third-country fabric provision[1] by three years, from September 2004 to September 2007.

Eligibility for AGOA benefits is determined annually on the basis of a review by a committee chaired by the United States Trade Representative (USTR). The criteria require that the country has established or be making progress towards establishing, *inter alia*, a market economy, the rule of law, policies to reduce poverty and a system to combat corruption. In 2004, 37 sub-Saharan countries qualified, including the three members of the East African Community – Kenya, Tanzania and Uganda.

Trade between sub-Saharan Africa and the United States is not large, with the former accounting for less than one per cent of US merchandise exports and less than two per cent of imports, but it is increasing. In 2003, US imports from sub-Saharan Africa rose by 43% to $25.6 billion. Of this, 55% were AGOA imports, most of them in turn being petroleum products. Of the remainder, textile and apparel products accounted for $1.2 billion. AGOA provides duty-free and quota-free treatment for eligible apparel articles made in qualifying sub-Saharan African countries through 2015. Among the qualifying articles are apparel made of US yarns and fabrics; apparel made of sub-Saharan African (regional) yarns and fabrics, subject to a cap; apparel made in a designated lesser-developed country of third-country yarns and fabrics, subject to a cap; and eligible hand-loomed, handmade or folklore articles, and ethnic fabrics.

Of the EAC members, Kenya has attracted the most FDI in this field and become a significant exporter. The 2003 AGOA-related exports of its neighbours, Tanzania and Uganda, were much lower, worth $1.6 million and $1.5 million respectively, and both countries had attracted only a few foreign firms each.

Although garment exports offer an opportunity in the EAC, the medium-term future of this industry is unclear. Two factors need to be taken into account. The first affects the potential for exports to any destination; the second the potential for exports specifically to the United States. The first factor is the ending of the Multifibre Arrangement (MFA) on 1 January 2005. The MFA imposed quotas on garment exports by developing countries to the markets of developed countries. One of the consequences of this system was that efficient producers (e.g. in the Republic of Korea), after filling their quotas, invested in other countries that still had unfilled quotas (e.g. Bangladesh). The cut-make-trim (CMT) garment industry in several LDCs owes its genesis to the MFA. With the MFA gone, competition is now open and China looms as a very large competitor. The second factor is the condition regarding third-country fabric provision in AGOA, which expires in 2007. Unless it is extended again and again, the EAC partners (along with other sub-Saharan countries) will need to develop a high-quality price-competitive textile industry that could supply the fabric needed to make garments for export under AGOA. This will in turn require a targeted effort to attract FDI in textiles, which is not thus far apparent.

[1] The preferential treatment available under AGOA for garments is intended primarily for garments assembled in a beneficiary country from fabric (i) sourced from the United States or (ii) produced in the beneficiary country. This requirement is waived for "lesser-developed countries" (in effect, most countries in sub-Saharan Africa) until September 2007, allowing them to use fabric from any other ("third-country") source.

Source: UNCTAD, based on information drawn from the AGOA website (http://www.agoa.gov/index.html), USTR (2004), the Financial Times and other sources.

Other industries with opportunities

- Manufacturing of pottery, china and earthenware;
- Manufacturing of food, beverages and cigarettes;
- Manufacturing of glass and glassware;
- Manufacturing of construction materials such as cement, concrete articles, gypsum and plaster products; and
- Manufacturing of electrical goods such as switch gears, electric cables, cookers, and dry cell and automobile batteries.

Human resource development

Many investors have expressed concern over the lack of skilled and technically qualified workers, which necessitates reliance on expatriates with high salary costs. Trade liberalization and the promulgation of the Education Policy of 1995 have attracted some private capital into education, increasing the number and quality of training institutions in the country. Total foreign ownership is allowed, as are other investment modes, including joint ventures, leases, and build-operate-transfer (BOT) schemes.

Opportunities for investing in education are wide-ranging, from the establishment of schools, colleges and universities to facilities such as catering, accommodation, recreation, sports, hospitals, convention centres, and technology/industrial parks.

Privatization opportunities

The Presidential Parastatal Sector Reform Commission (PSRC) coordinates and implements the privatization of State enterprises under the IDA-funded Privatization and Private Sector Development Project (PPSDP). To date, over 309 enterprises have been successfully divested, with 59 left to be divested over the PSRC's renewed four-year term. Major utility and infrastructure companies in power, harbours, railways and telecommunication in line for privatization include the Tanzania Harbours Authority (THA), the Tanzania Electric Supply Company Limited (TANESCO), the Tanzania–Zambia Railway Authority (TAZARA) (see box III.3 above), the Marine Services Company Limited (MSC), the National Insurance Corporation (NIC) and the Tanzania Postal Corporation (TPC).

Open and transparent procedures and guidelines are applied (see section on privatization in chapter I).

Barrick was very proud to open its second gold mine in Tanzania recently. The company first came to Tanzania in 1999 because it had confidence in the Government of Tanzania's commitment to policy reform and the establishment of an environment in which foreign companies could make productive investments. As a result of sound policies, Tanzania is now the third largest gold producer in Africa, after South Africa and Ghana. We are pleased too that we are contributing to job creation, technology transfer and skills development in a workforce eager to succeed.

Grant Pierce, OAM, Executive General Manager (Tanzania),
Barrick Gold Corporation Limited

Legal and judicial system

History and basis

The legal system in Tanzania has evolved largely from the basis of British common law, in consequence of British rule over Tanganyika (now mainland Tanzania) from 1919 up to the time of independence in 1961. In the case of the islands of Unguja and Pemba, now referred to as Zanzibar, the legal system has evolved from both British common law and Islamic law.

The system has also been influenced by major post-independence developments in the socio-political and economic spheres, such as the union between Tanganyika and Zanzibar in 1964 and the Arusha Declaration of 1967, which placed Tanzania on a socialist path. Then, in July 1992, Tanzania formally adopted multi-party democracy – a major change in the political sphere. And finally, beginning in the mid-1990s, a number of reforms were put in place to make the economy market-oriented.

Judicial aspects

The judiciary in Tanzania is headed by the Court of Appeal, which has jurisdiction over the whole of the United Republic of Tanzania. Under the Court of Appeal are two High Courts – one for mainland Tanzania and the other for Zanzibar.

The High Court of Tanzania is headed by a Principal Judge and operates in 12 zones in mainland Tanzania, each under a Judge-in-charge. There is, in addition, a Resident Magistrate's Court for each of the country's districts where the regional centres are located. There are also District Courts for each of the 130 districts, each under a District Court Magistrate and, at the lowest level, the Primary Courts under Primary Court Magistrates, of whom there are a total of 653.

The official language of the courts is English, although Kiswahili, the national language, is also used, especially in the lower courts.

Practising lawyers in Tanzania are brought together by the Tanzania Bar Association, which in turn is affiliated with similar associations in other East African countries. Foreign lawyers are allowed to practise in Tanzania only after passing examinations set by the Council of Legal Education.

Legislative aspects

The Parliament is the organ responsible for enacting legislation in the country. The process of enacting legislation starts with a draft law written by the Chief Parliamentary Draftsman, a department of the Attorney General's Chambers, in the form of a draft bill. The draft bill is deliberated and modified by the Cabinet and forwarded to Parliament by the Attorney General for debate and ratification. The bill is normally discussed by Special Committees of the Parliament, being tabled before the National Assembly. There are two types of Committees: Standing Committees and Select (Ad Hoc) Committees. The National Assembly debates and passes the bill, after which it needs presidential assent to become law.

Administrative aspects

Disciplinary aspects in the judiciary are handled by the Judiciary Services Commission for mainland Tanzania. It is chaired by the Chief Justice of the Court of Appeal. The other members are Justices of the Court of Appeal, the Principal Judge of the High Court and two other members, appointed by the President.

Among the issues facing the court system in Tanzania are allegations of corruption and delays. In the case of the corruption allegations, the Government has been making efforts to address the issue through an anti-corruption drive. In the case of delays in court hearings, measures taken include an amendment to the Civil Procedure Code 1994, which requires the defendant to respond to the plaint within 21 days. In addition, a speed-track system has been introduced to accelerate the pace of court hearings. On Speed Track 1 are cases that have to be determined within 10 months, on Speed Track 2 cases to be determined within 12 months, on Speed Track 3 those to be determined within 14 months and on Speed Track 4 (for complicated cases) those to be determined within 24 months. Furthermore, the Court system is also included in the Civil Service Reform Programme being implemented by the Government in an effort to improve administrative efficiency.

The continuing efforts to liberalize the economy have resulted in complex adjudication in areas such as international business and financial transactions, intellectual property and land matters. In an effort to cope with these emerging demands, a commercial division of the High Court has been established, along with an Industrial Court and a Lands Division of the High Court to handle relevant cases.

Protection of the person and property

The Constitution is the fundamental law in Tanzania, overriding all other legislation. Part III, Basic Rights and Duties, of Chapter 14 of the Constitution guarantees the right to life, freedom and safety. Chapter 16 guarantees the right to personal privacy and security. Chapter 17 guarantees freedom of movement. Chapter 20 guarantees freedom of association. And Chapter 24 guarantees the right to own property and to protect it in accordance with the law.

Dispute resolution

The legal and judicial system in Tanzania provides for the mediation of disputes. The Commercial Court of Tanzania was established in 1999 as a division of the High Court dealing with mediation and arbitration of disputes of a commercial nature. There is also a Lands Division of the High Court dealing with land matters. Finally, the Industrial Court of Tanzania, an independent Court established under the Permanent Tribunal Act No. 41 of 1967, amended by Act No. 3 of 1990, handles labour disputes.

Tanzania is also a member of several international organizations that help protect investment. These include the International Centre for the Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA). Any dispute arising between the Government and investors may be settled amicably through negotiations or may be submitted for arbitration under the international agreements listed below:

- The Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958, which entered into force on 7 June 1959;
- The Convention on the Settlement of Investment Disputes between States and Nationals of Other States of 1965, which entered into force on 14 October 1966;
- The Convention establishing the Multilateral Investment Guarantee Agency of 1985, which entered into force on 12 April 1988; and
- The Paris Convention for the Protection of Industrial Property of 1883, revised at various times and amended in 1979, and signed by Tanzania in 1994.

Box IV.1. The special situation of Zanzibar

Despite being part of the United Republic of Tanzania, Zanzibar has its own Government (the Revolutionary Government of Zanzibar), its own judiciary under the High Court of Zanzibar and its own legislature (the Revolutionary Council of Zanzibar)

The President of Zanzibar is the head of the Revolutionary Government and Chairman of the Revolutionary Council. The Government of Zanzibar has authority to decide on all non-union matters such as agriculture, commerce and industry, tourism, communications and transport, finance and land. Defence, home affairs, foreign affairs, taxation and the Court of Appeal fall within the purview of the Union Government.

Zanzibar has its own legal system with the High Court of Zanzibar, Kadhi's Courts (dealing mainly with Islamic religious matters), Magistrates' Courts and the Attorney General's Chambers of Zanzibar, falling under the Minister of State in the Chief Minister's Office of the Revolutionary Government of Zanzibar.

Source: UNCTAD.

Institutional framework

Tanzania embarked on major economic reforms in the mid-1990s with the aim of liberalizing the economy and making it more business-friendly. The Tanzania Investment Act No. 26 of 1997 is the main act guiding investment activities.

Investment in mining and petroleum exploration is guided by two separate pieces of legislation: the Mining Act No. 5 of 1998 and the Petroleum (Exploration and Development) Act of 1980.

TABLE IV.1. BILATERAL INVESTMENT TREATIES (BITS) AND DOUBLE TAXATION TREATIES (DTTS), WITH THEIR SIGNING DATES

BITS	DTTS[a]
Denmark – 6 May 1976	Canada – 15 December 1995
Finland – 12 May 1976	Denmark – 6 May 1976
Germany – 30 January 1965	Finland – 12 May 1976
India – 5 September 1976	India – 5 September 1976
Italy – 7 March 1973	Italy – 7 March 1973
Netherlands – 14 April 1970	Sweden – 2 May 1976
Norway – 28 April 1976	Uganda – 27 April 1997
Sweden – 2 May 1976	
Switzerland – 3 May 1965	
United Kingdom – 7 January 1994	
Zambia – 2 March 1968	

Source: Republic of Tanzania, Ministry of Finance, Department of External Finance.
[a] Kenya, Uganda and Tanzania signed the East African double taxation treaty in 1997. However, thus far, only Kenya and Tanzania have ratified the treaty.

The Mining Act grants investors:

- The right to trade in mineral rights;
- An exemption from import duty and the value-added tax (VAT) on equipment and essential materials for the start of production and a 5% import duty and VAT thereafter;
- No tax duty or fee on dividends and no capital gains tax; and
- Losses carried forward for unrestricted period.

The Mining Act 1998 has greatly enhanced clarity and transparency and has streamlined licensing procedures while ensuring environmental care. Furthermore, the Government has introduced a Mining Advisory Committee, which advises the Minister responsible on decisions affecting investors in the mining sector.

The Mining Act is undergoing review at the moment. The Mining Advisory Committee is expected to play a crucial role in advising the Government on the concerns of investors in the area, which need to be reflected in the review.

Tanzania has signed a number of bilateral treaties on investment and on taxation, as indicated in table IV.1.

Box IV.2. Tanzania Investment Centre (TIC)

The principal role of the TIC is investment facilitation – that is, to help investors obtain the authorizations, approvals, registrations and licences needed to operate their businesses in the country.

The TIC's role includes providing guidance to investors on setting up businesses in the country and obtaining work permits and visas. It has officers from relevant government departments – the Lands Department, the Labour Division, the Revenue Authority, the Directorate of Trade and the Business Registration and Licensing Agency – seconded to it to support its facilitating role. Facilitation services include incorporating or registering business enterprises, advising on tax matters and processing tax exemptions, processing business licences and processing immigration permits.

Certificates of Incentives are granted to foreign investors when the investment exceeds $300,000 and to local ones when it exceeds $100,000. A Certificate of Incentives provides official recognition to the investor and an entitlement to special incentives, depending on the sector in question.

The time taken to process a Certificate of Incentives for investors who have submitted an application fulfilling the requirements for being granted the Certificate is 14 days from the date the application is received. In the case of mining and petroleum exploration and development, the TIC plays a limited role.

The current head of the TIC is Samuel J. Sitta, Executive Director. For contact details, see appendix 3.

Source: UNCTAD, based on information provided by the TIC.

The Tanzania Investment Centre (TIC) is the one-stop shop for handling all investment issues in mainland Tanzania. It was created under the Investment Act of 1997, replacing the earlier Investment Promotion Centre (IPC), and is well regarded by investors (see box IV.2).

Current foreign investment policy

Foreign investment policy in Tanzania is intended to steer the country away from a centrally planned economy and towards a market economy. Following the economic liberalization measures adopted by Tanzania, all sectors are open to foreign investment. The incentives available to investors include:

- Unrestricted right to international arbitration in the case of disputes with the Government;
- Import duty drawbacks on raw materials;
- Zero-rated VAT on goods manufactured for export;
- Straight-line accelerated depreciation allowance on capital goods;
- Unrestricted right to repatriate profits and capital;
- Fast track to obtain other permits such as residence/work permits and industrial and trading licences with the assistance of the TIC;
- Permission to employ five foreign expatriates upon following procedures laid down by the Immigration Department for the issuance of Residents' Permits; and
- Recognition by the Government, which helps to facilitate assistance needed from the Government.

Amendments to the law on investment

The law governing investment was enacted in 1997 (Investment Act No. 26). The Government has been making amendments to the law in an effort to attract investors and/or rectify deficiencies in existing legislation. A case in point is the review of the Mining Act cited above.

Investment-related laws

The laws and regulations in Tanzania have been put in place to provide a legal framework conducive to the functioning of a market economy. They include laws dealing with capital markets, mining investments, banking and financial institutions, land ownership, taxation, foreign exchange, petroleum exploration and development, and export-processing zones. (See appendix 6 for a list of the main laws affecting foreign investment.)

Participation in international organizations and treaties

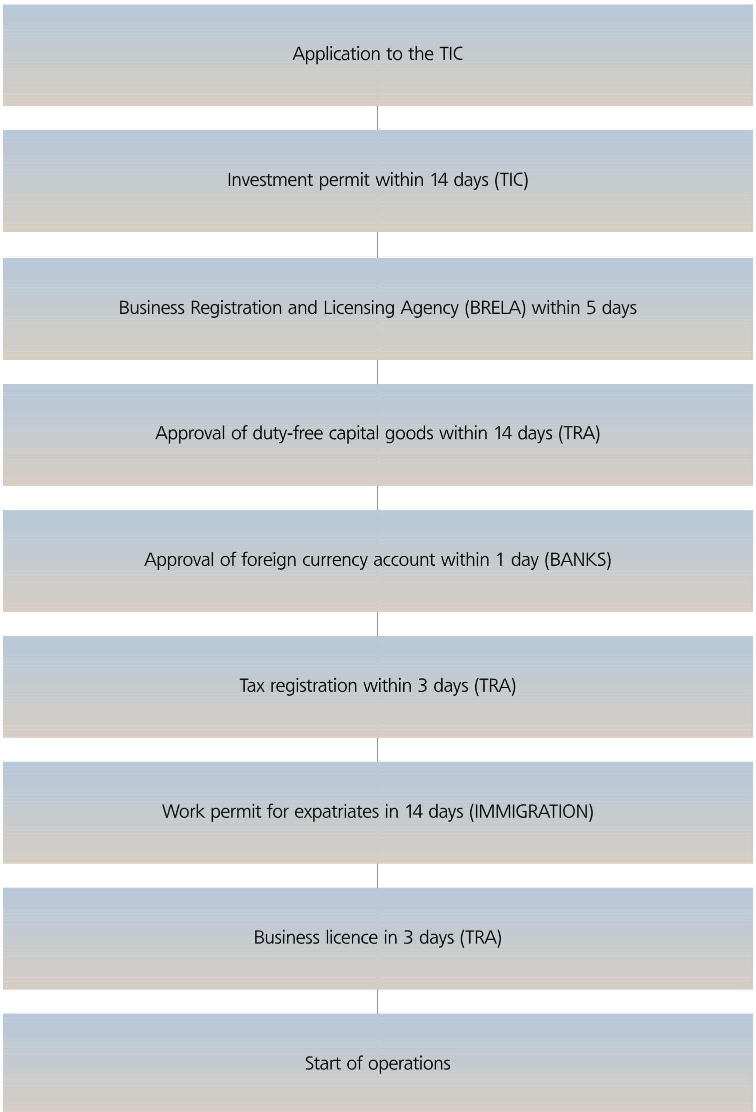
Tanzania is a signatory to a number of bilateral treaties for the promotion and protection of foreign direct investment, as shown in table IV.2 above. Tanzania is also a signatory to the following regional and international treaties and organizations, among others:

- The South African Development Community (SADC), which includes countries in the southern African region, namely Angola, Botswana, the Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe;
- The East African Community, bringing together three countries in the East African region – Kenya, Tanzania and Uganda;
- The African, Caribbean and Pacific Group of States (ACP), under the fourth ACP-EEC Convention (Lomé IV) of 1989, signed in 1990, and the Partnership Agreement signed in Cotonou, Benin, on 23 June 2000;
- The Charter on a Regime of Multinational Industrial Enterprises (MIEs) in the Preferential Trade Area for Eastern and Southern African States; and
- The World Intellectual Property Organization (WIPO).

Entry and exit

Screening, registration and authorization

All enterprises operating in Tanzania must register with the Business Registration and Licensing Agency (BRELA) under the Ministry of Industries and Trade and operate a business licence. The process varies in accordance with the entity being registered. The requirements include the presentation of duly completed TFN 221 forms (available from the TIC), along with the Certificate of Incorporation, a Tax Clearance from the Tanzania Revenue Authority (TRA), Residence Permits Class A or B (in the case of foreign investors) and proof of business premises. The process also includes an inspection of the premises by a Land and Health Officer to clear their suitability for the intended business (see figure IV.1 on the stages of FDI project implementation).



Source: Tanzania Investment Centre.
Note: BRELA: Business Registration and Licensing Agency; TIC: Tanzania Investment Centre; TRA: Tanzania Revenue Authority.

Resident Permits Class A are issued to self-employed foreigners (investors) with the Certificate of Incentives issued by the TIC. The procedure for processing these permits is undertaken at the Immigration Services Department of the Ministry of Home Affairs and requires a covering letter from the applicant, six photographs, a curriculum vitae, educational certificates if applicable, company registration, Memorandum and Articles of Association (MEMARTS), evidence of business premises and sectoral approval from any relevant ministry. The application can be processed through the TIC.

Resident Permits Class B are issued to employed foreigners and require a covering letter or letter of appointment, five photographs, curriculum vitae, academic qualifications (preferably copies of diplomas), job description for each individual expatriate, organizational structure of the company showing clearly the number and types of posts filled by or lined up for expatriates, a letter of clearance from the Government, and membership certificates from local professional bodies such as those for engineers, lawyers and accountants. (Foreign professionals are required to pass examinations set by the relevant local professional body, for example the Engineers Registration Board.)

There are procedures for registering trade or service marks, whereby investors wishing to register them are required to pay the appropriate registration fees for an advertisement to be placed in the *Official Gazette* for 60 days after which a certificate is issued. The certificate has to be renewed after seven years. This renewal runs for ten years and is then to be renewed again.

Incorporation and related requirements

Incorporation of companies in Tanzania is done under the Company's Ordinance Chapter 212. A more recent ordinance, the Companies Act 2002, has been passed by Parliament and assented to by the President but is yet to be implemented.

Establishing a limited liability company

Investors wishing to establish a limited liability company must first clear the name for the proposed company before filing an application with the Business Registration and Licensing Agency (BRELA). To register a company with BRELA, investors must file an application with the appropriate registration fees (denominated in dollars in the case of foreign investors and Tanzania shillings in the case of local investors), the proposed name of the company, certified copies of the MEMARTS, a notice of the situation of the registered office in the country of domicile and a list of the directors of the company and persons resident in the country who are representatives of the company. BRELA will ensure that the company name has not been registered before and issue a Certificate of Compliance on being satisfied with the proposed name and MEMARTS.

Box IV.3. Guidelines for investors in Zanzibar

Zanzibar has its own Investment Agency – the Zanzibar Investment Promotion Agency (ZIPA) – which is the one-stop centre for processing investment in Zanzibar.

ZIPA has officers from the Commission for Labour, the Commission for Tourism, the Immigration Service Department and the Department for Land and Registration seconded to it. Investors have to fill out application forms available from ZIPA for a fee of $200.

The range of incentives offered include:

- An exemption from corporation tax for declared re-investment (at proposal stage) for the first three years of operation;
- An investment allowance of 25% on capital investment during the project cycle;
- No customs and import duties on capital goods and machinery during construction and on materials for trial production in manufacturing ventures;
- An exemption from import duties on goods for the personal use of expatriates for six months from the date of first arrival in Zanzibar; and
- 49-year renewable leases on land, with no rent during the construction period.

Source: UNCTAD, based on ZIPA (2004).

Ownership and property

Foreign nationals are free to own any percentage of shares in locally registered companies. In private companies registered under the Companies Ordinance Chapter 212, a shareholder wishing to dispose of his/her shares in such a company must give the first offer of refusal to existing shareholders before offering the shares to other parties.

Intellectual property rights

Intellectual property rights for inventions and other patentable works are protected under Patent Act No 1 of 1987. In addition, protection of the exclusive right to the use of distinctive registered trade and service marks is granted under Trade and Service Marks Act No. 12 of 1986. Tanzania also protects copyrights for literary and artistic works under the Copyright and Neighbouring Rights Act of 1999. The country is a member of the World Intellectual Property Organization (WIPO) and is bound by its treaty obligations.

Performance requirements

Investors granted Certificates of Incentives by the TIC are required to complete the implementation of the investment project within two years of receiving the certificate. They are also expected to report progress every six months on the implementation of their respective business plans.

Local content

Investors are encouraged to use locally available raw materials in the production of goods and services whenever possible. However, there is no requirement to use raw materials sourced within the country. Most industrial activity currently taking place in Tanzania is light manufacturing and mostly dependent on imported inputs.

Technology transfer

There is no legal requirement for investors to undertake technology transfer. However, investment programmes in support of the training of local personnel and the transfer of technology are encouraged.

The environment

Tanzania has a comprehensive policy for environmental conservation, emphasizing sustainable development. The Government's efforts in environmental conservation are directed at combating desertification, preserving biodiversity, and ensuring environment-friendly production practices and pollution reduction. Efforts are also being made to raise public awareness, sensitizing communities and promoting participation in environmental conservation and management.

The portfolio for environmental conservation falls under the office of the Vice President of the United Republic of Tanzania. The National Environmental Council (NEMC) has an advisory role. Legislation that will empower the NEMC to enforce the national environmental policy is in the process of being enacted.

Expatriate employees

Labour regulations in Tanzania require non-citizens to obtain work permits from the Labour Department of the Ministry of Labour and Youth to undertake employment in the country.

There is no legal limit to the number of expatriates who can be hired for a project. However, consideration is more readily given to expatriates for positions for which the required expertise is not available in Tanzania. The Certificate of Incentives issued by the TIC grants the holder automatic permission to hire up to five expatriate employees. In cases where more than five expatriate employees are needed, investors must indicate their requirements when processing approvals with the TIC. Such requests are considered on a case-by-case basis.

Privatization, limitation and exclusion

Privatization

Privatization is being undertaken with no restriction on foreign participation in any enterprise. The tender invitation and evaluation criteria, including draft agreements, are part of the tender documents.

Regional or zonal restrictions

Investors are free to invest in any region of Tanzania without restriction with the exception of game reserves, game-controlled areas, national parks, forest reserves, marine parks and areas that have already been concessioned or belong to villages.

Investment protection and standards of treatment

Expropriation

Investment in Tanzania is guaranteed against nationalization and expropriation. With regard to dispute settlement regarding investment, please see the section on the legal and judicial system above.

Revocation of licence

Licences issued to investors may be revoked if the applicant has made false statements in the application for the licence. Some licences may also be revoked for serious cases of non-performance on the part of the licence-holder.

For instance, the minister responsible for mining may revoke a licence for the mining of minerals other than gemstones where the licence-holder has failed, for a continuous period of not less than three years, to meet output performance in terms of the quantity and recovery of the mineral relative to the rate stipulated in the feasibility study.

Dispute settlement

See the section on the legal and judicial system above.

National treatment

All companies, both local and foreign, are treated equally under the law.

Exchanging and remitting funds

Tanzania has liberalized foreign exchange transactions. The Foreign Exchange Act of 1992 provides for the administration and management of dealings and other acts relating to gold, foreign currency, securities, payments, debts, imports, exports, and the transfer or settlement of property. There are no restrictions on the repatriation of earnings and capital or on exchange transactions relating to current account payments. Unconditional transfer in freely convertible currencies is allowed with respect to net profits; the repayment of foreign loans; royalties, fees and charges in respect of technology transfer agreements; the remittance of proceeds (net of taxes and obligations) in the event of sale or liquidation of any interest attributable to investment; and payments of emoluments and other benefits to foreign employees working in Tanzania.

Competition and price policies

The major laws enacted to guide competition and the regulation of economic activities in Tanzania include the Fair Trade Practices Act of 1994 (as amended), Energy and Water Regulations, and the Surface and Maritime Regulation Act of 2001, enacted for the establishment of a Fair Competition Commission (FCC).

Against the background of various liberalization measures and the privatization of major utility companies (harbours, railways, telecoms, water and electricity), the Government has been establishing a number of sector-specific regulatory bodies. These are being set up as independent regulators for the sectors involved, ensuring that consumers are not victimized by unjustified rate increases and the like by of the utility companies and, at the same time, making it attractive to continue investing on these companies.

The regulatory bodies established so far include the Energy and Water Regulatory Authority (EWRA) and the Surface and Maritime Transport Regulatory Authority (SUMATRA). There is also a Telecommunication Regulatory Authority and a Tanzania Civil Aviation Authority (for air transport, airport services and air navigation services).

Fiscal and financial incentives

Tax incentives

Fiscal incentives granted under Investment Act No. 26 of 1997 (and amendments thereto) to eligible investors include:

- Corporate tax of 30%;
- 100% duty exemption on investment in lead sectors (agriculture, mining, agro-industries, tourism, petroleum and economic infrastructure); and
- Exemption from the VAT, depending on the sector involved.

Financial incentives

No financial incentives are offered.

Land

Under section 4 (1) of the Land Act 1999 as amended, all land in Tanzania belongs to the State and is acquired for use through:

- Rights of occupancy granted by the Government;
- Derivative rights granted by the Tanzania Investment Centre; and
- Sub-leases created out of the rights of occupancy granted by the private sector.

Rights of occupancy are granted on both short and long terms, ranging from 5 to 99 years. The periods of derivative rights and sub-leases range from 5 to 98 years.

KPMG needs a presence where our clients are and where we expect our clients to operate. Our presence in Tanzania bears testament to the significant growth opportunities in the country. Recent fiscal data on GDP Growth, Government revenue collections and inflation all point to a sustained growth in the economy and macroeconomic stability. From Banking to Consumer Markets to Mining, our regional and global clients have identified the immense opportunities available in investing in Tanzania. We too are investing in Tanzania – in our practice here and in its people – to ensure that we are able to service our clients in what we see as an important growing market.

Nick Matthews, Partner and Country Leader, KPMG Tanzania

Private-sector perceptions

V

This chapter summarizes the results of consultations with the private sector in Tanzania. The consultations were carried out mainly in late 2004, through a group meeting as well as through a number of individual meetings. Some 25 business people participated in these consultations, about half representing companies with foreign investment.

This summary should be seen as no more than suggestive of private-sector opinion in Tanzania.

General observations

Political stability was ranked at the top by most investors among the country's attractive features. Resources and opportunities came next. The country had considerable resources for tourism as well as for agriculture. There were also opportunities in other areas, such as mining and infrastructure. There was no clear candidate for the third position. A variety of features were mentioned – ease of dialogue with the Government, the location of the country, the size of the market and the absence of competition – but none led the others.

Among the things that needed attention by the Government, labour skills were a clear favourite. Educational qualifications were low and, in particular, there was a shortage of technical skills. The gap between business need and actual availability meant that companies had to seek out expatriate workers, especially in technical and supervisory positions, and this increased the cost of doing business. The state of the infrastructure was another urgent matter calling for attention, the transport network in particular. Bureaucracy and corruption came next. Among the other issues mentioned were the tax regime and the cost of doing business. The latter was primarily the concern of domestic investors.

Most investors were more or less satisfied with the way the Government deals with business. They also thought that there had been considerable progress in this area over the past five years. Foreign investors were particularly inclined to think this. Asked what improvements they would like to see, investors had a variety of answers. Changing the bureaucratic mindset was one of the main needs; some thought the whole system should be overhauled. Slow import procedures were another area that could do with improvement. Some would also like to see a strengthened Tanzania Investment Centre. Foreign investors thought they faced special difficulties. Among those mentioned were slow approvals, the tax regime and a certain lingering hostility to foreign investment.

Specific points

Infrastructure

Investors agreed that there had been progress, indeed considerable progress, in infrastructure over the past five years. Foreign investors felt this even more strongly than domestic investors. Asked which areas had shown the most progress, the answer was telecommunication. (Over the past ten years, the arrival of mobile phones has added over six times as many connections as there are fixed lines.) Some investors thought there had been some improvement in roads as well. On the other hand, there had been little progress in power, water and railways. (On railways, see the box on privatizing railways in chapter III.) The primary concern with respect to infrastructure generally was reliability, which was thought to be very poor. Other concerns were quality and cost.

Human resources

As noted earlier, this area is at the top of investor concerns in Tanzania. Most thought that there had been *some* progress in this area over the past five years, although a minority thought there had been none. A minority thought attitudes had improved and so had skills. The main problem that remained and needed addressing was poor training. (Training institutions, especially in tourism, are an investment opportunity in Tanzania.) Some investors thought there was also a problem of motivation; many workers showed no interest in learning.

Taxation

A majority thought there had been some progress in the tax area, although a minority thought there had been none. Some "nuisance" taxes had been removed and there was somewhat more transparency and efficiency. On the other hand, some problems persisted. Domestic investors in particular complained about the level of taxation, while foreign ones were more concerned about VAT refunds and the attitude of tax collectors. As elsewhere in East Africa, some foreign investors thought the tax authorities singled them out for special attention. (One said foreign investors were looked upon as chickens to be plucked.) Several investors mentioned corruption.

Other issues

Investors in Tanzania did not, on the whole, see a big problem with monopolies and market dominance, although some did mention problems. There did not seem to be any great concern either over conflicts of interest created by regulatory bodies that also competed in the market. Governance, on the other hand, was a major concern, with corruption and red tape as concrete examples of what needed fixing. Investment protection was not an issue; neither, for most investors, was there an issue about ownership and property. Some foreign investors were, however, concerned about intellectual property. There was insufficient protection for brands and enforcement was weak. There was little concern about government intervention in management. There was also little concern about foreign-exchange regulations. Land was mentioned as a problem by some investors. The Land Act was not entirely satisfactory. Some investors also mentioned difficulties in hiring expatriates.

Concluding remarks

On the whole, investors saw the business environment as much improved. As one put it, Tanzania had done more in the last five years to improve the investment climate than it had in the preceding 40. Political stability was a strong plus in Tanzania and, relatively speaking, it offered a far more secure environment than some of its neighbours. This was so despite some increase in crime.

Asked how they saw Tanzania in the regional context, investors said they thought there was much untapped potential in the country's natural resources. Tourism in particular offered substantial opportunities, as did agriculture and mining. Exploiting these opportunities was not easy, however, given the obstacles and constraints. The main constraint was the country's infrastructure, followed by the poorly trained workforce and the bureaucracy.

One thing that the Government could do to improve the country's investment prospects was to market the country better. Investors thought Tanzania did not have the image abroad that it should have. Its attractions were not well known and the business environment was considered to be slow in changing.

Appendix 1

Priorities

FDI is particularly welcome in the following areas, in which special incentives are offered:

- Agriculture and agro-based industries;
- Economic infrastructure (transport, telecommunications, ports, banking and insurance);
- Manufacturing;
- Mining;
- Petroleum and gas; and
- Tourism.

Source: United Republic of Tanzania, President's Office, Planning and Privatization (2003).

Restrictions and prohibitions

Industries closed or restricted for both domestic and foreign investors are as follows:

Industry/activity	Remark
Manufacture/processing of narcotic drugs	Prohibited
Manufacture of weapons and ammunition	Prohibited
Sawn timber, veneer, plywood, wood-based products, utility logs as raw materials	Subject to approval from the Ministry of Tourism and Natural Resources

Appendix 2

Main foreign investors

N.B. *This is a sampling of partly or wholly foreign-owned companies in Tanzania, not an exhaustive list.*

MINING, OIL AND GAS

	Name of company	Major foreign ownership	Business	Contact details
1.	Africa Mashariki Goldmines Ltd (Placer Dome Inc.)	Canada	Gold Mining	Nyamongo, Tarime P. O. Box 71579, Dar es Salaam Tel: 255 22 266 6330 Fax: 255 22 212 3141 Web: www.placerdome.com
2.	BP Tanzania Ltd (BP plc)	United Kingdom	Petroleum products distribution	P. O. Box 9043, Dar es Salaam Tel: 255 22 211 126 972 Fax: 255 22 211 127 267 E-mail: frederick.kibodya@tzbp.com Web: www.bp.com
3.	Geita Goldmine (AngloGold Ashanti Ltd)	South Africa	Gold mining	P. O. Box 532, Geita Tel: 255 68 50-0702 Fax: 255 68 50-1342 Web: www.anglogold.com
4.	Kahama Mining Corporation Ltd (KMCL Holdings Ltd)	Canada	Gold mining	P. O. Box 1080, Dar es Salaam Tel. 255 22 212 3181 Fax: 255 22 212 3245 E-mail: kahama@barrick.com
5.	Kobil Tanzania Ltd (Kenya Oil Company Limited)	Kenya	Petroleum products distribution	P.O. Box 2238, Dar es Salaam Tel: 255 22 286 1149 255 22 212 8647 Web: www.kobil.co.ug
6.	Resolute Mining Ltd	Australia	Gold mining	P. O. Box 390, Nzega Fax: 255 26 269 2187
7.	Songas Tanzania Ltd (CDC Group plc)	United Kingdom	Gas production & distribution	P.O. Box 6342, Dar es Salaam Tel: 255 22 245 2160 255 22 212 4181 E-mail: info@songas:com
8.	Williamson Diamond Mines (De Beers Group)	South Africa	Diamond mining	Mwadui Shinyanga Tel: 255 28 276 2133 255 28 276 62750 Web: www.debeersgroup.com

MANUFACTURING

1.	ABB Electric Company	Switzerland	Manufacturing of electrical goods	P. O. Box 3658, Dar es Salaam Tel: 255 22 212 9497 255 22 212 9499 Web: www.abb.com
2.	Aluminium Africa Ltd (Managed by Comcraft)	Bermuda	Manufacturers of corrugated iron sheets, and other building materials	P. O. Box 2070, Dar es Salaam Tel: 255 22 286 4017 Fax: 255 22 286 4690 E-mail: alaf@aluminiumafrica.com
3.	Carnauld Metal Box Ltd	United Kingdom	Manufacturer of crowns, cans, tins and other containers	P. O. Box 618, Dar es Salaam Tel: 255 22 286 4934 Web: www@nampac.co.tz
4.	Coca Cola Kwanza Tanzania Ltd (The Coca-Cola Company)	United States	Manufacturers of soft drinks	P.O. Box 7831, Dar es Salaam Tel: 255 22 270 0700/1 E-mail: tanzania@africa.coca-cola.com Web: www.tanzania.coca-cocola.com
5.	Daesung Cable Co. Ltd	Korea	Manufacture of cables and other fabricated metal products	P. O. Box 508, Dar es Salaam Tel: 255 22 286 2834 Fax: 255 22 286 2907 E-mail: tancable@yahoo.com
6.	Dimon Tobacco International (Alliance One International, Inc.)	United States	Tobacco processing	P. O. Box 1595, Morogoro Tel: 255 23 260 1195 Web: www.dimon.com
7.	General Tyre (E.A.) Ltd (Continental AG)	Germany	Tyre manufacturing	P. O. Box 554, Arusha Tel: 255 27 250 2235 Fax: 255 27 250 8228 Web: www.conti-online.com
8.	Karibu Textile Mills Ltd (Nash Holding (Mauritius) Ltd.)	Mauritius	Textile manufacturing	P. O. Box 6035, Dar es Salaam Tel: 255 22 285 6458/9 Fax: 255 22 285 6468 E-mail: Not available
9.	Kilombero Sugar Company Ltd (Illovo Sugar Limited)	South Africa	Manufacturing sugar	P. O. Box 50, Kidatu Tel. 255 23 262 6011 Fax: 255 23 262 6188 Web: www.illovosugar.com

10.	Matsushita Electric Co. (E.A) Ltd (Matsushita Electric Industrial Co., Ltd)	Japan	Manufacture of dry batteries	Nyerere Road P.O. Box 2470, Dar es Salaam Tel: 255 22 211 0272 E-mail: Panasonic.mefca@raha.com Web: www.industrial.panasonic.com
11.	Mbeya Cement Co. Ltd (Lafarge SA)	France	Cement manufacturing	P. O. Box 529, Mbeya Tel: 255 25 250 0021 Fax: 255 25 250 000 134 E-mail: Edward.simakoloji@lafarge.com
12.	SBC Tanzania Ltd (Pepsico Inc.)	United States	Manufacture of soft drinks	P. O. Box 4162, Dar es Salaam Tel: 255 22 286 0780-2 Fax: 255 22 286 5648 E-mail: pepsi@sbctz.com
13.	Tanga Cement Co. Ltd (Holcim Group)	Switzerland	Cement	P. O. Box 78478, Dar es Salaam Tel: 255 27 264 4090 E-mail: tccldar@raha.com
14.	Tanzania Breweries Ltd (Sabmiller plc)	South Africa	Manufacturing of beers and spirits	P. O. Box 9013, Dar es Salaam Tel: 255 22 286 212 2904 Web: www.sabmiller.com
15.	Tanzania Cigarette Company Ltd (Japan Tobacco International)	Japan	Cigarette manufacturing	P. O. Box 40114, Dar es Salaam Tel: 255 22 286 150/9 Fax: 255 22 286 5210 Web: www.jti.com
16.	Tanzania Portland Cement Co. Ltd (Scancem International ANS)	Norway	Cement manufacturers	Wazo Hill P.O. Box 1950, Dar es Salaam Tel: 255 22 263 0130-5 Web: www.twigacement.com
17.	Unilever (T) Ltd (Unilever plc)	Netherlands and United Kingdom	Manufacturing of consumer products	P. O. Box 40383, Dar es Salaam Tel. 255 22 286 2283 Web: www.unileverea.com

SERVICES

FINANCIAL

1.	African Banking Corporation (ABC Holdings Limited)	Botswana	Banking	1st Floor, Barclays House P. O. Box 31, Dar es Salaam Tel: 255 22 211 1990 E-mail: abctz@africanbankingcorp.com Web: www.africambankingcorp.com

2.	Bank of Malaysia (T) Ltd	Malaysia	Banking	P. O. Box 9362, Dar es Salaam Tel: 255 22 213 4989 Fax: 255 22 213 4286 E-mail: equity@intbankofmalaysia-tz.com
3.	Barclays Bank	United Kingdom	Banking	Barclays House P. O. Box 31, Dar es Salaam Tel: 255 22 211 1990 Web: www.barclays.com
4.	Citibank Tanzania Ltd (Citigroup Inc.)	United States	Banking	P. O. Box 71625, Dar es Salaam Tel: 255 22 211 7601 Fax: 255 22 211 3910 Web: www.citibank.com
5.	Jubilee Insurance Company Ltd	Kenya	Insurance	3rd Floor, TDFL Building Phase II Ohio Street P. O. Box 20524, Dar es Salaam Tel: 255 22 213 5121-4 Fax: 255 22 213 5116 E-mail: jictz@jubileetanzania.com
6.	Kenya Commercial Bank	Kenya	Banking	P. O. Box 804, Dar es Salaam Tel. 255 22 211 5387 Web: www.kcb.co.ke
7.	National Bank of Commerce (1997) Ltd (Absa Group Ltd)	South Africa	Banking	P. O. Box 9002, Dar es Salaam Tel: 255 22 211 8544 Fax: 255 22 211 8581 Web: www.nbctz.com
8.	Royal & Sun Alliance Insurance (T) Ltd (Royal & Sun Alliance Insurance Group plc)	United Kingdom	Insurance	P. O. Box 75433, Dar es Salaam Tel: 255 22 213 8058 255 22 212 5353 255 22 212 9384-8
9.	Standard Chartered Bank (Standard Chartered plc)	United Kingdom	Banking	International House P. O. Box 9011, Dar es Salaam Tel: 255 22 212 2160 Web: www.standardchartered.com/tz
10.	United Bank for Africa	Nigeria	Banking	P. O. Box 9640, Dar es Salaam Tel: 255 22 213 0113/ 2130127 E-mail: ubs@cats-net.com Web: www.ubaplc.com

TOURISM AND TRANSPORT

1.	Air Tanzania Co. Ltd (South African Airways)	South Africa	Airline operations	P. O. Box 543, Dar es Salaam Tel: 255 22 211 7500 - 3 Web: www.airtanzania.com
2.	ASB Holdings (Kempinski Hotel, S.A.)	Switzerland	Hotel development	P. O. Box 88, Dubai United Arab Emirates Fax: 9 714 355 1199/8151 E-mail: asbt@kilimanjarohotel.com
3.	Coastal Travels Ltd	Italy	Wildlife camps	P.O. Box 3052, Dar es Salaam Tel: 255 22 211 2731 255 22 211 7953 E-mail: safari@coastal.cc
4.	Consolidated Tourist & Hotel Investment Ltd (Sopa Lodges)	Kenya	Hotels and lodges	P. O. Box 1823, Arusha Tel: 255 27 250 6886 Fax: 255 27 250 8245 E-mail: info@sopalodegs.com
5.	Conservation Corporation Tanzania Ltd (Conservation Corporation Africa)	South Africa	Lodges and tented camps	P. O. Box 751, Arusha Tel: 255 27 254 8078 Fax: 255 27 254 8268 Web: www.ccafrica.com
6.	Holiday Inn (T) Ltd (InterContinental Hotels Group plc)	United Kingdom	Hotel	Garden Avenue P. O. Box 80022, Dar es Salaam Tel: 255 22 213 7575 Fax: 255 22 213 9070 E-mail: hidar@hidar.co.tz
7.	Kinasi Ltd	Australia, Italy and Netherlands	Beach tourist resort	P.O. Box 18033, Dar es Salaam Tel: 255 741 242 977 Web: www.mafiaisland.com
8.	Ranger Safaris (Partly TUI group)	Germany & Mauritius	Tour operations	P. O. Box 9, Arusha Tel: 255 27 250 3023/3074 Fax: 255 27 250 8205/8749 E-mail: ranger@rangersafaris.com Web: www.rangersafaris.com
9.	Tan Russ Investment (T) Ltd (Royal Palm Hotel – Mövenpick Hotels & Resorts)	Switzerland	Tourist hotel	P.O. Box 791, Dar es Salaam Tel: 255 22 211 2416 E-mail: info@movenpick.com
10.	Tourism Promotion Services (T) Ltd (Serena Hotels – Aga Khan Group)	Switzerland	Hotels and lodges	P. O. Box 2551, Dar es Salaam Tel: 255 22 250 0395 Web: www.akdn.org

BUSINESS SUPPORT

[1] Non-equity forms (licensing, franchising) are common in certain types of services, e.g., accounting and consulting. Country of ownership here is thus the country where the firm with which the Tanzanian firm has a licensing/franchising agreement is located.

1.	Deloitte & Touche Tanzania (Deloitte Touche Tohmatsu)	Switzerland [1]	Auditing and consulting	P.O Box 1559 Dar-es-Salaam Tel: 255 22 211 5352/ 211 6006 Fax: 255 22 211 6379 E-mail: deloitte@deloitte.co.tz Web: www.deloitte.com
2.	DHL Worldwide Express (Deutsche Post AG)	Germany	Courier services	Nyerere Road Dar es Salaam Tel: 255 22 286 1000 Fax: 255 22 286 2703 Web: www.dhl.com
3.	KPMG (Tanzania) (KPMG International)	Switzerland [1]	Auditing and consulting	PPF Tower, 11th Floor Garden Avenue/Ohio Street PO Box 1160, Dar-es-Salaam Tel: 255 22 2120744 Fax: 255 22 2113343 E-Mail: info@kpmg.co.tz
4.	MAERSK Tanzania (A.P. Moller – Maersk A/S)	Denmark	Shipping agents	P. O. Box 77264, Dar es Salaam Tel: 255 22 2110055 Fax: 255 22 2113232 E-mail: tantop@maersk.com
5.	SDV Notco (T) Ltd (SDV International Logistics)	France	Shipping agents	Kurasini Area P.O. Box 1683, Dar es Salaam Tel: 255 22 211 4447-9 E-mail: info@sdv-oilfield.com
6.	Tanzania International Container Terminal (International Container Terminal Services, Inc.)	Philippines	Container terminal services	Container Terminal Building Dar es Salaam Port P.O. Box 13412, Dar es Salaam Tel: 255 22 211 0371 E-mail: ticts@ticts.com Web: www.ictsi.com

INFRASTRUCTURE

1.	Celtel (T) Ltd (Celtel International B.V.)	Netherlands	Cellular telephone service provider	P. O. Box 9623, Dar es Salaam Tel: 255 22 274 8181 E-mail: ir@celtel.com Web: www.celtel.com
2.	City Water Services Ltd (Tanzania-Network.DE e.V.)	Germany	Water and sewerage	City Water House P. O. Box 80223, Dar es Salaam Tel: 255 22 213 1191 Fax: 255 22 213 1193 E-mail info@citywater-tz.com
3.	Datel Tanzania Ltd (Datel Inc.)	Mauritius	Internet products and services	P.O. Box 76794 Dar es Salaam Tel: 255 22 211 8600
4.	MIC Tanzania Ltd (Millicom International Cellular SA)	Luxembourg	Telecommunication	P. O. Box 2929, Dar es Salaam Tel: 255 741 123 456/306 Fax: 255 741 123014 E-mail: mobitel@mobitel.co.tz
5.	Tanzania Telecommunications Company Ltd (MSI International and Detecon)	Germany and Netherlands	Telecommunication Extelecom House	P. O. Box 9070, Dar es Salaam Tel: 255 22 211 0055 Fax: 255 22 211 3232 Web: www.ttcl.co.tz
6.	Vodacom Tanzania Ltd (Vodacom Group PTY Ltd)	South Africa	Mobile services	PPF Toser P. O. Box 2369, Dar es Salaam Tel: 255 22 266 6127 255 22 266 6684 Web: www.vodacom.co.tz

CONSTRUCTION

1.	Konoike Construction Company (Otori Holdings Co, Ltd)	Japan	Construction	P. O. Box 31224, Dar es Salaam Tel: 255 22 270 0308 Fax: 255 22 270 0306/5489 E-mail: kontan@intafrica.com
2.	M.A. Kharafi & Sons Ltd (Intergraph Corporation)	Kuwait	Construction	Plot 1049 Haile Selasie Road P. O. Box 6164, Dar es Salaam Tel: 255 22 260 0644 Fax: 255 22 2600436 E-mail: mak-tz@intafrica.com
3.	Murray & Roberts Construction (T) Ltd (Murray & Roberts Holdings Ltd)	South Africa	Construction	P. O. Box 394, Dar es Salaam Tel: 255 22 266 6962 Fax: 255 22 266 7163 E-mail: info@murrob.com Web: www.murrom.com

Source: Confederation of Tanzania Industries, Tanzania Investment Centre and individual companies.

Appendix 3

SOURCES OF FURTHER INFORMATION

Tanzania Investment Centre
Shaaban Robert Street
P. O. Box 938
Dar es Salaam
Tel: 255 22 211 6328/211 3365
Fax: 255 22 211 8253
E-mail: information@tic.co.tz
Website: www.tic.co.tz

Public sector

Attorney General's Chambers
Kivukoni Front
P. O. Box 9050
Dar es Salaam
Tel: 255 22 211 7099
Fax: 255 22 211 3236
E-mail:ag@africaonline.co.tz

Ministry of Agriculture and Food Security
Mandela Road
P. O. Box 9192
Dar es Salaam
Tel: 255 22 286 2073
Fax: 255 22 286 2077
E-mail: psk@kilimo.go.tz

Ministry of Energy & Minerals
Mkwepu/Sokoine Streets
P. O. Box 2000
Dar es Salaam
Tel: 255 22 211 7156-9
Fax: 255 22 211 6719
E-mail: madini@africaonline.go.tz
Website: www.africaonline.co.tz/madini

Ministry of Finance
Treasury Building, Madaraka Avenue
P. O. Box 9111
Dar es Salaam
Tel: 255 22 211 1174-6
Fax: 255 22 211 0326
E-mail: mof@mof.go.tz
Website: www.mof.go.tz

Ministry of Industry and Trade
Lumumba Street
P. O. Box 9503
Dar es Salaam
Tel: 255 22 218 3143
Fax: 255 22 213 8183
E-mail: ps@mit.go.tz
Website: www.tanzania.go.tz

Ministry of Labour, Youth and Sports Development
Hifadhi House/Azikiwe Street
P. O. Box 1422
Dar es Salaam
Tel: 255 22 211 1061/211 6682
Fax: 255 22 212 3158

Ministry of Lands and Urban Settlements Development
Kivukoni Front
P. O. Box 9132
Dar es Salaam
Tel: 255 22 212 1241-9
Fax: 255 22 212 4576
E-mail: ps-ardhi@afrcaonline.co.tz

Ministry of Natural Resources and Tourism
Samora Avenue/Mission Street
P. O. Box 9372
Dar es Salaam
Tel: 255 22 211 1061-4/211 6682
Fax: 255 22 211 6719
E-mail: mipngo.mnrt@twiga.com
Website: www.tourismtanzania.go.tz

Ministry of Transport and Communications
Tancot House
P. O. Box 9144
Dar es Salaam
Tel: 255 22 211 4426
Fax: 255 22 211 2751
Website:
www.tanzania.go.tz/communicationf.html

Ministry of Water and Livestock Development
Mkwepu/Sokoine Sreets
P. O. Box 9153
Dar es Salaam
Tel: 255 22 211 9745/211 2772
Fax: 255 22 211 0486
E-mail: dppmaj@raha.com

Ministry of Works
Holland House/Samora Avenue
P. O. Box 9423
Dar es Salaam
Tel: 255 22 211 6653
Fax: 255 22 211 3236
Website:
www.tanzania.go.tz/government/works.htm

Office of the President
Planning and Privatization
Kivukoni Front
P. O. Box 9242
Dar es Salaam
Tel: 255 22 211 2681-4
E-mail: ps@plancom.go.tz

Other public institutions

Bank of Tanzania
Mirambo Street
P. O. Box 2939
Dar es Salaam
Tel: 255 22 211 1061-4/211 6682
Fax: 255 22 211 6719
E-mail: info@hq.bot-tz.org
Website: www.bot-tz.org

Board of External Trade
Trade Fair Grounds, Kilwa Road
P. O. Box 5402
Dar es Salaam
Tel: 255 22 285 1759/285 1706
Fax: 255 22 285 1705/211 27527
E-mail: betis@intafrica.com
Website: www.bet.co.tz

Business Registration and Licensing Agency
Cooperative Building, Lumumba Street
P. O. Box 9393
Dar es Salaam
Tel: 255 22 218 0141/218 0130
Fax: 255 22 218 0371
E-mail: usajili@intafrica.com

Capital Markets and Securities Authority
PPF Tower, Ohio Street/Garden Avenue
P. O. Box 75713
Dar es Salaam
Tel: 255 22 211 3903
Fax: 255 22 211 3846
E-mail: cap-markets@cats-net.com

Immigration Services Department
Ministry of Home Affairs
Ghana Avenue/Ohio Street
P. O. Box 512
Dar es Salaam
Tel: 255 22 211 8636
Fax: 255 22 211 1090
E-mail: uhamiaji@intafrica.com

Loans & Advances Realization Trust
NIC Investment House
P. O. Box 2939
Dar es Salaam
Tel: 255 22 213 1464/213 1091
Fax: 255 22 211 4097

National Bureau of Statistics
Kivukoni Front
P. O. Box 796
Dar es Salaam
Tel: 255 22 212 2722-3/211 2352
Fax: 255 22 213 0852

National Development Corporation
Kivukoni Front
P. O. Box 2669
Dar es Salaam
Tel: 255 22 213 2528/211 5803
Fax: 255 22 211 1460-4
E-mail: ndc@cats-net.com
Website: www.ndctz.com

Presidential Parastatal Sector Reform Commission
Sukari House, Ohio Street
P. O. Box 9252
Dar es Salaam
Tel: 255 22 211 7988-9/211 3065
Fax: 255 22 212 2870
E-mail: info@psrctz.com
Website: www.psrctz.com

Small Scale Industries Development Organization
P. O. Box 2476
Dar es Salaam
Tel: 255 22 215 1945-8
Fax: 255 22 215 1944
E-mail: sido@inntafrica.com
Website: www.sido.co.tz

Tanzania Bureau of Standards
Ubungo, Morogoro Road
P. O. Box 9524
Dar es Salaam
Tel: 255 22 245 0298/245 0735
Fax: 255 22 245 0959
E-mail: tbsinfo@uccmail.co.tz

Tanzania Civil Aviation Authority
IPS Building, Samora Avenue
P. O. Box 2819
Dar es Salaam
Tel: 255 22 211 5079-80
Fax: 255 22 211 8905
E-mail: civil-aviation@twiga.com
Website: www.aviationauthority.org

Tanzania Communication Commission
Ali Hassan Mwinyi Road
P. O. Box 474
Dar es Salaam
Tel: 255 22 211 8947-52
Fax: 255 22 211 6664
E-mail: moa@tcc-go.tz
Website: www.tcc-go.tz

Tanzania Harbours Authority
P. O. Box 9184
Dar es Salaam
Tel: 255 22 211 0401-9/211 7816
Fax: 255 22 211 3938/211 3432
E-mail: slo@tanzaniaports.com
Website: www.bandari.com

Tanzania Petroleum Development Corporation
Cooperative Building, Lumumba Street
P. O. Box 2774
Dar es Salaam
Tel: 255 22 218 1395/218 0045-6
Fax: 255 22 218 0047
E-mail: killagane@raha.com
Website: www.bot-tz.org

Tanzania Revenue Authority
Sokione Street
P. O. Box 11491
Dar es Salaam
Tel: 255 22 211 9591-4
Fax: 255 22 211 9595
E-mail: nbs.dg@raha.com

Tanzania Roads Agency
P. O. Box 11364
Dar es Salaam
Tel: 255 22 212 5914-5
Fax: 255 22 212 4359

Tanzania Tourist Board
IPS Building, Samora Avenue/Azikiwe Street
P. O. Box 2485
Dar es Salaam
Tel: 255 22 211 1244-5
Fax: 255 22 211 6420
E-mail: ttb@ud.co.tz
Website: www.tanzania-web.com

Private sector

Association of Tanzania Employers (ATE)
AMI Building
Samora Avenue
P.O. Box 2971
Dar es Salaam
Tel:255 22 211 0940
Fax:255 22 211 9434
E-mail: ate@intafrica.com

Confederation of Tanzania Industries (CTI)
9the Floor, NIC Investment House
Samora Avenue
P. O. Box 71783
Dar es Salaam
Tel: 255 22 211 4954/212 3802
255 22 213 0327
Fax: 255 22 211 5414
E-mail: cti@co.tz
kilindu@cti.co.tz
Website: www.cti.co.tz

Tanzania Exporters Association (TANEXA)
5th Floor, Pamba House
Garden Avenue
P. O. Box 12493
Dar es Salaam
Tel: 255 741 564 955
Fax: 255 22 211 272 752/4
E-mail: bil114@hotmail.com

Tanzania National Business Council (TNBC)
Ghana Avenue
P. O. Box 3478
Dar es Salaam
Tel: 255 22 212 2985/6
255 744 781 078
Fax: 255 22 212 9433
E-mail: tnbc@tnbctz.com

Tanzania Private Sector Foundation (TPSF)
Tel: 255 22 213 9681
Fax: 255 22 213 9644
E-mail: tpsf@tnbctz.com

Appendix 4

List of public holidays in 2005

Dates	Public holidays
1 January	New Year's Day
12 January	Zanzibar Revolution Day
21 January	Eid el Hajj[2]
25 March	Good Friday[2]
28 March	Easter Monday[2]
26 April	Union (between Tanganyika and Zanzibar) Day
1 May	Labour Day
7 July	Birth of TANU, the ruling party at independence
8 August	Peasants' Day
14 October	Nyerere Day
3 and 4 November	Eid El Fitr[2]
9 December	Independence Day
25 December	Christmas Day
26 December	Boxing Day

[2] The actual date depends on the sighting of the moon

Business hours

Government offices are open from 7.30 a.m. to 3.30 p.m. from Monday to Friday in mainland Tanzania, and from 7.30 a.m. to 3.00 p.m. in Zanzibar. Most private businesses open from 8.00 a.m. to 5.00 p.m. with a one-hour lunch break.

Banking hours are mainly 8.30 a.m. to 3.00 p.m. (although some banks are open until 4.00 p.m.) Monday to Friday and 8.30 a.m. to 12.30 p.m. on Saturday. Most shops are open from 8.30 a.m. to 12.30 p.m. and from 2.30 p.m. to 5.00 p.m. Monday to Friday, and from 8.30 a.m. to 1.00 p.m. on Saturday. Most major shops do not open on Sundays except those located in the suburbs.

Appendix 5

Privatization

Overview of the current status of State-owned enterprises (SOEs)

CONTROLLING MINISTRY	SOES ALREADY PRIVATIZED[3] OR LIQUIDATED						SOES to be privatized	SOES to be retained[4]
	Leased	Joint venture with Govt of Tanzania	Sold	Closed	Liquidated	Total		
Agriculture	8	6	52	0	8	74	28	
Industries & trade	1	22	38	4	19	84	16	1
Transport & communications	2	3	11	0	2	18	11	
Energy & minerals	0	4	8	0	2	14	4	
Lands & housing	0	0	3	0	0	3	0	
Natural resources	2	2	24	0	3	31	6	
Prime Minister's Office	0	0	1	0	0	1	0	
Finance	0	1	1	0	0	2	2	
Works	0	1	2	0	0	3	2	
Justice	0	0	0	0	0	0	1	
Water & livestock development	1	0	0	0	0	1	0	
Total	14	39	140	4	34	231	70	1

Source: Privatization in Tanzania, Annual Review 2002/2003, and Action Plan 2003–2004, Presidential Parastatal Sector reform Commission, December 2003.

Selected public enterprises not yet privatized[5]

	Name of company	Business
1	National Food Corporation (State farms for wheat, rice and maize)	Agriculture
2	Tanzania Harbours Authority: Rest of ports activities, grain terminal, non-core assets	Port operations
3	Tanzania Zambia Railway Authority (TAZARA)	Railway transport
4	National Shipping Company (and its subsidiaries)	Shipping agency
5	Shirika la Usafiri Dar es Salaam	Bus service in Dar es Salaam
6	Tanzania Electric Supply Company (TANESCO)	Electricity production, transmission and distribution
7	TIPPER Limited	Petroleum refining
8	National Micro-finance Bank	Micro-finance
9	National Insurance Corporation	Insurance services
10	Embassy Hotel	Hotel in Dar es Salaam
11	Hotel Seventy Seven	Hotel in Arusha
12	Mikumi Wildlife Lodge[6]	Lodge in Mikumi National Park

Source: Privatization in Tanzania, Annual Review 2002/2003, and Action Plan 2003–2004, Presidential Parastatal Sector reform Commission, December 2003.

[3] Includes SOEs for which divestiture has been completed to the stage of signing a Memorandum of Understanding or initialling a sales agreement.

[4] Uncompleted project (sheet glass) transferred to the National Development Corporation.

[5] List current as of March 2005.

[6] The Mikumi Wildlife Lodge divestiture, following termination of the lease with a local investor, is pending settlement of a court case filed by the local investor.

Appendix 6

Major laws and regulations affecting foreign investment

Name	Remarks
(a) Investment	
The Tanzania Investment Act 1997	Specifies conditions for investors and related matters
Export Processing Zones Act No. 11 of 2002	Provides for the establishment, development and management of EPZs
The Capital Markets and Securities Act, 1994 (No. 5 of 1994)	Provides for the establishment of a Capital Markets and Securities Authority (CMSA)
The Mining Act. 1998 (No. 5 of 1998)	Provides incentives and specifies conditions for investing in mineral exploration, extraction and processing in Tanzania
(b) Trade, taxation, finance, insurance and audit	
Business Licensing Act (No. 25 of 1972)	Business licensing
Banking and Financial Institutions Act 1991 (No. 12 of 1991)	Harmonizes the operations of financial institutions in Tanzania to foster sound banking and regularize credit operations
Customs Tariff (Amendment) Act (No. 1 of 1976)	Import duties on goods
Income Tax Act 2004	Provides for the assessment and collection of income tax
Value Added Tax Act 1997 (No. 24 of 1997)	
(c) Labour, immigration and citizenship	
Trade Union Act No. 10 of 1998	Collective bargaining and related
Immigration Act 1995 (No. 7 of 1995)	Control of immigration and matters connected with immigration
(d) Environment, forestry, construction and land	
Land Act 1999 (No. 4 of 1999)	Provides the basic law in relation to land, non-village land management, dispute settlement and related matters
Village Land Act 1999 (No. 5 of 1999)	Provides for the management and administration of land in villages
(e) Trademarks	
Trade and Service marks Act 1986	Provides for the registration and protection of trade and service marks and related matters
Patents Act 1987	Invention, innovation and acquisition of technology through the granting and regulation of patents, utility certificates and innovation certificates
Copyright and Neighbouring Rights Act 1999	Provides for the protection of copyright and related rights in literary and artistic works, folklore and related matters

Sources consulted

African Growth and Opportunity Act (2004). www.agoa.gov/index.html

Alusala N. (2004). African standby force, East Africa moves on. *African Security Review* 13 (2).

Business Registrations and Licensing Agency (BRELA) (2001). *BRELA: The Tonic for Business Legality in Tanzania*, July 2001.

Central Intelligence Agency (2002). *World Factbook*.

—— (2005). *World Factbook,* www.cia.gov/cia/publications/factbook.

East African Secretariat (1999). www.eac.int/treaty.htm

—— (2002). *Important Aspects of the Treaty for the Establishment of the East African Community,* May 2002.

Institute for Security Studies (undated). ww.iss.org.za

KPMG (2004). Tax Data Card: East Africa, 2004–2005.

Office of the United States Trade Representative (2004). www.ust.gov

Republic of Kenya and Republic of Uganda (2004). *Pre-Qualification Procedure and Criteria for the Joint Concessioning of Kenya Railways and Uganda Railways*. 1 September.

Shinn D. (2004). Fighting terrorism in East Africa and the Horn. *Foreign Service Journal,* September.

Tanzania Private Sector Foundation (undated). *Tanzania Private Sector Foundation* (leaflet).

Tourism Confederation of Tanzania (2003). *Tanzania Travel & Tourism Directory*.

UNCTAD (2002). *Investment Policy Review: Tanzania, 2002* (New York and Geneva: United Nations).

—— (2003). *Good Governance in Investment Promotion and Facilitation: Advisory Report, 2003* (New York and Geneva: United Nations).

—— (2005a). *An Investment Guide to the East African Community* (New York and Geneva: United Nations).

—— (2005b). *An Investment Guide to Kenya* (New York and Geneva: United Nations).

UNDP (2004). *Human Development Report 2004*.

UNIDO (2001). *Review of Tanzania's Industrial and Trade Performance*, Ministry of Industry and Trade.

United Republic of Tanzania (1977). *The Constitution of the United Republic of Tanzania*, pp. 15–34.

—— (1987). The Patent Act No. 1, Government Gazette No. 17, vol. 68 of 1987, pp. 5–34.

—— (1997a). *National Environmental Policy*, Vice President's Office, December 1997.

—— (1997b). The Tanzania Investment Act, Act No. 26 of 3 October 1997, Government Gazette No. 40 vol. 78, pp. 437–469.

—— (1998a). The Mining Act No. 5, Government Gazette No. 171 of 1999, pp. 12–200.

—— (1998b). Trade Union Act No. 10, Government Gazette No. 255 of 2000, pp. 7–131.

—— (1999a). The Copyright and Neighbouring Rights Act, Act No. 7 of 1999, GN No. 452 of 1999, pp. 3–109.

—— (1999b). The Land Act No. 6, Government Gazette No. 21, vol. 80 of May 1999, pp. 15–505.

—— (2003a). The Finance Act No. 15, Government Printer, 2003, pp. 2–54

—— (2003b). *Poverty Reduction Strategy: Second Progress Report*, March 2003.

—— Bank of Tanzania (2002). *Economic and Operations Annual Report – 2002*, 29 September 2002.

—— Bank of Tanzania (2003a). *Economic and Operations Annual Report – 2003.*

—— Bank of Tanzania (2003b). Economic Bulletins, June 2003.

—— Bank of Tanzania (2004). Economic Bulletins, October 2004.

—— Ministry of Agriculture and Food Security (2004). Statistics Unit, http://www.agriculture.go.tz/.

—— Ministry of Industries and Trade (2003a). *National Trade Policy*.

—— Ministry of Industries and Trade (2003b). *National Trade Policy Background Papers*, February 2003, pp. 143–183.

—— Ministry of Natural Resources and Tourism (undated). *Investment opportunities in beekeeping in Tanzania* (leaflet).

—— Ministry of Natural Resources and Tourism (2002). *Tourism Master Plan: Strategy & Actions*, final summary update, April 2002.

—— Ministry of Natural Resources and Tourism (2004). *Tourism Statistics: 1995–2003*.

—— National Bureau of Statistics (2002). *The Tanzania National Census 2002*.

—— Planning Commission (2000). *Composite Goal for the Tanzania Development Vision 2025*.

—— President's Office, Planning and Privatization (2003). *The Economic Survey 2002*.

—— Presidential Parastatal Sector Reform Commission (2003). *Privatization in Tanzania*, December 2003.

—— Prime Minister's Office, Tanzania Commission for AIDS (2002). *National Multi-sectoral Strategic Framework on HIV/AIDS 2003–2007*, December 2002.

—— Tanzania Revenue Authority (2004). Income Tax Act, July 2004.

—— (1986). Trade & Service Marks No. 12, Government Gazette No. 458 of 1994, pp. 4–25.

—— Tanzania Investment Centre (2002). *Tanzania Investors Guide: 2002 and Beyond*, March 2002.

World Bank (2001). *Tanzania at the Turn of the Century: From reforms to Sustained Growth and Poverty Reduction.*

—— (2004a). *Doing Business in 2005*, http://rru.worldbank.org/DoingBusiness.

—— (2004b). *Improving Enterprise Performance and Growth in Tanzania* (Investment Climate Assessment).

—— (2004c), *Project Appraisal Document on a Proposed Credit in the Amount of SDR 81.6 million (US$122 million equivalent) to the United Republic of Tanzania for the Central Transport Corridor Project*, 31 March 2004.

—— (2004d), *Project Information Document, East African Community – Transport Facilitation Project,* 23 August 2004.

—— (2004e). *World Development Indicators 2004*.

Zanzibar Investment Promotion Authority (ZIPA) (2004). *Guide to Investing in Zanzibar and Investment Opportunities*.

Printed in Switzerland – GE *[To be inserted]* – July 2005 – 6,000. Design by Nelson Vigneault, 2005.