



Tanzania

▶▶▶ THE EAST AFRICAN NATION OF TANZANIA HAS BENEFITED FROM A DECADE OF DEMOCRATIC STABILITY, AND NOW THE COUNTRY IS USING ITS STRATEGIC LOCATION TO INCREASE TRADE, BOOST TOURISM AND AGRICULTURE, AND ACT AS A BEACON OF STABILITY FOR SURROUNDING NATIONS



COUNTRY PROFILE

LOCATION: Eastern Africa; bordering the Indian Ocean, between Kenya and Mozambique and six other landlocked countries

POPULATION: 41,048,532 (March 2009)

AREA (ACTUAL): 365,000 sq miles

AREA (COMPARATIVE): Germany and France combined (349,000 sq miles)

OFFICIAL LANGUAGES: Swahili and English

INDEPENDENCE: 1961

GDP – REAL GROWTH RATE: 4.5% (2009 est.)

GDP – BY SECTOR: agriculture: 26.6% industry: 22.6% services: 50.8% (2009 est.)

GDP (PURCHASING POWER PARITY): \$57.5 billion (2009 est.) \$54.26 billion (2008 est.) \$50.67 billion (2007)

EXPORT PARTNERS: India: 8.1% Japan: 6.5% China: 6.3% Netherlands: 5.6% Germany: 5.1% UAE 5.7%: (2008)

LABOR FORCE: 21.23 million (2009 est.)

CLIMATE: Varies from tropical along the coast to temperate in highlands

TERRAIN: Plains along coast; central plateau; highlands in the north and south

NATURAL RESOURCES: Hydropower, tin, phosphates, iron ore, coal, diamonds, gemstones, gold, natural gas, nickel

Tanzania has a plan

HOME TO Serengeti National Park, the Ngorongoro Crater, the pristine beaches of Zanzibar, and Africa's highest peak, Mount Kilimanjaro, Tanzania is not just a favorite tourist destination, but a thriving, democratic, stable country with a long-term vision for development.

Tanzania's economy boasts 7% growth over the past three years and an average of 5% over the past decade. Both the International Monetary Fund (IMF) and the World Bank predicted that it would grow an additional 4.7% in 2009 despite the global recession, compared to sub-Saharan Africa's predicted average of 1.9%.

Tanzania is on course in its development plan to establish itself as a middle-income economy by enhancing regional security, promoting regional trade and combating poverty.

Tanzania's fourth President, Jakaya Kikwete, elected in 2005, is at the helm, having opened the borders and reduced trade barriers through the introduction of the East

Africa Customs Union in August 2009. As former Minister of Foreign Affairs, President Kikwete is also committed to Tanzania's role as a regional peace-builder, as seen in his mediation efforts with Burundi and the Democratic Republic of Congo.

"The benefits of regional integration are now obvious. For instance, business between Kenya and Tanzania has grown, and in fact, Tanzania sells more to Kenya than ever before," says Kikwete, noting that Bank of Tanzania (BoT) data indicates a trade surplus in Tanzania's favor for 2008.

In addition to completing the IMF and World Bank's Debt Initiative for Heavily Indebted Poor Countries (HIPC) ahead of schedule, Tanzania has embarked on ambitious projects. The Mkukuta Project aims to establish Tanzania as a middle-income nation by 2025. The Mini Tiger Plan 2020 aims to improve economic indicators, such as exports, by at least 25% by 2020.

Tanzania's increasingly competitive econ-

With a thriving democracy and potential in a wide range of sectors, Tanzania has an increasingly competitive economy, a clear draw for investors



President Jakaya Kikwete is on a crusade to eliminate corruption and promote Tanzania's good governance to the world, surrounding himself with a solid team of ministers and choosing the straight-shooting Mizengo Pinda as Prime Minister

omy is a clear draw for investors. With good governance as a major factor contributing to the country's economic success, Tanzania has met several of the UN's Millennium Development Goal targets and consistently ranks in its list of "Top Ten Investment Destinations in Africa". It topped all African nations in attracting €275 million (\$393 million) in 2008. "We are still receiving a great deal of support from abroad," says Prime Minister Mizengo Pinda.

John McIntire, the World Bank's country director for Tanzania, notes that the improvements in Tanzania have been steady. "Tanzania is using aid money to build roads and schools. We have seen a boom in pri-

mary education and a boom is now also starting in secondary education. The road network has increased, from rural roads to highways. We have witnessed dramatic reductions in infant mortality rates as well as the implementation of quality health services in areas that previously were not served," says McIntire. He adds that one of Tanzania's priorities is to raise the rate of investment in both production and infrastructure.

The Tanzanian government agrees that greater participation of the private sector is essential. While it is true that Tanzania's economy has grown, many of the country's institutions are still state-owned and run.

In a bid to reintroduce the private sector

to key areas once governed by the socialist administrations of the past, Tanzania is encouraging private investment in infrastructure projects. An earlier attempt to privatize the railway proved unsuccessful, forcing the state to inject tens of millions of dollars to save it from collapse.

Nonetheless, the government remains firm in its commitment, says Finance Minister Mustafa Mkulo. "We want to attract the private sector to agriculture, but also to infrastructure, as agriculture cannot work without infrastructure: roads, railways, ports and airways. Energy and water development are also among our priorities."

Transparency and addressing corruption are also key elements to success. Kikwete has reshuffled his cabinet twice since 2005 and he has ousted many ministers who have found themselves in rough waters thanks to poor decision making or negligence of their offices. His goal is not to just make examples of those who showed poor judgment, but to put new people in place who can address the challenges Kikwete believes the country and government must meet.

There is no better example than his nomination of Pinda as Prime Minister in 2008, confirmed unanimously by Parliament. A lawyer and career civil servant, Pinda is dedicated to making a difference in Tanzania and has no trouble standing his ground. Early in 2009 while on a tour around the country, Pinda reprimanded all regional governors for driving around in brand new Mercedes Benz cars in their communities, where the majority are lucky to eke out a modest living in agriculture. He challenged them to spend their money on farming equipment or land, and to create jobs for locals instead of living an indulgent lifestyle.

Pinda is committed to development as a means to reduce poverty and stimulate the economy. In May, Tanzania established the Tanzania Transparency Forum (TRAFO), which will become effective within the next six months. The aim is to run continuous investigations across all 35 districts on the mainland to promote good governance and eliminate corruption. Unlike many of her neighbors on the continent, Tanzania has a plan.

INVESTMENT

Africa's new leader

With stabilized inflation, ever-increasing GDP and a wealth of industries on the brink of expansion, Tanzania is emerging as Africa's frontrunner for global investment

TANZANIA is poised to become the new leader in Africa, a continent otherwise struggling in today's uncertain financial climate.

With its food security well established and a freely-elected government committed to long-term, sustainable development, Tanzania is emerging as a model African state. Its enviable economic potential and political stability are allowing Tanzania to forge a new profile as a regional peacemaker and leader in issues of trade and economic policy.

Tanzania has been spared the worst of the global economic slowdown. Owing to its ongoing emphasis on agriculture, says Prime Minister Mizengo Pinda, Tanzania has become self-reliant in food, enabling it to avoid the crippling effects of the food crisis that has paralyzed many of its neighbors. In fact, Tanzania has become a net exporter of food.

"We retained the resources to be able to feed our own," says Pinda. "This is a

huge asset because once we know our food production resources are secure, we know that our economy is going to remain stable." He adds, "We have a unity that we are very proud of, and so peace and stability is something that the world should know about Tanzania: one language, one people, one state."

Running a food surplus today, Tanzania has proven that it has been taking the right steps by investing in the agriculture sector, converting it from subsistence practices to an export industry. These steps have contributed to growing the country's gross domestic product (GDP).

The successes in the agricultural sector have spurred the recognition of the importance of renewing the country's infrastructure, which still needs serious work. With ongoing revitalization of the road and rail networks, the movement of goods, especially food from one region to another, will continue to improve.

Although Tanzania is well placed to



Over the past decade, Tanzania has become a port in the storm for investors wishing to enter the African market. The nation's policies of transparency and its potential for growth continue to attract attention from global investors

weather the global economic storm, its major financial institutions have not escaped unscathed, and its trading partners have been affected. Local subsidiaries of international banks, such as Barclays and Citigroup, are not receiving the same amount of capital to lend from their parent companies as before.

Tanzania has also had to cope with diminishing exports caused by flagging international demand. Cotton is the most

heavily hit commodity, with inventories piling up as Asian countries cut textile production and, subsequently, their imports from countries such as Tanzania.

Nevertheless, under the steady leadership of President Jakaya Kikwete and Prime Minister Pinda, the opportunities for investors in Tanzania have seldom, if ever, been better.

"The investment climate that we have created within the last 10 years or so is

much more attractive for investors," says Pinda. "Ten years ago, the inflation rate was around 30% and GDP growth around 3%; now GDP growth will remain above 5%, despite the global economic crisis, and we believe inflation will stay under 10% in 2010."

Tanzania has also made great strides in its role as a regional peacemaker. That progress is owed in part to the absence in Tanzania of the internal strife that plagues so many of its neighbors.

The country's leadership has been active in promoting regional peace and development through organizations such as the East African Community as well as the African Union (AU). In 2008, Kikwete served as AU Chairman, helping extend Tanzanian diplomacy across the continent as well as advocating for the need for greater transparency and improving good governance. Kikwete was also the first African head of state to meet U.S. President Barack Obama upon his inauguration last year.

In March 2009, in collaboration with the International Monetary Fund (IMF), Tanzania hosted the "Changes: Successful Partnerships for Africa's Growth Challenge", which brought together some of the world's leading investors and minds, including IMF Managing Director Dominique Strauss-Kahn and former UN Secretary General Kofi Annan.

EDUCATION INITIATIVES

Massive strides towards education and poverty reduction

The Tanzania government's Mkukuta development strategy is increasing household incomes, educating young people and protecting the health of all citizens

AFTER REACHING several United Nations Millennium Development Goals and completing an enhanced Highly Indebted Poor Country's Initiative (HIPC-Cl) ahead of schedule, Tanzania has cleared the path for the next phase of its Mkukuta Strategy.

Mkukuta Phase I, also known as the National Strategy for Growth and Reduction of Poverty, targeted improvements in three areas: economic growth and reduction of income poverty, social well-being, good governance and accountability.

Tanzania completed this first phase of the Mkukuta Strategy in July and is now formulating Phase II, to be implemented starting in July 2010. The aim is to build on the experience from Phase I and address any shortcomings in the process in a concerted national effort that will include all members of Parliament and the general public, according to Mustafa Mkulo, Minister of Finance and Economic Affairs.

"We want politicians to feel under

pressure to perform because they have a duty to work every day towards improving Tanzania for the people who so generously gave them this opportunity," adds Prime Minister Mizengo Pinda.

Since over 80% of the population lives in rural areas, a sure strategy to improve the average income is investment in agriculture. Offering large tracts of agricultural land through the Tanzania Investment Center, the government hopes to attract foreign expertise and investment in a bid to improve returns on the land and sustainable jobs.

Education, a priority in Tanzania since independence, has received even greater support under the current administration. The 2009-2010 education budget increased by 22% over the last fiscal year to 1.7 trillion Tanzanian shillings (about \$1.3 billion). Enrollment has increased across the country at all levels, but a shortage of qualified teachers and staff remains a



The prime minister is fighting to protect albinos, in addition to focusing on things like health and education

stumbling block. The government says this is an area in which Tanzania still requires foreign assistance.

Improvements in the provision of safe drinking water in both urban and rural areas have been made, but the rates of infant and maternal mortality still

need to be reduced further. The government has also strengthened law enforcement through training and recruitment of new staff and the provision of essential equipment.

With regards to human rights, Tanzania has attracted international cen-

sure for the terrible treatment and killing of its albinos. Many rural Tanzanians believe albinism, a lack of skin pigmentation, is the result of a curse. Pinda blames rural witch doctors for encouraging the murder of albinos and perpetuating the myth that certain body parts confer luck and healing powers.

The government is trying to lead by example. President Kikwete charged the MP Al-Shyamaa Kway-Geer, a former airline clerk with albinism, with improving the lot of Tanzania's albinos. Prime Minister Pinda has adopted three albino children. Education and prosecuting offenders to the full extent of the law are two other initiatives, illustrating that the government takes the issue seriously.

"The government is doing everything possible to eradicate the killing of albino citizens," says Pinda. "We have to come up with solutions. Education is one of them, but also communication to the rural communities of the consequences of such acts."

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Tanzania

ECONOMY

'This locomotive will not be derailed'

Outpacing regional counterparts in growth, Tanzania has kept a tight rein on inflation and is benefiting from reforms. Its goal is to achieve middle-income-country status within five years

DESPITE the global recession of 2008-2009, Tanzania's economic policies and reforms have spurred sustainable growth and a reduction in inflation over the last five years, according to Benno Ndulu, governor of the central bank of Tanzania.

"Growth has been observed and financial stability achieved even in the face of the financial crisis," says Ndulu, a former World Bank official who was appointed Tanzania's chief banker in January of 2008. "We had inflation below 10% for almost all of 2008 and although it went up a bit, it is well down again now and I foresee this continuing."

The International Monetary Fund predicted that Africa's sub-Saharan countries would see growth slow down on average in 2009, though Tanzania's economy was still predicted to expand by upwards of 4%. This is a marked reduction from 2008, when Tanzanian gross domestic product increased by 7.4%.

Nevertheless, Mustafa Mkulo, Tanzania's Minister of Finance and Economic Affairs, is confident that his country will emerge from the slowdown relatively unscathed and that it's set to continue its economic growth trajectory. He is boldly forecasting higher growth in 2009 for Tanzania than the IMF.

"Beyond 2009, where national growth will be around 5 to 6%, we can already predict that by 2011-2012, we will be able to reach 10% annual growth, meaning that Tanzania will become a middle income country in the next five years, far ahead of schedule," says Mkulo.

"Tanzania is less affected than those countries that are closely integrated with the world financial markets," adds John McIntire, World Bank country director for Tanzania, Uganda, and Burundi. "Tanzania's economic growth at the moment is 5%, which by present European and American standards is excellent."

To be sure, Tanzania will not be able to avoid the fallout from the worldwide financial crisis, but the effect will be muted compared with more heavily indebted countries. The worst-hit sectors are agriculture, tourism and manufacturing.



MUSTAFA MKULO
Minister of Finance and
Economic Affairs

A major impact of the international crisis has been on tax revenue income and collection. The Tanzania Revenue Authority (TRA) fell short of its targets in 2009, but improvements have remained steady.

The administration has taken several measures to help build sustainable, increased domestic revenue mobilization. The measures include: the broadening of the tax base by registering a high growth rate of new taxpayers, with an emphasis on further improvement of the business and investment climate, and the implementation of the "Third Five-Year Corporate Plan", which aims at strengthening accountability among taxpayers and tax collectors, to make revenue collection more efficient.

The Tanzanian government and the central bank also worked closely with the IMF to make sure that the policies they table in the annual budget for 2009/10 reflect the needs of the country. Controlling inflation is essential for the country, as shown by the cautionary example of Zimbabwe, where inflation climbed to more than 2 million percent last year amid political turmoil.

The Ministry of Finance and Economic Affairs has set up a committee to implement a new public-private partnership (PPP) policy. This will ensure that the private sector can expand in an optimal business climate. It will focus on reducing the cost of doing business and making Tanzania more competitive on a regional and international level, while attracting private investors, both domestic and foreign, by giving them greater incentives both in the form of tax exemptions and by promoting build, operate and transfer (BOT) projects that are said to increase private investors' long-term investment returns.

This relates to the government's priority of boosting investment in transport infrastructure, including ports, roads, airports and railways, in order to facilitate growth in domestic, regional and overseas trade. A rehabilitation program for the Port of Dar es Salaam, Tanzania's biggest, is currently under way.

The 150-mile, \$140 million Arusha-Namanga-Athi River road, linking Tanzania and Kenya, opened in May 2009 after almost two years of construction. There are

high hopes for an increase in traffic and trade between the two countries.

The development of the Kilimanjaro International Airport (KIA) is one relative success story. The airport is performing better than ever and is turning a profit. The government hopes to repeat this with the privatization of the Julius Nyerere Airport in Dar es Salaam, for which it is seeking a suitable partner.

Other projects have met with less success. Tanzanian Railways Ltd. (TRL) is a public-private partnership in which the government of Tanzania collaborated with the Indian consortium RITES, which has been extremely successful in improving India's rail network. The gov-

The Ministry of Finance and Economic Affairs has set up a committee to implement a new public-private partnership policy to ensure that the private sector can expand in an optimal business climate



Tanzania's prudent economic policies and reforms have spurred sustainable growth and a reduction in inflation over the last five years. The nation's economy has been less impacted by the global economic slowdown than those of other countries that are more closely integrated with the world financial markets

ernment gave the foreign company a 51% stake so that it could lead manage the project.

RITES was unable to deliver on its promises in Tanzania, with the result that the government had to pour tens of millions of dollars into the railways with little improvement. Railways still carry only 10% of the goods out of the ports.

Even the World Bank's International Finance Corporation (IFC), which had originally offered a loan of up to \$50 million, recently froze the funds when it lost confidence in TRL's ability to make effective use of the monies.

"It is not that Tanzania lacks money, because they are given all this aid," says McIntire. "What the country lacks are good projects to spend it on."

The government's commitment to modernizing and expanding the rail network remains firm. "We have no option but to improve the railway network for us to move forward," says Prime Minis-

ter Mizengo Pinda. "Our aim is to be able to connect Dar es Salaam to Isaka, Burundi and Rwanda through the railway system. Feasibility studies are under way."

Transport infrastructure is a crucial issue in almost every sector of the economy, including in agriculture and tourism.

Tourism accounts for just less than one-fifth of Tanzania's gross domestic product.

Agriculture, the economy's most important sector, made up more than two-fifths of Tanzania's gross domestic product of about \$22.2 billion in 2008, and more than four-fifths of the country's workforce and exports.

What good is an above-average annual crop if transport and storage facilities are so deficient that it can't be moved to other parts of the country, where there may be a shortage, or shipped, reliably, to regional and overseas trading partners?

Regarding foreign direct investment, the minerals industry has been among the most successful, besides telecommunications, in attracting private-sector interest. The recent commodity boom, particularly in gold prices, has attracted

international mining companies including Barrick Gold Corp. of Canada, the world's biggest gold producer.

Barrick, based in Toronto, operates the North Mara, Bulyanhulu, Tulawaka and Buzwagi gold mines and is developing the Kabanga nickel project as a joint venture with Xstrata Plc of Switzerland. Iamgold Corp., another Canadian company, is developing the Buckreef gold mine.

Mining has been flourishing in Tanzania since structural reforms in the 1990s opened up exploration and production to foreign investors. The nation is the third largest gold producer in Africa behind South Africa and Ghana.

Tanzania is also a significant producer of diamonds. Mining is Tanzania's fastest-growing sector in terms of its contribution to GDP and its share of exports.

According to London-based Business Monitor International, the mining industry in Tanzania is expected to grow at an average of almost 12% through 2008-2013. Presently, the mining industry contributes around 2.3% to annual GDP, but the government is hoping to increase this almost fivefold to 10% by 2025.

INVESTMENT

Major international donor loans buoy economy

The World Bank and International Monetary Fund have contributed to the stabilization of Tanzania's economy upon seeing the nation's stellar record of growth and fiscal management

LATE MAY and early June 2009 were hectic for Tanzania's government. Each ministry was preparing its annual budget for the current fiscal year, which began July 1, and developing its strategy for how to use the allocated funds from the treasury.

There was no busier institution in the country than the Ministry of Finance and Economic Affairs. Not only was it preparing its own budget and the budget for the whole nation, but it was also still trying to secure loans from both the World Bank and the International Monetary Fund (IMF).

The World Bank approved an International Development Association (IDA) credit of \$190 million. As a policy-based budget support loan, the disbursement was triggered by the government's performance in implementing its Mkukuta Project, the national strategy for growth and reduction of poverty.

The IMF approved a \$336 million Exogenous Shocks Facility Arrangement for Tanzania. This is essentially a line of credit to help cushion the country from the effects of the world economic slowdown. The first disbursement was approximately \$244 million, which was made immediately available to the government.

"For now, the World Bank and the other concessional aid partners are maintaining their commitments to Tanzania," says John McIntire, the World Bank country director for Tanzania, Uganda and Burundi. "The main thing Tanzania has to



The loans that the Tanzanian government has received will go towards infrastructure and other social development projects to assure that the nation can continue on its path of steady growth

do is to raise the rate of public investment in productive and social infrastructure."

The international funds arrived just in time, as foreign direct investments are not predicted to increase this year because of 2009's global financial crisis. Both the IMF and the World Bank have felt the squeeze of the financial crisis as countries in Eastern Europe and elsewhere have required large financial bailouts.

The IMF demonstrate international support for the Tanzanian government's economic and social development initiatives. The monies are ensuring the funding of basic services and infrastructure development needs, and strengthening the country's fiscal management and budgetary delivery system.

The IMF's cash injection has helped to bolster Tanzania's foreign reserves, making up for large reductions in exports, such as cotton and coffee, and a severe slowdown in tourism. The country's GDP increased by about 5% in 2009, about

one-third slower than the previous year. Despite the economic slowdown, Mustafa Mkulo, Tanzania's Minister of Finance and Economic Affairs, is brimming with confidence. He predicts Tanzania "will return to 7.5% growth no later than 2012."

With a public-private partnership framework in place and the government's priority on developing infrastructure to better enable the country to meet the targets set out in the Mkukuta Project's second phase, Tanzania now plans to seek additional funds from international private-sector investors.

"Tanzania has everything; it is a very peaceful, politically stable country and a land of economic opportunities," says Mkulo. "We are calling an international economic forum in the beginning of next year to present to private investors the efforts put in place by our government to further facilitate investment conditions in Tanzania."

FINANCIAL SERVICES

Becoming East Africa's financial hub

The government wants to expand the country's financial services sector in order to increase competition and raise its profile as a regional financial services center

TANZANIA wants to expand its clout as a regional financial services center in order to advance its ambitious broader economic growth and development plans. There are 35 banks, insurers and other finance companies in the country at present.

To increase this number and foster competition by bringing in both additional foreign and domestic lenders, as well as to offer Tanzanians a wider choice of services and products, is another plank of the government's strategy.

The administration believes that growing the country's financial industry will also boost all other parts of the economy, especially transport-related infrastructure with its high capital needs, according to Mustafa Mkulo, Minister of Finance and Economic Affairs. Commercial bank lend-

ing to the private sector grew last year to more than \$1.5 billion.

"More banks are entering the market and we have big business coming in, especially since the banking sector and the infrastructure sector are related," says Mkulo. "The more trade we can facilitate in the region, the more banks we will attract."

Tanzania's financial sector has continued to attract new international and domestic lenders. The Bank of India opened in Tanzania in September 2008, and more recently the central bank approved the launch of MCB, a local bank. Global lenders present in Tanzania include Standard Chartered Plc, Citigroup Inc. and Barclays Plc.

But while Tanzania is ready to welcome foreign financial services providers with

open arms, the country will not be taken advantage of, says Omar Mzee, Mkulo's deputy. Strict supervision and consumer protection will, in fact, strengthen the industry according to the Deputy Minister of Finance and Economic Affairs.

"The next step for the banking sector is to become even stronger," says Mzee. "We want to be seen to be strong in terms of our relationships with foreign banks and ascertain whether they've come to Tanzania to help the country or not."

The Bank of Tanzania's strict surveillance of all the lenders, insurers, foreign currency exchange firms and broker-dealers operating in Tanzania and its anti-inflationary monetary policies have led to a banking and finance system that is seen as the most stable in Eastern Africa.

The primary debt market is well developed. The central bank holds regular auctions of short-term and longer-dated treasury bonds. There is not much secondary trading of government bonds; however, six corporations, including Barclays Bank, have raised capital by selling corporate notes.

There is a partly electronic interbank foreign exchange market that sets the official exchange rate for the Tanzanian shilling. It has more than 30 participating institutions. The equity market is expanding.

The Dar es Salaam Stock Exchange, which celebrated a decade of trading in 2008, has been open to foreign investors since 2003. Trading began with one stock in 1998. Now there are 14 companies quoted electronically on the bourse, with a combined market value of more than \$3.9 billion. The listed enterprises include two lenders, Dar es Salaam Community Bank (DCB) and National Microfinance Bank (NMB).



Tanzania

INVESTMENT

Foreign investment unites the region

Tanzania's many international economic partners are contributing to the country's financial stability and growth. Now, the African nation looks to maintain peace in the region around it in order to stabilize trade with its neighbors

TANZANIA is building on its strengths by translating its recent accomplishments into viable business relationships and greater foreign investment. The past two years have witnessed a shift in foreign policy from one with a political focus to one with more of an economic focus, though the Tanzanian government sees the two as intimately linked.

One of the new foreign policy initiatives is aimed at attracting more foreign direct investment (FDI) in order to help the country meet its industrialization and development goals. The second prong is targeted at the already successful tourism industry. The objective is to nearly double the number of tourists from the present 800,000 annually to 1.5 million within the next two years. Tourism currently contributes about 17-18% of Tanzania's GDP.

Its proactive stance in both regional peace initiatives and the international arena has stood Tanzania in good stead as the country expands its trade relationships with partners across the world.

"Tanzania is focusing more and more on economic diplomacy as it has been increasing the range of embassies' responsibilities," says Minister of Foreign Affairs and International Cooperation Bernard Membe. "Our worldwide embassies are one-stop institutions that encourage the global community to look into our country's business opportunities."

Tanzania enjoys strong bilateral trade relationships with China, India and Japan, three of Asia's biggest economies. As of 2005, bilateral trade between China and Tanzania surpassed \$474.3 million. By 2008 India had become the highest recipient

of Tanzanian exports, valued at 8.1% of total trade. Japan-Tanzania trade volume topped \$160 million. Japan is also a significant source of development aid through the Japan International Cooperation Agency (JICA), which continues to increase its support for Tanzania's development causes.

Tanzania's relationship with the European Union remains strong as the EU is heavily involved in expanding Tanzania's transport infrastructure, having invested more than €215 million (\$308 million). Development aid also remains strong through the implementation of the EU's European Development Fund. In 2008, Tanzania was the largest earner of FDI on the continent, topping €275 billion (\$392 billion).

In terms of attracting investment, the Ministry of Foreign Affairs and International Cooperation is working closely with the Tanzania Investment Center in conducting promotional campaigns abroad and sending delegations to Europe, Asia and the Americas to spread the word about Tanzania. To create an even more attractive business climate for investors and companies, the government offers incentives and bonuses. For example, companies bringing in FDI are exempt from tax for the first five years they work there, as well as being protected against nationalization.

Additionally, through the representation at the embassies abroad, the Ministry of Foreign Affairs is attempting to raise the country's profile overseas, increasing the number of foreign visitors to Tanzania.

There are goals to increase and improve tourist infrastructure, including everything from roads and public transport to hotels. In particular, by increasing the number of



BERNARD MEMBE
Minister of Foreign Affairs and International Cooperation

hotels, Tanzania plans to augment its capacity to provide a higher quality of service to its many tourists.

Recognizing that tourists shy away from conflict and political turmoil, the Foreign Affairs Ministry recognizes the importance of improving the image of Africa overall. With several neighboring African countries such as Burundi, Rwanda and the Democratic Republic of Congo experiencing violent conflict in recent years, the ministry has participated in mediation and diplomatic missions to encourage conflict resolution and working towards a stable, unified Africa.

Regional peace and stability directly benefit Tanzania in its capacity to attract tourists as well as foreign investment. In its peace-keeping political diplomacy capacity, Tan-

zania continues to act as an example for other African countries.

Tanzania is involved in a number of regional and international economic organizations, including the Southern African Development Committee (SADC), which promotes sustainable economic development and integration among SADC countries; the East African Community (EAC), which aims to balance ties in all sectors with other partner nations; and the UN Development Programme, which enhances economic development and growth.

"I do not worry about any sort of strife because of the kind of unity that we have here; one language, one people, one state," says Prime Minister Mizengo Pinda. "They are all contributing to maintaining this peace and stability."

The prime minister's statement reflects the political will to encourage investment. The freely elected government is united in its determination to increase investment as a means of achieving its goals, including improving Tanzanians' average income. Tanzania's economic climate is conducive to success. The country no longer suffers from the double-digit inflation and slow growth of its socialist past. By opening its markets and borders to trade, the country is signalling to the world that it is ready to do business.

"We have huge natural resources in Tanzania, and the same applies to agriculture, livestock and fish," says Pinda.

Building on the key principles of defending freedom and promoting justice and human rights, the government is seeking to deepen economic cooperation with its many neighbors.

INFRASTRUCTURE DEVELOPMENT

Road to the future: Infrastructure is a priority

The government is aware that full development of the economy is dependent on building strong infrastructure

TANZANIA recognizes that the success or failure of its development efforts will depend largely on its ability to improve one vital area: infrastructure. Proper roads, a functioning railway, and efficient ports and airports will spur improvements in every sector of the economy. Infrastructure truly is the key and the government has made it the second biggest item in its current budget after education.

The government welcomes foreign investment such as the \$689 million, five-year agreement that it signed last year with the U.S. Millennium Challenge Corp. It is also seeking to initiate more public-private partnerships (PPPs), not only for the financial boost, but also for the transfer of expertise and know-how they usually entail. As the gateway to six landlocked countries, Tanzania needs an efficient transportation system to improve its competitiveness and boost its regional economic standing.

Of the Millennium Challenge Corp.'s \$689 million, "infrastructure was given \$353 million over a five year period," says Minister of Infrastructure Development Dr. Shukuru Kawambwa.



SHUKURU KAWAMBWA
Minister of Infrastructure Development

Roads carry 90% of the country's goods and people in transit, yet they are in dire need of repairs and improvement. Tanzania's road network includes some 5,900 miles of trunk roads, which connect its biggest cities. Of these, little more than half are paved. As a consequence, the main transportation arteries are vulnerable to the spring rains that make them impassable except by four-wheel-drive vehicles, and the government has prioritized paving another 2,800 miles of trunk roads.



Proper roads, a functioning railway, and efficient ports and airports will spur improvements in every sector of the Tanzanian economy

ENERGY

East Africa's energy powerhouse

Tanzania is focused, prepared and dedicated to improving the energy sector for the benefit of every other sector and the region

ACROSS THE GLOBE, nations' mining and energy sectors tend to attract a lot of attention, having been praised and criticized in equal measure for providing valuable services that take resources from the earth. Communities often forget or ignore the benefits that both sectors bring to their nation.

The United Republic of Tanzania is the perfect example of this. The country is one of the richest on the continent in natural resources, yet is one of the last to begin extracting them. The government has been working tirelessly over the last five years to ensure that both industries become the driving economic forces of this ever-growing nation. Agriculture continues to be the largest contributor to the national gross domestic product (GDP), something the current administration is working to reduce by attracting greater private sector participation into the sectors of energy and mining.

In order to attract private investment, both domestic and foreign, many changes and improvements must be addressed. The cost and method of distribution of energy are

important to any private investor. Yet as Minister of Energy and Minerals William Ngeleja points out, "The population of Tanzania is more than 41 million people. Of this number, only 14% have access to electricity."

A wider electricity grid has become a key focus of the Ministry of Energy and Minerals, as it poses major challenges in reaching the country's medium- and long-term development goals and in ensuring further investment in both sectors.

To the credit of Ngeleja, the number of Tanzanians with access to electricity has grown since he began his term as minister in 2007. However, as rural communities become as energy hungry as their urban counterparts, the demand for energy will continue to raise greater challenges for the ministry.

Currently, of the 14% with access to electricity, 12% live in urban areas. Of the 40 million people living in Tanzania, 80% live in rural communities. This highlights quite a discrepancy. The government has responded with connectivity measures in its new Annual Budget 2009-2010 (for the fiscal



WILLIAM NGELEJA
Minister of Energy and Minerals

year that began July 31, 2009). The budget states that it is "soliciting and securing loans from its development partners in order to access more resources for development of the power sector." These development partners include BADEA, the Saudi Fund, OPEC and the government of South Korea, who have indicated "willingness to finance projects in the sector."

The Tanzanian government has also taken a number of measures to address the shortfalls in energy dis-

tribution, transmission and generation. The energy policy from 2003 allowed for greater private sector participation, which helped to unlock and realize energy generation. Unfortunately, there were still traces of the old socialist era tangling up many of the reforms. In 2008 a more business-friendly and conducive environment was created when Parliament passed a new series of laws allowing for greater private participation across critical aspects of developing the energy industry in Tanzania. "We have recognized the importance of the private sector, as is the case in other countries. We are trying to encourage private sector companies to come here and team up with us to harness the resources that we possess. We have a number of potential hydro-electric sites, ranging from less than 10 megawatts to almost 2,000 megawatts," says Ngeleja.

In mining, only a small fraction of the wealth of natural resources that Tanzania possesses has been discovered. Three natural gas deposits have been discovered in Tanzania since 1974, with proven reserves between 400-540 billion cubic feet of gas (bcf). In March 2008, a fourth gas field was discovered east of Songo Songo, and though its capacity has yet to be completely appraised, the government is already looking to exploit its potential. In 2009 new reserves were discovered in Zanzibar, demonstrating the importance of further exploration for an energy source that can be utilized in a variety of capacities, such as fertilizer and as an export commodity.

East Africa's fastest-growing country is turning out to be the region's biggest exploration site, which will inevitably contribute to the country's bottom line and attractiveness as an investment destination. With energy demand growing, it is a constant struggle for supply to keep up. Tanzania has plans to connect neighboring countries Uganda and Zambia to the grid in an effort to boost its own national supply. Additionally, the Tanzania Electric Supply Company (Tanesco) has made improvements to better serve Tanzania's new set of demands. It is evident that the Ministry of Energy and Minerals has set in place the necessary strategy to attract greater private sector participation, thus making the country's energy supply more reliable and allowing all other related sectors to grow. Tanzania's efforts to develop the energy and mining sectors will help to power the country's bright future.

MINING

Undiscovered treasures

Mineral wealth, especially gold, has been a major component of the country's economic success. Tanzania intends to increase diamond ore production to 3% by 2010 and expand mine capacities

TANZANIA'S mining industry may be best known for the exclusivity of its precious stone Tanzanite – so named by jewelry giant Tiffany's – but this gem is just the beginning.

According to Minister of Energy and Minerals William Ngeleja, "only 4% of the country's mineral wealth has been discovered."

Tanzania already has the third-largest known gold reserves in Africa. At the end of 2008, the mining industry contributed 2.7% of the country's GDP. "Our target by 2025 is for the mining sector to be contributing 10% of the GDP," says Ngeleja. In 2006, the mining sector grew by 15.7% and has grown consistently by over 15% for the fifth consecutive year. The sector has attracted more than \$2.5 billion in foreign direct investment since 1998, including Barrick Gold's newest mine, which opened this past May at a price tag of \$350 million.

President Jakaya Kikwete, who formerly served as Minister of Energy and Minerals, is motivated in transforming mining into Tanzania's leading sector. "I have always had the belief – and I still have – that mining is the sector that will propel our economy forward."

Mining was a priority sector in Tanzania's 2005 National Strategy for Growth and Reduction of Poverty, and the nation is currently reviewing policies and legislation aimed at developing the sector. "These are the instruments through which we can realize the true benefits from investment in mining," says Ngeleja.

This caused much concern among major international mining conglomerates, which have openly voiced their opinions on possible changes. The new legislation was originally to be tabled during the government's April parliamentary session, but has been put on hold while the government considers the concerns of the private investors who are Tanzania's largest investors. "It is not the intention of the government to frustrate the existing investors, nor to frustrate the potential investors, but to assert that all the steps that have been taken are to ensure that everything is balanced and fair."

Almost every mineral known to exist in



New infrastructure is being put in place to access the abundance of diverse minerals found in Tanzania

the earth's crust can be found in Tanzania. Recent explorations in the southern part of Tanzania showed the existence of uranium. Some of the uranium prospects are in advanced stages of exploration, even before a mine is established. This is just one example of the potential for growth and exploration of the mining industry in this mineral-rich nation.

In addition, the ministry aims to modernize the operations of jewelry artisans and convert them into legal small-scale miners, as stipulated in the government's Mineral Policy. To this end, Zonal and Resident Mines offices will provide extension services to miners in areas of intense mining. They will also provide training in strategic and technical approaches for legal and responsible mining.

The mining sector in Tanzania continues to be the brightest for investors, as it without question has the greatest potential for growth and return on investment. Tanzania is ripe with bountiful amounts of gold, platinum and other precious and semi-precious metals, base and ferrous metals, industrial minerals and diamonds.



Tanzania's Ministry of Energy and Minerals is working to exploit the nation's rich natural resources with minimal ecological impact. The current administration has passed legislation to bring more energy to rural areas of Tanzania and to make the most of the latest gas field in Songo Songo

Tanzania

TOURISM

The natural beauty of Tanzania is also a haven for investment

Tanzania's idyllic beaches, mountain peaks, wildlife and rich culture make the nation a premium destination for travelers, as well as a solid opportunity for investors

TOURISM presents positive economic prospects for Tanzania, with unique eco-tourism advantages and a more stable environment than its neighbors.

Prime Minister Mizengo Pinda is a visionary leader with unbridled passion for developing the potential he believes Tanzania possesses. Over the last two years the world has seen a significant decline in world leisure travel, as globetrotters worry about future savings. Tanzania has certainly felt the squeeze of the worldwide tourism decline, but the nation has big plans and believes that this slowdown presents a unique opportunity.

Tanzania's aim is to increase its annual tourist numbers by more than 100%, reaching 2 million visitors by 2012. The Tanzania Tourism Board is active in promoting the country as the premium tourism destination in Africa.

The country has much to offer visitors, and it is keen not to overexpose or exploit its attractions.



SHAMSA MWANGUNGA
Minister of Natural Resources and Tourism

There is a common saying in the tourism industry in Tanzania: "One jeep for five lions, not five jeeps for one lion." This exemplifies the attitude of how seriously Tanzania takes growing its tourism offer without sacrificing quality.

"To remain a premium destination, we are focusing on three different aspects of our offer: the wildlife, the development and promotion of historical tourism, and beach tourism," explains Minister of Natural Resources and Tourism Shamsa Mwangunga.

Tanzania is home to the highest peak in Africa, Mount Kilimanjaro. It also features Serengeti National Park (the most famous national park in Africa and a UNESCO World Heritage Site), the Ngorongoro Crater, and the majestic island of Zanzibar. Tanzania has 15 national parks in total and 33 game reserves, which cumulatively make up 25% of the country.

Along the coast, Tanzania has over 500 miles of pristine beaches, while further inland, visitors can explore mountain ranges and two of the largest freshwater lakes in the world, Lake Victoria and Lake Tanganyika. Tanzania's cultural history dates back to the beginning of mankind. To experience all that Tanzania has to offer, Mwangunga says, would take at least a month.

Since Tanzania has been blessed with such amazing natural resources, and because 70% of the country's tourism offer is nature-based, the current government is committed to sustainable tourism and respect for the wildlife, landscape and people of Tanzania to ensure that everyone will benefit from the industry, now and in the future.



Tanzania is home to 15 national parks, including the world-famous Serengeti National Park, as well as Africa's highest peak, Mount Kilimanjaro. Beautiful beaches and an ancient history round out the tourism offer, making Tanzania a destination that truly offers something for everyone

"Tanzania is not a mass tourist destination; it is a selective one," says Pinda. "We believe tourism will become a backbone industry for Tanzania for a sustained period of time."

The country's tourism industry in 2008 represented a \$1.55 billion industry accounting for over 18% of the country's GDP, 25% of total export earnings, and raises the most foreign capital while creating approximately 719,000 jobs. The tourism industry is expected to grow by at least 3.9% annually over the next 10 years and is expected to earn \$2.69 billion by 2018, clearly demonstrating the massive potential of the sector.

In order for Tanzania to reach its targets, there is considerable need for further investment into the industry. The government has made this one of its

highest priorities, recognizing the potential tourism can offer not only in reaching its Millennium Development Goals, but also in contributing to the future growth of the country. With 2012 only two years away, there is an immediate need for improved infrastructure to be able to accommodate its expected 2 million tourists.

The Ministry of Natural Resources and Tourism, along with public entities such as Tanzania National Parks (TANAPA), has the task of conserving the beauty of the natural landscape while attempting to meet the need for more hotels, lodges, campsites and other hospitality facilities.

Tanzania continues to focus on being a premium destination, but understands the need to accommodate all levels of tourists. This past July, Kempinski, a German hotelier, launched its third hotel in

Tanzania in the heart of the Serengeti. It took more than two years to complete, adhering to TANAPA's ecological regulations, and creating a spectacular blend of elegance and serenity. Kempinski also has hotels in Zanzibar and Dar es Salaam and is working on plans for two more hotels to be completed by 2012.

The majestic spice island of Zanzibar aims to become one of the top tourism destinations of the Indian Ocean, offering an upmarket, high quality product across the board. The popular waterfront open-air food market Forodhani Gardens in Stone Town has been elegantly renovated and provides a magical twilight atmosphere and a variety and quality of food to put many a five-star hotel to shame, including pweza (octopus), ngisi (calamari) and kambakoche (lobster).



ICT

Telecommunications take off in Tanzania

A new project gives the ICT sector a solid base, the Eastern Africa Submarine Cable System creates new links, and major industry players such as Vodacom enter the market

TANZANIA'S ICT backbone may still be under construction, but the system will change the face of telecommunications in Eastern Africa, bringing it online and into today's modernized world.

To keep pace with the ever-growing speed at which the world continues to accelerate, communication and technology are the new necessities. The information and communications technology (ICT) industry has grown tremendously in Tanzania under the leadership of the current administration. Over the course of the past decade, telecommunications has penetrated nearly every corner of Tanzania's economy. Dr. Peter Msolla, Minister of Communications, Science and Technology, is confident his sector will play an increasingly important role in contributing to Tanzania's bottom line. "Telecommunications in Tanzania are growing and expanding very fast," explains Msolla. "The sector is contributing about 21.5% to the GDP, but we are expecting this figure to go beyond 35% by 2012."

During a reshuffling of President Jakaya Kikwete's cabinet in February 2009, the government moved ICT from the Ministry of Infrastructure Development to the Ministry of Science and Technology, now called the Ministry of Communications, Science and Technology. Through privatization efforts within the mobile telephony industry, Tanzania boasts four major mobile network carriers and two competitive fixed-line operators. President Kikwete has consistently pushed for the construction of a national ICT backbone in Tanzania. The hope of the national ICT facility is to expand mobile telephony, reduce the consumer costs and increase ICT applications across the country. In essence it will make communications more reliable and cheaper for both businesses and consumers. Communications in Tanzania may have grown faster than those of any other nation in the region, but there is still a great need for improvement. For example, bandwidth continues to be slow while trying to meet the growing demands of the public. However, with the completion of the ICT backbone project, Tanzania will pro-



PETER MSOLLA
Minister of Communications, Science and Technology

pel not only itself forward, but the whole region. "This backbone will stretch from Kenya through Burundi and connect into Malawi, Mozambique, Zambia and the Democratic Republic of Congo, the latter says Msolla. According to the government, the ICT facility will cost nearly \$180 million, financed by the Chinese government.

The ICT facility will also focus on new avenues to expand across the communications industry by providing new possibilities for new businesses and therefore new services. Internet telephony, through Voice Over Internet Protocol (VOIP), was allowed a regulatory license to compete in 2005. Currently, Tanzania is part of a consortium known as the Eastern Africa Submarine Cable System (EASSy), a \$300 million fiber-optic cable system that will provide enhanced connectivity from Tanzania to the rest of the world. With both the submarine cable and the ICT backbone connected, the potential within the sector is unlimited. The project, in collaboration with 27 companies in nearly 20 countries, will connect Tanzania to countries from South Africa to Djibouti. Landing points will be at Dar es Salaam and Zanzibar, providing telecommunica-

tions connectivity for the eastern part of the continent.

International firms, such as Luxembourg's Millicom, own MIC Tanzania Ltd (Mobitel), branded in Tanzania as TIGO. TIGO is a vibrant mobile telephony operator that is increasing user penetration among the youth market and trying to expand its network across the country. Telecoms companies are investing in new technologies in order to stay competitive while helping to build the country's communications infrastructure. Zantel, which is partly owned by the family of Zanzibar President Amani Karume, is working along with Tanzania Telecommunications Company Ltd (TTCL) to switch from GSM technology to CDMA, a system predominantly used in the developed world and in satellite technologies. CDMA should provide higher calling capacity with fewer cell tower sites.

The biggest player in Tanzania is the Vodafone subsidiary Vodacom, the first 3G provider in the country. Vodacom leads the market in penetration across both fixed wireless and mobile users. Its network has expanded by 400 network sites since 2007 and is now at over 1,000 sites. The company has been able to build upon its international experience and lead the local market by providing services that meet the demands of Tanzanians.

Vodacom was the first to bring G3 technology to Tanzania and now has a program called M-Pesa, an electronic e-money account that provides customers with a means of converting cash into electronic money to send to family members or clients across the country. More recently, through the M-Pesa program, Vodacom has launched its LUKU Project in collaboration with Tanzania Electricity Supply Co. Ltd (TANESCO), which allows users to purchase power for their homes via their mobiles. The ability to purchase LUKU through M-Pesa builds on an already extensive and comprehensive product offering specifically aimed to save M-Pesa customers time and effort. Vodacom is also working on a number of other projects, including facilitating the payment of school fees.

AGRICULTURE

Using Tanzania's food surplus to transform its economy

Agriculture has long been the backbone of Tanzania's economy, and new government incentives are making it even easier for both rural farmers and private-sector investors to benefit from its abundance

FOUNDER OF Tanzania and former President Julius Nyerere stated in 1982 that "agriculture is the foundation of all our progress." Today the agriculture sector provides the greatest potential for job creation, with 80% of the working population employed through food crops, livestock, fisheries and other agricultural products and services. The sector represents massive potential for growth and FDI, as it currently makes up more than 30% of the country's exports and 65% of the raw materials used in Tanzania's manufacturing sector. Recent measures taken by the government to increase agriculture and other related sectors have demonstrated its commitment to support the country's agricultural development vision.

Tanzania is estimated to have the potential and capacity to increase exports from the agricultural sector to \$5 billion from its present \$500 million annually. "Tanzania has over 108 million acres of arable land, and 74 million of it is prime for irrigation," says Prime Minister Mizengo Pinda, "yet we use only 10% of those 108 million acres and only 1% of it is irrigated."

This is just one of the reasons the current administration has dedicated efforts to ensuring that agriculture is not only the foundation of the country's economy, but that it will also play a significant role in elevating the majority of the population from poverty. Apart from feeding the nation, agriculture remains the country's main source of income for the rural population.

The goal of the current administration is to modernize the sector in an effort to make it more productive and commercially viable. As others in the region suffer from food shortages, Tanzania continues to have a food surplus. Yet in order to move the food across the country and to make it viable for export, infrastructure improvements are necessary.

Kilimo Kwanza, meaning Agriculture First, was the title of 2009's annual Tanzania National Business Council (TNBC) meeting, chaired by President Jakaya Kikwete. This is a prime example of the government's commitment to a green economic revolution. TNBC's annual meeting outcomes included a tax reduction for the purchase of fertilizers and seeds, incentives for increased industrialization and a greater focus on attracting investment to the industry. The government allocated no less than 10% of the national budget towards agriculture, which amounted to an increase of 30% year-on-year in the annual budget – just over \$500 million.

In order for Tanzania to become the next breadbasket of Africa, it has to increase and improve its commercial farming endeavors and private participation. "Our government is willing to give fields so that foreign investors with the right experience can play an increased role in facilitating the development of our country's agriculture," says Stephen Wassira, Minister of Agriculture.

Prime Minister Pinda has played a very active role in encouraging investment both

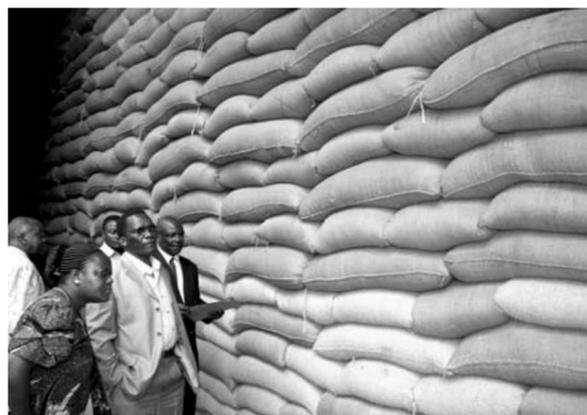
locally and internationally. "It is important to attract private sector investment into agriculture. This is why I have spent so much time encouraging people to take advantage of opportunities we have created."

It is through the Tanzania Investment Center, which falls directly under the Prime Minister's office, that the government has created this land bank for private investors. Tanzania boasts a wide climatic variation

Tanzania boasts some of the most fertile land in Africa, giving it a great potential for a wide variety of crops for export

across the country, thus a great potential for a wide variety of crops. Currently cotton, coffee, tea, sisal, cashews and maize dominate, with more diversification to come.

The government will continue to adequately fund agriculture and trigger the process of Tanzania's agricultural transformation. Local entrepreneur and member of Parliament Mohammed Dewji of MeTL, one of Tanzania's single largest private companies, has recognized the potential of the sector. He continues to battle for greater use of Tanzanian agriculture products and added-value services, leading the private sector and proving it is a lucrative industry.



Prime Minister Mizengo Pinda inspects the progress made on some agriculture shipments set for export. The PM has played a crucial role in developing the agriculture industry and its related sectors