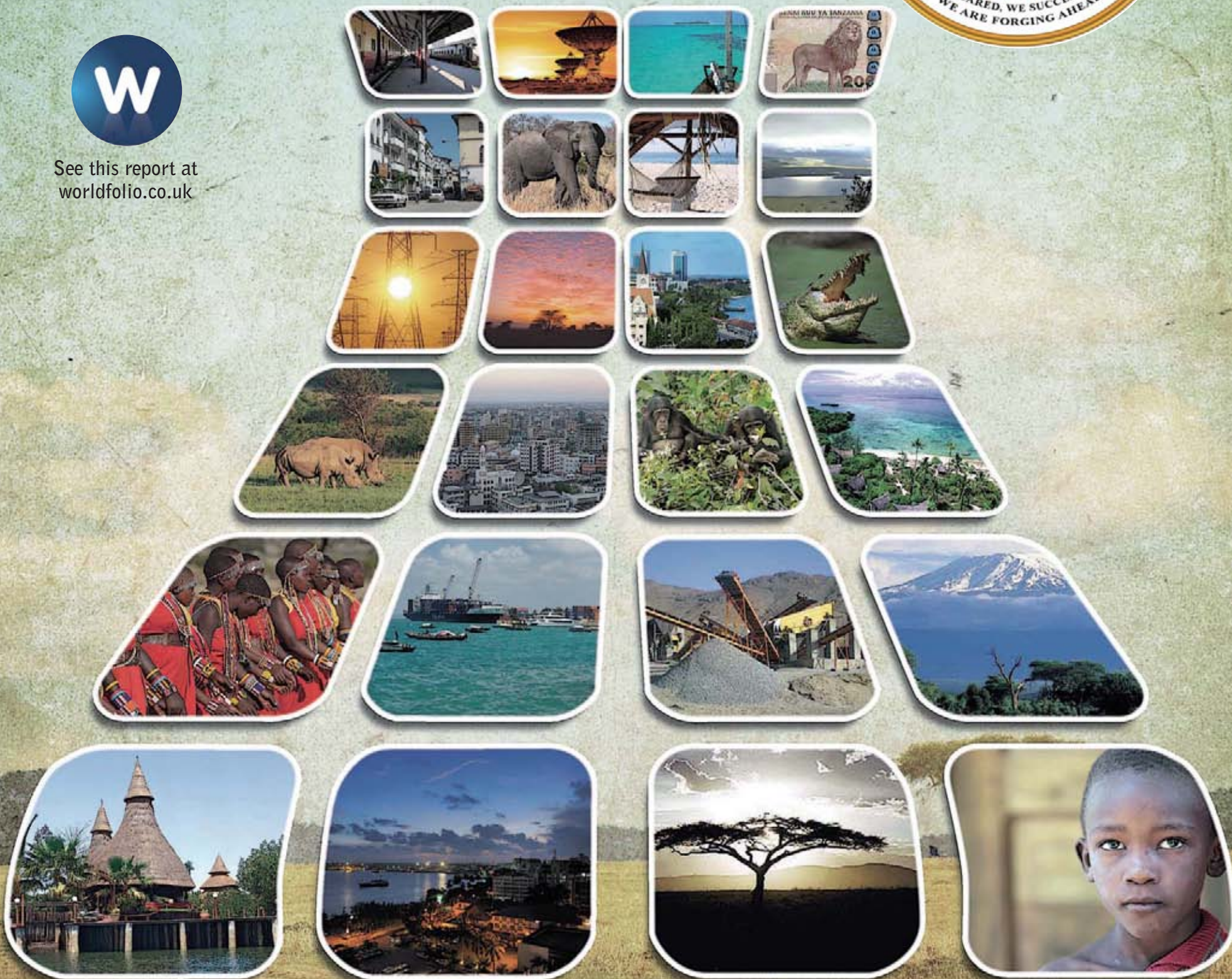


# TANZANIA

# Stability & PROGRESS



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# TANZANIA



## As it celebrates the golden anniversary of its independence, Tanzania celebrates how far it has come, and how much more it has to offer

DECEMBER 9, 2011, marks the 50<sup>th</sup> anniversary of independence for the East African nation of Tanzania. The country's 30 regions, which now include Zanzibar, will join in celebrating independence which was gained in 1961.

Tanganyika, as the country was known at the time, was handed over to the British by the League of Nations shortly after World War I on the provision that the colonial power would hand over the administration of the country to the Tanganyikans once they demanded it. However, when the time came, the handover of power was not as seamless as originally envisaged. The British claimed that the native people were not ready to govern themselves, saying that they were "not yet literate enough for the task."

It took the leadership of Julius Nyerere, (one of only two Tanganyikans educated to a university level in 1954), to organise a new political party, the Tanganyika National African National Union (TANU), which led the nation to freedom. Nyerere, who had affectionately been referred to as *Mwalimu* (Teacher), soon became known as *Baba wa Taifa* (Father of the Nation). Once in power, he transformed the former colony into a peaceful, broadly socialist free state. Nyerere was quick to collectivise the country's agricultural system, which became known as *Ujamaa* (Familyhood). Nyerere also contributed substantially to the liberalization of Southern African countries and to African unity.

Continuing the work of Nyerere and subsequent leaders is the fourth and current President of Tanzania, Jakaya Mrisho Kikwete. He is one of a new generation of forward-thinking African political leaders, championing market economy, free trade and creating stronger ties to global economies, while working towards the ultimate aim of the unification of the African continent. Despite what may be viewed as progressive political leanings, Kikwete was quick to explain how his stance is one of evolution not revolution, when paying respects to the country's three previous leaders and their work, during his inauguration speech in 2005: "Those who expect radical changes in policy and direction are mistaken and lost. The government of the Fourth Republic will build on what was undertaken by previous governments, and will continue with all the good things."

He has also been deeply involved with boosting Tanzania's image abroad, with special regard to how its politics are portrayed in Western media: "Normally, foreign me-

dia organisations do not see anything good in the African continent. Those of us who are well travelled, know better."

President Kikwete served as the Chairman of the African Union from January of 2008. While serving as Chairman, Kikwete emphasised to other leaders the importance of international relations, and was quick to recognise the role Western powers had to play in the improvement of his own state. When US Secretary of State Hilary Clinton visited Dar es Salaam in June this year, President Kikwete extended his gratitude, telling Mrs Clinton: "Tanzania has received a lot of invaluable high-level support from

the US Government. It has complimented our development efforts and continues to make a difference in improving the lives of our people in the health sector. Through the US Government, thousands of Tanzanians, including women and children, who would have died of diseases such as malaria, HIV/AIDS, and TB, are alive today, thanks to your support."

Kikwete is also a big sports fan and recognises the importance of having competitive international athletes to help gain positive attention for Tanzania. Shortly before his election he said: "It is very sad that Tanzania is a poor football country. If elected, I

promise to put this country on the world football map. I will make sure we produce our own Okochas, El Hadji Dioufs and Zinedine Zidanes here."

The Minister for Information, Culture, Youth and Sports Dr Emmanuel Nchimbi has also been active in the promotion of sports for Tanzanian children, as well as emphasising the importance of the Swahili language and customs to the younger generation. Minister Nchimbi recently launched an advanced Swahili computing dictionary at the University of Dar es Salaam, and called upon the University's Swahili department to offer degree courses in the language, which he sees as a great force for national unity.

Because of its beauty, tourism is flourishing in Tanzania. Home to Kilimanjaro, Africa's highest mountain, and the Serengeti – an ecosystem that hosts the largest mammal migration in the world and which has been voted one of the top 10 travel wonders of the world – ensures Tanzania will always be a hugely popular choice for adventure-seeking travellers. Taking its name from a Maa word meaning "Endless Plains," the Serengeti is still home to the semi-nomadic ethnic group known as the Masai. Their distinctive custom and dress have been a strong attraction for tourists wishing to see how the ethnic group can live and farm in such harsh conditions. The Masai's population has expanded rapidly in the past two decades – another indication of Tanzania's ability to keep moving forward.

According to the IMF, Tanzania is predicted to be one of the world's 10 fastest-growing economies in the next five years. Reforms implemented by President Kikwete's administration have enabled good macroeconomic performance and stability characterised by high economic growth and low inflation. The economy has achieved annual growth of approximately 7 per cent over the past ten years, yielding improvements in various social and human development indicators. External financial assistance continues to play an important role in complementing the government's resources to achieve its development goals. The government remains focused on growth and poverty reduction, as well as the need to reduce the fiscal deficit and tighten monetary policy in the face of rising inflation. Furthermore, a strong emphasis is put on boosting capital spending on infrastructure development, financed by a combination of raising new funds and public-private partnerships.



**"The government of the Fourth Republic will build on what was undertaken by previous governments, and will continue with all the good things."**

**JAKAYA MRISHO KIKWETE,**  
President of Tanzania

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# A modern approach to progress

**Moving on** from its socialist past, Tanzania is creating an open, forward-thinking economy

THE RISE of the BRICs (Brazil, Russia, India and China) and the eastward shift of the world's economic weight have attracted a great deal of coverage in financial media in recent years, though on closer inspection it would appear that the more impressive examples of progress are to be found to the south. An analysis by *The Economist* has revealed that six of the world's 10 fastest-growing economies between 2001 and 2010 were in sub-Saharan Africa. Furthermore, the trend looks set to continue as seven African countries make it into the IMF's predicted top 10 economic performers list for the next five years, with Tanzania surging into fifth place, forecasting annual average GDP growth of 7.2 per cent. President Jakaya Kikwete is aiming to achieve this goal through the government's new five-year development plan and its ambitious Vision 2025 roadmap.

Over the past two decades, Tanzania has experienced a remarkable political and economic transition, which has brought in rising levels of foreign direct investment (FDI) and economic growth, as it moved from a socialist state with a centrally planned economy to a multi-party democracy with a liberalised free-market economy.

"Tanzania is opening up so fast now," says Prime Minister Mizengo Kayanza Peter Pinda. "Previously, Tanzania did not take advantage of its opportunities to harness the private sector within the country. But now we have a different political mindset. The local private sector is an area that we are focusing on. These guys have got the ability to market and brand the country in a more effective way."

The country has come a long way from its socialist days when its state-controlled financial sector had only a few slow-moving institutions; nowadays it boasts a well-regulated and supervised financial system with almost 40 banks and other financial institutions. Sensible policies and the relative isolation of the banking system have helped Tanzania to weather the financial crisis well. Direct government



**MIZENGO PETER PINDA,**  
Prime Minister of Tanzania

influence in Tanzania's banking and finance sector has gradually diminished, and since the deregulation policies of the 1990's, the country has attracted numerous international banking institutions. However, rising international commodity prices, especially for oil, have had a negative effect on the local economy and have increased the risk of inflation. At the same time, the shilling has depreciated significantly against the US dollar in the past year, due to the volatility of international currencies and the economic crises facing Tanzania's main trading partners.

This year, Tanzania celebrates its 50<sup>th</sup> anniversary of independence from the UK, though relations between the two nations remain close and continue to gain strength both politically and commercially. "We are currently enjoying a lot of investment from the UK in areas such as tourism, mining, petroleum exploration and agriculture," says Mr Pinda. "The national strategy for growth and poverty reduction is crucial, as 80 per cent of the population live in rural areas and that is where

there is a lot of poverty, which is why I make a lot of noise when it comes to agriculture – the country's main economic earner – because I know it will have a big effect on poverty reduction."

Resource-rich and breathtakingly beautiful, Tanzania needs private-sector involvement across the board if it is to fully capitalise on its natural assets, human capital and the pro-business attitude the government has nurtured. President Kikwete's administration has gone to great lengths to improve transparency, enhance good governance and create a financially secure, investor-friendly environment for both national and foreign investors. Challenges remain, however, such as securing adequate electricity supplies and improving infrastructure.

British involvement is increasing, according to the Tanzanian Investment Centre (TIC); there are more investors here from the UK than from any other country.

"A lot of British investors are individuals and small companies," says British High Commissioner to Tanzania Diane Corner. "Of course, the big players are also here – Standard Chartered Bank, Unilever, Barclay's, Diageo, PriceWaterhouseCoopers etc. We have a diversity of investors and a very active British Business Group here, whose members range from FTSE 100 companies to small, private set-ups. If you look at the amount that has been invested since 1991, Britain is way ahead of any other country. It is quite extraordinary."

Tanzania's Vice-President Dr Mohamed Gharib Bilal agrees: "We have learnt so much from the British; our history is entwined in so many ways. Our management style, our education and defence is all from British traditions and institutions. We also have a good relationship in terms of trade, services and bilateral communications between the countries. We are striving to create new opportunities to cooperate and attract more UK investment for the energy sector, service industry and institutional management."



## 1880s to 1919

Until the defeat of Imperial Germany at the end of World War I, the nation of Tanganyika (the mainland portion of Tanzania), as well as the countries that are now Burundi and Rwanda, were collectively known as German East Africa.

## 1920s

After the Paris peace conference at the end of WWI, Tanganyika became a mandate of the newly formed League of Nations. Control of the country was given to Britain, who eventually came to rule indirectly through traditional leaders.

## 1931

A census carried out by the British in 1931 indicated that Tanganyika was home to just over five million natives, 32,000 Asians and 8,000 Europeans. Tanzania is now estimated to be home to over 40 million people, the vast majority of whom are indigenous.

## December 9th 1961

Tanganyika becomes an autonomous commonwealth realm and Julius Kambage Nyerere, a former school teacher, becomes the first Prime Minister. The following year, Nyerere becomes the first President of the newly named Republic of Tanzania.

## December 2005

Jakaya Kikwete elected fourth President of Tanzania. He pledges to implement changes to Tanzanian policies with an emphasis on international relations, economic projects, scientific research and the fight against poverty.



**"We are striving to create new opportunities to attract more UK investment for the energy sector, service industry and institutional management."**

**DR MOHAMED GHARIB BILAL,**  
Vice-President of Tanzania



**"If you look at the amount that has been invested since 1991, Britain is way ahead of any other country."**

**DIANE CORNER,**  
British High Commissioner to Tanzania



**"Tanzania is a peaceful country. Having a common language has been a great aid to national unity."**

**DR EMMANUEL NCHIMBI,**  
Minister for Information, Culture, Youth and Sports

# Farmers deliver food for thought

**Tanzania** is well positioned to benefit for an increase in world food demand

AGRICULTURE PROVIDES the foundation for Tanzania's economy, the second largest in East Africa. This sector alone provides more than 40 per cent of the country's GDP, accounts for more than 85 per cent of its merchandise exports, and provides employment opportunities for roughly 80 per cent of the nation's workforce. All of this is achieved despite the fact that only 25 per cent of the 44 million hectares of arable land is currently under cultivation.

With greater investment and improvements in technology, the agricultural sector could allow Tanzania to become self-sufficient with regard to food supply, as well as allowing the nation to export maize, millet, rice, wheat and pulses throughout the continent of Africa. Given the opportunity, the country could play a significant role in the fight against hunger. As President Jakaya Kivete explained when speaking at World Food Day 2007 in Rome, a balance needs to be struck between food production and consumption, and every country, whether in poverty or overproducing, needs to play a role if world hunger is to be eradicated: "This year alone, total world cereal production was estimated to be 2,114 million tonnes, while total cereal demand was projected at around 1,007 million tonnes, less than half of the cereal production. Ideally, no one should starve or die of hunger in the world we live. Strangely and sadly enough, they do. This is not fair. This is not right."

World food prices have fallen slightly from a historic peak in February this year – when the UN Food and Agriculture Organisation (FAO) global food price index

reached 238 points – topping the previous record of 213.5 points in 2008. However Minister for Agriculture, Food Security and Cooperatives Jumanne Maghembe is hopeful that Tanzania's role in future global food production will be a positive one, thanks to their growing agricultural sector: "We are at a turning point in terms of agriculture right now. Tanzania will be a very significant player in the international markets because global food and commodity prices will not go down in the next ten years; it is likely to be an upward trend."

The Tanzanian government's *Kilimo Kwanza* (Agriculture First) resolution adopted in August of 2009, encourages the private sector's involvement and investment



**PROF JUMANNE MAGHEMBE,**  
Minister for Agriculture,  
Food Security and  
Cooperatives



**DR CYRIL CHAMI,**  
Minister for Industry  
and Trade

in agriculture. To this effect, the Southern Agriculture Growth Corridor of Tanzania (SAGCOT) was launched in January 2011. Between now and 2015 the policy aims to modernise and commercialise agriculture for peasant farmers, as well as small to medium-scale producers. "A large proportion of our population will work as contract farmers on large farms run by commercial farmers," says Professor Maghembe. "However, we also envisage smaller farmers organised into agricultural associations with credit organisations, who will also participate as contract farmers."



**US Secretary of State Hillary Clinton** speaks with Tanzanian women farmers at Mlandizi Farm Women's Cooperative in Mlandizi, Tanzania, on June 12, 2011

At present, agriculture in Tanzania is dominated by small-holder farmers, with women and young people making up the vast majority of the labour force. The biggest issue facing the agricultural sector is the fall in labour and land productivity due to the low application of technology, and the dependence on unreliable and irregular weather conditions. Cash crops such as coffee, tea, cotton, cashews and cloves, as well as livestock, are adversely affected by all-too-frequent droughts.

The country's macroeconomic reforms have led to agriculture opening up to private investment in processing, input importation and distribution, and agricultural marketing. Most of Tanzania's production, processing and marketing functions have been assigned to the private sector, and the government is making further efforts towards privatisation, though there are still many areas where labour-intensive activities could be made more efficient and productive.

As well as improvements in agriculture the current Tanzanian government is also focusing on the growth of its industry, which currently accounts for almost a quarter of its GDP. Over the coming years, one of the goals set out by the Tanzanian government is to become a semi-industrialised nation – a goal that could be achieved more quickly than anticipated if growth in the economy continues. As Minister of Industry and Trade Cyril August Chami stated recently: "I am very optimistic about our plans – we are going to see a lot of improvements sooner rather than later."

## Sweet success in Tanzania



GLOBAL SUGAR production increased by 5.5 per cent in 2010-11 to a record 167 million tonnes, and Barclays forecast a 2.1 per cent year-on-year rise in demand for sugar in 2011-12. Sugar prices have soared from \$400 to \$900 per tonne in two years.

Currently Tanzania produces 304,000 tonnes of sugar. The industry employs almost 100,000 people either directly as growers or indirectly in trade and transport. Outgrowers earned TZS 29.4 billion in 2009-10. It also plays a crucial role in developing social amenities such as schools, hospitals and roads in rural areas.

The Sugar Board of Tanzania (SBT), established in 2001, has launched a plan aimed at increasing production and achieving self-sufficiency in sugar. By 2016 Tanzania aims to produce 540,000 tonnes of sugar per annum.

However, significant development is still required to make Tanzania the breadbasket of Africa. Mr Mathew Kombe, director general of the Sugar Board of Tanzania says: "Every additional 100,000 tonnes of sugar per year requires about \$300 million initial investment, so we invite investors to come and join us."

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## Digging deep: Tanzania set to exploit its vast mining potential

WHILE AGRICULTURE and tourism form the backbone of the Tanzanian economy, in recent years mining has been playing an increasingly important role. The country is richly endowed with natural resources, and is the third largest gold producer in Africa after Ghana and South Africa. Tanzania has major deposits of diamonds and gemstones (tanzanite, emerald, ruby) and significant reserves of iron, coal, uranium, nickel and copper.

So far, mining – particularly for gold and gemstones – is one of the fastest growing sectors of the Tanzanian economy. That said, mining only accounts for 2.3 per cent of GDP at present – but the government aims to make the industry account for 10 per cent or more of the country's GDP over the

next 14 years, based on the Development Vision 2025 plan.

President Jakaya Kivete recognises the time has come for the country to use its natural resources by investing in modern technologies as some neighbours have done: "We cannot continue to moan about our country being poor while our minerals are lying untapped. With harvesting at Lake Natron, we will not be the first to do so, because our neighbours in Kenya are doing the same on the other side of the lake."

The government is keen to pass on the rewards of mining to the people of Tanzania, approving a new Mining Act last year while discussing new tax structures to replace the Mineral Policy of

1997. Minister for Energy and Minerals, the Hon William Mgeleja, explains: "We need reliable and predictable laws which give confidence to investors but also ensure that the private players in the market (the mining companies) are accountable too. We joined the Extractive Industries Transparency Initiative – where we are teaming up with others at a global level so that we can increase accountability and transparency in terms of revenues from mining. The government will be responsible for disclosing how that money is spent, and how the people of Tanzania are benefitting. The more the mining sector grows, the more job opportunities will arise and the better off the economy will be."



**WILLIAM MGELEJA,**  
Minister for Energy  
and Minerals

# Africa's premier travel destination

**Stunning** natural beauty, ongoing government investment and public-private partnerships have made Tanzanian tourism a lucrative business

AS TANZANIA CELEBRATES its 50<sup>th</sup> anniversary of independence, the Hon Ezekiel Maige, Tanzania's Minister of Natural Resources and Tourism, has stated that "Tanzania's tourism continues to show tremendous growth". The tourism sector is considered a significant part of Tanzania's economy, accounting for 17 per cent of the country's gross domestic product (GDP), earning \$1.3 billion last year alone.

"Tanzania will be marking its 50<sup>th</sup> anniversary of independence as a year-long celebration," said Minister Maige. "We are working closely with tour operators to create special 50th anniversary travel packages that will be diverse and affordable, enabling many people to experience Tanzania during this exciting period."

Tourism is one of Tanzania's fastest growing economic sectors, with 782,669 arrivals last year, representing a 9 per cent increase from 2009. In the US, Tanzania's number-one source of tourism, tour operators report significant increases in bookings for 2011, 2012 and 2013. The result of this growth is an increased demand for expanding hotel capacity as well as flights, especially to Kilimanjaro International Airport, gateway to Mount Kilimanjaro, the Serengeti National Park and the Ngorongoro Crater.

"Tourism is very important to us, but it is unfortunate that we, as a country, are poor so we cannot allocate all the money the sector requires," said Minister Maige. "With a business, you have to put money in, in order to get money out, and as we put so little money into the tourism sector, we get very little out. I think the sector can do even better. The sector employs about 700,000 people directly and about 1.4 million indirectly. Regions like Kilimanjaro and Arusha are more than 60 per cent dependent on the tourism sector, so you can see how important it is. But because we put so little money into the sector people's awareness of domestic tourism is still very low. That is why we really rely on foreign visitors. I think that if we put more money in, the country would have the potential to become the first or the second in Africa in terms of tourism arrivals. We put no more than \$3 million per year into promoting tourism, whereas Kenya puts in about \$40 million and South Africa puts in \$40 to \$50 million. So we are far below our competitors.

"We are also very limited with direct flights to our country, so most of our visitors come via other destinations. These are the stumbling blocks we have to address, but the sector has a lot of potential. As you know, we are a very environmentally friend-

development and the government aims to grow the industry from 17 per cent to 20 per cent GDP, and to increase the number of annual tourists to one million by next year. The TTB is the sole authority responsible for tourism promotion activities and we are currently developing a new marketing campaign aimed at projecting the abundant natural riches the country has been blessed with."

said Minister Maige. "The government sets the policies and the laws and directs the industries, but the big players are mostly from the private sector. We do not have ground transport and so the private sector has to do that. Travel agents have very good cars to take visitors to the various attractions. The government does not have very good hotels, so the private sector has to provide these too. We know how important the private sector is and we have been working very closely with them. We have the Tanzania Confederation of Travel Agents and we have involved them every time we go abroad to travel shows and fairs so they can showcase what they offer, and it has been working very well thus far.

"In terms of incentives, the government has been giving some tax waivers against capital costs. Some of the private players have made huge investments and the government has been very supportive in terms of managing and considering those waivers and the equipment they bring in."

Minister Maige is also focusing on infrastructure, as the country needs to be competitive on a global level. "One of our very strong competitive advantages is peace and stability in the country; this makes Tanzania a great destination. But there are some challenges, such as infrastructure. That said, we have made a lot of improvements in the past 10 to 15 years. We are currently finalising the road infrastructure program to link all of our regional headquarters.

"We have improved our air travel infrastructure significantly; it is just unfortunate that we do not have so many airlines. We have done a lot to improve Mwanza Airport and we are getting direct flights from Kenya and we are just finalising the details to develop a terminal building which will make it a fully fledged international airport. We hope that we will get a good number of direct flights to Kilimanjaro, Dar es Salaam, Mwanza and Zanzibar. That will open up the skies of Tanzania and we hope that we will get more visitors as a result.

There have been challenges, but I am very optimistic that the ongoing activities will change the situation significantly. We hope that we will see a very different country in the next five years in terms of tourism levels."



**"One of our very strong competitive advantages is peace and stability in the country; this makes Tanzania a great destination."**

**EZEKIEL MAIGE,**  
Minister for Natural Resources  
and Tourism

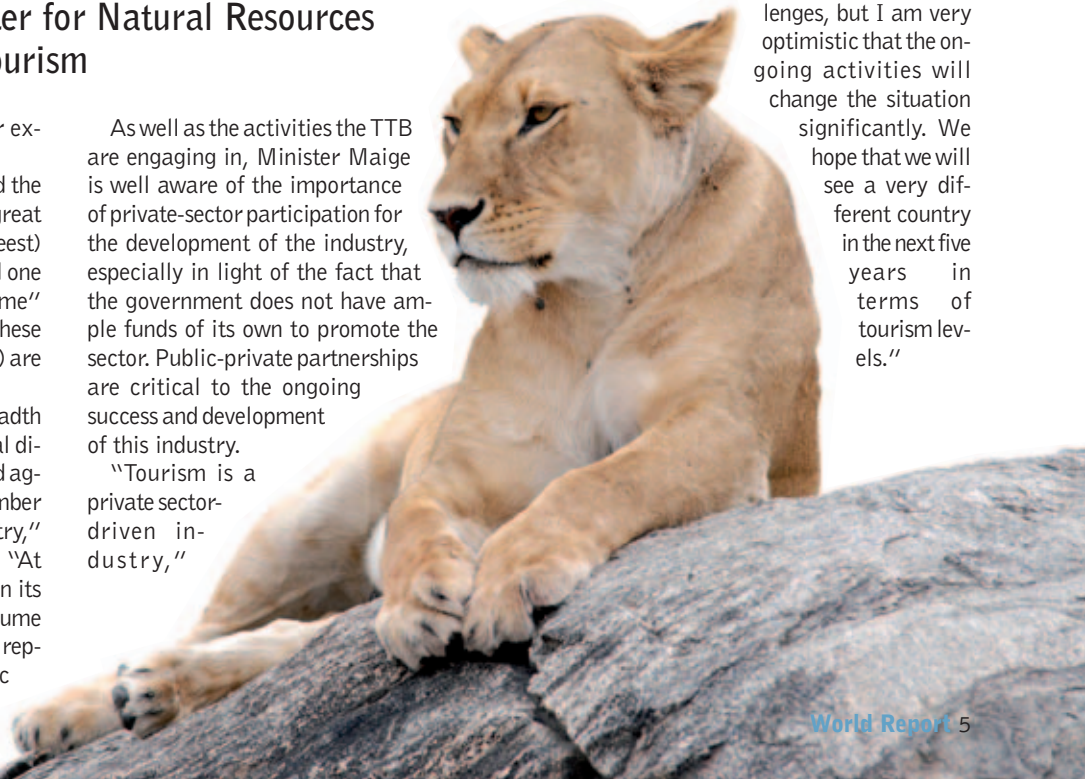
ly country, even with mining and other extractive industries."

*National Geographic* magazine listed the Serengeti (where you can witness the great annual migration of millions of wildebeest) as a UNESCO World Heritage site and one of the top 50 "must-go-to-in-a-lifetime" places to visit and it is aspects such as these that the Tanzanian Tourism Board (TTB) are hoping to capitalise on.

"Tanzania boasts an unparalleled breadth and depth of natural wealth and cultural diversity, which if packaged and promoted aggressively could make tourism the number one foreign exchange earner in the country," explains Dr Aloyce Nzuki of the TTB. "At the same time, Tanzania is very clear on its quality tourism approach and 'Low volume – High value' tourism policy. This sector represents a key priority for the economic

As well as the activities the TTB are engaging in, Minister Maige is well aware of the importance of private-sector participation for the development of the industry, especially in light of the fact that the government does not have ample funds of its own to promote the sector. Public-private partnerships are critical to the ongoing success and development of this industry.

"Tourism is a private sector-driven industry,"



# A long hard road ahead

**The sheer** size of the country creates challenges for Tanzanian transport

BLESSED WITH an 885-mile coastline on the Indian Ocean and bordering six landlocked neighbours, Tanzania is well placed to become an important transportation hub. However, the country covers almost the same area as the UK and France combined, and needs to invest in its transport network if it is to capitalise on its location.

The 12-berth port at Dar es Salaam is one of the largest in East Africa and is approaching its operational limit. The port authority is working on a £370-million plan to add two new container terminals. "Dar es Salaam's port is constrained in terms of both depth and area, so we will have to venture into green-field ports as we embark on another 50 years of development," says Minister of Transport Omari R. Nundu.

Tanzania's 2,500-mile railway infrastructure consists of two separate systems, operated by Tanzania Railway Limited (TRL) and Tanzania Zambia Railway Authority (TAZARA). However, both rail networks are underperforming, according to the Minister, who adds: "My focus for the next five years is on how to transform these into modern railway lines. Recently we increased rolling stock with 90 wagons and six locomotives and we expect to receive much more in the coming few years."

Air travellers have several entry options, with private operators such as Precision Air flourishing, though the national airline, Air Tanzania, has been mothballed by the government while it evaluates a new business strategy for the flag carrier.

The semi-autonomous Tanzania Airports Authority (TAA) oversees the country's 58 mainland airports.

In Dar es Salaam, £45 million has been spent on improving infrastructure at Julius Nyerere International Airport (JNIA) and the TAA is looking for another £305 million to upgrade terminal facilities. "At JNIA, we anticipate twice as many passengers in five years," says Suleiman S. Suleiman, acting director general of TAA. "We are looking for financiers for the new Terminal 3 and we are currently weighing up the best option: public-private partnerships (PPPs), or borrowing."

Investors are encouraged to also look at Mwanza Airport, which has a capacity of 100,000 passengers but is handling 220,000 people annually, and Kilimanjaro International Airport, where the government is looking for a private entity to take over operations. "We have 30 regions in Tanzania, and our goal is for every region to have an all-weather tarmac runway within the next 10 years," says Mr Suleiman.



OMARI NUNDU,  
Minister for Transport



£305 million is needed to upgrade facilities at Julius Nyerere International Airport

## Connecting with the world

INFORMATION AND communications technology (ICT) has grown significantly in Tanzania over the course of the past decade, as telecommunications have penetrated nearly every corner of Tanzania's economy.

Through privatisation efforts within mobile telephony, Tanzania boasts six network operators and two fixed-line carriers. Tanzania Telecommunication Company Limited (TTCL) currently provides voice and data communication services to over 300,000 business and residential customers in Tanzania. The Tanzania Communication Regulatory Authority (TCRA) regulates Tanzania's telecommunications industry. In February 2009, President Kik-



PROF MAKAME  
MBARAWA  
Minister for  
Communication, Science  
and Technology

wete announced an accelerated push for the construction of a national ICT backbone for Tanzania to speed up telecommunications infrastructure.

The aim of the National ICT facility is to expand mobile telephony, reduce the consumer costs using telephony, as well as increase ICT applications across the country. According to Minister of Communication, Science and Technology Prof Makame Mbarawa, the ICT facility will cost nearly \$180 million, financed by the Chinese government. Internet services have been available since 1996, but currently there is no current fibre connectivity available to the internet backbone. So internet connectivity is made via satellite networks to the rest of the world, even to neighbouring countries.

It is expected that the EASSy fibre project will bring in internet connectivity to Tanzania at lower latency, and at lower cost.

## Transport to drive economy

BANKING REFORMS, solid macro-economic policies and significant investment from the IMF and World Bank have boosted Tanzania's recent economic performance. In 2009-10, the country bucked global trends, increasing GDP by 6 per cent year-on-year.

However, Tanzania's ageing transport infrastructure is struggling to keep up with the demands of a thriving economy and is in need of a complete overhaul.

The Surface and Marine Transport Regulatory Authority (SUMATRA), established in 2001, oversees all non-aviation transport in Tanzania, including road, railway and maritime operations. Acting director general Ahmad Kilima believes Tanzania offers foreign investors some great opportunities: "Our stable and business-friendly

government is keen to incentivise investment in infrastructure and we have reduced red tape to make doing business here easier. Tanzania benefits from a number of natural resources and we are also the perfect platform for the East African market and the gateway to our landlocked neighbours—Zambia, DRC, Rwanda, Burundi, Uganda and South Sudan."



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## Calling all investors



TANZANIA'S GDP HAS grown dramatically in recent years sparking a telecoms boom. Tanzania had almost 21 million subscribers in December 2010, which represented 46.6 per cent penetration, and is expected to reach 70 per cent penetration by 2015. The Tanzania Communications Regulatory Authority (TCRA) was established under the Tanzania Communication Regulatory Authority Act of 2003. The TCRA regulates communications to increase market competition, and will also facilitate the switch from analogue to digital, and the introduction of a new postcode system. Professor John Nkoma, director general of TCRA says: "Major successes

include managing competition in the communications market, introducing the 2010 Electronic and Postal Communications Act, and the development of the National Information and Communications Technology (ICT) network."

Professor Nkoma believes that developing the telecommunications network has been vital to Tanzania's economy and encourages investors to partner with Tanzania so it can further grow its telecoms might and realise its full potential. "As a regulatory body we ensure that licenses are of reasonable duration and regulations are enforceable. We use the funds we receive responsibly – so come and invest in Tanzania's thriving telecoms industry."

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# Generation game

**The energy** sector offers interesting opportunities for canny investors

AS WITH OTHER developing countries, Tanzania is faced with fundamental energy challenges, all of which can have a major impact on economic growth. The lack of a reliable electricity supply is considered to be one of the main obstacles to the country's development, and low investment in infrastructure and maintenance has created a power deficit of more than 200 megawatts.

Energy consumption in Tanzania is dominated by biomass (charcoal and trees) which accounts for 90 per cent of usage. Petrol accounts for 8 per cent, with electricity responsible for a mere 1.2 per cent. Other energy sources such as solar and wind account for less than 1 per cent.

The wholly government-owned Tanzania Electric Supply Company (TANESCO) is responsible for electricity generation, transmission and distribution. Despite the liberalisation provided by the Electricity Act 2008, the participation of the private sector is low.

Electricity reaches only 15 per cent of the population; the majority of consumers live in urban areas, and are concentrated in Dar es Salaam, while those in rural areas have, at best, very limited access to power. In order to bring electricity to the whole country, huge investments are required – hence the need for international and local investors.

In President Kikwete's new Five Year Development Plan, power generation is the number one priority, and the goal is to reach 3,000MW, and connect 30 per cent of the population by 2015. The government is developing a safe and conducive environment to attract increased investment into the sector, by informing international investors about current policy frameworks, and government incentives

to boost private sector participation in the country's energy business.

TANESCO's managing director, William G. Mhando, explains further: "In the short term, our immediate priority was our agreement with Symbion Power (owner of a 120MW power plant) for the generation of 112MW, which is now operational, and they will be working with us for two years. Also, we have entered into a contract with Aggreko, a company dealing with diesel plants rental, which you can hire for a certain period – and they are bringing in 100MW also this year.

"We also have 70MW in Tanga which we are negotiating with Semco, a Norwegian company, and with this we can fill the current gap.

"In the medium term we have a few other projects. A 300MW gas fired plant in Mtwara at Mnazi Bay, which we hope will be operational by December 2013. We also have another 240MW at Kinyerezi plant, which is financed by the Japanese company Sumitomo and will be completed by 2014.

"In terms of renewable energy sources, we are also planning to introduce solar power plants. Several people have consulted us about solar IPPs and we are currently in negotiations."

The discovery of offshore gas deposits in the 1970s marked a new era for Tanzania's energy sector. In 2004 Sonagas launched the country's first gas-fuelled electricity plant. Following major recent gas discoveries in the Southern region of Mtwara, Tanzania's natural gas reserves have risen to more than 10 trillion cubic feet (tcf) from a previous estimate of 7.5 tcf. Three offshore gas fields have been discovered in the deep waters which brings the total number of offshore gas fields in Tanzania to seven.

Furthermore, Tanzania also has positive indications of hydrocarbon potential, and giants such as BP, Petrobras, ExxonMobil, and Statoil have already invested heavily in exploration off the coast of Tanzania. It may be just a matter of time before Tanzania strikes oil.



## INVESTMENT OPPORTUNITIES IN ELECTRICITY

TANESCO welcomes investors in generation and transmission

### Generation Projects:-

- Kakono Hydropower (53MW). Project cost estimates will be provided upon completion of feasibility study.
- Msigira Hydropower (118MW). NARAD has agreed to finance feasibility study which is to start soon.
- Rusumo Hydropower (21MW). Project feasibility to start soon.
- Rumakali Hydropower (222MW). Project cost is estimated at \$700 million. The Government of Tanzania has signed a Memorandum of Understanding with a Russian company for implementation of the project.
- Songwe Hydropower (330MW). Tanzania and Malawi are jointly working on the project. The Government of Malawi has advertised for Expression of Interest to conduct feasibility study of the project.
- Ruhudji Hydropower (358MW). Project development costs are estimated at \$1,200 million. The Government of Tanzania is negotiating with an Independent Power Producer (IPP) for development of the project.

### Transmission Projects:-

- Maska - Mwanza transmission line (220kV). M/s SWECO has started feasibility study for the purpose of establishing project costs.
- Iringa - Mbeya transmission line (400kV). TANESCO has initiated processes for procurement of a consultant who will conduct feasibility study.
- Singida – Arusha – Nairobi transmission line (400kV). M/s GENNIVAR has started the project.

### Why invest in TANESCO Projects:-

- Growing demand for power. Tanzania's economy is growing at about 7% per year. In order to meet the growing demand for electricity, TANESCO needs to add between 150MW-250MW into its power system annually.
- Favorable investment climate. The Government of Tanzania has established the Tanzania Investment Center (TIC) to provide assistance to investors and create a friendly environment that will foster private sector investment in the country.
- Effective and supportive regulatory regime. The Energy and Water Utilities Regulatory Authority (EWURA) has been established to create a level playing field for electricity suppliers and protect the interests of both consumers and suppliers of electricity.
- Peaceful and stable political environment. Tanzania introduced a multiparty political system in the early 1990s and has since peacefully conducted four general elections. It is a center of economic and political stability in Sub-Saharan Africa and no political risks are involved in financing power projects in Tanzania.

Should you be interested in investing in any of the above named areas, please contact:-



'We Light Up Your Life'

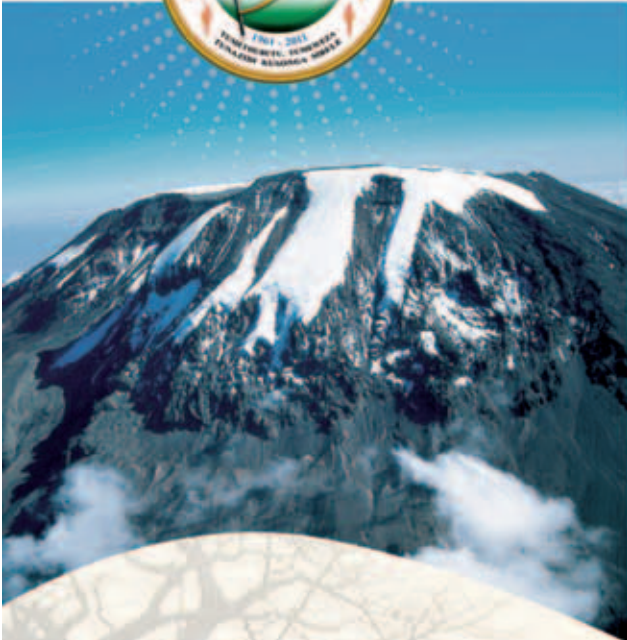
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Tanzania's natural gas reserves are estimated at over 10 tcf following major offshore gas discoveries in the south of the country

# Tanzania

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the Arabian Nights. Wonderful places for swimming, snorkeling, scuba diving, fishing off thousands of kilometres of Indian Ocean coastline and around the African Great Lakes. And then there is Tanzania's greatest asset: its friendly people and cuisines. The country is among the world's leaders in cultural tourism. This indeed is AUTHENTIC AFRICA.



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