

TANZANIA

The rising star of East Africa

As it embarks on its second half-century as an independent nation, Tanzania exudes the confidence that comes from established good governance, a strong economy, and increasing fame as a role model for Africa. It also offers great business and investment opportunities.

Sometimes, doing things right can actually work out. Like many African nations, Tanzania flirted with one-party socialism after cutting its colonial bonds, until soaring poverty led to a rethink. Today, with two decades of multiparty democracy and increasingly pro-business policies, the economy is booming. Huge challenges remain, of course. But a country of immense potential can at last see a clear way forward.

"Tanzania has enjoyed political and social stability over the years," said Vice President Mohamed Gharib Bilal. "We are making our activities extremely trans-

parent for everybody to come and judge investment opportunities for themselves. The business environment is vibrant; there are many possibilities [for foreign firms] to link up with local partners."

Bilal's enthusiasm was shared by U.S. Ambassador Alfonso E. Lenhardt. "Tanzania can be congratulated for bringing about a truly developing country," he said, one that "serves as a role model for many African nations."

According to Lenhardt, U.S. President Barack Obama is watching Tanzania very carefully. Tanzanian President Jakaya Kikwete was the first African leader to be received at the White House, a deliberate signal of the potential Tanzania represents for East Africa.

The ambassador said that the United States was encouraging Tanzania to slash remaining red tape and was helping with training programs on automated systems, but nevertheless the East African nation of some 43 million had made "tremendous strides" towards a "very bright future."

As the second-largest economy in the region, Tanzania averaged 5.9 percent annual GDP growth between 2000 and 2010; with 6.1 percent in 2011 and the same forecast for this year, according to the International Monetary Fund (IMF).

Opportunities in infrastructure

Joseph Masawe, head of research at the Bank of Tanzania, the country's central bank, said that economic management featured "tight monetary policy to tame inflationary expectations" with gradual liberalization of capital accounts. Increased competition in the banking sector has led to rapid growth of private-sector credit. "Our commercial banks are very well capitalized; we have a really diverse

and sound banking sector," Masawe said.

Traditional agriculture still dominates the Tanzanian economy, at least in terms of employment, but there is strong potential in mining—particularly gold, diamonds and iron ore—and in various areas of manufacturing, both to add value to raw material exports and to substitute consumer imports. Perhaps most interestingly, there are enormous opportunities for developing infrastructure.

"We have been putting the emphasis on infrastructure for the past fifteen or twenty years," said Vice President Bilal. The 2011–2012 budget provides US\$1.71 billion for infrastructure investment, up 85 percent on the year. Power consumption is growing at about 11 percent to 13 percent annually, and serious investment is needed. Natural gas is the long-term hope, with some 44 billion cubic meters potentially awaiting development in offshore fields.

Raymond Mbilinyi, executive director of the Tanzania Investment Center, estimated foreign direct investment at US\$700 million in 2011, second best in the region. The top investor has traditionally been the United Kingdom, but India, Kenya, the Netherlands, the United States, and China have all shown recent interest, Mbilinyi said.

Transportation investments have a dual aim: to make Tanzania more efficient and to link with neighbors.

At the national level, there is a US\$281.7 million World Bank Sector Support Project running through mid-2015. This has five main components: rehabilitation of paved trunk roads; improvement of regional airports; improvement of road safety; promotion of public-private partnerships (PPP); and emergency road and bridge repair.

TANZANIA KEY FACTS



- **Full name:** United Republic of Tanzania
- **Independence (from UK):** December 9, 1961
- **Formed from:** Tanganyika and Zanzibar (1964)
- **Population:** 43 million
- **GDP:** US\$23 billion
- **GDP/capita:** US\$535
- **Capital:** Dar es Salaam (moving inland to Dodoma)
- **Exports:** coffee, tea, cotton, cashews, sisal, cloves
- **Imports:** oil, consumer goods, machinery, vehicles
- **Currency:** Tanzanian shilling (TZS)
- **Exchange rate:** US\$1.00 = TZS 1575.00
- **Adult literacy:** 69%



Dar es Salaam, one of the great port cities of East Africa, today has a population of 3 million



Charles Bilinga
Managing
Director,
Afriq Engineering

“We must first be a strong local construction company before we can go global.”

Regionally, infrastructure is seen mainly in the context of the East African Community (EAC), a five-nation pact that links Tanzania with Kenya, Uganda, Rwanda, and Burundi, its immediate neighbors to the north and west, making for a total of 133 million people with a combined GDP of almost US\$80 billion.

“The EAC represents an untapped, very large, and very promising potential for trade and investment for the United States,” Ambassador Lenhardt said.

EAC governments agreed on a development program through 2016 to improve regional infrastructure and commercial policies. The four-pronged strategy addresses highways, railroads, air transportation, and coastal and inland shipping. Highway development involves setting up a regional PPP framework and developing a pipeline of bankable projects.

Two major corridors cut through the EAC region: the Northern Corridor running inland from the great Kenyan port of Mombasa to Uganda and the Congo; and the Central Corridor heading west from Dar es Salaam through Rwanda. Virtually everything needs upgrading, from port facilities to track, bridges, and border crossings.

Frontier control has fiscal importance for Tanzania, given that—according to Harry Kitillya, commissioner general of the

Tanzanian Revenue Authority—the government raises around two-fifths of revenue from import taxes, versus three-fifths from domestic levies. Private studies indicate customs duty evasion is significant.

A USAID-funded report presented to EAC in 2011 said that East African infrastructure needs investments of at least US\$4.2 billion, while full modernization of the rail system with gauge harmonization could cost much more. Late last year the Tanzania Ports Authority secured a US\$60 million loan to improve oil unloading facilities.

Regional telecommunications are also being improved, in part thanks to the work of the Tanzania Communications Regulatory Authority (TCRA). “We are already connected to Kenya, Uganda, Burundi, and Rwanda; we can be a hub so that they can connect to the submarine cables,” TCRA Director General John Nkoma said. EAC governments are investing over US\$400 million in backbone infrastructure.

Telecom investment has impacts throughout the society: “Catching up the level of education for a population of 40 million would be a titanic job without ICT and access to the Internet. Tanzania has a unique opportunity to leapfrog in the telecom sector,” said Marcelo Aleman, managing director of the Tigo mobile phone operator. ■

As countries develop, they face the challenge of creating robust, home-grown private companies to generate jobs and wealth. One such is Afriq Engineering & Construction Company Ltd, headed by Charles Bilinga. An engineer by training, Bilinga started the company sixteen years ago with a friend and now has a permanent staff of around seventy, swelling to perhaps 400 for specific projects. He’s proud of this growth, but also of the contribution he makes to Tanzania.

“Our biggest achievement is having the company moving forward ... and employing many people,” Bilinga said. “We also pay a lot of taxes.” His contribution to national development also includes insisting on honesty, fairness, and responsibility: “These are the things that constitute ethical behavior.”

Afriq works mainly in residential and highway construction, and while Bilinga places great importance on operating at global standards, he is always ready to fine-tune his practices to the economic reality of the Tanzanian market: “There are many different types of classes, and not all have ready money. For example, churches depend on contributions of members, so we arrange for them to pay stage by stage. It is not only for profit, it is also a sort of social contribution—corporate social responsibility.”

Bilinga has a clear view of his strategy going forward. “We must first be a strong local construction company before we can go global.”

Risk avoidance is a constant concern, while world-class project management is the goal: “One of our missions is to be the leader in the use of project management at global standards.”





Children at school



West Upanga at sunset



Mnemba Island in Zanzibar

Build it and they will come

Tourism is one of Tanzania's great assets. Mount Kilimanjaro, Serengeti National Park, Ngorongoro Conservation Area, and historic Zanzibar have long attracted international visitors. Today the potential is enormous.

BUILDING TANZANIA'S FUTURE
We care about social responsibility and respond with modernity and excellence

Our Lady Queen of Peace Education Centre at Ruwaa, Dodoma Municipality
Tanzania - owned by Jesuit Fathers

WE BUILD TANZANIA

As Tanzania becomes more widely recognized abroad as a safe and dependable destination, so too does the tourism sector look set to grow faster. Opportunities exist in two key areas: providing services, such as transportation and accommodation; and building infrastructure.

"We have very special natural resources; we are rich in resources that are the necessary ingredients for our tourism industry," said Aloyce Nzuki, managing director of the Tanzania Tourist Board (TTB). "There are good conservation policies. Tanzania

is one of the very few countries that have set aside a big chunk of land as wildlife or forest protection areas."

Foreign tourism is running at about one million visitors a year, generating around US\$1.7 billion—a handy 7 percent of gross domestic product, in a rough calculation.

Early this year, the country was delighted to be placed seventh in a *New York Times* listing of "The 45 Places to Go in 2012," with the writer observing that Tanzania was "coming into its own as an upscale safari destination," helped in part by attacks on tourists in neighboring



"If you were to invest in the terminal building facilities, the next day you would be making good money."

Suleiman S. Suleiman
Director General, TAA

The Tanzania Airports Authority is a government agency set up in 1999. It owns and operates sixty-two airports and strips, the main four being Julius Nyerere International Airport in Dar es Salaam, the Mwanza and Arusha airports in the north of the country, and Mtwara Airport 300 miles south of the capital. A major challenge facing Director General Suleiman S. Suleiman is upgrading his principal terminals to match the recent modernization of runways and operational infrastructure.

"The air side has been done satisfactorily; ask Emirates or British Airways pilots and they will say it [Dar es Salaam] is perfect," Suleiman said. "But from the passenger's perspective, there are basically NO terminal facilities. It's a disaster." The solution, he said, lies in private investment via public-private partnerships, with a new Terminal 3 planned.



Ngorongoro crater

Serengeti National Park



John S. Nkoma
Director General,
TCRA

Tanzania is one of the few African countries to open up its telecommunications sector. The Tanzania Communications Regulatory Authority was created in 2003 as an independent authority to regulate the sector. "Especially in the communications sector, the competition is clean," said Nkoma. "An investor needs several things. Peace, democracy, and good governance are very important, as are stable regulations. Our licenses are twenty-five years long; this is done deliberately in order for a company to invest, and to be able to calculate its rate of return."



Paul Chizi
CEO, Air
Tanzania

Air Tanzania is both the newest and oldest airline in Tanzania—its roots go back to East African Airways, set up in 1946 under the British. Some years ago the company stopped operating due to safety concerns, but in 2011 it was reborn under government ownership as the national flag-carrier. "We now comply fully with all AOC [air operator's certificate] standards; we want to revive the airline and grow it step by step, from domestic to regional," Chizi said.

Kenya. "The country's tourist infrastructure is becoming more sophisticated," the article noted.

Reacting to the welcome publicity, Nzuki said Tanzania should not be complacent and would continue promoting sustainable tourism, in particular in the United States, the market that provides the single greatest share of visitors.

No fewer than twenty-four airlines are now listed as flying to and from Dar es Salaam, including heavyweights British Airways, Emirates, KLM, Qatar Airways, Swiss International,

and Turkish Airlines, and the city's tourist flow could increase with plans for a convention and exhibition center for up to 8,000 visitors. But moving visitors upcountry requires investment in regional aviation infrastructure.

The problem is not a lack of construction capacity. Boniface Muhegi, head of the Contractors Registration Board, an industry association, reckons the country now has 7,000 building companies, and reforms have been enacted to address corruption in public procurement. Rath-

er, the problem is one of funding.

Suleiman S. Suleiman of the Tanzania Airports Authority lists public investments in the range of tens of millions of dollars being made to airports around the country, but he stresses the need for public-private partnerships and generating greater airport revenues from "non-aeronautical" activities like parking, shops, and restaurants.

Better air access to distant regions will also help sectors like mining and agriculture, he said. ■



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