

# EAST AFRICAN CORPORATION: TANZANIA

**T**anzania is fast emerging as an example for other developing nations to follow. The move to an open market economy is almost complete, with high growth rates, price stability, good governance and excellent relations with international development partners.

Sound fiscal and prudent monetary policies by the Bank of Tanzania have enabled a steady decline in inflation, from 28.4% in 1995 to 4.6% in 2002. Since that time the Bank has concentrated on the single monetary policy objective of price stability through tight controls on the money supply, credit expansion, interest rates, foreign reserves and the exchange rate. The Bank also oversees banking institutions and the financial markets, including an efficient payments system.

"I have every confidence in the monetary system," says Governor of the Bank of Tanzania, Daudi Ballali. "There are many investment opportunities in Tanzania, in mining, tourism and the new export processing zones. Gold is the largest single export of the economy. Development partners are also needed for infrastructure, health and social services."

The stable democratic government is also taking a strong lead in providing favorable conditions to attract foreign direct investment (FDI), providing good governance, transparency and accountability. GDP growth increased to 5.6% in 2001, and is projected at around 6% in 2002, despite difficult market conditions which included the collapse of prices of the country's major export crops of coffee, cotton and cashew nuts.

## HIPC STATUS

These achievements are clearly recognized in the granting of Highly Indebted Poor Country (HIPC) status for the United Republic of Tanzania. Under the debt relief initiative, Tanzania receives around \$100 million annually, allowing the government to focus on poverty reduction and growth stimulation.

Strategies for the improvement of education, health, water and agriculture are all in place, with significant input from multilateral and bilateral development partners, with whom Tanzania has excellent relations.

Privatization continues to make progress, with more than two thirds of public enterprises now in private hands. The current focus is on the privatization or concessioning of large utilities and banks, including the Tanzania Electric Supply Company (TANESCO), Air Tanzania Corporation (ATC), Tanzania Railways Corporation (TRC), the Tanzania Harbours Authority (THA) and the National Microfinance Bank (NMB). The 10-year contract to operate the Dar es Salaam Water and Sewerage Authority (DAWASA) should bring investment of \$600 million.

## ERADICATION OF POVERTY

Yet despite these achievements there is still some way to go in the battle to eradicate poverty, as set out in the development strategy *Vision 2025*. Central to this is the Poverty Reduction Strategy (PRS) which demands the maintenance of macro-economic stability, acceleration of pro-poor growth and creation of employment.

Agriculture is the mainstay of the economy, accounting for 85 per cent of exports and half of GDP, and employing 80 per cent of the workforce. Yet only 4 per cent of the 880 square kilometers of land area is given to commercial crops. Investment is needed in irrigation and mechanization, and the development of agro-processing. The Bank of Tanzania manages an export credit guarantee scheme to support agriculture and agro-based exports.

The next sector for investment is tourism – Tanzania has all the natural assets to attract international visitors, with stunning landscapes, abundant biodiversity and the famous Mount Kilimanjaro and Ngorongoro Crater, yet it only welcomes some 600,000 people a year. Many of its neighbors attract greater numbers.

Other areas of opportunity include mining – Tanzania is rich in gold, diamonds and other minerals – and manufacturing.

The government has also put in place significant investment incentives to encourage FDI, which grew 16.4 per cent from \$192.8 million in 2000 to \$224.4 million in 2002. Mining alone attracted \$1.4 billion in investment between 1995 and 2000, and there is plenty of room for growth. Iron, coal, gas and oil are all ripe for development, and it is



*Sea Cliff Hotel, Dar es Salaam*

hoped that Tanzania will soon export gas-generated electricity to Kenya.

Infrastructure, utilities, transit, trade and aviation are all areas looking for expansion.

Since 1990, the government has been working on an ambitious Integrated Roads Program, with a substantial aid boost from the European Union. Passenger and freight rail services operate independently on different rail gauges, and competition from the South African Railway system has led to improvements in the rail network and at the port of Dar es Salaam, one of the four major seaports. The aim is to become a major transshipment hub for the region.

Meanwhile, the telecommunications infrastructure has been substantially modernized, but would still benefit from investment, while mobile telecomms are widely available.

Tanzania has three modern international airports and more than 50 domestic airports and airstrips. The Tanzania Airports Authority (TAA) operates the state airports, and has identified export opportunities, especially retail outlets at Dar es Salaam International Airport. TAA also organized a successful Investors' Forum at the end of April, bringing together international investors interested in developing the airports sector.

## KEY CONNECTIONS

Businesses locating in Tanzania can also benefit from the African Growth and Opportunities Act (AGOA) which allows duty-free access to the U.S. for over 4,000 product categories.

Its prime location also means Tanzania is a gateway to six markets, allowing access beyond its 34 million population to 80 million consumers within the East African Community (EAC) and the Southern African Development Community (SADC). EAC customs union should be in place by 2004.



**Daudi Ballali,  
Governor of  
the Bank of  
Tanzania**

# One of Africa's fastest growing economies, welcomes foreign investment.

The primary objective of the Bank shall be to formulate and implement monetary policy, directed to the economic objective of maintaining price stability, conducive to a balanced and sustainable growth of the national economy of Tanzania. In other words, it is the primary responsibility of the Bank to establish conditions conducive to Price Stability over time.

## The Bank of Tanzania

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# DREAMS OF AFRICA

**T**anzania brings together the magic of Africa – wide open spaces with magnificent wildlife, idyllic palm-fringed islands set in turquoise seas, a history of explorers' tales and sultans' palaces, and a warm and hospitable people.

Africa's highest mountain, Kilimanjaro, the Great Rift Valley, three great lakes – Victoria, Tanganyika and Nyasa – and the exotic islands of Zanzibar, Pemba and Mafia are just some of the many natural attractions Tanzania has to offer. Famous for its wilderness and wildlife splendor, more than a quarter of the country is set aside as protected forest, national parks and game reserves.

The best known is the Serengeti, celebrated for its seasonally shifting concentrations of herbivores – wildebeest, gazelle and zebra – together with large prides of lion, cheetah, wild dog and leopard. But there are many others, not least the largest, the Tarangire National Park at 2,600 square kilometers, and the Gombe Game Reserve, where Jane Goodall researched chimpanzees. There is also the famous Ngorongoro Conservation Area, a collapsed volcanic crater covering some 250 square kilometers, teeming with wildlife and bearing a remarkable record of human evolution, including the archeological site of Laetoli with its fossil footprints of ancestral humans who walked the earth 3.6 million years ago.

## TASTE OF THE EXOTIC

The spice island of Zanzibar – known as the pearl of the Indian Ocean – combines ancient Islamic ruins with miles of white sandy beaches and coves. The ocean offers warm clear blue waters, idyllic islands, excellent reefs for snorkeling and diving, deep sea fishing, water sports and delicious fresh fish. Visits to the spice plantations – cloves, cinnamon, nutmeg, vanilla, cardamom and others – or the Central Market to haggle for carvings are all part of the experience.

Despite its many attractions, Tanzania has not been spoiled by the effects of mass tourism. The government aims to preserve the natural resources and promote eco-tourism, with the eye on high-yield, low-volume tourists.

Tourism accounts for 16 per cent of GDP and is the second largest foreign exchange earner after agriculture, but has much room for growth. Some 600,000 people visit Tanzania each year, fewer than visit neighboring countries. Investment is needed in infrastructure to support the growing industry, and foreign involvement is being encouraged.

## LUXURY ACCOMMODATION

Accommodation can be found in a range of hotels, from quite basic to luxurious – such as the Sea Cliff Hotel in Dar es Salaam. The 86-room hotel has all the amenities one would expect from a fine hotel – restaurants, swimming pool, health club, casino, shopping and even the first bowling alley in Tanzania. It offers extensive business facilities, including conference suites and a business center.



**Kevin Stander,**  
General  
Manager,  
Sea Cliff Hotel

The Sea Cliff Village is a 3,800 square meter development opening next to the hotel later in the year, which will have a medical center, two international restaurants, 40 shops, fast food outlets and a supermarket. “We have decided to centralize everything where you can get a good salon, butcher, baker and supermarket. People will prefer to spend the money there than go into town,” says Kevin Stander, General Manager.

“We feel we have a distinct advantage over our larger competitors in our superb position and hence we need to provide excellent service and want everyone to feel at home. We aim to know our guests.”

“The tourism master plan covers all the right directions,” he adds. “We are unique in the world in terms of our wildlife and beaches. We must protect these and spend money on developing tourism.”



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