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PROFILE OF TANZANIA

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1 HISTORICAL BACKGROUND

The history of Tanzania begins with accounts of foreign adventurers, traders and representatives of imperial powers. The Arabs were the first to establish coastal settlements, followed by the Portuguese and then by the British and Germans. In 1885 Imperial Germany declared this as part of German East Africa. After the First World War German East Africa came under the British rule as Tanganyika. Opposition to colonial rule resulted in the formation of the Tanganyika African National Union (TANU) under the leadership of Julius Nyerere. Tanganyika finally became independent from the British rule on December 9, 1961 and a republic a year later.

Under the guidance of Mr Nyerere the country's experiment in African socialism was launched and pursued. This period saw an improvement in the standard of living and provision of basic services. Mr Nyerere was succeeded by Mr Mwinyi (a candidate from Zanzibar) for 2 terms, and then by Mr Benjamin Mkapa who won the first multi-party elections held in 1995 as a candidate of the CCM party.

1.1 Location

The United Republic of Tanzania is situated just south of the equator between the great Lakes of Victoria, Tanganyika and Nyasa on the western frontier and the Indian Ocean to the East. Tanzania shares common borders with Kenya to the North; Uganda, Rwanda and Burundi to the North West; Zambia and Malawi to the West; and Mozambique to the South. Its total area covers some 945,000 square kilometers, including approximately 60,000 kilometers of inland water. Though much of the land lies above 200 meters altitude, a narrow belt along the coast is at or near sea level.

1.2 Natural Resources**Land**

Arable land constitutes 40 million hectares of Tanzania's total area, of which just 6 million has been cultivated. The government has recognised the need for a uniform and consistent land policy to regulate and guide land allocation.

Water

Tanzania is endowed with many rivers, freshwater lakes and irrigable plains, though most farming activities continue to rely on the availability of rainfall. About 46% of the rural population and 68% of the urban population have access to clean and safe water.

Minerals

Tanzania's mineral resource endowment is substantial. There are a variety of minerals and metals: Gold, diamonds, coal, salt, silver, phosphates, kaolin, gemstones and other precious metals and minerals.

Forestry

Forest and woodland areas are estimated at 44 million hectares, covering about half of the total land area of Tanzania. 1.6 million hectares are reserved as water catchment areas, the rest being natural productive forests and forest plantations.

1.3 Climate

The main climatic feature is the long dry season from May to October, followed by a period between November to April of low to heavy rainfall. The hottest months are December to February, and the cooler months July to August. Woodlands, bush lands and wooded grasslands are the predominant types of vegetation.

1.4 Population

The population of Tanzania is 27.5 million (1994 estimates), with an average annual growth rate of 3.2%. Approximately 60% of the population is estimated to be under 25 years of age. The population density is a mere 27.2 persons/sq km.

1.5 Language and Religion

The National language is Kiswahili. Most of Tanzania's people are Bantu, representing dozens of distinct ethnic groups, none of which predominate. More than half the population is reckoned to adhere to one or another form of Islam and the other half follow christianity. There is also a significant Asian community, prominent in business.

1.6 Education

The medium of instruction is mainly Kiswahili, but the government has plans of introducing English as a second language. The gross primary school enrolment rate is at about 74% (1990). Completion rates recorded have been quite low. Secondary school enrolment rates have been very low at around 4%. The government is taking measures to strengthen the education infrastructure, so as to be able to provide better services and increase literacy levels.

1.7 Health

Provision of health services saw rapid expansion during the post-independence period. Average life expectancy is 51 years and infant mortality is at 92 per thousand live births, which is better than that of many other countries. Tanzania has seen considerable improvement in the availability of drugs and medical supplies. The number of health service centres are as follows : 174 hospitals, 276 health centres and 3,014 dispensaries. Private sector participation in the provision of health services gave rise to some positive developments. Major hospitals around the country have been provided with equipment to test for AIDS.

1.8 Employment

The total labour force was estimated at 15.6 million persons. Of these, 10.8 million were employed while the remaining 4.8 million were unemployed or inactive amounting to an unemployment rate of 30%. About 49% of the labour force are male, while 51% are female. The informal sector employment is estimated at 2.3 million. The economy being largely agriculture based, 90% of Tanzania's population works in the agriculture sector.

2 INVESTMENT ENVIRONMENT

The process of investing in a foreign country involves a lot of factors before a decision is reached. Investors assess factors that fall into 2 distinct categories namely:

- political factors
- economic factors

2.1 Political Factors

The government being the principal change driver in the economy, political influences on the business operating environment need to be considered.

Government Policy

The government policy is to increase economic activity through private sector participation and to distance itself from direct involvement in business.

Funding Influences

Providers of financial assistance exert considerable influence on the direction of the economy, with the World Bank acting as a principal funder of government activity. Traditionally the World Bank has been providing funds to the government but it now believes that the only way to ensure economic growth would be through private sector participation. The World Bank's focus is now moving from actual funding to providing guarantees to investments.

Legislative Issues

The two key issues relating to legislation are clarity and reliability. The government is in the process of harmonising all legislations governing investors with a view to removing ambiguity and contradictions. The government has also given its commitment to abiding by the legislations.

2.2 Economic Factors

The economic policies of the government have changed since mid 1980s and the changes have had a positive impact on the economy. The GDP growth for 1995 was 3.9% and estimated growth for 1996 is 4.7%.

Inflation

Inflation has been curtailed this year to 25% (April 1996) as against 31% (April 1995). Curtailing inflation to around 15% is on government priority.

Foreign Exchange

The government has relaxed all foreign exchange controls. The Tanzanian Shilling is freely convertible at authorised dealers such as foreign exchange bureaux and banking institutions. Foreign exchange accounts may be maintained at banking institutions. There are therefore no restrictions on repatriation of profits.

Cost of Money and Local Borrowing

The cost of borrowing money from a Tanzanian Banking institution is high - The interest rate ranging between 35%-40%. The exchange rate is no longer controlled by the government. The shilling has been devalued and currently stands at Tshs 590 to a

dollar.

Private Sector Organisations

In recent years a number of organisations have been set up to represent components of the private sector. These include :

- Dar es Salaam Chamber of Commerce
- Dar es Salaam Merchants Chamber
- Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA)
- Confederation of Tanzanian Industries (CTI).

All except TCCIA, depend on member's subscriptions to fund their lobbying activities with the government. The TCCIA receives donor assistance for its funding.

Financial Services

The financial services sector is developing significantly as a result of the reform programme. A number of private sector banks have entered the market. The Tanzanian Venture Capital Fund (TVCF) has already started operations and the Dar es Salaam stock exchange is expected to be operational by the end of the year.

Infrastructure

The government and the donor agencies have recognised that the increase in private sector activity will automatically mean an additional load on the infrastructure sector especially transport, power and telecommunication.

With a view to gearing the sector to meet these demands, the government and the donor community are heavily funding projects to rehabilitate and improve existing infrastructure and projects to strengthen institutions.

3 THE INVESTMENT PROMOTION CENTRE

The Investment Promotion Centre (IPC) was established in 1990 and is governed by the contents of the National Investment Promotion and Protection Act of 1990 amended in 1992, 1994, and 1995. Its role was to implement the National Investment Policy and to be responsible for the promotion, co-ordination, regulation and monitoring of local and foreign investments in Tanzania.

3.1 Role of IPC

The role of IPC was conceived as being threefold:

Promotional

- To identify and advise potential investors on possible areas of investment
- To collect, collate, analyse and disseminate information about investment opportunities
- To organise promotional activities in Tanzania and abroad including liaison with Tanzanian missions

Approval

- To conduct or arrange for policy and technical appraisal of investment proposals submitted by potential investors
- To grant certificates of approval for investment, and assist in securing all licenses, authorisations, approvals and permits

Monitoring

- To monitor the performance of approved investments.

3.2 Achievements of IPC

IPC's achievements so far have been fairly impressive as summarised below:

SECTOR	TOTAL PROJECTS APPROVED	FOREIGN PROJECTS (NO.)	JOINT VENTURE (NO.)	TOTAL INVESTMENT (Million Tshs)
Agriculture & Livestock Development	71	17	34	54572
Natural Resources	56	10	23	63156
Tourism	113	21	46	151741
Manufacturing	385	51	116	554132
Petroleum & Mining	21	2	16	24349
Construction	33	4	10	957682
Transport	52	7	26	42769
Services	14	2	6	21553
Computer	2	1	1	281
Financial	11	6	5	321896
Telecommunication	5	1	3	17018
GRAND TOTAL	763	122	286	2209149

Source : IPC

Total approved investment to date is about US \$1.9 billion. Of the total projects approved 73% were new projects, and 27% were expansion/rehabilitation projects. 16% of the projects were foreign projects, 37% joint venture projects and 47% local projects.

3.3 IPC - a One-Stop Shop for Investors

Tanzania is in the process of amending its Investment Act and harmonising other related laws to remove contradictions and inequities. IPC is being changed from a government department to an autonomous 'One-Stop Shop' with full powers to deal with investors so that granting of benefits and incentives is largely automatic. This is expected to reduce investor time spent on initial start up of the business. IPC itself is being restructured to handle the new role with a much larger emphasis on the promotional aspect.

INVESTMENT INCENTIVES

With an objective of encouraging private enterprise both national and foreign the National Investment Promotion and Protection Act (NIPP) provides for certain benefits for units approved by the Investment Promotion Centre (IPC).

The minimum value of investment to obtain the status of an 'Approved Enterprise' is US \$ 500,000. Once the status of an 'Approved Enterprise' is obtained by way of a certificate, the enterprise automatically qualifies for investment incentives as specified in the NIPP Act.

4.1

Investment Incentives

The investment incentives can be classified into 3 categories :

- fiscal incentives
- guarantees provided
- dispute resolution mechanism

Fiscal Incentives

- exemption from tax payable with respect to the gains and profits for an initial period of 5 years. Reduced tax after 5 years of 35% for resident and non-resident companies
- exemption on withholding tax for an initial period of 5 years and a reduced rate thereafter
- exemption from import duties and sales tax in respect of all machinery and equipment imported to set up the approved enterprise including spare parts, materials and supplies required and imported for the same
- exemption from capital gains tax
- permission to a foreign exchange earning enterprise to retain a portion of their foreign exchange earnings for acquiring inputs
- for units set up in designated growth areas, special incentives as prescribed by the government of Tanzania would be granted.

An 'Approved Enterprise' may transfer the following out of Tanzania:

- dividends, net profits out of investment of foreign assets in an approved enterprise
- repatriation of capital
- principal and interest on loans specified
- payment in respect of loan servicing of foreign loans.

Guarantees Provided

Tanzania is a member of the Multilateral Investment Guarantee Agency (MIGA) of the world bank, which provides international insurance coverage for investors in developing countries to reduce non-commercial risk.

The government also provides a guarantee against expropriation and an undertaking to pay adequate, effective and prompt compensation should public interest require that some or all the investments under the act be expropriated.

Dispute Resolution Mechanisms

Investment disputes may be submitted to the International Centre for Settlement of Investment Disputes.

4.2 Priority Sector for Investment

- agriculture and livestock
- natural resources
- tourism
- manufacturing industries
- petroleum and mining
- construction
- transit trade
- computers and high technology

5 ECONOMIC POTENTIAL

After years Tanzania looks set to get back to prosperity. The new government has committed to regulate the private sector and make it 'An engine of growth'. The government is gradually withdrawing from commercial activities to enable private sector entry into once monopolised areas. The government in turn will strengthen social services, economic infrastructure, human capital development and perform traditional roles of the state.

5.1 Liberalisation and privatisation

Wide ranging economic reforms have been introduced. The gradual liberalisation of internal and external trade, foreign exchange transactions, and the financial sector has led to greater reliance on individual initiative and corporate accountability rather than on the government as a decision maker on business matters.

The Parastatal Sector Reform Commission set up in 1992 to steer the parastatal privatisation and reform programme has shown significant results with 95 parastatals divested (end 1995).

Parastatals have been classified into three categories:

Social Service Institutions : that do not depend on generating revenue from sale of goods and services. These will be absorbed into government administration.

Public Utilities : utilities expected to make profit will be candidates for later divestiture but will in the meantime be restructured and reformed to operate on a commercial basis.

Commercial Enterprises : those entities expected to make profit will be available for local and foreign participation in ownership and management.

With a new government in place committed to its predecessor's objectives and policies in corporate sector reform, it is expected that the pace of parastatal reform will accelerate.

5.2 Potential Sectors for Investment

Tourism

The tourist potential of Tanzania with its magnificent game parks and unspoiled beaches has not been fully developed. The sector has been declared high priority and private sector involvement in the sector has been on the increase.

In 1995, 280,000 tourists have visited Tanzania generating US \$ 205 million as foreign exchange earning. The integrated tourism masterplan has projected 575,000 visitors to Tanzania for the year 2005.

Several quality hotels have been coming up in Tanzania like The Sheraton (Dar es Salaam), Serana (Lake Manyara) and Sopa (Serengeti). Tourism offers wide ranging opportunities like special interest tourism, beach resort development, and southern circuit development where current levels of investment are low.

The sector is growing at a fast pace and might soon become a significant contributor to the economy.

Mining

Tanzania has vast mineral resources which are as yet untapped. With the opening up of this sector for private participation there is potential for growth.

Tanzania's significant minerals and metals are that of Gold, Diamonds, Gemstones, Coal and Copper. Tanzania also has commercially significant quantities of Nickel, Lead, Iron ore, Tin, Phosphates, Carbonatites, Evaporite Minerals, Decorative and Dimension Stones and Kaolin.

The sector has been declared a priority sector and the government has offered several specific incentives for investors. Investment interest in this sector has been high with large investors like Sutton Resources, Romanex International and RTZ investing in Gold, Diamond and Coal mining.

The mining sector clearly creates an opportunity by a lack of investment over the last 30 years. The contribution of this sector to the GDP is very small, but the contribution is expected to grow with the thrust being given to this sector.

Infrastructure

Infrastructure in Tanzania is relatively underdeveloped largely because of the government monopoly in this sector. However with liberalisation of several utilities and the privatisation of non-core activities, service levels are likely to improve. The donor community and the government are heavily funding this sector with a firm belief that other sectors of the economy cannot thrive unless basic infrastructure is provided.

✎ The Transport infrastructure particularly roadways have been improved by the US \$900m - 'Integrated Roads Project'. The airways is in the process of being commercialised and Air Tanzania Limited on its way to being privatised. The waterways and railways have been facing stiff competition from the neighbouring countries and hence are in the process of restructuring themselves to face the challenge. Opportunities for investors lie in related non-core areas which have been privatised.

The Telecommunication infrastructure has been commercialised and the non-core segment has been privatised. There is tremendous investor interest in the telecommunication sector namely :

- Mobile Cellular phones - Tritel, Mobitel
- Paging services - ACG, Beep me, Call Systems, TTCL
- Pay Phones - ACG, Jupiter
- Data Network Services - Datel, Tanzania Online

The Power sector has allowed Independent Power Producers (IPP's) to generate power and sell the same to TANESCO (Tanzania Electric Supply Company Ltd). A few IPP's who have already entered the market are :

- Songo Songo Gas Plant - Ocelot Trans Canada
- TANWAT (Tanzania Wattle Company)
- Mechmar - a Malaysian firm.

Financial Sector

Following the liberalisation of this sector in 1993, the sector has seen a lot of financial institutions and banks starting operations. With other sectors of the economy attracting private sector investment, the need for good banking and financial services is growing.

A number of internationally recognised banks such as Citibank, Standard Chartered and Stanbic are among the newly licensed banks operating in Tanzania. The non-bank financial services has seen the entry of:

- Tanzania Venture Capital Fund
- United Leasing Company to start operations in September 1996.
- The Dar es Salaam stock exchange to start operations by the end of 1996.

There is ample scope in this sector particularly in the non-bank financial services area where the market is still under-developed and in the banking area to increase the product portfolio. This sector's activities are largely concentrated in Dar es Salaam which leaves untapped potential in several other commercially significant towns like Mwanza and Arusha.

6 BUSINESS ENVIRONMENT

An investor, irrespective of nationality can set up a business enterprise in Tanzania in accordance with the provisions of the following legal instruments :

- The Companies Ordinance Act of 1948
- The Business Name and Registration Act of 1930.

6.1 Types of Business Entities

An investor could form one of the following:

Sole Proprietorship

An individual who wants to establish a business house in Tanzania can form a sole proprietorship firm.

Partnership Firm

Two or more individuals can form a partnership firm in Tanzania. There is no separate law governing partnership firms. The partners concerned must draw out a memorandum of understanding and have the firm incorporated.

Joint Ventures

A foreign investor may join a Tanzanian entrepreneur or a company for a joint venture, usually in the form of a partnership firm or a limited company.

Wholly Foreign-Owned Enterprises

Foreigners are permitted 100% ownership of an enterprise. There is no stipulation that the foreign firm should have a local partner in Tanzania.

External Company

An external company is a body formed outside Tanzania but one that has an established place of business in Tanzania.

Limited Company

A private limited company is one that has no more than 50 shareholders. A public limited company is one that has more than 50 shareholders.

6.2 Procedures for obtaining a Business License

The procedures involved in incorporating a company and starting business operations is as follows :

- Obtain a Certificate of Incorporation from the registrar of companies
- Obtain a Tax clearance certificate from the Income Tax Department
- Obtain a Business License from the Trade License Authority.

Certificate of Incorporation

Application for registration of a company is made directly, or through agents or solicitors, to the Registrar of Companies. A company is duly registered after the

company's regulations have been submitted and a specified fee paid to the registrar of companies, and a 'Certificate of Incorporation' obtained.

The following documents have to be submitted to the registrar:

- Memorandum of Understanding and Articles of Association
- Declaration of Compliance as per the Companies Ordinance Act
- Particulars of Directors (Form No: 14)
- Notice of situation of Registered Office (Form No:15).

On approval, the registrar would issue a 'Certificate of Incorporation'.

If the Company is an External Company then the following procedure would be applicable.

Within one month of the establishment of the place of business, the external company should furnish the registrar of companies the following:

- A copy of the charter, statutes, regulations, memorandum and articles or other instruments constituting or defining the constitution of the company, and if the instrument is not written in English, a certified copy of the translation.
- Statement of the following:
 - Name and Nature of business
 - Address including post office box number of its principal place of business in Tanzania
 - Address of its registered or principal office in the country of its incorporation
 - Name, address and business occupation of the local manager authorized to manage the business in Tanzania
 - Name and address in Tanzania of a person authorised by the company to accept service of process and documents on its behalf.

On approval the registrar of companies would issue a certificate of compliance to the external company.

Tax Clearance Certificate

A tax clearance certificate from the income tax department is a pre-requisite for obtaining a business license.

The following details have to be furnished to the Income Tax department :

- Name, address and nature of Business
- Date of Incorporation
- Name and addresses of the directors of the business
- Title of banking accounts of the firm and who is empowered to operate them
- Copy of the certificate of Incorporation.

Business License

A business license is the final document required to commence business operations.

This is obtained by enclosing a copy of the tax clearance certificate along with the following details :

- Name and Nationality of the Applicant
- Type of business, address of the office and postal address
- Name of the directors/managers
- Registration number and date of registration
- Tax file Number.

6.3 Annual returns

The limited company must file annual returns with the registrar of companies showing its audited balance sheet and profit and loss statement after 15 months of incorporation and after 12 months thereafter.

6.4 Submission of alterations

Alterations made in the charter, statutes, regulations, articles or other instruments used in registration should be delivered to the registrar within three months of the effective date of the alteration.

6.5 Work Permits

Work and Residence permits are issued by the department of Immigration, to foreigners. The permit can be obtained under one of the following classifications :

Class A (Self Employed)

Foreigners who enter Tanzania for purposes of investing in various fields are entitled to apply for a residence permit class A.

Class B (Employed)

Foreigners who want to join employment opportunities as expatriates are entitled to apply for a residence permit class B.

Class C (Students)

Foreigners who come for the purpose of research, studying and attending court cases are entitled to apply for residence permit class C.

The duration of the work permit could be for a maximum of 2 years (renewable). Business visas for a maximum of 6 months are also granted. Dependents of expatriates are granted residence permits but not work permits.

6.6 Further information

The various forms required for registration of companies are obtainable from the registrar of companies. Prospective investors could obtain professional advice from:

The Director General
Investment Promotion Centre
P.O. Box : 938
Dar es Salaam
Telephone : 46847/9
Fax : 255-51-46851

The Registrar of Companies
P.O. Box : 9393
Dar es Salaam
Tanzania

7 FINANCIAL INSTITUTIONS IN TANZANIA

The financial sector in Tanzania has predominantly been an area dominated by the public sector institutions. However, in 1993 the sector was liberalised to allow private sector participation and since then a number of banks and financial institutions have started operations.

7.1 Bank of Tanzania

The Bank of Tanzania is the central bank which

- formulates and implements monetary policy
- regulates and supervises other banks and financial institutions
- manages foreign exchange reserves
- issues currency.

7.2 Commercial Banks

There are 8 commercial banks in all. The multinational banks largely cater to the higher end of the market while the state-owned banks cater to the masses. At present the Tanzanian banking sector offers short-term lending and the lending instrument of choice is the overdraft which constitutes about 78% of total domestic lending.

Name	No of Branches
Standard Chartered Bank	1
Stanbic	3
Citibank	1
Trust Bank	3
Euro african Bank	1
Greenland Bank	1
National Bank of Commerce	147 (State-owned)
Co-operative and Rural Development Bank	20 (State-owned)

7.3 Development Banks

There are currently 2 local development banks offering its services namely :

- Tanzania Investment Bank
- Tanganyika Development Finance Co Ltd.

7.4 Rural Banks

Community banks are being encouraged by the Bank of Tanzania so as to provide banking services for the small scale sector and the rural community. There are 4 rural community banks;

- Tanzania Postal Bank
- Kilimanjaro Co-operative Bank
- Pride Tanzania
- Akiba Bank.

7.5 Non-Bank Financial Institutions

Tanzania's non-bank financial institutions are on the increase. With privatisation and liberalisation a number of non-bank financial services like leasing, hire-purchase, venture capital are being offered.

Insurance Companies

The insurance sector has not yet been opened to the private sector and continues to be an area for the public sector. There is only one insurance corporation namely National Insurance Corporation which handles the insurance business of the entire country. But there is a proposal to liberalise this sector very soon.

Leasing and Hire Purchase

Karadha, a subsidiary of National Bank of Commerce, has so far had a virtual monopoly on the hire purchase segment. United Leasing Company(ULC) is the first leasing company due to start operations in September 1996. It plans to focus only on the financial leasing of capital equipment.

Venture Capital

Tanzania Venture Capital Fund (TVCF), Tanzania's first venture capital fund, launched in October 1993 is managed by Equity Investment Management (EIM).

Capital Markets

Tanzania does not as yet have a capital market, but the Capital Markets and Securities Authority (CMSA) established in 1994 has commenced operations and is currently in the process of setting up the Dar es Salaam Stock Exchange.

Other Institutions

Other institutions offering financial services include:

Stanbic Financial Services
First Adili Bancorp
Savings and Finance Ltd
Diamond Trust.

7.6 Minimum Capital Requirement

The minimum capital requirement for starting a bank is Tsh 1 billion and for a non-bank financial institution is Tsh 500 million.

THE TOURISM SECTOR AND ITS INVESTMENT OPPORTUNITIES

INTRODUCTION

Tourism enjoys a special position in the United Republic of Tanzania. With its 12 national parks, 17 game reserves, 50 game controlled areas, a conservation area and a marine park. The country's wildlife resources are considered among the finest in the world. They include the vast Serengeti plains and Mt. Kilimanjaro to the north, the Selous Game Reserve to the south and the exotic islands of Zanzibar, Mafia and Pemba.

In 1995, gross foreign exchange earnings from the sector amounted to US\$ 205 million, spent by an estimated 280,000 visitors to the country. This represents about 7.5 per cent of GDP and nearly 25 per cent of total export earnings.

I. TANZANIA'S TOURISM SECTOR

A. Tourism attractions

The international tourism "destination" market generally requires a tourism product with several different experiences. In that respect, the United Republic of Tanzania offers a variety of attractions, including wildlife, beach resorts, sightseeing and a unique cultural experience. Some of the main tourism attractions grouped under geographical "circuits" are described below.

Northern Circuit

The Northern Circuit stretches from Lake Victoria in the west to the town of Tanga on the east coast and offers three distinct groups of attractions.

The main attractions are the plains of Serengeti, Lake Manyara, Tarangire National Park and the Ngorongoro conservation area. These wildlife areas offer spectacular game viewing, including the annual wildebeest migration in the Serengeti. The dormant Ngorongoro crater offers an opportunity to view game within the confines of a separate ecosystem. It is generally accepted that the Tanzanian wildlife experience is superior to its neighbouring competing destinations in terms of quality, diversity and visibility of wildlife in the national parks.

Within the Ngorongoro conservation area is located the Olduvai Gorge, where Richard Leakey found the remains of *zinjanthropus*, considered to be the fossils of the earliest man.

Accommodation is available in lodges and luxury tented camps offering all modern amenities. This area has been the focus of tourism development, with new facilities being developed by the Serena Group and Sopa Lodges. The formerly State-owned hotel facilities have also been given on management contract to ACCOR, a French hotel group.

The second group of attractions comprises Kilimanjaro National Park, Arusha National Park and the mountains of Kilimanjaro and Meru. Mt. Kilimanjaro is the highest peak in Africa and offers challenging mountain climbs and walks. The mountain supports diverse flora and fauna and provides the opportunity to experience snow while being situated on the equator. A number of camps have been built on the slopes of Mt. Kilimanjaro for the benefit of climbers and visitors.

The Northern Circuit also offers the Mkomazi Game Reserve, Usambara mountains and the Amboni Caves near Tanga. The Usambaras, rising from the hot Kitwei plains, represent an ideal area to develop small mountain resorts offering a relaxed ambience and quiet nature walks.

Southern Circuit

The main attraction within the Southern Circuit is the Selous, the largest protected wildlife area in the world, covering about 6 per cent of the country's land mass. The Rufiji River passes through the Selous, forming a delta. This allows the Selous to offer a very different wildlife experience including walking and boat safaris. Accommodation is primarily in tents and *bandas* equipped with all the necessary amenities.

The Southern Circuit also includes the national parks of Mikumi, Udzungwa, Ruaha and Rungwa Game Reserve. The Ruaha National Park is famous for its crocodile-infested Ruaha River. The park offers an opportunity to view crocodiles and hippos at close range.

International access to the Southern Circuit is through Dar es Salaam airport. The onward journey can be overland or via charter flights offered by a number of tour operators. The TAZARA railway runs from Dar es Salaam to Fuga or Kisiwa in the Selous and then to Ifakara.

Beach resorts

Dar es Salaam, the capital, is located on the Indian Ocean coast and offers several beach resorts within a 100-kilometre radius. A number of beach resorts have been developed during the last few years offering three-star accommodation and facilities. Further south along the coast are excellent beaches that have not been developed as yet and offer excellent investment opportunities.

A few miles off the coast lie the islands of Mafia and Pemba. Mafia island has beautiful, pristine beaches and the ambience of a tropical island paradise. Mafia Island Lodge, managed by ACCOR, and the tented Kinasi Camp offer facilities to relax and enjoy the sandy beaches. Pemba Channel, separating the coast from the island of Pemba, offers a very high quality of sport fishing. Both the islands are accessible via charter flights.

Sightseeing/cultural attractions

The island of Zanzibar offers a unique sightseeing experience. It has a distinct culture, being the first settlement of Arab traders from the Middle East. The town centre, called Stone Town, is characterized by narrow lanes and ruins of the majestic palaces of the Arab rulers. The island is also a major producer of spices and at one time accounted for about 90 per cent of the world's production of cloves.

Zanzibar offers a different cultural experience coupled with beach resorts for a complete holiday package. The island has a number of small motels and tourist houses that reinforce the aura of the Stone Town. The Serena Group is currently constructing a luxury 50-bedroom hotel overlooking the harbour.

Other sightseeing attractions include Bagamoyo and Kilwa. Bagamoyo is about 2 hours by road from Dar es Salaam and was the centre of the slave trade during the seventeenth century. Bagamoyo Fort still has remains of the slave trade and could be developed into a tourist add-on for tourists travelling to Dar es Salaam. Kilwa is located further south of Dar es Salaam and was a major centre for the Arab traders.

The northern plains of the United Republic of Tanzania are home to the Maasai tribe, famous for hunting lions and drinking the blood of cattle.

So far, the cultural experience has not been marketed as a tourist attraction and possesses the potential for attracting tourists.

B. Tourism revenues

Market indicators suggest that approximately 280,000 people visited the United Republic of Tanzania in 1995, spending US\$ 205 million, excluding earnings from carrier receipts (e.g. passenger air fares). An analysis of visitors by purpose of visit for 1995 is shown in table 1.

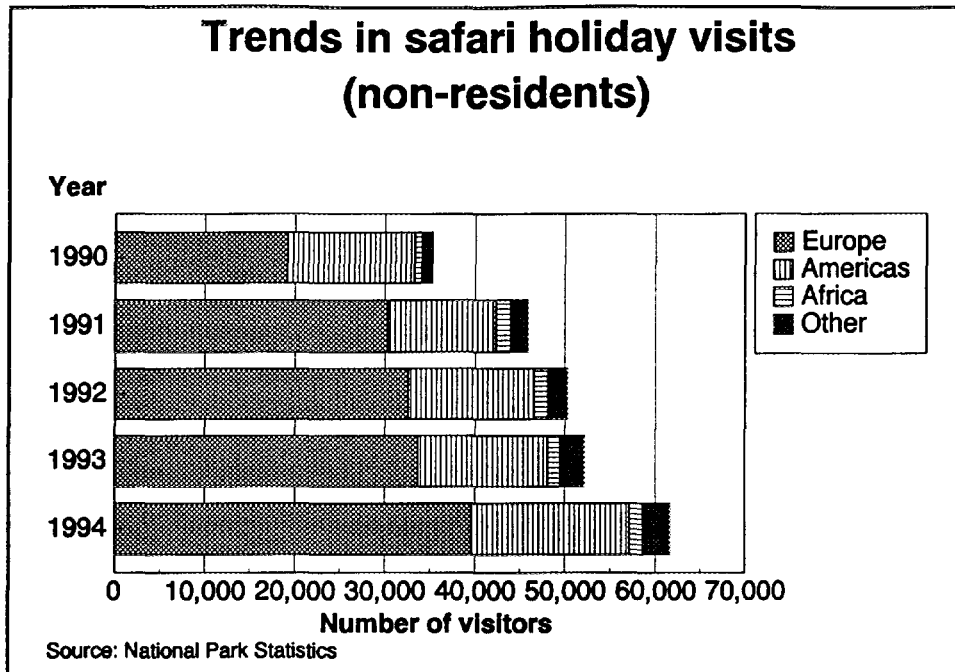
Table 1. Visitor numbers by purpose of visit

Purpose of visit	Numbers	Average spending (US\$)	Total spending (millions of US\$)
Vacation/leisure	70,000	1,200	84
Hunting	600	35,000	21
Other leisure	9,000	1,200	11
Business	40,000	1,000	40
Conference	5,000	1,000	5
Visiting friends	40,000	500	20
Other/Not stated	115,000	210	24
Total	279,600	732	205

Source: Integrated Tourism Master Plan, 1996.

Leisure tourists account for about 28 per cent of the total visitors to the United Republic of Tanzania. This segment has been growing at a rate of approximately 15 per cent over the last two years. An indication of the numbers and recent trends is given by the statistics on visitor numbers to the national parks from each of the main market areas.

Figure 1.



Further analysis of recent trends in tourism reveals the following:

- Visitors from Europe and North America predominate, accounting for nearly 93 per cent of total leisure visitors.
- Tourist traffic from Europe has grown at a rate of 18 per cent, with France, Germany and the United Kingdom of Great Britain and Northern Ireland accounting for over 60 per cent of all tourist arrivals. Italy, Switzerland and the Scandinavian countries comprise a substantial secondary market, accounting for a further 23 per cent of arrivals.
- Safari tourists to the Northern Circuit stay an average of just under 4 nights, while those to the Southern Circuit stay between 7 and 10 nights.
- Nearly two-thirds of all holiday visitors arrive overland from Kenya. Kilimanjaro International Airport accounts for only 8 per cent of tourist arrivals. The Southern Circuit does not have an international airport serving it, and tourists either fly in to Dar es Salaam and take a further overland journey or enter by road from Zambia.
- Tourism is concentrated in the Northern Circuit, covering, Serengeti, Ngorongoro and Tarangire National Parks. The Selous features strongly on the Southern Circuit, but suffers from its inaccessibility, poor communications and inadequate infrastructure. The rest of the wildlife areas are relatively unexploited.

C. Tourism infrastructure

The existing tourism infrastructure is inadequate to meet tourist demand. Table 2 gives a picture of the existing tourism infrastructure.

Table 2. Tourism Infrastructure

Category	Units	Rooms	
		Total	International ^a
Hotels/lodges	252	7,915	2,435
Tented camps	27	565	565
Restaurants ^b	20	-	-
Tour operators/car hire	225	-	-

Source: *Integrated Tourism Master Plan, 1996*

^a Mainly used by international tourists.

^b Of international standard outside of hotels.

Of a total room capacity of about 8,000 rooms, the *Integrated Tourism Master Plan, 1996* estimates that only about 3,000 rooms are used by international tourists.

There are a large number of ground tour operators who arrange tours within the country. The majority of these operators also provide car rental and travel services. The tour operators are concentrated in the cities of Dar es Salaam and Arusha. The major players in this market are the United Touring Company (UTC), Ranger Safaris, State-Travel Services (STS) and Leopard Tours.

The air services sector was deregulated in 1992 and now has about 26 licensed charter airline operators with some 168 registered aircraft. However, only 50 of these have a current certificate of air worthiness. Air Tanzania, the national carrier, continues to dominate the domestic air services sector, having carried approximately 123,000 passengers in 1995.

D. Tanzanian tourism's competitive position

According to estimates by the World Tourism Organization for the year 1994, the United Republic of Tanzania occupies tenth position in the top 10 African destinations by number of tourist arrivals. Tunisia is the top African destination, attracting over 3.8 million visitors annually. In eastern and southern Africa, South Africa is the destination of choice, attracting over 3.7 million visitors, followed by Zimbabwe and Kenya.

Neighbouring Kenya attracts over 800,000 visitors annually, earning over US\$ 450 million in revenue.

The United Republic of Tanzania has a small share of the main European and United States markets, accounting for less than 10 per cent of total visitors to Africa. Table 3 details its share of the main tourism markets.

**Table 3. Market share of visits to wildlife areas in sub-Saharan Africa
(Percentage)**

Market/destination	Share of the market		
	United States	Europe	Japan
United Republic of Tanzania	7	2	3
Zimbabwe	8	3	n/a
Kenya	34	26	37
Other	49	69	60
Total	100	100	100

Source: *Integrated Tourism Master Plan, 1996*

The United Republic of Tanzania's relatively small share of the African tourism market can be explained by the nature of the Tanzanian tourism product. The bulk of tourism is concentrated in the Northern Wildlife Area, which is promoted as part of a larger tour program to Kenya. This accounts for the short average length of stay, lower tourism revenues and the absence of linkages with other parts of the country. In addition, the country does not currently offer high quality beach holidays to complement the safari holiday package.

The main strength of tourism in the United Republic of Tanzania is the wildlife. It is acknowledged that the country's wildlife is diverse and abundant and the wildlife areas have not become overcrowded with tourists. The United Republic of Tanzania also offers unique wildlife experiences such as the annual wildebeest migration in the Serengeti.

However, the following factors hinder the large-scale development of the sector:

- *Accessibility to and within the United Republic of Tanzania.* The constraints here can be attributed to inadequate direct flights to Kilimanjaro from Europe and the United States. In addition, it is felt that travelling via Kenya is cheaper than flying to the United Republic of Tanzania. However, over the last few years domestic travel within the country by road has improved significantly because of the construction of tarmacked roads in many areas. Air charter services are also being offered, although they are considered to be expensive.
- *Accommodation.* The accommodation offered is less favourable than that available at other eastern and southern African destinations. It is generally felt that the quality of accommodation available is not of a high enough standard to warrant the prices being charged. However, with the opening of the Serena and Sopa Lodges in the Northern Circuit and the five-star Dar es Salaam Sheraton, the overall quality of accommodation available should improve.
- *Customer service.* Customer service in hotels, restaurants, national parks and other tourist centres is not of a very high standard.
- *Beach resort.* The United Republic of Tanzania offers an 800-kilometre coastline along the Indian Ocean. The tourism sector lacks an international standard beach hotel offering quality accommodation and services. To counter this deficiency, new beach developments are being planned and the existing ones placed under management contracts with renowned international hotel companies.

- *Telecommunications.* The telecommunication infrastructure within the country is inadequate, making communications both from the United Republic of Tanzania to the outside world and within the country difficult. To improve this situation, the ongoing Telecommunications Restructuring Project, financed by a consortium of donors, is laying new fibre optic lines and setting up digital exchanges across the country.
- *Marketing.* The Tanzanian tourism product is not currently marketed as a single-destination package offering the tourist a combination of relaxation, safari, sightseeing and cultural experience. However, of late, the Tanzania Tourist Board (TTB) has started participating in tourism trade fairs and has undertaken other measures to market the Tanzanian tourism product internationally.
- *Bureaucratic delays.* Currently, an investor wanting to invest in the tourism sector requires clearance from six different ministries. This (bureaucratic) process has frustrated many international investors and has slowed the process of revitalising the tourism sector. Considering the revenue earned from the tourism sector, the Government has declared tourism a focus area for foreign investment and plans are currently being made for initiating a "single-window" licensing facility.

II. INSTITUTIONAL ARRANGEMENTS AND THE LEGAL FRAMEWORK

Prior to 1992, the Government, through the Tanzania Tourist Corporation (TTC), owned and operated several tourist properties. In preparation for privatization, it formed the Tanzania Hotels Investment Company Limited (TAHI) and transferred its shares to the company. Meanwhile, all Government-owned hotels became limited liability companies operating on commercial lines.

The main Ministry and Government organizations involved in the tourism sector are described below.

A. Ministry of Natural Resources and Tourism

The Ministry of Natural Resources and Tourism (MNR&T) has four divisions:

- *Tourism Division.* This Division is responsible for sectoral policy and planning, classification and licensing of hotels and travel agencies. It also is responsible for the Hotel and Tourism Training Institute (HTTI) and the TTB.
- *Wildlife Division.* Responsibility for wildlife management is divided between the Wildlife Division and five parastatal organizations: the Tanzania National Parks Authority (TANAPA), the Ngorongoro Conservation Area Authority (NCAA), the College of African Wildlife Management at Mweka, the Serengeti Wildlife Research Institute and the Tanzania Wildlife Company. The Wildlife Division is responsible for wildlife management outside the national parks and is responsible for issuing hunting concessions and licences.
- *Forestry Division and Fisheries Division.* These Divisions are responsible for policy and planning in their respective natural resources sectors.

B. Tanzania Tourist Board

After the disbanding of the Tanzania Tourist Corporation, the Tanzania Tourist Board (TTB) was legally established under the Tanzania Tourist Board Act of 1992, which amends the 1962 Tanganyika National Tourist Board Act. Under the Act, the functions of the Board are as follows:

- To advertise and publicize the United Republic of Tanzania as a tourist destination.
- To encourage the development of amenities that would enhance the attractions of the country.

- To undertake research.
- To foster an understanding of the importance and economic benefits of tourism.
- To collect information.

C. Environmental legislation

Recently, an environmental protection bill was proposed to the Government for approval by the National Environmental Management Council. The bill is a comprehensive document that brings together all environment-related regulations.

III. INVESTMENT OPPORTUNITIES

The Tanzanian tourism sector offers many investment opportunities, some of which are listed below:

- *Special interest tourism.* The majority of tourists coming to the United Republic of Tanzania visit the Northern Wildlife Areas. There is a clear opportunity to develop special interest tourism products around wildlife and nature as the country has an abundant resource base and a distinct advantage over other countries. Other products could be developed based on the coast and the islands resources. Off-the-beaten-track areas in the Northern Circuit include the Usambara mountains and the Mkomazi Game Reserve, which offer a combination of game viewing and trekking. An example in this context is the balloon safari started recently in the Serengeti.
- *Beach resorts.* Investors can take advantage of the country's long coastline to develop quality beach resorts. Beach resorts can also be developed on the islands of Zanzibar and Mafia or further south of Dar es Salaam. Activities such as water sports and marine viewing through glass-bottom boats can also be offered.
- *Southern Circuit safari.* Safari tours are concentrated in the Northern Circuit. The Rufiji Delta in the Selous and Ruaha national parks can be further exploited to offer a closer-to-nature wildlife experience. This can be achieved through more tented camps providing high quality accommodation and services.
- *Tourism infrastructure.* The Integrated Tourism Master Plan developed by the Government of the United Republic of Tanzania projects 575,000 visitors to the country by the year 2005. Table 4 gives the targeted number of visitors by purpose of visit and bed-night demand.

**Table 4. Projections of visitor numbers and bed-nights, 1995-2005
(Thousands)**

Purpose of visit	1995		2005	
	Number of visitors	Bed-nights	Number of visitors	Bed-nights
Vacation/leisure	70	280	180	1,620
Other leisure	10	40	25	200
Business	40	200	70	350
Conference	5	25	10	50
Visiting friends	40	200	80	410
Other/not stated	115		210	
Total	280	745	575	2,630

Source: Integrated Tourism Master Plan, 1996

Growth in foreign tourist bed-nights is expected to be more rapid than the growth in total visitor arrivals. In addition, the Master Plan estimates that the average number of bed-nights would increase from the current 3.6 nights to 5.8 nights and to 7.5 nights for foreign tourists.

Of the current stock of 8,000 rooms, only a small portion (35 per cent) are of international standard. Including the tented camps, an estimated 3,000 rooms are used by international tourists. It is estimated that over 2.6 million bed-nights would be required by the year 2005, equivalent to 8,675 rooms of international standard. This means that an additional 5,675 rooms will need to be constructed or the existing accommodation upgraded to international standards.

In that connection, the State-owned hotels are being offered for management contact or sale. It is foreseen that the facilities can be upgraded and quality accommodation and services offered within a relatively short period of time.

- *Tourism services.* Additional opportunities exist in the tourism services sector, that is, in the transport sector (air charter services, car hire), catering and tour operations as the existing services are not of a high standard. There exists unmet demand for good quality restaurants in the major towns and cities.
- *Cultural attractions.* The United Republic of Tanzania offers a varied and interesting culture, and this can be exploited to offer a different tourist experience. Investors can develop services and boutiques based on local handicrafts and local entertainment groups.

IV. RECENT DEVELOPMENTS

The Government of the United Republic of Tanzania recognizes the importance of tourism to the economy and has recently unveiled an Integrated Tourism Master Plan covering the years 1996-2005. The Master Plan highlights the Government's course of action over the short, medium and long terms in the tourism sector.

According to the Master Plan, one of the Government's action plans is to develop the Southern Circuit into a tourism destination. In that connection, in April 1996 it announced a five-year plan to develop the Southern Circuit, including building up the infrastructure and upgrading accommodations to international standards. The Plan will be financed with World Bank assistance.

The Northern Circuit has also witnessed construction activity as the Serena Group has constructed three luxury lodges, one overlooking Lake Manyara, one in the Serengeti and one on the rim of the Ngorongoro Crater. Sopa Lodges has also constructed luxury lodges in the Serengeti.

A five-star 200-bedroom hotel known as the Bagamoyo Beverly Hills Hotel is to be built at Bagamoyo. The project is a joint venture between American, Italian and Tanzanian investors, and construction is due to begin in November 1996.

The refurbishment of the 230-room New Africa Hotel in Dar es Salaam is nearly complete. Other hotel construction projects currently under way include the five-star Indian Ocean Hotel and the Hotel Sea Cliff, both being developed on Oyster Bay. These hotel developments would greatly increase the availability of quality accommodation in Dar es Salaam.

V. CONCLUSION

The United Republic of Tanzania offers unparalleled tourism opportunities, including wildlife, unspoilt beaches, mountaineering, sightseeing and cultural attractions. The sector is growing at a fast pace and may become a leading contributor to the Tanzanian economy. The sector offers opportunities for investors to invest in the infrastructure and in the development of tourism-related services.

INVESTMENT OPPORTUNITIES IN THE FINANCIAL SECTOR

INTRODUCTION

The financial sector is considered to be the cornerstone of a modern economy. After two and a half decades of following a command control economy, the United Republic of Tanzania embarked upon an economic restructuring programme in 1986. The programme has focused on strengthening the private sector and reducing State involvement in business and commerce.

Following the liberalization of the private sector in 1993, a number of banks and financial institutions started operations, which are still heavily concentrated in Dar es Salaam. The insurance sector has not yet been opened to the private sector and continues to be dominated by the State-owned insurance company.

I. THE BANKING SECTOR

A. Historical context

The banking sector in the United Republic of Tanzania has historically been dominated by public sector institutions. These public sector institutions were created after the nationalization of foreign banks in 1967 and were directed by the State to lend on the basis of "national priorities". Banks had therefore become quasi-fiscal agents channelling public expenditure through extra-budgetary conduits.

The lack of separation between fiscal and monetary activities, combined with the overall pricing distortions, economic decline, inadequate regulatory framework and a lack of managerial skills at the operating level resulted in the following:

- A significant misallocation of credit and a loan portfolio chronically in arrears.
- An ineffective monetary policy that has led to unchecked money supply growth and consequently inflation.
- An inability of the system to mobilize adequate domestic resources.
- A loss of accountability.
- A lack of competition resulting in a narrow range of financial products being available.

The above factors had, over the years, virtually rendered the country's financial institutions insolvent. Faced with a collapsing financial sector, the Government launched a programme of financial sector reform in 1991.

B. Financial sector reform

The financial sector reform programme focused on the following main themes:

- Restructuring the loan portfolios of banks, realizing a portion of the non-performing loans and making appropriate provisions for the remaining portfolio. The Loans and Advances Realisation Trust was established as a mechanism for working-out non-performing loans.
- An organizational restructuring of banks including a rationalization of the branch network and a reduction in head count.
- Separating the monetary and fiscal activities within the economy.
- Improving the supervision of banks by the Bank of Tanzania (BoT).

- Liberalizing interest rates and foreign exchange.
- Creating active financial markets.

The financial sector reform programme is well under way and has already achieved many of its goals.

C. Present status

With the liberalization of the financial sector a number of new banks and financial institutions have started operations. There are presently 11 commercial banks (3 of them State-owned), 2 development banks and 5 non-bank financial institutions. A number of internationally recognized banks, e.g. Citibank, Standard Chartered and Stanbic are among the newly licensed banks operating in The United Republic of Tanzania. The State-owned banks have the largest branch network (the National Bank of Commerce has 143 branches) and provide banking services countrywide.

Currency

The Tanzanian shilling has depreciated steadily over the last few years. In 1995, the shilling lost 11 per cent of its value and reached an exchange rate of T Sh 588 to the US dollar. In July 1996, the BoT announced that the shilling would be made freely convertible on the current account.

Money supply

Money supply has been growing at about 30 per cent per annum over the last few years. This has necessarily led to inflation and the Central Bank plans to check the growth in money supply in order to reduce inflation to 15 per cent by the end of 1996.

Interest rates

Both deposit and lending rates were deregulated in 1994 and now banks and financial institutions are at liberty to set their own rates. Deposit rates were steady at around 26 per cent for many years but edged down in 1995, possibly because of predictions of a lower inflation rate. At the same time, lending rates edged up slightly in 1995. Table 1 shows the change in the interest rate structure since 1993.

Table 1. Interest rate structure

	1993	1994	1995	1996 ^a
Deposit rates				
Savings	24	24 - 26	15 - 27	17 - 22
Short-term (31-91 days)	16 - 18	16 - 19	13 - 33	8 - 26
Fixed deposit (3-6 months)	22 - 25	17 - 31	15 - 35	14 - 31
Lending rates				
Short-term	22 - 31	28 - 39	28 - 45	31 - 46
Medium and long-term	21 - 39	24 - 39	31 - 40	31 - 40
Housing mortgages	9 - 29	29 - 33	29 - 33	29 - 33

Source: *Economic Bulletin, BoT (March 1996)*.

^a End of March 1996.

The discount rate is calculated weekly based on the weighted average of annualized yields of all treasury bill maturities, plus a margin of five percentage points. The discount rate has fallen down from its peak of 67.5 per cent in 1994 to about 41 per cent in March 1996.

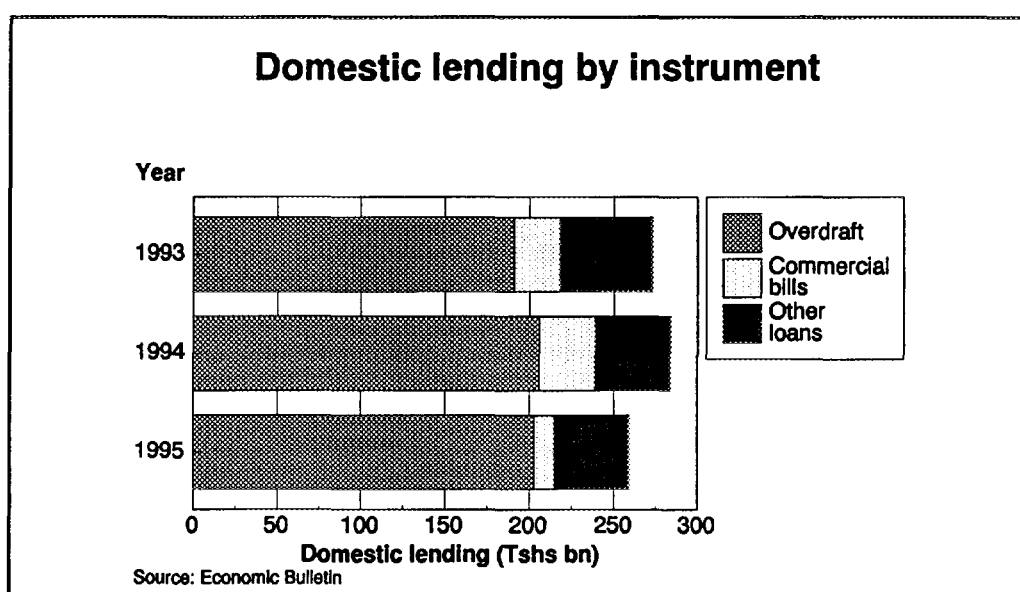
Deposits

Demand deposits comprise the bulk of the deposits in the banking system at 36 per cent of the total deposit base, followed by savings accounts accounting for a further 26 per cent of deposits. Total deposits held by the banking system as at the end of 1995 were TSh 489 billion.

Banking products

Currently, the Tanzanian banking sector does not offer a wide variety of banking products. The market is geared towards short-term lending because of the high risk of default and the difficulty of predicting the macro-economic environment. The lending instrument of choice is the overdraft which constitutes 78.5 per cent of total domestic lending. Table 2 shows the amount lent by each type of lending instrument over the last three years.

Table 2. Domestic lending by instrument



Sophisticated financial products have not yet been offered by the banking system as the market is still considered immature. For example, credit cards are not offered by any commercial bank because of poor communication facilities, an absence of credit bureaus for up-to-date credit information and, more importantly, the absence of a credit culture in the market.

The banking market has also become increasingly fragmented over the last two years. The major foreign banks have concentrated on the higher end of the market - corporate customers, donor agencies, multinationals and individuals with a high net worth. The majority of non-bank financial institutions have placed their funds on the short-term credit market, e.g. letters of credit and trade bill discounting for the business community. Finally, the public sector financial institutions have continued to cater to the mass market including the parastatal organizations and to provide banking services outside of the urban areas.

Banks vary in their requirements for granting loans or overdrafts. Medium to long-term loans are offered by only a small number of banks that obtain funds from donor agencies. These banks and financial institutions target specific long-term development projects in line with their portfolio requirements. Feasibility studies indicating the total project outlay, equity and loan amounts, payback

period and other additional financial, market and product information are also required. As from September 1996, the BoT allowed banks and financial institutions to grant loans denominated in foreign currencies.

Overdraft facilities are available from most of the banks. This requires submitting a company profile and financial statements for the last five years. Landed property is the most commonly accepted collateral.

The annex provides the addresses and the contact telephone numbers for some of the banks and financial institutions.

Rural/community banks

Community banks are being encouraged by the BoT to provide banking services for the small-scale business sector as well as people living in rural areas. A number of non-governmental organizations are assisting in creating small community banks. Pride Tanzania, floated by Pride Africa, has started operations in Arusha and Moshi and plans to take its services to other parts of the country. Kilimanjaro Cooperative Bank recently started operations in Moshi.

The Tanzania Postal Bank also plans to open branches and mobile agencies nationwide. Akiba Bank, with technical assistance from Robo Bank of Holland, started operations in September 1996 and focuses on providing soft loans to medium- and small-scale entrepreneurs. Other community banks patterned on the lines of the *Gramin* banking system of Bangladesh are also being planned.

Bank failures

The United Republic of Tanzania has witnessed two recent bank failures: the Meridien BIAO failure in early 1995 and the closure of the State-owned Tanzania Housing Bank in late 1995. The Government decided to protect the bank depositors in both of the above cases and this restored public confidence in the banking system. The two bank failures have made the public aware of the risk involved in banking, despite there being no bank runs during that critical period.

II. THE POLICY FRAMEWORK

A. The Bank of Tanzania Act, 1995

The Bank of Tanzania Act, 1995 came into effect in April 1995 to provide for the establishment, constitution and functions of the BoT as a Central Bank. This Act repealed the Bank of Tanzania Act, 1965. The Act defines the main functions of the BoT as the following:

- To formulate and implement monetary policy.
- To issue currency.
- To regulate and supervise banks and financial institutions.
- To manage gold and foreign exchange reserves of the United Republic of Tanzania.

B. Banking and Financial Institutions Act, 1991

The Banking and Financial Institutions Act, 1991 came into force on 5 August of 1991. The ten-part Act specifies the law relating to the licensing and operations of banks and financial institutions. Specific sections of the Act have since been modified and strengthened through circulars and guidelines issued by the BoT. Specific guidelines and circulars are mentioned below.

Guidelines on concentration of credit and other exposure limits. States the rules and limits placed on concentration of credit, on equity investments, on underwriting commitments and on investments in fixed assets.

Prudential guidelines on management of risk assets, classification of loans and other risk assets, provisioning for losses and accrual of interest. States the guidelines for management of risk assets, classification of loans and other risk assets, provisioning for losses and the accrual of interest.

The following circulars have been issued to all banks and financial institutions stating the BoT's policy in those particular areas:

- Circular 1* Reserves against deposits and borrowings
- Circular 2* Foreign exchange cover against foreign currency deposits, borrowings and off balance sheet commitments
- Circular 3* Guidelines for measuring capital adequacy
- Circular 4* Required minimum liquid assets and the maximum ratio of loans to deposits

Under the Banking and Financial Institutions Act, 1991 the BoT has also published a document entitled "Policy and Procedural Guidelines on the Licensing of Banks and Financial Institutions". This document details the criteria to be met for obtaining a banking licence and the procedures to be followed for its award.

Deposit Insurance Fund

A Deposit Insurance Fund was established in January 1994 under Part V (section 23) of the Banking and Financial Institutions Act, 1991. The Fund aims to protect small depositors up to a maximum of T Sh 250,000. Every licenced bank is required by law to pay 0.1 per cent of total deposit liabilities (excluding foreign deposits) as a contribution towards the Fund.

The Fund operates as a separate legal entity and is governed through a Board of Directors. The Chairman of the board is the Governor of the Bank of Tanzania.

III. PAYMENTS AND CLEARING SYSTEM

An effective system for clearing payment instruments is one of the basic requirements of a well-functioning banking system. The payments system within the United Republic of Tanzania is heavily dependent on the National Bank of Commerce (NBC). The NBC has a wide network of branches and has over the years become the de facto payments system. Government transfers and the payment of salaries of civil servants are also effected through the NBC branch network.

There are at present two manual clearing houses in the United Republic of Tanzania. The Dar es Salaam Bankers' Clearing House was established in July 1993 and is located at the Bank of Tanzania building. The clearing house procedures include the physical delivery of clearance instruments to the clearing bank members and settlement of the net amounts through a Clearing House Settlement Account.

The Arusha Clearing House commenced operations on 1 May 1995. It has been modelled on the present Dar es Salaam Clearing House. Operations are manual and net positions are settled on a daily basis.

All up-country payment instruments are brought to Dar es Salaam for clearing thereby increasing the overall clearing period. At present, it takes about 3 working days to clear a local payment instrument and about 20 days to clear up-country instruments.

The BoT has initiated steps to modernize its payments and clearing system. A regional initiative involving the Southern Africa Development Conference countries is currently being planned.

IV. LEASING AND HIRE PURCHASE

The leasing and hire purchase market is in its early stages of development. The hire purchase segment had been monopolized by Karadha, a subsidiary of NBC, but new non-bank financial institutions are planning to move into the market.

United Leasing Company (ULC), a joint venture between local and foreign development banks and a Zimbabwean leasing company, plans to start operations in September 1996. Initially, ULC plans to focus only on the financial leasing of capital equipment including machinery, earth-moving equipment, trucks and trailers, cars and a select type of office equipment for up to a maximum period of five years. Stanbic Financial Services, part of the Standard Bank of South Africa, offers limited leasing and hire purchase services.

Opportunities exist in this area as the increased investment in the United Republic of Tanzania would require a strong leasing sector for financing of capital equipment.

V. VENTURE CAPITAL

Tanzania Venture Capital Fund (TVCF), the country's first venture capital fund, was launched in October 1993. The fund makes equity and quasi-equity joint venture investments alongside Tanzanian entrepreneurs in local companies with high growth potential. Most of the investments are in existing businesses seeking second-stage expansion capital although the fund does consider exceptional start-ups for investment.

The fund is managed by Equity Investment Management (EIM), an investment management company registered in the United Republic of Tanzania. TVCF received its seed capital through equity contribution from foreign and local development institutions. At the end of 1995, it had invested in 15 projects with a total investment of US\$ 10.5 million.

VI. DEVELOPMENT OF FINANCIAL MARKETS

A. Money markets

In common with many other African countries, the money markets in the United Republic of Tanzania are at a very early stage of development. Until the early 1990s, there were no money markets in the United Republic of Tanzania. Interest rates were dictated by the Government and corporations obtained most of their finances through the banking system. However, the last few years have witnessed significant developments: interest and exchange rates have been liberalized and competition injected into the banking system. The present status of the money market is summarized in the following section.

Treasury bills market

In August 1993, the BoT introduced a weekly auction of treasury bills. Prior to this, the Government raised domestic non-bank borrowing through issuing fixed rate two-year treasury notes to selected non-bank financial institutions.

Since its inception, the T-bill market has provided an instrument of liquidity management, a short-term non-inflationary financing facility to the Government and more importantly, an anchor for interest rates. T-bills are issued in 91, 182 and 364 day maturities. The volume of funds raised through the treasury bill auctions has increased steadily as the instruments are the only investment vehicle currently available. Participation in the auctions is not limited to licensed dealers as members of the public are allowed to bid at the auctions.

Interest rates have been determined by the forces of supply and demand. Table 3 gives the range of yields since 1993.

Table 3. Yields on T-bills

	Range of yields recorded at auctions			
	1993	1994	1995	1996*
91 days	32 - 59	30 - 72	26 - 72	19 - 28
182 days	-	34 - 65	30 - 72	20 - 37
364 days	-	63 - 67	32 - 71	20 - 40

Source: *Economic Bulletin, BoT (March 1996)*.

* End of March 1996.

The yields available on T-bills have been declining since late 1995. This has been attributed to a check on Government finances, increasing attractiveness of the T-bill as an investment instrument and the lack of an interbank placement market forcing financial institutions to place excess funds in T-bills. In addition, the NBC has been investing heavily in T-bills as it was placed under a lending freeze by the BoT and was channelling its deposits into the T-bill market.

There is as yet no secondary market in treasury bills. The buyers hold the instruments until maturity. The BoT does not carry out any discounting operations but commercial banks and financial institutions do offer the facility. The BoT has plans to set up secondary markets in third-party debt instruments. It proposes to license a core group of primary dealers to purchase Government securities at primary issue auctions and distribute these through secondary trading. Medium-term plans include the creation of a central depository and book-entry system for institutional investors while retaining bearer certificates for other bidders.

Interbank foreign exchange market

Following liberalization of the foreign exchange market, the Government first introduced a weekly foreign exchange auction. In June 1994, the Interbank Foreign Exchange Market (IFEM) was launched.

The IFEM started as a floor based open-outcry system. Commercial banks and ten bureaus were authorized to deal in the market. Trading took place daily at the BoT in two separate sessions. As this was in effect a spot market, settlement had to take place within two business days through the settlement accounts maintained by all dealers with the BoT.

Since May 1996, BoT has introduced a telephone-based system. Treasury departments of authorized commercial banks and bureaus trade over the telephone and report the trades to BoT within one half hour of concluding the trade. However, to avoid volatility in the market, all dealers are required to trade within a 2 per cent band of the previous day's trade. From July 1996, bureaus have been barred from participating because the IFEM will be solely for commercial banks and non-bank financial institutions.

Forward trading in foreign exchange has not developed as yet. It is expected that in the near future, foreign exchange forwards would be made available to corporations and widely traded between banks.

Interbank placement market

The interbank placement market is currently very small. One of the prerequisites for an interbank placement market is a well-functioning interbank payment and clearing system that allows for same day value transfer. In such circumstances, an interbank placement market (especially in overnight deposits) often develops to allow banks with a deficit on their clearing account to borrow the funds they require to meet commitments without having to resort to borrowing from the Central Bank. However, this is not the current situation. Commercial banks have to borrow from the Central bank at penalty rates to balance their clearing accounts.

B. Capital markets

Similar to other African countries, the United Republic of Tanzania does not have a capital market. This deficiency was realized early on in its reform programme. The Presidential Commission of enquiry into the Monetary and Banking System recommended the establishment of a capital market as part of its overall recommendations for reforming the financial sector.

The Capital Markets and Securities Authority (CMSA) was created under the Capital Markets and Securities Act of 1994. The main functions of CMSA are the following:

- To promote and facilitate capital markets in the United Republic of Tanzania.
- To license dealers, securities advisors and other players on the capital markets.
- To act as the supervisory body ensuring proper functioning of the capital markets.
- To advise the Government on matters of security business.

The CMSA has commenced operations and is currently in the process of setting up the Dar es Salaam Stock Exchange (DSE), The country's first stock exchange. The DSE would operate as a private company and its trading regulations have already been put in place.

In order to facilitate a smooth take-off for the DSE, the Government is currently deciding on the initial set of companies to be listed on the stock exchange. It is expected that the DSE would be operational from September 1996.

VII. CONCLUSION

The financial sector in the United Republic of Tanzania has undergone significant changes. The financial sector reform programme initiated by the Government has endeavoured to put in place the basic prerequisites for a well-functioning financial sector. A number of international banks have since entered the market but the market remains shallow in other financial services. This affords several opportunities to investors to offer diversified financial services including leasing, hire purchase, trade finance services and other ancillary financial products.

ANNEX

BANKS AND NON-BANK FINANCIAL INSTITUTIONS IN THE UNITED REPUBLIC OF TANZANIA

A. BANKS

1. Standard Chartered Bank (T) Ltd
PO Box 9011
Dar es Salaam
Tel:117345 / 117347
Fax:113775
2. Stanbic Bank (T) Ltd
PO Box 72647
Dar es Salaam
Tel:112195 / 112200
Fax:113742
3. Citibank (T) Ltd
PO Box 71625
Dar es Salaam
Tel:113534 / 115660
Fax:113910
4. Trust Bank (T) Ltd
PO Box 9302
Dar es Salaam
Tel:112379 / 23360
Fax:112379
5. Eurafrikan Bank (T) Ltd
PO Box 3036
Dar es Salaam
Tel:110928 / 111229
Fax:113740 / 116422
6. Greenland Bank (T) Ltd
PO Box 1945
Dar es Salaam
Tel:30148
Fax:116451
7. National Bank of Commerce
PO Box 1863
Dar es Salaam
Tel:111942-9
Fax:112887-8
8. Cooperative & Rural Development Bank
PO Box 268
Dar es Salaam
Tel:111431/4
Fax:38039
9. Peoples Bank of Zanzibar
PO Box 1173
Zanzibar
Tel:32268/9
Fax:31121
10. Kilimanjaro Cooperative Bank Ltd
PO Box 1760, Moshi
Tel:54470/2
Fax:53570
11. Exim Bank (T) Ltd
PO Box 6649
Dar es Salaam
(Has not begun operations)

B. NON-BANK FINANCIAL INSTITUTIONS

1. Tanzania Investment Bank
PO Box 9373
Dar es Salaam
Tel:113438
Fax:113438
2. Tanzania Postal Bank
PO Box 9300
Dar es Salaam
Tel:112358/60
Fax:32818
3. 1st Adili Bancorp
PO Box 9271
Dar es Salaam
Tel:113908 / 33432
Fax:36741
4. Savings and Finance Ltd
PO Box 9163
Dar es Salaam
Tel:115525
Fax:116733 / 67688
5. Diamond Trust (T) Ltd
PO Box 115
Dar es Salaam
Tel:20492 / 22862
Fax:44272
6. Karadha Company Ltd
PO Box 3693
Dar es Salaam
Tel:115304
7. Stanbic Financial Services
PO Box 72647
Dar es Salaam
Tel:24007 / 24900
8. ULC (T) Ltd
PO Box 31
Dar es Salaam
Tel:111990
Fax:112402

THE MINING SECTOR AND ITS INVESTMENT OPPORTUNITIES

INTRODUCTION

The United Republic of Tanzania is a developing country that requires the mobilization of all its resources for growth. It has an abundance of natural resources, including minerals that are as yet untapped but have tremendous potential. This mineral potential is seriously under-explored due to a shortage of risk capital for exploration. The latent opportunities are many with varying degrees of technical risk but the potential rewards far outweigh the risks.

The exact potential of the mineral resources has not been determined although the need to exploit this has become important for social and economic development and hence the United Republic of Tanzania has decided to open its doors to the international mining community.

The policy of the mining sector and its legal framework is in the process of further revision to attract new investment.

I. MINERAL RESOURCES

The United Republic of Tanzania is rich in minerals and metals and has the following features:

- Over 800,000 km² of varied geological terrain with an under-explored mineral environment.
 - An Archaean shield environment with a number of classical Canadian and Australian type greenstone gold lode deposits, many capped by tropically weathered enrichment zones.
 - An extensive Proterozoic terrain containing lode and near-surface gold deposits of types now attracting exploration attention in South America and West Africa.
 - Potential of epithermal gold deposits in the faulted younger rocks on the coastal plain.
 - A world-class diamondiferous kimberlite at Mwadui, plus 200 other kimberlites, many of which have never been thoroughly evaluated.
 - Several occurrences of highly-valued gems, such as emerald, ruby, garnet, sapphire and tanzanite.
 - Many other opportunities in minerals including coal, iron, tin, graphite, evaporites and others.
 - More than a dozen carbonatites, only a few of which have been thoroughly explored.
- A history of precious and base metals mining, with opportunities for revival in a new economic era.
- Ample inventory of unclaimed mineral ground.

II. MINING INDUSTRY

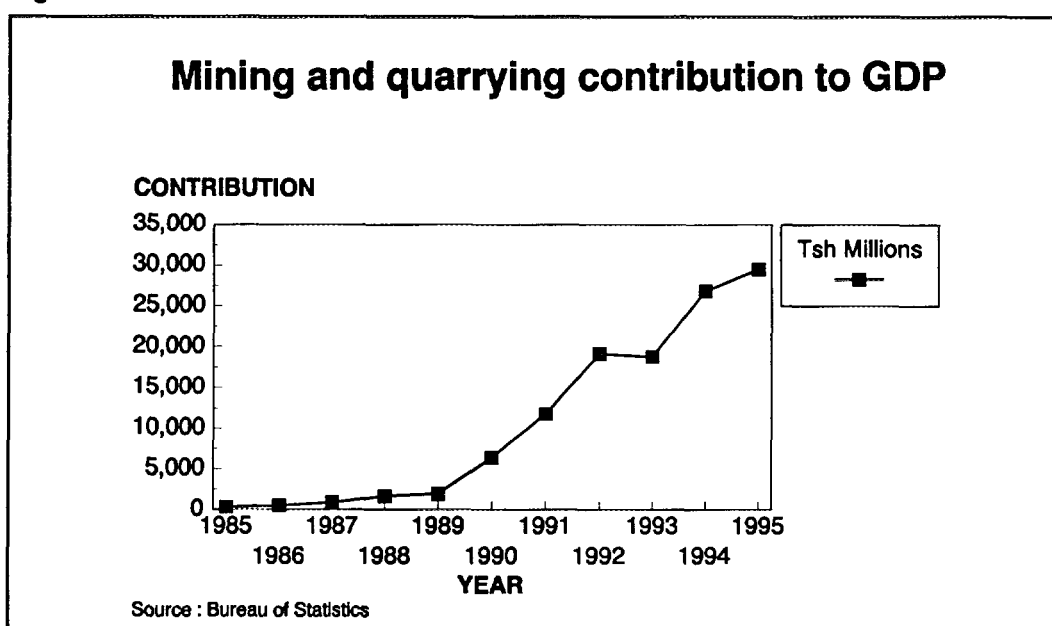
Mining in the United Republic of Tanzania was first developed during colonial rule and flourished during that period. Production of gold attained a peak of 141,346 ounces in 1941 and diamonds peaked at about 1 million carats in 1966. Mining at that time contributed to about 10 per cent of the GDP.

Policy changes followed the country's independence in 1961 and the mining industry was brought under State control discouraging foreign investment and subsequently GDP contribution dropped from 10 per cent to a mere 0.4 per cent.

The mid 1980s saw the Government embarking on a major restructuring of the economy and the National Investment Act of 1990 opened up the mining sector to the investing community with incentives, internationally binding guarantees and autonomy of operation with little intervention from the State.

The following figure shows the contribution of the sector to the GDP.

Figure 1.



III. MINING SECTOR POLICY

The mining policy has the following aims:

- To encourage, promote and facilitate exploration, exploitation and utilization of mineral resources.
- To ensure that government services and the institutional framework are adequate to meet the demands of a growing mining sector.
- To increase gainful and secure employment in the mineral sector as an alternative source of income for the rural population.
- To promote forward and backward linkages in mineral-based industries.
- To encourage and facilitate development of mineral-based local services and supply industries.

- To promote appropriate technological advancement related to the mining sector.

Two important changes of the mining policy that have a direct impact on investors are the following:

- Government majority participation in mining ventures is no longer mandatory.
- Mining ventures are the sole responsibility of the investors and Government interventions have been reduced to a minimum.

IV. MARKET STRUCTURE

A. Government

Mining was reserved as a State activity and mining companies were established with STAMICO (State Mining Corporation) as the holding company. However, STAMICO has shown poor performance over the years and the Government is planning to change its role to that of a facilitator. This would allow further private sector participation.

B. Private companies

Since the early 1980s, several foreign and local investors have entered the mining sector. The trend has been encouraging with the Investment Promotion Centre approving projects in the petroleum and mining sector amounting to an investment of TSh 24.3 billion between 1990 and 1996.

C. Artisanal miners

Artisanal mining activities have increased over the past 10-15 years with the Government organizing a series of miner's cooperatives to facilitate purchase of equipment and sale of minerals. This sector is estimated to employ 100,000 people working with hand tools.

V. CURRENT INVESTMENTS IN THE MINING SECTOR

An atmosphere of political stability, economic reform, liberalization and diminishing competition from government entities at a time of accelerating privatization has certainly gained investor attention around the world.

The National Investment Protection Act of 1990 has increased investor confidence in the environment. Since 1994, 47 foreign and 96 Tanzanian companies were registered and licensed to undertake mineral prospecting and mining of gold, copper, nickel, cobalt, diamonds and gemstones. A further 267 applications await approval and 58 applications have been submitted for renewal.

The current investment climate in the industry is favourable, with new investment also going into strengthening the mining support services:

- The World Bank is funding a mineral sector review project to look into environmental aspects of mining.
- 'Transborder', a British firm is reviewing the legal/financial standing of the mining sector.
- 'Geological AB' a Swedish company is renovating the existing facilities, installing new facilities and computerizing the mineral database at the Dodoma mining office.
- 'Tan-Discovery', a local company is conducting a 6-month survey of the small-scale mining industry.

- STAMICO, the State Mining Company has plans to strengthen its consulting unit to offer advisory services and to lease equipment from its centralized pool of modern mining equipment to small-scale miners.
- The Japanese International Cooperation Agency (JICA) is expected to undertake a mineral survey in the southern area of Lake Victoria to assess the potential of gold, copper, lead and zinc extraction.

VI. LEGISLATIVE FRAMEWORK AND LICENSING PROCEDURES

A. Small-scale operations

This has been restricted to Tanzanian nationals, and prospecting rights are granted for one year on a renewable basis.

B. Large-scale operations

There are three mineral right licences granted to applicants of large-scale mining.

Reconnaissance licence

This licence entitles a holder to undertake reconnaissance activities in the area for which the licence is granted and is valid for a period of one year.

Prospecting licence

This licence is granted for a particular mineral for a minimum area of 50 km² and a maximum area of 150 km² for a period of three years.

Mining licence

This licence entitles the holder an exclusive right to undertake prospecting and mining operations in the mining area for a period of 25 years.

VII. FISCAL INCENTIVES

The Tanzanian Government has tried to provide an enabling environment with the following fiscal incentives:

- A tax rate of 17.5 per cent on the positive taxable income for the first four years for both resident and non-resident companies as against the corporate tax rate of 35 per cent for resident non-resident companies.
- A capital allowance of 100 per cent in the year the expenditure is incurred.
- Equipment, machinery and vehicles purchased prior to production can be imported free of customs duty, sales tax and other import duties.
- Withholding tax rates for dividends are 5 per cent for resident and 10 per cent for non-resident companies as against the normal 15 per cent for resident and 20 per cent for non-resident companies.
- Exemption from the overseas dividend remittance tax of 10 per cent for the first five years.
- Guaranteed access to foreign exchange for repatriation of profits.

The royalty payment structure is as follows:

Mineral/metal	Royalty (Per cent share)
Diamonds	5
Gemstones	3
Coal, salt, building materials	2
Other minerals, gold, silver	3
Cut and polished diamond and gemstone jewellery	1

Source: Ministry of Water, Energy and Minerals.

VIII. INVESTMENT GUARANTEES

The new open door policy focuses on the private sector with the following incentives:

- Foreign and local investors are protected against nationalization.
- Property guarantees under the Multilateral Investment Guarantee Agency (MIGA) are provided.
- Arrangements are underway to join the International Centre for Settlements of Investment Disputes.
- Investment insurance coverage from specialized Government chartered organizations for approved projects, in the investors domicile.

IX. SERVICES AVAILABLE TO THE INVESTING COMMUNITY

The following services are available to the investing community:

- Geological and geophysical services from the University of Dar es Salaam and Eastern and Southern African Mineral Resource Development Centre (ESAMRDC) in Dodoma.
- Drilling services from the State Mining Corporation (STAMICO) and private contractors.
- High-quality rock mechanics testing facilities at ESAMRDC.
- Analytical services at ESAMRDC's laboratory in Dar es Salaam.
- A geological and mineral database at the geological survey centre at Dodoma. Access to a fully computerized geological database at Dodoma will be made available.
- Topographic maps, aerial photography covering virtually the whole country, geological maps covering 80 per cent of the country and geophysical survey details available at Dodoma.
- Archives containing a wealth of information, a comprehensive library with many international journals and a core library with chip samples from drilling programmes.
- LANDSAT, a remote sensing station being established in Dodoma will provide landsat coverage.

X. OPPORTUNITIES AND ACTIVITIES IN MINERALS AND METALS

A. Gold

Gold has shared the spotlight with diamonds as the United Republic of Tanzania's principal mineral product. Production to date has totalled 70 tonnes, more than 70 per cent of which has come from the Archaean rocks of Lake Victoria. Gold is found almost everywhere but has hardly been exploited. Artisanal miners using only picks and shovels managed to produce 1630.7 kg of gold in 1990. It is estimated that with mechanized and semi-mechanized operations the country could produce as much as 20 tons of gold per year.

The University of Dar es Salaam, in an effort to commercialize its activities, has offered exclusive rights to Dar es Salaam's General and Technical Operations (DAGETO) to produce the amalgam required for separating gold from mercury.

The gold prospects of the country are summarized as follows:

<p><u>Advanced prospects (former mines or drilled areas)</u></p> <p>Geita Greenstone Belt</p> <ul style="list-style-type: none">· Ridge 8 prospect of high-grade oxidized lode mineralization, suitable for mining by open cut, and down-dip extensions of worked veins· Nyamulilima <p>Musoma Greenstone Belt</p> <ul style="list-style-type: none">· Simba Sirori· Nyasenero <p>Musoma-Mara Greenstone Belt</p> <ul style="list-style-type: none">· Buhemba· Ikungu· Mobra (Nyambra)
<p><u>Intermediate stage prospects (artisanal activity or good-value surface samples)</u></p> <p>Rwamagaza Greenstone Belt</p> <ul style="list-style-type: none">· Buziba· Rwamagaza <p>Nzega Greenstone Belt</p> <ul style="list-style-type: none">· Matinje Mine where mineralized rubble zones overlie higher-grade quartz veins <p>Proterozoic rocks</p> <ul style="list-style-type: none">· Masasi High (south-east Tanzania) where metamorphosed greenstones may be the source of gold placers· Mbinga (south-west Tanzania), a scene of intense artisanal activity
<p><u>Early stage prospects (geologically favourable)</u></p> <ul style="list-style-type: none">· Wingayongo, in the faulted coastal basins. This prospect has many signs of epithermal alteration and mineralization that merit attention. Further, the entire matter of hydrothermal mineralization associated with Cenozoic faults in the sedimentary basins of the United Republic of Tanzania warrants investigation.

Source: Ministry of Water, Energy and Minerals.

There has been tremendous investor interest in gold with the most recent entrants into the market being Romanex and SAMAX. The potential for investors seems high in both prospecting and mining activities. With the Government providing the necessary impetus it is likely that there will be substantial activity in this area in the near future.

B. Copper, lead and zinc

Copper and lead have been produced from the Mukwamba mine in the Mpanda district (Table 1.). Zinc has never been produced although there is potential for commercial production. Little exploration for base metals has been conducted, which indicates that virtually none of the advances in geochemistry and geophysics of the past 30 years has been applied, leaving ample scope for their application in exploratory work.

Table 1. Copper, zinc & lead prospects in the United Republic of Tanzania

Metal	Prospect	Quality	Comments
Copper	Kamba Hill, Banks of the Mara river	2.3% copper 8.5 g/t gold	
	Bulyankhulu, Kahama greenstone belt	0.5% copper 12 g/t gold	Extensively explored by Placer Dome Ltd. Currently being explored by Sutton Resources Ltd
	Samena, Nyanzian greenstone belt		Potential for copper mineralization. Resource inferred is in the order of 200m tonnes
	Pare copper mine, North Pare mountains	10.8% copper	Produced a total of 247 tonnes
	Kigugwe, East of Mbeya	1% - 3% copper	
Zinc	Nzega greenstone belt	4.6% zinc	Ground geophysics and further drilling might locate additional resources
Lead	Mkwamba mine, Mpanda region	2.4% lead 0.6% copper 1.45 g/t gold 78 g/t silver	Underground vein mining operation unlikely to be of interest unless significant gold credits can be developed

Source: Ministry of Water, Energy and Minerals.

C. Phosphate

Sedimentary phosphates are found in the Minjingu mines. The phosphate horizon is near the surface, sub-horizontal and only weakly consolidated. Resources are estimated at just under 10 million tonnes. The deposits were mined until 1991.

The Minjingu mine and plant facilities are currently idle and the State-owned Minjingu Phosphate Company Ltd. is seeking a partner to start production.

D. Graphite

Graphite production has been sporadic over the last few years. Graphite is produced in the following areas:

Marelani

Produces coarse-grained graphite. Considerable scope exists for discovery of additional graphite in the area.

Nachingwea

Produces high grade graphite suitable for producing crucibles.

E. Nickel, platinum and chromium

Nickel, platinum and chromium together with their typical associates cobalt and the platinum group metals (PGMs: platinum, palladium, rhodium, rhenium, osmium and iridium) tend to occur in similar geological environments. Any prospect containing one of these metals may be regarded as prospective for the others.

Prospect	Quality	Comments
Kabanga	0.7% Nickel (max 2%), minor values of chromium and PGMs	Currently being explored and drilled by Sutton Resources
West Lake anomalies north of Kabanga	Anomalies for nickel, cobalt or chromium are likely	
Zanzui, south-east of Mwanza	Nickel, cobalt with PGM occurrences	Traces of PGMs were found in assays of selected core but require confirmation
Kapalagulu	1% Nickel 2% Copper	Explored by Western Rift Exploration Company. Prospecting warranted with the potential for nickel-copper mineralization with possible PGM credits

Source: Ministry of Water, Energy and Minerals.

F. Iron Ore

Deposits of iron ore occur in several settings. The following are some of the more important deposits:

Prospect	Quality	Comments
Liganga	52% Iron: Proven resource of 45 million tonnes	Pilot tests reveal that the ore can produce low-titanium iron. Neither titanium nor vanadium can be recovered commercially. Locational disadvantage necessitates development in conjunction with other industrial enterprises
Uluguru mountains, south of Morogoro	40% Iron, 10 % titanium: 8 million tonne resource	Proximity to railroads to Dar es Salaam is an advantage
Mbabala	56% Iron, 14.4% titanium	Close to Lake Tanganyika but remote from all other infrastructure
Itewe	32% iron: 50 million tonne resource	
Manyoro "Gondite"	Low grade Tens of millions of Tonnes of rock	Low grade and complex metallurgy render near term exploitation unlikely

Source: Ministry of Water, Energy and Minerals.

G. Titanium

Known occurrences of economic interest exist. Several companies have acquired prospecting licences covering large areas of the deposits.

Msimbati

Reserves of 33.5 million tonnes are known, but potential reserves could be much greater.

Bagamoyo

Proven reserves of 14.0 million tonnes exist near Dar es Salaam. However, much further investigation is required before commercial mining can be undertaken.

H. Tin

Tin has been an important mineral product except during periods of low prices when production slowed down. Most of the tin production comes from the Karagwe tinfield (Kyerwa deposits). The area has proven reserves of 250,000 tonnes of grade 0.3 per cent tin.

Opportunities exist in re-opening the once profitable Kyerwa mine which closed down when the power line from Uganda ceased to function. Now that the powerline has been re-installed, re-opening the mine warrants attention.

A systematic study for higher grade lode might be worthwhile to make tin mining economically viable.

I. Tungsten

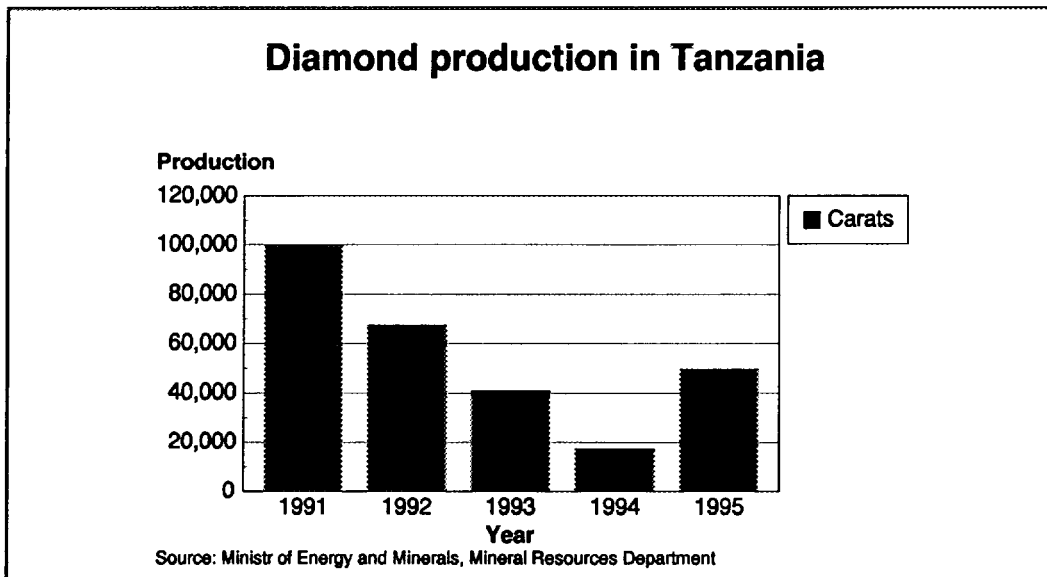
Tungsten is produced only in the Karagwe tinfield and cumulative production in Karagwe since 1935 has been 250-300 tonnes of wolframite. Traces have been noted in the Mpanda district and in the greenstone areas of Lake Victoria.

The opportunities are similar to tin, but the more sensitive separation of wolframite and ferberite would be an additional consideration for commercial viability.

J. Diamonds

The United Republic of Tanzania has been producing diamonds since the 1930s and it currently supplies about 0.1 per cent (down from about 1 per cent in 1970) of the world supply. Diamond production is now picking up following a declining trend since 1991. More than 300 kimberlite pipes, about 20 per cent of which are diamondiferous, are known to exist in the United Republic of Tanzania. About half of these are concentrated within 200 km of Shinyanga. In addition, a further 600 have tentatively been identified. Figure 2 shows the trend in diamond production between 1991 to 1995.

Figure 2.



Williamson Diamond Mines, after the rehabilitation of its plant, is now capable of producing 10,000-12,000 carats of diamonds per month, as against the earlier production of 15,000 carats per year. Installation of the modern plant which can treat less rich ores has increased the life-span of the Mwadui mine from 7 to 10 years.

Grass root exploration opportunities exist in the areas known for alluvial diamonds such as the eastern rift, east of Lake Rukwa and the margins of the Selous basin. A few occurrences of pseudo-kimberlites have been found west of Arusha, Ignisi hills (central Tanzania), which are worth investigating for diamondiferous kimberlites.

K. Carbonatites

Carbonatites are intrusive of carbonate composition. They are valuable as potential sources of a wide range of commodities, especially the rare earth metals. Tanzanian carbonatites have also been considered as possible sources of calcium and magnesium carbonates.

Twenty-one carbonatites have been identified in Morogoro, at the northern end of Lake Nyasa, and north of the eastern rift associated with recent volcanic activity.

Exploration has indicated significant economic potential for several Tanzanian carbonatites such as phosphate, niobium and rare earths. Although best known as a source for non-metallic mineral resources, they are major contributors to high-value commodities such as rare earths, niobium, zircon and even copper. Potential exists for the discovery of these minerals as well as for carbonates and phosphates for industrial purposes.

L. Decorative stones and dimension stones

Dimension stones for ornamental and building purposes are found in the United Republic of Tanzania e.g. travertine, marble, anyolite and volcanic tuffs.

Travertine

All of the travertine produced in Mbeya at Consolidated Mines Ltd (an Italian-Tanzanian joint venture) is exported. A local company, Sigo Gems Ltd. has been granted a prospecting licence in Mbeya.

Marbles

Matombo in the Morogoro region produces marble of good quality. Victoria Ferry, a local company, has been granted a licence to undertake prospecting work in Morogoro.

Granite

Ilunga is a source of pink granite suitable for cutting and polishing. Minestone Ltd., a local company, has been granted a licence to undertake granite prospecting work in Dodoma, Mbeya and Iringa.

Aggregates

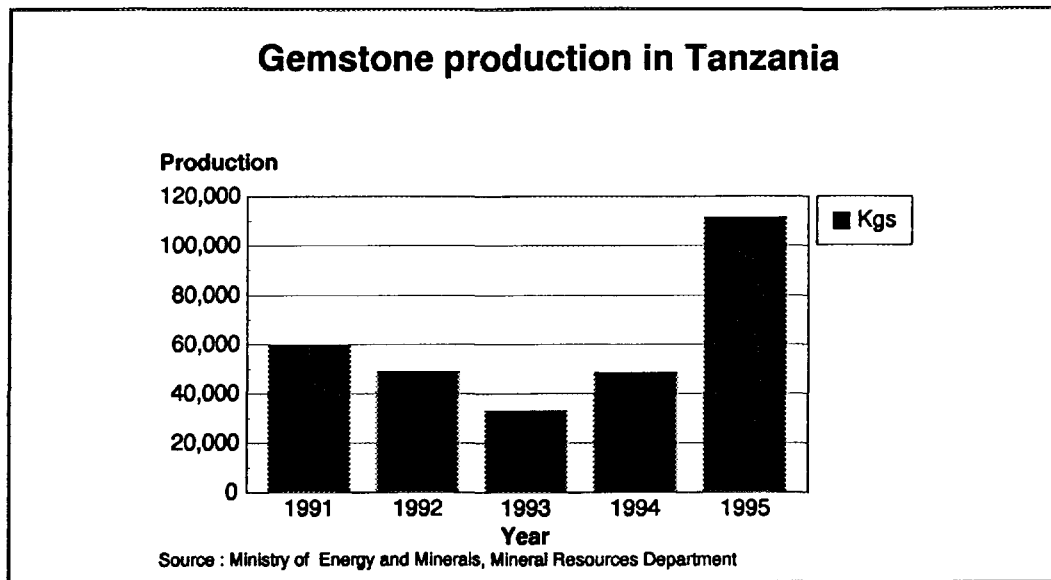
Konoike Construction Company and Greystone Ltd have been granted prospecting licences for aggregates.

M. Gemstones

Coloured gemstones have become increasingly important. In 1989 about 10 tonnes of precious and semi-precious stones were produced, nearly all by small miners, and the best stones have been smuggled to neighbouring countries for shipment to India, Thailand and Europe for cutting.

Gemstone production since 1991 in the United Republic of Tanzania is shown in Figure 3.

Figure 3.



Typical gemstones available in the United Republic of Tanzania are ruby, sapphire, emerald, tanzanite, garnet, tourmaline, zircon and peridot. Opportunities exist in prospecting Usegara and Ubendian granulite areas for previously unrecognized gemstone localities. The area near the Nachingwea airstrip contains an assemblage of garnet, amphibole, clinozoisite, edpidote, diopside, apatite, labradorite and pink pyroxene.

The gemstone industry is an extremely specialized industry with much of the profit in cutting and marketing. Opportunities exist for investors in the cutting and polishing sectors.

N. Uranium

No uranium of consequence has been produced, but a number of occurrences are known.

Two geological environments contain potentially significant uranium prospects: sandstone mainly of the Karoo and Bukoban system and carbonatite complexes of Mesozoic to recent age.

Small amounts of hand-sorted uraninite was shipped from the Uluguru Mountains prior to 1955. Systematic prospecting of Tanzanian sandstones has not been attempted, but such work could be rewarding if undertaken.

O. Evaporite Minerals

A number of enclosed basins occur in the United Republic of Tanzania, mostly in semi-arid areas where drainage to the sea has been disrupted by Cenozoic faulting. Most of these have saline lakes or mud flats in them. Lake Natron is known to be rich in brine, sodium carbonate and chloride. Salt is produced from several areas both from seawater evaporation and inland salt springs, as shown in the following:

Prospect	Evaporites	Comments
Bahi Swamp	Brine suitable for the production of common salt	Local residents collect salt from crusts formed by evaporation during the dry season. Further investigations are warranted
Lake Natron	168 million tonnes of salt in crusts or brines. Potential source of sodium carbonate	Problems of access, energy supplies and distance from markets have delayed resource development
Lake Eyasi	Salt crusts and brine pods with carbonate, bicarbonate, chloride and sulphate of sodium and calcium chloride	
Mandawa	Layers of rock salt, with pure Halite up to 200 metres thick	

Source: Ministry of Water, Energy and Minerals.

Enclosed and partially enclosed basins are worth investigating for brine or salt for export or domestic consumption.

P. Limestone and gypsum

Both limestone and gypsum are found in abundance. There is demand for both with the construction of a new cement factory in Zanzibar. Currently, active open-pit limestone/sandstone mining ventures are Mbeya Cement (Mbozi/Mbeya), Tanga Cement(Tanga) and Tanzania Portland Cement (Dar es Salaam).

Q. Kaolin

This is used largely in making paper, rubber, glass, chemicals, paints and clays for brick and tile manufacturing.

There are three large deposits in the United Republic of Tanzania, one of which is just 35 km from Dar es Salaam. Potential reserves are estimated at two billion tonnes of kaolinitic sandstone. The area is well connected by rail to Dar es Salaam.

R. Other Minerals and Metals

The following metals and minerals are known but have not been proven for economic viability.

- Manganese is known in several places at Manyoro but not in commercial tonnages.
- Mercury and silver are unknown as primary ores, but considerable scope exists in discovering epithermal deposits of gold-silver-mercury in the coastal basins of Wingayongo.

- Molybdenum minerals have been noted in gold ores from the Archaean greenstones and in the granitic rocks of the Karagwe tinfields.
- Vanadium occurs in trace amounts in the Liganga-type iron ores.
- Bauxite around the Musoma region is currently being explored by a Japanese firm.
- Mica exports were as high as 537 tonnes in 1966, but little further exploitation of this resource has taken place.
- Black sands are a wholly untapped resource from an estimated reserve of 47,250,000 tonnes.

S. Coal

The United Republic of Tanzania possesses a considerable resource of low-sulphur coal. The resource is currently exploited on a small-scale but is potentially suitable as a source of energy or coal-based material for domestic industries. Potential for export to neighbouring African and Indian Ocean countries exists.

Total Tanzanian coal resources may be as high as 1.2 billion tonnes. All 11 important coalfields are in the eight basins of south-western Tanzania, and 304 million tonnes amenable to underground mining have already been identified. However, given the installed capacity of the current mining plants, only 160,000 tonnes can be mined per annum, providing adequate scope for new entrants.

Tanzanian coal is known to be low in methane and other gases. Seam continuity and quality are generally comparable with the coals of Zimbabwe and South Africa.

Kiriwa Mine

This is situated near the Malawi border at the north-west tip of Lake Nyasa and is the only mine of significant production. The mine currently produces 150,000 tonnes per year of raw coal, all of which is consumed domestically. Export sales have been hampered by the high ash content of the washed coal.

Ruhuhu Coalfield

The best Tanzanian coal comes from this region. However, open cast mining is not considered to be feasible despite the good quality of coal deposits. The mine is poorly placed, distant from road and rail. The Africa Development Bank is funding a feasibility study of a thermal plant near the region.

T. Peat

A major resource of tropical peat occurs in the crystalline terrain of the Burundi-Rwanda border. However, no inventory of the source is readily available. Peat in pelletized or other form should be looked upon as a potential source of fuel or reducing agent for metallurgical operations.

U. Petroleum

The petroleum sector is an important part of the Tanzanian economy and the Government attaches great importance to the involvement of foreign investment in exploration.

Exploration history

Phase I: BP and Shell were awarded a concession in 1952, covering the onshore coastal basins and the islands of Zanzibar, Pemba and Mafia. None of the wells drilled encountered hydrocarbons in sufficient quantities to justify further drilling and hence the concession was relinquished in 1964.

Phase II: This phase coincided with the formation of the Tanzania Petroleum Development Corporation (TPDC) in 1969 when AGIP was awarded a concession covering the onshore area and the continental shelf. From 1973 to 1982 AGIP was joined by Amoco and the drilling resulted in the discovery of the Songo Songo and Mnazi Bay gas fields.

Phase III: This phase was stimulated by high oil prices in early 1980. Licences were awarded to Shell, IEDC, Elf, Amoco and later to BP. Extensive drilling work was carried out and TPDC made a significant contribution by conducting onshore and offshore seismic programmes. In late 1980, licences were held by Shell over the Mandawa and Mafia basins and by Texaco in the Ruvuma basin.

Hydrocarbon occurrences

Gas fields. Songo Songo was the United Republic of Tanzania's first important hydrocarbon discovery that tested up to 23 million cubic feet per day of gas and minor volumes of high API oil. Seven appraisal wells have been drilled and reserves are estimated to be about 1 TCF. The Tanzanian Government, Tanzania Electric Supply Company and TPDC have signed an agreement of intent with Ocelot Tanzania Inc. and TPCL Tanzania Inc. to create a company called Songas to implement the Songo Songo gas project.

Mnazi Bay-1 tested gas at rates up to 14 million cubic feet per day. No appraisal wells have been drilled so far but reserves are estimated to be 1 TCF.

Oil seeps. Wingayongo on the flank of the Rufiji trough is the site of a live oil seep. The island of Msimbati on the northern side of the Ruvuma basin is another such occurrence. A verified crude oil also occurs in the mangroves on the west coast of Pemba island. An oil seep, which forms a thin film on the surface of Lake Tanganyika, has also been discovered.

Oil and gas shows. Gas shows are almost ubiquitous in the deep wells. Oil shows are less common but have been reported in the Songo Songo wells, Mafia-1, Makarawe-1, Mnazi Bay-1, Mandawa-7 and Pemba-5.

Petroleum potential

The petroleum potential of the United Republic of Tanzania is summarized below:

Area	Comments
Selous Basin	Covers an area of 50,000 km ² . The basin is relatively remote with no major towns or roads except for Liwale on the eastern side. Shell had acquired 4700 km of Seismic data, drilled one well but relinquished it in 1985. The entire area is now unlicensed and relatively unexplored.
Rufiji Trough	Covers an area of 16,000 km ² . The Trough is mostly within the Rufiji River floodplain and delta and is one of the least explored of the Tanzanian basins despite the presence of the Songo Songo gas field offshore and the oil seep at Wingayongo. Shell has acquired 2200 km of seismic data but a large part of the trough still remains unlicensed.
Ruvu Basin	Covers an area of 15,000 km ² entirely onshore. Access from Dar es Salaam is reasonably good. Only two deep wells have been drilled and about 3000 km of seismic data have been acquired.
Dar es Salaam Platform	Covers an area of almost 18,000 sq km. Access is primarily by roads which are in good condition. Five wells have been drilled and about 5000 km of Seismic data have been acquired.
Coastal Basin: Pemba and Zanzibar Basins	Covers an area of 12,000 km ² . BP were the first to hold a licence and they drilled three exploratory wells. AGIP took over exploration in 1969 and found the first offshore well in the United Republic of Tanzania Ras Machuisi North 1. About 9000 km of seismic data have been acquired.

Coastal Basin: Mafia Basin	Early exploration of this area was carried out by BP/Shell. AGIP began exploration in 1969 that led to the discovery of the Songo Songo gas field to the south of the Mafia basin. The basin was recently licenced by Shell in 1991.
Mandawa Basin	Covers an area of 15,000 km ² . Access is reasonable except in the rainy season. Only three deep wells have been drilled which proved the existence of mature oil-prone source rocks. Shell had acquired acreage which it relinquished in 1991. Virtually the entire area is available for licensing. Recently Tanganyika Oil Co. Ltd., Vancouver was negotiating with potential partners to drill two structures near the Indian Ocean about 270 km south-west of Dar es Salaam.
Ruvuma Basin	Covers an area of 16,000 km ² . Early exploration was undertaken by BP which drilled four straight boreholes. The area was licenced to AGIP which drilled an offshore well in 1982 and discovered the Mnazi Bay gas field. 1800 km of seismic data has been acquired so far
Modern Rift basins	The prospective section lies beneath the lakes of Tanganyika, Rukwa, Nyasa and the Ruhuhu basins. Over 6000 km of seismic data have been shot in Lake Tanganyika and Nyasa by project PROBE organized by Duke University which showed encouraging results. However, despite this only two wells have been drilled by Amoco in the Rukwa basin.

Source: Tanzania Petroleum Development Corporation.

Data base availability

The petroleum exploration database in the United Republic of Tanzania consists of wide ranging geological and geochemical studies, geological and drilling records from nearly 100 boreholes and 28 deep wells and many thousand kilometres of gravity, airborne magnetometer and seismic surveys. A technical report covering all aspects is available at the TPDC office.

Petroleum legislation

Petroleum exploration and development in the United Republic of Tanzania is governed by the Petroleum Exploration and Production Act, 1980. The Government and Tanzania Petroleum Development Corporation (TPDC) can enter into a Production Sharing Agreement (PSA) with an oil company to grant exclusive rights to explore and produce petroleum. The terms are negotiable and the legislative framework offers considerable flexibility.

XI. WEAKNESSES IN THE SYSTEM

While the Tanzanian environment provides several incentives to investors, the system also suffers from certain weaknesses.

Transport infrastructure

The road and rail system, so critical to this sector, suffers from neglect and hence might prove to be a deterrent to investors. However, it is worthwhile to note that US \$1 billion is being invested in the rehabilitation of roads. Over the last few years, a number of trunk and regional roads have been rehabilitated and it is expected that by the year 2000, 80 per cent of the trunk roads will be in good condition.

Lack of skilled manpower

Since many of the mines stopped operating several years ago, there may be a shortage of skilled manpower. Multinational companies that have just entered the market have overcome this problem by bringing experienced manpower from abroad and by transferring the necessary skills to the local labour force.

Procedural problems and bureaucratic delays

Several investors in the past have found that the Tanzanian system is plagued by long periods of delays in securing licences and permits. With a view to improving this situation, the Government has reorganized the Investment Promotion Centre (IPC) which will now operate as a "One-Stop" centre for investors.

Conflicting mining rights

Large-scale mining rights granted for an area sometimes conflict with small-scale rights granted within the same area. The large-scale miner is then often in dispute with several small-scale miners. The mining policy currently being drafted is expected to clarify this issue and ensure that sole rights (without any overlaps) are made available to large-scale miners.

XII. CONCLUSION

The United Republic of Tanzania offers the following advantages to the international mining community:

- A vast potential of mineral resources, a substantial area of which is still unlicensed.
- A significant locational advantage.
- A range of attractive incentives.
- A flexible approach to negotiations.
- A peaceful working environment free from ideological confrontations, ethnic strife and labour disputes.

OPPORTUNITIES IN THE INFRASTRUCTURE SECTOR

1 INTRODUCTION

The infrastructure of a country is critical to the development of the economy. Growth and investment in every other sector is largely dependent on basic infrastructure, and the lack of this might be a serious deterrent to a potential investor. The government has therefore prioritised this sector and has been focussing on it to be able to hasten economic growth.

Tanzania has been moving from a centrally planned to a market oriented economy, involving the commercialisation and privatisation of state owned enterprises. The key infrastructure organisations in Tanzania have traditionally been owned by the state and these have been monopolies, governed and regulated by the government. The performance of these state owned units have been very poor. With liberalisation, most of these are being commercialised, giving them an element of autonomy, to encourage them to perform with a profit motive. While the government still owns the core business of essential utilities, a large number of related activities have been privatised.

2 TRANSPORT SECTOR

2.1 Introduction

The transport infrastructure in Tanzania had reached a level of deterioration in the 1980s that it has become a serious hindrance to the government's efforts in reviving the economy. The recent increase in economic activity has highlighted the bottlenecks being caused by dilapidated and worn out transport infrastructure unable to cope with such levels of recovery.

The Government of Tanzania and the donor community have realised that to ensure economic growth through privatisation, infrastructural support has to be strengthened and hence this sector has been declared as a high priority sector in the government's programme.

2.2 Roads

Roads in Tanzania have been neglected for long periods, rendering many of them almost unfit for use. In an economy which is largely agriculture based, transporting agricultural commodities in good time and in good condition is of prime importance. But owing to poor road conditions, transport to remote areas is virtually non-existent or very expensive. In many areas transport has been restricted to only the dry season. The primary concern therefore is not to build new road networks, but to upgrade existing networks to a satisfactory level.

2.2.1 Current infrastructure

Table 1 : Existing Road Network

Type	Length	Responsibility
Trunk	10,000 km	Ministry of Works
Regional	30,000 km	Ministry of Works
District/Village	40,000 km	Prime Ministers Office/Local Government Councils

Source : Ministry of Works/Ministry of Communication and Transport

Table 2 : Trunk Road Corridors

Corridor	Route	Length	Priority
Tanzam	Dar es Salaam to Zambia, Malawi and Zaire	1324 km	A
North East	Dar es Salaam to Tanga, Arusha and Moshi. Connects to Kenya at the northern end	950 km	C
Southern Coastal	Dar es Salaam to Mingoyo	508 km	B
Central	Dar es Salaam to Morogoro, Mwanza and Musoma	1584 km	A
Lake Circuit	Musoma to Mwanza and to Bukoba. Connects to Kenya and to Uganda	1019 km	A
Southern	Lindi and Mtwara to Songea and Makambako and then to the Tanzam Corridor	1326 km	B
Great North Road Corridor	Tanzam Corridor to Arusha and to the Kenyan border	1024 km	C
Western	Nyakanazi (north) to the Tanzam Highway and to Tunduma (south)	1286 km	B
Mid West	Central Corridor to the western and then to the Tanzam corridor	201 km	C

Source : Ministry of Works/Ministry of Communication and Transport

A - Very High Priority B - High Priority C - Medium Priority

Priorities have been set largely on the basis of the estimated economic rate of return.

2.2.2 Current activities in the sector

Originally the government of Tanzania had six highway projects running independently, each using its own set of machinery and equipment. Synergies were not being exploited, and hence the government decided to integrate all road projects under one masterplan - 'The Integrated Roads Project'. A plant and equipment hire company PEHCOL was formed to lease heavy road construction machinery for construction purposes.

The Integrated Roads Project (IRP) aims to rehabilitate and improve trunk and regional roads, and strengthen their administration and management. The district/village roads are to be rehabilitated and maintained through community participation for better sustainability.

IRP - ROAD CONDITION TARGETS

By mid-1996

- 70% of the trunk roads in good condition
- 50% of the regional roads in good condition in the 11 core regions serving important agricultural production districts

By the year 2000

- 80% of trunk roads in good condition
- 50% of regional roads (including about 3,000 km of essential district and feeder roads) in good condition in all 20 regions.

The IRP has a budget of US \$900m for the next 5 years out of which government contribution is about 10% and the balance is donor funded. A maintenance budget of Tshs 35 billion has been allocated for 1996.

2.2.3 Investment opportunities

The success of the IRP requires decentralization and greater emphasis on private sector participation in road maintenance activities. Private sector participation has been by way of large international companies entering the market for the rehabilitation of roads, and small local private firms entering the market for maintenance and related activities.

The IRP has attracted competitive bids from over 20 international companies. Large organisations such as Cogefar of Italy, Bazel Raid of South Africa, Zakim of Lebanon have already been contracted to work for the IRP.

The IRP also generates opportunities for small contractors and scores of local maintenance groups. Participation by the private sector could be by way of installation of plant pools for maintenance purposes and creation of workshops for repair and maintenance of the road network equipment. Local private sector participation has been considerable with almost 50 local firms now offering maintenance services as against 10 at the start of the project.

Cabinet policy is to look for BOT (Build, Operate, Transfer) projects. There has been a proposal submitted by a Korean company to build a Toll bridge across the Dar es Salaam harbour. There is scope for investment in this area for large investors.

The condition of the road infrastructure is a key determinant of the availability of road transport services. The rehabilitation of roads automatically leads to the development of the road transport sector, where several potential opportunities exist for investors to develop transport companies for both passenger and freight traffic.

2.3 Railways

The railways are strategically located to carry a majority of long distance domestic and transit traffic, but due to under investment have only been able to undertake movement of a very limited amount of goods. Of late even this has reduced drastically particularly in cargo moving in and out of Zambia and Zaire. The reason for the slump in cargo traffic is largely because the traffic is moving through alternative routes. This reduction in traffic has caused serious concern and hence the railway authorities are restructuring themselves to increase efficiencies and build competitive strengths.

2.3.1 Current infrastructure

There are two railway systems in Tanzania.

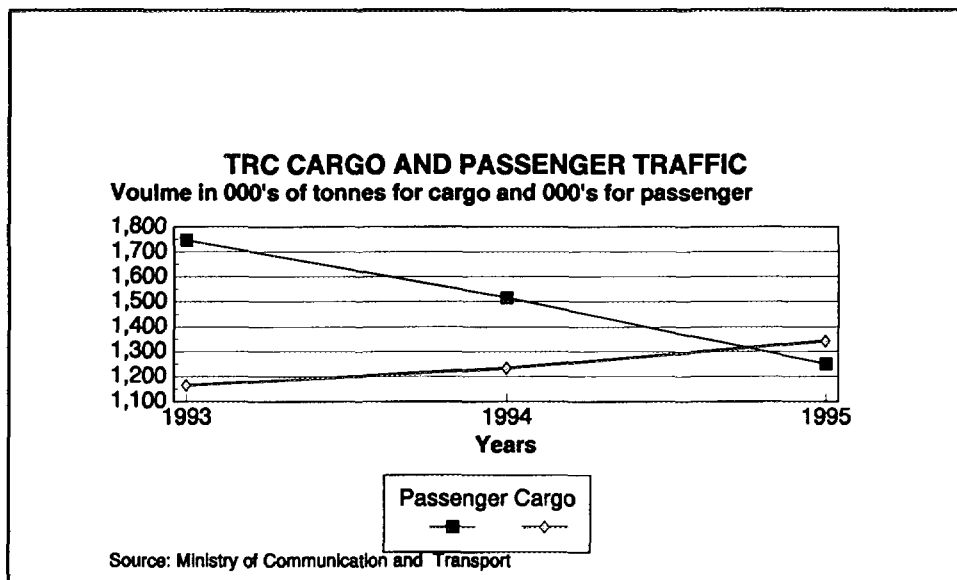
- The Central Railway operated by Tanzania Railway Corporation (TRC) is about 2600km in length, and links Dar-es-Salaam to Kigoma, with branch lines to Mwanza and Arusha
- TAZARA (Tanzania Zambia Railways) is about 976 km in length, and links Tanzania to Zambia.

2.3.2 Tanzania Railways Corporation (TRC)

The current infrastructure is 2053 wagons and 120 locomotives. The requirement by the year 2000 is expected to be an additional 700 wagons and 8 locomotives.

The passenger and cargo traffic for the last three years is as shown in the graph below:

Figure 1



While the cargo traffic has shown a slight increase, there is a marked reduction in passenger traffic primarily due to poor travel conditions. The World bank and other donors have funded US \$270m to rehabilitate the old and worn out infrastructure and to strengthen TRC as an institution. TRC also plans to build a state, a hospital and a bullion coach to provide variety in its services targeted at specific markets.

TRC was completely regulated by the government until 1992 when TRC was restructured to operate commercially with a memorandum of understanding with the government. As a consequence of this the non-profitable units are up for private sector participation eg quarrying, workshop, track laying etc. Bids have been invited for some of these and private sector interest has been fairly high.

2.3.3 Tazara

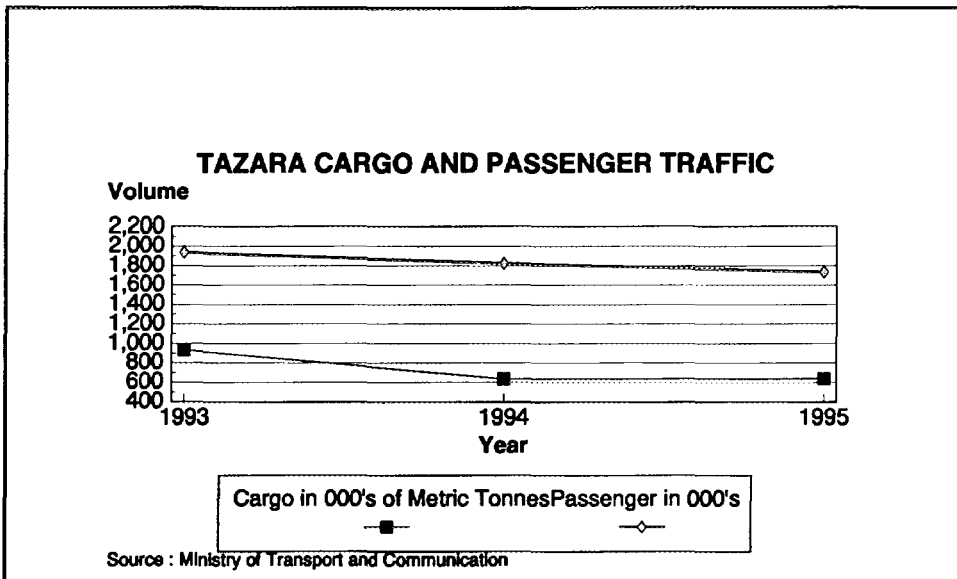
This line was built with Chinese assistance and was intended to carry ^{Copper} Copper from Zambia and imports into Zambia. Traffic volumes on the line have been recently affected by

- increased used of ports in South Africa

- downturn in the economies of hinterland countries reducing the capacity to export and import.

The volume of traffic and cargo for the last 3 years is as shown below:

Figure 2



The cargo traffic has shown a sharp decline. Competition from neighbouring countries has been stiff and unless service levels improve there is a possibility of losing a major percentage of the market share. Acknowledging the fact that TAZARA will no longer enjoy the monopoly it once did, TAZARA's management has prepared a commercialisation strategy. The essence of the strategy is that TAZARA should function as a single business unit pursuing commercial objectives.

2.3.4 Investment Opportunities

Private sector participation in the railways is still at a nascent stage, being restricted to related service areas. With TRC's non-core activities are being privatised and TAZARA being commercialised, there is a possibility that the investing community could have a larger role to play in the years to come.

2.4 Airways

Air transport in Tanzania is critical, particularly at a time when the government is focussing on economic reforms and privatisation. While the current traffic in this sector is not very heavy, the increase in economic activity in the country is likely to translate into an increase in traffic flow.

2.4.1 Current infrastructure

Tanzania has two international airports one in Dar es Salaam and the other in Kilimanjaro. In addition there are 20 airports at regional headquarters and there are 48 airstrips spread all over the country.

The airline market is clearly divided into 3 segments:

- International airlines
- Scheduled regional lines
- Charter operators.

International Airlines

Air Tanzania Corporation (ATC), the national airline, operates services to regional towns and also has scheduled services to neighbouring countries like Europe, India and the Middle East. ATC has entered into joint operations with Air Malawi on the Dar es Salaam - Johannesburg route and has formed a joint venture 'Alliance Airlines' with Uganda airlines and South African airways on the Dar es Salaam/Entebbe/London routes. Apart from this there are 13 major international airlines connecting Dar es Salaam to other parts of the world.

Scheduled Regional Airlines

The most recent entrant into this segment is Precision Air which operates primarily in the Mwanza-Bukoba sector. Sky Tours is another player operating scheduled flights to the national park regions, primarily catering to the tourist market.

Charter Operators

Low traffic levels have proved favourable for charter operators. There are about 20 charter operators currently operating and there is still scope for more players to enter the market.

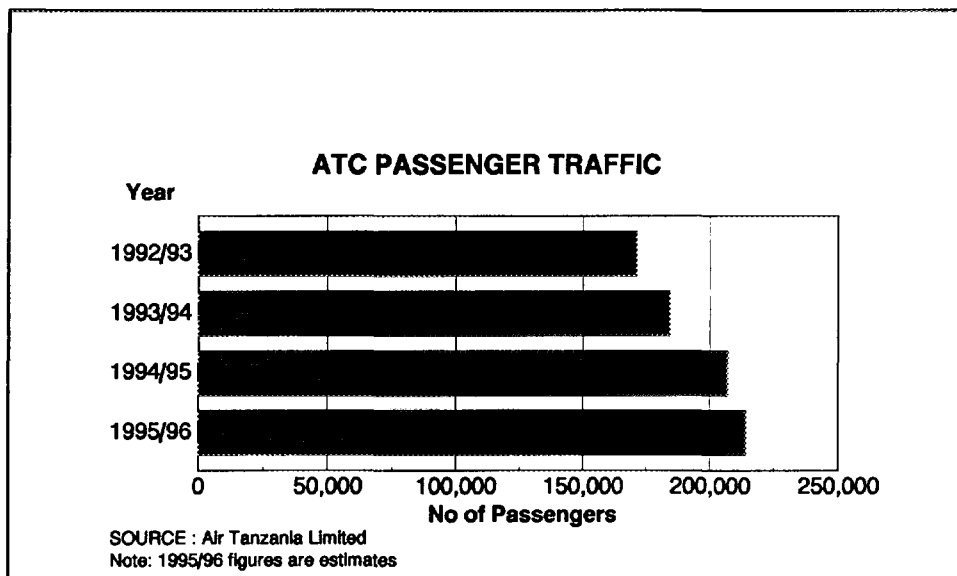
2.4.2 Proposed Strategy

The airlines have always been a monopoly of the government. But the strategy now is to commercialise airports and then privatise part of the non-core functions. An African Development Bank funded project is looking into the possibility of commercialising certain airports.

ATC was commercialised in 1992, and is now on its way to being privatised. ATC has been showing profits after it was granted autonomy to decide on its tariff structure, drop unprofitable routes and eliminate redundant staff.

ATC's passenger traffic has been on the increase over the last few years as shown in the graph below:

Figure 3



The government is planning to privatise the airline retaining a minimal share. Related services such as cargo handling and inflight catering have already been privatised, and both companies have been showing good profits.

Airstrips spread all over the country are still under the Ministry of Civil Aviation. Maintenance and upkeep of these airstrips is poor and hence there is a suggestion that airstrips specifically used by certain institutions could be maintained by the institutions themselves without being dependent on the ministry.

2.4.3 Investment opportunities

Opportunities for the private sector lie in three areas

- airport or airline related services such as ground handling, shuttle services, catering etc
- scheduled flight sectors where ample opportunities exist to open up more regional routes hitherto unconnected. As traffic volumes increase, this market might look very promising for private investors in the long run
- charter flight sector which is a popular mode of air transport because of its flexibility and due to the lack of an alternate better mode of transport to remote areas.

2.5 Waterways

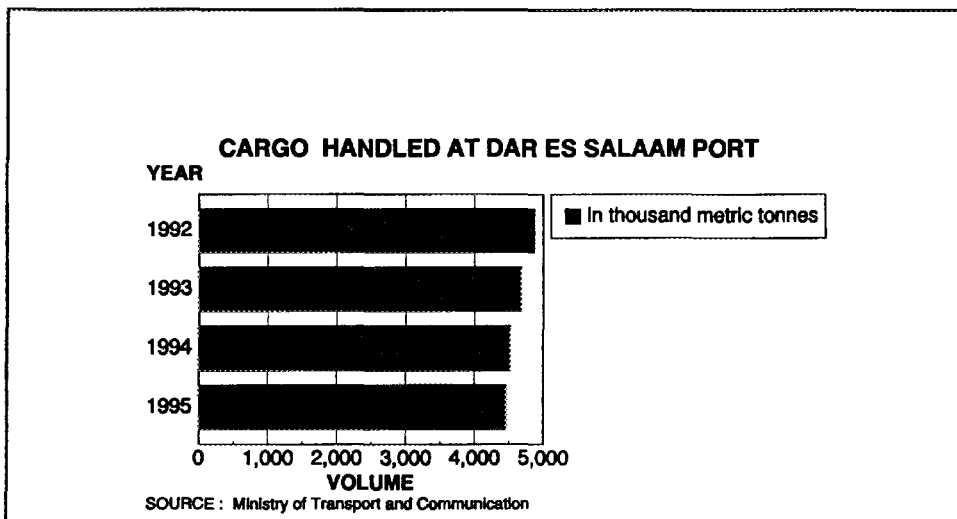
Tanzania is strategically located in Africa, with a major port which connects Tanzania to the rest of the world particularly the east, and the great lakes which connects Tanzania to its neighbouring countries.

2.5.1 Ports

Dar es Salaam is a natural deep water harbour and acts as a transit port for the land locked countries which account for more than 80% of the freight traffic. Other important harbours are Tanga, Lindi, and Mtwara.

Inland navigation network on the great lakes covers around 300km. The largest lake ports are Kigoma on Lake Tanganyika and Mwanza, Bukoba and Musoma on Lake Victoria.

The graph below shows the cargo handled at the Dar es Salaam port in the last 4 years:
Figure 4



The decline in volume can be attributed to the fact that corridors served by the Dar es Salaam port are facing increasing competition from other corridors. Tanzania's freight traffic is being threatened by the South African ports which provide better and more reliable service. This has necessitated the need for developing new strategies to maintain

and increase the port's market share. The Tanzania harbours authority is formulating a ten year masterplan covering the investment and institutional requirements for enabling the port to face up to the challenges of today and for the immediate future.

2.5.2 Shipping

The inland lake shipping is primarily dominated by the marine division of Tanzania Railway Corporation (TRC). The division operates a fleet of big vessels on the three lakes namely Victoria, Tanganyika and Nyasa.

Vessels owned by other operators also contribute to serving the transportation needs of the population living around the lakes. Coastal shipping line, owned and run by Greek and Canadian operators, carries freight and passenger traffic between Dar-es-Salaam and other Tanzanian ocean ports. Passenger services are also available between Zanzibar and the mainland ocean ports.

2.5.3 Investment opportunities

Specific areas of port operations such as cargo handling, stevedoring and other related areas have been opened up for private sector participation. The restructuring of the harbours could provide further opportunities for the private sector.

There is scope for further private sector participation in operating large vessels. After the M.V. Bukoba tragedy, public confidence might be low but clearly there is a need for better and more reliable services.

3 POWER SECTOR

The Tanzania Electric Supply Company Ltd. (TANESCO) builds and operates the public power system in Tanzania. TANESCO is a public limited company wholly owned by the Government of Tanzania, reporting to the Ministry of Water, Energy and Minerals. TANESCO's customer base is about 240,000 (6% of the population), and most of this is heavily concentrated in the urban areas.

3.1 Power sources

Tanzania has a potential for 3.2gw of hydro power capacity of which only 10% has been developed. Coal and natural gas are other natural resources with high commercial potential. Coal reserves are estimated at 1200 million tonnes. Natural gas found in the Songo-Songo gas field has been estimated at 20-30 sm³ with indications of additional reserves.

3.2 Existing capacity

Tanzania's estimated demand is at 400mw and is expected to rise to 650mw by the year 2000.

Table 3 : Sources Of Power

Source of Power	Generating Capacity (in mw)
Hydro Power	381
Thermal Power	117
Gas (Songo Songo)	112
Total Generating Capacity	610

Source : TANESCO

The existing capacity is sufficient to meet the demand but hydro power has been plagued by adverse hydro conditions lowering production levels significantly. Tanzania has therefore had to import power from neighbouring countries like Zambia and Uganda to supplement its own production levels. Tanzania's total power imports amounted to 34767 mw. for the year 1995.

3.3 Strategy of the power sector

TANESCO has been a highly regulated monopoly. Its performance has been deteriorating over the years due to inadequate tariff levels and poor billing and collection. TANESCO was commercialised with a view to improving customer service and increasing profit levels.

Private sector participation has been introduced into this sector by moving from a vertically integrated structure to a single purchaser structure. The structure now will have several Independent Power Producers generating power and competing to sell power to TANESCO - the sole purchaser. TANESCO is responsible for transmission and distribution on the network. Introduction of private sector participation at the supply end to supply and bill the end user, is also being contemplated.

3.4 Recent Power Projects and Other Activities

LUKU Meters

LUKU meters have been recently installed in Dar es Salaam as a way of countering the inefficiencies in the current billing and collection system. The system is a prepaid electricity supply system relieving TANESCO of the burden of billing, collection and handling defaults in payment.

Hydro Power Projects

Lower Kihansi Power IV hydroelectric project is to build a dam to supply 180mw of hydro-electric power to the national grid, later to be increased to 300mw. The estimated total project cost is US\$257m, of which US\$35m is funded by GOT and the balance by the donor community.

Thermal Power Projects

Tanzania Wattle Company (TANWAT) is the first private plant selling power to TANESCO. TANWAT uses its waste wood to generate power for its wattle plant. The excess power is sold to the national grid.

TANESCO has signed a contract with Mechmar, a Malaysian firm, to purchase a fixed amount of power from a thermal power station to be constructed at Bahari Beach. The scheme of operation will be a 100mw, 20 year, Build-Own-Operate (BOO) scheme costing approximately US\$145m.

Mchumchuma coal fired thermal generator is expected to supply 200mw for 30 years, to the national grid and for a mining operation proposed near the Liganga Iron Ore field. A feasibility study has been undertaken by TANESCO and the National Development Corporation, funded by the African Development Bank at a cost of US \$2.5m.

Natural Gas Projects

Songo Songo Gas Development is a world bank funded project to pipe natural gas from the gas field under songo songo island to thermal sub-stations at Dar es Salaam. The plant has been built at Ubungo, on the outskirts of Dar es Salaam and has a production capacity of 150mw. A Canadian firm, Ocelot Trans Canada, will have majority shareholding in this venture.

Lower Gas Field is expected to supply power to the southern region of the country around Lindi and Mtwara, and eventually connect to the national grid. Project is estimated to cost US\$20m, of which the World Bank is offering upto \$17m (including \$12m equity) and is seeking a private partner to put in the balance.

Other Power Projects

Solar energy is being used by TAZARA, to replace 60,000 heavy duty batteries with a saving potential of US\$1.6m over a 20 year period.

A link to the South African Power Pool (SAPP) is being proposed, by connecting Tanzania and Zambia through power line, so that Tanzania has access to the South African Power Pool. A feasibility study to look into this has been agreed between TANESCO, ZESCO of Zambia and ESKOM of South Africa.

3.5 Investment Opportunities in the power sector

The power sector after liberalisation, has provided ample scope for Independent Power Producers (IPPs) to enter the power generation market. Build Operate Transfer (BOT) schemes are being encouraged to make the investment attractive. The proposal to move the regulatory function from the government to a regulatory commission (a neutral body with representation from all concerned parties) will lower the perceived risk of investment, and increase investor confidence. Opportunities for small investors exist in related services like maintenance. In the long run, rural electrification is likely to be a promising market for private investors.

4 TELECOMMUNICATION SECTOR

The liberalisation of the Tanzanian economy has led to a rapid increase in business activity and there is a growing need, for telephones, data communication and telecommunication services. Although current service levels are low, it is important to note that the Telecommunication sector in Tanzania is further down the path of liberalisation than many other countries at comparable stages of development.

4.1 Current capacity

At present the number of Direct Line Connections (DLC's) are 87,500 resulting in a teledensity of 0.3% per hundred. The teledensity has not improved over the years and despite the sluggish increase in the number of lines, total unmet demand has increased from 60,000 ten years ago to 145,000 now. This indicates that potential demand exists, and because of a number of factors which discourage subscribers to register, real demand is estimated to be much higher. Quality of service is generally considered to be poor. Call completion rates of STD calls and ISD calls are below target and the fault incidence per line in Dar es Salaam is high.

4.2 Strategy of the telecommunication sector

Tanzania has taken some steps towards liberalisation of the telecommunication sector. In 1994 three separate bodies were formed out of the former Tanzania Posts and Telecommunication Corporation which was vested with the dual responsibility of handling postal services and telecommunication services.

The former Tanzania Posts and Telecommunication Corporation (TPTC) was split into

- Tanzania Telecommunications Commission (TCC)
- Tanzania Telecommunications Company Limited (TTCL) - the basic telecom service provider
- Tanzania Postal Corporation

These three bodies were granted autonomy to undertake investment and operational decisions based on their commercial strategies.

TTCL has privatised its non-core business activities, and has retained its core activity of providing basic telephone lines. Non-core activities open to private sector participation are:

- customer installations
- directory installations
- billing and distribution
- maintenance of cable network

There is a proposal to franchise basic services to regional operators, in order to increase the reach of telecommunications. TTCL is also looking into the possibility of BOT (Build Operate Transfer) options in the basic services to increase service levels.

Tanzania Communications Commission (TCC) was set up to play a regulatory role, to promote modern communication technologies through private sector participation, and to increase rural communication. TCC was also vested with the responsibility of granting licenses to investors in new value added services such as mobile cellular telephones, paging services, electronic mail, cordless telephone, facsimile and video conferencing, videotext, and private networks.

4.3 Current activities in the sector

Tanzania Telecommunications Company Ltd (TTCL) plans to satisfy a demand of 300,000 by the year 2005, thereby increasing the teledensity to 1%. To meet this objective, TTCL will have to install over 27,000 new lines annually, as against its average annual installation of 3500 lines. A World Bank led consortium is lending US \$220m to TTCL, to facilitate TTCL to cope with the changes imposed on it by liberalisation and privatisation and to gear it to cope with the increased level of activities in the sector.

The donor funded Telecommunication Restructuring Program has spent US \$350m in changing equipment from analog to digital. This has led to significantly better customer service.

Pay Phone

The aim is to have at least one pay phone installed in each district center and each registered village, which translates to a requirement for 8000 pay phones. Private sector companies such as ACG and Jupiter have already shown interest in providing card phones in Dar es Salaam.

Mobile Cellular Phones

Presently two large companies have entered the mobile cellular phones market. Mobitel, where TTCL has a 30% stake, has been licensed to operate in the coast zone, and its services are currently available in Dar es Salaam and Zanzibar. Tritel, a wholly privately-owned company has been licensed to operate in the coast zone and Arusha but operations at Arusha are yet to commence. Customers have found this a satisfying alternative to fixed phones. The focus in this sector is to promote competition to provide better customer service and to promote national coverage.

Paging Services

Four companies have been granted licences to provide paging services namely TTCL, Beep me Ltd, Call Systems Ltd and ACG. As yet none of them have started operations, but the market is likely to open up very soon.

Data network services

TTCL's policy to develop public network services is to establish a joint-venture with a private company. Private companies may develop data networks in parallel with a narrower coverage and interconnect to public data network. The University of Dar es Salaam and The Commission for Science & Technology are government organisations providing Data Network Services. Tanzania Online, a private company, is currently providing electronic mail services, but will soon be expanding its portfolio of services. Datel Tanzania Ltd, a joint venture between TTCL and Nexus International (a subsidiary of the France Telecom Group) has entered the market recently.

4.4 Opportunities in the telecommunication sector

Customer satisfaction of current service levels is extremely low. The business community's requirement is reliable communication services even if it comes at a higher cost. This is a clear indication that any new entrant providing reliable service can easily capture a major share of the market.

Opportunities exist in practically all telecommunication related areas. The market has just started attracting private investment and there is ample scope for entry into all the above mentioned areas. Other areas open to investors are voice messaging, store and forward fax, v-sat communications and Internet facilities.

5 CONCLUSION

The infrastructure sector is being commercialised and the non-core activities largely being privatised. The scope for investment is high, for a range of investors:

- large investors have ample scope in the Telecommunication and Power sector
- medium sized investors have opportunities in non-core areas of the transport sector
- small investors have a role to play in ancillary functions like small-scale maintenance operations.