

# TANZANIA

## A Peak Attraction

One

of Africa's most exotic holiday destinations, Tanzania is a country hugely proud and rightly protective of its vast natural resources. Agriculture, principally coffee, cashew nuts and cotton, accounts for more than 40% of the GDP, and 75% of foreign exchange reserves—and provides jobs for most of the working population—while a landscape rich in gold, nickel, copper and gemstones has secured export potential.

Slow but sure could sum up this growing economy, which has been governed by President Jakaya Kikwete since December 2005. The former Foreign Minister is continuing with the stringent reforms initiated by his predecessor, Benjamin Mkapa, working steadily toward creating a strong, resilient and competitive economy. Growth last year was 7.1%, thanks

**"A new College of Tourism in Dar es Salaam will help raise the standard of tourism significantly."**

Shamsa Selengia Mwangunga, Minister of Natural Resources and Tourism

to continued donor support and solid macroeconomic management, while more than half of the 400 state-owned enterprises are now in private hands.

The government is committed to reaching middle-income status by 2025, under Vision 2025—a wide-reaching blueprint for human and economic development that will see the current economy "transformed into a semi-industrialized one,

led by modern, highly productive agricultural activities that are effectively integrated and buttressed by supportive industrial and service activities."

It is advancing well. Tourism, now the fastest growing sector, contributes around 17% to the country's gross domestic product and has overtaken agriculture in terms of bringing in foreign currency reserves.

As Shamsa Selengia Mwangunga, Minister of Natural Resources and Tourism, explains: "The standards of service and the scarcity of service personnel are both being addressed. In partnership with the French government, and, with funding from the European Union's development fund, the Ministry has also commissioned the construction of a National College of Tourism in Dar es Salaam. The purpose is to raise the standard of tourism by offering diplomas to some 500 students annually. Various private training providers will help fill the gaps."

Tourism infrastructure is also being improved, with a view to improving the distribution of tourists around the country. The slated completion in 2009/10 of a new airport in Mbeya will do much to open up tourism in the south and west of the country, and there are two new railway projects under way. Investments are welcome on projects under build-own-operate-transfer (BOOT) or build-operate-transfer (BOT) terms.



Shamsa Selengia Mwangunga  
Minister of Natural  
Resources and Tourism

## For fair play in the economy



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As home to Kilimanjaro, Africa's highest peak, 16 national parks and more than 30 game reserves, there is fantastic potential to go way beyond the million tourist mark—a target that the government is aiming to attract by next year. Unlike many destinations that glibly boast “something for everyone,” Tanzania really does; it has an 800-km beach on the Indian Ocean, tropical islands, a diverse culture, numerous archaeological sites, and of course, spectacular wildlife.

Although best known for its traditional guided or independent safaris, Tanzania is a prime location for hunting expeditions, which, at an average cost of U.S.\$60,000, is a pursuit that greatly benefits local communities and the economy. About 50% of that sum goes on fees and services, which provides a massive injection of foreign exchange into the economy, and the rest into employing local people and improving their lifestyles. Part of the Ministry of Natural Resources and Tourism, the Wildlife Division manages some 150,000 square km of game reserves and advises the government on wildlife management and sustainability. “The heritage here is a world heritage, not just ours,” Erasmus Tarimo, director of the Wildlife Division, says. “People should come and see what we have sacrificed to be able to protect our wildlife. We could have grown tobacco or maize, but we chose instead to conserve our heritage. Come to Tanzania. Enjoy the nature, spend time on the beaches, climb Kilimanjaro, see the Serengeti and Ngorongoro, go to the spice islands of Zanzibar.”

More than 40% of the country's land is protected in one form or another, which makes it even more inviting for in-



Mary Nagu  
Minister of Industry,  
Trade and Marketing



Erasmus Tarimo  
Director  
Wildlife Division



Godfrey Enock Mkocha  
Director General, Fair  
Competition Commission

vestors. B.M. Murunya of the Ngorongoro Conservation Area Authority (NCAA) sums up this special aspect of the country's competitive edge. “In the Ngorongoro area, wildlife and human beings exist in perfect harmony, something that has not been possible in other parts of the world,” he says. “The Ngorongoro Crater borders the Serengeti, while a few hours' drive to the east takes you to the town of Arusha, which has a magnificent view of Kilimanjaro. There is a wide range of animals, including “the Big 5.” [lion, leopard, rhino, elephant and cape buffalo.] As well as promoting tourism and conservation, the NCAA also protects the interests of the indigenous Masai people who live in the area.”

The government has also made many advances in creating an enabling business environment. It has implemented wide-ranging, institutional and policy reforms and has liberalized the economy, amending and enacting a number of investment laws. It has also opened up the trading sphere, with a view to developing the country's manufacturing base. Mary Nagu, Minister of Industry, Trade and Marketing, outlines the

## Mkono & Co. Advocates – The most successful law firm on the market.

Founded in Tanzania in 1977, Mkono & Co. Advocates has grown to become one of East Africa's leading corporate law firms. From its headquarters in Dar es Salaam, the firm offers a prominent practice specializing in banking corporate law and direct investments, and has received multiple awards for its legal leadership and quality of services. “Mkono & Co. offers “extremely professional” services “in the sense that you really get what you want for any service, on both timeframe—sometimes things are urgent and their responsiveness is very, very good—and content,” according to IFRL1000, the world's leading guide of financial law firms in its 2007 Edition.

“We specialize in company law, banking and finance, privatization and corporate taxation,” says managing partner and founder Nimrod Mkono. “We have assisted the major financial institutions here and handled numerous consortium arrangements. We have also been responsible for advising on high profile acquisitions, including the unbundling and eventual privatization of the National Bank of Commerce, and the privatization of Tanzania Telecommunications Company Ltd.”

The firm's success has, in part, been due to the unique and dynamic team of lawyers on the practice: consummate professionals who hail from the United States, Europe, India and other parts of Africa. “As a small firm, it has been necessary to form international synergies,” Mkono says. “We have constituted ties with lawyers in Europe and the United States which has allowed us to train those who have not had much experience in international transactions, including international arbitration.”



Nimrod Mkono  
Founder

The expansion of this network and the internal growth of Mkono & Co. have enhanced the firm's capacity to deliver increasingly sophisticated legal services and act for top corporate clients and governmental institutions. The firm is also a member of TerraLex, a worldwide network of independent law firms.

Institutions like Mkono & Co. are also implementing new corporate and business standards. Mkono & Co. is able to steer investors through an unfamiliar environment via detailed knowledge of local law and business conditions and its exclusive contact network. The World Bank has provided assistance in setting up a proper legal system in Tanzania, but as Mkono points out, private investors need the firm to protect their investments and integrate proper arbitration clauses. “My wish is to have a society which is investment-friendly so that in the case of a dispute, we are able to assist,” he says. “That said, Tanzania has some very distinct competitive advantages. In case of an arbitration case, for example, investors are able to go to different international arbitration fora, which is an effective tool for them to prosper here. Very few law firms can offer that.”

The firm will continue to build a presence in the region. It has offices in Burundi and alliances in Kenya and Uganda and is also able to provide services in other countries through an alliance with DentonWildeSapte.



Sustainable Industrial Development Policy, which, launched in 1996, is about to enter its third and final phase.

"Emphasis is given to the promotion of small-scale industries and the formalization of informal sector activities which offer broad-based entrepreneurial development potential for employment and income-generating opportunities for poverty reduction," she says. "Continuing expansion of manufactured goods has been the key source of growth in international trade. The trend requires the transformation of production capacity from raw materials to value added products. Tanzania has already implemented the operationalization of export processing zones, which will attract investors in the production of goods and on infrastructure development in EPZ areas."

With excellent fiscal incentives that include corporate tax exemption for 10 years, and remission of customs duties, VAT and other taxes on raw materials and capital goods, the 26-hectare Benjamin William Mkapa Special Economic Zone is the best developed in the country. It also benefits from being close to both the port and the airport. "One of the sectors we promote extensively is agroprocessing," Adelhelm Meru, director general of the Export Processing Zones Authority, says. "Tanzania produces many different goods, and most of them are exported in their raw forms. We invite investors from all over the world to come and add value in the production process. There are also opportunities in minerals, gemstone cutting and polishing, fishing, furniture production, leather production, and Information Communications Technology."

Tanzania has seen phenomenal growth within its telecommunications sector in recent years, especially in the cellphone market. Four years ago, there were less than two million subscribers, while today's number rings in at 10 million. John Nkoma, director general of the Tanzania Communications Regulatory Authority, says a reliable regulatory framework has gone a long way to reassure investors. "Our regulations state that 65% of shareholders can be foreign. On top of that, our licensing framework is technology and service neutral, so when you get a license you can do wireless, you can do cable, you can do all those things, which is very attractive."

**"Vodacom Tanzania rolled out 3G three years ago—we were the second African country to get it and are very proud of that."**

John Nkoma, DG, TCRA

Technology, he points out, has moved very fast. "Vodacom Tanzania rolled out 3G three years ago—we were the second African country to get it and are very proud of that," he says. In fact, the market leader, a subsidiary of South African mobile giant Vodacom, registered its five millionth customer in October 2008 and, as well as connecting people, has proved to be a conscientious player within the community. The company supports a number of initiatives and campaigns, including the People's Phone—the provision of affordable public call facilities across the country, especially in the under-served regions—and banking services.



One of Africa's most rewarding destinations, Tanzania has it all. With diverse landscapes, flora and fauna, the East African country is home to Selous game reserve—the largest on the continent—and Kilimanjaro, Africa's highest peak. Tanzania also boasts the world's finest national parks, including Serengeti National Park and Ngorongoro Crater, "the cradle of mankind", both of which offer an unforgettable wilderness experience. Such unique attractions require careful management, which is why we make it our business to preserve nature so it can be enjoyed for generations to come.

**MINISTRY OF NATURAL RESOURCES & TOURISM WILDLIFE DIVISION**

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"Our M-PESA scheme brings banking services to people who wouldn't normally have access to them," says Vodacom Tanzania's managing director, Dietlof Maré. "Vodacom customers can convert cash into electronic money at an authorized agent and transfer it to any other mobile customer through a simple phone transaction. The recipient gets an SMS notification of the transfer and can go to any M-PESA agent to cash the value."

As well as 3G technology, the company has deployed GPRS and Wimax and is constantly enhancing its product portfolio. "When we started, we were the second operator in Tanzania but were number one within a year," Maré explains proudly. "Our advantage is that we focus on services, coverage and quality. We understand the market and we know what services make sense."

Meanwhile, local firm Teddy Junior is hoping to see Tanzania exploit its strategic location to become a logistical hub for East Africa. The company, which clears all types of shipment and cargo

from ports, airports, and border posts and transit goods, is, according to managing director, Lusekelo Mwakibete, a backbone for the economy. "Without our operations, goods would not be cleared and forwarded," he says.

With a turnover of more than U.S.\$250 million, Bakhresa group is another local success story. What started as a small-scale restaurant, bakery and ice cream business in the mid-Seventies is now one of the largest private industrial groups in Tanzania, comprising several companies spread over east and south east Africa. Parent company Said Salim Bakhresa and Co. Ltd., named after the founder and CEO, is now a prosperous milling company, with a combined milling capacity of 1,750 tonnes a day.

The U.K. investor has many advantages in Tanzania, the Fair Competition Commission (FCC) points out. English is widely spoken, and the legal system is very similar. Both countries are Commonwealth members, which helps strengthen trade ties and reinforce political and economic relations.

The FCC works hard to promote effective competition in trade and commerce in order to protect consumers. "Competition helps small producers compete effectively," says Godfrey Enock Mkocho, director general. "If, for example, you have a huge beer company in a country, and a small brewery wants to start doing business, the bigger competitor may not allow the smaller one to operate. Our role is to help the smaller industries grow. We also try to preempt the activities of the government, to make sure that they are pro-competitive."

Finally, the Tanzania Investment Centre provides a superb service to people looking to set up a business or find partners in Tanzania. Since it was established in 1997, the agency has worked with the government to radically improve the investment climate, and the business infrastructure.

Electricity blackouts are a thing of the past, while more and more investors in the private sector are building roads and railways.



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