

THE LION'S SHARE

When it comes to growth, stability, and good governance, Tanzania is held up as the prodigal African nation. Global Business investigates the new opportunities emerging from a resource-rich destination whose potential is still untapped.



A game investment

Kilimanjaro. The Serengeti. Zanzibar. Tanzania is promoting its unique tourist package as never before. Investors should act now to avoid the stampede.

Just over a year after President Jakaya Kikwete took the helm, the pre-election pledges of Tanzania's new government are bearing fruit. Economic growth, boosted by bilateral and multilateral funds, is currently 4.9%. The country's mineral wealth is becoming increasingly important as a foreign exchange earner and people are waking up to the country's potential as a must-see tourist destination.

"We owe it to our people to keep inflation down, interest rates at bay and growth rates high," President Kikwete says "We have just come out of a difficult period, where the country was living off bank loans and inflation was high. It has taken a huge sacrifice by everyone to get out of that situation and we are committed to keep improving."

The improvements are not just fiscal. A strategic clean water program is to be implemented within four years, the percentage



Jakaya Kikwete,
President

of people infected with HIV is down from 15% to 7%, and educational provision has improved across the board. The country also has a respected foreign policy, with a proven record of peacekeeping in the region. As the President says: "Regional integration is one of our most important objectives."

Yet the country, around twice the size of California, is one of the world's poorest

and least developed. Weak infrastructure and a population where more than 85% are dependent on agriculture, heighten the challenge of poverty reduction.

Undeterred, however, the government means business. Jumanne Maghembe, Minister for Natural Resources and Tourism is pushing for investment in tourism, particularly in developing the country's 1,000 kms of Indian Ocean coastline. Many resources are still massively under-exploited. Fishing is one example. Maghembe says: "We are establishing a deep sea fishing authority, with help from the World Bank, to manage the area and undertake the licensing of foreign and local fishing resources, as well as conducting fisheries management programs. Today, fishing contributes around 3% to the GDP, but we have the potential to make it rise to 7%."

Infrastructure remains the primary focus, however. Better road connectivity is vital for tourism development and the government has pledged to expand the network by 2010. Nine corridors of trunk roads have been identified for works that will link all the regional capitals together and, ultimately, link Tanzania with its neighbors.

Works are also planned for the port at Dar es Salaam. Andrew Chenge, Minister for Infrastructure Development, says: "The port is the main hub for servicing landlocked countries, so we have made it more competitive and are linking it with the central railway line. We are also planning to award a concession for



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Jumanne Maghembe,
Minister for Natural
Resources and Tourism

Tanzania Railways to a private operator that can bring in the managerial and technical skills required, as well as financial muscle needed to upgrade the system.

"Airports are also being given a boost. Kilimanjaro International is already privately operated and we would like to see the same happen with Dar es Salaam and Zanzibar.

"In telecommunications, we already have a level playing field, with six mobile operators, although better affordability is needed. We want investors to look at the incentives that have attracted these major telecom companies and then come and help us build roads, bridges, and airports."

For Peter Mwenguo, managing director of the Tanzania Tourist Board, the biggest challenge is making the world aware of the unique tourism experience Tanzania offers. Despite an annual average growth rate of 23% throughout the 1990s, the rhythm has slowed to 9% in recent years, although a presidential pledge to swell the tourism coffers should see numbers rise again soon. According to Mwenguo, a strong national airline is needed to improve air connectivity, although international carriers continue to fly in—Qatar Airways is the latest name to start daily flights to the capital.

Among the many options the Tourist Board is considering to increase awareness is an "East Africa" package it can promote along with Kenya and Uganda. Mwenguo says: "We are cooperating with them in terms of services, and with accommodation so that we have a common grading criteria for example. To market East Africa as a single destination, we need to adopt a common approach that will open the doors for a harmonized policy."

Tanzania has some of the best attractions on the continent. The Serengeti National Park, for example, is already a World Heritage Site, and just recently missed making the final shortlist of the "New Seven Wonders of the World". Gerald Bigurube, director general of Tanzania National Parks (TANAPA), is responsible for identifying and conserving these precious areas. "These places are invaluable, both to our country, and to the international community," he says.

TANAPA was set up in 1959, before Tanzania became independent. "In those days, the work was scientifically oriented," says Bigurube. "In recent years, it has become a catalyst for tourism. People come and enjoy the facilities, and through this process, we generate the income needed to complete our conservation work."

As curiosity in exotic locations has grown on a global scale, TANAPA has upped its promotion efforts. "We started producing good, quality brochures and attending more trade



GROWTH INVESTMENT

As an executive agency, TBA is a semi-autonomous organization in charge of the construction of public buildings, houses for civil servants and government facilities. It is also aimed at providing building consultancy services and efficient management to the government. They are looking to attract investors and the private sector to build more houses per year as the demand and the expansion potential are huge.

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SUSTAINABLE CONSERVATION

TANAPA, is the custodian of the National and World Heritage Areas within the country. The 14 Tanzanian National Parks form the backbone of tourism in Tanzania.

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fairs—in fact our trade fair budget has increased significantly since 1995. Nowadays, we go, even when the Tourist Board cannot. We also work with local agents who advise us on their markets.”

Now the focus is on improving amenities. Bigurube explains: “We have to provide good quality accommodations in these parks and make sure we have the correct infrastructure. We also need to ensure these protected areas become more accessible through the long-term road-building plan. TANAPA is determined to provide a top-class wilderness experience.”

Back in the capital Dar es Salaam, the Swiss hotel chain Mövenpick is also promising a top-class experience. Promising “true Swiss hospitality with personal attention to detail”, the Mövenpick Royal Palm Hotel caters for high profile visitors to Tanzania and the international business community. The hotel is within walking distance of the downtown area and government offices, yet, as general manager, Daniel Roche, points out: “We are surrounded by luxurious gardens and a golf course, as well as having views of the sea—and all in a very quiet environment. For 230 rooms, we have 300 employees, so there is always somebody paying attention. I have been impressed by the excellent work ethics of our staff, as well as their willingness to do the best job they can.”

Mövenpick aims to open more hotels in Africa in the future, and hopes the brand will enjoy the same recognition it has in Europe and the Middle East.

Tanzania Building Agency (TBA), meanwhile, is providing accommodation of a different kind. The executive agency began operating in 2002, and is tasked with the building and maintenance of government buildings, and the construction and sale of quality homes for government officials and employees. Architect M. T. Kimweri, CEO of the TBA, says: “In 2002, the government sold around 8,000 homes to civil servants, which created the funds we needed to start building. We build around 250 homes a year, but with 300,000 or so civil servants here, there is a long way to go!”

TBA is also building houses for the private sector, off-setting the high rental income from these with lower home prices for the public employees. However, more private investment is needed. Kimweri says: “We are moving at a very slow pace. Instead of 200 homes a year, we could be building 3,000. The demand is there, but it needs big investment from experienced people from abroad. It has matchless potential.”

The Tanzania Communications Regulatory Authority (TCRA), was set up in 2003 to regulate the communications, broadcasting, and postal sectors. Director general, John Nkoma, says: “Our first mission was to liberalize the mobile communications sector. We now have Vodacom, Celtel, Tigo, TTCL, Zantel, and newcomer Benson Informatics Ltd. The

“We could be building 3,000 homes a year, instead of 200.”

challenge is to make sure consumers get the low prices they want, while the investors and operators make a profit. We also have to provide the infrastructure to offer good conditions across all the sectors we regulate.”

The TCRA now wants to increase the number of subscribers—currently only six million of the country’s 35 million inhabitants—and has put in place an attractive licensing framework to enable this. Nkoma says: “The mobile industry has taken the country on a dramatic turn. Fifteen years ago, it was difficult to get even a fixed line. These days, you land at the airport and are immediately connected. Mobiles have made a real difference to the socio-economic situation of the country. Previously-isolated farmers can now have instant access to the market.”

The Eastern Africa Submarine Cable System (EASSy), the final link in Africa’s fiber-optic network, promises a new era of better quality digital services at reduced operational costs and user charges for the region. With Dar es Salaam slated to become the ICT backbone of the region, as the link for its eight neighbors, Tanzania’s future importance looks guaranteed. ■

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