

Tanzania's Changing Business Climate

The home of Mount Kilimanjaro and many other breathtaking attractions is turning the global downturn into an opportunity by unveiling a new mandate to attract the private sector.



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A Model of Stability in East Africa

Tanzania's natural assets are protected as the country continues its modernization.



Shamsa Mwangunga
Minister of Natural
Resources & Tourism



Erasmus Tarimo
Director
Wildlife

Setting a pace of average GDP growth of between 6% and 7% since 2000, Tanzania's rapid climb has made it fertile ground for investors from around the world.

This growth, however, has not been without its challenges. Poverty, underdeveloped infrastructure, and lackluster resource mobilization have forced both public and private sector leaders to create new strategies for the future of the East African Community's largest member.

Falling demand for commodities and a reduction in tourism revenues tempered the economy in 2009, but Tanzania's dynamic leader, President Jakaya Kikwete, has leveraged his popularity and high international standing to keep the economy moving forward. Last May, Kikwete became the first African leader to meet with President Barack Obama in Washington D.C., but his international reach extends beyond world leaders. Private sector reforms have eased regulations for investors, inviting new foreign businesses into the market and encouraging the creation of public-private partnerships.

Another milestone has been crossed during Kikwete's presidency. The World Economic Forum on Africa will be hosted in Dar es Salaam on May 5-7, 2010, the first time it has been held in East Africa. Discussions will tackle the region's most pressing challenges and explore opportunities to unlock Africa's growth potential. "This unique gathering convenes a very diverse group of friends of the continent who are united in their optimism of what Africa can, must, and will achieve," Kikwete states.

Meanwhile, government officials and business leaders hope Tanzania's large domestic market, location, and vast and under-explored mineral reserves will continue to whet investor interest. New projects in renewable energy from wind and biofuel lay on the horizon. Improved infrastructure will soon exploit Tanzania's ideal geographic location and deepwater port network, transforming it into a commercial hub for its populous landlocked neighbors. Robust investment in communications technology, coupled with low labor costs, have seen many scrambling to establish manufacturing and IT centers.

Traditional economic drivers such as agriculture, mining, and tourism, have room to grow as well. Revised agricultural policy

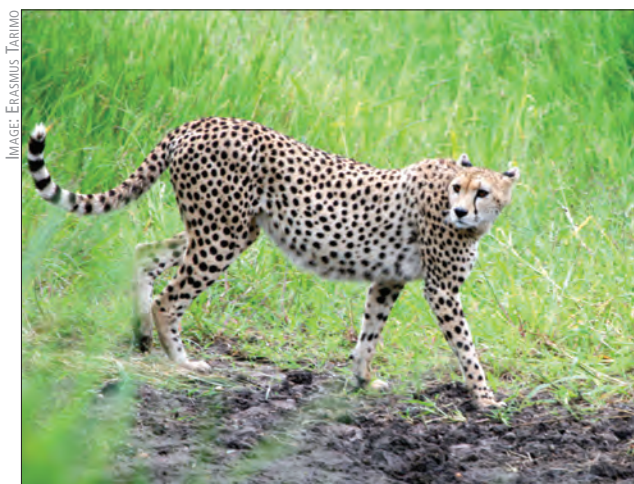


IMAGE: ERASMUS TARIMO

The cheetah's numbers have grown under wildlife protection.

has paved the way for a new green revolution to empower both small-scale and commercial farmers. The discovery of mineral resources, such as uranium, coal, natural gas, and precious metals, has opened up rural areas for extraction, generating a frenzy of exploration activity. As home to some of Africa's most renowned attractions, such as Mount Kilimanjaro, the Serengeti National Park, and Zanzibar, a safari holiday in Tanzania is like no other. Visitors are awed by the majestic peaks, variety of wildlife and dive sites, while a new wave of tourists is seeking Tanzania's secret gems, spurring the creation of new resort destinations off the beaten track.

Solution For Investors

The mutual profits of foreign direct investment (FDI) remain a lynchpin of Tanzania's growth strategy, but to many, doing business in Africa can seem like a daunting task. Fears of labyrinthine bureaucracy dissuade many entrepreneurs from venturing into this high-growth market. Enter the Tanzania Investment Center (TIC), on hand with an efficient solution.

As an autonomous government-funded body, the TIC helps facilitate and promote new investments and has been called a "one-stop shop" for new businesses seeking opportunities in



the country. "We facilitate every investor within two weeks so they do not waste time while in the country," says TIC executive director Emmanuel Ole Naiko.

In addition to reducing barriers to entry, the TIC has played a role in shaping new, business-friendly legislation and sensitizing civil servants to private sector needs. "We would like to see Tanzania become a gateway to the African market. Forget all the negative images associated with Africa," Ole Naiko says, reiterating one point: "Invest here and you will make money."

Established enterprises have a partner as well. The Fair Competition Commission (FCC) helps regulate commercial activity at the government, corporate, small business, and consumer levels while supporting equality and fairness in the marketplace. "The FCC acts as a referee for government, business people, and consumers," says Michael Shilla, FCC Director of Consumer Affairs and Administration. "We ensure the interests of these players and strive for fair play in the economy so that everyone remains protected."

Bordered by eight nations and with prime access to the emerging economies of the Indian Oceanic Rim, Tanzania is blessed with a strategic geographical setting. Its location makes it an ideal waypoint for raw materials from resource-rich, land-locked Central and East Africa, as well as a gateway for goods from China, India, and South East Asia.

As in much of Sub-Saharan Africa, the current state of infrastructure can impede commerce in some of the more remote corners of the country. Port congestion, too, has become a major hurdle. But with fresh funds from donors and an open-door policy for the formation of PPPs, planners are

"We are promoting an integrated planning process." Israel Sekirasa, SUMATRA

taking action. The Surface and Marine Transport Regulatory Authority (SUMATRA), an independent authority charged with regulating surface and maritime sub-sectors, has the scope and authority to mitigate these problems with the interests of consumers and investors in mind.

"Our mission is to promote efficient, reliable, safe, secure, and environmentally-friendly transport services in a competitive environment," says Israel Sekirasa, SUMATRA's director general. "We are now looking at ways we can promote an integrated planning process in sea and air ports, and rail and road transport, so that we can have a seamless transportation system to ensure a smooth flow of goods in and out of the ports. We try to fill the gaps between—and there are many gaps."

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Strengthening Business Through Policy



Esther P. Mkwizu
Chairperson
The Tanzania Private
Sector Foundation

Since 1998, the Tanzania Private Sector Foundation (TPSF) has served as the focal point for private sector affairs, envisioning socioeconomic development where entrepreneurs and policy-makers work hand-in-hand to create an environment fertile for investment and growth. "I see Tanzania as a treasure trove," says TPSF chairperson Esther Mkwizu, "and I see the private sector as the engine of growth."

With more than 100 private sector member associations, the institution has effectively opened a dialogue between government and private business owners, generating policy recommendations based on independent research and launching initiatives to cut red tape, thus paving the way for increased output. As a powerful advocate and lobbyist, the TPSF has garnered enough clout to ensure its voice is heard.

The TPSF also complements the government's exemplary macro-economic policy record with a set of development programs. The Private Sector Competitiveness Project (PSCP), in conjunction with the World Bank and other donor partners, pursues structural economic transformation from the grassroots level. "Our goal is to reduce bureaucracy and get more government support for the private sector," says TPSF executive director Evans Rweikiza. "In that way we reduce the cost of doing business."

To achieve these goals, four main initiatives have formed a synergy tailor-made to encourage Tanzania's emerging entrepreneurs:

- The Cluster Competitiveness Project aims to seek and close gaps in the value chain in related businesses to increase the sustainability and competitiveness of strategic enterprise groups.
- The CEO Scholarship Fund and Business School Linkages enhances educational opportunities to establish business leaders as well as young graduates by organizing seminars, training sessions, and capacity-building in business schools across the country.
- The Business Development Gateway awards hundreds of start-ups with risk grants of up to \$15,000 for viable business plans.
- The Matching Grants Program provides 50% cost-sharing grants to private firms for essential services and travel to improve competitiveness and open new markets.

By creating opportunities in education, opening new channels for funding and investment, and raising the private sector's profile, the TPSF is catalyzing a new culture of business in Tanzania. "I believe that within five years, if the partnership between the government and the private sector is strengthened, Tanzania could achieve a 10% growth rate," Mkwizu concludes.

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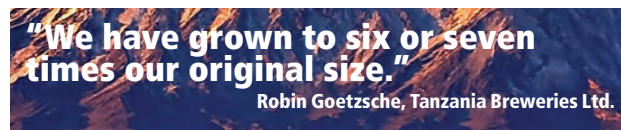
One entrepreneurial outfit has displayed a mastery of Tanzania's geographic advantages. Teddy Junior Ltd. has been exchanging know-how with port operators, offering advice on improvements from a business perspective while satisfying a broad range of international and local clients.

"We are constantly improving the number of containers we can handle," says Sarah Mmari, Teddy Junior Ltd.'s finance director. "Our expansive fleet of delivery vehicles has been facilitating the transit of goods throughout the country and across borders for over ten years."

Local Business Evolution

Tanzania Breweries Ltd. (TBL), a subsidiary of brewing giant SABMiller, is an example of success in the private sector. After purchasing a majority stake in the beer maker in 1993, SABMiller radically improved distribution, marketing, branding, and product quality. "The business has grown to about six or seven times the original size," says Robin Goetzsche, TBL's managing director.

Among the wide range of products, Kilimanjaro Lager, launched on the iconography of its namesake mountain, has become the most popular beer in the country by far.



TBL represents one of an elite group of Tanzanian companies profiting from a domestic, end-to-end value chain, from locally grown feedstock to marketing and distribution. The agricultural aspect of brewing has propelled TBL to bring more economic benefits to Tanzania's smallhold farmers. The goal of Project Saidiana—Swahili for "helping each other" or "togetherness"—is for the brewer to become entirely self-sufficient in growing and malting barley, kick-starting a significant growing industry across the country. "Today, we have 600 smallhold farmers growing barley," says Goetzsche. "We would like to be at the stage where there are 3,000 in five years."

The brewer's chairman, former Tanzanian Vice President and Prime Minister Cleopa David Msuya, backs this initiative heartily. "We are one of the companies that is moving in the right direction," Msuya says. "We are already doing it with barley and we are looking into making the same strides in grapes and sugars. It's about creating wealth, not distributing it—we have so much potential, but it has not yet been harnessed."

Reacting to Rapid Change

Brewers are not alone in adding value to a diversity of agricultural products. Grain miller and food processing leader Said Salim Bakhresa and Company Ltd. remains unmatched in its ability to vertically integrate and grow, while remaining nimble enough to react to rapid changes in the market.

Using Dar es Salaam as a hub and Tanzania's solid investment

climate and stability as a springboard, Bakhresa turned a once-small Zanzibar bakery into a regional powerhouse. "We are the only local Tanzanian company investing in the neighboring countries in a big way," says Abubakar Said Bakhresa, the group's executive director.

Under the Azam brand, the Bakhresa family has branched out into transportation and logistics and packaging, and the company is currently exploring the potential of large-scale wheat farming in the Democratic Republic of Congo. "There are a lot of opportunities, when you consider the whole region," says Bakhresa.

As the private sector matures and FDI inflows swell, developments indicative of broadening prosperity continue to sprout up in major cities. Large real estate development undertakings and new, high-quality health-care facilities mark new levels of progress in local markets.

Bahari Beach, a mixed-use beachfront development and Dar es Salaam's first planned development, will usher in a new chapter of the city's history. Bahari Beach will offer residents the opportunity to take advantage of revised credit laws, creating a new trend in property investment in a society that often favors cash savings. "There is real potential for growth in the real estate development sector," says Suleiman Dualeh, managing director of Integrated Property Investments Ltd., the London-based development firm behind the project. "With the availability of credit, people will see that they can realize the dream of owning a home that they can raise their families in."

As living standards climb, so do expectations in health care. The recent completion of the country's premier hospital, African Medical Investments' Trauma Centre and Well Woman Clinic, brings international class medical staff and facilities to Tanzania.

Targeting the upper echelons of society, those who normally fly to foreign countries for treatment, African Medical Investments—a London-based health-care provider—has built a reputation for bringing the best treatment to markets in need. "Our vision is to bring quality health care throughout Africa," says CEO Dr. Vivek Solanki, adding that the Trauma Centre and Well Woman Clinic are the first boutique, acute care facilities in the East African Region.

Safe and Sustainable Tourism

Even before David Livingstone's noted journey, the variety and scale of Tanzania's natural beauty enamored and amazed the entire world. Today, wildlife continues to be the mainstay of the



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The Development Partner of Choice



Benhadard Tito
MD, RAHCO

Tanzania's geographic location has endowed the country with pristine landscapes, vast mineral riches, and ample, fertile soil. But there is much prosperity beyond Tanzania's borders as well. The raw materials and markets of the country's East and Central African landlocked neighbors remain poised to capitalize on Tanzania's access to deep-water Indian Ocean ports. Few routes connect these

economies with the outside world, creating a bottleneck of truck traffic on congested roads.

By revamping Tanzania's aging rail network, the Reli Assets Holding Company Ltd. (RAHCO) expects major quality-of-life improvements, a reduction in carbon emissions, and handsome profits for investors—a vision as feasible as it is grand. RAHCO, established in 2001 to develop, promote, and manage the bulk of the country's railway assets, remains key to the future of Tanzania.

"These projects are viable," says RAHCO managing director Benhadard Tito, an engineer with decades of experience in the railroad industry. "It is not a question of ability—it's just a question of the right investment."

RAHCO's proposed railroad network will create dynamic, alternative trade routes to Rwanda, Burundi, Uganda, the Democratic Republic of Congo, and the Tanzanian interior, connecting them with the resource-hungry markets of Asia and beyond. "These are mineral-rich countries and regions, mostly unexploited because of infrastructure," Tito explains. "If you open up the railways, you open up the mining industry, and so much more."

Kenya, Tanzania's northern neighbor, currently handles most of the region's cargo traffic. Its slight edge in road and rail infrastructure proved inadequate early last year, however, when political violence severed transit links, sending African leaders in search of a stable lifeline.

Tanzania, with its unbroken record of stability, forgiving topography, and shorter distances to ports such as Tanga and Dar es Salaam, has become the desired alternative—and RAHCO, the development partner of choice.

RAHCO's drive extends even beyond neighborly linkages. Widening the current gauge, creating connections to new ports and industrial sites, constructing new corridors to coal and iron mining regions, building inland container depots, and real estate development have all become the matrix for a national infrastructure overhaul. With political backing from the Tanzanian government, RAHCO has combined its expertise with partners overseas.

Meanwhile, U.S. railroad giant BNSF, which has collaborated as a consultant, predicts that the first stage of physical upgrades will be completed by 2014, and studies indicate a 26% return on investment on the Rwanda line alone. "Lowering the transport premium of imported goods will accelerate consumption and increase traffic, giving investors even greater returns," Tito concludes.

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growing tourism industry. Nearly 90% of visitors come to observe or interact with lions, leopards, elephants, giraffes, rhinos, and countless other iconic species. A quarter of the country is now protected and the Ministry of Natural Resources and Tourism is tasked with the challenge of balancing preservation and tourism.

“We want to preserve our natural resources, but, at the same time, do business that will not harm our land and wildlife,” says Minister of Natural Resources and Tourism, Shamsa Mwangunga. “We don’t want to overbuild in our national parks and we don’t want cheap prices that will invite too many people to these areas. One way or another, crowds pollute.”

Protected areas include a vast network of national parks, game reserves, and botanical parks, as well as the unique Ngorongoro Conservation Area, where the Masai tribe intermingles with the largest concentration of mammals on the planet. Tanzania is a regional leader in protection, diversity, and the remoteness



Trauma Centre is the first to bring international class health care to Tanzania.

of wildlife resources.

To meet the projected increase in demand, the Ministry of Natural Resources and Tourism openly invites investors to explore possibilities in eco-lodges, beach resorts (Tanzania’s 800 km of white sand coast is all but untouched), hotels, and innovative safari operations. The appeal of watching a rare tree-climbing lion in its natural setting sets Tanzanian safari experiences apart, for example, while the Great Migration, a movement of nearly two million herbivores, takes place annually



Said Salim Bakhresa & Co. Ltd. has supported sports—from youth to pro teams.

to the delight of nature enthusiasts in the Serengeti and northern plains.

A crucial revenue stream for the tourist industry comes from “traditional safaris”, a euphemism for big game hunting expeditions, with trophy hunting in Tanzania creating crucial financial incentives for the preservation of wilderness areas and the animals that inhabit them. “Hunting has been the only way we have been able to protect wildlife in the most remote areas of the country,” says Erasmus Tarimo, director of the ministry’s Wildlife Division and a life-long conservation advocate.

Communities are empowered with participation in Wildlife Management Areas (WMAs), rural districts where citizens learn the value of habitats and animals. While government income typically surpasses \$10 million, the cash and employment benefits for those in the hunting industry are direct and hard to gauge. “WMAs also retain about 60% of the trophy fees—and that’s not small money,” Tarimo adds.

To visit Tanzania, a local adage goes, is to experience all of Africa. ●

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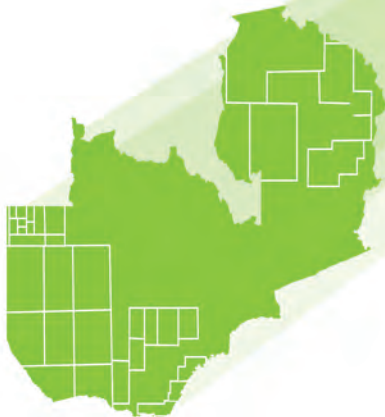
ZAMBIA

MINISTRY OF MINES AND MINERALS DEVELOPMENT

Invitation for bids

Following the successful round of bidding on November 6th 2009, the Ministry of Mines and Minerals Development is now offering another 23 blocks for oil and gas exploration.

1. The Government of the Republic of Zambia through the Ministry of Mines and Minerals Development in accordance with the Petroleum (Exploration and Production) Act 2008, invites sealed bids for petroleum exploration licensing round for 23 blocks in the North Western, Western, Southern, Eastern, Luapula and Northern Provinces of Zambia.
2. The bidder must be able to demonstrate a proven ability to raise the necessary funds, assets, machinery, equipment, tools and technical expertise to explore for, produce, sell and dispose of petroleum in an environmentally sustainable manner.
3. A complete Data Package in English should be purchased by interested bidders from the Director, Geological Survey Department, Ministry of Mines and Minerals Development, Corner of Government and Nationalists Roads, P.O. Box 31969, Lusaka upon payment of a non-refundable fee of US\$10,000 (or Zambian Kwacha equivalent). Some of the data may be purchased electronically by e-mail at the Geological Survey Department.
4. Bids in one original and three copies enclosed in sealed plain envelopes accompanied by a non-refundable application fee of US\$10,000 (or Zambian Kwacha equivalent) per block must be delivered by courier to be deposited in the Tender Box located at the Ministry of Mines and Minerals Development, 14th Floor, New Government Complex, Independence Avenue, P.O. Box 31969, Lusaka, Zambia by 30th of June 2010. Electronic, telex and telefax offers and late bids shall not be accepted irrespective of circumstances.
5. All bids shall be opened in public at the Ministry of Mines and Minerals Development, Conference Room situated on the 14th Floor, New Government Complex, Independence Avenue, P.O. Box 31969, Lusaka, Zambia immediately thereafter. Bidders and/or their representatives who choose to attend the tender opening are free to do so.



30 JUNE

A very important date for all companies in the oil and gas exploration industry, deadline day for bidding in one of Africa's most lucrative exploration projects



For further information and clarifications contact:
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Permanent Secretary
Ministry of Mines and Minerals Development

ZAMBIA

One of Africa's most mineral-rich nations, Zambia is now inviting bids for oil exploration projects.



Maxwell Mwale
Minister of Mines



Godwin Beene
Perm. Sec. of the
Ministry of Mines

Famed for its magnificent landscapes and spectacular Victoria Falls, Zambia is poised to make a splash in the oil and gas sector as leading international companies rush to the landlocked country in search of potentially lucrative oil exploration opportunities.

With a wealth of natural resources such as copper, cobalt, and manganese generating huge revenues for the ambitious country of 12 million people, the 2007 discovery of oil and gas residues has sparked a cascade of interest from foreign firms looking to strike it rich.

In order to ensure that the country makes the most of these expected oil and gas reserves, Zambian President Rupiah Banda has appointed a special ministerial committee to oversee the issuing of licenses for 23 exploration blocks situated in the northwestern, western, southern, and eastern provinces.

Interested parties have until June 30th, 2010 to submit bids for the blocks, with government officials anticipating a wave of interest from major industry players, as witnessed during the first round of licensing in early November 2009 when permits were issued for 11 exploration blocks.

The Ministry of Mines and Minerals Development is the government department given responsibility for developing this emerging oil and gas sector in a country that has traditionally relied on its huge deposits of metals and other precious

"Our strong legal framework and policies protect foreign investors."
Godwin Beene, Permanent Secretary of Ministry of Mines

minerals to buoy the economy. "While we are diversifying our economy and moving into sectors such as tourism and agriculture, mining will continue to play a significant role in Zambia and will help finance this diversification," says Maxwell Mwale, Minister of Mines and Minerals Development.

"We have every chance of finding petroleum in Zambia. Our neighbor, Angola, has onshore reserves, and we are therefore very optimistic these exploration projects will have a positive outcome. We have identified a number of potential sites for oil and gas reserves, and at this stage are inviting investors to carry out detailed geological explorations."

As part of its Vision 2030 socioeconomic development plan, and following amendments to the Petroleum Act in 2008,

international oil and gas companies will be expected to train and hire local workers and comply with strict environmental laws and tough health and safety regulations.

In addition, the government has pledged to establish a state-owned oil enterprise that will regulate activities throughout the industry and ensure that all rules and protocols are adhered to.

Safe and Investor-Friendly

While Zambia is fully committed to the development of value-added activities across the board, Minister Mwale explains that mining will remain the driver for better infrastructure, with the fledgling oil and gas sector also playing a key role in the country's emergence on the global stage.

Investors will be able to take advantage of a wide range of tax breaks and government concessions, and can rest assured they are investing in one of the safest countries in the region.

"We offer many incentives to investors, but political stability is our biggest draw," Minister Mwale explains. "Moreover, we are reducing the cost of doing business in Zambia and streamlining the licensing process."

This optimistic outlook for the mining industry and the general economy is shared by Mwale's ministerial colleague Godwin Beene, Permanent Secretary of the Ministry of Mines and Minerals Development.

"When you take the mining history of Zambia and add oil and gas, you have a very exciting scenario," Beene states. "We are very pleased with the amount of interest generated by our oil exploration blocks because this is virgin territory."

"Seven companies have been awarded exploration rights so far, and we are very confident about our prospects due to the amount of interest that leading prospectors have shown in Zambia. The Zambian companies involved must take credit because these ventures are strongly backed by the best professionals in the industry. They bring to the table years of experience in oil and gas that is invaluable."

Beene emphasizes that "Zambia has come a long way with regard to investment," and that now is the ideal time for foreign investors to launch operations there.

"We have a strong legal framework in place and there has never been a better time to do business in our country," he says. "Our message to investors is that you are welcome in Zambia. The government has put in place a series of policies to protect you and your investment." ●