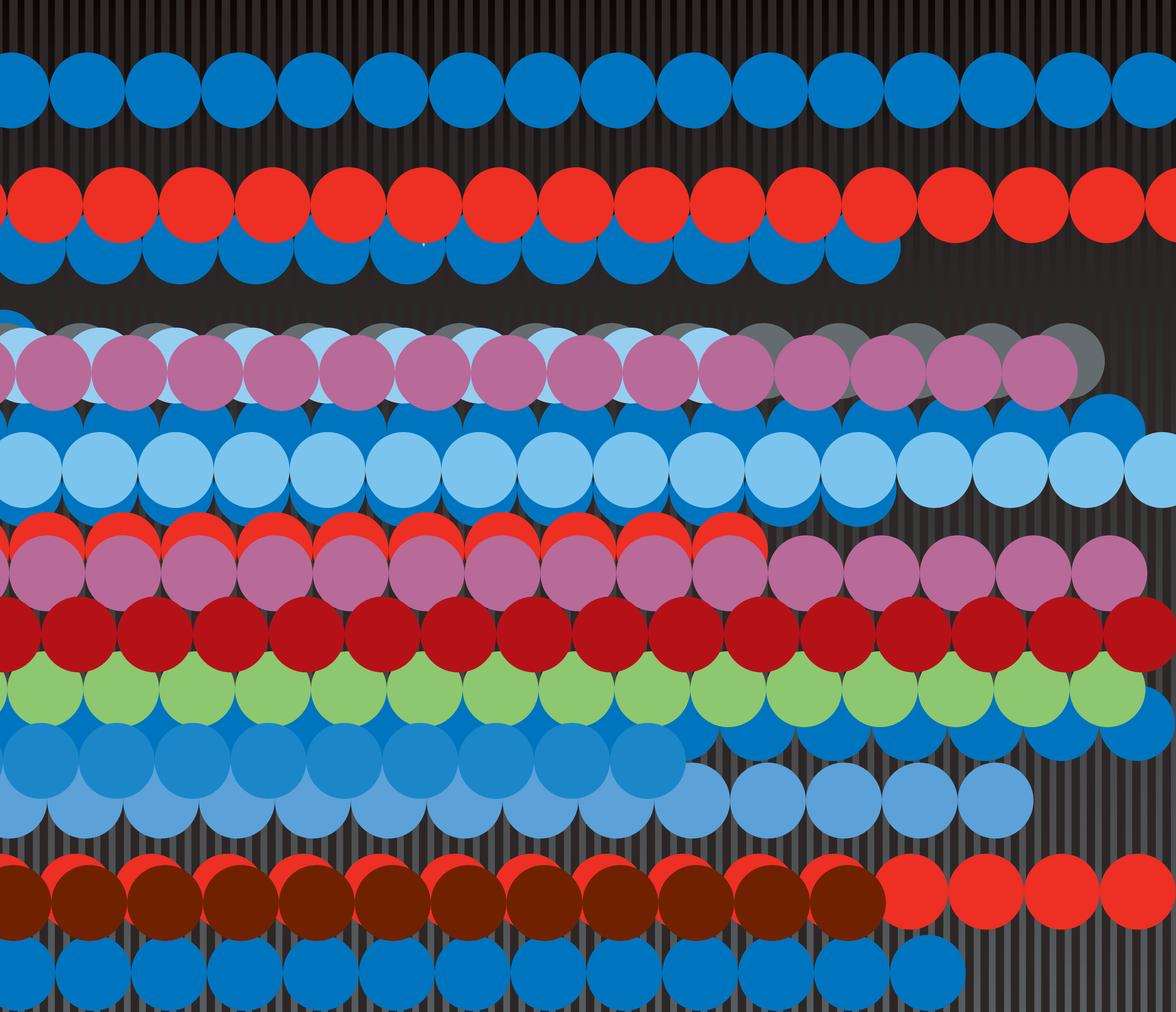

TABORA

Invest in Tanzania: **Focus Tabora** May 2013

Millennium Cities Initiative

EARTH INSTITUTE | COLUMBIA UNIVERSITY

INVEST IN TANZANIA: FOCUS TABORA

April 2013

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The Millennium Cities Initiative series of investor's guides

Invest in Kenya: Focus Kisumu, 2007
Invest in Ghana: Focus Kumasi, 2008
Invest in Malawi: Focus Blantyre, 2011
Invest in Ethiopia: Focus Mekelle, 2012
Invest in Tanzania: Focus Tabora, 2013

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PREFACE

Tanzania, along with 189 other countries, adopted the Millennium Declaration in 2000, which set out the Millennium Development Goals (MDGs) to be achieved by 2015. The MDG process is spearheaded in Tanzania by the Ministry of Finance and Economic Affairs.

This Guide is part of the Millennium effort and was prepared by the Millennium Cities Initiative (MCI), which is an initiative of The Earth Institute at Columbia University, undertaken in cooperation with the MDG Support Team at the United Nations Development Programme. The MCI is guided by Jeffrey D. Sachs and directed by Susan Blaustein. Its present efforts focus on helping eleven cities in eight African countries to achieve the MDGS, through integrated development strategies that encompass social-sector priorities and goals to attract increased productive private investment, both domestic and foreign. The Millennium cities are: Mekelle, Ethiopia; Accra and Kumasi, Ghana; Kisumu, Kenya; Blantyre, Malawi; Bamako and Segou, Mali; Akure and Kaduna, Nigeria; Louga, Senegal; and Tabora, Tanzania. For more on the MCI, see the MCI website: http://mci.ei.columbia.edu. .

Under the Regional Partnership to Promote Trade and Investment in Sub-Saharan Africa, funded by the Government of Finland, three of the above-mentioned cities, i.e., Mekelle, Ethiopia; Kumasi, Ghana; and Tabora, Tanzania, are receiving additional assistance to support their efforts to attract more productive private investment. The cities were chosen in part for their proximity to the Millennium Villages www.earth.columbia.edu/ millenniumvillages/].

Another key selection criterion was the willingness of the cities to demonstrate their commitment to the project by pledging the equivalent of 15% of the external funding to cover some of the local costs of implementation. In the case of Tabora, the fifth Millennium city to have an investors' guide prepared for it, the Millennium Village is Mbola, in the neighbouring Uyui district in mid-western Tanzania.

The idea behind this Guide is to offer the reader a brief description of investment opportunities in the Tabora area, supplemented by a description of the investment climate and of the broader context of Tanzania and East Africa. The MCI does not believe that serious investors can be attracted to an area through a purely 'promotional' approach, one that promotes the positive while hiding the negative. So the Guide is written to be credible. The challenges that potential investors would face are described along with the opportunities they may be missing if they ignore Tabora.

The Guide is intended to make Tabora and what Tabora has to offer better known to investors worldwide. Although we have had the foreign investor primarily in mind, we believe that the Guide will be of use to domestic investors in Tanzania as well. While by no means the sole driver of growth and development, foreign direct investment does have a distinctive contribution to make. Not only does it bring scarce capital, it also brings know-how, technology and access to foreign markets. Furthermore, it helps improve the competitiveness of *domestic* enterprises, which must be the foundation of all growth.

We hope that our investor readers find this Guide a useful practical tool.

ACKNOWLEDGEMENTS

This Guide was prepared by the Millennium Cities Initiative (MCI) of Columbia University (see Preface), under the responsibility of Susan Blaustein, Director, and Karin Millett, Senior Researcher/Advisor, MCI.

We are grateful to the Regional Commissioner of the Tabora Region, Fatma Abbakar Mwassa, as well as to officials of the Tabora municipality and the Tabora Urban district for their cooperation in this project and in the MCI's work in Tabora more generally. And we thank the District Commissioner, Suleiman Omar Kumchaya; the Lord Mayor, Gulam Hussein Remtullah Dewji; and the Municipal Director, Sipora J. Liana, for their participation in the workshop held in Tabora on 11 and 12 October 2012. We thank as well Vishwas P. Govitrikar, our international consultant, who drafted the Guide and conducted the workshop in Tabora; Deo Damian Msilu, the MCI Coordinator in Tabora, who organized the feedback workshop and provided inputs to the Guide; and Joy Morabu, the Regional Coordinator for Eastern and Southern Africa, who helped conduct the workshop and also provided inputs to the Guide.

Our thanks are also owed to the companies and government agencies that participated in the workshop in Tabora, as well as to investors and government officials who provided further inputs to the Guide. While we cannot acknowledge all contributors individually, we should particularly like to thank Mkama Bwire, Rashid Juma, Ramadhan Kalingonji, Fred Kananura, Willbard Kente, Lucas P. Kusare, Leonard Kushoka, Damas Kuya, Jasper Kwesiga, Japhary Lyimo, Young Il Mah, Rudolf Mashele, William Masubi, Augustino Mbulumi, John Mchele, Dick Mlimuka, Frank O. Mmasi, Daniel Moshy, Esther L. Mwangamila, Zena Mwangati, Ditrick Mwinuka, Abdallah Nassor, Philbert Ndege, Philip Ndilahomba, Samwel Neligwa, Dotto Ngereza, Gerson Nyadzi, Mukesh and Farida Patel, Andrew Soko, Eustard R. Tibategeza, and Thomas Tukay.

The preparation of the Guide was helped substantially by an MCI report on investment opportunities in Tabora prepared by KPMG International. The report is available at http://mci.ei.columbia.edu/research-publications/investment-working-paper-series/ .

Photographs for the Guide were provided by the Tanzania Tourism Board, the Ugalla Game Project, and Deo Damian Msilu. Nelson Vigneault designed the Guide.

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The miombo woodlands in the Tabora region are eminently suitable for producing high-quality hardwood and for hardwood products there is a substantial market. My own 10-year experience in this sector suggests, for example, that there is much unmet demand, both foreign and domestic, for hardwood furniture. What is lacking in Tabora is the modern machinery that can turn hardwood into furniture and other consumer products. For investors who can bring in such machinery, there are many opportunities in timber processing.

Abdallah Nassor, Managing Director, Tabora Msitu Products Co. Ltd.

As a place to invest in, Tabora has many advantages. Its location not only makes it the centre of a growing market of some 15 million consumers in western Tanzania, it also makes it a good place to access the adjacent parts of neighbouring countries: Zambia, Burundi, Rwanda, and the Democratic Republic of the Congo. In addition, as this guide documents, the region has abundant natural resources, whether for tourism, agriculture, beekeeping or mining. On behalf of the Government of Tanzania, I welcome you to Tabora and assure you of every kind of assistance to help make your project a success.

Fatma Abbakar Mwassa, Regional Commissioner, Tabora Region

EXECUTIVE SUMMARY

Tabora lies at the heart of western Tanzania, nearly 750 km northwest of Dar es Salaam. The main railway line in Tanzania passes through Tabora and, along with trunk roads, connects it with Mwanza in the north and Kigoma in the west. The city is the capital of the Tabora Region, physically the largest in the country, and has a rich history. It has long been known for its educational institutions, which include the school that educated Julius Nyerere, the founding President of the United Republic of Tanzania. Today, there are 10 technical colleges in the region (five of them in the city) and three universities, which together graduate 2,300 students a year. The fields in which the students are trained range from beekeeping through accounting to electronics. The climate is moderate tropical, with temperatures generally in the range of 18° to 30° C (64° to 86° F).

Tabora is the economic hub of the region. There are farmlands all around it and farming (cotton, tobacco, sunflower, groundnuts) is the major economic activity, supplemented by beekeeping, timber logging, agro-processing, and wholesale and retail trade. The main investment opportunities are to be found in honey processing, edible oil processing, milk processing, and hospitality. There may be opportunities as well in light manufacturing, for example, in processing timber and timber by-products, along with service areas such as infrastructure and education. Among the main advantages of investing in Tabora are its central location, its expanding population, and the relative lack of competition in many fields.

When it comes to markets, there is the local market to begin with, especially now that Tabora's road links with neighbouring regions are being strengthened. There is also the market in Dar es Salaam, which has significant purchasing power. Then there is the broader market provided by the 140 million consumers of the East African Community (EAC), which has actually put in place some of the things that other trading blocs have only talked about, such as a customs union and visa-free travel. And finally, there are the overseas export markets – those of the European Union, the United States, the Middle East, and Emerging Asia. Special access to the EU and the US is guaranteed under two preferential trade arrangements: the Everything But Arms (EBA) initiative of the EU and the African Growth and Opportunity Act (AGOA) of the US.

The business environment has both pluses and minuses. Tabora itself has suffered from poor transport links in recent years. The airport has not been functioning, the trunk roads have been unpaved, and the railway has been unreliable. But much is changing rapidly here. The airport is being modernized and regular flights from Dar es Salaam are expected to resume by March 2013. The trunk road linking Tabora to Mwanza (via Nzega) is expected to go from gravel to tarmac by 2015.

The broader Tanzanian business environment also has some major strengths. In political stability, Tanzania leads the five member countries of the East African Community (EAC) and performs significantly better than the average country in Sub-Saharan Africa (SSA). In trading across borders, Tanzania's cost to *export* is 60% of the EAC and SSA averages, while the cost to *import* is 60% of the SSA average and only about 40% of the EAC average. On the negative side, the bureaucracy remains less than efficient.

When one considers the business opportunities and the progressive improvements in infrastructure, one can only conclude that Tabora is a very promising location for an enterprising investor.

Map No. 4248 Rev. 1 UNITED NATIONS
June 2012

Department of Field Support
Cartographic Section

Note that these maps do not show international boundaries in the three lakes that border Tanzania. An official map of Tanzania showing these boundaries in the lakes is available at http://www.ardhi.go.tz/administration-map-tanzania.html .

Note also that the UN maps on this page carry an explicit disclaimer (at the top right in the Tanzania map and the bottom left in the EAC map) that reads 'The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.'

The Millennium Cities Initiative itself has no view in the matter of international boundaries and the maps here are used simply for the convenience of our readers, as in all other guides in this series.

Tanzania in brief

Official name:	United Republic of Tanzania
Capital:	Dodoma (location of legislature; executive in Dar es Salaam)
Form of government:	Unitary republic based on multiparty parliamentary democracy
Head of state:	President Jakaya Mrisho Kikwete
Head of government:	The President is also the Head of Government
Location:	East Africa, bordering Burundi, Rwanda, Uganda, Kenya, Mozambique, Malawi, Zambia, and (across Lake Tanganyika) the Democratic Republic of the Congo
Surface area:	947,300 sq. km, of which water 61,500 sq. km
Climate:	Tropical along the coast and temperate in the highlands. Annual rainfall varies from 500 mm to 1,000 mm over most of the country. Highest point Mount Kilimanjaro: 5,895 m. above sea level.
Population:	45,798,475 (2002 census projection for 2012, made in 2006), growth rate 2.9% in 2010.
Religions:	Christianity, Islam and Traditional African faiths. Estimates of proportions vary. The census does not ask about religious affiliation.
Languages:	Kiswahili is the official language, along with English, which is the language of higher education and the higher levels of administration and business. Arabic is spoken in Zanzibar. There are many local languages as well.
GDP[a]:	USD 24 billion — at purchasing power parity, USD 68 billion (2012 estimate)
GDP per capita:	USD 561 — at purchasing power parity, USD 1,583 (2012 estimate)
Currency:	Tanzanian shilling (TZS)
Exchange rate:	USD 1 = TZS 1,622 (UN operational exchange rate on 1 March 2013)

Tabora in brief

Location:	744 km[b] west (and a bit north) of Dar es Salaam.
Climate:	Moderate tropical, 18° to 30° C the year round. Rainfall November to April.
Notable features:	Capital of Tabora Region.
Population:	Tabora Urban[c] 261,501; Tabora Region, 2,539,715 (2002 census projections for 2012, made in 2006).
Religion:	Christianity, Islam, Traditional African faiths
Languages:	Kiswahili, Kinyamwezi, English .
Economic activity:	Farming (cotton, tobacco, groundnuts, sunflower), beekeeping, timber logging, agro-processing, light manufacturing, and wholesale and retail trade.

a 'GDP' is 'gross domestic product', the total annual output of goods and services produced in the country.

b This is the distance as the crow flies. By road, it is 1,026 km.

c See box I.1 below.

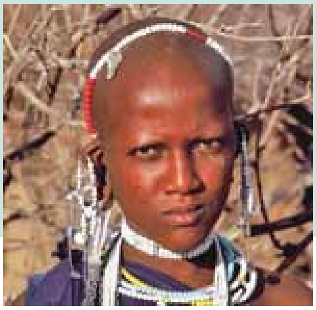
Source: The Millennium Cities Initiative, The Earth Institute, Columbia University (hereafter 'Millennium Cities Initiative'), drawing on various sources.

Tabora is a regional hub in western Tanzania, located on the crossroads of the main railway lines connecting Dar es Salaam on the coast with Lake Tanganyika and Lake Victoria in the interior. Its location and rapidly improving infrastructure make Tabora an excellent place to invest in a number of sectors, from honey and edible oil processing to timber and tourism. I welcome you to Tabora, a warm and hospitable place, and promise to do all my colleagues and I can to make your venture a success.

Gulam Hussein Remtullah Dewji, Lord Mayor of Tabora

Tabora offers investors a moderate climate, an inexpensive workforce and a growing market in both Tabora and the regions bordering it. There is also no shortage of opportunities: in dairy, construction and education, to name a few. There are also obstacles, above all in infrastructure, but many of these are being overcome. The airport will start functioning very soon and the main roads are being paved, which will make access to Tabora easier.

Dick Mlimuka, Managing Director, New Tabora Dairies



I. THE BROADER CONTEXT

1. A sketch of Tanzania & East Africa

The country

The United Republic of Tanzania is a union of two entities: the mainland of Tanzania, formerly known as Tanganyika, and Zanzibar, a group of islands off the Indian Ocean coast. Zanzibar is small, with around 2,600 sq m of territory in the two main islands of Unguja and Pemba — or about the size of Luxembourg in the European Union. The mainland of Tanzania, on the other hand, is very large, about 945,000 sq km — or somewhat larger than France and Germany combined.

Tanzania is bordered by Mozambique to the south and, moving clockwise, Malawi (partly across Lake Nyasa) and Zambia to the southwest, the Democratic Republic of the Congo (DRC, across Lake Tanganyika) to the west, Burundi and Rwanda to the northwest, Uganda and Kenya (partly across Lake Victoria) to the north, and the Indian Ocean to the east. (See the map of Tanzania at the front of the guide.)

Tanzania shares control over several large bodies of water with its neighbours. It has a 1,420 km shoreline on Lake Victoria to the north, a 650 km shoreline on Lake Tanganyika to the west, and a 305 km shoreline on Lake Nyasa to the southwest. Its Indian Ocean coastline is some 1,300 km long.[1] The terrain comprises hot and humid plains along the coast, a plateau in the central area, and cooler highlands in the north and south. The northeast border with Kenya is dominated by Mount Meru and Mount Kilimanjaro. Southwards is the Central Plateau reaching elevations above 2000 m. Annual rainfall varies from 500 mm to 1 000 mm over most of the country. The highest rainfall of 1 000 mm to 3 000 mm occurs in the northeast of the Lake Tanganyika basin and in the Southern Highlands.[2]

The country is divided into 30 regions, five in Zanzibar and 25 in the mainland. There were only 21 regions in the main-land until March 2012, when four new regions were announced: Geita, Katavi, Njombe, and Simiyu.[3] Physically, the largest of the regions is Tabora, with an area of just over 76,000 sq km.

1 FAO, *Aquastat country profile: Tanzania* (see **Sources consulted**).

2 Ibid.

3 See allAfrica.com, 'Tanzania: New Regions, Districts Will Facilitate Service Provision' (see **Sources consulted**).

Box I.1. Tabora: 'City' / 'Municipality' / 'District' / 'Region'

Since Tabora is one of the 11 'millennium cities' (see Preface above for list), we have at times referred to it as 'the city'. In so doing, we are following standard usage in English, according to which a city is simply a 'permanent and highly organized centre of population, of greater size or importance than a town or village.' Our foreign readers should note, however, that 'city' has a more restricted usage in Tanzania. According to the official usage of the Ministry of Lands, Housing and Human Settlements Development (MLHHSD), there are only five cities in Tanzania — in alphabetical order, Arusha, Dar es Salaam, Mbeya, Mwanza and Tanga.[a] The remaining urban settlements are classified as follows: 17 municipalities (one of which is Tabora), 4 towns and 77 townships (or district headquarters).[b]

There are several other terms that should be noted as well. 'Tabora Urban' is one of the seven districts that together constitute the 'Tabora Region'. It includes the town as well as some surrounding villages. The administrative head of the district is the District Commissioner, currently Suleiman Omar Kumchaya. The town itself is governed by the 'Tabora Municipality'. The day-to-day technical and administrative work of the Municipality is handled by the Municipal Director, currently Sipora J. Liana, who is assisted by various heads of departments and sections. The head of the Municipal Council is the Lord Mayor as chairman, currently Gulam Hussein Remtullah Dewji. Unlike the District Commissioner and the Municipal Director, who are civil servants appointed by the national government, the Mayor is elected by the residents of Tabora for a five-year term.

Source: Millennium Cities Initiative, drawing on various sources, including discussions with district and municipal officials.

a See Appendix 1, Table 7, MLHSD's List of Urban Settlements, in Muzzini, *The Urban Transition in Tanzania* (see **Sources consulted**).

b Ibid.

Demographically, however, it ranks well below the top, with two of its neighbouring regions — Mbeya and Shinyanga — being larger. (Shinyanga is well over 60% more populous, as shown in table I.6 below. Dar es Salaam is by far the largest city, with a population projected to surpass three million in 2012.[4] Other major cities (all very much smaller) are Mwanza, Arusha, Tanga and Mbeya. The city of Tabora (see box I.1 below) is one of the smaller ones, with a 2012 estimated population of around 260,000.

There are some 120 ethnic groups in Tanzania. The largest of these is the Sukuma, followed by the Nyamwezi (the dominant group in the Tabora region), and the Chagga. In Zanzibar, the dominant group is Shirazi.[5] Despite this huge ethnic diversity — or perhaps because of it — there has been little tribal strife in modern Tanzania. Christianity, Islam, and traditional African faiths all have followers in the mainland, though the proportions appear to be in dispute. Zanzibar is predominantly Muslim.

For a little over 40 years, until the end of World War I, Tanganyika was a German colony, at first controlled by the German East Africa Company and then by the German State. After the war, control passed to the British. The British also controlled Zanzibar, which had an Arab Sultan but had become a British Protectorate by 1890. The Germans launched the modernization and industrialization process, for example by beginning the construction of the railway line that goes through Tabora, and the British continued it. Tanganyika became autonomous in May 1961 and fully independent in December 1961, led by Prime Minister Julius K. Nyerere. A year later, it became a republic, with Nyerere as President. Zanzibar became independent in 1963 and united with Tanganyika in 1964, to form the United Republic of Tanzania.

President Nyerere governed with a one-party state for most of his time in office until he stepped down in 1985. His policy of African socialism, called '*ujamaa*' (after a Kiswahili word meaning brotherhood or kinship) had mixed success, with the economy suffering from the inefficiencies associated with collective farming, a large bureaucracy and poor incentives. Nonetheless, the party he founded in 1977,[6] *Chama Cha Mapinduzi* ('Party of Revolution' — CCM), has been in power continuously since its founding and has won all four multi-party elections since 1995. The CCM now espouses a more private-sector-led approach to securing economic growth. The present President, Jakaya Mrisho Kikwete, won a second term in office in 2010.

Governance assessments

The three tables that follow provide a *comparative* assessment of some major aspects of *governance* in Tanzania.[8] The comparators are the five members of the East African Community. Governance in this context is the set of traditions and institutions by which authority is exercised in a country. The assessments reflect the views of citizens, enterprises and experts.

The first dimension of governance captured below is *political stability*, which measures the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism. Tanzania is the clear leader in the EAC when it comes to political stability. Its percentile rank is 45.8, which indicates that it does better than nearly 46% of the 213 economies surveyed[9] by the World Bank project that provided the data. This score is also a good 12 percentile points higher than the average for Sub-Saharan Africa and strikingly higher than the ranks of all but one of its fellow members of the EAC. (Rwanda, which has what is generally regarded as a more authoritarian regime, comes second, with a score of 41.5.)

4 National Bureau of Statistics, *Tanzania 2002 Census Projections* (see **Sources consulted**).

5 See University of Pennsylvania, *East Africa Living Encyclopedia* (see **Sources consulted**).

6 See Government of the United States, Department of State, *Background Note: Tanzania* (see **Sources consulted**).

7 The new party was the result of a merger between the Tanganyika African National Union (TANU), which had led the country to independence, and the Afro-Shirazi Party (ASP) of Zanzibar.

8 The source and notes for all three tables are given after table I.3.

9 Over the period 1996–2010.

The second dimension of governance captured below is *government effectiveness*, which covers such matters as the quality of public services, the quality of the civil service, the quality of policy formulation and implementation, etc. Tanzania does not produce quite as stellar a performance under this heading as under *political stability* above. Still, it does come in second, if a rather distant second, to Rwanda. Note also that its score of 37.8 is again noticeably higher than the Sub-Saharan Africa average of 26.5.

The third and last dimension of governance measured below is *control of corruption*, which captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as the 'capture' of the state by elites and private interests. Once again, Tanzania comes in a distant second to Rwanda but very much ahead of the other three countries. Its percentile rank of 37.3 is also clearly higher than the average rank for Sub-Saharan Africa.

Table I.1. Political stability in the East African Community

Country	Sources[a] (number)	Year	Rank[b] (%)	Sub-Saharan Africa average (%)	Governance score[c] (-2.5 to +2.5)
Burundi	5	2010	7.5	34.1	-1.54
Kenya	7	2010	13.7	34.1	-1.2
Rwanda	5	2010	41.5	34.1	-0.11
Tanzania	**7**	**2010**	**45.8**	**34.1**	**-0.01**
Uganda	7	2010	15.6	34.1	-1.12

Table I.2. Government effectiveness in the East African Community

Country	Sources[a] (number)	Year	Rank[b] (%)	Sub-Saharan Africa average (%)	Governance score[c] (-2.5 to +2.5)
Burundi	8	2010	12.9	26.5	-1.09
Kenya	11	2010	35.9	26.5	-0.54
Rwanda	8	2010	54.1	26.5	-0.05
Tanzania	**11**	**2010**	**37.8**	**26.5**	**-0.5**
Uganda	11	2010	34.4	26.5	-0.55

Table I.3. Control of corruption in the East African Community

Country	Sources[a] (number)	Year	Rank[b] (%)	Sub-Saharan Africa average (%)	Governance score[c] (-2.5 to +2.5)
Burundi	9	2010	12.4	32.1	-1.08
Kenya	14	2010	18.7	32.1	-0.91
Rwanda	10	2010	70.8	32.1	0.48
Tanzania	**13**	**2010**	**37.3**	**32.1**	**-0.49**
Uganda	14	2010	20.6	32.1	-0.88

a The governance indicators summarize information from data sources that report the views and experiences of citizens, entrepreneurs, and experts in the public, private and NGO sectors. More specifically, these sources are:

i) surveys of households and firms,
ii) commercial business information providers,
iii) non-governmental organizations, and
iv) public-sector organizations.

b Percentile rank indicates the percentage of countries worldwide that rate below the selected country, so higher values indicate better governance ratings.

c Governance scores range from the worst at -2.5 to the best at +2.5.

Source: All three tables have been adapted from the World Bank, Worldwide Governance Indicators, 1996-2010, http://info.worldbank.org/governance/wgi/index.asp .

Millennium Development Goals

In 2000, Tanzania was one of the 189 countries that adopted the Millennium Declaration of the United Nations, which set out the Millennium Development Goals (MDGs) to be achieved by the year 2015. As shown in table I.4 below, Tanzania has made substantial progress towards reaching a number of these goals, such as reducing child mortality and promoting gender equality in schooling. There are also notable improvements in reducing debt service and increasing mobile cellular subscriptions (which now cover nearly half the population). Progress has been less impressive in other areas, such as improving maternal health, or practically non-existent, in matters such as preserving and expanding forest cover.

TABLE I.4. Tanzania's progress towards the Millennium Development Goals: Selected indicators

	Goals[a]	1990[b]	2000[b]	2010[b]
1	**Eradicate extreme poverty and hunger**			
	Employment to population ratio, 15+, total (%)	*75*	*75*	*78*
	Malnutrition prevalence (% of children under 5)	*25*	*25*	–
2	**Achieve universal primary education**			
	Primary completion rate, total (% of relevant age group)	*47*	*55*	90
	Total enrolment, primary (% net)	51	53	*97*
3	**Promote gender equality and empower women**			
	Ratio of female to male primary enrolment (%)	99	99	102
	Ratio of female to male secondary enrolment (%)	73	81	*78*
4	**Reduce child mortality**			
	Mortality rate, infant (per 1,000 live births)	95	81	50
	Mortality rate, under 5 (per 1,000)	155	130	76
5	**Improve maternal health**			
	Maternal mortality ratio (estimate, per 100,000 live births)	880	920	*790*
	Pregnant women receiving prenatal care (%)	*62*	*49*	*76*
6	**Combat HIV/AIDS, malaria, and other diseases**			
	Children with fever receiving anti-malarial drugs (% of children under age 5 with fever)	–	*53*	*59*
	Prevalence of HIV, total (% of population ages 15-49)	4.8	7.3	5.6
7	**Ensure environmental sustainability**			
	Forest area (% of land area)	46.8	42.3	37.7
	Improved sanitation facilities (% of population with access)	24	24	*24*
8	**Develop a global partnership for development**			
	Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	31	12	2
	Mobile cellular subscriptions (per 100 people)	0	0	47

a Only selected indicators appear under each goal.

b Figures in italics refer to periods other than those specified.

Source: Adapted from the World Bank, World Development Indicators database, http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT_ID=1336&REQUEST_TYPE=VIEWADVANCED .

The region

Tanzania is a member of two major regional organizations. One of these is the Southern African Development Community (SADC). Although it is now primarily an economic organization, SADC began in 1980 with an objective that was as much political as economic: to reduce dependence on then apartheid South Africa.[10]
It has evolved considerably since then and hopes one day soon to achieve a customs union. Negotiations were also launched in June 2011 in Johannesburg, South Africa, to create a Tripartite Free Trade Area with two other regional organizations — the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC).[11]

The current membership of SADC stands at 15 minus one, as Madagascar has been suspended since it suffered a *coup d'état* in March 2009. The other members are Angola, Botswana, the Democratic Republic of the Congo (DRC), Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

The second regional organization to which Tanzania belongs is the East African Community (EAC). The EAC is one of the oldest regional co-operation arrangements in Africa. There was a Customs Union among Kenya, Uganda and Tanzania, then Tanganyika, by 1927. It was followed by the East African High Commission (1948–1961), the East African Common Services Organisation (1961–1967), and the (first) East African Community (1967–1977). Even after the collapse of the first EAC, the member states continued their search for areas of co-operation and the eventual result was the rebirth of the EAC in July 2000.[12]

The EAC has set very ambitious goals for itself. It intends to be far more than a free (or preferential) trade area. The idea is to move from a Customs Union to a Common Market to a Monetary Union to, finally, political federation. The EAC Customs Union became operational on 1 January 2005. Burundi and Rwanda became full members of the EAC on 1 July 2007 and joined the Customs Union two years later. By 2010, intra-EAC trade had grown to USD 4.1 billion from USD 2.2 billion in 2005.[13]

The rationale for a monetary union is to deepen economic integration by reducing the costs of transacting business in different currencies and the risk of adverse exchange-rate movements for both trade and travellers. In 2007, the EAC Heads of State decided to fast-track the establishment of the East African Monetary Union (EAMU) so that it would be in place by 2012. The European Central Bank (ECB) was engaged to act as consultant and produce a comprehensive report on the prospects of the EAMU.

Since then, however, there have been reports suggesting that the private sector in concerned about the tight schedule and some European economists have also expressed worries about a possible crisis following the rushed adoption of a common currency. The recent difficulties in the Euro zone are the backdrop to these reservations.[14] Against this background, on 30 November 2012, the EAC Heads of State decided to postpone the establishment of the EAMU until November 2013.[15]

See under **Markets for investors** below for EAC economic indicators.

10 See the website of the Southern African Development Community (SADC) at: http://www.sadc.int/ s.

11 Final Communiqué of the Fifteenth Summit of the Comesa Authority of Heads of State and Government, http://comesa3.comesa.int/attacments/article/189/111015_FINAL_COMMUNIQUE_OF_THE_FIFTEENTH__SUMMIT_FINAL%20.pdf .

12 See the website of the East African Community at: http://www.eac.int/about-eac/eac-history.html .

13 East African Community Secretariat, 'Secretary General Launches State of East Africa Report 2012', 4 April 2012, http://www.eac.int/about-eac/eac-news/965-secretary-general-launches-the-state-of-east-african-report-2012.html .

14 allAfrica.com, 'East Africa: Rift Emerges over EAC Monetary Union' by Eric Kabeera, 29 February 2012, http://allafrica.com/stories/201202290200.html .

15 The East African, 'EAC: Bureaucratic delays, missed targets hurt integration,' Saturday, December 8, 2012 at 13:01, http://www.africareview.com/Special-Reports/Missed-targets-hurt-EAC-integration/-/979182/1639286/-/q54ib5/-/index.html .

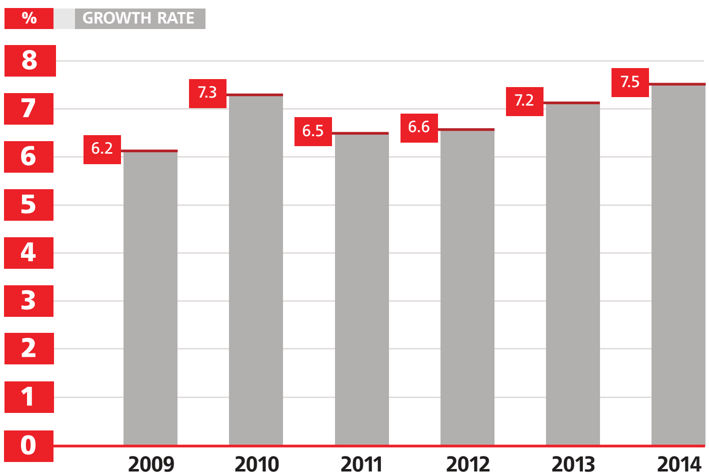
2. The economy

The Tanzanian economy has been doing quite well lately. Real GDP has grown at 6 to 7 per cent for the past several years and is expected by the IMF to continue growing strongly in the next few — see figure I.1 below.

However, inflation has picked up as well. According to the Bank of Tanzania, headline inflation (including food and fuel) had been just over 4% in October 2010 but had risen to nearly 18% by October 2011. (The energy and fuels rate in October 2011 was over 37%!)[16]

16 Bank of Tanzania, *Monthly Economic Review: November 2011*, http://www.bot-tz.org/Publications/PublicationsAndStatistics.asp .

FIGURE I.1. Real GDP growth in Tanzania, 2009–2014 (%)[a]



Source: Adapted from IMF Country Report No. 12/23, http://www.imf.org/external/pubs/ft/scr/2012/cr1223.pdf .

a The rate for 2011 is preliminary. Rates for 2012–2014 are projections by IMF staff.

The IMF expects economic performance to strengthen further in 2012 and over the medium term, benefitting from the implementation of the five-year development plan and initiatives under the Southern Agricultural Corridor of Tanzania (SAGCOT). One new factor is the strong prospect of substantial new foreign direct investment in Tanzania's natural gas sector in the near future. According to some reports, the confirmation of some 1.7 trillion cubic metres of natural gas reserves may be forthcoming over the next five years.[17] Discussions have been under way in Tanzania on how to make the most of this potential natural resource wealth and a Natural Gas Master Plan is being developed.[18]

The economy depends heavily on agriculture, which accounts for more than a quarter of GDP, provides 85% of exports, and employs about 80% of the work force.[19] In GDP composition by sector in 2011, services accounted for about half, with the rest divided more or less equally between agriculture and industry.

Finally, table I.5 below shows the main economic indicators for the country over the past five years.

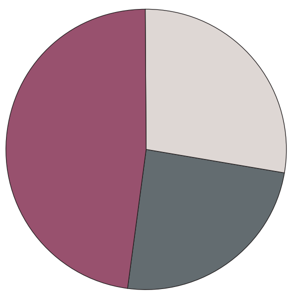
17 Tanzania Invest, 'Tanzania Gas Discoveries May Redefine Economy,' 02 March 2012 (see **Sources consulted**).

18 IMF Country Report No. 12/23, http://www.imf.org/external/pubs/ft/scr/2012/cr1223.pdf .

19 Central Intelligence Agency, *The World Factbook*, https://www.cia.gov/library/publications/the-world-factbook/geos/tz.html .

FIGURE I.2. Tanzania's GDP composition by sector, 2012 (estimated %)

Sector	(%)
INDUSTRY	24.1
AGRICULTURE	27.1
SERVICES	48.7



Source: Central Intelligence Agency, The World Factbook, https://www.cia.gov/library/publications/the-world-factbook/geos/tz.html .

TABLE I.5. GDP, inflation and trade, 2009–2012

Indicator	Unit	2008	2009	2010	2011[a]	2012[b]
GDP at market exchange rate	USD million	19,028	20,956	22,620	23,333	24,858
GDP at PPP conversion factor[b]	USD million	50,463	54,414	58,586	63,504	68,109
GDP per capita at market exchange rate	USD	479	517	547	553	578
GDP per capita at PPP conversion factor[b]	USD	1,270	1,342	1,418	1,515	1,601
Inflation, end of period consumer prices	% change	9.3	10.7	7.2	10.9	15.6
Population	Million	39.7	40.5	41.3	42.2	43.0
Current account balance	% of GDP	-11.9	-10.7	-9.3	-9.7	-12.3

Source: Adapted from the IMF, World Economic Outlook Database, April 2012, http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx .

a *All* figures for 2011 and 2012 are estimates by IMF staff. In addition, GDP per capita figures (both at the market exchange rate and the PPP conversion factor) and population figures are estimates for *all years.*

b 'PPP' is purchasing power parity. The PPP conversion factor is the number of units of a country's currency required to buy the same amount of goods and services in the *domestic* market as a U.S. dollar would buy in the *United States*. For Tanzania, the PPP conversion factors for 2008, 2009 and 2010 were 460.2, 485.3 and 514.8, respectively, according to the World Bank. See http://search.worldbank.org/data?qterm=PPP%20conversion%20factors%20for%20countries&language=EN .

Markets for investors

There are mainly three markets of interest to investors:

i) the domestic market in Tanzania;

ii) the regional market provided chiefly by the East African Community (see below); and

iii) the export markets abroad, in the European Union and the United States, in the growing Asian economies of China and India, and in the Middle East, to mention only the leading ones.

The domestic market is significant, given Tanzania's population of nearly 46 million people, growing at a rate of nearly 3% p.a., even if it is limited by the low purchasing power of most of the population. This purchasing power is growing, however, as noted above (figure I.1), and it is quite ample to furnish a market for a product like edible oil, which is one of the leading opportunities identified in **Chapter II** below. Within the domestic market, the market of western Tanzania (most of it in neighbouring regions) is worth a special mention. As the trunk roads improve, much of this market will become easily accessible. As table I.6 shows, it is potentially substantial.

Then there is the regional market offered by the East African Community (EAC). As noted above, this is a regional entity with a long history and deep roots. And it has actually put in place some of the things that other trading blocs have only talked about, such as a customs union and visa-free travel. As table I.7 below makes clear, with 140 million consumers and a total GDP of USD 212 billion (at PPP — see fn. b to table I.7 below), the EAC offers a substantial and growing market (figure I.3).

The EAC market is not without its challenges, such as poor physical infrastructure, but efforts are being made to overcome these. (On infrastructure, see the section on **The business environment** in **Chapter II** below.) As these difficulties diminish, Tanzania's trade with the EAC may be expected to grow. According to the last trade report published by the EAC Secretariat in 2010, Tanzania's total trade volume (exports plus imports) with the EAC in 2008 was around 7% of its total trade volume with the world: USD 735 million out of more than USD 10 billion.[20]

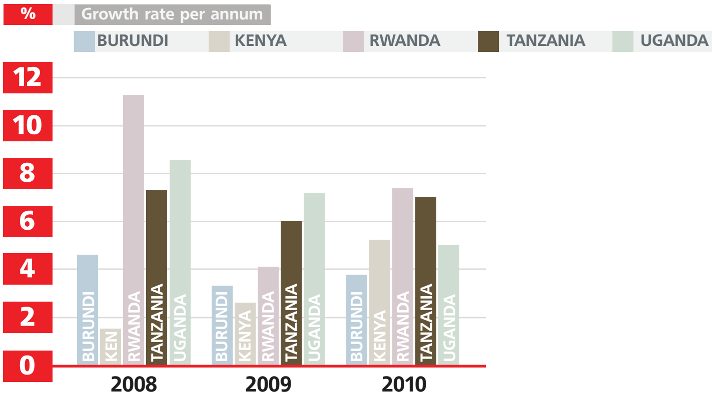
20 See the East African Community, EAC Trade Report 2008 (see **Sources consulted**).

Table I.6. The western Tanzania market: Consumers in 2010

Region	Population in '000s
Tabora and its neighbours	
Tabora	2,349
Shinyanga	3,842
Singida	1,367
Mbeya	2,662
Rukwa	1,503
Kigoma	1,814
Subtotal 1	**13,537**
Other western regions	
Kagera	2,564
Mwanza	3,566
Mara	1,823
Total western Tanzania	**21,490**

Source: National Bureau of Statistics (NBS), Tanzania in Figures 2010, http://www.nbs.go.tz/takwimu/references/Tanzania_in_Figures2010.pdf .

FIGURE I.3. GDP growth in the East African Community, 2008–2010 (%)



Source: Adapted from the World Bank, World Development Indicators and Global Development Finance, http://databank.worldbank.org/data/Views/VariableSelection/SelectVariables.aspx?source=World%20Development%20Indicators%20and%20Global%20Development%20Finance .

Table I.7. The East African Community Market, 2012[a]

	Population (million)	GDP[b] total (USD million)	GDP, total, at PPP[b] (USD million)	GDP, per capita at PPP[b] (USD)
Burundi	8.60	1,908	3,841	446
Kenya	42.10	40,638	76,805	1,824
Rwanda	10.42	6,476	14,526	1,394
Tanzania	**43.02**	**24,128**	**68,109**	**1,583**
Uganda	36.47	16,959	48,990	1,343
EAC, total/average	140.61	90,109	212,271	1,509

Source: Adapted from the International Monetary Fund, World Economic Outlook Database, September 2011, http://www.imf.org/external/pubs/ft/weo/2011/02/weodata/weorept.aspx?sy=2009&ey=2012&ssm=1&ssd=1&sort=subject&ds=.&br=1&pr1.x=69&pr1.y=10&c=618%2C714%2C738%2C746%2C664&s=NGDPD%2CNGDPDPC%2CPPPGDP%2CPPPPC%2CPCPIPCH%2CLP%2CBCA_NGDPD&grp=0&a= .

a All figures are estimates by IMF staff.

b 'GDP' is 'gross domestic product' and 'PPP' is 'purchasing power parity'. The PPP figures convert local currencies into USD at a rate different from the market exchange rate. The PPP rate provides a better estimate of the buying power of local currencies *within* the countries, especially with respect to non-tradables.

Finally, there are the markets abroad. In this context, two schemes of preferential trade arrangements are of special interest. One is the African Growth and Opportunity Act (AGOA) of the United States and the other is the Everything But Arms (EBA) initiative of the European Union. See box I.1 on AGOA and EBA below.

Box I.2. AGOA and EBA

African Growth and Opportunity Act (AGOA)

AGOA was signed into law on 18 May 2000. It is meant to encourage market forces in African countries by offering them the best access to the US market available outside of free-trade agreements. The Act covers some 6,400 items, including textiles and apparel. The *AGOA Acceleration Act*, signed into law on 12 July 2004 and known as AGOA III, extends this preferential access until 30 September 2015.

Eligibility for AGOA benefits is determined annually on the basis of a review by a committee chaired by the United States Trade Representative (USTR). The criteria require that the country have established, or be making progress towards establishing, a market economy, the rule of law, policies to reduce poverty, and a system to combat corruption. Currently, 38 Sub-Saharan countries qualify as eligible, including Tanzania, which became AGOA eligible on 2 October 2000.

AGOA eligibility is not the same as eligibility under the provisions applying to apparel (ready-made garments), an item of special interest to a number of African countries. Tanzania became apparel eligible on 4 February 2002. Apparel preference under AGOA is intended to apply mainly to garments made of yarns and fabrics produced in the United States or in Sub-Saharan African countries. Special allowance is made, however, for 'lesser developed countries' like Tanzania, which are permitted to use third-country yarns and fabrics until 30 September 2012.

Total US imports from Tanzania in 2011 were a bit over USD 58 million (up from about USD 43 million in 2010), of which AGOA imports were around USD 5.8 million or 10% of the total. Textiles and apparel imports accounted for most of the AGOA imports — just over USD 5 million or nearly 90%.[a]

Everything But Arms (EBA) initiative

The EBA is one of five arrangements available under the Generalised System of Preferences (GSP) of the European Union, which grants trade preferences to developing countries. The EBA, which is restricted to a subset of these countries known as 'least developed countries' (LDCs), is the most favourable regime available under the GSP. Most countries in Sub-Saharan Africa are LDCs[b] and Tanzania is one of them.

Roughly 2,100 products already enter the EU market duty-free for all countries. Practically all other products are covered by the EBA and are granted duty-free access to the EU market if they fulfil the *rules of origin* requirements (see below). The exclusions, as the name of the arrangement indicates, are arms and ammunition.

Total EU imports from Tanzania in 2011 were nearly EUR 507 million (up from about EUR 348 million in 2009 and about EUR 384 million in 2007). This figure (nearly USD 660) is more than 11 times that of US imports from Tanzania in 2011. Agricultural products (food including fish and raw materials) accounted for 70% of Tanzanian exports to the EU, while fuels and mining products accounted for an additional 23%. Manufacturing exports were only 6%, of which textiles were a minuscule 0.3%.[c]

Preferences under the EBA apply to imports into the EU of products originating in least developed countries. While products wholly obtained in the exporting country are considered as originating there, products manufactured with inputs from other countries are so considered only if they have undergone sufficient working or processing in the exporting country. A guide on how to interpret and implement the rules of origin is available from the European Commission.

Source: Based on information from the AGOA website www.agoa.gov/index.html, the EBA website http://ec.europa.eu/comm/trade/issues/global/gsp/eba/index_en.htm, and other sources.

a AGOA info, Trade profiles: Tanzania, http://www.agoa.info/?view=country_info&country=tz&story=trade.

b LDCs are low-income, economically vulnerable countries with poorly developed human resources. Of the 54 countries in Sub-Saharan Africa, 33 are LDCs. Of the five members of the East African Community, only Kenya is *not* an LDC

c *EU Bilateral Trade and Trade with the World: Tanzania*, 29 November 2012, http://trade.ec.europa.eu/doclib/docs/2011/january/tradoc_147401.pdf.

Trade

Tanzania's merchandise exports have grown steadily for some years, although there was a dip in 2009, when they dropped by a little over 4%. Still, 2010 was the best year ever, with exports exceeding USD 4 billion for the first time. This was a jump of 36% over 2009. The main part of this was manganese ore exports of over USD 350 million — there had been none in 2008 and 2009. Other factors were an 18% increase in gold exports — Tanzania is Africa's fourth largest gold producer — and small increases in the exports of a number of agricultural products (see table I.8 below).

Imports grew as well but not as much: nearly 23% over 2009 to cross the USD 8 billion mark. But this amount, double that of exports, was not unprecedented, since imports had actually been even higher in 2008. Petroleum oil was the largest item, accounting for over a quarter of the total imports all by itself (table I.9 below).

The trade deficit for 2010 was thus almost USD 4 billion. Tanzania's trade was in deficit with all regions other than Sub-Saharan Africa, with which Tanzania had a surplus of around USD 200 million.[21]

Four of the five top export destinations also figure among the top five import sources, although in different positions: China, India, Kenya and South Africa (tables I.10 and I.11 below). The fifth import source (ranked third) is the EU-27, which is understandable. The fifth export destination, which actually ranks first (table I.10), is Switzerland, which is surprising.

21 See UN Comtrade, *2010 International Trade Statistics Yearbook* (see **Sources consulted**).

Table I.8. Tanzania's top 10 export commodities, 2008–2010[a] (USD million)

Item	2008	2009	2010
Gold *(including gold plated with platinum)*	759.4	818.6	966.1
Precious metal ores and concentrates	349.5	497.7	461.5
Manganese ores and concentrates	-	-	356.8
Unmanufactured tobacco; tobacco refuse	177.8	90.4	129.2
Coconuts, Brazil nuts and cashew nuts, fresh or dried	70.7	90.9	126.3
Coffee, whether or not roasted or decaffeinated	104.9	115.2	117.3
Fish fillets and other fish meat (*whether or not minced*)	116.2	104.5	115.6
Dried leguminous vegetables, shelled (*whether or not skinned or split*)	65.0	58.7	92.2
Furnishing articles, other than bedding articles	56.2	53.0	76.6
Cotton, not carded or combed	80.9	89.0	72.4
Total merchandise exports *(not just those listed above)*	3,121.1	2,982.4	4,050.5

a Ordered by 2010 values.

Table I.9. Tanzania's top 10 import commodities, 2008–2010[a] (USD million)

Item	2008	2009	2010
Petroleum oils, other than crude	2,337.7	1,430.2	2,152.9
Motor vehicles for the transport of persons	222.5	239.2	300.6
Wheat and meslin	182.0	209.3	291.9
Motor vehicles for the transport of goods	237.9	218.4	221.2
Polymers of ethylene, in primary forms	96.8	92.7	176.3
Flat-rolled products of iron or non-alloy steel	186.2	143.6	173.6
Palm oil and its fractions	175.5	106.1	173.3
New pneumatic tyres, of rubber	126.7	106.6	128.2
Electrical apparatus for line telephony or telegraphy	112.3	155.6	118.0
Parts of construction and other machinery	149.4	114.6	111.7
Total merchandise imports *(not just those listed above)*	8,087.7	6,530.8	8,012.9

a Ordered by 2010 values.

Source *(for both tables above)*: Adapted from UN Comtrade, 2010 International Trade Statistics Yearbook, International Merchandise Trade Statistics, http://comtrade.un.org/pb/CountryPagesNew.aspx?y=2010 .

According to a report by the Embassy of Switzerland in Tanzania, Swiss imports from Tanzania in 2010 were worth only CHF 23 million (about USD 23.6 million). The Embassy believes the much higher figure may be obtained by counting as exports items (like gold) that are only traded through but not physically moved through Switzerland.[22]

Note that the tables **I.8** to **I.11** cover only merchandise trade. Trade in services is not included. Tanzania actually has a trade surplus in services.[23] Its receipts from international tourism have been around USD 1.2 billion for a number of years (see **Tourism** under **Opportunities** in **Chapter II**).

Tanzania has been a member of the World Trade Organization (WTO) since 1 January 1995.

22 See the Embassy of Switzerland in Tanzania, *Tanzania Economic Report 2010* (see **Sources consulted**).

23 See the World Trade Organization (WTO), *Trade Profiles 2011* (see **Sources consulted**).

Table I.10. Top 10 merchandise export destinations, 2010 (EUR million)

Economy	Value
Switzerland	710.4
China	656.7
South Africa	433.7
Kenya	324.9
India	226.5
Japan	217.5
Congo, Democratic Republic of	156.1
Germany	139.3
Rwanda	116.8
Belgium	95.8
Total merchandise exports to all countries *(not just those listed above)*	**4050.5**

Table I.11. Top 10 merchandise export destinations, 2010 (EUR million)

Economy	Value[a]
China	1,044.6
India	931.9
EU27[b]	723.1
South Africa	500.5
Kenya	418.2
United Arab Emirates	290.8
Japan	250.0
Singapore	242.7
Bahrain	196.2
Saudi Arabia	141.6
Total merchandise imports from all sources *(not just those listed above)*	**6,083.6**

Source *(for both tables above)*: Adapted from UN Comtrade, 2010 International Trade Statistics Yearbook, International Merchandise Trade Statistics, http://comtrade.un.org/pb/CountryPagesNew.aspx?y=2010 .

a Note that these values, unlike those in nearly all other tables and figures, are in *euros*. On 30 December 2010, the (IMF) exchange rate was EUR 1 = USD 1.328. The total import figure in this table, when converted into US dollars, is not quite the same as that in table I.7 above.

b A breakdown by country was unavailable from this source.

Foreign direct investment (FDI)

In the earlier decades of socialism and self-reliance, there had been very little foreign direct investment in Tanzania. But FDI has been on a path of fairly steady growth since the early 1990s. In the new millennium, it has never fallen below USD 300 million — see table I.12 below. In 2010, FDI inflows reached a record USD 700 million and inward stock stood at nearly USD 8 billion (tables I.12 and I.13).

To date, foreign investment inflows have been concentrated in mining and tourism, according to the Government's *Poverty and Human Development Report 2011*, although there is great potential to attract FDI in other sectors, such as agriculture, infrastructure, communications and natural resources other than mining.[24] According to a presentation in July 2011 by Raymond Mbilinyi,[25] the Tanzania Investment Centre's Acting Executive Director, this has already been happening, with manufacturing, commercial building and agriculture driving the recent growth of FDI into Tanzania, along with mining. Substantial FDI flows are also expected in natural gas in the near future, as noted earlier.

The *Report* mentioned in the previous paragraph notes that, although FDI can bring capital and technology to improve local skills, generate employment and expand markets, the linkages between foreign investment and the domestic economy have thus far been limited. It also observes that the ease of doing business is an important factor for FDI inflows and that it needs to be a government priority to make the business environment more attractive.

Aid, debt and reserves

Tanzania's external debt stood at just over USD 10 billion in November 2011, according to the Bank of Tanzania, or about 43% of GDP.[26] Actual external debt service in the same month amounted to USD 6.4 million or about USD 77 million on an annualized basis. The country's gross official reserves were nearly USD 3.5 billion in November 2011, enough to cover about four months of projected imports of goods and services. Its net international reserves were USD 3.1 billion.[27] Net official development assistance and official aid received in *2010* were nearly USD 3 billion.[28] Something like 30% of the state budget is dependent on donor assistance.[29]

24 See the Embassy of Switzerland in Tanzania, *Tanzania Economic Report 2010* (see **Sources consulted**).

25 To launch UNCTAD's World Investment Report 2011, see http://af.reuters.com/article/tanzaniaNews/idAFL6E7IQ1EM20110726

26 See Government of Tanzania, Bank of Tanzania (see **Sources consulted**).

27 Ibid

28 World Bank, World Development Indicators and Global Development Finance, http://databank.worldbank.org/Data/Views/VariableSelection/SelectVariables.aspx?source=World%20Development%20Indicators%20and%20Global%20Development%20Finance# .

29 Department of State, Bureau of African Affairs, Background Note: Tanzania, http://www.state.gov/r/pa/ei/bgn/2843.htm .

TABLE I.12. Tanzania: FDI inflows (USD million)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
467	388	308	331	494	597	647	679	645	700

TABLE I.13. Tanzania: FDI inward stock (USD million)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
2,960	3,243	4,139	4,759	4,390	5,342	5,942	6,621	7,266	7,966

***Source** (for both tables above):* Adapted from UNCTADStat, http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx .

The Tabora Municipal Council is delighted by the publication of this guide, produced by the Millennium Cities Initiative in close co-operation with the Regional Administration Office. As the guide shows in some detail, Tabora and its neighbouring districts offer numerous opportunities for entrepreneurs. My colleagues and I express our deepest appreciation to all those who have contributed to this effort and look forward to welcoming investors from all over the world.

Sipora J. Liana, Tabora Municipal Director

Our sunflower farm and factory have been successful as business ventures. But beyond commercial success, we also welcome their contribution to the incomes and health of people in Tabora. There are other similar opportunities in and near Tabora – for example, mangoes. Growing and selling mangoes or processing them as juice could be a very promising opportunity for an entrepreneur.

Ramadhan Kalingonji, Managing Director, Kazima Oil Mill

II. INVESTING IN TABORA

1. Introduction

The Tabora Region, of which Tabora city is the capital, is to be found in the north-western quarter of mainland Tanzania. It shares its borders with five regions. Moving clockwise from the north, they are: Shinyanga (north), Singida (east), Mbeya (south), Katavi (southwest) and Kigoma (west). Tabora is physically the largest of Tanzania's 30 regions, with a surface area of 76,151 sq km.[30] Just over two-thirds of this consists of Forest Reserves (34,698 sq km) and Game Reserves (17,122 sq km).

Most of the region lies at an altitude of 1,000–1,500 m (the city's altitude is 1,000 m) and has a moderate tropical climate, with temperatures reaching their peak in September–October, just before the start of the rainy season. Rainfall is seasonal and occurs mainly from November to April. In the western parts, rainfall totals over 1000 mm, while in the east it drops to 700 mm or less. The daily mean temperature is around 23° C. There is a slightly cooler period from May to July, when temperatures can drop to 14° C at night, although they reach 28-30° C during the day.

Economic activity in the region revolves around farming and livestock keeping, along with related activities such as bee-keeping, fishing and lumbering. The region is estimated to have 2.4 million ha of cultivable land but less than a fifth of that is actually under cultivation. Most farming is subsistence farming, with maize the leading staple food crop. Other food crops are rice, sorghum, cassava, and beans. Cash crops are tobacco, cotton, sunflower, and groundnuts (peanuts).

Administratively, the region consists of seven districts: Nzega and Igunga (north), Tabora Urban (centre), Uyui (east), Sikonge (south), and Urambo and Kaliua (west). Tabora Urban is mainly, though not entirely, the city of Tabora. The population of the region was projected to be just over 2.5 million in 2012, while that of the district was projected to be around 260,000.[31] The administrative head of the region is the Regional Commissioner, currently Fatma Abbakar Mwassa.

(On the usage of 'city' to describe Tabora, see box I.1. Tabora: 'City' / 'Municipality' / 'District' / 'Region' in **Chapter I** above.)

Tabora was founded in the mid-19th century by Arab traders and lay at the junction of major caravan routes. It was taken over by the Germans in 1891 and became an administrative centre of German East Africa.[32] The name Tabora is said to have originated in the word '*matoborwa*', meaning boiled and dried sweet potato, a staple food of the Nyamwezi who are the main ethnic group in the region.[33]

The town was an important mission station during the early years of the European exploration of East Africa. Stanley and Livingstone stopped in Tabora after their famous meeting in Ujiji (near Kigoma) in late 1871.[34] The Arabic-style house where Livingstone stayed in Tabora is now the Kwihala Museum,[35] which is dedicated to Livingstone and contains his memorabilia including letters, maps, pictures and a diary. It also displays information about other early missionaries and explorers.

Tabora is well placed to play a key role in the regional economy, given its central location in the region and in western Tanzania more generally, and the upgrading of roads currently under way is important in this context. There is also a Tanzania Railways Corporation (TRC) line from Dar es Salaam to Tabora and on to Kigoma in the west (on Lake Tanganyika) and Mwanza in the north (on Lake Victoria), although it is much in need of upgrading to increase efficiency and reliability. Flights from Dar es Salaam to Tabora have operated fitfully of late but are expected to resume on a regular basis

30 Planning Commission and Regional Commissioner's Office, *Tabora Region: Socio-economic Profile*, May 1998, http://www.tzonline.org/pdf/Tabora.pdf .

31 National Bureau of Statistics, *Tanzania Census 2002: Tabora, Regional and District Projections* (see **Sources consulted**).

32 "Tabora." *The Columbia Encyclopedia, 6th ed.. 2011*. Encyclopedia.com (May 4, 2012), http://www.encyclopedia.com/doc/1E1-Tabora.html .

33 *Tabora Region: Socio-economic Profile* — see footnote above.

34 Livingstone Online, http://www.livingstoneonline.ucl.ac.uk/index.php .

35 'Kwihala' means 'bush', signifying 'away from the town'.

by March 2013. For more on transport connections, see **Section 4** on **The business environment** below.

Tabora is also known for its educational institutions. President Nyerere himself went to the Tabora Government Secondary School, the first boarding school in the country, and thought highly of it. The region has 172 secondary schools (19 of them private) and 10 technical colleges. These latter graduate around 800 students every year in a variety of fields, including agriculture, beekeeping and livestock; electronics, information technology and mechanical engineering; public administration; and financial, human resource and record management. There is generally a good supply of semi-skilled labour. In addition to the technical colleges, the region has three universities that graduate around 1,500 students every year in such areas as accounting, business administration, information technology, education, law and sociology. Since 2010, there has also been a new Beekeeping Institute in Tabora.

(On city administration, see box I.1. Tabora: 'City' / 'Municipality' / 'District' / 'Region' in **Chapter I** above.)

The advantages of investing in Tabora include:

- a climate suitable for both tourism and agriculture,
- a safe environment with little crime,
- an inexpensive and trainable workforce,
- a source of skills in the local educational institutions, and
- transport links, now being strengthened, with Dar es Salaam and with Kigoma and Mwanza on the western and northern borders.

2. Opportunities for investors

Opportunities for investment in Tabora and the surrounding area are mainly to be found in agriculture and agro-processing (in particular, processing honey, edible oil and dairy) and tourism (in particular, hospitality and related services). These are described in what follows. There may also be possibilities in some other fields, such as bio-fuels, cotton processing and other light manufacturing. It is important to note that any specific opportunities described below are meant to be *illustrative*. There may be many other opportunities for investment as well.

This section draws first and foremost on a report on investment opportunities in Tabora prepared for the Millennium Cities Initiative by KPMG.[36] It then draws on a variety of Government sources, such as the reports of the Ministry of Agriculture and Food Security, and the Ministry of Livestock and Fisheries Development.[37] Finally, it draws on the work of the Food and Agriculture Organization of the United Nations (FAO) and the work of a variety of NGOs active in Africa, e.g., the Rural Livelihood Development Company (RLDC).[38] In addition to these documentary sources, important input came also from discussions with business and government representatives in Tabora and Dar es Salaam, including discussions at a workshop in Tabora held in October 2012.

36 KPMG International, Tabora, Tanzania: Potential opportunities for investors (see **Sources consulted**).

37 See **Sources consulted**.

38 See **Sources consulted**.

Main areas of interest to potential investors

Honey processing

Beekeeping is an important activity in the Tabora region. It is a small-scale industry that provides some supplementary cash income for rural people. Much of the honey produced is consumed locally, as food, as medicine and as an ingredient to produce a kind of beer. Some of it finds its way into shops, restaurants and hotels elsewhere, especially those aimed at tourists and at well-off local customers in cities like Dar es Salaam. Some of it also finds its way into the export markets of Europe and the Middle East. Honey Care Africa (T) Ltd, a firm based in Dar es Salaam, is one company that exports Tabora honey to Europe. (See box II.1 below.)

Tabora produces at least half the honey produced in Tanzania.[39] Little of this honey undergoes any kind of processing. If more of it were processed, there would be substantial benefits for all concerned. The processing would benefit the investor, the beekeepers and potential local employees in such a venture. It would also bring more export earnings to a country with a substantial trade deficit (see **Trade** in **Chapter I**).

According to the Food and Agriculture Organization of the United Nations (FAO), Tanzania produced 34,100 tonnes of honey in 2010, ranking 12th in world and 2nd in Africa (after Ethiopia, which produced 45,300 tonnes).[40] It also produced 1,830 tonnes of beeswax, used by bees to construct honeycombs and by humans in a variety of commercial activities, such as manufacturing certain kinds of cosmetic and pharmaceutical products. In beeswax production, Tanzania ranked 9th in world and 4th in Africa.[41]

The actual production, however, is far below the country's potential, given its natural resources. Forests and woodlands in Tanzania cover some 39 million hectares, which is about 40% of the total area of the country.[42] One-third of the forest and woodland cover in turn consists of Miombo woodlands, which offer the natural ecosystem required to produce high-quality honey. The National Beekeeping Programme estimated in 2004 that the country could support some 10 million bee colonies producing 138,000 tonnes of honey (about four times the current production) and 9,200 tonnes of beeswax (about six times the current production) a year.[43]

(The FAO estimated in 2008 that global honey production was somewhere around 1.2 million tonnes. It added that reliable statistics are difficult to obtain because beekeeping is usually practised on a small scale and traded locally.[44] This, of course, also holds for the FAO figures for Tanzania cited above; they may well be underestimated.)

39 KPMG International, Tabora, Tanzania: Potential opportunities for investors, June 2011 and Traidcraft, Empowering Beekeepers in Tabora, Tanzania: Traidcraft Case Study, July 2010 (see **Sources consulted**).

40 FAO data based on imputation methodology, http://faostat.fao.org/site/339/default.aspx .

41 Ibid.

42 Ministry of Natural Resources and Tourism, MNRT Background, http://www.mnrt.go.tz/index.php?option=com_content&view=article&id=31&Itemid=34

43 Ministry of Natural Resources and Tourism, *People and Bees* (see **Sources consulted**).

44 FAO, *Non-wood News*, No. 17, July 2008, ftp://ftp.fao.org/docrep/fao/011/i0235e/i0235e02.pdf .

A report by Young Il Mah, an advisor on beekeeping engaged by the Korea International Cooperation Agency (KOICA), that focusses on Tabora and in particular on two of its districts, Sikonge and Uyui, indicates that production could increase substantially in the Tabora region as well, especially with the use of modern frame hives.[45]

If production is well below what it could be, exports are very much more so. The export numbers in table II.1 below make clear how much unexploited potential there is for honey in particular. Since production in 2009 was about the same as in 2010, Tanzania appears to have exported less than 2% of the honey it produced — and this was in an unusually good export year.

This is a pity, since honey from Tanzania (and of course Tabora) is produced mainly by wild bees and no chemical inputs are used in processing it. This should enable it to qualify as organic honey, which has seen strong growth in consumer preference. The preference may be most marked in the European Union, the world's largest market for imported honey. Tanzania is already one of five accredited African exporters of honey to the European Union[46] and if much more of its product could be certified to meet the EU's organic standards, it could easily become a major exporter.

(It should be noted, however, that there have been claims by honey traders that there are pesticide residues in a lot of Tabora honey because the bees have fed on tobacco flowers, which are heavily treated with pesticides. To the extent that this is true, honey from Tabora would face problems qualifying as organic honey. There are now government initiatives to guard against these problems. According to Beekeeping Regulations, 2005, part II, Sections 4 (1) and (6), apiaries must be established at least seven kilometres away from agricultural areas that make use of intensive chemicals, pesticides and insecticides.[47] If these rules are followed and are combined with testing facilities, it would be easier for Tabora honey to qualify as organic by EU standards, on which see below.)

The top importer in 2009 was Germany, with 82,575 tonnes.[48] Germany also leads the consumption of organic food in the EU. Organic honey is widely available in the retail stores and the market share was estimated in a 2006 report [49] to be approximately 2,500 tonnes. The total market for organic honey in Europe was estimated at around 6,500 tonnes.

45 Ma, Young Il, *Promotion of Beekeeping Industries in Tabora* (see **Sources consulted**).

46 Official Journal of the European Union, L 147/5, *Commission Decision of 11 June 2010*, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:147:0005:0010:EN:PDF . The others were Cameroon, Ethiopia, Uganda and Zambia.

47 Government of Tanzania, Ministry of Natural Resources and Tourism, *Guidelines* (see **Sources consulted**).

48 FAOSTAT, *Food and Agricultural commodities production, Countries by commodity*, http://faostat.fao.org/site/339/default.aspx .

49 EPOPA, *Export Opportunities for African Organic Honey and Beeswax*, January 2006 (see **Sources consulted**).

TABLE II.1. Tanzania's exports of beeswax and honey, 2005–2009

	BEESWAX		HONEY	
	Quantity (tonnes)	Value[a] (USD)	Quantity (tonnes)	Value[a] (USD)
2005	288	1,003,773	465	468,601
2006	331	1,479,827	316	392,301
2007	414	2,099,832	370	463,759
2008	502	2,204,158	430	465,860
2009	297	1,482,222	621	926,403

Source: Ministry of Finance and Economic Affairs, The Economic Survey 2009, June, 2010, http://www.tanzania.go.tz/economicsurvey1/2009/THE%20ECONOMIC%20SURVEY%202009.pdf .

a The value has been converted from TZS to USD at the UN operational rates of exchange on December 31st of each year.

EU rules for organic honey production include the following:[50]

- Crops on which the bees feed must not have been chemically treated;
- There must not be any airports or main roads near the beehives;
- Diseases must not be treated with veterinary medicines but only with a limited number of organic substances; and
- Bees must not be stupefied during the harvest of the honey.

The report by Young Il Mah mentioned above provides some detailed comparisons of various EU requirements for honey and the actual features of Tabora honey.

Thus the EU requires that honey must not
a) have foreign tastes or odours,
b) have begun to ferment,
c) have been heated, or
d) have an artificially changed acidity.

According to the report, Tabora honey fails to meet only the first of these requirements, because of poor handling and storage methods that could certainly be improved. The EU also requires that honey must not endanger human health by having

a) less than 65% of invert sugar,
b) more than 21% moisture content,
c) more than 5% apparent sucrose,
d) more than 5% water-insoluble solids,
e) more than 1% mineral ash content,
f) more than 40mm-eqivalent/kg of acidity, or
g) more than 40mg/kg in HMF [51] content. Of these seven, Tabora honey normally fails to meet only the fourth and seventh requirements. The fourth, regarding water-insoluble solids, can be met by improving the filtration process. The seventh, regarding HMF content, can be met if the long storage and transport process can be significantly shortened.[52]

Tabora honey and its challenges

Most Tabora honey is produced by bees from the Miombo woodlands and is dark brown in colour. The climate and terrain are conducive to producing high-quality honey. Apart from the EU export market just mentioned, there are also markets in the Middle East and the United States. And there is demand in Tanzania, as mentioned earlier.

There are, however, some challenges to be overcome. KPMG identified the following as among the leading challenges.[53]

Inconsistent quality: The use of traditional beehives and harvesting and storage methods leads to variable quality and limits market expansion.

Unstable supply: Beekeepers are scattered around the region, which makes harvest forecasts and communications difficult.

Lack of traceability: Few beekeepers keep records that would permit anyone to track such information as when a hive was occupied by a colony, which honey came from which hive, and where that hive was located.

Poor roads: The absence of paved roads is a problem for collecting and transporting honey, especially during the rainy season.

At least some of these problems are already being addressed. Extension services from the Government and from NGOs (e.g., Traidcraft) are providing training to beekeepers on the use of modern hives and harvesting practices that increase output, quality and efficiency. As mentioned earlier, there is a new Beekeeping Institute in Tabora, which opened its doors in 2010. Until then, there was a single course of studies in Forestry and Beekeeping given in Arusha by the Olmotonyi Institute of Forestry and Apiculture.[54]

50 Ibid

51 'HMF' stands for *hydroxymethylfurfural*, an organic compound produced by the decomposition of sugars that affects colour and taste.

52 Ma, Young Il, *Promotion of Beekeeping Industries in Tabora* (see **Sources consulted**).

53 KPMG International Cooperative, *Tabora, Tanzania: Potential opportunities for investors*, June 2011 (see **Sources consulted**).

54 Nkwame, Marc, 'Bee-keeping institute enrolls diploma students', *Daily News* (see **Sources consulted**).

The Government also has a programme to upgrade roads throughout the Tabora Region and is working to improve the rail service. More specifically, with respect to roads, the Government is upgrading the existing trunk roads from Tabora to Nzega, Tabora to Manyoni, and Tabora to Kigoma from gravel to tarmac. Completion is expected in three years. The airport is being rehabilitated by expanding existing runway and terminals, and pavement work is also under way. Flights by Precision Air are expected to start in March 2013. (For a discussion of infrastructure issues, see the section on Infrastructure below, under **4. The business environment** in the present chapter.)

There is also a new umbrella cooperative union that is helping to unite honey producers following the collapse of the Tabora Beekeepers Cooperative Union in 2008. It has created a collection center and is providing training on modern techniques. The union consists of 261 corporative societies, each of which in turn has around 100 beekeepers as members. Some 70% of beekeepers in Tabora belong to the new union, known as the Tanzania Beekeepers Cooperative Union (TABECU).[55]

The cooperative societies assist in strengthening the supply chain by purchasing honey from primary societies and selling it to processors. Approximately USD 10–15 is required for an individual beekeeper to join a primary society and approximately USD 1,500 is required for primary societies in turn to create a cooperative society.[56] The capital is collected from the participating beekeepers.

Processing opportunity

There are few local processing facilities for honey. Almost all the bulk honey is sold to independent traders who in turn sell it to processing companies in other regions within Tanzania or in foreign countries. This chain of transfer of bulk honey between beekeepers and processing facilities outside the region can damage quality, as the need to maintain a certain temperature and moisture content during storage and transport is often not met.[57]

This problem would be partially addressed and quality improved if there were a processing facility in Tabora itself. Such a facility would also have the advantage of increasing and stabilizing supply, since beekeepers would know that there was an established local buyer for bulk honey. The quality improvement would also enlarge the market for the final product, both the domestic market in Tanzania and the export market, if properly certified.

KPMG calculates the economic impact of processing bulk honey as very substantial. It takes the price of bulk honey in Tabora to be USD 1.20 per kg and estimates the price of processed and packaged honey at USD 3.00 per kg and the final domestic retail price at USD 4.50. On the basis of these prices, the value added of processing all the honey produced in Tabora (which KPMG took to be 13,500 tonnes) would be USD 25 million. The next stage of moving to the retail market would add a further USD 20 million. Since not all the honey collected by beekeepers enters the market (perhaps half does), these figures are not realistic projections of the actual impact but serve to indicate that it could indeed be large.

55 KPMG International Cooperative, op. cit.

56 Ibid

57 Ibid

Box II.1. Investing in honey: Domestic initiatives

Tabora Pure Honey

Tabora Pure Honey (TPH) is one of two local companies controlled by Farida Enterprises, the other being Tabora Oil Mills. Farida Enterprises is a family business, owned by Mukesh and Farida Patel. Tabora Pure Honey processes and sells honey, while Tabora Oil Mills processes and sells sunflower oil. The former has been in business for 10 years and the latter for five. This box focusses on TPH.

TPH produces approximately 80 tonnes of honey per annum. It sells bottled honey both in Tabora and in Dar es Salaam, where the company has its own shop. The honey comes from both stingless bees and from bees with stings. The honey from the former is more prized and sells at TZS 20,000 per litre; honey from the latter sells at TZS 7,000 per litre. The company's current annual turnover is around TZS 560 million (USD 350,000 at the current exchange rate). The number of employees, who are all seasonal (June to September), is around 50.

Some of TPH's honey is exported to Oman and South Africa but only after being processed elsewhere. Producing a final quality suitable for export itself would require machinery the company does not at present have. The processing it currently does is manual, which is sufficient to produce the quality it can sell within Tanzania.

Mr Patel sees many opportunities for investment in Tabora. He would also be interested in a foreign partner himself, to improve honey processing beyond the current manual method, with a view to exporting. Also desirable would be an investment in a big bee farm. As for the role of government, Mr Patel thinks it should focus on supporting beekeepers, setting up collection centres, and improving infrastructure.

Honey Care (T) Ltd.

Honey Care is a Tanzanian Company headquartered in Dar es Salaam that packages and sells high-quality honey. The company sources from several areas in Tanzania, including Tabora. It employs high standards in selecting honey for export, using laboratories in Europe to test the raw product and arranging for the results of the test to be sent directly to honey importers, which provides quality assurance to those importers, who are based primarily to Germany and the United Kingdom.

Honey Care also provides training in beekeeping, as well as providing specialized hives and beekeeping gear, and is actively promoting the use of more modern hives in the Tabora region. These hives should lead to higher amounts of honey being produced and improve the harvesting methods and yields.

Source: Millennium Cities Initiative, drawing on information provided by Farida Enterprises and Honey Care (T) Ltd.

Edible oil: Sunflower

The sunflower is a New World plant. The Spaniards brought it to Europe some 500 years ago but it took a while for it to become a major food crop. As a food crop, its history goes back only to the late 19th century.[58]

Sunflowers adapt to a variety of soils but do best on soils suitable for growing maize or wheat. They are now grown in warm-to-moderate semi-arid regions from Argentina to Canada and from Tanzania to Russia — which last was the top but one producer of sunflower seed in 2010, at 1.36 million tonnes. Ukraine was at the top, with 1.81 million tonnes. The plant grows well within a temperature range of 20–25° C; temperatures above 25° C reduce both yields and the oil content. Sunflowers will produce moderate yields with as little as 300 mm of rain per year, while 500–750 mm is required for better yields.[59]

Note that the Tabora region meets all these requirements. The temperature range is right — the daily mean temperature is around 23° C. Rainfall is right — in the west, it totals over 1000 mm, while in the east it drops to 700 mm or less. And finally, the soil is indeed suitable for maize, which is Tabora's leading food crop.

The sunflower has one of the shortest growing seasons of the major cash crops of the world. Early maturing varieties are ready for harvesting 90 to 120 days after planting, and late maturing varieties 120 to 160 days after planting.[60] The seeds are ready to harvest when the heads turn black or brown and the seed moisture content reaches 10–12%. Depending on climatic and cultivation conditions, yields can vary from as much as 600 to 3,000 kg/ha (0.6 to 3 tonnes/ha). Irrigation is the key to obtaining high yields.

In Tabora and in Tanzania more broadly, sunflower yields seem to vary greatly over time. As table II.3 shows, yields fell dramatically between 2006 and 2010. This was especially the case in the country at large, where the yield fell by two-thirds. Part of the reason is that sunflower has been a relatively low-ranking commercial crop, with poor technology and unstable markets. The Ministry of Agriculture is now trying to change this and is promoting sunflower as a leading cash crop. In the meanwhile, the area under cultivation has grown steadily in both country and region but especially in the region, where it increased by a factor of nearly six.

The principal product of sunflower is sunflower oil, for human consumption. A secondary product is sunflower meal cake, for animal consumption. More than 90% of the sunflower seeds produced in the world are processed into edible oil.[61]

(Note, incidentally, that a significant scale-up in growing sunflowers for seed would complement increased beekeeping activities. The new source of pollen would add additional variety to the flavours of honey already available from the woodlands and would also potentially lead to greater use of 'back yard' hives because of the proximity to the flower-growing areas.)

Shares of the main edible oils in global vegetable oil consumption between 2005 and 2010 showed little variation:

Soybean oil:	30% to 33%
Palm oil:	28% to 32%
Rapeseed oil:	13% to 14%
Sunflower oil:	8% to 10%

58 Food and Agriculture Organization of the United Nations (FAO), Sunflower Crude and Refined Oils, Agribusiness Handbook, 2010, http://www.fao.org/docrep/012/al375e/al375e.pdf .

59 Ibid

60 Ibid

61 Ibid

Although the global market for sunflower oil is much smaller than that for palm and soy oil, the FAO expects the demand for sunflower oil to increase continuously as food processors search for sources of trans-fat-free vegetable oil, despite the higher cost of sunflower oil compared with other oils. This leads the FAO to conclude that the sunflower oil industry has 'high investment attractiveness'.[62]

The consumption of edible oil in Tanzania was estimated at 330,000 tonnes in 2010. About half of this is imported — nearly 170,000 tonnes in 2009.[63] Palm oil is Tanzania's second largest agricultural import by value, after wheat. In 2010, it was worth just over USD 173 million.[64]

One reason for encouraging the greater production and processing of sunflower oil in Tanzania is thus its potential for import substitution, which could generate income and jobs at home and have a beneficial impact on foreign-exchange outflows. Another is its health benefits. Sunflower oil is low in saturated fat and high in polyunsaturated fat.

62 Ibid

63 Latest available figure from the FAO, http://faostat.fao.org/desktopdefault.aspx?pageid=342&lang=en&country=215 .

64 See Table I.8. Tanzania's top 10 import commodities, 2008–2010 in **Chapter I**.

Table II.2. World production of major oilseeds, 2009–2012 (million tonnes)

Oilseed[a]	2009/10	2010/11 (estimated)	2011/12 (forecast)	Change 2011/12 over 2010/11 (%)
Soybeans	259.9	265.8	260.7	-1.9
Rapeseed	61.7	60.7	59.2	- 2.5
Cottonseed	39.9	44.8	48.0	+ 6.9
Groundnuts (unshelled)	34.9	37.0	37.2	+ 0.5
Sunflower seed	32.5	33.1	37.5	+ 13.2
Palm kernels	11.7	12.5	13.1	+ 4.3
Copra	5.8	5.0	5.5	+ 9.3
Total	446.4	458.9	461.2	+ 0.5

a The oilseeds are ordered by quantity produced in 2009/10.

Source: Adapted from the FAO, Oilseeds market summary, November 2011, http://www.fao.org/corp/statistics/en/ .

Table II.3. Sunflower seed production in Tabora and Tanzania, 2006–2010

	2005/2006	2006/2007	2007/2008*	2008/2009	2009/2010
Cultivated area (ha)					
Tabora	3,710	3,970	15,410	16,880	21,730
Tanzania	174,140	277,670	347,690	388,830	431,540
Production (tonnes)					
Tabora	7,430	7,680	11,800	18,830	24,070
Tanzania	373,390	368,130	238,660	304,730	313,110
Yields (tonnes/ha)					
Tabora & Tanzania	2.0 & 2.1	1.9 & 1.3	0.8 & 0.7	1.1 & 0.8	1.1 & 0.7

Source: Adapted from the Ministry of Agriculture, Food Security and Cooperatives, Agriculture Basic Data 2005/2006–2009/2010, http://www.agriculture.go.tz/agricultural%20statistics/angricultural%20statistics.htm .

From seed to oil

Producing sunflower oil involves a number of steps: cleaning the seeds, grinding them, pressing and extracting the crude oil from them, and then refining the oil for consumption. After grinding, the resulting coarse meal can be heated, which yields more oil when pressed but also releases more impurities, which must be removed.

The heated meal can then be fed into a screw press, which increases the pressure progressively as the meal passes through a slotted barrel. The oil is squeezed out through the slots in the barrel and recovered. Refining comes next. This involves heating the oil, with the addition of an alkaline substance such as sodium hydroxide, and then bleaching and deodorizing it. The final product should be consistent in colour, taste and viscosity, and free of all impurities.

Oil-processing opportunity

KPMG produces an analysis of the potential economic impact of processing sunflower oil that yields the following numbers (with prices updated):

- Price of sunflower seed per kilo: USD 0.32 (in mid-2012, USD 0.40)
- Current value of Tabora seed production: 24,000 tonnes X USD 400 = USD 9.6 million
- Price of wholesale oil USD 1,800 per tonne
- Oil production 9,000 tonnes (7,385 tonnes for indigenous seeds)
- Potential value of Tabora oil production: 9,000 tonnes X USD 1,800 = USD 16 million (actually 16.2)
- Economic benefit of moving from seed to wholesale oil production: USD 8 million (minus costs)
- Price of retail oil USD 2,200 per tonne
- Potential value of Tabora oil production in the retail market: 9,000 tonnes X USD 2,200 = USD 20 million (actually 19.8 million)
- Economic benefit of moving from wholesale to retail processed oil: USD 4 million (minus costs)

Box II.2. Investing in edible oil: Kazima Oil Mill

Kazima Oil Mill was set up in 2008 by Ramadhan Kalingonji, a retired civil servant. The company owns a 20-acre farm near Tabora where it grows sunflowers. The farm generally yields 70 to 80 bags of 60 kg each for a total of between 4,000 and 5,000 kg of sunflower seeds. In addition, Kazima buys about the same quantity of seeds, so that it has close to 10,000 kg for processing.

The seeds are processed in a factory in Tabora and the sunflower oil is also sold in Tabora. Seeds cost around TZS 500 per kg, while the oil is sold for TZS 12,000 to 16,000 for a can of five litres. (About 65 kg of seeds yield about 20 litres of processed oil.) The initial investment in the company, for both farm and factory, was around TZS 60 million (USD 50,000 at the 2008 exchange rate). The annual turnover is TZS 8 to 10 million (USD 5,000 to 6,000 at the current exchange rate). There are eight employees.

The reason Kazima is in Tabora is that Mr Kalingonji is from Tabora. But he believes the city has other advantages as well, in particular, an expanding population and an improving infrastructure. The disadvantage is that Tabora is not, at least yet, a commercial or industrial hub. Among the things that have seen improvements of late are roads and educational institutions. What remains unimproved and urgently needs the government's attention is the railways.

The major challenge the company has faced is financing for investment. Mr Kalingonji would welcome a partner, foreign or domestic, who could bring investment capital and could upgrade the processing technology. With improved processing, Mr Kalingonji sees a serious opportunity for exporting sunflower oil.

Source: Millennium Cities Initiative, drawing on information provided by Kazima Oil Mill.

KPMG estimated the Tabora demand of about 9,000 tonnes by taking the FAO recommendation of annual vegetable oil consumption of five kg per capita and multiplying it by what it took to be the region's population: 1.8 million. Since the population is now (in 2012) around 2.5 million, we would get a figure of 12,500 tonnes of oil by following the same method of calculation. This figure may in fact be significantly understated, because Tanzania's edible oil consumption actually seems to be significantly higher than five kg per capita. Recall that the country imported 170,000 tonnes of palm oil in 2009 and that oil imports are said to be about half the total requirement, which would thus be about 340,000 tonnes — or 340 million kg for a population around 40 million. This gives us an annual vegetable oil consumption of about 8.5 kg per capita.

If the market opportunity in processed sunflower oil is to be realized, however, a number of challenges would need to be overcome. These include the following:

- A lack of improved hybrid seeds that would yield substantially more oil;
- Inadequate extension services from Government;
- Inadequate knowledge of improved sunflower production techniques among farmers;
- Prevalence of pests and disease;
- Unreliable market and low prices for sunflower seeds;
- Competition with cheaper imports of palm oil; and
- Poor roads that make it difficult for farmers to bring their produce to the city for processing.

That the challenges are by no means insurmountable is shown by the experience of the MVP in Mbola — see box II.3 below.

65 Mpagalile, J.J., R. Ishengoma and P. Gillah, *Agribusiness Innovation in Six African Countries: The Tanzanian Experience* (see **Sources consulted**).

Box II.3. The Millennium Village Project in Mbola

The Millennium Village Project is located in Mbola, in the Uyui District of the Tabora Region and began in 2006. Farming is the mainstay of people living in Mbola. The village land holdings range between 1 and 15 ha per household. Before the MVP began in Mbola, most farmers grew tobacco — a labor-intensive cash crop requiring expensive inputs (seeds, large quantities of fertilizer, and pesticides).

Since its arrival in Mbola, the MVP has encouraged farmers to diversify their farms to include other high-value crops such as sunflowers, fruits and vegetables. Nearly 5,900 of the 6,000 farmers in the area followed suit, thereby generating a boost in their incomes.

The Mbola Millennium Village project in Tabora shows the potential of sunflower production. The activities of the project include:

- Spreading the use of high quality seeds (hybrid seeds) and suitable fertilizer,
- Educating farmers in the advantages of sunflower over tobacco,
- Building up collection points for efficient transport, and
- Finding and negotiating with customers.

During 2008 to 2009, the MVP introduced a focused program to encourage farmers to grow sunflowers since the region's climate and soils were well suited to the crop. The MVP provided high-yielding variety (HYV) hybrid seeds as well as fertilizers to the farmers as loans. (The hybrid seeds have an oil content of 40–50%, while local seeds have an oil content of 20–35%. The hybrid seeds as a raw input are more expensive, however; so farmers had to rely on inputs being provided by the MVP.)
The MVP programme resulted in a 56% increase in yield per acre (0.4 ha). While other areas of Tabora grow 450 kg per acre, Mbola grows 750 kg per acre.

Tobacco remains a strong competitor for sunflowers in the region. Because of its labour-intensive growing process, however, the MVP has been trying to educate farmers on the advantages of growing other crops.

Source: Adapted from KPMG International (see **Sources consulted**).

Dairy: Milk processing

The consumption of milk varies in Tanzania by region, occupation and income. Overall consumption per capita is only about 41 litres a year, which is much lower than the 200 litres recommended by the FAO.[66] The demand for milk is relatively high in the urban and peri-urban areas but the supply is usually inadequate. The gap is filled by imports. Fresh cow milk imports were 3,709 tonnes (or somewhat less than 4 million litres) in 2009 and cost nearly USD 3.7 million.[67]

The reasons for inadequate supply include the relatively low milk yield of indigenous cattle. Of the 21.3 million cattle in Tanzania (over 1.8 million in the Tabora region), more than 90% are of the indigenous types, known for their ability to survive and produce even in a harsh environment with poor feed resources but not very productive of milk: 1,500–2,000 litres per lactation.[68] There are also around 680,000 dairy cattle, which are a crossbreed of Friesian, Jersey and Ayrshire breeds with the Tanzanian Short-horn Zebu. These produce nearly 2,500 litres per lactation. (Incidentally, one might note by way of comparison that Kenya is supposed to have something like 4 million dairy cattle.)

There are other reasons as well. Apart from the low milk yield of indigenous cows, the milk is mostly produced in small quantities by smallholders. These have perhaps 1–5 cows per household and many of them are spread over relatively remote areas with no access to all-weather roads. This means that most milk is either consumed at home or sold locally to neighbours and sometimes small traders. It is estimated that only about 10% of the raw milk produced in Tanzania reaches either a formal or an informal market and of this only 2% is formally traded.[69]

Any effort to set up a milk-processing facility would thus need to find a solution to the problem of inadequate and unstable supply. That the problem is serious is underscored by the state of the milk-processing industry in the country. The industry has undergone fundamental changes over the past decade and a half. The seven dairy processing plants owned by the state-owned Tanzania Dairies Ltd (TDL) began to be privatized in 1995, in line with the new policy of economic liberalization.[70] And new private plants were also constructed. Things have not, however, worked out quite as hoped for.

TAMPA makes the following observations in its *Policy Brief* mentioned above. Formal milk processing has declined by more than 80% over the last 15 years and 13 dairy plants have closed. Most plants are working at less than 30% of installed capacity, resulting in only 105,000 litres being processed per day. In 2009, the country had an annual installed capacity to process 325,600 litres per day but operated at an average rate of less than 100,000 litres.[71]

These points are more or less substantiated in a December 2011 report by the Ministry of Livestock and Fisheries Development — see table II.4 below. Out of the total of 47 plants listed in this table, five are not in operation. Of the remaining 42, only 12 are operating at a capacity of 50% or more and only one of these 12 is operating at full capacity (100%). The installed capacity is just over 384,000 litres per day, while the actual processing is only about 89,000 litres per day or 23% of installed capacity.

66 Tanzania Milk Processors Association (TAMPA), *Harmonization of Regulatory Framework in the Dairy Sector: Policy Brief* (see **Sources consulted**).

67 FAO, *Imports: Commodities by country* (see **Sources consulted**).

68 Ministry of Livestock and Fisheries Development, *Efforts to improve the dairy industry in Tanzania* (see **Sources consulted**).

69 Ibid.

70 Njombe, A. P. and Y. N. Msanga, *Livestock and Dairy Industry Development in Tanzania* (see **Sources consulted**).

71 Tanzania Milk Processors Association (TAMPA), *Harmonization of Regulatory Framework in the Dairy Sector: Policy Brief* (see **Sources consulted**).

TABLE II.4. Milk processing plants in Tanzania: Status in 2011

Company	No.	Plants (%)	Processing capacity (litres/day)	Current processing (litres/day)	Capacity in use (%)
Arusha	1	Brookside (T) Ltd	45,000	2,500	6
	2	International Dairy Products	5,000	3,000	60
	3	Mountain Green Dairy	1,500	500	33
	4	Kijimo Dairy Cooperative	1,000	300	30
	5	Longido Women Dairy Cooperative	1,000	300	30
	6	Arusha Dairy Company	5,000	500	10
Dar es Salaam	7	Azam Dairy	3,000	2,000	67
	8	Tommy Dairy	15,000	*Not working*	0
	9	Tan Dairies	15,000	6,000	40
	10	Royal Dairy Ltd	0	*Not working*	0
Dodoma	11	Gondi Foods	600	200	33
Iringa	12	ASAS Dairy	12,000	6,000	50
	13	CEFA Njombe Milk Factory	10,000	2,000	20
Kilimanjaro	14	Nronga Women	3,500	1,250	36
	15	West Kilimamnjaro	1,000	300	30
	16	Mboreni Women	1,000	300	30
	17	Marukeni	1,000	450	45
	18	Ng'uni Women	1,000	350	35
	19	Kalali Women	1,000	440	44
	20	Fukeni Mini Dairies	3,000	1,000	33
	21	Kondiki Small Scale Dairy	1,200	600	50
Kagera	22	Kagera Milk (KADEFA)	3,000	400	13
	23	Kyaka Milk Plant	1,000	450	45
	24	Del Food	1,000	300	30
	25	Bukoba Market Milk Bar	500	300	60
	26	Bukoba Milk Bar — Soko Kuu	500	300	60
	27	Mutungi Milk Bar	800	180	23
	28	Salari Milk Bar	800	170	21
	29	Kashai Milk Bar	800	200	25
	30	Kikulula Milk Processing Plant	1,000	500	50
	31	Muviwanya	1,000	350	35
Mara	32	New Musoma Dairy	120,000	20,000	17
	33	Utegi Plant (Ex-TDL)	45,000	*Not working*	0
	34	Makilagi SSDU	1,500	1,000	67
	35	Baraki Sisters	3,000	2,100	70
	36	Mara Milk	15,000	6,000	40
Mbeya	37	Mbeya Maziwa	1,000	1,000	100
	38	Vwawa Dairy Cooperative Society	900	600	67
Morogoro	39	SUA	3,000	200	7
	40	Shambani Graduates	1,500	700	47
Mwanza	41	Mwanza Mini Dairy (Sengerema)	3,000	500	17
	42	Lake Side	5,000	*Not working*	0
Tabora	43	New Tabora Dairies	16,000	200 [a]	1 [a]
Tanga	44	Tanga Fresh	30,000	25,000	83
	45	Ammy Brothers	2,000	500	25
	46	Morani	0	*Not working*	0
		Total	**384,100**	**88,940**	**23**

a See box II.4 on New Tabora Dairies below for latest figures.

Source: Adapted from the Ministry of Livestock and Fisheries Development, Investment Opportunities in Livestock Industry, December 2011, http://www.mifugo.go.tz/documents_storage/Livestock%20Investment%20Opportunities.pdf .

Nonetheless, KPMG notes that, as part of its National Strategy for Growth and Reduction of Poverty (NSGRP II), the government is focused on developing the livestock industry to help poverty reduction and food scarcity and on moving this industry from subsistence farming to more commercial enterprises. Demand is certainly higher than supply across Tanzania — and indeed in Tabora. The underutilization of capacity is mainly due to a lack of capital and inadequate supply of raw milk. KPMG cites a study sponsored by the Netherlands government that found a daily demand of 12,500 litres of milk in the Tabora Municipal District. (The demand is for both raw and pasteurized milk.)

The government is increasing marketing for milk consumption, to help improve health, and a number of agencies and NGOs are sponsoring school milk programmes. Hotels and restaurants catering for tourists and high-income families are demanding quality dairy products and the school food programs are also increasing the demand for milk.

KPMG judges that long-life milk could support market demand through the year. However, there would need to be supplementary investment to educate farmers and provide collection centres, in addition to an investment in a processing plant that can produce pasteurized as well as long-life (UHT) milk and such other products as cheese, yoghurt, ghee and butter.

The establishment of a well-coordinated milk-collection network would be an entry point into successful milk processing and marketing. The MLFD report on investment opportunities mentioned above [72] identifies the Central Corridor (Morogoro, Dodoma, Singida, Manyara, *Tabora* and Shinyanga) as particularly appropriate for the setting up of collection centres as well as processing plants. Note that, among its efforts to create an environment conducive to the development of the dairy industry, the government has exempted milk packaging materials, some equipment used in the collection, transport and processing of milk from import duties.[73]

72 Ministry of Livestock and Fisheries Development, *Investment Opportunities in Livestock Industry* (see **Sources consulted**).

73 Ministry of Livestock and Fisheries Development, *Efforts to improve the dairy industry in Tanzania* (see **Sources consulted**).

Box II.4. Investing in dairy: New Tabora Dairies

New Tabora Dairies (NTD) was a state-owned enterprise until 2003, when it was privatized. The company is now owned by a group of shareholders who are all from Tabora. One of them is Dick Mlimuka, the current Managing Director. NTD buys, processes and sells milk and milk products such as cheese and ghee (semi-fluid clarified butter). It sells its products in the Tabora region and in Kigoma on Lake Tanganyika.

The initial investment in the enterprise was around TZS 100 million (USD 100,000 at the 2003 exchange rate), which was the amount paid to the state. There are 12 regular employees. The annual turnover in 2011 was TZS 65 million. NTD processes about 500 litres of milk per day, which is only about 3% of its installed capacity. The main competition comes from the importers of long-life (UHT) milk, which is cheaper and can be stored longer.

The main strengths of Tabora as an investment location, according to Mr Mlimuka, are its central location in western Tanzania and the presence of a number of institutions such as schools and colleges which are potential customers. The advantage of location is a *potential* advantage, as it depends on good transport links. At the moment, most major roads are unpaved, which makes it hard for farmers with raw milk to sell to get it to Tabora. But work is well under way to have the main roads paved over the next three years. Other difficulties for investors in Tabora include the railway links, which are infrequent and poorly maintained. Also difficult is financing, given the high interest rates.

NTD's own chief challenge has been to understand the market, which it has met by commissioning a survey. Its main needs are for technology upgrading and more investment capital. The company would very much welcome a foreign partner who could supply these. As for government action, Mr Mlimuka thinks it would be most productive if it helped farmers. For example, the government could provide farmers with better containers in which to store and transport milk. It could also help by setting up farmers' co-operative societies.

Source: Millennium Cities Initiative, drawing on information provided by New Tabora Dairies.

Tourism

Tanzania is a well-known tourist destination in East Africa. The best known attractions are the Serengeti Plains, the Ngorongoro Crater, Mount Kilimanjaro, and the beaches on Zanzibar Island. But these do not begin to cover what the country has to offer. As noted earlier, forests and woodlands in Tanzania cover some 39 million hectares, which is about 40% of the total area of the country.[74] More than 25% of Tanzania's land is covered with national parks and game reserves. There are 15 national parks, 32 game reserves, and 43 controlled conservation areas and marine parks.[75]

In 2010, tourism receipts amounted to USD 1.28 billion, which was about 20% of total export earnings — see table II.5 below. The table also shows some other interesting numbers. Thus Rwanda, a tiny country with a population less than a fourth that of Tanzania, seems to attract nearly as many tourists (85%) as Tanzania, although they do not spend more than a *fifth* of what they spend in Tanzania. In fact, receipts per arrival are by far the highest in Tanzania, no doubt in part because of the sheer size of the country and the variety of its attractions.

Receipts as a percentage of exports have fallen over recent years (figure II.1 below) but this has more to do with the growth of other exports than with a fall in tourism receipts. Total exports grew by nearly 50% from 2007 to 2010, while tourism receipts stayed somewhere around USD 1.2 billion.[76]

74 Ministry of Natural Resources and Tourism, MNRT Background, http://www.mnrt.go.tz/index.php?option=com_content&view=article&id=31&Itemid=34 .

75 Utalii Travel & Safaris, http://www.utalii.com/General_Information/Tourism_Profile.htm .

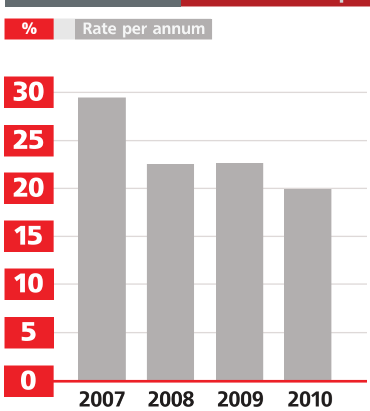
76 The World Bank, *World Development Indicators database* (see **Sources consulted**).

Table II.5. Tourism in East Africa, 2010

Country	Arrivals (number)	Receipts (in USD)	(% of exports)	(USD per arrival)
Burundi	n.a.	2,100,000	1.16	n.a.
Kenya	1,469,000	1,620,000,000	18.20	1,103
Rwanda	666,000	218,000,000	35.87	327
Tanzania	**783,000**	**1,279,000,000**	**20.02**	**1,633**
Uganda	946,000	762,000,000	21.52	805

Source: Adapted from the World Bank, World Development Indicators database, http://databank.worldbank.org/Data/Views/VariableSelection/SelectVariables.aspx?source=World%20Development%20Indicators%20and%20Global%20Development%20Finance .

FIGURE II.1. Tourism receipts as share of Tanzania's exports, 2007–2010 (%)



Source: Adapted from the World Bank, World Development Indicators database, http://databank.worldbank.org/data/Views/VariableSelection/SelectVariables.aspx?source=World%20Development%20Indicators%20and%20Global%20Development%20Finance# .

The relative lack of growth in tourism receipts is probably related to the flip side of the size of the country and the variety of its attractions — many of these are difficult to get to. Tabora is a case in point. Physically, as noted earlier, Tabora is the largest of Tanzania's 30 regions, with a surface area of 76,151 sq km,[77] and just over *two-thirds* of this consists of Forest Reserves (34,698 sq km) and Game Reserves (17,122 sq km). Since Tabora currently lacks paved roads, however, the reserves are not easily accessible. Chartered aircraft provide one access option and four-wheeled vans another, a more demanding one.

The major reserve in the region is the Ugalla Game Reserve, an area of 5000 sq km that supports a large variety of game congregating in the vicinity of the Ugalla river in the dry season. The reserve is about 200 km from Tabora city and is characterized by two primary ecosystems: extensive miombo woodland and large floodplains. An estimated total of over 50,000 animals inhabit the reserve for all or part of the year. The species include lion, leopard, elephant, hippo, giraffe and buffalo, as well as impala, water buck, topi, wild dog and warthog,

The other major reserve is the Kigosi, which is larger than Ugalla (7,000 sq km) and straddles two regions: Tabora and Shinyanga. The Kigosi has wildlife similar to that in Ugalla and similar access difficulties. Incidentally, it is worth noting that the access difficulties have a flip side too — the natural protection they provide means a richer variety of game.
Hunting is permitted in the Ugalla reserve, under strict regulations and for a fee. Licensed honey gatherers and fishermen are also allowed to enter the reserve for six months of the year, from July to December, to harvest honey and fish. Visitors can reach the reserve by the trunk road from Tabora to Mpanda, which is being upgraded to gravel level.

In addition to the reserves, there are also a number of tourist attractions within the city of Tabora itself. As noted earlier, Tabora was founded in the mid-19th century by Arab slave traders and was a major trading point and stopover for caravans connecting Lake Tanganyika and Central Africa with the coastal town of Bagamoyo to the northeast.[78] It was also an important mission station during the early years of the European exploration of East Africa.

77 Planning Commission and Regional Commissioner's Office, *Tabora Region: Socio-economic Profile*, May 1998, http://www.tzonline.org/pdf/Tabora.pdf .

78 Carina Water Wells Project, Tabora, Tanzania, http://carinawaterwells.org .

Stanley and Livingstone stopped in Tabora after their famous meeting in Ujiji (near Kagoma) in late 1871.[79] The Arabic-style house where Livingstone stayed in Tabora is now the Kwihala Museum, which is dedicated to Livingstone and contains his memorabilia, including letters, maps, pictures and a diary. It also displays information about other early missionaries and explorers.

After the German takeover, Tabora became an administrative centre of German East Africa. The construction of the railway made it even more important. The German Fort Boma, which housed the administrative offices, can be seen in Tabora today. It is still in use (by the military) and is connected with the Tabora railway station by means of an underground tunnel (which is not in use). Other points of interest in the city include the Tabora Boys Secondary School, which President Nyerere attended; and the varieties of architectural styles — African, European, Indian — to be found in the city's buildings.

Investment opportunities in this area include those in the hospitality industry, such as hotels, restaurants and campsites. There are at the moment only two hotels used by international travellers, the Orion Tabora Hotel and the Frankman Palace Hotel. (See box II.5. below.) There is also a shortage of restaurants that could serve international tourists. Other opportunities include tour operating and the provision of road transport services.

79 Livingstone Online, http://www.livingstoneonline.ucl.ac.uk/index.php .

Box II.5. Investing in hospitality: Frankman Palace Hotel

The Frankman Palace Hotel is a new hotel in Tabora that opened its doors in 2010. Frank Mmasi, the hotel's owner and Managing Director, was convinced that there was unmet demand for a hotel that could cater to both international visitors and others from within Tanzania whose expectations were close to those of international visitors. The success of his venture over the past two years has shown his conviction to have been well-grounded.

The Frankman has 20 guest rooms, of three levels of quality (which is mainly a matter of size). Room rates are TZS 30,000; 50,000 and 75,000 (roughly USD 20, 30 and 50) per day. The initial investment in the project was TZS 500 million (somewhat over USD 300,000). The annual turnover is around TZS 250 million (over USD 150,000). There are 12 regular employees. The hotel offers the usual facilities — a bar, a restaurant, meeting rooms, etc.

Occupancy rates are high, indicating strong demand, and Mr Mmasi is planning an expansion that would add another 40 or so rooms. (Land is available in the form of an adjacent plot.) The only competition is the Orion Tabora Hotel.[a] The Frankman's customers are similar to those of the Orion. In the main, they are business people from Dar es Salaam and from neighbouring countries; employees of international NGOs; and officials of both domestic and foreign governments. Tourists properly so called are relatively few.

The hotel was set up in Tabora because Mr Mmasi lives in Tabora, where he also owns another company, Frado Business Care Ltd, which buys building materials from Dar es Salaam and sells them in Tabora. One great advantage of being in Tabora, according to Mr Mmasi, is that there is little competition (none for his hotel other than the Orion). A number of things that matter to businesses have also improved in Tabora, e.g., the power and water supply. There are also several new universities in town. But there are certainly things that need much further improvement, unpaved roads being the most glaring example. Transport more generally is a problem too, with rail transport actually worse than it was a few years ago.

The main challenge the Frankman Palace Hotel has faced is the lack of staff with the training necessary to provide services of an international standard. There is no institution in Tabora which can provide such training and importing suitably qualified staff from elsewhere is effectively ruled out by the costs involved. Mr Mmasi himself has no background in the hospitality industry. For the moment, the hotel relies upon feedback received from the hotel's customers to improve the quality of its services. Mr Mmasi would be interested in collaborating with a foreign partner who could supply management know-how and training in hospitality services that would bring the Frankman up to an international standard.

Source: Millennium Cities Initiative, drawing on information provided by the Frankman Palace Hotel.

a The Orion is much larger and somewhat pricier. Its physical property is impressive, having been built to serve as a Baron's hunting lodge in the years of German rule before the First World War. The report by KPMG International (see **Sources consulted**), carries a box on the Orion Tabora Hotel.

The major challenge for tourism investors in Tabora is infrastructure, above all the transport infrastructure. Tourism on any serious scale is an unlikely prospect without regular and reliable flights from Dar es Salaam. Air Tanzania, which is supposed to fly this route, has been overwhelmed by its financial and managerial problems and its future appears to be uncertain. Its flights to Tabora have been suspended since early 2012. The railway, as noted in **4. The business environment** below, has its own problems, although it may not be relevant to international tourists in any case. Roads, on the other hand, *are* relevant to tourists since the major attraction is Ugalla, and the 200 km road connecting the reserve with Tabora is not all it should be.

The other challenge is the lack of any effective promotion and marketing for the tourism sector in Tabora. This is not unrelated to the infrastructure challenge, since it is not easy to promote tourist attractions that are hard to reach.

Other areas of interest to potential investors

As noted earlier, there may be many other opportunities than those described above, in such areas as bio-fuels, infrastructure, and light manufacturing of various kinds. One such opportunity, in light manufacturing, is illustrated by box II.6 below.

Box II.6. Investing in timber-processing: Tabora Msitu Products

Tabora Msitu Products Co. Ltd (TMP) is a local firm that produces sleepers for railways and harbours, along with materials for the construction industry. To get its timber, the firm needs to acquire a permit to log in a section of a forest reserve. The cost is TZS 120,000 to 160,000 per cubic metre (about USD 75 to 100 at the current exchange rate).

TMP was a state-owned enterprise until 2004, when it was privatized. The buyer was Abdallah Nassor, the current Managing Director. The investment was around TZS 300 million (about USD 290,000 at the 2004 exchange rate), of which TZS 100 million was paid to the state. The annual turnover is currently around TZS 150 million, although this is at about a third of the firm's operating capacity. TMP has 16 regular employees and some 20 casual ones. It sells its products in Tabora, Mwanza and Dar es Salaam.

TMP is in Tabora because its state-owned predecessor was in Tabora. But there is also the fact that Tabora offers easy access to forest reserves, which the firm regards as a major strength of Tabora as far as investing in the timber business is concerned. The main obstacle for investors in Tabora is the infrastructure, although there have been some improvements. Both water and power supply have improved a bit and the paving of roads is making progress. Railway transport on the other hand remains a big problem. It takes two weeks for a railway shipment to reach Dar es Salaam and three weeks to reach Mwanza — this despite the fact that the distances, as the crow flies, are 740 km to Dar and 280 km to Mwanza!

According to Fred Kananura, the Business Development Manager, the company has also experienced serious difficulties on account of the Tanzanian bureaucracy. An order for 2,000 cubic metres of timber requires the management to go to Dar es Salaam, to see officials in the Ministry of Natural Resources, which is a major undertaking in the absence of any flights from Tabora. Bureaucratic delays were part of the reason for the TMP losing out on an USD 11 million order from China in 2011. It was not the only reason, as the firm also could not get operational financing. Development banks seemed to have other priorities.

TMP sees infrastructure as a promising area for foreign investment in Tabora. Another concrete opportunity is investing in TMP itself. The firm needs very much to upgrade its machinery, which is ageing, and its technology more broadly. Better machinery would enable it to make profitable use of its timber by-products and operate at something like full capacity. At the moment, the company is operating at only 30% capacity.

Source: Millennium Cities Initiative, drawing on information provided by the Tabora Msitu Products Co. Ltd.

3. Incentives, special zones and related matters

Incentives in Tanzania[80]

A number of tax incentives are granted to both local and foreign investors as specified in the Tanzania Investment Act, 1997. These are granted mainly in the form of enhanced capital deductions and allowances specific to lead and priority sectors which include economic infrastructure, mining, agriculture and agro-based industries, tourism, and petroleum and gas. There are also incentives granted to holders of Certificates of Incentives which are not sector-specific.

Import duty drawback

Import duty is refunded when charged on imported inputs used for producing goods for export or goods sold to foreign institutions like the United Nations in Tanzania.

Manufacturing under bond

All factories registered to manufacture goods under bond for export purposes are exempted from import duty and other taxes on inputs used to manufacture such goods.

Tax incentives by sector

Table II.6. Tax incentives in economic infrastructure[a]

Item	Duty/tax (%)	VAT
All capital goods	0	Deferred
Deemed capital goods	0	Deferred
Utility vehicles	0	Deferred
Corporate tax	30	–
Withholding tax on dividends	10	–
Withholding tax on interest	10	–
Losses carried forward indefinitely	–	–

In addition, infrastructure investors are regarded as 'strategic investors' and may receive incentives beyond those provided to normal investors.

80 The information in this section is adapted mainly from the *Tanzania Investment Centre's Tanzania Investment Guide, 2008 and Beyond*, http://www.tic.co.tz/ .

a Economic infrastructure includes roads, railways, air and sea transport, port facilities, telecommunications, and banking and insurance.

Table II.7. Tax incentives in mining

Item	Duty/tax (%)	VAT
All capital goods	0%	Relieved
Spare parts	0%	Relieved
Explosive & other supplies	0%	Relieved
Fuel & oils	0%	Relieved
Corporate tax	30%	–
Capital allowance	100%	–
Withholding tax on technical services	5%	–

Table II.8. Tax incentives in agriculture

Item	Duty/tax (%)	VAT
All capital goods	0	Deferred
Agricultural machinery/equipments	0	Exempt
Fertilizers & pesticides	0	Exempt
Farm implements & inputs	0	Exempt
Corporate tax	30	–
Capital allowance	100	–
Withholding tax on *interest*	*10*	–
Withholding tax on dividends	10	–

Table II.9. Tax incentives in tourism

Item	Duty/tax (%)	VAT
All capital goods	0	Deferred
Hotel facilities e.g. carpets, furniture	0	Deferred
Vehicles for tour operators	0	Deferred
Corporate tax	30	–
Capital allowance	50	–
Withholding tax on dividends	10	–
Withholding tax on interest	10	–
Losses carried forward indefinitely	–	–

Table II.10. Tax incentives granted to holders of Certificates of Incentives (non-sector-specific)

Item	Duty/tax (%)	VAT
All capital goods	0	Deferred
Utility vehicles	0	Deferred
Replacement of industrial parts for the rehabilitation of privatized enterprises	0	Deferred
Corporate tax	30	–
Withholding tax on dividends	10	–
Withholding tax on interest	10	–
Losses carried forward indefinitely	–	–

Other applicable taxes and levies in the mineral sector:

- Royalty of 3% except for diamonds, which is at 5%, and petroleum and gas, which is at 12.5%,
- No tax, duty, fee or other fiscal impost on dividends,
- No capital gains tax,
- Losses carried forward indefinitely,
- Duty rate of 5% and VAT after the first five years of commercial production,
- Yearly appreciation of unrecovered capital, and import by or supply to a registered licensed exploration, prospecting, mineral assaying, drilling or mining company, of goods which if imported will be eligible for duty under customs law, and service for exclusive use in exploration, prospecting, drilling or mining activities.

Tax incentives in petroleum and gas

- Tax exemption of equipment and material used for exploration,
- Negotiated levels of cost oil or gas split after the discovery of oil or gas for the purposes of recovering costs for exploration, development and production,
- Negotiated levels of profit oil or profit gas split, and
- Import by or supply to a registered licensed exploration, prospecting, mineral assaying, drilling or mining company, of goods which if imported will be eligible for duty under customs law, and service for exclusive use in exploration, prospecting, drilling or mining activities.

N.B.

1. The law also allows a 50% capital allowance for plant and machinery used in the manufacturing and fish farming sectors.

2. The Investment Act allows the National Investment Steering Committee to offer *additional* incentives and benefits, over and above those provided by the act, to strategic or major investment projects.

Incentives in Tabora

There are no special regional incentives offered in Tabora.

Investment and tax treaties

A double taxation treaty covering the East African Community is in the works.

Table II.11. Tanzania's bilateral investment treaties (BITs), as of 1 June 2011[a]

Partner	Date of signature	Date of entry into force
Denmark	22 April 1999	21 October 2005
Egypt	30 April 1997	–
Finland	19 June 2001	30 October 2002
Germany	30 January 1965	12 July 1968
Italy	21 August 2001	25 April 2003
Jordan	8 October 2009	–
Korea, Republic of	18 December 1998	–
Mauritius	4 May 2009	–
Netherlands	31 July 2001	1 April 2004
South Africa	22 September 2005	–
Sweden	1 September 1999	1 March 2002
Switzerland	8 April 2004	6 April 2006
Turkey	11 March 2011	–
United Kingdom	7 January 1994	2 August 1996
Zimbabwe	3 July 2003	–

Source: Adapted from UNCTAD, http://www.unctad.org/Templates/Page.asp?intItemID=2344&lang=1 .

a The information provided in this table may not be either complete or accurate in every detail. The investor is advised to confirm both the existence *and* the current status of any bilateral treaty of interest to the investor.

Table II.12. Tanzania's double taxation treaties (DTTs), as of 1 June 2011[a]

Partner	Date of signature	Date of entry into force
Canada	Income and capital	15 December 1995
Denmark	Income and capital	6 May 1976
Finland	Income and capital	12 May 1976
India	Income and capital	5 September 1979
Italy	Income and capital	7 Mar 1973
Norway	Income and capital	28 April 1976
South Africa	Income	22 September 1905
South Africa	Income and capital	7 December 1959
Sweden	Income and capital	2 May 76

Source: Adapted from UNCTAD, http://www.unctad.org/Templates/Page.asp?intItemID=4505&lang=1 .

Special zones

These are of two kinds, Special Economic Zones (SEZs) and Export Processing Zones (EPZs). Both are managed by the Export Processing Zones Authority (EPZA). There are six SEZs/EPZs, also called industrial parks, which are located mostly in or near Dar es Salaam. There is no SEZ in Tabora. *Note, however, that a business operating outside the industrial parks can acquire the status of a 'stand-alone EPZ' and become eligible for EPZ-associated incentives.*

Criteria for EPZ investment approval

- The investment must be new.
- At least 80% of the goods produced/processed should be for export.
- The annual export turnover should not be less than USD 500,000 for foreign investors and USD 100,000 for local investors.
- An adequate environmental protection system must be in place.
- The business must use new machinery in a modern production process.

EPZ incentives

The incentives, as provided under the EPZ Act 2002 (amendments), include

- Remission of customs duty, VAT and any other tax charged on raw materials and goods of capital nature,
- Exemption from VAT on utility and wharfage charges,
- Exemption from the corporate tax for an initial period of 10 years,
- Exemption from the withholding tax on rent, dividends and interest for an initial period of 10 years,
- Exemption from payment of all taxes and levies imposed by local government authorities for goods and services produced in the EPZs for an initial period of 10 years, and
- Provision of temporary visas at point of entry to key technical, management and training staff for a maximum period of 60 days.

For further details regarding, incentives, the registration process, etc., see the EPZA website at http://www.epza.co.tz/ .

4. The business environment

Infrastructure

Infrastructure has had its successes in Tanzania (in particular, telecommunications) as well as its major difficulties (in particular, electricity). A recent report for the World Bank, drawing on enterprise surveys, noted that infrastructure constraints may be responsible for an estimated third (34%) of the productivity handicap faced by Tanzanian firms.[81] Transport was the infrastructure constraint that weighed most heavily on Tanzanian firms. (This was confirmed in discussions in Tabora in October 2012, although it was also clear that the problems were being addressed, at least as far as the airport and trunk roads were concerned.)

Air transport

In general, Tanzania has an exceptionally competitive civil aviation sector in Sub-Saharan Africa. According to the World Bank report just cited, each of the 17 domestic routes has more than one provider, although service is not without interruptions. (In the spring of 2012, Air Tanzania had suspended the only scheduled flight from Dar es Salaam to Tabora.) There are three international airports — Dar es Salaam, Kilimanjaro and Zanzibar — and a number of (much) smaller domestic airports. The Tanzania Airport Authority's website lists 21 of these, including the one in Tabora.[82] Scheduled international flights are offered by 25 airlines, 21 of them foreign. These latter include major airlines such as British Airways, Emirates, Ethiopian, KLM and Swiss.

The domestic market is the fourth largest in Sub-Saharan Africa.[83] The total number of passengers at *all* airports in Tanzania was 2,137,253 in 2010. The number of passengers at the Tabora airport grew steadily until 2007, when it was 23,250. It then fell in 2008, rose again in 2009 to the highest number ever (24,757) and fell to 20,582 in 2010.[84] The market share of the major domestic scheduled operators in 2010 was as follows: Precision Air 58.9%; Coastal Travels 14.3%; Air Tanzania 6.1 %; Regional Air, Air Excel, TanzanAir, Zanair and other small carriers 20.7%.[85]

The main problem for this sector is poor facilities. Most airfields are not paved and some of those that *are* need rehabilitation. The rehabilitation and upgrading of Tabora airport, funded jointly by the Government and the World Bank for a total cost of around TZS 12 billion, is under way and is expected to be completed by March 2013.[84] The contractor is a Chinese firm, Sinohydro Corporation Limited, and the task is three-fold: the rehabilitation and upgrading of the runway to asphalt standards, the construction of runway strips and grassing, and the construction of a storm water drainage system.[87] The Julius Nyerere International Airport in Dar es Salaam, the country's largest airport and a natural potential hub for the region, is operating at (or beyond) the limit of its capacity, with traffic growing by 11 percent each year.[88]

There is also the problem of Air Tanzania, the former national airline that underwent privatization in 2003, with 49% of stock being sold to South African Airways. The arrangement did not work out and the Government bought back the SAA share in 2006. Since then, the airline has struggled to compete in the domestic market. According to the World Bank study, Air Tanzania is not financially sustainable and may have serious governance problems.[89]

81 See Shkaratan, *Tanzania's Infrastructure: A Continental Perspective, Policy Research Working Paper 5962*, The World Bank, February 2012 (see **Sources consulted**).

82 Tanzania Airports Authority, http://www.taa.go.tz/index.php?option=com_content&view=article&id=62:airport-charges&catid=40:2009-2010-statistics&Itemid=27

83 Shkaratan, op. cit.

84 Tanzania Airports Authority, http://www.taa.go.tz/index.php?option=com_phocadownload&view=category&id=13:year-2011&Itemid=57 .

85 US Department of Commerce, *Doing Business in Tanzania: 2011 Country Commercial Guide* (see **Sources consulted**).

86 See the project description on the Tanzania Airports Authority's website: http://www.taa.go.tz/index.php?option=com_content&view=article&id=120&Itemid=184 .

87 Ibid.

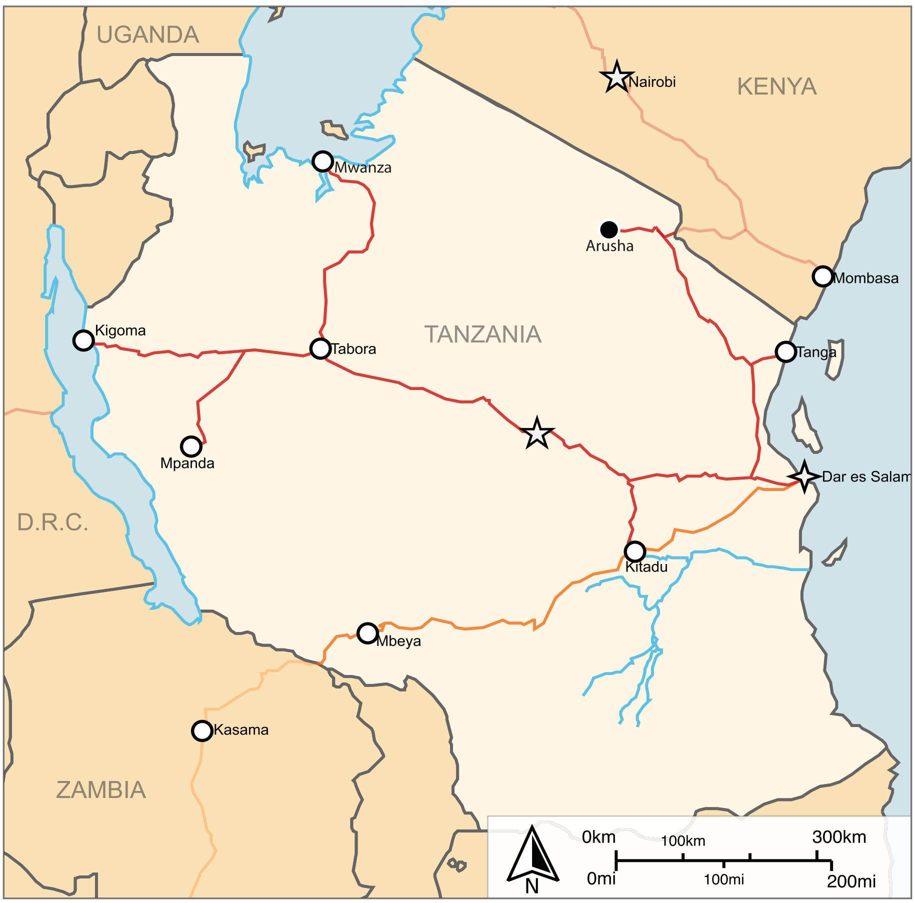
88 US Department of Commerce, op. cit.

89 Shkaratan, op. cit.

Railways

There are two railway lines in Tanzania. One is Tanzania Railways (TRL), with 2,600 km of track. Its main route connects Dar es Salaam, *via Tabora*, to Kigoma on Lake Tanganyika in the west and Mwanza on Lake Victoria in the north. The other line is the Tanzania Zambia Railway Authority (TAZARA), which has 1,860 km of track (975 km of it in Tanzania) and is jointly owned by Zambia and Tanzania. TAZARA connects Dar es Salaam with New Kapiri Mposhi in Central Zambia, where it links with the Zambia Railways System. Both lines are metre gauge (track width of about 1,000 mm or just over).

The railways are important to the Tanzanian economy, so it is unfortunate that they are not performing as well as they might be. The difficulties of TRL have been particularly noteworthy. The concession for TRL was given to an Indian firm named RITES in 2007. It was to be a joint venture with RITES holding 51% of the stock. Very soon, though, it became clear to both parties that the arrangement was not working. By 2011, the Government had retaken full control. This is, however, a temporary measure and the Government expects to invite fresh bids in the near future.



Source: SharMap.org, http://sharemap.org/jkan/railway/Railways_in_Tanzania , 1 August 2012

One consequence of the railway problems is that even heavy shipments that would have been ideal for the railways are now being sent by road — which increases the maintenance burden on the road system. The *Tanzania Growth Diagnostic* study mentioned above reported that, in 2009, only 5% of the containers cleared from the port of Dar es Salaam were transported by rail. The rest were sent by road. [90] In 2012, the trip from Tabora to Dar es Salaam by rail took 36 hours and the cost for a shipment of goods of 30–40 tonnes ranged from USD 2,000 to 2,500 per wagon. [91]

Roads

Tanzania has a total road network of 91,049 km, of which about a third is managed by the Ministry of Works and the rest by local authorities. When it comes to road density, Tanzania does not do well in comparison with low-income countries as a whole (table II.13 below). However, it does noticeably better in *maintaining* road conditions. Nearly 95% of the paved network is in good condition and nearly 70% of the unpaved one.

According to the World Bank study of infrastructure mentioned earlier,[92] the length of Tanzania's trunk road network is adequate, even though less than half of it is paved. The network provides basic national and regional connectivity, linking the capital to the coast, to international borders and to the regional capitals like Tabora. Tabora, unfortunately, does not yet have a *paved* trunk road reaching it but the central government is currently refurbishing a number of roads. These include:

Tabora to Nyahua,
85 km, under way – 18% completed

Tabora to Puge,
56.1 km, under way – 23% completed

Puge to Nzega,
58.8 km, under way – 12% completed

Tabora to Ndono,
42 km, under way – 21% completed

Ndono to Urambo,
52 km, under way – 24% completed

Two other major road links are currently at the design stage:

Tabora through Itigi to Manyoni, 245 km, and Tabora through Ipole and Koga to Mpanda, 359 km.[93]

Although the trunk road network may be adequate, rural accessibility remains a problem. Barely a quarter of Tanzania's rural population (24%) lives within two km of an all-weather road (table II.13). This is also a problem for industries such as tourism. The Ugalla Game Reserve is difficult to access in the rainy season.

One cost of unpaved roads is damage to goods in transit through breakage and spillage. Only Uganda performed worse on this count among the nine countries. Breakage and spillage losses on Tanzania's roads, as evaluated by a World Bank Enterprise Survey in 2006, were about 2.5% of all export goods.[94]

90 US Department of State, et al., *Tanzania Growth Diagnostic*, 2011, drawing on yet another study by Nathan Associates, published in 2011.

91 Communication from Tanzania Railways Corporation (TRC).

92 Shkaratan, Tanzania's Infrastructure: A Continental Perspective (see **Sources consulted**).

93 Tanzania National Roads Agency (TANROADS), *Ongoing projects*, http://www.tanroads.org/index.php?option=com_content&view=article&id=154&Itemid=95 , and *Ongoing design projects*, http://www.tanroads.org/index.php?option=com_content&view=article&id=153&Itemid=100 .

94 US Department of State, et al., *Tanzania Growth Diagnostic, 2011* (see **Sources consulted**).

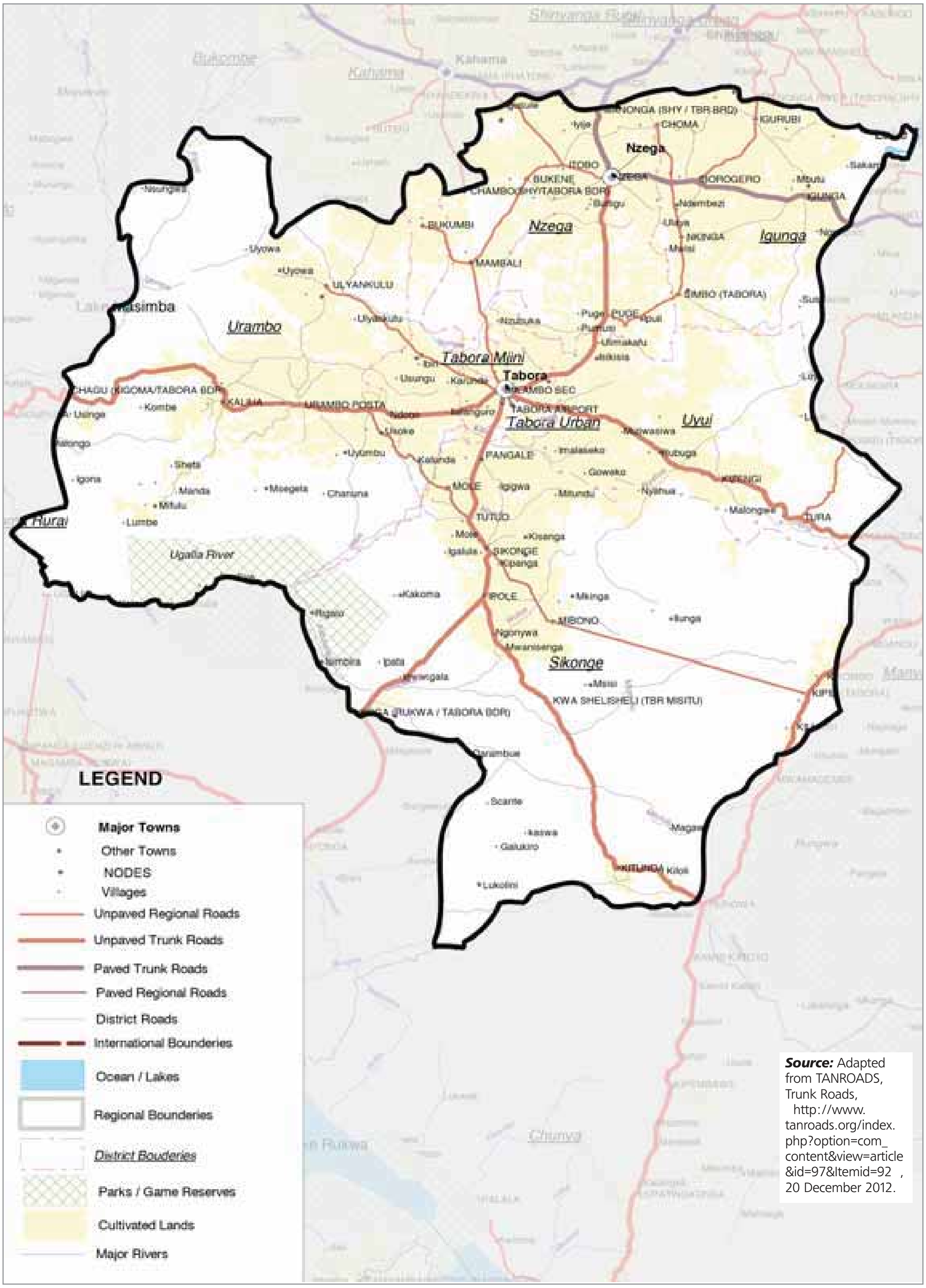
Table II.13. Road indicators, benchmarked against low-income countries[a]

Indicator	Unit	LIC[b]	Tanzania
Paved road density	km/1000 sq km of arable land	86.6	47.1
Unpaved road density	km/1000 sq km of arable land	504.7	482.6
Rural accessibility	% of rural population within 2 km of all-season road	21.7	24.0
Paved network condition	% in good or fair condition	80.0	94.7
Unpaved network condition	% in good or fair condition	57.6	69.1

Source: Adapted from the US Department of State, et al., Tanzania Growth Diagnostic, 2011, drawing in turn on a World Bank report in 2010.

a No year given but very probably 2006.

b 'LIC' stands for the average of low-income countries.



Source: Adapted from TANROADS, Trunk Roads, http://www.tanroads.org/index.php?option=com_content&view=article&id=97&Itemid=92 , 20 December 2012.

Ports

The main port is at Dar es Salaam. There are two other coastal ports at Tanga and Mtwara, in the north and the south respectively. Then there is Zanzibar Port (also known as Malindi Port), off the main coast. In addition, there are ports on the lakes to the north and the west, at Mwanza on Lake Victoria and at Kigoma on Lake Tanganyika, which serve the purposes of trade with the other countries bordering on the lakes — Kenya and Uganda on Lake Victoria and Burundi, the DRC and Zambia on Lake Tanganyika.

Dar es Salaam port handled about five million tonnes of cargo in 2009. The port has a low container dwell time of seven days, low truck processing time of 5 hours, and high crane productivity of 20 containers loaded or unloaded per crane hour. This strong performance can be explained by Dar es Salaam's sizable terminal operations, specialized container handling equipment, and the adoption of a container terminal concession to incorporate private management of operations. As a result, the port leads Sub-Saharan Africa in container-handling productivity and ranks among the top in general cargo handling.[95]

The main problem at the port is the same as at Dar es Salaam airport: traffic outrunning capacity. Total tonnage through the port increased at 8.7 percent per year between 2000 and 2009, while container traffic increased at 12.2 percent.[96] In 2009, imports constituted 82% of the total cargo, while transit traffic (imports and exports going to or coming from Zambia, Rwanda, Burundi, Uganda and the DRC) constituted about 40%.

The World Bank study mentioned above estimates the port's demand-to-capacity ratio at 140% in the container sector (demand of 350,000 twenty-foot equivalent units or TEUs a year and capacity of 250,000 TEUs a year) and 93 percent in the general cargo sector (demand of 3.8 million tons/year and capacity of 4.1 million tons/year).[97] According to the study, any capacity ratio in excess of 80% signals congestion. New capacity needs to be introduced to solve this problem, not only in the port itself, but also in upstream linkages to ensure that cargo can be efficiently moved on to road and rail infrastructure.

95 Shkaratan, *Tanzania's Infrastructure: A Continental Perspective* (see **Sources consulted**).

96 US Department of State, et al., *Tanzania Growth Diagnostic, 2011* (see **Source consulted**).

97 Shkaratan, *Tanzania's Infrastructure: A Continental Perspective* (see **Sources consulted**).

Electricity

Electricity is supplied by the Tanzania Electric Supply Company Limited (TANESCO), a state-owned enterprise. There are independent power producers (IPPs) that can generate power but they must sell it to TANESCO. The main source of electricity is hydropower, although Tanzania has other potential sources of energy as well, such as natural gas and coal.

Tanzania's per capita consumption of electricity is very low, at 46/KWh per annum. Only about 14% of the population had access to electricity in 2009. However, that was a substantial improvement over the 7.5% that had access in 2000.[98] The quality of power available is also problematic, with supply unreliable and blackouts common. Businesses consider power supply a major constraint (88% in the World Bank's 2006 Enterprise Survey) and nearly half of them own private generators as back-up.[96]

Power outages are among the highest in Africa and, according to World Bank study, cost 4% of GDP in 2006.[100] One reason for the power sector's problems is underpricing: TANESCO's average effective tariff of USD 0.08 per kilowatt-hour in 2010 was well below the USD 0.14 necessary to avoid a hidden cost of 1.4% of GDP.[101]

98 US Department of Commerce, *Doing Business in Tanzania: 2011 Country Commercial Guide* (see **Sources consulted**).

99 US Department of State, et al., *Tanzania Growth Diagnostic, 2011* (see **Sources consulted**).

100 Shkaratan, *Tanzania's Infrastructure: A Continental Perspective* (see **Sources consulted**).

101 Ibid.

102 'EWURA' stands for the Energy and Water Utilities Regulatory Authority. It levies certain charges.

Table II.14. Energy tariffs (TZS)[a]

Indicator	Domestic Low usage (D1)[b]	General usage (T1)[b]	Low voltage Max (T2)[b]	High voltage Max (T3)[b]
Low energy charge per kWh (0-50 kWh)	60	–	–	–
High energy charge per kWh (above 50kWh)	273	–	–	–
Service Charge per Month	–	–	16,944	14,520
Demand Charge per KVA	–	221	132	118
Energy Charge per kWh	–	221	132	118

Source: TANESCO, http://www.tanesco.co.tz/index.php?option=com_content&view=article&id=63&Itemid=205 .

a All charges exclude VAT and EWURA.[102]

b The explanations of these tariff categories given by TANESCO are as follows:

(D1) Domestic Low Usage Tariff:
This category covers domestic customers who on average have a consumption pattern of 50 kWh. The 50 kwh are subsidized by TANESCO and are not subjected to a service charge. Under the category, any unit exceeding 50 kwh is charged a higher rate up to 283.4 kWh.

(T1) General Usage Tariff :
This segment is applicable to customers who use power for general purposes, including residential, small commercial and light industrial use, public lighting, and billboards. In this category, the average consumption is more than 283.4 kWh per meter reading period.

(T2) Low Voltage Maximum Demand (Max) Usage Tariff:
Applicable for general use where power is metered at 400V and average consumption is more than 7,500 kWh per meter reading period and demand doesn't exceed 500KVA per meter reading period.

(T3) High Voltage Maximum Demand (Max) Usage Tariff:
Applicable for general use where power is metered at 11KV and above.

Water and sanitation

Unlike many African nations, Tanzania has sufficient freshwater resources to meet its needs and relatively low reliance on surface water (24% as against 34% for the peer group). Open defecation is practised by only 14%, compared to 37% in the peer group. Tanzania has achieved these outcomes largely by focusing on intermediate options such as wells and boreholes and traditional latrines that are the dominant forms of service provision in the country.[103]

Access to improved water has nonetheless been declining, although not according to the Ministry of Water. The World Bank study just cited concluded, drawing on household surveys, that access to safe water in urban areas decreased from 90% in 2000 to 80% in 2007. Many houses and businesses across Tanzania have water tanks, just as many have electricity generators. Although this increases costs for businesses, operating water tanks is nothing like as costly as operating generators.

Tanzania has substantial irrigation potential, although not much of it is realized. According to the National Irrigation Master Plan (NIMP) of 2002, the total irrigation potential area is 29.4 million hectares. As of June 2010, 331,490 hectares had been equipped for irrigation and drainage. Of this, 276,261 hectares are under smallholder cultivation and 55,229 hectares under medium- and large-scale commercial cultivation of cash crops like tea, coffee, sugarcane, flowers, and rice.[104]

Tanzania's use of irrigation compares favourably to comparator countries on most measures. At 331,490 hectares of irrigated lands, Tanzania has more than *three* times as much irrigated land as Kenya.[105] And the irrigated area has been growing more rapidly than elsewhere in Africa: at a rate of 4.6% per annum between 1973 and 2003[106] and substantially since then.

In Tabora, water supply is expected to increase as a new project, supported by the Swiss development agency SECO, comes on board. Rehabilitation of the existing water supply network is a component of the project.[107] According to a press report, supply is expected to double, from the current 15,000 cubic metres to 30,000 cm.[108]

103 Shkaratan, *Tanzania's Infrastructure: A Continental Perspective* (see **Sources consulted**).

104 US Department of State, et al., *Tanzania Growth Diagnostic, 2011* (see **Sources consulted**).

105 Ibid.

106 Shkaratan, op. cit.

107 See Government of Switzerland (in **Sources consulted**).

108 See Kilyinga (in **Sources consulted**).

Telecommunications

Telecoms are the great success story of Tanzania.

The World Bank study on infrastructure [109] notes that Tanzania has introduced key institutional reforms in telecommunications. The licensing framework has been streamlined and competition intensified in the mobile sector. From four active operators in 2001, Tanzania had grown to seven by March 2012, with the following subscription shares: VodaCom 47%, Airtel 26%, Tigo 20%, ZanTel 6%, TTCL 1%, Sasatel 0.02% and Benson 0.005%, making its wireless sector one of the most competitive in the region. Penetration had exceeded 50% of the population by 2012 — see table II.15 below. Note in the same table that:

i) the number of fixed lines actually declined after 2002, recovering only in 2010, and
ii) these declines and recoveries have basically become irrelevant in the context of the total telecom subscriptions.

The Tanzanian parliament passed the Electronic and Postal Communication Act of 2009 on January 29, 2010. The Act requires telecom firms to list their shares on the Dar Stock Exchange (DSE) by 2013 and makes permanent a 35/65 local-to-foreign ownership requirement.[110] (Telecoms are one of the areas in which fully foreign-owned firms are not permitted. See **Priorities and restrictions** in **Chapter III** for further details.)

Tanzania used to have high costs of internet service when it had no access to a fibre optic submarine cable. Two undersea cables now reach Tanzania: SEACOM since 2009 and EASSy since 2010. This has led to a huge increase in international bandwidth and a 50% fall in fixed broadband retail prices between 2008 and 2010.[111] Despite a decrease in airtime usage due to the mandatory registration of SIM cards in 2010, Tanzania's communications sector displayed strong growth in 2010, with growing use of m-banking.[112]

109 Shkaratan, op. cit.

110 US Department of Commerce, *Doing Business in Tanzania: 2011 Country Commercial Guide* (see **Sources consulted**).

111 Shkaratan, op. cit.

112 US Department of Commerce, op. cit.

TABLE II.15. Telecommunications in Tanzania, 2002–2012

Indicator	2002	2002	2006	2008	2010	2012
Number of fixed connections	161,590	148,360	152,000	123,809	174,511	173,075
Number of mobile subscribers	606,859	1,942,000	5,609,000	13,006,793	20,983,853	26,805,361
Percentage of population using the Internet[a]	0.22	0.88	5.8	9	11	n.a.

Source: Adapted from the International Telecommunication Union, Key 2000–2010 country data, http://www.itu.int/ITU-D/ict/statistics/index.html, and the Tanzania Communications Regulatory Authority (TCRA), Quarterly Telecom Statistics, Quarter 3 (March 2012) Report, http://www.tcra.go.tz/publications/telecomStatsMarch12.pdf .

a If we take the population of Tanzania to be around 45 million, this gives us a very respectable number of *five million* Internet users in 2010.

Finance

The number of financial institutions in Tanzania is as given below. The dates in parentheses are the dates when the webpage in question was last updated.[113]

- Commercial banks: 30 (March 23, 2012)
- Non-bank financial institutions: 5 (August 18, 2010)
- Regional unit banks: 7 (February 10, 2011)
- Regional unit financial institutions: 2 (December 29, 2008)

The government has implemented a series of financial sector reforms since 1991 and the financial sector in Tanzania has seen significant growth. Of the 30 commercial banks, more than half are foreign banks, such as Standard Chartered (UK), Stanbic (SA), Citi (US), and Barclays (UK). Foreign-owned banks in Tanzania account for about half of the banking industry's total assets.[114] Competition has increased efficiency and quality, though interest rates continue to be high, reflecting the risk that comes with the lack of a national ID or credit reference bureau.

The equity market in Tanzania is still at a nascent stage. Trading began on the Dar es Salaam Stock Exchange (DSE) in April 1998. Thirteen companies are currently listed on the DSE. These include Tanzania Breweries, Tanzania Tea Packers,, Tanzania Cigarette Company, Tanga Cement, Swissport Tanzania, and Kenya Airways Ltd (cross-listed). Non-resident participation in initial public offerings (IPOs) is limited to 60% of the shares.[115] Foreign individuals or companies are not permitted to participate in government securities.[116]

Foreign investors can get credit in the local financial market. Recent bank lending rates have ranged from 13% to 15% for ordinary borrowers but corporate borrowers can negotiate lower rates. Private companies have access to a variety of commercial credit instruments including documentary credits (letters of credit), overdrafts, term loans, and guarantees. Interest earned by non-residents or foreign investors from deposits in banks registered by the Bank of Tanzania (BOT) is exempt from income tax,[117] in accordance with the Income Tax Act of 2004. Profits, dividends, and capital can be readily repatriated.

113 Bank of Tanzania, *Tanzania-Banks & other financial institutions*, http://www.bot-tz.org/BankingSupervision/BankingSupervision.asp .

114 US Department of Commerce, op. cit.

115 Bank of Tanzania, *Financial Markets in Tanzania*, http://www.bot-tz.org/FinancialMarkets/FinMarketsInTanzania.asp .

116 US Department of Commerce, op. cit.

117 Ibid.

Human resources

Education has been improving steadily in Tanzania. At the tertiary level, enrolments went from about 5,000 in two universities and three technical colleges in 1990 to nearly 115,036 in 33 universities and five technical colleges in 2010.[118] Despite this, skilled workers continue to be in short supply. Foreign investors sometimes have trouble filling even administrative positions with local workers. The rate of formal on-the-job training offered by manufacturing firms in Tanzania is higher than the mean for Sub–Saharan Africa, indicating that these firms face a constraint they must deal with.[119]

The shortage of skills naturally leads foreign investors in particular to import skilled staff. The regulations on hiring expatriates are contained in the Investment Act of 1997, which governs foreign investment. The Act provides for two kinds of work permit for foreigners: class A for investors and their family members and class B for qualified workers. The maximum number of foreign employees with a class B permit per investment is five, although investors may request and be allowed more. According to UNCTAD, the average number of class B permits was 6.7 in 2008.[120] UNCTAD notes that five foreign workers is rather low for the management team of any sizeable enterprise, given the skill shortage.

The Employment and Labour Relations Act was introduced in 2004 and became effective in 2007. It addressed such issues as leave, wages, severance pay, maternity leave, contracts, and collective bargaining. Some of the provisions related to termination and hiring include a probation period during which they do not apply. Also, an employment contract may be for a specified or unspecified period of time or a contract for a specific task.[121]

Some specific provisions regarding labour are as follows:[122]

- Standard working time is 45 hours a week. Standard overtime pay is 1.5 times the normal.
- Workers are entitled to an annual leave of 28 calendar days, as well as to the 16 mandatory public holidays.
- Workers are entitled to three months of fully paid continuous sick leave. For the three months after sick leave, the employer must pay half the employee's usual wages. After six months of continuous absence on account of illness, the employee's contract may be terminated.
- Female employees may take a maternity leave of 84 calendar days once every three years.
- Workers have the right to form and join independent trade unions. Such unions must consist of more than 20 employees and must register with the government.
- Employees must be given a series of warnings before they can be dismissed. Disputes involving more than one employee are governed by the Industrial Court of Tanzania Act No. 2 of 1993. Disputes must pass through a Trade Union, then the District Labour Officer, then the Labour Commissioner, and finally the Industrial Court.
- The National Social Security Fund (NSSF) scheme requires a contribution of 20% of the basic wage bill from the employer, of which half may be collected from the employee. The employer must also pay the skills development levy, which is 6% of the gross wage bill.

118 Ministry of Education and Vocation, Basic Education Statistics, http://educationstatistics.moe.go.tz/moe/ .

119 US Department of State, et al., Tanzania Growth Diagnostic, 2011 (see **Sources consulted**).

120 UNCTAD, *Report on the Implementation of the Investment Policy Review* (see **Sources consulted**).

121 Ibid.

122 Tanzania Investment Centre, *Tanzania Investment Guide, 2008 and Beyond* (see **Sources consulted**).

Health issues

Progress is being made on HIV/AIDS. The 2007–2008 Tanzania HIV/AIDS and Malaria Indicators Survey (THMIS) suggests that HIV prevalence among those aged 15–49 years on the Mainland is 5.7% (6.8% for women and 4.7% for men).[123] HIV prevalence in the Tabora region in 2007–2008 was 6.1%, which was significantly lower than the 7.2% only five years earlier, in 2003.[124]

Progress is also being made on malaria. Malaria is widespread on the Mainland but there are big differences in the prevalence of malaria by region and by the degree of urbanization.

According to the 2007–2008 THMIS, rural areas had a prevalence rate of 20%, while urban ones had a rate of 8%. Among regions, highland Arusha had the lowest prevalence rate (0.4%) and Kagera on Lake Victoria had the highest (41.1%). The Tabora region had a relatively low rate of 9.7%, lower than any region to its west. The 2009-10 Demographic and Health Survey (DHS) showed marked improvement in nearly all malaria indicators. Sixty-three per cent of Mainland households owned at least one insecticide-treated net (ITN), with 64% of children under five and 57% of pregnant women sleeping under an ITN. This compares with just 23% ownership and 15–16% usage in the 2004–05 DHS.

123 UNAIDS, http://www.unaids.org/ctrysa/AFRTZA_en.pdf .

124 UNAIDS, http://www.unaids.org/en/dataanalysis/monitoringcountryprogress/progressreports/2012countries/ce_TZ_Narrative_Report%5B1%5D.pdf .

Doing business in Tanzania

Tanzania as compared to its neighbours

The International Finance Corporation (IFC), the private-sector arm of the World Bank, regularly carries out surveys of the investment climate in most countries of the world, investigating regulations that promote business activity and those that constrain it. These investigations deal with such topics as starting a business, paying taxes and trading across borders. The two tables presented below are adapted from the latest data available from the World Bank's Doing Business website (http://www.doingbusiness.org/), used in its *Doing Business 2012 Report*. The countries selected as comparators are the same as those selected for the governance tables in **Chapter I**, i.e., members of the East African Community (EAC).

One finding of the Bank's *Doing Business in the East African Community 2012* is that, over the past seven years, all five EAC economies have implemented a number of regulatory reforms improving the business environment for local entrepreneurs.

Rwanda stands out as the country that has made the greatest progress in improving its business environment between 2005 and 2011. Tanzania has not done quite as well but it too has made reforms. The 2008 *Report* noted that it had cut the cost of starting a business to the point that Tanzania was now one of the two cheapest places to register a business in Africa, while the 2012 *Report* noted that it had made trading across borders faster by implementing the Pre-Arrival Declaration (PAD) system and the electronic submission of customs declarations.

As table II.16 shows, Tanzania's number of procedures for starting a business is relatively high, 20% higher than the EAC average and 50% higher than the SSAaverage. But things improve when it comes to time and even more when it comes to cost. The time it takes to start a business in Tanzania is notably less than the SSA average and less also than in the two neighbours comparable in size, Kenya and Uganda. In the cost of starting a business, Tanzania is second only to Rwanda, though admittedly a distant second. However, Tanzania's cost is almost *half* the EAC average and just over a *third* of the SSA average.

Table II.16. Starting a business in the East African Community, 2011[a]

Economy	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in min. cap.[b] (% of income per capita)
Burundi	9	14	116.8	0
Kenya	11	33	37.8	0
Rwanda	2	3	4.7	0
Tanzania	**12**	**29**	**28.8**	**0**
Uganda	16	34	84.5	0
Regional averages				
EAC	10	23	54.5	0
Sub-Saharan Africa	8	37	81.2	129.8

Source: Adapted from the World Bank, Doing Business Data, http://www.doingbusiness.org/data/exploretopics/starting-a-business .

a Although there is a *Doing Business 2012* publication covering the East African Community (see Sources consulted), the data in it was collected no later than June 2011.

b The paid-in minimum capital is the amount the entrepreneur needs to deposit in a bank or with a notary before registration and up to three months following incorporation, and is recorded as a percentage of the economy's income per capita.

Tanzania is easily the leader in *all* categories when it comes to trading across borders (table II.17 above). Note in particular that the cost to *export* is 60% of the EAC and the SSA averages, while the cost to *import* is 60% of the SSA average and a bit over 40% of the EAC average.

Table II.17. Trading across borders in the East African Community, 2011[a]

Economy	Export Documents (number)	Export Time (days)	Export Cost (USD per container)	Import Documents (number)	Import Time (days)	Import Cost (USD per container)
Burundi	9	35	2,965	10	54	4,855
Kenya	8	26	2,055	7	24	2,190
Rwanda	8	29	3,275	8	31	4,990
Tanzania	**6**	**18**	**1,255**	**6**	**24**	**1,430**
Uganda	7	37	2,880	9	34	3,015
Regional averages						
EAC	8	29	2,486	8	33	3,296
Sub-Saharan Africa	8	31	1,960	8	37	2,502

Source: Adapted from the World Bank, Doing Business Data, http://www.doingbusiness.org/data/exploretopics/trading-across-borders .

a Although there is a *Doing Business 2012* publication covering the East African Community (see **Sources consulted**), the data in it was collected no later than June 2011.

5. Tabora as an investment location: A summary for investors

Strengths	Opportunities
• Political stability • A safe environment with little crime • Climatic and other resources (e.g, forest reserves) for tourism • Abundant low-cost labour	• Honey-processing for both domestic and foreign markets • Edible oil processing, primarily for the domestic market, as well as sunflower seeds & seedcake • Milk collection and processing, primarily for the domestic market • Tourism, focussing on wildlife and hunting, with some historical interest in the city
Weaknesses	**Threats**
• Poor infrastructure, especially the lack of paved roads and uncertain rail and air connections •Limited skills in the workforce, especially in tourism • Livestock with low milk yields	• No perceptible threat — unless the prevalence rate of HIV/AIDS starts going up again or climate change reduces rainfall and makes it more erratic

The Tabora region's climate and its extensive miombo woodlands provide the perfect natural environment for producing high-quality honey. The market for this honey is potentially very large. According to my experience in this sector, there is an increasing demand from the health-conscious market, both foreign and local, for honey and honey-based products. What is needed to access this market, particularly the export market, is modern processing equipment. So there is a real opportunity for a properly equipped honey-processing facility in Tabora.

Mukesh Patel, Managing Director, Tabora Pure Honey

III. TAXES AND LAWS

1. Taxation in Tanzania[125]

Taxes on profits and income

Corporate taxes

The tax rate on both resident and non-resident corporations is 30%. However, a non-resident corporation is also required to pay an additional 10% on its repatriated profits.

(A company is resident in Tanzania if it is incorporated in Tanzania, or its management and control was exercised in Tanzania during the year of income, or it has a permanent domestic establishment in Tanzania. A non-resident company is taxed in Tanzania to the extent that the income has been sourced in the United Republic of Tanzania.)

Newly listed companies enjoy a reduced rate of 25% for the first three years, provided that at least 30% of their shares are publicly issued.

An alternative minimum tax of 0.3% is charged on the turnover of a corporation that makes tax losses for three consecutive years as a result of tax incentives.

Personal income taxes

An individual who is resident in and has a permanent home in Tanzania is subject to income tax on his worldwide income. Non-residents are normally subject to income tax on income accrued in or derived in the Tanzania at a rate of 15% of the gross amount payable. A person is normally regarded as resident if he has a permanent home in Tanzania or was present in Tanzania during the year of income for 183 days or more.

A person will also be regarded as resident if he was present in that year of income and in each of the two preceding years of income for periods averaging more than 122 days in each such year of income.

125 Unless otherwise indicated, this section draws mainly on PricewaterhouseCoopers (PwC), *Doing Business: Know Your Taxes — East Africa Tax Guide, 2011/2012* and PKF International Limited, *Tanzania Tax Guide, 2010* (see **Sources consulted**).

TABLE III.1. Capital allowances for depreciable assets

	Category	Rate (%)
1	Buildings (straight-line)	
	• used in agriculture or livestock/fish farming	20.0
	• other	5.0
2	Plant and machinery (initial allowance)	
	• used in manufacturing (first year)	20.0
	• used in agriculture	5.0
	• on buildings, factories & offices	15
3	Plant & machinery (reducing balance)	
	• class 1	20.0
	• class 2	5.0
	• class 3	15
4	Intangible assets (straight-line)	1 divided by useful life
5	Agriculture — improvements/research and development	100.0
6	Mining exploration and development	100.0

TABLE III.2. Taxes on personal income (TZS)

Monthly income bands (TZS)		Tax rate on band (%)	Cumulative tax on income (TZS)
First	135,000	0	0
Next	225,000	14	31,500
Next	180,000	20	67,500
Next	180,000	25	112,500
Over	720,000	30	Variable

TABLE III.3. Withholding tax rates (%)

	Category	Rate (%) Resident	Non-resident
1	Dividends		
	• to company controlling 25% or more of a DSE-listed company	5	5
	• otherwise	10	10
2	Interest	10	10
3	Rent		
	• land and buildings	10	15
	• aircraft lease	0	
	• other assets	0	15
4	Royalties	15	15
5	Natural resources payments	15	15
6	Service fees	0	15
7	Technical services to mining companies	5	15
8	Insurance premiums	0	5
9	Payments to resident persons without a Taxpayer Identification Number (TIN) certificate	2	N/A

TABLE III.4. Capital gains tax (%)

Category	On Tanzanian assets (%)	On overseas assets (%)
Individual		
• resident	10	30
• non-resident	20	N/A
Company	30	30
• resident	30	30
• non-resident	30	N/A

A variety of employee benefits are taxable. These include housing, vehicles and interest-free loans provided by the employer.

The contribution to the National Social Security Fund (NSSF) is 20% of the employee's gross pay, with both the employer and the employee sharing the burden (10% each). This contribution is tax-deductible for both.

The skills and development levy is payable by any employer who employs four or more persons. The rate is 6% of the gross wage. The levy is tax-deductible. Employment in agriculture is exempt from the levy.

Exemptions to the capital gains tax are:

- Private residence:
  Gains of TZS 15 million or less
- Agricultural land:
  Market value of less than TZS 10 million
- Shares:
  - DSE shares held by resident
  - Shares held by non-resident with shareholding of less than 25%
  - Units in an approved collective investment scheme
  - Shares in a resident company held by another resident company with a shareholding of 25% or more

Foreign tax relief

On double taxation treaties, see **Chapter II. 3. Incentives, special zones and related matters**.

Taxes on goods and services

Value-added tax (VAT)

VAT is charged at the rate of 18% on the supply of goods and services, whether imported or domestically produced. Certain supplies such as insurance, education, financial services and tourist services are exempt from VAT, while supplies of human and veterinary medicine are zero-rated.

The registration threshold is gross turnover of TZS 40 million per annum. A separate application can be made to the Commissioner for Customs to deem motor vehicles as capital goods.

Capital goods (plant and machinery, excluding motor vehicles) and goods and services provided under a technical-aid or donor-funded project and special agreements are relieved from VAT. Government agencies are *not* relieved from VAT.

Excise duty

Excise duty is charged on various imported and locally produced goods and services, especially on certain consumer goods such as petroleum and alcohol and tobacco products. The rates may be specific, such as TZS 40 per litre on heavy furnace oil, or ad valorem, such as 20% on motor vehicles older than 10 years.

Stamp duty

Stamp duty is payable on a range of transactions such as lease agreements, conveyances and transfers of shares. (Most such instruments need to be stamped to have legal status.) The duty is 1% on all transactions except the conveyance of agricultural land, which latter incurs a duty of TZS 500.

Taxes on international trade

The East African Customs Union Protocol[126] that came into force on 1 January 2005 eliminates internal tariffs among the five member countries: Burundi, Kenya, Rwanda, Tanzania and Uganda. Externally, it puts in place a Common External Tariff (CET) — see table III.5 below.

Note that the Protocol has no effect on domestic taxes such as the VAT or the Excise Duty.

Certain 'sensitive goods' (including most cereals, milk, jute bags, cement, sugar and second-hand clothes (*mitumba*) attract rates higher than the top CET rate of 25%.

Certain industries and items are entitled to exemptions under the customs law, such as assemblers of bicycles and motor cycle kits, importers of gas cylinders, some hotel equipment, refrigerators, solar equipment and energy-saving bulbs.

Where goods are currently subject to a lower rate of duty from the trading blocs of COMESA and SADC, the applicable lower rate will supersede the EAC rates up to a time when the trading arrangements between the three trading blocs are harmonized. (A declaration launching negotiations on a COMESA-EAC-SADC Tripartite Free Trade Area (FTA) was signed by Heads of State of the member countries of the three blocs on 12 June 2011.)

Note that a list of all tax laws is available on the Tanzania Revenue Authority's website: http://www.tanzania.go.tz/ministriesf.html .

126 East African Community Secretariat, *Protocol on the Establishment of the East African Customs Union*, 2004, http://customs.eac.int/index.php?option=com_content&view=article&id=2:customs-union-protocol&catid=3:key-documents .

TABLE III.5. The EAC common external tariff (%)

Category	Rate (%)
Raw materials, capital goods, agricultural inputs, pure-bred animals, medicines	0
Semi-finished goods	10
Finished final consumer goods	15

2. Legal framework for investment

Legal and judicial system[127]

The legal system in mainland Tanzania has evolved largely from the basis of British common law, in consequence of British rule over Tanganyika (now mainland Tanzania) from 1919 up to the time of independence in 1961. In the case of Zanzibar, the legal system has evolved from both British common law and Islamic law. The system has also been influenced by major post-independence developments in the socio-political and economic spheres, such as the union between Tanganyika and Zanzibar in 1964, the Arusha Declaration of 1967, the adoption of multi-party democracy in 1992, and the market-oriented reforms beginning in the mid-1990s.

The judiciary in Tanzania is headed by the Court of Appeal, which has jurisdiction over the whole of the United Republic of Tanzania. Under the Court of Appeal are two High Courts — one for mainland Tanzania and the other for Zanzibar. The High Court of Tanzania is headed by a Principal Judge and operates in 12 zones in mainland Tanzania, each under a Judge-in-charge. There is, in addition, a Resident Magistrate's Court for each of the country's districts where the regional centres are located. There are also District Courts for each of the 130 districts, each under a District Court Magistrate and, at the lowest level, the Primary Courts under Primary Court Magistrates, of whom there are a total of 653.The official language of the courts is English, although Kiswahili, the national language, is also used, especially in the lower courts. Practising lawyers in Tanzania are brought together by the Tanzania Bar Association, which in turn is affiliated with similar associations in other East African countries. Foreign lawyers are allowed to practise in Tanzania only after passing examinations set by the Council of Legal Education.

The continuing efforts to liberalize the economy have resulted in the need for complex adjudication in areas such as international business and financial transactions, intellectual property, and land issues. In an effort to cope with these emerging demands, a commercial division of the High Court was established in 1999, along with an Industrial Court and a Lands Division of the High Court, to handle relevant cases.

See also **Investment protection, investor treatment & dispute settlement** below.

127 This section draws on UNCTAD, *An Investment Guide to Tanzania*, June 2005 (see **Sources consulted**).

Investment law

The Tanzania Investment Act No. 26 of 1997 represents the principal legislation governing investment. It sets up the Tanzania Investment Centre (TIC) and covers various matters such as incentives and minimum capital requirements. Other relevant laws include the Financial Laws (Miscellaneous Amendments) Act of 1997, the Mining Act of 1998, the Land Act of 1999 and the Export Processing Zones Act and Amendments (2002 and 2006).

The 1997 Investment Act established the TIC to serve as "the primary agency of Government to coordinate, encourage, promote and facilitate investment in Tanzania and to advise the Government on investment-related matters".

All Government departments and agencies are required by law to cooperate fully with the TIC in facilitating investment.

For investors who meet certain minimum capital requirements — USD 300,000 for foreign investors and USD 100,000 for domestic ones — the TIC offers a variety of services (see table II.6 below) and also grants the valuable Certificates of Incentives. The benefits of these certificates were listed in **Chapter II** above, in the section on **Incentives, special zones and related matters.**

TABLE III.6. Services offered by the Tanzania Investment Centre (TIC)

Services provided	Delivery time	Cost (USD)
Investment promotion		
Preparation of local projects profile	7 days	Free
Investor's guide	Immediate	Free
Provision of Investment Act	Immediate	Free
Investment facilitation		
Application form	Immediate	100.00
Certificate of incentives	7 days	750.00
Land acquisition	30 days	Free
VAT registration	7 days	Free
Tax clearance	1 day	Free
Tax identification number	1 day	Free
Customs approval of import list	14 days	Free
Business name search	1 day	Free
Business licensing	3 days	Free
Company registration	3 days	Free
Immigration and labour		
Residence permit, class A[a]	14 days	2,255.00
Residence permit, class B[a]	14 days	1,705.00
Special pass for class A & B	1 day	600.00
Work permit class B-Labour	14 days	Free
Linkages with Government institutions	1 day	Free

Source: Tanzania Investment Centre (TIC), Tanzania Investment Guide, 2008 and Beyond, http://www.tic.co.tz/ , supplemented by personal communication with TIC personnel in the process of revising the 2008 guide.

a The fee is for each permit. A residence permit does not also serve as a work permit.

Incorporation and exit

Table III.7 below describes the steps involved in starting a business in Tanzania. While the procedure is broadly similar for both foreign and domestic investors, there are some differences as well. In step 2, for example, a domestic business is issued a Certificate of Incorporation, with the cost ranging from TZS 126,200 to TZS 400,000 (USD 80–250), while a foreign company receives a Certificate of Compliance, at a cost of USD 1,200.[128]

A number of these steps are undertaken by the Tanzania Investment Centre on behalf of investors who meet certain minimum capital requirements — see the preceding table. The TIC can also provide further details — contact information in **Appendix A. Pointers to further information**.

128 Tanzania Investment Centre (TIC), *Tanzania Investment Guide, 2008 and Beyond*, http://www.tic.co.tz/ .

TABLE III.7. Starting a business in Tanzania: Steps, time and cost

	Procedure	Time (Days)	Cost (TZS)
1	Apply for clearance of the proposed company name at the Business Registration and Licensing Authority (BRELA)	1	No charge
2	Apply for a certificate of incorporation and of commencement to Registrar of Companies	7	Variable
3	Apply for taxpayer identification number (TIN) with the Tanzania Revenue Authority	2	No charge
4	Income tax officials inspect the office site of the new company (*simultaneous with procedure* **3**)	1y	No charge
5	Apply for PAYE with the Tanzania Revenue Authority (*simultaneous with procedure* **4**)	1	No charge
6	Apply for business license from the regional trade officer (depending on the nature of business)	6	1,000
7	Receive a land and town inspection of the premises (*simultaneous with procedure* **6**)	1	Transport (trivial)
8	Have the health officer inspect the premises and obtain his signature (*simultaneous with procedure* **6**)	1	Transport (trivial)
9	Apply for VAT certificate with the Tanzania Revenue Authority	4	No charge
10	Receive VAT/stamp duty inspection (*simultaneous with procedure* **9**)	1	No charge
11	Register for the workmen's compensation insurance at the National Insurance Corporation or secure other alternative insurance policy	1	No charge
12	Obtain registration number at the National Social Security Fund (NSSF)	7	No charge

Source: World Bank and IFC, Doing Business 2012: Economy Profile: Tanzania (see **Sources consulted**).

Priorities & restrictions

Priorities[129]

FDI is particularly welcome in the following areas, in which special incentives are offered:

- Agriculture and agro-based industries;
- Economic infrastructure (transport, telecommunications, ports, banking and insurance);
- Manufacturing;
- Mining;
- Petroleum and gas; and
- Tourism.

Restrictions and prohibitions[130]

Industries closed or restricted for both domestic and foreign investors are as follows:	
Manufacture/processing of narcotic drugs	Prohibited
Manufacture of weapons and ammunition	Prohibited
Sawn timber, veneer, plywood, wood-based logs as raw materials	Subject to approval by the products, utility Ministry of Tourism and Natural Resources

Foreign ownership is restricted in the following industries to the equity % specified:[131]	
Telecommunications (all sub-sectors)	65%
Insurance	66%
Media	
• Newspapers	0%
• Television broadcasting	49%

129 UNCTAD, *An Investment Guide to Tanzania*, June 2005 (see **Sources consulted**).

130 Ibid.

131 World Bank, *Investing across Borders: Indicators of Foreign Direct Investment Regulation*, http://iab.worldbank.org/Data/Explore%20Economies/Tanzania .

Investment protection, investor treatment and dispute settlement

Investment protection

Investment is protected under law in Tanzania. The Constitution (Chapter One, Part III, Section 24) acknowledges the right to private property and permits nationalization only with fair and adequate compensation. Section 22 of the Tanzania Investment Act No. 26 of 1997 affirms that "no business enterprise shall be nationalised or expropriated by the Government" except by due process which makes provision for a) the payment of fair, adequate and prompt compensation which may be repatriated in convertible currency and b) the right of access to the Courts or to arbitration for the determination of the investor's interest or right and the amount of compensation to which he is entitled.[132]

Tanzania has been a member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group since June 19, 1992. It is also a signatory to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ratified May 18, 1992, entered into force June 17, 1992).

Additional protection may be offered in specific cases by the provisions of bilateral investment treaties in force — see table II.11 on BITs currently in force in Chapter II above. No foreign investment has in fact been expropriated in Tanzania since 1985.[133]

Investor treatment

There is no discrimination against foreign companies under the law in Tanzania.

132 Tanzania Chamber of Commerce, Industry and Agriculture, *The Tanzania Investment Act, 1997*, http://www.tccia.com/tccia/wp-content/uploads/legal/acts/Investment%20Act_1997.pdf .

133 US Department of Commerce, *Doing Business in Tanzania: 2011 Country Commercial Guide* (see Sources consulted).

Dispute settlement

As noted earlier, a Commercial Court was established in Dar es Salaam in 1999 to deal with commercial disputes. Since then, new commercial courts have been opened in Mwanza and Arusha. Two others are in the process of opening in Dodoma and Tanga. (There is no commercial court in Tabora.) Access has been improved and costs have been lowered. Nonetheless, there is an ongoing problem of court capacity, which means that dispute settlement remains a lengthy and time-consuming process for investors.[134]

Beyond the commercial courts, the Government has initiated another approach to dispute resolution. The Investor Complaints Bureau was established in 2010 and is chaired by the Government's Chief Secretary. Both investors, and the TIC on behalf of investors, can address their concerns to the Bureau. One example is an incident in which the Ministry of Infrastructure and Development wanted to monopolize roadside billboards, for which it planned to sell usage permits. Investors took their concerns about this matter to the TIC and it in turn approached the Bureau. Resolution was provided at a high level and much more quickly than would have been possible through the commercial courts.[135]

And then there is arbitration. Tanzania has an Arbitration Act (2002) that governs both domestic arbitration and the enforcement of foreign arbitral awards. If a dispute is related to ownership of immoveable property, it cannot be arbitrated. The administration of arbitrations is carried out by the National Construction Council (NCC) and the Tanzania Institute of Arbitrators.
The enforcement procedure is quite lengthy.[136] Tanzania is also a member of the International Centre for the Settlement of Investment Disputes (ICSID), associated with the World Bank. However, there is no specific legislation in Tanzania providing for enforcement either under the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards or under the ICSID Convention.[137]

134 UNCTAD, Report on the implementation of the IPR, 2011, http://www.unctad.org/en/docs/diaepcb201006_en.pdf .

135 Ibid.

136 World Bank, *Investing across Borders: Tanzania*, http://iab.worldbank.org/Data/Explore%20Economies/Tanzania#/Arbitrating-disputes .

137 US Department of Commerce, *Doing Business in Tanzania: 2011 Country Commercial Guide* (see **Sources consulted**).

Land

Under section 4 (1) of the Land Act 1999 as amended, all land in Tanzania belongs to the State. It may be acquired for use through:

- Rights of occupancy granted by the Government;
- Derivative rights granted by the Tanzania Investment Centre; and
- Sub-leases created out of the rights of occupancy held by the private sector.

Rights of occupancy and derivative rights are granted for both short-term and long-term periods. Periods of long-term rights of occupancy range from 5–99 years and are renewable.[138]

The Tanzania Investment Centre (TIC) can help investors to whom it has issued a Certificate of Incentives acquire land, both rural and urban, and it does not charge a fee for this service. It now has officers from the respective Government ministries and departments stationed at the Centre to facilitate land acquisition.[139] The TIC also maintains a land bank, which contains designated plots of land that can be made available to foreign investors. However, a request for land not already in the land bank has to go through a lengthy review and approval process by local level authorities as well as the President's office, in order to be officially re-designated, from Village Land, with customary rights of occupancy, to General Land, which can be titled for investment and sale.[140]

The process of acquiring land can thus be difficult and time-consuming for foreign investors. In part, this is because less than 10% of land has been surveyed and the registration of title deeds is handled manually and mainly at the local level.[141] A partnership with a local investor is one way out of these difficulties, as the local partner can provide the land.

Foreign exchange and performance requirements

Conversion and transfer

Tanzania has liberalized foreign-exchange transactions. There are no restrictions on the repatriation of earnings and capital or on exchange transactions relating to current account payments. Unconditional transfer in freely convertible currencies is allowed with respect to net profits; the repayment of foreign loans; royalties, fees and charges in respect of technology transfer agreements; the remittance of proceeds (net of taxes and obligations) in the event of sale or liquidation of any interest attributable to investment; and payments of emoluments and other benefits to foreign employees working in Tanzania.[142]

The only restriction is that a bureau de change may not sell foreign currency worth more than USD 10,000 to a resident wishing to travel outside Tanzania at any one time for each trip.[143]

Performance requirements

While the Government encourages investors to use locally available raw materials in the production of goods and services wherever possible, there is no legal requirement to use raw materials sourced within the country.

Firms investing in Export Processing Zones (EPZs) and firms that wish to claim the 'stand-alone EPZ' status are required to export at least 80% of the goods they produce. (Such firms also need to have an annual export turnover of not less than USD 500,000 for foreign-owned firms and USD 100,000 for locally owned ones.)[144]

Investors granted Certificates of Incentives by the TIC are required to complete the implementation of their investment project within the implementation period agreed upon. They are also expected to report progress every six months on the progress of their business plans.

138 Tanzania Investment Centre (TIC), *Tanzania Investment Guide, 2008 and Beyond*, http://www.tic.co.tz/ .

139 Ibid.

140 World Bank, *Investing across Borders: Tanzania*, http://iab.worldbank.org/Data/Explore%20Economies/Tanzania#/Arbitrating-disputes .

141 Ibid.

142 UNCTAD, A*n Investment Guide to Tanzania*, June 2005 (see **Sources consulted**).

143 Bank of Tanzania, *Foreign Exchange (Bureaux de Change) Regulations, 2008*, http://www.bot-tz.org/BankingSupervision/ForeignExchangeBureauxDeChangeRegulations2008.pdf .

144 See **Chapter II.3. Incentives, special zones and related matters** above.

Tabora is a key transit point for western Tanzania, with road and rail connections between Dar es Salaam and both Kigoma in the west and Mwanza in the northwest going through Tabora. The city thus has the potential to serve as a strategic hub for the western part of the country. We are already seeing increased traffic in visitors from both Dar and the neighbouring countries. My own experience with a new hotel has been very positive and strongly suggests that there are other opportunities in this sector, specifically in building international-standard hotels, lodges and restaurants.

Frank Obeid Mmasi, Managing Director, Frankman Palace Hotel

IV. INVESTORS & INVESTMENT CLIMATE

1. Investor assessment of the investment climate

This is a summary of investor opinions of Tabora as an investment location. It is based mainly on a closed session with the business community held as part of a workshop in Tabora on 11 October 2012. In addition, consultations were also carried out with a number of individual investors. Altogether, some 15 investors, most of them domestic, provided their opinions. What follows should be taken as no more than broadly indicative of how current investors view Tabora.

Attractions and drawbacks

Investors were asked what they saw as the most attractive features of Tabora as a place to invest in. The central location of the city in western Tanzania was the most popular choice, although it was recognized that this was an advantage that depended on transport links and these links were not all that they should be. But investors were confident that the links were being strengthened and that strong links would be in place within a few years.

Tabora's expanding population ranked next, along with the forests nearby, the availability of land for agricultural and related pursuits, and the richness of Tabora's history. The forestsare important for the timber business, for honey production and for tourism. (The miombo woodlands in the Tabora region are thought to offer the natural ecosystem required to produce high-quality honey.) Tabora's history is thought to be an asset for tourism.

Other attractive features mentioned were an abundance of low-cost labour and the increase in the number of educational institutions, including several universities.

When asked about the obstacles to investment that the Government needed most urgently to work on removing, there was broad agreement on infrastructure being the top area of concern. Within infrastructure, it was roads that were the most critical, closely followed by the supply of water and power. Railways and the airport were not far behind. Other issues mentioned included high interest rates and the tax system.

Interestingly, in view of the priority investors accorded to roads as a matter in need of urgent Government attention, it was also roads that were judged to have made the most progress over the past five years.

The least progress was registered by railways. The problems with infrastructure had to do with reliability, access and cost. Quality did not seem to arouse much concern.

Most investors thought there had been some progress over the past five years in the way the Government dealt with business in such matters as licensing, processing and certifying. As for communicating with the Government, there were no major obstacles but there wasn't as much dialogue as there might be. The Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) was helpful and so was the Tanzania Investment Centre (TIC), although the TIC, unlike the TCCIA, did not have an office in Tabora. (Tabora is served by the TIC's Lake Zone Office in Mwanza.)

Some specific topics

Human resources

Investors felt that there had been progress in this area in recent years. Skills had improved noticeably. (Many mentioned the new colleges and universities in this context.) Attitudes towards work had not shown as much improvement and neither had industrial relations.

Taxation

Most investors seemed less than positive about the tax system and the way it operated. Among the issues mentioned were the complexity and opacity of the system, and the poor quality of service delivered by tax personnel. Corruption was mentioned by a number of investors.

Monopolies and market dominance

The only concern expressed was with the monopolistic nature of the tobacco industry, although none of the investors consulted was in the tobacco business.

Governance

This topic was meant to cover such issues as law and order, corruption and red tape. Most investors felt that problems of governance were contributing to an unsatisfactory business environment in Tabora. Specific problems mentioned included corruption, red tape, and inconsistent or unclear laws and regulations. This last problem was seen as aggravating the first two.

One issue that came up in a number of different contexts was the attitude of the bureaucracy. Many investors seemed to feel that, although the Government of Tanzania now saw the private sector as the main actor in creating economic growth and development, the bureaucratic mindset had been slow to catch up. As a result, the bureaucracy was not playing the role of promoting and facilitating investment that it should be playing.

Conclusion

Current investors in Tabora are quite positive about the city and its investment potential. They would like to see investment opportunities promoted more strongly and the bureaucratic barriers removed. Although infrastructure, and transport infrastructure in particular, is at present a major obstacle to doing business in Tabora, investors seem confident that these problems are being addressed and that there will be a functioning airport by March 2013 and paved roads to major towns by 2015.

2. Foreign investors in Tanzania

N.B. The list below offers a sampling of foreign investors in Tanzania, grouped by sector. It is by no means an exhaustive list

Company name	Major foreign ownership	Nature of business
Mining, oil & gas		
BP Tanzania Ltd (BP plc)	United Kingdom	Petroleum products distribution
Geita Goldmine (AngloGold Ashanti Ltd)	Saudi Arabia	Gold mining
Kahama Mining Corporation Ltd	Canada	Gold mining
Resolute Mining Ltd	Australia	Gold mining
Songas Tanzania Ltd (CDC Group plc)	United Kingdom	Gas production & distribution
Williamson Diamond Mines (De Beers Group)	South Africa	Diamond mining
Manufacturing		
ABB Electric Company	Switzerland	Electrical goods
Coca Cola Kwanza Tanzania Ltd (The Coca-Cola Company)	United States	Soft drinks
Daesung Cable Co. Ltd	Korea	Cables & metal products
General Tyre (E.A.) (Continental AG) Ltd	Germany	Tyres
Karibu Textile Mills Ltd (Nash Holding (Mauritius) Ltd.)	Mauritius	Textiles
Kilombero Sugar Company Ltd (Illovo Sugar Limited)	South Africa	Sugar
Matsushita Electric Co. (E.A) Ltd (Matsushita Electric Industrial Co, Ltd)	Japan	Dry batteries
Mbeya Cement Co. Ltd (Lafarge SA)	France	Cement
Tanzania Breweries Ltd (SABMiller plc)	South Africa	Beers and spirits
Tanzania Cigarette Company Ltd (Japan Tobacco International)	Japan	Cigarettes
Unilever (T) Ltd (Unilever plc)	United Kingdom & the Netherlands	Consumer products
Financial services		
Bank of Malaysia (T) Ltd	Malaysia	Banking
Citibank Tanzania Ltd (Citigroup Inc.)	United States	Banking
Jubilee Insurance Company Ltd	Kenya	Insurance
Royal & Sun Alliance Insurance (T) Ltd (Royal & Sun Alliance Insurance Group plc)	United Kingdom	Insurance
Standard Chartered Bank (Standard Chartered plc)	United Kingdom	Banking
Tourism and transport		
ASB Holdings (Kempinski Hotel, S.A.)	Switzerland	Hotel development
Coastal Travels Ltd	Italy	Wildlife camps
Consolidated Tourist & Hotel Investment Ltd (Sopa Lodges)	Kenya	Hotels & lodges
Conservation Corporation Tanzania Ltd (Conservation Corporation Africa)	South Africa	Lodges & tented camps
Kinasi Ltd	Australia, Italy & the Netherlands	Tourist resort
Ranger Safaris (Partly TUI group)	Germany & Mauritius	Tour operations
Tourism Promotion Services East Africa Ltd (TPSEAL), et al. (Serena Hotel)	Switzerland, Norway & France	Hotel

Company name	Major foreign ownership	Nature of business
Business support		
MAERSK Tanzania (A.P. Moller — Maersk A/S)	Denmark	Shipping agents
SDV Notco (T) Ltd (SDV International Logistics)	France	Shipping agents
Tanzania International Container (International Container Terminal Services, Inc.)	Philippines	Container terminal services (Dar es Salaam Port)
Infrastructure		
City Water Services Ltd	Germany	Water and sewerage
Datel Tanzania Ltd (Datel Inc.)	Mauritius	Internet services
Tanzania Telecommunications Company Ltd (MSI International and Detecon)	Germany & the Netherlands	Fixed telecom services
Vodacom Tanzania Ltd (Vodacom Group PTY Ltd)	South Africa	Mobile telecom services
Construction		
Konoike Construction Company (Otori Holdings Co, Ltd)	Japan	Construction
M.A. Kharafi & Sons Ltd (Intergraph Corporation)	Kuwait	Construction
Murray & Roberts Construction (T) Ltd (Murray & Roberts Holdings Ltd)	South Africa	Construction

Source: Millennium Cities Initiative, drawing on information from the Tanzania Investment Centre and other sources.

APPENDICES

Appendix A

Tabora firms interested in collaboration

N.B.

The firms listed below have expressed an interest in finding business partners, either foreign or domestic. A PDF file that provides much further detail about each of these firms is available through the Millennium Cities Initiative at: http://mci.ei.columbia.edu/files/2013/03/investment_opportunities_in_Tabora.pdf .

	Local firm	Main activity
1	Asali Camp Ltd	Honey and beeswax production andprocessing
2	Athwal's Transport and Timber Ltd	Hospitality, transport, timber processing, and plastic goods manufacturing
3	Farida Abdallah Abdul Enterprises	Honey and sunflower oil processing
4	Frado Business Care Ltd	Hospitality services and building materials trading
5	Greenway General Traders	Rice and sunflower oil processing
6	JB Electronic and General Traders Company Ltd	Hospitality services and electronic and electronic supplies
7	Kazima Farm Ltd	Sunflower and groundnut oil as well as rice processing
8	Kuja Na Kushoka Tools Manufacturing Group	Manufacturing and agro-processing
9	Mass Trading Company Ltd	Maize and rice processing
10	New Tabora Dairies	Processing milk and related products
11	Tabora Msitu Products Company Ltd	Timber processing (building materials, furniture and railway sleepers)
12	Supreme Auto Garage Company Ltd	Auto repairs and services and mineral water production

Appendix B

Pointers to further Information

Investment agency

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N.B. The TIC website contains a list of agencies and ministries of interest to investors.

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Contacts in Tabora

Public sector

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Small Industries Development Organization (SIDO)
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Website: www.sido.go.tz

Festo Mashayo
Regional Manager
National Microfinance Bank (NMB)
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Fax: 255 26 2604451
Email: info@nmbtz.com
Website: www.nmb.com

Regional Manager
Tanzania Electric Supply Company Ltd (TANESCO)
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Tabora, Tanzania
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Email: infor@tanesco.go.tz
Website: www.tanesco.co.tz

Regional Manager
Tanzania Revenue Authority (TRA)
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Tabora, Tanzania
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Website: www.tra.go.tz

Mkama Bwire
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Website: www.tuwasa.go.tz

Private sector

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Fax: 255 26 2604169

Gulam Hussein Remtulah Dewji
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Donatusy Lupori
Deputy Regional Chairman
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Director General
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Commissioner General
Tanzania Revenue Authority (TRA)
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Fax: 255 22 2182481, 2112527

Other public sector

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Appendix C

Public holidays in Tanzania, 2013

Date	Day	Holiday
1st January	Tuesday	New Year's Day
12th January	Saturday	Zanzibar Revolution Day
25th January	Friday	Maulid Day[ab]
29th March	Friday	Good Friday
31st March	Sunday	Easter
1st April	Monday	Easter Monday
7th April	Sunday	The Sheikh Abeid Aman Karume Day[c]
26th April	Friday	Union Day
1st May	Wednesday	Labour Day
7th July	Sunday	Dar es Salaam International Trade Fair Day[c]
8th August	Thursday	Farmers' Day
9th August	Friday	Eid El Fitr[b]
10th August	Saturday	Eid El Fitr[b]
14th October	Monday	Mwalimu Nyerere Day
16th October	Wednesday	Eid El Haj[b]
9th December	Monday	Independence and Republic Day
25th December	Wednesday	Christmas Day
26th December	Thursday	Boxing Day

Source: Millennium Cities Initiative.

a The birthday of the Prophet Mohammed.

b The actual date is dependent upon the sighting of the moon and varies from year to year.

c Sheikh Abeid Karume was the first President of Zanzibar after the revolution of January 1964 and became the First Vice President of the new United Republic of Tanzania in October 1964.

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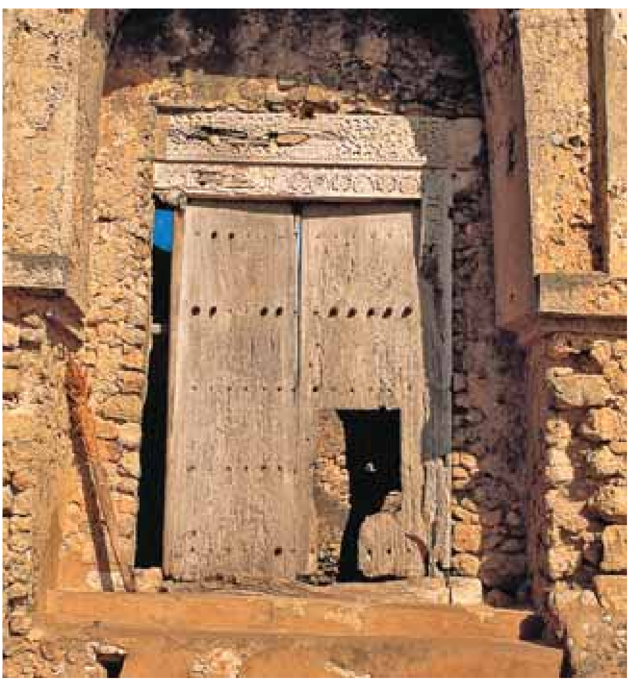

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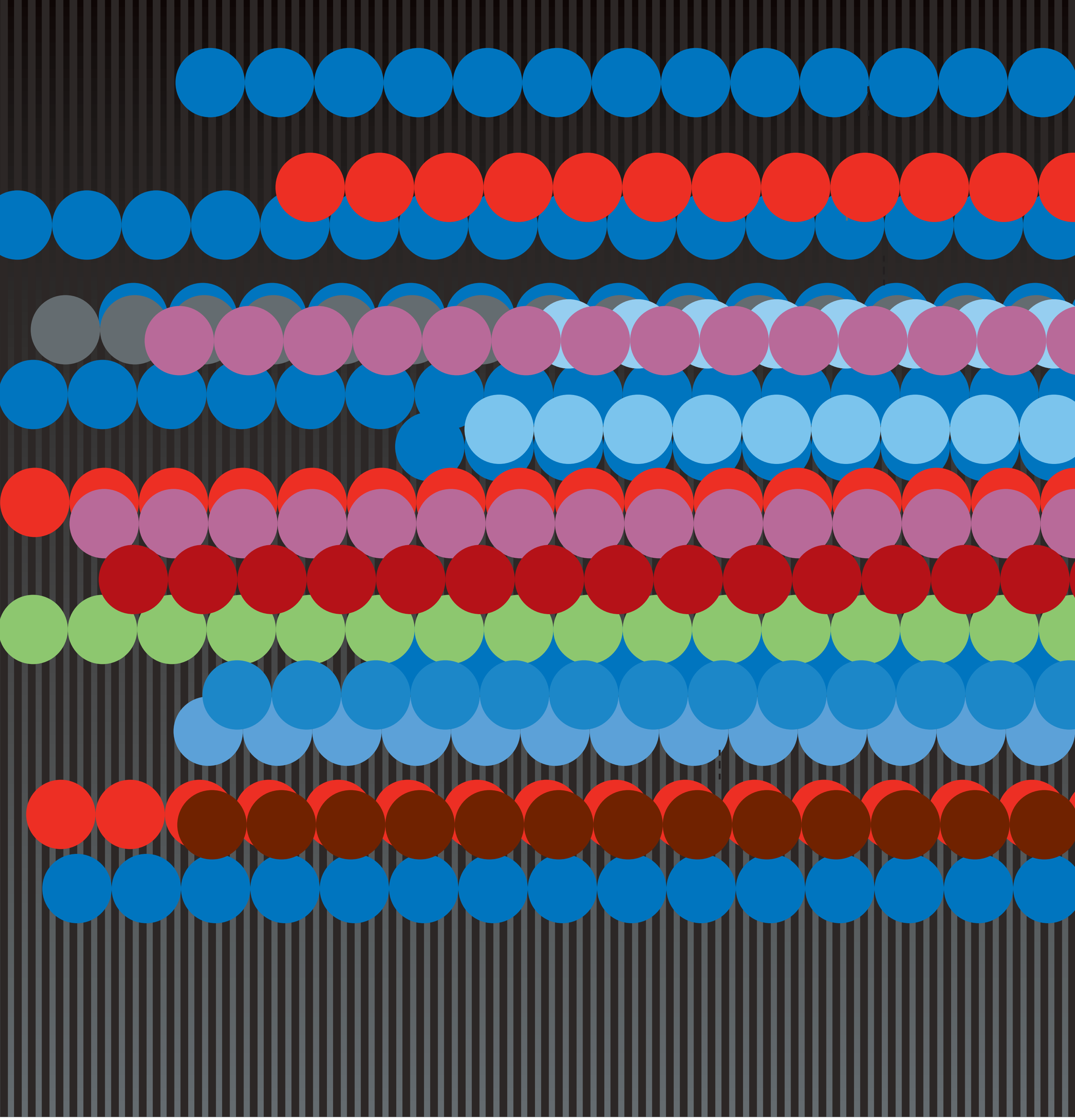

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