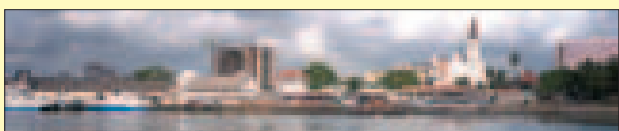


Economy Page 2

Strong economic foundations set an example for the continent.



Industry Page 3

A diversified industrial sector establishes itself as the effects of market integration come into effect.

Tourism Page 4

Natural and cultural attractions combine to make Tanzania the next hot tourist destination.



Our World

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MONDAY, APRIL 4, 2005

Tanzania A central player in African politics

Peace, stability, and a commitment to good governance provide historic opportunity for socio-economic development

 LONG a visionary amongst its neighbors, Tanzania has stressed the importance of peace, stability and unity since its independence in 1961, managing to avoid the descent into civil war that engulfed many neighboring nations. In recent years the country has played an active role in brokering peace in regional conflicts such as those in Burundi and in the Democratic Republic of the Congo. Since the mid-eighties, the Tanzanian government has also been diligently implementing comprehensive macroeconomic reform that has resulted in the granting of substantial debt relief and produced consistently positive economic indicators year over year throughout the last half decade. As a result, Tanzania has recently qualified for a new 3-year Poverty Reduction and Growth Facility arrangement with the International Monetary Fund. The man behind much of this progress is Tanzanian President



The President of the United Republic of Tanzania Benjamin W. Mkapa sets out his ambitious vision of the nation's future.

Benjamin William Mkapa, who since his first election in 1994 has sought to bring reform and development to this small East African nation of 36 million people, nestled between Kenya and Mozambique on the Indian Ocean. Much of President Mkapa's time in office has been spent laying the economic foundations for the future. In his last year in office, with unprecedented levels of Foreign Direct Investment drawn by the country's consistently stable economic indicators and hearty growth of 5.4% in 2004, the President is seeking to lay the last stone – the creation of a robust private sector, placing the reigns of development back in the hands of the Tanzanian population and allowing the country to finally win its battle against poverty.

Working toward twinned goals of economic prosperity and poverty reduction

Part of a multi-pronged strategy to achieve these goals is a higher reliance on regional trade blocs. Tanzania has in the past few years taken a leadership role in establishing new regional economic alliances such as the East African Community (EAC) with Uganda and Kenya and the South African Development Community. Prime Minister Frederick Sumaye states, "Tanzania has always been a central player in African politics and we have a general interest in securing stability on the continent. We believe that a secure external environment is a prerequisite to attracting investment, encouraging trade, and achieving sustainable development goals. This is the aim of the EAC."

Continued on page 2

PRIVATIZATION

Restructuring state-owned enterprises

TANZANIA'S comprehensive project for the restructuring and privatization of state-owned enterprises, which began in 1992 with the establishment of the Parastatal Sector Reform Policy, is nearing a successful conclusion. As of December 2003, 617 enterprises had been privatized, including 289 public companies and 328 non-core assets. Results for the Tanzanian economy have been very positive. More than 70 firms that were not operating before privatization are now up and running profitably, and the volume and quality of products coming out of the manufacturing sector has increased substantially. This has boosted exports and reduced the country's import levels, which in turn has had a favorable impact on the country's foreign exchange earnings. Additionally, privatization has in part contributed to the creation of a much friendlier business climate in the country. A number of regulatory bodies have been created, including the Energy and Water Utilities Regulatory Authority and the Tanzania Communication Regulatory Authority which have further strengthened the position of both investors and consumers alike. Finally, privatization has added to the government's transparency and anti-corruption campaigns.

Opportunities for investors exist in the privatization of the remaining parastatals, which the government hopes to complete in 2005, as well as in many non-core companies in sectors such as agriculture, marine services, construction, transport, and lumber.

THE COUNTRY IN FIGURES



- **OFFICIAL COUNTRY NAME:** United Republic of Tanzania
- **CAPITAL:** Dar es Salaam
- **AREA:** 364,907 sq miles
- **POPULATION:** 36,588,225 (July 2004 est.)
- **LANGUAGES:** Kiswahili or Swahili (official), Kiunguju (Swahili in Zanzibar), English, Arabic, many local languages
- **RELIGIONS:** mainland - Christian 30%, Muslim 35%, indigenous beliefs 35%; Zanzibar - more than 99% Muslim
- **CONSTITUTION:** 25 April 1977; major revisions October 1984
- **GDP - purchasing power parity - \$21.58 billion (2003 est.)**
- **GDP - real growth rate:** 5.2% (2003 est.)
- **GDP - per capita:** purchasing power parity - \$600 (2003 est.)
- **GDP - composition by sector:**
 - agriculture: 43.6%
 - industry: 16.5%
 - services: 40% (2003 est.)
- **NATURAL RESOURCES:** hydropower, tin, phosphates, iron ore, coal, diamonds, gemstones, gold, natural gas, nickel

Source: CIA The World Factbook

The Bank of Tanzania formulates and implements responsible, forward-thinking monetary policies to maintain price stability and support the country's macroeconomic objective of balanced and sustainable growth of the national economy. As Tanzania's economic liberalization unfolds, the Bank of Tanzania is creating optimal conditions for foreign investors to take advantage of the enticing opportunities one of Africa's fastest growing economies has to offer.

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ECONOMY Transparency and sound macroeconomic management define government's actions

Strong economic foundations set an example to Africa

Seen as one of the three most attractive destinations for investment on the continent, Tanzania's deep reforms and responsible attitude to the economy ensure rapid growth

■ **STRONG** macroeconomic policies and market reform throughout the last decade has transformed the country into 'Africa's rising star'. GDP growth is averaging 6% a year, inflation has been tamed to below 5%, and foreign reserves are at an historical high. The government is committed to the growth of a strong, private sector driven economy and has instituted a number of initiatives aimed at creating an enabling business environment. It has streamlined tax and business licensing laws, reformed land and labor laws, provided credit guar-

antees for up-and-coming SMEs, and strengthened legal and regulatory environments. New export ventures are stimulating a previously stagnant manufacturing sector and free trade zones are luring in new investment, which reached record levels of \$250 million in 2004.

Minister of Finance, Basil Mramba, states, "Tanzania is back in the race, and we hope to stay there. We are one of the fastest growing economies in sub-Saharan Africa. The macros are correct, and this is attracting a lot of foreign investors. The exchange rate, inflation, foreign exchange reserves – all these are completely under control."

Widespread poverty in the country, however, remains the

"Tanzania is back in the race and we hope to stay there," says Finance Minister Basil Mramba

government's primary concern. The economy is dominated by a highly rain-dependent agricultural sector that still provides 50% of Tanzania's GDP and employs

over 80% of its workforce. Consequently, President Mkapa and his administration have drawn up a new policy for the sector that includes an emphasis on infrastructure improvements to enhance market access for agricultural products and improved access to financing.

Added incentives for the investor have also been created. Mr. Mramba comments, "For a long time we had not invested a lot in agriculture, and commercial agriculture in Tanzania practically does not exist, so we knew we had to do something to empower small holder farmers, to help them achieve higher levels of productivity, as well as improve the quality of their products."

According to Governor of the Bank of Tanzania Daudi T.S. Ballali, the driving force behind this new dynamism is the fact

that the government has been quick to implement reform, making poverty eradication its number one priority. "When President Mkapa showed the people a new direction, they responded", says Dr. Ballali. "Members of Parliament also support him, which means that

we were able to move faster." Dr. Ballali continues, "The president thought the mineral sector should be changed and within a year we were producing gold. The same with fisheries, which is now our second most important export. More recently we were pushing for higher exports

of manufactured items to take advantage of the African Growth Opportunity Act (AGOA) and the Everything But Arms (EBA) regulation which grants duty-free access to imports from least developed countries except arms and munitions. We also have implemented the Export Processing Zones (EPZ), and now manufacturing is on the rise. Next on the agenda is tourism, and already this year we have seen new investments in the sector."

An ultimate goal of Tanzania's reforms is to create the growth that will allow the country to reduce its donor dependency.

Progress on this front has already been made through the strengthening of the country's tax system, and monthly revenues have increased. Harry M. Kitillya, Commissioner General of the Tanzania Revenue Authority, explains, "We are working to make the administration more transparent and taxpayer friendly. Various taxes have been streamlined and we have added incentives for investors. We have also developed a corporate plan to address issues of tax collection reform and to improve efficiency in order to promote voluntary compliance."



Clockwise from left, Finance Minister Basil Mramba, Ambassador Robert V. Royall, and Prime Minister Frederick Sumaye (right), during a meeting in February 2003.



GRAY MGONJA
Permanent Secretary to
the Treasury

A central player in African politics

Continues from page 1

Further afield, President Mkapa is also emerging as a strong proponent in the international arena for a unified African front and a global pact against poverty that includes a fair globalization. Recently co-chairing the World Commission on the Social Dimension of Globalization, President Mkapa called for increased harmonization of development efforts on all levels, as well as grass roots 'people centered' solutions that will increase the effectiveness of development aid and accelerate poverty reduction in Tanzania and throughout Africa, hence facilitating the attainment of the United Nations' Millennium Development Goals (MDG). Making reference to an old tribal proverb that says 'Walk on a fresh tree. The dry one will break', President Mkapa has re-

lied on his extensive firsthand experience in the fight against poverty to outline a new route out of the poverty cycle for Tanzania in a national plan entitled 'Vision 2025' and the President is encouraging other African nations to follow suit in assuming full ownership and responsibility for their development. His plan rests on three pillars: firstly, good governance and political will, secondly, local ownership of development initiatives, and, thirdly, the existence of an external environment that is supportive of measures such as increased market access and the reform of agricultural subsidies. The creation of a well-educated and learning society also plays a vital role in President Mkapa's vision and government efforts have successfully increased primary school enrollment by 50% in the last five years.

BANK OF TANZANIA

International institutions applaud financial policy

■ **THE BANK** of Tanzania (BOT) has played a key role in restoring the country's macroeconomic health throughout the last decade of reforms, overseeing the liberalization of the banking sector and employing measures to improve monetary control and fiscal discipline, remove exchange controls, free interest rates, contain inflation and reduce the budget deficit. Governor of BOT Daudi T.S. Ballali comments, "We took over the work here at a time

when the inflation rate was about 30%, foreign exchange reserves were spent mostly on imports, and growth rates were negative. Today, inflation is down to 4%, foreign exchange reserves total roughly \$2 billion, and the growth rate is nearing 6%." Tanzania's solid macroeconomic policies have been applauded by the World Bank and the International Monetary Fund, the latter of which has recently awarded the country with a new 3-year

Poverty Reduction and Growth Facility arrangement.

Today, BOT is continuing to fulfill its part in building a prosperous future for Tanzania through measures intended to strengthen the country's private sector so that it may continue to drive economic growth. These include the introduction of micro-finance reform, including the creation of a supervisory framework for the country's Savings and Credit Cooperative Societies, the creation of enhanced credit facilities for local companies, and the implementation of an Export Credit Guarantee Scheme. Results have been encouraging. Credit to the private sector in Tanzania registered a growth of 43.2% in 2003, far surpassing government hopes, and the way ahead has been cleared for the privatization of the National Microfinance Bank. Dr. Ballali says that Tanzania's finance sector is the most transformed in the coun-



DAUDI T.S. BALLALI
Governor of the Bank
of Tanzania

try and that micro-finance is growing at unprecedented rates. He explains, "Micro-finance is something that we are pushing probably more than any other country in sub-Saharan Africa. It is intended to empower people at a grassroots level, people who just need small quantities of money for the start-up costs for small businesses. We began by developing the framework here in BOT – we drew up the law and the regulations, and now it is ready to go into effect."



One of the priorities of the Bank of Tanzania is to promote micro-financing and empower the people at a grassroots level.

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Liberalization lets banking and insurance sectors flourish

■ SINCE reforms began in 1991 and liberalization occurred in 1992, the number of banks in the country has risen steadily to contribute to what is today a dynamic sector. At present, there are 23 commercial banks and eight non-banking financial institutions licensed to operate in Tanzania – a far cry from the two old standbys from the country's socialist days, the Corporative Rural Development Bank and the National Bank of Commerce, both of which have since been privatized. Permanent Secretary to the Treasury Gray Mgonja says that it took a while for the sector to fully realize its potential but that now the results are clear: "There was a time when people felt that the banking sector was taking too long to get moving, but over the last two years, things have changed substantially. Now you can see the competition growing. Credit to the private sector has increased by over 40% this year alone. That is a very good indication of improvement."

Large multinationals in the country have also started borrowing from within the country, rather than turning to banks abroad, and this has had a very favorable impact on domestic credit levels. For Mr. Mgonja, this new dynamism is a culmination of the reform efforts undertaken in the early 1990s, and now is the time for a second generation of reforms. He comments, "We have now established an interagency financial sector assessment team to take a fresh look at the sector. It will examine the requirements of the insurance sector, and put in place a framework for the creation of pension funds and expansion of capital markets."

Tanzania's insurance sector was liberalized in 1996, and since then ten new private operators have entered the market. The largest company on the scene, however, is still the state-owned giant, the National Insurance Corporation, which is scheduled for privatization. The insurance sector as such has huge potential for growth, especially in the property and life insurance markets. Opportunities for investors in the banking sector exist in brokerage, investment consulting, asset valuation, and bank assurance, as well as in specialized activities in real estate, industrial, and agricultural finance.

EXPORTS

New Export Processing Zones boost trade

■ MERCHANDISE exports in Tanzania increased by a massive 26.6% in 2003, boosted by rising figures in the country's industrial exports following trade liberalization and the privatization of public companies. Further export growth is expected as the government's Export Promotion Strategy to boost fledgling export industries generates results and as Tanzania continues to benefit from international trade preferences and regional economic alliances. At present major Tanzanian exports include coffee, cotton, sisal, tea, tobacco, nuts, cloves, minerals, manufactured goods, fish and fish products, and horticultural products. The country's top three export partners are the UK, France, and Japan.

A major shot in the arm for the sector is Tanzania's new Export Processing Zones (EPZs). As of April 2004, more than \$60 million had been invested in the EPZs, nearly half of which was spent on infrastructure for three business parks in the capital, Dar es Salaam. Additional

TRADE AND INDUSTRY The private sector will be the engine of industrial growth

Taking advantage of market-access opportunities

Tanzania's business community welcomes the government's reform drive

■ "TANZANIA can only participate in world trade if it can manufacture goods to sell in the world market," states Minister of Industry and Trade Mr. Juma Ngasongwa. "So it is important



JUMA NGASONGWA
Minister of Industry
and Trade

that we undertake an industrialization program which will lead to the production of manufactured goods. If we can use these market access opportunities like the AGOA intelligently and diligently now, then we can build up our capacity to be able to compete so that by the time the access ends, we should be able to stand on our two feet."

Relying on the country's long-term assets such as its political stability and comprehensive macroeconomic reform, as well as more recent initiatives such as a rejuvenated incentive package, a strong anti-corruption policy, new land and labor laws, and a range of free trade agreements and regional alliances, the Tanzanian government is pushing ahead with its drive to industrialize the nation. The government has maintained that the private sector will play a key role in this process. Consequently, President Mkapa's administration has actively involved the Tanzanian private sector in policy formulation through forums such as the Investor's Round Table and the Private Sector Foundation. As a result of these dialogues, a Business Environment Strengthening Program has been launched to strengthen the judicial environment for business and private sector financing, and mechanisms have been enhanced through the introduction of a credit guarantee facility for exports and SMEs. Additionally, the country's tax policy has been streamlined and business-licensing processes have been simplified. Chief Secretary to the President and Chairman of the Tanzania National Business Council, Mr. Marten Lumbanga, says, "At the end of the day we see the private sector as the engine of growth in Tanzania. For

it to succeed it must have the support of the public sector so we have revised our laws and regulations in order to create an enabling environment, and one that is also investor friendly. We have also revised our tax system in order to make it simpler and more attractive."

Mr. Elvis Musiba, President of the Tanzania Chamber of Commerce, Industries and Agriculture, says that government efforts to boost the private sector have been most wel-



Tanzania's strategic location in a time of regional integration makes it potentially an important international trade hub.

come. He comments, "I am extremely happy to see the government moving in this direction because in order to move forward, Tanzania needs to have a local private sector that can link together with foreign investors and this has been a key point in our discussions with the government. We have been saying that it is fine to have all this investment coming in, but there must be a local private sector that can effectively engage with foreign companies."

Strategically located as a gateway to east, central, and southern Africa, Tanzania has access to a common market of 90 million people in the East African Community, and nearly 300 million people in the South Africa Development Community. The country has abundant water, nat-

ural resources, and arable land, as well as some of the world's most spectacular natural attractions, such as Mount Kilimanjaro, Ngorongoro Crater, and the Serengeti. Three major ports are located on its Indian Ocean coast and two railway networks connect 14 of the country's 20 major cities. Costs of labor in the country further increase its attraction as a regional base. "Tanzania has the basics – the natural resources. It is also strategically located within the continent. If you want to go to the north, you have to go through Tanzania; if you want to go to the south, you have to go through Tanzania; if you want to get your goods to the landlocked countries of central and southern Africa, you have to go through Tanzania. And of course, the tourist attractions here are countless. All these things make Tanzania a very attractive place to invest," adds Mr. Musiba.

ONE STOP SHOP



SAMUEL J. SITTA Executive Director of Tanzania Investment Center

"Investment is beginning to take off"

■ THE TANZANIA Investment Center (TIC) is at the epicenter of government's policies to transform the country's private sector and fast track the Tanzanian economy. Investment levels in the country have risen from \$20 million before TIC was established in 1997 to over \$300 million today, and the agency is now aiming for \$1 billion annually in new FDI by 2008. TIC Executive Director, Mr. Samuel Sitta, says, "Tanzania can easily absorb this amount of investment, and real-

ly the biggest projects are still ahead of us – quality projects that will have ramifications for a variety of sectors. East Asians are beginning to flock here for the textile industry. The Italians are coming for the leather industry, and are discussing the construction of new airports. So things are beginning to take off." Other upcoming projects include a \$600 million investment from a Canadian firm to mine nickel

"The biggest projects are still ahead of us and they are quality projects"

in the country, and the Salama Waterfront project, which will reclaim 640 acres by the sea near Dar es Salaam for the construction of a cyber city modeled on the Cape Town Waterfront. Mr. Sitta says that TIC is also looking to develop its marine transport resources to facilitate interior connections with neighboring countries, and is interested in attracting higher levels of investment in commercial agriculture to boost grain exports to the rest of Sub-Saharan Africa.

Mr. Sitta says that President Mkapa and his policies have been key in Tanzania's success in attracting new investment. He comments, "The reforms that the government has carried out in the last decade has brought immense credibility to Tanzania. We pay tribute to President Mkapa and his resolute command of the economy, and the fact that he has managed to turn so many things around."

TANZANIA

With high and sustainable economic growth, it is no wonder that Tanzania is brimming over with opportunities for investment and is among Africa's top 10 investment destinations.

After 10 years of successful reforms, Tanzania has one of the most liberal economic regimes in Africa. The consolidation of a favorable macroeconomic environment has boosted private sector development and foreign direct investment, and is triggering rapid growth in the country's increasingly dynamic business scene.

Championing progress, the Ministry of Finance aims to create a competitive macroeconomic and fiscal framework that will generate wealth and shared benefits for all Tanzanians.



Overseas sales of coffee, one of Tanzania's most important export commodities, have been aided by international trade preferences.

More than \$60 million have already been invested in the Export Processing Zones

sites for EPZ investment have been identified in Tanga, Kilimanjaro, Kagera, Kigoma, Mtwara, and Mbeya. The ability to use the EPZs to export processed or semi-processed commodities to the U.S. under AGOA has already been taken advantage of by companies such as Star Apparel, which was granted an EPZ in 2003 and which has since landed clients such as Wal-Mart and

J.C. Penny. Minister of Industry and Trade Juma Ngasongwa says the EPZs, and the FDI that they are bound to generate, will drive the country's industrialization process. He states, "For me, if you want to talk industrialization in Tanzania, you have to talk EPZs. They are the key to fast tracking Tanzania's industrial development. At this stage, it would be impossible to reorganize Tanzanian industry without creating the appropriate incentive structures to attract investors."



Permanent Secretary, Ministry of Finance
PO Box 9111, Dar es Salaam, Tanzania, Tel: 255-22-211174/6, Fax: 255-22-2110326

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MANUFACTURING AND CONSTRUCTION The country's largest urban employers

Manufacturing registers a whopping 8.5% growth

Privatization and a liberalized trade regime sees sector transform and start to make significant contributions to the nation's socio-economic development

■ **ALTHOUGH** the Tanzanian manufacturing sector remains relatively small scale in comparison with other African countries and accounts for only 8% of the country's total GDP, in 2003 it jumped from the steady 4% growth it had enjoyed for a decade to 8.5%, due mainly to expansion in its textile industries. The sector's size is disproportionately represented in the country's employment figures, however, with nearly half of Tanzania's monthly wage earners registered in the sector, making it the largest urban employer in the country. Manufacturing is also the government's most reliable source of revenue in terms of tax collection and provides 7.5% of the country's total foreign exchange earnings. The government's increased emphasis on revitalizing the sector is likely to continue boosting growth and initiatives are in place to strengthen the private sector, develop free trade zones for export processing, add value to existing products, diversify manufacturing output, and rehabilitate defunct enterprises. Finally, ongoing privatization measures, as well as an increasingly attractive business climate and a liberalized trade regime will also contribute to the sector's transformation.

At present, Tanzania's main industrial activities are concentrated in the manufacture of consumer goods (such as food, beverage and tobacco products, clothing and footwear), paper, industrial chemicals, rubber, plastic, metal products, machinery, and wooden products, including furniture. Many opportunities for U.S. investors exist in Tanzania's industries, as the



ARNOLD B.S. KILEWO
Chairman of the Confederation of Tanzania Industries

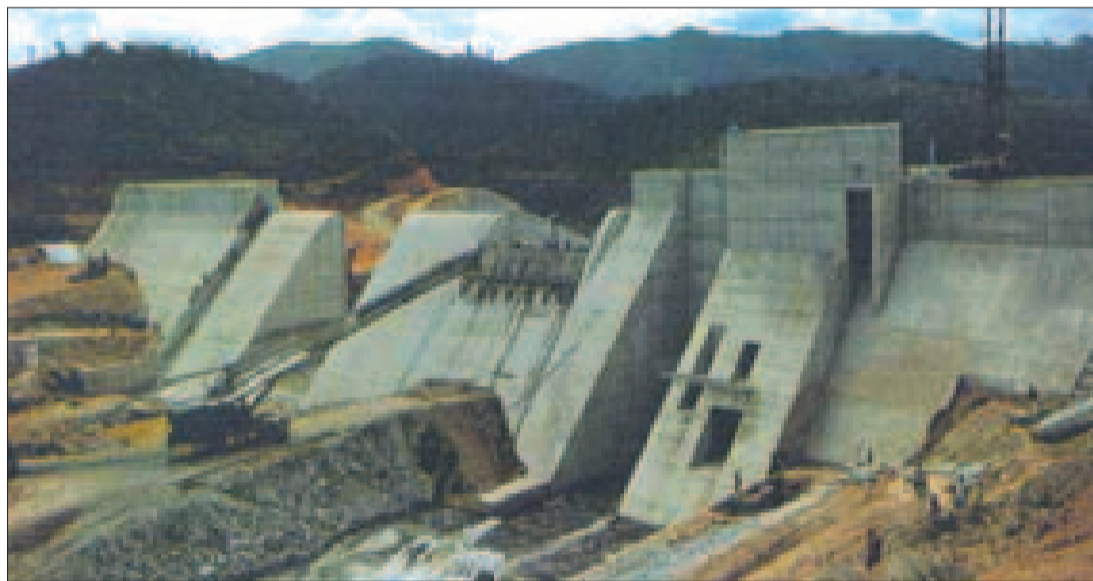
country's preferential status in the African Growth and Opportunity Act (AGOA) presents American companies with the possibility of manufacturing in Tanzania and exporting products back to the U.S. under extremely favorable trade conditions.

The government is also continuing with its extensive privatization policy, expected to end this year. In the past seven years 330 of 395 firms targeted for privatization have been divested — an average of more than one every ten days. As a result, the overall utilization of installed industrial capacity is on the rise, increasing from a mere 20% in 1990 to 50% by 2000. Additionally, regulatory regimes have been put in place to protect both investors and consumers in a variety of sectors. Arnold B.S. Kilewo, Chairman of the Confederation of Tanzanian Industries and of the Tanzania Private Sector Foundation, comments, "Results here really have proven the benefits of privatization and of allowing the

private sector to operate effectively. We think that President Mkapa has built up a synergy that has made Tanzania one of the best investment destinations in the region. The regulatory structure has been changed to allow expatriation of dividends, we do not have a rigorous exchange control, and our labor laws have been reformed. Tanzania is ready."

The country's construction sector is also expanding, registering growth above 8% over the last three years. Increased activity in mining, road infrastructure projects, and general building is driving the sector, which accounts for nearly 5% of Tanzania's total GDP.

A new Construction Industry Policy was established in 2003, followed by the creation of the Construction Industry Development Fund to finance small and medium-sized companies, which opens the door to new partnership opportunities between Tanzanian companies and foreign investors.



The building of the nation's infrastructure means Tanzania's construction sector is booming.

TOURISM The government's latest priority sector is set to boom

One million foreign visitors a year by 2010

Tanzania offers tourists a once-in-a-lifetime experience



PETER MWENDUO
Managing Director of Tanzania Tourist Board

■ **AS A TOURIST** destination, it's safe to say that Tanzania holds the key to one of life's most unforgettable experiences. A land of vivid contrast, from the snow-capped peaks of Kilimanjaro and the endless savannah of the Serengeti to the turquoise waters and white sands of Zanzibar, Tanzania is as good as it gets. Home to the proud Maasai, Africa's largest game reserve and roving herds of wildebeest, elephants, and zebras, Tanzania represents a taste of authentic Africa at its best. Although most well-known for its unparalleled safaris, Tanzania also offers perfect beach getaways, with average temperatures of 85° and hundreds of miles of palm-fringed sands. Cultural tourism includes visits to Eyasi, home to the Hadzabe bushmen, some of Africa's last hunter-gatherers, where tourists armed with bows and arrows can join the tribes on morning hunts. Another enticing option is Maasailand,

where visitors can experience the nomadic culture of the tribe by joining them on short camel treks.

Tourism is undoubtedly one of Tanzania's greatest assets in the hole, and one of the sectors in the country with the highest growth potential. At present, tourism is the source of substantial foreign exchange earnings and represents 14% of Tanzania's total GDP. The sector also provides employment for over 30,000



ZAKIA HAMDANI MEGHJI
Minister for Natural Resources and Tourism

TANGA CEMENT

Privatized cement producer triples its stock value

■ **AS TANZANIA** continues to unleash new infrastructure projects and as its mining sector continues to expand, the demand for cement in the country is on the rise. Between 1996 and 2001, total cement pro-

duction in the country rose by nearly 20%, and recent years have seen the industry grow in its exports to Burundi, Comoros, Rwanda, and Uganda. Tanga Cement is one of Tanzania's three major cement producers, representing 45% of the total market share in the country. Located in the town of Pongwe, roughly ten miles outside the coastal city of Tanga, the company has a production capacity of 600,000 annual tons, and its primary raw material, limestone, is located on site at the factory with estimated reserves for over 100 years at current consumption rates. The company also produces 1,600 tons of clinker per day.

With branch offices and warehouses strategically located throughout the country, Tanga Cement is set to continue its successful expansion, which has been consistently registering 30% growth in rev-

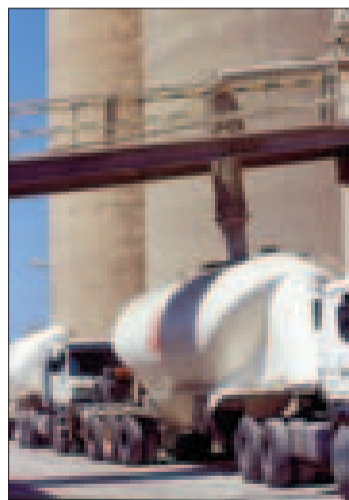


JURG FLUHMAN
CEO of Tanga Cement

enue year on year. Not bad for a company that was a poorly performing a parastatal role less than a decade ago. The company's shares, which are listed under the trading name of Simba on the Dar es Salaam Stock Exchange, have more

than tripled since their initial offering in 1996. Today the company is preparing for the eventual challenges and opportunities that the integration of the East African Community (EAC) will soon bring. CEO Jurg Fluhmann elaborates, "We plan to invest heavily in 2005 and switch from oil fuel to coal, which will give us a big advantage. We are also looking at our distribution system and working on ways to make it more efficient and cost-effective. Also, we still have some tariff protection within the EAC for four more years."

Tanga Cement has been awarded ISO 14001 accreditation for the development of its environmental management system, the only cement company in the country to achieve the standard, and made it into PricewaterhouseCoopers' survey of the top twenty most-respected East African companies in both 2002 and 2003.



Tanga Cement's impressive expansion has been combined with a proven commitment to the environment.



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The famous snow capped peaks of Kilimanjaro are one of the world's true must-see sights.



The opportunity to learn more about Tanzania's nomadic and tribal cultures is one of the country's key draws.

people and stimulates growth in related sectors such as agriculture. Visitor numbers are on the rise – Tanzania's 600,000 visitors in 2003 represented a 10% increase over the previous year, generating revenues in excess of \$750 million for the country. Figures for 2004 are estimated at 700,000 visitors, and the Ministry of Tourism has set a goal of one million tourist visits per year by the year 2010. Aware that Tanzania is the custodian of some of the world's

most invaluable natural heritages, the government has created a National Tourism Policy and a Tourism Master Plan that aims to generate a responsible expansion of the sector. They will achieve this through the promotion of quality tourism, an increase in protected areas, and the involvement of rural communities. Tanzanian groups have twice won prestigious international awards for

tourism projects that combine conservation and sustainable development. Minister of Natural Resources and Tourism Zakhia Hamdani Meghji states, "Tanzania cares very much about the environment, and it is very important for wildlife survival and tourism development. Preservation is the reason that we are able today to boast of having such beautiful and rare animals. In Tanzania, you can see lions,

cheetahs, leopards, rhinos, buffaloes, and many other species in their natural surroundings." Yet there is still room for considerable growth, and as the majority of visitors will be upper-end tourists, opportunities for investors are looking extremely positive. Additionally, a range of government incentives have been created, including deferred VAT, 5% tax rates, and zero percent import duties. Not surprisingly, FDI levels are on the rise. Accord-

ing to Peter Mwendu, Managing Director of the Tanzania Tourist Board, the country's central investment agency has registered over 420 new tourism projects in the past three years and new projects are always welcome. He adds, "There are ample opportunities for investment in the tourism sector. One area for new investment is in accommodation facilities, ground transportation, marine activities, and water sports."

ENVIRONMENT

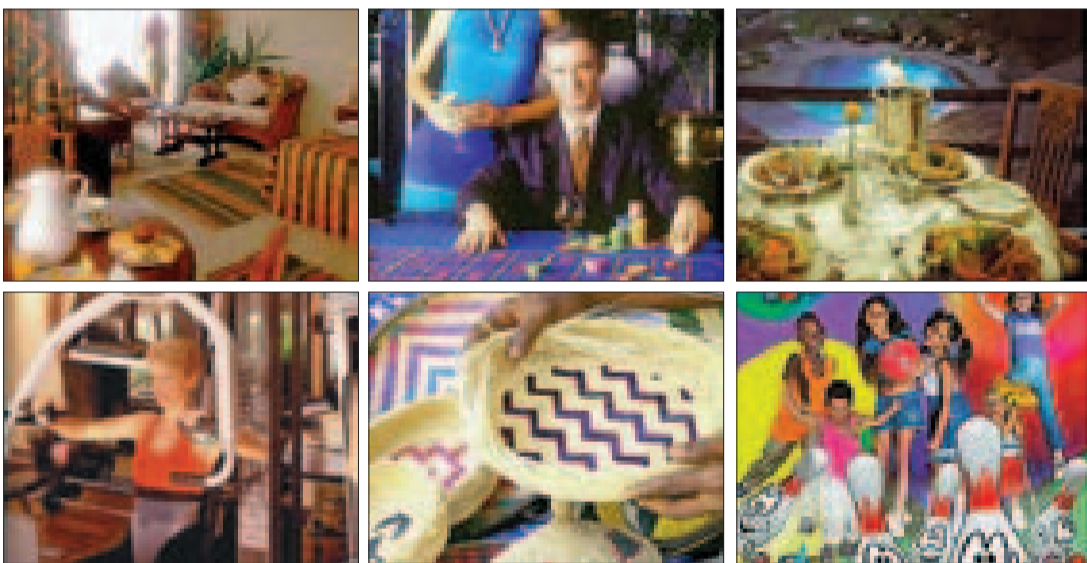
Unlimited natural attractions

THE NATURAL richness of Tanzania have yet to be discovered by many, yet this tiny corner of Africa boasts some of the world's greatest natural attractions. Home to Mount Kilimanjaro, Serengeti National Park, the Ngorongoro Crater, the Zanzibar archipelago, and Selous National Park (Africa's largest), Tanzania offers unlimited possibilities to its visitors. It is one of the main habitats for wildlife in Africa and its protected natural parks, which cover nearly 25% of the country's territory, are among Africa's finest game sanctuaries. Tanzania's bountiful wildlife and flora is due in large part to the diversity of its landscapes – coastal plains, a central plateau and highlands in both the north and south, where unparalleled concentrations of lions, zebras, elephants, cheetahs, and gazelles are found.

Tanzania is the land of the Great Lakes. From the inland sea of Lake Victoria, source of the Nile River, to Lake Tanganyika, Tanzania offers sceneries dotted with flamingos, bordered by chimpanzees and set against the backdrop of smoldering volcanoes.

Talk of Tanzania's natural richness would be incomplete without reference to its archeology. Labeled the 'Cradle of Mankind', the oldest human remains yet to be discovered were found by Dr. Louis Leakey in the Olduvai Gorge in 1959, lending credence to the belief that the origins of humanity lay in east Africa.

SEA CLIFF HOTEL



Sea Cliff Hotel provides the perfect base from which tourists can discover Tanzania.

A room with an exceptional view of the Indian Ocean

PERCHED atop the northeastern peak of the Mwasani Peninsula as it juts out into the magical blue waters of the Indian Ocean is the spectacular Sea Cliff Hotel, Tanzania's finest contribution to East Africa's budding tourism market. Set among lush, beautifully manicured gardens and with priceless views of the ocean, the 107-room hotel provides an idyllic and tranquil setting for both business and pleasure activities. The hotel of choice for discerning visitors, Sea Cliff Hotel offers air-conditioning, satellite television, butler service, dry cleaning, same-day laundry services, mini-bar, direct international dialing and 24-hour room service in all its elegantly furnished rooms. For those who require that extra touch, there are eight executive rooms and four luxury suites on the Executive Floor, all offering breathtaking views of the sunrise over the Indian Ocean and the hotel gardens. An affordable piece of paradise, the hotel's room rates range from \$140 per night for standard rooms to \$180 for executive rooms.

Ideally situated with easy access to the city center of Dar es Salaam and 13.5 miles from the international airport, Sea Cliff Hotel also boasts a casino, a

bowling center, shops, a massage parlor, a fully-equipped gym, and an outdoor pool and bar with panoramic views of the ocean. Sea Cliff Hotel also offers business and conference facilities, and high-ranking dignitaries often make use of the



KEVEN STANDER
Managing Director
of Sea Cliff Hotel

hotel's services while in Dar es Salaam. The hotel's spacious conference rooms are outfitted with the facilities and equipment to accommodate groups of all sizes. Recent additions include smaller, private meeting rooms for more intimate dealings, and an exhibition area. Purposely designed to provide high quality executive support, the Sea Cliff's Business Center offers a full

range of services, including full secretarial support, telephone, fax and email services as well as photocopying, printing, and scanning.

Sea Cliff Hotel is top among Tanzania's new generation of hotel accommodation providers following the liberalization of the tourism sector throughout the last decade. First opening its doors in 1998 with 59 rooms, the hotel has since expanded its capacity and services, branching out into property development with the construction of its Sea Cliff Village. Situated adjacent to the hotel, Sea Cliff Village is a shopping and entertainment complex that is comprised of 42 retail shops, a medical center, a supermarket, a family restaurant, a sports café, six fast food restaurants, commercial office facilities, and 22 hotel rooms.

General Manager Keven Stander, comments, "Tanzania has undergone and continues to undergo tremendous development in its tourism sector, and central to that is hotel business development. The number of rooms available in the upper end of the market in Dar es Salaam has more than doubled in the past few years. We have two hotels operating successfully here and we are continuing to expand."



Sea Cliff Hotel is the leading provider of quality accommodation to the tourist market offering all a visitor could want and more.



Luxurious rooms, air conditioning, satellite television, laundry services, and 24-hour room service.

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Tanzania Airport Authority envisages an integrated transport sector as an aid to business activity.



Through extensive restructuring, Kadco has given the Kilimanjaro region a first-class airport.

INFRASTRUCTURE Connecting markets is key to development process

Transport: Tanzania to become regional hub

The private sector has pushed for the development of transport and energy infrastructures

■ **ALTHOUGH** Tanzania has made great strides throughout the last decade in improving its infrastructure and communications networks, much remains to be done and the government has placed a priority focus on the sector. Aware that improvements will play a cru-

cial part in the country's development and in the eradication of poverty, President Mkapa and his administration have pinpointed infrastructure as one of Tanzania's primary means of achieving food security and wealth creation. As the majority of the population relies on agriculture for their survival, improved road access connecting markets to rural areas is essential. Additionally, Tanzania has a strong interest in developing its natural potential as a regional logistics hub, connecting landlocked neighbors with the sea, as well as northern neighbors with the southern region

of the continent. As such, the government has become active in promoting and fostering regional cooperation for connectivity with Tanzania's eight bordering countries. Increased improvements in infrastructure will also facilitate the integration of Tanzania, Uganda, and Kenya within the framework of the East African Community and improve trade flows within the economic bloc. Lastly, it will allow Tanzania to begin to tap the latent potential of its tourism sector, a diamond in the rough for the immensely attraction-rich and relatively undiscovered country.

Arnold B.S. Kilewo, Chairman of the Confederation of Tanzania Industries and the Kilimanjaro Airport Development Company (Kadco), says that the private sector has played a key role in lobbying the government for increased infrastructure development, stressing its importance as essential in attracting new investment: "The private sector has been instrumental in pressing the government for infrastructure development. Firstly, in roads, railway, and harbors and, secondly, in electricity. Industries need a stable electricity supply to flourish."

Consequently, throughout the last decade the government has opened up infrastructure sectors to private investment, while liberalizing public companies, and plans to make continued government funds available for new infrastructure projects. International

contractors and consultants from the UK, South Africa, Canada and Kuwait are all active in current state-funded projects. A further boost has been donor participation - €290 million (\$387 million) from the European Union has been designated for road maintenance and construction, an area that represents enormous opportunity for investors from all parts of call. Improvements in the energy sector include the contracting of private management for the national electricity company, Tanesco, reduced reliance on hydropower and an increased focus on the country's sizeable gas potential, and improved tariffs for businesses.

Further initiatives are arising from the public sector. The Tanzania Airport Authority has been active in promoting the concept of an integrated transport sector and has been the driving force behind the creation of the Tanzania Logistics Community (TLC). Director General, Prosper Tesha, explains, "We are working on an initiative to connect all the players in the transport sector through an IT network with the assistance of Microsoft. Eventually, we want

to develop the system to allow business transactions to be carried out. We would like all stakeholders to view the network as a common project."

To date, the most popular destinations for foreign investment in Tanzania's infrastructure sectors has been in aviation and ports. Privatization in the air transport sector has produced major success stories such as that of Kilimanjaro International Airport (KIA) where the UK-Tanzanian firm, Kadco, has converted a loss-making venture into a profitable business and a modernized airport in the short span of less than seven years. Director of Finance and

Administration, Bakari Murusuri, comments, "When we acquired the airport, it was in a very dilapidated state. Today it is an international class airport, and we are aiming to convert KIA into a regional hub." Tanzania currently has three international airports and a number of smaller airports and airstrips, and investment opportunities abound in the sector, especially within the Tanzania Airports Authority, which is carrying out the country's Export Processing Zones project.

TRANSPORT

On-track, set for take-off - exciting developments in rail and aviation

■ **TANZANIA** has nearly 53,000 miles of roadway and 2,500 miles of railway. The country's two railway operators are the Tanzanian Railway Corporation (TRC) and the Tanzania-Zambia Railway Authority, both of which are in the process of privatization. There are three international airports and numerous smaller airports and airstrips in Tanzania, and the Tanzania Harbors Authority, also currently undergoing privatization, manages three major ports, Dar es Salaam, Mtwara and Tanga; and the three minor ports of Kilwa, Lindi and Mafia.

Although aviation and port infrastructure in Tanzania have been revitalized with the aid of foreign investment, supporting road infrastructure remains poor by international standards - a major impediment in the country's general development. The road network is Tanzania's dominant mode of transportation, accounting for 70% of total freight and 90% of passenger carriage. To date, only 5% of the existing infrastructure is paved. Routine maintenance and regulating over-loaded trucks present other formidable challenges for the government, which has responded by creating a Road Fund Board for maintenance and a road agency, Tanroads, to oversee the network. Additionally, several Build-Operate-Transfer (BOT) projects have been earmarked for the private sector.

There are several exciting new developments in Tanzania's air transport sector, however, where things are decidedly looking up. The Tanzania Airport Authority (TAA) has launched an ambitious Export Processing Zone (EPZ) project to stimulate manufacturing and production of value-added goods, boost exports, and aid in the financing of airport maintenance and upgrading. TAA Director General,



PROSPER TESHA Director General of Tanzania Airports Authority

Prosper Tesha, states, "The main thrust of our EPZ project will be carried out at Dar es Salaam International Airport, but we have also targeted smaller regional airports. These will be mini-EPZs, where we will be doing semi-processing of products locally available in those areas. They can then be exported directly or brought to Dar es Salaam for further processing."

Arnold B.S. Kilewo, Chairman of the Tanzania Private Sector Foundation and the Kilimanjaro Airport Development Company (Kadco), says that newly launched East African Community Customs Union will be a huge boost to the success of the EPZs. He comments, "There is no doubt in my mind that the EPZs will benefit from the Customs Union as both the Tanzanian manufacturer and farmer will now have access to a much larger market."

Not to be left out of the action, Kadco, which manages Kiliman-

jaro International Airport (KIA), is set to develop a 40-square mile estate in its EPZ zone, building on initiatives started in 2002 with the construction of a five-star hotel. Since taking over management of the airport in 1998, Kadco has completed extensive restructuring of its facilities, including complete runway resurfacing, the implementation of a new instrument landing system and automated weather terminals, and the upgrading of security systems. Now management is intent on increasing both passenger and cargo traffic at the airport and looks forward to employing its expertise in new ventures. Kadco's Director of Finance and Administration Bakari Murusuri, says, "If the government decides to privatize more airports, we are ready to take them over. At KIA we want to attract more passengers and more airlines as we still have a huge underutilized capacity for both."

TEAM IN TANZANIA

Project Management: LORENZO JOORIS

Tanzania
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An African hub of unparalleled diversity, Tanzania's vibrant wildlife boasts an amazing range of flora and fauna within its legendary landscapes. From snow-capped Mount Kilimanjaro and the exotic Islands of Zanzibar to the game sanctuaries of Serengeti, Tarangire, Lake Manyara, Ngorongoro Crater, Ruaha, Selous and the Marine Park of Mafia Island, Tanzania's scenery is simply dazzling. Culture, coast relaxation, game hunting, historical and archaeological sites, and of course, the best wildlife safaris on the continent are all within its boundaries.

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