

equipment, priority allocation of land (i.e. within 30 days of application), and additional EPZ incentives. The extent of incentives differs from industry to industry depending on government priorities, but there are very few sectors not covered.

Also attracting investment is the privatization of Tanzania's massive public sector, totalling 380 parastatals. By the middle of 1997 over half the divestments were accomplished, with positive results. For instance, a large chunk of profitable Tanzania Breweries was sold to giant South African Breweries. Revenue from the brewery to the government is now three times what it was before privatization. Other industries and public utilities, many less than profitable, are also up for commercialization. In addition, the BOOT option is on the table to facilitate new expansion: the potentially huge Songo Songo Island natural gas to electricity conversion project is a case in point. Two Calgary-based giants, Ocelot Energy and TransCanada Pipelines, formed Songas (together with Tanzanian government agencies) to implement this US\$300 million dollar venture and will retain operating control for the first 20 years.

### Challenges & Opportunities

Tanzanian politicians and officials admit there is a lot of work to be done to make their country a competitive site for foreign investment. Basic infrastructure needs upgrading, transportation and telecommunication links, while improving, need to be made more efficient and reliable, the tax regime needs streamlining, and lack of domestic capital restricts local participation in larger joint venture projects. Although government offices have not jumped into any fast lane of model efficiency, tangible improvements in service from those offices most relevant to foreign investors, like the IPC and the Ministry for Energy and Minerals, have indeed occurred.

In the meantime, the boom in the mining and tourism sectors has pushed along some infrastructure development, as roads are constructed to outlying areas, first rate hotels and lodges are built, and telecom links are established between mining and tourism areas, Dar, and the outside world. (For instance, two highly sophisticated digital cell phone systems are in operation, and despite keen competition and expansion, they cannot keep up to current demand.) It is hoped that the increase in mining-related and tourism traffic will raise the country's international profile to the point where investment's impact is felt across the entire economy.

In 1996, Tanzania was already the fourth most actively explored country in Africa, with over fifty international mining companies in operation including a number of

Canadian companies. For instance, Sutton Resources is actively working to bring its estimated 5 million oz. gold resource at Bulyanhulu into production while continuing exploration efforts elsewhere. Pangea and Tan Range are at advanced stages of exploration, often working cooperatively with local artisanal miners. And in the energy field, Antrim International and a new venture called Can-Op – which includes former Prime Minister and External Affairs Minister Joe Clark – are actively exploring for oil and gas. Within a decade, Tanzania may have up to four large gold mines in operation and begin producing oil for the first time. New production of gemstones, nickel, copper, cobalt and industrial minerals like graphite will likely occur as well. These developments are testament to the attention paid to make the environment for mining as attractive as possible.

Two lingering challenges remain, one natural and the other historical. First, as Prime Minister Sumaye points out, "Unpredictable and inadequate rainfall, which affects agriculture," cannot be easily overcome. In early 1997, for instance, drought and then a surfeit of heavy rain hit parts of the country. Agriculture, still the livelihood of most Tanzanians, is rain-fed, so unpredictable rainfall is a major impediment to what is otherwise a fertile country. As well, Dar's water distribution system is in need of repair: it's estimated that the main pipeline suffers 30-40% leakage before it reaches the city, with further loss throughout the local system. Agri-food production and processing, along with rural irrigation and urban water infrastructure, are opportunities open to Canadian companies.

The second (historically rooted but more malleable) problem is what some have called the "Arusha Syndrome." Years of public sector and top-down direction have curtailed private initiative and skewed the work-reward equation, especially in the civil service. However, entrepreneurialism is a growth industry, noticeable in both formal and informal settings, and the "Arusha Syndrome" is withering away. This means that Canadian companies can increasingly find opportunities, partners, and the workforce they need for ventures in fields as diverse as manufacturing, tourism, fisheries, energy, mining, transportation, telecom, training, and services.

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