

creating the conditions for economic growth and foreign investment. These efforts culminated with two significant events in November 1996. First, the IMF approved a new enhanced structural adjustment facility loan of US\$234 million. Second, President Mkapa personally guaranteed the 400-plus foreign investors and over 200 local project promoters at the "Tanzania International Investor and Technology Forum" of his government's commitment to economic reform. The renewed support of IFIs provided the confidence the international community was looking for that the government was moving in the right direction.

For instance, the National Investment Promotion and Protection Act, in place since 1990, had not lived up to expectations. In response, the government introduced the new Tanzania Investment Act in 1997 to ensure other legislation did not override promises to investors. A comprehensive "Investor Roadmap" study was undertaken to delineate the steps faced by foreign investors to enable streamlining of the process. The Investment Promotion Centre (IPC), once criticized by foreign investors (and even the President) as inefficient, now reports directly to the President on a quarterly basis. When the investment incentive scheme of the new legislation becomes law, the revitalized IPC will be in an even better position to promote and assist foreign investment.

The promised new investment scheme includes extended tax holidays with reduced corporate tax after the holiday, training deductibility, the option to bring in up to five expatriate workers, only ten percent withholding tax on dividends or royalties, duties and sales tax remission on imported capital

THE PACE OF CHANGE in Tanzania's economic and regulatory environment over the last few years has attracted many new entrants to the minerals and energy sector. **Antrim International**, a privately owned Calgary-based petroleum exploration and development company, is one of many Canadian companies now active in Tanzania. The company principals with experience in Africa were always aware of Tanzania's potential, but the recent shifts in economic policy and political direction convinced them that the time was ripe.

Antrim, unlike many others, is searching for oil and gas, not gold, diamonds, nickel, or cobalt. As Tanzania is not yet an oil producer, the import strain on the economy is immense: up to 20% of the annual import bill is for fuel. Since the 1950s international oil companies have undertaken onshore and offshore exploration activities, and although the geologic potential is acknowledged no economically viable wells have been drilled. However, significant natural gas fields have been discovered, including Songo Songo. And over forty years of exploration activity have produced a substantial seismic and related information database that is held by the Tanzanian Petroleum Development Corporation (TPDC), with some of the data compiled under a long-term CIDA project covering East Africa.

While nearly every sector in the liberalizing Tanzania economy is open to foreign investment, the petroleum sector is one that simply cannot be developed without foreign involvement. Under an act dating from 1980, the TPDC can enter into a Production Sharing Agreement (PSA) with an oil company to grant exclusive rights to explore for and produce petroleum, the precise terms of which are open to negotiation under a framework that offers some flexibility. Antrim Resources (Tanzania) Ltd. signed its PSA in January 1997, providing for an initial exploration period of 4 years and encompassing a 14,000 sq. km area onshore and offshore Pemba and Zanzibar Islands that existing data show to include several large prospects. Antrim initially signed a Letter of Agreement within 10 days of launching negotiations with the TPDC in April 1996. Negotiations for the PSA – a very detailed agreement requiring endorsement at cabinet level – followed and were successfully completed within a reasonable period. Antrim's president, Stephen Greer, reports that during and after the negotiations both TPDC and Ministry of Energy and Minerals staff were eager to provide assistance and were readily accessible.

"It is obvious the TPDC is highly motivated to encourage exploration for oil and gas in Tanzania and we believe the country will eventually become a significant oil producer. We hope Antrim can play a role in achieving that important goal," says Greer. He adds that on the Canadian side, support from the Canadian High Commission in Dar es Salaam and Ottawa-based Trade Commissioners has and continues to be invaluable.

Antrim is currently evaluating the seismic, well, and reservoir data over its block and will be reprocessing some of the seismic data to further define the subsurface structures. In addition, 400 km of additional seismic data will be acquired beginning the fall of 1997 to enable final evaluation of the initial prospects. Only then can Antrim begin exploration drilling. The process is long, thorough, and expensive, but the ultimate reward for both the company and Tanzania could be immense.