

A range of excellent prospects

INTERVIEW WITH **HE JAKAYA MRISHO KIKWETE**

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What is the strategy for attracting foreign investment into Tanzania?

We have been doing a lot to promote investment into Tanzania, and have been organising forums all over the world. The idea is to tell people that there is a country called Tanzania, and that it is an attractive investment destination, that opportunities exist here, that the conditions are right, and that we are ready to work with the rest of the world. We believe we can convey that message and that we will see investment flowing from the United Kingdom and the rest of the world into Tanzania.

With regard to the diaspora, we want to show Tanzanians who left how they can contribute toward the development of the country. They have financial and material resources. For example, they can invest money in the banking system, which in turn can be borrowed by companies at home, and then invested to promote growth.

At the same time, the diaspora can act as our ambassadors in the United Kingdom and elsewhere. They can talk about their country. Let them use their good offices and contacts to encourage as many people as possible in the business, investment, and financial sectors to invest in Tanzania.

There are many Tanzanians living abroad who can help spread the word about Tanzania. There are also other aspects to bear in mind: many among the diaspora have skills, they have training. This experience can be used to train our workforce and become a direct source of skilled manpower that we need to develop the country. We are working hard to tap into these resources. At the same time, we are also looking at ways to increase Tanzanian networks. There are many examples around the world of countries that have benefited from their diaspora.

Do you agree that the diaspora's view of Tanzania is out of date?

I would not be surprised if many of those who left have an out of date conception of Tanzania, especially those who left a long time ago. I recently met a Tanzanian who left in 1956, and he was complaining about trying to get a passport. I had to remind him that when he left he was a British subject with a British passport, because Tanzania was still a colony then. There are many such examples where people

have little knowledge of what Tanzania is today, so I wouldn't be surprised if they have an out of date perception of the things we want to do. This forum will be an excellent opportunity to give a thorough briefing about the country today, as it is now, about the prospects and changes, the transformation that has taken place here. We want to explain our vision for the future of the country and how we can include the diaspora in that vision, and what they can contribute.

I'm glad that there is an appreciation abroad of our efforts to deal with the problems here, because often all we hear is that we are not doing enough. But obviously, we will provide a briefing on the local scene and what is happening in the country, as well as on the problems and the challenges and what we have done so far. This is an excellent opportunity to brief potential investors on every thing that is taking place in the country.

The upcoming Sullivan Summit will also be important because it links the American and Caribbean diaspora to Tanzania: we would like to see overseas Tanzanians come and participate in that. There is a Tanzanian diaspora, which is very specific, but there is also the wider African diaspora of those who have origins in Africa. So the Sullivan summit will be important for this.

What are your foreign investment priority areas?

When prioritising our investment needs, we must first analyse what we are trying to achieve. And the answer is: promote growth in this country. To facilitate growth we need infrastructure – roads, water, and electricity. And these are the areas that offer opportunities for the private sector.

Roads will be the responsibility of the government. We are not at a level where we can build toll roads. For a toll road to be economic, you need at least 100,000 vehicles using it everyday. There is not a single road in the whole of East Africa with that level of traffic. The busiest road in the region is the Mombassa-Nairobi road, which has not reached that level.

There are certainly opportunities for the private sector in electricity, and we are introducing new legislation that will open the way for private sector participation in this area. There has been debate on this issue in parliament and we will sort it out. In the

past we have had strong public sector ties, and this needs to be overcome.

A good example of private sector involvement is Artumas, a company involved in gas extraction and electricity production and distribution. This is a good model with complete private sector participation in generating, distributing and selling power. We are introducing new legislation to replicate this model. I believe there are tremendous opportunities for private investment involvement in generating electricity and then selling it to the national utility.

There is an ongoing debate over the issue of private sector involvement, and some people complain about prices and say we are killing state utilities. But the reality is that the government does not have the resources to build, say, a 2,000 MW power station. So we have no alternative.

We are also looking at our resource base and are encouraging people to invest in the gas sector as we have significant gas discoveries. We also want investment in the fertiliser sector, given that we estimate reserves of around 150 million tons of phosphates. We should not be importing fertiliser. We have built a small plant to granulate phosphates, but we need a bigger one. This is the sort of area that could be of interest to investors who want to work with a small, local investor. We are the only country in the region with this combination of phosphates and natural gas, so we have the potential to become a major producer and exporter of fertilisers. Nobody can beat us if we get the investment needed to develop our raw materials base.

What is the position on other natural resources?

We also have significant timber resources and produce a lot of timber, but are trying to discourage log exports, because we want to add value. What

we need are investors to come in to take advantage of our forest resources as well as products such as bees wax, which can be processed and exported.

Another area for development is leather processing. We have 17 million head of cattle, and 30 million goats and sheep. We are trying to develop a leather industry here and have a small private sector working hard in this area, but they need investment. We still export too many raw hides, when we should be developing a shoe industry.

We should be processing our cotton as well. This year we expect a bumper harvest with prediction of 800,000 bales. But again, we need to boost our ginning capacity still further. So we are encouraging people to move up the value chain, and instead of just exporting ginned cotton, let's export yarn. And if we can move a bit further up the chain, then we can export denim cloth, or move into the garment industry. We need to remember that it only takes one kilo of cotton to make two shirts. Our task is to encourage the creation of a local manufacturing base using our natural resources.

Another aspect of the agricultural sector that we could further develop is flower growing. This is a prime example of ►

We want to stop exporting raw materials and add value to them



Our economy has to be based on export-led growth

◀ what can be done to create value. We have the weather, we have the soil, and we have the potential to create a vibrant flower industry, which is also labour intensive.

Our economy has to be based on export-led growth, and the way to boost exports is through small enterprises. To this end we have created a fund in the central bank for SMEs.

What other areas are you looking to develop?

The tour operating business has huge potential, and is now the biggest foreign exchange earner for the country. Tourism is a priority, with tremendous potential, for example, in tourist infrastructure.

In the Serengeti Park there are just four big hotels, the others are small tented camps. We have hired consultants who have identified about another ten sites for hotels. Of course we don't want to over crowd the place, but we think that if we can go to about 4,000 beds then that should be enough. At the same time, there is potential to build more hotels around the nearby Ngorongoro Crater, as well as in the many other game reserves which have largely been overshadowed by the well-known reserves. Few people are aware they exist. We have to increase awareness: when people think of coming to Tanzania to view the wildlife, they automatically think of the Serengeti, ignoring the others that we are trying to develop. Visitors tend to concentrate on the northern sector, but we also have the southern sector and about 800 kilometres of beautiful coast that has yet to be developed.

We are also trying to develop cultural tourism. This country is rich in history, but so far, our focus has mainly been on wildlife. This development of tourism amenities will require infrastructure.

Do you think that Tanzania could do more to develop its service sector?

Let me give you an example of how we can develop our service industry. I visited a hotel recently, and discovered that they even imported bottled water. This is unacceptable, and we are addressing this. But the problem is that the hotels have a procurement system based outside the country, so they purchase everything abroad. This doesn't apply only to the tourism sector. I visited the headquarters of one of the overseas mining companies that operate here and I met the head of the company, and told him that his workforce was not provided with Tanzanian rice or locally produced chickens to eat. He was amazed. They had hired a French catering company and everything had been brought in from France. Now they have begun to change and are sourcing products and services locally. This is very important for a sector like mining, which has a significant

environmental impact on the local economy. If there is no local sourcing it is not fair on the locals. There has to be more linkage with the local economy.

Is there an international feeling of good will towards Tanzania?

There is certainly a feeling of goodwill towards Tanzania, and my message to my fellow Tanzanians is: let's use this goodwill, especially for the benefit of the private sector. Now is the time to take advantage of opportunities: the prospects have never been so good. In the past, people used to ask whether their investment would be safe. They were concerned their money would be confiscated, and were not sure if their company would be secure, or if they would be able to repatriate profits. But now that the world can see what we are doing, the climate is one of confidence.

What will be the impact of the global economic slowdown on Tanzania?

So far we have not been affected by the slowdown in the developed economies, but because these countries are major trading partners, at some point we may be affected. We are studying how best to respond to any possible consequences. If there is a recession people will buy less from us because of currency problems. High oil prices have increased transport costs, and this has had a wide impact, especially on food prices, which in turn makes it difficult to control inflation. We are doing well on the money supply side, but on the cost of living index, oil prices have really hit us.

What role do you see for Tanzania as a regional hub?

One of our biggest resources, if you like, is our geographical location. We can serve the landlocked countries of Uganda, Rwanda, Burundi, Malawi, Zambia, and the eastern part of the Democratic Republic of Congo. The port of Dar es Salaam has served the region for many centuries. The port is an important resource and offers tremendous investment opportunities in the transportation and services sectors. So yes, Tanzania must become the hub for the region, and we are doing everything possible to encourage this. For example, we want to attract exporters to use the port and to develop other ports along the Indian Ocean. **F**

H.E. Jakaya Kikwete was born on the 7th October 1950 at Msoga Bagamoyo District Pwani Region. He has held a series of political posts including Minister for Energy and Minerals and Water Developments, Finance Minister and Minister for Foreign Affairs and International Cooperation. He became President in 2005.