

Investing in Tanzania's future

By **OMARI ISSA**

CHIEF EXECUTIVE OFFICER, INVESTMENT CLIMATE FACILITY FOR AFRICA



OMARI ISSA

was previously Executive Director and Chief Operating Officer of Celtel International and was instrumental in its growth across Africa, overseeing operations in 13 African countries. Prior to that Mr Issa spent 14 years with the IFC and 6 years with the World Bank. He began his career in Africa working for the East African Posts and Telecommunications Corporation, where he rose to become Deputy Chief Engineer and Chief of Long & Short Term Planning.

Africa continues to be one of the world's fastest growing economies, with Tanzania frequently cited as one of its rising stars. Blessed with natural resources, a peaceful democratic society and a strong entrepreneurial spirit, the country has significant appeal to investors and very real opportunities for wealth creation. However, the country's inherent economic potential will only be fully realised when the investment climate is conducive to doing business. While many improvements have been made in recent years, Tanzania's long-term growth will ultimately depend upon collaborative action between policy makers and the private sector.

It is no overstatement to say that Tanzania's potential for economic growth is huge. The country benefits from natural resources that offer attractive investment opportunities for both domestic and foreign investors. The third-largest producer of gold in Africa, Tanzania also enjoys reserves of diamonds, tanzanite, coal, iron ore, uranium, nickel, chrome, platinum and other minerals. Commercial production of natural gas is increasing, while agriculture continues to be the life-blood of the domestic economy. Tanzanians are justifiably proud of their country's stunning geography, with miles of beautiful coastline and world famous national parks, a combination of which could create a large tourism sector.

Tanzania's geographic location has the potential to become one of its biggest economic assets. The opportunity for Tanzania to act as a major trading hub for the region is huge, with the country ideally situated to serve its landlocked neighbours. The port of Dar es Salaam has considerable potential to increase the country's commercial importance as a strategic trading centre.

Tanzania's natural assets, combined with a steadily growing financial sector, put it in a strong position to capitalise upon growing interest from investors. However, this investment potential will only be fully realised when fundamental barriers to doing business are addressed and removed. Practical struggles with transport, red tape, logistics, energy, technology and credit continue to hamper many of Tanzania's enterprises and act as a critical deterrent to investors. Efforts must be made to improve the legal and enforcement systems that promote and protect legitimate businesses.

Several billion US dollars will be needed in each of the next 5-10 years to develop and maintain railways, ports, energy, water and roads. At the same time, investments

will be needed in social sectors and agriculture. Put simply, the government will not have the financial and human resources needed to develop and maintain the infrastructure required to support even the current economy, not to mention a growing one. These resources will have to come from the private sector, both local and foreign. In addition, Tanzania will need to engage not only the Diaspora but also the large pool of retired professionals.

For Tanzania to mobilise the resources that are available from the private sector, it will have to improve its investment climate. Getting the investment climate right will require a joint effort between government and the private sector. The good news is that improvements to the investment climate are entirely achievable in a relatively short period of time. We also know it costs a lot less to create an enabling business environment than it does to mobilise foreign investment. A healthy investment climate creates the conditions in which SMEs grow and become the engine of future growth and prosperity. It is worth noting that conducive business environments benefit local investors more than foreign ones. The Government of Tanzania has recognised that its investment climate is declining, which is why the President appointed a taskforce to look into, and resolve, the issues.

However, government cannot deliver the solutions alone. Business also has a critical role to play in both driving the agenda for change and helping to facilitate improvements. This is not a call to action founded on appealing to businesses' sense of altruism. A thriving economy benefits all players. Tanzania also needs to replace its cumbersome decision making processes which are based on collective decisions. Decision making could be significantly expedited if individuals were authorised to actually make decisions themselves, and be accountable for such decisions.

Creating a sound investment climate for Tanzania is the only way that long-term dividends will be delivered to local and foreign investors and to the people. Sustainable economic growth will require collaboration between government and business to remove deterrents to investments and to create a legal, regulatory and administrative environment that enables businesses of all sizes to invest, grow and create jobs. Tanzania will only fulfil its very real investment potential once obstacles to doing business, both real and perceived, are addressed and removed. **F**