

Investment in Tanzania

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KEITH ALEXANDER has been involved with companies operating in Africa for 25 years. He has worked for Actis and CDC since 1999 and prior to that he worked for Booker plc, as finance director of its agribusiness division.

My organisation has been investing in sub-Saharan Africa, and Tanzania in particular, for more than 50 years. In Tanzania we have been involved in sectors ranging from mining, through real estate and power, to forestry and agriculture. Tanzania may not be the country that first comes to mind as an investment destination in sub-Saharan Africa, since it does not have the exceptional mineral wealth of Angola, the population of Nigeria (although it does have access to a slightly bigger population than Nigeria via the East African Common Market Protocol) nor the tourist recognition of Kenya. But it does have significant mineral and other natural resources, a favourable climate, and good land for agricultural production. Tanzania therefore has resources which are in demand as consumption rises globally and it has attributes that make it an attractive long term investment destination in its own right:

- A relatively stable and well balanced economy with agriculture (25 per cent), wholesale and retail (15 per cent), real estate and business services (11 per cent), manufacturing (10 per cent) and transport and construction (15 per cent) combining to generate three quarters of GDP.
- An impressive growth rate over recent years (7 per cent in each of 2006, 2007 and 2008), falling only to just under 6 per cent in 2009 and expected to recover to 6 to 7 per cent in the years 2010-12.
- Workforce expansion and emergence of urban, working consumers – with corresponding growth in demand for everything from food, through housing to financial services and entertainment.
- A stable administrative and legal framework, established and well connected local and international banks, and improving communications.

As a result there is potential for doubling of domestic demand over next 10-15 years and therefore Tanzania offers considerable potential for an investor, although in common with many countries, it may well have short term problems in balancing its national budget. But what are the lessons from previous experience of past investments in Tanzania? Many are generic rather than specific to Tanzania:

- Lack of capital is not really as much of an issue as finding sound and well-positioned investment opportunities, with strong management, clear market

understanding and a strong business case.

- A critical part of the investment appraisal is selection of the partners with whom you will be working, ensuring that they both share your views for the development of the investment and also share your values as to how the business will be operated.
- An investor should not underestimate the time that is necessary to invest in order to develop mutual trust with the other Tanzanian stakeholders in a business. This is particularly important if operating away from the main centres, such as Dar es Salaam. There is understanding and encouragement of inward investment at higher political and governmental levels, but this does not necessarily travel down to middle and lower administrative levels and it is here that effort is needed to develop the trust required.
- As a new investor it can be easy to become frustrated with the speed of official processes in Tanzania and the number of levels through which it is necessary to work in order that certain permission or permits can be granted. The procedures can appear very long winded, but an investor needs to accept that there are pressures and challenges within the bureaucracy that he does not fully appreciate. Having said that, there is an awareness that improvements are needed and these are working through in practice. For example, some years ago it was taking us 2-3 months to get an export container through Dar es Salaam port – it now takes 2-3 weeks.
- Corruption is a fact of life in many countries and Tanzania is no exception. However, it is more manageable in Tanzania than in many countries and in practice a straightforward business approach and refusal to be involved will be accepted.
- As a balance to this though, in order to show that investment benefit local people and communities, not just through employment, it is important to be a good corporate citizen and to contribute and to assist in the development of the local communities in which a company operates.

If one central theme is to be selected from the comments above then it is that an investor needs to be prepared to invest considerable time and personal effort to bring an investment to fruition in Tanzania. However, measured against other countries in sub-Saharan Africa, Tanzania remains one of the easier countries in which to work and provides an environment in which sound investment, in good businesses is achievable. **F**