The United Republic of Tanzania

Overview of the Tourism Sector

The Role of MIGA

Tanzania is implementing a program of economic growth and diversification in which tourism is a priority sector. The Multilateral Investment Guarantee Agency (MIGA), which is a member of the World Bank Group, was invited to partner with the Government of Tanzania and the Development Bank of Southern Africa (DBSA) to identify investment opportunities in tourism and to help promote the sector to investors. To that end, the partners organized a stakeholder meeting in July, will conduct a capacity building seminar to assist local investors to prepare investment proposals in September, and will hold an investment forum shortly after. The European Union (EU) will sponsor aspects of the capacity-building workshop.

This report comprises the findings of a team of experts, put together by MIGA, that in July studied different aspects of the tourism sector with the objective of serving the needs of the capacity-building workshop and the investment forum. The report incorporates the findings of the recently updated tourism master plan done for the Government by consultants with support from the (EU).

Objectives of the MIGA-supported Program

The objective of the investment promotion program is to increase opportunities for productive private investment in existing and new destinations in Tanzania, to deepen and strengthen sectoral linkages, and encourage additional value added activities within Tanzania. For tourism, linkages refer both to the channels of distribution (supplier to/from consumer) and to linkages with other productive sectors, such as agriculture, transport and construction. Related value added activities are expected to be handicrafts and SMEs, the consequence of incidental expenditures by travelers on leisure, entertainment and shopping. A corollary objective is to increase household earnings for families involved in tourism through outreach, and to increase the value added content of tourism products and services produced in Tanzania. Profiling of expected typical investors and investments would be an important output.

The Political and Economic Context in Tanzania (FATMA please correct or add to sections on Zanzibar throughout the report)

The United Republic of Tanzania is the largest country in East Africa. It comprises the mainland country of Tanganyika and the island of Zanzibar, as well as a number of smaller offshore islands. The mainland is bordered by Kenya and Uganda to the North; Zambia, Mozambique and Malawi to the South; Rwanda, Burundi and the Democratic

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1 “Integrated Tourism Master Plan—Summary and Action Plan Update, May 2001 (1st Draft)”, which was done for the Ministry of Natural Resources and Tourism of the United Republic of Tanzania by CHL Consulting Group, Dublin.
Republic of the Congo to the West; and the Indian Ocean to the East. Zanzibar comprises two main islands of Unguja (another name for Zanzibar) and Pemba, as well as about 50 smaller islets.

Zanzibar has a land area of 1,464 square kilometers and Pemba is about half that. Mainland Tanzania has a land area of some 942,832 square kilometers. The country lies between 1 and 11 degrees south of the Equator. The average temperature in Zanzibar is 25 C but it can reach 39 C. On the Mainland, temperature ranges between 25 and 30 C on the coast and between 22 and 27 C in the north.

The political federation between Tanganyika and Zanzibar leaves each with considerable political and economic autonomy. Each country has its own autonomous government, complete with a President, Cabinet and Parliament. Both have moved from socialist to market-based economies, though privatization of state assets, including hotels, is still under way. Tourism is not a “Union matter”, therefore, each country has separate policies and strategies for tourism.

Both countries are democracies. With the exception of post-election turmoil on one day in January 2001 in Zanzibar and in Pemba, Tanzania has established the reputation of political stability. The mainland has been free of civil unrest and has not supported any of the conflicts currently being waged in Central Africa.

The principal language is Kiswahili. English was introduced as a second language in schools less than a decade ago. Consequently, English is widely but not universally spoken and understood. Tanzanians have a reputation as friendly, hospitable and pacific people.

Tanzania is one of the world’s poorest countries, with a population of 32 million, a GNP per capita of US$ 240 and a population growth rate of 2.9 %, which is also the growth rate of the labor force. Despite these poverty indicators, the Government has made good progress on macroeconomic reform with the continued objective of attaining a supply response and consequent poverty reduction. Currently, real GDP is growing at an accelerated pace, reaching 4.9 per cent in 2000 and a projected 5.9 per cent in 2001. Tourism and mining have largely fueled the growth. Agriculture is marginally the biggest sector of GDP, with services a close second, but growth in 2000 was lower than expected, because of adverse weather, underlying structural problems and the collapse of export prices for cashew nuts, coffee, and cotton. Many indicators of human development, which in the past were higher than in many low-income countries, have deteriorated recently, making real expenditure increases on social sector services a key objective of the present Government2.

Zanzibar has a population of about 850,000 with an annual growth rate of 3 %.

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2 See Annex I "Tanzania at a Glance" for tabular information on economic and social conditions prepared by the World Bank.
Government Support for the Tourism Sector

The present Mainland Government laid out its policies for the tourism sector in two documents prepared for the recent election. The “Election Manifesto, October 2000”, states: “in the coming 5 years, CCM Government will give special attention to improving tourism services in order to earn more income from the sector. CCM Government will continue to improve tourism-related infrastructure and invite investors into this sector.”

Looking forward in the document: “CCM Policy in the year 2000 – 2010”, the Government stated:

• “The tourism sector appears to contribute a significant amount to the development of our National Income. In the next ten years we have to focus on improving tourism services both on the Mainland and in Zanzibar and expanding our capacity to handle more tourists and increase revenues.
• There is a need to design packages that will attract domestic tourists who should be enabled to enjoy the natural beauty of their country.
• There is also a need to improve access and develop strategies for Tanzanians to participate in the sector and provide services for tourists.
• The most attractive natural resources are those that are untouched. So, the effort to attract tourists should be accompanied by environmental protection measures for game parks, forests, beaches and lakes.

As elaborated in Annex II, the Mainland Government undertook a number of structural and institutional reforms of interest to tourism in 2000/01 and recognizes that the business environment still requires further improvement. Its recent request for an update of the 1996 Master Plan, together with the presence of a full-time EU-financed technical expert in the Directorate of Tourism, as well as its interest in a MIGA-sponsored investment forum for tourism, clearly demonstrate the Government’s realization of tourism’s current and potential economic benefits.

The Government of Zanzibar stated its support for tourism in: “A Guide to Investing in Zanzibar and Investment Opportunities”, issued by the Zanzibar Investment Promotion Agency (ZIPA). Tourism heads the list of six such opportunities, with the justification that: “In the recent past, the economic activity of Zanzibar was largely driven by agriculture, which, in all its facets, constitutes the mainstay of the economy. Tourism has also been buoyant and complementary to agriculture. Zanzibar has a very alluring appeal to international tourists. … The government wishes to consolidate and build on these positive factors and successes of this economic sub-sector attained so far, by strongly encouraging foreign direct investment and mobilising domestic private resources to channel into up-market facilities better equipped to cater for more discerning international visitors.” The Government’s Tourism and Vision 2000-2020 report calls for wise utilization of available tourism resources, diversification of and improvement of

3 A member of the MIGA team translated the quotations in English from Kiswahili in which the documents were written.
assets in order to attract a diverse tourism segments and markets. It also underlines the importance of improved infrastructure and better education and capacity building for Zanzibaris to make their islands a tourist destination in their own right.

Tanzania’s World Heritage Sites

Tanzania has six World Heritage Sites. Only three countries in Africa have more: Tunisia (8) and Algeria and Ethiopia (7) and only Morocco has as many sites as Tanzania. The sites in Tanzania comprise two cultural and four natural sites:
- Ngorongoro Conservation Area
- Ruins of Kilwa Kisiwani and Ruins of Songo Mnara
- Serengeti National Park
- Selous Game Reserve
- Kilimanjaro National Park
- Stone Town of Zanzibar.
These sites are prime tourist attractions and are referred to throughout this report.

Tanzania’s National Parks, Wildlife and Marine Assets

Conservation is the primary role of Tanzania’s twelve National Parks, which constitute some 25% of the country. Visits by non-residents to National Parks have averaged 200,000 per annum over the past four years. The National Parks account for 25% of the land area, but, if the Ngorongoro Conservation area, the 23 game reserves, and 44 game controlled areas are included, Tanzania conserves some 430,000 square kilometers or 38% of its territory. This is among the higher conservation rates of national territory in the world and ensures that Tanzania can bring on stream new destinations and circuits for the foreseeable future – provided that investment is available for infrastructure and tourist accommodation and services.

Wildlife. Tanzania developed as a tourism destination after Kenya, South Africa and Zimbabwe, largely for reasons of prior government policies. Because both infrastructure is poorer and hotels less numerous than in these competitor destinations, and because the overall package price is higher, the number of tourists visiting Tanzania is much smaller than in these three countries. This indicates that Tanzania has the potential to increase its share of wildlife tourism. Zimbabwe’s political situation is said to be drawing tourists away from that country to Tanzania. Botswana, Namibia, Zambia also compete with Tanzania for wildlife viewing tourists and the first, in particular, for higher-income tourists.

The large conservation areas support over 40 million ungulates (hoofed animals), composed of 310 species of mammals. In addition, Tanzania has important populations of species that are threatened on a continental scale, i.e., wild dog, black rhinoceros, the African elephant and Nile crocodile. Of the nearly 9000 bird species identified
worldwide, 1000 are found in Tanzania. Tanzania contains seven bio-geographic regions in which there are 19 broad habitat types. Climatic conditions coupled with variations in topography have resulted in species richness and endemism. As a consequence, according to the Centre for Energy Environment Science and Technology, Tanzania is classified as a mega-diversity country.

A survey of US and European tour operators done for the Master Plan showed that most respondents consider that in terms of quality, quantity, diversity, and visibility in Tanzania’s National Parks wildlife is superior to that in competing destinations. Although parts of the Northern Wildlife Areas are becoming more crowded, most respondents stated that wildlife is not yet outnumbered by tourists, nor does it shy away as in competing destinations where there is excess hunting in areas contiguous to the National Parks. The Ngorongoro Crater and the wildlife migration in the Serengeti, both of which are World Heritage Sites, were considered to be “unique wildlife viewing experiences”. Respondents stated that Tanzania could command a premium price for its wildlife viewing but only if the quality of the tourism infrastructure and accommodation and services were improved.

**Marine Resources.** Tanzania has exceptional, world-class marine assets in Zanzibar and a number of offshore islands. The Zanzibar Archipelago has the best resort assets in Tanzania. They are competitive with islands in the South Pacific and the Caribbean and within the Indian Ocean. But, their level of development is below most competitors in the Indian Ocean. Zanzibar already has a number of good resort hotels but Pemba lacks even the most basic infrastructure needed for development, i.e., roads, water supply, electricity and telecommunications.

The Archipelago of Mafia is to date the country’s only marine park. Because the numbers of visitors are still relatively small, the marine environment is generally pristine—with the exception of those areas affected by dynamiting of coral, which has been controlled but not curtailed. Anecdotal evidence suggests that corals have not suffered the bleaching that has destroyed marine life in other parts of the world, including much of the Indian Ocean. Recently the Tanzania Coastal Management Partnership (TCMP) has submitted the draft of an Integrated Coastal Management policy, which was led by the Vice-President, to the Government. This suggests that the coastal zone will be better protected in future from pollution and development pressures, which can only benefit the tourist sector.

The Mainland coast is still largely underdeveloped for international tourism, though a number of establishments cater to domestic tourists. Selected areas of the mainland coast are suitable for tourism development and can be brought on-stream as infrastructure improves.

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5 TCMP is a joint initiative between the National Environment management Council (NEMC), the United States Agency for International Development, and the University of Rhode Island’s Coastal Resources Center.
The resort market for “sun, sea and sand” is highly competitive. Destinations worldwide compete with Tanzania for this market. The current limited scheduled air access nudges Tanzania into the high-income resort market but to compete Tanzania must provide high quality accommodation and services.

Niche markets. Tanzania has assets that appeal to a number of niche markets where the aficionados tend to be high-income and where world demand is estimated to be growing faster than for traditional resort tourism. These include: mountain climbing, biking, birdwatching, big-game fishing, hiking, scuba diving and a variety of adventure travel activities, e.g., river rafting, canoeing, abseiling/rappelling. Though the numbers of tourists in these categories are smaller than for wildlife viewing, their potential is barely tapped in Tanzania. These specialized tourists sometimes use the same resources as more conventional tourists, but often can open a new area for tourism with facilities that are designed for them. For example, a lodge designed for birdwatchers in an area of high bird densities may also be used as an ecotourism retreat. The best season for some of the niche markets may not coincide with peak times for photographic safaris, as in birdwatching, which can help to raise occupancies in the low season.

Existing Tourism Circuits.

Tanzania features regularly in the brochures of tour operators worldwide and prominently in the brochures designed for upper-income tourists. Safaris in Serengeti and Ngorongoro and beach tourism in Zanzibar are in all the tour packages for Tanzania and are also integrated into packages sold for Kenya. Numerous other destinations in Tanzania, particularly Selous, are included frequently. The “packages” that are outlined in the brochures are flexible and can be custom-designed to suit the demands of the group that travels. Such groups may be as small as two people: honeymooners or couples; or consist of a family or friends; or a small group of compatible individuals formed by the tour operator. Mass tourism is not feasible because of the difficulties of moving large groups when roads are poor and when domestic aircraft carry a maximum of 12 passengers. While these constraints limit group size they also help to create the image of exclusivity that is associated with tourism to Tanzania.

The tourism circuits that are currently promoted in Tanzania include:

Wildlife viewing/Photographic safaris. Serengeti, Lake Manyara and Tarangire National Parks and the Ngorongoro Conservation Area are world class assets that are featured by tour operators. Most visitors to game parks are likely to visit Kenya first, largely because it is cheaper and more accessible. Tourists wishing to expand their game-viewing experiences after the “mass-tourism” that Kenya has encouraged and first-time higher income tourists constitute Tanzania’s tourists.

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6 This section is based on interviews with ground tour operators in Tanzania and a survey of a handful of international tour operators in the UK.

7 The terms are used interchangeably.
The Northern Circuit, which comprises Tanzania’s best known National Parks described above, is served by airports in Nairobi, Kilimanjaro and Arusha. To prevent over-use of these assets and to distribute the benefits of tourism more widely, the government has encouraged the development of a Southern Circuit, which currently mainly comprises the Selous Game Reserve and Ruaha National Park. These areas are world class and described as “the wild and isolated beauty of southern Tanzania—untamed by man and teeming with game”. The package price for a two-week stay in the Southern Circuit can be as much as one-third higher than for the Northern Circuit, partly because of higher operating and access costs. Lodges or tented camps house only up to 16 people. Access for people and supplies is by small plane, with non-perishable supplies brought in by road outside the rainy season. Owners seem to set accommodation prices high partly because of the short season and high operating costs, but also in an apparent deliberate policy to restrict numbers and maintain the exclusivity of the region.

Gombe Stream, where Jane Goodall studies the chimpanzees, provides another type of wildlife viewing that is included in fewer packages. Because of its difficult access and the need to restrict visitors to protect the animals’ habitat and way of life, this again is viewed as “exclusive” tourism.

*Beach resorts* in the island of Zanzibar are featured as single destination attractions and, frequently, as an add-on to the wildlife safaris. Mnemba, a tiny island, which is part of Zanzibar, contains one of the world’s most exclusive luxury resorts—with only 10 rooms. Pemba and Mafia are pristine islands promoted mainly for their coral reefs and for big game fishing. Chumbe Island, which won the British Airways Year 2000 Tourism for Tomorrow award, is designed as an ecotourism resort. A few international tour operators feature Ras Kutani, the principal beach resort on the Mainland.

Charter flights arrive regularly in Zanzibar from Italy for relatively cheap mass tourism, which is confined to specially built accommodation in the north of the island. Such tourism began over a decade ago and is no longer encouraged by the Government, which is interested in the higher-income market.

*Niche markets.*

*Birdwatching or birding.* Although some specialized tours are run, generally birders are mixed in with photographic safaris to the Northern or Southern circuits, where wildlife viewing is the main objective. Some tour guides are specialized in birding and are trained to seek out bird habitats and so cater to birders. One lodge in Selous lists 249 birds in the area and the list is constantly updated. A specialized birding tour operator in the UK described Tanzania’s potential for birding as “barely tapped”. Of the nearly 9000 bird species identified worldwide, 1000 are found in Tanzania. What marketing is done is by the resort owner, without any assistance from niche-specific advertising by the Government. Not only does Tanzania not market itself as a birding destination but there are several areas outside the current wildlife viewing circuits that could attract birders. For example the area from Tanga north to Moshi has great potential. (This area also

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includes Mkomazi National Park, which contains 90% of all botanic species found in Tanzania, with one-third of plants classified as endemic. Birders can constitute a repeat market until they have logged all the birds—certainly those that are endemic—in the country. The current numbers of birders are estimated at less than 1% of tourists viewing wildlife.

Climbing/Trekking  
Kilimanjaro is the prime but not the only site for mountain climbing in Tanzania. The nearby Arusha National Park also attracts climbers, photographic safaris and birders. Mahale Mountains (overlooking Lake Tanganyika) is another National Park that attracts climbers. No estimates are available of the number of tourists who come to Tanzania to trek.

Deep-sea fishing is done mainly in Mafia and the Pemba channel (a 2400-ft. deep channel separating the island from the mainland). Many of Tanzania’s lakes and rivers are suitable for freshwater fishing, with Lake Victoria the best known. Marketing seems to be mainly by word of mouth. There is no estimate of the numbers involved.

Scuba diving. The coral reefs around Zanzibar and its satellite islands have not entirely escaped the world-wide blight that has destroyed corals all over the world, but the damage is said to be relatively minor. Divers who had dived sites in the Red Sea, Australia and other parts of the Indian Ocean, describe as world-class those in Pemba, Mafia and parts of Zanzibar. The main constraint on diving is caused by Monsoon winds that can prevent diving. Mafia’s diving centers close during April and May but the shield created by the Archipelago keep dive sites in Mafia open from June to September during the strong breezes that can prevent diving at other sites in Tanzania. Very little direct marketing of Tanzania to scuba divers is done, except by resort owners who cater to such guests. A dive operator in Zanzibar estimated that less than 3% of tourists dive.

Cultural tourism: Cultural tourism assets are numerous. Access to them is sometimes difficult and most of the built assets are in serious need of protection and preservation. The Antiquities Department on the Mainland has more than 500 sites, but only 20 have employed workers and are open to visitors. The number of visitors to these 20 sites in 1999/2000 was estimated at just over 52,000 foreigners and just over 5,500 local people. Some of the sites are large and have no specific entry point, e.g., Bagamoyo, so that the validity of the estimates has to be questioned. No estimates are available for Zanzibar.

The major cultural sites include: Stone Town in Zanzibar Town on the world renowned spice island; Bagamoyo where David Livingstone’s body lay before being transported to Scotland; and Ujiji, near Kigoma, where Stanley and Livingstone met in 1871. Kilwa, a small coastal town about halfway between Dar es Salaam and the border with Mozambique, is the springboard for the island of Kilwa Kisiwani, which was once East Africa’s most important trading center. The Kilwa ruins are among the best examples of Swahili architecture and the marine setting is beautiful. The Olduvai Gorge, northwest of the Ngorongoro Crater, has provided significant fossils (some discovered by the Leakeys)

9 The terms are used interchangeably.
related to early hominids and apes, as well as hominid footprints at Laetoli estimated to be 3.7 million years old. Stone age ruins at Isimilia, near Iringa in Ruaha are one of Africa’s most important historical sites. Rock paintings are found, among other places, near Tarangire, where the Barabaig tribe’s ancient Kolo rock paintings are.

Cultural assets also include Tanzania’s people, among the best known of which are the Maasai, who continue to tend their livestock in the national parks. In addition, nearly 20 rural communities organize tours to allow tourists to share the experience of their daily lives. The profit from such tours is used to improve living conditions in the villages.

While it is unlikely that all but a dedicated few tourists would visit Tanzania exclusively for its cultural assets, their existence adds to the richness of the diversity of the tourism product. Such cultural assets can bring revenues to communities that would not otherwise benefit from tourism and can help to extend the length of the tourists’ stay. Those cultural assets, like Kilwa, that are situated in an area that has potential for development of other facets of tourism, i.e., resort tourism, could become destinations that can be successfully combined with wildlife viewing on the Northern or Southern circuits.

**Hunting** is classified as a tourism activity because it is based on wildlife assets and brings in foreigners to the country. Hunting entails among the highest expenditures made by any segment of tourists—from $500 to $1500 per day, but can be higher. Hunting may also bring in more revenues per person, compared to other segments of tourism, through a combination of the hunting block fees, hunting permits, and a slew of licenses payable by the hunting organization (which are comparable to those payable by tour operators). In addition, the trophy fees paid by hunters range up to $2000 for a lion and $4000 for an elephant and the hunting permit allows for the killing of one each of several species. The length of stay varies according to the number of animals the hunter wishes to hunt and ranges from 7 to 14 to 16 to 21 days. The size of each group is normally 1 or 2 people, with one professional hunter per group. Some 46% of hunters come from the US (mainly Texas and other Southern States), 30% from Northern Europe, and the rest from Latin America, South Africa and Southern Europe.

Hunting is strictly controlled under the Wildlife Conservation Act of 1974 and The Wildlife Conservation (Tourist Hunting)-Regulations, 2000. Growth of hunting is limited by the number of hunting blocks allocated for hunting and by the quota system that limits the off-take of animals in these blocks. Some 39 hunting companies bring in approximately 900 hunters annually. The Tanzania Hunting Operators Association sets standards for its 20 members. Unlike several competitors, Tanzania offers expansive natural areas for hunting, rather than privately-owned smaller game reserves. In season, hunting is labor intensive, with about 16 people employed in each camp and the block owners are required by law to employ and create benefits for local communities.

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10 This is done under a program of the Tanzania Tourist Board and SNV, the Netherlands Development Organisation.
Tanzania’s competitive edge in the hunting market also stems from its relatively low game fees. Main competitors are: Botswana, Zambia and, until recently, Zimbabwe at the high end of the market, with other competition coming principally from the Central African Republic, Namibia, South Africa and Chad.

Other assets. Lesser-known destinations with varied assets for wildlife and bird viewing, sun, sea, sand and watersports, adventure tourism, as well as cultural assets—all of high potential – abound in Tanzania. Currently these are generally inaccessible for at least part of the year because of poor infrastructure access and/or non-existent or inadequate accommodation and services, such as petrol stations, financial services and telecommunications. With carefully selected investments, such destinations can be brought on stream for tourism in future.

Prospects for the Future.

The Mainland. Tanzania’s currently marketed assets are of sufficient caliber to guarantee a continuation of international demand for the foreseeable future. Assets that are unexploited are of sufficient caliber to ensure a growth in demand and to areas that have not so far benefited from tourism. As the Master Plan noted: “there is a wealth of attractions spread throughout the country so that lack of attractions should not constrain development”. The exploitation of these attractions will require public and private sector investments in infrastructure, accommodation and services, supplemented by assistance from international lenders and local and international NGOs.

Zanzibar. The downturn in tourism in 2001 resulting from political events in January was reported by one local tour operator to have caused the cancellation of 80% of bookings for 2001. On the other hand a UK tour operator stated that the events had simply caused a temporary disruption of demand for travel to Zanzibar. The islands’ superb resort and diving and fishing assets and its distinctive historical and cultural heritage should guarantee the future of tourism. Zanzibar has already allocated a number of sites to tourism, which several lessees have not utilized, but there is room for expansion of coastal tourism. Pemba has potential for small luxury resort and niche tourism provided the lack of even basic infrastructure can be overcome. Sustainable development of tourism in Zanzibar and its islands requires, as a sine qua non, social and political stability. This, in turn, will require that tourism benefit local people, that the resource base is protected, and that the islanders’ cultural mores are respected.

Entry Points to Tanzania. (To be corrected and completed by George)

According to official statistics, some 62 % of tourists arrive by air, 31% by road, 3-4% each by sea and by rail. Some 66 % of all tourists to Tanzania are estimated to arrive through Arusha and Kilimanjaro and road entry points on the Kenyan border. Some 10 % are said to arrive at Dar and the rest from various entry points, including Zanzibar. Significant numbers of tourists arrive by road from Kenya, despite the 4-5 hour drive.

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11 Statistical data are not yet available beyond April 2001 to measure the longer-term effect.
12 The population of Zanzibar is over 90% Moslem.
from Nairobi to the border—often directly after an overnight flight. One small local tour operator estimated that 70% of his tourists in the North arrive by road, but believed that among the bigger tour operators about half arrived by road and the rest by plane. These are not just individuals but tourists traveling through international tour operators, who wish to take advantage of the cheaper airfares to Nairobi compared with Tanzanian destinations. As KLM has increased its flights to Kilimanjaro since May 2001, the number of air arrivals is said to have increased compared to road travelers.

Tourists travel to Zanzibar by plane and by boat from the Mainland: nearly 60% of tourists arrive by air and 40% by boat. Zanzibar alone receives charter flights and these are from Italy.

The Size and Characteristics of the Tourism Sector

**Numbers and Growth of Tourist Arrivals.** The Ministry of Tourism has estimated tourist arrivals in Mainland Tanzania at 495,000 in 2000, after correcting previous estimates for 1999. The original estimate for 1999, which was for 627,000 tourists, included returning nationals based abroad, and the Ministry reduced the estimate to 446,653 tourists. One industry source calculated that, based on airline capacity, the number of bonafide tourists to the Northern Circuit was 110,000 in 1999; however, this could be an underestimate because of the many tourists arriving by road from Kenya. The industry source estimated that visitors arriving in Dar, which is also the entry point for the Southern Circuit, were 50,000 in 1999. Adding these airline totals, visitors to the Mainland would be 160,000 air arrivals. Based on tentative estimates, road travelers arriving from Kenya through Tanzania’s northern entry point are said to range between 50 to 70% of air travelers, which would add 50,000 to 70,000 more tourists to the total of 160,000. Visitors by air and sea to Zanzibar totaled 86,918 in 1999 and 97,165 in 2000. Total visitors to Tanzania as a whole by that estimate amount to some 300,000 to 320,000 international tourists in 1999. But this is purely an exercise in speculation, pending revision of the system by which tourist arrivals are calculated.

The correction to the data for tourist arrivals in 2000 in Mainland Tanzania leads to an apparent decrease of 20% in tourist arrivals over 1999, when, in fact, the correction is merely statistical and was done only for one year rather than for the time series. Consequently, it is not possible to calculate a true rate of growth in tourist arrivals over time. On the assumption that the trends in the data are correct, these show a steady increase in arrivals to the Mainland throughout the past decade. Using the unadjusted time series between 1988 (130,343) and 1998 (482,331), the increase in total arrivals was 370%.

Data for Zanzibar, which has two main entry points and probably far less business visitors relative to the Tanzanian Mainland, show an increase in tourist arrivals of 230%

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13 These sections summarize the statistical data found in Tourism Statistical Bulletin for 2000, published by the Tourism Division of the Ministry of Natural Resources and Tourism.
14 Bonafide in this case is defined as exclusive of business visitors and returning residents.
between 1990 (42,141) and 2000 (97,165). After a steady increase in numbers between 1994 and 1997, growth stagnated until 2000, when there was a 12 % increase over 1999.

Because many tourists to Tanzania move between the Mainland and Zanzibar at least once and complete immigration cards each time, calculation of the exact numbers of tourists is made difficult. Furthermore, issues relating to the bonafide nature of the tourist, i.e., resident status, purpose of visit, also need to be clarified, though many countries struggle with the same issues. The absence of good statistics for tourist numbers, length of stay and expenditures handicaps planning for the tourism sector. The absence of good demographic data prevents the promotional targeting of market segments that could be attracted to Tanzania. The Government is addressing the issue, with assistance from the EU, by conducting an extensive visitor survey in 2001 and by reviewing the process of data collection.

Countries of Origin. From the Ministry of Tourism statistics, “Africans” accounted for 40% of visitors to the Mainland in 1999, Europeans 33 % and visitors from the Americas 22 %. These estimates are based on the 627,000 estimate for total tourists, which has subsequently been reduced to 446, 653. What proportion of the Africans are bonafide tourists rather than returning nationals or residents, or arriving for business purposes is not known. Some 40% of the total are from Kenya, followed by about 10 % from Uganda and 7% from South Africa. The statistics suggest that visitors from Europe have grown rapidly and North Americans more slowly. Within Europe, the main source markets are the UK, Scandinavia and Germany, which together accounted for just over 70% of total European arrivals in 1999. Visitors from Italy, France and Switzerland accounted for another 20 % of European arrivals. At least on the Northern Circuit a local tour operator and a hotel manager mentioned the increase in Japanese tourists in recent years but from a very low base; the official statistics show fluctuations in Japanese arrivals between 6000 and 9600 during the past five years. The data indicate a substantial increase in Australian and New Zealand tourists in the past two years to some 16,000 or about 3% of total tourists. Industry sources in the North mentioned increasing numbers of Spanish tourists, but these too have fluctuated between 5000 and 10,000. Indians comprise another significant group, fluctuating between 10,000 and 24,000, but whether of bonafide tourists or visiting friends and relatives is unknown.

The fluctuations in the numbers of tourists from the same country or region of origin could suggest deficiencies, i.e., lack of or lack of continuity in Tanzania’s marketing and promotion – which is in fact the case, as is discussed later in the report. But, the weakness of the data, hamper analysis.

In Zanzibar, Italians dominate with 25% of total tourists (and arrive by charter), followed by the UK with about 15%. European tourists as a whole comprise nearly 75% of all tourists to Zanzibar and have shown a steady growth in demand, which suggests that Zanzibar is an established destination in Europe. The US and Canada account for about 8% of tourists, Australians and New Zealanders some 5%, and the only other significant groups are South Africans (with annual fluctuations between 1 and 4 %) and Kenyans (about 3%).
Demographic Profile of Visitors. Demographic information is not currently available but it should be possible to derive it from the visitor survey being undertaken this year. Tour operators in the UK described the tourists who visit Tanzania as being high-income and well-traveled, within an age range from 35 to 60, though older people also travel. At the same time there are a number of tourists who manage to travel in Tanzania cheaply using small hotels and lodges, for example, a Lonely Planet guide exists for Tanzania and Zanzibar. It would be useful for planning and promotion purposes if the visitor survey could distinguish between the characteristics of visitors from different market segments.

Length of Stay. The Ministry of Tourism estimates that the average length of stay is now 7 nights. The length of stay varies according to the destination within Tanzania. An average of 4/5 nights is spent on the Northern Circuit and between 7 to 10 nights in Selous/Ruaha, according to the best guesses of industry sources. No estimates are given for the length of stay at the “add-on” resorts that are featured in the international tour operators’ brochures—not all of which is within the country of Tanzania. From discussions with these tour operators, it seems that most of their tourists complete their holiday within 14 days, including return air travel, though some stay an additional week. The visitor survey should clarify just how long the average length of stay actually is, differentiated for the different segments of tourism within Tanzania.

Visitor Expenditure Estimates. These estimates range from US$ 700 to something over US $ 1000 per tourist per visit. These are weighted averages and there is no estimate for expenditures in different destinations on the tourist circuit. From the tour operators’ brochures it is evident that the costs are up to one-third higher for the Southern Circuit over the Northern. The visitor survey, again, will need to clarify not just what average expenditures are but what they are for each segment of tourism.

No estimates are available for Zanzibar.

Seasonality. Official statistics show that arrivals in the third quarter of the year (186,000 in 1998) always exceeded those in the last quarter (146,000 in 1998) until the last two years, when the reverse has happened (if the data are accurate). The second quarter (80,000 in 1998) currently predominates over the first quarter (70,000 in 1998) but the reverse was true in 1996 and 1997. Tanzania is relatively fortunate in that the season is quite long throughout the country, although there are variations between destinations.

- The Northern Circuit has almost year-round appeal. Although individual hotels vary by as much as a month in their estimates, the peak, high and low seasons are: 
  Peak: February-March and August; High: June, July, Sept.-Jan; Low: April, May.
 One reason for this relatively long season is that conditions change in the parks. For example, in Manyara the dry season from July to October is the best to view large mammals, but the wet season from November to June is the best for birdwatching, the waterfalls and canoeing. In Serengeti, the wildebeest migration is from December to July and the best time to see predators is from June to October.
- The Southern Circuit has a more pronounced low season in April and May and the heat is greater in the summer months than in the North, but again the attractions are different in each season. For example, the dry season (mid-May to December) is the best time to see large mammals and predators, but January to April is best for
birdwatching, wildflowers and lush scenery. Nevertheless, the wet season can also make roads impassable and can even wipe them out.

- The hunting season runs from July to December and, whereas some operators see the possibility of multi-use of the hunting blocks for both hunting and photo safaris, this is constrained in the hunting off-season by regulations and because animals tend to be more aggressive in hunting areas.
- Zanzibar has more pronounced seasonality than the Mainland, with peak seasons in August and in December-January, which is typical of a resort destination dependent on European travel, though climate also influences. The northern monsoon winds blow between December and March and the south-west monsoon between April and November. The rainy season starts in March or April and last several weeks. June to October is the dry season.

The Economic Contribution of Tourism

The current estimates of tourism’s earnings and contribution to GDP on the Mainland may be revised together with estimates of arrivals following the completion of visitor surveys undertaken this year (2001). In 1999, the Mainland earned about US $ 733 million in foreign exchange from international tourism (excluding earnings from air passenger and other carrier receipts). Balance of payments estimates of receipts on the travel account amounted to 40% of total exports of goods and services in 1998/99 compared with 25% in 1995, in line with the growth in tourist arrivals.

Direct job creation by the tourism sector be estimated at 25,700 in 1995. Total direct employment is estimated to have risen to 28,000 people in 1999. Of that total, 19,710 were employed in hotels/lodges and tented camps. Of the remainder 350 were employed in restaurants, 750 as tour guides, 2,250 work with safari and ground tour operators and for car hire companies. The airlines, national and private, were estimated to employ 4,600 people and the Ministry of Tourism, the TTB and TANAPA employed 150 people.

Recognizing the weakness of the data about tourism’s economic significance, the Government has set up a Working Group to construct Tourism Satellite Accounts within the system of national accounts.

No information is available about the economic impact of tourism in Zanzibar.

Tourism Accommodation and Services

Number and Distribution of Hotels. In 1995, the total capacity in hotels and tented camps was estimated at just under 8500 rooms. Of these, based on fieldwork and interviews with the travel trade, only one-third or 3000 rooms were judged to meet international standards. In 1999, the National Bureau of Statistics estimated that total rooms had risen to 9575, plus an additional 565 rooms in tented camps. Because of the construction of new hotels and lodges for international tourists and the refurbishment of existing properties, the number of rooms of international standard rose to 4,500. The
Government does not yet have a system of classification of hotels but, with EC assistance, is planning to undertake a study of the issue.

The geographic distribution of international hotel rooms in 1995 and 2000 was as follows, with the number of establishments shown in the last column:

<table>
<thead>
<tr>
<th>Area</th>
<th>1995</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dar</td>
<td>2066</td>
<td>3497</td>
</tr>
<tr>
<td>Arusha/Moshi</td>
<td>1875</td>
<td>3202</td>
</tr>
<tr>
<td>Northern Wildlife Areas</td>
<td>560</td>
<td>796</td>
</tr>
<tr>
<td>Other Areas</td>
<td>2434</td>
<td>2530</td>
</tr>
</tbody>
</table>

Although the Northern Wildlife Area attracts international demand, a moratorium on new construction in the National Parks was imposed to protect the wildlife and their habitat, under the principle of limits of acceptable use.

Dividing the number of rooms by the number of establishments confirms that the larger hotels are in the Northern Wildlife Areas and in Arusha/Moshi and Dar, but there are myriad small hotels in all these areas and particularly in “Other Areas”. The latter, which includes the Southern circuit, includes a number of small hotels that cater to upper-income tourists.

Occupancy rates are not available for individual hotels and have little meaning for a group of hotels where the quality and size range is as great as in Tanzania. Nevertheless, it is clear that several hotels in the Northern Circuit are operating at high levels of occupancy, as was confirmed through interviews of hotel managers.

A classification system for hotels in the main tourist areas would help to generate transparency about the relationship between quality and price. However, the more responsible international tour operators closely monitor the hotels to which they send their guests. Consequently, through their promotional materials and by selection of certain hotels for specific clients, they in effect have created a classification system.

**Promotion and Marketing of Tanzanian Tourism**

The Tanzanian Tourist Board (TTB) is responsible technically for promoting and developing all aspects of the tourist industry (Tanzania Tourist Board Act, 1992). TTB is funded by Parliament but its budget ($1.5 million in 2001) only permits limited marketing of the country. The international travel industry identified the absence of official marketing and promotion by Tanzania of its tourism assets as a weakness. By contrast, as long ago as 1995 Tanzania’s two main tourism competitors, Kenya and South Africa, were spending US $ 10 million and more than US$ 23 million, respectively, on
TTB is nonetheless the established national tourist organization and is expected to be converted to an “Executive Agency” (under which legislation?), implying much more flexible operating conditions but also the requirement of becoming financially independent.

The Scale of Tourism Investments in Tanzania

The expansion of the tourism sector in Tanzania poses a challenge. For tourism to be sustainable it must protect the natural and cultural assets on which it is based. Any proposal for growth of tourism must measure its impact on the resource base. The Government is sufficiently concerned about protecting the Northern Circuit that it has prohibited new hotel construction in these National Parks and has encouraged the development of the Southern Circuit. Currently occupancy rates in hotels in the National Parks are high. Therefore, unless there is an expansion of accommodation near to but outside the National Parks, there is little possibility of growth of tourism from the existing Northern Circuit. Hotels constructed outside the National Parks would not appeal to most higher-income international tourists wishing to have an African experience either under canvas or in a lodge, but surrounded by animals and their habitat. Furthermore, the construction of such hotels would lead to more pressures on the numbers visiting the parks.

Another source of pressures on the Northern Circuit could occur if the border between Kenya and Tanzania were to be opened to allow unrestricted cross-border travel. This event could encourage more tourists to travel from Kenya to the Northern Circuit of Tanzania.

The Government may have to take specific command and control measures to protect the parks on the northern Circuit and also to maintain the impression of exclusivity that causes higher-income tourists to visit the country. Such measures could include controlling the number of permissible visits and/or the length of stay in the park and increasing park entrance fees. The Government may also wish to maintain the ban on new hotel and camp construction in Parks on the Northern circuit while simultaneously introducing incentives—possibly of limited duration—for selected destinations elsewhere in Tanzania.

An examination of the many sites throughout Tanzania with tourism assets suggests that, with few exceptions, the scale of accommodation and services should be relatively small. Making the same point but in reference to resort tourism exclusively, the Master Plan stated: “Large-scale development is not only inappropriate in the context of the market that is sought but it also gives rise to development costs and environmental pressures that are unsustainable.” That same criterion is also applicable to accommodation and services for niche market tourists and even for the lodges that can be constructed for photographic safaris in the Southern Circuit and throughout the country.

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Tanzania will mostly attract very small groups of people because of the preferences of its tourists who pay for exclusivity, the fragility of the assets on which tourism is based, and the type of transport that can currently serve most tourism destinations within Tanzania. The country’s large size makes multiple investments in roads to improve or create access to remote tourism destinations, which can only safely absorb small numbers anyway, out of the question for the foreseeable future. The numerous small private airlines that currently serve such destinations do so efficiently and the use of small planes enhances the tourists’ sense of experiencing an African adventure. The photographic safari experience takes place in 4 x 4 wheel drives—which house a driver, guide, and at most 3-4 passengers. Relatively small lodges also address the financial constraints related to the short season that many investors face with most segments of tourist demand.

Most international tourists are counseled by their travel agents to use the facilities of tour operators rather than make their own travel arrangements in Tanzania. The exceptions are lower to middle-income tourists and backpackers, who have found a way to reach Tanzania via road or gateways through neighboring countries that offer cheaper air access. The high level of personal attention that each small group of international tourists requires helps explain the large number of local tour operators. The absence of standard tourist facilities and sometimes precarious infrastructure also explains the exceptional reliance of the international tour operators on ground operators in country.

**Investment Opportunities in Tourism and Related Sectors**

Tourism to Tanzania is likely for the foreseeable future to continue to consist of many small groups of tourists traveling to one of three focal entry points in Tanzania and then fanning out to a large number of destinations within the country. Tourists will also combine two to three destinations within Tanzania during their stay. Tourism investments in those focal entry points, such as Arusha, Kilimanjaro and Dar-es-Salaam, are the only investments likely to be large-scale for the foreseeable future. The main requirement currently is for investments in high-quality, small-scale accommodation and services for international tourists throughout Tanzania, combined with related air access and infrastructure.

There is also a need for good quality services along the most traveled roads that can serve both domestic and international tourists. To enable local investors to participate as investors and to set standards for the operations as well as create technology transfer, “franchises” may be appropriate. Such franchises could reflect Tanzanian characteristics. For example, the French long ago established “gites”—small guest houses that reflect local character and are subject to inspection to meet defined norms. With technical assistance and a source of financing, Tanzania could begin a program of establishing gites along the most traveled roads by tourists and local people.

Tourism can generate linkages to other production and service sectors, where domestic demand alone is insufficient to justify investments. There would appear to be opportunities for investment in firms that produce goods that are required for both tourism and the local market, but that currently are imported. A prime example is the
agri-business. In Zanzibar as well in parts of the mainland, local people sell mounds of fruit—mainly oranges—on the roadside, yet tinned fruit and juice served in hotels is imported mainly from South Africa.

The services sector is another example where current inefficiencies hamper tourism and—presumably—local business, and thus create investment opportunities. For example, credit cards are only accepted at major hotels and in some local businesses—and selected credit cards at that. This exacerbates the dependence on package tours in which all expenses are pre-paid in the country of tourist origin.

**Investment Incentives**

**Tanzania Mainland**—to be expanded by Sandeep/Gideon

These include:
- liberalized current account regime
- liberalized repatriation of profits
- 5% customs duty on capital goods
- 10% withholding tax on dividends
- immigration quota of 5 key personnel per annum in an enterprise.

**Zanzibar.** The Government established ZIPA to act as a “one-stop” facilitator and as a buffer between the investor and the local bureaucracy and to help reduce the lead-time between the investors’ initial commitment and the implementation of the investment project. Since 1989 122 hotel projects were approved by ZIPA and, of these, 49 are operating.

In its March 2001 Guidelines to Investors, ZIPA defines the areas of tourism (third out of the six sectors that are listed) that are open for private investment:
- 1st. Class hotel – (4-5 star, or on capital room ratio between US $ 10,000 – 15,000)
- 1st. Class restaurant
- Tourist related services
- Game fishing
- Tour operator (with exception of ground handling).

The Government has established minimum levels for investments in Zanzibar for specific sectors. For the hotel sector, the proposed capital is US $ 4 million for foreigners and 300 million TSHS for citizens. Quality hotel projects of up to 10 bedrooms are also encouraged; an average investment of US $ 30,000 per room is required and will be considered a minimum investment for such projects.

The minimum capital investment in services that is required is US $ 150,000 for foreigners and 22 million TSHS for citizens.

The March 2001 ZIPA document lists the incentives offered to investors:
• Government lease on land for 49 years with extension or renewal program. The land lease rates for hotels range from US $ 0.20 – 0.35 per annum per square meter for foreigners and from 45 - 60 TSHS for citizens.
• no rent for the lease during the construction period
• no customs and import duties for machinery and capital goods during the construction period
• raw materials, which are subjected directly to manufacturing process for the trial operations, shall be exempted from import duties
• all goods imported for the personal use of expatriates shall be exempted from import duties for a period of six months commencing from the date of first arrival in Zanzibar
• finished products which are to be exported shall be exempt from export duties
• any declared reinvestment (at the proposal stage) for the first three years of operations shall be exempted from paying corporate tax
• 100% retention is allowed
• repatriation of dividends after taxation
• investment allowance of 25% on any capital investment available once, at any time during the project cycle.

Priority Areas for Future Tourism Development

As part of the updating of the Tourism Master Plan, cited previously, ten zones were designated for priority development. The criteria for selection were numerous and were debated at a Tourism Workshop held on 4 April 2001. The conclusion was: “The absence of infrastructure and lack of resources to put the necessary infrastructure in place in the remote areas of Tanzania led to the conclusion that over the 10-year period of the plan it was only realistic to focus development primarily in the part of the country that lies east of a line between Mwanza and Mbeya.” The Plan added that the designation of priority areas does not imply the exclusion of tourism in the other zones. Development would be encouraged but it would, during this planning period, be small scale.

The following are the areas selected for priority development on the Mainland:

**Northern Wildlife:** National Parks of Serengeti, Lake Manyara, and Tarangire and the Ngorongoro Conservation Area;

**Kilimanjaro-Arusha:** Kilimanjaro and Arusha National Parks and Gateway Service Centers;

**North East Mountains & Coast:** arc through Mkomazi Game Reserve, Usambara Mountains and North coast to include Tanga and Pangani

**Coastal:** Narrow coastal band along the Coastal Zone Administrative Area, excluding Dar es Salaam urban area – from Sadaani Game Reserve in the North (including Bagamoyo), and Ras Kimbiji to the Rufiji delta in the South;
Dar es Salaam and environs: Urban Waterfront from Ununio (North) to Ras Kimbiji (South) and islands of: Mbudya, Bongoyo, Panganvini. Mwaktumbe, Kendwa and Sinda;

Southern Coast and Islands: from Southern Coastal Zone Boundary to Mozambique boundary, including Kilwa, Mtwara, and off shore islands of Mafia and Songo Songo;

Southern Wildlife: Udzungwa and Ruaha National Parks, and Selous and Rungwa game reserves;

Southern Highlands: Poroto and Livingstone mountain ranges of Lake Nyasa.

Lake Tanganyika: Gombe, Katavi, and Mahala Mountain National Parks:

Lake Victoria Hinterland: Rubondo National Park and Biharamulo-Bunringi, Orungondo abd Rumanyika Game Reserves.

The Tourism Master Plan covered only the Mainland. The MIGA team has used material from the Government of Zanzibar that suggests the priority areas for that island.

North-West Corridor: from Fuji Beach to Bumbwini (15km)

Nungwi Corridor: from Kendwa to Nungwi (1.9km)

North-East: including Island of Mnemba

South East Corridor: from Michamvi to Chwaka.

Wambaa (Pemba) 2km separated by mangroves

Vumavimbi (Pemba) 7 km

Availability of Funding for Tourism Investments (SANDEEP & GIDEON)

Current Investor Interest and Donor Support for Tourism (to be corrected and expanded by Sandeep and Gideon)

A focus on sustainable tourism is helping to provide impetus to a new round of growth in the sector and is supported, sometimes indirectly, by a number of donors. The privatization program supported by the World Bank and the IMF covers most of the infrastructure sectors and will result in more predictable service and better pricing over time. Other donors are also addressing access issues: revival of Alliance Air; access roads in the north (Japan and EC) are examples. The recent macroeconomic program addresses
critical issues such as investment promotion, capacity building for TIC and improvement of the business environment.

The following hotel projects are already coming on stream or have recently opened:
- 152 room Holiday Inn
- 55 room Courtyard Hotel
- 254 room Wellworth Hotel
- 48 room Beachcomber Hotel
- 100 room Indian Ocean Hotel

The following expansion and improvement to the road network is taking place:
- upgrading of Dar es Salaam to Bagamoyo road
- the bridge over the Rufiji Delta is being constructed
- the road from Makuyuni to Ngorongoro will be upgraded

The following improvements to the air transport network and air services are taking place: (George to correct and expand)
- Mafia airport is being reconstructed
- Kilimanjaro airport is being leased to a private operator
- KLM increased their flight schedule to 7 per week in May 2001
- BA is increasing capacity on its routes by upgrading from Boeing 777 to Boeing B747 – 400
- An Open Skies agreement was signed with the USA facilitating more international traffic through airline global groupings such as KLM, Northwest, Kenya Airways, Delta, etc.

There is investor interest on the Mainland, mostly from South Africa but also from France (Reunion), Kenya, Mauritius, Zimbabwe, the Middle East, the UK and Tanzania itself. Expressions of interest in large anchor or magnet hotels are confined to Kilimanjaro and Arusha, and a conference center for Dar es Salaam. Much investment is small in scale, and, appropriately, includes luxury accommodation and services. Investors seem to be focused on “traditional” big game hunting, seclusion and less on exploiting niche markets. Moreover, some investment in tourism, and particularly in small luxury lodges, is motivated less by profit than by prestige or by a desire to preserve an area.

Donors and NGOs are active in tourism via conservation (wildlife, cultural tourism and coastal zone management), community development and social programs. The EC has updated the 1996 tourism master plan and is awaiting final approval from government for the 2000 version – the plan gives an overview of issues on the mainland but not on Zanzibar and focuses on priority tourism development areas. DBSA is interested in financing infrastructure to support the development of tourism, which is also being financed by Japan.

Institutional framework. (Pending Sam’s inputs.)
Responsibility for tourism policy in Tanzania lies with the Ministry of Natural Resources and Tourism (MNR&T) on the mainland and the Ministry of Tourism in Zanzibar.

Mainland. MNR&T is organized in five major operating divisions (Annexed is Organization Chart):

- Tourism, responsible for sector policy and planning; manpower training; classification and licensing of hotels and tourism agencies; and supervises the Hotel and Tourism Training Institute and the Tanzania Tourist Board (TTB);

Important sections for investors within the Tourism Department are the Tourism Training Unit (TTU), the Tourism Agency Licensing Authority (TALA), the Hotel Board, the latter two being responsible for licensing and controlling travel agencies, tour operators and accommodations facilities.

- Wildlife. Responsibility for management split between the department and five parastatals:
  - Tanzania National Parks (TANAPA)
  - Ngorongoro Conservation Area Authority (NCAA)
  - College of African Wildlife Management (CAWM), Mweka
  - Serengeti Wildlife Research Institute (SWRI)
  - Tanzania Wildlife Company (TAWICO)

The Wildlife Division is responsible for all wildlife management outside designated parks and conservation areas and also issues hunting concessions and licenses. SWRI covers research in the whole country and TWC is responsible for management of game herds throughout the country too.

- Forestry and Fisheries, each with a division responsible for policy and planning in their respective areas and responsibility for the implementing parastatals:
  - XXXXXXXXXXX (TWICO)
  - Tanzania Fisheries Company (TAFICO), and

- Antiquities, which is responsible for management of the country’s cultural heritage and patrimony. It was recently moved to the MNRT and its organization is still evolving.

The Ministry lacks the resources effectively to regulate the sector and is aware that a program to update the texts and modernize management of the Ministry will be required. There may be a case for rationalization of some government departments. Cooperation between the departments does not seem to be effective—tour operators complain of the difference in quality of service between them. The ministry also needs to make its inter-ministerial committee (correct name???) more effective to ensure better coordination and harmonization across sectors. Nonetheless, the overall ministerial structure is quite
conducive to tourism development, as it covers both natural resources and tourism, which could operate quite synergistically together.

Legal Framework.

The legal framework for tourism covers: legislation for a national tourism organization (TTB); the regulatory framework; and environmental legislation. For regulation, MRS&T relies on texts that are outdated (Hotels Act, 1963; the Hotel Levy Act, 1972; the Tourist Agents Licensing Act, 1969; and a more recent Hotel Regulations Act, 1982).

Environment and Physical Planning (To be corrected and expanded by Stanford)

The environment is handled by the Vice President’s Office, through the National Environmental Management Council, which is responsible for policy formulation, assessment of environmental issues and environmental plans and strategies. Although the government’s policy has come in for some criticism, a proposed Environmental Protection Bill addresses most of the weaknesses in the current legislation, and is likely to be voted in the current session. Wildlife, hunting, national park and reserves legislation is well designed, indeed a model for other countries; implementation is hampered by limited resources but the government is aware of this and is working with a number of NGOs and donor agencies to improve the situation (also, park entry fees and hunting concession charges are under review).

Over time, tourism development should be governed by a functioning master plan (with clear rules for land use planning, zoning, densities and environmental protection in each area). The Master Plan for the Mainland, recently updated with EC support, is expected to be adopted by government. Until such management/zoning plans are in place and managed effectively, special care will need to be taken with new investments -- for example, although conservation of Kilwa is still at an early stage, new lodges are beginning to pop up reputedly without regard for planning or zoning principles. Consequently, specific investments have to be analyzed with particular attention to avoid mistakes that would compromise the overall growth of tourism.

Zanzibar. The Ministry of Trade, Marketing, Industry and Tourism is responsible for tourism policy and practice in Zanzibar. Much of the island’s tourism policy was based on a master plan completed in 1983, which now requires updating. In practice, there are three agencies responsible for tourism in Zanzibar: The Zanzibar Tourism Commission, created under the Tourism Promotion Act of 1996; the Zanzibar Investment Promotion Agency (ZIPA) created under the 1986 Investment Act; and the Commission for Land and Environment (created under???). These agencies work closely together to promote investment in tourism. Planning for tourism would greatly benefit from a master plan for Zanzibar, Pemba and those of the remaining islands with some potential for tourism, even if only as dive sites.
Policy constraints and Recommended corrective actions

Whereas the business environment still requires further improvement, the Government undertook a solid number of structural and institutional reforms of interest to tourism in 2000/01 including:

- Continued efforts to strengthen the economic infrastructure, including through privatization of utilities and transport services and approval of related regulatory frameworks, and the establishment of a roads agency (TANROADS) to manage trunk and regional roads. The privatization of DAWASA was however postponed, as the initial bid produced no acceptable bidders – it is now being re-tendered.

- Promotion of an enabling environment for private investment, including enactment of new land legislation, restructuring of the Tanzania Investment Center, establishment of a unified tax appeal mechanism;

- The Tanzania National Business Council—under the chairmanship of the President—was launched, to provide avenues for regular consultation between the Government and the private sector.

- A number of taxes and levies have been abolished, reduced or rationalized, to support access to essential services, promote production and facilitate employment and investment in the private sector. (Rationalization of licensing procedures. Removal of advance payment of income tax prior to commencement of business.)

- Support for the Tanzania Social Action Fund (TASAF), has been strengthened to generate cash incomes directly to vulnerable groups that are involved in carrying out projects chosen and managed by communities.

- Other initiatives include: Small Entrepreneurs Loan Facility; Poverty Eradication Initiatives; Community Based Initiatives Trust; National Income Generation Program; Agricultural Input Fund; and Youth and Women Development Funds.

- The conditions for the HIPC completion point have been implemented, except for a delay in the privatization program for Dar es Salaam Water and Sewage Authority (DAWASA), as noted above.

- Since 1995, when more than 70 percent of the banking system’s assets were state owned, the financial sector has now been put under private sector management. In 1997, the National Bank of Commerce (NBC), the largest bank, was split into the National Microfinance Bank (NMB) and the NBC. The NMB was put under private management in August 1999, with IFC assistance, and the NBC was privatized in December 1999. Legislation is under preparation to permit the operation of debt collection agencies and a operation of factoring services.
While Tanzania has a plethora of opportunities, it also faces obstacles in building its tourism. The obstacles are not entirely a bad thing, for until the country gears up to manage an expanded sector effectively, existing barriers have prevented unfettered development.

Tanzania has made commendable progress on macro reforms (and indeed many of its written tourism/wildlife policies are state of the art); nonetheless, some of its institutions do not implement policies as effectively as they should. While many senior officials understand the need for change, at lower levels, the emphasis is too often on procrastination, arbitrary behavior and dogged observation of impractical procedures. The government is aware of this bureaucratic culture and of the constraints it faces. In most cases, it is taking positive action to remedy constraints, as noted below. Not all of the problems can be resolved immediately but the government’s recognition that they exist and its evident commitment to take action augurs well for development of tourism.

- Land acquisition and use are both complex issues and there are overlapping and sometimes conflicting responsibilities. Land is made available to foreign investors mostly via long-term leases and through subcontracts. Much land is made available through village and other communities and this creates the opportunity for local participation in tourism projects and the obligation to share revenues; this is already a requirement for hotels in the northern circuit and in hunting concessions. Under a World Bank funded project, the Privatization And Private Sector Development Project (Credit 3304-TA), the Government has prepared regulations to ensure that acquisition and use of land is secure; it is in the process of consultation with stakeholders (including commercial banks) and these are expected to be completed shortly. Also, a recent decision empowers TIC to give sub-leases to industrial investors; the implications for this are not very clear.

- Many sectors complain of the burden of multiple taxes both in terms of their amounts and their administration. The government now appears to be aware of this and some rationalization is underway. The Ministry of Tourism, together with the TRA, used not to recognize losses in enterprises they thought profitable and constantly derided the industry for not paying its share of taxes; this resulted in negotiations to establish a tax amount due (“reassessments”, considered undue harassment by the private sector). Also, the drawback program for VAT appears to work very slowly. There has been modest improvement in both cases. The June 2001 budget abolished a number of taxes and levies, reduced or rationalized others, and removed the requirement for an advance payment of income tax, prior to commencement of operations.

- Business licenses: complicated bureaucratic procedures impose considerable delays (years in some cases) and unpredictable decision-making in obtaining licenses. A recently approved safari lodge took four years to secure all the documentation it required to start construction. The licenses required to operate are many and complicated to acquire, among which travel agent’s license, tour operator’s license, car or bus rental license, and the Tourism Agency Licensing Authority (TALA) license from the Ministry of Tourism. Most operators are faced with obtaining
multiple business licenses – one for each category of activity. Again, in the hunting sector, there is a need for greater transparency in the awarding of hunting concessions and licenses. The June 2001 budget includes rationalization of business licensing procedures and the Government now realizes the more streamlined procedures are essential. The Tanzania Investment Center has been re-vamped under the World Bank-financed structural adjustment program and is assisting new investors to fulfill the requirements for operating a tourism related business in Tanzania.

- Most road networks in the country have degraded considerably through lack of appropriate maintenance. Tanzania has some 85,000 km of road network. Comprising some 10,000 km trunk roads and 24,500 km and the remainder unclassified. It is estimated that only half of the trunk roads and a quarter of the rural roads are in a satisfactory condition. Many areas are accessed only by air (which is expensive as loads are modest) or by dilapidated roads that impose huge time delays and very high vehicle operating costs. The rainy season makes some roads impassable for months at a time – all weather roads would help lengthen the tourist season and the economic impact of tourism for Tanzania. Moreover, there is a national program of road rehabilitation and development supported by the donors designed to address priority areas, including many areas of priority for tourism, especially in rural areas. A Road Fund has been set up with earmarked funding and will be operational this calendar year; this is expected to result in a major improvement in road infrastructure.

- Tourism is not a “union” topic, meaning that Zanzibar and the mainland have different policies despite their products being sold together.

- (GEORGE TO COMPLETE) Air access is a constraint in Tanzania in the sense that the country lacks a hub – Nairobi is the regional hub and many people visit Tanzania by surface transport after landing in Kenya. Dar es Salaam is essentially a business airport and has not been a hub for tourist traffic – opening up of the southern circuit and the islands could help change this situation. For the foreseeable future, Tanzania is likely to have to continue to rely on Nairobi and at the same time forge close links with key airports such as Johannesburg. Kilimanjaro International Airport in the north of Tanzania is a good gateway to Tanzania but is remote, requires upgrading and is not serviced by many airlines (an exception is KLM which has served both KIA and Dar es Salaam for over thirty years). On the other hand, there are some positive signs – the government has negotiated an Open Skies policy with the United States, useful in the short-run as a reflection of the government’s intent, rather than removal of an immediate constraint. Some airlines have indicated that they are considering increased service to Tanzania (British Airways and Swissair to increase service to three direct flights a week; KLM recently increased its service to seven flights weekly to Dar, via KIA). For domestic service, there has also been some relaxation of the barriers to entry and there are a number of small private airlines already pioneering new routes within Tanzania.

- Privatization of utility infrastructure is underway but, with the exception of telecommunications (substantially privatized and regulated), is still some two to three
years away. Privatization of DAWASA, the water authority, is currently being re-tendered and the sector is expected to be concessioned next year; TANESCO, the power company, will be replacing its top management and privatization is envisaged in about three years. The container port has been concessioned to a Malaysian group and other port operations are under consideration for privatization. The three railway systems TAZARA, Tanzanian Railways and the Tanga/Arusha/Jinja line offer interesting long-term options for tourism (the luxury South African Blue Train visits a couple of times yearly). Privatization is being addressed comprehensively under a Credit 3304-TA, referred to above. The institutional framework for privatization was recently revamped and revised targets for privatization of the main public services were adopted for the period 2001-4. In addition, there are about 160 smaller commercial firms that the government is liquidating or privatizing – the first group of 13 enterprises was recently completed. Revised procedures for employee retrenchment are being adopted. The Government is also setting up two regulatory agencies to supervise utility operations.

- Incomplete or unconsummated sectoral privatizations, including the Kilimanjaro Hotel, Embassy Hotel and TAHI lodges, might create the impression of a sector in distress. Efforts are underway to privatize the Kilimanjaro and, if this fails, the hotel will be moved to the debt collection agency, Loans and Advances Realization Trust (LART), for disposition and eventual razing; for the Embassy Hotel sale of the State’s remaining 25% of equity is underway; and GAPCO, which bought the TAHI lodges last year, is expected to complete its obligations under its privatization agreement in calendar 2001.

- Destination promotion and marketing needs to be strengthened. Most successful tourism destinations undertake joint marketing by the public and private sectors. Niche markets have been particularly neglected. Most operators believe that word of mouth is most important and there is reliance on specialized activities on identified supply chains, such as in hunting (Las Vegas, Reno, etc.). A functioning national website with links to local and individual websites is a priority but the public and private sectors need to establish an identifiable image of Tanzania in the public mind. As described above, efforts are underway to convert the TTB to an independent statutory body.

- Several organizations represent the private sector’s views because of the variety of factions within the industry. The recently created Tanzania Confederation of Tourism is attempting to bring the various threads together but the industry overall lacks the time and the funding for effective advocacy and communications.

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16 Tanzania Association of Tour Operators (TATO)
All Africa Travel and Tourism Association (AATTA)
Tanzania Association of Travel Agents (TASOTA)
Hotel Keepers Association of Tanzania (HKAT)
Tanzania Hunters Association (TAHOA)
Tanzania Air Operators Association (TAOA)
Considerable effort is required to support the public private partnership, which is essential for the effective management of the sector. The World Bank Group helped create the National Business Council, and works closely with the Private Sector Foundation, which is now operational. As these activities mature, relative roles are expected to become clearer. The stakeholder conference on tourism, held in July, was helpful in defining the agenda of issues requiring resolution. Discussions at that session recognized that the public and private sectors face common issues that can only be resolved jointly.

Tanzania is a tropical country in which malaria is widespread on the Mainland and in Zanzibar. Tsetse flies are a considerable nuisance on the Southern Circuit. In addition, the country has widespread HIV/AIDS. Total health expenditures in 2000/01 are estimated at 1.3 per cent of GDP, compared to 0.8 percent last year – the government in continuing provide more for health in its budget but total expenditures are still only about $6 per capita. Provision of medical care is not available in all parts of the country and certainly evacuation for critical disease or injury is lacking. Under its poverty alleviation program, the government is increasing its expenditures on health services throughout the country. Better tourist health care is also important (and in fact, lack of it, is a major reason why tour operators will not service some countries). Better provision of health clinics and medical evacuation facilities are needed for tourism and could be provided privately, perhaps with industry participation.

Capacity building in the tourism sector is a topic that will require more attention as tourism takes on greater importance. While Tanzanians are naturally friendly, training requires not only technical skills (hotel, restaurant, guides, travel agency) but also language training, understanding the nature of the benefits of tourism and understanding tourists’ motivation. While basic grounding in primary and secondary education will often be a condition for entry to vocational training, there is also training on the job through local programs, NGOs and private operators themselves. The operator who has just taken over the old Sheraton has already sent the first cohort of staff for training to the company’s facilities in South Africa. Most if not all hotels on the northern circuit recruit from local communities and train from scratch. Under the regional program within the EAC, it is expected that Kenya will open the doors of its Utalii Training College to nationals of EAC member countries on a preferential basis.

While the above obstacles are daunting, it is clear that the government is making progress in addressing them. The Government has made sound progress on macroeconomic reform and stability and is now moving to second generation reforms – a focus on public institutions that fulfill their roles and function effectively.

In addition to resolving the above constraints, specific recommendations that would help move the tourism sector forward and maximize benefits to the economy and people from tourism include:

(To be put together by the team from individual reports)
Preliminary Identification of Investment Proposals

The MIGA team has drawn up a preliminary list of investment proposals (TO BE CORRECTED, ADJUSTED, ADDED TO BY THE REST OF THE MIGA TEAM) that were identified during its recent visit to Tanzania that could be presented to the Investment Forum. These follow.

Tourism investments – initial proposals

General
Franchising opportunities -- motel chains, restaurants, entertainment and other leisure activities – and Marriott (both mentioned in the President’s report upon return from trade mission to USA)?
Consolidation between existing (outfitters) companies?
Blue Bay Hotel, Zanzibar, may be for sale
Support for SMEs – accommodation, tourist services and related agribusiness, handicrafts, etc.
Opportunity to create a “Gite”-type chain of locally-owned small guest houses to be established along most traveled routes in Tanzania and to cater to local travelers and international tourists

Southern Circuit
Selous: Prospect of two additional blocks for photographic safaris. This should generate several lodge opportunities in the coming three years or so.

Selous: Construction of photo safari lodges outside reserve – opportunity for community participation.

Ruaha: Construction of photo safari lodges outside reserve – opportunity for community participation.

Iringa: anchor hotel? Air strip and related facilities

Dar es Salaam: Agip Motel for sale?
Kilimanjaro Hotel?

South Dar: potential for hotel investment along coast?
Northern Circuit
Anchor hotel investment at Kilimanjaro – hotel under planning
Anchor hotel in Arusha or major renovation to existing hotels
Possibility of new lodges outside parks, especially to the West
TAHI: completion of privatization – selection of operator?
Anchor hotel (upgrade of existing hotel?) in Tanga
Pangani: the Pangani River Protea is managed by the eponymous management company on a three year contract. However, the banks financing the project (including the East Africa Development Bank and NIC) foreclosed on the property and now own the hotel. Protea is helping to find a buyer – the critical constraint is access, which would be mitigated completely if the hotel’s airstrip (leased from a sisal plantation in the vicinity) were approved by the aviation authorities.

Zanzibar
Stone Town, which is a World Heritage Site, is in urgent need of renovation, particularly as it is the flagship attraction on the island. The Serena Hotel provides a luxurious anchor hotel in Town. Though, the establishment of a well-known resort anchor hotel could burnish the image of the island through its own promotion and marketing. With this one exception, the supply of hotels in the island is probably sufficient until occupancy rates increase. Outside of Zanzibar Town the island lacks services and entertainment for tourists.

Infrastructure investments – proposals to be fleshed out by infrastructure engineer

General:
Small infrastructure installations may be proposed as part of private ventures.
There is the opportunity for alternative or appropriate technologies, rather than network solutions – photo voltaic or wind power, recycling of waste products, etc.
Need to work with municipalities and local government as well as the utility companies to seek solution and partners in development

Air transport
Improvement of airports in corridors important for tourism
Dar/ Arusha/KILIMANJARO
Dar/ Iringa/ Mbeya
Dar/ Kilwa/ Pemba (Mozambique?)

Rail transport
Dar/Selous/Zambia
Dar/ North
Tanga/Arusha/Jinja (with or instead of road)

Roads
Bagamoyo/Tanga in phases (includes three bridges)
Dar/ Iringa/ Mbeya
Dar/ Kilwa/Lindi
Lake Eyasi Road

Maritime
Four ferries currently operate
Potential for more maritime transport along the coast – ferries and port investments
Waterfront development for Dar?

Water supply will be required in each area and will usually be acquired through use of bore holes, with water shared with local communities.

Sanitation will be required, using septic tanks in areas not connected to a network.

Solid waste disposal both at the community individual property level. There may be opportunities for recycling.

Health facilities: clinics in Arusha, Zanzibar and any other area lacking facilities for emergency health treatment; medical evacuation facilities to South Africa or Nairobi.

A decompression chamber will be required if scuba diving expands; currently the Kenyan decompression chamber in Nairobi is used if an emergency occurs.

Zanzibar requires an evaluation of all infrastructure and also requires funding for rehabilitation of the urban tissue in Stone Town, which is rapidly deteriorating. Water shortages on the island require some hotels to use desalinization plants. Hotels are required to provide their own waste water treatment plants, as well as their own electric generators.

Other public investment
Support for design of tourism information system
Design of a promotion and marketing campaign promoting Tanzania as a destination. Identification of specific tourist segments in niche markets and targeting of these and of “newer” demand markets (e.g. Japan).