

**REPORT OF THE TOURISM INVESTMENT FORUM  
HELD 22-23 OCTOBER, 2002 IN ARUSHA**

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## 1.0 INTRODUCTION

The Tourism Investment Forum attracted some 250 participants from Tanzania and other countries. The list of participants and their contact addresses is attached.

The President of the United Republic of Tanzania, His Excellency Benjamin William Mkapa opened the conference in the morning of 22<sup>nd</sup> October 2002 at the AICC in Arusha. Following the keynote address by the President, 26 papers were presented in 7 sessions over the two days. The format adopted was that of making paper presentations in a session followed by discussions in which questions were asked and answered and comments and observations were made. The program of the two days Tourism Investment Forum is attached.

Session 1 started with a presentation on the Challenges of World Tourism by Dr. Dawid de Villiers, Deputy Secretary General of the World Tourism Organization followed by 4 papers presented on Tanzania's Economy and Tourism by the Ministers responsible for Planning and Privatization, Tourism, infrastructure and lands. Session 2 had 6 papers presented on Tourism Investment in Tanzania. The first day was concluded by 3 paper presentations in Session 3 on Community Tourism and Linkages. The second day opened with a summary of the main issues, which had come up on the first day. In Session 4 on Infrastructure 5 papers were presented followed by 4 paper presentations in Session 5 on Private Sector Viewpoint. After lunch the conference reconvened for Session 6 on Finance in which 3 papers were presented. Session 7 was summary and conclusions. The President of the Revolutionary Government of Zanzibar, His Excellence Amani Abeid Karume, closed the Forum. The third day was spent on a field visit, which exposed the participants to one the of tourist attractions in the Tarangire Game Reserve.

The report presents the main issues in the presentations and discussions at the two days Forum and end with some observations on the next steps.

## 2.0 MAIN ISSUES

### 2.1 *Inviting Investors to Tanzania: The welcome culture in practice*

In the welcome address by the Minister for Tourism and Natural Resources and the Key Address by the President of the United Republic of Tanzania a warm welcome was extended to the participants and thanked all the sponsors who had made it possible for the Forum to be held.

The President and the Minister made it clear that the purpose of the Forum was to expose Tanzania and its potentials as a tourist destination. Investors, both local and foreign, were invited to come develop this unique product to our mutual benefit. The President called upon the investors as well as their clients (foreign and local) to participate in tourism development in the country. The President called upon the Tourism Confederation of Tanzania to encourage, facilitate and empower local investors in the tourism industry and to focus on encouraging and facilitating domestic tourism.

The President gave four reasons why the Forum was needed at this time. First, Tanzania has a unique product to be developed. Second, the timing is right given the policy reforms and the solid track record showing that Tanzania can be trusted as an investment destination. He cited achievements in macroeconomic management and commitments to investing in infrastructure and improving the investment climate. The Minister for Planning and Privatization elaborated further on the steps taken to improve the policy environment for private sector development and reduce the cost of doing business, opening up the financial sector to competition, opportunities for privatization and main elements of Vision 2025. Third, the Forum was intended to demonstrate the government's firm commitment to dialogue. It provided the opportunity to dialogue between the government and all other stakeholders in tourism development. The institutionalization of dialogue as demonstrated by the establishment and functioning of TNBC and the collaboration with TCT demonstrated the commitment to promote dialogue between government and the private sector. The President invited participants to engage in an open dialogue in the Forum. Fourth, the potential for mutually rewarding investments and cooperation in tourism was greater now than ever before. The successes that have been achieved in attracting mining and the positive global and national trends in the development of tourism are encouraging.

The President enumerated ten reasons why he was inviting investors to put their resources in tourism development in Tanzania. These are: political stability, correct policies, abundant natural resources, investment incentives, assistance in the establishment of enterprises, non-restriction on transfer of profits, non-restriction on technology transfer agreements, existence of investment guarantees and dispute settlement mechanisms, market opportunities through preferences in trade such as

AGOA, EU-EBA and others and the unique geographical location of Tanzania in the region.

The opening speeches started the Forum with a big bang starting with the welcoming speech by the Minister responsible for tourism in Tanzania and culminating in categorical and emphatic speech by the President reaffirming the high priority being accorded to private investment and tourism development in the country and giving confidence to potential investors. The vote of thanks by Dr. Ken Kwaku added considerable value by placing the impressive progress that Tanzania had made in historical perspective and in comparison with other countries. The opening speeches all expressed the wish to replicate in tourism development the successes that had been achieved in mining.

## *2.2 The importance and dynamism of tourism in the economy*

The importance and dynamism of tourism in the service economy and in the economy as a whole were demonstrated at the global as well as at the national level. At the global level, Dr. Dawid de Villiers pointed out that tourism had shown phenomenal growth in the last 50 years. He indicated that although the events of September 11, 2001 had questioned the future of tourism, there were indications that the tourism sector was bouncing back proving to be a resilient and dynamic sector in the world service economy. He went further to argue for improvement of reliability and quality of tourism statistics. He recognized the changing demands patterns citing four trends: towards cost consciousness; towards shorter trips; change in booking habits; and towards more active participation and learning. He urged the promoters of tourism to take into account these global trends in the planning of tourism development. The twin challenge of tourism development in the developing countries like Tanzania were identified as sustainability and poverty reduction.

At the national level the President and the Ministers reaffirmed the high priority that the government accorded to tourism and presented figures indicating the dynamism of tourism in terms of growth of numbers of tourists and its importance in terms of contribution to GDP, foreign exchange earning and employment. It was also pointed out that public and private investments in tourism were increasing.

The role of government had been redefined to focus on policy formulation and overall direction of tourism development leaving the private sector to lead in the development of the sector. Consistent with this role of the government formulated the Tourism Policy in 1991 and revised it in 1999 taking into account new developments and drawing from experiences with the earlier policy. The process of formulating the current tourism policy was participatory taking on board views of all stakeholders in the public and private sectors. The government produced the Tourism Master Plan in 1996 and updated it in 2002 taking into account the revised Tourism Policy of 1999 and new developments in the tourism industry nationally

and globally. The Tourism Policy and the Master Plan envisage the development of quality tourism and recognize the need to promote a wide range of tourist attractions. They provided vision and direction of development of the tourism sector emphasizing diversity of products, marketing, competitiveness, private sector led development, human resource development and facilitation as well as regulation of the actors in the sector to ensure fair play.

### *2.3 Development of tourism needs to observe key balances*

Two categories of balances we emphasized at the opening and in the two days deliberations. First, is the balance between exploitation and conservation. It was emphasized that sustainable tourism development would be encouraged and promoted with a view to having maximum impact on poverty reduction. Second, the need to achieve the balance between the economic aspects of tourism development on the one hand and the social and cultural aspects on the other were emphasized. In both respects, the links between environment and poverty, tourism and poverty reduction, tourism development and community participation and the promotion of cultural tourism were recognized. In the context of these linkages, the government reaffirmed its support to the initiative on Sustainable Tourism and Elimination of Poverty (ST-EP). The recognition and commitment to encouraging and promoting cultural tourism and maximizing domestic value added from tourism were stressed. In respect of the latter, the complementarity between local and foreign investors to their mutual benefit and the economy was recognized. In the same spirit, encouragement and promotion of linkages between tourism and other sectors and activities in the economy was emphasized. In the discussions some participants observed that there was need for strategic environmental assistance to enable investors meet the regulations for sustainable tourism. It was proposed that a special window for assisting investors to improve their environmental impact assessments.

### *2.4 Access to Infrastructure for Tourism*

The Forum participants recognized the importance of infrastructure in the development of tourism. In the presentation made on behalf of the Minister for Works it was pointed out that the prioritization of roads and other infrastructures took into consideration the requirements of tourism. The Ministry and its institutions had a vision to attain efficiency and effectiveness and had restructured and carried out institutional reforms with a view to enhancing efficiency and effectiveness in undertaking investments in infrastructure and delivering the needed services. It was also indicated that opportunities for private sector investments in infrastructure were available. Various avenues of private sector participation in infrastructure were mentioned including BOT and BOOT. In subsequent presentations and discussions on infrastructure, it was pointed out that several initiatives had been taken by government to restructure and provide opportunities for private sector participation in several infrastructures and utilities such as water

and sanitation, energy, telecommunications and transport (harbours, railways and air transport). It was observed that infrastructure investments were often heavy in terms of their capital requirements for new investment and for rehabilitations. Presenters and participants pointed to several avenues for funds to support and facilitate investments in infrastructure. It was emphasized that private sector participation in infrastructure investments needed to be supported by an independent regulator. It was pointed out that a multi-sector regulatory agency was being put in place in Tanzania.

## **2.5 Access to Key Resources: *finance, land and human resources***

The presentations and deliberations at the workshop drew attention to issues relating to access to key resources which investors in tourism need. These resources include finance, land and human resources (especially the skilled).

### **2.5.1 Finance**

Avenues for finance, as a resource for investors was perceived as being limited. However, the presentations and discussions at the workshop revealed that there are more avenues than often known to investors especially the SMEs. The presentations by MIGA, IFC facility and by Exim-Bank showed that there are avenues for financing bankable projects. These avenues are found in local, regional and international financial institutions. It turned out that what was lacking was adequate capacity for turning project ideas into bankable projects. Some concerns were raised about the high lending rates in local financial institutions. This situation is a reflection of the incomplete financial sector reform. As competition in the financial sector intensifies, it is likely that the current spread between lending and deposit rates will continue to narrow down. The presentation on Exim-Bank and the expression made by other local financial institutions which were present at the Forum showed willingness to support investments in tourism by making funds available to bankable projects in the sector.

### **2.5.2 Land**

The presentation that was made by the Permanent Secretary on behalf of the Minister responsible for lands showed that land for tourism development is available. The major problem that emerged was that the rate of actual development of the plots, which had been allocated to private investors for tourism development, was very low. Figures, which were presented, showed clear evidence of low rate of development of allocated land. It was clarified that according to the new land act, land is property and has a market value and therefore it can be used for equity, mortgaging or can be subjected to outright sale at the going market price. Two further developments were brought to light. First, it was revealed that land disputes are now to be handled by the Land Disputes Court. Second, it was pointed out that a land bank was being built up and good progress had been made already. This

means that land for investment purposes shall be gazetted and allocated to TIC which will administer such land sites. In the discussions, it became apparent that the level of understanding and capacity to interpret the new land act correctly was still on the low side. This situation continued to breed conflicts. The question of land rights in the reserved areas left some ambiguities, which needed to be clarified in due course. The ambiguity with mortgaging remains one of the major concerns by banks. In fact, in recent occasions in which the President met with the private sector representatives, he promised to give top priority to the remaining ambiguities in respect of land. He promised to ensure that the ambiguities and difficulties in interpretation were addressed as soon as possible.

### **2.5.3 Human Resources**

The quality and quantity of human resources was recognized as critical for efficient development of tourism in the country. The demands for high quality human resources are even greater for quality tourism, which is the policy of tourism in Tanzania. Currently, the labour and immigration formalities allow for automatic recruitment of up to five expatriates and more can be granted work permits on meeting the laid down conditions. Recruitment of foreign personnel is costly and cannot be a permanent substitute for local personnel. In this regard, the President urged private investors to invest in human resource development. Many participants pointed out that they had experienced the shortage of high quality human resources in various aspects of tourism development. Investment in training and human resource development deserved high priority. It was proposed that the government and the private sector should play complementary roles in human resource development. The government should design incentives to encourage the private sector to invest in this area.

## **2.6 *Promotion and Facilitation of Investments***

Presentations on this subject pointed out that TIC had been restructured to focus more on facilitation and promotion of investments in the country. It had become a one-stop center for investors. It was also observed that TIC was extending its operations to include facilitation of the establishment of enterprises. It was observed further that TIC has established a window for assisting small and medium size enterprises even those not registered with TIC and no fee is charged for such services. It was pointed out that TIC was involved in the Task Force for tax reform which was addressing simplification and rationalization of taxes, was establishing a one-stop center for business licences. It was also revealed that implementation of the BEST (Business Environment Strengthening in Tanzania) programme was in the process of being institutionalized by establishing a special regulation unit within the Office of the President (Planning and Privatization). Concerns were expressed over the persistence of elements of bureaucratic red tape on the road map for investment. In particular, some participants mentioned the numerous taxes and licences that were not rationalized in tourism sector. It was clarified that these obstacles have

been reduced a great deal although one cannot claim that they have disappeared altogether. The important thing is to have in place institutional machinery for dealing with such problems whenever they arise. In this regard, it was observed that the institutionalization of the public-private sector dialogue through various forums such as the Tanzania National Business Council and Tourism Confederation of Tanzania was one way of ensuring that the bureaucratic red tape to private investments were addressed on a continuous basis.

## *2.7 Investment Opportunities*

The diversity of tourist attractions and the corresponding diversity of investments in tourism development were recognized. It was indicated that the Master Plan contained diverse avenues for new investments in tourism including investments in historic and cultural tourism and conservation heritage, community tourism, investments in wildlife (e.g. visitor use facilities, farming and breeding, communication facilities), sports hunting, eco-tourism, marine parks, beach development, nature conservation, hotels, conference centers, cruising, diving, water front attractions, and human resource development. As regards investments in national parks, it was indicated that TANAPA was encouraging investments in various types of accommodation including permanent tented camps, lodges and special campsites and that there was management plan to guide investors in several national parks consistent with the wildlife sector policy. The presentation on tourism in Zanzibar enhanced the diversity of tourism in history and culture, diversity of spices and many more new investment opportunities. Taken together the new investment opportunities in both Tanzania Mainland and Zanzibar present a rich menu. This wide range of opportunities needs to be considered as complementing each other and collaboration in developing and realizing this complementarity of new investments was emphasized. It was observed that Development Corridors (DCs) were a framework for integrating the development of tourism with related sectors in which tourism was identified as one of the leading sectors. The DCs provided opportunities for public-private sector partnership in various national and cross border investments.

The Minister responsible for privatization pointed out that there were opportunities for investment in public enterprises, which were due for privatization. Indeed there are several hotels, which are still candidates for privatization, and investors were invited to consider such investments. While these opportunities were appreciated, concern was expressed over the long delays that had been associated with some privatization opportunities. It was proposed that a way should be found to involve the sector ministries more explicitly and that the President should be requested to intervene to speed up the process of privatizing some of the TAHI hotels and other investments whose privatization had been stalled.

## 2.8 *Community Tourism and Linkages*

The potentials in community tourism and development of linkages to the communities were unveiled. The concept of cultural tourism as people to people tourism with emphasis on heritage and community participation was demonstrated by the experience of SNV in community tourism whereby the number of tourists for this kind of tourism had increased, incomes accruing to local communities had increased and community participation had been enhanced and proved to be a factor of success. In fact, incidents of vandalism in installations of cultural heritage have been associated with lack of community participation leading to lack of ownership in the otherwise rich cultural heritage activities. It was observed that what was needed to promote cultural tourism was generalization of the SNV experience by institutionalizing it, improving awareness and marketing and improving supportive infrastructure. Investors were invited to consider seriously investments in community tourism as a new product and as a way of ensuring greater domestic value added and poverty reduction. Depletion and removal of some items of cultural heritage raised concern among the participants. It was observed that some antiques had been taken away and were being stored in various parts of the world. Participants urged the government to initiate the process of retrieving and returning such items back to the country.

## 2.9 *Private Sector Viewpoint: Risk, SMEs and case studies*

Concerns of SMEs were addressed based on perceptions of risk, questions that are often asked by SMEs and the case studies, which were presented at the Forum. Based on the experience in many countries, it was pointed out that different people perceive risk in different ways and that different investors have different requirements. However, all investors need information, need to make profit and there are standard factors which they are looking for including political stability, good policies and incentives, quality and competitive infrastructure, sympathetic and collaborative government with supportive attitude to the sector they are interested in (tourism in this case) and a supportive legal and regulatory framework. The factors which investors are looking for in order to evaluate risk of the specific projects were enumerated including reputation of partners, conditions of entry, taxation and human resource capacity.

The questions that SMEs ask center around issues like how to turn their dreams into profitable projects, how to afford costs of carrying out feasibility studies, how to manage bureaucratic red tape and how to fit the management of the next project in the current management structure. It was pointed out that many SMEs are not aware of the numerous facilitation mechanisms, which can be available to them; many investment facilities are not utilized. It was observed that marketing of such facilities and capacity building of SMEs can bring on board more clients for the existing investment facilitation avenues. It was observed that support mechanisms such as incubation and facilitation, capacity building opportunities, investor

websites and exchange of opportunities and various government and donor funded support mechanisms are available and need to be utilized more effectively.

Three case studies of local investors were presented, two on air transport (Precision Air and Coastal Aviation) and one on investment in accommodation (Peacock Hotel). These case studies showed that investment in tourism is a reality. Four lessons could be drawn from the case studies. First, it was demonstrated that it is important for investors to have a long-term view of investment in tourism and have the capacity to persevere in order to realize the long-term view. Second, it was shown that human resources are critical for the realization of the dreams of the investors. Where it was not available locally it was procured from elsewhere. But investing in in-house training in order to develop own human resources was a critical success factor. Third, marketing and close follow-up with requirements of the clients was critical for the success of the investments. It is important to understand customer needs and strive to meet them. Where the market was narrow it proved useful to work towards expanding it by aggressive marketing. Going into advertising through the Internet had proved to be a useful development. Fourth, it was evident that all the three case studies demonstrated that tourism was a growing industry in Tanzania.

### *2.10 General Observations*

Participants appreciated the way conference was organized and the logistics. Special mention was made on two aspects. First, the fact that papers were distributed immediately after the respective presentations was highly appreciated. Second, the observance of time with reasonable precision was appreciated. The deliberations were made in frank manner and the attendance remained high throughout the two days.

The daylong sessions were capped with dinners hosted by the Ministry of Tourism and Natural Resources on the first day and by the Development Bank of Southern Africa on the second day. These provided further opportunity for reflection and networking.

At the last day's dinner the private sector participants decided to award an honorary title to Hon. Zakia Megji, Minister for Tourism and natural resources. The honorary title is "Mama Utalii" (meaning mother of tourism) to signify the conspicuous interest she had demonstrated in tourism since she took office in this sector and the improvements she had made for investment in tourism. The private sector participants observed that the Tourism Investment Forum was a culmination of the commitment and interest she had demonstrated in the development of Tourism in the country.

### **3.0 NEXT STEPS**

The Forum raised many issues, which need to be followed up. The Minister of Natural Resources and Tourism categorically stated that the process of encouraging investments in tourism would continue and that MNRT and investment authorities in Tanzania Mainland and Zanzibar would drive the process of follow-up on contacts and commitments made. More specifically, it was proposed that the following would be followed up:

- The Master Plan, which had been completed, now would be subjected to implementation.
- The interest, which was expressed in specific investments, would be followed including provision of the needed information to facilitate realization of the respective investments.
- The valuable information that had been generated in the two days Forum would be made available for wider readership and consultation in a special website. It is envisaged that this information could help local and foreign investors to develop their business plans.
- A mechanism to inform prospective investors about new tourism investment opportunities will be established as an investment opportunity information service.
- MNRT will continue to work with the private sector to find solutions to the outstanding issues and problems, which surfaced at the Forum. In this respect, it is proposed that a Tourism Facilitation Committee or Task Force be established.
- Mechanisms for continuous dialogue and capacity building of government (especially in terms regulatory capacity).
- Capacity of the local private sector needs to be developed. Capacity building should include capacity for preparing business plans and for locating facilitation and support mechanisms and financing facilities for private investors. The local private sector should be assisted to have the capacity to develop project ideas into bankable projects.