

TOURISM DOING BUSINESS  
**INVESTING IN**





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**Tourism Doing Business – Investing in the United Republic of Tanzania**

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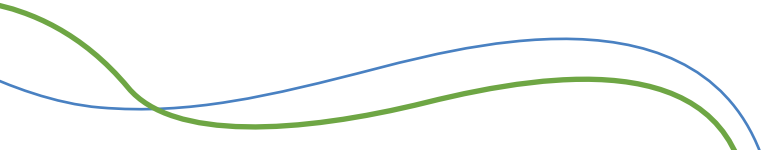


# TOURISM DOING BUSINESS INVESTING IN TANZANIA



## Acknowledgements:

*Tourism Doing Business – Investing in the United Republic of Tanzania has been developed and prepared by Miguel Angel Figueroa, Senior Expert, Department of Innovation, Education and Investments, under the supervision of Natalia Bayona, Director, Department of Innovation, Education and Investments.*







# Amb. Hon. Dr. Pindi H. Chana (MP)

MINISTER FOR NATURAL RESOURCES  
AND TOURISM

The Ministry of Natural Resources and Tourism of the United Republic of Tanzania in Collaboration with the United Nations World Tourism Organization is grateful to present to you the ***Tourism Doing Business Investing in the United Republic of Tanzania*** guide which contains all necessary information relating to investment prospects in various sectors of the economy including tourism and wildlife.

***Tourism Doing Business Investing in the United Republic of Tanzania*** guide details both Tanzania's economic and investment outlook that entails on the Foreign Direct Investment (FDI) in the country over years. It contains the tourism attractions and investment opportunities available in both Tanzania Mainland and Zanzibar islands. It also shed light on the reviewed friendly investment legal framework that highlight on the incentives and Institutions responsible for investment promotion, facilitation and protection in Tanzania.

Moreover, ***Tourism Doing Business Investing in the United Republic of Tanzania*** guide is prepared in support of ***Tanzania-The Royal Tour*** Program initiated by Her Excellency Samia Suluhu Hassan, President of the United Republic of Tanzania with the view of branding destination Tanzania and

promoting investment opportunities particularly in the tourism and hospitality sector. The Program has started yielding results through significant increase in tourist arrivals visiting Tanzania.

I would like to extend my special heartfelt thanks to all stakeholders in the investment and tourism value chain especially ***Her Excellency Samia Suluhu Hassan, President of the United Republic of Tanzania***, for her devoted efforts in promoting tourism and creating a conducive environment in attracting investment of different economic sectors, The Secretary General of the UNWTO, Members of the UNWTO Secretariat and the National Organizing Committee for successful preparation of the Guide.

Lastly, I welcome all prospective investors and tourist to visit our beautiful country with the view of investing in various sectors of the economy as well as experience the cultural and natural beauty of our tourist attractions that will leave whoever Visit Tanzania with a positive ***experience***.

Welcome to Tanzania!

Foreword by  
**Amb. Hon. Dr. Pindi H. Chana [MP]**  
MINISTER FOR NATURAL RESOURCES AND TOURISM



# Zurab Pololikashvili

SECRETARY-GENERAL  
WORLD TOURISM ORGANIZATION (UNWTO)

As part of an ongoing series of **‘Tourism Doing Business’** reports, the World Tourism Organization (UNWTO) is proud to have coordinated with the Ministry of Natural Resources and Tourism (MNRT), the Tanzania Investment Centre (TIC) and the Zanzibar Investment Promotion Authority (ZIPA) to create this tool to promote investments in the United Republic of Tanzania. This publication provides a reference point for investors by providing valuable information and guidance on the country’s current investment climate as well as on emerging investment opportunities in its tourism sector.

Tanzania offers a highly promising investment environment, with particularly strong growth potential for its nature-based tourism sector. Indeed, growing at an average of 6.5% a year, the United Republic of Tanzania has demonstrated impressive performance and stability over the past decade and positioned itself as one of the preferred destinations for foreign direct investment (FDI) in Africa and among the 10 biggest recipients of FDI on the continent.

At the same time, with its abundance of natural and cultural resources, Tanzania has gained international recognition, making tourism a key component of its economy today. Looking ahead, with an increased focus on

green investments, the country will be well-placed to seize on these opportunities and formulate a value proposition based on these comparative advantages. This will require firm commitment from the government, and I am encouraged to see evidence of just this. Tanzania – The Royal Tour an initiative of Her Excellency Samia Suluhu Hassan, President of the United Republic of Tanzania, succeeded in highlighting the country’s many natural assets and other attractions. On the back of its launch, more than 450,000 international tourists visited in the first five months of 2022 alone to see such attractions for themselves. The President also succeeded in further placing Tanzania on the global investment map.

Alongside the role of the government, key stakeholders from across the tourism sector must also play a part in protecting and safeguarding Tanzania’s natural resources, biodiversity and people. Here, the need for climate finance represents an opportunity for Tanzania to identify the cost of climate action and to create better investment strategies to mobilize more public and private instruments towards safeguarding its natural and cultural heritage. I am confident that this publication will give investors the information they need to make informed decisions and direct funds where they will make a real difference.

Foreword by  
**Zurab Pololikashvili**  
Secretary – General UNWTO



# Overview United Republic of Tanzania



**Economic Stability:** The United Republic of Tanzania has experienced a strong growth performance in the last decade, growing on average 6.5% per year while sustaining a relatively stable political environment. Indeed, the country is projected to maintain its high economic growth potential, offering a promising investment environment for diverse interests and needs.

**Inhabitants:** 59.7 million  
**GDP growth 2021:** 4.9%.  
**Projected GDP growth 2023:** 5.6%  
**Projected inflation 2022:** 4.4%



**Destination for Foreign Direct Investment (FDI):** Tanzania is not only one of the most preferred destinations for FDI in Africa but also among the 10 biggest recipients of FDI on the continent. FDI inflows in Tanzania rose by 35 % in 2021 while new greenfield project announcements tripled in value. Among the main activities that attract the most FDI inflows:

**Manufacturing:** 24.92%,  
**Mining and quarrying:** 23.45%  
**Information and communication:** 17.44%  
**Finance and insurance:** 14.17%,  
**Accommodation and Food:** 6.5%



**Multiple poles of economic development:** Considering the tourism sector's spillover effects, Tanzania's tourism contributed to an estimated 17% of Tanzania's GDP and directly employed over 850,000 workers, making the sector the country's second-largest component of GDP and third-largest source of employment. Learn more about the contribution of the main sectors to Tanzania's GDP [2021]:

**Agriculture:** 26.1%  
**Construction:** 13.85%.  
**Wholesale and retail trade and repair:** 8.7%  
**Manufacturing:** 7.8%





# 4 Reasons to Invest in the United Republic of Tanzania

1



## TANZANIA'S STRONG ECONOMIC GROWTH WITH SUSTAINED POLITICAL STABILITY OVER THE PAST DECADE

Growing at an average of **6.5% per annum** for a decade pre-COVID-19, the country has sustained economic growth and maintains promising growth projections for 2022 and 2023 with 5% and 5.6% respectively. The country's relative stable macroeconomic and political environment have supported this growth performance.

2



## TANZANIA PRESENTS A CRUCIAL TRADE LINK WITH A COMPETITIVE MARKET ACCESS

Tanzania, bordering the Indian Ocean with a **1,424km coastline**, is the **neighbor of 6 landlocked countries**. The country's strategic geographic location and membership to the SADC Free Trade Area and EAC Common Market guarantees investors a **market of more than 450 million people** and a preferential trade link to Asia.

3



### **TANZANIA'S INCREASING ATTRACTIVENESS FOR FOREIGN DIRECT INVESTMENT (FDI)**

Tanzania is **among the 10 biggest recipients of foreign direct investment** on the African continent. The country not only presents a strategic geographic location and stable political and economic environment but also has been increasing its attractiveness, incentives, and regulations for foreign investors. In addition, the country is home to 5 Free economic Zones that are designated to attracting investments through more favorable conditions, including the exemption from payment of corporate and property tax for the first ten years.

4



### **TANZANIA HAS A UNIQUE ABUNDANCE OF NATURAL AND CULTURAL RESOURCES**

The country is home to **22 National Parks and 32 Games Reserves**. According to the Travel and Tourism Competitiveness Index by the World Economic Forum, Tanzania **ranks 1st in Africa and 12th worldwide vis-à-vis the quality of its nature-based tourism resources**. Both in 2018 and 2019, 'Leisure' was the main reason for visitors to travel to Tanzania **with wildlife constituting the largest tourist activity**. Tanzania has a great potential for investors interested in climate finance and green investments.





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## Abbreviations

**ACCT** = Africa Conservation and Community Tourism Fund  
**AfCFTA** = African Continental Free Trade Area  
**AfDB** = African Development Bank  
**BRELA** = Business Registration and Licensing Agency  
**CER** = Certified Emission Reduction  
**CGT** = Capital gains tax  
**CI** = Certificate of Investment  
**CIT** = Corporate income tax  
**CPI** = consumer price index  
**CRI** = Climate Resilience Index  
**DBC**s = District Business Councils  
**DFN** = debt-for-nature  
**DRC** = Democratic Republic of Congo  
**EAC** = East African Community  
**EIB** = environmental impact bond  
**EPZA** = Export Processing Zones Authority  
**EPZ**s = Tanzania's Export Processing Zones  
**ES** = ecosystem services  
**FDI** = Foreign Direct Investments  
**FEZ**s = Free Economic Zones  
**GCPF** = Global Climate Partnership Fund  
**GDP** = Real Gross Domestic Product  
**GVC** = Global value chains  
**HGRP** = Hotel Green Revitalization Program  
**ICSID** = International Centre for Settlement of Investment Disputes  
**IFC** = International Finance Corporation  
**IMF** = International Monetary Fund  
**IPAs** = investment promotion agencies  
**IPPC** = Intergovernmental Panel on Climate Change  
**MIGA** = Multilateral Investment Guarantee Agency  
**NBST** = National Bureau of Statistics Tanzania

**NCAA** = Ngorongoro Conservation Area Authority  
**NDC**s = Nationally Determined Contributions  
**NMT** = National Museums of Tanzania  
**OSHA** = Occupational Safety and Health Authority  
**PES** = Payments for ecosystem services  
**PIT** = Personal income tax  
**PPP** = public-private partnerships  
**Q1** = first quarter  
**RBC**s = Regional Business Councils  
**RCF** = Rapid Credit Facility  
**RGoZ** = Revolutionary Government of Zanzibar  
**RMB** = Rand Merchant Bank  
**SADC** = Southern African Development Community  
**SEZ**s = Special Economic Zones  
**SME**s = small and medium-sized enterprises  
**TANAPA** = Tanzania National Parks  
**TASAC** = Tanzania Shipping Agency Corporation  
**TAWA** = Tanzania Wildlife Authority  
**TCRP** = COVID-19 Socioeconomic Response Plan  
**TFS** = Tanzania Forest Services  
**TIC** = Tanzania Investment Center  
**TIN** = taxpayer identification number  
**TNBS** = Tanzania National Bureau of Statistics  
**TNBC** = Tanzania National Business Council  
**TNC** = The Nature Conservancy  
**UNWTO** = World Tourism Organization  
**UNCTAD** = Conference on Trade and Development World  
**WBG** = World Bank Group  
**WHT** = Withholding tax  
**ZIPA** = Zanzibar Investment Promotion Authority

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## Introduction

Tourism Doing Business, Investing in Tanzania', is a tourism investment tool developed for the United Republic of Tanzania to facilitate, attract and promote foreign direct investment towards the tourism sector. Through giving insights on the country's economic growth performance, investment climate, value proposition and several tourism investment opportunities, the World Tourism Organization [UNWTO] aims to provide a crucial reference for investors.

The United Republic of Tanzania has experienced a strong growth for the last decade with its tourism value chain contributing to an estimated 17% of the country's GDP. This makes the Republic of Tanzania's tourism sector the second-largest component of GDP and third-largest source of employment. Moreover, tourism has been Tanzania's largest foreign-exchange earner since 2012 with accounting for over one-quarter of the country's foreign-exchange earnings pre-COVID-19.

This said, the United Republic of Tanzania is a top benchmark for nature-based tourism in Africa and in the world. It has established a leading and competitive position in the region, especially regarding its rich biodiversity, wildlife attractions, and cultural resources, which has been increasing its foreign direct investments (FDI) inflows, raising interests from international investors, and attracting greenfield investments in the tourism sector. The latest report by fDi Intelligence

from the Financial Times and UNWTO ranked the United Republic of Tanzania, with nine projects, among the top 10 countries in Africa and the Middle East with the greatest number of greenfield investments in the tourism sector. In this context and when considering new emerging consumer behaviors focused on sustainable and rural tourism demand, conservation and climate finance might represent a great opportunity for the United Republic of Tanzania to diversify, attract and mobilize international and private investments and to increase FDI.

Furthermore, the COVID-19 pandemic has tremendously harmed the tourism sector, most severely affecting small and medium-sized enterprises (SMEs) within the tourism value chain. According to the World Bank, the United Republic of Tanzania experienced a 72 % drop in tourism revenue between 2019 and 2020. To guarantee a more resilient, innovative, and sustainable tourism sector, SMEs must be better prepared for the digital transition and must apply strategies to upskill and train their employees. To this cause, the UNWTO has developed the Digital Futures Programme for SMEs to accelerate the economic recovery of the tourism sector by scaling up innovative SMEs to unleash digital technologies, thereby creating jobs and enhance future resilience in the linkages of the tourism value chain post COVID-19.





## 01

# ECONOMIC OUTLOOK

## 1.1. Economic growth

The United Republic of Tanzania has been experiencing a strong economic growth in recent years, with an average growth rate of 6.5% in the last decade. This is thanks to a high level of exports in natural resources, developments in the tertiary sector [including telecommunications, transportation, finance and tourism] and a number of liberalization efforts. Also, the growth was attributed to improved transport and transportation services and the implementation of several mega projects including the construction of roads, railways, airports and energy infrastructure, as well as the rehabilitation of health facilities. In 2020, the real gross domestic product [GDP] growth slowed down to 4.8% from 7% in 2019 as a result of the COVID-19 pandemic.

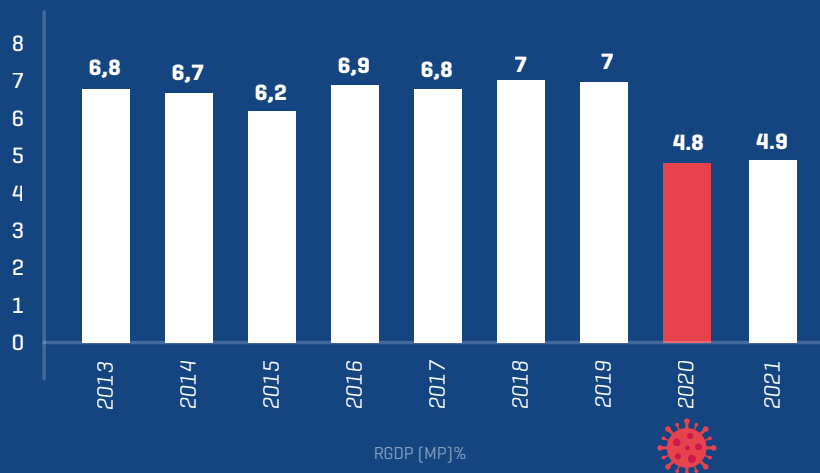
According to the Ministry of Finance and Planning of the United Republic of Tanzania, the country's GDP maintained a growth from 2013 to 2021 with an average of USD 54.98 billion per year. This trend can be explained by the investments undertaken in the different sectors such as transport and transportation services, trade, manufacturing, agriculture, mining and quarrying, finance and insurance.<sup>1</sup> The African Development Bank Group [AfDB] estimations on the country's GDP growth was 4.90% in 2021, demonstrating an

increase from 4.8% in 2020. This growth was supported by the global economic recovery trend, and it was driven by agriculture and services on the supply side and final consumption and investments on the demand side.

The growth of GDP increased the purchasing power of the people of the United Republic of Tanzania, which revitalized the confidence and assurance of the market for their goods and services. The country experienced a positive trend of GDP per capital since 2015 increasing from USD 981 million to USD 1,218 million in 2021, signifying a marginal increase of 24.15%.<sup>2</sup>

Although economic activity slowed down due to COVID-19 with travel restrictions contributing to the collapse in tourism, the United Republic of Tanzania was one of the few economies not to fall into recession due to gold exports and only light COVID-19-related restrictions. Experts forecast that economic growth will pick up again from 2022 with an estimation of 5% of GDP growth thanks to private consumption. This includes risks involving weak fiscal metrics, elevated debt stocks and ongoing uncertainty over the pandemic.<sup>3</sup>

**Figure 1.1: Real GDP growth, 2013–2021 [%]**



As highlighted in figure 1.1, the economy of the United Republic of Tanzania decelerated in 2020 and 2021 as a result of a major slowdown in regional activity and trade, along with a severe downturn in the tourism sector. However, the authorities implemented a comprehensive emergency response plan – the COVID-19 Socioeconomic Response Plan [TCRP] – which included a vaccination campaign to mitigate the health and socioeconomic effects of the pandemic. In addition, the country benefitted from emergency financial assistance under the International Monetary Fund [IMF] – IMF’s Rapid Credit Facility [RCF].

**Note:** Data as for 2021.

**Source:** Ministry of Finance and Planning, and from domestic authorities

It is important to note that the macroeconomics performance of Zanzibar has been largely stable over the past decade, with rapid growth and low inflation. The annual real GDP growth rate averaged over 6% during the past ten years, and Zanzibar's GDP reached USD 1.8 billion in 2019. High GDP growth was mostly driven by services, particularly tourism and related activities such as accommodations and food, transportation, and real estate.<sup>4</sup>

The Constitution of the United Republic of Tanzania establishes a unique federal arrangement that allows Zanzibar to enjoy significant autonomy over its internal affairs, including development policies and budgetary matters. Under this arrangement, the central government [known as the "Union Government"] is responsible for the national security, trade policy, external borrowing, and borrowed funds which might involve the Revolutionary Government of Zanzibar [RGoZ]. Zanzibar's population accounts for about 2.5% of the country's total population, and its jurisdiction represents just 0.3% of the country's total land area.<sup>5</sup>



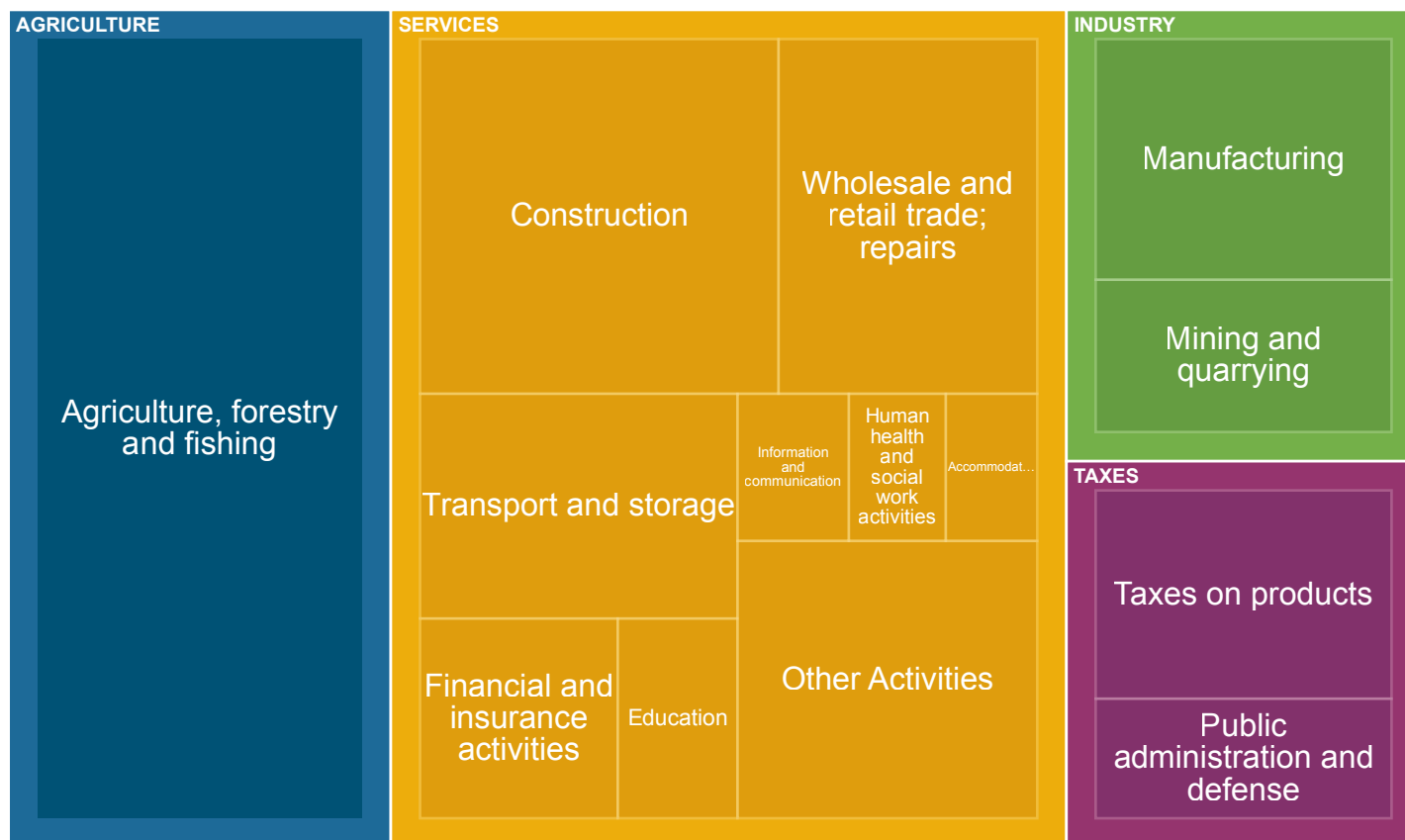


## 1.2. Contribution of different sectors to the GDP

Considering average values from the periods of 2013 to 2021, the most relevant economic activities that contributed to the country's GDP are agriculture, forestry, and fishing with a share of 27%. This is followed by construction with 12.65%, wholesale and retail trade and repairs with 9%, and manufacture with around 8%. According to the Government of the United Republic of Tanzania, the growth in 2021 was mainly driven by the main sectors mentioned above.

From which, the fastest growing activities were construction, transport and storage, information and communication, administrative and support services, professional, scientific and technical services, mining and quarrying. Meanwhile, accommodation and food services, as well as arts, entertainment and recreation contracted, representing around 1.34% in 2021. This trend is mainly a result of the negative effects of the pandemic.<sup>6</sup>

**Figure 1.2: Sector contributions to GDP, 2013–2021**



**Note:** Weighted average data based on value added by sector.

**Source:** World Tourism Organization [2022], based on data provided by the United Republic of Tanzania, Economic Survey Report [2021].



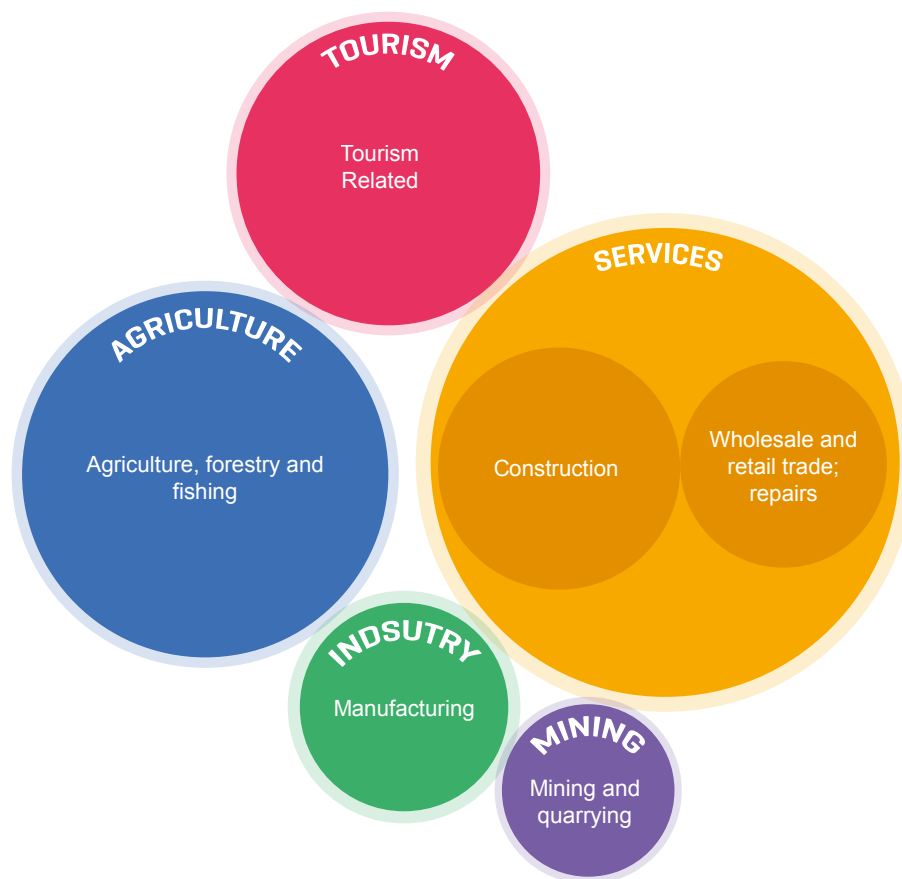


Analyzing the GDP contribution of the United Republic of Tanzania, accommodation and food services accounted for only 1.34%. However, considering the tourism sector and its value chain being linked to numerous other economic sectors, tourism plays an outsized role in growth, employment, and poverty reduction.

According to a report from the World Bank Group [WBG], “the tourism sector contributed to an estimated 17% of the country’s GDP and directly employed over 850,000 workers, making the sector the country’s second-largest component of GDP and third largest source of employment”.<sup>7</sup> Furthermore, tourism has been the largest foreign-exchange earner since 2012. In 2019, tourism accounted for over one-quarter of the country’s foreign-exchange earnings, representing around USD 2,605 million based on data from the World Tourism Organization [UNWTO].<sup>8</sup>

Furthermore, when analyzing Zanzibar’s tourism-related services, these account for 55.5% of total services output, and for more than half of Zanzibar’s GDP, generating the largest share of private-sector employment. Zanzibar’s tourism sector supports an estimated 500,000 direct and indirect jobs which were adversely impacted by the pandemic. Indeed, in a growing population with slow rates of job creation, unemployment is an increasingly pressing economic and social concern.<sup>9</sup>

**Figure 1.3: Relative tourism contributions to GDP, 2013–2021**



**Note:** Weighted average data based on value added by sector.

**Source:** World Tourism Organization [2022], based on data provided by the United Republic of Tanzania, Economic Survey Report [2021] and World Bank Group [2021].





### 1.3. Macroeconomic context

With a population of almost 60 million inhabitants, the United Republic of Tanzania has a relatively stable political environment, sound macroeconomic policies and a clear resilience to external shocks.<sup>10</sup> After experiencing a strong growth in recent years, the country's rate of GDP growth slowed over the past two years due to the detrimental consequences of COVID-19. Additionally, resulting strict travel restrictions harmed the country's tourism activities. Nevertheless, its GDP grew at 4.90% in 2021 whilst the global economic recovery rebooted. As shown earlier, United Republic of Tanzania's growth was driven by agriculture and services. Monetary policy remained tight, which stabilized inflation at 3.3% in 2020 and 3.7% in 2021.

Tanzanian authorities implemented fiscal and monetary policies and the stability of the global oil price and Tanzanian shilling [TZS] against other major currencies kept inflation rates relatively low among the lowest and least volatile in the East African countries [EAC]. Nevertheless, according to the World Bank Group data the consumer

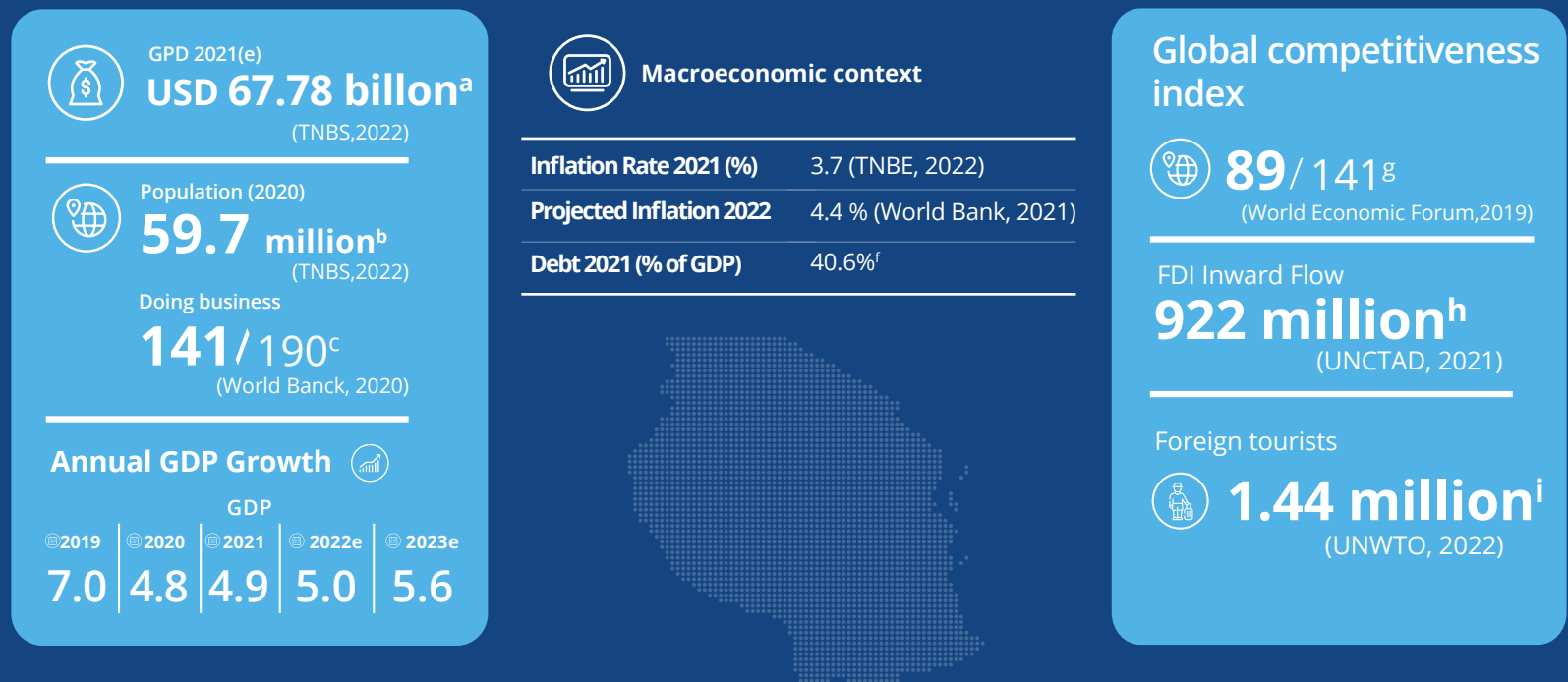
price index [CPI] has been consistently increasing since January 2021, rising from 3.6% in February 2021 to 4.9% in May 2021. The authorities are recommended to keep the overall food-price inflation rate below 5%, since inflation is measured as the variation of the CPI. The African Development Bank projected a similar increase in inflation rate of 4.4% in 2022 and 3.8% in 2023 due to higher energy prices caused by the Russian Federation-Ukraine conflict.<sup>11</sup>

The current account deficit widened from 1.5% of GDP in 2020 to 3.1% in 2021 partly due to subdued tourism receipts. Governmental spending was mainly financed by external commercial debt because other financial inflows, including Foreign Direct Investments (FDI) and grants, declined. In 2021, the country's exports and imports both declined. Despite an increase in exports of gold and other minerals, the fall in coffee and food exports led to the sharp drop in exports last year.

According to the World Bank Group, in the first quarter [Q1] of 2021, exports of goods and services dropped by 11.9% relative to Q1 2020. Exports of tourism-related services, such as transportation and hospitality, fell by 21.6% as consequence of global mobility restrictions, and a decrease of global demand. Furthermore,

traditional exports declined by 69.9%, driven by lower sales of cashew nuts, tobacco, cotton, and coffee in 2021. By contrast, the increase in gold exports and resulting rise of 11.2% in gold production volumes partially offset the decline in total exports.

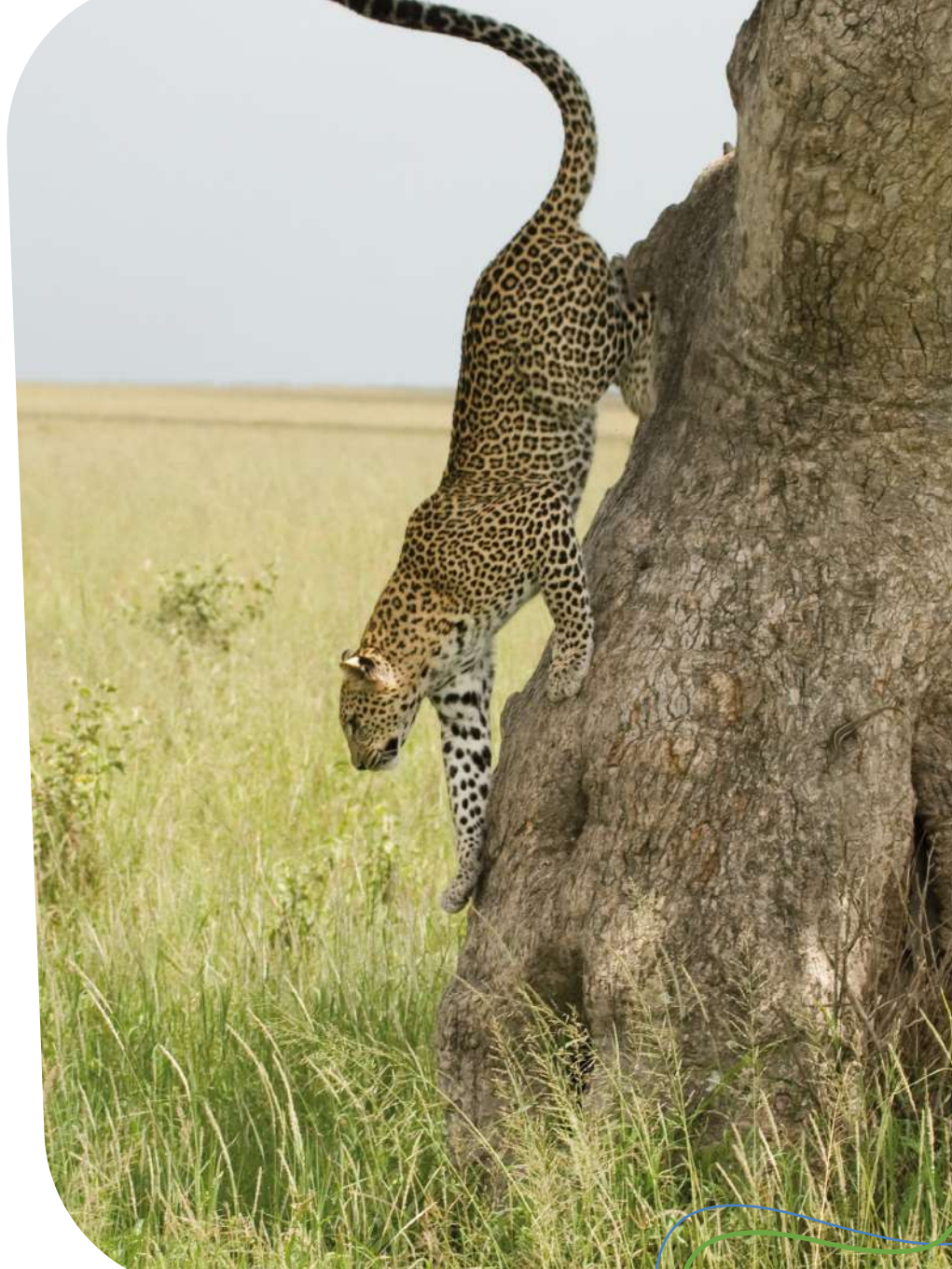
**Figure 1.4: Macroeconomic competitive context for the United Republic of Tanzania**



**Note:** [e]: estimated data.

**Sources:** World Tourism Organization [2022], based on World Bank [2022]; Tanzania National Bureau of Statistics [TNBS] [2022] World Economic Outlook Database [2022]; World Economic Forum [2019]; UNCTAD [2022].

Estimations of both the African Development Bank and the World Bank Group expect the fiscal deficit of the United Republic of Tanzania to widen between 3.0% to 4.0% of GDP in 2022 due to higher oil prices. As merchandise exports and tourism receipts stabilize and the Government's ambitious infrastructure programme is resumed, this deficit is expected to narrow to 2.6% in 2023. The deficit will be financed by both domestic and external borrowing, boosting the public debt stock to about 40% of GDP in 2021. Moreover, the fiscal cost of the COVID-19 health response, the ongoing clearance of arrears, and rising interest payments will put pressure on recurrent expenditures, which are expected to increase moderately but remain controlled by increased public awareness and uptake of vaccines.



**Table 1.1: Macroeconomic indicators and projections for the United Republic of Tanzania**

Medium-Term Outlook (World Bank Estimates)	2018	2019	2020e	2021f	2022f	2023f
<b>Real GDP growth. at constant market prices</b>	5.4	5.8	2	4.5	5.5	6
<b>Private Consumption</b>	5.6	3.1	1.0	3.9	3.8	4.2
<b>Government Consumption</b>	2	2.3	7.4	8.1	8	7.8
<b>Gross Fixed Capital Investment</b>	7.7	8	2.4	6.5	7.6	8
<b>Exports. Goods and Services</b>	-1.7	19	-8.6	5.1	7.5	8.4
<b>Imports. Goods and Services</b>	16.7	-1.4	-7.6	10.2	8.7	8.6
<b>Inflation (consumer price index)</b>	3.5	3.5	3.4	3.5	3.7	4
<b>Current Account Balance 0% of GDP]</b>	-3.7	-2.3	-1.6	-2.6	-2.9	-3.2
<b>Net Foreign Direct Investment 0% of GDP]</b>	1.7	1.6	1	1.2	1.4	1.7
<b>Fiscal Balance 0% of GDP in FY]</b>	-2.5	-1.4	-2	-2.9	-3	-3.1
<b>Debt 0% of GDP]</b>	39.7	38.1	38.1	39.7	40.6	41.3

Source: World Bank, July 2022.

Note: [e] Estimated, [p] Projected.





## 02

# INVESTMENTS OUTLOOK

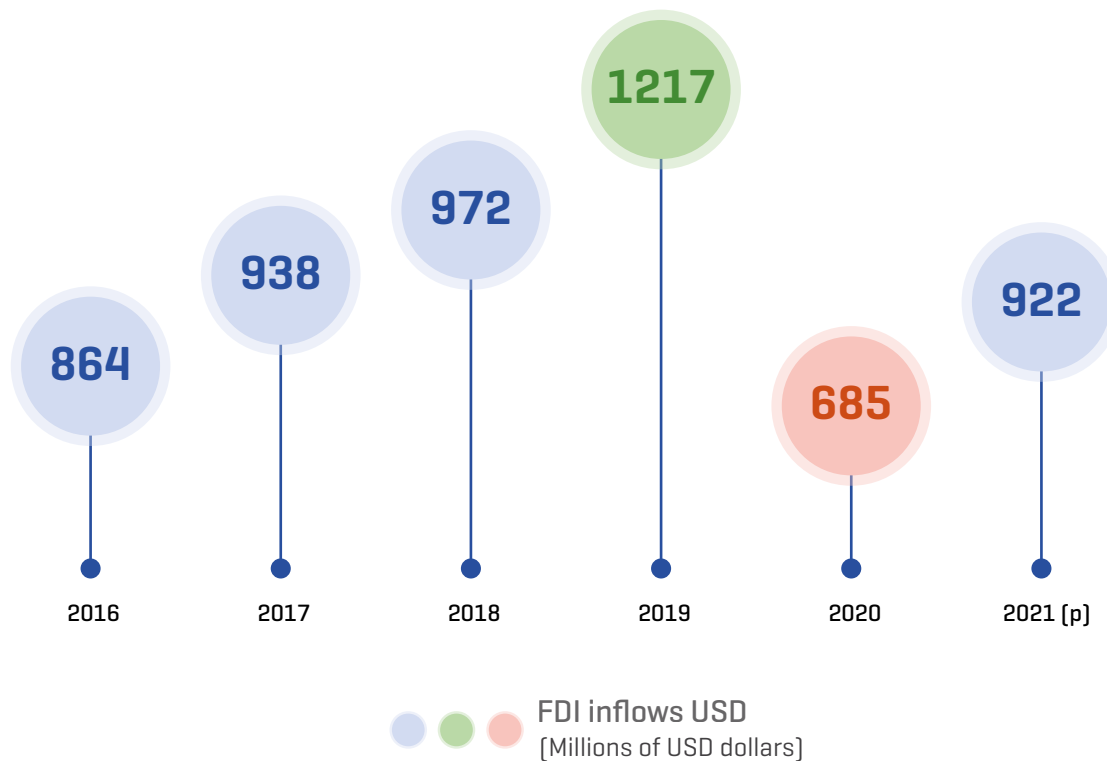
## 2.1. Foreign direct investment (FDI) flows in the United Republic of Tanzania

The United Republic of Tanzania, according to government officials, welcomes foreign direct investment (FDI) as it pursues its industrialization and development agenda. The 2022 World Investment Report developed by the Conference on Trade and Development World (UNCTAD) indicates that FDI flows to the United Republic of Tanzania increased from USD 685 million in 2020 to USD 922 million in 2021. However, the country has not yet recovered to pre-2019 levels with USD 1.2 billion in FDI as highlighted by UNCTAD.

FDI inflows in the United Republic of Tanzania rose by 35% to USD 922 million in 2021, and new greenfield project announcements tripled in value. The two largest projects announced in 2021 were the nickel project from Kabanga Nickel (United Kingdom) for USD 318 million, and an investment in food and beverages by Associated British Foods (United Kingdom) for USD 238 million.<sup>12</sup>

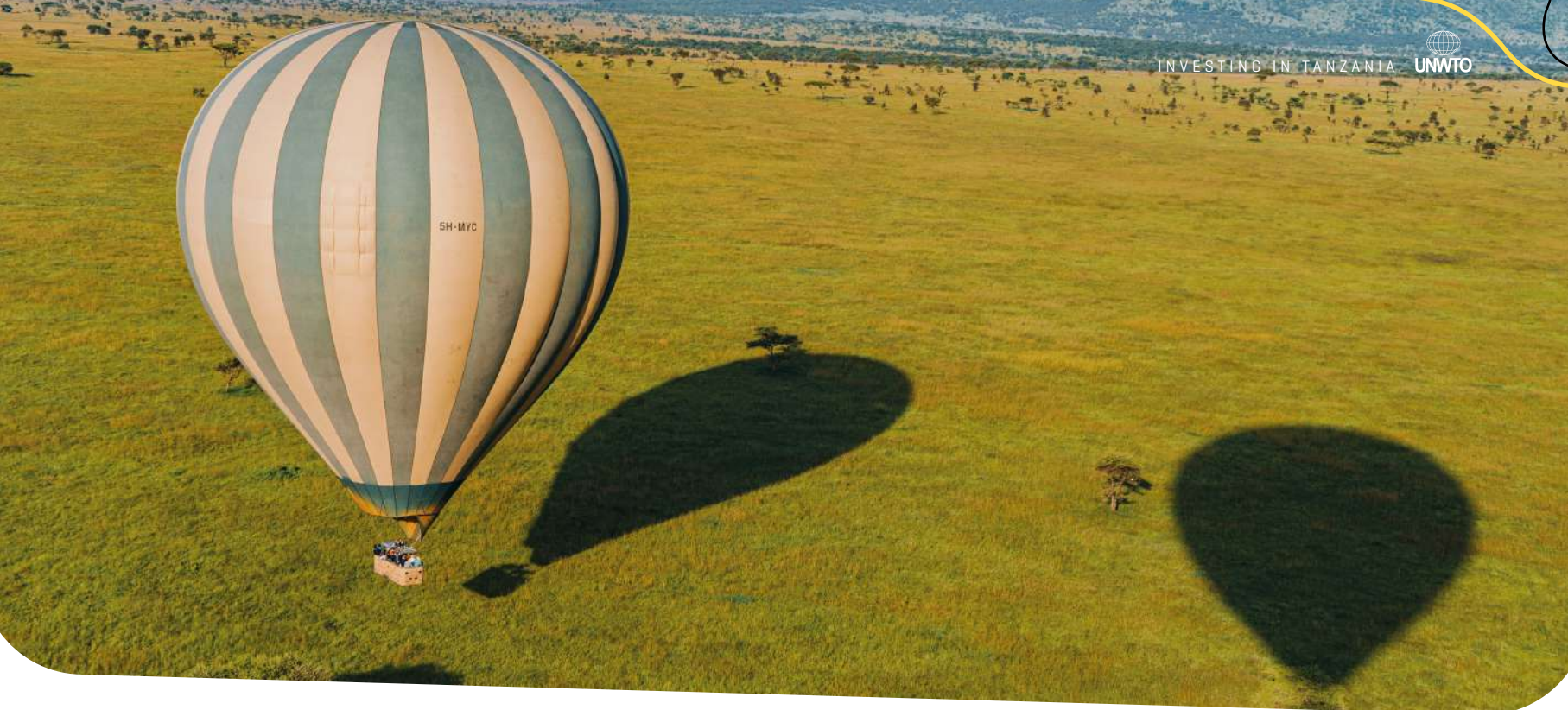
Being among the 10 biggest recipients of FDI in Africa, the United Republic of Tanzania is one of the most preferred destinations for FDI on the African continent. According to UNCTAD's Investment Trends Monitor, global FDI flows rebounded strongly in 2021, but FDI flows to African countries (excluding South Africa) rose only moderately. The mining sector, the oil and gas industry, as well as the primary agricultural products sector (coffee, cashew nuts and tobacco) received most FDI. The country's primary investors are China, India, Kenya, United Kingdom, Mauritius, Oman, the United Arab Emirates, Canada, the United States, the Netherlands, South Africa, and Germany.<sup>13</sup>

**Figure 2.1: Foreign direct investment inflows to the United Republic of Tanzania, 2016–2021**  
[USD million]



**Note:** [p]: preliminary data as of June 2022, might be subject to change.

**Source:** World Tourism Organization (2022) based on UNCTAD in the World Investment Report (2022).



Among the key strengths, the United Republic of Tanzania holds as FDI destination, is its high economic growth potential and strong growth performance over the last 10 years. Indeed, growing on average 7% per year the country established itself as one of the fastest growing economies in Africa. Its past economic stability brought inflation down from 16% in 2012 to 4% in 2018. Moreover, its strategic location is a gateway to 6 landlocked countries: Uganda, Democratic Republic of the Congo, Rwanda, Burundi, Zambia and Malawi. The country's three deep water ports and access to the Southern African Development Community free trade market serve these neighbouring countries.

Analyzing data from the Tanzania National Bureau of Statistics [TNBS], the most relevant economic activities that attracted most of FDI flows to the country were: manufacturing, mining and quarrying, information and communication, finance and insurance, and accommodation and food, attracting 24.92%; 23.45%; 17.44%; 14.17% and 6.5% of the FDI shares respectively between 2015 and 2020 and reaching around USD million 6,674.89.<sup>14</sup>



**Figure 2.2: FDI composition by economic activity, 2015–2020**

[USD million in % ponderations]



Source: Tanzania National Bureau of Statistics [2022].

Vis-à-vis the attraction and promotion of investments into the country, the Tanzania Investment Centre (TIC) serves as a one-stop center for investors, providing services related to permits, licenses, visas, and access to land. The Zanzibar Investment Promotion Authority (ZIPA) provides the same function in the Zanzibar archipelago. The Government of the United Republic of Tanzania coordinates and fosters dialogue with the private sector via the Tanzania National Business Council (TNBC) and also the Zanzibar Business Council (ZBC), as well as the Regional Business Councils (RBCs), and District Business Councils (DBC).



**Figure 2.3: Leading countries to invest in the United Republic of Tanzania from 2010–2021**

[USD million]



Source: Bank of Tanzania [2021].

Foreign investors generally receive treatment equivalent to domestic investors, but limitations in a number of sectors exist. Nevertheless, the United Republic of Tanzania conforms to best practice to attract and safeguard investments in general. There are no geographical restrictions on private establishments with foreign participation or ownership, no limitations on number of foreign entities that can operate in a given sector, and no sectors in which approval is required for foreign investment greenfield FDI.

According to the Bank of Tanzania, the leading countries investing in the United Republic of Tanzania during the period of 2010 to 2021 are the United Kingdom with a total of USD 2,493 million, followed by South Africa with FDI value of USD 2,162 million and Canada with USD 2,120 million.







## 2.2. Tourism investments in the United Republic of Tanzania

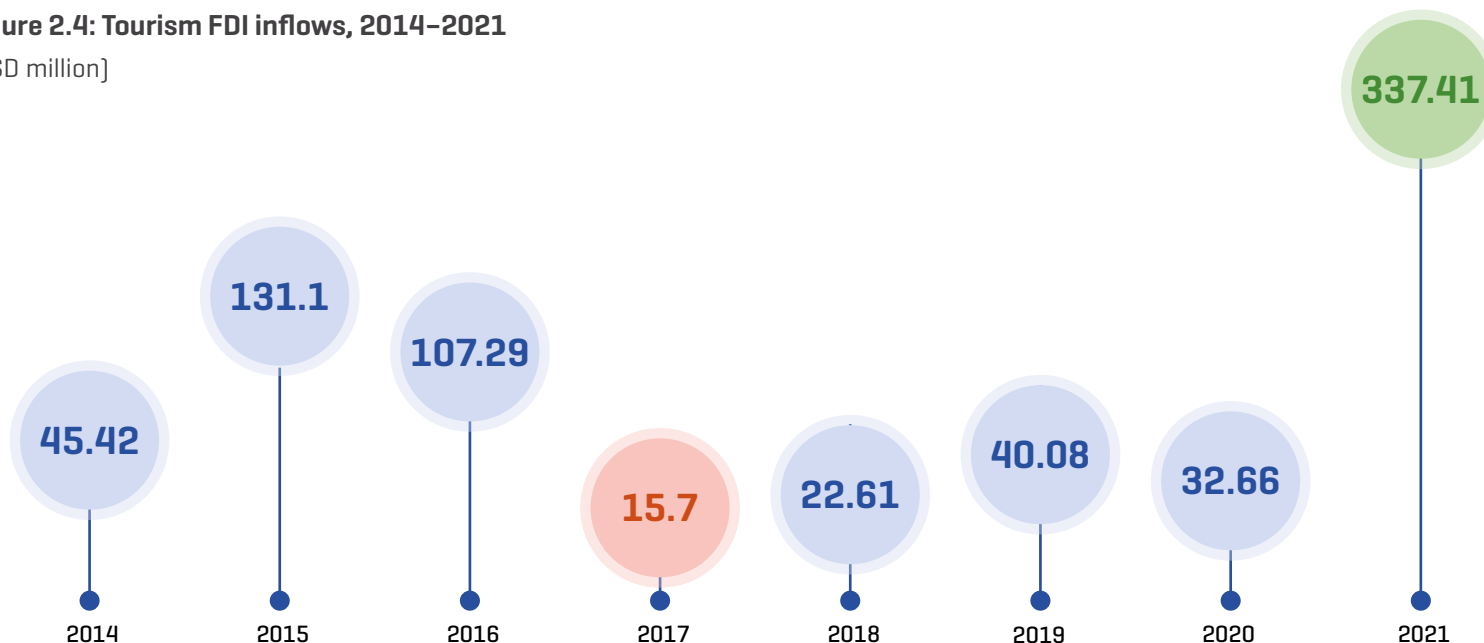
According to the Tanzania Investment Centre [TIC], the tourism projects registered between 2012 to 2021 reached a total of 162 new projects of foreign ownership. As presented in the following figure, the increase on tourism investments was exponential in 2021 reaching USD 337.41 million. Shown by the TIC, these investments represent inflows of capital in the hotel, accommodation, and restaurant trade subsectors.<sup>15</sup> This data aligns with the total FDI inflows to the United Republic of Tanzania that registered USD 922 million in 2021 and attracting investments such as one made by Associated British Foods [United Kingdom] for USD 238 million in the food and beverages subsector according to UNCTAD.<sup>16</sup>

The flows of investments in the tourism sector are often complex to measure and it depends on several factors such the country's FDI accounts and methodologies, existing sectors and industries, types of investments and other factors. Hence, it is challenging to measure inflows of capital in the tourism sector, especially given the spillover effects produced by the tourism sector and its intertwined value chain.<sup>17</sup>



**Figure 2.4: Tourism FDI inflows, 2014–2021**

[USD million]

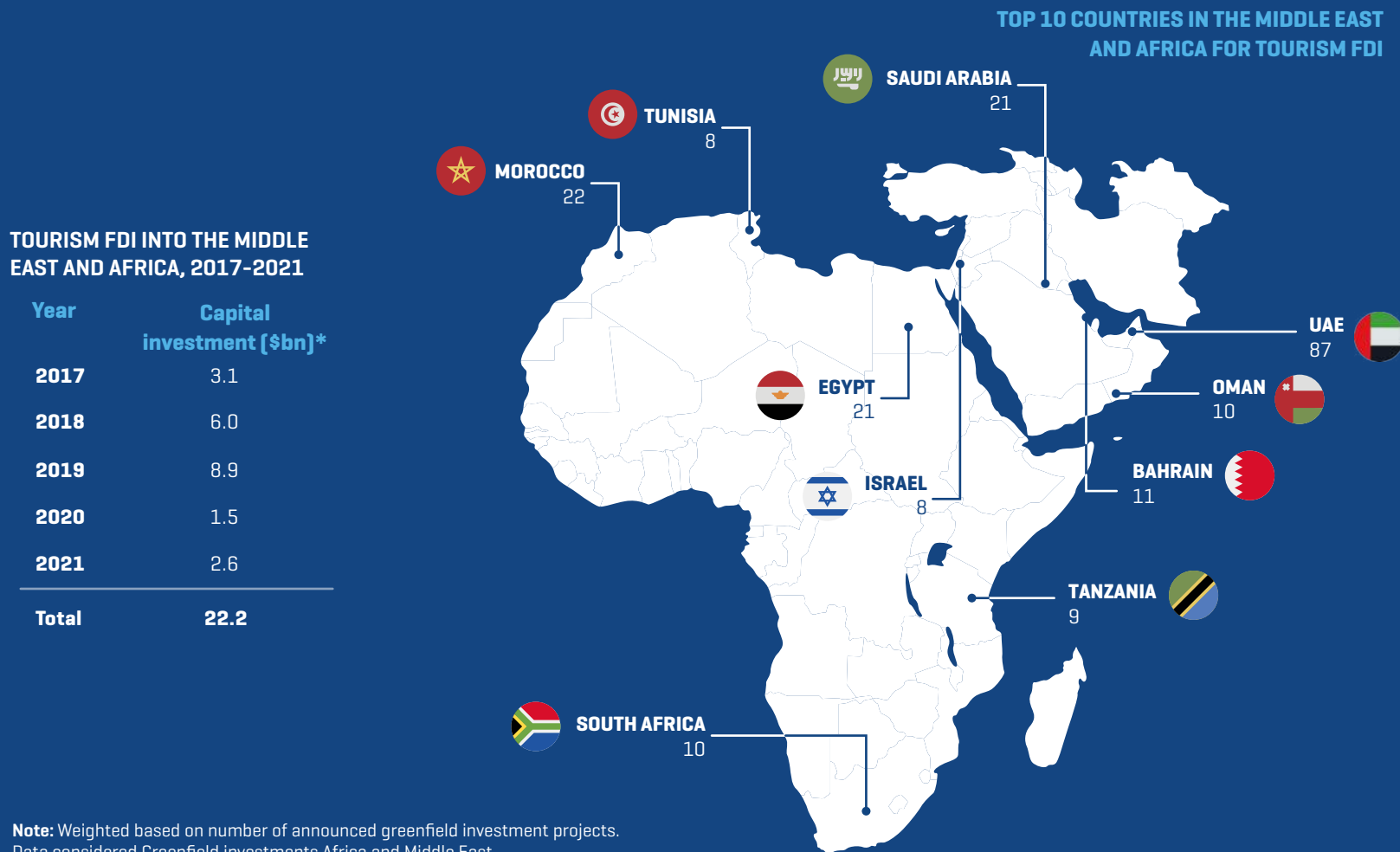
**Note:** Preliminary data as of June, 2022.**Source:** World Tourism Organization [2022], based on data Tanzania Investment Centre registered projects FDI 2022.

Even though the United Republic of Tanzania has experienced a fantastic recovery, it needs to improve its competitiveness and increase confidence among international investors. The 2020 edition of Doing Business ranked the country 141st out of 190 countries on the overall quality of the business climate. Therefore, it is recommended to improve the country's clarity in regulations and bureaucratic standards and decrease its complex tax administration, which discourages investments.<sup>18</sup>

The improvement of the competitiveness of the United Republic of Tanzania is relevant to maintain its growth performance and increase

investor confidence. For instance, when analyzing greenfield investments in the tourism sector the FDI capital investment experienced a 70% increase in the Middle East and Africa region in 2021. Furthermore, the latest report by fDi Intelligence from the Financial Times and UNWTO ranked the United Republic of Tanzania among the top 10 countries in Africa and the Middle East with the greatest number of greenfield investments in the tourism sector. With nine projects, the country was placed second in the African region while South Africa ranked highest with a total of ten greenfield investment projects.<sup>19</sup>

Figure 2.5: Tourism FDI inflows into the Middle East and Africa, 2017–2021



**Note:** Weighted based on number of announced greenfield investment projects.

Data considered Greenfield investments Africa and Middle East.

**Source:** fDi Markets, Financial Times (2022), Tourism Investment Report 2022.

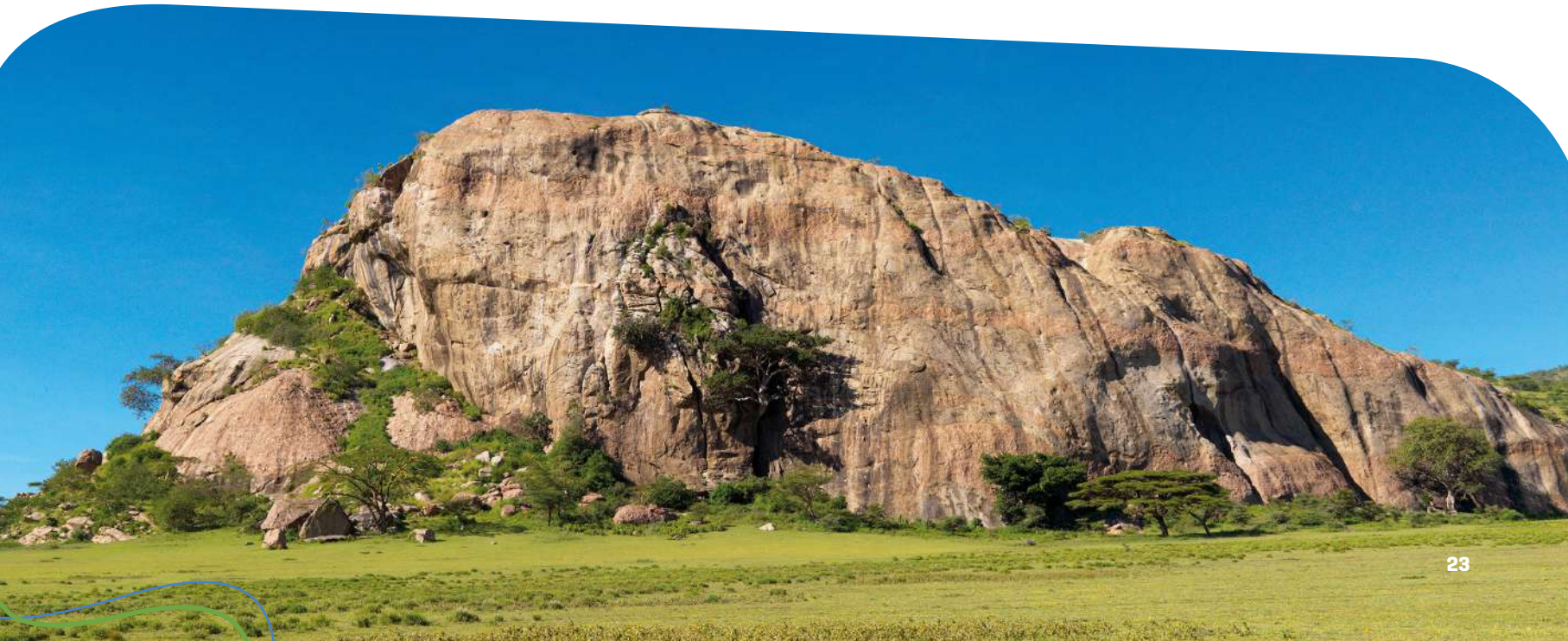
**Disclaimer:** The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of UNWTO or that of the United Nations concerning the legal status of any country, territory, city, or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Specific examples include: The Tourism Act of 2008 which prohibits foreign companies from engaging in mountain guiding activities, and conditions that only Tanzanian citizens can operate travel agencies, car rental services, or engage in tour guide activities [with limited exceptions]. Per the Merchant Shipping Act of 2003, only citizen-owned ships are authorized to engage in local trade, a requirement that can be waived at the Minister's discretion. Furthermore, the Tanzania Shipping Agencies Act of November 2017 gives exclusive monopoly power to the Tanzania Shipping Agency Corporation [TASAC] to conduct business as shipping agents, shipping regulator, and licensor of other private shipping agencies.

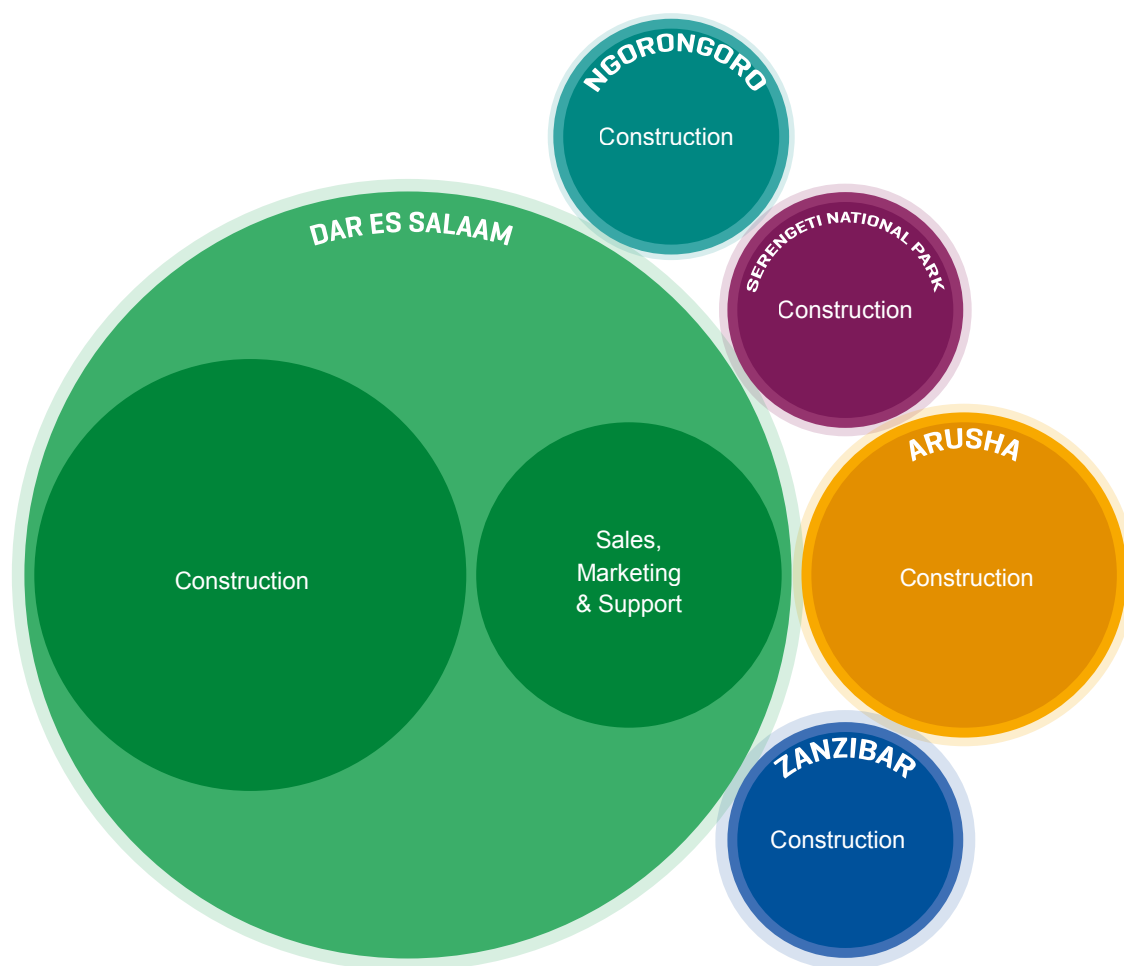
Regarding projects with foreign construction capital, contractors can only obtain temporary licenses, per the Contractors Registration Act of

1997, and contractors must commit in writing to leave the United Republic of Tanzania upon completion of the set project. Additionally, the 2004 amendments to the Contractors Registration By-Laws limit foreign contractor participation to specified and more complex classes of work.

Therefore, the development of tourism investment frameworks that ease and facilitate a legal and regulatory reform proposal remain vital. Short-term fiscal and monetary support measures and new incentives will increase considerably and consolidate the growth and track record of projects and future inflows of capital to the tourism sector and enable the country's diversification. The aforementioned is important, especially in regard to the increasing number of greenfield investment construction projects in the last decade as shown in the following figure.



**Figure 2.6: Tourism Greenfield Investments for United Republic of Tanzania, 2010–2022**



**Note:** Weighed data based on number of announced projects.

Data for companies investing in hotels and tourism, and leisure and entertainment sectors between November 2010 and July 2022.

**Source:** World Tourism Organization [2022], based on data fDi Markets, 2022.

FDI Markets has highlighted various investment projects announcements in the United Republic of Tanzania from the recent years. One of those projects has been initiated by the Emerald Collection who is an Italy-based luxury hotel and resort group and has announced investments in Zanzibar [Mjini Magharibi] in 2021. The hotel project will have 250 rooms and will be located on Muyuni Beach, Matemwe. The establishment will host a range of leisure facilities and amenities. Hotel Bawe Island [la rosa dei venti limited] with a capacity

of 100 rooms was a similar investment made in the Bawe island by other Italy-based investors in 2021. Furthermore, Melia Hotels International [Sol Melia Hotels and Resorts] announced in 2019 an investment in the city of Arusha. The investment was made by the Spain-based Melia Hotels International, opening the Gran Melia Arusha with 171 rooms and suites. According to the local authorities, there have been other major project announcements in Zanzibar worth mentioning. Please refer to the table below.

**Table 2.1: Zanzibar major tourism projects**

N	Projects	Industry	Year	Jobs	Status	Location	Nationality
1	Bwawani stone town village	Hotel	2013	40	Approved	Malindi	Tanzania
2	Amber resort zanzibar[blue amber zanzibar (pennyroyal)]	Hotel	2014	55	Under construction	Muyuni- kijini matemwe	United kingdom
3	Services & trade real estate[micham-vi resort development]	Hotel	2015	50	Approved	Michamvi	Oman
4	Palollo company limited (emeral muyuni)	Hotel	2016	534	Under construction	Mbuyu tende - kijini [matemwe - muyuni]	Germany
5	Services & trade real estate[mi-chamvi resort development]	Accommodation	2017	50	Approved	Michamvi	Oman
6	Bawe island [la rosa dei venti limited]	Hotel	2021	100	Approved	Bawe island	Italy
<b>Total</b>				<b>829</b>			

Source: World Tourism Organization (2022), based on Zanzibar Investment Promotion Authority registered projects FDI 2022.





## 03

# VALUE PROPOSITION

## 3.1. Why invest in the United Republic of Tanzania?

According to the 2021 World Investment Report by UNCTAD, the United Republic of Tanzania is one of the most preferred destinations for foreign investments in Africa and counts among the 10 biggest recipients of FDI on the continent. With its advantageous geographical location, and climate as well as rich natural and cultural heritage, the country has the opportunity to position its tourism sector as a major component of its economy. However, only a small fraction of the

country's natural and cultural endowments have been leveraged to stimulate economic growth in form of tourism development. Tourism has the potential to generate fiscal revenue through taxes, licenses, and fees; create high-quality jobs; and form backward linkages with other economic sectors.<sup>20</sup> There are at least four main attributes why the United Republic of Tanzania could grow its global share and attract and promote investments in the tourism sector.

# 01

## Economic stability with high growth potential



The United Republic of Tanzania has experienced sustained economic growth, with a GDP consistently growing at an average of 6.5% per annum for a decade pre COVID-19. Additionally, between 2007 and 2018, the national poverty rate and extreme poverty rate dropped by 8 and 4 percentage points respectively. The country's sustained macroeconomic stability as well as its strategic geographic location and rich natural heritage have supported this growth. In 2020, the country formally graduated from a low-income country to a lower-middle-income country status.<sup>21</sup>

The country's economic development is also largely a result of a series of successfully implemented reforms and sound economic policies that were introduced especially since the second half of the 1990's. Annual GDP growth almost doubled from 1995 to 2019 with annual growth rates of 3.6% and 6.8% respectively.<sup>22</sup> Indeed, the United Republic of Tanzania underwent a transformation from a centrally planned economy towards a more open and market-oriented one with more private sector-led growth and less governmental intervention.<sup>23</sup>



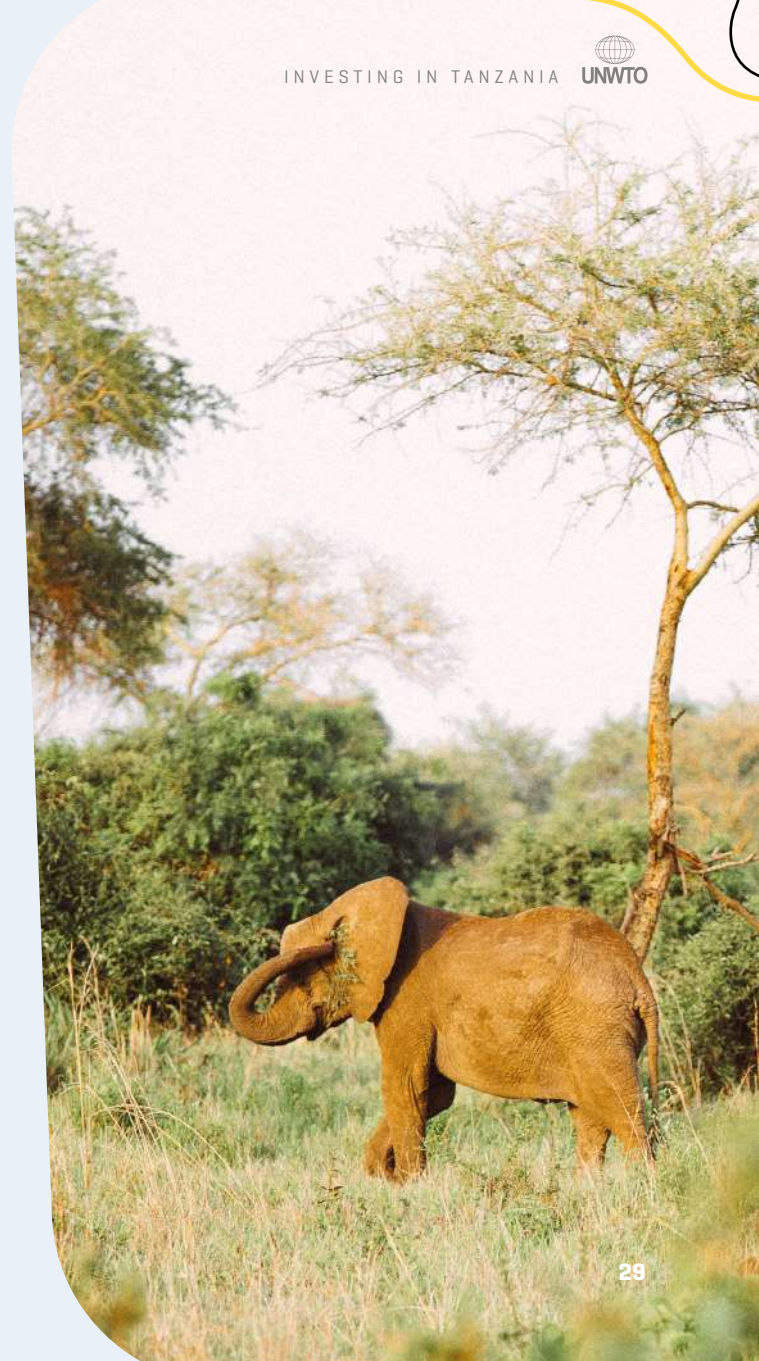
**1986–1995:**

- Gradual liberalization;
- Liberalization of exchange and trade regimes;
- Reduction of state ownership and governmental intervention;
- Initiation of financial system reform;
- The first National Tourism Policy of Tanzania in 1991 shifted the government monopoly on tourism to the private sector encouraging many new private tourism projects.<sup>24</sup>

**1996 to today:**

- Macroeconomic stabilization and structural reforms;
- Liberalization of financial sector;
- Creation of market-oriented regulatory framework;
- Trade reform and regional integration;
- Fiscal consolidation.<sup>25</sup>

The largest export contributors continue to be primary commodities, particularly gold [26.93%], precious metal ores [3.93%], copper [3.38%], as well as cashew nuts and coconuts [4.48%], and coffee [1.45%]. Also, transport, and travel and tourism account for a significant share of exports with 16.66% and 9.27% respectively.<sup>26</sup>



## 02

### Home to a **variety of natural** assets

The United Republic of Tanzania is endowed with a variety of natural resources including minerals, large arable land and a 1,424 km coastline.

- Arable land, conducive weather and ground and surface water provide opportunities in, livestock, leather, and agricultural production.
- The United Republic of Tanzania is rich with minerals as well as large natural gas and oil reserves. The country is best known for its deposits of gold, diamonds, rubies and tanzanite (unique to the country). Fiscal reforms introduced in 1997 and a new Mining Act in 1998 encouraged private investment in this sector, in particular in the development of several large-scale gold mines.<sup>27</sup>
- Consequently, the United Republic of Tanzania is today one of the largest gold producers in Africa. According to the Harvard Atlas of Economic Complexity, gold accounted for the largest export in 2020 [26.93%].<sup>28</sup>
- In 2000, hydrocarbon exploration activities in the United Republic of Tanzania have increased, accelerating particularly a decade ago after discoveries of commercial quantities of gas in the deep water offshore. In 2015, country's recoverable natural gas reserves was estimated at approximately 1.55 m3 trillion.<sup>29</sup>





Why invest in the United Republic of Tanzania?

# 03

## Green and biodiversity potential and cultural resources



The United Republic of Tanzania is known for its rich biodiversity and wildlife attractions, making the country home to several nature reserves and national parks, and a unique tourist destination.<sup>30</sup> According to the World Economic Forum Travel and Tourism Competitiveness Index, the country ranks 1st in Africa and 12th worldwide vis-à-vis the quality of its nature-based tourism resources. Furthermore, according to the aforementioned index, it ranks 32st in Africa and 112th in the world for its cultural resources.<sup>31</sup> Hence, the country's abundance of nature and cultural resources present a significant economic opportunity for the country and tourism defines a key component of the economy of the United Republic of Tanzania.

According to the International Visitors' Exit Survey Report developed by the National Bureau of Statistics Tanzania and the Bank of Tanzania, wildlife and nature-base services constituted the largest tourist activity in 2019 with 36.1% of total visitors in 2019 [compared to 35.8% in 2018] pursuing wildlife as their main tourist activity.<sup>32</sup> Furthermore, the 2010s was a decade of steady growth for the country's tourism sector. According to the UNWTO World Tourism Barometer, global international tourist arrivals grew by 91% between 2010 and 2018 and by 6% between 2018 and 2019.<sup>33</sup>

Among the key tourist attractions in the United Republic of Tanzania it is worth to mention: Mount Kilimanjaro, Lake Victoria, the beaches in Zanzibar, the Serengeti National Park, and the Ngorongoro Conservation Area. Furthermore, the country is home to:<sup>34</sup>

- **22 national parks;**
- **4 Ramsar/wetlands sites;**
- **33 wildlife management areas; and**
- **2 nature forest reserves.**

**Table 3.1: The seven world heritage assets of the United Republic of Tanzania**



Natural	Description
<b>Kilimanjaro Park</b>	<ul style="list-style-type: none"> <li>● Kilimanjaro is the highest peak in Africa (5,895 m)</li> <li>● The volcano is surrounded by a mountain forest</li> <li>● Many endangered species live in the national park</li> </ul>
<b>Ngorongoro Conservation Area</b>	<ul style="list-style-type: none"> <li>● Area of highland plains, savanna woodlands and forests</li> <li>● Home to the world's largest caldera (Ngorongoro Crater)</li> <li>● Rich wildlife that coexists with semi-nomadic Maasai pastoralists</li> <li>● Expanse has a presence of globally threatened animal species and the migration of several animals, including wildebeest, zebra, and gazelles, into the northern plains</li> </ul>
<b>Selous Game Reserve</b>	<ul style="list-style-type: none"> <li>● The 50,000 km<sup>2</sup> sanctuary is home to elephants, black rhinoceroses, cheetahs, giraffes, hippopotamuses and crocodiles</li> <li>● Area includes a variety of vegetation zones, ranging dense thickets to open wooden grasslands</li> </ul>
<b>Serengeti National Park</b>	<ul style="list-style-type: none"> <li>● Compromises 1.5 million ha of savannah</li> <li>● With an overall score of 4.92/5, the Serengeti National Park was voted the best African Safari Park and Destination in 2019 by SafariBookings.com, the largest online marketplace for African safari tours</li> </ul>

**Cultural****Description****Kondoa Rock-Art Sites**

Collection of ancient rock paintings from over 150 natural rock shelters, ranging over 2,336 km<sup>2</sup>

**Ruins of Kilwa Kisiwani and  
Ruins of Songo Mnara**

Remains of two port cities that had a critical importance in the East African trade between the 13th to the 16th century

**Stone Town of Zanzibar**

Example of the Swahili coastal trading towns of East Africa that retained most of its urban fabric and townscape intact<sup>b</sup>

**Sources:** World Tourism Organization [2022].

<sup>a</sup> United Nations Educational, Scientific and Cultural Organization [2021], United Republic of Tanzania, UNESCO [online], available at: <https://whc.unesco.org/en/statesparties/tz> [11-08-22].

<sup>b</sup> Beekwilder, J. [2022], Top 10 Best African Safari Parks and Destinations, SafariBookings.com [online], available at: <https://www.safaribookings.com/blog/top-10-best-african-safari-parks-and-destinations#top-10> [11-08-22].

# 04

## Strategic geographic location and market access



The United Republic of Tanzania, bordering the Indian Ocean, has a strategic and advantageous geographic location. Neighbouring six landlocked countries [the eastern part of the Democratic Republic of the Congo, Uganda, Rwanda, Burundi, Zambia and Malawi] the United Republic of Tanzania presents a trade link to Asia and the most efficient point of passage for goods and services. To facilitate the aforementioned, the country has three deep water ports [Dar es Salaam, Tanga and Mtwara] that service: the United Republic of Tanzania and all its neighbouring countries.

Furthermore, the country is a natural and effective transportation gateway into Eastern, Southern and Central Africa due to its membership in the SADC Free Trade Area and EAC Common Market. These preferential trade arrangements guarantee investors access to a market of more than 450 million people in eastern and southern Africa:

- The Southern African Development Community [SADC] region consists of 16 members [13 of which are in a free trade area] with a combined population of almost 350 million people. According to the 2017/18 Bank of Tanzania Annual Report, the country, growing at almost 7%, was the fastest growing economy in SADC;<sup>35</sup>

The East African Community [EAC] is a regional intergovernmental organization that

- consist of seven countries.<sup>36</sup> The Common Market, in force since 2010, is a Regional Integration milestone of the EAC;<sup>37</sup> and

- Lastly, additionally to being a point for passage of goods, its internal production capabilities, driven by rich natural resources [e.g. large size arable land and mineral deposits], make the country a natural hub for economic activity in the East African region.<sup>38</sup>

In addition, the implementation of the African Continental Free Trade Area [AfCFTA] which was ratified by Tanzania on 9th September 2021, will not only allow to increase intra-trade flow but also to lift African and Tanzanian people out of poverty by offering them an enabling environment. Recent studies suggest that the implementation of the AfCFTA may increase Tanzania's intra-African exports by between 17% and 77%, depending on the liberalisation strategies; Tanzania's intra-African imports could increase by between 1% and 103%; and Tanzanian national income could increase by between 0.2% and 9.9%[p].





### 3.2. Investment incentives overview

As mentioned above, the United Republic of Tanzania was announced as one of the most preferred destinations for foreign investments in Africa and among the ten biggest recipients of FDI on the continent by UNCTAD last year. Moreover, the annual report by Rand Merchant Bank on “Where to Invest in Africa 2021” placed the country among the top

10 countries. The aforementioned can be explained not only by the country’s strategic geographic location and stable political and economic environment but also by its offer of various attractive incentives and regulations for foreign investors.



**Table 3.2: Key facts on investment environment for the United Republic of Tanzania**

Ease of Doing Business Rank, 2020 <sup>39</sup>	→	<b>141/190</b> Improved from rank from 144 in 2018
Corruption Index Rank, 2021a	→	<b>87/180</b> Indicators need to improve regarding transparency and business facilitation to access to difference services to ensure a positive business climate to attract investors.
Rand Merchant Bank (RMB) Rank, 2021b	→	<ul style="list-style-type: none"> <li>• The independence of judiciary is guaranteed by the Article 107 of the Constitution of the United Republic of Tanzania</li> <li>• The Tanzanian legal system is based on the English Common Law</li> <li>• The country has a written constitution, which is the first source of law and the Statutes or Acts of Parliament are the second source of law.</li> </ul>
Judicial Independence Index by the World Economic Forum	→	The Tanzanian judiciary is ranked relatively free
Investment laws	→	<ul style="list-style-type: none"> <li>• Tanzania Investment Act, 1997</li> <li>• The Export Processing Zones [Amendments] Act 2006</li> <li>• Special Economic Zones Act, 2006.</li> <li>• Zanzibar Investment Promotion and Protection Act NO. 14 of 2018</li> <li>• PPP Act 2010</li> <li>• Mining Act 2010</li> <li>• Petroleum Act 2015</li> </ul>

**Sources:** World Tourism Organization (2022) based on Tanzanian Investment Centre (TIC) and local authorities.

**a** Transparency International (2021), Tanzania, Transparency International [online], available at: <https://www.transparency.org/en/countries/tanzania> [11-08-22].

**b** Rand Merchant Bank (2021), RMB RELEASES LIST OF 2021 TOP 10 INVESTMENT – ATTRACTIVE AFRICAN COUNTRIES, RMB [online], available at: <https://www.rmb.co.za/page/rmb-releases-list-of-2021-top-10-investmentattractive-african-countries> [11-08-22].

The Tanzanian Investment Centre (TIC) offers a package of investment benefits and incentives to domestic and foreign investors without performance requirements. However, a minimum capital investment is required.

Furthermore, the Export Processing Zones Authority (EPZA) administers the country's Export Processing Zones (EPZs) and Special Economic Zones (SEZs). "The EPZA's core objective is to build and promote export-led economic development by offering investment incentives and facilitation services".<sup>40</sup> Minimum capital requirements for investments in these zones are required for foreign and local investors at USD 500,000 and USD 100,000 respectively.



**Table 3.3: Key investment incentives in all sectors**

### Fiscal incentives

- **Discounts on customs duties**, corporate taxes, and VAT paid on capital goods for investments in mining, infrastructure, railways, airports, electricity generation, agribusiness, telecommunications etc.
- **100% capital** allowance deduction in the years of income for the above-mentioned investment areas
- **0% import** duty on capital goods and raw materials
- **Import duty** deemed capital goods is exempted by 75%
- **Capital Allowance** stands at: 100% on agriculture and Mining, and 50% on Tourism, fisheries and manufacturing
- **The Government** does not restrict the right of foreign investors to repatriate returns on investment

### Non-fiscal incentives

- **All registered projects** are eligible for 10 automatic work permits for foreign employees
- **Investment guarantees** transfer of capital, profits and dividends: Transfer of funds is allowed through any authorized bank in freely convertible currency of net profits, repayment of foreign loans, royalties, fees and charges in respect of foreign technology, remittance of proceeds and payment of emoluments
- **Government guarantees** against expropriation and nationalization [Tanzania Investment Policy, 1996, and Tanzania Investment Act, 1997]:
  - ▲ Protection of private property is guaranteed by the Constitution and international treaties.
  - ▲ Investments are guaranteed against nationalization and expropriation
  - ▲ Investors are allowed to repatriate net profits or dividends without inhibitions
- **The United Republic of Tanzania** is a signatory and a party to several bilateral and multilateral agreements on protection and promotion of investments: International Centre for Settlement of Investment Dispute [ICSID], Multilateral Investment Guarantee Agency [MIGA], Africa Trade Insurance Agency [ATIA]
- **The United Republic of Tanzania** is a member of the African Regional Intellectual Property Organization [ARIPO] and the World Intellectual Property Organization [WIPO]

## Export Processing Zones (EPZs)

- Subject to compliance with applicable conditions and procedures, accessing the export credit guarantee scheme
- Remission of customs duty, value added and any other tax charged on raw materials and goods of capital nature related to the production in the special economic zone
- Exemption from payment of corporate tax for an initial period of ten years and thereafter a corporate tax shall be charged at the rate specified in the Income Tax Act
- Exemption from payment of withholding tax on rent, dividends and interests for the first ten years
- Exemption from payment of all taxes and levies imposed by the local government authorities for products produced in the special economic zones for a period of ten years
- Exemption from pre-shipment or destination inspection requirements and on-site customs inspection of goods in the special economic zone
- Provision of business visa at the point of entry to key technical, management and training staff for a maximum of two months; thereafter the requirements to obtain a residence permit according to the Immigration Act, shall apply
- Remission of customs duty, value added tax and any other tax payable in respect of importation of one administrative vehicle, ambulances, firefighting equipment, and vehicles and up to two buses for employees' transportation to and from the special economic zones

- Treatment of goods destined into special economic zone as transit cargo
- Exemption from value added tax on utility and wharfage charges
- Entitlement to an initial automatic immigrant quota of up to five people during the startup period and thereafter. Any application for an extra person shall be submitted to the Authority which shall, in consultation with the Immigration Department, and Commissioner for Labour authorize any additional person deemed necessary. The aforementioned should take into consideration the availability of qualified Tanzanians, complexity of the technology employed by the investor and agreements reached with the investor.
- Access to competitive, modern, and reliable services available within the special economic zones
- Access to unconditional transferability through any authorized dealer bank in freely convertible currency of – net profit or dividends attributable to the investment
- Payments in respect of loan servicing where a foreign loan has been obtained
- Royalties, fees, and charges in respect of any technology transfer agreement
- The remittance of proceeds [net of all taxes and other obligations] in the event of sale or liquidation of the business enterprises or any interest attributable to the investment and payments of emoluments and other benefits to foreign personnel employed in Tanzania in connection with the business enterprise.

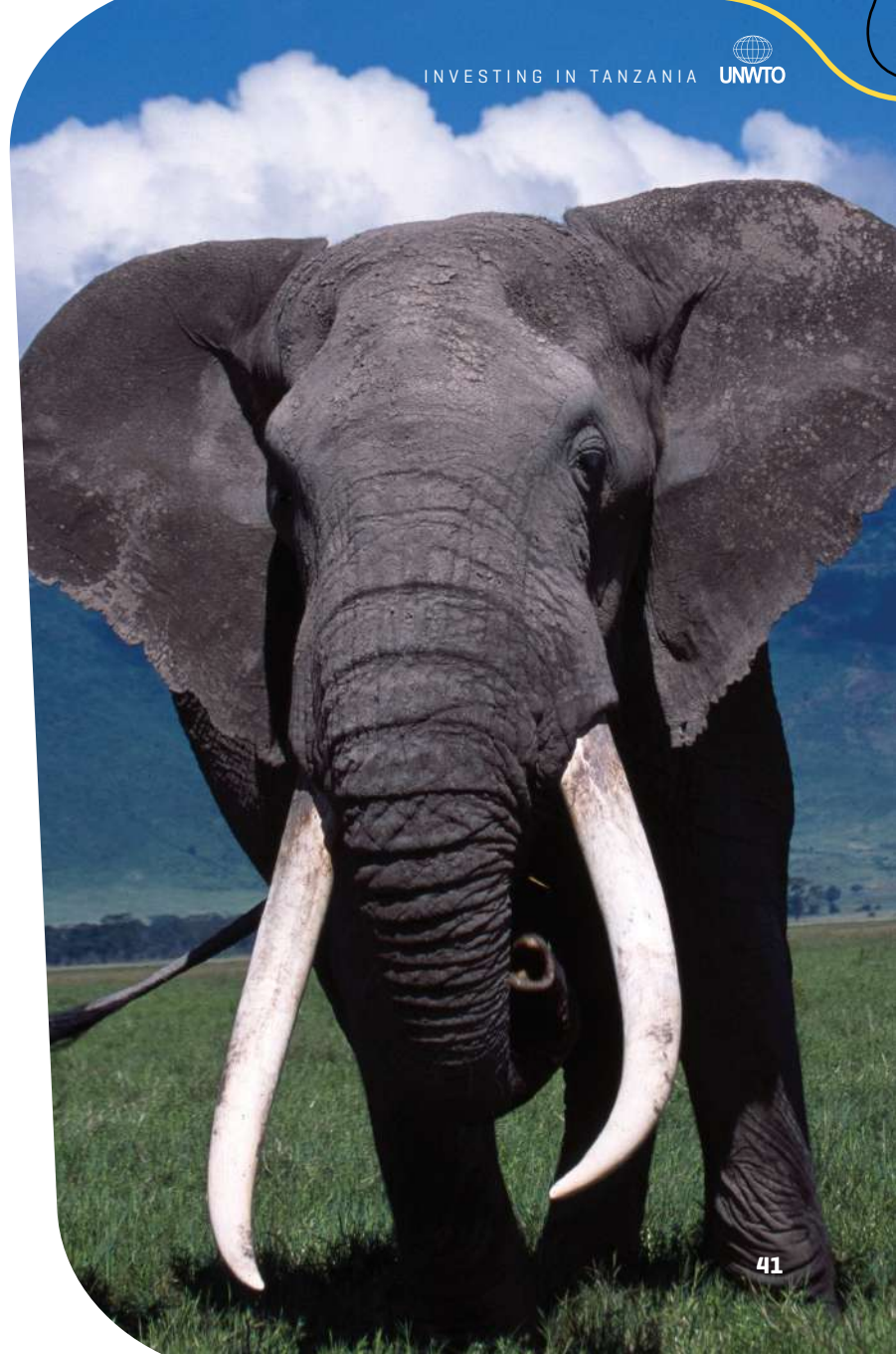
**Source:** World Tourism Organization [2022], based on Tanzanian Investment Centre (TIC) and Export Processing Zones Authority and local authorities.



Furthermore, given the increasing investments in Zanzibar, it is worth highlighting the island's key investment incentives. Zanzibar offers both fiscal and non-fiscal incentives for investors and presents five Free Economic Zones (FEZs). The FEZ are geographical areas created to attract investment, particularly FDI, through more favorable incentives economic regulations. Also, the Zanzibar Investment Promotion Authority (ZIPA) leases potential investors land, office space, and warehouse space in the zones.<sup>41</sup>

**Zanzibar Free Economic Zones:**

- Fumba Zone
- Micheweni Free Economic Zone
- Amaan Industrial Park
- Maruhubi Free Port Zone
- Airport Free Port Zone



**Table 3.4: Key investment incentives in Zanzibar**

**General investment incentives**



- 100% foreign ownership
- 75% exemption from payment of import duty, excise duty, value added tax (VAT) and other similar taxes on capital goods
- Corporate tax exemption up to five years
- 33 up to 99 years of land and marina lease agreement
- 100% exemption repatriation of all profits after tax

**Strategic investment incentives**



- 100% exemption from all duties and taxes on importation and local purchases of capital goods
- Five years grace period on payment of land and marina lease
- 100% exemption of corporate tax for the first five years and 50% of the prevailing tax thereafter
- 49 up to 99 years of marina and lease agreement.

**Free Economic Zones incentives<sup>a</sup>**



- Exemption from payment of corporate tax for an initial period of ten years
- Exemption from withholding taxes on rent, dividends, and interests for the first ten years
- Exemption from payment of property tax for the first ten years
- Exemption from duties and taxes on capital goods and raw materials
- Exemption on VAT for utility services and on construction materials
- Exemption from pre-shipment or destination inspection requirements
- Remissions of customs duty, value-added tax charged on raw materials and goods of capital nature related to the production in the Free Economic Zones (Category B&C Free Economic Zone Operators)
- Exemption from payment of all taxes and levies imposed by the local government for products produced in the Zone for 10 years (Category C Free Economic Zone Operators).

**Sources:** World Tourism Organization [2022], based on Zanzibar Investment Promotion Authority [ZIPA] and local authorities.

**a** U.S. Department of State [2021], 2021 Investment Climate Statements: Tanzania, U.S. Department of State [online], available at: <https://www.state.gov/reports/2021-investment-climate-statements/tanzania/> [11-08-2022].



### 3.3. Tax regimes overview

From an international trade perspective, the United Republic of Tanzania has bilateral investment treaties with 18 countries, and seven investment agreements with regional economic blocs. The country is also a signatory to global investment instruments such as the International Centre for Settlement of Investment Disputes [ICSID] Convention, the New York Convention, and the Multilateral Investment Guarantee Agency [MIGA]. The country is also signatory to the New York Convention on the Recognition and Enforcement of Arbitration Awards and the UN Guiding Principles on Business and Human Rights.<sup>42</sup>

In 2020 the United Republic of Tanzania adopted a new Arbitration Act which mainly regulates arbitration in public-private partnerships [PPP]. The PPP Amendment Act sets forth that any arbitration agreement must take place in the country and the arbitrator body shall

be local. Given that the country is a member of the New York Convention, the statutory change effectively rendered the United Republic of Tanzania a dual state for arbitration purposes, depending on the subject matter of the agreement. However, it should be noted that this legislative action does not change anything about international arbitration as such but simply requires it to conform to Tanzanian law and thus be held on Tanzanian soil. However, it is important to note that interpretations of this act vary among legal practitioners.<sup>43</sup>

In addition, once the investments are made in the country, there are different types of taxes and fiscal regimes to consider. Hence, the following table presents a summary of the main taxes in the country.<sup>44</sup>



Table 3.5: Tax regimes for the United Republic of Tanzania<sup>a</sup>

Type of tax

**Value added  
tax (VAT)**

18% for the mainland of the United Republic of Tanzania  
15% for Zanzibar

- **No reduced tax rates apply;** however, many items are exempt or zero-rated
- **Exports** of goods and services are subject to a zero rate of VAT
- **As a member** of the East African Customs Union, the United Republic of Tanzania applies a common external tariff and does not levy customs duties on intra-union imports

Type of tax

**Withholding  
tax (WHT) for  
resident and  
non-resident**

Dividends: 5 or 10  
Interest: 10

Type of tax

**Corporate  
income tax  
(CIT)**

30%

- A Tanzanian resident is taxed on worldwide income, whereas non-residents are taxable on
- Tanzanian-source income at the standard rate
- A company is considered resident for tax purposes if it is incorporated or formed under the laws of the United Republic of Tanzania or if management and control of its activities is exercised in the country.

## Type of tax

**Personal income tax (PIT)**

- **Residents:** 30%
- **Non-residents employment** income only: 15%
- **Non-residents** total income: 30%
- **An individual** is a resident in the United Republic of Tanzania if he/she has a permanent home in the country and is present in the country for either 183 days in the year or an average of 122 days per year

## Type of tax

**Capital gains tax (CGT)**

## Corporate:

- **Subject** to the normal CIT rates [30%]
- **Sale of mineral/petroleum** rights: 30%
- **There is no separate capital** gains tax in the country. Instead, income tax is charged on the taxable profit arising on a gain arising from the realization of an 'investment asset'

## Individual:

- **Residents: 10%**
- **Non-residents: 30%**

## Type of tax

**Depreciation allowance**

Vary between 5% [buildings] and 100% [plant and machinery]

## Type of tax

**Other corporate income tax**

- **Properties** are subject to an annual tax at flat rates on their value
- **Companies** are subject to a city service levy which is chargeable 0.3% on the annual turnover
- **Companies** are also subject to an annual business license fee, ranging between USD 15 and USD 10,000
- **Social security** contribution amount to 20%

**Sources:** World Tourism Organization (2022), based on local authorities.

**a** Lloyds Bank (July 2022), Tanzania: Business Environment, Lloyds Bank [online], available at: <https://www.lloydsbanktrade.com/en/market-potential/tanzania/taxes> [11-08-2022].



As a final note, the authorities of the United Republic of Tanzania might need to consider the global impacts of the COVID-19 pandemic on investments as an opportunity to rethink their strategy to position the country in a global market and develop new services that respond to the new dynamics of investments post-COVID-19. Beyond the decreasing numbers of international tourist arrival and the declining on investments globally, investment promotion agencies (IPAs) and governments with the mandate to attract, promote and mobilize investments to their destination have the pressing need to ensure a fertile ground for tourism investments during the pandemic and the post-pandemic period. As suggested by the UNWTO investment reports, IPAs and their respective governments need to take into consideration long-term consequences of the pandemic. This includes, among others, increased competition for securing investment projects, FDI downsizing, disruption of global value chains, digitalization, and new consumer behaviors.<sup>45</sup> Therefore, guided by the investment promotion literature we recommend the following three steps to develop a post-pandemic tourism investment strategy.<sup>46</sup>

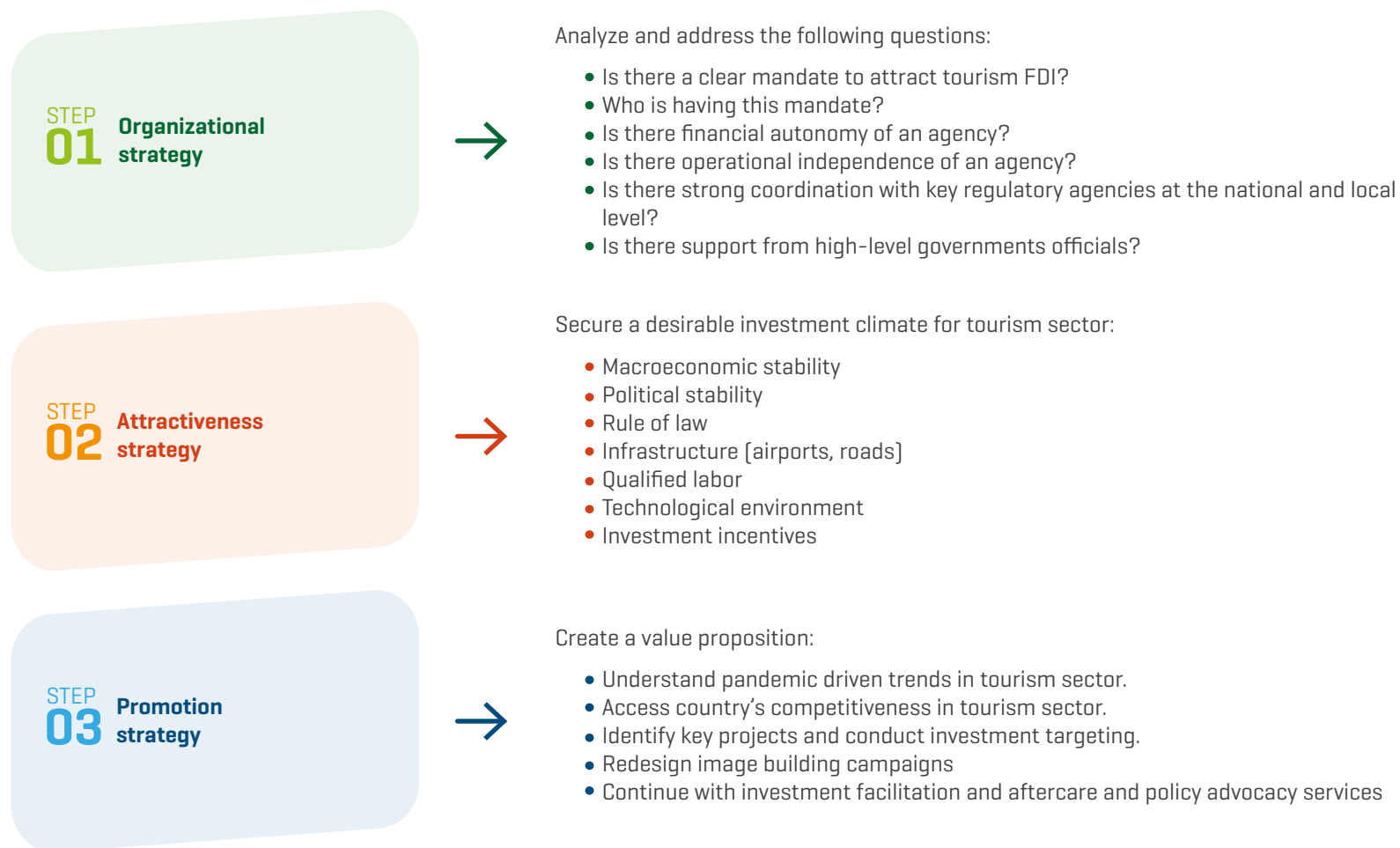
The first step, the organizational strategy, is to clearly define which institution(s) will have the mandate to attract tourism FDI and to identify the best structure to manage investors relationships as well potential strategic pipeline of opportunities. There exists a good foundation with TIC and ZIPA as leading institutions. However, the strategic alignment and coordination with decision makers and also the local investment ecosystem is crucial when building a pipeline of bankable projects.

The second step refers to the attractiveness of the strategy. This step should enable suitable conditions for tourism investments. The resulting investment frameworks should foster actions in securing a desirable investment climate, ensuring, and safeguarding current tourism investment, but also growing the flows of capital and types of investors. Tanzanian authorities should consider modernizing and innovating their incentives and investment mechanisms to attract

new investors and expand current prioritized sectors.

The third step involves the promotion strategy. The country should create a value proposition for the country. This is perhaps one of the main challenges for the Republic of Tanzania's leaders. Indeed, the promotion strategy builds one of the most relevant tasks and helps to not only grow and consolidate tourism investments, but also create a package of offers that align with the pandemic-driven trends in the tourism sector, provide differentiator attributes, and create new opportunities to diversify investments.<sup>47</sup> Lastly, both step two and three are relevant to continue the country's path to position tourism as a key sector for FDI inflows.

Given the above, investors can benefit from various niche sectors. This includes the development of climate finance, or conservation finance initiatives that have received a growing interest from investors in Germany, the United Kingdom, and Denmark. Such investors promote the Global Climate Partnership Fund (GCPF) in the United Republic of Tanzania, or other initiatives from multilateral funding sources such as the Central African Forest Initiative, or the Adaptation for Smallholder Agriculture Programme.

**Table 3.6: Rethinking tourism investment strategy (medium- and long-term response)**

Sources: World Tourism Organization [2021].



## 04

# COMPETITIVENESS OUTLOOK

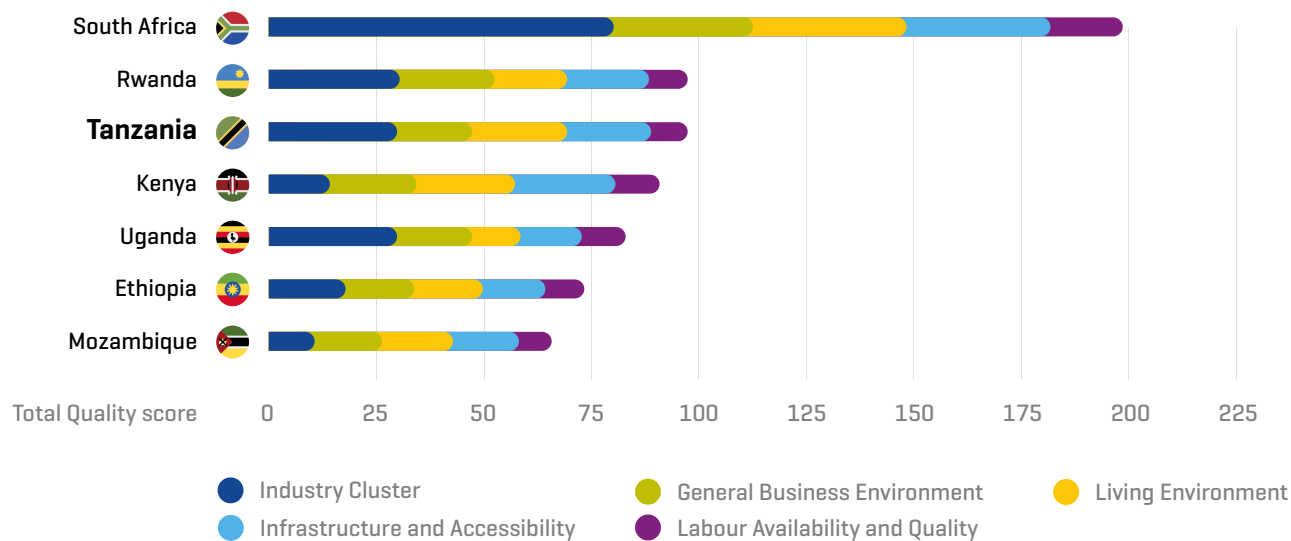
## 4.1. Attractiveness and positioning (Country benchmarking)

The United Republic of Tanzania has a relatively stable political environment and reasonable macroeconomic policies as well as a proven resiliency to external shocks. Compared to some of its neighbors, the country remains a politically stable and peaceful country and FDI. As shown earlier, it is among the ten biggest recipients of FDI in Africa. Furthermore, the latest report by fDi Intelligence from the Financial Times and UNWTO has ranked the United Republic of Tanzania among the top ten countries in Africa and the Middle East with the greatest number of greenfield investments in the tourism sector. With nine projects, the country was placed second in the African region while South Africa ranked highest with a total of ten greenfield investment projects.<sup>48</sup>

Moreover, when analyzing tourism data from the fDi Benchmark, it ranks 3rd place vis-à-vis the quality model for the hospitality cluster. Other ranking results positioned the United Republic of Tanzania relatively strongly within the Industry Cluster [3rd] and Living Environment [3rd]. However, there are other dimensions that need improvement in the country, especially the General Business Environment [4th] and Infrastructure and Accessibility [4th] dimensions.



Figure 4.1: Quality overview benchmark for the United Republic of Tanzania<sup>49</sup>



Note: Hospitality profile quality results weighted based on 5 tier 1 categories.

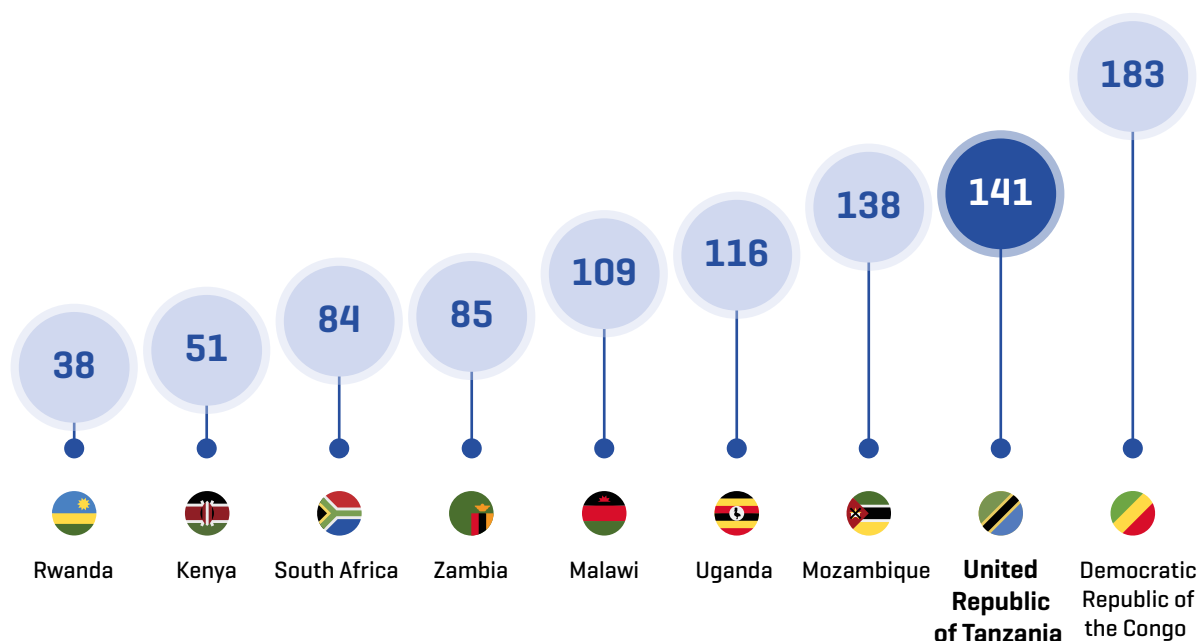
Source: World Tourism Organization [2022], based on fDi Benchmark from the Financial Times Ltd 2022

In spite of the great advances in attraction and promotion of FDI, government policies and actions need improvement to increase the country's competitiveness. For example, actions should involve consolidating data on demand of tourist and firms, which enables policy-makers to improve the tourism sector and create more feasible investment opportunities. Similar recommendations that aim at easing market conditions and consequently facilitating private investment decisions have been highlighted by the World Bank Group.<sup>50</sup>

So far, the United Republic of Tanzania has shown great commitment towards improving its business environment. For instance, in 2018, the Government adopted the Blueprint for Regulatory Reforms to improve the business environment and attract more foreign investors. The reforms, which were developed as a collaborative effort between the Ministry of Industry, Trade and Investment, and the private sector seek to improve the country's ease of doing business through regulatory reforms and increased efficiency in dealing with the Government and its regulatory authorities. The official implementation of the Business Environment Improvement Blueprint started in the second half of 2019. However, the process was disrupted by the COVID-19 pandemic.



Figure 4.2: Doing Business ranking comparison



**Note:** Data based on neighbor countries' economies.

**Source:** World Tourism Organization (2022), based on World Bank. Doing Business 2020.

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The World Bank's Doing Business 2020 ranks the United Republic of Tanzania 141 out of 190 overall, and 162nd for ease of starting a business. Indeed, there are 10 procedures to open a business, higher than the sub-Saharan Africa average of 7.4. The Business Registration and Licensing Agency (BRELA) issues certificates of compliance for foreign companies, certificates of incorporation for private and public companies, and business name registration for sole proprietor and

corporate bodies. After registering with BRELA, the company must: obtain a taxpayer identification number (TIN) certificate, apply for a business license, apply for a VAT certificate, register for workmen's compensation insurance, register with the Occupational Safety and Health Authority (OSHA), receive inspection from the Occupational Safety and Health Authority (OSHA), and obtain a social security registration number.

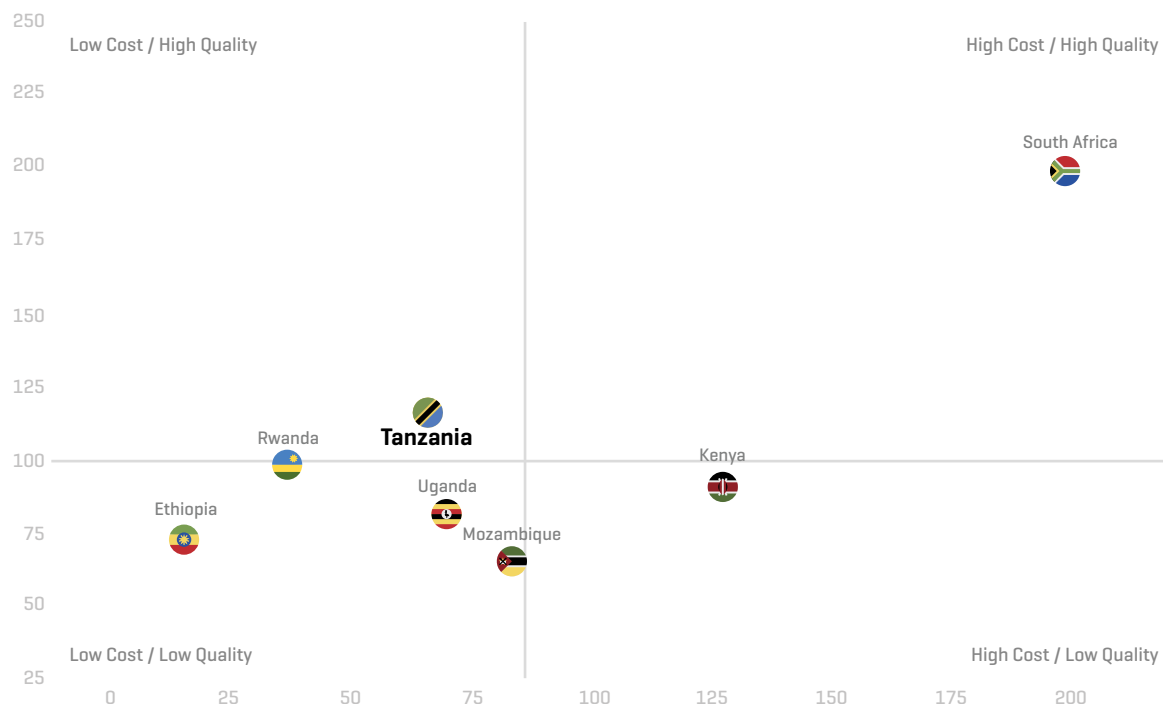
Notwithstanding the low scores in global rankings, the United Republic of Tanzania is one of the most preferred destinations for FDI on the African continent. Hence, the country has a lot of potential to improve its economic environment. Moreover, the pandemic has opened the opportunity to position tourism as the leading driver of economic transformation but more importantly sustainable and inclusive development and economic transformation. Nevertheless, this would require the introduction of policies that are focused on a more holistic understanding of the tourism value chain and its relationships with different stakeholders and sectors.

Moreover, strategies are needed to facilitate and enable the sustainable management of the country's natural and cultural heritage to develop co-investments and foster partnerships between the Government, development partners and the private sector. This will encourage climate and biodiversity finance to prioritize environmental and cultural preservation. Considering the country is known for its nature-based tourism, the aforementioned presents a competitive market segment in Eastern and Southern Africa. Therefore, sustainable tourism could not only help generate essential revenue for the state, private sector, and local communities to ensure nature-based solutions but also advance inevitable conservation efforts.<sup>51</sup>





**Figure 4.3: Attractiveness benchmark for the United Republic of Tanzania**



**Note:** Based on competitiveness benchmarking on seven locations with an overall combination of quality score and inverted cost index.

**Source:** World Tourism Organization (2022), based on fDi Benchmark from the Financial Times Ltd 2022

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The fDi Benchmark Matrix shows the trade-off between Cost and Quality across the 7 selected locations for the hospitality profile. According to these scores, the competitiveness of the United Republic of Tanzania ranks 3rd in quality and 3rd in cost, placing the country in 4th position in the above Cost to Quality ratio. It is also relevant to note that it ranks 2nd in Track record regarding inward FDI right after South Africa. The country's score is 53% higher than the average recorded in the region and this represents a strong signal to investors in the Africa region.

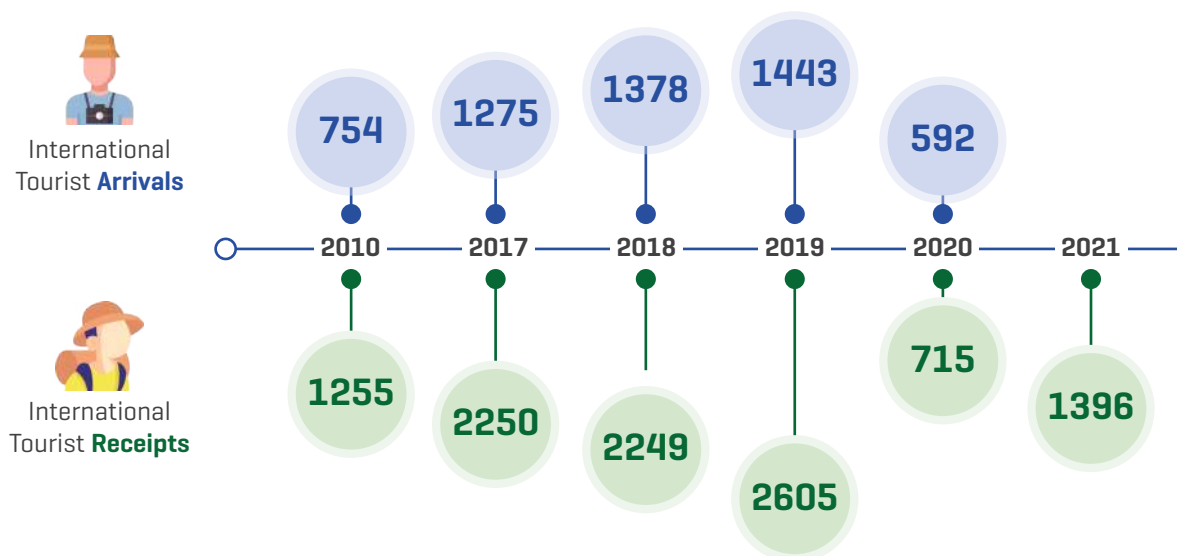


## 4.2. Tourism cluster overview

During the past decade, the United Republic of Tanzania has been increasing its numbers of tourist visitors. According to UNWTO data, the number of international tourism receipts was about 1.2 million in 2010 growing 108% reaching its peak to more than 2.6 million in 2019 previous to the COVID-19 pandemic.<sup>52</sup> According to the 2019 International Visitors' Exit Survey Report developed by the National Bureau of Statistics Tanzania [NBST] and Bank of Tanzania, the main

purpose to choose the United Republic of Tanzania as a travel destination was 'leisure and holidays', with 77.5% of the visitors choosing both the country's mainland and Zanzibar as a tourism destination. Moreover, the value is raised to 88% when solely considering Zanzibar as a destination. The second reason with 10.9% was 'Visiting friends and relatives'.

**Figure 4.4: International tourist receipts for the United Republic of Tanzania, 2010 and 2017–2021**



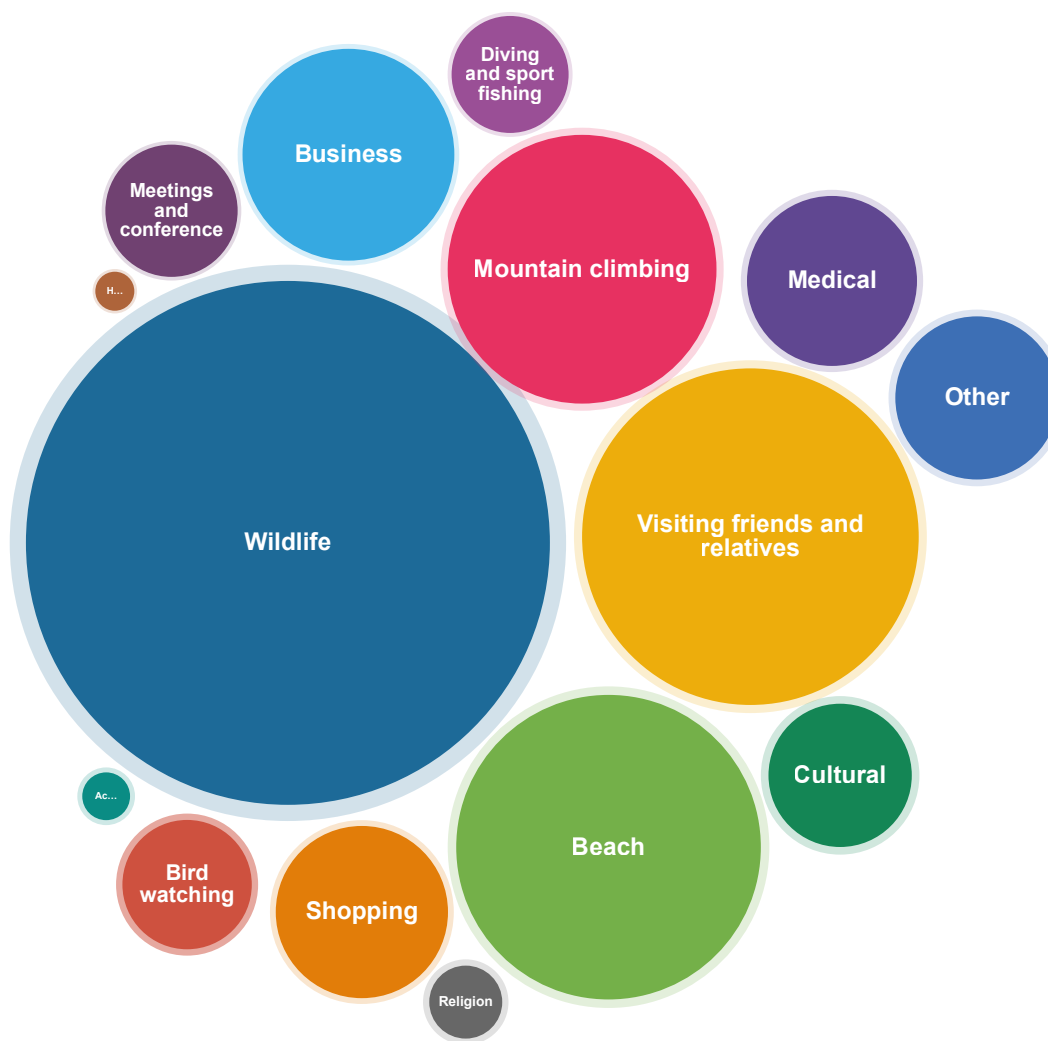
**Source:** World Tourism Organization [2022], UNWTO World Tourism Barometer, volume 20, issue 3, May 2022, UNWTO, Madrid, DOI: <https://doi.org/10.18111/wtobarometereng>.  
World Tourism Organization [2020], UNWTO World Tourism Barometer, volume 18, issue 1, January 2020, UNWTO, Madrid, DOI: <https://doi.org/10.18111/wtobarometereng>.

When analyzing aggregated data regarding the main preferred activities the International Visitors' Exit Survey Report reported wildlife as being the preferred activity. Indeed, 36.1% of visitors preferred wildlife activities followed by beach activities [12.2%], mountain climbing [9.5%], and business activities [5.9%].

These preferred activities are considered nature-based tourism and attract thousands of tourists each year. As a consequence, the increase of nature-based tourism demand has drawn large volumes of

FDI to these areas. However, global competition tends to set lower margins through the value chain which could affect local stakeholders. Hence, destinations rich in natural and cultural should develop value propositions to protect the integrity of the landscapes and seascapes and other natural and cultural assets on which the sector depends through employing mechanisms that internalize their value into the value chain. Creating such mechanisms could help align incentives around conservation while also provide additional revenue sources for local communities who rely on these resources daily.

**Figure 4.5: Main tourist preferred activities, 2019**



**Source:** World Tourism Organization [2022], based on National Bureau of Statistics Tanzania and Bank of Tanzania International Visitors' Exit Survey Report [2019].




### 4.3. Green investments and climate finance opportunities

The United Republic of Tanzania has gained international recognition for its nature-based destinations as shown by the abovementioned data. Hence, the country has a great potential to seize these opportunities and formulate a value proposition based on these comparative advantages. However, these opportunities come with great challenges and commitments from the Government and other key stakeholders to protect and safeguard its natural resources, biodiversity, and people.

According to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) the United Republic of Tanzania is relatively vulnerable to climate change.<sup>53</sup> Based on the Climate Resilience Index (CRI) developed by the African Development Bank (AfDB) the country scores a moderate low resilience to respond to adverse effects of climate-related disasters<sup>54</sup>. Therefore, the country should build its capacities to adapt to these potential risks and increase its resilience. These activities will be translated into governance abilities and institutional arrangements which support climate risks reductions and social abilities that make efficient and equitable use of investments. including the destination needs, regulation, results, finances size, time and so forth.





Especially considering how the COVID-19 has affected revenue collection from tourism activities in protected areas. According to the Ministry of Natural Resources and Tourism (MNRT), revenues of public sector tourism institutions, – e.g., Tanzania National Parks (TANAPA), Ngorongoro Conservation Area Authority (NCAA), Tanzania Wildlife Authority (TAWA), Tanzania Forest Services (TFS) and National Museums of Tanzania (NMT) – declined by 72.2% in 2020 from 2019.<sup>55</sup>

Based on current available data, Africa needs around USD 2.5 trillion during 2020–2030 in climate financing. This value represents about USD 250 billion per year to meet the 2030 country climate goals and more than 10% of the continent’s GDP. According to the World Bank Group, all African countries together have a GDP of USD 2.38 trillion.<sup>56</sup> This is alarming, considering that only USD 22 billion flowed into climate investments in the region in 2020.<sup>57</sup>

The following section outlines some financial investment mechanisms from the traditional and humbler to the more complex and sophisticated mechanisms in terms of innovations in supporting biodiversity conservation. Notably, there are several other instruments that also vary in structure and markets. Hence, figure 4.6 should be used as a reference to explore several finance alternatives and is based on several factors including the destination needs, regulation, results, finances size, time and so forth.

**Figure 4.6: Innovative financial instruments [simple to complex]**

Level of innovation

**Traditional instruments<sup>a</sup>**



### Capacity building and training

Training activities targeting a variety of stakeholders aimed at developing and strengthening individual and organizational skills, abilities, processes, and resources needed to support and implement projects at different stages of development to attract and promote investments in the tourism sector.



### Grants

Funds provided by an entity (public body, charitable foundation, or multilateral) to an individual or institution for a specific purpose believed to be in the public interest. Unlike loans, grants are not to be paid back for a return on investment. Some grants (i.e., convertible or refundable grants) can be converted into equity or loans if a project reaches certain pre-agreed milestones.



### Debt

Investments made in a company, an individual or a project with the expectation of being paid back at a future date (maturity) with interest. Depending on the loan agreement, payments can be made monthly, half yearly, or as a lump-sum at the end of the loan tenure. Loans are usually secured or collateralized with the assets owned by the entity taking the loan.



### Equity

Investments made into a business by investors in exchange for common or preferred stock. Equity investments do not have a maturity and involve higher risk compared to debt investments as return depends on the company's ability to generate profits. As equity investors accept a higher risk than debt investors, return expectations are usually higher.

<sup>a</sup> Deutz Andrew (et al.) (2020), Financing Nature: Closing the global biodiversity financing gap. The Paulson Institute [online], available at: [https://www.paulsoninstitute.org/wp-content/uploads/2020/09/-FINANCING-NATURE\\_Full-Report\\_Final-Version\\_091520.pdf](https://www.paulsoninstitute.org/wp-content/uploads/2020/09/-FINANCING-NATURE_Full-Report_Final-Version_091520.pdf) [14-09-22].



Level of innovation

## Risk mitigation instruments



### Aggregation

The aggregation of projects with similar terms and often in the same sector can help to increase the overall funding amount available for small-scale projects or in some case small investment tickets. This bundled approach has the added benefit of diversification, as project-level risks are spread across a wide base of assets, limiting largescale investors' exposure to acute risks.



### Risk guarantees

Promise of performance to a beneficiary in the event that the party who would normally provide a service or good fails to do so. A guarantee inserts a third party into a legal agreement to provide an extra layer of protection for the beneficiary or investor in cases when structuring risk guarantees facilities.





Level of innovation

## Capital markets instruments



### REITs

A real estate investment trust (or REIT) is an entity formed to own, and potentially operate, cashflow generating real estate assets which can pass income to shareholders in the form of dividends.



### Green bonds<sup>b</sup>

Green bonds are fixed income securities whose proceeds are earmarked to climate and environmental assets, or to finance specific climate or environmental projects. Green bonds are comparable to conventional market bonds in that an issuer of a green bond pays the principal and interest back to the lender over a designated period of time, but the proceeds of the bond issuance are designated for nature-positive outcomes.



### Blue bonds<sup>c</sup>

Also called 'blue financing', these are no different to green finance structuring other than that they are used to finance projects related to the ocean or 'blue' economy, e.g., sustainable fisheries and ocean-based tourism. Beginning in 2010, The Nature Conservancy (TNC) has worked with the Government of the Seychelles to restructure USD 22 million worth of debt into investment in marine protection.



### Debt-for-nature swaps (DFN)<sup>d</sup>

As so-called debt-for-nature (DFN) swaps are financial transactions in which a portion of a country's foreign debt is erased in exchange for local investments in conservation measures. Given that, generally, much of the external debt of developing countries has little chance of being fully repaid, it can potentially be bought on the secondary market for a price substantially below face value.



### yield companies<sup>e</sup>

A yield company (or YieldCo) is an entity formed to own operating assets and raise funds by issuing shares to investors. Cash flows from these operating assets are then used to distribute dividends (cash payments) to shareholders over time.

<sup>b</sup> Chahine, P., and Liagre, L. [2020], How can Green Bonds catalyse investments in biodiversity and sustainable land-use projects?, Luxembourg Green Exchange and Global Landscape Forum [online], available at: [https://www.globallandscapesforum.org/wp-content/uploads/2020/10/How-can-Green-Bonds-catalyse-investments-in-biodiversity-and-sustainable-land-use-projects-v12\\_Final.pdf](https://www.globallandscapesforum.org/wp-content/uploads/2020/10/How-can-Green-Bonds-catalyse-investments-in-biodiversity-and-sustainable-land-use-projects-v12_Final.pdf) [14-09-22].

<sup>c</sup> World Ocean Initiative [2020], Seychelles Swaps Debt for Nature, Economist Impact World [online] available at: <https://ocean.economist.com/blue-finance/articles/seychelles-swaps-debt-for-nature>. [14-09-22].

<sup>d</sup> K., and Alain L. [1996], Debt Swaps for Sustainable Development: A Practical Guide for NGOs, IUCN/SCDO/EURODAD [online], available at: <https://www.cbd.int/financial/debtnature/g-debtguide-iucn.pdf> [14-09-22].

<sup>e</sup> King, N. [2021]. Conservation Finance Options to Support African Post-2020 Biodiversity Priorities, South African Institute of International Affairs [online], available at: <https://www.africaportal.org/publications/conservation-finance-options-support-african-post-2020-biodiversity-priorities/> [14-09-22].

Level of innovation

## Results-based finance instruments



### Results-based funding<sup>f</sup>

Results-based [or conditional] funding is a board term used here to include any type of payment-by-results mechanisms [either output-based or outcome-based], where funds are disbursed by investors only after the project has achieved certain predetermined results, irrespective of how these were achieved. Results are usually verified by an independent auditor.



### Payments for ecosystem services (PES)<sup>g</sup>

Payments for ecosystem services (PES) is one of the most commonly used mechanisms to generate revenue for biodiversity conservation. PES schemes provide benefits to landowners who preserve ecosystem services (ES) to disincentivize them from using the land for different purposes, such as deforestation. They are used to incentivize land users to properly manage and conserve their natural environment, thus ensuring the flow of ecosystem services.



### Carbon finance<sup>h</sup>

Carbon finance is a type of results-based finance mechanism which involve contracts to trade emission reductions on carbon markets in the form of quotas or carbon credits e.g., Certified Emission Reduction (CER). Emission reductions are usually verified by a third-party auditor.



### Environmental impact bonds

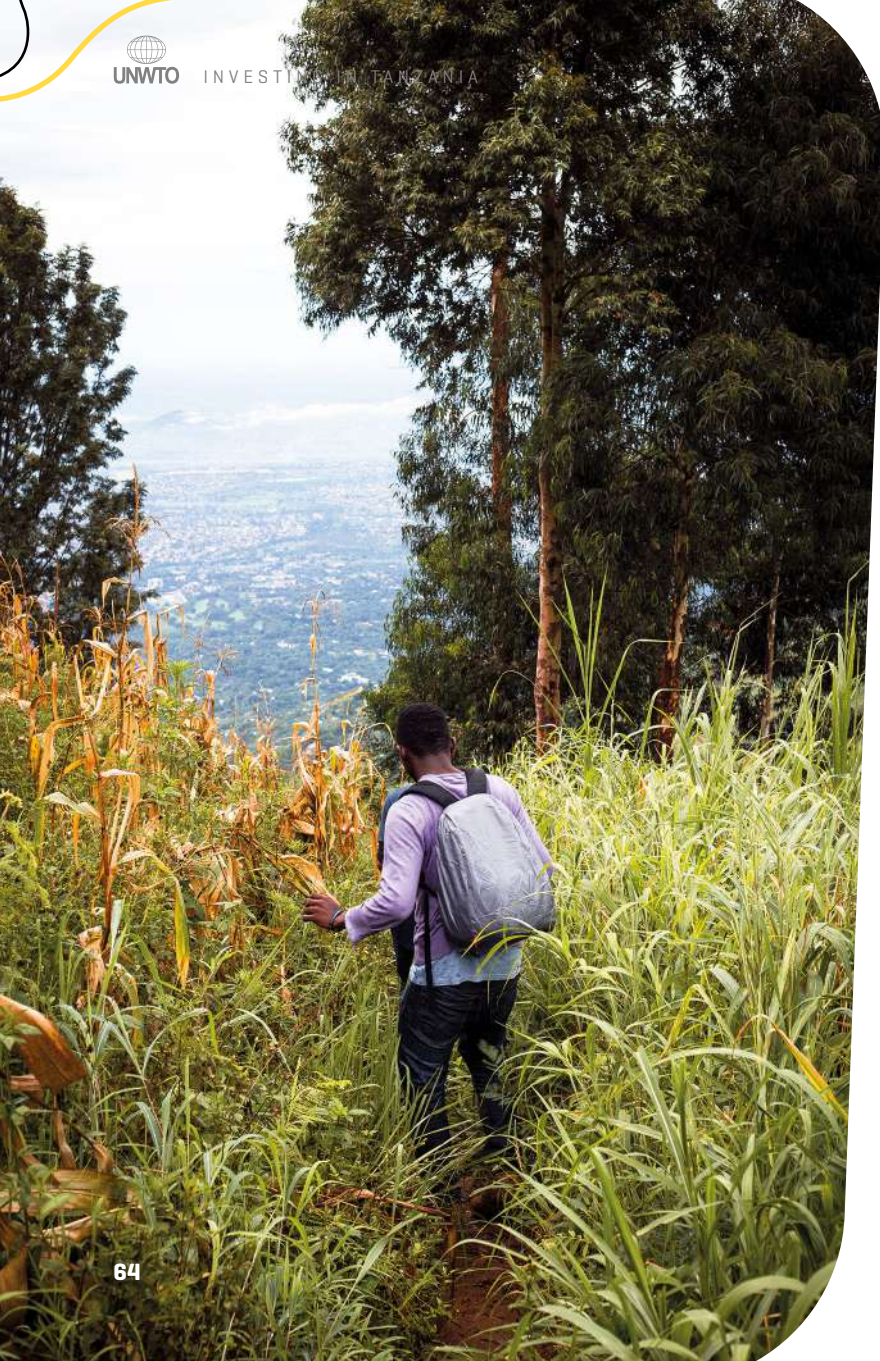
An environmental impact bond (EIB) is a pay-for-success innovative financing instruments where financial returns on the investment are directly tied to the ability of the project to deliver successful environmental outcomes.

**Source:** World Tourism Organization [2022], based on secondary research.

**f** Blocher Kyle [et al.] [2022], Climate Finance Innovation for Africa, Climate Policy Initiative [online], available at: [https://www.climatepolicyinitiative.org/wp-content/uploads/2022/08/Climate\\_Innovation\\_Finance\\_for\\_Africa.pdf](https://www.climatepolicyinitiative.org/wp-content/uploads/2022/08/Climate_Innovation_Finance_for_Africa.pdf) [14-09-22].

**g** Pagiola, S. and Platais, G. [2002], Environment Strategy Notes: Payments for Environmental Services, World Bank Group, Washington, D.C. [online], available at: <https://documents1.worldbank.org/curated/en/983701468779667772/pdf/296710English0EnvStrategyNote302002.pdf> [14-09-22].

**h** United Nations Environment Programme World Conservation Monitoring Centre [2020], Strengthening Synergies: How action to achieve post-2020 global biodiversity conservation targets can contribute to mitigating climate change, UNEP [online] available at: <https://wedocs.unep.org/bitstream/handle/20.500.11822/34342/StreSyn.pdf?sequence=1&isAllowed=y> [14-09-22].



As shown in figure 4.6, innovations could go from traditional financial instruments, such as concessional debt and grants which are widely used in Africa to more complex solutions, such as structured finance and capital market instruments that need to be developed. Moreover, on one end, traditional instruments could be deployed more efficiently to target specific tourism challenges or potential projects when included in a broader financial structure.

For example, simple loans from banks often require collateral that high-quality projects may not yet have or are unable to easily access which is the case for several entrepreneurs. On the other end, more complex solutions, such as structured finance and capital market instruments, have been successful in catalyzing local private investment in climate solutions in Egypt and South Africa.<sup>58</sup>

The use of blended finance to mobilize private investment has been a best practice, resulting in positive externalities and market viability according to the International Finance Corporation (IFC).<sup>59</sup> Public investors can catalyze private finance by deploying innovative blended finance structures, leading private investors to realize competitive risk-adjusted returns, exceeding those provided via conventional financing. Blended finance could be used by combining concessional and private capital within the same capital structure such that each class of investor may reach their target return threshold and improve their risk-adjusted returns.



Consequently, the country's climate change mitigation and adaptation goals will require innovation in financing structures and strategic deployment of public capital to attract and to leverage private investments. Mobilizing new capital will require going beyond traditional financing approaches. Hence, innovative finance instruments can be deployed to improve capital inflows and diversify investments in the tourism value chain. The table 4.1 present a simple conceptual framework to analyze the different investment mechanisms that can be used when developing a climate finance strategy for tourism-oriented finance projects.<sup>60</sup>

**Table 4.1: Framework to analyze climate finance strategy in tourism-oriented projects**

**Principle  
Adequate**

**Criterion Scale**

**Key question**

*How much funding will be raised? And for what purpose?*

**Rational**

Under the assumption the purpose is clear and previously e.g. project, programme, challenge, etc. Understanding revenue generation is to know how much funding could be raised by a given mechanism. This is related to when that funding will become available and how predictable the source of finance will be. The scale criterion will use a numeric value e.g. USD 300 million or a range from a low-end estimate to a high-end estimate.

**Principle  
Timely**

**Criterion Timeframe**

**Key question**

*Over what period of time?*

**Rational**

The timeframe describes the period when financing from a specific mechanism is likely to scale. Financial resources can be generated in either the short, medium or long term. [<5 years, 5–10 years, >10 years]. Therefore, it will be essential that financial sources and timeframes are matched so that adequate financing is available when required.



## Principle Predictable

### Criterion Level

#### Key question

*How and where funding will be raised?*

#### Rational

The level criterion describes whether revenue will be generated by a mechanism that is implemented by the private sector and/or by the public sector either nationally or internationally. E.g. Private, National Public, International Public, Multi-sector collaboration.

Revenue generation mechanisms can be implemented by private organizations, local and national governments, public bodies at the international level, or through multi-sector collaborations involving one or more of the above. The level at which revenue is generated will have important implications for both the adequacy and predictability of climate finance.

### Criterion Value

#### Key question

*Will funding go towards activity that sustainably uses biodiversity or ecosystem services?*

#### Rational

The value criterion indicates whether finance is generated for the use of biodiversity and ecosystem services or for some other non-use reason. Mechanisms based on use values raise finance from actors that will directly use the ecosystem they are paying for such as direct ecosystem services fees, or as compensation for the degradation of an ecosystem such as offset markets. Mechanisms based on non-use values raise finance primarily from motivations that are not derived from the use of an ecosystem, such as philanthropy, conservation, etc.

## Principle Motivation

### Criterion **Payer**

#### Key question

*Is finance generated from the polluter or beneficiary?*

#### Rational

The payer criterion indicates whether finance is generated from the beneficiary of biodiversity and ecosystems services or the polluter that degrades them. The basic idea behind this principle is that the price of a man-made good or service should fully reflect the total cost of production, including any costs borne from degrading the natural environment. An organization paying to offset the loss of biodiversity caused by building, construction, new manufacturing plant is a common example of a polluter-pays mechanism. Traditionally, polluter-pays mechanisms have been enforced by some form of governmental or international regulation. The other category of mechanism under this criterion is 'beneficiary-pays' in which revenue is generated from the beneficiary of biodiversity or ecosystem services.

### Criterion **Direct or Mainstream**

#### Key question

*How will revenue be generated?*

#### Rational

Public and/or private investors can put capital into investment structures (for example, bonds, equities, trust funds) in order to invest in financial instruments and/or projects that can generate cash flows (for example, offsets, compensation payments, sustainable products sales) that deliver a financial return to investors and positive biodiversity impacts. Mechanisms for generating revenue can generate cash flows that have a direct impact on biodiversity conservation (for example, national park usage fees and charges for establishing and managing public areas) or that mainstream biodiversity investment by creating the right incentives for investors to deploy capital in a manner that delivers biodiversity co-benefits.

One example of mainstreaming biodiversity investment is through the use of green bonds. Green bonds have, for the most part, not targeted biodiversity investments directly, but instead have focused on the renewable energy, real estate and transportation sectors.

**Table 4.2: Case Study: Hotel Green Revitalization Program (HGRP)**



## Hotel Green Revitalization Program (HGRP)

**Organization:** The International Finance Corporation (IFC)

**Scale:** Global

**Type of Innovation:** Traditional, and Risk mitigation

**Type of instruments:** Capacity Building, Debt, Aggregation, Risk guarantees

**Summary:**

The International Finance Corporation (IFC) is rolling out the Hotel Green Revitalization Program (HGRP), which is a global program designed to support retrofit greening of hotels post-pandemic with support from the financial sector. This program is available across all emerging market countries.

The HGRP is designed to provide much-needed incentives and technical assistance to support hotel's green retrofit. The IFC program provides risk mitigation that incentivizes financial institutions across emerging markets and hotels to undergo green retrofits over the eight-year life of the facility. Alongside financial assistance, IFC will provide access to its newly updated EDGE 3.0 tool, which allows green retrofit buildings to be certified as climate friendly. Hotels can also be certified by other globally recognized certifications such as LEED or GreenStar as long as they meet the minimum requirement of 20% energy and water efficiency.

**Source:** World Tourism Organization [2022].

**Table 4.3: Case Study: Africa Conservation and Community Tourism Fund (ACCT)**

## Africa Conservation and Community Tourism Fund (ACCT)

**Organization:** ThirdWay Partners

**Scale:** Sub-Saharan Africa countries.

**Type of Innovation:** Results-based finance instruments

**Type of instruments:** Results-based funding, Debt, Payments for ecosystem services [PES]

**Summary:**

ThirdWay Partners is the manager and general partner of the Africa Conservation and Community Tourism Fund (ACCT). ThirdWay vision is the creation of a sustainable future for critical wilderness areas in Africa, through combining the best practices of local communities, businesses, government, and investors.

The ACCT investment thesis is oriented in preserving livelihoods and conservation areas through investments towards tourism operators and other tourism businesses in Sub-Saharan Africa. The ACCT Fund is designed with the intent to establish a significant and measurable impact for people, landscapes, and wildlife through the creation of innovative financing solutions that support tourism businesses throughout their financial lifecycle to deliver economic, social and environmental returns.

The successful sustainability strategies might include supporting identified conservation areas, or national parks. With the ultimate purpose to promote employment opportunities for local communities in a sustainable way other strategies may involve, enabling business models that serve the empowerment of local communities, growing infrastructure that serve demanding markets, and stimulating law enforcement efforts that increase government action towards conservation efforts. In the first stage, the ACCT Fund is targeting the following countries: Botswana, Kenya, Namibia, Tanzania, South Africa, and Zambia.





#### 4.4. Digitalization and entrepreneurship

The restrictions to mobility, trade and activities enforced to contain the COVID-19 pandemic triggered the most severe global downturn. Nearly all firms and sectors were, directly or indirectly, affected but small and medium-sized enterprises [SMEs] were hit particularly hard. Specifically, SMEs within the tourism value chain were severely affected – e.g. food and accommodation services. Many businesses had to consequently cease their operations. Among those that were

able to continue operations, saw significant falls in revenue and faced severe liquidity shortages as a result.

According to World Bank Group reports, the COVID-19 crisis severely impacted the country's tourism sector. The disruption of global travel and tourism activities resulted in detrimental job losses and business closures. Between 2019 and 2020, the United Republic of Tanzania

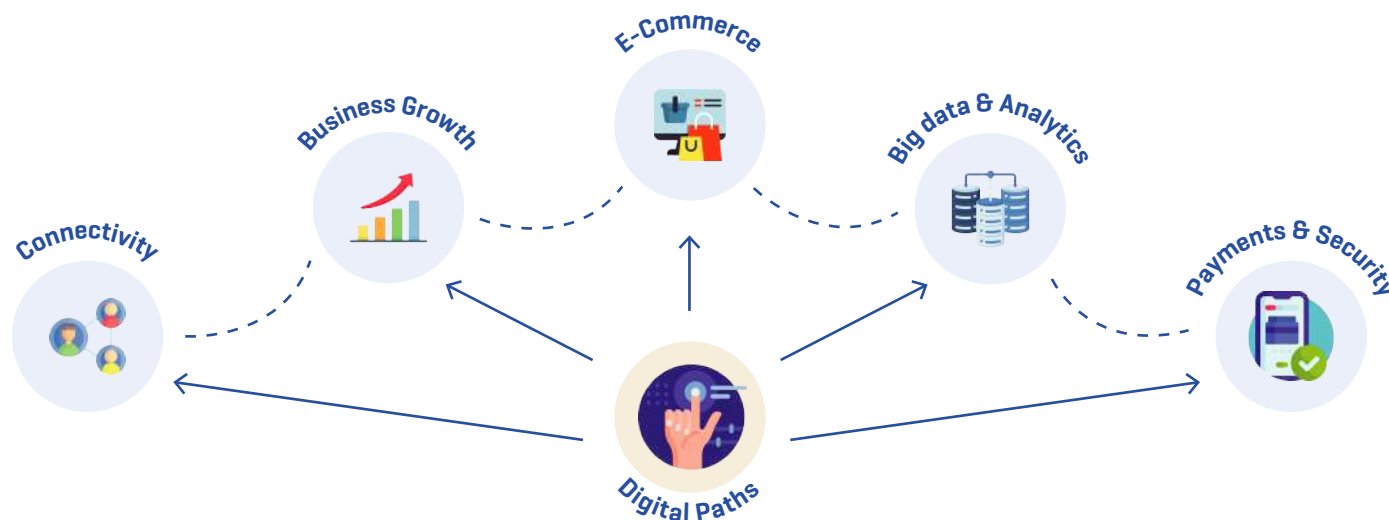
experienced a 72% drop in tourism revenue and the full consequences on employment and SMEs are still unknown. Furthermore, Zanzibar's economy has been particularly impacted by the COVID-19 crisis. Occupancy rates were close to zero and the number of tourist arrivals plunged from 173,842 in Q3 2019 to 12,867 in Q3 2020, affecting directly or indirectly an estimated 850,000 jobs in the mainland and another 60,000 jobs in Zanzibar that were linked to the tourism sector.<sup>61</sup>

Yet, as the largest East African economy but one of the least integrated in the global value chains (GVC), the United Republic of Tanzania has been largely insulated from the effects of the pandemic. This may result in the reconfiguration of international supply chains and investments, which would affect SMEs either directly or indirectly through their supply chain and buyer-supplier networks. Since many SMEs often not only rely on specific inputs that are difficult to substitute but also sell products where substitutes are difficult to find during lockdowns, these businesses suffered product shortages and price volatility. To build resilience, many SMEs will have to invest in diversifying their sourcing and production locations<sup>62</sup>

Consequently, SMEs are required to innovate and increase their resilience to shocks. In this context, digitalization can help improve business processes and flexibility. Many SMEs have been experimenting with innovative forms of distribution in their supply of goods and services, often leveraging digitalization tools. Since the beginning of the COVID-19 pandemic extensive surveys have been conducted worldwide that emphasize a rapid uptake of digital sales channels among SMEs and underline an acceleration in their digital transformation journey.

For this purpose, UNWTO has developed the Digital Futures Programme for SMEs to accelerate the economic recovery of the tourism sector by scaling up innovative SMEs to unleash digital technologies, thereby creating jobs and enhance future resilience in the linkages of the tourism value chain post COVID-19.<sup>63</sup> SMEs in developing economies often lag the capacity to undertake digital technologies and these businesses are less likely to adopt new digital business practices.<sup>64</sup> Hence, SMEs must be better prepared for the digital transition and must apply strategies to upskill and train their employees.

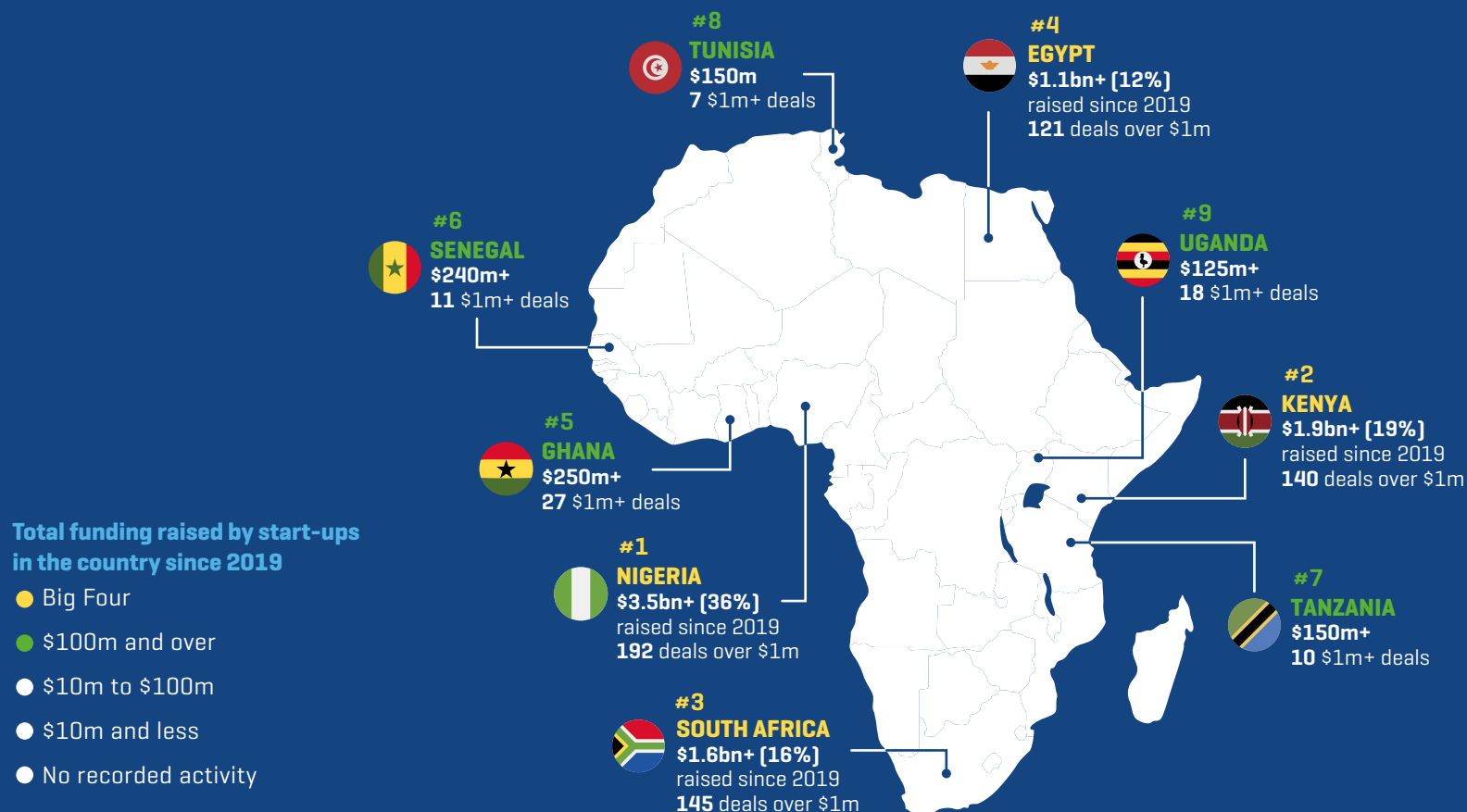
Figure 4.7: Digital Paths Structure



World Tourism Organization [2021].

To increase the productivity and resiliency of SMEs in the tourism value chain, the Digital Futures Programme will be implemented and organized based on 5 Digital Paths. The purpose is focused on accelerating the adoption of digital technologies among SMEs.<sup>64</sup> The paths have been based on different reports from UNWTO and other organizations that identified gaps in digital fluency and skills shortages, and needs across different tourism subsectors.<sup>66</sup>

Finally, the venture capital investments in Africa continue to grow. In fact the 'Big Four' are attracting most of the investments on the continent: start-ups in Nigeria, Kenya, South Africa and Egypt have raised 83% of all the funding and signed 78% of all USD 1 million + deals since 2019. Nigeria is leading with an average of one deal announced every week since 2019 [192 in total], almost twice as much as its runner-up Kenya. Among the most active investors in Africa in 2021, Launch Africa is leading in terms of number of deals and investments announced. Indeed, Launch Africa announced a total of 67 deals with 13 countries last year.<sup>67</sup>

**Figure 4.8: Total funding raised by startups Africa since 2019**

**Note:** Venture capital investments as of April 2022. As May 1st, 2022, considering deals from USD 1 million (2019 – 2020) and above USD 100,000 (2021).

**Source:** Max Cuvellier and Mazime Bayen (2022), based on publicly disclosed and shared confidentially by selected investors.

**Disclaimer:** The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of UNWTO or that of the United Nations concerning the legal status of any country, territory, city, or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.



Innovations of the United Republic of Tanzania represented in investments reached only 1.6% in 2020 which accounts for approximately 2% of the total raised in 2021. Placing the country in the top seven countries receiving more than USD 150 million, from which USD 90 million was raised by the energy company Zola alone. Nevertheless, the country is gaining traction and has raised over USD 60 million since 2019. Moreover, when considering travel and tourism innovations, it reached more than 34 innovations. Figure 4.0 represents the startups as part of the travel space and displays a positive sign for the country to support the travel tech space by developing programmes to support innovators and strengthen the entrepreneurial ecosystem beyond the traditional SMEs.

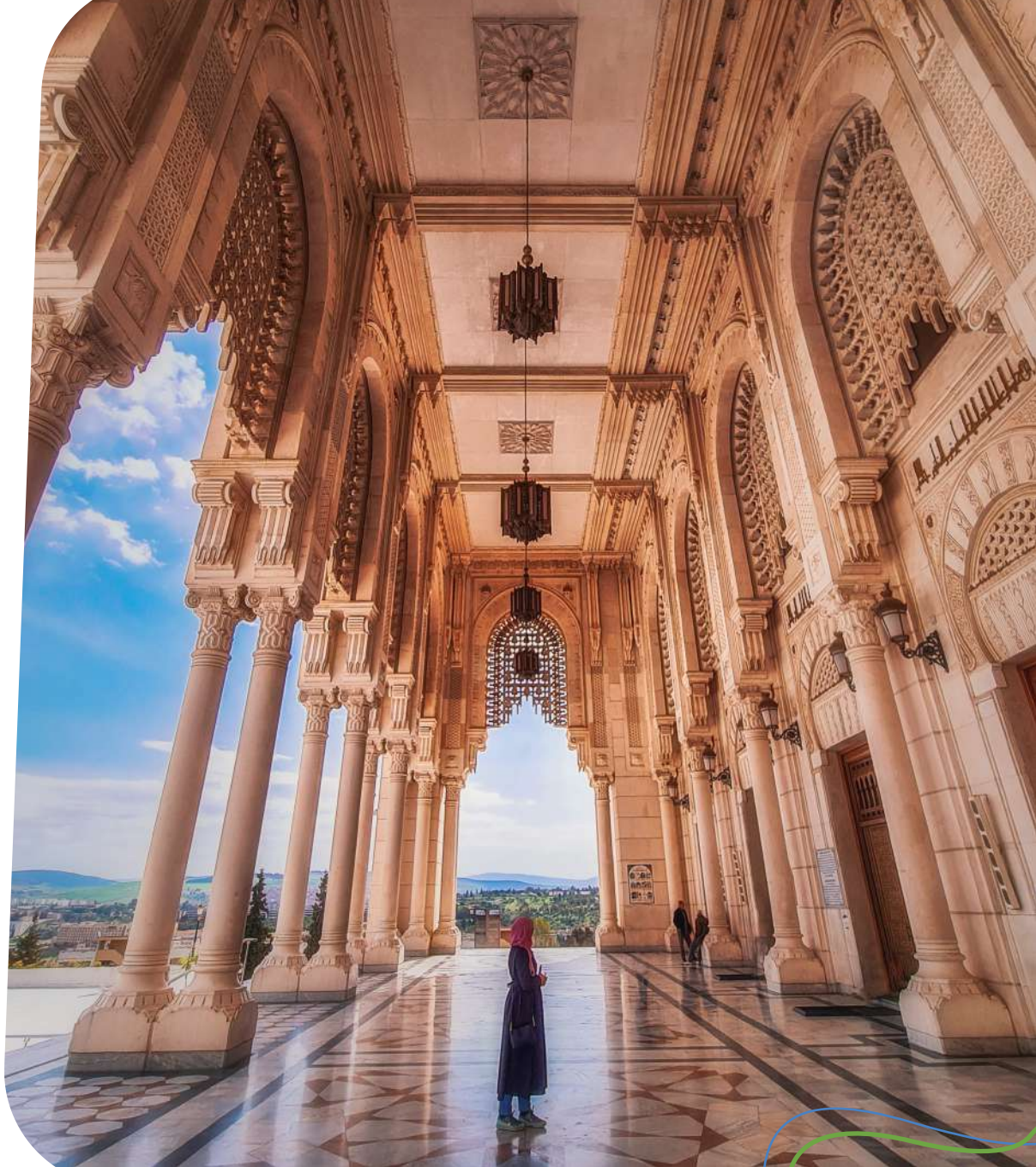
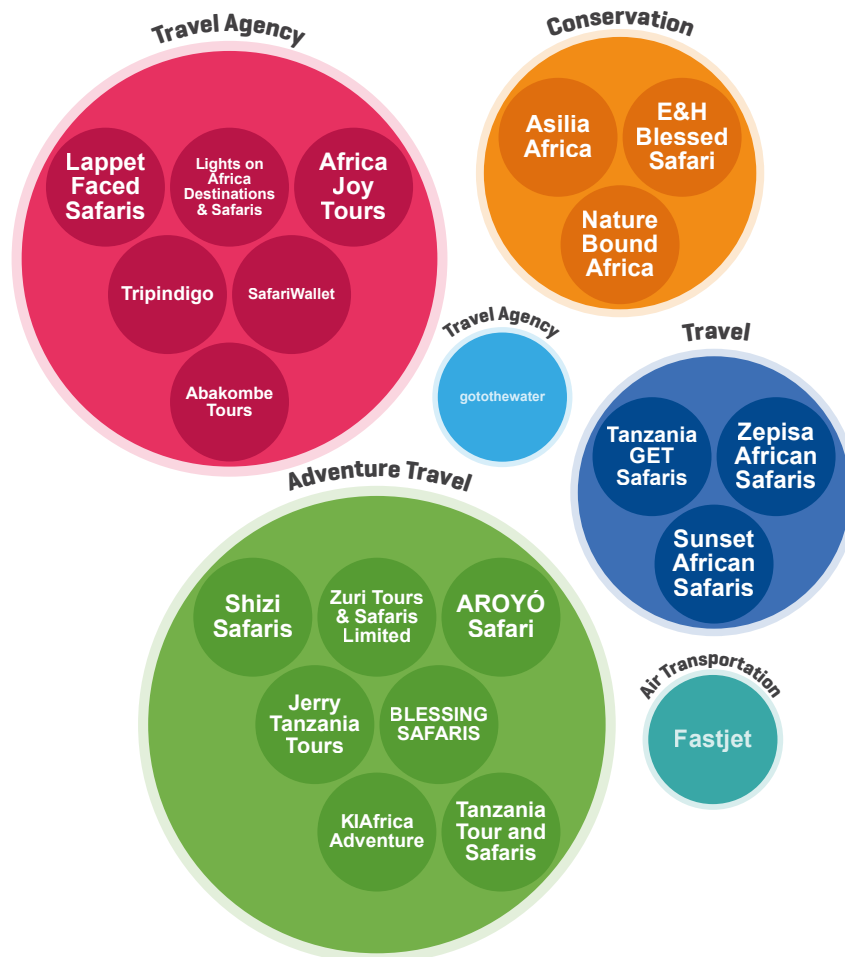


Figure 4.9: Travel and tourism startups in the United Republic of Tanzania



**Note:** Considering main travel tech investments by subsectors.

**Source:** World Tourism Organization [2022], based on Crunchbase analysis [from 2000–2022].



## 4.5. Portfolio of tourism investment opportunities

The Ministry of Natural Resources and Tourism (MNRT) provided the following tourism projects. These projects have been recorded by the Tanzania Investment Centre (TIC) and the Zanzibar Investment Promotion Authority (ZIPA) in the recent years and prove relevant for investment opportunities and employment generation. The below project catalogue is a filtered and prioritized list of projects that allow strategic investments in the country's tourism sector.

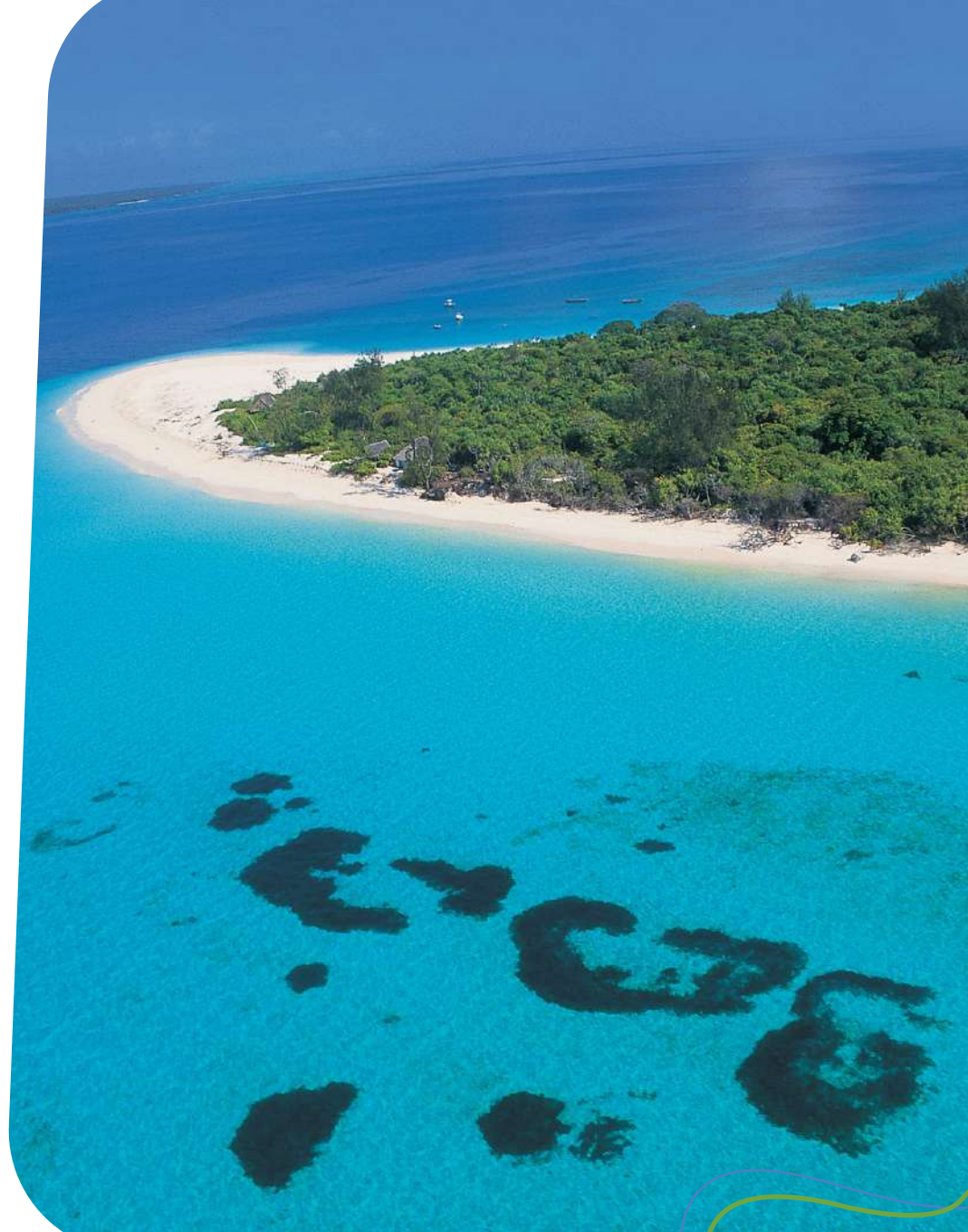


Table 4.4: Prioritized projects pipeline

# 1. Formula one Development Bwawani Hotel

## Zanzibar Investment Promotion Authority (ZIPA)

### Modality

Public-Private Partnership

### Location

Zanzibar, West

### Project information

The project involves the financing, design, reclamation, construction, preservation and development works within the Bwawani Hotel area, a 260+ hectares prime area suitable for a mix of high end real estates, high class hotels, apartments, water front, water sports and other facilities. The development is intended to accommodate urban-lover-residents- in luxury condominium towers and villas perched atop a dynamic stone town-waterfront-retail promenade.

The proposed development to include a Formula one Grand Prix sport- Formula One [also known as Formula 1 or F1] is the highest class of international racing for · A · Formula One cars.

### Estimated Investment Size (USD)

260,000,000

### Status

Concept note prepared





## 2. Bikhole Integrated Recreational Centre

### Zanzibar Commission for Tourism (ZCT)

#### Modality

Public-Private Partnership

#### Location

Zanzibar, South

#### Project information

Bikhole ruins and estate are located at the seashore in South District at Bungi about 23km from the Zanzibar Town. The project aims to enhance the tourism's sector's services and enable a wider participation in the tourism value chain. Especially regarding the management, development and commercialization of Zanzibar's heritage sites

**Component: 1:** Development of recreation infrastructure [564,817 USD]

**Component 2:** Development of Service infrastructure [962,910 \$USD]

**Component 3:** Marina and Nautical tourism development [994,945 \$USD]

#### Expected benefits of the project;

- Increased incomes through improved management of heritage resources through increased quality and added value from improved service delivery.
- Reduced vulnerability to external shocks through diversification of tourism; diminished market risks through mutually beneficial private sector and community partnerships; and stabilization, and where possible, reversal of current trends in heritage resources degradation and productivity.
- Increased Government"

#### Estimated Investment Size (USD)

2,522,672

#### Status

Concept note prepared



# 3. Botanic Garden and Miniature

## Ministry of Tourism and Heritage

### Modality

PPP

### Location

Zanzibar, West

### Project information

This project is dedicated to the collection, preservation and display of a diverse and wide range of plants, which are typically labelled with their botanical names. In addition to that, the garden will host a Miniature display, showcasing the rich architectural heritage and nature of Zanzibar.

### The project includes:

- Botanic garden
- Museum
- Art gallery
- Venues for hire
- Library
- Research centre"

### Investment Size USD

TBD

### Status

Concept note prepared



## 4. Investment site for Eco lodges and tented camp establishment – Magamba Nature Forest Reserve

### Tanzania Forest Services Agency (TFS)

#### Modality

Private

#### Location

Magamba Nature Forest Reserve, Tanga Region

#### Project information

Development of Eco lodges and permanent tented camps in the Magamba Nature Forest Reserve

Ukubwa wa Eneo/ Size of the project area includes: two Eco-lodge sites with capacity of 25 beds each and two permanent tented camp sites with capacity of 30 beds each are available for investment. The actual project area sizes to be determined basing on the limits of acceptable change of the site environment and ecology.

Maelezo mafupi ya Mradi: Tanzania Forest Services Agency anticipates to allocate investment sites on concession basis to potential investors for development of Eco lodges and permanent tented camps inside Magamba Nature Forest Reserve areas. The reserve is part of the Eastern Arc Mountains which is listed as Biodiversity 'Hot spot' due to presence of endemic flora and fauna. The reserve has remarkable Eco-tourism attractions and places suitable for various ecotourism activities and the area also is source of waters for vegetable irrigation in vegetable farms for 21 adjacent villages. Road access to the sites have been improved for easy investment. The project is expected to continue conserving flora and fauna at Magamba NFR, generate income for Government and improve livelihoods of local communities in 21 villages surrounding the forest through participation in the project for various activities. Minimum of 420 employments [average of 20 people from each of 21 adjacent villages] are expected to be created through direct and indirect employments, where 200 are women and 220 youth.



**Estimated Investment Size (USD)**

TBD

**Status**

Conceptual Design/Idea



# 5. 4-star Airport Hotel

## Tanzania Airport Authority (TAA)

### Modality

Public-Private Partnership

### Location

Julius Nyerere International Airport, Dar es Salaam Region

### Project information

The project involves the financing, design, reclamation, construction, preservation and development works within the Bwawani Hotel area, a 260+ hectares prime area suitable for a mix of high end real estates, high class hotels, apartments, water front, water sports and other facilities. The development is intended to accommodate urban-lover-residents- in luxury condominium towers and villas perched atop a dynamic stone town-waterfront-retail promenade.

The proposed development to include a Formula one Grand Prix sport- Formula One [also known as Formula 1 or F1] is the highest class of international racing for · A · Formula One cars.

### Estimated Investment Size (USD)

**37,384,815**

### Status

Feasibility Study and Preliminary Engineering Design reviewed and approved by Tanzania National PPP Steering Committee.





## 6. Lodges construction in Kakesio Rift Valley Ngorongoro Conservation Area Authority [NCAA]

### Modality

Private

### Location

Ngorongoro Conservation Area, Arusha Region

### Project information

The Ngorongoro Conservation Area Authority intends to allocate investment sites to potential investors for construction, development and management of lodges within the Ngorongoro Conservation Area. The investment sites are allocated for concessions on "as is, where is" basis and the Authority shall have no further liability during the concession period.

### Construction of a permanent tented lodge will include:

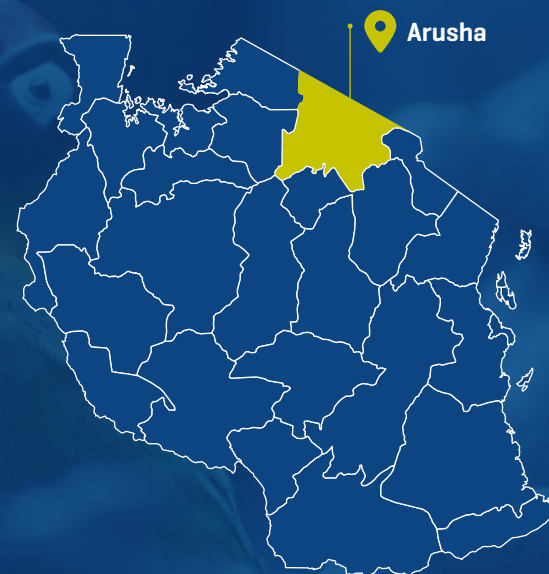
- Plot size: 40500 m<sup>2</sup>
- 80-100 Beds
- View of the rift valley and the Eyasi Basin
- Site is accessible through the planned Kakesio-Ngorongoro Road"

### Estimated Investment Size (USD)

TBD

### Status

Conceptual Design/Idea



# 7. Rungwa-Inyonga

## Tanzania Wildlife Management Authority (TAWA)

### Modality

Private

### Location

Singida/Mbeya Regions

### Project information

This project is consider part of the special wildlife investment concession areas [swica].

Size: 2176 sqm.

No more Information provided

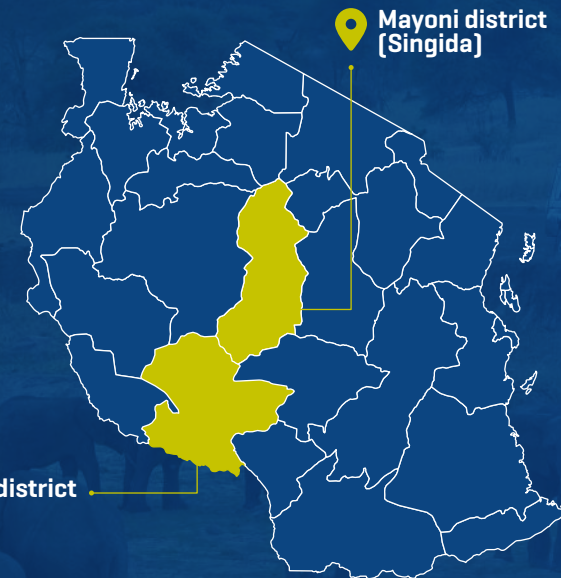
### Estimated Investment Size (USD)

Estimated

USD 10 - 50 million

### Status

Conceptual Design/Idea



## 8. Selous MT2, MLI, MHJI, MHJ2

### Tanzania Wildlife Management Authority (TAWA)

#### Modality

Private

#### Location

Selou Game Reserve, Lindi Region

#### Project information

These are 4 projects [ MT2, MLI, MHJI, MHJ2] in the Selous Game Reserve. The projects are consider part of the special wildlife investment concession areas [swica].

Size MT2:1965 m2

Size MLI: 788 m2

Size MHJI: 918 m2

Size MHJ2: 1242 m2

No more Information provided

#### Estimated Investment Size (USD)

Each Project is estimated  
USD 10 - 50 million

#### Status

Conceptual Design/Idea





# 9. Lodge with 80 beds

## Tanzania National Parks (TANAPA)

### Modality

Private

### Location

Mkomazi National Park, Tanga Region

### Project information

It is an accommodation facility investment opportunity for a lodge with a maximum capacity of 80 beds.

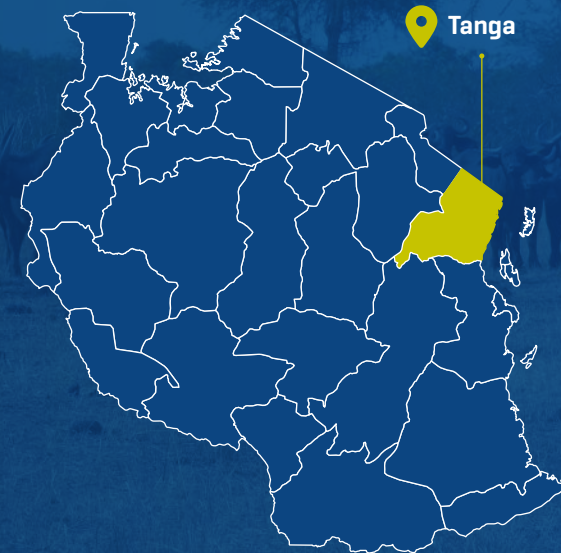
The project when implemented will support the community through provision of employment and the government through park related revenue

### Estimated Investment Size (USD)

TBD

### Status

Conceptual Design/Idea





# 10. Construction of a Permanent Tented Camp

## Tanzania National Parks (TANAPA)

### Modality

Private

### Location

Rubondo Island National Park, Geita Region

### Project information

This is the special area within the park for construction of a permanent tented camp with a Maximum bed capacity of 30 beds.

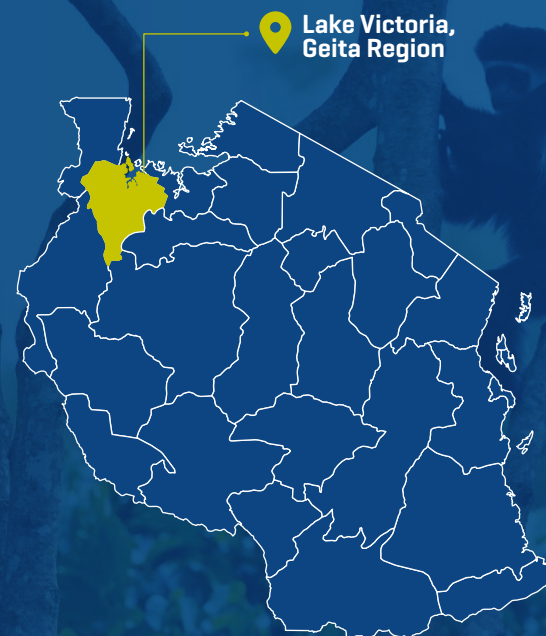
The project when implemented will support the community through provision of employment and the government through park related revenue

### Estimated Investment Size (USD)

TBD

### Status

Conceptual Design/Idea











## 4.6. Steps to open a business for foreign investors

In striving to achieve the desired level of improving the business and investment environment in the United Republic of Tanzania, both the Tanzania Investment Centre (TIC) and Zanzibar Investment Promotion Authority (ZIPA) facilitate investors to process the required authorizations permits and licenses through the One Stop Facilitation Centre inside the TIC and ZIPA's buildings.

When investing in the Republic of Tanzania mainland, investors must apply through the Tanzania Investment Centre (TIC) and they will be required to submit the following basic documents in order to start the registration of the investment application process.

## Investment procedure to invest in the mainland of the United Republic of Tanzania

### STEP 01



#### Copy of the project's Business Plan:

Project should aim at foreign exchange generation and savings, creation of employment opportunities, linkage benefits, transfer of technology, expansion of production of G&S.

### STEP 02



#### Copy of the project's Feasibility Study, study contains among others:

- Statement of the project objective
- Information regarding the investor
- Details of investment costs
- Details how the proposed investment will be financed and the specific sources[s] of finance
- Project financial projections at least for the next five years
- Market study
- Environmental impact assessment
- Expected employment generation

### STEP 03



Project owner must file an **application form** from the Tanzania Investment Centre (TIC)

By registering with TIC an investor will be eligible to enjoy fiscal and non- fiscal incentives.



STEP  
**04**



A copy of the **company's Memorandum and Articles of Association**

STEP  
**05**



A certified copy of the **Certificate of company incorporation**

STEP  
**06**



Evidence of **sufficient finance capital** available to implement the project.

STEP  
**07**



**Evidence of land ownership** for the location of the project  
Depending on the project, a certified lease agreement of minimum of 3 years or certified copy of title deed must be presented.

STEP  
**08**



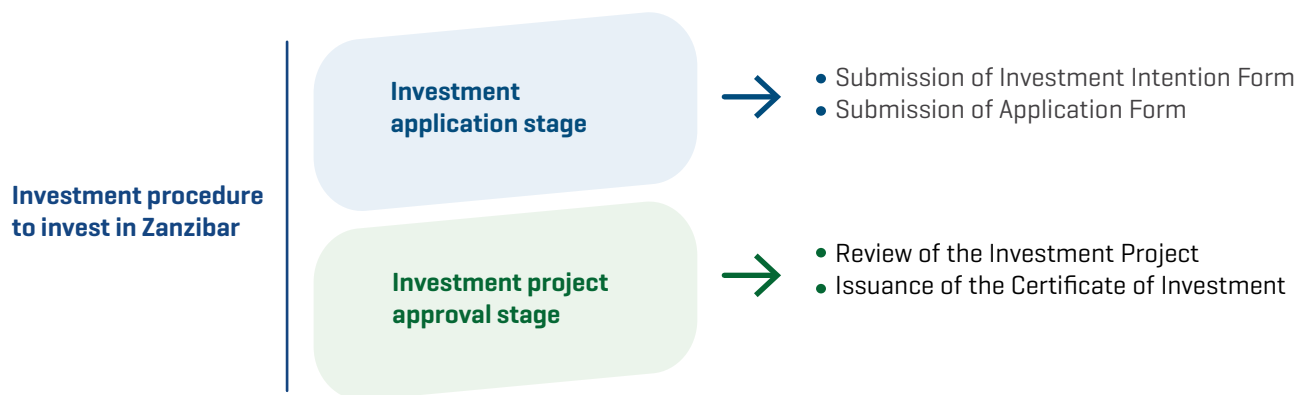
**Company Board Resolution** to register the project with TIC

STEP  
**09**



**Receipts of payment of USD 1,100** which include the cost of the TIC application form and Certificate of Incentives

Likewise, when investing in the Zanzibar region investors, both foreign and Tanzanian nationals, shall apply through the Zanzibar Investment Promotion Authority (ZIPA) for the Certificate of Investment (CI). There are two main steps towards receiving the CI:



Furthermore, depending on the type of project and subsector, there are other important organizations any investor in the mainland and Zanzibar may need to register, this includes but are not limited to:

- **Ministry of Natural Resources and Tourism (MNRT);**
- **Tanzania National Parks (TANAPA);**
- **Ngorongoro Conservation Area Authority (NCAA);**
- **Tanzania Wildlife Authority (TAWA);**
- **Tanzania Forest Services (TFS); and**
- **Zanzibar Commission for Tourism.**

**Table 4.5: Key organizations that support tourism investments [Who is Who]**

Key organizations that support tourism	City	Website
Ministry of Natural Resources and Tourism	Dodoma	<a href="http://www.maliasili.go.tz">www.maliasili.go.tz</a>
Tanzania Tourist Board	Dar Es Salaam	<a href="http://www.tanzaniatourism.go.tz">www.tanzaniatourism.go.tz</a>
Tanzania National Parks (TANAPA)	Arusha	<a href="http://www.tanzaniaparks.go.tz">www.tanzaniaparks.go.tz</a>
Ngorongoro Conservation Area Authority (NCAA)	Arusha	<a href="http://www.ncaa.go.tz">www.ncaa.go.tz</a>
Tanzania Wildlife Authority (TAWA)	Morogoro	<a href="http://www.tawa.go.tz">www.tawa.go.tz</a>
Tanzania Forest Services (TFS)	Dar Es Salaam	<a href="http://www.tfs.go.tz">www.tfs.go.tz</a>
Zanzibar Commission for Tourism	Zanzibar	<a href="http://www.zanzibartourism.go.tz">www.zanzibartourism.go.tz</a>
Tanzania Investment Centre (TIC)	Dar Es Salaam	<a href="http://www.tic.go.tz">www.tic.go.tz</a>
Zanzibar Investment Promotion Authority (ZIPA)	Zanzibar	<a href="http://www.zipa.go.tz">www.zipa.go.tz</a>



# 05

## CONCLUSIONS AND RECOMMENDATIONS

- The United Republic of Tanzania has been attracting international investments and increasing its inflows in the last decade, which positioned the country among one of the top destinations for tourism investments in the African continent. However, the country should continue implementing its efforts to improve its business enabling environment. This might involve strengthening institutions, regulations, policies, and transparency frameworks that facilitate the attraction and promotion of investment inflows towards the tourism sector and its value chain. Consequently, it will improve the country's investment climate and encourage the development of strategic partnerships between government, and the private sector.
- The opportunity to develop a renewed value proposition based on the country's attributes around its rich biodiversity, wildlife attractions, and cultural resources might create strategic investment opportunities for conservation, climate finance, and green investments. This might increase the country's competitiveness; on one hand by promoting and mobilizing international and private investments; and on the other hand, by improving the country's regulatory mechanisms and incentives concerning climate change mitigation and adaptation as well as conservation efforts. The latter will help foster green investments to ensure the environmental, social, and economic development of its destination and safeguard its natural and cultural resources.
- Finally, the United Republic of Tanzania might consider developing new incentives and investment mechanisms to strengthen and expand its tourism value chain and supply of tourism services. Given that the tourism value chain has been growing in recent years but also was severely impacted by COVID-19, digitalization, and innovation, particularly of SMEs, are critical to upskill the tourism sector's workforce. Indeed, SMEs build the backbone of the tourism ecosystem and represent an important economic sector especially in Zanzibar. Moreover, the United Republic of Tanzania may also promote programs and opportunities for innovations through the incorporation of travel and tourism startups to facilitate the diffusion of new technologies and increase inflows of new capital for diversification.

- The opportunity to develop a renewed value proposition based on the country's attributes around its rich biodiversity, wildlife attractions, and cultural resources might create strategic investment opportunities for conservation, climate finance, and green investments. This might increase the country's competitiveness; on one hand by promoting and mobilizing international and private investments; and on the other hand, by improving the country's regulatory mechanisms and incentives concerning climate change mitigation and adaptation as well as conservation efforts. The latter will help foster green investments to ensure the environmental, social, and economic development of its destination and safeguard its natural and cultural resources.
- The United Republic of Tanzania might consider developing new incentives and investment mechanisms to strengthen and expand its tourism value chain and supply of tourism services. Given that the tourism value chain has been growing in recent years, it was also severely impacted by the pandemic. In this context, SMEs have been increasing the use of digital technologies. The COVID-19 became an unexpected catalyst for innovation and the integration of new technologies into the tourism sector. Contactless technologies, including biometrics, are rapidly becoming a prerequisite for a safe and seamless travel experience. Therefore, the Tanzanian government could take measures to support SMEs to adjust to this transition by providing digital-skills training, enabling digital infrastructure, establishing online payment mechanisms, tightening cybersecurity laws, and creating or expanding innovation funds to incentivize the development of new digital products and business models.
- Finally, as digitalization programs are established. The United Republic of Tanzania may consider supporting particularly young people, which are critical to upskill the tourism sector's workforce. Indeed, entrepreneurs and SMEs build the backbone of the tourism ecosystem and represent an important economic sector especially in Zanzibar. Moreover, the United Republic of Tanzania should also promote programs to support and incentivize entrepreneurship programs and generate opportunities for innovations through the incorporation of travel and tourism startups to facilitate the diffusion of new technologies and increase inflows of new capital for diversification beyond the traditional investments.



## ENDNOTES

1 Information collected from “country sheet tool” provided by the country focal point authorities

2 Tanzania National Bureau of Statistics [2021]

3 African Development Bank [2022], Africa Economic Outlook 2022, AfDB [online], available at: <https://www.afdb.org/en/knowledge/publications/african-economic-outlook> [20-08-22].

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5 World Bank Group [2021], Transforming Tourism : Toward a Sustainable, Resilient, and Inclusive Sector, World Bank Group, Washington, D.C. [online], available at: <https://documents1.worldbank.org/curated/en/794611627497650414/pdf/Transforming-Tourism-Toward-a-Sustainable-Resilient-and-Inclusive-Sector.pdf> [20-08-22].

6 Information collected from “country sheet tool” provided by the country focal point authorities.

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