Tanzania

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INTRODUCTION:

Relative to other sub-Saharan sovereign states, Tanzania has implemented the structural underpinnings necessary to sustain economic and social stability and attract needed resources required to develop its physical infrastructure. While it is still counted amongst the world's poorest economies, Tanzania's government is taking important steps towards affected substantial change.

History of the country:

The United Republic of Tanzania is a sovereign state in central East Africa bordered by Kenya and Uganda to the north, Rwanda, Burundi and the Democratic Republic of the Congo to the west, and Zambia, Malawi and Mozambique to the south. The country's eastern borders lie on the Indian Ocean.

What is now the United Republic of Tanzania was formerly a German colony from the 1880s through 1919. Following World War I, a League of Nations charter ceded the territories that would become united as Tanzania to Britain.

British governance over these territories came to an end in 1961 after a relatively peaceful transition to independence. In 1953, Julius Nyerere was elected president of Tanganyika African Association (TAA). Soon after independence, Nyerere's government began to rule from the left. The Arusha Declaration codified the country's commitment to Pan-African Socialism. After the Declaration, banks and many large industries were nationalized.

In 1964, the island of Zanzibar merged with mainland Tanganyika to form the nation of Tanzania. After the fall of commodity prices and the sharp spike of oil prices in the late 1970s, Tanzania's economy took a turn for the worse. As a socialist nation, Tanzania aligned with China and sought Chinese aid in carrying forward Tanzania's agenda. The Chinese complied, but with the catch that all proposed projects utilize imported Chinese labor. This was coupled with the fact that Tanzanians' forced relocation onto collective farms greatly disrupted its agricultural efficiency and output. As a result of forced relocation, Tanzania turned from a nation of struggling sustenance farmers into a nation of starving collective farmers.

Tanzania's socialist underpinnings began to dislodge in the 1980s. In the mid-1980's, the Tanzanian government agreed to accept conditional loans from the International Monetary Fund and to undergo a "Structural Adjustment," which entailed the large-scale liquidation of its public sector and the deregulation of its financial and agricultural markets.

From the mid 1980s through the early 1990s Tanzania's GDP grew modestly, but Human Development Indexes fell and poverty levels increased.

In 2005, Tanzania's current president, Jakaya Kikwete took office. During Kikwete's tenure over 1,500 new schools have been build, a new university has been constructed and policies, which further the country's domestic capital markets, domestic revenue collection and infrastructure development have been strengthened. These successes have led to the commitment of aid and to increased international support for additional improvements to this once socialized country.

In 2007, Tanzania received an US government grant of US$700million under The Millennium Challenge Account assistance program. The UK government also donated an additional US$500 million for education. Finally, in 2007, the Africa-America Institute (AAI) awarded Tanzania the Africa National Achievement Award.

Most important industries:

Tanzania is in the bottom ten percent of global economies in terms of per capita income. The World Bank, the IMF, and bilateral donors have provided funds to rehabilitate Tanzania's out-of-date economic infrastructure and to alleviate poverty.

Agriculture output accounts for more than 40% of GDP, provides 85% of exports, and employs 80% of the work force[1]. Tanzania's agro-business grew at five percent in 2007 and is projected to continue growing around 5% for the next couple of years.[2] However, desertification of the region has affected the country's topography and seasonal climate. As a result, cultivated agricultural crops now account for only about 4% of the available land area.

Although agriculture continues to dominate, growth across Tanzania's service sector has increased in the last few years relative to agriculture. Tourism, real estate and business services helped the broader service sector grow to an estimated 43.8 percent of Tanzania's GDP in 2007.

Tanzania also has robust natural resources including gold and natural gas. Since early 2000, the country has invested in infrastructure to extract domestic commodities of natural gas, which is now piped into the country's commercial capital, Dar Es Salaam, and exported to various markets overseas. Industrial production (including manufacturing, mining and quarrying) grew by approximately 9.2 percent in 2007 and was projected to grow by nearly 10 percent in 2008.

Continued investment in infrastructure is critical to continued macro-level stability. Roughly 60 percent of Tanzania's electricity supplies are generated by hydroelectric facilities and recent drought conditions have critically handicapped electricity generation. During 2006,

[1] URL: https://www.cia.gov/library/publications/the-world-factbook/geos/tz.html
[2] African Development Bank. "African Economic Outlook 2008," 2008

Tanzania had to ration power due to a shortfall of generated power[3]. The country has plans to increase gas- and coal-fueled generation capabilities, but these plans take years to implement and are capital intensive.

As this paper will demonstrate, Tanzania's government is focused upon finding ways to finance larger scale infrastructure projects through public and private sources, as well as domestic and foreign outlets for financing.

Economic stability:

Tanzania's economy has shown stable GDP growth during the past few years. Annual growth of approximately 6-7% was projected in 2007. In 2008, GDP growth accelerated to 7.1 percent; however, negative impacts associated with the global recession will likely affect this growth trajectory[4]. The governor of Tanzania's Central Bank, Benno Ndulu, expects GDP growth to slow to 5-6% in 2009 as a result of downward pressure from the country's tourism and natural resource industries[5].

Recent public sector and banking reforms have helped to increase economic stability and to encourage private-sector growth and investment. Since February 2007, Tanzania has been working with the IMF to implement a three-year IMF Policy Support Instrument (PSI). As an IMF-supported country, Tanzania is subject to IMF surveillance but no longer requires IMF lending.

Fiscal Policy:

Over 65 percent of the government's spending for 2007-2008 was directed towards the country's IMF-sponsored Poverty Reduction Strategy – the National Strategy for Growth and Reduction of Poverty (NSGRP). Government expenditures have also increased over the past several years thanks to consistent revenue collection.

Tanzania has established a modern tax system for taxation with a limited number of taxes and a broad revenue base. As a result, the country has made substantial progress in boosting domestic tax revenues. In this regard, levels of domestic revenue mobilization are now comparable with other countries in the region. Domestic revenues now account for 16.8 percent of GDP which is up from 11 percent of GDP in 2002-03.[6] The contribution of Tanzania's Large Tax Department (LTD) has set an important performance benchmark for similar tax

[3] http://www.tic.co.tz/IPA_Information.asp?hdnGroupID=26&hdnLevelID=2
[4] African Development Bank. "African Economic Outlook 2008," 2008
[5] "Country Report – Tanzania," Economist Intelligence Unit, March 2009
[6] Ter-MInassian, T., Hughes, R. Hajdenberg, A. "Creating Sustainable Fiscal Space for Infrastructure: The Case of Tanzania" *International Monetary Fund, IMF Working Paper 08/256,* 2008

agencies being established elsewhere in the region. The Tanzanian Revenue Authority's latest corporate business plan sets itself the objective of further increasing the revenue-to-GDP ratio to at least 20 percent over the medium-term.

In 2007-08, government spending accounted for approximately 25-28 percent of GDP[7]. Additional spending is expected thanks to consistent revenue collection and consistent GDP growth. Between 2001-02 and 2007-08[8]:

Domestic revenue mobilization has increased by 50 percent from 11 percent to 16 percent of GDP

External grants have doubled as a share of national income from 3.9 percent to 7.8 percent of GDP

External financing on concessional terms, has more than trebled from 1.4 percent to 4.1 percent of GDP

Bilateral and multilateral debt relief has reduced the country's annual external debt-servicing obligations by between 0.5 and 1.0 percent of GDP

Despite these favorable trends which support increases in government spending from sources other than foreign aid/debt, current levels of domestic revenues and external aid inflows are still not high enough for sustainability without significant international subsidies. Accordingly, there is scope for further increasing "fiscal space" along each of these dimensions above.

Foreign Aid:

As a result of recent aid and debt relief (under the HIPC and MDRI initiatives), the NPV of Tanzania's external debt has fallen from approximately 70 percent of GDP in the late 1990s to about 15 percent of GDP today.[9] Recent debt sustainability analysis conducted by the IMF and The World Bank suggest that Tanzania's overall sovereign debt burden of approximately 30 percent of GDP is sustainable and will not impact forward looking growth estimates.

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[7] African Development Bank. "African Economic Outlook 2008," 2008

[8] Ter-MInassian, T., Hughes, R. Hajdenberg, A. "Creating Sustainable Fiscal Space for Infrastructure: The Case of Tanzania" *International Monetary Fund, IMF Working Paper 08/256,* 2008

[9] Ter-MInassian, T., Hughes, R. Hajdenberg, A. "Creating Sustainable Fiscal Space for Infrastructure: The Case of Tanzania" *International Monetary Fund, IMF Working Paper 08/256,* 2008

Public and Private Investment:

Investment, as a share of GDP, has been rising given the government's continued focus on infrastructure development. In 2006, investments comprised 8 percent of Tanzania's GDP – up from 3.4 percent in 1999[10].

Private investment has also been rising thanks to easier accessibility to bank credit and increases in foreign capital inflows. According to the Tanzania Investment Center (TIC), foreign direct investment was approximately USD$475 million in 2006. At the time, TIC further estimated that total 2007 foreign aid/investments would rise to $550 or about 3 percent of GDP.[11] At the end of the 2007, these estimates were surpassed. The US government's Millennium Challenge Corporation committed approximately US$700 million to improve the country's transport network, secure reliable supplies of energy and expand access to safe drinking water.[12] The United Kingdom also committed US$500 million in social welfare aid to support education and health initiatives in the region. However, as a result of the global recession, new inflows of foreign investment and aid are expected to decrease.

Findings from the 2007-08 Global Competitiveness Report[13] underscore the importance of building out Tanzania's physical infrastructure. Report findings indicate that Tanzania's inadequate supply of infrastructure is a primary factor limiting foreign investment in the country. The Tanzanian government is trying to address this need. Its 2005 Poverty Reduction Strategy Paper identifies improvements in the provision of physical infrastructure as one of its keys success factors for developing the country's economy.

Research suggests that Tanzania's lack of appropriate infrastructure has constrained its economic growth. In 2007, The World Bank's Logistics Performance Index ranked Tanzania's transportation infrastructure well below other sub-Saharan African countries. In a 2005 study, researchers found that economic losses from power failures accounted for over 10 percent of sales for the median Tanzanian firms. This statistic critically impacts Tanzania's productive capacity relative to other developing countries like China which loses only 1 percent of its annual median firm income to power shortages[14].

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[10] African Development Bank. "African Economic Outlook 2008," 2008
[11] African Development Bank. "African Economic Outlook 2008," 2008
[12] URL: http://www.tanzania.go.tz/pressrelease/090115.htm
[13] Global Competitiveness Report (2007-08) at http://www.gcr.weforum.org/
[14] Eifert, Benn, Alan Gelb, and Vijaya Ramachandran "Business Environment and Comparative Advantage in Africa: Evidence from the Investment Climate Data" *Center for Global Development Working Paper,* No. 56, February 2005

Infrastructure Development in Tanzania (2005)[15]

Country/Region	Households w/ fixed telephone (% of homes)	Mobile phone subscribers per 100 people	Homes w/ electricity (% connected)	Roads (Km per 1,000Km^2 of land)	Access to sanitation (% of population)	Access to improved water (% of population)
Tanzania	**10**	**15**	**11**	**77**	**6**	**33**
Sub-Saharan Africa (low income)	6	19	26	n/a	15	25
Sub-Saharan Africa (high income)	19	36	55	n/a	41	66

*Source: AICD Database; The World Bank Development Indicators

Tanzania is currently developing its legal framework to support public-private partnerships (PPPs) between itself and foreign entities.[16] Using the success of these partnerships in South Africa's infrastructure development as a benchmark, PPPs in Tanzania could provide a better means of sharing the costs, benefits, and risks associated with infrastructure investment projects between the public and private sector. Of the sub-Saharan countries in the region, South Africa has the longest and broadest experience with PPPs, with more than 50 projects in development

Trading Partners

Along with Kenya, Uganda, Burundi and Rwanda, Tanzania is a member of the East African Community (EAC), a regional intergovernmental organization. The EAC was established in 1999 and aims at expanding political, economic and social cooperation among its partner states. EAC members established a Customs Union in 2005 and are working towards the establishment of a Common Market by 2010; a Monetary Union by 2012 and a Political Federation of States thereafter. The internal EAC market is comprised of approximately 125 million consumers[17]

[15] Ter-MInassian, T., Hughes, R. Hajdenberg, A. "Creating Sustainable Fiscal Space for Infrastructure: The Case of Tanzania" *International Monetary Fund, IMF Working Paper 08/256,* 2008
[16] Ter-MInassian, T., Hughes, R. Hajdenberg, A. "Creating Sustainable Fiscal Space for Infrastructure: The Case of Tanzania" *International Monetary Fund, IMF Working Paper 08/256,* 2008
[17] EAC website, URL: http://www.eac.int/customs/eac-tradeainvestment/trade-integration.html

Tanzania's primary trading partners are its regional neighbors: Kenya and Uganda. Each year, the heads of state for these three countries meet at what is called "The Summit." In addition, the EAC is working to further initiatives relating to export promotion. Of the three largest EAC members, Tanzania's stance towards trading is still considered somewhat protectionist. It is also the only country in the EAC to also belong a second preferential trading block – The Southern African Development Community (SADC) established in 1992.

Macro Data

Inflation: year-over-year inflation rose to 13.4% in December 2008 – its highest level since 1998.[18] Inflation is expected to decrease throughout 2009 as food prices (which account for 50% of Tanzania's consumer price index) fall due to a favorable harvesting season.

GDP growth: Actual growth of 7.1 percent in 2008 is expected to decline to 4.5 percent according to Economist Intelligence Unit forecasts[19].

Banking system:

Starting in the mid-1960s, Tanzania implemented a series of economic policies grounded in socialist principles. According to these principles, the government implemented central controls by directly investing in all sectors of the economy. However, by the mid-1980s, it was clear that earlier reforms had created a host of inefficient companies verging on financial crisis.

In the early 1990s, the Tanzanian government implemented reforms designed to decrease its influence in the financial sector. In 1991, the government passed the Banking and Financial Institutions Act, which allowed for the formation of privately held banks. In addition, the Bank of Tanzania was given certain oversight controls to ensure the development of prudent banking activities.

In 1996, Tanzania's Cooperative and Rural Development Bank (CRDB) became the first state-owned bank to be privatized. Currently, a number of banks have established themselves in Tanzania and now hold a significant amount of total market share[20].

Banking ownership in Tanzania (2003)

Bank	Date of Entry	Country of majority	Market share (%)

[18] "Country Report – Tanzania," Economist Intelligence Unit, March 2009
[19] "Country Report – Tanzania," Economist Intelligence Unit, March 2009
[20] Okeahalam, Charles C. "Internationalisation and firm performance: Evidence from estimates of efficiency in banking in Namibia and Tanzania." *Journal of International Development,* v20, October 7, 2008, pp. 942-964

		shareholder	
Barclays Bank	2000	United Kingdom	10
Citibank	1995	USA	12
CRDB*	1996	Tanzania	15
NBC	2000	South Africa	19
SBT**	1995	South Africa	8
SCT	1917	United Kingdom	16
Others	n/a	n/a	18

Source: Bank of Namibia, South African Reserve Bank and Bank of Tanzania and annual reports of banks.

Notes:

*70% of CRDB is owned by a very broad base (about 11 000) of Tanzanian individuals and some corporate groups. DANIDA owns 30%.

**In 1995 Stanbic Bank Group acquired the operations of Meridien Biao Bank Tanzania Limited to form SBT. Standard Chartered first entered Tanzania in 1917. Its operations were nationalized in 1967 and it re-entered in 1993.

As of 2003, there were 22 commercial banks, but the top six banks control approximately 87% of total deposits. As can be seen in the matrix above, the top 6 banks in order of market share are: National Bank of Commerce (NBC), Standard Chartered (SCT), Community Rural and Development Bank (CRDB), Citibank (CB), Standard Bank Tanzania (SBT) and Barclays Bank Tanzania (BBT).

Two of the top six, NBC and CRDB have significant domestic share holdings either via the government, aid agencies or the Tanzanian private sector. The other four, are foreign owned.

At the end of 2003, total loan assets were US $710 million with deposits of $1.74 billion. Loan asset growth increased by US $61 million in the year to December 2003. The foreign bank share of total deposits is small. For the most part, with the exception of NBC in which (the South African Bank) ABSA has a controlling stake, foreign banks operate in the wholesale sector of the market and do not benefit from a large retail deposit base. As a result, foreign banks are dependent on the wholesale deposit market and carry significant exposure to a small number of key depositors. SBT and BBT pay above market rates in order to attract a larger base of depositors. Despite these efforts, market share for both banks remains small.

These depository problems impact the cost of funding for foreign banks as they attempt to raise deposits in a market dominated by the domestic banks. As a result the foreign banks are very active in the treasury market and use this to compensate for the higher cost of funding which they face. However large corporations tend to convert all surplus funds into foreign currency to hedge exchange rate risk—but still borrow in Tanzania shillings. This places liquidity pressure on international banks that do not have a local currency deposit base to support such actions.

As a result of extensive branch networks and access to a large, price-inelastic customer base, domestic banks have a relatively lower cost of funding. Accordingly, domestic banks (at least as of 2003) continue to hold a competitive advantage in the market.

Tanzania's banking sector has very limited exposure to the world financial markets. As a result, the negative ramifications of the global credit crisis have not affected Tanzania relative to other, more developed African states. Nevertheless, the strength of the banking system will be tested by the economic slowdown that has followed the initial crisis.

Insurance companies & Other Financial Institutions:

Between 1967 and 1996, Tanzania's insurance sector was state-owned and run. The industry was liberalized in 1998 with 6 privately held firms. As of 2008, the number of Tanzanian insurers had grown from 6 to 16 companies.[21]

Tanzania's Insurance Act of 1996 established a working framework for seven different categories of insurers. In addition, firms are required to meet share capital and solvency margin requirements and must also hold a certain percentage of its assets in specified investments.[22]

Oversight responsibilities have been assigned to Tanzania's Insurance Supervisory Department, a government office to oversee the industry. The Commissioner appointed to this department is responsible for licensing all new entrants into the insurance sector. Each year, 20 percent of an insurer's net profits must be transferred to a capital reserve account. Every company is also required to reinsure a certain percentage of its liabilities with the Tanzania National Reinsurance Corporation. Reinsurance requirements have been regulated on a sliding

[21] The Citizen Newspaper, Dar es Salaam. "Tanzania: Insurance industry in dire need of skilled manpower" 5/8/2008.
[22] Mkono, Nimrod E., Ache, Patrick. "Tanzania: Insurance business," International Financial Law Review, January 2007. URL: http://www.iflr.com/Article/1977365/Insurance-business.html

scale through 2014 after which mandatory cessions will cease (e.g. 10% in 2006, 15% in 2007, 20% between 2008-12, 15% in 2013 and 10% in 2014).

Most insurers in the country only underwrite urban policies. Tanzania's Niko Insurance Ltd. was one of the first companies to offer rural-based policies in 2007. It is estimated that approximately 80% of Tanzania's rural population is uninsured.[23]

The insurance industry in Tanzania is projected to reach TSh200billion in 2009 and is believed to be a sector in which future foreign and domestic investments will be made[24].

Central Bank and its role in the economy:

Tanzania's Central Bank has faced inflationary issues associated with inflows of external capital in the form of aid. Despite efforts to reduce overall inflation to 6.8 percent by June 2009, the Central Bank is now expected to miss this target.

The country's financial markets are shallow and are consequently strained by large capital inflows and the associated volatility of money market interest rates created by such events. The Central Bank's efforts to tighten monetary policy pushed up treasury yields in 2007 to over 17 percent – up from 8.2 percent a year earlier[25].

In response to this, regional banks have started to rely further upon foreign exchange sales for liquidity management, which has led to the easing of treasury yields and currency appreciation[26]. However, in early 2009, the Central Bank tightened monetary policy again and the treasury rate, which reached a May 2008 low of 4.95 percent, was raised to 12.26 percent in February[27]. While the Central Bank believes that efforts to control inflation are critical, it has stated an unwillingness to raise interest rates at the expense of deterring investment towards achieving stated economic infrastructure growth plans.

Tanzania's government bond market:

There is an established capital market in Tanzania; however, domestic credit remains shallow when compared to other developing countries in Africa. When the government issued

[23] Gumbo, Perege. "Niko Insurance Company to venture into rural areas," IPP Media, January 24, 2007, URL: http://www.ippmedia.com/ipp/guardian/2007/01/24/82952.html

[24] Mkono, Nimrod E., Ache, Patrick. "Tanzania: Insurance business," International Financial Law Review, January 2007. URL: http://www.iflr.com/Article/1977365/Insurance-business.html

[25] African Development Bank. "African Economic Outlook 2008," 2008

[26] Abas, Ali S.M., Sobolev, Y. "High and Volatile Treasury Yields in Tanzania: The role of strategic bidding and auction microstructure" *IMF Working Paper, WP/08/81,* March 2008

[27] "Country Report – Tanzania," Economist Intelligence Unit, March 2009

treasuries to raise domestic-based financing of approximately 2 percent of GDP in 2005-06, T-Bill yields rose substantially in response to the issuance.[28]

Fortunately, the government continues to make progress towards improving both the efficiency and absorptive capacity of its domestic credit market for treasury bills and bond issuances. The Bank of Tanzania recently reduced the frequency of treasury auctions from weekly to bi-weekly and has consolidated maturities around the four most popular (see table below). These measures have improved the transparency and predictability of the government auctions and have helped to moderate T-bill yields in the 2007-08 fiscal year.

While the government now publishes its annual auction calendar, further clarification of the rights of foreign institutions to participate in government securities (through resident commercial banks) could help expand the primary issuance market. Increasing the size of the primary issuance market would also help develop the treasury yield curve and boost prospects of secondary trading in government securities which does not currently take place.

Tanzania's government securities have tended to be short-term focused. Efforts to issue longer-term securities, which match longer-term infrastructure projects, need to be prioritized. However, for the time being the long-term tail of the yield curve is very high with relatively low volume trading. As a result, Tanzania's ability to raise longer-term debt through its domestic market is still very difficult.

Government bond issuance[29]

Term / Yield	**Issues**	**Principal**
2-year		
7.82%	16	277,263,814,405
5-year		
9.18%	41	213,813,800,000
7-year		
7.75%	5	25,200,000,000
6.60%	8	18,986,700,000

[28] Ter-MInassian, T., Hughes, R. Hajdenberg, A. "Creating Sustainable Fiscal Space for Infrastructure: The Case of Tanzania" *International Monetary Fund, IMF Working Paper 08/256,* 2008
[29] website: http://www.dse.co.tz/main/index.php?rec=main&page=28

10.08%	49	206,250,640,000
10-year		
8.50%	3	12,129,000,000
7.50%	8	14,480,000,000
11.44%	44	165,242,000,000

Stock market:

The Dar es Salaam Stock Exchange (DSE) is the exchange on which Tanzanian securities are traded. The exchange is located in Dar es Salaam and was incorporated in September 1996 as a private company under the Capital Market and Securities Act (CMSA) of 1994[30]. The CMSA's broader mandate is to promote conditions that supporting capital markets formation in Tanzania thus facilitating access to short and long-term capital. The DSE is a member of the African Stock Exchanges Association. The governing organ of the DSE is the Council of the Exchange, which consists of 10 members representing different interest groups.

Trading is conducted at the DSE Trading Floor through an Automated Trading System (ATS). This is an electronic system, which matches bids and offers using an electronic matching engine. Future build-out plans include expanding operations onto a wide area network, which can then be accessed by brokers on other international exchanges.

Operating results for the DSC last year were as follows:

	2007/2008	**2006/2007**
Market capitalization (Tzs billion)	3,411.01	3,118.97
Value of shares traded (Tzs billion)	26.39	27.30
Daily average of shares traded	95,622	126,538
Stock market index	1,081.49	1,011.21
Net income/(Loss) (Tzs million)	(12.22)	16.30

[30] website: http://www.darstockexchange.com/history.asp

According to the provisions of the 1994 Capital Markets and Securities Act, the DSE has also established a Fidelity Fund Account to be used to compensate investors who suffer financial loss arising from fraud and misappropriation of funds by Licensed Dealing Members (LDMs). The Fund is maintained by the DSE and can also be used to compensate investors who suffer losses as a result of Licensed Dealing Members' (LDMs) negligence. The compensation amount is currently limited to TZS 100,000.

Incentives to Issuers:

Reduced corporate tax from 30% to 25% for the period of three years where the Issuer has issued at least 35% of the issued shares held by the public. The reduced rate is applicable for five years starting from listing date

Tax deductibility of all Initial Public Offering (IPO) costs for the purposes of income tax determination. All IPO costs are accepted by the Tanzania Revenue Authority (TRA) as acceptable expenses used in the generation of income and profits, and therefore are taken into consideration when determining profit for tax purposes

Withholding tax on investment income made by Collective Investment Schemes (CIS) is final tax. Investors in CIS are not charged with tax on the income distributed by CIS after the scheme's income taxation

Incentives to Investors:

Zero capital gain tax as opposed to 10% for unlisted companies

Zero stamp duty on transactions executed at the DSE compared to 6% for unlisted companies

Withholding tax of 5% on dividend income as opposed to 10% for unlisted companies

Zero withholding tax on interest income from listed bonds whose maturities are three years and above

Exemption of withholding tax on income accruing to fidelity fund maintained by DSE for investor protection

Income received by the Collective Investment Scheme (CIS) investors is tax-exempt

Listed Companies[31]

Company Name	Symbol	Issued Shares
Tol Gases Limited	TOL	42,472,537
Tanzania Breweries Limited	TBL	294,928,463
Tanzania Tea Packers Limited	TATEPA	17,857,165
Tanzania Cigarette Company Limited	TCC	100,000,000
Tanga Cement Company Limited	SIMBA	63,671,045
Swissport Tanzania Limited	SWISSPORT	36,000,000
Tanzania Portland Cement Company Limited	TWIGA	179,923,100
National Investment Company Limited	NICOL	69,178,134
Dar Es Salaam Community Bank	DCB	32,393,236
National Microfinance Bank Plc	NMB	500,000,000
Kenya Airways Limited	KA	461,615,484
East African Breweries Limited	EABL	658,978,630
Jubilee Holdings Limited	JHL	36,000,000
Kenya Commercial Bank Limited	KCB	2,217,777,777

Recent privatizations

In 2007, the government announced its intention to privatize 36 public enterprises. While progress has been made, this deadline has not been achieved. In mid-2007, a majority stake in Tanzania Railway Corporation (TRC) was sold to RITES Limited of India. Privatization of the country's major insurance company, National Insurance Corporation (NIC), has been postponed pending a reassessment of the company's asset-base.

[31] Website: http://www.dse.co.tz/main/index.php?page=5

Regional Affiliations

Tanzania is a member of the East African Securities Exchanges Association (EASEA), which was established in 2004. The formation of the EASEA is part of a broader strategic plan to establish the East African Community (EAC) encompassing capital markets and free-trade across Burundi, Kenya, Rwanda and Uganda.

The EAC's Strategic Plan has set December 2009 as the date by which a shared capital market will be established in East Africa[32]. The three East African Securities Exchanges that comprise this market are Tanzania's DSE (www.dse.co.tz) as well as the Nairobi Stock Exchange (NSE; www.nse.co.ke) and the Uganda Securities Exchange (USE; www.use.or.ug). The EASEA is a member of the Capital Markets Development Committee (CMDC) of the East African Community (EAC).

Other types of financing in the region:

In 2006-2007, the Tanzanian government set aside TZS 21billion for soft loans to micro-to-micro and small enterprises. These allocations are supplemental to guarantees of funds already directed by Tanzania's Central Bank[33].

Bilateral financing from other countries

Tanzania is in a strong position, given both its demonstrated need for infrastructure development and good track record in attracting external support, to take advantage of future concessional lending opportunities. In the past, Tanzania has been effective in attracting support for external donors, which have more than doubled as a share of the country's national income from 5 to 12 percent over the last seven years.[34] As the IMF and World Bank's latest Debt Sustainability Analysis concluded (IMF Country Report No. 07/246), Tanzania's future debt sustainability depends on continued access to highly concessional borrowing.

External sovereign borrowing

Since Tanzania's domestic debt market is still shallow with respect to issuance capacity, the country could follow some of its regional peers by accessing external sovereign debt markets as a source of additional financing. In the last few years Gabon, Ghana, Mauritius, and the Seychelles have all successfully issued US-dollar denominated sovereign bonds on international markets with maturities of between 5 and 10 years and coupon rates of around 8

[32] URL: http://www.dse.co.tz/main/index.php?rec=main&page=12
[33] African Development Bank. "African Economic Outlook 2008," 2008
[34] Ter-MInassian, T., Hughes, R. Hajdenberg, A. "Creating Sustainable Fiscal Space for Infrastructure: The Case of Tanzania" *International Monetary Fund, IMF Working Paper 08/256,* 2008

to 9 percent.[35] However, entering the global capital markets for a developing country like Tanzania is not without risks.

CONCLUSION

While still one of the world's poorest nations, Tanzania has taken important steps in the last 5-10 years to implement systems, controls and processes that are starting to facilitate increased access to financing sources that can be used to further develop its physical and social infrastructure and grow its economy.

[35] Ter-MInassian, T., Hughes, R. Hajdenberg, A. "Creating Sustainable Fiscal Space for Infrastructure: The Case of Tanzania" International Monetary Fund, IMF Working Paper 08/256, 2008