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Ministry of Water - Lake Victoria Environmental
Management Programme (LVEMP)

Private Sector Development Strategy for the Lake Victoria Basin

Final report

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Executive summary

Global processes of economic and political liberalisation in the early nineties have dramatically changed the perceptions on the role and contribution of the private sector in economic and social development. In the developing world, the private sector is increasingly seen as the engine of growth and the prime mover of development. The Lake Victoria Environmental Management Project (LVEMP) is a regional and comprehensive environmental development program. The fundamental objective of the Project is to restore a healthy, varied lake ecosystem that is inherently stable and can support, in a sustainable way, the many human activities in the catchment area and in the lake itself.

There are numerous documents on the many resources and opportunities that the Lake Victoria basin (LVB) can provide. The paradox is that this strong resource base is being sub-optimally exploited. A number of possible explanations have been offered mainly clustered around constraints such as the poverty situation and a high population concentration. The Lake Victoria basin is also facing serious environmental stress. Concerted efforts are needed to protect catchments, land resources, biodiversity, wildlife resources as well as proper and sustainable utilisation of the vast emerging mineral wealth.

The various incremental reforms that Tanzania has been undertaking since the mid 1980s have promoted the private sector as an “engine of growth”, while the state is to concentrate on law and order as well as provision of infrastructure including energy. The private sector in the region comprises agriculture, which not only employs a large proportion of the local population – particularly women – but also is the only basis of food security; a growing mining industry, a growing construction industry, developing transportation and commerce sectors, a manufacturing industry, and a tourist industry with major, as yet unexploited, potential. The private services sector is poorly developed but has considerable growth potential.

Against this backdrop, the rationale for this assignment is to identify, collate, and analyse available business opportunities and private sector development initiatives that could lead to improving the environmental situation and ensuring the sustainable development of the Lake basin while reducing poverty and enhancing improved life conditions of the communities in the basin.

Our study was informed by an assessment of relevant projects carried out both under LVEMP 1 as well as other initiatives implemented by development partners and other agencies. Such projects include the on-going UNDP/SIDA supported Solar PV and ICT projects as well as the completed PwC/Facet private sector support project.

During the implementation of LVEMP-1 a number of projects had been initiated, which helped to a great extent in halting and/or reversing the environmental stress in the Lake Victoria basin. A vivid example is control of invasive weeds. Assessment of projects implemented under LVEMP-1, data inadequacies notwithstanding, show the need to sustain in LVEMP-2, water quality monitoring by strengthening achievements and more outreach, to address deteriorating water quality, increasing nutrient loads into lake Victoria, and close monitoring of use of agrochemicals and gold extraction. In addition, promoting agro-forestry and further development of SMEs were recommended.

Regarding LVEMP 1 – the conclusions of the assessment were generally satisfactory and there were some key lessons learned. Most programs under LVEMP 1 generally did not directly target private sector development, this being one of the weaknesses.

Many investment opportunities exist in the Lake Victoria basin. The Government of Tanzania in particular has taken a number of initiatives to ensure that such opportunities attract potential investors through initiatives such as the Mini Tiger Plan, Business Environment Strengthening in Tanzania (BEST), Business and Property Formalization Programme, Private Sector Competitive Project, Financial Sector Deepening Trust, Guarantee Schemes, etc.

Pursuant to the investment opportunities identified, this study has identified investment opportunities in a prioritised manner, bearing in mind their potentials for “quick wins” and large scale impact especially in improving the livelihoods of the Basin population. Recommended business opportunities identified include opportunities in mining, diversification in agriculture, fisheries, microfinance, tourism and SMEs.

Unsustainable exploitation of environmental resources in the Lake Victoria basin has continued despite the many initiatives undertaken to address this situation. The Lake Victoria basin is currently experiencing all forms of environmental degradation: air pollution, land degradation, water pollution and unsound disposal of waste, both solid and liquid.

Stakeholders put forward a number of recommendations for sustainable exploitation of natural resources. The private sector operators emphasise conservation (42.9%) followed equally by strong government supervision and strengthening infrastructure (28.6% each). The Government puts a lot of emphasis on sensitisation (50%) followed by observance of laid down rules and procedures (25%) and public-private partnership.

Given the constraints faced by both the government and private sector individually developing and enhancing PPP is recommended as the way towards strengthening private sector participation in the region.

In conclusion, LVEMP-1 had initiated a number of projects which helped to a great extent halting or even reversing the environmental stress in the Lake Victoria basin. Considerable capacity has been built and there is appreciation by stakeholders. The issues suggested in this study for implementation during the second phase of the program need to be taken seriously so as to sustain achievements and avoid reversals.

1 Private sector development for the Lake Victoria basin: Background and rationale

1.1 Plentiful resources and sub-optimally utilised opportunities

There are numerous documents on the many resources and opportunities that the Lake Victoria basin (LVB) can provide. The paradox is that this strong resource base is being sub-optimally exploited. A number of possible explanations have been offered mainly clustered around constraints such as the poverty situation and a high population concentration. However, population concentration in itself could be a blessing in that if the resource base is fully exploited, the effect to the national economy (resulting from poverty reduction in the basin) will be quite noticeable.

The Lake Victoria basin is also facing serious environmental stress. Concerted efforts are needed to protect catchments, land resources, biodiversity, wildlife resources as well as proper and sustainable utilisation of the vast emerging mineral wealth. These are by no means small challenges, and can only be properly ascertained through scientific studies.

The various incremental reforms that Tanzania has been undertaking since the mid 1980s have promoted the private sector as an “engine of growth”, while the state is to concentrate on law and order as well as provision of infrastructure including energy. It is within this context that this study looks at the potential of the Lake Victoria basin.

1.2 New paradigm on the role of the private sector

Global processes of economic and political liberalisation in the early nineties have dramatically changed the perceptions on the role and contribution of the private sector in economic and social development. In the developing world, the private sector is increasingly seen as the engine of growth and the prime mover of development.

In this new ideological context, the role of governments is to create a conducive environment for private sector-led development. The state should play a catalyst role, alongside markets, citizens and communities, in the equitable provision of goods and services. In this new ideological context, the promotion of public-private partnerships is gaining momentum. Progress in tackling the challenges of globalisation, development and poverty reduction is now seen to require an appropriate blend of public and private actions. In many countries the private sector is eager to enter into structured dialogue with their governments to help shape policies and strategies as well as work out a suitable division of tasks between public and private sectors.

The experience of sub-Saharan African economies with the new orientation has so far shown concern on the supply response of the private sector being largely muted and uninspiring. This has raised a number of questions in many quarters. Is the private sector of the appropriate type to be able to respond flexibly and fully to the newly created opportunities? Is it getting sufficient support from the public sector in order to be able to do so?

The strength of the private sector derives from the following attributes: factor conditions i.e. state of physical infrastructure; firm strategy and structure; demand conditions and existence of related and supporting industries. Small businesses are a vital part of a thriving private sector. Small and medium enterprises (SMEs) serve as a nursery for dynamic entrepreneurs who have the potential to drive the engine of growth.

Principles which enable the private sector to galvanise the economy and stimulate growth revolve around the private sector being able to understand areas of production plans, marketing and profitability. The private sector can only meet the challenges of globalisation if it is competitive.

The supporting role of the government is essential. The government's role is to create an enabling environment for private investment and growth, removing obstacles in the political and economic environment. The key areas are:

- Improved macroeconomic policy: this brings about an environment that encourages competitiveness or reduces the cost of doing business as well as bringing about security of both people and property
- Better governance
- Improved public sector fiscal management
- Greater public sector efficiency.

The role of central and local government should be to create an enterprise-friendly environment in which the central importance of adequate infrastructure and clear regulatory frameworks is recognised and where rapid economic growth and exploitation of natural resources does not further reduce the prospects for sustainable development.

1.3 Private sector in the Lake Victoria basin

The definition of a private sector, though in many cases thought to be simple and straight forward may not seem so due to the fact that the definition has to take the context into consideration. Generally a private sector would be defined as a residual of the public sector in the economy, the distinguishing element being the nature of goods and services provided. If largely of a non public nature then the providers are categorised as private sector.

In the context of the Lake Victoria basin, the private sector is quite heterogeneous. It includes households which produce surplus goods and services for the market i.e. surplus production from subsistence, as well as the business sector, both formal and informal producing goods and services for the market. The main challenge facing this sector are that some goods and services are still being produced by the public sector and that prospects for Public-Private Partnerships (PPPs) still lie in government hands.

1.4 Socio-economic conditions in the Lake Victoria basin

1.4.1 Findings of Trans-boundary Diagnostic Analyses (TDAs)

The regional TDA, a synthesis of the national TDAs, used a Pair-wise Matrix Ranking methodology which is a structured method for priority ranking of items. The major perceived trans-boundary problems and issues were identified as:

1. Land use and land degradation issues
2. Water quality and pollution issues
3. Water quality, hydrology and water balance issues
4. Fisheries and biodiversity issues
5. Policy, laws and institutional issues
6. Socio-economic and cross cutting issues

In the context of Tanzania, the analysis used a causal chain analysis to identify the most significant immediate, sectoral and root causes of key environmental issues in the Lake Victoria basin. Possible interventions were also suggested (URT 2006). The issues are:

- 1) Fisheries (loss of income, employment; depletion of key species, etc)
- 2) Eutrophication (increased risks to human health, loss of clean water supplies)

- 3) Pollution (biological pollution, chemical pollution, suspended solids pollution)
- 4) POPs (increased risks to human life)
- 5) BOD (as in pollution)
- 6) Land use/sedimentation (loss of arable land, loss of clean water supplies)
- 7) Water quality (diseases, deterioration of surface and ground water)
- 8) Climate change (changes in ecosystem productivity, food insecurity, unemployment)
- 9) Pests and diseases (loss of productivity, reduced availability of food, etc)
- 10) Conflict over resource use (international conflicts, spiralling poverty, etc)

The two TDAs focused generally on the issues that were covered under LVEMP I, thus paying less attention to private sector development. It is with this in mind that this study intends to fill the gap by identifying the role that the private sector can play in addressing the issues raised by the two studies.

1.4.2 General problems identified

The regional and national TDAs as well as other studies have identified the following problems in the Lake Victoria basin:

- 1) *Poor economic conditions (poverty) in the Lake Victoria region*

The Lake Victoria region is home to approximately one third of the population of East Africa. The region takes in the poorest areas of Kenya and Tanzania, where the percentage of the population living below the poverty line is 61 per cent and 41 per cent respectively, compared to the respective national averages of 52 per cent and 36 per cent. In Uganda, the region contains several districts where the percentage of people living in absolute poverty is far lower than the national average of 39 per cent.

Evidence from the 2000/01 Household Budget Survey (HBS) (URT 2002) and Poverty and Human Development Report (PHDR) 2005 (URT 2005) show the extent of poverty in the Tanzanian regions of the basin (see **Table 1-1**).

Table 1-1: Selected Poverty Indicators in Lake Victoria Regions (Tanzania)

Indicator	Kagera	Mara	Mwanza	National average
% of Population below food poverty line	18	36	30	19
% of pop. below basic needs poverty line	29	46	48	36
% of households with piped or protected drinking water	32	40	53	55
% of households within 1 km of drinking water (dry season)	45	31	40	55
% of households within 6 km of dispensary/health care	74	71	75	75
% of adults without education	25	24	27	25
Mean distance to a primary school (km)	2.5	1.8	1.7	1.8
% of households using a toilet	95	86	92	93

Source: URT (2002) HBS 2000/01

These regional figures, however, mask a lot of intra regional differences with respect to district situations. In Kagera, for example, the poverty headcount ratio ranges from 11.1% (Bukoba urban) to 47.7% (Biharamulo); Mara, from 31.9% (Tarime) to 67.7% (Bunda), while for Mwanza it ranges from 15.1% (Nyamagana) to 62.3% (Geita) (URT 2005b).

The causes of poverty in the region have numerous dimensions but cover the common features of governance, HIV/AIDS, unsustainable pressure on natural resources, and environmental degradation.

The National Strategy for Growth and Reduction of Poverty (NSGRP) popularized by its Swahili acronym MKUKUTA has set out poverty reduction as the over arching agenda in Tanzania (URT 2005a). Unlike with the predecessor poverty reduction strategy PRS(P), which approached poverty reduction from concept of “priority sectors” hence redistributive approach, MKUKUTA embraces private sector-led growth and good governance, using an outcome-based approach. Poverty targets set for 2010 are 24 per cent basic needs and 14 per cent food poverty in rural areas and 12.9 per cent and 6.6 per cent respectively in urban areas.

Given the Millennium Development Goals (MDGs) and MKUKUTA targets, more efforts are required to set such districts on the right trajectory to realising the goals and targets.

2) *Environmental stress in the Lake Victoria region and its catchment area*

Lake Victoria is a vital natural resource. However, the region has been severely strained by over-use and environmental degradation. Poverty is both the cause and effect of the rapid and extensive deterioration of the region's environment. Soil erosion is a major problem as it not only removes fertile topsoil to the detriment of local agriculture but also contributes to the eutrophication of the lake, which has become seriously polluted due in part to the absence of viable sewage treatment facilities in the towns and lack of adequate sanitation in the rapidly growing townships in the countryside. Insufficiently treated or wholly untreated industrial waste adds to the burden of damaging nutrients in the lake and raises the level of heavy metal and toxins.

3) *Poor coordination*

There have been many initiatives to address the problems confronting the Lake Victoria basin (see for example Kulindwa, 2001; East African Community Secretariat, *ibid*; Jambiya and Sosovele 2002). Though the many initiatives focussed on sustainable development of the basin, they were not optimally coordinated, hence the need to address this problem. Typical of trans-boundary resources, when coordination is weak their utilisation becomes inefficient and unsustainable.

1.4.3 Private sector development and the role of the private sector

The private sector in the region comprises agriculture, which not only employs a large proportion of the local population – particularly women – but also is the only basis of food security; a growing mining industry, a growing construction industry, developing transportation and commerce sectors, a manufacturing industry, and a tourist industry with major, as yet unexploited, potential. The private services sector is poorly developed but has considerable growth potential.

Conditions for private sector development are established at two levels. At the national level, laws and regulations are normally national in scope, as are the institutions that seek to promote favourable conditions for private sector development, such as industrial associations, chambers of commerce, agricultural organisations, etc. At the local level, local government authorities can impact businesses negatively or positively depending on the way their local by-laws and practices impede or facilitate operations, as well as the way they interpret and implement higher level provisions.

The Protocol on the East African Community (EAC) Customs Union is an important step in the development of a regulatory framework aimed at facilitating trans-boundary trade and investment. At present, inter-state trade in the region is largely comprised of exports, on a limited scale, of manufactured goods from Kenya to Tanzania and Uganda. For example, the Kenyan power grid receives electricity generated in Uganda. The EAC will continue to play a key role in continued harmonisation work, thereby helping to promote trade between the countries. Efforts have to be made to enhance the ability of the East African Development Bank (EADB) to actively promote regional investment in infrastructure and other areas.

Private sector development in the basin should not just – or even mainly – be about promoting trans-boundary trade. It is about encouraging entrepreneurship, making sure that players make full use of the employment opportunities and growth potential offered and ensuring that production is more closely linked to a viable market. It is also vital from the standpoint of long-term economic growth that private sector development takes into account the social and environmental consequences of its operations. If the sector is to compete successfully in international markets, where sustainability is increasingly required and increasingly in demand, governments must also promote sustainable production and consumption patterns and the development of proactive enterprises where environmental and social concerns are implemented early in the development of goods and services.

1.5 Lake Victoria Environmental Management Project (LVEMP)

The Lake Victoria Environmental Management Project is a regional and comprehensive environmental development program. The fundamental objective of the Project is to restore a healthy, varied lake ecosystem that is inherently stable and can support, in a sustainable way, the many human activities in the basin. The project is implemented through relevant national government departments and institutions. Regional and national coordinating mechanisms are in place to ensure timely and quality implementation of the various components of the Project.

One of the main criticisms of the first phase of LVEMP is inadequate private sector participation in the management of the Lake Victoria basin. It should be stressed here that there are a number of other projects with more or less related activities being implemented in the Lake Victoria basin region.

1.6 Objectives of the study

Against this backdrop, the rationale for this assignment is to identify, collate, and analyse available business opportunities and private sector development initiatives that could lead to improving the environmental situation and ensuring the sustainable development of the Lake Basin while reducing poverty and enhancing

improved life conditions of the communities in the basin. This assignment will also serve as an input to the project document for LVEMP – 2.

The main objective of this report is to address the terms of reference. There are five broad and mutually interlinked policy areas that have to be simultaneously addressed to formulate comprehensible and sustainable development strategies for the Lake Victoria basin:

- Ecosystems, Natural Resources and Environment (resource management, protection and conservation);
- Production and Income Generation (natural resources utilisation);
- Living Conditions and Quality of Life (income and poverty, social services, health and education);
- Population and Demography (population development and migration);
- Governance, Institutions and Policies (development and harmonisation of policies, institutions and implementation machinery).

Environmental status, economic development, social and demographic changes are closely interlinked. Each of the fields of activity may be regarded as a driving force for change, but at the same time a recipient of impacts from changes taking place in the other sectors. Healthy ecosystems, that provide the population with goods and services, are needed to reduce poverty and, reduced social poverty reduces the strains on the environment.

Sound environmental management is an integral part of the conditions for sustainable economic development. Sound resource management sustains the functioning of ecosystems and their production of goods and services to the population. Disturbances and/or changes in negative directions in any parts of the system will have impacts on the other parts and – to varying degrees – lead to harmful consequences for different stakeholder groups and interests.

The drafting of this report benefited greatly from inputs of two stakeholder workshops when the inception and interim reports were presented and at a regional workshop where the draft regional TDA was presented. Last but not least, the report benefited from reviewers' comments and reports, which added value to this work.

While it has to be recognised that a report like this one can not address all the problems of the Lake Victoria basin, nor propose all the remedies for the problems identified, it can be said safely that it has managed to identify the issues and where gaps emerged proposed further studies and more initiatives to be taken.

1.7 Interpretation of the Terms of Reference (ToRs)

In order to carry out the assignment, the tasks were clustered around the ToRs as follows (complete ToRs in **Annex 1**):

ToR 1: Summarize successful rural productivity and growth enhancing pilot works undertaken during LVEMP 1 or other initiatives with a view to scaling up this project.

Required tasks:

- 1) Identification of activities
- 2) Assessing the impact of such activities

ToR 2: Identify business opportunities in LVB

Required tasks:

- 1) Assessing opportunities in the basin and how private sector should seize such opportunities
- 2) Recommending initiatives for informal sector “graduation”
- 3) Identifying supply and demand constraints (e.g. marketing, infrastructure,) and proposing mitigation measures;

ToR 3: Propose ways and means for active private sector participation

Required tasks:

- 1) Proposing activities for private sector involvement in the socio-economic development of the basin;
- 2) Proposing ways of attracting and retaining private Foreign Direct Investment (FDI) and Domestic Direct Investment (DDI)
- 3) Proposing strategies for accessing affordable credit facilities;

4) Proposing modalities for enhancing Private-Public Partnership (PPP)

ToR 4: Identification of practical preventive and remedial actions for sustainable exploitation of LVB resources

Required tasks:

- 1) Reviewing current methods of exploitation of natural resources and recommending the use of sound and environmentally friendly technologies.
- 2) Proposing ways/strategies/actions of promoting sound solid and liquid waste management

Other tasks

- 1) Design a strategy for the survey of economic activities
- 2) Participate in stakeholder consultations
- 3) Prepare a final report document for this component.

1.7.1 Comments on the Terms of Reference

Some of the specific tasks for this study were identical to those of another commissioned study. The overlaps are with respect to identification of investment in infrastructure and reviewing the regulatory and legal framework (ToR specific tasks/activity ix: "Review relevant regulations, policies and institutional framework that impact on business /private sector activities/operations"). Both tasks were left out following consultations with the client.

1.8 Methodology

1.8.1 Data and data sources

In order to adequately respond to the ToRs, different types of information, both quantitative and qualitative were required. Specifically the information required covers projects, business opportunities, private sector dynamics and information on the natural environment, focusing on sustainable use of resources in the Lake Victoria basin. The sources of data included secondary sources such as official reports of stakeholders (desk study review) and primary data gathered through in-depth stakeholder consultations and interviews, focus group discussions and structured questionnaires (see **Annex 2** for a list of stakeholders consulted).

1.8.2 Method of analysis

The information gathered was summarised in tabular forms from which inferences were drawn for presentation.

1.9 Organisation of this report

This report is organised into six sections. Section one covered the background and introduction. Section two provides a brief description and assessment of projects. The third section covers identification of business opportunities, followed by a section on enhancing private sector participation. Section five is devoted to issues of sustainable utilisation of environmental resources, and concluding remarks crown the report.

2 Assessment of LVEMP 1 projects

2.1 Reflections

The purpose of this section is to summarise successful rural productivity and growth enhancing pilot works undertaken during LVEMP 1 or other initiatives with a view to scaling up such pilot works. The chapter is organised into two sections. Identified projects are discussed in the first sub-section, while an assessment of their impact is made in the second sub-section.

2.1.1 Projects undertaken by other initiatives with a bearing on private sector development

The Lake Victoria basin is home to many projects, both completed and on-going. Such projects include the on-going UNDP/SIDA supported Solar PV and ICT projects. Completed projects include the Facet/PricewaterhouseCoopers Private Sector Support Project.

Private Sector Development Programme

This programme, supported by the Royal Netherlands Embassy, aimed at “contributing to the creation of jobs and income by facilitating Public-Private Partnership in dialogue, strengthening the bargaining positions of the private sector particularly the SMEs, and the use of Business Development Services”.

The overall objective was "to facilitate and stimulate the creation of jobs and income in the Lake Zone Region through Private Sector led growth". Seven specific objectives were derived from this objective:

- Government authorities and private sector maintain an active dialogue on economic development and the business climate;
- Strengthen the bargaining position of the private sector;
- Intensified rural-urban relations become an engine for growth;
- Business opportunities turned into investments;
- Growth in the market for business development services;
- Increased market for financial services oriented at the SME sector;
- Improved co-ordination of PSD oriented (donor) initiatives.

The project was initially to run for the period 2000-2002. A mid term review was undertaken in 2001 which recommended extension. The project wound up in June 2005, providing useful lessons for the future as far as private sector development is concerned.

Positive lessons

- Wide out reach with respect to the targeted 27 districts
- Private sector organisations and other associations in the Lake Zone had increased their capacity to conduct their functions.
- Relevance, needs and requirements of the private sector should be borne in mind in any private sector development
- Success depends on three key factors: availability of funds, good programme implementation strategy approach and, capable and committed management.

Negative lessons

- Systemic weaknesses
- Failure to mainstream gender issue in the programme activities.

Useful lessons for the future (relevant to LVEMP 2)

- Private sector development needs careful and deliberate guidance to enable it to contribute effectively and significantly as the engine of growth to the economy;
- Changing the mindset of the private sector should be a priority in the process of guiding the private sector to become the engine of growth.
- Deliberate efforts are needed to include training and organising of peasant farmers and livestock keepers.
- Importance of mainstreaming gender issues in any private sector development initiative.

2.2 Projects undertaken under LVEMP- I and their impact on private sector development

Projects undertaken under LVEMP I were clustered around the following components:

1. Fisheries Management
2. Fisheries Research
3. Water quality and ecosystem management
4. Control of invasive weeds especially water hyacinth
5. Wetland management
6. Integrated soil and water conservation
7. Catchment afforestation
8. Capacity building
9. Institutional framework
10. Micro projects and community participation

2.2.1 Assessment of impact

Previous assessments by the World Bank

An assessment by the World Bank (op.cit) gave a general good impression of the project components as follows:

Fisheries Management Component

Satisfactory. Support to co-management has improved fisheries management structures (Beach Management Units) with local communities being active in revenue collection and in curbing use of illegal fishing equipment, reducing the cost of fisheries enforcement activities to the Government. The component achieved notable success in harmonising the fisheries legislative and regulatory frameworks among the three countries. Fisheries management has contributed to major sector and macro policies including the fisheries policy and strategy statement (1997), National Environment Policy (1997) and the new Fisheries Act (2003) and related regulations.

Fisheries Research Component

Marginally satisfactory. A fish biodiversity and biology baseline was established. A key finding was the discovery of species, thought to be extinct in Lake Victoria, in the satellite lakes. This component suffered from inadequate prioritisation and targeting of research efforts, as various outputs were completed but they did not translate into specific strategies or plans (for instance, a strategy for biodiversity conservation the in satellite lakes). Information was poorly accessible and some key reports and books remain to be published.

There was also a lack of systematic effort to disseminate key research results, in an accessible form, to communities through the fisheries management structures. It was not entirely possible to delineate the outputs directly generated under this project.

Water Quality and Ecosystem Management

Marginally unsatisfactory. The component's activities resulted in increased knowledge of water quality, hydrodynamics, primary sources of nutrients, and factors contributing to water hyacinth occurrence. The main water quality characteristics of the lake have been established. A monitoring network was established, which helped identify the chief source of pollution in the Lake, viz. Atmospheric deposition. Various inventories related to pollution were developed, yet they are not linked to management plans. The merged component (including Water Quality, Industrial and Municipal Waste Management, and Management of Pollution Loading) became too focused on data collection with inadequate emphasis on addressing the critical pollution problems in the lake. The activities towards tertiary treatment of effluents were not successful and the planned upgrade of the wastewater infrastructure in Bukoba and Mwanza did not result.

While some progress was made on developing modelling tools (calibrated Hydrodynamic module of the Lake Victoria Water Model and developed but not yet functional Water Quality and Water Hyacinth modules), the introduction of comprehensive lake modelling seems to have been a much bigger challenge, given the scope of the project and the available capacity.

Water Hyacinth Component

Highly satisfactory. Even though the objective sought to strengthen capacity, this component was able to move further and address the problem itself. There has been a remarkable decrease (85 percent) in the water hyacinth infestation in the Lake, which is down to non-nuisance levels.

Wetland Management

Marginally satisfactory. Weak capacity and the lack of clear understanding of the objectives of the component constrained implementation. A baseline on the majority of the wetlands was established, with many knowledge outputs, and pilot activities were conducted to demonstrate the sustainable use of wetland products, involving communities. The data collected on the wetlands buffering capacity was not used for modelling, as planned as the knowledge gained on the chosen model was very limited. The information gained through the training and studies was not fully transferred to the parent institution, indicating weak mainstreaming.

Integrated Soil and Water Conservation

Satisfactory. Despite the relatively small size of this component, much was achieved in the course of its implementation. The project facilitated gathering of baseline information and contributed to community awareness on appropriate environmental conservation and the development of land use plans. A survey and mapping of present land use/cover and soil erosion hazard was done. The micro-catchment approach, based on village action plans, was used while emphasising the individual resource user's needs in developing activities for soil and water conservation. It was shown that SLM activities contribute significantly to raising production (by 100 percent in maize and close to 200 percent in paddy, per ha), but adoption rates are low primarily due the high upfront costs and uncertainty, resulting from lower awareness.

Catchment afforestation

Satisfactory. The component successfully relied on approaches to conserve in-situ forest areas and establishment of commercial nurseries for promoting on-farm afforestation with a high survival rate (79 percent) through collaboration with communities. Significant outputs resulted, even though the activities were affected by the drought. The component also implemented an exit strategy for the subsidised seedling scheme, which has had a positive impact on the sustainability of the established nurseries. Local benefits (reduction of wild fires and improvements in water quality) have been observed and noted by the beneficiaries.

Capacity Building - Support to University of Dar es Salaam, Faculty of Aquatic Sciences

Satisfactory. The component helped establish the Faculty of Aquatic Sciences, improving facilities for research, supporting a stronger research agenda on Lake Victoria, and increasing the capacity of its staff and students. Two new degree programs for undergraduates were developed and delivered. Weak areas included

outreach to stakeholders at the grass root on research activities and results and the development of specialised courses for targeted groups. Overall, capacity building was largely ad-hoc with inadequate prioritisation.

Institutional Framework - Support to Regional and National Secretariat

Marginally Satisfactory. The regional secretary, responsible to coordinating the RPSC meetings and other regional activities, was also the national secretary, and divided his attention between these responsibilities. This contributed to weaknesses in both areas. Still, implementation in Tanzania followed a relatively smoother path than the other two countries, despite the usual delays in accountability, flow of funds and in procurement. The secretariat was based in Dar es Salaam, while the activities were ongoing in Mwanza, impeding closer communication and management. The secretariat has been wound up at the close of the project. The ICR mission found that getting information in the post-project period was difficult.

Micro-Projects and Community Participation

Highly Satisfactory. The activities led to increased capacity in the communities, enabling them to improve resource management, with many positive environmental externalities as well as contributing to improved livelihoods. The project targeted service delivery among the Lake basin communities by implementing a range of demand driven projects in health, water, education, sanitation, access roads, afforestation and fisheries sectors. Micro-projects provided strong incentives for communities to interact and implement a range of solutions. A total of 90 projects were initiated out of which 85 were operating as project closure.

2.3 Assessment by this study

Assessment of the projects depended much on the quality of the information available. Generally information was scant and in cases documentation incomplete, a concern raised also by other parties (See section 2.3.2).

2.3.1 Projects under Components Fisheries Management and Fisheries Research

The main objective of the Fisheries Research Component was to generate information for sustainable exploitation and management of the fisheries, conservation of aquatic biodiversity, integration of lake productivity processes into fisheries management, reduction of degradation of fish habitats, involvement of communities and creation of an information centre for dissemination.

In order to achieve the set objectives, the component was to address the following critical issues:

- Fish Biology and Biodiversity Conservation

- Aquaculture
- Socio-economics
- Information and Database

Achievements/positive lessons

- 1) Better understanding of the ecology, biology, breeding, feeding and growth of Lake Victoria fish. The information generated has provided guidelines leading to the formation of conservation management units (i.e. CMU and BMU) which help in conserving the fish stocks of these water bodies and hence sustain the fishery. In turn this led to increased and stabilised income of fisher-folk
- 2) Distribution of fingerlings from TAFIRI hatcheries to farmers has promoted aquaculture development in the Lake Victoria basin. The number of fish ponds has increased hence an opportunity for increased incomes
- 3) Improved biodiversity conservation.

Problem areas/negative lessons

- 1) Inadequacy of research facilities
- 2) Untimely disbursement of funds
- 3) Inadequate support services
- 4) Inadequate manpower.

Way forward (LVEMP II)

- 1) Fish biology and biodiversity conservation: strengthen BMUs
- 2) Aquaculture: continue with the training of fish farmers especially youth and women, promote commercial aquaculture and continue providing technical support for establishment of private/community- owned hatcheries
- 3) Socio-economics: promotion of sustainable fishermen cooperatives, formal credit systems, development of employment generation guidelines, curb trans-border illegal fish trade (especially by aliens) so as to protect local incomes

- 4) Information data base: establish systematic monitoring of socio-economic conditions in the region.

Stakeholder workshops made the following recommendations with a view to proposing them for consideration in the preparation of Phase II of the LVEMP (only those with a bearing on private sector development are reproduced. For the complete list see Mgaya, 2005).

2.3.2 Fisheries Research

- 1) Monitoring of the established indicators should be continued and funds made available for this purpose. This will facilitate tracking of fluctuations in fish populations vis-à-vis changes in the environmental parameters
- 2) Gaps in the information related to fisheries and the environment should be addressed fully in LVEMP II. This will provide empirical evidence that links changes in the environment and fluctuations in fish stocks and biodiversity
- 3) The role of the lake environment (e.g. eutrophication, toxic blue-green algae, anoxia, etc.) in influencing fisheries productivity should be systematically investigated and results applied in management of fish stocks
- 4) Biodiversity hotspots and fish breeding habitats including riparian wetlands, small water bodies and river mouths should be identified, mapped and protected through enacting a legislation to safeguard them from haphazard encroachment
- 5) There is need for a multi-sectoral and interdisciplinary approach involving all stakeholders in trying to restore the quality of the waters of Lake Victoria
- 6) The impact of falling lake levels on fisheries production should be investigated.

2.3.3 Fisheries Management

- 1) There is a dire need to create alternative income generating activities for the fisher folk to generate improved household incomes and to draw their attention away from Lake Victoria. Consequently, there is a need to encourage investment in aquaculture
- 2) Local government should take the lead in developing aquaculture as an income generating activity. This should be accompanied with development of hatchery technology to ensure a steady supply of fingerlings

- 3) To bring about rationalisation, optimal and sustainable utilisation and biodiversity protection of the Lake Victoria fishery resources, there is a need to strengthen the co-management programme and improve Monitoring, Control and Surveillance (MCS) capacity on the lake. It is therefore recommended that support to MCS Unit of the Department of Fisheries in the lake zone be continued and improved through the support of the LVEMP in its second phase
- 4) There is a need to establish a database for fisheries that include type of boats, size of boats, motorized, non-motorized, number of fishers, type of fishers, type of gear used, etc. that will be updated frequently. To do this Fisheries Division should create a budget line to implement this recommendation.

2.3.4 Projects under component “Water Quality and Ecosystem Management”

The core of this component centred around Lake Victoria water quality and its ecosystem as well as effects of resource utilisation and exploitation on the lake and its catchment. At the end of the project, knowledge on water quality and ecosystem had increased. **It is thus recommended that such monitoring be strengthened through wider outreach and further capacity building during LVEMP-2.**

2.3.4.1 Capacity building project:

A number of issues were covered in this project covering both human resources and infrastructure in the form of upgrading laboratories. Despite the commendable achievements, some essential laboratory and field equipment had not been procured at the end of the project (Atomic Absorption Spectrometer, Inverted Microscope, Current profiler). **As this equipment would greatly strengthen data gathering and monitoring capacity, it is recommended that such instruments be procured under LVEMP-2.**

2.3.4.2 Industrial and municipal effluents loadings

Proper monitoring established that urban centres were more polluting than industries. **Under LVEMP-2 more emphasis should be placed in monitoring and sound disposal of urban waste (both liquid and solid).** In its entirety this calls for public awareness campaigns, enforcement of compliance and effluent standards, encouraged use of proper sanitary facilities, cleaner production technologies and waste water treatment facilities. It is in this area that the private sector should be given a lead role, as is the case in other municipalities such as the city of Dar es Salaam.

- 2.3.4.3 Meteorology/hydrology
The main activities involved determining water balance. The finding was that the water level was decreasing.
- 2.3.4.4 Lake Victoria Water Quality (LVWQ) model
The main usefulness of this management tool was to monitor water quality. Preliminary application of its crude form revealed deteriorating water quality
- 2.3.4.5 Eutrophication
The main finding of the project was that Lake Victoria was progressively eutrophication. Increased nutrient loadings were found to harm plankton communities, macro-invertebrates and fishes. Since eutrophication poses a serious threat to the food web structure, the **project should be continued under LVEMP-2.**
- 2.3.4.6 Non Point Source Pollution Loading
Changes in water quality were observed and the main pollutants were atmospheric deposition followed by loads from rivers.
- 2.3.4.7 Impact of water quality change on beneficial uses
The main finding of this project was increasing water quality problems and invasive water weeds. The effects included outbreak of diseases, increasing cost of water treatment, loss of fish habitats, fish kills and transport impediment. This project was perhaps one with the most vivid outcomes especially in its ability to control invasive weeds. **It should thus be sustained under LVEMP-2.**
- 2.3.4.8 Lake monitoring
A number of research stations were established in order to improve monitoring and research. **LVEMP-2 should, at a minimum, sustain such stations if there will be no possibilities of increasing the number of stations.**
- 2.3.4.9 Pesticides and metal contamination
Though this project raised no alarm, LVEMP-2 should make close monitoring of agrochemicals use and gold extraction in order to detect possible up scaling of use of both chemicals and mercury.
- 2.3.4.10 Hydraulics
This project was mainly concerned with water temperature profiles (patterns of water circulation).

2.3.5 Fisheries Research Component

2.3.5.1 Aspects of agro forestry

This project involved communities. A number of nurseries were established to provide planting materials for preservation of wetlands and conservation in order to sustain the basin. **This project should be continued.** More nurseries should be established and capacity for woodlots built which will later lead to activities such as industrial forests for pulp and packaging industries. This should be done in a PPP framework.

2.4 Overall impact on private sector development

Most programs under LVEMP I generally did not directly target private sector development, this being one of the weaknesses. However some issues can be alluded to, with a bearing on private sector development in some of the components:

- 1) Water Quality and Ecosystem Management: private sector opportunity for investing in water processing and distribution, source of water for irrigation, business opportunity in waste management such as collection of solid and liquid waste; informed scientific advice for private sector decision making
- 2) Fisheries management: sustained fish catch and incomes
- 3) Fisheries Research: scientific advice for sustainable fish harvesting and potential opportunities for investment such as aquaculture hence increased and stabilised incomes
- 4) Control of invasive weeds especially water hyacinth: more opportunity for harvesting fish, ease of transporting goods and delivering of services
- 5) Wetland management: good rains for agriculture, etc.
- 6) Integrated soil and water conservation: increased and stabilised agricultural output, hence incomes
- 7) Catchment afforestation: protected water sources for farming, domestic use and husbandry, hence increased incomes
- 8) Capacity building: availability of scientific advise such as extension services, fishing seasons etc., hence income generation
- 9) Institutional framework: enabling environment for private sector to operate, hence low cost of doing business

2.4.1 Other assessments

Box 1: Example of a successful project

Box 1: Example of a successful project

Mwanza Fishing industries Ltd is a Nile perch processing company in Mwanza. The product is mainly fillet and exported mainly to Europe and Japan. Fresh fillet without skin is exported to the EU, frozen fillet with skin is exported to Japan. Fresh products are airlifted while frozen products are transported to Mombasa via Nairobi and shipped through Mombasa port. Successful development of the fish processing factories are attributed to

1. Modern processing facilities and refrigeration enabling conformity with strict HACCP and ISO 9000 regulations
2. Market niches in EU and Japan

Source: URT Mini-Tiger Plan

3 Opportunities and challenges for private sector development

3.1 Preamble

The purpose of this chapter is to identify business opportunities in the Lake Victoria Basin, and suggest a project implementation framework for developing project profiles for promotion and follow-up by investors. Impediments to smooth business operations, including specific supply and demand constraints are also discussed. Lake Victoria basin is home to abundant environmental resources, especially the unique biodiversity especially endemic flora and fauna. As such it offers a natural attraction to potential investors. However, this is not the case. The full potential of the basin as a haven for investors has not been realised despite various initiatives by the government to improve the investment climate in the country.

Identification of business opportunities in the Lake basin was also informed, with respect to prioritisation, by recent developments such as investors forum for Mara region held in November 2006 (a similar forum for Mwanza region was held in 2005 while Kagera region is yet to hold one).

3.2 Supply and demand constraints

Structural problems which limit the significant contribution of the private sector in socio-economic development in general and poverty reduction in particular include:

- Weak legal, regulatory and incentive framework to support investment
- Poor economic governance
- Limited opportunities due to delays in the privatisation of public enterprises
- Unsupportive financial sector offering few financial instruments and services resulting in high cost of credit
- Poor and inadequate socio-economic infrastructure.

In addition to the identified structural problems, the private sector (both formal and informal) also faces the following specific constraints:

- Lingering great state involvement in production and distribution
- Inadequate and poor social structure for improving technical and entrepreneurial skills

- Weaknesses in the main public institutions supporting private sector development – these institutions themselves need capacity building
- Limited access to term lending
- Absence of a broad-based private sector consultative/ umbrella organisation (weak chambers of commerce)
- High cost of production and marketing, low production and poor quality products due to unreliable supply of power and water, poor road networks, poor telecommunication infrastructure, absence of proper storage and processing facilities especially for fisheries and horticultural products.

Table 3-1 below proposes some strategies and actions required to address the problems listed above.

Table 3-1: Action matrix addressing private sector constraints

Problem(s) to be addressed	Strategies	Required actions
Financial constraint	<ul style="list-style-type: none"> • Increase access to financial sources • Establish enterprises Development fund and Venture capital • Increase activities in export sector • Encourage credit culture in business community 	<ul style="list-style-type: none"> • Develop Terms of Reference for consultancy on Fund • Undertake feasibility study for establishment of fund
Low level of entrepreneurial, managerial and business skills	Capacity building through business advisory services	Provide advisory services in evaluating and appraising projects Providing demand based matching grants to enable entrepreneurs to access services from development service providers
Weaker sections of the private sector especially women and women groups	<ul style="list-style-type: none"> • Capacity building • Increase their access to financial 	<ul style="list-style-type: none"> • Improve support services • Provide skills training

Problem(s) to be addressed	Strategies	Required actions
	and non financial resources	<ul style="list-style-type: none"> • Establish special measures to improve their access to credit and other resources • Initiate incubator programmes in <p>Collaboration with UDSM COET</p>
Limited access to information on market strategy and external markets	Improve information system	<ul style="list-style-type: none"> • Improve access to internet and website • Training • Organize study tours abroad • Disseminate information through bulletins, newsletter, etc. • Enhance networking with private sector organizations in the Mainland, sub-region and outside.
Weak apex organization, poor planning and coordination of efforts in the sector	<ul style="list-style-type: none"> • Institutional development • Capacity building 	<ul style="list-style-type: none"> • Working space, hiring additional staff, equipment • Staff training
Poor physical infrastructure and unreliable infrastructural services	Investment in physical infrastructure and support services	<ul style="list-style-type: none"> • Rehabilitate/build roads, ports, etc. • Stabilize supply of power and water • Initiate provision of rentable work <p>Shops for SMEs</p>
Low production, poor quality of products	<ul style="list-style-type: none"> • Capacity building • Maintain and improve productive capacities 	<ul style="list-style-type: none"> • Training • Promote networking with other private sector organizations • Sustain culture of maintenance

Problem(s) to be addressed	Strategies	Required actions
		<ul style="list-style-type: none"> Invest in new technologies
Weak forum for consultations, low public sector support	Improve dialogue	<p>Encourage collaboration (meetings, seminars, workshops, etc)</p> <p>Promote Advocacy via the BEST Programme</p>

3.3 Opportunities for the private sector

3.3.1 Support to small businesses and assisting the informal sector to formalise

SMEs experience difficulties in accessing various forms of support especially with regard to accessing capital. There are a few microfinance institutions such as PRIDE, NMB and a number of SACCOS offering some support. **Table 3-2** below illustrates the number of institutions supporting the informal sector in the basin.

Table 3-2: LVB: Institutions Supporting Informal Sector: Tanzania

	Govt. Credit schemes	NGOs	SACCOS	CBO	FBOs
Kagera region	2	8	97	2*	0
Mara region	2	1	100	1	0
Mwanza region	2	3	210	0	1
* of which one (Kagera) Farmers' Cooperative bank					
Source: field survey					

Problems commonly cited include difficulty in accessing credit, the small size of loans fail to make a significant impact and high effective interest rates charged.

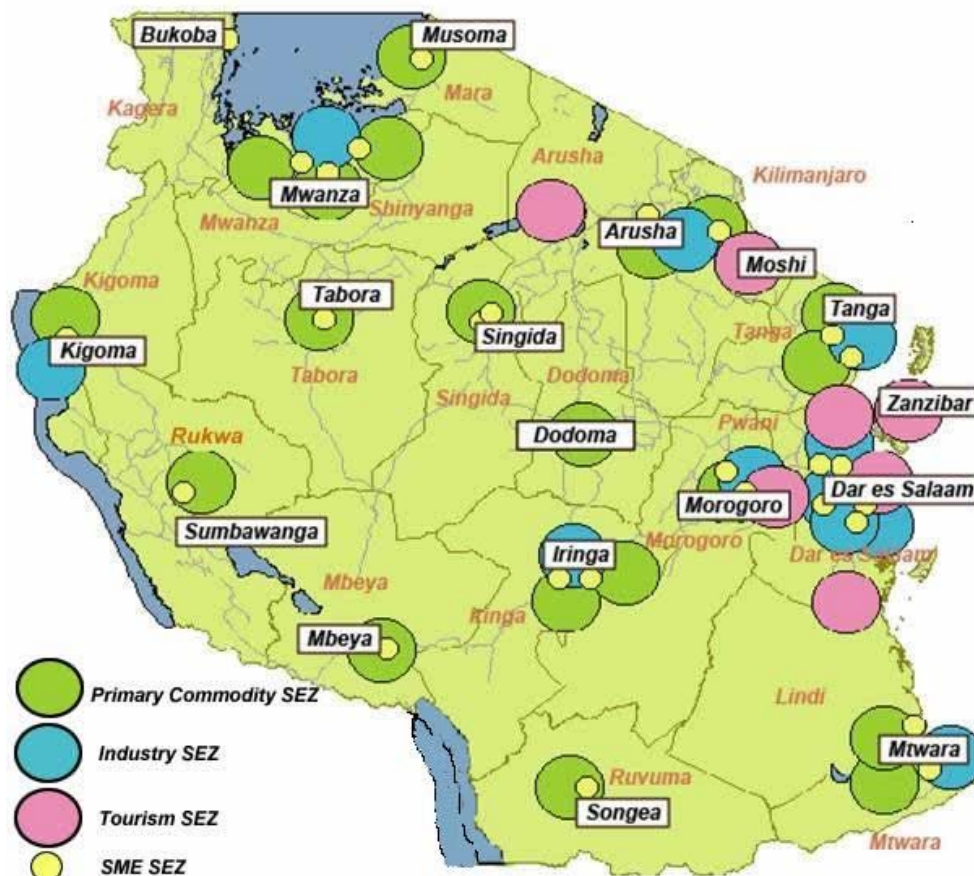
Due to this and in order to formalise the informal sector, the Government of Tanzania is implementing the Property and Business Formalisation Programme (PBFP), known by the Swahili acronym MKURABITA (Mpango wa Kurasimisha Mali na Biashara za Wanyonge Tanzania). MKURABITA aims at economically empowering the poor by recognising their property and businesses. It specifically seeks to facilitate transformation of property and business entities in the informal sector, into legally held and formally operated entities. The target groups are individuals and groups of individuals in the informal sector, whose entry into the formal market economy will enhance their opportunities in using their assets to access capital.

PBFP is planned to be implemented in four phases: diagnosis, reform design, implementation and capital formation and good governance. As of 2006, the programme was at design phase.

3.3.2 Tanzania Mini-Tiger Plan 2020

The Plan designates the Lake Victoria basin as an SME Special Economic Zone (SEZ) (Bukoba, Musoma and Mwanza towns) and Primary Commodity SEZ (Mwanza and Musoma towns) (see **Figure 3-1**). The SEZs will be provided with basic infrastructure (roads, water, power etc) in order to attract foreign and domestic investment.

Figure 3-1: Mini Tiger Plan identified investment opportunities in Tanzania



Prospective entrepreneurs should take advantage of the investments that will be made by the government and be able to establish businesses at a cheaper cost and in a predictable business environment.

3.4 Identification of business opportunities

Business opportunities in this context refer to both new areas of investment as well as scaling up present investments to respond to new and emerging markets. Such new opportunities have been identified at both national level and basin level. Prioritised opportunities are presented below.

3.4.1 Stakeholder perceptions

Consultations were held with respondents from the following clusters:

- 1 Private individuals who participated in LVEMP -1 initiated projects and a control group i.e. those who had not participated in such projects
- 2 Groups of individuals (excluding NGOs)
- 3 Public sector – government officials
- 4 Private sector associations
- 5 Businesses and investors
- 6 Partners in development (Development partners, NGOs, Financial institutions)

The second level of sampling was random once the stratum was selected. The end result was a sample of over 250 respondents drawn from 1 and 2 above, 16 government officials, 5 private sector associations, 21 businesses and investors and 4 partners in development. The consultations were conducted in the following districts: Bukoba rural, Misungwi, Musoma rural, Nyamagana and Ukerewe. Managers of LVEMP I components were also consulted.

Respondents were asked to rank business opportunities in the Lake Victoria basin. Individuals and groups of individuals ranked the potentials as environmental conservation (26.8%) followed by water quality (25.2%), “modern” fishing (21.6%) and “modern” farming (17.2%). Partners in development ranked the potentials as fishing (first priority) followed by agriculture and third, forestry. Private investors ranked the opportunities in order of importance as follows: fishing (42.9%), tourism (35.7%). Government officials ranked fisheries first (37.5%) and environmental conservation second (25%). These identified potentials should form the basis of a project implementation framework.

3.4.2 Potential projects for investments

3.4.2.1 Projects identified by COWI study

As pointed out in Section I, there were a number of overlaps in the ToRs with the other commissioned study. One of the areas was identification of business opportunities. A total of 35 activities were proposed by COWI, most designed over a five year period. The projects have a budget totalling US\$ 83,000,000 and are summarised below:

- 1 Agriculture (US\$ 7,100,000): expansion of dairy cow and goat milk production, increased cultivation of disease-resistant cassava, improved cotton production and marketing, increased chicken rearing, forest regeneration programme, grain banking for storage
- 2 Fisheries (US\$ 5,615,000): solar drier demonstration and promotion, mobile training units for BMU business and environmental management training, creation of two regional aquaculture demonstration centres, internationally accredited chemical testing facility and improved infrastructure at selected fish landing sites
- 3 Mining (US\$ 600,000): pilot integration of SSMs into formal sector, improvement of equipment and training to SSMs, environmental/health training for SSMs
- 4 Infrastructure (US\$ 53,550,000): clearing and dredging of three ports, navigation aids for main shipping routes, maritime radio communication (Kagera), provision of fast patrol and rescue boats, vehicles washing yards, expansion of overnight safe vehicle parking, road infrastructure about 105 km, upgrading of three airports (Bukoba, Musoma, Shinyanga)
- 5 Eco-tourism (US\$ 3,000,000): training and capacity building for hotel staff and managers, marketing and promotion of Kagera and Rubondo island, support to joint venture tourism development, commissioning of management plans and development of cultural and natural sites of interest, infrastructure support for Rubondo island
- 6 Micro finance and investments (US\$ 14,000,000): small enterprise access to finance, small enterprise access to Business Development Services, enhancing MFIs to provide services, strengthening financial intermediaries, empowering enterprises to compete.

3.4.3 Assessment of projects identified by COWI study

Several projects have been identified with little indication of prioritisation. Given their relatively short time span, their impact on growth, for example, may prove to be low. However these projects closely match with those identified by this study. Prioritised ones have been profiled.

3.5 Projects identified by this study

There are two points of departure to the identification by this study. First is the issue of prioritisation. Only a few projects have been selected based on their potential impact in improving livelihoods, strong linkages and “quick win” potential. Secondly in order to maximise on growth, which has a high potential of poverty alleviation, this study allows projects to be of a long term nature. Accordingly the projects described below are proposed.

3.6 Mining

The Tanzania mining sector is rapidly developing and currently contributes about 2.3 per cent of the GDP. The role of the government has shifted from owning and operating the mines to providing policy guidelines, stimulating private investment and providing support for investment (see **Annex 3** for Mineral Sector Policy). From 1995 onwards, more than US\$ 1.5 billion has been invested in exploration and mine development.

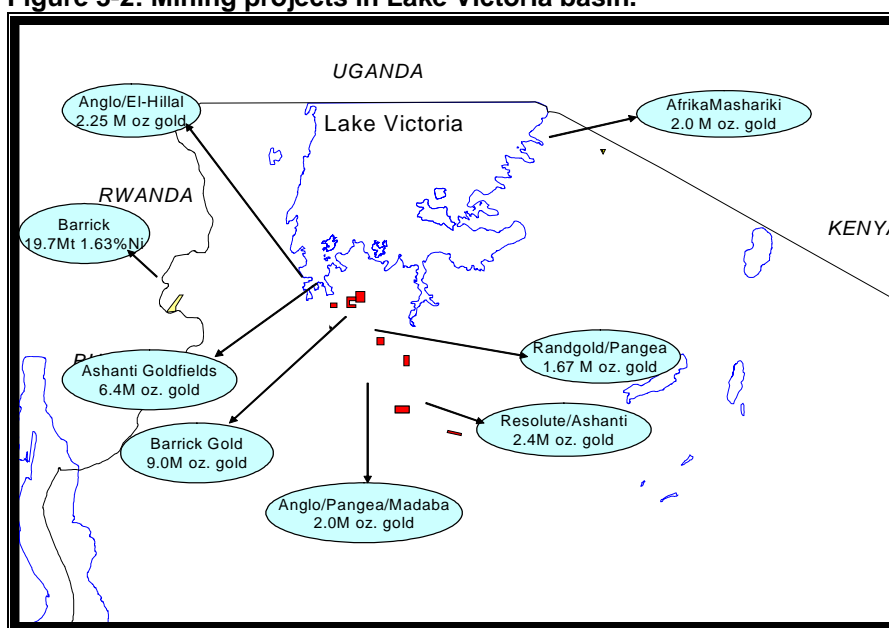
The Lake Victoria basin is well endowed with mineral wealth because of the auriferous deposits. Rocks of the Lake Victoria Gold Fields are chiefly granite-greenstones (Bell and Dodson, 1981). These greenstones and the associated sediments have a high potential for gold and base metal deposits. In the southern and eastern parts of Lake Victoria basin, gold in association with other metals commonly occurs in the greenstones.

The Lake Victoria Goldfields are the largest and richest in gold in Tanzania and have a long history of gold mining, which dates as far back as the 1920s. The main gold areas in the Lake Victoria basin include the Lake zone gold fields. The most active sites are Geita, Bulyanhulu near Kahama, Irambe, Sekenke, Kilima Fedha, Serengeti, Nyambegena, Buzroba, Matinje, Musoma and Tarime.

For many years after 1930, gold mining in the basin was dominated by small and medium scale companies as well as by individuals. Medium and small-scale miners use mercury in processing of gold. In recent years the mining activities have been increasingly dominated by world-class large mining companies, which use cyanide in their processes.

The current new large-scale gold mines operating in the Lake Victoria basin are typical examples of the current trend in the large-scale mining sector and the good investment climate provided by the Mineral Policy.

Figure 3-2: Mining projects in Lake Victoria basin.



Source: Tesha (2000)

3.6.1 Encouraging investment in the value chain

The Government of Tanzania through the Tanzania Investment Centre (TIC) is encouraging investors to invest in gemstone cutting, polishing and jewellery as well as gold refining and prospecting and mine development.

The critical issues in the mining sector revolve around encouraging investment in the value chain and the construction of lapidaries. **Table 3-3** below presents a proposed project profile of a potential business opportunity in the mining sector.

Table 3-3: Identified business opportunities in mining

Project title	SMALL SCALE MINING
Project description	Open cast mines with simple crushing and processing plants Potential for export of good grades of precious and semi-precious stones as well as manufacture of jewellery; import of mining and jewellery cutting and polishing equipment; chemicals for processing, cutting and cleaning of the stones
Location	Mwanza region
Estimated capex value (US\$ million)	6-8 million
Estimated annual turnover (US\$)	Around 2 million initially but growing over time
Investor type	Private sector
Current status	Initial investigation and study required in order to lead to final bankable feasibility study. The project can then be implemented in phases
Framework for implementation	2-3 years for project to be fully operational
Benefits	Foreign exchange earnings; value addition to mineral products; job creation; much needed support to small scale mining and processing
Project risks	Unfavourable government investment and export tax incentives; shortage of certain types of skills; improper regulation and development

3.7 Fisheries

3.7.1 Introduction

Lake Victoria is endowed with invaluable fishery resources that have trans-boundary implications. It provides a source of employment and livelihood to a substantial number of people. It is estimated that fisheries production from the Tanzanian side is about 170,000 tons annually, engaging about 74,000 full time fishermen operating a total of 20,000 fishing vessels. There has been rapid build-up of fish processing factories around Lake Victoria basin in response to international demand for Nile perch.

Surveys in Tanzania indicate that fisheries productivity of the Lake Victoria system has increased and the standing stock has expanded for the last 30 years. Total fish biomass estimates during the period 1997-2001 were 2.17×10^6 tonnes as compared to the values of 1969-1971 at 0.402×10^3 tonnes. Fish standing crop is estimated to be approximately four times as high in inshore waters and also high around the islands compared to the open offshore areas.

3.7.2 Improving Landing Infrastructure

3.7.2.1 Feeder roads

High priority should be placed on rural feeder road rehabilitation and development at both ends of the fish distribution system. More convenient and reliable access to landing sites and collection points along the shoreline of Lake Victoria would reduce the uncertainties and costs associated with the evacuation of both fresh and processed fish. In marketing areas, better roads would mean a more efficient and wider circulation of fish to areas where demand is high. In particular, it would increase the marketing radius for fresh fish, which is usually more profitable to sell and is nearly always preferred over cured products by consumers.

3.7.2.2 Landing sites and markets

At the same time a concerted effort needs to be put into the task of improving both the facilities and the practices associated with fish transport and handling. Projects with these same objectives have been mounted in the past or are now ongoing, with mixed results. One problem with past projects is that they have tended to concentrate on solutions that require large outlays of capital for the acquisition of expensive and complex machinery. Most of the fish landing sites are no longer accessible since they are left far away from the water. The US\$300m infrastructure of the floating barge constructed in Kayenzi fishing village in Mwanza in 2000 has become redundant since boats can no longer dock there due to falling water levels.

What is needed now is an approach that would bring about substantial improvements in fish distribution and marketing, efficiency through more straightforward and less costly means. Aside from good access roads, the immediate needs of most landings and marketplaces are very basic: clean and sheltered receiving and handling areas; secure dry-storage space; reliable and protected supplies of water and sanitary amenities. Beyond this it is more a question of encouraging good fish handling practices by fishermen and traders than of elaborate physical facilities like ice plants and insulated trucks. Several courses of action warrant consideration as ways of helping to resolve the problems and potential problems just reviewed. Since these problems are themselves interrelated, measures taken to deal with them should not be taken piecemeal, but as part of an overall programme.

Short to medium term planning for the integrated development of the post harvest sector of the lake fisheries should accordingly be oriented towards the provision of basic services rather than complex and expensive installations.

This approach should be implemented on a pilot project basis at a few key market sites. The project would have to combine a scheme of infrastructural improvement with solid backstopping by fish technology and marketing officers of the Fisheries Department.

Of utmost importance for sustainability in the long term, the scheme should also involve the development of an effective system of revenue generation and accountability for the upkeep and development of market facilities.

3.7.3 Microfinance Project for Fisherman

3.7.3.1 Introduction

The level of unfavourable economic conditions in Tanzania, where the majority of the population is still rural, raw materials and markets are small and dispersed, and transport is costly and difficult, small businesses are increasingly becoming more important in terms of income generation and provision of goods and services. But for all their importance, they face a daunting obstacle since far too few have access to regulated banks, savings and loan associations, investment funds, and other formal financial institutions. In most cases financial intermediaries see small businesses simply as high risk and low return operations not worth their resources.

3.7.3.2 The Need for Microfinance

For the majority of Tanzanians, whose incomes are very low, access to financial services offers the possibility of managing scarce household and enterprise resources more efficiently, protection against risks, provision for the future, and taking advantage of investment opportunities, for economic returns. For households, financial services allow higher standards of living to be achieved with the same resource base, while for enterprises and fishermen financial services can facilitate the pursuit of income growth.

Savings services are among the most beneficial financial services for low-income people. Nearly all households need to save to protect themselves against periods of low income or specific emergencies and to cover large anticipated expenses (like school fees). Enterprises also need to store the value they accumulate from their profits until they can invest them to earn a higher return. Moreover, savings in financial form provide funds for investment by others. Thus, savings services can have a very broad outreach and value.

Credit services can perform some of the same services as savings and can allow enterprises and families to make some important investments sooner. Enterprises use credit as a source of short-term working capital and longer-term investment capital. Households use it to meet consumption needs, particularly during periods when income flows are low, such as during the off-season before crops are harvested, and to make investments, such as housing improvements.

In short, microfinance addresses the financial needs of major sectors of the Tanzanian population. They are primarily facilitators rather than creators of the underlying economic opportunities that lead to widespread economic prosperity. Microfinance services are financial in nature. They differ materially from social welfare and resource transfer policies, although they can contribute to the reduction of poverty and improvement of income distribution.

3.7.3.3 Local Microfinance Institutions

Numerous NGOs and donors are presently supporting (through direct funding) small enterprises activities using Microfinance Institutions operating in the Lake Victoria Basin (LVB), Examples include Small Industries Development Organisation (SIDO), The Foundation for International Community Assistance (FINCA), Mwanza Women's Development Association (MWDA), National Microfinance Bank (NMB), Promotion of Rural Initiative and Development Enterprise (PRIDE), Evangelical Lutheran Church of Tanzania (ELCT), Tanzania Postal Bank (PostBank), Savings and Credit Co-operatives (SACCOs), Small Enterprise Development Association (SEDA), Tanzania Micro Entrepreneurs Association (TAMEA), Kagera Development and Credit Revolving Agency (KADETFU) and Financial Services Associations (FSAs) numbering about 10 in Mwanza City alone.

To achieve the above, the selected MFIs, banks and NGOs must have:

- An aggressive marketing strategy
- A lending methodology that reaches thousands of micro entrepreneurs while keeping costs low and portfolio quality high
- A strategy of helping meet non-credit related business needs of clients
- Sufficient donated operational funds and policies for increasing earned income in order to move towards self-sufficiency
- Access to sufficient loan capital fund to accommodate growth
- Strong institutional capacity and leadership

- Supportive institutional relationship.

3.7.4 Increased utilisation of waste products from fish

3.7.4.1 Utilisation of Nile Perch By-Products

Swim bladders: The bladders, also known as fish-maws or fish sounds, are the raw material from which isinglass, used as refining agent in the manufacture of beers and wines, is produced. In the Far East swim bladders, fried in cooking oil, are considered a delicacy.

Fish skins: Utilisation of Nile perch skins into leather products are being produced in Kenya. Finished and semi finished samples of Nile perch leather have been produced. The products are attractive and in strength compare favourably with those produced from land animal skin.

According to the Bata shoe company in Kenya, it is technically feasible to tan Nile perch skin into leather. However, before an entrepreneur invests in such an activity, market demand as well as regularity of supply of adequate and good quality skins to feed the plant has to be ascertained.

Fish silage for animal feed: Fish silage can be utilised in animal feed in pig and poultry industries. The technology of fish silage production is simple, essential equipment is cheap and the scale of production may be varied at will.

Silage production relies on the fact that at acidic pH spoilage bacteria are greatly reduced and the enzyme systems in the fish, which break down fish protein, are able to function more efficiently. Fish silage methods are divided into two major groups: (a) those employing acids, either mineral and or organic, to lower the pH and to produce the conditions necessary for silage production; (b) those employing process of fermentation with the generation of organic acids to conserve the products.

Fish body oils: Fish body oils are usually produced during the wet reduction process used for fish meal manufacture, the liquid from the press being passed either to a series of setting tanks or to a series of centrifuges. Fish oils are used in paints, varnishes, in animal feed as carriers for the oil soluble vitamins A and D, in the manufacture of soap, rubber, lubricants, printing inks and cosmetics.

Table 3-4 below proposes a specific project profile for an investment opportunity in the fisheries sector.

Table 3-4: Identified business opportunities in the fisheries sector

Fisheries	
Project title	Aquaculture farms
Project description	Establishment of culture facility using land-based hatchery and brood stock maturation system (ponds) for tilapia. This can be done on a small scale with many farms (target capacity of 3,000 tonnes per annum). The alternative is one facility using a hatchery and land-based grow-out ponds in the three regions could be established with a capacity of around 60,000 tonnes per annum. Fortunately for the area, EU approved fish processing factories with HACCP systems already exist in Mwanza. The processed fish will be sold in international markets such as the EU, East Asia, etc.
Location	Kagera, Mara, Mwanza regions
Estimated capex value (US\$ million)	5 million per option
Estimated annual turnover (US\$)	Around 1 million per annum increasing to around 4 million
Investor type	Private sector
Current status	It is a project concept which should be followed by scoping
Framework for implementation	2-3 years to for project to be fully operational
Benefits	Foreign exchange earnings; value addition to fish products; job creation; much needed support to small scale fishers
Project risks	Maintaining hygiene

3.8 Agriculture and livestock

Agriculture is the most important economic activity in the Lake Victoria basin providing food for the rapidly growing population, raw materials for the agro-industries, employment as well as foreign exchange. It is also the most important complementary activity even among the fish traders and fishermen. The majority of the farmers in the Lake Victoria basin are engaged in subsistence agriculture, which is characterised by small land under cultivation and poor farming technologies like hand hoe, shifting cultivation and limited use of inputs. There are several farming systems in the Lake Victoria basin influenced by agro-ecological zones determined by rainfall, temperature, geology, landscape, and population density. The main

crops that are grown include coffee, cotton, bananas, beans, paddy, millet, cotton, sugar and tea. In addition to land pressure, farmers use inferior agricultural technologies, they are faced with pests problem and inadequate irrigation facilities, soil exhaustion, soil degradation and inadequate extension services. Furthermore, technical advice and innovations on soil fertility are either rudimentary or non-existent. On the other hand the sector is highly vulnerable to drought and erratic rainfall, and floods. The common method of cultivation in the basin is that of ridges and in some areas 'sesa'. Ridges made along the hills rather than across, however, are a source of soil erosion.

In 2001, it was estimated that cultivated land was increasing at a rate of 2.2 per cent. Agricultural activities have been extended to riverbanks due to frequent droughts experienced in some areas. Plots of maize, sweet potatoes, and vegetables have been established leading to a deposition of nutrients. Wetlands have been put under intensive cultivation for crops such as sugar cane, sweet potatoes, yams and eucalyptus. Unsustainable utilisation of wetlands through agricultural activities and livestock keeping has negatively affected the buffering capacity of the wetlands.

The soil conservation measures that have been implemented through LVEMP I activities have greatly improved the productivity of the land in the LVB. Production per unit area, for example maize, has increased from 500 to 1000kg/ha and paddy rose from 450 to 1350kg/ha in the pilot villages along the Simiyu River Catchments in Magu and Mwitore in Tarime, Mara Region, resulting from project activities.

3.8.1.1 Livestock

Agro-pastoral and pastoral farming systems are also common particularly in the semi-arid areas of the basin, including Mwanza, Mara and Shinyanga regions. Farmers in these regions practice mixed farming by combining livestock and crops in their farm units. Large herds of cattle are kept, especially in Kwimba, Magu, Tarime, Ngara, Karagwe and Geita Districts.

In Tanzania, the Lake Victoria basin area is estimated to have a total of 4 million livestock (about 61 livestock per square kilometre), which include cattle, goats, sheep, chicken and donkeys. Indigenous breed characterizes livestock production in the Basin whereby only about 28 thousands of cattle are improved or exotic breeds. According to livestock data from the Agriculture Extension Information Unit, Mwanza office, there were 1,522,490 cattle in Mwanza region alone in 1999 (Kisoza et al., 2000). Musoma and Bunda had 370,377 and 210,000 cattle, respectively, while Bariadi, Maswa, Shinyanga Urban and Shinyanga Rural Districts had a total of 1,379,791 cattle.

The business opportunity in livestock includes meat processing plants and modern abattoirs like the ones recently launched for Dodoma town, another livestock region.

In most of these areas, pastures have become scarce due to rapid increase in livestock population and expansion of agricultural activities, leading to serious land use conflicts, and overgrazing. The increasing livestock numbers have also led to destruction of natural vegetation and serious degradation of the wetland resources, for example, at Lamadi where there is intensified bush encroachment as a result of overgrazing. The high grazing pressure has also rendered the area prone to soil erosion, particularly sheet and gully erosion, leading to deterioration of soil structure and water retaining capacity.

The development of livestock is constrained by poor breed, inadequate grazing pasture, drought stresses and inadequate or unaffordable veterinary services. Technological innovations such as zero grazing are limited to a few farmers in the highlands who keep dairy cattle. Farmers are reluctant to adopt improved breeds for fear of losses due to the limited feeds and veterinary services. The sector is also vulnerable to drought and suffers from insecure water resources.

3.8.1.2 Investment in the Cotton Value Chain

Cotton is grown in many parts of Tanzania Mainland, but more than 95% of the crop comes from Western Cotton Growing Areas (WCGA). WCGA covers about 300kms around Lake Victoria and comprises of Mwanza, Shinyanga, Tabora, Kigoma, Singida and Kagera regions. The rest of the crop is grown in Eastern Cotton Growing Areas (ECGA), which include Kilimanjaro, Manyara, Tanga, Morogoro, Coast and Iringa regions. In both areas, cotton is grown by smallholder farmers, in an estimated area of about 300,000 to 400,00ha. Though the area under production is big, production is small mainly because, cotton production depends on weather condition and supply of inputs mainly insecticides.

3.8.1.3 Private Sector involvement in the cotton Industry

Liberalisation of cotton sector coupled with other reforms geared at redefining the role of the state in economic development has increased the private sector involvement in cotton buying, ginning and exporting.

3.8.1.4 Training

Agricultural training should not remain a monopoly of the government but the private sector should also encouraged to carry out specialised training.

3.8.1.5 Extension Services

Extension services delivery should also not be a monopoly of the government. Private sector participation for collaborative efforts will be promoted and where

necessary private sector will be allowed to own and manage extension services for specific enterprises such as beef, dairy, poultry, small ruminants, horticulture, tobacco and other sub sectors which call for special attention. In areas where private sector offer extension services by providing funding, planning, monitoring and evaluation, the government will play a coordinating role.

3.8.1.6 Seeds

The private sector is allowed to produce, distribute and market seeds. Production of breeder seeds is done at research institutes, foundation seed production on five foundation seed farms now under the Department of Research and Development, and certified production by contract growers vested in Arusha, Morogoro, Iringa regions. Tanzania Seed Company (TANSEED) is involved in both foundation seed farms and certified seed production. The Tanzania Official Seed Certification Agency (TOSCA) is responsible for quality control from the foundation seed farm stage up to the sale of certified seed to the farmers. The main seeds produced are hybrid and composite maize, sorghum, beans, wheat and sunflower.

Private Companies involved in seed production and distribution are Cargill Hybrid Seeds, Pioneer Hybrid International and Pauniar and Rotian Seeds Company. The Seed production system in Tanzania is governed by the Seed Act No. 29 of 1973, and the Seeds (Registration of Standards) Act.

A new approach known as community based seed production has been introduced as well, whereby selected farmers, who have received specific training in seed multiplication, are supplied with foundation seed which they then multiply under the supervision of extension workers. TOSCA is responsible for inspecting the fields and the final product. Farmers sell the seed produced locally as "Quality Declared Seed" with simple packaging and labelling, at a reduced price.

3.8.1.7 Investment opportunities

In spite of increased private sector participation in the cotton industry, growth of the sector is still slow as exemplified by production not living up to expectations of structural adjustment programme. Private investment is therefore needed in the following areas.

- Large scale farming particularly in Eastern Cotton Growing Areas where large tracts of arable land is idle and where several rivers available can be a source of irrigation
- Production of cotton seeds for planting to cater for the needs of the liberalised market. This will be a solution to the problem of cottonseed mixing and lack of enough seeds for planting during the planting season

- New and efficient gins. The gins in use now are very old and outdated because some of them were installed in the 1940s
- Input and credit supply system that caters for the needs of smallholder farmers under a liberalised environment.

Table 3.5 below proposes an investment opportunity in the agricultural sector.

Table 3-5: Identified business opportunity in the agricultural sector

Agriculture	
Project title	Improved coffee production
Project description	In the Tanzanian part of LVB coffee is being grown mainly by small scale farmers in Kagera region and exported officially or smuggled to neighbouring Uganda where prices are said to be more favourable and exporting easier. Coffee prices have not been favourable in recent years with the risk of farmers not attending much to the crop. Replacement of coffee trees is a potential measure to improve the crop (coffee trees are productive in three years and commercially unproductive in around eight years). Kagera region has a well established coffee processing industry
Location	Kagera region
Estimated capex value (US\$ million)	2 million
Estimated annual turnover (US\$)	2.5 million per annum
Investor type	Private sector
Current status	Done in isolated cases. What is needed is a large scale coverage
Framework for implementation	1-3 years
Benefits	Foreign exchange earnings; more and stable income to small scale farmers, job creation
Project risks	Weak farmer associations

3.8.1.8 Diversification in agriculture

The need for diversification in agriculture is brought about by the need to stabilise incomes of farmers. One successful diversification in areas with similar climatic conditions is jatropha plantations, which have many uses, the most celebrated of which is as a source of bio diesel. This was also identified as an opportunity by the farmers themselves as well as a potential investment for the Lake Victoria basin. The project is profiled below in **Table 3-6**.

Table 3-6: Identified business opportunities in Agriculture/Energy

Agriculture	
Project title	Jatropha
Project description	The project involves expansion and establishment of new farms for Jatropha of around 30,000 ha over a period of ten years intercropped with established farming systems in the rural areas. In addition two to three oil refineries should be established with total capacity of producing 3,000 metric tonnes of glycerine per year. The bio-diesel so produced will be consumed both locally and exported
Location	Kagera, Mwanza and Musoma regions
Estimated capex value (US\$ million)	40 - 45 million
Estimated annual turnover (US\$)	Around 450 million annually at full capacity
Investor type	Joint Venture, foreign and local private sector partners
Current status	Project scoping needs to be done to identify suitable land in the three regions
Framework for implementation	10 years for project to be operating at full capacity
Benefits	Foreign exchange saving on imported oil; foreign exchange earning on exporting bio diesel; additional income to rural communities; organic fertilizer which can be exported; job creation

3.9 Tourism

3.9.1.1 Introduction

The Lake Victoria basin has a rich and diverse wildlife species (including those which are globally threatened) and a wide variety of endemic species. The wildlife population in some parts of the basin is among the largest in the world and forms a global attraction. This resource has great potential for earning a considerable amount of local and foreign income, providing employment, food and other benefits through sustainable use. The Lake Victoria basin has a rich diversity of wildlife such as the rare rothschild giraffe, the fashcons hartebeests, elephants, reedbuck, topi, eland, waterbuck, endangered sitatunga, zebra, dikdik, monkeys, pangolins, reptiles, butterflies, leopards, lions, buffalos, tangos, roan antelope, warthog, forest birds, and black hippo. It is however still threatened by unsustainable utilisation.

Tables 3.7 and 3.8 present the parks and reserves in the basin area.

Table 3-7: National parks and Game Reserves

Name of National Park	Location	Size
Rubondo Island	Mwanza Region	240 sq. km
Serengeti	Mara Region	14,763 sq. km

Table 3-8: Game Reserves in the Lake Victoria Basin

Name of Game Reserve	Location
Kagera region	
Biharamulo	Biharamulo District
Burigi	Biharamulo District (west of Biharamulo game reserve extend to Rwanda)
Ibanda	Biharamulo District (close to Burigi game reserve).
Rumanyika	Muleba District (within Kishanda valley)
Shinyanga region	
Maswa	Maswa District
Kigosi	Between Shinyanga, Kigoma and Tabora regions
Northern Kahama	Kahama District
Mwanza region	
Saanane Island	Sengerema District
Mara region	
Grumeti	Serengeti District (western boundary of Serengeti National Park)
Ikorongo	Serengeti District (Grumeti Game Reserve and Serengeti National Park)
Kijereshi	Serengeti District (near Serengeti National Park)

3.9.1.2 Tourism potential in the basin

Information available indicates that there is considerable tourism potential in the basin. The world famous Serengeti National Park fringes the eastern catchment area and supports a valuable tourism industry and biodiversity conservation. Most other parts of the basin however, not well developed with respect to tourism.

Promotion of eco-tourism - There is a need to encourage the development of tourism among local and foreign investors with a focus on ecologically sound approaches.

Under utilised tourism resources - The basin includes a surprising number of existing and potential sites of tourism interest, in addition to a diverse and rich cultural heritage, many of which are not promoted or developed. Sites of particular natural history interest are:

- Rubundo Island National Park;
- Biharamulo Game Reserve;
- Burigi Game reserve
- Rumanyika Game Reserve;
- Ibanda Game Reserve;
- Moyowosi Game Reserve; and
- Saa Nane Island
- Butiama village (Nyerere's birth place): burial place, museum

These and other sites can potentially offer the following services to visiting tourists:

- Wildlife (especially bird life) viewing;
- Walking safaris;
- Fishing and boating trips;
- Cultural visits (to museums e.g. Sukuma Museum; and
- Diverse accommodation styles.

3.9.1.3 Kagera Initiatives

The Kagera Tourism Development Association (KATODEA) is a recently registered (2004) organisation, based in Bukoba, which aims at promoting tourism in the basin, particularly in the Kagera Region. The experiences gained so far by this initiative need to be shared and built upon, and as such, this institution is considered a key informant worthy of future discussions and meetings.

3.9.1.4 Investment Opportunities in Tourism Infrastructure

Investment opportunities include hotel construction, conference tourism, beach tourism, historical sites, amusement parks, leisure parks, specialised cuisine restaurants, golf courses, air/ground transport, wildlife farming and trading of live animals. (Source TIC)

3.9.1.5 Investment in Tour Operators

The Tourist Board plans to increase the number of tour operators promoting Tanzania by providing sponsored familiarisation trips to tour operators, travel agents, travel trade journalists and other media representatives.

4 Enhancing private sector participation

4.1 Overview

The objective of this chapter is to propose ways and means for active private sector participation in the socio-economic development of the Lake Region in response to ToR 3.

Despite the many policy initiatives to promote private sector participation, response of the private sector in the Lake Victoria basin has not been as forthcoming as one would expect. While there are many opportunities for investment in the Lake Victoria basin, private sector investments have tended to crowd in certain activities, being small and not sustainable.

The section is organised into three sections corresponding to the broad tasks required to support the ToR.

4.2 Private sector development in Tanzania

4.2.1 EAC Initiatives

The objective of the EAC is to achieve a private sector-led, internationally competitive and sustainable development in the region (EAC 2001). The East African Treaty targets the private sector as the vehicle for people-centred and market oriented economic system. The Protocol on the EAC Customs Union has been very instrumental in developing a facilitative regulatory framework for private sector development.

Among the recommendations of EAC Secretariat for a private sector strategy are (EAC *ibid*): capacity building for private sector business organisations; specific incentives for promotion of targeted local private sector; promotion of micro, small and medium enterprises; lowering the cost of doing business; use of government procurement in order to empower especially SMEs; introduction of an entrepreneurial funding facility; establishment of venture capital funds; alternative markets for raising long term capital especially for SMEs; Strengthening the EABC; harmonising regional policy for prevention of dumping of imports, and, good corporate governance in order to encourage investments.

The Private Sector Development Strategy which was recommended on the basis of these recommendations (EAC 2003) focussed more on identifying constraints and challenges which impinge economic development from a regional perspective. Private sector-driven regional economic integration was to be seen as a higher level of private sector participation in economic growth and development of the region.

Five constraints are identified:

- Policies at macro level and at specific sector level (needed: harmonization of policies, incentive systems and procedures)
- Institutional framework and governance
- Access to key resources (finance, skills, land)
- Access to infrastructure
- Access to supportive services

In light of the constraints, five priorities were identified

- Policy and institutional framework
- Access to infrastructure
- Access to key resources
- Access to supportive services
- Empowerment of disadvantaged elements of the private sector

Priority sectors for private sector development were identified as:

- Agriculture and agribusiness (markets, rural roads, land tenure and land use laws, access to finance, especially micro-finance, de-taxation, linkage between agriculture and other sectors – supply chain analysis and livestock – trans border diseases)
- Natural resources (mining, fisheries, wildlife and forestry)
- Industry, commerce and services (textiles and leather, trade and competitiveness, professional services and tourism)

4.2.2 Tanzania's national frameworks supportive of private sector development

a) The Tanzania Development Vision 2025

Vision 2025 is imbued with five main attributes:

- High quality livelihood
- Peace, stability and unity

- Good governance
- A well educated and learning society; and
- A competitive economy capable of producing sustainable growth and shared benefits

The private sector is expected to be the engine of ensuring that a competitive economy is achieved and sustained.

b) The National Poverty Eradication Strategy (NPES)

NPES emphasised the importance of economic growth and improvement in social services with the overall goal being to provide a framework to guide poverty eradication initiatives in order to reduce absolute poverty by 50 per cent by the year 2010 and eradicate absolute poverty by the year 2025 (URT 1998).

The roles of the private sector in poverty reduction were outlined as:

- 1 Providing employment opportunities
- 2 Providing education and health services
- 3 Increasing quality and overall production of goods and services
- 4 Mobilisation of savings and investment in poverty eradication programmes
- 5 Provision of credit facilities
- 6 Involvement in the marketing of agricultural inputs and outputs and information thereon
- 7 Collecting and disseminating information related to poverty eradication programmes

c) Tanzania Mini-Tiger Plan 2020

The Mini-Tiger Plan 2020 focuses on employment creation by attracting Foreign Direct Investment (FDI) and promoting exports by developing Special Economic Zones (SEZ) using the “Ponds and Birds” theory by creating “ponds” and attracting “migrant birds” (investments, especially foreign).

The plan's development scenario:

- Focuses on the most potential areas – Agriculture, Tourism and Light Industry.
- Uses SEZ model to attract FDI/DDI
- Mobilising everyone by nationwide programs
- Strong political will to implement
- Active promotion of FDI/Exports
- Solving problems by Technical committee

The goals by 2020 are:

- Becoming a Mini-Tiger economy by 2020 – GDP to the tune of US\$ 40bn.
- Developing 25 – 30 SEZs by 2020
- Increased industrial sector share of GDP from 7 percent to 20-25 per cent
- Increase in exports from US\$ 1.1 billion to US\$ 11 billion.
- Rapid economic growth – GDP target 8-10 per cent
- Rise in Per capita income – from US\$ 280 to US\$ 1000 by 2020.
- New job creation of 2-3 million by 2020.

The government's role is to provide special incentives for the private sector to be able to invest. The private sector is thus expected to be the “driver” of the Plan.

d) The National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA)

NSGRP or popularly known by the Swahili acronym MKUKUTA is a second national organising framework to guide poverty reduction. It has re-emphasized and placed poverty highest in the Tanzania's development agenda. The strategy is organised into three clusters: Growth of the economy and reduction in income poverty, Improvement of Quality of Life and Social Well-being and, Governance and Accountability.

NSGRP recognises the private sector as the engine for economic growth hence expected to play a central role in achieving poverty reduction outcomes. The strategy addresses factors that hinder proactive private sector participation through friendly trade and investment policies. The government is to further reduce its role to core functions of policy formulation, economic management, provision of economic and social infrastructure, legal and regulatory framework, maintenance of law and order as well as selected areas of public-private sector partnership.

e) The Property and Business Formalisation Programme (PBFP/MKURABITA)

This programme is intended to promote formalisation of “extra-legal” businesses and property. Owners of such property and businesses will be able to use such property as collateral and access credit from financial institutions. It is one of the strategies for accessing credit in order to strengthen the private sector.

As a result of these national policy frameworks, a number of institutions have been facilitated to support private sector development. Such institutions include the Business Registration and Licensing Agency (BRELA), Tanzania Investment Centre (TIC), Business Environment Strengthening in Tanzania (BEST/MKUMBITA) programme, Better Regulation Unit (BRU) and the Benjamin William Mkapa Special Economic Zone (BWM-SEZ)

4.3 Attracting and retaining private Foreign Direct Investment (FDI)

The government of Tanzania regards FDI as an essential and probably the most sustainable factor in compensating foreign aid dependency for its balance of payments support.

4.3.1 Investment promotion institutions and arrangements

Tanzania has been striving to attract Foreign Direct Investment (FDI) by means of facilitating the information gathering and simplification of application procedures for the investors. Today Tanzania has a “one-stop shop” for investors.

Tanzania Investment Centre (TIC) was established in 1997 by the Tanzania Investment Act No. 26 of 1997 to be “the primary agency of Government to coordinate, encourage, promote and facilitate investment in Tanzania and to advise the Government on investment related matters”. All Government departments and agencies are required by law to cooperate fully with TIC in facilitating investors.

In order to strengthen and expedite facilitation services, 7 senior officers from Government or its executive agencies have been permanently stationed at TIC to serve investors under the general direction of the TIC Executive Director. Presently these officers include those from Lands Department, Revenue Authority (TRA),

Immigration Department, Labour Division, Directorate of Trade, and Business Registration and Licensing Agency (BRELA).

4.3.2 Investment incentives

The Government of Tanzania gives tax incentives to foreign investors in two structured sectors; lead sectors (agricultural, mining, economic infrastructure, tourism, and petroleum and gas) and priority sectors (manufacturing, natural resources such as fishing and forestry, aviation, commercial buildings, financial services, transport, broadcasting, human resource development and export oriented projects).

4.3.3 Recent trends

Recent improvement in the economic environment in Tanzania has led to increased opportunities for business investment. The successful privatisation program has generated interest from foreign companies, in particular in the telecommunications and water sectors.

The United Kingdom (UK) has traditionally been Tanzania's leading trading partner but their position has come under threat from Japan and India's presence in terms of total bilateral trade. The leading exporters to Tanzania are South Africa, Japan, UK, Kenya and India.

The UK is also currently the largest foreign direct investor in Tanzania. UK companies have invested approximately 229.5 million GBP in Tanzania over the last 11 years, mainly in the agricultural and tourism sectors. Leading UK investors are CDC, BP, Standard Chartered, Barclays and Unilever. Other large UK companies include Glaxo SmithKline and British Airways. The surge of opportunities in the mining sector has attracted new investors from Ghana, Australia, Canada and USA. **Table 4-1** below presents the trend in FDI flows over an eleven year period.

Table 4-1: Flow of FDI in Tanzania 1995-2005 (USD Million)

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Value	150.86	148.64	157.8	172.2	516.7	463.4	467.2	430	526.8	469.9	473

Source: URT (2006) Economic Survey 2005, UNCTAD (2006) for 2005 data

4.3.4 Future outlook of FDI

High levels of FDI were recorded in 1999 (US\$ 516.7 million) and 2003 (US\$ 526.8) mainly on account of substantial investments in the mining sector. It is estimated that the annual value of FDI will stabilise at approximately US\$ 200 million for the coming years unless major industrial projects are undertaken.

4.4 Modalities for enhancing “smart” Private-Public Partnership (PPP)

PPPs can be defined as arrangements between the public sector and private sector for achievement of specific objectives such as provision of services, in an innovative and effective way, in a way that neither the public sector nor private sector alone can achieve. The main advantage of such arrangements is that they bring together the different strengths, resources and skills.

The entry point for promoting the private sector is dialogue. UNIDO (2001: 1) defines dialogue as “a sustained collective inquiry into everyday experience, the goal being to open up new ground by establishing a container or field of inquiry”. A dialogue is part of the democratisation process and represents a move towards a collective process. Policy makers should not have a monopoly on perspective, understanding, knowledge and wisdom.

The entry point for an effective public-private sector partnership is dialogue. A dialogue must be established and should be institutionalised in a cost effective manner in order for it to be sustainable. The private sector has to articulate its needs to government policy makers if it is to play the role that is expected of it.

A dialogue is part of the democratisation process and represents a move towards a collective process, co-ownership and co-responsibility of solutions. A dialogue must be established between public and private sectors and should be institutionalised in a cost effective manner in order for it to be sustainable.

Important attributes of an effective dialogue include, that the process of dialogue be explicitly prepared, organised and managed and that Government recognises and accepts the role and status of private sector organisations as partners, which is the case in Tanzania. Proper documentation of the process and skills training for those involved in facilitating dialogue are necessary. In addition, representative organisations should be apolitical and accountable to their constituencies.

Other equally important elements include both sides working to remove mistrust in order to develop better attitudes of each other, better understanding of strengths and weaknesses of both sides as well as increasing understanding of each other’s goals. Each side must bring concrete issues to the consultation table, as far as possible, own resources, expertise and know-how while the role of the international community and Development Partners should be to facilitate the process. Flexibility to adjust forms of cooperation according to changing realities as well as credibility and transparency in managing the process are important ingredients in ensuring effectiveness of the dialogue.

Promotion of public-private sector dialogue is not something that can be pushed in an abrupt manner or pursued through a blueprint approach. Initiating, organising and consolidating dialogue should be seen as an iterative process, to be carefully nurtured and developed over time. Accordingly, it is expected that the process will aim at ensuring the participation of the different actors and allow for the necessary flexibility in implementing the public-private dialogue programme (based on local realities).

There are interesting experiences with forms of structured public-private sector dialogue in developing countries, particularly in Africa. Established public/private sector consultative mechanisms in Africa exist in Mauritius, South Africa, Uganda, and Botswana. However, the political and cultural environment, which tends to shape the nature of the modality to be adopted, needs to be assessed.

The private sector in the lake zone was generally viewed as weak (50% of partners in development). In terms of structure, many businesses are small according to the official definition in terms of employment (5-15 employees, 78.6%) with high representation in hotels and restaurants business. In terms of turn over the majority (50%) were realizing over 50 million per annum. Few private sector operators (only 35.7%) register themselves with business associations, with a subscription of less than TShs 50,000 per annum. (see **Annex 4** for official categorisation of businesses in Tanzania)

The private sector operators ranked the following constraints in order of severity: poor infrastructure (42.9%) followed by poor business environment (21.4%) followed equally by taxes and lack of capital & skills). Business associations ranked inadequate capital as the most binding constraint (40%) same as government officials (75%).

A programme for strengthening SMEs should be implemented under LVEMP-2, using the modality of clusters and within a PPP framework. Possible beneficiaries include textile industry, fruit and vegetable processing as well as recovery of gold by small scale miners.

5 Sustainable management of the Lake Victoria basin resources

5.1 Overview

The purpose of this section is to identify practical preventive and remedial actions that will enable sustainable exploitation of the Lake Basin resources as specified in ToR number four.

Unsustainable exploitation of environmental resources in the Lake Victoria basin has continued despite the many initiatives undertaken to address this situation. The Lake Victoria basin is currently experiencing all forms of environmental degradation: air pollution, land degradation, water pollution and unsound disposal of waste, both solid and liquid.

The chapter is organised into three sections. Sub-section one provides a review of current methods of exploration and exploitation of natural resources with the aim of recommending the use of sound and environmentally friendly technologies in section two. Sub-section three is devoted to proposing ways, strategies and actions of promoting sound solid and liquid waste management

5.2 Importance of sound environmental management

Environmental status, economic development, and social and demographic changes are closely interlinked. Each of the fields of activity may be regarded as a driving force for change, but at the same time a recipient of impacts from changes taking place in the other sectors. Healthy ecosystems, that provide the population with goods and services, are needed to reduce poverty. Vice versa, reduced social poverty reduces the strains on the environment.

Sound environmental management is an integral part of the conditions for sustainable economic development. Sound resource management sustains the functioning of ecosystems and their production of goods and services to the population. Disturbances and/or changes in negative directions in any parts of the system will have impacts on the other parts and – to varying degrees – lead to harmful consequences for different stakeholder groups and interests.

5.3 Review of current methods of exploration and exploitation of natural resources

Evidence of activities harming the lake basin environment are manifested in the following:

- Unsustainable fishing practices

- Increasing water pollution
- Resurgence of water hyacinth
- Watershed degradation
- Increased wetland degradation.

5.4 Promoting sound methods of exploitation

- Overall involvement of stakeholders such as through joint community management
- Fishing pressure: this can be addressed through harmonising relationships between large and small fishers; introducing aquaculture, developing small fisher-folk (small projects), prescribing fishing quotas, prescribing fishing “seasons” and ensuring that only permitted gear is used
- Investing in alternative sources of energy
- Promoting sound solid and liquid waste management: this can be addressed through legislation and its enforcement such as ensuring that new projects obtain approval for their EIAs, and strong government supervision.

A practical way of promoting sound solid waste management is to improve urban planning (ex ante). This seems like a lost opportunity for townships such as Mwanza city. Ex-post then one needs to strengthen collection of waste and as far as possible enlist the support of the private sector.

Stakeholders put forward a number of recommendations for sustainable exploitation of natural resources. The private sector operators emphasise conservation (42.9%) followed equally by strong government supervision and strengthening infrastructure (28.6% each). The Government puts a lot of emphasis on sensitisation (50%) followed by observance of laid down rules and procedures (25%) and public-private partnership.

6 Concluding remarks

LVEMP-1 had initiated a number of projects which helped to a great extent halting or even reversing the environmental stress in the Lake Victoria basin. A vivid example is control of invasive weeds. Considerable capacity has been built and there is appreciation by stakeholders. The issues suggested in this study for implementation during the second phase of the program need to be taken seriously so as to sustain achievements and avoid reversals.

As mentioned in section one, this study should not be expected to solve all the problems of private sector development in the basin. The study has identified some aspects as well as investment opportunities. Where gaps exist, this should be the subject of further studies.

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Annex 1: Terms of Reference

The overall objective of the consultancy is to prepare a strategy that focuses on sustainable exploitation of natural resources while improving the environmental health of the basin. It will involve private sector participation land enhancement of Public-Private partnership in economic activities. The development of the basin as an economic growth zone for the benefit of the people in the region will be the thrust.

This consultancy will be prepared on the basis of previous studies of the EAC, i.e. East African Development Strategy; East African Industrial Development Strategy; the East African Private Sector Development Strategy; and Vision and Strategy Framework for Management and Development of the Lake Victoria Basin.

Specific objectives

- i) Summarize successful rural productivity and growth enhancing pilot works undertaken during LVEMP 1 or other initiatives and propose ways for possible up scaling this project.
- ii) Identify business opportunities in the lake Victoria Basin, and prepare project implementation framework for developing concise project profiles for promotion and follow-up by investors. This should include identification of impediments to smooth business operations, including specific supply and demand constraints.
- iii) Propose ways and means for active private sector participation in the socio-economic development of the Lake Region; and
- iv) Identify practical preventive and remedial actions that will enable sustainable exploitation of the Lake Basis resources.

Scope of work and tasks/activities

The work by the consultants will be carried out in close collaboration with the client. To this end, the consultant shall organize national workshops to get stakeholders consensus.

The overall task will be a strategy to create an enabling environment for doing business that leads to equity, poverty alleviation and reduction of conflicts among the communities living in the basin. The likely effects that the EAC Customs Union will have on investment, trade, tourism and other economic sectors will be given due emphasis. Furthermore, the consultancy should evaluate the effects of

globalisation, bilateral/multilateral trade arrangements for business in the region and give appropriate recommendations. This should be done with a view to sustainable and environmentally friendly use of the basin resources.

The issue of Small and Medium Enterprises (SMEs) must be critically and clearly brought out in the consultancy. The aspects of business linkages (horizontal, backward and forward) within the economy of the basin should be given thorough emphasis.

Specific Tasks/Activities

- i) Define activities for private sector involvement in socio-economic development of the basin;
- ii) Design a strategy for undertaking market surveys of economic activities and their connection to environmental issues including identification of the potential for environmentally friendly markets;
- iii) Devise strategies/activities for encouraging trade and investment in the economic sectors of the basin e.g. capacity building of the private sector associations and apex groups such as Kenya Association of Manufactures, Uganda Manufactures Association, Chamber of Tanzania Investors, Chambers of Commerce and Industry, Private Sector Alliances/Foundations, etc.
- iv) Recommend initiatives for Informal Sector encouragement (e.g. Nguvu Kazi, VIBINDO, Jua Kali, etc.)
- v) Review methods of exploration and exploitation of natural resources and recommend the use of sound and environmentally friendly technologies.
- vi) Identify supply and demand constraints (e.g. marketing, infrastructure, adverse weather, cultural behaviours) and propose mitigation measures;
- vii) The Consultant will collaborate closely with the National Secretariat and liaise with consultants from other partner states to consolidate the National Reports into a Regional Report lead by Tanzania as lead Consultant. The lead Consultant from Tanzania would present the draft Report to the Regional Stakeholders' workshop coordinated by EAC Secretariat;
- viii) Collate the information from national consultancies and present the Report to National Workshops. The Consultant should participate in the Regional

stakeholders' workshop coordinated by EAC Secretariat to create consensus on the Report at the regional level;

- ix) Review relevant regulations, policies and institutional framework that impact on business/private sector activities/operations and give appropriate recommendations;
- x) Propose ways/strategies/actions of promoting investment, trade and tourism, fishing, agriculture, manufacturing, mining, solid and liquid waste management, livestock keeping and the service sectors (all leading sectors of the Basin);
- xi) Devise means for attraction and retention of private Foreign Direct Investment (FDI) into the region;
- xii) Develop a roadmap towards simplified business facilitation in the region;
- xiii) Propose strategies for accessing affordable credit facilities by the business community;
- xiv) Propose modalities for enhancing private-public partnership (consultative mechanism/dialogue);
- xv) Design export-oriented production strategies to take advantage of bilateral/multilateral trade arrangements e.g. AGOA, EBA, ACP-EU Cotonou Agreement and WTO; and
- xvi) Propose an implementation framework for the project outputs.
- xvii) Prepare a final Report document for this component and which should include a clear logical framework and detailed budget.

Annex 2: List of Stakeholders consulted

- 1) East African Secretariat, Arusha
- 2) LVEMP, Dar es Salaam office
- 3) Government: Regional Commissioner, Mwanza (Dr. Eng. Hon. Msekela); Regional Administrative Secretary (RAS) Kagera; City Director, Mwanza (Paulo Baruti); Deputy RAS, Mwanza (F.M.N. Sarakikya); Assistant Municipal Economist, Bukoba; District Agricultural Officer, Ukerewe; PAFO, Musoma; Fisheries Officer, Misungwi; Fisheries Officer Nyamagana
- 4) Development partners: District Technical Advisor, E.M. Essore
- 5) Private sector: KFP (E.A.) Ltd; TANPERCH Ltd (C. Rajeesan, General Manager, [O]); VOIL (K.S. Patel, MD); Masumini Tours and Safaris; Hotel Ramada Ltd (E. Bangili, Director); Jubilee Insurance Co. (N. Meisuria, Branch Manager); Fortes Car Hire & Fotres Garage; New Mwanza Hotel (M. Subbaiah, GM); Serengeti Services and Tours Company; New Kahungwa Hotel (J.Kahungwa, Director); New Masterprint Corporation Ltd.; Bugarika Enterprises Mwanza; Kayoza Enterprises; Furniture Centre Mwanza; Zara Solar Ltd (M. Parpia, Director); Fourways Bookshop (M.Mushi, Director); Ignas Bookshop Center (M. Ingangula, Managing Director); Makongoro Enterprise & General Supplies (Placid M. Nyeme, Managing Director).
- 6) Private sector: lines of operation: hotel industry, car hire and tours, manufacturing, stationery, energy, furniture (home and office), pharmaceuticals, travel agency and tours, insurance, printing, civil works and building, contractors, agro processing SMEs
- 7) SMEs: WASIMWA
- 8) NGOs: Misungwi; KADETFU Kagera; CYDO Mwanza; ECOVIL Kagera; Red Cross Mara.
- 9) FBOs: Anglican Church Diocese of Mara
- 10) Financial institutions: CRDB Musoma; SACCOS (Kagera, Musoma, Mwanza)
- 11) Business Associations: TCCIA (Musoma, Mwanza)
- 12) Private individuals: Mwanza: 108, Mara: 42 and Kagera: 47

Annex 3: Mineral Sector Policy

The Mineral Policy of Tanzania, 1997 stresses on private sector led mineral development while the major roles of the government are regulating, promoting and facilitating.

The public role consists of:

- Policy formulation to accommodate the overall and sectoral government policy framework.
- Advising on legislation, regulation and fiscal matters related to the sector.
- Revenue collection through royalties, annual rents, prospecting rights and licenses.
- Monitoring of mining activities.
- Collection and maintenance of geo-technical data for promotional purposes.
- Provision of extension services to small-scale miners.
- Administration and inspection of mining activities, and
- Carrying out research on minerals.

The mineral policy objectives are:

- To stimulate exploration and mining activities;
- To regulate and improve artisanal mining;
- To ensure that wealth generated from mining support sustainable economic and social development;
- To minimise or eliminate adverse social and environmental impact of mining activities;
- To promote and facilitate mineral and mineral based products' marketing arrangements;
- To alleviate poverty especially for artisan and small scale miners;

- To promote and develop Tanzania as the gemstone centre of Africa

Mineral Sector Legal and Regulatory Framework

Salient features of the Mining Act 1998 are as follows:

- (i) Right to trade in mineral rights;
- (ii) Simplification and consolidation of past statutes on mining and mineral trading;
- (iii) Improved security of tenure through removal of most past ministerial discretionary powers and introducing a mining advisory committee responsible of advising the Minister on decisions to make;
- (iv) Enhanced clarity and transparency;
- (v) Fair, streamlined and non-discriminatory licensing procedure, and,
- (vi) Environmental management.

The Mining Act of Tanzania is aimed to deter information hoarding on new discoveries, freezing of exploration acreage for speculative purposes, transfer pricing and tax evasion.

The fiscal incentives provided to exploration and mining activities includes the following among others:

- Exemption of import duty and Value Added tax (VAT) on equipment and essential materials up to the anniversary of start of production, thereafter 5 per cent seal applies;
- Depreciation allowances of 100 per cent;
- Repatriation of capital and profit directly related to mining, and,
- Non-mandatory government participation.

Mineral Sector Reform

As any sector of the economy in Tanzania, mining has been tuned to economic reforms and restructuring undertaken by the government from the mid 1980s to the 1990s, which have marked a clear shift in favour of private sector development and

market-oriented economic management. With this effect the government has commenced on setting up constructive partnerships to promote private sector enthusiasm and accelerate economic growth. With these changes therefore, the roles of the government has been redefined from that of owning and operating the mines to that of providing a clear policy guidelines, stimulating private investment and providing support for investors. The reform is in line with the Mineral Policy of Tanzania 1997, Mineral Act 1998, and Fiscal Package 1998.

The following factors promote investing in mining in Tanzania:

1. High degree of investment security because of unparalleled political stability that is strife free without ethnic division; democratic rule that respects diversity of opinion and a strong tradition of constitutionality and rule of law.
2. Business friendly Macro Economic Stability with low inflation at around 4 per cent, stable exchange rate supported by unrestricted and unconditional transferability of profits, loan repayments, emoluments, royalties, frees and charges.
3. Simplified bureaucracy, streamlined through the acclaimed services of the Tanzania Investment Centre, which is one-stop facilitation agency of the Government serving registered investors and businesses.
4. Successful economic liberalization measures commended by both the World Bank and the IMF with business supportive legislation continually being improved through genuine dialogue between government and the private sector.
5. A well-balanced package of incentives to investors with additional negotiated benefits to strategic investors.

Incentives offered to investors are:

	Duty	VAT
	%	%
• All Capital Goods	0	0
• Raw Materials [Primary Level]	0	20
• All Agricultural Machinery/equipment	0	0

- Fertilizers 0 0
- Pesticides 0 0
- Farm implements and other inputs 0 0
- One non Utility vehicle 0 Deferred

- Corporation Tax 30%
- Capital Allowance 50% year 1
- Ware and Tear 37.5% p.a. Class I year 2 onwards
- Ware and Tear 25% p.a. Class II year 2 onwards
- Ware and Tear 12.5% p.a. Class III year 2 onwards
- Carry forward losses indefinitely
- Withholding Tax on Interest 0%
- Withholding Tax on Dividends 10%

6. Rapidly emerging as the most effective entry point and gateway for trade into Eastern, Southern and Central Africa. Tanzania is a corridor to both SADC and COMESA countries. It is particularly an entrance to six landlocked countries. Marketing is therefore not only limited to East Africa alone but to the whole region of a population of more than 200 million people.

7. Lucrative investment opportunities in infrastructure, privatization and value adding- facilities.

8. Investment guarantees, and settlement of disputes. Investments in Tanzania are guaranteed against political risks, Nationalization and Expropriation.

9. Any foreign business operating in Tanzania may obtain credit from domestic financial institutions up to the limits established by the bank of Tanzania (BoT). Major banks like Standard Chartered, ABSA, Barclays, Citibank, Stanbic; Exim etc. have invested in Tanzania.

10. Existing investors are ready to expand their businesses in Tanzania as depicted in the recent survey conducted by TIC, BoT and NBS.
11. The results of the survey of African Countries Investment Climate conducted by the Financial Times a Business Magazine called FDI, Tanzania won “Country of the Future” award for East and Central Africa Region.

Annex 4: Official categorisation of businesses in Tanzania

Classification	No. of employees	Capital investment (Tshs Million)
Micro	1-4	5< million
Small	5-49	5- 200
Medium	50-99	200-800
Large	100+	800+

Source: URT