FOREWORD

Tanzania has consistently implemented sweeping reforms to transform the role of the government in paving way for the growing private sector. The scene is now ripe for the private sector to actively take part in production, processing and marketing functions as the government concentrates in core functions of regulation and administration. Being the largest sector of the economy, the affirmative transformation has considerably and continues to impact the agriculture sector positively.

Tanzania is a critical player in pulses production for the world market. The country is ranked as the tenth largest producer in the world and second largest producer in Africa after Nigeria. Presently, the growing demand for pulses to feed billions of people around the world has reached an all time high. This is increased by the nutritional demand for pulses as an important source of protein. India alone is looking to import 4,000,000 metric tonnes of pulses to meet its annual consumption need. Pulses include chickpeas, pigeon peas, beans, cow peas, lentils, lupines and dry peas which are used for both human consumption and animal feeds.

Despite market demand for pulses, there is very little participation of investors in the pulses value chain. The majority of pulses production is through smallholder farmers who rely on intercropping, based on lower yielding seed varieties. The growth of this sector depends immensely on the promotion of the available opportunities and its capacity to attract investors.

Pulses Investment profile has been developed as a tool to create a structured system that would facilitate and strengthen the promotion of the sector. The pulses sector profile reveals Tanzania’s well-balanced and competitive package of fiscal and non-fiscal incentives in comparison with other African countries. It also unveils information about the availability of arable farmland of approximately 44 million hectares, out of which only 24 percent has been utilised.

The promotion of the pulses sector seeks to improve linkages between investors and out-growers through the understanding of the investors’ perspectives on partnerships and joint venture opportunities, and by encouraging investors to participate in the sector effectively. Tanzania is a top source of pulse varieties globally and this makes the country a very promising destination for the pulses sector and certainly, the most attractive in East African Community (EAC).

We anticipate the information provided in this profile will encourage and strengthen greater investment in the pulses value chain. We acknowledge the support of International Trade Centre (ITC), Supporting Indian Trade and Investment for Africa (SITA) and the Government of United Kingdom through UKAID for their support in developing these profiles; their initiative will benefit TIC tremendously in the promotion of the sector and its value chain effectively.

Clifford Tandari,
Acting Executive Director,
Tanzania Investment Centre

ACKNOWLEDGEMENTS

This profile has been produced under the framework of Supporting Indian Trade and Investment for Africa (SITA) project, funded by the Department for International Development, Government of the United Kingdom and implemented by the International Trade Centre. SITA is a South-South Trade and Investment project aimed at improving competitiveness of select value chains; and increasing investment in five Eastern African countries through partnerships with institutions and businesses from India.

Special contributions to writing this report have been provided by:

Ministry of Agriculture Livestock and Fisheries
East Africa Grain Council

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The views expressed in this report are those of the authors and do not represent the official position of the International Trade Centre, Tanzania Investment Centre and the Government of the United Kingdom. The images used in this profile may not always reflect accurately the country context.
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Abbreviations & Acronyms

FDI: foreign direct investment
EAC: East African Community
SADC: Southern African Development Community
AGOA: African Growth and Opportunity Act
EU: European Union
EBA: Everything But Arms
TRA: Tanzania Revenue Authority
SAGCOT: Southern Agricultural Growth Corridor of Tanzania
TIC: Tanzania Investment Centre
PPP: public-private partnership
EPZ: export processing zone
EPZA: Export Processing Zones Authority
SEZ: special economic zone
Tanzania: An Overview

GEOGRAPHICAL FEATURES

Tanzania is an amalgamation of the Zanzibar islands and the mainland of Tanganyika, with a total area of 947,300 km², including dry land and the three big freshwater lakes, namely Lake Victoria, Lake Nyasa and Lake Tanganyika, which border neighbouring countries.

Africa’s tallest and only snow-capped mountain, Mount Kilimanjaro is a dormant volcano reaching a height of 5,895 metres. Most areas have a tropical climate, with typical temperatures of between 25°C and 31°C. The highlands have a temperate climate, with temperatures of between 10°C and 20°C. Tanzania’s geography is extremely advantageous. It is linked directly to the Indian Ocean, which provide trade links to Asia. It is also located between the ocean and six landlocked countries (the Republic of Rwanda, the Republic of Malawi, the Republic of Uganda, the Republic of Zambia, the Democratic Republic of the Congo and the Republic of Burundi) that rely on Tanzania for passage of goods.

Tanzania at a glance

- Arable land – 44 million hectares, of which 10.8 million hectares (24%) is under crop production;
- One of the preferred destinations for investment by USA (219 projects registered with Tanzania Investment Centre up to June 2014, aggregating to investment commitment in excess of US$ 4.53 billion);
- Mobile penetration rate: Mobile – 75% (eight mobile phone operators); fixed line – 0.4%; and Internet – 14%;
- National bank – Bank of Tanzania; Thirty-four commercial banks, 21 financial institutions and two development banks;
- Natural gas discoveries in excess of 45 trillion cubic feet and further discoveries ongoing.

Key facts

<table>
<thead>
<tr>
<th>Capital:</th>
<th>Dodoma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area:</td>
<td>947,300 km²</td>
</tr>
<tr>
<td>Population:</td>
<td>51.82 mm (2014)</td>
</tr>
<tr>
<td>0–14 years:</td>
<td>45.00%</td>
</tr>
<tr>
<td>15–64 years:</td>
<td>52.00%</td>
</tr>
<tr>
<td>Labour force (over 15 years):</td>
<td>25.28 mm (2014)</td>
</tr>
<tr>
<td>Population growth:</td>
<td>3.2% (2014)</td>
</tr>
<tr>
<td>Youth literacy rate (15–24 years):</td>
<td>86% (2012)</td>
</tr>
<tr>
<td>Male:</td>
<td>87% (2012)</td>
</tr>
<tr>
<td>Female:</td>
<td>85% (2012)</td>
</tr>
<tr>
<td>Urban population:</td>
<td>31% (2014)</td>
</tr>
<tr>
<td>GDP (nominal):</td>
<td>US$ 48.06 bn (2014)</td>
</tr>
<tr>
<td>FDI inflow:</td>
<td>US$ 2.04 bn (2014)</td>
</tr>
<tr>
<td>Exports:</td>
<td>19.5% of GDP (2014)</td>
</tr>
<tr>
<td>Imports:</td>
<td>29.9% of GDP (2014)</td>
</tr>
<tr>
<td>Exchange rate (per US$):</td>
<td>TZS 2,039.4 (2015 est.)</td>
</tr>
<tr>
<td>Govt. expenditure:</td>
<td>US$ 8.43 bn (2015 est.)</td>
</tr>
<tr>
<td>Govt. revenue:</td>
<td>US$ 6.82 bn (2015 est.)</td>
</tr>
<tr>
<td>GDP growth:</td>
<td>7% (2014)</td>
</tr>
<tr>
<td>Foreign reserve:</td>
<td>US$ 4383.6 mm (2014)</td>
</tr>
<tr>
<td>Inflation rate:</td>
<td>6.1% (consumer price) (2014)</td>
</tr>
<tr>
<td>Currency:</td>
<td>Tanzania shilling (TZS)</td>
</tr>
<tr>
<td>Other major cities:</td>
<td>Dar Es Salaam</td>
</tr>
<tr>
<td>Language:</td>
<td>English, Swahili (official languages)</td>
</tr>
<tr>
<td>Religion:</td>
<td>Christians, Muslims, and Indigenous beliefs</td>
</tr>
</tbody>
</table>

Source: TIC, 2014; World Bank, 2015; WEF, 2015; CIA, 2016
POLITICAL CONTEXT

The Tanzanian Government is an amalgamation of the Unguja and Pemba Zanzibar island and Tanganyika, called "Mainland Tanzania". Tanzania functions as one state with two governments, namely the Revolutionary Government of Zanzibar and the Union Government. The country is a democracy and has a multi-party electoral system with more than 17 political parties. Tanzania is still one of Africa’s most peaceful and politically stable countries, with no labour unrest. The country ranks better than other countries in East Africa when it comes to political rights and civil liberties. Since its 1961 independence, Tanzania has not had a civil war or any noteworthy internal strife.

ECONOMIC GROWTH INDICATORS

Tanzania has attained high overall rates of growth based on tourism and gold production, and has mostly transitioned into a liberalized market economy, but the government still has a presence in some sectors, like energy, banking, telecommunications and mining. The economy is reliant on agriculture, which comprises in excess of one-quarter of GDP, makes up 85% of exports and engages roughly 80% of the workforce. The banking reforms have assisted in raising investment and growth in the private sector, and the government has increased agriculture spending to 7% of its budget (KPMG, 2012). Table 1 below provides a snapshot of the performance of various economic indicators between 2010 and 2013.

Table 1: Economic growth indicators (2010–2014)

<table>
<thead>
<tr>
<th>Economic Indicator</th>
<th>Year 2010</th>
<th>Year 2011</th>
<th>Year 2012</th>
<th>Year 2013</th>
<th>Year 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>National finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP (real growth rate, %)</td>
<td>6.4</td>
<td>7.9</td>
<td>5.1</td>
<td>7.3</td>
<td>7</td>
</tr>
<tr>
<td>Debt (% of GDP)</td>
<td>34.4</td>
<td>36.9</td>
<td>34.4</td>
<td>42.7</td>
<td>–</td>
</tr>
<tr>
<td>Reserves (US$ million)</td>
<td>3,904.68</td>
<td>3,726.18</td>
<td>4,052.22</td>
<td>4,673.73</td>
<td>4,383.6</td>
</tr>
<tr>
<td>Foreign trade (US$ million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>4,050</td>
<td>4,734</td>
<td>5,547</td>
<td>4,412</td>
<td>–</td>
</tr>
<tr>
<td>Imports</td>
<td>8,012</td>
<td>11,184</td>
<td>11,715</td>
<td>12,525</td>
<td>–</td>
</tr>
<tr>
<td>Inflation consumer price (annual %)</td>
<td>6.2</td>
<td>12.7</td>
<td>16</td>
<td>7.9</td>
<td>6.1</td>
</tr>
<tr>
<td>Credits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic credit provided by financial sector (% of GDP)</td>
<td>15.5</td>
<td>17.2</td>
<td>18</td>
<td>18.2</td>
<td>20.3</td>
</tr>
<tr>
<td>Lending (value in US$ million)</td>
<td>136.93</td>
<td>560.70</td>
<td>135.28</td>
<td>323.11</td>
<td>–</td>
</tr>
</tbody>
</table>


While the contribution of agriculture to GDP in 2013 and 2014 was 27.6% and 28.9% respectively, the industry contributed 25% in 2013 and 21.7% in 2014. The service sector has the largest share of contribution to GDP, which stood at 47.4% in 2013 and 41.3% in 2014.

Tanzania’s GDP between 2011 and 2014 shows an overall improvement in growth and stability (see figure 1). When comparing the overall GDP for SADC and EAC, Tanzania’s GDP growth during the same period is relatively strong (see table 2). Tanzania’s inflation trend is moderate relative to other East African countries (see figure 2).
**Table 2: GDP growth (annual %) of the EAC, SADC and Sub-Saharan Africa**

<table>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EAC overall</td>
<td>7.1</td>
<td>4.6</td>
<td>6.3</td>
<td>5.9</td>
<td>5.3</td>
<td>5.6</td>
<td>6.4</td>
<td>6.5</td>
</tr>
<tr>
<td>SADC overall</td>
<td>4.1</td>
<td>2.3</td>
<td>5.7</td>
<td>5.3</td>
<td>5.0</td>
<td>4.6</td>
<td>5.1</td>
<td>5.2</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>5.7</td>
<td>2.6</td>
<td>5.6</td>
<td>5.5</td>
<td>4.9</td>
<td>4.9</td>
<td>5.4</td>
<td>5.5</td>
</tr>
</tbody>
</table>

*Source: IMF, 2014

**Figure 2: Inflation rate in EAC countries (2011–2014)**

- Tanzania
- Uganda
- Rwanda
- Kenya

Source: World Bank World Development Indicators, 2016

**MONEY AND BANKING SYSTEM**

Most banks are well capitalized and liquidity is far in excess of the regulatory requirements, which makes the banking industry constantly profitable. At the close of 2013, the banking sector comprised 53 banking institutions, including 12 community banks, 34 fully fledged commercial banks, five financial institutions and two microfinance organizations. Of the banks, five are state-owned and the others are privately owned financial institutions; half of the banks are mostly local-owned and the other half are mostly foreign-owned. The banking sector is sufficiently capitalized and has little dependence on foreign borrowing. Private sector organizations are offered several commercial credit instruments, such as letters of credit, guarantees, term loans and overdrafts. Foreign investors can open accounts with registered private commercial banks and then make deposits. Interest is exempt from income tax when earned by foreign investors and non-residents from deposits in banks registered by the Bank of Tanzania (BOT), in line with the Income Tax Act of 2004. Foreign exchange regulations have been done away with in order to attract investors and streamline international transactions.

The local financial market offers credit to foreign investors, where credit is given on market terms. Recent bank lending rates for normal borrowers averaged between 15% and 18%, and lower lending rates can be negotiated by corporate borrowers. Private sector credit is still growing, although there are not many local institutions big enough to finance major deals like power stations and infrastructure projects.

The Banking and Financial Institution Act of 2006 creates a credit reference bureau framework and enables banks and financial institutions to issue information to licensed reference bureaus in line with regulations, also enabling credit reference bureaus to give a credit report to any individual who has an authentic business request. Tanzania has two private credit bureaus: Dun & Bradstreet Credit Bureau Tanzania Limited and Creditinfo Tanzania Limited.

Tanzania launched the state-run Tanzania Agriculture Development Bank (TADB) on 7 August 2015 in order to boost the agricultural sector in the country with better financing options. Tanzania Investment Bank (TIB), which is also a state-run bank, focuses on providing loans to investors in the agro-processing industry.
MONETARY AND FISCAL POLICIES

Tanzania has continued to maintain a healthy economy following a variety of monetary policy instruments that are in use, including repurchase agreements, foreign exchange operations, sale of government securities and stand-by services, namely the Lombard facility and the discount window. The gross official reserves were adequate to cover 4.1 months of imports of services and goods at the end of November 2014 (African Economic Outlook, 2015). The Tanzania shilling lost roughly 9% of its value in 2014 and, until January 2015, had lost more than 20% against the US dollar, but the shilling’s exchange rate against other main foreign currencies continued to be reasonably stable (African Economic Outlook, 2015). Table 3 summarises the salient indicators.

CREDIT AVAILABILITY

The percentage share of banks’ credit to major economic activities for a three-year period is shown in figure 3. Although agricultural activities have not received a favourable amount of credit from the banking sector, it is anticipated that, with the establishment of the Tanzania Agricultural Development Bank, the credit facility to the agriculture sector is expected to grow substantially.

LENDING INTEREST RATES OFFERED BY FINANCIAL INSTITUTIONS IN EAC

The interest rates on lending offered by commercial banks in Tanzania exhibit a general decline over a number of years. Table 4 compares banks’ lending interest rates in the region; Tanzania appears to have favourable rates compared to other countries.

<table>
<thead>
<tr>
<th>Description</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of money supply</td>
<td>9.7% growth in 2013</td>
<td>17.4% growth in 2014</td>
</tr>
<tr>
<td>Private sector credit</td>
<td>14.6% growth in 2013</td>
<td>20.1% growth in 2014</td>
</tr>
<tr>
<td>Net borrowing by the government from the banking system</td>
<td>24.8% growth in 2013</td>
<td>75% growth in 2014</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>7.9% in 2013</td>
<td>6.1% in 2014</td>
</tr>
<tr>
<td>Food inflation</td>
<td>8.6% in 2013</td>
<td>7.7% in 2014</td>
</tr>
<tr>
<td>Core inflation (excludes food and energy)</td>
<td>6.2% in 2013</td>
<td>3.7% in 2014</td>
</tr>
</tbody>
</table>

*Source: African Economic Outlook, 2016

Table 4: Bank lending interest rates in EAC region (2011–2014)

<table>
<thead>
<tr>
<th>Country</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanzania</td>
<td>15</td>
<td>15.5</td>
<td>15.8</td>
<td>16.3</td>
</tr>
<tr>
<td>Kenya</td>
<td>15</td>
<td>19.7</td>
<td>17.3</td>
<td>16.5</td>
</tr>
<tr>
<td>Uganda</td>
<td>21.8</td>
<td>26.3</td>
<td>23.3</td>
<td>21.5</td>
</tr>
<tr>
<td>Burundi</td>
<td>13.2</td>
<td>14.3</td>
<td>15.1</td>
<td>15.7</td>
</tr>
<tr>
<td>Rwanda</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

*Source: Index Mundi, 2016
EXCHANGE CONTROLS

There are no foreign exchange controls in Tanzania. Market forces establish exchange rates. Non-resident and resident individuals and organizations can have a bank account in any currency as per the Foreign Exchange Act. As per the Investment Act 1997, investors are guaranteed unrestricted transferability via any accredited dealer in freely convertible currency of foreign loan service, net profits, fees and technology transfer costs, royalties, repatriation of capital and emoluments of foreign personnel, after taxes, upon sale of the investment. The Tanzanian transmitting banks can request documentation like contracts, agreements, resolutions and invoices, for instance, to support the remittances.

COMMODITY EXCHANGE

On 30 October 2015, Tanzania launched a commodity exchange in an effort to transform the agricultural sector. This is a landmark initiative that will spearhead transformation in the sector and provide livelihood to about 75% of the country’s population. The commodity exchange will help farmers to access market prices and, among other things, it incorporates warehouse delivery locations, price tickers and a trading floor. The exchange is also intended to liberate farmers by introducing them to reliable local and foreign market environments. The country’s legal environment is also favourable, as are its functioning banking, organized ICT, sufficient financial services and strong national capital markets. The exchange will begin with carefully chosen products that are now operating under a warehouse receipt system. These products include rice, sesame, cashew nuts and sunflower. Other commodities will be added as the exchange grows in confidence.

INSURANCE

By 31 December 2013, Tanzania’s insurance industry had a total of 29 insurance companies (including one reinsurance company), 85 insurance brokers, 283 insurance agents and 42 loss assessors and adjusters. In 2013, the insurance industry had grown at an annual average rate of 19.9% in gross premium written (GPW) to TZS 476 billion in 2013 from TZS 231 billion in 2009. Despite this growth, agricultural insurance remains limited. Tanzania only has a few commercial farmers, so agricultural insurance is lacking. Small-scale farmers dominate the agriculture sector, geographically dispersed in rural areas and expected to earn low incomes.

In order to develop a strong agricultural insurance and increase demand for agricultural insurance, the National Insurance Policy (2015) provides that the government, together with stakeholders, will: (i) Facilitate the establishment of an agricultural insurance fund; (ii) Ensure availability of reliable weather data; (iii) Build capacity for farmers, insurers, banks, financial institutions and policy makers on agricultural insurance; and (iv) Create public awareness on agricultural insurance.

LOGISTICS AND OTHER INFRASTRUCTURE

Since 2010, Tanzania’s transport sector has facilitated the integration of market-strengthening competition, contributed to government revenue, improved access to farming techniques, and promoted foreign investment, tourism and trade. The growth and performance of Tanzania’s transport sector have consistently improved thanks to government endeavours and private sector investment in road restoration, the modernization of port services, the expansion of telecommunications services, and improvement of air, railway and marine transport services.

Tanzania is the world’s 31st biggest country, with a total area of 943,000 km and 1,810 km of coastline. Its seaports are a gateway to global markets for its landlocked neighbours, Zambia, Uganda, Burundi, Rwanda and Malawi, which depend on Tanzania’s marine infrastructure and rail and road networks to transport their goods to global destinations. For the mostly rural population of Tanzania, transport infrastructure is essential for communications and transferring goods and people between markets and population centres.

ROADS

Tanzania’s road network stretches 86,472 km and is responsible for around 90% of passenger transits and 70% of freight transport in the country. The government has continued to improve roads and construct various roads and bridges connecting several regions.

RAILWAYS

Tanzania has two separate rail systems, which do not interconnect. The Tanzania-Zambia Railway Authority (TAZARA) extends from the port of Dar es Salaam across Tanzania into Zambia, where it links to Zambia Railways at Kapiri Mposhi north of Lusaka. The railway handles freight going to and from the port from the Democratic Republic of
the Congo, Malawi, Zambia and the Republic of Zimbabwe. The second system, Tanzania Railways Limited (TRL), has two lines; the Tanga line runs from Tanga to Arusha and the central line from Dar es Salaam to Kigoma. It carries passengers and cargo within Tanzania and from Rwanda, Burundi, Uganda and the Democratic Republic of the Congo.

AIR INFRASTRUCTURE

Tanzania has five international airports, at Dar es Salaam, Kilimanjaro, Mwanza, Mbeya and Zanzibar, and about 120 other airports and airstrips. The government continues to focus on improving the aviation industry through construction and development of airports, including the expansion of Julius Nyerere, Songwe, Mpanda, Kigoma, Tabora, Mafia and Arusha airports. Twenty-two air operators are licensed in Tanzania, providing links to regional and international markets.

PORTS

Tanzania’s seaports are crucial to its international trade as well as that of its neighbours. Tanzania Ports Authority (TPA) is responsible for Tanzania’s marine ports and lake ports. The major marine ports are at Dar es Salaam, Mtwara and Tanga, while smaller sea ports are Mafia, Bagamoyo, Kilwa, Pangani and Lindi. The lake ports are at Lake Victoria (Nansio, Mwanza North and South Ports, Musoma, Bukoba and Kemondo Bay), Lake Tanganyika (Kasanga and Kigoma ports) and Lake Nyasa (Manda Lulii, Kiwira, Itungi and Mbamba Bay ports). Dar es Salaam handles the majority of port traffic, amounting to roughly 90% of Tanzania’s total ocean freight. The government is embarking on an expansion programme that will see Dar es Salaam, Mtwara and Tanga, together with other seaports Bagamoyo and Mwambani, and lake port Kigoma upgraded and renovated.

UTILITIES

- **Water availability**

  Tanzania has immense water resources. Tanzania’s plentiful rainfall and large rivers mean that it has a high irrigation potential. Water for irrigation can be obtained from underground sources, and lake and river flood basins. Tanzania’s has roughly 29 million hectares of potential irrigable farmland, of which only 280,000 hectares is used for irrigation farming (Tanzania Investment Centre, 2013). Therefore, there is still enormous potential for investors to tap into irrigable farming. Figure 4 compares renewable internal freshwaters per capita in cubic metres in East African countries and shows that Tanzania contains more cubic metres of renewable internal freshwater per capita.

- **Energy**

  Electricity production has increased by 4.8% due to the increased capacity of power generation and increased capacity in the electricity distribution network. The number of electricity connections has increased by 98,288 (a 68% increase from 2013) due to completion of electricity production and distribution projects. The total electricity produced has increased by 287.62 GWh from 2013. The government has plans to increase capacity of production and distribution of electricity, and increase accessibility of electricity in rural areas. The government is embarking on renewable energy projects, including wind power, biogas and geothermal, which are key sources of power generation to be increased from the current 1,000 MW to 4,700 MW.
Why Tanzania?

- Strategic location
- Peace and political stability
- Appealing investment regime
- Investment guarantees
- Investment incentives
- Abundant natural resources
- Member of bilateral trade agreements
- High growth potential
- Special economic and export processing zones
- Strong public-private partnerships
- Impressive leisure and business destinations

MAJOR REGIONAL INTEGRATION AND TRADE POTENTIAL

With its abundance of natural resources, stable political climate and strong macroeconomic policies, Tanzania has plenty to offer foreign investors. The country is the perfect starting point for accessing the East African Community’s (EAC’s) growing market. Tanzania is a member of the EAC, along with Uganda, the Republic of Kenya, Burundi and Rwanda. As a Southern African Development Community (SADC) member, Tanzania has access to 13 member trading blocs, which have a population in excess of 215 million people. The country is eligible for the USA’s African Growth and Opportunity Act (AGOA), which offers duty-free exports to the USA from certain sectors, including textiles. The European Union’s (EU’s) Everything But Arms (EBA) initiative enables Tanzania to export some goods to the EU tariff-free. Tanzania’s special preferential tariff agreement with China allows it to export in excess of 400 products made in Tanzania to China tariff-free.

EXTERNAL SECTOR DEVELOPMENTS

Tanzania’s exports to foreign and neighbouring countries maintain a positive growth trend and are expanded towards non-traditional exports, such as horticultural products, manufactured products and minerals. For example, the performance trend of non-traditional exports has continually grown during the period 2009/10 to 2013/14 as shown in table 5.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount in million US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009/10</td>
<td>2783.8</td>
</tr>
<tr>
<td>2010/11</td>
<td>3546.7</td>
</tr>
<tr>
<td>2011/12</td>
<td>4052.0</td>
</tr>
<tr>
<td>2012/13</td>
<td>3874.1</td>
</tr>
<tr>
<td>2013/14</td>
<td>4049.8</td>
</tr>
</tbody>
</table>

Source: Bank of Tanzania Issue No. 0067-3757

A hefty share of the growth derived from rising investment in mining, together with high production, mainly of gold. Major trading countries in which commodities were traded during 2013/14 are listed in table 6 and table 7.
Table 6: Major trading countries during 2013/14

<table>
<thead>
<tr>
<th>Exports by country of destination</th>
<th>Imports by country of origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>Percentage share</td>
</tr>
<tr>
<td>The Republic of South Africa</td>
<td>17.3</td>
</tr>
<tr>
<td>India</td>
<td>17</td>
</tr>
<tr>
<td>Switzerland</td>
<td>9.2</td>
</tr>
<tr>
<td>China</td>
<td>7</td>
</tr>
<tr>
<td>The Democratic Republic of the Congo</td>
<td>5.4</td>
</tr>
<tr>
<td>Kenya</td>
<td>5.2</td>
</tr>
<tr>
<td>Japan</td>
<td>5</td>
</tr>
<tr>
<td>The Federal Republic of Germany</td>
<td>3.6</td>
</tr>
<tr>
<td>Zambia</td>
<td>2.1</td>
</tr>
<tr>
<td>The Kingdom of Belgium</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>26.2</td>
</tr>
</tbody>
</table>

Source: Bank of Tanzania

Table 7: Composition of export commodity during 2013/14

<table>
<thead>
<tr>
<th>Product</th>
<th>Percentage share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>33.9</td>
</tr>
<tr>
<td>Manufactured goods</td>
<td>26.5</td>
</tr>
<tr>
<td>Tobacco</td>
<td>7.3</td>
</tr>
<tr>
<td>Re-export</td>
<td>3.5</td>
</tr>
<tr>
<td>Fish and fish products</td>
<td>3.4</td>
</tr>
<tr>
<td>Other minerals</td>
<td>2.7</td>
</tr>
<tr>
<td>Cashew</td>
<td>2.7</td>
</tr>
<tr>
<td>Coffee</td>
<td>2.6</td>
</tr>
<tr>
<td>Cotton</td>
<td>1.9</td>
</tr>
<tr>
<td>Tea</td>
<td>1</td>
</tr>
<tr>
<td>Cloves</td>
<td>1.2</td>
</tr>
<tr>
<td>Horticulture</td>
<td>0.6</td>
</tr>
<tr>
<td>Sisal</td>
<td>0.4</td>
</tr>
<tr>
<td>Other export products</td>
<td>12.2</td>
</tr>
</tbody>
</table>

*Source: Bank of Tanzania

Figure 1: Exports of goods and services as % of GDP (2011–2014)

FOREIGN DIRECT INVESTMENT (FDI)

In general, the Tanzanian Government has a favourable approach to foreign direct investment (FDI) and has had significant success in attracting FDI. This is reflected in table 8 and figure 6, which show the trend for FDI inflows in East African countries.

Top countries for the source of FDI in Tanzania include China, Canada, South Africa, Kenya and the United Kingdom. FDI is still growing, especially in the tourism and hotels, energy infrastructure, telecommunications services, breweries, road construction, agriculture and mining sectors.

The wide gap between exports and imports (figure 5) and the need to minimise the same is motivating policy to attract exports promoting investment, including FDI.
PLUSES SECTOR INVESTMENT PROFILE: TANZANIA

LABOUR CONDITIONS AND WAGE RATES

The law allows private sector collective bargaining, but the Tanzanian Government sets wages administratively in the public sector. The country has a vast quantity of experienced human capital and invests much in education compared to other countries in Sub-Saharan Africa. Furthermore, Tanzania has put into practice advanced immigration policies and encourages skilled people from across the globe to apply for residence in Tanzania and contribute to its economic growth. Under the EPZ Act, the government can offer work permits for technical staff and management if these skills are not on hand locally. Importing machinery is fairly expensive, which makes labour more appealing. Minimum wage in Tanzania is set by categories that encompass 12 sectors of employment. During the 2013/14 financial year, the minimum wage ranged from TSh 100,000 (US$ 58.63) a month for agriculture labourers to TSh 400,000 (US$ 234.54) a month for labourers in the mineral sector (businesses with prospecting and mining licenses) (U.S. Department of State, 2015). More than 45 working hours a week is permissible if overtime work is required. The typical overtime pay is 1.5 times the employee’s usual pay. All established companies have to register with the National Social Security Fund (NSSF) or any other fund; there are six social security funds. Foreign employees can be exempt from the NSSF scheme if they can prove that they are participating in another pension programme, but Tanzanian employees cannot be exempted, and the payable contribution is 10% of the basic wage bill. In Tanzania, the law stipulates a yearly leave of 28 calendar days.

TAXATION POLICIES

Tanzania’s fiscal regime is predictable and stable, providing all investors with a soft landing. It is the type of regime that acknowledges investors’ need to recoup their investment costs before they pay corporate tax. The administration of several tax laws is assigned to the Tanzania Revenue Authority (TRA), which is a semi-independent government agency established by Act No.11 of Parliament in 1995. It is in charge of a number of non-tax revenues and central government taxes. The 2015/16 financial year applicable taxes are detailed in the following subsections.

CORPORATE TAX

The corporate tax rate is 30% for non-resident and resident businesses alike. A company is a resident if it is included under the Tanzanian Companies Act or if, at some point in the tax year, control and management of its affairs are effected in Tanzania.

<table>
<thead>
<tr>
<th>Year</th>
<th>Tanzania</th>
<th>Kenya</th>
<th>Uganda</th>
<th>Rwanda</th>
<th>Burundi</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2,044.55</td>
<td>944.33</td>
<td>1,146.56</td>
<td>291.73</td>
<td>–</td>
</tr>
<tr>
<td>2013</td>
<td>2,087.26</td>
<td>371.85</td>
<td>1,096.00</td>
<td>257.64</td>
<td>6.88</td>
</tr>
<tr>
<td>2012</td>
<td>1,799.65</td>
<td>163.41</td>
<td>1,205.39</td>
<td>159.81</td>
<td>0.60</td>
</tr>
<tr>
<td>2011</td>
<td>1,229.36</td>
<td>139.86</td>
<td>894.29</td>
<td>106.21</td>
<td>3.35</td>
</tr>
</tbody>
</table>

*Source: World Bank World Development Indicators, 2016
### Table 9: Tanzania’s withholding tax rates

<table>
<thead>
<tr>
<th>Description</th>
<th>Residents</th>
<th>Non-residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends from the Dar es Salaam Stock Exchange listed corporations, %</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Dividend from resident corporation to another resident corporation where the corporation receiving the dividend holds 25% or more of the shares in the corporation, %</td>
<td>5</td>
<td>N/A</td>
</tr>
<tr>
<td>Dividends from other corporations, %</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Commission on money transfer through mobile phones, %</td>
<td>10</td>
<td>N/A</td>
</tr>
<tr>
<td>Interest, %</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Royalties, %</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Management and Technical services fees (mining, oil and gas), %</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Transport (Non-resident operator/ charterer without permanent establishment), %</td>
<td>N/A</td>
<td>5</td>
</tr>
<tr>
<td>Rental Income: Land and building, %</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Rental Income: Aircraft lease, %</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Rental Income: Others assets, %</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Transport across borders, %</td>
<td>N/A</td>
<td>5</td>
</tr>
<tr>
<td>Insurance Premium, %</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Natural Resources Payment, %</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Service Fees (Taxpayers with or without TIN), %</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Directors’ Fees (Non-full time Directors), %</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Payments for goods supplied to Government and its institutions by any person, %</td>
<td>2 of gross payment</td>
<td>N/A</td>
</tr>
<tr>
<td>Other withholding payments, %</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

*Source: Tanzania Revenue Authority, 2015*

### INCOME TAX

(i) Income tax rates for individuals (the marginal rate ranges from 11% to 30%) are categorized in table 10 depending on the income generated.

### Table 10: Income tax rates for resident individuals

<table>
<thead>
<tr>
<th>Taxable Income (TSh)</th>
<th>Rate (%)</th>
<th>Cumulative tax payable (TSh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 040 000</td>
<td>0</td>
<td>N/A</td>
</tr>
<tr>
<td>2 040001–4 320000</td>
<td>11</td>
<td>250800</td>
</tr>
<tr>
<td>4 320001–6 480000</td>
<td>20</td>
<td>682000</td>
</tr>
<tr>
<td>6 480001–8 640000</td>
<td>25</td>
<td>1 222800</td>
</tr>
<tr>
<td>8 640000 and more</td>
<td>30</td>
<td>2 592000 and more</td>
</tr>
</tbody>
</table>

*Source: BDO, Tanzania Budget Highlights – 2015/16*

(ii) Income tax rate for non-resident persons: A flat rate of 20% is applicable to total income, comprised of employment and non-employment income. However, a non-resident’s employment income is taxed at a rate of 15% and the employer of a non-resident is obliged to deduct PAYE at a rate of 15% from the payroll, which is final tax. Non-resident employees are employees from foreign countries whose tax is withheld at a flat rate of 15% of the total employment income. The sum withheld meets the employee’s income tax obligation with regards to employment.

### CAPITAL GAINS TAX

The loss or gain upon sale of an asset is included in investment and business income and taxed at the general rate. In the case of buildings and land, one instalment is to be paid at the time of the sale transaction at a rate of 10% for residents and 20% for non-residents.

### SKILLS AND DEVELOPMENT LEVY

The employer has to pay a skills and development levy to the Commissioner of Income Tax by the seventh day after month-end and is worked out at 5% of cash emoluments, payable once a month. This is an employer expense and is exempted for farm workers.
VAT

Value-added tax is a consumption tax that VAT-registered traders charge on all taxable services and products at a standard rate of 18%. VAT is a multistage tax imposed at each production and distribution stage up to the retail stage. Any company is required to register for VAT if it has a turnover of more than TZS 40 million a year or TZS 10 million in a period of three successive months. These businesses are required to submit an application for registration to the Commissioner for Domestic Revenue. Taxpayers have to submit a monthly VAT return and the payments to the closest local VAT office by the final working day of the month after the month of business. VAT rates are categorized as follows.

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero rate</td>
<td>0%</td>
</tr>
<tr>
<td>Standard rate</td>
<td>18%</td>
</tr>
<tr>
<td>Reduced rate</td>
<td>10%</td>
</tr>
<tr>
<td>VAT as a fraction of the inclusive price (standard rate)</td>
<td>1/6.55</td>
</tr>
<tr>
<td>Annual turnover threshold for registration</td>
<td>TSh 100 million p.a.</td>
</tr>
</tbody>
</table>

VAT schedules:
- Several services and goods are zero-rated, like exports (First Schedule).
- VAT exempt or exempt supplies include health supplies, books and newspapers, fertilizers, pesticides, livestock, educational services, agricultural implements, unprocessed agricultural products, petroleum products, financial services, aircraft, aircraft engines and other parts, liquid elevators and wind generators, computers, solar thermal and photovoltaic equipment, heat-insulated milk cooling tanks and aluminium jerry cans utilized for collection and storage of milk in the diary industry, and farm services such as cultivation, land preparation, planting and harvesting (Second Schedule).

Special relief: This includes provisions to or importation of services or goods by diplomats or diplomatic missions; importation or supplies of services or goods under a donor-funded or technical aid; provision of certain goods to the armed forces; and provision to a registered medical practitioner, dentist, optician, clinic, hospital or patient, of equipment intended solely for prosthetic or medical, including mobile health clinics and ambulances.

Supply or importation of capital goods to any individual; supply or importation to a registered water drilling company of commodities to be used only for water drilling; supply or importation of railway locomotives, parts and accessories, and rolling stocks to a registered railways corporation, company or authority. Additionally, supply or importation of fire-fighting vehicles to the government or its agencies, etc. (Third Schedule).

CUSTOMS DUTY
For products imported from countries outside the EAC, import duty rates are 25% for finished goods, 10% for intermediate goods and 0% for raw materials.

EXPORT DUTY
Export duty is applicable on some items, like skins and hides.
The Agriculture And Pulses Sectors In Tanzania

THE AGRICULTURE SECTOR

With a yearly growth rate of 6%, the agriculture sector makes up almost half of national GDP contribution and 70% of the income of rural households, and absorbs more than 80% of the entire workforce.

According to the United Nations Educational, Scientific and Cultural Organization (UNESCO), out of a total land area of roughly 44 million hectares, only 24% has been made use of so far. These areas are mostly farmed by smallholder farmers who foster typical farm sizes of between 0.9 and 3.0 hectares by means of rustic methods, and only cultivate 10% of the arable land by tractor. The main hindrances to the agricultural sector’s development include:

i. Poor access and little use of improved fertilizers and seeds;
ii. Irregularity of rainfall in some areas;
iii. Underinvestment in production-enhancing technologies, such as agricultural mechanization;
iv. Restricted access to financing for new technologies;
v. Limited usage of accessible water resources for irrigated agriculture.

This is why the Tanzanian Government is constantly This is the reason the Government of Tanzania continually promotes an incentive-based policy environment in the agricultural sector. The Kilimo Kwanza (Agriculture First) initiative was started in 2009 as an essential pillar in accomplishing the country’s Vision 2025 to develop into a middle-income country. Kilimo Kwanza is a national resolution to fast-track Tanzania’s agricultural transformation. It encompasses a complete set of policy instruments and tactical interventions towards dealing with the different sectorial challenges and benefitting from the many opportunities to commercialize and modernize Tanzania’s agriculture. It is implemented via the Agriculture Sector Development Programme (ASDP), placing the private sector at the core of agricultural development.

The Southern Agricultural Growth Corridor of Tanzania (SAGCOT), an agricultural partnership intended to improve food security, livelihoods and agricultural productivity in Tanzania, was introduced in 2010. It is a public-private partnership to implement Kilimo Kwanza using a cross-value chain corridor approach. In 2011, SAGCOT’s Investment Blueprint was launched to showcase the investment opportunities offered by the corridor, and lays out a framework of activities and institutions needed to benefit from the development potential (Isaac, C., P., Guyver, 2011). In 2012, the government engaged in New Alliance for Food Security and Nutrition at G8 in the USA – a roadmap that identifies the next steps for establishing an empowering environment for responsible, comprehensive investment in Tanzanian agriculture. In 2013, the Government of Tanzania initiated its Big Results Now (BRN) project, aligned to Tanzania’s Vision 2025, with agriculture among six national main results areas. The Tanzania Agriculture Development Bank was launched by the Tanzanian Government in 2015, specifically to support the government in executing its strategies and policies with regards to the agricultural sector.

The budget for the agricultural sector has constantly been increased and, for the 2015/16 budget, the allocation for the sector reached 6.2% of the total budget to enable strengthening of the infrastructure for irrigation and construction of warehouses and markets in various parts of the country. This goes along with the subsidization of agricultural implements, seeds and fertilizers, and agricultural and livestock extension.
PERFORMANCE OF THE PULSES VALUE CHAIN IN TANZANIA

PULSES PRODUCTION

In the United Republic of Tanzania, pulses occupy about 12% of the land cultivated for annual crops. Pulses tend to be intercropped with other crops and are primarily used in subsistence farming. The level of production is relatively low, owing to factors such as low use of fertilizers and pests, etc. Tanzania has been a critical player in producing pulses for the world market. The country is ranked the worldwide 10th biggest pulses producer and the second in Africa after Nigeria, but, in terms of yield, it ranks 112th in the world by producing 8,935 hectograms per hectare; i.e. 893.5 kilograms. There are high possibilities of increasing production, provided that good agriculture practices are implemented.

Production levels of pulses have increased from around 760 thousand tons in 2000 to close to 1.6 million tons in 2014. Among the numerous types of pulses grown in Tanzania are dry beans, cowpeas, chickpeas and pigeon peas, which are predominately cultivated by smallholder farmers.

Table 11: Five main zones where pulses are grown

<table>
<thead>
<tr>
<th>Zone</th>
<th>Regions covered</th>
<th>Soil types</th>
<th>Other major crops grown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern</td>
<td>Arusha, Kilimanjaro and Manyara</td>
<td>This zone has soils of variable texture, volcanic ash soils at very high-altitude volcanic plateaus and slopes, and fertile clays derived from volcanic sediments and lavas. Most of the soils are fertile.</td>
<td>Coffee, banana, round potatoes, tea, vegetables, flowers, wheat, barley, sugarcane, maize and millet</td>
</tr>
<tr>
<td>Southern</td>
<td>Mtwara, Lindi and Tunduru district</td>
<td>This zone has soils of variable texture from predominantly sandy soils along the coast and friable clays to heavy clays in lowlands and valleys. Soil fertility levels are low to medium.</td>
<td>Cashew, sesame, cassava, sorghum, groundnuts, bambara nuts, paddy, coconut and finger millet</td>
</tr>
<tr>
<td>Southern Highlands</td>
<td>Iringa, Njombe, Mbeya, Rukwa and Ruvuma regions</td>
<td>Soils in this zone vary from friable clays of low to moderate fertility to low-altitude lacustrine alluvial with fertile soils of medium to heavy textures and fertile volcanic ash on volcanic highlands plateaux,</td>
<td>Coffee, tea, round potatoes, banana, vegetables crops, flowers, wheat, barley, maize, paddy and sunflower</td>
</tr>
<tr>
<td>Central</td>
<td>Dodoma and Singida</td>
<td>Soils in this zone are mainly sandy, loamy and of low fertility, and seasonally waterlogged or flooded clays.</td>
<td>Vine, maize, wheat, rice, tobacco, sunflower, cotton and groundnuts</td>
</tr>
<tr>
<td>Western</td>
<td>Tabora and Kigoma</td>
<td>Soils in this zone are mainly sandy and loamy upland soils and seasonally or permanently waterlogged clayey bottomland soils.</td>
<td>Banana, maize, palm oil, coffee, cassava, paddy and tobacco</td>
</tr>
<tr>
<td>Lake</td>
<td>Mwanza, Geita, Kagera, Mara, Simiyu and Shiriyanga</td>
<td>Soils in this zone are sandy and loamy, while some areas have clay heterogeneous soils, hardpan soils and clayey soils of moderate to high fertility.</td>
<td>Paddy, maize, coffee, tea, sugarcane, vegetables, cotton, cassava, sorghum, millet and sweet potatoes</td>
</tr>
</tbody>
</table>

*Source: Ministry of Agriculture Food Security and Cooperative, Investment Potential and Opportunity in Agriculture

Tanzania is a top source of these pulse varieties globally and the first in East Africa. Furthermore, it still has considerable room for growth in terms of suitable uncultivated land. These factors make the country a very promising destination for investors in the pulses sector, and certainly the most attractive in East Africa. Figure 7 shows how the production of the four types of pulses has increased over the years.
PULSES EXPORT PERFORMANCE

Pulse exports in Tanzania are focused on four main products, namely cowpeas, pigeon peas, chickpeas and dried beans. India is Tanzania’s main export market. As shown in figure 8, the volumes of pulses exports have increasingly grown. Since 2013, there has also been growth in exports of black mung beans. Kidney beans and mung beans have emerged in the last few years as important exported products, although the levels remain relatively small in comparison to other types of pulses.

Table 12 compares the production of pulses in the east countries, including Tanzania, Kenya, Uganda, Rwanda and the Federal Democratic Republic of Ethiopia, between 2009 and 2013. Production in Tanzania has constantly been increasing and the highest was recorded during 2013. In the remaining years, Tanzania was second after Ethiopia. It is quite clear that Tanzania is the highest pulses producer among East African countries and, therefore, has the highest potential for pulses production.

Table 12: Country comparison for Ethiopia, Kenya, Rwanda, Tanzania and Uganda for pulses production (2009 to 2013)

<table>
<thead>
<tr>
<th>Year</th>
<th>Uganda</th>
<th>Tanzania</th>
<th>Rwanda</th>
<th>Kenya</th>
<th>Ethiopia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>360332</td>
<td>592527</td>
<td></td>
<td></td>
<td>1293214</td>
</tr>
<tr>
<td>2010</td>
<td>365496</td>
<td>665960</td>
<td></td>
<td></td>
<td>1403680</td>
</tr>
<tr>
<td>2011</td>
<td>365073</td>
<td>652545</td>
<td></td>
<td></td>
<td>1382478</td>
</tr>
<tr>
<td>2012</td>
<td>598030</td>
<td>849803</td>
<td></td>
<td></td>
<td>1929878</td>
</tr>
<tr>
<td>2013</td>
<td>466114</td>
<td>757780</td>
<td></td>
<td></td>
<td>1906761</td>
</tr>
</tbody>
</table>

Source: Factfish, 2016
LINKING PULSES SMALLHOLDER FARMERS WITH INVESTORS

Of the 10.8 million hectares of land currently under production, 95% is cultivated by smallholders making use of traditional methods, mainly for subsistence. Yields are low, with pulse and grain crops of less than one and a half tons per hectare on average. The economic reforms have resulted in the sector opening up to private investment in processing, agricultural marketing, production, and delivery of machinery and inputs. The marketing, processing and production functions are, to a larger extent, undertaken by the private sector, whereas the government has kept functions such as public support, regulatory and a facilitation function.

As recognized in agriculture policies, new models for agricultural growth have been proposed, in which farming is viewed as a business and smallholders need to be offered chances to sell gainfully into both international and regional markets. One recommended approach is to establish greater associations between smallholder farmers and modern agribusinesses and the communities. In the past, the smallholder and large-scale farming sectors have too often been seen independently of each other. Thus, models for integrating smallholder and large-scale farmers with mutual benefits get policy support. Outgrower schemes and contract farming with smallholder farmers organized into nucleus farm hubs such as farmer associations can be established. In so doing, they can profit from access to infrastructure, such as lower cost inputs, irrigation, storage and processing facilities, finance and markets. With this arrangement, farmer-producer associations can be assimilated into commercial value chains by means of contract farming or outgrower models.
Tanzania’s fiscal regime is very predictable and stable, which offers all investors a soft landing. It is the type of regime that acknowledges that investors must recover their investment costs before paying corporate taxes. The country recognizes the value of investment in fuelling economic development and growth in the country and fostering a potential for maintainable future revenue generations. Several tax incentives are granted to foreign and local investors alike in a number of sectors in an attempt to boost investment. In 1990, an investment policy was established when the government passed the National Investment Promotion and Protection Act (NIPPA) 1990, which gave investors tax incentives in the form of tax holidays for a defined time period. The NIPPA 1990 was repealed and the Tanzania Investment Act 1997 replaced it and is now in operation. The Tanzania Investment Act (TIA) 1997 passed on all tax incentives to the East African Community Customs Management Act 2004, the Income Tax Act 2004, and the Value-Added Tax Act 1997 as revised in 2006. This incentive’s key purpose was to make the tax structure less complex and more transparent to taxpayers. Subsequently, income tax holidays have been abolished and investors are now offered tax incentives in the form of greater capital deductions and allowances, including 100% capital expenditure to the agricultural and mining sectors. The income tax laws permit 50% capital allowances in the first year of usage for plant and machinery fixed in a factory and utilized in manufacturing processes, for fish farming, or for delivering services in a hotel and to tourists. The investment tax incentives are summarized in table 13.

In Tanzania, investors are guaranteed against expropriation and nationalization. The country has signed a number of bilateral and multilateral agreements on promotion and protection of investments. For example, Tanzania is an African Trade Insurance Agency (ATIA) and Multilateral Investment Guarantee Agency (MIGA) member.

**TANZANIA INVESTMENT CENTRE (TIC)**

Initiated by the Tanzanian Investment Act of 1997, the Tanzania Investment Centre (TIC) was formed to be the chief government agency to encourage, promote, coordinate and enable investment in Tanzania. TIC is a one-stop facilitation centre for investors, assisting to acquire licenses, permits, land access and visas, among other things. Furthermore, TIC has the authorization to oversee public-private partnerships (PPPs) under the 2010 PPP Act that lays down a framework for build-operate transfer activities with private companies. TIC encourages trade opportunities and investment in agriculture, tourism, financial services, mining, telecommunications, and transportation and energy infrastructure. It is not compulsory to register with TIC, but registration gives incentives for joint projects with locals and wholly owned foreign ventures investing at least US$ 300,000. TIC-sanctioned ventures get TIC certificates of incentives, which include:

- A 100% capital allowance deduction during the income-earning years for the above-mentioned kinds of investments;
- The Government of Tanzania does not limit foreign investors’ right to repatriate revenues from an investment, and guarantees against expropriation and nationalization;
- All disagreements between investors and the government can be resolved through negotiations or submitted for arbitration;
- Permitting interest deduction on capital loans and elimination of the five-year threshold for carrying forward investors’ losses.

**Table 13: Investment tax incentives**

<table>
<thead>
<tr>
<th>Item</th>
<th>Duty</th>
<th>VAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>All capital goods</td>
<td>0%</td>
<td>Relieved</td>
</tr>
<tr>
<td>Agricultural machinery/equipment</td>
<td>0%</td>
<td>Exempt</td>
</tr>
<tr>
<td>Fertilizers and pesticides</td>
<td>0%</td>
<td>Exempt</td>
</tr>
<tr>
<td>Farm implements and inputs</td>
<td>0%</td>
<td>Exempt</td>
</tr>
<tr>
<td>Corporate tax</td>
<td>0-30%</td>
<td>–</td>
</tr>
<tr>
<td>Capital allowance</td>
<td>100%</td>
<td>–</td>
</tr>
<tr>
<td>Withholding tax on interest</td>
<td>10%</td>
<td>–</td>
</tr>
<tr>
<td>Withholding tax on dividends</td>
<td>0-10%</td>
<td>–</td>
</tr>
</tbody>
</table>

Losses carried forward. Companies with perpetual unrelied losses for three consecutive years are charged 0.3% of annual turnover.

*Source: Tanzania Investment Guide 2014/15*
FOREIGN TRADE ZONES/FREE PORTS

The Government of Tanzania makes use of the World Trade Organization’s (WTO) Trade-Related Investment Measures (TRIMs) to encourage development aims and investments in alignment with national priorities, and draw and regulate foreign investment. Trade development tools implemented by Tanzania include export development and promotion, export processing zones (EPZs), export facilitation, and investment code and rules. The 2002 EPZ Act created EPZs, which are open to foreign and domestic investors alike.

The Export Processing Zones Act of 2006 sanctioned the formation of special economic zones (SEZs) to foster Greenfield investments in the agro-processing industry, light industry and agriculture sector. The Government of Tanzania’s Export Processing Zones Authority (EPZA) encourages EPZs to attract investments in electronics, textiles and agribusiness. EPZA has allocated 4,000 hectares for export clusters. Six zones are already established, one of which is owned by the Government of Tanzania, while the rest are owned by the private sector (85 businesses are registered under EPZA to work in two categories – manufacturing and infrastructure development).

Investors in EPZs are entitled to certain incentives, such as prime sites close to main roads and ports, duty-free importation of capital goods, 10-year exemption on dividend taxes and interest, exemption on local taxes and VAT exemption for utilities. EPZA took the following measures toward developing the investment climate:

- Making bureaucratic requirements and procedures more effective, EPZA has decreased the time needed to license and register new investors from a reported seven-day maximum in 2010 to two to three days in 2012;
- The creation of a “one-stop shop” at the Benjamin William Mkapa Special Economic Zone has several procedures from separate departments under one roof (for example, licensing applications and work permit applications);
- EPZA has earmarked further land, with infrastructure, for EPZ endeavours in Mkuranga and Bagamoyo. EPZA has allocated another 16 sites across Tanzania for development. Wares going to EPZA-registered companies are given special exemptions and treatment, and are handled like transit cargo. This leads to reduced clearance costs and quicker clearance. The Government of Tanzania aims to set up free trade zones at the Kigoma and Tanga ports. In foreign trade zones, foreign-owned companies and host country entities have the same investment opportunities.

Multiple incentives exist for special economic zone (SEZ) investors, including:

- Exemption from paying duties and taxes for equipment, machinery, construction and building materials, heavy duty vehicles and any other goods of a capital nature to be utilized for developing SEZ infrastructure;
- Exemption from paying corporate tax for a starting period of 10 years, after which corporate tax will be levied at the rate stated in the Income Tax Act;
- Exemption from paying withholding tax on dividends, interest and rent for the first 10 years;
- Exemption from paying property tax for the initial 10 years.

LAND: AVAILABILITY, TENURES, AND OWNERSHIP ACQUISITION PROCEDURES AND PROCESSES

The Land Act of 1999 stipulates that all land will be public land and be vested in the president as trustee on behalf of and for all Tanzanian citizens. Land can be owned in three ways: (i) TIC derivative rights; (ii) Subleases established out of granted rights of occupancy by the private sector; (iii) Government-granted rights of occupancy. Foreign investors are also able to partner with Tanzanian leaseholders in order to access land.

Derivative rights and rights of occupancy are granted for a maximum period of 99 years depending on the nature of investment activities and the term is renewable, but not for more than 99 years. In collaboration with the Ministry of Lands, TIC has started a process of establishing areas for investment (plots and farms). To start with, TIC has been issued with a Certificate of Title on Mkulazi measuring 63,227 hectares, which is earmarked for cultivation of sugarcane and rice.
PROCEDURES FOR ACQUIRING LAND FOR FOREIGN INVESTORS

Land can be identified by the Ministry of Lands, local government authorities (LGAs), Tanzania Investment Centre (TIC) or an investor. Under the Tanzania Investment Act 1997, non-citizens’ occupation of land is limited to lands for investment purposes. Under the Land Act 1999, land can be occupied by a foreign investor via:

- Licenses from the government;
- Subleases from private sector;
- Derivative rights under the Land Act 1999, section 20(2);
- Purchase from other holders of granted right of occupancy;
- Request to the Commissioner for Lands for a grant of right of occupancy under the Land Act 1999, section 25(1)(h) and (i).

Land allocated for investment purposes will be identified, gazetted and assigned to TIC, which will establish derivative rights to investors. Occurrences of grant of right of occupancy to a non-citizen are recognized under the Land Act 1999, section 19(2). Section 22(1) (ii) permits the granted right of occupancy to be able to be a subject of disposition. This means that right of occupancy can be disposed from one holder to another, as long as the land is sold to a non-citizen for investment purposes approved by TIC.

In the latter case, a right of occupancy can be disposed of from one holder to another as long as the land is sold to a non-citizen for investment purposes approved by TIC. Another means by which non-citizen investors can secure land is by acquiring subleases through government licenses or from the private sector.

Following are the procedures that foreign investors must follow when submitting an application for grant of right of occupancy. It is applicable to farmland and urban alike:

i. Application submitted to the Commissioner for Lands, along with a photograph of the applicant(s) and a certified copy of the Certificate of Incentives issued by TIC;

ii. The Commissioner for Lands rejects or approves the application and investor(s) notified;

iii. Note: The procured land, either for urban land or farmland, is dependent on payment of the registration fee, survey fee, stamp duty, land rent charges and preparation fee. These fees will change with location and time. The prevailing land rent charges for a farm outside a township is TZS 5,000 (US$ 3.11) per acre per year, and TZS 10,000 (US$ 6.22) per acre per year for a farm within a township.

PROJECT IMPLEMENTATION SUPPORT SYSTEMS AVAILABLE FOR AGRICULTURE SECTOR

Various support programmes for the agriculture sector have been initiated by different institutions, including the government, private sector and development partners. Some of them include:

i. At the district level, the Agricultural Sector Development Programme II (ASDP II), funded by development partners and implemented by the central government, is facilitating infrastructure and public irrigation schemes;

ii. The US$ 25 million Danida-backed Private Agricultural Sector Support (PASS) facility offers local currency finance to new agriculture companies with competent management and a watertight business plan;

iii. AGRA/NMB and AGRA/Standard Bank’s US$ 25 million guarantee facility is meant to aid commercially viable and established agriculture businesses that include smallholder farmers;

iv. The US$ 5 million Africa Enterprise Challenge Fund (AECF) window for Tanzanian agribusiness is made available to established agriculture businesses that are looking to expand their operations and incorporate smallholder farmers, and are able to provide matching funding;

v. “Traditional” non-governmental organization and development partner support programmes that assist in increasing smallholder farmers’ ability to participate in modern supply chains, such as through institutional and certification strengthening, and extension and training services.
PROCEDURES FOR INVESTMENT

New investors must follow certain steps in applying for entry, registration and business approval, and thus obtaining access to the fiscal incentives available to investment projects meeting the eligibility criteria. All applications are managed by TIC, where officers are placed from the Tanzania Revenue Authority (TRA), the Ministry of Lands and Human Settlement Development (MLHSD), Business Registration and Licensing Agency (BRELA), the Ministry of Industry, Trade and Marketing, Directorate of Trade, and immigration and labour departments, thereby making the approval and registration procedures simple and straightforward.

TIC is investors’ first point of contact. All applications are formally submitted to the Registry Department, which requires the following fundamental documents in order to process each application:

- Three copies of the venture’s feasibility study or business plan;
- Three copies of the TIC application form (issued by the centre for US$ 100);
- In the case of rehabilitation or expansion, a copy of audited accounts for the last three years;
- A brief profile of investor(s);
- Project implementation schedule;
- A copy of the business’ memorandum and articles of association;
- A certified copy of the certificate of company incorporation for local companies and certificate of compliance for foreign-based companies;
- Proof of adequate financial capital to carry out the venture;
- Proof of land ownership for the project site;
- Company executive board resolution to register the project with TIC;
- Cover letter accompanying all of the above;

Upon registering with TIC, both foreign and local investors receive a certificate of incentives;

The TIC business licensing desk receives investors’ applications, presents them on behalf of the investor and follows up on the issuing of permanent licenses and temporary business permits.

The papers (certificates, permits and licences, etc.) required for setting up a business are:

- Certificate of incorporation (local) or compliance (foreign);
- Certificate of incentives (projects approved by TIC);
- Business licence;
- Taxpayer identification number (TIN) certificate;
- Income tax clearance certificate.
Investment Opportunities

Pulses are grown in most parts of Tanzania covering five zones, including Northern, Southern, Southern Highlands, Central, Western and Lake. The growth potential for Tanzania can be seen by the fact that only 24% of arable land is utilized. Investors looking at Tanzania can think about engaging through the two alternate farming approaches: the direct farming and contract farming/outgrower scheme. The pulses sector offers a variety of agricultural investment opportunities from the importation of modern and efficient farming equipment, for instance tractors and power tillers; to the provision of training in farming techniques, for example, use of farming and irrigation technology. There are also opportunities to establish modern farming operations for domestic, regional and international markets. Tanzania has enormous water resources potential. Water for irrigation can be obtained in flood basins of rivers and lakes as well as from underground sources. Potential irrigable farmland in Tanzania is approximately 29 million hectares, of which only 461,326 hectares are currently under irrigation farming.

DIRECT FARMING

- Tanzania has 44 million hectares of arable land, of which 10.8 million hectares (24%) is under crop production; therefore, land expansion could be a key means of agricultural growth.
- About 29.4 million hectares is suitable for irrigation.
- There are numerous lakes, underground water sources, and seasonal and permanent rivers for irrigation and other things.
- Land can be possessed by three methods: (i) TIC derivative rights; (ii) Government-granted rights of occupancy; (iii) Subleases made out of granted rights of occupancy by the private sector.
- Foreign investors and Tanzanian leaseholders can also partner in order to acquire land.
- Derivative rights and rights of occupancy are granted for a maximum of 99 years depending on the nature of investment activities and the term is renewable, but not for more than 99 years.

CONTRACT FARMING/OUTGROWER SCHEME

- Contract farming conforms to the needs of Tanzania’s agricultural policies, such as the Kilimo Kwanza (Agriculture First) initiative for which it is advocated. Tanzania’s policy is supportive about expanding contract farming since agricultural value chains have become progressively vertically integrated and buyer-driven. Contract farming is practiced by several foreign investors, such as Unilever Tea Tanzania Ltd, Mufindi Tea Company, Mtibwa Sugar Company and Kilombero Sugar Company Ltd, in areas as diverse as tobacco, tea, coffee, cotton and sugarcane, etc.
- Some companies practice both direct farming and contract farming. For instance, Unilever Tea Tanzania Ltd (UTT)’s tea production is 95% autonomous (just 5% comes from outgrowers). A number of worldwide sugar businesses have already invested in Tanzania’s sugar operations and are still expanding, indicating that they are satisfied with performance. Approximately 8,000 ha of Kilimbero Sugar Company Limited are used for estate cane and approximately 10,000 ha of sugarcane are produced by outgrowers.

LOGISTICS

One of the observed gaps in pulses trade relates to the efficiency of logistics including handling and transportation to high-end local and international markets. There are enormous opportunities for investing in this area including in the establishment of storage facilities, handling services, trucking and mobilisation of cargo for pulses products. There are opportunities to partner to expand logistics and transportation services.

All these companies are involved in the processing and most of these crops are for export. Investors entering the pulses sector can thus feel free to explore all these avenues for profitable investment and growth.

Additionally, investors interested in the attendant agribusiness along the entire pulses value chain will find the Tanzanian Government supportive in all spheres.
Useful Contacts

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Website:    www.brela.go.tz

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TANZANIA

SITA project implemented by:

SITA project funded by: