



# PULSES SECTOR INVESTMENT PROFILE SUMMARY

## TANZANIA



### TANZANIA: AN OVERVIEW

The United Republic of Tanzania is a significant player in pulse production for the global market. The country is ranked the worldwide 10th biggest pulses producer and the second in Africa after the Federal Republic of Nigeria.

In terms of yield, it ranks 112<sup>th</sup> in the world by producing 893.5 kilograms per hectare. Tanzania is a leading source of these pulse varieties globally and the top in East Africa. Moreover, it still has considerable room for further growth in terms of suitable uncultivated land. The potential for increasing production is high, provided that good agriculture practices are implemented.



Key facts	
Capital	Dodoma
Area:	947,300 km <sup>2</sup>
Population:	51.82 mm (2014)
Labour force (over 15 years):	25.28 mm (2014)
Youth literacy rate (15–24 years):	86% (2012)
	<i>Male:</i> 87% (2012)
	<i>Female:</i> 85% (2012)
GDP (nominal):	US\$ 48.06 bn (2014)
GDP growth:	7% (2014)
FDI inflow:	US\$ 2.04 bn (2014)
Exports:	19.5% of GDP (2014)
Imports:	29.9% of GDP (2014)
Govt. expenditure:	US\$ 8.43 bn (2015 est.)
Govt. revenue:	US\$ 6.82 bn (2015 est.)
Currency:	Tanzania shilling (TZS)
Language:	English, Swahili (official languages)

\*Source: TIC, 2014; World Bank, 2015; CIA, 2016



## WHY TANZANIA?

### Advantage Tanzania

#### PEACE AND POLITICAL STABILITY

- Tanzania is a democracy and has a multi-party electoral system.
- Tanzania is one of Africa's most peaceful and politically stable countries, and is free of ethnic cleavages and labour unrest.
- Since its 1961 independence, Tanzania has not had a civil war or any noteworthy internal strife.

#### STRATEGIC LOCATION

- Tanzania is linked directly to the Indian Ocean, which gives it trade links to Asia.
- Tanzania is 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.

#### MAJOR REGIONAL INTEGRATION AND TRADE

- Tanzania 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.
- Tanzania is a Southern African Development Community (SADC) member.
- Tanzania qualifies for the USA's African Growth and Opportunity Act (AGOA), which offers duty-free exports to the USA from certain sectors.
- 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 the People's Republic of China allows it to export in excess of 400 products made in Tanzania to China tariff-free.



### Global and Regional Market Access

The EAC Customs Union promotes and deepens the integration process through liberalization and promotion of intraregional trade. The table below provides the export destinations with the percentage shares that were traded globally during 2015.

Market access under	Markets (percentage share)
The Republic of South Africa	17.3
The Republic of India	17
The Swiss Confederation	9.2
China	7
The Democratic Republic of the Congo	5.4
Kenya	5.4
Japan	5.2
The Federal Republic of Germany	3.6
EAC	21.6
SADC	2.0

Source: NBS, 2014; Foreign Trade Statistics, 2013; Bank of Tanzania; NBS, 2014; Foreign Trade Statistics, 2013

### Banking Sector

- 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 will be adequately provided for agricultural activities.
- The interest rates on lending offered by commercial banks in Tanzania have decreased recently and are expected to decrease further following strong competition in the financial industry.

### Government Support for Pulses Sector

- The Tanzanian Government constantly promotes policies and programmes to enhance a conducive environment and offer incentives for the agricultural sector, including Kilimo Kwanza (Agriculture First) initiative, Agriculture Sector Development Programme (ASDP), and the Southern Agricultural Growth Corridor of Tanzania (SAGCOT), etc. It is a public-private partnership to put Kilimo Kwanza in action using a cross-value chain corridor approach.
- The Tanzania Agricultural Development Bank was established in 2015 by the Government of Tanzania, specifically to assist the government in implementing its policies and strategies relating to the agricultural sector.



## Investment Climate

- Tanzania is a fast-growing emerging market ranking among the world's swiftest-growing economies. The country has consistently demonstrated a GDP growth of roughly 7%.
- Overall, the reforms have caused extraordinary macroeconomic indicators and positive growth trends, with inflation rates dropping from 27.4% in 1995 to 4.5% in the first quarter of 2015.
- In Tanzania, investments are guaranteed against expropriation and nationalization through a number of agreements for promotion and protection of investments, for instance, the Multilateral Investment Guarantee Agency (MIGA).

## Taxes and Special Tax Incentives

- Investors are granted tax incentives in the form of greater capital deductions and allowance, including 100% capital expenditure to the agricultural and mining sectors.
- The agriculture sector is one of the priority sectors that are permitted VAT and import duty exemptions on their capital and deemed capital goods.
- Pesticides, fertilizers, unprocessed agricultural products and agricultural implements, etc. are VAT exempted.

Summary of tax incentives for agriculture		
Item	Duty	VAT
All capital goods	0%	Relieved
Agricultural machinery/equipment	0%	Exempt
Fertilizers and pesticides	0%	Exempt
Farm implements and inputs	0%	Exempt
Corporate tax	0-30%	-
Capital allowance	100%	-
Withholding tax on interest	10%	-
Withholding tax on dividends	0-10%	-

## Logistics and Connectivity

- Tanzania has three deepwater ports (Dar es Salaam, Mtwara and Tanga) that service the neighbouring countries.
- Tanzania's membership to the EAC Common Market and the SADC Free Trade Area, with developed road and rail networks, means it offers Central and East Africa a natural transport gateway.

## Abundant and Attractive Human Capital

- Tanzania has a vast quantity of experienced human capital.
- 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.
- Tanzania can offer work permits for technical staff and management if these skills are not on hand locally.



## 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.

### 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 method 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 owned in three different ways: (i) Government-granted rights of occupancy; (ii) TIC derivative rights; (iii) Subleases created out of granted rights of occupancy by the private sector.
- Foreign investors can also partner with Tanzanian leaseholders to gain land access.
- 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 example, Unilever Tea Tanzania Ltd's (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.

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.



## KEY CONTACTS

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