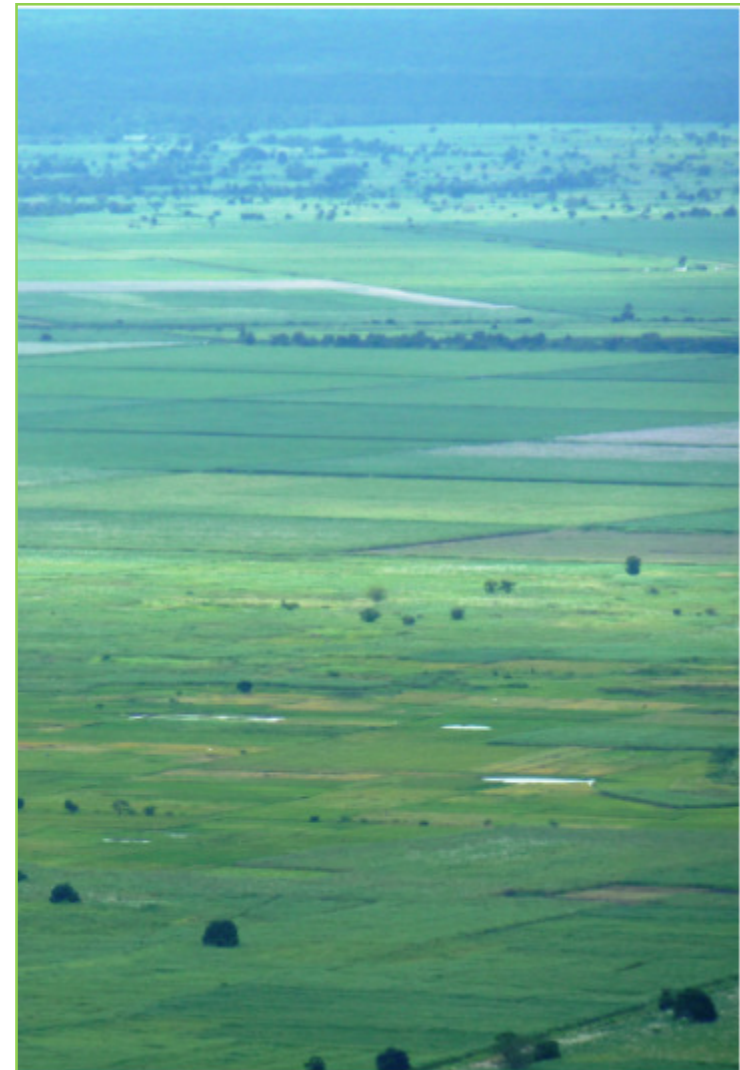


# SAGCOT Investment Partnership Program

## Opportunities for Investors in the Sugar Sector

Update: October 2012



# Presentation Overview

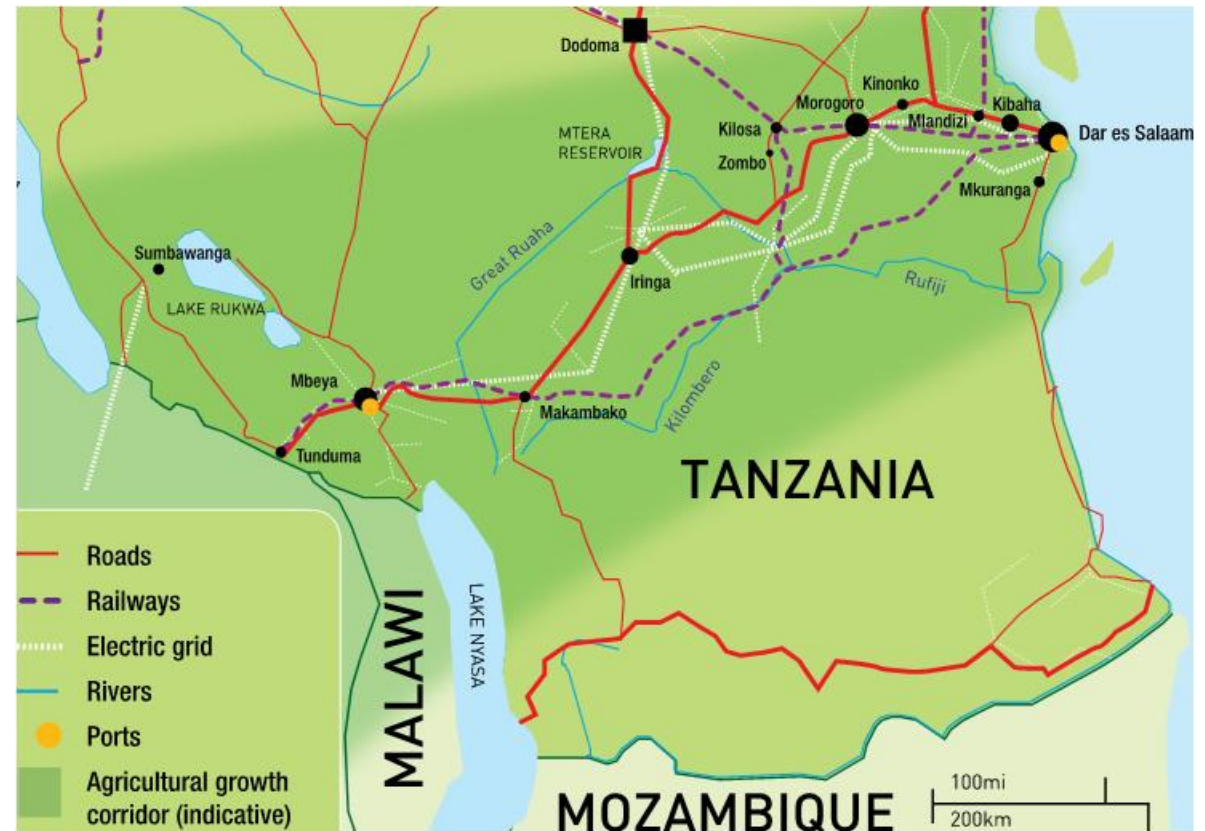
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- Executive Summary
- The Southern Agricultural Growth Corridor of Tanzania (SAGCOT)
  - A joint public-private initiative to boost agricultural output in one of the prime agricultural zones in Africa
- Specific opportunities for investors in the sugar sector
  - Several earmarked sites with ideal agroclimate, infrastructure and market access
  - Large and growing local, regional and global demand-supply gap
  - Competitive yields, cost factors and skill supply
  - Conducive business environment and full support for investors
- Next steps and contact information
- *Appendices:*
  1. *Full profiles of 2 priority earmarked sites: Ruipa and Mkulazi*
  2. *Additional information on local and regional markets for sugar, ethanol and power*
  3. *Additional information on Tanzania's business environment and support for investors*

- The Southern Agricultural Growth Corridor of Tanzania (SAGCOT) is a coordinated initiative to boost agricultural output in Tanzania through public and private investment:
  - The corridor was chosen because it offers ideal agroclimactic conditions, plus superior infrastructure and market connectivity
  - Commercial investors in the corridor stand to gain from complementary investments by the government, donors and other private investors in infrastructure, input-supplies, outgrower training, finance and so on
  - An impressive set of local and international organisations and companies have already committed to support and invest in SAGCOT
  
- Opportunities for investors in the sugar sector are particularly attractive:
  - The government has earmarked a number of sites for sugar investors, offering excellent agroclimactic conditions and market connectivity
  - The local, regional and global demand-supply gap for sugar, ethanol, power and other products is large and growing
  - Yields and cost factors in Tanzania are very competitive
  - Strong sugar sector institutions ensure access to skilled labour and critical inputs
  - Tanzania's economic and political stability offers a conducive business environment
  - Several global sugar companies have already invested in sugar operations in Tanzania and are continuing to expand, signalling their satisfaction with performance in Tanzania
  
- We urge interested investors to:
  - Contact the Sugar Sector Working Group to get additional information
  - Plan a visit to Tanzania - A special SAGCOT Investor Showcase Event will be held in November 2012
  - Prepare to respond to the Request for Proposals for the priority sites early in 2013

# Southern Agricultural Growth Corridor of Tanzania (SAGCOT)

- Joint initiative led by the Government of Tanzania, private companies and international donors
- Personal priority of the President of Tanzania, heads of the World Bank, USAID and other major donors, and CEOs of several Fortune 100 firms
- Aim is to coordinate government, donor & corporate investments in agribusiness value-chains and supporting infrastructure (transport, power, irrigation, etc.), so bottlenecks are removed and the entire system works for investors, smallholders and consumers



- 3 ultimate goals: 1) Improve food security; 2) Reduce rural poverty; 3) Sustain the environment

**Commercial investors in the corridor stand to gain from complementary investments by the government, donors and other private investors in infrastructure, input-supplies, outgrower training, finance and so on**

The corridor was chosen because it offers ideal agroclimate plus superior infrastructure and market connectivity



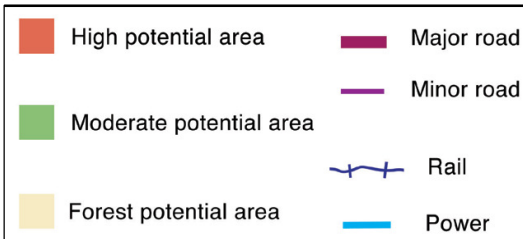
### Ideal agroclimate for range of crops & livestock

- Major river systems
- Ample rainfall and sunshine hours
- Rich alluvial valleys for rice, sugar
- Rolling plains for maize, sisal, oilseeds, ranching
- Cool highlands for tea, coffee, horticulture
- Lush tropics for tree crops – cocoa, palm, timber



### Superior infrastructure and connectivity to local & global markets

- International highways connect all major agri-zones in corridor to main consumer markets in Dar, Arusha, Nairobi & Lusaka
- International port & airport at Dar with direct connections to Middle East, Asia & Europe; 2<sup>nd</sup> international airport to open in Mbeya
- Main power grid runs through corridor, with several major hydro projects already in place and potential for agri-based power producers to supply directly to grid



## Infrastructure investments

- Government and donors are prioritising investments which will enable agricultural producers in the corridor to get their product to market:
  - Upgrade of **feeder roads** and **transmission lines** to and from all major agricultural clusters in the corridor
  - Attracting private investors to increase the capacity and efficiency of the **TAZARA Railway**, the **dry bulk terminal at Dar port**, and **cold storage and cargo-handling at Dar and Mbeya airports**
  - Attracting private investors to develop additional **power generation capacity**

## Outgrower training & financing

- Government, donors, NGOs and private companies (e.g. seed and fertilizer suppliers) have already earmarked funds to assist outgrowers linked to commercial agro-processors (in rice, sugar, maize, sorghum, barley, tea, coffee, cocoa, livestock, etc.) – to help provide access to **improved seeds & fertilizers, training, microfinance, irrigation and machinery**

## Start-up & Operational support

- The **dedicated SAGCOT Centre** and a series of **Sector Working Groups** have been established to assist investors with all aspects of start-up: site identification and leasing, social and environmental safeguards, company registration, incentives, etc.
- The government has also established **special taskforces** to address specific investor issues regarding land-leasing, export regulations, taxation and imports of seeds and other inputs

## Private sector coordination

- A range of private-sector organisations, including the **SAGCOT Centre**, the **Tanzania Private Sector Foundation**, the **Agricultural Council of Tanzania**, bring together local & international investors to ensure that priority issues are addressed at the highest levels

### Development Partners



### Agricultural Suppliers & Financiers



### Technical & Operational Supporters



### Agricultural Producers & Buyers





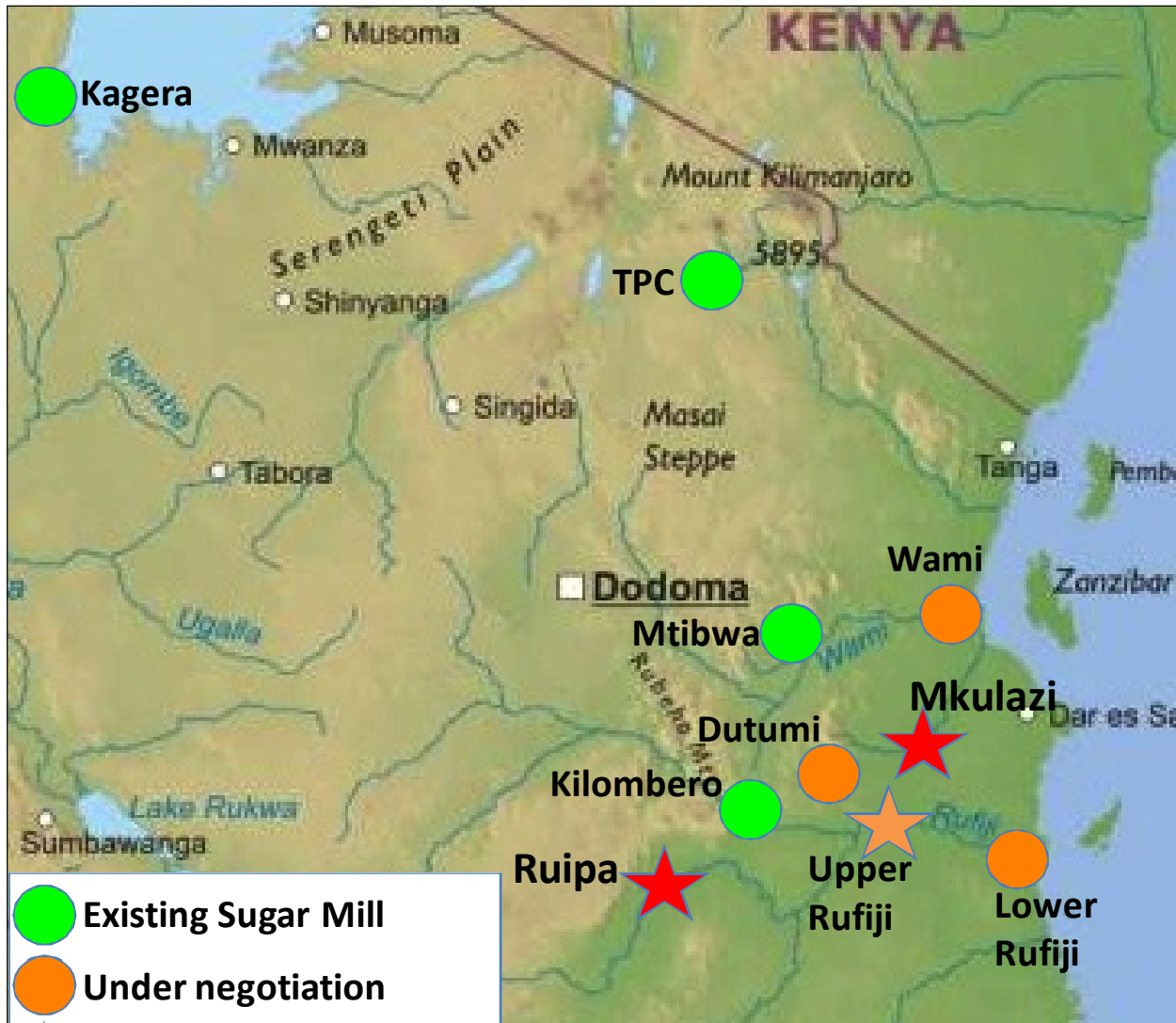
## Specific opportunities for investors in the sugar sector

## Opportunities for investors in the sugar sector are particularly attractive



- **EARMARKED SITES:** The government has earmarked a number of sites for sugar investors, offering excellent agroclimactic conditions and market connectivity
- **ATTRACTIVE MARKET:** The local, regional and global demand-supply gap for sugar, ethanol, power and other products is large and growing
- **COMPETITIVE FINANCIAL DRIVERS:** Yields and cost factors in Tanzania are very competitive
- **AMPLE ACCESS TO SKILLS AND INPUTS:** Strong sugar sector institutions ensure access to skilled labour and critical inputs
- **CONDUCTIVE BUSINESS ENVIRONMENT:** Tanzania's economic and political stability offers a conducive business environment
- **SUCCESSFUL PRECEDENTS:** Several global sugar companies have already invested in sugar operations in Tanzania and are continuing to expand, signalling their satisfaction with performance in Tanzania

# The government has identified several sites for sugar investors offering excellent agroclimate and connectivity



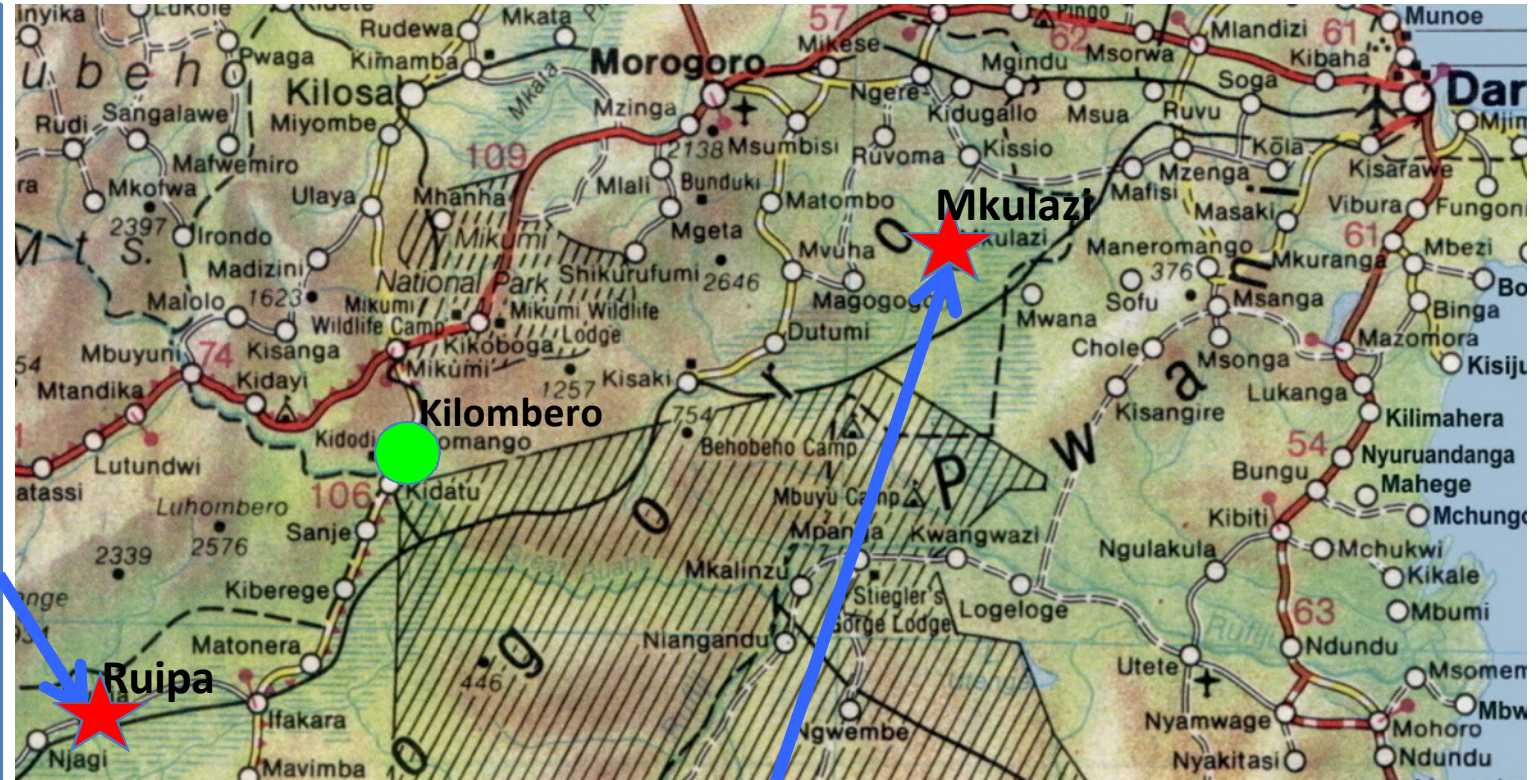
- **4 existing estates** in Tanzania produce a total of 300,000 tons of sugar per year and are **nearing capacity**
- EcoEnergy of Sweden is in the final stages of obtaining a land lease at the Wami site, with plans to produce 120,000 tons sugar
- 2 local groups, with international partners, are also in the process of acquiring sites
- In order to fill the local and regional sugar gap, the **Government of Tanzania is looking to develop an additional 3 – 5 large sugar projects** and working to prepare additional sites for sugar investments
- **2 priority sites at Ruipa and Mkwazi** are in the final stages of preparation to be tendered to investors

**Sugar investors with solid investment plans that include development of outgrower schemes can apply for these sites**

## Two priority sites have been selected for immediate promotion and tendering

### RUIPA

- Top site surveyed by Booker Tate in 1970s, 100km from largest existing mill (Illovo), in Kilombero cluster
- ~10,000 ha earmarked for nucleus farm; further 20,000 ha for outgrowers; already surveyed by Sugar Board and ready to lease to investors
- Borders Kilombero river with rich soils and year-round irrigation
- 400km from Dar, with station on railway and 120km from main highway – donors upgrading feeder road; direct access to power grid

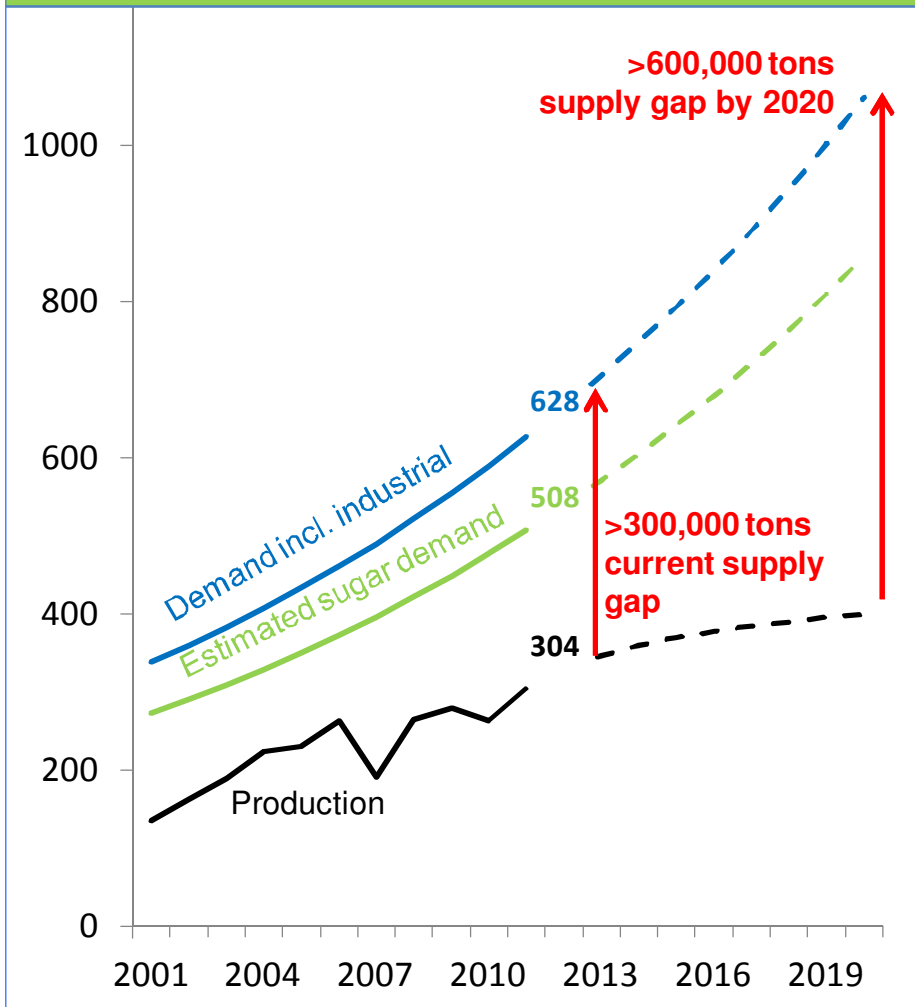


### MKULAZI

- Gross area of 63,000 ha to be divided into parcels for promotion to investors in sugar, rice, etc.; land already gazetted to TIC and ready to lease to investors; Sugar Board working with TIC to update survey, social and environmental assessments
- Site borders 4 rivers, with rich soils and potential year-round irrigation
- 150km from Dar, with own station on railway and 50km from main highway; direct access to power grid

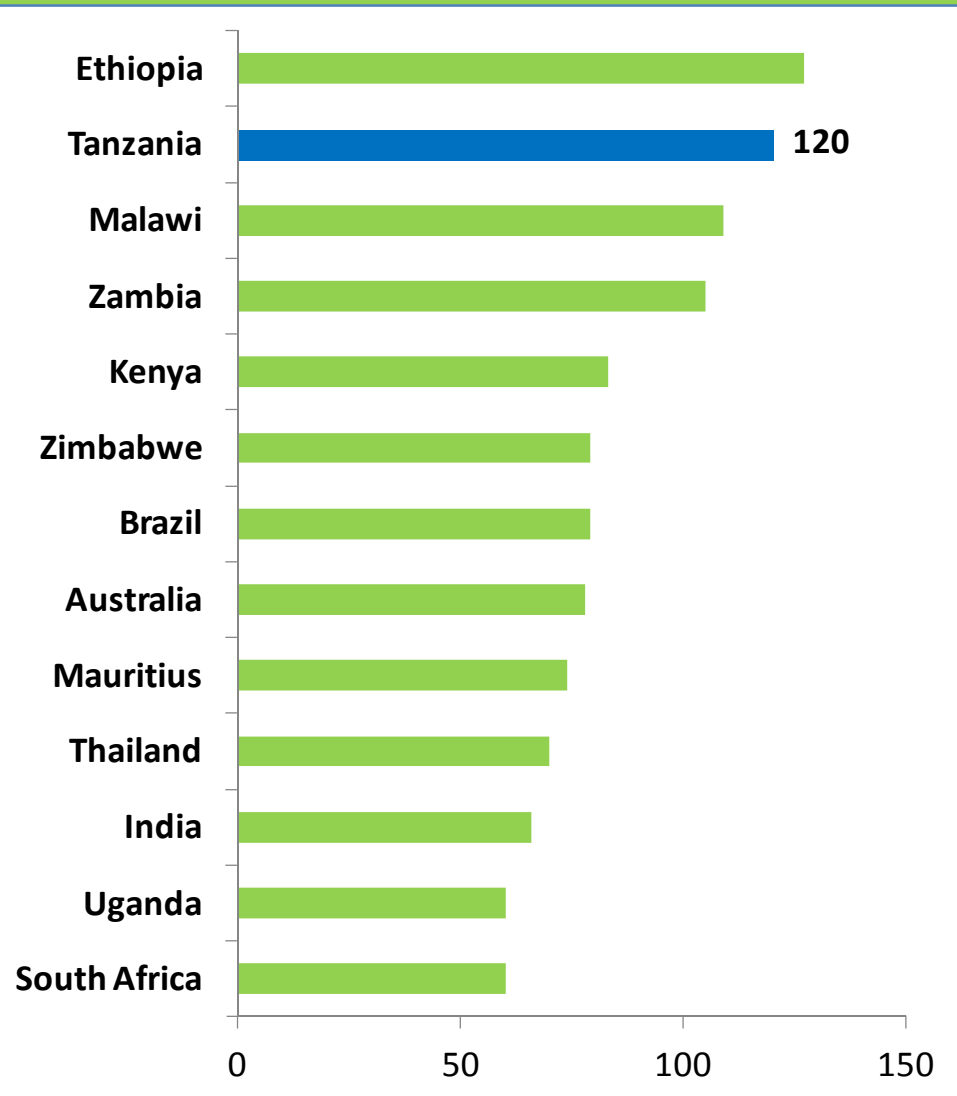
Detailed site profiles are provided in Annex 1

## Tanzania sugar demand & production, 2001-2020 (T/year)



- **The primary market opportunity is local:** as existing mills reach capacity, the domestic sugar supply gap already exceeds **300,000 T/year** and is growing at ~6%/year
- The sugar supply **gap in neighbouring EAC countries** (a market of 130 million people) is about **550,000 T/year** and is growing at 10+% per year
- Longer term potential to supply **global deficit markets:**
  - **Middle East:** imports over 5 million T/year
  - **East Asia:** imports over 8 million T/year
  - **EU:** imports over 3 million T/year (and producers in Tanzania have **duty-free access under EBA**)
  - **North America:** imports over 4 million T/year (and producers in Tanzania have **duty-free access under AGOA**)
- Global sugar **prices** are forecast to remain high, driven by growing consumption and decreasing surplus production by the leading global producers; due to import tariffs, **EAC sugar prices** are typically 25% above global prices
- In addition, cane producers in Tanzania can supply local market for **power** (100MW of immediate unmet demand) and for **fuel** (E10 mandate currently proposed by the Government)

### FAO-reported cane yields, 2010 (T/ha)



### Key financial drivers

#### Primary Revenue drivers

- **Yields:** FAO ranks cane yields in Tanzania among highest in the world (120 T/ha); the main estates in Tanzania report yields in 80-100 T/ha range
- **Sugar prices:** Due to import tariffs, EAC sugar prices are typically 25% above global prices
- **Electricity prices:** standard tariffs for independent power projects up to 10MW in range of 18-30¢/kWh

#### Primary Cost drivers

- **Labour costs:** about 180 \$/month including taxes and housing allowances for rural labour
- **Land lease costs:** currently less than \$1/ha/year, after initial compensation to any land users
- **Input costs:** all imports of capital, fertilizer, etc., are duty-free and VAT-free for qualified investors
- **Outgrower development costs:** various donor and NGO programs to assist with training & inputs
- **Taxes:** 30% corporate tax, import duty and VAT exemption on project/capital goods

## A strong institutional framework in the sugar sector ensures access to skilled labour and critical inputs



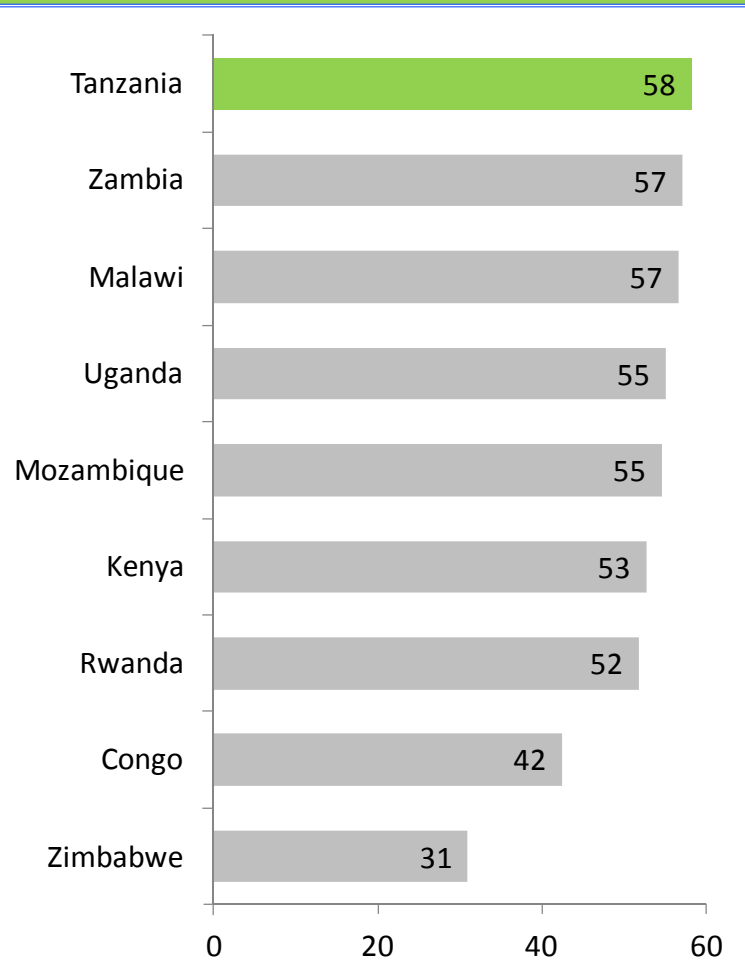
- Several institutes ensure robust skill supply for sugarcane production and processing at all levels:
  - **Sokoine University of Agriculture** in Morogoro provides academic and engineering degrees focused on agriculture
  - **Zonal Agricultural Institutes** deliver diploma level qualification across the country
  - The **National Sugar Institute (NSI)** focuses on technical training in sugarcane production and processing
  - National **extension officers**, trained at the NSI and SRI, provide training at the farmer level
- The institutional and regulatory framework is in place to ensure access to critical inputs (seeds, fertilizers, pesticides)
  - The **Sugar Board of Tanzania** provides overall leadership for the industry and manages the **Tanzanian Sugar Industry Development Plan and Strategy**
  - The **Sugar Research Institute (SRI)**, supported by the sugar industry, tests, approves and commercializes new planting material
  - The Tanzania Pesticide Research Institute approves new pesticides, following tests if applicable
  - Modern regulations in line with good international practice govern seed, fertilizer, and pesticide import, distribution and use in the country



# Tanzania offers a very stable and conducive business environment for investors



**Country Scores in the Mo Ibrahim Governance Index, 2011 (Score/100)**



- Tanzania is **one of the most open and stable democracies** in Africa: the country has been free of internal conflict and tribal rivalries; free and fair elections are held every 5 years, with smooth transitions between governments
- With GDP growth averaging 7% per year, Tanzania is **one of the fastest growing economies** in Africa
- The Government is committed to economic growth through **private sector development**, and has attracted the **highest level of foreign investment** in East Africa
- With 3 international airports, 3 international ports, 2 major railway lines and major highways linking its six landlocked neighbours to the coast, the country offers **good connectivity to regional and global markets**
- Tanzania provides **full protection and rights to investors** and is signatory to all major **multilateral and bilateral investor protection agreements**
- Producers in Tanzania have **preferential access to the EU, US, China and most of East and Southern Africa**, under the EU EBA, US AGOA, EAC and SADC agreements
- The Tanzania Investment Act provides a number of **incentives for investors**, and the government has declared sugar a priority sector



## Several global players have already chosen Tanzania to develop and expand their operations



- 4 privatized sugar estates have succeeded in raising domestic production from 135,000 tons of sugar in 2001 to over 300,000 tons in 2011, with cane yields in the range of 80 – 100 tons per hectare range
- Several global sugar companies have already invested in sugar operations in Tanzania and are continuing to expand, signalling their satisfaction with performance in Tanzania



- Illovo and EDF&Man took over Kilombero Sugar Estate in 1998
- Increased output from 30,000 tons/year to a stable 120-140,000 tons since 2003
- Achieving cane yields up to 130 tons/ha, with average 82 tons/ha on estate land
- ~8,000 ha of estate cane + ~10,000 ha of outgrower cane (>8,000 outgrowers)
- Progressive pricing policy, with proceeds shared with outgrowers, timely payments and 100% offtake, has generated strong community and government enthusiasm
- Continue to invest: increasing power cogeneration capacity, and planning ethanol production from molasses by 2013



- CIEL Group & Quartier Français took over Tanzania Plantation Company in 2000
- Since privatization, TPC sugar output went from under 35,000 tons to 85,000 tons in 2011
- Just over 6,000 ha under cane cultivation, with 1,200 ha replanted annually
- Over 2,500 permanent employees reside on the estate, with access to free electricity
- Already exporting power to the grid, TPC is looking to further increase its electricity cogeneration capacity to boost sales

## Next steps and contact information

We look forward to welcoming you to Tanzania

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**We urge interested investors to:**

**1. Contact the Sugar Sector Working Group**

- To get additional information and address any specific questions that you may have – regarding sites, market, yields and input costs, government regulations and support , and so on
- Full contact information is provided on the next page

**2. Plan a visit to Tanzania**

- A special **SAGCOT Investor Showcase event**, hosted by H.E. the President of Tanzania, will be held in **November 27-28 2012**, when investors will have an opportunity to view the priority sites, meet existing investors and consult sector experts from the Sugar Board, research institutes and other agencies
- Investors are also welcome to contact TIC at anytime to arrange customised visits

**3. Prepare to respond to the Request for Proposals for the priority sites**

- Formal RFPs for the 2 priority greenfield sugar sites (at Ruipa and Mkulazi) are expected to be issued early in 2013



### Tanzania Investment Centre (TIC)

**Eng. Raymond P. Mbilinyi**  
CEO

Shaaban Robert Street, Plot 9A,B  
P. O. Box 938, Dar es Salaam

Tel: +255 22 211 63 28/32

Email: [rmbilinyi@tic.co.tz](mailto:rmbilinyi@tic.co.tz),  
[raymond.mbilinyi@gmail.com](mailto:raymond.mbilinyi@gmail.com)

### Ministry of Agriculture, Food Security and Cooperatives

**Mr Mohammed Said Muya**  
Permanent Secretary

Kilimo 1 Building, Mandela Road  
P. O. Box 9192, Dar Es Salaam

Tel: +255 22 286 20 64/09

Email: [psk@kilimo.go.tz](mailto:psk@kilimo.go.tz),  
[km@kilimo.go.tz](mailto:km@kilimo.go.tz)

### SAGCOT Centre

**Jennifer Baarn**  
Deputy CEO

TPSF, 1288 Mwaya Road, Masaki  
P.O.Box 11313, Dar es Salaam

Tel: +255 22 260 1913/2751

Email: [jennifer.baarn@sagcot.com](mailto:jennifer.baarn@sagcot.com)

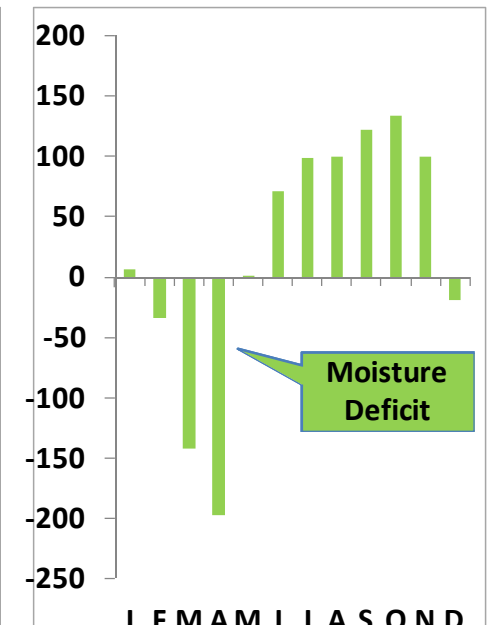
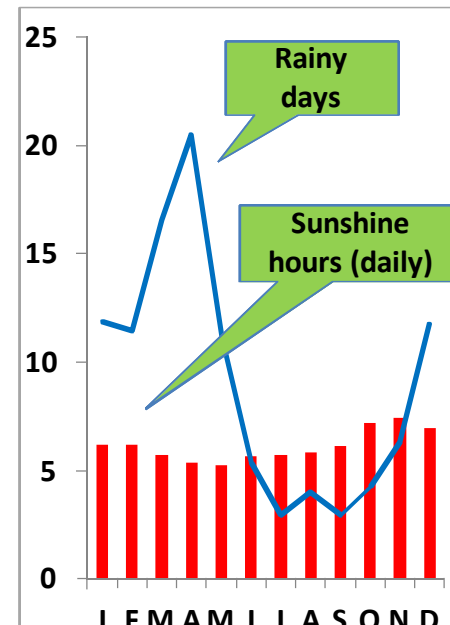
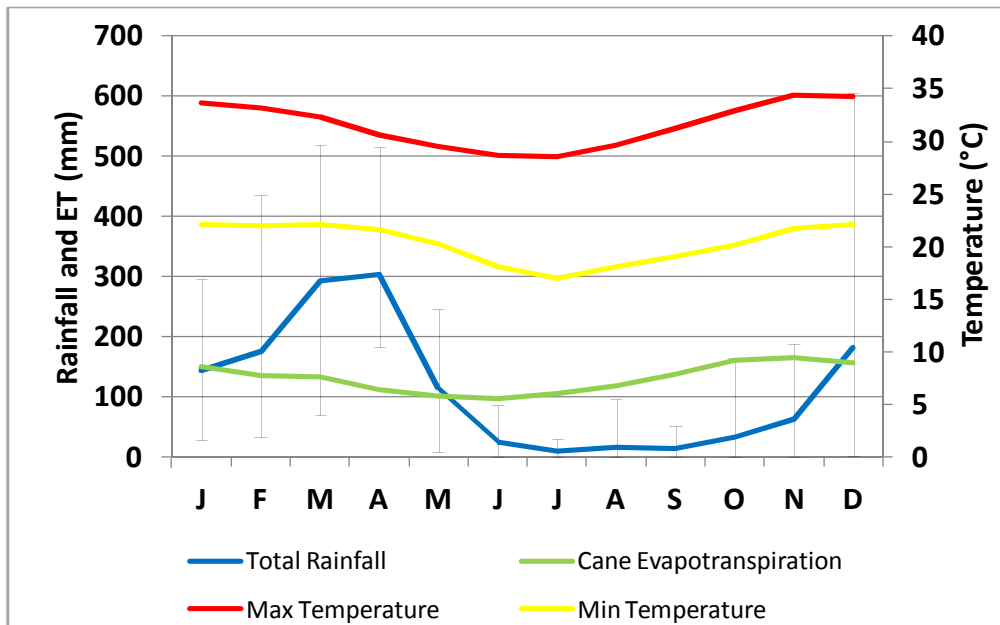
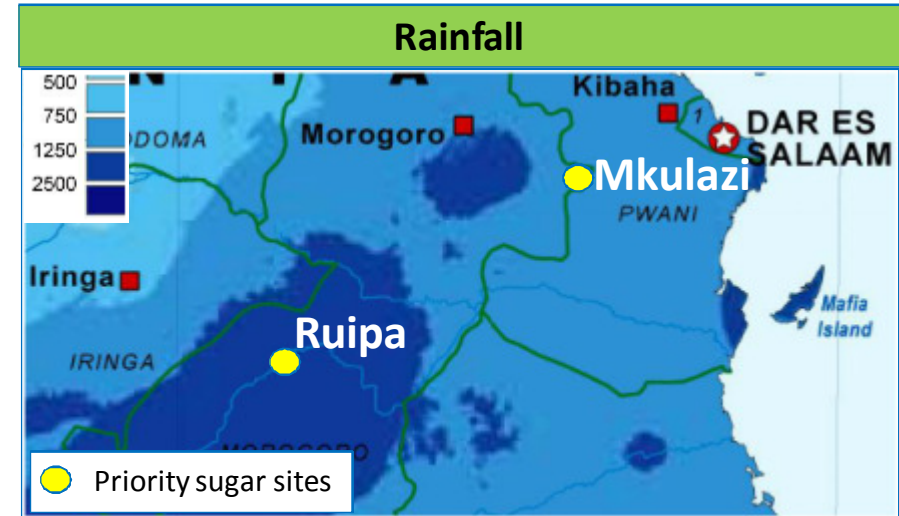
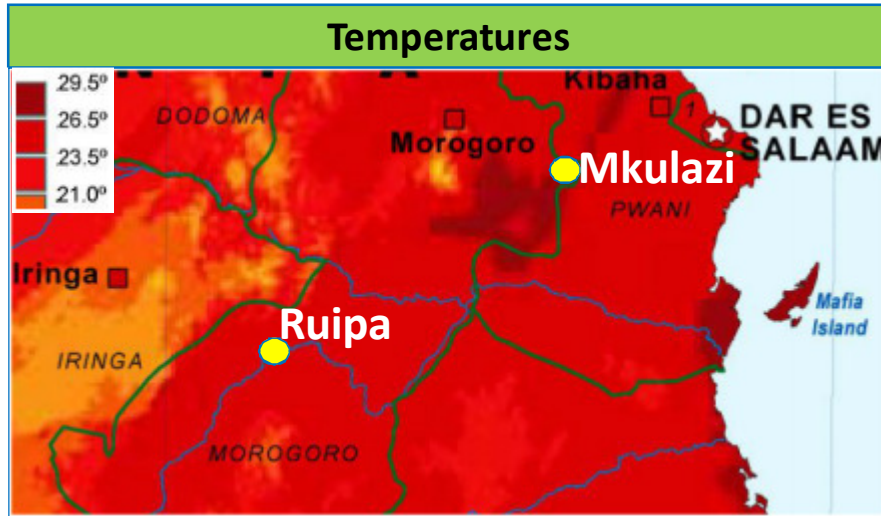
## *Appendix 1:*

*Full profiles of 2 priority earmarked sites: Ruipa and Mkulazi*

The government has identified 2 potential sugar sites for immediate promotion to investors



# Both sites offer excellent climactic conditions for cane growing



Source: World Trade Press, Kilombero Sugar

## Each is located along major rivers, with adequate water supply for irrigation



- The target sugar sites are located along the country's largest rivers, fed by the highlands of the Great Lakes Region
- The Ruipa site is located on the Kilombero river, which supplies 62% of the water to the Rufiji river, the largest in Tanzania with a mean annual flow of 900 m<sup>3</sup>/s
- The Mkulazi site is located on the Ruvu river

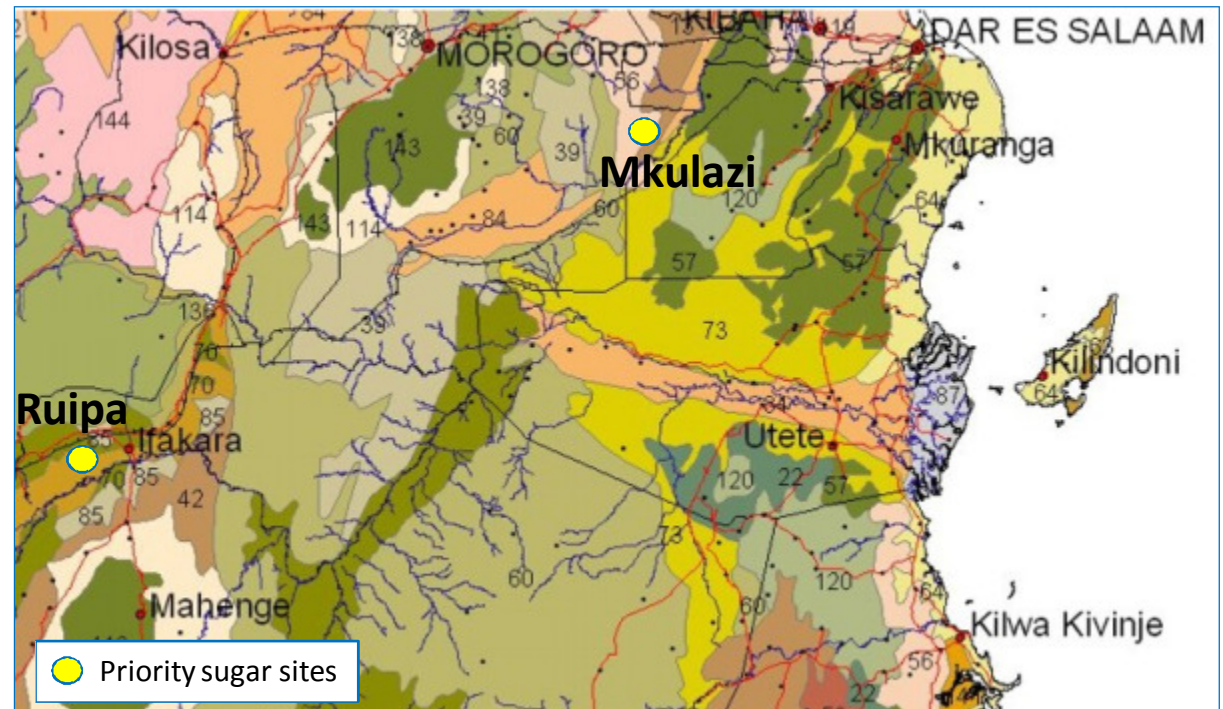
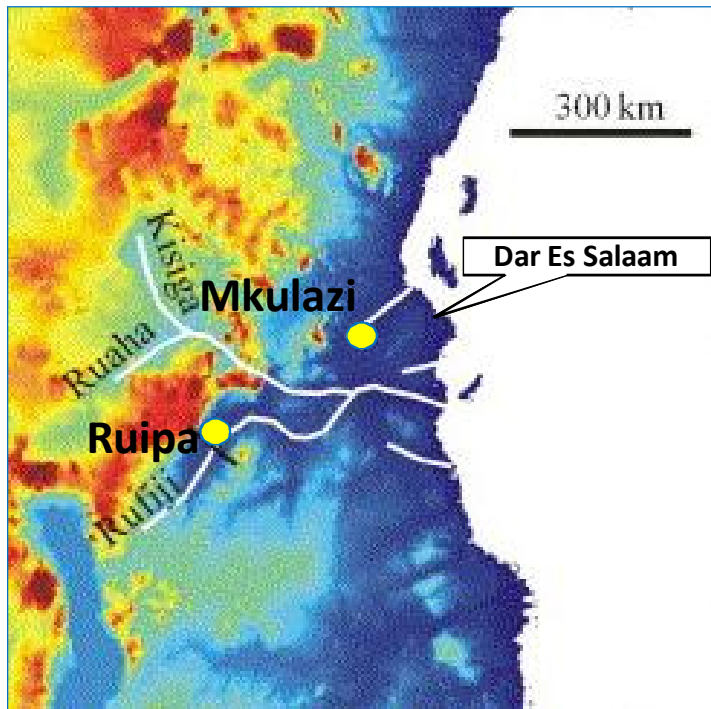




## The sites were chosen for their flat terrain and fertile soils



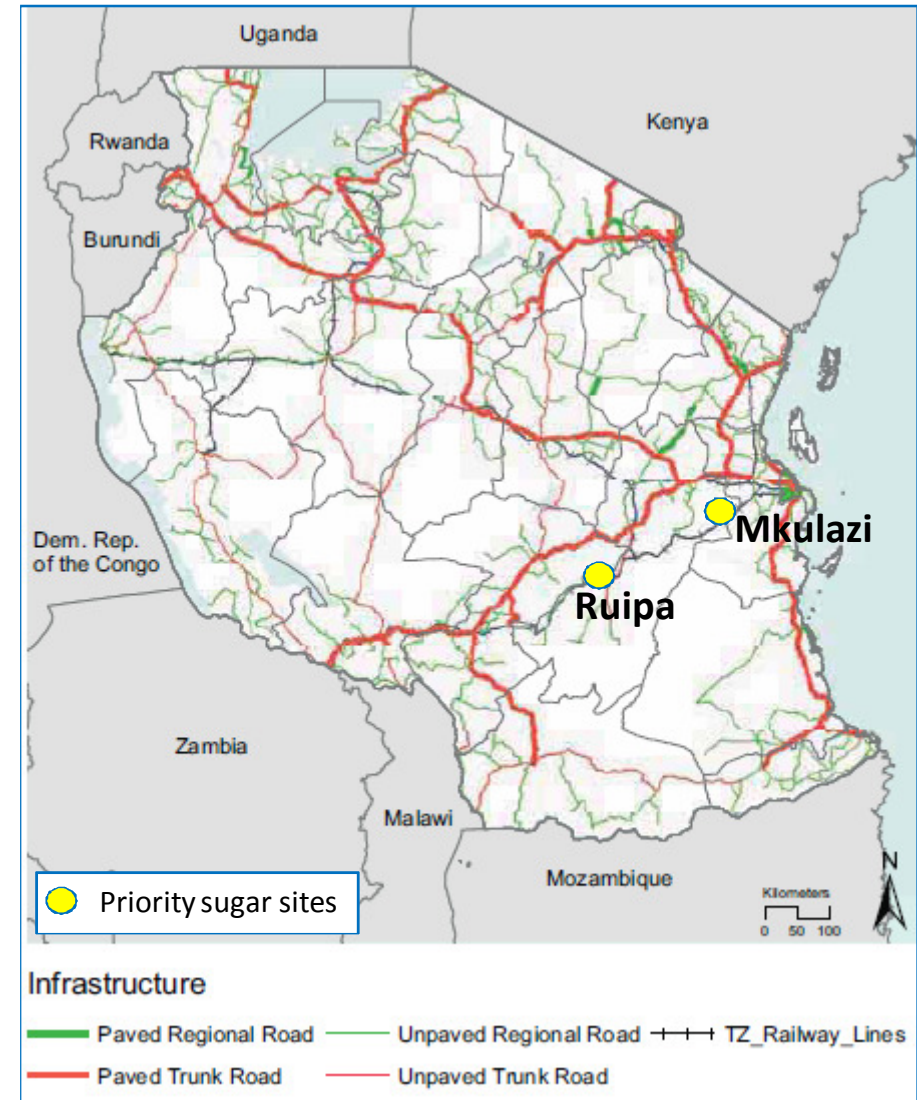
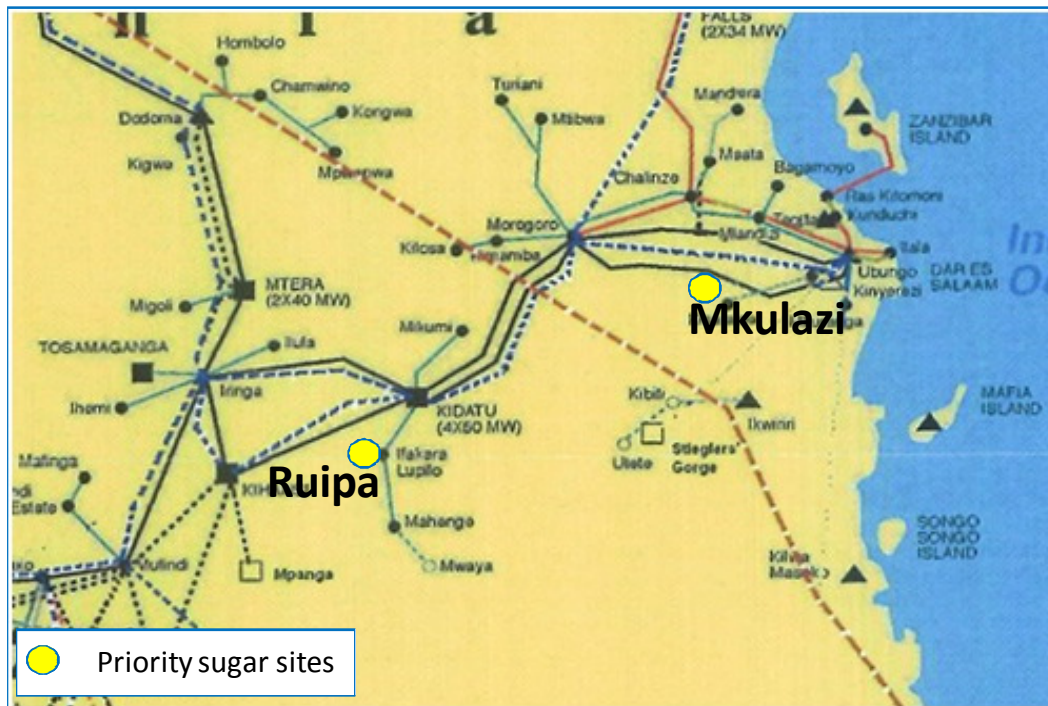
- The two priority greenfield sugar sites in SAGCOT are located in the low-lying areas of the Morogoro district, on flat alluvial plains ideal for irrigated industrial farming
- Dominant soils at the sites are cambisols, fluvisols and vertisols, which are particularly fertile provided adequate drainage and water management is applied



# The TAZARA railway runs past both sites, as well as major highways and transmission lines



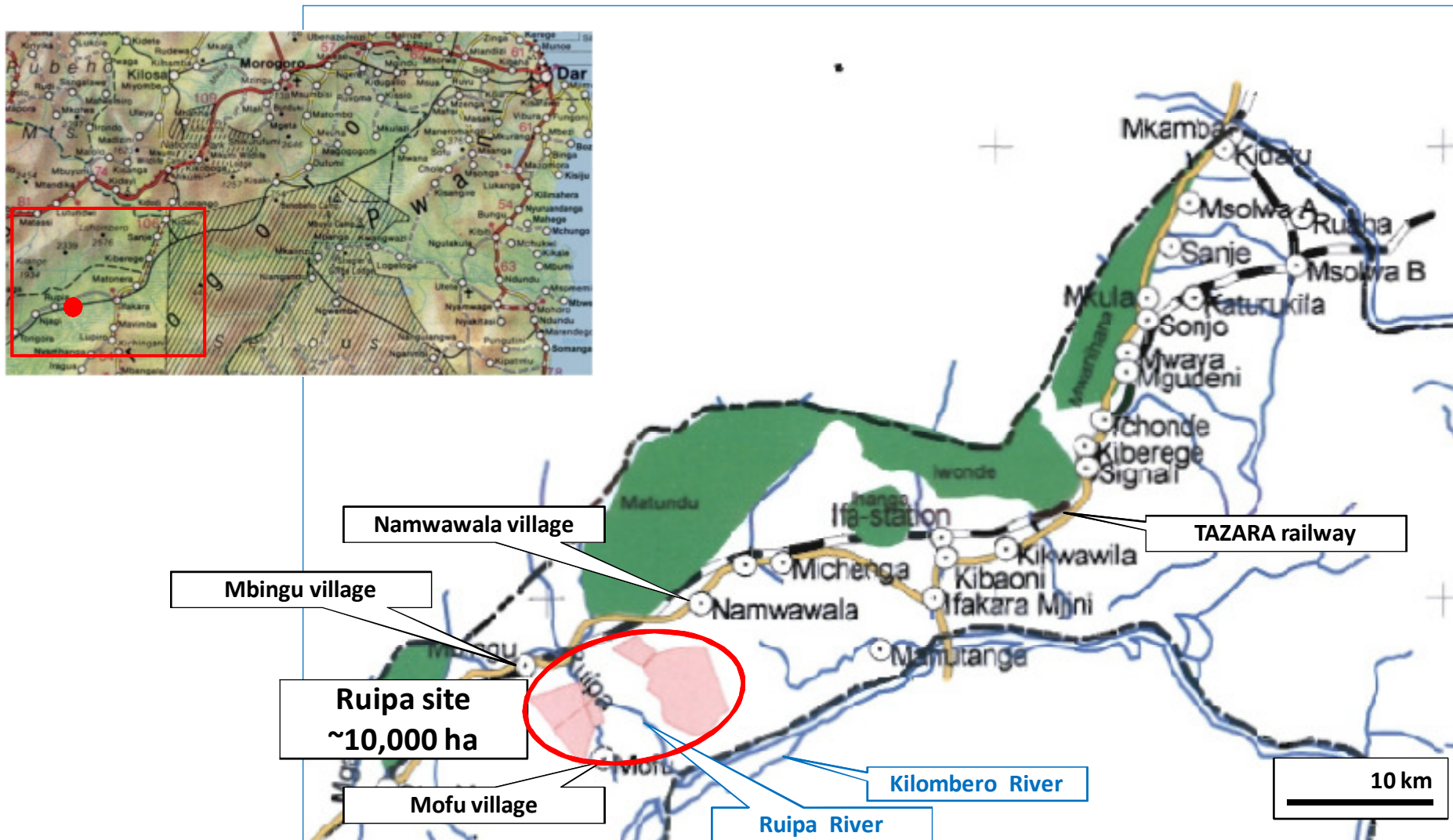
- Both priority greenfield sites are located along the TAZARA railway linking Zambia to Dar Es Salaam, and close to the main TANZAM highway
- Both sites are directly adjacent to major power transmission lines, facilitating power purchases and sales



Ruipa site - 10,000 hectares

- Approximately 10,000 ha site in the heart of the Kilombero Valley, which already supports an efficient sugar operation in Tanzania (Kilombero Sugar)
- Site initially selected, surveyed, and positively evaluated in the late 1970's by Booker Tate, re-surveyed recently to take account of local villages growth
- The site is located about 120 km from the main tarmac road Morogoro - Iringa, accessible through the secondary (gravel) road passing through Ifakara and down the Kilombero Valley. The government and its development partners have already committed to rehabilitate the first 70 km to Ifakara and looking to extend this to reach other agribusiness projects in the Kilombero Valley (e.g. Kilombero Rice Project in nearby Mngeta village)
- The site is located along the TAZARA railway line linking Dar Es Salaam with the Zambian border, approximately 400 km from Dar
- The Ruipa river runs through the site, about 4 km from the Kilombero river, ensuring year-round irrigation
- Generally flat topography, with soils classified as cambisols and fluvisols
- Several villages surround the area, offering both labour and outgrower potential, and the nearby Kilombero Sugar project has developed sugar agronomy expertise among locals over the years
- The government is currently finalizing site preparation in order to promote and lease it to qualified investors

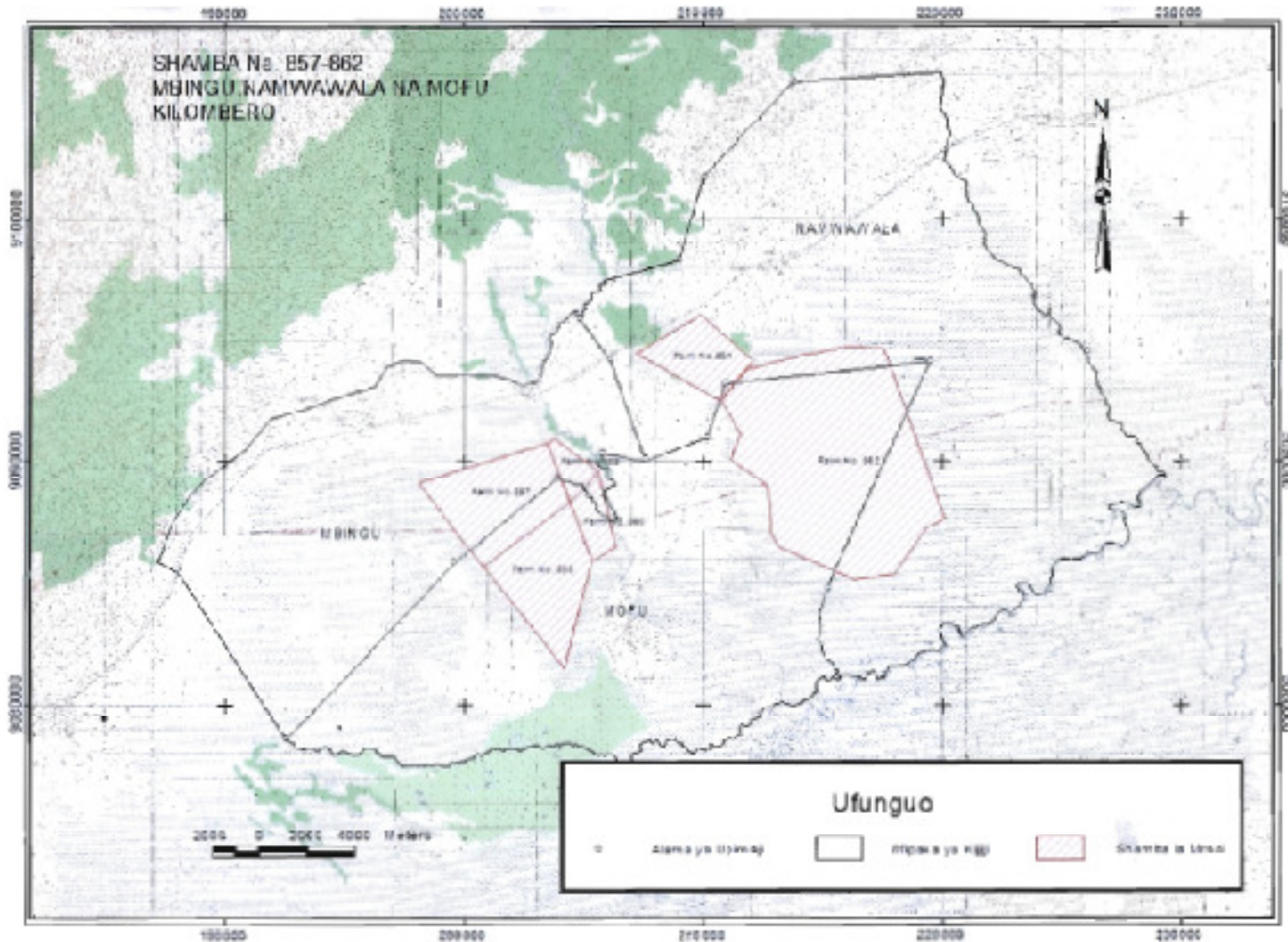
- Approximately 10,000 ha in the heart of the Kilombero Valley



## Ruipa (3/4) Surveyed Parcels

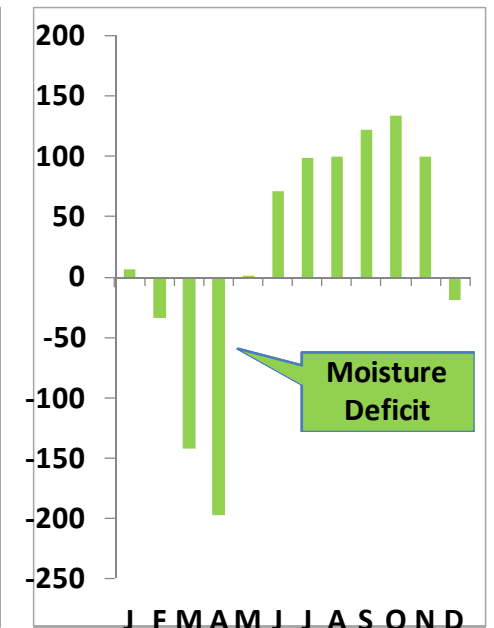
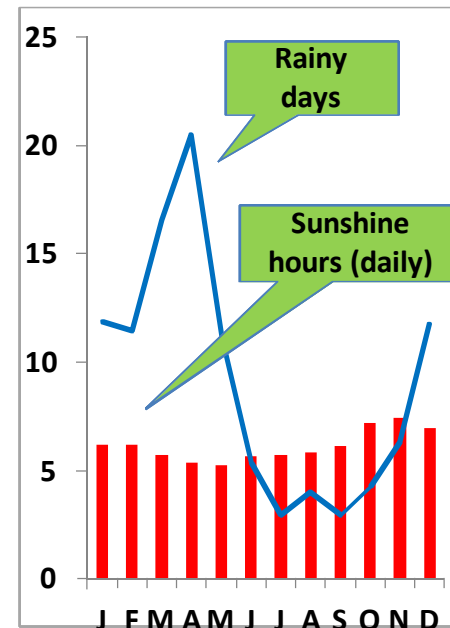
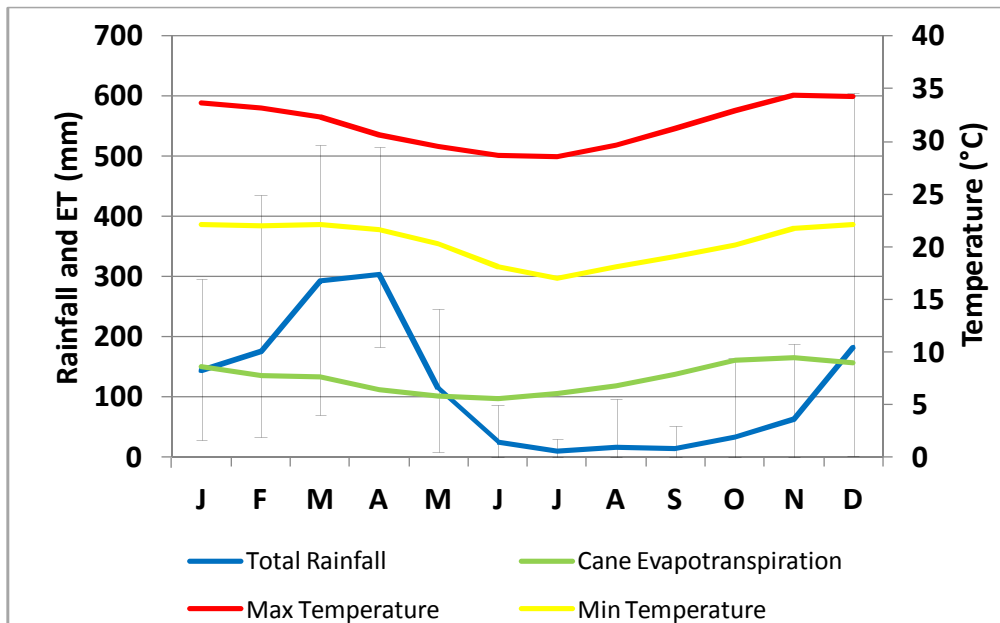
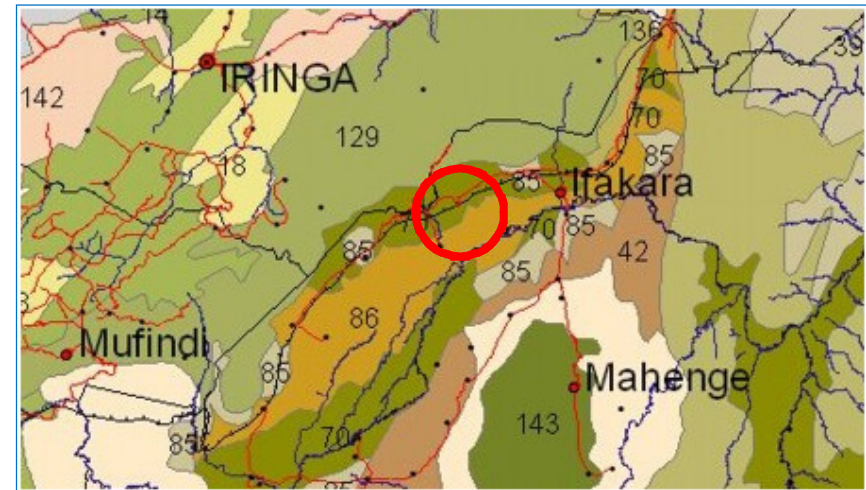


- The Sugar Board of Tanzania is at the final stages of preparing the site for investment, and parcels for the 10,000 hectare nucleus farm have been demarcated



Source: Sugar Board of Tanzania

- The site is dominated by cambisols and fluvisols, evaluated positively for sugar cane
- Cane cultivation areas limited on the margins by flooding hazards, drainage deficiencies and localized specific soil deficiencies – net estate area 10,000 ha
- Climate data from the nearby Kilombero site (location of the Illovo mill) suggests highly suitable climate for sugar cane



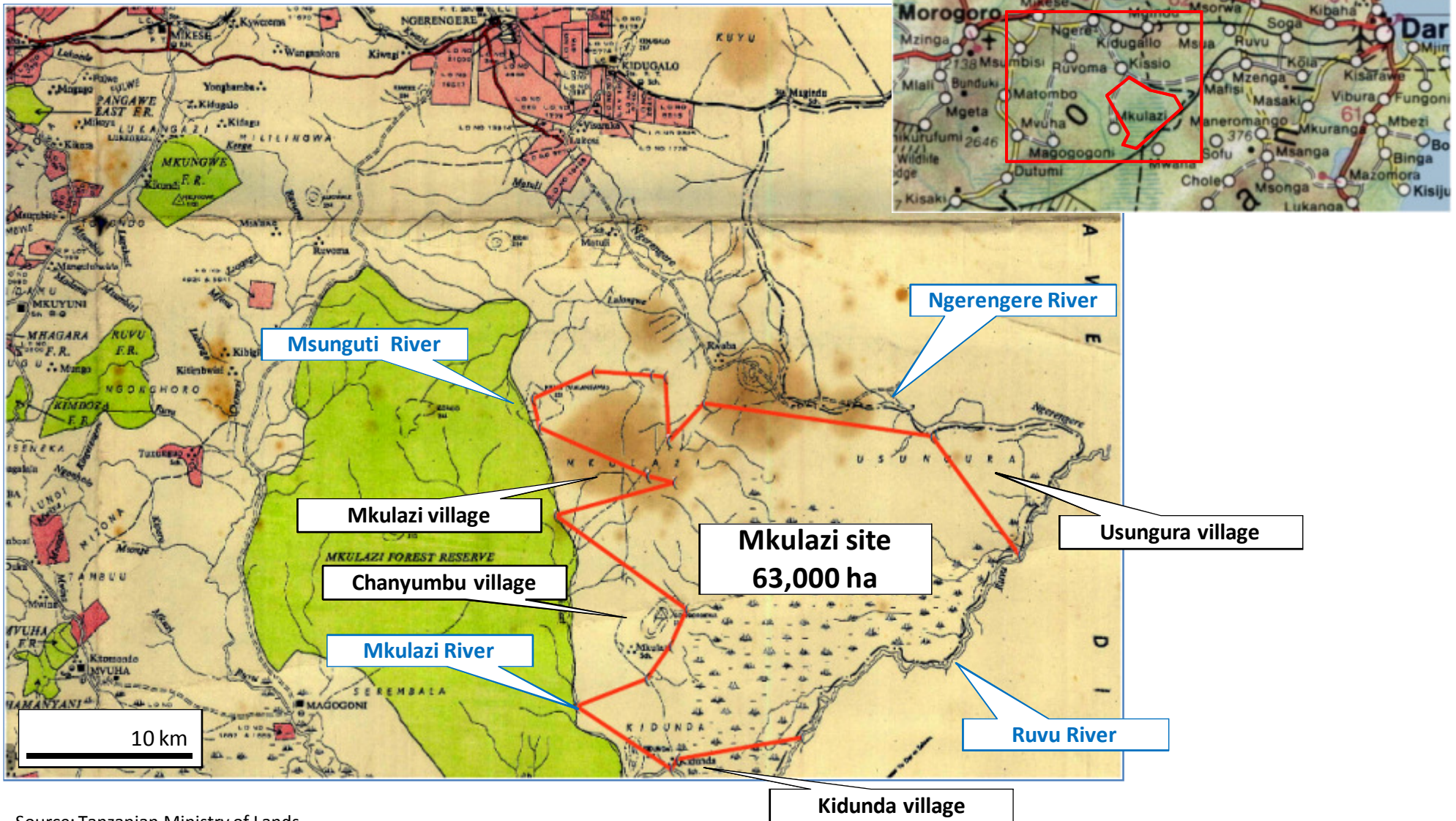
Source: SOTER, Kilombero Sugar, Sugar Board of Tanzania

Mkulazi site - 63,000 hectares

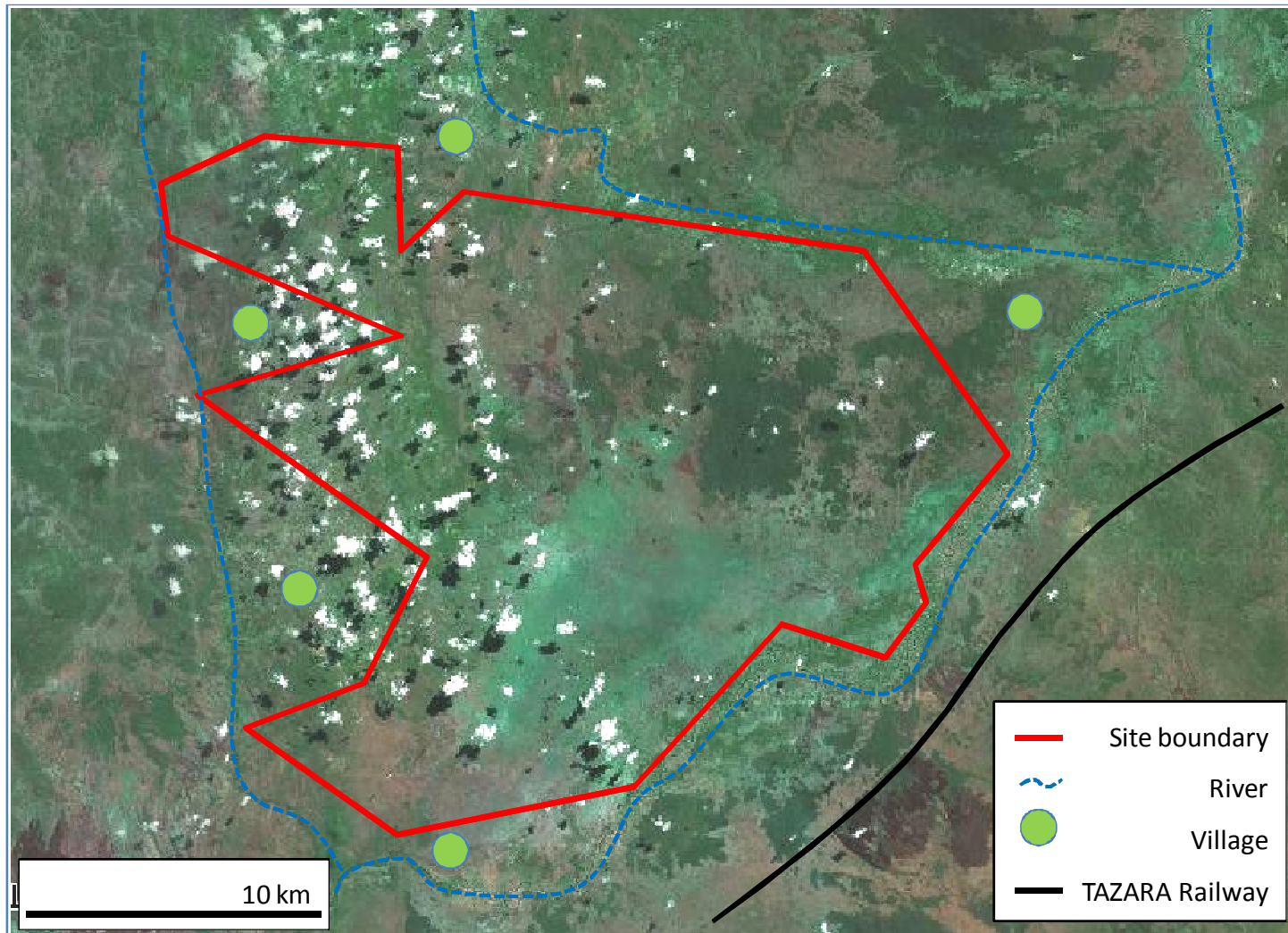


- 63,000 ha site on prime agricultural land prepared by the Government of Tanzania for a specific investment project a few years ago, and then reclaimed as the investment was not materializing
- The site is located about 50 km from the main tarmac road Dar – Morogoro, accessible through secondary (gravel) roads, with 3 possible access routes
- The site is located within 2 kilometers from the TAZARA railway line linking Dar Es Salaam with the Zambian border, approximately 100 km from Dar
- 4 rivers effectively surround the site, providing for year-round irrigation
- Generally flat topography, with soils classified as vertisols and planosols
- Several villages surround the area, offering both labour and outgrower potential, and the site is close to Morogoro, where the Sokoine University of Agriculture is located
- The government is currently resurveying the site, with a view to dividing the site into 2-3 parcels for promotion to investors in sugar, rice, etc.

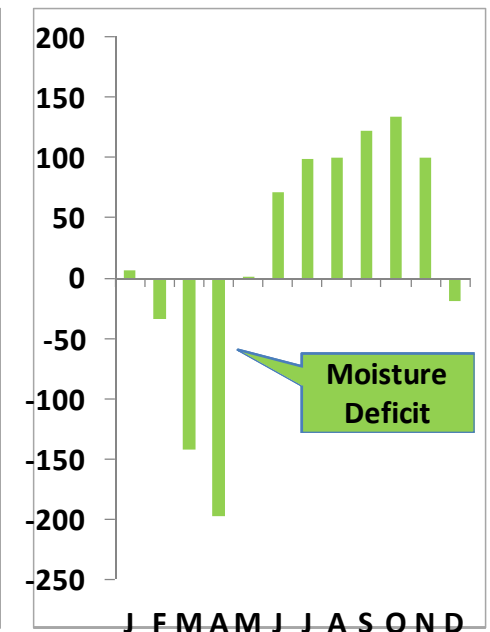
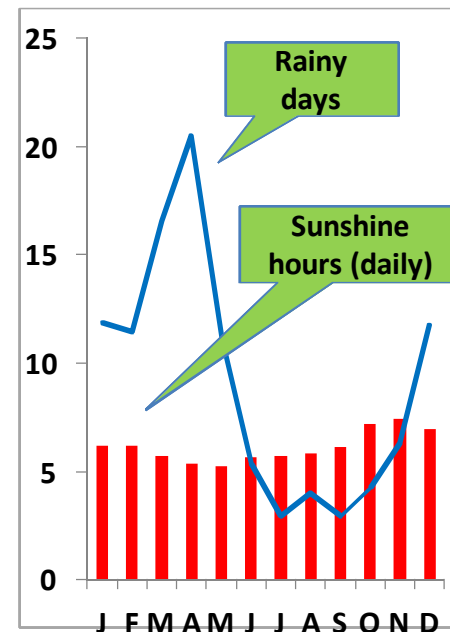
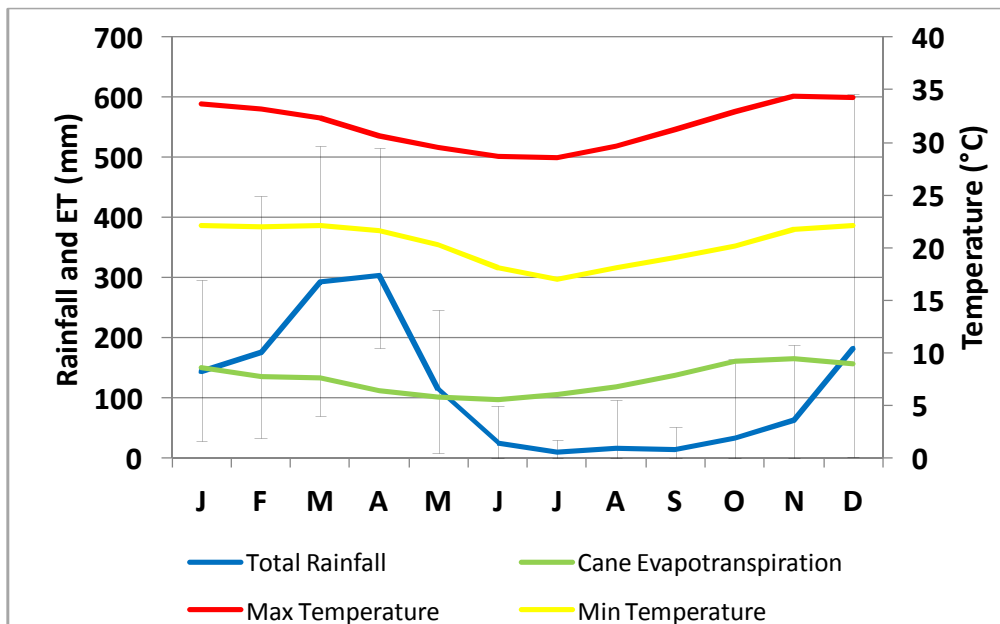
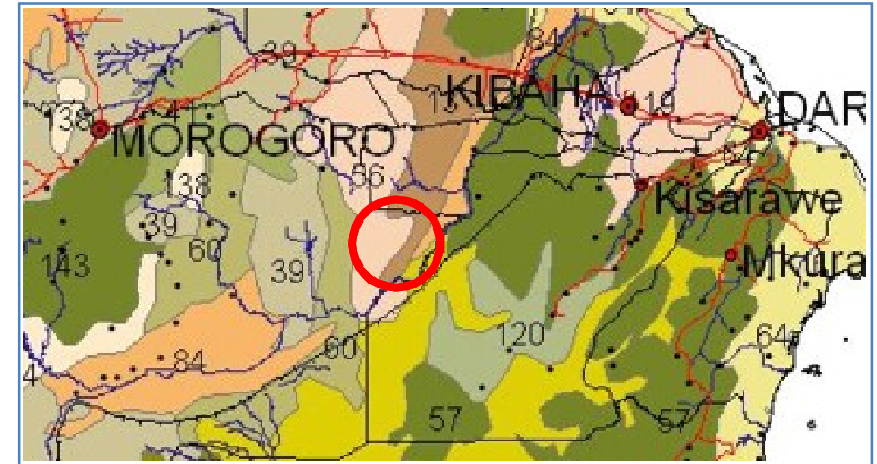
■ 63,000 ha under 200 km from Dar Es Salaam



- The site is surrounded by rivers and borders the railway line to Dar Es Salaam



- The site is dominated by vertisols (Chromi-Natric Vertisols), evaluated as highly fertile and suitable for irrigated crops
- On the South-Eastern side of the site, planosols may provide additional rice-growing areas
- Climate data from the nearby Kilombero site (location of the Illovo site) suggests highly suitable climate for sugar cane



Source: SOTER, Kilombero Sugar

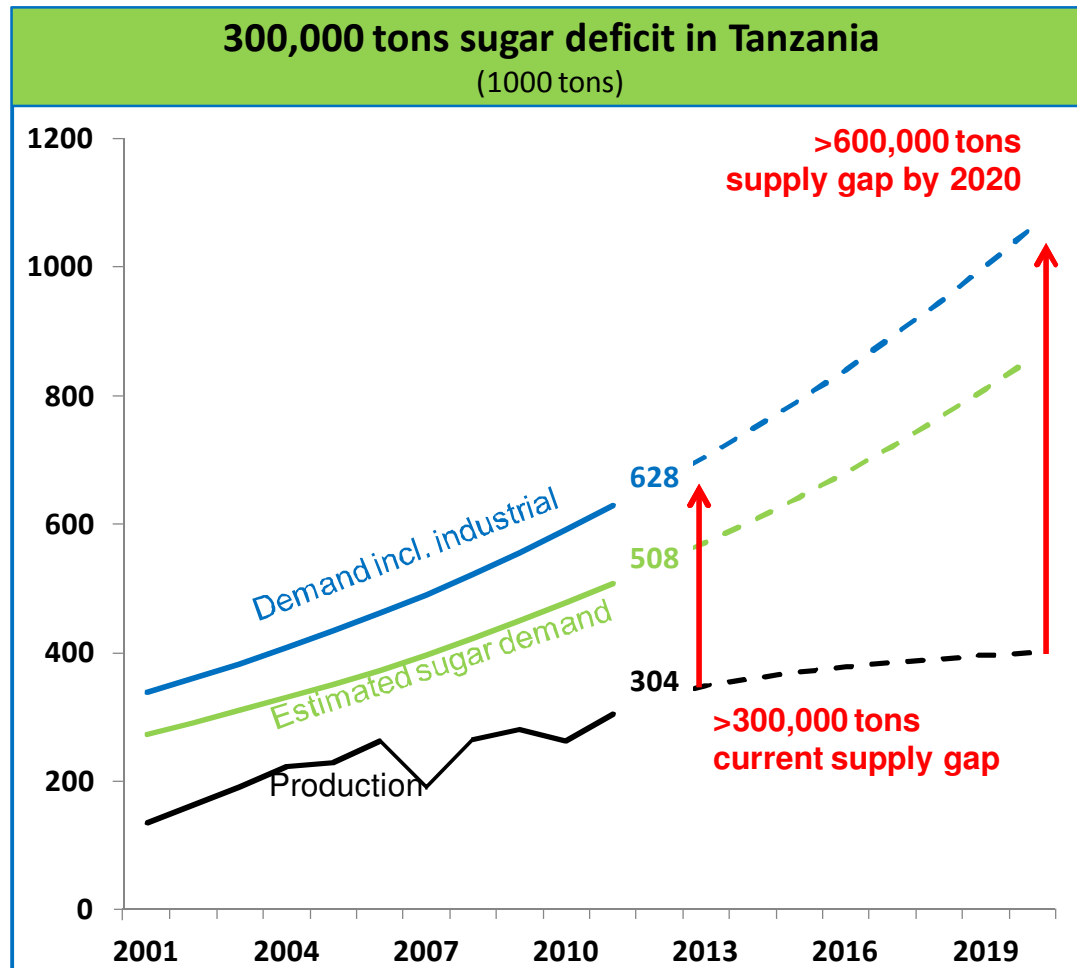
## *Appendix 2:*

*Additional information on local and regional markets for sugar, ethanol and power*

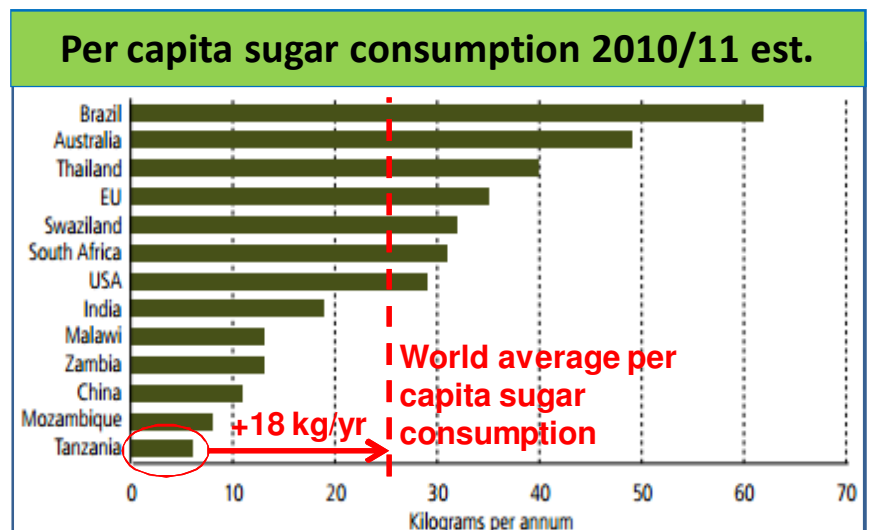
# Tanzania already imports more than 300,000 tons of sugar and this supply gap is expected to double in the near future



- The primary market opportunity for sugar producers in Tanzania is local: as existing sugar estates reach capacity, the current 300,000 tons/year supply gap is set to increase at an estimated 6% per year, driven by economic and population growth



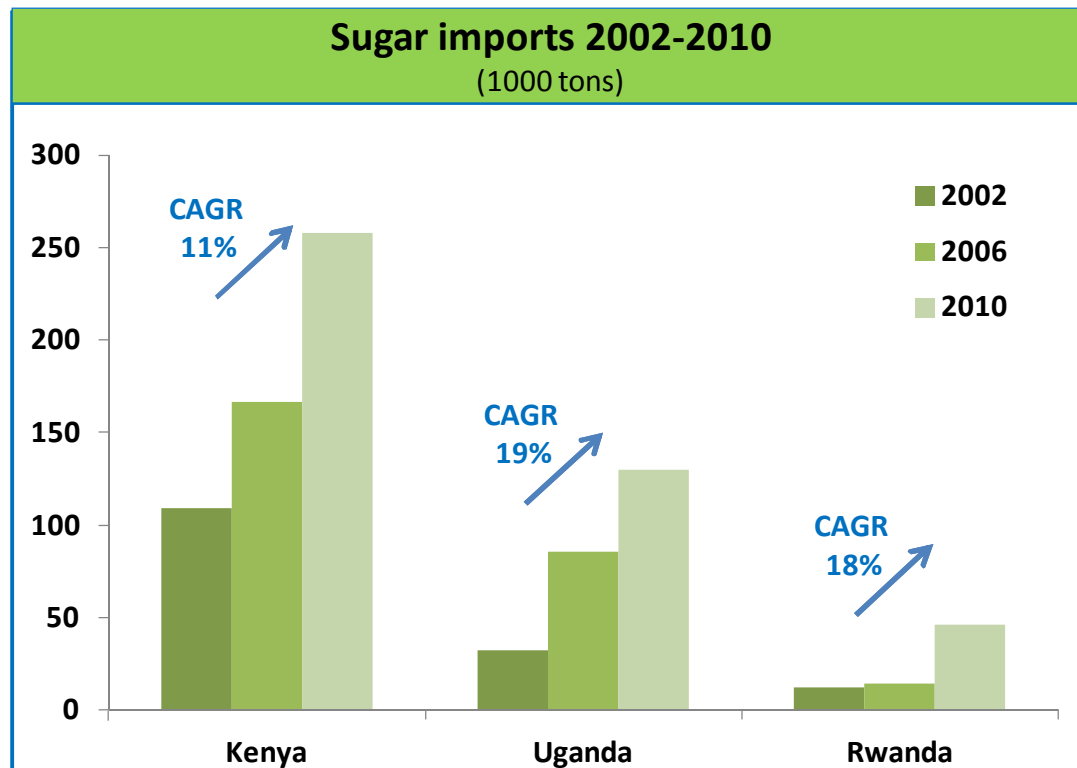
- As incomes rise, sugar consumption in Tanzania is expected to increase rapidly from the current low levels of per capita consumption
- Despite rapid production growth of existing estates following privatizations in the late 1990's, supply has not kept up with demand over the last decade
- The supply gap is set to increase as existing estates reach their full capacity: the Sugar Board of Tanzania estimates that current producers could peak at 400,000 tons by 2020



# The supply gap in neighbouring EAC countries exceeds 400,000 tons/year and is growing at 10+% per year



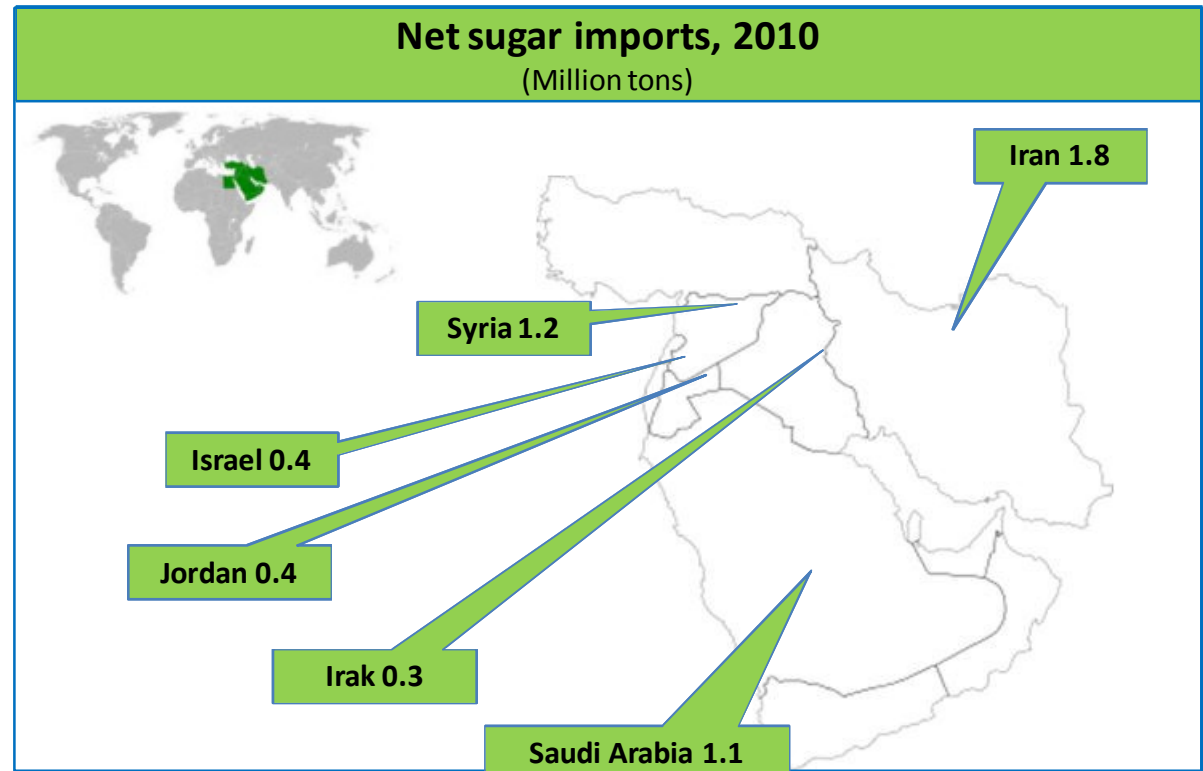
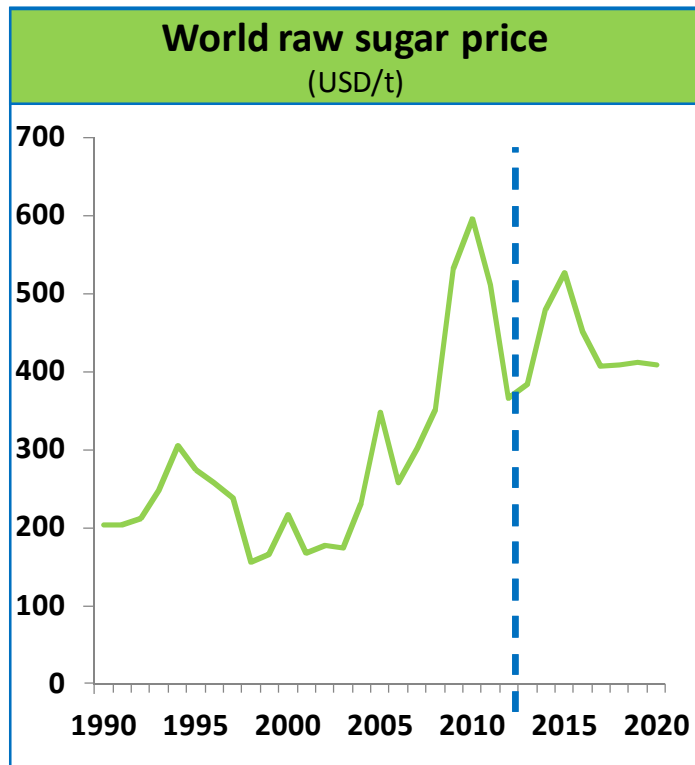
- Total EAC sugar imports have grown collectively at 12% per annum since 2002 to reach nearly 600,000 tons in 2010; imports to the other 4 EAC countries now approach 400,000 tons/year
- While regional sugar production has increased over this period, most countries face constraints in expanding their sugar output



- **Kenya:** limited by available land in suitable areas combining good soils and water availability – most growth expected to come from increases in outgrower production around existing estates – sugar output has increased by 3% a year since 2002 while imports have grown 11% a year
- **Uganda:** imports have grown at 19% a year despite rapid growth in domestic production, and with a population density much higher than in Kenya and Tanzania, availability of land and water resources for new sugar projects will become limited
- **Rwanda and Burundi:** With population densities among the highest in Africa and very limited suitable land resources for large-scale sugar projects, Rwanda and Burundi will likely remain net sugar importers

**Under the EAC Customs Union Protocol, sugar producers in Tanzania enjoy tariff-free access to the EAC, a 130 million people market suffering a growing sugar deficit**

- Global export opportunities are also strong, starting with the multi-million tons sugar markets in the Middle East that Tanzania is well located to supply
- Increasing global demand for sugarcane products, driven by growing sugar and biofuel consumption, and decreasing tradable surplus production lead to raw sugar price highs and strong sugar price projections to 2020

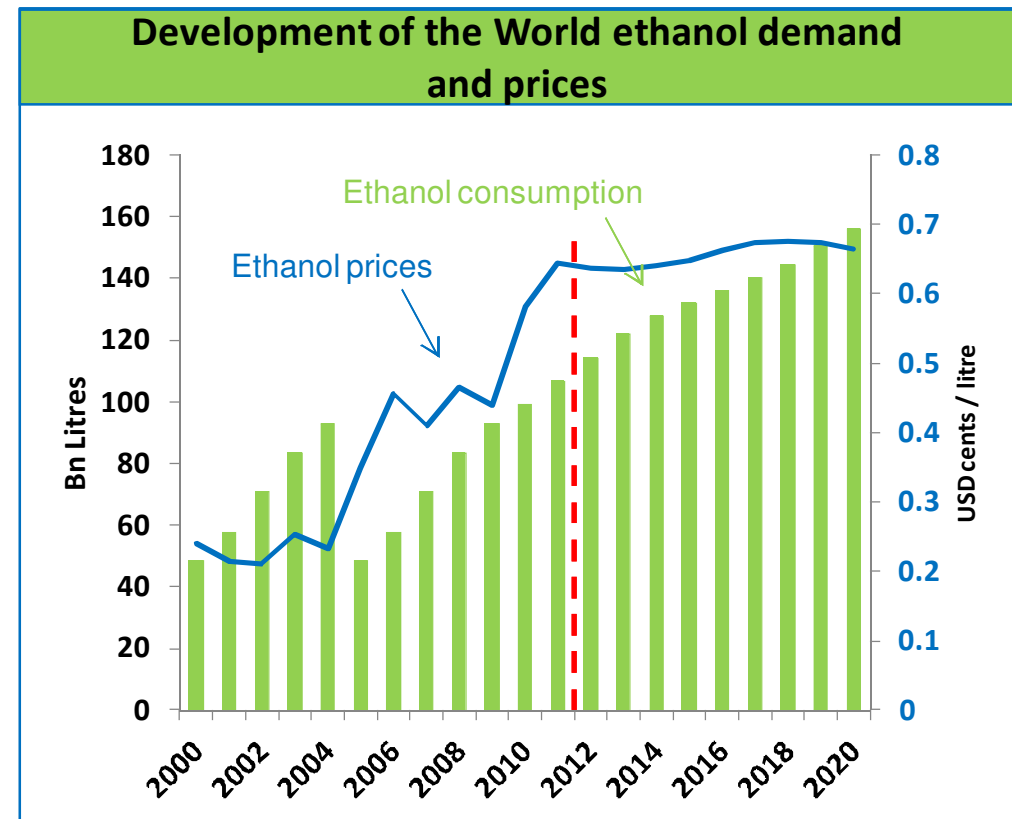


**Under EBA and AGOA, Tanzanian sugar producers enjoy unrestricted duty-free access to the EU and the US**



## ■ Strong global ethanol market opportunity for producers in Africa

- Driven by **rising fuel demand and blending mandates**, global demand for ethanol is projected to rise from ~100 billion litres in 2010 to ~155 billion litres in 2020
- Ethanol supply from the US and Brazil will increase, but barely enough to meet local demand, leaving **growing supply deficits in the US, EU and elsewhere** to be filled by others
- As a result, **global FOB prices for ethanol are expected to remain high** – in the range of 60-70¢/L\*
- The financial results, investment plans and analyst ratings of companies with significant ethanol operations suggest that **industry insiders remain bullish on future ethanol prospects**
- Thanks to tariff advantages, **ethanol exports from Africa are expected to be cost-competitive** with exports from Brazil and other sources



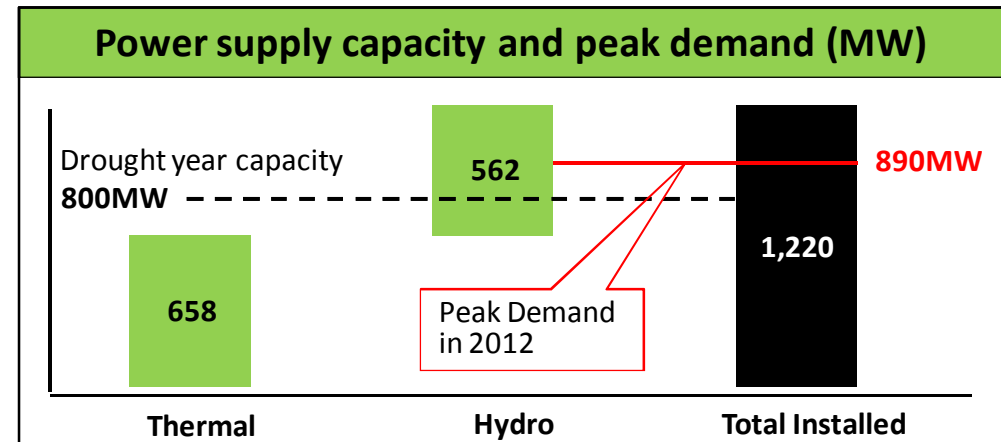
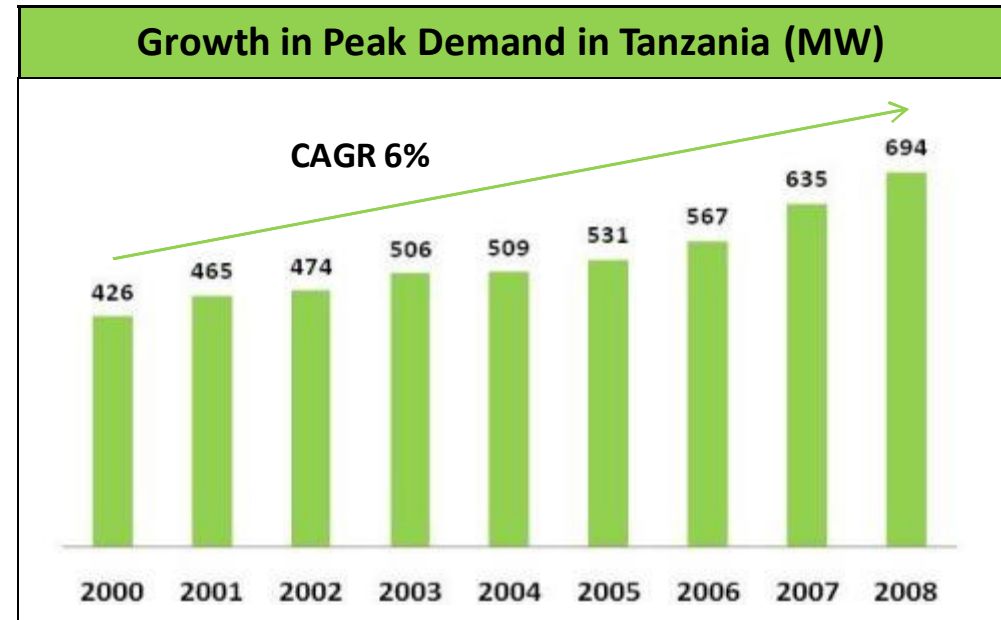
**Under EBA and AGOA, Tanzanian ethanol producers enjoy unrestricted duty-free access to the EU and the US**

\* Note: conservative estimate based on the projected oil and sugar prices

Source: Everything But Arms, AGOA, OECD-FAO Agricultural Outlook 2011-2020, Company annual reports and media reports, Armillary Ventures analysis

## ■ Rapidly rising unmet power demand, both on the national grid and off-grid

- As the national utility company struggles to keep up with a rapidly rising power demand on the grid, independent power producers are encouraged to invest in additional power generation capacity
- Current peak demand is 890 MW, growing at 6% per annum. In a drought year, when hydro power is constrained, supply capacity drops to 800 MW. The supply gap is therefore over 100 MW, allowing for some reserve capacity and transmission losses
- A standard PPA agreement is already widely used by independent power producers in Tanzania, including existing sugar factories
- In the target sugar zones, other agribusiness projects such as rice mills, as well as off-grid villages can make for additional power off-takers



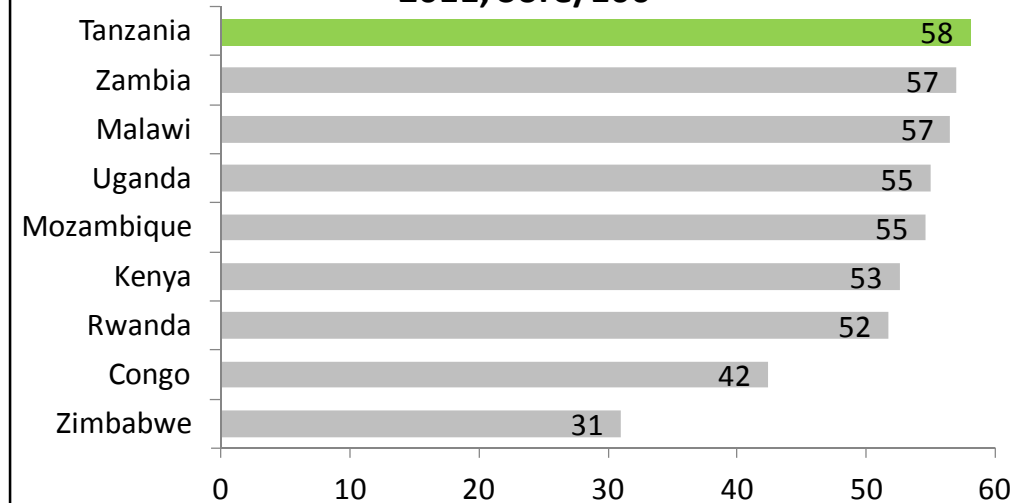
## *Appendix 3:*

*Additional information on Tanzania's business environment  
and support for investors*

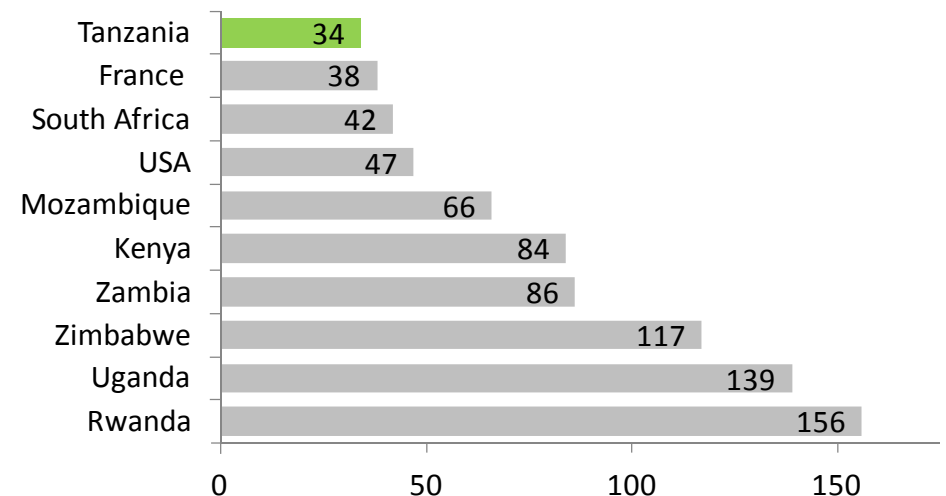


- Tanzania is a **stable, multiparty democracy** with a President, Parliament and independent executive and judiciary
- It has been without civil war or tribal rivalries since independence in the 1960s as **media and opposition parties** are able to operate freely and challenge the ruling party openly
- **Presidential elections** are held every 5 years and as President Kikwete is stepping down in 2015, the tradition of free and fair elections between different candidates and parties should continue
- **All the major parties** are committed to maintaining the current emphasis on growth through economic liberalization, private sector development and international openness
- According to Transparency International, Tanzania ranks as one of the **least corrupt countries** in the region

**Ranking of countries in Mo Ibrahim Governance Index, 2011, Score/100**



**Ranking of countries in Global Press Freedom Index, 2011, Rank**

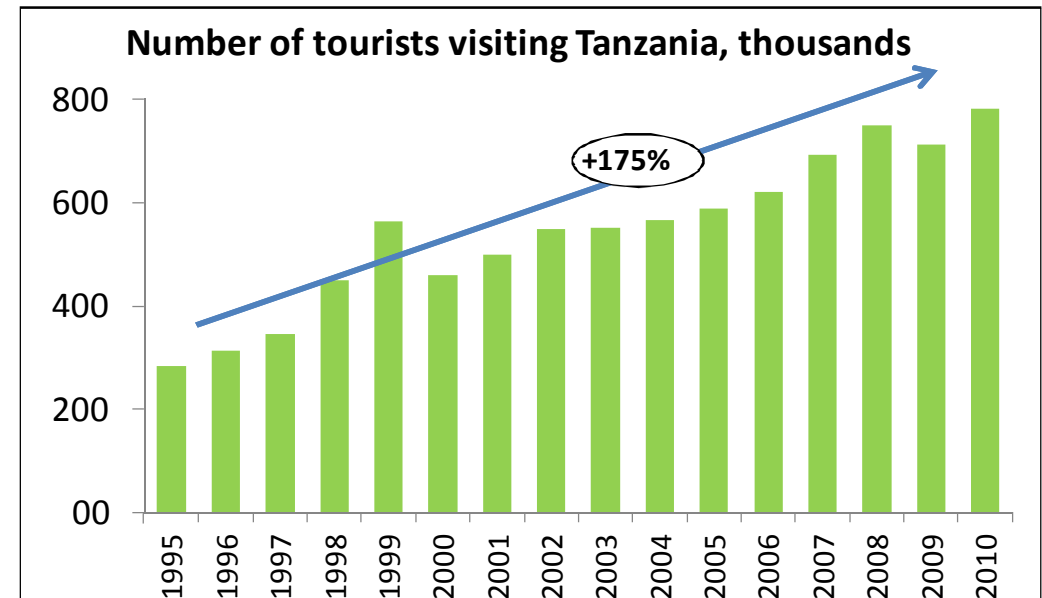
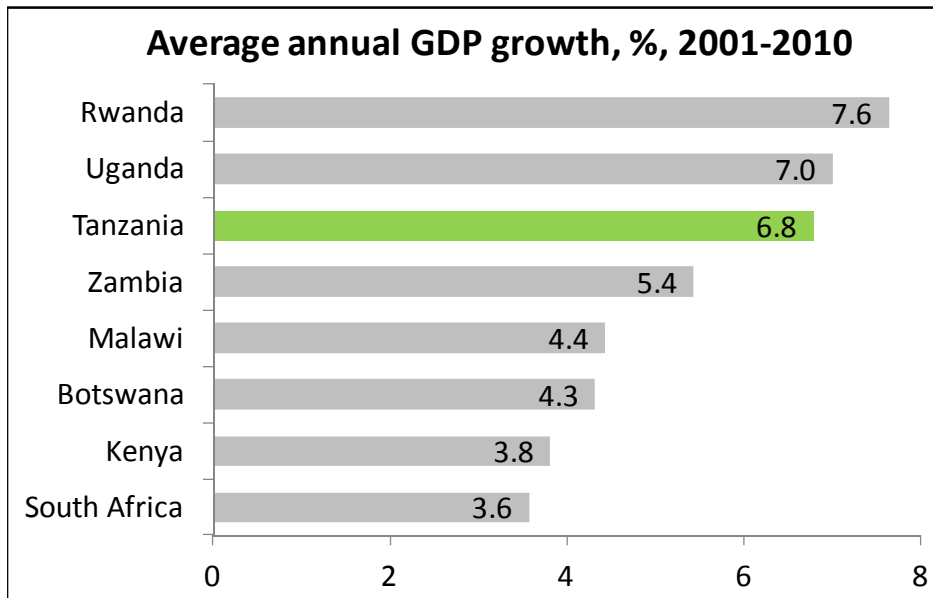


## Its economy is among the fastest growing in the region

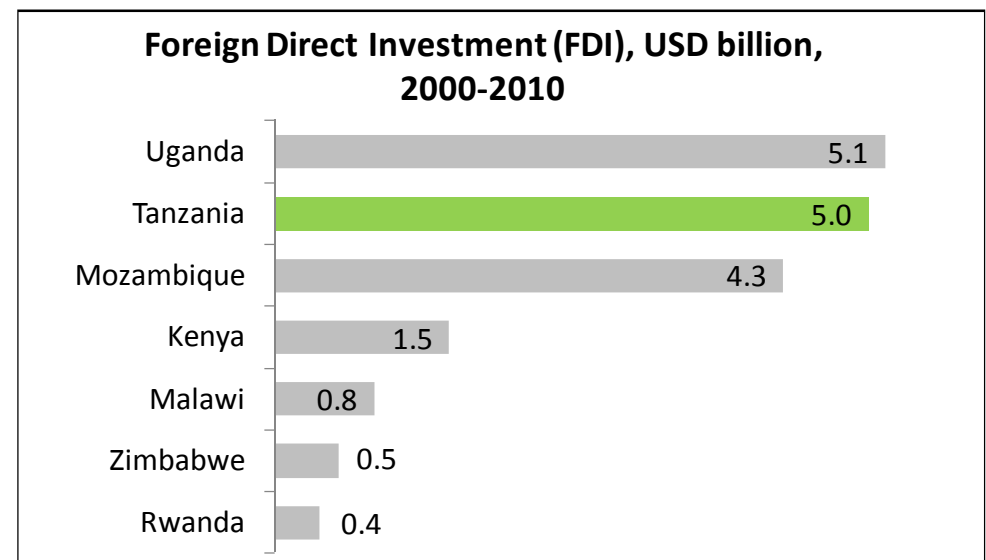
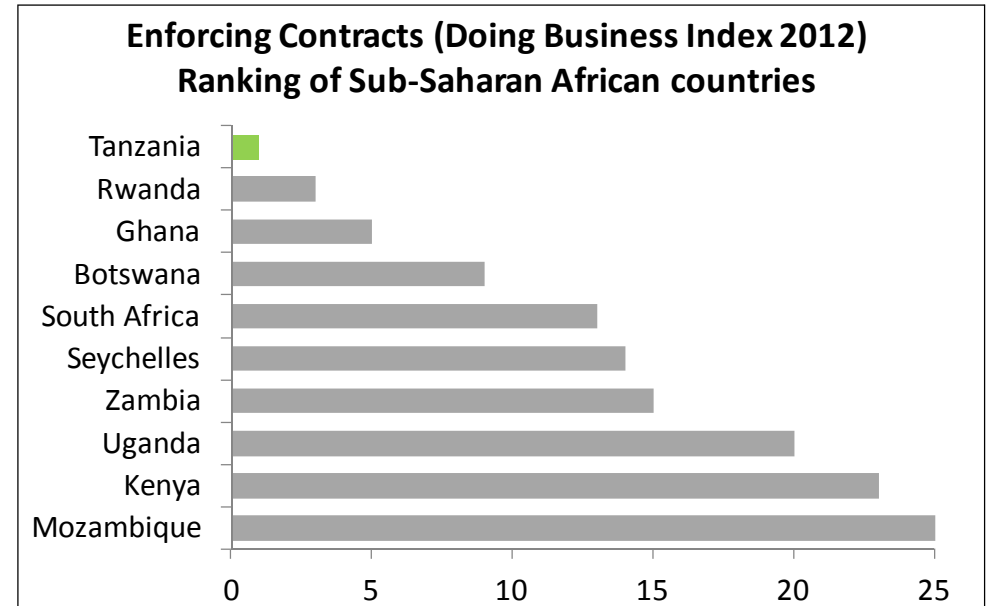
- With GDP growth averaging 7% per year, Tanzania is one of the fastest growing economies in East Africa
- Other growth indicators over the last decade:
  - The number of tourists to Tanzania has grown by more than 70% to 780,000
  - Consumption expenditure has grown by 96%
  - The number of cell phone subscribers has increased from 110,000 to 21 million
  - FDI of more than US\$5 billion has been invested in agriculture, mining, consumer goods and other industries



Dar es Salaam



- Ever since the mid 1990s Tanzania has followed a path of **liberalisation and privatisation**. It has welcomed foreign investment and managed to attract more **FDI** than Kenya or Rwanda, particularly in areas such as agriculture, tourism, mining and consumer goods
- The government is continuing to pursue **Public Private Partnerships (PPP)** for infrastructure, agriculture, energy and other strategic investments. Privatisation and modernisation of key assets is a main focus area
- Relative to the rest of Africa, Tanzania continues to be competitive in the World Bank's **Doing Business Index**. In the category "enforcing contracts" Tanzania is the best performing country in Sub-Saharan Africa
- **Policies and laws** defining incentives for investment are continuously being updated and improved



**Port in Dar es Salaam**



**National Power Grid**

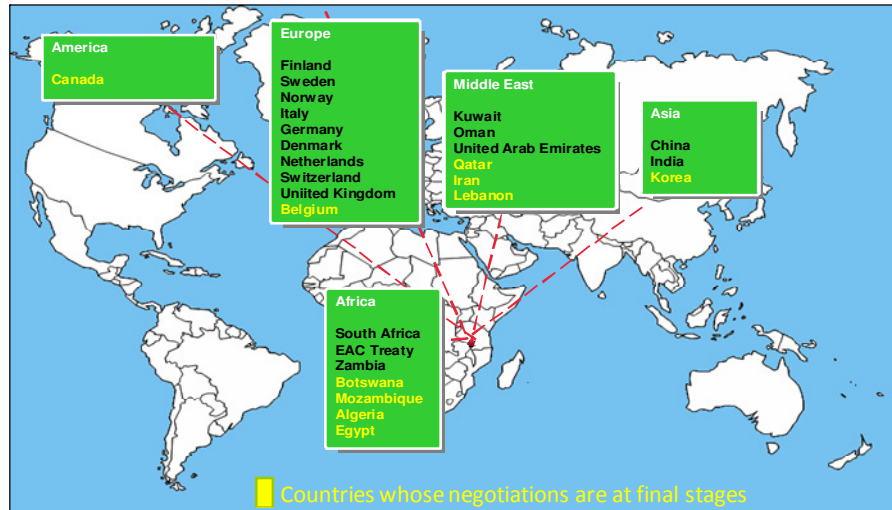


**Tarred Roads**



- Tanzania is ideally located on the east coast of Africa to serve growing markets in the Middle East and Asia, and an essential lifeline to its six landlocked neighbouring countries
- A network of railways and tarred roads across the country offers all major economic centres access to the international airports and the deep water port in Dar es Salaam
- Currently Tanzania has 2 international airports (21,000 international flights p.a.), one deep water port (handling 430,000 containers p.a.), and two major railway lines linking the coastal regions with the hinterland all the way to the Great Lakes and Zambia
- Government, donor organisations and large mining companies continue to invest heavily to improve the existing infrastructure (e.g. tenders for constructing 10,000km of new roads are closing in mid 2012, eight airports are to be upgraded, drive to double rural electrification, expansion of ports in Tanga and Mtwara)

## Double Tax Agreements:



## Selected Trade Agreements:

- East African Community (EAC) Treaty
- Southern Africa Development Community (SADC)
- Trade and Investment Framework Agreement with USA
- African Growth and Opportunity Act (AGOA) with USA
- Everything But Arms (EBA) with the EU
- A number of bilateral agreements with the UK, South Africa and a range of other countries
- Preferential market access to China (4,000 items)
- Other bilateral and multilateral arrangements: World Trade Organization (WTO), African, Caribbean Pacific (ACP), United Nations Development Programme (UNDP)

- **International Agreements:** Tanzania has signed a number of multilateral agreements such as the Multilateral Investment Guarantee Agency (MIGA) and International Centre for Settlement of Investment Disputes (ICSID). Bilateral agreements are in place with all major trading partners and double tax agreements with more than 20 countries have been signed
- **Non-Discrimination:** foreign investors have the same rights and privileges as local investors
- **Repatriation of Funds:** Transfer of funds through any authorized bank in freely convertible currency is allowed for net profits, repayment of foreign loans, royalties, fees charges in respect of foreign technology, remittance of proceeds and payment of emoluments, etc.
- **Foreign Ownership:** foreign investors are not obliged to have a Tanzanian partner in their investments– the capital can be 100% foreign
- **Dispute Resolution:** for all investments by foreign nationals, Tanzania is a member of the International Court for Settlement of Investment Disputes (ICSID), and the Tanzanian Investment Act and a range of bilateral agreements warrant a fair and transparent procedure



## TIC Overview

- The Tanzanian Investment Centre (TIC) provides a one stop facility to all investors, offering:
  - Investment Promotion
  - Investment Facilitation
  - After Care Services to Investors
  - Linkage With Other African Economic Blocks e.g.: SADC
- Senior officers from Government or its executive agencies have been permanently stationed at TIC, including representatives from:
  - Lands Department
  - Tanzania Revenue Authority (TRA)
  - Immigration Department
  - Labour Division
  - Directorate of Trade
  - Business Registration & Licensing Agency (BRELA)



### Awards:

- 2005 - Best Investment Promotion Agency in Sub Saharan Africa (By Africa Investor)
- 2006 - Best country of the future (By Financial Times)
- 2007 - Best Investment Promotion Agency in the world (by UNCTAD/WAIPA)
- 2008 - Gold Award for Innovative Management in Africa ( By AAPAM)

## Tanzania Investment Act

### ■ Fiscal incentives

- Import duty and VAT exemption on project/capital goods
- Import Duty Draw Back Scheme: Refund of duty charged on imported inputs used for producing goods for export and goods sold to foreign institutions like UN and its agencies operating in Tanzania

### ■ Non-fiscal incentives

- Immigration quota of up to 5 people
- Guaranteed transfer of:
  - Net profits or dividends of the investment
  - Payment in respect of foreign loans
  - Remittance of proceeds net of all taxes and other obligations
  - Royalties fees and other charges
  - Payment of emolument and other benefits to foreign personnel

### ■ Strategic Investor Status

For a big project of over US\$ 20 million offering specific/great impact to the society or economy, Investors can request for special incentives from the Government

### ■ Import Duty Draw Back Scheme

Refund of duty charged on imported inputs used for producing goods for export and goods sold to foreign institutions like UN and its agencies operating in Tanzania

### ■ Other Incentives:

- Export Processing Zones Act 2002
- Mining Act 1998; Petroleum Exploration and Production Act 1980
- Special Economic Zones Act 2005

## Robust legal and regulatory frameworks are in place to support agribusiness projects



- The country allows long term land-leasing by both foreign and local investors
  - Communities and villages exert effective ownership of the land, and must be engaged in identifying and negotiating land from the onset, working up through district and central level of government to achieve long-term usage rights on the land
  - A standard 99 year lease over the land can be obtained by both local and foreign investors
  - Recognizing that for large-scale sugar investors, the process is time-consuming, the government is developing guidelines for stakeholders and proactively preparing sites for investors
- The Tanzania Investment Act of 1997 offers competitive levels of protection and incentives
  - Tanzania does not discriminate against businesses conducted or owned by foreign investors. It has no barriers regarding 100% ownership of businesses by foreign investors in agriculture. It has no recent history of expropriation or nationalization
  - Qualified investors are entitled to exemption from VAT and import duties on imported inputs and 100% repatriation of profits and capital investments after taxes and other obligations are met; the Act also provides for full protection of all investor agreements
- Additional incentives are granted to agribusiness companies
  - Indefinite loss carry-forward against income tax and reasonable corporate and withholding tax rates on dividends
  - Duty-free imports of capital goods and farm inputs, and import duty drawback on raw materials for inputs for exports
  - Deferred VAT payment on capital goods, and VAT exemption on agricultural exports and domestically produced agricultural inputs
  - Favorable investment allowances and deductions on agricultural machinery and implements

## Government and donors are working together to develop the sugar sector in Tanzania



- Kilimo Kwanza: Government's policy initiative to modernise and commercialise the country's agricultural sector. Launched in 2009, it encourages the private sector to enter into agricultural production, based on the need for capital, technology and skills to transform the sector
- The Tanzanian Sugar Industry Development Plan and Strategy has a strong focus on the promotion to private investors of new sugar project opportunities, in order to boost sugar output, reach self-sufficiency and become a net sugar exporter
- The Sugar Board of Tanzania is working to prepare new sites for leasing to investors in the Southern Corridor of Tanzania (SAGCOT), where Government and development partners are focusing their efforts (infrastructures, etc)

