



Kingdom of the Netherlands



DOING BUSINESS IN TANZANIA

A STARTING POINT FOR DUTCH BUSINESSES

The United Republic of Tanzania was formed as a sovereign state in 1964 following the union of the Republic of Tanganyika and Zanzibar. The country was successfully unified by the country's first President Mwalimu Julius Nyerere. Tanzania has a long history of stability and is becoming a potentially important gateway to the East-African region. The country's growth is slowing down but remains significant. Real GDP growth is projected to remain in the range of 5-6% over the medium term, subject to reforms to improve the business environment, fiscal management, and addressing vulnerabilities in the financial sector. Inflation is expected to remain low, underpinned by favorable food supplies and stable global energy prices. Worldwide Governance Indicators show Tanzania has either deteriorated or has been stagnant in mostly all governance indicators between 2012 and 2017. The strongest decline has been in voice and accountability and rule of law (World Bank). Tanzania will hold general elections in October 2020.

The current government under President Magufuli entered into office in 2015 with the aim of curbing corruption, reforming public-service practice, cutting government costs, industrializing the economy and prioritizing infrastructure development. Since the start of this government, many businesses have seen a downturn and experienced complications to their operations because of irregular changes and unpredictability of government policies and regulations. Access to finance, corruption, inadequate infrastructure, tax rates and inefficient government bureaucracy are seen as the five major business challenges. Reforms to improve the business environment are moving slowly. It is expected that in 2020 many uncertainties and challenges will remain that hamper the ease of doing business in Tanzania.

According to the World Bank's Ease of Doing Business 2020, Tanzania ranks below regional competitors with lower incomes per capita in terms of ease of doing business (Tanzania ranks 141 out of 190, Kenya 56, Uganda 116 and Rwanda 38). This index particularly points to needed reforms in improving trade across the border and resolving insolvency in Tanzania.

The Netherlands has a long and constructive history in Tanzania. Up to 2013, the Netherlands supported Tanzania's development with one of its largest bilateral development cooperation programs worldwide. After 2013, the relationship has refocused on strengthening aid and trade cooperation, thus enhancing economic self-sufficiency, reducing aid dependency, and strengthening mutually beneficial trade relations. Tanzania continues to benefit substantially from Dutch development programs, aimed amongst others at improving the business climate, strengthening civil society and implementing the climate change agenda.

According to the Bank of Tanzania, the Netherlands is the fourth largest investor in Tanzania. There are around 80 Dutch companies active in Tanzania. Several large Dutch corporates are operating in Tanzania, like BAM, Philips, Heineken, KLM, Rabobank, Shell, Unilever, Rijk Zwaan and Enza Zaden as well as many other locally established horticultural, tourism and hospitality companies. Most Dutch companies have made substantial and long-term investments in Tanzania. These investments have played a significant role in accelerating Tanzania's progress towards sustainable development as an engine of economic growth and employment, as a key contributor of government revenues, and as a driver of innovation, capacity building and technology development.

Tanzania's exports to the Netherlands are dominated by agricultural commodities and crude materials, while imports from the Netherlands include mostly chemicals and related products and machinery and transport equipment. In 2019, Tanzania terminated the Bilateral Investment Agreement (BIT) between Tanzania and the Netherlands. This implies that new Dutch investors in Tanzania can no longer rely on the preferential protection that the agreement provided. New investors will therefore have to rely on national legislation and regulations for protection of their investment. The Netherlands has requested to start negotiations with Tanzania for a new BIT swiftly.

KEY DATA

Population	56.3 (2019, World Bank)
GDP	USD 58.01 billion (2018, World Bank)
GDP per capita	USD 1,050.7 (2018, World Bank)
GDP growth	5.4% (2018, World Bank)
Inflation	3.5% (2018, World Bank)
Total exports	USD 3669 million (2018)
Top export goods	Gold, tobacco, coffee, tea, cashew nuts, cotton and manufactured goods
Key export countries	India, South Africa and China
Total imports	USD 8,554 million (2018)
Top import goods	Consumer goods, wheat, machinery and transportation equipment and crude oil
Key import countries	China, India, United Arab Emirates
Ease of doing business index	Ranked 141 out of 190 (World Bank)
Global competitiveness index	Ranked 117 out of 141 (2019)
Corruption Perceptions index	Ranked 99 out of 180 (2018)
Moody's rating	B1
Dutch direct investment in Tanzania	Euro Millions 301.1 (208, DNB)
Average number of staff in Tanzania per Dutch enterprise	200
Rating of NL investments	4th largest investors in Tanzania (2017, BOT)
Total annual Dutch exports to TZ	100 EUR million (2018, CBS)
Total annual Dutch imports from TZ	58 EUR million (2018, CBS)

Thorough research is recommended before starting a business in Tanzania. There are several ways for Dutch companies to enter Tanzania's market: Export directly, setting up an agency/distribution center, joint ventures and partnerships or direct sales to consumers. It is not always easy to find reliable agents, customers or partners, especially when trying to do so from the Netherlands. Whatever your international business plans, you are recommended to employ the right contacts to carry them through. The Embassy can assist you with that. They know the local players, networks and markets.

The following key institutions and business networks can further help facilitate setting up a business in Tanzania:

- **Tanzania Investment Centre (TIC)** is a government agency offering services to existing and new investors, assisting investors in obtaining permits, licenses and visas, grants land derivative rights to investors and providing aftercare services to registered investors. www.tic.co.tz
- **Tanzania Bureau of Standards (TBS)** deals with quality checks, labelling and technical regulations. www.tbs.go.tz
- **Tanzania Revenue Authority (TRA)** is responsible for managing the assessment, collection and accounting of government revenues. www.tra.go.tz
- **Business Registrations and Licensing Agency (BRELA)** is mandated to register companies, business names and intellectual property rights. www.brela.go.tz
- **Export Processing Zones Authority (EPZA)** is a governmental agency for promoting investments in Tanzania's Special Economic Zone's, including provision of business services and issuing licenses. www.epza.go.tz
- **Southern Agricultural Growth Corridor of Tanzania (SAGCOT)** works as a broker and catalyst of partnerships among registered partner organizations to incubate initiatives around inclusive, sustainable and viable agricultural value chains. www.sagcot.com
- **Tanzania Horticultural Association (TAHA)** is an apex member-based private sector organization that advocates for the growth and competitiveness of the horticulture industry in Tanzania. www.taha.co.tz
- **Tanzania Private Sector Foundation (TPSF)** is a private sector organization which aims to promote private sector-led social and economic development in Tanzania. www.tpsf.org
- **European Business Group (EBG)** acts as a business association in support of the European private sector operating in Tanzania. This group allows firms to exchange information and experiences, and carry out advocacy and lobby activities. www.eubgtz.com
- **Netherlands African Business Council (NABC)** is an organization based in the Netherlands that connects Dutch companies with economic opportunities in Africa. www.nabc.nl

The Embassy sees continuing opportunities for Dutch expertise and investment in agricultural value chains, tourism, infrastructure and in banking and information technology. There are also potential opportunities in Dutch branded consumer goods and in other services sectors such as food personal care and household goods.

Agriculture is employing almost 70% of the Tanzanian workforce and contributes up to 85% of export earnings. However, only 17% are commercial farms, leaving the majority to small holders. As partners in agriculture, Tanzania and the Netherlands are particularly working together on strengthening the aquaculture, horticulture, poultry, spices and potato farming sectors. The Netherlands has signed two MoU's with the Government of Tanzania on the development of the potato, aquaculture & poultry sectors. The aim of these MoU's is to develop robust and competitive value chains, with a focus on facilitating the sustainable development of the private sector and technology transfer. There are opportunities for Dutch investors and businesses in the agricultural sector in the areas of reduction of postharvest losses and climate smart agriculture (capacity building, knowledge transfer and technology).

Tourism is the second-highest earner of foreign currency in Tanzania accounting for 11.8% of the GDP of Tanzania in 2019 (World Travel and Tourism Council) and attracts yearly 1.4 million tourists. The country is one of the top tourist destinations in Africa. A quarter of its land area is set aside for conservation and vast natural attractions. The Netherlands plays an important role in supporting a diverse and sustainable tourism industry in Tanzania. There are more than 25.000 Dutch visitors yearly, daily flights from the Netherlands to Tanzania, and at least 30 Dutch tourism operators doing business in Tanzania both in Mainland and Zanzibar. Opportunities in this sector include management of hotels, recreational facilities, hospitality capacity training, and tour operations/travel agencies.

Infrastructure The Tanzanian transport sector systems consist of surface transport (roads and railways), air transport, and sea and inland waterways (lakes and rivers) transport. The current government prioritizes transportation and infrastructure with a specific focus on the continued development of the nation's road system, ports, airports, and railways. The government has embarked on the construction of a Standard Gauge Railway (SGR) along the central corridor. The government has also prioritised upgrading several other airports and purchase of systems and aircrafts for the state owned carrier Air Tanzania to improve the country's aviation sector. Tanzania has four international airports (Dar es Salaam, Kilimanjaro, Mwanza and Zanzibar). The construction of a new international airport terminal in Dar es Salaam was recently completed by the Dutch company BAM. Opportunities are in construction and consultancy services for engineering design and studies, institutional strengthening and capacity building to government agencies.

Banking and ICT Tanzania has made progress liberalising these sectors and the government has set itself an ambitious goal to make Tanzania a regional hub for ICT and banking infrastructure. Hence, technology and innovation offer several opportunities in Tanzania, such as software solutions for mobile transaction platforms and banking systems, provision of ICT hardware, and audit and tax support. Mobile money transfers also continue to expand across the country and have been a key tool in advancing financial inclusion which formally encompasses all sections of society. The demand for these services is still on the rise.

DO'S & DONT'S

BE PREPARED Good preparation is key. Get to know the local economic, political and cultural context. Make good use of the knowledge and services offered by trade associations and government authorities and consult reliable local partners who are familiar with the African/Tanzanian way of business. It is important for entrepreneurs to travel to Tanzania and experience the country first hand. Do not run your business from your office in the Netherlands.

BUILD RELATIONSHIPS Invest in relationships with reliable local partners. This can speed up the preparatory phase considerably, as it can give you inside market knowledge and access to local networks.

KNOW YOUR CHALLENGES Manage your expectations, especially when it comes to culture and language, laws and regulations, intellectual property rights, trade barriers, logistics, personnel and bureaucracy. Develop a solid business plan and carry out market research: set clear goals and ambitions and know your niche market and your competitors. Do not underestimate the need for quality checks on progress and produce.

ACT RESPONSIBLY Be aware that corruption is still widespread in Tanzania, even though the government is making efforts to curb it. Entertaining corrupt practices is not only bad for business, it is also a punishable offence in the Netherlands. The Dutch government supports enterprises that are adhering to the rules of international responsible business conduct.

BUSINESS CARDS Have some business cards made as they are important and widely used.

LANGUAGE Although English is the business language in Tanzania, it may be useful to find reliable interpreters for important business meetings. It helps to break the ice if you know some greetings and simple phrases in Kiswahili.

PATIENCE Be patient. Things do not move at the same pace as in Europe. Meetings do not always start on time and people will sometimes not show up. Government representatives may for example have to attend to other priorities at short notice.

EMBASSY SUPPORT & FUNDING OPPORTUNITIES

Knowing which people match your ambitions is one thing. Getting in touch with them is another. Embassy staff often have easier access to the right people. They can highlight your company or organization and introduce you to interested parties. They also organize seminars and events to put you in touch with potential partners.

In cooperation with the Embassy, the Netherlands Enterprise Agency (RVO.nl) offers a range of services and financial arrangements to entrepreneurs who want to do business in Tanzania, including the most relevant instruments described below. Most of these arrangements are based on a tender principle and have closing dates. Please consult the website of RVO for the latest updates (<http://www.rvo.nl/onderwerpen/internationaal-ondernemen/landenoverzicht/tanzania>). The Embassy can support you with finding the most appropriate instrument based on your size and type of business.

Dutch Good Growth Fund (DGGF) The DGGF provides finance for SMEs who want to invest in emerging markets and developing countries. The investment or export product must have a positive impact on the country's development.

SDG Partnership facility (SDG-P) This program provides finance for public-private partnerships (PPPs) focussing on efficient value chains, nutrition, circular economy in the agricultural sector and better work and income for youth and women.

Sustainable Water Fund (FDW) The FDW is a public-private partnership facility that aims to contribute to water safety and water security in developing countries.

Development Related Infrastructure Investment Vehicle (DRIVE) DRIVE facilitates investment in infrastructure projects that help create a good business climate and boost entrepreneurship in the areas of water, climate, food security, and sexual and reproductive health and rights (SRHR).

DHI Subsidy scheme for demonstration projects, feasibility studies and investment preparation projects (DHI). DHI focuses on SMEs in the Netherlands with international ambitions and an interest in emerging markets and developing countries.

Orange Carpet Visa Facility The Orange Carpet Visa Facility facilitates the issuance of visas with a business purpose. This facility offers Tanzanian staff of Dutch companies and organizations a simplified visa application process. If interested, please consult the Tanzania page for further information (<https://www.netherlandsandyou.nl/your-country-and-the-netherlands/tanzania/travel-and-residence/orange-carpet-visa>).

CONTACTS & FURTHER READINGS

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Updates on agricultural developments in Tanzania
<https://www.agroberichtenbuitenland.nl/landeninformatie/tanzania>.

World Bank Ease of Doing Business Index 2020
<https://www.doingbusiness.org/content/dam/doingBusiness/country/t/tanzania/TZA.pdf>