



# SAGCOT Partnership Generation Program

Opportunities for Investors in the  
Rice Sector



Update: July 2012

# Presentation Overview

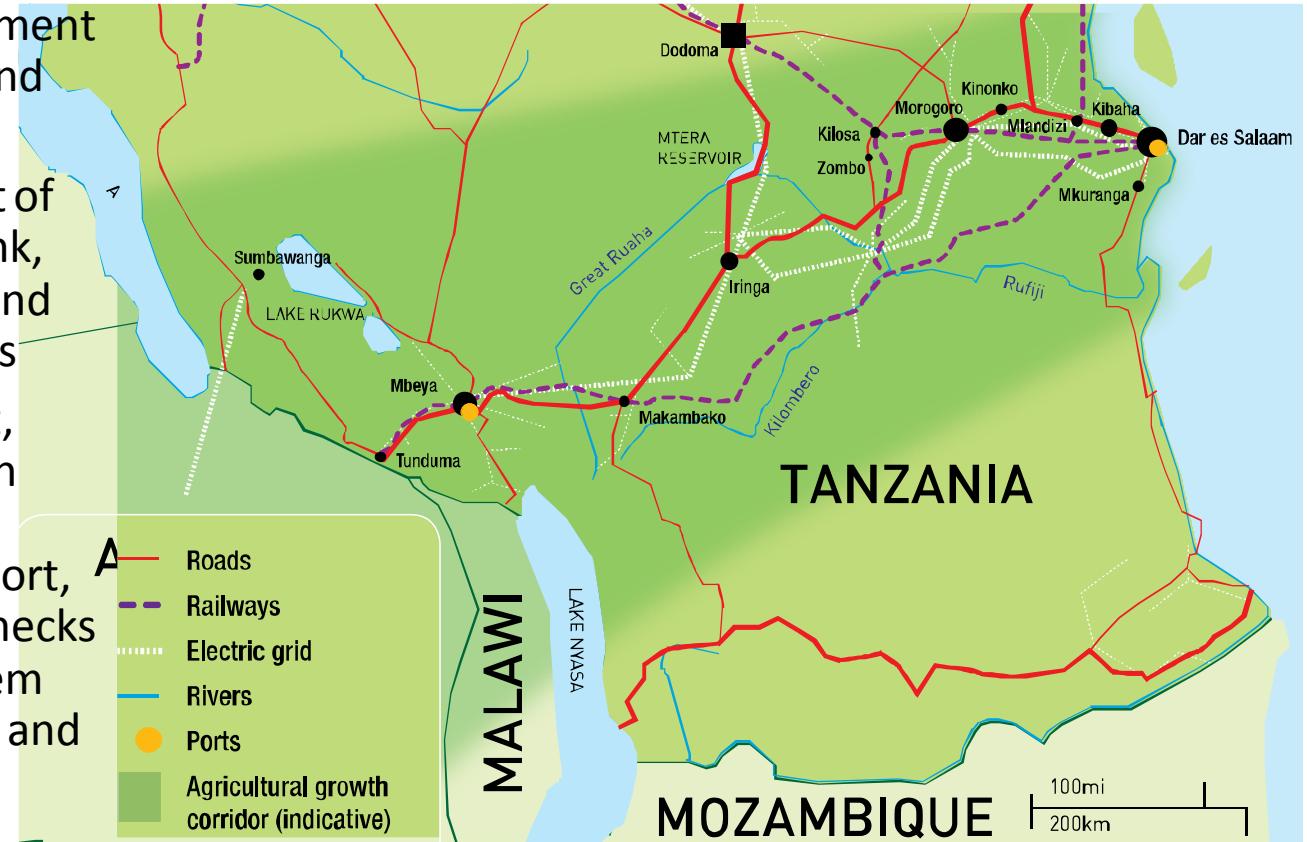
- The Southern Agricultural Growth Corridor of Tanzania (SAGCOT)
  - A joint public-private initiative to boost agricultural output in one of the prime agricultural zones in Africa
- Specific opportunities for investors in the rice sector
  - Several earmarked sites with ideal agroclimate, infrastructure 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 3 priority earmarked sites: Ngalimila, Kihansi, Mkulazi*
  2. *Additional market information*
  3. *Additional information on relevant activities by donors and the private sector in the rice sector and SAGCOT*
  4. *Additional information on Tanzania's business environment and support for investors*

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## Southern Agricultural Growth Corridor of Tanzania (SAGCOT)

# SAGCOT is a coordinated initiative to boost agricultural output in Tanzania through public and private investment

- 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

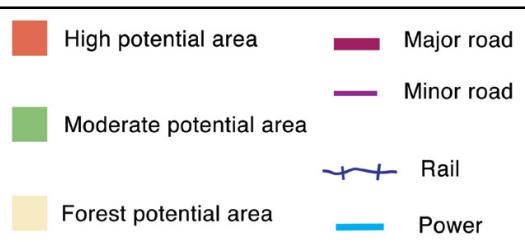
The corridor was chosen because it offers ideal agroclimate plus superior infrastructure and market connectivity

### 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 national grid runs through corridor, with major hydro supply already available and potential for agri-based cogen power producers to supply directly to grid

# Investors in the corridor benefit from a range of public and private co-investments to maximize their returns

## 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 and 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 and international investors to ensure that priority issues are addressed at the highest levels

An impressive set of local and international organisations and companies have already committed to SAGCOT

### Development Partners



**USAID**  
FROM THE AMERICAN PEOPLE



EMBASSY OF IRELAND



NORWEGIAN EMBASSY



**DFID**



**Norfund**

### Agricultural Suppliers & Financiers



**Stanbic Bank**

**syngenta**



**MONSANTO**



### Technical & Operational Supporters



**WORLD  
ECONOMIC  
FORUM**

**Alliance**  
for a Green Revolution  
in Africa



**AgDevCo**  
**TechnoServe**  
BUSINESS SOLUTIONS TO POVERTY

**ACT**  
Agricultural Council of Tanzania

**TABA**  
TANZANIA HORTICULTURAL ASSOCIATION

THE NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT  
**NEPAD**  
A PROGRAMME OF THE AFRICAN UNION

**TAP**

**Prorustica**

### Agricultural Producers & Buyers



**ILLOVO**  
SUGAR  
LIMITED

**SAB**  
MILLER

**DIAGEO**

**Agrica Tanzania Limited**

**General Mills**

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**Specific opportunities for investors in  
the rice sector**

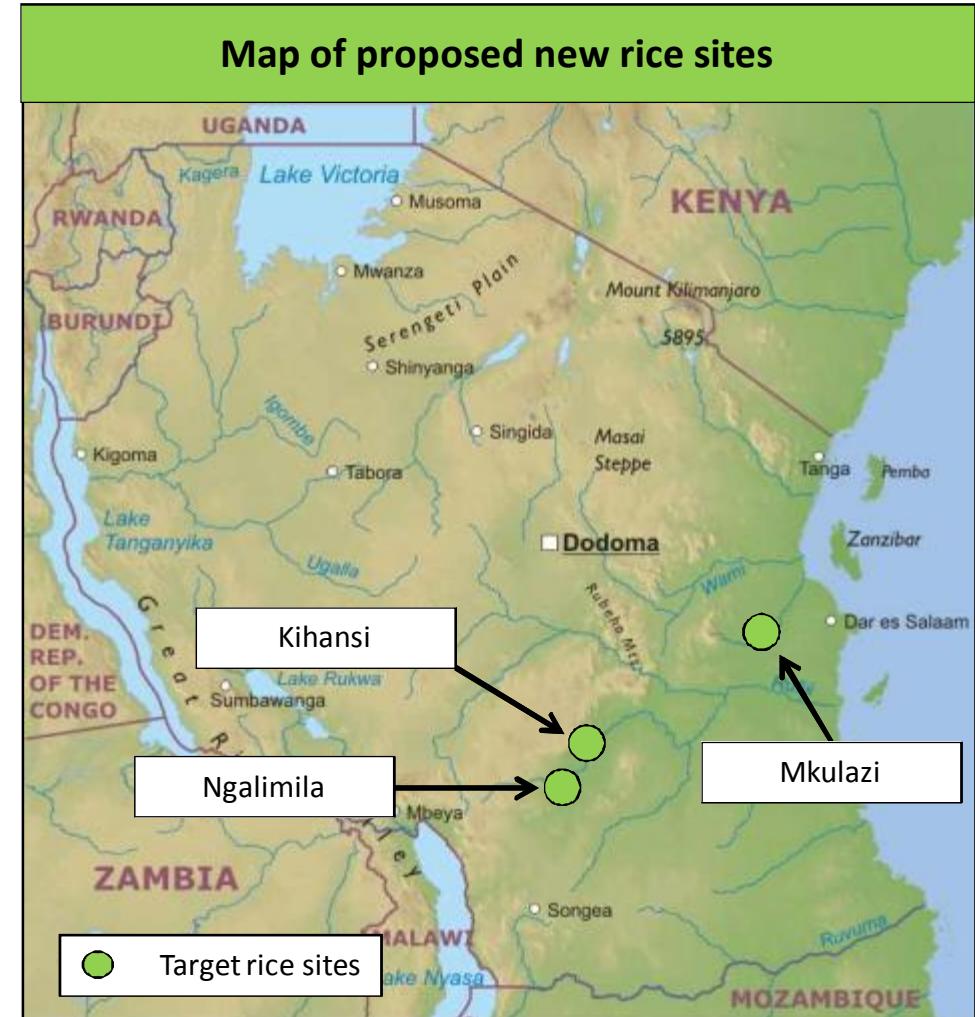
## Opportunities for investors in the rice sector are particularly attractive

- The government has earmarked a number of sites for rice investors, offering excellent agroclimactic conditions and market connectivity
- The local, regional and global demand-supply gap for rice and other cereals is large and growing
- Yields and cost factors in Tanzania are very competitive
- Tanzania's economic and political stability offers a conducive business environment
- Several successful rice operations involving international investors are already established in Tanzania



## The government has earmarked several sites for rice investors offering excellent agroclimate and connectivity

- Tanzania has a large untapped arable land potential, but to speed up investment, three priority sites have already been earmarked for rice farming and processing
- Each site is located within close proximity of the railway line connecting Zambia to Dar Es Salaam and the port
- At each location, reliable year-round irrigation is made possible by significant rivers and flat topography
- The sites are under preparation by the Government of Tanzania to be awarded to qualified investors who present the best investment plans
- In line with the principles of the SAGCOT initiative and broader Government policy objectives, investor proposals will be expected to bring best practice environmental and social practices and generate outgrower opportunities in the areas surrounding the sites

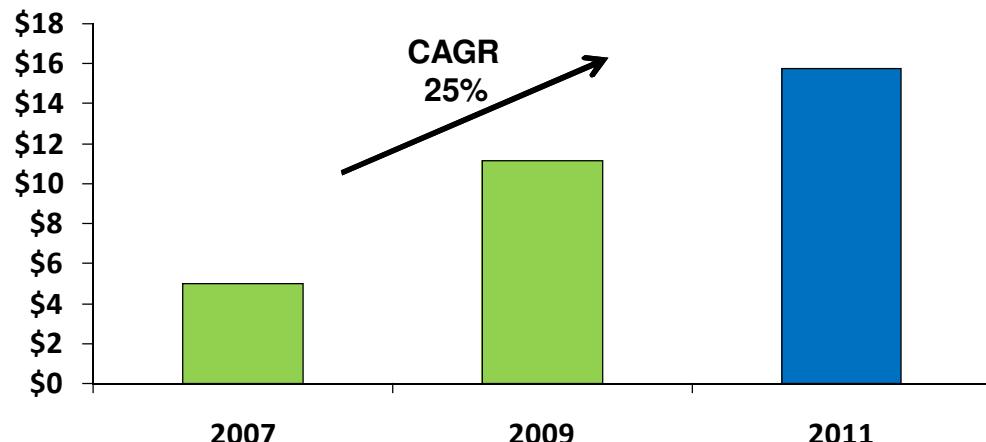


## Short descriptions of the 3 sites earmarked for immediate promotion and tendering

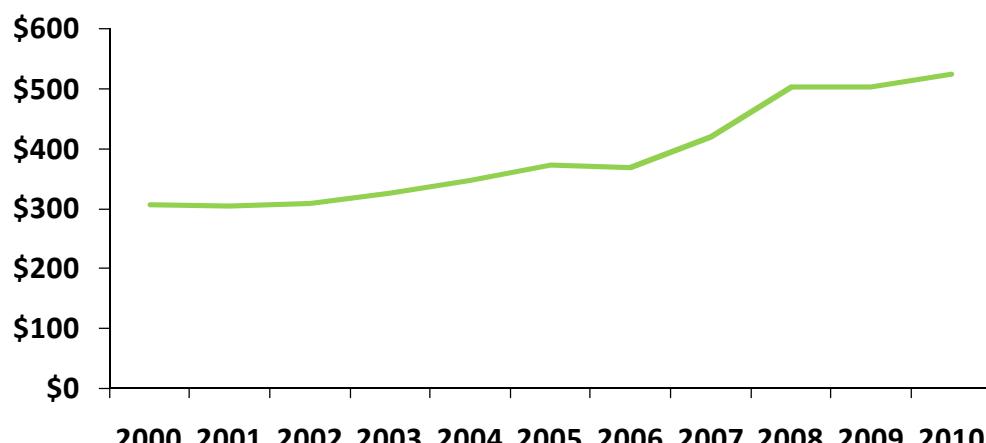
Ngalimila site	Kihansi site	Mkulazi site
<ul style="list-style-type: none"> <li>• 5,128 ha farm earmarked by the government for rice production</li> <li>• Surrounded by three rivers for year-round irrigation</li> <li>• Located 35 km from the railway line to Dar Es Salaam</li> <li>• About 120 km from Ifakara, close to the existing rice project Kilombero Plantations Limited</li> <li>• The government has already invested in building a feeder road leading to the farm and a farm building</li> <li>• Donors are active in the area, supporting smallholder farmers and infrastructures</li> </ul>	<ul style="list-style-type: none"> <li>• 5,200 ha farm earmarked by the government for rice production</li> <li>• Located along the Kihansi river for year-round irrigation</li> <li>• Along the railway line to Dar Es Salaam</li> <li>• About 80 km from Ifakara, accessible through tarmac and secondary (gravel) roads</li> <li>• Located close to the existing rice project Kilombero Plantations Limited</li> <li>• Donors are active in the area, supporting smallholder farmers and infrastructures</li> </ul>	<ul style="list-style-type: none"> <li>• 63,000 ha site currently being surveyed to be divided into several parcels for promotion to investors in rice, sugar, etc.</li> <li>• 4 rivers effectively surround the site, providing for year-round irrigation</li> <li>• Along the railway line to Dar Es Salaam, at a distance of less than 150 km</li> <li>• About 50 km from the main tarmac road Dar – Morogoro, accessible through secondary (gravel) roads, with 3 possible access routes</li> </ul>

# The market is assured, with unmet local and regional demand for rice

**Tanzania Rice Imports (Million USD)**



**Tanzania GDP per capita (USD)**



- In response to population growth and increasing wealth and urbanization, the rice deficit has been growing steadily in Tanzania and neighbouring countries
- Rapidly increasing imports on the 42 million people Tanzanian market
  - **\$16 millions in 2011, or 32 000 tons**
- Large rice gap in the region which Tanzania is ideally located to supply
  - **\$180 millions imports in EAC (2011)**
  - **\$660 millions imports in SADC (2011)**
- In addition, as Asia's rice output has decreased sharply over the last decade, global market opportunities are opening up for African producers

# Financial returns are very attractive, with above-global prices and very competitive yields and cost factors



## Key financial drivers

### Primary Revenue drivers

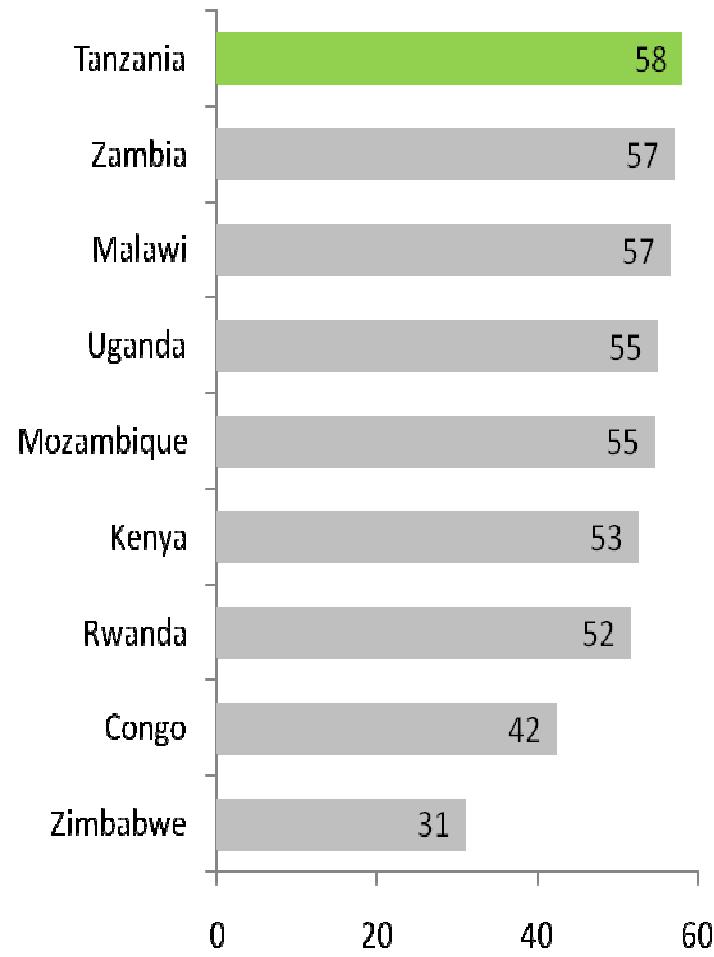
- **Yields:** Existing commercial rice farms achieve 3.25 T/ha average yields on their estate (rain-fed) and expect up to 10 T/ha under irrigation
- **Rice prices:** Due to import tariffs, EAC rice prices are typically **25%** above global prices

### Primary Cost drivers

- **Labour costs:** minimum wage set at **~\$42/month**; average rural wages in the range of **\$50-80/month**
- **Land lease costs:** currently less than **\$1/ha/year**
- **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:** strategic investors eligible for tax holidays

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

**Mo Ibrahim Governance Index, 2011**  
(Score/100)



- **Tanzania is one of the most open and stable democracies in Africa**
- Its economy is amongst the fastest growing in the region, averaging 7% per year since 2001
- The Government is committed to economic growth through private sector development
- The strong focus on infrastructure investments is contributing to an attractive investment climate
- A number of international agreements guarantee and enhance investment
- The Tanzania Investment Act offers competitive levels of protection and incentives
- Government has declared rice as a priority sector for investment, and additional incentives are granted to agribusiness investors including duty-free imports of capital goods and farm inputs

## As a result, success stories of international investment in Tanzania's rice sector are emerging

### The case of Kilombero Plantations Limited

- With the financial backing of US-based Capricorn and Norway-based NORFUND, Agrica acquired the Mngeta Farm in 2008 and established Kilombero Plantations Limited
- So far \$35 million has been invested in the project (land purchase, leasing and preparation, irrigation and drying equipment, agricultural machinery, and industrial rice mill), and another \$35 million injection is planned to complete the farm and the 3,000 ha overhead irrigation scheme
- The company already cultivates 5,429 ha on its own and buys the output of smallholders supported by the project in partnership with USAID and other donor organizations
- An estimated 1,844 smallholders have so far benefitted from the project



## Next steps and contact information

## We look forward to welcoming you to Tanzania

### **We urge interested investors to:**

#### **1. Contact the Rice 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 20-21 2012**, when investors will have an opportunity to view the priority sites, meet existing investors and consult sector experts from the Ministry of Agriculture, 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 3 priority greenfield rice sites (Ngalimila, Kihansi, 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: +255-22-2116328-32/

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 2862064/09

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

### SAGCOT Centre

**Mr. Dunstan Mrutu**  
CEO

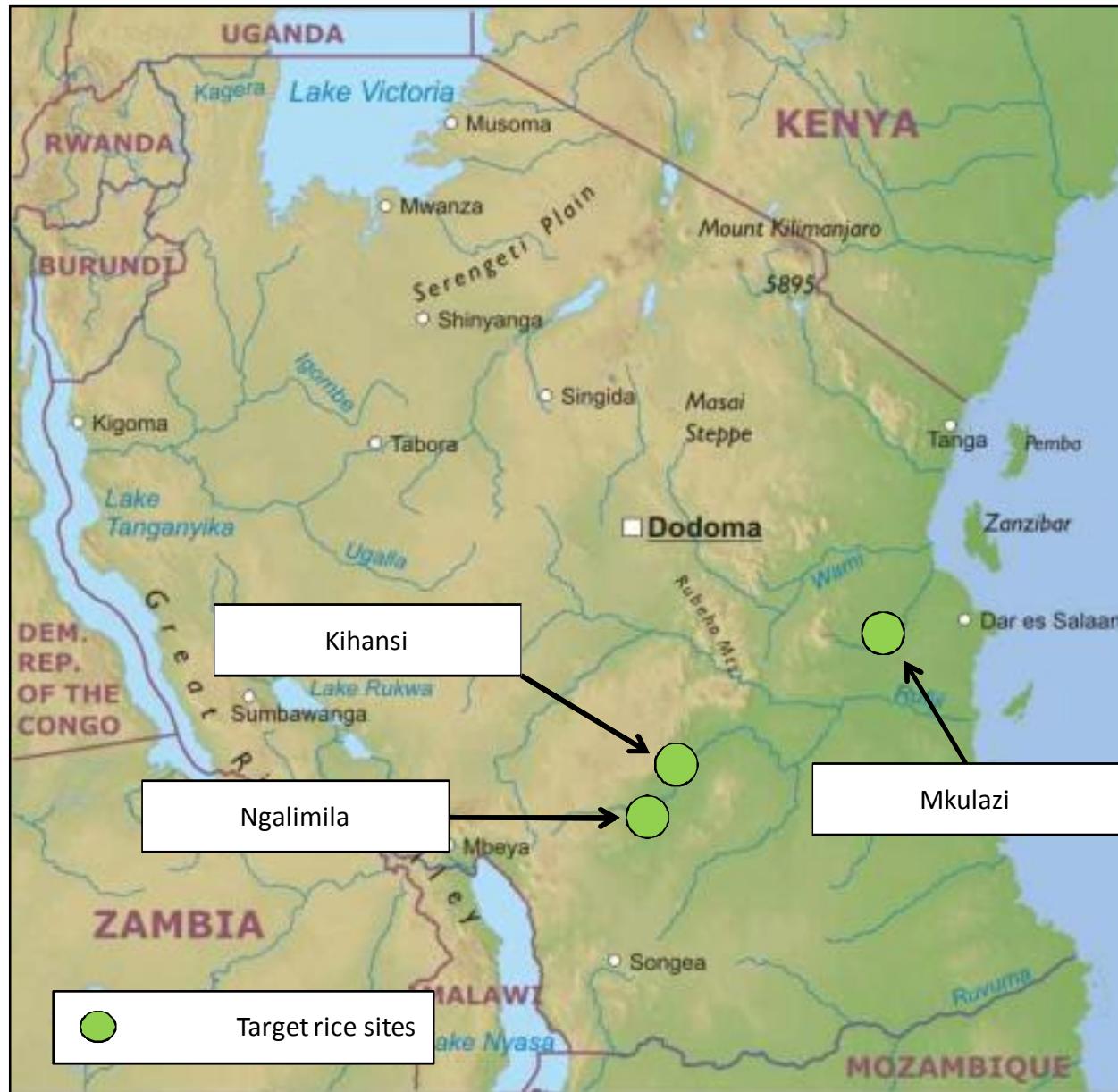
TPSF, 1288 Mwaya Road, Masaki  
P.O.Box 11313, Dar es Salaam  
Tel: +255-754-781078

Email: [dan.mrutu@sagcot.com](mailto:dan.mrutu@sagcot.com) /  
[danmrutu@gmail.com](mailto:danmrutu@gmail.com).

## Appendix 1:

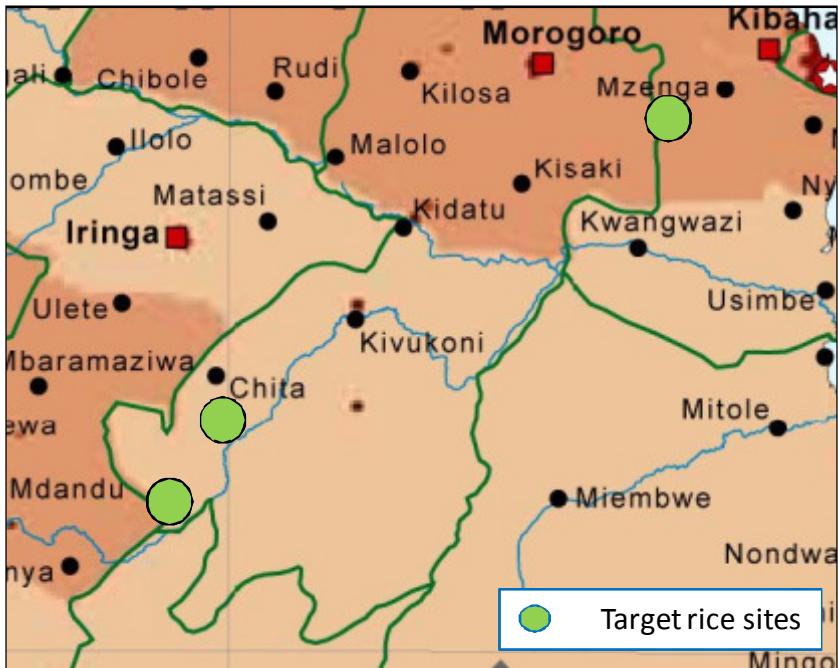
*Full profiles of 3 priority earmarked sites: Ngalimila, Kihansi, Mkulazi*

The government has identified 3 potential rice sites for immediate promotion to investors

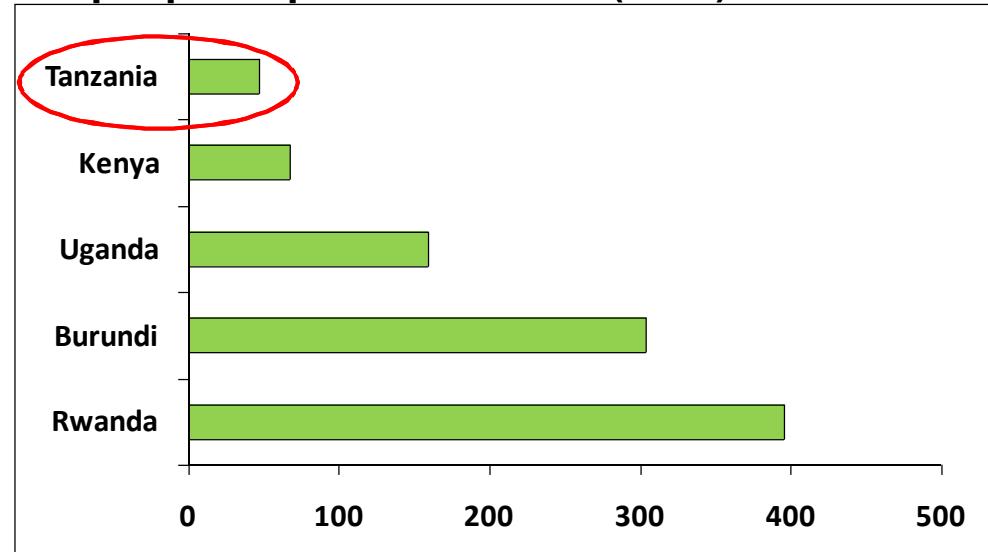


With careful project design, there is enough space to accommodate projects at the selected sites

## Arable Land



## People per Square Kilometre (2010)

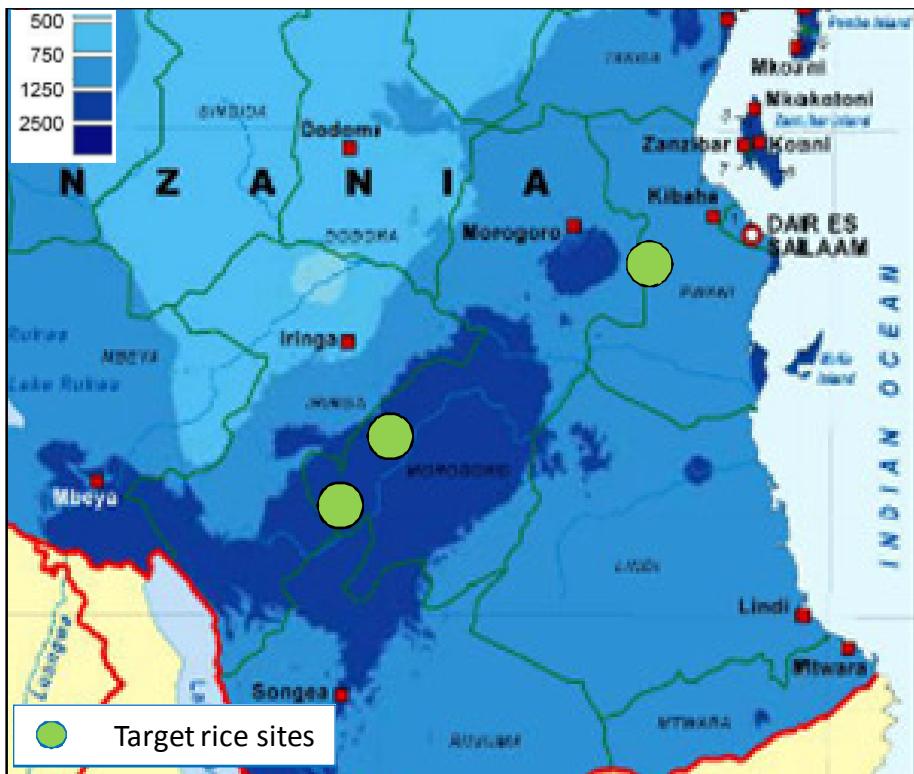


## Key Points

- The Kilombero district covers a surface area of 1,5 million ha
- Of this, 30% is arable land
- Tanzania has a population density of 51 people per square km (est. 2010)
- The areas where the earmarked sites are located are not densely populated
- This minimises the risk of villagers being moved to make way for farms

# Most of the areas in SAGCOT receive rainfall that is sufficient for the cultivation of rice

## Rain Patterns

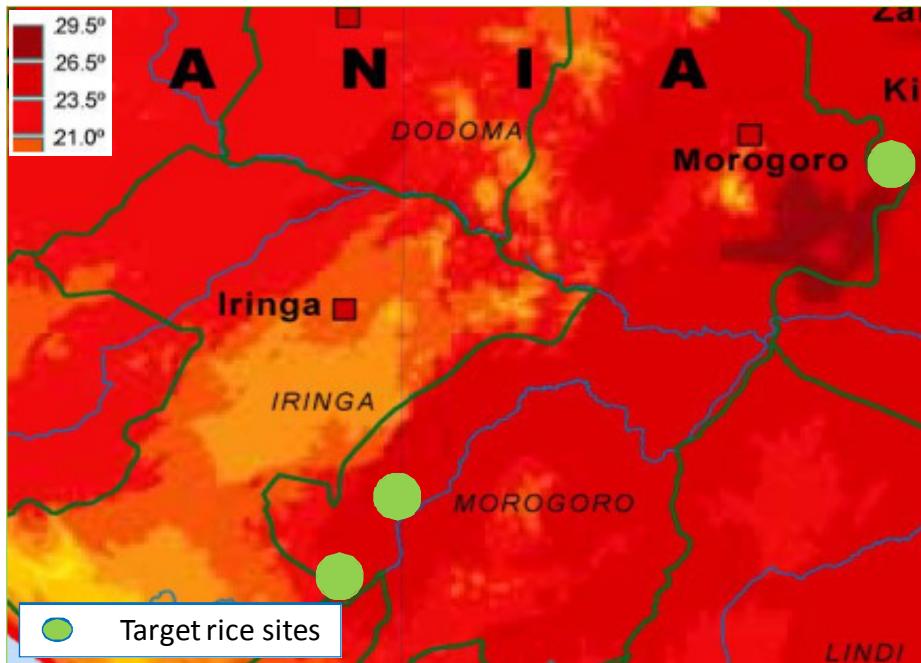


### Key Points

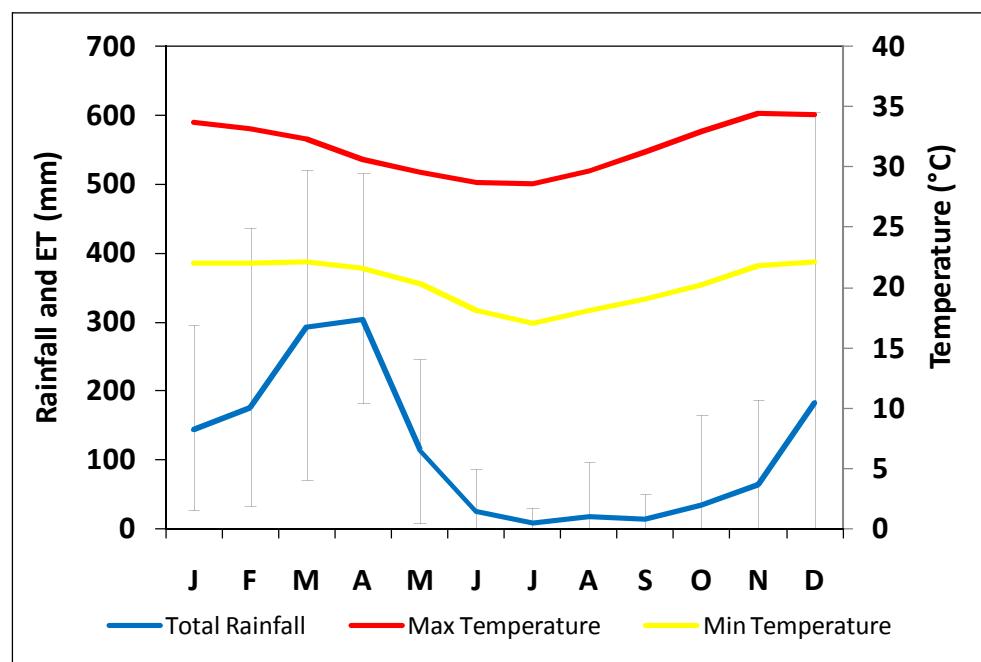
- 88% of rice grown in Tanzania is rain-fed
- The areas where the sites are located receive the best rainfall for rice production in Tanzania
- The rainfall pattern is bimodal with short rains between November and December, and long rains that last from May to June
- The average rainfall ranges between 1200mm and 1600mm, comparable to the rainfall in India's rice growing areas

The targeted sites have a predominantly tropical climate, making them well suited to rice cultivation

### Temperature Patterns



### Rainfall and Temperatures in Kilombero Valley

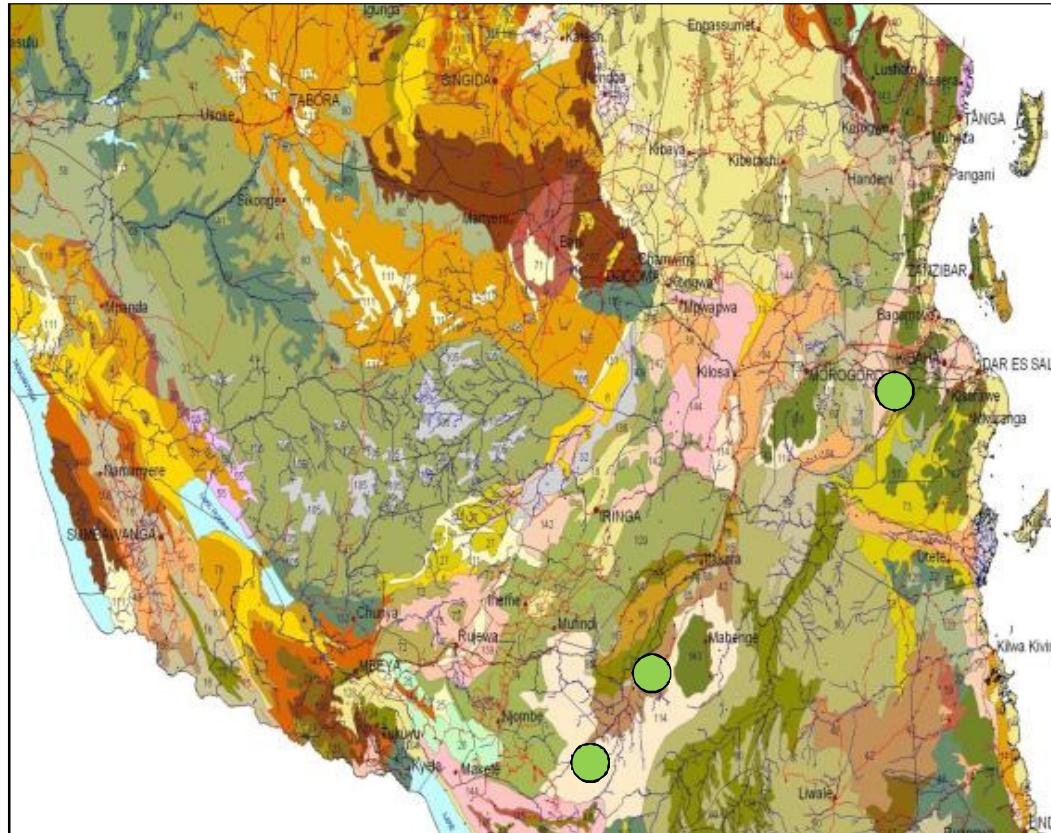


### Key Points

- The Kilombero and Pwani regions have predominantly tropical, sub-humid climatic conditions
- Maximum temperatures range from between 28° to 35°
- Minimum temperatures range from 17° to 22°
- Temperature conditions are perfect for rice cultivation

The region has rich clay soil that can retain water and moisture, making it ideal for rice cultivation

## Soil Types



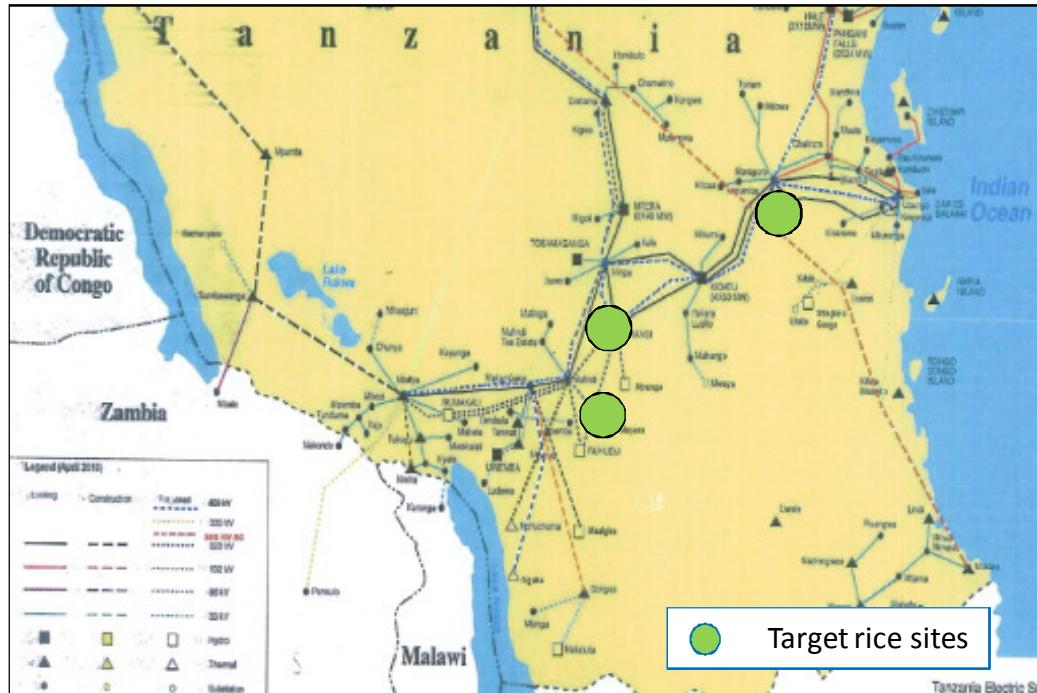
● Target rice sites

### Key Points

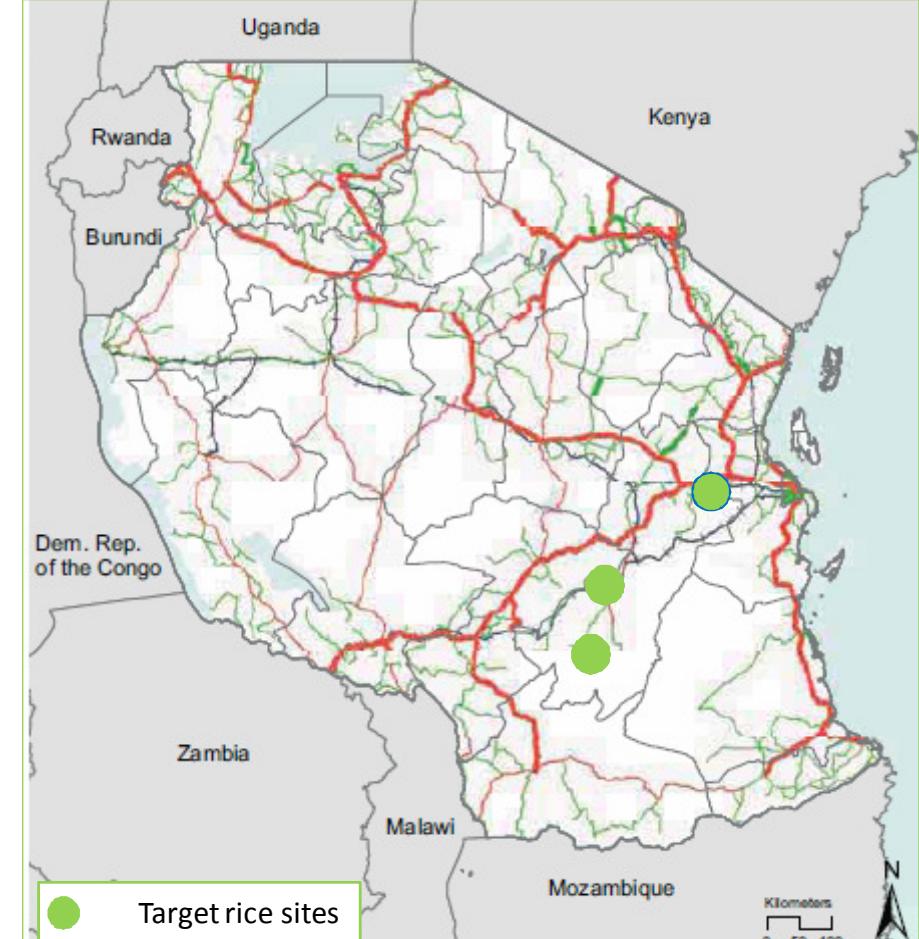
- The sites earmarked for rice cultivation are located in the Kilombero valley and the Pwani Region
- The areas are made up of mainly low lying alluvial plains that are ideal for irrigated industrial farming
- Dominant soils at the sites are eutri-gleyic fluvisols and humi-gleyic fluvisols
- The regions consists of mainly flat fields that have a smooth surface
- This is ideal for rice cultivation as it facilitates even and equal distribution of water

# The targeted rice sites are linked to major markets by key infrastructure

## Electricity Grid



## Transport Infrastructure



## Key Infrastructure

- The targeted rice sites zones are either located along the railway linking Zambia to Dar Es Salaam or in close proximity to the highway linking Tanzania to Zambia
- The Mkulazi site is located 50km from the Dar-Morogoro tarmac, and 2km from the TAZARA railway
- Similarly, targeted rice sites are in close proximity to either existing or planned grid lines

## Infrastructure

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>■ Paved Regional Road</li> <li>■ Unpaved Regional Road</li> <li>■ Paved Trunk Road</li> <li>■ Unpaved Trunk Road</li> </ul> | <ul style="list-style-type: none"> <li>++++ TZ_Railway_Lines</li> </ul> |
|--|---|

**Ngalimila site – 5,128 hectares**

- 5128 ha farm that has been earmarked by the Government of Tanzania specifically for rice farming
- The site is located about 120 km from Ifakara, accessible through tarmac and secondary (gravel) roads
- The site is located about 35 km from the TAZARA railway line linking Dar Es Salaam with the Zambian border
- The site is surrounded by three rivers; Mpanga, Mnyera and Ruhudji Rivers providing great irrigation potential
- Generally flat topography, with soils classified as vertisols and fluvisols
- The site is in Ngalimila Village. The village has about 3900 households, offering both labour and outgrower potential
- There is currently a Swiss investor in the village who is farming 600 ha of land and using the outgrower successfully

# Ngalimila (2/5) Parcel map



## Ngalimila (3/5) Field photos



## Ngalimila (4/5) Existing infrastructures

- 16 acres of land have been set aside for accommodation, offices, workshops and/or storage
- There is an existing building on the farm that can be used as accommodation and office space
- RUBADA has already constructed a 5.6km feeder road leading to the farm
- RUBADA has a title deed for the farm that is currently being registered with the Ministry of Land Affairs
- The investor will have to build a bridge to connect the farmland to the existing roads
- The government is looking at providing financial assistance to the investor to build the bridge



## Ngalimila (5/5) Development Partner Activities

- Donors and microfinance institutions are willing to help villagers organise into smallholder associations, and have started with 5 villages in Mlimba in the 2012 paddy season
  - So far 800 farmers have attended training on association formation.
  - They have formed 19 producer groups and are in the process of registering five village associations
  - There are plans to build a Youth Agriculture Centre in Mlimba in order to train the smallholders on basic agricultural knowledge
  - There is an existing Agriculture College in Ifakara that the investor can work with the college to train smallholders and employees
- Under various programs, donors are also investing in key infrastructures:
  - 10 km road from Mpanga to Ngalimila
  - Construction of a dam and associated irrigation infrastructures



**Kihansi site - 5,200 hectares**

- 5,200 ha farm that has been earmarked by the Government of Tanzania specifically for rice farming
- The site is located about 80 km from Ifakara, accessible through tarmac and secondary (gravel) roads
- The site is located in close proximity to the TAZARA railway line linking Dar Es Salaam with the Zambian border
- The site is located along the Kihansi River, providing great irrigation potential
- Generally flat topography, with soils classified as vertisols and fluvisols
- The site is surrounded by four villages; Chisano, Udagaji, Merera and Chita, offering both labour and outgrower potential

## Kihansi (2/4) Satellite view



## Kihansi (3/4) Field photos



- Donors and microfinance institutions are willing to train out growers on micro finance, business skills and diversified income
  
- Under various programs, donors are also investing in key infrastructures:
  - A total area of 1935 ha is planned for irrigation using the Udagwa River by USAID
  - The irrigation scheme will include building diversion weirs and canal control structures, and large scale bulk earthworks

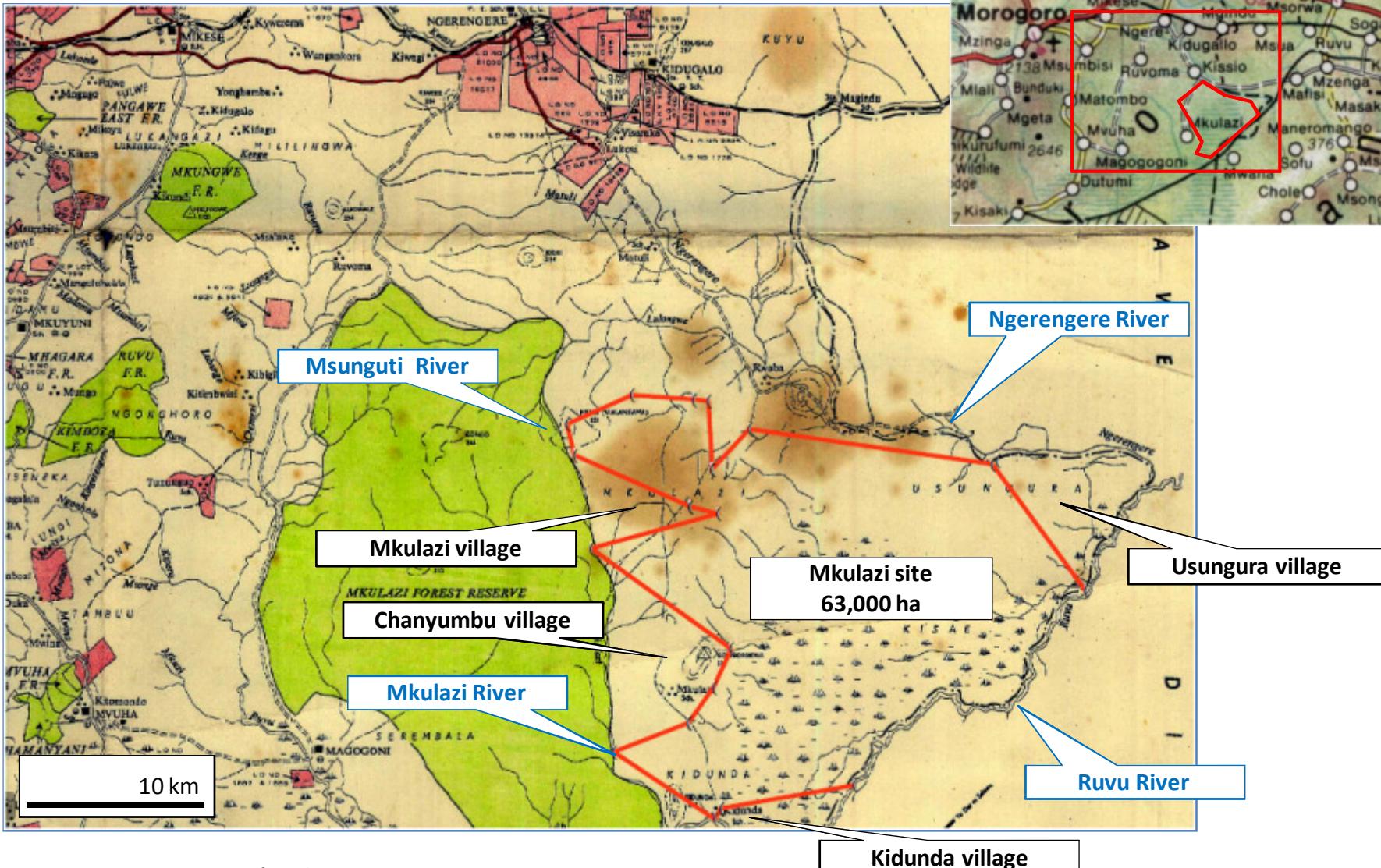


Mkulazi site - 63,000 hectares

- 63,000 ha site on prime agricultural land prepared by the Government of Tanzania for a specific investment projects 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 planning to prepare the site for promotion to at least 3 agribusiness investors, including rice and sugar projects

# Mkulazi (2/4) Location map

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

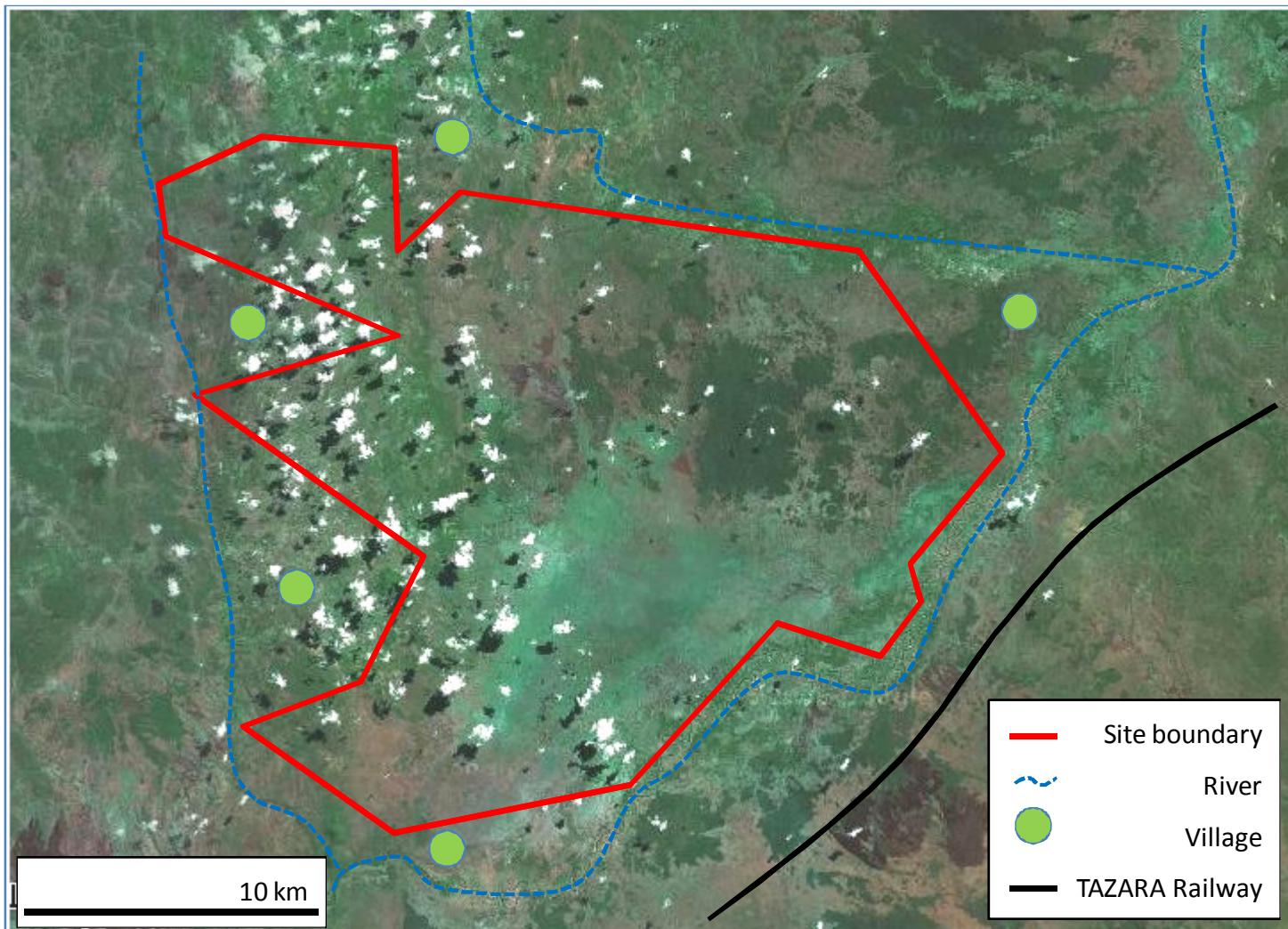


Source: Tanzanian Ministry of Lands

## Mkulazi (3/4) Satellite Image

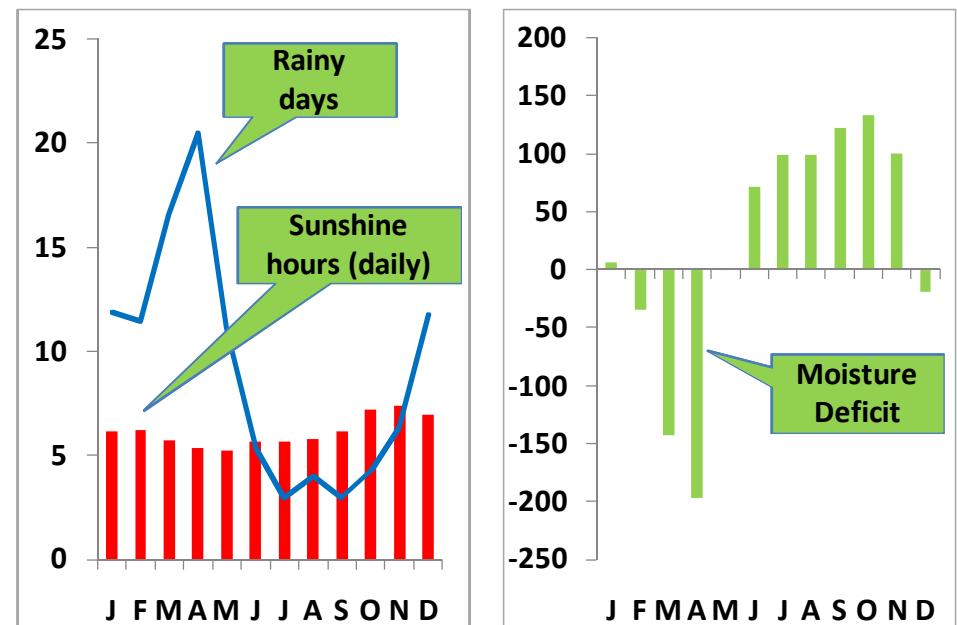
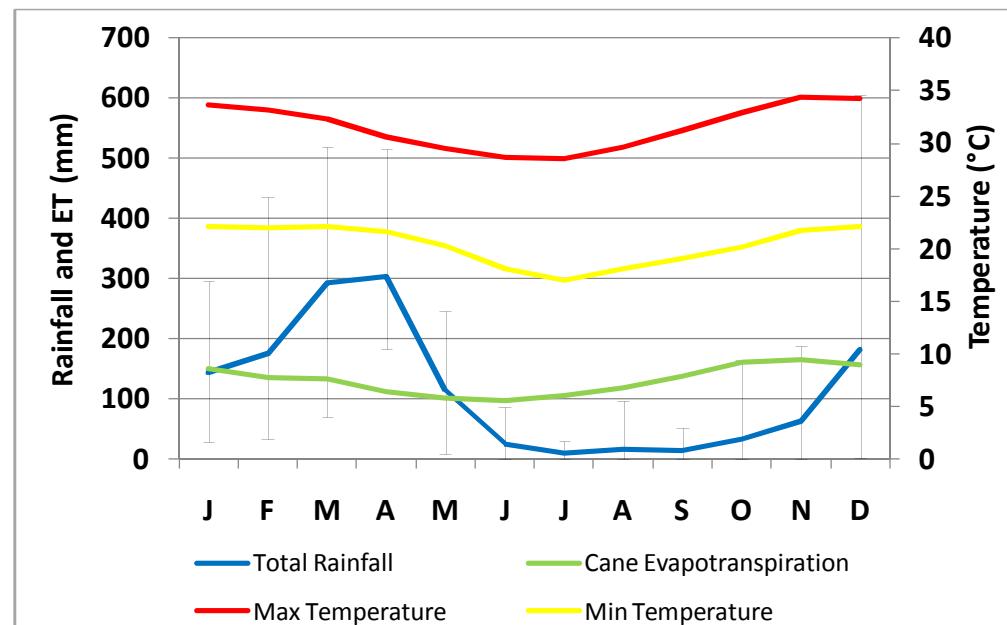
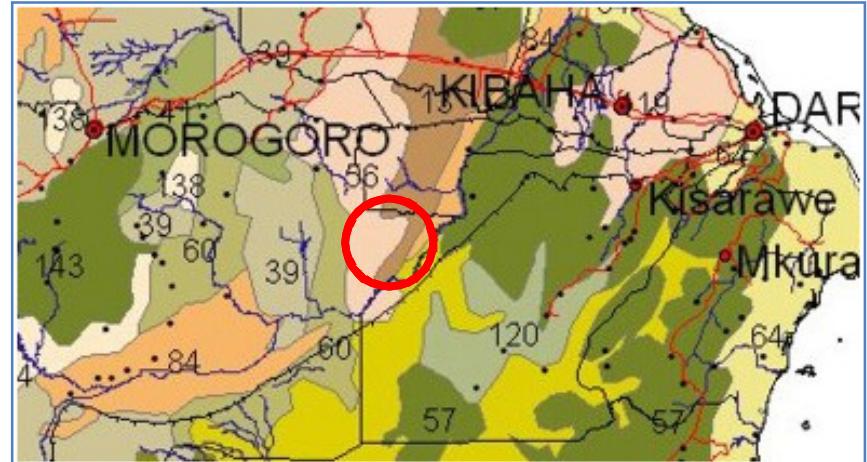


- The site is surrounded by rivers and borders the railway line to Dar Es Salaam



## Mkulazi (4/4) Soils & Climate

- The site is dominated by vertisols (Chromic-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 suitable climate for rice

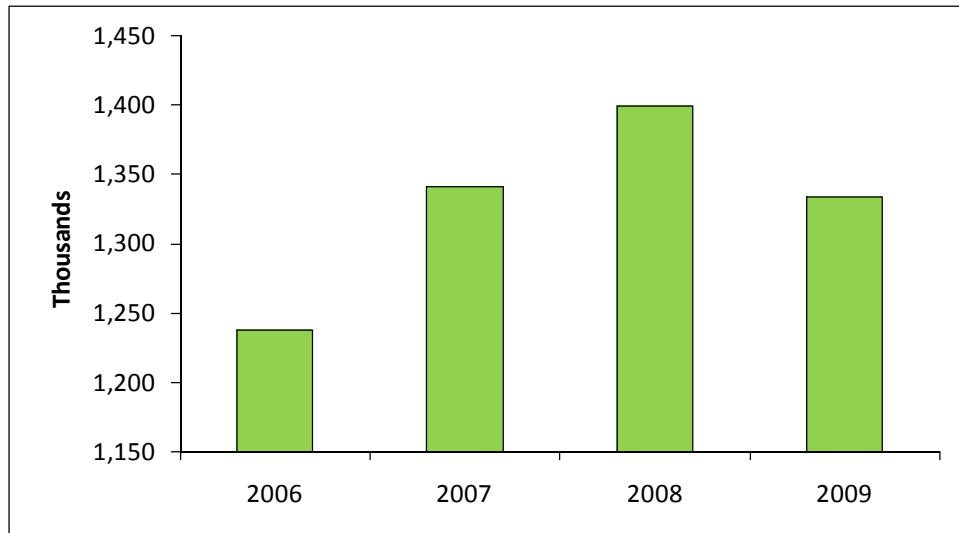


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## *Appendix 2: Additional market information*

Local rice production has been increasing steadily over the past couple of years

### Tanzania Rice Production (Tons)

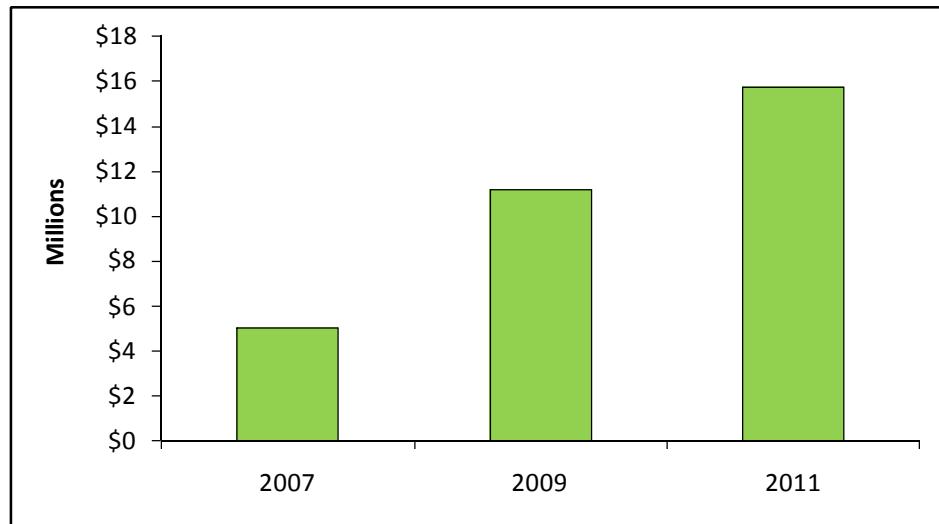


#### Key Points

- Rice is the 2<sup>nd</sup> most important crop in Tanzania
- Local rice production has been increasing steadily over the past couple of years
- Around 90% of local production is sourced from small scale farmers, on an average farm size of 1.3 ha
- Between 2005 and 2010, the area being cultivated for rice has increased by 55% and yields have increased by 83%

However, Tanzania still imports 10-25% of its total rice consumption every year

### Tanzania Rice Imports (USD)

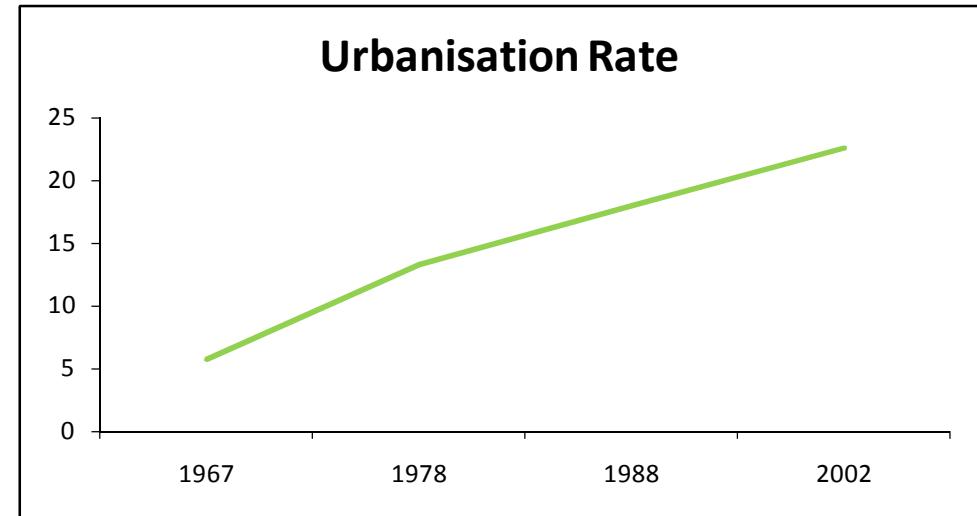
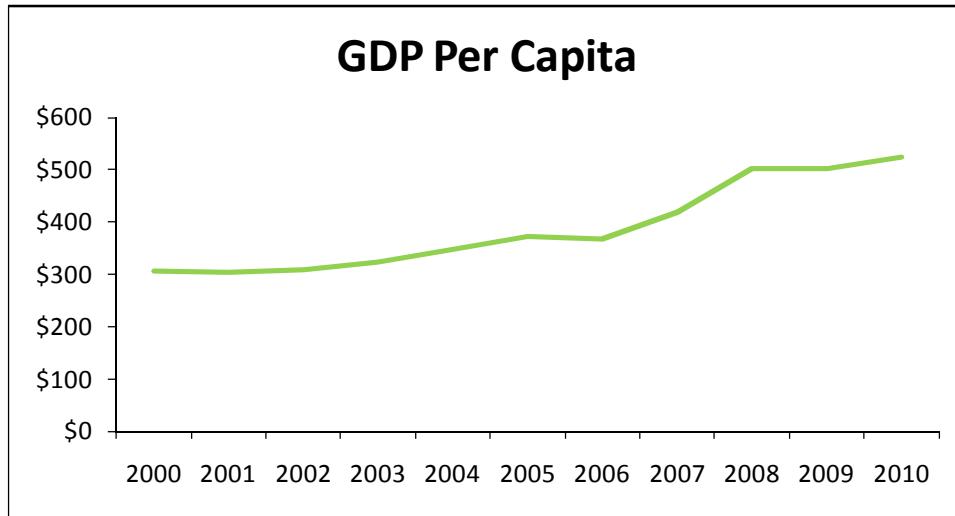


#### Key Points

- Tanzania relies on rice imports to close the gap in local demand
- In 2011 Tanzania imported 32 000 tons of rice, worth about US \$16 million
- Demand for rice in the local market is increasing and production is not keeping up, thus creating a market for imported rice
- On average **10-25%** of total local consumption is imported annually to cover the shortfall

This is due to population growth, increased urbanisation, and rising income levels

### Tanzania GDP per capital and Urbanisation Rate

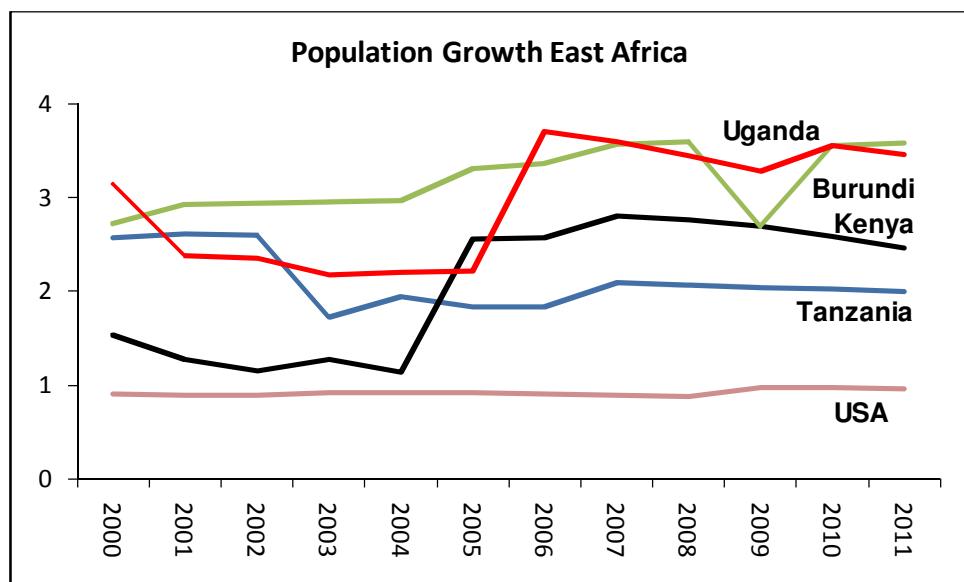
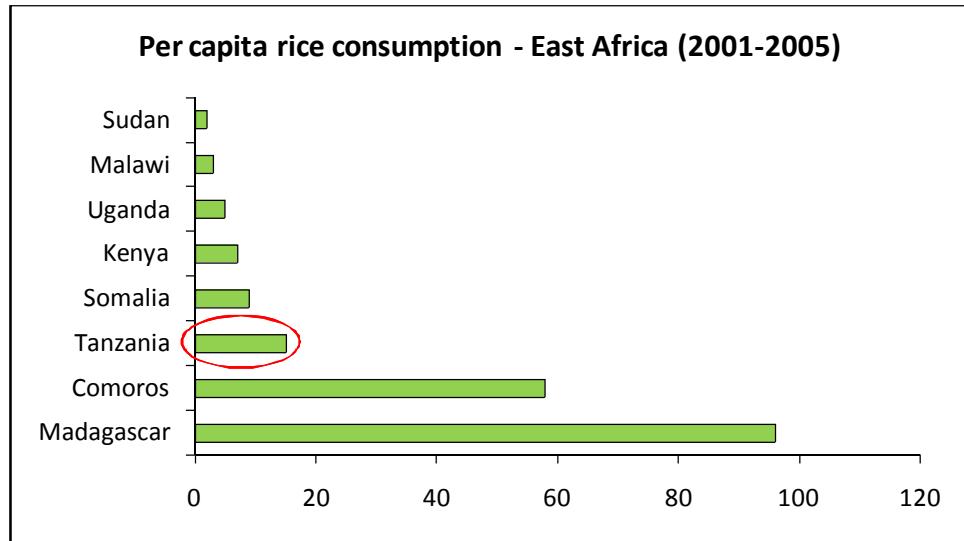


### Key Points

- Tanzania is one of the poorest countries in the world
- The recent growth figures of around 7% p.a. have helped to increase Tanzania's GDP per capita from approximately \$300 in 2000 to \$520 in 2010
- The urban population in Tanzania grew by 17% between 1967 and 2002
- Tanzania is currently urbanising at a rate of just under 5% p.a
- The growing middle class is looking for convenience and rice provides this in comparison to the other staple foods
- Rice has a high income elasticity and the increase in income levels has led to an increase in the demand for rice

# With continued population growth and per capita rice consumption increases, this trend is expected to continue

## Regional Per Capita Rice Consumption and Population Growth

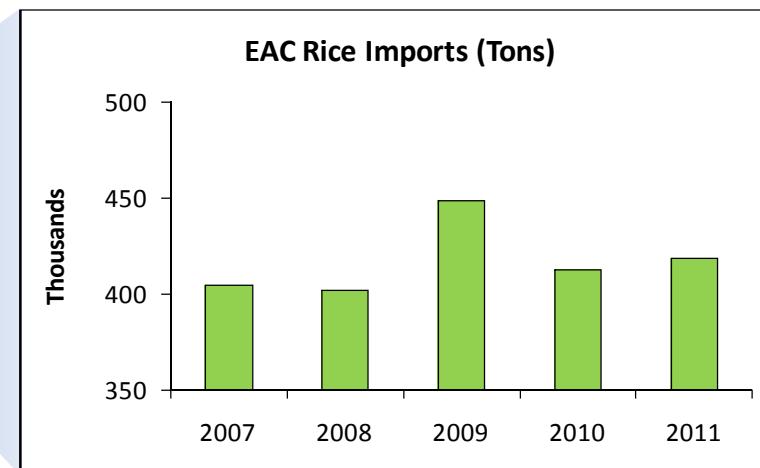
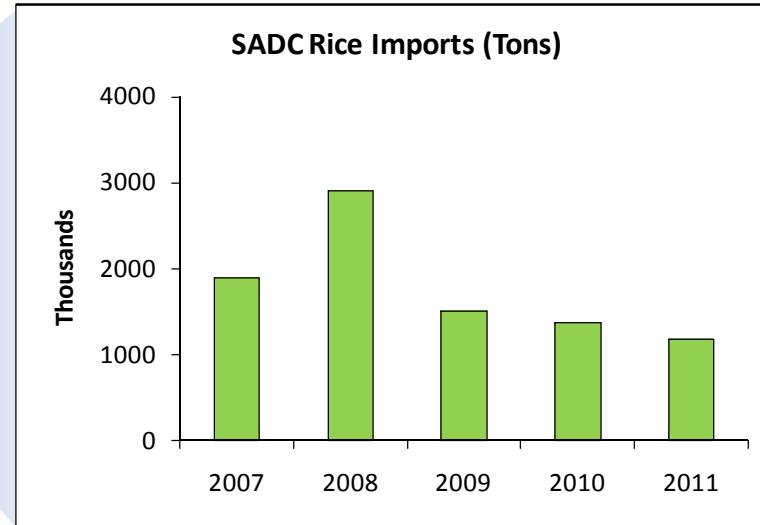
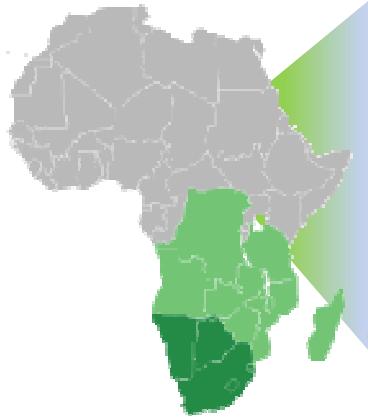


Source: WFP, FAPRI

Key Points	
■	Per capita rice consumption in Tanzania has been increasing over the years
■	Although rice consumption has been increasing, it is still well below the global average
■	This shows that there is room for demand for rice in Tanzania to grow even further
■	The upward trend in per capita rice consumption is set to continue over the next decade
■	Tanzania's population growth is on the downward trend, but at around 2% is still much higher than the global average of 1.2%
■	The rapid growth in the population of Tanzania has contributed to the increase in demand for rice
■	Regional population growth is high, averaging 2.5% p.a
■	The growth in the population will be one of the key drivers behind the increase in demand for rice in the future

The same is observed in neighbouring countries, leading to a growing rice deficit in the region

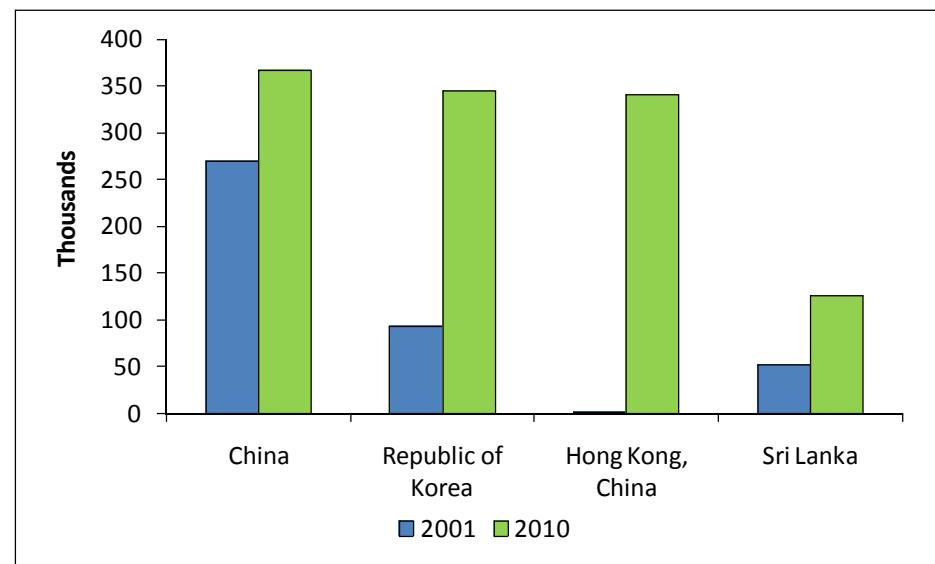
## Regional Rice Imports



- ### Key Points
- Regional markets are not producing enough rice to satisfy demand in their respective local markets
  - The EAC trade deficit is widening as all the countries in the region are not producing enough rice for their local markets
  - Although the SADC's rice imports are declining, at 1.2 million tons, the number is still quite significant
  - Income levels in both SADC and EAC economies are rising and population growth remains high, contributing to the increase in demand for rice
  - Tanzania is well placed to take advantage of the growing regional deficit as it has relatively easy access to all these markets

# Tradable rice surplus in Asia has been declining, opening up opportunities for African producers

## Asian Rice Imports



### Key Points

- Over 90% of the world's rice is produced and consumed in Asia
- With growing prosperity and urbanisation, per capita rice consumption in Asian countries is declining
- Higher income consumers start substituting rice with food containing more protein and vitamins
- The decline in rice production in Asia is primarily because:
- Production resources are being diverted to more remunerative activities
- There is limited land to grow rice
- This provides a significant opportunity for Africa, and Tanzania in particular

## **Appendix 3:**

*Additional information on relevant activities by donors and the private sector in the rice sector and SAGCOT*



## TARIPA Overview

TARIPA
<ul style="list-style-type: none"> <li>■ Tanzania Rice Partnership (TARIPA) was established in 2011 by the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) to provide focus and develop a critical mass of commercial value chain activities for improved rice productivity, marketing and processing</li> <li>■ The aims of TARIPA are to:           <ul style="list-style-type: none"> <li>• Develop a partnership framework to respond to rice value chain constraints and opportunities</li> <li>• Build markets and small-scale farmer capacity to produce rice to address key food security issues in the country, expand domestic production, improve competitiveness and increase value addition</li> <li>• Scale-up core value chain activities to catalyze significant small-scale and large-scale farmer and agribusiness development in the rice sub-sector</li> <li>• Support commercial initiatives by building on ongoing plans and activities to scale up through learning</li> </ul> </li> <li>■ A number of organisations are partners with the government in the formation of TARIPA</li> </ul>

## TARIPA Partners



**Association of Kilombero High Quality  
Rice Growers Co. Ltd**



**Agrica Tanzania Limited**





## USAID Feed the Future

- FtF is fully aligned with the government's Comprehensive African Agriculture Development Program to which SAGCOT is linked
- To support government initiatives, FtF makes targeted investments in:
  - **Irrigation and building of rural roads** in order to raise yields and improve access to markets
  - **Focus value chains** - this will improve the competitiveness of smallholders
  - **Food processing:** Build public and private sector capacity to address policy constraints and issues related to food processing
  - **Policy partnership:** Engage with government, civil society and the private sector to promote enabling policies for private sector investment, trade, and nutrition



## Investors have already made substantial investments in the rice market in Tanzania



KPL's mission is to set the standard for sustainable commercial and smallholder agriculture in the region through use of renewable energy, minimum impact cultivation and transformative smallholder farming. KPL has rehabilitated and modernized the Mneta farm since 2008 with investment from Capricorn and Norfund and is still developing it. KPL has invested in land acquisition, resettlement, re-clearing of land, center pivot irrigation, drying equipment, an industrial rice mill, storage infrastructure and a fleet of tractors, planters, sprayers, harrows, combine harvesters and chaser bins.

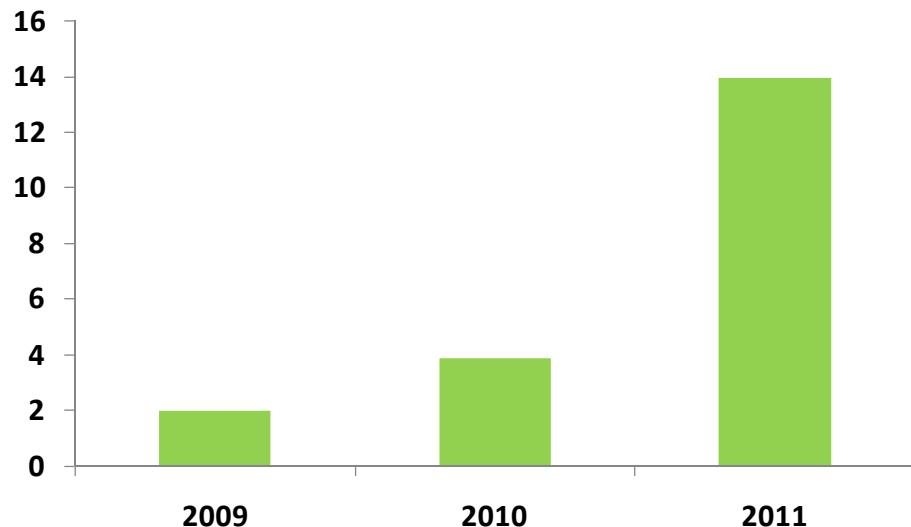
Capricorn is a multi-billion dollar fund based in the US whose mission is commercial returns and positive social and environmental impact.

Norfund is a development finance institution, owned by Norwegian government, intending to develop and establish profitable and sustainable enterprises in poor countries.

# The 2011 rain season produced the first sizeable rice harvest at the KPL project

## KPL rice production statistics

Thousand tons paddy



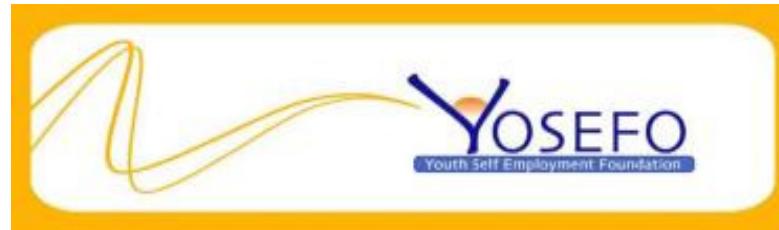
### KPL Success Story

- Agrica acquired the Mngeta Farm in 2008 and established Kilombero Plantations
- So far \$35 million has been invested in the project, and another \$35 million injection is planned to finish the farm and complete the 3,000 ha irrigation and 3MW biomass power system
- The company cultivates 5,429 ha on its own and has started buying the output of 150 Year 2 outgrowers with 1 acre each under new System for Rice Intensification (SRI)
- In 2012, 1,559 new Year 1 farmers joined the SRI program
- KPL aims to buy the output of 5,000 farmers with 1 ha each under SRI by 2016

KPL is actively working to establish an out grower scheme with the assistance of development partners

### Development Partner Activities

- The Africa Enterprise Development Fund is providing financial assistance to KPL to expand the out grower scheme
- USAID is providing funding for the capacity building training of the out growers
- The Youth Self Employment Foundation (YOSEFO) facilitates entrepreneurial training for farmers and disbursed loans to them



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## *Appendix 4:*

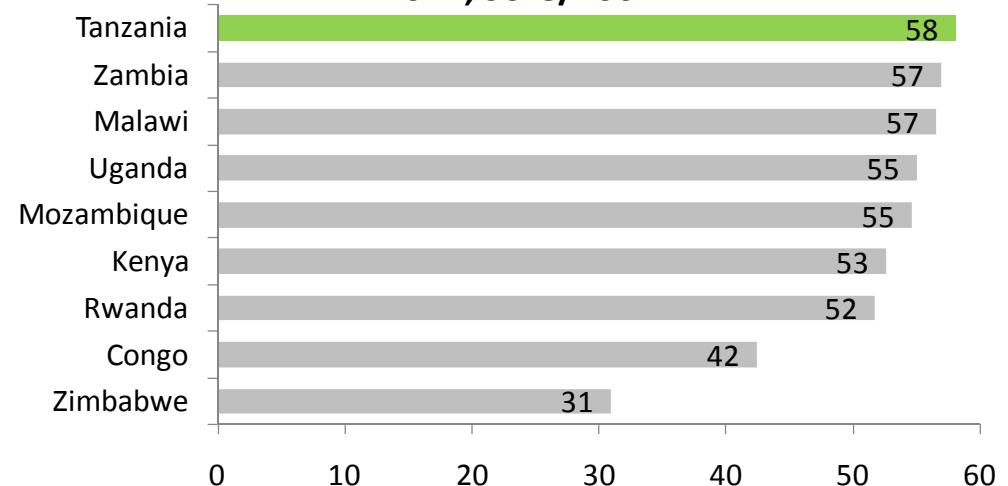
### *Additional information on Tanzania's business environment and support for investors*

# Tanzania is one of the most open and stable democracies in Africa

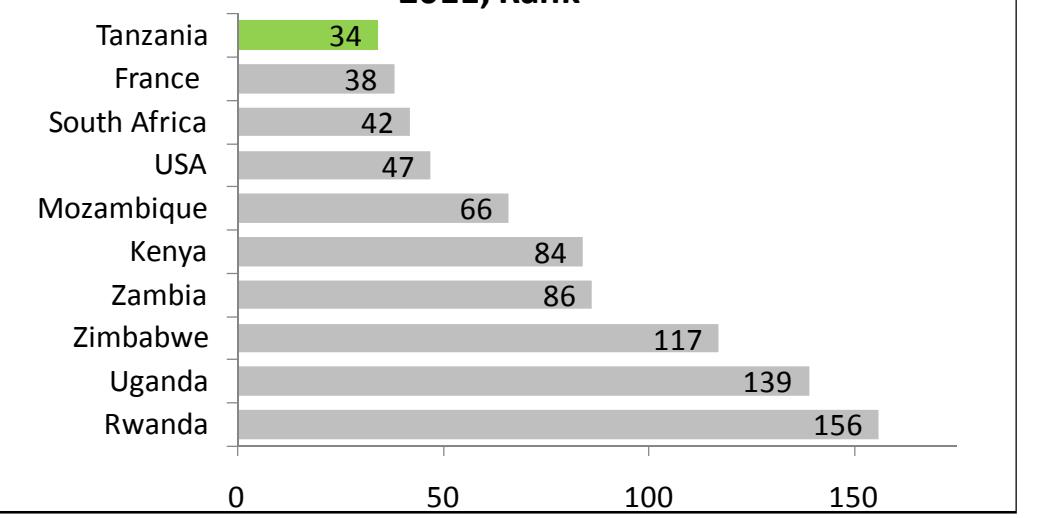


- Tanzania is a **stable, multiparty democracy** with a President, Parliament and independent executive and judiciary
- It has been without civil war or tribal rivalries since independence in the 1960s as **media and opposition parties** are able to operate freely and challenge the ruling party openly
- **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**

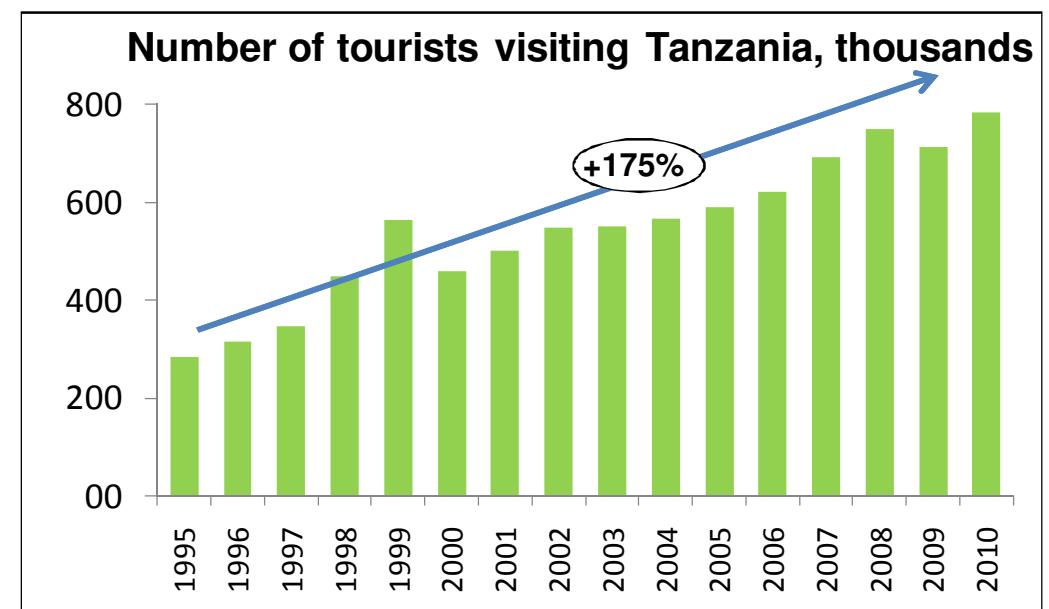
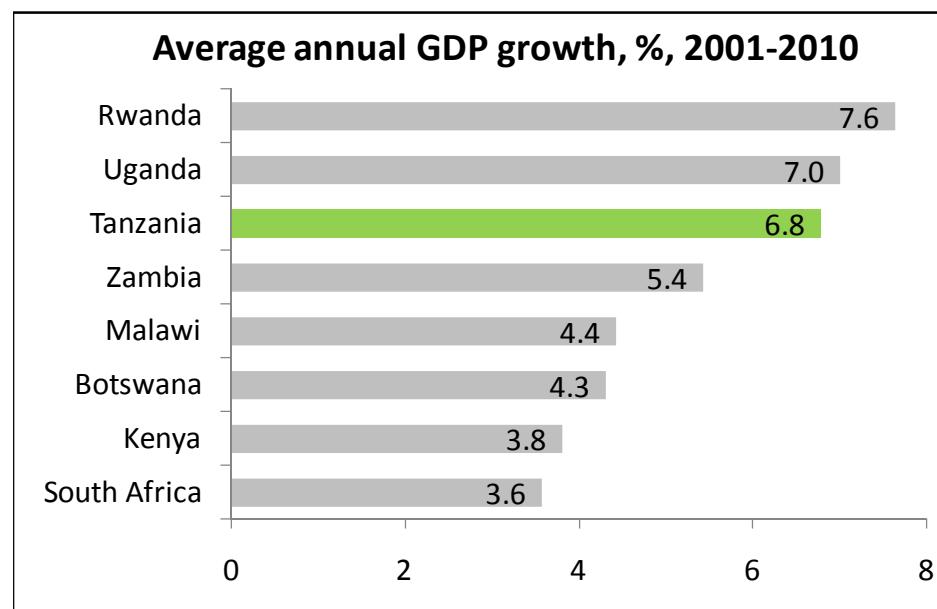


## Its economy is amongst the fastest growing in the region

- 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 was invested in the countries booming agriculture, mining, FMCG and other industries

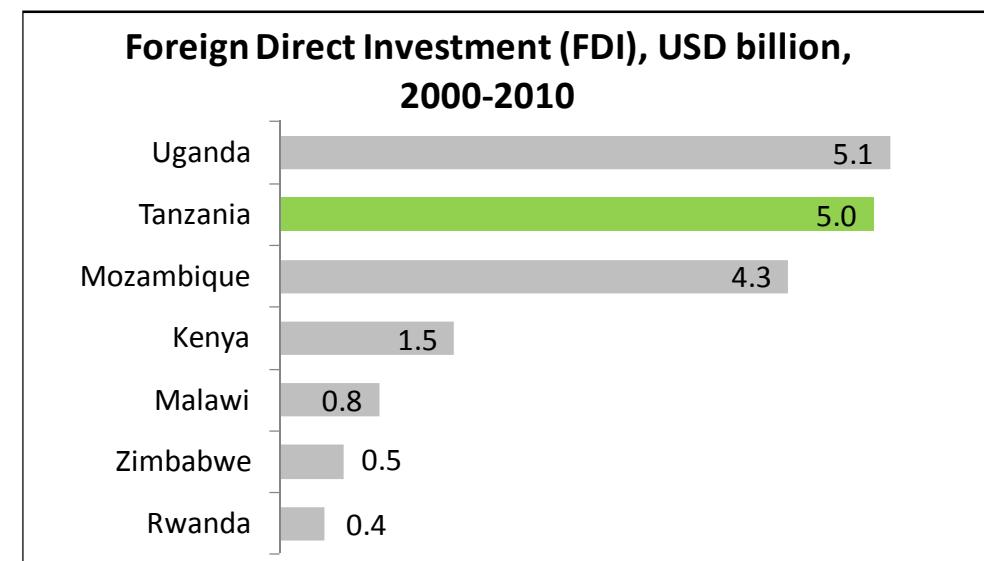
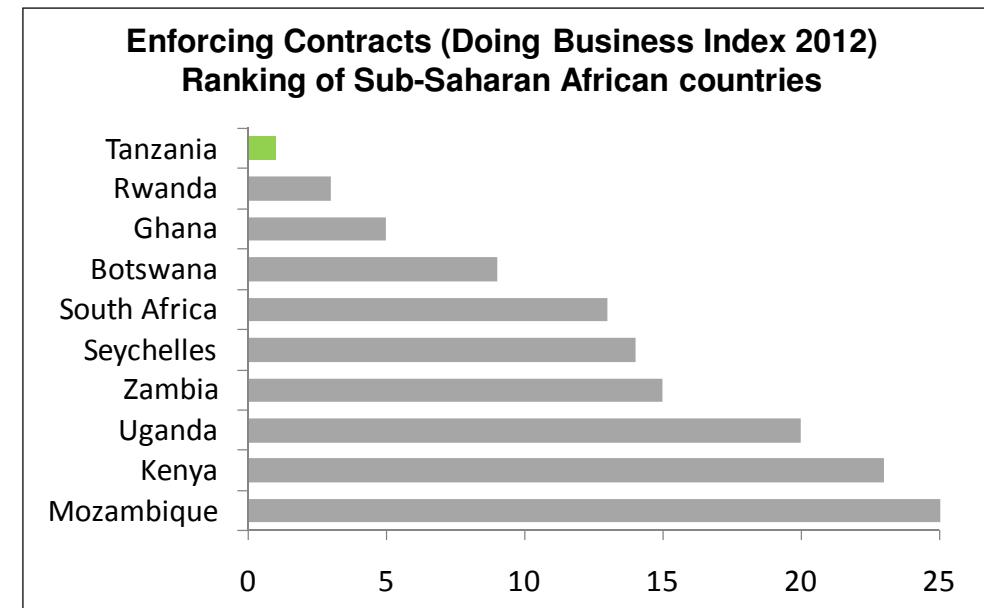


Dar es Salaam



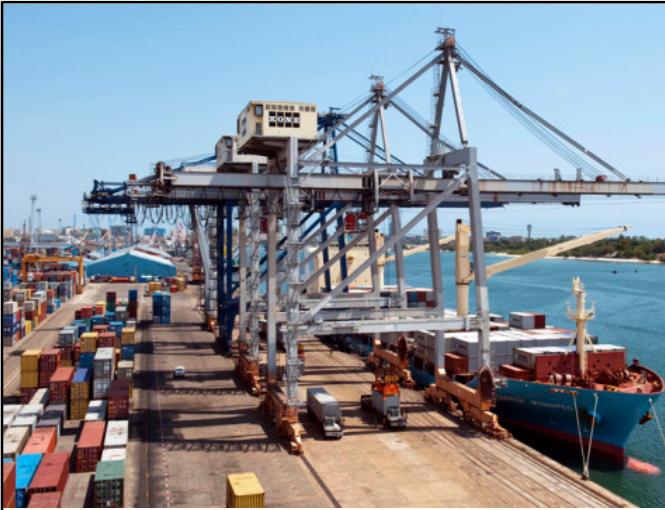
# The Government is committed to economic growth through private sector development

- 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 FMCG
- 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



# The strong focus on infrastructure investment is contributing to an attractive investor climate

**Port in Dar es Salaam**



**National Power Grid**



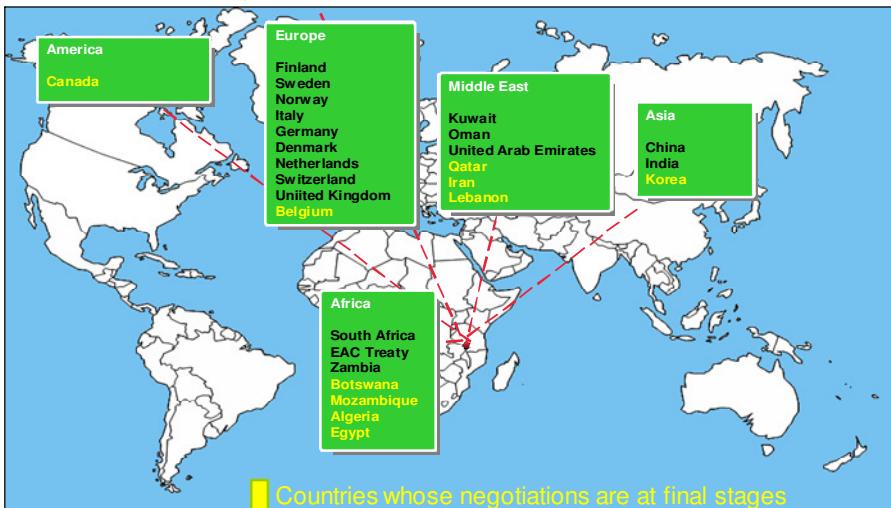
**Tarred Roads**



- Tanzania is ideally located on the east cost of Africa to serve the growing markets in the Middle East and Asia, and an essential lifeline to its six landlocked neighbouring countries
- A network of rail ways 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 rail way lines linking the costal regions with the hinterland all the way to the lake zones to 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)

# A number of international agreements guarantee and enhance investment

## 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 is allowed through any authorized bank in freely convertible currency of 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), furthermore 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)

## In addition, a number of incentives are available to investors

### 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