

Doing business in Tanzania



Are you a member of a UK company interested in entering or expanding your activity in Tanzania? Then this guide is for you.

The aim of this **Doing Business in Tanzania** Guide is to give you an overview of the economy and business culture, and potential opportunities. Those new to export will find it a particularly useful starting point.

Further assistance is available from the UKTI Tanzania at the High Commission in Dar es Salaam. Contact details are available at the end of this guide.



Important Information - Sanctions and Embargoes

Some countries maybe subject to export restrictions due to sanctions and embargoes placed on them by the UN or EU. Exporting companies are responsible for checking that their goods can be exported and that they are using the correct licences.

Further information is available on www.bis.gov.uk/exportcontrol

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Introduction

Tanzania is located along the coast of the Indian Ocean. It is a member of the East African Community, along with Kenya, Uganda, Rwanda and Burundi. Tanzania's geographical neighbours are Malawi, Mozambique; Zambia and Democratic Republic of Congo. Dar es Salaam is the largest port of entry.

The UK is the largest foreign investor in Tanzania with 60% of total inward investment, followed by Kenya, South Africa, China, India, Canada and USA.

Strengths of the market

With an estimated population of 45 million and an economic growth rate of more than 7 percent per year, Tanzania offers a growing market, despite its low per capita income.

Tanzania has abundant natural resources, with business opportunities in,

- Agriculture: 44 million hectares of arable fertile land, the great East African lakes - Victoria, Tanganyika and Nyasa - are partly within Tanzania and forest and marine
- Mining: Diamonds, gemstones, gold, coal, iron, nickel,
- Energy: Rivers with hydroelectric potential, natural gas and very likely oil.
- Tourism: The country's natural features include the Ngorongoro crater, Lake Manyara, Mount Kilimanjaro (the highest peak in Africa), the Indian Ocean coastline and the islands of Zanzibar.

Dar es Salaam port serves 8 land locked countries and many international airlines fly to Tanzania. English is the business language.

Opportunities in Tanzania

Tanzania's emerging economy has business opportunities in a number of sectors, which has led to a steady rise of foreign direct investment over the past decade. These sectors include:

- Telecommunications and Information Technology
- Tourism
- Oil, gas and energy infrastructure
- Agribusiness and food processing
- Mining - gold, diamonds, gemstones and other minerals
- Health services
- Media and consultancy services
- Security

In addition, UK consumer goods and franchises are increasingly attractive to the Tanzanian consumers.

Trade between UK and Tanzania

Bilateral trade in goods: (£ million)

	2005	2006	2007	2008	2009
UK Exports	71	86	86	96	97
UK Imports	36	29	31	26	15
Balance	35	57	55	70	82

Source: HMRC

Bilateral trade in services: (£ million)

	2005	2006	2007	2008	2009
UK Exports	43	46	33	58	53
UK Imports	80	86	93	70	61
Balance	-37	-40	-60	-12	-8

Source: ONS UK Balance of Payments

Top exports of goods from the UK to Tanzania 2009:

Description	£
Road vehicles	38m
Electrical Machinery	6m
Power Generating Machinery	7m
General Industrial machinery	7m
Specialised machinery	7m

Top Imports of goods to the UK from Tanzania 2009:

Description	£
Tobacco	5m
Coffee, Tea and Spices	3m
Sugar Preparations and honey	1m
Vegetables and Fruits	1m
Other transport equipment	1m

Source: Office of National Statistics UK Balance of Payments

Economic Overview

The economy of Tanzania is overwhelmingly agricultural; plantations grow cash crops, including coffee, sisal, tea, cotton, pyrethrum, cashews, tobacco, sugarcane, and cloves (in Zanzibar and Pemba), whilst most of the population is engaged in subsistence farming, growing corn, wheat, cassava, bananas, fruits, and vegetables. In addition, large numbers of cattle, sheep, and goats are raised. Timber is important and includes mahogany, teak, ebony, camphor wood, and mangrove.

Manufactured goods include processed agricultural goods, beverages, wood products, and basic consumer items. Refined petroleum, fertilizer, aluminium goods, and construction materials are also produced. Diamond, Tanzanite, and other gemstones are mined; other minerals extracted in significant quantities include gold, salt, gypsum, phosphates, and kaolin. There are also tin mines in North West Tanzania and coal and iron ore deposits near Lake Nyasa. Natural gas from deposits around Songo Songo Island, off the South central coast, is used to produce electricity.

Tanzania has limited road and rail networks. The main rail lines run from Dar es Salaam to Kigoma (on Lake Tanganyika) and to Tanga, Moshi, and Arusha in the north east. The Great Uhuru (Tanzam or Tazara) railroad, built in the 1970s by the Chinese, connects Dar es Salaam with central Zambia, affording landlocked Zambia an alternative route to the sea. Tanzania's main exports are gold, coffee, cashews, diamonds and other gemstones and cotton. Its main imports are consumer goods, machinery, transport equipment, industrial raw materials, crude oil, and food. Its trade partners are China, India, South Africa, and Canada.

Population

The population of Tanzania is approximately 45 million - the highest in East Africa. About 55% lives in rural areas and the rest in urban areas; 38% of the population is under 15 years of age, 46% is of working age and 16% over 65. Most of the population live in the coastal areas, Southern highlands, North East of Tanzania and around Lake Victoria, leaving central Tanzania with wide vacant areas.

Political overview

Tanzania is governed by a constitution, amended in 1977. The President, who is head of state and head of government, is elected by popular vote for a five-year term and is eligible for a second term. Political parties, besides the ruling Party of the Revolution (CCM), were permitted in 1993, and the first multiparty elections were held in 1995. The unicameral legislature consists of the 274-seat National Assembly or Bunge; 232 members are popularly elected, 37 are women appointed by the president, and five are members of the Zanzibar's legislature (Zanzibar has its own president and House of Representatives, for dealing with matters internal to Zanzibar). All legislators serve five-year terms. Administratively, Tanzania is divided into 26 regions.

Getting here and advice about your stay

FCO Travel Advice

The FCO website has travel advice to help you prepare for your visits overseas and to stay safe and secure while you are there. Please visit www.fco.gov.uk

Getting here:

Visas

British passport holders can obtain a visa at a Tanzanian Embassy, or on arrival at the airport.

By air

Most African and many international airlines fly to Dar es Salaam, Zanzibar, and Kilimanjaro international airports in Tanzania.

At the airport

Taxis from Dar es Salaam airport into the city centre cost around \$25-40. The commuter buses that operate within Dar es Salaam City are not recommended for first time visitors.

Your stay

The Tanzania Tourist Board website (www.tanzaniatouristboard.com/) is a good source of information to help you plan your trip.

Preparing to Export to Tanzania

The most effective way of selling goods in Tanzania is either via an agent or distributor, or by setting up a company in Tanzania itself. Typically, business partners will enter into a Distributor Agreement with British producers and then operate as wholesalers to sell goods to other business customers. Some distributors also operate as retailers and sell directly to consumers.

In general, finding a reliable agent or distributor requires a country visit to meet with local businesspeople in person. British companies wanting to enter the Tanzanian market are advised to undertake market research, which can be provided by UKTI at the British High Commission in Dar es Salaam.

UKTI Tanzania provides a range of services to British-based companies wishing to extend their business in the Tanzanian market. These include providing market information, validated lists of potential agents, distributors and partners, key market players or potential customers; establishing the interest of such contacts in working with a British company; and arranging appointments. In addition, we can also organise events for you to meet contacts or promote your company and its products/services.

How to do business in Tanzania

Key Locations for Business

Dar es Salaam is the largest commercial centre in Tanzania and has a population of 4 million. The other commercial centres are Arusha, mainly for tourism, and Mwanza for mining. The Southern Highlands, Mbeya and Iringa are suitable for commercial farming and manufacturing. Zanzibar is a tourist centre.

Market entry and start up Considerations

Tanzania is a member of the East African Community and therefore follows most international business standards. There are several ways in which British companies can enter the Tanzanian Market:

- Export direct,
- Set up an agency,
- Appoint a distributor,
- Set up a Joint Venture,
- Sell to the government

The Government of Tanzania encourages joint ventures between local firms and foreign investors, which are registered and licensed in the same manner as all other businesses in Tanzania.

In the case of direct export to Tanzania, UK companies are advised to appoint a local agent, on a commission basis, or a distributor. Tanzanian consumers are also able to buy products from non-store sources – particularly via the Internet – though direct marketing remains limited. Personal relationships are important when doing business in Tanzania and setting up business often requires a market visit and a local presence, of some description.

UK companies are advised to provide product training for their agent's workforce. This is especially true for technical products. It is also likely to be necessary to visit the market especially during the early stages of an interaction with an agent / distributor.

Selling Factors and Techniques

Selling factors and techniques depend on the type of customer, which can be broadly divided into three categories.

- Government departments and state-owned enterprises issue tenders under procurement regulations. A British supplier must meet the terms and conditions including the submission deadline as stipulated in the tender document. A joint venture with a local partner is often the best approach to use. This market segment is usually quality sensitive, rather than price sensitive.
- Private companies depend on direct solicitation, business-to-business agreements, and one-on-one negotiation. Establishing a distributor agreement is a good way to sell to the private sector. This market segment is usually price sensitive.
- Non-governmental organizations (NGOs) tend to buy from foreign sources, which are either associated with, or based in their countries of origin. It is best for UK companies to target UK based NGOs, especially through their headquarters. This market segment can be both quality and price sensitive.

Customs and Regulations

Tanzania is a member of the Southern Africa Development Community (SADC), World Trade Organizations (WTO) and the East African Community (EAC). Some goods produced in the UK, especially finished goods, attract import duty while there are no duties for raw materials, capital goods and some technical equipment. More information can be found in the Tanzania Revenue Authority website (www.tra.go.tz)

Local Regulations

Foreign investment is welcomed in Tanzania and has contributed greatly to the economic development of the country. Companies will need to register with Tanzania Revenue Authority for Taxes and Tanzania Investment Centre for various incentives. Further information can be obtained from the Tanzania Investment Centre (www.tic.co.tz).

Taxes

After a company has been registered, application for a certificate for being a taxpayer follows. All companies must register with the Commissioner of Domestic Revenue and receive a Taxpayer Identification Number (TIN) to be used in all tax and business transactions. Companies and individuals will also file a provisional return and assessment for the year and pay the instalment, which is payable quarterly. All details regarding taxes are available in the Tanzania Revenue Authority (www.tra.go.tz)

Responding to Tenders

In Tanzania all public procurement is by tender. Tenders are posted on the public procurement regulatory authority (PPRA) website, www.ppra.co.tz. Private sector tenders are advertised in newspapers and on the respective website.

Projects that are considered an opportunity for UK companies are published on the UKTI website, in the 'Business Opportunities' section.

Recruiting and Retaining Staffing

There is a shortage of technical experts and high level managerial skills in Tanzania. However the local recruitment industry is well developed with international companies such as, PWC, KPMG and Deloitte established. A list of recruitment consultants in Tanzania is available from UKTI Tanzania upon request.

There has been a steady increase in the number of graduates in various fields in Tanzania. Most of the employees are in the services sector leaving the technical sector with very limited experts. The service sector employs 30% of the total working force. The rest of the population is mainly self-employed in agriculture and business.

Import Requirements and Documentation.

An Import Declaration Form (IDF) is needed to import goods to Tanzania and it is available on the Tanzanian Revenue Authority's (TRA's) website www.tra.gov.tz, or at any Tanzanian customs office. Importers must establish whether goods to be imported are subject to Pre-Shipment Inspection (PSI) and provide full contact details of the original suppliers. It is advisable to send normal commercial documentation with the export (e.g. invoices, packaging lists) for despatching to Tanzania.

Labelling and Packaging Regulations

The Tanzania Bureau of Standards website (<http://www.tbstz.org>) has information about labelling and packaging regulations.

Getting your Goods to the Market:

There are various transport options for moving goods from the UK to Tanzania. For all large consignments it is better to use sea-freight and pre-booking is necessary. For further information on transporting goods in Tanzania please contact UKTI Tanzania.

Standards and Technical Regulation

For Standards and regulations visit the Tanzania Bureau of Standards website (<http://www.tbstz.org>)

Intellectual Property Rights (IPR)

It is important to have a strategy to protect your IPR in Tanzania. IPR is protected differently in Tanzania than in the UK and must be registered and enforced in Tanzania under local laws. UKTI Tanzania can provide advice to companies and a list of local lawyers. It is important that companies understand that IPR is primarily a private right and that the UK government generally cannot enforce rights for private individuals in Tanzania. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors.

Moreover, in many countries, rights holders who delay enforcing their rights on the mistaken belief that the UK Government can provide a political resolution to a legal problem may find that their rights are eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. It is advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honour the contract.

It is recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting.

Business Etiquette, Language and Culture

Business Customs

Generally, international business customs apply. Tanzanians value face-to-face meetings and personal relationships strongly. Patience and flexibility are essential for success.

Language

Swahili and English are the official languages of Tanzania, although there are over 100 tribal languages spoken in various parts of the country. Swahili is the most widely used, but English is the official language of higher education, government administration and business.

Meetings and Presentations

It is important to target the decision maker. Business people respond to people they know, or have been introduced to by someone they already know and require an in-depth explanation of a product or service. One-to-one meetings are often preferred by most Tanzanians as they regard this as the best way to be convinced that you are serious about the business. Some Tanzanians are happy for business meetings to take place over lunch or at bars. Appointments should be made at least 2 or 3 weeks in advance, and confirmed a few days before the actual meeting. Punctuality is not a strong feature.

Negotiations

Business negotiations can take a long time in Tanzania, especially if you are dealing with the government. Businesses can respond faster, especially if they are happy with your proposal.

What are the challenges?

As in any emerging market, doing business in Tanzania has its challenges. These include,

- Unreliable, high-cost power
- Underdeveloped transport system
- Bureaucratic “red tape” and corruption, particularly in customs and tax authorities
- Limited availability of skilled labour
- Lack of information technology

We advise on early contact with UKTI Tanzania for advice and support to understand and overcome these challenges.

Getting Paid - Terms of Payment

The method of payment in Tanzania is usually agreed when negotiating contracts. Open account is normally used as the payment method (Swift, bank draft and cheque). It is advisable to quote in dollars, as it is the dominant currency, although quotation in other major currencies is often also accepted.

UKTI Tanzania can provide a list of local lawyers and chartered accountants.

How to Invest in Tanzania

The Government of Tanzania (GoT) has made significant efforts to encourage foreign investment. The Tanzanian Investment Centre (TIC) is the focal point for all investors' enquiries and facilitates project start-ups. The TIC continues to improve investment facilitation services, provide joint venture opportunities between local and foreign investors, and disseminate investment information. Both TIC and Zanzibar Investment Promotion Agency (ZIPA) offer various incentives to companies holding TIC /ZIPA certificates.

The GoT accepts foreign investment in Build, Operate and Transfer (BOT) projects and has launched a concession system aimed at attracting foreign investors to build infrastructure.

Land ownership remains restrictive in Tanzania. Under the Land Act of 1999, all land in Tanzania belongs to the state. Non-Tanzanian investors may occupy land for investment purposes only.

The Economic Processing Zones Act 2006 authorized the establishment of Special Economic Zones (SEZs) to augment investments in the light industry, agro-processing industry and agriculture sectors. The GoT's Export Processing Zones Authority promotes Export Processing Zones (EPZ) to attract investments in agribusiness, textiles and electronics and Spatial Development Initiatives (SDI).

There are 28 commercial banks licensed and operating in Tanzania, over half of which are foreign-affiliated. Competition among these foreign commercial banks has resulted in significant improvement in the efficiency and quality of financial services. Foreign investors are barred from participating in government securities.

Financial Assistance

SEE ABOVE

Tanzania's financial sector includes 28 commercial banks, 5 financial institutions, 6 regional community banks, 2 investment banks and 157 foreign exchange bureaus. The banking sector has registered significant growth in the past decade due to a growth in deposits, an injection of capital and retention of profits. The sector is the third fastest growing sectors in Tanzania and attracts Foreign Direct Investment

East African Development Bank (EADB)

EADB is a regional bank with its headquarters in Kampala, Uganda. It provides medium and long-term loans designated in foreign currencies. EADB finances projects and offers a broader range of financial services in member states with a view to strengthening regional economic co-operation www.eadd.org

Other sources of funds:

Tanzania is one of the biggest recipients of overseas development aid in Africa, leading to many opportunities in the Aid Funded Business sector. Opportunity sectors include energy, infrastructure, education, health, agriculture and some aspects of the services industry. More information is available from UKTI Tanzania.

Contacts

If you have a specific question which is not answered by this report, please contact:

UK Trade & Investment Enquiry Service

Tel: +44 (0)20 7215 8000
Fax: +44 (0)141 228 3693
Email: enquiries@ukti.gsi.gov.uk

You will be signposted to the appropriate section on our website. Or contact UKTI Tanzania at the British High Commission in Dar es Salaam.

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UKTI Tanzania is a part of **UKTI East Africa**, a regional team with trade experts located at the British High Commissions and Embassies in Kenya, Tanzania, Uganda and Ethiopia. UKTI East Africa offers coordinated services for those wishing to explore similar business opportunities in the wider region. Please ask the contacts above for more information.

Resources/Useful Links

Business Link: International Trade

Business Link's International Trade pages provide an overview of export basics including licensing, customs procedures, classifying and movement of goods, other regulatory information and export paperwork issues. It also introduces exporters to the UK Trade Tariff.

Essential reading for exporters!

Find out more at:

<http://www.businesslink.gov.uk/bdotg/action/layer?r.s=tl&r.lc=en&topicId=1079717544>

Country Information:

BBC Website:

http://news.bbc.co.uk/1/hi/country_profiles/default.stm

FCO Country Profile:

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/>

Customs & Regulations:

HM Revenue & Customs: www.hmrc.gov.uk

Import Controls and documentation (SITPRO): <http://www.sitpro.org.uk>

Economic Information:

Economist:

<http://www.economist.com/countries/>

Export Control

Export Control Organization:

<http://www.berr.gov.uk/whatwedo/europeandtrade/strategic-export-control/index.html/strategic-export-control/index.html>

Export Finance and Insurance:

ECGD: <http://www.ecgd.gov.uk/>

Intellectual Property

Intellectual Property Office: www.ipo.gov.uk

Market Access

Market Access Database for Tariffs (for non-EU markets only):

<http://mkaccdb.eu.int/mkaccdb2/indexPubli.htm>

Standard and Technical Regulations:

British Standards Institution (BSI):

<http://www.bsigroup.com/en/sectorsandservices/Disciplines/ImportExport/>

National Physical Laboratory: <http://www.npl.co.uk/>

Intellectual Property: <http://www.ipo.gov.uk/>

Trade Statistics:

National Statistics Information: <http://www.statistics.gov.uk/hub/index.html>

UK Trade Info: <https://www.uktradeinfo.co.uk/>

Travel Advice:

FCO Travel: <http://www.fco.gov.uk/en/travel-and-living-abroad/>

NHS: <http://www.nhs.uk/nhsengland/Healthcareabroad/>

Travel health: <http://www.travelhealth.co.uk/>
