

Tanzania

A business guide for
Finnish companies



Team
FINLAND



Embassy of Finland
Dar es Salaam

tanzania

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Karibu Tanzania!

Finland and Tanzania have a close, long-term and successful partnership. It is based on equality between the two countries, their institutions and peoples – from all walks of life, including decision-makers and ordinary citizens. While the partnership based on our political relationship and development cooperation continues, we are also broadening the cooperation in investment and trade.

Tanzania has been among the world's fastest growing economies for the past 10 years. The country has made good progress in reducing absolute poverty and improving the provision of education and health services. Tanzania is still, however, one of the least developed countries with many challenges ahead in reaching its development objectives.

At the same time, Tanzania is rich in natural resources such as natural gas, different kinds of minerals, forests, arable land for cultivation and several sources of energy. If used in a sustainable manner, these resources can contribute to long-term economic and social development of the country.

Tanzania recognises the challenges related to its business climate and private sector development. It has embarked on a broad and holistic reform programme on policy, regulation and coordination in order to improve the situation.

Finland, and Finns in general, have an excellent reputation in the country and we are known as experienced and reliable partners who respond with concrete and comprehensive solutions to Tanzania's challenges. This also lays a solid basis for broadening the concept of partnership with Tanzania in the private sector.

As a member of the Team Finland network, the Embassy of Finland in Dar es Salaam welcomes you to explore the possibilities for your business in Tanzania. We hope this small brochure will give you useful information and we look forward to hearing from you!



Pekka Hukka
Ambassador of Finland
Dar es Salaam, Tanzania



Economic Outlook

Over the last decade, Tanzania has witnessed solid 6–8% economic annual growth. Tanzania's economic base is strong with a stable inflation level (5–7%). The economic growth is largely driven by foreign investment and private consumption, especially in sectors such as communications, transport, financial intermediation and construction.

Economic activity is heavily based on agriculture, which employs more than 65% of the population but provides only a quarter of the GDP. The industrial and service sectors are growing. However, Tanzania's industrialisation is still in its early stages and focused on increasing productivity and adding value to locally produced goods and services. The largest sectors are mobile and financial services. Tanzania is one of the world leaders in using local mobile money transfer applications. More than 70% of Tanzanians own a mobile phone and almost everyone has access to a mobile phone. Access to smartphones and the internet is increasing as the network coverage is expanding to broader areas outside the larger cities.

Although Tanzania's economic growth has been fast, the population is growing even faster, leaving the economic growth per capita modest. The GDP per capita in 2017 was USD 936, which makes Tanzania one of the least developed countries. Tanzania's population of 54 million is projected to more than double by 2050. Approximately 800,000 Tanzanians join the job market every year, mostly in the low-paid informal sector. The rapidly growing population triggers not only the need to create new jobs, but also an increased demand for social services and infrastructure.

Tanzania's Five Year Development Plan (2016/17–2020/21) emphasises industrialisation as well as the development of the private sector and business environment, targeting mainly domestic and regional markets. The focus is on infrastructure, roads included, as well as, railways and energy.

The long-term relations between Finland and Tanzania have largely been based on development cooperation but recently commercial interests have gained importance. The trade between Finland and Tanzania has been modest and fluctuating. In 2017, exports from Finland to Tanzania amounted to EUR 48 million, which is twice as much as in 2016. The main export products were machinery and transport equipment, fertilizers and pharmaceuticals. In 2017 Finland imported four million euros of goods from Tanzania, mainly agricultural products like coffee, tea and spices.

Finland and Tanzania signed an agreement on the promotion and protection of investments in 2002. The agreement on avoiding double taxation has been in force since 1980s.

Country Facts



Official name:	The United Republic of Tanzania
Capital:	Dodoma
Total area:	947,300 km ²



PEOPLE

Population:	53.9 million (2015)
Median age:	17.7 years
Literacy:	77.9%
Languages:	English, Swahili, many local languages
Religions:	Christian 61%, Muslim 35%, folk religion and others 4%
Human Development Index:	154/189 (2017)
Poverty line:	49% of the population living below 1.9 USD/day (WB 2012)



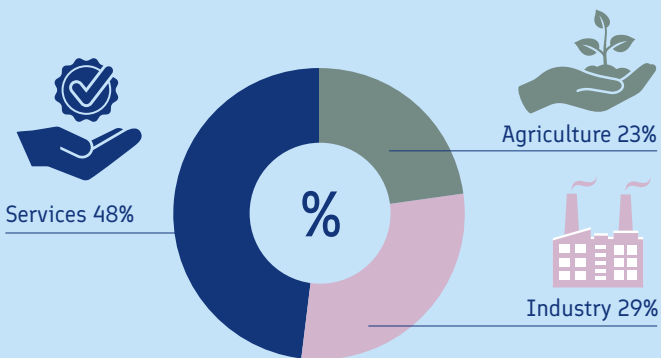
STATE AND GOVERNMENT

Independence:	1961
Form of government:	United Republic
Head of state:	President John Pombe Magufuli, since 2015
Parliament:	393 members of whom 136 are women
Main political parties:	CCM, Chadema and CUF
Next election:	2020



ECONOMY

GDP:	USD 52.09 billion
GDP	per capita: USD 936
Inflation:	5,3%
GDP growth:	7.1%



Export partners:	India 21.8%, South Africa 17.9%, EU28 13,7 %
Import partners:	India 16.5%, China 15.8%, EU28 12.7%
Main exports:	gold, coffee, cashew nuts, manufactures, cotton
Main imports:	consumer goods, machinery and transportation equipment, industrial raw materials, crude oil



Business Environment

Tanzania has great potential to become the East African centre of trade. The economy is developing fast, the number of consumers is growing rapidly and it has abundant natural resources. In addition, Tanzania's political situation is relatively stable.

The most important reference group for Tanzania is the East African Community (EAC), which offers a common market and a customs union of 6 countries and 150 million people. Despite the commitment to the free trade area, there is still work to be done to curb some of the protectionist policies and ad hoc non-tariff barriers to trade among the EAC. As a least developed country, Tanzania enjoys duty- and quota-free access to the EU market under the Everything But Arms (EBA) initiative.

Despite the great potential, challenges in the business environment remain. Tanzania's ranking in the World Bank's Doing Business Index 2019 is 144 out of 190 countries, which is above the Sub-Saharan average, but below the rankings of its neighbouring countries Kenya, Rwanda and Uganda. The major challenges relate to the unpredictability and inconsistency of the regulatory framework, difficulties in getting work permits and visas as well as complicated tax regulations. The state owns all of the land in Tanzania and the land use rights (title deeds) can be obtained for a maximum of 99 years. There are restrictions in granting title deeds to foreigners. A skilled labour force can be difficult to find and poor infrastructure can cause problems.

Tanzania considers foreign investments important and has recognised the need for reforms. The Government has produced a Blueprint for regulatory reforms to improve the business environment, which includes a holistic approach to overcome challenges and constraints affecting policy, regulations, delivery and coordination.

As in most of the countries in the region, corruption also occurs in Tanzania on all levels. The current government has taken a firm stand against corruption and this has had positive results.

Starting to do business in Tanzania is time-consuming and requires farsightedness and a physical presence. In addition, reliable local partners are needed to provide a skilled workforce and to assist in working in the complex regulatory framework, and in applying Finnish solutions to the local environment.



Political Situation

The United Republic of Tanzania was formed out of a union of the mainland territory of Tanganyika and Zanzibar in 1964. Tanganyika was a former colony of Germany and then from 1919 it was under British rule until 1961; Zanzibar had been controlled by the Portuguese, the Sultanate of Oman and the British. Zanzibar retains considerable local autonomy and has, for example, some legislation that differs from the mainland.

Tanzania started out as a socialist one party system. A multi-party system was introduced in 1992, but the country has been predominantly ruled by one party, the CCM (Chama Cha Mapinduzi), which has been in power since Tanzania's independence. The election of 2015, when the current president John Pombe Magufuli came to power, is considered the most competitive in the nation's history. President Magufuli has emphasised more efficient administration and anti-corruption work, including a wide-ranging reform agenda.

Tanzania has traditionally been a peaceful and politically stable country in the region where many of its neighbours have seen long periods of instability and conflict. Compared to many of its peers, Tanzania also ranks better in many global indexes, but lately a negative trend towards a shrinking democratic space and freedom of expression can be observed. Tanzania will hold its next parliamentary and presidential election in 2020.

Tanzania has managed to reduce the level of poverty over the past years, but due to high population growth the absolute number of poor people has remained almost constant. The middle class is very small and many of those having escaped extreme poverty make a living just above the poverty threshold. Living standards for the majority of the population are low. Although access to health and education has increased, much work remains to be done to improve the quality of services. Urbanisation is concentrated at Dar es Salaam.



Business culture in brief

Business language

Tanzanians use Swahili as the national language and English as the second language. Although many speak Swahili, English is mostly used in business. However, understanding Swahili is beneficial when dealing with informal business or with people at the grassroots level.

Titles

Most Tanzanians tend to address themselves by their surnames, but calling someone by his or her first name in a business situation does not cause problems. However, last names are important as first names are not as distinctive as last names.

Greetings

It is very important to greet the person before starting a discussion with a Tanzanian. This is done to show respect. Words like “Habari Yako”, “Za saa Hizi”, and “Hujambo” are normally used to start the conversation. The greeting is accompanied by a handshake, between both men and women. However, greetings without handshaking are also becoming common. Elders are very much respected.

Meetings

You should have some level of patience as it is normal for people to be late to meetings. Small talk before meetings is very important, with the most common topics being family and health. Meetings sometimes have long opening and closing speeches. Junior staff members will not want to speak if their seniors are present, unless asked to do so.

Customs

In Tanzania, personal relationships matter when doing business. Knowing each other builds social capital that creates trust. Always present or accept items with the right hand in Tanzania. Giving or receiving with the left hand is regarded as disrespectful. In most cases, prices in Tanzania are not fixed and bargaining is customary in business.

Tanzania has introduced limiting regulations on employing foreigners, particularly when there are qualified Tanzanian citizens who can perform the same or similar tasks.



Starting to do business in Tanzania

It is recommended that you start with Tanzania Investment Center's One Stop Shop. They will advise and assist you on the procedures and regulations, which include:

- Reserving a company or business name at the Business Registration and Licencing Authority (BRELA).
- Preparing and filing an online application for incorporating a new company at BRELA.
- Obtaining a Tax Identification Number (TIN) from the Tanzania Revenue Authority (TRA) zonal office where the business is located. At least one director must be present to complete the biometrics.
- Obtaining a tax clearance certificate from TRA.
- Obtaining a regulatory licence or approval in case the business is under a sector which is regulated (e.g. telecommunications and engineering).
- Applying for the registration of premises under the Occupational Health and Safety Authority.
- Applying for a business licence from a municipal office or the Ministry of Trade and Industry.
- Opening a business bank account.
- Registering employers and employees into the social security system.
- Registering employers and employees with the Worker Compensation Fund.
- Applying for a VAT certificate.

Use a local firm to represent your company and manage the start-up process. A local representative will have essential understanding of the process and the necessary contacts in public offices.

Source: FB Attorneys

Please note that procedures and regulations are set by the Tanzanian government and changes may occur.



Exploring your Business Opportunities

The Team Finland network can assist your company when you plan to go global. The network consists of more than 20 member institutions and has a team in more than 70 countries. It promotes Finland's business interests abroad offering market information, advice and training, financing, finding business partners, arranging government contacts and helping to create positive visibility. For all Team Finland services for companies go to: <https://team.finland.fi/en/services>

Business Finland and the Centre for Economic Development, Transport and the Environment (ELY-keskus) can support you in developing your company and business idea as well as provide advice on entering international markets. Business Finland in Helsinki, tel: +358 29 50 55000. Business Finland in Nairobi, Kenya, which also serves the Tanzanian market, tel: +254 20 367 3440. Read more: www.businessfinland.fi and <https://www.ely-keskus.fi/>

The Embassy of Finland in Dar es Salaam, Tanzania strengthens the image of Finland in Tanzania, collects signals on market developments and supports Finnish companies in entering the Tanzanian market. If you are a Finnish company planning to visit Tanzania, you can inform the Embassy in Dar es Salaam of this by sending an email to sanomat.dar@formin.fi or calling +255 22 2212 400. Read more: <http://www.finland.or.tz> and <https://um.fi/matkustustiedote/-/c/TZ>

Finnpartnership provides financing for the development of new business with local partners in developing countries. Read more: www.finnpartnership.fi

Finnfund provides long-term financing for establishing or expanding large-scale sustainable projects that have positive social impact in developing countries. Read more: www.finnfund.fi



Tanzanian trade-facilitating institutions include:

- **Tanzania Investment Centre (TIC)** is the primary government investment promotion agency tasked to coordinate, encourage, promote and facilitate investment in Tanzania. It also has the role of advising the government on investment policy and related matters. <http://www.tic.co.tz/>
- **Tanzania Trade Development Authority (Tantrade)** is the primary government trade development agency. Its functions include organising trade fairs, facilitating trade delegations, conducting market research and surveys, developing products and advising the Government on matters relating to trade policies and strategies. <http://www.tantrade.go.tz/>
- **Tanzania National Business Council (TNBC)** is the government-led institution that promotes forums for public and private sector dialogues aiming at creating a favourable business environment and investment climate. It also promotes investment and business opportunities. It is chaired by the President of the United Republic of Tanzania at the national level.
- **Tanzania Private Sector Foundation (TPSF)** is a non-governmental organisation aimed at promoting private social and economic development in Tanzania through advocating and seeking changes in public policy in order to promote a better business environment. <https://tpsftz.org/>
- **The European Union Business Group (EUBG)** is supported by the European Union and is intended to act as a structured 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 together under one common “EU businesses” banner. <http://www.eubgtz.com/>
- There are also consulting firms operating in Tanzania that have vast knowledge of the local economy, such as KPMG, Ernest & Young, PWC and Deloitte. There are also local companies that can provide similar services.



Success stories

Martin Talbot
Country Director
Nokia

Nokia invests in technologies of the future

Tanzania is the second largest telecommunications market in East Africa. Nokia has been in the Tanzanian market for over twenty years and presently it employs 160 people. This team is augmented by approximately one thousand skilled subcontractors. This remains a very important market, particularly from a mobile perspective, with 82 per cent of the population accessing the internet via their mobile phones. Our customers' customers are the mobile subscribers and users of mobile broadband internet services, and there is an insatiable appetite for online access.

The African continent is very mobile-driven. Fixed-line access has never been as widely available as in European markets and remarkable impact can be made by those prepared to lead the innovation and development of the market. The explosive uptake and influence of mobile consumer banking is a well-known example of that. Nokia has always been at the forefront of innovation in this industry. The latest-technology products and services are a large part of what is needed here in Tanzania, whether it be reliable, super-efficient outsourcing of the operators' networks or the latest radio access technologies to deliver the best mobile broadband services to cities and more remote local communities.

Our business here has consistently performed well and contributed significantly to the overall business results in the company, not forgetting the tax revenue contribution. Over the years we have developed the national technical competences that are required to support our customers.

Since the centres of research and development are physically far away, the need to invest consistently in regional and local skills and capabilities has been necessary. The most obvious skills development for a company like Nokia would be in the area of advanced technologies, however, Nokia's contribution is broader than that: we have invested heavily in internationally certified standards for Occupational Health & Safety throughout local companies and our subcontractors. This safety culture is something we can bring as an added value to the business community and the people we work with. It's important to bear in mind that as a corporate citizen here we have obligations (and, indeed, self-interest) in developing Tanzanian human resources.

Success stories

Mari Pennanen
Chief Business Development Officer
DSM Corridor Group



DCG handles over 1.5 million tonnes of cargo annually in Dar es Salaam

DSM Corridor Group (DCG) provides logistics services and handles over 1.5 million tonnes of cargo annually through the Port of Dar es Salaam. Over the years we have invested in several terminals, our own port handling equipment, specialised bulk tipper trucks, the import/export department and warehousing. All of this in order to reduce the costs of logistics, which in Africa are several times higher than in Europe.

DCG has significant selling points on infrastructural improvements. We have the only Public Fertilizer Bulk terminal in sub-Saharan Africa which is climate-controlled. With this terminal we have improved the discharge of fertilizer vessels and reduced vessel lay-time to 20% of what it was. We also have a metal terminal and handle 80% of Tanzanian (legal) timber exports.

The latest development is a rail link with terminal operations at each end between Dar es Salaam and Kapiri Mposhi in Zambia. This link will move commodities 1,700 km up-country, reduces costs compared to road transport with 30% fewer transit days and also improves efficiency.

Another unique point for the company is that we have certified the Integrated Management System (IMS), where quality management system ISO 9001:2008, environmental management system ISO14001:2015 and IFC performance standards are integrated. In addition, we are working on integrating the new occupational health and safety standard ISO 45001:2018 as well as the United Nations Global Compact 10 principles into our IMS. This is, most likely, quite unique in the whole world, not only in Africa.

In 2004, my husband Erik and I started the DCG with USD 25,000. Now we have over 130 full-time employees. Success requires hard work and a willingness to show the example in practice. If you are ready to work hard, spend a lot of hours doing things yourself and ensure you follow all of the required laws and regulations the potential, especially for SMEs, is huge. The growth rate potential, especially compared to Europe, is significant. There are plenty of opportunities (almost everywhere) because most market sectors are not saturated.



Success stories

Eero Pisilä
Chairman
Perunamestarit Oy

Perunamestarit Oy builds the bridge of competence

Perunamestarit Oy / Tanzanice Agrofoods Ltd aims at developing sustainable value chains in local and export markets for Tanzanian farmers and farm products by connecting local resources with Finnish competence.

Perunamestarit Oy was one of the private partners in the SPDP (Seedpotato development project) financed by the Ministry of Foreign Affairs of Finland in southern Tanzania in 2012–15. During that project the observations were clearly showing a huge potential for agriculture and food value chain development. Based on those views our company applied for and received funding from Finnpartnership for the “Value for Potato” project in 2015.

Tanzanice Agrofoods Ltd, our subsidiary, was registered in January 2017. The company started strong training and pilot programmes as well as potato variety trials, and began to import farm machinery. The company has built a network between Finnish specialists and the Tanzanian team – a bridge of competence. Two Tanzanians were trained in Finland for a period of time.

At the moment, the company employs 9 Tanzanians full-time and more than 100 seasonal workers for harvesting. In 2018, the avocado export process was piloted and nearly 200 tonnes of organic avocados have been exported to 7 European countries. Some clients required more certificates, like GlobalGAP, so the training process targeting 500 farmers is currently ongoing.

Through our Finnish sister company Luonnosta Oy we have open market channels to over 20 European countries. New high-value products are now in testing and samples of organic ginger and passion fruit have been sent to clients.

Tanzania is one of the areas with the most potential for economic growth in the coming years and it might provide a unique opportunity for a number of small and medium-sized Finnish companies to expand their business. If the entrepreneur is able to plan for the long term and has the time to spend in Tanzania, and has a good tolerance for uncertainties, Tanzania might be “The Blue Ocean of business”.



BUSINESS FINLAND



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