

**REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT**

**TABORA MUNICIPAL COUNCIL**

TABORA REGION

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TABORA - TANZANIA

**INVESTMENT OPPORTUNITY IN TABORA, WESTERN TANZANIA  
SUNFLOWER PRODUCTION AND PROCESSING  
MAY, 2013.**

**Executive Summary**

There is an increasing demand for cooking oil in the East African Countries. It is estimated by Rural Livelihood Development Company in 2010 that in Tanzania alone, about 330,000 tons of edible oil is consumed per annum and consumption is growing by 3 percent annually. About half of the oil consumed is imported, i.e., nearly 170,000 tons in 2009. Investment in sunflower oil production locally could therefore provide competition against imported oil. One reason for encouraging the greater production and processing of sunflower oil in Tanzania is thus its potential for import substitution, which could generate income and jobs at home and have a beneficial impact on foreign-exchange outflows. Also it is healthier than other types of oil, for example palm oil and groundnut oil. Sunflower oil is low in saturated fat and high in polyunsaturated fat.

Oil seed production in Tanzania mainly focuses on ground nuts (40%), sunflower (36%), sesame (15%), cotton (8%) and palm oil (1%). More than half of vegetable oil consumed in Tabora and Tanzania as a whole is imported due to insufficient domestic production. The population of western Tanzania is approximately 5.8 million in 2012. The Food and Agricultural Organization (FAO) recommends an annual vegetable oil consumption of five kgs per capita. Based on this, the demand for vegetable oil in the Tabora and surrounding regions would be over 29,000 tons while only 22 tons are produced and readily available for this region. However, Tanzania's edible oil consumption actually seems to be significantly higher than five kg per capita. The country imported 170,000 tonnes of palm oil in 2009 and that oil imports are said to be about half the total requirement, which would thus be about 340,000 tons, or 340 million kg for a population of around 40 million. This gives us an annual vegetable oil consumption of about 8.5 kg per capita.

Table 1: Potential demand for edible oil in neighboring regions around Tabora based on FAO recommendations

Region	Population	Potential demand for vegetable oil (tons)
Tabora	2,539,708	12,699
Shinyanga	3,563,546	17,818
Rukwa	1,570,333	7852
Kigoma	1,697,479	8484
<b>Total</b>	<b>9,371,066</b>	<b>46,853</b>

With a production operation based in Tabora, there would be potential opportunities to market to neighboring regions with growing populations such as Shingida, Mbeya, Rukwa, Kigoma, and Shinyanga. There would also be a cost advantage over imported oil in these regions as the local road network is being upgraded, which should reduce transportation costs and create the potential for increased production of oil for most parts of western Tanzania which together has more than 15 million inhabitants.

## 1. Introduction to Tabora

Tabora municipality is a regional hub in western Tanzania located on the crossroad of the main railway lines connecting Dar es Salaam on the coast with Lake Tanganyika and Lake Victoria in the interior. It has an airport and daily flights to Dar es Salaam and Kigoma. Location and rapidly improving road infrastructure make Tabora a good place to reach markets in western Tanzania as well as adjacent parts of D.R. Congo, Zambia, Burundi, and Rwanda. Potential market in western Tanzania alone is around 15 million consumers.

Tabora is an important transportation, industrial, commercial and educational hub for western parts of Tanzania. Its history only goes back to the 1850s when it was (under the name of Kazeh) established as a stop on the slave trade route but it gained importance during the German colonial rule (1880s-1919) when it was one of the major administrative centres of German East Africa. During that time, the railway connecting Tabora with the coast at Dar es Salaam and lakes Tanganyika and Victoria in the interior was built and foundations of industry were laid. Current industrial activities include a railway workshop, woodprocessing, furniture manufacturing, rice processing, edible oil processing, soft drinks distribution centre, an industrial dairy, and a large textiles plant.

Tabora is also an important education hub as it has three public and private universities and 23 secondary schools, some of which are of national importance (the first secondary boarding school in Tanzania was established in Tabora, in 1940. Population of Tabora

has been growing fast, from 188,005 inhabitants in 2002 to the currently estimated 362,400 inhabitants in 2012 and more than a half of the population is classified as young.

Tabora is the capital of the Tabora Region which has an estimated population of 2.5 million (2012, up from 1.8 million in the 2002 census) and is one of the largest geographical regions of Tanzania. The region benefits from well-developed agriculture, livestock keeping and abundance of natural resources such as forest land, wildlife, lakes and rivers, as well as gold, diamond, gemstone, tomaline, ganets and zircon. Milder climatic conditions than either the hot and humid coastal areas or the hot and dry desert/semi-desert areas of northern Tanzania make Tabora region very suitable for agriculture and tourism. Regional and national governments are taking actions to stimulate regional economy by improving road infrastructure, including upgrade of the Tabora - Nzega, Tabora - Manyoni and Tabora - Kigoma roads to tarmac level, and by improvements to the airport. Another focus area is education where three new universities were established in Tabora. And about 107 new secondary schools and 9 colleges to improve the supply of skilled labour.

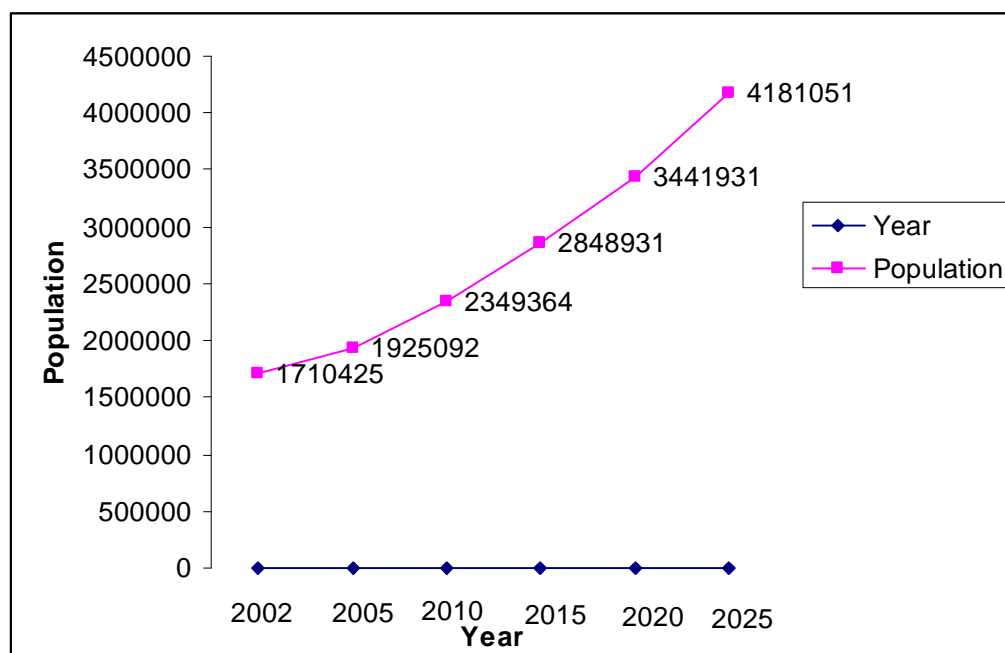
Tabora municipality is a part of the Millenium Cities Initiative, an international project led by Columbia University's Earth Institute, which aims at helping selected cities in sub-Saharan Africa to attain the Millenium Development Goals by 2015 through a series of actions focusing on social and economic development. This includes improvement of the investment climate in the city and training of municipal representatives in identifying and marketing potential investment opportunities and providing support to potential and existing investors.

## **2.0. Market opportunity**

Domestic demand for edible oil in Tabora, based on the FAO recommendation of annual vegetable oil consumption of 5kgs per capita and with a population of 2.5 million people, the demand for vegetable oil in Tabora would be more than 12,699 tons annually and 34,154 tons for neighboring regions annually, that in total makes the potential opportunity for edible oil to be 46,853 tons annually. The potential market in western Tanzania is nearly 75,000 tons annually.

The current market for the sunflower and groundnuts products is local consumption. More than half of vegetable oil consumed in Tabora is imported due to the lack of supply in local production. According to the 2002 Census report, the Tabora Region had a population of 1,710,465. With the annual growth rate of 3.6% the Region is projected to have 2,539,708 people in 2012 as shown in the following figure.

Figure 1: Population growth in Tabora region from 2002 – 2025



Source: National Bureau of Statistics, 2011.

Table 2: Production of sunflower and groundnuts from 2005 -2011

Year	Groundnuts		Sunflower		
	Cultivated area (Ha)	Amount harvested in tons	Cultivated area (Ha)	Amount harvested in tons	Amount of oil produced (tons)
2005/06	31012	21,727	3712	2669	7.5
2006/07	58928	32,219	1948	4462	11.3
2007/08	78504	62,854	12969	10,130	22.5
2008/09	69459	43116	16,876	21,806	20
2009/10	66759	57,529	21,731	29,458	27
2010/11	68378	39,306	16520	33,670	22.5

Source: Regional Agriculture Office 2012.

### 3.0. Investment climate in Tanzania

The Government of Tanzania (GoT) generally has a favorable attitude toward private sector investment in general, including foreign direct investment (FDI) and has had considerable success in attracting FDI. After several years of growing FDI, new FDI in 2009 declined modestly due to the global economic crisis to USD 650 million from 2008's record USD 744 million.

The Tanzanian Investment Center (TIC), established by the Tanzanian Investment Act of 1997, is the focal point for all investors' inquiries, screens foreign investments, and facilitates project start-ups. TIC has been given authority to manage Public Private Partnerships (PPPs) for foreign companies under 2010 PPP legislation that sets a framework for Build-Operate-Transfer arrangements with private companies. Filing with TIC is not mandatory, but offers incentives for joint ventures with Tanzanians and wholly owned foreign projects above USD 300,000. The review process takes up to 10 days. Tanzania has double taxation agreements with nine countries and has signed bilateral investment treaties with ten countries. Double taxation agreements exist with Canada, Denmark, Finland, India, Italy, Norway, South Africa, Sweden and Zambia. Bilateral investment treaties exist with Denmark, Egypt, Finland, Germany, Italy, Republic of Korea, Netherlands, Sweden, Switzerland and the United Kingdom. The TIC grants all bona fide investors Certificates of Incentives. Extensive guarantees are provided to investors under TIC Certificate of Incentives. Such guarantees cover ownership of properties, dispensation of assets, repatriation of income and others.

### **3.1. Land availability and acquisition**

The land in Tabora and Tanzania as whole is owned by the state. However, under the Land Act of 1999, the Government opened up opportunities for investors to acquire land. Under the Act, investors can acquire land by a granted right of occupancy or a derivative right, or obtaining a sub-lease from the private sector for a period of five to 99 years. While laws are in place to make access to land easier, in reality local disputes over land can disrupt development. The TIC can assist foreign investors with navigating the process of leasing or purchasing land.

### **4.0. Favorable conditions for producing edible oil in Tabora**

- Availability of arable land of about 410, 827 Ha suitable for sunflower and groundnut production in Sikonge, Urambo, Uyui, Nzega and Tabora rural areas, including Mbola Village.
- Availability of skilled labour from Tumbi Agricultural training and research Institute that supplies an average of 500 agricultural officers per year
- Cutting transportation costs in comparison with importing edible oil from Dar Es Salaam and Sunflag oil from Arusha
- With a production operation based in Tabora, there would be potential opportunities to market to neighboring regions with growing populations such as Singida, Mbeya, Rukwa, Kigoma, and Shinyanga which already have a combined population of 9, 371,066 people. There would also be a cost advantage compared to imported oil in these regions.
- Sunflowers and groundnuts have low soil nutrient requirements, making the crop a viable option for less fertile areas of the Tabora Region and, compared to

the popular tobacco cash crop, the production cycle of sunflowers is less labor intensive which could be an incentive to farmers.

- Producing sunflower oil in the Tabora Region has a transportation cost advantage if the seeds can be sourced locally.
- Sunflowers and groundnuts are tolerant crops to adverse weather conditions in areas that receive low rainfall per annum like the Tabora Region that receives an average of 800mm per annum

### **5.0. Potential locations in Tabora**

The existing industrial zone of Tabora city is located adjacent to the railway line, close to the railway station. The area is serviced with water, electricity, access roads and sewerage system and is well accessible by road and railway. Land plots in this zone are available to both domestic and foreign investors through joint ventures with existing businesses who have been allocated land in the area since the 1980s.

The municipality has two other industrial zones under development. These are also located adjacent to the railway line and are accessible from the main road from Kigoma to Dar es Salaam. Municipal government plans to bring electrical power and drinking water as soon as a potential investor(s) decides to locate in these zones. Land plots in these zones are available to both domestic and foreign investors as right of occupancy for purpose of investment, when approved by the Tanzania Investment Centre in line with the conditions of the Tanzanian Investment Act.

### **6.0. Support provided to potential and existing investors by Tabora Municipality and Tabora Regional Administration**

Tabora Municipality and Tabora Regional Administration welcome domestic and foreign investment and are ready to support domestic and foreign investors by provision of information and support services:

1. Provision of up-to-date information on existing investment opportunities and benefits available to investors
2. Assistance with locating business operations in Tabora - information on suitable locations
3. Help with establishment of enterprises (incorporation and registration)
4. Assistance in obtaining right of occupancy for industrial land
5. Assistance in obtaining the necessary facilities (permits) and utilities
6. Reduction of administrative barriers for both local and foreign investors
7. Introduction to potential local business partners

## 7.0. Investment incentives

All incentives in Tanzania have a fiscal base and are delivered through a reduction in or an exclusion from, tax or duty payments to investors in lead or priority sectors with investments above US\$300,000 in the case of foreign investors, and above US\$100,000 in the case of local investors. The tax incentives are structured according to Tanzania's investment priorities in lead and priority sectors.

## 8.0. Further information available

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