



HOW **EUROPEAN UNION**  
**INVESTMENTS** CONTRIBUTE TO  
**INDUSTRIALISATION**  
**AND DEVELOPMENT**  
IN **TANZANIA**







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# FOREWORD



**MANFREDO FANTI**

**EU AMBASSADOR TO TANZANIA**



Africa and Europe are natural partners that share many of the same interests. We both want a stronger Africa with quality jobs for youth and a conducive business environment that drive sustainable growth.

We believe that Tanzania offers huge investment opportunities. Enhancing private investment can be advantageous for the economy of Tanzania by generating jobs and growth and for the European Union by creating investment opportunities. That is why the Delegation of the European Union to Tanzania continues to work closely with the Government and the private sector to uplift private sector development and attract even more of these investors to come to Tanzania.

The European Union is already a major trade and investment partner for Tanzania. This mapping shows that a sample of hundred European companies established here have a combined annual turnover of around EUR 500 million, pay close to EUR 100 million annually in domestic tax, and employ 400,000 people (including 99.7% Tanzanian citizens, of which 40% are women). Our firms are also making important contributions to innovation, social impact and environmental protection.

Much of the European Union cooperation in Tanzania is devoted to develop the business environment and support the private sector. Support is being provided to the Tanzanian Revenue Authority to modernise the tax administration and decrease tax compliance costs for businesses. A new programme named BEGIN will accompany the implementation of the Blueprint to improve the Tanzanian business environment, and support the compliance of SME with international standards for better market access and innovation, particularly among women and youth led MSMEs. The MARKUP programme assists small and medium-sized enterprises across East-Africa in selected agricultural sub-sectors to access regional markets. Other examples could be mentioned, but what is important is that joint efforts of the Tanzanian authorities, the private sector and the European Union can greatly contribute to consolidate the middle income status of the country.

I am very pleased to introduce this survey on European Union investments in Tanzania. You will find a complete update of the economic exchanges, trade relations and impact of European Union investments, as well as challenges, and opportunities of doing business in Tanzania.

The European Union is committed to intensify joint efforts with the Tanzanian authorities and the private sector to support sustainable investment in the country for an accelerated economic development.



**HANS LEMM**

**EUROPEAN UNION BUSINESS GROUP TANZANIA (EUBG) CHAIRMAN**



The EU Business Group (EUBG) is proud to have cooperated with the Government of Tanzania and contributed to Tanzania's economic growth and our members are committed to be part of Tanzania's continued growth story. The EUBG was founded in 2015 with support from the European Union Delegation. Today, the EUBG is a privately run organisation, legally registered under Tanzanian law, managed by the private sector for the private sector representing a wide range of sectors and nationalities. Members range from SMEs and individual members to Multinationals.

This mapping outlines the importance of trade between Europe and Tanzania as well as the long-term commitment of European investors to Tanzania. It underscores the potential and opportunities that Tanzania offers but also outlines areas where policy interventions coupled with investment facilitation could positively impact growth and investment even further. The EUBG shares Tanzania's vision for development and its commitment to industrialization and private sector led growth, and believes that this publication will add value to business environment conversations and act as a useful tool for dialogue and collaboration.



# EU-TANZANIA ECONOMIC OVERVIEW



## EUROPEAN UNION

 POPULATION  
**445** MILLION

 GDP

EUR **17** TRILLION  
TSH **47,461** TRILLION

 GDP PER CAPITA  
EUR **41,000**  
TSH **115** MILLION



## TANZANIA

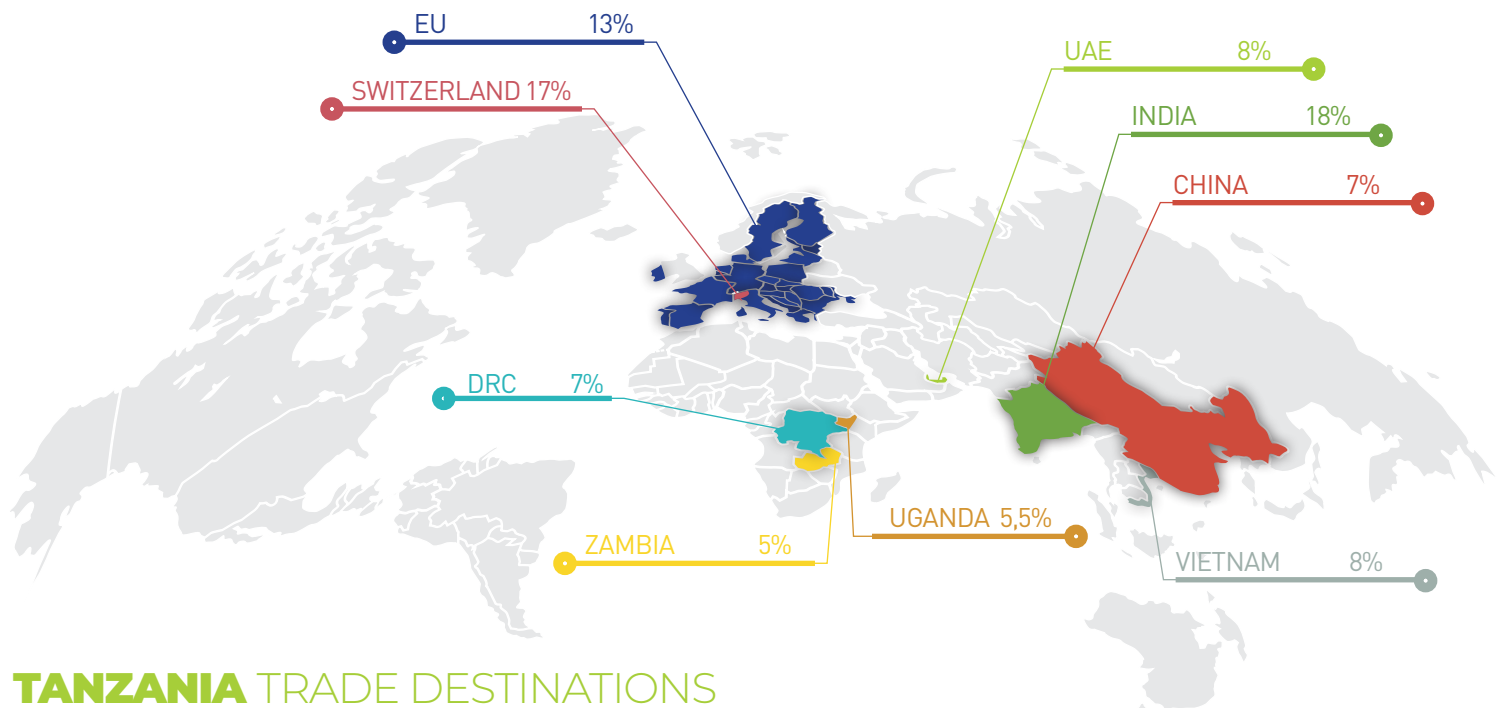
 POPULATION  
**56** MILLION

 GDP

EUR **69** BILLION  
TSH **193** TRILLION

 GDP PER CAPITA  
EUR **889**  
TSH **2.5** MILLION

## TANZANIA TRADE TO THE WORLD




## TANZANIA TRADE DESTINATIONS IN THE EU


 **BELGIUM**  
157,768,139  
**36%**

 **NETHERLANDS**  
82,774,623  
**19%**

 **GERMANY**  
56,442,262  
**13%**

 **FRANCE**  
23,273,098  
**5%**

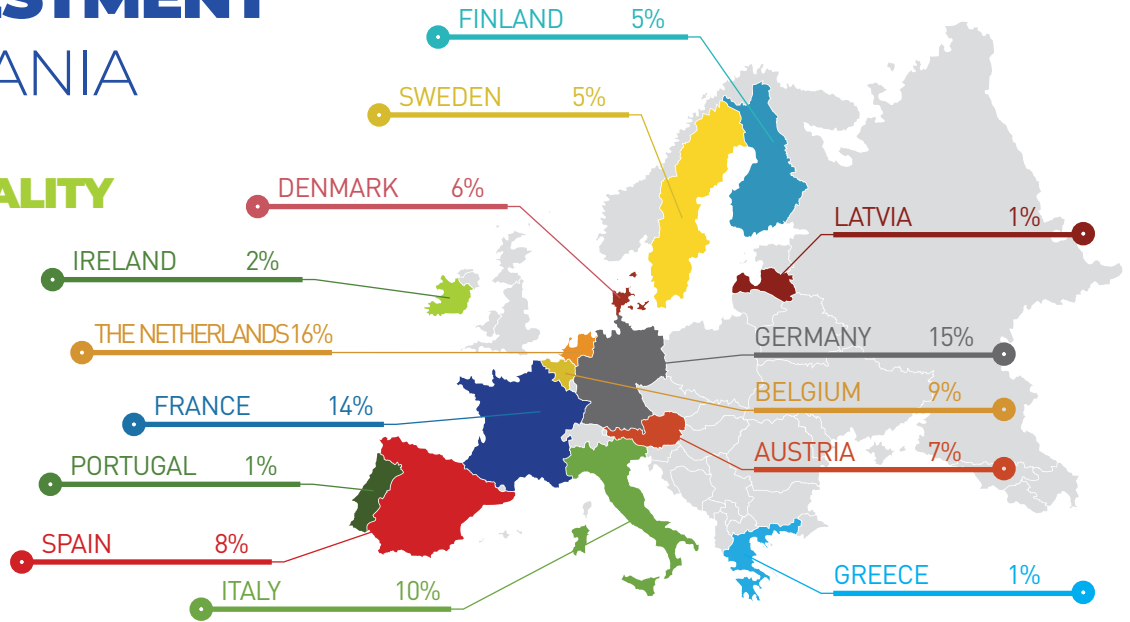
 **ITALY**  
21,833,886  
**5%**

 **SPAIN**  
19,124,168  
**5%**

 **PORTUGAL**  
18,915,761  
**4%**

# EU INVESTMENT IN TANZANIA

## NATIONALITY



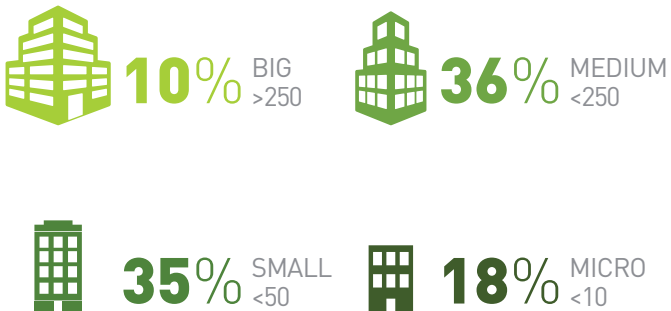
## RELATION TO THE EU

**80%** EU STAKEHOLDERS

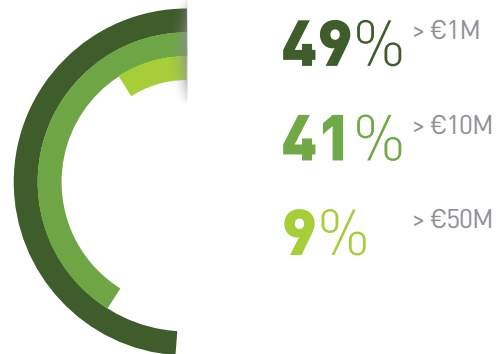
**79%** EU CAPITAL

**22%** EU REGISTRATION

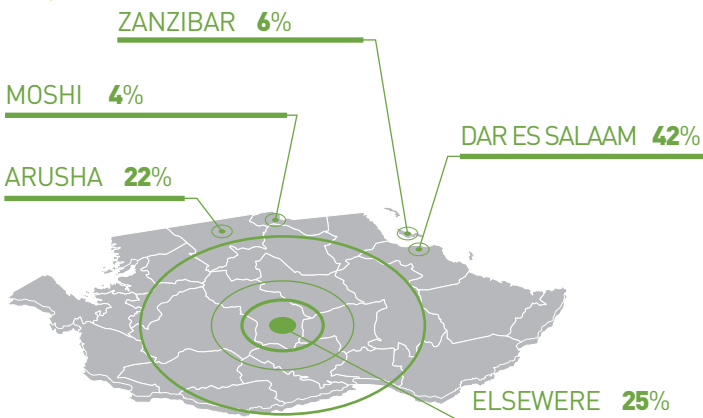
## SIZE



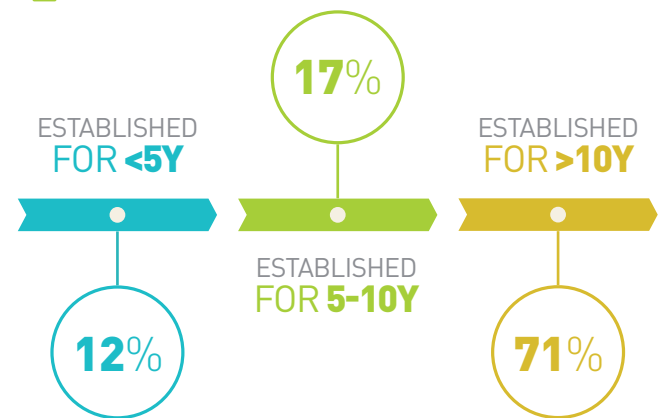
## TURNOVER



## LOCATION



## AGE



## TRADE



**58%** FIRMS SERVING THE LOCAL MARKET



**31%** FIRMS EXPORTING TO EUROPE



**11%** FIRMS IMPORTING FROM EUROPE

## INVESTMENT MOTIVATION



INVESTMENT DUE TO THE LOCAL MARKET

**30%**



INVESTMENT DUE TO THE REGIONAL MARKET

**14%**



INVESTMENT DUE TO THE INTERNATIONAL MARKET

**56%**

IMPORTANCE OF THE LOCAL MARKET FOR FIRMS



LITTLE IMPORTANCE **46%**



AVERAGE IMPORTANCE **6%**



IMPORTANT OR VERY IMPORTANT **48%**

IMPORTANCE OF THE REGIONAL MARKET FOR FIRMS



LITTLE IMPORTANCE **39%**



AVERAGE IMPORTANCE **21%**



IMPORTANT OR VERY IMPORTANT **40%**

## MARKET OUTLOOK

THE LOCAL MARKET IN 5 YEARS



TOUGHER **10%**



THE SAME **12%**



FAIR GROWTH **66%**



HIGH GROWTH **12%**

## ACCESS TO FINANCE



**14%** RELATIVES FRIENDS OR CLOSE RELATIONSHIPS



**71%** PROFITS



**13%** HEADQUARTER FUNDS

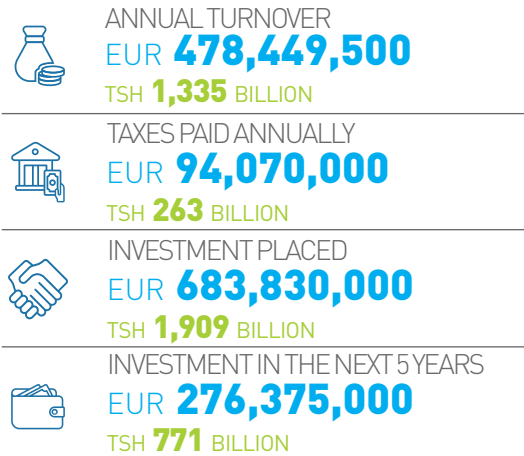


**61%** BANKS/ FINANCIAL INSTITUTIONS

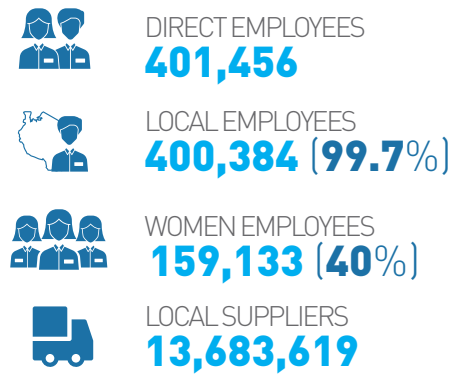


**16%** PRIVATE EQUITY/ VENTURE CAPITAL FUNDS

## ECONOMIC IMPACT



## SOCIAL IMPACT



## CORPORATE SOCIAL RESPONSIBILITY

### GREEN ACTIONS

CARBON FOOTPRINT, ENVIRONMENT & BIODIVERSITY  
ANNUAL ACTIONS PER FIRM **44**  
ANNUAL BUDGET PER FIRM EUR **66,700**  
TSH **186 M**



### SOCIAL ACTIONS

LABOR POLICIES AND FAIR TRADE  
ANNUAL ACTIONS PER FIRM **26**  
ANNUAL BUDGET PER FIRM EUR **32,400**  
TSH **90 M**



### INNOVATION ACTIONS

TRAINING AND R&D  
ANNUAL ACTIONS PER FIRM **8**  
ANNUAL BUDGET PER FIRM EUR **11,825**  
TSH **33 M**

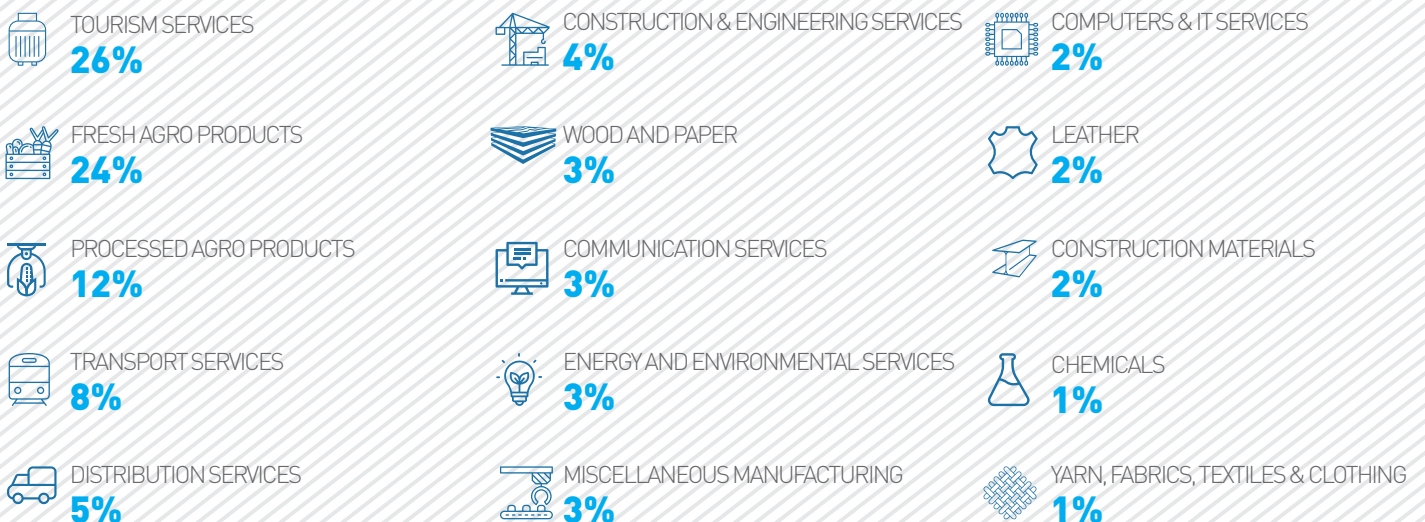


### TOTAL CSR

**78** ANNUAL ACTIONS PER FIRM  
**EUR 110,925** ANNUAL BUDGET PER FIRM  
**TSH 310 M**

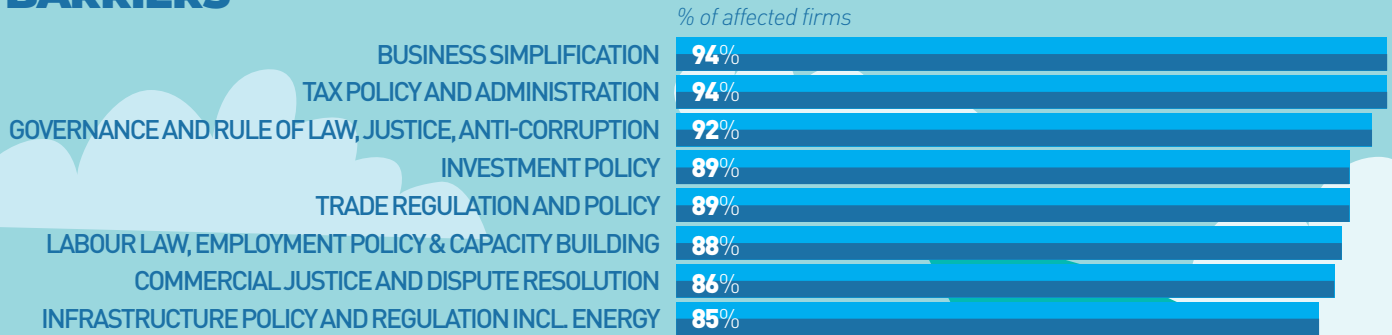


## SECTORS





## BARRIERS



## COVID IMPACT (% of firms affected)

MISSING GOODS / SERVICES  
6%



LESS DEMAND FOR THEIR PRODUCTS AND SERVICES  
41%



OWN PRODUCTION LOSSES / SICK EMPLOYEES  
4%



LIQUIDITY CONSTRAINTS  
21%



CANCELLATION OF ORDERS  
40%



PROBLEMS IN THE SUPPLY CHAIN / LOGISTICS  
49%



DEFERRED / CANCELLED INVESTMENTS  
15%



## BEST PRACTICES TO IMPROVE THE BUSINESS CLIMATE

### SUPPORTIVE TAX REGIME

Great cooperation between the tax man and the private sector allows for mutual gains. Businesses need to be educated on the importance of tax compliance and what is expected of them.

### LOW COMPLIANCE COST

Clarity on the process and procedures when setting up a business or when operating one will reduce compliance costs for businesses.

### GOVERNMENT ENGAGEMENT WITH STAKEHOLDERS

Open and constructive dialogues between the private and public sectors will increase mutual trust and collaboration.

### INVESTMENT FRIENDLY LABOR LAWS

Investment friendly labor laws permit foreign investors to live and work in the country they invest in.

### PREDICTABLE AND STABLE REGULATORY ENVIRONMENT

A predictable regulatory environment helps investors to assess the return on their investment and reduces the risks of investing.

### ACCESS TO RELIABLE DATA AND INFORMATION

Having the right information at the right time on the regulatory framework can save private sector players both time and money and helps them be compliant.

### RULE OF LAW

The rule of law creates a good business environment as it ups investor confidence.

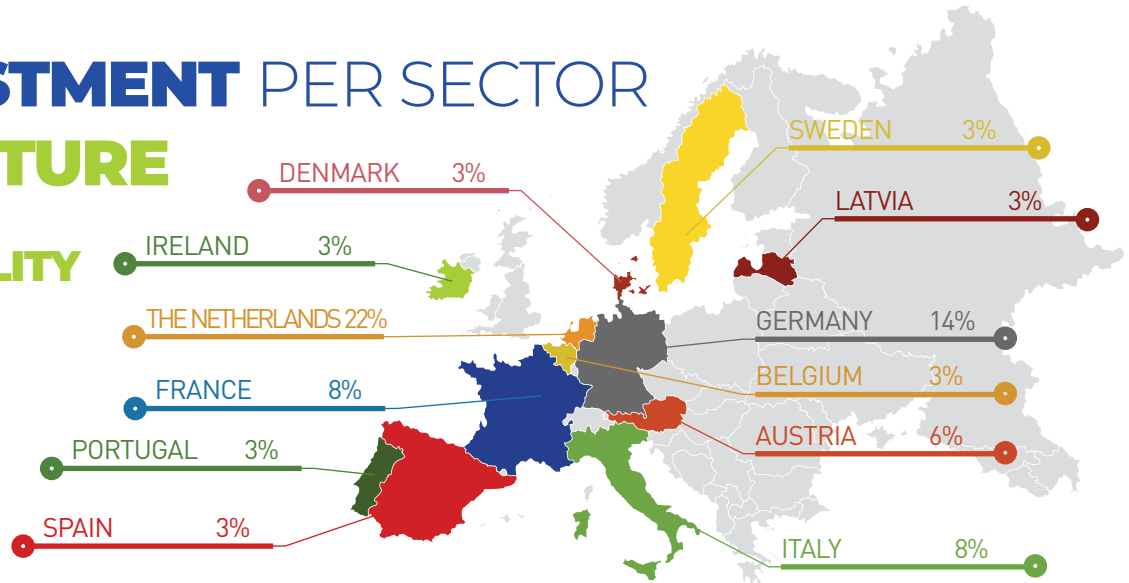


# EU INVESTMENT PER SECTOR

## AGRICULTURE



### NATIONALITY



### RELATION TO THE EU

**81%** EU STAKEHOLDERS

**89%** EU CAPITAL

**19%** EU REGISTRATION



### TRADE



**53%**  
FIRMS SERVING THE LOCAL MARKET

**69%**  
FIRMS EXPORTING TO EUROPE

**8%**  
FIRMS IMPORTING FROM EUROPE



### SIZE

**18%** BIG >250

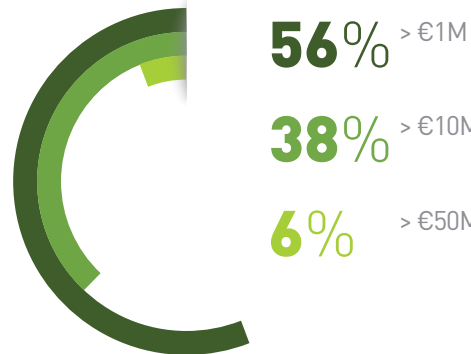
**44%** MEDIUM <250

**32%** SMALL <50

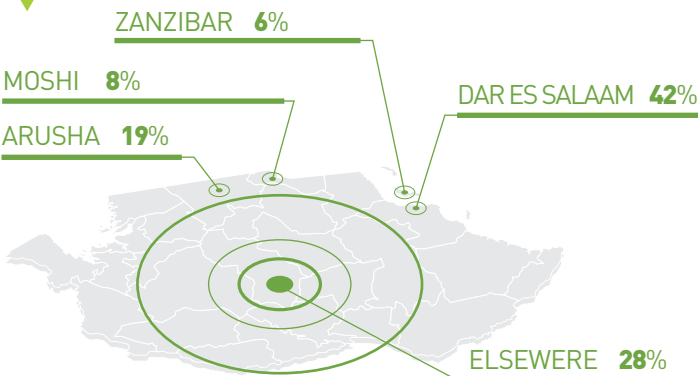
**6%** MICRO <10



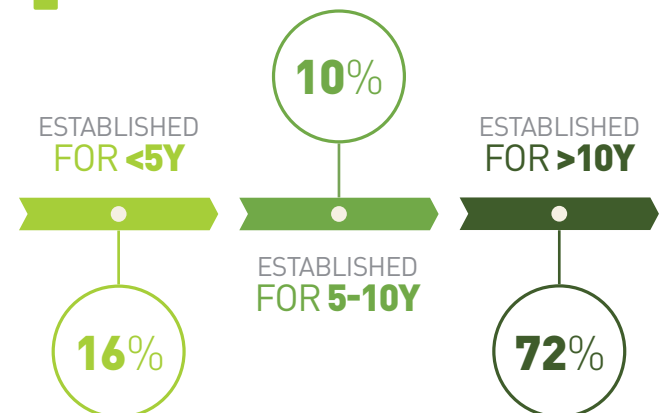
### TURNOVER



### LOCATION



### AGE



## INVESTMENT MOTIVATION



## MARKET OUTLOOK

### THE LOCAL MARKET IN 5 YEARS



**TOUGHER**  
**9%**



**THE SAME**  
**9%**



**FAIR GROWTH**  
**74%**



**HIGH GROWTH**  
**8%**

## ACCESS TO FINANCE



**17%**  
RELATIVES FRIENDS OR CLOSE RELATIONSHIPS



**86%**  
PROFITS



**11%**  
HEADQUARTERS FUNDS



**75%**  
BANKS/ FINANCIAL INSTITUTIONS

## CORPORATE SOCIAL RESPONSIBILITY

### GREEN ACTIONS

CARBON FOOTPRINT, ENVIRONMENT & BIODIVERSITY  
ANNUAL ACTIONS PER FIRM  
ANNUAL BUDGET PER FIRM



**31**  
EUR **30,069**  
TSH **83 M**

### SOCIAL ACTIONS

LABOR POLICIES AND FAIR TRADE  
ANNUAL ACTIONS PER FIRM  
ANNUAL BUDGET PER FIRM



**32**  
EUR **36,250**  
TSH **101 M**

### INNOVATION ACTIONS

TRAINING AND R&D  
ANNUAL ACTIONS PER FIRM  
ANNUAL BUDGET PER FIRM



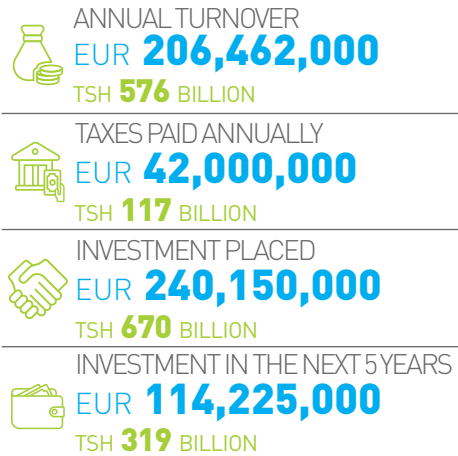
**9**  
EUR **16,736**  
TSH **47 M**

### TOTAL CSR

**72** ANNUAL ACTIONS PER FIRM

EUR **83,056** ANNUAL BUDGET PER FIRM  
TSH **232 M**

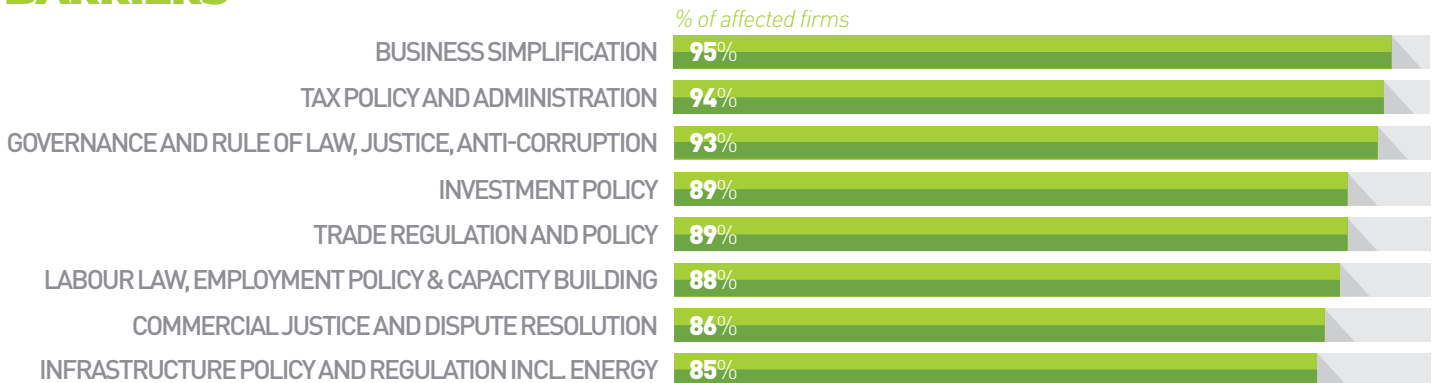
## ECONOMIC AND SOCIAL IMPACT



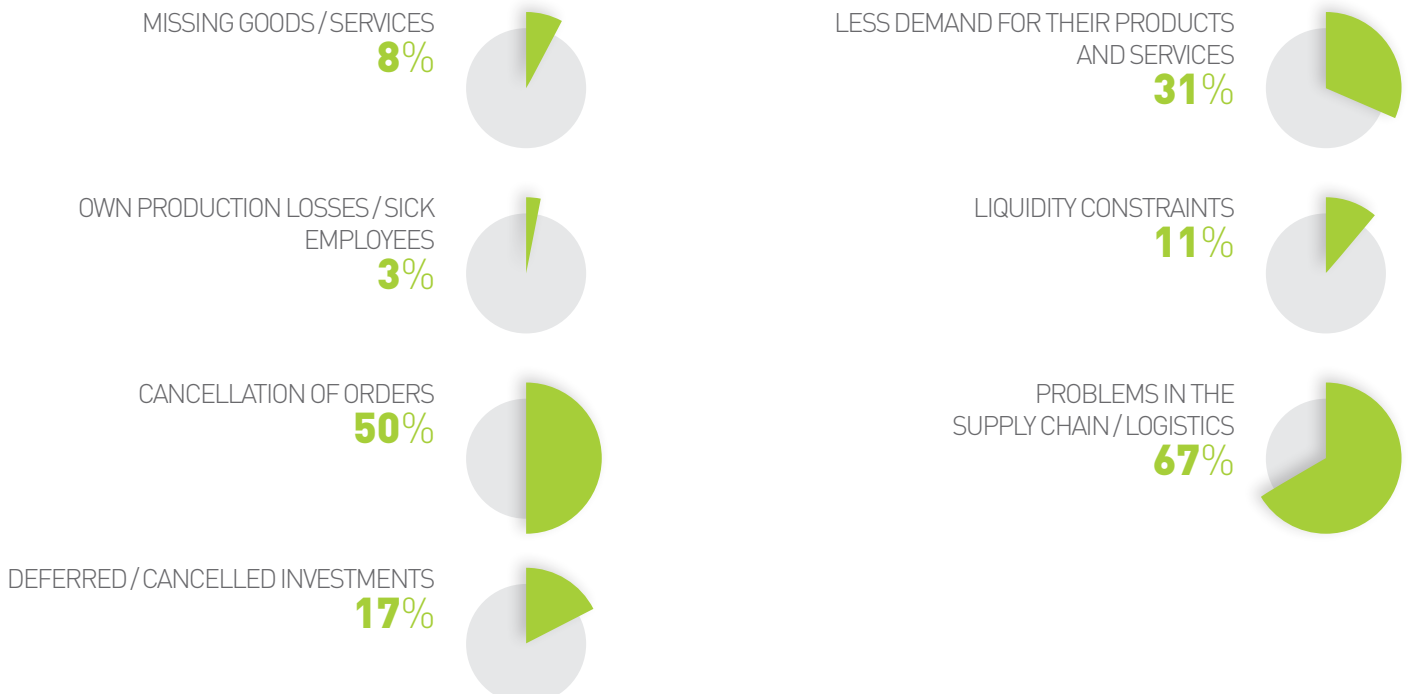
## KEY SECTORS



## BARRIERS



## COVID IMPACT

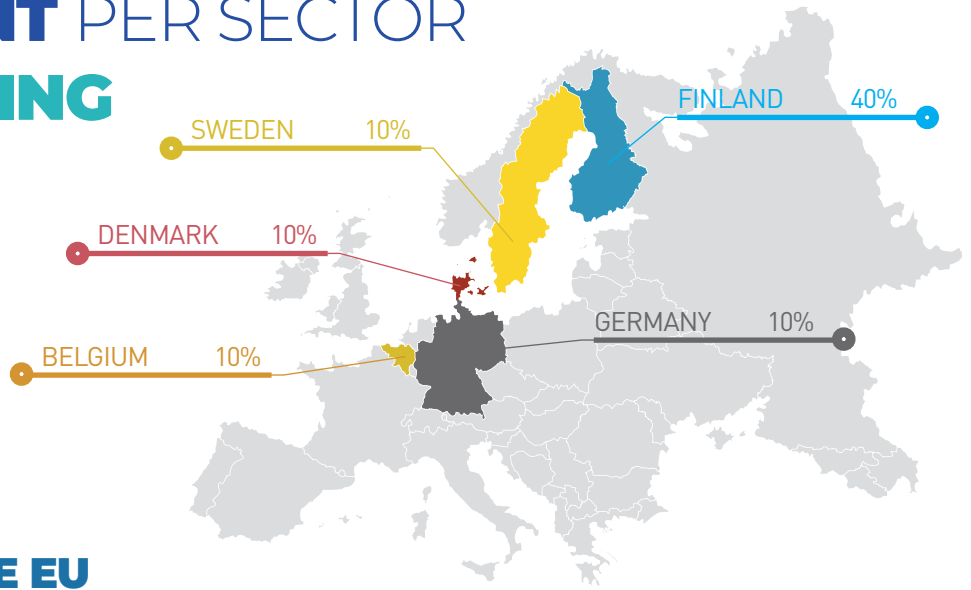




# EU INVESTMENT PER SECTOR

## MANUFACTURING

### NATIONALITY



### RELATION TO THE EU

**80%** EU STAKEHOLDERS

**70%** EU CAPITAL

**30%** EU REGISTRATION

### TRADE

**50%**  
FIRMS SERVING THE LOCAL MARKET

**10%**  
FIRMS EXPORTING TO EUROPE

**10%**  
FIRMS IMPORTING FROM EUROPE

### SIZE

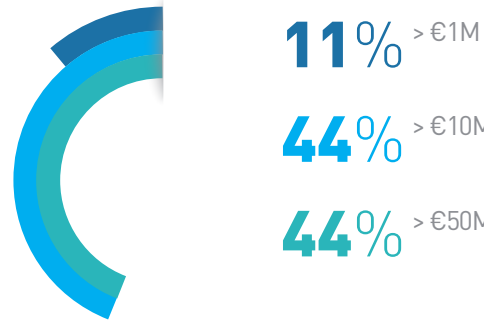
**22%** BIG >250

**44%** MEDIUM <250

**22%** SMALL <50

**11%** MICRO <10

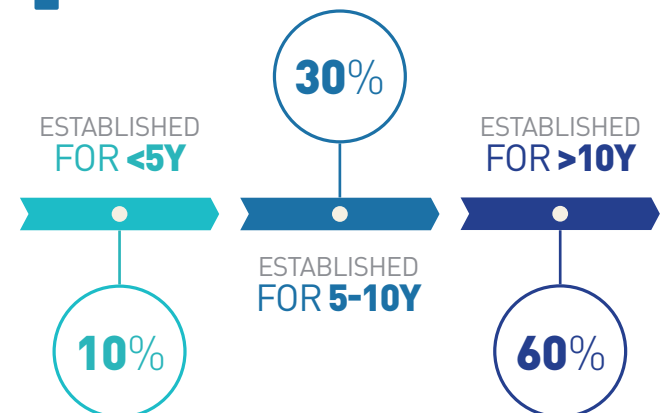
### TURNOVER



### LOCATION



### AGE



Source: 2020 EU investment mapping

## INVESTMENT MOTIVATION



## MARKET OUTLOOK

### THE LOCAL MARKET IN 5 YEARS



TOUGHER  
**11%**



THE SAME  
**22%**



FAIR GROWTH  
**56%**



HIGH GROWTH  
**11%**

## ACCESS TO FINANCE



**50%**  
PROFITS



**20%**  
HEADQUARTERS FUNDS



**50%**  
BANKS/  
FINANCIAL INSTITUTIONS

## CORPORATE SOCIAL RESPONSIBILITY

### GREEN ACTIONS

CARBON FOOTPRINT, ENVIRONMENT & BIODIVERSITY



ANNUAL ACTIONS PER FIRM **169**  
ANNUAL BUDGET PER FIRM **EUR 339,750**  
**TSH 948 M**

### SOCIAL ACTIONS

LABOR POLICIES AND FAIR TRADE



ANNUAL ACTIONS PER FIRM **8**  
ANNUAL BUDGET PER FIRM **EUR 43,500**  
**TSH 121 M**

### INNOVATION ACTIONS

TRAINING AND R&D



ANNUAL ACTIONS PER FIRM **8**  
ANNUAL BUDGET PER FIRM **EUR 13,250**  
**TSH 36 M**

**TOTAL CSR** **185** ANNUAL ACTIONS PER FIRM **EUR 396,500** ANNUAL BUDGET **TSH 1.1 B** PER FIRM

## ECONOMIC AND SOCIAL IMPACT

ANNUAL TURNOVER  
 EUR **170,050,000**  
 TSH **474** BILLION

TAXES PAID ANNUALLY  
 EUR **39,232,500**  
 TSH **109** BILLION

INVESTMENT PLACED  
 EUR **288,250,000**  
 TSH **804** BILLION

INVESTMENT IN THE NEXT 5 YEARS  
 EUR **44,000,000**  
 TSH **122** BILLION



JOB  
**45,722**



LOCAL EMPLOYEES  
**97%**



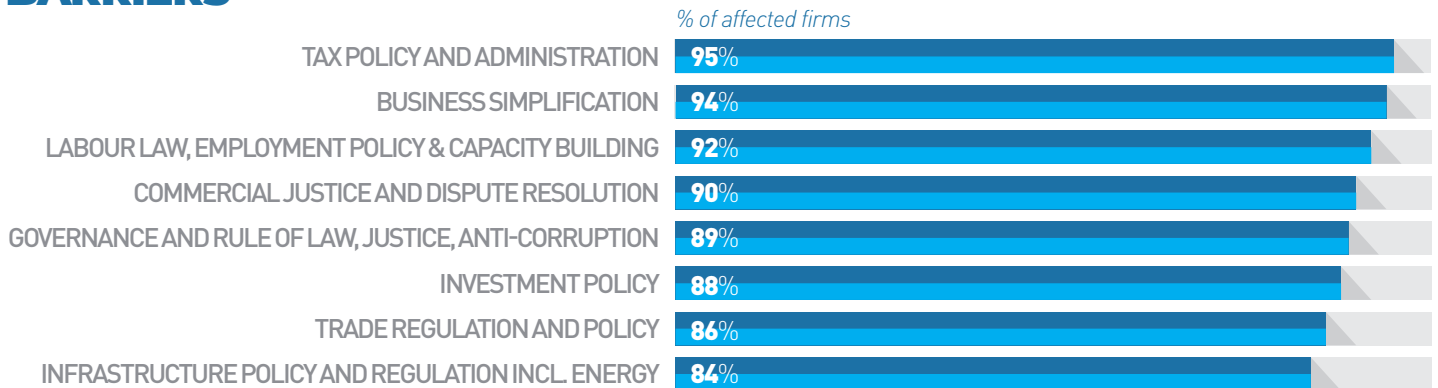
WOMEN EMPLOYEES  
**37%**

## KEY SECTORS

MISCELLANEOUS MANUFACTURING **30%**  
 WOOD AND PAPER **30%**  
 METAL & CONSTRUCTION MATERIALS **20%**  
 CHEMICALS **10%**  
 YARN, FABRICS TEXTILES & CLOTHING **10%**



## BARRIERS



## COVID IMPACT

CANCELLATION OF ORDERS  
**30%**



LESS DEMAND FOR THEIR PRODUCTS AND SERVICES  
**30%**



DEFERRED / CANCELLED INVESTMENTS  
**10%**



LIQUIDITY CONSTRAINTS  
**40%**



PROBLEMS IN THE SUPPLY CHAIN / LOGISTICS  
**50%**

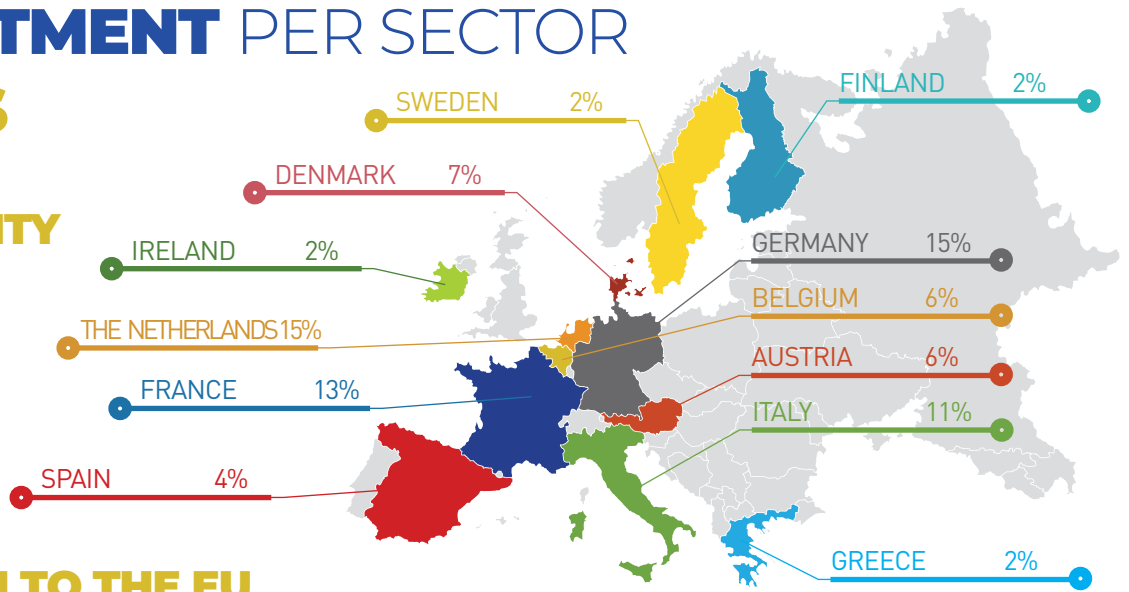




# EU INVESTMENT PER SECTOR

## SERVICES

### NATIONALITY



### RELATION TO THE EU

**80%** EU STAKEHOLDERS      **74%** EU CAPITAL      **22%** EU REGISTRATION

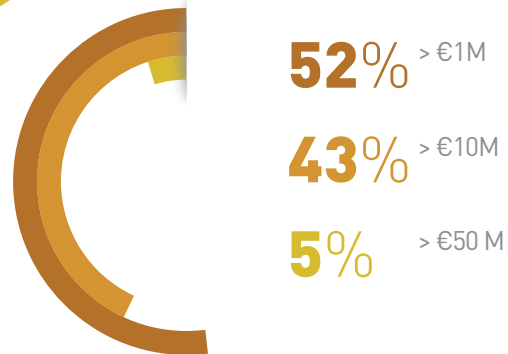
### TRADE

**63%** FIRMS SERVING THE LOCAL MARKET      **9%** FIRMS EXPORTING TO EUROPE      **4%** FIRMS IMPORTING FROM EUROPE

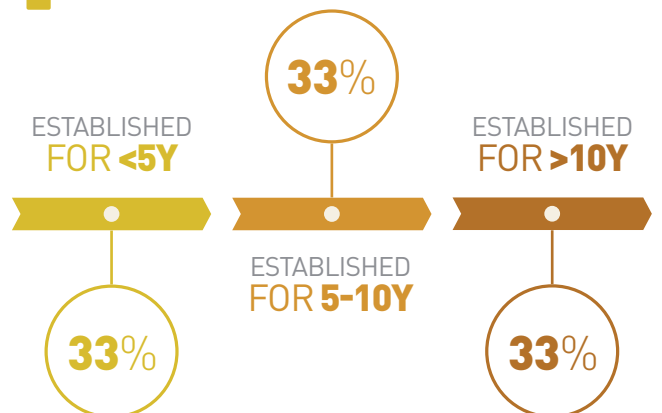
### SIZE

**2%** BIG (>250)      **29%** MEDIUM (<250)  
**40%** SMALL (<50)      **29%** MICRO (<10)

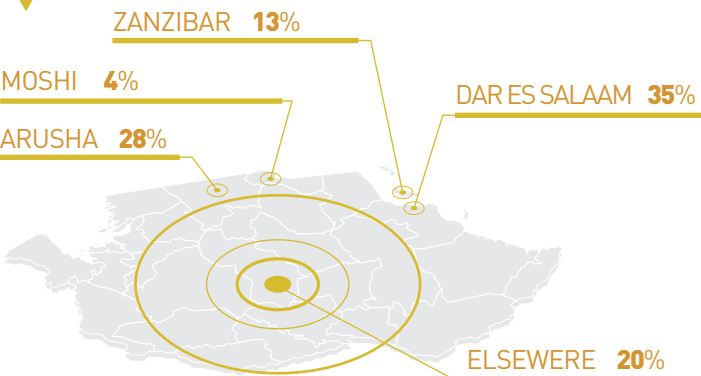
### TURNOVER



### AGE



### LOCATION



Source: 2020 EU investment mapping

## INVESTMENT MOTIVATION



INVESTMENT  
DUE TO THE  
LOCAL  
MARKET

**22%**



INVESTMENT  
DUE TO THE  
REGIONAL  
MARKET

**9%**



INVESTMENT  
DUE TO THE  
INTERNATIONAL  
MARKET

**69%**

IMPORTANCE OF THE  
LOCAL MARKET  
FOR FIRMS



LITTLE IMPORTANCE  
**39%**



AVERAGE IMPORTANCE  
**11%**



IMPORTANT OR  
VERY IMPORTANT  
**50%**

IMPORTANCE OF THE  
REGIONAL MARKET  
FOR FIRMS



LITTLE IMPORTANCE  
**17%**



AVERAGE IMPORTANCE  
**37%**



IMPORTANT OR  
VERY IMPORTANT  
**46%**

## MARKET OUTLOOK

THE LOCAL MARKET IN 5 YEARS



TOUGHER  
**11%**



THE SAME  
**13%**



FAIR  
GROWTH  
**61%**



HIGH  
GROWTH  
**15%**

## ACCESS TO FINANCE



**15%**  
RELATIVES  
FRIENDS OR  
CLOSE  
RELATIONSHIPS



**65%**  
PROFITS



**13%**  
HEADQUARTERS  
FUNDS



**54%**  
BANKS/  
FINANCIAL  
INSTITUTIONS

## CORPORATE SOCIAL RESPONSIBILITY

## GREEN ACTIONS

CARBON FOOTPRINT,  
ENVIRONMENT & BIODIVERSITY



ANNUAL ACTIONS PER FIRM **29**  
ANNUAL BUDGET PER FIRM EUR **40,556**  
TSH **113 M**

## SOCIAL ACTIONS

LABOR POLICIES AND FAIR TRADE



ANNUAL ACTIONS PER FIRM **26**  
ANNUAL BUDGET PER FIRM EUR **27,778**  
TSH **77 M**

## INNOVATION ACTIONS

TRAINING AND R&D



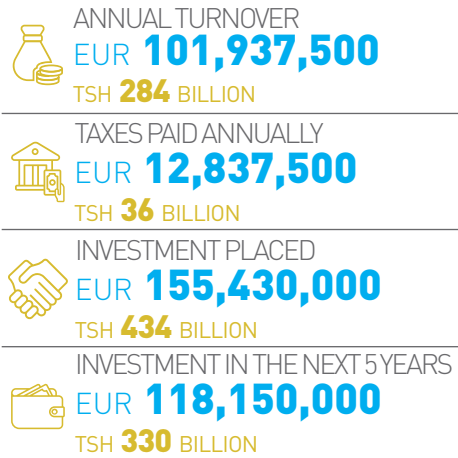
ANNUAL ACTIONS PER FIRM **8**  
ANNUAL BUDGET PER FIRM EUR **8,287**  
TSH **23 M**

## TOTAL CSR

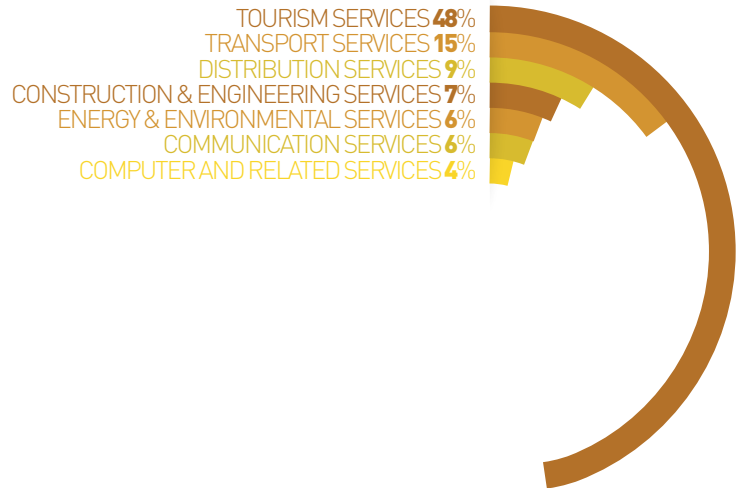
**63** ANNUAL ACTIONS  
PER FIRM

EUR **76,620** ANNUAL BUDGET  
TSH **213 M** PER FIRM

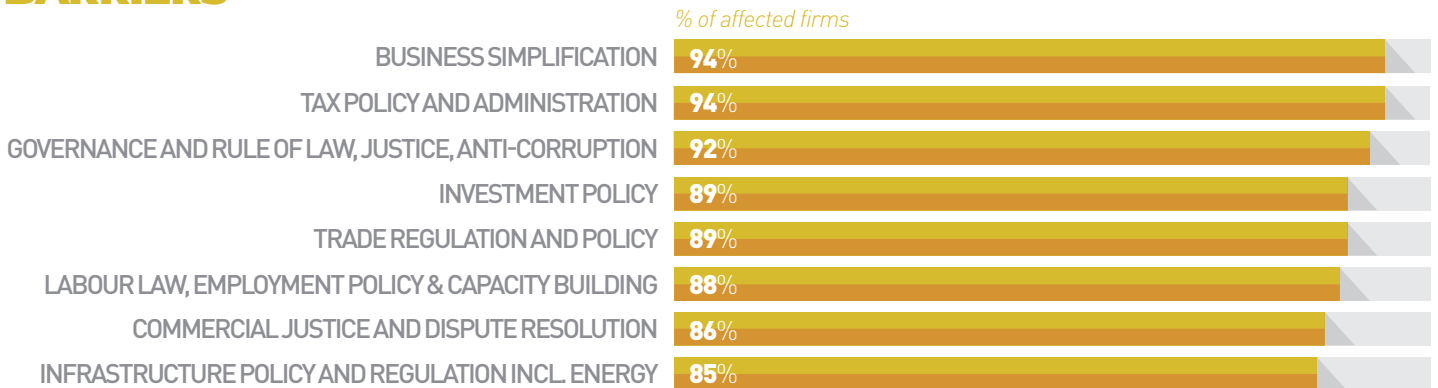
## ECONOMIC AND SOCIAL IMPACT



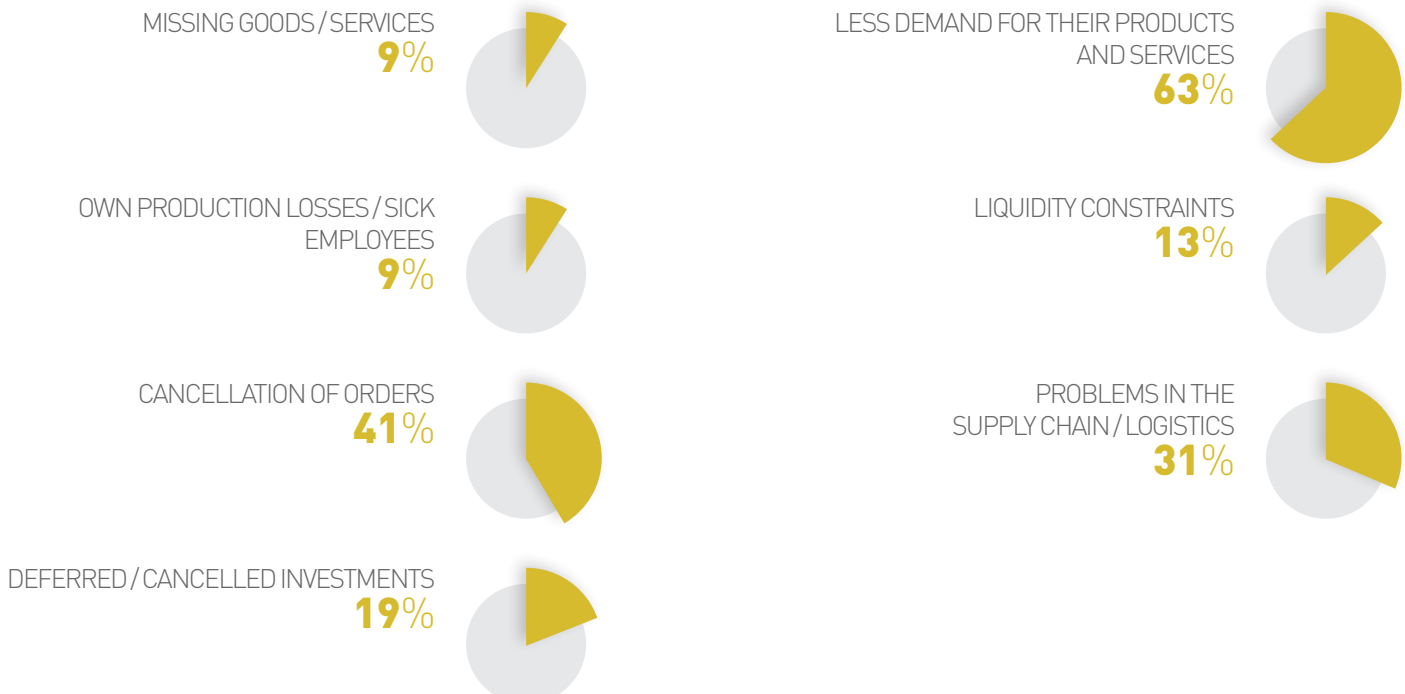
## KEY SECTORS



## BARRIERS



## COVID IMPACT

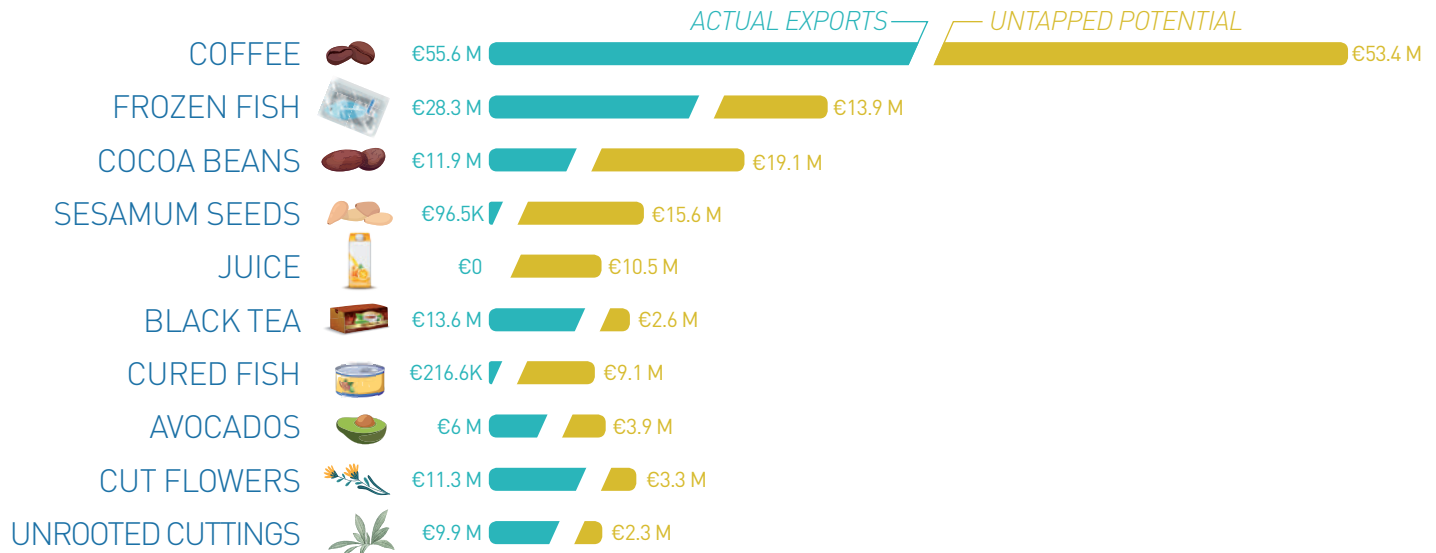




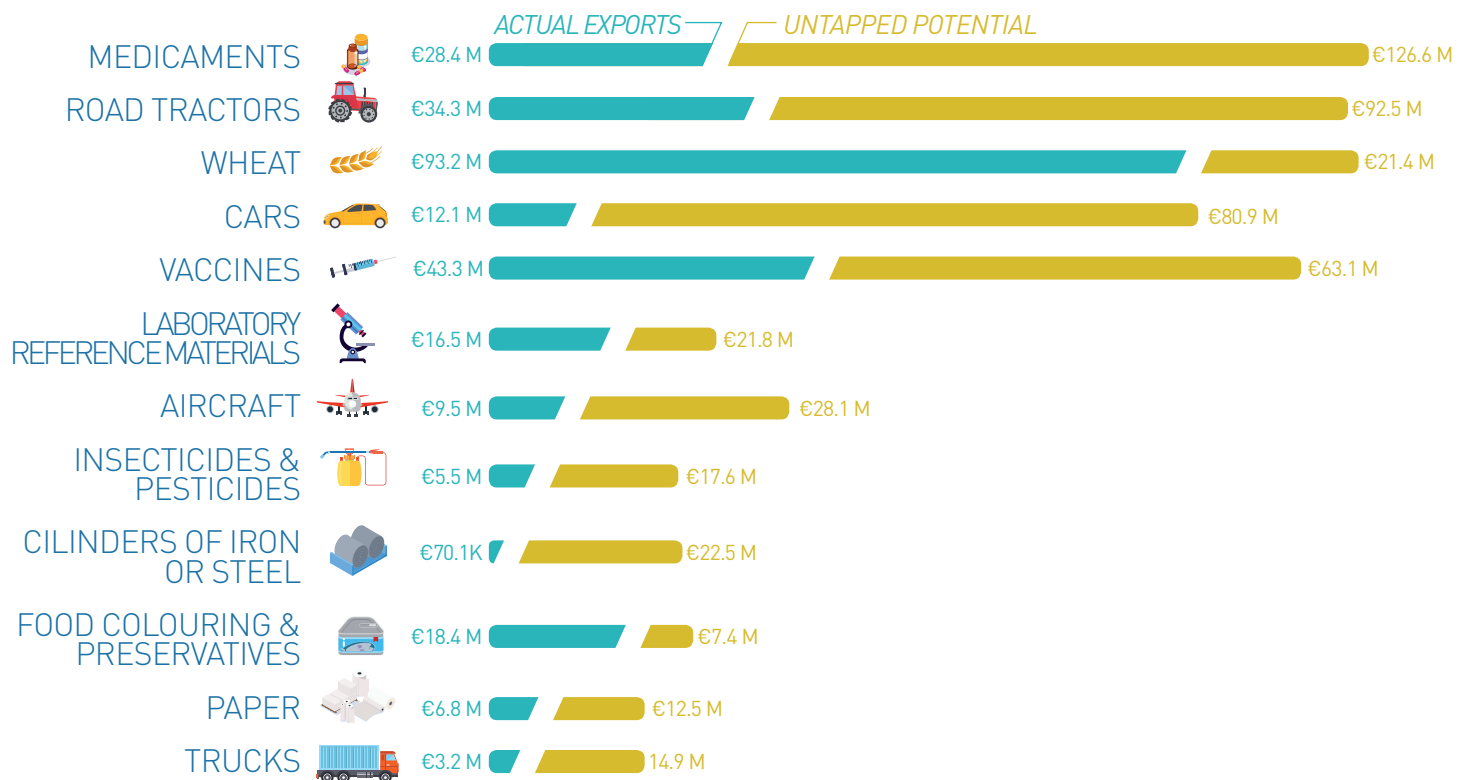
# EU-TANZANIA

## TRADE OPPORTUNITIES

### FROM TANZANIA TO THE EU



### FROM THE EU TO TANZANIA



\*The Export Potential Indicator (EPI) identifies products in which the exporting country has already proven to be internationally competitive & which have good prospects of export success in new or existing target markets. The criteria to calculate the EPI are the export performance, target market's demand & tariff conditions as well as bilateral links between the exporting country & target market.



## THE EUROPEAN UNION **EXTERNAL INVESTMENT PLAN**

The EU fosters public and private investment into neighboring & African countries via the EU External Investment Plan (EIP). The overall budget is €47 billion, with the European Commission managing €4.6 billion.

This is done via:

**GUARANTEES** – the EU works with banks to share the risk so that investors & development banks will finance entrepreneurs or development projects.

**BLENDING** – the EU covers part of the costs of a development project to get it off the ground, with public & private investors financing the rest.

**TECHNICAL ASSISTANCE** – the EU funds experts to help firms to develop new projects, draft bankable business plans or to support governments in their investment policies.

**INVESTMENT CLIMATE REFORMS** – the EU funds business reforms & brings together governments & firms to address investment challenges.

The EIP will go where most investors would not go. It will empower local entrepreneurs, especially women. And it will underpin development projects which otherwise would not be possible or would be much smaller.

More information:

[www.ec.europa.eu/eu-external-investment-plan/home\\_en](http://www.ec.europa.eu/eu-external-investment-plan/home_en)

*The Trade & Private Sector Development & Engagement (TPSD) Facility is an on-demand advisory service managed by the department for International Partnerships (DG INTPA). It was launched in 2017, to increase the capacity of partner countries & European Union (EU) staff in Delegations & Headquarters to understand & implement private sector & trade policy orientations & further improve the quality of INTPA interventions.*

*The team of experts provides technical assistance, knowledge management & communication support to EU staff. In 3 years, the TPSD Facility conducted 38 short term missions in 29 countries, dealing with value chain analyses, feasibility studies for the operationalisation of the External Investment Plan, the state of play of public-private & private sector mappings, including the EU investor mappings. This work has provided EU Delegations with valuable data & indications to tackle the issues refraining investment and promoting projects on cross-cutting key issues for the private sector such as access to finance or digitalisation.*

*This brochure has been put together by the Trade and Private Sector Development Facility.*





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