



DEVELOPMENT FINANCE FORUM FOR AGRIBUSINESS IN TANZANIA REPORT
EXPLORING DEVELOPMENT FINANCE IN AGRICULTURE, LIVESTOCK AND FISHERIES



MORENA HOTEL- DODOMA – TANZANIA February 11th, 2020

DESCRIPTION & AGENDA

- Welcoming remarks and introduction
- USAID Opening Remarks
- An overview of private investment trend in Tanzania
- Introduction to US Development Finance Corporation
- Enabling business environment
- Panel -1 Discussion:
Experience of bank lending to agriculture in Tanzania
Tanzania Agriculture Development Bank
CRDB Bank
Amana Bank
- Panel-2 Discussion:
Experience of private equity financing in Tanzania
Matchmaker Management Fund
Tanzania Venture Capital Network (TVCN)
Africa Enterprise Challenge Fund (AECF)
African Development foundation
- Panel-3 Discussion
Experience of agribusiness in financing
Tomoni farm
AKM Glitters – Poultry
Agrinfo
OBRI Tanzania
Victor Mfinanga, Shambani Milk – Agro-processing
- Panel-4 Discussion
Experience in investment facilitation
Dar es Salaam Stock Exchange
Private Agricultural Sector Support (PASS)
Tanzania Investment Center (TIC)
Financial Sector Deepening Trust (FSDT)
- Business to Business meetings
- Closing Remarks

PARTICIPATION/ATTENDANCE

- The Lead Organizers were ASPIRES and TPSF
- Total number of participants were 81 of which 57 were Male and 24 Female Attached Annex 1 for Time table and Annex 2 for presentations and complete list of participants

BACKGROUND INFORMATION

Introduction

Development Finance Forum for Agribusiness in Tanzania was organized by the ASPIRES Tanzania in support with Tanzania Private Sector Foundation (TPSF)

The forum main objective was to review the status, potential and constraints for investment in the agribusiness sector in Tanzania and to provide a forum for potential financing options. It was hoped that the outcome of the forum fostered policy dialogue would be an enabling business environment and a priority technical issue - improved product quality. The conference brought together participants, agencies responsible for policy development and support to the agricultural and food processing sector, private sector and banking sector representatives and bi- and multilateral donors providing technical and financial assistance to farmers, processors and traders, as well as representatives of international financial institutions.

The forum was opened by Geoffrey Kirenga (CEO for Southern Agricultural Corridor of Tanzania) in collaboration with Prof. David Nyange (Chief of Party for ASPIRES and Policy Advisor for the Ministry of Agriculture in Tanzania). Welcoming and opening the forum, it was highlighted that World is moving from Development assistance to Development financing hence agribusiness firm need to trap the opportunity and grow into large businesses. Presentations and inputs to the policy forum were made by representatives of the Tanzania Investment Centre, U.S. International Development Finance Corporation, Agribusiness Enabling Environment from ASPIRES and panel discussions.

Opportunities and Constraints to Investment in the Agribusiness Sector

The growth of agriculture will require formulation of an integrated and actionable strategy and implementation plan. This will require focusing on the comparative advantages which Tanzania agriculture has and building on planned Government and donor-funded activities.

Foreign direct investment and vertical coordination in the agriculture sector are both at emerging stages in Tanzania. The lack of a coherent, strategic approach to build market-based competitiveness in the agri-food sub-sectors in which Tanzania has comparative advantage is a key constraint. Estimates show that Tanzania has a comparative advantage in the production of horticultural crops such as oranges, avocado, mangoes, apples, vegetable crops such as tomatoes, cabbage, onions, and chickpeas, and in oilseeds like sunflower, cereals like maize, rice, wheat, sorghum, finger millet, barley, and cash crops such as cotton, coffee, sisal and tea. Tanzania has also high potential of livestock and fisheries hence good environment for agribusinesses.

The commercialization of produce markets in Tanzania continues to develop but there is little in terms of a collection center structure, sophisticated, widely experienced transporters or modern wholesale markets at present, and as such, those market participants do not account for the bulk of the trade. Local markets or traders are the predominate channels for smallholders.

The underdeveloped state of financial sector results in severe credit constraints in farming and processing. Leasing of equipment for agricultural production and processing is commencing, with the hope that a re-orientation from credit history—as required by a bank—to the ability to use the leased asset to generate sufficient income to make lease payments will bear fruit.

The recognized weaknesses include an absence of competitive domestic industry to provide basic agricultural inputs, machinery, and food processing equipment, lack of access to quality farming inputs such

plant stock and outdated packaging and processing facilities, a poor farm-to-market infrastructure and, in general, high transaction costs, caused among other by a business environment not conducive for private entrepreneurs. While the country possesses attractive international trade routes, the domestic market is relatively small and remains fairly insular, meaning that international opportunities must be seized for the full potential of the sector to be realized.

Summary of Conference Presentations and Discussion

The broadly understood agricultural, livestock and fisheries sector, including processing and trade is large segment of the economy and a main provider of rural jobs; the need for new policies and instruments to support the diversification of the economy is thus a priority. The forum was organized as a policy forum for policy debate and consultation on the continuation of economic reforms in the food and agricultural, livestock and fisheries sector, thus the presentations and discussions tended to focus on current and potential policies and opportunities in financing.

Mr. Revocatus Rasheli Zonal Manager- Tanzania investment Centre (TIC) underlined an overview of private investment trend in tanzania for agriculture, livestock, fisheries and agro-processing. Private investment categories are;

A. Normal Investors-Certificate of Incentives

Minimum capital requirement

Foreign investors - USD 500,000

Local investors – USD 100,000

B. Strategic Investors-Performance Contracts

Minimum capital requirement

Foreign investors - USD 50,000,000

Local investors – USD 20,000,000

PRIVATE INVESTMENT UNDER TIC: 1990-2018

SECTOR	Nos	New	Exp	Local	Foreign	JV	Jobs	Value (US Mil)	% Sector share of Value	% Sector share of Projects
Agriculture & Livestock	678	490	188	246	213	219	277,827	6,891	14	6
Natural Resources Excl Mining, Oil and Gas)	211	163	48	80	53	79	43,275	1,069	0.83	1.4
Manufacturing	3,945	3,117	828	1,531	1,340	1,074	441,135	21,079	18	33

Through TIC investors can get incentives such as Exemption on Project Capital goods (Zero Import Duty and VAT on capital goods and Zero Import Duty on raw materials) and Capital Allowance (Agriculture – 100%, Fish farming - 50%, Agro-processing-50% and Livestock Products Processing-50%)

Mr. Jesse Corradi Managing Director, Africa U.S. International Development Finance Corporation presented on BULD Act (Signed October 2018) which consolidated the Overseas Private Investment Corporation (OPIC) and USAID's Development Credit Authority into a modernized development finance institution with: A More Than Doubled Investment Cap of \$60 Billion, New Tools, Greater Focus on Lower Income Countries and Increased Interagency Coordination. U.S. International Development Finance

Corporation (DFC) is America's development bank. DFC partners with the private sector to finance solutions to the most critical challenges facing the developing world today. DFC offers Equity Financing (Direct equity and support for investment funds), Political Risk Insurance (Coverage of up to \$500 million against losses due to currency inconvertibility, government interference, and political violence including terrorism. DFC also offers reinsurance to increase underwriting capacity), Debt Financing (Direct loans and guaranties of up to \$500 million for tenors as long as 20 years, with specific programs targeting small and medium U.S. businesses) and Technical Development (Feasibility studies and technical assistance accelerate project identification and preparation to better attract and support private investment in development outcomes).



Photo; Mr. Jesse Corradi presenting the Development financing available for agribusiness

Prof. David Nyange, Agriculture Policy Advisor from ASPIRES AND USAID shared his presentation on Agribusiness Enabling Environment. The presentation highlighted on agriculture in Tanzania as the sector employs two thirds (65.5%) of the population, it contributes 29% of the economy (GDP), It is the source of 40% of industrial raw materials, contributes over \$1 billion of export earnings and the sector has been crucial in stabilization of inflation.

Enabling policy environment include; The pace of policy reforms has accelerated in the last five years, Over 60 pieces of reforms have been implemented, Key reforms include: Reduction of produce cess; Reduction and removal of 108 regulatory fees and charges in crops; and 10 fees and regulatory charges in livestock and fisheries; increased import tariff in some food products; Import tariff waiver in farm input and technologies; Duty waiver on raw materials for productive investment. In general, there have been more fiscal than regulatory reforms, there have been more protectionist reforms than enhancing the sectors' competitiveness, Early results of reforms: Improved LGA revenue; rising price of food imported; falling price of farm input; increased agricultural export revenue; Doing business ranking improved.

New challenges have cropped up in agricultural trade – traditional export (cashew nut, cotton), and import substitute (edible oil, sugar). With increased enforcement in implementation of the fiscal regulatory framework, agribusiness is reeling under pressure. Regulatory framework is still a binding constraint to sector performs including overregulation (50 regulatory agencies, overlapping roles), multiplicity of fees and charges, bureaucratic process (lengthy procedures and processes).

Another constraint for SMEs to access credit is lack of collateral. Land and real estate have been traditionally used by banks as collateral for loans. Thus, secured transaction reforms establish the legal framework for movable assets to be used as collateral and the Secured Transactions Law requires establishment of collateral registry.



Photo; Prof. David Nyange sharing the success model of Dakawa rice farming project to the participants

PANEL DISCUSSIONS

The forum had opportunities to discuss opportunities and challenges facing agribusiness financing. Matters discussed were on; Experience of bank lending to agriculture in Tanzania, Experience of private equity financing in Tanzania, Experience of agribusiness in financing and Experience in investment facilitation.



Photo; Participants closely following discussions on the development finance to Agribusiness in Tanzania

KEY POLICY ISSUES

- Review of Tanzania Investment Promotion Policy, 1996
- Enactment of the new Tanzania Investment Act, 1997
- Align current economic priorities (FYDP2) with Investment policy and legislation
- Streamline investment Incentives with priority sectors incl agriculture, livestock, fisheries and agro-processing
- Emphasis on attracting more investment in the geographically disadvantageous regions
- Improve investment institutional framework including transforming the TIC
- Facilitate Implementation of Blueprint on regulatory reforms

- Capacity building to key financial officers to understand the agribusiness environment and model of operation is essential.
- Financing should be within need, and financial institutions should be part of the management, instead of financing that will leave client suffer with the loan.
- The current situation shows financial sector institutions are lending a disproportionately lower share of their loan portfolios to agriculture compared to agriculture sector's share of GDP
- Agricultural financing is an important element in the modernization and development of the sector
- Continued macroeconomic stability is important to avoid public crowding out of private sector lending
- There is a need to improve further agribusiness environment particularly addressing regulatory challenges
- Provision of fiscal and non-fiscal incentives is critical to attracting investment in agriculture given the perceived risk by investors
- Secured transactions reforms would enhance inclusive financing
- Innovation is critical to enhancing agricultural finance e.g. syndicated loans, leveraging equity, targeting medium sized farms, leasing finance, crowding-in investment
- Agribusiness should have a clear model.
- Free release and access to data is vital to agribusiness financing and development

ASPIRES ROLE/ INVOLVEMENT

- Logistical support for participants and facilitation for the forum
- Providing technical support to the areas related to Policy coordination, Policy research, Capacity Building and Policy Outreach and Advisory.

ACTIVITY'S ALIGNMENT TO ASPIRES ANNUAL WORK PLAN

As ASPIRES Annual Working Program covers Policy Coordination, Policy Research, Capacity Building, and Policy Outreach and Advisory; the Agriculture, Livestock and Fisheries sector is also subject to different policies, rules and regulations which govern the Industry hence mutual collaboration with the other stakeholders will enable in creating conducive Business Environment to stimulate and enhance growth of the Sector.

PICTURES FOR THE DEVELOPMENT FORUM FOR AGRIBUSINESS IN TANZANIA EVENT



Photo; Participants from ASPIRES, SAGCOT, CRDB AND USAID attentively following agenda and presentations to be made for the forum



Photo; Business to business meetings between CRDB officials and USAID team



Annex 1: PRESENTATIONS, AGENDA, LIST OF PARTICIPANTS



1. TIC -
Presentation Feb 20



2. DFC101_PPT_
(Final) - Dodoma pre



3. Agriculture
Finance Enabling En



**Agenda for
Development Financ**



Agribusiness Profile
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**Investment forum-
Attendance register**