



SOKOINE UNIVERSITY GRADUATE ENTREPRENEURS COOPERATIVE

**CONSULTANCY SERVICES FOR THE ESTABLISHMENT OF SPECIAL SCHEME FOR
INNOVATIVE, KNOWLEDGE INTENSIVE START-UPS IN AGRICULTURAL AND
AGRIBUSINESS SECTOR IN TANZANIA**

FINAL REPORT

Submitted by
Dr. Donath Olomi and Dr. Neema Mori
Institute of Management and Entrepreneurship Development (IMED)
June, 2013

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	iii
ABBREVIATIONS	iii
1.0 INTRODUCTION	1
2.0 POTENTIAL FOR EMPOWERING GRADUATES TO TRANSITION INTO ENTREPRENEURSHIP	3
3.0 BARRIERS FACING YOUTH START-UPS AND POLICY RESPONSES	4
4.0 MODELS AND EXPERIENCES IN SUPPORTING FINANCIAL ACCESS FOR SMES AND START-UPS.....	12
5.0 EXPERIENCES AND LESSONS FROM OTHER FORMS OF SUPPORT	17
6.0 CONCLUSIONS AND RECOMMENDATIONS	22
APPENDICES AND ANNEXES	27

EXECUTIVE SUMMARY

0. 1 INTRODUCTION

0.1.1 Introduction

A large number of school and college leavers in Tanzania remain unemployed contributing to the national unemployment levels estimated at 11.7%. There is a growing recognition that youth entrepreneurship is a key strategy for integrating youth into the economy. The government, as well as development organizations and other service providers have put in place fiscal incentives, subsidized services and other schemes to support investors. Some of these could be useful to graduates wishing to transition to entrepreneurship. However, SUGECO and its members have limited awareness of the range of support that they can potentially take advantage of. As well, the existing incentives and schemes were designed for experienced and established investors. SUGECO wants to persuade the government to create favorable environment for graduate start-ups with a focus on the agricultural sector by introducing a package of incentives at the Tanzania Investment Centre and other, relevant institutions. In January, 2013, SUGECO commissioned the Institute of Management and Entrepreneurship Development (IMED) to undertake a study on the existing business support framework and make specific recommendations for schemes that can empower young graduates to transition smoothly into knowledge innovative and intensive entrepreneurs. This document presents the report.

0.1.2 Objective of the study

The overall objective of this project is to improve growth of the agriculture and agribusiness sub-sectors by developing focused incentive scheme for startups with special focus on agribusiness in Tanzania. The specific objectives of the assignment were:

- To analyze the policy and regulatory framework and available incentive schemes or preferential arrangements for start- up businesses, including making comparisons with relevant case countries. This included assessing eligibility criteria, modus operandi, reach and performance of incentives and their suitability for youth in agribusiness in Tanzania.
- Assess barriers that limit youths to engage in business activities and in agriculture and agribusiness activities in particular
- Identify constraints that affect the agriculture and agribusiness start-ups in Tanzania in general and those promoted by the youth in particular.
- To develop proposals for an adequate package for innovative and knowledge intensive start-ups
- Lobby and advocate for the special incentive package by appropriate implementing organizations.

0.1.3 Methodology

The study used a holistic and integrative approach, involving literature review, interviews and focus group discussions with a range of stakeholders, including students, graduates, senior officials in development agencies, government agencies, financial institutions, projects, etc. The drafts were presented to two stakeholder workshops.

0.2 KEY FINDINGS

0.2.1 Potential for Empowering Graduates to Transform to Entrepreneurship

Every year, the education system releases over 800,000 youth into the job market of which at least 10% (80,000) complete tertiary education. At University level, there are over 30 Universities with about 140,000 students. The total enrolment in tertiary training institutions therefore stands at around 240,000 and is rising rapidly. Surveys of students in universities, technical colleges, vocational training centres and secondary and primary schools consistently show high interest in entrepreneurship with over 50% of respondents expressing very strong interest in the career. A study by Kakete (2012) found that 67.5% of SUA graduates were interested in the career. Focus group discussions with recent Sokoine University graduates suggest that at least 20% were interested in becoming business entrepreneurs. SUGECO has already registered over 200 members, all graduates of 2010, 2011 and 2012 from SUA. If 5% of graduates of the annual output of Universities and technical institutes (approximately 80,000 students) could successfully transition to business entrepreneurs immediately after graduation, this translates to 4,000 potentially knowledge intensive entrepreneurs. Such a large number of graduates would populate the private sector with individuals with greater capacity to learn, adapt and innovate as well as act as role models and a resource for other students and entrepreneurs.

0.2.2. Challenges for Graduates Transitioning to Entrepreneurship

Unfortunately, the policy environment is not at all conducive for medium sized start-ups by knowledge intensive entrepreneurs. The support institutions, services, projects and even mindsets of policy makers, service providers are largely tailored to needs of micro enterprises or large companies. This is because, historically, all businesses were established either as micro enterprises by individuals with very limited education and resources or by well established investors and the government. Therefore, there has been no demand for supporting growth oriented start-up by knowledge intensive entrepreneurs.

The findings suggest that in order to effectively support graduates to transition into entrepreneurship, a more enabling environment needs to be in place. The most critical challenges at the moment are seen as access to 1st stage finance and premises or land (with irrigation infrastructure). Stakeholders interviewed noted that once these are resolved, a few graduates may be able to transition to entrepreneurship. To get a larger number of graduates, efforts are needed to build entrepreneurial values and skills from the time students are in college, provide information and ongoing mentoring as well as link graduates to the right networks. The following table summarizes the kind of support needed to students and graduate at pre-start up, start up and early growth and consolidation stages.

Table 0.1: Critical support needed by students and young graduates at various stages

Service	All stages	Pre start-up	Start-up	Early growth and consolidation
Access to	<ul style="list-style-type: none">• Information about sources of support• Career counseling, mentoring and coaching• Access to relevant networks	<ul style="list-style-type: none">• Self assessment tools (to build awareness (of talents/potentials)• Experience in related agribusiness enterprises	<ul style="list-style-type: none">• Land/premises• 1st stage (start-up) finance	<ul style="list-style-type: none">• Land/premises• 2nd stage finance
Attitude	<ul style="list-style-type: none">• Financial literacy	<ul style="list-style-type: none">• Building interest in	<ul style="list-style-type: none">• Business creation	<ul style="list-style-type: none">• Managing growth

s/skills formatio n	<ul style="list-style-type: none"> • Soft skills (negotiation, communication, assertiveness, people skills, creativity) • Ethical values • Valuing things, including time • Learning from failure • Entrepreneurial attitudes 	<ul style="list-style-type: none"> the entrepreneurial career • Innovative opportunity identification and business ideas • Bootstrapping strategies 	<ul style="list-style-type: none"> process • Financial management • Technical skills • Complying with statutory requirements 	<ul style="list-style-type: none"> (growth motivation, strategies, financing) • Mentoring others • Technical skills • Managing operations
------------------------------------	--	--	--	---

Most tertiary training institutions have courses on entrepreneurship, which should ideally address some of the training and sensitization needs. However, these courses are mostly theoretical, focusing on “learning about” rather than “learning for” entrepreneurship. At the moment, SUGECO members are able to get some of the training from external providers, through an ongoing project. However, once the project ends, there is no assurance that this can continue. As well, SUGECO members are getting some form of mentoring and coaching from academic members of staff of the Department of Agriculture Economics and Agribusiness at SUA. However, a more effective and sustained approach would need at least one full time experienced and knowledgeable person, as well as use of a network of successful entrepreneurs as mentors and coaches.

0.3 RECOMMENDATIONS

0.3.1 Recommendations to the Government and other stakeholders

It is quite clear that in order to promote high employment impact private sector development, the government needs to focus some of its attention on deliberate measures to support knowledge intensive entrepreneurs, including graduates. This can be done by making young graduates transition to the entrepreneurial career more feasible. The government should take the following measures to achieve this goal.

Access to land and premises. In order to deal with the challenges of access to land and premises, we propose that:

- (i) Concerted measures need to be taking to educate and change attitudes of the entire government system and the community on land and investment on land. Specifically internal campaigns as well as mass medium campaign should be undertaken to change the view that control over a commercial scale land is “land grabbing” or bad.
- (ii) The government should task and empower Tanzanian Investment Centre to acquire more land and expand its land bank, so that those who wish to acquire land for investment can do so. Some of the land under the land bank should be made available to graduates. Local governments should budget for support to this group and those taking initiatives should be supported through central government budgetary allocation and asked to show the results.
- (iii) Local governments should be tasked to support young, knowledge intensive entrepreneurs coming from Universities to acquire land and premises for investment. The Tanzania

Investment Centre should coordinate with all local governments to ensure that land and premises are available for young graduate entrepreneurs.

Incentives, taxation and regulations. In order to address issues related to taxation and compliance to regulations and access to utilities, Tanzania Investment Centre should open a desk that deals with young knowledge intensive investors in agriculture and agribusiness, so as to register them for investment incentives, guide and facilitate them in establishing their businesses, including dealing with regulatory requirements. The window should focus on young graduate entrepreneurs in the agriculture and agribusiness sectors.

Access to technology. The Centre for Agriculture Mechanization and Rural Technology and Small Industries Development Organization (SIDO) should be tasked to support technology needs of emergent, growth oriented and medium scaled agriculture and agribusiness enterprises by identifying technology requirements and linking with relevant local and international suppliers. Where possible, these technologies should be adapted or developed locally.

Access to skilled manpower. A key challenge in the agriculture sector is lack of skilled manpower to undertake technical tasks. This is attributed to the virtual absence of vocational training for agriculture occupations. It is therefore recommended to establish vocational training schools for agriculture occupations. SUGECO has already identified land where a pilot vocational centre could be established in Morogoro.

Taxation and fiscal incentives. It is recommended that young graduates intending to create businesses be exempt from the US \$ 750 required to get investment certificates from Tanzania Investment Centre. This will entitle them to tax relief on import duty and VAT.

0.3.2 Recommendations to SUGECO

Based on the findings and options considered, we recommend that SUGECO should immediately start establishing links with key schemes and organizations to empower graduates to tap into them, and also to build its own capacity to serve members better. The key organizations that SUGECO should consider linking with are as follows:

Table 0.2 Key organizations that SUGECO should link with and the purpose of linking

Organization	Purpose
ACT	<ul style="list-style-type: none"> • Establish relationship and if possible become members of ACT • Agree on an industrial attachment scheme for SUA graduates • Explore possibility of piloting a Work for Capital Program for graduates
NEEC	<ul style="list-style-type: none"> • Explore/agree how SUA graduates can access land available at Kisarawe, especially for livestock • Explore/agree on how SUA graduates can be accommodated in the Furniture sector capacity building program • Explore/Agree on how SUA can be part of the Young Graduates' Program at NEEC
DANIDA/Danish	<ul style="list-style-type: none"> • Explore/agree on a possible project for capacity building of SUGECO, Support for SUA

Embassy	<p>graduates' industrial attachments/internships and establishment of an Angel Investor Network in Morogoro</p> <ul style="list-style-type: none"> • Discuss how SUGECO members can benefit from envisaged Agribusiness Innovation Centre to be built in Kibaha
COSTECH	<ul style="list-style-type: none"> • Explore possibility of members to join the ICT (Dar Technohama) Incubator • Discuss how SUGECO members can benefit from the envisaged Agribusiness Innovation Centre being built in Kibaha
UDEC	<ul style="list-style-type: none"> • Explore possibilities for SUGECO female members to benefit from the Goldman Saach's 10,000 Women Scholarships, and SUA members to join from the BDS Incubator
SIDO	<ul style="list-style-type: none"> • Explore possibility for SUA graduates to join the technology incubation program
TGFA	<ul style="list-style-type: none"> • Explore collaboration for TGFA members to accept SUGECO members for attachments
TIC/SIDO	<ul style="list-style-type: none"> • Explore possibility of SUGECO members benefitting from Empretec training program and benefitting from the Business Linkage Program
MAFS/USAID	<ul style="list-style-type: none"> • Explore possibility of establishing a young graduates farm incubator at Dakawa Rice Farm
SAGCOT Centre	<ul style="list-style-type: none"> • Explore possibility of establishing a structure to link SUGECO members to investors for attachment as well as out grower schemes, food and input supply opportunities in large projects, etc

SUGECO should develop a proposal to advocate for establishment of a special Accelerator for graduate's transition to entrepreneurship. The key aspects of the plan include:

- Competitive access to the facilities by graduates, based on demonstrated competence and plans
- Minimal of or no grants, to build a self reliance mentality and make graduates value resources
- Piloting the scheme to SUGECO members before roll-out to other graduates
- Enabling graduates to access serviced land in different parts of the country where they will choose to operate from, and not just Morogoro
- Focus on young graduates (within three years of graduation)
- To include building capacity of SUGECO (and later other organizations) to provide pre start-up and ongoing support and linkage to students and graduates
- Time bound support to graduates

The initial ideas are attached in the form of a Concept Note (*Appendix 5*).

ABBREVIATIONS

ABC	African Bank Corporation
ACT	Agricultural Council of Tanzania
AGRA	Alliance for a Green Revolution in Africa
ASDS	Agricultural Sector Development Strategy
BFIA	Banking and Financial Institutions Act
BRELA	Business Registration and Licensing Authority
BOT	Bank of Tanzania
CARMATEC	Centre for Agriculture Mechanization and Rural Technology
CDK	Completely Knocked Down
CEO	Chief Executive Officer
CIDA	Canadian International Development Agency
CGS	Credit Guarantee Scheme
COSTECH	Commission for Science and Technology
DFA	District Farmer Associations
EFE	Education for Employment
FBME	Federal Bank of Middle East
FIs	Financial Institutions
FSDT	Financial Sector Deepening Trust
ICT	Information and Communication Technology
ILO	International Labour Organization
IMED	Institute of Management and Entrepreneurship Development
IT	Information Technology
NMB	National Microfinance Bank
NEEM	National Economic Empowerment Council
PASS	Private Agricultural Sector Support Limited (PASS)
SIDO	Small Industries Development Organization
SMEs	Small and Medium Enterprises
SUA	Sokoine University of Agriculture
SUGECO	Sokoine University Graduate Entrepreneurs Cooperative
TIB	Tanzania Investment Bank
TIC	Tanzania Investment Centre
TGFA	Tanzania Graduate Farmers Association
UDEC	University of Dar es Salaam Entrepreneurship Centre
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
VAT	Value Added Tax
VETA	Vocational Education Training Authority
VTCs	Vocational Training Centers
ZNFU	Zambian National Farmers Union

1.0 INTRODUCTION

1.1 Background

A large number of school and college leavers in Tanzania remain unemployed contributing to the national unemployment levels estimated at 11.7%. According to the National Employment Policy (URT, 2008) unemployment is highest in Dar es Salaam at 31.5% followed by other urban area (16.3%) and least in the rural areas (7.5). Unemployment rate is highest (13.4%) among the youth (35 years or younger). The problem is worsening despite impressive economic growth rates over the past decade. Whilst growth is a prerequisite for reducing poverty, it is the nature of growth that is a critical determinant of how growth works for the welfare of the people. It is recognized that while agriculture contributes less than half of the national income, it employs about 80% of the population.

There is a growing recognition that youth entrepreneurship is a key strategy for integrating youth into the economy. A large number of youth, including graduates of higher learning institutions express interest in entrepreneurship. However, very few are able to successfully start and develop their own firms. The reasons include a wide range of challenges, including limited experience and financial and social capital. There are a number of initiatives to support graduates to transition to business entrepreneurship in Tanzania. Sokoine University Graduate Entrepreneurs Cooperative (SUGECO) brings together young graduates who are committed to becoming innovative, knowledge intensive entrepreneurs. Members receive business creation skills training, linkage to financial resources, mentoring and coaching under the auspices of the University. However, this is insufficient to enable them realize their dreams of creating innovative and knowledge intensive enterprises, given the myriad of challenges that exist.

In order for Tanzania to achieve its growth targets by 2025, the economy must grow by an average of 7% per annum. Globally, rising incomes are accompanied by a transition from an agricultural based economy into an industrial economy. Agriculture as a share of GDP is projected to fall from 28% to around 20%, while manufacturing sustains high growth (13%) and doubles its share of a rapidly-growing GDP (from 9% to 18%). The transition must be accompanied by rising agricultural productivity, which releases labour from the farms and lowers domestic food prices, as labour is absorbed into a faster growing manufacturing sector. Agriculture in Tanzania is projected to grow at 5.6%. A very high growth in output per agricultural worker (5.8%) is required in order to sustain the anticipated employment shifts. Over the past 10 years, output per agricultural worker grew at a rate of only 3.4% per year. The growth trajectory in Agriculture productivity needs to change (IGC, 2010). A key factor is a change from subsistence oriented to commercial agriculture. The growth must be broad based to be sustainable.

The government, as well as development organizations and other service providers have put in place fiscal incentives, subsidized services and other schemes to support investors. Some of these could be useful to graduate wishing to transition to entrepreneurship. However, SUGECO and its members have limited awareness of the range of support that they can potentially take advantage of. As well, the existing incentives and schemes were designed for experienced and established investors. SUGECO wants to persuade the government to create favorable environment for graduate start-ups with a focus on the agricultural sector by introducing a package of incentives at the Tanzania Investment Centre and other, relevant institutions.

In January, 2013, SUGECO commissioned the Institute of Management and Entrepreneurship Development (IMED) to undertake a study on the existing business support framework and make

specific recommendations for schemes that can empower young graduates to transition smoothly into knowledge innovative and intensive entrepreneurs. This document presents the report.

1.2 Justification for Supporting Young Graduates to Transit into Entrepreneurship

There are a number of reasons why promoting graduate entrepreneurship in the agriculture and agribusiness sectors is not only good, but actually necessary:

- Agriculture has traditionally not been attractive to the youth and especially the educated. Yet, knowledge intensive enterprises are needed to drive innovation and productivity in these sectors. It is crucial to make agriculture and agribusiness more attractive to talent and educated youth specifically.
- The growing population, coupled with rising access to higher education and rural-urban migration are not matched by employment opportunities in the formal sector. Tanzania produces over 800,000 graduates from the school and college system, of whom only about 10% find employment in the formal sector (ILO, 2011). Entrepreneurship is for a large number of graduates the only option for gainful employment and personal growth.
- Young graduate entrepreneurs have greater potential to create growing organizations and therefore employment for themselves as well as others. Research shows that level of education of the founder is positively associated with the rate of firm growth (Olomi, 2001). A five year study by the Global Entrepreneurship Monitor (GEM) established that businesses founded by teams of graduates have the highest employment growth.
- Young and especially graduate entrepreneurs may be particularly responsive to new economic opportunities and trends (Curtain, 2000). Promoting youth entrepreneurship will bolster innovation, adaptability, resilience and competitiveness of the private sector and the economy.

1.3. Objective of the study

The overall objective of this project is to improve growth of the agriculture and agribusiness sub-sectors by developing focused incentive scheme for startups with special focus on agribusiness in Tanzania. The specific objectives of the assignment were:

- To analyze the policy and regulatory framework and available incentive schemes or preferential arrangements for start-up businesses, including making comparisons with relevant case countries. This included assessing eligibility criteria, modus operandi, reach and performance of incentives and their suitability for youth in agribusiness in Tanzania.
- Assess barriers that limit youths to engage in business activities and in agriculture and agribusiness activities in particular
- Identify constraints that affect the agriculture and agribusiness start-ups in Tanzania in general and those promoted by the youth in particular.
- To develop proposals for an adequate package for innovative and knowledge intensive start-ups
- Lobby and advocate for the special incentive package by appropriate implementing organizations.

The Terms of Reference are in **Appendix 1**.

1.4 Methodology

The study used a holistic and integrative approach, involving literature review, interviews and focus group discussions with a range of stakeholders, including students, graduates, senior officials in development agencies, government agencies, financial institutions, projects, etc. The list of persons interviewed is shown in **Appendix 2**. Since data collection involved interaction with key policy makers,

advocacy was in a way embedded in the process. Indeed, all the stakeholders met were very receptive to the idea of empowering agriculture graduates to transition to innovative and knowledge intensive entrepreneurship and are ready to consider proposals from SUGECO. The literature review focused on national and international experience in similar or related initiatives. The documents reviewed are listed in **Appendix 3**. The initial draft was presented to a workshop attended by SUGECO members. Feedback received from this workshop as well as from SUGECO leadership was incorporated in the 2nd version. The 2nd draft was presented to a stakeholders workshop for revalidation and initial dissemination in May, 2013. Comments and suggestions from the stakeholders validation workshop has been incorporated in this final draft.

1.5 Structure of the Report

This report is presented in 6 chapters. After this introduction, we analyze the potentials of turning tertiary education students into knowledge intensive entrepreneurs in Chapter 2. This is followed by a discussion of the challenges and barriers facing youth and graduates in transitioning to entrepreneurship and policy responses in Chapter 3. In chapter 4, we analyze the models, products and lessons from financing youth enterprises. This is followed by analysis of models, services and lessons on provision of non financial services in Chapter 5. Chapter 6 presents conclusions and recommendations. In **Appendix 4**, we present a Fact Sheet based on the findings and recommendations, as the key advocacy instrument. In Appendix 5, we present a brief concept paper for a graduate Accelerator Program.

2.0 POTENTIAL FOR EMPOWERING GRADUATES TO TRANSITION INTO ENTREPRENEURSHIP

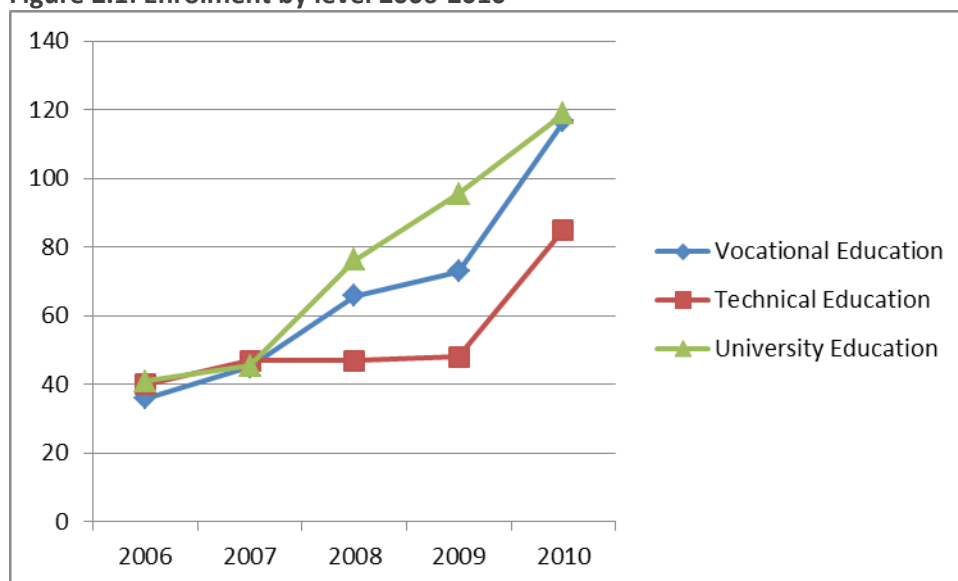
2.1 Introduction

Potentially, young graduates can develop innovative, knowledge intensive, competitive and growing businesses given their greater knowledge, skills and therefore capacity to learn and adapt. Graduate farmers will infuse the human resources needed in the agriculture sector and thereby improve learning, innovation, growth and competitiveness. However for this potential to be realized there must be demand from students and graduates to pursue the entrepreneurial career.

2.2 Throughput of tertiary training institutes

Every year, the education system releases over 800,000 youth into the job market of which at least 10% (80,000) complete tertiary education. There are about 170 Vocational Training Centres (VTCs) in Tanzania enrolling at least 113,000 students (VETA Annual Report 2008). At technical education level, there are 240 institutions with over 85,000 students (45% female and 7% in agriculture and another 7% in engineering, manufacturing and construction (URT, 2011). At University level, there are over 30 Universities with about 140,000 students. The total enrolment in tertiary training institutions therefore stands at around 240,000 and is rising rapidly as shown in Figure 2.1. Interestingly, enrolment at University level is above both technical and vocational levels.

Figure 2.1: Enrolment by level 2006-2010



NB: Vertical axis shows enrolment in thousands

Source: IMED (2012)

2.3 Student and graduates' inclination towards the entrepreneurial career

Surveys of students in universities (Mufa 2005; Olomi et al, 2009), technical colleges (Massawe, 2005), vocational training centres (Olomi and Staki, 2009) and secondary and primary schools (Komba, 2006; Ally, 2008) consistently show high interest in entrepreneurship with over 50% of respondents expressing very strong interest in the career, slightly over 10% saying they intend to focus on self employment upon graduation and about the same proportion running business as they study. A recent study by IMED (2010) found that while 25% of 2008 and 2009 University of Dar es Salaam Bachelor of Commerce graduates had not taken up salaried jobs, half of these (12.5% of total) were operating some form of a business albeit mostly at a very small scale. Similarly, a study by Kakete (2012) found that 67.5% of SUA graduates were interested in the career. Focus group discussions with recent Sokoine University graduates suggest that at least 20% were interested in becoming business entrepreneurs.

SUGECO has already registered over 200 members, all graduates of 2010, 2011 and 2012 from SUA. Even without any additional efforts, if 5% of graduates of the annual output of Universities and technical institutes (approximately 80,000 students) could successfully transition to business entrepreneurs immediately after graduation, this translates to 4,000 potentially knowledge intensive entrepreneurs.. Such a large number of graduates would populate the private sector with individuals with greater capacity to learn, adapt and innovate as well as act as role models and a resource for other students and entrepreneurs.

3.0 BARRIERS FACING YOUTH START-UPS AND POLICY RESPONSES

3.1 Introduction

The private sector is composed of a wide range of segments that face different opportunities and challenges. In the agriculture sector, there are three distinct segments. The dominant group (98%) is

informal micro enterprises, established mostly as a survival strategy and with limited inclination or potential to grow. There are just a few thousand large enterprises mostly subsidiaries of multinationals or local family business groups. The remaining are small and medium enterprises (SMEs). Graduation of the micro and small enterprises to medium and large is extremely rate. Youth entry into business is hampered by a range of barriers, the most serious of which are discussed below along with policy responses to address them.

3.2 Impediments to Youth Led SMEs Start-Ups

General challenges

Limited access to finance

Limited access to finance is consistently mentioned as the most pressing barrier by almost three quarters of SMEs in surveys. This is attributed to low capacities of SMEs to develop viable projects, articulate financial requirements and manage funds; inadequate capacities of financial institutions to respond appropriately to varied needs of enterprises; and gaps in the regulatory and institutional framework, which increase risk and cost of financial intermediation. The challenge is even more pronounced among young graduates. Banks typically finance businesses with track record of good performance, experienced management teams and quality collateral. The Banking and Financial Institutions (Credit Concentration and other Exposure Limits) Regulations of 2008 (article 6) only limit lending to an individual or related parties to 25% when the loan is fully (125%) secured, 10% when partly secured (less than 125%) and 5% when unsecured. The regulations DO NOT disallow a bank to provide risk based lending. However banks often refuse to provide risk-based lending on the pretext that the regulations disallow them. This is a big challenge for young graduates who have had no opportunity to build up collateral, experience or track record. The only way a large number of young graduates can transition from college to entrepreneurship is through mechanisms that enable them overcome this vicious cycle.

Underdeveloped enterprise culture

A culture of enterprise in society is one which values and rewards initiative, hard work, flexibility, risk taking and innovation. This culture is still hugely under-developed. Young people are prone to wanting effortless success and sometimes resort to short cuts. There is an inherent tendency in society to view graduates as elites. Some policy makers view graduates and those with some assets as unworthy of support and would rather channel resources exclusively to the poor. At the same time, some graduates consider starting small as inappropriate for the “educated” and tend to want to start with large entities before they have learnt from business or sector experience. There are efforts to reform the education system to among others promote the enterprise culture, but this is evolving slowly.

Limited access to productive infrastructure

While arable land is abundant in Tanzania, most of it is not served by reliable transport, water and power. This makes it difficult for those with limited means to use it productively. Most business operators cannot access appropriate production premises. Local governments are unable to provide suitable serviced land for various productive activities. Some premises are available in a few business centers and export processing zones, but these are too few compared to the needs. Critical services, such as power, telephone, water, roads, etc are under-developed and sometimes not available, making

it expensive to start businesses. In some urban areas, water costs as much as Tshs 500 per bucket. In some rural areas a bucket of water costs up to Tshs 1,500!

Limited access to business development services

Access to business development services is limited due to inadequate supply of quality and affordable provision, inability and willingness of SMEs to pay for these services and lack of information about their availability. Business development services providers have limited capacity in terms of the entrepreneurial, technical and facilitation skills. Few have had any training in facilitation, and many are training or advising on areas where they are not themselves trained. There are several important areas where there is very limited expertise. These include value chain analysis and market linking, branding and marketing. Professional services, including tax consultancy, accounting, legal and auditing services are available in urban areas, but very few SMEs know of their existence or value and even fewer actually use them. For agriculture activities, there are extension workers at district, ward and in some cases village level. However, these lack the motivation and resources required to serve clients effectively.

Unfriendly regulatory framework

The regulatory and administrative framework for businesses and agribusinesses has improved in the past 10 years, but there are still many obstacles and the pace of reforms is slow. The process of starting and particularly licensing a business is still costly, time consuming and cumbersome, as a result of which a majority of businesses remain informal and hence unable to benefit from market based resources and services, including finance.

There have been a number of efforts to streamline and simplify business registration and licensing by establishing a semi-autonomous Business Registration and Licensing Authority (BRELA), doing away with the annual renewal of licenses and requiring businesses to pay part of income tax before being licensed. However, especially in local governments and rural areas, problems still remain. BRELA is centrally located in Dar es Salaam and its outreach is therefore quite limited. SUGECO members reported to be spending a lot of time making follow-ups in Dar es Salaam.

3.2 Specific Impediments to Youth Led Agriculture and Agribusiness Start-Ups

Access to finance

The dominant group in agriculture in Tanzania is smallholders, mostly operating on subsistence, traditional basis with little or intention to grow beyond the small scale. Emerging farmers are typically larger than smallholders, have a more entrepreneurial mentality, are more educated and are growth oriented. They are an interesting target group because they have the potential to develop into full scale commercial farmers. This requires more capital investments, working capital financing and other banking services compared to a smallholder who typically only requires small amounts of working capital for seasonal inputs. Graduates who successfully set up agriculture projects will mostly fall under this group. The third group is full scale commercial farmers. These are very few in Tanzania.

Financial institutions typically serve *smallholders* indirectly by working with farmer groups and cooperatives. The *commercial farmers* are easily served by financial institutions. Graduate start-ups fall in the category of *emergent farmers*. Typically, fresh graduates have to struggle to survive as they attempt to build up businesses. The first few months or years are particularly hard because the business might not be sufficiently large or profitable to sustain the founder. Their financing challenges are

categorized into two types. Initially, they have to raise *first stage* financing to set up business. This types of financing usually comes from the founder's personal savings or support from family. The *2nd stage financing* is for consolidation and early growth. At this point, the founder of the business is more stable financially and has accumulated some experience and assets demanded by a typical financial institution. Commercial banks typically do not provide "start-up" finance and require 125% collateral, which young graduates are unable to provide.

Access to technology

Because of the dominance of and previous policy focus on smallholder farmers and micro enterprises, technology development and transfer efforts have almost exclusively targeted these groups. Thus, the technologies available in the market, as well as the mentalities of the technology development institutes, such as the Small Industries Development Organization (SIDO), Centre for Agriculture Mechanization and Rural Technology (CARMATEC) is limited to these segments and hence inappropriate for growing or medium scaled operations. This is serious limitation to knowledge intensive entrepreneurs who want to developing growing enterprises.

Access to land

Dominant values among ordinary citizens, policy makers and public officials in local government disfavor commercial agriculture, since control over commercial size land is frowned upon. Most people consider controlling a sizeable chunk of land (50 acres or more) as unfair and even refer to it as "land grabbing". This is also reflected in the Village Land Act, which restricts powers of Village Governments in allocating land to 50 acres per person or organization. As a result, it is difficult for one investor to get enough land in one lot, to allow use of efficient technologies (e.g. tractors, planters, combine harvesters) and hence commercial production. Efforts are needed to change this attitude. Where land is readily accessible and serviced with irrigation infrastructure and power, it is very hard for the youth to access it because it is owned and controlled by the old generation, which is reluctant to pass it on to the young generation. Even when land is available, one has to spend a lot of time and other resources to complete the process of titling in order that it can serve as collateral.

Limited access to quality workforce

Many businesses owners face difficulties in sourcing competent manpower. During the interview, those setting up farms in rural areas complained that they are unable to get labor from neighboring villages because even the unemployed are not prepared to work for wages. As a result, investors are forced to find labour far from where they are investing, making it very expensive. Even those investing in medium sized farms are forced to import workforce from other countries due to lack of specialized skills in some areas in Tanzania. There are no vocational training courses in agriculture. As a result, emergent and commercial farmers cannot find trained manpower.

Access to utilities

Access to utilities, including piped water and electricity is limited both by availability, reliability and administration. However, even the process of procuring the service for the first time is riddled with challenges. There are no clear step-by-step guideline on how should go about the process. Even officers in the respective institutions (water authorities and TANESCO) sometimes provide misleading or incomplete information. Responses to application for power or water connection can take a very long time, and often they will response only when there is constant follow up. Larger companies can use dedicated and experienced staff, their influence with managers and politicians or even bribes to navigate through the process. Young graduates have to spend a lot of time (even months) and effort to

get through these processes, while they are supposed at the same time, to be involved in many other activities.

Certification and Standards

The process of complying with processing certification and standards is cumbersome and takes a long time. The problem is more pronounced for activities such as food and beverage processing, whereby one requires premises, the process and the product to be assessed by the Tanzania Food and Drug Authority (TFDA).

To formally establish small food processing businesses, one need to have the premises, location and process assessed and certified by the TFDA as well as Tanzania Bureau of Standards (TBS). TFDA works through five zonal offices (Dar es Salaam, Dodoma, Mwanza, Mbeya and Arusha). Applicants either submit their applications directly or through district and municipal health officers. These are then submitted to the head office where there are laboratories. The first step is checking if the product meets Tanzanian standards as well as Codex (international) standards. Thereafter it is forwarded to the laboratory for microbiological analysis. The microbiological analysis itself takes about 20 days. If the product passes the test, the certificate is issued. The process should take between 2-3 months. However, in reality it can take much longer. The reasons for taking a longer period include:

- Most applications are incomplete or erroneously filled because those completing them are not food scientists and so it is difficult for them to follow and complete them properly. As a result, TFDA has to revert to the applicants for corrections or completion. In most cases, applicants take very long to respond to request for corrections or additional information and some applicant even don't bother to respond (give up). This process can be repeated several time, and it sometimes takes years to complete
- TFDA does not have sufficient well trained and experienced staff to process all applications in time. As a result some applications are kept pending for while and new ones have to wait for their turn.

Discussions with different SMEs who have tried to apply for TFDA certificates reveal different experiences and outcomes. Those who have gone through the process in the recent past report that as long as you follow the guidelines given and remain patient while products are being analyzed there are no serious difficulties. Those who are just starting businesses, including some SUGECO members, tend to be very impatient. One of the reasons is that they must make multiple trips to follow up the process in Dar es Salaam, which makes it very expensive.

Similarly processors require a standards mark from Tanzania Bureau of Standards. Some of the tests conducted duplicate those conducted by TFDA. There are ongoing advocacy processes by the private sector to harmonize the activities of these two organizations and therefore eliminate the need for the same tests to be conducted by two separate entities. The Small Industries Development Organization (SIDO) has entered into an agreement with TBS to facilitate the process of certification. SMEs interested in applying for the TBS mark start the application through SIDO regional offices and the later pays for the cost of certification. SUGECO members wishing to apply for TBS certification are therefore advised to go through SIDO.

As with TFDA, discussions with different SMEs that have tried to apply for TBS certificates reveal different experiences and outcomes. Those who have gone through the process in the recent past report that other than the long waiting period, they did not experience serious difficulties.

Taxation

The taxes associated with establishment and consolidation of agriculture and agribusiness enterprises tend to be prohibitive for young start-ups. Before one can get a business license, one has to pay provisional tax. Also, without tax incentives, imports of most equipment attract substantial import duty. At the same time, getting the tax incentives requires applicants to pay US \$ 750. This is too high for someone starting with a big dream but no money and may have to pay this out of borrowed start-up capital.

Conclusions

The above observations suggest that knowledge intensive; ambitious start-ups face a myriad of challenges. In addition to the general challenges, youth led agriculture and agribusiness entrepreneurs face unique challenges that need to be addressed.

3.2 Policy Framework for Supporting SMEs and Youth Enterprises in Agribusiness

In recognition of the importance of youth employment and the agriculture sector, the Government has continued to design and implement a number of supportive policies and programmes. Some of the policies are focused on youths, others on agriculture and some have components which are related to both youth graduates and agriculture.

- **Tanzania Development Vision 2025** aspires for a transformation from the low productivity agricultural economy to a semi-industrialised, with modernised and highly productive agriculture through actively mobilising people including graduates.
- **The “Kilimo Kwanza”** (Agriculture First) is a national resolve to accelerate agricultural transformation. The policy has ten pillars focusing on enabling the agriculture to be commercial. The government and financial institutions are required to mobilize funds for commercial farmers including graduates. The 8th pillar focuses on science, technology and human resources. Three tasks under this pillar directly touch graduate agribusinesses. These are: introduction of agricultural loan and provision of land to agriculture graduates; provision of full scholarships/loans to agricultural undergraduates and development of incentives to attract, train and retain youth in agriculture.
- **The Agricultural Sector Development Strategy (URT 2000)** aims at creating a conducive environment for improving profitability of the agriculture sector as the basis for improved farm incomes and rural poverty alleviation. The strategies include: strengthening the institutional framework for managing agricultural development; increasing private sector participation through creation of a favorable climate for commercial activities; improving net returns from farms in the short term and commercializing agriculture.
- **The Rural Development Strategy (URT, 2001)** recognizes that agriculture accounts for about **half** the national income and is a source of livelihood for about 80% of Tanzanians and prioritizes agriculture and livestock development. Also the sector has strong linkages with the non-farm sector through agro processing, agribusiness, urban markets, and export trade. In order to support the sector and tackle rural poverty, the strategy focuses on development of business activities in the rural areas through rural industrial development, investment incentives for rural areas, local private sector development initiatives at district level and provision of areas for work space for SMEs at local level.

- **The National Youth Development Policy (URT, 2007)** focuses on youth development issues which include; economic empowerment, employment promotion, youth participation, HIV and AIDS, gender, arts and culture, etc. The policy recognizes the need to enhance employability of youth outside the sphere of paid employment and prioritizes establishing a conducive environment for increased participation of young people in the private sector. The policy states that there shall be a mechanism to have sustainable financing of youth income generating activities (pg.17).
- **National Economic Empowerment Policy (URT, 2004)** provides for mechanisms for creating opportunities and facilitating Tanzanians to empower themselves economically in all sectors, including agriculture. Key strategies include development of entrepreneurship curricula, training of trainers, establishment of an Agricultural Development Bank and establishment of a National Economic Empowerment Fund.
- **The SME Development Policy (2003-2013)** outlines priorities and strategies for improving the performance and competitiveness of existing SMEs and for creating new ones. The aspects addressed in the SME policy include: I) providing an enabling legal and regulatory framework ii) improving access to physical infrastructure and workplaces iii) strengthening entrepreneurial culture, business development services and access to markets IV) improving SME access to finance v) building the capacity of stakeholders for effective implementation of SME programmes. vi) Promoting rural industrialization and vii) attending crosscutting issues such as environment, gender, etc.
- **Integrated Industrial Development Strategy, 2012** provides a framework for coordinated industrial development, focusing on development of targeted infrastructure for specific value chains and clusters, and integrating rural and urban industrial and trading activities. It is recognized that manufacturing SMEs and their supply chains will need higher levels of capacities, including recent and past graduates of colleges.

Other policies with a bearing on the development of youth and agriculture sectors include: Land Policy, National Employment policy, National Microfinance Policy, National Trade Policy, Gender and Women Development Policy and Cooperative Development Policy. A number of institutions, both public and private have been established to implement and coordinate various programmes arising from these policies. Furthermore, the government has undertaken various measures to implement some elements of these policies and strategies. However, by and large, implementation has been unsystematic and uncoordinated and therefore with limited effectiveness.

3.3 Opportunities for empowering young graduates to transition directly to entrepreneurship

During the study, the team met a number of actors in the public and private sector, all of whom are enthusiastic about the idea of supporting graduates to transition to entrepreneurship. Some of them already have ideas or schemes in that direction. This presents a big opportunity for SUGECO and graduates interested in becoming entrepreneurs in general. The following are some of the examples:

- **The Prime Minister's Office (PMO)** is responsible for coordination of all private sector development activities and there is a State Minister with this mandate. The Prime Minister, Hon. Mizengo Pinda himself is aware of the SUA and SUGECO initiatives to support graduates to transition into entrepreneurship. When he learned of the initiative, he promised to offer full support. He directed the Morogoro Regional Commissioner to ensure that SUGECO members get land. Following the instruction, already 600 acres of land have been earmarked for the

members. The PMO assured us that they are fully committed to continue supporting this initiative. Under the PMO's office are two agencies – Tanzania Investment Centre (TIC) and the National Economic Empowerment Council (NEEC). Both indicated readiness to work with SUGECO.

- **Danish Agency for International Development (DANIDA)** is heavily involved in promoting the private sector. It is also funding the African Commission initiative, which has a strong focus on job creation for youth. It is also supporting a number of credit guarantee schemes, some of which can be accessed by SUGECO members.
- **Southern Agriculture Growth Corridor of Tanzania (SAGCOT)** Centre is coordinating private investments and catalytic funds for the TAZARA Corridor, which includes Morogoro. SAGCOT Centre management see a lot of possibilities for motivated graduates to work initially as interns, contract farmers, suppliers, extension workers, etc in the large commercial farms that will be developed under the scheme. Already negotiations are at advanced stages for large investments. SAGCOT Centre is open for ideas on how SUGECO members and other graduates can benefit. They are however of the view that a structure needs to be put in place to make it work. Initially, profiles of SUGECO members and their interests/needs in relation to preferred activities and support needed could be availed to the Centre, so they can be linked with relevant opportunities
- **The United States International Development Agency (USAID)** is implementing a large initiative under the Feed the Future Program. This includes unlocking selected value chains (rice, maize, cassava); and capacity building of agriculture researchers (including Sokoine University staff). Among others the program is collaborating with the Ministry of Agriculture to build irrigation infrastructure in Morogoro region for use in private paddy farms as well as in the state owned 250 acre Dakawa Rice earmarked for research and demonstration. There is potential to turn part of the Dakawa Farm into an agriculture incubator for SUGECO members. Starting from the farm for about two seasons would expose graduates to good agronomical practices and business experience as well as enable them generate capital which they can use for 2nd stage finance. According to one source, a 10 acre farm can generate over Tshs 40 million in profits per season, enough to enable a young graduate to take off. The Ministry of Agriculture and Food Security has indicated that a proposal to use part of Dakawa Farm (and possibly others) could be considered.
- **The Commission for Science and Technology (COSTECH)** is leading an initiative, supported by InfoDev of the World Bank and DANIDA, to establish an Agribusiness Innovation Centre in Kibaha. The Centre will provide various forms of support (space, technology, advice and mentoring) to promising start-ups, including those promoted by graduates. It will also support selected high potential small enterprises towards graduation to medium sized. This facility can therefore benefit SUGECO members, both at start-up and early growth stages.

Other institutions which were visited, including Tanzania Private Sector Foundation (TPSF) and the Bank of Tanzania (BOT) indicated interest and readiness to work with SUGECO and other such initiatives to empower graduates to transition to entrepreneurship.

4.0 MODELS AND EXPERIENCES IN SUPPORTING FINANCIAL ACCESS FOR SMES AND START-UPS

4.1 Introduction

There is a wide range of ways and experience in addressing the challenge of access to finance for SMEs in general and start-ups in particular. In this section, we explore the different options, along with Tanzanian or international experience. They range from guarantee schemes, special bank windows, leasing, special funds, to angels and venture capital. This then is used as the basis for the recommendations on what SUGECO and other local actors can do to address this issue.

4.2 Guarantee Schemes

Few SMEs are able to provide the 125% collateral cover demanded by banks. As well, most SMEs and agriculture based enterprises are perceived by banks as relatively risky. Guarantee schemes are used by the government and development partners to make up for shortfalls in collateral and cushion lenders against default risk to some risky segments. There have been several Guarantee Schemes in Tanzania, mostly targeting SMEs:

- **The SME-Credit Guarantee Scheme** operated by the Bank of Tanzania (BOT SME-CGS) was launched in 2005 with a capital of Tshs 2 billion. It guarantees loans that range from Tshs 5million to Tshs 500m with duration of 1 to 5 years. The scheme serves start up and existing SMEs projects. In practice, few start-ups qualify and these are the ones owned by ongoing concerns. Trade and most services are excluded. Preference is given to projects that use local inputs, are labor intensive and export oriented. Projects should be formally registered and owned by Tanzanians; be commercially viable and the applicant should have enforceable collateral. The application is through a participating financial institution and only 50% of the risk is covered. The scheme was suspended in 2011 after giving guarantees worth Tshs 6 billion. It is now under review and is expected to restart in 2013. Banks evaluate applicants on normal lending procedures and due diligence. Young graduate start-ups would not qualify due to collateral and track record requirements.
- **The Private Agricultural Sector Support Limited (PASS) Guarantee Scheme** was established to stimulate growth and investment in the agricultural and Agribusiness in Tanzania. They currently operate in ten regions of Tanzania, namely: Morogoro, Iringa, Mbeya, Kilimanjaro, Tanga, Dar es salaam, Singida, Kagera, Arusha and Dodoma. PASS clients are legally registered private individuals/sole proprietors, farmers groups, business companies, co-operatives and associations. It helps clients in undertaking feasibility studies, preparing business plans and engaging with collaborating bank, thus increasing chances of the clients getting loans. PASS is cooperating with CRDB Bank PLC, Exim Bank Ltd, African Bank Corporation (ABC) (T) limited, and Federal Bank of Middle East (FBME). Graduate start-up agribusinesses can potentially benefit from PASS scheme by going through the collaborating banks/FIs. However, they would not qualify for the first stage financing, given their lack of partial collateral and track record.
- **Alliance for a Green Revolution in Africa (AGRA) Guarantee Scheme** is working in partnership with private and public sector stakeholders to improve productivity and incomes of resource poor farmers in Africa. Their mission is to enhance efficiency, competitiveness and sustainability of agriculture systems. In Tanzania, AGRA works through approved country's agriculture policies and strategies. In 2008, AGRA and the Financial Sector Deepening Trust (FSDT) provided \$1.1 million as a guarantee fund which enabled them secure a \$5 million line of credit from the

National Microfinance Bank (NMB). Through this guarantee fund, NMB lends to agro-dealers at rates of 18%. So far, the bank has approved loans for about 300 agro dealers worth Tshs. 9 billion.

- **The Export Credit Guarantee Scheme (ECGS)** is also operated by the Bank of Tanzania. It provides partial collateral cover for exporting firms. The facility guarantees credit to exporting firms, including traders and cooperatives. It provides 75% guarantee cover for loans of one year or less, and 50% for loans of longer maturities. This scheme could also be accessed by SUGECO members, as long as they are already established in business with some resources to meet the 25% of the collateral requirements. However, they would not have the 25% collateral.
- **The Contractors Assistance Fund (CAF)** is a Credit Guarantee Scheme operated by the Contractors Registration Board (CRB) since 2002 to assist contractors in securing bid bonds and bank guarantees for advance payments from commercial banks. It started with Tshs 300 million, but has now grown to Tshs 2.1 billion. Eligibility to CAF is classes V-VII contractors and class III and IV for specialist contractors. Applicants must be current on their obligations to CRB including payments of their annual subscription fees and submission of annual returns. The applicant pays CRB a fee equal to 0.2% of the guaranteed amount. Contractors occasioning loss to the fund are required to refund such money to the Fund within six months failing which they are deleted from the contractors register. The deletion shall not relieve the contractor from the obligation to refund the money due. The defaulter will also be prosecuted in the courts of law.

There have been several other guarantee schemes in Tanzania. During the interviews, stakeholders reported that most guarantee schemes have not worked well. The rate of delinquency and default on guaranteed loans have been far higher compared to unguaranteed ones. This has led some of the schemes to disguise that they their clients are guaranteed. The clear exception is the CAF. Because of the built in sanctions for defaulters, the performance of the Fund has been exemplary. This is an important lesson to organizations like SUGECO. Should they establish a guarantee scheme, there must be in-built and working mechanism to take sanctions against defaulters. Another important lesson is that the funds should steer away from politicization, and should as much as possible be governed by those with the right capability and direct interest in its sustainability, as is the case with the CRB.

The schemes are designed for existing enterprises in need of funds to expand or improve operations. They may also suit some new businesses established by individuals with track record of running other businesses and the partial collateral that is needed by banks. There could be a few graduates who have support and experience from family enterprises. However, a large majority will not have these resources. These schemes are therefore unsuitable for the first stage financing needs of start-ups operated by graduates.

4.3 Special Bank Windows

There have been some special windows within banks to ease access to finance for certain agribusiness segments. These include:

- **TIB Agriculture Projects Financing Window** supports primary production (livestock, crop production) and integrated agribusiness (crop processing) activities. This special window started in 2010 and was funded by the Government as a way of implementing the ten pillars of Kilimo Kwanza. It targets established projects with good track record and competent management teams in the form of medium and large farmers as well cooperatives and microfinance institutions. Loans range from Tshs 50 million to Tshs. 1 billion with terms of six months to 15

years. The grace period is 1 to 3 years and interest rate is between 6% and 8% per annum. Start-ups must finance at least 20% of the total project cost. As of November, 2012, the window had offered 190 loans worth Tshs. 39 billion. A few have started to repay. This window will be transferred to the newly established Agriculture Development Bank. At the moment the funds have been exhausted. Under its current set up, this window can only serve an insignificant number of graduates who might have gained the requisite experiences and collateral from parents' businesses. It is unsuitable to the rest. SUGECO may however qualify to borrow, as long as it can put in place an adequate mechanism for assessment, on-lending, monitoring and recovery of loans to members.

- **CRDB Pilot Graduate Credit Scheme with SUGECO.** CRDB is piloting a scheme for SUGECO members, all graduates of Sokoine University of Agriculture. Applicants should have an entrepreneurial character assessed by their University mentors, a good and realistic business plan, commitment to work on the project on full time basis and should surrender their original degree certificate to the bank. A Tshs 2 billion fund has been set aside for this pilot. Initially the scheme did not have upper limit for first loans. However, this was subsequently set at Tshs 20 million per project, as one way of managing risks arising from inexperience of the graduates. As of January, 2013, five of SUGECO members had received a total of Tshs. 350 million and some had started repaying. These loans are given enough grace period to enable the borrowers repay from project cash flows. So far, the scheme appears to be working smoothly. However CRDB Bank and others have only limited leeway to operate such schemes, since the Bank of Tanzania regulations demand a 125% collateral cover. Discussions with various stakeholders, including BOT revealed that this requirement is unlikely to be relaxed in the foreseeable future because of poorly performing portfolios in commercial banks.

4.4 Leasing

Leasing enables firms to acquire and use equipment to expand operations or enhance productivity without having to pay upfront or borrowing. The lessee (user of equipment) makes periodic payments to the lesser until the price and interest on the asset is paid for in full. Tanzania Investment Bank operates a lease product. Under TIB lease, the lessee has to pay a minimum of 20% of the total price for new equipment (or 40% for used equipment) and the TIB will top up the difference. TIB pays the supplier directly and retains the certificate of ownership until all installments are paid. The ownership is then transferred to the lessee. Most SUGECO members will be running projects that need some equipment, such as tractors, planters, harvesters, trucks, mills, etc. After paying for the equipment, the asset can also be used in the future as collateral. This product is also flexible as the periodical payments are based on the lessee's cash flows. In the event that a project fails, the lessee can surrender the asset and turn to another idea without remaining stuck with a huge liability. A key challenge is how young graduates will raise the 20% advance required. One option is to ask for a special waiver of this requirement for SUGECO members. Another is to seek a third party to provide the 20% contribution, to be repaid periodically, alongside the repayments to TIB. In this case, there must be a mechanism within SUGECO or another administering party to assess applicants and recover the installments as they fall due.

Discussions with stakeholders on success of leasing as a product in the Tanzanian market revealed that financiers have faced a number of challenges, including (i) clients colluding with suppliers to inflate prices quoted in the pro forma invoices, (ii) clients changing ownership of asset during the lease period and then defaulting, (iii) staff colluding with clients to destroy documents in files (iv) clients starting

business they are unable run and in the process damaging the assets or failing to pay for the asset (v) failure to recover outstanding payments from sale of repossessed assets due to abnormally high wear and tear (vi) huge investment needed in storage space and maintaining security for assets that are repossessed before they are sold off, which is made worse by the problem of getting employees with integrity, and (vii) collusion between employees or auctioneers and buyers when repossessed assets have to be auctioned. If SUGECO is to promote leasing to its members, it must guard against these malpractices.

4.5 Angel Investors

Angel investors are typically successful or even retired entrepreneurs who, building on their own entrepreneurial experience and capability, informally assess and invest in selected projects in return of equity. In some cases, the relationship begins in forums where graduates are given the opportunity to pitch their plans to a group of potential angel investors. Angel investors will often also act as mentors and link for their investees to important networks and other resources. In some Universities (e.g. Columbia Business School in the USA), some professors act as angel investors. In other Universities (e.g. University of Missouri and Willamette University in the USA) students operate angel investment fund under the guidance of professors as part of their learning. An increasing number of angel investors organize themselves into **angel groups** or **angel networks** to share research and pool their investment capital, as well as to provide advice to their portfolio companies. In Sub-Saharan Africa, angel investing is not a common practice.

BiD Network (www.bidnetwork.org) is a worldwide online community of over 40,000 members, entrepreneurs, coaches, financiers and partner organizations supporting those who aim to start, grow and finance entrepreneurs in emerging markets. It focuses on businesses that are looking for \$10,000 to \$5 million over the next 5 years. The Bid Network website offers free online business plan form with a tutorial, access to over 900 coaches who can give feedback on the plan, participation in various business plan competitions and link to potential financiers. It can be directly accessed by SUGECO members via the website. It would be useful for SUGECO leadership to follow up its member's use of the services and their usefulness and impact.

Recent attempts by some local actors and the BiD Network Foundation to encourage such a network has not materialized. Bid Network Foundation is ready to support capacity building of a local network of angel investors, if one is set up. The main challenges have been (i) getting successful entrepreneurs who are interested and committed to act as angels and (ii) underdeveloped culture of giving up equity. During the study, the Danish Embassy expressed interest in supporting a program of angel investors. Such a funder could be requested to share risks with those initially investing in new firms established by SUGECO members. SUGECO may advocate or initiate establishment of an angel investor network as a long term agenda.

4.6 Venture Capital Funds

Venture Capital Funds invest equity in new or nascent enterprises with potential for rapid growth. Some Universities (e.g. Columbia University Business School in the USA) operate venture capital funds that invest in promising business plans prepared by its students. They will also typically participate in management at Board level and may also link the investee to strategic networks and other resources. Despite using highly experienced investment analysts, only a few (around 10%) of venture capital investees produce excellent results; the rest either produce only modest results or even fail. The Venture Capital Funds therefore get their returns from the few very successful firms. Venture capital industry is still underdeveloped in Tanzania. A few experiments in the 1990s were not sustained; mainly

because of (i) underdeveloped culture of SME giving up equity (ii) limited effective market for investors wishing to exit and (iii) limited capacity in terms of fund management. A recent feasibility study by the Unit Trust of Tanzania (UTT) to establish such a fund concluded that the market is not quite ready for a large initiative. In neighbouring Kenya, the market is gradually developing.

4.7 Work for Capital Scheme

In Zambia, there is a scheme whereby University graduates who intend to establish their own farms are employed by commercial farmers for a fixed number of years (up to 4) and paid half of the salaries they deserve. The remainder is kept by the farmers and paid out at the end of the contract. This enables the graduates to accumulate experience and capital at the same time. They may also develop business relationship with their employers. In some cases, they transition from employees to contract farmers for the same companies before they become completely independent. This program is coordinated by Zambia National Farmers Union. Such schemes are not known to have been tried in Tanzania. However, if SUGECO can agree with employers, this may be one way members could get experience and at least partial first stage finance simultaneously. The Agriculture Council of Tanzania is willing to work with SUGECO to explore possibility of developing a similar arrangement with its members.

4.8 Special Youth Funds

There are many forms of special youth funds that have been experimented with. The following are some of the examples.

- Youth and Women Development Funds in Tanzania. These were microfinance funds managed by local governments for several years. They were politicized, leading to high default rates and their suspension.
- The government of Uganda in Partnership with DFCU Bank, Stanbic Bank and Centenary Bank has made available a guarantee fund of Ugandan Shillings 25 billion. The Fund is being used to support viable SMEs by the youth with at least secondary education. Eligible sectors include manufacturing, agro-processing, primary agriculture, fisheries, livestock, health, transport, education, ICT, tourism, construction, printing and service. Eligibility includes being between 18 and 35 years old, in business operation for at least three months and at least two guarantors of good repute within the community. They must also receive advice, financial skills training and mentoring for proper business management. The loan amount is ten times the existing value of the business, and range from Ugandan shillings (UGX) 100,000 to UGX 5,000,000 (individual) and UGX 500,000 to UGX 25,000,000 for a company with five or more shareholders. Maximum tenure is 4 (four) years inclusive of a one year grace period. Interest rates are 15% per annum. Security is personal guarantees of the eligible borrowers and the assets of the borrowing enterprise. Each Borrower will benefit from the Fund only once. It is too soon to evaluate the success of the project, which are only a few months old. However the fact that it is operated in full partnership with banks and the requirement that applicants must have ongoing businesses will likely assure success and sustainability.

4.9 Business Plan Competitions

There have been several business plan competitions organized by Tanzania Private Sector Foundation (TPSF), University of Dar es Salaam Entrepreneurship Centre (UDEC), Techno Serve, Sokoine University of Agriculture (SUA) and BiD Network Foundation which all provided investment grants to winners. Except for the TPSF Business Development Gateway which gave over 500 investment grants, the rest have been offering prizes to a few winners. The competitions have also included training, coaching and

in some cases some forms of follow up and after care services, including linking good performers to credit.

4.10 Lessons learnt from financing start-ups

From the literature as well as discussion with the various stakeholders we met, the following are the most relevant lessons learnt from financing start-ups, especially for young people.

- More money does not necessarily translate to better results. Stakeholders noted that young people without business experience naturally make many mistakes, and the larger their ventures, the more costly the mistakes. The BDG team at TPSF reported that, on average, the ones who got smaller start-up grants from them performed better than the ones that got smaller ones.
- Young graduates are still exploring their talents, interests and capabilities and often don't stick to what they start with. It is therefore advised that they start with the minimum possible commitment to fixed investments. They can do this by hiring land, equipment
- Guaranteed loans tend to underperform because borrowers tend to relax/default. This has led some of the schemes to disguise that they their clients are guaranteed, except where there is built sanctions for defaulters.
- Financing schemes should not at all be politicized, and should as much as possible be governed by those with the right capability and direct interest in its sustainability.
- There is a widespread practice of SME borrowers diverting funds to other projects or personal needs. Where possible, financing should be channeled to suppliers or buyers directly to minimize the chances of diversion

4.11 Conclusions

Most of the support available targets second stage financing. The only exceptions are the Work for Capital Program which appears to be working well in Zambia and the CRDB Graduate Finance Scheme pilot in Tanzania. Some angel investors and venture capitalists might consider making 1st stage finance available, though this has to be matched with equity from the founder. This suggests that more needs to be done to ensure that young graduates can access 1st stage finance. Different forms could be developed, including risk capital and long term public loans whose repayment could be extended to future employment in the event that the beneficiary is not successful in business. Access to key assets, such as irrigated land and equipment by young graduates can also reduce the amount of 1st stage finance needed.

5.0 EXPERIENCES AND LESSONS FROM OTHER FORMS OF SUPPORT

5.1 Introduction

There are different models for supporting the creation and nurturing nascent firms in their early days when they are most vulnerable to the founders' inexperience and lack of resources. These models, along with international and Tanzanian experience and lessons are briefly examined below.

5.2 Business Incubation and Quasi Incubation

Many countries have schemes that support graduates through some form of incubation – providing an affordable package of assessment for entrepreneurial potential, space, training, mentoring, networking opportunities, information, shared facilities, access to finance, monitoring, etc. An interesting development is the emergence of privately owned for profit incubators. The following is a summary of experiences and models.

- Start-up accelerator programs. Some organizations have established partnership schemes that provide a package of services to young graduates to transition to entrepreneurship. Such programs are either general or sector specific. They provide a package of services to selected graduates, including mentoring, coaching, training, start-up grants, opportunities to pitch their ideas to investors, etc. A good example is NMotion (www.nebraskaentrepreneurship.com) at the University of Nebraska, USA.
- **Incubation in African countries.** In Africa, business incubators are mostly developed in South Africa. Raizcorp (www.raizcorp.com) of South Africa is a unique for-profit business incubator, providing full-service business support programmes to clients. Its “Prosperation” model includes a rigorous selection process to ensure that only those with the highest potential to succeed are admitted. Once selected, the entrepreneurs are exposed to a high-touch support programme to maximize results. The incubator earns its income through equity acquired in the client business in return for its services. Busylnternet (www.busyinternet.com) of Ghana is the **only other for profit incubator in Africa, whose main product is quality and easily accessible workspace.** Incubation project initiatives targeting graduates have been implemented in most of these countries over the past 15 years, mostly donor funded, with varying levels of sustainability and impacts.
- **Farm “incubators “in Tanzania.** In the 1980s and 1990s, initiatives were taken to establish some form of “Farm Incubators” in Tanzania, whereby youth were given land and other forms of support so that they could establish themselves as farmers or livestock keepers. Examples are the Ndondole Agriculture Group in the outskirts of Dar es Salaam city and Pingoni Youth Settlement in Tanga in the outskirts of Tanga city. In Pingoni, 300 youth were loaned farms and pregnant cows at concessionary prices, provided training on animal husbandry and business skills, supported to establish a dairy cooperative and linked to a dairy cooperative union (processor). In Ndondole, 20 youth, all National Service graduates, were allocated a common 20 acre farm to establish them. They were provided with training in agriculture, animal husbandry and project management and supported to start a layers project.
- **Incubators in Tanzanian training and research institutions.** More recently, incubators targeting young graduates have been established at a number of training and research institutions. The University of Dar es Salaam Entrepreneurship Centre (UDEEC) admits graduate intending to develop training and consulting firms into its incubator for 2 years. The Small Industries Development Organization (SIDO) operates an incubator that admits graduates intending to commercialize technology. SIDO incubatees may also receive a small loan to facilitate commercialization of the idea/product. Centre for Agriculture Mechanization and Rural Technology (CARMATEC) also admits students with technology based ideas. Commission for Science and Technology (COSTECH) operates pre incubation and an incubator facility for graduates intending to develop ICT enterprises. Sokoine University operates a Food Processing Incubator. St. Augustine University of Tanzania (SAUT) also runs a business incubator for its graduates, focusing on tourism and agribusiness.
- **The National Economic Empowerment Council (NEEC)** has designed a Young Graduates Program, which it expects to start implementing from the 2013/14 financial year. The program entails training needs assessment among students and graduates and conducting a series of workshops for them to develop the orientation, motivation and skills needed for them to be

able to create their own enterprises. NEEC is also implementing a program in support of wood related enterprises. The aim is to build their capacity to be able to produce and supply quality furniture, after the government banned procurement of imported furniture using public funds. Support is extended through capacity building or related associations and firms. NEEC has acquired 200 acres of land in Kisarawe and is working out modalities for leasing the same to users. SUGECO members may also be considered for allocation of the land. NEEC is open to ideas on how it can work with SUA and SUGECO to add value to what they are doing.

A review of incubation and related experiences reveals the following lessons and critical success factors:

- Incubators must be managed and resourced by dedicated competent core staff. A key fault of some University based incubators is complete reliance on part time support from faculty for management and incubatee support, which tends to be too limited in scope for impact
- Selection of sufficiently motivated, committed and potentially capable youth and continuous career counselling and mentoring are critical. Not every youth has the talents or potential to grow to a successful entrepreneur.
- Linkage to important resources and networks, including mentors, professional services providers, finance and premises is also crucial.
- Some youth drop out after getting salaried jobs offers reflecting partial commitment or inability to sustain motivation when faced with challenges. It is important to test their commitment before investing heavily in the youth. Young graduates aspiring to the entrepreneurial career must be advised to grow a thick skin.
- Initial teams of young graduates are not always sustained. Some will collapse after some members relocate, marry, take up jobs, fail to fit in or discover that they are not getting the right share of their contribution. This can create challenging ownership succession issues. Assessment of viability of projects should include probing the potential stability of the team. Young people need advice on constituting venture creation teams and in managing the relationships.
- Young people with potential to succeed as entrepreneurs also tend to be in high demand in the job market; incubators should not aim at those who cannot find jobs. They must also position themselves to attract talented youth
- Young graduates face a multitude of challenges in establishing themselves in business – attitude, skills, knowledge, resources and an unsupportive social context. Often, they are discouraged by relatives, lovers, friends, etc. Effective interventions require a multi faceted approach, which however can be very expensive to establish and sustain.
- Intervention programmes need to be managed entrepreneurially for them to play the role model role as well to deliver the intended impacts.
- Planning for sustainability of interventions from the beginning is critical factor for success.
- The incubator must enforce terms and conditions for the service, including fees and incubation period

5.4 Training Programs

There are a number of institutions offering quality training programmes which SUGECO members can tap into

- **The United Nations Conference on Trade and Development (UNCTAD)** offers its **Empretec** Program, a powerful two week entrepreneurship training package. It has a strong focus on developing the attitudes required to successfully set and grow an entrepreneurial venture. In

Tanzania, it is offered by the Small Industries Development Organization (SIDO). Tanzania Investment Centre (TIC) sponsors participants, who are mainly promising SME owner-managers with growth potential. Both TIC and SIDO expressed readiness in supporting SUGECO members to attend this program. SUGECO leadership should immediately contact SIDO and TIC management to follow up.

- **UDEC** offers a number of regular courses on block release basis. These include a 4 month Certificate in Entrepreneurial Management (CEM), a one year Advanced Certificate in Entrepreneurship and Business Management (ACEBM) and an 15 month Postgraduate Diploma in Entrepreneurship and Enterprise Development (PGDEED). ACEBM is offered in collaboration with Columbia University Business School, and underserved women (who might include graduates) do receive scholarships to cover tuition.
- **The Institute of Finance Management**, in collaboration with Galilee Institute of Israel offers training on entrepreneurship in Tanzania and Israeli.

5.6 Association, Advocacy and Industrial Attachment

The following business associations can benefit SUGECO and its members:

- **Tanzania Graduate Farmers Association (TGFA)**. This is an association of graduate farmers from all walks of life, based in Morogoro. Initially the membership was young graduates. Recently, an increasing number of professionals, including senior academics from SUA have been joining the association. There are a few members with professionally organized medium sized livestock, paddy, banana, sunflower and maize projects, mostly based in Morogoro. The current focus is supporting members to address challenges faced throughout the value chain through seeking and sharing information about inputs, technology and markets; and collaboration in procurement, marketing, training and other services. The association's office in Morogoro procures some inputs for members. The senior members of the association are willing to take SUGECO members for internships, as well as to share lessons and good practices. However, they insist that the members must be prepared to work (in farms, etc) to learn, and not just to observe. TGFA members can be invited to share experiences with SUGECO members, and also provide practical placements for the later.
- **Agriculture Council of Tanzania (ACT)** is the umbrella organization of agribusiness enterprises in Tanzania. Its members are mostly associations of specific agribusiness sub-sectors. ACT has in the recent past carried out value chain analysis of maize and rice and the findings are available for the public use. ACT has a strategic goal of promoting youth in agriculture and is willing to work with SUGECO to further common interests, including supporting its schemes, resource mobilization and advocacy endeavours. SUGECO could join ACT, giving its members access to its varied services and network. SUGECO and ACT can also work out an arrangement for SUGECO members to work as interns or under the "Work for Capital" arrangement in ACT members' enterprises.
- **The Association of Retired Dutch Experts (PUM)** provides highly specialized experts to support private companies. The beneficiary only meets local travel and subsistence costs for the expert, who can stay for up to two weeks with one company. SUGECO can mobilize resources and bring such experts to support several of its members with the same types of businesses within a visit.

5.7 Business Linkage

Tanzania Investment Centre (TIC) has since 2009 been implementing a Business Linkage Program. A key barrier to business relationship between large and small businesses is inadequate awareness and capacity of the latter to meet the quality and quantity requirements of the former. The Business Linkage program focuses on linking SMEs to larger corporate entities. TIC registers corporate entities and SMEs that are interested in participating in the program. SMEs receive training and advisory services that enable them to deliver to the expectations of the larger corporate. Registered corporates constitute the largest entities in telecom, beverage, cement, mining, hotel and other sectors. TIC also organizes buyer seller meetings where they get to understand each other better and also discuss the challenges that each side faces. Participating SMEs also get subsidized training, health checks before and after training. Currently the Empretec model is delivered to members. After training, TIC monitors the effectiveness of the support in terms of cementing business links. So far 140 SMEs have participated in the program, TIC reports that the initiative has been a success and is open to include SUGECO members in the SMEs that are linked to corporates through supply and distribution relationships. SUGECO could also advocate for Sokoine University of Agriculture (SUA) to join the scheme.

5.8 Investment Incentives (TIC)

TIC grants Certificates of Incentives for “lead” and “priority” sectors. Agriculture and livestock is one of the “lead sectors”. To qualify, fixed (planned) investment cost for new, rehabilitation and expansion projects should be at least US \$ 100,000 for projects which are wholly owned by Tanzanian citizens and US \$ 300,000 for projects which are wholly owned by foreign investors or joint ventures. It should be noted that the amounts refer to planned investment cost, rather than what the investor has or will invest immediately. The Investment Certificate entitles the holder to some benefits, including:

- Waiver of import duty on project capital goods, computers and computer accessories, raw materials and replacement parts for agriculture, animal husbandry and fishing, human and livestock pharmaceuticals and medicaments, motor vehicles in completely knocked down (CKD form and inputs for manufacturing pharmaceutical products
- 10% import duty on semi processed inputs and spare parts other than motor vehicles
- Abolition of mandatory pre-shipment inspection on imported raw materials that have zero rate of import duty
- 50% expensing of capital expenditure for all classes of assets
- VAT exemption on ground transport run by Tour Operators, milk packaging materials and locally produced yarn
- Deferment of VAT payment on project capital assets
- Import duty drawback on raw materials used to produce goods for export and deemed exports
- Zero rated VAT on exports
- Rent on commercial agriculture land at Tshs 200 per acre per annum

Approved applicants have to pay a fee of US \$ 750 for the certificate. Some established members of SUGECO can benefit from TIC’s investment incentives. However, these incentives are not accessible to those who are just setting up with very limited means. The US \$ 750 can be a barrier, especially for someone who is just starting. TIC management is willing to consider special consideration for SUGECO members (it is possible to do this administratively without having to change the TIC Act) in response to a concrete proposal from SUGECO or another representative of the young graduates.

6.0 CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

It is clear that to enhance employability of graduates, Tanzania needs to look beyond salaried employment. This is because there are simply not enough openings in the formal labour market, least of all in the agriculture sector. This is a global problem and tertiary education is challenged to reconsider the purpose of education, so that graduates are prepared also for self employment. On the other hand, entry of many graduates in the private sector, and in particular the agriculture sector will infuse dynamism and innovation and will serve as role models for other youth, including those with lower levels of education.

A fairly skilled labour in the agriculture and agribusiness sub-sectors will spur production, value addition, and bring an even distribution of food in the country. This will in turn enable achievement of the triple objectives of providing jobs, increasing the purchasing power and acquire food and developing rural infrastructure. A large number of university students and graduates are interested in the entrepreneurial career. The challenge is that they are unable to transition successfully due to a range of barriers.

Unfortunately, the policy environment is not at all conducive for medium sized start-ups by knowledge intensive entrepreneurs. The support institutions, services, projects and even mindsets of policy makers, service providers are largely tailored to needs of micro enterprises or large companies. This is because, historically, all businesses were established either as micro enterprises by individuals with very limited education and resources or by well established investors and the government. Therefore, there has been no demand for supporting growth oriented start-up by knowledge intensive entrepreneurs.

6.2 Critical support needed by graduates to transition to entrepreneurship

The findings suggest that in order to effectively support graduates to transition into entrepreneurship, a more enabling environment needs to be in place. The most critical challenges at the moment are seen as access to 1st stage finance and premises or land (with irrigation infrastructure). Stakeholders interviewed noted that once these are resolved, a few graduates may be able to transition to entrepreneurship. To get a larger number of graduates, efforts are needed to build entrepreneurial values and skills from the time students are in college, provide information and ongoing mentoring as well as link graduates to the right networks. The following table summarizes the kind of support needed to students and graduate at pre-start up, start up and early growth and consolidation stages.

Table 6.1: Critical support needed by students and young graduates at various stages

Service	All stages	Pre start-up	Start-up	Early growth and consolidation
Access to	<ul style="list-style-type: none">• Information about sources of support• Career counseling, mentoring and coaching• Access to relevant	<ul style="list-style-type: none">• Self assessment tools (to build awareness (of talents/potentials)• Experience in related agribusiness	<ul style="list-style-type: none">• Land/premises• 1st stage (start-up) finance	<ul style="list-style-type: none">• Land/premises• 2nd stage finance

	networks	enterprises		
Attitudes/skills formation	<ul style="list-style-type: none"> • Financial literacy • Soft skills (negotiation, communication, assertiveness, people skills, creativity) • Ethical values • Valuing things, including time • Learning from failure • Entrepreneurial attitudes 	<ul style="list-style-type: none"> • Building interest in the entrepreneurial career • Innovative opportunity identification and business ideas • Bootstrapping strategies 	<ul style="list-style-type: none"> • Business creation process • Financial management • Technical skills • Complying with statutory requirements 	<ul style="list-style-type: none"> • Managing growth (growth motivation, strategies, financing) • Mentoring others • Technical skills • Managing operations

Most tertiary training institutions have courses on entrepreneurship, which should ideally address some of the training and sensitization needs. However, these courses are mostly theoretical, focusing on “learning about” rather than “learning for” entrepreneurship. At the moment, SUGECO members are able to get some of the training from external providers, through an ongoing project. However, once the project ends, there is no assurance that this can continue. As well, SUGECO members are getting some form of mentoring and coaching from academic members of staff of the Department of Agriculture Economics and Agribusiness at SUA. However, a more effective and sustained approach would need at least one full time experienced and knowledgeable person, as well as use of a network of successful entrepreneurs as mentors and coaches.

6.2 Options for SUGECO

In order to address the challenges of empowering graduates, SUGECO and other actors should maximize use of the opportunities and services available by linking graduates to whatever they can make use of, including 1st stage finance, 2nd stage finance, training, incubation, and investment incentives.

Any proposals for special dispensation for graduate should take into account that there are many other graduates and more will be joining in the future after work experience. A special package for all graduates will be discriminatory against non graduates and therefore unfair. It might also be considered too costly in terms of impact on government revenue and performance/sustainability of support schemes. The only way a special package can be justified for graduates is if it targets young, motivated graduates choosing to transition to entrepreneurship within say three years of graduation – because of their specific context – virtually without resources needed for the 1st stage - finance, land, experience, networks, etc.

However, SUGECO also needs to advocate for substantial improvements in the enabling environment, so that it is more accessible to graduates. In addition, SUGECO can adopt one or a combination of the following options:

- Advocate for lowering the requirements for accessing TIC's investment incentives, the agriculture windows and the SME Guarantee Scheme for everybody, so that they are also more accessible to young graduates. This is unlikely to be approved because it will have negative impacts on revenue collection as well as on performance and sustainability of the financing schemes.
- Advocate for special terms for young graduates within the existing TIC investment incentive and financing schemes. Tanzania Investment Centre is already willing to consider specific proposals and finds ways they can be implemented without having to change the relevant Act.
- Advocate for an integrated special scheme for young graduates focusing on the most critical barriers for young graduates: 1st Stage financing for young graduates and access to premises and land for young graduates.

6.3 Recommendations to the Government and other stakeholders

It is quite clear that in order to promote high employment impact private sector development, the government needs to focus some of its attention on deliberate measures to support knowledge intensive entrepreneurs, including graduates. This can be done by making young graduates transition to the entrepreneurial career more feasible. The government should take the following measures to achieve this goal.

Access to land and premises

In order to deal with the challenges of access to land and premises, we propose that:

- (iv) Concerted measures need to be taking to educate and change attitudes of the entire government system and the community on land and investment on land. Specifically internal campaigns as well as mass medium campaign should be undertaken to change the view that control over a commercial scale land is "land grabbing" or bad.
- (v) The government should task and empower Tanzania Investment Centre to acquire more land and expand its land bank, so that those who wish to acquire land for investment can do so. Some of the land under the land bank should be made available to graduates. Local governments should budget for support to this group and those taking initiatives should be supported through central government budgetary allocation and asked to show the results.
- (vi) Local governments should be tasked to support young, knowledge intensive entrepreneurs coming from Universities to acquire land and premises for investment. The Tanzania Investment Centre should coordinate with all local governments to ensure that land and premises are available for young graduate entrepreneurs.

Incentives, taxation and regulations

In order to address issues related to taxation and compliance to regulations and access to utilities, Tanzania Investment Centre should open a desk that deals with young knowledge intensive investors in agriculture and agribusiness, so as to register them for investment incentives, guide and facilitate them

in establishing their businesses, including dealing with regulatory requirements. The window should focus on young graduate entrepreneurs in the agriculture and agribusiness sectors.

Access to technology

The Centre for Agriculture Mechanization and Rural Technology and Small Industries Development Organization (SIDO) should be tasked to support technology needs of emergent, growth oriented and medium scaled agriculture and agribusiness enterprises by identifying technology requirements and linking with relevant local and international suppliers. Where possible, these technologies should be adapted or developed locally.

Access to skilled manpower

A key challenge in the agriculture sector is lack of skilled manpower to undertake technical tasks. This is attributed to the virtual absence of vocational training for agriculture occupations. It is therefore recommended to establish vocational training schools for agriculture occupations. SUGECO has already identified land where a pilot vocational centre could be established in Morogoro.

Taxation and fiscal incentives

It is recommended that young graduates intending to create businesses be exempt from the US \$ 750 required to get investment certificates from Tanzania Investment Centre. This will entitle them to tax relief on import duty and VAT.

6.4 Recommendations to SUGECO

Based on the findings and options considered, we recommend that SUGECO should immediately start establishing links with key schemes and organizations to empower graduates to tap into them, and also to build its own capacity to serve members better.

The key organizations that SUGECO should consider linking with are as follows:

Table 6.2 Key organizations that SUGECO should link with and the purpose of linking

Organization	Purpose
ACT	<ul style="list-style-type: none"> • Establish relationship and if possible become members of ACT • Agree on an industrial attachment scheme for SUA graduates • Explore possibility of piloting a Work for Capital Program for graduates
NEEC	<ul style="list-style-type: none"> • Explore/agree how SUA graduates can access land available at Kisarawe, especially for livestock • Explore/agree on how SUA graduates can be accommodated in the Furniture sector capacity building program • Explore/Agree on how SUA can be part of the Young Graduates' Program at NEEC
DANIDA/Danish Embassy	<ul style="list-style-type: none"> • Explore/agree on a possible project for capacity building of SUGECO, Support for SUA graduates' industrial attachments/internships and establishment of an Angel Investor Network in Morogoro

	<ul style="list-style-type: none"> •Discuss how SUGECO members can benefit from envisaged Agribusiness Innovation Centre to be built in Kibaha
COSTECH	<ul style="list-style-type: none"> •Explore possibility of members to join the ICT (Dar Technohama) Incubator •Discuss how SUGECO members can benefit from the envisaged Agribusiness Innovation Centre being built in Kibaha
UDEC	<ul style="list-style-type: none"> •Explore possibilities for SUGECO female members to benefit from the Goldman Saach's 10,000 Women Scholarships, and SUA members to join from the BDS Incubator
SIDO	<ul style="list-style-type: none"> •Explore possibility for SUA graduates to join the technology incubation program
TGFA	<ul style="list-style-type: none"> •Explore collaboration for TGFA members to accept SUGECO members for attachments
TIC/SIDO	<ul style="list-style-type: none"> •Explore possibility of SUGECO members benefitting from Empretec training program and benefitting from the Business Linkage Program
MAFS/USAID	<ul style="list-style-type: none"> •Explore possibility of establishing a young graduates farm incubator at Dakawa Rice Farm
SAGCOT Centre	<ul style="list-style-type: none"> •Explore possibility of establishing a structure to link SUGECO members to investors for attachment as well as out grower schemes, food and input supply opportunities in large projects, etc

SUGECO should develop a proposal to advocate for establishment of a special Accelerator for graduate's transition to entrepreneurship. The key aspects of the plan include:

- Competitive access to the facilities by graduates, based on demonstrated competence and plans
- Minimal of or no grants, to build a self reliance mentality and make graduates value resources
- Piloting the scheme to SUGECO members before roll-out to other graduates
- Enabling graduates to access serviced land in different parts of the country where they will choose to operate from, and not just Morogoro
- Focus on young graduates (within three years of graduation)
- To include building capacity of SUGECO (and later other organizations) to provide pre start-up and ongoing support and linkage to students and graduates
- Time bound support to graduates

The initial ideas are attached in the form of a Concept Note (**Appendix 5**)

APPENDICES AND ANNEXES

Appendix 1: Terms of Reference

1. Introduction

Tanzania just like any other developing country is facing job scarcity and young persons are generally more likely to be unemployed. There is a growing recognition by the government of Tanzania that youth entrepreneurship becomes an important strategy for integrating youth into the economy.

However, from a policy point of view, youth entrepreneurship has its own specific dimensions compared to entrepreneurship in general. There are a number of characteristics that distinguish young entrepreneurs from their more senior counterparts. Sokoine University graduates are equipped with the necessary skills and motivated primarily by desires for independence as opportunities for employment are scarce. Further, Sokoine University Graduate Entrepreneurs Cooperative (SUGECO) members receive business incubator training under the auspices of the University, which thus builds a compelling case for support of the members in start-up businesses. These young graduates tend to be more open for innovation and often manage to create new forms of independent work. While young people are thus more likely to have positive attitudes towards self-employment, reality impedes them. Due to limited proper resources, limited life and work experience, they face great barriers to get started, but a major challenge relates to the not so enabling environment for start-up. This precisely is where a number of issues can be addressed.

One of the major barriers faced by the young agricultural graduates to start businesses is the investment incentive package provided by the Tanzania Investment Centre (TIC). For example, tax exemptions for new investments by TIC begin with a threshold of sh.100 million and above, which is an investment level that is unachievable by the young graduates and the majority of aspiring young entrepreneurs generally. Also, there is in Tanzania lack of schemes or preferential arrangements and options available for young graduate entrepreneurs that alleviate their needs for financial capital to launch start-up businesses. This also applies to other preferential arrangements with commercial banks (NMB, NBC, and CRDB) and other financial institutions, government and donor funded guarantees and other support programs. Also, Bank of Tanzania (BoT) regulations on access to finance, and the Tanzania Investment Bank (TIB) special support to agricultural businesses that is government led need to address the position of youth. Issues of taxes and access to land and infrastructure in general need a fresh assessment to ensure participation of youth in agriculture and inclusion in special Programs such as SAGCOT.

SUGECO wants to influence the government to create favorable environment for business start-ups by young graduate entrepreneurs in the agricultural sector by introducing a package of incentives at the Tanzania Investment Centre and other, relevant institutions.

This project will be done in collaboration with SUGECO and is financed by BEST-AC. The outputs therefore, of the research will be approved upon agreement of both parties.

2. Objective of the study

The overall objective of this project is to improve growth of the agricultural sector by developing an incentive scheme for startups with special focus on helping startup businesses in the agricultural and agribusiness sector in Tanzania.

Specifically, the project will strive to:

- To undertake research that analyses the regulatory framework and available incentive schemes or preferential arrangements for start-up businesses, including making comparisons with relevant case countries.
- To develop proposals for an adequate package for graduate business start-ups that can lead to more engagement of graduates in agriculture and agribusiness sector.
- Lobby and advocate for the special incentive package by appropriate implementing organizations.

3. Scope of work

- Identifying and conducting interviews with organizations that provide investment incentives, such as the Tanzania Investment Centre, SAGCOT, Special window of TIB, Bank of Tanzania, PMO's Ministry of Economic Empowerment, Ministries of Agriculture, Industries & Trade, BoT SME development Scheme, PASS etc; to generate information on the various active schemes or preferential arrangements and options and the opportunities available to young graduates. Study relevant other country case studies (if available).
- Assessing the nature of the current incentive schemes in relation to supporting the inexperienced graduate business start-ups.
- Identify beneficiaries of the incentive schemes in Tanzania by sector/industry (where possible show the amount/extent of incentive received)
- Assess the performance and reach of the incentive schemes in terms of their objectives versus actual operations, and the proportion of the portfolio channeled to start up agribusiness and agricultural related investments compared to other sectors.
- Establish an understanding of the incentive schemes' eligibility criteria and assess the suitability of the beneficiaries of the incentive scheme for agribusinesses.
- Assess the relevance of the current incentive schemes' modus operandi in relation to the small and medium enterprises in agricultural landscape in Tanzania.
- Assess current attitudes of graduated youths to engage in agriculture and agribusiness,
- Assess barriers that limit youths to engage in agricultural activities in Tanzania
- Identify general and other specific constraints that affect the agribusiness start-ups in Tanzania.
- Propose way forward (practical and policy recommendations) resulting from the study as means to evidence based advocacy to influence the creation of favorable business environment for agribusiness and agricultural start-ups in Tanzania
- Developing proposals for an adequate incentive package for graduate business start-ups. Form and structure of the package, its management and operationalization.
- Holding stakeholder discussions of research report and proposed incentive package
- Report presentation to representatives of government and implementing institutions under 1 above.

4. Deliverables

The Consultant shall deliver a draft report to SUGECO and BEST-AC. After a review, the consultant will improve the draft. The improved draft will be shared at stakeholder workshops for validation and consensus. In addition to this, I think we need to stick with the original deliverables (below); basically two reports are needed here:

- a. The assessment of the current incentives and how they support/exclude agricultural business start-ups compared to other sectors and
- b. The proposal for a new incentive package. The stakeholders' workshop is necessary to validate these and add their inputs; so the consultants may be required to present their findings and proposals.

These also entailed doing the following:

- a. Well researched paper on the assessment of incentive packages in Tanzania and practices in other countries relevant to Tanzania
- b. Stakeholders validation workshop
- c. Proposals for an incentive package for graduate start-up businesses particularly in agriculture/agribusiness
- d. Stakeholder workshop on the proposed package
- e. Incentive package final report

5. Qualification requirements consultant

Minimum requirements for the selected consultant include:

- Master degree or equivalent degree from a recognized university in Agricultural Economics, Economics, Political Science, Sociology, Law or any of the social or natural sciences disciplines relevant to the research theme. A PhD degree and experience in working with agriculture would be a definite advantage.
- A thorough knowledge and experience of not less than five (5) years in Tanzania.
- Robust knowledge and experience in research methodology
- Conversant with local and national social, political and economic policy environment in Tanzania.
- Fluency in Swahili, a good command of English language and excellent writing skills.
- An established track record in conducting, analyzing and documenting research for advocacy.

Note: Consultant should attach CV of the key team members to work on the project.

6. Timing/timeframe

This assignment is expected to take a total of 30 man-days. Final report should be in by end of March 2013.

Interested firms and individual consultants are invited to submit technical and financial proposals not later than October 24th, 2012 in electronic form in PDF and word format to:

Executive Secretary

SUGECO

E-mail: sugecosua@yahoo.com and nandonde@suanet.ac.tz

Copy to: aatemu2002@yahoo.co.uk

Appendix 2: List of Documents Consulted

1. African Commission, 2009: Realizing the Potential of Africa's Youth: Report of the African Commission May 2009, p. 52.
2. Ally, M. 2008. Entrepreneurial intentions of school and college students in Tanzania. MBA Dissertation, University of Dar es Salaam
3. Bid Network – www.bidnetwork.org
4. BOT (2005), SME Credit guarantee scheme: policy and operational guideline.
5. Busy internet – www.busyinternet.com

6. C.E.E. Assessment Rubric for National Standards of Practice for Entrepreneurship Education: Consortium for Entrepreneurship Education (www.entre-ed.org)
7. Dana, L. (2001), "Education and training of entrepreneurs in Asia", Education Training, Vol. 43Nos 8/9, pp. 405-16.
8. Durham University. 2010. Ideas into Action: Enterprise Handbook
9. Gibb, A.A. 1993. "Entrepreneurship and Small Business Management: Why We Cannot Neglect it in Business Schools", The 1993 Global Management Development Forum, Barcelona, 13-16th June.
10. Gibb, A. 2005. Towards the Entrepreneurial University. National Council for Graduate Entrepreneurship (UK). Unpublished Report, Durham University, UK
11. IGC, 2010. Attaining Middle Income Status - Tanzania: Growth and Structural Transformation Required in reaching Middle Income Status by 2025. International Growth Centre (IGC). Mujibu Moyoa, Rebecca Simsonb, Arun Jacobs and François-Xavier de Meviusd.
12. ILO, 2012. The Youth Employment Crisis: Highlights of the 2012 ILC report. International Labour Organization
13. IMED, 2010. Survey of bachelor of Commerce graduates of the University of Dar es Salaam Business School: IMED, 2010
14. IMED, 2012. Scoping Study on Formal and Informal Entrepreneurship Education and Training in Tanzania. Unpublished Report commissioned by the International Labour Organisation and conducted by the Institute of Management and Entrepreneurship Development.
15. Massawe, G. 2006. Entrepreneurial inclinations among students of selected tertiary training institutions in Dar es Salaam, Tanzania. MBA Dissertation. University of Dar es Salaam
16. Mwasaliba, E. S., (2010), "Entrepreneurship education: a review of its objectives, teaching
17. Methods, and impact indicators", Education + Training, Vol. 52 Iss: 1 pp. 20 – 47
18. NCSEE. National Contents Standards for Entrepreneurship Education ([entre-ed.org/standard toolkit](http://entre-ed.org/standard%20toolkit), 2012
19. Nelson, E. 2013, and Enterprise in Education: parameters of curriculum development: A concept paper for TIE's curriculum developers, TSM Business School. Tanzania Institute of Education (TIE). Working paper: NUFFIC/TIE project number NICHE/TZA/074
20. OECD, 2012. Discussion Paper on Credit Guarantee Schemes.
21. Olomi, D.R. (Ed). 2009, "Framework for Entrepreneurship Education and Training", in African Entrepreneurship and Small Business Development: Context and Process. Otme Company.
22. Olomi, D.R. 2009. Mainstreaming Entrepreneurship in a Resource Constrained Environment: The experience of the University of Dar es Salaam, Tanzania.
23. Olomi, E. 2010. A review of SME Sector in Tanzania. A Report for Ernst and Young/Unit Trust of Tanzania
24. Olomi, D.R. and R. S. Staki. 2009. Entrepreneurial Inclinations of Vocational Education Students: A case of VETs in Iringa region, Tanzania. Journal of Enterprising Culture, Sep 2009
25. Raiz corporation- www.raizcorp.com
26. TIC, 2008. Tanzania Investment Guide, 2008 and Beyond
27. URT, 1997. The Tanzania investment Act
28. URT, 2003. Small and Medium Enterprise Development Policy. Ministry of Industry, Trade and Marketing, United Republic of Tanzania.
29. URT, 2004, National Economic Empowerment Policy, President's Office, Planning and Privatization, United Republic of Tanzania.
30. URT, 2004, National Economic Empowerment Act, United Republic of Tanzania.
31. URT. 2000. The Tanzania Development Vision 2025, Planning Commission, United Republic of Tanzania

- 32.URT, 2009. Ten Pillars of Kilimo Kwanza
- 33.UNCTAD. _Entrepreneurship_Policy_Framework, Area 3: Enhancing Entrepreneurship Education and Skills Development (<http://unctad.org/en/Pages/DIAE>, 2012
- 34.URT, 2007. National Youth Development Policy. Ministry of Labour, Employment and Youth Development. United Republic of Tanzania
- 35.URT, 2008. National Employment Policy. Ministry of Labour, Employment and Youth Development.
- 36.World Bank, 2010. Stepping up skills for more jobs and higher productivity. Washington DC

Appendix 3: List of Persons Met

No	Name	Position	Organization
1	Dr. Anna Temu	Chairperson /Agricultural Economist	SUGECO/SUA
2	Felix Nandonde	Secretary/Marketing Specialist	SUGECO/SUA
3	Charles Kimaro	Asst. Manager-CG Scheme	Bank of Tanzania
4	Sadiki Nyanzowa	Senior Bank Officer	Bank of Tanzania
5	Deodatha Mutagonda	Manager, Agriculture window	Tanzania Investment Bank
6	Adelitha Kibuga	Senior Officer, Agriculture window	Tanzania Investment bank
7	Andrew Mbunda	Leasing Officer	Tanzania Investment bank
8	Betty Massanja	Leasing Officer	Tanzania Investment bank
9	Joyce Chonjo	Director	National Empowerment Council
10	Godfrey J. Ng'urah	Relationship Manager-SME	CRDB Bank
11	Phina Lyimo	Senior Investment Promotion Officer	Tanzania Investment Centre
12	Raymond Mbilinyi	Ag. Executive Director	Tanzania Investment Centre
13	Glory Bildard	Investment Facilitation Manager (Aftercare)	Tanzania Investment Centre
14	Prof. Robert Mabagala	Managing Director	Anova Tanzania Limited/SUA
15	Samwel Kilua	Programme Officer, Business Sector	Embassy of Denmark
16	Laetitia William	Policy Officer	Agricultural Council of Tanzania
17	Janeth Bitegeko	Executive Director	Agricultural Council of Tanzania
18	Victor Mfinanga	Managing Director/Member	Shambani Graduates/SUGECO
19	Elias Rwekeza	Member/Graduate	SUGECO/SUA
20	Donald Betwala	Member/Graduate	SUGECO/SUA
21	Mtembei Kamwesiga	Member/Graduate	SUGECO/SUA
22	Ernest Likogo	Member/Graduate	SUGECO/SUA
23	Laurean Lameck	Member/Graduate	SUGECO/SUA
24	Elifuraha Rajabu	Member/Graduate	SUGECO/SUA
25	Salmon Mugangala	Member/Graduate	SUGECO/SUA
26	Jeremia Makindara	Agribusiness Specialist	Sokoine University of Agriculture

No	Name	Position	Organization
27	Godfrey Simbeye	Executive Director	Tanzania Private Sector Foundation
28	Masimba	Lecturer/Mentor	SUA/SUGECO
29	George Mulamula	Chief Executive Officer	Dar Teknohama (ICT) Business Incubator
30	Gilliad Nkini	Country Advisor	NORSAD
31	Daniel Mghwira	ACS Manager	TPSF/BDG
32	Theodor Kaijanante	Managing Director	Enterprise Development Centre
33	Ezamo Sawaki Maponde	Asst. Director, Private Development	PMO's Office, Private Sector Development
34	Geoffrey Kirenga	Chief Executive Officer	Southern Agriculture Growth Corridor Tanzania
35	Robert Pascal	Head of Agriculture Finance, NMB PLC	National Microfinance Bank
36	Stephen Kingazi	Chairperson	Tanzania Graduate farmers association (TGFA)
37	Dr. Zahabu	Member/Lecturer	TGFA/SUA
38	Prof. Misangu	Member/Professor	TGFA/SUA
39	Marc Vingilah	Consultant	Business Development Gateway
40	Dr. Katima	Vice Chancellor	Saint Augustine University of Tanzania
41	Marwa Masanda	Lecturer	Dept of Agricultural Economics and Agribusiness, SUA
42	Hamad Mahamoud	Lecturer	Department of Agricultural Economics and Agribusiness, SUA
43	Mr. Senkondo	Lecturer	Department of Agricultural Economics and Agribusiness
44	Prof. N. Mdoe	Professor/Lecturer	Department of Agricultural Economics and Agribusiness
45	Dr. David Nyange	Seniour Agricultural Economist	Department of Agricultural Economics and Agribusiness
46	Omar Mohammed	Business Development Manager	Commission for Science and Technology (COSTECH)
47	Mr. Kirenga	CEO	SAGCOT Centre
48	Mr. Robert Paschal	Head of Agriculture Banking	National Microfinance Bank
49	Prof. Ishengoma	EPINAF Project Coordinator	EPINAF Project, SUA
50	Prof. Peter Dillah	Deputy Vice Chancellor, Academics	SUA

Appendix 5: CONCEPT NOTE

START-UP ACCELERATOR FOR YOUTH LED INNOVATIVE AND KNOWLEDGE INTENSIVE START-UPS IN AGRICULTURE AND AGRIBUSINESS

Background

Tanzania needs to look beyond salaried employment for its graduate because the existing formal sector is not providing enough jobs for the youth. At the same time, entry of many graduates in the agriculture and agribusiness sub-sectors will infuse dynamism, innovation and creation of decent jobs for other youth. Skilled entrepreneurs will also spur production and value addition. A large number of agriculture and agribusiness graduates are interested in the entrepreneurial career. The challenge is that they are unable to transition successfully due to a range of barriers.

The policy and regulatory environment is not at all conducive to knowledge intensive, growth oriented start-ups. The support institutions, services, projects and even mindsets of service providers are largely tailored to needs of micro enterprises or large companies. Historically, all businesses were established either as micro enterprises by individuals with very limited education and resources or by well established investors and the government. Therefore, there has been no focus on supporting growth oriented start-up by knowledge intensive entrepreneurs. There is need for a package that will provide an enabling environment for many graduates to transition to agriculture and agribusiness entrepreneurs.

Our proposed solution

We propose establishment of a startup Accelerator for youth led innovative and knowledge intensive enterprises in Tanzania. The Accelerator should be a partnership between the public sector (Local Governments, the Small Industries Development Organization (SIDO), Tanzania Investment Centre (TIC) and the National Economic Empowerment Council (NEEC), Sokoine University of Agriculture (SUA), Sokoine University Graduate Enterprises Cooperative Society (SUGECO), Agriculture Council of Tanzania (ACT), Tanzania Graduate Farmers Associations (TGFA), banks and other financial services providers. The mission of the Accelerator is to strengthen startups in Tanzania by working with young agriculture and agribusiness graduates and their nascent companies from idea stage to help them move forward, faster.

Target group

The scheme will target young graduates (within three years of graduation) who have demonstrated commitment to focus on building growing enterprises that will positively impact job creation and value addition.

Services under the scheme

The scheme will provide the following services to the selected graduates for a maximum period of three years:

- Mentoring, coaching and networking
- A Guarantee Scheme with concessionary interest rate to be offered to deserving graduate as 1st stage and early growth finance
- Industrial attachment (internship) program for young graduates to gain experience and practical skills

- Access to farm and livestock incubation land within state farms with irrigation infrastructure
- Access to premises within the SIDO industrial estates, export processing zones and other areas
- Investment incentives offered by the Tanzania Investment Centre
- Facilitation by the Tanzania Investment Centre in accessing licenses, permits, land titles
- Skills development through training programs

Role of different partners

The partners will play the following roles:

Sokoine University Graduates Cooperative (SUGECO)	<ul style="list-style-type: none"> • Lead and coordinate all actors in the Accelerator • Secretariat to the Accelerator Advisory Board • Unite young graduate entrepreneurs to have one voice • Training, mentoring, coaching including support in development of business plans • Sensitizing University students to develop interest in the entrepreneurial career
Participating local Governments	<ul style="list-style-type: none"> • Provision of land and infrastructure for agriculture, livestock and processing • Facilitation in accessing business registration, licenses, certification
Tanzania Investment Centre	<ul style="list-style-type: none"> • Maintaining a special desk for youth led agriculture and agribusiness enterprises desk • Provision of Certificate of Incentive for young graduate start-ups • Guiding and facilitating young graduates to access land from the land bank, and compliance with tax, registration, licensing and land titling
National Economic Empowerment Council	<ul style="list-style-type: none"> • An annual budget to cover the cost of the Accelerator secretariat, Advisory Committee, industrial attachments, short term training and study tours for graduates, to be managed by SUGECO in the pilot phase • Lead a campaign to sensitize the public sector and the community in general to change attitudes towards commercial land ownership and use
Small Industries Development Organization	<ul style="list-style-type: none"> • Premises for processing and manufacturing start-ups
Export Processing Authority	<ul style="list-style-type: none"> • Provision of premises for processing and manufacturing start-ups
Tanzania Graduate Farmers Association	<ul style="list-style-type: none"> • Link to members for industrial attachments
Agriculture Council of Tanzania	<ul style="list-style-type: none"> • Link to members for industrial attachments
Commercial banks	<ul style="list-style-type: none"> • Provide start-up and expansion capital to youth led enterprises

Establishment of the program

It is proposed that the program could be established by a Presidential Decree. It will mandate TIC to extend certificates of investment incentives to those admitted to the scheme.