

**MANUFACTURING, AGRIBUSINESS
AND EXPORT DEVELOPMENT**

***Strategy for revitalizing the Manufacturing, Agribusiness and
Export Development sub sectors in Tanzania***



1.0 INTRODUCTION

On the surface, prospects for Tanzanian manufacturing and export are promising sectors for economic growth for major four reasons: The political stability; positive attitude towards investors; the increased market opportunities; and various potential areas for investments. The per capita Manufacturing Value Added (MVA) for Tanzania is one of the lowest in sub-Saharan Africa, which has remained at USD \$14 during the last ten years. The manufacturing sector contributes marginally to the GDP compared to agriculture and service sectors. In recent years slight improvement has noted as it contributed about 9.0 percent in 2006 and slightly increase to 9.2 percent in 2007. However, this increase is still small and it can not be depended in the economic expansion. The manufacturing sector of Tanzania is dominated by beverage and tobacco processing, paper and packaging, textile, steel and steel products, petroleum, chemicals, cement, glass and other non-metallic. About 65 percent of manufacturing sector consist of agro-based industries especially food processing industries, beverages and tobacco followed by industrial related industries including chemical industry, petroleum, rubber and plastic which is 12 percent. Others agro-based industries such as textiles, clothing, leather and footwear represent 4 percent.

On the other hand, the export sector Tanzania has been experiencing the trade deficit for many years. The export sector is dominated by agricultural commodities, which account for over 60 percent of total exports, with insignificant value addition. The major agricultural commodities exported are coffee, tea, tobacco, cotton, sisal, pyrethrum, cashew nuts and flowers; while mineral commodities are mainly gold, diamond and gems. The major export market is Europe which accounting for over 36 percent exports followed by Asian countries which amounts to 17 percent. The value of Tanzania merchandise exports increased to USD 2,021.1 million in 2007, from USD 1,743.4 million in 2006, equivalent to an increase of 15.9 percent. The increase was mainly attributed to non – traditional exports, especial gold. On the other hand deficit in the balance of merchandise trade in 2007 increased to USD 2,820 .3 million from deficit of USD 2,128.1 million in 2006 which is about 32.5 percent. The increase in the deficit was mainly contributed by the increase in value of goods imported.

To improve the manufacturing and export sector the Government has put in place a number of policies, laws/acts, and strategies aimed at enhancing the competitiveness of the industrial sector. It has formulated Sustainable Industrial Development Policy (SIDP), (1996), National Trade Policy (NTP), Small and Medium Development Policy (SMEs), Business Activities Regulation Act (BARA) and Agricultural Marketing Policy. Different strategies have been derived to attract investment. These include the Business Environment Strengthening for Tanzania (BEST) that aim at creating conducive environment for business competitiveness. Moreover, the Export Processing Zone (EPZ) Act was enacted in 2004 as part of the implementation of SIDP so as to promote export oriented investment. Also, the Industrial Support and Research Organizations are being restructured in order to match with the current economic requirement.

Against this positive background, many challenges still face the manufacturing and export sectors in Tanzania and jeopardize its contribution to the economy. Many challenges as summarized in the table below are facing the sectors. However, the healthy manufacturing and export sectors are essential to providing better jobs, fostering innovation, raising productivity, and achieving higher standards of living. Therefore, recommendation on making the sectors more favourable are provided on the same table.

No.	Challenges	Recommended Actions
1	Utilities (Power/Electricity and Water)	<ul style="list-style-type: none"> (i) TANESCO and Water Authorities should rehabilitate and upgrade production, transmission and distribution infrastructure so as to ensure reliability of supply and minimise wastage; (ii) Increase power generation through harnessing of other potential sources such as Stiglers Gorge, Mchuchuma Coal power and natural gas; (iii) EWURA should institute the tariff review with the view to making utilities affordable on a sustainable basis to SME, manufacturers and exporters; (iv) Speed up the process on the establishment of Infrastructure Bond a capitalisation of TIB including involvement of other sources of financing (e.g. Institutional investors) as source of capital to finance investment in water and power generation, transmission and distribution. (v) Encourage private sector and manufacturers to generate and use alternative energy emanating from wind, biomass, solar energy and bio fuel; (vi) Tap water sources from existing water falls, underground water and rain water harvesting;
2	HIV and AIDS	<ul style="list-style-type: none"> i. Deepen the implementation of the ongoing interventions such as broadening of the coverage especially in the rural areas, increase supply of ARVs, encourage use of other alternative treatment. ii. Strengthen home care services to HIV and AIDS patients. iii. Continue to sensitize firms to encourage their workers to check their health and take necessary precautions. iv. To assess the level services provided to people living with HIV/AIDS in the manufacturing and export organizations.
3	Poor infrastructure	<ul style="list-style-type: none"> i. Speed up the process on the establishment of Infrastructure Bond, capitalisation of TIB including involvement of other sources of financing (e.g. Institutional investors) as source of capital to finance investment in water and power generation, transmission and distribution; ii. The Government should expedite the ongoing infrastructure development programme including encouraging partnership between the Government and private sector. iii. The port as a gateway for import and export

No.	Challenges	Recommended Actions
		<p>need to be efficient and</p> <p>iv. Cost effective to facilitate trade. The Government must ensure that the port is well placed to serve the country as well the neighbouring countries. Also, the current congestion increases transaction costs of port users therefore improved clearance and removal time should be enforced.</p>
4	Financial and Credit Related Constraints	<p>i. Increased capitalization of TIB so that it can provide long term loans to manufacturers and exporters;</p> <p>ii. Government should institute deliberate measures to induce financial institutions to extend credit rather than investing in Government Papers;</p> <p>iii. Attract more investors in Banks and financial institutions</p> <p>iv. Design a strategy to induce the existing financial institutions to create relevant products to manufacturers.</p>
5	Inadequate Legal and Regulatory System	<p>i. Institutions need to be provided with adequate human and non human support,</p> <p>ii. Institutions should observe transparency and accountability to the general public.</p> <p>iii. The legal sector should provide timely justice for businesses.</p> <p>iv. The Commercial Court should consider to decentralize;</p> <p>v. Identify the partially reviewed legislations and enact new legislations to accommodate them.</p>
6	Poor Technologies	<p>i. The Government should sustain the ongoing reforms aimed at inducing enterprises to access modern technologies;</p> <p>ii. Manufacturing firms should take initiative to search for relevant and modern technologies for competitiveness of their firms (with linkages to agribusiness);</p> <p>iii. Facilitate the application of R&D;</p> <p>v. Government should fulfil its commitment to finance Technological Support Institutions;</p> <p>vi. Strengthening of information system and disseminating modern technologies.</p>
7	Shortage of Skilled labour	<p>i. Firms should provide training aimed at building capacity for their unskilled workers;</p> <p>ii. Firms should build managerial capacities to their employees.</p> <p>iii. Review school curricula to meet market requirements;</p> <p>iv. Create polytechnic window in higher learning institutions in addition to strengthening VETA.</p> <p>v. Recruit specialized skill teachers to meet specialized manufacturing requirements.</p>
8	Limited Markets	<p>i. Firms should strengthen their marketing skills;</p> <p>ii. Develop strategies to facilitate access to the</p>

No.	Challenges	Recommended Actions
		<p>emerging market opportunities, e. g. AGOA, EBA, EAC, SADC;</p> <ul style="list-style-type: none"> iii. Improve quality of products including development of new products; iv. Promote development of domestic market including encouraging consumption of locally produced goods; v. Strengthen trade mission abroad including providing the Trade Attaché.
9	Weak coordination of government policies, strategies and programmes	<ul style="list-style-type: none"> i. The enactment of TANTRADE should go hand in hand with ensuring that it has clear mandate and is empowered to perform. ii. Private sector institutions should work together in common implementing strategies. iii. Review the role of the coordinating unit of the Government i.e. Planning Commission; iv. Redefine the role of ministerial coordinating units, i.e. Planning Departments; v. Develop coordinating framework to facilitate Planning Commission and ministerial planning units.
10	The adverse Impact of Global Financial	<ul style="list-style-type: none"> i. The Government should assess the impact of the crises to the manufacturing and export sub-sector and implement measure to cushion the effect; ii. Firms should develop internal strategies to enable them to reduce the negative impact thus enabling them to survive. iii. Due to possible rise in food prices, Tanzania should strive to produce more and preserve food. iv. The government should establish a special funds to for bailing out negatively impacted sectors
11	Weak Linkages between SMEs and Large Manufacturing Firms	<ul style="list-style-type: none"> i. Local firms should learn by imitating multinational firms who are presence in Tanzania. ii. Local firm should create linkages possibilities between them and multinational firms as clients or suppliers. iii. Establish and address factors limiting the linkages between SMEs and large firms; iv. Design strategies for linking SMEs and large firms.
12	Unfair Trade Practices	<ul style="list-style-type: none"> i. All fair trade enforcement institutions should continue enforcing competition, adherence to standards and fight counterfeit. Furthermore, the respective institutions should continue collaborating with international institutions in these endeavour; ii. The Government should work towards establishing a Competition Policy with the view to guiding competition practices including inculcating sense of consumer protection; iii. Business community should be encouraged to

No.	Challenges	Recommended Actions
		refrain themselves from importing counterfeit goods and consumers should be made aware of the problem; iv. The Government should put in place mechanisms to control dumping within the provisions of international law.

2.0 MANUFACTURING SUB SECTOR

The importance of manufacturing, agribusiness and export development sub-sectors in the economy cannot be challenged. To maximize their contribution in the economy these sub-sectors are interdependent. In other words, they require an integrated approach in developing them. For a long time the performance of these sub-sectors has been low making their contribution to the economic development of the country similarly low. Against this background, the Tanzania National Business Council (TNBC) Working Group on sub-sectors was tasked to identify challenges facing manufacturing, agribusiness and export development and recommend measures for addressing them. In accomplishing this task, the TNBC Working Group assigned a team of experts from the Ministry of Industry, Trade and Marketing, Confederation of Tanzania Industries and Tanzania Chamber of Commerce, Industry and Agriculture to undertake the assignment. The team tackled the assignment by using secondary data. In particular, the team made use of various policy documents, strategies, programmes, studies and reports.

This report gives an account of challenges and recommendations on manufacturing and export development sub-sectors. The agribusiness sub-sector is not covered in this report. This report has six sections. While section one introduces the report, section two discusses the manufacturing sub-sector which has four parts. Part one presents an overview of the sector. It points out that the sector weak and its contribution to the economy is low. Part two gives the characteristics and structure of the sub-sector which recognizes the heavy dependency on agricultural raw materials and small and medium firms' concentration.

The government's efforts to improve the sub-sector are provided in part three while part four briefs the opportunities available in the sub-sector. The report continues with section on export development sub-sector which has three parts. In part one an overview of the sub-sector is discussed. It is reported that the sub-sector has been experiencing trade deficit for many years. Part two compares Tanzania exports with other countries in order to position itself. On comparative basis, Tanzania export lag behind Kenya and Uganda and other African LDS. The opportunities available for this sub-sector are mentioned in part three. Section four discussed the challenges facing the manufacturing and export development sub-sectors. Section five provides recommendation to address the challenges and the report end with a conclusion which is provided in section six.

2.1 Overview of the Sector

Manufacturing comprises all steps necessary to convert raw materials, components, or parts into finished goods that meet customer's expectations or specifications. Therefore, human and machinery are fundamental requirements of manufacturing. The level of manufacturing has impact in the economy of any country whereby the higher the level of manufacturing the more advanced the economy. Available data show that 90 percent of the visible trade globally is contributed by manufacturing sector (UNIDO & MITM, 2007).

The manufacturing sector of Tanzania is weak and its contribution to the economy is low. Based on the Economic Research Bureau of the University of Dar es Salaam (2007), per capita Manufacturing Value Added (MVA) for Tanzania is one of the lowest in sub-Saharan Africa, which

has remained at USD \$14 during the last ten years. On the other hand, its contribution to GDP has been small compared to agriculture and trade sectors. According to the Ministry of Finance and Economic Affairs (2008), the manufacturing sector contribution to GDP was 9.0 percent in 2006 and slightly improved to 9.2 percent in 2007. This is considerably low when compared to 2006 figures for selected neighbouring African and Asian countries as indicated in Tables 1 and 2.

Table 1: Manufacturing Sector contribution to GDP in Asian Countries

Cambodia	Bangladesh	Malaysia	Vietnam	China
13.9%	15.8%	19.19%	23.1%	34.5%

Source: UNIDO Industrial Data Base 2006

Table 2: Manufacturing Sector contribution to GDP in Neighbouring African Countries

Uganda	Kenya	Burundi	Zambia	RSA	Mauritius
9.8%	9.4%	8.7%	10.3%	16.3%	18.85

Source: UNIDO Industrial Data Base 2006

Tables 1 and 2 above suggest that Tanzania has a long way to become an industrialized country. This situation challenges the transformation of the economy from an agricultural to industrial based economy, which is the key to the economic growth.

The low contribution of the sector to GDP was mainly attributed to by following factors:

- (a) Low-value addition of products whereby average of 30 percent of our traditional export items such as cotton lint, cashew-nuts, skins & hides are processed and the remaining are exported in raw form;
- (b) Low capacity utilization due to infrastructure constraints such as unreliable power supply, water shortage, insufficient transportation and poor handling of goods;
- (c) Low level of agro-processing due to limited use of technology;
- (d) Limited forward and backward linkages; and
- (e) Low quality of human and non human capital.

2.2 Characteristics and Structure of the Manufacturing Sector

2.2.1 Characteristics

Although data availability for the sector is limited, the manufacturing sector is characterized by the following features:

- (a) **Heavy dependence on agricultural raw materials**
Majority of raw materials utilized in the manufacturing sector are agricultural and are normally sourced within the country.
- (b) **Low level of foreign direct investment (FDI)**
The pattern of FDI in Tanzania has been low compared with other African countries. However, there was a sharp increase of FDI in Tanzania after 1997 on account of increased investment in the mining sector notably in gold, diamond and other gemstones (UNIDO, 2007).
- (c) **Small and Medium Concentration**
Manufacturing sector largely constitutes of small and medium enterprises and few large firms.

(d) Labour Intensive

The low level of capitalization and poor technology has compelled the manufacturing sector to be labour intensive. Although overall capacity utilization of our industries has increased from 46 percent in 1994 to 70 percent in 2004 (Economic Research Bureau of the UDSM, 2007), the aggregate contribution to the GDP is still low.

2.2.2 Structure

As indicated in Table 3, the manufacturing sub-sector predominantly comprises of beverage and tobacco processing, paper and packaging, textile, steel and steel products, petroleum, chemicals, cement, glass and other non-metallic industries. Table 3 also suggests that food processing, beverages and tobacco industries represent 65 percent of Tanzania's industrial production. The second largest industrial sub-sector is the chemical industries which include petroleum, rubber and plastic accounting for 12 percent. Other agro-based industries such as textiles, clothing, leather and footwear represent 4 percent.

Table: 3 Structure of the Tanzania Manufacturing Sector

	Manufacturing Sub-Sector	2000	2005
1	Food, Beverage and Tobacco	71	65
2	Textile, Wearing and Leather	4	4
3	Wood and Wood Products	1	2
4	Paper, Paper Products & Printing	3	4
5	Petroleum and Chemical Products	12	11
6	Non Metallic Products	3	5
7	Basic Metals	3	3
8	Fabricated Metal Products & Machinery	3	4
9	Other Manufacturing Products	0	2
		100	100

Source: Economic Research Bureau of the UDSM, 2007

2.3 Efforts to Improve Manufacturing Sector

The Government has put in place a number of policies, strategies and programs aimed at enhancing the competitiveness of the manufacturing sub-sector and attracting investment. It has formulated Sustainable Industrial Development Policy (SIDP), National Trade Policy (NTP), Small and Medium Enterprise (SME) Development Policy, Business Activities Regulation Act (BARA) and Agricultural Marketing Policy. The Business Environment Strengthening for Tanzania (BEST) program that aims at creating conducive environment for business competitiveness has also been established. Moreover, the Export Processing Zone (EPZ) Act was enacted in 2004 to promote export oriented investment. The Industrial Support and Research Organizations are being restructured in order to match with the current economic requirements.

2.4 Opportunities

The manufacturing sub-sector has a number of opportunities that could make it competitive. There is abundant cheap and unskilled labour which can be utilized in the sub-sector. The abundant raw materials and the large arable land also position the sector in a competitive edge. More importantly,

preferential markets such as the African Growth and Opportunity Act (AGOA) under the United States of America, Preferential Assistance for Capacity Building in Trade (PACT) under Canada, Everything but Arms (EBA) scheme under European Union and Japanese Generalized Schemes of Preferences. Tanzania is also eligible to regional preferential markets such as Southern Africa Development Community (SADC) and East Africa Community (EAC). All these opportunities assure markets for Tanzania produce on duty free and quota free basis.

3: EXPORT DEVELOPMENT

3.1 Overview of Export Sector

The export sector plays a catalytic role in economic growth of any country. Cognisant to this, Tanzania has decided to strengthen the export sector so that it contributes significantly to the economic. In Tanzania the export sector is dominated by agricultural commodities, which account for over 60 percent of total exports, with insignificant value addition.

Major agricultural commodities exports are coffee, tea, tobacco, cotton, sisal, pyrethrum, cashew nuts and flowers; while mineral commodities are mainly gold, diamond and gems. Other exports include fish and fish products, tourism and services. For a long time main export markets have remained the same as summarised in Table 5 below. Europe has remained the dominant market accounting for over 36 percentages of exports. On the other hand, exports to African countries are unexpected at a low level which is 5.3 percent. Reasons for this performance should be explored and necessary action to remedy the situation be taken.

Table 5: Tanzania Exports Destination

Country Region	Value in Mil US\$							Share of Total Export (2007)
	2001	2002	2003	2004	2005	2006	2007	
Europe (EU and Swiss)	432.2	479.9	644.9	654.5	619.6	755.7	800.9	36.7
SADC	21	71.6	94.5	151.9	322.3	341.1	300.8	13.8
EAC	43.6	40.8	88.6	95.4	96.4	117.7	173.1	7.9
Other African Countries	6.2	22.9	22.2	20	34.7	29.9	72.8	3.3
America	15.6	16.2	15.7	21.1	59.4	27.8	42.1	1.9
Asia	169	186.1	183.1	194.4	175.2	200.7	378.2	17.3
Row	257.6	85	79.9	197.6	371.5	250.1	415.2	19.0
							2,183.10	100.0

Source: Ministry of Finance and Economic Affairs, 2008

The value of Tanzania merchandise exports increased to USD 2,021.1 million in 2007, from USD 1,743.4 million in 2006, equivalent to an increase of 15.9 percent. The increase was mainly attributed to non-traditional exports, especially gold. On the other hand deficit in the balance of merchandise trade in 2007 increased by 32.5 percent, to USD 2,820 .3 million from deficit of USD 2,128.1 million in 2006. The increase in the deficit was mainly contributed by the increase in value of goods imported as depicted in Table 6.

Table: 6 Value of Tanzania Foreign Trade (Tsh. million)

Type of Goods	2001	2002	2003	2004	2005	2006	2007
Exports	738,857	926,892	1,267,322	1,582,111	1,871,265	2,129,250	2,628,866
Imports	1,517,151	1,615,037	2,277,176	2,758,953	3,659,962	5,534,418	7,296,763
Total Value Foreign Trade	2,256,008	2,541,929	3,544,498	4,341,064	5,534,227	7,651,768	9,925,929
Balance of Merchandise Trade	-778,294	-688,145	-1,009,854	-1,176,842	-1,785,697	-3,338,486	-4,667,897
Exchange Rate [Tsh/Us\$]	876.40	966.70	1,038.40	1,089.40	1,122.70	1,251.90	1,232.80

Source: The Economic Survey 2007

3.2 Tanzania Export Positioning

In order to draw a Tanzanian export position, it is necessary to undertake research and provide an analytical assessment. However, believe that Tanzania needs to position herself with indicators which have enabled other progressive countries to achieve the high levels of exports.

On comparative basis, Tanzania exports lag behind Kenya and Uganda, and left by far by other African less developing countries. As indicated in Table 7, a total of 21 Tanzania firms exported goods valued at USD 92.3 million while 49 firms in Kenya exported USD 293.9 million. This shows that there are more firms in Kenya contributing to exports. Although Tanzania has many companies participating in exports than Cameroon and Malawi, her value of exports is lower.

Table 7: Exports of key companies by host Country

Country	Number of Firms	Amount in Mil. US\$
Kenya	49	293.9
Mozambique	26	144.4
Ghana	12	77.4
Ethiopia	6	15.2
Malawi	13	218.2
Madagascar	41	192.1
Cameroon	23	572.1
Tanzania	21	92.3
Uganda	25	137.3

Source: Africa Foreign Investor Survey 2005

3.3 Opportunities

Tanzania has many unexploited market opportunities necessary for export sector growth. There are unexploited preferential markets, arrangement and agreements. These include AGOA, EBA, GSTP, EU; Regional Arrangements (EAC, SADC), Bilateral arrangements with China, India and Japan. There is also potential for increased production for exports due to abundant arable land

and cheap labour; and the country's credibility enshrined in political stability and peace which makes Tanzania an attractive export generating source.

Also, there is potential for increased exports of processed (value added) products from natural resources, horticulture and floriculture, fish and fish products. Expanded regional markets for products which Tanzania has a competitive advantage as well as human resource endowment including trainable Tanzanians makes the country a promising future destination for investors with motive for export trade. In terms of growth prospects index, the prospects for export growth for Tanzania are better than those of Uganda and Kenya as indicated in the Table 8.

Table 8: Growth prospects index

COUNTRY	GROWTH PROSPECTS INDEX
Kenya	0.55
Tanzania	0.57
Uganda	0.42
SACU	0.81

Source: DTIS Kenya, 2005

- (i) It is necessary that Tanzania deepens its efforts in the areas of competitive advantage so as to exploit them.

4. Challenges

In spite of the slight growth recorded by the manufacturing export sub-sector and the government move to improve the performance, many challenges still face the sub-sectors. The major challenges include:

- (a) Poor Infrastructure**

Poor roads and rail networks, inefficient and inadequate communication networks, lack of waste disposal facilities, port congestion, and bottlenecks in clearing and forwarding services negatively impact the manufacturing and export sub-sector.

- (b) Utilities (Power/Electricity and Water)**

Energy and water supplies remain the major constraints to higher capacity utilization of existing manufacturing firms in Tanzania. This is because of low generating capacities and poor technological level of both the power supply company (TANESCO) and water authorities and that they are associated with high tariffs and unreliable supply.

- (c) Poor Technology**

The manufacturing sector is largely underdeveloped with low levels of production technologies. Existing technological base in many firms is outdated. This situation undermines the ability of the sub-sector to take advantage of new market opportunities thereby seriously compromising competitiveness of the sub-sectors.

- (d) Shortage of Skills**

Tanzania labour force is characterised by low skills level and lack of skills diversity. This limit the productivity and creativity of the manufacturing sector As a result, this has opened room for employment opportunities to foreigners rather than locals.

- (e) Unfair Trade Practices**
Manufacturing is faced with the impairment of production process and marketing of products due to prevalence of imported counterfeit and substandard goods.
- (f) Weak Coordination of Government Policies, Strategies and Programmes**
Many studies have noted coordination weakness in government policies, strategies and programmes. This situation has resulted in replication of activities and wastage of resources thus weakening efforts to improve the manufacturing and export sub-sector.
- (g) Limited Access to Markets**
Tanzania has many market opportunities that remain unexploited due to low marketing skills and supply side constraints. In addition, unfair competition, ignorance of various issues governing markets such as WTO rules and inadequate finance impedes export development. Other factors such as poor and unreliable road infrastructure and high cost of transport impair timely delivery of produce.
- (h) Financial and Credit Related Constraints**
Despite fiscal reforms initiated since 1986, the manufacturing and export sub-sector continue to face difficulties in accessing finance (The Economic Research Bureau of University of Dar es Salaam, 2007). In addition, the cost of borrowing has remained high. This has hindered firms from increasing productivity and competitiveness by preventing them from acquiring technologies for innovation.
- (i) Inadequate Legal and Regulatory Framework**
Legal and Regulatory Framework especially in the area of business licensing, formalisation, taxes, labour laws, business conflict resolution, and contract enforcement are still affecting the manufacturing sector. Although, reviews of legislation have been undertaken, its impact is minimal.
- (j) The Impact of Global Financial Crisis**
The Tanzania manufacturing and export sub-sector cannot insulate itself from the impact of the global financial crises. The financial institutions are reluctant to provide credit for investment which has reduced effective demand for our produce.
- (k) Weak Linkages between SMEs and Large Firms**
There is a limited and weak linkage between SMEs and large firms. This is attributed to lack of strategies to facilitate linkage between the SMEs and large firms. This has, among others, resulted into limited exports and lack of graduation of medium firms to large firms.
- (l) Management Problems**
Performance of many manufacturing and export firms has suffered because of management related problems. This is mainly attributed to lack of managerial skills.
- (m) HIV/AIDS**
Prevalence of HIV/AIDS pandemic has significantly reduced productive labour force in all sectors of the economy, including the manufacturing and export sub-sectors. This has affected productivity of the sector.

5. Recommendations

Based on challenges mentioned above, it is necessary to institute corrective measures to revitalize the performance of the manufacturing and export sub-sector. While it is also true that the Government has strived to address these challenges, the sectors still suffer. In this regard, additional interventions are recommended as hereunder:

(a) Utilities (Power/Electricity and Water)

Several efforts have been made by the Government in the bid to minimise problems associated with supply of utilities. These efforts include liberalisation of the power sector to allow independent power generation, transmission and distribution as well as ownership of water rights. Moreover, utilities regulatory body, Energy and Water Utilities Regulatory Authority (EWURA) was established to regulate the sector.

Despite these efforts, the outcome has not met the expectations. In this regard the following further measures are recommended:

- (vii) TANESCO and Water Authorities should rehabilitate and upgrade production, transmission and distribution infrastructure so as to ensure reliability of supply and minimise wastage;
- (viii) Increase power generation through harnessing of other potential sources such as Stiglers Gorge, Mchuchuma Coal power and natural gas;
- (ix) EWURA should institute the tariff review with the view to making utilities affordable on a sustainable basis to SME, manufacturers and exporters;
- (x) Speed up the process on the establishment of Infrastructure Bond and capitalisation of TIB including involvement of other sources of financing (e.g. Institutional investors) as source of capital to finance investment in water and power generation, transmission and distribution.
- (xi) Encourage private sector and manufacturers to generate and use alternative energy emanating from wind, biomass, solar energy and bio fuel;
- (xii) Tap water sources from existing water falls, underground water and rain water harvesting;

(b) HIV and AIDS

- (i) Government's efforts to combat HIV/ AIDS include establishment and operationalisation of TACAIDS; AIDS Business Coalition of Tanzania (ABCT) and National AIDS Control Programme. In spite of encouraging results of these efforts the measures are recommended to improve the success in this area:
- (ii) Deepen the implementation of the ongoing interventions such as broadening of the coverage especially in the rural areas, increase supply of ARVs, encourage use of other alternative treatment.
- (iii) Strengthen home care services to HIV and AIDS patients.
- (iv) Continue to sensitize firms to encourage their workers to check their health and take necessary precautions.
- (v) To assess the level services provided to people living with HIV/AIDS in the manufacturing and export organizations.

(c) Poor Infrastructure

The Government has made concerted efforts to address problems associated with poor infrastructure aimed at opening up the high potential areas in agro processing and manufacturing. These include establishment of four development corridors namely Tanga, Central, Uhuru/TANZAM and Mtwara Development Corridors which are designated to bring inland products to coast and necessary inputs from coast to the inland; establishment of Export Processing/Development Zones

(EPZ/EDZ) to facilitate production of high quality products appealing to customer needs for both export and domestic markets; establishment of Integrated Industrial Development Strategy and Master Plan which promotes processing of raw materials along the corridor at the hinterland to intermediate products and secondary processing at the water front of each development corridor. EPZ/EDZ will act as a platform for secondary processing.

Also, the Government has continued to dialogue with specific sub sectors including processors of oil seeds/ oil importers, cotton lint and leather so as to establish policy and other impediments; efforts to establish manufacturing of inputs through exploitation of abundant natural resources such as natural gas, phosphates, dolomites, etc. Establishments of TANROADS whose financing aims at providing sustainable resources for construction and maintenance of road infrastructures. In this regards, the following measure are recommended to improve the infrastructure situation:

- (i) Speed up the process on the establishment of Infrastructure Bond, capitalisation of TIB including involvement of other sources of financing (e.g. Institutional investors) as source of capital to finance investment in water and power generation, transmission and distribution;
- (ii) The Government should expedite the ongoing infrastructure development programme including encouraging partnership between the Government and private sector.
- (iii) The port as a gateway for import and export need to be efficient and cost effective to facilitate trade. The Government must ensure that the port is well placed to serve the country as well the neighbouring countries. Also, the current congestion increases transaction costs of port users therefore improved clearance and removal time should be enforced.

(d) Financial and Credit Related Constraints

The Government has implemented the second generation reforms to address issues of credit availability, prudent management including anti money laundering. Microfinance policy, credit guarantee schemes and land reforms aimed at enhancing access to finance. In spite of these initiatives, still there is a demand for additional interventions to strengthen the sector performance as recommended hereunder:

- (i) Increased capitalization of TIB so that it can provide long term loans to manufacturers and exporters;
- (ii) Government should institute deliberate measures to induce financial institutions to extend credit rather than investing in Government Papers;
- (iii) Attract more investors in Banks and financial institutions
- (iv) Design a strategy to induce the existing financial institutions to create relevant products to manufacturers.

(e) Inadequate Legal and Regulatory Framework

There are several laws establishing regulatory institutions influencing manufacturing and trade. The regulatory institutions include EWURA, TFDA, BRELA and TBS established to ensure compliance with their respective laws. However, they are not effectively networked to ensure compliance. To that effect, additional interventions required include the following:

- (i) Institutions need to be provided with adequate human and non human support,
- (ii) Institutions should observe transparency and accountability to the general public.
- (iii) The legal sector should provide timely justice for businesses.
- (iv) The Commercial Court should consider to de- centralize;
- (v) Identify the partially reviewed legislations .and enact new legislations to accommodate them.

(f) Poor Technologies

Government has established R&D institutions such as TEMDO, CAMARTEC, TIRDO, COSTECH, etc, to spearhead technological development in respective area of technology adaptation, rural technology development and user of local available technology. The Government has proposed to allocate 1 percent of its GDP for Research and Development (R&D). In addition to these efforts, more interventions are required as proposed hereunder:

- (i) The Government should sustain the ongoing reforms aimed at inducing enterprises to access modern technologies;
- (ii) Manufacturing firms should take initiative to search for relevant and modern technologies for competitiveness of their firms (with linkages to agribusiness);
- (iii) Facilitate the application of R&D;
- (iv) Government should fulfil its commitment to finance Technological Support Institutions;
- (v) Strengthening of information system and disseminating modern technologies.

(g) Shortage of Skilled

The Government has taken deliberate move to improve skills and knowledge. In 1997 Basic Education Master Plan (BEMP) that aims at guiding development in basic education provision was developed. Student enrollment in higher learning institution has been increased. Most higher learning institutions have included entrepreneurship training in their curricula and continue to improve their curricula. Apart from these initiatives, extra efforts are necessary to strengthen the manpower of Tanzania as indicated hereby:

- (i) Firms should provide training aimed at building capacity for their unskilled workers;
- (ii) Firms should build managerial capacities to their employees.
- (iii) Review school curricula to meet market requirements;
- (iv) Create polytechnic window in higher learning institutions in addition to strengthening VETA.
- (v) Recruit specialized skill teachers to meet specialized manufacturing requirements.

(h) Limited Access to Markets

The Government efforts in place include the establishment of EPZ & SEZ, continue negotiations by the Government on the stringent SPS rules under WTO, EPA, EAC and SADC (on rules of origin) which deny Tanzania access to international markets, accreditation of TBS laboratories to open doors for products in international market, establishment of Agricultural Marketing Policy is another important milestone in linking the players in agribusiness and dissemination of market information, establishment of trade centres in Dubai and London. In order to complement these efforts the following interventions are recommended:

- (i) Firms should strengthen their marketing skills;
- (ii) Develop strategies to facilitate access to the emerging market opportunities, e. g. AGOA, EBA, EAC, SADC;
- (iii) Improve quality of products including development of new products;
- (iv) Promote development of domestic market including encouraging consumption of locally produced goods;
- (i) Strengthen trade mission abroad including providing the Trade Attaché.

Weak Coordination of Government Policies, Strategies and Programmes

The Government has put in place various schemes and programmes to develop manufacturing and Trade activities in the economy. These include laws and regulation policies and strategies including (SIDP, SME, Agricultural Marketing Policy, and National Trade Policy, Strategies- Integrated Industrial Strategy and Master Plan). Likewise, manufacturers associations have put in place their own arrangements and strategies.

These policies are not coordinated well enough to revitalize and improve the manufacturing and export sectors. In this regard no joint focus is in place and use of resources is uneconomical.

- (i) The enactment of TANTRADE should go hand in hand with ensuring that it has clear mandate and is empowered to perform.
- (ii) Private sector institutions should work together in common implementing strategies.
- (iii) Review the role of the coordinating unit of the Government i.e. Planning Commission;
- (iv) Redefine the role of ministerial coordinating units, i.e. Planning Departments;
- (v) Develop coordinating framework to facilitate Planning Commission and ministerial planning units.

(j) The Impact of Global Financial Crisis

The global economic and financial crises will impact on Tanzania in the areas of trade development, finance, manufacturing among others. It is therefore recommended that:

- (i) The Government should assess the impact of the crises to the manufacturing and export sub-sector and implement measure to cushion the effect;
- (ii) Firms should develop internal strategies to enable them to reduce the negative impact thus enabling them to survive.
- (iii) Due to possible rise in food prices, Tanzania should strive to produce more and preserve food.
- (iv) The government should establish special funds to for bailing out negatively impacted sectors.

(k) Weak Linkages between SMEs and Large firms

The Government has instituted various policies and strategies geared towards boosting linkages between the small and medium firms for both manufacturing and trade. The SME Development Policy advocates linkage as one of the strategies to develop the SME sector. The Agricultural Marketing Policy put centrally the role of agribusiness and networking in marketing. The Sustainable Industrial Development Policy (SIDP) advocates promotion of small and medium industries through training and use of appropriate technologies to facilitate their development. Despite these, additional measures need to be institutes as hereunder:

- (i) Local firms should learn by imitating multinational firms who are presence in Tanzania.
- (ii) Local firm should create linkages possibilities between them and multinational firms as clients or suppliers.
- (iii) Establish and address factors limiting the linkages between SMEs and large firms;
- (iv) Design strategies for linking SMEs and large firms.

(l) Unfair Trade Practices

The Government has taken efforts to establish institutions to address the challenges associated with trade malpractice. These include the Tanzania Bureau of Standards (TBS) responsible for quality and standard issues; the Fair Competition Commission (FCC) and Fair Competition Tribunal (FCT) which are responsible for regulating trade practices, promoting competition and protection of consumers; the Tanzania Food and Drugs Authority (TFDA) responsible for food and drugs safety; Weights and Measures Agency (WMA) responsible for regulating calibrated and approved measurements. Moreover, under the East African Community auspices the malpractices are addressed by Community institutions including East African Customs Administration.

In order to ensure that these institutions perform their obligation effectively, the Government has reviewed the TBS Act with the view to strengthen the enforcement provisions. The Government is also in the process of reviewing Acts of other institutions. Therefore:

- i. All fair trade enforcement institutions should continue enforcing competition, adherence to standards and fight counterfeit. Furthermore, the respective institutions should continue collaborating with international institutions in these endeavour;
- ii. The Government should work towards establishing a Competition Policy with the view to guiding competition practices including inculcating sense of consumer protection;
- iii. Business community should be encouraged to refrain themselves from importing counterfeit goods and consumers should be made aware of the problem;
- iv. The Government should put in place mechanisms to control dumping within the provisions of international law.

CONCLUSION

The analysis presented in this report set up the framework of understanding. The report has generally indicated that the future of Tanzania economy is bright if the manufacturing and export opportunities are exploited. It is suggested that Tanzania has an opportunity to improve its manufacturing and export potentials because it enjoyed the political stability; positive attitude towards investors; the increased market opportunities; and various potential areas for investments. More important, it is encouraging to lean that the government is committed to creating an environment that promotes and sustains economic growth.

The challenges facing the sectors and some of their causes are detailed. The report pinpointed utility, HIV/AIDS, poor infrastructure, human and financial resources, unfavourable legal and regulatory framework, limited markets, poor technologies policies and plans, weak link between SMEs and large firms, unfair trade practices and weak coronation on government. Finally, the report has given the summary of recommendation which is geared towards electrifying the challenges.