



Learning to Compete: Industrial Development in Tanzania

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Outline

- Background and Context
- Crisis and Policy Reforms
- Emerging Manufacturing Firms
- Competitiveness and Success Factors
- Conclusion and Way Forward

Background and Context

- In the early 1960s emphasis was placed on growth with little attention to structural change or ownership.
- The colonial pattern of import substitution was continued (largely processing and simple consumer goods).
- State led import substitution industrialization started with:
 - Nationalization.
 - New industries established under state organizations.
 - Foreign investors participated through management agreements and as suppliers of equipment for industries.

Crisis and Policy Reforms

- The crisis of the early 1980s hit industry quite hard- capacity underutilization:
 - shortage of foreign exchange.
 - Shortage of intermediate inputs.
- Macroeconomic reforms, privatization, trade liberalization led to:
 - deindustrialization (by 1990 22 out of 24 textile factories had closed).
 - industrial shallowing.

Emerging Manufacturing Firms

- SIDP 2020: The Sustainable Industrial Development Strategy 1996-2020 (1996), aims to enhance sustainable development of the industrial sector:
 - Priority to employment creation, economic transformation, equitable development and seeks to strike an appropriate balance between import substitution and export orientation.
 - The private sector is recognized as the main vehicle for making direct investments in the sector while the government will provide an enabling environment.

Emerging Manufacturing Firms-2

- Vision 2025 of 1999- Recognized the leading role of industry in transforming the economy. Tanzania to be a semi-industrialized country by 2025.
- Integrated Industrial Development Strategy 2025 (June 2011)
 - To provide concrete strategies to implement SIDP 2020.
 - Build a competitive industry by putting in place a competitive business environment
 - Improving existing development corridors- concentrated infrastructure development
 - Promote agriculture-led industrialization
 - MVA to grow at 15% p.a.

Emerging Manufacturing Firms-3

- Gateway Port improvement for the region.
- Economic Development Zone for growth and infrastructure development.
- Industrial village concept:
 - Create opportunity for MMEs to grow
- Targeted sub-sectors:
 - Agro- processing
 - Textiles
 - Leather
 - Fertilizer and chemicals
 - Light machinery
 - Iron and steel

Competitiveness and Success Factors

- Since the 1990s manufacturing sector has been exposed to competition (domestic and international) and led by private investment, new investments, technological change.
- MVA has been growing at 8.2% pa during the past decade.
- Manufactured exports contribute about 10% to total exports.

Competitiveness and Success Factors-2

- Main manufactured subsectors are:
 - Food processing ((24%)
 - Textiles and clothing (10%)
 - Chemicals (8.5%)
 - Beverages (7.7%)
 - Leather and leather products (7.1%)
 - Paper and paper products (5.6%),
 - Publishing and printing (5.6%)
 - Plastics (5.6%)

Competitiveness and Success Factors-3

- **Success factors:**
 - Products quality improvement and quality assurance.
 - Technology upgrading and investments in technology.
 - Strategic marketing directly or through networks and improved customer service, timely delivery, selling on credit terms.
 - Investment in human resources: development, incentives and motivation.
 - Improved access to finance though long term capital is still limited.

Conclusion and Way Forward

- Sustainability factors
 - Prioritizing industrial policy by making all policies (macroeconomic policies, trade policy infrastructure policy and sectoral policies supportive of industrialization: Mainstream in national development strategy and industrialization strategy (Vision 2025, Mini Tiger 2020, MKUKUTA, Export Development Strategy and TTIS, FDI, development corridors, regional development strategy, positioning in the region, EPZ , PPP) all to be a coherent package, consistent and supportive of each other.

Conclusion and Way Forward-2

- Continued macroeconomic stability,
- Financial sector reforms to ease access including long term finance,
- Investment in infrastructure development (energy and transportation),
- Aligning the national policy industrialization agenda with regional industrialization and common market agenda.

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Conclusion and way forward-3

- High investments in education to be complemented by high investments in vocational training and technical skills including specialized training in industrial skills needed for industrial deepening (by the government and incentives for private investment),
- Investing in technology and innovations.
 - Effective STI policy
 - FDI policy to facilitate technology transfer
 - Foster the development of the system of innovation (national and sectoral).



**Thank you for your
attention**