

TANZANIA

Sustainable Industrial Development and Competitiveness *(Analyzing competitiveness; strategies, policies and action plan to accelerate industrial development)*

August 2001



MINISTRY OF INDUSTRY AND TRADE



TANZANIA PRIVATE SECTOR FOUNDATION



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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

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Acknowledgement

UNIDO was commissioned by the Ministry of Industry and Trade to undertake an industrial sector survey/competitiveness analysis in the context of the Integrated Industry Development Programme for Tanzania and the implementation of the Sustainable Industrial Development Policy. This competitiveness analysis was prepared by a core team of international and national experts through an interactive process involving key stakeholders of the economy in both the public and private sectors. Members of the core team included Remie Touré, Ahmadi Ngemera, Riaan Joubert, Frank Mkumbo, Christo Van Zyl, Gerhard Kuhn, Mohamed Moola, Jackie Burger, Jorge Maia, Mastidia Kahatano, Ulrick Mumburi, Ernest Mnzawa, Riaan Coetzee, Areef Suleiman, Ammon Mbele and Charles Ekelig.

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EXECUTIVE SUMMARY

A major objective of the ***Integrated Industrial Development Programme for Capacity Building to enhance Industrial Competitiveness and Sustainability in Tanzania*** is to strengthen the capacity and capabilities of the Government and the private sector for the Implementation of the ***Sustainable Industrial Development Policy (SIDP)***. In that context, it is deemed desirable to conduct an industrial sector survey focusing on competitiveness analysis, growth potentials and investment opportunities.

The analysis, consolidation and interpretation of macro-economic and sectoral information, including industrial sector specific information, could impact on future policy analysis, determine sectors with potential/dynamic comparative advantages as well as determine requisite regulatory and policy framework. The competitiveness analysis is also based on a survey combining quantitative and qualitative information.

The starting point of the analytical process is the existing *Sustainable Industrial Development Policy (SIDP)*. The SIDP acknowledges the complexity of the problems and constraints in industry and the involvement of the various stakeholders in both the public and private sectors. The implementation of the SIDP is within the framework of increased market orientation and private sector led industrial development. The bottlenecks to effective implementation of the SIDP are also reviewed as well as issues of concern to the private sector and institutional weaknesses.

Some of the bottlenecks are self-imposed, for example; the targeting of sectors and the role of the Government in the targeting process; the timing and scheduling of the different phases; buy in and responsibilities are not clearly defined. Coordination of the whole policy implementation process is also not clear. Lastly, but by no means the least, there are serious problems with regard to creating an enabling environment.

The competitiveness analysis reviews both the competitiveness of industry and the competitiveness platform. By competitiveness of industry one is referring to the ability of Tanzania's industry to meet and beat relevant competition in the international/regional market for selected products.

The competitiveness analysis draws from three sources to identify crosscutting constraints, factors that increase production and transaction costs in Tanzania as follows;

- ☞ *A competitiveness survey of over 40 companies representing the major manufacturing sectors and located in different regions of the country.*
- ☞ *An investor survey focusing on the operating environment and processes for foreign investment.*
- ☞ *An analysis of the Privatization process with emphasis on critical success, factors and problem areas in the privatized establishments.*

The results of the above-mentioned surveys were used to construct the competitiveness platform based primarily on the *Porter Diamond*. Bearing in mind that Tanzania has its own uniqueness and features, firm level drivers were not considered as important as macro-level drivers.

The analysis shows that in common with overall economic development, competitiveness is systemic. The same features that influence development influence the competitiveness of industries. Therefore, neither the Government nor the private sector can ensure competitiveness or development on its own. There is a need for continuous interaction between the key stakeholders of the economy to define strategies and policies, action plans and programmes to transform the industrial landscape of Tanzania.

CHAPTER

1

INTRODUCTION

Industrial Policy in the traditional sense was reactive, bureaucratic and demand side based. The introduction of new policy measures required little institutional change except for regulatory capacity. This was because such policy changes mainly involved price interventions through taxes, import tariffs or subsidies. The targets (companies) of the policies would approach the regulators for assistance to be provided. In many cases, such policies were introduced on the basis of lobbying of the target market. The whole policy process was reactive from lobbying to design and application of the policy instruments.

Modern industrial policy requires pro-active intervention and changes for the implementation thereof. Firstly, modern industrial policy is characterized by pro-active analysis on the basis of which a policy could be defined. Secondly, its implementation requires all institutions to collectively buy in to the policy and to change their behaviour to reflect the new policy intentions. Thirdly, the policy requires continuous monitoring of the operating environment and the business environment in order to address policy bottlenecks.

The profound difference is that modern industrial policy should address competitiveness and policy interventions should also focus on the supply side. It should highlight three core areas:

- ☞ The operating/enabling environment
- ☞ Government's capacity to co-ordinate and facilitate the policy development process and its implementation
- ☞ Sectoral/Micro competitiveness

Tanzania's Sustainable Industrial Development Policy (SIDP) addresses these core areas. The main thrusts of the SIDP is to ensure a suitable enabling environment, facilitate private sector development through, inter alia, the privatization of state assets, deepening and widening of industrial capacity and the development of specific sector capabilities.

Some four years after its adoption as a national industrial policy, the SIDP is yet to have major impact on Tanzania's industrialization.

One of the objectives of this study on Tanzania's sustainable industrial development and competitiveness is to analyze constraints on the full implementation of the SIDP within the framework of achieving sustainable and competitive development.

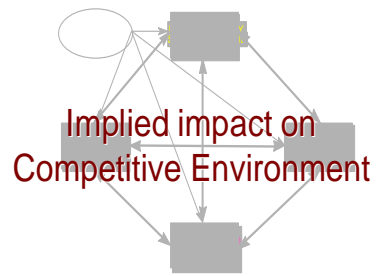
1.1 The analytical framework

The research comprises a number of steps aimed at identifying the constraints and proposes an action-plan for the implementation of SIDP.

Firstly, the SIDP is examined in order to understand its sequencing, actions and the institutional responsibilities associated with these actions.

① *SIDP Review*

Proposed Actions
Institutional Responsibility

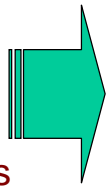


The proposed actions are also analyzed to obtain a clearer understanding of the enabling and competitive environment envisaged by the SIDP.

The second element of the research is an analysis of the competitive environment in Tanzania.

② *Competitive Environment*

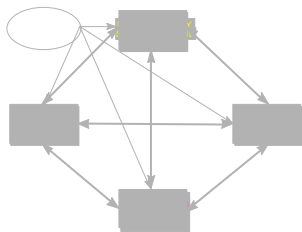
Investor Environment
Privatization Experience
Private Sector Interviews



This is done mainly through an analysis of the privatization experience, a range of interviews with major manufacturers and an in-depth analysis of the economic environment.

The third element is one comparing the SIDP's implied competitive environment with the existing reality. From this analysis, various bottlenecks, strategic actions and institutional imperatives are identified.

③ *Priorities*

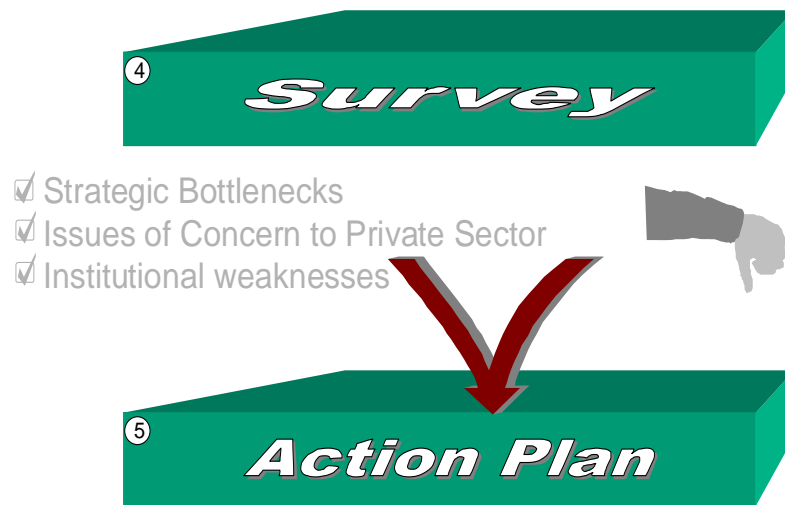


Strengths & Weaknesses of
Competitive Environment



- ✓ Strategic Bottlenecks
- ✓ Issues of Concern to Private Sector
- ✓ Institutional weaknesses

These priorities together with the issues identified in the competitiveness environment analysis form the basis for prioritization and validation in the competitiveness survey.



The validated issues and prioritized responses have, to a certain extent, influenced the proposed strategic action plan for the implementation of the SIDP.

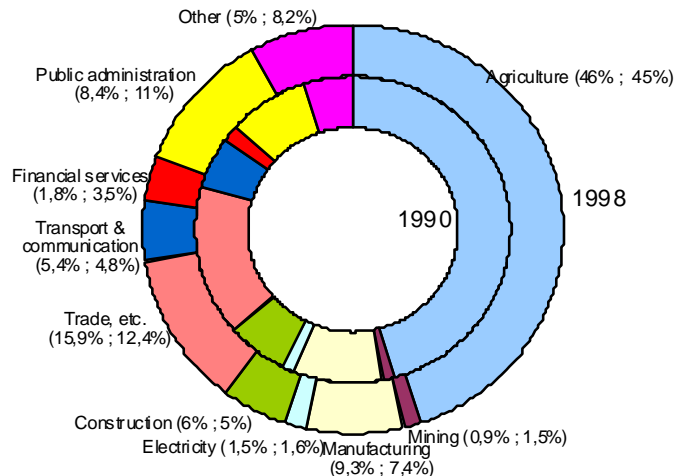
CHAPTER 2

OVERVIEW OF THE INDUSTRIAL SECTOR

2.1 GDP shares by economic activity

Tanzania is rich in agriculture and mineral resources. Although substantial portions of such resources are exported in their crude or semi-processed forms, tremendous efforts have been made to process these resources, many of which are industrial raw materials. The structure of industry is basically oriented to the production of consumer goods. However, some items of consumer durables, non-durables or intermediate goods are also produced. Agro-industries play a significant role in the industrialization of the country. There is scope for forward-backward integration of industries and industry in relation to other sectors, in particular, the agro-industry linkage. However, due to a number of constraints, which are highlighted elsewhere in this study, the industrial sector has not been able to contribute substantially towards food self-sufficiency, employment creation and poverty alleviation.

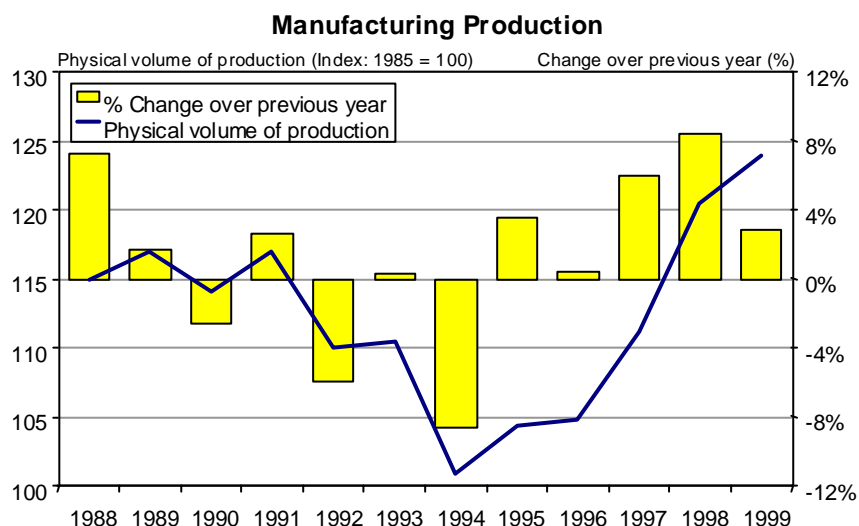
The economy is still heavily dependent on agriculture with cotton, coffee, tea and raw cashew contributing some 70% of export earnings. Agriculture, trade and public administration are the three largest contributors to GDP, accounting for 68% of total GDP. Manufacturing's share was approximately 9.3% in 1998, an increase of about 2% from 1990. Mining and construction recorded growth rates of 27.4% and 4.9% respectively during the same period.



2.2 Industrial growth

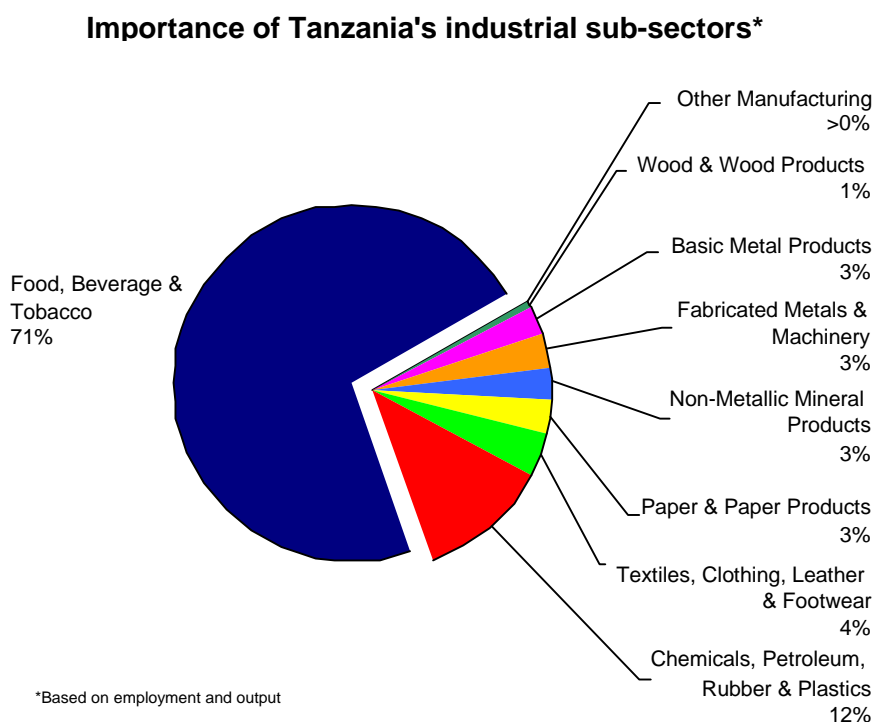
Manufacturing activity, measured by its physical volume of production, declined by almost 2% per annum between 1990 and 1994. The sharpest decline in the manufacturing activity was recorded in 1994 (8%).

Production, however, started to accelerate in the second half of the decade. Between 1994 and 1999, there was an average growth rate of almost 4% per annum. This expansion in manufacturing production was especially supported by strong growths experienced in 1997 and 1998.



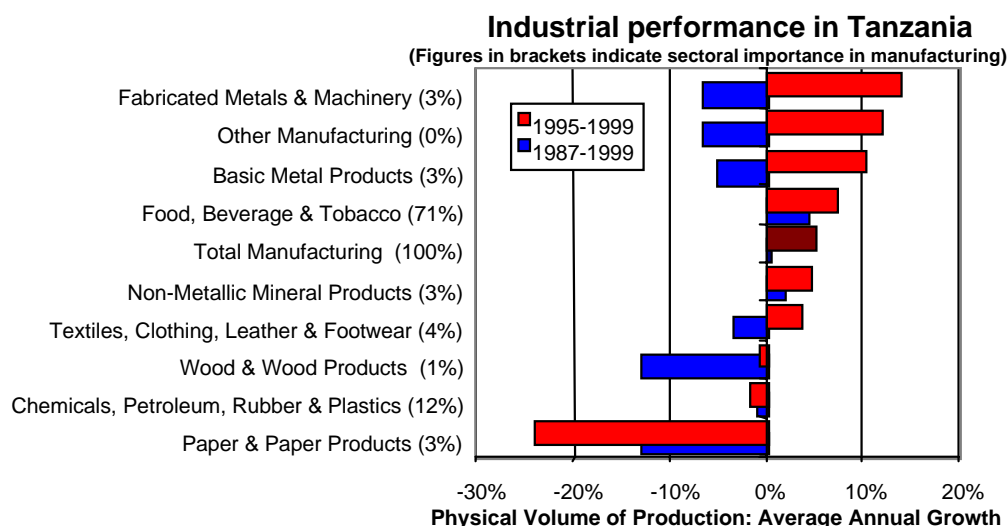
2.3 Manufacturing

As indicated earlier, agriculture is the mainstay of the economy. It is not surprising, therefore, that the industrial sector comprises mainly of food processing industries, beverages and tobacco industries. These activities represent over 70% of Tanzania's industrial production. The second largest industrial sub-sector is the chemical industry including petroleum, rubber and plastic (12%). Other agro-based industries such as textiles, clothing, leather and footwear represent (4%). The manufacturing sector is not well diversified which makes it vulnerable to changes in agricultural conditions and changes in agricultural commodity prices. The following diagram illustrates the importance of the various sub-sectors.



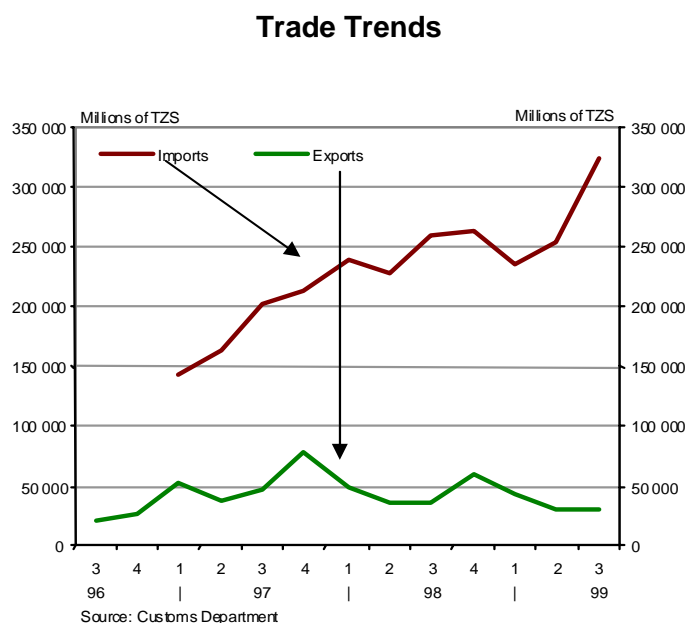
Between 1995 and 1999 the following sub-sectors reported above average growth: fabricated metals and machinery, other manufacturing (although from a neglectable low base), basic metal products as well as food, beverages and tobacco. Negative growth rates were recorded

for wood and wood products, chemicals, petroleum, rubber, plastics as well as paper and paper products. The sectoral growth trends indicate that the manufacturing sector is neither diversifying nor intensifying its focus on higher value products or sub-sectors (a key to a long-term sustainable growth rate).



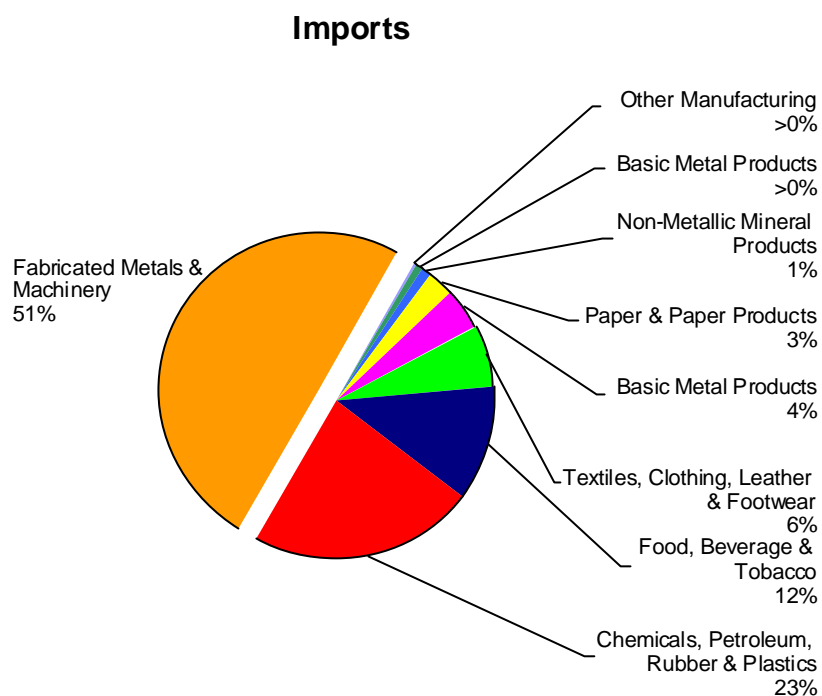
2.4 International Trade in Manufactured Goods

Tanzania's international trade performance in manufactured goods is dominated by imports. There is an increasing trend in imports whilst exports remain relatively stable.



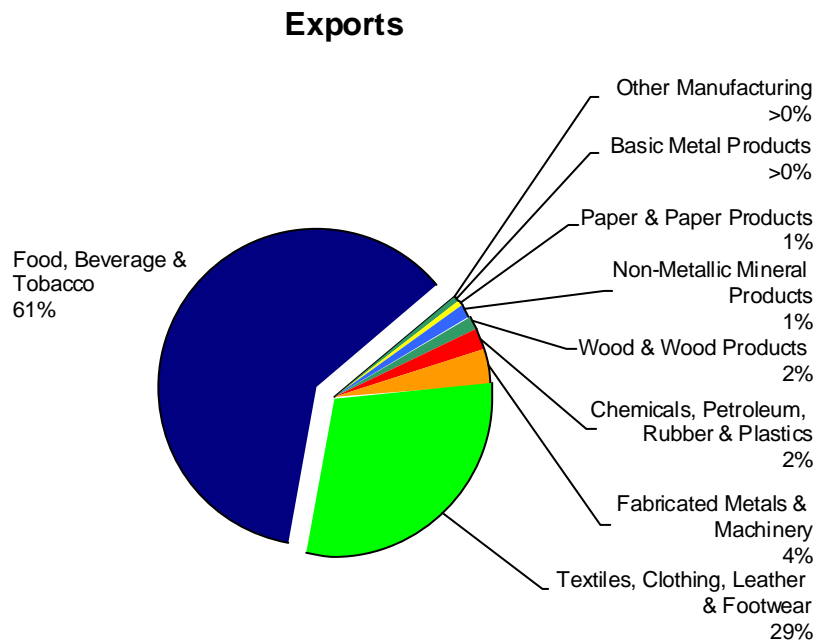
Manufacturing imports consists mainly of fabricated metals and machinery, which represent 51% of all manufacturing imports. The continuing importation of fabricated metal and other products could frustrate domestic production, nevertheless, they are necessary inputs for the expansion of the country's industrial base. Other major manufacturing imports include chemicals, petroleum, rubber and plastics (23%).

Sectoral share in external trade (1998-1999)



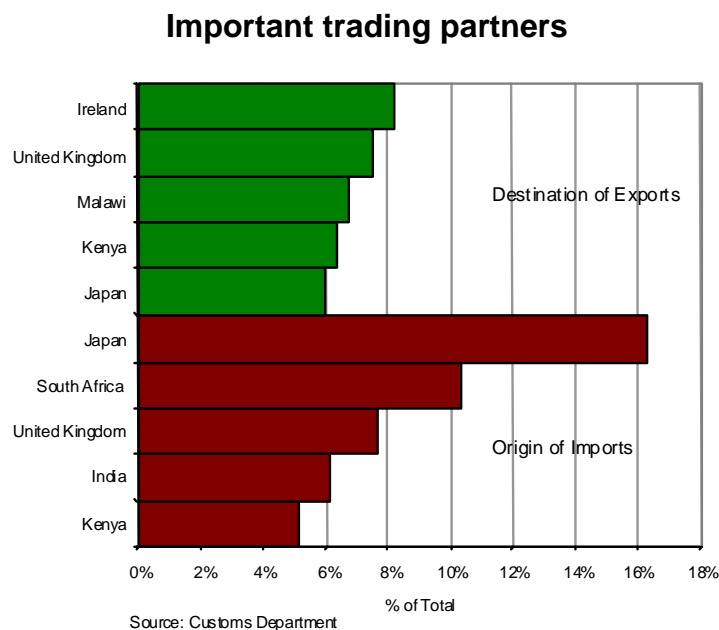
The manufacturing production structure also determines the structure of exports. Manufactured exports consist largely of semi-processed agricultural products representing 61% of the manufacturing export basket and consisting primarily of fish, cotton, tobacco and products of the milling industry.

Sub-sectoral share in external trade (1998-1999)



Other manufacturing sub-sectors with significant contribution to the manufacturing exports are those of textiles, clothing, leather and footwear. These sub-sectors represent 29% of manufacturing exports.

Tanzania exports to both the developed and developing countries. The most important manufacturing export destinations are Ireland, United Kingdom, Malawi, Kenya and Japan.



Recent Statistics released after the survey/competitiveness analysis was conducted indicate that the Netherlands is the most important export destination.

The same trend could be seen for imports. Both developed and developing countries are trading partners. Imports mainly originate from Japan, South Africa, the United Kingdom, India and Kenya.

The following table illustrates five largest exports and imports. Fish and fish-related products are the highest foreign exchange earners.

Important Traded Products (Quarter 3 1999)

HS Code		TZS Million
	<u>Exports</u>	
03	Fish and crustaceans, molluscs and other aquatic invertebrates	9 305.2
52	Cotton	7 379.3
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn.	1 319.3
41	Raw hides and skins (excluding furskins) and leather	1 192.3
24	Tobacco and manufactured tobacco substitutes.	1 123.9
	Total (including others)	31 034.2
	<u>Imports</u>	
87	Vehicles (excluding railway or tramway rolling-stock) and parts and accessories thereof.	55 264.9
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	52 548.9
27	Mineral fuels, oils and products of their distillation; bituminous substances; mineral waxes.	32 477.4
85	Electrical machinery and equipment and parts thereof; sound and television recorders and reproducers.	28 593.1
15	Animal or vegetable fats and oils and their cleavage products; edible fats; animal or vegetable waxes	14 378.0
	Total (including others)	324 245.3

CHAPTER 3

THE SUSTAINABLE INDUSTRIAL DEVELOPMENT POLICY

The main purpose of the SIDP is to set out a path for the sustainable development of Tanzanian industry in the medium term with a focus on the following objectives:

- ☛ Human development – creating employment, poverty alleviation, providing basic needs and sustainable livelihood.
- ☛ Sustained economic growth - promoting capital and intermediate goods production.
- ☛ Economic transformation and integration in the domestic economy - agrarian to industrialized; forward establishing forward - backward linkages.
- ☛ External balances - import substitution and export promotion
- ☛ Equitable development - rural and urban; SMME's vs. large-scale enterprises.
- ☛ Sustainable environmental conservation.
- ☛ Development of economic agents - entrepreneurship; advancement of informal sector operators

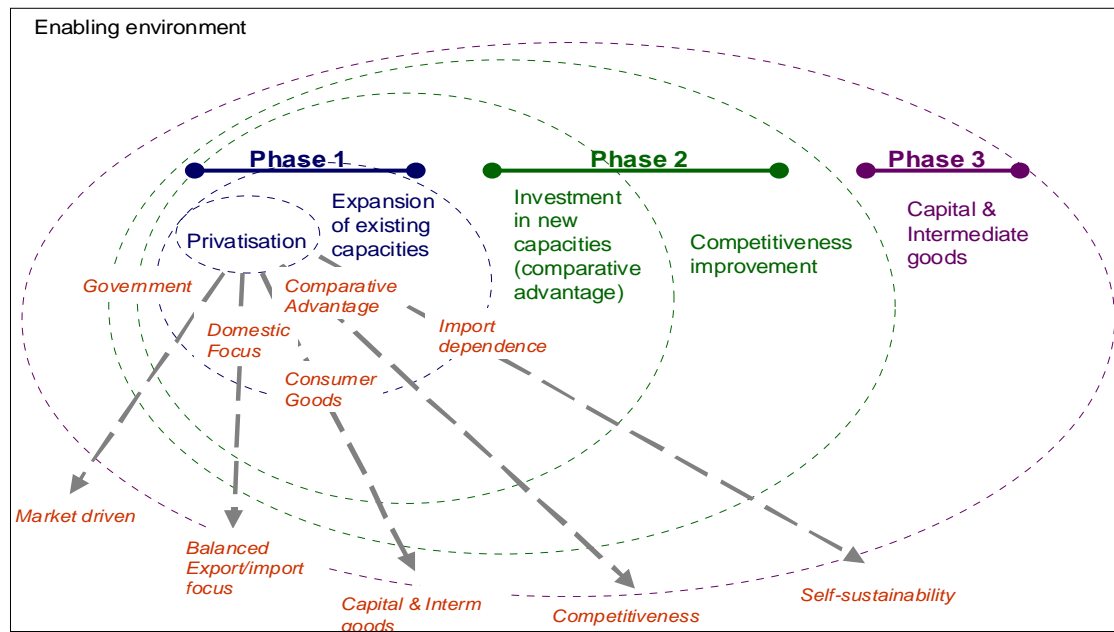
The SIDP views industrial development in a holistic and systemic way. It accepts that the constraints, competitive issues and opportunities are complex, inclusive of different disciplines and requires the participation of various institutions, stakeholders and sectors.

In its approach, the SIDP embraces the principles of a market economy and suggests that industry would only prosper in the hands of the private sector. In this regard, the Government should phase out its direct involvement in industry and become more involved in the creation of an enabling environment.

3.1 Actions suggested by the SIDP

The SIDP defines three phases

- ☛ Phase 1: Rehabilitation, revival, consolidation of existing structure – 1996 – 2000
- ☛ Phase 2: New capacities – 2001 – 2010
- ☛ Phase 3: Consolidation and sustainability of industrial structures – 2011 - 2020



3.1.1 Phase 1: Rehabilitation, revival, consolidation of existing structure – 1996 to 2000

The purpose of the first phase is three-fold:

- ☞ To restructure the ownership structure of industry through privatization of government enterprises (ownership restructuring)
- ☞ To restructure these enterprises internally to become profitable to such an extent so that they would consider the expansion of their existing production capacities (micro-restructuring)
- ☞ To re-orientate government support from direct involvement and control to more indirect activities such as the creation of an enabling environment and the supply-side support to industry (incentive packages) (macro-economic re-orientation)

The SIDP further suggests that during the initial period of four years, the Government should prioritize agro-industries since it is perceived as having a comparative advantage. The sectoral focus of the first phase would ensure the sustainability of consumer goods for the domestic market.

3.1.2 Phase 2: New capacities – 2001 to 2010

During the second phase it is envisaged that industry should diversify its production patterns and products with investment in new greenfield projects. These projects could be established on the basis of Tanzania's comparative advantage. The second phase is, however, characterized by a shift in focus from current comparative advantage to competitiveness. It re-emphasizes the importance of investments projects with the potential of becoming internationally competitive. Consequently, more attention should be given to export promotion. Measures should be taken to create an enabling environment for export promotion.

Industry on the other hand should address competitiveness issues, including, modernizing or upgrading technology and skills development.

3.1.3 Phase 3: Consolidation and sustainability of industrial structures – 2011 to 2020

The third phase of the SIDP focuses on the prioritization and targeting of industries producing intermediate and capital goods. Specific mention is made of the iron and steel industry as well as the coal mining industry. The development of the metallurgical industry is a sine qua for the accelerated industrialization of Tanzania, as the industry has tremendous linkage possibilities and inputs to the agro-based industrial sub-sector, as well as, chemical, engineering, transport and communications industrial sub-sectors.

The SIDP recommends that through all the phases several policy issues need to be addressed and that various policy-makers should be involved in the process. These policy issues and the responsible institutions are listed below. However, success is dependent on effective and efficient co-ordination.

Policy	Institution
• Fiscal Policies	Ministry of Finance; Ministry of Industry and Trade
• Monetary Policy	Bank of Tanzania, Ministry of Finance
• Investment Policy	Ministry of Industry and Trade; Tanzania Investment Centre (TIC); Ministry of Land and Urban Development;
• Trade Policy	Ministry of Industry Trade
• Industry-related Agricultural Policy	Ministry of Agriculture; Ministry of Industry and Trade
• Industry-related Mining Policy	Ministry of Energy and Minerals; Ministry of Industry and Trade
• Land Policy	Ministry of Labour; Ministry of Education and Training; Ministry of Manpower Development
Science & Technology; R&D	Ministry of Industry and Trade; Ministry of Education and Training
Environmental Management Policies	Ministry of Industry and Trade; Ministry of Education and Training
Small & Medium Enterprise Policy	Ministry of Industry and Trade, Ministry of Labour, Ministry of Education
• Legal & Regulatory Framework	Ministry of Justice, Ministry of Industry and Trade

3.2 SIDP suggested policy actions

The establishment of the above-mentioned production capacities would depend on the appropriateness of other policy instruments and policy issues which are outside the domain of the Ministry of Industry and Trade. The SIDP therefore recommends that policy instruments and policy issues, which could impact on industrial development and competence, should be reviewed. The responsible institutions should work closely together to create the right policy environment for industrial growth and sustainable development.

The following are examples of policies that should support the goals and objectives of the SIDP and the institutions that should work closely together in defining such policies.

Policy coordination among the different stakeholders is a prerequisite for success. Three government departments are seen as key to the successful implementation of the SIDP: Ministry of Industry and Trade, Ministry of Finance and the Planning Commission. The Ministry of Industry and Trade should be capable of reviewing its implementation and make recommendations for policy adjustments. The Ministry of Finance and the Planning Commission should be jointly responsible for macro-economic policy, which should provide the framework for the development agenda and sectoral policies.

Given that policy development is an interactive process involving key stakeholders in the public and private sectors, the SIDP envisages the establishment of a public private consultative mechanism. This partnership between the Government and the private sector also augurs well for industrial governance.

3.3 SIDP and sustainable industrial development

The SIDP highlights the following:

- ☞ Transformation from a public sector driven industrial development to private sector led industrial development and increased market orientation.
- ☞ Production of capital and intermediate goods to complement the current production of consumer goods.
- ☞ A move towards competitive advantage or industrial competition.
- ☞ Reducing dependency on imports and gradually work towards self-sustainability.
- ☞ Creating an enabling environment for private sector development and minimizing direct government interference
- ☞ Moving away from central planning and single-minded approach to a holistic and systemic approach.

There are a number of problems and constraints in the implementation of the SIDP. These are analyzed below.

3.3.1 Targeting

Although a market driven approach is recommended, the SIDP suggests that the Government should play a lead role in the post-privatized environment. Accordingly, certain sub-sectors and industrial units have been identified to receive priority attention during each phase – from consumer goods to intermediate and capital goods.

The targeting of industries is practised internationally. However, this approach is not in line with market principles. The private sector should, over time, be able to determine industries with above average growth potential. The market uses micro-competitiveness criteria (price, quality and timely delivery), whilst it is likely that the Government could use criteria that could interfere with market sustainability by focusing primarily on market failures.

Government's ability is limited in the early phases of industrial development. Predicting priority sectors ten years in advance as in the case of the iron and steel industry, as well as, the coal mining industry may not necessarily be based on market requirements. What the Government can effectively do is to create an enabling environment for industry and facilitate private sector development.

3.2.1 Timing and scheduling

The timing and scheduling of the phases are too rigid especially as the private sector is expected to be the engine of industrial growth. The private sector is, however, relatively young and inexperienced. To commit the private sector to certain goals over specified time periods is unrealistic. It is desirable to have a vision with broad buy-in from all the stakeholders, but, policy definitions should be flexible for future adjustments.

A time schedule could be useful to plan the creation of an enabling environment, but again most of the activities are not linear sequential events. For example, competitiveness issues should not be addressed at the end of phase two, but should be considered from the early stages of the privatization of public sector industries.

The creation of an enabling environment should also be tackled at the very initial stage addressing various issues simultaneously. Therefore, the planning/timing of certain actions should be done over the short to medium term (at most five years) with multi-dimensional activities complementing each other.

3.2.2 Enabling environment

Macro-competitiveness issues should be the priority of the Government. These issues involve:

- ☛ An absolute commitment by government (all levels) to industrial development;
- ☛ The creation of positive externalities influencing micro-competitive factors;
- ☛ Addressing market failures through de-bottlenecking and incentives

The creation of an enabling environment for private sector led industrialization is a primary objective of the SIDP. The successful implementation of phase I and Phase II would only be possible if the enabling environment is adequate and proven through the expansion of existing capacities (or even the survival of the privatized enterprises). The private sector has to be convinced to play a lead role in the implementation of the SIDP.

In a market-driven economy, very little importance would be given to the movement from phase 2 to phase 3 as the private sector will determine the targeting of sub-sectors during its transition. The SIDP should therefore focus primarily on the creation of an enabling environment, the privatization process and support measures for industry after privatization.

3.2.3 Sustainable industrial growth: self-sustainability vs. self-sufficiency

An ultimate objective of the SIDP is that industrial expansion should be sustainable and should ensure sustainable livelihood for the people of Tanzania. Sustainability is hampered by the economy's high import propensity level. Domestic producers do not only compete against cheap imports of final goods, but production is inherently dependent on imported intermediate and capital goods. This is perhaps one of the main reasons why the SIDP recommends a reduction of imports in all stages of production.

However, the SIDP seemingly confuses self-sustainability with self-sufficiency. In an increasingly globalized economy, self-sufficiency is not essential for sustainable industrial development. In fact, international trade theory suggests that specialization is an integral part of sustainable industrial development.

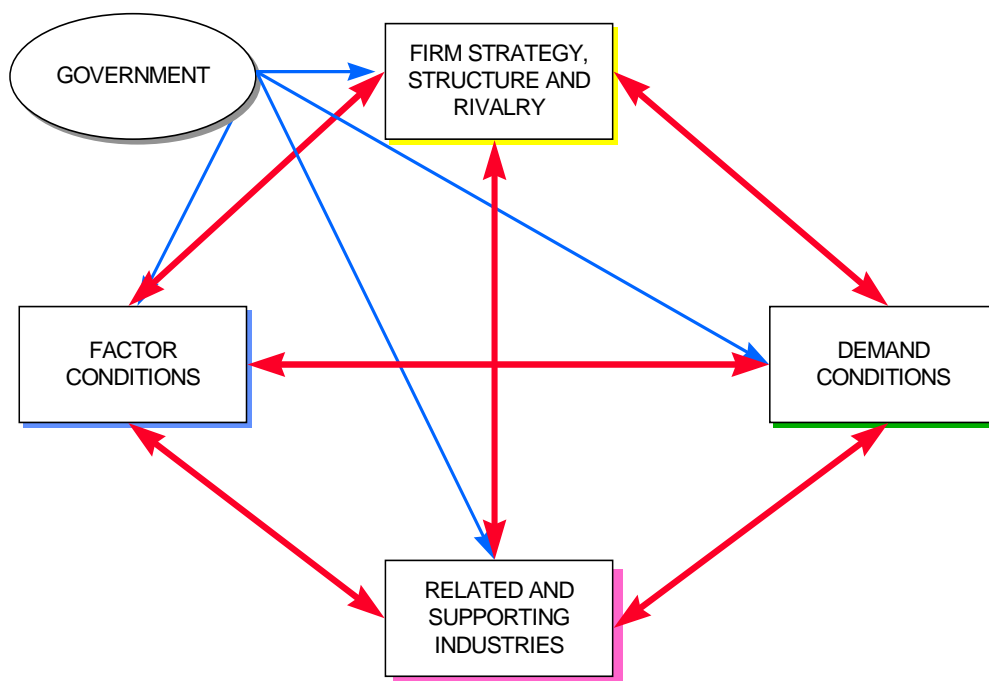
Although the SIDP suggests a balance between imports and exports, most of its recommendations focus on the ultimate reduction of imports. What is relevant though is that the trade balance needs to be improved either by a reduction in imports or by increased export earnings. Again, international experience shows that export production has the potential to provide more sustainability in the development process. With higher levels of exports, the balance of payments constraint could be reduced significantly.

CHAPTER 4

TANZANIA'S COMPETITIVE PLATFORM

Porter in the ***Competitive Advantage of Nations (1990)*** provides a framework that has proved useful to determine industrial competitiveness. The developmental potential of a country or economy is determined by its ability to foster competitiveness, which in turn improves productivity. The Porter Framework presented succinctly in what is called the National Diamond refers to determinants, which individually and as a system, create a platform that enables a nation's firms to compete internationally. The Porter "diamond" or variations thereof are being used to determine the drivers of industrial competitiveness as well as developing tools for policy and strategies.

According to Porter, the answer to the complexities surrounding competitiveness lies in four broad attributes of a nation influencing the environment in which local firms compete. These four broad attributes and an additional variable, namely, government are illustrated as follows:



- ☞ **Factor conditions:** A nation's position in factors of production, such as human resources, physical resources, or infrastructure, knowledge resource and capital resources necessary to compete in a given industry;
- ☞ **Demand conditions:** The nature of domestic demand for the industry's product or service including market structure etc.
- ☞ **Related and supporting industries:** The presence or absence in a nation of suppliers related industries and other support services that are internationally competitive;

- ☛ ***Firm strategy, structure and rivalry:*** The conditions in a nation governing how companies are created, organized, and managed, corporate governance and the nature of domestic rivalry; and
- ☛ ***Government:*** Government intervention or the absence of intervention at all levels.

The different components of the "diamond" are inter-related and reinforce each other. An advantage in any component of the "diamond" is very likely to have a positive impact on one or more components within the system.

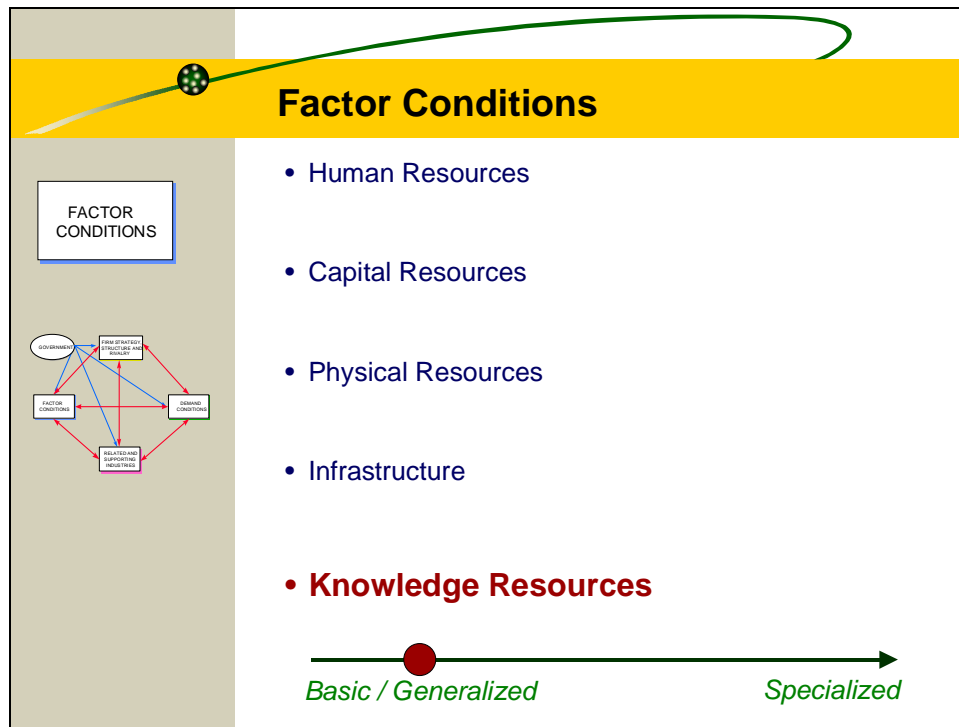
Competitive advantage based on one or two determinants is possible in natural resource based industries involving less sophisticated technology or skills. However, such advantage usually proves unsustainable, because of the strong presence of global competitors who can easily circumvent it. In the context of the diamond, advantages are necessary to achieve and sustain competitive success in knowledge intensive industries. This is more relevant in the advanced economies. However, it should be noted that an advantage in each component may not necessarily be a prerequisite for industrial competitiveness. The interplay of advantages in several components is essential and yields benefits, which can ward off rivalry from foreign sources. This explains why some countries succeed in particular industries because their domestic environment is the most dynamic and the most challenging. In time firms in such environment can easily upgrade or widen their advantages.

In this section, the characteristics of Tanzania's competitive platform will be explored with reference to each of the determinants/elements. The first step is a situation analysis, through the SIDP's actions on each of the elements, and thereafter evaluate the progress made while at the same time reflecting on current strengths or weaknesses.

4.1 Factor conditions

The theory of comparative advantage regards a country's endowment with such factors as one, if not the single most important indicator of a country's ability to compete. Although Porter does not necessarily disregard the importance of factor conditions as determinants of competitiveness, his analysis reveals a different perspective when considering the role of factor conditions.

Factor conditions according to Porter can be grouped into a number of broad categories as shown below.



The availability of these factors per se does not result in competitive advantage. What is relevant is how effective these factors are deployed.

Porter makes a distinction between basic and advanced factors and between generalized and specialized factors. Basic factors consist of inter alia, natural resources, skilled and semi-skilled labour, climate, etc. Whereas advanced factors include modern digital communications infrastructure, highly educated personnel, and university research institutions. Basic factors require relatively modest investment. Advanced factors on the other hand, enable a country to produce differentiated products and involve investment in production technology. They help industries to upgrade design and production processes as well as innovate. The advanced factors that enable a country to produce differentiated products and production technology, involve large sustained investments in human resource development. Such factors are integral to an industry's capacity to innovate and upgrade its design and production process for investment competitiveness. Specialized factors refer to highly skilled but with specific knowledge in particular fields as well as infrastructure with specific properties. Higher levels of investments are required in training. Specialized factors are therefore necessary for increased competitiveness. The generalized factors on the other hand, can be employed in a wide range of industries, for example, a pool of well-motivated graduates.

Porter contends that no country can possibly create and upgrade all types and varieties of factors as there are other determinants that can influence the creation or upgrading of the factor, e.g. - domestic demand conditions, company goals, the nature and scope of domestic rivalry.

It should be noted, however, that there has been a number of cases where a disadvantage in some factors have actually been converted into a competitive advantage. The abundance of or low cost of a factor often leads to the unproductive employment of that factor, while disadvantages in factors can force countries or firms to innovate and increase the effective use of these factors. Example cited by Porter and others include the Japanese Just-in-time delivery system to overcome the shortage of land for warehouses and stock piling in the country. The

development of sophisticated greenhouses in the Netherlands to sustain the flower industry is another example of innovation to overcome the lack of sunshine all year round.

4.1 Human resources

Human resources as a labour force can be defined as a statistical concept comprising demographic characteristics, such as, total population with its breakdown into economically active population, the employed and unemployed, the under employed and the economically inactive population.

4.1.1. Labour force

The labour force is estimated at around 17.4 million people with an annual growth rate of approximately 3%. In the course of the survey, it became quite apparent through consultations with industries that the labour force does not have the attributes to be classified as being advanced due to the following:

- ☞ Level of education;
- ☞ Availability of industry-specific skills;
- ☞ Work morale;
- ☞ Labour force organization;
- ☞ Level of productivity; and
- ☞ Government's regulatory impact on skill transfer.

4.1.2. Education

Education is a priority for the country's development and it occupies an important place in the government's programme for socio-economic development. Technical education and training is being promoted by the Government and the private sector institutions. It is believed that only 8% of secondary school age children are actively enrolled in schools. However, the literacy rate of the economically active population is about 67%. This includes those who are 10 years old and above. The adult literacy rate per se is much lower at about 50%.

The University continues to increase its intake of students offering courses and degree programmes in engineering and specializations, which could impact on productivity and overall economic development.

Recognizing that the successful implementation of the SIDP would depend on the availability of a critical mass of both professional and highly skilled labour force, emphasis is being given to vocational and technical training. While it is acknowledged that the formal educational system could also develop vocational skills, major initiatives should be taken to introduce in-plant technical training.

Tanzania's educational objective includes the enhancement of the provision of education in partnership between the state and the private sector, integrating the formal and non-formal education system, enhancing the culture of entrepreneurship and self-employment through vocational education and training. However, the percentage of the government's budget allocated to education is extremely small – approximately 10%. In Kenya for example, it is approximately 28%.

As in all policy development process, the private sector should be involved. The definition of any educational policy should source input from industry and industry should be involved in developing a broad-based skills development curricula for the university and vocational schools.

4.1.3 Skills for industry

Industrial operators in Tanzania believe that one of the major constraints to industrial development and competitiveness is the shortage of skills from the managerial level to the artisanal level. In addition, specific technical and marketing skills are also inadequate. Clearly this shortage is more severe in smaller operations as the large companies can easily afford to recruit expatriates.

The shortage of artisans is aggravated by limited training facilities and the dual nature of technology in the formal and informal sectors, as well as, production patterns in rural and urban areas. The inadequacy of managerial capabilities is directly related to the structure of the education system, years of central planning and a public sector driven industrial sector. In addition, managerial and workers education is an important determinant to industrial productivity and competitiveness.

The most competent industries are those with a high degree of engineers, scientists and technicians.

The SIDP recognizes the importance of this issue and addresses it directly by proposing:

- ☞ Training initiatives for scientists, engineers, technologists and technicians,
- ☞ The promotion of apprenticeship system of technical training
- ☞ The promotion of on the job training,
- ☞ The balancing between sciences and liberal arts in student admissions
- ☞ Improving farming practices
- ☞ Developing a funding system for training specifically aimed at SMME's, the informal sector and other disadvantaged groups
- ☞ Promoting the engineering industry which provides equipment essential for apprenticeship training.

This emphasis on skills development is appropriate but concrete measures are yet to be taken to address the problem. However, some initiatives are being taken by other authorities. For example, the Tanzanian Education Levy and Grant Authority had established a funding mechanism for education and training. Some of the funds could be used for critical skill development.

The linkage between industry and the relevant training authorities should be developed. Industrial Enterprises should be encouraged, if necessary, on a fiscal basis, to engage in on-the-job training. Where on-the-job training is not possible, short-term training courses for people already at work could be organized. Another approach could be for organized private sector institutions such as the Tanzania Chamber of Commerce, Industry and Agriculture or the Confederation of Tanzania Industries to provide training courses to industry, aimed specifically in improving knowledge and skills for increased productivity and corporate governance.

4.1.4 *Work ethics*

Work ethics are major constraint on the competitiveness of industry. There are various reasons for the existing low morale of employees. The survey reveals that the following issues should be addressed.

- ☞ Low wages;
- ☞ Unavailability of social amenities;
- ☞ Limited opportunities for promotion within company structures;
- ☞ Weak bargaining power of workers;
- ☞ Limited understanding of worker's rights and the labour laws;
- ☞ Autocratic management styles.

Although the SIDP does not directly address the issue of work ethics, it recommends that schemes should be introduced to motivate workers including remunerative incentives.

However, what is actually required is a change in the mindset of both workers and management. Government's role is to create an environment, which would be conducive to better work ethics. The key stakeholders in the private sector would have to motivate workers and establish meaningful career development paths for individuals within each firm.

4.1.5 *Collective organization of labour force*

The low level of labour organization can be viewed as positive to the competitiveness platform as it increases the flexibility of labour markets. However, strong labour unions can play an important role in the following:

- ☞ Development of skills;
- ☞ Improvement of work conditions and work organization;
- ☞ Motivation of the labour force; and
- ☞ Providing fora through which workers can express their fears, frustrations and ambitions.

The Government is also sensitive to these issues and suggests the following:

- ☞ Sensitization of employees on the content of labour laws;
- ☞ Revision of labour laws to reflect the interests of employers and employees.

The organizational structures of labour unions are weak. However, in the context of the Tanzania National Business Council, and the need for social dialogue, the labour unions could buy in to the principles of competitiveness, and develop their capacities to play a constructive role in industrial development.

4.1.6 *Government's regulatory impact on skill transfer*

The shortage of critical skills have encouraged the import of skills from abroad. Certain types of activities remain firmly in the hands of expatriates, with limited upward mobility for indigenous

workers. Despite these limitations, expatriates provide a significant boost toward competitiveness by transferring skills and knowledge to the indigenous population.

There are however, bureaucratic bottlenecks in obtaining work permit for foreigners. The process takes time and it is expensive. The SIDP recommends that permits for employing expatriate staff should be considered at the very initial stages of project approval. The implementation of this is seriously flawed and steps should be taken to address this in the short-term.

In the case of highly skilled expatriates, mechanisms should be put in place to ensure that knowledge and skills are appropriately transferred and absorbed within the firm and the community at large.

4.1.7 Low productivity and high unit labour costs

Productivity is a function of various factors:

- ☞ Skills;
- ☞ Work organization (set-up of production lines);
- ☞ Management;
- ☞ Infrastructure;
- ☞ Equipment and machinery; etc.

It should also be viewed as an outcome of various initiatives. The important thing is for the Government to focus on issues that would improve the business environment and impact positively on productivity. Companies on the other hand should focus on productivity in particular how to improve it in terms of quantity and quality.

4.1.8 Competitiveness Survey Results

In general, industry in Tanzania views the following as the three largest human resource-related impediments on competitiveness:

- ☞ Lack of vocational/industry-related training facilities,
- ☞ The high unit labour costs (or low labour productivity) and
- ☞ Inadequacy of technically skilled labour.

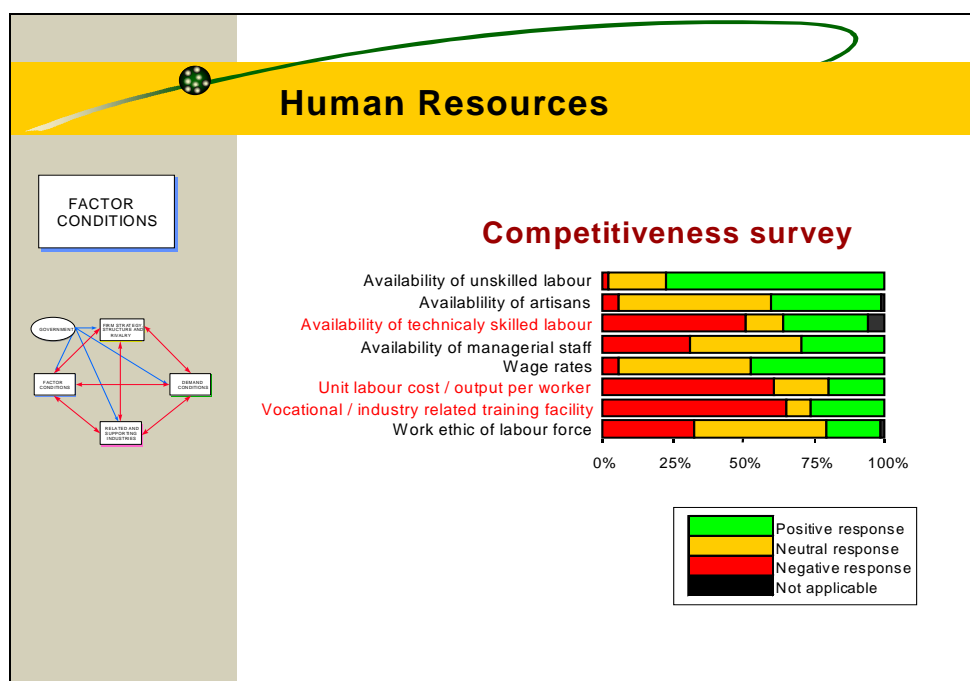


Figure 1: Survey results - Human resources

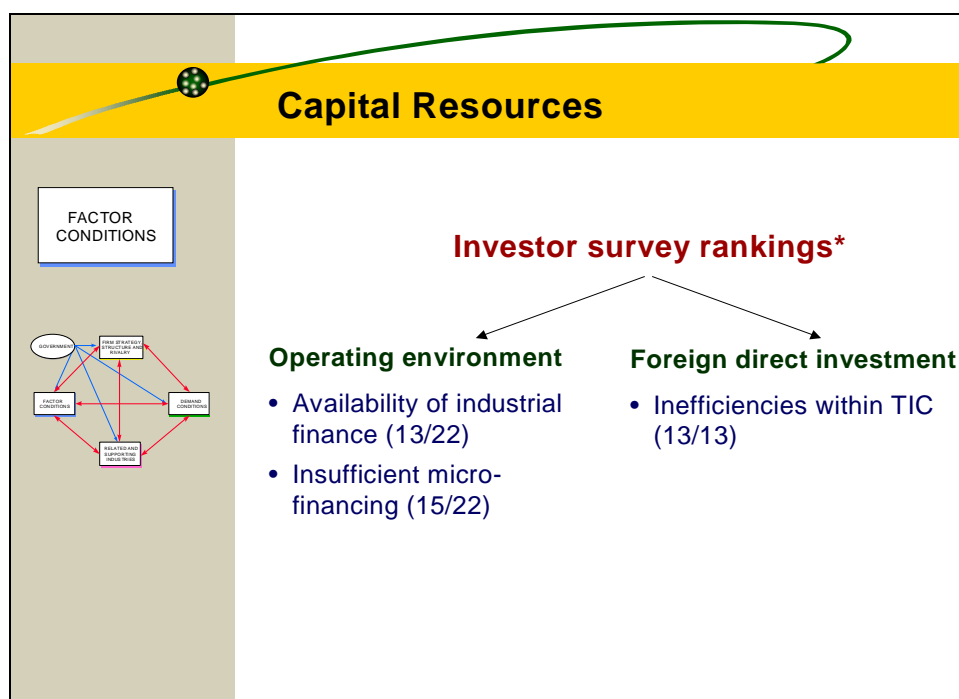
These constraints have been prioritized by most of the sub-sectors, with the following deviations (in the top three constraints):

- ☞ The textiles, clothing and footwear sub-sector regard non-availability of artisans in its top three impediments, with the impact of high unit labour costs of less importance;
- ☞ The wood and wooden products sub-sectors view work ethics as major obstacles than the availability of technically skilled labour;
- ☞ The non-metallic mineral products sub-sector is more concerned about the lack of managerial staff than the lack of training facilities;
- ☞ The basic metal products sub-sector prioritized low work ethics above availability of technically skilled labour;
- ☞ The fabricated metals, machinery and equipment sub-sector emphasized the impact of work ethics as a top constraint.

The three priorities, with regard to human resources are inter-related and basically involves the development of industry-related skills. The availability of industry-specific training facilities needs to be prioritized, as it would lead to improved technical skills and will directly impact on the unit labour costs or productivity of workers.

4.1.9 Investor survey

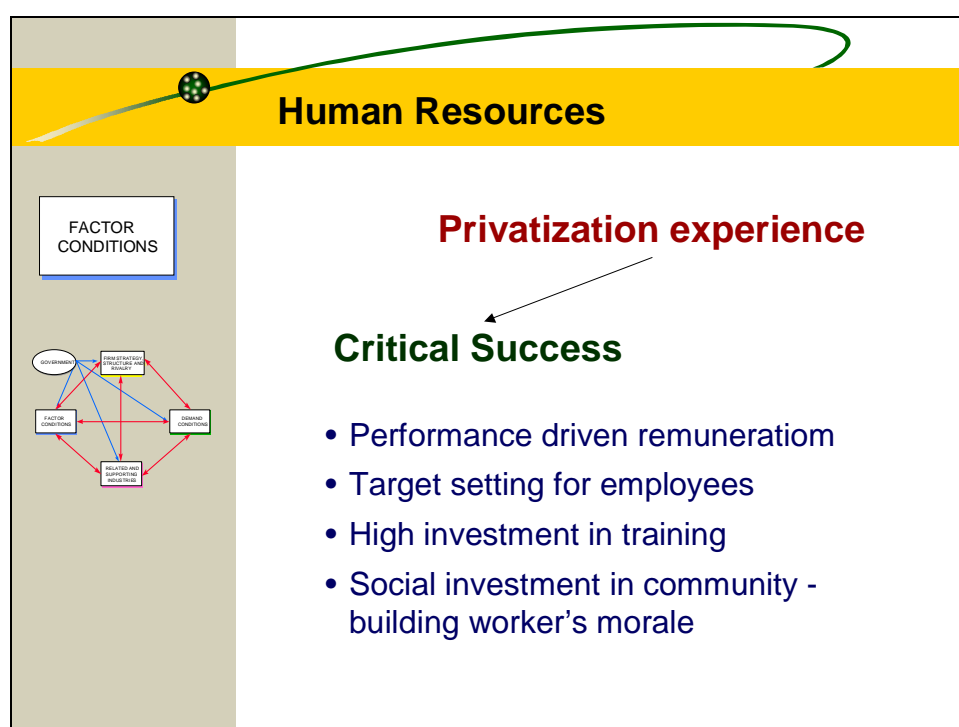
From the Investor ranking survey the following are identified (The numbers in brackets refer to the ranking out of 22 and 13, respectively):



The complete list is presented in Annex B.

4.1.10 Lessons from the privatization experience

Lessons from the privatization experience highlight the following related issues as shown in the box below:



* A complete list is presented in Annexure B.

4.1.11 Prioritization

Establish industry-related training facilities

The availability of industry-specific training facilities needs to be prioritized, as it would lead to improved technical skills and will directly impact on the unit labour costs or productivity of workers.

The following steps will have to be followed:

- ☞ Determine skill needs of industries;
- ☞ Establish generic skills that can impact positively on a various industries;
- ☞ Prioritize these industry-generic skills;
- ☞ Prioritize competitive industries and determine their skill shortages directly;
- ☞ Develop curricula;
- ☞ Buy-in from other ministries;
- ☞ Establish delivery infrastructure;
- ☞ Determine financing (skills levy).

The linkage between industry and the relevant training authorities should be developed. Industrial enterprises should be encouraged, if necessary, on a fiscal basis, to engage in on-the-job training. These fiscal incentives could include a skills levy that industries are obliged to pay if they do not undertake in-house training activities.

Where on-the-job training is not possible, short-term training programmes organized for people already at work are also useful. Another approach could be to use extension agents to teach specific knowledge and skills to an owner, manager, or to technicians in an industrial enterprises. The extension agent can visit the enterprise, provide one-on-one instruction at the extension centre, or have the client consult with a technical or management expert.

Work-permits and skill transfer requirements

The issue of work permits needs to be solved as soon as possible. The bureaucratic delays in the application process, as well as, the high cost involved may frustrate investment decisions and industrialization. In order to enhance knowledge and skills transfers, work permits could be made conditional upon introduction of a skills transfer programme in all projects.

4.2 Capital resources

Capital resources refer to the amount, cost, conditions and types of capital available to finance industry. Access to capital resources has been identified as a serious problem in the competitive platform. It has always been a major constraint to industrial development and has a disproportionate impact on large and small-scale industries.

4.2.1 High and unstable interest rates

The nominal interest rate in Tanzanian is between 20% - 30% and is primarily the result of a low savings rate within the economy. The interest rate structure is characterized by a huge

difference between the lending and the savings rate which is around 10 - 12 percentage points, due to the high risks associated with lending.

The instability in the financial market and the limited availability of domestic funds have induced investors to finance their activities abroad.

The SIDP recommends that the borrowing costs need to be reduced and that the instability also needs to be addressed within the framework of a financial sector reform. Furthermore, concrete measures should be taken to promote domestic savings and a stable interest rate must be determined for industry specific activities.

The SIDP's proposed interest rate differentials for industrial projects may not be optimal as it could have a distorting impact on the functioning of the financial market. A subsidized interest rate might also be countervailing WTO regulations.

Some of the recommendations highlighted in the SIDP are appropriate and should rightly be part of the overall financial or monetary reform within the economy. However, they also address structural issues within the economy, which will not change in the short term.

It should be noted that some progress has been made. After higher than targeted monetary growth in the mid-1990, mainly as a result of deficit financing, the Government has opted for a cash budget system. Since the mid-1990s, the inflation rate has followed a downward trend from 29.8% in 1995 to 7.9% in 1999. Interest rates have also followed the declining trend reaching 19% in 1999 relative to the 42.8% in 1995. The rate of monetary expansion (as measured by the M1 money supply indicator) has also decelerated from the 30.6% in 1995 to 7.1% growth in 1999. All these results indicate that monetary reform is in the process of changing monetary policy's negative impact on the competitiveness platform.

The important thing is that the Central Bank should adhere to its commitment to monetary discipline, as it would underpin improving economic performance.

4.2.2 Low domestic savings

Low domestic savings is a principle determinant of high real interest rates. It needs to be addressed on a multi-dimensional level as savings are a function of, inter alia:

- ☞ Low disposable income levels of the economy;
- ☞ The under-developed financial institution;
- ☞ The crowding-out effect of financing government expenditure on non-productive assets.

SIDP addresses the stimulation of domestic savings through financial sector reform. Assuming that the monetary policy is firmly founded on sound principles, SIDP interventions in the processes and mechanisms in place should be avoided. The focus should perhaps shift to the commercial banks. The banks together with the Government could introduce measures that would encourage savings and develop financial instruments to attract more customers and savings.

4.2.3 Weak banking system

The banking system in Tanzania is weak, primarily as a result of the Government's negligible influence and low deposits. Progress has been made in the liberalization of the financial

system with the privatization of the government-owned bank. The SIDP recommends that supervision of the banking system should be based on sound commercial practices. Currently, the focus is on bank licensing instead of supervision and monitoring of banking operators. In the circumstances it is not surprising that many small banks have been closed in Tanzania, thereby, destabilizing the financial sector.

4.2.4 Limited differentiation in financial products

The weakness of the banking system is furthermore evident in the limited range of financial products available to industry. There seems to be no financial products specifically available to:

- ☞ Manufacturers (vs. traders);
- ☞ Long term financing;
- ☞ SMME ;
- ☞ Industrial finance; and
- ☞ Export finance.

The SIDP addresses this problem and suggests the following policy actions:

- ***Differentiate interest rates for traders and manufacturers***

There is a drive within the country to make finance more easily available to manufacturers than to traders. However, this differentiation should not be expected from commercial banks but should rather be handled at the level of an industrial financing institution. So far, very little progress has been made in this regard and it is unlikely to be realised in the current liberalized financial environment.

- ***Develop long term and working capital financial products***

Recently the National Bank of Commerce (NBC) has been divided into NBC and National Microfinance Bank with the purpose of providing long-term finance to different market segments. In practice, these institutions are yet to prove themselves in the field of long term financing. They are still risk averse and are short-term focused. Furthermore, private commercial banks are not interested in long term industrial financing because of the risks associated with such activities.

- ***Address the financial constraints on SME's, informal sector and disadvantaged groups***

One of the major constraints to SMME development is the lack of finance and access to credit aggravated by the onerous terms and conditions of a loan/credit, as well as, the lack of collateral. A number of micro-financed schemes have emerged. However, private banks and the National Microfinance Bank are still severely risk-averse and SMME finance is regulated by rigid requirements.

- ***Develop long-term industrial finance institution***

There is also an inadequacy of financial institutions focusing on industrial finance. In recent months the financing institutions within SADC are beginning to finance industrial projects in Tanzania. Some of these financing institutions have experience in industrial development in SADC and have resources but limited project proposals to be considered for funding. In certain

cases, industrial finance institutions prefer to fund large-scale projects in selected sub-sectors, thereby, denying the SMME sector of needed funds.

It is desirable to establish a long term industrial finance institution that should not merely be “demand-oriented” – responding only to investors and demand – but should be “supply-driven”, facilitating entrepreneurship and capital formation that would otherwise not occur.

The Tanzanian stock exchange was recently established with three companies trading on the market: Tanzanian Tea Packers Ltd; Tanzanian Breweries Ltd; Tanzanian Oxygen Ltd. This is a valuable source of capital for manufacturing concerns, however the market liquidity is low as foreigners are not allowed to buy shares. It is proposed to increase the number of trading days per week. (currently only two trading days) to improve liquidity. It should be noted that this type of financing mechanism does not provide finance to medium-size concerns.

▪ ***Seed Capital Revolving Fund***

The Seed Capital Revolving Fund has been established to encourage business start-ups with an export focus. It is currently ineffective as the value of the fund is too small and too many defaults have occurred in its short existence.

▪ ***Export credit guarantee scheme***

The need for an export credit guarantee scheme is widely acknowledged. A study has been undertaken, however, not much progress has been made with the establishment of an export credit guarantee scheme.

4.2.5 High dependence on foreign funding

With capital inflows from abroad, a developing economy can increase capital formation without actually reducing current consumption. In Tanzania, capital requirements are mostly sourced from abroad. Foreign aid, as well as, foreign direct investment are the biggest sources of foreign capital.

Foreign direct investments by multinational corporations can assist a developing economy to:

- ☞ Finance savings gap or balance of payments deficit;
- ☞ Acquire specialized goods or services essential for domestic production or consumption;
- ☞ Obtain foreign technology and innovative methods to increase productivity;
- ☞ Generate appropriate technology by adapting existing processes or by means of a new invention;
- ☞ Complement local entrepreneurship by sub-contracting with forward and backward linkage possibilities;
- ☞ Provide contacts with overseas banks, markets and supply sources that would otherwise remain unknown;
- ☞ Train domestic managers and technicians;
- ☞ Employ domestic labour;
- ☞ Generate tax revenue from income and corporate profit taxes;

- ☛ Enhance efficiency by removing impediments to free trade and factor movements; and
- ☛ Increase national income through increased specialization and economies of scale.

Due to the limited availability of domestic funding, Tanzania should prioritize the promotion and facilitation of foreign direct investment. Foreign funding might still not address the funding needs of small and medium industries. Potential foreign investors should be encouraged to invest in small-scale activities or link their large-scale operations/projects to small-scale industries through sub-contracting.

4.2.6 *Weak investment incentives*

To increase foreign sources of financing, the business environment should be perceived as conducive to sustainable economic growth and development. The current privatization process has revealed the weakness of Tanzania's competitiveness platform. The creation of a favourable environment is an important issue to foreign investors. Incentives being offered by TIC would therefore be futile if no attempts are made to improve the business environment of Tanzania.

The Sustainable Industrial Development Policy rightfully recommends some investment promotion strategies or policy measures such as:

- ☛ Promoting private sector development;
- ☛ Removing bureaucratic obstacles/red tapes';
- ☛ Streamlining the process of permits and visas;
- ☛ Improving incentive packages; and
- ☛ Encouraging private sector initiatives in areas previously reserved for the public sector.

Other issues that may impact positively on foreign investment include:

- ☛ Completion of the privatization process;
- ☛ Reduction in the minimum required investment level to qualify for investment incentives;
- ☛ Introduction of a realistic tax holiday system;
- ☛ Implementation of an accelerated depreciation tax allowance;
- ☛ Relaxation of foreign exchange controls; and
- ☛ Facilitation of investment through the establishment of a real "one-stop shop".

It is recognized that progress has been made. The minimum required investment has been reduced from US\$ 500,000 to US\$ 300,000. The tax holiday scheme was recently assessed and consequently eliminated from the investment act. Exchange controls have been relaxed and the Tanzanian Investment Centre (TIC) has been transformed into an investment facilitation centre.

Despite these measures there are still problems/constraints with the promotion of foreign direct investment:

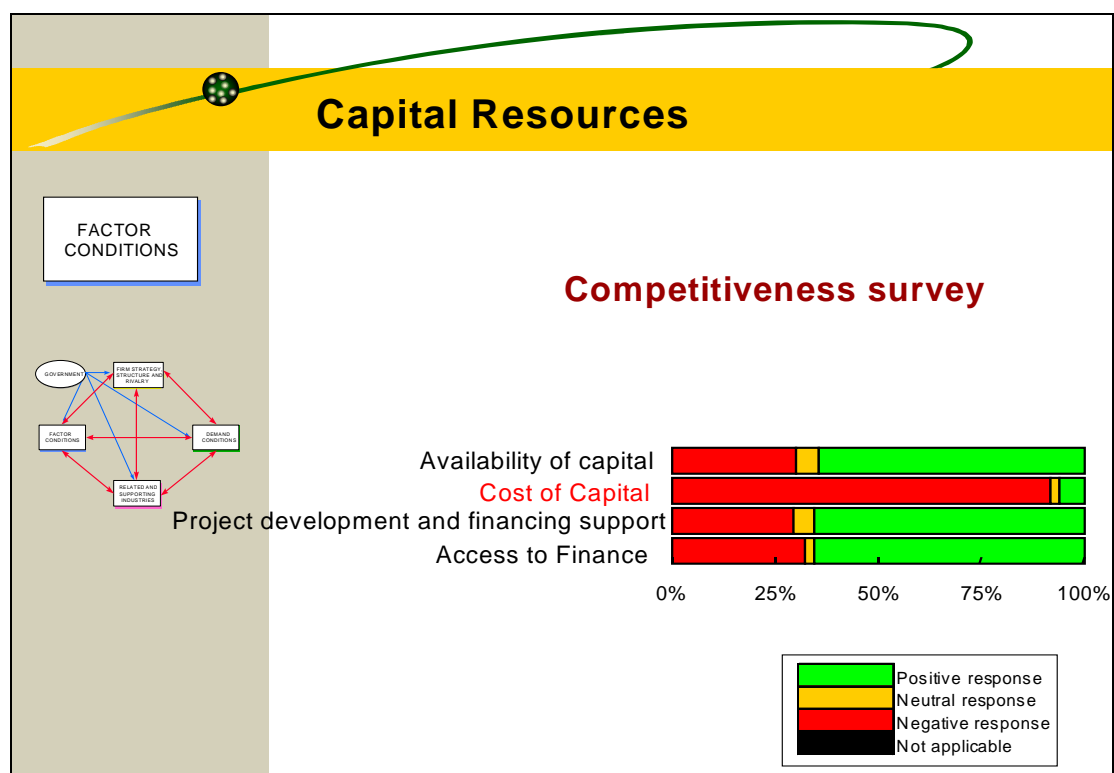
- ☛ Lack of an environment conducive to sustainable industrial development;

- ➡ Inability of government departments to buy into the idea that foreign direct investment is a priority and an integral part of policy implementation;
- ➡ Lack of co-ordination between different government institutions to drive investment promotion; and
- ➡ A regulation and licensing focus instead of a focus on facilitation by the Tanzanian Investment Centre.

4.2.7 Competitiveness survey

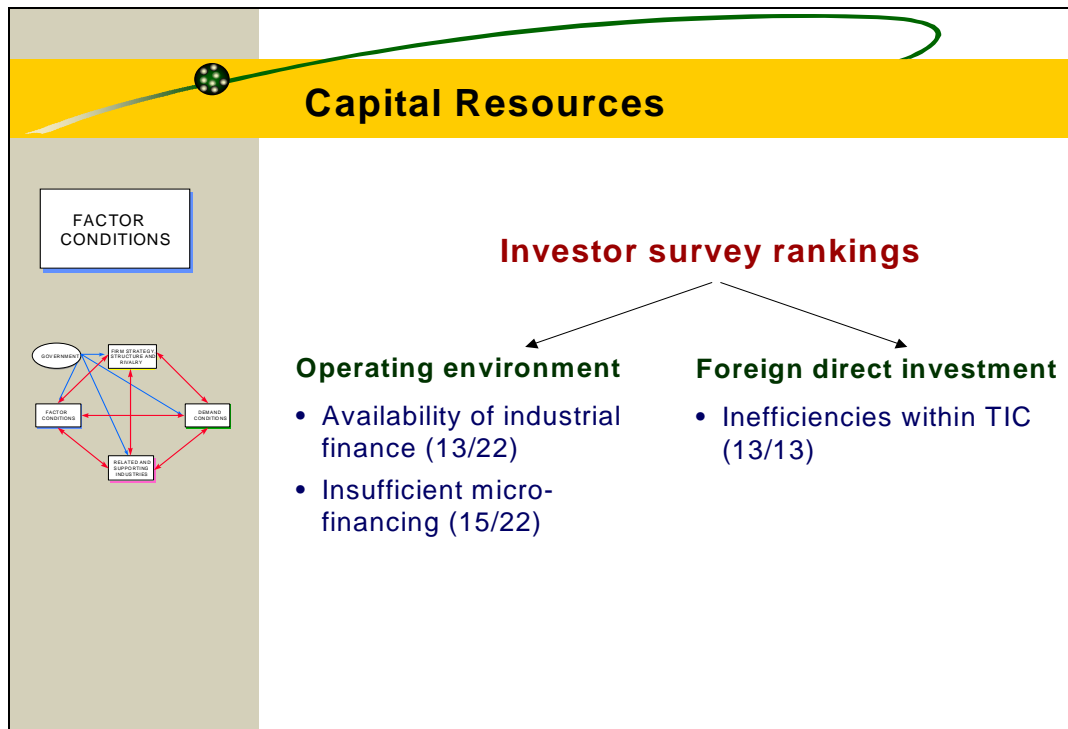
The competitiveness survey reveals that:-

- ➡ The availability and access to credit facilities is far less of a problem than the cost of credit. Almost 45% of all respondents indicate that the cost of credit is a deterrent for industrial development and 50% indicate that it hampers current production activities severely; (see illustration below)
- ➡ The textile sector ranks the access to credit as a bigger problem than the cost of credit. This is probably due to the poor performance of the textile sector and the subsequent high risk associated with lending to the sector;
- ➡ Furthermore the unavailability of medium term finance is considered a significant obstacle for the chemical and metal sectors. These sectors are in general capital intensive and need to finance capital and maintenance expenses with either short term loans or from cash reserves. Such practice restricts the amount of working capital available and reduces the production capacity that can be achieved;
- ➡ As a constraint on the investment decision, the availability and cost of capital represent a serious impediment to only 45% of respondents, and are rated below issues such as access to electricity, water and the current tax structure.



4.2.8 Investor survey

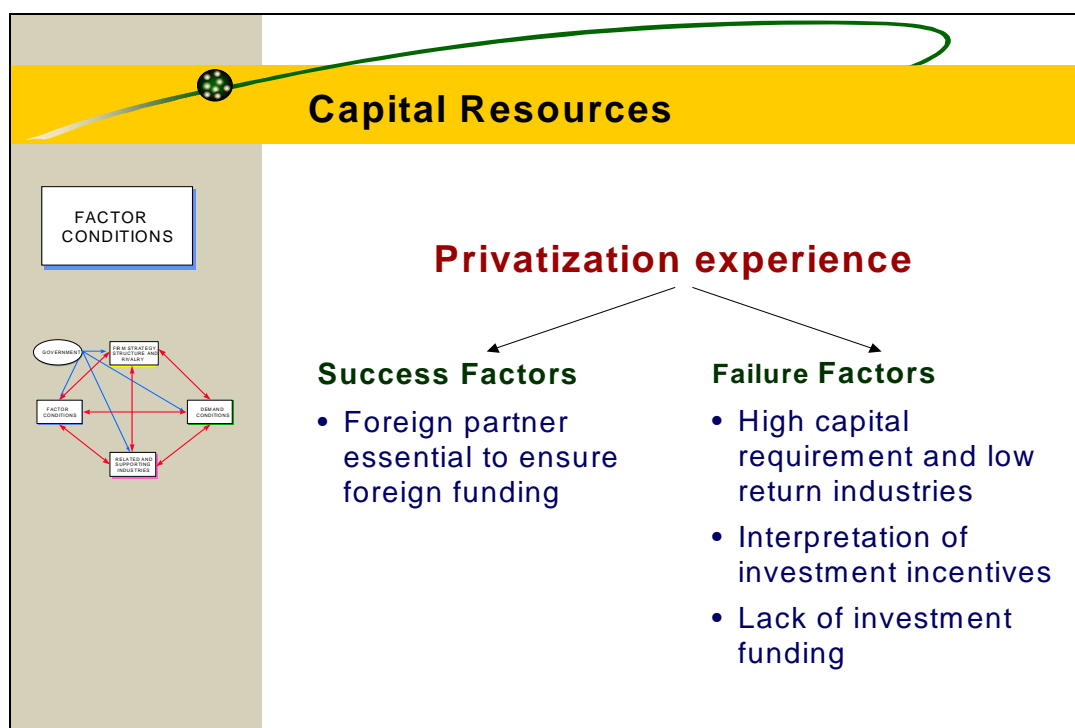
The investor survey on the other hand reveals a different picture. From that survey, the following are identified. Of the 22 investors questioned in the operating environment, 13 highlight availability of finance and 15 insufficient micro-training.



Whereas all 13 of the foreign investors highlight inefficiencies with TIC. The complete list is summarized in the annexes.

4.2.9 Privatization experience

On privatization experience, the availability of foreign partners is highlighted for success in obtaining foreign funding. Factors for failures include high capital requirement and lack of investment funding.



The complete list is highlighted in the annexes.

4.2.10 Prioritization

- ☞ Identify the core reasons for high differential lending rates and bill rates and develop appropriate policies to address the problems. This will lower interest rates and reduce the cost of capital significantly.
- ☞ Assist with the development of medium term finance instruments by providing credit guarantees and credit information services.
- ☞ Develop a marketing plan to market potential investment projects to foreign investors and foreign financial institutions, possibly through foreign Tanzania Embassies or High Commissions.
- ☞ Assist local entrepreneurs to develop their project by providing finance or knowledge resources for pre-investment analysis/feasibility studies.

4.3 Physical resources

Most of Tanzania's physical resources could have a positive effect on the country's competitive platform. However, the Government still has ownership, control and management of these resources. In general, the Government has embarked on a process of liberalizing its ownership and control. This process needs to be accelerated.

4.3.1 Land ownership

Tanzania's abundance of arable land and its high soil quality are contributing factors to the development of the agricultural sector. Agriculture accounts for about 46% of the country's GDP. The performance of the sector is highly dependent on climatic conditions, international price shocks and weak domestic infrastructure. The upstream focus of the agriculture industry,

weak infrastructure, the unsustainable soil practices and low investment in new technologies are amongst the factors that are influencing and would influence the sustainability of agricultural production.

Despite the abundance of land, ownership remains an unsolved issue in this private sector led economy. This issue concerns the farming community, industrialists and foreign investors. In the light of recent events in Zimbabwe, foreign investors are especially sensitive to the issue of land rights in Eastern and Southern Africa.

The SIDP addresses this issue directly and suggests that land tenure, acquisition, transfer and disposal systems, as well as, policies and regulations need to be rationalized to reassure investors and encourage them to effect long term investments on their land. The Government has not yet adopted a new land policy to improve security of tenure and allocation of land.

4.3.2 Minerals

Tanzania is well endowed with mineral resources such as iron ore, coal, copper, diamonds, gold, gypsum, kaolin, lime and lime stone, magnasite, meerschau, uranium, phosphate, soda-ash, tanzanite, ruby, etc. Many of these are under exploited and not put to industrial use. The focus has really been on gold production. The gold mining industry has expanded from 17% in 1997 and 27% in 1998. Tanzania's gold mines are mostly low-cost producers and at current price they are highly profitable.

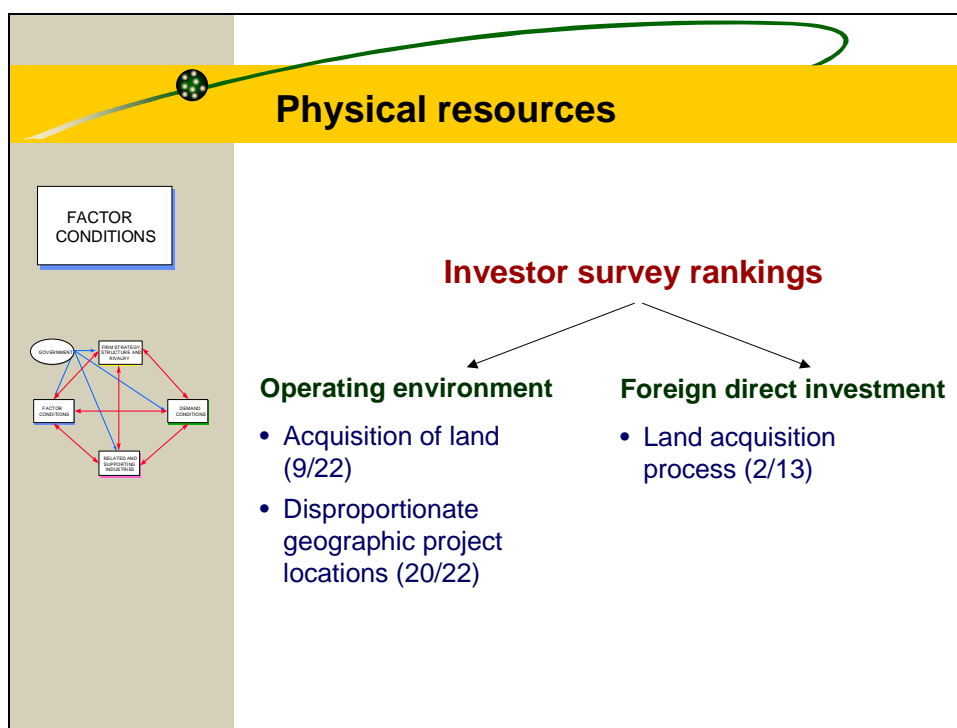
Minerals provide opportunities for future development. Their production could complement the development of the manufacturing sector. The SIDP rightly suggests that the Government should define appropriate strategies for the development of this sector in order to promote regional and balanced development and encourage inter-sectoral linkage.

The liberalization of the mineral industry is essential for private sector involvement. Iron and steel as well as coal are yet to be liberalized. According to the SIDP, the developments of these two industries are recommended during the third phase of the implementation of the SIDP. It should be noted, however, that the metallurgical industries if properly developed have tremendous linkage possibilities. Difficulties in procuring the right kind of technology and plants as well as shortage of critical skills are major constraints on production and competitiveness.

4.3.3 Tourism resources

Tanzania also has many under-exploited tourism resources. Exotic beaches, lake Victoria, Mt. Kilimanjaro and the Serengeti are all part of Tanzania's tourist attractions. When compared to other countries in Africa, namely, South Africa and Kenya, Tanzania's drawback is its relatively weak infrastructure. Unlike the other two countries, it's main advantage is the lower crime rate. The tourism industry is currently booming and tourist receipts are targeted to reach some US\$ 630 million in 2001.

Given that SIDP views tourism as a key complementary sector to sustainable industrial development, progress is being made in the development of this highly potential industry.



According to the Investor survey, approximately 40% of Tanzania industrialists/entrepreneurs consider the acquisition of land a major constraint. The situation is different for foreign investors, only 15% consider land acquisition as a serious problem.

4.4 Infrastructure

A major constraint on Tanzania's competitiveness platform is the poor state of its infrastructure. The SIDP recognizes this fact and suggests that the Government should facilitate its expansion and improvement by increasing resources for infrastructural development. Due to budgetary constraints, the SIDP recommends that the primary focus should be on the rehabilitation and liberalization of public utilities. Expansion of infrastructure should be carried out during the later stages.

As should be expected, the process of infrastructural rehabilitation and development is a slow process, but should receive highest priority, since it is one of the factors that could impact positively on the competitiveness platform.

4.4.1 Fully serviced industrial sites

Given the implications of land ownership and the inadequacy of infrastructural resources, fully serviced industrial sites are highly desirable. The absence of fully serviced industrial sites is a major constraint to industrial development. The SIDP recognizes this shortcoming and indirectly addresses it through the establishment of an export processing zone. The establishment of a serviced industrial park with full facilities should also provide industrialists with the opportunity to overcome the disadvantages of poor infrastructure.

The cost of such service provision in these sites would not necessarily have adverse effects on competitiveness. However, such sites might not benefit industries, which need to be located

close to raw material resources and other suppliers, especially as most of these sites are likely to be located close to cities or port infrastructure.

4.4.2 Electricity

High electricity costs as well as its continuous supply thereof are primary impediments on competitiveness. Tanesco is a government-owned enterprise and the sole supplier of hydro-electricity in Tanzania. A recent study by SAD-ELEC indicates that Tanesco has the highest electricity tariffs in the Southern African region. The high cost of electricity is the result of low capacity utilization in the economy, as well as, the impact of diverse climatic conditions on the generation of hydroelectricity. To control the high electric energy cost, many companies have invested in their own costly back-up generating facilities.

The SIDP also views the costs of electricity as a major constraint on industrial development. It proposes the liberalization of the industry, the restructuring of the tariff regime, the promotion of other energy sources and the acceleration of inter-country co-operation.

Although the Government announced in July 1999 that it would like to see Tanesco reduce tariffs by 20%, no concrete action has been taken. Reportedly, the proposed power tariff reductions have been approved by Tanesco and the Ministry of Energy and Minerals, but pending the approval of the Ministry of Finance, which would have to increase its subsidy to the parastatal.

The reduction of electricity tariffs should be fast-tracked in order to improve the competitiveness platform of the economy in general and energy-intensive industrial sub-sectors specifically.

4.4.3 Transport

Tanzania's transport network is inadequate. Only 42% of all roads are paved. After years of failure either to upgrade or continually maintain the country's sprawling transport network, the poor conditions of the roads and railways are having a devastating effect on industrial development. Although 66% of Tanzania's diesel locomotives are in use, rail gauges are incompatible with those of neighbouring countries thereby limiting cross-borders/international rail transport. In contrast to other transport modes, aviation is well developed with regular flights and sufficient airstrips. More than 6,000 flight departures take place annually in this developing country. The seaports are in reasonably good condition, but in general, under-utilized.

The SIDP foresees a transport network that would link all the major production and commercial centers/sectors. Some integrated road projects are underway. The current focus is on the main roads, while very little attention is being given to feeder roads.

4.4.4 Telecommunications

Telecommunication services are available in Tanzania. It is however not quite reliable and is expensive. A phone call to the USA costs approximately US\$5 per three minutes. Local calls are less expensive (at approximately US\$0.1 per three minutes). Regrettably the telecommunication network is insufficient for Internet usage due to its limited bandwidth. In general the Internet is relatively slow.

Mobile telephones and Internet usage are slowly penetrating the market, but it is more visible in the higher income group. Almost 0.6 of every 1000 people are using mobile phones, while 1.6 owns a personal computer. Internet hosts are also quite scarce with only 0.2 hosts per 10,000 of the population.

The SIDP also recommends the establishment of a telecommunication network that would link all the major production and commercial sectors. The privatization of the telecommunications parastatal is gradually being encouraged. It might still take a while for its liberalization.

4.4.5 Water

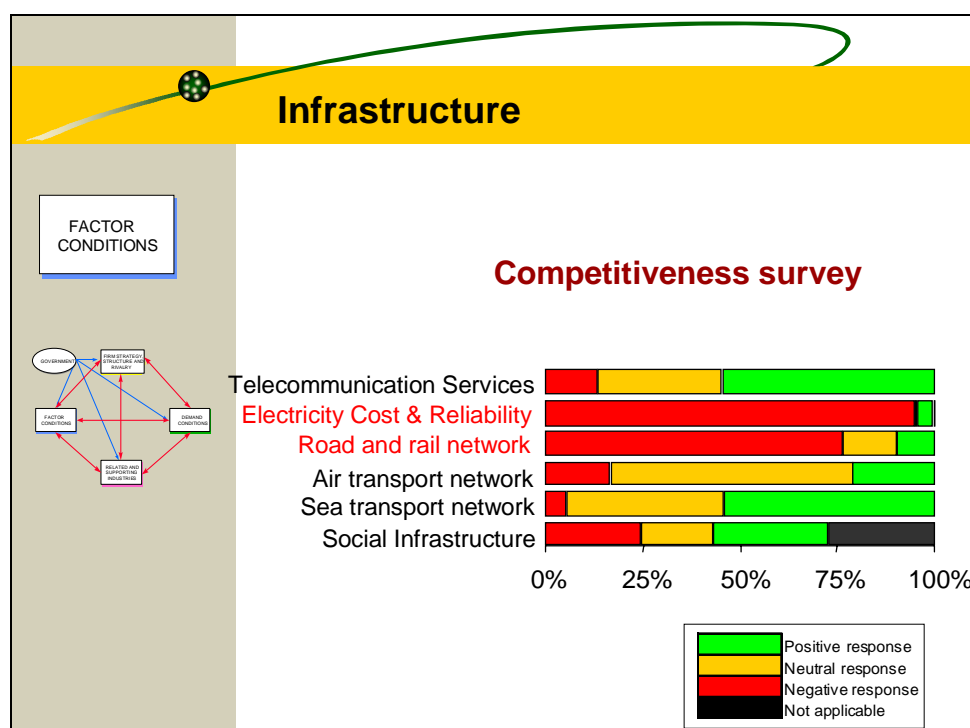
The water resources of a country consist of internally renewable water resources as well as shared water resources with neighboring countries. Tanzania has experienced unstable rainfall and bouts of drought in some areas over the past two decades with severe effects on agriculture and industry. The water supply in the country is relatively stable and adequate for industrial purpose. However, there is a need to introduce measures for conservation and recycling of wastewater with a view to lowering cost of water for industry.

4.4.6 Social infrastructure

The weak social infrastructure such as education and medical facilities all impact negatively on the competitiveness platform of the country.

4.4.7 Competitiveness survey

The cost and reliability of electricity and the poor conditions of the road and rail networks have been described as the greatest impediments on industrial development and competitiveness. In the industry survey, 95% of the respondents view the cost and reliability of electricity as a negative, while 76% express a negative opinion on road and rail networks.



Following these infrastructural constraints are social infrastructure (24% regard social infrastructure as negative), air transport network (16%), telecommunication services (13%) and sea transport network (5%). More than half of the respondents are satisfied with the telecommunication service and sea transport network.

These trends are more or less reflected in most sub-sectors, except for textile, leather and footwear. The impact of the road and rail network on the textile, clothing, leather and footwear sub-sectors are less negative than average since most of these industries are located near Dar es Salaam.

On a regional basis, interesting trends are observed in the following areas:

- ☞ The Iringa region views telecommunications as a much larger constraint than the road and rail network;
- ☞ The Morogoro region identifies social infrastructure as the second largest impediment on competitiveness;
- ☞ The Tanga region is more concerned about the air transport network than the general concern about the road and rail network.

In the section of the questionnaire where constraints are prioritized, the cost of electricity is given top position. The high cost of electricity and other utilities increase operational costs, discourage investment and create a bias against energy-intensive industries.

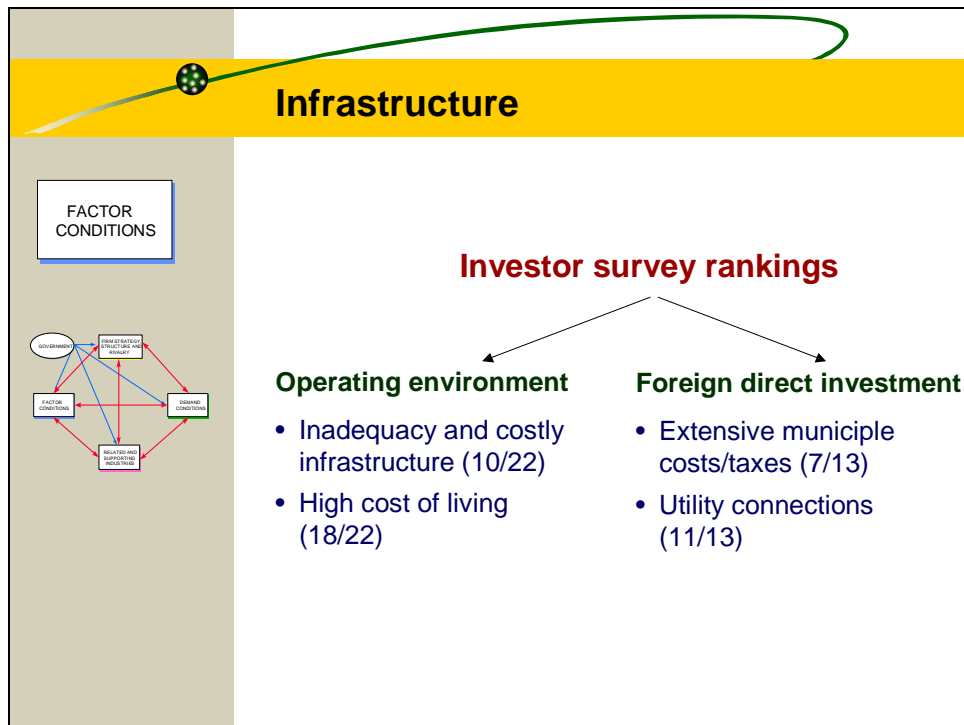
The issue of cost and reliability of electricity will have to be addressed as a priority. It is, however, complex and already in the process of transformation. However, the prioritization process needs to be accelerated and alternate sources of electricity generation should be pursued. The impact of cheap electricity from SADC countries should also be considered.

The road network is the second priority and will accelerate industrial development especially in the rural areas. The following approaches are proposed to address the problem:

- ☞ Determine priorities on a project-to-project basis (ad hoc de-bottlenecking of industrial projects);
- ☞ Financing through public-private partnerships;
- ☞ Move from maintenance to development;
- ☞ Corridor development.

4.4.8 Investor survey

From the Investor survey the following are identified. The high cost of energy and utility connections are among the major constraints.

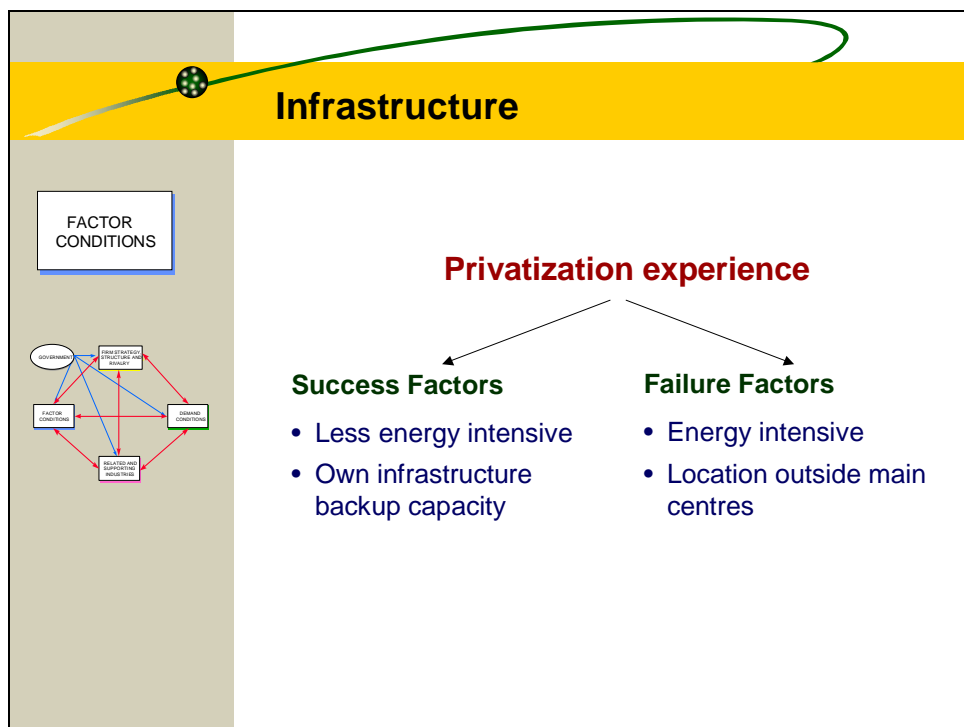


The complete list is highlighted in the annexes.

4.4.9 Privatization experience

Lessons from the privatization experience highlights the following:

To succeed, business must have its own back-up infrastructure/energy facilities. It is better to do business in the main urban centers than in other locations.



The complete list is highlighted in the annexes.

4.5 Knowledge resources

The global economy is a knowledge economy with tremendous changes in information and communication technologies transforming the whole industrial production process. Knowledge is now a factor of production that does not diminish but rather increase its value upon use. The information revolution has widened the range of human transactions that can be made tradable and is subject to market transaction and pricing. These new transactions include services ranging from research and applied development, the use of computer-aided design and computer-aided manufacturing (CAD/CAM) techniques and sophisticated marketing techniques. Research and development are critical for innovation, product and process development as well as for continuous improvement. Therefore, knowledge is one of the determinants of manufacturing performance which is also being driven by global competition, changes in information and communication technologies and advances in science and technology.

The impact of knowledge resources on the competitive platform is therefore not only a function of the quality of research facilities, educational institutions and other information providers per se, but also a function of a society's ability to absorb and utilize knowledge, production and continuous improvement of production and process.

4.5.1 Weak institutions with an incorrect focus

Given the level of development in Tanzania's it can be expected that most of these knowledge resources are weak with a limited impact on the country's competitive platform. The University continues to focus of liberal arts and the social sciences and does not have the capacity to do more applied research and development for industry.

Some research facilities have been established by donor agencies, but they are yet to transfer ideas from laboratory to industry and business. Emphasis is being given to standards and measures but research activities on standard and measures are scattered with limited coordination of the research programmes. The research programmes hardly addressed the issues of competitiveness.

The SIDP recommends rationalization of existing scientific and technological institutions with a view to upgrading research capacity and capabilities. The effective rationalization and synchronization of R & D institutions are also recommended.

While it is recognized that standards and quality assurance are important, the current emphasis being given to standards and quality assurances could be a barrier to entry into manufacturing or the formal sector.

4.5.1 Limited network and best practices

It is now generally recognized that manufacturing enterprises develop faster and better when they cluster together thereby creating opportunities for additional investments and better returns. Cluster development is however lacking in Tanzania. The small and medium enterprises are the ideal candidates for cluster development. Cluster development programme could use a number of methods to foster business networking and inter firm collaboration. For example, the arrangement could be informal as appears to be the case in Tanzania or it could be done through industry associations and other mechanisms. In Tanzania, there are limited avenues to share experiences to transfer best practice by encouraging industries to learn from

each other. Organizations like the United Nations Industrial Development Organization have organized a number of programmes, mainly in other countries in Asia, which help manufacturers to identify and adapt best practice.

4.5.3 Weak data and general information supply

There is a dearth of industrial and technological information in Tanzania. Certain data collection infrastructure are in place, but the processing capacity is extremely weak, leading all too often to outdated data series. The Bureau of Statistics needs to strengthen its capacity and capabilities to produce industrial information and to monitor industrial trends. Such data trends might indicate problem industries, as well as, industrial areas with opportunities. Accurate and up-to-date industrial statistics would also contribute considerably to policy development, implementation and monitoring, especially, monitoring of the SIDP.

4.5.4 Low connectivity and networking

Information technology including products and processes, continually alter the landscape of competitive advantage and indeed industrial competitiveness. To participate in the global informational age, one must get on-line. Industrial entrepreneurs and businessmen should be educated in basic computer skills and internet access should be within easy reach of industry.

4.5.5 Limited private sector resources for R&D

A private sector led industrial economy presupposes that the private sector should be fully involved in R & D. The private sector should also be able to work with the University or other research institutes. In Tanzania, private sector development is of recent origin and many companies do not have the resources or capacity to be involved in R & D. However, some have successfully utilized international parties for technology needs.

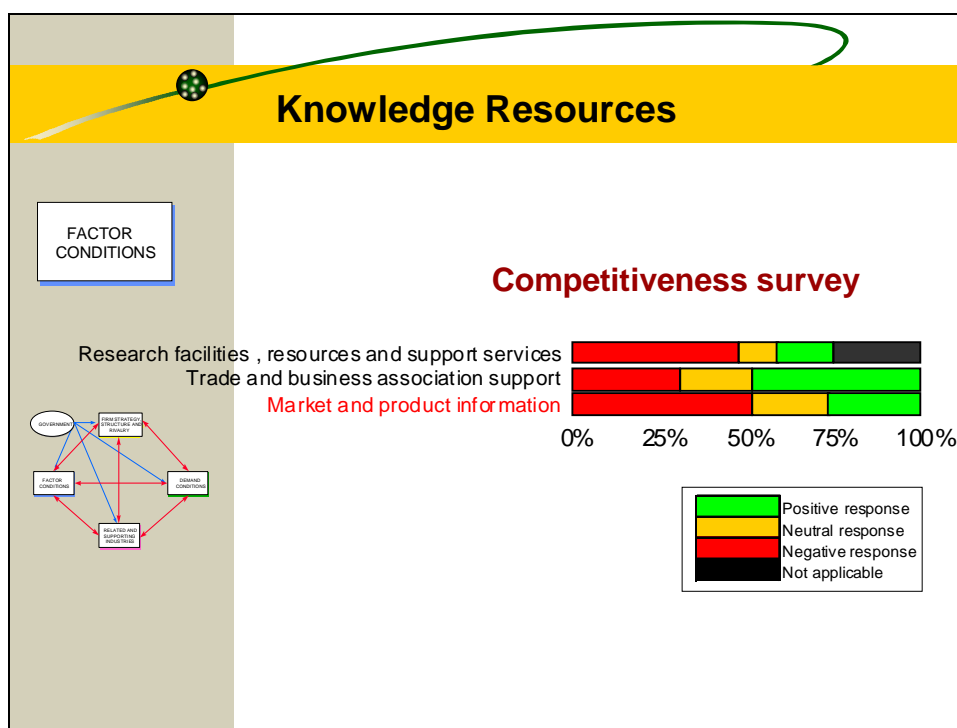
The SIDP contends that the growth and sustainability of the industrial sector are highly dependent on the degree of scientific research, technology and R & D facilities/activities in Tanzania. In today's world, however, there are R & D connection websites, scientific and technological websites that could provide information needed to transfer the industrial landscape.

The important factor is the application of science and technological and R & D results in local industry. Industry should be flexible enough to make use of technological developments.

In addition to scientific and technological research, marketing and strategic sectoral research should not be neglected. Strategic sectoral research can assist industries to position themselves in the local or international market place.

4.5.6 Competitiveness survey

The competitiveness survey confirms the general weakness of knowledge resources in Tanzania. Almost 75% of respondents agree that the necessary support services and knowledge resources are not in place and the dearth of such resources impacts directly on companies' ability to produce efficiently and cost effectively.



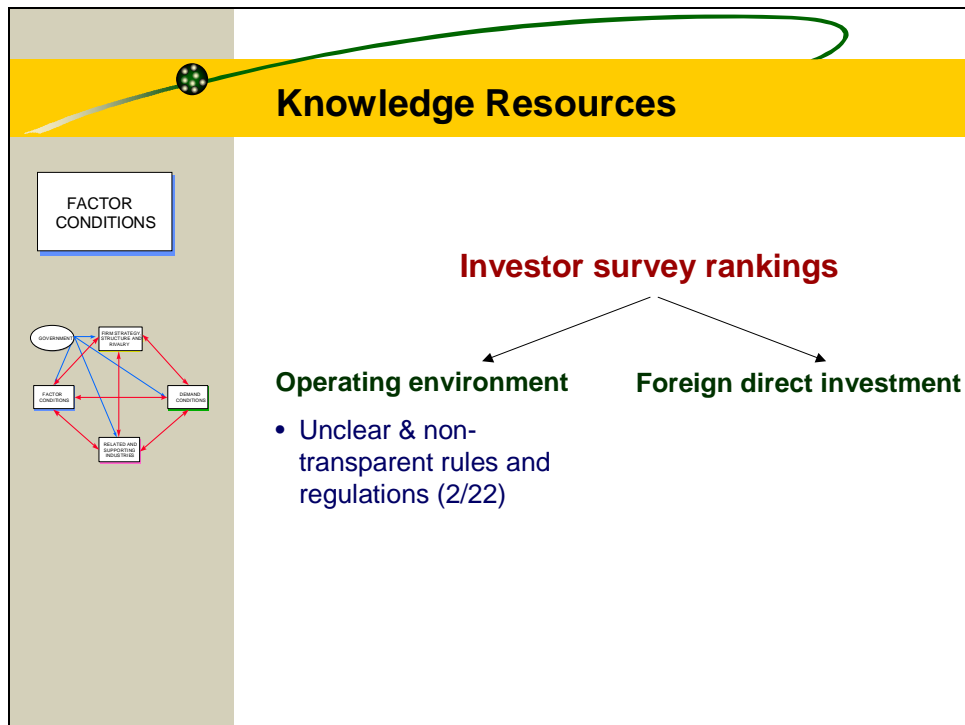
The impacts range from the time and cost for in-house training to the costs associated with acquiring machines and technical services from abroad. Furthermore, the lack of market or product information, both in the domestic market and export markets increases the difficulty of planning production and distribution efforts. In many cases, producers believe that if “things are going well, it will do so into perpetuity and vice-versa when sales are down”.

The survey also indicates that the trade and business association support has improved markedly, with less than 25% of respondents viewing the support as weak. The respondents that view business association support as weak are mainly from the fabricated metal sector, possibly, indicating that the support needs of a downstream manufacturer differs from other upstream or primary producers.

It is recommended that government and private sector institutions should be strengthened with a view to providing better knowledge resources and support services, to drive competitiveness.

4.5.8 Investor survey

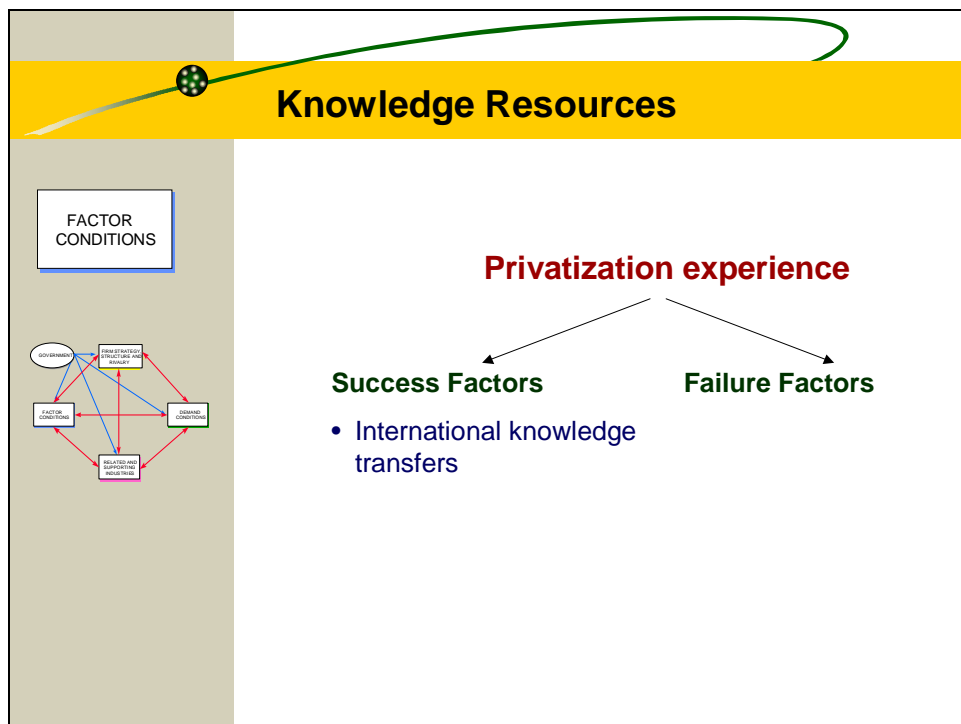
From the Investor ranking survey the following are identified (The numbers in brackets refer to the ranking out of 22 and 13, respectively):



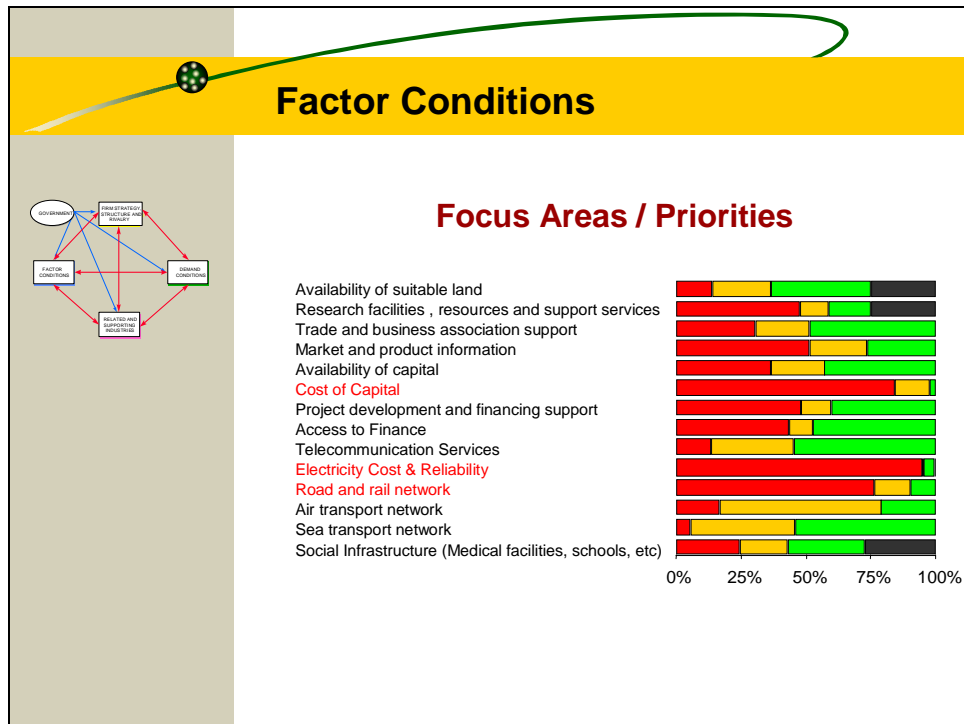
The complete list is illustrated in the annexes.

4.5.9 Privatization experience

The stakeholders are convinced that knowledge is a critical factor of production and agree that international knowledge transfers can contribute considerably to industrial performance.



Factor conditions focus areas/priorities

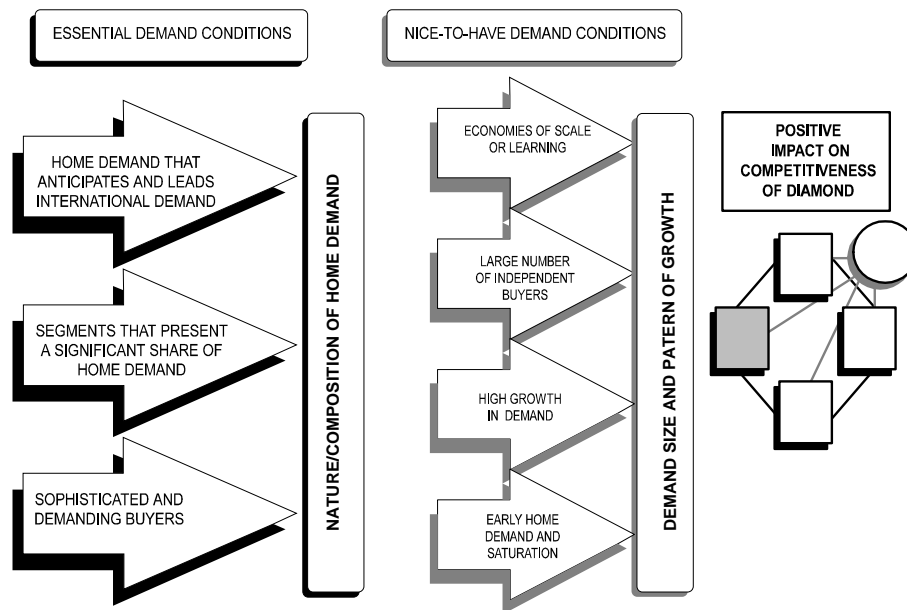


4.6 Demand conditions

The demand conditions often impact on the pace and type of innovation by domestic enterprises. Porter argues that in the pursuit of competitiveness, the nature and quality of domestic demand is of greater consequence than the absolute size of the domestic market. Hence, competitive advantage can be gained in industries where domestic demand pressurizes local firms to innovate and provide greater value for money (in terms of quality, product features, service, etc.).

Elements of domestic demand that typically contribute to the ability of an industry to develop a more competitive environment are:

- ➡ A particular demand for an industry's product or service that represents a significant share of total national demand;
- ➡ Sophisticated and demanding local buyers; and
- ➡ Domestic demand that anticipates and leads international demand



According to Porter, segments of the economy that are important globally, and account for a higher share of local consumption (as compared to other markets) would tend to provide local firms with a source of advantage. It is also these segments in an economy that would receive earlier attention by the country's manufacturers, and are thus more likely to positively impact on competitiveness.

In situations where the domestic demand is sophisticated and foresees both international and domestic needs, the size and pattern of growth in the domestic market could strengthen a country's advantage. The size of the domestic market could also lead to competitive advantage especially in industries where there are economies of scale. The tendency is for firms to invest more to improve production. Similarly, if there are a large number of independent buyers with specific ideas on product requirements, a dynamic environment will be created for innovation thereby motivating progress among suppliers. Moreover, from an investment perspective, the existence of a number of potential buyers reduces the perceived risk of being a producer in the industry, which in itself can stimulate entry and investment in the industry. High levels of domestic growth allows firms to be more bold in their investment and technology innovation decisions especially as it is unlikely that existing investments will be redundant. Confident that the domestic market could absorb new and better products, there is a tendency to build bigger and more efficient factories. It should be noted, however, that a satisfactory level of demand growth is only an advantage if the demand composition (sophistication and anticipatory nature of the demand) is proportion.

Porter's analysis also reveals that early saturation of the local demand often contributes to the enhanced competitiveness of a country's firms. Domestic market saturation creates intense pressure on firms to lower prices and to introduce new product features to stimulate demand. Market saturation stimulates rivalry and creates a situation where only the strong survives. Saturated domestic demand also increases the incentive for local producers to sell abroad.

From the analysis, it can be said that the composition of domestic demand is at the root of national competitive advantage, while the size and pattern of growth of domestic demand can strengthen this advantage by affecting investment behaviour, timing and motivation.

4.6.1 Tanzania's demand conditions

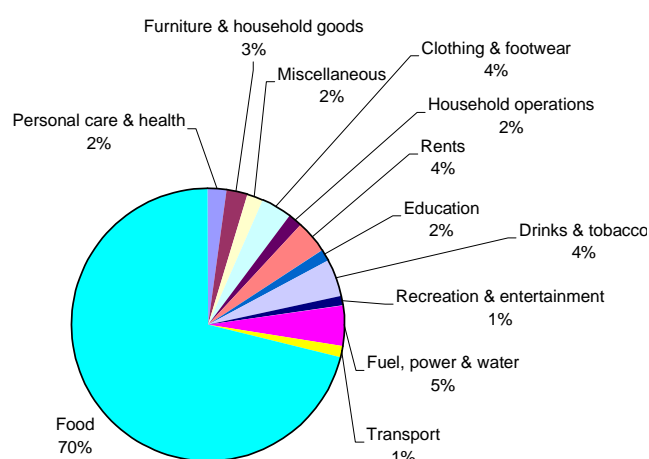
The GDP per capita is approximately US\$ 255 (1998). The low GDP per capita gives an indication of the small market size in value terms. The domestic market does not present the critical mass for producers to realize economies of scale. Although low in value, the size of the consumer market is substantial. The country's population is estimated at approximately 33 million with an annual growth rate of 2.9%. This high growth rate of the population may not be sustained as HIV/AIDS and other infection diseases take their toll on the numbers.

Demand is primarily influenced by private consumption expenditure. Its share in gross domestic expenditure is approximately 76%. The second largest expenditure component is gross domestic fixed investment, which constitutes some 16% of gross expenditure in 1997. The Government expenditure accounts for approximately 8%.

Components of gross domestic expenditure (1997)	% of total
Private consumption	76%
Government consumption	8%
Gross fixed capital formation	16%

Private consumption expenditure mainly consists of expenditure on food (70%) followed by expenditure on fuel, power and water (5%), drinks and tobacco (4.4%), rents (3.9%) and clothing (4%). The structure of consumer demand is characterized by an unsophisticated nature that focuses on survivalist and subsistence type needs. Consequently, the levels of market differentiation and saturation are also low. Private consumption expenditure is the fastest growing expenditure component with a recorded real growth of 3.5% between 1995 and 1999.

Tanzania: weightings for consumer price index



Government and investment expenditures declined over the same period by about 7% and 0.6% respectively. Investment and government demand are, furthermore, highly dependent on external funding in the form of loans or grants which are usually subject to certain constraints on government expenditure.

The domestic market experiences high levels of import penetration despite relatively high import tariffs. Furthermore, domestic manufacturers focus most of their activity on the domestic market with limited exports possibilities. Despite the strong growth in domestic demand this strong domestic focus ties manufacturers to a market with low purchasing power.

Historically, marketing structures and confinement policies restricted the flow of goods through specific channels and areas. Despite the impact on the distribution of products and on prices such policies contributed to the poor marketing and distribution infrastructure, as well as, inadequate knowledge, which inhibited the full exploitation of market opportunities.

The SIDP focus its efforts on creating an export culture, the expansion of domestic market, whilst allowing for competitive infant industry protection and the clamping down on unofficial and illegal trade. The following actions are highlighted:

- Selective protection for potentially competitive infant industries
- Control of unofficial and illegal trade
- Improved government's interaction with WTO on anti-dumping duties and discriminatory non-tariff barriers
- Creation of export culture and export policy
- Elimination of intra-regional trade barriers
- Reduction of non-tariff barriers of export partner countries
- Reduction of red-tape for export transactions
- Depreciation of currency to competitive levels
- Elimination of production subsidies.
- Privatization of state enterprises

In the area of marketing and distribution infrastructure, the SIDP recommends the following:

- The phasing out of confinement policies
- The creation of storage facilities
- The establishment of marketing and distribution infrastructure for agricultural and industrial produce.

Surprisingly, Tanzania has made significant strides in addressing and implementing a number of the SIDP actions. Only a few of the actions proposed by the SIDP are yet to be realized. The implementations of such actions are influenced by exogenous factors or require a long lead-time of internal research. Issues showing little or no progress include:

- Implementation of an export policy
- Zanzibar as a huge source of unofficial trade
- Negotiating the reduction of non-tariff barriers by trading partners
- The establishment of significant inland storage facilities inland
- Marketing of products by agriculture producers and the establishment of centralized markets for the marketing of such produce

Another area where very little progress has been made is in the selective application of protection for competitive infant industries. The application of infant industry protection requires strong institutional capacity, the ability and political will to monitor the industry, as well as, to enforce a strict reduction of import tariffs for the protected industry. The institutional weakness to apply such a policy, however, is not the principal reason for the lack of progress in this matter.

The application of import tariffs in Tanzania is primarily utilized as a fiscal measure and is required for government income purposes. The tariff structure distinguishes between raw materials, consumer goods and capital goods. This presents in theory a “good” structure that will lead to consistent and moderate effective protection rates. There is a problem, however, with goods that are exempted from import tariffs and VAT for “strategic” reasons, but where similarly classified as goods that are used as inputs in the products.

This practice, apart from its anti-export bias, introduces anti-production biases for such exempted goods and their downstream products. The continuous flow of illegal imports and smuggled goods also result in the same biases. The current Tanzanian import tariff structure induces manufacturers to focus on certain “non-strategic” domestic products, while at the same time, introducing a bias against potentially exporting consumer goods as well as other advanced goods.

In an environment where the primary objective of an import tariff is merely fiscal, the country's ability to address the above mentioned problems are limited. By implication, the implementation of selective protection measures to reduce the anti-export bias (and, where necessary, the anti-production bias) are only viable once government is not dependent on the income from import tariffs.

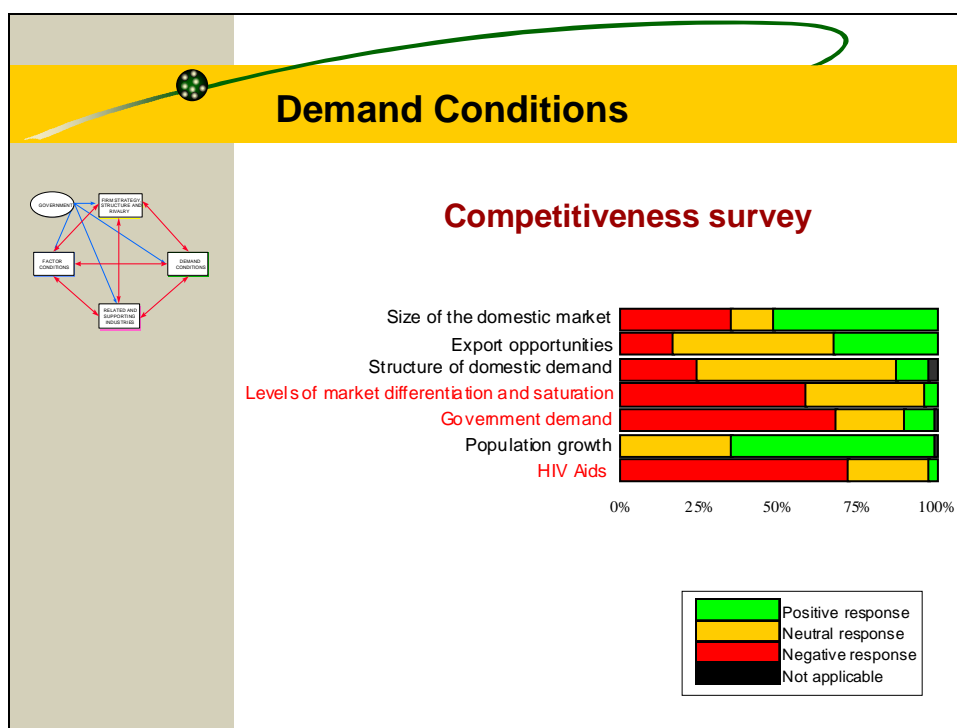
The implications are that market conditions will not improve to the extent otherwise possible without significant progress on:

- ☞ The widening of the tax base and reduction of the importance of the import tariffs in the total government income;
- ☞ Reduction or elimination of illegal trade.

4.6.2 Competitiveness survey

The following table summarizes the views of manufacturers regarding competitive strengths relating to demand conditions. On the scale, a value of 1 indicates the largest concern in that particular area, while a value of 7 indicates the least concern.

Indicator	Overall	Food, Beverages Tobacco	Textiles, Clothing, Leather Footwear	Wood and Wooden Products, Excluding Furniture	Chemicals Petroleum Rubber Plastics	Non-Metallic Mineral Products	Basic Metal Products	Fabricated Metals, Machinery and Equipment	Other Manufacturing Industries
Size of the domestic market	4	4	4	4	3	1	6	3	2
Export opportunities	6	6	7	4	1	6	6	1	2
Structure of domestic demand	5	5	5	4	6	1	3	4	1
Levels of market differentiation and saturation	3	3	3	3	2	5	3	2	2
Government demand	2	2	2	1	4	1	2	5	2
Population growth	7	7	6	4	7	7	5	7	2
HIV AIDS	1	1	1	1	3	1	1	6	2



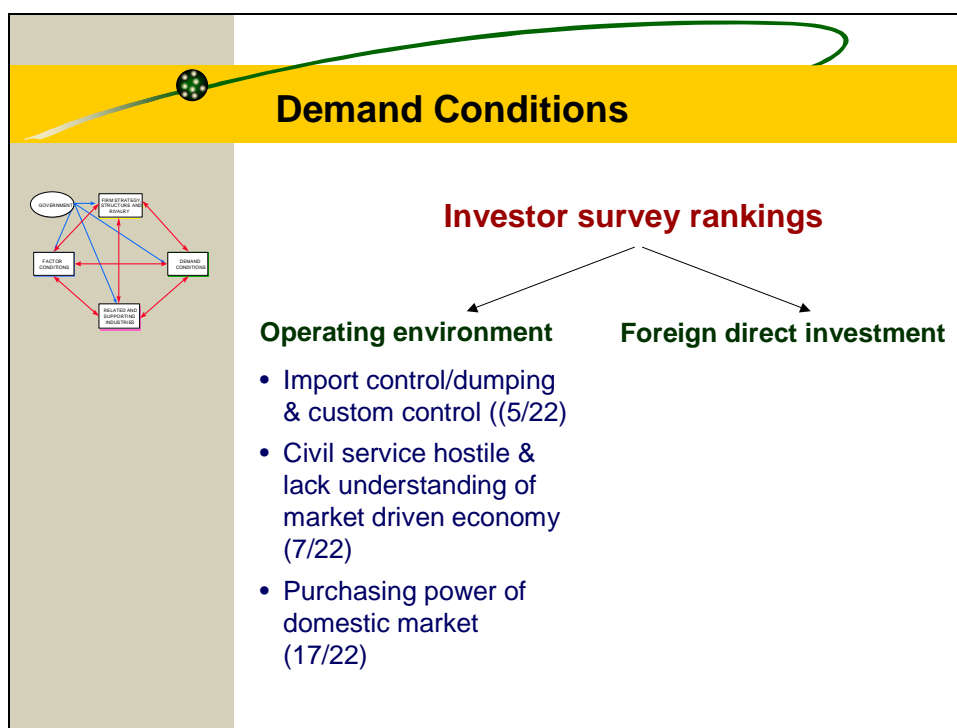
The results of the survey indicate that manufacturers have identified similar concerns regarding the domestic market. The foremost concern is the impact of HIV/AIDS on the size of the market and its eventual influence on production and competitiveness. This tendency is evident in the other sub-sectors except the fabricated metals sub-sector, which does not consider HIV/AIDS a threat. The chemical industrial sub-sector sees HIV/AIDS as a factor with only moderate negative influence on competitiveness. These two sub-sectors, on the other hand, rate the lack of export opportunities as their main concern.

Another major threat to the competitiveness of Tanzanian industry, as perceived by manufacturers, is that of government spending. This trend also presents itself across all the sub-sectors except downstream industries such as the chemicals and fabricated metals.

In terms of expectation for the future, overall impressions are fairly negative. Except for chemicals, the other sub-sectors do not expect an increase in domestic or export sales and insufficient demand for products are given as one of the main reasons for the slowdown in activities and future investments.

4.6.3 Investor survey

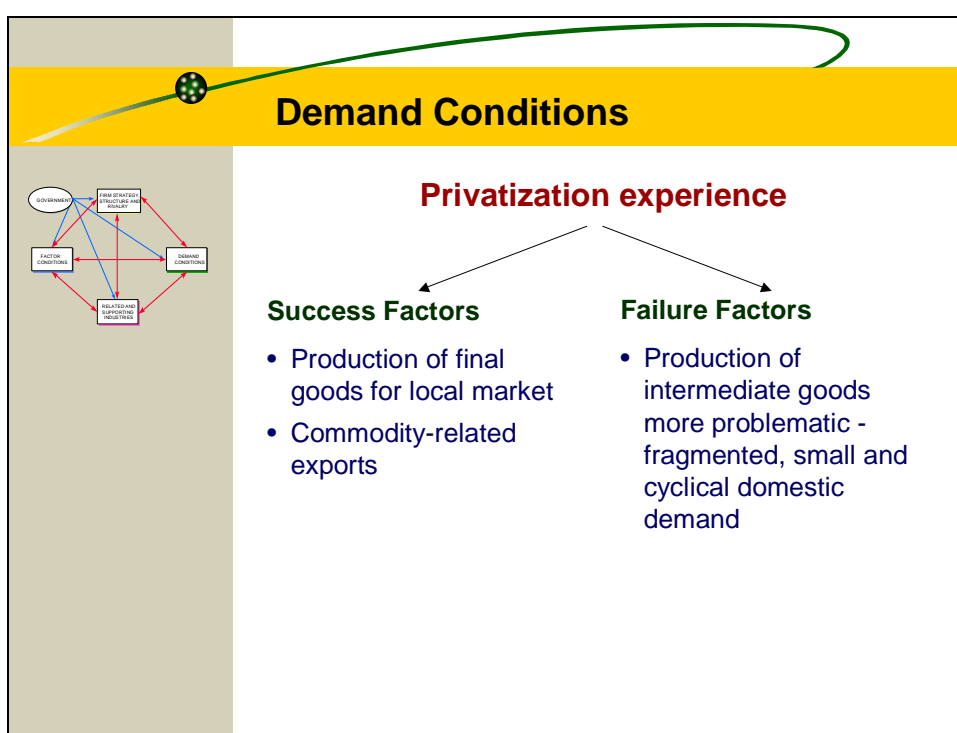
From the Investor survey many are concerned about the purchasing power in the domestic market. Of the 22 investors interviewed/questioned 17 are concerned about the purchasing power. The following illustrates their main concerns:



More details are reflected in Annex 2.

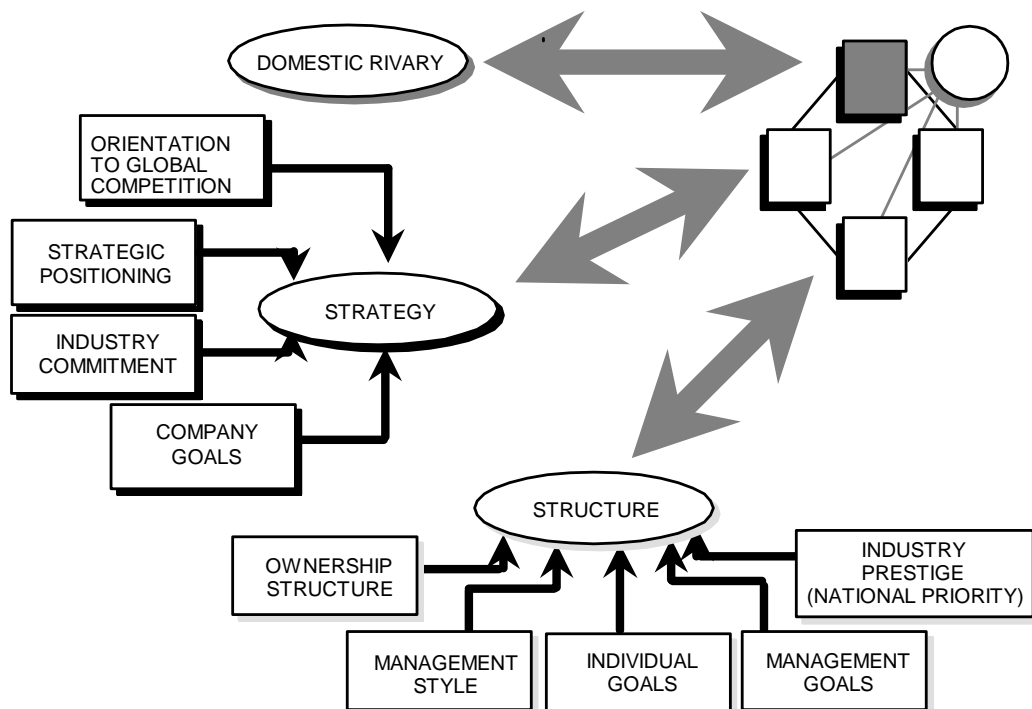
4.6.4 Privatization experience

Most of the privatized industries continue to produce, quite successfully, final goods for the domestic market as well as commodity related exports. In common with other developing countries in Africa, the production of intermediate goods is still one of the weaknesses of the industrial sector.



4.7 Firm strategy, structure and rivalry

Several aspects pertaining to firm strategy, structure and rivalry also impact on the ability of an industry to compete as shown below.



Porter attests that industrial competitiveness is affected by the existing realities at the national level. The management style of a firm as well as the way in which firms compete depend on national circumstances. There are several factors influencing the way firms are managed. Many of these factors stem from the cultural and social history of the country as well as the educational system. However, the main contributory factor to international competitiveness is government policy. An export-oriented policy will influence industry's decision to look outward. In countries where there are monetary restrictions, such as, foreign exchange controls, it is unlikely that foreign resources will be easily mobilized. The environment in which industries operate also affects their attitude towards regional and global competition.

It is generally acknowledged that countries succeed in industries where there are unusual commitments and efforts. This was quite apparent in the case of electronics and shipping in South Korea. Ownership structures, capital market conditions, and the nature of corporate governance have broad influences on a country's competitive advantage. Industries that motivate its professional, technical and other skilled or unskilled staff with complementary reward and promotion systems are likely to do better than those where employees are frustrated and have very little incentives being offered.

Porter also indicates that national priorities and prestige can stimulate competitive advantage. Industries that are recognized as national priorities usually attract the most talented people. However, the ability of any industrial firm to improve, progress and become internationally competitive depends on whether the economy of a country as a whole is favourably positioned with respect to other firms in that particular industrial sub-sector. To be competitive industrial firms should position themselves in the market place by offering competitive prices, developing

products that are attractive to customers, as well as, having the resources and knowledge to market their products and to sustain industrial performance.

Michael Enright who served as a research director for the project that resulted in the *Competitive Advantage of Nations*, Porter's book, believes that the strategies and organization of firms can be influenced by corporate governance systems that are in place in the economy. Governance systems that recognize and reward innovation and improvement can foster competitiveness.

4.7.1 Tanzania's firm strategy, structure and rivalry

An interesting feature of Tanzanian industry is its strong focus on the domestic market. Manufacturers are more willing to engage in import substitution activities than to penetrate regional or international markets.

Another trend is that many industries are highly dependent on government involvement in corporate governance. The presence of government officials on the board of directors of a company is a sure way of generating a positive response from the Government to address individual company problems, as well as, ensuring the full cooperation of government department and agencies.

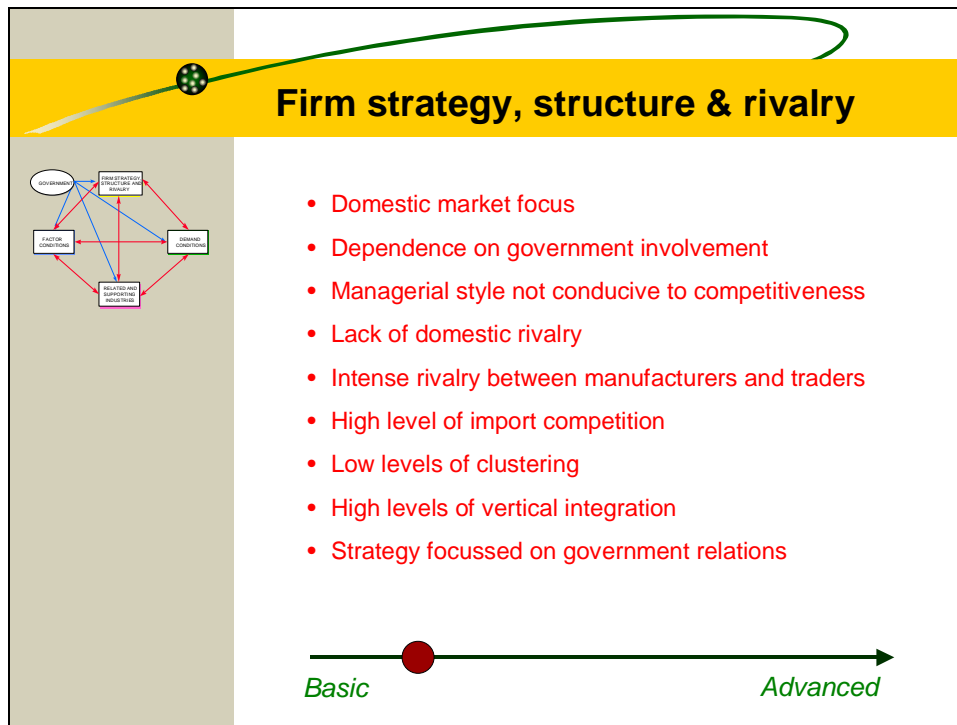
Corporate governance is primarily being carried out in an autocratic manner with very little policy interaction between management and workers. While management is driven by profit incentives, employees are mainly survival driven. There is a dearth of management skills and management styles are still tainted with socialistic attitudes.

The small domestic market and the socialistic heritage have also resulted in an overall lack of domestic rivalry. The number of manufacturers in any specific sub-sector is quite small. Competitive forces are therefore limited. Rivalry occurs mainly between local manufacturers and traders of imported goods. The latter import cheap goods from South East Asia and elsewhere to flood the domestic market.

The low rivalry between industrial enterprises has also led to a situation where alliances are rather made within a very specific pipeline with upstream or downstream producers. However, very limited co-operation exists between similar enterprises.

The SIDP briefly highlights the rivalry between manufacturers and traders, and acknowledges that linkages should be established between SMEs and the large industrial enterprises. Although, this lack of focus on the rivalry, structure and strategic positioning is consistent with the level of industrial development in Tanzania, it is a pre-requisite for competitiveness. However, given the recent origin of private sector development in Tanzania, the focus should be on measures to strengthen the private sector throughout all the regions, as well as, on developing the mechanisms for the private sector to effectively interface with the Government. Excessive interventions on markets structures and policies to ensure competitive domestic rivalry is considered premature at this stage.

However, one aspect that should be pursued is that of strengthening cluster co-operation. Cluster co-operation, especially within the supply chain could greatly contribute to the better utilization of domestic market opportunities and ensure that producers can source and supply the required products with the right price, quality and time as required by the market. Such cluster co-operation does not necessarily require strict competition and anti-trust policies.



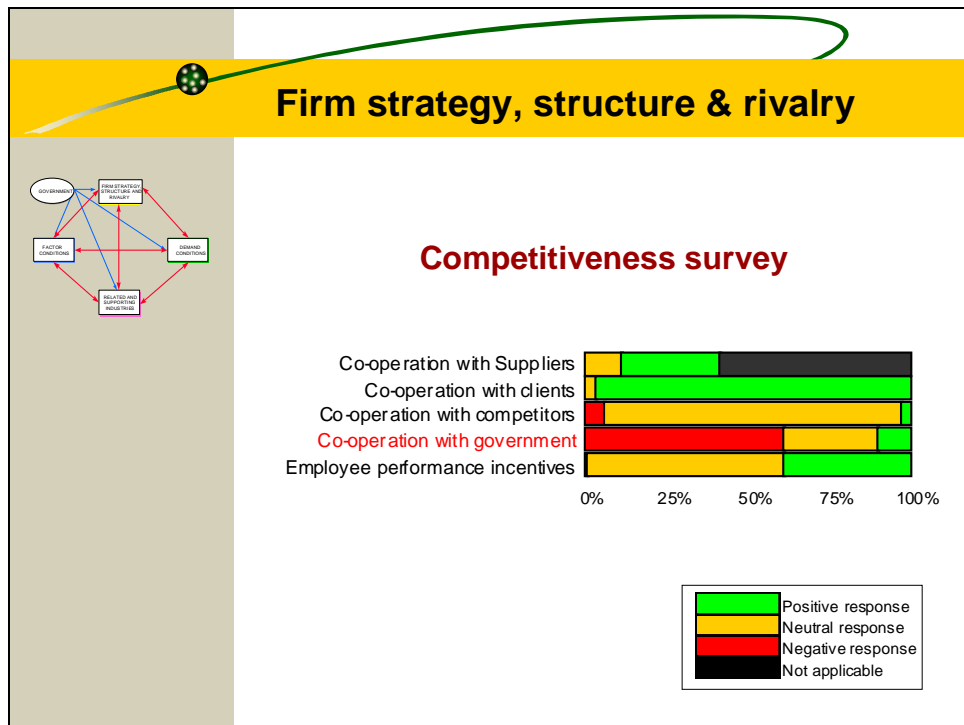
4.7.2 Competitiveness survey

Issues affecting firm strategy, structure and rivalry seem to be of less importance to industry than, for instance, the problems regarding infrastructure. The survey results suggest that the biggest constraint on competitiveness is the lack of cooperation by the Government. Various interfaces with government seem to be problematic, whether with government as a client, a regulator, a facilitator (investments and growth), a tax gatherer or the main agent for macro-economic stability.

Co-operation with other industrial enterprises (competitors) seems to be the second biggest problem regarding firm strategy, structure and rivalry. Whereas 46% of the respondents view government as negative for competitiveness, only 21% experience co-operation problems with competitors. Problems with domestic competitors are more evident in the textile, clothing, leather and footwear; the wood and wood products, chemical, petroleum, rubber and plastics industries. Firms compete for the limited domestic market, which often leads to a zero-sum game. Competition is fiercer between manufacturers and traders.

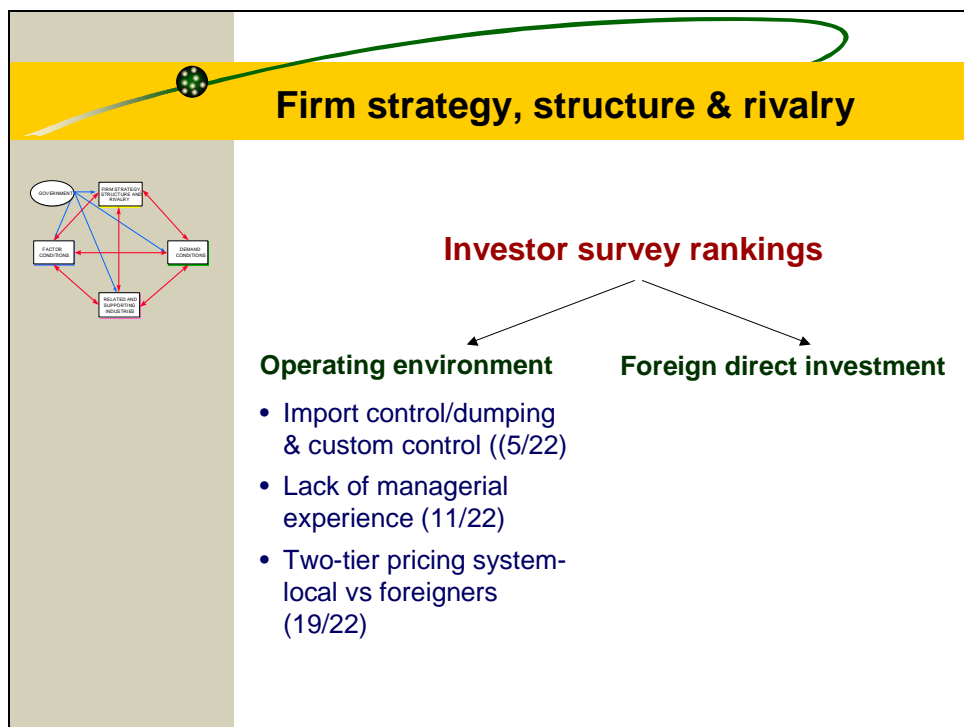
In the survey, co-operation with suppliers was not perceived as a constraint on competitiveness. Given the level of industrial development and the structure of industry, this should be expected. Tanzania, industry basically produces low value primary products with limited value addition or beneficiation. Hence, producers are either integrated with upstream suppliers or very closely located to raw material suppliers. The results of the survey show that the highest level of dissatisfaction is to be found in the wood and wooden products and the fabricated metals sub-sectors. These industries are more involved in downstream beneficiation and experience a number of problems with suppliers.

Cooperation with clients is not considered a problem. This is mainly due to the rather unsophisticated domestic demand.



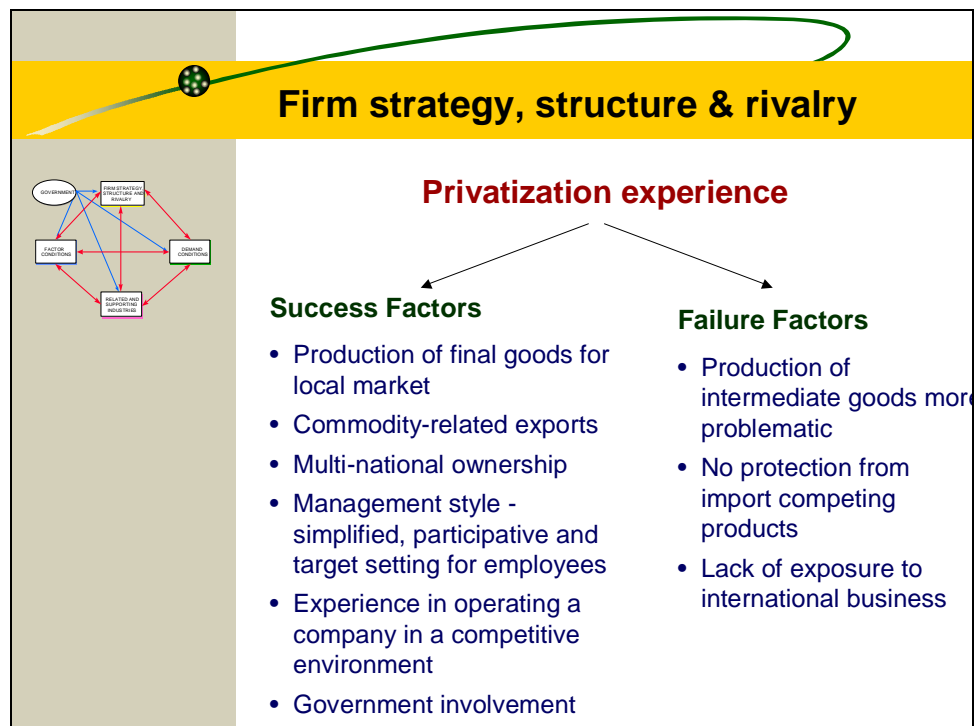
4.7.3 Investor survey

Investors already in the operating environment are concerned about the two tier pricing system and the lack of managerial expertise.



4.7.4 Privatization Experience

An evaluation of the privatized industries reveal the following success and failure factors:

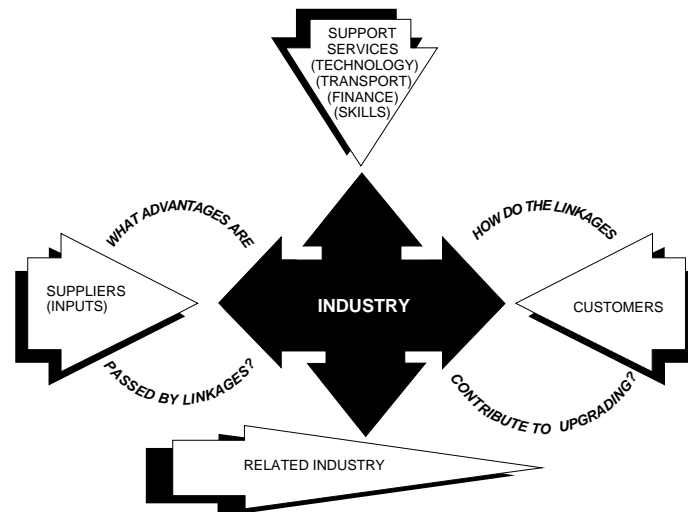


4.8 *Related and supporting industries*

Related industries are those in which enterprises coordinate and share activities in the value chain when competing, or those that involve products that are complementary (such as computers and applications software) (Porter, 1990:105). Very often, enterprises in related industries establish formal strategic alliances and share activities. If such alliances among these industries are successful, supplier industries often emerge to support the industrialization process. There is a potential for success especially if the country has some competitive advantage in some of these industries.

In cases where internationally competitive suppliers are present in a country, there is a tendency to pass on competitive advantage to other industries in the country. According to Porter, industries gain competitiveness when advantages are conferred to them through the effective utilization of supplier linkages.

These linkages invariably make it easy for industries to access new technologies and information as well as benefit from R & D results. To be globally competitive, however, a country does not necessarily require a competitive advantage in all supplier industries to achieve a competitive advantage in a particular industry. What is relevant is that such inputs should have considerable impact on innovation and the performance of an industry, thereby ensuring competitiveness.



The ability to share resources and activities across related industries and complementaries among industry augurs well for competitiveness. The presence of one internationally competitive industry in a country can encourage the development of similar industries. Such industry can also promote the development of new related industries. Once a cluster forms, the whole group of industries becomes mutually supporting, defining new ways of competing and identifying new opportunities for industrial growth. In reviewing related and supporting industries in Tanzania, the following characteristics emerged:

4.8.1. High dependency on imported supplies of intermediate and capital goods

Raw materials and intermediate products for the production process are mostly imported. A significant cost is incurred in the inventory management process of imported goods, where the time required to access LC's and the long lead times to shipping deliveries result in working capital being tied up for up to six months on import orders. This cost mostly impacts on domestic manufacturers, who have no foreign parent companies that can utilize their offshore funds to purchase material inputs.

In Tanzania, this uncompetitive situation is exacerbated by some existing regulations such as:

- ☞ Limited levels of tariff differentiation between various types of goods (final, intermediate or capital goods);
- ☞ The duty drawback scheme and problems relating to refunding
- ☞ Other direct import restrictions.

The SIDP highlights these impediments on local industry and suggests that they should be addressed urgently with a view to providing industry with some incentives to boost competitiveness. Accordingly, many import restrictions have been eliminated except those in place for health or security reasons. The duty drawback scheme has been reviewed with positive recommendations but the private sector is yet to benefit from it. Progress has also been made in terms of the differentiation of tariffs in certain quarters.

In addition, the Investment Act provides reduced tariff rates for intermediate and capital goods, although the Tanzania Revenue Authority (TRA) has its own perception on the interpretation of

the laws. However, measures are in place to ensure that the provisions of the Investment Act are implemented.

4.8.2 Domestic suppliers mainly unsophisticated resource based activities

The local sourcing of material inputs occurs mostly between domestic enterprises and are based on long term relationships. Domestic suppliers provide low value products that relate to resource-based activities (agriculture and mining). The SIDP has accorded high priority to the development of the following complementary sectors – **agriculture, minerals and tourism**.

A broad range of critical issues on agriculture needs to be addressed, one of which is the liberalization of agriculture. Although some progress has been made in this regard, it is important that the liberalization of markets be accompanied by the provision of essential infrastructure to ensure the efficient functioning of market mechanisms.

The Tanzanian economy is further characterized by the lack of and poor quality of extension services. These include packaging services, product design services and market research services. The unsophisticated nature of the local and sub-regional markets perpetuates the delay in effectively developing these services.

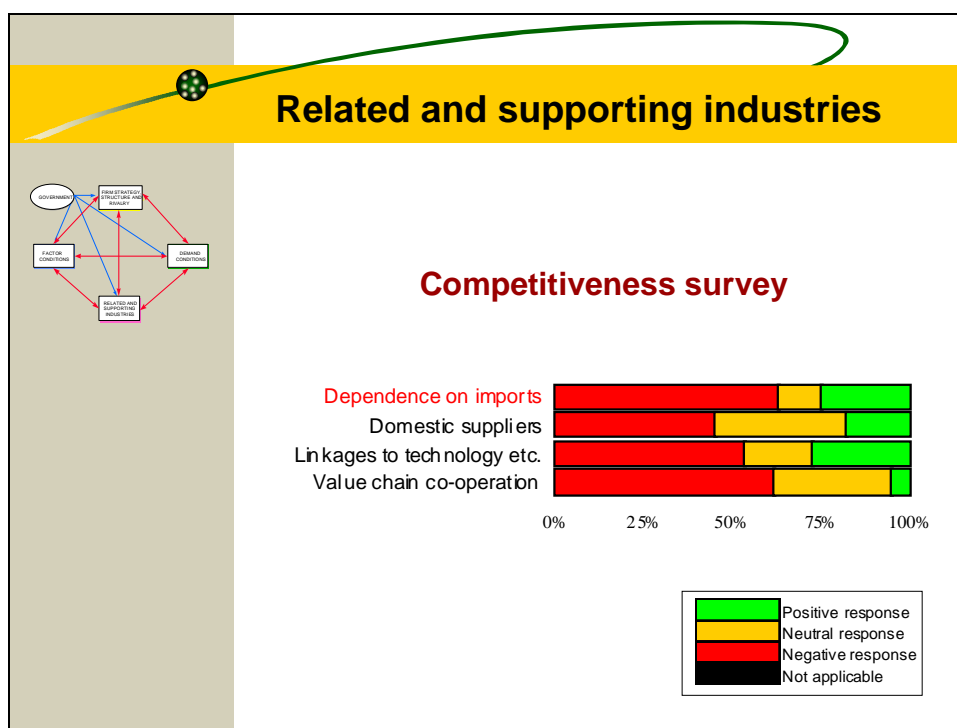
4.8.3 Low drive in clustering and co-operation

The long-term relationships with suppliers ensure continuous supply at an acceptable quality and price. Despite these commitments, Tanzania industry has a low drive in cluster formation as well as value chain co-operation. Many firms/enterprises are not that enthusiastic to participate in specific industry federations or forums as these institutions lack trust, transparency and credibility. In recent years, however, the role of these associations is increasingly becoming significant as they interact with the Government on issues such as tax, investment incentives and other industry-specific issues.

4.8.4 Competitiveness survey

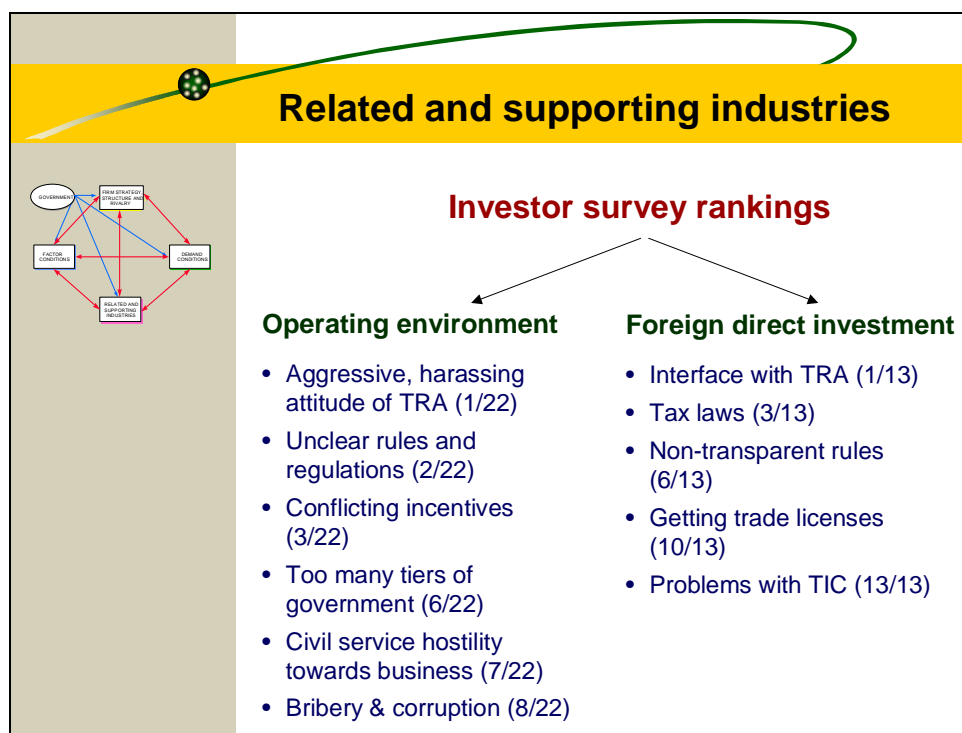
The non-existence of related and supporting industries is one of the key weaknesses of the industrial sector in Tanzania. Many of the Tanzanian manufacturers are not linked to trans-national corporations or internationally competitive firms. Therefore they have limited access to technology, and information on international best practice regarding the development and use of related and supporting services. Furthermore, most of the production activities are vertically integrated as far as domestic suppliers are concerned, with inputs provided through imports. This practice flows directly from the fact that the limited number of domestic producers do not create an opportunity for supporting industries to develop cost competitively, due to, inter alia, the limited production runs that would be required.

The value chain in Tanzania consists mainly of individual manufacturers, purchasing raw materials and going through all the production process, right up to the final product. These vertically integrated operations compete with each other in the domestic market and offer very little incentive to share information or common service facilities.



4.8.5 Investor survey

The investor survey does not consider the aggressive and harassing attitude of the Tanzania Revenue Authority as a great impediment. All 13 investors site problems with the Tanzania Investment Centre. It should be noted however, that since the survey was conducted in 1999, major initiatives have been taken to improve the performance of the TIC.



4.9 *Government*

The role of Government in ensuring international competitiveness is crucial. The four broad determinants of competitiveness analyzed above can be influenced by Government. In analyzing factor conditions, demand conditions, firm strategy, structure and rivalry as well as related and supporting industries, the role of government has been examined.

Government's interface with industry has not led to an improved competitiveness platform. It has not successfully dealt with market failures nor in the provision of infrastructure. The Government continues to put emphasis on its regulatory rather than facilitating role. The private sector believes that by so doing, the Government interferes with the normal operations of industry.

Examples of these interferences include:

- ☛ Tax policies and the interpretation of certain definitions within laws and regulations (The Tanzania Revenue Authority);
- ☛ Inadequate capacity to implement policy
- ☛ A lack of understanding of the dynamics and implications of a market economy;
- ☛ Limited capacities for investment facilitation;
- ☛ A lack of a clearly defined and implementable export promotion strategies.

4.9.1 *Environmental management*

Another factor worth examining is how the Government could help to develop capabilities to respond effectively to a global business environment that does not only put emphasis on competitiveness but also on environmental management. In an increasingly global economy, environmental sustainable industrial development is taken seriously. Industrial enterprises could be held responsible for any negative impact of their operations on the environment.

There are basic rules and environmental regulations, which could distinguish the product quality and environmental performance of an enterprise. The Government in cooperation with the private sector should make a realistic assessment of the situation, define strategies, policies and programmes that would be required to minimize or counter any negative impact of industry on the environment.

CHAPTER

5

THE PRIVATIZATION PROCESS

As privatization is an essential part of the SIDP, it is considered necessary to highlight and evaluate progress so far made in the process.

Various institutions are involved in the privatization process. The **Public Sector Reform Commission** (PSRC) drives the privatization process (Public Corporations Act of 1992 & amended in 1993). As the process has not been completed, the Commission's mandate would be extended for another 4 years. The **Ministry of Finance** is the "owner" of the parastatals and approves the recommendations made by the PSRC. An interdisciplinary **technical team** is set up to evaluate the valuation procedure and to draw up a memorandum before advertising a particular project. This team usually consists of representatives drawn from the following:

- Parastatal
- Ministry of Industry and Trade
- Auditor General
- The relevant sectoral ministries

The Ministry of Industry and Trade would be furthermore directly involved in issues relating to competition and post-privatization monitoring.

Approximately 295 out of 395 enterprises have been privatized since 1993. Of the 395 firms earmarked for privatization, 120 are within manufacturing. Manufacturing enterprises are straightforward for privatization. Of the 120 manufacturing concerns identified for privatization, 60 have already been privatized. There is no interest expressed so far for 10 of these manufacturing parastatals. These firms are mainly in the metal-related industries, as well as, capital good and intermediate goods industries with no sustainable domestic demand.

The privatization of agricultural concerns were also difficult due to problems relating to land ownership and the delay in adjusting the Land Act. The privatization of utilities is rather complex. It has been scheduled for the next four years.

5.1 *Success factors*

Certain privatized firms are more successful than others. In an evaluation of the more successful firms, the following common characteristics are identified:

- Production of final goods directed to domestic market – the production of intermediate goods are more problematic due to fragmented, small and cyclical domestic market
- A foreign partner is essential to ensure foreign exchange for imports of resources, as well as, access to credit.

- Level of technology are manageable and flexible, due to long lead times and maintenance lag time
- Less energy intensive - high electricity tariffs
- Government equity involvement provides institutional de-bottlenecking
- Management style: simplified, participative (especially for medium enterprises) and hands-on
- Performance driven remuneration, and target setting for employees
- Social investment in area builds morale of workers and whole community
- Divestment to multi-national companies with position and experience in the industry
- High investment in training
- Experience in operating a company in a competitive market environment

5.2 *Problem areas*

The less successful privatized firms reveal the following common characteristics or experiences:

- Typically industries with high capital requirement and low return
- Energy intensive industries - high electricity costs
- Location outside main centres - logistical problems
- No protection for import competing intermediate production activities
- Divestment to domestic investors with limited exposure to international business
- A major rehabilitation programme
- Lack of investment funding
- A significant gap in the date when the Government ceased to support the enterprise and when the new investor took effective control of the enterprise

5.3 *Survey*

Personal interviews were conducted with various manufacturers as well as potential and recent investors in Tanzania. The purpose was to establish the major impediments in the business operating environment from a private sector perspective. The exercise was extended with a formal questionnaire to selective groups of enterprises. The results are summarized below:

5.3.1 *Ranked impediments in business operating environment*

- Aggressive, harassing attitude of TRA
- Unclear, non-transparent rules and regulations both in business registration and normal business operating processes
- Inefficient; possibly non-existent; commercial court system (which would; if functional; serve as a recourse for corrupt parastatal practices)

- Conflict between incentives provided by TIC and TRA's interpretation of tax laws
- Import control / dumping; inefficient customs
- Too many tiers of government involved in administering the business operating environment at national, regional and local municipality levels.
- The inability of the civil service to understand the dynamics of a market driven economy
- Long and non-transparent bureaucratic process which could encourage bribery and corruption
- Difficulty in land acquisition
- Inadequate and high cost of infrastructure / utilities (definitely improving)
- Lack of managerial experience amongst local Tanzanians
- Lack of entrepreneurial capacity, particularly at SME level
- Limited access to industrial finance
- Insufficient incentives and measures to promote SMEs.
- Insufficient micro-financing and credits
- Low skill levels of local Tanzanians
- The low purchasing power of local Tanzanians
- High cost of living
- Two tier pricing system; one for locals and the other for foreigners
- Disproportionate geographical project location
- Work ethic problems
- Anti-foreigner feeling

5.3.2 *Ranked impediments on foreign direct investment*

Given that most of those interviewed are recent foreign investors in the economy, they are also requested to rank the major impediments on foreign direct investment to the country.

The following results emerged:

- Interface with TRA and its interpretation of existing laws
- Land Acquisition process
- Tax laws biased towards government revenue generation and impedes increasing cash flow,
- Ineffective commercial court systems
- Non-transparent rules and regulations resulting in extortion tactics
- Extensive municipal costs / taxes in the guise of licenses / permits
- Long waiting period for expatriate work permits
- Labour costs (fringe benefits) not coordinated
- Difficulties in obtaining trade licenses
- Inadequate utility connections and high costs of the same

- Superfluous government departmental interfaces
- Inadequate capacity of TIC for investment project facilitation

CHAPTER

6

INVESTMENT OPPORTUNITIES

6.1 *Scope for industrial expansion*

In general the scope for industrial expansion in Tanzania is limited. The analysis in Chapter 4 of this study highlights a number of constraints ranging across all elements of the Tanzanian investment environment. Investment constraints range from red tape, conflicting policy interpretations, lack of infrastructure to a domestic market with limited purchasing power.

Although considerable emphasis and efforts are placed on investment, especially in the food processing, textiles and leather sub-sectors, both in terms of rehabilitating old capacities and introducing new capacities, successes are few and far apart.

In addition to the general constraints highlighted in the previous sections, the major constraints on future investment are:

- Access to and cost of electricity;
- The tax burden imposed by the variety of taxes; and
- The cost of credit.

The focus sub-sectors (food processing, agro industries, textiles and leather) area characterized by a number of problems and constraints, which could inhibit investment decisions:

- ***The agro-processing sector*** is constrained by inadequate access to water, the high cost of electricity and non-availability of raw materials. Tanzanian manufacturers are mostly situated in close proximity to a significant market (i.e. major cities or close to international shipping facilities), whereas their raw materials are sourced from the interland/provinces. There have been incidents of large crops that are left in the fields to rot or utilized as animal feed because of inadequate transport infrastructure to link these raw material resources with the manufacturers/processors and ultimately the markets. *The cost of electricity* presents a significant impediment to seasonal producers, as their electricity bills are based on peak consumption for a full year and represents a significant increase in transaction costs for the agro-processing industry. Furthermore, *extension services and related services* are either poorly developed or far from the processing activity, which leads to items such as packaging materials, preservatives (chemicals) etc, being “imported” from Dar es Salaam or Kenya. Suitable *cold storage facilities* and a cold transport chain are lacking, thereby, limiting processing activities to bottling, canning and similar preservation methods, whereas, the high value added export opportunities reside in the “fresh” cold packaging and shipment of processed food.
- ***The textile and leather sub-sectors*** are primarily constrained by a lack of demand for their products. Critical success factors for these industries are economies of scale, quality and (captive) access to sufficiently large markets. It can be argued that the Tanzanian market should be sufficient to maintain at least a moderately sized industry, especially with the access to cotton and other raw materials. The reality, however, is

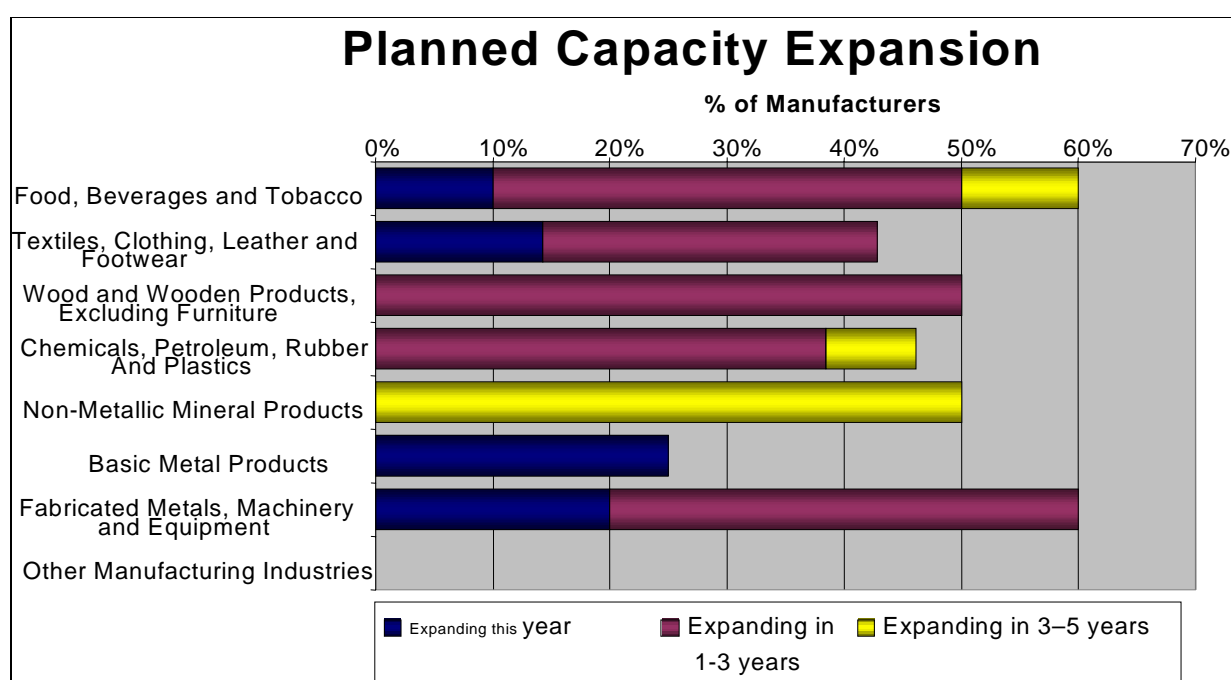
that the lack of infrastructure, poor distribution networks and low purchasing power of consumers constrain the market for manufacturers mainly to their immediate vicinity. Some producers are successful in the export market, but this is primarily due to their inclusion in the international distribution chain of a larger group and represents only a small portion of the potential market for the products. Furthermore, poor crop (or cattle) grading constrains the quality of raw materials. In leather processing, the availability of raw hides without scars (caused by thorns, insect bites and other bush hazards) are rare. Most of the textile and leather producers are further constrained by old technology (in some cases environmentally unacceptable technology) and find it difficult to compete with the bulk, high tech producers found in the Far East and even in nearby Mauritius and South Africa.

Despite these constraints, a number of *investment opportunities exist especially for SMME operations* to provide cost effective extension and support services to the above-mentioned industries. In general “large” manufacturers in Tanzania are “far” from their markets. However, a high regional demand would not warrant the establishment of a production facility close to raw material sources. This results in the processors incurring high transport and distribution costs from Tanzania’s main centres, or high import duties when importing from neighbouring countries (producers in the northern regions). SMME activities that are less reliant on electricity or can utilize alternative energy sources can be very successful.

6.2 Investment opportunities

The competitiveness survey is intended to focus on potential investment opportunities for upstream, downstream and other producers, as well as, expansion opportunities by current producers.

Only 9% of manufacturers plan to expand their production capacity during the next 12-month period. A further 32% plan to expand in 1 to 3 years time and another 7% within the following 2 years. The remaining manufacturers have no intention of expanding and are doubtful about expansion opportunities. The majority of the respondents plan to expand at the site of their current operations. A sectoral breakdown of planned expansion is presented in the graph below.



Existing manufacturers have identified various investment opportunities. The most prominent requirement from manufacturers seems to be the establishment of a packaging industry. The survey results indicate that manufacturers from all of the regions and in most of the sub-sectors are confident that packaging materials, whether metal, glass or paper, could have a viable market within the Tanzanian economy. A vibrant packaging industry is essential to improve Tanzania's export potential, especially, exports to more sophisticated markets.

Investment opportunities are presented in the table below, according to sectors and region. The investment opportunities are closely linked to other regional activities as illustrated in the table below.

	Arusha	Dar es Salaam	Iringa	Moro-goro	Moshi	Mwanza	Tanga
Food, Beverages and Tobacco		<ul style="list-style-type: none"> • Canning and processing of food, fruit and vegetables • Cashew nut processing 	<ul style="list-style-type: none"> • Food and tobacco processing 		<ul style="list-style-type: none"> • Food processing • Sugar cane refining 	<ul style="list-style-type: none"> • Animal Feeds • Bottled water • Fruit juice extraction • Cotton oil extraction 	<ul style="list-style-type: none"> • Fruit juice processing and canning • Poultry farming and processing • Honey packaging • Pelletisation of animal feeds • Vegetable oil manufacturing
Textiles, Clothing, Leather and Footwear	<ul style="list-style-type: none"> • Ginned Cotton 	<ul style="list-style-type: none"> • Spinning of yarn • Wool spinning and weaving • Weaving of textiles 		<ul style="list-style-type: none"> • Polyester and cotton textiles 	<ul style="list-style-type: none"> • Finished leather products 	<ul style="list-style-type: none"> • Cotton ginning • Textile mattress covers • Fish net manufacturing 	<ul style="list-style-type: none"> • Surgical cotton products
Wood and Wooden Products, Excluding Furniture			<ul style="list-style-type: none"> • Sawmilling • Value added wood products 		<ul style="list-style-type: none"> • Packaging materials 	<ul style="list-style-type: none"> • Packaging material 	<ul style="list-style-type: none"> • Timber processing
Paper and Paper Products	<ul style="list-style-type: none"> • Packaging Material 	<ul style="list-style-type: none"> • Packaging labels 			<ul style="list-style-type: none"> • Paper mill • Packaging materials 	<ul style="list-style-type: none"> • Packaging material 	<ul style="list-style-type: none"> • Packaging material
Chemicals, Petroleum, Rubber and Plastics	<ul style="list-style-type: none"> • Packaging Material • Industrial Chemicals • Veterinary products • Penicillin based medicinal products 	<ul style="list-style-type: none"> • Industrial chemicals • Moulds for plastic products • Printing inks • Bicycle tyres 	<ul style="list-style-type: none"> • Soap manufacturing • Bottle manufacturing 		<ul style="list-style-type: none"> • Packaging materials • Wax production 	<ul style="list-style-type: none"> • Packaging material 	<ul style="list-style-type: none"> • Limestone products • Industrial chemicals
Non-Metallic Mineral Products		<ul style="list-style-type: none"> • Ready mix concrete • Pre-fabricated concrete products 					
Basic Metal Products		<ul style="list-style-type: none"> • Steel scrap processing • Tin manufacturing 	<ul style="list-style-type: none"> • Tin manufacturing 				
Fabricated Metals, Machinery and Equipment		<ul style="list-style-type: none"> • Cans • Truck and bus bodies • Copper Cables • Steel engineering products 					
Other Manufacturing Industries		<ul style="list-style-type: none"> • Fibre-optic cables 				<ul style="list-style-type: none"> • Boat building and repairing 	

This chapter highlights the priorities for industrial policy to kick-start and sustain industrial growth in Tanzania. Furthermore the expected time frame takes into consideration the time that it takes to attain efficacy. All these actions should be viewed as equally important and efforts should be made to the extent possible to ensure simultaneous implementation.

7.1 Redefinition of industrial policy's role within broader policy objectives

It is sometimes very likely that policy actions for industrial development are outside the direct influence of traditional industrial and trade policies and, in certain cases, represent trade-offs with other policy objectives. Industrial development and the necessary support from Government, for example, may not be in line with certain short term fiscal objective, such as, income tax generation and the provision of basic needs. Consequently, industrial development is often neglected as its benefits are only reaped over the medium to long term. The sustainability of economic development in Tanzania is, however, dependent on a thriving industrial sector.

It is therefore essential that industrial development should be addressed on a broad front and that buy-in is obtained from most government ministries. The importance/role of industrial development within the overall national vision should be redefined at the highest level of Government.

A balance between conflicting policy objectives is required and industrial development should be given its rightful place.

A bold decision by the Government should reinstate the importance of industry in the Tanzanian economy and all government departments and officials should realign their objectives and operations accordingly. This will inevitably allow for an amicable transition of the current focus of regulating and constraining industry to a more strategic focus on facilitating and enhancing industrial competitiveness.

Time Frame: Short term (within one year)

7.2 Implementation and monitoring

An inter-departmental/private sector composed industrial consultative committee (ICC) should be established for policy development implementation and monitoring. The committee should also be empowered to review critical industrial development issues and make recommendations to the Tanzania National Business Council. The ICC should be chaired by the Minister of Industry and Trade. It is also considered desirable to establish a private sector facilitation secretariat within the Ministry of Industry and Trade to provide policy advice and to establish meaningful strategic alliance with the private sector.

Time Frame: Short term (within one year)

7.3 Competitive infrastructure provision

Infrastructure has a positive crowding-in effect on industrial development. In fact, a lack of adequate infrastructure adds additional costs on industry operations, influences the quality and quantity of production factors, limits the exploitation potential of competitive opportunities, hampers effective value chain interactions and depresses domestic demand exploitation and development.

A lack of cost-competitive infrastructure is one of the most critical factors constraining the competitiveness platform in Tanzania. The competitiveness analysis identifies three infrastructural priorities as prerequisites for improved competitiveness. They are:

- ☞ The cost and reliability of electricity;
- ☞ The road network; and
- ☞ The cost and reliability of water supply

These constraints could continue to have negative impact on industrial development as most infrastructure resources are expensive to create and require significant economies of scale to reduce user's costs to acceptable levels.

7.3.1 Infrastructure subsidy or tax reduction

Given that many factories provide their own infrastructural needs, Government should consider some compensation especially if these facilities are shared, thereby, recognizing the creation of positive externalities. For instance, if an industry provides for the purification of its own water and shares it with others (plants or the community) the Government should either give a subsidy or tax deduction to the supplying industry. This would immediately reduce the full cost implication of inadequate infrastructure, but it can also stimulate the private sector's involvement in infrastructural development.

Time Frame: Short term (within one year)

7.3.2 Regional approach to infrastructure development

The most appropriate manner to address the cost and scale constraints on infrastructure provision in Tanzania is to view Tanzania as a player within a region and leverage the regional market to ensure the exploitation of economies of scale. This approach is perhaps most applicable in the provision of electricity and telecommunications.

Tanzania should consider the importation of electricity, if reliable electricity can be purchased cheaper from a neighbouring country. It could also be more beneficial to the East African region if Tanzania improves its distribution capacities to meet sub-regional needs, rather than merely upgrading its outdated hydro-electricity capacity within its borders. In this context, the privatization options of TANESCO should therefore be revisited.

The advantages of established regional suppliers in terrestrial phone networks are already evident in the provision of telecommunications.

Time Frame: Medium term (within three to five years)

7.3.3 Alternate sources

Privatization seems to dominate the solutions offered to the electricity problem. Besides the benefits to the fiscus, privatization could also offer a lasting solution to the provision of electricity. Privatization does not, however, address the basic uncompetitiveness and unreliability of hydro-electricity generation. Other forms of generation need to be considered, which might provide a more cost-effective and lasting solution. In this regard Tanzania will have to tap into the most up-to-date world-class technologies that might be more cost-competitive (i.e. Pebble-bed nuclear reactors, wind energy, etc.).

Time Frame: Medium to long-term (three years and longer)

7.3.4 Develop and implement infrastructure plan

There is a need to develop an integrated long-term infrastructure plan. This plan should focus on linking resources with processing facilities/areas and markets, and identify the critical infrastructure required to convert the latent potential into competitive production activities. This would especially contribute positively to the provision of roads and water and leverage donor funding for infrastructure development accordingly. Donors seeking to develop infrastructure outside the agreed infrastructural plan should be discouraged unless specific productive benefit can be achieved by such initiatives.

Time Frame: Short term (within one year)

7.3.5 Nodal or corridor development approach

This infrastructural plan should be practical and sustainable and should be an integral element of the industrial development goals. Given the limitations of government to address all the problems simultaneously, it should rather focus on specific nodes or development corridors. As soon as one node or corridor has taken-off and industries are being established, development of other areas should be targeted. Corridor development should, furthermore, take place across country borders and Tanzania would have to take cognisance of and become an active partner of the SADC's Spatial Development Initiatives. The sustainability of this nodal or corridor-approach will, however, depend on its integration with specific resources, markets or distribution opportunities.

Time Frame: Medium term (within three to five years)

7.3.6 Industrial parks or export processing zones

Export processing zones or industrial parks with state of the art infrastructure need to be reconsidered. Their development could be linked with other projects and investment incentives. The overall commitment of the Government is essential to make such development possible. Conflicting laws constraining industrial development should be eliminated as such laws were one of the reasons for the collapse of previous nodal and specialized development initiatives.

Time Frame: Short term (one to two years)

7.3.7 Incentives for private infrastructure provision within an infrastructure plan

Incentives should be provided for investors wishing to develop infrastructure associated with their production facilities. Such incentives need not be a grant or subsidy per se, but could include exemption from local authority taxes for a given time period. It is also considered appropriate to develop specific policies for public-private partnerships for the development of infrastructure, with clear guidelines on requirements, responsibilities and advantages.

Time Frame: Short term (within one year)

7.4 Tax-related issues

The competitiveness survey/analysis identifies tax-related issues as the second biggest constraint on industrial development and the most critical impediment on foreign direct investment. International evidence suggests that foreign investors and industrialists are not as concerned about levels of taxation, but rather focus on consistency in tax policy. Consistency provides an environment in which industry can plan and organize themselves to mitigate high levels of taxation. The following actions are proposed to address this problem:

7.4.1 Develop a legal framework that supports a case law system

Currently the interpretation of tax laws is in the hands of TRU officials and often biased towards the short-term objectives of the TRU, i.e. maximizing tax revenue for the fiscus. This, all too often, results in a harassing attitude of TRU officials towards industrialists and in some cases bribery is the only way out.

A case law system is essential to ensure consistency in the implementation of the tax laws. It is suggested that the implementation of such a system be considered as a key initiative in supporting industrial development and in ensuring the transparency and credibility of the tax system.

Time Frame: Short term (within one year)

7.4.2 Remove conflicting laws

Currently, large inconsistencies exist between laws affecting the Tanzanian Revenue Authority, the Tanzanian Investment Centre and between various levels of government. These inconsistencies need to be addressed. In revising these laws, a balance should be established between revenue collection and industrial development. Policy should take cognizance of the fact that the broadening of the tax base would create sustainability in tax revenue. The existence of conflicting laws and the continuous harassment of industry could erode the tax base of the economy.

Time Frame: Short to medium term (within three years)

7.4.3 Reduce the number of taxes

The reduction of taxes by various levels of government is essential to reduce the administrative burden on industry, as well as, the various tax gathering institutions.

Time Frame: Short to medium term (within three years)

7.4.4 Eliminate bribery and corruption in government

Strategic measures should be introduced to weed out corruption and bribery where they exist. At the same time steps should be taken to improve working conditions and remuneration of public service officials.

Time Frame: Medium to long term (three years and longer)

7.4.5 Repayments from government

In common with other countries, the Government is not consistent in its payment of duty drawbacks, tax refunds, and invoices for services rendered or goods supplied. There are existing arrears and it is unlikely that the Government would be in a position to meet all its financial responsibilities to creditors. A dual approach to addressing the problem should be put in place to deal with the systematic handling of arrears, while at the same time focusing on payment of current transactions. As the lead agent for development, the Government must have a track record of trust and consistency in its financial responsibility towards other parties. A repayment schedule for outstanding creditors could increase government's credibility and alleviate the plight of many industrialists who rely on government demand to sustain their production.

Time Frame: Short to medium term (within three years)

7.5 Medium-term financing

The competitiveness analysis identifies both the availability and cost of medium-term financing as the third largest constraint on industrial development. The problems associated with this could be addressed along the following lines:

7.5.1 Tap into international development finance institutions

The establishment of a national development finance institution (DFI) is not likely to promote industrial development within the required time frame. Tanzania will therefore have to establish links with existing DFI's. These DFI's have the experience and the expertise to screen, evaluate and implement bankable projects. With international DFI involvement in Tanzanian projects, the domestic capital resource constraint is bypassed. The problem is that DFI's quite often have a bias towards large capital-intensive projects and do not address the need for finance amongst small and medium-size enterprises.

Time Frame: Short to medium term (within three years)

7.5.2 International marketing of projects

To grab the attention of DFI's, Tanzania should pro-actively market bankable projects to the international community. These projects should be financially sustainable and packaged in such a way to get DFI's or international financiers interested. This would involve various mitigation options to address the risks attached to a project. Investment incentives should also form part of the project-marketing package.

Time Frame: Short term (within one year)

7.5.3 Credit guarantees offered by government

Tanzanian banks and financial institutions are risk averse and are not offering any form of medium term or industrial financing. The primary reason is the high repayment risk and the low liquidity in the financial system. The Government can address this constraint on industrial development through the provision of government default guarantees. Ways and means to finance such guarantees should be a high short-term research priority for Tanzania.

Time Frame: Short term (within one year)

7.5.4 Reduce interest rates

The Government has succeeded in reducing inflation through maintaining positive real interest rates. As capital is a scarce resource in Tanzania and with the prevalent low levels of savings, the cost of capital will always be a structurally induced problem. The problem is, however, inflated by a large differential between lending and borrowing rates charged by commercial banks. Commercial banks motivate their actions due to high levels of repayment defaults and low liquidity. These banks need to be encouraged to reduce this rate differential and assess how best to address this major constraint on industrial development.

One possibility is to establish a business and personal credit information resource as shared utility for banks, where defaulting clients information can be shared to reduce the credit risks associated with private sector lending.

Time Frame: Short to medium term (within 3 years)

7.5.5 From investment regulation to investment facilitation

The current approach of the Tanzanian Investment Centre (TIC) is mainly geared towards regulating foreign direct investment. The consequence is that the cost associated with FDI is increased, the bureaucratic processes is also sophisticated and perhaps increased, with not much certainty in FDI process. With the assistance of UNIDO, TIC is being transformed to facilitate investments. A one-stop shop is being established to reduce the red-tape for foreign investors. The laws supporting the TIC should also be accepted by all other government institutions, especially the TRU.

Time Frame: Short term (within one year)

7.5.6 SME financing linkages with large projects and privatization

In order to address the shortage of finance available for small and medium enterprises, large concerns should support the activities of SMEs. The privatization process and the regulatory procedures of foreign direct investment could initiate these relationships. Firms can form strategic alliances with smaller companies to supply certain raw materials or services. These incentives, however should not increase the bureaucracy associated with foreign direct investment.

Time Frame: Short term (within one year)

7.6 *Human-resource related actions*

The survey points out that the priorities with regard to human resource development boil down to the development of industry-related skills. Industrial skills can either be developed through on-the-job-training, institutional training in existing training center, or the transfer of knowledge and skills by expatriates. The following recommendations should be considered:

7.6.1 *Industry-related training facilities*

Priority should be given to the establishment or strengthening of industry-specific training facilities. This would lead to the availability of requisite technical skills and will directly impact on the unit labour costs or productivity of workers. The following actions will have to be taken:

- Identify/determine the actual skill needs of the various industrial subsectors/industries;
- Establish generic skills that can impact positively on a various types of industries;
- Prioritize such industry-generic skills with particular reference to the industrial sub-sector with potentials for increased competitiveness;
- Develop specific industry-related curricula;
- Buy-in from other ministries;
- Establish delivery infrastructure;
- Determine financing (skills levy).

It is imperative that the linkage between industry and the relevant training authorities be developed. Firms should be encouraged, if necessary on a fiscal basis, to engage in on-the-job training. These fiscal incentives could include a skills levy that industries are obliged to pay if they do not undertake in-house training activities.

In cases where on-the-job training is not possible, the facilities offered by short-term training institutions for industrial employees should be utilized. The courses offered by vocational or technical schools are sometimes appropriate. In addition, extension agents could be utilized to transfer specific knowledge and skills to an industrial proprietor, manager, or to technician in a firm. The extension agent can visit the enterprise, provide one-on-one instruction at the extension centre, or recommend more in-depth training by a technical or management expert.

Time Frame: Medium term (within three to five years)

7.6.2 *Work-permits for expatriates with skill transfer requirements*

The issue of work permits needs to be solved as soon as possible. The bureaucratic delays in the permit application process, as well as, the high costs involved are not conducive to industrial development. To enhance skill transfers from expatriates to Tanzanians, it is recommended that granting of work permits should be made conditional to the participation of a skills transfer programme.

Time Frame: Short term (within one year)

7.7. International trade-related issues

The survey highlights two key areas of concern with regard to international trade and competition, namely, illegal imports or dumping and the difficulties faced by industries in their efforts to transform their activities from a domestic to an international focus.

7.7.1 Export councils

The limited export opportunities and the difficulties in marketing Tanzanian products internationally are the basic reasons for the domestic focus of Tanzanian manufacturers. The Ministry of Industry and Trade being responsible for overall industrial governance should be in a position to monitor industrial development and identify bottlenecks and areas where export opportunities exist and bottlenecks develop. In order to address these problems export councils could be established to help industry groups in their drive to internationalization.

Time Frame: Short term (within one year)

7.7.2 Import controls

Illegal imports of all sorts remain a problem within Tanzania and it should be properly addressed by the appropriate authorities: Firstly, the Zanzibar problem and the role of highly placed individuals in perpetuating the problem should be addressed. Secondly, border controls should be tightened and the private sector should become involved in the training and financing of customs officials and custom services. Thirdly, anti-dumping mechanisms should be put in place in order to thwart illegal imports.

Time Frame: Medium term (within three to five years)

7.7.3 Duty drawback scheme

It is important that measures are taken to harmonize inconsistent laws and clarify conflicting interpretations of duty drawback scheme. The development of an automatic duty drawback/credit/exemption scheme might alleviate the current fiscal constraints on repaying import duty to exporting firms.

Time Frame: Short to medium term (within three years)

7.8 HIV/AIDS

HIV/AIDS is destroying not only agricultural production but also the industrial sector. As rural farm workers succumb to the HIV/AIDS virus, the industrial sector is slowly being deprived of a reliable source of agricultural produce/industrial raw material, as well as, capital usually generated in the farming sector for investment in non-agricultural enterprises. There are approximately 700 new cases of HIV a day in Tanzania. Over 15% of persons age 15-49 are infected with HIV/AIDS while 60% of HIV infections occur in the 15-24 years age groups. Industrial enterprises are closing down as their employees succumb to HIV/AIDS. The HIV/AIDS pandemic is also destroying small-scale entrepreneurial activities.

HIV/AIDS is a threat to socio-economic development. It threatens not only industrial production but also consumption patterns and rural and urban livelihood. It is estimated that some 70,000

to 80,000 individuals contract HIV annually and some 2 million orphans in the country lost their parents as a result of HIV/AIDS.

Strategies and programme should be put in place to sustain industrial production and rural and urban livelihood.

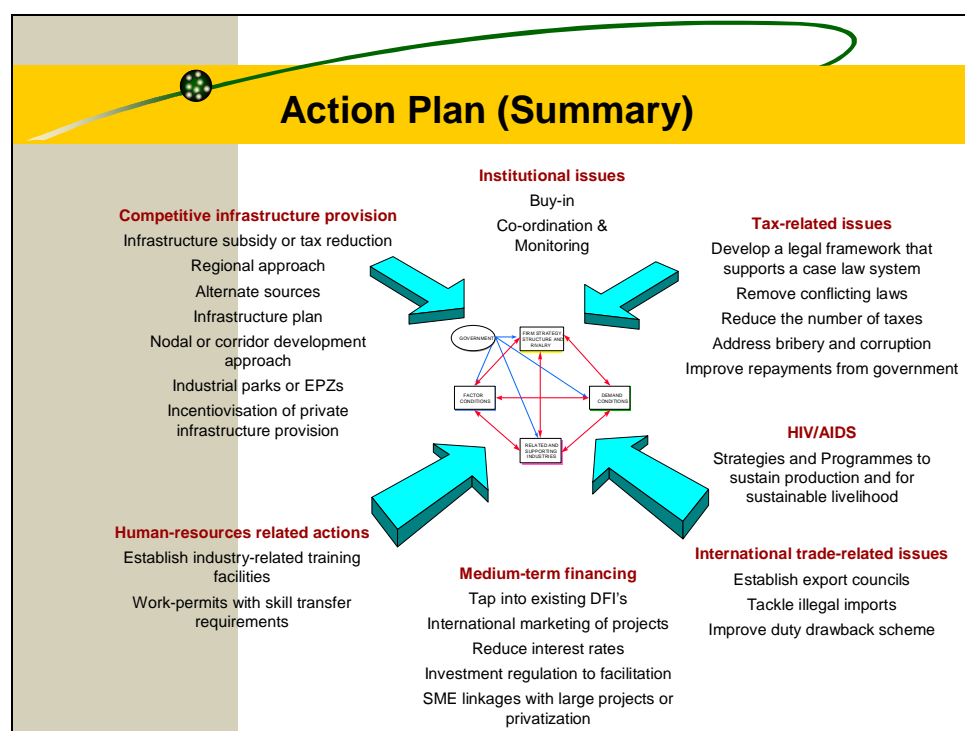
Time Frame: Short term (within one year)

7.9 Policy as a process

The policy actions recommended were collectively reviewed by a cross section of stakeholders in the public and private sector. In every policy process transparency and trust are the main keys to success. In the case of Tanzania, it would appear that preliminary broad consensus and acceptance of the policy recommendations has been reached.

These proposals were preliminarily discussed by stakeholders at a National workshop in December 2000. Suggestions made at the workshop were incorporated in the study. It is foreseen that the competitiveness study will be further reviewed by the Tanzania National Business Council (TNBC). Success in policy definitions and implementation is only achievable if all stakeholders are prepared to openly discuss issues and address problems collectively in a public-private sector forum like the TNBC.

The policy actions suggested could all influence the Tanzania competitiveness platform. The following illustrates how the relevant policy options could impact on specific aspect of the competitiveness platform:



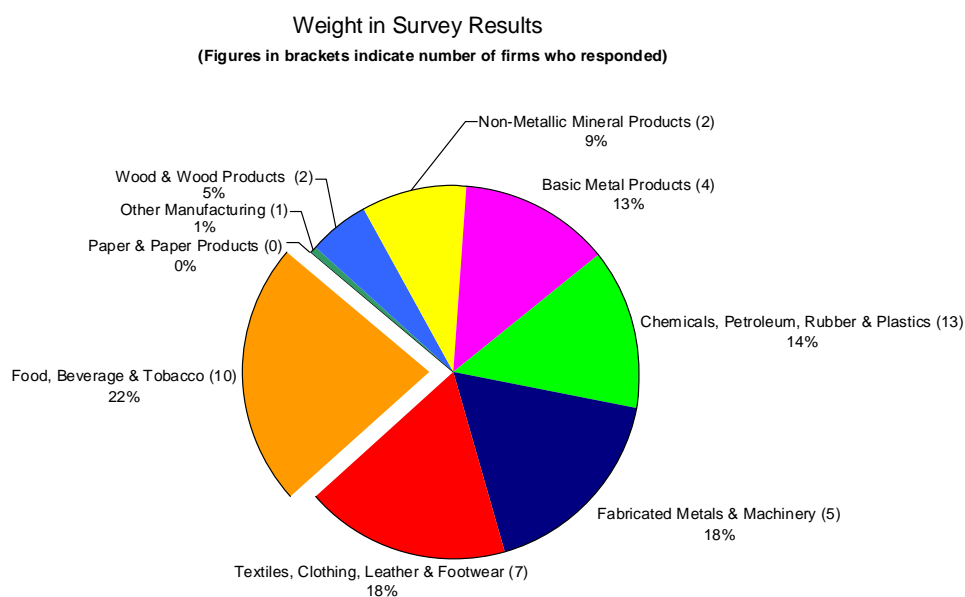
Annexes

Annex 1

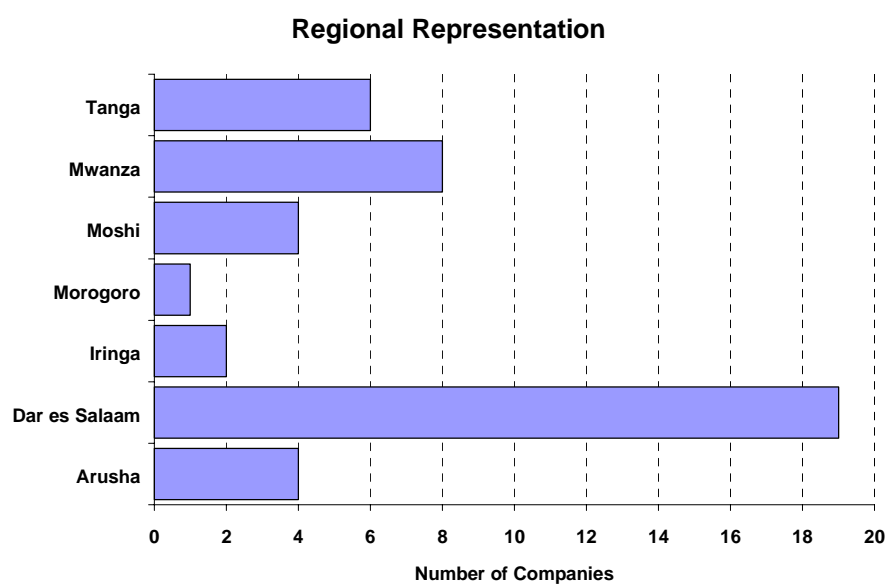
Competitiveness Survey

COMPETITIVENESS SURVEY

1. Number of companies = 44
2. Date of survey: Third Quarter 2000
3. Sectoral Spread



4. Regional Spread



Annex 2

Questionnaire

QUESTIONNAIRE

The questionnaire consists of two sections. The first section covers the perceptions of the private sector on business conditions and other relevant variables. This first section is intended to be repeated on a regular basis to provide critical information on the state of the economy, business confidence and progress with the reform process.

The second section covers questions regarding the operating environment, locational strengths and weaknesses, cross-cutting competitiveness issues and investment opportunities / requirements. This section represents the one of survey intended to provide information on the competitive and other constraints to the implementation of the SIDP.

Manufacturing Survey Questionnaire

Company:

Sector (See attached list):

Region

Sales (Turnover)

Total Assets

Employees

D1	D2	D3	D4	D5	D6	D7	D8	D9	D10
1991	1992	1993	1994	1995	1996	1997	1998	1999	Current

Section A : Economic Activity and Expectations

Compared to the same quarter of a year ago are:

- 1a Domestic Sales (Volume)
- 1b Export Sales (Volume)
- 2 Production (Volume)
- 3a Domestic orders received (volume)
- 3b Export orders received (volume)
- 4 Unfilled orders relative to total assets
- 5 General business conditions
- 6 Number of factory workers
- 7 Average hours worked per factory worker
- 8 Fixed Investment

The rate of increase in the...

- 9a Average total cost per unit of production
- 9b Average labour cost per unit of production
- 9c Average purchase price per unit of raw material
- 9d Average domestic sale price per unit of production
- 9e Average export sale price per unit of production
- 9f Taxes paid as % of sales

Compared to the same quarter of a year ago are current stock of

- 10a Raw materials relative to planned production
- 10b Finished goods relative to expected total demand
- 11 Delivery period of orders
- 12 Is your current level of output below capacity
- 13 How do you rate business conditions

Estimated activity in current quarter		
Up (1)	Same (2)	Down (3)

Expected activity in next quarter		
Up (1)	Same (2)	Down (3)

Too high (1)	Sufficient (2)	Too low (3)

Too high (1)	Sufficient (2)	Too low (3)

Longer (1)	Same (2)	Shorter (3)
Yes	No	
Satisfactory	Unsatisfactory	

Longer (1)	Same (2)	Shorter (3)
Yes	No	
Satisfactory	Unsatisfactory	

14a	Shortages of
	Skilled labour
	Semi-skilled labour
	Unskilled labour
	Managerial staff
	Raw materials
	Water
	Electricity
	Other Utilities
	Machinery and Equipment
	Maintenance and support services
	Packaging and marketing material
14b	The level of short-term interest rates
14c	Insufficient demand for your products
14d	Interface with TRA & interpretation of tax law
14e	Municipal levies, taxes and permit costs
14f	Lead time for Expatriate work permits
14g	Import dumping on domestic market
14h	Bribery and corruption
14i	Availability of medium term finance
14j	Non co-operative civil service

[illegible]

- 15a Volume of goods imported
- 15b Volume of goods exported
- 15c Investment in Machinery and Equipment
- 15d Investment in land and buildings
- 15e General business conditions
- 16 What are the prospects over the next 12 months of investment in new capacity

[illegible]

18a	Insufficient demand for products
18b	Cost of credit
18c	Lack of credit
18d	Tax structure
18e	Access to electricity and water
18f	Access to raw materials
18g	Lack of managerial skills and investment support

Section B : Competitive Strengths and Investment opportunities

Rate the factors below according to their impact on your competitiveness

Human Resources

- Availability of unskilled labour
- Availability of artisans
- Availability of technically skilled labour
- Availability of managerial staff
- Wage rates
- Unit labour cost / output per worker
- Vocational / industry related training facility
- Work ethic of labour force

Resources

- Availability of suitable land
- Research facilities , resources and support services
- Trade and business association support
- Market and product information
- Availability of capital
- Cost of Capital
- Project development and financing support
- Access to Finance
- Telecommunication Services
- Electricity Cost & Reliability
- Road and rail network
- Air transport network
- Sea transport network
- Social Infrastructure (Medical facilities, schools, etc)

DEMAND CONDITIONS

- Size of the domestic market
- Export opportunities
- Structure of domestic demand
- Low levels of market differentiation and saturation
- Government demand
- Population growth
- Aids

RELATED & SUPPORTING INDUSTRIES

- High dependence on imports (consumer, intermediate and capital goods)
- Domestic suppliers mainly in resource based activities (agriculture & mining)
- Low linkages to technology, access to information, the exchange of research & development and joint problem solving
- Low drive in cluster formation and value chain co-operation (share critical activities)

Negative	Neutral	Positive
----------	---------	----------

Rate the factors below according to their impact on your competitiveness

FIRM STRATEGY, STRUCTURE & RIVALRY

- Co-operation with Suppliers
- Co-operation with clients
- Co-operation with competitors
- Co-operation with government
- Employee performance incentives

Negative	Neutral	Positive
----------	---------	----------

Manufacturing Development Potential

Expansion

- (a) What are the possibilities for your manufacturing expansion and indicate the location of such planned expansion.

Beneficiation of Product Output

- (b) What type of manufacturing activities could be established in the vicinity of your existing plant in terms of the further processing (beneficiation) of your products by yourself or any other manufacturing concern.

Backward linkages with existing establishments

- (c) What type of manufacturing activities could be established in the vicinity of your existing plant in terms of other concerns supplying you with raw and semi-processed materials, packaging materials, service industries, etc.

Other manufacturing opportunities

- (d) Besides the above (ie. expansion and forward and backward linkages) what other types of industry, in your opinion, would do well in your industrial area/magisterial district (eg. Wood and wood products, tobacco products, textiles, etc).

Development Constraints**Locational Advantages**

- (e) List, please, three main advantages of your present location, in order of importance.

Locational Disadvantages

- (f) List, please, the three main disadvantages of your present location.

Rating of present manufacturing premises

(g) Rate the following locational aspects of your premises according to the scale –

1. Very good
2. Good
3. Fair
4. Poor
5. Very poor
6. Not applicable

Availability of harbour facilities	①	②	③	④	⑤	⑥
Proximity to Professional Services	①	②	③	④	⑤	⑥
Proximity to main road links	①	②	③	④	⑤	⑥
Reliability of water supply	①	②	③	④	⑤	⑥
Availability of courier services	①	②	③	④	⑤	⑥
Availability of ocean freight services	①	②	③	④	⑤	⑥
Availability of corporate financial services	①	②	③	④	⑤	⑥
Availability of container services	①	②	③	④	⑤	⑥
Availability of trucking services	①	②	③	④	⑤	⑥
Personal contact with customers	①	②	③	④	⑤	⑥
Proximity to national airport	①	②	③	④	⑤	⑥
Proximity to international airport facilities	①	②	③	④	⑤	⑥
Reliability of electricity supply	①	②	③	④	⑤	⑥
Proximity to railheads	①	②	③	④	⑤	⑥
Rates and taxes	①	②	③	④	⑤	⑥
Availability of cold storage facilities	①	②	③	④	⑤	⑥
Availability of health services	①	②	③	④	⑤	⑥
Proximity to market	①	②	③	④	⑤	⑥
Proximity to support services	①	②	③	④	⑤	⑥
Reliability of telecommunication services	①	②	③	④	⑤	⑥
Local environmental considerations	①	②	③	④	⑤	⑥
Availability of quality shopping services	①	②	③	④	⑤	⑥
Availability of schools, colleges, etc.	①	②	③	④	⑤	⑥
Availability of entertainment/recreation facilities	①	②	③	④	⑤	⑥
Availability of after-sales services	①	②	③	④	⑤	⑥
Availability of subcontractors	①	②	③	④	⑤	⑥
Availability of semi- and unskilled labour	①	②	③	④	⑤	⑥
Availability of housing for employees	①	②	③	④	⑤	⑥
Cost of industrial land	①	②	③	④	⑤	⑥
Proximity to suppliers of spare parts	①	②	③	④	⑤	⑥
Availability of industrial land	①	②	③	④	⑤	⑥
Cost of industrial land	①	②	③	④	⑤	⑥
Proximity to semi-processed materials	①	②	③	④	⑤	⑥
Availability of skilled labour	①	②	③	④	⑤	⑥
Proximity to raw materials	①	②	③	④	⑤	⑥
Cost of water	①	②	③	④	⑤	⑥
Cost of telecommunication services	①	②	③	④	⑤	⑥
Cost of electricity	①	②	③	④	⑤	⑥
Availability of housing for key personnel	①	②	③	④	⑤	⑥
Availability of industrial training facilities	①	②	③	④	⑤	⑥
Labour costs	①	②	③	④	⑤	⑥
Transport costs in	①	②	③	④	⑤	⑥
Transport costs out	①	②	③	④	⑤	⑥

Incentives

(h) What type of incentives/support measures by government would you prefer in order of priority (eg. tax incentives, training support, export credit, etc)

ANNEXURE B

COMPETITIVENESS SURVEY RESULTS

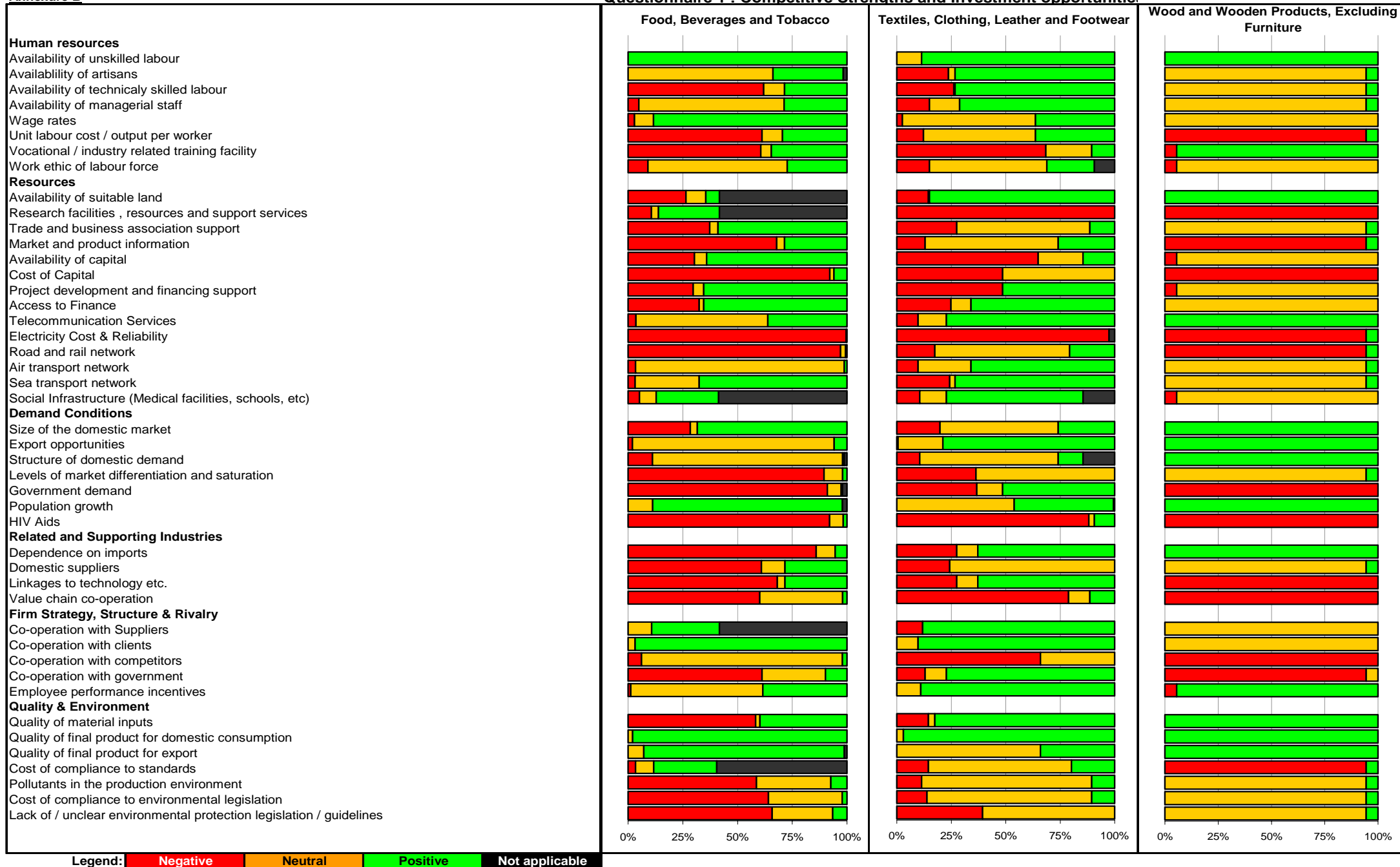
The following key is essential to interpret the graphs:

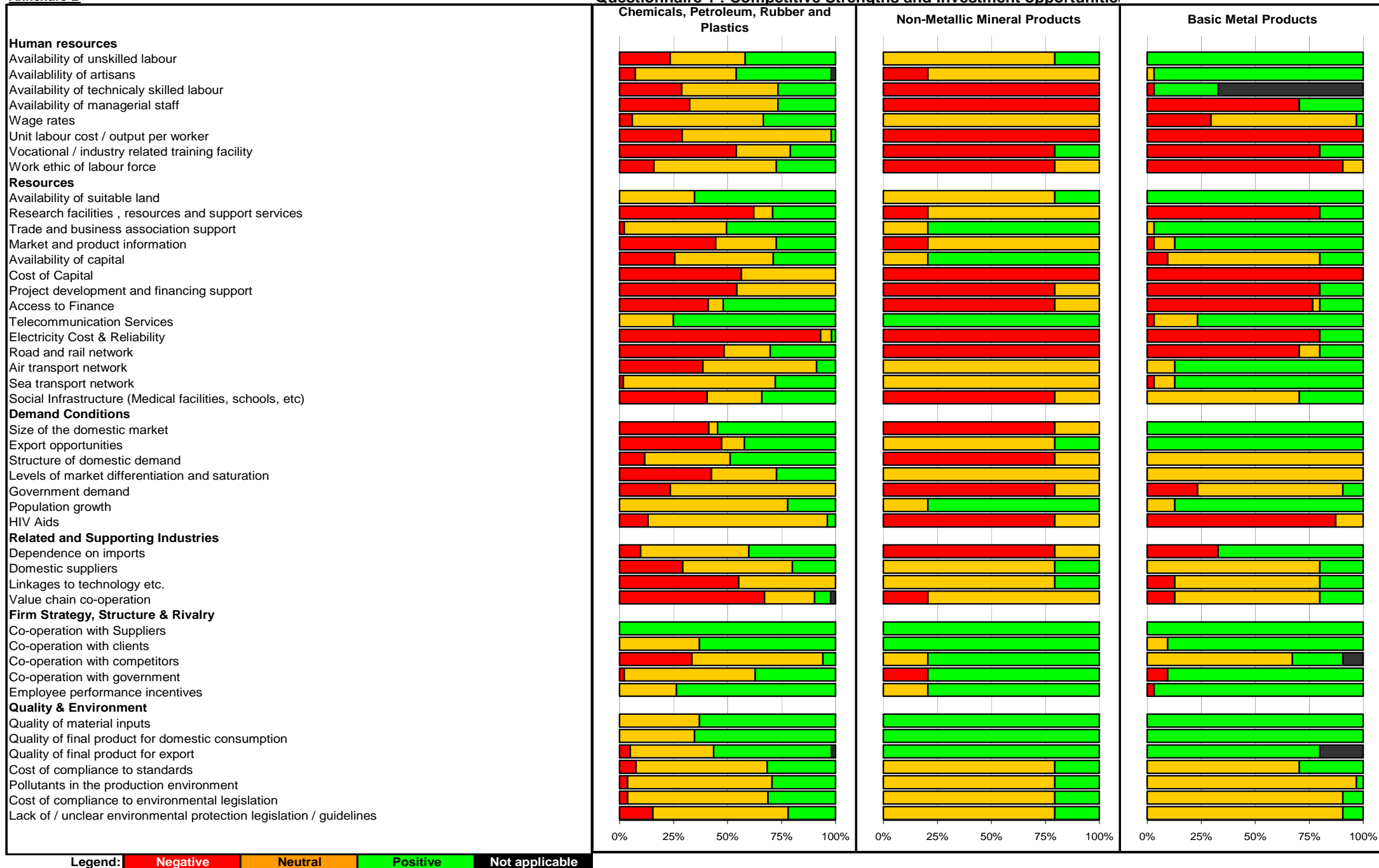
Red = negative

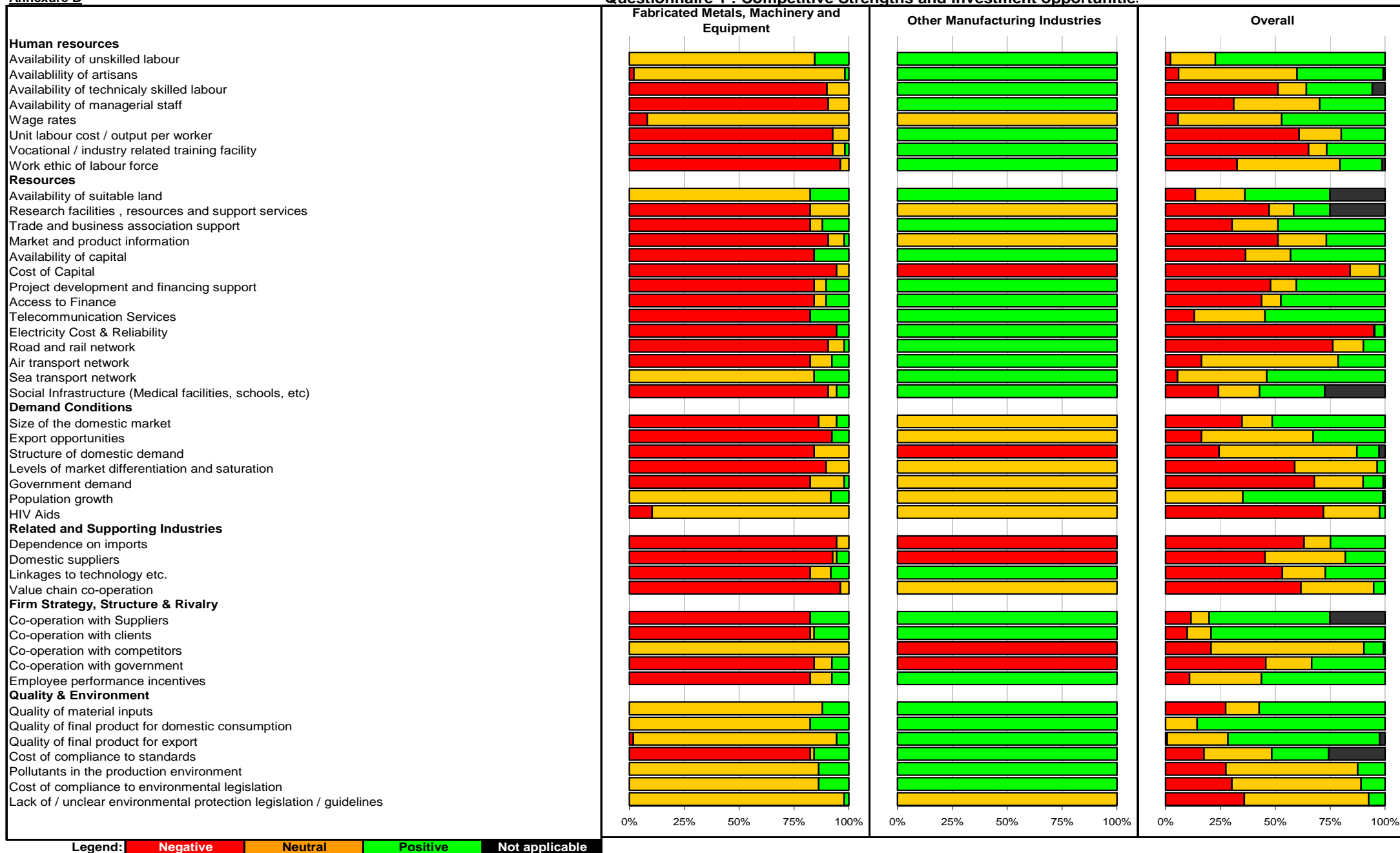
Yellow = neutral

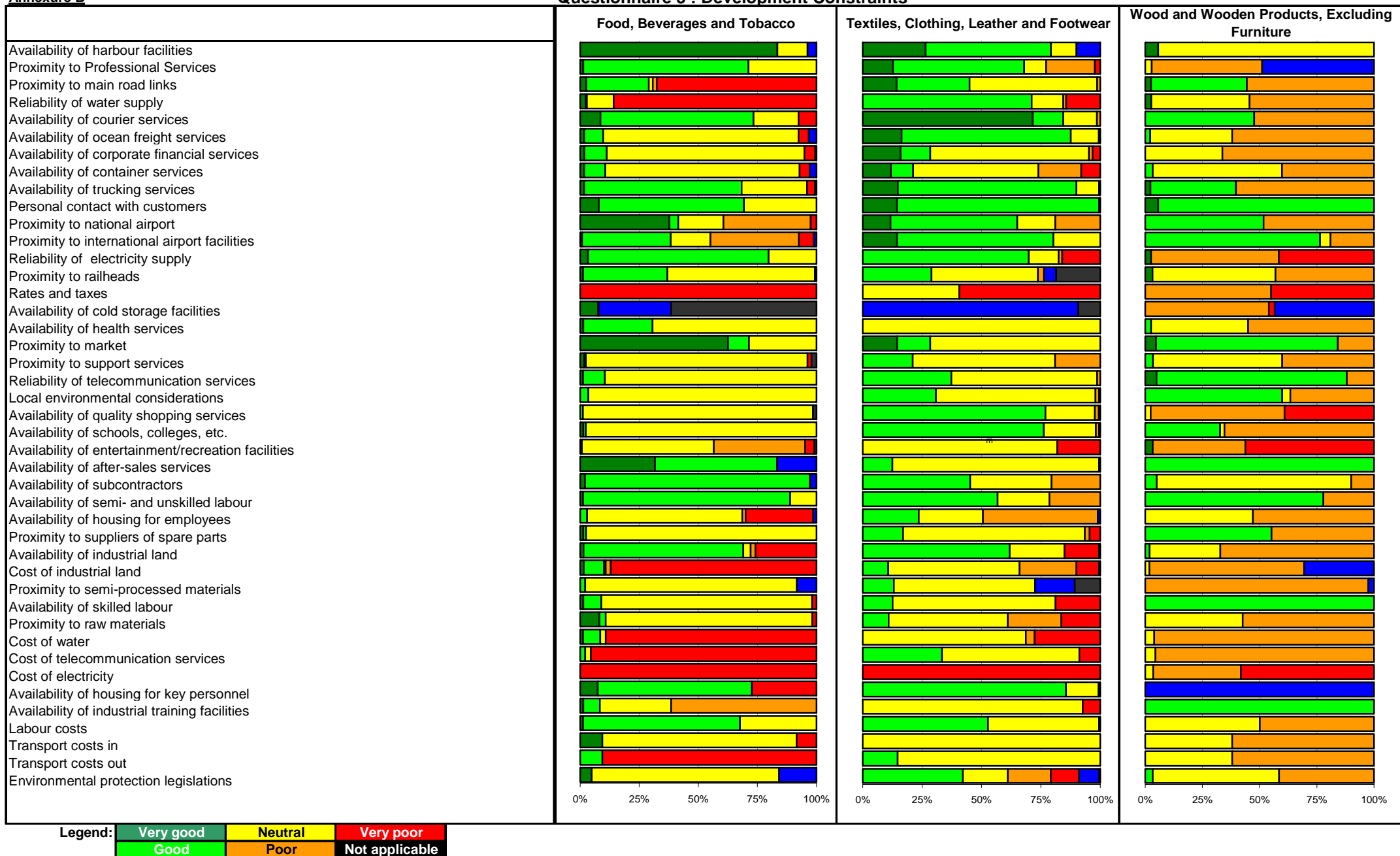
Green = positive

Black = no response



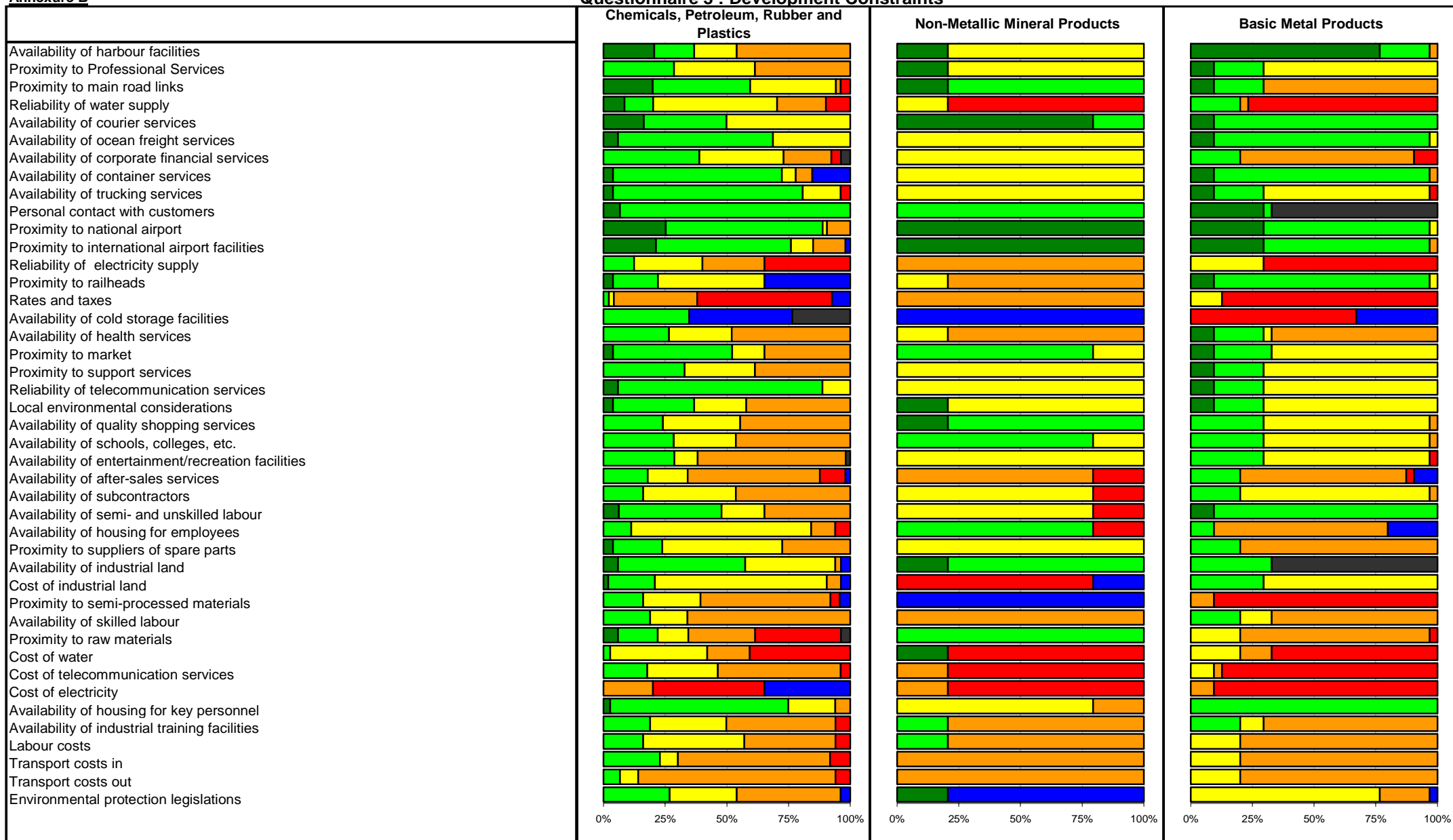




Annexure B
Questionnaire 3 : Development Constraints


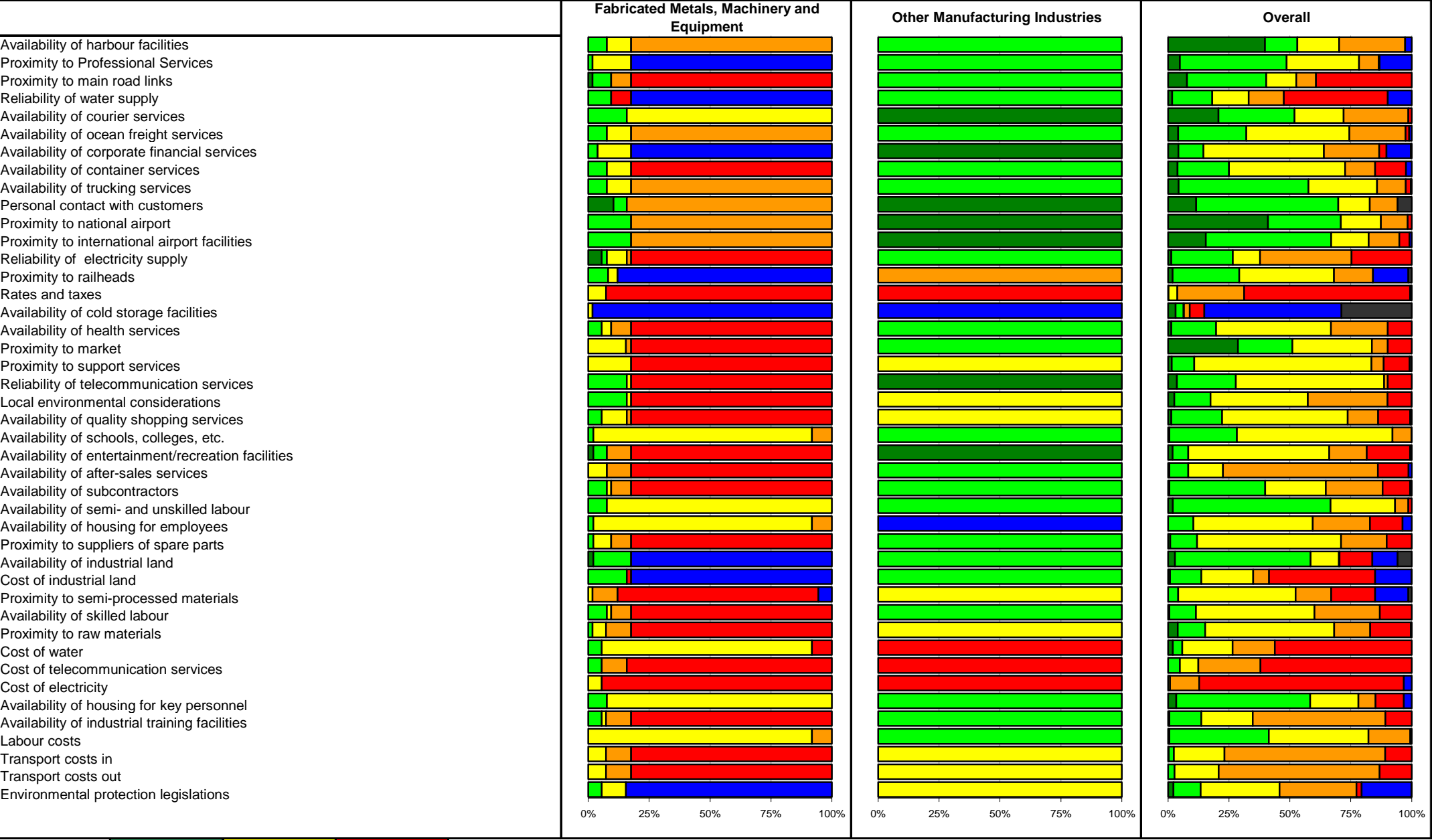
Annexure B

Questionnaire 3 : Development Constraints



Annexure B

Questionnaire 3 : Development Constraints



Compared to the same quarter of a year ago are:

- 1a Domestic Sales (Volume)
 1b Export Sales (Volume)
 2 Production (Volume)
 3a Domestic orders received (volume)
 3b Export orders received (volume)
 4 Unfilled orders relative to total assets
 5 General business conditions
 6 Number of factory workers
 7 Average hours worked per factory worker
 8 Fixed Investment

The rate of increase in the...

- 9a Average total cost per unit of production
 9b Average labour cost per unit of production
 9c Average purchase price per unit of raw material
 9d Average domestic sale price per unit of production
 9e Average export sale price per unit of production
 9f Taxes paid as % of sales

Compared to the same quarter of a year ago are current stock of

- 10a Raw materials relative to planned production
 10b Finished goods relative to expected total demand

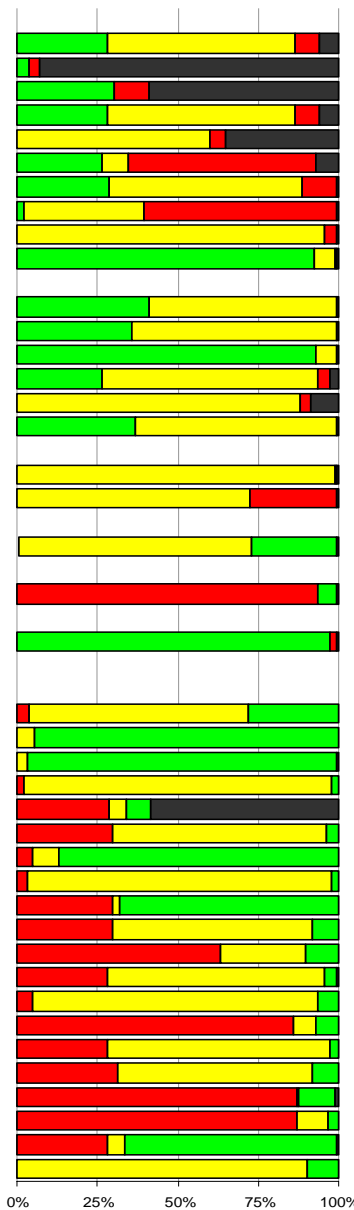
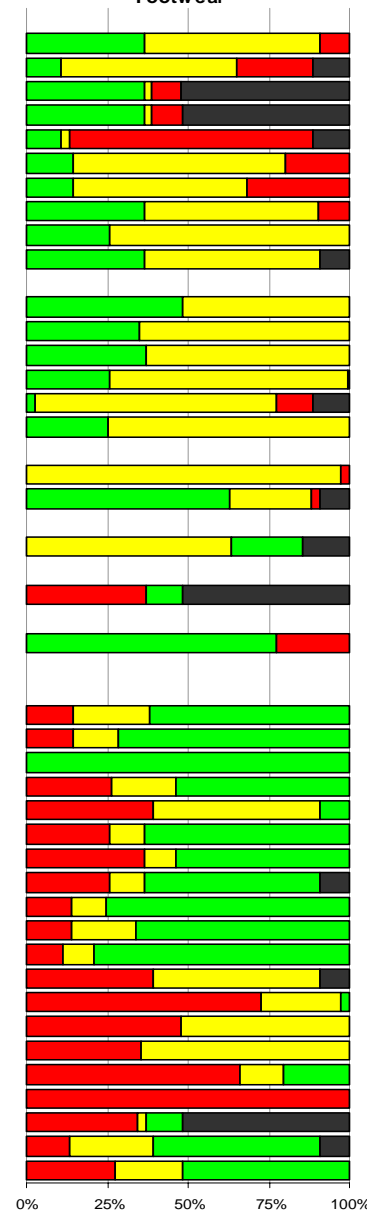
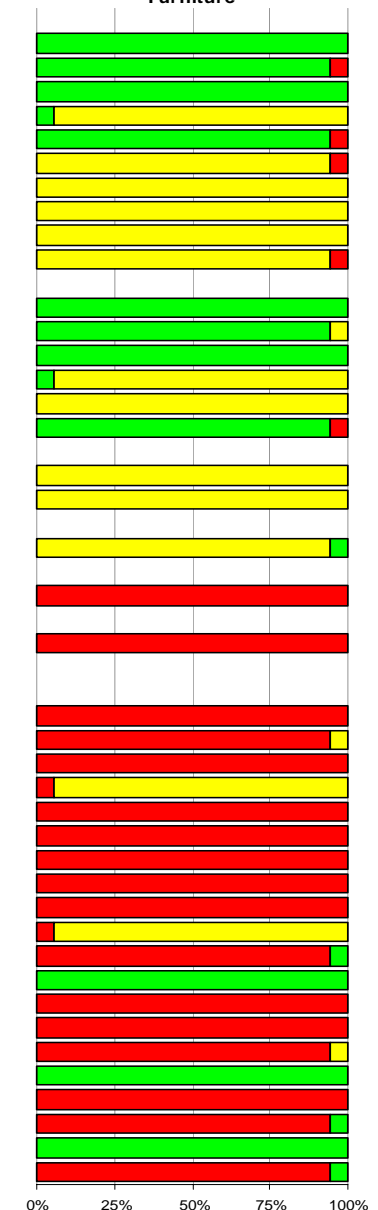
- 11 Delivery period of orders

- 12 Is your current level of output below capacity

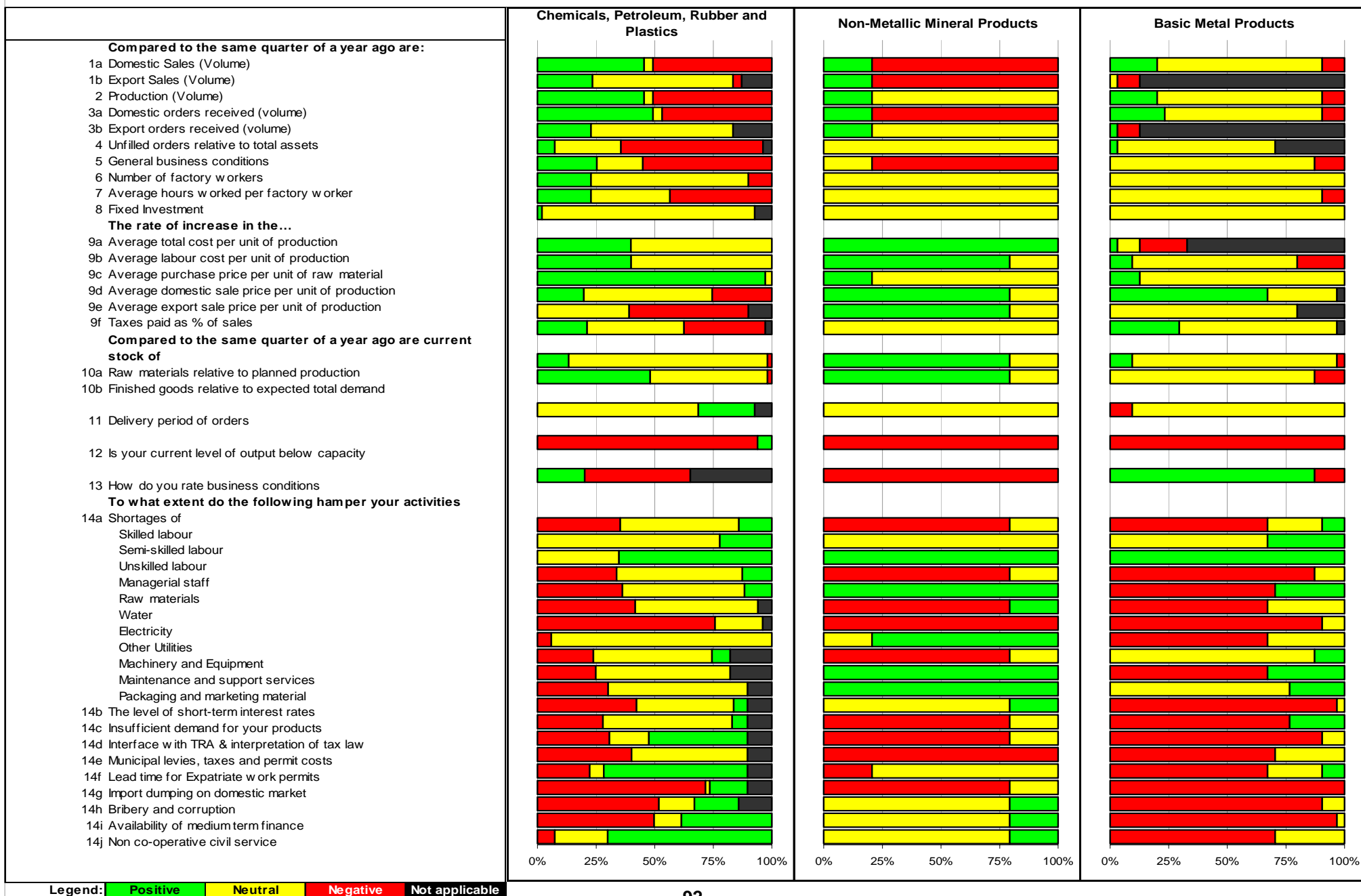
- 13 How do you rate business conditions

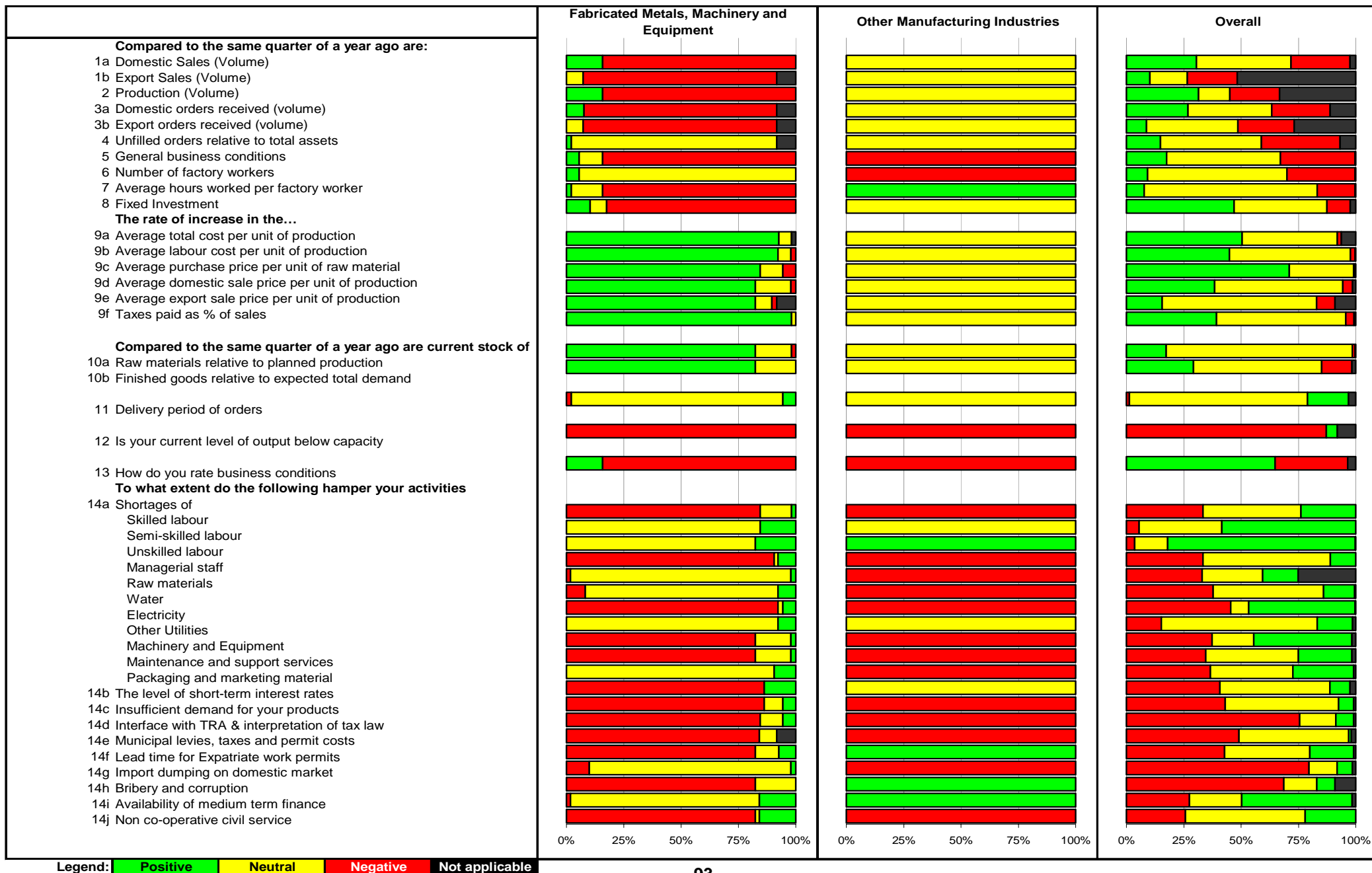
To what extent do the following hamper your activities

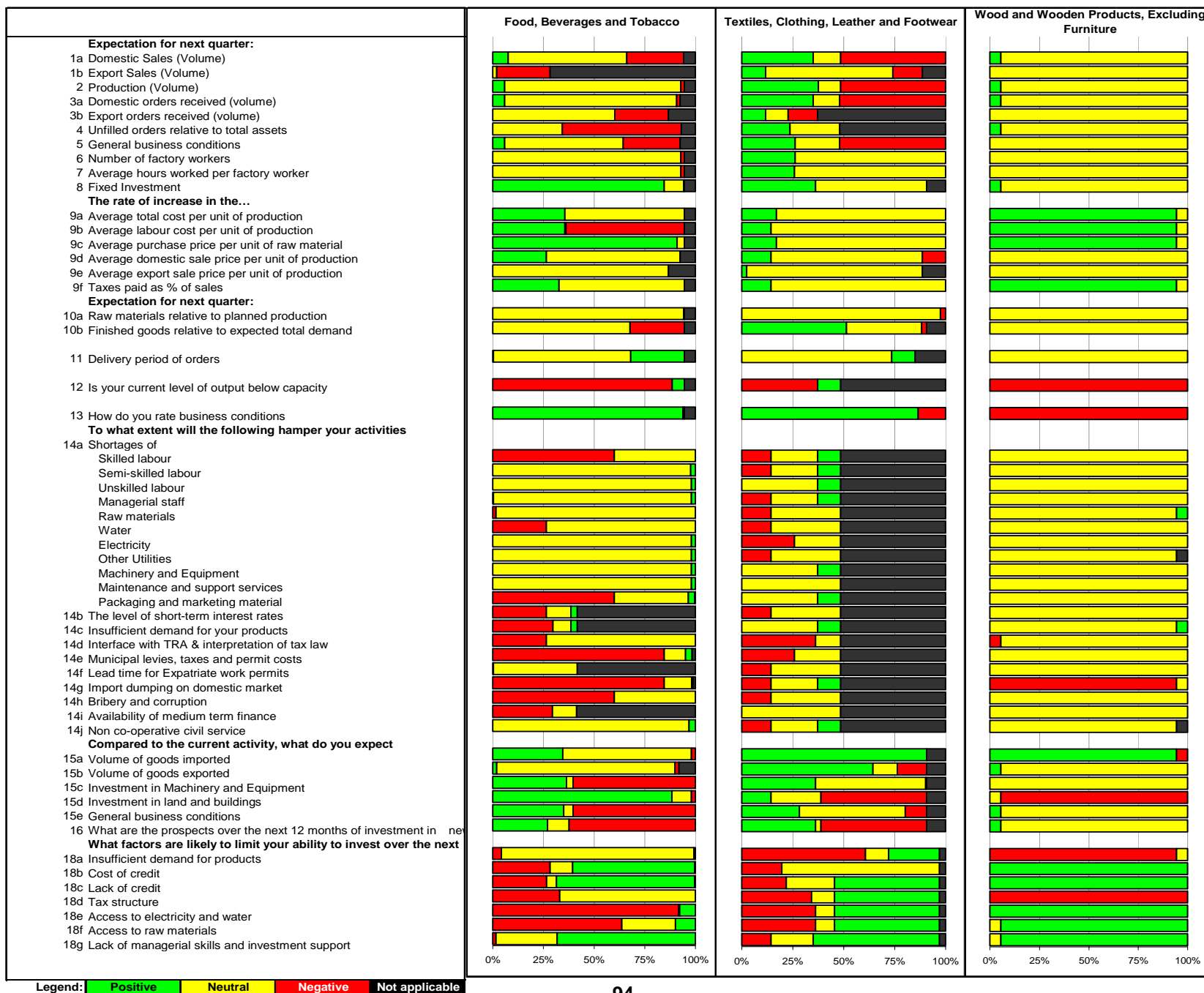
- 14a Shortages of
 Skilled labour
 Semi-skilled labour
 Unskilled labour
 Managerial staff
 Raw materials
 Water
 Electricity
 Other Utilities
 Machinery and Equipment
 Maintenance and support services
 Packaging and marketing material
 14b The level of short-term interest rates
 14c Insufficient demand for your products
 14d Interface with TRA & interpretation of tax law
 14e Municipal levies, taxes and permit costs
 14f Lead time for Expatriate work permits
 14g Import dumping on domestic market
 14h Bribery and corruption
 14i Availability of medium term finance
 14j Non co-operative civil service

Food, Beverages and Tobacco**Textiles, Clothing, Leather and Footwear****Wood and Wooden Products, Excluding Furniture**

Legend: Positive Neutral Negative Not applicable







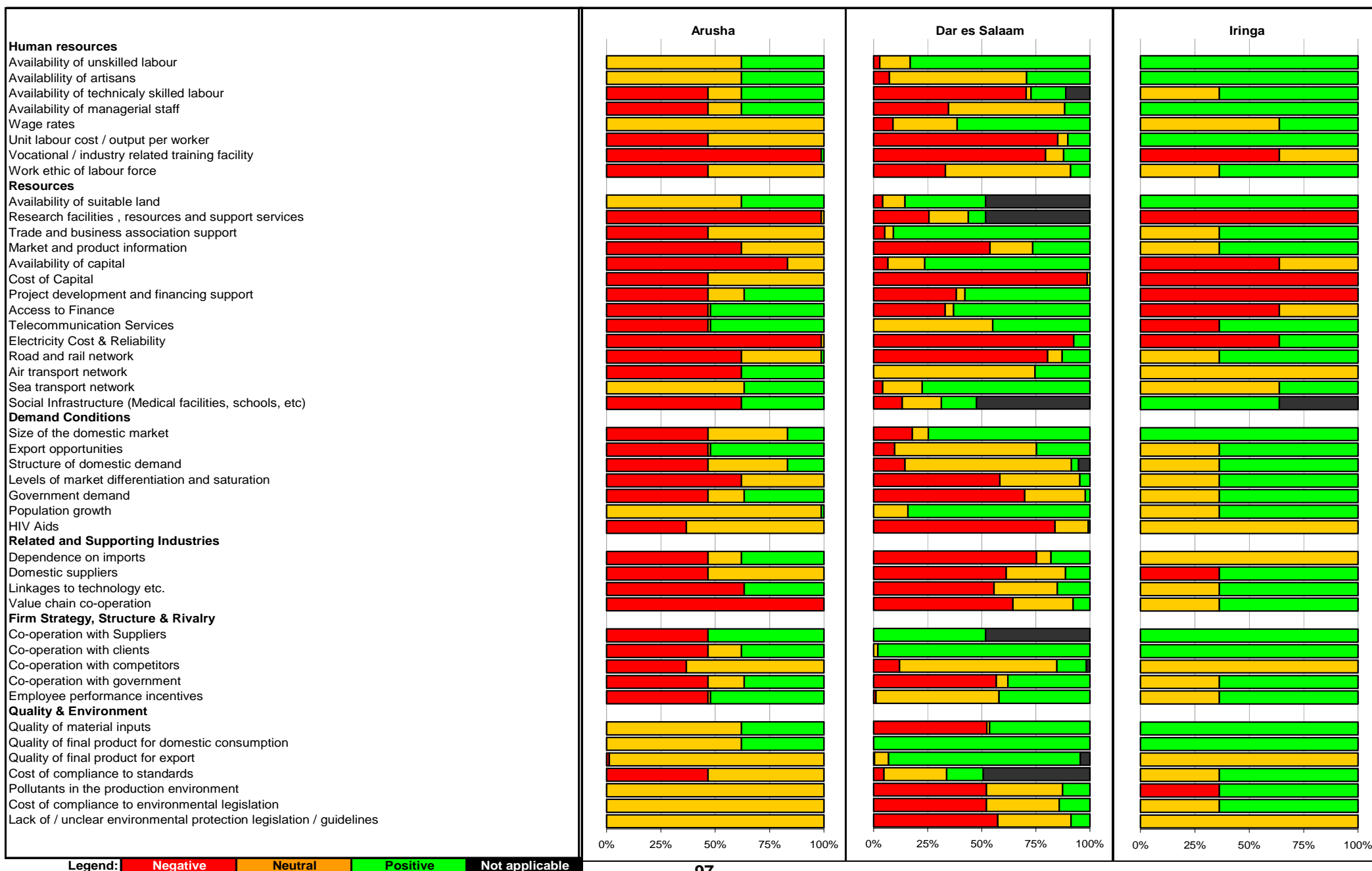


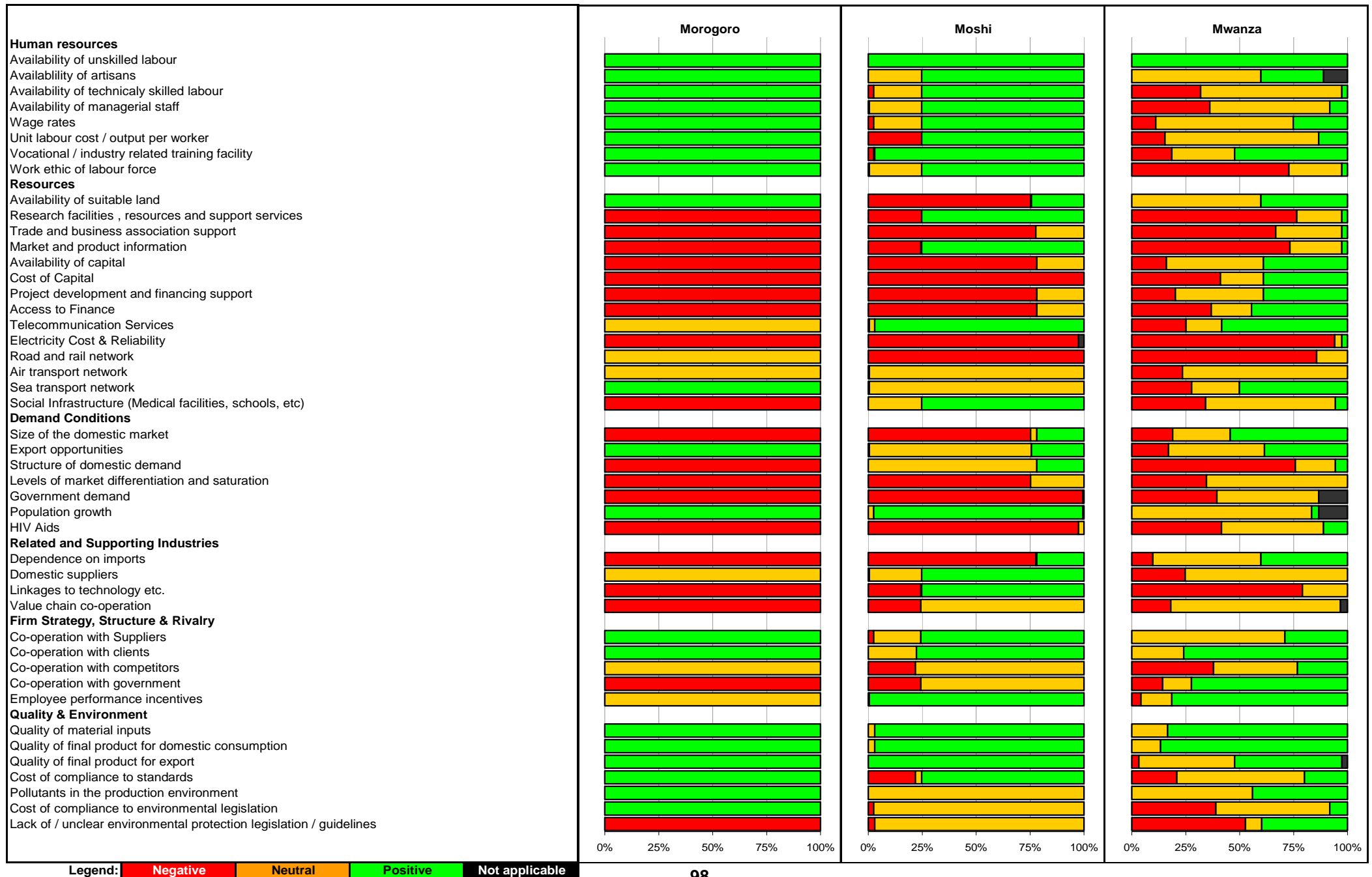


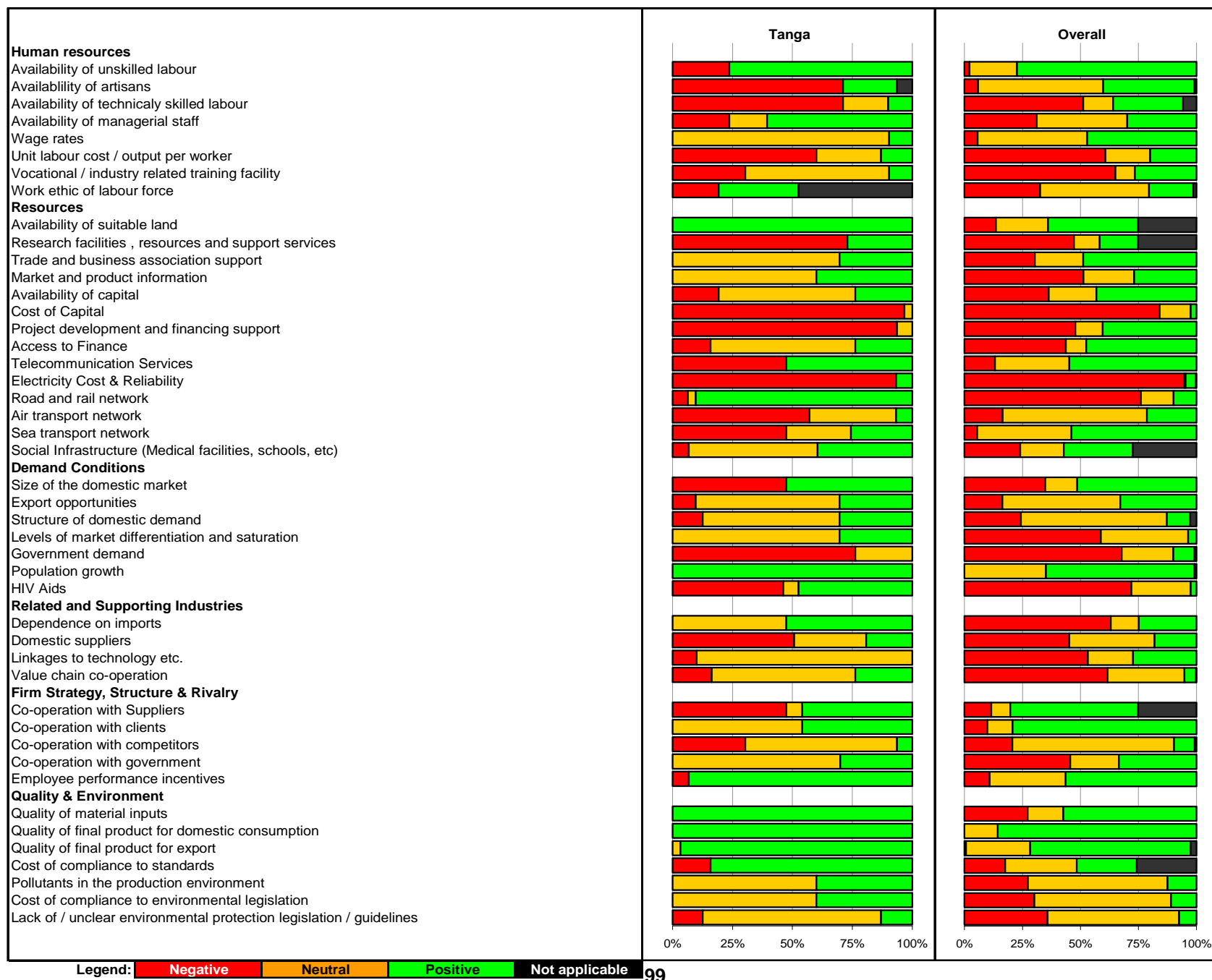
Legend: Positive Neutral Negative Not applicable

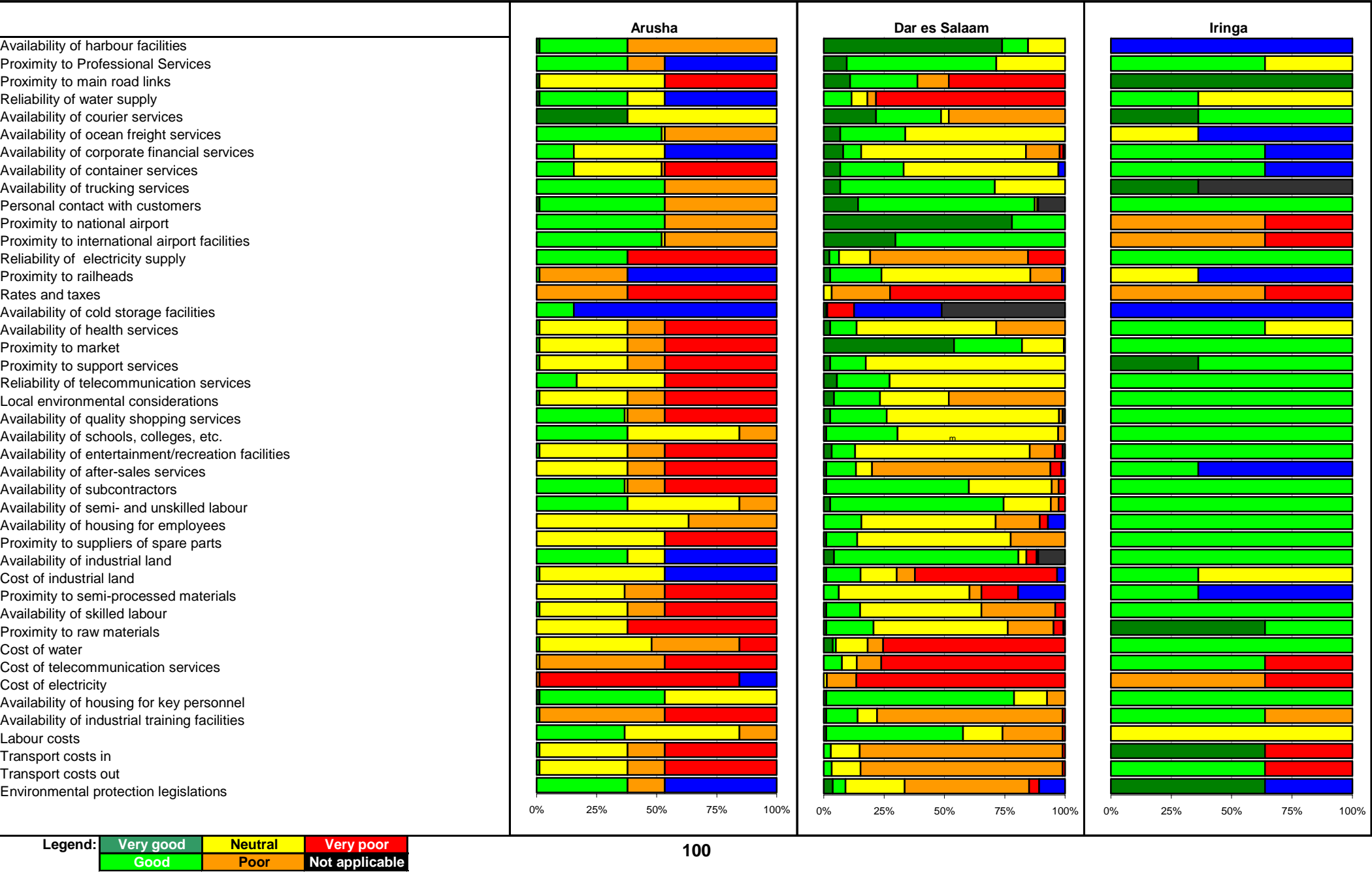
Annexure B

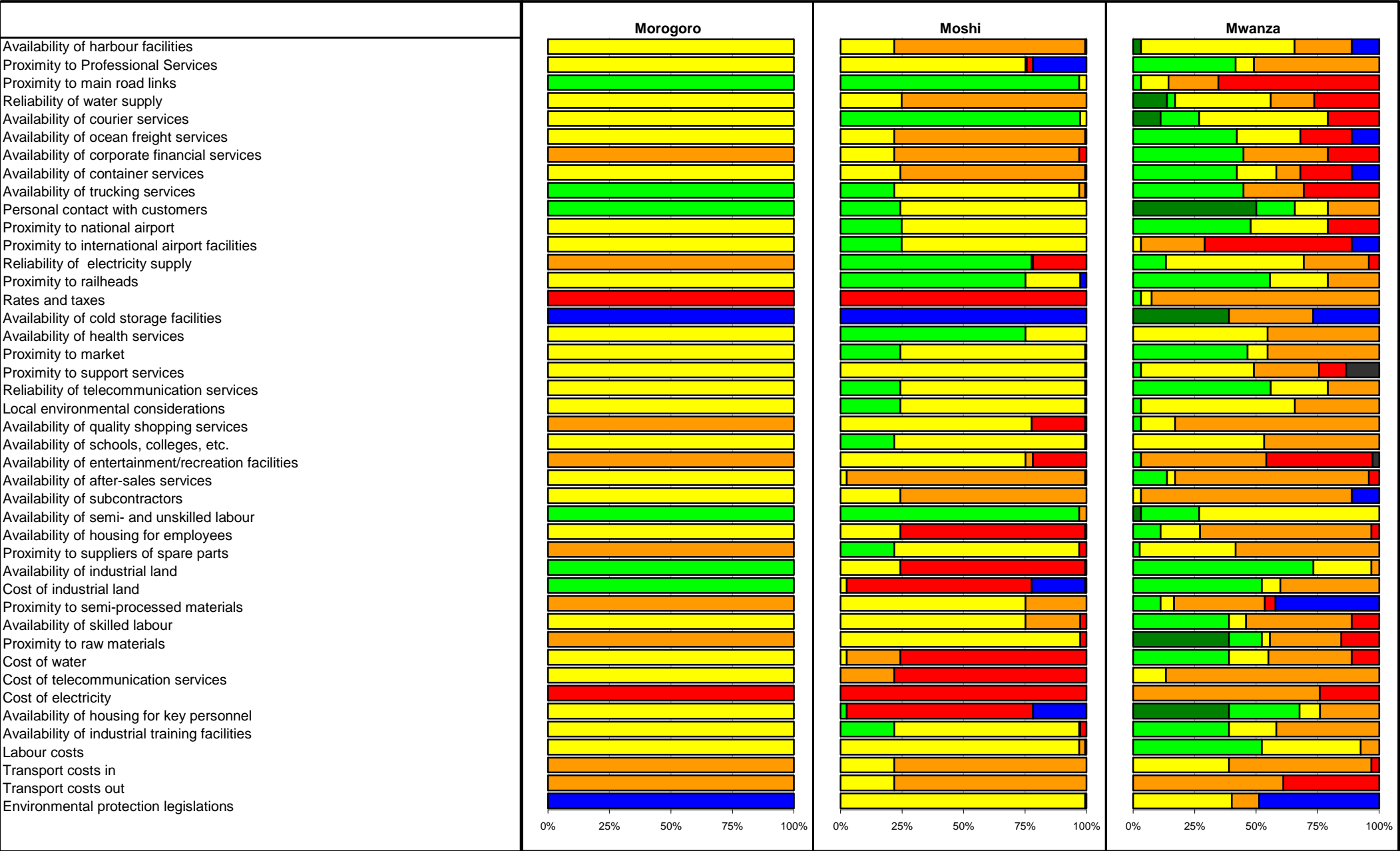
Questionnaire 1 : Competitive Strengths and Investment opportunities







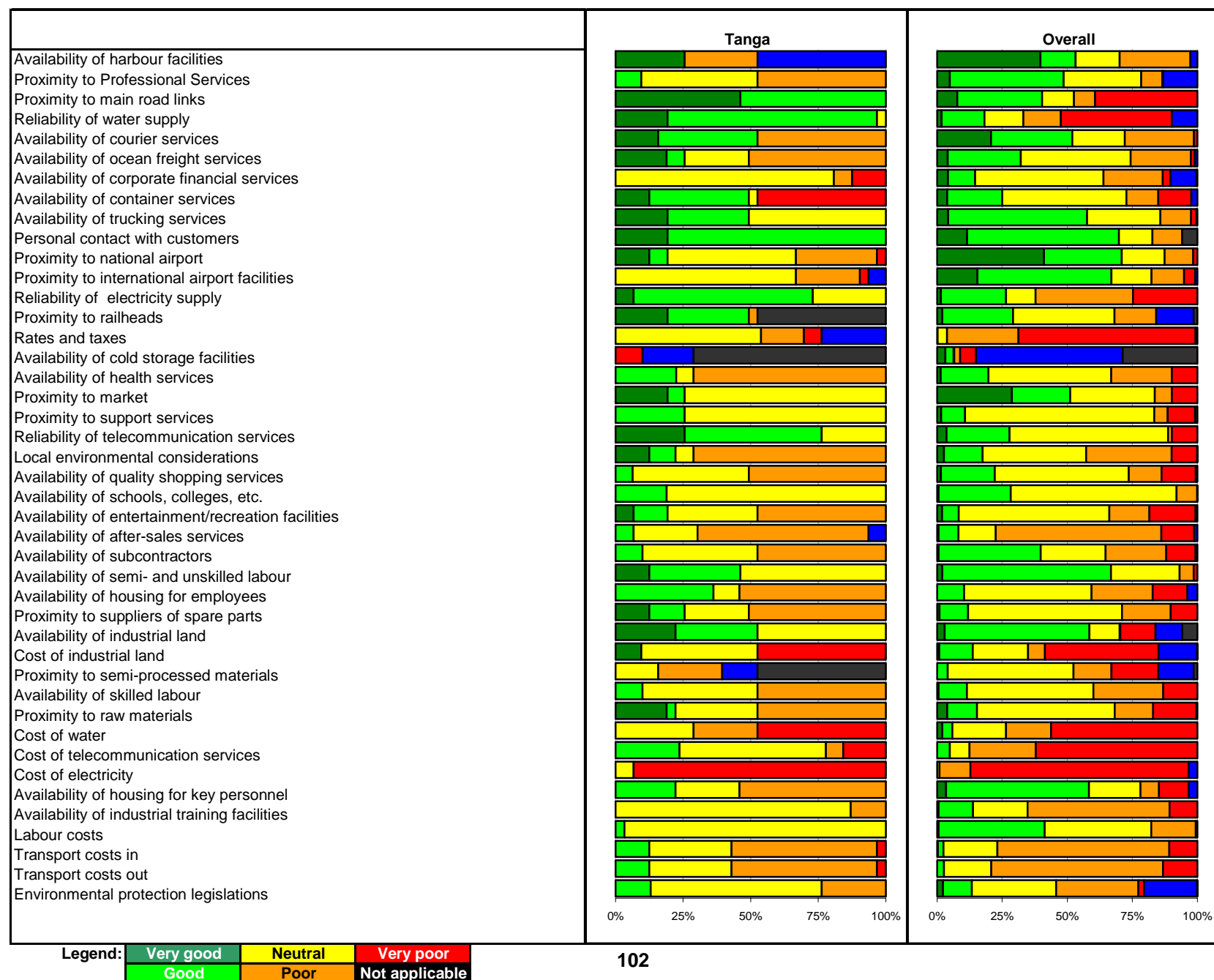


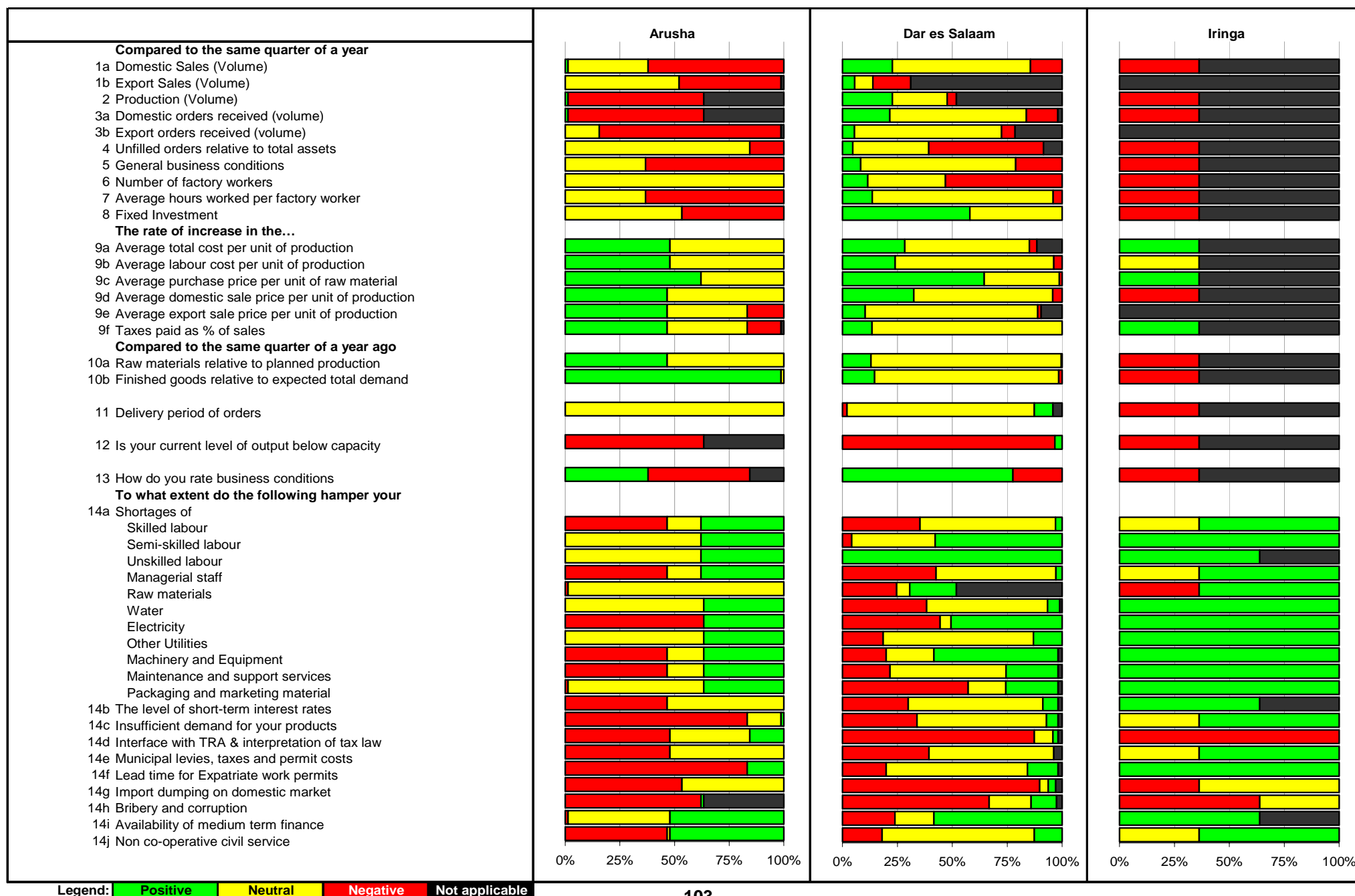


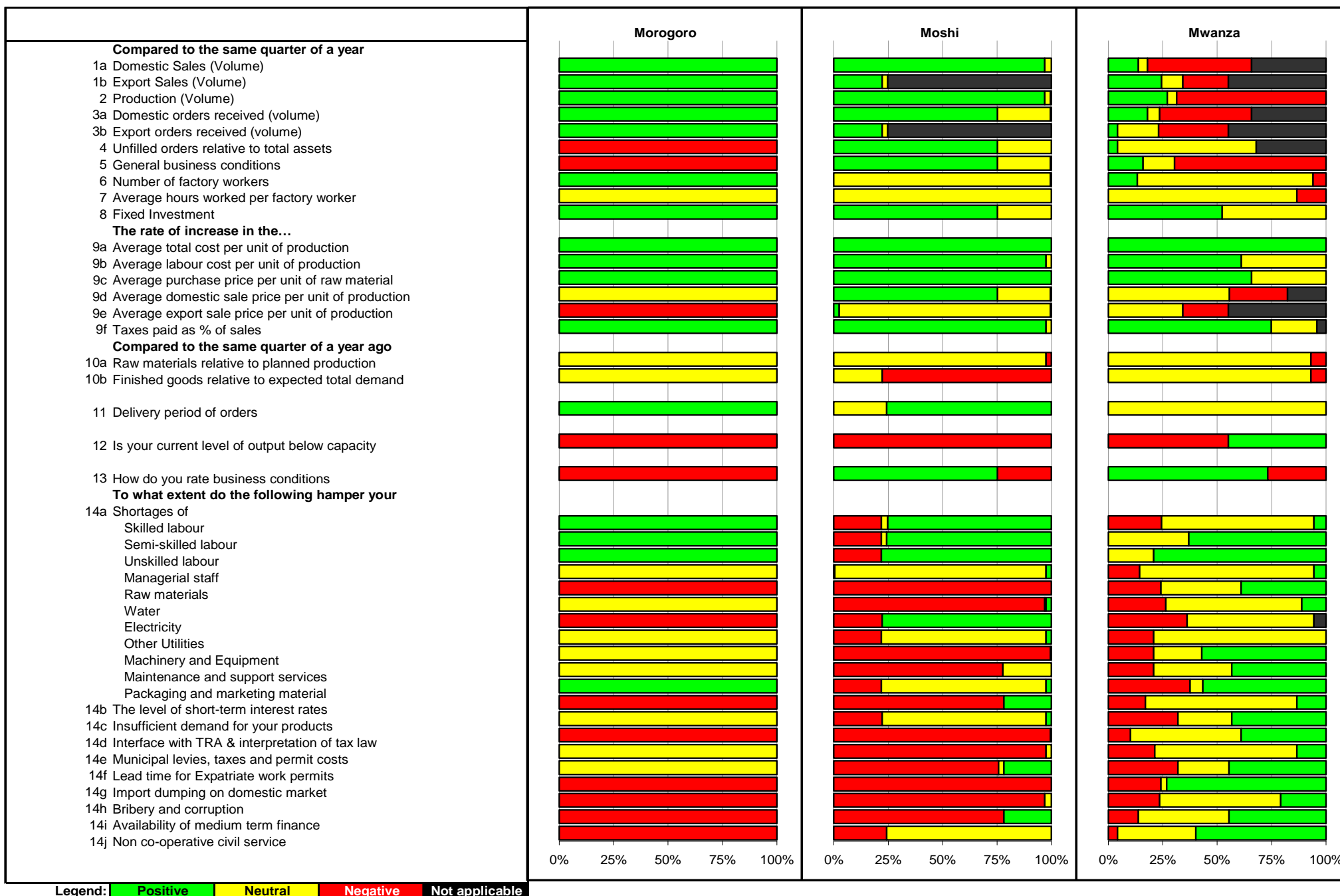
Legend: Very good Neutral Very poor
Good Poor Not applicable

Annexure B

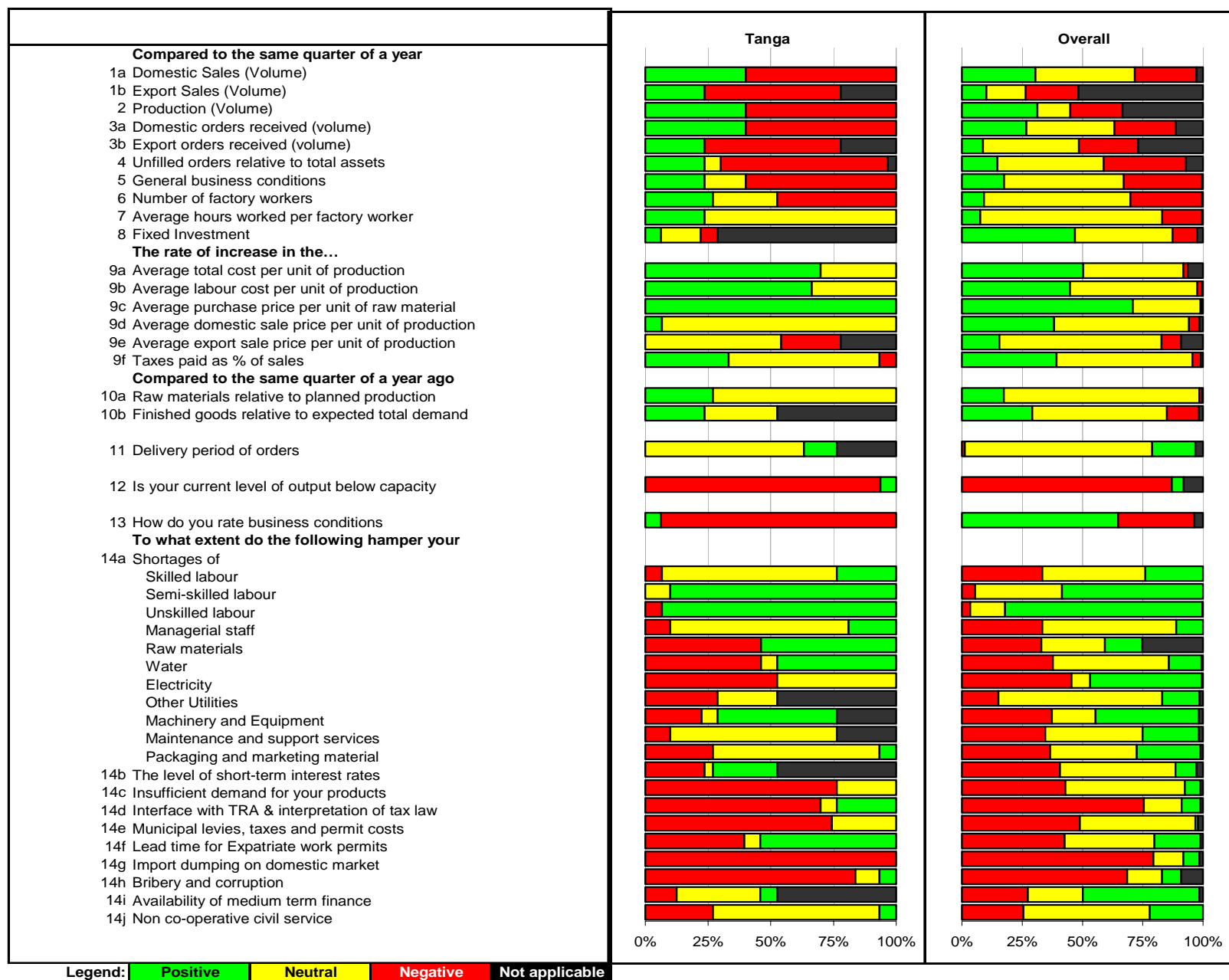
Questionnaire 3 : Development Constraints

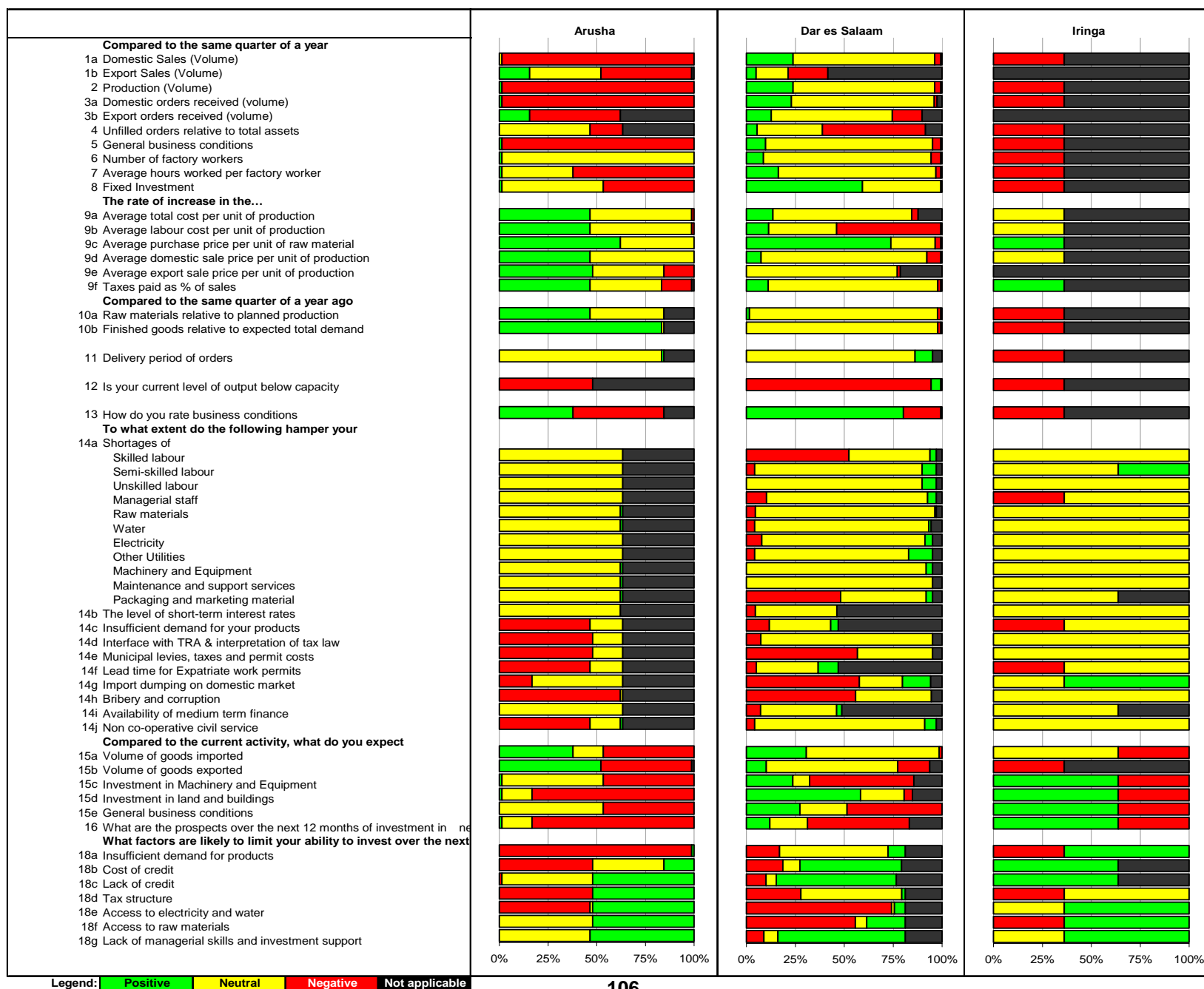






Legend: Positive Neutral Negative Not applicable









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