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**INTEGRATED INDUSTRIAL DEVELOPMENT PROGRAMME FOR  
CAPACITY-BUILDING TO ENHANCE INDUSTRIAL COMPETITIVENESS  
AND SUSTAINABILITY IN TANZANIA  
(WITH EMPHASIS ON SMEs AND AGRO INDUSTRIES)**

Report of the Independent Joint In-depth Evaluation Mission\*

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The views and opinions of the evaluation team do not necessarily reflect the views of the Government of the United Republic of Tanzania and of UNIDO.

This document has not been formally edited.

## **Acknowledgment**

The evaluation team would like to thank all persons met and especially all persons involved in planning and realizing the mission. We hope that some of the proposed recommendations will contribute to the continuous improvement of the Programme and to the achievement of the expected results.

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## Acronyms

ASDS	Agricultural Sector Development Strategy
BEST	Business Environment Strengthening Programme for Tanzania
BDS	Business Development Services
BRELA	Business Registrations and Licensing Agency
CAMARTECH	Centre for Agricultural Mechanization and Rural Technology
DAC	Development Assistance Committee
EAC	East African Community
EU	European Union
FDI	Foreign Domestic Investment
GDP	Gross Domestic Product
GEF	Global Environment Fund
IP	Integrated Programme
KIDC/KIDT	Kilimanjaro Industrial Development Centre/Trust
LAT	Leather Association of Tanzania
MAFS	Ministry of Agriculture and Food Security
MIT	Ministry of Industry and Trade
NESP	National Poverty Eradication Programme
POPS	Persistent Organic Pollutants
PRSP	Poverty Reduction Strategy Programme
SADC	Southern Africa Development Community
SIDO	Small Industrial Development Organization
SIDP	Sustainable Industrial Development Policy
SMEs	Small and Medium-sized Enterprises
TBS	Tanzania Bureau of Standards
TCCIA	Tanzania Chambers of Commerce, Industries and Agriculture
TIC	Tanzania Investment Centre
TILT	Tanzania Institute of Leather Technology
TIRDO	Tanzania Industrial Research and Development Organization
TNBC	Tanzania National Business Council
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United National Development Assistance Framework
UNIDO	United Nations Industrial Development Organization
URT	United Republic of Tanzania

## **Executive Summary**

### ***IP1 was largely successful***

1. The terms of reference for this evaluation are at appendix 1. The overriding objective is to learn lessons from the first Integrated Programme (IP1) to improve future UNIDO performance in Tanzania and elsewhere. The UNIDO IP1 team was breaking new ground for UNIDO in Tanzania and was under pressure to design and deliver a programme with a minimum of guidance and support and to a strict time schedule. They did so with commendable enthusiasm, commitment and professionalism and with the full support of UNIDO's main counterpart / partner – the Tanzania Ministry of Industry and Trade (MIT). Their joint efforts were instrumental in making the programme largely successful.

### ***Programme integration is the way forward for UNIDO***

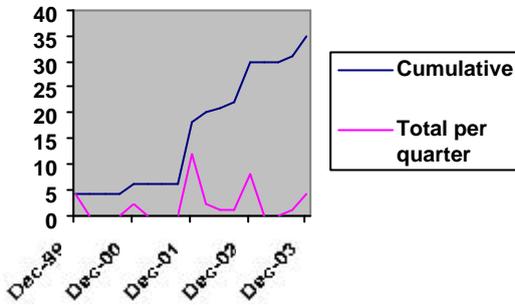
2. The integrated approach to programme development and implementation has been a major and positive step forward for UNIDO that has brought a number of benefits. It has fostered a team based approach and promoted synergy both within and between UNIDO and its main counterpart / partner – MIT. There is a strong sense of ownership of IP1 at senior levels within MIT and there can be little doubt that the presentation and promotion of UNIDO's services in a single programme document has contributed towards raising both the profile of UNIDO and the interest levels of stakeholders. One senior member of MIT commented that IP1 has “helped put UNIDO on the map in Tanzania.” The IP document also helped to improve the transparency of UNIDO operations and provided MIT with an additional vehicle for systematic dialogue with other Government Ministries, which in turn has helped it to demonstrate partial implementation of Tanzania's SIDP. The integrated approach in Tanzania should therefore continue in IP2 but be based on an **improved diagnosis** of the latest industrial situation to establish better baselines and targets at national and output levels.

### ***IP1 has been well managed and great care has been taken to ensure synergy during implementation***

3. IP1 was well managed both within UNIDO and MIT. Both teams have met regularly to discuss progress and to ensure synergy during implementation wherever possible. Indeed, the UNIDO Team Leader has maintained a 'synergy table' to assist him monitor progress and ensure coordination. The inclusive management style has contributed greatly towards a strong sense of ownership at senior levels within MIT. The strong partnership that has been developed during IP1 provides a solid foundation on which to build an even better IP2.

Each of IP1 outputs were relevant

Figure 1: Outputs delivered or planned

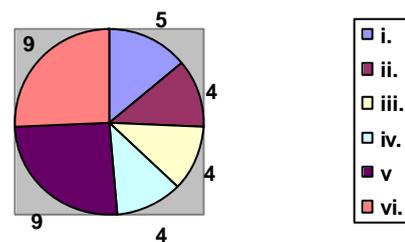


4. As shown in Figure 1, IP1 is expected to produce 35 different outputs. Each output was confirmed as relevant to Tanzania's SIDP although improvements to future programme design are necessary to improve focus, complementarities and potential impact. It is also interesting to note from Figure 1 that activity for the majority of outputs has been reported as completed during the final month of the financial year. This practice leads to bunching of UNIDO HQ administrative activity at the year-end and could lead to sub optimal use of UNIDO administrative resources.

5. Figure 2 shows IP1 outputs by 6 generic outputs that provide a direct link to the SIDP:

- i. A suitable environment for the promotion of private sector investments including fair practices and competition, social infrastructure and support institutions.
- ii. Increased sustainable productivity and environmental improvements through the promotion of new or upgraded technologies and management processes.
- iii. Improved competitiveness and access of industrial products in both the domestic and export markets achieved through the promotion of standards
- iv. New employment opportunities through the development of medium, small and micro industries and the encouragement of entrepreneurship including relevant support institutions.
- v. Government machinery able to

Figure 2: Generic service outputs of IP1



develop, implement and monitor new or improved strategies.

- vi. New or enhanced public / private sector platforms and partnerships necessary to implement Government policies and strategies including support institutions.

Note that v and vi are included in the SIDP under 'policy implementation modality.'

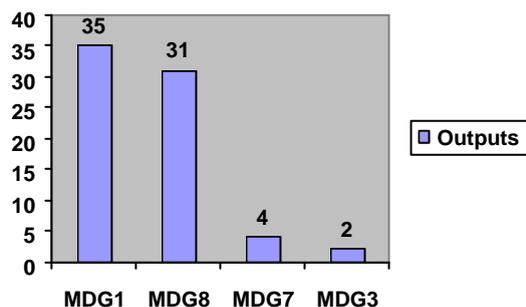
6. As can be seen from Figure 2, the highest concentration of generic outputs (v and vi.) were aimed at assisting MIT to implement the SIDP, thereby meeting the priority objective of IP1. Other generic outputs also clearly address the priority objectives contained in the body of the SIDP. However, this analysis has served to highlight the lack of clarity of development objectives and the absence of industry-specific baselines and targets at the national policy level. **A comprehensive assessment of industrial performance is needed to establish clear targets at national level, linked to the PRSP and MDGs as a prerequisite to any development effort.**

Amongst other things, this is needed to facilitate improved tracking of implementation performance and the policy impact evaluation necessary to inform future decision-making. It will also enable, future UNIDO and other donor programmes to be clearly targeted at national priorities and MDGs to the benefit of all.

*A link between outputs, Government policies and the Millennium Development Goals was retrospectively established but attribution could be strengthened.*

- 7. A rudimentary contributory linkage from each of the 35 programme outputs to the achievement of the Millennium Development Goals (MDGs) using the SIDP as a mid point in the chain has been established. As shown in Figure 3, all 35 UNIDO outputs contribute towards MDG1 (eradication of poverty through the ultimate goal of sustainable industrial development including the creation of new jobs and income); 31 of the outputs contribute to Goal 8 (developing a global partnership for development); 4 contribute to Goal 7 (environmental sustainability) and 2 to Goal 3 (the promotion of gender equality). The latter contribute in

Figure 3: Outputs by Millenium Development Goal

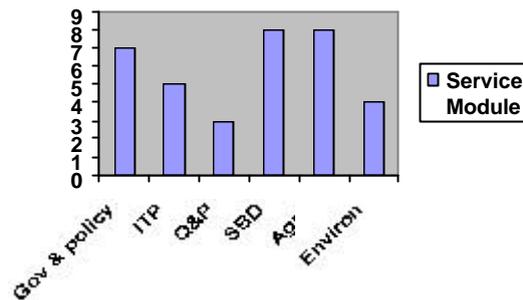


equal measure to MDG8 –hence the sum of the parts equal more than 35. The link could be improved if the both the SIDP objectives and UNIDO programme outputs / objectives were more clearly defined and consistently expressed against the MDGs.

**Further analysis of focus and target intervention levels supports conclusions of programme relevance**

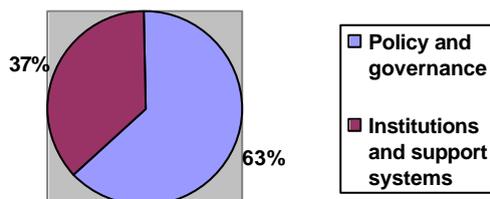
8. Figure 4 shows that outputs were varied in terms of UNIDO service modules. As can be seen, the majority of outputs are in the UNIDO service modules of small business development and agro-industry closely followed by governance and policy. This is consistent with UNIDO’s Medium Term Programming Framework as endorsed by Member States. As mentioned earlier, it was also confirmed that each output met MIT priorities.

Figure 4: Outputs by service module



9. UNIDO helps in the fight against poverty by promoting actions that will improve national industrial performance and the capabilities of industrial enterprises. Within UNIDO Integrated

Figure 5: Outputs by strategic perspective



Programmes, this invariably involves interventions from the strategic perspectives of ‘policy and governance’ and ‘industrial institutions and support systems’. Figure 5 shows that of the 35 expected outputs of IP1, 22 (63%) interventions were at the strategic perspective of policy and governance and 13 (37%) at the strategic perspective of industrial institutions and support systems including 8 (23%) supporting the micro sector. This compares with an approximate 50:50 share of total funds between the two perspectives.

**2/3rds of the 30 completed outputs have resulted in improvements but impact cannot be assessed on available data.**

10. It is possible to confirm that 20 (2/3rds) of the 30 outputs completed to date have resulted in improvements to an assumed opening position and it is

reasonable to assume that further improvements will follow if the Government implements the recommendations of other outputs. However because of the lack of context and clarity the quantification of outcomes and impact has not been possible. Partly due to the speed in which IP1 was formulated, insufficient attention was given towards establishing firm baselines and setting measurable time bound targets for improving the industrial situation in Tanzania. In a number of cases objectives could have been more clearly defined. Additionally, the distinction between activities and outputs has not always been consistently applied particularly where the programme has accommodated ongoing activity. For example there is overlap between TNBC programmed outputs in components 1 and 6.

***UNIDO interventions are widely regarded as practical and of direct benefit to counterparts***

11. A high percentage of counterparts interviewed as part of the evaluation exercise made the point that UNIDO interventions were widely regarded as delivering practical and tangible benefits and as such they were widely regarded. This was particularly the case in the field of investment promotion where hands-on coaching, practical assistance and support with promotion exercises and a delegate programme that made use of UNIDO's worldwide network was considered to have contributed greatly to improvements in the capacity and performance of staff working in the Tanzanian Investment Centre.

***Success at the micro sector level is rewarding but the horizons of such interventions need expanding in order to achieve more impact and make the best use of MIT and UNIDO resources***

12. There have been successes at the micro sector level of intervention in IP1 i.e. the 8 UNIDO outputs that focused on small sized micro sector support services. Notable successes include the 'Women Entrepreneurs in Development – food processing project'; bridging support to the Artisans Development Agency of Tanzania – textiles project; and revitalization of the Kilimanjaro Industrial Development Center. But notwithstanding the undoubted progress on each, the potential impact on the sustainable national industrial development of Tanzania could end up being small unless the future horizons of each are significantly broadened and issues relating to sustainability are resolved. Accordingly, the Business Plans for each organization are being revised by their respective management teams to address these issues.

13. It is becoming increasingly difficult for UNIDO to differentiate itself and demonstrate unique value at the micro level in Tanzania. That said, there is a continued role for UNIDO to play at the micro level, perhaps in assisting MIT in programme coordination. Not only is it important that UNIDO professionals maintain an appropriate level of experience at this level to ensure credibility of advice, it is often necessary to operate at this level to develop models for wider application. The WED project is an example of this. However, UNIDO interventions at this level should always be limited to instances where it has a

comparative advantage or niche expertise **and** where long-term donor funding is assured in advance of activity necessary for the delivery of the required output. Only in exceptional circumstances, should programmable resources be used at the micro level on the assumption that donor funding will materialize at a later date to complete an activity or output.

***IP1 interventions at the policy and governance perspective including capacity building are likely to have greater potential for national impact***

14. There are five outputs of IP1 that will have major short and long-term impact:

- i. The contribution made towards the establishment of the Tanzania National Business Council, chaired by the President of Tanzania. Notwithstanding issues of sustainability, this is widely acknowledged as a major step forward in facilitating improved dialogue between the public and private sectors that was achieved with UNIDO's support.
- ii. Improvements to the national position on investment promotion through the development of staff capacity in the Tanzania Investment Center; the establishment of the National Investment Steering Committee, chaired by the Prime Minister of Tanzania, as a forum for resolving investment issues, and the facilitation of legislative change to make Tanzania more attractive to potential investors.
- iii. The formulation of a strategy to revitalize the leather industry, which was recently approved by the Cabinet.
- iv. The formulation of an SME policy, which was also recently approved by the Cabinet although success in this area is tempered by the need to strengthen donor support.
- v. Assisting the Ministry of Natural Resources and Tourism (Fisheries Division) to overcome a ban by the European Union on fish imports from Tanzania.

15. With the exception of v. each of these outputs are at the perspective of policy and governance. In the case of v., UNIDO's standing as 'honest broker' in the international community played a large part in the success of the intervention. Findings therefore support the belief of the evaluation team that programmable resources and future funds mobilization activity in Tanzania should increasingly focus on interventions at the perspective of policy and governance including related capacity building.

*Donor interest was disappointing and on occasions available funds were spread too thinly*

16. On the face of it, the funding position of IP1 looks reasonably encouraging. Compared with the original planning figure of \$7.2 million, Project Allotment Documents to the value of \$4.4 million (61%) were issued. Figure 5 shows that only 8 outputs or 19%

Figure 5: Output funding position by service module

of the potential total of 43 outputs included in IP1 were not funded.

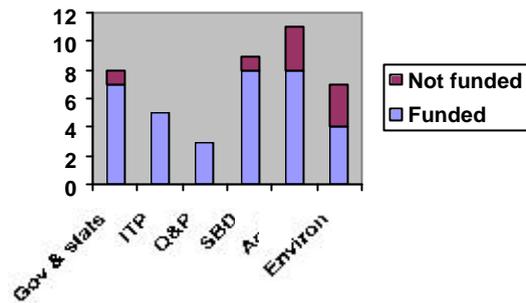
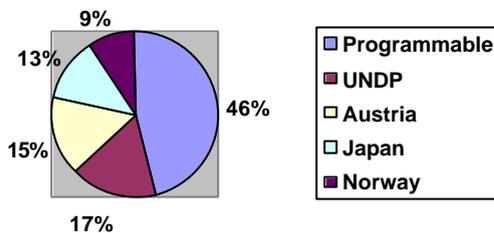


Figure 6: source of funding



17. On closer inspection, Figure 6 shows that the major source of funding for IP1 came from UNIDO programmable resources (46%). This gives a UNIDO: Donor funding ratio of almost 1:1. The shortage of funds undoubtedly impaired potential impact because it was not possible to implement some outputs and for others it was only possible to partially implement. In some cases, a higher concentration of available funds i.e. on fewer outputs, could have produced better results. This was particularly the case in the generic area of capacity building within MIT where activity fell far short of desired levels.

*The unique situation within Tanzania warrants a new approach to programming.*

18. The final funding position was disappointing yet the UNIDO programme formulation team consulted widely to develop a programme that met national/SIDP priorities and contributed towards delivery of the PRSP. It would also be an over-simplification to blame the disappointing funding performance on inadequate marketing of the programme. Indeed, a HQ-led funds mobilization mission to Tanzania was undertaken during the early period of IP1 implementation and made great efforts to promote the programme but with limited results. Based on donor feedback, the main reason for the lack of donor interest is that IP1 was not produced in a way that optimized donor interest, in particular it was not explicitly based on a comprehensive diagnostic analysis of the industrial situation in Tanzania or took full account of the unique situation in Tanzania vis-à-vis national PRSP monitoring and funding mechanisms and donor priorities. This has contributed towards an unjustified feeling by some donors that UNIDO has acted

independently or at least outside of the normal framework and that IP1 was supply driven. It is apparent that a new approach to programming is called for in Tanzania if UNIDO is to have a major impact on the future industrial development of Tanzania and the expectations of IP2 are to be realized.

19. The situation within Tanzania is unique. It is 'donor rich' with much activity and competition among donors and Government Ministries. There have been coordination problems, duplication, overlap and nugatory efforts and expenditure on the part of both. Until recently, the situation was serious and counter productive to development efforts. To resolve the problem, the Government of Tanzania and the donor community have adopted new coordinated consultative approaches towards funding and performance monitoring. The new funding and performance monitoring modalities have major implications for non-funding agencies such as UNIDO.

20. Large amounts of donor funds are now given directly to the Government of Tanzania by way of budgetary support. Such funds must be used by the Government on priority sectors within the PRSP and the Tanzania Assistance Strategy (TAS). The Public Expenditure review, the Medium Term Expenditure Framework, Government budgetary control and poverty monitoring systems ensure this happens. Government is able to use the allotted funds to contract for assistance i.e. UNIDO and other implementing agencies are able to compete for work. The implication is that Government is given a choice and implementing agencies must therefore deal more directly with Ministries and less with donor funding agencies. Basket funding mechanisms are a variation on this general theme. In such cases, Government, other indigenous stakeholders and the donor community jointly agree major thematic or sector development programmes. The donor community then jointly contributes 'Basket Funds' for their implementation. The Business Environment Strengthening in Tanzania (BEST) programme is one such 'Basket Fund' that has immediate implications for the MIT/UNIDO partnership and any future integrated programmes for Tanzania. The BEST programme is supported by the Netherlands, Denmark, Sweden and the UK and will be a major source of funding industry related development programmes concerned primarily with regulatory and legal aspects of the business enabling environment including investment. The focal point within Government for BEST is the President's Office, Planning and Privatization.

21. It is important that MIT and UNIDO are well positioned to take advantage of this new paradigm and the opportunities it provides. UNIDO will need more than ever to demonstrate its comparative advantage and the added value of its services if it is to have an effective part to play. This will require a new approach to programme development by UNIDO/MIT that will attract wide based support within the wider Government of Tanzania and the in-country donor financing community; raise the profile of MIT within Government and enhance its ability to work with and influence other Ministries. Getting to grips with the situation in Tanzania may also provide a UNIDO model for application in other countries where similar donor funding modalities are adopted. Other African countries are already heading in this direction.

***IP2 should take full account of the joint communiqué, the UNIDO competitiveness survey and a diagnosis of the latest industrial situation.***

22. A joint communiqué between the UNIDO Director General and the Minister of Industry and Trade was issued on 19 January 2002 following discussions with the Prime Minister and senior Government Ministers. In summary it was agreed that IP2 should focus on the Government's desire to see more activity in the SME sector and the management of the Environment including the mitigation of post harvest losses, food processing, waste management and Governmental capacity building. This should be taken fully into account in determining the new programme. However, it is apparent from the above comments that there is still a need for a full diagnosis to take account of recent developments and to establish baselines and targets necessary to provide a balanced view of industrial performance. This will help ensure increased coordination and synergy and help reinforce MIT's role. Such a diagnosis would take into account UNIDO's industrial (competitiveness) survey conducted under component 1 of IP1 and might make use of analytical tools being developed by UNIDO's Strategic Economic and Research Branch. On one level, the diagnosis could be used to confirm the validity and progress on the SIDP, which is now 6 years old. At a second level such a diagnosis would ensure that IP2 is crafted in consultation with key counterparts and the donor community and establishes appropriate programme level benchmarks and targets for UNIDO's contribution towards PRSP targets and the Millennium Development Goals. Without wishing to prejudice the outcome of the diagnosis, targets for a change of UNIDO emphasis towards more activity at the perspective of policy and governance might also be established for IP2. The latter would be supported by the donor community and the Minister and Permanent Secretary for Trade and Industry. Specifically, UNIDO could help build MIT's capacity to identify implementation strategies and related projects but not necessarily implement them all. Strengthened capacity could also help MIT to play a more pro-active role in the development debate and to emphasize the role that the productive sector has to play in Tanzania's fight against poverty.

***The UR has played a vital role but a stronger UNIDO office in Tanzania would increase effectiveness.***

23. Despite best efforts, it has not been possible for Tanzania-based UNIDO staff to attend all the meetings of the numerous development working groups and sub groups that have proliferated over the period of IP1. This makes it extremely difficult to keep track of all developments, undertake appropriate analysis or exert appropriate levels of influence. This then unfairly contributes towards the perception held by some donors that UNIDO is not a team player. For example, much donor activity is ongoing in the areas of Post Harvest Losses and Food Processing including the development of a new agricultural policy. UNIDO will need to keep on top of such issues during IP2. It is also the opinion of the evaluation team and that of one high profile donor that there is scope for greater local coordination within the UN system. For example, despite the existence of UNDAF there is a recent example, since resolved, where UNIDO and UNCTAD competed for donor funds for similar activity.

Strengthening UNIDO's field capacity in Tanzania would enable the office to better track developments and to play a more pro-active role in the local UN and donor systems.

24. A special mention should also be made of the role of the UR and his personal commitment, networking and advocacy skills each of which have played a major part in raising the profile of the productive sector in the poverty debate. Through his efforts there is regular and high profile national press coverage of industrial development issues and UNIDO. A major breakthrough was recently achieved when a meeting of the Tanzania Consultative Group agreed that the productive sector should be included in the Poverty Reduction Strategy (PRSP). The UR is to be congratulated for helping to make this happen. The close working relationship developed with MIT at the ministerial and top management levels provides a platform from which both can capitalize on the progress made and should be one of the determining factors in developing IP2. The Field Office will need the support of UNIDO Headquarters to contribute towards any reformulation of the PRSP or the UNDAF document to incorporate issues relating to the productive sector.

#### ***Analysis by outputs***

25. IP1 has been evaluated more systematically than in the past in terms of tangible outputs produced. Outputs have also provided the basis for programme analysis. The latter included grouping outputs under 'strategic perspectives' and 'generic service outputs' that correspond in large measure to policies contained in Tanzania's Sustainable Industrial Development Policy (rather than programme components). This is a technique that may be developed further in IP2 as a means of explicitly linking programmed outputs to Government Policies and strategies and for developing complementary indicators that measure UNIDO's contribution towards improving industrial performance at the national level, the PRSP and ultimately to the achievement of the Millennium Development Goals.

#### ***A synthesis report will promulgate lessons learned from a number of recent IP evaluations***

26. As a first step towards promulgating lessons learned more widely, relevant issues arising from this evaluation will be incorporated in a synthesis report that will draw together the results of each of the UNIDO IP evaluations that took place in the latter part of 2002. A number of the findings and recommendations of this evaluation also have immediate implications for the design of a new Integrated Programme for Tanzania (IP2). Others have implications for internal UNIDO procedures and will be pursued through appropriate channels.

## SECTION 1: IP TANZANIA IN-DEPTH EVALUATION

## SECTION 2: SUMMARY OF RECOMMENDATIONS

### **General (applicable to all components or with organization-wide significance)**

- A thorough diagnostic analysis of the industrial situation in Tanzania is required as the basis for IP2. In particular, IP2 must establish links to the PRSP, UNDAF and MDG; establish baselines and set targets as a means of focusing outputs and measuring success.
- MIT's policy, programming and implementation capacity should be a key focus area for IP2.
- The case for strengthening UNIDO's Tanzanian office should be seriously considered.
- Activity on discrete outputs or groups of dependent outputs should commence in Tanzania only when firm commitments of sufficient funds to complete can be secured.
- UNIDO's internal programming process should be reviewed to ensure that it could better accommodate changes during implementation.

### Component 1: Implementation of the Sustainable Industrial Development Policy

- Issues concerning the sustainability of TNBC and PSF should be closely tracked by MIT and UNIDO. UNIDO should stand ready to offer advice if required.
- Activity on the intra-government network (output 4) should formally cease.
- In close cooperation with MIT, the Tanzanian Bureau of Statistics should take on responsibility for producing and distributing MIT's trade statistic requirements. UNIDO should stand ready to provide further advice to MIT if required on the type of statistics needed to monitor trade and other industrial issues in order to help MIT frame correspondence with the Bureau.

### Component 2: Small and Medium Enterprise Development

- It is vital that donors support the new SME policy if implementation is to be successful. The recommended stakeholder workshop, to be held as part of the to the proposed diagnosis of the current industrial position

and the formulation of IP2, could therefore provide the opportunity to promote and explain the purpose of the new policy and its supporting role to SIDP.

- Strengthening the SME capacity of MIT and further support during the implementation of the new SME policy should be a high priority in IP2.
- The WED Business Plan should be reassessed in light of experience during IP1 and proposals for integration of the project team with the Small Industries Development Organization. The opportunity should also be taken to expand the project horizons to ensure greater levels of impact. This in turn will require the establishment of baselines and firm targets for improving the current position (informed through a full diagnosis). Unit costs of training, income and job creation for IP1 should also be established as internal benchmarks.
- The KIDT Business Plan should also be reassessed in light of experience during IP1. In particular, the two alternative models based on an incubator or industrial park, are worthy of serious consideration. On the face of it, the former may provide a better alternative to the achievement of long term sustainability and a model for application elsewhere. A revised Business Plan should also incorporate baselines and firm targets for improving the current position (informed through a full diagnosis).

### Component 3: Investment and Finance

- UNIDO, in consultation with MIT, should consult widely with stakeholders before programming further activity in TIC to ensure coordination. Ideally, further interventions should be coordinated with the BEST programme. Future outputs should also set explicit, time-bound and complementary targets to those contained in the PRSP, SIDP and TIC's Business Plan.
- In connection with the above, further interventions might include the development of investment performance reporting systems including those for tracking the geneses of projects (to gauge the impact of promotional activity) and to what extent investments have led to the transfer of new technology and the creation of new employment opportunities. The potential for TIC linking with the Bureau of statistics in respect of establishing a company database should also be explored.
- Further work might also include support to the National Investment Steering Committee and the TNBC round table initiatives as a means of ensuring their continued effectiveness and sustainability.
- The resources and capacity of TIC to undertake similar promotion activities as those coached under output 4 unaided should be assured following cessation of current UNIDO activity on output 4. The cost and

benefits of this output should also be established as a UNIDO benchmark.

#### Component 4: Productivity, Technology and Competitiveness

- Further work on standards and quality assurance should be informed by a latest diagnosis of the industrial situation in Tanzania including the programmes of other donors.
- Particular attention should be given to sustainability issues during further work in the leather sector that is planned and pre-financed under output 12. IP2 should focus on resolving the main problem facing the industry – adding value / improving standards of semi finished leather in Tanzania.
- UNIDO should establish precisely what remains to be done to avoid reinstatement of the EU Tanzania fish import ban and seek to mobilize funds locally to resolve the problem as a matter of urgency.

#### Component 5: Environment

- The Business Plan for the Recycling Process Centre should be finalized. In particular better cash flow information is required to demonstrate viability and a firm date for transferring ownership to the private sector should be set. Benchmarks against which to measure success need to be established. The latter should include both environmental impact targets and details of the number of poor people assisted, estimated annual income before the project and estimated annual income after the project.
- Clarification on the legal status of the proposed RPC should be obtained, in particular greater clarity on the question of liability should the center fail is required. In relation to this an MOU or similar is required between concerned parties prior to the commencement of any proposed building work, installation of equipment or commencement of recruitment.
- Project management issues at the national level need to be resolved.

#### Component 6: Private Sector Development Programme

- Future activity with TCCIA should be coordinated with that of other donors particularly Sweden.
- The informal sector roadmap should be presented to stakeholders at the earliest opportunity.
- Further activity on the VIBINDO / TIRDO intervention might consider further the potential for a strategic alliance between SIDO / TIRDO as a means of improving synergy and issues of sustainability in each.



## SECTION 3

### **Component 1: Implementation of the Sustainable Industrial Development Policy (SIDP) 1996-2020**

#### Background

3.1 When MIT published the SIDP in 1996, its stated objective was “to provide a clear policy framework to guide government institutions and the private sector on how to execute their roles in contributing to the process of industrial development in Tanzania with emphasis on how the private sector should be the principal vehicle for investment in productive activities”. In this respect, the SIDP is both comprehensive and challenging. For example, it includes outlines of short, medium and long term programmes and priorities and gives broad policy frameworks for various aspects of required development including high level investment and SME policies.

3.2 MIT’s priority for UNIDO assistance was to help to operationalize the SIDP i.e. to help MIT to produce an action plan incorporating the specific “projects” required to implement the strategy. The intention of IP1 was to place MIT in a position to manage the overall SIDP process and, with UNIDO assistance, to seek donor funding and support to build the capacities required. IP1 recorded the overriding objective of component 1 as “To strengthen the capacity and capabilities of the Government and the private sector for the implementation of the SIDP within the framework of increased market orientation and private sector development.”

#### Implementation

3.3 Five specific outputs were proposed in the IP as a means of achieving the above objective:

- Output 1 - an action plan for implementing the SIDP.
- Output 2 - the establishment of a sub committee of the (planned) Tanzania National Business Council (TNBC) tentatively entitled “the sub committee for industrial partnership”. This would provide a mechanism to facilitate public / private sector dialogue specifically on the implementation of the SIDP.
- Output 3 - a comprehensive industrial sector survey focusing on competitiveness analysis, growth potential and investment opportunities for Agro industries.
- Output 4 - strengthened governance, networking and statistical information through the creation of an intra governmental network for the collection and dissemination of such information.
- Output 5 - an assessment of the policy, legislative and institutional framework for the testing of imports and exports.

**A REPORT WAS PRODUCED THAT MADE RECOMMENDATIONS TO IMPROVE INDUSTRIAL COMPETITIVENESS. THE PRODUCTION OF A BIENNIAL INDUSTRY/TRADE STATISTICS BOOKLET WAS ALSO INITIATED**

3.4 In the event, specific activity was not undertaken on the first output. Instead, activity focused on the third output i.e. the production of a comprehensive industrial sector survey that included a set of generic recommendations for improving industrial competitiveness, thereby taking the SIDP forward. The survey and processes involved in undertaking the 'competitiveness survey' were deemed useful by MIT in helping it to understand some of the problems identified in the SIDP and, as an offshoot of this exercise, it has led to the production of a bi-annual 'Review of Industrial and Trade Performance' (RITP) booklet that, amongst other things, MIT find useful in demonstrating that it is monitoring aspects of industrial performance. Ultimately, however, the competitiveness survey has had little impact. None of the recommendations of the survey were implemented ostensibly because MIT did not have the capacity or funds to do so but probably also because it is not clear where the recommendations fit into the wider picture of the SIDP and what priority they should be given in relation to SIDP recommended actions. Proposals to update the SIDP, which is now 6 years old, may provide the opportunity to make full use the survey.

3.5 The production of the RITP booklet has been well received although there are problems of sustainability. Specifically, there are concerns that officials do not have the technical expertise to change the templates used in the production of the booklet, a publishing budget or an established mechanism for periodically confirming the continued validity of the standard templates. There has also been distribution problems. However, the evaluation team confirmed that the Tanzanian Bureau of Statistics might be able to assist. The Bureau has recently implemented the Tanzanian Social and Economic Database (TSED) that is being used to produce a wide range of reports. TSED will be accessible on the Internet from the end of the first quarter of 2003. The Bureau has recently written to MIT asking for its data and reporting requirements so that TSED can be expanded accordingly. At the time of the evaluation study, the Bureau was waiting for a reply but it was confident that all MIT's needs regarding RITP statistics could be met in the short term. In the opinion of the evaluation team, the Bureau is well placed to produce and disseminate information on trade statistics and other relevant industrial data on behalf of MIT. If requested to do so by MIT, the Bureau would be willing to use the RITP booklet as the model for an MIT web page within TSED i.e. the Bureau would provide the distribution vehicle and the statistics and MIT the necessary narrative. This would resolve the sustainability and distribution problems.

**UNIDO SUPPORT PLAYED A MAJOR ROLE IN THE SUCCESSFUL ESTABLISHMENT OF THE TANZANIA NATIONAL BUSINESS COUNCIL (TNBC)**

3.6 UNIDO's second planned output –“to establish a ‘sub committee for industrial partnership’ within the context of the newly established TNBC”, was not met because, in the event, UNIDO activity necessarily focused on the prerequisite task of establishing the TNBC itself. UNIDO involvement with this was said to be ‘hands-on’ including assistance in formulating the terms of reference for TNBC and producing the agenda for its inaugural meeting that was chaired by the President of Tanzania. The Minister and Permanent Secretary for MIT both reported the valuable contribution made by UNIDO in establishing the TNBC and their gratitude that UNIDO had seized the initiative to assist. The evaluation team also commends the action taken by IP1 team members. Unfortunately, the evaluation team notes that the sustainability of TNBC still needs to be assured by guaranteed funding for its secretariat. At the moment the secretariat is shared with the Private Sector Foundation (PSF), which is the apex organization for private sector institutions and an important part of the private / public sector dialogue mechanism. The World Bank appears to be willing to provide short-term funds for a TNBC secretariat if this is separated from that of the PSF. The problem is that separation may lead to a collapse of the PSF secretariat. This immediate problem and the issue of long term sustainability need therefore to be resolved.

***WELL-INTENTIONED PLANS TO CREATE AN INTRA GOVERNMENT NETWORK FOR THE COMPILATION AND DISSEMINATION OF INDUSTRIAL DATA WAS OVERTAKEN BY EVENTS***

3.7 The IP1 formulation team identified the lack of reliable information and statistics as a hindrance to good governance and informed policy making. The lack of industrial data being collected in respect of environmental issues and investments was seen to be a particular problem. The intention of output 4 was to remedy the situation by creating an intra-governmental network<sup>1</sup> for the collection and dissemination of such information. Implementation appeared to start smoothly. Equipment was purchased and installed, staff were trained and data collection commenced. It was reported by some of those involved that this was the first time that the different government institutions concerned had liaised closely. Unfortunately, implementation was plagued by technical difficulties concerning the Internet connection and questions of where the servers should be housed. This fact, coupled by the exhaustion of resources, meant that work on this component petered out in 2001 before implementation could be completed. However, several of the institutions involved having had their awareness raised about the importance of information systems and the power of the latest information technology, have since set up their own websites and are now in the process of setting up and/or upgrading their own information systems with the assistance of donors. Also on a positive note, a small “Internet café” was established by UNIDO for use by MIT staff. This was found to be well used and greatly appreciated.

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<sup>1</sup> Comprising MIT, TIC, Planning Commission, Registrar of Companies, National Environment Council and the National Bureau of Statistics.

3.8 Output 4 was a well-intentioned intervention that, in hindsight, was too ambitious. It is also a good example of how the quick pace of change in Tanzania and the abundance of donor activity make it imperative that UNIDO is in a position to monitor developments in the country so that planned interventions can be adjusted to complement them. For example, it is the opinion of the Tanzanian Bureau of Statistics that the implementation of TSED means that there is no longer a need for the exchange of some of the statistical data envisaged under this output through a network. The evaluation team agrees. As reported above in paragraph 3.6, the Bureau of Statistics will endeavor to meet MIT's statistical needs and have asked for details of its requirements.

3.9 Insufficient funds were available to undertake the planned assessment of the policy, legislative and institutional framework for the testing of imports and exports. Complementary activity in the area of quality and standards was undertaken as part of component 4 (see separate notes on the evaluation of component 4 below).

## Conclusion

**LIMITED FUNDS PREVENTED FULL IMPLEMENTATION. ISSUES OF SUSTAINABILITY NEED MORE CONSIDERATION IN IP2.**

3.10. In the event, it was not possible to implement all of the five-programmed outputs because of limited funds. The decision to change the objective of output 2 from the creation of a TNBC sub committee to assistance with the creation of TNBC was the only option under the circumstances and was a course of action that was greatly appreciated by Government. In light of the experience of IP1, future programmes need to give greater consideration towards issues of sustainability. This should be an integral feature of any diagnosis leading to IP2. Keeping track of new developments is presently very difficult given the level of in-country resources and the profusion of working groups and committees that have been established by the government and donor community over the period of IP1. A convincing case for strengthening the Tanzanian office as a means of addressing this problem was made to the evaluation team.

## Recommendations

3.11 The following recommendations are made:

- A thorough UNIDO diagnostic analysis of the industrial situation in Tanzania is required as the basis for establishing benchmarks and targets for IP2.
- Issues concerning the sustainability of TNBC and PSF should be closely tracked by MIT and UNIDO. UNIDO should stand ready to offer advice if required.

- Activity on the intra-government network (output 4) should formally cease.
- In close cooperation with MIT, the Tanzanian Bureau of Statistics should take on responsibility for producing and distributing MIT's trade statistic requirements. UNIDO should stand ready to provide further advice to MIT if required on the type of statistics needed to monitor trade and other industrial issues in order to help MIT frame correspondence with the Bureau.

## Component 2: Small and Medium Enterprise (SME) Development

### Background

3.12 The requirement for SME and Small and Medium Scale Industrial development is a high priority for the Government of Tanzania acknowledged in the SIDP. SME is also an issue reported regularly in the Tanzanian National Press. For example, the following two quotes are taken from the Guardian of Wednesday December 4<sup>th</sup> 2002 published during the period of the evaluation study:

- “Tanzania is in dire need of SMEs to create thousands of self employment for school leavers and retrenches.”
- “(Development in the SME sector).. will build an environment for a more peaceful and stable Tanzania through employments to be created through SME. ...For the majority of Tanzanians, particularly those living in urban centers, to lack employment creates a social crisis in the waiting.”

3.13 The SIDP includes a specific national objective for SME development: “The government will initiate affirmative action measures, designed to promote special programmes for indigenous entrepreneurs in order to engineer change towards poverty alleviation and national cohesion through improving access to business opportunities. Measures for the promotion of indigenous entrepreneurship will include the following:

- a) Access to credit, licensing and training,
- b) Provision of techno-economic information on product profiles and small scale investment opportunities,
- c) Establishment of a business advisory service facility.

3.14 The above SIDP objective clearly links to the objective of component 2 of IP1, which was “to provide support for the development of the SME sector and to build entrepreneurial capabilities in order to increase the contribution of the sector to industrial growth and employment.”

### Implementation

3.15 Five outputs were envisaged in the original formulation of IP1 and two complementary outputs were added during the course of implementation:

- i. An SME policy targeted towards enhancing the overall efficiency of the sector.
- ii. Capacity and capabilities of the Development and Promotion of Industries section in MIT strengthened for continuous SME policy research and analysis.
- iii. SME support institutions strengthened with adequate business advisory and information services training and technological transfer capacity to better respond to the needs of SME.
- iv. Commercial Business support services established.

- v. Improved capacity of SME support institutions to provide entrepreneurship development programmes.
- vi. A capacity building and entrepreneurship development programme with special focus on women in the food processing industry.
- vii. Promotion of SMEs through the Kilimanjaro Industrial Development Center (KIDC).

3.16 Sufficient UNIDO funds were made available to partially implement the first 3 of the 5 originally planned outputs. The added outputs 6 and 7 both benefited from donor funding prior to their inclusion in the IP. The latter was also added after commencement of IP1.

**NEW SME POLICY MEETS GOVERNMENT'S PRIORITY REQUIREMENT FOR AN IMPLEMENTATION STRATEGY**

3.17 Output 1 proposed the production of an SME Policy targeted towards enhancing the overall efficiency of the sector. The SIDP addresses the issue of Small and Medium sized Industries (SMI) rather than SME although both terms are intrinsically the same. The main reason for producing a separate SME policy was therefore threefold:

- i. To produce “an all embracing policy in terms of covering the whole range of economic activity performed by the SME broad spectrum sector perspective”. In particular it was considered that the SIDP was weak in the areas of commerce, mining and services.
- ii. “To provide specific interventions to nurse them” i.e. **a strategy for implementation.**
- iii. To create “a mechanism to put in place an effective institutional framework for implementation.”

3.18 The production of the policy paper was an iterative process, involving considerable consultation and validation with stakeholders including a number of regional workshops. Amongst other things, the exercise has therefore served to raise further the profile of SME issues in the poverty debate and has brought a number of diverse parties together to discuss the issues. The policy paper includes 13 ‘policy statements’ with separate programmes and projects for implementing each. The SME policy paper is therefore significantly deeper than the apex SIDP and as such has met MIT’s main requirement for the UNIDO intervention identified under component one which was to help to operationalize the SIDP i.e. to help MIT to produce an action plan incorporating the specific “projects” required to implement the strategy. The production of the separate policy paper can therefore be regarded as a major success. It is certainly a task that has been appreciated by MIT.

3.19 UNIDO and donor support towards implementing the new SME policy is essential. One way that UNIDO might assist in gathering widespread support

could be to promote the policy during the formulation and launch of IP2. Should the SIDP be updated in the near future, the SME policy paper could with stakeholder agreement, be incorporated as an integral part or annex to the SIDP. These actions may also help to erase the concerns of a couple of donors that the format of the SME policy paper may be too detailed and restrictive.

***CAPACITY BUILDING IN THE 'DEVELOPMENT AND PROMOTION OF INDUSTRIES SECTION' OF MIT REMAINS A PRIORITY***

3.20 Output 2 envisaged that the capacity and capabilities of the Development and Promotion of Industries section of MIT would be strengthened. Only a very small amount of funds were available for this intervention. The involvement of MIT in the process of developing the SME policy paper was therefore UNIDO's main contribution towards capacity building. Additional assistance also comprised the provision of a PC and photocopier for the section and assistance for a member of MIT staff to attend an SME study tour organized through UNIDO's worldwide partnership network. MIT senior and middle management expressed their disappointment that more could not have been done in this area. MIT capacity building therefore remains a priority requirement especially in light of the new SME policy paper.

***A REPORT ASSESSING SME SUPPORT INSTITUTIONS WAS COMPLETED BUT FUNDS WERE NOT AVAILABLE TO IMPLEMENT RECOMMENDATIONS***

3.21 Output 3 envisaged that SME support institutions would be strengthened. This was partly achieved through outputs 6 and 7 in which the Small Industries Development Organization was assisted and the Kilimanjaro Industrial Development Centre was revitalized (see paragraphs immediately below). However, due once more to limited funds, envisaged activity under output 3 was scaled down to comprise an assessment and report covering a selection of support institutions culminating with a national workshop / validation exercise and the production of a UNIDO project proposal for further activity. To date, no donor funding has been forthcoming.

***SUPPORT FOR WOMEN AGRO-FOOD PROCESSING ENTREPRENEURS COULD BE ON THE VERGE OF A MAJOR BREAKTHROUGH***

3.22 IP1 envisaged wide-ranging activity under proposed outputs 4 and 5 that would see the establishment of commercial business support services and the improved capacity of SME support institutions to provide entrepreneurship development programmes. In the event, these outputs were not funded but a contribution towards meeting their objectives was met with output 6 that had a more focused operational level objective of creating a sustainable capacity in respect of food processing and related entrepreneurial development. In practice, this involved implementing a further phase of the 'Capacity Building

and Entrepreneurship Development Programme with special Focus on Women in Agro-Food processing' (US/URT/99/140) also known as the WED project. Funds for this component during the period of the IP were provided by the Austrian Government (\$476,545) and from UNIDO seed money (\$25,000). At the time of the evaluation, \$404,666 has been spent or obligated. The remaining \$96,859 is earmarked for 2003.

3.23 The WED project began in 1993. The objective is to build a sustainable capacity in respect of food processing and related entrepreneurial development. The sustainable capacity is intended to offer training courses, promote entrepreneurs, undertake feasibility studies and advise on food technology issues. The project has been largely financed by Austria since its inception with smaller amounts also being provided before the IP period by Denmark and the United Kingdom. A self-sustainability Business Plan, developed as part of IP1, has been in operation since 2000.

3.24 WED activity is largely focused on training but it extends to post training support on business planning, assistance with promotion including the organization of exhibitions, consultancy services and latterly the rental of the equipment in the Dar Es Salaam center for private use. A revolving fund has also been set up in association with the Gatsby Trust (NGO) for trainees to get easy access to loans to help establish or expand their businesses. WED has maintained reasonable statistics throughout the project including some obtained through follow up with course attendees.

3.25 When the WED project first started, a market survey suggested that training activity be concentrated in 6 regions. Under the project, trainers were trained from a selection of other institutions in these regions. The intention was to use this network to promote entrepreneurship and conduct training. During 1997/98, the Royal Danish Embassy and DFID (UK) provided limited funds that enabled training to be temporarily extended to another 3 regions. To date, the fees charged by regional trainers have been financed from the project. However, limited funds has inevitably meant that there has been limited training in the regions. Most activity has taken place in Dar Es Salaam. The course fees charged in Dar Es Salaam are said to cover the costs of the trainers. Approximately \$2,000 was generated from the rental of equipment and space in the Dar Es Salaam center in 2002.

3.26 In terms of capacity building, WED has trained 85 food-processing trainers in 16 of the 21 regions of Tanzania. The majority of trainers are based in Dar Es Salaam, Iringa and Arusha (Figure 1). In addition, 2 of the WED national management team are capable of undertaking studies and providing advisory services. Examples of the latter include research work for the Technical

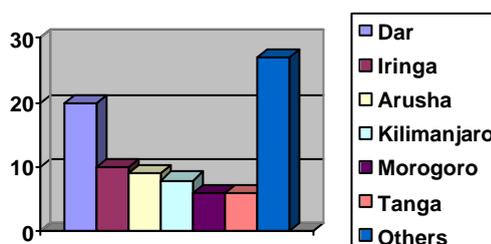


Figure 1: Number of trained trainers

Holland and a feasibility study for a fruits juice concentrate Plant at Dar Es Salaam for the Millennium Fruits and Vegetables Processing Company, Dar Es Salaam.

3.27 In terms of upgrading skills, WED runs two types of food processing courses – 2 monthly courses and shorter tailored courses typically of 2-5 days duration. The 2 monthly course includes training in business and marketing skills. Most attendees of the latter courses (60%) are already in business and can be said to be upgrading their skills; the remainder have some food processing experience.

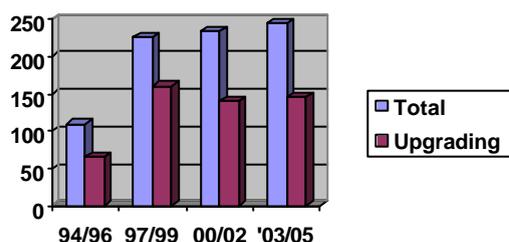


Figure 2: Numbers completing 2 month course

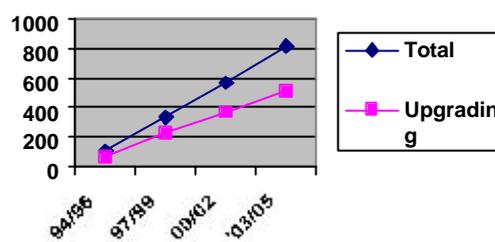


Figure 3: Cumulative numbers attending

3.28 To date, a total of 570 women entrepreneurs have benefited from the 2 monthly WED food processing and entrepreneurship training courses over the past 9 years. As can be seen from Figure 2 and 3, numbers trained per 3-year period have remained reasonably consistent over the last 6 years and, subject to self-sustainability, it is estimated that levels will be broadly consistent over the next 3 years unless training courses can be expanded especially to the regions. Plans for regionally based training courses have suffered because of lack of demand from would be participants that are able to meet the fees required to make the training courses self-financing. Given the target group – women at the grass roots level, the policy of self-financing is highly questionable. A reasonable subsidy may be appropriate. That said, the numbers and proportion of regionally based entrepreneurs attending the Dar Es Salaam courses was said to have increased steadily over the period of IP1.

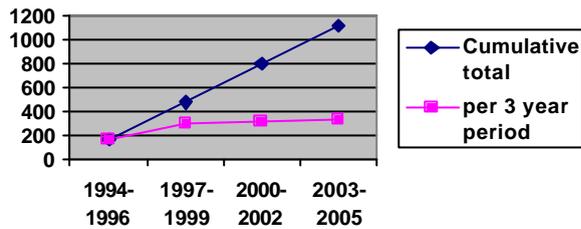


Figure 4: New jobs created

3.29 WED upgrading of entrepreneurial skills has led to the creation of 795 new jobs since the project started. As can be seen from Figures 4 and 5, the numbers of new jobs created per 3 year period has been consistent over the last 6 years at a shade above 100 per year. Subject to expansion, job creation is expected to remain at this level over the next 3 years.

3.30 The estimated average income of those completing WED skills upgrading courses has more than doubled (125%) since the project began in 1994. The sharpest average rise of \$1,693 or 100% occurred during the period of IP1 (Figure 5). The reason for this sharp increase was said to be threefold:

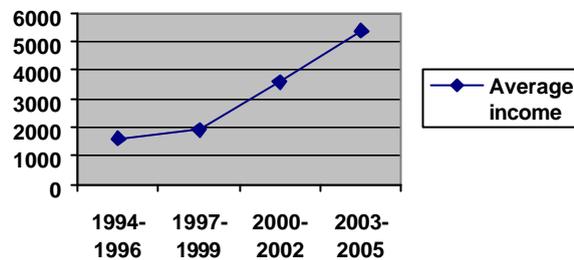


Figure 5: Average annual income US \$

- Improvement in product both in terms of content and packaging.
- Better business management skills.
- Better marketing skills including the expansion of product ranges to meet client demands and promotional activity (open days and exhibitions) organized through the WED project.

3.31 Information is being collected to establish estimates of the unit costs of training, job and income creation for future benchmarking and for informing future performance decisions. In the meantime, an indicator that entrepreneurs have moved from the informal to the formal sector is the number of those who, having completed skills upgrading courses, then registered their business. The figure in this area is low. It is estimated that only a few registered during the period of the IP indicating that entrepreneurs have remained at the micro level. This is supported by the following additional information provided by the national team:

- There are approximately 100 TAFOPA enterprises (see below) currently operating, each having between 1-4 employees.
- Average sales per enterprise ranges from \$29 - \$537 per month.

- Average investment per enterprise ranges from \$100 - \$1,000.
- There has been a growth of homemade produce in local grocery shops because of TAFOPA members.
- Most entrepreneurs completing the training are able to provide support to families in order to meet the basic needs of school fees, food and clothing.

3.32 One way of accessing the supply chain is through cooperatives. Membership of an association is an indicator that an important step in this direction has been taken. During the period before IP1 the Tanzanian Association of Food Processing (TAFOPA) was established for beneficiaries of the WED programme. Figure 6 shows that membership of TAFOPA currently stands at 160 or 28% of those trained to date. This is a decline of 60 (27%) over the previous period. The project management team is confident that the situation can be reversed and that numbers will increase over the next 3 years and should reach 350 or 43% of those trained by 2005. The reason for this optimism is threefold:

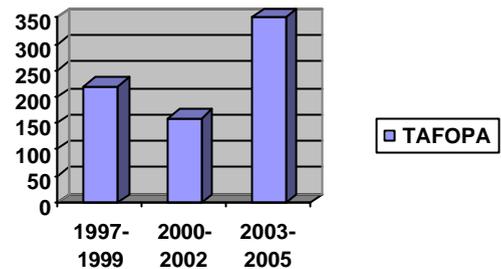


Figure 6: Members of TAFOPA

- Membership to TAFOPA will henceforth be open to those not benefiting from the WED programme training courses but who can satisfy certain quality / product criteria.
- Membership has the added incentive of access to the Gatsby Trust administered credit fund that gives attractive loans to TAFOPA members.
- A recruitment drive is anticipated.

3.33 There is a need to expand services if the WED project is to become a sustainable operation and have impact at either the regional or national level. Income currently covers only 20-30% of the operating costs. During November/December 2000, an international consultant was engaged to help project staff prepare the self-sustainability Business Plan. An integral part of the Business Plan is that the WED project site operate as a training cum production unit i.e. there should be a new focus on commercial production including the possibility for entrepreneurs to rent space / equipment on the premises at times when training courses are not being given. Looking at the site, however, it seems that the limited amount of equipment and available space will be severe constraining factors in turning this into a major source of income. Even if it were successful, activity addressing income poverty is likely to be severely decreased as increased concentration will need to be given towards upgrading the capacity of the production facility and providing training

only for those who can afford to pay relatively high fees. Turning WED into a sustainable operation is only one part of the problem. The legal status of WED needs to be formalized.

3.34 However, there may well be light at the end of the tunnel. A recent partnership with the Small Industries Development Organization (SIDO ) looks extremely promising. SIDO is a public institution founded in 1973 and has a site in each of Tanzania's 20 regions, including its HQ in Dar Es Salaam. Services provided by SIDO comprise: training and consultancy in entrepreneurship and business management; credit provision; and market support and business premise. SIDO's objective is threefold:

- To support development of entrepreneurs and their human resources.
- To upgrade the technological and management capabilities of SME.
- To support capability building for SME organizations.

3.35 The WED project is currently based in SIDO's Dar es Salaam site and the Director of SIDO believes that absorbing the WED national team as a permanent and discrete department within SIDO would be of great benefit to both parties. For example this would resolve the problem of WED's legal status and, given SIDO's geographic spread, would provide an ideal basis for national expansion. The two parties have already started to work effectively together on joint training and SME promotional activities. Discussions between SIDO and MIT regarding the feasibility of take over are ongoing and should be encouraged.

***FACILITIES AT KIDC HAVE BEEN FULLY RESTORED BUT THE BUSINESS PLAN MAY NEED TUNING IN LIGHT OF RECENT EXPERIENCE TO ENSURE LONG-TERM SUSTAINABILITY.***

3.36 Output 5 had the broad objective of promoting SMEs through the revitalization of the Kilimanjaro Industrial Development Centre (KIDC). KIDC was established in 1978 with the objective of supporting regional development, SMEs in particular, through technology transfer and technical skills development. Originally funded by the Japanese, the facility was handed over to the Tanzanian Government in 1993. It has been in decline for a number of years since the Government established a policy of not subsidizing such Centres. Not wanting to see the Centre decline further, during 2001 the Government of Japan entered into a cooperation agreement with UNIDO and the Government of Tanzania to restore the facility and to devise a means of sustainability

3.37 There are six operational arms of KIDC:

- The engineering workshop.
- The foundry and forging workshop.

- The brick factory.
- The ceramic factory.
- The 'mini (fuel briquette) factory' facility.

#### The training facility

3.38 Apart from the ceramic factory, each arm of the Center is on the same compound on the outskirts of Moshi. The ceramics factory is some 100km distant.

3.39 Based on a study financed through this output, it was decided that the Centre should be reorganized and made viable by operating as a production cum training Centre, managed by a private sector trust composed of trustee stakeholders from the private and public sector. The rationale was that a trust arrangement would allow the organization to take autonomous commercially based decisions leading to the eventual self-sustainability of the Centre. Towards this end, during August 2001 the Kilimanjaro Industrial Development Trust (KIDT) was incorporated to manage all the assets and operations of the Centre. The Trust was established as an autonomous organization with the mission to undertake and become a leader in industrial training and production operations. A development strategy was designed during December 2002; to guide the Centre's way forward.

3.40 KIDT's strategy set out actions to achieve the following objectives:

- Removal of KIDT from the government sector to the private sector.
- KIDT to become autonomously managed, self-sustaining institution catering to unfulfilled industrial and entrepreneurial training needs.
- KIDT to engage in both training and commercial activities.

3.41 From 1 March 2002 a new Tanzanian management team of highly qualified nationals funded by the project started their assignments to bring the Centre back to life. The initial management team included the General Manager and managers responsible for administration and finance. Two months later the Board of Trustees recruited three additional managers responsible for production engineering management, marketing and training. In a remarkably short time the new management Team has completely overhauled the production facilities and support infrastructure (administration, communications, transport and financial). Indeed, the original capacity of the Centre has been reestablished to the point that it can, as originally foreseen, provide services and products in each of the 6 operational arms as described above. **The project staffs are to be congratulated on this significant achievement.**

3.42 The new management team is also slowly succeeding in changing the attitudes of the workers to be more productive and for the shop managers to

be more quality and commercially oriented. This is being achieved in part through the introduction of bonuses and other incentive schemes. The Centre is also giving a great deal of attention to proactive marketing and sales promotion of its products and services with some success. It was said the marketing effort is at the beginning stage and a continuous effort is required to land new orders.

3.43 There is no doubting that excellent progress has been made to date. However, the national team has some misgivings about the present direction of the Centre that are shared by the evaluation team. The main concern is regarding sustainability. Currently income is covering only 35% of the running costs while current sales are highly erratic. It seems doubtful whether the Centre will reach a point where it will be self-sustainable by June 2004 (the date current support will cease). The challenge faced is exacerbated by the fact that insurance and the total cost of periodic capital refurbishment does not appear to have been fully addressed in the Business Plan. In connection with this, there is a need to carry out an independent inventory to give a value to the fixed assets at the Centre and the question of whether the Trust or the Government owns the equipment needs to be resolved.

3.44 The management team has therefore taken stock of the development effort in light of its experience to date. An international expert from the University of Dar Es Salaam Enterprise Center was asked to carry out a diagnostic study and to provide KIDT with alternative development Strategies. The conclusions of this study can be summarized as follows:

The critical assumption of the project that the Centre's objective of technology transfers and training can be achieved through subsidized revenues from its operations may well be flawed.

It is very difficult to successfully market a wide range of products with different technological requirements to quite different markets. This also includes the planned training, which is aimed at different markets. Training participants in industrial production jobs may be too high a challenge for KIDT technicians, who at the moment are solely production managers, and may well undermine the productivity of the Centre and its ability to compete in the market. There are doubts that the Centre will be able to give enough attention to each product and service category.

On the positive side, the Centre has a large number of buildings and is well equipped with maintained machinery. Marketing efforts have so far identified some new opportunities and perhaps more can be identified. As the current capacity utilization is low, a higher volume of production may be possible. Centre staff are motivated and its management are open to ideas.

3.45 The evaluation team endorses the overall conclusion of the international expert that the project needs to reassess the current business model to find one that shows greater promise of success and eventual development impact in order to build on the considerable progress that has been made to date. Two alternatives have been put forward by the KIDT management team both

of which are worthy of further consideration. The first proposes an “incubator” model, which makes the production units responsible for the sales of their products with administration services only provided by the Trust. The other proposes an industrial park managed by a holding company with subsidiary units

## Conclusion

***THE NEW SME POLICY IS A MAJOR ACHIEVEMENT. THERE HAS BEEN COMMENDABLE PROGRESS ON THE WED AND KIDC OUTPUTS AND THE OPPORTUNITY SHOULD NOW BE TAKEN TO REVIEW BUSINESS PLANS. A SHORTAGE OF FUNDS PREVENTED EFFECTIVE CAPACITY BUILDING IN MIT. DONOR SUPPORT TO IP2 IS VITAL.***

3.46 Government endorsement of a new SME policy was undoubtedly a major achievement. There is now an even greater challenge ahead for MIT to implement this policy. There is also a vital need to get donor support and funds for its implementation. Sufficient funds were not available under IP1 to undertake comprehensive SME capacity building in MIT and there remain doubts that there is sufficient capacity to implement the new SME policy. A high priority should therefore be given in IP2 strengthening MIT capacity in the area of SME development, monitoring and control (although this should not be done in isolation from improving capacity in other parts of the Ministry).

3.47 The operational level outputs of WED and KIDT have each made commendable steps forward. There are sustainability problems with each that will need to be addressed as a matter of urgency although different solutions to each appear to be within grasp. There is also a need to expand project horizons if there is to be any major developmental impact. The opportunity should therefore be taken to reappraise both Business Plans in light of the experience of IP1 and to establish baselines and targets for improvement linked with the national development targets of the SIDP. This will require a full diagnosis of the current position at national and proposed output level.

## Recommendations

3.48 The following recommendations are made:

- It is vital that donors support the new SME policy if implementation is to be successful. The recommended stakeholder workshop, to be held as part of the to the proposed diagnosis of the current industrial position and the formulation of IP2, could therefore provide the opportunity to promote and explain the purpose of the new policy and its supporting role to SIDP.
- Strengthening the SME capacity of MIT and further support during the implementation of the new SME policy should be a high priority in IP2.
- The WED Business Plan should be reassessed in light of experience during IP1 and proposals for integration of the project team with SIDO.

The opportunity should also be taken to expand the project horizons to ensure greater levels of impact. This in turn will require the establishment of baselines and firm targets for improving the current position (informed through a full diagnosis). Unit costs of training, income and job creation for IP1 should also be established as internal benchmarks.

- The KIDT Business Plan should also be reassessed in light of experience during IP1. In particular, the two alternative models based on an incubator or industrial park, are worthy of serious consideration. On the face of it, the former may provide a better alternative to the achievement of long term sustainability and a model for application elsewhere. A revised Business Plan should also incorporate baselines and firm targets for improving the current position (informed through a full diagnosis).

## Component 3: Investment and Finance

### Background

3.49 Investment in Industry is a high priority for the Government of Tanzania. Investment promotion is to the fore of the SIDP and it is an issue regularly reported in the Tanzanian National Press. For example, the following three quotes are taken from the Guardian of Friday December 6<sup>th</sup> 2002 published during the period of the evaluation:

- “More FDI flows are needed to make the economy more dynamic”.
- “Tanzania must attract investors in agro-processing to improve local products and fetch higher prices in foreign markets. Adding value to local products will make local products more competitive and marketable.”
- “(the) Tanzania Investment Center is striving to reduce bureaucracy , shorten procedures of obtaining licenses and working permits for foreigners.”

3.50 Within Tanzania, the main focus of activity in this area is inevitably the Tanzania Investment Centre (TIC). TIC is an agent of Government whose role is “to coordinate, encourage, promote and facilitate investment in Tanzania and advise the Government on investment related matters”. TIC and its forerunner, has been a major recipient of donor attention, if not direct assistance, since 1990.

3.51 IP1 recorded the objective of this component as being “To improve the regulatory, policy and institutional environment for investment and to assist in mobilizing domestic and foreign investment resources in the industrial sector.” UNIDO’s intervention was said by TIC to have commenced shortly after TIC’s adoption of a corporate 5 year plan. The main thrust of the plan, which has been refined during UNIDO’s intervention, is that TIC should be a proactive organization concentrating on investment promotion and aftercare (on the premise that happy investors catalyze 50% of new investments). Amongst other things, the plan also required all TIC posts from the Director to the receptionist to be filled by open competition. This was subsequently done.

### Implementation

3.52 Four outputs were envisaged in the original IP1:

- Output 1 - A set of recommendations to improve the legal and regulatory framework and procedural impediments to the flow of investment and expansion of profitable production capacity.
- Output 2 - A comprehensive investment promotion strategy developed and Tanzania Investment Center (TIC) staff trained in the formulation

and appraisal of industrial investment projects including the use of COMFAR and other UNIDO tools.

- Output 3 - An investment project database/promotion monitoring and tracking software developed and installed at TIC together with information networking for finance and investment promotion.
- Output 4 - A portfolio of investment project proposals, identified, formulated and promoted with TIC, targeting sectors and enterprises upgraded as part of this programme as well as essential infrastructure projects and activities identified as missing links in the production chain.

***INTER-MINISTERIAL INVESTMENT STEERING COMMITTEE AND IMPROVEMENTS TO THE INVESTMENT CODE HELP MAKE IT EASIER TO INVEST IN TANZANIA***

3.53 Output 1 envisaged a set of recommendations to “improve the legal and regulatory framework and other impediments to the flow of investment and the expansion of profitable production capacity”. The ultimate aim was to make it easier for investors and, in doing so, to attract more investment. The evaluation team confirmed that this output was achieved and that a report proposing improvements to the investment code and regulatory code has been produced and submitted to Cabinet via MIT. Two important developments were reported:

- i. The establishment of an inter ministerial Investment Steering Committee chaired by the Prime Minister. This has facilitated speedy resolution of potential problems and should give potential investors greater confidence in the system. The direct involvement of the Prime Minister has certainly given considerable weight to any future reform process.
- ii. Adoption of new legislation that clarifies roles and responsibilities vis-à-vis the investment code. UNIDO was also influential in simplifying procedures for obtaining an investment certificate as embodied in the investment code.

***A NEW 3 YEAR INVESTMENT PROMOTION STRATEGY AND I T TOOLS (COMFAR) TO SUPPORT ITS IMPLEMENTATION PROMISE FURTHER INCREASES IN INVESTMENT***

3.54 Output 2 envisaged the development of a comprehensive national investment promotion strategy and TIC staff trained in the formulation and appraisal of industrial investment projects using UNIDO tools. The evaluation team confirmed that this output has been achieved. A 3-year strategy was developed by TIC with the assistance of an international expert and is now under implementation. The strategy is consistent with TICs corporate plan in that it aims to make TIC more pro active in the area of investment promotion and aftercare. Five computers with UNIDO COMFAR software were also

installed in TIC and core staffs were trained in the use of computer models for investment feasibility and reporting. Presentations were given to Members of Parliament. TIC reported that models are now being used for reporting but not assessment. A 'Relationship Management Unit' has been established as a first step towards developing a sustained service of client support covering aftercare. Capacity building was also assisted by the secondment of a member of TIC staff to UNIDO's Investment and Promotion Office in Paris for a period of one year. 4 other TIC delegates spent shorter periods of time in Tokyo, Malaysia, India and Austria. The delegate part of the programme was considered by the counterpart to be highly effective leading to practical improvements.

***NEW PROJECT DATABASE RECENTLY INSTALLED***

3.55 Output 3 envisaged "the development and installation of a project database and monitoring system together with information networking for finance and investment promotion." This work was closely coordinated with the development and promotion of a new portfolio of projects described below. Although the evaluation team did not have an opportunity to inspect the new system, the team was informed that the system was operational and functioning well with data from each of the companies surveyed during formulation of the new project portfolio. It was noted during a visit by the Team to the Tanzanian Bureau of Statistics that it too is establishing a company database. TIC might explore the potential for data exchange and/or combined efforts.

***TIC COACHED IN PORTFOLIO DEVELOPMENT AND PROMOTION - NEW 60  
PROJECT PORTFOLIO LOOKS PROMISING***

3.56 Output 4 envisaged the identification, formulation and promotion of a portfolio of projects with TIC. The intention of this 'hands on' output was to help build capacity within TIC by working with staff on a major intervention that ran the length of the promotion cycle. This appears to be the first time that such a partnership has been attempted, certainly of this scale. The intervention has made excellent use of UNIDO's expertise and experience in this area, particularly the unique position of UNIDO vis-à-vis its worldwide contacts for overseas investment promotion. This major intervention is understood to have supported the visiting of approximately 600 of the 1200 or so companies in Tanzania employing 10 or more staff for the purpose of discussion and the collection of data. This in turn gave rise to some 300 or so project proposals that were then screened for possible international promotion. The net result has been the development of a portfolio of some 60 investable projects that TIC is now actively pursuing in partnership with UNIDO, making use of the latter's international network of contacts. The exercise has also provided an opportunity to expand TIC promotional activity to the regions outside of Dar Es Salaam and to promote internal investment. Examples of internal investment promotion include the promotion of palm oil in the Kigoma region and the promotion of leather and oil in the Dodoma region. This is a 'first' for TIC.

## Conclusion

**THERE ARE ENCOURAGING IMPROVEMENTS AND PROMISING SIGNS. SYSTEMATIC COLLECTION AND ANALYSIS OF DATA IS NECESSARY TO DETERMINE IMPACT.**

3.57 UNIDO's considerable in-house expertise and its worldwide network of investment and trade promotion offices give it a comparative advantage. This comparative advantage has been used to very good effect in Tanzania. The creation of the National Investment Steering Committee, chaired by the Prime Minister, has served to raise the profile of investment as a tool for sustainable development in Tanzania and will help to reduce the incidence of bottlenecks by creating a high level inclusive forum for decision-making. Recently endorsed legislation intended to make the legal framework consistent with the investment code of practice should simplify procedures and improve the enabling environment for investors.

In terms of impact, it is widely acknowledged by stakeholders that the effectiveness of TIC

has improved over the period of IP1. TIC has been restructured and its role transformed from simply granting investment and tax incentives to that of a modern investment facilitator. The average time taken by TIC to screen and register investment applications has halved from an average of one month to 14 days. New enquiries are said to be handled within 48 hours. Whilst it is not possible to assess the extent to which UNIDO's intervention has been responsible for these improvements UNIDO has certainly made a significant contribution. The extent to which the improvements have led to sustainable increases in investments can only be determined over time.

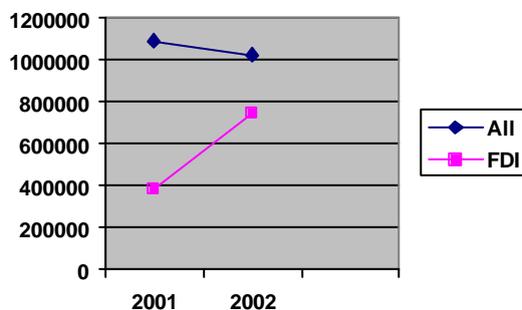


Figure 2: Value of new projects (TZS)

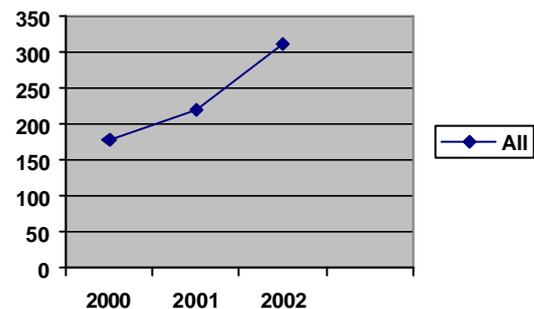


Figure 1: Number of projects

3.58 TIC has been unable to provide a great deal of statistical information despite numerous requests over a number of months. This indicates strongly that it is still weak in the area of data collection and analysis. What little information that has been made available is, however, encouraging. Figure 1 shows that there has been a steady increase in the number of investment projects approved during the period of IP1 (178-220-311) although TIC was unable to break the number down between investments in the manufacturing sector and others. As can

be seen from Figure 2, the overall value of investments fell slightly over the

last two years (TZS1091m – TZS1024m) although it almost doubled in respect of foreign direct investment (TZS286m –TZS744m ). TIC was unable to break this figure down between investments in the manufacturing sector and elsewhere or provide figures for earlier years.

3.59. It is anticipated that UNIDO's efforts to help build TIC capacity in investment facilitation, in particular regular company visits and profiling, will help to end once and for all TIC's isolation and build greater cohesion between TIC and the private sector institutions. There are already encouraging signs that this is working through TIC's increased cooperation with the Chamber of Commerce and the expansion of TIC influence in Tanzania's regions through Chamber and Regional Government initiatives. However, on the question of sustainability, a determining factor will not be whether any of the 60 projects lead to tangible investments (although this is expected and will be extremely welcome) but whether TIC will continue to undertake similar exercises without donor assistance in the future and as a result can increase investment, the transfer of new technology and the creation of new employment opportunities etc. It is not clear whether it has the resources to undertake such activity on its own. Once the requisite information is available, the results of this output should be reassessed, as a benchmark to inform similar interventions and to demonstrate that additional resources allocated to such activity will reap worthwhile returns.

3.60 The evaluation team did not have the opportunity to inspect the "development and installation of a project database and monitoring system together with information networking for finance and investment promotion" although the team was informed that the system was operational and functioning well with data from each of the companies surveyed during formulation of the new project portfolio. Nevertheless, given the response from TIC to the evaluation team's requests for some pretty basic data on investment per se it has concerns regarding the system's sustainability and, more generally, of the quality of data that is available and being analyzed within TIC and MIT regarding investment performance. For example it would be useful to establish a concrete causal link between improved investment performance and TIC performance including a mechanisms for establishing the geneses of investment projects. It would be useful to have data on the use to which investments have been put vis-à-vis the transfer of new technology and the creation of new employment opportunities. In short a more systematic analysis of TIC performance is needed. The main beneficiary of improvements in data collection and analysis will be TIC and MIT who will know what is working and what is not, and be in a position to take remedial action if required.

## Recommendations

3.66 The following recommendations are made:

- UNIDO, in consultation with MIT, should consult widely with stakeholders before programming further activity in TIC to ensure coordination. Ideally, further interventions should be coordinated with the BEST programme. Future outputs should also set explicit, time-bound and complementary targets to those contained in the PRSP, SIDP and TIC's Business Plan.
- In connection with the above, further interventions might include the development of investment performance reporting systems including those for tracking the geneses of projects (to gauge the impact of promotional activity) and to what extent investments have led to the transfer of new technology and the creation of new employment opportunities. The potential for TIC linking with the Bureau of Statistics in respect of establishing a company database should also be explored.
- Further work might also include support to the National Investment Steering Committee and the TNBC round table initiatives as a means of ensuring their continued effectiveness and sustainability.
- The resources and capacity of TIC to undertake similar promotion activities as those coached under output 4 unaided should be assured following cessation of current UNIDO activity on output 4. The cost and benefits of this output should also be established as a UNIDO benchmark.

## **Component 4: Productivity, Technology and Competitiveness**

### Background

3.67 This component comprised a mix of outputs relating to priority areas of the SIDP collected under the common objective “to strengthen national capacity and capabilities for increasing industrial productivity (through higher quality, environment and technology standards) and competitiveness with particular emphasis on the food, leather and textile industries.”

3.68 The SIDP specifically recognizes the need to promote standards and quality assurance in order to improve the competitiveness of industrial products both in the domestic and export markets. It established 4 policies to help with promotion and UNIDO’s intervention focused on the first three of these:

- i. To provide more legal power, adequate facilities, equipment and manpower.
- ii. To promote the formulation of new standards.
- iii. To develop qualified quality assurance units through accreditation in areas of specialization.
- iv. To develop packaging technology.

3.69 The SIDP also stressed that in terms of short-term priority programmes, top priority should be placed on agro-allied industries. It went on to say that that the sectors of agriculture and livestock resources offer inputs and/or market opportunities critical to industrial development and that Government should formulate development strategies for these sectors so as to bring about the basis for balanced development. In this respect, UNIDO’s work in the leather sector (outputs 4 and 5) was a priority and timely intervention. Likewise UNIDO’s intervention in the fisheries sector (output 10) was particularly important.

### **Implementation**

3.70 IP1 proposed the following 12 outputs:

- Output 1 – an accreditation of laboratories scheme.
- Output 2 – elaboration of proposals for strengthening the capacity of the weights and measurement Bureau.
- Output 3 – strengthen the newly established Leather Association of Tanzania.
- Output 4 – improve standards of semi and finished leather.

- Output 5 – establish a basic common production and training facility owned by LAT.
- Output 6 – revitalized and re-orientated operations of the Tanzanian Institute of Leather Technology (TILT).
- Output 7 – export orientated apparel manufacturing preferential licensing programme.
- Output 8 – hand weaving, dying and printing techniques introduced in the women in textiles project.
- Output 9 – cotton grading information and knowledge enhanced.
- Output 10 – at least 50% of the fisheries industry of the Tanzanian mainland with the latest standards of quality, environmental protection and productivity.
- Output 11 – a mechanism of direct technical assistance and entrepreneurship promotion for food micro enterprise established.
- Output 12 – further assist the implementation of production and training facilities owned by LAT.

3.71 In the event, funds were not available to implement outputs 4, 7 and 9. Output 11 is discussed under output 4 of component 6 (private sector development programme) as this intervention has initially focused on building capacities within VIBINDO (an association of micro entrepreneurs).

***SOUND PROGRESS HAS BEEN MADE TOWARDS OBTAINING ACCREDITATION FOR THE FOOD LABORATORY OF THE TANZANIA BUREAU OF STANDARDS***

3.72 Outputs 1 and 2 envisaged implementation of an accreditation of laboratories scheme and the elaboration of earlier UNIDO proposals for strengthening the capacity of the Tanzanian Weights and Measurement Bureau (TWMB). The UNIDO intervention, which was originally part of a regional programme, focused on the Food Division within the Tanzanian Bureau of Standards (TBS) and TWMB. The Swedish are also assisting TBS but not in the Food division. The UNIDO intervention consisted of the following 5 activities that were funded from UNIDO programmable resources at a total cost of approximately \$170,000 including \$100,000 worth of equipment:

- i. Research and report on current status.
- ii. Formulation of an accreditation scheme including an assessment of skills and training needs.
- iii. An action plan for implementing the accreditation scheme.

- iv. Identification of needs and procurement of testing equipment for the TNBS microbiology department.
- v. The provision of training to prospective inspectors.

3.73 Each of the activities was successfully completed. Amongst other things, the accreditation plan identified the physical, equipment and human resource / training needs required for accreditation. TBS have actively pursued the former and made the necessary changes. A National Accreditation Committee has been established as a prerequisite for establishing an accreditation body within Tanzania. The committee, which in accordance with international practice is independent from TBS, has met twice to date. Sufficient funds were available to prepare some of the necessary groundwork through the procurement of some equipment for TNBS and the commencement of training for potential inspectors from TBS and TWMB.

3.74 Having identified the equipment needed for the TBS microbiology laboratory as part of the first activity, UNIDO arranged for the procurement of the necessary equipment (approximate value \$100,000). Some of the equipment did not function and had to be returned but most is now operational and has been used in connection with new fish inspection procedures implemented under output 10 of component 4. In the opinion of the Deputy Director of TBS, the microbiology laboratory of TBS is now close to accreditation although this is an opinion that the evaluation team is unable to endorse or challenge. In anticipation of further training activity, a two-tier training course was implemented for potential inspectors. This consisted a 5-day internationally recognized training course on accreditation techniques in South Africa followed by 4 days application of techniques. Attendees now need more experience and follow up training in South Africa before they can progress to the next stage and complete the professional qualification. Concern was expressed by those attending the training course that their training may have expired i.e. it may no longer count towards a professional qualification, because of the amount of time that has since elapsed.

**THE CABINET HAS APPROVED A UNIDO PLAN FOR REVITALIZING THE LEATHER INDUSTRY. GOOD PROGRESS HAS BEEN MADE WITH REVITALIZING THE LEATHER ASSOCIATION OF TANZANIA**

3.75 Output 3 of the original version of IP1 envisaged a strengthened Leather Association of Tanzania (LAT). In the event, this output was expanded to cover two activities:

- i. Implementation of recommendations to revitalize LAT.
- ii. Production of a report on how to revive the leather industry *per se* in Tanzania.

3.76 The latter activity is consistent with MIT's desire for advice on how to implement aspects of the SIDP. It is also consistent with the main

recommendation of the evaluation that UNIDO activity should focus more on assisting MIT at the strategic level. A report on how to revive the leather industry was approved by the Cabinet in February 2003. This was a major achievement. Amongst other things, the report recommends the introduction of a levy on the export of raw hides and incentives for adding value / improving standards of semi finished leather within Tanzania as a means of overcoming the main obstacle to development – the lack of competitively priced quality leather available to local manufacturers.

3.77 It was difficult for the evaluation team to judge whether interventions to revitalize LAT have been successful, as the problem was not quantified at the formulation stage or a quantified improvement target set. However, a number of observations can be made.

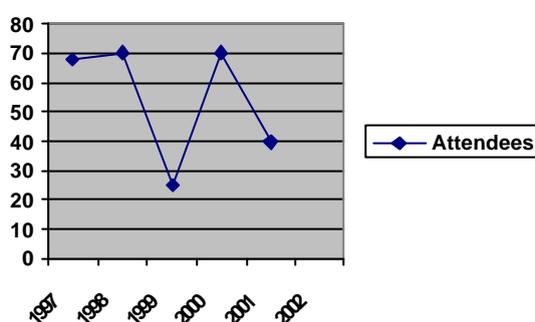


Figure 1: LAT Training courses

3.78 LAT currently has some 53 members<sup>2</sup> out of an estimated potential membership of some 70 (excluding the micro sector). It charges a nominal \$50 per year for membership giving it a basic income of approximately \$2,500 per year. The evaluation team was informed by LAT Directors that this was insufficient to sustain the organization. LAT services include periodic newsletters, promotions, advisory services, training courses and an opportunity to make common presentation to government on issues of concern to the leather sector.

3.79 Statistics were not available at the time of the review with regards to promotional activity and advisory services although the former is likely to be in the region of 2-3 promotions per year. Figure 1 shows that the number of entrepreneurs trained has varied over the past few years. The number declined to 40 in 2001 from a high point of 70 in 2000. There are 2 types of training courses – basic and advanced. Both are aimed at entrepreneurs already active in the leather sector. A typical course is said to last 10 days and attract up to 12 students. No fees are presently charged. Formal tracer studies are not in place although the national project team estimates that typical production levels amongst participants has doubled e.g. from 1-2 pairs of shoes per day to 4 pairs per day. Employment levels amongst participating enterprises were also said to have increased although statistics against which to benchmark the relative position of original participants were not available at the time of the review.

<sup>2</sup> Members are usually representatives of individual enterprises.

3.80 Output 5 envisaged the establishment of LAT-owned common production cum training centers. It was confirmed by the evaluation team that two centers have been set up as planned – one in Dar Es Salaam and one in Morogoro. Both are said to be operating to business plans. On viewing the center in Dar Es Salaam and noting in particular the limited space available, the evaluation team has doubts whether this will be self-sustainable or provide an additional source of income for LAT. Indeed, the team has doubts whether the premises would actually hold the intended 12 attendees per training course. Time was not available for the team to visit the second center in Morogoro although assurances were given by the national project team that this site is much larger and more suitable for both intended functions (it being a former leather factory). Unfortunately, statistics were also not available for the team to make an informed judgment of progress against business plans. The team noted that both centers are in the early stage of development and that output 12 of component 4 is intended to further assist the implementation of both facilities over the next few months when the issue of sustainability will be addressed.

3.81 Output 6 envisaged revitalized and re-orientated operations of the Mwanza-based Tanzanian Institute of Leather Technology (TILT). This was addressed by commissioning a study report on available options. The report, which contains a recommended action plan for implementation, is currently with MIT for consideration. The main recommendation of the report is that TILT should become training cum production center.

<p style="text-align: center;"><b>ARTISAN DEVELOPMENT AGENCY OF TANZANIA WELL ON THE WAY TO SELF - SUSTAINABILITY</b></p>
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3.82 Output 8 envisaged the introduction of hand weaving, dying and printing techniques within the Artisan Development agency of Tanzania (ADAT). In the event, it was the only textile output of IP1 for which funds were available (\$87,000 of UNIDO programmable resources). The output was suggested to MIT by UNIDO during the IP formulation mission after an approach by ADAT. ADAT started life as a UNIDO 'Women in Development Project' and provides training and consultancy services to micro enterprises. It is therefore well known to UNIDO and MIT. It was also known to be facing sustainability problems following cessation of UNIDO's last tranche of aid. The planned output was accordingly expanded to cover the following 6 activities in order to address the sustainability issue:

- i. A needs assessment and market survey.
- ii. Development of curriculum and training materials.
- iii. Identification and installation of equipment.
- iv. Train trainers in the use of equipment.
- v. Develop a Business Plan.

- vi. Develop a cleaner production guideline.

3.83 Each of the activities were completed successfully. Discussions with the Managing director of ADAT revealed that since the intervention, ADAT has entered into partnership with another donor – the Center for Sustainable Development Initiatives (a local agent for the American Development Fund). This has led to a further revision of the ADAT Business Plan with increased emphasis on production. A small export arrangement with an American company has recently been made as a result of this partnership. Although sustainability will probably always be an issue – meeting payment for the rental of the premises and securing suitable retail outlets for products being particular problems, ADAT now appears to be well on the way towards self-sustainability.

3.84 The increased emphasis on production as a means of ensuring sustainability is reflected in the available information. Figure 2 shows that the number of annual ADAT trainees improved materially during the period of UNIDO’s intervention to a peak of 108 but has since declined to 75 as increased emphasis is being given to production. Figure 3 tells a similar story. The number of paid members rose sharply during the period of UNIDO’s intervention to a peak of 88 but has since leveled off to 50.

Figure 2: Numbers completing 4 monthly courses

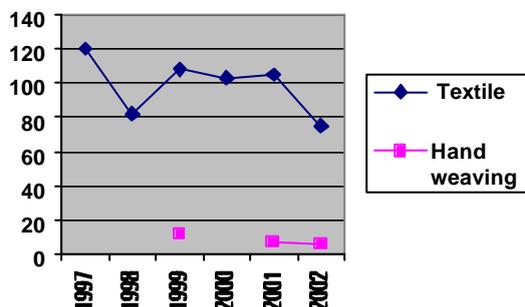
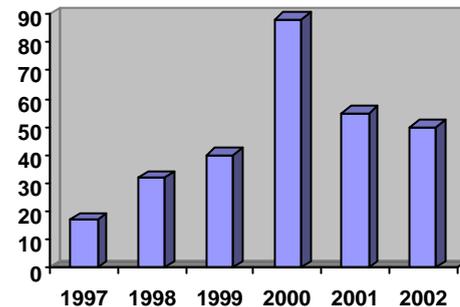


Figure 3: Members in production



**EU BAN ON TANZANIA FISH EXPORTS TEMPORARILY LIFTED SECURING SOME 200,000 JOBS**

3.85 Output 10 of the original version of IP1 ambitiously envisaged “at least 50% of the capacity of the fishery industry of Tanzania mainland (a total of 20 fish processing plants and 16 fishing vessels) with the latest standards of quality, environment protection and productivity introduced, and in technical conditions to compete in the international market”. In the event this output was replaced with activities specifically geared towards helping the fishing industry to overcome a ban by the European Union on fish imports from Tanzania.

3.86 The ban on fish imports to the EU commenced in 1996 following concerns that there might be pesticides in the food chain as a result of mercury pollution in Lake Tanzania (the scare having emanated in Uganda).

The EU was particularly concerned that the fish inspection procedures followed by individual factories might not be consistently applied and that tracking systems were inadequate to trace the source of catches. Prior to the ban, exports to the EU were worth in the region of \$140 million per year but had fallen to \$77 million per year during the ban. Some 200,000 jobs were also lost or under threat as a result of the ban.

3.87 The Ministry of Natural Resources and Tourism (Fisheries Division) worked on the tracking problem. UNIDO seed money of \$68,000 was used to undertake the following activities in connection with the food inspection issue in conjunction with the Ministry, the Tanzania Bureau of Standards and the local fish processing factories affected by the ban:

- i. Preliminary inspection visits.
- ii. Review of local inspection manuals and revision of the code of practice relating to fish inspection.
- iii. Inspectors and factory staff trained in new procedures.
- iv. A joint awareness campaign involving Government (including health inspectors), industry, fishermen, the local community and local Justice Departments.

3.88 UNIDO activities were complemented by the purchase of microbiology equipment under output 1 of component 4 that was subsequently used by the fish inspectors as part of the new procedures. The Ministry and industry representatives were particularly impressed with the way UNIDO was able to put together and implement a tailored programme of activities to address the problem within a short period of time.

3.89 Successful completion of UNIDO activity enabled the Ministry to provide the EU with adequate assurances on fish inspection procedures. In addition, the Ministry was also able to satisfy the EU that significant progress had been made towards resolving the tracking issue. 3.90 As a result of these joint assurances, exports to the EU have recommenced. At the time of the evaluation, the value of exports had risen to \$90 million per year and the future of the 200,000 threatened jobs had been temporarily secured - the permanent lifting of the ban being dependent on completion of new tracking procedures. However, following discussions with the Ministry and representatives from the fishing industry it is understood that there is still much work to do in this area. Part of the problem has been lack of access to the technical expertise required to develop the necessary systems within the Ministry. Stakeholders are therefore concerned that the ban will be reintroduced unless further progress on developing a modern tracking system can be made in the near future.

## **Conclusion**

3.91 With respect to those outputs relating to standards and quality assurance (outputs 1 and 2), the evaluation team noted that the adopted methodology has worked well in other locations and they are of the opinion that there is no reason why, with sufficient additional funds, the methodology should not be successful in Tanzania. This opinion is supported by evidence of the good progress that has been made to date, especially in TNBS. The 'time lag' between the initial training of potential inspectors and anticipated future training is unfortunate and highlights the risks associated with commencing a relatively long-haul output with programmable funds in the expectation that donor funding will materialize at a later date to enable seamless completion. It is noted that a UNIDO regional programme (SADC) may provide an opportunity for following up the work done to date. However, given the unique funding situation in Tanzania, it is the opinion of the evaluation team that such risks are best avoided in the future i.e. activity on discrete outputs or groups of dependent outputs should commence in Tanzania only when advance guarantees of sufficient funding to complete can be secured.

3.92 UNIDO possesses a niche expertise and unique experience in the leather industry. The report on how to revive the leather sector in Tanzania is an excellent example of where UNIDO has great potential to be of benefit to MIT and where interventions are likely to lead to greater levels of impact. In the opinion of the evaluation team, even greater weight would have been added to the report if it had been presented as part of a strategic plan to implement the SIDP. With regards to revitalization of the Leather Association of Tanzania (output 3) and the grass roots outputs that have resulted in the establishment of production cum training centers (outputs 5 and 6), good progress has undoubtedly been made but there are serious concerns about sustainability in spite of the production and adherence to business plans. The potential short-term impact of the production cum training centers is also very small because of the nature of the micro sector enterprises that they serve. The point was made earlier in this report with respect to the WED project, that outputs such as these are undoubtedly worthwhile in creating relatively small numbers of jobs and incomes but greater horizons are necessary in order to achieve high levels of impact. IP2 might therefore do better to focus on resolving the main problem facing the industry – adding value / improving standards of semi finished leather in Tanzania.

3.93 The ADAT intervention was successfully completed (output 8) and its objectives were achieved but it has little chance of having a major impact unless the model can be replicated elsewhere in Tanzania. UNIDO's intervention in helping the Ministry of Natural Resources and Tourism (fisheries division) and the fishing industry to overcome the ban of fish imports from Tanzania that was imposed by the EU in 1996 is undoubtedly a success story and shows how a major impact can be made with a relatively small amount of funds. However, the task is only partly completed. There is a danger that the ban will be reinstated if further progress is not made on developing a modern tracking system.

## Recommendations

3.94 The following recommendations are made:

- Activity on discrete outputs or groups of dependent outputs should commence in Tanzania only when firm commitments of sufficient funds to complete can be secured.
- Further work on standards and quality assurance should be informed by a latest diagnosis of the industrial situation in Tanzania including the programmes of other donors.
- Particular attention should be given to sustainability issues during further work in the leather sector that is planned and pre-financed under output 12. IP2 should focus on resolving the main problem facing the industry – adding value / improving standards of semi finished leather in Tanzania.
- UNIDO should establish precisely what remains to be done to avoid reinstatement of the EU Tanzania fish import ban and seek to mobilize funds locally to resolve the problem as a matter of urgency.

## Component 5: Environment

### Background

3.95 The need for sound environmental management was given a high priority in the SIDP. It recognized in particular the current ineffectiveness of legislation and institutions in this area. It set out 5 priority activities for the Government to pursue:

Sensitization on environmental awareness.

- Forging deliberate and mandatory devices to reactivate legal mechanisms to enable involved institutions to be more effective.
- An appropriate motivational mechanism to be provided within the Investment Promotion Act geared to cater for promotion of investments, which contain anti-pollution programmes.
- Environmental Impact Assessment and appropriate mitigation measures will be enforced for all projects at pre-implementation phase.
- The government will promote the continuous application of an integrated preventative environmental strategy to industrial processes, products and services. The strategy will include propagating efficient use of raw materials and energy; elimination of toxic or dangerous materials, as well as reduction and emissions of waste at source.

3.96 Against this backdrop, the SIPD went on to say that the Government would develop the capacity within its institutional machinery and support other initiatives designed to enhance the application of cleaner production concepts as an important complement to end-of-pipe pollution control.

### Implementation

3.97 UNIDO's objective for component 5 was "to strengthen institutional capacity for cleaner production and energy efficiency; waste management and environmental management systems". In this respect UNIDO's objective did not explicitly address the 5 priorities set out in the SIDP although there was certainly considerable overlap with the fifth of the priorities listed above. To achieve the UNIDO objective, the original IP envisaged 4 outputs, to which a further 3 (outputs 5–7) were added during implementation:

- Output 1 - concept of cleaner technology production and waste management in 3 tanneries.
- Output 2 – concept of occupational health safety practices at work for the tanning and textile industry introduced.
- Output 3 – a programme for pollution monitoring in the Msimbazi River in the Dar Es Salaam municipality and prevention and control of pollution.

- Output 4 – a study on waste management and recycling.
- Output 5 – Market survey for recyclable materials.
- Output 6 – Feasibility study and implementation of a Waste Management Center(s).
- Output 7 - Environmental assessment of selected investment proposal projects.

3.98 In the event, no resources were available to implement outputs 1-3 and no activity appears to have been undertaken in respect of output 7.

***TWO COMPLEMENTARY AND SEQUENTIAL STUDIES ON WASTE MANAGEMENT WERE COMPLETED. THE SECOND CONCLUDED THAT DEMONSTRATION CENTERS WOULD ATTRACT INVESTMENT AND NEW TECHNOLOGIES TO IMPROVE THE ENVIRONMENT.***

3.99 It is simpler to consider outputs 4 and 5 (funded by UNDP and the Czech Republic respectively) together. Output 4 envisaged a study on waste management and recycling that focused on Dar Es Salaam. The study included a review of a recent joint UNDP /City Commission project on waste management, an assessment of the Government's role in developing indicators and a review the roles of urban communities in the provision of environmental services to industry including SMEs. In undertaking the study, close liaison with ILO was envisaged and achieved. The study noted that paper and plastic recycling is widespread in Dar Es Salaam i.e. recyclable material is being collected and recycling technology is available and being used, but concluded that there was a current capacity problem that prevents the local industry from handling increased levels of recyclable material. A second study, output 5, was therefore commissioned to undertake a comprehensive market survey and consider available options for overcoming the capacity problem. The emerging conclusion following output 5 was that demonstration centers might be appropriate as a means of encouraging and promoting new investment and getting increased numbers of companies involved in recycling activity, diffusing new technologies and improving the environment. The establishment of a demonstration center would also provide an opportunity for all stakeholders to have their say on development issues relating to waste management.

***A RECYCLING PROCESS CENTER***

3.100 Output 6 envisaged a feasibility study to consider the practical issues of implementing a new Waste Management Center(s) in Dar Es Salaam. This proposal grew out of the earlier studies undertaken as outputs 4 and 5 above and initial views that demonstration sites for recycling paper and plastic might be appropriate. Output 6 has produced a well-developed proposal for a Recycling Process Center (RPC) that would initially be underwritten by UNIDO as part of financing the project but which would eventually become a

limited liability company collectively owned by stakeholders including industry and waste collectors. The output has undoubted poverty focus directly addressing Millennium Development Goal one and has understandably caught the favorable attention of the local press and is actively supported by ILO.

3.101 The proposal for an RPC was formulated following workshops and conferences with a variety of stakeholders culminating in the production of a draft business plan. Since then a study tour to India for 12 potential stakeholders in an RPC has been undertaken and orders for equipment, including a horizontal baler, have been made. The horizontal baler is believed to be the first of its kind to be introduced to Tanzania. Plastic washing equipment has also been commissioned from a local manufacturer. To date such equipment has also not been used in Tanzania.

3.102 However, notwithstanding the introduction of new technology into the proposed center, the major problem being addressed appears to be one of ensuring a regular flow of income to the poor collecting the recycling material i.e. to reduce the risk of recyclers periodically refusing further materials and payment until existing inventories have been utilized. The intention is to transfer this 'capacity and inventory risk' to a single RPC that could provide a buffer against down turns in supply and demand thereby assisting the poorest sector of the community.

3.103 There are a number of tasks to complete before operation of the RPC can commence:

- The Business Plan for the proposed RPC has not been finalized. In particular better cash flow information is required to demonstrate viability and a firm date for transferring ownership to the private sector should be set. Benchmarks against which to measure success need to be established. The latter should include both environmental impact targets and details of the number of poor people assisted, estimated annual income before the project and estimated annual income after the project.
- More information on the legal status of the proposed RPC is required, in particular it is unclear on issues of liability should the center fail. In relation to this an MOU or similar will be required between concerned parties prior to the commencement of any proposed building work, installation of equipment or commencement of recruitment.
- Project management issues at the national level need to be resolved.

Conclusion

***FUTURE UNIDO INTERVENTIONS SHOULD EXPLICITLY ADDRESS SIDP PRIORITIES. THERE ARE 3 TASKS TO COMPLETE BEFORE THE RPC CAN BECOME OPERATIONAL***

3.104 The Government's 5 priority activities for addressing industrial environmental issues were not explicitly expressed in IP1 and this may have been one of the reasons why the proposed outputs 1-3 of this component did not attract funding. This could be rectified in IP2 if programmed objectives and outputs more clearly link to SIDP objectives and priorities and set targets for improving the baseline position. This will, of course, require a full diagnosis at the national and proposed programme level in order to set baselines and to set appropriate targets. UNIDO's intervention in the area of waste management was, however, certainly valid and has attracted a great deal of support and attention.

3.105 The evaluation team sees no reason why the RPC output should not be successful and notes the poverty focus of the intervention. However, the team also noted the high risk involved in creating a new entity on the assumption that private sector ownership will follow. In general it is preferable to establish a private sector partnership at the outset in order to minimize risk and ensure immediate transfer of new technology and productivity increases etc. to the industrial sector.

#### Recommendations

3.106 The following recommendations are made. The first 3 recommendations should be implemented before the RPC becomes operational:

- The Business Plan for the RPC should be finalized. In particular better cash flow information is required to demonstrate viability and a firm date for transferring ownership to the private sector should be set. Benchmarks against which to measure success need to be established. The latter should include both environmental impact targets and details of the number of poor people assisted, estimated annual income before the project and estimated annual income after the project.
- Clarification on the legal status of the proposed RPC should be obtained, in particular greater clarity on the question of liability should the center fail is required. In relation to this an MOU or similar is required between concerned parties prior to the commencement of any proposed building work, installation of equipment or commencement of recruitment.
- Project management issues at the national level need to be resolved
- In formulating proposed outputs for IP2, UNIDO should explicitly link these to priorities of the SIDP and set targets for contributing to the improvement of national targets. This will require a full diagnosis at the national and proposed output level.

## Component 6: Private Sector Development Programme

### Background

3.107 Improving public / private sector dialogue and related capacities is a priority for the Government and MIT and is an issue included in the SIDP. UNDP has a large-scale programme for 'capacity building in economic management and the private sector' that encompasses this issue. UNIDO was designated implementing agency for part of this UNDP programme prior to formulation of IP1. UNIDO's part of the UNDP programme was thus incorporated as a discrete component in IP1 entitled the 'Private Sector Development Programme' (PSDP).

### Implementation

3.108 The objective of component six (PSDP) was threefold and 7 outputs were envisaged:

- i. To improve capacity in private sector institutions.
  - Output 1 – the Confederation of Tanzanian Industry (CTI)
  - Output 2 – the Tanzanian Chamber of Commerce, Industry and Agriculture (TCCIA)
  - Output 3 – a road map of micro enterprise development in the informal sector
  - Output 4 – VIBINDO
- ii. Investment promotion and follow up to the 1996 Investment Forum.
  - Output 5 – through implementation of a project completion facility for selected projects
- iii. Improved dialogue between Government and the private sector.
  - Output 6 – strengthened MIT with more market service orientation and capability
  - Output 7 – improved dialogue between Government and the private sector

3.109 The last 3 of these 7 outputs are covered in other components and discussed above rather than in this section. Specifically, output 5 of component 6 – a project completion facility for selected projects, was covered as part of output 3 of component 3 - the installation of an investment project database/promotion and monitoring tracking software. Similarly, output 7 of component 6 –improving public/private sector dialogue, is covered under component one.

3.110 CTI is one of two main institutions in Tanzania that provide “umbrellas for private sector institutions”. The apex institution is the Tanzanian Private Sector Foundation (“the umbrella for umbrellas”). Output 1 envisaged an upgraded CTI that would “meet the challenges of a changing global business environment, to contribute effectively to industrial governance and providing valuable services to its members in areas of technology, investments, marketing and export potential.” In practice this ambitious objective meant four interventions:

- Development of training material and training of trainers to enable CTI to proactively assist its membership in key areas.
- Assistance in establishing a database of (potential) membership details.
- Provision of a PC and printer.
- Assistance in establishing the Tanzanian National Business Council (TNBC).

**UNIDO INTERVENTIONS HAD LIMITED IMPACT DUE TO TIME CONSTRAINTS**

3.111 The evaluation team was informed that an international expert had developed a number of training modules to be used by CTI to train its members. Modules included 'creating and managing a new enterprise', 'business development', 'managing a business' and 'managing an information center'. To date none of the modules have been used to train CTI members as CTI staff, having themselves been given "only a two hour long demonstration of the modules", do not fully understand the modules or feel competent enough to deliver the modules to others<sup>3</sup>. The CTI opinion, endorsed by the evaluation team, is that it would have been more useful to have given intensive training over a longer period of time to one or two CTI staff who may then have been in a better position to impart knowledge to others. As it stands, the chances of CTI being in a position to maintain and update the material seem remote.

3.112 Somewhat more successful was the advice provided by the same international expert on the establishment of a membership details database using MICROSOFT ACCESS. However, CTI was of the opinion that more time should have been spent on the transfer of technical expertise. This view is again endorsed by evaluation team. In particular, there appears to be no in-house capability for troubleshooting. Database maintenance will continue to be an issue.

3.113 The establishment of the TNBC as a forum for formal dialogue between the private and public sectors has been discussed in this evaluation report under component one. The creation of TNBC will undoubtedly benefit CTI. However, CTI representatives were concerned to ensure that independent and effective follow up mechanisms should be in place for the TNBC forum to be successful. It was their opinion that this would not be possible if TNBC continues to share a secretariat with the Private Sector Foundation. This concern was also voiced by a number of other institutions and organizations interviewed during the course of the evaluation.

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<sup>3</sup> One member of staff has, however, used the 'managing an information center' module to help produce a job description.

3.114 CTI representatives confirmed that they had found the industrial sector survey or 'competitiveness report' produced under component one to be useful. They thought that the report was worthy of greater publicity and felt that more people would have attended the workshop that launched the issue of the report if a conference hall rather than an expensive hotel had been used as the venue. CTI had referred to information in the 'competitiveness report' when producing their own more comprehensive report entitled "The Tanzanian Manufacturing Sector in the East African Community Trading Arrangement". The latter had been produced to inform negotiations on trade protocol.

3.115 CTI representatives confirmed that in addition to undertaking their own survey and consulting numerous other sources, the trade statistics produced under component one had also been referred to when CTI produced their annual "CTI key figures report". Finally CTI had been given the opportunity to assist in producing investment profiles. Unfortunately, funds were not available to enable a CTI representative to attend the requisite training course in Geneva. CTI suggested that future training should take place in Dar Es Salaam for the benefit of a greater number of people.

**TCCIA / T INFRASTRUCTURE IMPROVED THROUGH ADVICE AND EQUIPMENT**

3.116 TCCIA is the other main institution in Tanzania that provides an "umbrella for private sector institutions" under the apex of the Tanzanian Private Sector Foundation. Output 2 envisaged an upgraded TCCIA that would "meet the challenges of a changing global business environment, to contribute effectively to economic management/governance and providing valuable services to its members in areas of technology, investments, marketing and export potentials." This ambitious objective appears to have been met through 5 interventions:

- Advice on upgrading the IT infrastructure of the organization.
- Advice on the collection and dissemination of data.
- Development of training material and training of trainers to enable TCCIA to proactively assist its membership in key areas.
- Provision of PCs and printers.
- Assistance in establishing the Tanzanian National Business Council (TNBC).

3.117 The evaluation team was unable to draw definitive conclusions concerning the extent to which the interventions had met the objective for TCCIA although the position seems to be much better than that experienced in CTI. Overall, TCCIA representatives were pleased with the results of the interventions. Representatives informed the team that implementation of recommendations for an improved IT infrastructure is well advanced and that "a critical mass had been achieved". For example, most TCCIA regional

centers now communicate by e-mail and are linked to the Internet. Two members of TCCIA had also benefited from study tours to Geneva. However, it was said that \$50,000 of further assistance from UNIDO was still awaited in order to complete implementation<sup>4</sup>. Similarly the 'implementation programme' for improvements to data collection and dissemination produced by the international consultant was said to be in the process of being implemented.

3.118 The development of training material and the training of trainers was said to have gone well. Adequate training material was said to have been left with TCCIA and that it is being used to train members (TCCIA subsequently confirmed that a trainers programme was conducted in March/April 2003). TCCIA considered the creation of TNBC to be a major step forward towards improving public / private sector dialogue. The first meeting of TNBC was said to have gone well and it is anticipated that at least 2 meetings will be held in 2003. It was said that the "mindset of public / private sector dialogue has already changed thanks to TNBC" and that a new formalized process of dialogue had begun.

3.120 TCCIA representatives were asked if the institution had benefited from any other outputs of IP1. Like CTI, they confirmed that they had found the industrial sector survey or 'competitiveness report' produced under component one to be useful. In particular, their involvement in its production had been a good learning process and TCCIA would like to participate in future developments of this nature should opportunities arise. Unfortunately, TCCIA representatives did not appear to have received copies of the trade statistics produced under component one which points to distribution problems and supports the view that such data should be available on the Internet or distributed electronically.

3.121 Finally TCCIA, welcomed UNIDO's interventions with the Tanzanian Investment Center, in particular the establishment of the investment steering committee, which was chaired by the Prime Minister, as a means of quickly resolving potential issues. However, representatives felt that more should be done to attract investment in agriculture and related industries.

**INFORMAL SECTOR ROADMAP POINTS THE WAY FOR IMPROVEMENTS**

3.122 The objective of output 3 was to produce a road map showing how micro enterprises might move from the informal sector to formal sector based on experiences and the current situation in Tanzania. The report, which was a joint effort with the ILO, was finalized in April 2002 but at the time of the evaluation it was still to be presented to stakeholders. This should be done so as soon as possible.

**CAPACITY BUILDING IN THE MICRO SECTOR GETS OFF TO A PROMISING START**

<sup>4</sup> It was noted by the evaluation team that assistance to TCCIA has been provided by the Swedish who, along with the DAC private sector Group should be consulted before further interventions.

3.123 The objective of output 4 was to strengthen the capacity and capabilities of VIBINDO to better serve its members in the areas of production techniques, business management and marketing. This was combined the objective of output 11 of component 4, which was to establish “a mechanism of direct technical assistance and entrepreneurship promotion for micro food enterprise.” In practical terms this has initially comprised plans to establish and deliver skills upgrading training courses to 300 VIBINDO members in food processing techniques and a further 200 VIBINDO members in woodworking techniques using the Tanzanian Industrial Research and Development Organization (TIRDO). Before considering the achievement of the objective it is first worth brief separate mention of VIBINDO and TIRDO.

3.124 VIBINDO is an umbrella association of informal sector micro entrepreneurs. It has a nation-wide membership of approximately 30,000. TIRDO is a parastatal self-governing research and development organization whose home page lists its 5 main services as energy conservation in industries, industrial information, materials testing for industry, design and development and analytical services. It employs approximately 20 researchers and scientists with numerous support staff. It occupies a large site with numerous outbuildings on the outskirts of Dar Es Salaam. The extension of technical training courses of the nature envisaged by this particular programme output therefore appears to be a new venture for TIRDO although it is one that is consistent with the wider governmental and UNIDO objective of improving the capacity of industrial support services and entrepreneurial capabilities.

3.125 In summary, UNIDO’s intervention under output 4 comprised the following:

- Assistance with the development of short term technical demonstration courses (10 days duration) aimed at upgrading existing entrepreneurial skills in food processing and woodworking<sup>5\*</sup>.
- The identification, procurement and installation of equipment on TIRDO’s premises. A positive aspect of this has been the utilization of local companies to manufacture some of the equipment.
- Training of TIRDO trainers.

3.126 In addition, attendees are given the opportunity of attending a business training course at SIDO that was developed as part of the WED project. TIRDO also aim to identify and further upgrade the skills of 10 of the best attendees of each group of courses to bring them up to ‘trainer standard’ although it is not clear how or when the indigenous VIBINDO trainers will be used. TIRDO anticipates that in addition to the upgrading of skills, the skills developed within TIRDO will facilitate a long term working relationship

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<sup>5</sup> Selection criteria include the requirement to be an owner or operator of a business on a full time basis for at least 2 years.

between TIRDO and the informal sector including the extension of services beyond the life of the project i.e. it is expected that the costs of demonstrations in TIRDO will continue to met by Government.

3.127 Delays and other problems with the procurement, manufacture and installation of both food processing and woodworking equipment have caused delays to original timetables. Furthermore, there were initial difficulties attracting attendees to the woodworking technical training courses largely because entrepreneurs are unable to forgo their businesses and income for a 2-3 week period. The former issues have been largely resolved, it is intended to address the latter by introducing demonstrations that require half day rather than full day attendance. Consequently it is too early to assess the extent to which the intervention has had made an impact. The following figures, actual and estimated, were made available to the team:

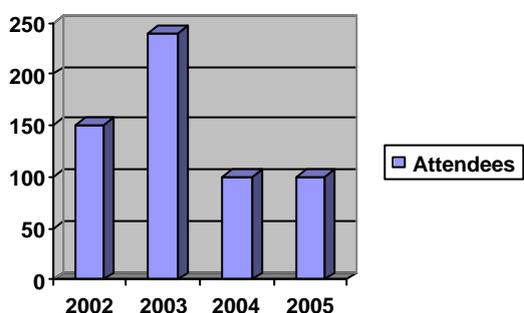


Figure 3: Food processing

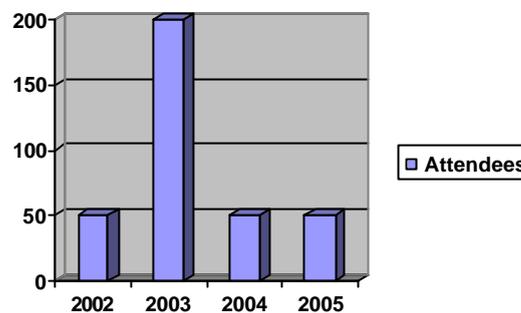


Figure 4: Woodworking

3.128 It can be seen from Figures 3 and 4 that numbers benefiting from demonstrations are expected to peak in 2003 and decline thereafter as more time is devoted to hiring out the food processing and woodworking equipment for production at times when there are no demonstrations. However, looking at the limited amount of equipment and logistics the evaluation team has doubts whether this can ever be a major source of income especially in the area of food processing. A similar observation was made by the evaluation team earlier in this report concerning the WED project (output 6 of component 2). In the opinion of the evaluation team there may be further scope for combining future WED and VIBINDO outputs as a means of ensuring sustainability and making optimum use of food processing equipment in both locations. For example, the possibility of using the SIDO site as the single training facility and the TIRDO site as the single production facility / demonstration site and to pool human (training and consultancy) resources, say from 2004, might be considered. This would be consistent with the fact that equipment in TIRDO is said to be of a type that facilitates slightly higher volumes of production and the premises are seen to be more conducive to a production environment whereas the SIDO site appears to offer the better teaching facility and is more accessible to potential attendees. Irrespective of this, TIRDO will need to produce a detailed cash flow analysis in addition to the aforementioned statistics as a means of supporting any case made to Government for extending services beyond the life of the project.

3.129 A systematic method of tracing participants is planned for the remainder of the TIRDO / VIBINDO training project that will establish the number of new jobs created, increased investment and added value in terms of the increased income of entrepreneurs as a result of training courses. So far 7 entrepreneurs completing the 2 week food processing technical training course are said to have registered their business and 1 has accessed a loan to invest in equipment for her business. Statistics from the tracer system should enable an improved analysis of outcome and potential impact to be undertaken in 18 months time. This should include estimates of the unit cost of training courses and the unit cost of value added. Accordingly, the evaluation team recommends that future progress reviews ensure that such a tracer system is in place to collect the desired statistics and that unit costs of training, income and job creation are established as internal benchmarks.

**AN ACTION PLAN FOR IMPROVING THE CAPACITY OF MIT WAS PRODUCED AND TWO MIT STAFF SECONDED TO SOUTH AFRICA FOR TRAINING IN POLICY ANALYSIS**

3.130 The objective of output 6 was to strengthen MIT and make it more service orientated. A survey / situation analysis was conducted on the organizational structure, staffing and performance of MIT including the identification of problems in the policy and planning division. Following a collective review of the analysis, an action plan for improving the situation was produced. This included the identification of training programmes. In connection with this, UNIDO held training workshops on industrial policy analysis, understanding the key drivers of competitiveness and the dynamics of public/ private sector partnership. Two members of MIT's policy and planning division were sent on a placement training programme to South Africa to cover practical aspects of policy development. Other elements of the training programme were said to have been implemented with the assistance of the Australian and Swedish aid agencies. However, much more remains to be implemented.

### **Conclusion**

3.131 Component 6 does not explicitly address issues raised in the SIDP, rather the formulation of component 6 reflects prior arrangements with UNDP regarding UNIDO's contribution to the Private Sector Development Programme. Formulating the programme in this way has given rise to some confusion with other parts of IP1 notably components 1 and 4. In particular there is confused reporting and possibly over reporting. Care should be taken to avoid this in IP2 by clearly differentiating between different activities and outputs.

3.132 The perceptions within CTI and TCCIA of the relative success of capacity building are at opposite ends of the spectrum with the former appearing to have reaped little benefit from UNIDO's intervention whilst the latter is generally satisfied. However, in both instances insufficient thought was given towards establishing baselines and targets for measuring the success of the interventions. As such it is not possible to assess impact in TCCIA other than to note that UNIDO has contributed towards the

improvement of internal communications. It is also noted that TCCIA are expecting a further \$50,000 from UNIDO to complete IT developments. Future activity in TCCIA in the past should be coordinated with the DAC private sector group and the Swedish in particular to ensure synergy.

3.133 The informal sector roadmap was produced in April 2002. It is important that no further momentum is lost and is presented to stakeholders at the earliest opportunity. It is too early to judge the success or impact of the VIBINDO / TIRDO intervention. Tracer studies are planned that should enable some assessment to take place in 18 months time. In the opinion of the evaluation team, given the numbers of trainees and the nature of training, impact is likely to be small unless a successful model can be replicated elsewhere. However, sustainability might not be an issue if TIRDO is able to secure permanent government finances for trainers. An alliance with SIDO on the food processing side might also assure greater impact e.g. If SIDO provided training and TIRDO provided an associated production center. This possibility might be explored when formulating IP2.

#### Recommendations

3.134 The following recommendations are made:

- IP2 must establish baselines and set targets as a means of focusing outputs and measuring success.
- Future activity with TCCIA should be coordinated with that of other donors particularly Sweden.
- The informal sector roadmap should be presented to stakeholders at the earliest opportunity.
- Further activity on the VIBINDO / TIRDO intervention might consider further the potential for a strategic alliance between SIDO / TIRDO as a means of improving synergy and issues of sustainability in each.

## **Appendix I: Summary Terms of Reference for the Independent In-depth Evaluation Republic of Tanzania**

### **1. Background**

There is a general consensus in Tanzania that the macro-economic stability achieved as a result of its comprehensive structural and economic reforms pursued since the mid-1980s, cannot be sustained and will not lead to poverty alleviation without sectoral and micro interventions. In particular, interventions that could lead to job creation and income generation both in the urban and rural areas need to be given a strong emphasis. The industrial sector is seen as an important vehicle for eradicating poverty through Small and Medium-sized Enterprises (SMEs) and rural industrialization. Strengthening and expanding the SME sector, particularly with respect to agro-based activities, would have a vast potential to create jobs and generate income.

The Vision for Tanzania's industrial development has been clearly expressed in *The Sustainable Industrial Development Policy 1996-2020 (SIDP)* and aims at setting out a path for the sustainable development of Tanzania's industry in the medium term through the private sector. According to SIDP, the industrial sector should contribute substantially towards (i) employment and poverty alleviation, (ii) critical human resources development, (iii) accelerated economic transformation of the country to an industrialized one through creation of linkages (forward -backward, MSME-large scale, rural-urban), (iv) sustainable economic development and environmental sustainability. The main areas of focus are agro-based industries, in particular, food, textile, leather/leather products and building materials.

The Integrated Programme (IP) for Tanzania started in 1999 and is expected to come to an end in 2002.

During the visit of the UNIDO's Director General to Tanzania in January 2002, it was agreed that, in view of the success of the Programme, the work and momentum set by the first phase should be continued with a second phase, but in a more focused manner. As agreed with the Government, the focus of the activities will thus be concentrating on the food industry, and in particular the post-harvest problem. All other activities should be implemented in support of this core function.

In order to ensure that the design of Phase II takes fully into account the results achieved, the constraints faced and lessons learned in the implementation of Phase I, an in-depth independent evaluation is required.

The objective of the programme as designed in July 1999 was to strengthen and expand the industrial sector's contribution to economic growth and sustainable development, thereby creating more employment, generating incomes, alleviating poverty and protecting the natural resource base and the environment.

## 2. In-depth Evaluation

In-depth programme evaluation is an activity during at the end of the programme cycle, which attempts to determine as systematically and objectively as possible the relevance, efficiency, effectiveness, achievements (outputs, outcomes and impact) and sustainability of the programme. The evaluation assesses the achievements of the programme against its key objectives, as set in the Programme document, including re-examination of the relevance of the objectives and of the Programme design. It also identifies factors that have facilitated or impeded the achievement of the objectives.

The In-depth Evaluation of Tanzania is mid-term and takes place at the end of Phase I, prior to formulation and start of implementation of Phase II.

## 3. Purpose

The purpose of the integrated programme (IP) in-depth evaluation is to enable the Government, UNIDO and donors:

- To assess the efficiency of implementation: quantity, quality, cost and timeliness of UNIDO and counterpart inputs and activities
- To assess the effects of outputs produced and outcomes achieved as compared to those planned and to verify prospects for development impact
- To provide an analytical basis and recommendations for the focus and (re)design for the continuation of the programme (Phase II).
- To learn lessons on the integrated approach and for improving the synergy effects of UNIDO's integrated programmes.

The evaluation is conducted in compliance with UNIDO policy regarding the evaluation of its integrated programmes.

## 4. Method

The evaluation will be conducted at two levels: evaluation of selected integrated programme components and evaluation of the programme as a whole. The latter programme-wide evaluation will be based on the evaluation findings of the components and will address cross-programmatic issues such as integration, synergy, programme management and overall impact.

The component level evaluation will identify outputs, outcomes and prospects for developmental impact that can be attributed to the individual components and assess to what extent component results have contributed alone and collectively to the programme-wide objective.

The evaluation will be carried out through analyses of various sources of information including desk analysis, interviews with counterparts, beneficiaries, partner agencies, donor representatives, programme managers and through the cross-validation of data. While maintaining independence, the

evaluation will be carried out based on a participatory approach, which seeks the views and assessments of all parties.

In principle the whole programme will be subject of evaluation. As will the efficiency and effectiveness of the management and overall field coordination mechanisms of the Programme.

## Appendix II: List of Organizations and Persons Met

### UNIDO IP EVALUATION MISSION IN TANZANIA

24 November to 7 December 2002

#### List of Organizations and Persons Met

Date	Institution/field	Name of contact person	Position
<b>Mon. 25.11</b>	UNIDO Office	Mr. Felix Ugbor	UNIDO Resident Representative
	UNIDO Office	Viktor Akim	Programme Officer
	UNIDO Office	Ms. K. Sorensen	Junior Programme Officer
	Ministry of Industry and Trade (MIT)	Mr. A.R. Ngemera	Permanent Secretary
		Ms. E. W. Z. Msengi	Economist
		Mr. J. G. Mwenda	Director of Monitoring
	Tanzania Industrial Research and Development Organization (TIRDO)	Dr. Manege L. C.	Director of Research
		Ms. Sarah Lifa	Senior Research Officer
		Mr. Daniel Makundi	Senior Research Officer
	National Bureau of Statistics (NBS)	Ms. Joy E. Sawe	Department Manager
	Tanzania Bureau of Standards (TBS)	Mr. Bathuel Matemba	Head, Quality Management Department
<b>Tues. 26.11</b>	Office of the Vice-President	Mr. Mugurusi	Director, Department of Environment
		Ms. Angelina E. A. Madete	Assistant Director, Pollution Control
	National Development Corporation (NDC)	Mr. E. Mnzava	Operations Analyst
	Office of the President, Planning and Privatization Division	Mr. R. Kiwelu	Senior Statistician
		Mr. W. Mdundo	Principal Economist
	Ministry of Natural Resources and Tourism (MNRT), Fisheries Division	Mr. Geoffrey F. Nanyaro	Assistant Director, Fisheries
<b>Wed. 27.11</b>	Waste Management Programme (WMP)	Mr. Mwendwa	
	Confederation of Tanzania Industries (CTI)	Mr. Thomas M. Kimbunga	Documentation Officer
		Mr. Hussein S. Kamote	Chief Economist
	Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA)	Mr. Accaro	Senior Chamber Development Officer
		Mr. Kalua M.	Chamber Development Officer,

		Simba Mr. Basil Saprapsen	Industry Vice President, Commerce
	Tanzania Bureau of Standards (TBS)	Ms. Mutabazi Mr. Bethuel Matemba Ms. Charys Ugullum	Deputy Director Head, Quality Management Department Head, Food and Microbiology Laboratory
	National Cleaner Production Centre (NCPC), Tanzania	Ms. Anne Magashi Mr. Binelias S. E. Mndewa	Deputy Director Deputy Director
	Tanzania Industrial Research and Development Organization (TIRDO)	Col. Dr. A. P. Nanyaro Dr. Ludovick C. Manege Mr. Robert Nindie Ms. Sarah Lifa Mr. Daniel Makundi	Director General Director, Industrial Research Director, Engineering Department Senior Research Officer <b>Senior Research Officer</b>
<b>Thurs. 28.11</b>	Embassy of Sweden	HE Mr. Sten Rylander Ms. Hagwall	Ambassador Private Sector Development Adviser
	Tanzania Gatsby Trust (TGT)	Ms. Olive D. Luena	General Manager
	Small Industries Development Organization (SIDO), UNIDO Food Project	Mr. Mike Laiser Ms. Happiness Mchomvu Mr. Linus C. Gedi	Director General Programme Coordinator Food Technologist
	<b>Fisheries-Private Sector</b> Vic Fish Ltd. Fruits de la Mer Ltd. Tramica Investment Company Ltd.	Mr. Harko Bhagat Mr. Shamshuddin S. Ajani Mr. Luca Cesare Bennati	Managing Director Director, Operations Department Managing Director
	Royal Norwegian Embassy	HE Ms. Sigrid Romundset	Ambassador
	Tanzanian National Business Council (TNBC)	Mr. Dunstan G. Mrutu	Executive Secretary
	Leather Project (LAT)	Mr. E. M. Mmari	Chairman

		Mr. E. J. Muyinga Mr. S. Massay Mr. J. Wakari Mr. A. Mapunda Mr. J. Shaban	Secretary (UNIDO) Board Member (UNIDO) Manager Technician Technician
<b>Sat. 30.11</b>	Zanzibar Investment Promotion Agency (ZIPA)	Mr. Hickmany Ms. Nasriya Mohammed Mr. Mohammed Said Ms. K. A. Juma Mr. Aziz Baicari Ms. Nana Mloanjisi Dr. Mohid Hafdhi Mr. Said H. Haji	Director Investment Officer Senior Economist Public Relation Officer Planning Officer Senior Marketing Officer Senior Research Officer Principal Investment Officer
<b>Mon. 02.12</b>	Kilimanjaro Industrial Development Trust (KIDT)  DFID Royal Netherlands Embassy	Mr. Evans Rweikiza Mr. Michael Mgonja Mr. Simon Materu Mr. Kitala Malamsha Mr. Frank Elisa Mr. Lauvont Tesha Mr. Peter Mushi Mr. Gasper Makiluli Ms. Liz Ditchburn Mr. Steve Collet	General Manager Manager, Administration And Finance Manager, Engineering and Production Training Manager Marketing Manager In-Charge, Foundry and Forging In-Charge, Ceramics and Briquettes In-Charge, Engineering Workshops Programme Officer Second Secretary
<b>Tues. 03.12</b>	United Nations Development Programme (UNDP)	Mr. Arthur Van Diesen	Poverty Monitoring Adviser
	National Bureau of	Mr. C. Mkai	Director General

	Statistics (NBS)	Ms. Jane Mwangi	Tanzania Social Economic Database
<b>Wed. 04.12</b>	VIBINDO Vikundi Vya Wenye Viwanda Na Biashara Ndogondogo (Small Enterprise Group)	Mr. G. Kikuwi Mr. Madanga Said Ms. Fatuma Bayuni	Executive Secretary General Deputy Secretary Vice-Chairman
	Ministry of Industry and Trade (MIT)	Mr. A. A. Nyiti Mr. J. G. Mrema Ms. E. S. Sikazwe Mr. A. K. Maziku Mr. P. J. Mgonja Mr. A. J. Chillumanga Ms. J. Meru Ms. C. Ishebabi Mr. M. M. Nyagiro	Director, Industry Director, Planning Assistant Director, Support and Promotion of Industry Assistant Director, Budget Principal Industrial Economist Principal Industrial Economist Senior Industrial Economist Senior Trade Officer Industrial Economist
	Tanzanian Investment Centre (TIC)	Mr. Ole Naiko	Director, Investment Promotion
<b>Thurs. 05.12</b>	United Nations Development Programme (UNDP)	Mr. Oddvar Jakobsen Mr. E. Salla	Deputy Resident Representative Assistant Resident Representative
	Artisan Development Agency of Tanzania (ADAT)	Ms. Sophia B. Maryogo	Executive Director and Project Trainer in Production, Construction, Production Techniques and Quality Control