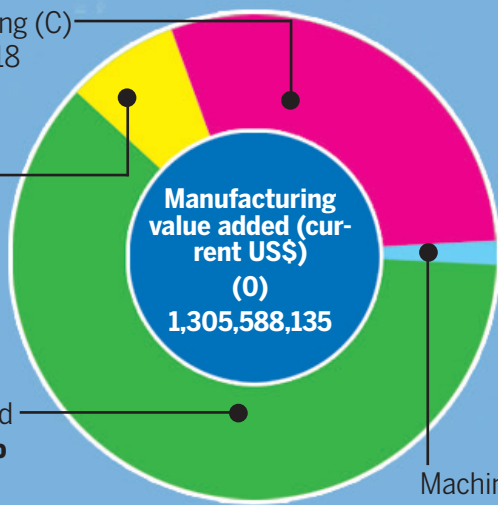


## Tanzania: Manufacturing statistics

Other manufacturing (C)  
**29.4%** 384,425,818

Textile and  
clothing (B) **7.7%**  
100,274,323

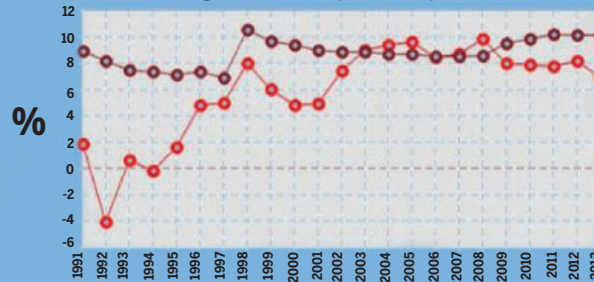
Food, beverages and  
tobacco (A) **62.0%**  
809,555,665



Machinery and transport  
equipment (D) **0.9%**  
11,365,329

## MANUFACTURING GROWTH

Manufacturing value added (annual % growth)  
Manufacturing value added (% of GDP)



# Manufacturing key to economy: Kigoda

**INDUSTRY.** There could be other engines of growth but none of them exceeds the power of the manufacturing sector in promoting technology, innovation, productivity and linkages, he says. The sector is important for product value addition and job creation

By Veneranda Sumila  
BusinessWeek Reporter

**Dar es Salaam.** Manufacturing sector holds the key to maintaining Tanzania's economic growth and development, while sustaining job creation, according to Trade and Industry minister, Abdallah Kigoda.

Speaking last month at the launch of the Tanzania "Country Report on Eastern Africa's Manufacturing sector: promoting technology, innovation, productivity and linkages," the minister was emphatic that manufacturing was the nation's engine of growth and social transformation.

The report was part of a regional study for Eastern Africa's manufacturing sector commissioned by the African Development Bank's Eastern Africa Resource

Centre, covering Tanzania, Burundi, Ethiopia, Kenya, Rwanda, Seychelles and Uganda.

"There could be other engines of growth but none of them exceeds the power of the manufacturing sector in this regard. The sector offers an opportunity not only to balance the economy towards higher value added products, but also provides a relatively wider employment base with higher labour productivity and returns," he noted.

The Tanzania Private Sector Foundation (TPSF) executive director Godfrey Simbeye said in a phone interview that any country that wants to be budgetary independent must first strengthen its export capacity of processed goods.

"A net importer country like ours should never expect to be financially

independent. For any country to get rid of donor dependency it must first strengthen its capacity to export," said Mr Simbeye.

The country according to Mr Simbeye has no focused policies that truly aim to transform the manufacturing sector.

Due to poor policies investors are rushing in the country to open up shops aiming to sell imported goods.

"But if the government was keen enough it could have restricted these traders to import for a certain period of time before establishing their industries here," said Mr Simbeye.

While the reports note that Tanzania's manufacturing industry has been growing at a pace of 9 per cent annually in real terms, this is not adequate compared to the projections in Vision-2025, which envisions the contribution of the sector to the economy to reach 25 per cent just as it's in the semi-industrialised countries of South East Asia.

The report reveals very low ranking

on trading across borders and the cluster of issues relating to starting and closing a company as among the biggest reasons for poor performance of the manufacturing sector.

"Given the importance of exporting to attain scale economies as well as creating channels for learning and knowledge spillovers, the poor performance in trading across borders is particularly detrimental to the prospects of achieving rapid industrialisation," says the report adding that:

"Given the importance of production networks for manufacturing, the difficulties of establishing formal enterprises also represent a key impediment to filling local supply gaps."

Another challenge is the poor economic infrastructure which is weak by global standards – and even by African standards.

Inadequate energy supply is the most significant infrastructural problem in Tanzania and the East Africa Region at large.

Eastern Africa, according to the report has the lowest per capita energy generating capacity on the continent and stakeholders identify inconsistent supply (which results in power outages and the requirement for expensive supplementary generation equipment) as a major cost factor.

"In terms of surface transport, Eastern Africa has serviceable regional trunk road networks, but the conditions are often poor resulting in high transportation costs when the combination of speed and distance covered are jointly taken into account. Very limited availability of rail transport compounds the problems. Finally, logistics probably remains the single biggest inhibitor of industrialisation of any of the infrastructure problems."

Eastern African ports generally underperform when compared to global competitors across a range of indicators.

Unless the challenges that have been listed in the report which has also been constantly outlined by stakeholders over the years, reaching even the planned target of 15 per cent by 2020, remains an uphill task. With the manufacturing exports growing strongly at about 31 per cent per year between 2000 and 2010, it is hoped that the government and stakeholders will address business environment challenges that have been holding its potential.

Speaking last year when launching the 7th Business Environment Lab under the Big Results Now, President Jakaya

Kikwete said the government was taking the World Bank "2014 Doing Business Report" seriously and will make improvements in key areas to improve the business climate in the country.

"Certainly, this report brings us no good news. Admittedly, we do have problems in delivering services that are key to the private sector development. The good news however, is that, we have resolved to address these challenges," said Mr Kikwete.

"I call upon the public including the private sector, to work together in a spirit of smart partnership in undertaking the analysis of the problems in our hands and finding solutions that will resolve them once and for all," he said.

According to another recent research by Prof Samuel Wangwe et al "various technological, financial, policy, and administrative constraints remain unresolved and therefore, are limiting faster industrial growth and transformation."

According to President Kikwete, meaningful improvement in the state of business environment must go together with improvements in the government delivery system.

"Public institutions' attitude and those who man them need to change. What concerns the private sector should concern the government as well," he pointed out.

## Brief of what Dr Kigoda says:

\*Tanzania is in the League of Nations categorised as having the fastest growing manufacturing sectors in the world.

\*For economic growth to become more inclusive in Tanzania, the role of manufacturing sector in generating employment opportunities and driving the overall transformation of the economy cannot be overemphasised.

\*Envisaged formation of a Grand Free Trade Area encompassing the EAC, COMESA and SADC, offer very huge market opportunities for Tanzania's manufacturers.

## Challenges often cited by CTI

\*Low productivity and operating gross margins due to high costs of production

\*Human resources/skills gaps, unfair competition (counterfeit and substandard goods); tax evasion, etc

\*High energy costs, erratic supplies of electricity, high fuel costs and poor road infrastructure contributes to the high costs of production and lack of competitiveness

## Proposed solution

There is a general consensus that with the right business-enabling environment, the sector has tremendous untapped potential to spearhead Tanzania's growth.



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