



Industrial Development in Tanzania

Why it matters for REPOA

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Outline

- Stylized facts
- Research Priorities
- Initial findings
- Way forward

Stylized facts

- Manufacturing key for promoting innovation, productivity, and competitiveness
- Backward and forward linkage critical for economic transformation
- Countries with higher share of manufacturing employment has lower rates of poverty
- Estimated 119,445 people employed in manufacturing by 2002 (Increase by 13,000 since 2008 but still low, compared to over 17 million employed labour force)

Stylized facts

- While 75% are employed in agriculture, only 2.6% are in manufacturing (7.6% in wholesale & retail trade)
- Manufacturing only 9.8% of GDP in 2012 (8.4% in 2002)
- Manufactured export have increased (7.4% in 2002 and 17.71% in 2012)
- Industrial Development trajectory:
 - Post independence- 3.5% of GDP
 - Post Arusha Declaration 1967-ISI & BIS- 11.5% of GDP in 1973
 - Structural adjustments, liberalization and economic reforms
- Manufacturing establishments largely small and medium, with significant informal arrangements (Business survey 2007/8)
 - 22% formal, of which 45% are micro, 54% small, and 1.6% large
- Constraints remain, known and unknown

Research Priorities

- Growth and Development
 - ***Structural change and dynamics growth***
 - Agricultural and rural transformation
 - Natural resources and economic development
 - Employment and labour market dynamics
- Social protection
 - Protecting income against deprivation
 - Preventing capability deprivation
 - Labour productivity and livelihoods-formal and informal
 - Macro dimensions of generalized insecurity
- Governance and service delivery
 - Public expenditure analysis and accountability
 - Taxation system and revenue mobilization
 - Local government reforms and community development
 - Economic governance: policy formulation and execution

- ***Structural change and dynamics growth***
 - Accelerating social economic transformation through industrialization
 - Developing competency through training and collaborative research
 - Various researches on industrial development in progress
 - Elites and EPZAs
 - Drivers of innovation and decision to export
 - Export and manufacturing performance
 - Sectoral systems of innovation

Initial findings

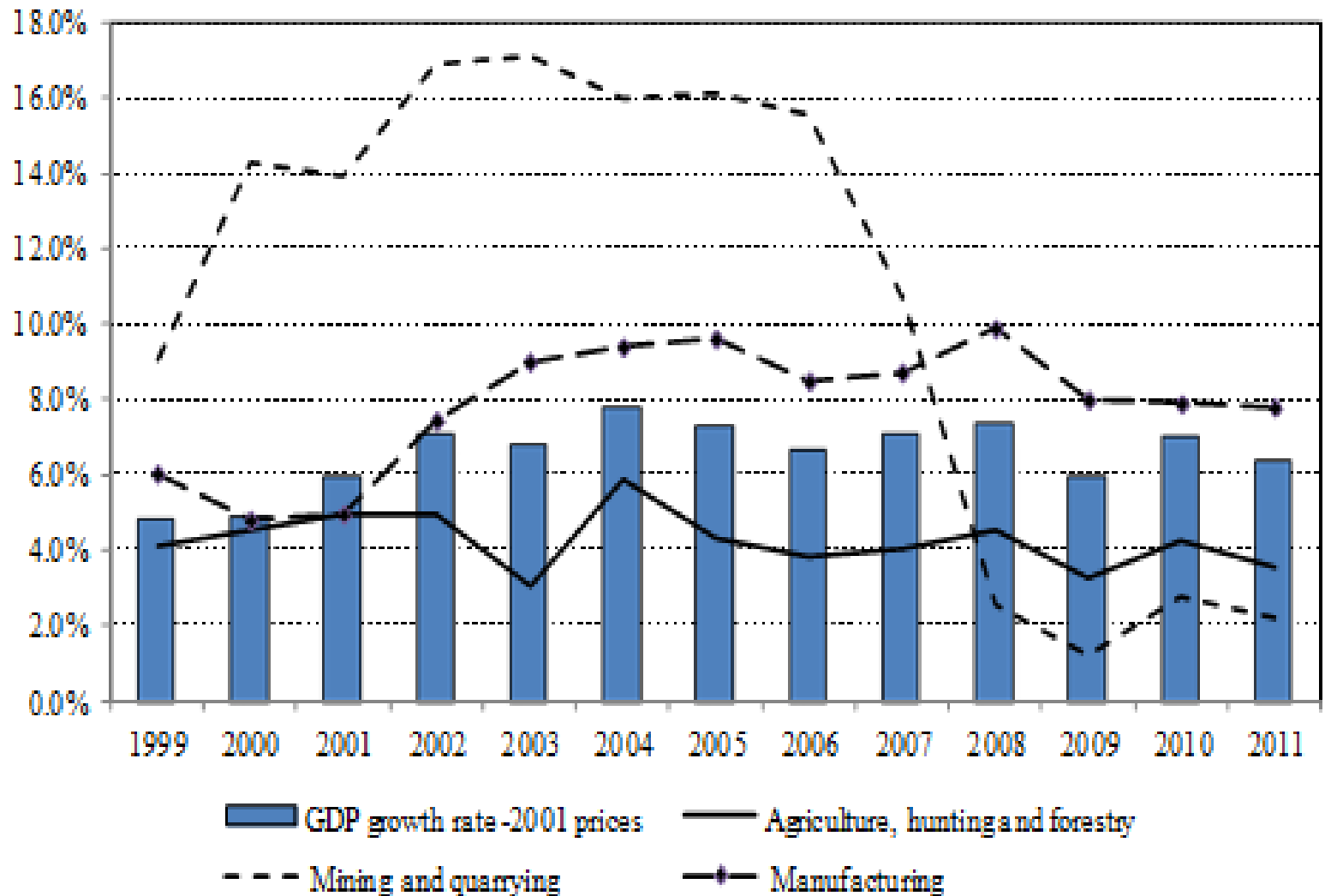
- EPZ as part of the Sustainable Industrial Development plan (1996-2020)
 - First firms started in 2004 (After the 2002 Act)
 - Tanzania Mini Tiger Plan –SEZ part of it (the notion of “ponds” and “migrating birds”)
 - SEZ Act enacted in 2006
 - Technological upgrading key to competitiveness, but no overwhelming emphasis
 - Concerns on leakages to domestic markets for “rents’ and fiscal losses without export advantage
 - Coordination problems and confusing legislations
 - Still need to assess its share of exports, employment, and technology transfer

- EPZ potential limited by supply constraints limiting competitiveness
 - weak domestic supply base,
 - Infrastructure (energy, roads, railways- raising unit costs)
 - Limited long term financing
 - Rigid Export Guarantee Scheme
- Recent manufacturing growth resilient to shocks (esp food, beverages, & tobacco), above GDP growth rates Growth rate of selected sectors (2001 – prices)
- Emergence of new firms, mostly outward-oriented and technologically savvy
 - Driven by high quality, strategic mgt and marketing, and technical innovation to expand production frontier

Conclusion

- Industrial development key for accelerated socio-economic transformation
- Need to promote policy dialogue to resolve known barriers, and to research the unknowns and alternative solutions
- Innovation is absolutely necessary, not only in **technology**, but also **institutional** and in **processes**
- The devil is in the **implementation**

Growth rate of selected sectors (2001 – prices)





**Thank you for your
attention**