

# Needed: Sustainable industrial development

THE Sustainable Industrial Development Policy was passed by Parliament in 1997, and six years later the complementary SME Policy was enacted.

Tanzania needs to be industrialized by attracting investment in the manufacturing sector in order to diversify the economy and reduce the dependence on traditional export crops like cashew nuts, coffee and tea.

It is advocated by economists that Tanzania should attract investments in local resource based industries, especially agro-processing in order to add value to exports.

Thus, it is reasonable to process fish, fruits and veg-

etables, sisal tobacco and cashew nuts. Processing of minerals like gold and gemstones will add value to the exports of those minerals. This is why the government's order not to export raw tanzanite should be implemented immediately.

TIC should attract investors not only to conduct mining operations and export minerals. Incentives should be given to a sub-sector specific for investors engaged in mineral cutting and polishing.

There is always a strong linkage between the agricultural sector and manufacturing, because the latter uses agricultural raw materials.

The manufacturing sector

produces inputs for the agricultural sector including farm implements, pesticides, fertilizers and even tractors.

Hence expansion of the manufacturing sector also contributes to growth of the other sectors which provide inputs to the industrial sector.

The manufacturing sector now contributes 8% to GDP and it is growing at a fast rate of 8%.

This is because of the privatization of former state-owned enterprises which were operating at low capacity levels because of inability to import spares and raw materials.

Privatised SOEs have been rehabilitated by the new strategic investors who have in-

vested fresh capital, modern technology, managerial expertise, and who have used their international connections to explore export markets. This is the success story of TCC, TBL, Morogoro Canvas Mill, and many others.

The rehabilitation of the manufacturing sector has led to an increase in production and productivity, and hence to its growth.

The Tanzania Investment Centre (TIC) has been attracting investment at a rate of \$50m per annum, but in 2004, the capital flow was \$248 and a large portion of this went to the manufacturing sector.

This has expanded job opportunities as well as creating forward and backward link-

ages with other sectors of the economy.

By Theo Mushi

In order to speed up the pace of industrialization we need technical and financial assistance from such organizations as UNIDO especially in the areas of conserving energy for those industries which are large consumers of electricity like Aluminum Africa, iron and steel works, the cement and paper industries.

There is need for investment in human resources to produce skilled labour that can be used to start hi-tech

industries in export processing zones.

Special emphasis should be given to small-scale industries because these require small capital and, therefore, are easier to start up than large-scale industries.

SIDO, which is responsible for SMEs, should give technical and financial services to small-scale industries as well as advice on market opportunities and selection of appropriate technologies.

The manufacturing sector has been importing technologies and machines from such countries as India, Pakistan, and China.

These technologies could be designed and produced locally if there was more in-

vestment in industrial support organizations (ISO).

These can produce a large range of agro-processing and post-harvest machines for the agricultural sector.

The Tanzanian manufacturing sector is now at the infant stage and requires selective tariff protection against inputs which will be phased out over a period of time.

This is why the principle of asymmetry was adopted in the EA Customs Union.

Therefore, about 800 items will attract duty of between 5 and 25%. The higher duty is expected to hedge competition from goods imported from Kenya which has a stronger industrial base.

A strong and growing in-

dustrial sector needs heavy investment in Research and Development (R&D)

A growing industrial sector also requires domestic and export markets.

For products of the industrial sector to penetrate regional and global markets they must be competitive in terms of price, quality delivery, and packaging.

Tanzania needs to address high energy costs and high and multiple taxes which increase the cost of production.

Export promotion should be intensified to explore export opportunities for Tanzania manufacturing products in the European Union, the USA and Asia.