

Industrialisation for Inclusive Growth and Job Creation in Tanzania

Suma Mwaitenda

Fursa Consultancy

Ardhi University

FES Public Dialogue
Dar-es-Salaam
1st June, 2019



Complex
Problem
Solving

Session Questions

- Which type of industrialisation and what is needed for it to be successful?
- How can the economy be changed to be beneficial for all except for a few
- What is a gender and youth perspective on industrialisation of the economy and job creation?

Contents

- **Brief analysis of the Tanzania situation**
- **An attempt of the three topic questions**
- **Way forward?**
- **End**

Industrial Sector in Tanzania

Facts, Figures, Issues.

- The industrial sector of Tanzania is comprised of manufacturing (**53%**), Processing (**43%**), and assembling industries (**4%**).
- The manufacturing sector in Tanzania consists mainly of food **processing (24%)**, **textiles and clothing (10%)**, **chemicals (8.5%)**, and others.
 - *Manufacturing industries are those that engage in the transformation of goods, materials or substances into new products (new commodities or value addition).*

Industrial Sector in Tanzania

Facts, Figures, Issues.

- Agriculture is the mainstay of the Tanzanian economy, and so the manufacturing industry is centered around the processing of local agricultural goods.
- Currently, the majority of crops in Tanzania are marketed in their raw forms, while value-addition to agricultural products is mostly done on small-scale secondary level.
- **Currently, value-added products in Tanzania include cotton yarn, manufactured coffee and tobacco, sisal products (yarn and twine), and wheat flour.**

Industrial Sector in Tanzania

Facts, Figures, Issues.

- Tanzania aims to become a semi-industrialized country by 2025, for which the contribution of manufacturing to the national economy must reach a minimum of 40% of the GDP.
- To achieve this, Tanzania aims to transform from being dominated by natural resource exploitation activities and extractive industries (agriculture, tourism and mining) to become an economy with a broad and diverse base of **manufacturing, processing and packaging industries** that will lead both the productive as well as the export trade sector.
 - *Foreign Direct Investments (FDIs) are expected to provide the capital for the desired industrial development.*

Industrial Sector in Tanzania

Facts, Figures, Issues.

Presidents speech during the inaugural of the new Parliament in 2015, underscored industrialisation to be a key priority to the government.

- Encouraging Industries, producing goods for mass consumption, such as clothes, textiles and edibles.
- Focus on electricity development.
- Establishment of an industrial development bank and reduction of taxes on locally produced goods.
- In order to accelerate industrialisation, lower interest rates for industrial projects
- Strengthen Tanzania Investment Bank (TIB) and establish an industrial development bank to accelerate industrialisation in the country.

Why Industrialisation Matters?

“African industrialisation has to be among the most important things happening in the world right now”.

”By 2030, the World Bank projects that almost all the people in extreme poverty will live in sub-Saharan Africa.

“By 2030 Tanzanian population is estimated to be ranging at 83.7M”

Facts: Population

Countries of EAC

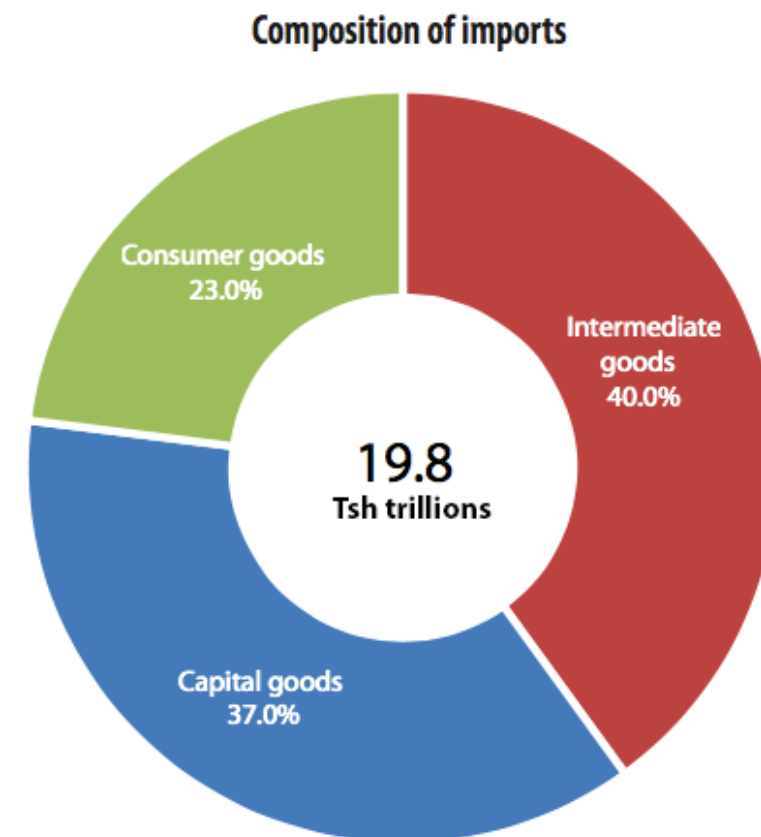
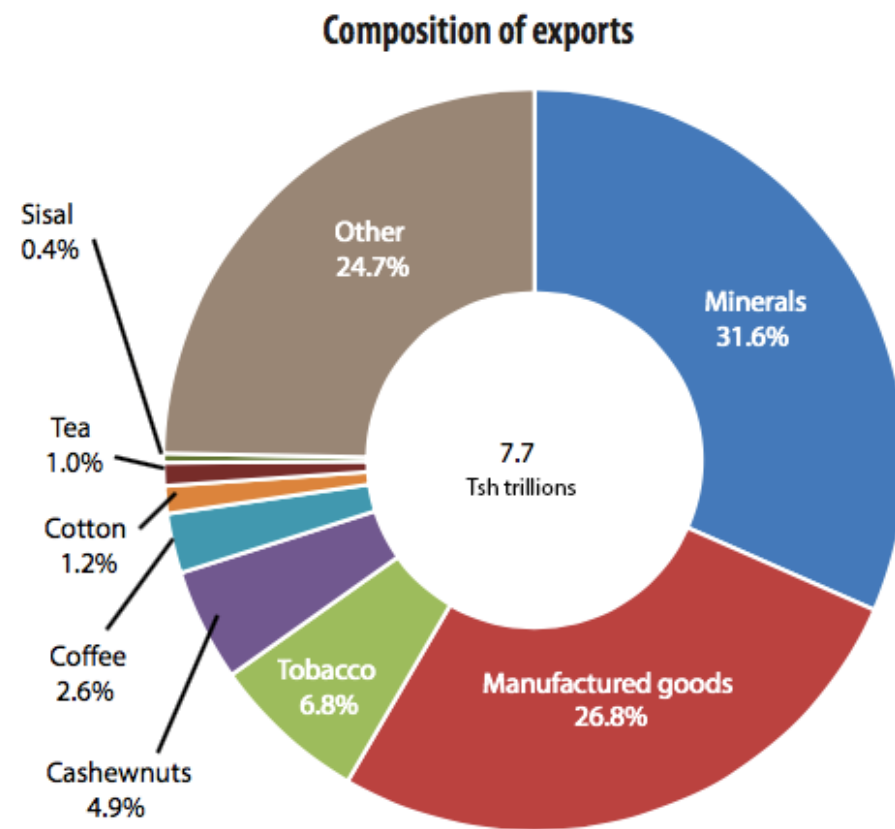
1. Tanzania: 59M
 2. Kenya: 50M
 3. Uganda: 44M
 4. Rwanda: 12.9M
 5. Burundi: 11M
 6. South Sudan: 12M
- Total Population: 176.9M + 12M

Tanzania Case

- 0-14 years: 23M (44%)
- 15-24 years: 11M (20%)
- 25-54 years: 16M (30%)
- 55-64 years: 2M (3.5%)
- Over 64 years: 2M (2.5%)

Source (UN. WB, NBS, UKAid)

Tanzania - Exports and imports of goods, 2014



Industrial Sector in Tanzania

Facts, Figures, Issues.

Challenges

- First, population is growing rapidly.
- Second, lagging in the industrialisation necessary to generate mass employment.
- Leadership/ governance - to provide the education, infrastructure, court systems and other public goods that help prepare countries for the leap from subsistence farming to factory work.

Which type of industrialisation and what is needed for it to be successful?

FYDP II recommends the following industries for Tanzania to develop

- **Automotive industry:** tyres, inputs for tractors and agriculture, motorcycle assembly
- Petroleum, gas and chemical industries: LNG, soda ash, petroleum chemical industrial complex
- Pharmaceutical industries
- Building and construction materials industries: ceramics, cement, kaolin
- Coal for industrial and household use
- **Iron and steel:** iron and steel products and technologies
- **Agro-industries and agro-processing:** processing of agricultural, livestock, forestry and fisheries products[?] textile, garment and clothing industries[?] leather; edible oil; sugar; palm oil; sisal
- **Food and beverages:** manufacturing, processing, and preservation of meat, fish, fruit, vegetables, oils and fats[?] dairy products[?] grain mill products, starches and starch products and prepared animals feeds; other food products (e.g., bread, sugar, chocolate, pasta, coffee, nuts and spices); bottled and canned soft drinks, fruit juices, beer and wines

Which type of industrialisation and what is needed for it to be successful?

With the right policies, infrastructure and strongly coordinated investment promotion efforts, the industry can create up to 10,000 new jobs and annual exports worth US\$1 billion from both cotton and synthetic garments in the next ten years.

Note; *Huajian (Chinese shoe factory in Ethiopia), one labour-intensive light manufacturing company (30,000 employees), would single-handedly employ as many people as are to be employed in all the planned resource-dependent heavy industries in Tanzania's SEZs by 2020, according to FYDP II.*

Which type of industrialisation and what is needed for it to be successful?

Manufacturing is argued to as the most important historically, value-added processing and manufacturing have been the bedrock of development, as Professor Ha-Joon Chang puts it:

“History has repeatedly shown that the single most important thing that distinguishes rich countries from poor ones is basically their higher capabilities in manufacturing.”

Why has this been the case?

There are a number of special characteristics of manufacturing, which Professor Chang elaborated to argue the case.

- Productivity and Economic Growth
- Technological Spillover Effects
- Base for Services
- Organisational Innovation

Which type of industrialisation and what is needed for it to be successful?

- Why do we want to industrialise - what is the big vision ought to be achieved? What is the major challenge we are facing now?
- What is/are the current global industrial trends? what role do they have in influencing our aspirations to industrialise?
- The level of technology? Power? Infrastructure? leadership/governance?
- Skills set (the available and the desired skills necessary to industrialise)
- Training, Education and standards (vocational institutions and certification bodies)...

How can the economy be changed to be beneficial for all except for a few?

- Estimated labor force in Tanzania is 24.89 mil (2017 est.) the number is estimated to double to 50 mil in 2030
- **Sector which employed this labor force by percentage is as follows**
 - Agriculture 66.9%
 - Industry 6.4%
 - Services 26.6%

How can the economy be changed to be beneficial for all except for a few?

- 97% of the employment in Tanzania comes from the Private sector. (of this, there is formal and informal sectors).....
- Who are the largest private sector?
- **About 70% of Tanzanians Are Involved in Agriculture**
- THE LARGEST PRIVATE SECTOR ... - **FARMERS**
 - CREATING VALUE ACROSS THE CHAIN
 - BUSINESS ENVIRONMENT BLUE PRINT

What is a gender and youth perspective on industrialisation of the economy and job creation?.

Youth and Women -Tanzania Case

Youth

- 0-14 years: 23M (44%)
 - 15-24 years: 11M (20%)
 - 25-54 years: 16M (30%)
- Only 4% of youth can access microcredit's
 - Youth account for 53.3% of unemployed people

Women

- | Year | Polupation | %Male | %Female |
|------|------------|--------|---------|
| 2019 | 60,913,557 | 49.49% | 50.51% |
- 53.3% of work force
 - 54% of All micro and small businesses
 - 60% have access to financial services
 - By 2020 Tanzania will have financial services reach over 90% of women (BOT)
 - 80% of food in Tanzania is produced by small holder farmers of which 60 - 70% are women.

“We cannot always build the future for the youth but we can build our youth for the future.”

–Franklin Roosevelt

***“Until all of us have made it,
none of us have.” -Rosemary
Brown***

Beyond empowerment....Advancement

What do we want?

What to do?, Now..

What is our competitive Advantage ?

Are we ready?

“Thank You.”

An invasion of armies can be resisted, but an idea whose time has come -vh