CHAPTER FOUR

Magufuli's Industrialization Drive

Magufuli's Commitment to Industrialization

The often-repeated statement by the Magufuli Government[1] in respect of industrial development in Tanzania was from "Tanzania Vision 2025". Here, it was stated that the goal was to "transform Tanzania from a least developed country to a middle income by 2025 through inducing a shift from an agricultural base to a semi-industrialized one". The president's commitment to the industrialization of Tanzania was given in his foreword to a book by Mufuruki, Mawji, Kasiga and Marwa (2017). He wrote:

> During the election campaign and after being sworn in as the fifth President of the United Republic of Tanzania in early November 2015, I emphasized the urgent need for Tanzania to industrialize in order to create jobs for millions of young Tanzanians and to build a modern economy for the country and for its people. Six months later I followed this up by launching a Second Five Year Development Plan (FYDPII) themed "Nurturing Industrialization for Economic Transformation and Human Development". The launch of this plan, followed by the announcement of the government budget by my Finance Minister for the first year of the plan (2016/17), was an affirmation of my personal commitment to the development of the Tanzanian state and to industrialization as the chosen strategy for the attainment of our desired development

1 This was the preferred term by Magufuli at the beginning of his presidency. He constantly used the term "my government", which was in sharp contrast to his predecessors, who preferred to use the Swahili term "serikali ya awamu ya pili, ya tatu na ya nne". This can be literally translated as the second, third and fourth CCM Government. The first term was that of president Nyerere, who was President of Tanzania from 1962 to 1985. This was followed by Mwinyi from 1985 to 1995, Mkapa 1995 to 2005 and Kikwete 2005 to 2015. Once he became CCM chairman, he returned to using the term awamu ya tano (the 5th CCM government). The retiring president remains the president of the party because the party election cycle is different from the government presidential election cycle. Thus, Nyerere remained the president of the party after his resignation from the presidency of the country in 1985. President Mwinyi, however, opted to resign from the party presidency immediately after Mkapa was installed as the president of the country. His example was followed by president Mkapa and again by president Kikwete.

aspirations. Industrialization is, therefore, an essential and central component of a wider nation building project of the modern Tanzanian state to which I have dedicated my presidency. My Government's objective is to propel the country and its people to higher standards of living (High middle income status by 2036 and to catch up with the developed world by 2066) (Mufuruki, Mawji, Kasiga and Marwa 2017: Foreword).

In his November 2015 opening speech to the new parliament, Magufuli had identified four steps to achieve his industrial dream.

Step One: Ensure that the existing industries become productive. This reminds one of the Sustainable Industrial Development Policy (SIDP) 1996-2020, whose short-term programme was "the rehabilitation and consolidation of existing industrial capacities" and mid-term programme was "reactivating commercial efficiency and optimum utilization of existing industrial capacities and the creation of new capacities".

Step Two: Ensure that those who acquired industries (during the privatization process mostly carried out from 1993) on the understanding that they will carry on with production do so, and if they fail to run them, they should be returned to the government.[2] Unfortunately, a number of the privatized enterprises did not continue with production and the existing assets and equipment were stripped by the new owners. This was part of what Liviga (2011) referred to as the unanticipated consequences of liberalization. Unfortunately, no mechanism was put in place to monitor the former parastatals to ensure they did not die in the hands of private owners that acquired them from the government. This was reported by the *Guardian* newspaper on 15 June 15 2016 to be one of the main regrets of President Mkapa.

2 This was wrongfully interpreted as a call for renationalization or a return to the pre liberalization policies whereby the state was at the centre of industrial production. Despite the re-emergence of economic nationalism under Magufuli there was little prospects of turning back to the pre liberalization phase. What was emerging under Magufuli was to ensure that benefits from increased industrialization were used for the country's economic advancement and there was local participation. This was interpreted as the participation of African citizens given the Asian/Arabic and foreign hold on the economy.

Step Three: Entice investors to invest in different areas of the country in a move to decentralize industries from Dar es Salaam. This was in line with the establishment of development corridors, special economic zones and export processing zones promoted by his predecessor, President Kikwete, with varying success.[3] The only difference between Magufuli and his predecessor was the call to guard against the exploitative nature of foreign investments. While specifically talking about investments in mining following the confrontation between the government and Acacia Gold Mining company over the non-payment of taxes, Magufuli insisted in January 2017 that:

> We need investors but on a win-win situation but not those who exploit us. Enough is enough. We have been given raw deals for too long and this has to end. Even the devil is laughing at us over our own self-inflicted level of poverty amid natural wealth given by God (*The Citizen* 13/1/2017).

Step Four: Industrialization should be based on local raw materials – agriculture, livestock, fisheries and minerals and the focus should be on production for mass consumption (garments, shoes, edible oil etc.). This is basically a repetition of the words used in the basic industries strategy (BIS) of 1975-1995. The only addition here is that the new focus on industrialization would lead to increased employment, with industries accounting for 40 per cent of all employment in Tanzania by 2020 (Magufuli Inauguration Speech to Parliament, 15 November 2015).

Could Magufuli have succeeded to industrialize the country where all his predecessors had failed? Industrialization has remained the country's dream since independence in 1961, as evidenced by the various policies and plans. Presenting the First Five Year Development Plan (1964-1969), Nyerere said:

> Simply to expand agriculture, however, would be to condemn Tanganyika to a position of permanent economic inferiority in the world. We must have more balance in our economy and end this absolute reliance on the prices of primary commodities. We must have an industrial base to the economy. Only when we have achieved this will our future be to some extent safeguarded (Miti 1981:22).

3 See the Tanzania Integrated Industrial Development Strategy (TIIDS) 2025 and the discussion on economic corridors.

While the industrialization plan was disrupted in 1967 because of a lack of investment flows from abroad, this did not deter President Nyerere and the subsequent presidents from elaborating national industrialization plans. President Nyerere's went on to produce the Long-Term Industrial Development Strategy: Basic Industry Strategy (1975-1995); Mkapa came up with the Sustainable Industrial Development Policy (SIDP) (1996-2020); Kikwete gave the country the Mini Tiger Plan (2020), the Tanzania Development Vision 2025 and the Tanzania Integrated Industrial Development Strategy (TIIDS) 2025.[4] The Second Five Year Development Plan referred to by Magufuli above forms part of the TIIDS.

Industrial experts on Tanzania have continuously noted the fact that Tanzania has been good at producing strategy documents but poor at identifying and implementing policy interventions that support the realization of these strategies, so comparatively little has been achieved (Morrissey and Lenyaro 2015; UNIDO/URT 2012, p. 2016). Others have pointed to the lack of capacity, both administrative and financial, to implement the industrial policies outlined (Msami and Wangwe 2016). This is apart from the actual constraints on industrial production that includes inadequate infrastructure (electricity, transport, services and access to finance) and how industrialization has developed over time resulting in overdependence on imported raw materials and lack of backward and forward linkages (Andreoni 2017) and it is being dominated by small and medium-sized enterprises (Carol Newman et al. 2016).

Thus, for Magufuli to succeed in his quest for industrialization, he had to clearly identify and address the obstacles to industrial development in the country. One, therefore, needs to look at all of these realities, the industrial strategies, policies and plans pursued in the past against Magufuli's priority projects, as outlined in the annual budget proposals. The following pages review Tanzania's industrial development strategies, policies and plans since independence. This is followed by a quick analysis of the current industrial sector. It then identifies Magufuli's priority projects and how they fit into the overall industrial vision.

Continuity and Change in Tanzania's Industrialization Strategies, Policies and Plans

One of the ways to capture the industrialization trajectory in Tanzania is to examine the strategies, policies and plans pursued by the successive presidents, that is, Nyerere (1961-1985), Mwinyi (1985-

4 These are briefly discussed below.

1995), Mkapa (1995-2005) and Kikwete (2005-2015). This would provide the context in which Magufuli was trying to industrialize the country.

Nyerere and the State-Driven Industrialization Strategy

President Nyerere's drive towards industrialization in Tanzania can be divided into two periods – 1961-1975 and 1976-1985. The industrial strategies and policies under the first period are captured by the First Five Year Development Plan produced in 1964. Under this plan, the main areas of industrialization were to be in (a) processing and manufacturing industries, the products of which would replace goods that would otherwise be imported (i.e., import substitution industries), and (b) primary processing industries, which would raise the value of Tanganyika's exports and, at the same time, render them less sensitive to price fluctuations in the world market (Miti 1981). The Arusha Declaration that came in 1967 did not change the country's industrial policy. What changed after the Arusha Declaration was the reversal of one of the basic principles of the previous industrial strategy: dependence on foreign private investment as the major instrument of industrial growth. This, however, did not eliminate the participation of the private sector in Tanzania's economy.[5]

In this new setup, the emphasis was on maximizing revenue-yielding activities. This came to be known as the maximum growth strategy of industrial development, according to which the role of industry is to promote economic development through rapid growth of output, foreign exchange earnings or savings and employment.[6] This approach favoured light industrial products for import substitution or the processing of raw materials for export and the use of relatively labour-intensive techniques of production. The approach came to be associated with a shopping list approach to industrial development. Thus, the Second Five Year Development Plan (1969-1974) identified 383 possible investment projects without any regard to their interrelationships or effects on the overall development of the industrial sector. This has remained the main weakness of Tanzania's approach to industrialization-limited linkages between industries.

Included in the shopping list approach was the promotion of small-scale industries which

---

5 For a discussion and examples of private investments following the Arusha Declaration, see Antonio Andreoni and Farwa Sial. 2020. Not Business as Usual: The Development of Tanzanian Diversified Business Groups (DGBs) under Different Regimes of Capitalist Accumulation. Anti-Corruption Evidence, Working Paper 022.

6 According to Rweyemamu (1976), the maximum growth strategy of industrial development involves the ranking of industrial opportunities using a social cost criterion. Only those activities which show a relatively high rate of return up to the point where the budget constraints become binding are selected as appropriate activities.

included projects involving the employment of 10 to 70 people (a somewhat dubious criterion for defining small-scale industries). It was stipulated in the plan that plants of this size would account for three-fifths of projected new plants. The call for small-scale industries was further strengthened by the Dar es Salaam declaration on small-scale industries in 1973 and the creation of the Small-Scale Industries Development Organization (SIDO). There was, however, no elaboration of any linkage between the small-scale industries and the large industries. Thus, the forward-backwards linkages between industries, and between the industries and the rest of the economy, remained absent.

The second period of industrial promotion under Nyerere (1976-1985) starts with the Third Five Year Development Plan (1976-1981) and the Long-Term Industrial Strategy (1975-1995). The elaboration of the new industrial strategy was done with the help of economists from the Harvard Institute for Economic Development, who was commissioned by the government between 1973 and 1974 to undertake studies for a long-term industrial strategy. At the centre of the long-term industrial strategy was the establishment of basic industries championed by economists at the University of Dar-es-salaam at the time (Rweyemamu 1973, Thomas 1972). The aims of the long-term industrial strategy were:

1. Development and transforming the structure of industries by giving top priority to basic industries as well as holding industries so as to meet basic needs. The target was to assure that the country's natural resources, such as iron, coal, chemicals were used as inputs in the production of machines and other things to meet the needs of industries, taking into account mainly Tanzanian needs. By developing basic industries, the country would have a firm foundation for developing different sections of the economy by producing industrial inputs within the country whenever possible.
2. Promotion of the production of raw materials for local industries, e.g., iron, chemicals.
3. Ensuring that raw materials are processed locally and meet the country's needs, with the surplus being sold abroad (Long-Term Industrial Strategy 1975-1995).

The above is elaborated upon by the Third Five Year Development Plan (1976-1981), which stated the aim of the new industrial strategy as:

1. Transforming the industrial economic structure by giving specific emphasis to:
   (a) The establishment of industries that would produce goods for export to obtain foreign

currency and aid the agricultural sector in increasing our foreign exchange reserves (export-oriented industrialization).

(b) Starting industries that will produce goods needed for use in the development of Tanzania (consumer goods).

(c) Developing an industrial base by starting workshops for the production of spare parts and machine components to expand the basis for self-reliance and increase the domestic market for iron in order to facilitate the establishment of iron-related industries later on.

(d) Starting holding industries on the basis of existing resources. These include iron and coal industries, chemical industries and construction-related industries.

(d) Starting simple small-scale industries using available technology.

2. Increasing the efficiency and improving the capacity utilization of existing industries.
3. Increasing employment opportunities together with the expansion of training programme and increasing the ability of workers, both employed and those to be employed.
4. Extending industrial activities to the regions.
5. Establishing and expanding industrial research, consultancy and technology.
6. Processing of various foods, processing of cotton, production of shoes, textiles, and various construction of goods.
7. Preparation for the establishment of iron smelting industries together with metal fabrication industries, industries producing cement, glass and wood, chemical industries, fertilizers and paper industries (Third Five Year Development Plan 1976-1981).

It is important to note the meaning attached to the term 'basic industries'. It meant producing goods to meet the basic needs or requirements of the people, namely consumer goods. To this was added the production of intermediate and capital goods of the economy that would help reduce the import bill, for example, import substitution industries. The shopping list approach and the maximum growth strategy remained central to the industrialization plan. This is underpinned by the stated priorities of the Third Five Year Development Plan:

> Establishing first those projects that besides assuring our permanent economic development, would yield quick surplus which would act as a prop in establishing other profit yielding projects and services (Third Five Year Development Plan 1976-1981).

The government proceeded to create specialized institutions to promote specific industries. These included: The Tanzania Textile Corporation (TEXCO), The Tanzania Leather Associated Industries (TLAI), The National Chemical Industries (NCI) and The Tanzania Karatasi Associated Industries (TKAI). These were added to the already state-owned institutions: the NDC, which acted as an investment arm of the government to oversee a wide range of feasibility studies and industrial investments, mainly of intermediate and capital nature to support goods import substitution; and The National Bank of Commerce (NBC) and Tanzania Investment Bank (TIB) that were to provide funding for industrialization (Mussa 2014).

The economic crisis that started with the war with Uganda in 1979[7] completely derailed Tanzania's industrialization drive under Nyerere. At the centre of the crisis was a huge fall in Tanzania's foreign exchange income. At one point, the income from exports was less than one-third of the country's import requirements. This necessitated a sharp cut in imports. External grants and loans to meet the foreign exchange shortfall became increasingly difficult to negotiate, in part because Tanzania's external debt had spiralled to US$ 3.5 billion which, by 1985, was equivalent to 70 per cent of GDP. This was accompanied by external debt repayment arrears of US$ 700 million, which at the time was equivalent to 60 per cent of the country's export earnings. This is not the place to discuss the causes of the economic crisis, suffice to note the summary of the causes given by Tanzania Affairs in September 1986.

> This very grave situation was brought about by a combination of influences. The toll on foreign exchange reserves exacted by the war on Uganda (1979-1980); the effects of the oil price shock (1979-1980); the world recession, adverse terms of trade in Tanzania's exports; a series of drought years and above all a decline in agricultural production and industrial performance caused by the need to cut back on inputs of important spares and other inputs with a cumulative effect on the economy (Tanzania Affairs 1986, September).

---

7 Uganda, under Idi Amin, invaded the Kagera salient in 1979 claiming that the Kagera River formed the actual border with Tanzania. The motive behind this move was to foreclose Tanzania's support for Ugandans who wanted to overthrow Idi Amin, who had overthrown President Obote in 1971. This forced Tanzania to engage in a war with Uganda, not only to kick the Ugandan troops out of the Kagera salient but to ensure that Idi Amin was removed from office. This saw the Tanzanian troops moving all over Uganda. The cost of the war was so exorbitant that Nyerere predicted it would take Tanzania ten years to recover from its effects. For more information on the Tanzania Uganda War, see George Roberts. 2014. The Uganda Tanzania War, the fall of Idi Amin 1978-1979. *Journal of East African Studies*, Vol. 8; and Tony Avirgan and Martha Honey. 1982. *War in Uganda: The Legacy of Idi Amin*. London: Zed Press.

With the economy heavily dependent on the importation of capital and consumer goods, there was foreign exchange scarcity which caused a downward spiral in all sectors of the economy. This situation is captured by Lofchie (2014), who notes that without foreign exchange, agricultural inputs became scarce. Without inputs, production dropped further, causing an additional decline in hard currency earnings. This spread the difficulty throughout the economy, imposing adverse conditions on manufacturing and public services. In fact, industrial production and utilization fell sharply, with some of the manufacturing enterprises unable to operate completely.

To mitigate the situation, Nyerere turned to the traditional bilateral aid donors in the hope that part of their aid could be turned into import support. The donors told him to go to the International Monetary Fund (IMF) and that their support would only come after his agreement with the IMF. This started a long and tedious process of negotiations with the IMF. In order for the government to receive credit from IMF, the following conditions were set:

1. Cuts in government spending especially on subsidies on food and agriculture and welfare spending (education, health etc.) as a means of reducing government expenditure.
2. Imposing large currency devaluation of the Tanzanian shilling and reducing import controls.[8]
3. Freezes in government-administered wages and prices.[9]
4. Imposing higher interest rates.
5. Reducing state control over the economy and especially over prices.
6. Introducing additional measures to stimulate foreign investments, that is, providing extra incentives.

These were perceived by the government as undermining the country's sovereignty and government ownership of economic management.

In the hope that the IMF would change the conditions for the loan, the government produced the National Economic Survival Programme (NESP) in 1981 with two main objectives: mobilizing internal resources for increased exports and food self-sufficiency and meeting an export target of TSh 6 billion for 1981/82. The success of the National Economic Survival Programme was concomitant with obtaining US$ 180 million from the IMF and additional funding from the bilateral

8 Given the shortage of foreign currency, importers had to seek permission to import goods into the country and to be allocated foreign exchange.

9 The government had introduced minimum wages to safeguard the workers and dictated the prices of many consumer goods.

donors, none of which materialized. The government then drew up two new policies: the National Agricultural Policy aimed at liberalizing the sector in line with the IMF conditions and the Structural Adjustment Programme (SAP) that incorporated other demands of the IMF, in particular the controlling of the government budget, reducing deficits and controlling parastatal expenditure. According to Wagao (1990), the success of the SAP (1982-1986) depended on the mobilization of US$ 300 to 400 million annually for three years from external sources (IMF, World Bank and bilateral donors). It thus assumed an injection of US$ 900 million in the balance of payment support. But as the negotiations between Tanzania and the IMF collapsed, no funding was forthcoming, and the situation continued to deteriorate. For example, in 1984, exports fetched US$ 285.6 million while imports stood at US$ 999.4 million (Matiku 2007).

As the situation worsened, Nyerere voluntarily retired in October 1985 as he was not prepared to preside over the dismantling of the economic structure that he had worked so hard to create. Mwinyi, who had replaced Aboud Jumbe in April as the president of Zanzibar, took over as the President of Tanzania. This opened a new chapter in Tanzania's development.

Mwinyi, Economic Restructuring and the Reversal of State-Driven Industrialization

The worsening economic situation and the refusal by bilateral donors to move their project aid to import support until the government agreed to the IMF's demands forced the Mwinyi government to agree to the IMF's conditions in July 1986. This resulted in the First Economic Recovery Programme (1986-1989). This is how Nyerere described the agreement in June 1988:

> When Tanzania went to the Washington based institutions after years of resisting, the International Monetary Fund, said like Shylock to Antonio, 'Ah, at last you have come'. Antonio then could not repay the loan. Shylock then demanded his pound of flesh. Of course, sometimes we cannot repay the debt and, of course, the IMF demands the pound of flesh. The IMF is now the tool to control the governments of the world (Tripp 1997).

Mwinyi, after leaving the presidency, noted of the pound of flesh demanded by Shylock (the IMF) that it had to be taken without shedding a drop of blood (Tripp 1997).

The pound of flesh demanded by the IMF was for Tanzania to abandon its state-led development

strategy for a private sector-led (free market) strategy, with the aid donors and the Bretton Woods institutions in the driving seat. This is well captured by Van Arkadie (1995), who wrote that:

> Donors have become important political actors as major macro-economic policies, such as exchange rate adjustments and fiscal and monetary policies have fallen increasingly under their influence if not at the discretion of the Bretton Woods institutions and even the level of project choice, design and staffing, donor agencies have often played a leadership role.

Prost (1988) notes that donors who have come to refer to themselves as development partners become adjudicators and monitors of government performance (or non-performance) in implementing economic reform.

Mwinyi's term of office, therefore, coincided with the implementation of the IMF and donor reform demands under the economic recovery programmes and the restructuring of the political system into a multiparty democracy. Suffice to mention here some of the main changes under Mwinyi, who was internally referred to as Mzee Rhuksa[10]. Four elements were involved in the reforms and restructuring demanded by the IMF: Stabilization, liberalization, privatization and democratization.

Stabilization involved the devaluation of the Tanzanian shilling, the removal of price controls and the adjustment of interest rates. These are generally referred to as macro-economic policies. This was the focus of the Economic Recovery Programme I (ERP I) that ran from July 1986 to June 1989. Agreement on the stabilization programme paved the way for renewed funding from the Bretton Woods institutions and bilateral donors. Thus, external loans and grants grew from TSh 2.911 billion in 1985/86 to TSh 8.567 billion in 1986/87 to TSh 17.658 billion in 1987/88 and TSh 45.360 billion in 1988/89. This was accompanied by increased financial flows that rose from US$ 649 million in 1985 to US$ 824 million in 1987. On top of these, there was debt rescheduling under the Paris Club. In 1986, US$ 300 million in short-term debt was transferred into long-term concessional loans. Another debt rescheduling was done in 1989 when US$ 260 million was converted into

10 The word arose from his allowing all sorts of imports into the country to stop the goods shortages. One needs, to note that the "own account import policy" under which the goods were imported was started under the 1984/85 budget. It allowed those with access to foreign exchange outside the official exchange control allocation system to use their funds to freely import a wide range of goods. The full implementation of the policy took off under Mwinyi and hence the name Rhuksa, the English translation of which is "allow".

long-term concessional loans. Rescheduling does not scrap the loan; it only increases the payment period. Loan reduction for Tanzania came under Mkapa in the context of the Highly Indebted Poor Countries (HIPC) Scheme, but it came with conditions, of course. What needs to be noted here is that donors shifted funding from projects to balance of payment support, which helped to alleviate import shortages. Thus, in 1988/89, Tanzania was able to import goods worth US$ 1.27 billion, when official exports fetched US$ 436.5 million (Wagao 1990). This helped to ease the consumer goods shortage and enabled the importation of inputs for both agriculture and the manufacturing sector.

Liberalization involved reducing government control of prices and allocation of resources. This basically meant the dismantling of the country's economic system from a public-led system to a private-led one. This became the focus of the Economic Recovery Programme II (ERPII) which was to run from 1989 to 1992. The major economic reforms during this period included: the working out of a new national investment promotion policy which resulted in the enactment of the National Investment (Promotion and Protection) Act of 1990 and the creation of the Investment Promotion Centre (IPC) (Under the new investment policy, foreign investors were not only guaranteed full repatriation of profits but also provided with a set of incentives that included the duty-free import of capital goods, exemption from paying value-added tax and tax holidays that included 100 per cent capital allowance. These, as noted by CRC Sagoma (2013), should be seen as hidden subsidies for foreign companies which caused losses to the government from unpaid custom duties and sales tax. These were estimated at US$ 450 million in 1993/94); the liberalization of the exchange market and the deregulation of the banking sector that saw the emergence of foreign and local private banks; the scrapping of the leadership code in 1991 with the CCM National Executive Committee (NEC) February Zanzibar Declaration. This ended the 1967 leadership code which, among other things, prevented leaders from being associated with capitalist practices including owning shares in any company, holding directorships in private owned businesses, renting out houses, receiving two or more wages and the hiring of labour. In fact, in 1973, a committee for the enforcement of the leadership code was formed in parliament to investigate violations, and leaders had to sign a declaration to abide by the conditions of the code.[11] The scrapping of the leadership code was aimed at allowing the leaders (both within the party and within the government) to benefit from the liberalization and privatization drives that were being implemented.

11 Critics of the leadership code noted that discouraging private capital accumulation and investments by leaders promoted engagement in corruption (embezzlement, graft, extortion) and increased rent-seeking and clientelism (Matiku 2007).

Privatization and the reform of state enterprises became the focus of the Economic and Social Action Programme (1992-1996). This was kicked off by the amendment in 1992 of the Public Corporations Act of 1969, which had created the public enterprises commonly known as parastatals. The 1969 act gave the president the power to create public corporations in which the government had 51 per cent shareholding or was the sole shareholder. The 1992 Public Corporations Act allows a situation where the government can become a minority shareholder. This was immediately followed in 1993 by the Public Corporations Amendment Act. Section V of this act was specifically concerned with the creation of the Presidential Parastatal Sector Reform Commission (PPSRC). This was an autonomous body funded by the IMF, directed by foreign advisors and coordinated the privatization exercise. The main objectives of privatization, according to the PPSRC, were:

1. To improve the operational efficiency of enterprises that are currently in the parastatal sector and their contribution to the national economy.
2. To reduce the burden of parastatal enterprises on the government budget.
3. To expand the role of the private sector in the economy permitting the government to concentrate public resources to its role as the provider of basic services, including health, education and social infrastructure.
4. To encourage wider participation by people in the ownership and management of businesses.

The secondary objectives were more forthright and included:

1. The creation of a more market-oriented economy.
2. To secure enhanced access to foreign markets, capital and technology.
3. To provide the development of a capital market
4. To preserve the goal of self-reliance (Mbowe 1993).

For purposes of privatizing, parastatals were classified into three categories: first were the social services, that is, parastatals that do not generate revenue from the sale of goods and services (these were expected to be absorbed into the normal government administration); second were public utilities that included transport, water, power supply and postal services. While these were to remain as part of the state sector, the private sector would be allowed to provide these services through lease or management contracts. Examples of these were the Dar Es Salaam Water Services

Authority (DAWASA), which was leased to Britain City Water, and the Tanzania Electricity Supply Company (TANESCO), where a management contract was awarded to South Africa Net Group Solutions;[12] third were commercial or business-oriented parastatals. These were to be fully or partially sold, transformed into joint ventures or closed and liquidated.

The privatization exercise or reform of parastatals, which started under the Mwinyi presidency, gained momentum and was completed under President Mkapa. What is important to state here is that it represented a full reversal of Tanzania's economic system, which was based on public ownership and control. In Van Arkadie's (1995) words, it meant the dismantling of the country's economic system. Secondly, privatization opened the way for public leaders and civil servants to openly engage in business practices. This has transformed a number of them into billionaires. Magufuli's statement about the privatized parastatals reignited the burning question of what had happened to the privatized entities and whether privatization helped to promote industrialization in the country. These questions are addressed later.

Democratization implied the creation of a multiparty system in the first place and the reform of government itself in the name of enhancing government capacity. The process of democratization started in 1991 when Mwinyi appointed the Nyalali Commission to look into the need for a multiparty system. The fact of the matter is that public opinion was not in favour of creating a multiparty system. Despite this, and largely at Nyerere's prodding, a multiparty system of government was recommended. This led to the amendment of the 1977 constitution in July 1992 and to the start of several political parties that have contested the elections since 1995. Chama Cha Mapinduzi (CCM) has, however, remained the dominant party with the opposition highly fragmented.[13] The reform of government was mostly undertaken by Mkapa with the development partners (aid donors) providing most of the funding and technical support.

12 For details on the privatization of these, see the World Bank Report to the government of Tanzania: Privatization Assessment of 2005 case studies 1 and 2 URT 2005: 23-61.

13 For a discussion on why the opposition has remained week and their performances during the various elections since 1995, see Mangasini Atanasi Katundu. 2018. Why is Tanzanian Opposition Weak Twenty Five Years since its Reintroduction? African Journal of Political Science and International Relations. Vol. 2, 5. There were 17 opposition political parties by the time Magufuli came to power in 2015. These were: Chama cha Demokrasia na Maendeleo (CHADEMA); Chama cha Haki na Ustawi (CHAUSTA); Civic United Front (CUF); Democratic Party (DP); Demokrasia Makini (MAKINI); Jahazi Asilia; Forum for the Reconstruction of Democracy (FORD); National Convention for Reconstruction and Reform (NCCR-Mageuzi); National Reconstruction Alliance (NRA); National League for Democracy (NLD); Progressive Party of Tanzania-Maendeleo (PPT-Maendeleo); Sauti ya Umma (SAU); Tanzania Demokratic Alliance (TADEA); Tanzania Labour Party (TLP); United Democratic Party (UDP); Union for Multiparty Democracy (UMD); and United People's Democratic Party (UPDP).

It is important to conclude this section on the Mwinyi presidency by highlighting the renewed pressure by the development partners on his government to stick to the economic reform process. Matiku (2007) notes that the economic reforms had resulted in increased inflation between 1990 and 1992 and a decline in export goods and services. These dropped from US$ 643.1 million in 1989 to US$ 353.4 million in 1992. The GDP, at factor cost, had also declined by 8.4 per cent from 1991 to 1992. This forced the government to slow down on further reforms agreed to under the Extended Structural Adjustment Programme. The donors responded by suspending payments for development projects and balance of payment assistance and withholding further financial assistance. This led to the creation in 1994 of an Independent Monitoring Group under Professor Helleiner to mediate between the government and the donors. Under Mwinyi's government, the partners became the focal point in determining Tanzania's development.

Mkapa and the Market-Driven Industrialization Strategy

Mkapa's presidency completed the economic transformation process started by Mwinyi under pressure from aid donors. A new industrial policy was worked out by the Mkapa government: The Sustainable Industrial Development Policy (SIDP) 1996-2020. Underpinning the policy was the acceptance that the private sector was the main vehicle for making direct investments and driving economic growth. It was the acceptance of this philosophy that had started the process of privatizing the parastatals under the Presidential Parastatal Sector Reform Commission (PPSRC). The task was completed under the Mkapa presidency, as discussed below. The role of the government under this setup was to provide an enabling environment. This involved the provision of incentives to both local and foreign investors; simplifying the regulatory framework, thus making it easier and faster for the investors; ensuring macro-economic stability (making little changes to the tax system); and providing the requisite infrastructure. Two things then became central to Mkapa's administration: privatization of parastatals and provision of incentives. Each of these is discussed below.

Privatization of Parastatals

The Presidential Parastatal Sector Reform Commission (PPSRC) provided annual reports of the privatization process, and these provide a good insight into the privatization exercise. The exercise has also generated a lot of academic interest as shown by several studies (Katunzi 1998; Jean M

Due, Andrew E Temu and Anna A Temu 1999; Mwandanga 2000; Katiko 2004; World Bank 2005; Matiku 2007; Ngowi 2008; Waigama 2008; Mramba 2011; Machael 2012; Shimba C and Sevado P 2013; Pascal 2015). What is clear from all the discussions is that privatization was forced upon the government, which seemed desperate to obtain foreign aid. The IMF and World Bank tied their loans to the privatization of specific parastatals and went to the extent of halting disbursement of the already agreed funding until the government had signed contracts for the entities in question. Matiku (2007) points out that Tanzania accepted the privatization of the banking, communication and power sector because it was a precondition for Tanzania to access IMF loans under ESAF, PRGF and to be considered by the Paris Club of donors for debt relief under the HIPC initiative. He further notes that the privatization of Tanzania Telecommunications Company Ltd (TTCL) was a strategy intended to ensure that the public firm was purchased by a foreign company and subsequently weakened in its service provision so that cellular service could survive. Shimba and Sevado (2013) equally note how the privatization of Dar Es Salaam Water Service Agency (DAWASA) was one of the conditions given if the country was to receive Highly Indebted Poor Countries (HIPC) debt relief. But to prepare for its privatization, the government had to get US$ 145 million to upgrade the Dar Es Salaam Water and Sewerage Agency (DAWASA) to be taken over at a lower price. This implies that the government had to swallow the debt burden just to attract foreign direct investment (FDI). But as noted by the World Bank (2005), conditionality was intended to create pressure to complete the transactions. Thus, what transpired in Tanzania is what Zitto (2016) calls a haphazard and coerced approach to privatization with no proper policy or strategy.

The case-by-case approach to privatization adopted by the reform commission was made worse by the use of external consultants, often recommended by the World Bank, which also loaned the money to pay them. It is ironic for the World Bank to turn around in its 2005 evaluation and say that Tanzania did not always get the best consultants and private partners. The end result is that privatization became a cost burden to the government, particularly in the cases of contracting out management of infrastructure, as seen in the cases of TANESCO and DAWASA where the contracted managers had no clue of how to run such huge social corporations. The losses to the government became even bigger as the reform commission was unable to collect the divestiture (sales) proceeds from those who acquired the parastatals after the memorandum of understanding had been signed. The best example of this was the National Bank of Commerce. The South African investor, the Amalgamated Bank of South Africa (ABSA), was granted total control of the bank without paying a penny. There are numerous cases like this and others where only small deposits were paid but no further payments were forthcoming. Worse still, the PPSRC and the treasury could

not properly account for the small deposits paid out by the new owners. In some instances, they claimed the money had been reinvested in the company which now fell under private hands. This was a blatant embezzlement of public funds (Matiku 2007).

The reform commission could not monitor how effectively the privatized enterprises operated. There was no mechanism, according to Shimba and Sevado (2013), to monitor the investment plans for the enterprises which were mostly sold off at low prices as a trade-off for the investment plans presented by the new investors. It was, of course, believed that in the long run, investment plans, if implemented, would result in more permanent benefits to the economy in terms of employment creation, increased output and productivity and improved skills and technology. None of these took place. The commission had no mandate to follow up with firms after privatization, states the World Bank (2005), which was responsible not only for establishing the commission but also for working out its mandates and staffing. It was expected that the ministries which formerly controlled the parastatals, but who were not at all involved in the privatization exercise, would do the monitoring. Alternatively, regulatory bodies which did not exist (like in the case of power and water) or were still young and weak (like in the case of communications) would do the monitoring. The end result is that there was no way of assessing the impact of privatization on the economy.

It should be said that the World Bank, IMF and bilateral donors from Western countries pressed for privatization for the benefit of the Western companies. The country's interests were inconsequential. The statistics that indicate that locals bought the bulk of the privatized industries 135 against 14 directly bought by foreigners and those locals also benefited from joint ventures are rather misleading. The total value of the 135 industries bought by locals accounted for 20 per cent of the total values of sales. Equally, the sale value of the joint ventures bought by locals accounts for only 8 per cent of the joint venture sales. Locals acquired the small parastatal assets while the foreigners acquired the large assets and entered into joint ventures with large parastatals. This was the case with the breweries and cigarette companies, which were sold as going concerns and were profitable even before the sale.

The government decision-makers are equally to blame for the failed privatization exercise, despite undue external pressure and conditionality, which is said by the World Bank (2005) to have been intended to help maintain momentum in a politically sensitive process by strengthening the hand of the reformists (read political beneficiaries). What needs to be said is that the reformers stood to benefit from many of the privatization deals. Matiku (2007) thus notes that corruption did play a major role in influencing government decisions in a number of cases. Money and other benefits changed hands between government leaders and investors. This was definitely

the case with the privatization of the NBC. The privatization of the bank was carried out without public officials, including the president, paying the debts they owed to the bank. Corruption is also acknowledged by the World Bank (2005), which states that some ministers have engaged in inside deals with selected private partners and other players, particularly in the TTCL management assistance contract for MIS-Celtel. What it does not say is that it was a party to the contract.

To conclude the short discussion on privatization, one needs to note some highlights from the *Citizen* in 2016 and the *Daily News* in 2017. The *Daily News* reports Magufuli stating that by privatizing its firms, the government had effectively entered into an agreement with conmen, people who had no intention of developing the nationalized firms. He pointed out that 197 factories that were privatized were not currently operating. Investors had utterly failed to develop the privatized firms, some did not have any investment plans or were changing the use of those plants without permission, vandalizing some in the process, while some owners have not even paid for some properties. This was rather sobering for the president, who in 2015 had promised to take back the privatized industries that were not being put to proper use.

The *Citizen* in 2016 pointed out what had happened to 18 of the privatized enterprises. It noted that in some cases, machines were stripped out and transferred out of the country (Morogoro Ceramics where machinery was sent to Nigeria), put into storage (Kilimanjaro Textiles and Tanzania Bag Corporation) or sold as scrap metal (Polysack Company Limited). In other instances, the factories were left to disintegrate (Mangula Mechanical and Machine Tools, Mwanza Tanneries, Morogoro Shoe Limited, Ubungo Garments Limited, Nyanza Engineering and Foundry Company, Steel Rolling Mills, Zana Za Kilimo Mbeya, Mbeya Ceramics Company and Mbeya Textile Mills).

Privatization did indeed lead to deindustrialization in many instances, and given the state of the buildings that were left unattended, it might be hard to re-establish production on the same premises. The government left control of the industrialization process in the hands of the private sector. One needs to note that the public sector drive had been initiated because of a lack of interest in the country's industrial needs.

Incentives Schemes

As in the case of privatization, the incentive scheme for private/foreign investors started under president Mwinyi. In 1990, the government passed the National Investment Promotion and Protection Act (NIPPA), thus replacing the 1963 Foreign Investment Protection Act. The 1963 Act guaranteed the foreign investor payment of the full and fair value of the investment in case

of nationalization or expropriation and allows the repatriation of such payment in the approved foreign currency at the prevailing rate of exchange. In case of dispute, it allows arbitration, with each party appointing an arbitrator and the two appointing a third arbitrator.[14] The act offered incentives for foreign investments in new enterprises and expansion or rehabilitation of existing enterprises. What is important to note is that parastatals still dominated the Tanzanian economy. The act sought to attract foreign investors to enter into joint ventures with the existing parastatals in areas like iron and steel production, machine tools manufacture, chemical, fertilizer and pesticide production and airlines. Under the same act were clearly stipulated reserved areas for public and local investments. Areas reserved for local/national investors included retail and wholesale trade, product brokerages, business representation for foreign companies, public relations businesses, operation of taxis, barbershops, hairdressing and beauty salons and butcheries (Kimaro 2009; Maina Peter 1991).

The privatization of parastatals, starting in 1993, changed the economic landscape and called for a new act, hence the Tanzania Investment Act of 1997. The act created the Tanzania Investment Centre as a one-stop centre for mostly large foreign investors with two basic objectives: initiate and support measures that will enhance the investment climate in the country for both local and foreign investors and identify investment sites. Apart from helping investors to acquire all the licenses needed to start a business in the country, the centre was granted powers to offer incentives over and above those already available to all investors under the Income Tax Act of 1973, the Customs Tariff Act of 1976 and the Sales Tax of 1976 and subsequent amendments through the issuing of a certificate of incentives and protection. Such incentives have been referred to as shadow exemptions because they are discretionary. These have come to include the Tanzania Investment Centre (TIC) certificates, Mining Development Agreements (MDA), Oil and Gas Production Sharing Agreements (OGPSA) and ministerial incentives granted through government notices (CR Segoma 2013).

The list of incentives on offer to foreign investors is long, but it is necessary to mention here the tax incentives, which include: zero rates for all capital goods and imports for purposes of import duty and VAT; 100 per cent expenses on capital acquisition; exemption from paying corporate income tax for a specified period and exemption from tax on net revenue from investment projects

14 For a discussion of the 1963 Investment (Promotion and Protection) Act and subsequent changes prior to the 1990 act, see Severin Rugumamu. 1988. State Regulation of Foreign Investment in Tanzania: An Assessment. Afrique et Development, Vol. 13, No. 4; and Mukuwa Mutua. 1984. Foreign Investment Protection in Tanzania. LLM Dissertation, University of Dar Es Salaam.

of the tax holiday period; carrying forward of losses against future profits; and withholding tax on dividends (10 per cent), loan interest (10 per cent) and rental income (10 per cent) (UNIDO 2014).

It has been pointed out that large incentives are of little importance in attracting FDIs from multinationals as these consider factors other than tax exemptions. Furthermore, tax exemptions are a loss of revenue to the government, which have to be compensated for by external borrowing or budget support by the aid partners.[15] Besides, how the incentives are administered has created what Kimaro (2009) calls suspicious behaviour both from tax administrators and companies. There are also no procedures to control and monitor the operations of the investors in terms of what they are doing and what they are not allowed to do. Thus, the investors have tended to abuse the system and promote corruption. Kimaro (2009) gives the example of hotels in which ownership has been changing hands before the lapse of the five-year tax holiday to allow another investor to enjoy the same. Thus, the Sheraton Hotel that started around 1997 became the Royal Palm in 2001, Movenpick in 2004 and then Serena Hotels. What is not pointed out is the cross-ownership of all these hotels. This basically implies registering the same company under new names.

It was not only tax incentives that were being offered but also a set of guarantees to foreign investors. These included guarantees vis-à-vis the unconditional transfer of profits or dividends attributable to the investment, payments in respect of loan servicing, royalties, fees and charges in respect of technology and remittance of proceeds in the event of sale or liquidation which directly affects the country's foreign exchange position. Of more importance is the guarantee against nationalization or expropriation. The investment act stipulates that:

> No business enterprise shall be nationalized or expropriated by the government; no person who owns, whether wholly or in part the capital of any business enterprise shall be compelled by law to cede his interest in the capital to any person; there shall be no acquisitions, whether wholly or in part of a business enterprise by the state unless the acquisition is under the law which makes the provision for payment of fair, adequate and prompt compensation and right to the court or arbitration (The National Investment Promotion and Protection Act 1990).

Arbitration should be in accordance with the laws of Tanzania for investors, in accordance with

15 President Magufuli was largely concerned with the revenue losses from the tax incentives and focused on cutting these losses from the mining sector, hence the call for the renegotiations of MDAs.

the rules of procedure for arbitration of the international centre for the settlement of investment disputes (which is controlled by the World Bank that appoints arbitrators), within the framework of any bilateral or multilateral agreement on investment protection by the government of United Republic of Tanzania and the government of the country of origin. These agreements that Tanzania had entered into with its major Western aid donor partners were to act as guarantees to investors from donor countries.[16] It is within this context that one can understand the dispute between Tanzania and Bigwater Gauff, which had a contract with DAWASA that was referred to the International Centre for the Settlement of Disputes, and the efforts by Magufuli to pass the Tanzania Sovereignty Act following the dispute with Acacia in 2017.

Implementing the SIDP

The Sustainable Industrial Development Policy was implemented under the broad ambit of privatization and multiple incentives to foreign investors. Three phases were anticipated in the implementation of the SIDP. What has been described above represents the first phase (1996-2000), which focused on privatization. Under privatization, according to Msami and Wangwe (2016), the government was to closely monitor the implementation of privatization operations to ensure that the new owners do effectively turn around measures for privatized firms. As it turned out, no follow-up was made, leading to closure and neglect of the acquired firms, which amounted to actual de-industrialization. The SIDP's first phase was to create and sustain an enabling environment, including the provision of fiscal and monetary incentives and a stable regulatory framework. This is what was elaborated upon by the incentive schemes (Mussa 2014).

The second phase (2000-2010) was to focus on the creation of new capacities in activities with clear advantages for promoting exports through the use of export processing zones and the promotion of intermediate goods industries, light capital goods and machine-making. In this regard, the focus was to be placed on three industrial sub-sectors: agro-processing; textiles, leather, fertilizers and chemicals; and light machines and iron and steel (in terms of preparation for the exploitation of iron and coal deposits). The export processing zones that started under Mkapa continued under Kikwete and are discussed below. The issue of light industries is better discussed under the survey of the industrial structure below.

16 For a discussion on the various investments following the privatization exercise, see United Nations Conference on Trade and Development. 2002. *Investment Policy Review: The United Republic of Tanzania*. United Nations.

The third phase (2010-2020) was to focus on the promotion of basic capital goods infrastructure. This was to involve the promotion of smelting and metal products industries to create a base for the development of intermediate and capital goods. This was, however, to be accompanied by the expansion, improvement and increase in the provision of power, water, communications, transport and road network.

The handover from Mkapa to Kikwete saw the publication of the Tanzania Development Vision 2025 and the Tanzania Mini Tiger Plan 2020. These had been worked out under Mkapa and should be seen as further elaboration on the SIDP. To this should be added the National Strategy for Growth and Reduction of Poverty known as MKUKUTA One. Kikwete's own industrial vision came later in 2011 as Tanzania Integrated Industrial Development Strategy generally referred to as the Long Term Perspective Plan (LTPP).

Kikwete and the Integrated Industrial Development Strategy

The three development plans that Kikwete inherited were drawn up within the broader context of obtaining debt relief under the Highly Indebted Poor Countries initiative. In fact, the Tanzania Development Vision 2025 drawn up in 1999 was a pre-requisite for entering into the HIPC programme. There is a direct link between the objectives of Tanzania Development Vision 2025 and the National Strategy for Growth and Reduction of Poverty (NSGRP) or MKUKUTA One. They all talk of quality of life, reducing poverty, good governance and the rule of law, and building a strong and resilient economy, or broad-based economic growth (which is based on the commitment to macro-economic and structural reforms). Furthermore, they all talk about spatial development initiatives and development corridors. The Tanzania Development Vision 2025 and NSGRP provide the broad context in which development was to take place. The Mini Tiger Plan drawn up in 2004 represents an operationalization of the two in the industrial sector. It is also a continuation of the second phase of the SIDP, which, as noted above, was to focus on export manufacturing through the promotion of the export processing zones (EPZ) and the special economic zones (SEZ).

The Mini Tiger Plan 2020

The Mini Tiger Plan represents an attempt to initiate the Asian Tigers, industrial development model. At the centre of the model was attracting foreign investments to promote exports by developing specialized economic zones in which a cluster of incentives was being offered. The model, as

noted in the Mini Tiger document, was based on the Ponds and Birds theory – ponds being special economic zones within the country and birds representing migrating foreign direct investments, which, in the case of the Asian Tigers, were migrating out of Japan and Western Europe in search of cheap labour. The plan was based on three strategies: building SEZs and aggressively promoting the most promising industries, mainly primary light industries and tourism; expansion of exports from US$ 1 billion to US$ 2.3 billion in five years (this was to be done by expanding badly needed power, energy, water and transport by long-term borrowing from multilateral and bilateral development banks); and solving as many bottlenecks as possible by additional borrowing and foreign currency earnings, plus FDI and expanded investments into more value-added sectors and moving to larger investment programmes.

With regard to the special economic zones, the target was to: create at least four by 2006, increasing to 20-30 by 2020; attract FDIs to the tune of US$ 280-300 million by 2005/6, rising to US$ 500 million by 2007/8 and US$ 2 billion by 2020; and attract 200 to 300 new investors with an average employment of 1 500 workers, thus creating 300 000 to 400 000 new jobs, resulting in foreign exchange earnings of US$ 0.75 to US$ 1 billion. The expected outcomes did not materialize. The Export Processing Zones Act was passed in 2002 and the Export Processing Zones Authority was established in 2006. By 2013, of the 13 sites allocated for SEZs, only seven had been licensed and only one was operational – the Benjamin Mkapa Special Economic Zone in Dar Es Salaam, with only 20 firms. The second one was being built in Bagamoyo a few kilometres out of Dar es Salaam (Page 2016). The plans failed because the donor community which was to provide the funding did not agree with the plans. Instead, they pumped money into poverty and government reform projects under the NSRGP. There were equally no migrating birds (FDIs), as was the case in Asia – in part, because of the lack of the requisite infrastructure. The attached financial incentives were not the main calculus of the investors. The failure of the Mini Tiger Plan did not deter Kikwete from producing the Tanzania Integrated Industrial Development Strategy 2025 and incorporating some of the failed plans.

Tanzania Integrated Industrial Development Strategy (IIDS) 2025

The main emphasis of the Integrated Industrial Development Strategy remains export-led industrialization and the attraction of foreign investments. The IIDS established the priority sub-sectors that were to serve as the nucleus of industrialization. These were agriculture and natural resources. Under agriculture, the aim was to beef up agricultural production and processing facilities

for agricultural products. The focus was then to be on fertilizer and chemical production; agro-processing of edible oils, cashew nuts, fruits, milk and dairy products, textiles, leather and leather goods. Under the resource-based sector were to be included domestic value-added for minerals, which would include smelting, refining and processing of minerals before they are exported and the exploitation of iron ore and coal reserves, which would lead to the development of the iron and steel industry and light industrial manufacturing.

The IIDS included the geographical spread of industries as this was identified as one of the weaknesses of the existing industrial policy. It thus proposed the creation of multifunctional large-scale special economic zones. In this regard, the Bagamoyo, Mtwara and Tanga waterfronts were identified as special development zones. These would be linked to specific development corridors and fully supported by the basic infrastructure of ports, power, water and sewerage. The development corridors were:

- The Uhuru (Tazara) Development Corridor, best known as the Southern Agricultural Growth Corridor (SAGCOT), incorporates Iringa and Morogoro regions.
- The Mtwara Development Corridor (MDC), also referred to as the minerals corridor centred on the existence of natural gas reserves leading to the production of a nitrogen fertilizer plant and other gas-related industries; cement production from the limestone red clay and gypsum reserves at Mikindani; iron and coal production from Liganga and Mchuchuma iron and coal reserves.
- The Tanga Development Corridor (TDC), linking the Tanga port to the great lakes zones, Arusha and Kilimanjaro, focusing on the export-oriented horticulture and agro-related industries and hospitality industry, as well as cold chain and transport storage facilities for horticulture and perishable food industries – meat, milk, dairy products, cut flowers, highland vegetables and fruit industries.
- The Dar es Salaam corridor, linked to the central railway and acts as a logistic corridor.

The above corridors were expected to make Tanzania the industrial hub of East and Central Africa. These were to be based on the plug-and-play industrial parks that have successfully promoted industrialization in rural and small urban areas in China.

Apart from the special economic zones tied to the four corridors, macro manufacturing enterprises (MMEs) parks were created in rural and urban areas. In an effort to promote industrialization, the

government was to set up an industrial development fund and increase the manufacturing parks. These were to promote rural industrialization through an agriculture-led industrialization approach.

The strategy was to be implemented in three phases of five-year development plans: 2011/2012-2015/2016, 2015/2016-2020/2021 and 2020/2021-2024/2025. The first phase was to focus on the removal of binding constraints to growth. These were identified as hard and soft infrastructure, electricity and markets. The second five-year plan was to make industrialization the pillar of economic and political development in which the promotion of industrialization is intensified and structural change takes place. Tied to this was the creation of more and better jobs via manufacturing development and the industrialization of the agricultural sector. The third phase was to focus on promoting competitiveness in the manufacturing sector and a substantial improvement in Tanzania's share of the global and regional trade. What is discussed below is the First Five-Year Development Plan (FFYDP I) implemented under Kikwete.

The First Five-Year Development Plan 2011/2012-2015/2016 (FYDP1)

Five core priorities were identified under the plan. These were:

1. Infrastructure and, in particular, large investments in energy to ensure a reliable and efficient supply of electricity and transport infrastructure (ports, railway, roads and air transport; water and sanitation and; information and communication technology). The core investments here were: the expansion of electric generation to produce 2 780 MW; the expansion of the Dar es Salaam port, the rehabilitation of the central railway line and beefing up the rolling stock; the construction of district and regional roads in SAGCOT; and country-wide coverage of ICT backbone infrastructure.
2. Agriculture for food self-sufficiency and export, development of irrigation in selected agricultural corridors and high-value crops including horticulture, floriculture, spices, vineyards, etc.
3. Industrial development specifically targets industries that use locally produced raw materials such as textiles, fertilizers, cement, coal, iron and steel, as well as developing special economic zones using public-private partnerships. The SEZ were specifically to cater for electronic goods, farm machinery and agro and mineral processing and integrating the textile industry.
4. Human capital and skills development to match the expected needs of industrial growth.

5. The development of tourism, trade and financial services (First Five-Year Development Plan 2011/2012-2015/2016).

Interestingly, the FYDP I addressed the issue of funding, which was expected to be to the tune of TSh 1 513 880. A number of funding sources were identified. This included: an annual expenditure quota; infrastructure and saving bonds to which should be added diaspora bonds, domestic bonds and foreign market bonds; pension and social security funds; strategic partners' grants and donations; government guarantees for the public institutions and the private sector; sovereign borrowings and sub-sovereign bonds; regional economic arrangements and South-South Cooperation; taxation on financial transactions including currency transaction tax (CTT) and financial transaction tax (FTT); national climate fund, debt to health initiatives and super profit tax on minerals.

The best way to gauge the impact of the FYDP I is to look at the current state of the manufacturing sector in Tanzania. While complete, up-to-date data are not easily available, there are numerous surveys of the manufacturing sector in Tanzania to provide an insight into the sector.

The State of the Manufacturing Sector in Tanzania

A number of surveys and studies have been carried out on the state of the manufacturing industry in Tanzania. These include: the 2012 *UNIDO Industrial Competitiveness Report* (UNIDO 2012); the 2012 International Development Centre supported study *The Enterprise Map of Tanzania* (IDC 2012); the 2012 URT National Basic Survey Report of Micro, Small and Medium Enterprises (URT 2012); the 2013 World Bank sponsored study on *Light Manufacturing in Tanzania: A Reform Agenda for Job Creation* (Dinh and Monga 2013); the 2013 and 2016 *Annual Survey of Industrial Production in Tanzania* (ASIP 2013, 2016); the 2014 African Development Bank study – *Eastern Africa Manufacturing Sector, Tanzania Country Report* (AfDB 2014); the 2014 Danida sponsored study – *The Manufacturing Sector in Tanzania* (CIT and DI 2014); the 2016 study by NBS and MITI, *Census of Industrial Production in Tanzania* (NBS and MITI 2016); and the World Bank and IFC sponsored study – *Tanzania Country Profile Enterprise Study* (WB and IFC 2016). The Five-Year Development Plan (FYDP) 2016/2017-2021/2022 has relied heavily on the above studies. These surveys and analyses by academics (Msami and Wangwe 2016; Mussa 2014; Page 2016; Morrissey 2015; Andreoni 2017; Newman et al. 2017; Kinyondo et al. 2014) are used to analyse Tanzania's manufacturing sector.[17] The table below

17 The term industrial sector is commonly used. This is rather misleading because in the Tanzanian context the industrial sector includes mining and quarrying, electricity, gas steam and air conditioning supply, water supply, sewerage, waste management and rehabilitation activities apart from manufacturing per se. Most of the surveys mentioned above use the broad term of the industrial sector and one has to extract the elements of manufacturing from the surveys.

gives the number of establishments by manufacturing activity by region in Mainland Tanzania.[18]

Two things need to be noted in Table 1 below. The first is the concentration of manufacturing enterprises in the manufacture of food products and beverages – 870 firms out of 1 931. This should not be surprising given that agriculture is a mainstay of the economy. The other sectors of note are the non-metallic mineral products (222) and wood products and furniture (311). These sectors are closely linked to the construction industry, which has been booming. The second thing to note is the concentration of enterprises in the main city centres of Dar es Salaam (530), Morogoro (238), Arusha/Moshi (221) and Mwanza (84), which has been strongly influenced by the availability of related services.

18 Most of the available data on Tanzania exclude Zanzibar in as much of the economic affairs of the Island are not part of the union matters.

Table 1: No of establishments by manufacturing activity and region, Tanzania Mainland (ASIP 2016)

Isic	Dsm	Many	Moro	Arus	Kili	Mara	Sing	Mbey	Mwa	Other	Total
10	92	60	114	32	17	25	51	35	27	320	803
11	18	-	3	11	8	-	-	5	5	17	67
12	2	-	2	-	-	-	-	-	-	-	4
13	18	1	5	3	-	2	-	1	2	10	42
14	8	-	2	-	-	2	-	2	1	3	18
15	11	-	1	1	5	3	-	-	2	5	28
16	15	-	5	17	31	1	2	-	8	37	116
17	8	-	-	1	2	-	-	-	1	4	16
18	38	1	2	5	3	1	-	-	-	10	60
19	2	-	-	-	-	-	-	-	-	2	4
20	21	1	-	1	1	2	-	7	1	21	55
21	4	-	-	-	1	-	-	-	1	-	6
22	36	-	2	5	1	-	-	-	4	10	58
23	64	4	24	21	5	11	4	2	12	75	222
24	21	-	3	3	2	-	-	2	4	13	48
25	35	2	9	10	3	3	-	-	3	13	78
26	1	-	1	1	1	-	-	-	-	-	4
27	15	-	-	4	-	-	-	1	2	1	23
28	3	-	1	3	2	-	-	1	1	3	14
29	9	1	-	1	-	-	-	-	1	2	14
30	1	-	-	-	-	-	-	-	1	1	3
31	69	3	34	15	1	6	8	3	7	49	195
32	34	-	-	4	-	3	1	1	-	2	45
33	5	-	-	1	-	-	-	1	1	-	8
	530	73	238	139	83	59	66	61	84	598	1931

Source: ASIP 2016

Note: *The International Standard Industrial Classification (Isic) key: 11. Food products; 12. Beverages; 13. Tobacco; 14. Weaving apparel; 15. Leather and related products; 16. Wood and wood products except for furniture; 17. Paper and paper products; 18. Printing and reproduction of recorded media; 19. Coke and refined petroleum products; 20. Chemical and chemical products; 21. Basic pharmaceutical products and pharmaceutical preparations; 22. Rubber and plastic products; 23. Non-metallic metal products; 24. Basic metals; 25. Fabricated metal products except for machinery; 26. Computer and optical products; 27. Electrical equipment; 28. Machinery and equipment; 29. Motor vehicles, trailers and semi-trailers; 30. Transport equipment; 31. Furniture; 32. Other manufacturing; 33. Repair and installation of machinery and equipment.*

One important element of the manufacturing sector is the size of the enterprises themselves. The 2016 Annual Survey of Industries shows that the bulk of these firms (1 131 out of 1 931) employ between 10 and 19 people; 418 firms employ between 20 and 49; 161 employ 50 to 99 people; 186 employ between 100 and 499 and only 35 companies employ more than 500 people. These 35 are referred to as major firms. Fifteen of these are in food products, five in beverages, two in tobacco, four in textiles and two in apparel. The share of manufacturing to employment stood at 3.1 per cent in 2014. The manufacturing contribution to GDP remains small and has been fluctuating. It peaked at 7.6 per cent in 2011 and was down to 5.5 per cent in 2017. Most of the production is for local consumption, despite the constant emphasis on export production. The share of the manufacturing sector to total exports was 17 per cent of total exports in 2012 and rose to 23 per cent in 2014 but declined to 19.1 per cent in 2015/2016. The value of manufacturing export production was TSh 1 996 637 435 against the local consumption of TSh 13 965 430 094 in 2016 (URT/MoF 2017).

To understand the manufacturing sector in Tanzania, one has to pay attention to the various sub-sectors and what is produced under each. The main sector, as noted above, is the manufacture of food products, alternatively referred to as food processing. Included under this sub-sector are the preservation of dairy products, canning and the preservation of fruits and vegetables, canning of fish and similar foods, the manufacture of animal feeds, vegetable oil (from sunflower, sesame, groundnuts and palm oil) and grain milling. The subsector is the largest in the manufacturing sector, accounting for almost 55 per cent of the production value and employing half of the people in the manufacturing sector (39 000 out of 77 000 in 2016). The main growth sector here is the processing of edible oils. There is an easy entry to the sector, and it can form the basis of rural industrialization, as is the case of Singida (51 food product enterprises) and Manyara (60 food product enterprises), as indicated by Ekbon (2016). There is room for expansion as, according to the FYDP II, Tanzania still imports edible oil. In 2015 around 300 000 tons of oil were imported at a rough cost of US$ 150 million or approximately 60 per cent of the local demand. One of the critical elements in edible oil production is adequate processing facilities.

Tanzania still imports dairy products despite the existence of the third-largest herd on the continent. The dairy products imported include sweetened and condensed milk, milk powder, infant milk formula, butter, margarine, ice cream, yoghurt and cheese. Furthermore, 600 000 tons of milled wheat in the country is from imported wheat; local production accounts for 10 to 15 per cent of milled wheat. About 90 per cent of around 120 000 tons of cashew nuts produced annually are exported un-processed because of the collapse of the processing plants during the privatization exercise. Tanzania produces 2.75 million tons of fruit and vegetables, but only 4 per

cent is processed. Apart from inadequate processing facilities, the sub-sector is faced with high-cost inputs, inappropriate technology in terms of machinery and packaging materials and poor sanitary conditions. Associations have been created to address the problems faced in the sub-sector. These include the Tanzania small industries association, the Tanzania Food Processors Association and the Tanzania Food and Drug Authority. There is still a need to form more agro-processing clusters to push forward the interests of the clusters and increase the interaction with the government, for, as the FYDP II notes, there has been an inadequate representation of local private industrialists in the government so that their specific needs can be addressed.

Closely tied to the food processing sector is the beverages sector, which covers the blending of spirits, the manufacture of wines, cider, beer production, soft drinks, carbonated water and bottling of natural springs and mineral waters. This sector has been growing with the increasing local demand. The only critical element has been sugar, or industrial sugar. Thus, the FYDP II has made the sugar industry a priority and aims at increasing local sugar production to meet growing demand.

The textile, clothing and leather and footwear sub-sector are also closely linked to agro-processing. Though textile and leather are distinct, they are often banded together. Textiles and clothing deal with spinning, weaving and finishing of textile products and the production of garments, knitting, and the manufacture of carpets, rugs, cordage, rope and twine. In Tanzania, these are associated with cotton and sisal. Three ISIC digits represent this sub-sector: 171 – spinning, weaving and finishing textiles; 172 – manufacture of other textiles; and 181 – weaving apparel and export fur apparel. Leather and footwear deals with tanneries, leather finishing and manufacture of goods from leather, such as luggage, handbags and shoes. Under the ISIC label, we have 191 – tanning and dressing of leather, manufacture of luggage, saddles and harnesses; and 192 – manufacture of footwear. Let us look at each of these.

As far as textiles are concerned, it is important to note that Tanzania is a major producer of cotton, and as such, there is a great potential for building a large, integrated textile and apparel sector. But the country has not been able to capitalize on the existing opportunities and the sector has been declining in terms of its contribution to total manufactured output, falling exports and falling employment (Kangero 2016). According to the FYDP II, textile production has fallen from a peak of 140 531 000 m^2 in 2008 to 52 052 000 m^2 in 2017. This is in part because of the privatization and liberalization exercise, which resulted in the closure of a number of firms. One should also note that Tanzania only processes 20 per cent of its cotton once it is ginned and exports the rest.

Processing involves the spinning of yarn, weaving fabrics, printing designs and producing the

finished product, which is mostly 100 per cent cotton printed kanga and kitenge cloth. Only five companies produce knitted and clothing products but mainly for export and using imported fabrics from Egypt, Mauritius and European countries. There is only one supplier of knitted fabrics, and the range is limited and the quality poor. The result is that Tanzania imports US$ 90 million of apparel products, including worn clothing (mitumba) worth US$ 40 million.

The FYDP II takes the textile industry as a priority sector and intends to revamp the textile, garment clothing sector. To this end, the government has worked out a five-year cotton to clothing strategy. This was developed by the Textile Development Unit in the Ministry of Industry, Trade and Investment. The aim is to develop the textile export industry to the value of US$ 1 billion of exports and increase employment in the sector to 200 000 people. This is a very ambitious target given the current situation. The TAMCO textile zone in Kibaha is not likely to change the situation. Unless the current textile companies go beyond producing kanga and vitenge and start producing fabric, the industry will not go far.

Regarding leather, one needs to start by noting that Tanzania has the third-largest stock population and can produce 2.6 million hides and 2.6 million skins a year. Currently, what is produced is of poor quality, in part because of inadequate disease control, lack of appropriate slaughter skills, practice and equipment, lack of grading of raw hides and skins. Three quarters of raw hides and skins are exported to China, India and Pakistan, which is apart from the growing illegal exports. Ninety-five per cent of the remainder is also exported after some processing. Semi processed leather (wet blue) is processed by the seven main tanneries for export and there are only two firms that produce finished leather for the domestic market. There are 13 firms producing leather products, mostly footwear, gloves, leather garments and upholstery. These focus on the tourist market and export. What is important to note is that the shoe manufacturers have to import leather, chemicals, glue, threads, laces and soles. Dinh and Monga (2016) note that the existing value chain from livestock to leather products collapsed under privatization. The leather sector is still seen by the FYDP II as a priority sector and a leather unit has been set up in the Ministry of Industries, Trade and Investment. There are also plans to establish leather industries in Dodoma and Singida. This is the best way forward provided these new industries are capable of producing finished leather for the internal market and export.

The wood, wood products, paper and paper products depend on the country's forests. It is important to note from the start that most of the forests in the country are natural public forests. There are, however, efforts to promote forest plantations in the southern regions of Iringa and Songea. The plantations, however, constitute a small part of the production of wood and they

produce mostly softwood for the construction industry. Forest harvesting is done by small logging companies using mostly old technologies with the result being that 60 to 80 per cent of what is harvested is left to waste in the forest. There are no integrated mills that use this waste to manufacture other products like clipboards, fibre boards or briquettes. The manufacture of paper and paper products is not linked to sawmills but has developed as an independent line of plantation-based production around Mfindi in the Iringa region. Equally, the manufacture of wooden containers is completely delinked from the other processes. Besides the saw wood being produced is mainly for use in the rapidly growing construction industry and basic informal furniture production that feeds local demand. At the top end, however, only 15 per cent of saw wood products and mostly hardwood is exported in semi-processed form (without kilning) to China, India and Kenya. On the other hand, large furniture manufacturers in the country import fully treated (kilned) timber from other African countries like Cameroon, the Democratic Republic of Congo, Gabon, Mozambique and Zambia. Besides, Tanzania still imports furniture for the upper-end market. What needs to be stated categorically here is that there is a clear lack of a central strategy that would link the sector and remove the high waste. This is a sector that is likely to produce employment growth if well managed.

The non-metallic minerals sub-sector is involved in the transformation of naturally occurring minerals such as lime, silica, and clay and transforms these into bricks, cement, tiles, glass products and paints. Given the rapid growth of the construction industry, there has been a rapid growth in the sector. The biggest growth has been in cement production which reached 8.7 kt in 2016 and is likely to increase further with the Dangote plant in Mtwara. The Dangote investments have been the latest entrant in the cement production industry with a US$ 5 million cement plant in Mtwara. Given the electricity supply constraints the company was awarded a coal mining license for Ngaka goal to produce electricity to supply the factory as the expected gas supply was not immediately available. The other main cement producers are Lake Cement Ltd, Tanga Cement Company, Caramel Cement Company, Kilimanjaro Cement Ltd, Lee Building Materials, ARM Cement Tanzania Ltd, Mbeya Cement Company, Tanzania Portland Cement Ltd and Kisarawe Cement Company. There is equally a rapid growth in brick making with rapid growth of local informal brick makers and tile manufacture. Glass production is geared for take-off, given the fact that the country produces silica sand, limestone, dolomite and soda ash which are essential elements for glass production. The GIGA project in Mkulanga, near Dar es Salaam, once complete, will produce enough glass to meet local demand and export needs. The only important factor to note here is the very high electricity usage by the sector. Its continued growth is thus dependent on the constant and efficient supply of electricity.

The chemicals, petroleum, rubber and plastics sub-sector involves the manufacture of basic industrial chemicals, fertilizers, pesticides, plastic materials, medicinal and pharmaceutical materials, soaps, detergents and other cosmetics; petroleum products, refineries, fuel oils, lubricant oils, and manufacture of asphalt materials; rubber products, tyres and tubes, conveyors and fan belts, rubber mats, groves, pipes and tanks, plastic sheets, kitchenware, furniture and footwear. This is a sector that is heavily dependent on imports with petroleum consuming the biggest chunk of Tanzania import bill. The discovery and production of gas in the Lindi-Mtwara area is set to bring about major changes in the sector and the focus for the FYDP II is the creation of a petrochemical industrial sector by constructing a liquefied gas (LNG) plant in Lindi and a petrochemical complex in Mtwara. TSh 11 billion was allocated in the plan by the government for the establishment of petrochemical special economic zone. This is, however, a sector that needs heavy investments before it can take off. Much will depend on the agreements and contracts that are being put in place to exploit natural gas. This is discussed in the mining sector. As for the pharmaceutical industries, one needs to take note of the fact that they were neglected after the privatization exercise and now the government under the FYDP II talks of rehabilitation and providing requisite support to the industry.

The basic metals products sub-sector includes rolling mills and foundries that produce slabs, bars, sheets, plates, strips, tubes and rods. One needs to state from the start that Tanzania does not produce steel or hot rolled steel. All that is used for basic metal production including scrap metal is imported mainly from South Africa, Japan and Korea. The growth in the construction industry has increased demand for the sector's products. The sector, however, depends on the efficient and sufficient supply of electricity which has remained a constant problem for the firms. Thus, the development of iron and steel production is a welcome development. Despite this, the current implementation of the project was stalled because of the lack of a proper road to take the heavy machinery to the site and the failure of the government to raise enough funds to compensate those being relocated. Then one wonders what the preparations for the implementation of the project in the FYDP I were all about. Secondly, the completion of the project will need more money than has been secured to date. Thirdly, the entire project is geared for export and there appear to be no linkages with other sectors in particular the production of machinery and equipment.

General Comments on the Manufacturing Sector

One needs to premise the discussion on Magufuli's flagship projects and their possible impact on the country's manufacturing sector by highlighting some salient features of the sector. One element that has been raised by almost every analyst of the sector is the lack of linkages in the entire sector and within the various subsectors discussed above. This was particularly highlighted in the textile, leather and wood sectors. This can be attributed, in part, to the lack of planning and implementation by the responsible ministry and weaknesses in the various institutions it has created to monitor and guide the sub-sectors. But the bigger explanation lies in the fact that the sector is dominated by small producers who use old technologies which, in turn, leads to a narrow range of products that are mainly low value-added and of inferior quality. The preponderance of agro-processing is a testimony to this. The country exports semi-processed materials only to re-import them in a better-processed state and use them as inputs in the manufacture of finished products both for local consumption and export.

The country's small enterprises are not graduating into medium enterprises and there is a high failure rate. The small size of most of the enterprises has made it difficult for them to borrow from the banks to expand their enterprises. This is in part because of the high-interest rates on short term credits and the difficult procedures for obtaining credit. The collaterals demanded have been abnormally high because of the difficulties encountered in recovering the loans given out. Also to be noted among the small enterprises is the inadequate bookkeeping and financial record keeping which is essential in applying for the loans but also for future growth. There is, one might add, a lack of entrepreneurial skills and business skills. This has resulted in what has been termed the "missing middle", the medium enterprises that are necessary if linkages are to take place. This might further explain the lack of uptake in the SEZ and EPZ by local companies. Tanzania has not nurtured an entrepreneurial business group. The FYDP II, in fact, notes the existence of mutual distrust between leaders of political power and the private sector. One, therefore, needs to focus on the promotion of a local/indigenous entrepreneurial group to push the manufacturing sector. Foreign investors need local partners to secure their investments.

The few large (employing 100 to 499) and major enterprises (employing 500 plus) have been built on a project-by-project basis which goes back to the basic industries strategy under Nyerere. To this must be added the firm-by-firm approach adopted by the privatization commission which ended up breaking the value chain in the leather and textile industries. The search for foreign investments has also been uncoordinated in that those offering incentives have not pushed investors into areas

that would provide linkages within the manufacturing sector.

The over-dependence of the manufacturing sector on imported inputs and intermediate inputs has been highlighted by analysts. The fact of the matter is that some of these imports could be cut back with improvements in the existing firms so that they can produce finished quality products that other firms could use in their current production. This is possible in the textile, leather and wood sectors. Imports have had a big strain on the country's foreign exchange position. Any fluctuations in our traditional agricultural and mineral exports send the economy reeling. The focus then has been to promote non-traditional exports, but this has not taken off. The EPZ and SEZ have not helped to change the situation. This takes us back to the need for a local/indigenous set of entrepreneurs to push the small size industries up the ladder and to focus on the production of intermediate goods needed by the existing industries.

Lastly one needs to take note of the over-focus on incentives that started under privatization and continues to increase as a mode of attracting foreign investment. Apart from the fact that large multinational companies are not merely attracted by incentives, there has been limited uptake by global companies and outside the manufacturing sector, the incentives have attracted charlatans and con men, as noted by Magufuli himself. Major investors are attracted by the availability of infrastructure, mainly energy and transport and also the presence of industries that would supply them with intermediate inputs they need. The SEZ and EPZ had this idea in mind but failed to take off, in part, because of how it was planned and marketed but also as Andreoni (2017) notes the development partners led by the World Bank and IMF were not interested. They were focused on the social sector (underlined by the term poverty alleviation) and government reforms (re control of the government machinery). The development partners are likely to impose constraints on what and how the promotion of the manufacturing sector and the economy at large is going to take shape.

Magufuli's Flagship/Priority Projects and the Push for Industrialization

Magufuli's commitment to industrialization was clear from his first inaugural speech to parliament. How this was to be achieved under his leadership was presented in the 2016/17 – 2020/21 Five-Year Development Plan (FYDP II) and the budget presentations of 2016/17, 2017/18 and 2018/19.[19]

19 For details on the preparation of the Second Five Year Development Plan (FYDPII), see Supporting Economic Transformation (SET). 2016. Supporting the Preparation of Tanzania's Second Five Year Plan (FYDPII) 2016/17-2020/21 Final Report. ODI, UKaid, REPOA.

The two presented what has come to be referred to as flagship projects or the main projects to be implemented. The flagship projects under the FYDP II are: The central railway line that has to be converted to a standard gauge and extended to Kigali in Rwanda (with the construction of 702kms Isaka Kigali line); The Bagamoyo Special Economic Zone (SEZ); The Kurasini Trade Logistics Centre; The Mchuchuma coal mine and electricity production (with a target of 600MW) and; The Liganga project which includes iron mining and the construction of the Liganga industrial park and the construction of the Mtwara – Liganga – Mchuchma railway line. To these flagship projects were added what was referred to as priority areas. These included:

- Increasing export firms operating in the EPZ and SEZ from 247 in 2015 to 729 in 2020 and 2114 in 2025.
- Promoting the automotive industry by commercializing the Tanzania Automotive Centre (Nyumbu); revamping General Tyre in Arusha; developing a plant for tractors and agricultural inputs at the Centre for Agriculture Mechanization and Rural Technology (CARAMATEC); and establishing a motorcycle assembly plant.
- Promoting petro, gas and chemical industries by constructing a liquefied gas (LNG) plant in Lindi; constructing a chemical industrial complex in Mtwara; and improving the petrochemical laboratory at the Tanzania Industrial Research and Development Organization (TIRDO) and the Tanzania Engineering and Manufacturing Design Organization (TEMBO).
- Promoting pharmaceutical industries through construction, rehabilitation and promoting requisite support to strategic pharmaceutical industries, e.g., Agave syrup factory in Tanga.
- Building and construction of materials industries, specifically ceramics, cement and Kisarawe kaolin.
- Promotion of agro-industries or agro-processing. Here the focus was to be placed on: Revamping the textile, garment and clothing industries; establishing leather industries in Singida and Dodoma; developing edible oils in particular palm oil production at Kimala Masale in the coastal region; constructing metal silos for smallholder farmers; establishing food processing training cum production in Morogoro and Dar es Salaam; and Sisal production in Morogoro and Tanga regions.

The FYDP II allocation for these projects stood at TSh 54 855 trillion with the government expected to raise TSh 23 390 trillion, the private sector TSh 20 991 trillion and the development partners

TSh 554 trillion. The government then committed itself to allocate 40 per cent of its annual budget to development projects. It further committed itself to clear separation and categorization of projects and ensuring that those that are financially viable are taken over by the private sector.

The annual budgets just provided further elaboration and allocation of funding to the specific projects. In 2016/17 budget TSh 40 billion was allocated to revitalize efforts towards an industrial economy. The biggest allocation went to what was termed the Big Results Now (BRN) initiatives.[20] These as expected included: The Liganga and Mchuchuma projects (TSh 10 billion); TAMCO industrial area in Kibaha (TSh 9 billion); Small business organization estates in Arusha, Mbeya and Morogoro (TSh 6.6 billion); Makambako strategic markets (TSh 3.4 billion); National Entrepreneurial Development Fund (TSh 2.4 billion); Agricultural development sector projects (TSh 3.2 billion); Lake Natron Ash (TSh 1.7 billion) and; leather value-added cluster (TSh 1 billion).

The 2017/18 key projects included more or less the same projects: The Mchuchuma Coal mining and Liganga Iron Ore mining; the central railway line; the revamping of Air Tanzania Ltd (ATCL which received much attention from the president and the purchase of new aircraft); the construction of the liquefied natural gas plant which was to include the building of pipelines from the sea to the plant (100-200kms); the establishment of special economic zones in Tanga, Bagamoyo, Kigoma, Ruvuma and Mtwara; the establishment of Kurasini logistics centre; training of youths in specialized areas including oil and gas engineering and health; the establishment of Mkulazi as a model agricultural city; procurement of new and rehabilitation of existing ships for lakes Victoria, Tanganyika and Nyasa; the upgrading of Kidatwe – Kanyani – Kasulu – Kibondo Nyakanyasi road to bitumen and upgrading of Masasi- Mbamba Bay road to Bitumen.

The 2018/2019 budget adopted the principle of completing the existing projects before embarking on new projects. This accounts for the lack of specifically mentioned projects and the statement that current expenditures are based on FYDP II. Attention, however, is paid to the hydropower projects in particular the Stigler's Gorge project which is expected to produce 2100MW and to the central railway line in which it is pointed out that phase one (Dar Es Salaam – Morogoro 205kms) and phase two (Morogoro – Makutopora 422kms) are already in progress at a cost of US$ 3.14 million. Mention is also made of the revamping of Air Tanzania with the purchase of three new aircrafts. Apart from these, the budget speech touches on providing incentives to attract

---

20 Big Results Now is a method of identifying and prioritizing and implementing projects through the President's Delivery Bureau. The BRN projects are selected by the National Key Results Areas (NKRA) in each ministry chaired by the minister and then approved by the Transformation and Delivery Council chaired by the president. This is a way of speeding up projects that are seen as of immediate national importance. (See Big Results Now 2013/14 Annual Report).

private investors in textiles, leather and meat, fish, edible oil, medicines and medical equipment, food and animal feeds and in the mining sector.

A few things need to be noted here. First is the continuity of Kikwete's EPZ and SEZ as a means of attracting foreign investments that would produce for export and, hence, the aspiration of FYDP II to increase export firms from 247 in 2015 to 2114 in 2025. The slow take-off of these is already noted above. Furthermore, new exports are expected to come from the textiles and leather sectors, for which Tanzania has a competitive advantage being one of the main producers of cotton and hides and skins. However, unless the problems of lack of linkages within each sector are addressed there is likely to be limited growth in these sectors. Secondly, there is continuity with the construction of industrial parks as a way of not only stimulating industrial growth in the rural areas but also of dispersing industrial growth to other regions. Edible oil production and other foods are at the centre of the industrial parks. But how these link to the rest of the production chain is not clearly stated.

Thirdly, is a special focus by the Magufuli government on infrastructure development which is centred on the revival of the central line and acts as a link to the landlocked countries of Burundi, Rwanda and Uganda. The focus on transport infrastructure for both rail, roads and air transport should not be surprising as these fell under the president's former portfolio as minister of transport and communication. The present projects represent his dream projects which the former presidents might have pushed aside. Apart from the transport infrastructure which is also needed to exploit the country's natural resources and provide opportunities for extending manufacturing beyond the main centres, the government has focused on the provision of electricity. Electric supply was identified as one of the major constraints for the manufacturing sector. Getting electricity from the Stigler Gorge has been a dream project for the country since independence but was mainly hampered by cost implications. To this has been added environmental concerns. These have led to external opposition to its implementation. Lack of support for the project has emerged because of the discovery of big gas reserves which could be used as an alternative to hydroelectric supply which fluctuates with water levels. There is, however, a long way to go before the Lindi – Mtwara gas reserves are fully exploited, given the huge financial outlays for the liquefied gas plant to take off. The same applies to the Mtwara chemical park.

The issue of funding extends to all the other flagship projects. The Mchuchuma – Liganga project to produce steel, which has been mentioned by all previous industrial policies since Nyerere is also facing funding issues. The project has various elements which, apart from the mining of coal and iron, includes: an iron and steel complex and a railway line to Mtwara. While the project has started, it is likely to take a long time before it becomes fully operational. Besides, the entire project,

as noted above, is geared to the export of steel the prices of which fluctuates with supply and demand. Given the funding of the project by China, it might for a long time remain a cheap source of steel for that country with limited benefits for Tanzania as there are no intermediate industrial producers to use the steel being produced.

There was determination on the part of the Magufuli government to push through projects that had been in the pipelines. The concern, however, was whether the heavy borrowing associated with the projects would not push Tanzania into a new debt trap, which the developing partners would then use to dictate terms to the government as they did in the case of privatization which was haphazardly implemented with negative consequences and the provision of incentives over incentives to attract foreign investors, which limited tax revenues. One of the points raised with regard to the EPZ and SEZ was the lack or limited interest by the development partners (western aid donors and their institutions) for these projects something which has not changed to date.

It is important to state a simple fact that the industrialization of the country can be properly effected through the promotion of local entrepreneurs who then can partner with external investors. Foreign investors are cautious of becoming government partners and, when they do, they maximize returns at the expense of the government. There is a need to look at how local entrepreneurs can be promoted to grow and become big industrialists. The country has only one dollar billionaire and only a handful of millionaires.[21] These are not enough to push the country's industrial goals through. Therefore, one needs to tackle the mistrust between politicians and local entrepreneurs noted by the 2017 government economic survey as the first step towards growing an industrialized country.

Unfortunately Magufuli died just at the beginning of his second term in office. This was just before the start of the Third Five-Year Development Plan (FYDPIII) 2021/22-2025/26. The hope is that the new government will continue to implement its main projects. The first budget speech of the Samia Suruhu Hassan government sustains this hope in its list of flagship projects and priority areas.[22]

---

21 The Guardian newspaper of 11 March 2018 indicated that there are less than 20 people in Tanzania whose net worth is US$ 50 million or TSh 110 billion and the list includes 2 billionaires. The following 15 companies or group of companies form the top echelon of local entrepreneurs. These are the MELT Group under Mohammed Dewji; The Rostam Aziz group of companies, the IPP Media group under Reginald Mengi, the Bakhresa Group under Said Salum Bakhresa, the Lake oil Group controlled by Ally Awadhi, the Synarge Group under Shekar Kanibar, the Motsun Group under Subah Patel, the GSM Group under Ghalib Said Mohammed, the Africarriers Group controlled by Fida Hussein Rashid, the Turky's Group under Salim Turkey, the MAC Group controlled by Yogesh Manek, the Abood Group under Abdul Aziz Abood, the Quality Group under Yusuf Mauji and, Murzah oils under Haroon Zakaria. One thing to note here is that there is only one indigenous person within the list which might explain the mistrust between the politicians and the business moguls.

22 For details see: Speech by the Minister for Finance and Planning, Hon. Mwigulu Lameck Nchemba Presenting to the National Assembly, The Estimate of Government Revenue and Expenditure, 10 June 2021, Dodoma. Government Printer.