OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as "developed", "industrialized" and "developing" are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL

Distr.
GENERAL

E/CN.14/AS/I/8 1/8
29 December 1965

ENGLISH ONLY

ECONOMIC COMMISSION FOR AFRICA AND
CENTRE FOR INDUSTRIAL DEVELOPMENT
Symposium on Industrial Development in Africa
Cairo, 27 January - 10 February 1966

D04776

INDUSTRIAL SCENE IN TANZANIA

(Presented by the Government of
Tanzania)

M65-754

INDUSTRIAL SCENE IN TANZANIA

1. Introduction

Tanganyika covers a land area of 341,150 square miles, approximately the same size as Nigeria or France and Germany combined. A considerable part of the total population of about 10 million is concentrated in various fertile areas around the periphery of the territory while the centre, arid bush, is sparsely populated. In addition to the African population of 10 million there are over 116,000 Asians and 17,000 Europeans. Most of the Africans are peasant farmers and only half a million are recorded as being in paid employment. The over-all population density is low, 33 per square mile. The material increase of the African population is estimated to be in the region of 20 per cent per year.

2. The Gross Domestic Product

The following table shows the GDP and its distribution among the various sectors of the economy:

Gross Domestic Product at Factor Cost
(At Current Prices)

£'000

Industry	1962	1963	1964
Agriculture	124,251	138,726	140,624
Mining and Quarrying	5,128	4,411	5,907
Manufacturing	7,714	8,098	8,735
Construction	6,086	6,357	7,463
Electricity and water	1,487	1,527	1,727
Commerce	24,224	26,925	28,388
Rent	8,760	9,361	11,117
Transport	9,348	9,401	9,996
Services	21,599	27,505	30,344
Total	208,597	232,311	244,301

The table illustrates the predominance of Agriculture, which accounts for about 57 per cent of the total output in 1964. By comparison, Manufacturing industry represents only about 3.5 per cent of the total.

Tanganyika has developed mainly through the growth of exports of primary products. Forty per cent of money incomes is derived from exports and 80 per cent of export earnings comes from agricultural and livestock products against 13 per cent for minerals. Manufacturing has been developing rapidly and may be expected to continue at a high rate of expansion, but its contribution to the domestic product of the territory is still very small. The industrial development of Tanganyika, though desirable, will continue to depend on the growth of the internal market and thus to a great degree on the development of agriculture.

Tanganyika's Five-Year Plan for Economic and Social Development was launched on 1 July 1964. It was estimated that the promotion of an annual rate of growth of the Gross Domestic Product of 6.7 per cent (8.5 per cent in the Monetary Sector and 1.2 per cent in the Subsistence Sector) would require gross capital formation in the Monetary Sector of approximately £246 million during the five years of the Plan.

Of the £246 million, £72 million constitutes the development expenditure to be undertaken by the Central Government on its own account, of which approximately £30 million represents funds that are to be made available by or through the Central Government for parastatal organizations for their own programmes. Local Government development expenditure expected to amount to £10 million and the East African Common Services Organisation's investment programmes would total £18 million. The balance of gross capital formation in the Plan period of £116 million represents the contribution of the Private Sector to Tanganyika's development and includes £21 million of finance to be obtained by parastatal organizations from private sources.

It is expected that out of £246 million of the gross capital formation during the planned period, expenditure on Processing Industry would amount to £10.8 million compared with £25.6 million on Agriculture and Livestock and £15.1 million on Distribution.

The Independent Government inherited the Three-Year Plan prepared under the Colonial Government. This Plan was mainly an infrastructure one, and did not cover wholly the field of economic and social development. Comparatively less attention was paid to the industrial sector, and the few industries that were set up immediately before and after independence were mainly financed by the private sector. The Five-Year Plan 1964-69 is an indigenous economic and social development Plan whose aims cover a much wider field.

At the time when Tanganyika became an independent nation, on 9 December 1961, the economy was almost entirely based on production and processing of raw materials grown in the country: cotton ginning, decortication of sisal, coffee curing, sugar and tea manufacture, wheat and rice milling, extraction of vegetable oils, meat and vegetable canning and saw milling.

In the early sixties, some light industries were established producing shoes, knitted goods, razor blades, wooden flooring, tobacco, metal containers, rubber products, wire nails, insecticides, beer and oxygen.

Since December 1961, when the last industrial census was made, a considerable amount of industries have been established both within the scope of the development Plan as well as outside it, which include:

(a) <u>Food</u>

Mwananchi Ocean Products have established a refrigeration plant on Mafia Island for crayfish and prawns.

Two sugar factories, Kilombero Sugar Company and Tanganyika Planting Company (Arusha), with a total investment of £6 million, have come into production. They will, together with three other minor manufacturers, satisfy the demand for sugar in the country (60,000 tons).

Negotiations to establish a soluble coffee factory at Bukoba and to start a tea scheme plantation project finalized during 1964. Together the level of investment amounts to £570,000.

An agreement was signed during the same year between the Government, UNICEF and FAO to set up a £30,000 milk processing plant at Arusha. (Northern Dairies Ltd.)

Biscuit, candy and fruit canning factories are at present under consideration to be set up.

In 1963 the decision was to establish a £350,000 mechanised cashew nut processing industry (Tanita Company Ltd.) and the production is now well under way and will reach 9,000 tons of processed nuts a year.

(b) Beverages

During 1964 Tanganyika Breweries embarked on a major expansion programme (£900,000). Consideration is at present being given to a brewery at Mwanza.

(c) Tobacco

One turkish tobacco drying plant will be set up in Morogoro as well as a flue cured tobacco industry in Iringa to process 3,000 tons of tobacco per year for export.

(d) Crude Materials

One of the most ambitious schemes considered under the Five-Year Development Plan is a paper and paper pulp project from sisal. It will represent a total investment of about £6,300,000 and the Government is keen on a pilot plant in France. Arrangements continued in the Tanga/Pangani areas for a larger-scale development of the project.

(e) Petroleum

A £5,000,000 oil refinery is under construction, which will process 600,000 tons of crude oil annually and give employment to 300 workers.

(f) Vegetable Oil

Construction of a castor oil processing plant with investments worth £90,000 is to be completed during 1965.

(g) Chemicals

Tanganyika Extract Company in Arusha has been processing Tanganyika's entire crop of pyrethrum flowers since 1962, the year the factory was established.

A £30,000 plant to package pharmaceutical products was constructed in Dar-es-Salaam, 1964.

Two modern soap factories to produce laundry soap, as well as toilet soap have recently come into production at Tanga and Dar-es-Salaam. Three more will be established at Tanga, Arusha and Mwanza.

Other chemical plants are projected to produce insecticides, detergents and civil explosives.

(h) Wood

Since 1961 two plywood factories have been established - Sikh Saw Mills Ltd., (Tanga) and Imara Plywood Ltd., (Moshi). The production of these factories will mainly go to tea chests and the building industry.

(i) Paper Products

A factory producing exercise books and writing pads is in operation with an output of 200,000 gross books per year. This factory represents an investment of £200,000 by the Chandaria family group.

(j) Textiles

This sector has shown a considerable growth since 1961:

Calico Textile Industries Ltd. (Investment £125,000)

Blanket Manufacturers Ltd.

Cotton Wool Products Ltd. (Sanitary towels.)

One of Tanganyika's oldest textile industries, Tasini Ltd., has completed its plans for a major (£1 1/4 million) expansion programme.

Some large-scale textile mills are in the process of being implemented:

Mao Tse Tung Textile Mills, Dar-es-Salaam. Vertically integrated cotton mill. 24 million square yards (£ 2 million).

Kilimanjaro Textile Corporation, Arusha. (£1.5 million).

Sodefra project, Mwanza. Vertically integrated cotton mill. (£3.6 million)

(k) Sisal Twine

Four large sisal spinning factories have recently started, which involve a total investment of over £1 million. Two are situated in Tanga, while the rest are in Dar-es-Salaam.

(l) Fishnet

A fishing net factory was completed during 1964 and went into production. In conjunction with a similar factory at Kampala (Uganda) it will supply the bulk of East Africa's fishing net requirements.

(m) Non-metallic Minerals

Sixteen miles from Dar-es-Salaam a £1,400,000 cement factory is under construction which will have an initial production of £150,000 tons of cement annually.

One small factory producing chalksticks has come into operation during the last year.

Kioo Ltd. - a glass factory - is in course of erection and production is expected to start towards the end of this year.

A £300,000 ceramic factory project is under active study by the National Development Corporation.

(n) Metal Products

During the last two years Chandaria Group has promoted three new industries in this sector - Aluminium Africa Ltd., Mabati Ltd., and Metal Products Ltd. - all of them in Dar-es-Salaam. In total they represent in the initial stage £3.5 million and the investment at 1970 will reach £10 million.

Aluminium Africa Ltd., producing aluminium sheets and circles, is the only plant in East and Central Africa in this sector, and £450,000 worth of aluminium circles are exported to neighbouring countries.

Mabati Ltd., is producing galvanised plain and corrugated sheets, ridgings and rainwater gutterings, etc., (25,000 tons per year), and Metal Products is based on the Aluminium Factory and makes about 800 tons of aluminium hollow-ware per year. The Group has now opened a wire nails factory, also in Dar-es-Salaam.

In January 1964, Tanganyika Enamelware Factory Ltd., was established, with Hong Kong interests, representing an investment of £40,000. The total production for this factory reaches £100,000 worth of different enamel household ware.

A wood screws factory has been in operation since 1963, and consideration is now being given to start manufacturing bolts and nuts.

(c) Machinery

Negotiations with Philips have been finalised during the year, and a £75,000 assembly plant for radio sets has been established at Arusha intended for the entire East African market.

Tanganyika Industrial Corporation has recently opened a factory in Tanga for the assembly of primus stoves. Production is expected to be in the region of 20,000 stoves a year, sufficient for the East African market with a margin for export to the Congo, Mauritius and Somalia.

(p) **Transport**

Two motor vehicle assembly plants have come into operation, one of them a £15,000 Land-Rover plant, scheduled under the Kampala Agreement.

(q) **Miscellaneous**

Manufacture of high grade meerschaum smoking pipes from deposits in Tanzania has been undertaken since 1962 by a company partly owned by the National Development Corporation.

Agreement has been reached on the establishment of a £130,000 factory at Arusha to manufacture safety matches. Three plastic factories were established in 1963, two of them in Dar-es-Salaam, and one (manufacturing plastic slides for photographic mounts) in Arusha.

3. **Industrial Policy**

Tanzania (excluding Zanzibar) has embarked on a programme of industrial expansion, and the Five-Year Development Plan 1964-69 expects investments of over £50,000,000 in the industrial sector. Experience shows that, due to rises in certain costs and the tempo of industrial development in fields that were in most cases not planned for, it is most likely that the value of investments in industry will be more than expected by the end of the Five-Year Plan. Tanzania aims at achieving industrial expansion without duplication. It is therefore aimed at establishing industries that will survive for a reasonably long time to come, to provide goods of good quality at reasonable prices to our consumers, and not only to have a mushroom of industries which will close down after a short period of time. The Ministry of Industries, Mineral Resources and Power has thus a duty:

(a) to safeguard the interests of the consumers;

(b) to safeguard the interest of the good investor; and

(c) not to encourage the monopolistic situations.

In encouraging the establishment of industries the question of ownership is very important. Ideally, factories should be owned, managed and run by the people of a nation. In practice however, shortage of technical and managerial manpower, technical know-how and capital, makes it impossible for us to achieve industrial expansion at a speed we would like to, if we are to insist on the ideal. It is thus necessary to collaborate with private and government investors both from local and overseas sources, in establishing our industries. The result of this is that we have a mixed ownership of industries which falls into three categories:

(a) purely Government-owned industries;

(b) partnerships between Government parastatal organizations, co-operatives, local and foreign investors;

(c) privately-owned industries by both local and foreign investors.

In encouraging the establishment of industries priority is given to:

(a) processing industries which will increase the export value of our raw materials, and thus yield more foreign currency;

(b) industries which have a great proportion of local content (using more local raw materials, labour force, etc.) and export potential;

(c) industries which are mostly for import substitution.

One of our objects of industrialization is to increase employment opportunities for our people. It is logical then to consider which are highly labour-intensive with considerable favour, all other things being equal. It is realized that we have a shortage of skilled technical and managerial manpower, and whereas it is encouraged to import these skills from overseas whenever necessary, assurance should be given that a training scheme is embarked upon to ensure that these skills are obtained by the local people who will replace the expatriates after a period of time. The Government therefore encourages industries to embark on vigorous training schemes at all possible levels to train the local people. Training of local people is usually done internally, either in local technical training institutions or on the job. Recruits are also sent overseas by employing industries. Other trainees include those who train in the overseas academic and technical institutions through scholarships normally granted by national and foreign governments and organizations.

Location of industries is determined by a number of economic, social and historical factors. It is a tendency therefore for industries to group themselves in areas most favoured by these factors. In the case of Tanzania, Dar-es-Salaam tends to attract most industries. For political and social reasons it is highly undesirable to have all industries concentrated in one particular area of the country, and the Tanzanian Government is keen to spread industries in the country as much as possible. There are however some basic factors which must exist, before any industry could be established in a particular place, and it will take a long time before we can establish industries anywhere in the country. In many cases, we satisfy ourselves by encouraging the establishment of industries in the main population belts, close to the sources of raw materials, necessary labour force, and distribution centres.

The role of the Ministry of Industries, Mineral Resources and Power is therefore to promote orderly industrial development in the country by guiding industrialists on feasibility of projects, their location, etc. This often involves co-ordination with other interested parties, both Government and private organizations, to thrash out problems and bring about agreements on course of action. In co-ordination with Government departments and organizations, the Industrial Promotion Committee, whose membership includes all Ministries and Government organizations involved in industrial development, plays an important role. In addition to being an advisory body on industrial matters, it is a clearing house of many problems related to industrial development, and its suggestions and recommendations contribute a great deal towards this end.

4. <u>Programming for Industrial Development</u>

Our development programmes have been drawn up in order to promote a faster industrialization of the country than in the past. So, a great importance is given to the industrial sector for which we are aiming at a rate of growth which should be more than twice as fast as that of agriculture. Its production should be by 1970 thrice its 1964 level.

Out of £246 million of over-all expenditure, the Plan calls for £52 million (or 24 per cent of the total capital expenditure) for the expansion of processing, manufacturing and mining activities and the purchase of construction equipment. Three-quarters of this sum is expected to come from the private sector.

As an indication, we aim to achieve the following results as far as the Gross Domestic Product is concerned:

	Average 1960-62		Target 1970		Target 1980	
	£ million	%	£ million	%	£ million	%
Mining and Quarrying	5.2	2.8	7.5	2.3	10.3	1.6
Processing and Manufacturing	7.4	4.0	25.0	7.5	84.9	13.3
Total GDP	134.4	100.0	331.3	100.0	636.1	100.0

which means rates of growth from 1964 to 1970 of

4.7 per cent for Mining and Quarrying

14.7 per cent for Processing and Manufacturing (the highest rate of all sectors)

as compared with 6.7 per cent for the whole.

5. Mining and Quarrying

The present state of knowledge about Tanzania's mineral resources and the medium-term prospective domestic and regional demand for the intermediate goods that can be derived from them do not raise high hopes for a significant expansion in the contribution by this sector to Gross Domestic Product during the next five years.

As far as existing mineral production is concerned, the Plan provides for a significant increase in the output of diamonds and the subsidization of gold mining in expectation of discoveries of new deposits.

Mica and gold prospection is organizing, and coal, iron and phosphate deposits are in the course of being investigated for further development and eventual operation.

6. <u>Processing Industry</u>

Many of these activities are run within a co-operative framework and the processing industry will be the only industrial activity in which the co-operative movement will participate during the Five-Year Plan.

Such activities mainly consist of coffee curing, sugar refining, cashew nut shelling, grain milling, edible oils extraction, vegetable oils, saw milling, and cotton ginning.

7. <u>Manufacturing Industry</u>

Our development programmes include such industries as:

Metal products (steel, aluminium, ironmongery, metal containers, motor vehicles repair and assembly)
Food, beverages and tobacco
Textiles, clothing and shoes (especially based on sisal, cotton)
Building materials and glass products (cement, glass, ceramics)
Chemicals (oil, soap, plastics, paints)
Wood and paper products.

These industries belong in fact to two categories:

(a) Industries which are economically viable on a territorial basis and for which an adequate market exists or will soon exist in Tanzania as a result of a policy of substituting for imports both from abroad and from other East African countries.

(b) Large-scale industries requiring the whole East African market for economic viability and the allocation of which to Tanzania is the result of a Trade Agreement with Kenya and Uganda.

Up to now, detailed programmes of industrialization have not yet been made out. The general outlines and over-all programmes having been pointed out, a very large part is left to private enterprise and initiative, while the Government on the other hand recommends the sectors and areas in which investment is desired, and on the other hand goes ahead by itself through its own investment institution, the National Development Corporation, which plays a very important part in the whole investment process.

8. <u>Regional Industrial Development in Tanzania</u>

In line with the Government's policy of rapid industrialization, Tanzania's regions are expected to contribute substantially in the development of this sector. This sector's output is set to grow at a rate which should raise the 1963 value of manufacturing output 2.63 times by 1970, that is, at the end of the nation's first Five-Year Plan.

In order to ensure that the regions will make this contribution, the nation has adopted the strategy of breaking down the national Five-Year Plan into Regional Five-Year Plans of investment and production. Consequently, each region has got its own Regional Five-Year Plan. It is also the policy of the Government that these Regional Plans are made as comprehensive as possible, that is, they should include along with Central Government projects the proposed investment and production targets of private enterprise, including the co-operatives.

Processing and Manufacturing (including vehicle repair and assembly) is one of the sectors into which, for purposes of planning, the Tanzanian economy has been divided; consequently, the regions, through their Regional Five-Year Plans, are expected to promote the development of this sector vigorously as well as that of the other sectors.

The Regional Planning authorities have, therefore, been asked to do all they can to attract industry to their regions and to compete with other regions in providing incentives for new private investment. These incentives could take the form of the provision of inexpensive or free industrial sites equipped with water, electricity, roads, etc., lower industrial taxes and so forth. They have been urged, furthermore, to utilise the considerable credit facilities and financial assistance which is now available through the Co-operative Development Bank and the National Development Corporation and to co-operate with the National Union of Tanganyika Workers which, through its Workers Investment Corporation, is also engaged in financing and operating manufacturing enterprises.

Furthermore, the Regional Planning authorities have been advised to promote industrial development in the regions by advertizing regional investment opportunities favourable conditions, etc., which information can now be obtained from the Ministry of Industries, Mineral Resources and Power which is now establishing an Industrial Studies and Development Centre which will be staffed with United Nations experts and local under-studies.

In this connexion, Directorate of Development and Planning has always urged the Regional Development Committees in the regions to prepare lists of specific industrial ventures which they should constantly be urging Chambers of Commerce, individual businessmen, etc., to undertake.

Generally, it has been estimated that in most industrial activities, more than one pound's worth of investment is needed to bring about a £1 increase in output (or income). The proportion of investment to output varies in each sector of activity, depending on how capital-intensive it is. It is low in traditional agriculture and commerce where little capital equipment is used (agriculture and commerce being labour intensive) and high in such activities as the production of electricity, house-building and such services as Government administration. For the Plan period, the capital/output ratio which has been used to estimate the appropriate volume of investment which should be made in this sector of activity is 4.13 while in Construction it is 2.28 and in Transport and Communications 3.45.

However it is considered that the use of very high level technology in under-developed countries should be guarded against as this kind of technology tends to require only a small proportion of industrial labour and thereby making the benefits that result from the transition from subsistence activity to industrial activity much more slow. In under-developed countries, therefore, it is considered that there is much to be gained in using a type of technology which can absorb more labour and which in advanced countries would be classified as being obsolete.

[illegible] ratios used in estimating investments and output [illegible] averages. They do not take into account the [illegible] of unused productive capacity in the regions nor do they [illegible] conditions of production and investment.

But the Ministry of Economic Affairs and Planning is satisfied that these ratios provide a useful point of departure in estimating likely annual investments in the regions.

The Regional Planning authorities have been advised that in the event that major bottlenecks to regional industrial development are discovered blocking the expansion or creation of productive capacity and with which Local Government authorities are unable to cope, they must be brought to the attention of the Ministry of Economic Affairs and Planning in Dar-es-Salaam in order that appropriate soultions may be sought.

In conclusion, it must be said that as our experience in regional industrial development and planning is only about one year old, the essence of our policy has only been to encourage the Regional Planning authorities to attract industry to their regions and to compete with other regions in providing incentives for new private enterprise. The results of this experience in the first year of the Plan period are now being awaited and the regions have been requested to report on a regional basis their activities during the first year of the Plan, and it is earnestly hoped that this exercise will yield the most accurate results available to the United Republic.

9. Project Evaluation

Projected during 1964, an Industrial Studies and Development Centre (a United Nations Special Fund project) is scheduled to be in operation at the end of the year. This Centre will have the following functions:

(a) to advise on industrial policy and organization;

(b) to assist in the investigations necessary for better utilization of the country's natural resources;

(c) to undertake or assist in the preparation and assessment of industrial feasibility studies and advise on the implementation of projects;

(d) in certain limited fields, to provide advisory extention services to private industrial concerns; and

(e) to advise on the regional aspects of industrial projects, taking into account the possibility of complementary development in the economics of the neighbouring East African countries.

When fully in operation the Centre will be serviced by three United Nations experts, five Government officers and thirteen other staff personnel.

At present the project evaluation in the Industries and Power Division of the Ministry is performed by the various officers assisted by United Nations and other foreign advisers. Most of these officers have basic qualifications which include economics as a major subject.

The evaluation of industrial projects generally follows the following pattern:

(a) relative contribution and probable stability of the industry (economic value to the country as a whole, needs of the majority of the people);

(b) domestic market (demand pattern, annual increase in local production, prices, etc.);

(c) export market (competition, areas, etc.);

(d) sales and distribution problems (institutional analysis);

(e) financing factors (estimated foreign exchange earnings, capital requirements, etc.).

10. The Administration of Industrial Research in Tanzania and East Africa

Introduction. The East African Industrial Research Organization as it presently exists has its headquarters in the Industrial Area of Nairobi in Kenya, where physical facilities comprising laboratories and a technical library (including a separate ceramics laboratory), a pilot laboratory and covered space for heavier machinery, are established on a 2-acre site. The EAIRO seeks to offer a common service throughout East Africa, and its staff members can - and do - travel anywhere in East Africa where their specialist services appear to be required. The over-all policy administration of industrial research is effected through the East African Industrial Research Board, which is representative of the three East African Governments and of their private sectors, meeting at the Organization's Headquarters in Nairobi, several times a year, and reporting to the Ministerial, Commercial and Industrial Co-ordination Committee.

Scope of Research. Those fields in which research has been undertaken by the Organization in East Africa have been varied, and the following examples will serve to indicate the range over which its activities have been spread:

chemical investigation into the causes of "onion" and "off" flavours in coffee;

the reconstitution of waste meerschaum into blocks suitable for the manufacture of meerschaum pipes,

improvements in methods of sisal and pyrethrum drying under local conditions;

vegetable dehydration under local conditions;

cedarwood oil - methods of producing oils of special quality;

diatomite - producing a filter aid of low soluble iron content;

manufacture of a water-soluble link to be used in prevention of thefts of fishing nets;

vegetable oil refining and edible nut shelling.

Financing. The financing of industrial research in East Africa is undertaken by means of equal subscriptions by the East African Common Services Organization and the United Kingdom.

Recommendations for Future Administration. A report of the Commission "on the most suitable structure for the management, direction and financing of research on an East African basis" which was set up in 1961 under the chairmanship of Professor A.C. Frazer made certain recommendations in respect of - inter alia - the administration of industrial research in East Africa, and these are in the process of being translated into practical terms. The Government of the United Republic has however been conscious for some considerable time of the inequitable nature of existing arrangements whereby - inevitably - the greater share of industrial research in East Africa is conducted on behalf of Nairobi industrialists, and has recommended the decentralization of industrial research facilities in East Africa in the interests of national specialisation and seeking to avoid duplication, with research facilities and institutions closely related to the decentralized units of the University of East Africa.

The Frazer Commission had recommended the creation of an East African Industrial Council which would have considerably more status than the existing Board, and this recommendation is in process of being formulated in practical terms so as to cater for a self-accounting body, owning its own assets and able to plan on a longer term basis than that permitted under existing arrangements.

The Government of the United Republic has carried out a careful assessment of the practical implications of a system of decentralized research on the basis referred to in the preceding paragraphs, and is keen to proceed to this new concept. It is true to say that its views have progressively gained acceptance and that there is every likelihood of a mutually advantageous programme of decentralized industrial research becoming a reality in East Africa in the foreseeable future.

An East African Committee, whose terms of reference are to review and recommend the future of the East African Common Services, is soon to start work, and it is expected that some of its recommendations will affect the set-up of industrial research in East Africa.

11. <u>Industrial Promotion</u>

The Industrial Promotion section of the Ministry acts as a driving force for industrial promotion and co-ordination, both locally and inter-territorially.

The local Industrial Promotion Committee in which all ministries and organizations involved with industrial development in the country are represented either on a permanent or an <u>ad hoc</u> basis, acts as a clearing house for industrial projects, and through its recommendations matters like government assistance to certain industries and connected problems are settled much more quickly than they would be otherwise.

Territorially the section represents Tanzania in the East African Industrial Licensing Council, the East African Commercial and Industrial Co-ordination Committee, and the East African Industrial Research Council. Its officials are also members of inter-territorial official's meetings which clear the ground for the various ministerial committees of the East African Common Services Organization.

12. Financing of Industrial Projects

Finance for industrial projects is arranged by:

(a) local or foreign private sources in case of privately-owned industries;

(b) Tanzanian State-owned or State-sponsored financial and investment organizations. This includes organizations such as:

(1) National Development Corporation;
(2) Tanganyika Development Finance Co. Ltd.;
(3) Mwananchi Development Corporation;
(4) Tanganyika Electric Supply Co. Ltd.; (On power generation and distribution projects);
(5) Co-operative Societies and Unions (especially the Victoria Federation of Co-operative Unions, Kilimanjaro Native Co-operative Union, the National Transport Co-operative Union, etc.).

(c) Tanzania Government from capital raised locally or overseas through loans, grants, etc.

Some projects involve finance raised by all three groups. These are joint partnership projects.

IV. **The Role of Parastatal Organisations in the Industrial Development of Tanzania**

One can get a fair idea of the general role of parastatal bodies, or Development Finance Companies as they are often called, from the following quotation:

> "In an attempt to increase the supply of some of these ingredients (reference is here made to entrepreneurship, access to modern manufacturing techniques, competent management, technicians, accountants and other skilled personnel and of course capital) of successful industrialization, virtually all the countries of the world, developed and under-developed, have established special institutions to mobilise their resources of capital and channel them into the productive economy. In the past 25 years, the governments of an increasing number of less developed countries have created, promoted, or favoured the organisation of entities variously called "development corporations", "development banks", or "development finance companies". These institutions have taken forms so diverse that, despite frequent similarity of formal title, they have little resemblance to each other and often have little in common. Although virtually all such institutions have been sponsored by governments, which exert a varying degree of influence on their policies and operations, some are owned exclusively by governments, others by private interests, and still others by a combination of the two. Some are devoted to the promotion and financing of government enterprises, and others exclusively to private investment; still others act in both fields. Some have broad planning functions, some can only lend, some can both lend and invest in equity capital, and some can set up and manage enterprises on their own account. Some are concerned with [illegible] but with a single sector. Some are regional, others national. Ownership, capitalization, degree of dependence on government, objectives, and [illegible] of operation vary over a wide range."

There are four such organisations in [illegible] the Tanzania mainland:

(a) National Development Corporation;

(b) Tanganyika [illegible] Finance Co. Ltd.;

(c) Tanzania [illegible] Ltd.; and

(d) [illegible]

The specific features of [illegible] institutions and their role in Tanzania [illegible] pointed out in the preceding quotation. This will [illegible] in the following paragraphs where each of these [illegible] separated [illegible] It is [illegible] that the principal reason underlying the establishment of these organisations is not simply to help the mobilisation of savings into the right channels. Nor are they attributable to the fact that the State participation or ownership of these industries is bound to confer on the community at a rate of net social benefits to the community much higher than the private sector would otherwise do, but simply to the fact that unlike in most other parts of the world outside Africa, the participation by the indigenous population in industries (and also other economic activities) has been very insignificant or even almost nil. And it is thought that various means have to be devised whereby the indigenous people or, on their behalf, the Government can participate in various important industries in Tanzania.

(a) National Development Corporation (NDC)

The NDC came into operation in Tanzania on 1 January 1965, as a result of the merger of Tanganyika Agricultural Corporation and the Tanganyika Development Corporation. The latter first came into existence early in 1963 and in fact took over a large part of the former and performs the same function now as it did before. It is perhaps therefore useful to examine what until recently was the function of the former.

TAC came into existence in 1954 as a result of the take-over of Overseas Food Corporation (old groundnut scheme) by the TAC, to administer it on behalf of the British Government. When Tanganyika became independent in 1961 arrangements had to be made with the British Government for its take-over by the Tanganyika Government in 196[illegible] when the former ceased to finance TAC. In 1962 TAC's role was modified to make it a commercial venture in addition to its former role of carrying out or assisting certain projects of development in the country. By 1963 financial difficulties began to arise and a decision had to be reached about the merger of TAC with other parastatal development institutions. The merger took place on 1 January 1965, but certain settlement schemes had to be excluded from the merger because they were transferred to the Rural Settlement Commission.

The Tanganyika Development Corporation came into existence in early 1963 with the help of Government finance. At a later date it also took over from the Government shares and investments which the latter held in certain ventures. By the middle of 1964 it had a capital of about £1 million, which included a profit of some Shs. 81,000/-. It had holdings in eighteen different ventures, and had lent to three industrial firms. At the time of the merger in 1965, TAC and TDC net assets (at cost price) were worth about £808,000 and £6,100,000 respectively. TDC holdings had increased as a result of further acquisition of Government-held shares, particularly in diamonds, meat packing and salt mines. Recent estimates of the NDC net assets (represented by an equivalent amount of capital) indicate that they are of the order to about £10.5 million at market price.

The Corporation of course continues to invest or participate in various ventures, and economic projects materialise in one of the three main ways, as follows:

(i) A Government Ministry (or more than one) may propose, either itself or in response to approaches from interested parties, that a certain scheme should, in principle, have NDC participation;

(ii) Certain proposals may be received by the NDC from organisations such as the Co-operative Union, Mwananchi Development Corporation, Tanganyika Workers Investment Corporation, Tanganyika Development and Finance Co. Ltd., or from private investors, either local or foreign, asking for Government participation;

(iii) The NDC itself may find it necessary or worthwhile to initiate investigations of certain schemes including the possibility of becoming involved as a result of negotiations and agreements with foreign governments.

In addition to holding one-third of the shares in TDFL, and interest in certain other major companies, its investments in or loans to various enterprises are as follows:

Mining, Chemical, Building

Williamson Diamonds Ltd.	(50%)
Nyanza Salt Mines Ltd.	(81%)
Tanganyika Portland Cement Co. Ltd.	(20%)

Manufacturing

Tanganyika Tegry Plastics Ltd.	(49%)
Tanganyika Meerschaum Corporation Ltd.	(28.7%)

Transport and Commerce

Importers of tractors, tubes, tyres and bearings, exporters of crocodile skins, oil cakes and local produce and distributors of local and imported products. Almost the whole of this business is carried out through a subsidiary called:

International Trading & Credit Co. Ltd. of Tanganyika	(51%)

Agricultural Produce, Processing and Enterprise

Grain and Oil

Tabora, Mpanda, Ufipa Farmers Co. Ltd.
(borrowing company)

Milling: Kahama, Nzega, Igembensabo Co-operative Union Ltd.

Canned Meats: Tanganyika Packers Ltd.	(51%)
Tea: Ralli Estates Ltd.	(50%)
Bukoba Tea Co. Ltd.	(90%)
Instant Coffee: Tanganyika Instant Coffee Co. Ltd.	(80%)
Plywood: Sikh Saw Mills Ltd.	
Processed Milk: Northern Dairies Ltd.	(70%)
Shelled Cashew Nuts: Tanita Co. Ltd.	(40%)
Sisal: Ralli Estates Ltd.	(50%)

Assistance to primary growers: Kilosa District Development Board

Hotels and tourism: New Africa Hotel.

Tanzania Wildlife Safaris Ltd.	(100%)
Lake Manyara Hotels Ltd.	(67[illegible]%)

The NDC has a Board which consists of five Ministers (one of whom, Minister of Finance, is the Chairman) and four other members. It is administered by the General Manager, who in turn has the assistance of Finance and Operations Divisions. The Operations Division carries out feasibility analysis of various projects. At present projects which are subject to feasibility study or awaiting implementation are:

Pet Food venture
Fruit Canning project
Mao Tse Tung Textile Mill
Chinese Agricultural and Tools Factory
[illegible] River Sugar Project
Kilimanjaro Hotel
Hilton Hotel
Philips' [illegible]
Ceramics
Pharmaceuticals
Insecticides
Portland Cement
Drive-in Cinema
[illegible]
National Cattle and Meat Marketing Co.
[illegible] bags and [illegible] bags
Knitted garments
[illegible]
[illegible]

The [illegible] directly participates in the establishment of industrial estates which are meant to provide all the facilities (land, buildings, electricity, water supply, adequate communications and so on) to indigenous, small-scale prospective industrialists. Similarly, small cottage industries are also to be encouraged in Tanzania. And in order not to place the NDC in a position of having to take care of too many small ventures in addition to its present responsibility of dealing mainly with large concerns, a new institution called "Small-scale Enterprises Corporation" may well have to be established soon. The Corporation is also about to participate in the Tanzania African Finance Co. Ltd. (TAFCO).

The present Five-Year Development Plan envisages that parastatal bodies will make an investment of about £20 million, over half of it through external borrowing. It will be seen from the preceding discussion that the new investment as such by the NDC has been rather small; most of the NDC assets consist of substantial acquisition of Government portfolios. The NDC will, therefore, obviously be expected to borrow extensively on the domestic and overseas capital markets through the issue of preference shares and debentures. This step will probably bring its characteristics more closely in line with the general features of development institutions described in paragraph 7.

(b) Tanganyika Development and Finance Co. Ltd. (TDFL)

The TDFL was formed towards the end of 1962 with three shareholders, namely TDC (as it then was, now NDC), Commonwealth Development Corporation, and German Development Co. Each has had an equal shareholding of 500,000 of Shs. 20/- each; there is a possibility of Dutch participation of the same order. Each shareholder appoints two directors, and a Chairman, generally a senior Government nominee, is appointed from among them. The Board then appoints a General Manager.

The aim of this Organization is "to create an internationally-based and commercially-operated development organization to supplement the efforts of Government in bringing about economic development in Tanganyika".

While the Organization is primarily interested in the establishment of industrial, agricultural and other undertakings aimed at utilization of natural resources, its financial policy is flexible, and it also invests in housing and tourism. Financial assistance is in the form of medium- and long-term loans (short-term loans being left to commercial bankers to finance), debentures or shares. TDFL also plays a substantial role in the feasibility of projects preceding actual investment which may be extremely useful to the business community. TDFL plans to make its portfolios available to the public and thereby secure finances for its future expansion.

A prospective borrower is required to make a formal application stating three main facts - the credit standing and past performance of the borrower; the long-range market for the product and competition from similar producers; and, the financial data, including a forecast of capital and operating costs. The Board then considers various applications on various criteria, but the two main factors that are taken into account are degree of development value to the country, and the prospect of reasonable viability by commercial standards.

During 196[illegible] TDFL made investments in two enterprises, namely a printing firm and an [illegible] enterprise, of the order of £47,500. By the end of 1964 its actual lendings or commitments therefore to some 14 firms had risen to £[illegible], and these new borrowers included industries like motor assemblies, rubber factory, match corporation, textile mills, aluminium manufacturers, etc.

(e) Mwananchi Development Corporation (MDC)

The MDC came into existence in August 1962 with a share capital of [illegible]. The initial share capital is held by the Trustees of the Tanganyika African National Union (which has since merged with the Afro-Shirazi party of Zanzibar, and is now the only political party in Tanzania). It is the only African-owned and African-run private investment corporation in Tanzania and reflects the will of the indigenous population to make an effective contribution in the organisation of promotion and expansion of the economy of Tanzania.

The scope of the activities of MDC is wide, varied and practically unlimited. Although it began its activities with participation or investment in building and construction activity, it has considerably diversified since then. It has been collaborating with reputable enterprises in the private sector through subsidiaries.

By mid-June the capital of MDC had been increased to £60,007, it had a capital reserve of £30,000, and other funds raised amounting to £133,000. Its participation in various ventures consisted of:

Mwananchi Trading Co. (50%)	£ 1,000
Mwananchi Ocean Products (70%) (other 30% by TDFL)	£ 6,000
Mwananchi Publishing Co. Ltd. (100%) (publishing the daily paper "Nationalist")	£30,000
Mwananchi Engineering & Contracting Co. (25%)	£24,000
Mwananchi Machinery Distributors (100%)	£ 8,000
Mwananchi Industrial & Agricultural Co. Ltd. (60%)	£ 6,000
	£83,000

MDC achieved an operating surplus of £31,000 by mid-June. It has been carrying out further investigations about the investment in an oil mill (to process 20,000 tons of castor seed), exploitation of cattle and livestock resources through cropping, abattoirs, cold storage, transportation and canning, and establishment of specialized textile facilities for manufacture of articles of mass consumption such as khangas and vitenge.

(d) Tanganyika Workers' Investment Corporation

This organization which is now called WDC (Workers' Development Corporation) was incorporated in April 1963, but did not begin its operations until towards the end of 1964.

While the Articles of the company provide for an entry fee of Shs. 100/-, and subscription of the same amount, payable by anyone wishing to be a member, it appears that by far the larger proportion of investment funds will be obtained through the workers' contribution to National Union of Tanganyika Workers' Association (NUTA). It is anticipated that a contribution of Shs. 1/- per month will raise £25,000 per month, i.e. £300,000 per annum; it will be supplemented with donations.

The aims of WDC are (a) "to cater for the welfare of the worker; and (b) to further the economic expansion and development of the country". Concerning (a), the WDC is at the moment consolidating and promoting "existing undertakings" such as management, organization, planning, control, incentive scheme of payment, application, etc. With regard to (b), WDC has a frame of proposals to adopt for development over 1965/66 to 1968/69, and these proposals relate to:

(i) low-cost housing;
(ii) industrial enterprises;
(iii) catering and commercial enterprises.

While catering facilities are already in operation, and provide facilities to its members, certain industrial projects like cotton seed oil milling and tannery are being appraised in terms of their feasibility.

(e) <u>Miscellaneous</u>

No reference has been made in the preceding paragraphs to various Co-operative Organizations such as the Victoria Federation of Co-operative Unions, which will undoubtedly participate in the proposed cotton seed oil mill and the textile mill in Mwanza. Most of these Co-operatives are statutory organizations requiring producers to channel their trade through them, and are in some cases closely associated with certain parastatal bodies (e.g. Victoria Federation and Lint and Seed Marketing Board). Another organization called Industrial Promotion Services has also been left out in the preceding discussion because it is, strictly speaking, not a parastatal body. Nonetheless some of the actual parastatal bodies (e.g. NDC) have considerable financial interests in it. Put briefly, IPS seeks to promote enterprise in East Africa on a partnership basis with foreign and local interests, to provide training for indigenous technicians and managers, and to act as an intermediary between local businesses and foreign investors. There are four such IPS companies, each with a capital of £300,000 in four different countries, namely Switzerland, Kenya, Uganda and Tanzania. IPS has recently opened a shirt factory in Tanzania, and also proposes to participate in the Mwanza Textile Mill and establish a nail factory. It also has some other projects whose feasibility is being studied.

Co-operatives are increasingly becoming involved in industries, especially those connected with the produce they are handling.

13. <u>Incentives for Industrial Development</u>

<u>Fiscal Incentives</u>

Fiscal incentives in Tanzania consist of generous allowances or deductible expenses from taxable income for the purpose of direct taxes like income or corporation taxes as well as drawbacks of customs duties on raw materials used by certain firms in various specified industries.

Incomes earned in or derived from Tanzania are liable to income tax. While incomes of individuals are liable to income and surtax at rates ranging from Shs. 2/50 on chargeable incomes up to £1,000 to Shs. 12/- on incomes over £10,000, corporation tax is payable by companies at the rate of Shs. 7/50 (Shs. 4/- per £ for certain mining companies). Chargeable income is the total income net of general deductible expenses such as rent, rates, transport charges, depreciation and other such expenses wholly and exclusively incurred in the production of income; in the case of individuals, personal allowances such as single, married or children allownaces are also further deductible from actual income. Even though the annual depreciation allowances listed below on certain classes of capital assets used wholly and exclusively in business are quite generous, Investment Allowances are given as special deductible expenses:

(a) Annual Depreciation

Deductions are permissible on diminishing balance basis as follows:

(i) Industrial Buildings such as factories - 1/25th annually subject to increased deductions in certain cases.

(ii) Plant and machinery - heavy self-propelling vehicles such as tractors - 37½%; other self-propelling vehicles such as cars 25%; all other machinery - 12½%.

(iii) Mining - 2/5ths of capital expenditure in the first year and 1/10th in each of the six following years.

(iv) Farm work - 1/5th of capital expenditure incurred in the first and each of the following four years. Capital expenditure on clearing and planting land is allowed when incurred.

Expenditure on scientific research can be fully written off in the year in which it is incurred.

(b) Investment Allowances

These consist of 40 per cent on ships and 20 per cent on plant and machinery, which is not installed in the building but which is used for the purpose of manufacture of goods or for the processing of raw material of local origin or which is used in hotels; in the case of hotels the term 'fixed plant' includes lifts, built-in cooking equipment and permanent fittings. Investment allowances do not diminish the value of assets on which annual depreciation is calculated.

Investment allowances are allowed at a generous scale because tax holiday to encourage industrial development is thought to be administratively infeasible and its economic effects in stimulating industrial development doubtful. The Government is aware of the fact that existing investment allowances on capital assets tend to encourage only capital-intensive methods of production and consideration is being given to the possibilities of introducing fiscal incentives which are geared to the promotion of labour-intensive industries, through tax holiday or otherwise.

Local industrial production is encouraged through protective tariffs and refunds of duties. A local industry (i.e. presumably one which is established and operating in Tanzania) seeking protection through higher external tariffs has to apply to the Ministry of Industries, Mineral Resources and Power in Tanzania who in turn refer it to the Tariff Protection Advisory Committee consisting of officials from various Ministries such as Commerce and Co-operatives, Industries, Mineral Resources and Power, the Treasury, and also from the Customs and Excise Department. Having assessed the applicants' merit the Advisory Committee then submits it to the East African Tariff Committee consisting of representatives of commerce and industry ministries from each country in East Africa and an official of Customs and Excise. The Tariff Committee's recommendations are then made to respective Ministries of Finance for inclusion in the Budget.

The refund of duty under the Local Industries (Refund of Customs Duties) Ordinance (Cap. 3..) may be obtained by a local producer by following appropriate procedure. Firstly, he has to make an application to the Ministry of Industries, Mineral Resources and Power on a form - "Application for Government assistance for a New Industry". If the application is approved, refunds are allowed retrospectively subject to the fulfillment of various conditions (e.g. separate stock records and storage of materials imported) that such goods are incorporated in approved local production. When the Customs officials are satisfied that such requirements are fulfilled, they obtain the Treasury authorization for refund before issuing a cheque in favour of such local producers. At present the following industries are given rebates on cost of the materials in the process leading to the production of the industrial goods

1. Tin can manufacture
2. Paint, varnish and distemper manufacture
3. Bleaching, dyeing and printing of textiles
4. Manufacture of hair nets
5. Manufacture of nails
6. Manufacture of metal drums and tanks
7. Manufacture of rubber and canvas footwear
8. Manufacture of half-tanned and finished leather
9. Processing and packaging of fruit, vegetables, and products derived therefrom
10. Manufacture of rubber products
11. Shipbuilding and ship repairing
12. Printing of books
13. Manufacture of insecticides
14. Manufacture of razor blades
15. Manufacture of rubber tyre for motor vehicles
16. Manufacture of smoking pipes
17. Manufacture of cotton goods
18. Manufacture of shirts
19. Manufacture of hollow-ware
20. Manufacture of fishing nets
21. Man-made synthetic fibre and yarn
22. Manufacture of air-conditioning apparatus.

The whole subject of the fiscal incentives is now being reviewed by the Nigerian Government.

Other incentives

Foreign investors are free to repatriate their capital and profits under the Foreign Investments Protection Act 1963, once a certificate of approved status has been granted.

Unlike other countries, land in Tanzania is owned by the Government and is leased to individuals and organisations who get the right of occupancy, which is subject to revocation if the land is not properly used. Serviced industrial plots are therefore easily available in many areas at comparatively low cost. Electricity generation and water supply are controlled by the Government, and at all pre-serviced industrial plots electricity and water are normally easily available. It is often possible to supply these facilities where they may not exist at a particular moment once the feasibility of the project is realised, favourable advice is given, and finance is available. Sewage disposal facilities are not very adequate at most pre-serviced plots, but action is at present being taken to provide these facilities in [illegible], [illegible], and other centres as soon as possible.

The declared policy of the Government guarantees that no industries will be nationalised without a fair compensation being paid, if nationalisation of a particular industry is considered to be absolutely necessary.

14. Industrial Licensing in Tanzania and East Africa

Introduction

A system of industrial licensing in certain selected fields has operated in East Africa under common legislation since 1953, when it was introduced "to make provision for the orderly promotion and development of certain industries by means of industrial licensing effected on an East African basis through the East African Industrial Council". It is a system which has been under examination by the three Governments from time to time with a view to its continuance or possibly instead of its complete abolition or its substitution by a more [illegible] and extensive system of the allocation of industrial development throughout East Africa. It is probable that a major underlying factor in the establishment of industrial licensing was the [illegible] of the then [illegible] Government to regulate the type and range of industrial development which would be set up in the three countries in the [illegible] before they achieved independence.

and were in a position positively to formulate a pattern of development attuned to their own political and social aspirations. In general, objective comment has been disposed to advocate the abolition of industrial licensing, but the institution continues in its present form to operate as an integral part of the East African industrial scene, and has indeed achieved considerably more significance in the past 18 months through the implementation of that section of the Kampala Agreement of April 1964, which refers to the allocation of industries.

Trends in Industrial Licensing

The emphasis has tended to shift at the present time towards - firstly - the use of industrial licensing as a means of direct allocation of industrial development in order to seek to reduce the economic disparity which exists in East Africa, and - secondly - to use industrial licensing as a means of attracting sizeable capital investment which might not otherwise have been brought in to East Africa in the absence of protection in this form.

Practical Administration

In practical terms, industrial licensing in East Africa is administered by the East African Industrial Council, a body drawn in representation of the Governments and the private sector in Kenya, Uganda and Tanzania. It is serviced by the East African Common Services Organisation, and is chaired by the Financial Secretary to the EACSO Treasury, with specialist advice from a Legal Secretary and from the EACSO Economic Advisory Unit. The Industrial Council meets in Nairobi three to four times a year, when it considers applications which have been submitted for development in those fields which are subject to industrial licensing. [illegible] prejudiced thereby. A copy of the pro-forma detailing the type and range of information which is required of an applicant is being attached herewith in amplification of these outline notes; it is relevant to indicate here that considerable thought has been given in the recent past to the re-formulation of this questionnaire for maximum effectiveness.

The Tanzania representation on the East African Industrial Council comprises the Principal Secretary to the Ministry of Industries, Mineral Resources and Power, or his representative, General Manager, Tanganyika Development Corporation and General Manager, National Development Corporation. There are similarly three members from Kenya and Uganda respectively, and one member nominated by the Secretariat [illegible] and Industrial Coordination Committee.

Objections to decisions of the Industrial Council must be submitted within thirty days of the meeting concerned, and are heard by the East African Industrial Licensing Appeals Tribunal, the Tanzania representatives on which are the Solicitor-General and the Principal Secretary, Directorate of Development and Planning.

Overall Assessment

As stated earlier, the allocations of industries under the Kampala agreement have been implemented in practical terms by means of industrial licensing legislation. The appropriate additions have been made to the scheduled lists of products under this legislation, although completion of the necessary formal steps is still awaited in the case of Kenya. The [illegible] of industrial imports envisaged by the Kampala agreement is proving difficult to establish, but when operational it will [illegible] a study of the effectiveness, etc., of industrial licensing as a promotional institution.

Considerable thought has been given in the recent past to the possible desirability of establishing a system of "national" industrial licensing in the United Republic so as to regulate industrial development particularly in those areas of activity where a shortage of [illegible] of [illegible] capacity appears to be likely. An added advantage of a system of industrial licensing - if applied to all industries - is of course the considerably improved scrutiny which the Ministry is able to offer over the whole range of investment in industry in the United Republic. More recently, however, the examination of the whole subject of local industrial licensing has tended to indicate the possible desirability of offering specific advice to intending industrialists on the current national market for their products, and whether in the opinion of the Ministry adequate scope exists for a new entrant into that field, but of allowing projects to proceed on the basis of the promoters' confidence of the existence of adequate scope therefor.

<u>[illegible]</u>

In general terms, little has been done to improve industrial licensing as an institution, although a two-man working party has recently been appointed to advise on the current situation, and to offer suggestions for development. This is of course the local part of a considerably greater study which is being conducted by the East African Common Services at the present time. The extent to which industrial licensing in East Africa can be reviewed and rationalised must of course depend to a significant extent on the degree of political unity which can be achieved between Kenya, Uganda and Tanzania, but it would appear that one of the major defects of this particular aspect of development has been the absence of an objectively formulated programme of regulation which has sought to recognise the inherent advantages - if these do indeed exist - of such a system, and to seek to apply these over the industrial sectors of the three East African countries as a whole, rather than in a limited number of areas for which there would not appear to be any common denominator of economic justification.

17. <u>External Aspects of Industrial Development</u>
<u>Technical and Financial Assistance and Foreign Investment</u>

(a) <u>Technical Assistance</u>

Technical assistance can be in one or several specific forms such as [illegible], training facilities, consultancy services, advisers, and so on. Tanzania receives technical assistance of this nature from various friendly countries or international agencies on a grant or cost-sharing basis; the latter consists of an undertaking by the donor to pay inducement or normal salary and by Tanzania to offer free housing, transport and medical facilities to the recruit. To illustrate, the Principal of the School of Business Training in Dar-es-Salaam is a West German; British and other Commonwealth countries continue to offer the services of expatriate staff, experts and advisers, training facilities, consultancy services as well as places for Tanzanian students in business management schools or institutions under the Special Commonwealth African Assistance Programme; similar assistance is also being offered by other countries.

No comprehensive statistical analysis of the extent to which Tanzania gains from such technical assistance is available, although the Development Aid Division of the Treasury has taken some recent initiative to request for this sort of information on a quarterly basis from various ministries so as to be able to collate it for a statistical analysis.

(b) Financial Assistance

Financial assistance received by the Tanzanian Government from various aid donor countries on a loan or grant basis is generally paid into the Development Revenue Account and then allocated to various ministries such as IMPOWER or Treasury, which are directly concerned with industrial development policy in Tanzania. While IMPOWER's vote for Development Expenditure is in relation to the cottage industries development and Business Training Centre, Treasury's vote relates, inter alia, to the direct financing of institutions of a parastatal nature.

Financial assistance also takes the form of a direct inflow of funds from external governments into existing or new financial institutions. Reference has already been made to TDFL in paragraph (b) on page 25. The Commonwealth Development Corporation is also in existence in Tanzania, and it performs a useful function of investing in various development projects of companies engaged in agriculture, manufacturing, mining or public utility services. Although the Corporation has invested [illegible] million since its inception in Tanganyika, its investment in manufacturing has been only in three industries, namely Tanganyika [illegible], [illegible] Extract Company (which manufactures pyrethrum extract) and Kilombero Sugar Co. Ltd.

[illegible]'s company in Switzerland referred to in paragraph (c) on page [illegible], also [illegible] the interests of foreign investors.

(e) [illegible]

The Government of the United Republic makes a persistent effort to encourage the inflow of private capital by creating general confidence in the [illegible] of the country's economy. In addition, it has also enacted legislation called the Foreign Investments (Protection) Act [illegible], which provides, inter alia, that (i) in the event of expropriation or nationalisation of an "approved" foreign enterprise, i.e. one which is issued with the "investment protection certificate", it will be compensated on the basis of value determined by arbitration; (ii) the "approved" investor will be allowed to repatriate, at [illegible] rates of exchange, profits (net of taxation) on investment, approved portion of the proceeds of sale of assets of approved enterprises, and any other principal and interest specifically mentioned in the certificate. Under the Act power to issue the certificate is discretionary and is vested in the Minister for Finance. The Minister is [illegible] to issue the certificate only if he "is satisfied that the enterprise would further the economic development of, or benefit, Tanganyika". In addition to this general criterion there are also [illegible] the [illegible] in deciding whether or [illegible] any in the present [illegible] including [illegible] participate, and also [illegible] interest [illegible] an [illegible] i.e. depending [illegible] Industries) are granted certificates. Where total investment of an "approved" firm consists of foreign as well as local capital, the certificate is, of course, granted, but it confers benefit of the certificate only on foreign investment or loan component of total investment of such "approved" firms.

No independent or reliable statistics of the inflow of foreign investment in industries are available at present in Tanzania, but it is thought to be of the order of about £4 million in recent years. An inflow of this magnitude is obviously far below an estimated requirement of £16.9 million over the present Five-Year Development Plan (i.e. about £40 million per annum), hence the necessity of encouraging private capital from abroad.

Conclusion

Problems and bottlenecks in the industrial activities

From the foregoing paragraphs, it would become apparent that the industrial activity has gained tremendous momentum since the independence; especially after the launching of our first Five-Year Development Plan in July 1964. This rapid growth of industrialization has given rise to problems most of which are inherent in this activity. The Government Departments have sometimes not been able to keep pace to cope with such problems. Then, there are bottlenecks which are common to most of the developing countries which have hampered progress in this field.

Tanzania, as pointed out earlier, has a very low *per capita* income and the population of only 10 million inhabitants. This limits the size of the market especially for the import-substitute industries. In a majority of the cases, it is found, after a feasibility study is carried out, that the market is just big enough to accommodate only one minimum unit of production. This has given rise to the major problem that whether the manufacturer should be given monopolistic rights and how much protection he should be offered against the foreign products.

The second major problem is the lack of statistical data available to carry out feasibility studies. The import figures are sometimes grouped together so for smaller projects it is difficult to determine the exact demand but this is now improving gradually.

In the case of the export-oriented industries, local industries find it difficult to compete against foreign-established firms partly because our efficiency in the earlier stages was not so high and partly because the foreign manufacturers have established buyers. These consumers sometimes sign long-term forward contracts with the manufacturers.

Industrial development is concentrated in only two or three areas in Tanzania, namely in the capital city of Dar-es-Salaam, in the northern region and in Mwanza in the Lake Region. The rest of the five economic zones have not been able to attract many industries. This is because these five regions are relatively under-developed in agriculture, etc., so the income is low in these regions. Also Tanzania is a vast country with a relatively poor network of transport and therefore the consumers' industries have to be located in the regions where there is sufficient demand.

Another problem is that of quality control. There is no institution in the whole of East Africa to regulate standardization of quality of the products but consideration is being given to create such an institution in future.

Almost all the new industries demand protection from the Government. This is either in the form of tariff restrictions or remmissions and refunds of duty on the raw materials imported from overseas. Without this form of protection, industries cannot survive in the initial stages. In either of these cases, the impact on the revenue of the Government is quite considerable especially when industrialization is growing at the present rate. The burden on the revenue is considered to be too heavy at the moment and the Government is reviewing the subject of fiscal incentives to be granted to the future potential investors.

Lastly, this country is experiencing a major problem of decline in export prices of the agricultural commodities. The value of exports would not rise substantially if the present trend is continued and on the other hand, our imports are increasing at a faster rate. This would create serious balance of payment problems in the near future.

Then there are bottlenecks of the general nature. As mentioned in the preceding paragraphs, our education programmes have only recently been intensified but at the moment, trained high- and middle-level personnel are required in large numbers both in the private and the public sectors. It is not possible to meet this requirement adequately at this stage.

Another bottleneck is the shortage of capital for investment in the industrial sector. Despite all the investment opportunities which exist in this sector in Tanzania, foreign private investors have not been sufficiently enthusiastic to seize these opportunities. The Government has acted fairly leniently towards the foreign investors and a few firms have, indeed, established satisfactorily in this country but there is still plenty of scope for more investment.

Finally, the success of industrialization is very much dependent upon the fulfilment of the over-all Five-Year Development Plan. The development of industrial sector would depend on how much investment is available for the other sectors of the economy. Tanzania's *per capita* income is among the lowest in the world, but our Government is struggling hard to raise the standard of living of the populace by mobilising the scarce human as well as material resources which are available within the country. But we also need and deserve support and assistance from the developed countries, without which it would not be possible to achieve the desired rate of growth. These aids should be both in terms of finance and in terms of skilled and technical personnel. The latter is very important because it is one of the major bottlenecks at the moment.

- - - - -

- - - - -

29.3.74