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Integrated Programme for Tanzania



Phase I

Lessons learned



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Integrated Programme for Tanzania

Phase I

Lessons learned



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
VIENNA, 2005

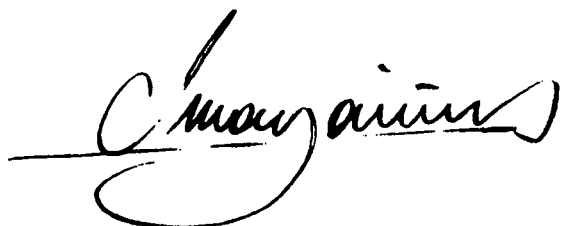
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Foreword

Since the introduction of the integrated approach in accordance with the Business Plan and its implementation in 1999 through the application of the new methodology of integrated programmes (IPs), it has been a valuable and continuous learning process both for the UNIDO Secretariat, its Member States-donors as well as recipient countries. IPs have been and are under continuous monitoring and periodic review. They have showed concrete results and are promising with respect to their contribution towards achieving the Millennium Development Goals (MDGs) and their impact on aggregate industrial performance. This document does not elaborate the technical assistance requirements to reach the MDGs. The need to relate technical assistance programmes to the understanding of broader policy needs and respective challenges in order to achieve the MDGs in Sub-Saharan Africa has extensively been elaborated in UNIDO's flagship publication, the *Industrial Development Report 2004*.

The Integrated Programme for Tanzania was one of the first IPs approved and started in April 1999. It served as a learning tool for the subsequent formulation of other IPs, which at the end of 2003 reached a total number of 51. The experience of the IP team during the formulation and implementation phases of the IP for Tanzania, together with the results of the In-depth-Evaluation of the IP, has provided valuable inputs to improving the IP methodology. I am pleased that I can present the "Lessons Learned" of the Tanzania IP with this brochure. I hope that it provides valuable reading material for all stakeholders of the Integrated Programme approach of UNIDO.

A handwritten signature in black ink, reading 'Carlos Magariños'. The signature is fluid and cursive, with a long horizontal stroke extending to the left from the start of the name.

Carlos Magariños

Preface

This document was prepared with inputs from all team members of the Tanzania Integrated Programme under the overall coordination of Mr. Hans Pruij, Team leader of the Tanzania Integrated Programme Phase I, with support from Mr. Felix Ugbor, UNIDO Representative in Tanzania.

Mr. Paul Hesp, UNIDO Consultant, provided valuable assistance with interviewing the team members and structuring the document. Mr. Abel Rwendeire, Mr. Sam Hobohm and Ms Donatella Magliani gave further comments and suggestions. Sincere thanks are expressed to all of the above for their support, considered advice and suggestions.

Further information on the Integrated Programme for Tanzania Phase I and Phase II is available on-line from <http://www.unido.org/doc/3923>. Other useful documents are the IP I programme document: "Integrated Programme for Capacity Building to Enhance Industrial Competitiveness and Sustainability", the In-depth Evaluation Report (ADM/EVA/r.3) and the Final Report of the IP (December 2003), which are available upon request, as well as the *Industrial Development Report 2004*, which is available on-line at www.unido.org/idr.

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Acronyms

COMFAR	Computer Model for Feasibility Analysis and Reporting
EU	European Union
GDP	Gross Domestic Product
HACCP	Hazard Analysis Critical Control Point
ILO	International Labour Organization
LDC	Least Developed Country
MDG	Millennium Development Goals
MSE	Micro and Small-scale Enterprise
MSME	Micro, Small and Medium-scale Enterprise
MVA	Manufacturing Value-added
NEPAD	New Partnership for Africa's Development
PRS	Poverty Reduction Strategy
SADC	Southern African Development Community
SME	Small and Medium-scale Enterprise
UNIDO	United Nations Industrial Development Organization
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework

United Republic of Tanzania

ADAT	Artisan Development Agency of Tanzania
BRELA	Business Registration and Licensing agency
BEST	Business Environment Strengthening for Tanzania
CTI	Confederation of Tanzanian Industries
IP I	UNIDO Integrated Programme Phase I (1998-2003)
IP II	UNIDO Integrated Programme Phase II (2004-2007)
LAT	Leather Association of Tanzania
MIT	Ministry of Industry and Trade
NBS	National Bureau of Statistics
NEMC	National Environment Management Council
NPC	National Planning Commission
OPS	Organized Private Sector
POPP	President's Office-Planning and Privatisation
RPC	Recycling Process Centre
SIDO	Small Industries Development Organization
SIDP	Sustainable Industrial Development Policy
TAFOPA	Tanzanian Food Producers Association
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TIC	Tanzanian Investment Centre
TIRDO	Tanzanian Industrial Research and Development Organization
TNBC	Tanzania National Business Council
TPF	Training and Production Facility
UR	UNIDO Representative URT
URT	United Republic of Tanzania
VIBINDO	Organisation of Small Producers and Petty Traders

SUMMARY

Background

From mid-1998, UNIDO adopted the Integrated Programme approach rather than a project approach¹ as the optimal way of addressing the industrial development problems of the developing countries. Rather than deal with isolated problems, the integrated programme approach synergizes and uses the different UNIDO service modules in solving identified problems in a holistic and focused manner—thereby increasing the overall outcome and development impact. With this approach, UNIDO offers packages of mutually supportive UNIDO service modules that make the most of potential synergies between them.

Integrated programmes are characterized by:

- Focus: Services are focused to ensure a catalytic role and maximum impact;
- Building on strengths: Programmes are linked up with and build on existing efforts;
- Three levels: Integration of policy, institutional and enterprise level support;
- Synergy: IP activities benefit from each other. Cooperation with other actors is sought;
- The 3Es: IPs aim at economic, employment and environmental sustainability;
- Teamwork: UNIDO's collective experience to optimize the combination of its service modules in the implementation of the programme.

On the basis of a survey of Tanzania's development priorities, UNIDO services were targeted at where they would make an optimal development contribution, taking account of the funding potential. Phase I of the programme started in March 1999 and ended in 2003 with an initial budget of US\$ 7.8 million of which US\$ 5.2 million was mobilized for project execution.

The IP for Tanzania was formulated with a view to accommodate the Government's needs by creating synergies within a large number of different outputs and focusing on the IP as a whole. The main objective of the programme was capacity building with an emphasis on skills and know-how transfer in the following areas:

¹Integrated programmes are packages of mutually supportive service modules designed to help overcome the critical industrial development problems of a country at the national level or those of a particular geographic area within a country (see www.unido.org/doc/3923)

- Policy support;
- Micro and small-scale industries with focus on agro-related industries;
- Investment promotion and information;
- Environmental protection and cleaner production;
- Productivity, technology and competitiveness in priority sub-sectors;
- Private sector development.

The IP was executed in close cooperation with the Ministry of Industry and Trade, the national counterpart of the Integrated Programme.

Results

The integrated approach made it possible to maximize synergies. There was intensive interaction at headquarters across branches and service modules. There were important synergies among the Integrated Programmes of Tanzania and Uganda in the context of reviving the fish exports. This issue also provided a good illustration of synergies between support to agro-industries and improvements in quality control. Coordination among agencies and institutions involved in industrial development has improved.

Taken together, the programme outputs contributed towards the achievements of the Millennium Development Goal (MDG) I—eradication of poverty and MDG 8—developing a global partnership for development. UNIDO's approach has clearly led to a better integration of key elements of industrial development and the awareness of the crucial importance of joint action has been raised.

Specific results achieved have been summarized in annex B.



Lessons learned

The Integrated Programme approach—the challenge of the changing development environment and funding implications

Overall approach: the integrated programme approach can lead to sustainable results with measurable impact that would otherwise be difficult to achieve under individual projects in the long-term;

Market orientation: Activities to improve skills and support services undertaken in coordination with activities that directly strengthen the private sector, ensure that all training and institution building under the programme is demand driven;

National capacity building/ownership: to the extent possible, national execution should be entrusted to counterparts, to ensure capacity building and a degree of authority of identification with programme results;

International cooperation: Synergies can be achieved in practical work: coordination among agencies reduces costs and friction and increases development effects;

Programme funding: Funds mobilization is a major undertaking, and underlines the need for close cooperation with major stakeholders and programmes in the field and the need to focus the IP in order to maximize UNIDO's value-added and the programme's funding potential.

Financial independence: Finding investment and working capital remains difficult in Tanzania, especially for the SMEs on which the programme focuses. Lack of access to micro credit remained a major problem, especially for entrepreneurs who benefited from the UNIDO training programmes in food processing, woodwork and textiles.

Integrated Programme design: The preparation of the integrated programmes is a form of learning by doing. It can therefore be seen as an achievement in itself.

Operational experience of the Integrated Programme

Implementation of the Sustainable Industrial Development Policy: An update of the country's Sustainable Industrial Development Policy should be undertaken and a better monitoring system of achieving these objectives in relation to the Integrated Programme outputs is necessary to keep objectives and activities within these frameworks.

*Small enterprise development:*² Government endorsement of the new SME policy was a major achievement. In the follow-up, MIT's capacity needs to be strengthened in order to ensure implementation of the policy. UNIDO has a future role at the micro-enterprise level. Efforts to encourage public/private partnerships and dialogue need to be deepened and supported.

²The component on Small Enterprise Development is very much linked with the activities undertaken under the Component on Private Sector Development. For budgetary reasons, the two were kept separate.

Investment promotion: Better information on the links between investment performance and TIC performance is needed and the creation of a company database should be coordinated with the National Bureau of Statistics.

Quality management, standardization and metrology: Further improvement is needed is the time lag between the initial training of potential inspectors and their anticipated future training caused by funding problems.

Environmental protection: The shortage of funding points to the need for a clear link to SIDP objectives and priorities, with clear targets based on a thorough diagnosis and better coordination with donor priorities.

*Private sector development:*³ The establishment of the Tanzania National Business Council was a turning point for Government-private sector relationship. With the establishment of the TNBC, there is a forum to deliberate on policy issues, investments, etc., which would support Private Sector Development.

Programme management and the roles of actors

Headquarters management: At headquarters, a successful integrated programme requires continuity in teams and leadership, clear communication structures, decentralization of responsibilities and flexible attitudes. Moreover, a good monitoring system for the IP is essential for efficient and effective programme management.

Field management: Close cooperation with—and among—stakeholders is therefore essential and remains an essential ingredient. Moreover, good monitoring systems and efficient administrative procedures with headquarters are essential.

Measuring programme performance: Designing good measures of progress is a challenge: quantitative measures are often problematic, tangible results are needed in a fairly short period of time and industrial development is a long-term process. Baseline indicators for measuring the impact of the IP are imperative. Hence, for IP II a scorecard has been prepared.

Progress in integration and its implications for actors: Step-by-step integration of economic activities and support activities should eventually lead to the full realization of UNIDO's "3E" approach (the integration of economic, employment and environment aspects of development). However, full integration of activities has implications for actors in terms of the intensity and complexity of interaction among various actors.

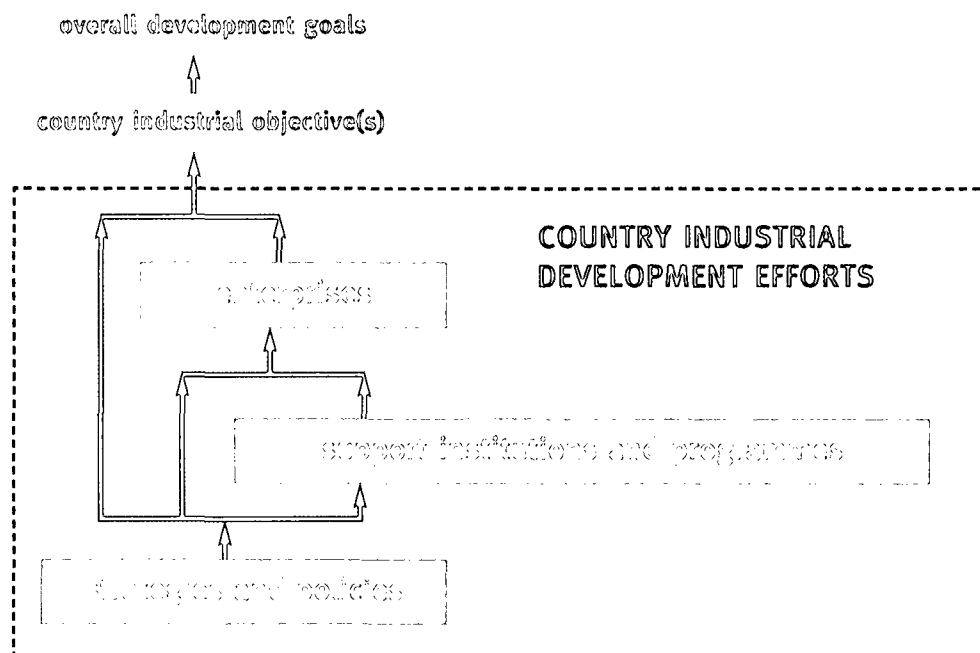
³In order to facilitate the funding from different sources, there was a special component in the Integrated Programme devoted to PSD, which was closely implemented with the Small Enterprise Development Component.

BACKGROUND

UNIDO's integrated programme approach

Industrial development is a process in which many forces interact. A country needs a clear vision of its development goals⁴ and the objectives for industry within that overall vision. Realizing those objectives requires sound industrial policies and a well-developed support system for the manufacturing sector to help increase the competitiveness of the drivers of the development process, the enterprises. UNIDO's corporate strategy⁵ underlines the link with the overall development goals, through the concept of "productivity enhancement for social advance" as a means of linking economic growth with poverty reduction. The relationships between these elements are shown schematically in the diagram below:

UNIDO's integrated approach⁶



⁴ Recently these goals are made explicit through the Millennium Development Goals (MDGs) and the Country's Poverty Reduction Strategy (PRS) within the United Nations Development Framework (UNDAF).

⁵ See www.unido.org/file-storage/download/?file_id=13135

⁶ See slideshow www.unido.org/doc/3923

Because of the complex interrelations between various issues, industrial development in developing countries and countries in transition is often a slow process facing great obstacles. In the past, these obstacles were usually addressed individually, by stand-alone projects. UNIDO developed the Integrated Programme Approach to address problems in relation to each other, increasing development effects through synergies. Under this holistic approach, UNIDO offers packages of mutually supportive UNIDO service modules.⁷

Integrated programmes are characterized by:

- **Focus:** UNIDO services are focused where they can have a catalytic role and a maximum impact.
- **Building on strengths:** Programmes are articulated with existing initiatives and efforts, and build on their strengths.
- **Three levels:** Services are provided in an integrated way at the policy, support system and enterprise level.
- **Synergy:** Through integration/coordination, activities can benefit from each other. Cooperation with other multilateral and bilateral programmes is sought, to create synergies with all relevant external aid activities.
- **The 3Es:** Programmes aim at a balance among economic, employment and environmental considerations, to ensure sustainable development.
- **Teamwork:** The collective experience of UNIDO is reflected by an optimal combination of service modules.

Each programme consists of a series of components addressing a major issue (agro-industry development, investment promotion, product standards, etc.). Outputs needed to attain the development objectives of each component are determined, and the specific activities needed to achieve the outputs are identified in turn, with timetables, budget estimates and references to complementing activities.

A well-prepared integrated programme will have synergies among activities “built in”, making it possible to minimize staff and financial resources used for coordination in the execution phase.

An integrated programme, like all other forms of development cooperation, must be country specific. There are no standard “recipes”, and therefore project “replication” is not possible, but successful methods can be used again when the local conditions are adequate. The preparatory phase must therefore give sufficient attention to:

- Identifying the areas where assistance is most needed and most effective;
- Identifying UNIDO’s niche, taking account of aid programmes already in place;
- Finding a combination of activities that maximizes synergies (the “lead issue” selected to focus the programme, for example agro-processing, will determine the optimal combination);

⁷See www.unido.org/doc/3417

- Assessing the contribution that countries and beneficiaries can make themselves;
- Determining what UNIDO can realistically achieve, given the human and financial resources available.

Close cooperation and partnership with local counterparts, ensuring local ownership, is essential for the success of an integrated programme. Therefore, UNIDO's first step is to organize consultations with local stakeholders on the approach to ensure common understanding. As development resources are limited, a country should then carefully define the objective(s) it wants UNIDO to support; this allows UNIDO to concentrate on activities that maximize multiplier effects at the different levels, and that add maximum value to the country's development efforts. The value of the integrated programme approach must be demonstrated to potential donors. Moreover, the government could play an active role in approaching potential donors. With its intimate knowledge of the local situation and donor priorities, it can contribute to donor coordination. However, donors seek to finance projects within the programme, and not a percentage of the total programme. IP formulation must keep that aspect in mind.

The development context

Tanzania's economy and development perspectives

The United Republic of Tanzania (hereafter: Tanzania) consists of the mainland, which was formerly known as Tanganyika and the island of Zanzibar. The two parts of the Republic have a large degree of autonomy, especially on economic development issues. In 2000, the country had a population of about 35 million (of which 850,000 lived in Zanzibar), growing at a rate of about 2.8 per cent per year. While the mainland is sparsely populated, Zanzibar has the highest population density in Sub-Saharan Africa: 345 persons per sq. km.

Tanzania is rich in natural resources. Agriculture is the most important sector of the economy, providing a livelihood to about 80 per cent of the population, accounting for about 46 per cent of GDP and over 70 per cent of export earnings (mainly fish and cotton). The dependence on agriculture is particularly strong in Zanzibar, where cloves account for 90 per cent of export earnings. Only a small part of the natural resources is processed.

Until the mid-1980s, the Tanzanian economy was characterized by a high degree of public ownership. This strategy, adopted after Independence in 1960, was temporarily successful but did not lead to sustained growth, which resulted in a deep economic crisis. Reform programmes giving primacy to private enterprise have since then brought back modest economic growth.

The manufacturing sector's share in GDP is about 8 per cent. The most important sub-sector, food, beverages and tobacco, accounts for 70 per cent of output. Chemicals and textiles, clothing and leather follow, accounting for 12 and 4 per cent of output respectively. Exports mainly consist of textile fibres and leather. In the second half of the 1990s MVA grew at 10.8 per cent per annum, and manufactured exports at 8.6 per cent per

annum between 1995 and 2001. Manufacturing employment, however, grew at only 1 per cent—slower than in most East and Southern African countries—manufacturing wages remained stagnant during the 1990s at the minimum wage level, and the share of highly processed exports has decreased. This mirrors poor working conditions, lack of skill-demanding activities, and inability to move up the technology ladder in manufacturing.

For manufacturing, the great challenge is to sustain growth rates in MVA, moving towards more sophisticated activities and manufactured exports in the next 10-15 years, and thus to contribute to higher per capita incomes, which at US\$ 501 (purchasing power parity) remain among the lowest in sub-Saharan Africa.

THE BAN ON FISH EXPORTS

An important natural resource of Tanzania (shared with Uganda and Kenya) is the fish of Lake Victoria. Fish exports from Lake Victoria grew very fast during the 1990s: by 1998 Tanzania's exports were worth US\$ 140 million. The fisheries industry directly employs about 200,000 and indirectly about 2 million people.

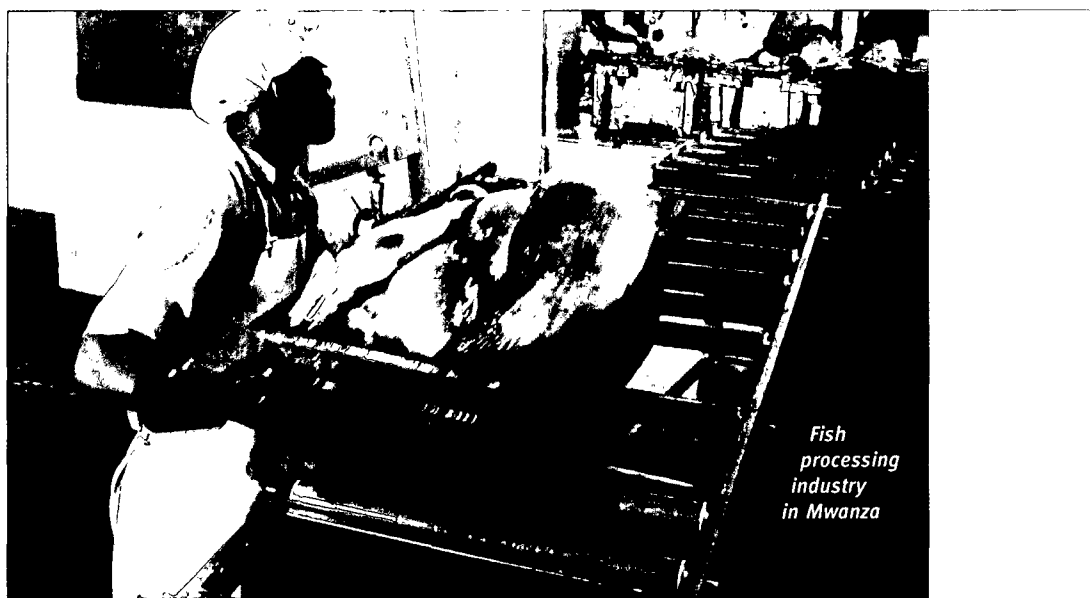
The European Union (EU) banned these exports in 1998 and 1999 because processing plants did not meet EU quality assurance standards: fish was contaminated with salmonella and pesticides. To make matters worse, frozen fish exports failed to meet strict EU tests imposed after an outbreak of cholera in East Africa. Tanzania's fish exports dropped from US\$ 140 million in 1998 to US\$ 77 million in 1999 with a terrible effect on the employment of the industry.

In addition, many of the people involved in various fishing activities lost their jobs. Related industries and the economies of the three countries in general were also affected. One major concern of Integrated Programme I was to revive the fisheries industry by assisting the fish processing industry to conform to the required standards and restore employment of the sector.

Tanzania's transformation to an economy where the private sector plays the lead role is a long and difficult process. In the eyes of many entrepreneurs, the policy and regulatory environment needed for private sector development still needs much improvement. But the private sector—dominated by small and micro-enterprises—itself has little experience with modern management and production methods, and few enterprises are capable of competing successfully in foreign markets, or with foreign products in domestic markets. In addition, the heavy dependence on agro-processing makes manufacturing very vulnerable to harvest and market fluctuations.

The Tanzanian Development Vision 2025⁸ foresees the creation of a diversified and competitive economy capable of responding to the challenges of globalization and adapting itself to changing market conditions in Africa. Manufacturing is to become a major factor

⁸ See www.tanzania.go.tz/vision.htm



in employment creation, human resource development and economic transformation, according to the 1996-2020 Sustainable Industrial Development Policy (SIDP). Industrial development, spearheaded by the agro-based industries, is to be environmentally sustainable. Small and Medium-scale Enterprise (SME) promotion, informal sector enterprises and women entrepreneurs are to be emphasized. The need to relate technical assistance programmes to the understanding of broader policy needs and respective challenges has extensively been elaborated in UNIDO's *Industrial Development Report 2004*.⁹

The role of international assistance

In the context of the Integrated Programme, a number of other prior assistance programmes were relevant:

- An assessment of the enabling environment for development, focusing on consultative mechanisms.
- Several training programmes for women entrepreneurs, focusing on the SME sector.
- Several projects for the leather industry, from hides and skins improvement to product development and marketing.
- Introduction of modern quality management techniques through support institutions for the industrial sector.

Important activities by other agencies include the support given by UNDP and Sweden to TCCIA; the work of the US Agency for International Development (USAID) on the legal and regulatory framework for private sector development; a study on SME development by the Commonwealth Secretariat; improvements in the organizational structure of CTI supported by Denmark; Japan's support to the Board of External Trade; and assistance to trade-related human resource and consultancy development by the Swiss Government.

⁹The IDR 2004 report is available on-line at www.unido.org/idr

The Integrated Programme for Tanzania

The genesis of the programme

In October 1998, a multidisciplinary team of UNIDO staff and key players in Tanzania's public and private sector held discussions to determine the scope of a programme that would help increase the productivity and competitiveness, and ensure the sustainable development of Tanzania's manufacturing sector. On the basis of a survey of the country's development priorities, UNIDO services were identified which in combination would make an optimal development contribution, taking account of the funding potential.

Approximately 43 per cent of the funds for the Tanzania programme was provided by UNIDO. The other main contributors to the programme were Austria, Japan, Norway and UNDP. In total, US\$ 5.2 million was available for project execution. The programme ran from March 1999 to mid-2003.

The aim and structure of the programme

The overall aim of the Integrated Programme for Tanzania was to bring about industrial growth through investment in the governance system and human resources, and to encourage investment in industrial projects. Its structure is shown in the cause and effect diagram (Fishbone) below:¹⁰ Please note that during IP I, UNIDO worked with 16 Service Modules, nowadays, the Organization works with only eight Service Modules.¹¹

Because of the economic independence of the mainland and Zanzibar, a separate IP was formulated for Zanzibar. However, the components and most of the activities were substantially the same for the mainland and for Zanzibar.

Programme management, counterparts and local ownership

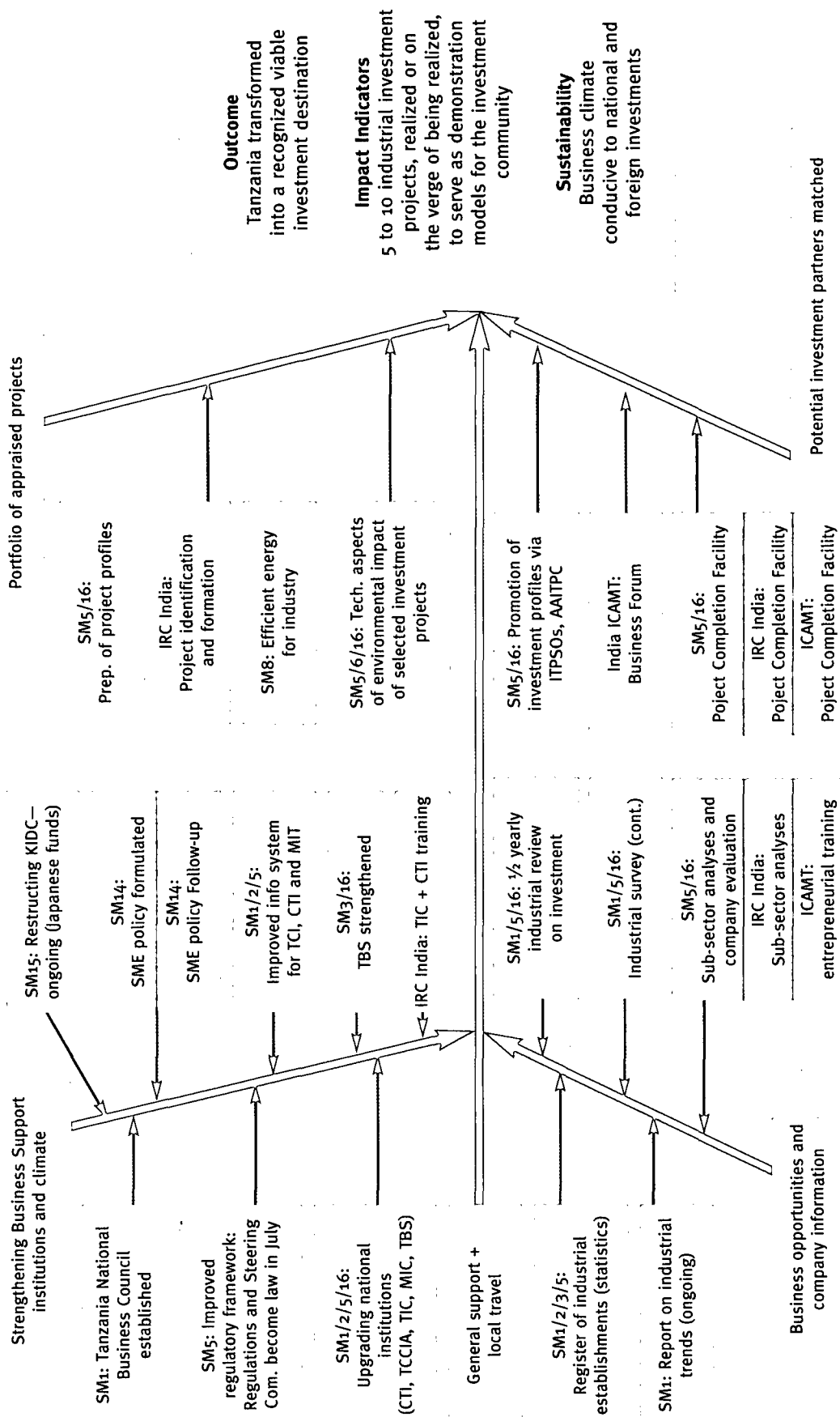
During the implementation of the IP, a team leader at HQ and the UNIDO Representative, initially assisted by a National Programme Coordinator, provided programme coordination, as well as coordination with counterparts. In total, some 16 UNIDO staff participated as active team members in the IP, which had around 45 counterparts, engaging more than 200 local and 30 international experts.

The Ministry of Industry and Trade (MIT) was the main counterpart for the IP Tanzania. Hence, on a weekly basis, MIT management and the UNIDO Representative held meetings to discuss the progress and direction of the Programme. Moreover, the Minister of Industry and the Permanent Secretary of Industry visited UNIDO to meet the implementation team and discuss overall issues related to implementation. For continued advice on the implementation of the IP, a Technical Advisory Group (TAG) was established with members from key Tanzanian agencies involved in programme execution, representatives from the donor countries, UNDP and UNIDO. The TAG met four times during the IP I implementation. In addition, twice a year, consultations were held in Dar-es-Salaam with all counterparts and national experts to ensure continued local ownership.

¹⁰The team members used the cause and effect diagram as a discussion outline for programme formulation.

¹¹For further information on UNIDO's Service Modules, see www.unido.org/doc/3417

The structure of the IP I 2000 for Tanzania: Industrial growth through investment



Communication and publicity

Good communication was essential for the smooth execution of the programme; it also ensured broad interest in and support for the aims and activities of the programme. The following was done to communicate progress and results to stakeholders and the public in general.

- Regular progress reports were prepared on project activities and the programme as a whole;
- The regular meetings and exchange of the progress reports between MIT and the team proved to be very beneficial;
- At roughly half-year intervals, UNIDO published a newsletter *UNIDO in Tanzania—Mhunzi*.¹² The latter was in particular prepared for the stakeholders of the IP.
- The UNIDO website¹³ provided a brief description of the integrated programme, the budget and the contact points at UNIDO HQ aimed at informing the general public;
- In addition, the general public in Tanzania was informed on a regular basis about programme activities through radio, TV and newspapers.

¹² Mhunzi is the Swahili word for blacksmith—a traditional industry in Tanzania

¹³ See www.unido.org/doc/3923

SUMMARY OF RESULTS

A detailed analysis of the achievements of IP I has been provided in the Final Report of the IP (December 2003) and the In-depth Evaluation Report, a summary of the latter has been attached as annex C. The text below is only intended to provide some of the most relevant achievements.

Programme components

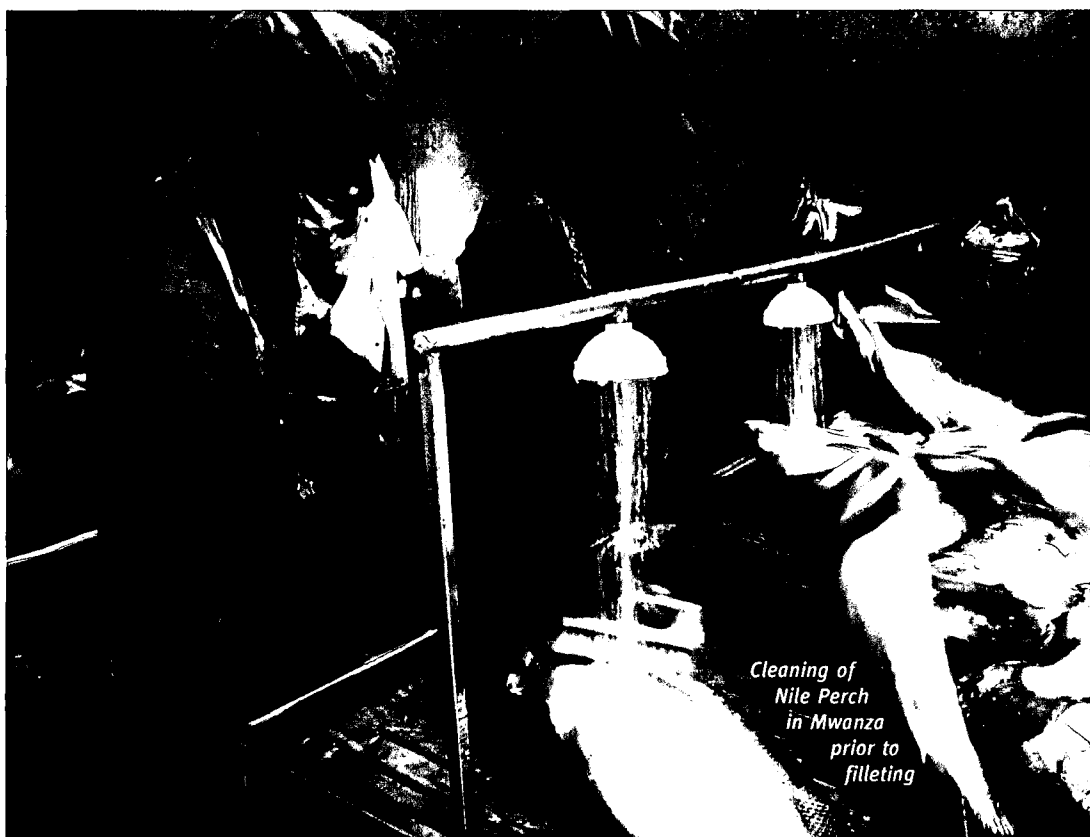
Policy support

The first major activity was the design of an electronic governance network, BeGIN, followed by the development of websites at public institutions including BRELA, MIT, NBS, NEMC, Planning Commission, POPP and TIC.

An industrial sector survey was conducted and Tanzania competitiveness platform was critically assessed. The starting point of the analysis was the country Sustainable Industrial Development Policy (SIDP). The competitiveness analysis drew heavily from the result of a competitiveness survey of over 50 industrial enterprises from the key industrial sub-sectors, as well as from an investor survey, highlighting, in particular, the operating environment.

The competitiveness analysis was presented, discussed and endorsed at the first meeting of the Tanzania National Business Council. The SIDP, however, should be revisited and redefined with broader policy objectives and measures to achieve sustainable industrial development. Core staff of professional officers has been trained in the dynamics of policy development implementation and monitoring and how to use computer for economic/industrial analysis. An annual publication of the Review of Industrial and Trade Performance was introduced. The Review provides realistic assessment of the industrial situation and is relevant for policy decisions. Two workshops on policy development and how to measure competitiveness were held in Tanzania with a view to strengthening the country's capabilities in these two areas. Both the Government and the organized private sector benefited from this initiative.

To support policy making and execution, the industrial database of the National Bureau of Statistics (NBS) was improved, and NBS started regular surveys and publications. The Tanzania Review of Industrial and Trade Performance is an important information source for policy makers, investors and researchers.



SME Development¹⁴

A national SME policy was formulated with UNIDO support and has been launched. Public and private sector representatives were closely involved in its preparation. The process of inclusive policy formulation has had major benefits. Donors agreed to coordinate projects better. Staff of MIT and several support institutions made study tours abroad, and a plan to make MIT more market and service oriented was prepared.

Support organizations such as the Small Industries Development Organization (SIDO) and the Tanzanian Food Producers Association (TAFOPA)—an NGO created by UNIDO, were strengthened. In addition, a training and demonstration centre with courses tailored to the needs of the small entrepreneurs, especially women, was established. Courses also covered non-industrial issues with a strong economic impact, such as HIV/AIDS. A credit fund for TAFOPA members, administered by the Tanzania Gatsby Trust Fund, was established, and operates on a pilot basis in the Arusha, Dar-es-Salaam and Iringa regions.

Agro-related industries

Food

The most striking result of activities in this industry was the revival of fish exports from Lake Victoria. This was largely due to the integrated strategy adopted for establishing a reliable fish safety assurance system. Details on quality and safety standards are given in the Section "Quality management and standardization" below. As a result of the UNIDO

¹⁴The component on Small Enterprise Development is very much linked with the activities undertaken under the Component on Private Sector Development. For budgetary reasons, the two were kept separate.

intervention, the EU ban was lifted in February and fish exports resumed, expanding to new markets such as the USA. Export earnings have risen to US\$ 90 million, and 200,000 jobs were secured.

More modest successes from interventions in the food industry were booked as well, particularly in encouraging entrepreneurship among women (see box below).

CHOICE PRODUCTS FOR EXPORT

Susan Laiser established President's Choice Products in Arusha after having been trained under the UNIDO programme. Her average monthly production is now:

Fruit juice	2,000 litres
Peanut butter	480 jars
Mango pickle	500 bottles
Chili sauce	1,500 bottles
Orange marmalade	550 jars
Honey	50 jars
Vinegar	400 bottles

Ms Laiser not only sells in Tanzania, but also exports her products to Kenya and Uganda. Her husband is very supportive and markets the products. Recently, Ms. Laiser obtained a US\$ 5,000 working capital loan from the Tanzanian Food Producers Association (TAFOPA) to consolidate her business.

Leather

In the leather industry, about 300 persons (25 women among them) learned basic leather products manufacturing skills. They have in turn trained fellow workers. Employment in participating firms has trebled and project participants created 30 new firms. Product quality, variety, output and turnover improved. In Dar-es-Salaam and Morogoro, common training and production facilities (TPFs) were set up. Recommendations for a general revitalization of the industry, formulated in cooperation with MIT and the Leather Association of Tanzania (LAT), were adopted. One of the major tanneries, Lake Tanners, was able to upgrade its effluent treatment plant and avoid closure.

Textile

In the small-scale textile industries, training focused on women. Three four-month training modules in hand weaving, dyeing and printing techniques were organized. Basic cleaner production concepts were also taught. Hand weaving facilities were set up at the Artisan Development Agency of Tanzania (ADAT), an NGO created by UNIDO. Of the women trained under the programme, 20 had set up businesses of their own by autumn 2001.



Investment promotion

The 1997 Tanzania Investment Act was reviewed, and amendments were proposed. A workshop on investment regulations in May 2000 resulted in new regulations. An inter-ministerial Investment Steering Committee was established to resolve contradictions in laws and mandates of relevant institutions. Better harmonization of efforts to attract foreign investment is the result.

The Tanzanian Investment Centre (TIC) acquired a much higher profile. A three-year investment promotion strategy was prepared. TIC became a one-stop shop for investors through the posting of customs, internal revenue and immigration officials. A national investment database is being built up. UNIDO's global investment network is promoting a portfolio of projects, formulated through visits to over 1,000 local companies. Staff from TIC made foreign study tours and were trained in investment promotion, project formulation and appraisal, and the use of UNIDO's investment project software COMFAR, together with the staff from the TCCIA, CTI, banks and private consultants. Investor groups from France, India, Malaysia, Austria and the UK visited Tanzania. Tanzania was also included in the UNIDO-Africa IPA Network, whereby a survey of existing foreign investors was carried out.

Quality management and standardization

The component on quality focused on conformity with market requirements and standards, to facilitate the integration of Tanzania in the multilateral trade system by developing a productive capacity for trade. In other words, it also aimed at trade capacity building.

The creation of a national accreditation committee coordinated by the Tanzania Bureau of Standards, on which key public and private sector agencies and institutions are represented, and the training of auditors, has laid the basis for the international recognition of Tanzanian product certificates and the protection of Tanzanian consumers. Proposals were formulated for harmonizing Tanzanian accreditation systems within the Southern African Development Community (SADC). All laboratories were inspected by UNIDO, equipment was procured and technicians took part in courses on legal aspects of export and import inspection and testing. Some laboratories are now in the process of being accredited.

For the fisheries industry, a code of practice (in line with international standards) and several manuals were prepared. Workers on fishing boats and in processing plants were trained in food safety and sanitary procedures. In export processing plants, personnel were trained in the hazard analysis critical control point (HACCP) approach, and in-plant assistance brought quality management up to international standards. General training in management and auditing techniques was also given. All exporting plants now have HACCP systems. In addition, the fish inspection system was overhauled and fish inspectors were trained.

Environmental protection

A pilot project to use sisal waste for biogas production was initiated. The Tanzanian Cleaner Production Centre undertook cleaner production assessments in small textile firms, and some tanneries were assisted in pollution control.

A study on waste management was made in the Dar-es-Salaam area. During the study, a plastic recycling firm, in cooperation with UNIDO and ILO, organized training sessions for waste collectors and recycling firms. Negotiations between waste collectors and recyclers were initiated and resulted in the setting of prices for collected glass and plastic. In the absence of effective policies and regulations, this is an important first step towards self-regulation in the market for waste. A Recycling Process Centre has been established as well.

DAR-ES-SALAAM'S FIRST WASTE RECYCLING CENTRE

At TIRDO Msasani, Dar-es-Salaam, a Recycling Process Centre (RPC) has become operational in 2004. The initiative, an outcome of UNIDO's efforts to create a market for solid waste by mobilizing the different parties involved in waste collection, separation and recycling, has three aims:

- Fighting the widespread pollution by uncollected plastic and paper waste, and reducing pressure on dumpsites;
- Creating new jobs and employment opportunities in MSMEs;
- Supplying user industries and consumers with intermediate and final products based on waste.

The RPC will complement local efforts to reduce pollution. The Norwegian Government and the Czech Republic support the project financially. It is hoped that the centre will serve as an example for other urban centres where there is adequate demand for this type of service.



Private sector development

The focus of the private sector development component was capacity building in the organized private sector, as well as establishing strategic alliances between the Government and the private sector. In the case of the Confederation of Tanzania Industries (CTI), its capacity was strengthened in terms of its organizational structure, methods of delivery of its services to its members. A membership database was installed, as well as an information base local area network linking CTI to all members. A similar initiative was introduced in the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA). Exchange programmes and networking with other industrial organizations, associations and chambers of commerce and industry in Europe and Asia were implemented. Study tours were also organized for industrial entrepreneurs/operators. Common production service facilities were established for food processing and woodworking. The basic equipment for these facilities was fabricated in Tanzania. Informal sector operators, as well as small enterprise operators attended short-term training courses of about 10 days aimed at upgrading technical and entrepreneurial skills in food processing and in woodworking.

Realizing that the institutional support services for the informal sector was weak, the Government particularly requested that technical assistance be provided to the main informal sector organization—VIBINDO. The technical assistance programme focused on entrepreneurship development, extension services and other support services for micro enterprises in the informal sector.

An action-oriented study—road map of micro-enterprise development in the informal sector provided assessed information on the problems and constraints to micro-enterprises in the informal sector, potentials for further development and made specific recommendations related to law and regulations.

The establishment of the Tanzania National Business Council (TNBC) provided a sustainable forum for public private sector consultations and public private partnership for economic development. The establishment of the TNBC has made macro policies and institutions more responsive to the needs of the private sector. The Government now solicits and listens to the concerns of the private sector and the Government has made considerable efforts to ensure that its institutions serve the needs of the private sector. Nevertheless, there is still more to be done to ensure that the TNBC is sustainable.

Synergies

The integrated approach makes it possible to maximize synergies: many activities are mutually supportive. At headquarters, there was intensive interaction across branch specializations among team members, and cross-fertilization among teams also occurred. There were important synergies among the programmes for Tanzania and Uganda in the context of reviving the fish exports from Lake Victoria: an integrated strategy was adopted for establishing the foundations of a reliable fish safety assurance system. The most important synergies within Tanzania were:

- Coordination among the agencies and institutions involved in industrial development has improved.
- The synergies between the private sector development and the agro-industries components were very evident, among others in the strengthening of TAFOPA, the establishment of a credit scheme for small food processing enterprises and the training programmes for the textile and leather industries.
- Activities to boost the agro-processing industries benefited greatly from improvements in quality management, standards and metrology, with the recovery of fish exports as the most conspicuous example. The introduction of better standards, etc., is essential to boost exports and foreign investment, and therefore contributes to MSME and agro-industry development in general.
- The cleaner production component helped to improve the performance of several small enterprises.
- The implementation of UNDP's Private Sector Development Programme was incorporated in the UNIDO programme. Small industry development activities were coordinated with bilateral British, Japanese and US activities; industrial information activities were coordinated with Danish bilateral information projects.

The overall contribution to development

The Components of the Integrated Programme included all together 31 main outputs and 4 sub-outputs (See annex A). All UNIDO outputs have contributed towards the Millennium Development Goal (MDG) 1 (eradication of poverty through the ultimate goal of sustainable

industrial development including the creation of new jobs and income); 31 of the outputs contributed to MDG 8 (developing a global partnership for development); four contributed to MDG 7 (environmental sustainability) and two to MDG 3 (the promotion of gender equality). The latter two contribute in equal measure to MDG 8.

However, a full assessment of the overall contribution of the programme to development in Tanzania, especially in the longer term, has not been undertaken. The number of participants in training courses, etc., is no indicator of the development effect of the skills and knowledge imparted. Development effects are hard to quantify in any case, because sufficiently detailed baseline indicators are still lacking and because the impact of other aid programmes is not known. Major factors that will affect the results—such as domestic political and global market developments—are hard to assess. But some general conclusions can be drawn:

- UNIDO's approach has clearly led to a better integration of key elements of industrial development: simultaneously, the regulatory and policy framework has been reviewed, institutional support has been strengthened and skills in enterprises have been improved.
- The extensive involvement of stakeholders in the activities has ensured that the awareness of the crucial importance of joint action has been raised.
- As a result of training, MSE support and higher standards jobs were created or saved, and export earnings were increased.
- Some aid agencies are building on UNIDO's efforts; restructuring proposals for MIT, for example, were realized with support from Australia, Denmark and the United Kingdom.
- Stronger support institutions, better skills, increased self-confidence among small entrepreneurs; higher product standards and greater awareness of environmental sustainability constitute a qualitative change for the better in development variables. This will help to increase competitiveness and investor confidence.

LESSONS LEARNED

The integrated programme approach—the challenge of the changing development environment and funding implications

Overall approach

According to the self-evaluation reports of the stakeholders and the team members, the integrated programme approach has led to results that would not have been achieved with individual projects. The synergy between the different outputs during the implementation enabled the project management to create additional impact. The In-depth Evaluation confirmed: “The integrated approach to programme development and implementation has been a major and positive step forward for UNIDO”. MIT commented, “The programme has been of relevance and the Government of Tanzania is satisfied with the achievements and the support from UNIDO.”¹⁵ Also the UNDP was very positive: “It is noteworthy that both in the formulation and implementation, UNIDO employed the programme approach as opposed to project approach. This enabled a holistic treatment of the issues addressed and consequently greater impact. The programme resulted in enhancing capacities in the various sectors and sub-sectors. In our view, the Integrated Programme was a huge success with very tangible results.”¹⁶

But the approach is no cure-all. While integration of development efforts is an important principle, an integrated programme is only a means to an end. The question must always be: what is the value added of the chosen approach? In addition:

- A country or counterpart organization must have—or be given—basic adequate human and other resources to become an effective partner in an integrated programme, and to assume responsibility for the long-term follow-up;
- Staff and other resources are limited—there is a limit to the size of an integrated programme or the number that can be run in parallel. Organizational resources may be spread too thin;
- Activities must be phased for maximum learning and development effects.

¹⁵See annex D

¹⁶See annex E

The selection of components should of course primarily be based on substantive arguments: how can the development effects be maximized? But inevitably, there will be overlaps with arguments, which have their basis in political pressures, the availability of funding and the personal views of staff. Extensive preliminary discussions in the field and at headquarters, leading to broad agreement on what integration means, are therefore necessary. An independent appraisal of an integrated programme before its launch may also be useful. This would have to be carried out by persons in a senior position to ensure that the assessment carries sufficient weight.

Maximizing development effects would among others require closer links between the IP and Tanzania's poverty reduction strategy under the PRS, within the framework of the national development plans. The PRS has become the Government and stakeholders' main vehicle for planning and controlling the development process including the establishment of priorities and the allocation of resources. It has addressed inefficient resource utilization, inequitable distribution of educational opportunities, poor labour market linkages and coordination between donors and government. The PRS process appears to be working well and to the general satisfaction of most stakeholders.¹⁷ The contribution of manufacturing to PRS objectives can be increased. To achieve this, future PRS versions should address key objectives of SIDP such as increased industrial productivity more explicitly, and include key performance indicators of industrial productivity for priority sectors, then the IP can play an enhanced role in poverty reduction.

Designing an effective programme implies making clear agreements with counterparts about the allocation of roles and functions, budgetary commitments and a time frame for planned activities. In the interests of coherence and focus and to minimize misunderstandings, overlaps and friction, activities related to one service module might be grouped where possible, to simplify the allocation of funds and credits. In addition, team building should start in the design phase. A team is more than a group of people working in parallel on related subjects—the interaction among team members should add value to the programme as a whole. This requires good leaders who are clear about objectives, strategies and methods from the beginning, so that consensus about tasks can be reached with a minimum of friction losses. Teamwork, flexibility and a long-term perspective, with clear focus and proper phasing of activities, are essential components for a successful integrated programme approach.

A long-term perspective is essential to make industrial development a success. Sustainability among others means that capacities built up cannot be static—"continuous learning" will become essential, in terms of acquiring new skills and know-how, keeping track of domestic and international development trends, and adapting business and support institutions to change. Programmes must therefore have flexibility to cope with unforeseen developments; they should not be written in stone, but should be treated as a dynamic framework.

The initial IP for Tanzania was formulated with a view to accommodate the Government's needs by creating synergies within a large number of different outputs; there was limited importance attached to focusing the IP as a whole on one or two objectives. However, during the course of the implementation, it became clear that the funding was limited and, consequently, priorities had to be set with respect to the focus of the programme in order to show impact within a reasonable timeframe. Hence, IP Phase II has been formulated with a primary focus on poverty alleviation through productive activities.

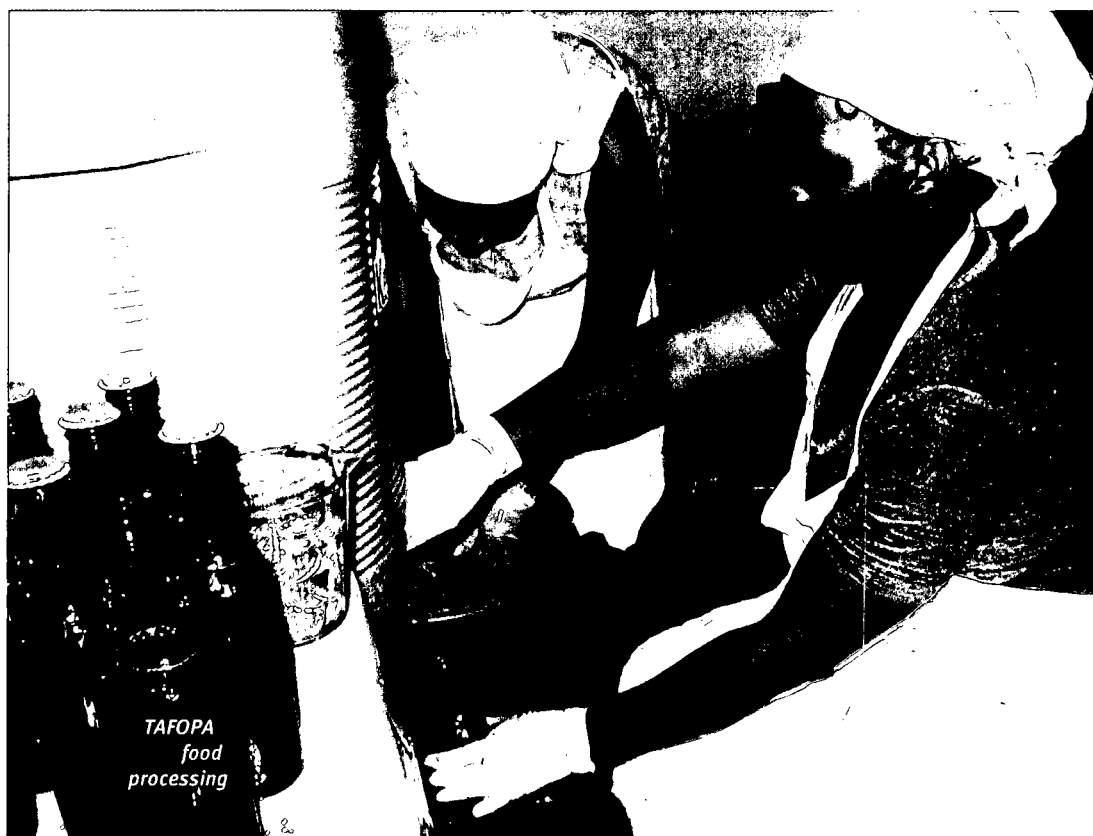
¹⁷ See the Second PRS Progress Report: Joint Assessment 2003/05 www.imf.org/external/pubs/ft/scr/2003/cr03306.pdf

Market orientation

The integrated programmes explicitly focus on the promotion of private sector-led development. The long-term aim of external assistance is to create a strong economy that can decrease its dependence over time on external aid. In the case of UNIDO, the objective is the creation of an industrial sector that can hold its own in domestic and international markets, and in that way helps to sustain a country's development process. This is mainly achieved through training and institutional capacity building, with a focus on industries whose competitiveness has been ascertained.

In a growing private sector, demand will be created for support services on a for-profit basis. This does not mean that there is no role for the public sector in the future—on the contrary: with the rise of professionally run private services occupying profitable niches, public sector support services will be able to concentrate activities and resources on essential tasks not covered by markets. Stimulating the private sector to create its own support services where it pays to reduce the burden on Government budgets and increases efficiency.

Because activities to improve skills, support services and so on are undertaken in coordination with activities that directly strengthen the private sector, the programme ensures that all training and institution building is demand driven. Oversupply of institutional support is to be avoided. Striking a balance between support and self-help will never be easy, but “donor dependency” must be avoided, as all development assistance is time-bound; building self-sufficiency should get highest priority.



National capacity building/ownership

Local focus, i.e. national capacity building/ownership, has two closely related aspects:

- The execution of activities must be entrusted to local counterparts wherever possible;
- The local partners of UNIDO must assume “ownership”—long-term responsibility for the project outcomes—to ensure that the development effects are sustained.

The success of a programme, in short, stands or falls with the performance of those at the “front line”. Full involvement and full commitment of local stakeholders is needed from the start. This of course requires knowledgeable, committed local counterparts who are adequately rewarded—financially and in terms of job satisfaction—for their efforts. Strong leadership and commitment in Tanzania greatly contributed to the successes of IP I.

Initial capacity building may be needed to implement a programme activity. Capacity building may also result from a step-by-step approach: an integrated programme making limited demands on the capacities of the host country may prepare stakeholders for a more demand driven second-phase programme, based on the lessons and experience gained from phase I. Given the lead role of the private sector, it is particularly important to identify good private sector counterparts and to build stronger linkages between the private and the public sector.

There are two additional factors that determine the effectiveness of governments and institutions as owners of the development process:

- The degree to which their constituencies (voters, industry association members, etc.) support them. Development requires the involvement of all. The increased membership of CTI and TCCIA is a positive sign in this respect, but more needs to be done in both countries to stimulate this process.
- Coordination among the different ministries and institutions whose actions have an impact on (industrial) development. Coordination may require the creation of a separate body, such as Tanzania’s TNBC, which then needs clear terms of reference, mechanisms that ensure the follow-up of recommendations and continuity in the dialogue with major stakeholders, and administrative as well as information technology support.

Ownership also means taking on responsibility for funding. From the start, the explicit aim must be to make activities financially self-sustainable—through income generation, local participation, etc. Discussions on programme design should therefore focus on issues that must be addressed, the support needed to solve the issues and the viability of the outcomes. This is the only basis for developing sound projects. The funding aspect is a subsidiary one: the money provided by UNIDO or donors is a means to an end.

The programme must prioritize activities. Hence, it may not always be easy to balance stakeholder interests. The total impact of the programme must go before the individual interests of stakeholders. Every participant must therefore be clearly informed about the

integrative function of the programme from the start—and local coordinators and programme coordinators at UNIDO headquarters need, therefore, to brief their counterparts on a continuous basis.

International cooperation

The integrated programmes have shown that an organization like UNIDO can play an essential role in bringing about an integrated approach to the development process: its neutral, international status facilitates the promotion of cooperation between a wide variety of actors with different interests, and it has access to all the component-specific expertise.

Donors have generally welcomed the integrated programme approach, but the reality is that integration of efforts among donors is still a long way off. Aid agencies set their own priorities, so activities often overlap. Even in the best of worlds the interconnectedness of development factors often makes clear distinctions between mandates at the project level impossible. A thorough survey of foreign aid activities in the preparatory phase is therefore essential. On this basis UNIDO niches can be identified and a strategy for cooperation with others drawn up. UNIDO and UNCTAD, for example, have found ways of avoiding competition for donor funds for similar activities.

The local programme coordinator can do relatively little about priorities, which are set in the home countries of agencies. Strengthening UNIDO's field capacity in Tanzania would make it easier to track developments and play a more active role in the local UN and donor systems. Direct involvement of senior agency staff in cooperation discussions is essential.

In the execution phase, much depends on the cooperation of agency staff in the field. Synergies can be achieved in practical work: coordination among agencies reduces costs and friction and increases development effects. UNIDO, for example, prepared a road map for the informal sector jointly with UNDP and ILO to which all the agencies contributed equal amount of funds.

The longer-term perspective inherent in the integrated programme approach also has an impact on cooperation, as it affects funding modalities and the coordination of activities. True partnerships are needed for long-term success.

Better team spirit among aid agencies, in short, is in the interest of their clients. UNIDO in fact welcomes the use of the ideas developed in its integrated programmes by other agencies (or by the Government), if this helps the countries in question. This is then also an IP impact.

Programme funding

Funds mobilization is a major undertaking, and underlines (a) the need for close cooperation with major stakeholders and programmes in the field; (b) the need for a clear commitment of local counterparts, demonstrating to potential donors that the funds provided will satisfy their requirements and lead to good results; (c) the need to formulate the programme with financial "stand-alone" components appropriate for donor co-funding; (d) the need to focus the IP in order to maximize UNIDO's value-added and the programme's funding potential.

While synergies among components save costs, integrated programmes do require a comparatively large amount of funding, and funds mobilization is a major undertaking. One problem is that of different priorities. The Tanzania programme heavily emphasized training for capacity building, while donors are often more interested in technology transfers; the sequencing of activities may also clash with donor priorities.

For a number of planned activities, there was not enough funding in Phase I. In some cases, training activities could not be completed for lack of money, and more funding is also needed to sustain a number of essential information and extension services as long as private sector initiative does not provide these. Even small shortfalls can make a large difference in long-term programme results. Without a firm basis of know-how and institutional support, the planned business activities may not take off and all the efforts may have been in vain.

A more comprehensive diagnostic analysis of the industrial situation in Tanzania and taking better account of Tanzania's local funding mechanisms and donor priorities can help solve the funding problems. Tanzania is "donor rich", with much activity and competition among donors and Government Ministries. New coordinated consultative approaches and funding modalities have been developed. It is important that MIT and UNIDO take advantage of new approaches such as "basket funding", in which the donor community makes joint contributions, and the increased opportunities they provide.

In short:

- The value of the individual activities must be demonstrated to potential donors through clear concepts, realistic budgets, transparent and efficient management structures, and—if possible—visits of donor field or embassy staff to future project sites where local counterparts and intended beneficiaries are met;
- The government must show that it is a fully committed partner in the programmes, supporting the long-term aims and playing an active role in approaching potential donors. With its intimate knowledge of the local situation and donor priorities, it can contribute to donor coordination;
- Moreover, donors seek to finance projects within the programme, and not a percentage of the total programme. IP formulation must keep that aspect in mind.

Financial independence

Enterprises and support institutions supported by the programmes must eventually become financially independent.

In Tanzania, finding investment and working capital, especially the mid-range financing, remains one of the most serious obstacles to MSME development (including the development of start-ups); for women the problem is worse because of cultural bias. Most local enterprises must make investments before foreign business will see them as serious partners, but cannot get funds at acceptable rates. This is a major obstacle to investment



promotion. Support services working on a commercial basis may also find it difficult to mobilize finance. Money is sometimes a problem for small firms that want to join programme activities for which a fee has to be paid.

Solutions to these problems are not easy:

- There are various micro-finance programmes in Tanzania, but coordination and active “outreach” to people who need the money are often lacking. This confuses potential clients (TAFOPA is unusual in that it actively markets its services). Micro-credit schemes, however, are usually too short-term to be very useful for industry, which needs long-term loans for equipment. Experience also shows that these schemes may be misused as borrowers may postpone repayment until the scheme is closed down.
- Successful development banks are found in a number of developing countries. The question is whether these institutions can be transferred to an African LDC context. One obstacle is the legal and regulatory framework for bank operations, which is not yet adequate. Qualified managers and staff for such a large, complex financial institution are in short supply as well. On the prospective clients side, the lack of bookkeeping skills and low repayment discipline constitute obstacles.

Helping small firms to make more efficient use of available funding could be part of the programme activities, just as encouraging private financing initiatives, whereby local

partners invest in services. Efforts to create a business climate that encourages foreign investors can be stepped up. The focus of investment promotion should be on foreign companies that take corporate responsibility serious; to ensure that social and environmental sustainability considerations are an integral part of investment decisions. Multilateral and bilateral agencies could also work on new approaches to industrial financing; ways must be sought in which the self-financing rates of businesses can be increased (among others through the creation of a savings culture).

In addition:

- To help ensure the viability of support institutions, entrepreneurs need a greater awareness of the value of services for which a fee is charged. Cleaner production services, for example, should basically pay for themselves, through lower waste and pollution costs;
- Equipment leasing can be introduced to reduce capital costs. Subcontracting is another solution.

Integrated Programme design

As a result of the recommendations of the In-depth Evaluation of IP I, a country diagnostic analysis was undertaken for IP II, based on the methodology developed by UNIDO, in cooperation with Oxford University. The industrial baselines identified at the national level during the diagnosis have been used to formulate baselines and target indicators for proposed outputs of Tanzania's IP II. This will help to ensure consistency and to spell out the programme's contribution to national level targets and the Millennium Development Goals (see annex D).

The preparation of the integrated programmes is a form of learning by doing. It can therefore be seen as an achievement in itself. On the one hand, it increases the awareness among staff of the interrelated character of development issues and of the value (and difficulties!) of cooperation, and, on the other hand, local counterparts and donors are inspired to start thinking along the same lines.

The operational experience of the IP

Implementation of the Sustainable Industrial Development Policy

The intention of IP I was to place MIT in a position to manage the overall SIDP process and, with UNIDO assistance, to seek donor funding and support to build the capacities required. A major objective of Component I of the Integrated Programme was to strengthen the capacity and capabilities of the Government and the private sector for the implementation of the Sustainable Industrial Development Policy (SIDP). In that regard, a situation analysis of the Ministry of Industry and Trade was conducted, focusing on its organization and management structure and its interaction with the private sector and other government institutions, as well as its capabilities for policy development and implementation.

However, a review of recent developments that resulted in new frameworks, such as the MDGs, the Poverty Reduction Strategy,¹⁸ UN Development Assistance Framework (UNDAF)¹⁹ and the Tanzanian Assistance Strategy,²⁰ an update of the country's Sustainable Industrial Development Policy²¹ should be undertaken with a view to defining a more realistic industrial policy and action plan for its implementation. Follow-up is required in the next phase of the IP, in particular regarding monitoring the objectives of the SIDP and other major goals.

The conduct of the industrial sector survey/competitiveness analysis provided a detailed analysis and interpretation of both macro economic and sector information including industrial sector information which contributed to policy analysis and has enabled the Government to determine which sectors have potential or dynamic comparative advantages and which industries are capable of meeting or beating relevant competition in international or regional markets. Timely preparation of such study would provide relevant input to other components of IP II. The publication of the Tanzania Review of Industrial and Trade Performance provided and continues to provide information that would assist the key stakeholders in the public and private sector in making realistic policy decisions, as well as investment decisions.

In light of the experience, future programmes need more realistic objectives and establish baselines and targets for improvement linked with the national development targets of the SIDP. This will require a full diagnosis of the current position at national and proposed output level and a close tracking of the sustainability of TNBC by MIT and UNIDO. UNIDO should stand ready to offer advice if required.

Small enterprise development

IP I partly reflected prior arrangements with UNDP regarding UNIDO's contribution to the Private Sector Development Programme. Care should be taken to avoid this in IP II by clearly differentiating between different activities and outputs. Baselines and targets must be defined clearly as a means of focusing outputs and measuring success.

Government endorsement of the new SME policy was undoubtedly a major achievement. The implementation of this policy by MIT is a great challenge. A high priority should therefore be given in IP II to strengthening MIT capacity in the area of SME development, monitoring and control, in coordination with capacity building in other parts of the Ministry. This will again require a more effective mobilization of donor support.

Progress was made in the field of micro-business support institutions. It can contribute to sustainable industrial development, as exemplified by the successful support institutions for the leather industry. But if this impact is to be secured in the long run, the activity horizons of the support institutions should be significantly broadened, and ways must be found to ensure their long-term operations. Therefore the business plans of each organization are to be revised by their respective management teams to address these issues.

¹⁸ See www.tanzania.go.tz/images/prsp.pdf and www.tanzania.go.tz/poverty.html

¹⁹ See www.tzonline.org/pdf/developmentassistanceframework.pdf

²⁰ See siteresources.worldbank.org/TANZANIAEXTN/Resources/TzAssistanceStrategyVolume1.pdf

²¹ Tanzania's Sustainable Industrial Development Policy 1996 (SIDP)



A strategic alliance between SIDO and TIRDO could help to improve synergies and the viability of each. In addition, artisanal support would have to be available in more areas to ensure a stronger development impact.

UNIDO has a role to play at the micro-enterprise level in the future if it differentiates itself better from other providers of support and demonstrates its unique contribution, and if donor support for projects where it has a comparative advantage can be secured. Only in exceptional circumstances, should programmable resources be used at the micro level on the assumption that donor funding will materialize to complete an activity or output. UNIDO must make efforts to maintain and strengthen staff expertise at this level to ensure continued credibility of assistance.

Investment promotion

Hands-on support for the creation, mediation and promotion of an investment portfolio is relatively expensive, but pays off if an effective agency is the result. It is too early to assess the full impact of investment promotion support on industrial performance or whether it will lead to long-term improvements. In particular, better information on the links between improved investment performance and TIC performance would be needed, such as the genesis of investment projects, data on the role of investments in the transfer of new technology and the creation of new employment, and a more systematic analysis of TIC performance.

Close consultation with MIT, other Government departments, TIC and donors will increase the effectiveness of support to investment promotion. Ideally, further UNIDO interven-

tions should be coordinated with the BEST programme, which essentially aims at improving the regulatory and legal environment for private sector development. The UNIDO investment outputs should be based on a thorough diagnosis and set explicit, time-bound targets, which complement those in SIDP and TIC's business plan.

Finally, investment promotion could also benefit from support to the National Investment Steering Committee and the TNBC round table initiatives, to ensure their continued effectiveness and sustainability.

Quality management and standardization

The value of UNIDO's methodology for standards and quality assurance was confirmed by the good progress made, especially in TNBS. A point where further improvement is needed is the time lag between the initial training of potential inspectors and their anticipated future training caused by funding problems. This highlights the risks of a relatively long-haul output. A UNIDO regional programme for SADC may provide an opportunity for following up the work done to date. But, again, an improved approach to funding could provide a structural solution to problems such as these.

UNIDO's intervention in the fishing industry to overcome the ban of fish exports to the EU is undoubtedly a success story and shows how a major impact can be made by mere targeted intervention with relatively modest funds. However, the task is only partly completed: further progress in the form of a modern tracking system is needed.

Environmental protection

Once more, the shortage of funding points to the need for a clear link to SIDP objectives and priorities, clear targets based on a thorough diagnosis and better coordination with donor priorities.

The RPC initiative received much attention and can become a success, producing marketable outputs as well as contributing to waste and poverty reduction. It would however been preferable to establish the RPC as a private sector partnership at the outset, in order to minimize risk and ensure close cooperation (transfer of know-how on waste prevention, etc.) with the industrial sector. This would require a good business plan, including cash flow information to demonstrate viability, a firm date for transferring ownership to the private sector and benchmarks against which to measure success (including both environmental and income generation benchmarks). A clear definition of RPC's legal status and of its management structure is also needed.

Private sector development:²²

The private sector is still very weak. Although the organizational capacities of CTI and TCCIA were strengthened, the networking among their members improved, the nature and scope of services rendered to their members are still limited. The informal sector operators are

²² Due facilitate the funding from different sources, there was a special component in the Integrated Programme devoted to PSD, which was closely implemented with the Small Enterprise Development Component.

highly motivated and with access to credit many of them would be in a better position to establish their own food processing or woodworking units. The establishment of the Tanzania National Business Council was a turning point for Government-private sector relationship. The Government is committed to the process and has made financial allocations for the running of TNBC. With the establishment of the TNBC, there is a forum to deliberate on policy issues, investments, etc.

Programme management

Management at headquarters

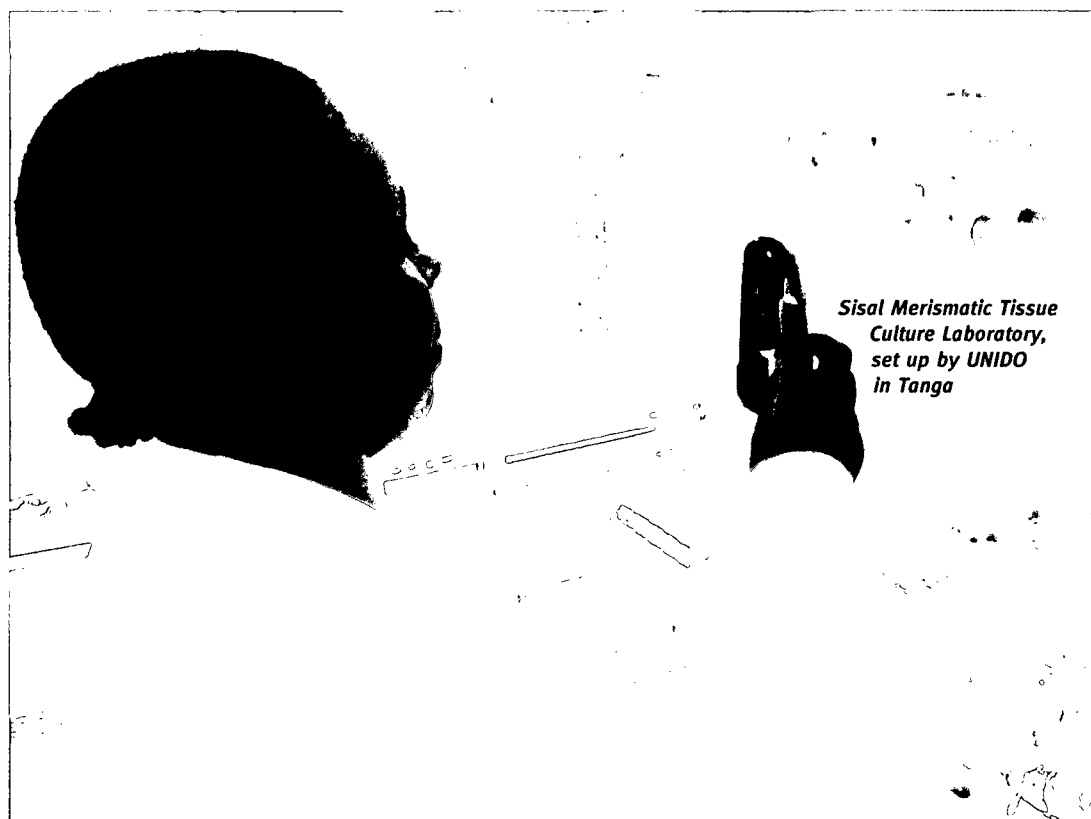
Even more than programme design, programme execution was characterized by learning by doing. In the absence of earlier experience it is unavoidable that team members initially work on the basis of their own views: the term “integrated programme” does not necessarily mean the same thing to everyone. In the case of Tanzania, for example, the initial focus was on the integration of programme inputs; the integration of outputs developed as activities were implemented.

The efficient execution of a programme requires an efficient team. Changes in teams should be kept to a minimum. Otherwise, it will be difficult to turn a group of people who happen to be involved in similar activities into a team whose cooperation becomes a success factor of its own. Passing on an activity also means that time is lost, as the new team member must become familiar with the state of the project, counterparts and project administration. Finally, the more efficient use of resources implies that they are used more intensively—staff are faced with more complex tasks, especially in administrative terms, which makes good team work doubly important.

Clear (electronic) communication structures are needed, which provide all team members with essential information without causing information overload. But communication is also a team building issue: in a well-functioning team, frictions will be minimized and people will be aware of essential developments.

Obviously, team building requires good leadership. Strong leadership is also needed to ensure that the overall impact of the programme takes precedence over individual activities. Running a large number of integrated programmes in parallel means that in-house coordination needs to be strong as well, to minimize friction and maximize synergies among programmes as well as staff motivation. This can take the form of a supervisory team for all integrated programmes. Such a team should be part of the organization’s top management. It can then also mediate, if necessary, when tensions arise between team leaders, whose responsibilities cut across branch specializations, and directors responsible for individual branches in the organization.

The precedence of the programme as a whole over individual activities must be reflected in spending. This can lead to problems. Obviously, if the programme budget is not fully covered, there is a problem in allotting funds. More complex problems arise because intra-organizational developments as well as changes in the external environment will inevitably upset planning: one activity may become temporarily stuck, while another one is progress-



ing faster than planned and offers unforeseen development opportunities; within an activity the focus may shift, leading to results that differ from those planned. It must therefore be possible to switch resources. Individual staff members may resent losing a part of their project budget—especially where the amount of money spent on implementation is a measure of an individual's performance. It also becomes more complicated to track expenditure and results.

The complex integration of activities should therefore be supported by organizational simplification. Partial decentralization of administrative responsibilities (in this case: the team leader, backed up by adequate administrative resources) may be an answer. There could be an additional positive effect on relations with the field and local ownership: a team member at headquarters who has more leeway to act can give counterparts greater responsibilities.

Two general lessons (which also apply in the field) can be learned from dealing with the inevitable changes in priorities, perspectives and management methods:

- A capacity for flexible response must not only be an in-built programme element: it must also be reflected in the mindsets of all those involved in implementation and administrative back-up;
- A system of regular reviews of progress, with consultations of all players, greatly facilitates reorientation of processes and activities;
- Although the importance of proper sequencing of project activities is generally recognized, an analysis of the processes underlying the achievement

of results is rarely a prominent feature of any type of project reporting—not just in UNIDO. Yet the identification and removal of bottlenecks and friction in programme execution would benefit, especially as long-term processes characterize industrial development. A method would be needed that tracks the main features of the programme execution process in a way that minimizes additional reporting burdens on staff. For IP II a scorecard was developed to link IP performance to economic and measurable performance indicators.

Field management and local ownership

The lessons learned about teamwork at headquarters also apply to the field. Continuity is an even bigger issue, as local project staff tends to be on temporary contracts, and as the pool of qualified staff from which new recruits can be drawn is smaller—a mistake in recruitment may therefore jeopardize a whole activity. The limited availability of good staff underlines the importance of realistic planning of field activities in terms of scope and time frame, and is another vindication of the emphasis on human resource development within the programme implementation phase.

Regular meetings of all field staff help to strengthen the team spirit and ensure awareness of (a) programme developments, (b) the importance of the programme as an integrated activity. Apart from teamwork, building up a good working relationship with local counterparts is essential for the success of the programme, and much of the responsibility for this must be shouldered locally.

The local programme coordinator therefore plays a pivotal role. He or she must be a first-class administrator and team leader, with considerable diplomatic skills and a high professional standing to ensure effective cooperation with stakeholders at the senior management level, and the ability to maintain effective dialogue with the stakeholders. He or she must also be media conscious: in Tanzania, newspapers, radio and TV have proved invaluable in raising the profile of the programmes.

Regular meetings must be held with stakeholders to discuss progress and remove obstacles that have arisen in the course of implementing activities. In many developing countries, elections can have a paralysing influence on continuity as they may be followed by a wholesale exchange of administrators; local administrative staff may be posted to another location at any time. Coordination among ministries—which is important because of the multi-faceted character of the programmes—must often be improved, just as the efficiency of approval procedures. Management committees supervising the progress of the programme as a whole and of specific activities therefore have a difficult task, and their members must be carefully selected. A positive side effect of management teams at the local or activity level is that they help to increase the number of people with experience in management practice.

One important task of the programme's team leader is to ensure good relations with the field. Good communication, transparency of decisions, realistic time frames for requests from headquarters and shows of appreciation are essential for local morale. The switching of funds to new priorities by team leaders is of course unpopular with counterparts,

as they are directly involved in project execution, and requires continuous emphasis on the integrated nature of the programme.

Every opportunity must be taken to brief and update the political leadership as well as the management of the line ministry on the process of implementation. This is even more important as some activities lie outside of the line ministry, which, on behalf of the Government, maintains ownership of, and responsibility for the programme. In the event that adjustments are considered necessary guidance could be obtained through regular briefings. Furthermore, publications, reports and newsletters should be made available to the stakeholders as soon as they are published.

The promotion of local ownership during programme execution must take place at several levels:

- As discussed above, relevant ministries must coordinate activities and institutionalize the dialogue with the private sector (possibly supported by the creation of a separate body like TNBC);
- Business associations and NGOs will usually need strengthening in a number of ways. This may include new skills for the public-private sector dialogue; improving relationships between the central office and local branches; expanding service capacities; creating adequate local expertise for the provision of those services; and a more active marketing of services, so that small businesses become aware of the advantages of joining an association or using services;
- Entrepreneurs should also be made aware that the strength of an association depends on the active involvement of its members;
- Ensuring that stakeholders gain directly from participating in specific activities (local ownership of the Dar-es-Salaam waste recycling projects was achieved when it became clear to the participating businesses that there is money in waste separation and recycling).
- Finally, the essential role of public information must not be overlooked.

Measuring performance and outcomes

More work is needed on measures of progress made (baseline data, benchmarks etc.) In many cases quantitative measures are problematic, and there is pressure to produce tangible results in a fairly short period of time. In addition, industrial development is a long-term process; relating inputs and results will become more difficult when other factors (external and internal) intervene in the development process. The longer the risk perspective, the less certain is the value of measures like amount spent on project implementation (which is no more than an input indicator), number of people trained, and the like.

In order to provide a baseline for measuring the impact of each programme component, a scorecard has been designed using the experience of IP I. This scorecard (see annex E) will be used in IP II.

Progress in integration and its implications for actors

The process whereby previous experience is used for a step-by-step integration of economic activities and support activities should eventually lead to the full realization of UNIDO's "3E" approach (the integration of economic, employment and environment aspects of development). The full integration of activities has implications for actors:

- UNIDO staff, local ministries, institutions, firms, donors will be more intensively involved with each other. This has consequences for skills, working styles and the development methodologies used;
- General awareness building will be needed on social and environmental aspects of development, and on the links between these and the economic/technical aspects of development;
- Working styles at UNIDO headquarters and in the field will have to be further adapted. This is a very complex issue. Performance evaluations—whether of projects or of staff—would for example have to pay more attention to qualitative factors (team work and work across units, impacts of completed projects on the basis of synergies created)—the need to further develop horizontal linkages;
- The interaction between the grass roots and governance levels must be intensified. The development of a dynamic enterprises sector throughout a country needs a good long-term development framework. This can only be created by leaders who understand and work with the grass roots level. Sustainable development implies that social and environmental entrepreneurship must be encouraged as well. Sustainable development without broad popular support is not tangible;
- The recommendations contained in reports about the IP cannot always be implemented during the follow-up phase. Follow-up by the local counterparts should therefore also be addressed: what is recommended in reports should be taken up by the counterparts and incorporated into their future work plans, and resources should be sought in time to implement them. In this respect, cooperation with bilateral donor programmes is essential.

ANNEXES

Annex A: Summary of components and outputs IP Phase I

Challenge

Adopt new trends in policy development through public-private sector consultative process; bridging the private sector's shortcomings in modern industrial and commercial management, and global relations management, improving competitiveness, and fostering sustainable industrial development.

Objectives

The programme aims to provide support to the Government and private sector for the implementation of sustainable industrial development; create an enabling environment for private sector-led industrialization; to increase productivity and competitiveness in agro-industries; and promote cleaner production and sound environmental management.

Programme Components

COMPONENT I: IMPLEMENTATION OF SUSTAINABLE INDUSTRIAL DEVELOPMENT POLICY

1. Strengthened capacity and capabilities of the Government for policy development and implementation;
2. Improved public-private sector dialogue;
3. Industrial sector survey of competitiveness, growth potential and investment opportunities;
4. Strengthened governance information network/statistical operations;
5. Policy framework for inspection and testing of imports and exports;

(Component Cost: US\$ 763,880)

COMPONENT II: DEVELOPMENT OF SMEs

6. Formulation of an SME policy;
7. Strengthened capacity and capabilities of Government for SME development;
8. Business and technological services for SMEs;
9. Commercial business support information network;
10. Improved capacity of SME support institutions to provide entrepreneurship development programmes;
11. Support to Kilimanjaro Industrial Development Centre;
12. Women Entrepreneurs Development focusing on strengthening the Tanzania Food Processors' Association (TAFOPA) and on tapping the growth potential of women's enterprises;

(Component Cost: US\$ 1,941,180)

COMPONENT III: INVESTMENT AND FINANCE

13. Improved legal and regulatory framework for investment;
14. Investment promotion strategy and improved capacity for development and appraisal of industrial investment projects;
15. Investment project database promotion and information networking for finance and investment;
16. Portfolio of investment projects for promotion and partnership arrangements;

(Component Cost: US\$ 538,185)

COMPONENT IV: PRODUCTIVITY, TECHNOLOGY AND COMPETITIVENESS

17. Accreditation of laboratories scheme in accordance with international standards;
18. Strengthened capacity of the Weights and Measures Bureau;
19. Strengthened Leather Association;
20. Increased quantity and quality of semi- and finished leather to international standards;
21. Revitalization of four to eight textile enterprises;
22. Improved capacity for cotton grading;
23. Updated standards and methodologies to improve competitiveness of the fishing industry;
24. Pilot facility for development of micro food enterprises;

(Component Cost: US\$ 1,675,790)

COMPONENT V: ENVIRONMENT

25. Application of cleaner technology in three tanneries and selected textile mills;
26. Occupational health safety practices for tanning and textiles;
27. Monitoring pollution for Msimbazi River in Dar es Salaam;
28. Study on waste management and recycling;

(Component Cost: US\$ 337,870)

COMPONENT VI: PRIVATE SECTOR DEVELOPMENT PROGRAMME

29. Improved capacity in private sector institutions;
 - i. An upgraded Confederation of Tanzania Industry;
 - ii. An upgraded Tanzania Chamber of Commerce, Industry and Agriculture;
 - iii. An action oriented study—Road Map—of Micro Enterprise Development in the Informal Sector;
 - iv. The capacity and capabilities of VIBINDO strengthened to better serve its members in the areas of production techniques, business,
30. Facilitating investment promotion and follow-up to investment forum;
31. Improved dialogue between government and the private sector.

(Component Cost: US\$ 602,500)

Annex B: Major results of IP Phase I**Institutional Policy support**

- Proposed Action Plan to strengthen the capacity and capabilities of the Ministry of Industry and Trade. Some of the recommendations considered and applied in the framework of the Public Service Reform. (A more market oriented MIT);
- Industrial sector survey/competencies analysis conducted. The findings and conclusions were presented to the TNBC for endorsement;
- Three issues of the Review of Industrial and Trade Performance published as a policy monitoring tool;

- Increased capabilities in the dynamics of policy development and in conducting competitiveness analysis;
- Design of an electronic governance network;
- Improved industrial information and networking.

Agro-related industries

- Revival of fish exports from Lake Victoria;
- Growing number of women entrepreneurs;
- Transfer of textile and leather products manufacturing skills;
- Improved performance of micro footwear enterprises;
- Common training and production facilities for the textile and leather industries;
- Recommendations for a general revitalization of the leather industry;
- Improved environmental performance of a tannery.

Quality management, standardization and metrology

- Creation of a national accreditation committee;
- Proposals for harmonizing Tanzanian accreditation systems within the Southern African Development Community;
- Inspections and upgrading of laboratories;
- Code of Practice and manuals for the fisheries industries, overhaul of the inspection system, training of fish inspectors and throughout the product chain;
- Hazard analysis critical control point systems in all exporting plants.

SME development

- Formulation and adoption of a national SME policy;
- Better donor coordination;
- Stronger support organizations;
- Credit fund for Tanzanian Food Producers Association members;
- Increased support of entrepreneurs for SME associations.

Investment promotion

- Review of the Investment Act, with amendment proposals;
- Improved regulations;
- Establishment of an Inter-ministerial Investment Steering Committee;
- Strengthening of the Tanzanian Investment Centre into a one-stop-shop;
- Foreign study tours and visits of foreign delegations.
- 60 company/project profiles formulated (out of 1,000 visited);
- Strengthening linkages between investment promotion and domestic private sector.

Environmental protection

- Pilot project to use sisal waste for biogas;
- Cleaner production activities of the Tanzanian Cleaner Production Centre;
- Study on and training for waste management in Dar-es-Salaam, establishment of a waste recycling centre.

Private sector development

- Strengthening capacity and capabilities of the organized private sector—CTI, TCCIA;
- Strengthening the informal sector association VIBINDO to better serve its members in production techniques, business management and marketing;
- Establishing common production and service facilities for food processing and wood processing;
- Project completion facility for selected investment projects;
- Establishment of a national sustained public private sector consultative mechanism with a corresponding private sector facilitation secretariat (TNBC);
- A more market/service oriented Ministry of Industry and Trade with strategic alliances with the private sector.

Annex C: Evaluation results of IP Phase I

Below is a list of the main points of the Final Report on the in-depth evaluation of IP II, which was published in June 2003 (ADM/EVA/r.3).

- The enthusiasm, commitment and professionalism of staff as well as the close cooperation between UNIDO and MIT were instrumental in making the programme largely successful.
- The integrated approach to programme development and implementation has been a major and positive step forward for UNIDO.
- IP I has been well managed and great care has been taken to ensure synergy during implementation.
- Each output was confirmed as relevant to Tanzania's SIDP. Analysis of focus and target intervention levels support the relevance of the programme. However, improvements to future programme design are necessary to improve focus, complementarities and potential impact.
- While most completed outputs have resulted in improvements, the impact cannot be measured properly because time pressure prevented the establishment of firm baselines and measurable time-bound targets.
- A link between outputs, Government policies and the Millennium Development Goals was retrospectively established. The link could be improved if both the SIDP objectives and UNIDO programme outputs/objectives were more clearly defined and consistently expressed against strategic objectives.
- UNIDO interventions are widely regarded as practical and of direct benefit to counterparts.
- There have been notable successes at the micro-enterprise level, but the horizons of the micro-enterprise support system must be broadened to ensure a significant long-term impact on development.
- Interventions at the level of policies and related capacity building have the potential of greater impacts if additional resources for projects of this type can be found.

- Donor interest was disappointing and available funds were sometimes spread too thinly. The main reason was that IP I was not produced in a way that optimized donor interest; this would require a more comprehensive diagnosis of the situation in the country and taking better account of local funding mechanisms and donor priorities.
- The joint communiqué of the UNIDO Director-General and the Minister of Industry and Trade, identifying SME support and environmental management as the main issues to be addressed in IP II, should be taken fully into account in the new programme.
- Strengthening UNIDO's field capacity in Tanzania would make it easier to manage the various activities, keep track of developments and intensify cooperation with the local UN and donor systems.

Annex D: IP Phase I as viewed by MIT, Tanzania

Tanzania's experience with UNIDO has all along been excellent. The relationship has been dynamic taking into account Tanzania's development priorities. It is on this basis that UNIDO and the Government agreed on the content of the Integrated Industrial Development Programme, Phase I, which was launched in 1999. The programme was designed to assist the government on six major components, namely, implementation of Tanzania's Sustainable Industrial Development Policy; Small and Medium Enterprises (SME) development; investment promotion and finance; productivity, technology and competitiveness; environment and private sector development. The programme has been of relevance and the Government of Tanzania is satisfied with the achievements and the support from UNIDO.

In the course of implementing Phase I of the programme, commendable success has been recorded in a number of areas. To mention a few of such success stories as a way of illustration, the implementation of Tanzania's Industry Policy, a study on the competitiveness of the industrial sector in Tanzania is now in place. This study will be a reference document as putting in place projects to enhance competitiveness in the regional and international markets. Secondly, and for the first time, the Ministry has been able to publish two issues on industrial and trade sector performance. The aim was to issue the review on a half yearly basis and finally on a quarterly basis. The review will be a handy document for researchers, policy makers and investors. Thirdly, a statistical and information programme on the industry sector known as BeGin, has been strengthened. In this respect a cyber café for the Ministry has been established. The cyber café was officially inaugurated by Dr. Carlos Magarinos during his visit to Tanzania in January 2002.

In respect to SME promotion, an SME Development Policy has been finalized and officially launched in August 2003. The policy will be instrumental in creating the right environment for SME development. The Implementation Action Plan is already in place to ensure timely implementation of the SME Development Policy.

On Investment and Finance, the Tanzania Investment Steering Committee is now in place and operational. The Committee is chaired by the Prime Minister and drawing membership from several Cabinet Ministers including the Minister responsible for industry. Moreover, investment regulations have been developed, and through UNIDO's global network 45 projects are being promoted worldwide after a screening process involving over 500 investment proposals. Furthermore, investment promotion delegations have been organized to France, and from Japan, Malaysia and India. Interest

to invest in Tanzania has been shown from companies in India, France, the United Kingdom, the Netherlands, Japan and Malaysia. As a result 10 partnerships agreements have been signed. It is hoped that, interest to invest in Tanzania will increase under the new legislation on export processing zones (EPZ Act) which is now in place.

As regards the component on Productivity, Technology and Competitiveness it is significant to highlight the fact that following the EU ban on the Nile perch fish exports from Tanzania, UNIDO undertook a comprehensive programme on quality management and certification. The result was a lifting of the EU ban. Tanzania thus became the first East African country to have the EU ban lifted. The Project involved training of over 1,000 fishermen and employees of fish processing factories. Proceeds from the Nile perch exports from Lake Victoria is now in the range of over US\$ 140 million annually. Entrepreneurship development of women in food processing and women in textiles has been another highlight of the programme. Over 1,700 women in 14 regions (there are 20 regions in the country) have been trained in food processing and textiles through their organizations known as Tanzania Food Processors Association (TAFOPA) and the Artisan Development Agency of Tanzania (ADAT). As a result, a Food Processing and Testing Centre has been set up to cater for the needs of the clients.

In respect of the Leather Sector, professional studies have been undertaken. The result of the studies enabled the Ministry to prepare specific recommendations on the revitalization of the leather sector on a holistic approach from animal husbandry through good abattoir practices, hides collection and storage to leather tanning and manufacturing of leather articles.

On environment related issues, a programme for cleaner production mechanism in factories has been developed. In addition, studies on waste management and recycling have been undertaken. The project has been set-up in Dar es Salaam to handle paper and plastics waste with a market for recycled products in Tanzania, Kenya and South Africa.

As regards to private sector development initiatives, private sector organizations such as the Confederation of Tanzania Industries (CTI) and Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) have been strengthened. Moreover, a training programme for the informal sector known as VIBINDO has been developed. The artisans are being trained in state of the art carpentry, metal works, etc. More significant is the public/private sector consultative process, which has been finalized culminating in the establishment of the Tanzania National Business Council, in April 2001. The Council chaired by the President himself, will go a long way to consolidate Tanzania's public/private sector smart partnership for the good of the economy.

Tanzania has taken advantage of the training facilities under the UNIDO's initiatives on transfer of technology and know-how with particular reference to the Punjab based UNIDO sponsored research on machinery and autoparts in recognition of the importance of machine tool technology for a country like Tanzania trying to transform itself from a predominantly agrarian to an industry-based economy.

MINISTRY OF INDUSTRY AND TRADE
MAY 2004

Annex E: IP Phase I as viewed by UNDP, Tanzania

Ref: PRO GEN/300

23 August 2004

Dear Mr. Ugbor,

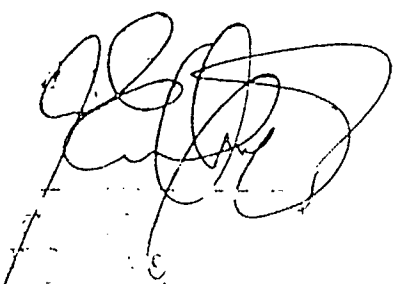
UNDP/UNIDO COLLABORATION IN THE UNIDO'S INTEGRATED PROGRAMME

UNDP supported the Private Sector Component of the UNIDO's Integrated Industrial Development Programme. The Private Sector Component was aimed at strengthening the capacities of private sector institutions; facilitating the establishment of a sustained national public-private sector consultative mechanism; assisting the Tanzania Investment center in follow-up promotional activities and in partnership negotiations as well as in the formulation of agreements and negotiations of financial resources. The other elements of the Private Sector component included an action oriented study-Informal Sector Roadmap; the establishment of common services facilities for *i*) food processing (including the design and fabrication of food processing equipment) and *ii*) wood-working products.

The UNDP support to the UNIDO Integrated Programme came to an end in the first quarter of this year. Through that support, the programme has registered great achievements in various fronts in moving the Tanzanian private sector forward. The outputs produced and the impact made by the programme, are widely acknowledged by the Government, development partners and the private sector itself. Through the private sector component, the Tanzania National Business Council (TNBC) was established in 2001. This has provided an institutionalized platform for the government at highest level to dialogue directly with the private sector on key issues pertaining to private sector development in the country. Also, through the component, common production/service facilities for food processing and woodworking were established accompanied with a series of training programmes. These facilities and training have transformed and added real value to the products produced by small-scale operators and thus directly contributing towards increase in their productivity, marketing and incomes. Also, technical support and training have been given VIBINDO, a self-help organization of informal operators. The Informal Sector Roadmap has been completed as well as training/sensitization of senior officials on issues of economic competitiveness and economic management.

Overall, the programme was relevant to the needs of the country. It is noteworthy that both in the formulation and implementation, UNIDO employed the programme approach as opposed to project approach. This enabled a holistic treatment of the issues addressed and consequently greater impact. The programme resulted in enhancing capacities in the various sectors and sub-sectors. In our view, the Integrated Programme was a huge success with very tangible results.

Yours sincerely,



Eugene Owusu
Deputy Resident Representative (P)

Annex F: Summary of IP Phase II

The second Integrated Programme for Tanzania (IP II) is based on a strategic diagnosis of industrial performance in the context of the Poverty Reduction Strategy Paper (PRS) and wider development issues. The diagnosis confirmed the general validity of the policy objectives expressed in Tanzania's Sustainable Industrial Development Policy 1996 (SIDP). It also identified a number of newly emerging issues that require the attention of the stakeholders—the Government, the Ministry of Trade and Industries (MIT), the private sector, civil society and the international community—to achieve growth through improved industrial performance. These will be included in an updated SIDP.

The programme has two main components: industrial governance and policy, and industrial institutions and support systems. Agro-industry is at the core of IP II. The industrial diagnosis shows that this sector, which has great growth potential, is chronically under performing. It also has a clear pro poor focus with direct links to the PRS, the Millennium Development Goals (MDG) and the UN Development Assistance Framework (UNDAF).

The integral problem of post harvest losses is addressed logically through outputs at three levels of the agro industry value chain: preservation at the point of production through the introduction of new technologies and work practices; assistance with technology promotion and acquisition at the SME level and by promoting strategic investment in the technology and infrastructure needed to link lower levels of the value chain with manufacturing industry. Outputs also include strengthening related institutions and support systems including those aimed at improving national food safety and integrated rural development. Two IP II outputs, one which addresses strengthening the linkages in the food processing value-chain, and a second which will take stock of cleaner production services to industry, will benefit from recent research by UNIDO in these fields. The overall focus is consistent with Government's PRS priorities and the joint communiqué of February 2002 between the Prime Minister and the Director-General of UNIDO. The focus is also consistent with priorities established in recent international fora including LDC III, the World Summit on Sustainable Development and NEPAD.

UNIDO's strategic industrial diagnosis contributes to the process of policy measurement within MIT by providing some of the baselines that will be needed to improve systems for benchmarking and evaluating industrial performance at the national level, including the success of the SIDP, as well as the integration and effectiveness of various stakeholder contributions. The baselines will be improved and expanded when the SIDP is updated and the new policy monitoring system is implemented.

IP II incorporates a performance scorecard (see annex G), underlining UNIDO's commitment to tangible results, operational transparency and assisting the Government to meet MDG targets. Accordingly, the scorecard is structured to show the contributory links of UNIDO's programme outputs to improvements in industrial capabilities, national industrial performance and, ultimately, the MDGs. The scorecard also shows the link between IP II and UNDAF. In doing so, it mirrors the methodology applied in the industrial diagnosis and meets the key recommendations of the in-depth evaluation of the first integrated programme for Tanzania (summarized in annex B) and the recent report of the UN Development Group An assessment of the role and experiences of UN agencies in the Policy Reduction Strategy paper (August 2003).

Implementing IP II and, in particular, improving performance in the agro industry/food sector and mitigating post harvest losses, will require an effective partnership between stakeholders that will be managed by MIT. An Inter-Ministerial Steering Committee, established by the Prime Minister, will monitor implementation of IP II. UNIDO will support MIT to ensure that the updated SIDP and associated programmes are coordinated and harmonized with other Government policies and strategies operating within the PRS, to maximize the contribution of industrial growth to the PRS and MDG.

Annex G: Scorecard, IP Phase II and UNDAF objectives

MDG AND INDUSTRIAL PERFORMANCE

IP ref	Millennium Development Goal/Target	IP performance indicator	UNDAF
1.1 2.1 2.2	MDG 7: Target 9—integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	<ul style="list-style-type: none"> • POPS plan implemented • Reduction in POPS • Artisanal Gold Mining legislation adopted • Reduction in mercury pollution levels • Increased levels of recycling • Cleaner production services improved 	I, IV
1.1 2.2 2.4	MDG 8: Target 12—develop further an open, rule-based, predictable, non-discriminatory trading and financial system	<ul style="list-style-type: none"> • Effective TNBC • Investment policy proposals adopted • National Q&S system adopted • National fish safety/Q&S system adopted • Increased manufacturing exports 	I, IV
1.1 2.1 2.2	MDG 8: Target 16—Develop and implement strategies for decent and productive work for youth	<ul style="list-style-type: none"> • Number of new manufacturing jobs created through investment • Increased productivity in assisted sectors 	I, IV
2.1 2.2 2.3 2.4	MDG 8: Target 18—in cooperation with the private sector make available the benefits of new technologies	<ul style="list-style-type: none"> • Amount of FDI used for purchase or development of modern equipment • Increased energy capacity • Estimated reduction in post harvest losses 	I, IV

INDUSTRIAL CAPABILITIES

IP ref	Government objective	IP performance indicator	UNDAF
2.1	A dynamic SME sector	<ul style="list-style-type: none"> • New business registrations • Numbers trained due to capacity building • Investment generated from demo sites 	I, IV
2.2	Improved S&Q/safety of food products	<ul style="list-style-type: none"> • Number of new standard marks awarded 	I, IV
1.1 2.1-4	Increased competitiveness and productivity through the use of new and cleaner technologies	<ul style="list-style-type: none"> • Levels of FDI • Investment in “demo” technology • Tonnage of recycled material generated • Increase in national laboratory tests 	I, IV

INDUSTRIAL INSTITUTIONS AND SUPPORT SYSTEMS

IP ref	Government objective	IP performance indicator	UNDAF
2.1.1	More effective Business Development Services	• BDS usage rates and agency income	I, IV
2.1.2	Awareness of Business Development Services	• Use made of new TCCIA website	I, IV
2.1.3	Increase productivity of SMEs	• Investment in modern equipment	I, IV
2.1.4	Self sustainability of KIDT	• KIDT self sustainable	I, IV
2.1.5	Diffusion of new technologies to SME	• Increased TIRDO capacity/service levels	I, IV
2.1.6	Increase productivity in the leather sector	• LAT and TILT self sustainable	I, IV
2.2.1		• Implementation of a national Q&S system	I, IV
2.2.2	Institutions have the capacity to facilitate	• National food inspection service introduced	I, IV
2.2.3	greater levels of market access	• National fish safety/Q&S system adopted	I, IV
2.2.4		• Internationally accredited food laboratory	I, IV
2.2.5	Introduce new technologies to reverse the	• POPS implementation plan adopted	IV
2.2.6	loss of environmental resources	• Operational demo Waste Recycling Center	IV
2.2.7	Clean new sources of energy	• Pilot sisal energy plant operational	IV
2.2.8	Effective cleaner production services	• Proposals for future services adopted	I, IV
2.3.1	Vocational training for women entrepreneurs	• Accredited food processing training course	I, II
2.4.1		• Investment policy proposals adopted	III, IV
2.4.2	Increase levels of investment	• Number of TIC/TCCIA joint activities	III, IV
2.4.3		• Investment profiling capacity	III, IV

INDUSTRIAL GOVERNANCE

IP ref	Government objective	IP performance indicator	UNDAF
1.1.1	Up to date and "joined up" SIDP	• New SIDP and implementation plan	I-IV
1.1.2	SIDP systematically monitored and updated	• New policy monitoring system	I
1.1.3	Government's SME policy implemented	• Operational implementation strategy	I-IV
1.1.4	Optimum use of state-owned assets	• Recommendations for asset use adopted	I
1.1.5	Effective public/private sector dialogue	• Effective operationalization of TNBC	III
1.1.6	Reverse loss of environmental resources	• New artisanal mining regulations adopted	IV

The UN system has set four strategic UNDAF objectives in Tanzania, derived from the analytical work underpinning the development of the Tanzania Assistance Strategy, PRSP and Zanzibar Common Country Assessment, its assessment of the development challenges facing Tanzania, and on an understanding of its own comparative advantages. These UNDAF objectives²³ are:

- I. Enhance Tanzania's capacity for development management to eradicate poverty, including capacity for policy analysis, monitoring and evaluation, and coordination;
- II. Contribute to the improvement of the quality of, and universal and equitable access to services to meet basic needs of Tanzania's poor;
- III. Strengthen and promote an enabling environment for democratic, transparent, people-centred and community-driven development in Tanzania; and to
- IV. Strengthen and promote an enabling environment for sustainable and equitable economic growth in Tanzania.

²³United Nations Development Assistance Framework TANZANIA, 2002-2006, www.tzonline.org/pdf/developmentassistanceframework.pdf





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