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REGENERATING AFRICAN INDUSTRY

Briefing book - Tanzania Country Mission

Prepared by

Regional and Country Studies Branch

with UNIDO Consultant

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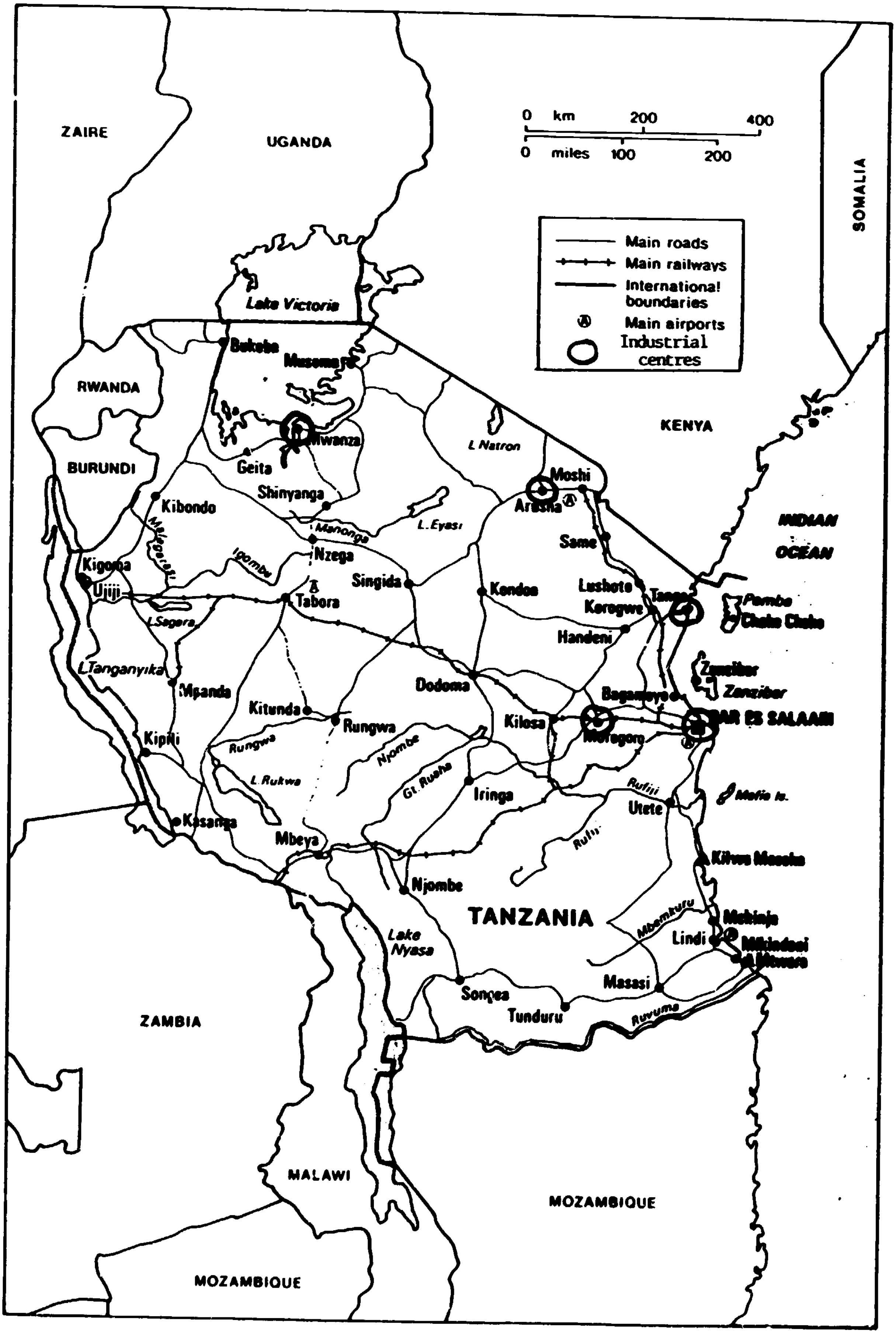
TANZANIA

Tanzania


ZAIRE
UGANDA
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MOZAMBIQUE
TANZANIA
0 km 200 400
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Main roads
Main railways
International boundaries
Main airports
Industrial centres
Lake Victoria
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L Sagara
L Tanganyika
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Lake Nyasa
Mwanza
Geita
Shinyanga
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Igombe
Malagarasi
Kigoma
Ujiji
Tabora
Singida
Kondoa
Moshi
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Lushoto
Korogwe
Handeni
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Chake Chake
Zanzibar
Zanzibar
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Rufiji
Kasanga
Mbeya
Njombe
Kilwa Masoko
Mbemkuru
Lindi
Masasi
Songea
Tunduru
Ruvuma

<u>General Country Information</u>

<u>Population</u> (1986)	:	22.5 million
<u>Urban Rural Ratio</u> (1984)	:	14/86
<u>Urban Population</u> <u>Average Growth Rate</u>	:	8.6%
<u>Total Area</u>	:	945,000 sq. km.
<u>Land Area</u>	:	88,604
<u>Arable Land</u>	:	4,130
<u>Crops</u>	:	1,060
<u>Pasture</u>	:	35,000
<u>Forest and Woodlands</u>	:	41,780
<u>Other land</u>	:	6,634

<u>Vital statistics</u>

Population density (1986)	:	23 persons/sq. km.
Population growth rate (1986)	:	3.4%
Labour Force Potential	:	9 million (44% of the total population
Registered Employees	:	700,000 (8% of the total labour force potential)
Labour Force Distribution (1984)	:	Agriculture - 86% Industries - 5% Services - 10%

Macroeconomic Indicators	1982	1983	1984	1985	1986
GDP at factor cost T.Sh bn	54.8	60.7	68.8	-	-
Real GDP growth %	2.0	-0.6	3.3	2.3[a]	3.8[b]
Consumer price inflation	29.0	27.0	42.9	28.2	33[b]
Exports fob $ bn	446	371	377	286	348[b]
Imports cif $ mn	1,131	797	847	999	1,047[b]
Current Account $ mn	-524	314	-300	-380[b]	-420[b]
Reserves excl gold$ mn	4.8	19.4	26.9	16.0	61.1
Total external debt[c] $ mn	2,926	3218	3,396	3,609	-
Long-term debt $ mn	2,443	2,720	2,818	2,988	-
Short-term debt $ mn	402	447	554	600	-

Origins of GDP 1984	% of total
Agriculture	46.2
Manufacturing	4.7
Commerce	9.8
Transport	6.6
Finance	8.4
Public admin.	19.3

Components of GDP 1984	% of total
Private consumption	82.4
Government consumption	12.2
Gross fixed investment	11.8
Change in stocks	2.7
Exports	8.3
Imports	-17.5

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a Preliminary
b Estimate
c disbursed
d Crop year ending June
e Other significant exports are cloves, cashew nuts and tea, for which recent data are unavailable

Principal Exports 1985*		$ mn	Principal Imports 1984 $	$ mn
Coffee		114.1	Machinery	251.3
Cotton		23.7	Fuel	157.2
Sisal	5.7		Manufactures	138.3

Main Destinations of Exports 1985	% of total	Main Origins of Imports 1985	% of total
West Germany	23.5	U.K.	13.2
UK	16.8	Japan	9.4
Indonesia	6.9	Italy	9.4
Singapore	6.4	West Germany	9.3
Netherlands	6.1	Netherlands	3.6

INFRASTRUCTURE:

Roads:	46,000 km of which 40,000 km are earth roads
Railways:	3,600 km
Airports:	Two international airports (Dar-es-Salaam and Kilimanjaro) and about 50 domestic airfields.
Shipping:	Three major deepwater ports at Dar-es-Salaam, Tanga and Mtwara
Electricity:	Installed capacity (1982: 296 MW)

EDUCATION:

School Enrolment:	
Primary:	87%
Secondary:	3%
Adult Literacy Rate:	79%

GENERAL:

Languages	
Official:	Swahili
Other:	English

Currency Tanzania Shilling

Exchange Rate 1985 (annual average)
US $ 1 = 17.60 Tanzania Shillings

Exchange rate of July 1988

US $ 1 = 107.00 Tanzania Shillings

Since July 1986 the exchange rate has been allowed to depreciate in a managed or "dirty" float.

1. BACKGROUND AND POLITICAL STRUCTURE

1.1 Domestic politics

The United Republic of Tanzania (henceforth referred to as Tanzania) became independent in two stages. Prior to World War I it was a German colony and thereafter was administered by the United Kingdom. In 1961 the Mainland (then Tanganyika) achieved independence. In accordance with an agreement reached in 1964, Tanganyika was united with Zanzibar, thus creating the United Republic of Tanzania.

In 1977 the Mainland Party (Tanganyika African National Union) merged with the Party of Zanzibar (Afro-Shirazi Party) to form the Chama cha Mapinduzi (CCM). Since then, Tanzania has been a one-party state. A new Constitution agreed upon at the same time established party supremacy in policy-making. The party structure, culminating in the National Executive Committee (NEC), parallels the National Assembly and the cabinet. Dr. Julius Nyerere continues to hold the Chairmanship of the CCM as he did while President. Because the CCM is constitutionally supreme, the party Chairman can, if necessary, overrule the President on major issues. Therefore, while the President has considerable executive powers, Dr. Nyerere continues to direct the country's political and economic strategy.

In 1985 the transition from the Presidency of Dr. Nyerere to that of Mr. Mwinyi was smoothly achieved. President Mwinyi, who was President of Zanzibar and Union Vice-president from 1984, is a loyal supporter of Dr. Nyerere.

The National Assembly consists of 106 constituency members, 25 members from the regions, 15 members representing mass organizations, 25 regional commissioners, up to 32 members elected by the Zanzibar Revolutionary Council and up to 15 Presidential nominees. Elections to the Assembly and the national and Zanzibar Presidencies must take place every five years. The last elections were held in October 1985. There is a choice of candidates in the constituencies, but all candidates must be approved by the party's NEC. The National Assembly thus closely follows the line set by the party, but dissidence by Assembly members has arisen on a number of occasions.

Economic decline has resulted in a considerable disgruntlement among the common people, but the political atmosphere on the Mainland has remained remarkably calm in the face of economic austerity.

However, the last four years have shown that there is considerable resentment among the population of Zanzibar towards the degree of control exercised by the Mainland over Zanzibar's affairs. In 1984 Aboud Jumbe, the President of Zanzibar, was forced to resign as a result of his inability to control the rising separatist sentiment. Support for breaking from the Union declined after Mr. Mwinyi became President of Zanzibar and introduced a popular series of economic and political reforms. However, Zanzibar's new President, Idris Abdul Wakil, is not popular and received a low vote in the 1985 elections. He is backed by elements associated with the political excesses of the late president Karume, who was assassinated in 1972.

The Government is officially planning to develop Dodoma in the central region as the new capital. However, despite detailed plans to transfer key ministries, the Government has fallen increasingly behind its targets on the project. Dodoma lacks basic infrastructure and communications, and many observers regard the project as impractical, given the country's current economic difficulties.

1.2 International relations

The key principles of Tanzania's foreign policy have already been non-alignment and opposition to colonialism and apartheid. Tanzania has considerable influence within the non-alligned movement and within the Third World in general. Dr. Nyerere is regarded as one of Africa's elder statesmen and in 1984 was Chairman of the Organization of African Unity (OAU).

Political and economic relations have been particularly warm with the Scandinavian countries and with China. The Chinese gave considerable economic assistance to Tanzania in the 1970s, most notably as they built the Tanzania railway linking Tanzania with Zambia. The Eastern European countries, the USSR and North Korea maintain a high diplomatic profile in Tanzania. Many CCM officials have been guests at party congresses and seminars in the USSR. Some economic assistance is provided by the Eastern bloc countries. Relations with the UK have generally remained close. The FRG also enjoys close links with Tanzania and relations with the USA are now improving.

Tanzania acted as a base for the Frelimo during its war against Portugal in the late 1960s and early 1970s. Military support is now being provided to the Government of Mozambique against the South African backed rebels. As a leader of the "front line" states, Tanzania also gave active support to the Zimbabwean liberation movement and today provides similar support to the South West African People's Organization (SWAPO) and the exiled South African liberation movements. In addition, Tanzania gave military assistance to the socialist Government in the Seychelles.

In October 1978 Uganda, then ruled by President I. Amin, invaded the Kagera district of Tanzania. The Tanzanian army expelled the invaders. Three months of border warfare followed, after which 20,000 Tanzanian troops and a small group of Ugandan exiles invaded Uganda. By mid-April 1979 they had established a provisional government in Kampala and, by the end of the year, controlled the entire country. Although the overthrow of the Amin regime was a moral as well as a military triumph, the financial costs of the war were very heavy, totalling at least US$ 500 million.

Diplomatic relations with Zaire are currently cool after claims by Zaire that Tanzania had been giving support to Zaire insurgents. There has recently been increased economic co-operation with Malawi, although Tanzania has always viewed with disfavour Malawi's links with South Africa. Relations with Kenya have meanwhile improved considerably after a long dispute over the break-up of the East African Community (EAC). Tanzania was a member of the EAC, established with Kenya and Uganda in 1967. Under the Treaty of East African Co-operation, the three countries maintained a common external tariff, abolished quantitative restrictions of movements of manufacturers across their borders and maintained East African Corporations to run their airways, railways, harbours, and their postal, telecommunication and other services. The disintegration of the EAC, which was initiated by Tanzania's disapproval of the Amin regime in Uganda, appeared to be definitive in early 1977. Tanzania closed its border with Kenya and all three countries then maintained their own transport systems and postal and telecommunication services. In November 1983, after prolonged negotiations, an agreement was reached on the distribution of EAC assets and liabilities. The Tanzanian-Kenyan border was re-opened, and new arrangements for co-operation in trade, tourism, transport and communications have been agreed upon.

Tanzania is a member of both the Southern African Development Co-ordination Conference (SADCC) and the Preferential Trade Area for Eastern and Southern Africa (PTA).

Tanzania's international trade with PTA countries is declining. It has been importing goods from Kenya to the value of US$ 8-12 million annually, and in 1984 also from Uganda (US$ 10 million). Tanzania's exports to PTA declined from above US$ 30 million in 1980 to around US$ 10 million in 1982-84. This is particularly related to reduced exports to Uganda as well as to Burundi, while exports to Rwanda have almost been maintained.

In the SADCC region Tanzania has been exporting mainly to Moçambique under their trade agreement, mostly textiles and clothing. In addition, there has been some exports of fish to Zambia, and cement to Botswana (1983). On the import side, Tanzania received zinc from Zambia and maize from Zimbabwe (1981-1983).

1.3 Recent developments and outlook

On 13 May 1988, serious demonstrations broke out in Zanzibar town, in which two people were killed and eight others injured. Offices of the ruling party CCM together with those of Air Tanzania were attacked. The demonstrators were on the State House when the police opened fire. The demonstrations are believed to have been caused by remarks made at a seminar on women by Sofia Kawawa, Chairwoman of Tanzania's Women's Organization and wife of CCM's Secretary General, Rashiti Kawawa. She had apparently called for a review of the Islamic laws on polygamy, remarks which enraged Moslem dissidents on the isles who had interpreted them as interference in their religious practices.

The Zanzibar President, Mr. Abdul Wakil, dismissed his cabinet in January 1988, after having allegedly uncovered a plot to overthrow the Government. Mr. Wakil claimed, without mentioning any names, that certain Ministers had been conspiring against him and that foreign mercenaries had been recruited to assist in the attempted coup.

Zanzibar's former Chief Minister, Seif Shariff Hamad, has been expelled from the CCM as have also S.Y. Mgeni, Zanzibar's former Minister of Agriculture and Livestock Development, H.R. Mohamed, the Deputy Minister of Finance, Planning and Economic Affairs, Suleiman Seif Hamad, the Deputy Speaker of the Zanzibar House of Representatives, and two members of that body.

A tight security clampdown is in effect in Zanzibar, which at present renders the situation under control. If further serious riots break out,President Wakil's leadership may lose credibility with President Mwiny. There has already been concern expressed in the ruling party over Mr. Wakil's handling of the situation. Zanzibar's problems represent the most serious political challenge that President Mwinyi has had to face since taking office in 1985. Mr. Mwini himself is a Zanzibari and, as predecessor to Mr. Sakil, he began the liberalization of political and economic life on the isles.

Given the close cultural and historical ties between Zanzibar and the Gulf region as well as the growing investment role of the Gulf States in the island's economy, the Government of Zanzibar wants to maintain good relationships with the Gulf States. Oman is heavily involved in financing the rehabilitation and extension of airport facilities in Zanzibar. There are large numbers of Zanzibari expatriates in the Gulf States, including some who left Zanzibar because of the political climate there over the last two decades. Since the Zanzibar Government is desperately short of qualified personnel to implement its projects, it is keen to re-attract professional Zanzibaris. Relations with the Gulf States were somewhat clouded earlier this year when the Government of Zanzibar accused unnamed Arab countries of having been involved in the alleged coup attempt.

It is reported that Tanzania is now training troops of the Ugandan National Resistance Army in Tanzania. Given the turmoil in that neighbouring country and the high expenditures made by Tanzania to safeguard the security on its northwestern border, Tanzania is eager to see stable government return to Uganda.

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2. THE GENERAL ECONOMY

Since independence planning has been extensively used by the Government for reorienting the economy, providing the basic needs of the society at large and establishing a socialist pattern of development which emphasises self-reliance and mass education. The Arusha Declaration of 1967 set the course for nationalisation of industry, commerce and finance, establishment of parastatals and villagisation. The industrial sector is now dominated by mixed companies in which the Government has a majority shareholding. A new strategy for rural development was also a key element of the socialist programme. Large foreign owned estates in sisal, tea and coffee were nationalised. President Nyerere's "Socialism and Rural Development" outlined the process of building socialism in rural areas, and central to this process was the formation of ujamaa villages, in which people voluntarily associated and farmed together, marketed their goods together, and undertook the provision of local services together. Slow progress in developing voluntary ujamaa villages led the Government to initiate compulsory "villagisation" in the early 1970s. This resulted in the resettlement of the rural population within a very short period of time, and the inadequate planning of the villages caused severe disruption in the rural economy. While ujamaa socialism is still occasionally used as a political slogan, the leadership l back-tracked on the programme, and the bulk of the agricultural production continues to be private subsistence farming by peasant families.

The world recession following the oil price shock at the end of the 1970s, and the consequent deterioration of the prices of Tanzania's major export commodities have been the main causes of the economy's poor performance in the 1980s. Moreover, from the mid-1970s onwards, prices paid to agricultural producers increasingly lagged behind inflation and this reduced real production incentives to smallholders, especially for export crops. Additionally, the unavailability of even the most basic consumer goods limited the incentive for farmers to raise production, and the lack of transport, equipment and infrastructure, fuel and spare parts has contributed in difficulties in both the collection of crops and the distribution of essential inputs.

As in many other African countries at the early stages of development, the economy of Tanzania is characterised by two distinct economic structures, consisting of a large traditional rural sector and a small capital intensive modern, urbanized sector. The former is concerned essentially with the growing of food and cash crops, the latter with manufacturing and service activities. The linkages between these two economies are not strong although the agricultural sector has the potential for producing the bulk of raw materials for domestic industry in addition to fostering export growth. Industry supplies some inputs for agriculture as well as consumer/incentive goods for the rural population.

Cash crop farming, manufacturing, mining, transportation and construction actvities all rely heavily on imported inputs, while foreign exchange earnings depend on the export performance of a small group of primary commodities. This has made Tanzania extremely sensitive to developments in industrialised countries. The country has been particularly hard hit by the slump in commodity prices and the steady deterioration in the terms of trade.

2.1 Natural Resources

The total area of the country is approximately 945,000 sq.km. With the exception of the coastal belt, most of the mainland is located on the central African plateau at altitudes ranging between 1,000 and 1,500 metres. Population density is low at 23 persons per sq. km. Less than 10 percent of the land area is used for crop production; a further 40 percent consists of rough grazing areas. Woods and forests cover about half of the country. As a result of rainfall patterns, much of the population and economic activity are concentrated around the country's periphery. This has increased the cost of providing and maintaining transport links and other infrastructure.

For the majority of Tanzanians, access to tap water is difficult. The construction of boreholes with manually-operated pumps and rural irrigation and water supply schemes is continuing.

Tanzania is endowed with a wide range of natural resources which present many future opportunities for integrated, locally-based industry and power development, as well as long-term growth in exports and imports substitution. Mineral resources, comprising diamonds, gold and other precious metals, salt and gypsum, kaolin, etc. provide a source of foreign exchange earnings. Mining activities are expanding with new mines being commissioned for gold, coal, natural gas and phosphates. uranium exploitation is expected within the next few years, while petroleum prospecting continues. Large deposits of natural gas have been discovered and plans for producing fertilizer for export are under consideration. A new coal mine, with estimated reserves of 3 billion tons is now under development and further deposits of superior quality coal have been discovered. Known, but as yet unexploited iron ore deposits are estimated at 45 million tons. Hydropower resources meet only a fraction of total energy requirements. Far greater supplies await development. Fisheries and other marine resources potential is also quite considerable.

2.2 Agriculture

Agriculture contributed about 46 per cent ot total GDP in 1984 (at 1976 prices) and grew at an annual average rate of 1.8 percent between 1974 and 1984. 83 per cent of agricultural production is carried out by small-scale farmers on privately-owned plots averaging less than 2.2 hectares and relying mainly on manual labour and hand implements. Value-added in the sector is distributed as follows: Crops - 72.5 per cent; livestock/poultry - 17.7 per cent; fisheries, hunting and forestry - 9.8 per cent. Major food crops include maize, rice, wheat, cassava, millet, beans, sorghum, bananas, a variety of vegetables, fruit, potatoes and other root plants. Export crops comprise coffee, cotton, sisal, tobacco, tea, cashew nuts and phyrethrum, which together accounts for more than 75% of total foreign exchange earnings. Cocoa is emerging as a promising export crop. Large potential for expanding crop production remains unexploited, mainly as a result of low levels of technology, insufficient supply of inputs and tools, and poor agricultural infrastructure. Of the estimated 40 million hectares of fertile and arable

land available, only 6 million hectares are under cultivation. Although the country is rich in rivers, fresh water lakes and irrigable plains, most current farming activities rely on the availability of rains. In 1981 the livestock population consisted of some 13 million head of cattle, 6 million goats, 3.8 million sheep, 170,000 pigs and 25 million poultry.
Drought generated considerable problems in the area around Lake Victoria in 1983/84, but the rains were good in recent years. As in most African countries, programmes to combat soil erosion and deforestation are urgently needed but are limited by a lack of resources.

Responsibility for purchasing the crops from producers was transferred in 1985 from parastatal crop authorities back to co-operative unions, which had previously been dissolved. The parastatal crop authorities proved very inefficient and had been run with mounting losses. Under the new system rural primary co-operative societies, which together comprise regional co-operative unions, have been given responsibility for purchasing, and the crop authorities have been transformed into marketing organizations.

Of major cash crops, coffee, cotton, tobacco and cashewnuts are grown mainly by peasant farmers, while sisal and tea are grown mainly on large estates. 75 per cent of the coffee grown is now arabica and about 80 per cent of the tobacco flue cured. The Sugar Development Corporation (Sudeco) owns all the sugar estates and factories. The government is now encouraging increased private investment in export agriculture, including investment by foreign companies (many foreign-owned estates were nationalised in the early 1970s). Rehabilitation programmes financed by bilateral donors and the World Bank are now under way to raise the output of sisal, sugar and tea.

Purchases of both food and export crops from producers are made at fixed prices, which are announced prior to each planting season. For many crops the producer price declined in real terms in the 1970s, and this contributed to the fall in output of many cash crops. This policy has now been reversed and substantial producer price increases have been implemented.

The number of cattled was estimated at 12.45 mn in 1984. Offtake of locally consumed and marketed stock is very low, reaching only about 9 per cent; recent performance in the livestock industry has generally been disappointing. The National Ranching Company (Narco) operates 15 ranches with 100,000 head of cattle.

2.3 Mining and Energy

The mining sector, mainly diamonds, contributes about 0.5 per cent to GDP and 7 per cent of foreign exchange earnings. Diamonds, mined at Williamson mine near Lake Victoria, remain Tanzania's most important non-agricultural export, although production had fallen to an estimated 272,049 carats by 1984 from a peak of 988,000 carats in 1967. In 1983, the mine earned TSh 207.6 mn ($18.6 mn) in foreign exchange. The mine, which was nationalized in 1961, is an open cast working and was once one of the world's largest diamond deposits, but yields have declined from 28 carats to 7.8 carats per 100 tons. Gold output has risen since 1980 and new investments are planned. Further plans to exploit deposits in the Shinyanga district were announced in 1985. Prospecting is currently underway in Mwanza, Musoma and Singida regions. Gemstones are commercially exploited, the most famous being tanzanite.

Iron ore is mined at Chunya and deposits are estimated to be capable of producing 250,000 tonnes a year, while Liganga in Njombe district could produce 500,000 tonnes a year. The latter deposits are also associated with titanium and vanadium. Phosphate deposits at Minjingu in the Arusha region have been exploited since 1983 with Finnish assistance. Production capacity is 100,000 tonnes a year, to be used mainly by the domestic fertiliser industry, but with planned exports of 10,000-15,000 tonnes per year. Pyrochlore and carbon dioxide deposits exist in the Mbeya region. Tin is mined on a small scale near the Zaire border. Salt is mined from coastal salt pans and is a potential export. Lime is also exploited. Deposits of uranium as well as nickel, niobium and copper have been confirmed.

The mining sector is hampered by a lack of government resources for the large investments required both to exploit new deposits and to rehabilitate old equipment.

The total energy consumption in Tanzania was 9 million tons of oil equivalent or a per capita consumption of 470 kg of oil equivalent which is low compared with an average for 27 African countries of 2,450 kg of oil equivalent. Energy is supplied mainly by biomass fuel sources (92 per cent of the total). Commercial sources - imported petroleum (7.4 per cent), hydroelectricity and coal supply the rest. Uses of commercial fuels were distributed as follows: transport - 51 per cent; industry - 25 per cent; household - 12 per cent (only 3 per cent of the population have access to household electricity). Fuelwood (including charcoal) provides the bulk of domestic energy requirements apart from a small quantity of kerosene. Given the proven and available sources of hydropower, coal and natural gas, the country could comfortably develop a non-import based power supply system to meet its requirements well into the next country, save for the limitations in financial resources.

2.4 Infrastructure

Transport and communications infrastructure is still rather basic. Road attrition has become a serious problem. Due to lack of maintenance, some roads have deteriorated to such an extent that the are no longer reported as existing.

The Central Railway Line runs from Dar-es-Salaam to Kigoma on Lake Tanganyika, with a branch from Tabora to Mwanza on Lake Victoria. A new railroad line, the Tanzania Zambia Railways (TAZARA) runs from Dar-es-Salaam to Zambia.

The primary port at Dar-es-Salaam serves Tanzania, Zambia, Burundi, Rwanda, Zaire and to a lesser extent, Uganda. The advent of containerisation is expected to grow rapidly. As a result the port at Dar-es-Salaam is being expanded and modernised. The other two main ports are at Tanga and Mtwara.

Internal and external telecommunications services are essential to Tanzania because of the poor transport infrastructure. In Tanzania, the number of direct telephone exchange lines (DELs) in service per 100

population, about 0.2, is among the lowest in the world. The number of telephones connected to each DEL is 2.3 as high and this is detrimental to good services. About 45% of all DELs are in Dar-es-Salaam, 42% are in the regional capitals and the remaining 13% are in the rural areas.
Since independence, the Government has wrestled not too successfully with the difficulty of extracting a surplus from its largely subsistence agricultural sector for investment. Up to the mid-1970s, the strategy in agriculture generally emphasized the transformation of the institutional structure of rural development over measures designed to directly increase agricultural productivity.

The villagisation programme was designed to bring the scattered rural population into more manageable units in order to improve the supply of economic and social services; to enlarge the area that could be cultivated with communal practices and to encourage more grass-roots participation by peasant cultivators in the decision-making process. Another vehicle was increased state control over the crop marketing agencies. it was thought that greater scale economies were to be had from larger, vertically integrated marketing and input supply firms (parastatals) for each crop. These institutional changes undoubtedly had an adverse impact on agricultural production but it is difficult to say how much. Implementation of these programmes provided evidence of poor planning and administrative weakness. In many cases, the pace of change was too rapid. Insufficient time was allowed for producers to adapt to major changes before modifications were introduced (for example, changes in the input distribution system) or an entirely different approach tried as with the abolition of the role of co-operative unions in marketing.

From Independence in 1961 until the mid 1970s, Tanzania made significant improvements both in social welfare and macroeconomic performance. By 1978 the economy was functioning satisfactorily mainly due to the coffee boom in 1977, increased foreign assistance and favourable weather conditions for crop production. During the period GDP grew by an average 4.4 per cent per annum. Primary school enrolement increased by more than 50 per cent, life expectancy rose by almost 5 years and access to safe water improved in both rural and urban areas.

Despite the difficult economic environment, Tanzania has achieved good results in meeting the basic needs of its population and in reducing income disparities. Before independence, the difference in net income of salaries and wages between the highest and lowest paid worker was in the ratio of 40 to 1. This difference has progressively been narrowed and is currently estimated to be in the ratio of 9 to 1. Furthermore, with the take-over of major means of production and foreign exchange, a large share of supplies generated in the economy came under state control and was available for redistribution to a larger proportion of the population. A health policy has been established which emphasises preventive rather than curative services, expansion of rural health facilities, training of para-medical personnel, and programmes to control major communicable diseases.

In education, the adult literacy rate has risen from 10 per cent in 1960 to 79 per cent in 1986. Primary education is almost universal with most of the 8,000 villages having primary schools. Secondary education, however, lags behind, with only 3 per cent of the secondary school age population able to attend. Achievements are however eroded by the difficulties which the Government faces to adequately staff, maintain and supply schools, health centres and other community facililties.

2.5 Current Economic Trends

Tanzania is predominantly an agricultural economy with a population currently estimated at 22.5 million having a per annum growth rate of 3.3 per cent. As a least developed country (LDC) with a 1984 per capita income of US$ 240, Tanzania's economy is characterised by two distinct structures: a large traditional rural sector growing good and cash crops, which by 1984 estimates contributes 46 per cent of GDP (at 1976 prices), 75 per cent of export earnings and supports 90 per cent of the population, and a small modern, capital intensive, urbanised sector concerned with manufacturing and services. Linkages between these two sectors are limited although the agricultural sector has the potential to produce most of the raw material for domestic industries and foster export growth. Industry contributes less than 5 per cent to GDP, supplies limited inputs for agriculture, as well as consumer goods for the rural population. Cash crop farming, manufacturing, mining, transportation and construction activities largely depend on a small group of primary commodities. Tanzania is therefore sensitive to the economic developments and policies in industrialised countries and especially in the terms of trade.

Since 1978, however, the economy has experienced significant deterioration for several reasons. Some of them are external in their origin or otherwise beyond the power of the Government to influence. The principal exogenous factor has been the deterioration of the country's international terms of trade. After peaking in the middle 1970s, the international commodity prices for Tanzania's traditional export crops have been on a general downtrend, while the cost of imports, especially oil, has risen. Ironically, Tanzania has not been able to take full advantage of the recent decline in oil prices, due to lack of foreign exchange. An additional, largely exogenous factor, has been the break up of the East African Community which forced Tanzania to replicate some facilities and services which had been provided by Community entities and finally, several years of unfavourable weather increased the need for food imports and affected agricultural exports.

Adverse developments in the economy also have their origin in domestic policies. The abolition of co-operatives in the early 1970s and the establishment of crop authorities as the sole channels for the distribution of agricultural inputs and collection and marketing of export crops have imposed a heavy burden on the agricultural sector because of the inefficiency of the parastatal bodies that replaced the co-operatives and their inability to develop adequate services. The crop authorities have also beeen a drain on the Government's budget and the country's banking system. Incentives to farmers have been eroded by a sharp real decline in producer prices. This has resulted partly from the poor performance and high marketing costs of the crop parastatals but also from the Government's pricing and exchange rate policy. The exchange rate was not adjusted between 1978 and 1982, notwithstanding rapidly deteriorating terms of trade and the fact that domestic inflation exceeded that of Tanzania's trading partners. Despite devaluation, which adjusted the shilling from T.Shs 9 to T.Shs 12 to the Dollar in June 1983, and from T.Shs. 12 to T.Shs. 17 to the Dollar in June 1984, the currency has continued to appreciate on an inflation adjusted basis, thereby discouraging exports of agricultural and industrial products. The overevaluation of the Tanzanian currency and the shortage of foreign exchange have required elaborate and inefficient administrative controls over foreign exchange allocations which have contributed to severe bottlenecks throughout the economy. Since the mid-1980s, positive effects of reforms have become noticeable in agricultural output. Export crops especially have responded well to stimuli. Apart from generating extra foreign exchange, their increased availability has also had a positive impact on the performance of processing industries.

2.6 Economic Policy Making

- Structural Adjustment Programme

In attempting to reverse the economic difficulties of the late 1970s and early 1980s which frustrated the effectiveness of development plans and strategies, the Government introduced the National Economic Survival Plan (1981) and the Structural Adjustment Programme (1982/83 - 1984/85). With regard to immediate and medium-term future, the Government had decided to postpone the publication and implementation of the fourth Five Year Plan from the planned commencement date of 1 July 1986 for at least a year. Instead it intensified the recovery programme initiated under SAP for another three years beyond 1985. The broad objectives and priorities of this intensified Structural Adjustment Programme are reflected in the "Tanzania Government Programme for Economic Recovery" (May 1986) which was presented at the June 1986 Consultative Group Meeting in Paris. The objectives and priorities of this programme form the basis of the UNDP Fourth Country Programme (1987-1991).

- Economic Recovery Programme

The new Economic Recovery Programme (ERP) has been prepared in recognition of the fact that the prevailing economic problems are structural in nature and that the removal of production bottlenecks and the establishment of a self-sustaining economy are issues of medium- and long-term nature. Concerted efforts will therefore also be directed towards macro-economic and sectoral policies which will increase production of goods and services. The major goals of these macro-economic policy packages would be to provide adequate incentives to agricultural and other producers, to reduce the gap between the demand for, and the supply of domestic and imported commodities and to reduce excessive increase of the price thereof. The ERP, however, initiated in 1986 concentrates on first stabilising the economic situation with rehabilitation, consolidation, concentration and improvements as underlying themes to provide the basis for subsequent growth to sustain longer-term development plans. The major objectives of the programme are four, namely:

(i) to increase food and cash crop production through appropriate incentives, improved marketing structures and increased resource availability with emphasis on raising the productivity of small-holding agriculture;

(ii) to rehabilitate the country's physical infrastructure in support of directly productive services;

(iii) to increase capacity utilisation in industry and restore positive industrial growth; and

(iv) to restore internal and external balance in the economy by pursuing prudent and appropriate fiscal, monetary and trade policies.

In order to achieve these objectives the Government will continue to rationalise the economic and administrative structures through maximum mobilisation and optimum utilisation of existing resources. Investments will be concentrated in agriculture for food and exports, natural resources and services directly contributing to foreign exchange earnings, transport networks and facilities to improve crop haulage efficiency and carrying capacity and development of alternative energy sources. Exports will be promoted and investment incentives provided. For the social infrastructure, emphasis will be on consolidation and maintenance rather than expansion.

An aspect of the new Economic Recovery Programme worth noting is the intention of the Government to further liberalise the economy and to rely on an intensified participation of the private sector. In this respect, farmers co-operatives which were re-established in 1984/85 will be further strengthened to take over responsibilities from parastatal organizations in the agricultural sector. These co-operatives are expected to be more responsible to farmers' needs as they will be owned and managed by the farmers themselves. The Consultative Group meeting held in June 1986 strongly endorsed the recovery programme's emphasis on raising the productivity of the economy, in particular of small-holding agriculture and welcomed the Government's intention of increasing the role for market forces and the private sector in the overall development process.

The first translation of the ERP into concrete, implementable reality has been articulated in the budget speech for the fiscal year 1986/87. The budget contains inter alia the following measures:

(i) provision of adequate producer and incentive packages to agriculture including increased producer prices;

(ii) ensuring the availability of vital implements and adequate inputs for agricultural production;

(iii) frequent adjustments of interest rates paid in order to bring the levels of interest to the value of capital;

(iv) Government borrowing limited to a maximum of T.Shs. 2,500 million for the 1986/87 period;

(v) adjustment of the exchange rate with effect of 20 june 1986 from T.Shs. 25 per US dollar to T.Shs 40 per dollar; and

(vi) reduction of operations costs of the Government by amongst others parental contribution to secondary school education and freezing of employment.

Finally, the broad framework agreement with the IMF finalised in July/August 1986 constitutes an important economic policy framework for attracting new external resources for the implementation of the ERP.

2.7 Impact of the Economic Recovery Programme

Although a dramatic turnaround has not occurred, and much of the country's infrastructure continues to deteriorate, the evidence is that Government policies are beginning to have a positive impact.

The period up to the end of 1984 was one of stagnant output and falling per capita incomes. But in 1985, GDP rose 2.5 per cent, and, preliminary figures for 1986 suggest that growth in excess of 3 per cent was achieved. The most visible source of growth has been the agricultural sector. Farmers have responded to the removal of restrictions on domestic grain marketing, higher producer prices for export crops and a greater availability of inputs and consumer goods, the product of increased aid lows and the growth of "self-funded" imports, and favourable growing conditions. Maize production in the past 2-3 years has significantly increased. The announcement of higher producer prices in June 1986 has acted to stem the overall decline in export crops.

In the industrial sector, the long decline in the sector's share of total output continued in 1986. Some signs of an upturn were evident by the end of the year, and a modest recovery in output seems now to be underway, assisted by increases in commodity aid. But capacity utilization remains extremely low with activity curtailed by the shortage of spare parts, imported raw materials and intermediate goods, and by the difficulty of shifting resources (including commodity aid) away from less efficient users in the sector. Industrial sector performance is also affected by the condition of plant and other enterprise-related problems. Activity in the service sector appears to have increased due to the stimulus of the self-funded import scheme and the reduction of restrictions on private transport operations and the impact of the Recovery Programme generally.

The general price level, as measured by the official index of consumer prices, rose by 27% in 1985 and an estimated 30% on 1986. A similar rate is forecast for 1987. However, in general terms, inflationary pressure in the economy has not been as serious as many feared at the start of the ERP, given the sharp devaluation of the offical exchange rate, the reduced coverage of price controls and the adjustment of utility tariffs to more realistic levels. Several factors have worked to moderate the inflationary impact of these changes. First, the authorities have been determined to adhere to fiscal and monetary targets. Secondly, the problem of serious food shortages in urban areas has generally been absent. Thirdly, for much of the economy price levels have already adjusted to the parallel exchange rate. The latter shows no discernable long-term trend, while the official exchange rate has been depreciating.

After a long period of deterioration, characterized by collapsing export revenues, reduced import capacity and increasing payment arreas, the balance of payments registered an improvement in 1986. Exports rose from US$ 277 million in 1985 (their lowest value since 1971) to an estimated US $ 348 million, and imports rose from US$ 999 million in 1985 to US$ 1050 million in 1986.

The latter figure is still short of the Government's minimum target level of US$ 1200 million, as expressed in the Minimum Import Programme (MIP) of the ERP. But with lower oil prices affording savings on the oil bill, the general availability of imported intermediate and consumer goods improved in the economy.

2.8 Foreign Debt Aspects

On a scheduled basis, debt servicing of Medium- and long-term loans is estimated to have been approximately US$ 300 million in 1986, but actual payments were substantially less than this, and arrears continued to build up in the first half of the year. In September 1986 creditor countries in the Paris Club agreed to reschedule outstanding principal and interest arrears of both medium- and short-term debt on favourable terms. Since then no new accumulation of arrears has been reported. Total external debt outstanding and disbursed at the end of 1986 is estimated to have been US $ 3,125 million of MLT loans and US$ 332 million of SLT. The comparable figures for the end of 1985 were US$ 2,988 million and US$ 600 million, respectively. Prior to rescheduling Tanzania's debt service ratio was close to 80%, greatly in excess of the country's capacity to make payments. Rescheduling has lowered the figures to around 60%.

Total external debt stood at almost US$ 4 billion at the end of 1986, or 92.5 per cent of GNP. In 1980, the IMF made further loans conditional upon economic reforms, but it was not until 1984 that the Government began to implement reforms that led to renewed IMF and World Bank support. Measures included devaluation and reduction of public expenditure and stimuli (*inter alia* higher producer prices) to the agricultural sector. Restructuring of parastatals, which includes major industries, is now being discussed.

2.9 Foreign aid

Tanzania has become increasingly reliant on offical aid for financing its development projects and for balance of payments support. In 1983-1984 net disbursements of official development assistance anmounted to 14.7 per cent of GNP, compared with 4.3 per cent in 1970-71. In 1985 Tanzania was the third largest recipient in sub-Saharan Africa of bilateral aid from the countries of the Development Assistance Committee.

Tanzania's main bilateral donors are the Scandinavian countries (39 per cent of gross disbursements from bilateral donors in 1985), the Netherlands (9.5 per cent) and Italy (9 per cent). Tanzania has been the largest recipient of aid from the Nordic countries and is one of the largest recipients of British aid. Both bilateral and multilateral (mainly World Bank and UN) assistance showed large falls in the early 1990s. Aid disbursements from DAC countries, multilateral institutions and OPEC members were $565.7 mn in 1985. Following agreement with the IMF, some $ 800 mn was pledged in 1986, thus nearly doubling donor commitments and reflecting increased confidence in the economy.

TABLE 1

The largest donors in the industrial sector are Sweden, Denmark, FRG, Norway and the EEC.

An IMF mission visited Tanzania in May 1988 for talks on a second structural adjustment facility (SAF). Discussions were also held over whether Tanzania should receive support under the IMF's new, enhanced structural adjustment facility (ESAF). ESAF finance is potentially available to the same low-income developing countries that are eligible for SAF lending.

The ESAF makes new resources totalling SDR 6 billion (US$ 7.8 billion) available on a similar basis to the existing SAF. Maximum access is to be 250 per cent of quota in most cases, which is equivalent to a ceiling of SDR 268 million (US$ 347 mn) for Tanzania. However, it is understood that, despite initial optimism over ESAF negotiations, much still needs to be resolved. In particular the IMF is concerned that the depreciation of the shilling has been slowed down since the beginning of the year. There is still a sizeable gap between the official rate (T. Shs. 107 = US$ 1 as of July 1988) and the parallel market rate (estimated at about T. Shs. 160 - 180 = US$ 1), although the gap has been reduced considerably since last year.

Many Tanzanian economists are concerned at the cost push inflationary pressures being generated by the shilling's depreciation, while the IMF agrees that the Government must go further in order to maintain and increase export competitiveness.

Most observers in the Washington institutions and donor agencies agree that the Government should press on with the maximum rate of depreciation possible, arguing that the cost push pressures of the resulting increase in import prices are not as intense as Tanzanian policy makers believe. The price increases resulting from devaluation have certainly been less than initially feared, because devaluation's first effects are to eat the profit margins of black market retailers who are not able to raise their prices proportionately. Overall consumer price inflation is reported to be running at about 25 per cent in 1988.

Aid Co-ordination in Tanzania takes place at different levels and with varied degrees of formality. The portfolio of the Ministry of Finance, Economic Affairs and Planning covers this function and it is supposed to constitute the focal point for external assistance flows. In the past, however, co-ordination has often been *ad hoc* and piloted by sector ministries. There has recently been a restructuring of the Ministry involving the upgrading of its Division of External Finance and Debt Management which has direct responsibility for aid co-ordination, with the appointment of a Deputy Principal Secretary as head. This important step is intended to create a more structured insititutional framework for action related to the quality, form, timeliness, monitoring and co-ordination of aid at a time when external flows to Tanzania have greatly increased due to the implementation of an Economic Recovery Programme (ERP) by the Government.

At the field donor level co-ordination of bilateral and multilateral assistance is enhanced through monthly informal meetings of donor missions based in Dar-es-Salaam alternatively chaired by the World Bank and UNDP Representatives. This forum, though informal, offers an opportunity for exchange of information to avoid to some degree the factor of duplication and achieve complementarity and effective use of aid resources.

In recognition of the need for donors to work in concert with each other within a coherent and realistic programme designed by Government, and accepting the larger role given to UNDP by the international community for orchestration of donor co-ordination at the request of the Government, formulation is far advanced for a project to strengthen the aid co-ordination function of the External Finance and Debt Management Division of the Ministry under the Fourth Country Programme, in consultation with donors and under the auspices of the Government of Tanzania.

3. The manufacturing sector

The manufacturing sector's decrease has been stronger than that of the economy as a whole. In 1975, industry accounted for 12.5 per cent of GDP; in 1984, the share was only 5.2 per cent. The downward trend continued in 1985, when output decreased by about 6.4 per cent.

Manufacturing employment has stablized around 100,000 since the late 1970s. Approximately one-fourth of the manufacturing labour force worked in small-scale enterprises, and another 150,000 persons are believed to be engaged in artisanal production. Small-scale industry is considered to be more efficient than large-scale: calculations based on data for the early 1980s show that their domestic resource cost (per unit of value added) was, on average, only 35 per cent of the domestic resource cost of industry as a whole. By 1981, value-added per worker was 15 per cent higher in small-scale then in large-scale industries.

The oldest of the larger manufacturing enterprises were in the agricultural processing sector (cigarette manufacture, meat canning, brewing, pyrethrum processing and cashewnut shelling) or provided agricultural inputs such as fertiliser and implements. Import substitutions production followed. Textile capacity was expanded very rapidly to abuot 150 mn m^2 in 1980. There are six large mills, all wholly- or partly-government owned. The National Textile Corporation (Texco) holds the government equity and the sector employed 19,500 people in 1983. Sugar refining and cement capacity also grew fast. The National Development Corporation steel mill at Tanga has a 25,000 tonne capacity for rods, angles and flats with new capacity to be commissioned and Alumina Africa has a 40,000 tonne rolling mill at Dar-es-Salaam and a 15,000 ton billet mill. Other non-derivative industries include radio assembly, detergent, paper and tyre manufacturing. The first motor assembly plant (for trucks) started production in 1982 and assembly of tractors followed in 1983, but plans for car and commerical vehicle assembly have been shelved.

The 1977-81 five year plan and the basic industries strategy put heavy emphasis on developing the manufacturing sector. The principal objectives were to process all agricultural commodities, provide for basic consumer needs and launch new industries to use other Tanzanian resources - coal, iron ore, phosphates, pulp and paper. The government has for a long time been seeking finance for an integrated steel plant using Tanzania's ore. This is seen as central finance for an integrated steel plant using Tanzania's ore. This is seen as central finance to its industrial strategy but external assistance has not been forthcoming. Other priorities included more balanced industrial development at centres other than Dar-es-Salaam, Tanga, Arusha and Mwanza. Foreign investment in mixed enterprises, especially in high technology and export industries, is welcome.

The sector is dominated by two branches: food and beverages and textiles and wearing apparel. Food and beverages accounted for 27.4 per cent of gross output, 23 per cent of MVA and 25.6 per cent of employment in 1985. Textiles and wearing apparel accounted for 20.9 per cent of gross output, 22.5 per cent of MVA and 33.4 per cent of employment. The only other significant group of industries is the metal products and machinery sub-sector, accounting for 15.3 per cent of output, and a similar MVA share in 1985.

Structural change has been very limited. The output and MVA shares of food and beverages decreased by some 2 per cent since 1978; this may be due solely to temporary raw material shortages. The output share of textiles has gone up by 4.7 per cent since 1978, and the MVA share by 3.2 per cent. The metal products and machinery sub-sector shows very little change; the MVA share of transport vehicles is an exception since it increased from 3.9 to 5.8 per cent in the 1975-1985 period. Although the total number of vehicles produced is as yet very limited, there would appear to be scope for expansion to serve regional markets.

Future growth in the sector will to a large extent depend on <u>economic recovery</u>, especially in the growth of the rural economy. Judging by their performance in recent years, small-scale industries would seem the most likely growers, especially in the food products, beverages and textile industries. The metal products and machinery industries could grow in a "supporting role", i.e. as providers of simple equipment, especially for the rural sector and the major growth industries indicated.

The 1981-86 five-year plan placed greater attention on agriculture. Many of the previously proposed industrial projects have now been shelved, and industrial policy in practice is targeted to raising output in priority sectors, particularly in the agro-industrial sector. The foreign exchange crisis contributed to delays in the completion of projects, including the hug TSh2 bn Mufundi pulp and paper project which was finally commissioned in 1985 after a two-year delay. However, an ammonia and urea plant to supply the fertiliser industry is planned for Kilwa. This will use natural gas from Songo Songo.

The continuing economic problems of the country have created a number of special problems for industry. Raw materials and spare parts, which have to be imported and paid for in scarce foreign currency, are insufficient. In the past investment has often been made on the basis of an inadequate assessment of the country's potential and needs. This has resulted in plants that are too large and capital-intensive. Power, water and road infrastructure are inadequate. In many industries, management and technological skills are in short supply. An overall result of the stagnation of the economy is low demand in what is potentially one of Africa's larger markets. The policy environment, finally, is responsible for some of the problems. A 1986 World Bank study, for example, shows that in most cases a clear relationship exists between high protection rates and low efficiency in industrial production.

3.1 <u>Location of industries</u>

For industrial decentralization purposes Tanzania has been divided into six industrial zones, with priority given to the development of the Lake, Central, South Western and South Eastern zones.

The bulk of industrial activity in Tanzania is still concentrated in and around Dar-es-Salaam, including most of the private sector industries, with the major companies located between the airport and the harbour and railway station (the Pugo Road industrial area). A rapid achievement of the regional diversification target is essential for increasing the domestic linkages of Tanzanian industry.

3.2 Ownership and Investment

At the time of independence (1966) most of the industrial units were privately owned. The newly independent Government adopted an industrial strategy based on encouraging private investors, particularly the African entrepreneur, to produce goods for the home market. In the First Five-Year Plan it was envisaged that 75 per cent of total industrial investment was to be financed by the private sector. However, private investments did not increase as planned.

With the adoption of the Arusha Declaration in 1967, ownership of major industrial units were shifted to the public sector. A number of enterprises were nationalized either entirely or to 60 per cent State ownership, and new public-owned industries were established. Although emphasis on industrial development was now placed on public investment, it was still recognized that the private industrial sector had a beneficial role to play. Investment in national industries, i.e., large- and medium-scale industries, should be controlled by the State, but private foreign invesment would be permitted in certain sectors, though only on the basis of joint ventures with a State enterprise. The foreign investors should mainly supply technology and management, while the financial resources mainly should be local.

Public enterprises are organized under manufacturing holding companies in so-called parastatals, which are defined as "commercial enterprises owned by the Government or with majority Government participation and run on commercial principles and whose accounts are not directly integrated with the government budget". Each holding corporation is responsible to a parent ministry and supervises a number of subsidiary companies. Usually these subsidiaries are producing units.

This organizational structure of the parastatals has created various major problems for the coordination of industrial planning. Changes have been made in the managerial/administrative systems by, among other things, issuing guidelines to parastatals defining the concepts of responsibility and authority and by simplified planning in parastatals.

In spite of the great emphasis on public ownership, and its subsequent increased production capacity and increasing share of MVA, the private sector accounts for almost two-thirds of MVA in 1979 (see Table). In 1974, a peak year, they accounted for 50 per cent of manufacturing exports.

Table 2

Value added in parastatal and private manufacturing enterprises, 1966-79 (selected years)
(percentages)

	1966	1970	1976	1979	Growth rates 1966 - 1979 (annual average)
Total manufacturing	100	100	100	100	4.9
Parastatal manufacturing	5	25.6	37.4	31.0	20.8
Private manufacturing	95	74.4	62.6	69.0	2.4

Source: World Bank, Economic Memorandum on Tanzania, Report No. 3086-Ta, 23 January 1981

Note: This source also gives a more detailed description of performance, organization and control of the parastatals.

In 1981, public sector manufacturing accounted for some 55 per cent of output and value added in enterprises with more than 10 workers. The tobacco, cement, and iron and steel industries are wholly Government-owned. Large-scale paper and textile production is also largely controlled by the Government. There is little public ownership in small-scale industry.

The private sector enterprises dominate in the manufacture of household metal products, assembly of electrical equipment and apparatus and motor vehicle bodies. In the chemical sector, public industries dominate the manufacture of tyres, fertilizers and pharmaceuticals. The private sector controls the manufacture of plastics, mosquito coils, pesticides, paints, soap and cosmetics and glass.

One area in which private enterprise is particularly encouraged is the small-scale sector. There is some evidence that the decline in medium- and large-scale enterprises in the late 1970s has been partly offset by increased production at the small-scale level.

Table 3

Small-scale industry in Tanzania, 1977/78 and 1980

	No. of establishments[a]	No. of persons employed	Value added TShs. million)
1977/78	4,000	52,000	850
1980	5,000	69,000	900

Source: Small Industries Development Organization, Summary of the Third Five-Year Plan for Development of Small-scale Industries in Tanzania,

[a] Around 2,000 crafts-based artisan enterprises, especially in handicrafts sector, are not included.

Out of the 5,000 units of small industries, approximately 2,000 are situated in Dar-es-Salaam and a great portion of the rest are concentrated in the northern and coastal industrial zones. The distribution of small-scale industries has been affected by urbanization and large-scale industrialization, general developments in the agrarian economy, proximity to rail and road transport, and availability of raw materials.

There are major constraints to the development of small-scale industry. one is financial assistance to small enterprises.

Another constraint is the structural organization of registered units. According to the law, assistance can only be provided by the Small Industries Development Organization (SIDO) to a co-operative unit, which will often comprise a number of persons. Thus many individuals must agree on the start-up of a new small enterprise which can be time-consuming. A re-establishment of regional co-operative unions is forthcoming. Guidelines and codes of conduct for the unions with regard to scope of operation, management system, funding and their relationships with existing organizations have been set up. SIDO also has an institution for small-scale management under preparation. An expansion of the small-scale industries would lead to a better regional distribution of manufacturing investment in Tanzania.

3.3 Trade in manufactures

The share of exports in gross manufacturing output declined from 13 per cent in 1977 to just over 7 per cent in 1981. The share of manufactures in total exports has remained at about 16 per cent over the period 1977-82. In 1980 the ratio of manufactures to total exports rose sharply to 28 per cent as a result of barter deals between Tanzania and other African countries. Rates of growth of primary and manufactured imports have been broadly similar in recent years.

Export support is provided to producers in the form of import duty rebates and credit facilities. Preferential access is accorded to exporters to part of their foreign exchange earnings. The major thrust of the new incentives is to link foreign exchange retention to a recently expanded list of goods available for import which would boost utilization of domestic industrial capacity back-up to 70-80 per cent.

Coffee is now the biggest single export item accounting for 30 per cent of export earnings. Cotton products, non-metallic mineral manufactures and tea are the main manufacturing exports. Textile exports declined sharply during the recessionary period.

During the 1970s manufactured imports tended to grow more rapidly than manufactured exports. Although the rate of growth has slackened somewhat since 1978, manufactures still account for about 65 per cent of total import expenditure. In 1970, the share had been as high as 80 per cent. Machinery and transport equipment take up almost 40 per cent ot total manufactured imports. During 1970-78 their share had been 50 per cent. Other major imports are petroleum products, various chemicals and food. Tanzania's industry imported some 70 per cent of its inputs in 1984, a figure that has doubled since 1973.

The main trading partners are the developed market economy countries. In 1983, they bought 74 per cent of Tanzanian exports and supplied over 80 per cent of her imports. The EEC accounts for 60 per cent of exports and two-thirds of imports. Developments of Tanzanian manufactured exports depend crucially on the European market and agreements with the EEC governments.

3.4 Policies directed towards the manufacturing sector

The economic strategy outlined in the Structural Adjustment Programme (SAP) provides the most detailed statement of the Government's intentions to deal with the current economic crisis. Despite the fact that the three-year period (1982-85) for which SAP was originally devised has elapsed, the major features of the policy outlined by this programme continued to determine the priorities and attitudes of the Tanzanian Government. SAP incorporates detailed proposals for revitalizing the industrial sector. The key Government body involved in industrial sector programming is the Ministry of Industry.

The objectives of the industrial sector component of the Structural Adjustment Programme were to:

- increase the domestic supply of basic consumer goods for the urban and rural sector and inputs for agriculture;
- reduce the import content of industrial production;
- generate a higher level of industrial exports;
- minimize demands on the balance of payments for the expansion of industrial capacity; and
- maximize revenue generating potential from new production units.

Priority in the allocation of foreign exchange to industry will be accorded to:

- the supply of certain basic amenity goods;
- ensuring a reasonable flow of incentive goods (such as bicycles, radios, etc.) to stimulate, inter alia, production;
- inputs and equipment for agriculture;
- the production of goods generating high sales and excise tax revenues (e.g. beer and cigarettes);
- the production of export goods.

Foreign exchange allocations will be made to ensure capacity utilization of the most efficient plants producing priority goods for the domestic market and/or goods for export. The overriding criteria for measuring efficiency will be:

- for the domestic market: the foreign exchange cost per unit of output compared to the cost of imports;
- for the export market: net foreign earnings.

Industries with surplus capacity or plants producing low priority goods will be closed down. Although a few large-scale projects are still be to completed, the focus of the Programme will be rehabilitation. Procedures, controls and incentives are to be reviewed, simplified and made more coherent. The industrial support infrastructure in Government agencies is to be strengthened.

4. Industrial regeneration issues

4.1 The macro-environment

The SAP clearly recognizes the priority of rehabilitation over setting up new factories. The Government has estimated the financial requirement at US$ 37.4 million. The industries to be rehabilitated are in the sub-sectors of food, beverages and tobacco; textile, clothing and leather; paper and printing; chemicals, rubber and plastics; cement and glass; metal products; and machinery. The textiles (US$ 15.8 million) and metal products (US$ 10.1 million) sub-sectors account for most of the planned expenditure. The rehabilitation programme, however, does not appear to be adequate.

First, no attempt was made to assess the longer-term economic viability of the industries to be rehabilitated. The figures for rehabilitation needs were based on estimates of each plant's management with regard to physical plant and equipment repair/replacement. The criterion of direct foreign-exchange saving was not consistently applied. Many of the selected enterprises are very inefficient and are not likely to become competitive in the foreseeable future.

Second, the intended allocations for rehabilitation were heavily biased towards large enterprises and parastatals. Many large parastatals are non-viable even under better general conditions, while there are many private small and medium enterprises which are quite efficient. The bias of the rehabilitation proposals is likely to accentuate the large inefficiencies in the allocation of resources.

Third, the actual figures for rehabilitation needs are questionable. The reliance on the firm's management for the estaimates inflates the need for physical inputs. More importantly, the concentration of rehabilitation proposals on improving physical equipment implies a very narrow definition of what needs to be done to restore existing plants to reasonable standards of operational efficiency.

Enterprises should have been provided not only with physical rehabilitation requirements, but also with the technical, organizational, managerial and training inputs needed for efficient operation. Overall rehabilitation needs should have been carefully assessed against the competing needs for recurrent inputs within industry, and against the overall resource requirements in other sectors. Furthermore, the nature and phasing of the rehabilitation programme should have been more closely integrated with the macro-economic, trade and industrial policy reforms; this would have provided potentially viable firms with incentives to rehabilitate, while discouraging others.

Although bilateral assistance under SAP helped to remove a number of bottlenecks (e.g. improving the performance of factories through provision of spare parts), the overall programme does not appear to have been successful. An evaluation, however, was not available at the time this paper was written.

Some of the above remarks apply to a UNIDO project to rehabilitate a sisal bag plant (UNIDO input: US $ 1,109,500). The plant was rehabilitated in 1979, but poor maintenance and shortage of spare parts soon resulted in equipment deterioration. The new project provides both technical rehabilitation plus improvements in maintenance and management procedures. Even so, a recent mission report, while underlining production growth, mentions power cuts and raw material shortages resulting from inconsistent sisal price policies as seriously inhibiting the plant's normal functioning.

Possibly as a result of the improving performance of the agricultural sector, international donors have recently backed rehabilitation programmes for cotton ginneries and the Tanzanian Fertilizer Company (TPC). The OPEC and the United Kingdom have pledged US$ 6-7 million and $6.9 million for the cotton ginneries (including pest control); TFC is to receive US$ 20 million from a group of donors. The World Bank will provide US$ 70 million soft loan to be implemented for meat processing, leather and textile industry subsectors.

4.2 Performance of the manufacturing sector

With regard to the performance of the ERP, the Minister for Finance, Economic Affairs and Planning, Mr. C.D. Msuya, expressed in his budget speech for 1988/89, which was delivered on 16 June 1988 as follows:

> "The result of implementing the ERP in the various sectors has been of mixed outturn, but the scarcity of foreign exchange being the principal constraint. In general, in those areas where foreign exchange was promptly availed and where policy measures for increased performance were duly taken signs of improvements have been recorded".

The Gross Domestic Product (GDP) grew by 3.9 per cent at 1976 prices, from Shs. 25,158.0 million in 1986 to Shs. 26,142.0 million in 1987. It is the second consecutive year whereby the GDP has been growing at a much higher rate than the 3.3 per cent annual population growth. This outcome has largely been due to output increases in the directly productive sectors especially agriculture (4.4%), manufacturing (4.2%), productive sectors especially transport (4.5%) and energy and water (7.5%). These are encouraging signs towards the emerging economic revival which emanate from the efforts to implementing the ERP fully in order to attain the Programme's 4.5 per cent annual GDP growth rate target between 1986 and 1987.

As already mentioned, the ERP objective in this sector is to increase capacity utilization to 60 per cent or more. Bearing in mind that the industrial sector depends very much on imported inputs and spare parts together with as well as reliable electric power and water supply, and transport; also noting that foreign exchange scarcity will still persist for a long time to come, the objective is to channel the available scarce foreign exchange resources towards a few but efficient industries producing key commodities. During 1987/88, industrial goods worth US$ 187.37 million, equal to 17 per cent of the total import bill, were imported. Out of this amount, US$ 97 million was procured in the form of import support.

Owing to the availability of foreign exchange for some industries, increased production of some industrial goods has been recorded. Textile production, for example, increased by 20 per cent between 1986 and 1987, rubber products by 49 per cent, cement by 15 per cent and hand hoes by 15 per cent. Moreover, the industrial sector is showing signs of recovery since, in contrast to the continuous declines in its GDP contribution since 1979, it registered a 4.2 per cent increase in 1987. In terms of foreign earnings, this sector earned US$ 75 million in 1987/88 as compared with US$ 43 million earned in 1986/87. Even then, this sector still suffers from problems related to shortage of raw materials and spare parts; unreliable power and water supply and transport. Consequently many industries still produced below their capacity levels.

4.3 Performance of Sub-sectors

The performance of major sub-sector industries for 1987 is as follows:

Iron Industries and Iron Goods

Iron goods output dropped from 11,289 tonnes in 1986 and 9,569 tonnes in 1987, being a deficit of 15%. This was caused by the unavailability of raw materials from outside the country. Production of iron sheets increased from 8,857 tonnes in 1986 to 16,561 tonnes in 1987. In addition, production of aluminium increased from 1,465 tonnes in 1986 to 2,659 tonnes in 1987, which was increased by 78.9%. The government has put emphasis on iron sheet and aluminium sub-sectors in the distribution of foreign exchange funds from their importance as "Motivational goods".

Chemical Industries:

The poor condition of the Tanga Fertilizer industry and shortage of raw materials affected production which fell by 59% from 47,032 tonnes in 1986 to 19,276 tonnes in 1987. Paint manufacturing increased by 43.1% due to availability of chemicals. Manufacture of the chemical pyrethrum rose from 40 tonnes in 1986 to 41 tonnes in 1987, being equal to an increase of 2.5 per cent. Manufacture of petroleum products made a slight improvement, increasing from 370,000 tonnes in 1986 to 372,000 tonnes in 1987 but continued to remain very low compared to the 604,000 tonnes recorded in 1984.

Cement

Cement manufacturing has been increasing annually from 247,000 tonnes in 1983 to 498,000 tonnes in 1987. There was an increase of 101.6 per cent in that period of five years, and an increase of 14.5 per cent between 1986 and 1987. This effectiveness and efficiency was brought about by the renovation and repair of the Dar-es-Salaam and Tanga factories, and the efforts to promote production in the Mbeya factory.

Textile Industries

In addition to the increase of textiles manufactured, some of the industries continued to be faced with the problems of shortages in power, water, spare parts and paints. Cloth output increased from 61.3 to 66.6 square metres, an increase of 7.6 per cent.

Food Processing, Beverage and Cigarrette Manufacturing

Beer output decreased from 65.2 m litres in 1986 to 58.8 m litres in 1987, a decrease of 9.8 per cent. Whereas beer requirements are increasingly rising, production is declining, the reason being the ageing of machinery at the Dar-es-Salaam and Arusha factories, and the intermittent water supply. The rehabilitation being carried out in these industries is not yet completed, and the construction of a new factory, at Mwanza, is at its planning stage.

Production of 'Konyagi' which declined to 682,000 litres in 1985, rose to 713,000 litres in 1986 and 809,000 litres in 1987, but it has not attained the performance of 1984 of 872,000 litres. Manufacturiung of other strong liquors, slightly declined from 951,000 litres in 1986 to 942,000 litres in 1987.

Cigarette manufacturing declined by 4.1 per cent due to shortage of raw materials which was in turn caused by the shortage of foreign exchange. The cigarettes produced in 1986 were 2,748 m compared to 2,635 m produced in 1987.

Tin beef processing increased from 109 tonnes in 1986 to 132 tonnes in 1987 after solving the problem of the shortage of cattle which faced the Tanganyika Packers. The Biscuit and Vermicelli manufacturing declined from 1,534 tonnes in 1986 to 1,411 tonnes in 1987. This decline of 8 per cent was caused by a shortage of wheat flour.

Packaging Industries

There is only one supplier producing glassware in Tanzania and the production of glass products is therefore a virtual monopoly. The machinery is old, but the production capacity is sufficient. Two new companies will start production in 1989.

Metal cans production is also monopolised. Limited capacity makes reliable supply to customers difficult. Product quality also makes the situation unsatisfactory.

The domestic production capacity, and in some instances the quality of the paper bag producers, is insufficient. There is a good market potential for increased production but new products as well as stronger qualities must be developed. Tea packed for export is mainly packed in multi-ply laminated bags or laminated paper bags inside folding cartons. This gives better mechanical and aroma protection. The domestic production for all types of plastic bags is low speed with much manual work. Today two full range corrugation producers are the main supplies in the market. Two converters, which are handgluing several layers of corrugated sheets together, have specialized in certain areas where high quality is needed. The present demand is low and therefore producers are running at less than 50 per cent of possible machine capacity. With growing industrial production, the need for corrugated boxes will increase. The low board quality makes it difficult to convert the material to folding cartons of acceptable quality and with attractive printing. Lack of equipment and know-how about colour separation makes it difficult or impossible for folding carton producers to reach high quality levels. Also lack of facilities to produce more complicated die-cutting forms is a problem.

Generally speaking, the following constraints concern the whole packaging industry:

- low volume and small market;
- raw materials supply;
- production quality;
- machine maintenance;
- packaging specification;
- lack of product development and
- missing packaging know-how and packaging design.

Small-scale Industries

The Small Industry Development Organization (SIDO) continued to implement the rural industries projects and the Industrial Estates. The problems in industrial raw materials persisted and affected overall efficiency. The trade liberalisation resulted in competitiveness which led to loss of market to some SIDO products within and outside the country.

Other Industries

The manufacture of fishing nets increased from 124 tonnes in 1986 to 160 tonnes in 1987, which is an increase of 23 per cent. Production of the carpet industries at Kilosa decreased to 61,000 square metres in 1987 which is equal to 65.6 per cent. Manufacture of sisal rope continued to be affected by the lack of sisal fibres and declined from 19,187 tonnes in 1986 to 13,326 tonnes (a 30.5 per cent decrease) in 1987.

The scarcity of raw materials needed for the manufacture of batteries (electric cells) and radios continued to hamper effectiveness and efficiency in this area. However, production improved from 50,000 in 1986 to 72,000 radios in 1987, equivalent to an increase of 44 per cent. The manufacture of electric cells declined slightly from 77 m cells in 1986 to 26 mn in 1987, a decline of 3.7 per cent.

4.4 UNIDO Programme of Assistance

Status of the Industry Sector in the Country Programme:

The 4th Country Programme for 1987 - 1991 was approved by the Governing Council in New York in February 1987 (Toptal amount US$ 54 mn). The overall objectives of the Country Programme are the same as those established for the objectives of the Country Programme are the same as those established for the ERP, namely:

(a) increased food and cash crop production;
(b) rehabilitation of the physical infrastructre;
(c) increased industrial capacity utilization; and
(d) restoration of internal and external balances in the economy.

In addition, the strengthening of planning and management in the productive sectors through designated focal points has been defined as a fifth objective of the programme to include:

(a) The Government's management capability at the national, regional and district levels, covering identification, formulation, planning, monitoring, evaluation and co-ordination functions;

(b) The technical capabilities at the sub-sectoral level in support of the implementation of Key Projects within the frame work of ERP.

The rationale for these two areas of concentration stems from the Government's responsibility to ensure that all managerial and technical processes be geared towards the successful implementation of ERP and of subsequent development programmes.

Five industrial projects which UNIDO identified were included in the Country Programme as follows:

- Production of Livestock Vaccine (DP/URT/86/023)
- Industrial Manpower Development (DP/URT/86/024)
- Strengthening the Ministry of Industries and Trade, Zanzibar (DP/URT/86/025)
- Essential Oils, Zanzibar (DP/URT/86/026
- Assistance for Strengthening the Industrial Management Capabilities (DP/URT/86/027)

Two out of the above five projects have been dropped out of IPF projects. Livestock Vaccine was forwarded to the next cycle of Country Programme after a PDF mission studied the point that the infrastructure for distribution of (cold chain) and utilization (veterinary services) of vaccines was not in place. A World Bank/FAO project is meant to put these in place.

Project DP/URT.86/025 was dropped from IPF projects after reprioritization of IPF projects. The reprioritization was carried out by the Government in consultation with UNDP Dar-es-Salaam office. The SIDFA office emphasised that the projects included in the Country Programme should be given a higher priority. However, the result was negative. It should be noted that the Government (Treasury) did not contact the Government of Zanzibar in the reprioritizing exercise. Although the project itself was dropped out from IPF fund projects, there will be a possibility to implement part of the project components during the current cycle of Country Programme.

Unido's Approved and/or Operational Technical Co-operation Projects
(approved = PAD issued)

United Republic of Tanzania

Backstopping Responsibility	All.Acc.Code	Project Number	Project Title
IO/IIS/INFR Mr. Pavlik	J12101	DP/URT/81/037*	Establishment of the Tanzania Industrial Research and Development Organization (TIRDO) (phase II) (multifund to SM/URT/81/037
IO/IIS/INFR Mr. Zerezghi	J12105	DP/URT/81/038*	Assistance to the industrial estate in Zanzibar
IO/IIS/IMR Mr. Farah	J12208	DP/URT/86/027	Assistance for strengthening the industrial management capabilities
IO/IIS/IMR Mr. Bassili	J12209	XA/URT/88/667*	Establishment of furniture/joinery and schools exercise book workshops: co-operation between Turkey and Tanzania.
IO/T/AGRO Mr. Eräneva	J13102	DP/URT/78/018**	Strengthening of the National Textile Corporation (TEXCO)
IO/T/AGRO Mr. Eräneva	J13102	US/URT/85/229**	Production of sisal bags - assistance in production management and machinery maintenance.
IO/T/AGRO Mr. Berg	J13104	IW/URT/82/W02	Establishment of a leather goods unit, Isanga, Mbeya.
IO/T/MET Mr. Buckle	J13209	DP/URT/80/022*	Establishment of a Small Industries Development Organization (SIDO) foundry with integrated mechanical workshops.

(contd. p. 37)

IO/T/CHEM/PH Ms. Quintero de Herglotz	J131422	DP/URT/77/013*	Assistance in the establishment of a pharmaceutical plant in Zanzibar.
IO/T/CHEM/PH Mr. Wijesekera	J1322	DP/URT/81/026*	Assistance for the production of plant derived pharmaceuticals
IO/T/CHEM Mr. Sugavanam	J13426	SI/URT/86/875	Expert assistance for the establishment of a pesticide pilot plant under a soft loan advance from the Italian Government.

* Large-scale project (= total allotment $150,000 or above)

** Total allotment $1 million or above

4.5 Rehabilitation study projects identified during the preparatory mission

During the December 1988 preparatory mission for the present project, a number of plants were suggested by Tanzanian authorities as candidates for in-depth UNIDO rehabilitation studies. The criteria established for the final choice, to be made by the full mission were:

1. The plant should have a potential for rehabilitation (The plant should not require totally new investment).

2. The plant should be attractive to outisde investors (European, US, etc.

3. The plant must be in a strategic industry.

4. The plant should be largely Tanzanian owned. If not, the plant must be able to give a good demonstration effect to Tanzanian entrepreneurs. That is, Tanzanians should be ab' to learn from the management and performance of this plant to some significant degree.

5. The plant should use or have the potential to use domestically based raw materials or resources.

6. The plant should exhibit significant backward linkages to agriculture and forward linkages to other important industries/sectors.

7. At least one of the four plants chosen should be in the private sector.

8. The plant should have the potential to save foreign exchange and reduce import dependence.

__List of candidate plants presented__
__by the Ministry of Industry and Trade__

1. Tanzania Breweries, Ltd.
2. Tanzania Distilleries, Ltd.
3. Tanzania Cigarrette Co.
4. Pan African Enterprise.
5. Palray Ltd.
6. Twico Group
7. Paper Products
8. Twiga Paper Ind.
9. Mifuko Ltd.
10. Metal Box (EA) Ltd.
11. Tanzania Tin Products
12. Tanganyika Tegry Plastic
13. Simba Plastic
14. Tanzania Fishnet Industries

On the basis of information obtained on these enterprises during the preparatory mission the list was narrowed down and included the following plants:

1. Tanzania Breweries, Ltd.
2. Paper Products
3. Twiga Paper Ind.
4. Mifuko Ltd.
5. Metal Box (EA) Ltd.
6. Tanzania Tin Products
7. Tanganyika Tegry Plastic
8. Simba Plastic
9. Tanzania Fishnet Industries

It must be stressed that the above list is based on information obtained through interviews which may well be faulty and subjective. The final selection of plants, therefore, must await the latest information which has been requested from the Ministry of Industry and Trade. They have been asked to pass on 2-3 page summaries of the selected plants' histories and any additional information to UNIDO.

ANNEX

- Statistical tables
- Selected references

TABLE 1

Trend of Gross Domestic Product at Factor Cost
(TSh mn)

	1980	1981	1982	1983	1984	1985a
GDP						
At current prices	38,657	45,193	54,845	60,702	69,500	...
At constant (1976 prices)	12,217	12,013	12,248	12,177	12,579	12,875
Real increase (%)	3.1	-1.7	2.0	-0.6	3.3	2.3
GDP per caput (TSh)						
At current prices	2,134	2,404	2,857	3,066	3,390	...
At constant (1976 prices)	675	639	638	615	614	606
Real increase (%)	...	-5.3	-0.2	-3.6	-	-1.3

a EIU estimates.

Source: Bank of Tanzania.

TABLE 2

Gross Domestic Product at Factor Cost by Industrial Origin
(TSh mn, at constant 1976 prices)

	1982	1983	1984	% change 1984/83
Agriculture	5,570	5,620	5,773	2.7
Mining & quarrying	97	91	93	2.2
Manufacturing	741	676	586	13.3
Electricity & water	214	210	223	6.2
Construction	465	313	294	-6.1
Commerce	1,239	1,234	1,227	-0.6
Transport	847	738	822	11.4
Finance & other services	1,008	1,026	1,055	2.8

TABLE 3

Gross Domestic Product at Factor Cost by Industrial Origin
(TSh mn, at constant 1976 prices)

	1982	1983	1984	% change 1984/83
Public administration & defence	2,067	2,269	2,416	6.5
GDP at factor cost	12,248	12,177	12,489a	2.6

a Figure revised in table above.

Source: Bank of Tanzania.

TABLE 3

Expenditure on GDP at Current Market Prices
(TSh mn)

	1982	1983	1984	% of total 1985[a]
Public consumption	7,046	7,751	9,224	12.2
Private consumption	47,108	52,443	62,355	82.4
Gross fixed capital formation	10,825	8,850	8,947	11.8
Increase in stocks	1,410	2,218	2,035	2.7
Exports of goods & services	4,829	5,759	6,322	8.3
Less: imports of goods & services	-10,710	-11,043	-13,225	-17.5
Total	60,508	65,976	75,658	100.0

Source: IMF, International Financial Statistics.

TABLE 4

Capital Formation
(TSh mn)

	1980	1981	1982	1983	1984
Central government	2,542	2,592	2,337	2,056	2,310
Parastatals	1,543	1,680	1,804	2,004	2,252
Other government	18	88	72	71	73
Total public sector	4,103	4,360	4,213	4,131	4,635
Total private sector	3,262	4,311	4,194	3,414	3,710
Increase in stocks	583	614	200	170	195
Non-monetary	538	623	720	837	856
Total capital formation	8,486	9,908	9,327	8,552	9,396

Source: Economic Surveys (Government Printer).

TABLE 6

Consumer Price Indices
(1970=100)

	1980	1981	1982	1983	1984	1985	1986	% change 1986/85
All items	369.5	464.2	598.6	760.4	1,035.3	1,437.5	2,567	78.6
Food	425.3	525.3	697.4	887.2	1,222.2	1,697.0	3,142	85.2

Sources: UN Bulletin of Statistics; Government Estimates.

TABLE 7

Wage Earnings
(TSh)

	1980	1981	1982	1983	1984a	1985a
Minimum monthly wage	480	600	600	600	810	810
Average monthly wage	768	827	691	1,275	1,500	1,666
Agriculture	422	456	491	529	622	691
Manufacturing	792	850	916	984	1,158	1,286
Construction	579	615	662	703	827	973
Transport	1,113	1,289	1,389	1,529	1,661	1,846
Commerce	920	1,023	1,182	1,231	1,448	1,609
Government	740	799	663	932	1,035	1,176

a EIU estimates.

Source: Bureau of Statistics.

TABLE 8

Wage Employment by Sector
('000)

	Employment					% share	% change
	1974	1979	1980	1981	1982	1982	1982/74
Agriculture	124.0	128.0	130.1	119.5	137.1	20.3	10.6
Mining & quarrying	4.8	5.9	5.9	6.6	7.4	1.1	54.2
Manufacturing	64.9	107.1	105.8	104.3	120.9	17.9	86.3
Utilities	16.1	19.8	19.5	24.0	22.3	3.3	38.5
Construction	72.8	50.6	48.7	45.6	52.7	7.8	-27.6
Commerce	25.3	40.0	38.1	34.6	39.8	5.9	57.3
Transport & communications	45.2	55.5	58.3	52.2	62.8	9.3	38.9
Finance	7.4	12.3	13.9	17.5	16.2	2.4	118.9
Services	123.7	177.7	182.0	209.4	216.1	32.0	74.7
Total	484.2	596.9	602.3	613.7	675.3	100.0	39.5

Source: Economic Survey 1982.

TABLE 9

Principal Food Crops

	Area harvested ('000 ha)			
	1979-81	1983	1984	1985[a]
Maize	1,350	1,350[b]	1,350[a]	1,750
Rice, paddy	267	314	389	350
Wheat	57	56	59	60
Millet	450	237	330[a]	360
Sorghum	713	881	500	800
Cereals total[c]	2,840	2,841	3,031	3,324
	Yield (kg/ha)			
	1979-81	1983	1984	1985
Maize	1,216	1,010	1,108	1,196
Rice, paddy	1,497	1,303	1,315	1,220
Wheat	1,402	1,263	1,220	1,383
Millet	789	869	810	833
Sorghum	730	901	984	905

a FAO estimate. b Unofficial estimate. c Including a small barley crop.

TABLE 10

Imports of Cereals
('000 tons)

	1981/82	1982/83	1983/84	1984/85
Maize	231.7	122.7	228.5	...
Rice	66.6	29.4	58.8	...
Wheat	50.1	9.4	39.0	...
Total	348.4	161.5	326.3	179.8

Source: Ministry of Agriculture.

TABLE 11

Production of Cash Crops (mainland only)
('000 tons, crop years)

	1981/82	1982/83	1983/84	1984/85	1985/86[a]	1986/87[b]
Coffee	54.8	53.8	48.6	45.7	55.0	49
Cotton	44.2	42.8	47.0	47.6	53.0	65
Sisal	73.7	60.8	46.2	55.6	40.0	35
Tea	15.5	17.5	15.0	17.0	17.2	...
Tobacco	13.6	13.6	11.0	14.0	17.1	...
Pyrethrum	1.9	1.6	1.2	1.6	1.6	...
Cashewnuts	44.2	32.5	47.0	50.0	42.0	...

a Estimates. b Projected.

Sources: Budget speeches; Bank of Tanzania.

TABLE 12

Production of Selected Industries
(tons unless otherwise stated)

	1980	1981	1982	1983[a]	1984[a]
Cement ('000 tons)	286	393	334	380	390
Textiles (mn m^2)	93,123	96,133	86,275	59,656	62,750
Cigarettes (mn)	4,735	3,865	4,693	3,841	5,786
Beer ('000 litres)	63.8	64.3	64.2	69.0	70.0
Canned meat	1,078.0	736.0	333.0	176.3	412.0
Petroleum products	617,349	521,325	502,125	573,100	595,121
Iron sheets	17,322	10,105	16,044	16,044	16,500
Rolled steel	18,144	16,473	12,104	12,104	12,670
Fertiliser	50,852	69,029	13.662	31,211	32,715
Sisal products	31,616	13,246	20,595	17,320	17,800
Aluminium products	4,460	3,132	3,031	3,031	3,496
Paints ('000 litres)	1,364	1,474	1,139	713	892
Wood products (mn m^3)	874	712	770	432	576
Radios ('000)	223	155	110	48	62
Batteries (dry, '000)	79,248	78,006	73,227	47,385	60,476

a Estimates.

Source: Bank of Tanzania.

TABLE 13

Capacity utilization in selected industries, 1976 and 1982

Product	Unit	Capacity 1976	Capacity 1982	Production 1976	Production 1982	Capacity Utilization (percentage) 1976	Capacity Utilization (percentage) 1982
Textiles	Metres (million)	90.0	200.0	75.0	74.5	83	41
Cement	Tons ('000)	340.0	1,020.0	244.5	368.9	72	28
Beer	Cases (million)	6.3	9.1	5.3	5.1	84	56
Cigarettes	Number (billion)	4.8	5.9	3.7	4.7	77	80
Paints	Litres (million)	5.0	10.3	3.2	1.4	63	13
Fertilizers	Tons ('000)	105.0	134.0	41.6	13.7	40	10
Shoes	Pairs (million)	6.0	14.0	4.0	2.9	67	21
Tyres and tubes	Number ('000)	438.0	538.0	375.0	286.0	86	53
Bicycles	Number ('000)	...	150.0	...	3.7	...	2
Leather	Sq. feet (million)	11.8	32.5	7.8	10.4	66	32
Hoes/ploughs	Tons ('000)	2.0	3.0	1.7	1.6	84	53
Corrugated iron sheets	Number ('000)	52.0	34.0	30.0	16.0	58	47
Blankets	Number (million)	6.0	6.0	0.86	0.73	14	12
Garments	Number (million)	...	1.5	...	0.38	...	25
Dry cell batteries	Number (million)	96.0	96.0	54.8	73.1	57	76
Iron	Tons ('000)	30.0	30.0	12.2	12.8	41	43
Bags	Number (million)	10.0	10.0	3.7	3.5	37	35
Sugar	Tons ('000)	115.0	195.0	...	103.3	...	53
Containers	Number (million)	63.5	196.0	76.7	68.4	121	35

Source: Ministry of Industries.

TABLE 14

Trend of External Trade
(TSh mn)

	1978	1979	1980	1981	1982	1983	1984	1985
Exports, fob	3,669	4,096	4,192	4,706	4,144	4,138	5,761	4,960
Imports, cif	8,798	9,073	10,308	9,739	10,499	8,877	12,956	17,962
Balance	-5,129	-4,977	-6,116	-5,033	-6,355	-4,739	-7,195	-13,002

Source: IMF, International Financial Statistics.

TABLE 15

Major Exports: Unit Value Index
(1976=100)

	1980	1981	1982	1983	1984	1985
Coffee	122	105	102	129	192	159
Cotton	114	131	121	156	234	150
Sisal	218	204	185	228	231	250
Tea	122	104	129	130	279	...

TABLE 16

Central Government Revenue and Expenditure
(TSh mn)

	1984/85		1985/86		1986/87
	Estimates	Actual	Estimates	Actual	Estimates
Recurrent budget					
Revenue from taxation	15,028	18,000	19,912	22,156	33,616
Expenditure	18,119	20,674	23,360	25,904	39,736
Development budget					
Revenue	6,560	6,057	5,076	5,000	19,476
of which: external	3,015	...	3,426	3,200	17,333
Expenditure	6,560	7,383	6,828	6,862	15,860
Total expenditure	24,679	28,057	30,188	32,766	55,596
Total revenue	21,588	24,057	24,988	27,156	53,092
Budget deficit	3,091	4,000	5,200	5,610	2,504

Sources: Economic Surveys; budget speeches.

TABLE 17

Major Exports: Unit Value Index
(1976=100)

	1980	1981	1982	1983	1984	1985
Tobacco	75	84	104	142	141	...
Cashewnuts	336	574	270	349	895	...
Cloves	181	165	197	235	257	...

Source: Ministry of Planning and Economic Affairs.

TABLE 18

Terms of Trade

	1972	1977	1979	1980	1981	1982	1983	1984	1985
Terms of trade (1980=100)	104	143	106	100	88	88	91	95	92
Purchasing power of exports (1980=100)	224	186	129	100	113	90	77	82[a]	85[a]

a EIU estimates.

Source: Unctad, World Bank.

TABLE 19

Main Commodities Traded, 1984[a]

Exports	TSh mn	%	Imports	TSh mn	%
Coffee	2,216	39.1	Machinery & equipment	3,843	32.1
Cotton	713	12.6	Mineral fuels	2,404	20.1
Cashewnuts	439	7.7	Manufactured goods	2,115	17.7
Tea	330	5.8	Chemicals	1,561	13.1
Sisal	146	2.6	Food	1,111	9.3
Cloves	136	2.4	Total, incl others	11,953	100.0
Tobacco	110	1.9			
Diamonds	71	1.2			
Total, incl others	5,661	100.0			

a Provisional.

Source: Ministry of Planning and Economics.

TABLE 20

Main Trading Partners
(% of total value)

Exports to:	1984	1985	Imports from:	1984	1985
West Germany	21.9	23.5	UK	11.8	13.2
UK	14.3	16.8	Japan	10.0	9.4
Indonesia	...	6.9	Italy	8.0	9.4
Singapore	2.1	6.4	West Germany	10.8	9.3
Netherlands	5.7	6.1	Iran	8.6	7.3
Finland	3.3	4.9	Netherlands	4.8	3.6
Italy	6.4	4.7	USA	3.7	3.5
Japan	4.6	3.8	Sweden	3.4	3.4
Belgium	1.4	2.4	Saudi Arabia	0.7	3.4
USA	3.1	1.8	Belgium	4.2	3.1

Source: IMF, Direction of Trade Statistics.

TABLE 21

Balance of Payments
($ mn)

	1981	1982	1983	1984	1985[a]	1986[a]
Net foreign assets (- indicates increase)	-18.5	18.5	-26.3	19.0	...	...
Payments arrears	4.6	164.2	214.7	219.4	...	...

a Provisional estimates. b Includes direct and portfolio investment and amortisation. c Mainly suppliers' credits. d Mainly SDR allocation.

Sources: 1986 budget speeches; Bank of Tanzania.

Balance of Payments
($ mn)

	1981	1982	1983	1984	1985[a]	1986[a]
Exports (fob)	563.4	413.0	380.0	368.0	330.0	430
Imports (cif)	1,173.6	1,094.6	819.0	839.0	942.0	1,080
Trade balance	-610.2	-681.6	-439.0	-471.0	-612.0	-650
Services (net)	70.0	39.0	22.2	12.0	20.0	...
Official transfers (net)	107.5	93.7	84.4	96.5	104.5	...
Private transfers (net)	22.5	25.4	18.9	62.1	60.0	...
Current account balance	-410.2	-523.5	-313.5	-300.4	-427.5	-450
Long term capital (net)[b]	179.9	240.5	134.0	123.7	96.0	...
Short term capital (net)[c]	100.7	57.6	101.8	109.8	-32.0	...
Capital account balance	280.6	298.1	235.8	233.5	64.0	...
Errors & omissions	34.8	-48.9	-171.3	-182.5	-115.5	...
Counterpart items[d]	6.0	...	...	...	...	...
Exceptional financing	111.9	91.7	60.6	49.0	100.0	...
Overall balance	23.1	-182.6	-188.4	-200.4	-379.0	...
Foreign exchange reserves (- indicates increase)	-23.1	182.6	188.4	200.4	379.0	...

TABLE 22

Private Sector Investment (Net)

	1981	1982	1983	1984
Direct investment	18.9	17.3	1.5	-3.7
Portfolio investment	3.7	4.7	0.6	-

Source: OECD.

TABLE 23

Foreign debt

At the end of 1985 external debt totalled $3.61 bn, of which $2.99 bn was long term debt. Total disbursed public external debt was $2.76 bn. Total external debt was equivalent to 63 per cent of GNP. Tanzania's precarious external situation makes any more large commercial loans unlikely and arrears on trade credits have built up in recent years.

Total External Debt
($ mn)

	1980	1981	1982	1983	1984	1985
Total external debt	2,544.1	2,664.5	2,926.4	3,217.6	3,395.8	3,609.1
Long term debt	2,121.9	2,269.9	2,443.3	2,719.9	2,818.2	2,988.0
of which:						
public & publicly guaranteed	2,041.9	2,209.9	2,383.3	2,662.3	2,757.6	2,981.7
private non-guaranteed	80.0	60.0	60.0	57.6	60.6	6.3

Total External Debt
($ mn)

	1980	1981	1982	1983	1984	1985
Use of IMF credit	119.2	98.6	81.1	50.7	23.6	21.1
purchases	52.1	18.7	-	-	-	-
repurchases	32.5	32.9	12.3	26.8	25.0	4.9
Short term credit	303.0	296.0	402.0	447.0	554.0	600.0
Total external debt as % of GNP	48.4	43.6	45.1	54.5	68.8	63.0

Source: World Bank, World Debt Tables.

TABLE [illegible]4

Public External Debt[a]
($ mn)

	1981	1982	1983	1984	1985
Total, incl undisbursed	3,169.1	3,20[illegible].3	3,473.7	3,371.2	3,534.3
Disbursed only	2,209.9	2,383.3	2,662.3	2,757.6	2,981.7
of which:					
official creditors	1,750.0	1,896.5	2,155.5	2,257.7	2,981.7
multilateral	693.4	807.4	869.5	1,006.8	1,065.4
bilateral	1,056.6	1,062.1	1,259.0	1,250.1	1,346.3
private creditors	459.9	513.8	506.8	499.9	570.1
suppliers	207.8	202.3	207.4	209.7	242.3
financial markets	250.8	310.6	298.9	290.0	327.6
Debt service	73.8	63.1	60.4	68.7	61.1
of which:					
principal	41.3	29.1	30.5	39.7	40.0
interest	32.5	34.0	29.9	29.0	21.2
Debt service ratio (%)[b]	8.1	...	...	...	...
Disbursed debt/GNP (%)	36.1	36.7	45.1	55.9	52.0
Concessional loans share of disbursed debt (%)	64.9	63.7	61.7	59.4	58.9
Variable interest rate loans share of disbursed debt (%)	0.3	0.2	0.1	0.1	0.1

a Long term debt (maturity over one year), including publicly guaranteed private debt. b Public external debt service as percentage of exports of goods and services.

Source: World Bank, World Debt Tables.

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