Briefing Paper

Time for a New Sustainable Industrial Development Policy in Tanzania

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Summary

Developed in 1996 when the effects of climate change were yet to be felt, Tanzania's SIDP has now become out of sync with the urgent need for synergising agro-processing development with climate, trade and food security interventions. This Briefing Paper argues that the SIDP review set for 2020 should be seen as an opportunity to take up such synergies right from the design phase. In particular, it suggests concrete interventions in the areas of climate change, food security and trade which should be considered in the SIDP revision.

Background

Industrialisation has been at the centre stage of the country's efforts towards competitive economic growth since Tanzania gained independence in 1961. The country's post-independence leadership regarded industry as an important means to transform the Tanzanian society and lessen its dependence on donor-funded budget. The country's industrial sector is comprised of manufacturing (53%), processing (43%) and assembling industries (4%).

Tanzania's economy is dependent on agriculture, which employs about 75% of the workforce and it is the main supplier of raw materials for the manufacturing industry. The manufacturing sector is driven by agro-processing, mainly food processing (24%), textiles and clothing (10%), chemicals (8.5%), and others. Undoubtedly, agro-processing industries are key to the Tanzanian economy, including for employment and income creation, driving production and productivity in agriculture, providing markets for agricultural outputs and employment to other sectors (Isinika and Kipene, 2016).

Since the mid-1960s, government interventions towards promoting industrialisation have been characterised by shifts in roles of the state and private sector, with mixed results as the country experienced a period of deindustrialisation. By 1990, twenty-two out of twenty-four textile factories had closed.[1] The industrialization agenda was rekindled from the mid-1990s with the formulation of the Sustainable Industrial Development Policy (SIDP, 1996-2020), and later the Integrated Industrial Development Strategy (IIDS, 2011), which aimed to boost manufacturing through placing greater emphasis on production of substitutes for already imported goods.

Developed in 1996 when the effects of climate change were yet to be felt, Tanzania's SIDP has however become out of sync with the urgent need for synergising agro-processing development with climate, trade and food security interventions. This Briefing Paper argues that the SIDP review set for 2020 should be seen as an opportunity to take up such synergies right from the design phase. In particular, it suggests concrete interventions in the areas of climate change, food security and trade which should be considered in the SIDP revision.

Overview of Tanzania's Sustainable Industrial Development Policy

In 1996, a twenty-five-year Sustainable Industrial Development Policy for Tanzania (SIDP, 2020) began to be implemented with the aim of enhancing sustainable development of the industrial sector, including trough import-substitution, in order to boost employment, economic transformation, equitable development and exports. The private sector was recognised as the main vehicle for direct investment in the sector, while the government would provide an enabling environment.

In 2011, the Integrated Industrial Development Strategy (IIDS) 2025 was also adopted to support the SIDP efforts towards sustainable industrial development. The IIDS envisages a gateway port improvement for the region and the promotion of Economic Development Zones (EDZs) for growth and infrastructure development. It also articulates an industrial village concept whereby opportunities are created for the growth of micro- and small enterprises. The strategy targeted six sub-sectors: agro-processing, textiles, leather, fertilizer and

[1] Msami, J., & Wangwe, S.(2016-07-28). Industrial Development in Tanzania. In Manufacturing Transformation: Comparative Studies of Industrial Development in Africa and Emerging Asia. : Oxford University Press.

chemicals, light machinery, and iron and steel.

The First Five Year Development Plan (FYNDP I, 2011-2016) focuses on unleashing the growth potentials by investing in infrastructure and removal of other constraints to growth. Later, the Second Five Year Plan (FYNDP II, 2016-2021) is slated to focus on industrialisation. The current industrialization strategy is based on a conceptual framework, which emulates the development and utilisation of productive capacity as a central concern of structural transformation in an environment of widespread poverty and lower levels of human development.

Missing Synergies with Climate, Food and Trade

Apart from the above-mentionned main policy framework, a number of other policies have taken up important aspects of agro-processing development such as the Cooperative Development Policy (CDP), Small and Medium Enterprises Development Policy (SMEDP), Agricultural Marketing Policy (AMP, 2008), Cotton-to-Clothing Strategy 2016-2020, Leather Sector Development Strategy 2016-2020, and Value Chain Roadmap For Pulses 2016-2020.

In addition, agro-processing may be impacted by interventions planned in existing policies on cross-cutting issues of climate change, trade and food security. These include the National Environment Policy, 1997; National Climate Change Strategy, 2012; Climate-SMART Agriculture Guideline, 2017; Agricultural Sector Development Policy, 2006; National Trade Policy, 2003; National Export Strategy 2010-2014; and National Strategy for Gender Development.

Since the revised SIDP will become the main framework for sustainable industrial development, relevant provisions from the above-mentionned policies should be synergised in the SIDP revision, while including aspects that were missed at the interplay of agro-processing with these cross-cutting issues.

Climate change

Although the SIDP was started in mid-1990s when environmental issues were not alarming, the policy shows considerable commitment to ensure that industrial development is environmentally friendly and ecologically sustainable. What is missing however is the direct link between agro-processing and climate change. Although the policy emphasises that agro-processing is critical for human and industrial development, it does not explicitly link these issues together and take specific inter-sectoral measures.

Interestingly however, Tanzania's FYDP II does recognise that agriculture is vulnerable to the whims of nature (FYDP II, 2016, p8), and even provides for strategic interventions such as emission reduction, formulating environmentally-sustainable policies, and enforcing environmental impact assessment. For agricultural value chain, the plan also aims at mitigating and adapting to climate change including by supporting research programs to improve and develop new technologies, quality seeds, pest control and agronomic practices, irrigation measures, information collection and dissemination for early warning etc. However, no such intervention is specifically tailored to agro-processing, and the plan's mitigation measures miss out on land, forest and waste management.

The SIDP revision should integrate the above relevant climate aspects so as to effectively guide sustainable industrial development, as well as take into account the missing mitigation measures.

Trade

Back in 1996, the SIDP policy had envisaged the

formulation of Tanzania's new trade policy towards promoting export development. Strategies were planned in the areas of transit goods, border trade, import management, internal marketing and distribution, fair trade practices, business licensing, standards and quality assurance among other measures. While other strategies envisaged developing supporting infrastructure such as power supply, water, communication, transport and roads, several of them are yet to be implemented.

Moreover, no trade intervention was expressly tailored to agro-industry. Such specificity would have allowed developing actionable projects with specific goals geared towards agro-processing development.

More recently, the NFYDP II acknowledged that industrialisation and trade are two sides of the same coin and promote one another. While the plan outlines areas such as value addition through processing and fostering effective trade-induced industrialisation, such provisions however remain rather broad. More detailed interventions would have beed desirable in areas such as the role of agro-processing in promoting trade competitiveness, enhancing access to markets, and improving product quality among others.

Some trade-related interventions relevant to agro-processing are also featured in the IIDS, such as the development of Corridors for Growth and Special Economic Zones, reduction of transport costs and promotion of urban-rural linkages.

Food security

The current SIDP anticipates to promote human development through improving availability of some basic goods through agro-processing industries, thereby implicitly referring to food security. Yet, the SIDP does not outline any specific strategies to ensure agro-processing is food security-enhancing. Indeed, without more strategic planning, agro-processing may in fact pose threats to food security if mainly meant for export or focused on processing non-food and intermediate goods. Issues of availability, accessibility, affordability and linkages between processing and consuming zones of food should be considered carefully.

Similarly in both the IIDS and FYNDP II, while general statements are concerned with food security, no actionable strategic interventions are detailed towards ensuring food security through agro-processing. Such interventions could have focused on the potential of agro-processing in terms of food conservation, cost reduction, better food affordability through higher household incomes from value addition etc.

Making SIDP Revision climate-aware, trade-driven and food security-enhancing

In light of the above discussion, the revision of the SIDP should take into account the identified missing linkages of previous industrial policies with climate change, trade and food security. Besides these, this section recommends a number of other interventions to be considered in the SIDP revision in order to promote a more climate-aware, trade-driven and food security-enhancing agro-processing development.

Recommendations for climate-aware agro-processing industries

1 Promote sustainable energy use in agro-processing industries

Strengthen research and development of sustainable energy and design programs and actions to aim at clean energy supply to agro-processing industries. Responsible institutions would include the Ministry

of Industries, Trade and Investment, the Ministry of Iinfrastructure and Communications, and national energy supply agencies.

2 Promote early warning systems

Strengthen weather forecasting and information dissemination capability, including through a dedicated weather emergency agency to ensure rescue coordination. This should be primarily led by the Ministry of Agriculture, Livestock and Fisheries (MOALF) and the Vice President office (VPO) Department of Environment, with the involvement of the Meteorology agency.

3 Control for emissions from agro-processing industries

Establish laws and regulations to combat environmental degradation, provide for inspection of agro-processing sewage systems, and encourage the use of clean energy in manufacturing. Key institutions involved should include the VPO Department of Environment, MITI and MOALF which are the gencies responsible for agro-industries' oversight.

Towards trade-driven agro-processing: Priority interventions

1 Improve rural-urban linkages through development of infrastructure

Improve roads, railway and air infrastructure for rural-urban linkages, while reducing trade obligations, inspections and bureaucratic procedures of doing trade. MITI, MOALF and the Tanzania Revenue Authority should take leading roles in this regard.

2 Strategies in international trade negotiations

The MITI should specify and clearly communicate Tanzania's national priorities and positions in trade negotiations, as well as consider the establishment of a dedicated international trade negotiations agency as a coordinator. In this regard, MITI should involve relevant trade promotion agencies.

3 Promote quality improvement of agro-processed products

The MITI together with the Tanzania Bureau of Standards (TBS) and other trade promotion agencies should encourage quality assurance. For instance, mechanisms could be developed to reward the best quality, standard-complying and internationally-competitive industries.

4 Improve agro-processing industries' competitiveness in local and external markets

Measures should be taken to reduce trade costs, for instance through tax relief and appropriate negotiating positions in international trade fora. Again, MITI should take the leading role.

5 Promote advertisement and promotion both abroad and locally

The MITI and trade promotion agencies should encourage international trade promotions, and promote market seek and search.

Recommended SIDP priorities towards food security

1 Prioritising processing of food products

Incentives should be given to investors and firms to primarily target processing of food products which may be consumed domestically, in order to contribute to food security. In this regard, all aspects of availability, accessibility, affordability and linkages between processing and consuming zones of food should be considered.

2 Improve food storage facilities

Related to the above, MITI in revising the SIDP should provide for development of storage facilities, prioritising those designed for food products including meat and fish.

3 Provide food enhancement guidelines to food processors

The Tanzania Bureau of Standards and the Food and Drug Agency should enhance their oversight of quality standards, as well as develop and disseminate clear compliance guidelines to agro-processors in a reader-firedly manner. Umbrella organisations in the private sector could be leveraged for this purpose.

4 Ensure technology advancement for food processing

The revised SIDP should adopt and strengthen existing FYNDP II provisions related to the promotion of research programs geared towards developing new technologies, quality seeds, pest control and agronomic practices, irrigation measures, information collection and dissemination for early warning etc. In doing so, the policy review committee should target agro-processing more specifically.

5 Promote food transport for urban-rural feeding

Building on IIDS provisions pertaining to the development of transport corridors and SEZs, the revised SIDP should plan for an evaluation of transport infrastructure used in agro-industry so as to identify gaps and promote urban-rural linkages.

6 Strategic allocation of food processing industries based on food zones

The MITI with support of MOALF should undertake to map the country's food zones, with a view to devise incentives for food processing industries in food insecure areas.

Conclusion

Developed in 1996 when the effects of climate change were yet to be felt, Tanzania's SIDP has now become out of sync with the urgent need for synergising agro-processing development with climate, trade and food security interventions. After reviewing existing industrial policies in Tanzania, this briefing paper identified missing links in the current SIDP with regard to these cross-curring issues.

The SIDP review set for 2020 should be seen as an opportunity to take up such synergies right from the design phase. In particular, concrete interventions in the areas of climate change, food security and trade have been proposed for inclusion.

For instance, climate-related interventions should be planned in the areas of sustainable energy use, early warning systems, and control of GHG emissions. With regard to trade, the policy should include appropriate strategies for infrastructure development, international trade negotiations and standard compliance of agro-processed products. Finally, food security-related provisions could include prioritising food processing, storage facilities, dissemination of food quality guidelines, and strategic allocations of processing facilities in food insecure zones.

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PROMOTING AGRICULTURE, CLIMATE AND TRADE LINKAGES IN THE EAST AFRICAN COMMUNITY – PHASE 2
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