

**ECONOMIC AND SOCIAL RESEARCH FOUNDATION
(ESRF)**



Tanzania's Growth Potential

**A Background Paper for the
Country's 1995 Economic Memorandum (CEM)**

**By Haji Semboja and
Samuel Wangwe**

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EXECUTIVE SUMMARY:

Tanzania has made major progress over recent years towards putting in place a general policy environment which is more favourable for private sector expansion and growth. Most restrictive regulations and controls have been removed. The country is moving from its previous reliance on control mechanisms towards a predominantly market-oriented environment. There is an attempt to reduce government involvement in direct productive activities. Tanzania has respectable natural resources and market base for faster economic growth founded on the agricultural, livestock, manufacturing, trade and other productive sectors. Given the rural dimension of poverty, and the fact that Tanzania has at least 3.6 million farmers who form 85% of the total employed population, it is important to consider economic growth that will raise rural income levels as a means to ensure poverty alleviation. A broad-based economy which considers all the all the sectors of the economy is recommended. While the economic performance has responded favourably to this reform effort in 1986-94 with the rate of economic growth averaging 3.8% p.a., up from the 2% attained during the 1981-85 period, in 1994 the economic growth somehow decelerated.

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LIST OF ABBREVIATIONS

CIT	-	Confederation of Tanzanian Industries
CTIA	-	Central Transport Licensing Authority
EAM	-	East African Mines Ltd.
ERP	-	Economic Recovery Programme
ESAP	-	Economic and Social Action Programme
ESRF	-	Economic and Social Research Foundation
IRP	-	Integrated Roads Project
MMT	-	Million Metric Tonnes
Mn	-	Million
MW	-	Mega Watts
NASACO	-	National Shipping Agency Company
NBC	-	National Bank of Commerce
NCC	-	National Construction Council
NORAD	-	Norwegian Agency for Development Assistance
NOREMCO	-	Norwegian Engineering and Mechanical Consultancy
RPED	-	Regional Programme on Enterprise Development
RPFB	-	Rolling Plan and Forward Budget for Tanzania
SADCC	-	Southern Africa Development Cooperation Conference
STAMICO	-	State Mining Corporation
TAHI	-	Tanzania Hotels Investment
TANESCO	-	Tanzania Electric Supply Company
TANZAM	-	Tanzania Zambia
TAZARA	-	Tanzania Zambia Railway Authority
THA	-	Tanzania Harbours Authority
TIB	-	Tanzania Investment Bank
TRC	-	Tanzania Railway Authority
UNU-INTECH	-	United Nations University Institute for Technology
URT	-	United Republic of Tanzania
USA	-	United States of America
USAID	-	United States Agency for International Development
WC	-	Wilcroft Company of Bermuda
WTO	-	World Trade Organization
ZAMCARGO	-	Zambia Cargo

PREFACE

Despite a substantial natural resource base, Tanzania has had a mixed experience relative to the performance of the economic growth. The long term growth rate before the onset of the initial development policies and a battery of external shocks was about 4.7 percent. Following the Arusha Declaration and the oil crisis, drought and other shocks during the late seventies and early eighties, the economic growth rate declined to about 2 percent. Subsequently, with the adoption of reforms, the growth performance recovered to about 4 percent.

While the recovery is good, there are two main concerns. First, for various reasons regarding the instability of macro-economic policies, the inefficient investments in industry, the decline in development expenditures relative to the Gross Domestic Product (GDP), the continuity of even this modest growth is not assured. Second, even if this 4 percent growth rate were to continue, it would not provide much scope for a significant improvement in living conditions nationwide for a long time. We need to find ways to achieve a higher growth rate that can have a broad based impact on the living conditions of the population, both rural and urban. A growth rate of about 6 percent has been adopted in the Policy Framework Paper (PFP).

ESRF's objective was to conduct a concise analysis with a focus on the potential for broad-based economic growth and the sources of such growth in Tanzania. The emphasis is not just on the growth that will benefit a few, but on the kind of broad-based growth that would improve the living conditions for a significant majority of the population based on the growth experience of Tanzania.

INTRODUCTION

Tanzania has made major progress over recent years towards putting in place a general policy environment which is more favourable for private sector expansion and growth¹. The most restrictive regulations and controls have been removed. The country is moving from its previous reliance on control mechanisms toward a predominantly market-oriented environment. There is an attempt to reduce government involvement in direct productive activities. Economic performance has responded favourably to this reform effort in 1986-1994, with the rate of economic growth averaging 3.8% per annum, up from the 2% attained between 1981-1985. However, in 1994 economic growth somehow decelerated.

Unfavourable weather and an erratic power supply were the main factors that contributed to the decline of the Gross Domestic Product from 4.1% in 1993 to 3.1% in 1994. While this was less than the projected rate of 4.5%, it was significantly higher than the annual population growth rate of 2.8%. The agriculture sector grew at a particularly fast rate of 7.3% in 1993, compared with the projected rate of 4.4%. A substantial amount of the growth in 1993 was due to a bumper harvest in the crops subsector. The performance of other economic sectors was below target, reflecting the problems that continue to affect the economic activity of these sectors. Production in the manufacturing sector increased by only 2.1% compared with the target rate of 6.5% in 1993. The sector continued to face problems related to the unavailability of raw materials, the inadequate water and power supplies and competition from imports. Mining registered a fall in production by 19.1%, a sharp contrast to the projected growth of 8.7%.

In the Tanzanian context, the most relevant long-term development objective consists of revitalizing and raising the level of productivity in the productive sectors (agriculture, rural non-agricultural production, industry); trade restructuring; especially restructuring the export sector; and realizing the potentials of trade and human resources development. While the recovery in 1993 was satisfactory, there were two main concerns. First, for various reasons such as the instability of macroeconomic policy, inefficient investments in industry, and the decline in development expenditures relative to GDP, the continuity of even this modest growth is not assured. There were still many bottlenecks in the economy among them the persistent budget deficits, persistent trade deficits (with the official exports meeting only a third of the total import bill), the level of domestic savings and investment is not picking up as expected and institutional reforms have yet to be completed. The second concern is, even if the target 4.5 percent growth rate were to be attained, it would not provide much scope for significant improvement in the living conditions nationwide at least for a long time, especially if that growth is not broad-based or does not impact both the rural and urban population.

The effectiveness of the growth performance on poverty alleviation has been questioned; will the achieved growth performance also be accompanied by economic transformation? While living conditions have generally improved and the incidence of poverty declined with the reforms, about

¹ Wangwe, S. M. (1995). *Economic Integration in Southern Africa: Towards Cost and Benefit Analysis For Tanzania*. An ESRF Paper prepared for the African Development Bank and the National Seminar on the Study of Economic Integration in Southern Africa. Dar-es-Salaam, 15-16 March.

half of the population still lives in poverty. This raises the broader question as to whether economic reforms as they have been designed and implemented so far are consistent with the longer-term development objectives. In the next three years, the country needs a higher growth rate that will have a broad-based impact on the living condition of the population.

The strategy recommended in this background paper is based on a consideration of the "engine" of broad-based growth which is identified as, first and foremost, small-holder agriculture, and with those small and medium-scale industries which have established backward and forward linkages with small-scale agriculture, or which produce commodities in popular demand². For a shift in the "engine" that will assure the attainment of broad-based growth, substantial re-distribution in favour of small farmers and small-scale industrial producers is required. This is with particular reference to the ownership of productive assets; and in the access to credit, foreign exchange, education, and business-supporting services.

² Giovanni A. C., Rolph van Hoeven and T. Mkandawire. (1992). 'Africa's Recovery in the 1990s, From Stagnation and Adjustment to Human Development, UNICEF STUDY, London.

I. THE AGRICULTURAL SECTOR

Agriculture is the foundation of the Tanzanian economy, providing employment, food crops and export products. As can be found in previous reports, the agricultural sector, which comprises of crops, animal husbandry, fisheries and the hunting subsectors, has remained the dominant sector. It employs about 80% of the population, accounts for over 40% of the GDP and 75% of the foreign exchange earnings.

Food-crop production dominates the agricultural sector, contributing 55% to the agricultural GDP, with livestock accounting for 30%, and the traditional cash crops (coffee, cotton, cashewnuts, sugar, pyrethrum, tea, tobacco and sisal) accounting for only 8%. The possibility of achieving immediate and faster growth in productivity is highest in this sector. Basic data indicates that food crop production has contributed a great deal to the country's economic growth, partly as a result of the recent reforms that have favoured food crops and induced a shift of resources away from export crops to domestic food production. More importantly, it is the main source of the raw materials which are of vital importance to the industrial sector.

The country has a diverse ecology and ample land resources to sustain high levels of agricultural growth. Table 1 shows that the performance of the agricultural sector during the past three years has been less than satisfactory; the real GDP growth averaged 2.3% in 1992, increased to 7.3% in 1993, then dropped by 2% in 1994. There was also a sharp drop in food production in 1994 due to insufficient rainfall.

Although Tanzania is basically an agricultural economy, the relationship between supply and demand of specific products indicates surpluses in some products and deficits in others. Tanzania's long-term objectives³ in agricultural development are to:-

- (i) efficiently produce food and cash crops, generate foreign exchange;
- (ii) supply domestic industries with raw materials; *and*
- (iii) raise rural income levels to generate a domestic demand for goods and services produced in other sectors and thereby alleviate poverty.

In the short-term, policies to induce growth in the agricultural sector will continue to focus on reversing price distortions, removing the losses caused by inefficiencies in processing and marketing industries, and pay more attention to research and extension.

³. The United Republic of Tanzania. (1994). *The Rolling Plan and Forward Budget for Tanzania, For the period 1994/95-1996/97*. Joint publication by the President's Office, Planning Commission and the Ministry of Finance. Dar-es-Salaam.

The country's agricultural growth potentials are limited by:-

- (i) poor soil quality;
- (ii) unreliable weather (including erratic rains which are poorly distributed);
- (iii) an inadequate and delayed supply of the basic inputs;
- (iv) pests and diseases; *and*
- (v) inadequate marketing services.

The other major factors which have constrained agricultural output in Tanzania are identified as (with an anti-rural bias):

- (vi) poor facilities for research and extension services;
- (vii) poor transportation (the lack of wagons and trucks);
- (viii) the lack of a communication network; *and*
- (ix) the lack of adequate credit facilities available to the farmers.

This document is guided by the observation that if the majority of the people live in the rural areas and depend on agriculture for their livelihood, then it is important that opportunities for faster broad-based economic growth in small-scale agriculture and non-farming activities in rural areas be given the priority they deserve in national policy formulation. In order to stimulate sustainable development and hence the growth rate of this sector, there is need to reconcile growth and equity and to develop the human capital. This shift in the productive resources and investable surpluses towards small producers will result in an improvement in the way incomes are distributed within both the urban and rural sector and consequently result in the alleviation of poverty. This is a positive and welcome outcome.

Also, the country has to focus on raising productivity through:-

- (i) technology adoption and innovation;
- (ii) land policy issues; *and*
- (iii) the establishment of institutional arrangements which will ensure productivity and the growth of farming and non-farming rural activities.

Specific reforms or strategies have to be intensified in order to increase efficiency in agricultural marketing and input-supply in the year 1994/95. Procurement, processing and exportation of cashewnuts, coffee, cotton and tobacco have all been liberalized to enable private traders to compete with co-operatives. Liberalizing marketing channels and pricing encourages farmers to

respond to new market opportunities. This may be followed by the opening up of new land and induce the reduction of fallow areas (where expansion is deemed unfeasible). There is also a need for non-price reforms to encourage crop rotation, allow soils to regenerate, and encourage sustainable agricultural practices. Furthermore, the marketing boards of the four crops; cashewnuts, coffee, cotton and tobacco have been restructured in manner that leaves room for private sector's participation in the trading of crops.

2. THE LIVESTOCK SECTOR

As in crop production, the majority of producers in the livestock sector are small-scale subsistence producers. While some production is undertaken by state farms, the role of small and medium-scale producers continues to be emphasized. The livestock sector generates almost one-quarter of the total contribution to the GDP made by the agricultural sector. Out of this, beef accounts for 40%, milk for 30% while other dairy products account for 30%. In addition, it provides animal traction for cultivating agriculture land as well as rural transport. Eighty percent of the livestock owners are also crop farmers. The general performance of the sector in the past three seasons was satisfactory.

The major constraints which adversely affect livestock production include:-

- (i) inadequate land policy and land tenure system;
- (ii) inadequate and late delivery of livestock inputs;
- (iii) very poor extension services; *and*
- (iv) acute shortage of funds.

The acute shortage of funds has been a major constraint especially in range management, pasture development as well as veterinary and extension services. The dwindling grazing resource coupled with overgrazing and land degradation was also a problem. Productivity has been hampered by an inadequate water supply especially during the dry season. The prevalence of livestock diseases was also aggravated by an inadequate supply of essential livestock inputs.

There are several policies aimed at stimulating broad-based growth in the livestock sector in future. Major policies include: encouragement of an increased production in small holder and commercial sectors, the encouragement of export promotion of livestock products and the encouragement of the private sector's involvement in production, marketing and the supply of inputs.

In conclusion, it is argued that Tanzania has a respectable natural resources and market base for faster growth, based on food crop, cash crop and livestock farming. Agricultural cash crop development is consistent with the objectives of sustainable agricultural growth. Given the rural dimension of poverty, agricultural development offers great potential to the improvement of rural income levels and has a significant positive impact on poverty.

3. THE INDUSTRIAL SECTOR

3.1. Manufacturing

Industry is an important economic sector. Export earnings in the industrial sector ranged between 14%-20% of the total foreign exchange earnings on average, during 1989-1994, thus ranking only second to agriculture. More importantly, the industrial sector is also an important employer accounting for 18% of the total wage employment and being the largest single source of urban employment.

The contribution of the manufacturing to the GDP slightly decreased from 9.1 % in 1992 to 8.9% in 1993 and 8.2% in 1994 (see Table 1). Between 1989-1994 there were very few industries (tobacco, other chemicals and plastic) that expanded to operate successfully; many others (textile and garments) continued to limp operationally due to the various constraints that had caused nearly all the industries to perform below their capacities at installation.

Table 1 shows that the contribution of the manufacturing sector to the GDP dropped by 5.6% during the 1994/95 fiscal year, having been adversely affected by the power shortage and fluctuations during this period. Capacity utilization in the manufacturing sector is below 50 percent. In general, the performance of the sector has not been very impressive for a number of other reasons:-

- (i) high interest rates;
- (ii) accelerated inflation;
- (iii) lack of an adequate physical infrastructure (such as water and electricity);
- (iv) poor back-up and maintenance facilities; *and*
- (v) business supporting constraints.

Many small and medium industries have had a limited capacity to invest in technology and the modernization of their aging plant and machinery partly because of their weakened financial positions. Many of these industries continued having inadequate working capital. Recent industrial studies⁴ show that the existing financial institutions are too weak to support them. Power shortages also added to the problems. In view of these facts, the constraints ought to be addressed for sustainable development of the sector and the economy as a whole.

The sector has been subjected to several policy measures in recent years (1989-1994) including trade liberalization which has introduced competition from imports and from domestic activities. The Open General License Scheme was introduced to facilitate the availability of raw materials and spare parts for the production and re-habilitation of industries. The increased competition has

⁴ World Bank. (1994). Regional Programm on Enterprise Development. RPED: "Development and Growth of Industrial Enterprises in Tanzania". A study carried by the Center for International Business Research, Helsinki School of Economics, Finland.

induced efforts towards the improvement of production efficiency the quality of the product. There is no doubt that the impact of the structural adjustment measures more effected since 1986 has been devastating on local industries.

The major weakness of Industrial Policy becomes implicit when one looks at the Economic Recovery Programme (ERP), for example, and sees how exclusively focused it is on the issue of market efficiency, but how it overlooks the need to offer selective protection to the many and struggling indigenous infant industries^{5 6}. Recent studies conducted by the United States Agency for International Development and the Confederation of Tanzanian Industries (USAID-CIT) as well as the United University's Institute for Technology (UNU-INTECH) and others suggest that ERP and the Economic and Social Action Programme (ESAP):-

- (i) paid no attention to indigenous capacity building;
- (ii) tended to favour trading rather than industrial manufacturing; *and*
- (iii) did not deal with the provision of incentives in a transparent manner.

At the same time, many industries have had difficulties in adjusting to new competitive pressures as they had been used to operate under import-substitution industrialization; supplying goods to the protected local market. Rapid de-industrialization within the textiles' and garments' industries is taking place due to the multitude of untaxed and therefore cheaper imports which subsequently do not offer fair competition to the domestic products.

3.2. Export

The performance of manufactured exports is loosely associated with the performance and growth of the manufacturing sector as a whole. Valk (1992)⁷ identified three main phases of manufactured exports performance during the 1966-90 period.

The three phases are the:-

- (i) 1966-80 period which was characterized by the rapid industrialization and continuous growth of exports;
- (ii) 1980-85 period of stagnation and deindustrialization associated with decline in manufactured exports; *and*
- (iii) 1986-90 period of recovery in the manufacturing output and exports.

⁵ USAID - CIT. (1994). *Industrial Policy Proposal*. Dar-es-Salaam.

⁶ An impression from the recent Joint study of UNU-INTECH, QUEH, ESRF AND THE BUREAU OF STATISTICS on: *Import Liberalization, Industrialization and Technological Capability in Tanzania*, conducted during February-March 1995.

⁷ Valk, Peter de. (1992). *A General Framework for Evaluating the Performance of Textile Enterprises in LDCs with an Application to Tanzania under Structural Adjustment*. Academic Proefschrift. Institute of Social Studies, Den Haag.

The study of Ndulu and Semboja, (1994)⁸ show that the share of manufactured exports to the total exports stagnated at around 14-15% during 1970-1980, declined to 13.1% during 1981-1985 and started rising again after the mid-1980s; averaging 21.1% between 1985-1990. However, this share of industrial products to the total exports decreased from 26% in 1990 to about 14% in 1992, due to the poor liquidity and under-capacity utilization and hence weakened the firms' capacities to procure sufficient supplies of raw materials, spare parts and equipment. The rate of capacity utilization has remained low -- at less than 50%. Manufactured exports consist of textiles and clothing (26%) and other processed minerals and materials (19%) which are dominated by cement, and petroleum and industrial chemicals (20%) which are dominated by petroleum.

Economic liberalization has facilitated a switch from an inward to an outward-oriented trade policy as reflected in the comparative figures of the effective protection rates for 1986 and 1989/90. The effective protection rates of most activities are lower now 1994/95 than they were in 1986.

3.3. Employment

During the period between 1989-1994, employment in the industrial sector remained rather low and constant at 124,161 in 1989 and 128,967 in 1992. The sectors which provide employment are the food, beverages, and tobacco subsectors followed by the textiles' subsector. Tanzania labour costs were shown to be lower than those of Kenya by a factor of 1.68 in 1972, 2.10 in 1980, 1.71 in 1985 and 6.45 in 1990. The trend in real labour costs suggests that Tanzania's relative competitiveness has been rising relative those of the trading partners. However, it may also be noted that at the global level the importance of labour costs as a basis for international competitiveness has been declining while the importance of competitiveness based on technological change has been gaining ground. The advantage based on low labour cost may not be sustainable in the longer run if international competitiveness is to be accompanied by a rising standard of living.

The labour market is an important intermediating institution in the period of adjustment but here the record for job creation has been poor⁹. Adjustment programmes have been more associated with the retrenchment of workers from the public sector and the declining import-substituting industries. However, there has been an increase in employment in the informal sector. During the last five years, informal sector activities grew in importance and became the most dynamic part of some economies; this was at a time when the activities of the formal sector were going through some difficult phases in the course of adjustment.

⁸ Ndulu, B. J and J. Semboja. "The Development of Manufacturing for Export in Tanzania: Experience, Policy and Prospects", in Helleiner, G.K. (Ed.). *The Transition to Manufacturing for Export in the Developing World: Problems and Possibilities*, (forthcoming book).

⁹ Wangwe, S. (1995). "Structural Adjustment and Development in Africa: The Missing Link". A paper prepared for the African Development Report 1995. ESRF. Dar-es-Salaam.

3.3.1. Potential For Faster Industrial Growth

The future for industrial development in Tanzania is likely to be influenced by four main considerations. First, the balance of agents of industrial development and investors in the sector will shift in favour of private sector. Second, the role of market forces is likely to be enhanced at the expense of administrative controls. Third, greater weight will need to be placed on considerations of regional and international competitiveness. Lastly, the imperative of developing a strategic domestic industrial base as a foundation for medium-term objectives of socio-economic transformation towards self-sustaining economic growth and development.

Our report (see Tables 1 and 2) suggests that the country has the potential to increase industrial output and the share of the industry, by 4-5%, during the next three years through an increased efficiency and improved capacity-utilization in the existing industries and the development of new industries in the key sub-sectors of the small and medium scale industrial sector.

We project that low capacity utilization, weak financial supporting systems and low production technologies will continue to limit the growth of large-scale manufacturing firms. Therefore, there is an urgent need to promote small-scale and medium-scale industries for the purpose of increasing the industrial output, generating employment, establishing sector linkages and achieving rural industrial development.

Strategies to be used to effect this broad-based development plan include improving the access to credit and foreign exchange, and the development of stock markets and new forms of credit institutions which can provide venture capital. Tanzania has continued to put in place an incentive framework (e.g. the Investment Code of 1990) for domestic and foreign investment. Considerable benefits could be brought about by an introduction of a series of measures such as the:-

- (i) easing of forex constraints¹⁰;
- (ii) reducing restrictions on borrowing by foreign companies;
- (iii) privatization policies;
- (iv) the opening-up of more areas of the manufacturing sector to private investors;
and
- (v) the reorganization of the present business and technological institutions.

Firms' access to financing should be improved, especially in the case of those which are African-owned, are composed of new entrants and/or which are small. In future, the availability of credit may be relatively easy for entrepreneurs who have assets which can act as collaterals, but there is no obvious reason to believe that the owner's wealth and the growth potential of the firm would of necessity be correlated.

¹⁰ This has largely been attained with further deregulation of the Exchange Control Ordinance in 1993 and the introduction of Exchange Bureaux in 1992.

The most dangerous weakness of the infrastructure is the frequent power shortages. It would be more advisable to channel investments to the power production and distribution network. Road networks and telephones lines are also problematic, and, like power shortages, these deficiencies are likely to lead to a mis-allocation of resources. Other growth based measures include:-

- (i) easing regulatory obstacles such as the cumbersome licensing procedures;
- (ii) provision of adequate zoning laws and certainty of land tenure;
- (iii) provision of adequate infrastructure support services such as water and feeder roads;
- (iv) encouraging subcontracting between small and large-scale enterprises;
- (v) promoting small scale industries in government procurement schemes; *and*
- (vi) the use of relatively efficient production technologies.

3.4. Tourism

Tanzania ranks number one in Africa for the area set aside for wild animals and the variety of species. However, what has been lacking in the past was a tourism development policy that would provide a sense of direction in all efforts geared towards its sustainable development. The contribution of the sector to the GDP in average was 1.4% in the 1992/93-1993/94 fiscal years. This rate was very low compared to Tanzania's natural resource endowment, due to the lack of publicity and a basic social and economic infrastructure. The problems which beset tourism in Tanzania during the 1989-1994 period, partly emanated from the overall poor performance of the entire economy.

Until recently, tourist facilities and services were provided by an inefficient parastatal, the Tanzania Tourist Corporation, through its 13 subsidiary companies, including the hotels and tour operators. The general deterioration of the supportive infrastructure, particularly that related to internal air transport, road, railway and communication facilities contributed to the unreliability of the tourist services. High tariffs on hotel accommodation, food and beverages, coupled with the low quality tourist services offered resulted in the loss of potential earnings from this sector. In addition, there was an inadequate marketing and promotion of Tanzania's tourist facilities, as well as a shortage of trained and motivated manpower.

3.4.1. Potential for Growth

One of the major objectives stipulated in the Second Rolling Plan and Forward Budget (RPF) of 1994/95 - 1996/97¹¹ is the maximization of the contribution of tourism to the country's development through increased foreign earnings, the creation of employment, and the

¹¹. *Opp. cit.* The United Republic of Tanzania. (1994). *The Rolling Plan and Forward Budget for Tanzania, For the period 1994/95 - 1996/97*. Joint publication by The President's Office, Planning Commission and Ministry of Finance. Dar-es-Salaam.

development of the human resource as well as the rural areas. Another objective is to ensure the conservation of tourist attractions, preservation of the environment and the sustainable development of the tourist sector.

Tanzania is endowed with all the key attractions necessary for the development of a successful tourist industry. The natural attractions and vast size of the country provide tremendous opportunities for the development and promotion of different tourist activities ranging from game-viewing, photographic, and game-hunting safaris, to mountain climbing and beach holidays¹²

Tanzania has a vastness of coastal areas with wonderful white sandy beaches bordered by peaceful, whispering palm trees. The country has a large coverage of game reserves and a variety of wild game; the uniqueness of Ngorongoro; the immortality of Serengeti, the beauty of Mount Kilimanjaro plus the Mawenzi Peak all provide potential mountain climbing activities. There are eleven national parks (1994 figures); Serengeti, Ruaha, Ngorongoro, Mikumi, Tarangire, Katavi, Kilimanjaro, Rubondo, Manyara, Arusha and Gombe Stream. These, together with Ngorongoro Conservation Area cover an area of approximately 46,000 square kilometres and occupy about 5% of the total land area.

These tourist activities provide a potential for industrial growth and for substantial foreign exchange earnings. The promotion of private sector participation in the development of tourism and other liberalization policies have resulted in a slight improvement in the facilities offered. However, the huge growth potential for this sector remains unrealised. Joint-venture projects for the rehabilitation and management of tourist facilities is expected to improve, with the involvement of private small-holder agencies and improved business-supporting services.

The number of tourists visiting Tanzania increased steadily from 230,166 in 1993 to 290,000 in 1994, that is, there was an increase of 26%. There has been an increase in tourist agents/tour operators) from 155 in 1992 to 195 in 1994. This may be the result of liberalization policies and in particular the improvement in the facilities offered as well as the participation of the private sector.

However, the unsatisfactory and sometimes unavailable touristic services have continued to limit the performance of the tourist industry in the past three years. Table 3 shows that the average length of stay per year increased from 8.5 days in 1993 to 10 days in 1994. Construction of new and modern hotels decreased from 207 in 1992 to 198 in 1993 and then later increased to 203 in 1994. It is expected that these modern hotels will provide better tourist services. Improved tourist services will attract many tourists, whose number is expected (as suggested in Table 3) to increase on average by 16-20% per annum.

Tourism is one of the main export earners. Table 3 shows that revenue increased from Tshs.1,925.6 million in 1992 to Tshs.2,051.5 in 1993 and to Tshs.2,584.8 millions in 1994. With the aim of substantially increasing forex earnings from tourism, the country has to facilitate the development of tourist attractions and to target key markets for promotional efforts. To this end, the government has to ensure the rehabilitation and construction of the infrastructure such as the access roads, water supply, electricity, airstrips, and telecommunications.

Also, rehabilitation, expansion and maintenance of tourist hotels and lodges such as Mount Meru, Lake Manyara and Kunduchi Beach Hotels, has been a major concern of Tanzania Hotels Investment (TAHI), a subsidiary of the Tanzania Tourist Board (TTB). The Tanzania Tourist Board has the responsibility of marketing and promoting tourist activities in Tanzania. What is now taking place (1994/95), is the implementation of the Co-operation Agreement between TAHI and the Lenders as well as the Management Agreement between TAHI and ACOR. However,

¹² Republic of Tanzania, Ministry of Tourism, Natural Resources and Environment. (1994). "*Sera za Utalii*". Dar-es-Salaam.

experience has shown that both the government and the TTB lack the adequate resources and have a limited capacity to implement their long-term economic objectives.

When appropriate, greater reliance will be placed on private sector initiatives. The government has to improve the enabling legal and administrative environment for private operators to invest in new facilities and to undertake the rehabilitation of existing infrastructure conducive to tourism through privatization and lease arrangements as part of parastatal sector reforms. It is crucial for the government to review, amend and legislate new laws in order to reduce the obstacles which impede private sector involvement and promote the development of the sector.

3.5. Mining

Tables 1 and 2 show that the mineral sector, which has performed well 1992, had a growth rate of 15.5% and contributed 1.3% to the GDP. There has been a sharp increase, in both mineral production and exportation in the 1991/92 period following the liberalization policy on mineral trade. The performance of the mineral sector in terms of production and mineral exports during this period averaged US\$46 million per year, with the highest growth rate of 86.5% being recorded in 1991. However, the performance of the sector has not been impressive in the last three years. The average growth rate dropped by an average of 6.2% in the past three years.

Until recently, all mineral development was in the hands of the State Mining Corporation, (STAMICO), which was interested in large scale mining activities only. STAMICO controls a number of subsidiary mining companies including Buckreef Gold Mining Co. Ltd, Pugu Kaolin Mines Ltd, Minjingu Phosphate Co. Ltd, Kiwira Coal Mining Ltd, Coastal Saltworks Co. Ltd and Lupa Gold Mining Co. Ltd. The government has now abolished monopoly in mineral production and trade. All interested individuals can apply for mineral rights. In spite of the fact that large-scale mining is not substantial as yet, there are a lot of, for example, gold, ruby and tanzanite small-scale miners prospecting where mineral deposits are most likely to be found.

Table 4 shows the performance of some of STAMICO group companies. While the physical production of the most precious mineral (diamond) has been decreasing for the past three years, the output of tanzanite gemstone has increased. It is apparent that some of the companies made losses mainly as a result of the low capacity production associated with old equipment and plants, and primitive mining technologies. The use of primitive mining technologies is the result of the failure to raise the funds for investment and rehabilitation as planned.

Table 4 shows high fluctuations in the mineral production. This is partly due to the international gemstone business fluctuations, smuggling activities and is partly a data problem. For example, Tanzania Gemstones experienced a drop in the mineral production by 90% in 1992 and then production increased by 403% in 1993. Despite of importance of small-scale gemstone mining in many villages, the production of officially recorded gemstones is hardly 50%.

The total official mineral export earnings were US\$53.1 million in 1993. Of these, gold accounted for 76 percent¹³. However, there is lack of consistent data on gold mining in Tanzania due to the fact that like the case of other minerals, the bulk of the gold is smuggled out or

¹³ Chachage, C. S. L. (1994). "Mining and Environment Issues Under SAPs in Tanzania". A paper presented at the 9th National Economic Policy Workshop Structural Adjustment and Environment. 28-30, November, 1994. Dar-es-Salaam.

domestically traded in illegal markets. Both liberalization and the Bank of Tanzania's "*No questions*" policy have not helped this situation. At the same time there is an increasing number of artisanal miners. These are mostly very small-scale licensed miners, using labour-intensive and low-level production technologies.

Tanzania's mining sector is constrained by a number of factors, notably the:-

- (i) poor state of the physical infrastructure;
- (ii) low level of exploration activities;
- (iii) mineral smuggling; *and*
- (iv) poor technology for exploration, extraction and processing of mineral resources¹⁴.

Many private small mining companies and gold dealers have not fully responded to the new opportunities that are opening up in the mineral business and the recent changes in world market prices. Some are just not aware of the official trading systems or their benefits. Estimates indicate that the country produces about 10 tons of gold annually while the Bank of Tanzania has been able to purchase only an average of 3-4 tons a year. The production performance of major STAMICO companies has also been unsatisfactory. The Buckreef Gold Mines suspended mining in 1990.

To keep abreast of technological development of the better funded global mining conglomerates with access to 'cutting edge' knowledge from elsewhere in the world, the parastatal mining companies in Tanzania, like in many countries in the region, would need the following:-

- (i) financial resources;
- (ii) technical capability;
- (iii) marketing facilities;
- (iv) management expertise; *and*
- (v) a research capability.

¹⁴ *Opp. cit.*, The United Republic of Tanzania. (1994). *The Rolling Plan and Forward Budget for Tanzania, for the period 1994/95 - 1996/97*. A joint publication by the President's Office, the Planning Commission and the Ministry of Finance. Dar-es-Salaam.

3.5.1. Potential for Growth in the Mining Sector

Although there are abundant mineral resources of iron-ore, coal and precious metals, these have been hardly exploited so far. The overall reserve estimates are:

- (i) iron ore: 85 million tonnes;
- (ii) coal: 324 million metric tonnes (MMT);
- (iii) kaolin: 50 MMT;
- (iv) magnetite: 4.5 MMT;
- (v) gypsum: 2.6 MMT;
- (vi) phosphate: 2.5 MMT;
- (vii) meerschaum: 28,000 tonnes;
- (viii) lime and limestone: vast reserves; *and*
- (ix) salt: vast reserves.

The country is rich in both precious and non-precious metals. Non-precious minerals, available in Tanzania include kaolin, mica, phosphate, graphite, salt, and soda ash and others. Table 4 shows that salt is an important mineral mined for both local uses and for export. Tin-mining has almost ceased after the closure of the last commercial mine at Kyerwa. Currently, only a few of the artisanal tin miners are active. There is a high demand for precious metals such as gold and there is also a high demand for diamonds and gemstones in the export market.

Recent reforms are expected to increase the exploitation of non-precious minerals. The progress achieved can be attributed mainly to the positive effects of the government liberalization policy on the mineral trade and the fairly stable prices offered at buying centres. The government has reviewed the existing laws and regulation, particularly legal and fiscal, and made them attractive and conducive to investors. This is in line with the need for the government to improve policies and provide an attractive enabling environment for investors in the mining sector. This includes the improvement of the legal framework and streamlining of licensing procedures. The attempt is to intensify private sector participation in the expansion of the mineral sector and the promote small-scale mining.

As regards mineral trading, emphasis has been placed on monitoring the market trends and evolving new strategies aimed at consolidating and promoting legal trade while at the same time enforcing mineral laws in order to eliminate illegal trade. Within the framework of privatization, discussions are underway with foreign companies on the possibility of running the dominantly state-owned mines on a joint-venture basis. The introduction of the national Investment Policy has allowed both local and private investors to invest and own majority shares in the key mining sub-sectors.

For example, a share holders' agreement was concluded in the latter part of 1994 between the United Republic of Tanzania (URT) and Wilcroft Company of Bermuda (WC). Under the agreement the government will have a 25% equity holding in the company and the WC will have

75%. Also a gold exploration and mine development was signed on 5 May 1994 between the United Republic of Tanzania (URT) and East African Mines Ltd (EAM). Under the agreement, EAM will carry out geological investigations on the former Buckreef license area and allocate 20% of the shares of the joint venture company to be formed. STAMICO itself is in the process of adjustment. The government has for a long time withdrawn subsidies and made it a requirement that STAMICO operates efficiently and profitably or face possible liquidation.

It is expected that a number of both local and foreign companies seeking mineral rights, prospecting licenses and mining licences and those seeking mineral dealers' licenses would have increased significantly. Most of the remaining mineral parastatals will be restructured either through joint venture arrangement with the private sector or through outright sale. A clear and articulated mining policy to control environment problems at this point is necessary.

The above changes in government policies are expected to have a significant effect on the mining sector. The GDP of the mining sector is projected to contribute to the desired broad-based economic growth at above 25% per annum in real terms in the next three years. Export earnings from the mining sector are expected to increase by more than 30%. The number of people engaged in mineral activities such as small-scale mining and mineral prospecting is expected to increase from 5,192 in 1992 to 6,345 in 1995.

3.6. Energy

In order to facilitate the desired national broad-based economic growth, an articulation of broad-based energy development goals and objectives is important. Tanzania's energy demands and end-use patterns are characteristic of those observed in other net oil-importing developing countries. More than 90% of the population depend on wood-fuel sources which accounts for about 90% of the country's total energy consumption. The total demand for wood-fuel stands at about 43 million cubic metres per year. Wood-fuel is used mainly for domestic cooking, in industrial processes such as tobacco curing, tea processes, fish smoking, pottery, baking and brewing.

Wood-fuel and other forms of biomass dominate the energy balance at about 92.2%, while commercial energy sources, mainly petroleum and electricity account for 9.8% and 2.4% of energy supplies respectively. Although the country is dependent on fuel imports, there is a potential for these to be substituted by domestic sources such as hydropower, coal, natural gas, solar, wind and biomass. Oil, hydro-electricity and fuel-wood are the three main forms of the primary energy used. Petroleum products accounted for 74%, electricity 24.3% and gas 1.7% of the total commercial energy consumed in 1993/94.

The performance of the energy sector was unsatisfactory between 1993/1994 due to the:-

- (i) frequent breakdown of generating plants;
- (ii) lack of spare parts;
- (iii) foreign exchange; *and*
- (iv) the fall in the water level at Mtera Dam as result of long periods of drought which necessitated load shedding.

The rationing of power had a serious and negative impact on the productive sectors during 1993/94. The contribution of energy and water supply sectors to the GDP dropped by 2.9% in

1994. Overdependence on biomass fuel had a negative effect on the environment such as soil erosion, changes in the weather, etc.

To mitigate the problems of power shortages, thermal generation had to be stepped up, thereby increasing the country's fuel importation bill. The inadequacy or lack of funding, coupled with the depreciation of the local currency caused delays in the implementation of energy-dependent development projects.

The major objectives of the energy sector are to satisfy the energy demands of all sectors of the economy particularly the productive sectors, and to develop domestic sources of energy to substitute for imported petroleum products. Improving the availability, reliability and security of energy supplies requires the rehabilitation of existing energy systems including generators, transmission and storage facilities, and the expansion of the power generation and distribution capacity. The national energy policy aims at supplying reliable electricity to the majority of the people and at affordable prices.

To ensure the establishment of an efficient energy production, procurement, transportation, distribution and end-use system in an environmentally-sound manner, the government's strategy aims at exploiting the abundant hydro-electric sources and developing other indigenous energy resources such as natural gas, coal and petroleum in collaboration with the private sector.

The Government is undertaking a comprehensive review of the power sector to determine if all or parts of it should be and can be privatized. It will also continue the process of streamlining the Tanzania Electric Supply Company (TANESCO), and putting it on a viable commercial footing. The Government has already brought the average tariff rates in line with the long-term marginal costs.

3.6.1. Potential for Growth in the Energy Sector

Tanzania's energy resources are substantial and diverse, but only minimally exploited so far. The country is fortunate to have a number of potential hydro-power sites that can satisfy the country's power requirements for many years to come. The total hydro-power potential has been estimated at about 4,500 MW, with about 20,000 GWh output per year¹⁵. Of this potential, only 330 MW has been developed¹⁶. The major sites with hydro-electric power potential are found within the Rufiji River Basin.

By far the largest single hydro-power potential sites is at Stiegler's Gorge on the Rufiji River. Tanzania has a large number of potential sites, particularly in the western and southern parts of the country. Most of the potential involves schemes of more than 2MW. Some sites with the potential for 1,000 GWh per year are believed to rely on plants with an isolated capacity of less than 2MW; these can be micro-hydroelectric power sites. These can be developed for the production of electricity on a small scale to serve the needs of remote and isolated areas.

At present, the electricity supply system operated by TANESCO consists of an interconnected grid serving the major towns and a number of isolated grids, serving areas located away from the main grid. The installed power capacity in Tanzania was 485.9 MW in 1992, of which 70% comes from hydro-electric power and the rest from thermal power plants. The isolated grids are scattered

¹⁵. Varguese, M. A. (1984). "Prospects for Mini-hydro development in Tanzania". *SADCC Energy*. Feb-April, 1984.

¹⁶. NORAD. (1994). "New and Renewable Sources of Energy in Tanzania". *NORAD Report No. 94-32-34*. Prepared by Det Norske Veritas Industry AS.

throughout the country and have an installed capacity of around 28 MW of diesel-generated power. There is another grid consisting of 6 MW at the Kiwira coal-fired power plant near Tukuyu, operate by STAMICO. There are also numerous small, private, power generators registered with the Ministry of Water, Energy and Minerals.

Although TANESCO's power generation capacity additions are planned ahead of time, the record of implementation has been marred by the limited ability to finance the planned installations. For instance, Pangani Falls Redevelopment (690 MW) which was planned for 1992 and that of Lower Kihansi (162 MW) which was planned for 1994 have both been delayed by two and four years respectively due to the lack of finance¹⁷.

With the TANESCO system, energy losses are very high averaging around 25% of the energy generated¹⁸. These electricity losses are the results of:-

- (i) theft;
- (ii) an ageing/underrated equipment;
- (iii) erroneous meter reading;
- (iv) transformer overloading;
- (v) excessive reliance on low voltage lines;
- (vi) poor maintenance; *and*
- (vii) use of inappropriate materials.

It is crucial to develop strategies to reduce transmission and distribution losses to an acceptable range of 5 to 10%.

Mini hydro power units are viewed as locally available and affordable energy sources that can contribute to the stimulation of economic activities and the raising of the rural living standard. There is a significant number of mini hydro units, and most of them are in Iringa region. This region is one of the most suitable areas for mini hydro power units since it has many rivers and waterfalls. It is approximated that there are more than 75 mini hydro potential sites of up to 2 MW of installed capacity. Their total installed capacity is about 35 MW. The distribution of mini hydro resources is that 77% sites have a capacity of less than 1 MW and 23% are of a capacity between 1 and 2 MW. Major factors limiting the development of mini hydro plants include:-

- (i) the lack of engineering information in the rural areas;
- (ii) the low expected economic returns;

¹⁷ Daily News, 30 November 1994.

¹⁸ Mwandosya, Mark J. and Mathew L. Luhanga. (1993). "Energy and Development in Tanzania: Issues and Perspectives". *Energy Policy*. May, 1993.

- (iii) the lack of mini hydro investment funds; *and*
- (iv) the lack of a proper rural energy policy.

In the south-western part, coal reserves have been estimated at 1.6 billion tonnes, of which 304 million tonnes are considered to have been proven. Production in 1994 was 11,000 tonnes and although coal has entered the energy scene very recently, it is presently being used for up to 6 MW of power generation for a township in a cement factory, and a pulp and paper mill. At the end of 1990, the proven recoverable reserves of natural gas were about 24 billion cubic metres. The reserves are located on Songo Songo Island and Mnazi Bay north of the Mozambican border.

Tanzania has considerable biomass resources in terms of forestry and agricultural residues. The total forested area is 44 million hectares, that is, they cover about 50% of the total land area. To a varying extent, possibilities exist for the economic conversion of these resources in the provision of energy. The current quantity of forest and crop residues is estimated at 1.1 million tonnes and 15 million tonnes per annum and could account for at least 10% of the nation's energy requirements. However, this forest resource is harvested at a much faster rate than is replenishable/is replenished. Due to the increase in arid and semi-arid areas and forest encroachment, firewood is not considered a renewable energy source.

The most effective measure towards helping the acute energy-shortage problem in the villages is probably the introduction of more efficient cooking stoves for the better utilization of the wood-fuel available.

4. OTHER PRODUCTIVE SECTORS

4.1. Construction

For the past three decades, construction has been the largest sector in the country's investment programme contributing 50% to the total capital formation. An efficient construction industry is vital for broad-based economic growth. The performance of the construction sector has continued to show significant improvement. Tables 1 and 2 show that in 1992, the construction sector reached a highest growth rate of 9.4%. But this GDP growth rate dropped by 10.3% in 1993 and then later improved by 7.3% 1994. This is slightly above the 6.8% average growth of the previous three years.

The 1992 rises could be mainly attributed to the stimulus provided by the taking off of the Integrated Roads Project (IRP I) and the construction activities which followed the 1991/92 "stall" subsequent to the winding-up of the Sixth Highway Rehabilitation Project. By May 1994 roads covering a total length of 457.1 kilometres had been rehabilitated under the Road Rehabilitation Programme, (RRP). Completed sections included the TANZAM Section II which covered 72.6 kms between Morogoro-Mikumi which was undertaken by the Yugoslavian Partzanki Put firm, the 174 km stretch between Chalinze-Segera and the 83 kms Same-Himo stretch that was undertaken by NOREMCO Construction firm. Under the IRP II, the government is committed to improve about 3,441 kilometres of trunk road network and to finance the improvement of the central corridor.

The variation in the GDP contribution in 1992-94 was related to the following factors:-

- (i) the performance of the whole economy;
- (ii) the level of donor funding;
- (iii) investment activities undertaken by the public; *and*
- (iv) construction capacity.

Delving into the construction capacity factor, this depends on the

- (i) expertise and experience of the contractors;
- (ii) capital structure of the contractors;
- (iii) availability and utilization of the equipment and plant; *and*
- (iv) the application of appropriate technology pertaining to the national resource base.

While local firms continued to dominate the building sub-sector of the construction industry, foreign firms continued to play a leading role in the execution of civil engineering projects in the country. Local contractors had an unfavourable capital structure, little experience, limited financial sources and consequently equipment and plants that could not be readily available.

In a way the critical importance of the local construction industry, has generally gone unrecognized. However, the number of registered civil contractors rose to 622 in 1993 compared

to 565 contractors in 1992. Fourteen local contractors were participating in major gravel road rehabilitation contracts; this accounted for only 10% of the total workload in monetary terms. The rest was taken up by foreign firms.

On building works, the number of contractors increased during that period. Significant increases, however, occurred within the group of small contractors in Classes VI and VII whose construction capacity is relatively small. The rate of growth in the number of those classes of contractors was 18.5% compared to the 4.7% rate of growth for contractors in Classes I, II and III whose construction capacity is bigger.¹⁹

There was a 34% decline in the local production of cement and a 19% decline in steel materials in 1992 compared to 1991. This could mainly be attributed to the electricity power crisis that gripped the country for a good part of the year. This led to a general price increase in basic construction materials and thus an overall increase in the construction costs. Production of other materials like iron sheets and paints fared relatively well and recorded modest increases. However, the construction sector was not significantly affected by the decrease in productivity within the basic material industries since imported materials were also available.

There are concerted efforts to promote local contractors through the registration and training of local personnel. Both the National Construction Council and the recent IRP programmes are geared towards the further development of the local construction capacity in terms of the capability in the execution of works of a civil engineering nature²⁰.

Currently the role of foreign construction firms is dominant; this is because major turnkey projects are tied-up with procurement clauses. Possible long-term repercussions to this include the negative effect this has on local construction efforts, the worsening of the balance of payment situation, an intensification of technological dependence and increasing capital flight.

On the other hand the involvement of foreign firms in the construction business may induce technology transfer; given a well-planned integrated project management scheme. The transfer of technology or acquisition in the construction sector entails training efforts designed for local personnel at the operational, functional and management levels; the involvement of local contractors and construction related to institutions and the provision of employment to local staff. That is, the participation of local construction firms as subcontractors to foreign firms is an important element in the acquisition of technology and the reduction in foreign consultant fees²¹

In general, the construction sector has a higher capacity than many other sectors to generate employment, establish backward and forward linkages through sub-contracting, and develop indigenous enterprises and indigenous industries which produce building materials. The construction industry has a far-reaching and wide influence on the economy as it is a key component of every other sector of activity.

In order to achieve sustainable economic growth, it is crucial that effective broad-based strategies be adopted. These include increasing the participation of local contractors in civil works as a deliberate effort to develop the local construction capacity, promotion of the use of

¹⁹ Rolling Plan and Forward Budget. (1994). Sectorial Policy Papers for 1994/95., Transport, Construction and Communication Sectors, URT. Ministry of Works, Communication and Transport. Dar-es-Salaam.

²⁰ National Construction Council, NCC. (1994). *Eleventh Annual Report and accounts for the Year Ended June 30, 1993*, Dar-es-Salaam.

²¹ Simkoko, E. (1994). "Integrated Teams in International Construction Project for Developing Technological and Managerial Capabilities of Local Contractors" *Construction Newsletter*, No.11. March. National Construction Council, Dar-es-Salaam.

appropriate technologies enhancement of the human resource development and the encouragement of private sector participation in the provision of back-up facilities.

The main objective for the construction sector will remain; to develop an efficient and effective self-sustaining industry that is capable of meeting the diverse needs for construction, rehabilitation and maintenance of all building and civil works.

4.2. Transport

The transport sector, which accounts for 5.6% of GDP and one the highest shares of annual investment (16%), provides the vital spatial and sectoral links in the economy, particularly within the agricultural sector; for the internal distribution and marketing of food and cash crops. The transport infrastructure also facilitates trade with other land-locked countries in the region and thus provides a source of revenue. Lack of transport remains a major constraint in rural areas. The transport sector still continues to face various basic problems including the scarcity of transport equipments, a lack of spare parts and a deteriorating basic transport and communication infrastructure.

4.2.1 Road Transport

Table 1 shows that the transport and communication sector grew by 5.3% in 1992 to 10.6% in 1993 and 1994. This is a result of the implementation of Integrated Roads Project, (IRP). continued liberalization of transport trade. De-control of freight charges led to improved transport services and attracted private sector participation. The total road network is 80,000 kms out of which 10,460 are for trunk roads and 69,540 kms are for regional roads. Under IRP it is envisaged that the road network will be improved through the rehabilitation of some trunk and regional roads. Substantial progress has been made in improving the management, financing, rehabilitation and maintenance of the infrastructure, particularly in the area of road transport under the first phase of the multidonor-financed Integrated Roads Project. The government continues to emphasize the maintenance and rehabilitation of the infrastructure, while undertaking new investments on a selective basis.

Following the first phase of the Integrated Roads Programme, the second phase (beginning 1994/95) will focus on the strengthening of transport sector administration, particularly through the separation of policy-making and regulatory functions from the management of operations; the improvement of commercial operations of road transport parastatals; the strengthening of organizational, management and financial arrangements for the road network, including increasing road charges to the levels necessary to fully fund all the maintenance costs by 1995/96; and the rehabilitation and upgrading of the trunk, regional and rural road networks.

Growth in the number of commercial vehicles as a result of relaxation in trade and financial regimes has continued during the year 1993/94. Likewise, there has been an improvement in back-up services that is the supply of spare parts and accessories, maintenance workshop and body building facilities. The number of vehicles granted commercial licenses by the Central Transport Licensing Authority (CTLA) for the years 1990/92, 1991/92 and 1992/93 were 8,415; 10,624; and 12,127 respectively, reflecting a growth of 26.3% and 14.1% for the latter two years. These figures do not include vehicles which were licensed in the regions.

4.2.2. Railway Transport

A. TAZARA

The railway system is operated by the Tanzania Railways Corporation (TRC) and the Tanzania-Zambia Railway Authority (TAZARA). The rated capacity of TRC is 2.6 million tons of cargo as against the actual demand of 1.8 million tons, while TAZARA's planned target is 1.3 million tons of freight cargo and 1.5 million passengers (1991). Although the 1860km Tanzania-Zambia railway was designed for 2.5 million tons a year, it has exceeded 1 million tons only in rare instances. Traffic has declined in recent years from 1,227,630 tons in 1986/87 to 825,123 tons in 1991/92. Passenger traffic declined from 1,161,000 passengers in 1985/86 to 883,000 passengers in 1989/90; with more passengers being from the Tanzania region. Passenger traffic increased by 15% from 1,924 million passenger journeys in 1991/92 to 2,219 million passenger journeys in 1992/93. There was a general improvement in TAZARA's traffic operations in the year 1992/93 when 1,079,358 tons were transported as compared to the 1991/92 period when 902,476 tons; this represented an increase of 12%.

TAZARA freight performance is still constrained by:-

- (i) increased competition from road transport;
- (ii) down turn in the economies of hinterland countries reducing the capacity to export and import;
- (iii) change in trade patterns whereby hinterland countries increasingly source their imports within the Southern Africa region particularly South Africa; *and*
- (iv) an increased use of other ports in the Southern Africa region.

Recent changes in the political situation in Mozambique, Angola and South Africa will intensify the transport competition.

In view of the above constraints TAZARA has prepared a commercialization strategy which involves the rationalization of the Authority's organizational structure, improving the managerial practices, and strengthening the marketing function. It should therefore be geared for stiff competition from other railway corridors and also from road transport. It has already been decided that TAZARA should function as a single business unit pursuing commercial objectives and cast away the older politically loaded structure.

B. Tanzania Railways Corporation (TRC)

In 1994, TRC's operational performance continued to improve for both freight and passenger traffic. A total of 1,205,338 tons were transported against the target of 1,200,208 tons. This is a 29.5% increase over the previous year's performance of 931,000 tons. With respect to passenger transportation, the target of 1,995,000 passengers was missed by about 12%. A total of 1,746,877 passengers used TRC services. However, compared to the 1,445,000 passengers who utilized these services in 1992, this is higher by 21%.

On the mainline locomotive, the availability rose from 50% in 1992 to 53% during 1993; however, this was below the 59% target. The wagon availability also rose throughout the year from 73% in January to 81% in December; again, this was below the target of 85%.

4.2.3. Cargo Handling, Port and Shipping Services

Tanzania provides cargo and passenger-handling services at the major ports of Dar es Salaam, Tanga, Mtwara as well as the small ports of Kilwa and Lindi and in the Lakes (e.g. Victoria, Nyasa and Tanganyika)²² while the Dar es Salaam port handles transit freight cargo to and from Zambia, Zaire, Malawi, Burundi, Rwanda and Uganda.

As a coastal, strategically located country with a big catchment area, Tanzania has extensive rail, road, pipeline, water and air transport inter-connections with Southern Africa. This is in the form of the Tanzania-Zambia rail, highway and pipeline linkages (the TAZARA Corridor) and the Malawi Northern Corridor. However, we could mention the Central Corridor to the countries surrounding Lake Tanganyika (Rwanda, Burundi and eastern Zaire); and inter-connections with Uganda (through lake transport) and with Kenya (through Isebania, Namanga and Taveta).

The shipping services rendered are adversely affected by a shortage of operating vessels, higher operational costs, a shortage of navigational aids and other working tools and a lack of skilled personnel. The sea ports have maintained modest improvements in traffic performance. A total of 5.1 million tons of cargo were handled at the ports of Dar es Salaam, Tanga and Mtwara in 1992/93; that was an increase of about 13% over the 4.5 million tonnes handled in 1991/92. There was a 66% increase in the number of ship calls from 2,908 in 1991/92 to 4,832 in 1992/93. This sharp rise is mainly a result of the increased coastal operations in passenger traffic which accounts for 80% of the shipping operations at the major sea ports.

The port of Dar es Salaam accounts for over 90% of the total ships that docked at the ports of Dar es Salaam and the cargo handled. The competitiveness of Tanzania's sea ports has been a subject of much concern in recent times. Attention has been focused on the port of Dar es Salaam which acts as a major transit corridor to Central and Southern Africa.

Given the substantial trade and traffic flows that is developing with, and through South Africa, the massive expansion and development of the ports and corridors may reflect an over-investment of resources, and the possibility of capacity underutilization of the port and railway systems. Ships are free to choose their ports of call. Nor can traditional users of these facilities such as Zambia make use of TAZARA and continue to do so at the same levels, if they are essentially trading through or with South Africa. Indeed, Zambia's copper is becoming increasingly exported through Walvis Bay. This may have adverse effects both on TAZARA, the Tanzania Harbours Authority and related Tanzania-based commercial services such as freight forwarding companies.

With the current changes in the political and economic scenes in the region, the corridors served by Dar es Salaam port are facing increasing and stiff competition from other corridors currently being re-opened in the South. This has brought about the need for development of new strategies to maintain and, wherever possible, increase the port's market share. THA is pursuing a corridor multi-modal and an inter-institutional marketing strategy with NASACO, TRC, TAZARA, ZAMCARGO, Uganda Railways and Zambia Railways for its Eastern (TRC) and Southern (TAZARA) corridors. On the other hand, the major rehabilitation envisaged for Tanga port is

²² *Opp. cit.* Rolling Plan and Forward Budget. (1994). Sectorial Policy Papers for 1994/95. Transport, Construction and Communication Sectors, URT. Ministry of Works, Communication and Transport, Dar-es-Salaam.

geared towards improving the yard for the stacking of containers and repairing to the quay. These improvements are expected to arrest the existing decline of traffic. Finance for the project is being sought from donors.

4.2.4. Air Transport

The performance of the air transportation sub-sector seems to be declining. While the available ton-kms increased by 102.9% from 34.8 Mn in 1990 to 70.6 Mn in 1991 using the services offered by Air Tanzania Corporation, and the ton-km in use also rose from 19.3 Mn in 1990 to 29.7 Mn in 1991; the actual utilization rate fell from an average of 55.6% in 1990 to 42.0% in 1991. Nevertheless, passenger transportation is slightly rising a fact which is largely attributed to the launching of intercontinental flight operations to Europe, the Middle East and India and presence of locally-available private operators.

The decline of air transportation is caused by the following:-

- (i) poor airport services;
- (ii) lack of spare parts;
- (iii) deteriorated buildings and runways;
- (iv) aged navigational aids; *and*
- (v) liquidity problems.

The financial performance of the airline sector is poor, with many operators reporting annual losses despite receiving various hidden subsidies such as low interest rates, the free use of air craft and low charges for airport and handling facilities. The lack of profitability may be attributed to the low fares especially on domestic flights, low load factors and utilization, shortage of skilled personnel and costly maintenance. Following the recent liberalization of air transport services to allow for more competition, efforts will be concentrated on introducing private-sector participation in the ownership and/or management of Air Tanzania by December 1995. Commercializing the management of at least the major international airports and establishing an independent regulatory body for air systems may also commence by December 1995.

4.2.5. Rural Transport

Rural areas are still constrained by the poor transport infrastructure and lack of transport services. The accessibility of most villages is seasonal. With most of the rural dwellers belonging to the low income category, they have little access to the motorized forms of transport; the motor vehicles. These rural transport development problems are the outcome of historical strategies which were urban-biased, the lack of serious political support on rural investment and development and the poor performance of the whole economy. A broad-based growth objective

is now needed to open up areas with considerable agricultural and non-agricultural potentials through a concerted feeder-road improvement programme. This is to be supported by strategies such as the following:-

- (i) the promotion of the use of intermediate means of transport such as bicycles, hand and animal drawn carts;
- (ii) encouraging road transport operators to provide services in the rural areas by improving rural, district and regional roads under IRP; *and*
- (iii) instituting such other measures as duty exemptions on vehicles.

4.2.6. Urban Transport

The provision of transport service in fast-growing urban centres particularly the cities of Dar-es-Salaam, Arusha, Tanga and Mwanza has continued to improve in terms of vehicle capacity. Private public service vehicles continue to dominate the scene. The business consists of individuals who own single vehicle for whom *Dala Dala* operating is a sideline economic activity and a few private urban transport firms. The envisaged sustainable urban transport companies are yet to materialize despite the industry liberalization. Also, the quality of service in terms of conventional means of transport is yet to be realized at an appreciable level. Most of the privately-owned vehicles are converted trucks whose comfortability is apparently unsatisfactory. In this respect commuter safety needs to be addressed. The strategies being considered in enhancing a broad-based transport development scheme include the promotion and creation of efficient public commuter services to discourage the use of private transport which aggravates congestion and increases the efficiency of urban transport.

5. THE TRADE SECTOR

The trade sector is one of the fastest growing economic sectors in Tanzania; in 1994 it accounted for 12% of the total GDP. Table 1 shows that the growth rate of the GDP due to the contribution of the wholesale and retail trade increased from 3% in 1992 to 4.7% in 1993 and then slightly decreased to 4% in 1994. The trade sector has been doing well since 1986 with the introduction of new trade regime following the Structural Adjustment Programme and the Economic Recovery Programmes. The sector facilitates economic development in many ways. It employs more than 25% of the active labour force and accounts for a major part of the international and regional economic co-operation.

However, exports have been disappointingly slow in picking up momentum. The value of exports has averaged US\$435 million per annum in the last three years. On the other hand, imports averaged around US\$1,500 and served to deepen the annual trade deficit.

This poor performance of the export sector has been caused by changes in the real terms of trade. International market prices for most traditional crop exports continued to decline over the period, partly due to production and market developments around the world. The inadequate and general poor capital structure of many domestic trading organizations constrained their capacities and efficiencies in purchasing and distributing goods to local and foreign markets.

Tanzania ratified the Final Act of the Uruguay Round in early 1994, and became one of the original members of World Trade Organization (WTO)²³. The conclusion of the Uruguay negotiations created an environment of trade and economic predicability which has to be viewed as a positive contribution to the creation of rules for an orderly trading system with reduced tensions and trade restrictions. Liberalization and competition are expected to increase Tanzania's economic efficiency in terms of resource allocation and utilization.

All members are compelled and committed to accept all the agreements, instruments, disciplines and the transparency obligations as per the negotiations agreements. The Uruguay Round conclusions opened up new, long-term trading opportunities including those in the major markets like the USA and Japan, as well as the South-South trade. Tanzania is now exposed and expected to exploit these long-term trade facilities.

Given the global implications of being a member to the WTO, it is essential for Tanzania to undertake several measures with the view of serving the dual purpose of mitigating the burden of WTO agreements and maximally utilizing the development potentials offered therein. The major issue is on how to enable all the domestic trade-supporting ministries and institutions in monitoring all issues involved in WTO agreements.

There are definite negative effects associated with Tanzania's involvement in the WTO. It is indicated that the reduction of subsidies on agricultural products would lead to price increases on the world market; subsequently there would be very high bills for food and other imports. In addition, it is anticipated that the decline in the world prices of some of the major export products like coffee will lead to a fall in the export revenue. The overall effect will be a worsening of the balance of trade and an increase in the debt burden.

A general implication of the Uruguay Round relates to the costs of adjustments within the industry and the economy as a result of trade liberalization and the increased competition. Tanzania has to determine the mechanisms, timing and rates of the adjustments required with regard to the pattern of domestic production within the agricultural, industrial and servicing

²³. Marwa Kisiri. (1995), "Implications of the Uruguay Round on Tanzania's Development". *Draft research paper prepared for the Economic and Social Research Foundation*. Dar-es-Salaam.

sectors. There are costs associated with economic adjustments and Tanzania has to search for compensatory mechanisms and facilities through additional or deeper preferences for the sectors and products affected.

There is a need to reduce the trade deficit by increasing exports and making goods and services available to the consumers at the right time and place. This will be achieved through the improvement and expansion of a broad-based trade infrastructure, the creation of an enabling environment which will involve the restructuring of local financial and trade institutions, and the promotion of private sector participation in trade. The government has to strengthen the already existing market-based exchange rate system and a trade regime free from quantitative restrictions.

6 CONCLUSIONS

The conclusions are arrived at by attempting to make some long-run economic projections, based on a qualitative macroeconomic model. This is based on the:-

- (i) time-series data discussed above on the GDP performance;
- (ii) growth projections derived by a consideration of the potential growth of the main sectors of the economy as shown in Table A.5; *and*
- (iii) other economic efforts such as financial and fiscal reforms, government actions, policy instruments, weather and the availability of resources.

The overall long-term GDP growth rate is expected to be above 5%, depending on the successful implementation of the specific reforms, good weather and stable international output and input prices. Specific policies to support sectoral growth rates have been implicitly discussed above and now we provide the general macro-economic policies assumed to affect all sectors.

We argued that the country needs a higher growth rate that can have broad-based impact on the living condition of the population. The strategy is to consider the engine of broad-based growth as identified first and foremost by small-holder agriculturalists and those with small and medium-scale industries having backward and forward linkages with small-scale agriculture, or producing commodities in popular demand. For such a shift in the engine of broad-based growth, substantial redistribution in favour of small-scale farmers and small-scale industrial producers is required. This is with reference to the ownership of productive assets and in the access to credit, foreign exchange, education, and business supporting services.

The most relevant long-term development objective consists of revitalizing and raising the level of productivity in the productive sectors (e.g. agriculture, rural non-agricultural production, industry, mining), restructuring trade; especially in the export sector, and realizing the potentials of regional trade and human resource development. Agriculture, manufacturing, tourism, mining, energy, construction, transport and trade are major sectors with a potential for growth. This broad-based growth will depend on and be stimulated by the following major factors:-

- (i) parastatal reforms;
- (ii) financial reforms;
- (iii) infrastructural support; *and*
- (iv) increased energy supplies.

It has increasingly evident that the public sector (government and parastatal organizations) was not capable of spearheading the development of the economy unaided. This calls for a redefinition

of the government's role in the economy by turning its focus on broader-based economic and development policies, which emphasize the role of the private sector. The shortcomings of the public sector *vis-à-vis* the private sector, have led the government to embark on a wide range of interventions including:-

- (i) privatization;
- (ii) covering ownership changes which involve divestiture and joint ventures;
- (iii) organizational changes which encourage competition; *and*
- (iv) operational changes which call for the removal of government controls and restructuring of some public enterprises.

The role of the state in production was to be restricted to the provision of infrastructural and social services.

The Parastatal Sector Reform Commission (PSRC), set up in early 1992 to guide the parastatal reform process, became fully operation in 1993. A very important objective of divestiture is to encourage investment as a way of stimulating economic growth. Other objectives for privatization include the encouragement of an efficient allocation and utilization of resources, the development of broader ownership, creation of jobs and relief from financial burdens. It involves the sale of public enterprises and closure of enterprises which are not viable.

The key measures in private sector development include the promulgation of the National Investment (Promotion and Protection) Act and the creation of the Investment Promotion Centre (IPC). There are attempts to amend the Companies Ordinance and Investment Act, with the intention to remove the remaining obstacles impeding private sector participation in the economy (as can be achieved, for example, by simplifying the business licensing procedures) and enable the country to benefit more adequately from such participation. Liberalization of the exchange and trade system has facilitated the expansion of private sector activities.

Tanzania will now experience the impact of rapid and dramatic changes in the financial system, consistent with the financial sector's reform programme. These financial systems are expected to allocate the mobilized savings to meet the needs of private enterprises, which are assumed to be fundamental agents for broad-based growth. Significant progress has also been made into the various elements of financial structural reform in recent periods between 1989/90-1994/95.

In 1991, a landmark legislation, the Banking and Financial Institution Act was enacted, ushering in a new era of competitive banking in Tanzania, by allowing the entry of new institutions, putting into place prudent regulations and supervising these institutions. More importantly, the Act enables people to establish community banks for the mobilization of savings and for meeting the investment requirements of small borrowers.

The Bank of Tanzania was restructured in December 1993 to facilitate the formulation and implementation of a monetary policy in a liberalized financial environment. Reforms of the NBC picked momentum in the first half of 1994, with the reconstitution of the Board of Directors and the reduction of NBC staff and when the NBC Act was amended in August 1994, it opened up the possibility of private ownership. Privatization of the bank would allow for the reconstitution

of the NBC under the Companies Act. Two private foreign banks, Meridian Biao (now STANBIC) and the Chartered Standard Bank began operations in Tanzania in late 1993, and have already increased competition within the financial system. Three additional banking licenses have been granted and further applications for licenses are currently under consideration.

The introduction of Treasury Bill auctions in August 1993 has provided a needed anchor in the increasingly liberalized financial environment. The Treasury Bill which had originally been designed as a monetary instrument to mop-up excessive domestic liquidity instead became a fiscal instrument for government borrowing from the banking system, due to the large slippage in revenue performance, occasioned by rampant tax exemptions and poor revenue collection measures.

As regards the exchange system, this was virtually unified from August 3, 1993, with the official rate set on the basis of the exchange rates that prevailed at foreign exchange auctions introduced in July 1993; foreign exchange bureaus whose activities have developed significantly, have been major participants in these auctions. An interbank market for foreign exchange replaced the foreign exchange auctions on 10 June 1994, with the official exchange rate now based on the result of the trading session each morning.

To broaden the availability of foreign exchange for the market, the surrender requirement on proceeds from traditional exports (except coffee) was abolished from June 1, 1994 (the surrender requirement on non-traditional exports had been abolished on 1 July 1993).

The availability of foreign exchange for making payments and transfers for current international transactions has been progressively liberalized and no limits on current payments and transfers are now imposed. With respect to trade arrangements, administrative controls on imports have been removed, and the negative list for imports now comprises only goods that the Government restricts for health and security reasons; virtually all administrative restrictions on exports have been abolished.

In order to facilitate consistent broad-based economic growth, an articulation of broad-based infrastructural development strategies is important. Recent efforts to develop Songo Songo and Mnazi Bay gas fields and the construction of a 220km pipeline to deliver gas to Dar-es-Salaam for conversion into electricity (200MW) is expected to reduce the power shortages. Construction, transport, port and communication services are expected to improve and thus provide the spatial and sectoral links to the economy, particularly in agriculture, manufacturing, mining and tourism, and for the internal distribution and marketing of products.

The ongoing campaigns to intensify revenue collection, and thereby improve the fiscal situation, may bring about salutary effects on domestic prices in the long run. The campaign in tax collection launched in January 1995 involves a government task force investigating the major tax evasion cases and re-examining tax exemption permits. The major sources of tax revenues are sales tax, hotel levies, stamp duty and recoveries obtainable from taxpayers found with fake receipts.

There are continuous efforts to reduce the average rate of inflation, increase government current savings and reduce the current account deficit. Against this economic background, Table 5 shows the economic projections in the long-run.

Table 1: GROSS DOMESTIC PRODUCT BY MAJOR KIND OF ECONOMIC ACTIVITY AT CONSTANT 1976 PRICES:

SECTOR	1989	1990	1991	1992	1993	1994	1995	1990	1991	1992	1993	1994	1995
	SECTORAL REAL GDP AT CONSTANT 1976 PRICES							SECTORAL REAL GDP GROWTH RATES					
Agriculture, Forest & Fish	13183	14055	12150	12426	13336	13069	13783	6.61	-13.55	2.27	7.32	-2.00	5.47
Mining & Quarrying	139	170	317	366	296	252	389	22.30	86.47	15.46	-19.13	-14.86	54.39
Manufacturing	2399	2338	2607	2663	2719	2565	2374	-2.54	11.51	2.15	2.10	-5.66	-7.44
Electricity & Water Supply	406	513	583	560	562	546	584	26.35	13.65	-3.95	0.36	-2.85	7.00
Construction	951	1615	1387	1518	1362	1462	1827	69.82	-14.12	9.44	-10.28	7.34	24.96
Whole Sale & Retail Trade	3549	3577	3365	3465	3627	3774	3902	0.79	-5.93	2.97	4.68	4.04	3.41
Transport & Communication	1852	1789	1807	1902	2103	2326	2573	-3.40	1.01	5.26	10.57	10.59	10.62
Finance & Insurance Services	3554	3630	3662	3771	4015	4285	4585	2.14	0.88	2.98	6.47	6.73	6.99
Public Administration	3475	3572	3645	3706	3626	3448	3184	2.79	2.04	1.67	-2.16	-4.91	-7.66
TOTAL	28558	29921	28376	29224	30422	31364	32796	4.8	-5.16	2.99	4.10	3.10	4.57

Data Source: 1. "National Accounts of Tanzania, (1976-1993)". Bureau of Statistics, August 1994.

2. ESRF estimates (for the period spanning 1994-1995).

Table 2: GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY AT CONSTANT 1976 PRICES IN PERCENTAGE

SECTOR	1989	1990	1991	1992	1993	1994	1995
Agriculture, forestry	46.2	47.0	42.8	42.5	43.8	41.7	42.0
Mining & Quarrying	0.5	0.6	1.1	1.3	1.0	0.8	1.2
Manufacturing	8.4	7.8	9.2	9.1	8.9	8.2	7.2
Electricity & water supply	1.4	1.7	2.1	1.9	1.8	1.7	1.8
Construction	3.3	5.4	4.9	5.2	4.5	4.7	5.6
Whole sale & retail trade	12.4	12.0	11.9	11.9	11.9	12.0	11.9
Transport & Communication	6.5	6.0	6.4	6.5	6.9	7.4	7.8
Finance & Insurance services	12.4	12.1	12.9	12.9	13.2	13.7	14.0
Public administration	12.2	11.9	12.8	12.7	11.9	11.0	9.7
TOTAL							

Data Source: 1. "National Accounts of Tanzania, 1976-1993," Bureau of Statistics, August 1994

2. ESRF estimates (for the periodspanning 1994-1995).

Table 3: BASIC NATIONAL TOURIST STATISTICS

	1989	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994
1 Number of Visitors ('000')	137889	153000	186800	201744	230166	290000	11.0	22.1	8.0	14.1	26.0
2 Number of Hotels	187	194	205	207	198	203	3.7	5.7	1.0	4.3	2.5
3 Average Length of Stay	7.7	7.2	8	8.5	9.5	10	-6.5	11.1	6.3	11.8	5.3
4 Forex Earnings(in Tsh. Mill)	962.5	1042.7	1519.6	1925.6	2051.5	2584.8	8.3	45.7	26.7	6.5	26.0

Data Source: 1. The United Republic of Tanzania, *The Economic Survey*, 1992-1994, Dar-es-Salaam.
2. Tanzania Tourist Board, 1995.

Table 4: PERFORMANCE OF GROUP COMPANIES 1989-94

		1989	1990	1991	1992	1993	1994	1990	1991	1992	1993	1994	
GROUP COMPANY NAME		PRODUCTION PERFORMANCE IN QUANTITIES						ANNUAL PRODUCTION GROWTH RATES					
1 Williamson Diamonds Ltd.	(carats)	85883	74480	99762	67250	40747	37535	-13.28	33.94	-32.59	-39.41	-7.88	
2 Tanzania Diamond cutting	(carats)	14172	8431	11228	1418	1091	1041	-40.51	33.18	-87.37	-23.06	-4.61	
3 Nyanza Salt Mines	(tonnes)	14493	13952	22181	17907	20172	20682	-3.73	58.98	-19.27	12.65	2.53	
4 Tanzania Gemstones	(carats)	12330	6170	5199	470	2365	4272	-49.96	-15.74	-90.96	403.19	80.64	
5 Pugu Kaolin	(tonnes)	1554	2021	1738	1375	639	571	30.05	-14.00	-20.89	-53.53	-10.71	
6 Coastal Salt Works	(tonnes)	5360	9875	12935	14000	14541	14653	84.24	30.99	8.23	3.86	0.77	
7 Kiwira Coal Mines	(tonnes)	15140	16929	33213	31140	40248	42602	11.82	96.19	-6.24	29.25	5.85	
8 Tin	(tonnes)	16.5	13.2	7.1	6	5.5	5	-20.00	-46.21	-15.49	-8.33	-1.67	
		REVENUE PERFORMANCE BY GROUP COMPANIES IN TShs '000'						ANNUAL REVENUE GROWTH RATES					
1 Williamson Diamonds Ltd.	(Tshs. '000')	937429	1419750	2385000	2251200	2218050	2209819	51.45	67.99	-5.61	-1.47	-0.37	
2 Tanzania Diamond Cutting	(Tshs. '000')	739108	657590	579660	57520	55875	55472	-11.04	-11.84	-90.08	-2.86	-0.72	
3 Nyanza Salt Mines	(Tshs. '000')	202595	364010	606060	742350	872220	910673	79.67	66.50	22.49	17.49	4.41	
4 Tanzania Gemstones	(Tshs. '000')	28459	69800	29230	9170	22060	29874	145.27	-58.12	-68.63	140.57	35.42	
5 Pugu Kaolin	(Tshs. '000')	26096	65900	61320	58660	24500	20905	152.53	-6.95	-4.34	-58.23	-14.67	
6 Coastal Salt Works	(Tshs. '000')	49270	175970	230370	302400	377090	400561	257.15	30.91	31.27	24.70	6.22	
7 Kiwira Coal Mines	(Tshs. '000')	80000	240000	385000	496280	618640	657077	200.00	60.42	28.90	24.66	6.21	
8 Tin	(Tshs. '000')	6400	10100	10854	7687	7422	7365	57.81	7.47	-29.18	-3.45	-0.77	

Data Source: STAMICO Data Files, Dar-es-Salaam 1995.

Table 5: Long-Term Economic Projections

SECTOR	1995	LTG01	LTG02	LTG*
Agriculture, Forestry & Fisheries	5.47	3	3	4.0-5.0
Mining & Quarrying	54.39	-4	-4	5.0-10.0
Manufacturing	-7.44	8	5	3.0-5.0
Electricity & Water Supply	7.00	10	7	7.0
Construction	24.96	8	6	6.0-7.0
Whole Sale & Retail Trade	3.41	4	5	3.5-4.5
Transport & Communication	10.62	10	7	6.0
Finance & Insurance Services	6.99	4.8	8	5.0-7.0
Public Administration	-7.66	9	7	3.0
TOTAL	4.57	4	4	4.5

Data Source: *Several Economic Surveys. National Accounts of Tanzania.* Bureau of Statistics, 1994.

Key:

LTG01: Long-term economic projection based on historical time series GDP data (1965-1993).

LTG02: Long-term economic projection based on historical time series GDP data (1965-1973 and 1990-1993).

LTG*: Long-term economic projection based on *"A Qualitative Macro-Economic Model"*.

Here we have minimum and maximum projected GDP growth rates.