Introduction

Although an underdeveloped sector in Tanzania, manufacturing is nevertheless an important contributor to the country’s GDP. But the burdens it struggles under are substantial. Hampered by the variability of the agricultural sector on which it is based, Tanzania’s industries must also contend with high costs of production, low labour productivity, high interest rates and increased competition arising out of the policy of trade liberalization.

In this context, the sector is characterised by a narrow industrial base dominated by agro-industries, limited diversification, reliance on imported inputs of raw materials and intermediates, relatively underdeveloped industry linkages, prevalent use of obsolete technologies and production that is mainly focused on the domestic market.

Government recognises that significant transformation of the sector is vital. In order to achieve this, it is necessary to promote and stimulate a change process which will make the sector exhibit a diversified structure of production; undertake processing of more of the natural resources with which Tanzania is endowed; and become export-oriented.

Taking into account the above factors, Government’s goals for the industrial sector in the medium term are to optimize the exploitation of domestic natural resources; to strengthen backward and forward linkages within the manufacturing sector and between the sector and rest of the economy; to ensure that industries are competitive in the domestic and international markets; to raise levels of technological capabilities; to create new employment opportunities; to absorb the rapidly growing labour force; to strengthen the SME sector and put emphasis on sub-regional collaboration and south-south cooperation.
Importance of the sector and performance

In terms of importance, the manufacturing sector, though not strong as it should be, continues to play a respectable role in the economy, contributing to 18.9% of export earnings and 8.6% to GDP - but this is still short of the planned target of 15% by 2020. In the country’s Development Vision-2025, it is projected that the contribution of the industrial sector to the economy will reach 25% like the semi-industrialized countries of South East Asia.

Tanzania’s most important industries include agro-food processing, beverages, oil refining, and cement. Other industries include the production of textiles, apparel, tobacco products, glass, paints, plastics, chemicals and pharmaceuticals, and the processing of metals and wood products.

The sector provides employment for an estimated workforce of over 100,000 people.

Growth rate of the sector decelerated from 9.9 percent in 2008 to 8.0 percent in 2009. This trend was due to the effects of the global economic meltdown.

Export development

The export market for manufactured goods comprises cotton yarn, manufactured coffee, manufactured tobacco, sisal products, plastics, textiles and apparel and iron steel.

During 2009, the export value of manufactured goods declined from US$ 662.3 million recorded in 2008 to US$ 497.6 million. The decline is partly attributable to the drop in demand for the manufactured products in the neighbouring countries following the global financial crisis.

Major production and industrial units

Food, Beverages and Tobacco

The food manufacturing in Tanzania include manufacturing of dairy products, canning and preserving of fruits and vegetables, canning fish and similar foods, manufacture of animal and vegetable oils, grain milling baking, sugar and confectionery as well as prepared animal feeds. The beverages include the distilling and blending of spirits; manufacture of wines, cider and beer; production of soft drinks and carbonated waters and the bottling of natural spring and minerals waters. The tobacco subsector comprises manufacturing of cigarettes, tobacco and other tobacco products.

Textiles, Clothing, Leather and Footwear

Activities undertaken in this category include spinning, weaving and finishing of textiles as well as garments, knitting and the manufacture of carpets, rugs, cordage, rope and twines. The leather and footwear subsector include tanneries; leather finishing and manufacturing of products from leather such as luggage, handbags and purposes.

Wood products

Accounted in the sub-sector include sawmills, planing and other wood mills manufacturing goods. Also included is the manufacturing of wooden containers, cane products and wooden products.

Paper and Paper Products

This comprises the manufacturing of pulp, paper, paperboard, fibreboards, light packaging, heavy packaging, stationery and other paper products.

Chemicals, Petroleum, Rubber and Plastics

The chemical subsector comprises the manufacture of basic industrial chemicals, fertilizers, pesticides, plastic materials and products, medicinal and pharmaceuticals, soap, detergents, perfumes and other cosmetics, paints and other chemical products. While the petroleum subsector comprise of petroleum refineries, fuel oils, lubricating oils and manufacture of asphalt materials.
Rubber products produced in the country include tyres and tubes conveyors and fan belts, rubber mats, groves, pipes and tanks, plastic sheets, kitchenware, furniture and footwear.

Non-metallic Mineral Products
This includes manufacture of pottery, china and earthenware, glass and glassware products, bricks, tiles, cement, concrete, gypsum and plaster products.

Boosted by robust growth in construction, Tanzania’s cement industry has grown rapidly over the years, with three cement producers and a combined production capacity of 1.9 million tonnes per year.

Basic Metal Products
This comprises rolling mills and foundries to produce products such as slabs, bars, sheets, plates, strips, tubes, pipes and rods.

Fabricated Metals, Machinery and Equipment
These include manufacture of cutlery, hand tools and general hardware, furniture and fixtures, doors, metal staircases and window frames. Others are electrical motors transformers, electrical control devices and switchboard apparatus as well as radios and transport equipment, mainly bicycles and animal and auto-pulled carts.

Other Manufacturing Industries
This covers products such as jewels and related articles, furniture manufacture, measuring and controlling equipment and optical goods. Production in this category has experienced an average growth of over 12 percent over the last decade.

Notable performance of some local industries
The goods whose production skyrocketed include Konyagi, which increased by 151.9 %, from 4,049,000 litres in 2008, up to 10,201,000 litres in 2009. Production of pyrethrum agro-chemicals also increased from 73 tonnes in 2008, up to 266 tonnes, equivalent to 264.4 % increase.

Production of wheat flour increased from 287,925 tonnes in 2008 to 368,885 tonnes in 2009, representing 28.1 % increase. Production of Chibuku brew also increased sharply from 10,235 litres in 2008, up to 16,141 tonnes in 2009, equivalent to 57.7 % increase.

Likewise, production of iron sheets ballooned to 50,664 tonnes in 2009, from 31,743 tonnes in 2008, equivalent to 59.6 % increase.

Production of batteries also increased to 78 million batteries in 2009, from 53 million batteries in 2008, representing 47.2 % increase.

Moreover, production of cement increased from 1,756 tonnes in 2008 up to 1,941 tonnes in 2009. This was caused by high demand of the commodity as consumption of cement skyrocketed from 1,940,845 tonnes in 2008 to 2,399,458 tonnes in 2009, equivalent to 58.5 % increase.

However production of aluminum declined from 105 tonnes in 2008 to 58 tonnes in 2009, registering a 44.8 % decrease. Production of garments also declined from 7,783,000 square metres in 2008 to 7,913,000 square metres in 2009, a 34.9 % decrease.

Other goods whose production declined during the period under review include logs (16.6%), biscuits and spaghetti (1.5%), beers (2 %), cigarettes (4.4%) and iron (13%).

Investment opportunities
The priority sectors for investment include the following export-oriented manufacturing operations: Textile and garments; leather processing and leather products; lapidary, including gold, diamonds and gemstones; agro-processing; fish processing; wood and wood products; elec-
Policies and Regulatory Framework

The future discourse for industrial development in Tanzania is elaborated in the “Sustainable Industrial Development Policy - SIDP”. The main purpose of SIDP is to set out a path for industrializing Tanzania so that by the turn of the first quarter of the 21st Century it becomes a semi industrialized country.

In its approach SIDP embraces the principles of a market-led economy and competitiveness. It points out plainly that industry would only prosper in the hands of increased private sector participation both in decision making and implementation. The government in this aspect has vowed to increasingly provide an environment which is welcoming, attractive, and stable and that can encourage private sector investment.

The private sector in its part should take all necessary initiatives to respond and manage challenges of globalisation. Firms are challenged to pursue firm strategies which are geared towards building the necessary capabilities to enable them compete in the world market.

Industrial Support Organisations

The government has established several institutions to render support services to the industrial sector. Among them are: The National Development Corporation (NDC), the Small Industries Development Organization (SIDO), the Centre for Agricultural Mechanization and Rural Technology (CARMATEC), the Export Processing Zones Authority (EPZA), the Tanzania Industrial Research Development Organisation (TIRDO), the Tanzania Engineering and Manufacturing Design Organisation (TEMDO) and Tanzania Bureau of Standards (TBS).

Challenges facing the manufacturing sector

- Poor technology;
- Insufficient industries/factories;
- Unreliable market for the final processed goods;
- High cost of power, unreliability of power and underdeveloped infrastructure;
- Unreliable availability of raw materials;
- Small number of trained manpower.

Conclusion

The manufacturing sector holds the key to Tanzania’s economic growth given the desire to diversify from agriculture and tourism to other sectors. Although the sector’s contribution to the national economy has not significantly improved lately, there is every reason to believe that with proper policies and investment incentives in place, manufacturing sector is a growth area.