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What Does It Take to Attain The Desired Industrialization by Tanzania's 5th Phase Government? Selected Economic Thoughts

By

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What Does It Take to Attain The Desired Industrialization by Tz's 5th Phase Government?: Selected Economic Thoughts

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Introduction and Context

- Need for industrialization for social-economic development: Employment, forex, revenues, etc
- Industrialization as among the major issues of the 5th phase government
- Industrialization in 2015 CCM Manifesto: Mentioned over 70 times)
- In President Magufuli's speech in the Parliament on 20th November 2015 (35 times, 5 out of 48 pages: 10.4% of the volume of the speech: '...Nimeamua kulisema hili kwa kirefu sana ...':
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Focus

- Desired industrialization in CCM' 2015 manifesto and in President Magufuli's speech in the Parliament on 20th November 2015
- Types of desired industrialization (Magufuli, page 19):
 - Mass employment-creating industries
 - Industries for domestic mass consumption goods
 - Industries for export goods
- Need for interrogations on what it takes to attain the desired industrialization above

Industrialization in CCM manifesto

- To accomplish and implement SIDP Phase 3: (2010–2020)
- To attain industrial sector contribution in Vision 2015
- Part of FYDP II: (2015/16-2020/21): Aim is Industrial Economy
- Construction of agro-processing, middle, large and basic industries; use of domestic raw materials
- To strengthen existing industries

Industrialization goals in CCM manifesto

- Increase industrial sector GDP contribution from: 9.9% in 2013 to 15% in 2020
- 40% of employment to come from industrial sector by 2020
- To mobilize private sector to invest in middle and large industries and protect them vs foreign industries
- Increase preferential markets access: COMESA-EAC-SADC , EU, AGOA, India, China, Japan

Industrialization for mass employment creation: Implications

- Aim by 2020: To have 40% of employment coming from industrial sector
- Implications: Has to be labour intensive industrialization:
 - Can create direct industrial jobs
 - Not transformative industrialization
 - Does not augur well with modern day industrialization (state of the art, high tech, capital intensive)

Mass employment industrialization...

- Reality today: Need for Capital intensive Industrialization
 - Modern, state of the art, high tech, automated
 - Few direct industrial jobs: Capital displaces labour
 - Employment can be along industrial value chains nodes (Backward & forward integration): It calls for strong inter-sectoral linkages & holistic approach in industrialization. Develop all sectors

Industrialization for Mass Domestic Consumption

- Targets mass consumer goods such as textile, footwear, cooking/edible oil etc: Magufuli, page 20
- **Implications:** Consider consumers behavior and meeting needs of the complex Tanzanian middle class
- Tastes and preferences are skewed towards imported consumables: Quality/brands better than local?
- Needed: Conducive, friendly, supportive investment climate to produce the needed quality and quantity of consumption goods: Infrastructure, power, HR, fiscal regime etc

Industrialization for Export: Implications

- Domestic value addition: away from export of unprocessed products
- Implications: Fix what is broken in investment climate
 - Infrastructure: Roads, ports, airports, railway
 - Utilities: Electricity, water
 - Fiscal regime: Predictability, number of & tax rates
 - Skills and talents in the labour force: Soft skills etc

Industrialization for Export: Implications...

- Export market availability and access
 - Quality/standards: Sanitary/phytosanitary, traceability
 - Quantity
 - Supply frequency
 - AGOA case/lessons
- Good investment climate is necessary
- Economic diplomacy for export markets creation

General recommendations

- Learn from earlier industrialization moves in Tz
 - Import Substitution Industrialization
 - Industrialization through State Owned Enterprises
 - Industrialization through privatization etc

What worked, what did not work & why. What could work?
- Learn from earlier and current industrialization in other countries

The End Thank You