

# Industrialization for growth and poverty alleviation in Tanzania: a strategy for skills development

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# Outline of the Presentation



- Introduction
  - what is industrialization
  - What is poverty enhancing growth?
  - Where does it come from?
- Situation of the manufacturing sector in Tanzania
- What should be the strategy to address the situation?
  - Sectors to target and strategies
- Matching the proposed strategy with current Tanzania industrial strategy
  - Is it on the right track?
- Existing skills gaps
- Some recommendations for skill development.

# Introduction



- In general (in national accounts) the industrial sector refers to three subsectors of mining, manufacturing and construction.
  - Manufacturing is about value addition- **it** is any business that uses components, parts or raw materials to make a finished goods
- The concept of industrialization refers to the manufacturing sector, defined as is the process in which a society or country (or world) transforms itself from a primarily agricultural society into one based on the manufacturing of goods and services.
- It is manufacturing sector that is important for poverty eradication

# Introduction cont..



- First, it ensures sustainable growth of the country ( a necessary condition for poverty alleviation):
  - Bulk of world export (about 70% in 2010) is on manufactured goods.
  - The price of manufactured goods tends to be more stable than that of commodities, and therefore **stable** and **sustainable growth**
- Employment generation: no sector in an economy is as employment generating as the manufacturing sector:
- Huge potential for employment generation:
  - the development of the manufacturing sector, apart from its huge potential for employment, stimulates demand for more and better services , including banking, insurance, communication and transport, which leads to further job creation.

# Situation of the manufacturing sector in Tanzania

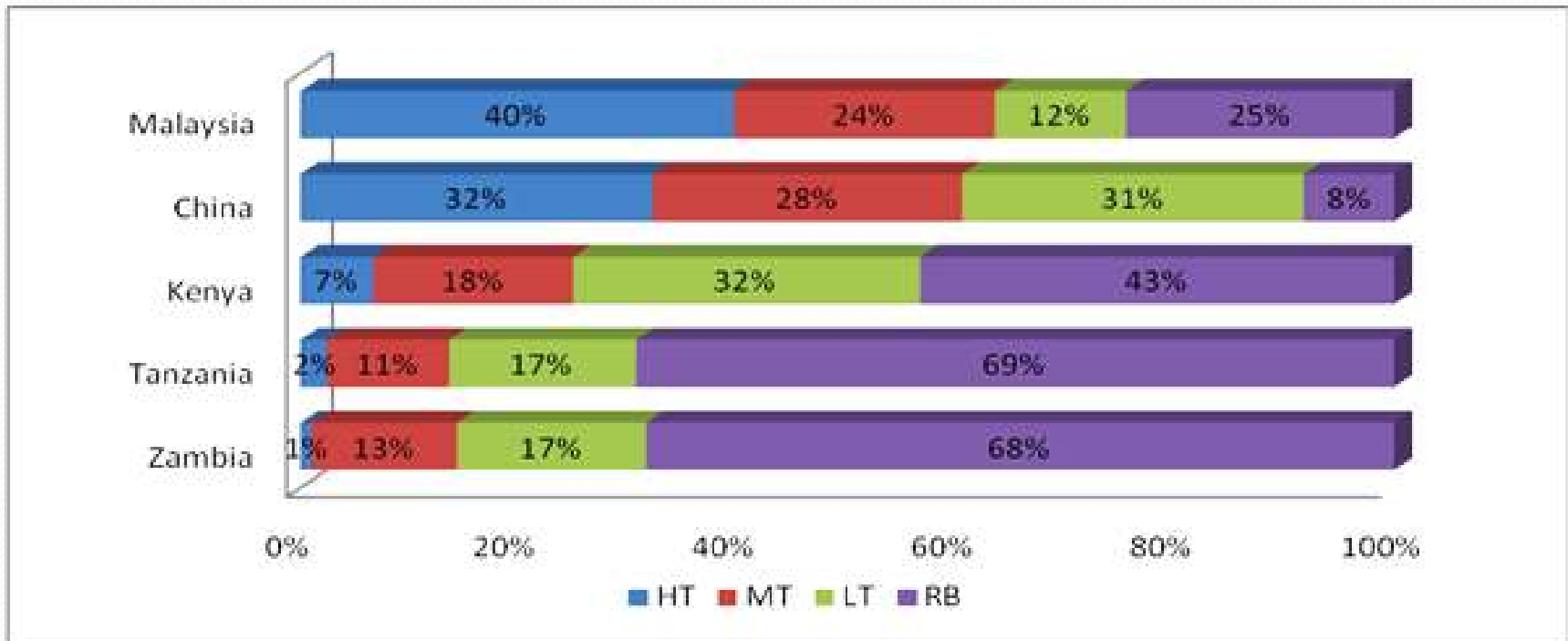


- For Tanzania to achieve a middle income status by 2025, it requires a contribution of the manufacturing sector to GDP to be 23%; it is currently about 9%.
- The sector is very small in size, and largely low tech and resource based, with very low value addition – in comparison with selected countries
- The below picture demonstrate these

# Situation of the manufacturing sector in Tanzania cont..



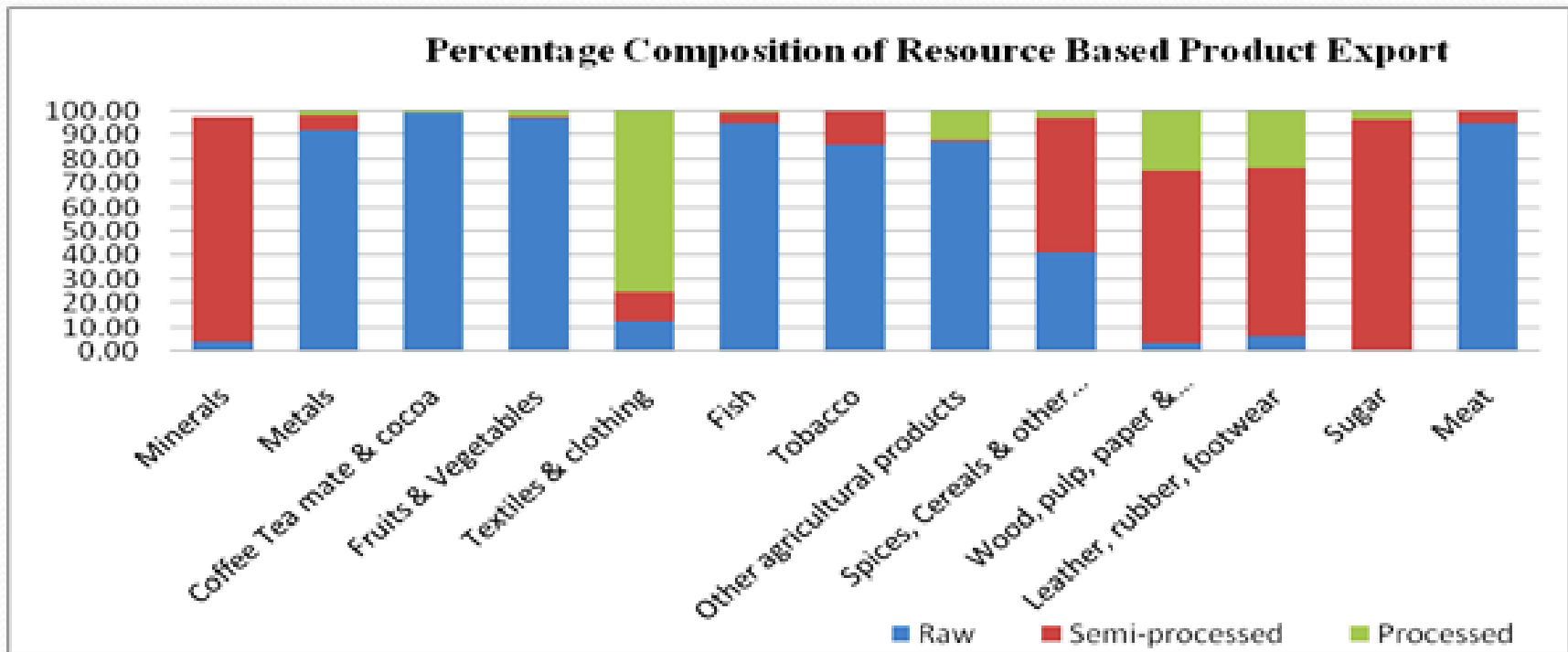
Figure : Structure of Manufactured Exports by Technology Classification



# Situation of the manufacturing sector in Tanzania cont..



Fig: Processing Degree of Resource-Based Exports



# What should be a strategy to grow the manufacturing sector?



- **Should be in short, medium and long terms**
- In the short term
  - Tanzania must grow its low tech sectors , e.g. and especially the agro-processing; developing linkage with the agricultural sector
  - At the same time increase agricultural productivity
- In the medium term,
  - help low-tech and labour-intensive sectors gradually move up the innovation capability ladder by deepening their technological and innovation capabilities
  - Move into high value mineral processing



# Strategy to grow the manufacturing sector cont..



- In the long-term,
  - In the long-term, the target should be to move towards a more diversified, sophisticated and internationally competitive national manufacturing sector
  - It is important to recognize Tanzania's comparative advantage in this, and to achieve a competitive advantage around it by building a secure physical and knowledge infrastructure

# Matching the proposed strategy and current Tanzania industrial strategy.



- Right direction at the macro level decisions in terms of short term:
- For instance in terms of priority sectors: fertilizer and chemicals industry, agro-processing (edible oil, cashew nuts, fruits, milk and dairy products), the textile industry subsector, leather and leather goods industry, light industry manufacturing, iron and steel industry.
- But a number of weaknesses at the meso and micro levels
  - **Micro:** little emphasis on follow up of innovation strategies, opportunities and challenges of individual firms
  - **Meso:** poor governance of the systems of innovation.

## Existing skills gaps

- Skilled human power is one important component for innovation and growth of the manufacturing sector
- Skills gap ? Not very sure whether there is a comprehensive recent survey on this, but:
  - Older surveys did it wrongly – looking at it from the perspective of the surveyor, rather than from that of a company
  - Our (STIPRO) studies on innovation (agro-processing and metal sector), indicate inadequate skill is third most important constraints to innovation; first is markets and second is technology itself.
  - Our studies also indicate that VET has not been helpful because it is based on theoretical learning only.

## Existing skill gaps cont..

- Requirement of skills is not only limited to the micro level at the firm levels, but also meso level in terms of governance of the ST&I system and policy making and coordination
  - Knowledge on the right institutions, their responsibilities and arrangements.
  - Policy making process – the concept of ST&I is inadequately understood, leading to ambiguities in policies.
  - In adequate expertise in **innovation and development**; and therefore researchers who can produce evidence in decision making

# Some recommendations for skill development.



- Basically targeted at addressing the mentioned challenges towards strategic actions:
  - At the short term we have low tech sector: emphasis on **technical and vocational training**, rather than university education.
  - This sector is very small – it needs to grow through growth of existing ventures and opening up of new ones, especially in rural areas : emphasis on incremental **innovation capability building and technological entrepreneurship**.
  - Train the existing policy bureaucrats on the concept of ST&I and its policy making process
  - Provide courses on **innovation and development** in universities.
  - Build national capacity for **technology foresight and future studies** – to enable move in the right direction – in terms of education – towards more longer term industrialization strategy.

Thank you very much for your kind  
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