

INDUSTRIALIZATION AND THE NYERERE LEGACY:
MISSING LINKS AND LESSONS FOR
FUTURE POLICY IN TANZANIA

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INTRODUCTION

Nyerere's political and economic stance always emphasised directing services to the majority of the people, in particular to the poor. The focus of the various policies pursued since independence in 1961 was on tackling poverty, illiteracy and disease. He considered these three to be the main ills Tanzania was facing and that to a large extent they were the cause and result of Tanzania's underdevelopment.

Success in the fight against underdevelopment in Tanzania, according to Nyerere, largely depended on the performance of the agricultural sector. The industrial sector was expected to play two major roles. One, to enhance the agricultural productivity through provision of farm implements, fertilizers, and insecticides; and second, to produce domestically, consumer goods such as clothing, soap, shoes among others, which were previously being imported. Nyerere (1976) pointed out that the main aim of new industries in Tanzania was import substitution of such consumer goods demanded by Tanzanians, most of whom were poor.

With the focus on import substitution, very little or no efforts were made for Tanzania's industries to export and hence become foreign exchange earners. The availability of imported industrial inputs in Tanzania depended mainly on the foreign exchange generated by the agricultural sector and on foreign financing.

The performance of the industrial sector in Tanzania has been poor, recording the worst performance during the last term of Nyerere's presidency i.e. 1980-

have not managed to make Tanzania's industrial sector perform satisfactorily. The poor performance of the industrial sector is closely associated with policy-related problems. In the literature it is pointed out that almost all growth models predict that national economic policies will have a strong effect on economic growth. Where policies fail to initiate growth, it would be due to omitted factors during policy formulation and implementation or simply due to bad policies.

The poor performance of Tanzania's industrial sector is, as said above, mainly due to missing policy links or bad policies (particularly in the pre-reform era). However, there are still good policies and fundamental issues which Nyerere stood for and which if considered during policy implementation would assist current reforms to produce better results in the industrial sector. The issues include the importance of the agricultural sector development, and hence agro-based industries and the importance of supporting the development of small-scale industries. Emphasis is put on the linkage between the industrial sector and other sectors of the economy including the use of local resources. The other important issues include the role of government in supporting and directing industrial development in the country; the importance of specific national policies in supporting industrial development; the role of institutions supporting industrial needs in technological development, financial and managerial skills, particularly the development of small scale industries and the question of local participation in industrial development. Even the current industrial restructuring and privatisation need to consider seriously the interests of local investors. Nyerere stood for such ideals as was shown by his favour of joint venture arrangements rather than surrendering everything to foreign investors.

The main objectives of this chapter are two-fold: first, to identify the missing links in the policy formulation and implementation during Nyerere's efforts on industrialization in Tanzania. Secondly, to suggest from what Nyerere stood for, issues that may form important lessons for future policy formulation and implementation and subsequently further improvement in industrial performance.

To facilitate the presentation of the above issues, the chapter is organized into five sections. The first section is an introduction while the second section reviews the various industrial policies and the third section analyses the impact of such policies. The fourth section discusses policies and industrial performance during reforms and identifies areas where policies and aspects of Nyerere's industrial efforts could be used as lessons for enhancing the achievements of reforms in the industrial sector. Concluding remarks are made in section five.

STRATEGIES AND POLICIES RELATED TO INDUSTRIAL DEVELOPMENT IN TANZANIA: 1961 TO MID 1980s

At the time of independence in 1961, Tanzania had only a rudimentary industrial structure. The largest single manufacturing sub-sector was cotton ginning. Beer

exports were canned meat and wattle extracts. There was no factory production of textiles, shoes, cement, or cigarettes. However, there were numerous small establishments producing clothing, bread, bricks and footwear, mostly owned by Asians. Total manufacturing employment was about 20,000 out of a total population of about 10 million people and manufacturing and handicrafts contributed less than 5% of GDP. Clearly therefore, Tanzania had at independence, a very small industrial base. Various strategies and policies were needed to industrialize the country.

Post Independence Strategy: 1961-1964

The newly independent government inherited an industrial strategy based upon reports by Arthur D. Little and the World Bank. This strategy emphasized domestic production (import substitution) of textiles, cigarettes, shoes, beer, sugar, cement and tyres. The strategy encouraged and attracted private investors (mainly foreigners) to produce such goods for the domestic market. During this period Nyerere considered industrialization as an engine of growth led by the private sector. In 1964 for instance, commenting on the achievements of the industrial sector, Nyerere commended the private investors for increased output. The importance of the manufacturing sector was also reflected in the Three Year Development Plan (1961-64) and the First Five Year Plan (FFYP) (1964-69) both of which put emphasis on attaining rapid rates of growth in the manufacturing sector. In fact, the FFYP did propose a more ambitious programme (import substitution for steel, oil refining and fertilizer) without changing the broad outline of the inherited strategy which was based on Little and World Bank reports. The FFYP further identified the availability of capital and the extent of the market as the two major constraints to industrialization in Tanzania. The capital constraint could only be overcome by reliance on private (including foreign) investment and that the market constraint was to be loosened by a change in the rules of the East African Common Market.

Another development during the period was the formation of the National Development Corporation (NDC) in January 1965 as a national institution to oversee industrial development in the country both for the public and private sectors. However, because only little private investment was forthcoming in the country, NDC was instructed to concentrate more on direct public investment which, by then, was very small e.g. by 1966 the share of manufacturing public sector value added was only 5.7%. A shift had therefore started in favour of the public sector as opposed to the private sector with regard to which sector could be expected to bring industrial development in the country. However, a small response of the private sector needed to be analysed more deeply and realistically to find out what was actually constraining industrial growth in the country i.e. probably poor infrastructure was the major missing link and that is where efforts

Post-Arusha Industrial Strategies and Policies

The 1967 Arusha Declaration charted a completely new course for Tanzania based upon socialism and self-reliance. It reversed the basic principle of the previous industrial strategy: dependence on foreign investment as the major instrument of industrial development. Henceforth, most major industries were to be publicly owned and most new investment would be made by the public sector. In fact, according to Nyerere (1976) the Arusha Declaration, among others things, sought to lay down the criteria for the division of the role between public and private enterprise. That is a clarification on areas where public ownership and control was required and areas where private investment would be welcomed in industrial development.

As part of the measure to own and control the major means of production and exchange in the economy on 5th February 1967 nationalization of some industrial firms was effected. Firms engaged in the processing of food normally purchased from or through the National Agricultural Products Board were nationalized. These included for example, Tanzania Millers, Chande Industries, Pure Food Products Ltd, G.R. Jivraj, Noormohamed Jessa, Kyela Sattar Mills (Mbeya), Associated Traders Ltd. (Mwanza) and Rajwani Mills (Dodoma). Other industrial firms dealing with iron and steel, machine tools, motor cars, cement, fertilizers and textiles and any large factory on which a large section of the people depended for their living or which provided essential components to other industries were to be owned and controlled by the government.

Thus, beginning mid 1960s, foreign investment was no longer considered the principal agent of industrial development in Tanzania partly because such foreign investment was not forthcoming and partly because dependence on foreign investment would, according to Nyerere, not be consistent with political independence, self-reliance, or socialism (Nyerere, 1976). This change of attitude on foreign investment aside, it was however not resolved how and where Tanzania would get capital and expertise for the process of industrialization.

The Arusha Declaration also resulted in a new income policy. Accordingly, in order to increase employment growth and to prevent further growing of income inequality between urban workers and peasants (brought by rapid growth of wages particularly in large scale industry) an upper limit of 5% for annual wage increases was set for urban workers. Further, the Arusha Declaration attempted to define the role of industry within the overall strategy of economic and social development. In this case industry was to be the outcome rather than the cause of development which in turn had to be based on more efficient and productive agriculture (emphasizing self-reliance particularly because the country had no capital and expertise to establish industries).

Industrial development specified in the Arusha Declaration was supported

rate of growth of manufacturing of 13.0% exactly double the target rate of 6.5% for total GDP. The FFYP had set a 14.8% target for industrial growth (URT, 1969).

Despite affecting the ownership pattern of industry and bringing in issues of employment and income distribution, the Arusha Declaration had no guiding doctrine with respect to aspects of linkages, sources of capital and technology, type of products to be produced and the market orientation of industry (including export market). These were some of the missing links, which later on contributed to poor industrial performance.

After the Arusha Declaration, there was a general agreement that Tanzania must pursue a socialist industrial strategy. A number of alternative industrial strategies e.g. maximum growth strategy, basic industry strategy (BIS), small-scale industrial strategy (SSIS) East African Strategy and Mixed Strategy were discussed. BIS and the SSIS were chosen.

Small-Scale Industrial Strategy

This strategy was expected to extend the principle of self-reliance to the local level. It was expected to enhance local production of consumption goods and tools and hence reduce the need for imports of such goods as well as raw materials and equipment. The strategy was also expected to focus on small and labour intensive industries and hence enhance employment generation, equality in income distribution and in regional distribution of industries and increase worker participation.

The Ministry of Industries elaborated the proposed role of small-scale activities in the future industrial development in Tanzania. Most of the small and medium scale firms producing items such as shirts, soap, soft drinks, shoes and nails were to be established at the district level. District Development Corporations (DDCs) became responsible for setting up small-scale industries both public-owned and jointly owned by public and private actors. At the second level i.e. the village level, a parastatal known as Small Industries Development Organization (SIDO) was formed in 1973 and had the responsibility of assisting village cooperatives to establish viable enterprises for producing simple goods for village (including neighbouring village) consumption and handicrafts which might have a wider market. It was however, not explicit how local private entrepreneurs would be assisted individually. One of the functions the private sector can perform is to provide competition for small-scale public or cooperative enterprises. Thus, confinement to public and cooperative enterprises was very costly as there was no competition.

Further, the Ministry of Industries proposed to have national industries mainly in regional centres, catering for the national or export market. In general, however,

government policy actions. Little or no improvement was made in infrastructural facilities including rural electrification to facilitate such industrialization. Besides this, the major parastatals, sometimes with government support, consistently pre-empted opportunities for small-scale production by building large factories. The existence of SIDO and industrial parastatals created a problem whereby parastatals did not treat small scale industry as an integral part of industrial development. Further, most goods produced by small scale industries were characterised by poor quality and high cost. In addition, no technical assistance was provided by the government to establish a broader range of small-scale industries. Also, many products of small-scale production were not competitive in price and hence consumers frequently preferred mass produced goods. There were no cost reduction strategies to assist small-scale industrial production.

The Basic Industry Strategy: 1975-1995

The Basic Industry Strategy (BIS) mainly aimed at promoting structural change and increased self-reliance. Emphasis was placed on basic industries, which provide the basic needs of the population, as well as intermediate goods industries that have high linkages with other industries. Emphasis was put on the following industries: Iron and Steel and Engineering (including metal) Industries, Chemical Industries, Textiles, Sisal, Construction Materials, Paper and Leather. The strategy also emphasised the use of domestic resources for domestic needs.

BIS was generally biased in favour of the domestic market and against export market. At the same time many of the priority investment allocations of BIS were relatively capital-intensive and had a long gestation period. Given its anti-export and capital intensiveness, the short-term costs in terms of foregone growth was especially high particularly when agricultural exports failed to improve foreign exchange availability. BIS needed to be supported by an alternative strategy which would give more emphasis to light export oriented industry. There was need also to promote technological development in the country so as to make BIS a success. In addition, Tanzania lacked managerial and financial capacities as well as an administrative capacity to operate a centrally planned economy and hence be able to effect the BIS-envisaged structural transformation.

Finally, one of the stated objectives of BIS was to foster the development of small-scale industry. However, due to the problems mentioned above (financial, institutional and policy related problems) the objective of fostering small-scale production was not achieved.

Other Specific National Policies

The TANU Guidelines of 1971 (*Mwongozo*) among other things, emphasised,

of the intention of this policy led to problems including strikes, indiscipline, and erosion of efficiency on the part of management. The guidelines were thus poorly implemented. The 1972 "*Siasa ni Kilimo*" campaign was announced, which could have provided a basis for promoting agro-based industries.

INDUSTRIAL PERFORMANCE IN TANZANIA

Industrial performance in Tanzania can be analysed in two broad sub-periods: 1961 to mid 1980s pre-reform period and the reform period i.e. from the mid- 1980s onwards.

Trends in Industrial Performance: 1960s to mid 1980s

The brief early period (1961-1966) after independence was characterized by free market policies and greater private sector participation. Industrialization in this period was import substituting and little attention was given to its linkage effects and the structural transformation within the economy (ILO, 1977). During this period the industrial sector's performance was good. According to Nyerere (1976) there was, for instance, a considerable increase in the output of industrial goods in 1965 when total value of manufactured output was £10,000,000 which was 16% in value terms and 10% in quantity terms above the production in 1964. The growth was largely contributed by the private sector.

From the mid 1960s to the mid 1980s, following the Arusha Declaration, the country pursued policies for economic growth and development based on restrictions and controls and direct state investments in commercial concerns in all sectors (including the industrial sector) of the economy (World Bank, 1996). The respective macro-economic environment (of course coupled with external factors) affected seriously the performance of the industrial sector (as well as that of the other sectors) which was now led mainly by the public sector.

Promotion of Large Public Industries and Neglect of Small Scale Industries

Data from the Bureau of Statistics indicate achievement of positive and high growth rates of industrial output particularly for the large scale manufacturing, during the period 1966 to 1974.

Table 7.1: *Growth Rates of Value Added in Tanzania's Manufacturing 1966-1974 (%)*

	1966	1967	1968	1969	1970	1971	1972	1973	1974
Total Manufacturing	17.7	9.0	6.8	10.2	6.5	9.5	8.4	4.5	1.4
Large scale (10+ employees)	30.0	8.1	11.9	20.4	12.8	9.7	12.6	7.5	9.0
Small scale (5-9 employees)	5.0	1.1	0.0	-4.7	-4.5	9.1	0.0	-2.8	-18.9

As seen from Table 7.1, the first few years following the Arusha Declaration saw a rapid industrial growth but mainly of the large scale type. The small scale type was generally neglected by the government as shown by the very low and even negative value added growth. This was contrary to Nyerere's expectation of seeing rapid growth in small-scale industrialization (especially in rural areas) and the subsequent enhancement of the principle of self-reliance. During the same period, total employment in the manufacturing sector increased consistently, more than doubling from 32,594 employees in 1966 to 69,974 in 1974.

The output growth and share of the manufacturing sector during the 1965-1985 period is summarized in Table 7.2.

Table 7.2: *Manufacturing Output Growth and Share in Tanzania, 1965-1985*

1. Growth of Production (%)									
GDP		Agriculture		Industry		Manufacturing			
1965-80	1980-85	1965-80	1980-85	1965-80	1980-85	1965-80	1980-85	1965-80	1980-85
3.9	0.8	1.7	0.7	4.2	-4.5	5.6	-4.6		

2. Structure of Production:									
Distribution of Gross Domestic Product (%)									
GDP (mill US \$)		Agriculture		Industry		Manufacturing		Services	
1965	1985	1965	1985	1965	1985	1965	1985	1965	1985
790	5600	46	58	14	8	8	5	40	33

Source: World Bank, 1987.

It is apparent from Table 7.2 that the manufacturing sector in Tanzania performed poorly compared to agriculture. Manufacturing growth rate fell from 5.6% during the 1965-80 period to -4.6% during the 1980-85 period while the sector's share in GDP declined from 8% in 1965 to 5% in 1985. The sector's export performance was also not impressive during the mid 1960s to mid 1980s period.

Table 7.3: *Share and Destination of Merchandise Exports in Tanzania (%) - 1965-1985*

1. Share of Merchandise Exports									
Fuels, minerals & Metals		Other Primary Commodities		Machinery, Transport Equipment		Other Manufactures		Textile and Clothing	
1965	1985	1965	1985	1965	1985	1965	1985	1965	1985
1	17	86	76	0	(.)	13	7	(.)	4

2. Destination of Manufactured Exports									
Manufactures Exports (mill of US \$)		Industrialised Market Economies		Non-reporting/ Non-Member Economies		High Income oil Exporters		Developing economies	
1965	1985	1965	1985	1965	1985	1965	1985	1965	1985
23	31	93	86	(.)	2	(.)	1	7	12

According to Table 7.3, Tanzania depends more on the export of primary commodities. Manufactured exports increased in absolute terms from US\$ 23 million in 1965 to US\$ 31 million in 1985 but also registered a declining share in the country's total exports from more than 13% in 1965 to 7% in 1985. At the same time while the market of industrial economies absorbed most (over 85%) of the country's manufactured exports there was a positive increase (by more than 70%) in the share of manufactured exports to developing countries.

Several studies that have analysed Tanzania's industrial performance during the pre-reform period (1961-85), show more or less similar results of industrial performances. Mbelle (1998), for instance, shows that positive growth rates (averaging 9% per annum) persisted throughout 1961-76 period and that in the subsequent period up to 1986, the manufacturing sector's growth rates declined and recorded negative growth rates in all years except 1978, 1979 and 1984. The sector also recorded negative growth rates of value added (Lall, 1992). The contribution of the manufacturing sector to GDP rose almost steadily from 1961 peaking in 1976 (13%) and thereafter declining steadily to 7.9% by 1987.

In particular during the 1980-85 crisis period the manufacturing sector was characterized by gross inefficiencies, low (20-30%) capacity utilization rates, low productivity and poor export performance (Mjema and Shitundu, 1996; Mbelle and Shitundu, 1997). This period is also referred to as the period of deindustrialisation in Tanzania (World Bank, 1996). The poor performance was attributed to internal factors such as the highly regulated environment (in terms of policies and institutions as reviewed above) in which the sector was operating, as well as external factors. Severe shortage of foreign exchange, which led to failure to import the much needed industrial inputs, was largely a result of exclusive focus on import substitution rather than export orientation.

The other cost was the failure of the manufacturing sector to employ more than 10% of the country's labour force. BIS had targeted job creation in the manufacturing sector in the tune of 300,000 employees by the year 1995. However, the sector managed to achieve only 43% of this target. Only 129,000 people were employed in the manufacturing sector in 1995. The sector also failed to contribute 25% or more to the country's GDP and was characterized by declining real earnings, declining and low labour productivity and low capacity utilization. All these led to shortage of domestically produced industrial goods and the few available were of poor quality. There were also problems of corruption, indiscipline and poor attitude to work in some industries. Neglect of small-scale industries led to failure (cost) to enhance rural employment creation, achievement of higher incomes and building of a self-reliant economy.

The purpose of the performance review is mainly an attempt to show the effects of the missing links discussed above. However, the failure does not automatically defeat all important objectives and some policy elements which

Nyerere's policies and objectives can still be important ingredients in ensuring the success and sustainability of future industrialization efforts (during reforms) in Tanzania.

REFORMS AND TANZANIA'S INDUSTRIALIZATION: LESSONS FROM NYERERE'S POLICIES AND OBJECTIVES

The relevant reforms to the industrial sector as implemented since 1986 include the exchange rate reforms, that is, starting with devaluations and then foreign exchange auctions which facilitated the achievement of a unified, more competitive market demand exchange rate (Nyagetera and Tarimo, 1997). Other related reforms included tariff reduction, reduction of the number of sales tax rates and introduction of the Value Added Tax system (in July 1998). The licensing and export/import procedures have been streamlined and the industrial sector is expected to benefit through reduced transaction costs. The export incentives included the 1986 export retention scheme and the 1988 duty draw back scheme. Administrative problems and small budget allocation, however, have limited the effectiveness of these schemes.

In addition, the National Investment Promotion and Protection Act (NIPPA) of 1990, was revised in 1992 and 1994. Its aim is to improve the investment climate and attract both foreign and local investors. The parastatal sector reforms continued and by the end of June 1998, for instance, about 202 parastatals out of over 400 parastatals had been divested.

Finally, the Ministry of Industry and Trade launched the Sustainable Industrial Development Policy (SIDP) for Tanzania (1996-2020). SIDP replaced BIS, which was only implemented in the first five years. More important however, SIDP signifies the phasing out of the government's major role in productive activities and subsequent new relationship i.e. for "harmonious partnership" and "strategic alliance" between the government and the private sector. SIDP focuses on export promotion, employment generation (that by 2020 the manufacturing sector should have 260,000 employees) and sustainable economic growth and improvement of the external balance and equitable development.

Mbelle and Shitundu (1997), however, point out that while the policy is timely, the strategies lack action programmes and sub-sector specific policies. Further, the chronic problems of infrastructural inputs and financing aspects have not been adequately addressed. It is not clear also how issues of linkages, human resources development, technology and environment will be dealt with for sustainable industrial development.

Industrial Performance During Reforms

Industrial performance during the reforms in Tanzania is summarized in Table 7.4 overleaf.

Table 7.4: Performance of the Manufacturing Sector in Tanzania, 1990-1997 (1992 prices) (%)

Item/Year	1990	1991	1992	1993	1994	1995	1996	1997	1998
i) Real Growth	4.1	1.9	-4	-0.6	-0.2	1.6	4.6	5	8
ii) Real Manufacturing Export Growth	13.3	-27.7	-8.7	-19	48.1	41.9	1.4	-5.7	-31
iii) Share in GDP	8.8	8.7	8.2	8.2	8.1	7.9	8.0	8.1	8.4
iv) Share in total Exports	23.8	19.4	16	11.8	14.8	16	14.6	14.5	10.7
v) Average Capacity Utilization	n.a	50	38	50	46	n.a	48	60	55
vi) Share in Non-Traditional Exports	48.9	43.7	38.8	28.4	42.2	36.5	35.3	29.2	21.8
vii) Employment (000)	100	121	122	125	126	127	129	132	137

Note: n.a.= not available

Source: URT Economic Survey for 1996 and 1998 and Bank of Tanzania, 1999.

Overall, figures in Table 7.4 indicate that the manufacturing sector has recorded mixed achievements during the reforms. Initially during 1986-1990, the sector improved its output growth rate (Mjema and Shitundu, 1996). However, during the 1990s there are very low and even negative output growth rates (see Table 7.4). The sector has not managed to increase substantially its share in the country's GDP and in total export (Ndulu, Semboja and Mbelle, 1998). Capacity utilization also fluctuated during the 1990s with rates better than those of the crisis period but still lower than the 60% target for 1989 and the 75% achieved twenty five years ago in 1975 (Shitundu, 1999).

The relative improvement in capacity utilization between 1990 and 1998 compared to the crisis period came from only few industries, which have successfully entered into joint venture arrangements with foreign investors in the ongoing privatisation exercise. Such industries include Tanzania Breweries, Tanzania Cigarette Company, Tanzania Portland Cement Company and Tanzania Oxygen Limited.

Industrial employment during the reforms continued to grow from about 100,000 employees in 1990 to 137,000 in 1998. There are criticisms however, that this growth was still unsatisfactory, given the level of investments in the sector. This is because of great loss of output due to foreign exchange constraints and other inefficiencies that continued to affect the sector (Ndulu and Semboja, 1996; Mbelle, 1998).

**SUSTAINABLE INDUSTRIALIZATION IN TANZANIA:
LESSONS FROM NYERERE'S POLICIES**

The review of industrial performance indicates that while Tanzania has managed to improve industrial performance during reform period compared to the situation during crisis, the country is no more industrialized than it was some decades ago. More efforts are required to make the manufacturing sector grow in a sustainable manner. There are some elements of policies and other important aspects, which Nyerere stood for, and which if considered in the current efforts to industrialize Tanzania can be helpful. These are:

- i) Importance of having specific national policies e.g. policies for agriculture, and small-scale industrialization. Advocates of small industry promotion promise a wide range of benefits, including accelerated employment creation, income generation for the poor, dispersal of economic activity to small towns and rural areas and mobilization of latent entrepreneurial talent. In this case small-scale enterprises are recognized, especially in developing countries, as extremely crucial elements in economic development. The economic growth of the so-called "Asian Tigers" of South East Asia such as Malaysia, Singapore, and Indonesia is attributed, to a large extent, to the development of small-scale enterprises and industries. The fundamental goal of economic development is to improve the welfare of the poor and small-scale development appears to be a tool which can be used to achieve that goal. Thus, it is important also even during reforms to chart out programmes and policies to promote small-scale industrialization in Tanzania. Nyerere correctly emphasized the importance of small-scale rural industrialization which seems to be forgotten under the on-going reforms. What is important, and probably lacked under Nyerere, is the role of designed incentives and policies that could actually promote such small-scale industrialization in rural areas and hence make the maximum contribution to the country's development as well as achieve self-reliance.
- ii) Importance of linkages and network between the manufacturing sector and other sectors of the economy. Nyerere emphasised the linkage between industry and agriculture. This was based on various policies e.g. small scale industries and BIS. The role of industry to modernise agriculture (the largest sector) through agro-based industries e.g. textiles, food processing (adding value to primary agricultural products) and industries providing inputs to improve agricultural productivity e.g. farm implements and fertilizer and improved seeds were emphasised by Nyerere. Thus, industry has a clear role of supporting development of the other sectors in the economy particularly the agricultural sector.
- iii) Further linkage was seen in Nyerere's emphasis for industries to use local resources whenever profitably possible. Such linkage plays the role of creating

employment and enhancing the incomes of people engaged in supplying such resources. Linkage is not being so much emphasised during the reforms making many Tanzanians fail to participate or benefit from the current industrialization process in the country.

- iv) Supporting institutions for the development of the industrial sector. Under Nyerere, various R & D institutions were created to cater for technological and managerial needs of industries. These include TISCO, TIRDO, TBS, SIDO, Higher Precision Technology, among others. These may not be quite important for large-scale industries in the new liberalised environment (foreign private investors and joint ventures may not need these institutions). However, R & D institutions' importance to small-scale industrialization cannot be disputed in a less developed country like Tanzania. Given the benefits to small-scale production, Tanzania should continue supporting such R & D institutions so that they effectively contribute to small-scale industrial development.
- v) The role of government in the process of industrialization is still important. This however, must be done with care so as to avoid the situation whereby there was too much government control or interference e.g. political appointees interfering with professional issues/decisions - thus contributing to failures in many aspects. Nyerere clearly defined the role of state and that of the private sector. The answer to the new phenomenon is that reforms should not mean the complete government withdrawal from directing the overall national development. The mistake that is being made in Tanzania is that of privatisation through abandonment. The government should be actively providing for infrastructural facilities and good policies. In particular the government needs to make specific efforts to assist small-scale industries to acquire technology, improve the environment in which they work and financing arrangements.
- vi) The issue of ownership and management. Nyerere emphasised on local participation in the industrialization process. In the literature there is no evidence that private firms are necessarily and automatically better than public enterprises. What is needed for areas where there can be public enterprises is the question of separation between ownership and management. Nyerere started well in the first few years after independence but thereafter there was too much political interference in planning. However, he managed to build from a very small base an industrial sector which was well linked to other sectors of the economy. These are the industries that are now being sold in the privatisation process and sometimes dangerously destroying the linkage built during Nyerere era. Are there any new industries coming up in the country? Almost 15 years after starting the implementation of reforms that does not seem to be the case. We should probably focus on building and

providing better infrastructural services. Nowadays reducing tariffs and offering other tax incentives is not enough to attract foreign private industrial investment. Nyerere faced the same problem in the early 1960s. The country therefore needs to do more in providing for efficient infrastructural services and above all maintaining the main legacy which Nyerere left for Tanzania; that is PEACE and STABILITY. This is also a major factor for attracting foreign private investment in the country.

- vii) Finally, on the issue of ownership. From independence to his retirement, Nyerere stood and encouraged Tanzanians to participate in the industrialization process of the country. During the mid-1960s to the mid-1980s, he did it with exclusive emphasis on public ownership but during the reforms, since the mid 1980s, he advocated for joint venture arrangements or use of shares rather than total surrendering to foreign ownership. The cases of Urafiki Textiles and UFI testify to this. This is one of the ways to make local people become industrialists rather than become mere observers of the process of industrializing their country. Accordingly, the government has a duty to oversee how local participation in the country's industrialization process can be enhanced.

CONCLUSION

Right from independence, Nyerere attempted to have an industrial sector in Tanzania which would be supportive of the country's development process and serve the people in terms of providing them with basic needs. As such he advocated for industries which produce agricultural inputs, (e.g. farm implements and fertilizers) and which process agricultural primary products (to add value). This was in line with his emphasis of having an industrial sector which is linked to other sectors of the economy. Nyerere also desired industries which produce basic goods such as soap, clothing and footwear and hence serve the poor Tanzanians most of whom live in rural areas. In this regard he even advocated for small-scale rural industrialization to not only produce such goods but also to enhance self-reliance. Small-scale industrialization was expected also to raise rural incomes and hence enhance income equalities between rural and urban population. All these aimed at achieving the overall development objective of defeating the three national "enemies," namely: disease, illiteracy and poverty. Thus, industrialization according to Nyerere, had a major role in alleviating poverty in the country specifically through import substitution, linkage to other sectors and small-scale industrial growth.

After almost forty years of independence including the last fifteen years of reforms, Tanzania has not been quite successful in her endeavour to industrialize. Industrial capacity utilization and labour productivity are still low, the average

performance is still not adequate and little employment (less than 25% of the country's labour force) has so far been generated by the sector. The sector's share of GDP continues to be small (less than 10%). Small-scale industrialization continues to receive minimum attention and is also beset with various problems e.g. poor technological and financial support.

In order for the industrial sector to grow and contribute to poverty alleviation much more needs to be done and in particular some useful lessons can be drawn from Nyerere's policies and important aspects about industrialization in Tanzania. Such lessons could also speed up the achievement of SIDP objectives which include the national long-term development goals and enhancement of sustainable development of the industrial sector. Some of the policies and important aspects, which can be learnt from Nyerere in this regard, include:

- ◆ Importance of peace and stability in attracting foreign investment;
- ◆ Importance of linkage between the industrial sector and other sectors of the economy particularly the agricultural sector;
- ◆ Importance of specific national policies for industrial development;
- ◆ Importance of small scale industrialization particularly in the development of rural areas;
- ◆ The role of R & D institutions in supporting development of the industrial sector particularly the small scale industries in solving their managerial, technological and financial problems;
- ◆ Importance of local participation in the industrialization process and not surrendering everything to foreign investors; and
- ◆ In all these, therefore, the role of government is still important particularly in promoting, guiding and directing industrial development in the country.

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