***Review Article***

**Industrialization for economic growth in Tanzania since independence to date: A review work and Researcher’s experiences**

.

|  |
| --- |
| **ABSTRACT:**  Tanzania got her independence from the British in 1961, by then, Tanganyika, before joining Zanzibar in 1964. Tanzania started the move towards industrialization just after the independence in 1961. The Industrial development in Tanzania is categorized in various phases namely immediately after independence, during Ujamaa (Socialism & Self-reliance ideology) after the Arusha Declaration of 1967, economic and political reforms in mid 1980s, beyond 1996 when privatization and establishment of private sectors, and free market economy period up to date. The Industrial Development in Tanzania was strengthened in 2000s when the Tanzania Development Vision (TDV) 2025 was formulated with the aim of enabling the country to reach the semi-industrialized economy by 2025. Various strategies and economic development plans have been formulated in order to meet the TDV 2025. Many industrial development signs such as constructions of infrastructures such as buildings for offices, hotels, roads, railways, marine facilities, purchases of airplanes, and establishment of power energy plants and services delivery facilities. However, the Industrial Development sector faces a number of challenges. Among of them include lack of capital, unavailability of power supply, lack of technical skills, disconnection of policies between succeeding regimes, price fluctuation, unstable currencies, corruption and economic crises due to various shocks such as the Tanzania –Uganda war of 1978/1979 to mention a few. However, the Industrial development in Tanzania keeps on pacing since independence 1961 up to now. In order to improve development of industries and hence economic growth towards achieving the TDV 2025, the challenges and constraints have to be avoided through improving good governance. |

*Keywords:* Ujamaa, economic crisis and reforms, political reforms, privatization, industrial sectors, semi-industrialized economy,

1. INTRODUCTION

Tanzania, by then, Tanganyika got her independence from the British Colonial administration in 1961. After independence, Tanganyika joined Zanzibar after Zanzibar Revolution of January, 1964, on April 26, 1964, Zanzibar and Tanganyika formed a new republic of United Republic of Tanzania commonly named Tanzania. Tanzania has seen under gone a series of economic development strategies with different objectives towards containing the three enemies namely poverty, ignorance and diseases (Nyere, 1968a, 1968b). These, according to the first phase government were main setbacks of economic development in Tanzania. Agriculture and Industrial developments were the main tools for eradicating those enemies and prospering economic growth of the country.

Economic policies, reforms and performance in Tanzania can be broadly broken into four major episodes (Wange *et al*. 1986) namely (i) 1961-1964, the first three years Industrial Strategic Plan, the post- independent period with a colonial legacy economy through increasing investments with a low degree of regulatory control in promoting private domestic and international investment; (ii) The first five year plan 1964-1967 succeeding the First Three Years Plan (FTYP) with the aim of providing the road map for the industrialization of Tanzania. The plan majors much on the importance of manufacturing through production of substitutes for imported goods. The plan, further, aimed at promoting economic growth through increasing investments with a low degree of regulatory control in promoting private domestic and international investments.

However, in this plan, market size and availability of capital were identified as major constraints hindering the expansion of industrial sector; (iii) The third period was of the second Five Year Plan (SFYP) of 1969-1974, which was characterized with socialism and self-reliance ideology (*Ujamaa na Kujitegemea*) mode of production where by the state being the main owner of the economic production controlling finance, prices, market and natural resources. This second five year plan (SFYP) of 1969/1974 attempted to bridge the disconnection between Industrial Development and Rural Development. Nationalization was made after the Arusha Declaration of 1967 resulted in a decline in the size of the private sector and an increase in the number of publicly owned establishments. However, during this period economic recession occurred leading to almost zero production especially between 1979 and 1984. In the same period, a series of politics and economic reforms were introduced. (iv) The fourth one was the Long Term Industrial Strategic Plan (LTISP) of 1975 -1995. This plan was formulated after observing that the former three plans had short falls.

The series of the economic growth strategic plans in Tanzania have shown that there have been efforts towards improving economy of the country through industrialization. It is true that industrialization is the only means of development of any country (Osberg, 2017; Martorano *et al*. 2017). Despite the efforts of establishing industrialization in Tanzania, the country encountered many constraints and challenges either domestic or international ones (URT, 2010; Bonciu, 2017; Al-Sasi *et al*., 2017). Economic crisis, market failing, Uganda-Tanzania war, corruption, low education and technologies were among the constraints. However, despite, the setbacks encountered in the economic growth strategies of Tanzania, significant growth of industries has been increasing since independence (1961) up to date (2025). Tanzania Development Vision 2025 has also been encouraging to be met that Tanzania approaching to be in the middle/semi-industrialized economy.

Review and analysis of the set economic growth strategies through industrial development plans, are therefore, important. From the review, it enables for seeing what happened, what has happened, what has been happening and what will be happening on development of industries of agro-processing, manufacturing, metal fabrications and mining, buildings and services delivery to mention a few. This paper presents various economic growth industrial strategic plans from 1961 to date and the future focus of the TDV 2015. The challenges and the way forward mechanisms for industrial development in Tanzania are also presented in this paper.

**2.0 INFLUENCE OF COLONIALIZATION ON INDUSTRIAL STRUCTURE IN TANZANIA**

Tanzania got her independence from British Colony in 1961. Before the British took over colonizing Tanganyika in the period of 1919-1960, she was colonized by the Germans during the period of 1984-1989 after the Germans being defeated by the British and her alliances during the First World War (1905-1914).

Industrial Development in Tanzania is explained and pictured since pre-colonial to date. Tanganyika as well as other African countries started to be colonialized after the Berlin Conference of 1884. Before colonialization, Tanganyika had her own structures of industries. The main structures of the industries were mainly on the kind handcrafting and iron smithing, trading and bartering systems. This is following intrusion of Arabic and Portugal traders in 1915-1917 (Lall and Wangwe, 1998). Slave trade influenced the nature of the industries in Tanganyika before colonialism.

Industrial development in Tanganyika during German had different features, which continuously keep pace to where we are today. Plantations and crop added value crop processing industries were the main industries. These industries were for preparing exported raw materials for metropolitan economic countries. Sisal plantations were the major for the German colony. However, there were some coffee, tea, and tree plantations initiated by the Germans. However, when the British had the role of developing Tanganyika in 1922, the development of industries did not change much, but rather many industries of different structures increased (Osberg 2017). Manufacturing, metal fabricating, electrical machineries, minerals, assembling of different products, and turn and fitter industries, among others, were introduced (Skarstein and Wangwe, 1986; James, 1996). The British and Asian companies were the main owners of the industries during this period.

As the British colonialized Uganda, Kenya, and Tanganyika forming East Africa Countries, Industrial Development Policies were established (Skarstein and Wangwe, 1986) for establishment of the industrial product prices as well as raw materials. Industrial structures of Tanganyika were aligned with Asian industrial characteristics, while Kenyan industries were based from British white settlers and Uganda’s industries were of the mixed Buganda, Asians and British characteristics. The British, However, developed industries in Kenya and made Uganda and Tanganyika be the market for the industrial product from Kenya and British characteristics.

**3.0 INDUSTRIAL DEVELOPMENT IMMEDIATELY AFTER INDEPENDENCE (1961-1965)**

British 1961 and 1967, industrial Development in Tanganyika (1961-1964) and before Tanzania (1964 to date), was inherited from colonial era where private owned industries dominated. Industrial policies and Strategies were developed promoting industrial development. The government of Tanganyika by then had to formulate industrial development strategic plan of three years (1961-1964) with the aim of:

1. Increasing income per capita
2. Increasing employment
3. Increasing production of commodities for exportation and internal consumption.

However, the plan did not provide significant in prevent on economic growth (Skarsteine and Wangwe, 1986). A formulation of a First five Years Plan of 1964-1971 with an aim of modifying /improving the three years plan of 1961-1964, according to Nyoni (2006) during this period (1961-1967), an income per capita growth was 3.7%.

With the efforts of improving industrialization and economy of the country, the first five year Industrial development strategic plan (1964-1971) was intervened with a new thinking of changing of economic development school of thought. This was through formulation of a new political economic ideology e.i. *Ujamaa na Kujitegemea* (Socialism and Self-reliance ideology) in 1967 through the Arusha Declaration (Nyerere, 1968b). Economy and mode production were centralized and be under the public where the state through various parastatal organizations were given responsibilities to run the economic production activities (Nyerere, 1968a,b). Natural resources including land, minerals, forestry, water (seas, rivers, and ocean) and industries were strictly under the state ownership. An industrial product mix objective encouraging both domestic and export produce was the main objective of industrial development during the period of *Ujamaa na Kujitegemea*. However, other objectives remarked as for the Arusha Declaration, the industrial structure did not change much, but the ownership shifted from private owned into Public/state owned production.

**4.0 INDUSTRIAL DEVELOPMENT DURING THE PERIOD 1967-1985**

The period of 1967-1985 was famously known as a strong Control Regime and Economic Management based on *Ujamaa* principles had resulted to growth of per capita GDP of an annual rates of 3.3% (Nyoni, 2006; BoT, 1983). However, in this period (1967-1985), there were adverse shocks in the end of 1970s particularly during the period of 1978-1979 when there were the costly war against Iddi Amin’s Uganda and the oil price shock which resulted into thriving of the underground economy (Skarstein and Wangwe, 1986; Al-sasi *et al*., 2017). This means that the Industrial development became stagnated resulting to economic growth to drop from 3.3% to 0.07% (Nyoni, 2006). During this period, many industries both processing and manufacturing ones were grounded due to failure of production, due to loss of capital, labour and raw materials. Agriculture being a major source of the raw materials started declining from 3.90% to 3.36%, while mining and quarry was at -3.11% and finance and business dropped for -0.91% (URT, 2003).

**5.0 LONG TERM INDUSTRIAL DEVELOPMENT PLAN OF 1975-1995**

Daring the period of 1975-1995, Tanzania had developed long term industrial strategic Plan with the main aim of improving economy through development of various industries. Processing and manufacturing industries were somehow established. Export of value added crop products increased at …% during the year 1975 to 1997. However, the long term plan had been interrupted by various factors, among others, include break of East African Community in 1977, Iddi Amin’s Uganda war of 1978-1979 and 1984, World economic crisis of 1979 and 1984, which led to oil crisis, shortage of food farm inputs, poor prices of crop produced commodities in the World market and low production of coffee, sisal, cotton and other commercial crops. It was also observed in this period of 1979 and 1984 that production was almost zero ranging from 0.07% to 0.78%. The trend had also been persisting in the period of 1985-1995. Level of poverty was high among Tanzania following the decline production. Following the worse situation of poverty in Tanzania, as well as other developing countries in the world, particularly African countries, western economists through financial institutions (World Bank and IMF) gave many reasons of existence of high poverty in these countries. Among other reasons mentioned include the existence of traditional economic structures and political ideologies mainly socialism and self-reliance in case of Tanzania. Based on these observations, Tanzania was advised to transform existing economic structure and political ideology (*Ujamaa na Kujitegemea*).

In 1985, restructuring economic and political structures started. Various programmes were formulated. Economic recovery reforms Phase I and II following Structural Adjustment Programs (SAPs) were initiated between 1985 and 1995. In these programs, free market economic model was applied. Movement of capital, commodity, labour and technologies were the main features of the model applied in recovering the lost economy of the countries Chingonikaya and Nawanda, 2011). But also, in early 1990s, private owned mode of production by both local and foreign investors was advocated. In line with this strategy of economic recovery, privatization of some government/state owned sectors was encouraged. The move, however, showed some significant changes in increase of GDP as shown in Figure. 1.

Figure 1: Trend of GDP growth rates in % as adopted from Nyoni (2006).

**6.0 INDUSTRIAL DEVELOPMENT FROM 1995- TO DATE**

It has been noted that during the period of 1995-2004, there was an increase of per capita income at an annual rate of 5.04% (URT, 2005). The remarkable growth in this period was a result of, among others include diversification of the economic base, mining being the fastest growing sector in the economy growing at an annual rate of 15.37% and merchandise exports tripled from an average of US $350 million during 1985-1995 to an average of US $ 1,042 million during 2000-2004 (URT, 2005a, b). Percentage growth rates of other sectors are presented in Figure 2.

Figure 2: Contributors to GDP by 2018

Tanzania’s GDP at current market prices reached USD 57.4bn in 2018 versus USD 53.3bn in 2017 and USD 45.7bn in 2013 with an average year-on-year growth of 6.6%. Tanzania’s annual GDP growth rate of 6.6% over the past 5 years (2013-2018) placed the country among the 20 fastest growing economies in the world, beating the Sub-Saharan Africa average GDP growth rate of 4.4% during the same period. However, Tanzania’s GDP growth has been slowing down in recent years, from a peak of 7.8% in 2011 to 5.2% in 2018. [https://www.tanzaniainvest.com/economy].

Then growth could be even higher than it is as all the privatized industries would have been developed. Very few industries out of those privatized are in production. Majority of them are abandoned due to various reasons. Most likely corruption and competition of various commodities produced from other countries are the major reasons.

Despite industrial development has been improving in terms of increasing in numbers, production and expansion in different sectors ranging from agriculture based to service delivery based ones, during the period of 2006 to 2015, the industrial development was not much emphasised. During this period, Agriculture development was the main/first priority. This had resulted in favouring only one sector (agricultural sector) oriented industrial development. However, URT (2010) provided information that there was an increase in GDP at a rate of 6.6% as shown in Figure 3. Manufacturing value added as a share of GDP reached 10% after 2010, however, it is below the average for the region (UNIDO & URT, 2012). The rate of employment during the period in manufacturing sector was said to be low, less than 5% of total labour force, despite the industrial production has shown steady growth with the index of 56 in 2000 to 188 in 2009 (UNIDO, 2013).

Figure 3: Contribution of industrial sector to employment in Tanzania from 2008 to 2018

Tanzania’s annual GDP growth rate of 6.6% over the past 5 years (2013-2018) placed the country among the 20 fastest growing economies in the world, beating the Sub-Saharan Africa average GDP growth rate of 4.4% during the same period. However, Tanzania’s GDP growth has been slowing down in recent years, from a peak of 7.8% in 2011 to 5.2% in 2018. Tanzania is currently pursuing its National Five Year Development Plan 2016/17-2020/21. Among the objectives of the Plan, Tanzania aims to raise its annual real GDP growth to 10% by 2021. [https://www.tanzaniainvest.com/economy]

An expansion of mining and utilities, output and value-added sectors have been observed in this period (2006-2015) (UNIDO, 2014a). Coal, natural gas, metal ores, mining, electricity and water supply, mining and utilities increased by 33.17%, while their value added accounted for 0.13% (UNIDO, 2014b). This evident that industrial development in Tanzania has been increasing through expanding to other sectors, apart from the agricultural based processing and manufacturing industries.

Service delivery sectors have also been indicated to rise from 21.7% in 2005 to 39.3% in 2017. (UNDP, 2017.). Construction industry in buildings for hotels, apartments, offices and museums has also expanded in this period (2006-2015) compared to other former periods. Road and marine transport services have indicated to start expanding and establishing in this period. Feathers, health, education and other social services including sports and games have been well established in this period. Much has been detailed in URT (2010). However, the Tanzania economy during this period had been affected by the European economic crisis of 2006 -2008. This happened accessibility of financial resources from the European Union. Consequently, the number of foreign investments declined. However, the crisis did not last long leading to revival of the investment in the industrial sectors in developing countries including Tanzania.

A most unique feature in this era is a construction of a cement plant owning by Dangote in Mtwara Region. Presence of gas energy and materials to feed on the industry/plant has influenced the company to establish the plant, which is the only bigger plant in both regions, East and Sub Saharan Africa (SSA).

**6.0 INDUSTRIAL DEVELOPMENT FOCUS AFTER 2015**

The Tanzania Development Vision (TDV) 2025 majors in the period beyond 2015 under the regime of the fifth government. The TDV 2025 sets out the new policy framework for transformation of Tanzania from least developed country to a middle-income country by 2025 through inducing a shift from agricultural base to semi-industrialized economies. According to URT (2010a, 2010b), mission for TDV 2025 is articulated, particularly in the long-term perspective plan (2011/12-2025/2026). This Plan, according to URT (2010) acts as a road map for the realization of the TDV 2025 with the first five year plan (2011/12-2015/16) (URT, 2010b) emphasing industrial development as the foundation for export- led growth. Various strategy documents supplemented the TDV 2025, among others, there is the export processing zones (EPZ) program which was initiated by the export processing zones Act of 2002 and was institutionalized through the export processing zone Authority (EPZA) in 2006.

Morrissey and Leyaro (2015) assert that EPZs were expected to attract investments for export – lead industrialization in order to increase foreign exchange earnings and employment and to promote domestic processing through adding value to local raw materials. The Tanzania Min-Tiger plan 2020 was another mission introduced in 2005 to support the implementation of TDV 2025 (URT, 2005). Another specific policy documents supporting aspects of the TDV include the small and medium enterprise development policy of 2003 (URT 2003a), the Nation trade policy 2003 (URT, 2003b) and the integrated industrial development policy (IIDS) 2025 (URT, 2013). All of the missions through established plans have emphasized the development of industries in various sectors ranging from agro-processing to manufacturing ones for export and domestic markets. Government of Tanzania in this period after 2015 emphasizes the growth of economy towards the semi-industrialized economy. Among other efforts being made by the government include preparation of good investment environments for both local and foreign investments. Construction of infrastructures such as road, electricity/power plants, railways (SGR), ports, harbours, airports and purchases of airplanes. In addition, the government strives to maintain peace, which plays a great role in attracting investments. At the middle of the first trium of this regime the economy grows at 7.1% annually. This is a clear indication that the industrial development keeps on pacing towards achieving the TDV 2025.

According to the Tanzanian Ministry of Finance and Planning’s 2025 Vision, the country aims to become a middle-income country by that year, which requires a GNI per capita between USD 1,045 and USD 12,736. Tanzania’s budget focuses on the country’s development plan to build an industrial economy and improve the welfare of the citizens. To facilitate this, the Government has allocated 37% (USD 5.3bn) of Tanzania’s 2019/20 budget of USD 14.3bn to development projects in transport, oil and gas, and hydropower. Tanzania is drawing external investments mostly mining sector, the oil and gas industry, as well as the primary agricultural products sector. In 2018, Tanzania’s FDI net inflows were USD 1.1 billion in 2018 representing an 18% increase compared to 2017 (USD 938 million) [https://www.tanzaniainvest.com/economy].

**7.0 CHALLENGES FACING INDUSTRIAL DEVELOPMENT IN TANZANIA**

Now way out in development of any sector, there are no setbacks/challenges. However, some say that “challenges may turn into opportunities in industrial development in Tanzania; there are many challenges, which in turn cause the development of various industrial sectors not keeping pace as per set plans and their respective goals. According to this paper, the challenges are grouped into various periods.

* 1. **Challenges During the Period of 1961-1967**

During the period of 1961-1967, development of industries faced a number of challenges in this period, the economy was fairly open and market oriented with no specific policy instrument to allocate foreign exchange or regulate prices. In addition, there had been no important duties but export traditional agriculture crops to be taxed as a government source of revenue. This had led the government to have less capital for investment in industrial sector instead it relied on private and resident British investments (Morrissey and Leyaro, 2015).

* 1. **Challenges During the Period of 1967-1974**

Emergence of the *Ujamaa* (Socialism and Self-reliance ideology) on the other hand was looked as a challenge for industrial and economic growth in Tanzania. The state control of all major means of production, manufacturing, services and commerce fuelled the failure in economic growth. Economically, a state cannot do business, but rather, do policy making and tax controlling (Ross, 2019). Nationalization of already established private sector industries and establishing new state owned enterprises such as the state trading corporate and the state mining corporate was a great mistake for industrial development. In 1973, there were two main types of setback in Tanzania. These were occurrence of world oil price crises and famine. These, therefore, affected the economic growth. The famine in this year was known as “yellow maize year”.

**7.3 Challenges During 1975 - 1995**

In between 1975 and 1995, a number of constraints had been observed hindering economic growth in Tanzania. Among others include cold war, technologies dependency, competitions, Iddi Amin’s Uganda war 1978-1979, break of East African Community in 1977, market failure, lack of skilled labour and capital, poor economic reforms and structural adjustment programs, competition, corruption and privatization seemed to have affected economic growth so as industrial development. Ding and Chen (2012) have also added that price fluctuations in natural resources affected the economic growth of many developing countries.

* + 1. ***Cold war***

Tanzania being a socialist country automatically interred the war despite she was not directly involved and getting aids from both sides (capitalist and communist blocks). Market for Tanzania produced commodities were also determined by the two side-blocks. This had affected Tanzania negatively resulting to slow economic growth.

* + 1. ***Technology Dependency***

Tanzania as other African countries has not been advanced in developing their own technologies. Majority of them depend on technologies developed from mostly western countries, Europe, USA, Canada, and some Asian countries such as Japan, China, Thailand, Honkong, Korea and India. According to Wangwe *et al*. (1986), the types of technology imported from the respective countries determine types, structure and quality of industries in the importing countries. For example, in Tanzania , the Holland companies surveyed and constructed the Kilombero Sugar Plants by using their own technologies, which therefore, the plant reflects the companies orientations for industrial development. This, also applies to Kagera Sugar Plant was installed by Indian companies, and Mwatext and Mutext textile industries by French companies as well as Urafiki textile industry by Chinese’s government. It is obvious that the type of technology determines the quality and type of commodities to be produced out of them.

**7, 3, 3 Breakdown of East African Community**

In 1977, Tanzania got a blow from the break of East African Community (EAC). The broken of the EAC led to Tanzania loosing substantial capital committed in the community investments, despite Tanzania remained with Arusha International Conference Centre (AICC) buildings simply the premises are located on the land of Tanzania, and one airplane, which was flown by a Tanzanian captain who changed the root when he heard the announcement of breaking of EAC, while he was on the way to Nairobi International Airport (currently Jomo Kenyata International Airport). For such situation, Tanzania obviously was affected in social-economic investments. This had led also to Tanzania economic growth falling below one percent per annum and exports falling to 11% of the GDP (Collier, 1991).

* + 1. ***1978/79 Kagera war with Uganda***

During 1978/79, Tanzania was involved in the war with Iddi Amini’s Uganda from his own interests invaded Kagera Region of Tanzania claiming that the region was part of Ugandan’s land. This had caused Tanzania to react against the Idd Amini’s act of invading Kagera Region. The war is sometimes called the costly 1978/79 Kagera war with Uganda. Tanzania in this war committed a lot of financial, time and human resources, which had led to social and economic growth production to almost becoming below one percept (Skarstein and Wangwe, 1986; Wangwe *et al*. 2014). The war resulted to among others, huge shortage of goods (food, clothes, drugs and medicine, farm inputs, education items, etc.), poor foreign exchange, a growing of black market exchange rate premium, capital flights and an emerging debt crisis in early 1980s. According Morrissey (1995), the so mentioned difficulties had led to weak macroeconomic performance and declining of investments. Throughout the early 1980s, terms of trade continued to decline, and dependency remained high, manufacturing output stagnated at around 8% of GDP, the current deficit continued to rise at 20% of GDP (Nyoni, 1997).

* + 1. ***Market Failure, Political and Economic Reforms***

In the early 1980s, just after the Kagera war, 1980s-1984, the market failure was evident. Law Production, law investment, dependency on foreign aids, capital flight, black market exchange rate premium and emerging debt crisis are the main features of mark failure (Morissey, 1995; Nyoni, 1997). In response to market failure and zero economic growth, Tanzania was advised by the economists from International Monetary Fund (IMF) and World Bank (WB) to revisit the existed political and economic tradition structures. The structural adjustment programs were the main mechanisms for reforming the political structure in Tanzania, where the Ujamaa ideology had to be modified coming at the level between socialism and capitalism so as to make the country be in the transitional economy. Thereafter, economic reforms followed. Generally, a free market economy started its own way. Ideally, the advice was not bad, but its implementation was not efficient and effective. Between 1986 and 1995, the government majored much on importation of commodities compared exportations. Adoption of the free market economy, allowed movement of commodities without considering the quality of the commodities. This had led to some industries especially in manufacturing sectors to be grounded. Privatization of some public economic sectors being part of the economic reforms programs (ERP I - 1986-89); ERP II - 1989-92) had been weakly implemented despite its importance in the economic recovery in Tanzania. This is following the fact the state is hardly can do business, but rather controlling taxes and setting investment policies and creating good environment for the investments for the private sectors (Ross, 2019). It has been noted in this review that many privatized manufacturing industries went on declining in production and even some of them become grounded and were changed into other purposes which are not industrial related ones.

**7.3.6 *Corruption Bureaucracy***

It is difficult to mention corruption as one of the constraints for economic growth hence industrial development. This is because it requires evidence. However, there are corruptions in Tanzania which hinder development processes in various sectors. The same also, it applies to bureaucracy especially when it comes to provision of licences and other related documents, and permits for investments of private companies. This bureaucracy is being created to open a room for corruption. Generally, corruption and bureaucracy are among the enemies of the development of any country.

1. **CHALLENGES OF INDUSTRIAL DEVELOPMENT BEYOND 1996**
   1. **Technical and Managerial skills**

Industrialization by any means requires commitment of human, natural, finance, and technological resources to mention a few in uses of human resources. It considers physical, managerial and technologies and technological skills (URT, 2009; Morrissey and Leyaro, 2015.). Tanzania, in the period of 1975-1995 had in adequate technological and managerial skills for industries development despite she hired expertise from the developed countries, however, it was questionable and expensive to handle and maintain lack of the technological and managerial skills have probably caused the failure of developing the industrial sector in Tanzania.

* 1. **Inadequate Capital for Industrial Investments**

Capital is an important aspect in the industrial development of any country. This is important for acquisition capital, goods such as technological and materials. In Tanzania, in the industrial sector faced and still faces the inadequate capital.

* 1. **Unreliable Power for Industrial Production**

Most of the African countries have unreliable power to facilitate industrial production. Frequent electricity cut-offs and inadequate source of power are main causes of inefficiency development of industries in Tanzania during the period of 1975-1995 (Skarsteine and Wangwe, 1986). Tanzania during this period relied mainly on hydroelectrically power, which was also not enough to meet the demands of the industries. However, the problem is still continuing up to date. This consequently results to poor performance of industrial production in Tanzania.

* 1. **Inadequate Transportation and Communication Infrastructures**

Tanzania, since independence still has been facing the problem of transportation and communication infrastructures. Road and Railway networks were poor and still remaining poor. Making difficulties in shipping raw materials and produced commodities to and from the industrial sites respectively. In marine transportation was even worse and still worse, despite the existence of plenty water in bigger rivers, lakes and Indian Ocean. Communication networks were also poor leading to inadequate spread of information for marketing and acquisition of raw materials and capital goods.

* 1. **Inadequate Storage Facilities**

Many of agro-industries faced the problem of shortage of storage facilities for perishable raw materials and produced products. Many raw materials were spoiled before being processed. Likewise, the produced commodities faced the same problem. These aspects lowered the production of such industries in the country in terms of quality and quantity of the products. The poor storage facilities have also been affecting the capture of right price for the produced commodities, which consequently affect the respective industries in the production of especially agricultural products.

* 1. **Research and Development**

Research and development (R&D) is one of the important aspects in industrial development. Most often in the R&D, various innovations take place before being transformed into use. However, in Tanzania, the aspect is inadequately available and it is under capacity. The main cause of the R&D not be at required level is due to lack of enough capital and sufficient human resources.

**9. CHALLENGES OF INDUSTRIAL DEVELOPMENT AFTER 1996**

In this period, industrial development is being faced with a number of challenges. Among them include globalization economy, prices fluctuation, stabilization of currencies, European economic crisis, foreign investment policy after each succeeding regimes, corruption and bureaucracy, unreliable power, tax policies and trade barriers in positions. Generally, there are many challenges in the development of industrial sector in the country compared to what have been listed in this paper.

* 1. **Globalization Economy**

Globalization provides opportunities and challenges on the other hand. Globalization is sometimes known as a wide market operating globally where a mix of commodity service providers and customers co-exist. Determinants of profit in this market among others, are capital, quality and quantity of commodities, trust and customer care opportunities to be offered by the sometimes change into challenges and the reverse is the case among the members/stakeholders. According to Bonciu (2017), globalization has been characterized by many features. Among others, the features include availability of capital, commodities, technologies and labour across border. If not captured well, these features turn into challenges in industrial sectors and economic growth.

* 1. **Price Fluctuation**

Tanzania as well as other African countries faces frequent price fluctuations of prices of various agro-based and non agro-based commodities, services and capital goods. Many factors may influence unstable market prices of the commodities (Hansen, 1926; Ding et al., 2012; Huka et al. 2014; Al-sasi et al., 2017). Unstable currencies, and low quality product commodities, unreliable commodities and customers, world competition and economic crises are among the factors in Tanzania, this problem is facing some each crops such as cash nuts, cotton, coffee, and sisal.

* 1. **European Economic Crisis of 2008/2009**

During this period, many European countries had down fall of their economies. This affected developing countries in terms of acquisition of capitals, technologies and market loss for commodities produced from developing countries, mostly from Africa (EU, 2009). Tanzania was therefore, affected in this way.

* 1. **Changing of Investment Policies After Every Succeeding Government Regime**

Despite of the three phases after first regime of the late Mwalimu Nyerere have the same target of development towards the semi-industrialized economy, there have been changing investment policies, programmes and directives in every succeeding government regime. Interpretation of this means that, there is no continuity of the succeeding government in industrial and economic growth. For, example, during the 2nd phase government, the economy relied much on open market and privatization of government and enterprises, industries and service delivery sectors. However, during the third government, the same was continued, but it was under strict controlling regulations. Privatization was kept on practicing by increasing private investments by both local and foreign companies. The Tanzania shilling was stable and even the price of commodities was also stable. In the third and fourth regimes, investment policies slightly differed; despite the two regimes have the target reaching the semi-industrialized economy. The third government emphasized on agricultural growth as the main priority for the economic growth of the country, ”*Kilimo Kwanza*” “*Agriculture first*” was the main theme to be thought that it could lead to industrialization. This is in line with the concept that “it was agriculture that gave capital to industrial development in Europe” (Lewis, 1954). In the same government, Big Results Now (BRN) was also part of economic growth slogans applied in industrial, agricultural, service delivery and tourist sectors.

Many strategic plans missions and visions 2025 had been formulated during the third fourth government. Sustainable industrial development policy (SIDP) 1996-2020 with the aim of shifting the economic base from the public to the private sectors and export orientation was formulated (URT, 1996). Thereafter, there was a formulation of Tanzania development vision TDV 2025 with the aim of setting out the new policy the framework for the transformation of Tanzania from least developed country to a middle income country by 2025 through inducing shift from an agricultural base to an semi-industrialized one (URT, 2005a). The long term perspective plan (2011/12-2025/26) (URT, 2010a); The first five year development plan (2011/2012 - 2015/16) (URT, 2010b); Export processing zones Act of 2002; the Tanzania mini-tiger plan 2020 (URT, 2005b); The small and medium enterprise development policy 2003 (URT, 2003a). The nation Trade policy 2003 (URT, 2003b); and the integrated industrial development strategy (IIDS) 2025 (URT, 2013) where among efforts made by the third and fourth government towards leading the country into industrialized economy.

However, there have been disconnections of previous development plans with the fifth government that has decided to come up with new slogans (policies) for development. “*Hapa kazi tu*”-“*work hard*” has been a major slogan towards taking the country to the semi-industrial economy. This is sometimes may be regarded as a weakness in the industrial development achievement to be caused by leadership based on succeeding regimes. Further, abandoning the previous government projects by creating new projects without accomplishing the former projects is also regarded as a weakness. This is the case for Kilimo kwanza (agricultural first priority) replacing with industrialization leaving the former not to be accomplished; Abandoning construction of Bagamoyo harbor port and Kimara (Dar es salaam) to Chalinze six run ways projects into purchases of airplanes and construction of standard Gauges Railways and Stielgler George power supply projects may also be considered as a weakness in achieving industrial development.

* 1. **Corruption and Bureaucracy**

As stated previous, it is hard to establish corruption unless evidence have been available. Corruption and bureaucracy were highly reported during the third and fourth regime. The incidences of corruption led to the third government to form a Preventing and Combating of Corruption Bureau (PCCB) unit in order to deal with corruption. The existence of corruption, has somehow affected industrial investment when it comes to importation of capital goods and permits for investing in the industrial sector. However, the fifth government, there has been frequent reporting cases of corruption in various courts of Tanzania. Most important case of corruption is that of the company dealing with generation of power for electricity (IPTL Co. LTD) which is very important in the industrial development in the country.

* 1. **Unreliable Power Supply**

Frequent electricity-cut offs and rationing were very high in the first phase of the fourth regime. Industrial production was, therefore, affected by the power rationing. However, in the second phase of the fourth and the fifth regimes, electricity has been slightly stable following little droughts occurrence, increased other sources of power generation centre’s Songas Project (Songosongo gas project) and other small hydroelectric power projects established in other places.

* 1. **Tax Policies and Impositions**

Import tax, export tax and recurrent tax policies are not stable in Tanzania; they depend on the regime that is in the power. For example, in the fifth regime, tax imposition has been stable, but it is flexible depending on profits the investments make as opposed to the third and fourth governments which the imposition of taxes created rooms for corruptions leading to poor collection of the government revenues. If there has been poor collection of taxes, obvious the government lacks revenues for industrial and social services delivery investments.

**10. The Way Forward for Improving the Industrial Sector**

This section briefly presents suggestions towards improving the industrial sector in Tanzania. What appeared in this section are not exhausted suggestions for improving the industrial development but they are mostly in the capacity of the country. These suggestions include setting of clear policies for industrial investment, attraction of capital, technology, labour and market, proper importation of technologies, improvement of infrastructures (Transportation and communication), political economy, production of high quality products and increased economy of scales.

* 1. **Setting clear policies for industrial investments**

Tanzania through the responsible ministries and industrial development agencies such as ministry of industry and trade, ministry of industry and minerals, ministry of agriculture and ministry of finance and planning as well as Tanzania Investment Centre and Small Industrial Development Organisation (SIDO) should set clear policies for creation of good environment for investment in various sectors such as in manufacturing, agro-processing, metal fabrications, buildings and social services delivery industries. This will provide clear management of investments for taxation, controls and proper importation of technologies and exportations of produced products.

* 1. **Commitment in Infrastructure Developments**

It is well known that the infrastructures play important role in industrial investments. This sector facilitates shipping of goods and commodities (capital goods, manufactured goods, labour, etc.) to and from industrial sites. Good enough this aspect is on the way being improved under the fifth regime.

* 1. **Importation of Proper Technologies**

In industrial development, technology types determine the kind of the industry and quality of products to be produced. This aspect is important for sustainability of the industries and their respective products to dominate in the market. Therefore, the government through its responsible agencies should avoid the importation of absolute and fake technologies as well as the technologies which do not fit the local environment.

* 1. **Attraction and Handling of Capital, Labour, Commodities and Technologies**

Under the current development model of globalization, there are movement of capital, labour, commodities, and technologies across borders. Therefore, the government through its various agencies should prepare good environment for attracting the mentioned items for development of industries hence economic growth of the country. The government should handle the movements of the items with care, because they are brought in by the investors who are always after making huge profit. If this has not been taken care of, the exploitation of nation’s wealth is likely to occur. This aspect is also important to avoid fake labour, commodities and technologies to be dumped in the country. Politically, the government should maintain peace, good governance and democracy. No any investor either local or foreign can invest in the country with no peace, poor governance and democracy.

* 1. **Increase Economy of the Scales**

This is particularly important for the investments owned by the states. The government should make sure what is committed, it has to produce to maximum in efficient and effective ways. This will lead to sustainable development of the industries in the country.

* 1. **Research and Development**

Research and development unit is import in development of industries in any country, because it is the only place where various innovations either social or industrial ones take place before disseminations and up-scaling for development purposes. The government is therefore argued to commit more finance and labour resources in the research institutions such as universities, academic centres and colleges as well as in the research centres (e.g. agricultural, industrial, mechanical and social centres to mention a few).

**11. CONCLUSION**

Historically, industrial development in Tanzania has been on the way before colonization, during colonial eras of the Germans and the British respectively and after independence. The review has revealed that development of industries can be categorized in various phases namely immediately after independence, during *Ujamaa na Kujitegemea* (Socialism and Self-reliance), political and economic reforms and free market economy eras. It is noted in this review paper that industrial development in Tanzania was characterized by ups and downs. During pre-Arusha Declaration 1976, the industries were characterized by colonial legacy where the resident British and Asians particularly the Indians were the main owners of the industries. Public ownership of the industrial sectors, started during the *Ujamaa na Kujitegemea* (Socialism and Self-reliance) ideology after the Arusha Declaration of 1967 where the country had undertaken nationalisation which had led to appropriation of the natural resources to become under the state. Despite the good progress in industrial development, agro-processing ones and economic growth, the economy faced a series of constraints. Among others constraints include oil crisis of 1970s, break up of East African communities in 1976, the costly Tanzania – Uganda war of 1978/79, economic crisis (1979-1984), and movement for independences of other sub-Sahara African (SSA) countries in 1970s. consequently, Tanzania economic growth went down to almost zero because, the seized production, market failures, black exchange market, cold war and high level of poverty occurred in early 1980s.

To reverse, the situation of down fall of the economy, Tanzania through the World Bank and IMF was advanced to undergo political and economic reforms in mid 1980s (Jallia and Weiss 2000). There were economic recovery programmes phases I & II as well as structural adjustment programmes in the 1980s and free trade majored in the period of 1990s to date. Privatization of various government enterprises and sectors was also used as a mechanism for improving the Tanzanians economic growth in 1990s. During the same period, private investments both local and foreign ones were encouraged to revival industrial development and hence economic growth.

Further, the reviewing paper revealed that during third regime (1996-2005) fourth regime (2006-2015) and the fifth one (2016-to date) have been concentrating on the industrial development, in such a way that during the fourth regime formulated the Tanzania Development Vision 2025 with the aim of making the country becomes a semi-industrialized economy by 2025 (URT, 2013). To meet the set vision, various missions in the form of industrial development plan have been and are being formulated. Signs of achievement have been noted in this reviewing paper. Among of the signs include constructions industry in buildings for offices, hotels, apartments and various institutions; roads and communication infrastructures, railways especially the standard gauge railways, margining, transportation –rehabilitations and purchases of ships, purchases of airplanes, and construction of power plants in Rufiji river and Songosongo gas projects.

However, the development of industries in Tanzania faces various challenges. Among them include lack of technological skills, unreliable power supply, corruptions, lack of capital, competition at global market, improper tax policies impositions, disconnection of policies after preceding government regimes, poor infrastructure and price fluctuations due to various reasons such as unstable currency, competitions and low quality produced commodities.

Generally, industrial development in Tanzania has been growing at low pace in all sectors probably to inadequate capital for government investments and not conversing environment for private investment and unreliably power supply. However, the industrial development is important for economic growth of Tanzania, which therefore requires improvement.

**REFERENCE**

Al-sasi, B.O., Taylan, O. and Demirbeg, A. (2017). Impact of oil price volatility on economic growth. Energy Sources 12: 847 – 852.

Bank of Tanzania (BoT) (1983). Tanzania, Twenty Years of Independence (1961-1981): a review of political and economic performance. Dar es Salaam: Bank of Tanzania.

### Bonciu, F. (2017). [The New Characteristics of Globalization and their Impact on the Design of a New International Economic Order](http://search.proquest.com/openview/4770ade0dfef4dc5c0d57c9a9e110b8c/1?pq-origsite=gscholar&cbl=2036057). Global Economic Observer, 2017 [http://search.proquest.com/openview/4770ade0dfef4dc5c5c0d57c9a9e110b8c/1?pq-orgsite==gscholar&cbl=2036057] site visited o 3rd November 2020.

Chingonikaya E.E. and Nawanda, Y. E. (2011).Introduction to Development Studies. A compendium for University Under students. Published by Mzumbe Book Project, Morogoro, Tanzania. 128pp.

Collier, P. (1991). Labour and Poverty in Rural Tanzania. Ujamaa and Rural Development in the United Republic of Tanzania. Oxford University Press, New York 1991, [ISBN](https://en.wikipedia.org/wiki/ISBN_%28identifier%29) [0-19-828315-6](https://en.wikipedia.org/wiki/Special:BookSources/0-19-828315-6).

Ding, C., Xi, Y. & Chen, Z. (2012) Impacts of Price Fluctuation on Resource Allocation Efficiency. Economic Research-Ekonomska Istraivanja 25(3): 600-619. [DOI: 10.1080/1331677X.2012.11517525].

European Commission (EU) (2009)[. Economic Crisis in Europe: Causes, Consequences and Responses](http://ec.europa.eu/economy_finance/thematic_articles/article15893_en.htm). European Economy 7. [http://ec.europa.edu/economy\_finance/thematic\_articles/article15893\_en.htm] site visited on 9th November 2020.

Hansen, A. H. (1926). The Effect of Price Fluctuations on Agriculture. .Journal of Political Economy Vol. 33 issue 2. **[**<http://doi.org/10.1086/253663>] site sited on 09/11/2020

Huka, H., Ruoja, C. and Mchopa, A. (2014). Price Fluctuation of Agricultural Products and its Impact on Small Scale Farmers Development: Case Analysis from Kilimanjaro Tanzania. European Journal of Business and Management. www.iiste.orgISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) Vol.6, No.36, 2014 155.

Jallian, H. and Weiss, J. (2000). De-industrialisaton in Sub- Saharan Africa: myth or crisis. In: Industrial Development and Policy in Africa (Edited by Jalilian, H. and Weiss, J.). Cheltenham: Edward Elgar. pp 137-156.

James, J. (1996). Public choice, Technology and Industrialisation in Tanzania: Some paradoxes Resolved. Public Choice 89 (3-4): 375-392.

Lall, S. and Wangwe, S. (1998). Industrial policy and industrialisation in Africa. Journal of African Economies 7(1): 70-107.

# [Lewis](https://onlinelibrary.wiley.com/authored-by/LEWIS/W.+ARTHUR), W. R. (1954). Economic Development with Unlimited Supplies of Labour. <https://doi.org/10.1111/j.1467-9957.1954.tb00021.x>

Morrissey, O. (1995). Political commitment, Institutional capacity and Tax policy reform in Tanzania. World Development 23(4): 637-649.

Morrissey, O. and Leyaro, V. (2015). Industrial Development in Tanzania: Reforms, Performance, and Issues. In: Routledge Handbook of Industry and Development (Edited by Tribe, M. and Weiss, J.), London. pp 382-397.

Nyerere, J. (1968a). Freedom and socialism. London: Oxford University Press.

Nyerere, J. (1968b). Ujamaa: Essays on socialism. Dar es Salaam: Oxford University Press.

Nyoni, T. (1997). Foreign Aid and Economic performance in Tanzania. African Economic Research Consortium (AERC). Paper no. 61.

Ross, S. (2019). What role does the government play in capitalism? [https://www.investopedia.com/ask/answers/040615/what-role-does-government-play-capitalism.asp] site visited on 1st November 2020.

Skarstein, R. and Wangwe, S. (1986). Industrial Development in Tanzania: Some Critical Issues. Tanzania Publishing house, Dar es Salaam.

UNDP (2017). Tanzania Human Development Report of 2017: Social policy in the context of economic transformation. Economic and Social Research Foundation, Dar es Salaam. [http://www.esrf.or.tz, <http://www.thdr.or.tz>] site visited on 10th Novermber 2020.

UNIDO (2014). Growth and Distribution Pattern of World Manufacturing Output: A Statistical Profile. Working Paper 02/2014. Vienna: United Nations Industrial Development Organization

URT. (2003a). Small and Medium Enterprise Development Policy 2003. Dar es Salaam: Ministry of Trade and Industry, United Republic of Tanzania.

URT (2003b). National Trade Policy 2003. Ministry of Trade, Dar es Salaam, Tanzania.

URT (2005a). Tanzania Development Vision 2025. Dar es Salaam, Tanzania.

URT (2005b). Tanzania Mini-Tiger Plan 2020. Dar es Salaam, Tanzania.

URT, (2010). Long Term Perspective Plan. Dar es Salaam: United Republic of Tanzania.

URT. (1996). Sustainable Industries Development Policy 1996-2020. Dar es Salaam: United Republic of Tanzania.

URT. (2009). Annual Survey of Industrial Production (ASIP) Statistical Report. Dar-es-Salaam: Ministry of Industry and Trade.

URT. (2013). Integrated Industrial Development Strategy 2025. Dar es Salaam: United Republic of Tanzania