Review Article

Industrialization and Economic Development in Tanzania from Independence to Today: A Review of Historical Strategies, Challenges and Prospects

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| **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 na kujitegemea (Socialism & Self-reliance ideology) after the Arusha Declaration of 1967, economic and political reforms in mid 1980s, beyond 1996 - privatization and establishment of private sectors, and free market economy period 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 efforts were observed such as constructions of infrastructures such as buildings for offices, hotels, roads, railways, marine facilities, purchasing of airplanes, and establishment of power energy plants and service delivery facilities. However, the Industrial Development sector faced a number of challenges. The challenges include lack of capital, Inadequate supply of power, lack of technical skills, discontinuation 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. However, the Industrial development in Tanzania keeps on pacing since independence 1961 to date. Industrialization in Tanzania has a positive, though complex, relationship with  economic growth. In order to improve development of industries and country’s economic growth towards achieving the TDV 2025, the challenges and constraints which hinders industrial development should be evaded. |

*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. In 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 of development namely poverty, ignorance and diseases (Nyerere, 1968a, 1968b). The three enemies according to the government were t

he 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 of 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 years plan of 1964-1967 succeeding the First Three Years Plan (FTYP) with the aim of providing the road map for the industrialization of Tanzania. The plan emphasized 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 that 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. The 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 period 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 a number of constraints and challenges including domestic and 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 is approaching to be in the middle/semi-industrialized economy.

Zanzibar significantly contributes to Tanzania's economy through tourism, agriculture (particularly spices), and maritime trade. In 2024, Zanzibar's economy grew by 7.2%, largely driven by tourism and trade. Tourism alone contributes between 27% and 29.5% to Zanzibar's GDP and generates 80% of its foreign exchange earnings. In addition spices, particularly cloves, are a significant contributor to Zanzibar's economy, forming a key part of the agricultural sector's 27% contribution to the island's GDP. While spices were historically the backbone of Zanzibar's economy, today, they are also a major draw for tourism, which has become a significant source of income. Zanzibar is renowned for its spice production, especially cloves, and it plays a vital role in the overall Tanzanian economy (URT, 2021).

Review and analysis of the proposed 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 industrial economic growth strategic plans from 1961 to date and the future focus of the TDV of 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 the British Colony in 1961. Before the British took over colonizing Tanganyika in 1919-1960, the country was initially colonized by the Germans during the period of 1884-1889. The Germans were defeated by the British 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. Conference Before colonialization, Tanganyika had her own structures of industries. The main structures of the industries were mainly a kind of handcrafting and iron smithing, trading and bartering systems. The reasons for the failure of Tanzania to adopt its own industrial strategies was caused by the interference of the Arabs and Portugies traders in 1915-1917 (Lall and Wangwe, 1998). Slave trade influenced the nature of the industrial development in Tanganyika before colonialism.

Industrial development in Tanganyika during German had different features, which continuously kept on pacing to where we are today. Industrial activities included crop value adding and crop processing. Basically the activities were meant for preparing exported raw materials to be used in metropolitan industries of developed countries who were colonizing Tanganyika. Sisal plantations were owned by the German colony. Moreover, there were some coffee, tea, and tree plantations which were introduced by the Germans. However, when the British had the role of developing Tanganyika in 1922, the development of industries did not change much, instead many industries of different structures increased (Osberg 2017). These includes manufacturing, metal fabricating, electrical machineries and minerals, (Skarstein and Wangwe, 1986; James, 1996). The British and Asians were the main owners of the industries during this period.

As the British colonialized Uganda, Kenya, and Tanganyika, East Africa Countries were formed. Industrial Development Policies were established under the British colony (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 based on British settlers structure and Uganda’s industries were a mixture of Baganda, Asians and British characteristics. The British, however, developed industries in Kenya and made Uganda and Tanganyika to be the market for the industrial products from Kenya.

**3.0 INDUSTRIAL DEVELOPMENT IN TANZANIA FROM INDEPENCE TO DATE**

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

British industrial Development in Tanganyika (1961-1964) and in Tanzania (1964 to date), was inherited from colonial era which was dominated by the private industrial ownership. 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 a significant economic growth (Skarsteine and Wangwe, 1986). The formulation of the First five Years Plan of 1964-1971 aimed at modifying /improving the three years plan of 1961-1964 (Nyoni, 2006).During this period (1961-1967), the country’s income per capita growth was 3.7%.

Through the efforts of improving industrialization and country’s economy, the first five year Industrial development strategy of 1964-1971 was intervened with a new thinking of changing of economic development school of thought. This was done through formulation of a new political ideology that is the *Ujamaa na Kujitegemea* (Socialism and Self-reliance ideology) of 1967 through the Arusha Declaration (Nyerere, 1968b). The country’s economy and the mode of production were centralized and controlled under the state ownership whereby the state through various parastatal organizations were given responsibilities to control the economic production activities (Nyerere, 1968a,b). Natural resources including land, minerals, forestry, water bodies (seas, rivers, and ocean) and industries were strictly under the state ownership. A mixed industrial production was the main objective of the industrial development during the period of *Ujamaa na Kujitegemea* which encouraged both domestic and export production. In fact, during the Arusha Declaration, the industrial structure did not change much, the ownership of industrial production shifted from the private to the Public/state ownership.

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

The period of 1967-1985 was famously known as the strong Control Regime and Economic Management based on *Ujamaa* principles which resulted to the growth of per capita GDP of annual rate of 3.3% (Nyoni, 2006; BoT, 1983). However, in this period (1967-1985), there were adverse shocks which occurred at the end of 1970s. In 1978-1979, Tanzania had undergone war against Iddi Amin of Uganda and at the same time the oil price shoot in the world market which resulted into thriving of the underground economy (Skarstein and Wangwe, (1986); Al-sasi *et al*., (2017)). This means that the Industrial development became stagnant and as a result the economic growth of the country dropped from 3.3% to 0.07% (Nyoni, 2006). During this period, many industries both processing and manufacturing industries were grounded due to failure of production which was caused by loss of capital, labour as well as lack of raw materials. Agriculture being a major source of the raw materials started to decline in terms of its economic contribution to GDP from 3.90% to 3.36%, while mining and quarry was at -3.11% and finance and business dropped to -0.91% (URT, 2003).

**3.3 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 during the year 1975 to 1997. However, the long term plan was interfered by various factors, among others, include breakup of the East African Community in 1977, the war with Iddi Amin of Uganda in 1978-1979 and the World economic crisis of 1979 and 1984 which led to oil crisis, shortage of food and farm inputs, poor prices of crop commodities in the World market and low production of coffee, sisal, cotton and other cash crops. It was also observed that during this period of 1979 and 1984, production was almost zero ranging from 0.07% to 0.78%.

The same trend persisted even in the period of 1985-1995. The level of poverty was high among Tanzanians due to decline in both agriculture and industrial production. Following the worse situation of poverty in Tanzania, as well as in other developing countries all over the world, particularly in Africa Continent, western economists through their financial institutions (World Bank and IMF) gave many reasons for the existence of absolute poverty in these countries. Among other reasons which were mentioned include the existence of traditional economic structures and political ideologies mainly socialism and self-reliance for the case of Tanzania. Based on these observations, Tanzania was advised to transform the existing economic structure and political ideology that is, the Socialism and Self-reliance ideology) (*Ujamaa na Kujitegemea*).

In 1985, restructuring of the economy and political structures started. Various programmes were formulated. Economic recovery reforms Phase I and II following the 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 strategies for economic recovery, privatization of some government/state owned sectors was encouraged. The move however, showed some significant changes as the country’s GDP increased.

**3.4 INDUSTRIAL DEVELOPMENT FROM 1995- 2015**

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 due to diversification of the economy. Mining was the fastest growing sector of the economy with the annual growth rate of 15.37%.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).

Tanzania’s GDP at current market prices reached up to USD 57.4bn in year 2018 versus USD 53.3bn in year 2017 and USD 45.7bn in year 2013 with average annual growth of 6.6%. Tanzania’s annual GDP growth rate of 6.6% over the past 5 years (2013-2018) positioned the country to become among the 20 fastest growing economies in the world, In this case the country’s average GDP growth rate defeated 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]. If the privatized industries could have been effectively developed the GDP growth rate could be even higher than it is currently. Very few industries out of those which were privatized are in production. Majority of industries are abandoned due to various reasons. This could be due competition of various commodities produced from other countries which are sold at cheaper prices.

Despite the fact that industrial development has been improving in terms of increasing in numbers, production and expansion yet during the period of 2006 to 2015, the industrial development was not much emphasized. During that period, Agriculture development was given first priority. 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, the rate is below the average for the country (UNIDO & URT, 2012). In manufacturing sector the rate of employment during the period was low, less than 5% of the total labour force, regardless of the fact that the industrial production has shown steady economic growth from the year 2000 to 2009 (UNIDO, 2013).

Tanzania’s annual GDP growth rate of 6.6% over the past 5 years (2013-2018) positioned the country to be among the 20 fastest growing economies in the world, and therefore Tanzania’s GDP growth rate was higher than that of the other Sub-Saharan African countries whose average GDP growth rate was 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 of 2016/17-2020/21. Through its objectives, Tanzania aimed at raising its annual GDP growth rate to 10% by 2021. [https://www.tanzaniainvest.com/economy]

Through expansion of other sectors (by 33.17%) such as coal, natural gas, metal ores, mining, electricity and water supply provides an evidence that industrial development in Tanzania has been improved. Service delivery sectors have also been indicated to rise from 21.7% in 2005 to 39.3% in 2017. (UNDP, 2017). Construction industry in building of hotels, apartments, offices and museums has also expanded in this period (2006-2015) compared to the previous periods. However, during this period the Tanzania economy was affected by the European economic crisis of 2006 -2008. The situation affected developing country’s accessibility to financial resources from the European Union. Consequently, the number of foreign investments declined. However, the crisis did not last long since reinforcement of the investment in the industrial sectors in the developing countries including Tanzania continued.

The most unique feature in this period is the construction of the cement plant owned by Dangote in Mtwara Region. The presence of gas energy and materials to feed the industry/plant has influenced the company to establish the plant, which is the largest plant in both regions of Eastern and Sub Saharan Africa (SSA).The review is supported by the study done in Tanzania by Lugina et al., (2022) who reported that, there is positive relationship between the manufacturing sector through its value added and economic growth in Tanzania. Moreover foreign direct investment inflows and net domestic credit are the key drivers of manufacturing growth. In addition another study which was done in Tanzania by Bikiombe et al., (2025) revealed that manufacturing exports positively contribute to GDP per capita. The study aligns with global Sustainable Development Goals 8 and 9(SDGs),

**3.5 INDUSTRIAL DEVELOPMENT FOCUS AFTER 2015**

The Tanzania Development Vision (TDV) 2025 was formulated in the period beyond 2015 under the leadership of the late President Dr. John Pombe Magufuli. The TDV 2025 sets out the new policy framework for transformation of the Tanzania economy from the least developed country to the middle-income country by 2025 through inducing a shift from agricultural based economy to semi-industrialized economy. According to URT (2010a, 2010b), the mission of TDV 2025 was particularly expressed by the long-term perspective plan of (2011/12 to 2025/2026). According to URT (2010) the plan acts as a road map for the realization of the TDV 2025.In addition, the first five year development plan of 2011/12 to 2015/16 also emphasized on industrial development as the foundation for export- led growth (URT, 2010b).

Several strategy documents complements the TDV 2025, among others are the export processing zones (EPZ) program which was initiated by the export processing zones Act of 2002. In 2006 the export zone was established through the export processing zone Authority (EPZA).Morrissey and Leyaro (2015) assert that EPZs were expected to attract investments for export – lead industrialization in order to increase foreign exchange earnings, employment and to promote domestic processing through adding value to local raw materials. The Tanzania Min-Tiger plan of 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 of 2003 (URT, 2003b) and the integrated industrial development policy (IIDS) of 2025 (URT, 2013). All missions emphasized on industrial development in various sectors ranging from agro-processing to manufacturing ones for export and domestic markets. The Government of Tanzania in the period after 2015 emphasized on semi-industrialized economy.

Moreover, other efforts which have been made by the government include preparation of good investment environments for both local and foreign investments. Construction of infrastructures such as roads, electricity/power plants, railways (SGR), ports, harbours, airports and airplanes purchase. In addition, the government strives to maintain peace, which plays a great role in attracting investments. At the middle of the first round of the fifth leadership of the late Dr. John Pombe Magufuli the country’s GDP raised up to 7.1% annually. Therefore there is a clear indication that the industrial development keeps on pacing towards achieving the TDV 2025 goal.

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 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 in development projects for example in transport, oil, gas, and hydropower. Tanzania is drawing attention to external investments particularly in mining, oil, gas, industry and in agriculture production sectors.

**4.0 CHALLENGES FACING INDUSTRIAL DEVELOPMENT IN TANZANIA**

In Tanzania there are several challenges which cause development of various industrial sectors not keeping pace as how it was expected. Based on this paper, the challenges are grouped into various periods.

**4.1 Challenges During the Period of 1961-1967**

During the period of 1961-1967, development of industries faced a number of challenges. The economy was fairly open and markets oriented with no specific policy instruments for allocation of foreign exchange or regulate prices. In addition, exports of traditional agriculture crops were taxed as a source of government revenue. This situation caused the government to have less capital for investment in industrial sector instead it relied on private investment of the British residents (Morrissey and Leyaro, 2015).

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

Emergence of the Socialism and Self-reliance ideology (Ujamaa na Kujitegemea) on the other hand it is considered as a challenge towards industrial and economic growth in Tanzania. The state control of all major means of production that is; 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 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. For example In 1973, there were two main types of setback in Tanzania. These were occurrence of world oil price crises and famine. The crisis seriously affected the country’s economic growth. Famine by the year 1973 was nicknamed as “yellow maize year”. The reasons for nicknaming the year was due to low production of food crops caused by drought and therefore the country received yellow maize from developed countries as food aid.

**4.3 Challenges During 1975 - 1995**

In between 1975 and 1995, a number of constraints which hindered economic growth were observed. This includes cold war, technologies dependency, competitions, the war with Iddi Amin of Uganda (1978-1979), the breakdown of East African Community (1977), market failure, lack of skilled labour and capital, poor economy reforms and structural adjustment programs, corruption and privatization. In addition, Ding and Chen (2012) reported that price fluctuations in natural resources affected the economic growth of many developing countries.

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

Tanzania being a socialist country automatically it was concerned with the cold war regardless of the fact that the country was not directly involved in the war. As a result Tanzania received aids from both sides (capitalist and communist blocks). Market for Tanzania produced commodities were also determined by the two blocks. The situation affected Tanzania negatively and as a result the country had a slow economic growth.

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

Tanzania like other African countries has not yet advanced in developing its own technologies. Majority of the developing countries depend on technologies developed from western countries, for example; Europe, USA, Canada, and some Asian countries such as Japan, China, Thailand, Hongkong, Korea and India. According to Wangwe *et al*. (1986), the types of technology imported from the developed countries determine types, structure and quality of industries of the importing countries. For example, in Tanzania , the Holland companies surveyed and constructed the Kilombero Sugar Plant by using their own technologies, which therefore, the plant reflects the company’s direction for industrial development. The same applies to Kagera Sugar Plant which was installed by Indian companies, while Mwatex and Mutex textile industries were constructed under French technologies. Moreover, an industry such as the Urafiki textile was constructed through Chine’s technology. It is obvious that the type of technology determines the quality and type of commodities to be produced by the industry.

**4.3.3 Breakup of East African Community**

In 1977, Tanzania got a blow from the breakup of the East African Community (EAC). The breakdown led Tanzania to a significant loss of a substantial capital investment in the community. Instead Tanzania remained with the Arusha International Conference Centre (AICC) buildings since the buildings were located in Tanzania. The country also remained with one airplane. The airplane just remained in Tanzania for coincidence as during its flight from Dar es Salaam to Nairobi the Tanzanian captain changed the route back to Tanzania after announcement of breaking of EAC. In that situation, Tanzania was seriously affected socially and economically as the large share of the community was owned by Kenya. Tanzania’s economic growth in terms of GDP dropped below one per cent per annum and exports dropped to 11% (Collier, 1991).

***4.3.4 Tanzania and Uganda War(1978/79)***

During 1978/79, Tanzania was involved in the war with Iddi Amini of Uganda. Iddi Amini attacked Kagera Region of Tanzania claiming that the region was part of Uganda. This had caused Tanzania to react against the Idd Amini’s act of invading Kagera Region. During the war the country committed a lot of money, time and human resources, which led to decline of economic growth to almost below one percept (Skarstein and Wangwe, 1986; Wangwe *et al*. 2014). In addition the war caused an enormous shortage of goods (food, clothes, drugs and medicine, farm inputs, education facilities etc.), poor foreign exchange, a growing of black market exchange rate premium, capital flights and an emerging debt crisis in early 1980s. Morrissey (1995) reported that, the so mentioned difficulties due to war 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 to 20% of GDP (Nyoni, 1997).

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

The market failure was evident In 1980s-1984, just after the war with Uganda. Law Production, law investment, dependency on foreign aids, capital flight, black market exchange rate premium and emerging debt crisis are the main features of market 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 the World Bank (WB) to revisit the existed political and economic traditional structures. The structural adjustment programs were the main mechanisms for reforming the political structure in Tanzania, whereby the Ujamaa ideology had to be modified and come up with a new ideology which adopts socialism and capitalism so as to position the country in a transitional economy. Thereafter, economic reforms followed. As a result, 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 concentrated 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 reform programs (ERP I - 1986-89); ERP II - 1989-92) had been weakly implemented despite its importance in the economy recovery. This is due to the fact that the state can hardly do business, instead its role is to control taxes and formulating investment policies and creating good environment for private sector’s investment (Ross, 2019). In this review it has been noted 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 related to industrial activities.

**5. CHALLENGES OF INDUSTRIAL DEVELOPMENT BEYOND 1996**

Industrial development after 1996 experienced a number of challenges. To mention few globalization economy, prices fluctuation, stabilization of currencies, European economic crisis, foreign investment policy which were formulated in every succeeding leadership, corruption and bureaucracy, unreliable power, tax policies and trade barriers. 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, According to Bonciu (2017), globalization has been characterized by many features. Among others include availability of capital, commodities, technologies and labour across the border. If not captured well, these features might turn into challenges in industrial sector and economic growth.

* 1. **Price Fluctuation**

Tanzania as well as other African countries faced frequent price fluctuations of prices of various agro 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 of commodities (cashew nuts, cotton, coffee, and sisal), unreliable commodities and customers, world competition and economic crises are among other factors.

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

During this period, many European countries had slow economic growth. ThSlow economic growth in developed countries affected developing countries in terms of acquisition of capitals, technologies and market for their commodities (EU, 2009). Tanzania was therefore, affected in this way.

* 1. **Technical and Managerial skills**

Industrialization by any means requires commitment of human, natural, finance, and technological resources. For instence human resources requires physical, managerial and technological skills (URT, 2009; Morrissey and Leyaro, 2015.). Tanzania, in the period of 1975-1995 had in adequate technological and managerial skills which were required for industries development. Despite of the fact that the country hired expertise from the developed countries, however, it was expensive to handle and maintain. In fact lack of the technological and managerial skills has 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. It is important for the acquisition of goods such as technologies and materials. In Tanzania, the industrial sector is facing 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 the main causes of inefficiency of industrial development in Tanzania during the period of 1975-1995 (Skarsteine and Wangwe, 1986). Tanzania during that period mainly relied on hydroelectricity power, which was also not enough to meet the demands of the industries. However, the problem is still persisting to date. Inadequate supply of electricity results in to poor performance of industrial production in Tanzania.

Frequent electricity-cut offs and rationing was 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 in the first phase of the fifth regime, electricity has been slightly stable following drought occurrence which caused establishment of other sources of power generation centers such as Songas Project (Songosongo gas project) and other small hydroelectric power projects.

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

Tanzania, since independence has been facing the problem of transportation and communication infrastructures. Road and Railway networks were poor and to date they remain to be poor and therefore the country is still facing difficulties in transportation of raw materials and produced commodities to and from the industrial sector. Marine transportation is even compared to roads and railways transportation. Communication networks are poor leading to inadequate spread of information based on marketing and acquisition of raw materials and capital goods.

* 1. **Inadequate Storage Facilities**

Many of agro-industries face the problem of shortage of storage facilities for preservation of perishable raw materials and produced products. Many raw materials are damaged before they are processed. Likewise, the produced commodities face the same problem. Lack of adequate storage facilities lowers the quality and quantity of perishable goods and raw materials.

* 1. **Research and Development**

Research and development (R&D) is one of the important feature to be considered in industrial development. In Tanzania there is inadequate investment in R&D activities.

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

The first regime of the late Mwalimu Nyerere had the same target of development towards the semi-industrialized economy. A number of changing investment policies, programmes and directives has been observed since independence. As a result there were no stable continuation of industrial economic growth. For, example, during the 2nd phase (2nd leadership of the late president Ali Hassan Mwinyi), the economy relied much on open market and privatization of government enterprises, industries and service delivery sectors. However, during the third government regime (3rd leadership of the late President Benjamin W. Mkapa), privatization was practiced and implemented by increasing private investments of both local and foreign companies. The Tanzania shilling was stable and even the price of commodities was also stable. During the third and fourth (4th leadership of President Jakaya Kikwete) government regimes, investment policies slightly differed despite the fact that the two regimes had the same target of positioning the country into semi-industrialized economy. The fourth government regime emphasized on agricultural growth as the main priority for the economic growth of the country, ”*Kilimo Kwanza*” “*Agriculture first*” slogan was the main theme which was considered to lead the country to semi industrialized economy. This is in line with the concept that “it was agriculture which provided capital to industrial development in Europe” (Lewis, 1954). With the same Tanzania government’s effort, the Big Results Now slogan(BRN) was also part of the economic growth which was applied in industrial, agricultural, service delivery and in tourism sectors.

Many strategic plans,missions and visions 2025 were formulated during the third and fourth government regimes. Sustainable industrial development policy (SIDP) 1996-2020 was formulated with the aim of shifting the economic base from the public to the private sectors. In addition export orientation was formulated (URT, 1996). Thereafter, efforts of formulation of Tanzania development vision TDV 2025 took place with the aim of transformation of Tanzania economy from heavily dependence in agriculture for its economic growth to a middle income country depending on industries for its economic growth. (URT, 2005a).

Efforts which were formulated and implemented were; 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). In addition among other efforts are; The national Trade policy 2003 (URT, 2003b); and the integrated industrial development strategy (IIDS) 2025 (URT, 2013).However, there is no connection of the previous development plans (3rd and 4th Leadership) with the fifth government regime (leadership). The fifth leadership under the late President John Pombe Magufuli come up with new policy slogans for development. “*Hapa kazi tu*”-“*work hard*” has been a major slogan towards leading the country to a semi-industrial economy. This may sometimes be regarded as the weakness in industrial development achievement caused by leadership based on succeeding regimes. Furthermore, abandoning of the projects which were implemented during the previous government regimes and creating new projects without completing the former projects is also regarded as weakness. For example the Kilimo kwanza policy (agricultural first priority) was replaced by the industrialization leaving the former policy incomplete. Another example is abandoning construction of Bagamoyo harbor port and Kimara (Dar es salaam) to Chalinze six path roads projects and instead purchasing of airplanes and construction of standard Gauge Railways and Stielgler George power supply projects may also be considered as 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 regime to formulate 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, during the fifth government, there have 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 of the country.

* 1. **Tax Policies and Impositions**

Import tax, export tax and recurrent tax policies are not stable in Tanzania. Flexibility of tax collection depends on the government regime that is in power. For example, in the fifth regime (Late John Pombe Magufuli), tax imposition was stable, but its flexibility depended much on profits made by investors. The situation was opposite compared to the third and fourth governments regimes where by imposition of taxes created rooms for corruptions leading to poor collection of the government revenues. If taxes has been poorly collected, it is obvious that the government lacked capital for industrial and social services delivery investments.

**6. The Way Forward for Improving Industrial Sector Development**

This section briefly presents suggestions towards improving the industrial sector in Tanzania. These suggestions include formulation 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.

**6.1 Formulation of 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 without forgetting the Tanzania Investment Centre and Small Scale Industrial Development Organisation (SIDO) should establish clear policies for creation of good environment for investment in various sectors of the economy. Established of the policies in sectors such as manufacturing and agro-processing, metal fabrications, buildings and social services delivery industries will provide: a room of attraction to investors; strategies for proper collection of tax; proper control and importation of technologies as well as exportations of both agriculture and industrial products.

**6.2 Commitment in Infrastructure Developments**

It is well known that infrastructure play an important role in industrial development. Well established infrastructures facilitate shipping of goods and commodities (capital goods, manufactured goods, labour, etc.) to and from the industrial areas. It is well and good that the fifth and sixth Tanzania government regimes emphasized and gave priority to improvement of infrastructures.

* 1. **Importation of Proper Technologies**

Selection of technology is determined by the type industry and quality of products to be produced. The type of technology selected is important for the sustainability of the industries and quality of the commodities produced. Therefore, the government through its responsible agencies should avoid the importation of outdated technologies as well as technologies which do not fit with our local environment.

**6.4 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 monitor and control movements of goods, labour and technologies from outside the country to avoid unqualified/fake labour, commodities and technologies to be dumped in our country. In addition, the government should maintain peace, good governance and democracy since no any investor either local or foreign will be able to invest in a country where there is no peace, poor governance and democracy.

* 1. **Research and Development**

Research and development is an important section to be considered in development of industries in any country. Research and development is the only place where various innovations both social and industrial ones are taking place before disseminations and up-scaling for development purposes. The government is therefore argued to commit more finance and human resources in the research institutions such as universities, academic centers and colleges as well as in the research centers (e.g. agricultural, industrial, mechanical and social centres) where research activities take place.

**7. CONCLUSION**

Historically, industrial development in Tanzania can be categorized into three categories namely; a period before colonialism, during colonial eras of the Germans and the British and after independence. The review has revealed that development of industries in Tanzania can be categorized in various periods namely immediately after independence, during *Ujamaa na Kujitegemea* (Socialism and Self-reliance), political and economic reforms and free market economy eras. In this review it is noted that industrial development in Tanzania is characterized by so many challenges. After the Arusha Declaration of 1976, the industries were privately owned by the Indians.

Public ownership of the industrial sectors, started during the *Ujamaa na Kujitegemea* (Socialism and Self-reliance4) after the Arusha Declaration of 1967 where the country had implemented nationalization of the country’s major means of production.Natural resources were under the state control. Despite of the good progress made in agro-processing industries, yet the country’s economy faced series constraints. To mention few the constraints includes: oil crisis of 1970s, the breakdown of East African community in 1976, the war between Tanzania and Uganda of 1978/79, economic crisis (1979-1984), and movement for independence in other sub-Sahara African (SSA) countries in 1970s. Therefore, Tanzania economic growth slowed down to almost zero due to loss in production of both food and cash crops, market failures, black market exchange of foreign currency, cold war and persistence of poverty in early 1980s.

To reverse back the economy Tanzania was advised by the World Bank and IMF to restructure its political and economic reforms in mid 1980s (Jallia and Weiss 2000). The Strategies which were implemented for improving Tanzanians economic growth are; The economic recovery phases I & II, Structural adjustment programmes of 1980s, and Privatization of various government enterprises and sectors. Private investments of both local and foreign were encouraged to revival industrial development and economic growth.

Furthermore, the paper revealed that during the third (1996-2005), fourth (2006-2015) and the fifth (2016-to date) government regimes industrial development was emphasized. During the fourth government leadership under President Jakaya Kikwete the Tanzania Development Vision 2025 was formulated with the aim of positioning the country to a semi-industrialized economy by 2025 (URT, 2013). Signs of industrial development achievement have been noted in this reviewed paper. Among efforts include; Construction of infrastructures such as roads, electricity/power plants, ports, harbours, airports and airplanes purchase, constructions of industrial office buildings, hotels, apartments and various institutions; construction of railways especially the standard gauge railways(SGR), rehabilitation and purchase of ships, construction of power plants in Rufiji river and Songosongo gas projects. In addition, the government strives to maintain peace, which plays a great role in attracting investments. Therefore it is obvious that efforts for achieving industrial development keeps on pacing towards achieving the Tanzania Development Vission of 2025.

However, industrial development in Tanzania faces various challenges. The challenges include: lack of technological skills, unreliable power supply, corruptions, lack of capital, competition at global market, improper tax policies imposition, discontinuation of policies after every preceding government regime, poor infrastructures and price fluctuations due to various reasons such as unstable currency, competitions and low quality of commodities produced.

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