

ENTERPRISE AND TRADE

A plain language guide to Tanzania's
National Trade Policy
and
Small and Medium Enterprise Development Policy



A Hakikazi Catalyst
Popularizing Policy Document
May 2005

Preface

One of the goals of Tanzania's Development Vision 2025 is to build a solid foundation for developing a competitive and dynamic economy with a high level of productivity. This requires that Tanzania achieve the following:

- High quality livelihoods
- Peace, stability, and unity
- Good governance
- A well-educated and learning society
- A competitive economy capable of producing sustainable growth and shared benefits for all

How was the NTP developed?

The NTP was developed through extensive consultations with a wide range of stakeholders from the public and private sectors, civil society, and academic institutions. It is the result of discussion and debate at all levels of the public decision-making process.

In this context, trade has a central part in developing a competitive economy with equitable and sustainable growth. Furthermore, globalization and liberalization have led to the free flow of products and services internationally, which means that there are emerging opportunities for Tanzania in the global market. Thus, there is a need to have a trade policy that will lead to effective participation in the “rules-based” international trade system established by the World Trade Organization (WTO). The goal of the National Trade Policy (NTP) is therefore to facilitate Tanzania's integration in the international trade system as efficiently as possible. The NTP also reflects the needs of Tanzania as a transitional economy working to become a free-market economy.

Economic globalization has also led to the creation of a single market, which includes both domestic and international markets. In this setting, export-led growth is both an opportunity and a challenge for Tanzania. This means that Tanzanian enterprises must strive for production of higher quality goods and services at lower prices. In order to achieve this goal, the NTP aims to reform trade-related institutional structures and change economic practices so that they focus on developing a free-market system, with an emphasis on exports.



The private sector is the key implementer of the NTP – it is the primary sector responsible for the production of high quality goods and services which will enable Tanzania to take its place in the global market. The Government's role is to facilitate this process while also stimulating private sector development. Overall, the NTP will enable Tanzania to use its resources to address economic challenges with the objective of reducing poverty in a meaningful way.



Small and Medium Enterprises (SMEs) can also play a significant role in reaching the goals of Tanzania's Development Vision 2025, through employment creation and income generation. SMEs do not require as much capital, technology, management, or utilities as larger enterprises. Thus SMEs can play an important role in bringing about a more equitable distribution of income, which can contribute to poverty reduction. They can also serve as a training ground for future entrepreneurs.

However, there are a number of constraints in Tanzania which prevent the development of SMEs. These include a weak legal and regulatory framework, poor infrastructure, inadequate business development services, limited access to capital, and ineffective and poorly coordinated institutional structures. The SME Development Policy (SMEDP) was therefore designed to address these constraints and tap into the full potential of the SME sector.

How was the SMEDP developed?

The SMEDP was developed through a participatory process. Between 1998-2001, various zonal workshops were held to discuss the status of the SME sector and to come up with strategies for developing the sector. After input was received from these workshops, a draft policy was prepared and then discussed by stakeholders in zonal workshops held in Dodoma, Mbeya, Mwanza, Arusha, Kibaha, and Dar es Salaam. The Commonwealth Secretariat, UN Industrial Development Organization (UNIDO), Department for International Development-UK (DFID), and US Agency for International Development (USAID) also offered assistance in developing the SMEDP.

This policy will serve as a guideline for all stakeholders to stimulate the establishment of new SMEs and to build the competitiveness of existing ones. The expected outcome is that SMEs will make a significantly increased contribution to economic development in Tanzania. The success of this policy depends mostly on the cooperation of all stakeholders, so we challenge all to engage with the policy and play their parts in planning, implementation, monitoring and evaluation.

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Abbreviations

The following list includes abbreviations which are used in this booklet and which are key to understanding the National Trade Policy and the Small and Medium Enterprise Development Policy.

CSO	Civil Society Organisation
EDC	Export Development Council
EPZ	Export Processing Zone
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
MIT	Ministry of Industry and Trade
NGO	Non-Governmental Organisation
NPHC	National Policy Harmonisation Committee
NTP	National Trade Policy
PRSP	Poverty Reduction Strategy Paper
PSDS	Private Sector Development Strategy
RTA	Regional Trade Agreement
SME	Small and Medium Enterprises
SMEDP	Small and Medium Enterprise Development Policy
TAS	Tanzanian Assistance Strategy
TNC	Trans-National Corporation
TPDG	Trade Policy Development Group
TPN	Trade Policy Network
TRIPS	Trade-Related Aspects of Intellectual Property Rights (WTO)
TSN	Trade Support Network
WTO	World Trade Organisation

Introduction

This is a plain language guide to the National Trade Policy (NTP) and the Small and Medium Enterprise Development Policy (SMEDP) of 2003. The policies seek to promote a competitive economy and export-led growth. This guide is in two main parts:

The **first part** asks and answers eight questions. The first three answers provide information on what trade and enterprise means, why we need the policies, and what these sectors can contribute to national development. The fourth answer lists the many challenges we have to face in (a) expanding the local enterprise sector and making it globally competitive and (b) getting good returns from our involvement with the global market. It is a complex problem which demands a comprehensive, multi-sectoral solution.

Tanzania's new trade policy... emphasises the role of government as implementer of trade policy and that of the private sector as the engine of growth as well as partners in the formulation and implementation process.
NTP p. 10

The fifth answer outlines how the NTP and the SMEDP are closely harmonised with other sectoral and cross-sectoral strategies and programmes. The sixth and seventh answers provide information on the actions and strategies which the two policies recommend. The last answer then outlines how the work of the many stakeholders and actors will be coordinated.

The **second part** of the guide presents five notes which follow up on ideas from the first part. The first note provides a detailed outline of the NTP, and the second note provides a detailed outline of the SMEDP. Note three lists SME related organizations and initiatives. Note four lists Tanzania's main exports and imports in 2001. And lastly, note five describes briefly how enterprise and trade can be applied to the cotton industry.

Small and Medium Enterprises (SMEs) account for a large share of the enterprises active in Tanzania.
In fact, SMEs are the emerging private sector and form the basis for private sector led growth.
SMEDP p. 1

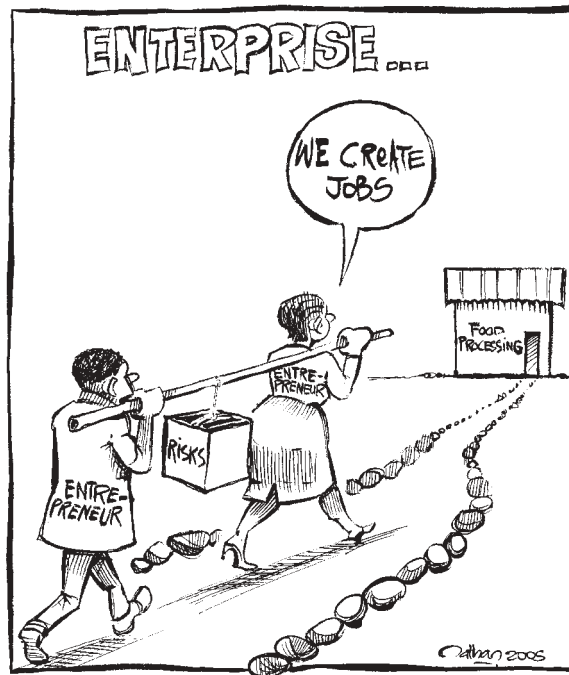
After the notes, there is a glossary which explains the meanings of most of the big words used in this guide. And after the glossary, there is a list of helpful websites for readers who have access to the Internet and want to get deeper information on the issues; this includes a link where you can download an electronic version of this guide¹.

On the back cover you will find the contact information of the Ministry of Industry and Trade (MIT), which is provided for those who would like more information.

¹ *Note:* Internet links have also been provided at various places in the guide so readers can get more information if they want to.

Q1 What do we mean by trade and enterprise?

People have been buying and selling goods and services since time began, so everyone understands the basic processes of trade and enterprise. However, in the modern world the scale of trade has increased significantly and 'common sense' is not always enough to understand what is going on. This section gives a brief outline of what trade and enterprise means in the world we live in.



TRADE:

Trade is about exchanging goods and services, i.e. buying and selling. In the beginning trade was done by bartering – exchanging goods and services without money – and later money was used as a method of exchange. It is only in the last two or three hundred years that international trade (trade between nations) has become a major fact of life and topic of study.

BASIC TRADING		
BUY	➔	SELL
from the producer		to the consumer
in place A		in place B
at a low price		at a high price

One of the main ideas used in international trade is the theory of *comparative advantage*. This means that some nations are more efficient at producing some goods and services than others. Exports should therefore be based on these goods and services, and nations should import things that they cannot produce efficiently. This should lead to benefits for all nations. This is the basis of the concept of *free-trade*.

Reasons for a country having a **comparative advantage**:

- abundant natural resources (e.g. oil, timber, gemstones, coffee, etc.) – therefore focus on trading these resources
- abundant cheap labour – therefore focus on labour intensive industries
- abundant capital – therefore focus on capital intensive industries
- advanced technology and the skilled manpower to operate it – therefore focus on service and technology-based industries

One of the first international trade agreements was established in 1947 – the General Agreement on Tariffs and Trade (GATT). The agreement provided an international forum that encouraged free trade between member nations by regulating and reducing tariffs on traded goods and by providing a common system for resolving trade disputes. The Uruguay Round of GATT negotiations (1986-94) led to the formation of the World Trade Organisation (WTO) in 1995. This is now the only global organization dealing with the rules of trade between nations. At its centre are the WTO agreements which are negotiated and signed by most of the world's trading nations. The purpose of the agreements is to help producers of goods and services, exporters and importers to freely conduct their business. There is much ongoing debate about which countries actually benefit from these agreements. There are members within the WTO that argue that poor countries have special needs and must be given different treatment than rich and powerful countries. Tanzania is a member of the World Trade Organisation (WTO), and its trade policies must be in line with WTO agreements.

More on Free Trade...

While free trade may be seen as best for a country as a whole, it is often difficult for domestic enterprises, especially in poor countries, to compete with international enterprises in the global market. National governments may therefore interfere in free trade systems to protect their domestic economies. Modern trade agreements usually regulate against this type of interference, however there is an ongoing debate about the fairness of these rules, especially for developing countries.

Note that there are also many regional trading agreements. Tanzania is a member of the East African Community (EAC) and the Southern African Development Community (SADC) and is influenced by their trading systems. Tanzania is also part of the Cotonou Agreement which links the European Union (EU) and 77 African, Caribbean and Pacific (ACP) countries.

ENTERPRISE:

An *enterprise* is another name for a business but it includes the idea of being bold, adventurous and taking risks.

What is an Entrepreneur?

A person who:

- starts a new business / enterprise which is expected to make a profit, but which also involves personal, professional and financial risks;
- is willing to accept these risks to pursue business / market opportunities; and
- offers a new or existing product or service for a new or existing market.

Note: The entrepreneur's functions and importance have declined with the growth of corporations.

A person who sets up an enterprise is not afraid to try something new and is often called an *entrepreneur*. It is useful to think of an entrepreneur as someone who creates jobs and employs other people. This sets the entrepreneur apart from someone who operates an existing business or who seeks employment. Enterprises range in size from very small to very large. The following table shows the four categories that are recognised in Tanzania.

Category	Number of people employed	Amount of money spent to set up the enterprise (Tshs.)
Micro enterprise	1 – 4	up to 5 million
Small enterprise	5 – 49	6 – 200 million
Medium enterprise	50 – 99	201 – 800 million
Large enterprise	100+	more than 800 million

Most micro-enterprises are in the informal sector and the employees are members of the family. Small enterprises tend to be formally set up and registered with the authorities. Note that the largest enterprises are Trans-National Corporations (TNC). These can have hundreds of thousands of employees and many of the biggest corporations are richer than the poorest countries.

Of the world's 100 largest economies, 51 are corporations. Wal-Mart [a large US corporation] is bigger than any of 161 countries, including Greece and Poland. General Motors is bigger than Denmark. Toyota is bigger than Norway.

The Top 200, with a combined revenue of \$7.1 trillion, have twice the economic assets of the poorest four-fifths of humanity, whose combined income is only \$3.9 trillion.
<http://www.tlio.demon.co.uk/critic.htm>

In Tanzania the term Small and Medium Enterprise (SME) includes micro-enterprises. It refers to non-farm economic activities – this includes mainly manufacturing, mining, commerce and services.

Q2 Why do we need policies for trade and enterprise?

IF Tanzania is to eliminate poverty THEN there must be social and economic development. This requires equitable economic growth, which in turn requires more efficient and competitive enterprises and a huge increase in the amount of domestic and international trading.

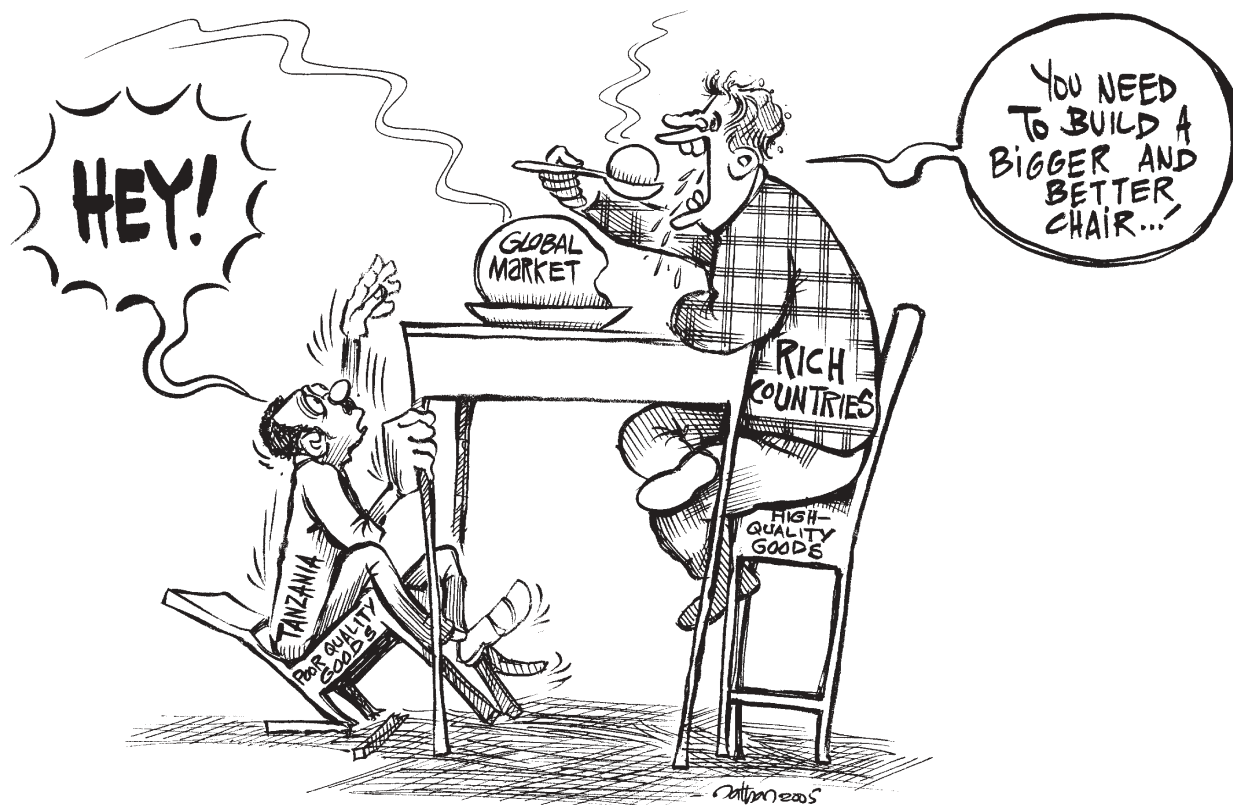
“Trade can be good or bad for national development – it all depends on the rules that guide it.” – Walden Bello (Filipino economist)

The good news is that the forces of globalisation and liberalisation present many opportunities for Tanzania to play a stronger and more profitable part in international trade. The WTO is gradually putting in place a set of rules-based trade agreements to control the international flow of goods and services. Good governance in all countries and at all levels is necessary if the wealth created through international trade is to be shared by all people.

The bad news for Tanzania is that it is marginalised in the international trade system. This is because it is currently unable to produce and process large quantities of high-quality goods for the competitive global marketplace. The good news is that the country is blessed with many natural resources, it is politically stable, and the Government is making an effort to create an enabling environment for increased trade and enterprise development. The National Trade Policy and the SME Development Policy both provide an analysis of what the problems are and describe what must be done to overcome those problems.

“Ultimately, there is a clear choice to be made. We can choose to allow unfair trade rules to continue causing poverty and distress, and face the consequences, or we can change them. We can allow globalisation to continue working for the few, rather than the many, or we can forge a new model of inclusive globalisation, based on shared values and principles of social justice. The choice is ours. And the time to choose is now.”

www.maketrade4fair.com



Since 1986 Tanzania has been changing from a *command economy* to a *free-market economy*. This means that the private sector is expected to play a bigger role in driving the economy. Meanwhile, the public sector (government) is gradually taking a smaller role aimed at creating an enabling environment and providing guidelines. This process takes time as it involves basic changes in the attitudes of individuals and institutions. The two policies in this guide spell out what needs to be done to overcome obstacles to change and supply-side constraints.

The following table shows the main ideas in the two policies:

National Trade Policy	SME Development Policy
Tanzania will have a domestically integrated, competitive, diversified, export-led economy which trades effectively in the global marketplace.	Tanzania will have a vibrant and dynamic small and medium enterprise (SME) sector that makes good use of available resources to achieve accelerated and sustainable growth.
Rapid socio-economic development will be achieved through improving competitiveness and thus stimulating the development and growth of trade.	The competitiveness of the SME sector will be increased by stimulating its growth and development.

Q3 What do the Trade and SME sectors have to offer?

The global trading system offers a potentially huge market for those goods and services which give Tanzania a comparative advantage. When properly developed, the SME sector will produce goods and services to compete on the global market and to be the basis of export-led growth.

Trade

The good news is that world trade is increasing rapidly. In the 1990s it increased by 55% (from US\$4,300 billion to US\$6,700 billion). The pattern of trade, however, has been changing. Trade in raw materials (e.g. ores and metals) went down from 30% in the 1960s to about 6% in 1998. Trade in services went up from about 20% in 1993 to 33% in 1997. Trade in food products and fuel has seen some growth, and trade in manufactured goods is about 70% of total trade.

Tanzania's natural resources include:

Hydropower, tin, phosphates, iron ore, coal, diamonds, gemstones, gold, natural gas, and nickel.

The bad news is that sub-Saharan Africa has not been participating well in this growth. Its share of world trade has gone down from 5% to 2% in the last 20 years and most of that was mainly in agricultural and mining products. Its share of world trade in manufactured goods fell from 0.6% in 1970 to 0.3% in 1995. On the positive side there is the possibility of getting a bigger share of the trade in services, especially in tourism.

The other bad news is that Tanzania has had a trade deficit since 1969 (see box). Between 1979 and 1995 export revenue barely reached a third of the cost of imports. This gap has been filled by loans and grants.

In 2001 Tanzania's exports were worth about US\$ 762 million while imports were worth about US\$ 1,728 million. This means that Tanzania imported more than it exported, which resulted in a *trade deficit* of US\$ 966 million.

[Note: For details on the main products which Tanzania imported and exported in 2001, see Note 4 at the back of this booklet.]



Agricultural products (mainly coffee, cotton and tobacco) make up about 70% of exports, with manufactured products making up only about 15%. The good news is that the income from tourism has risen sharply from US\$65 million in 1989 to US\$730 million in 1999.

During the command economy period the focus was on the domestic market. These days the domestic market has merged with the global one and competition is fierce. Customers now demand higher standards of quality, price, and service. The challenge is therefore to identify and overcome the factors that prevent Tanzanian enterprises from competing effectively in the global marketplace.

Traditional trade policies dealt simply with economic measures which tried to directly influence the levels of imports and exports using tariffs, taxes, etc. Modern trade policies take a much broader view. They deal with *trade development*. This means that they include all the factors that affect enterprise and trade from production through processing and on to delivery to the consumer. They also include the full range of support services that are required to build the capacity and regulate the actions of stakeholders in the trade sector.

Tanzania's National Trade Policy seeks to put the nation on the road to export-led growth based on effective competition at the global level. The idea is to make best possible use of those enterprise and trading opportunities where Tanzania has a comparative advantage. The policy recognises, however, that there will be a need for safeguards to develop new enterprises in their early years. This will involve strategic government interventions in the 'free market', but these will be designed to go along with the regional and global trade agreements which Tanzania has signed.

Small and Medium Enterprise

The SME sector presently accounts for about a third of GDP. The 1.7 million SME businesses employ about 20% of the workforce. The sector has a huge potential for creating employment and generating income which is equitably distributed.

SMEs are particularly attractive as engines of development in that (a) they are relatively easy to set up, even in rural areas, (b) the low level of investment for every job created makes them attractive to funders and (c) they act as a training ground for entrepreneurs and thus set the foundations on which future industrial growth can be built.

[*Note:* For a specific example of trade and enterprise in the cotton industry, see "Note 5: Enterprise and Trade - the case of cotton" at the back of this booklet.]

Q4 What is currently preventing the development of enterprise and trade?

Thanks to globalisation the potential demand for goods and services produced in Tanzania is enormous. The problem lies on the supply-side, which simply means Tanzania faces obstacles to supplying quality goods and services for the global market.

Development is presently being held back because domestic enterprise and trade systems are not able to compete on the global level. These problems are in part caused by 'supply-side constraints' (see box).

The following list of supply-side issues and challenges is drawn from the two policy documents. The items are in four groups to highlight (a) the need for a broad, cross-sectoral vision and (b) the related need for the SME and Trade policies to be well integrated with other development strategies and policies.

Supply-Side Constraints:

- 1) unreliable provision of public utilities - e.g. electricity, water, and communications
- 2) poor public infrastructure - e.g. roads, transport, etc.
- 3) inadequate regulatory and policy frameworks - leading to too many regulations, high transaction costs, etc.
- 4) inefficient institutions and lack of good governance - resulting in corruption, lack of transparency, etc.
- 5) low labour productivity - due to poor education, health care, social services, and housing

Capacity issues

The move from a command economy to a free-market one demands a change in **attitude** in both **individuals and institutions**. Cultural customs and practices can prevent people from adopting new ways of doing things. We need to create awareness and consensus about the benefits of export-led growth and the key role of the private sector as the engine of economic development.

There is also a need to build the **business skills and abilities** of people at all levels so as to develop the private sector. We need more creative people with new ideas who are willing to take risks to establish new businesses and enterprises. SMEs can be thought of as primary schools for nurturing future business leaders.

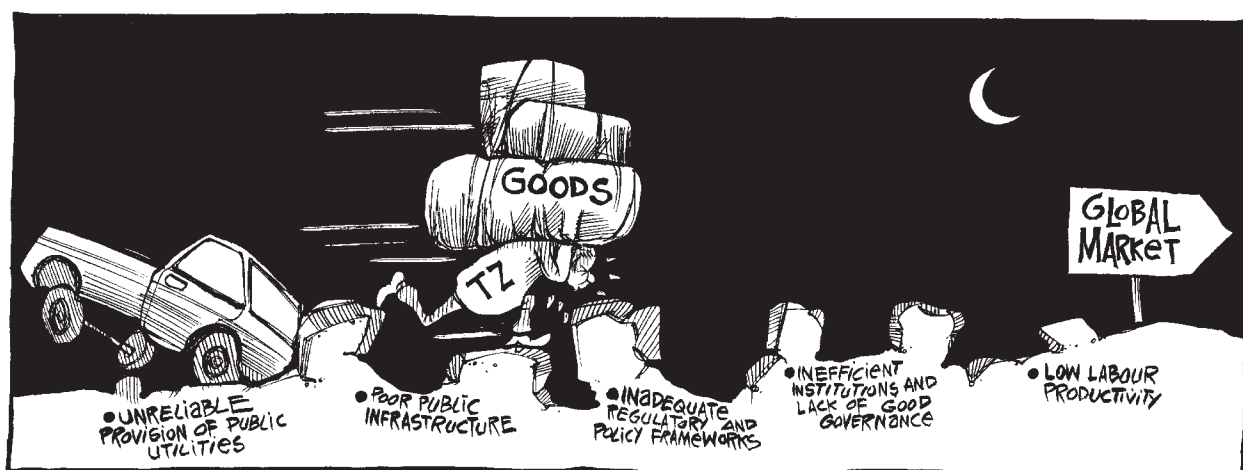
We also need to create more open systems where **networks**, umbrella **associations** and **partnerships** can flourish. Public-private partnerships will be encouraged and stakeholders will need to learn how to run them effectively.

In the long term, capacity building involves having appropriate **education and health services** so that the nation's future human resource needs will be met. In the shorter term we also need a range of relevant and affordable **Business Development Services** and **Extension Services** to help a wide range of enterprises and trading systems to improve their production, marketing and management processes.

Marketing issues

The key to national economic success is to focus on those enterprises where Tanzania has **comparative advantage** and to support activities which **add value** to them. This will involve building the capacity of domestic markets and taking advantage of opportunities presented by Regional Trading Agreements (RTAs) and the international trading system.

Agro-processing and commercial farming need to be developed. Other key sectors include mining, tourism, livestock, and transit trade services. Support can be provided through extension services and better research and development to help measure and react to changes in technology and markets. The intention is to expand enterprises by focusing on rural industrialisation, and SMEs are the best tools for this.



Enabling issues

The present environment for enterprise and trade in Tanzania was set up in an unplanned and informal way, so it has many gaps and contradictions. A future **enabling environment** must be integrated, coordinated and sustainable. It can be thought of as having four parts:

In terms of **physical** environment most businesses need access not only to natural resources (land, minerals, etc.) but also to various types of infrastructure such as transport, communications, water, electricity and so on. They also need adequate places of work. When these are missing or unreliable they act as serious constraints on enterprise and trade.

The **business** environment includes the range of laws, rules, regulations, taxes, levies, etc which are part of financial and information services. When these are not simplified and harmonised, they use up a lot of a business person's time, energy and finances. The key challenge is to decrease transaction costs and improve compliance. There is also a need to ensure that (a) labour laws link efficiency to rewards and (b) that SMEs have access to financial services that meet their needs.

A stable **macroeconomic** environment is particularly important for attracting foreign investors. Tanzania has privatized and liberalized much of its economy and implemented fiscal policies to control inflation and stabilize interest and exchange rates. These measures have resulted in an increase in Foreign Direct Investment (FDI).

A stable **policy** environment leads to peace, law and order, security of property and the fair delivery of commercial justice. These are all signs of **good governance** which, among other things, ensures the efficient delivery of goods and services. Social stability, orderliness and the rule of law are key factors for attracting Foreign Direct Investment (FDI).

Cross-cutting issues

Enterprise and trade are economic activities but they are influenced and affected by many non-economic issues. Of high priority at the present time are the issues and challenges related to **HIV/AIDS, gender, disadvantaged groups**, and the protection and preservation of renewable and non-renewable resources in the **natural environment**. SME and trade policies that do not take account of these issues will not be as successful as they could be.

Q5 How are the National Trade Policy and the SME Development Policy linked to other development policies?

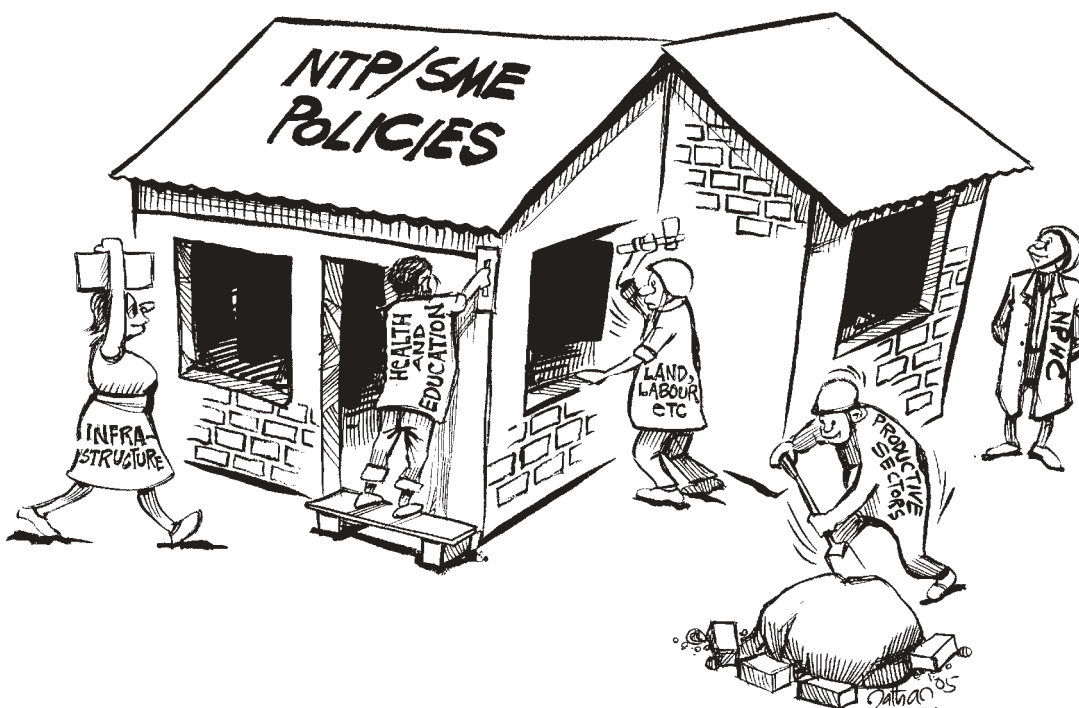
The National Trade Policy (NTP) and the SME Development Policy (SMEDP) were built on many earlier policies and developed using a participatory approach. Policy-makers carried out consultations with a wide range of stakeholders to get ideas about what the policies should say. This was done to make sure the two policies go along with ongoing development plans and that they address the needs of many stakeholders. This process resulted in comprehensive plans for developing a competitive economy built on pro-poor, export-led growth.

Since 1986, and especially since 1996, the overall policy has been to move from a command economy towards a free-market economy. The outline for this is found in three main documents – the Tanzania Development Vision 2025 [see box], the Tanzania Assistance Strategy (TAS) and the Poverty Reduction Strategy Paper (PRSP).

“By the year 2025 Tanzania should have created a strong, diversified, resilient and competitive economy that can effectively cope with the challenges of development and that can also easily and confidently adapt to the changing market and technological conditions in the regional and global economy”.
- Tanzania Vision 2025

These three overall policies were designed to go along with a variety of global policies and agreements that Tanzania has signed. These include the Regional Trade Agreements (RTAs) and global multilateral agreements of the World Trade Organisation (WTO).

The NTP and the SMEDP both take a broad and multi-sectoral view of development. They have therefore been designed to work with a wide range of sectoral and cross-sectoral initiatives and organisations.



The key sectors related to trade and enterprise are the **social sectors** (i.e. education and health) and **productive sectors** (i.e. agriculture, industry, mining, tourism, sectors responsible for economic services). Policies in these sectors should be as follows:

- *Sector policies related to infrastructure* (i.e. roads, communications, etc.) should facilitate linkages to markets and strengthen capacity to deliver goods and services
- *Social sector policies* should ensure availability of healthy, educated, and trained (or trainable) human resources to meet the demands of the productive sector
- *Other social sector policies* (i.e. judiciary, land, labour) should contribute to the creation of an enabling, competitive business environment
- *Policies in productive sectors* should focus on building capacity for product competitiveness in areas where Tanzania has comparative advantage
- Establishment of a *National Policy Harmonisation Committee (NPHC)* to ensure focused implementation of sector policies consistent with Vision 2025

The Ministry of Industry and Trade (MIT) will supervise the implementation and monitoring of both policies, but the intention is to have many stakeholders involved in the process.

Q6 What specific actions does the NTP recommend?

The trade sector is a means for achieving a higher quality of life and reducing poverty in Tanzania. However, in order to reduce poverty, it is believed that Tanzania must have an economic growth rate of more than 7% – this means that Tanzania must export many more products. This is where the trade sector can play a key role in promoting pro-poor economic growth.

The main recommendation in the NTP is to develop a competitive economy based on export-led growth. This is for two reasons: (a) Half of Tanzanians are poor, with an average annual income of US\$ 270 a year. This means that domestic demand is very low and not a good basis for rapid economic growth; (b) Changes in Regional Trading Agreements (RTAs) and international trade agreements under the WTO mean that global demand for Tanzanian goods and services could be very big. Export-led growth is therefore a very good basis for economic growth.



However, Tanzania faces a variety of constraints that limit its competitiveness in the global market. To overcome these constraints, Tanzania must make use of Trade Policy Instruments and Trade Policy Measures, which are outlined in the table below.

Trade Policy Instruments	
Trade regulation and defence <i>Trade Policy Measures:</i> <ol style="list-style-type: none"> 1) Tariff-based, e.g. export taxes 2) Non-tariff measures, e.g. import licenses 3) Trade defence, e.g. subsidies 	Trade development <i>Trade Policy Measures:</i> <ol style="list-style-type: none"> 1) Export development, e.g. Export Processing Zones (EPZs) 2) International and regional trade agreements

The strategies outlined in the NTP are based on these Trade Policy Measures. They can influence the quantity and prices of specific types of imports and exports. They can also stimulate domestic production, promote exports, protect consumers, and provide safeguards for new domestic industries which are threatened by powerful trans-national corporations.

The stated target of the trade policy is to enhance income generation at the grassroots' level as a key to poverty reduction.

The NTP outlines a five-year programme for improving the performance and competitiveness of the trade sector. The vision, mission, and overall goal of the NTP are summarized in the figure below.



The following table lists the 17 main objectives of the NTP with an example of a priority action for each objective². Note that the main priority is to form a cross-sectoral, multi-stakeholder Trade Support Network. The network will focus on product and market development as well as export promotion and facilitation issues. An Export Development Council will be formed to coordinate the activities.

National Trade Policy – the main objectives

Objectives	Examples of Priority Actions
1 to develop a Trade Support Network	put commercial representatives back in embassies
2 to improve the macroeconomic environment	maintain macroeconomic stability and good governance
3 to create an enabling business environment	implement the Business Environment Strengthening in Tanzania (BEST) programme [See Note 1 in back of booklet for details on BEST].
4 to develop a competition policy and regime	eliminate restrictive business practices
5 to promote human skills development	capacity building on trade issues for MIT and other relevant Ministries
6 to develop transport and communications systems	initiate a study on the transport constraints facing major export products
7 to develop water and energy supplies	reduce energy tariff rates to regionally competitive levels
8 to develop soft infrastructure (e.g. financial, insurance and information services)	widen the outreach of credit schemes for women and youth

² A full list of objectives and priority actions in the NTP can be found in Note 1 at the back of this booklet.

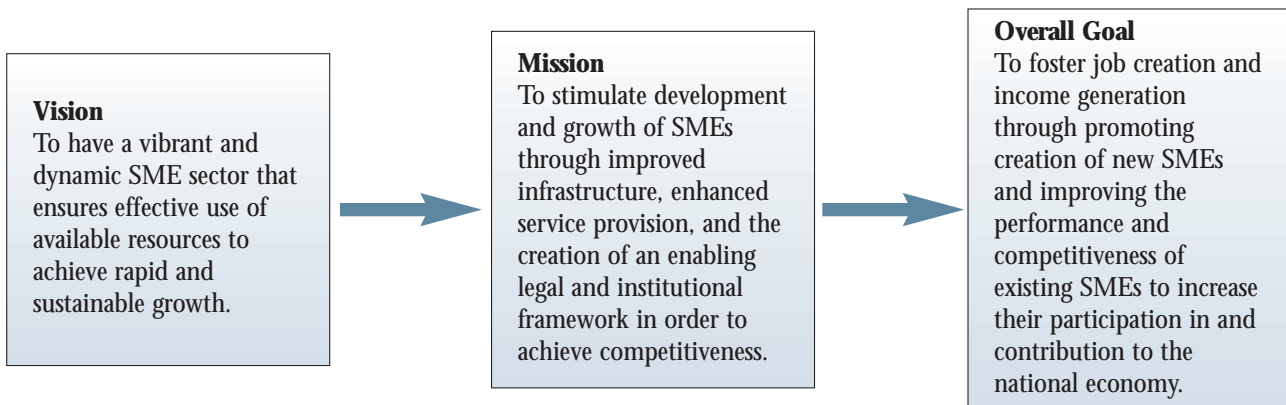
Objectives	Examples of Priority Actions
9 to develop electronic commerce	establish telecommunications centres & internet services for exporters
10 to develop a competitive domestic consulting industry	make it mandatory for foreign consultancy firms to work with local consultants
11 to develop travel and tourism service industries	create incentives to attract high-class investments in tourism
12 to develop intellectual property rights (Trade-Related Aspects of Intellectual Property Rights - TRIPS)	protect traditional knowledge and genetic resources in the context of the WTO
13 to promote regional economic cooperation	identify potential regional export opportunities
14 to promote effective integration in the global trade system	build public and private sector analytical capacity and negotiating skills
15 to promote controlled liberalisation and globalisation	build capacity to access and take advantage of emerging opportunities
16 to address trade-related environmental issues	awareness campaigns on environmental requirements in export markets
17 to address cross-cutting issues such as gender, HIV/AIDS, etc.	enable wider participation of all social groups in economic activities



Q7 What specific actions does the SME Development Policy recommend?

The SME sector has a key role to play in promoting equitable, pro-poor, export-led economic growth. It can also make an important contribution to transforming the agricultural economy into a semi-industrialized one, which is an objective of Vision 2025.

The SME policy outlines a five-year programme for improving the performance and competitiveness of existing SMEs and for creating new ones. Public-private partnerships will be developed and clear roles for all stakeholders will be identified. The vision, mission, and overall goal of the SME Development Policy are summarized in the figure below.



The following list outlines the SMEDP's 7 main objectives, which are linked to 13 policy statements. After each policy statement is an example strategy to be taken to reach the objective³.

1 to provide an enabling legal and regulatory framework

- *Policy = to simplify and rationalise regulations and procedures so as to encourage compliance and minimise transaction costs*
 - Example strategy: simplify business registration and licensing procedures

2 to improve access to physical infrastructure and work places

- *Policy = to improve physical infrastructure and the provision of utilities (jointly with local authorities, private sector and development partners)*
 - Example strategy: allocate and develop land for SMEs (Local Authorities)

³ There are a total of 58 strategies listed in the original SME Development Policy. To see all 58 strategies, see Note 2 at the back of this booklet.

3 to strengthen entrepreneurial culture, business development services and access to markets

3.1 develop entrepreneurship

- *Policy = to promote the development of entrepreneurship through making it easier for SMEs to access financial and non-financial services.*
 - Example strategy: promote entrepreneurial mind-sets through education, training and other programmes

3.2 improve business training

- *Policy = to enhance the capacity of institutions providing business training to SMEs*
 - Example strategy: build the capacity of business training institutions

3.3 improve information services

- *Policy = to facilitate and support programmes aimed at increased access to information that is useful to SME development*
 - Example strategy: set up business centres for SMEs

3.4 provide better access to technology

- *Policy = to raise the productivity and competitiveness of the SME sector by enhancing networking between Research & Development Institutions and SMEs so as to acquire and adapt technologies*
 - Example strategy: improve the links between SMEs and technology providers

3.5 improve SME access to markets

- *Policy = to facilitate support programmes to improve SME access to markets*
 - Example strategy: promote business links between large and small enterprises

4 to improve SME access to finance

- *Policy = to enhance reforms to further liberalise the financial sector and create financial intermediaries to handle SMEs*
 - Example action: facilitate the opening of SME windows at banks and other financial institutions

5 to build the capacity of stakeholders for effective implementation of SME programmes

- *Policy = to strengthen institutions and associations that support the SME sector*
 - Example action: support the establishment and strengthening of SME Associations

6 to promote rural industrialisation

- *Policy = to facilitate the establishment of manufacturing enterprises in rural areas so as to add value to agricultural products*
 - Example action: strengthen the extension services that promote rural industrialisation through SMEs

7 to attend to cross-cutting issues

7.1 deal with environmental considerations

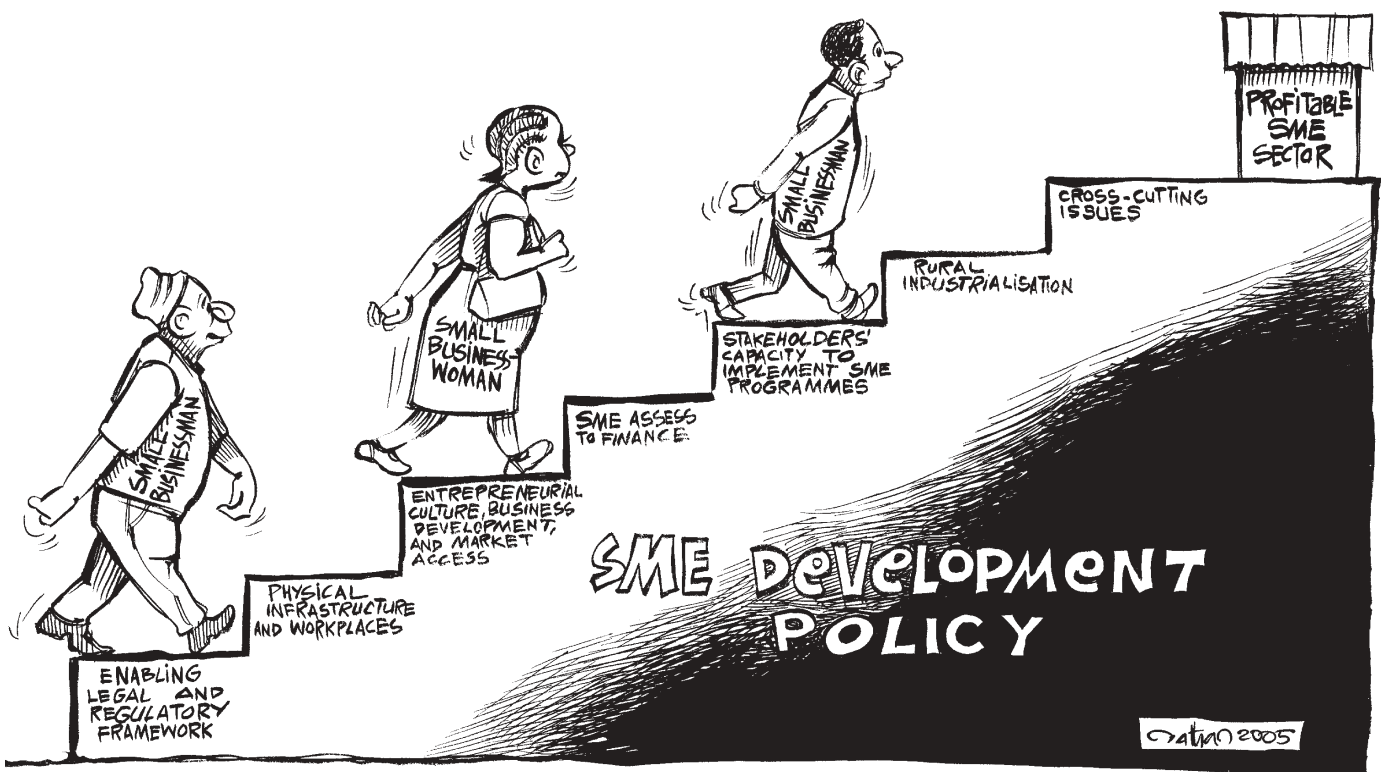
- *Policy = to ensure that all environmental issues are given due emphasis in all proposed SME developments*
 - Example action: create awareness about environmental issues among SMEs and their service providers

7.2 tackle issues about gender and disadvantaged groups

- *Policy = to ensure that gender mainstreaming is addressed in all SME development initiatives*
 - Example action: facilitate SME service providers in the design of special programmes for women entrepreneurs and disadvantaged groups

7.3 deal with issues about HIV/AIDS

- *Policy = to implement programmes that check the spread of HIV/AIDS among SME operators*
 - Example action: create awareness about HIV/AIDS and related matters amongst those involved in SMEs

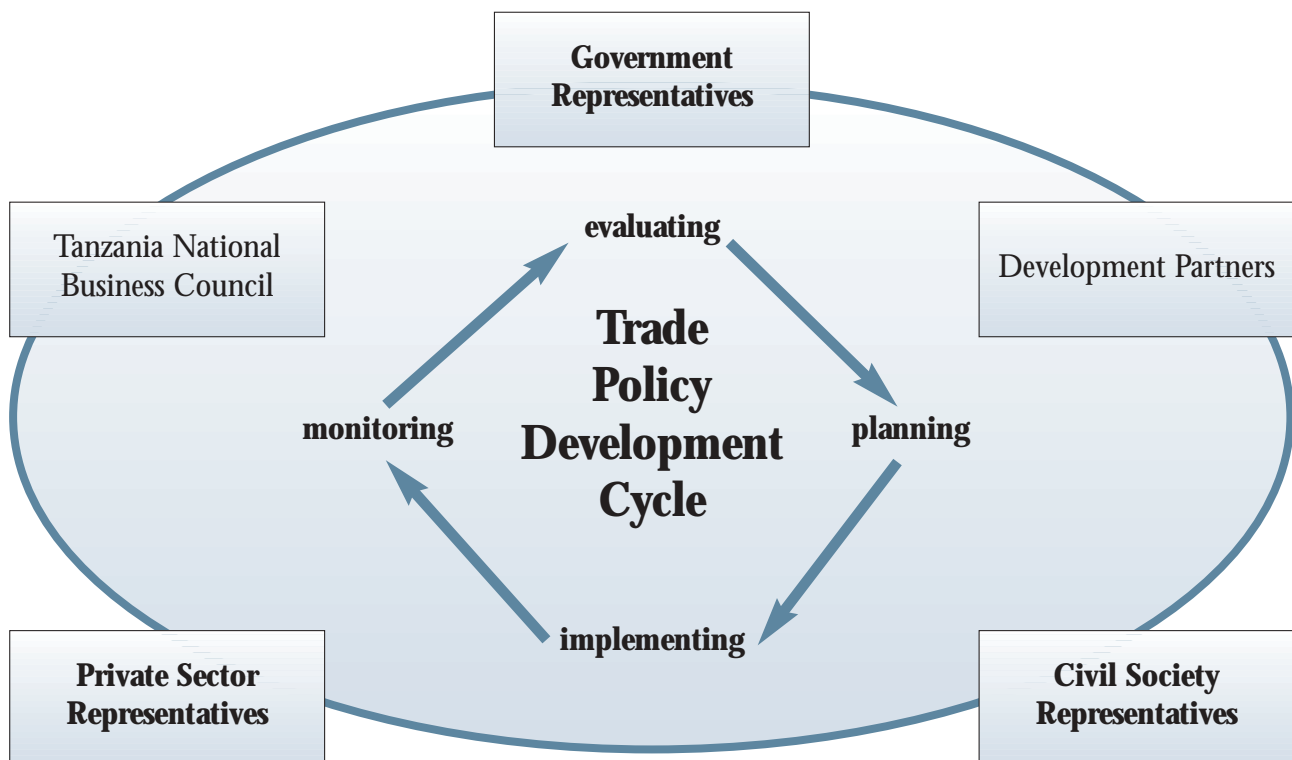


Q8 Who will be involved in implementing the policies and watching to make sure they are working?

Representatives of the public sector, private sector and civil society will be involved at all stages in the policy development cycle. Their activities will be coordinated through a Trade Policy Network (TPN) whose actions are guided by a National Policy Harmonisation Committee (NPHC).

Both the National Trade Policy and the SME Development Policy aim to build agreement and commitment through open consultation and dialogue. They therefore encourage the active participation of all stakeholders at all stages of the process. The policies were designed using participatory processes and their implementation, monitoring and evaluation will also involve multi-stakeholder cooperation.

The following diagram shows the main stages in the Trade Policy Development Cycle and the various groups of stakeholders who will be involved.



It is important that all stakeholders are clear about the roles they have to play as the nation moves from a command to a free-market economy. The details of these roles will emerge over time through monitoring and evaluating best practices, but the basic outline is as follows:

Public Sector: the main role of central and local government will be to encourage and facilitate those activities that directly or indirectly increase competitiveness, generate wealth and lead to pro-poor economic growth. Amongst other things this will involve:

- designing and implementing harmonised macro-economic and sector policies to provide guidelines and to 'level the playing field'

- establishing and maintaining (a) an enabling business environment and (b) social infrastructure which includes business support and extension services
- providing key economic services where the private sector is weak or is not attracted

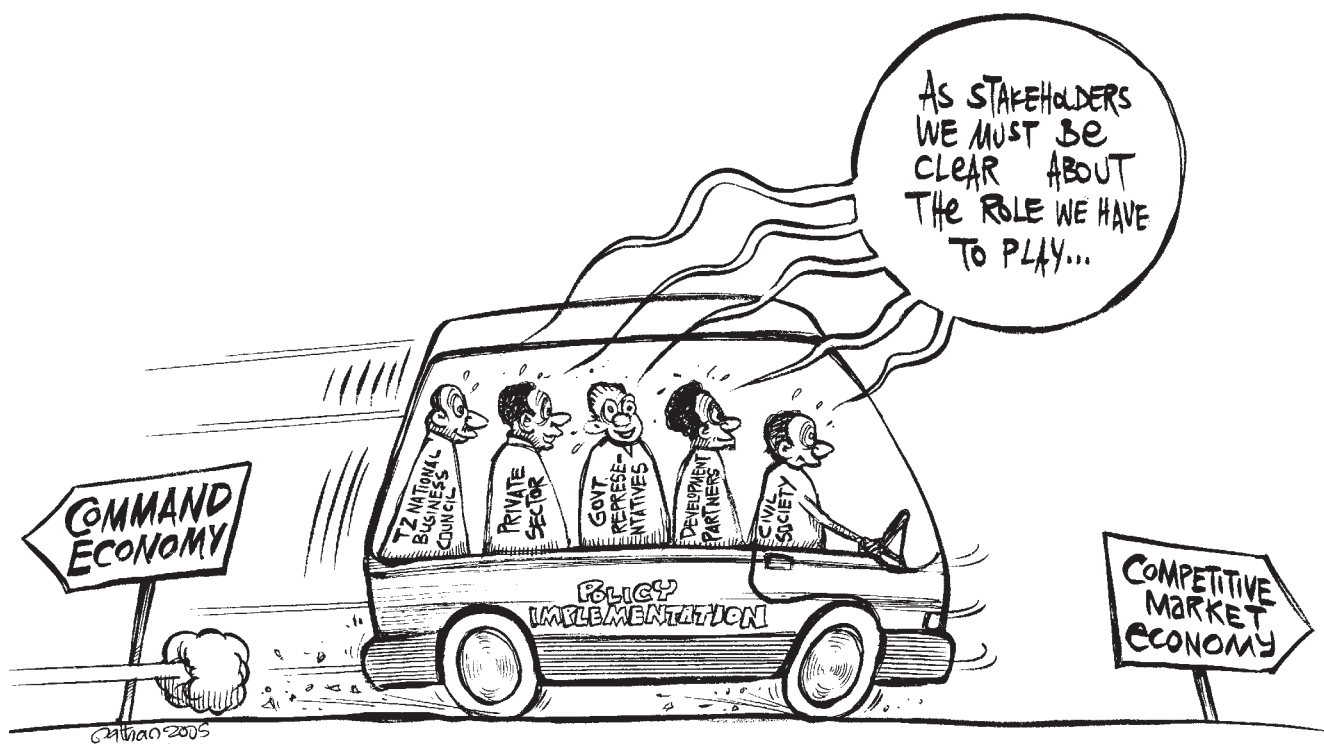
The Ministry of Industry and Trade (MIT) will play a lead role in facilitating, coordinating and overseeing the trade policy development process. It will work closely with other economic sector Ministries. Among other things its tasks will include:

- establishing a databank
- acting as a research and information resource centre
- supervising monitoring and evaluation activities
- publishing reports
- acting as Secretariat to the SME Forum

Private Sector: (this includes SMEs.) The main role of the private sector is to be the implementer of policy. This will involve (a) close partnership in the trade policy development process and (b) taking a lead role in economic investment (especially in the SME sector). A Private Sector Development Strategy (PSDS) will outline these activities which, among other things, will involve:

- mobilising resources
- managing and implementing projects
- providing business development services
- forming associations to ensure quality representation
- advocating for private sector interests when in dialogue with government

The Private Sector Development Strategy has to prioritise ... fundamental concerns ... such as broad-based participation and inclusion of disadvantaged population segments in economic growth opportunities through equitable access to production assets. NTP p. 67



Civil Society: NGOs and Civil Society Organisations are part of the private sector but are different since most of them are not-for-profit organisations. They can (a) be active in advocacy for disadvantaged groups and (b) fulfil a wide range of support roles which, among other things, includes:

- supporting schemes which develop higher productivity
- assisting in market development
- facilitating domestic and export market linkages
- creating awareness and disseminating information

A **Trade Support Network (TSN)** will be formed to develop a multi-stakeholder, cross-sectoral framework which effectively coordinates trade development activities. A key task of the Network will be to ensure capacity building as part of establishing market support institutions. This will involve changing (a) the way of thinking of many institutions and (b) the roles and management structures of those institutions. (e.g. the Business Registration and Licensing Agency (BRELA) and the Weights and Measures Agency (WMA) have been changed from departments of MIT into executive agencies).

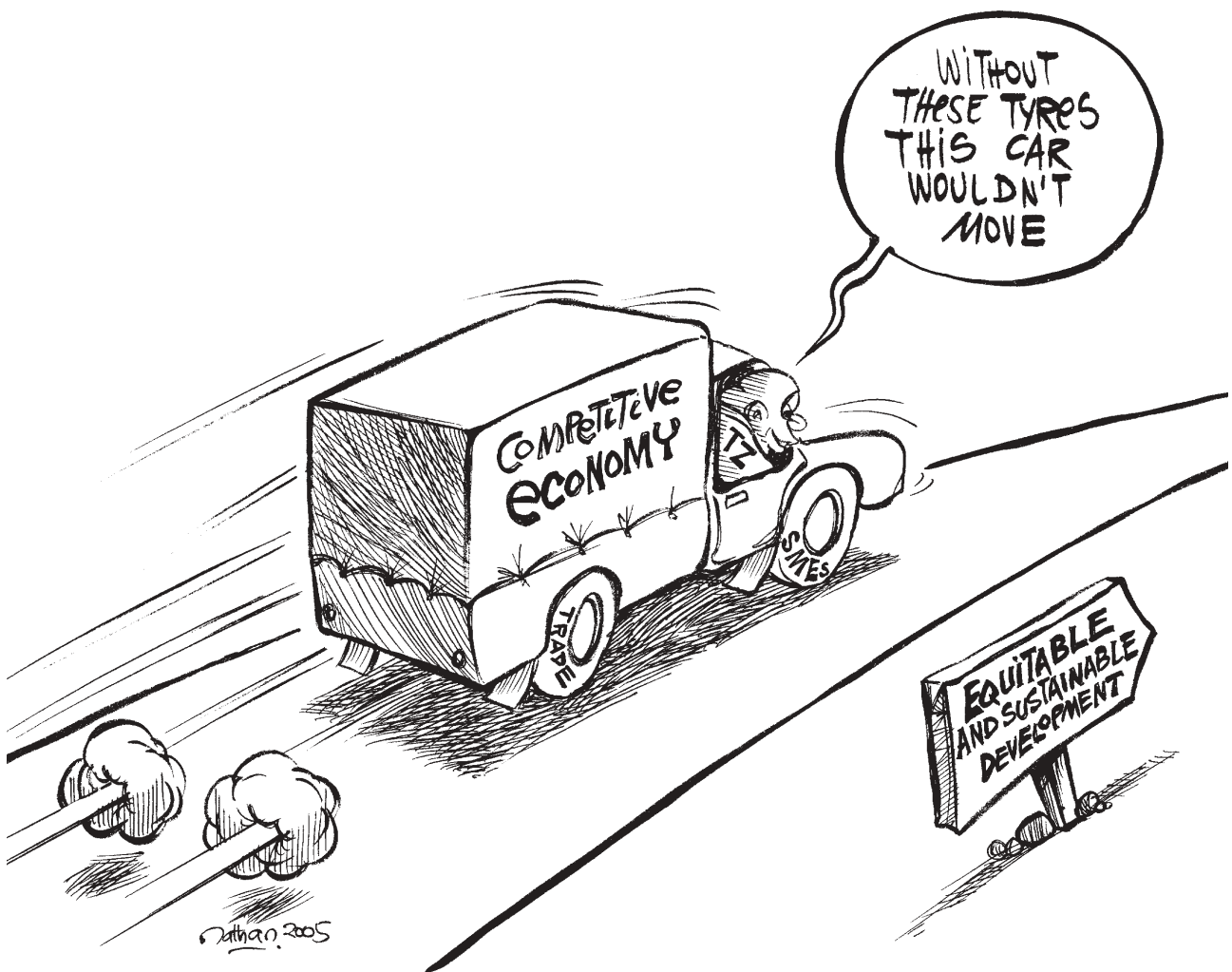
The TSN will encourage close partnerships between the public and private sectors. The partnerships will focus on product and market development, export promotion, facilitation issues, and on effective coordination through an Export Development Council (EDC).

Note that the **National Policy Harmonisation Committee (NPHC)** provides the umbrella for the TSN. The NPHC serves to coordinate activities that seek to develop:

- physical infrastructure (using private sector resources)
- soft infrastructure (by responding to the needs of the private sector)
- the education sector (by increasing enrolment and developing the curriculum)
- the agricultural sector (by adopting modern technology)
- the industrial sector (by adding value to local resources and produce)
- the tourism and mining sectors (by generating the revenue needed to develop the social sectors)
- a Private Sector Development Strategy (PSDS) so as to develop the economy

Notes

- 1 Outline of National Trade Policy
- 2 Outline of SME Development Policy
- 3 SME Related Organizations and Initiatives
- 4 Tanzania's Major Exports and Imports in 2001
- 5 Enterprise and Trade – the case of cotton



Note 1: Outline of the National Trade Policy

The following is a detailed outline of the National Trade Policy's 17 objectives and specific priority actions for each objective.

No.	Issues & Objectives	Priority Actions
1	<p>Improvement of Macro-economic Environment <i>Objective:</i> Improve macro-economic stability and good governance.</p>	<p>Maintain and sustain:</p> <ul style="list-style-type: none"> - macroeconomic stability - prices and exchange rate stability - lower fiscal deficit, inflation, and balance of payments deficit - good governance
2	<p>Enabling Business Environment <i>Objective:</i> Attain goals described in BEST Programme.</p>	<ul style="list-style-type: none"> - implement the Business Environment Strengthening in Tanzania (BEST) programme <p>[The BEST programme highlights the key constraints in the Tanzanian legal and regulatory environment for business and outlines the most effective measures to address them. There are 5 priority areas: Regulation, Commercial Dispute Resolution, Tanzania Investment Centre, Government Culture, & Private Sector Advocacy. Implementation of the 5 programme components will enable Government to improve the legal and regulatory framework and administrative practices that unnecessarily increase the cost of doing business. BEST is administered by the Ministry of Industry and Trade].</p>
3	<p>Competition Policy and Law <i>Objective:</i> Create conducive environment for fair competition under a fully liberalized economy with free access to new entrants.</p>	<ul style="list-style-type: none"> - eliminate restrictive business practices - enact laws related to competition policy, e.g. anti-dumping and other trade laws
4	<p>Human Skills Development <i>Objective:</i> Create an adequate pool of trainable manpower and skilled professionals to meet demands of an internationally competitive environment.</p>	<ul style="list-style-type: none"> - introduce courses and curriculum on trade development in tertiary schools and university to include trade policy and theory, econometrics, research methods, etc. - build capacity of MIT and other relevant Ministries on trade issues
5	<p>Hard Infrastructure – Transport and Communication Systems <i>Objective:</i> Create an efficient and competitive transport and communication system with the objective of development of the communication sector as both a facilitator of the productive sector and a service provider (whose services are tradable as an export product).</p>	<ul style="list-style-type: none"> - initiate a study on the transport constraints facing major export products such as coffee, cotton, etc. - establish storage facilities and refrigeration for fresh export production - establish database on trade in services and improving connectivity

No.	Issues & Objectives	Priority Actions
6	Hard Infrastructure – Utilities, Water, and Power <i>Objective:</i> Reduce cost of power while increasing reliability of supply and expanding the coverage of water and power supplies.	<ul style="list-style-type: none"> - reduce energy tariff rates to regionally competitive levels
7	Soft Infrastructure – Financial, Insurance, and Information Services <i>Objective:</i> Consolidate financial sector institutions and ensure accessible financing for micro-enterprises and SMEs.	<ul style="list-style-type: none"> - establish a friendly legal and regulatory framework based on practical standards - institutionalize credit schemes for women and youth and expand the outreach of existing credit schemes - establish export credit fund and specialized export-import Credit Banks - introduce non-collateral lending facilities for SMEs - establish legal framework for leasing
8	Electronic Commerce <i>Objective:</i> Build capacity to enable Tanzania to use e-commerce for the purpose of expanding trade.	<ul style="list-style-type: none"> - create awareness of the importance of e-commerce and introduce it in the rural sector and industries - encourage and initiate establishment of telecommunications centres & internet services for exporters
9	Consulting Services <i>Objective:</i> Develop a competitive domestic consulting industry.	<ul style="list-style-type: none"> - make it mandatory for foreign consultancy firms to work with local consultants - establish a database of consultancy services
10	Travel & Tourism Services Industry <i>Objective:</i> Develop an infrastructure for the hospitality industry, including ground transport services.	<ul style="list-style-type: none"> - create incentives to attract high-class investments in tourism
11	Intellectual Property Services (Trade-Related Aspects of Intellectual Property Rights - TRIPS) <i>Objective:</i> Protect Tanzania's intellectual property rights and copyrights, including geographical landmarks (e.g. Mt. Kilimanjaro).	<ul style="list-style-type: none"> - protect traditional knowledge and genetic resources in the context of the WTO - put in place legislation on geographical indications, e.g. Serengeti National Park, Mt. Kilimanjaro, etc. - become a party to UNEP's Convention on Biological Diversity of 1992 (www.biodiv.org)
12	Trade Support Network for Trade Development <i>Objective:</i> Transform Tanzania into a competitive economy based on export-led growth within five years.	<ul style="list-style-type: none"> - establish an effective Trade Support Network - lower and unify tariffs and remove non-tariff barriers (NTBs) - undertake export development, promotion and facilitation - adapt and diversify products - attract investments in Export Processing Zones (EPZs) - put commercial representatives back in embassies

No.	Issues & Objectives	Priority Actions
13	Regional Trading Agreements (RTAs) <i>Objective:</i> Build capacity for effective negotiation of trade agreements for both the public and private sectors.	<ul style="list-style-type: none"> - identify potential regional export opportunities - build capacity to access and take advantage of these export opportunities
14	WTO and the International Trade System <i>Objective:</i> Promote profitable and beneficial participation and integration in the global economy.	<ul style="list-style-type: none"> - obtain and disseminate all important WTO documents to private sector business associations, e.g. Tanzania Private Sector Foundation (TPSF); Tanzania Chamber of Commerce, Industry, & Agriculture (TCCIA); (Confederation of Tanzanian Industry) CTI; etc. - build public and private sector analytical capacity and negotiating skills - align legal and regulatory framework with WTO rules
15	Globalization and Liberalization <i>Objective:</i> Adapt and take advantage of technological developments and new products.	<ul style="list-style-type: none"> - build capacity to access and take advantage of emerging opportunities - identify potential export opportunities in the region
16	Environmental Issues <i>Objective:</i> Promote environmental sustainability in trade-related issues.	<ul style="list-style-type: none"> - carry out awareness campaigns on environmental requirements in export markets
17	Cross-cutting Issues <i>Objective:</i> Address important cross-cutting issues, such as gender, HIV/AIDS, equity, etc.	<ul style="list-style-type: none"> - support the economic empowerment of women - enable wider participation of all social groups in economic activities - promote behaviour change to fight HIV/AIDS

Note 2: Outline of the SME Development Policy

The following is a detailed outline of the SME Development Policy's 7 objectives, 13 policy statements, and 58 specific strategies.

1	to provide an enabling legal and regulatory framework
	<i>Policy = to simplify and rationalise regulations and procedures so as to encourage compliance and minimise transaction costs</i>
1.1	simplify business registration and licensing procedures
1.2	simplify the tax system and introduce tax incentives to nurture SMEs
1.3	review Government procurement procedures to allow SME participation
1.4	open a window in commercial courts to handle SME cases
1.5	train and sensitize those involved in SMEs on property rights
2	to improve access to physical infrastructure and work places
	<i>Policy = to improve physical infrastructure and the provision of utilities (jointly with local authorities, private sector and development partners)</i>
2.1	allocate and develop land for SMEs (Local Authorities)
2.2	allocate and develop land for industrial clusters and trade centres
2.3	identify under-used public buildings and allocate them for use by SMEs
3	to strengthen entrepreneurial culture, business development services and access to markets
3.1	develop entrepreneurship
	<i>Policy = to promote the development of entrepreneurship through making it easier for SMEs to access financial and non-financial services.</i>
3.1.1	promote entrepreneurial mind-sets through education, training and other programmes
3.1.2	build entrepreneurship development into school curricula
3.1.3	introduce entrepreneurial training into vocational and technical training programmes
3.1.4	promote entrepreneurship training programmes for key target groups e.g. school leavers
3.2	improve business training
	<i>Policy = to enhance the capacity of institutions providing business training to SMEs</i>
3.2.1	build the capacity of business training institutions
3.2.2	encourage the development of training programmes specially for SMEs
3.3	improve information services
	<i>Policy = to facilitate and support programmes aimed at increased access to information that is useful to SME development</i>
3.3.1	set up business centres for SMEs
3.3.2	support training on information technology (e.g. E-commerce)
3.3.3	establish a databank for SMEs (including service providers)
3.3.4	conduct a census of SMEs

3.4	provide better access to technology
	<i>Policy = to raise the productivity and competitiveness of the SME sector by enhancing networking between Research & Development Institutions and SMEs so as to acquire and adapt technologies</i>
3.4.1	improve the links between SMEs and technology providers
3.4.2	facilitate joint ventures to upgrade and transfer technology
3.4.3	build the capacity of Industrial Support Organisations and other service providers
3.4.4	promote SME incubators
3.5	improve SME access to markets
	<i>Policy = to facilitate support programmes to improve SME access to markets</i>
3.5.1	promote business links between large and small enterprises
3.5.2	strengthen marketing agencies and institutions that support SMEs
3.5.3	create bulk provision systems for SMEs (through cooperative mechanisms)
3.5.4	facilitate SME participation in local and international trade fairs and missions
3.5.5	encourage and enable SMEs to meet marketing standards
3.5.6	facilitate training in trade issues (e.g. Regional Trade Agreements, etc.)

4	to improve SME access to finance
	<i>Policy = to enhance reforms to further liberalise the financial sector and create financial intermediaries to handle SMEs</i>
4.1	promote the transfer of best traditional practices into modern SME activities
4.2	open a window in the banking system for SMEs
4.3	promote new financial products for SMEs (e.g. hire purchase, leasing, venture capital)
4.4	encourage financial institutions to simplify procedures for SMEs
4.5	promote the establishment of new financial institutions for SMEs

5	to build the capacity of stakeholders for effective implementation of SME programmes
	<i>Policy = to strengthen institutions and associations that support the SME sector</i>
5.1	support the establishment and strengthening of SME Associations
5.2	establish a Forum for SMEs
5.3	strengthen networking between SME service providers
5.4	strengthen Government capacity to coordinate, monitor and evaluate policy
5.5	improve the knowledge and skills of Government officials at all levels on SME development

6	to promote rural industrialisation
	<i>Policy = to facilitate the establishment of manufacturing enterprises in rural areas so as to add value to agricultural products</i>
6.1	strengthen the extension services that promote rural industrialisation through SMEs
6.2	facilitate the establishment of industrial clusters and business centres at regional, district and ward levels
6.3	facilitate the transfer of technology to rural areas and the upgrading of existing technologies
6.4	support the establishment of rural industrial cooperatives

7	to address cross-cutting issues
7.1	deal with environmental considerations
	<i>Policy = to ensure that all environmental issues are given due emphasis in all proposed SME developments</i>
7.1.1	create awareness about environmental issues among SMEs and their service providers
7.1.2	facilitate the simplification of environmental impact assessment procedures
7.1.3	encourage the use of good waste management and recycling techniques
7.1.4	facilitate the production of technologies that use renewable energy sources
7.2	tackle issues about gender and disadvantaged groups
	<i>Policy = to ensure that gender mainstreaming is addressed in all SME development initiatives</i>
7.2.1	facilitate SME service providers in the design of special programmes for women entrepreneurs and disadvantaged groups
7.2.2	identify factors that prevent women and disadvantaged groups from starting SMEs and design programmes to address those factors
7.3	deal with issues about HIV/AIDS
	<i>Policy = to implement programmes that check the spread of HIV/AIDS among SME operators</i>
7.3.1	create awareness about HIV/AIDS and related matters amongst those involved in SMEs
7.3.2	support potentially vulnerable groups in engaging in income generating projects

Note 3: SME Related Organizations and Initiatives

The table below provides names and contact information of institutions, associations, funding sources and training providers which relate to SME development.

Centre for Agricultural Mechanisation and Rural Technology (CAMARTEC)

P. O. Box 764, Arusha

Tel: 027-2553214

<http://www.tanzania.go.tz/carmatec.htm>

College of Business Education (CBE)

P.O. Box 1968, Dar es Salaam

Tel: 022-215 0176 / 7

Community Development Trust Fund (CDTF)

Samora Ave. & Ohio Street

P.O. Box 9421, Dar es Salaam

Tel: 022-2122759 / 2131471 / 2138026

Credit Information Bureau (CIB)

c/o Tanzania Bankers Association (TBA)

4th Floor, Sukari House

Ohio Street & Sokoine Drive

P.O. Box 70925, Dar es Salaam

Tel: 022-2127764

E-mail: info@tanzaniabankers.org

Entrepreneurship Development Centre (EDC)

University of Dar es Salaam

P.O. Box 35046, Dar es Salaam

Tel: 022-2410500-8, Ext 2241 / 022-2410115

Email: ecentre@fcm.udsm.ac.tz

<http://www.fcm.udsm.ac.tz/ec.html>

National Entrepreneurship Development Fund

c/o Small Industries Development Organization (SIDO) – [see contact information for SIDO]

Presidential National Trust Fund for Self Reliance

P.O. Box 70000, Dar es Salaam

Tel: 022-2150210 / 2150234

Small Enterprise Development Agency (SEDA)

(Micro-finance, subsidiary of World Vision TZ)

P.O. Box 1546, Arusha

Tel: 027-2501761

Email: sammy_mwangi@wvi.org

Small Industries Development Organisation (SIDO)

P.O. Box 2476, Dar es Salaam (Upanga)

Tel: 022-2151945-48

<http://www.tanzania.go.tz/sido.htm>

** Note:* There is now a **Credit Guarantee Scheme for Small and Medium Enterprises (CGS-SME)** to help SMEs access foreign markets. SME exporters can send their applications for funding through SIDO.

Technology Development Transfer Centre (TDTC)

University of Dar es Salaam

P.O. Box 35075, Dar es Salaam

Tel: 022-2410376 / 2410500-8, Ext 2928

Email: tdtc@uccmail.co.tz

<http://www.cet.udsm.ac.tz/tdtc.htm>

Tanzania Engineering and Manufacturing Design Organisation (TEMDO)

P. O. Box 6111, Arusha

Tel: 027-2508058 / 2506220

Email: temdo@habari.co.tz

<http://www.tanzania.go.tz/temdo.htm>

Tanzania Food Processors Association (TAFOPA)

P.O. Box 2476, Dar es Salaam

Tel: 022-2153018

Tanzania Industrial Research Development Organisation (TIRDO)

P. O. Box 23235, Dar es Salaam

Tel: 022-2666034 / 2668822

<http://www.tanzania.go.tz/tirido.htm>

Tanzania Small Industry Society (TASISO)

P.O. Box 22157, Dar es Salaam

Tel: 022-2860234

Vikundi vya Biashara Ndogo (VIBINDO)

P.O. Box 2476, Dar es Salaam

Tel: 022-2150624

**Vocational Education Training Authority
(VETA)**

Chang'ombe Road

P.O. Box 2849, Dar es Salaam

Tel: 022-2863683 / 2863407 / 2863409

E-mail: vetahq@raha.com

List of VETA Centres:

[http://www.tzonline.org/Pdf/vocationaleducation
&trainingcentres.pdf](http://www.tzonline.org/Pdf/vocationaleducation&trainingcentres.pdf)

Women Development Fund (WDF)

c/o Ministry of Community Development,
Women and Children

P.O. Box 3448, Dar es Salaam (Kivukoni Front)

Tel: 022-2115074 / 2132057 / 2115635

Women's Unit Trust (WUT)

c/o African Banking Corporation (ABC)

1st Floor, Barclays House, Ohio Street

Dar es Salaam

Tel: 022-2111990 / 2112777 / 2119422 /
2119301

Email: abcmail@africanbankingcorp.com

Youth Development Fund (YDF)

c/o Ministry of Labour, Youth and Sports

Hifadhi House, Samora Ave. & Azikiwe Road

P.O. Box 1422, Dar es Salaam

Tel: 022 2120419 / 2110218-9 / 2112510

Note 4: Tanzania's major exports and imports in 2001

Tanzanian Exports in 2001	
Product groups worth more than US\$10 million (13 groups make up 86% of total exports)	
Product group	US\$
Gold Non-Monetary Ex Ore	206,061,000
Fish, Live/Frsh/Chld/Froz	84,461,000
Fruit/Nuts, Fresh/Dried	57,357,000
Coffee/Coffee Substitute	55,860,000
Pearls/Precious Stones	46,047,000
Precious Metal Ore/Conc.	45,528,000
Tobacco, Raw And Wastes	35,378,000
Cotton	35,136,000
Tea And Mate	28,185,000
Vegetables, Frsh/Chld/Frz	18,285,000
Crude Veg Materials Nes	16,223,000
Spices	12,837,000
Crustaceans Molluscs Etc	10,259,000

Source: International Trade Statistics – <http://www.intracen.org/tradstat/sitc3-3d/er834.htm>

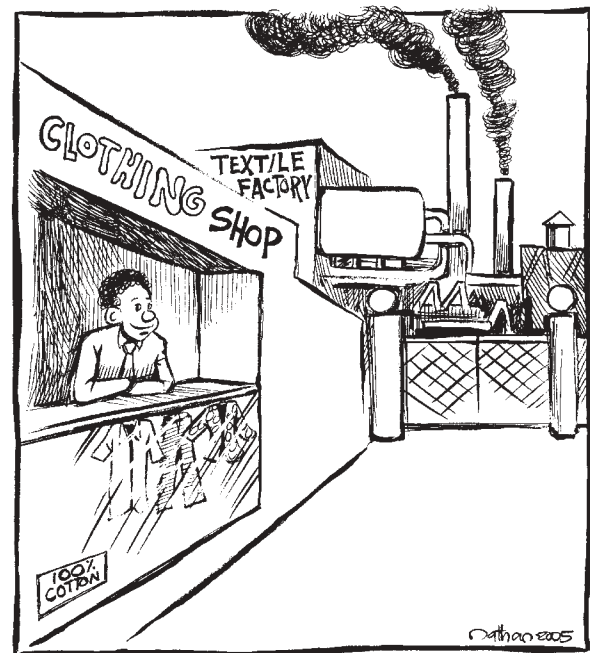
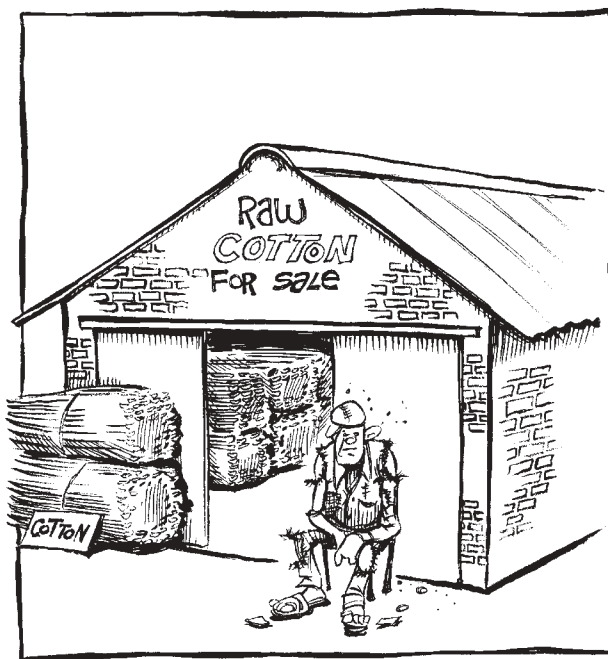
Tanzania Imports in 2001	
Product groups worth more than US\$20 million (21 groups make up 55% of total imports)	
Product Group	US\$
Heavy Petrol/Bitum Oils	216,349,000
Telecomms Equipment Nes	80,362,000
Rotating Electr Plant	65,696,000
Fixed Veg Oils Not Soft	60,184,000
Passenger Cars Etc	59,487,000
Goods/Service Vehicles	58,573,000
Wheat/Meslin	58,251,000
Civil Engineering Plant	47,692,000
Sugar/Molasses/Honey	33,546,000
Worn Clothing Etc	32,901,000
Medicaments Include Vet	32,136,000
Special Indust Machn Nes	28,135,000
Rice	25,929,000
Iron/Stl/Alum Structures	25,524,000
Rubber Tyres/Treads	23,092,000
Road Motor Vehicles Nes	22,617,000
Flat Rolled Iron/St Prod	22,114,000
Computer Equipment	21,234,000
Pharmaceut Exc Medicamnt	21,085,000
Paper/Paperboard	20,310,000

Source: International Trade Statistics – <http://www.intracen.org/tradstat/sitc3-3d/ir834.htm>

Note 5: Enterprise and trade – the case of cotton

The following table shows a simplified version of what happens to cotton between growing it and selling clothes made from it. The short notes which follow link to some of the main ideas about enterprise and trade in the modern world.

Product	Process	Product	Process	Product	Process	Product	Process	Product
raw cotton	spinning	cotton thread	weaving	cotton cloth	dress making	garments	transport & advertising	sales
	value added		value added		value added		value added	



Notes:

- Each 'process' **adds value** to the earlier 'product'. There are opportunities to improve the technology at each step. This will increase the quantity and quality and reduce the production costs.
- There are obviously many opportunities for buying and selling (**trading**) along the way.
- When the amount of profit on one item is very small then the businessperson has to sell many items to cover his or her costs and create wealth. This is why large markets are needed and why Tanzania has to think in terms of **export-led growth**.
- When there are many entrepreneurs involved in the cotton business there will be strong **competition** to increase quality and reduce price. This is good for consumers (although it may not always be good for employees or the environment).
- When one particular entrepreneur ends up in control of a particular product or process then he or she is said to have a **monopoly**. This means that there is limited competition and the rules of the free market no longer apply.

- The World Trade Organisation (WTO) is designing a **rules-based system** to regulate enterprise and trade at the global level. Individual governments sign up to a variety of voluntary codes of conduct and agreements to ensure fairness and justice in world trade. This is a very political, multi-stakeholder process with many lively and ongoing debates.

America's cotton farmers get almost \$4 billion in government support - about \$160,000 per farmer ... These subsidies have deepened the current fall in prices. By encouraging more production for a stagnant market, they lowered world prices by a quarter. This ruined the livelihoods of West Africa's 11 million cotton farmers in the process.

The amount of subsidies given to US cotton producers was bigger than the total GDP of countries like Burkina Faso and Mali. And the world price decline cost West Africa alone some \$200 million - far more than it gets in US aid and debt relief.

www.maketradefair.com

Glossary

balance of payments - the total amount of all economic transactions between residents of one country and those of other countries. This includes movement of capital, loan repayments, spending by tourists, shipping and insurance charges, and other payments.

"Capital as such is not evil; it is its wrong use that is evil. Capital in some form or other will always be needed."
- Mahatma Gandhi,
Indian spiritual and nationalist leader

barter - the direct exchange of goods or services, without using money.

capitalism - (see also *free market*) an economic system in which the main means of production, distribution, and exchange are in the private sector and competitively operated for profit. A *mixed economy* combines the private enterprise of capitalism and a degree of government regulation, as in nationalized industries and welfare services. Most capitalist economies are actually mixed economies.

command economy - (or planned economy) an economy where resources are allocated to industries by the government through central planning. This system is not flexible, so it cannot respond to the needs and wants of consumers and to sudden changes in conditions (for example, crop failure or changes in crop prices). Recent history suggests that planned economies have not produced as high growth as free-market or mixed economies.

"I think that Capitalism, wisely managed, can probably be made more efficient for attaining economic ends than any alternative system yet in sight, but that in itself it is in many ways extremely objectionable."
- John Maynard Keynes,
English economist

comparative advantage - the idea that each country (or enterprise) should focus on what it can produce most cheaply and efficiently and should exchange its products for those products which it is not able to produce cheaply and efficiently.

Cotonou Agreement - the European Community and its Member States signed a new Partnership Agreement with the African, Caribbean and Pacific (ACP) States in Cotonou, Benin, on 23 June 2000. The Agreement is valid for a period of 20 years, subject to revision every 5 years. (See http://europa.eu.int/comm/development/body/cotonou/agreement_en.htm)

dumping - selling goods at less than the normal price, usually as exports in international trade. It may be done by a producer, a group of producers, or a nation. Dumping is usually done to drive competitors out of the market and win a monopoly, or to hinder foreign competition.

economics - a social science which studies the production, distribution, and consumption of wealth. It consists of two areas of study: 1) microeconomics - the study of individual producers, consumers, or markets; 2) macroeconomics - the study of whole economies or systems (e.g., taxation and public expenditure).

enabling environment - this refers to the economic, physical, legal, regulatory, and institutional framework within which businesses operate. An enabling environment is necessary for the development of private enterprise, which is an engine of economic growth. A positive enabling

environment has a competitive domestic market that is connected to the global economy, and is guided by well-defined legal and regulatory frameworks, and supported by a strong and growing human resource base and good infrastructure.

entrepreneur - a person who takes on the organization, management, and risks of a business enterprise.

Export Processing Zone (EPZ) - an area for receiving and storing goods without paying duties. Such an area allows workers to process or assemble goods for export using imported parts that were not taxed as imports.

fair trade - “is a trading partnership based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers - especially in the [global] South. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.” – definition from the FINE group of organizations (Fairtrade Labelling Organizations International, International Fair Trade Association, Network of European Worldshops and European Fair Trade Association). This definition does not require using penalties, which has been one of the main sources of opposition to fair trade.
http://en.wikipedia.org/wiki/Fair_trade

Foreign Direct Investment (FDI) - the situation in which a foreign corporation invests in and controls an enterprise in a country; this means that the foreign corporation owns 10% or more of the shares of the enterprise or has 10% or more voting power in the enterprise. Corporations which do this type of investment are known as ‘trans-national corporations’ (TNCs). (for details about FDI in Tanzania see <http://www.unctad.org/Templates/Page.asp?intItemID=3198&lang=1>)

free market economy - (see also *capitalism*) an economic system where private capital is used in business with profits going to private companies and individuals. The two other main types of economic systems found today are mixed economies and command economies.

free trade - trade or commerce carried on without such restrictions as import duties, export bounties, domestic production subsidies, trade quotas, or import licenses.

GDP or Gross Domestic Product - a measure of the total amount of wealth created in a country over a given period of time. This means the total value of all the goods and services created and exchanged for money. But GDP does not include a lot of valuable

work – for example: running a household, cooking and fetching fuel and water, and also people building their own houses from local materials and growing food for their own use.

Trend toward Free Trade – since World War II the trend has been away from tariffs and in favour of freer trade. Through instruments such as the most-favored-nation clause and the reciprocal trade agreement, two nations may agree to lower their respective tariff barriers. More comprehensive agreements, such as those of the European Union and other customs unions, lower or even eliminate tariffs among groups of nations. Finally, the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO), have since the 1950s sponsored a number of initiatives for lowering the customs duties of most major trading nations.

General Agreement on Tariffs and Trade (GATT) - was first signed in 1947. The agreement was designed to create an international system that encourages free trade between member states by regulating and reducing tariffs on traded goods and by providing a common method for resolving

trade disputes. (For more information: <http://www.ciesin.org/TG/PI/TRADE/gatt.html>)

globalisation - describes the growing economic interdependence of countries worldwide, which includes changes in societies and economies that are the result of dramatically increased trade, wider distribution of technology, the free flow of capital across borders, and cultural exchange. Economically, it refers to the effects of international trade, particularly “free trade”. The advantages and disadvantages of *globalisation* have been seriously debated in recent years. Supporters of globalisation say that it helps developing countries catch up much faster through increased employment and technological advances. Opponents say that it reduces national autonomy and allows rich nations to exploit the human and natural resources of poor / developing nations.

informal sector - or informal economy, includes economic activities that are small scale, unregulated, and usually undertaken by self-employed women and men.

infrastructure - includes transport, roads, communication networks, energy and water supply, and education and training institutions. Sometimes this can include health-care services and leisure facilities.

liberalisation - means allowing the free market to operate by reducing government regulation of the private sector and other restrictions on the economy. In this context, the economy is regulated by market trends and the private sector leads economic growth.

macroeconomics - the study of the entire economy of a country, i.e. of how wealth is created and distributed. This includes such things as government income and expenditure, the balance of payments, fiscal policy, investment, inflation, and unemployment. Important goals for macroeconomics are full employment, stability, and economic growth.

It is a mistake to imagine that the international trading system is some force of nature which we can't adapt or improve. If ordinary people feel that the system is working for the minority instead of the majority then it is the voices of ordinary people which will change the systems. The rules of bodies like the World Trade Organization or the International Monetary Fund are only those created by politicians over time, and politicians are elected by voters, and should, over time, listen to and reflect their concerns. It is the gathering power of ordinary people, expressing their voice through the ballot box, their spending, advocacy and action, that will create such change. As Gandhi put it: "First they ignore you. Then they laugh at you. Then they fight you. Then you win."
<http://www.roughguidebetterworld.com>

macroeconomic stability - the condition in which the economy avoids large changes in production, employment, and especially prices. It is the result of having macroeconomic policies which set and meet targets which are good for the country at a particular time. These policies are designed to make economic growth possible.

marketing - this includes the activities of all people engaged in the transfer of products from producer to consumer - not only those who buy and sell directly, wholesale and retail, but also those who develop, store, transport, insure, finance, or promote the product, or are otherwise involved in the process. In a capitalist economy, where almost all production is intended for the market, such activities are just as important as the production of goods. It is estimated in the US that the cost of marketing makes up approximately 50% of the retail price of a product.

mixed economy - a type of economic structure that combines capitalism with some government control. In mixed economies, governments seek to control public services, basic industries, and those industries that cannot raise enough capital investment from private sources. Thus, a degree of economic planning is combined with free enterprise.

private sector - the part of the economy that is owned and controlled by private individuals, businesses, and companies. In a free-market economy, the private sector is responsible for allocating most of the resources within the economy.

profit - financial gain, or revenues minus expenses. Profit is the main aim of private-sector companies.

public-private partnership - is a partnership in which goods or services previously provided only by the public sector are provided through a partnership between the government and one or more private sector companies. This is different than privatization, which means that an enterprise is run by a private company with no government involvement.

public sector - the part of the economy that is owned and controlled by the state, namely central government, local government, and government enterprises. In a command economy, the public sector allocates most of the resources in the economy. Most goods and services provided by the public sector in any economy are allocated on the basis of need rather than on ability to pay.

reciprocal trade agreement - international commercial agreement in which two or more countries give each other equally beneficial trade concessions. It usually refers to agreements dealing with tariffs. For example, one country may give another special tariff reductions in return for equivalent benefits.

rules-based trade - trade which is based on legally binding rules and agreements about how countries trade with each other. In theory, it means that all countries must conduct trade by the same rules. These rules are administered by the World Trade Organization (WTO), which governs trade between its 144 member countries. These rules aim at helping producers, exporters, and importers conduct their business, and ensuring that trade flows as smoothly and predictably as possible. These rules also respect the right of governments to pursue broader goals such as sustainable development, the protection of human, animal or plant health, and the provision of public services.

safeguards - are measures used by a nation to restrict international trade in order to protect certain domestic industries from foreign competition. One of the requirements of the WTO Agreement on Safeguards is that safeguards may be used only when imports are found to cause or threaten serious harm to a domestic industry.

services - any product, apart from those of agriculture and manufacturing, is a service. Examples of services which are traded include health care, accounting and legal services, postal services, construction, transport, and education.

social justice - refers to the overall fairness of a society in its sharing of rewards and burdens. It is the idea that all people are entitled to basic human needs, regardless of differences such as socio-economic class, gender, race, ethnicity, citizenship, religion, age, disability, or health status. This includes the eradication of poverty and illiteracy, the establishment of good environmental policy, and equality of opportunity for healthy personal and social development. According to this idea, governments which do not carry out their responsibility to ensure a basic quality of life for all their citizens are considered unjust.

subsidies - financial assistance granted by a government to a person, business, or group (e.g. farmers) for the purpose of promoting an enterprise regarded as beneficial to the public interest. The government will provide subsidies to keep prices low, to maintain incomes, or to preserve employment. Agriculture is one of the enterprises that receives the most subsidies.

tariff - a tax on imported goods. It is also called a customs duty. Tariffs are different from other taxes in that their main purpose is not financial but economic - to protect domestic industries from foreign competition. For that reason, protective tariffs are opposed by supporters of free trade.

Trade-Related Aspects of Intellectual Property Rights (TRIPS) - an international agreement which sets minimum standards for most forms of intellectual property regulation within all member countries of the WTO. *Intellectual property* is defined as products of the mind or intellect, which includes things such as copyrights, trademarks, industrial designs, patents, etc. TRIPs covers all of these and describes enforcement and dispute resolution procedures.

trade agreement - this usually includes a broad range of provisions regulating the conditions of trade between two countries. These include rules on customs duties and other taxes on imports and exports, commercial and fiscal regulations, transport arrangements for merchandise, customs valuation, administrative procedures, quotas, and various legal provisions.

trade deficit - when the value of a country's imports is greater than the value of its exports. Generally, developing nations have a trade deficit. This is because they have to pay high prices for the finished products they import, but receive low prices for exports of raw materials or unfinished products.

Trans-National Corporation (TNC) - A corporation that, while maintaining its headquarters in one country, invests in other countries where it builds factories and/or establishes subsidiaries in order to access foreign markets. Of the world's 100 largest economies, 51 are corporations and the rest are countries.

World Trade Organization (WTO) - is the only global international organization dealing with the rules of trade between nations. At its core are the WTO agreements, negotiated and signed by most of the world's trading nations. The goal is to help producers of goods and services, exporters, and importers conduct their business.

See http://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm

Under the WTO, member countries have the right to challenge other countries' local, state, or federal laws as impediments to international trade. If the WTO finds the law to be WTO-illegal, the federal government may overturn the law or face potential trade sanctions. This shift in power to a global-level bureaucracy undermines a cornerstone of democracy—the practice of citizens working with public officials to develop laws that protect the public welfare.

<http://www.fpif.org/briefs/vol2/v2n14wto.html>

Internet Links

Policies

The National Trade Policy

<http://www.tzonline.org/pdf/tradepolicyforacompetitiveeconomy.pdf>

The SME Development Policy

<http://www.tzonline.org/pdf/smallandmediumenterprisedevelopmentpolicy.pdf>

This plain language guide

http://www.hakikazi.org/plain_language.htm

Tanzania National Vision 2025

<http://www.tanzania.go.tz/vision.htm>

Tanzania Assistance Strategy

<http://www.tzonline.org/pdf/Tass1.pdf>
<http://www.tzonline.org/pdf/Tass2.pdf>

National Strategy for Growth and Reduction of Poverty (NSGRP)

<http://www.povertymonitoring.go.tz/downloads/new/nsgrptext.pdf>
<http://www.povertymonitoring.go.tz/downloads/new/nsgrpmatrix.pdf>

Official websites about Trade

World Trade Organisation

<http://www.wto.org>

UNCTAD (United Nations Conference on Trade and Development)

<http://www.unctad.org>

ITC (International Trade Centre)

<http://www.intracen.org>

World Bank on Trade

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0,,menuPK:176760~pagePK:149018~piPK:149093~theSitePK:239071,00.html>

IMF and WTO

<http://www.imf.org/external/np/exr/facts/imfwt0.htm>

Alternative websites about Trade

Fair Trade Federation

<http://www.fairtradefederation.com/>

Oxfam and Fair Trade

http://www.oxfaminternational.org/eng/programs_camp_mtf.htm

Make Trade Fair

<http://www.maketradefair.com>

Third World Network (TWN) Africa

<http://www.twnafrica.org/>

New Internationalist – WTO: The Facts

<http://www.newint.org/issue334/facts.htm>

Free Trade

<http://www.newint.org/issue374/contents.htm>

Make Poverty History – Trade Justice

<http://www.makepovertyhistory.com/aim1.html>

Glossaries of trade-related terms

The Language of Trade

<http://usinfo.state.gov/products/pubs/trade/glossac.htm>

An Informal Guide to ‘WTO Speak’

http://www.wto.org/english/thewto_e/minist_e/min99_e/english/about_e/23glos_e.htm

Make Trade Fair Glossary

<http://www.maketradefair.com/en/index.php?file=08042002112446.htm&cat=3&subcat=7&select=1>

Acknowledgements

This plain language guide to Tanzania's National Trade Policy (NTP) and Small and Medium Enterprise Development Policy (SMEDP) was produced for the purpose of raising awareness and understanding of and encouraging broad participation in planning, implementing, and evaluating these two policies.

This booklet is the result of the work of a variety of individuals and institutions. These acknowledgements recognize the work of all such individuals and institutions, but specific mention is made of those directly involved in producing this popular version of the NTP and SMEDP.

Special thanks go to Hakikazi Catalyst who prepared this popular version; to the National Kiswahili Council (BAKITA) for the translation into Kiswahili; and to Nathan Mpangala for his stimulating cartoons. Lastly, special thanks go to Oxfam Ireland for funding the production of this booklet.

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Colour Print (T) Ltd

"The rules and regulations that govern relationships between countries and constitute the multilateral trade regime should also provide an enabling framework that encourages and promotes greater balance in the world economy, taking into account the great imbalances in production and trade capacities between developed and developing countries.

Countries with stronger capacities can better afford to operate on a free trade basis, as their production units are more efficient and able to compete globally than are countries with weaker capacities. The latter should be given greater flexibility so that their domestic units of production can remain viable; indeed, these units should receive capacity-building support through both domestic state assistance and international cooperation so that they can participate in global trade and compete on better terms.

Differential treatment of countries with different capacities is, therefore, essential if there is to be fairness in the operations and outcome of the trading system."

- The Multilateral Trading System: A Development Perspective, Third World Network (December 2001), UNDP - www.undp.org/poverty/docs/multitradesystem.pdf

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