CTI NEWS FLASH

The Voice of Industry

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CTI URGES THE INCOMING GOVERNMENT TO REFORM THE INDUSTRIAL SECTOR

The CTI Chairman, Dr. Samuel Nyantahe listening to one of the journalists' questions during the press conference held at the CTI's Council Room on the October 16, 2015. He spoke about, among other things, the manufacturers' expectations of the incoming government as far as the industrial sector is concerned.

THE Confederation of Tanzania Industries (CTI) has urged whichever party that will win the general election to undertake the industrial Sector Reforms with a view to creating a conducive business environment and economic opportunities for Tanzanians.

Speaking to the journalists at a press Conference held at the CTI's Council Room recently, the CTI Chairman Dr. Samuel Nyantahe said that the Confederation has closely been following the on-going political debate and wished it would have included more specific measures that will further the development of the industrial sector, particularly manufacturing.

"As an Association responsible for advocating for polices that promote industrial growth, CTI wishes to commend those who have come forward in support of positive industrial policies and is comforted by the fact that there is talk of the importance of industrial development as a means to achieve rapid sustainable development and economic growth" Dr. Nyantahe said.

"As an Association responsible for advocating for polices that promote industrial growth, CTI wishes to commend those who have come forward in support of positive industrial policies and is comforted by the fact that there is talk of the importance of industrial development as a means to achieve rapid sustainable development and economic growth" Dr. Nyantahe said.

Unfortunately, he added, the investment climate for the private sector led sustainable industrial development, which will generate revenue for the government and create employment opportunities, is not yet attractive enough compared to other investment destinations.

He pointed out that Tanzania needs to reduce production costs if it is to compete in the global market economy, particularly in the following areas:

i. Transparent and effective tax system

Currently, most of the government revenue comes from a small formal sector, which in CTI views is being overtaxed and cannot generate adequate revenue needed for the transformation of the economy. Weak and inefficient tax administration at both the Central and Local Governments results into less government revenue to finance recurrent and development activities. Unproductive tax exemptions adversely affect the government efforts to collect more revenues. Unnecessary government expenditure does have a negative impact on economic development.

The next government should overcome these challenges and should:

- **Institute a stable and reliable fiscal regime;**
- **Simplify procedures to start up a business to enable many more informal businesses to become formal;**
- **Expand the tax base and ease pressure on the small formal sector;**
- **Enhance use of electronic transactions by the public institutions to improve tax administration and increase collection of more government revenue;**
- **Discourage unproductive tax exemptions; and**
- **Refrain from unnecessary expenditures.**

These measures will result into improved government revenue to finance recurrent and development expenditure.

ii. Service minded public sector

The country's public sector is not service minded. It is bureaucratic with no sense of urgency. As such, it acts as a deterrent to genuine efforts aimed at enhancing business competitiveness. All too often, the private sector is viewed with suspicion by the public sector, which leads to multiple regulations and unnecessary controls by the different regulatory authorities.

- **The next government should reform the public sector with a view to delivering needed services swiftly and timely. In addition, it should eliminate duplication of procedures by rationalising the roles and mandates of the different regulatory authorities. Examples abound where one product/raw material is tested by two different institutions, each one requiring a fee and consuming time, thus resulting into unnecessary increase in production costs. Instead, one of the institutions could conduct the test and share the results with the others.**

iii. Efficient infrastructure

The prevailing infrastructure in Tanzania does not support rapid and sustainable growth of the industrial sector. Poor infrastructure, particularly the railway system and inefficient clearing and forwarding of consignments at our ports render the cost of transportation of goods – both finished and raw materials, very high. It takes thrice the time to clear goods at the port of Dar es Salaam compared to the neighbouring ports of Mombasa in Kenya and Beira in Mozambique. The cost of wharf age is significantly less at Mombasa and Beira ports compared to our Dar es Salaam port.

Though there have been a lot of efforts to improve the road network, many of the newly built roads are of low quality lasting only for few years. The road infrastructure has to a large extent remained poor while the country carries the burden arising from construction costs.

The reliability and quality of electricity supply from the main grid is unsatisfactory, resulting into a high cost of production due to lengthy down time.

Availability of water, which is a crucial input for industrial transformation, is a continuous problem. Most business enterprises and industrial set ups are forced to take the expensive option of constructing their own bore wells, which adds to the cost of doing business.

The next government should address the infrastructural challenges that hold back the performance of the private sector and the industrial sector, in particular, to stimulate economic development, by focusing on:

- **Upgrading of the railway network by constructing the Standard Gauge Rail on the Central line and facilitating provision of adequate number of locomotives and wagons so that more goods can be transported and faster;**
- **Further improving the existing road network to make it more efficient and connect all the districts in the country;**
- **Ensuring availability of reliable electricity and water supply;**
- **Speeding up clearing of goods from the ports by instituting measures that will improve the efficiency of the responsible institutions such as TRA and TPA; and**
- **Doing away with unnecessary procedures and red tape imposed by the regulatory bodies – the likes of TRA, TFDA, TBS, Chief Chemist, etc. Arbitrary uplifting of consignment values is an example of the issues that cause clearance delays and increased costs in terms of undue tax liability and demurrage charges.**

iv. Reduced cost of capital and qualified / skilled manpower

The private sector in the country is faced with the problem of unfavourable terms of capital borrowing. The cost of capital, in the form of interest rates is very high. The cost of capital, scarcity of skilled manpower, adversely affects productivity.

The next government should:

- **Institute appropriate measures that would result into affordable/competitive interest rates on capital borrowing; and**
- **Put in place an action plan that will ensure delivery of qualified and skilled manpower to the labour market.**

v. Level playing field in the local market

Local industries in Tanzania suffer from the distortion of the local market as the result of smuggling and importation of sub-standard goods. Smuggling of goods through the porous and long borders of Tanzania makes the prices of the smuggled goods unrealistically very low as they do not pay taxes. As the result, locally produced goods are unable to compete.

Under declaration of the volumes of imported goods and under valuation of the values of imported goods also render the cost of imported goods very low compared to local goods. This is another reason for poor performance of the domestic industries in the local market.

Sub-standard and counterfeit goods also affect the growth of the manufacturing sector in Tanzania as they can be sold at unrealistically low prices that out compete the local products.

- **The next government should address these challenges through tight management of tax and customs procedures as well as enhanced policing against smuggling and dumping.**

vi. Government support for private sector

Experience shows that deliberate initiatives by governments have contributed towards rapid and sustainable industrialisation in many countries. Preferences in public procurement from local companies and requirement for local contents on foreign investments have helped businesses to grow.

- **The next government should amend the Public Procurement Act so that the government sources most of its procurements from local companies. The government should legislate local content for all businesses.**

vii. Regional Integration

The EAC, SADC and other bilateral trade arrangements open a huge market potential for Tanzania companies. Currently, the performance of the Tanzania companies in the regional and bilateral trade has not been good. Our country exports less and imports more from the member states.

Application of Non-Tariff Barriers affects smooth flow of trade in the member states. Limited and inefficient infrastructure–roads network, railway system and, ports plus unreliable electricity supply adversely affect the competitiveness of our industries / businesses in the regional and bilateral trade preferences.

The next government should ensure that Tanzania becomes an export powerhouse in the preferential trade. Specifically the government must:

- **Reduce local NTBs such as numerous weigh bridges and police controls; and**
- **Closely monitor the EAC Development Strategy and other regional programmes that will help businesses in Tanzania to increase their exports to the regional market.**

viii. Benefitting from new natural resource discoveries.

The gas reserves discovered in Tanzania presents an opportunity for developing the local companies and to invest in our future. The world market might not be as attractive as a few years ago but the reserves should still generate substantial revenue.

It is important for the next government to have legislation on local content, which encourages involvement of local companies in the sector so that the sector is not entirely dominated by foreigners. Specifically, the new government needs to:

- **Encourage local companies to be part of the value chain;**
- **Ensure that the revenue generated will be invested for current and future development; and**
- **Establish a special fund that will be utilised in developing the basic structures for growth such as infrastructural development and education as it has been done in Norway.**

INDUSTRIAL STATISTICS ESSENTIAL FOR SECTORAL GROWTH

The availability of correct industrial data is vital for economic gowth as well as the industrilisation process.

THE East Africa Community (EAC) has been advised to establish a regional working group on industrial statistics to ensure that identified gaps in industrial statistics are addressed expeditiously.

The establishement of reginal working group in industrial statistics will enable the members states to easily track and monitor the performance of the industrial sector in the region.

The advice was given recently by experts from the Ministries responsible for Industries, National Bureaus of Statistics and the Manufacturer's Associations from the five EAC Partner States at the Training Workshops held at Speke Resort Hotel in Kampala from 21st September - 2nd October, 2015

The experts told the participants of the training that each participating team from Partner States and the EAC Secretariat needs to produce analysis on Competitive Industrial Performance (CIP) so as to speed up industrial development in the region.

The analysis on CIP and the envisaged workshop on industrial capabilities and export diversification, backward/forward linkages as essential components for smooth performance of the sector, will help to further industrial development in the EAC.

On the other hand, the workshop participants advised the EAC Partner States and the EAC Secretariat to appoint a focal point for coordinating the analysis of national and regional competitiveness dimensions, suggesting that representatives from the Ministry responsible for industry, should coordinate CIP in each Partner State.

The training was organized by the EAC Secretariat in collaboration with GIZ and UNIDO to, among other things, train the participants about Industrial Data analysis and Enhancement of the Quality of Industrial Policies.

The objective of the training was to enable the participants to measure the Competitive Industrial Performance (CIP) in their respective countries and establish a link between data and industrial analysis.

UN'S NEW SDGs IDENTIFY AFRICA INTEGRATION, BUSINESS AND TRADE AS DEVELOPMENT PANACEA

The UN Secretary General Ban Ki-moon

The United Nations in conjunction with the government of the United Republic of Tanzania recently launched 17 Sustainable Development Goals (SDGs) which identify Africa integration, business and trade as panacea to the continent's growth and development.

The SDGs represent a global call of action to end poverty, protect the planet and ensure all human beings enjoy peace and prosperity as a new Global Partnership for Development. They call for global engagement between governments, the private sector, civil society, the United Nations system and other actors to mobilize available resources.

The new goals replace Millennium Development Goals (MDGs) whose target ranged from halving extreme poverty rates to halting the spread of HIV/AIDS and provision of universal primary education by the end of this year.

The UN Representative to Tanzania Alvaro Rodriguez says, Tanzanians played a major role in forming the new 17 MDGs which contain 169 targets to be implemented between the 1st January 2016 and 31st December 2030.

Specific issues emerging from the 17 SDGs: No.8 targets to achieve among other things, full employment for all, protect labour rights and tackle the Neet (people not in education, employment or training) crisis, to be achieved by 2020.

It also includes the memorable phrase "decouple economic growth from environmental degradation", which could become the slogan for sustainable business.

On the other hand, Goal No.9 focuses on *"sustainable industrialisation",* stressing on the need to significantly raise "industry's share of employment and gross domestic product, and double its share in least developed countries". This goal was proposed by the private sector stance as an argument against public ownership.

Moreover, **Goal No.1's** focus is to end poverty in all its forms and underlines the fact that it should be given special attention by businesses as it directly relates to equity and business will need to address that.

Specifically to trade:

Goal No.17 widely supports global business and free trade, and calls for meaningful trade liberalisation under the World Trade Organisation (WTO), while emphasising on recognising international trade as the engine for inclusive economic growth in the implementation of SDGs.

Trade is identified respectively in Goal Nos. 1, 2, 5, 7, 8, 9, 10, and 17 as an engine for economic growth necessary to: reduce poverty; access, availability, and stability of food security; economic empowerment of women; driver of technological innovation and production of renewable energy sources; industrialise, reduce inequality between countries, and implement sustainable development.

Other Goals on sector specific issues:

Goal No.2 encourages contracting parties to "double the agricultural productivity and incomes of small-scale food producers. It also includes importance to secure and equal access to land availability".

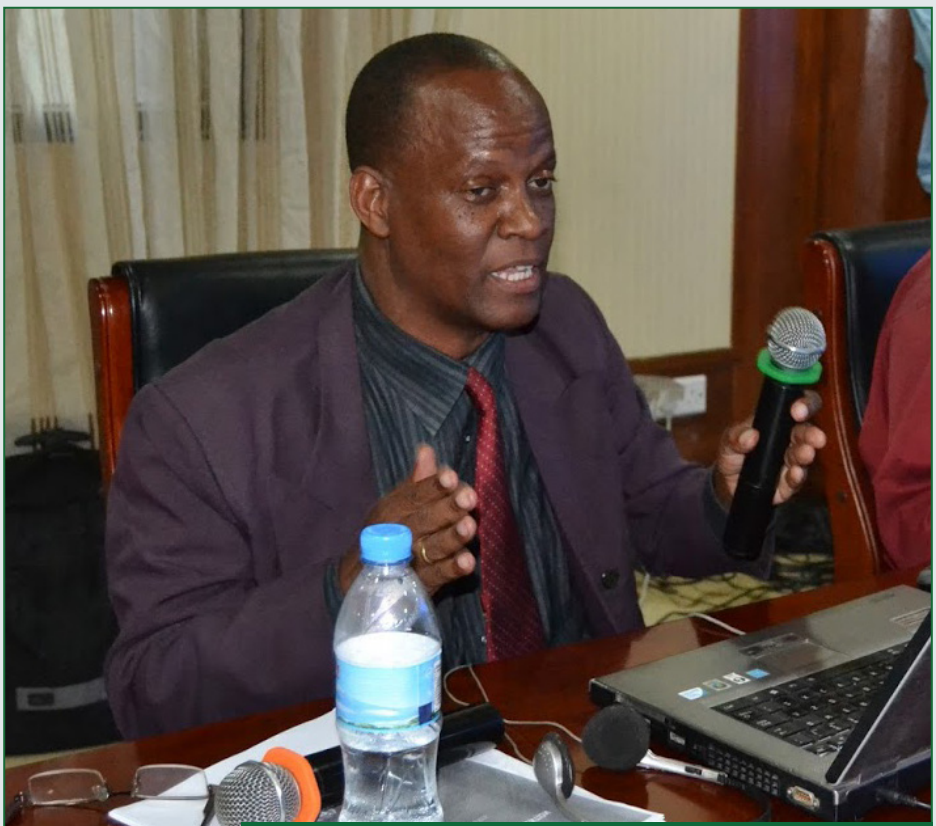
Goal No. 6 emphases contracting parties to ensure access to water and sanitation for all.

Goal No. 12 includes halving per capita global food waste at the retail level and reducing food losses along production and supply chains.

Goal No. 14 targets the fishing industry by encouraging them to conserve oceans, seas and marine resources. Other sector issues such as health, education and energy are emphasised in Goal Nos. 3, 4 and 7 respectively.

The SDGs present vast opportunities for economic growth and poverty reduction through its ambitious 17 goals with 169 targets. However, their sheer number and non-legally binding nature of the commitments by nations may impact negatively on their full implementation.

MERCURY IMPORTERS, USERS, TO FACE RESTRICTION MEASURES



Assistant Director, Vice-President's Office, Division of Environment, Mr Issaria Mangalili.

Importers and users of Mercury and Mercury containing-items will soon face strict control measures as the government nears completion of ratification process of the Minamata Convention. The government of the United Republic of Tanzania signed the convention on 10th October, 2013.

The Minamata Convention on Mercury is a global Treaty to protect human health and the environment from the adverse effects of Mercury. It, among other things, bans on new mercury mines, the phases-out of existing ones, controls measures on air emission and the international regulation on the informal sector for artisanal and small-scale Gold mining.

During the national stakeholders' workshop for implementation and ratification of Minamata Convention held at Peacock Hotel recently, Issaria Mangalili from the Vice President's Office, Division of Environment said that ratification process is on track and that the Convention shall enter into force on the Ninetieth day after date of deposit of the fiftieth instrument of ratification, acceptance and approval.

According to article 3 of the convention on Mercury supply source and Trade, it prohibits parties from allowing primary Mercury mining that was not being conducted within its territory at the date of entry into force of the convention.

From article 3 of the convention, opening of new primary Mercury mining will be prohibited while the existing ones shall be allowed to operate for a period of up to 15 years. Exportation of Mercury shall only be done under a Prior Informed Consent (PIC) arrangement with importing party guided by the convention.

Mangalili said that article 4 of the convention (On Mercury added Products) prohibits parties from manufacturing, importing and exporting Mercury added products lies in part 1 of Annex A taking into account the phase out scheme.

Annex A lists down all Mercury added products whose manufacture, import or export shall not be allowed (phase-out date) after 2020.

"As per article 5 of the convention, parties are obliged to prohibit the use of Mercury or Mercury compounds in manufacturing process listed in part 1 of Annex B after the phase-out date, except where an exemption has been entered" Mangalili added.

Article 7 of the convention (on Artisanal and Small-Scale Mining) requires parties with artisanal and small scale – gold mining to reduce or eliminate the use of Mercury and Mercury compounds; reduce emissions and releases to the environment of Mercury from such mining and processing.

In case a part to the Convention is determined that artisanal ad small scale gold mining is more than insignificant, it may inform the secretariat and prepare a national action plan.

The action plan shall include among other things strategies to prevent the exposure of vulnerable populations particularly children and women of child-bearing age, especially pregnant women to mercury use in artisanal and small-scale gold mining.

HOW AFRICAN EXPORT-IMPORT BANK CAN BOOST TANZANIA'S EXPORTS

The African Export-Import Bank (Afreximbank) Headquarters in the Egyptians' Capital, Cairo.

The Tanzania manufacturers have been urged to utilize the African Export- Import Bank (Afreximbank)'s services to improve their businesses.

Afreximbank is a multilateral financial institution established by African Governments as well as African and non-African private and institutional investors with a mandate to promote and facilitate African trade.

In her keynote speech to the participants of the awareness seminar on services provided by the Bank, the BoT Deputy Governor Mr. Lilla Mkilla urged local businesses to take full advantage of the services rendered by this Bank to improve their businesses and expand exports.

He said that, the bank has a number of good and attractive programmes that could help Tanzania boost exports, as it provides trade and trade-related project financing facilities, advisory services to clients in the bank's member countries with a view to, among other things, fighting poverty and unemployment in Africa.

The mission of the bank is to stimulate a consistent expansion, diversification and development of African trade while operating as a first class, profit-oriented, socially responsible financial institution and a centre of excellence in African trade matters.

Established in October 1993 as a Pan-African Financial Institution with the purpose of accelerating the growth of Trade in Africa and Tanzania being one of the member countries, Afreximbank's effort has also been to prepare African banks and financial institutions to meet the trade finance needs.

Mr. Mkilla said that although Tanzania was among the countries that contributed to the establishment of this bank, its people have not benefited from the opportunities offered by the bank.

The mandate of the Bank is to finance and promote Intra and Extra African Trade using three broad services such as Credit (Trade and Project Financing); Risk Bearing (Guarantees and Credit Insurance) and Trade Information and Advisory Services.

One of the Services offered by the bank is the Export Development Scheme which targets to create export and improve export competitiveness through:-

- Export Development Programme (EDP)
- Project Related Financing Programme
- Supplier and Buyer Cedits Programme
- Guarantee Programme Related to Obtaining Large Contracts
- Asset Based Lending Programme
- Cabon Financing Programme
- Trade Information Programme

The bank also provides Structured Trade Finance schemes to cover both exports and imports. The scheme comprised of the programmes and facilities designed to address both market and product diversification problems that Africa faces.

In a nut shell, the Structured Trade Finance schemes are intended to remove bottlenecks to the trading of products already produced or which near to being produced and enable them to enter into the market.

On the other hand, the bank also provides support to Small and Medium scale Enterprises through its Syndication and Specialised Finance programme.

The bank views factoring as an important tool for expanding and facilitating Africans' trade, particularly extension of support to this sector. This allows African businesses to trade more competitively through the use of Open Account and other modes of importation other than Letters of Credit.

The seminar took place at the Bank of Tanzania (BoT) conference hall and was attended by representatives from corporate, import and export agencies, trade and project finance developers, and government agencies.

As an international organisation registered by the United Nations (in accordance to with Article 102 of the UN Charter), the bank benefits from a supranational status, and as of to date, it has 37 participating member states.

With headquarter in the Egyptian Capital, Cairo, the bank started operating on September 30, 1994 and has branch offices in Harare, Zimbabwe, and Abuja, Nigeria.

Members wishing to get more details about the bank and its services may visit its website:

www.afreximbank.com

BUSINESS OPPORTUNITIES

1. BIOFACH 2016

The BIOFACH 2016 will take place from 10th to 13th February, 2016 in Nuremberg, Germany. BIOFACH 2016 is one of the World's Leading Trade Fairs for Organic Food.

For more information and application, please visit their Website **www.biofach.de/application**

2. THE 15TH TEXTILE ASIA INTERNATIONAL TRADE FAIR 2016

The 15th Textile Asia International Trade Fair 2016, will take place **from 9th to 11th March 2016** at **Karachi Expo Centre in Pakistan.**

The fair is the South Asia's Biggest International B2B Textile Spinning, Knitting, Weaving, Dyeing, Finishing, Lab Equipment, Garment, Embroidery, Digital Printing, Leather, Shoes & Sportswear Machinery, Parts, Accessories, Graphic Systems, Power, Chemical & Dyes Industry Show.

It brings together yarn, fabric, trims and clothing manufacturers, retailers and designers by providing a pure business platform with a wide range of high creativity fabrics with an excellent price and quality relationship.

It is being organized with the concept of attracting high profile manufacturers, exporters and importers Austria, China, Czech Republic, France, Germany, India, Italy, Korea, Taiwan, Turkey, UK, and USA.

CTI members may contact the Vice President (Project Director – Textile Asia), Mr. Uzair Nizam on his cell: **+92-331-2376515, email: info@textileasia.com.pk.**

INDIA: Rules of Origin of the Duty Free Tariff Preferential (DFTP) scheme simplified

The Government of India has recently simplified its Rules of Origin of the Duty Free Tariff Preferential (DFTP) scheme applicable to Tanzania and other Countries.

The changes, which are in three main categories, include:-

i. Change in the origin criteria to Change in Tariff Sub Head (CTSH) + 30% value addition instead of the earlier criteria of change in Tariff Head (CTH)+30% value addition;

ii. Allowing the option for calculation of value addition based on ex-works price of the goods also instead of FOB value only in the earlier scheme; and

iii. Allowing the certificate of Origin (COO) in A4 size paper of white colour in the prescribed format, instead of the earlier requirement of blue coloured COO under DFTP scheme.

The DFTP scheme is available to Least Developed Countries (LDCs) including Tanzania. Under the scheme, 96% of the items exported from Tanzania to India are exempted from duty by India:

For further clarification, Please send your email to: **dhc@hcindiatz.org** or **hoc.desalaam@mea.go.in.** You can also call: **+255-22-266-9047** or use the link:

- http://commerce.gov.in/trade/international_tpp_DFTP.pdf

- http://www.cbec.gov.in/htdocs-cbec/customs/cs-act/notifications/notfns-2014/cs-tarr2014/cs-08-2014

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