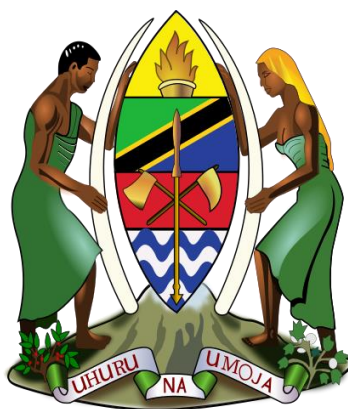


TANZANIA NATIONAL AGOA STRATEGY

Ministry of Industry, Trade and
Investment



USAID EAST AFRICA TRADE AND INVESTMENT HUB

NATIONAL AGOA STRATEGY FOR THE UNITED REPUBLIC OF TANZANIA

Dar es Salaam, May 10, 2016

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The authors' views expressed in this report do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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ACRONYMS AND ABBREVIATIONS

AEEA	AGOA Extension and Enhancement Act
AGOA	African Growth and Opportunity Act
BEST	Program for Business Environment Strengthening for Tanzania
BOT	Bank of Tanzania
BRELA	Business Registration and Licensing Agency
BRN	Big Results Now
CAMARTEC	Centre for Agricultural Mechanization and Rural Technology
CIDTF	Cashew Nut Industry Development Fund
CTI	Confederation of Tanzania Industry
EATIH	East African Trade and Investment Hub
EAC	East African Community
ECOWAS	Economic Community of West African States
EPZ	Export Processing Zone
EPZA	The Export Processing Zones Authority
EU	European Union
FDI	Foreign Direct Investment
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
GMP	Good Manufacturing Practices
HODECT	Horticultural Development Council of Tanzania
ICT	Information Communication Technology
IIDS	Integrated Industrial Development Strategy
ITC	International Trade Centre
LDCs	Less Developed Countries
MALF	Ministry of Agriculture, Livestock and Fisheries
MEM	Ministry of Energy and Minerals
MFAIC	Ministry of Foreign Affairs, East Africa, International and Regional Cooperation
MFPCI	Morogoro Food Processing Cluster Initiative
MFN	Most Favored Nation
MITI	Ministry of Industry, Trade and Investment
MKURABITA	Property and Business Formalization Program
MNRT	Ministry of Natural Resources and Tourism
MoF	Ministry of Finance
MoWTC	Ministry of Works, Transport and Communication
MSME	Micro, Small and Medium Enterprise
MT	Metric Ton
MTIM	Ministry of Industry, Trade and Marketing, Zanzibar

MTS	Multilateral Trade System
MWI	Ministry of Water and Irrigation
NDV	National Development Vision
PHS	Plant Health Services
PO-PSM	President's Office – Public Service Management
PO-RALG	President's Office – Regional and Local Government
PPP	Public-Private Partnership
PSCP	Private Sector Competitiveness Project
PSO	Private Sector Organization
RAC	Rungwe Avocado Company
RAS	Regional Administrative Secretariat
RCN	Raw Cashew Nuts
REA	Rural Energy Agency
R & D	Research and Development
RSA	Republic of South Africa
RTAs	Regional Trade Arrangements
SADC	Southern Africa Development Community
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SEZ	Special Economic Zone
SIDO	Small Industrial Development Organization
SIDP	Sustainable Industrial Development Policy
SITA	Supporting Indian Trade and Investment for Africa
SME	Small and Medium Enterprise
SOE	State Owned Enterprise
SPS	Sanitary and Phytosanitary Standards
SSA	Sub-Saharan Africa/Sub-Saharan African
SUA	Sokoine University of Agriculture
TAHA	Tanzania Horticultural Association
TANESCO	Tanzania Electric Supply Company
TanTrade	Tanzania Trade Development Authority
TBS	Tanzania Bureau of Standards
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TEMDO	Tanzania Engineering and Manufacturing Design Organization
TFDA	Tanzania Food and Drugs Authority
TIC	Tanzania Investment Centre
TIRDO	Tanzania Industrial Research and Development Organization
TNBC	Tanzania National Business Council
TPA	Tanzania Port Authority
TPSF	Tanzania Private Sector Foundation
Tsh	Tanzanian shillings
TWG	Technical Working Group
t/y	Tons Per Year

U.S./USA:	United States/ United States of America
US\$	United States Dollars
TRA	Tanzania Revenue Authority
VETA	Vocational Education and Training Authority
WTO	World Trade Organization
ZNCCIA	Zanzibar National Chamber of Commerce, Industry and Agriculture
ZSTC	Zanzibar State Trading Corporation

FOREWORD

Tanzania is one of the sub-Saharan African (SSA) countries that has benefited from the enactment of the African Growth and Opportunity Act (AGOA) in 2000 and stands to benefit even more from the AGOA Extension and Enhancement Act of 2015. For Tanzania, these benefits include export to the U.S. of garments with a total value of US\$25 million in 2015 from two firms, Mazava in Morogoro and Tooku in Dar es Salaam, with a total employment of 4,000. The performance of these two firms is a powerful indicator of the benefits that Tanzania has foregone in the past but has to target in the future. These benefits provide the rationale for a Tanzanian AGOA Strategy.

Planning is choosing. This strategy seeks to enable Tanzanian products, for which we can use existing production capacities or build new ones, with a view to using our domestic resource base and the AGOA market access opportunity to achieve a national ambition of setting in motion a sustainable, resource-based industrialization process. This is the objective of the Integrated Industrial Development Strategy (IIDS) and the central theme under the implementation of the second national Five Year Development Plan 2016/17 to 2020/21.

This strategy has identified four sectors that can be developed rapidly for the purpose of increasing Tanzanian participation in AGOA market access opportunities. First, the garments and textiles sector where harvesting low-hanging fruits in the garments subsector can generate the resources for subsequent investment in the textiles segment of the value chain. Second, the agro-processing sector, which includes horticultural products, spices and edible nuts, was also a natural choice. Third and fourth, the leather goods and footwear, and handicrafts sectors, respectively. Both are important in view of their potential for inclusion of rural communities, women and the youth in mainstream economic activities and should be revived.

In addition to identifying the targeted sectors, this strategy also identifies issues and challenges as well as specific private sector needs in those areas and the kind of interventions required for effective implementation. There is only one goal—increasing Tanzanian exports to the U.S. under AGOA. I take this opportunity to assure my fellow Tanzanians of two things. First, the Ministry of Industry, Trade and Investment is committed to working closely with public and private sector stakeholders for the realization of the underlying goals and objectives of this strategy. Second, the strategy is aligned to the IIDS and will benefit from initiatives for its implementation.

On behalf of the Government of Tanzania I extend our sincere appreciation to the Government of the United States, USAID and the East African Trade and Investment Hub for supporting the formulation of this strategy. I call on all Tanzanians to respond with enthusiasm to this opportunity. Our success depends on you.

CHARLES J. P. MWIJAGE, (MP)
MINISTER FOR INDUSTRY, TRADE AND INVESTMENT

EXECUTIVE SUMMARY

Tanzania's National AGOA Strategy seeks to put in place a framework for enabling institutional and individual stakeholders in trade-related public and private sectors to identify and fulfill their roles so that Tanzania can take full advantage of AGOA's preferential market access. The ten-year extension from 2015 to 2025 became effective in June 2015 when the U.S. president signed the AGOA Extension and Enhancement Act (AEEA, 2015) into law. AEEA also extended, for the same ten-year period, the so-called third-country fabric provision, which allows textiles-eligible African countries, of which Tanzania is one, to use fabrics from anywhere in the world in garments destined for the U.S. under AGOA.

During consultations between the EAC ministers of trade, industry, finance and investment and the U.S. trade representatives held on February 15, 2015, in Washington D.C., each East African Community (EAC) Partner State agreed to develop its own national AGOA strategy. The objective of the strategies is to guide the region in developing specific sectors and products for export to the U.S. market so as to increase trade under the AGOA preference. Tanzania completed its first draft strategy in August 2015. The draft triggered a request by the Ministry of Industry, Trade and Investment (MITI) to the East African Trade and Investment Hub (EATIH) for additional support to facilitate an extensive process of stakeholder buy-in. The consultant engaged for this purpose has led a team of five MITI officials in consultations with public and private sector stakeholders at the national and sub-national level in four regions—Morogoro, Arusha, Mbeya and Mtwara—as well as the Zanzibar side of the Union. The result is a revised strategy document with five sections.

Section One provides an introduction to the Tanzanian context, including the political economy, a background on AGOA and the AGOA extension. Further, it includes an overview of the sub-Saharan African (SSA) region, the impact of AGOA and the structure of the strategy document.

Section Two provides the rationale for a Tanzanian AGOA Strategy, linking the same with the second cycle of the 15-year Long Term Perspective Plan (LTPP 2016/17 to 2020/21) and its industrialization theme, embedded in the Integrated Industrial Development Strategy (IIDS).

Section Three presents the strategic vision and mission to enhance Tanzania's capacity to use AGOA market opportunities.

Section Four presents the actual strategy, premised on the four sectors considered of high potential for the development of exporting capacity targeting the U.S. market under AGOA. These are: garments and textiles; handicrafts; leather and leather goods; and agro-processing.

Section Five concludes with recommendations for an implementation and coordination framework and a log frame.

Garments and Textiles Sector

For the garments and textiles sector, the strategy looks at Tanzania's relative performance over the recent past with a peak export of garments worth US\$25 million in 2015, which confirms potential. AEEA preferences and cheaper labor are prompting firms operating in China to consider relocating in eastern Africa, with preference for Ethiopia, Kenya and Tanzania. China's holdings in the garments and textile industry are valued at US\$60 billion.

Key factors for attracting foreign direct investment (FDI) and stimulating domestic investments in the sector include access to land for the development of export processing zones (EPZs) and rental space for operators inside and outside EPZs at competitive tariffs, access to natural gas at regulated prices to provide cheaper power, and skills development. The strategy argues for stimulating initial investments in the garments subsector and backward integration into mixed cotton-synthetic fabrics and investment in design capacity over time.

Handicrafts Sector—Home Decor and Fashion Accessories

Tanzania is producing a wide range of original handicraft products not found elsewhere. Products include basketry, mats, ceramics, beads, pottery, hand woven textiles and woven products, toys, jewelry, bags, ornaments, leather products, paintings, drawings, batiks and wood carvings and mask-craft, among others. These items are produced in almost all districts in Tanzania and are a major source of employment for vulnerable groups including women and youth.

Within the EAC, notable exporters of handicrafts are Kenya and Rwanda, with Kenya featuring re-exports from Tanzania. Concerns include lack of skills and competencies, informal production systems and limitations in product design, standards and grading. Solutions include investment promotion and development of industrial parks, cluster development and incubator schemes, and promotion of business associations.

Leather Goods and Footwear Sector

Tanzania holds the second-largest herd of cattle in Africa. Export data for 2014 published in the National Strategy for the Leather Sector demonstrates that Tanzania is the 14th-largest exporter of hides and skins in Africa overall and the 12th largest in SSA. Total hides and skins exports for 2014 were worth US\$21 million. Despite the abundance of this raw input, Tanzanian exports of value-added leather goods and footwear to the EAC region were a mere US\$200,000.00 for each group compared to Rwandan exports of US\$5.2 million, equivalent to 8.2% of regional trade. Lack of skills and technology undermine Tanzania's great potential in this sector. Required measures include attraction of FDI and promotion of domestic investment.

Agro-processing Sector

The strategy identifies three specific priority groups of products: horticulture, spices and edible nuts. Prevailing challenges include limitations in primary production capacity for compliance with standards and quality along the value chain, meeting product volumes, and delivery schedules. Market linkages are in place and working for fruits, vegetables and floriculture, but need strengthening. Cluster initiatives are key to addressing challenges in spices production and contract farming to raise productivity in cashew nuts. There are problems with Tanzanian practices for the registration and certification of inputs, in particular of fertilizers and pesticides, which are costly and take up to three years prior to approval, by which time some inputs may have become obsolete.

The capacity for testing, inspection and certification for sanitary and phytosanitary standards (SPS) as well as technical standards and the logistics for inputs and outputs are a source of concern. Productivity is the main impediment for cashew nuts and spices and contract farming is the ideal instrument available. Stakeholders chose to focus on ginger as the starting point, as the U.S. is the largest consumer of cashew nuts.

Cross-cutting Issues

The strategy reviewed the state of the business environment relevant to each sector and developed specific, fast-track recommendations that respond to sector needs. Cumbersome business registration and licensing procedures and the multiplicity of taxes, fees and other charges are common impediments across all four sectors. The absence of an effective institutional framework and institutional capacities for coordinating and driving the trade development agenda remains a critical constraint. Best practice instruments available in Tanzania are the Export Development and Cluster Competitiveness Councils. As a short-term intervention, we recommend the establishment of an inter-institutional technical working group (TWG) supported by a secretariat that will be located inside MITI. A time-bound decision-making process calls for MITI management to approve the strategy within one week of submission of the final version of the strategy and the TWG to kick-start implementation by developing a program and identifying requisite resources.

Ministry of Industry, Trade and Investment

Dar es Salaam, May 10, 2016

SECTION ONE: INTRODUCTION

1.1 The Political Economy of Tanzania

The administrative governance structure of the United Republic of Tanzania is comprised of a two-government system: the Union Government and the Revolutionary Government of Zanzibar. This structure was put in place through the establishment of the Union in 1964. Tanzania's administrative structure places under the mandate of the Union Government a substantial range of union affairs, which includes foreign affairs, defense and international trade. The Union Government for the mainland and the Revolutionary Government for Zanzibar handle a wider range of domestic issues.

Any national strategy in Tanzania, such as the sector-specific AGOA National Strategy, should incorporate Zanzibar. Consultations with Zanzibar were undertaken to collect inputs for such a component in the AGOA strategy. Targeted AGOA sectors were selected from AGOA's list of 7,000 eligible products, based on existing production capacities that can be built on quickly and the historical performance of most sub-Saharan African (SSA) countries under AGOA. Both sides of the union share commonalities in both criteria, with potential in three of Tanzania's target sectors: garments and apparel, handicrafts, and agro-processing. In the fourth sector, leather goods and footwear, there is a lack of leather tanning capacity in Zanzibar. However, this shortcoming does not preclude Zanzibar from building proficiency in this sector.

As such, policies, strategies and programs relating to international trade handled by the Union Government, normally take into consideration the interests of Zanzibar. In the case of the AGOA national strategy, the consensus between the two governments is the adoption of a common strategy and the subsequent development of an implementation program with two components, one for each government, for three reasons.

The commonality of issues and objectives in three high-potential sectors (i.e., garments and textiles, handicrafts and agro-processing). Both sides of the union experience the same impediments and stakeholders list the same issues of concern. Even in the case of leather goods, Zanzibar has the potential to build proficiency on the basis of processed leather from the mainland in spite of the lack of production of hides and skins on the islands.

The use of synergies inherent to high-cost facilities existing on the mainland that would be difficult to replicate on the islands, such as accredited laboratories for the certification of specific products for compliance with AGOA market standards requirements.

Zanzibar shares the challenge of the lack of an effective coordination mechanism for implementation, also a major bottleneck to effective policy implementation in the Union Government.

1.2 Background on AGOA and the AGOA Extension and Enhancement Act

AGOA is a non-reciprocal and unilateral preference program that provides duty-free, quota-free access to the U.S. market for qualifying goods from eligible SSA countries. The countries are expected to meet specific eligibility requirements to qualify for AGOA. In addition to tariff preferences, the legislation also requires an

annual mandatory meeting between the U.S. and African governments to discuss trade and economic issues, known as the AGOA Forum.

The program is similar to the Generalized System of Preferences (GSP), a U.S program that applies to over 120 developing countries, including SSA countries. AGOA, however, builds on the GSP by providing preferential access to the U.S market for an additional 1,800 products, such as apparel and garments, and sets out additional eligibility criteria.

Congress passed the reauthorization of AGOA on June 25, 2015, with President Obama signing it into law on June 29, 2015, and it is now officially known as the AGOA Extension & Enhancement Act (AEEA) of 2015. Under AEEA, emphasis is placed on the ten-year extension of the non-reciprocal period of AGOA, which will provide sufficient time for new investors to feel confident in sourcing and investing in SSA manufacturers and producers. The Act includes

- Enhancements such as flexibility in the annual beneficiary review for eligibility (although the concept of out-of-cycle reviews was introduced).
- Rules of origin that allows for greater accumulation among AGOA beneficiaries and a ten-year extension of the third-country fabric provision, essential for nurturing the development of the textile and apparel industry in SSA.
- Promotion of greater regional integration by expanding the rules of origin to allow AGOA countries the flexibility to combine inputs to meet the rules of origin for AGOA eligible products.
- The adoption and implementation of WTO agreements, particularly the Trade Facilitation Agreement that seeks to enhance import/export and transit trade operations; increasing trade in services.

I.3 SSA Region Socio-Economic Overview and Impact of AGOA

The economic development literature on export-oriented growth is premised on the need to replace low domestic demand for goods and services with external demand from international markets. The successful transformation of the Asian tigers provides ample evidence of the importance of export trade as a source of growth for countries in the initial development stages. AGOA provides an opportunity to SSA countries similar to that historically given to Asian tiger economies such as South Korea and Taiwan during the 1960s and 1970s. However, in order to take advantage of this opportunity, SSA countries such as Tanzania must successfully adopt strategic measures to target high growth sectors for capacity development and invest in improved systems to adhere to SPS measures, technical standards and other regulatory requirements.

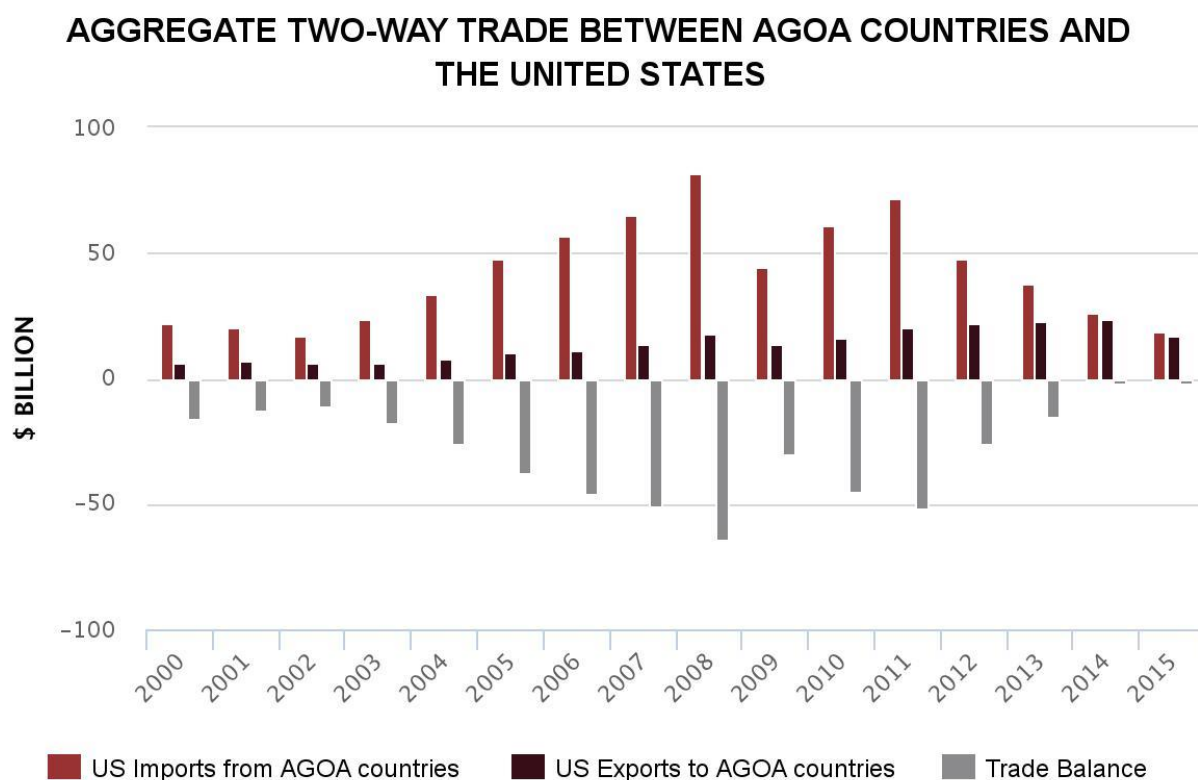
According to the Brookings Institute,¹ current statistics demonstrate that some SSA countries in response to AGOA have made progress. However, further work needs to be done for SSA to reach its potential to support SSA's socio-economic transformation. Specific data points include

- Growth rates in SSA hit 5.5% in 2014, an increase from 4.9% in 2013.
- Africa's share of global trade was 3.5% in 2013 with intra-African trade accounting for 12.8% of total African trade in 2012.
- Agriculture employs the majority of Africans (70% on average) but accounts for less than 1% of exports under AGOA, indicating dormant potential in agricultural exports.

AGOA has contributed substantially to the changing landscape in economic performance and stands to contribute even further, subject to Africa's increased use of inherent opportunities. The AGOA program has generated enormous good will towards the U.S. on the African continent. From 2001 to 2013, total exports under AGOA increased from US\$7.6 billion to US\$24.8 billion. However, they declined by over 50 percent in 2014 to US\$11.6 billion, mainly due to reduced petroleum exports to the U.S. The benefits of AGOA are mutual. Estimates indicate AGOA created 100,000 jobs in the USA, as well as 350,000 direct jobs and 1.3 million indirect jobs in sub-Saharan Africa.

¹ Africa Growth Initiative at Brookings; AGOA at 10: *Challenges and Prospects for U.S.-Africa Trade and Investment Relations*; Washington; Brookings Institution, 2010.

Figure 1.A. U.S. imports, exports and trade balance under AGOA, 2000–2015

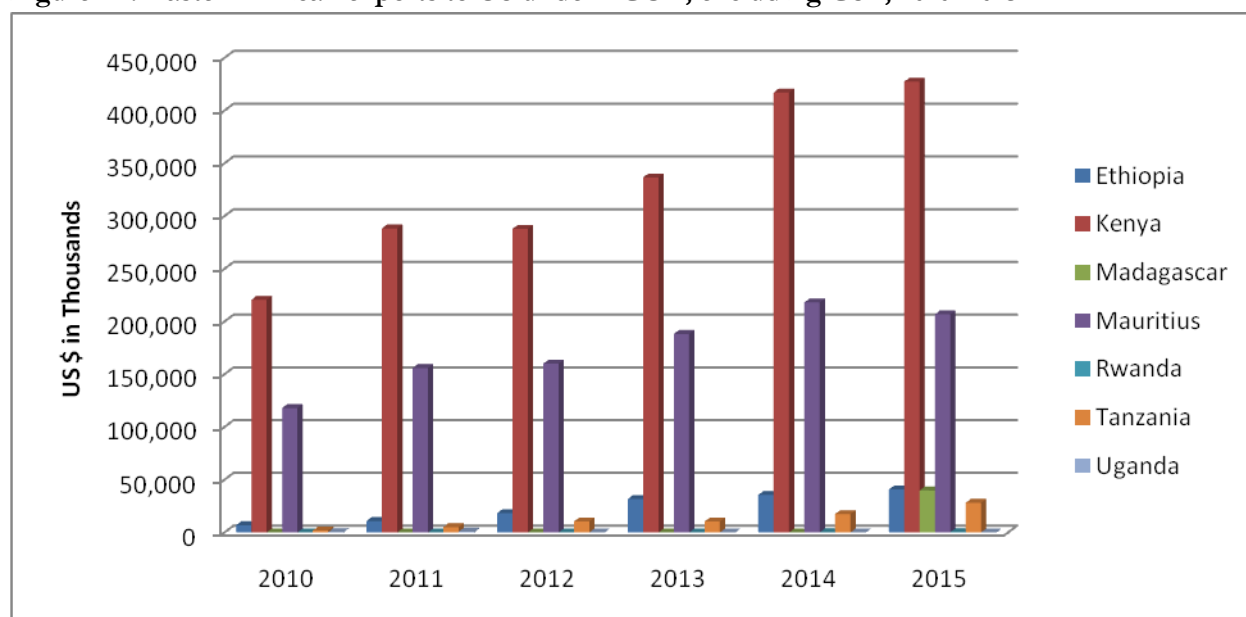


Source: USITC DataWeb/USDOC

Agricultural exports to the U.S. grew significantly after the introduction of AGOA, from \$59 million in 2001 to \$261 million in 2014. The main agricultural exports from SSA to the U.S. include cocoa paste and powder, edible nuts, wine, unmanufactured tobacco, fruits and vegetables. Despite this increase in agricultural goods, export trade remains small in absolute terms. However, growth in SSA agricultural exports to the U.S. as a share of non-oil exports to the U.S. under AGOA has declined from 6.2% in 2001 to 2.2% in 2014 (Kimberly, 2014)². Although AGOA combined with GSP covers a list of 7,000 products at the six-digit level of the HS code, a narrow range of products led by the garments and textiles sector have been identified as constituting the highest export potential for most SSA.

² Kimberly Ann Elliot; “AGOA’s Final Frontier: Removing US Farm Trade Barriers”; Center for Global Development, 2014; Quoted in Muzoora, Tanzania National Draft AGOA Strategy, 2015.

Figure 1B. Eastern African exports to US under AGOA, excluding GSP, 2010–2015



Sources: Data on this site have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

Table 1.A. Eastern African exports to U.S. under AGOA, excluding GSP, 2010–2015

Country	2010	2011	2012	2013	2014	2015	Percent Change 2014–2015
Ethiopia	6,882	10,879	18,301	31,714	35,675	40,780	14.30%
Kenya	220,646	288,331	287,836	336,601	417,136	427,437	2.50%
Madagascar	0	0	0	0	42	39,831	93723.20%
Mauritius	117,911	155,982	160,030	188,260	218,173	206,906	-5.20%
Rwanda	10	17	8	9	187	435	132.50%
Tanzania	1,850	5,131	10,446	10,360	17,486	28,166	61.10%
Uganda	345	787	64	56	59	144	143.30%
Total	32,238,811	40,501,162	25,844,926	18,852,733	8,333,885	6,148,912	-26.20%

Sources: Data on this site have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

Figures 1.A and 1.B above support the assertion that AGOA market opportunities have been underutilized and impact has not been up to expectations. Figure 1.A presents the total U.S. imports, exports and trade balance under AGOA for the period 2000–2015. The figures reveal a rising trend from approximately US\$25 billion, stabilizing slightly above US\$50 billion between 2006 and 2011, before a stead decline to approximately US\$25 billion in 2015. Figure 1B presents the AGOA exports for eastern African countries. Kenya and Mauritius are leading exporters with total exports of US\$427 million and 206 million, respectively. Ethiopia and Tanzania hold third and fourth positions, respectively, with exports of US\$40 million and 28 million, respectively. The need for new approaches, such as country-level strategies, is key to ensuring better performance under AEEA.

I.4 Approach and Methodology

The origin of this report is an agreement between the EAC ministers of trade and U.S. trade representatives during a meeting held in Washington in February 15, 2015, to undertake regional and national AGOA strategies so that partner states can fully utilize AGOA market access opportunities. A draft National AGOA Strategy for Tanzania was submitted to MITI in August 2015. Upon joint review by MITI and EATIH, the Ministry requested support to review the draft strategy and undertake a process of stakeholders' consultations and buy-in.

In response to this request, EATIH's stakeholder engagement consultant, working with a team of five officials from MITI, held a series of consultations with public and private sector institutions at the national level, including MITI, the Ministry of Finance and Planning, the Ministry of Agriculture, Livestock and Fisheries, the Ministry of Health and Social Welfare, and the Planning Commission. Private sector institutions consulted included the Tanzania Private Sector Foundation (TPSF), the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), and the Confederation of Tanzania Industry (CTI). At the sub-national level, the team conducted interviews in four districts, i.e., Arusha, Morogoro, Mbeya and Mtwara, which included regional and district trade officers, Small Industries Development Organization (SIDO) representatives, and the University of Sokoine (SUA). From the private sector, the team called on private sector national-level and sectorial associations and dedicated clusters in the food-processing subsector.

The methodology included conducting focus group discussions and the administration of questionnaires. The result was consensus on four target sectors. The group synthesized issues of concern from the discussions, constraints embedded in each issue and good practice instruments available for addressing the constraints. The results, combined with information drawn from the August 2015 report, constituted the package of information presented in this revised strategy. The team established a technical working group (TWG) that met twice to review the list of issues identified by stakeholders and the emerging draft strategy, producing useful comments and inputs for the draft that was presented to the national validation workshop on April 14, 2016. The validation workshop brought together participants from 70 public and private sector institutions. Stakeholder discussions and comments were informed by three documents—the list of issues raised during the fieldwork, a report on the proceedings of the field interviews and the revised draft strategy. The team incorporated the validation workshop feedback, MITI comments and suggestions for improvement received from EATIH into a draft document to come up with this revised Tanzania National AGOA Strategy.

I.5 Structure of the Strategy Document

Section One presents background information on the AGOA Act, 2000, and the AGOA Extension and Enhancement Act (AEEA), 2015, and its impact on sub-Saharan African countries quest for growth and development driven by export opportunities.

Section Two provides the rationale for an AGOA strategy for Tanzania, as a tool with measures to enable full utilization of the opportunities arising from AEEA. The section looks at the causes underlying Tanzania's poor performance in exporting under AGOA and the need for change under ongoing economic transformation initiatives as the rationale for an AGOA strategy for Tanzania.

Section Three builds on the rationale to come up with a vision and mission that reflects the role and mandate of trade policy implementation and its potential contribution to the realization of the poverty-reduction goal of the National Development Vision (NDV 2025).

Section Four delivers the actual strategy, starting with the identification of four sectors considered of high potential for the development of actual exporting capacity targeting the U.S. market under AGOA. The section undertakes a rapid analysis of the current situation for each of the four sectors based on production capacity in place and exporting performance founded on country time series and regional comparative analysis. Comparative performance is limited to the leading performers among EAC partner states and, in some cases, to the global supply industry for the particular set of products targeted under each sector. The section identifies issues of concern to stakeholders and challenges that have to be addressed if Tanzania is to perform better and fully utilize the opportunities that are accessible under AEEA, 2015. It concludes the analytical work with sectorial objectives, targets to ensure achievement of the objectives and instruments for this purpose embedded in specific interventions and actions.

Finally, Section Five provides recommendations for an effective institutional framework for coordinated trade strategy implementation. The section draws upon lessons from international experience such as the export development council model and the trade support network concept pioneered by the International Trade Centre (ITC). A third possibility is the cluster development council model flowing out of Michael Porter's work on synergies between firm-level and national competitive advantages in a global arena.

The strategy includes an Appendix presenting the log frame as the framework for strategy implementation and monitoring and evaluation.

SECTION TWO: CONTEXT AND RATIONALE FOR A TANZANIA NATIONAL AGOA STRATEGY

2.1 Background to the IIDS

Tanzania established a robust industrial structure based on the implementation of two strategies during the pre-1986 era of the planned economy: import substitution industrialization prior to 1972 and the basic needs industrialization strategy launched in 1972. Under the second strategy the nation established a substantial industrial structure with more than 90 enterprises in six sectors: agro-processing, metal and engineering, paper and paper products, leather and leather goods, automobile industry and chemicals and fertilizers. In the corresponding trade sector, the nation had established a total of 30 public sector trading institutions. The result was an industry and trade sector with nearly 130 industrial sector enterprises by the time that the government adopted the policy of divestiture of state owned enterprises (SOEs) as part of the policy measures to build a market-driven economy. By the year 2000, most of these enterprises had changed hands into private sector ownership.

In 1996 the government adopted the Sustainable Industrial Development Policy (SIDP) and in 2003 the National Trade Policy (NTP), both aligned to the implementation of the National Development Vision 2025. SIDP was a three-phase industrialization strategy that provided the framework for the divestiture of industrial sector SOE's and their restructuring during the first phase ending 2000. The 2nd phase provided for the expansion of existing capacities and the establishment of new capacities in agro-processing and light manufacturing during the period 2000 to 2010.³ The third phase, under implementation between 2010 and 2025, seeks to promote investment in the intermediate inputs and capital goods industries, led by the iron and steel industry, based on the Mchuchuma coal and iron ore resources. At the same time, the NTP (2003) sought to build an export-led economy through agricultural transformation and the revived industrial sector under SIDP.

The result of these initiatives was the revival of an industrial sector that focused primarily on the domestic market. Investments in the fisheries industry and the extractive sectors led to an upturn in exports based on resource-based industrialization during the period 2000–2010. A detailed review of the success of phases I and II of the implementation of SIDP resulted in the development of the Integrated Industrial Development Strategy in 2012/2013 (IIDS). At the same time, Tanzania adopted the 15-year LTPP 2011/12 to 2025/26, under implementation in three cycles of 5-year medium-term plans. The first cycle (2011/12 to 2015/16) focused on agricultural transformation and the modernization of infrastructure (i.e., enabling services as well as the social services sectors). The second cycle (2016/17 to 2020/21) focuses on the implementation of a resource-based industrialization strategy under the aegis of the IIDS.

³ Ministry of Industry and Trade; Sustainable Industrial Development Policy; Government Press; Dar es Salaam; 1996.

The IIDS prioritizes investment in six sectors as the driver of a trade development regime targeting the integration of the domestic market and building proficiency for the export sector: fertilizers and chemicals, textiles, agro-processing, leather & leather products, light machinery and iron and steel.⁴

2.2 Tanzania's Performance in Regional and International Trade

- a) **International trade.** Tanzania's trade with the rest of the world has been rising, signifying a commitment to and recognition of the role of trade in economic growth and development. Total exports (FOB) as a percent of GDP increased since the late 1990 from averages of about 6% to slightly above 10% at the end of the 2000s. Imports (FOB), on the other hand, have increased as a percentage of GDP from around 13% at the end of the 1990s to reach almost 30%, implying a widening balance of payments deficit. The economy is import-intensive and transforming it into an export-led one is a formidable task for policymakers.⁵

In terms of trends in magnitude, exports grew more than eight-fold, reaching Tsh7,331 billion in 2011 from Tsh390 billion in 1998. The country has expanded its import basket, resulting in the widening of the trade balance gap from less than Tsh2,000 billion in 1998 to about Tsh9,886 billion in 2011. Statistics indicate that the current account deficit was 13.4% of GDP (excluding transfers) in 2008 compared to 16.3% a year earlier. The bilateral exchange rate between the Tanzanian shilling and the U.S. dollar depreciated from Tsh1,261.6 per U.S. dollar in December 2006 to Tsh1,280.30 per U.S. dollar by December 2008 and depreciated further to Tsh1,566.7 in December 2011.⁶

Tanzania derives economic and trade opportunities from a series of bilateral and multilateral trade arrangements. To a great extent, however, these opportunities have not translated into an actual increase in trade performance.

- b) **Performance in intra-regional trade flows.** Tanzania's share of the EAC's regional market stands at only 28% and at less than 5% of the SADC's market. At the international level, Tanzania's share of the global market is a mere 0.022%.

2.3 Rationale for a National AGOA Strategy

In many instances, the critical binding constraint that impedes Tanzania's potential for increasing international trade flows is the asymmetry between its level of development and access to technology, and the

⁴ Ministry of Industry and Trade; Integrated Industrial Development Programme; 2012, Dar es Salaam.

⁵ Ministry of Finance and Planning; Economic Survey; 2014, Dar es Salaam.

⁶ Ministry of Finance and Planning; Economic Survey; 2013 and 2014 Dar es Salaam.

global market requirements. AGOA seeks to reduce this disadvantage through unique preferential trade terms embedded in soft rules of origin and higher tariff exemptions.

AGOA and its extension under AEEA is a new window of opportunity for SSA countries to bridge the development gap between them and more advanced developing economies by raising their competitiveness in the U.S. market through higher margins based on tariff exemptions. This is a factor that is already stimulating firms seeking to relocate from the Chinese garments industry to SSA destinations in Ethiopia, Kenya and Tanzania.

Tanzania's economy is also largely dependent on the agricultural sector from the broad perspective of crop production, livestock, fisheries and forest-related activities. Agro-processing remains the driver of potential success in the implementation of the IIDS as a resource-based industrialization process. AEEA makes the realization of the IIDS goal that much more feasible. However, this will not be accomplished unless there are deliberate measures to support the entry of Tanzanian products from the resource-based industrial sector to international markets such as the U.S. AEEA provides the opportunity for attracting new investments in agriculture and industry that are key to addressing impediments and enabling the agro-processing industry to take off. AEEA also provides the demand pull that is key to building production capacities necessary for accessing the U.S. market and meeting the related challenges in skills development, raising productivity and building capacities to comply with international standards. These measures will require guidelines and national consensus on requisite action plans and programs that can only be put in place through a development framework such as the Tanzania National AGOA Strategy.

2.4 Findings and Recommendations from the Tanzania National AGOA Strategy Report and Stakeholder's Engagement Process

2.4.1 Findings from the Draft Strategy based on 2015 and 2016 consultations

The 2015 AGOA strategy framework document reported on problems that constrain Tanzania's performance under four broad categories.

1. A cumbersome business environment characterized by limited access to land and high transaction costs from regulatory requirements in licensing, compliance and enforcement of a multiplicity of taxes, fees, charges and levies.
2. Limitations in institutional capacity to drive economic transformation through policy analysis, review, implementation and coordination.
3. High cost of and limited reliability of access to utilities and transport services.
4. Limited private sector competencies for competitiveness.

MITI requested EATIH to fund a stakeholder engagement process to improve buy-in on the issues behind the constraints that impede Tanzania's effective performance in accessing AGOA market opportunities. A consultant recruited at the end of February, 2016, in collaboration with a team of five trade analysts from MITI, undertook an extensive series of stakeholder consultations in five regions in mainland Tanzania: Dar es Salaam, Arusha, Morogoro, Mbeya and Mtwara. The team also visited Zanzibar to consult on Zanzibar's component of the strategy.

In the public sector, the team called on officials from sector ministries responsible for agriculture and livestock, culture and arts, and agro-processing, and central ministries responsible for finance, the economy and national strategic planning. From the private sector side, representatives from umbrella organizations (TPSF, CTI, TCCIA and TAHA) were interviewed in focus group discussions, firstly to collect views on issues and constraints and secondly to validate overall findings from the fieldwork.

Outside Dar es Salaam, the field interviews saw members of the team interviewing government economic teams (trade officers, planning officers and agricultural officers at the regional and district levels in four regions). A much larger number of private sector stakeholders was consulted, including Mazava, Tooku and A to Z for the garments industry, the food processing and handicraft clusters in Dar es Salaam and potential incoming investors from Asia for the garments industry, through meetings convened by the Textile Development Unit at MITI. The team met a cross-section of similar public and private institutions in Zanzibar including the ZNCCIA, the Zanzibar State Trading Corporation and NGOs in horticulture.

2.4.2 Stakeholders' Issues and Concerns

The current volume incorporates consolidated views from the extensive stakeholder engagement, culminating in a validation workshop held on April 14 and 15, 2016. The process was designed to raise awareness and buy-in for the findings and recommendations of the draft National AGOA Strategy Report completed in August 2015. The structure of the engagement process was influenced by the two broad categories of problems identified in that report: 1) specific issues relating to four priority products with high potential performance on AGOA market entry, and 2) general issues relating to government service delivery in support of private sector competitiveness.

A review of the 2015 draft National AGOA Strategy Report, internal consultations with all functional departments within MITI, and two focus group meetings (for the public and private sector stakeholders) held in Dar es Salaam on March 4, 2016, came up with a set of seven fundamental causes of issues that discourage incoming FDI and potential domestic investments. These issues also fall into two broad categories: 1) product-specific issues and 2) cross-cutting issues.

Product-specific issues. The first set of fundamental causes to be addressed falls under each of the four selected high-potential and priority sectors: garments and apparel (textiles), horticultural products, handicrafts and leather and leather goods. The issues are aligned with a few specific products in each sector. These include highly specific aspects such as accessibility to production sites or premises and delivery of specialized skills that can be imparted through short-term programs to reduce overhead costs for investors. Other issues are the capacity for compliance with mandatory regulations in food hygiene and voluntary private sector standards, such as traceability, that are prerequisites for entry into distribution chains as well as product design and variation that respond to customer tastes, behavior and preferences.

Other developments taken into consideration in crafting the strategy include perceptions of ongoing shifts in global value chains and supply patterns, the consequent emerging opportunities for new producers and the potential for countries like Tanzania to attract relocating investors. Shifts are prompted by factors such as rising labor costs, changes in technology, pressures for shifting to cleaner production in methods and increased attractiveness of SSA countries for the relocation of industrial subsectors due to the AGOA Extension and Enhancement Act, 2015.

Cross-cutting issues. Three issues were identified in the cross-sector category, i.e., 1) the quality, reliability and cost-effectiveness of infrastructure-based socio-economic services, specifically power, water and transport as well as distribution and logistics, 2) the effectiveness of existing public-private mechanisms for the implementation of economic transformation programs and 3) private sector competencies. In the final analysis it was resolved to include the business environment improvement issues specific to each sector among the issues of concern to that sector to accommodate differences in sectorial regulatory regimes. However, the institutional framework for coordination is treated as a separate issue that warrants special attention.

SECTION THREE: VISION, MISSION AND OBJECTIVES

3.1 Vision

The essence of the National AGOA Strategy for Tanzania is the set of strategic objectives reflecting the national socio-economic goal embedded in Tanzania's National Development Vision 2025 (NDV 2025). The basic requirement is to contribute to the goal of poverty reduction inherent in the vision of creating and building a middle-income nation driven by a knowledge-based economy.

3.2 Mission

The mission for domestic and international trade in Tanzania's case is to trigger and sustain a process of industrialization as the engine of double-digit growth and the inclusive creation of wealth by surmounting the challenges of limited effective domestic demand through the use of regional and global preferential markets. Targets that must be met are increasing Tanzania's competitiveness within the EAC common market and its ability to establish a bigger presence in the U.S. market under AGOA. The USAID EA Trade and Investment Hub share both goals. These strategic objectives reflect the need to address specific challenges identified by stakeholders in consultative sessions.

3.3 Strategic Objectives

A total of eight objectives constituting the National AGOA Strategy have been identified, four of which target for export specific potential products drawn from a corresponding number of sectors.

1. Textiles and garments sector (garments).
2. Handicrafts sector (home decor & accessories).
3. Leather and leather goods sector (footwear & leather accessories).
4. Agro-processing sector (fruits, spices and edible nuts).

Four cross-cutting issues have been identified in the context of their alignment with and impact on the value chain of selected priority products.

5. Business environment (including trade policy coordination mechanism).
6. Access to finance.
7. Infrastructure services (i.e., transport, power, water and information, communication & technology (ICT)).
8. Skills and competencies of the private sector.

SECTION FOUR: STRATEGIES AND OBJECTIVES FOR HIGH-POTENTIAL AGOA EXPORT SECTORS

The formulation of Tanzania's National AGOA Strategy is based on the findings from current performance status over time and from a comparative perspective with the EAC founding partner states.

4.1 Performance Status and Emerging Trends

4.1.1 Tanzania's and EAC partner states' performance under AGOA (2000–2014)

A review of Tanzania's overall trade patterns with the U.S. over the past 15 years reveals a trend of slow growth with periodic stagnation. Recorded total exports (AGOA/GSP) stood at US\$36 million in 2000, declining to an average of US\$25 million per year for the period up to 2005 before rising to US\$35 million in 2006. By 2008 exports had risen to US\$54 million, rising to an all-time-high figure of US\$112 million in 2012. Total Tanzanian exports for 2013 and 2014 amounted to US\$70 million and US\$86 million, respectively.

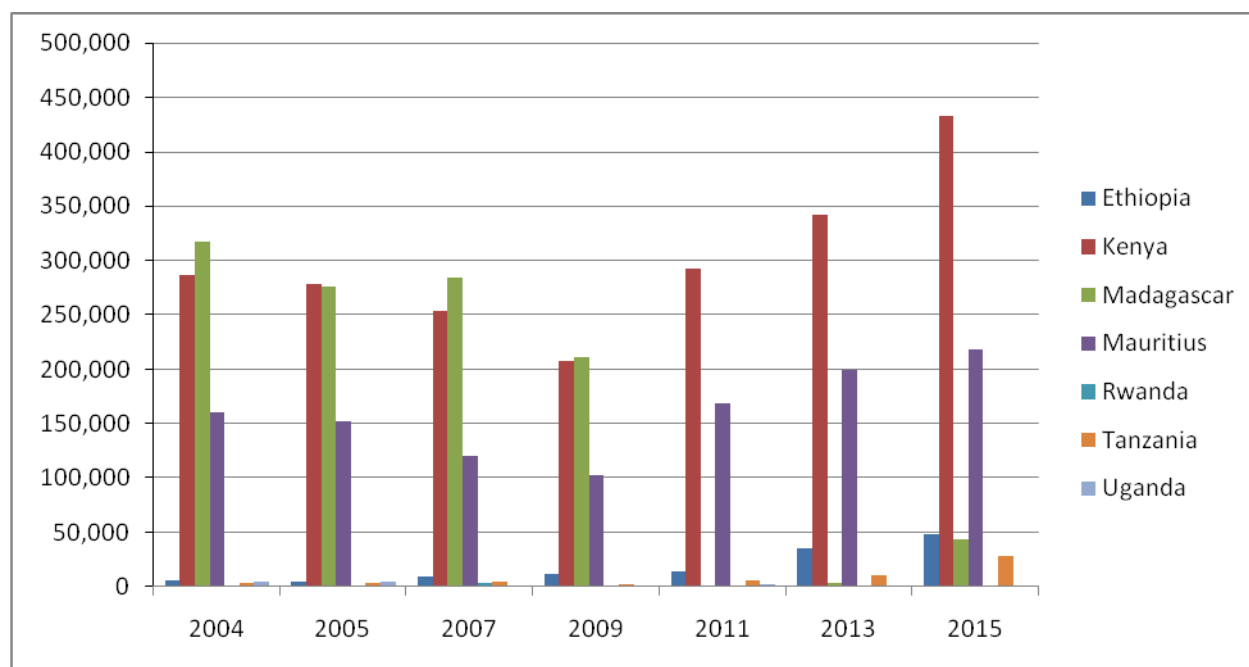
In 2014, Kenya was the leading performer with total trade flows (imports and exports) of US\$1,100 million with the U.S., of which US\$ 651million was exports and US\$451 million was imports. Kenya was the only EAC partner state that recorded a trade surplus. Tanzania came second with total trade flows of US\$491 million, with exports of US\$71 million and imports amounting to US\$420 million (USAID data).

Uganda's trade with the U.S. also reflected a deficit, with total trade flows of US\$ 125 million of which US\$47 million were exports and US\$78 million imports. Rwanda performed better, with a lower value of total trade flows standing at US\$50 million split evenly amongst imports and exports and with no deficit or surplus.

The figures for exports under AGOA reflect the same trend. Kenya dominates the EAC exports under AGOA followed by Madagascar for the period before 2009. In the period after 2009, Mauritius takes the second position in place of Madagascar. It is noteworthy that Rwandan exports surpassed those of Uganda while Tanzanian exports become significant only from 2013 to 2015.

The second noteworthy observation is that the high performance by Kenya and Madagascar (before 2009) and Kenya and Mauritius (post 2009) was driven by exports of garments and apparel. Kenya, Lesotho and Mauritius provide the bulk of apparel exports under AGOA. In 2014, Kenya exported US\$423 million worth of apparel to the U.S. under AGOA, Lesotho, \$289million, Mauritius \$227million and Swaziland \$77million. Apparel production, unlike textile production, typically requires low-skilled labor and minimal capital expenditures, allowing the producing countries to become globally competitive relatively quickly. The tariff for textile garments is 16% and that for synthetic garments 32%, making investment in these areas quite attractive for FDI. The lesson for Tanzania is to consider prioritizing investments in garments to create a large number of jobs as well as the capacity for gradual backward integration into textiles. Tanzania is already moving in that direction. Performance for 2015 was more encouraging with exports of garments alone rising to US\$25.0 million.

Figure 4.1. EAC AGOA exports versus AGOA exports from Ethiopia, Madagascar and Mauritius: 2004–2015 [In thousands of U.S. dollars]



Source: compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission and updated by the Tanzania EATH Office.

An interesting trend for the future of U.S./EAC partner states' trade flows was the constitution of export products in terms of their potential socio-economic impact through linkages with other sectors in the economy, employment and wealth creation for the local population. On the one hand, Kenyan exports constituted agricultural and agro-processing products, i.e., knit/woven apparel, spices, coffee, tea, edible fruits and nuts, and soya beans. Imports included aircraft, machinery, medical instruments, electrical goods and cereals. On the other hand, Tanzanian exports were gemstones, knit/woven apparel, vegetable saps, grains, seeds and fruits.

Other developments in the global garments industry increase the potential of Tanzania and other EAC countries in this area. A 2015 survey by McKinsey & Company of 40 chief purchasing officers in the U.S. revealed an emerging trend, starting in 2010 and continuing to date, of large U.S. importers changing their sourcing destinations in response to rising costs in China (which dominates the industry with annual exports of garments worth US\$60 billion).⁷ Preferences under AEEA raises the competitiveness of SSA-originating exports to the U.S. and makes the East African states of Ethiopia, Kenya and Tanzania the favorite destinations for migrating Asian manufacturers. Competing non-EAC destinations for migrating Chinese

⁷ McKinsey & Company; Sourcing in a Volatile World – The East Africa Opportunity; Apparel, Fashion & Luxury Group, April 2015.

firms include Vietnam, Myanmar and Cambodia. The actions recommended by this strategy for the growth of the garments and textiles sector build on these developments.

4.1.2 Pillars for the National AGOA Strategy for Tanzania

Tanzania's AGOA strategy is built on the pillars of the four high-potential sectors/products. A fifth pillar comprises cross-cutting issues that have to be prioritized as among the short-term initiatives for the improvement of the business environment that are particularly crucial in motivating the inflow of FDI and domestic investment responses. Specific cross-cutting issues include professional, technical and semi-skilled labor competencies, the multiplicity of licenses, fees and charges that impact on exports in particular operations at the ports, and access to power, water, city services and quality transport and logistic services.

	Spin	Weave	Knit	K-K-K	Bed linen	Blankets	Bed nets	Thread	Clothes	Made-up	Jobs
Dahong Textile	•										90
Musoma Textile Mills				.							82
Namera	•	•									835
Nida				•	•						98
21st Century Textiles	•	•		•	•						1,755
Afritex	•	•		•							918
Tanzania Tooku Garments									•		775
Mwanza Textiles	•	•		•	•						380
Urafiki (TZ-China Friendship)	•	•		•	•						894
Open Sanit										•	150
Sunflag Tanzania	•	•	•	•	•		•	•	•		2,316
A to Z Textile Mills			•				•		•		1,400
Blanket & Textile Manufacturers						•					100
Mazava Fabrics & Production									•		1,600
Karibu Textile Mills				•							700

Tabotex (Tabora Spinning Mill)	●											
Morogoro Canvas Mill	●											
Jambo Spinning Mill	●											
African Pride Textile Mills				●								
Kibotrade Textiles									●			

4.2 Garments and Textiles Sector

4.2.1 Garments and textiles industry background

The textiles industry has served as the entry point for industrialization of many OECD countries and newly industrializing economies. The latest cases of strong industrial development built on the textiles sector include China and India and, more recently, Bangladesh and Vietnam. The sector has the potential to attract substantial FDI to sectors that are more participatory for domestic investors and producers.

Current developments in the garments industry reveal that the East Asian countries have built a strong and powerful garments industry that has stimulated backward linkages into the textile industry. The huge Chinese garments and textiles sector is a dynamic US\$60.0 billion export industry that is responsive to developments such as changes in technology, rising labour costs and access to preferential markets from international trade agreements such as the AGOA Enhancement and Extension Act, 2015. A substantial number of firms have been migrating from China, Bangladesh and other leading countries to new sourcing destinations including eastern African countries. Countries under consideration include Ethiopia, Kenya and Tanzania.

Figure 4.2. List of garments and textile firms in Tanzania, products and jobs created

4.2.2 Garments and textiles industries and capacity

There are at least 14 firms operating in the textiles subsector in Tanzania that produced 119,458 square meters of textiles in 2014 and 126,236 square meters in 2015. The industry currently employs around 13,000 workers with the potential to create over 100,000 new jobs and annual exports worth US\$1 billion in the next 10 years (to 2025). The mills mainly produce cotton yarns, kanga, kitenge and kikoi fabrics, bed linen and other home textiles for local and regional markets. ⁸

Thirty percent of cotton output is processed locally into yarn and fabric rather than garments. Meanwhile, garments production accounts for the largest volume of African trade to the U.S. under AGOA (some 90%

⁸ The International Trade Centre; United Republic of Tanzania: Cotton-to-Clothing Strategy 2016-2020; ITC, Dar es Salaam/Geneva, 2016.

of non-oil exports) and is a key subsector in East Africa in terms of employment and growth potential. East Africa has become a focal point for African sourcing; a trend that is expected to continue as global sourcing patterns change. EAC exports under AGOA peaked at US\$356,248,000 in 2013 with Kenya contributing 96%, Tanzania 3%, Uganda 0.4%, Rwanda 0.2% and Burundi 0%.

4.2.3 Challenges for the garments and textiles industry

In the textiles and garments industry, Tanzania is now facing stiff competition from Ethiopia in providing an attractive investment destination for FDI migrating from Asia. Mauritius, the leader, has almost been saturated with textiles and garments industries, particularly garments, and investors there are looking for other areas in SSA in which to expand their activities. Many textile and garment factories in Tanzania have failed to upgrade, modernize and diversify their products because of a myriad of constraints ranging from high power costs and access to finance to a cumbersome business environment. Access to finance is a constraint because of high interest rates ranging between 18% and 24%, compared to 10% in competing destinations.

The AGOA strategy for the garments and textiles industry seeks to address five challenges emanating from issues raised by stakeholders.

1. Complex procedures for access to suitably located land, with developed sites and services, for EPZ infrastructure developers and severe limitations in availability of rental space due to the lack of industrial parks and buildings with ready space for rent in EPZ zones.
2. High costs of utilities and city services, in particular power, and lack of a natural gas tariff policy as an alternative to high-cost electricity, as well as suitable transport facilities. For instance Ethiopia is ready to offer access to power at US¢0.02 per Kwh, compared to much higher rates for Kenya and Tanzania.
3. Constrained access to professional and experienced designers and trainers for the garments industry, including limitations on work permits for expatriates by quota and timeframe compounded by high fees and charges for work permits and visas.
4. Absence of complimentary policies to support the entry of domestic investors into the garments and textiles industry as a tool for the promotion of technology transfer, the long-term sustainability of investments in the industry and stimulation of backward linkages into the textiles industry.
5. Preference of investors for textiles contrary to the more realistic approach of starting with investment in the production of garments from synthetic textiles to take advantage of higher preference margins in the U.S., i.e., 32% for synthetic garments as opposed to 16% for cotton garments. This is the most pragmatic tool for promoting FDI and domestic investment for the revival of the sector.

Challenges concerning access to land, buildings and cheap power deserve special attention. Tanzania has the potential to compete on power costs if policy guidelines for the pricing of natural gas supplied directly to industrial enterprises are put in place. Under the government's role in controlling the concentration of economic power in monopolistic industries

Access to land for development of dedicated EPZ facilities, including warehouses, by willing FDI is complex and discouraging in spite of an abundance of land for investment. The preference for using land as a tool for

joint venture instruments is totally inappropriate for industries that can move within weeks, such as the garments industry. Better tools are available in the form of complementary policies that support the access of domestic investors to technology and market linkages for investment in garment manufacturing through domestic cottage industries.

4.2.4 Specific needs for the garments and textiles industry

- Access to suitably located land with developed sites and services for EPZ infrastructure developers and industrial parks and buildings with ready space for rent in EPZ zones.
- The review and regulation of utility costs and city services, the availability of reliable power with natural gas as a cheaper alternative source and suitable transport facilities.
- Mechanisms and measures to support workforce training for the garments and textiles industry value chain, focusing on designers, trainers, supervisors and machine operators, in place and implemented.
- A program for market segmentation, selection and entry approaches, and modalities designed and implemented.
- A program for the implementation of medium-term interventions and long-term strategies for the development of backward linkages between the garments and textiles subsectors, prioritizing synthetics fibers and cotton-synthetic blends over 100% cotton, in place and implemented.
- Reforms for improvement of the business environment implemented on a fast-track basis.

4.2.5 Strategic objectives or targets and outcomes

In line with the Tanzania Development Vision (TDV) 2025 for Tanzania to become a middle-income and semi industrialized country, the garments and textiles industry plays a vital role in attracting local and foreign investors. Good examples of countries that have utilized this industry include China, India and Bangladesh whose industrialization processes were largely built on textiles. Likewise, in Africa, 90% of the total exports to AGOA (for non-oil products) are from the textiles and garments sector. In China, the garments and textiles industry constitutes US\$60 billion worth of exports for the country and generates a total of 43 million employees.⁹

The Chinese experience points to the potential importance of AGOA in supporting Tanzania's industrialization and employment creation goals. According to the 2012 census, 14% of the Tanzanian population is employed by the informal sector, with the formal sector accounting for only 2.3%. World Bank projections shows that employment will grow to 45 million people in jobs by 2030 Therefore, Tanzania needs to make an effort to attract domestic investment and FDI in the sector, especially for the products in high demand, most being apparel. This will speed up industrialization as well as employment creation. This strategy is designed to enhance the competitiveness of the garments and textiles sector by taking full advantage of the opportunities offered by AGOA.

⁹ McKinsey & Company; Ibid.

4.2.5 Objectives, outputs and intervention measures

The objectives, targets and intervention actions proposed to enhance the competitiveness of the garments and textiles sector by taking full advantage of the AGOA opportunities include investment promotion, skills and human capacity development, market entry mechanisms, expansion and modernization of production capacity, and measures for improvement of the business environment.

Objective 1.0: **Enhance the competitiveness of the garments and textiles sector by taking full advantage of the AGOA export opportunities.**

Output 1.1: ***Investment promotion campaign to attract a minimum number of EPZ developers in place and implemented by June 2017.***

Intervention 1.1.1: Design and implement a project for the development of plots, site and services for allocation to EPZ developers in designated EPZ/SEZ zones.

Intervention 1.1.2: Identify and convert underutilized public and private warehouses to EPZ/SEZ estates to support short-term promotion of EPZ/SEZ operators in the garment industry.

Intervention 1.1.3: Develop and implement an action plan for the identification and attraction of EPZ/SEZ developers and garments and textiles industry investors, particularly from Asia.

Intervention 1.1.4: Develop and implement a policy on access to and regulation of natural gas tariffs for industrial users as alternative source of low-cost electricity for EPZ operators.

Intervention 1.1.5: Develop and implement an incentive scheme to attract defunct U.S. textile manufacturers to relocate in Tanzania.

Output 1.2: ***Training programs for designers, trainers and supervisors for the garments and textiles industry in place and implemented by June 2018.***

Intervention 1.2.1: Develop and implement a twinning program between a Tanzanian technical college and an American fashion college with offshore campuses.

Intervention 1.2.2: Introduce a concessional package improving the quota, duration and fees for worker's permits for technical experts with design and training skills.

Intervention 1.2.3: Designate and build the capacity of selected VETA colleges and technical colleges as training centers for operational skills for the garments and textiles industry.

Output 1.3: ***Program for market segmentation, selection and entry approaches and modalities designed, in place and implemented by June 2017.***

Intervention 1.3.1: Develop and implement an action to attract U.S. buyers to Tanzania.

Intervention 1.3.2: Organize seller missions to the USA.

Output 1.4: *Program for expansion of manufacturing capacity in garments and investment in backward linkages to textiles for synthetics, mixed and/or cotton fibers and fabrics in place and implemented by June 2019.*

Intervention 1.4.1: Design and implement incentives packages for domestic investors in the textiles and garments subsectors to modernize and expand capacity.

Intervention 1.4.2: Provide tax and non-tax incentives to stimulate investment in technologies for synthetic fiber and fabric processing.

Intervention 1.4.3: Develop and implement an investment promotion campaign to attract polyester fibers manufacturers to Tanzania.

Output 1.5: *Reforms for improvement of the business environment for the garments and textiles sector implemented on a fast-track basis by June 2018.*

Intervention 1.5.1: Implement the private sector business environment reforms adopted by the 7th TNBC meeting, fast-tracking the one-stop business registration center.

Intervention 1.5.2: Operationalize the business licensing reform committee in order to streamline, harmonize, consolidate and modernize the regulatory licensing regime.

Intervention 1.5.3: Implement the sectorial simplification program and introduce risk-based inspection systems in key business processes and sectors.

4.3 Handicrafts Sector

The handicrafts industry in Tanzania is rich and diverse in terms of the products portfolio, volume, quality and variety and dispersion across the country. The production of handicrafts is a seasonal activity that engages a large number of women and youth in the rural sector during the agricultural post-harvest season. At present, the sector is largely dependent on the tourism industry as the source of demand and development. It is a largely fragmented and disaggregated industry with two broad categories of products: home decor and fashion accessories. The two categories are comprised of a wide range of niche products that can be developed for targeting the AGOA market.

4.3.1 Identification of handicrafts cluster for AGOA exports

Tanzania is producing a wide range of handicraft products of that are unusual from a global perspective. These products include basketry, mats, ceramics, beads, pottery, hand textiles and woven products. Others are toys, jewelry, bags, ornaments, leather products, paintings, drawings, batiks, woodcarvings and mask-craft, among others. These items are produced in almost all districts and regions in Tanzania using locally available raw materials, with limited product differentiation based on culture, history and traditions. Handicrafts production in Tanzania is culturally influenced by tradition and is predominantly a cottage industry. It is a major source of employment for rural youth of both gender and in particular for women, as a way of supplementing household incomes.

Within the EAC, notable exporters of handicrafts are Kenya and Rwanda. Some of those products are re-exports from Tanzania, indicating the lack of an organizational mechanism to facilitate direct access to the

U.S. market for Tanzanian entrepreneurs. AEEA provides a unique opportunity to develop channels for the direct export of select handicrafts products to the U.S. market. However, this is subject to addressing the challenges of a fragmented industry that is largely located in rural areas, that has no design capacity and whose marketing efforts have been limited to the village market. The answer lies in reorganizing existing producers, developing their capacity to meet design and other quality standards, aggregating their products to meet delivery volumes and schedules, and beginning the process of networking between Tanzanian sellers and U.S. buyers to build trading relationships.

4.3.2 Issues and challenges

Comprehensive identification of the issues and underlying challenges that have to be addressed has been undertaken through a process of engagement of stakeholders from the public and private handicrafts sectors. These issues and the corresponding good practice instruments available for resolving the underlying challenges have been clustered into five broad factors: competencies, the informal production system, the regulatory regime and product design, standards and grading.

Competencies. Competencies include requisite skills, level of integrity, capacity for compliance with delivery volumes and schedules, product design and consistency, and quality supervision. The challenge here is the informal status of the sector, its current dependence on obsolete technology and its lack of innovation and access to more modern production systems. Good practice interventions include

- **Adoption of cluster development initiatives,** access to business premises in industrial parks, skills development through the training of stakeholders in the handicrafts value chain and the use of incubator schemes and linkage policies between FDI and domestic investors.
- **Establishment of a private sector organization and use of cluster initiatives to organize buyer missions and seller mission.** There is a lack of information and knowledge about market conditions and requirements and market entry tools. The sector lacks the capacity and mechanism for organizing networking meetings between sellers and buyers, whether in Tanzania or the U.S., which is an integral part of a successful marketing package. The consequences include daunting challenges in market entry and limited access to international distribution channels.
- **Improvement of the regulatory framework.** The Tanzanian business environment is characterized by a multiplicity of licenses, high tariffs charges, taxes and fees for a wide range of export licenses, most put in place by central government and LGAs, largely for the purpose of generating revenue.
- **Establishment of an effective implementation coordination mechanism.** Tanzania does not have a robust mechanism for the coordination of trade-related policies at the sector level during implementation. Available instruments include the Cluster Development Initiative, the Trade Support Network and the Export Development Council. There is a need to accept the reality that the Tanzania National Business Council (TNBC) delivers little in terms of policy advocacy and would need considerable reorganization at the cluster level if it were to play a role in coordinating product development programs.
- **Addressing design capacity, quality standards, branding and market entry challenges.** This includes responding to product variation in line with consumer tastes and preferences, the use of copyrights to protect innovation and creativity, and the establishment of buyer-seller relationships to promote exports.

4.3.3 Specific needs for the handicrafts sector

The sector's transformation depends on taking action to address the foregoing challenges with the focus on five areas, as follows.

6. Reorganize and strengthen art and handicraft associations or establish such organizations where required, starting with the identification of individual producers and potential clusters.
7. Equip such associations to organize production capacities ranging from access to technology and working space to market entry.
8. Develop and implement a program for the introduction of cluster development initiative and incubator schemes to enhance the competitiveness of the handicrafts industry.
9. Resource and facilitate handicrafts producers by providing central or common working sheds with facilities for raw material storage, work in progress, and finished products storage, and access to basic infrastructure.
10. Designate and allocate land for industrial parks development by the private sector and obtain government investment in industrial parks or estates based on the SIDO model or EPZ model.

4.3.4 Handicrafts sector objectives, targets and intervention activities

The handicrafts sector has immense potential for realizing the goal of poverty reduction because of its large range of products that could be exported under AGOA, products that are largely produced by vulnerable groups in rural communities, especially women and the youth. This provides the motivation for a sectorial objective focusing on the development of the handicrafts sector by targeting AGOA market access opportunities and through corresponding targets and interventions to address the problem of increasing rural to urban migration due to lack of formal employment opportunities in the rural areas.

Objective No. 2.0: Enhance the capacity of the handicrafts sector to take full advantage of AGOA export opportunities.

Output 2.1: *Handicrafts private sector organizations (PSOs) registered as a tool for stakeholder mobilization and coordination of development interventions in collaboration with SIDO.*

Intervention 2.1.1: Reorganize and strengthen the art and handicrafts organizations and associations.

Intervention 2.1.2: Develop and implement a program for the introduction of cluster developments and incubator schemes to enhance the competitiveness of the handicrafts industry.

Intervention 2.1.3: Support handicraft producers with construction of industrial parks basic infrastructure and common working facilities.

Intervention 2.1.4: Provide training in product design, quality standards and packaging.

Output 2.2: *Program of skills development for design, quality assurance, property rights, market linkages and access to finance in place and implemented by June 2018.*

Intervention 2.2.1: Conduct a training needs assessment for the sector focusing on home decor and fashion accessories.

Intervention 2.2.2: Develop and implement a capacity development plan.

Intervention 2.2.3: Develop and implement a training scheme to enhance skills for product design and development, and protection of intellectual property rights.

Output 2.3: Program for attracting investment to the handicrafts sector developed and implemented by June 2017.

Intervention 2.3.1: Develop and designate areas and premises or industrial parks for the handicrafts sector.

Intervention 2.3.2: Establish a funding mechanism to facilitate access to finance for handicraft producers and exporters.

Intervention 2.3.3: Facilitate linkages between handicraft producers and financial institutions to support access to finance.

Output 2.4: Measures to reform the business environment for the competitiveness of the handicrafts sector implemented by June 2017.

Intervention 2.4.1: Implement the private-sector business environment reforms adopted by the 7th TNBC meeting, fast-tracking the one-stop business registration center.

Intervention 2.4.2: Operationalize the business licensing reform committee to streamline, harmonize, consolidate and modernize the regulatory licensing regime.

Output 2.5: Trade promotion campaign for utilization of AGOA market and other market access opportunities in place and implemented by October 2017.

Intervention 2.5.1: Organize annual district and national handicrafts exhibitions.

Intervention 2.5.2: Train and assist handicrafts producers in contract negotiations with exporters.

Intervention 2.5.3: Provide market information and trade brochures to handicraft producers.

Intervention 2.5.4: Link handicraft producers with exporters.

Intervention 2.5.5: Facilitate the participation of handicraft association members in international handicrafts trade fairs and exhibitions.

4.4 Leather and Leather Goods Sector

Tanzania had a robust leather and leather products industry during the 1980s and 1990s, prior to the divestiture of state owned enterprises in the sector during the mid-1990s. Export data for 2014 published in the National Strategy for the Leather Sector shows that the country is the 14th-largest exporter of hides and skins in Africa overall and the 12th largest in SSA, in spite of holding the second largest herd of cattle in Africa.

The AGOA strategy section on the leather sector is built on the foundation of the Integrated Industrial Development Strategy and the National Leather Sector Strategy providing for medium- and long-term measures for the revival and modernization of the industry. Consequently, the AGOA strategy takes a

narrow, product-specific approach based on the premise that there are two products for potential export to the U.S. in the sector, i.e., footwear and leather accessories.

4.4.1 Export performance trends over time

Tanzania exported hides and skins processed to wet-blue stage with a total value of US\$21 million in 2014. However, the export of articles of leather goods and footwear for the same year was quite insignificant at US\$200,000 for each of the two product groups.¹⁰ Performance in the export of wet-blue hides and skins and finished products falls far below the expected levels, given Tanzania's large off-take rates, exceeding 80% of the more than 3.5 million cattle slaughtered each year. The potential for much better performance is there but the challenges are many and daunting. This strategy focuses largely on the challenges relating to access to finished leather and the capacity for production of footwear and leather goods.

4.4.2 Comparative export performance trends in the leather sector

From a comparative perspective, intra-regional trade in leather products within the EAC common market was dominated by Rwanda with intra-regional exports of US\$5.2 million in 2014, equivalent to 8.2% of EAC market share, followed by Uganda with regional exports of US\$1.4 million and Kenya with 1.0 million. Ethiopian exports to the EAC Common market for 2014 had a value of US\$3.6 million, equivalent to 5.7% of market share. Other leading sources of imported leather goods in the region were China, with 55.3 % of market share, followed by India, with 9.4% market share. Rwanda had the third largest market share with 8.2 %.¹¹ In comparison, leather products exports to the U.S. under AGOA have been dominated by Ethiopia, with the EAC partner states' exports remaining insignificant.

4.4.3 Challenges in the leather sector

Stakeholders identified four issues of concern to the end-products segment of the value chain, i.e., footwear and leather goods. Although there are serious impediments relating to the production and handling of raw hides and skins and processing facilities to finished leather, these are being handled under the Leather Sector Strategy. The specific concerns of interest to the AGOA strategy are¹²

- The low operational status of leather-processing plants, in spite of the existence of large capacity in terms of the existing number of tanneries, big and small.
- Ineffective policy and regulatory framework for the leather value chain that compounds a problem of endemic smuggling.
- Inadequate skills and technology in the leather sector value chain (leather processing and leather goods manufacturing).

¹⁰ International Trade Centre (ITC), United Republic of Tanzania Leather Sector Development Strategy 2016-2020; International Trade Centre, pp15; Geneva, 2015.

¹¹ ITC; United Republic of Tanzania Leather Sector Development Strategy 2016-2020, pp1; ITC, Geneva, 2015

¹² ITC; United Republic of Tanzania Leather Sector Development Strategy 2016-2020, ITC, Geneva, 2015 and Stakeholder Consultations, March, 2016.

- Absence of initiatives on cluster development for the leather goods and footwear subsector. The quest to revive and modernize the sector will bring in new challenges related to market entry in AGOA such as the need to promote the inflow of FDI, promote domestic investment and organize buyer-seller missions for footwear and leather accessories.

4.4.4 Private sector needs

To mitigate against the challenges involved in tackling these constraints the private sector needs interventions in the following four areas.

- Access to quality processed leather from hides and skins, taking into consideration that high-quality leather goods are often made from skins.
- Improvement of the regulatory framework for the sector including recourse to incentive and appropriate policy measures and support rather than recourse to legal instruments and bans as the primary instruments for the revival of the sector.
- Development and implementation of a cluster initiative for the leather goods and footwear industry to bridge gaps in skills, access to inputs, product design and market linkages.
- Promotional and marketing campaigns for the sector including buyers' and sellers' missions.

4.4.5 Leather and leather goods sector objectives, targets and intervention action

Tanzania has the potential to raise the contribution of the livestock herd to GDP and income generation to levels comparable to other leading sectors such as tourism, subject to the modernization of the livestock industry and the commercialization of the hides and skins industry. This industry could even generate revenues comparable to those envisaged from the modernization of the beef industry through the SAGCOT and other smallholder feedlot schemes.

Objective No. 3.0 Enhance the competitiveness of the leather and leather goods sector to take full advantage of the AGOA export opportunities

Output 3.1: Production and access to high-quality hides and skins for the tanning and processing industry improved by June 2018.

Intervention 3.1.1: Modernize slaughterhouses and improve traditional slaughtering practices.

Intervention 3.1.2: Establish modern slaughterhouses.

Intervention 3.1.3: Improve the available leather-processing clusters.

Intervention 3.1.4: Establish new leather-processing cluster with all the necessary infrastructure.

Intervention 3.1.5: Modernize and upgrade the technology of firms operating in the leather sector.

Intervention 3.1.6: develop and implement a program for linkage with the Integrated Industrial Development Strategy (IIDS) chapter on leather and leather goods, the National Leather Strategy and SAGCOT.

Intervention 3.1.7: Provide access to reliable and cost-competitive enabling services including transport, power and water for the tanning industry.

Output 3.2: Measures to improve the business environment for the leather and

leather goods subsectors in place and implemented by June 2017.

Intervention 3.2.1: Reduce the number of days it takes to register and license firms.

Intervention 3.2.2: Streamline the leather sector regulatory regime.

Intervention 3.2.3: Harmonize and reduce taxes, levies, fees and charges for the leather and leather goods industry.

Output 3.3: Program for cluster development initiative for the footwear and leather goods and accessories industry in place and implemented by June 2017.

Intervention 3.3.1: Develop and implement an action plan to promote FDI and links between FDI and domestic investors for the leather and leather goods sector.

Intervention 3.3.2: Introduce tax and non-tax incentives for leather and leather products subsectors.

Intervention 3.3.3: Provide financial support to firms in the leather and leather products subsectors.

Output 3.4: Programs for skills development in leather and leather products subsectors in place and implemented by June 2017.

Intervention 3.4.1: Develop and implement skills and competencies acquisition program for the leather and leather goods (footwear and accessories) value chains.

Intervention 3.4.2: Provide technical assistance to the tanning subsector.

Intervention 3.4.3: Provide technical assistance to the footwear and leather goods subsectors.

Output 3.5: Programs for promotional campaign for leather and leather products in place and implemented by June 2017.

Intervention 3.5.1: Organize leather and leather products exhibitions.

Intervention 3.5.2: Enhance market linkages between collectors and processing industries.

Intervention 3.5.3: Support leather and leather products trade show participation.

Intervention 3.5.5: Organize regular buyer's and sellers' missions and networking opportunities.

4.5 Agro-Processing Sector

The agricultural sector has been included in the AGOA strategy through the concept of agro-processing to cover a more substantial number of potential subsectors including horticultural products, spices and medicinal herbs, essential oils and nuts.

4.5.1 Horticultural products subsector overview

Horticulture refers to intensively grown, perishable crops that require high-care management practices during production, harvest and post-harvest, and suitable transportation systems. Horticulture refers to crops that are considered non-traditional¹³ and includes fruits, such as avocados, mangoes, pears and plums, vegetables, such as green beans, baby carrots, broccoli, flowers, such as roses, chrysanthemum and ornamental plants, and spices like ginger, cloves and black pepper.

Tanzania's diverse climatic conditions allow for the cultivation of a wide range of horticultural products for the domestic, regional and international markets. Currently, some products are sold solely in the local market, despite their potential for export to regional and international markets. A typical example is the farming of apples in Njombe, where the semi-temperate climate and ample land offer opportunities for Tanzania to enter the apple export market.¹⁴ According to the Rungwe Avocado Company, Tanzania has the potential to supply the world avocado market for 9 months a year, based on production in different regions. ¹⁵

¹⁴ Exploring Untapped Investment Potential in Njombe; in Horticulture in Tanzania, Issue No 0001, November 2015 to June 2016.

¹⁵ Samwel Katsekera, Rungwe Avocado Company, Presentation to Validation Workshop for Tanzania National AGOA Strategy



Women selling fruits in the streets of Njombe Town (*"Horticulture in Tanzania" Magazine*, pg. 3, November 2015–June 2016, Issue 0001)

4.5.2 Spices subsector overview

Spice production is dominated by small-scale farmers in areas with a tropical and subtropical climate. Production is practically organic as there is generally no use of chemical fertilizers. There are a few

commercial farms which produce and market certified organic spices from their own farms and small-scale outgrowers. Table No. 4.2 below summarizes the types of spices grown, current location and potential areas for expansion. Stakeholders chose to focus on the production, processing and export of ginger.¹⁶

Table No. 4.2. High-potential areas for expansion of spice production

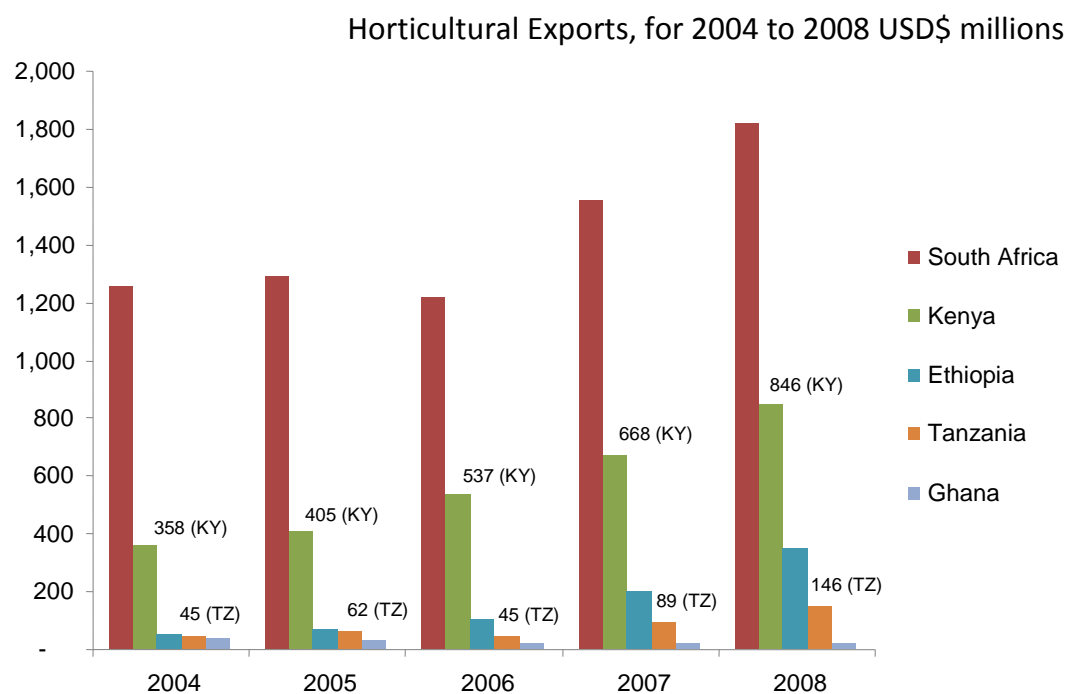
SPICE	CURRENT PRODUCING REGION	HIGH-POTENTIAL REGIONS
Cardamom	Tanga, Mbeya, Kilimanjaro, Morogoro, Zanzibar	Iringa, Kagera
Ginger	Coast, Tanga, Mbeya, Morogoro, Kilimanjaro, Kigoma	Kagera
Turmeric	Tanga, Kagera, Kilimanjaro, Morogoro, Zanzibar	Coast
Cinnamon	Tanga, Morogoro, Zanzibar.	Coast
Black Pepper	Tanga, Morogoro, Zanzibar	Mbeya, Coast, Dar es Salaam
Cloves	Zanzibar, Tanga, Morogoro.	Coast, Dar es Salaam.
Chillies	Arusha, Tanga, Coast, Zanzibar	Iringa, Morogoro
Vanilla	Kagera, Zanzibar	Mbeya, Morogoro, Coast
Paprika	Arusha, Iringa, Mbeya	Kilimanjaro
Garlic	Arusha, Singida, Mbeya, Morogoro	Iringa
Cumin	Arusha	
Nutmeg	Zanzibar, Arusha	
Onions	Iringa, Arusha, Morogoro	
Spring Onions	Coast, Morogoro, Arusha, Kilimanjaro	Iringa, Mbeya

Source: MOF, BET, SCT.¹⁷

¹⁶ International Trade Centre; United Republic of Tanzania – Spices Strategy

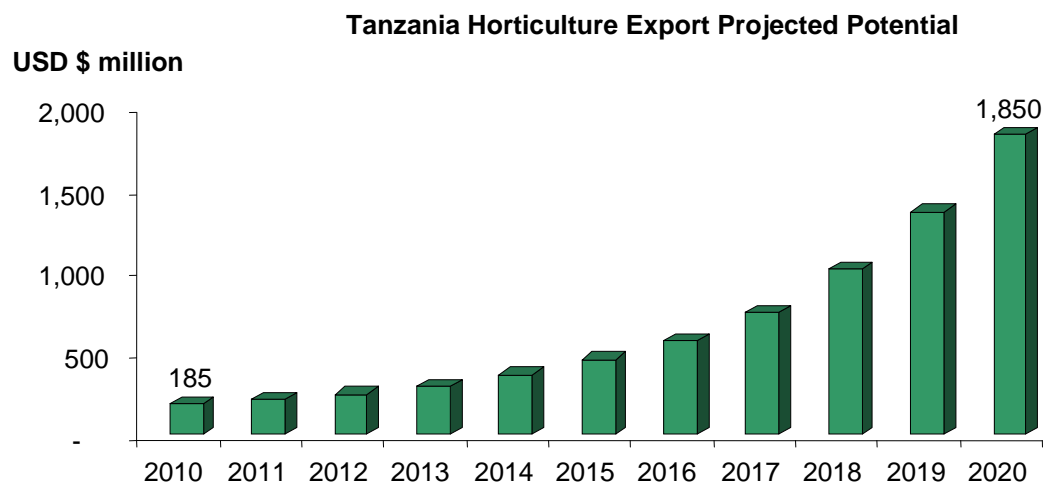
¹⁷ Ministry of Agriculture and Food Security / TAHA, Tanzania Horticulture Development Strategy, Draft, 2016.

Figure 4. Horticultural exports 2004–2008, in US\$ millions



Source: UN Comtrade data, CCP Analysis

Figure 5. Tanzanian horticulture export projected potential



Source: CCP projections. 2010 figure based on 2008 exports with modest annual growth assumption of 10% in 2009 and 2010

4.5.3 Edible nuts (cashew nuts) subsector overview

Cashew nuts production. Cashew nuts are one of the leading commodity exports after tobacco and coffee, accounting for an average of 15% of total agricultural exports. Cashew nuts are mainly produced in the southern regions of Mtwara, Lindi and Ruvuma as well as the Coast and Tanga regions to the north. In the 2009/2010 season, the Mtwara and Lindi regions produced more than 87% of the national output. Most production is concentrated in a few districts, i.e., Tandahimba, Newala, Masasi, Mtwara, Mkuranga and Nachingwea. There are also programs to extend production of cashews to other regions, i.e., Iringa, Dodoma, Morogoro, Mbeya and Singida.

Table No. 4.3: Tanzania cashew nuts production trends for the years 2005–2014

YEAR	2005	2007	2009	2010	2011	2012	2013	2014
METRIC TONS	71,918	92,573	79,069	75,367	121,135	158,719	127,947	205,000

Analysis of cashew nut production potential reveals that there is high potential for expanding production in the Mtwara, Lindi and Coast regions. Mtwara Urban and Mtwara Rural districts produce over 10,000 MT of raw cashew nuts (RCN) per year. It is estimated that more than 3.5 million Tanzanians engage in and benefit directly from cashew nut production. The number of households engaged in the sector as farmers, workers on farmsteads or plantations and in processing plants or for service providers exceeds 500,000, highlighting its contribution to poverty reduction.

Cashew nuts processing in Tanzania. During the 1970s the Government of Tanzania, with World Bank support, constructed 12 cashew-processing factories with total annual capacity to process 116,000 tons. All the factories were large-scale mechanized using Italian or Japanese technology. In addition, there are about 40 small and medium cashew-processing mills constrained by lack of skills, raw materials and capacity for market entry (see table on operational status of existing plants).¹⁸

Table No. 4.4. Current cashew processing factories capacities and operational status

PRIVATIZED FACTORIES					
NO.	PREVIOUS NAME	CURRENT NAME	CAPACITY (T/Y)	LOCATION	STATUS
1	Likombe	Micronix Systems	6,000	Mtwara	Opening
2	Newala II	Micronix Systems	6,000	Newala	Opening
3	Tunduru	Korosh Africa	4,000	Tunduru	Opening
4	Mtwara	CC 2005	2,000	Mtwara	Opening

¹⁸ University of Dar es Salaam Business School, Cashew Nut Industry Development Trust Fund (CIDTF) Business Plan for Development of Cashew Nut Processing Factories in Mtwara, Pwani and Ruvuma Regions Under the Public-Private Partnership Model; Dar es Salaam; March 2016.

PRIVATIZED FACTORIES					
5	Mtama	Lindi Farmers	2,000	Lindi Vijijini	Opening
6	Newala I	Agro Focus	10,000	Newala	Closed
7	Lindi	BUCCO	10,000	Lindi Vijijini	Closed
8	Kibaha	Kibaha Cashew Factory	10,000	Kibaha	Closed
NO.	PREVIOUS NAME	CURRENT NAME	CAPACITY (T/Y)	LOCATION	STATUS
9	Nachingwea	Lindi Farmers	5,000	Nachingwea	Closed
10	Masasi	BUCCO	10,000	Masasi	Closed
11	Tanita I	Mohammed Enterprises	4,000	Dar es Salaam	Closed

PRIVATE FACTORIES					
	NAME	CAPACITY (T/Y)	LOCATION	STATUS	REASON
1	Perfect Cashew Kernels	300	Masasi	Closed	Lack of RCN
2	Damros Women Group	300	Tanga City	Closed	Lack of RCN
3	Southern Jumbo Cashewnut	1,000	Dar es Salaam	Closed	Maintenance
4	Mbagala Project	2,000	Dar es Salaam	Operational	Operational
5	HAWTE	1500	Mtwara City	Closed	Lack of RCN
6	Masasi High Quality Farmers Products	300	Masasi Town	Closed	
7	Uvuki	600	Kibaha	Closed	
8	Amama Farms	1,000	Tandahimba	Operational	
9	Naliendele Factory	200	Mtwara Mikindani	Operational	
10	UWAKORU	200	Rwanga-Lindi	Closed	Lack of RCN

Source: CIDTF Cashew Nut Factories Business Plan

Table No. 4.5. Comparative cashew nuts yield per hectare for 2012

NO.	COUNTRY	PRODUCTION (MT)	YIELD (MT/Ha)
1	Vietnam	1,190,900	3.89
2	Nigeria	836,500	2.29
3	India	680,000	0.70
4	Guinea-Bissau	130,000	0.58
5	Cote D'Ivoire	450,000	0.50
6	Benin	170,000	0.36
8	Tanzania	122,274	0.30
	World Total	4,152,315	

Source: Food & Agriculture Organization, 2012

Vietnam's success stemmed from deliberate measures to improve farm-level productivity from the 1990s on. High-density planting, commercial farming and seed programs are the factors behind their achievement of the highest yield in the world. Vietnam has also invested heavily in mechanizing and automating the entire cashew-processing system to save on labor and create consistency and costs competitiveness. Vietnam has also invested significantly in developing its marketing relationship with end consumers. In the last 8 years, Vietnam has diversified its kernel market to over 85 countries including the U.S., China, and Australia.

4.5.4 Ongoing initiatives for development of the horticulture, spices and edible nuts subsectors

a) Horticulture initiatives by private sector organizations (PSOs)

The Tanzanian horticulture industry has developed one of the strongest product-level national associations in the country— the Tanzania Horticultural Association (TAHA). TAHA currently focuses on policy advocacy, organization of members and delivery of training programs and sellers' missions and study tours overseas, especially in Kenya. The association needs further support for capacity development in two areas.

- Management and organizational development: planning, internal systems, membership programs and dues, budgeting, monitoring and evaluation, project management, fundraising and training in advocacy and publicity.
- Membership services: TAHA delivers unique services to its members in industry marketing and promotion (market research, trade shows and international fairs, e-marketing, export sales linkages, brochures and organization of annual conferences and exhibitions), publicity and image building (press releases, stakeholder meetings, study tours, newsletters and trade journals), advocacy (policy research, benchmarking, platform development, public-private dialogue meetings), accreditation to international standards (Global GAP, GMP, ISO), industry productivity assistance (soil management, water management, seeds and seedlings, pesticides, harvesting methods, post-harvest handling).

b) Public sector interventions for horticulture:

To implement the horticulture and spices strategies there is need for coordinated effort from business, government and research institutions to join efforts in implementing the National Horticultural Sector Strategy to enable Tanzania to realize its dormant potential in the sector. This will be achieved through

- Promotion of the sector by creating conditions to attract investors.
- Government support for development of new and high-potential products, such as apples in highland areas.
- Support for market development for existing and new products.
- Expansion of production base and strengthening of industry linkages.
- Mobilization of human and financial resources.

c) Initiatives for the edible nuts subsector

Apart from cashew nuts, there are ongoing private sector initiatives for the introduction of exotic edible nuts such as macadamia nuts. However, the sector lacks initiatives such as a national strategy for its development in spite of its high potential.

4.5.5 Challenges in agro-processing

Private sector needs. These are reflected in five clusters of factors, as follows

- A program to promote investments and trade, targeting priority products (selected products in horticulture, spices and edible nuts).
- Measures for proactive development of competencies for higher performance in the agro-processing value chains for selected products.
- Programs for access to and analysis and dissemination of market information and preferential and non-preferential opportunities.
- Reforms of regulatory institutions and their legal mandate for reduction of transaction costs, harmonization of taxes, fees and charges, inspection systems and compliance enforcement with safety regulations.
- Programs for accessing resources and upgrading of private sector competencies in understanding of, respect for and compliance with SPS and technical standards, good agricultural practices and good manufacturing practices.

4.5.6 Agro-processing sector objectives, targets and intervention actions

The agro-processing sector has high potential for the export of both fresh produce and processed products. However, the long distances between Tanzania and the U.S. market are a major impediment because of the lack of direct shipping and flight routes and the need for transshipment through Europe, which extends shipping times and raises costs to non-competitive levels. Nevertheless, fresh produce has been included in the list so that a decision on the coverage of fresh produce can be subjected to more informed decision-making. Under the circumstances, potential products fall largely under the spices and edible nuts categories. The objectives and targets for this sector take into consideration the need for products with longer shelf lives, which narrows the choice down to semi- or fully-processed agricultural produce including newly-introduced ones such as macadamia nuts.

Objective No. 4.0 **Enhance the competitiveness of the agro-processing sector to fully take advantage of the AGOA export opportunities.**

Output No. 4.1: ***Program for investment and trade promotion targeting priority products in place and implemented by June 2017.***

Intervention 4.1.1: Put in place and undertake a publicity campaign to raise awareness of AGOA opportunities, the national AGOA strategy and its implementation program among stakeholders.

Intervention 4.1.2: Develop an action plan to promote local investment and FDI in priority areas targeting AGOA market preferences.

Intervention 4.1.3: Implement a program to harness the use of nucleus and contract farming as vehicles for the introduction of new edible nut varieties and transform quality and productivity for cashew nuts.

Output 4.2: Measures for proactive development of competencies for high performance in the agro-processing value chains for selected products in place and implemented by October 2017.

Intervention 4.2.1: Research, develop and transfer appropriate agro-processing technology to firms.

Intervention 4.2.2: Capacitate agro-processing firms on the usage of agro-processing technology.

Intervention 4.2.3: Develop a PPP action plan to construct storage and cold chain facilities to improve food-processing raw materials supply and logistics.

Intervention 4.2.4: Expand least-cost electricity-generation capacity to drive down the cost of access to power.

Intervention 4.2.5: Provide technical support in collaboration with relevant U.S. agencies to build capacity for compliance with food safety regulations and SPS/technical standards in agro-processing.

Output 4.3: Programs for analysis and dissemination of market information and preferential and non-preferential opportunities in place and implemented by June 2017.

Intervention 4.3.1: Build capacity for trade analysts at MITI and in lead private sector institutions.

Intervention 4.3.2: Disseminate analytical reports on market information and entry conditions and requirements to stakeholders.

Intervention 4.3.3: Introduce a program to support the private sector through training on market entry techniques, trade promotion and programs on use of ICT.

Output 4.4: Reform of regulatory institutions and their legal mandate for reduction of transaction costs, harmonization of taxes, fees and charges, inspection systems and compliance enforcement for safety regulations implemented by October 2017.

Intervention 4.4.1: Introduce and implement code of conduct for self-regulation and risk-based inspection systems to reduce the burden of enforced compliance.

Intervention 4.4.2: Identify, simplify and harmonize regulatory mandates and institutions for the agribusiness sector.

Intervention 4.4.3: Undertake reform of business environment for AGOA priority sectors in particular aspects related to inspection, testing, verification and registration of inputs.

Output 4.5: ***Program for access to resources and building of competencies for SPS and technical standards, GAP/GMP and marketing logistics in place and implemented by June 2017.***

Intervention 4.5.1: Put in place and implement a program for provision of technical support including accredited laboratory equipment and human resources development.

Intervention 4.5.2: Prepare a cabinet paper for enactment of legislation with penalties for deliberate adulteration of products and fraud in marketing channels.

Intervention 4.5.3: Strengthen the capacity of HODECT to act as a public-private sector institutional platform for handling horticulture developments.

Intervention 4.5.4: Put in place and implement a program to establish vehicles for addressing challenges in delivery schedules and logistics.

Intervention 4.5.5: Organize buyers' missions to Tanzania and sellers' missions to destination markets.

Intervention 4.5.6: Support private sector participation in regional and international trade fairs, exhibitions and conventions.

4.6 Cross-Cutting Issues: Finance and Investment

Two major issues persistently raised by stakeholders in each of the four sectors concern access to finance and promotion of investment to help transform production systems from traditional to modern modes and access to finance along whole value chains.

4.6.1 Investment promotion

The investment challenge involves the promotion of foreign direct investment (FDI) and stimulation of domestic investment. All the four sectors prioritized under this strategy have direct and indirect links to agricultural primary production as the basic source of the primary inputs for their production processes. Consequently, the issues of productivity and quality for such inputs are fundamental factors in successful strategy implementation.

Foreign investment is important as a source of technology and a channel for diffusion into the domestic economy, through capital equipment, human capital and skills development. Investors also provide useful extension services that promote transformational change in production systems, introduce modern post-harvest handling and processing methods that extend the shelf lives of perishable products and provide market linkages, without which production levels will be limited to domestic demand or consumption.

However, foreign investment on its own cannot be sustainable in the long-run and domestic investment needs to be promoted to provide the critical links with foreign investors and provide the receptacle for

technology diffusion and transfer. In the medium to long term, with the right policy framework in place, domestic investors acquire the same level of proficiency as foreign investors and eventually assume the leading role in the industry with the capability for building a domestic industrial base for long-term sustainability. It is therefore important that policies to attract foreign investment are simultaneously aligned with measures to stimulate domestic investors. The development of the Mauritian textile and garment industry is a case study in how best to link policies for attracting foreign investors with measures for the promotion of domestic investors. The policy model eventually leads to convergence between the two classes of investors as the economy graduates from a lower level of development to a higher one. But the starting point is the package of measures that brings in FDI as the source of finance, technology, skills and market linkages.

4.6.2 Access to finance

The most conducive business environment for both FDI and domestic investors includes ease of access for investors to finance, especially for working capital and trade financing facilities. Although investors will normally bring capital equipment financed from external sources, the practice is to source most working capital from domestic financial sources. Further, domestic investors may have good, bankable projects but access to capital is often a major impediment, especially in cases where there are no industrial parks for rental by small investors.

Lack of access to financial resources and the need for small investors to invest in the development of physical infrastructure has been one of the major barriers to the emergence of MSMEs in all four sectors under consideration. Access to buildings for rent is a major factor in attracting foreign investment in the garments industry. Lack of access to industrial parks has undermined the revival of the leather and leather goods industry, handicrafts and agro-processing sectors. Export finance implies additional costs for a producer targeting the domestic market and motivating such producers to enter the export market requires the adoption and implementation of measures to carry some of the additional costs by governments, large-scale private sector investors or development partners.

4.6.3 Private sector needs

Specific private sector needs emerging from the consultative process with respect to investments and finance include

- Buildings and working premises in the form of industrial parks outside EPZs and warehouses inside EPZs. It was noted that industrial estates developed by SIDO as incubation vehicles for nascent SMEs have been permanently taken over by the initial beneficiaries.
-
- Access to finance for working capital and trade finance, including lower interest rates, and financial instruments to support the transition from the micro-enterprise level to the SME stage;
- Access to technology and skills, and vehicles to support MSMEs through access to business development and extension services or market linkages, in particular export markets.

4.6.4 Recommended good practice instruments for access to finance

The IIDS states, and we quote,

“... A major weakness of MIT lies in the fact that the Ministry does not have any financial tools or incentives to lead the private enterprises in a chosen policy guided direction also it does not have any means to encourage financial institutions to expand lending to local investments and for industrial development”.¹⁹

This quotation reflects the fact that, even in advanced economies where access to finance is not an issue if an entrepreneur has a bankable project concept, the production process for the export market often involves additional costs to ensure compliance with more stringent standards requirements. Often the export value chain includes some processes for which capital investment recovery takes longer. Further, in the SSA environment, all four target sectors are normally dominated by small players who have difficulties raising finance in the formal sector although they need access to long-term finance, either for starting up or for entrepreneurial expansion. The IIDS makes four recommendations to address this challenge.

- Consider use of incentives to encourage banks to undertake longer term financing.
- Increase access to trade finance platforms through targeted partnerships with regional development finance institutions.
- Establish financial support programs for promotion of local investment in the identified sectors through mechanisms such as venture capital funds.
- Create an investment-matching fund to promote private sector investment in strategic projects such as those recommended under this strategy.

Objective 5.0 **Promote foreign and domestic investment in building private sector competencies to enable priority sectors to take full advantage of the AGOA export opportunities**

Output 5.1: ***Program for attracting foreign direct investment and complementary domestic investors to target sectors for investment and trade promotion targeting priority products in place and implemented by June 2017.***

Intervention 5.1.1: Identify investment opportunities and demarcate land for agricultural development and business premises for processors and corresponding domestic investors, including smallholders.

Intervention 5.1.2 Prepare sector- and product-specific profiles to inform potential investors of the available investment opportunities and organize investor roadshows to attract foreign investors.

Intervention 5.1.3 Prepare and implement a roadmap for addressing challenges in the business environment that discourage foreign investors and demotivate domestic investors.

¹⁹ Ministry of Industry and Trade; The Integrated Industrial Development Programme, MIT, United Republic of Tanzania, Dar es Salaam; 2012.

Intervention 5.1.4 Undertake business process analysis of export channels and the trade facilitation process to identify and eliminate unnecessary processes and procedures that undermine competitiveness in exports and discourage investors.

Output 5.2: Program for enhancement of access to business premises, finance, technology and skills to support domestic investors in target sectors in place and implemented by June 2019.

Intervention 5.2.1 Establish and implement product development clusters and incubators for the transformation of target sectors.

Intervention 5.2.2 Consider the use of incentives to encourage banks to undertake longer-term financing.

Interventions 5.2.3 Increase access to trade finance platforms through targeted partnerships with regional development finance institutions;

Intervention 5.2.4 Establish financial support programs for the promotion of local investment in the identified subsectors through mechanisms such as venture capital funds and matching grant funds.

Intervention 5.2.5 Design a project that encourages private sector firms and associations to produce project concepts supporting access to existing social venture capital funds such as EATIH, SAGCOT, ADB and other development partners funds that support market linkages.

SECTION FIVE: IMPLEMENTATION MECHANISM AND COORDINATION FRAMEWORK

5.1 Transition from Planning to Implementation

Stakeholders expressed concern regarding the need for rapid and smooth transition from the process of strategy formulation and approval to implementation. Four steps are recommended for effective transition and to allay stakeholders' apprehensions about potential delays.

5.1.1 Recommendations for proactive transition to implementation

Tanzania's National AGOA Strategy is a five-year strategic plan aligned to the second Five-Year Long-Term Plan as a tool for addressing very specific implementation-level prerequisites for achieving some of the sectorial objectives of the Integrated Industrial Development Strategy (IIDS). It is anchored in the development of specific products targeting a particular market made possible by the extension and enhancement of AGOA.

Five recommendations are made to ensure a dynamic shift from planning mode to implementation. The framework for making this possible has been put in place as part of the strategy formulation task.

- c) A tight and time-bound decision-making process that calls for MITI management to approve the strategy for implementation within one week of submission of the final version incorporating stakeholder views from the validation workshop held on April 14 and 15, 2016. Since this is a product-level initiative, alternatives to secure inter-ministerial consensus without recourse to formal cabinet approval will be identified by the TWG and adopted to ensure maximum cooperation and participation by trade-related central and sector ministries and their departments and agencies (MDAs).
- d) The formal commissioning of a technical working group served by a secretariat located in MITI with the mandate and responsibility for development of a program for the implementation of Tanzania's National AGOA Strategy has been initiated. The commissioning process will include capacity development through a training session on project cycle management that includes conversion of issues and challenges into action concepts and eventually projects, the timeframes, budgets and effective monitoring and evaluation required for their implementation. It is proposed that this training be funded from EATIH resources.
- e) The TWG undertakes research to identify where potential resources for implementation will come from. Such sources include: 1) EATIH, 2) SAGCOT, 3) ongoing implementation programs such as ASDP/SAGCOT and IIDS, 4) government budget for 2016/17 and 2017/18, 5) internally generated funds; and 6) development partners-funded interventions operating through MDAs or private change agencies such as Trademark East Africa, Equity Funds and Social Venture Capital Funds.
- f) Development of a publicity and awareness campaign strategy to popularize the opportunities provided under the AGOA Extension and Enhancement Act, 2015 and unfolding implementation of the National AGOA Strategy for Tanzania. Implementation must be driven by smart public-private partnerships. The allocation of roles should be based on the private sector taking actions that can be implemented on a commercial basis and the public sector taking actions that cannot be fully commercialized. The challenge

for partnership lies with those interventions that can be only partially commercialized, which need joint public-private sector action. Examples are the delivery of extension services and the building of private sector competencies.

- g) Adoption of the logframe matrix as the framework for monitoring and evaluation of implementation performance. Also important is the establishment of a platform such as the cluster-based Sectoral Consultative Council and National Consultative Council as a tool for regular consultations, tackling challenges and decision-making (including access to resources), and following up on implementation. This platform can be established through restructuring of the TNBC working committees.

5.1.2 The log frame matrix

Proactive implementation requires a regular and highly publicized monitoring and evaluation system with the publication of output and outcomes for stakeholders. The log frame provides ready access to powerful tools for SMART indicators to make such a process possible. The indicators and proposed timeframes for their achievement have been carefully aligned to ongoing national programs at the sectoral level. They also reflect the need to move quickly in a dynamic global environment where opportunities go to those who are prepared for them or who are ready to mobilize national resources and goodwill for rapid transformational change so as to attract passing opportunities. The log frame is attached as Annex I.

CONCLUSION AND WAY FORWARD

The passage into law of the AGOA Extension and Enhancement Act, 2015, is an event that coincides well with the onset of the implementation of Tanzania's Second Five Year Development Plan targeting the stimulation and revival of a resource-based industrialization process. Economic history has confirmed, time and again, the need for large markets based on effective demand as the key driver for the takeoff of such a process. This has been true for the Western industrialized economies, the OECD countries, and the newly industrialized countries of East Asia. It is also true of unfolding economic transformation achievements by countries like Mauritius and Vietnam.

Regional integration schemes and common markets have been envisaged as potential means of creating greater demand to support an industrialization process. However, its potential has been limited by low levels of effective demand from population segments that depend heavily on subsistence economic activity. AGOA bridges the constraints of intra-regional trade, where similar levels of development tend to limit trade flows except in frontier regions where proximity reduces high transport and logistics costs.

The extension of AGOA and its benefits provides a fundamental answer to the effective demand constraint. It is a unique opportunity for eligible SSA countries. For Tanzania, it has come at the most opportune time. However, it requires dynamic leadership, a high degree of political will at the national level and steadfast commitment to champion the implementation of the strategy.

Commitment to champion an export development strategy, which is of paramount importance for the National AGOA Strategy, has to be located simultaneously at the ministerial and technical decision-making levels with open, public support from top national leadership. The fundamentals for success are in place but these must be supported by steadfast efforts to build on them by addressing all challenges identified in this Strategy in a comprehensive and holistic manner.

Ministry of Industry, Trade and Marketing,

Dar es Salaam, May 10, 2016.

ANNEX I

Log frame Matrix for Implementation

Tanzania National AGOA Strategy for Maximizing Tanzania's Potential to Fully Exploit AGOA

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
OVERALL GOAL: To enhance the capacity to increase Tanzanian exports to USA under AGOA	Value of exports to USA under AGOA	<ul style="list-style-type: none"> • Annual economic review reports • National Bureau of Statistics reports • Trade statistics reports 	Political will and economic stability sustained Availability of funds
PURPOSE: To increase the capacity of Tanzanian firms to leverage successfully the opportunities provided by the extension of the African Growth and Opportunity Act	Number of firms supported to export to USA under AGOA	<ul style="list-style-type: none"> • Annual economic review reports • National Bureau of Statistics reports 	Political will and economic stability sustained Availability of funds
OBJECTIVES, OUTPUTS AND INTERVENTIONS			
Objective 1.0: Enhance the competitiveness of the GARMENTS AND TEXTILES SECTOR to take full advantage of AGOA opportunities			
Output 1.1 Investment promotion campaign to attract a minimum number of EPZ developers in place and implemented by June 2017			
INTERVENTIONS:			
1.1.1 Design and develop industrial site and services scheme in designated EPZs and allocate to developers	Number of projects implemented Number of hectares developed	MITI reports Private sector reports EPZA reports	Political will exists Resource (human,

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	Number of firms acquiring land under EPZA	Sector-specific reports PO-RALG reports Ministry of Lands, Housing and Human Settlements	financial, equipment) availability
1.1.2 Identify and convert underutilized public and private warehouses to EPZ/SEZ estates for rental to garment industry operators	Number of warehouses identified Number of warehouses converted to EPZA estates	MITI reports EPZA reports PO-RALG reports Private sector reports	Political will exists Willingness of the private sector
1.1.3 Develop and implement action plan for attracting EPZ developers and garment and textile investors from Asia	Number of EPZ developers identified Number of EPZ developers attracted	MITI reports EPZA reports Private sector reports	Resource availability
1.1.4 Put in place and implement policy for regulating natural gas tariffs under monopolistic conditions as alternative source of low-cost power for EPZs operators.	Policy and strategy in place Regulations in place	MEM reports MITI reports	Availability of funds Political will exists
1.1.5 Provide and develop incentives for defunct U.S. textile manufacturers to relocate to Tanzania	Number of U.S. textile makers relocated to Tanzania	MITI reports Ministry of Foreign Affairs, East Africa, Regional and International Cooperation reports TanTrade reports	Availability of funds Political will exists
Output 1.2 Mechanisms and measures to support training of workforce for garments and textiles industry value chain, focusing on designers, trainers, supervisors and machine operators, in place and implemented by June 2018			
1.2.1 Design and implement twinning program between Tanzanian technical college and American fashion college with offshore	Number of programs implemented	Ministry of Education, Science, Technology and Vocational Training reports	Resource (human, financial, equipment) availability

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
campuses		Ministry of Information, Youth, Culture and Sports reports VETA reports MITI Reports	
1.2.2 Introduce concessional package improving the quota, duration and cost of worker's permits for technical experts in design and training skills	Concessional package in place Number of technical experts under concessional package	Ministry of Home Affairs reports Immigration reports Ministry of Labor, Employment, Youth and the Disabled reports	Political will exist
1.2.3 Designate and build capacity of selected VETA and technical colleges as training centers for operational skills in the garments and textiles industry	Number of VETA collages capacitated Number of students enrolled	Ministry of Education, Science, Technology and Vocational Training reports VETA reports MITI reports	Willingness of stakeholders Resource (human, financial, equipment) availability
Output 1.3 Program for market segmentation, selection and entry approaches and modalities designed and implemented by June 2017.			
1.3.1 Develop and implement missions to attract U.S. buyers to Tanzania	Number of missions organized	MITI reports TanTrade reports Ministry of Foreign Affairs, East Africa, Regional and International Cooperation reports	Resource (human, financial, equipment) availability
1.3.2 Organize sellers' missions to USA	Number of missions organized	MITI reports TanTrade reports Ministry of Foreign Affairs, East Africa, Regional and International Cooperation reports	Resource (human, financial, equipment) availability

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Output 1.4 Program for expansion of manufacturing capacity in garments and investment in backward linkages for synthetics, mixed and/or cotton fibers and fabrics in place and implemented by June 2019			
1.4.1 Design and implement incentives package for domestic investors in garments and textiles to modernize and expand capacity	Package for special incentives developed	MITI reports EPZA reports SIDO reports	Willingness exists
1.4.2 Provide incentives to stimulate investments in technologies for synthetic and blended fibers and fabric processing	Number of firms facilitated to acquire new technology	MITI reports CTI reports Private sector reports	Resources and willingness exist
1.4.3 Develop and implement investment promotion campaign to attract polyester fibers manufacturers to Tanzania	Number of firms investing in polyester fibers	MITI reports CTI reports Private sector reports	Resources and willingness exist
Output 1.5 Reforms for improvement of the business environment implemented on fast-track basis by June 2018			
1.5.1 Fast-track implementation of business environment reforms adopted by 7th TNBC on fees, levies, charges and taxes embedded in licensing regime	Number of measures implemented Number of days taken to obtain a license	MITI reports Sector ministries reports	Resources and willingness exist
1.5.2 Implement one-stop-center business registration system and process	Number of days taken to register business name/incorporate company	MITI report BRELA reports	Resources and willingness exist
1.5.3 Implement sectorial simplification program to harmonize institutional mandates, roles and functions prioritizing agro-processing	Number of legislation and institutional functions harmonized in agro-processing value chain	MITI report BRELA reports	Resources and willingness exist
Objective 2.0: Enhance the capacity of the HANDICRAFTS SECTOR to take full advantage of the AGOA export opportunities			
Output 2.1: Handicrafts private sector organizations (PSO) organized and registered as tools for stakeholder mobilization and coordination of sector development interventions.			
2.1.1 Reorganize, strengthen and equip art and	Umbrella organization reorganized	MNRT reports	Resource availability

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
handicraft organizations/associations		MITI reports	
2.1.2 Develop and implement program for cluster developments and incubator schemes to enhance competitiveness of the handicrafts industry	Program in place Number of clusters developed Number of incubator schemes Number of handicraft producers identified, trained and facilitated	MITI reports SIDO reports EPZA reports PO-RALG reports	Resource (human, financial, equipment) availability
2.1.3 Support handicraft producers with common working premises with requisite facilities	Number of handicraft producers provided with working space	MNRT reports MITI reports	Resource availability
2.1.4 Provide training on product quality and standards	Number of handicraft producers trained	MNRT reports MITI report	Resource availability
Output 2.2: Program for skills development for product design, quality assurance, intellectual property rights, market linkages and entry, and working capital/trade finance in place and implemented by June 2018			
2.2.1 Conduct training needs assessment for sector, focusing on home decor and accessories	Needs assessment conducted	MNRT reports MITI reports	Resource (human, financial, equipment) availability
2.2.2 Develop capacity building plan	Training plan in place	MNRT reports MITI reports	Resource (human, financial) availability
2.2.3 Develop and implement training scheme to enhance skills for product design/development and intellectual property rights	Number of entrepreneurs trained	MITI reports Ministry of Labor, Employment, Youth and the Disabled reports TBS reports VETA reports TanTrade reports BRELA reports	Resource (human, financial, equipment) availability
Output 2.3: Program for attracting investment in handicraft production developed and implemented by June 2017			

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
2.3.1 Develop, designate/allocate areas and premises/industrial parks for handicraft sector	Number of parks allocated for handicraft producers	MITI reports EPZA reports	Resources and willingness exist
2.3.2 Establish funding mechanism to facilitate access to finance for handicraft producers and exporters	Number of financial institutions providing fund for handicraft producers	BOT reports MoF reports MITI reports Private sector reports	Willingness exists
2.3.3 Facilitate linkages between handicraft producers and financial institutions to support access to finance	Number of handicraft producers linked with financial institutions	MoF reports BOT reports	Willingness exists
Output 2.4: Measures to reform the business environment for the competitiveness of the handicraft sector implemented by June 2017			
2.4.1 Implement private sector business environment reforms adopted by the 7th TNBC meeting fast-tracking one-stop business registration center	One-stop business registration center operational	MITI reports MNRT reports SIDO reports	Willingness exists Resource (human, financial, equipment) availability
2.4.2 Operationalize the business licensing reform committee to streamline, harmonize, consolidate and modernize the regulatory licensing regime	Licensing regime analyzed, reviewed and streamlined and number of tariffs, charges, taxes and other fees simplified or reformed	MNRT reports MITI reports	Willingness exists
Output 2.5: Trade promotion campaign for utilization of AGOA and other market access opportunities in place and implemented by June 2017			
2.5.1 Organize annual district/national handicraft exhibitions	Number of exhibitions conducted	MITI reports TanTrade reports MNRT reports	Resource availability
2.5.2 Train/assist handicraft producers in contract negotiations with exporters	Number of handicraft producers trained/assisted	MITI reports TanTrade reports	Resource availability

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
		MNRT reports	
2.5.3 Provide market information and trade brochures to handicraft producers	Number of handicraft producers accessing market information	MITI reports TanTrade reports MNRT reports	Resource (human, financial, equipment) availability
2.5.4 Link handicraft producers with exporters	Number of handicraft producers linked with exporters	MITI reports TanTrade reports MNRT reports	Willingness exists
2.5.5 Facilitate participation of handicraft association members in international handicraft trade fairs and exhibitions	Number of handicraft associations participating in handicraft trade fairs and exhibitions	MITI reports TanTrade reports MNRT reports	Resource availability
OBJECTIVE 3.0: Enhance the competitiveness of the LEATHER AND LEATHER GOODS SECTOR to take full advantage of the AGOA export opportunities			
Output 3.1: Production and access to high-quality hides and skins for the tanning and processing industry improved by June 2018			
3.1.1 Modernize slaughterhouses/improve traditional slaughtering practices	Number of slaughterhouses modernized	MALF reports MITI reports	Resource (human, financial, equipment) availability
3.1.2 Establishment of modern slaughterhouses	Number of slaughterhouses established	MALF reports MITI reports	Resource (human, financial, equipment) availability
3.1.3 Improve available leather-processing clusters	Number of clusters improved	MITI reports EPZA reports	Resource (human, financial, equipment) availability
3.1.4 Establish new leather-processing cluster with all necessary infrastructure	Number of clusters established	MITI reports EPZA reports MALF reports	Resource (human, financial) availability
3.1.5 Modernize and upgrade technology of firms functioning in leather sector	Number of firms/entrepreneurs modernized	MITI reports EPZA reports	Resource (human, financial, equipment) availability

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
		MALF reports	
3.1.6 Develop and implement program for linkage with Integrated Industrial Development Strategy chapter on leather and leather goods, National Leather Strategy and SAGCOT	Program developed and implemented	MITI reports PO-RALG reports	Resource availability
3.1.7 Provide access to reliable and cost-competitive enabling services, including transport, power and water, for tanning industry	Number of entrepreneurs accessing reliable, cost-competitive enabling services	MEM reports MWI reports MoWTC reports	Resource (human, financial, equipment) availability
Output 3.2: Measures to improve business environment for leather and leather goods sector in place and implemented by June 2017.			
3.2.1 Reduce number of days spent in registration and licensing of firms	Number of firms/entrepreneurs registered and licensed	MITI reports BRELA reports PO-RALG reports	Willingness exists Resource availability
3.2.2 Streamline the leather sector regulatory regime	Number of duplicating licenses and permits eliminated	MITI reports PO-RALG reports MALF reports	Willingness exists Resource availability
3.2.3 Harmonize/reduce taxes, levies, fees and charges for the leather and leather goods industry	Number of taxes/levies/fees harmonized/reduced	MITI report MALF reports SIDO reports EPZA reports PO-RALG reports	Willingness exists
Output 3.3: Program for cluster development initiative for the footwear and leather goods and accessories industry in place and implemented by June 2017			
3.3.1 Develop and implement action plan to promote FDI and links between FDI and domestic investors for the leather and	Number of new FDIs Number of FDIs linked with	MITI reports MALF reports	Resource (human, financial, equipment) availability

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
leather goods industry	domestic investors		
3.3.2 Introduce tax and non-tax incentives for leather and leather products sector	Number of incentives introduced	MoF reports MITI reports	Willingness exists
3.3.3 Provide financial support to firms in leather and leather products	Number of firms accessing financing	MITI reports MoF reports	Resource availability
Output 3.4: Programs for skills development in leather and leather products sector in place and implemented by June 2017			
3.4.1 Develop and implement program for training and delivery of business development services for design, production, quality standards and product aggregation	Number of entrepreneurs/firms trained	MITI reports TBS reports MALF reports	Resource (human, financial, equipment) availability
3.4.2 Provide technical assistance to the tanning subsector	Number of staff members trained Number of firms trained	MITI reports EPZA reports MALF reports	Resource (human, financial) availability
3.4.3 Provide technical assistance to the footwear and leather goods companies	Number of staff members trained Number of firms trained	MITI reports EPZA reports MALF reports	Resource (human, financial) availability
Output 3.5: Programs for promotional campaign for leather and leather products in place and implemented by June 2017			
3.5.1 Organize leather and leather products exhibitions	Number of exhibitions organized	TanTrade reports MITI reports MALF reports Private sector reports	Resource availability
3.5.2 Enhance market linkage between collectors and processing industries	Number of collectors and processors linked	MITI reports TanTrade reports MALF reports	Willingness exists
3.5.3 Support leather and leather products trade show participation	Number of firms/entrepreneurs supported	MALF reports TanTrade reports	Resource availability

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
		MITI reports Private sector reports	
3.5.4 Organize regular buyers' and sellers' missions and networking opportunities	Number of entrepreneurs participating in missions Number of entrepreneurs exploiting opportunities	MITI reports TanTrade Reports MFAIC reports	Resource (human, financial, equipment) availability
OBJECTIVE 4.0: Enhance the competitiveness of the AGRO-PROCESSING SECTOR to take full advantage of the AGOA export opportunities			
Output 4.1 Program for investments and trade promotion targeting priority products in place and implemented by June 2017			
4.1.1 Put in place and undertake publicity campaign to raise awareness of AGOA opportunities, national AGOA strategy and its implementation program to stakeholders	Number of entrepreneurs/firms aware/exploiting AGOA opportunities	MITI reports	Resource (human, financial, equipment) availability
4.1.2 Develop action plan to promote local and FDI investment in priority areas targeting AGOA market preferences	Initiatives in place Quantity of products sold under AGOA	MITI reports TanTrade reports EPZA reports	Political will exists Resource availability
4.1.3 Use program to harness use of nucleus and contract farming as vehicles for introduction of new edible nuts varieties and transform quality and productivity for cashew nuts	Number of entrepreneurs/firms using contract farming	MITI reports MALF reports	Resource availability Political will exists
Output 4.2 Measures for proactive development of competencies for high performance in the agro-processing value chains for selected products in place and implemented by October 2017			

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
4.2.1 Research, develop, and transfer appropriate agro-processing technology to firms	Number of technologies developed and transferred to firms	TIRDO reports CAMARTEC reports TEMDO reports MITI reports	Resource availability
4.2.2 Capacitate agro-processors on the usage of agro-processing technology	Number of agro processors capacitated	MITI reports CAMARTEC reports SIDO reports	Resource availability
4.2.3 Develop PPP action plan to construct storage/cold chain facilities to improve food-processing raw-materials supply logistics	Number of storage facilities constructed	MITI reports MALF reports TanTrade reports Private sector reports	Resource availability
4.2.4 Expand least-cost electricity generation capacity to drive down the costs of access to power	Number of entrepreneurs connected to power	TANESCO reports REA reports MEM report	Resource availability
4.2.5 Provide technical support in collaboration with relevant U.S. agencies to build capacity for compliance with food safety regulations and SPS/technical standards in agro-processing.	Number of institutions designated	MITI reports PO-PSM reports	Willingness exists Resource availability
Output 4.3 Programs for access to, analysis of and dissemination of market information and preferential and non-preferential opportunities in place and implemented by June 2017			
4.3.1 Build capacity of trade analysts at MITI and lead private sector institution	Number of trade analyst capacitated	MITI reports Private sector reports	Resource (human, financial, equipment) availability

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
4.3.2 Disseminate analytical reports on market information and entry conditions and requirements to stakeholders	Number of analytical reports disseminated Number of stakeholders accessing analytical reports	MITI reports TanTrade reports	Resource (human, financial, equipment) availability
4.3.3 Introduce program to support private sector on market entry techniques, trade promotion and programs based on use of ICT	Number of private sector entities supported Number of private sector entities exploiting AGOA opportunities	MITI reports Private sector reports	Resource availability
Output 4.4 Reform of regulatory institutions and their legal mandate for reduction of transaction costs, harmonization of taxes, fees and charges, inspection systems and compliance enforcement for safety regulations implemented by June 2017			
4.4.1 Introduce and implement code of conduct for self-regulation and risk-based inspection systems to reduce burden of enforced compliance	Code of conduct for self-regulation in place and implemented Number of institutions using risk based inspection	MITI reports TIRDO reports MALF reports	Willingness exists
4.4.2 Identify, simplify and harmonize regulatory mandates and institutions for agribusiness sector	Number of regulation/laws harmonized	MITI reports MALF reports Sector ministries reports	Resource (human, financial, equipment) availability
4.4.3 Undertake reform of business environment for AGOA priority sectors, in particular aspects related to inspection, testing, verification and registration of inputs	Number of unnecessary, duplicating laws/license and, permits identified and eliminated	MITI reports MALF reports Sector ministries reports	Willingness exists Resource availability
Output 4.5 Program for access to resources and upgrading of private sector competencies in understanding of, respect for and compliance with SPS and technical standards, good agricultural practices and good manufacturing practices, and marketing logistics in place and implemented by June 2017			

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
4.5.1 Put in place and implement program for provision of technical support in terms of accredited laboratories equipment and human resources development	Program in place Number of laboratories established/supported Number of personnel/entrepreneurs/firms trained	MITI reports TBS reports EPZA reports SIDO reports TFDA reports Private sector reports	Resource (human, financial, equipment) availability
4.5.2 Prepare cabinet paper for enactment of legislation with penalties for deliberate adulteration of products and fraud in marketing channels	Cabinet paper in place Legislation enacted	MITI reports Private sector reports	Political will exists
4.5.3 Strengthen capacity of HODECT to act as public-private sector institutional platform for handling horticulture developments	Number of staff trained	MITI reports HODECT reports TAHA reports	Resource (human, financial, equipment) availability
4.5.4 Put in place and implement program for establishment of vehicles for addressing challenges in product compliance with standards and delivery logistic services, including product aggregation, market entry and link to markets	Program in place Number of vehicles established Number of entrepreneurs facilitated with established vehicles	MITI reports TAHA reports Private sector reports	Resource (human, financial, equipment) availability
4.5.5 Organize buyers' missions to Tanzania and sellers' missions to destination markets	Number of buyers' and sellers' missions organized	MITI reports TIC reports	Resource availability (human and financial)
4.5.6 Support for private sector participation in regional and international trade fairs, exhibitions and conventions.	Number of stakeholders participating in trade fairs and conventions	MITI reports SIDO reports TanTrade reports	Resources available (human and financial) and willingness
OBJECTIVE 5.0: Promote foreign and domestic investment to build private sector competencies to ENABLE SELECTED PRIORITY SECTORS to take full advantage of AGOA export opportunities			
Output 5.1 Program for attracting foreign direct investment and complementary domestic investors to target sector for investment and trade promotion, targeting priority products, in place and implemented by June 2017			
5.1.1: Identify investment opportunities and	Number of investment opportunities	MITI reports	Resource availability

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
demarcate land for agricultural development and business premises for processors and corresponding domestic investors, including smallholders	in each sector identified Number of acres identified and demarcated	Ministry of Land, Housing, and Human Settlement Development reports EPZA reports TIC reports	(human and financial)
5.1.2 Prepare sector- and product-specific profiles to inform potential investors of investment opportunities available and organize investor roadshows to attract foreign investors	Number of profiles available Number of roadshows organized	MITI reports MFAIC reports, EPZA reports TIC reports	Resource availability (human and financial)
5.1.3 Prepare and implement roadmap for addressing challenges in business environment that discourage foreign investors and demotivate domestic investors	Roadmap in place and implemented	MITI reports TIC reports EPZA reports	Resource availability (human and financial)
5.1.3 Undertake business process analysis of export channels and trade facilitation to identify and eliminate unnecessary processes and procedures that undermine competitiveness of exports and discourage investors	Business process analysis conducted Number of local and foreign investors	MITI reports TIC reports	Resources available (human and financial) and willingness exists
Output 5.2 Program for enhancement of access to business premises, finance, technology and skills to support domestic investors in target sectors in place and implemented by June 2019			
5.2.1 Establish and implement product development clusters and incubators for transformation of target sectors	Number of product development clusters and incubators established	MITI reports SIDO reports	Willingness exists Resource availability (human and financial)
5.2.2 Consider use of incentives to encourage banks to undertake longer-term financing	Number of awareness projects designed	MITI reports Development partners reports	Resources available (human and financial) and

NARRATIVE DESCRIPTION OF GOAL, PURPOSE, OBJECTIVES, OUTPUTS AND INTERVENTIONS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	Number of stakeholders /firms/associations participated in awareness projects		willingness
5.2.3 Develop and equip financial programs such as partial subsidies on interest for loans to be extended to target sectors and investments	Number of programs established Number of MSMEs supported	MITI reports	Resource availability (human and financial)
5.2.4 Establish financial support programs for promotion of local investment in identified sectors through mechanisms such as venture capital funds and matching grant funds to promote private sector investment	At least one VC fund operational Number of investment projects supported successfully	MITI reports VC fund and matching grant funds managers reports	Resource availability (human and financial)
5.2.5 Implement program to raise awareness on existing social venture capital funds such as EATIH, SAGCOT, ADB, TMEA and other development partner funds that support product development and market linkages	Number of private sector applicants from Tanzania responding to invitations for applications from various funds	Number of grants awarded to Tanzanian social investors and trade development entrepreneurs	Resource availability (human and financial)