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HRDA

PRIVATE SECTOR TRAINING NEEDS ASSESSMENT
AND PROPOSED FY 90 - FY 92 PRIVATE SECTOR TRAINING PLAN

HUMAN RESOURCES DEVELOPMENT ASSISTANCE (HRDA) PROJECT

FINAL
DRAFT

USAID/TANZANIA

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USAID/TANZANIA PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

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EXECUTIVE SUMMARY

The purpose of the HRDA private sector training needs assessment conducted in July and August 1989 was to determine training priorities which will promote private sector development in line with USAID/Tanzania's assistance strategy. The mission strategy focusses on support for the GOT Economic Recovery Program (ERP) and ongoing policy reforms, improving the transportation system to better evacuate the country's agricultural products, strengthening market mechanisms and the private sector, and family planning and AIDS education and control. Through its policy-based lending, USAID/Tanzania is helping the GOT to initiate policy changes in the Tanzanian agricultural transport sector, rehabilitation of the country's road and rail systems, increased importation of essential transport commodities by private companies, and liberalization of trade, particularly in the agricultural sector, aimed at increasing the private sector's role in the economy.

The three-year training plan developed as a result of this assessment will serve as the basis for HRDA private sector training activities from FY 90 - FY 92.

During the assessment, team members met with 32 key players in private sector development, including GOT agencies, training institutions, business, professional and women's associations, banks, accounting firms and donors, and over 70 private sector firms from all sectors in Dar es Salaam and Morogoro.

The assessment identified the following major constraints to the development of private sector activities.

- o lack of access to foreign exchange
- o critical lack of available credit for both working capital and investment
- o critical lack of knowledge about export marketing and related issues (export regulations, foreign quality standards, packaging for export, etc.
- o critical lack of management skills, particularly as relates to planning, marketing, and financial management
- o lack of adequate technical and maintenance skills among technicians, line managers and workers

The assessment identified the following training needs for private businesses:

- o for owners and managers of medium to large businesses:

in-plant managerial and technical consulting, short term business internships in the U.S., computer training and information management, export marketing skills, market analysis, and packaging standards.

- o for owner/managers of small to medium businesses and new entrepreneurs: business start-up basics, how to do feasibility studies, how to get bank loans, principles of general management, financial management, and marketing, and how to export.
- o for new entrepreneurs: business start-up basics, how to start a business, write feasibility studies, and secure a bank loan, general management, financial management and marketing issues.
- o for women entrepreneurs: same needs as male entrepreneurs, plus confidence building and assertiveness training.
- o for line managers and workers: improved production, maintenance, and repair skills, and quality control.

The assessment determined that training services for the private sector should be centralized, and that the Faculty of Commerce at the University of Dar es Salaam and the Institute of Continuing Education at Sokoine University of Agriculture are the most logical homes for these services.

The assessment also examined the role of the various business, professional and women's associations and determined that training is needed to improve their efficiency in representing and serving their members.

In line with USAID development priorities and based on the results of the training needs assessment, the HRDA private sector training strategy has five key objectives:

1. **Strengthening private sector capacity to take advantage of new market opportunities in agriculture, agribusiness and related exports, manufacturing and tourism; through IESC in-plant technical assistance, and Entrepreneurs International business internships in the U.S. for SME managers.**
2. **Improving local institutions' training and outreach services for the business community; through the establishment of Export and Agribusiness Promotion Centers, customized study tours and short term training in the U.S. and Africa for instructors at the University of Dar es Salaam's Faculty of**

Commerce and the Institute of Continuing Education at Sokoine University, development of practical in-country short courses for business owners and managers, and enhancing institutions' curricula, teaching materials and methods.

3. **Strengthen local business support organizations and associations;** through study tours and short term training in the U.S. or Africa for members and staff of the Tanzania Chamber of Commerce, Industry & Agriculture and the Tanzania Association of Business & Professional Women, provision of tuition credits for its members to attend local training activities, and development of outreach services for their members.
4. **Increase business opportunities for women entrepreneurs;** through training in basic business start-up and management skills
5. **Increase public sector understanding of private enterprise** through greater public/private dialogue, with emphasis on educating key government officials on pressing private sector issues, and providing practical technical skills to government agencies dealing with the private sector; through symposia and workshops joining key public and private sector players in dialogue, and through practical technical workshops for government agencies working with the private sector.

The HRDA private sector training strategy represents a major departure from previous mission training activities which emphasized long-term training in the U.S. The HRDA strategy should serve to build a strong and lasting local capacity to respond to training/support needs of private Tanzanian firms.

It is estimated that the HRDA project will be incrementally funded from the mission's OYB at approximately \$2.5 million per year for FY 90 - 92, totalling \$7.5 million over the three year period. Of that amount, roughly \$3.75 million (50%) will be devoted to private sector training, including short-term training programs in the U.S. or Africa, study tours to the U.S., and in-country training activities.

I. HRDA BACKGROUND

The Human Resources Development Assistance (HRDA) project was initiated in FY 1988. Its stated purpose is to stimulate, facilitate and support national and regional training programs that will provide technical, scientific and management personnel and policy planners to strengthen African development institutions, enhance the growth of the private sector and increase the participation of women in development.

The HRDA project, as compared to the predecessor regional training projects AMDP I and II, has two new targets: first, 50% of project training (i.e., numbers of trainees) should serve to promote private sector development; second, 35% of the project trainees should be women (Note: USAID/Tanzania has set a target of 50% participation by women). In addition, the project places increased emphasis on the use of third country and in-country training institutions to implement training programs.

USAID Tanzania developed two annual country training plans for FY 88 and 89 under the first two years of the HRDA project. In 1989 the mission placed advertisements in local newspapers for U. S. training, and received 4,500 responses. Following the positive response to advertisements for training opportunities, the mission decided to develop a more detailed private sector training strategy.

A two person team, assisted by Gene Peuse of AFR/TR/EHR, conducted 41 interviews in a three-week period, including representatives from one GOT agency, seven donors, two accounting firms, three banks, five training institutions, five business support organizations, and met with over 70 private sector firms. (Assessment Methodology and contacts are described in Annexes 1-3)

II. DEVELOPMENT PRIORITIES FOR TANZANIA

A. USAID Development Priorities

USAID/Tanzania's primary development priorities have remained basically unchanged since the AID program was reactivated 1987, after having been under Brooke Amendment restrictions since 1985. As stated in a March 12, 1987 concept paper, and a July 1989 CDSS, currently under review in Washington, the mission's primary goals are to:

1. Support the GOT Economic Recovery Program (ERP)
2. Improve the transportation system to better evacuate the country's agricultural products
3. Strengthen market mechanisms and the private sector

USAID/Tanzania has concentrated its support in program activities designed to support the ERP. This includes encouraging essential policy changes in the Tanzanian agricultural transport sector through the Agricultural Transport Assistance Program (ATAP) under the African Economic Policy Reform Program (AEPRP). USAID/Tanzania has provided two U.S. dollar foreign exchange grants of \$12 million in 1987 and \$7.2 million in 1988 to allow the importation of commodities critical to transport, particularly truck spare parts, tires, and road rehabilitation equipment. Other objectives include increased government allocations for road maintenance and an increase in the use of private contractors for road construction and repairs.

A second transport project is the \$45.59 million grant to the Tanzania-Zambia Railway Authority (TAZARA) to rehabilitate the regional railroad. The project includes the purchase of locomotives and other equipment, repair of rail infrastructure and maintenance facilities, and technical and management training. The training includes 1) on the job technical and management training for supervisors, engineers, technicians, artisans and inventory clerks; 2) management training for mid, upper-level and senior TAZARA managers; 3) U.S. long and short term participant training for accountants, engineers, planners and managers; and 4) short-term study tours for lower-grade mechanical engineering staff.

Local currency generated from USAID/Tanzania's Food for Peace Program is used on the mainland and in Zanzibar to rehabilitate roads, reform marketing structures, supplement funds for agricultural production and limited responses to food shortages.

USAID/Tanzania also has a number of health-related activities, including a family planning project, AIDS Education and control project, and recently completed a Malaria control project on Zanzibar.

HRDA activities for FY 1988 were directed at training for the Ministry of Communication and Works, Tanzania Harbour Authority, Tanzania Railway Corporation, and the National Transport Corporation, as part of the mission's emphasis on transportation and infrastructure. In order to increase private sector participation in FY 1989, USAID/Tanzania ran an advertisement in the Tanzanian newspapers announcing U.S. long and short term training and business internships, which drew 4,500 responses. In August 1989 USAID/Tanzania selected around 30 long-term and 95 short-term training participants and was preparing to interview private sector candidates for 60 OIT Entrepreneur's International internships. (See Annex 6 for details of HRDA FY 1988 and 1989 activities).

Underlying all of these ongoing program activities is a solid mission commitment to support increased participation of women in development activities and to encourage the growth of the private

sector.

B. USAID Private Sector Strategy and its Relationship to Training

USAID/Tanzania, through its support for policy reform in the areas of trade liberalization, removal of inter-regional trade restrictions, decontrol of commodity pricing and distribution, awarding of road construction work to private contractors, and the opening up of import-export trade to private entrepreneurs, has provided substantial indirect support to the private sector in a country where most donor aid has gone into unsuccessful government parastatal projects, and where the private sector has until recently been severely restricted in its range of activities.

Currently, the mission is reviewing a number of options as part of its private sector development strategy. Those options were listed in the July 1989 CDSS as including:

- Strengthening of the Chamber of Commerce, Industry and Agriculture in its substantive function of promoting private sector indigenous entrepreneurship and continuing dialogue with the government of Tanzania;
- The increase of local currency generations programmed for use in the private sector, particularly in rural roads maintenance done by private contractors;
- The expansion of commodities eligible for import by private firms engaged in the roads transport network;
- The training of indigenous male and female entrepreneurs as a nucleus for future private sector development;
- The promotion of ties between U.S. and Tanzanian firms; and
- The continuation of discussions with the government that emphasize dismantling of the loss-making parastatals and "freeing up" foreign exchange allocation, financial institutions, marketing boards, credit, and the exchange rate.

In general, USAID/Tanzania seeks to create an enabling environment for the private sector, through efforts to expand indirect assistance to the sector.

Through the HRDA project the mission plans to provide more

active support to the private sector, of which the public advertisement for FY 1989 training slots was a beginning. The current PSTNA, encompassing an analysis of the private sector environment, an assessment of private sector training needs and an FY 90 - 92 training plan provide the next step in the mission's private sector training strategy.

After years of being tightly restricted, Tanzania's private sector has only recently begun to regain a freedom of movement not seen in over twenty years. As such there is a critical lack of skills in how to run a private business, how to operate on a free market, and how to survive in open competition with both local and international competitors. Despite these handicaps, Tanzania does have much human potential, in its entrepreneurial talent, fledgling business associations, and its active but underfunded training institutions.

Training can play a critical role in enhancing the private sector's rapid and steady growth, as there are agricultural and other resources which have not been reaching the market while under state control. This HRDA private sector training strategy is designed to address those training needs most central to private sector growth.

III. PRIVATE SECTOR ENVIRONMENT

A. Policy Environment and Economic Performance

1. Policy Environment

When Tanzania achieved its independence in 1961, its economy was almost totally dependent upon subsistence agriculture and a few cash crops grown on commercial estates. The industrial sector was very small and privately owned and few Tanzanians had professional, university or managerial skills. While the colonial administrators had set in place a limited number of parastatal type organizations, privately owned businesses were responsible for almost all economic activity in the country. In spite of an undeveloped physical and human infrastructure, the country experienced several years of rapid economic growth. This growth was spearheaded by the commercial success of a large number of privately owned and very effective farmer's cooperatives located in all parts of the country.

Between 1961 to 1970, agriculture GDP grew at about 5 percent per annum, well above the sub-Saharan African average of 2.5 percent per annum. Food production grew at an estimated 5.5 percent per annum over the same period. With an annual population growth rate of 2.7 percent per annum, per capital agricultural GDP and food production grew at 2.2 percent per annum and 2.7 percent per annum respectively over that period. Meanwhile, agricultural exports grew at 3.8 percent per annum as the volume of marketed coffee, cotton, cashewnuts and tobacco doubled between 1960/61 and 1966/67. Between 1966/67 and 1973/74, the marketed quantities of cashewnuts and tobacco doubled again. This rapid growth was the result of the combination of favorable weather, sound economic policies which stressed agriculture's central role in the economy, and favorable terms of trade.¹

Growth in the industrial sector was moderate, and was based primarily on continued relatively low levels of foreign investment into privately held businesses in existing industries.

Through the mid-sixties, the GOT was optimistic about its ability to attract additional private foreign investment into those sectors of the economy that it wanted to expand. In fact, in 1966, President Nyerere stated that "the main thrust in industrial investment was to come from private investments" with the public

¹IBRD, Staff Appraisal Report. Tanzania Agricultural Export Rehabilitation Project. March 1, 1988. p. 3

sector "filling gaps left by private investments."² At the same time, to encourage private sector led development, the GOT "...introduced a number of incentives, for example, accelerated depreciation allowances, tariff protection and guarantees of profit repatriation. And the first Five Year Plan (1964-1969), while adopting an ambitious public investment program, nevertheless assumed a private investment share of 75 percent in the industrial sector."³

Unfortunately, growth of GDP was not matched by improvements in the quality of life for the average rural citizen, the shift of ownership to "indigenous" Tanzanians or equity in the distribution of income. In addition, the rapidly expanding agriculture sector was producing increasingly powerful private farmer cooperatives that were beginning to pose a real threat to the power of the GOT and the CCM.

To respond to these concerns and other concerns about the direction of the economy, the GOT adopted a policy of "African Socialism" with the issuance of the Arusha Declaration in February, 1967. The stated goals of this new policy were:

- o To promote self-reliance;
- o To force the pace of economic development by mobilizing and generating surpluses for investment that might otherwise be used for consumption or leave the country;
- o To change the pattern of development, placing more emphasis on rural and agricultural development and production to meet basic needs;
- o To distribute the fruits of development more equitably by increasing productivity, employment and the standards of living of the masses, concentrating on the production of basic needs and eliminating profiteering and exploitation; and
- o To accomplish these ends efficiently and at a minimum cost to the economy.⁴

These are all desirable goals. They focus on the needs of

²IBRD. Parastatals in Tanzania: Towards a Reform Program. July 27, 1988. p. 2. quoting from the First Five Year Plan and a policy statement by then President Nyerere introducing the Second Five Year Development Plan (1969-1974).

³Ibid.

⁴Ibid., p. 3.

all of the citizens of the country, not just the fortunate few from well off families or with political contacts. It also important to remember the context of the late 1960's. The Basic Human Needs Mandate was sweeping the world, and many governments were rebelling against what they saw as the excesses of unprincipled business people in America, Europe and the developing world. In fact, the one major success of the Arusha Declaration is that it solidified Tanzania as a country with one language and one people. This has spared Tanzania the problems of tribalism that still hinder countries like Northern Ireland, Israel, Romania, the USSR, Uganda and South Africa. In fact, the main problem was not the goals, it was the choice of policies and actions that the GOT chose to implement these goals.

Immediately after the Arusha Declaration in 1967, private cooperatives were abolished and replaced with government created and controlled units run by leaders who were loyal to the party, but who did not necessarily command the respect or the loyalty of the farmers in their communities. More importantly, the destruction of private cooperatives eliminated community-based organizations that had developed a management and incentive system that encouraged farmers to produce more and increase their yields. In its place came the incentive dulling "socialist" approach where good performance was no longer awarded and bad performance was never penalized.

In the next decade, private firms were nationalized and their managers were replaced with politically loyal individuals who generally lacked the professional or managerial experience to maintain firm performance. Privately owned firms, factories and property were nationalized without compensation and the business community and its representatives were virtually forced underground. Many Asian business owners left the country entirely.

In the name of improving the quality of life for rural residents, long established agricultural and trading and living patterns were disrupted and citizens were first encouraged and then forced by the army to move to central "ujamaa" villages by the end of 1976. While this resettlement program did improve the quality of public services available, it came at a high cost. The managerial system necessary to govern these new villages exceeded existing capabilities. Farmers were moved miles away from their fields and their other crops; privately owned trading, storage and transport businesses that had developed over the years were replaced over night with new GOT organizations; and the GOT's recurrent budget skyrocketed as it took on many of the services that were performed in the past by the private sector or new social services that had not previously existed.

The impact on agricultural productivity is perhaps best demonstrated by the following chart:

MARKETED AGRICULTURAL EXPORT PRODUCTION
('000 metric tons)

	Peak Amount/Year	1976/77 % peak	1980/81 % peak	1985/86 % peak	1988/89 % peak
Coffee	66.6 80/81	48.7/73%	66.6/100%	54.0/81%	64.9/97%
Cotton	194.7 76/77	194.7/100%	184.8/95%	154.8/80%	249.5/128%
Tea	18.5 77/78	15.2/82%	16.3/88%	15.5/84%	17/92% <u>est.</u>
Cashewnuts	140.0 75/76	140.0/100%	57.2/41%	32.5/23%	20.0/14%
Sisal	240.0 64/65	119.1/50%	73.8/31%	32.2/13%	36.0/15%
Tobacco	18.8 76/77	18.8/100%	16.8/89%	12.5/67%	15.6/83%
Pyrethrum	4.9 75/76	3.4/69%	2.0/41%	1.4/29%	1.9/39%

Source: Ministry of Agriculture & Livestock Development Reports, Marketing Development Bureau Reports and consultant's analysis.

This chart clearly shows that in the decade after the "ujamaa" village creation process was completed, production of Tanzania's key cash crops dropped by 16% to 87%. Only cotton has exceeded the levels of production that preceded the government's resettling of the rural populace.

At the same time as agricultural systems were being disrupted, the government stopped reinvesting the surpluses produced by the agricultural sector into agriculture and infrastructure development and maintenance. Instead, it invested in the development of industrial schemes that exceeded market requirements and production capabilities. This exacerbated the problems described above. For not only was the production and distribution system in the rural areas disrupted, government assumption of the marketing function completed the cycle of disruption. As GOT control of the agricultural sector deepened, fewer and fewer crops grown for export made it to the export market. The following chart illustrates this phenomenon.

COMPARISON BETWEEN THE PURCHASE AND SALE OF EXPORT CROPS
('000 metric tons - 1980/81)

	Amount Purchased	Amount Exported	Difference Btn Buy/Sell	Est. Value of Difference
Coffee	66.6	55.7	10.9	\$29,394,390
Cotton	184.8	38.0	146.8	\$242,495,431
Tea	16.3	14.4	1.9	\$2,801,010

Cashewnuts	57.2	14.4	42.8	\$62,127,108
Sisal	73.8	53.2	20.6	\$12,200,809
Tobacco	16.8	9.7	7.1	<u>\$10,923,638</u>

TOTAL \$359,942,386

Source: Ministry of Agriculture and Livestock Development Reports, Customs and Bank of Tanzania Reports and Consultant's Analysis.

This chart only shows the foreign exchange potential of those crops that were not exported. Tanzania did not forgo \$360 million in foreign exchange. The analysis includes a number of rounding and weighing assumptions. It is also reasonable to assume the majority of the tobacco, tea, coffee and cotton that was not exported was consumed domestically. What is important, however, is the magnitude of the numbers. In 1981, Tanzania earned \$338.62 million in foreign exchange from the above export crops, an amount that is more or less equal to the unrealized market potential detailed above. In the same year, the total value of its manufactures production export was only \$55.39 million, yet substantially all GOT investment was still focused on industrialization.

The return on GOT investment in agriculture would have greatly exceeded that realized by its investment in industrial parastatals. More importantly, investing in agriculture would have created an internally generated market and need for industrial products in due time that would have been self financed by the internal market.

In theory, it is possible that Tanzania might have been able to survive nationalization and turn its economy around. But in the midst of this economic experiment, Tanzania was struck by a series of major external shocks:

- o Two massive oil price increases;
- o A period of unprecedented drought;
- o Unrelenting deterioration in the terms of trade for Tanzania's key agricultural commodities;
- o The break up of the East African Community;
- o The closure of the border with Kenya and the resulting destruction of the tourist industry; and
- o The war with the Idi Amin government in Uganda.

These shocks overwhelmed the ability of the country to cope with a rigid, government directed economy. The combination was deadly and change only occurred when the patient was in the intensive care

ward receiving the last rites.

While the GOT's goal of self-reliance and equality was worthy of support, the GOT and the donor community failed to objectively assess Tanzania's market position and the human capital implications of the GOT's plans before taking precipitous action. At independence, Tanzania had only a handful of trained managers, professionals and senior government officials. Yet in the course of only one decade the GOT created more than 400 new parastatals and thousands of new "ujamaa" villages. The requirements for successful implementation of this major undertaking were never fully evaluated and the result was economic disaster and personal misery that could have been avoided. When the GOT and the donor community finally accepted the fact that government control of the economy was a failure, Tanzania had two days of foreign reserves, its economy was in shambles, its infrastructure had stopped functioning and its citizenry was demoralized.

By the beginning of the 1980s, it was clear that Tanzania was dying and the GOT determined that a significant change in direction was required if Tanzania was to begin to grow again. Internally generated changes in the early first few years began to address some of the changes required for economic recovery, but they were too little and too late. Only in 1986, at the first Consultative Group Meeting on Tanzania in a decade, did the GOT announce and then begin to implement an approach that promised real change for Tanzania's economy and its citizens - The Economic Recovery Programme (ERP).

The ERP aimed at achieving a positive growth rate in real per capita income, reducing the rate of inflation, and restoring a sustainable balance of payments position. Its main thrust was to reduce distortions and encourage more efficient resource allocation while exercising fiscal and monetary restraint. In the public section, rehabilitation of the transport infrastructure and support for agricultural production were identified as the most urgent priorities. The measures initiated at the time of the 1986/87 budget included: (i) significant exchange rate adjustments, aimed at achieving an appropriate rate in 1988; (ii) adjustment in interest rates, aimed at achieving real positive rates by mid-1988; (iii) increases in producer prices in real terms for export crops; and (iv) a significant reduction in the number of price-controlled items, with the aim of attaining by mid-1988 a decontrolled price regime for all but 12 categories.

These measures, together with targets limiting overall credit growth and GOT borrowing from the banking system, formed the basis for an 18-month standby arrangement approved by the IMF board in August 1986.

Complementary measures in agriculture policy (eliminating all remaining restrictions on the transport of grain, and allowing cooperatives to export directly without resort to the marketing boards) and measures aimed at improving foreign exchange allocation and trade regime (both domestic and external) were supported by a Multisector Rehabilitation Credit (MRC) which was approved by the World Bank Board in November 1986. All conditions attached to its three tranches were fulfilled.⁵

In implementing ERP, the GOT has made sweeping changes to the role and power of the public sector and has significantly freed the private sector to provide those goods and services that it can at competitive prices. The GOT has also made great progress in rehabilitating its own credibility with the donor community and the commercial world at large. As a result, many investors and donors are again looking at Tanzania as a potential target for investment and development.

Notwithstanding very real problems, Tanzania is now in the midst of the most significant change in attitudes by the government towards the private sector since the Arusha Declaration. For the first time in two decades, the government has taken concrete steps to make it significantly easier for privately owned firms to both do business in the country. These changes have already had a significant impact in the attitude of members of the public, the government and the party towards increased private sector participation in the economy. These changed attitudes give rise both to greater opportunities for growth and to caution. The caution arises because too rapid of a change accompanied by increased poverty could result in a political backlash that would stop all progress.

While the GOT has made great progress in redirecting its policies and its priorities, there is still significant room for improvement in the donor community. Virtually no major bilateral donors provide significant support specifically targeted at the private sector. The largest of these, the Scandinavian countries, have funded a large array of poorly performing parastatal industries constructed around the country, and continue to support hundreds of technical advisors who keep these white elephants operating at 10 percent to 30 percent of capacity. These donors have also indicated they will probably continue to fund these industries, despite the fact that they have yet to show a positive

⁵IBRD. Report and Recommendation Of The President of The International Development Association To The Executive Directors On a Proposed Development Credit In An Amount Equivalent to US\$135 Million To The United Republic of Tanzania For An Industrial Rehabilitation and Trade Adjustment Program. November 22, 1988. p. 3.

return on their investment, rather than redirecting their focus to other private or public projects which may be more commercially viable and economically sound. As long as the GOT can depend upon the Scandinavians to bail out the economy, sustained long term growth is unlikely to be assured.

On balance, however, the policy changes of the past three years have reinvigorated the economy and seemingly everyone, including the wives of ministers and party members, are looking for business opportunities. If the GOT issues a liberal foreign investment code in the next few months and allows multinational hotels, banks and other companies to enter the economy, USAID/Tanzania believes the moves taken so far could solidify into the long term economic renaissance of the Tanzanian economy. If, however, the GOT falters and the party is able to reassert its fear of a successful private sector, Tanzania's economic recovery will be in doubt because it is unlikely that a return to the bankrupt policies of the past will receive the donor support necessary to sustain the economy.

2. Economic Performance

Two data sets prepared by the World Bank clearly describe the decline of the Tanzanian economy and the beginning of its recovery. The Structure of Production chart that appears below shows how Tanzania's economic position deteriorated over a 22 year period relative to other low income countries. During this period, Tanzania became increasingly dependent upon agriculture. The country's GDP grew slower than its low-income competitors and it suffered significant declines in the productivity of its industrial, manufacturing and services sectors.

STRUCTURE OF PRODUCTION

	<u>Low-income economies</u>	<u>China and India</u>	<u>Other low income</u>	<u>Tanzania</u>
GDP (US\$ Mil)				
1965	115,450 ₧	111,850 ₧	42,880 ₧	790
1987	756,130 ₧	514,210 ₧	239,390 ₧	3,080
% GDP Growth (65-87)	554.94%	359.73%	458.28%	289.87%
Distribution of GDP (%)				
Agriculture				
1965	43% W	42% W	45% W	46%
1987	31% W	30% W	33% W	61%
% Change (65-87)	-28%	-29%	-27%	+33%

Industry				
1965	27% <u>W</u>	31% <u>W</u>	17% <u>W</u>	14%
1987	37% <u>W</u>	41% <u>W</u>	27% <u>W</u>	8%
% Change (65-87)	+37%	+32%	+59%	-43%
Manufacturing				
1965	20% <u>W</u>	24% <u>W</u>	9% <u>W</u>	8%
1987	12% <u>W</u>	5%
% Change (65-87)	N.A.	N.A.	+33%	-38%
Services, etc.				
1965	30% <u>W</u>	27% <u>W</u>	38% <u>W</u>	40%
1987	32% <u>W</u>	29% <u>W</u>	40% <u>W</u>	31%
% Change (65-87)	+7%	+7%	+5%	-23%

Source: World Bank Development Report: 1989. Table 3. p. 168.
Consultant's Analysis.

The Bank's Key Macroeconomic Indicators chart shows Tanzania's economy hitting bottom in the early 1980s and the positive impact of GOT policies and actions and IMF and Donor support. It is clear, however, that the projections for 1988, 1989 and 1990 were too optimistic and that recovery will take longer than anticipated.

KEY MACROECONOMIC INDICATORS

	-----actual-----						-projected--	
	1981	1983	1985	1986	1987	1988	1989	1990
GDP Growth rate	-0.5	-2.4	2.6	3.6	3.9	4.0	4.5	4.5
GDY Growth rate 1	-2.2	-1.7	2.6	4.5	2.4	4.3	4.3	4.6
GDY/Capita growth rate	-4.9	-4.7	-0.7	1.2	-0.9	1.2	1.2	1.5
Debt service (in US \$m) 2	77	57	60	69	83	397	374	371
Debt service/XGS 2	10.3	11.8	15.5	16.0	18.7	76.8	64.7	55.2
Debt service/GDP 2	1.3	0.9	0.9	1.4	2.4	14.3	13.0	12.2
Gross investment/GDP	20.6	13.7	15.7	15.9	15.8	15.8	15.8	15.7
Domestic saving/GDP 3	12.1	7.4	5.8	2.5	-4.4	-13.7	-15.1	-13.4
National savings/GDP 3	12.1	7.2	8.9	6.2	-1.3	-12.6	-13.2	-10.8
Public investment/GDP	10.1	6.5	4.9	6.5	7.0	6.9	6.8	6.7
Private investment/GDP	10.5	7.2	10.8	9.4	8.8	8.9	9.0	9.0
Ratio of public/private investment	96.6	90.2	45.0	69.5	76.3	76.7	76.3	75.7

GOT revenues/GDP	18.5	19.8	16.8	15.1	16.2	19.8	22.0	22.8	
GOT expenditures/GD	32.7	28.2	25.4	23.0	24.3	28.5	31.9	31.8	
Deficit(-) or surplus(+)/GDP	-14.2	-8.4	-8.6	-7.9	-8.0	-8.7	-9.9	-9.0	
Exports growth rate 4	19.7	-12.0	-13.5		-4.8	16.7	6.2	8.9	11.5
Exports/GDP 3	12.6	7.7	5.7	8.8	12.6	18.4	20.0	21.5	
Import growth rate 4	-2.1	-23.5		16.7	6.1	0.7	0.9	1.6	2.1
Imports/GDP 3	21.2	14.0	15.6	23.3	35.6	48.0	49.3	47.9	
Current account (US\$ m.)	5-506	-426	-491	-479	-598	-789	-832	-816	
Current account/GDP 3	-8.5	-6.5	-6.8	-9.7	-17.1	-28.6	-29.0	-26.5	

Memo items:

GDP (current US\$ m.)	5927	6278	6902	4929	3503	2781	2835	3043
Exchange Rate 6	8.3	11.1	17.5	32.7	64.3	102.2	137.8	155.5
Domestic Inflation Rate	25.7	27.3	33.3	32.4	30.0	25.4	19.6	14.9

Notes:

- 1 GDY=GDP adjusted for changes in terms of trade.
- 2 1981-1987 figures are actual debt service payments, while from 1988 onwards scheduled payments before debt relief are shown. The debt service ratio shows debt payments in relation to exports of goods and services, excluding private transfers.
- 3 Ratios are calculated in current terms. The large swings in the ratios of exports, imports, current account deficit and national savings to GDP in the period 1986 - 1989 are primarily related to the adjustment in the exchange rate. In earlier years the overvaluation of the Tanzanian shilling caused external flows to be undervalued in local currency terms. Similarly, the US dollar value of GDP has been overvalued in the past, when converted at the official exchange rate.
- 4 Export and import growth rates are in volume terms, and relate to goods and service.
- 5 Until 1988, current account deficit is based on actual payments made, while projection are based on scheduled payments before debt relief.
- 6 Yearly average. From 1989 onwards, assumed projection based on differential inflation, assuming constant real effective exchange rate.

Notes: Growth rates are expressed in constant terms, ratios to GDP in current terms.

These two charts present the equivalent of a balance sheet and income statement on Tanzania's economy. For a more deeper understanding of what happened and prospects for the future, one must turn to documents that give the position of Bank and Tanzanian economists.

⁶IBRD. Industrial Rehabilitation and Trade Program. p. 37.

World Bank economists found that:

[F]rom 1966 to 1976, GDP in constant prices grew at 4.6 percent per year, little more than 1 percent above population growth. Since then, it has grown at 1.7 percent per year with the result that GDP per capita is lower today than it was in the early to mid 1970's. Value added and production in the manufacturing sector, where investments by parastatals have been concentrated, has actually declined between 1976 and 1986, from 3.1 to 1.0 billion shillings (in 1976 prices), a decline of 68 percent.

Throughout most of this period, gross fixed capital formation has been declining, from 24 percent of GDP in 1976 to 16 percent in 1985 and 17 percent estimated for 1986. Most of this decline results from declines in parastatal and central Government investments; from 1977 to 1985 these components declined in constant prices by 65 and 60 percent respectively, whereas private investments declined by 22 percent.

Over the same period the amount of domestic savings mobilized from GDP to finance this investment also declined, from 20.8 percent in 1976 to 6.8 percent in 1985 and as low as 2.2 percent in 1986. Thus, the economy has become ever more dependent on foreign aid and loans to finance investment, not less so as envisioned by the authors of the Arusha Declaration.⁷

In 1986, for the first time since 1980, the rate of growth of real GDP, at 3.4 per cent, exceeded the population growth rate. The 1987 real GDP growth rate accelerated to an estimated 4 percent, but a 21 percent terms of trade deterioration (mainly due to declines in coffee, tea and tobacco world prices) resulted in a reduction in income per capita and in virtually no increase in consumption per capita during that year, based on statistics from the official economy. [Since the introduction] of the ERP, it is evident that a major change is occurring in the economic dynamics of the country and in the expectations of both the population at large and the business community. But much of the observed growth in economic activity is taking place outside of the official sector and is not fully captured in the GDP statistics. This informal sector growth applies to all spheres of economic activity, including food supply, external and domestic trade, tourism and small-scale activities. (emphasis added)⁸

The assessment team saw numerous examples of the vibrancy of the informal sector during its time in the country and noted the so-called informal sector activity includes many traditional businesses. A number of

⁷Op.Cit., Parastatals, pp. 11 - 12.

⁸Op. Cit., Industrial Rehabilitation And Trade Adjustment Program, p. 4.

senior government officials have major private sector businesses that are not disclosed to the public. In addition, one established business man told the PSTNA assessment team point blank that "I buy my supplies on the black market because there is no delay. In any case, when you factor in bribes and red tape, it costs just as much as to buy them legally."

The ERP ended on the last day of June, 1989 and the GOT is negotiating with the Bank and the IMF for a second phase. The Economic Research Bureau of the University of Dar Es Salaam in collaboration with the Ministry of Finance, Economic Affairs and Planning publish Tanzanian Economic Trends: A Quarterly Review of the Economy. The January, 1989 edition of this publication contains an interesting evaluation of the current economic condition and government attitudes.

The economic performance during the ERP has been commendable, but major problems still exist that need to be resolved before the economy moves to a self sustaining growth path.

During the ERP period imports in dollar terms recovered from their low levels of 1983 and 1984. In 1988 the value of merchandise imports is estimated to be around \$1,185 million compared to \$814 million in 1983 - a 45.6 percent increase in nominal terms and a 30.0 percent increase in real terms, assuming an average imported inflation [rate] of 3 percent per year. The volume of imports is still lower than that of 1980 but its distribution is in favor of consumer goods and intermediate inputs. Availability of consumer goods and intermediate inputs is better at present than any other time in the 1980s...

Official exports in dollar terms are estimated to have grown by 7.3 percent in 1988 compared to a zero growth rate in 1987. This growth rate is far lower than the ERP target of 19 percent. The estimated value of official exports is only 67 percent of the value attained in 1981. Officially recorded exports, however, do not provide a true picture of export performance. Unofficial exports have become important. Most of the own funded imports are financed by un-recorded exports. Total exports in 1988 were probably around \$868 million, including \$372 million of official recorded exports and \$314 million of own funded imports.

The inflation rate in 1988 decreased to 28.2 from 30 percent in 1987...The ERP target of reducing the inflation rate to 20 percent has proved difficult to achieve. Real incomes from formal sector employment continue to drastically decline adversely affecting morale and morality in public service and hence reducing productivity. While private sector activities are booming, sustained economic growth and structural transformation requires a strong public service sector that can deliver public goods and influence the private sector to move into activities that are socially desirable through effective use of fiscal and monetary policy instruments. The erosion of incomes from public service and the inability to provide necessary working tools and a conducive

environment is a major bottleneck to long term development. This problem cannot simply be addressed by increasing wages and salaries across the board to all public sector employees. The recurrent budget is already recording a large deficit that is sustainable without external funding or inflationary bank borrowing. It would be preferable to have a smaller public service concentrating on well defined high priority activities, remunerated adequately and working under effective discipline to deliver the public services necessary for sustained growth and structural transformation. (emphasis added)

This attitude represents a significant commitment to the continued need to reduce the role of the government in the economy. Continuation of this position bodes well for the future of economic reform in Tanzania.

The mission agrees with the Economic Research Bureau that the success of the ERP is mixed. The Bank and bilateral financed Open General Licence programs and the agreement with the IMF have resulted in a significant increase in the availability of foreign exchange for crucial agricultural, industrial and consumer imports. The own-import schemes and the export retention programs have galvanized the private sector into looking for new opportunities for business. In addition, there is a growing belief that private sector led growth is here to stay and that one must move quickly if one is not to be left behind. It is common knowledge in Dar es Salaam that growing numbers of GOT officials and employees buying plots of land in villages based upon their belief that GOT and parastatal employment will continue to be reduced.

On the other hand, while there are many more consumer products in the market, there is a general consensus among observers that inflation, devaluation and the reduction of government employment and spending had reduced the buying power of most Tanzanians and had increased the gap between the rich and the poor. If this phenomenon continues at too rapid a pace, popular support for the continued liberalization of the economy could wane and the GOT might be forced to reverse its position.

While the economy has certainly rebounded, there are many analysts who question whether the improvement occurred as a direct result of the ERP or in spite of it. For example, while agricultural production has increased by an average of 4.5 percent per year since 1986, the purchase of fertilizer declined by 8 percent last year while the price of tractors increased by 4.3 percent. In addition, this period was marked by unusually consistent and

⁹The Economic Research Bureau of the University of Dar Es Salaam. Tanzanian Economic Trends: A Quarterly Review of the Economy. Published in collaboration with the Ministry of Finance, Economic Affairs and Planning. January, 1989. Vol. 1., No. 4. p.

steady rains in all major growing areas of the country.¹⁰ A major ERP goal was to increase producer prices by 5 percent per annum. Unfortunately, this goal has been undermined by the combination of devaluation of the T Shilling and inflation.

As a whole, prospects for the future are positive. In introducing the 1989/90 budget, Mr. Cleopa Msuya, Minister of Finance, outlined a series of goals of the new budget that are all consistent with growth in the private sector. They include:

- o Increases in the volume of export commodities and foreign exchange earnings;
- o Rehabilitation of the transport network and an increase in the availability of transport;
- o Elimination of the problems affecting cash crops, with specific focus on cotton, coffee and tobacco;
- o Initiation of measures to raise revenue generation and bring a balance between expenditures and internal revenue generation so as to reduce dependency on foreign aid to finance expenditures;
- o Increases in the level of industrial output through the effective use of existing capacity;
- o Preservation and consolidation of gains recorded in education, health, water services and other social services; and
- o Increases in the purchasing power of employees through reviewing salaries and reducing the rate of inflation.

If the government is able to continue the progress begun under the ERP, implement the goals of the budget speech and continue to dismantle unnecessary and ineffectual controls, Tanzania's economy should continue to recover from twenty years of neglect.

B. Breadth of Business Base and Infrastructure

1. Breadth of Business Base

There is very little reliable information about the composition of the business sector because so much activity is in the unrecorded and unregulated informal sector. However, using existing official statistics on wage and salary employment, some conclusions can be drawn about the nature of distribution of business activities.

WAGE & SALARY EMPLOYMENT BY SECTOR - 1983 - 1986

¹⁰Khalid, Dr. Alex. More Condemned To Hoe: ERP farm policy a flop? Business Times, July 21, 1989. No. 38. p. 1.

SECTOR	-----Number of Employees-----				Sector % of Total (%)
	1983	1984	1985	1986	
Agriculture	131,879	134,754	136,538	137,031	18.3
Mining	7,555	8,310	8,584	8,867	1.2
Manufacturing	115,394	121,671	134,557	128,681	17.2
Water & Power	26,101	26,602	26,645	27,539	3.7
Construction	50,142	52,699	30,227	26,411	3.5
Trade	43,960	45,270	48,124	49,177	6.6
Transport & Communication	61,132	62,073	71,379	72,934	9.7
Finance	19,232	22,271	25,122	27,970	3.7
Other Services	231,476	258,559	266,563	270,258	35.1
TOTAL	686,871	732,209	747,739	748,868	100.0

Source: GOT: Economic Survey for 1986. Ministry of Labour and Manpower Development. June, 1987.

In 1985, the GOT estimated the public/private distribution of the wage/salary work force as follows:

- o GOT - 287,947 employees or 38.5 percent.
- o Parastatals - 258,497 or 34.6 percent.
- o Private - 201,299 or 26.9 percent.

It is the mission's sense that there has been a significant increase in and broadening of the private sector's role in Tanzania's economy as a result of the liberalizations of the ERP. Most of this growth has occurred in the commerce and transport sectors. Significant growth could occur in the agribusiness, industrial and tourism sectors if the GOT issues an investment code that makes longer term, capital intensive investments easy, profitable and secure.

2. Infrastructure

Rehabilitation of the transport sector was another major goal of ERP. Unfortunately, the massive investment that has gone into this sector has yet to show significant returns. The railroad system, which goes through major growing regions, is still unable to respond to more than 10 to 15 percent of

the demand. And while the numbers of cars, trucks and busses has increased since the adoption of the ERP, the price of fuel and spare parts has also risen significantly.

The poor condition of the roads reduces the benefits of these capital purchases by reducing efficiency, increasing costs and shortening the useful life of motor vehicles. Trips by lorry that used to take a day now take half a week, and the cost of transportation has grown at an inflationary rate as a direct result of the increased costs that transporters must assume in operation and maintenance costs due to the poor quality of the roads.

Village and regional warehouse facilities are not adequate to meet demand and even where they do exist, the failure of the transport system has resulted in many instances where products in warehouses have lost all commercial value before they could be shipped to market. Those products that do get to ports of exit find a perpetual condition of congestion and governmental interference. In addition, many of the newly imported products and supplies that have come onto the market are more a reflection of savings that were kept out of the country and smuggling operations rather than the generation of significant sources of new foreign exchange and increased domestic savings rates.

Finally, Air Tanzania, one of the keys to the revitalization of the tourist economy and a potential significant earner of foreign exchange, is in serious danger of falling apart. Nine pilots have resigned from Air Tanzania since January.¹¹ The airline is facing a major problem in retaining its most experienced pilots due to low salaries and deteriorating operating conditions. To respond to increased profitability pressures, the airline is laying off 310 workers for a 21.1 percent reduction in staff. It is also closing six domestic and foreign offices.¹² It is questionable, however, whether these changes can stem the growing loss of confidence in Air Tanzania's reliability. The airline has now earned a reputation for always being late, regularly cancelling flights with no notice and newspaper letters accuse workers of systematically using master keys to open and pilfer passengers luggage.

The deterioration in the Air Tanzania's reputation has resulted in a significant drop in its foreign exchange earnings as those who can choose Kenya Air or other modes of transportation into and out of the country. Significant change will require a major increase in pilots salaries, improved maintenance and the development of consistent on time service. These problems are of prime importance because Air Tanzania could represent an interim option for high value-added exporters given the condition of the roads, railroads and ports. Reestablishment of Air Tanzania's reputation is crucial if the GOT wants to support the rehabilitation of the tourism industry and expand a readily available source of foreign exchange.

¹¹Daily News. No Pilot Exodus At ATC - GM. July 22, 1989. No. 2061. p. 1.

¹²Ibid. July 20, 1989. No. 2059. p. 1.

The GOT can not overcome all of these hurdles by itself. But progress must be made if the economy is to continue to recover and the private sector is to have the infrastructure that it needs to expand. The decision of the GOT, USAID, the Bank and the donor community to make a major effort to rehabilitate the transport sector as quickly as possible remains a sound one. But the very nature of this time consuming and capital intensive process will result in significant change not being felt until some time in the future.

C. Banking and Finance Sector

1. Characteristics

The Tanzanian banking sector is comprised of the following entities:

- a. A central bank - The Bank of Tanzania (BOT);
- b. Two GOT owned commercial banks:
 - (1) The National Bank of Commerce (NBC), and
 - (2) The Peoples Bank of Zanzibar.
- c. Four development banks:
 - (1) The East African Development Bank - a multilateral organization,
 - (2) The Cooperative and Rural Development Bank (CRDB),
 - (3) The Tanzania Investment Bank (TIB), and
 - (4) The Tanganyika Development Finance Company, Ltd. (TDFL).
- d. A housing bank - The Tanzania Housing Bank.
- e. Four other specialized financial institutions:
 - (1) The National Insurance Company,
 - (2) The National Pension Fund,
 - (3) The Post Office Savings Bank, and
 - (4) The Diamond Jubilee Trust.

The GOT owns 100 percent of every bank except for TDFL, CRDB and the East Africa Development Bank. Tanzania does have a relatively large and extensive branch and mobile banking network, but most major decisions must be taken by each bank's head office in Dar Es Salaam. In addition, it is likely there is a very active, informal (and illegal), private banking system in the country.

According to the World Bank:

Tanzania's banks are deeply burdened with high (50 to 70 percent) loan portfolio arrears. These reflect (a) the failure of the GOT's past fiscal, price and exchange rate policies to produce stable, sustained and profitable growth for agriculture and industry; (b) the inefficiency of the financial system and its inability to apply consistent, sound technical criteria for lending; and (c) the absence of effective supervision of the policies and performance of the financial

institutions by their directors...Industrial projects have been particularly hard hit as many are import substitution oriented and foreign exchange dependent. TIB and TDFL are particularly affected by the devaluations of the Tanzania shilling as a substantial portion of their industrial sector lending is foreign exchange denominated. Fifty percent of CRDB's long-term development portfolio is affected by arrears as a result of the GOT's past directives to CRDB to lend almost exclusively to Ujamaa villages and parastatals. All of CRDB's borrowing and lending is in local currency.¹

2. SMEs: Credit Policy

Credit and liquidity remain a major stumbling block to the expansion of private sector activity. UNDP recently funded a report on the private sector that included an examination of the banking sector. Many of the observations of this report are germane to a discussion of credit policy viv-a-vis SMEs. The author used NBC as a proxy for the commercial banking sector due to its size and impact on the country's financial and credit system.

The objectives of the NBC Lending Policy include to encourage and stimulate agricultural production, to promote self-sufficiency in food and increased production of cash crops; to encourage and promote exports; to promote rural development through financing of rural projects involving crop husbandry, livestock, fisheries and small-scale industries by short, medium and long-term credit; to encourage and support public sector economic activities; to ensure the provision of working capital finance to all sectors of the economy; to promote economic growth through participation in the equity of capital of deserving enterprises of national economic priority; to support the government budget through purchase of government securities and; to maintain prudent lending activities commensurate with the maintenance of a viable commercial banking institution.²

As can be seen below, just the requirement of purchasing GOT securities guarantees that financial resources will be diverted out of the economy through investments with a negative return.

¹IBRD. Op.Cit., Agricultural Export Rehabilitation Project.
p. 9.

²Semboja, Joseph. The Role of the Private Sector in Support of Economic Development in Tanzania. UNDP, November 7, 1988. Dar Es Salaam. pp. 17 -18.

On its face, the bank's credit policies seem rational and reasonable if compared to standard banking procedures for more developed economies. But Tanzania is one of the ten poorest countries in the world, and massive government intervention in the economy for the past two decades makes many of the requirements most inappropriate for this country. As a result, bank credit requirements that mandate the production of land titles, collateral and seed capital have made it very difficult for most women, rural entrepreneurs and many small to medium size businesses to obtain credit.

The NBC offers twelve different credit facilities:

- o Overdraft - to finance the working capital needs of business.
- o Personal Loans - for customers with fixed incomes with a preference for salaried individuals.
- o Term Loans - to finance fixed investment needs of business. The minimum term is three years and the maximum term is ten years. The current interest rate is 31 percent.
- o Bills Discounting - an accounts payable financing system.
- o Promissory Note Financing - used to finance the purchase of goods and is repayable at fixed dates.
- o Invoice Discounting - an accounts receivable financing system.
- o Local Guarantees and Indemnities - money guarantees and performance guarantees to indemnify customers of NBC commercial clients from specific local risks.
- o Letters of Credits.
- o Bills Negotiation - in support of LOC transactions.
- o Local Acceptance - for cases where importers fail to obtain overseas or suppliers credit.
- o Foreign Acceptances - access to NBC's correspondent banking system.
- o Foreign Guarantees - guarantees supporting suppliers credits.

This is a full array of banking services. Unfortunately, it is like the menu in a restaurant that actually has a very limited stock. Everything seems appetizing until one tries to order.

3. SMEs: Credit Availability

The allocation of credit throughout the economy, which is mainly determined by NBC, is extremely inefficient. The current channelling of financial resources is both an outcome and a cause of the inefficient allocation of foreign exchange which exists. The allocation of a large share of credit resources to very unproductive activities is the result of the institutional weakness and rigidities at NBC and at the Central Bank, the remaining trade and pricing policy distortions and the inadequate financial and economic assessment in the provision of credit overdrafts at NBC. Relatedly, the objective of keeping many large unviable activities afloat results in the provision of large amounts of credit overdrafts to these activities. Under these circumstances, the imposition of aggregate credit ceilings for the economy has the unintended [but clearly inevitable] effect of leaving many efficient firms out of the official credit allocation system.³ (emphasis and comment added).

To address many of these issues, the GOT and donor community have come up with a number of different programs to pump foreign exchange into the economy.

For those who wish to earn foreign exchange through export, the GOT has come up with a number of export incentive programs. Most are designed to subsidize the cost of Tanzanian exports that cannot compete on the basis of price or quality due to the inefficiency of Tanzanian producers, or to help firms obtain and retain foreign exchange so they can buy the imported raw materials, equipment or spare parts that they require to do business. The MIT has an export finance facility called the Seed Capital Revolving Scheme (SCRS). SCRS is designed to provide initial foreign exchange funds to allow a firm to export manufactured products. The BET opens external accounts for a qualifying company and then the company can use the seed capital to purchase what it needs to import to produce the export product. When the company exports, it is allowed to retain sufficient foreign exchange to cover its initial seed capital plus 35 percent of any profit. 25 percent of this amount goes back to the BET to replenish the Seed Capital Fund and another 40 percent goes to an NBC account to be placed in the Bank of Tanzania's pool of foreign exchange. The exporting companies are reimbursed for these payments in T. Shillings at the official exchange rate at the time.

There also is an Export Retention Scheme which is much simpler

³Ibid., pp.9 -10.

in that no GOT subsidies are involved. Any person who exports non-traditional exports is allowed to retain up to 50 percent of foreign exchange earnings. To comply with this scheme, however, exporters have to use retention pool accounts maintained abroad by NBC. Retained foreign exchange earnings can only be used to import products that are indicated on the official import list. This list is limited to agricultural, marine and mining requirement; industrial production, education, tourism, communication, transport and construction, and medical and veterinary supplies.

The GOT has a special **Refund Against Exports of Cotton Products** program that subsidizes the use of Tanzanian cotton. It also has a number of special export/import agreements with Scandinavian countries that are limited to products of those specific countries. Finally, landlords who are paid their rent in foreign exchange are only allowed to keep 35 percent outside of the country, and Tanzanians living abroad are now allowed to bank their foreign funds in foreign banks.

USAID, the World Bank and many other donors have developed programs that allow Tanzanians to buy foreign exchange for certain targeted imports with Tanzanian shillings. These programs have improved the level of liquidity in the system. Most of the programs allow firms to order targeted imports by only making a 20% deposit when the goods are shipped. The importers do not have to commit the balance until the goods actually arrive. The big limitation of these systems regarding business people and entrepreneurs with little or no capital is that participants must have savings or a line of credit for the Tanzanian shillings equivalent of the foreign exchange. This requirement significantly limits the number of firms and individuals who can access these schemes. In addition, IMF-mandated lending ceilings have been reached by all financial institutions, so that even those business people who can meet bank credit application requirements are not able to access the amount of credit that they need.

The GOT has authorized the following interest rate structure in the country as of December 1, 1988.

INTEREST RATE STRUCTURE

DEPOSIT RATES

Savings	26.00%
Short-term (31-91 days)	16.00%
Fixed (3-60 months)	17.00-29.00%

LENDING RATES

Short-term loans	20.00-31.00%
Medium & Long term loans	21.00-31.00%
Housing and Mortgages	9.00-29.00%

Source: Tanzania Economic Trends. January, 1989.

These rates are too low to encourage savers to purchase medium to long term savings instruments and are too high to encourage business people to view bank credit as a viable source of medium to long term financing.

An example of GOT action that has the ultimate result of reducing liquidity in the banking system recently occurred. The Bank of Tanzania announced the interest rate structure on Government Securities for Financial Year 1989/90 in a front page notice in the national newspapers. The substance of this announcement appears below.

Instrument	Life Span	Interest Rate
Treasury Bills	35 days	14.5%
	63 days	15.0%
	91 days	15.5%
Treasury Notes	2 years	23.0%
	5 years	24.0%
	10 years	25.5%
	15 years	28.0%
	20 years	29.0%
Tax Reserve Certificates		16.5% ⁴

Commercial bank lending rates are averaging 31 percent, inflation is estimated to be over 28 percent and the T. Shilling has depreciated from 90 T. Sh. per US\$ in March, 1988 to 145.73 T. Sh. per US\$ as of the end of July, 1989, a 61.1 percent decrease in only five quarters. As a result, no rational investor will be attracted by the Bank of Tanzania new rates. The problem lies in the GOT's ability to require government owned or controlled financial institutions to purchase these government securities to help finance GOT deficits. By this action, the GOT competes with borrowers who are willing to pay market rates of return for available capital and forces government-controlled entities to allocate credit to instruments that guarantee them a negative return on their investment every day they hold them.

4. Commercial Bank Flexibility vis-a-vis SMEs

While NBC's policy is that the primary security for a loan is the viability of the project, the bank does not engage in cash flow lending and as a result, it is virtually impossible to receive

⁴Daily News, Notice To The Public. Bank of Tanzania. July 29, 1989. No. 2067. p. 1.

unsecured financing. The UNDP consultant found that:

Normally, bankers require that the security offered must have a legal validity, and be acceptable, tangible, adequate, with a stable value and easily realizable... [t]he securities usually called for are a legal mortgage over the project's landed properties, guaranteed by the directors of the firm supported by adequate tangible assets -- usually a legal mortgage over the director's personal houses, guarantee by third parties supported by adequate tangible assets -- usually a legal mortgage over the guarantor's personal houses, and all monies debenture over the project assets, and a chattel mortgage over movable assets...

The bank has attempted to deal with the problem of lack of certificates of title by accepting letters of offer for temporary registration while the processing of a certificate of title is in progress. Further, the bank sometimes accepts the assets financed by the loan to form part of the security, and this is taken care of by the all-monies debenture over the project assets. Chattel mortgages which are in fact relatively weak securities are also accepted by bankers as an additional means of assisting borrowers to be able to furnish some assets of value which could provide a security cover for a loan.⁵

NBC's investment in small scale industrial projects was initially limited to those projects approved by SIDO, a government parastatal (Small Industries Development Organization) created to foster the development of small scale industry in the country. NBC's role was to act as a financing partner for SIDO. SIDO's role in the process was to provide feasibility studies to insure the commercial viability of the projects and SIDO representatives participate in all NBC loan committee decisions about small scale industrial loans. The bank found that SIDO's capability for performing satisfactory feasibility studies was limited and that limiting investments to SIDO projects artificially reduced the potential loan set. As a result, the bank has created a Project Promotion office to seek out new projects and perform project appraisals on its own.

The bank was making efforts to be reasonably responsive to complaints by the private sector and recommendations by internal and outside analysts. For example, after receiving numerous complaints that bank lending policies discriminated against women, and reportedly following the intervention of the wife of the bank's chairman, the National Bank of Commerce has created a special women's division that:

⁵Ibid. pp. 33-34.

- o provides simpler loan application procedures and requirements for women applicants,
- o provides free feasibility studies of projects for women applicants, and
- o will make credit available at a slight discount for women applicants that it feels are qualified.

Unfortunately, the general sense in the business community is that the banking system still presents a major obstacle to the expansion of profitable business activities in Tanzania.

Two World Bank projects are increasing the flexibility of the commercial banking sector for private sector firms. Both the Bank's Agricultural Export Rehabilitation Project and its Industrial Rehabilitation and Trade Adjustment Program provide foreign exchange support to the commercial banking system that is specifically available to private sector firms. In addition, both projects involve technical assistance to private sector firms and management training for relevant commercial and central bank staff to improve their effectiveness in providing credit to the productive sectors -- public and private -- of Tanzania.

In closing, the liquidity crisis facing the private sector will end only when Tanzania: 1) significantly improves its balance of payments position through increased export activity and foreign exchange generating or substituting activity domestically, 2) adopts a progressive investment code, and 3) allows foreign and private banks to operate in the country. It is questionable whether the development of a stock exchange is either relevant or appropriate at this stage of Tanzania's economic development.

D. Human Resources

1. Educational Outputs

Tanzania's education system is poorly designed to meet the educational needs of an agricultural or industrializing economy. The GOT's focus on uniform primary education at the expense of investment in secondary and university education guarantees that the country's increasingly literate citizens will not have the real world skills that they need to earn a respectable living in the "new Tanzania."

Tanzania is one of the most agriculturally dependent economy in Africa, but its education system turns out school leavers and Form IV (10th grade) and university graduates who are poorly trained to address the employment needs and opportunities that are likely to be available in the country for the next two decades. The country has an agricultural university, but it has no school

of agribusiness and no training institutions that are specifically focused at producing managers and technicians for every stage of the agribusiness commodity system.

Sokoine University of Agriculture and its Institute of Continuing Education do offer courses that cover certain aspects of agricultural production, processing and marketing. But, like so many other ag universities, its focus is primarily on production and research. The most significant agricultural problem in Tanzania is how to sell what is grown, by reducing post-harvest crop loss, storage crop loss, transport crop loss and marketing crop loss. The second problem is to develop a system to produce products that can be exported to neighboring countries, substitute for current food imports and eventually be exported to OECD states. No institution in this country addresses these major agricultural issues. The continuing absence of appropriate educational institutions in this country will continue to play a major role in the underdevelopment of Tanzania's economy.

2. Entrepreneurs

Tanzania has three major classes of private sector business entrepreneurs: "Asian" (Indo-Pakistani) citizens and residents of the country, black citizens of the country (who are referred to as "indigenous Tanzanians") and foreign expatriates. Unlike some African countries, the expatriate population and its role is of minor importance, and the key issue is that of the Asian business community. Much of the GOT's concern about "too rapid" a pace of growth of the private sector is couched in fear that the Asian minority will be able to dominate the economy. Much of this fear is based upon the historical past of Tanzania and its East African neighbors, Kenya and Uganda. The last part of the UNDP report contains a ten page discussion of the problems that "indigenous" entrepreneurs face in doing business in Tanzania and the system of informal preferences and discrimination that they face.

It is true that Asian business community and foreign business people generally have a longer tradition of private sector activity, greater access to capital and more resources that are viewed by the banking sector as being of value in the obtaining credit. On the other hand, the GOT has spent a fair amount of effort to insure that all of its organs err in the favor of supporting black Tanzanians. The importance of this issue is that any A.I.D. plan to assist the private sector must take full cognizance of this concern in program design and implementation. While USAID/Tanzania must support qualified business people regardless of race or sex, the mission acknowledges that the sensitivity of this issue in the minds of many Tanzanians must be acknowledged and considered.

3. Management

The private sector managerial class in Tanzania is small, but very impressive. In spite of major government efforts to make their lives unbearable, managers of existing businesses have been able to preserve and either survive or prosper in an extremely hostile political and economic environment. The problem they now face is that the changed policies and liberalization call upon more than their jungle survival skills. They now must develop products and services that can compete in an unprotected market on the basis of both quality and cost. Few of Tanzania's existing managers are prepared to meet that challenge.

Tanzania has very few professional trained managers. As a result, Tanzania has an inordinately large number of expatriate managers, given the small size of its economy. Some of these individuals are forced on Tanzania as a condition of acceptance of donor assistance. The following data is from the GOT's 1985 Manpower report.

EXPATRIATE MANAGERS REGISTERED IN 1985

Executive Posts	Managing Directors, Executive Chairman, Senior Managers	175
Engineering Posts	Mechanical & Civil	486
Financial Posts	Auditors, Accountants & Financial Managers	389
Medical Posts	Doctors, Nurses, Pharmacists, Lab Technicians	86
Teaching Posts	Teachers, Lecturers and Professors	165
Supervisor Posts	Building foreman & workshop supervisors	195
Pilots		7
Other Posts		363
	TOTAL	1,868

Source: GOT: Annual Manpower Report to the President - 1985. Ministry of Labour and Manpower Development. 1988. p. 50. Table 28.

The GOT's nationalization program rapidly expanded the ranks of Tanzanian managers and in the process gave some good managers an opportunity that they might not have had without nationalization. For the most part, however, nationalization created managers in title only. Very few received training to carry on in the job and in many cases the selection process did not match the aptitude or needs of the job with the person. As a

result, while the number of Tanzanians with managerial job titles is significant, few of them have ever had the experience of working for a profit driven organization that had access to sufficient foreign exchange and capital to run its operations in a professional and first class way.

Normally, graduate schools of business represent a major avenue for the enhancement of skills of existing managers through executive education programs and the steady addition of trained managers to the labor pool. Only ESAMI has management training programs that meet international standards, and its costs are so high, that few private sector managers can afford to attend its courses. Fortunately, USAID/Tanzania sees a strong potential at the Faculty of Commerce at the University of Dar Es Salaam and the Institute of Continuing Education of Sokoine University of Agriculture to develop the quality of management training courses that will be responsive to the needs of the private sector.

Much work must be done to realize this potential. A review of the curriculum of the various training institutes reveals that they have little to currently offer the practicing manager. All of them are based around very academic and research-oriented curricula which are long on statistical analysis and short on practical training.

4. Professionals

There are a number of professional areas that are crucial to the effective management and growth of private sector firms. Engineers, architects, lawyers, surveyors are all important. But in Tanzania, accountants are probably of greater importance than all of the rest combined and this is an area where the combination of an inadequate secondary system and excessive demands by the public sector makes the availability of trained accountants very rare.

The National Board of Accountants and Auditors compiled the following analysis of Tanzania's accounting human capital base in 1986.

ACCOUNTANCY SKILLS AND VACANCIES, 1986

Category of Skill	Number
Authorized Auditors	145
Authorized Accountants	(including 46 expatriates) 382
Semi-Qualified Accountants	(incl. 94 expatriates) 1465
Accounting Students:	
National Board of Accountants & Auditors	1515

Institute of Finance Management	205
Dar es Salaam School of Accountancy	484
University of Dar es Salaam	136
Nyegezi Social Training Institute	80

Unfilled Vacancies For Qualified Accountants:

Parastatal Sector	250
Local Government Sector	150
Cooperative Sector	150
Central Government	100
Private Sector	N.A.

Source: National Board of Accountants and Auditors

Since this report was prepared, a new school of accountancy was opened in Arusha.

Passage rates on the accountancy certification tests are very low. The partner of one of the major firms in Tanzania who serves as a member of the national examining board said that less than 3 percent of the students who take the exam pass in any one year. So even though there is a relatively large number of students in the system, few of them will reach a level of certification such that a private firm can have internal staff capable of properly designing an accounting system or preparing financial statements that will meet lender requirements. When the PSTNA assessment team met with the Dar Es Salaam Chamber of Commerce, the managing director of a firm with 11 chartered accountants said that they needed to employ 10 more chartered accountants, but was unable to find them in Tanzania. At that same meeting, small business people stated that the shortage of trained accountants had resulted in their charging fees that small business people could not afford. So the richest and poorest firms face the same problem, access to affordable accounting services.

5. Women

Tanzania does not have a system for adequately training women managers and technicians for the private or public sectors. While there is relative parity in primary education between the sexes in the rural areas, many of the few secondary schools that exist are single sex schools for boys. Only the large regional centers like Arusha and Morogoro have secondary schools for girls and co-educational schools.

As a result, there is a 20 percent imbalance in the number of boy students on the secondary school level vis-a-vis girl students. This imbalance is further exacerbated on the university level and in the selection of courses and majors by young women. Tanzania will be unable to maximize its female resources until more of its secondary schools become co-educational and the GOT begins to

invest more funds in secondary education.

All of the women business and professional people interviewed by the assessment team stressed that there are no role models for women in business in Tanzania. As a result, few girls even think about business when they are growing up, and because they do not see the relevance of math and other hard skills, they tend to be shunted off to the "traditional women's role" type courses and training in home economics and secretarial services.

6. Labor

Tanzania's policy of uniform primary education continues to result in the under funding of needed secondary school and college level educational institutions. While Tanzania needs highly trained professional managers for both its private and publicly owned firms, it has an even greater need for well trained and highly skilled technicians and white collar workers. There is a Maritime Institute that is reputed to turn out well trained technicians in aquaculture, but it is the exception rather than the rule. The current educational system and human resource development plan of the country simply fails to respond effectively to this great need.

The vocational school system has a limited enrollment given the need in the economy. It is our understanding that the schools lack up-to-date teaching aids, well maintained machinery that is appropriate for the needs of students entering industry, an adequate supply of spare parts for teaching students how to make repairs, and the resources to maintain the school's capital equipment and teachers who are trained in the latest techniques of their fields.

B. Economic, Agribusiness and Industrial Potential

USAID/Tanzania believes there is tremendous potential for significant private sector activity in the areas of agribusiness, aquaculture, mining, textiles, tourism and transport. Tanzanian business have the potential to develop a competitive advantage by taking advantage of the countries comparative advantage in these areas.

1. Agribusiness, Fishing and Fish Processing

Tanzania has tremendous agricultural potential that is currently not being realized. Yields on many existing cash and food crops are significantly below what they were twenty years ago and the majority of Tanzania's arable land has yet to be brought into production. There are a number of food and export crops, like soybeans, that are not even being produced in significant quantities in the country. Somalia, Rwanda, Burundi, eastern Zaire, Zambia, Kenya, Uganda and northern Mozambique are all

importing food products that could easily be produced and marketed by Tanzanian farmers and processing firms.

Success in agribusiness requires both knowledge and managerial skills. The inter-linkages between every step of the agribusiness commodity system must be both understood and managed if businesses are to achieve maximum advantage and returns from their activities. Significant opportunities exist for private sector participation in the provision of inputs, crop financing, harvesting and tractor services, local warehousing and collection systems, farm to market transport, processing and the development of products for export to the region and out of Africa.

Achievement of this potential will require the GOT to continue its move out of the agricultural sector. It will also demand that local business men and women expand their horizons when they think about agriculture and think about the forward and backward linkages that can substantially increase the returns to any investment in this sector. One thing is certain; increased agricultural productivity will, in time, increase consumer demand sufficiently to support a growing local market for manufactured consumer goods. And the growth of a local market will be a prerequisite for any significant growth of the industrial sector in Tanzania and the growth of the country's ability to produce industrial goods that can compete on the world market. Thus growth in agriculture is central to growth of the whole economy.

Tanzania also has tremendous aquaculture potential. There is an almost inexhaustible demand in neighboring countries, Europe and the Far East for the fish products that can be harvested off the coast of Tanzania, in Tanzania's lakes and in fish farms that can be created in the country. A number of Tanzanian operators, some with backing for Japanese and other foreign partners, have begun to explore commercial fishing, seafood freezing and packaging, etc. However, due to lack of adequate management capability and marketing knowledge in this area, this market has yet to be fully tapped.

2. Mining

The mining sector remains an unknown quantity to most Tanzanians. It has been surmised from the large number of small informal mining activities that Tanzania may have large and commercially significant deposits of gold, diamonds and a number of other important minerals. However, the full extent of Tanzania's potential has not been assessed. Until this occurs, and the GOT allows private firms to legally exploit this resource, Tanzania will be foregoing a major source for foreign exchange revenue.

3. Textile Manufacturing

Tanzania has the potential to be a major force in the world textile industry. It has tremendous potential for growing cotton and has some of the lowest labor rates in the industrial world. Mauritius is an example of what could be done on a much larger scale in Tanzania.

Mauritius has become a major source of textile export to the OECD states. Yet the Mauritius labor pool is smaller than Tanzania, its labor costs are higher, its raw material production base is much smaller, it has virtually no local market that would help its producers reduce their unit costs, and it is farther away from Europe and the Middle East than Tanzania. In addition, one of Tanzania's textile parastatals has demonstrated that there is a European market for Tanzanian produced products by virtue of its contracts with Swedish purchasers.

4. Tourism

Tanzania has a tremendous window of opportunity in the tourism area. The recent concern about the extinction of the elephant and the trades in exotic skins has raised Western interest in safaris and Africa. At the same time, Kenya is experiencing a break down in its society that manifests itself in part by a significant increase in the killing, mugging and harassment of tourists. Tanzania arguably has some of the best parks and game in the region so it should be relatively easy for the country to sell both quality and safety to the major tour operators who are now sending parties to Kenya. But this opportunity can not be fully realized until the quality of the tourism infrastructure is significantly improved.

Tanzania's tourism and hotel operations, most of which are under the parastatal Tanzania Tourism Corporation, are generally acknowledged to be poorly run, expensive, and provide a poor level of service, particularly when compared to similar operations in Kenya. A diminishing government presence in this sector would almost certainly bring increased private investment and competition, which would lead to improved services and prices. Private sector firms with the managerial capability and resources, both local and foreign-backed, are already showing interest in this sector (e.g. the French Novotel chain has already invested in an Arusha hotel, and a number of smaller hotels owned by indigenous Tanzanians are springing up around the country). The potential foreign exchange and employment return for the country is significant.

However development in this area will require a change in attitude for GOT officials, who traditionally have viewed a private (particularly foreign-owned) tourism industry as having a potentially patronizing influence on the Tanzanian people.

5. Transport

Tanzania is a member of the Preferential Trade Area (PTA) and the Southern Africa Development Coordination Conference (SADCC). It is centrally located in the PTA region and represents a northern outlet to the sea for SADCC. In addition, Tanzania represents a key seaport for land locked areas such as Zambia, Burundi, Rwanda, Malawi, Uganda and eastern Zaire. As such, there is tremendous potential for Tanzania to play a major role in the transshipment of goods produced by its neighbors or imported to these countries. In addition, its location gives Tanzanian producers the potential to play a vital role in developing and providing supplies and materiel, such as agricultural products, that its SADCC and PTA partners are currently importing.

Exploitation of these opportunities, however, will require a massive investment in infrastructure rehabilitation and development. The road system is virtually impassable. The railroads operate under capacity and two of the three ports (Tanga and Mtwala) are not effectively connected to the rest of the country or to the neighboring states (Malawi, Uganda, Burundi, Rwanda and northern Mozambique) that they should serve.

There are a number of internationally financed programs, including the USAID Roads Project that are directly addressing this issue. But these projects will not be sufficient unless the GOT develops an internal need to maintain its transport infrastructure. There have been many transport projects in the past that have created high quality roads or railroad systems. All of them have ended up being for naught because the GOT has failed to allocate sufficient funds, personnel and priority to the continued maintenance of systems that have been developed for it.

Rehabilitation of the transport system is directly tied to the potential for increased agricultural productivity. Due to the poor condition of the road system, Tanzanian farmers are currently unable to get all of their output to market before it spoils. Some studies appear to assume that this lost agricultural potential can be realized by merely by rehabilitating the roads. This is only partly true. Maximization of agricultural productivity will only occur as a result of active, concerned and competent management.

It is highly likely that improved roads will result in increased shipments of agricultural products to the major marketing regions. However, unless the GOT role in the agricultural system is significantly diminished, much of the potential for growth will be lost. The Mission must work with the GOT to end the monopoly that the National Milling Corporation has on the purchase and processing of many agricultural products. The Mission must work with the GOT to end the monopoly that many parastatal marketing boards have for the selling of agricultural commodities on the world market. The Mission has to work with the GOT to eliminate the monopoly that the government has on the distribution of

agricultural inputs and the harvesting and payment of local farmers. Only when these changes occur will the trapped agricultural products get to market.

F. Key Constraints to Private Sector Development and Their Relationship to Training

There are many constraints that restrict or prevent the private sector from growing in Tanzania. The following are some of the principal constraints which affect the environment in which the Tanzanian private sector operates.

Type of Constraint	Degree of Bearing on SME Training
Public Attitudes Towards Private Sector	Strong
Business Formation & Exporting	Strong
Access to Foreign Exchange	Strong
Taxation	Moderate
Infrastructure and Industrial Problems	Strong
Human Resource Base	Strong
Economic, Policy and Market Factors	Strong

1. Public attitudes toward the private sector, initiative and profit

For more than two decades, the words private sector, individual initiative and profit were considered unacceptable, immoral words. The government and the party did everything possible to erase them from the vocabulary of public life in Tanzania. While the official attitude towards the private sector has changed significantly, one can not just eliminate a whole generation of conditioning. In fact, many government employees whose are supposed to assist private sector business people are still convinced that these people are crooks, smugglers and thieves.

The PSTNA assessment team discovered numerous instances of arbitrary decisions by customs, port, license granting, border and other low level decision makers that reflected as much an animus against the private sector as they also reflected a desire for graft. One shipper who wanted to export a truck load of goods to Kenya started in Mbeya and was stopped and accused of smuggling at each step of the way, notwithstanding having an approved letter of credit, an approved export license, invoices for all of this

product, and all of the requisite customs forms. When he finally reached the Kenyan border, 14 days later, the border guards refused to let him cross the border even though the national head of customs called them on the phone and told them that the man was a legitimate businessman and had the approval. He would still be sitting at the border but for the fortuitous fact that the head of customs was in Moshi on business and drove to the border to force the guards to let the shipment pass.

Unfortunately, this is not an isolated incident. Customs officials routinely question invoices and bills of lading, deny the authenticity of letters of credit and otherwise delay the exporting and importation process. To be sure, some of this action is designed to cause business people to pay bribes to supplement their salaries. But a significant part of this problem can be traced back to the attitude that it is wrong to be a private business person and it is wrong for government officials to facilitate their work. In addition, many government workers on fixed salaries simply do not understand how the timing and/or delay of shipping or other business transactions due to bureaucratic interference can have a critical effect on the success or failure of the transaction, and ultimately, the business itself.

2. Business Formation and Exporting

UNDP's consultants spent a significant amount of time talking to and working with members of the local private sector. They found that two significant areas of concern for entrepreneurs were GOT procedures for granting of permission to export and permission to operate an industrial venture. They also determined that procedures for import were fairly straight forward and presented little problem for members of the business community.

a. Procedures for establishing industrial ventures

The Industrial Licensing Board was established in 1967 under the National Industries (Licensing and Registration) Act to receive, consider and grant or refuse any application for establishing industries. The Act of amended in 1982 to include the participation of Zanzibar and establish Regional Industrial Licensing Advisory Committees. All applications for industrial licenses have to be accompanied by two documents. The first is a detailed feasibility study and the second is a Company Incorporation Certificate (or Business Name Registration for Small Scale Industries (SSI)). The latter is issued by the Registrar of Companies.

Beginning in 1985, applications referring to fixed investments exceeding 5 million T. Shillings have been handled by the secretariat who, following all formalities with satisfaction, would issue the Industrial Certificate

of Registration. Applications...for fixed investment exceeding 5 million T. Shillings are sent to the Board who, after going through the formalities with satisfaction, would issue a Temporary Industrial License (TIL). The TIL is valid for three years during which the establishment is required to send annual progress reports to the Board. At the end of the third year the Board, which meets after every three months, would decide to grant an Industrial License or confiscate the TIL. The practice has been that very few firms have their TIL confiscated, ...especially parastatals.⁶

There a number of problems with this process. The most obvious is that the GOT plays a direct role in deciding on the ability of a business person to start or operate a business. Previous experience has shown that government authorities in any country often lack the business training or marketing sophistication to know what is or is not a valid business opportunity, yet in Tanzania, as in other African countries, government is the decision maker. Another problem is that for medium size or larger businesses, the GOT has a controlling role for three years, thus increasing the level of risk and insecurity and interference.

A more basic problem is found with the requirement for the preparation and submission of a detailed feasibility study. While this is a rational requirement on its face, many small business people do not know what a feasibility study is, and the need for such a study is questionable for a business with less than 5 million T. Shillings (\$34,722) in capital investment. The UNDP found that "...a typical feasibility study is expected to include detailed information on:

- Nature of industry.
- Type of goods/services produced,
- Capacity per shift,
- Price per unit,
- Market potentials (including domestic and external demand),
- Proposed location of factory,
- Level of investment and sources of funding,
- Input requirements and sources (including import intensity),
- plans for raw material localization,
- Production process of final products and inputs,
- Labour force (including information on expatriates), and

⁶UNDP REPORT. p. 50.

Provisions for training, facility requirements, etc.⁷

Such a feasibility study can cost up to 1 million Shillings (\$6,944), or 20% or more of the initial investment. More importantly, the time involved in preparing a report could better be used in starting the business. Clearly all firms should be able to answer all of these questions, but there is no role for the government to demand this before issuing a license. In the United States, the process of incorporating a business to go into manufacturing can take as little as 15 minutes at the Secretary of State's office in the respective state.

An additional problem with this system is that no firm is supposed to expand without going through this licensing process. The end result is micromanagement of the economy by government fiat, which does not work. In addition, evidence has shown that most parastatal firms totally ignore this process anyway. As long as the feasibility study requirement exists, the best solution is for USAID to fund a business assistance unit with the Chamber or with a local consulting firm to prepare these analyses as quickly and inexpensively as possible. A better solution, however, is to enter into policy dialogue with the GOT to eliminate this requirement entirely, or at least leave it to the banking community to decide where feasibility studies are appropriate.

b. Procedures for gaining permission to export

The GOT has stated that increasing exports is crucial if the country is to earn itself out of the economic crisis that it currently faces. Unfortunately, there remains a great distance between the rhetoric and the reality. The UNDP consultant stated that entrepreneurs said the process in obtaining permission to export was "...the most difficult, costly and timely procedure to go through." He added that while Ministry of Industries and Trade officials blamed many of the problems on the ignorance of the business community, they agreed that "...some of the procedures and requirements are duplications, unnecessary and could be skipped."⁸

On its face, the procedure seems a very simple and straight forward three step process. First an entrepreneur must apply for a business licence or trading licence. Then one applies for export registration and finally for an export permit and export license. All that is needed to apply for a business license is possession of appropriate premises for the businesses one wishes to pursue. Once the potential exporter receives the business license, then he or she registers the company and a registration certificate and

⁷Ibid., p. 52.

⁸Ibid., p. 53.

registration extract are issued. At this point, the procedure becomes more complicated.

One must next, for foreign exchange control, register as an approved exporter with the Bank of Tanzania and receive an Export Registration Certificate. To register and obtain this certificate, the entrepreneur must submit an application to the Bank of Tanzania with:

- o A list of commodities to be registered for export;
- o A copy of the company's trading license;
- o A copy of a certificate of incorporation or trade name registration;
- o A letter from the bank (NBC or CRDB) certifying that the entrepreneur is maintaining a trading account;
- o Names and specimen signatures of authorized signatories of the company or trading firm;
- o Copies of birth certificates, affidavits, and passports of directors, partners and/or owners of the company; and
- o Two passport size photos of all directors, partners and/or owners.

Obtaining an Export Registration Certificate does not, however, permit one to export any product. To actually export a product, one must then obtain an export permit or export licence that is issued by the Ministry of Industries and Trade on either a consignment basis or as a blanket export license for an annual export turnover amount. The entrepreneur must go to the Ministry of Industries and Trade; that is, unless one wishes to export agricultural, industrial or other specified non-traditional products. In that case, he or she must get an export license from the Board of External Trade or a Regional Trading office which issues export licenses on behalf of the Board of External Trade for agricultural and other specified non-traditional products.

If the entrepreneur wishes to export forestry, aquaculture or wildlife products, an export license must be obtained from the Ministry of Natural Resources and Tourism. If one wishes to export minerals, the export license is granted by the Ministry of Energy and Minerals. If, however, the entrepreneur wishes to export raw coffee, raw tea, sisal fibre, pyrethrum, cotton lint and tobacco, the export licence comes from the particular marketing board that handles that product. Finally, if an entrepreneur wants to export hides and skins, both an export permit and an export license are required.

Once having gotten this far, the potential exporter then must receive a certificate of origin if he or she wants to take advantage of EEC or GSP duty waiver provisions. This certificate is issued by the MIT, the various chambers of commerce or the Board of External Trade. The PSTNA team was told that many of the "certificate of origins" are not accepted at the exports' final

destination overseas because the process of certification on the Tanzanian end was not comprehensive enough. In those cases, products that were exported and priced on the assumption that they would enter duty free, are in fact subject to duty before they can clear customs.

From then on the process is primarily one to meet the shippers' requirements to take on the cargo. However, if exporters wish to ship by sea, they are forced to use two parastatals; the Central Freight Bureau, which duplicates the efforts of commercial freight forwarders and NASACO, the national shipping parastatal.

While these procedures on their face seem relatively straight forward, if unnecessarily complex, there is more than meets the eye. " . . . [E]xporters have complained of unnecessary delays and interference by parties other than those indicated above. For example, there have been complaints about customs officials refusing to release goods under the pretext that the world market prices are higher than those quoted and ascertained by the Board of External Trade and the Bank of Tanzania."⁹ Efforts to streamline the process have run into roadblocks when one government agency refuses to accept documents that have been revised by the Export Council in order to develop uniform documents.

3. Access to Foreign Exchange

This is the number one problem that business people complain about. The various structural adjustment agreements and IMF accords have placed significant restrictions on the liquidity of the banking system in Tanzania. Although the GOT has come up with programs to make foreign exchange more available, they currently favor those with funds outside of the country or with very large cash generators inside the country.

The most important programs are the World Bank's Open General License plan, USAID's Transport Support plan and the GOT's own-import scheme. The OGL plan allow Tanzanian businesses to buy up to \$1 million if they have the equivalent value in T. Shillings to use to for the purchase. The USAID plan allows them to buy trucks and road construction equipment. The own-import plan allows the participants to use their own sources of foreign exchange to import products into the country. The own-import scheme has been particularly successful in encouraging business owners and others to bring back into the country financial resources that had been kept outside of Tanzania.

4. Taxation

⁹Ibid., p. 59.

The business people generally feel that taxation is no longer a major problem since the GOT reduced the marginal rate of taxation from 95 percent to 50 percent a few years ago. The corporation tax is a flat 50 percent for resident and 55 percent for non-resident companies. Individuals pay 50 percent on any income in excess of \$139 a month. The only sales and excise taxes are on beer, spirits, soft drinks and cigarettes. The GOT has announced that it will set up a Presidential Commission on Taxation to review the current system to explore new sources of revenues. The position of the business community may change once this Commission makes its recommendations.

5. Infrastructure and Industrial Problems

The transport system, as mentioned above, is a major constraint in the conduct of business in any part of the country, including all of the major cities. Power tends to be reliable in major metropolitan areas, but suburban and rural areas are not completely served and power consistency is lower the farther away one goes from the capital. The telephone and postal systems are not reliable and many firms in Dar find that it is more efficient to send drivers to hand deliver messages than to use the phone or the mails.

All of the business people who are involved in export say that a major constraint is the lack of any business that is capable of packaging aquaculture products to standards sufficient for export to Europe, the Middle and Far East and the U.S. Agricultural exporters say that there is a major problem with the availability of locally produced packaging material. In addition, all complain that neither farmers nor the industrial sector are able to produce products which are sufficiently standardized to be exported without substantial expenditures in labor to meet export market requirements.

All industrial firms face severe operating problems as a result of the scarcity of raw materials and spare parts due to the lack of foreign exchange. In many cases, they now also face the problem of inadequate equipment due to wrong technology choices, lack of preventive maintenance, and poor quality control. This tends to be more of a problem, however, with the small scale industries rather than the larger ones.

6. Human Resources Base

This report has covered human resource issues in some detail in earlier sections. To repeat in summary, there is a serious shortage of accountants, trained technicians and experienced supervisors and entry and middle level managers. Many who do have work experience have been employees of parastatal organizations and have no experience in operating in an organization must make a profit to survive. Those business owners and senior managers who

feel they are competent to run their businesses expressed deep concern about their lack of knowledge about how to exploit new areas of business in agribusiness, export and computers.

7. Economic, Policy and Market Factors

Many of the policy issues, such as the lack of an investment code and the impact of the absence of foreign banks have been described above. An additional constraint to rapid growth of the private sector is the small size of the local market. It has been the case of numerous countries, particularly in Asia that the best way towards permanent growth in the industrial sector is the development of a strong and growing local market for manufactured consumer and industrial goods at home. The experience of Japan and other countries shows that by the development of an industrial sector that can serve a vibrant local market, manufactures face competition that requires them to compete on the basis of quality and price. In addition, a vibrant local market will allow manufactures to identify and eliminate product problems before they are marketed for export. Tanzania's local market will only expand as a result of the growth of the agricultural and agribusiness sectors.

The GOT wants Tanzania firms to focus on exports, but the only way that is possible is for the GOT to allow any foreign investor and local firm to operate in a business environment that supports the capability of exporters to move quickly to respond to market trends and market demands. This, in turn, requires an environment that is substantially free of government control and restrictions. Tanzania has one of the lowest labor rates in the non-communist world. It also has one of the most significant untapped natural resource bases in the world. With this combination, it could become a major economic power.

Unfortunately, many of the other countries that are in competition with Tanzania for foreign investment have adopted policies that make them much more attractive bases for business, notwithstanding their less attractive natural resource base and higher labor rates. At the heart of their attractiveness are policies that give almost complete freedom to local and foreign firms that produce products for export. Many have authorized the creation of free trade zones and special tax and investment incentives that make it very attractive and cost efficient for firms to base in their countries. Mauritius is the best example in this part of the world, but there are many others. The lack of these incentives and the GOT's general hostility or fear of foreign investment is a major obstacle to local firms forming joint ventures or entering into licensing agreements will all but the most sophisticated and large multi-national firms.

If Tanzania is to take advantage of its potential and become a major exporter, it must learn from Malaysia, Thailand, Mauritius

and other relatively small third world countries about how to encourage and support private sector efforts to expand Tanzania's economy.

IV. EMPLOYMENT, EDUCATION AND TRAINING RESOURCES AVAILABLE TO THE PRIVATE SECTOR IN TANZANIA

A. Employment in Tanzania

Agriculture is by far the country's largest employer, including the majority of non-wage employment, and 18.3 percent of salaried workers. Wage employment in 1986 was 748,000 of which about 73% work in the civil service.

As of 1988, the GOT no longer "allocates" graduating students to government or parastatal jobs. Although this means university graduates are no longer guaranteed jobs in the public sector, it also gives them, for the first time, the choice of jobs, including working in the private sector.

As part of its economic recovery program, the government has ordered that parastatals become more productive and cut costs. Some companies are already beginning to lay off workers (e.g. the parastatal Air Tanzania in July 1989) and this will probably accelerate as structural adjustment continues. However, as yet there has been no public indication that the government is ready to lay off large numbers of workers in ministries, as often happens under structural adjustment programs.

Given the severe shortage of trained professionals in the country (for reasons described below under IV-B), it is likely that in certain fields (e.g. accounting) the employment possibilities in the growing private sector will outstrip the number of available trained workers. Already the "poaching" of professionals from the government by private sector firms is common.

However, there remains a large percentage of the population who have had little education, may or may not have held a wage-earning job or position of responsibility, and for whom agriculture and agriculture-related work may be the only realistic possibility.

Ultimately, the future of employment in Tanzania, in both the private and public sectors, rests largely in the hands of government. If the GOT further loosens government controls on import, export and internal sale and distribution of goods; simplifies customs and loan procedures and the investment code; and makes reasonably priced credit available to private companies of all sizes, then the possibilities for employment will increase.

B. Educational System and Outputs

Tanzania's educational system is characterized by two significant factors: the very broad base of primary school enrollment -- estimated at 90 percent of school age children; and the very narrow summit -- only five percent of primary school students go on to secondary school, and only several thousand go on to university each year. More than 350 institutes, centers, schools and colleges run by government ministries provide further educational

opportunities, but possibilities for higher education are extremely limited, mostly in the form of pre-service or in-service training. This is because the GOT has traditionally put a priority on primary and adult education, so primary schools and continuing education programs received the most support. A UNESCO study notes that although primary school enrollment remains high, overcrowding in classrooms, lack of teaching materials and furniture, and low teacher morale has led to a sharp decline in the quality of the education, to the extent that some children leave primary school unable to read.

At the secondary level, attempts to "vocalionalize" the curriculum to prepare children for the workplace have resulted in a decline in educational quality without any appreciable increase in employability once out of school. The teaching of English in primary schools (where the language of instruction is Swahili) is minimal, and many children enter secondary school (where English is the language of instruction) deficient in English reading, speaking and writing skills, strongly affecting their comprehension in other subjects.

The GOT's emphasis on primary and adult education has led to a critical lack of people with middle level technical skills. However even those who do find work at this level may also be casualties of the education system, as the UNESCO report notes:

Only some four percent of the labour force have had some education beyond primary. Even among occupational categories which usually require relatively higher educational attainment (craftsmen, machine operators, sales and clerical workers, professional, technical, teachers and related workers, managers and administrators) only 32 percent have had some education beyond primary school... (which is) bound to have an adverse effect on productivity.¹

The government is currently planning to revitalize its primary school system, and has also set a goal of sending 15% of primary school students on to secondary school by the year 2000. As the country moves more towards a free market economy, it will need more trained people at every level. USAID has an opportunity at this juncture to make a major impact on the country's workforce, by providing practical technical training for business owners or entrepreneurs who will become the revenue earners and employers of tomorrow.

In general, individuals or companies from the private sector have found it difficult to get training, for several key reasons. The primary reason is lack of space: most of the institutions, all of which are parastatal, were set up to train government people, and

¹ UNESCO. The Financing of Education in Tanzania: Overview. May, 1988.

until recently, when ministries were faced with budget cuts, the country's limited training slots were allotted almost exclusively to ministry and parastatal workers. Similarly, any overseas training offered by foreign donors to the GOT was also given only to government employees, as the GOT's priority was meeting the human resources needs of government ranks first. Secondly, even though many institutions are now making places for private sector participants, the costs are prohibitive, particularly for small businesses or entrepreneurs who have limited resources.

C. Technical Training

Trade and technical schools in Tanzania exist largely to provide pre-service or in-service training to ministry or parastatal employees, many of whom are primary or secondary school leavers. A number of schools offer university level diploma courses, in accounting, financial management, transport management, teacher training, architecture, journalism, wildlife management, forestry, marine fisheries, teacher training and other fields. Many of these schools suffer from lack of equipment, outdated or non-existent teaching materials, and other problems related to a lack of foreign exchange resources to keep their curriculum up to date. Also, a number of businesses have noted the graduates of some of the secondary level technical schools still need further training once they are on the job.

D. Management Training

A number of institutions offering management training and related subjects exist in Tanzania, and the quality of instruction varies widely depending on the course or institution. In general, while many trainers have substantial educational backgrounds, including masters and PhDs from U.S. and European schools, most are economists by training, few have had business education, and almost none have actual business experience. In addition, most management courses traditionally have been oriented towards teaching public administration skills to ministry and parastatal participants. It is only now with liberalization that schools are beginning to consider offering courses to the private sector. Nonetheless, all of the institutions surveyed are interested in seeking private sector clients, and almost all offer short courses, custom-designed programs for companies, and consulting services.

1. IDM

The Institute of Development Management (IDM) in Mzumbe (Morogoro) was founded in 1972 to train public and parastatal managers, although it is now looking to attract candidates from the private sector as well. IDM has received substantial financial and technical assistance from the Norwegian government for over ten years, and has links with a Norwegian business college.

The school has seven departments: Economics, Public Management, Law, Accounting and Finance, Quantitative Methods (Statistics),

Development Studies, and Business Management. IDM offers one-year Certificate programs in Local Government Management, Local Government Finance, Manpower Management, Law for Primary Court Magistrates, and Basic Management; as well as a two-year Law Diploma program. Three-year advanced diplomas are offered in Economic Planning, Health Administration, Local Government Administration, Public Administration, Business Administration, Certified Accountancy, Local Government Accountancy and Finance, and Materials Management. The school recently started two-year degree programs leading to a Masters in Business Administration and Masters in Public Administration. Both include a 17-week field research project that involves placement in a parastatal company.

IDM also has a special Department of Short Courses and Consultancy, which provides a variety of regular and custom-designed or "tailor-made" short courses. According to faculty, short courses in general management, financial management, manpower planning and project management are the most popular ones. The Institute has increased its consultancy services to the public and private sector and foreign donors in recent years. In addition, many of its faculty do individual consulting work.

About 800 students attend IDM, mostly drawn from parastatals. The MBA and MPA programs, which started in 1988, have around ten students each. The faculty numbers over 100, although up to 40% may be away at any time on sabbatical, overseas training or other independent work. Generally the staff has a high level of education, with most faculty holding specialized bachelors degrees, masters degrees and higher; many have two or three degrees. Most have no actual management experience.

Like other government-run institutions, IDM has problems with maintaining its facilities, and teaching aids and books are in short supply. In addition, many of its highly trained faculty are leaving, lured away by higher salaries at ESAMI and institutions in neighboring Kenya. Up to a dozen senior faculty have left in the past year alone, according to one faculty member. The school recently adopted a policy of requiring all tuition fees to be paid in advance, as the late payment or non-payment of fees was seriously hampering the school's operations.

In addition, donors have been generally critical of the quality of senior management at the Institute, a situation which may change once the current leadership steps down in 1990.

2. IFM

The Institute of Finance Management in Dar es Salaam was established in 1972 by an Act of Parliament. The Institute offers long-term degree courses and short-term in-service training programs.

The curriculum is divided into five areas: Accountancy, Banking, Financial Management, Insurance and Social Security Administration,

and Tax Management. IFM has one-year fulltime courses leading a post graduate diploma in Accountancy, Financial Management, and Tax Management; as well as one year part time certificate courses in the other program areas. Two year fulltime diploma courses are offered in Banking, Insurance and Social Security; while three-year fulltime Advanced Diploma courses are offered in Accountancy, Banking, Insurance, Social Security, and Tax Management.

The Institute also has an Executive Development Program, which offers short courses all of IFM's major subject areas, ranging from two weeks to three months in length. The school is seeking to expand these offerings to meet growing demands and to supplement income, and has an incentive program whereby faculty who design new short-term courses get 20% of the revenues generated by tuition fees. IFM also offers special weekend evening refresher classes for students preparing for national Accountancy exams.

The school also conducts special programs for international students. In 1989 it offered two two-month training programs: a CFTC-sponsored course in Financial Management to Young Executives from other anglophone African countries; and a UNDP-sponsored accounting and financial management program for SWAPO cadres from Namibia.

Over 750 students take classes at IFM annually, of whom about one-third are enrolled in long-term programs, with about 80 starting diploma courses each year. Most of the students come from the government-owned banks and insurance companies, and other parastatals; the registrar estimates only three percent of the students are from the private sector. The school has a small number of foreign students from Uganda, Burundi, Rwanda and Zaire. The school has dormitory space for about 300 students, and provides meals.

Tuition for the long-term programs for the 1989/90 academic year ranged up to T. Shs. 252,800 for fulltime boarding students, and T. Shs. 166,800 for non-boarders. Certificate programs cost T. Shs. 171,800 for boarders and T. Shs. 85,800 for non-boarders. Students coming from financial institutions are charged about 20% less than the above prices.

The country's banking institutions have provided funds to the school to expand its facilities, with a new building under construction to provide more dormitory space and classrooms. However lack of operating funds have hampered the school's ability to keep its library up to date and have led to a shortage of textbooks and teaching materials.

Many private and public companies rely on IFM for their accounting personnel, and those interviewed seemed generally satisfied with the quality of the education. However some private businessmen indicated the need for fully chartered accountants is far greater than the school currently turns out.

3. ESAMI

The Eastern and Southern Africa Management Institute (ESAMI), is a regional training institute based in Arusha. Originally known as the East African Community Management Institute when it was first established in 1974, it was officially inaugurated as ESAMI in 1980 when six countries signed its constitution. The school's mandate covers 19 Eastern and Southern African countries, including Madagascar, the Comoros, Mauritius and the Seychelles.

ESAMI conducts short term management training courses, consulting and research on management issues in East and Southern Africa.

The Institute's 1989 catalog lists 87 courses are offered in the areas of: Business and Operations Management, Financial Management, Management Information Systems, Human Resources management, Transport and Communications Management, Women in Development, Health Systems Management, and Library and Documentation Programs. Most of the courses were to be offered at ESAMI headquarters in Arusha, although 30 were to be held in other member countries, including Kenya, Lesotho, Malawi, Swaziland, Uganda, Zambia, Zimbabwe, and the Seychelles, targeted at participants in those countries. Courses run from one to eight weeks, with two-week and four-week courses being the most common. Tuition is paid in hard currency, and runs \$530 for one week, \$1060 for two weeks and \$2384 for four weeks.

In general, donors and Tanzanians said courses offered at ESAMI were of higher quality than those offered at other training institutions in the country, in part because its higher wages have attracted many of Tanzania's best teachers away from other schools. However the high tuition fees and foreign currency requirement have priced the school out of the market for many Tanzanian participants, while donors are saying they can send participants abroad for not much more than it costs to send them to ESAMI. Although it appears that many donors will continue to support the Institute financially, sponsor courses there, and pay for participants to attend, the Institute could face growing competition from other in-country institutions which will try to offer similar courses at a much lower price.

4. ICE - Sokoine University of Agriculture

Originally a branch of the University of Dar es Salaam, the Sokoine University of Agriculture in Morogoro was established in 1984 to serve as the country's foremost training institution for agriculture and agriculture-related activities.

Sokoine's Institute of Continuing Education (ICE), grew out of the Ministry of Agriculture's Centre for Continuing Education. Originally set up to provide in-service training for middle and high level personnel in the Agriculture Ministry, the Centre was reborn as ICE in 1988 to serve as the university's extension and outreach arm. It provides short-term training, seminars, extension

work, and agriculture and agribusiness research.

ICE has a core staff of ten, which it supplements with many of the 150-odd faculty at the university, as well as other resources drawn from IDM, ESAMI, the University of Dar and elsewhere. The Institute's director has a fair amount of freedom to recruit his resources where needed, and has conducted courses in Dar, Zanzibar and elsewhere around the country.

In 1988 ICE held 40 courses involving over 1100 participants. Many of the courses are tailor-made to suit the needs of the client. The courses run from 2 days to 3 months, with the majority lasting around two weeks. The Institute has offered a number of courses sponsored by international donors, including USAID, UNICEF, FAO, NORAD, DANIDA and the Commonwealth Secretariat. Other clients include the Ministry of Agriculture and a number of the country's parastatal ag-related industries (e.g. Tanzania Cotton, Coffee Authority, National Coconut Development Corp, etc.)

From a management standpoint, the Institute appears to be the best run of all the training institutions visited by the assessment team. The U.S.-trained director is an astute, dynamic individual who by all accounts is skilled at running a program where flexibility and access to the proper resources are a key element. The Institute has the experience and capability to work both with the international donor community (at international prices) as well as offering affordable services to local clients. ICE offers a wide variety of courses and appears ready to adapt to the changing needs of the agriculture and agribusiness clientele. However, being faced with budget cuts, ICE could use assistance in boosting its for-profit activities.

For the above reasons, USAID/Tanzania has chosen the ICE as one locus for its in-country training activities (see Section VIII for more details).

5. NBC

In order to meet its own management and other training needs, the National Bank of Commerce (NBC) has built a new training center in Iringa. The T. Shs. 900 million complex, scheduled to open in August 1989, will provide training to employees of NBC, the Central Bank, CRDB and other parastatal banks, in areas ranging from clerical skills up to middle level managerial topics, including branch management, international operations, lending techniques, and eventually computer training. The center will have 25 instructors, and grows out of the bank's existing internal training program.

6. NIP

The National Institute for Productivity (NIP) began as one of a number of ILO-funded National Productivity Centres set up in 1965 throughout East and Southern Africa. After a period of extensive

financial and technical assistance, in 1975 the Centre became a parastatal organization, NIP. ILO assistance continued until 1980, when NIP began operating on its own.

Unlike other most other management training institutions in Tanzania, NIP exists solely to provide short-term in-service training courses and consultancies, and offers no certificate, diploma or degree programs. The Institute offers courses in General Management, Personnel Management, Management Accounting, Industrial Engineering, Marketing, and Productivity Improvement to senior and middle level managers and line supervisors, and has provided training to ministries, parastatals, worker councils, party organs and other groups. NIP also offers secretarial and office support courses. According to the Managing Director up to 25% of the students are from the private sector.

The Institute offered 94 courses in 1988, of which only ten were held in Dar es Salaam, the rest being held around the country. In addition, NIP offered another 16 courses tailor-made for specific clients. Most courses last 1-2 weeks, except the tailor-mades, which run from four weeks up to six months. Class sizes range from 20 to 50 people. Tuition for the regular courses run from T. Shs. 17,000 for one week to T. Shs. 25,500 for two week classes.

The Management Consulting Department offers consultancies in Productivity Measurement, Project Management, Management Accounting, Marketing, and other areas drawing on the expertise of the faculty.

The school has 23 faculty, many of whom have Master's degrees in Business Administration, Marketing, Industrial Engineering, etc.

Like other Tanzanian training institutions, NIP has trouble keeping its faculty, although interestingly enough many of them go into industry, often ones with which they have been consulting, rather than to other institutions. In addition, because it offers only short courses, NIP's long-term financial stability is less secure than institutions that count on tuition fees from students attending in 1-3 year periods.

Nonetheless, NIP appears to be less academic and more oriented towards practical in-service training for public and parastatal managers.

7. SICATA

SICATA, for Small Industries Consultancy and Training Assistance, was established in 1984 as the training and technical assistance arm of the parastatal SIDO, the Small Industries Development Organization. SICATA's head office is in Moshi, with a branch in Dar es Salaam. The two offices field a total of 10 managerial and technical trainer/consultants, who provide training in business skills and offer technical advice to small businesses. According to the Dar office, in 1988 SICATA provided training for 45 people

and consultancies for another 22 businesses.

SICATA is providing trainers to implement the ILO "Improve Your Business" course, which provides business skills to established small entrepreneurs. Funded by the ILO, the program is being managed by the Association of Tanzanian Employers. Four SICATA personnel and two from the National Bank of Commerce recently went through a training of trainers workshop for the ILO program, and are scheduled to begin offering the course before the end of 1989.

The agency also teaches a business management course for small businesses involved in a pilot program sponsored by GTZ, the German Technical Cooperation Agency, as well as its own course in how to start a small business.

8. University of Dar es Salaam

The University of Dar es Salaam offers a three year Bachelor of Commerce degree and a two-year MBA degree through its Faculty of Commerce and Management. The bachelors program features basic commerce and management courses with concentrations in Accounting, Marketing and Finance. The dean is currently preparing to add Production Management as a fourth area of specialization. The MBA program includes concentrations in the same areas, and has a practical project component at the end of the second year, often done within the sponsoring organization of the student. The school also offers some short term courses, and is interested in offering more, particularly in the areas of executive management, and computers and information technology.

The Faculty of Commerce has 64 faculty, although 10-20% may be on leave or out of the country at any one time. Most have masters, many of them in business or accounting, and a number have Phds. The Dean has made a conscious effort to build up his ten year old department, and has only added courses or concentrations when he felt the teaching capability was there. Around 130 students begin the bachelors program every year, while another 20-25 start the masters degree.

The Faculty of Commerce also provides consultancies to private and parastatal companies, both as an institution and as individual consultants. The Dean has expressed a strong interest in reaching out to the business community, providing practical consulting to parastatals and private businesses, as well as in putting in his faculty in the field to gain real world experience which can be used in the classroom.

USAID/Tanzania believes the dynamic outward-looking approach taken by the dean of the Faculty of Commerce and his department make it, along with ICE, an ideal partner for the implementing in-country activities as part of the mission's private sector training strategy (See Section VIII for more details).

V. PRIVATE SECTOR SUPPORT ORGANIZATIONS

A. Government Agencies

1. Board of External Trade

The Board of External Trade is the GOT organization responsible for assisting the government in the development of trade policy, monitoring export trading activities and administering many components of GOT rules, regulations and requirements. The Board and its staff play a central role in Tanzania's current export push. It provides technical assistance to potential exporters and operates trade promotion offices in a number of countries in Europe. The Board of External Trade was recently moved from the Ministry of Trade and Finance to the Ministry of Foreign Affairs.

2. SIDO

The Small Industries Development Organization (SIDO) was set up in 1973 by the Tanzanian government, with assistance from Sweden, to promote the creation of small and medium sized industries. SIDO provides credit and machinery for entrepreneurs to start businesses, such grain milling, fruit canning, carpentry and furniture making, crafts, metalworking, etc. In addition, the agency is charged with facilitating the purchase of raw material and supplies, acquiring foreign currency for imports, and conducting market research, product design, and technical assistance and training for small industries in each region.

Entrepreneurs acquire their equipment through one of two hire-purchase schemes, both usually requiring a 10-25% deposit on the value of the machinery, and repayment of the loan plus 22% interest over a five year period, after which the machinery belongs to the entrepreneur. In the urban areas SIDO provides worksheds on its industrial estates, installs the machinery, and then invites candidates to apply for the installed business. In rural areas SIDO solicits requests from individuals, cooperatives, villages or other groups for certain kinds of industries, and then installs the machinery in the village.

According to SIDO officials, 16 of SIDO's 20 regional offices have active industrial estates, with up to ten industries operating on each. Each estate has a Common Facilities Workshop, where SIDO employees machine spare parts, develop prototype products, and provide repair services for industries located on the estates. In addition to the urban locations, the officials estimate over 950 rural projects have been started by SIDO. The assessment team visited the Morogoro estate, one of SIDO's smallest, where a single woodworking firm was established and a fruit canning factory was awaiting equipment ordered from overseas. The SIDO branch itself

had a workshop, and a pilot project to produce low-cost roofing tiles.

Potential projects are evaluated by regional committees, which include government, party, banking and SIDO officials in each region, and are usually part of an overall strategy to develop a variety of industries on a given industrial estate or in the surrounding villages. The industries are generally expected to use simple technology, local inputs, and have a "social" benefit as well, i.e. providing food products, tools, services, etc., for which there is a need locally.

Though well-intentioned, the program has a number of problems. Although SIDO attempts to screen applicants for its hire-purchase schemes, many of the entrepreneurs to whom equipment is given have little or no previous experience in that industry, have no knowledge of maintenance needs, and often lack the skills to run a business. This is exacerbated by the fact that SIDO provides little technical or management training to the beginning entrepreneurs, and often only steps in once loan payments fall behind or the equipment breaks down. SICATA, the agency's training and consulting wing, was set up to meet some of these needs, however SIDO borrowers are not obliged to use these services, which are offered on a fee basis. As a result SICATA spends most of its time providing training and consulting to small and medium firms outside the SIDO program.

One SIDO official estimated that 40-50% of SIDO borrowers had defaulted on their loans, while others are often behind schedule. The same official said 90% of projects in certain parts of the country have failed, which he attributed to two of the program's other major problems -- lack of foreign exchange, and difficulty in importing raw materials and equipment.

In addition, the choice of projects often reflect "social" considerations rather than solid market analysis, resulting in financially unsound projects, or more likely, a plethora of similar projects in one area (e.g. salt extraction projects in the southern region) which then fail due to market saturation. Poor coordination with other government agencies has also led to overcrowding of similar projects funded by different agencies in the same region, although SIDO says it recently started to coordinate its activities more closely with other government funding sources.

Finally, few of the SIDO staff (200 in the Dar office alone) have any experience in running businesses themselves. Most were trained in economics, accounting, industrial planning or engineering, and few have business or marketing skills.

Sweden remains the primary donor supporting SIDO, with over \$10 million invested in the program since its inception.

3. SUWATA

SUWATA is the "economic unit" of the Tanzanian Women's Organization (UWT). Set up in 1987 as company in which UWT is one of the shareholders, SUWATA's goal is to set up businesses to generate funds for the ruling party, but with an emphasis on developing women entrepreneurs. The group is also interested in providing training activities in bookkeeping, marketing, planning and project design for women entrepreneurs, although it has no specific expertise to carry this out and will probably require technical assistance to do so.

Although SUWATA is more enterprising than its parent, UWT, it still is more of a party organ, staffed by party stalwarts, than it is a true business promotion office. In addition, an AID WID survey team noted the group appeared to have difficulty in moving beyond support of small income-generating activities to full entrepreneurial ventures.

4. Bank Project Appraisal Units

Several of the country's banks, including the National Bank of Commerce (NBC), the Tanzania Investment Bank, the Tanganyika Development Finance Company (TDFL), and the Cooperative Rural Development Bank (CRDB) have project appraisal units which process loan requests and often restructure a client's project to make it more bankable. The NBC has had several donor-funded lines of credit for small scale industries, while TDFL actively seeks private projects for investment during annual tours by bank loan officers of the provincial capitals. The CRDB was recently given an IBRD line of credit for onlending to agricultural exporters, and will receive technical assistance and training to help manage the credit line and prepare project feasibility studies.

However, in general, given the government's emphasis on parastatal development and tightly controlled markets, most of the bank units have no special expertise in lending to private firms, or in operating in an open competitive market, and will probably need training in credit and project analysis to handle the inevitable growing demand for credit from the private sector.

B. Private Organizations

1. Association of Tanzanian Employers

Established in 1955, the Association of Tanzanian Employers represent employers' interests in labor negotiations with the country's official labor union and the government. The Association was very strong in the early 1970's, and comprised a federation of local employer's associations throughout the country. However

following the Arusha Declaration, many of the groups' largest private business owners, many of whom were Indians, left the country or had their operations nationalized, and the strength of the organization diminished.

However in recent years the group has tried to revitalize itself, and has made proposals to the government regarding tax and investment codes and other issues affecting the business community. Most recently the group negotiated with the government and the worker's union on private sector wage increases.

The Association currently has over 450 members, of which about 75% are private or semi-private firms and another 25% are parastatals. The membership is divided into three categories: the largest is Commerce, including services; followed by Industry; and Agriculture.

The Association's 7-person secretariat handles the daily affairs of the Association, which advises members on labor relations, represents members in labor tribunals, and generally acts as a lobbying agent for employers.

The organization offers some training for its members, primarily in labor relations, and plans to hold three health and safety seminars in 1990 in conjunction with a Norwegian employer's association.

As part of its Small Enterprise Promotion program, the Association manages the ILO-funded "Improve Your Business" course, which is conducted by SICATA, the training wing of SIDO. Apparently the group sees this as a way to encourage small businesses, cultivate future membership and gain itself some good publicity and good will in a country where large and/or Asian-owned businesses have been painted as villains.

2. Tanzania Chamber of Commerce, Industry and Agriculture

The Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) was organized in 1988 to serve as the umbrella organization for all private sector firms in dealings with the government. The government actively encouraged the group's formation, including the secondment of a government official to serve as the executive director of the Chamber. The TCCIA also has a president, a director of information, publicity and training, and several others on its staff. In addition, the Chamber's board made up of a number of prominent private Tanzanian businessmen.

The groups seeks to create or absorb existing local Chambers in the country's major towns and cities into a national organization, answerable to the national Chamber. All existing business organizations or associations are expected to become branches or

associate members of the TCCIA. The Chamber has about 600 members, some (although not all) of whom have paid the T. Shs. 1,000 entry fee and T. Shs. 2,000 annual subscription.

TCCIA plans to provide training for its membership, information about exporting and export promotion, mediation and lobbying with the government on issues of customs, import-export regulations, etc., and other services. However, as a brand new institution, the Chamber is still in the process of organizing itself, and is seeking donor assistance to accomplish this.

A crucial issue regarding the TCCIA will be to see to what extent the group is independent of government control, and whether it will become an active advocate of private sector development with strong backing from its members. By supporting the TCCIA and virtually ignoring the well-established Dar es Salaam Chamber of Commerce (see below), the government has clearly shown its interest in promoting an indigenous entrepreneurial class, separate from the mostly Indian companies that make up many of the largest companies and conglomerates in the private sector.

UNDP has proposed a technical assistance to the Chamber to help it build up services to its membership, although it will need the approval of its home office in New York, and the participation one or two other donors to complete funding for the project. The EEC funded a visit in July 1989 by two consultants in Chamber development from the U.N.'s International Trade Centre in Geneva, to help the Chamber develop an action plan.

Given the fact that, despite its teething problems, the TCCIA is likely to be the representative body for the private sector for some time to come, the PSTNA assessment team has selected the national Chamber for HRDA support.

3. Dar es Salaam Chamber of Commerce

The Dar es Salaam Chamber of Commerce (DESCC) was founded in 1919, and has traditionally represented the capital city's largest commercial ventures, which are primarily parastatal or Indian-owned businesses. The Dar Chamber has about 400 members, from industry, commerce and agriculture; and despite the large proportion of Indian-owned businesses, has nine African Tanzanians on its 12-member Management Committee and a number of successful Tanzanian entrepreneurs in its membership.

As a well-established Chamber, the DESCSC offers many services which the TCCIA would eventually like to offer, including matching foreign buyers with local exporters providing trade information, and providing certificates of origin for Tanzanian exports. The group has also indicated an interest in promoting women entrepreneurs, and providing consultancy services on trade in the

PTA region, export promotion, business startups, and other areas.

However the most troubling issue regarding the DESCC is its future. The government has clearly shown its preference for the TCCIA as its bargaining partner in the private sector, and TCCIA officials have indicated they wish the Dar Chamber to exist merely as a branch of the national Chamber, and thus, under its control. It is unclear given current disagreements between the leadership of the two Chambers if the Dar Chamber will become a branch, and it is possible it will reconstitute itself as another kind of organization not subject to the national Chamber's control. Ideally the two groups should resolve their difference as the national Chamber could certainly benefit from the Dar Chamber's expertise, while the mostly Indian Dar group will most certainly have to ally itself in some way with the national group if it wishes to survive and keep its legitimacy vis-a-vis the government.

4. Tanzania Business and Professional Women's Association

The Tanzania Business and Professional Women's Association was founded in early 1989 by a group of women ranging from private entrepreneurs to senior professional in the civil service. The group came together to address the problems of women entrepreneurs, both those who work entirely in the private sector and those civil servants seeking to start businesses after hours. Although the group receives no direct government assistance, the association has remained in close contact with the government, which has indicated its tacit support for the organization.

Over 60 women are registered with the Association in Dar es Salaam, and the group seeks to extend its membership throughout the country. At the moment the Association has a board, but no permanent staff, and is still establishing itself. However the range of experience of its members, from successful entrepreneurs, to women from SIDO, the Cooperative Rural Development Bank, Radio Tanzania should provide an initial base for networking and sharing of experiences. The groups is interested in receiving assistance or information from donors, and is likely to become a key player in the development of women entrepreneurs.

As the sole private organization in the country organized by and for women professionals and entrepreneurs, the assessment team has proposed HRDA support for the Association, in keeping with USAID/Tanzania's goal of promoting women in development.

5. Association of Tanzanian Consultants

The Association of Tanzanian Consultants was set up in early 1989, and grew out of a study of Tanzanian consultants commissioned by the IBRD, UNDP, African Development Bank and the Netherlands. The

Association seeks to provide a coordinating body for local consultants, and as a lobbying group to press the government and foreign donor community to do more contracting locally for their projects, rather than using foreign consultants.

Fifty firms and 200 individual consultants have already expressed interest in joining the association, which has classified them into five major categories: Management, Finance, Accounting and Economics; Architecture, Engineering and Surveying; Institutional Development, Agriculture and Rural Development, and an Interdisciplinary category. The group has an ambitious \$3 million dollar plan for training for its members, however it will need to seek donor assistance, as it has no funds beyond membership subscriptions.

6. Tanzanian Professional Association

The Tanzanian Professional Association is a recently formed organization grouping 22 professional associations, including accountants, economists, engineers, architects, doctors, nurses, lawyers, and others. UNDP has been advising the group and is negotiating with UNDP New York a plan to provide technical assistance in establishing a Tanzanian Professional Center. As a body representing the cream of Tanzania's educated professionals, both public and private, the group could become a major voice in discussions with the government on policy reforms in favor of the private sector.

VI. DONOR ACTIVITY IN SUPPORT OF THE PRIVATE SECTOR

A. IBRD

The World Bank (IBRD) is the prime agent behind efforts to assist the government in making policy and institutional reforms, under the GOT's recently concluded Economic Recovery Program (ERP), and in ongoing reform efforts. The IBRD has concentrated on policy-based lending directed at sectoral targets: e.g. policy reform in the area of agricultural marketing systems; financial sector reform, including a current review of the country's financial institutions; public and parastatal management reforms; and a trade reform and industrial restructuring program.

The IBRD reform program has brought about substantial liberalization in trade and foreign exchange availability, through the Open General Licensing (OGL) Program, devaluation of the country's overvalued currency, reductions in tariffs and sales taxes, pricing reforms, decontrol of government production and distribution of goods, and increased opportunities for the private sector to import and export goods.

One project of particular interest to the private sector is the agricultural export enterprise project. The \$30 million project

features a \$26.7 million line of credit to the Cooperative Rural Development Bank (CRDB) for onlending to finance agricultural export enterprises, and \$3.3 million for institutional support, technical assistance and training to the CRDB.

The institutional support includes management assistance and training, and installation and implementation of a computerized financial information system. The training component will include short courses, study tours, and local training seminars (most notably in the areas of portfolio management, risk analysis) for bank managers and for bank clients. IBRD will also provide technical assistance in the form of management consultancies to help bank staff and borrowers prepare feasibility studies and strengthen management capabilities.

B. UNDP

The United Nations Development Program, as part of a worldwide mandate to promote private sector development, organized four consultative meetings between the GOT and representatives in 1988, to generate a series of proposals to the government on reforms to assist the private sector. The meetings were the first of their kind to be held in Tanzania, and were seen as a positive step in promoting dialogue between the public and private sectors. UNDP is currently seeking donor partners to assist in a followon project to provide support to the TCCIA, is assisting the World Bank in strengthening the capabilities of local consultants, and has proposed support for the Tanzania Professional Association.

In addition, UNDP provides assistance to ESAMI, the regional training institution in Arusha. UNDP also coordinates small business promotion activities carried out by UNIDO and ILO.

1. UNIDO

The United Nations Industrial Development Organization (UNIDO) primarily provides technical assistance to Tanzanian parastatal industries, however it is interested in providing consulting to the private sector, and is currently working with a private firm producing lamps.

2. ILO

The International Labor Organization is working with SIDO's training wing, SICATA, to offer its "Improve Your Business" course for already established small businesses. In addition, ILO support an Eastern and Southern Africa project, Skills Development for Self-Reliance (SDSR). Focussing on women and youth, SDSR seeks to develop rural enterprise and employment through development of technical and business skills, again provided through SICATA.

C. EEC

The Tanzania office of the European Economic Community provides hard currency import support funding for the agriculture and transport sectors, as does USAID, but no direct support for private sector activities. All local and overseas training is directly tied to projects, and none involves participants from the private sector. However, the EEC central office in Brussels funded a technical assistance mission from the International Trade Centre to help organize the Tanzania Chamber of Commerce, Industry & Agriculture.

D. DANIDA

The Danish International Development Agency (DANIDA), provides no direct assistance or training to the private sector, as is the case with the other Scandinavian donors. Most of its technical assistance is centered on parastatals, health or infrastructure projects, along with commodity support. However, as part of its WID activities, DANIDA has supported local training in bookkeeping and related business skills for women in cooperatives, and sent three women to a Women Entrepreneurs seminar in Nairobi in 1988.

E. Federal Republic of Germany

Most of the German Embassy's projects involve technical assistance through GTZ to assist a number of parastatals and government infrastructure projects. However the Embassy does have a number of small operations to assist the private sector.

The NBC currently has a 5 million DM line of credit from Germany for small businesses. The project documents are prepared by the borrower and the bank, and sent to Germany for final approval.

German assistance is also provided to SIDO to develop small industries, mostly through the provision of technical assistance, a training for GTZ pilot projects has already been held by SICATA, the training arm of SIDO.

DEG, a German financial institution owns a ten percent share in TDFL, the country's development bank which provide loans to private and parastatal businesses, and is considering offering an additional line of credit in 1990. DEG is also interested in finding German investors for joint ventures with Tanzanian partners.

SES, a German NGO, offers retired technical experts from private industry to provide low-cost consultancies, and has provided several to Tanzania in the past few years.

F. Japan

Japan provides commodity import support funding for Tanzania, but no direct support for the private sector. Sixty to 70 Tanzanians go to Japan a year for training, but all are from the public sector. The Japan External Trade Office (JETRO) has an office in Dar es Salaam, which provides trade information about Japanese companies and products.

G. NORAD

The Royal Norwegian Embassy Development Cooperation (NORAD) provides little direct support per se to the private sector. NORAD offers about 150 scholarships per year for training in Europe and North America. Many of the degrees are in technical fields; shipping, chemical engineering, electric power, hydro power, etc., and are offered to ministry or parastatal employees who are connected to ongoing Norwegian projects in Tanzania. However NORAD has provided substantial assistance to establish the Institute of Development Management, which provides training for parastatal, and increasingly, private sector managers. Through the Union of Tanzanian Women (UWT), NORAD is also providing some basic training to women's groups in management, bookkeeping and technical skills. Norway spends around \$50 million per year on bilateral assistance to Tanzania, and another \$50 million through the IBRD, UNDP and other multilateral donors.

H. SIDA

SIDA, the Swedish International Development Agency provides assistance to the private sector through its support for SIDO. SIDA says it has put more than 50 million dollars into SIDO in the past ten years, providing financial and technical assistance and overseas training for SIDO personnel. Sweden also has a \$1 million line of credit for small scale industries offered through the National Bank of Commerce.

SIDA also places Tanzanians in Swedish companies on short term internships to get in-service training, although this is primarily for managers and senior technicians working in parastatal companies. SIDA provided assistance to the Tanzania Industrial Services Consulting Organization (TISCO), a parastatal technical consulting firm, and MEIDA, a metalworking service company. In general, the bulk of Swedish aid in the industrial sector has been financial and technical assistance to large parastatal industries.

VII. ASSESSMENT OF TRAINING NEEDS

A. Profile of Firms Interviewed

During the assessment, the team met with over 70 firms in Dar es Salaam and Morogoro. Most of the firms are members of the TCCIA, Dar es Salaam Chamber of Commerce, Morogoro Chamber of Commerce, or the Tanzania Association of Business & Professional Women. Most of the firms are from the formal sector, although some from the informal sector were included. The following section describes the characteristics of the firms and their training needs as perceived by their owners, managing directors or other senior management staff.

Interviews were held in two ways:

1. Individual interviews with owner/managers at their workplace, usually lasting one to one and one-half hours each.
2. Four focus group discussions with up to 20 business owner/managers drawn from the different business association at each session. These meetings lasted from two to four hours each.

In each instance business owner/managers were asked to describe how their firm began, current operating practices and problems, perceived training needs, and their personal experience and assessment of local training institutions. In the group sessions the participants were also encouraged to share their knowledge and skills with each other during discussions, and to work to strengthen their business organizations so as to be in a better position to assist members and interact with the government and foreign donors.

A standard questionnaire was completed during individual and focus group discussions, which, along with the assessment teams' additional notes and discussions from the meetings forms the basis for this business profile and identification of training needs.

The firms were divided among several sectors, including manufacturing (17%), agriculture/agribusiness (26%), transport (4%), trade and commerce (26%), and services (43%). A number of entrepreneurs had businesses in more than one sector (e.g. trade and services).

Most of the firms interviewed were small, 40% had 1-5 employees, 45% had 5-25 employees, while the other 15% had over 100 employees, with the largest (a parastatal) employing 1500. All were owned by black Tanzanians, or Indians resident in or citizens of Tanzania. Fifty-two percent were family-owned, while 43% were private partnerships; and most were almost entirely self-financed from the

start-up. A number of firms were from the informal sector, most of these being small trading, sewing or secretarial operations run on the side by women employed in the civil service or parastatals. Over half of the businesses had been created in the past five years, although a few had been in existence over ten years and one dated back to 1958. Only a handful are actually exporting, although a number of other companies expressed interest in going into the export business.

The principal constraints to business development in Tanzania, as perceived by the owner/managers interviewed, were, in order of priority:

o **Lack of qualified personnel - 52%**

This was the most commonly cited constraint among the firms interviewed. This includes lack of management skills, particularly as relates to planning, marketing and financial management; as well as supervisory, technical and maintenance skills among line supervisors, technicians and workers.

o **Lack of available credit - 49%**

Although cited slightly less than the lack of qualified personnel, this constraint, along with lack of foreign exchange, were listed as top priority by those who considered it a problem. Complaints concerned the almost total lack of access to credit and the high cost of credit, both for working capital and for investment. With small businesses, the problem is two-fold: owners of small firms are unable to prepare the necessary documentation, including feasibility and market studies, cost analysis and other documents; while banks are reluctant to provide loans to small enterprises. All businesses, large and small, complained of the cost of credit, and many are forced to turn to family, friends and the informal credit market to get capital.

o **Lack of access to foreign exchange - 43%**

This was a common complaint expressed by those who need to buy foreign inputs for their businesses, which includes most manufacturing, construction, trade, and services where raw or finished materials from overseas are needed to conduct business.

o **Spare parts, equipment - 26%**

This constraint is tied to the difficulty in obtaining foreign exchange or credit, and has been exacerbated by the devaluation of the Tanzanian shilling, which has priced these imports out of reach of many small and medium-sized businesses.

o **Markets and marketing - 22%**

While fewer firms mentioned this as a constraint, a number listed it as their number one priority, particularly those interested in getting into the export market. They cited a lack of knowledge about export markets, export regulations, foreign quality standards, packaging for export, and other related issues.

o **Transport - 13%**

Most of the businesses interviewed operate within the city limits of Dar es Salaam and Morogoro, so transport was less of an issue. However, those that depend on road or rail transport for sending or receiving of goods said it was a major constraint.

o **Government bureaucracy - 4%**

Interestingly enough, few companies listed this as a major constraint, although in the focus group discussions the problems of corruption and inefficiency among customs and other government agents were discussed at length by numerous participants. There is also a sense that the liberalization process has opened up opportunities where there were none before, and a number of owners remarked that although government regulations still make doing business in Tanzania difficult, it is much easier than prior to the reforms of the past few years.

B. Training Needs

The owner/managers who completed questionnaires expressed the following principal training needs:

- for themselves:

General Management - 48%
Marketing - 30%
Financial Management - 30%
Computers - 9%
New technology in a field - 9%
Exporting - 9%

- for their managers:

General Management - 26%
Financial Management - 26%
Marketing - 9%
Organizational Management - 9%

Computers - 4%
Technical skills - 4%

- for their workers:

Maintenance & technical skills - 30%
Bookkeeping & Accounting - 17%
Stock control & purchasing - 17%

The lower rates of interest shown by owners in training for their middle managers and workers is partially explained by several factors; for the large number of respondents who own small businesses, the owner/manager handles most functions other than simple labor, and often perceives training for one's self and one's employees as a needed but unaffordable luxury given the company's cash flow and access to credit. Larger businesses were generally more interested in training workers and are more apt to have funds available for such purpose.

Generally speaking, larger businesses preferred in-house technical assistance and training by outside consultants, or EI-type business internships for their top managers. Evening and weekend short courses were by far the preferred mode of in-country training expressed by all participants.

Based on discussions with the main players in local private sector development and with over 70 Tanzanian businesses, the key training needs which may be filled under the HRDA project are listed below:

- o for owners and managers of medium to large businesses: in-plant managerial and technical consulting, short term business internships in the U.S., computer training and information management, export marketing skills, market analysis, and packaging standards.
- o for owner/managers of small to medium businesses and new entrepreneurs: business start-up basics, how to do feasibility studies, how to get bank loans, principles of general management, financial management, and marketing, and how to export.
- o for new entrepreneurs: business start-up basics, how to start a business, write feasibility studies, and secure a bank loan, general management, financial management and marketing issues.
- o for women entrepreneurs: same needs as male entrepreneurs, plus confidence building and assertiveness training.
- o for line managers and workers: improved production, maintenance, and repair skills, and quality control.

To help address these training needs, the USAID/Tanzania project will strengthen local training institutes and business associations to better support the private sector.

VIII. TRAINING PLAN

A. Training Objectives

As a result of trade liberalization and other economic and policy reforms likely to be enacted within the next few years (e.g. new investment code, further trade liberalization, etc.), and a changing political climate towards entrepreneurs, the potential for development of an active private sector in Tanzania has greatly increased.

However, in order to take advantage of the new climate and opportunities, new entrepreneurs and established businesses alike will need training to ready them for market competition among themselves and with foreign business competitors. Black-owned businesses in particular will need this support, although all businesses in Tanzania have training needs. Business associations, some of which are new themselves, also need assistance to organize themselves and to begin to offer useful services to their members. Training institutions which could provide business people with necessary information and skills will also need reinforcing, in order to offer up-to-date practical training in business skills.

USAID/Tanzania believes the areas with the greatest potential for private sector growth are agriculture, agribusiness, aquaculture and related exports, manufacturing for export, and tourism. New and existing firms will need targeted and practical training and technical assistance in order to take advantage of these new market opportunities. All other training and technical assistance needs described below support this primary and essential need to help Tanzanian entrepreneurs improve their capacity to compete effectively in local, regional and world markets.

USAID/Tanzania will use the HRDA project to achieve the following five private sector training objectives:

1. **To strengthen private sector capacity to take advantage of the new market opportunities, with emphasis on agriculture, agribusiness and related exports, manufacturing and tourism.**
2. **To improve local institutions' training and outreach services for the business community.**
3. **To strengthen local business support organizations and associations to provide services and to serve as advocates for their membership.**
4. **To increase private sector opportunities for women.**
5. **Increase public sector understanding of private enterprise through greater public/private dialogue,**

with emphasis on educating key government officials on pressing private sector issues, and providing practical technical skills to government agencies dealing with the private sector.

B. Target Audiences

USAID/Tanzania has targeted the following beneficiaries for training and technical assistance under the HRDA project:

6. **Existing private sector firms and potential entrepreneurs, including: private sector agriculture and agribusiness entrepreneurs; existing or potential exporters of agricultural, agro-industrial, textile or other manufactured products; manufacturing, tourism and service enterprises; small and medium-sized African-owned businesses and potential entrepreneurs;**
7. **Management and training staff of training institutes, targeting the Faculty of Commerce at the University of Dar es Salaam, and the Institute of Continuing Education at Sokoine University of Agriculture;**
8. **Staff and members of business support associations, including women's organizations. Specifically targeted are the Tanzania Chamber of Commerce, Industry & Agriculture; and the Tanzania Association of Business & Professional Women;**
9. **Existing and potential women entrepreneurs;**
10. **Key Government of Tanzania officials, including: parastatal managers and key policy-making government and party officials, particularly those having influence on trade, foreign exchange, customs, taxes and other areas affecting the private sector; and the administration and staff of Tanzanian banking and other parastatal organizations that provide services or credit to the private sector.**

C. Training Activities

The following description of proposed training activities is broken down according to objective, target audience and schedule:

1. TECHNICAL ASSISTANCE AND TRAINING FOR BUSINESSES

Objective: To strengthen private sector capacity to take advantage

of new market opportunities, through targeted technical assistance and in-factory training internships.

Target Audience: Existing private sector firms and potential entrepreneurs, with emphasis on those involved in agriculture, agribusiness and related exports, manufacturing and tourism.

To meet this objective HRDA funds will be used for the following two activities:

a. IESC Technical Assistance

HRDA will fund up to 10 technical consultations annually for local private sector firms, to be provided by the International Executive Service Corps (IESC). IESC consultations, provided by U.S. executives who volunteer their services, have often proven effective in the developing world in solving operational or management problems of small to medium scale firms. Potential areas for consulting include agriculture, livestock raising, agricultural processing, fishing and fisheries, export lumber, textiles or other manufacturing industries.

The HRDA budget will fund these month-long consultations at a unit cost of \$10,000 to cover travel and per diem. (Other U.S. voluntary consultation services may also be considered under this activity)

b. Entrepreneurs International business internships in the U.S. for local SME managers

It is recommended that Tanzanian business owners or managers be selected each year to participate in AID's Entrepreneurs International (EI) program. Under this program, in operation since January 1987, entrepreneurs from the developing world are carefully matched with owners of U.S. firms with similar operations. The foreign entrepreneur is "placed" with the U.S. firm during a two to four week period to study U.S. operations and management in a firm with similar problems and concerns. Ei has been quite successful to date and has even resulted in a limited number of U.S./foreign partnerships, investments and sales contracts.

Tanzanian candidates for EI could be drawn from a variety of areas, including agribusiness, transportation or shipping companies, fishing and seafood processing ventures, textiles, leather works, tourism. USAID/Tanzania anticipated sending 60 candidates to the U.S. for short term internships during FY 1989, and will send 35 per year in ensuing years of the project. Mission HRDA funds will provide for these internships at a unit cost of \$8,000.

Additional HRDA activities which will directly benefit private entrepreneurs include the development of short courses for business owner/managers at local training institutions (see Activity 2.c for full description) and the provision of tuition credits to allow entrepreneurs to attend these and other locally-offered training activities (see Activity 3.b for details).

2. TECHNICAL ASSISTANCE AND TRAINING FOR LOCAL INSTITUTIONS

Objective: To Improve local management training institutions' training and outreach services to the private sector.

Target Audience: The Faculty of Commerce at the University of Dar es Salaam, and the Institute of Continuing Education at the Sokoine University of Agriculture; other local institutions where appropriate.

To meet this objective, HRDA funds will be used to fund the following four activities:

a. Technical Assistance for the creation of Export and Agribusiness Promotion Centers

Liberalization of the country's internal and export marketing systems have created opportunities for private entrepreneurs, however many lack the skills, knowledge and contacts to capitalize on them.

In recognition of this critical need, USAID/Tanzania will use HRDA funds to help establish two services: an Export Promotion Center, and an Agribusiness Promotion Center. HRDA assistance will provide \$100,000 in FY 90 to provide for technical assistance in setting up the centers, their information systems, and a small grant for equipment such as a telefax to enhance the centers' ability to communicate with U.S. and other foreign businesses and training/consulting firms. An additional \$50,000 is budgeted for follow-up assistance in FY91. Other HRDA assistance for the centers is described below under other activities: providing relevant study tours or U.S. short courses for the center's managers (see Activity 2.b), and development of short courses (See Activity 2.c).

The two centers would pull together resources from the private sector, public sector, and academic community, to provide a clearinghouse for information, networking, technical assistance and training for entrepreneurs interested in agribusiness and/or exporting.

The Centers would offer outreach services to the business community in the specialized areas of Exports and Agribusiness: i.e. provide information on marketing,

technological advances, and changes in government policy; conduct active and pertinent research on business issues and offer practical short courses on related subjects; develop instructional pamphlets on agriculture, export laws, government regulations and other business subjects; and advise government on key policy issues.

The Export Promotion Center will be located at the University of Dar es Salaam's Faculty of Commerce, while the Agribusiness Promotion Center will be located at the Sokoine University of Agriculture's Institute of Continuing Education in Morogoro. These institutions were chosen for their solid administrative bases, dynamic leadership, and strong interest shown in developing services for the private sector.

Each center would have a advisory board made up of representatives from government agencies (e.g. the Board of External Trade), business organizations, and the training institutes themselves. The key to the centers' effectiveness will be the roles that management training professionals, the business community and government advisory bodies such as the BET play in the development of an interdisciplinary approach to program design and implementation. Each group would offer its knowledge, expertise or opinions and gain something in return.

- The teaching faculty at the universities would develop practical outreach services for the business community, e.g. relevant short courses and consultancies. Trainers will be able to conduct real-life research and develop case study materials to increase their teaching effectiveness. The benefits for the Faculty of Commerce would include a revitalized curriculum, and increased revenue to supplement its budget and provide incentives to retain good instructors.
- In addition to sitting on the board, officials from the BET or other government advisory agencies would act as the interface between the business community and government, keeping business advised on official policy developments while informing government about the business community's sentiment and concerns vis-a-vis government policy. Some officials might also offer lectures or workshops in their areas of expertise.
- Business associations like the TCCIA and Tanzanian Association of Business & Professional Women would also sit on the board, and would articulate issues of importance to the business community to be addressed by the center -- such as training needs and subjects, questions on government policy, and proposals emanating from the business community on how to solve the country's

economic problems. Individual entrepreneurs could also lend their expertise for courses or consultancies, supplementing the university resource people.

The centers' training, consulting and advisory services would be offered on a sliding scale fee basis that would reflect businesses' ability to pay. Charging a fee will serve as an incentive for the trainers to aggressively conduct research and market themselves to provide practical services that business people are willing to pay for.

USAID/Tanzania proposes locating the Centers on the two campuses to provide a more stable and independent base than would be possible if they were situated within the Board of External Trade or TCCIA, as both of these organizations are in transition at this time. More importantly, training and technical assistance are secondary to their main roles, while these activities are the *raison d'etre* for the universities. The location of the centers at state-run universities also would be an acceptable choice for the government, but would leave the centers with more autonomy than if they were based within a government ministry. While management of the centers' programs would be done on campus, activities could easily be held at the Chamber of Commerce premises or elsewhere in or outside of Dar and Morogoro, to suit the needs of the business community.

USAID/Tanzania sees the Dean of the Faculty of Commerce and the Director of the Institute of Continuing Education as capable, energetic and flexible leaders who are actively looking for ways to increase contacts between their institutions and the business community. Both are also adept at evaluating the quality of training resources and looking beyond their own faculties to find the necessary talent to offer a certain course or consulting services. The mission believes the two are ideally suited to work in close coordination with the mission's Entrepreneur Training Coordinator, and the Entrepreneur Training Advisory Council to assure that HRDA sponsored activities are carried out in accordance with USAID policies and priorities.

This training plan presents an overview of how these two centers could work; the details will be worked out in mission discussions with the two institutions, business organizations, and participating government agencies. The mission will ask each of the concerned parties to submit proposals for how the centers would be operated, and use these as a basis for discussion.

- b. Study tours and short courses for instructors at UDSM Faculty of Commerce or Sokoine ICE**

Mission HRDA funds will provide for specialized short term U.S. or third country training programs or study tours focussing on institutions, programs or courses related to private sector development for the staff of the UDSM Faculty of Commerce and Sokoine Institute of Continuing Education. Ideally these study tours and short courses would be designed to provide experiences relevant to the set-up and operation of the Export and Agribusiness Centers mentioned above.

Such visits might include visits to the Snider Entrepreneurial Center at Wharton, the World Trade Center's World Trade Institute in New York, programs such as the International Marketing Institute's seminar on market development, WTI's export promotion seminars, Harvard Institute of International Development seminars on international finance, Arthur D. Little project analysis seminars; case-oriented study programs like those offered by Thunderbird School of Management in Arizona; or programs to aimed helping instructors improve their teaching skills or curriculum in business subjects (e.g. a case writing workshop).

HRDA will fund study tours and short courses for 10 persons annually at a unit cost of \$10,000 each.

c. Development of In-country short courses for business owners and managers

HRDA funds will be used to finance the development of short courses to be offered at the UDSM Faculty of Commerce and Sokoine's ICE. The following is a list of recommended subject areas, based on business owner/managers' expressed needs.

1. Project Analysis,
2. How to prepare bank feasibility studies and secure loans,
3. Agribusiness Project Development,
4. Export Marketing,
5. Marketing for SMEs,
6. Introduction to computerized business practices,
7. Principles of Management for SMEs,
8. Financial Management for SMEs, and
9. Management and Leadership skills for middle level managers, line supervisors and shop foremen.

The courses will be developed in conjunction with the University of Dar es Salaam's Faculty of Commerce and Sokoine University's Institute of Continuing Education, and would be a major component of the business promotion centers proposed for those two institutions. Teams of local and U.S.-based (if necessary) consultants, would design and assist in the initial implementation of the courses. If U.S.-based or other outside

consultants are used for this activity, they would develop the materials and team teach courses with trainers selected by the two institutions, thus "institutionalizing" the course for future and creating a multiplier effect for the courses impact.

Based on responses to the assessment survey, the best format for such courses would be 2 or 3 afternoons or evenings a week for 3-6 weeks.

The estimated cost for preparing and implementing the first iteration of such an activity if outside consultants are used would be around \$60,000. Three courses will be developed per year over the FY90-92 period, or some funds could be used in FY91 and 92 to adapt and update the courses for use by local instructors in Dar, Morogoro, and elsewhere in the country.

d. Enhancing institutions' curricula, teaching materials and methods

USAID/Tanzania will provide HRDA funding for a team to assist Tanzanian institutions to review and evaluate the curricula, teaching materials and methods that are currently being used by these institutions. The purpose of that review will be to help them increase the institution's responsiveness and effectiveness as management education institutions for owners and managers of existing businesses in Tanzania and students who wish to create or work for private sector firms upon graduation.

The primary purpose will be to identify opportunities to increase the use of management cases and other action-oriented teaching materials by local institutions so as to promote the development of managers with strong analytical and decision-making skills. Once areas of opportunity for enhancement have been identified, USAID/Tanzania will provide funds to help develop an implementation plan. A key part of this activity would be a provision for acquiring relevant textbooks and other materials from abroad, as lack of foreign exchange for new materials is one of the schools' most critical problems.

This activity is initially intended for UDSM Faculty of Commerce and Sokoine University ICE, and would ideally use consultants drawn from institutions visited by the Tanzanian faculty during study tours to the U.S. (e.g. Wharton, IMI, etc.) The mission will also consider offering this assistance in ensuing years to other local institutions, such as the National Institute of Productivity, Institute of Development Management, and the Institute of Finance Management, particularly provision of new teaching materials.

The activity will be funded at an annual cost of \$60,000 per year, to provide one technical consultancy for each of the two targeted institutions in FY 90 and FY 91. The mission will consider using FY 92 funds for followup on the previous consultancies or provide a new one to one of the secondary institutions mentioned above.

3. TECHNICAL ASSISTANCE AND TRAINING FOR LOCAL BUSINESS SUPPORT ORGANIZATIONS AND ASSOCIATIONS

Objective: To strengthen local business support organizations and associations

Target Audience: Tanzania Chamber of Commerce, Industry and Agriculture, and the Tanzania Association of Business and Professional Women.

HRDA funds will be used for the following three activities:

- a. **U.S. study tours and short term training for members and staff of business support organizations**

HRDA will target the following support organizations for study tours and short term training in the U.S.: the Tanzanian Chamber of Commerce, Industry and Agriculture, the Tanzania Association of Business and Professional Women. Other possible organizations to benefit from this activity could be the Association of Tanzanian Employers, SIDO, the Tanzanian Professional Association, the Tanzanian Association of Consultants.

The mission will provide financing for study tours by representatives from the Chamber and Women's Association, to evaluate various U.S. Chambers of Commerce, trade associations and business promotion offices. This exposure is intended to help these groups facilitate a more clearly defined role for these organizations and to explore a variety of ways of meeting those objectives. For the TCCIA, the visit could include U.S. Chamber of Commerce's Center for Leadership Development, CIPE, the SBA, city or state International Trade Offices, IESC, and the World Trade Center's World Trade Institute. For the Women's Association, the visit could include many of the same organizations as well as Women's World Banking and other professional women's organizations with outreach services. If these study tours become an ongoing activity, efforts will be made to ensure that staff from regional offices of the organizations also benefit from the experience, and that it not be limited to top management in Dar.

HRDA will also provide funding for short term training

opportunities for representatives from these organizations in specialized U.S. or third country training programs, such as Coverdale Workshops in Executive Management, Center for Leadership Development programs in Association Management, Export Marketing courses at the International Marketing Institute or World Trade Center Institute, or other similar courses.

HRDA will fund study tours or short courses for ten participants annually, at a unit cost of \$10,000 per short course or study tour.

b. Tuition credits for SMEs

Under HRDA, USAID/Tanzania will provide partial tuition credits to targeted SMEs to allow them to participate in the above-mentioned or similar training activities at local institutions. Many Tanzanian SME managers realize that they need training, but are unable to pay for it due to lack of working capital.

In order to allow these enterprises to participate in training activities initiated by USAID/Tanzania, other donors, or the institutes themselves, the mission will provide funding for partial tuition credits covering 80% of the course fee charged by a training institution. Participants would be expected to pay the remaining 20% of tuition, plus registration, materials charges or any other costs related to the course. Thus potential training candidates would have an incentive to take training courses, while still having to make a significant (in SME terms) contribution for their own training.

An added benefit of the tuition credits would be higher private sector enrollment in local institutions, which could lead to changes in curriculum as the schools try to satisfy their new clientele, and woo them back for further courses, with or without the subsidy.

Such tuition credits would be offered for use at the two targeted institutions -- Sokoine's ICE and UDSM's Faculty of Commerce -- and possibly at other institutions such as NIP, IDM, IFM, and possibly ESAMI, and would be managed by the TCCIA and the Women's Association. Providing tuition credits for the non-targeted institutions would offer the business sector more choice of courses and locations, and create a wider spread effect of HRDA support for training institutions, without greatly increasing the programmatic burden. (see section VIII-E-3 for complete description of tuition credit program)

USAID/Tanzania will also provide travel and maintenance allowances to training participants who come from regions

outside the capital and Morogoro, to allow them to take advantage of training activities which are not available in their home regions. This would allow those who are involved in agricultural activities in outlying towns or rural areas to benefit from the course as well.

Cost of one tuition credit has been estimated at \$200, while travel and maintenance has been budgeted at \$760 for a 2-3 week course. Sixty tuition credits will be provided per year at a total unit cost of \$960 each.

c. Technical Assistance to develop the outreach services of business support organizations

USAID/Tanzania's HRDA project will fund local or U.S.-based consultants to provide technical assistance in the areas of association management, service delivery and public relations, to local business support organizations. This activity targets two groups, the TCCIA and the Business & Professional Women's Association, and would help these associations organize their administrative offices, develop their outreach services to members, and build their advocacy skills. This in-country activity would complement the knowledge and skills gained by association staff which participate in the U.S. study tours mentioned above, and could utilize consultants from some of the U.S. institutions or organizations that are visited.

Initial assistance would focus on setting up the organizations' head offices. Later assistance would include training and technical assistance to help the associations to develop in-house Business Assistance Units. These units would consist of staff or association members who offer (on a fee basis) services such as how to set up a business, how to apply for a loan, explaining customs and other government regulations, drafting and typing of business letters, sending telexes or faxes.

These activities would complement the more high-powered services to be offered through the proposed export and agribusiness promotion centers, and would primarily target SMEs and beginning entrepreneurs, as opposed to the larger, more established businesses.

There is probably sufficient local capacity, between Tanzanian consultants, accountants, management trainers, and successful entrepreneurs, to provide much of the technical assistance and training for association staff. However, overseas consultants could be brought in if it was felt that certain crucial areas needed such outside assistance. One activity that might fall in this category is the workshop on credit appraisal and management skills proposed jointly for government lending

institutions and business associations, described in further detail under 5.b. below.

This activity is budgeted at one \$60,000 technical consultancy per year.

4. TECHNICAL ASSISTANCE AND TRAINING FOR WOMEN ENTREPRENEURS

Objective: To increase business opportunities for women

Target Audience: women-owned businesses and women entrepreneurs, and the Tanzania Association of Business & Professional Women

USAID/Tanzania has set a target of women's participation in HRDA at 50 percent, an ambitious goal that could be met with perseverance. Generally speaking, the mission will strive to locate and actively recruit women candidates for all local, regional and U.S. training activities listed above under Objectives 1, 2 and 3. This will entail close coordination with the Tanzanian Association of Business & Professional Women, individual prominent businesswomen, women faculty at local training institutions, and, where compatible with HRDA private sector objectives, government and party-sponsored women's groups.

In addition to a high level of participation in general HRDA activities, the mission proposes funding training and technical assistance specifically directed at women entrepreneurs. Many of these women have ideas and energy, but lack the knowledge, contacts or capital to expand existing businesses or begin new ones. The mission proposes that HRDA fund one women-specific training activity, with the possibility of developing other courses or activities, if there is an expressed demand from women in the business community.

The HRDA program will support an in-country training program for women entrepreneurs. Training modules, in how to start a business, principles of marketing, management and accounting, etc., will be developed to encompass the specific problems Tanzanian women face in business. The course will be developed by outside and local consultants, in conjunction with the Women's Association. The initial workshop(s) would serve as a training of trainers workshop for one or several staff members of the Association. Once the workshop has been given several times it is envisaged that the Association trainers, in conjunction with UDSM or ICE trainers could continue to offer the course without outside help, and could offer the same information in the form of consultancies.

Alternately HRDA funding could be used to send women to ESAMI WID courses, although its selection is limited, and the majority of these courses appear to be scheduled in other

countries in the region. Also, ICE is currently developing a Women in Agriculture course designed for extension workers, which may expanded to include other participants as well.

This HRDA activity is budgeted at one \$60,000 consultancy per year.

5. TECHNICAL ASSISTANCE AND TRAINING FOR KEY GOVERNMENT OFFICIALS

Objective: Increase public sector understanding of private enterprise through greater public/private dialogue, with emphasis on educating key government officials on pressing private sector issues, and providing practical technical skills to government agencies dealing with the private sector

Target audience: Key Government of Tanzania officials, including: parastatal managers and key policy-making government and party officials, particularly those having influence on trade, foreign exchange, customs, taxes and other areas affecting the private sector; and the administration and staff of Tanzanian banking and other parastatal organizations that provide services or credit to the private sector.

To meet the above objective, HRDA funds will be used for the following activities:

a. Open forum dialogues between govt and private entrepreneurs

In order to counter the suspicion and misinformation that many civil servants and party officials hold regarding the public sector, HRDA will fund a series of round table discussions where key government and party policy makers will join prominent private businessmen and women to discuss the role of the private sector in Tanzania.

Each forum could have a specific topic appropriately chosen for the participants (privatization, foreign investment, the investment code, SME development, informal sector, etc.), but the underlying goal would be for the two groups to explore together the larger issue of how the private and public sectors will coexist in Tanzania. These forums could initially be held in a secluded place (e.g. a game park), where participants would feel away from the glare of public attention. Or, if it was felt that for certain discussions the public should be aware of the dialogue taking place, the forums could be held in public places for all to see and hear. (Note: this activity could also be funded under the public sector side of HRDA.)

Four fora a year will be sponsored by HRDA, at a unit cost of

\$10,000 each.

b. In-country workshops on credit appraisal and management techniques for lending to SMEs

The team recommends a series of in-country workshops to sensitize participants to the special requirements and conditions of lending to private sector SMEs, and to train them in the methods of credit appraisal and loan portfolio management for small scale lending operations in developing countries. The second workshop will be a follow-up of the first, involving many of the same participants. While new material will be presented, this workshop will provide an opportunity to discuss unanticipated problems, clarify difficulties, and reinforce the need for specialized credit appraisal and portfolio management.

The workshops would be aimed at two target groups -- the banking community (including NBC, TDFL, CRDB and other banks with project appraisal units), and business support organizations (TCCIA, Tanzania Association of Business & Professional Women, SIDO/SICATA, Association of Tanzanian Employers, etc.) which seek to assist SMEs in obtaining loans. Ideally the workshops would feature a mix of participants from both groups, as a way of building practical skills and strengthening the linkages between the business support groups and the banking community.

The assessment team proposes using the resources of ARIES, a S&T/RD central project which has developed credit management workshops for banks, NGOs and credit unions lending to small enterprises. Missions may request the use of ARIES as part of PD&S funds, otherwise HRDA could fund the two workshops. If the mission wishes to broaden the focus of the workshops to include project appraisal and feasibility preparation skills, then other resources, such as Arthur D. Little, could be used.

Note: As part of its agricultural export promotion project, the IBRD has targeted CRDB staff for technical assistance and training which may in part cover topics related to the proposed workshop. However given the broader target audience for the HRDA workshops, it is envisaged that through coordinating with the IBRD the two activities would be complementary, and that possibilities for collaboration could develop.

HRDA will fund one workshop annually at a unit cost of \$60,000 each.

6. Additional Training Recommendations

The mission will want to consider funding for these additional training activities:

- a. Technical workshops for public sector managers on the how-to's of privatization (Note: this activity could also be funded under HRDA public sector funds.)
- b. Assistance to the Tanzanian Federation of Consultants on how to consult and how to market consulting services to international organizations.
- c. Assistance to SIDO/SICATA on how to develop feasibility studies and provide management consulting services to small businesses.
- d. Assistance to other non-targeted training institutions or business associations when/if needs are determined.

D. Regional training activities

USAID/Tanzania HRDA funds will be used to send Tanzanian participants to HRDA regional private sector conferences or workshops which will be held at various locations in Africa. Previous regional activities have covered management for women entrepreneurs, policy reform and programs for the informal sector, cooperative development, etc. AFR/TR/EHR encourages USAID/Tanzania to participate in such regional activities, which provide for a broad exchange of ideas among entrepreneurs and other key figures in private sector development. Average per participant costs are estimated at \$2,500 to cover travel and per diem expenses of the participants. Registration and other workshop costs will be covered through AID/W HRDA core funds.

E. Management of the HRDA Program

Management of the HRDA program is much more labor-intensive than any of its predecessor projects (AMDP I & II). The training plan calls for more in-country training than USAID has been doing under similar projects. USAID/Tanzania HRDA activities for FY 90-92 will include numerous in-country training activities, including the tuition credit program, the selection and processing of numerous candidates for study tours and short term training in the U.S., and for HRDA regional training programs in Africa. FY 90 activities will also include the recruiting of the HRDA Entrepreneur Training Coordinator, establishment of the Entrepreneur Training Advisory Committee and definition of a recruitment and selection procedure for private sector activities.

1. Training Support Personnel

The training activities outlined in C and D, above, will call for careful coordination. The creation of a local hire position, that of the Entrepreneur Training Coordinator, is justified to handle the above responsibilities. This person will be expected to interface effectively with the ETAC, business support organizations, local training institutes, other donor-financed SME projects, and other available resources; as well as assisting with the necessary administrative and logistical arrangements for the ETAC, business promotion centers and tuition credit program, and preparation and follow-up of in-country activities. The advisor could be paid out of local-currency operating funds, or out of HRDA funds, at a proposed salary of \$10,000 annually. A proposed scope of work for the HRDA Entrepreneur Training Advisor is found in Annex 4.

2. Role of the Entrepreneur Training Advisory Committee

In order to assist USAID/Tanzania to adequately address the needs of the private sector, a key element of the HRDA private sector training strategy is the constitution of a Entrepreneurs' Advisory Committee (ETAC). The ETAC, made up of private entrepreneurs and representatives of organizations and institutions working directly with the business community, will recruit and select training participants, evaluate the quality, nature and direction of activities planned under HRDA, and ultimately, act as the mission's sounding board/barometer for the private sector in Tanzania.

The ETAC should meet regularly (e.g., quarterly) to determine the schedule and venue of future programs, to assist in evaluating past programs and to help recruit and select candidates for upcoming programs. The ETAC will also be responsible for determining the means of advertising training activities, and for keeping all key players in private sector development in Tanzania informed on HRDA activities. All decisions of the ETAC will be transmitted to the Entrepreneur Training Coordinator and USAID/Tanzania for approval.

It is recommended that the ETAC be composed of no more than seven persons, with the USAID/Tanzania Entrepreneur Training Coordinator serving as the board's technical advisor. The following organizations and individuals are recommended as board members:

- USAID/T Entrepreneur Training Coordinator (advisor)
- Tanzania Chamber of Commerce, Industry & Agriculture
- Tanzania Association of Business & Professional Women
- Association of Tanzanian Employers
- Dean of the UDSM Faculty of Commerce
- Director of Sokoine's Institute for Continuing Education

Ideally three of the committee members, including one of the entrepreneurs, should be women. Also, it is advisable that eventually the representatives of the business associations come

directly from the private sector, rather than from the permanent staff of the organizations.

HRDA has budgeted \$20,000 annually to assist with logistics for coordinating ETAC meetings, travel for ETAC members residing outside of Dar, publicity costs, etc.

3. Recruitment and Selection

Recruitment and selection of participants will be one of the keys to the success of the program. The ETAC, when constituted, will play a major role in publicizing training opportunities, recruiting training candidates from the private sector, and selecting participants.

a. Publicity

The ETAC will be responsible for fully informing the local private sector community of program opportunities, through newspaper ads, radio announcements, and notices posted at key locations, (e.g. the business promotion centers, offices of the Chamber of Commerce, and other business support organizations, etc.), as well as through personal, informal contacts in the local business community. Funds will be made available by the mission for costs incurred for advertising, leaflet reproduction, etc., and the Entrepreneur Training Coordinator may be called upon to provide assistance in producing such materials.

b. Selection Criteria

The ETAC should establish selection criteria for candidates 1) for U.S. internships and short term training opportunities within the established AID guidelines, including Handbook 10 where applicable, and 2) for local training, within established mission guidelines. Candidates should be selected both for their individual qualifications and on the profile of their firms (i.e. growth and job creation potential, sectors of activity, etc.). For U.S. and third country training, efforts should be made where possible to give priority to candidates who have not previously benefited from overseas training.

Note: As SMEs have been identified as one target audience for HRDA activities, the ETAC may wish to establish a working definition of what constitutes an SME (size of business, gross sales, etc.), and is advised to confer with other key players promoting SME development (e.g., IBRD, UNDP, bank SME assistance units, etc), to come up with a widely acceptable definition, and therefrom, a set of criteria to determine those needing training assistance.

c. Application and Selection Procedure

Potential participants would be expected to submit a letter

requesting a specific training activity, along with an application form, to be devised by the ETAC in collaboration with the mission. The form would contain key information on the individual's training and work experience, information about his or her company, and an explanation of why the training activity is needed and how the knowledge/skills gained will be put to use afterwards. The forms would be used to determine a candidate's eligibility for the particular training activity, and would also serve as the basis for building a mission database on private entrepreneurs and their training needs.

The Entrepreneur Training Coordinator will be responsible for collecting applications, evaluating them for completeness, and turning them over to the ETAC to make its selection. The ETAC will select candidates and transmit their decision to the USAID/T project officer for final approval. Once candidates are selected, the mission will complete the necessary paperwork, while the ETAC will be responsible of informing participants of their selection.

This general process should be used, with any modifications deemed necessary by the mission or ETAC, for the selection of all candidates for U.S., third country or in-country training, and for study tours. Where technical assistance is required to complete an activity (e.g., course development by outside or local experts), the ETAC will evaluate the T.A. candidates and forward their choice to the mission, which will make the final approval and handle the administrative and contracting aspects of the T.A. Where support is to be given to a particular institution or association to organize an activity or activities, the ETAC should delegate one of its members (who may also be a representative of that institution or association) to liaise with the organization concerned, and should target one person within that organization to coordinate all HRDA activities.

d. Tuition credit program

The tuition credit program will be managed as follows:

USAID/Tanzania will sign a yearly agreement with each of the business associations represented on the ETAC (i.e., the TCCIA, TEA, and Tanzania Association of Business & Professional Women), allocating a predetermined sum of money to be available to their members for training. Association members would then apply to their boards for grants, in the form of tuition credits, to be used for attending regularly scheduled courses, workshops, seminars or other training activities offered by local training institutions. It is intended that the participant be expected to pay a certain part of his or her tuition (e.g., 20%), and use the association tuition credit to cover the rest of the cost.

The associations may wish to use the same or a simplified version

of the application and evaluation forms developed by the ETAC to screen applicants for the tuition credits. Copies of these applications would be provided to USAID/Tanzania through the ETAC, to monitor participant activity.

Given that there may be business owners or potential entrepreneurs in need of training yet who do not belong to the above associations, the mission will consider providing a smaller amount for tuition credits to be granted by the ETAC, with the proviso that such funds go only to potential participants who do not belong to the ETAC's constituent associations.

Evaluation and follow-up

Evaluation and follow-up of the private sector component of HRDA is an important aspect of the project, as it is for any training program. All participants will be expected to complete an evaluation form, to be devised by the ETAC in collaboration with the mission, which will be used to determine the quality and effectiveness of the training.

Returned private sector participants (or those who have completed an in-country training activity specifically developed or organized by HRDA) should be interviewed immediately upon returning from their training, and a written report of each evaluation should be made, both for USAID and the ETAC. The ETAC, in coordination with the mission, should consider these evaluations when preparing for future programs, and should adjust subsequent activities as necessary, within the guidelines of the project.

In the case of participants who have merely benefitted from tuition credits for regularly scheduled training activities at local institutions, the participant's evaluation form may be deemed sufficient for reporting purposes, unless the mission feels it is necessary to interview some or all of these people.

Periodically, groups of returned participants should be invited to discuss aspects of their training and possible follow-on activities with the ETAC and HRDA training coordinator.

G. Project Implementation Workshop

A key element of the USAID/Tanzania private sector training strategy will be the Project Implementation Workshop, to be held early in FY 1990. The 2-3 day workshop will bring together USAID/Tanzania Mission Representatives, the Entrepreneur Training Coordinator, the Entrepreneur's Advisory Committee, and government agencies which have a stake in training for the private sector (e.g. Bureau of External Trade, Ministry of Finance, etc.) Using the PSTNA Training Plan as a starting point for discussion, the

group will discuss private sector training priorities, responsibilities, collaboration, and implementation strategies for the plan. The goal will be to include both private and public sector players in the discussion of how to successfully implement the plan, so as to ensure the active cooperation of all parties. The role of the ETAC will be defined and explained, as will the nature of the training activities. It is requested that AFR/TR/EHR provide a technical assistance for this conference, by sending a facilitator, preferably someone who participated in the initial PSTNA. The mission will consider making the workshop an annual activity to regularly assess the progress of HRDA.

HRDA has budgeted \$25,000 a year to cover logistical costs of arranging and holding the workshop.

H. Initial Implementation Plan

The following is a proposed implementation plan for the first four months of FY 90:

September 1989

- Review and finalize draft PSTNA.
- Hire Entrepreneur Training Coordinator (ETC).

October

- Constitute Entrepreneur Training Advisory Committee (ETAC), and hold initial organizational meeting.

November

- Conduct Project Implementation Workshop with USAID/T mission representatives, ETC, ETAC, relevant government agencies, and AFR/TR/EHR facilitator.

December

- Begin organization of one in-country training activity for second quarter FY 90.

I. A.I.D./Washington Backstopping of Program

AFR/TR/EHR will backstop the USAID/Tanzania training office as necessary, including identification of U.S. and third country training resources for the private sector, and will schedule at least one annual follow-up trip, to coincide with a meeting of the ETAC, to assist the training office in programming its private sector activities.

Progress reports on the implementation of the HRDA project should be submitted with the Project Implementation Reports (PIR).

J. Funding

The following summary reflects projected funding levels over the remaining life of HRDA. (The amounts for public sector training are illustrative and are based on the assumed buy-in level over the life of the project.)

	Private Sector	Public Sector	Total
FY 90	\$1,257,600	\$1,242,400	\$2,500,000
FY 91	\$1,267,980	\$1,232,020	\$2,500,000
FY 92	\$1,215,480	\$1,284,520	\$2,500,000
Totals:	\$3,741,060	\$3,758,940	\$7,500,000

**TABLE 1
SCHEDULE OF HRDA ACTIVITIES**

OBJECTIVE	FY 90	FY91	FY92
1. TA & TRAINING FOR BUSINESSES			
a. IESC Technical Assistance	8 months TA \$80,000	8 months TA \$80,000	8 months TA \$80,000
b. Entrepreneurs International	35 Internships \$280,000	35 Internships \$280,000	35 Internships \$280,000
2. TA & TRAINING FOR TRAINING INSTITUTIONS			
a. Business Promotion Centers	TA & Grant \$100,000	TA Followup \$50,000	
b. Staff Development - UDSM, ICE (Study Tours & Short Courses)	10 Short Term U.S. Programs \$100,000	10 Short Term U.S. Programs \$100,000	10 Short Term U.S. Programs \$100,000
c. Course Development for UDSM, ICE	3 courses \$180,000	3 courses \$180,000	3 courses \$180,000
d. Curriculum Study	1 TA \$60,000	1 TA \$60,000	1 TA \$60,000
3. TA & TRAINING FOR BUSINESS ASSOCIATIONS			
a. Staff Development (TCCIA, Tanz. Assoc. of Bus. & Prof. Women)	10 short term U.S. programs \$100,000	10 Short Term U.S. programs \$100,000	10 Short Term U.S. programs \$100,000
b. Tuition credits	60 credits \$57,600	60 credits \$57,600	60 credits \$57,600
c. TA to Staff	1 TA \$60,000	1 TA \$60,000	1 TA \$60,000
4. TA & TRAINING FOR WOMEN			
	1 workshop \$60,000	1 workshop \$60,000	1 workshop \$60,000
5. TA & TRAINING FOR GOVERNMENT OFFICIALS			
a. Open forum symposia	4 symposia \$40,000	4 symposia \$40,000	4 symposia \$40,000
b. Credit Appraisal Workshop for banks	1 workshop \$60,000	1 workshop \$60,000	1 workshop \$60,000
6. REGIONAL TRAINING ACTIVITIES			
	10 Regional \$25,000	10 Regional \$25,000	10 Regional \$25,000
7. ENTREPRENEUR TRAINING COORDINATOR			
	\$10,000	\$10,000	\$10,000

8.	ENTREPRENEUR TRAINING ADVISORY COMMITTEE	Logistics \$20,000	Logistics \$20,000	Logistics \$20,000
9.	PROJECT IMPLEMENTATION WORKSHOP	\$25,000	\$25,000	\$25,000
	SUBTOTAL	\$1,257,600	\$1,207,600	\$1,157,600
	INFLATION		\$60,380	\$57,880
	GRAND TOTAL	\$1,257,600	\$1,267,980	\$1,215,480

ANNEX 1

ASSESSMENT METHODOLOGY

The purpose of the private sector training needs assessment was to define, with the USAID/Tanzania mission, a multi-year training strategy to promote human resources development within the private sector, either directly by financing participants from the private sector or less directly by strengthening business support institutions or associations through training activities.

AID/W assigned a two person team to do the work; a specialist in private sector analysis and the HRDA assistant private sector training coordinator. Mr. Gene Peuse of AFR/TR/EHR also contributed to the assessment, and provided the annexes on public sector training and draft scopes of work for HRDA personnel. The assessment was completed in three weeks, using the following methodology:

1. Literature Search

Literature on the local private sector, business associations, and training institutions, recent economic analyses, and employment/education studies were reviewed (see Bibliography in Annex 7).

2. Contacts with key private sector players and support institutions

A tight schedule of meetings during week 1 and 2 was organized with key government agencies (SIDO, Board of External Trade), local banks (NBC, TIB, TDFL), major donors (IBRD, Danida, EEC, German Embassy, Japan Embassy, NORAD, SIDA, UNDP, UNIDO, ITC), business, professional and women's organizations (TCCIA, Chambers of Commerce of Dar es Salaam and Morogoro, Tanzania Association of Business & Professional Women, Association of Tanzanian Employers, Association of Tanzanian Consultants), training institutions (IDM, IFM, ICE-Sokoine, UDSM Faculty of Commerce, NIP), local CPA firms, as well as various other groups.

3. Interviews with a Representative Sample of Entrepreneurs and Existing Businesses

During the weeks 2 and 3, the team interviewed over 70 firms in Dar es Salaam and Morogoro. Most, but not all, of the firms were members of the TCCIA, Dar es Salaam Chamber of Commerce, Morogoro Chamber of Commerce, or the Tanzania Association of Business & Professional Women. Interviews were held in two ways:

1. Individual interviews with owner/managers at their workplace, usually lasting one to one and one-half hours each.

2. Four focus group discussions with 12 to 20 business owner/managers drawn from the different business associations at each session. These meetings lasted from two to four hours each.

In each instance business owner/managers were asked to describe how their firm began, current operating practices and problems, perceived training needs and their personal experience and assessment of local training institutions. A standard questionnaire was completed for each participant during individual and focus group discussions (The Assessment questionnaires are attached as Annex 2, and a list of all people interviewed is provided in Annex 3).

4. Tabulation of Questionnaire Results and Review of Preliminary Conclusions

The assessment team regularly reviewed results of the interviews and discussed impressions with USAID/Tanzania staff and Peuse of AFR/TR/EHR. At the end of week 3, results from the questionnaire were tabulated and combined with the assessment team's additional notes and discussions from the meetings to form the basis for the training needs assessment. Preliminary conclusions were presented to USAID, which allowed for feedback on the nature of the proposed training.

5. Preparation of the Private Sector Training Plan

Prior to departure, the team submitted a preliminary draft of the private sector training plan covering FY 90 - FY 92. This report was reviewed with the mission in an exit interview. Upon its return to Washington, the team prepared the final draft of the private sector training plan, incorporating initial mission comments. The team provided copies of the report to USAID/Tanzania and AFR/TR/EHR for final comments and recommendations. It was agreed that the mission would review the plan in detail and would submit modifications by cable to AFR/TR/EHR.

6. Follow-up

AFR/TR/EHR will backstop project requirements, e.g., facilitating the Project Implementation Workshop, identifying resources, assisting in organizing study tours or customized training programs, and other activities.

ANNEX 2

DATE: _____
INTERVIEWER: _____

QUESTIONNAIRE FOR PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

NAME: _____

TITLE: _____

COMPANY: _____

ADDRESS/PHONE: _____

A. YOUR COMPANY

1. Date business created: _____

2. Initial mode of financing: _____

3. Which best describes your business:

Manufacturing _____

Agribusiness _____

Construction _____

Transport _____

Services _____

Trade _____

4. Are you: owner _____, senior manager _____, manager _____, other _____?

5. Is your company:

Private, family owned _____

Private, partnership _____

Mixed ownership (private/public) _____

Government owned _____

Subsidiary of foreign firm _____

6. Percentage sales exported _____ %.

7. Is the technology involved in your company:

High _____

Average _____

Low _____

8. Who is your competition:

Local firms _____

Other African firms _____

Non-African firms _____

No competition (monopolies) _____

9. Is competition:
 Strong _____
 Average _____
 None _____
10. What are the major constraints to expanding your business:
 Government regulations _____
 Credit _____
 Need for trained personnel _____
 Need for management consultation _____
 Market size _____
 Economic factors _____
 Lack of marketing information _____
 Other _____

B. YOUR PERSONNEL

1. How many employees in your business:
 Part time _____
 Full time _____
2. How many managers _____ (if appropriate, classify senior, middle, lower)?
3. How many employees have a high school diploma _____?
4. How many have a college degree _____?
5. How many have formal business training _____?

C. OWNER/SENIOR MANAGER'S PROFILE

1. What is your level of education:
 High school (diploma? _____)
 University (diploma? _____)
 Specialized training (type _____)
2. How many years of business experience do you have _____?
3. What are your personal training needs (rank 5 highest to 1 lowest):
 General management _____
 Financial management _____
 Marketing/sales _____
 Accounting _____
 Purchasing _____
 Management information (computers) _____
 Manufacturing _____
 Repair/maintenance _____
 Business law _____
 Other (specify: _____)

4. How much time could you devote to training per year? _____
5. How much money would you be willing to pay for 40 hours of instruction _____
6. What format is best:
 - 1-2 evenings/week _____
 - Seminar Friday, p.m./Saturday, a.m. _____
 - Consultation _____
 - In company training _____
 - Other _____

D. MANAGEMENT TEAM PROFILE

1. What is the level of education of most of your managers:
 - High school _____
 - University _____
 - Specialized training _____
2. How many years business experience does your average manager have: _____?
3. What are your managers' typical training needs (rank highest 5, lowest 1):
 - General management _____
 - Financial management _____
 - Marketing/sales _____
 - Accounting _____
 - Purchasing _____
 - Management information (computers) _____
 - Manufacturing _____
 - Repair/maintenance _____
 - Other (specify) _____
4. How much time could your managers devote to training per year _____
5. How much money would you be willing to spend on training for your managers per year _____?
6. How many of your managers would you want to train ____ (___%)?
7. What would be the best format:
 - 1-2 evening classes/week _____
 - 1 Friday p.m./Saturday a.m. _____
 - In company training _____
 - Other (specify) _____

E. WORKER PROFILE

1. What is the average level of education of your workers _____?
2. How many years of work experience do most have _____?

3. Training needs (rank 5 highest to 1 lowest):
 Reading/writing _____
 Clerical skills _____
 Bookkeeping _____
 Manufacturing/technical skills _____
 Repair/maintenance _____
 Selling skills _____
 Other (specify) _____
4. How much money would you be willing to spend on worker training per year _____?
5. How many of your workers would you want to train _____ (___%)?
6. What is the best format for such training _____?

F. EXPERIENCE WITH LOCAL TRAINING INSTITUTES

What local training institutes have you used and how would you evaluate their programs _____?
 _____?
 _____?

G. OTHER INFORMATION

1. Your age _____.
2. Total sales for your company in 1987 _____
3. Percentage of sales growth over the last three years _____.
4. What is the future outlook for your business:
 Excellent _____
 Good _____
 Fair _____
 Poor _____

USAID/TANZANIA HRDA PRIVATE SECTOR
TRAINING NEEDS ASSESSMENT QUESTIONNAIRE
(distributed at focus group sessions)

NAME &

TITLE: _____

COMPANY: _____

ADDRESS/PHONE: _____

1. When was your business created?: _____.
2. What products or services do you make or offer?: _____.

3. Are you the: Owner____, Senior Manager____, Manager____, Other____.
4. Company ownership: Family Owned ____; Private Partnership ____; Less than 50% Govt. Ownership____; Over 50% Govt. Owned____; Subsidiary of a Foreign Firm____
5. Total Sales for 1988:____. Percentage of Sales Exported: ____%
6. Who is your competition (local, foreign, government)?:

7. How many employees? _____. How many managers? _____.
8. What are the most serious problems for maintaining/expanding your business. (examples: foreign exchange, credit, marketing, lack of training, parts, other)

9. What kind of training do you need for your company(Describe):
 - a. For you:

 - b. For your managers:

 - c. For your employees:

10. When is the best time for training?
 - a. For you: 1 or 2 evening classes per week for 1 to 2 months____, 1 or 2 week seminars: all day____, half day (afternoons only)____, Weekends (Fri evening, Saturday)____, In company training____, Other (describe on back).

 - b. For your managers: 1 or 2 evening classes per week for 1 to 2 months____, 1 or 2 week seminars: all day____, half day (afternoons only)____, Weekends (Fri evening, Saturday)____, In company training____, Other (describe on back).

 - c. For your employees: 1 or 2 evening classes per week for 1 or 2 months____, 1 or 2 week seminars: all day____, half day (afternoons only)____, Weekends (Fri evening, Saturday)____, In company training____, Other (describe on back).

11. How much would you be willing to pay for a training course?
For you____, for a manager____, for an employee_____.

12. Has your business grown during the past three years?_____ If yes, by how much (%)?_____.

ANNEX 3

PERSONS INTERVIEWED

USAID/TANZANIA

Mr. Joseph Stepanek, Mission Director (in Washington)
Mr. Fred Guymond, Acting Mission Director
Ms. Christine Hjelt, Program Officer
Ms. Paula Tavrow, Health and Human Resources Project Officer
Mr. Daniel Ngowi, Economist

USAID/WASHINGTON

Mr. John Rose, Tanzania Desk Officer
Mr. Gene Peuse, AFR/TR/EHR; former USAID/Tanzania Project Manager

TRAINING INSTITUTES

Dr. K. J. B. Keregero, ICE - Sokoine University, Morogoro
Mr. Ignace Mowo, IFM
Dr. W. D. S. Mmbaga, IDM, Morogoro
Dr. J. T. Nagu, IDM, Morogoro
Mr. A. P. Rutainurwa, IDM, Morogoro
Mr. B. F. Mrina, IDM, Morogoro
Mr. H. I. Mahigi, IDM, Morogoro
Dr. H. F. M. Mlay, IDM, Morogoro
Mr. H. M. Mujuberi, IDM, Morogoro
Mrs. Uto, IDM, Morogoro
Mr. K. Y. Dachi, NIP
Mr. Gervas Rutaguza, NIP
Dr. Fratern Mboya, Faculty of Commerce, University of
Dar es Salaam

GOT AGENCIES/OFFICES

Mr. Paul Bakalemwa, SIDO
Mr. _____, SIDO, Morogoro office
Mr. P. F. Wenga, SIDO-SICATA
Mr. J. J. Chidabwa, SIDO-SICATA
Mr. _____, Board of External Trade

PRIVATE SECTOR SUPPORT ORGANIZATIONS

Mr. A. P. Mushi, Association of Tanzanian Consultants
Mr. Maenda, Association of Tanzanian Employers
Ms. Zainab Kaganda, Tanzania Association of Business &
Professional Women, SUWATA board member
Mrs. Shamsa Mwangunga, Tanzania Association of Business &
Professional Women
Mr. B. C. Mwenda, TCCIA
Mr. Medard Mutungi, TCCIA
Mr. Chris Mwalongo, TCCIA
Mr. E. C. Mzena, Dar es Salaam Chamber of Commerce

ACCOUNTING FIRMS

Ms. Janet Mmari, Coopers and Lybrand
Mr. B. K. Tanna, Price Waterhouse

BANKS

Mr. J. Haridas, NBC
Mr. B. M. Kimwaga, NBC
Mr. Wilson Minja, NBC
Mr. Shiraz Pira, NBC
Mr. Daudi Ng'hosha, TIB
Mr. Abdul Kihwire, TIB
Mr. J. G. Mwansasu, TDFL

DONORS

Mr. Ian Porter, IBRD, Dar es Salaam
Mr. Godfrey Cheronu, IBRD, Washington
Mr. Christopher Hall, IBRD, Washington
Mr. Steven Berkman, IBRD, Washington
Mr. Leonardo Concepcion, IBRD, Washington
Mr. Finn Christofferson, DANIDA
Mrs. Upendo Rweyemamu, DANIDA
Mr. Nigel Tucker, EEC
Dr. Joss Axmann, German Embassy
Mr. M. Kaneko, Japanese Embassy
Ms. Bodil Kulseng, NORAD
Mr. Atle Hetland, NORAD
Mr. Jorgen Janson, SIDA
Mr. Soren Tejno, UNDP
Mr. Jens Rasmussen, UNIDO
Mr. Gerd Langer, ITC
Mr. Robert Menzies, ITC consultant

PRIVATE SECTOR FIRMS

Dar es Salaam:

*ACRAL MARINE Ltd. - frozen seafood exporters, ___ employees
*ADELAIDA BISHAGAZI - eggs and poultry meat, 1 employee
*CHACHIKA ENTERPRISES - manufacturing, 4 employees
CO-ARCHITECTURE - architectural & engineering firm, 26 employees
*FAIRWAY ENTERPRISES - fishing, dressmaking, 12 employees
IPP - Household cleaning products, bottling plant, etc,
1,500 employees
IRAMBA MANAGEMENT & INDUSTRIAL SERVICES, Ltd. - management
consulting, 14 employees
*MOZAN, Ltd. - agricultural exports, clothing manufacture,
5 employees
MACINTYRE SYSTEMS - agricultural exports, 8 employees
*MAGWIZA WOMEN ENTERPRISES - grain milling, 3 employees
*JANE MBWANA - trading (beans, fish, wood carvings), 1 employee
*SHAMBA MWANGUNGA - electrical engineering consultant
*NKONDOLA/CHIMBENJE/MAGANGA - trading (fish, crafts), 3 employees
TANGANYIKA MOTORS Ltd - Motor vehicle sales & service,
170 employees
TANNA SOMAIYA & Co. - trading, accounting
TELLIS & COMPANY - auditing
MM INTERNATIONAL FORWARDERS, Ltd. - clearing & forwarding,
warehousing, trucking, 23 employees
*TEE-TE CLEARING HOUSE, Ltd. - clearing & forwarding,
22 employees
*UFUNDI GARMENTS ENTERPRISES - embroidery, clothing, 6 employees
*UNIQUE HAIR SALON - hair salon, beauty products, 4 employees
*UNIQUE SECRETARIAL SERVICES - secretarial, photocopying, 4
employees

*URAFIKI - trading, 4 employees
*VICKIE SUPPLIES & SERVICES Co. - secretarial services,
stationers, 2 employees
*WALKER TRADING Ltd. - cold storage and cooling equipment sales,
16 employees

Morogoro:

KTISTAKIS BAKERY, Ltd. - bread and pastry baker, 21 employees
LEKAT WOODWORKS, Ltd. - wood furniture, 10 employees
*NYOTA CONSULTANTS - management consulting, 4 employees
SECO ENGINEERS & CONTRACTORS, Ltd. - construction and civil
engineering, 17 employees
RAM SINGH & SONS, Ltd. - sawmill, construction, 150 employees
TAJ MOHAMED, Ltd. - construction and civil engineering, 300
employees

* = women-owned business

ANNEX 4 - DRAFT SCOPE OF WORK
FOR HRDA PERSONNEL
Entrepreneur Training ~~Advisor~~ Coordinator

Duties and Responsibilities:

1. Designs, conducts, and supervises the execution of assessments of entrepreneurs, business groups, professional associations, and training organizations to determine strengths and needs as a basis for creating training and institutional development programs. Determines the appropriateness of any modification in content, delivery methods or duration of training programs.
2. Establishes a monitoring and evaluation system to assess the progress of HRDA participants involved in overseas internships and to evaluate the impact of internships and in-country training programs.
3. Oversees the preparation of all documents (A.I.D., GOT, Sokoine) and logistical arrangements required for contracting and delivering HRDA in-country training programs and overseas internships. Administers, analyzes and reports on all financial aspects of HRDA private sector training.
4. Co-facilitates, as needed, management, consulting and facilitation skills development courses.
5. Maintains close contact with pertinent GOT government agencies and USAID to keep them apprised of planned HRDA private sector training and consulting activities.
6. In collaboration with the Entrepreneur Training Advisory Committee, establishes guidelines and procedures for selection of private sector participants and communicates this information in writing to prospective trainees and organizations.

Qualifications: The incumbent must have a Bachelors degree, or the equivalent (preferably in the area of business management), have previous experience in teaching or training and in administering education or training programs, have proven ability to develop monitoring and evaluation instruments and to manage an evaluation program, be familiar with the education and training system in Tanzania, have demonstrated capabilities in managing a small enterprise, be fluent in English and Swahili (oral and written), and show evidence of excellent interpersonal and organizational skills.

Nature of Position: The incumbent is accountable to the Director, Institute of Continuing Education, Sokoine University of Agriculture, but is seconded to and thereby reports on a daily basis to the Executive Director, Tanzania Chamber of Commerce, Industry, and Agriculture. Execution of responsibilities will depend to a great extent upon the professional judgement of the

incumbent, although in terms of administering financial aspects he or she will be guided primarily by A.I.D., GOT, and Sokoine University guidelines. The position requires keen awareness about the political, social and economic imperatives regarding development of the private sector in Tanzania. The nature of the work necessitates maintaining contact, both in person and through telecommunications, with a wide range of government officials, representatives of business and professional associations, donor representatives, owners and managers in medium-sized private enterprises, and with established or potential small entrepreneurs. The contacts will be made to gather and share information, to assure various parties that their interests and concerns are being served, and to reach firm agreements about the establishment of training programs on the behalf of the Institute of Continuing Education and the Entrepreneur Training Advisory Committee of the HRDA project.

HRDA Public Sector Training Strategy

The Economic Reform Program in Tanzania has opened the future to the possibility of a more mixed economy. The country's 400 parastatals and even some government agencies face an uncertain future. Some organizations will have to retrench while others may become extinct. The President has set in motion, albeit cautiously, the development of a freer market in which parastatals will have to compete and be efficient in order to survive.

Many public institutions are in short supply of skilled managers, who often are rotated from appointment to appointment to solve crises or respond to political objectives. At the same time, bad managers are transferred in hopes of finding face saving positions where damage can be minimized. (This phenomenon is not restricted to Tanzania; lateral movements of incompetents to isolated offices is a technique used by nearly all governments.) Meanwhile, at the middle-level one can find employees with high potential. Unless they are fortunate enough to get into the upper-level rotational chairs, these usually young, ambitious managers and technicians likely will have to endure an extended period on a career plateau without much opportunity for advancement. Seniority rules and the local concept of "heshima" (respect) prevent the system from confronting poor performing managers and removing them so that new talent can rise and lead. In addition, because the private sector is so small, there are few private companies available of the size and ownership that will allow indigenous Tanzanians an opportunity to advance their professional careers as employees in private enterprise. Avenues for upward mobility are few at this point.

It is against this background that USAID/Tanzania has formulated its strategy for public sector training. Because the viability of public institutions in many cases is uncertain, it is difficult to ascertain at the moment which organizations should be the focus of assistance. During FY 88, HRDA funds were targeted toward those organizations contributing to development of the transportation sector. However, the Mission was not convinced that training was yielding the kind of results desired. Targeted recruitment of participants, while in nearly all instances resulted in worthy candidates, did not seem to lead to organizational performance improvement. Training of individuals here and there within an organization will not contribute to improved institutional performance. Institutional development often requires a more systematic, pervasive intervention of training, technical assistance and material support.

The FY 89 HRDA program made a radical departure by recruiting applicants nationwide. Since FY 88 training investments in effect may have only helped the development of individual careers, it was decided that training opportunities should be extended to a wider population. The change in strategy also was motivated by a desire to recruit more private sector candidates. Advertising for only private sector applicants was deemed inappropriate since it might cast the image of the Mission being unwarrantedly biased.

The open recruitment strategy resulted in an avalanche of applications (N=4480). Nearly 90% of the applicants were from public sector employees. This is not surprising given the nature of the economy, but the overwhelming response dramatized the undercurrent of high aspirations among employees in government and parastatals.

The FY 89 HRDA training program will award 130 scholarships for longterm and short-term training and 60 internships. The majority of the scholarships will be given to persons in the public sector. This has occurred mainly by default; very few private sector employees applied for scholarships and preferred instead internships that will provide tailored learning experiences with U.S. companies through OIT's Entrepreneurs International program. In terms of costs, the scholarships will require full program funding of \$3,150,000, or 100% of the FY 89 budget plus a mortgage into the FY 90 budget. In other words, the public sector will receive the bulk of FY 89 HRDA funds, although in terms of participant numbers the enrollment will be somewhat evenly divided between persons employed by private enterprises and those employed by public institutions.

USAID/Tanzania has established three major objectives for training in the public sector. The HRDA project will aim:

- 1) To improve the performance of government in executing critical responsibilities such as educating the public about AIDS control, setting economic policy, and coordinating the rehabilitation of the transportation sector;
- 2) To encourage the fuller participation of women in government; and
- 3) To assist the government in adopting a new role vis-a-vis the private sector.

Training will be used to enhance the capabilities of key men and women in government agencies which are responsible for creating and implementing policies and establishing new initiatives under the Economic Reform Program. As noted above, recruiting and identifying these individuals under the HRDA project has been the Mission's main challenge during the past two years.

The Mission has three basic options for FY 90-FY 92 public sector training. The **first option** would be to continue the open recruitment process. The positive aspect of this approach is that it draws into the applicant pool mid-level, talented candidates who otherwise might not be recognized or be able to get into the organizational queues for training opportunities. The public advertisements have generated applications from individuals from all parts of the country and from a wide range of occupations. Perhaps a second year of open recruitment will attract a larger pool of qualified applicants. The downside is that open recruitment is extremely management intensive and requires a considerable amount of staff time and advisory assistance.

The **second option** would be to use HRDA funds to supplement other Mission bi-lateral projects and programs. For example, USAID/Tanzania has been lending assistance to the Ministry of Communications and Works (MCW). However, it has become apparent

that implementation troubles have arisen because people and work units in MCW are not clear about their roles -- in relationship to private contractors and particularly in relationship to regional authorities. Essentially, headquarters personnel play two roles: as government officials monitoring private contractors and as consultants and advisors to regional engineers and development directors. This means that headquarters staff must be able to distinguish between these two roles and, furthermore, learn new skills required of technical advisors (as opposed to being line supervisors to which they are more accustomed). HRDA could be used to conduct role clarification workshops, first in headquarters and then in the regions, so that ongoing Mission assistance, which did not foresee the need for this kind of training intervention, can be successfully implemented.

The third option is to determine public sector organizational focus after FY 90 HRDA private sector training activities have been initiated. For example, during the PSTNA there were testimonial accounts that suspicious customs officials caused the delay of exports to Kenya. The assumption was that private haulers were transporting illegal goods, even though documents were provided to customs agents during the fourteen day journey from Dar-es-Salaam to Namanga. As the private sector portion of the HRDA training plan is implemented and interaction with entrepreneurs increases, accumulated observations such as this by individual businesspersons and business organizations like the Tanzania Chamber of Commerce, Industry and Agriculture will point the way to needed training interventions in the public sector. Likewise the open fora proposed for key private and public sector people in the PSTNA Training Plan may also uncover needed areas of training within public sector agencies or ministries dealing with the private sector.

The first option focuses on the development of individuals without particular regard to public sector institutional affiliation and development. The second approach channels HRDA funds to supplement other mission efforts to improve particular public sector institutions. The third option aims to reinforce HRDA private sector development objectives.

For FY 90 the Mission will modify the scope of the open recruitment strategy and move towards using HRDA public sector training to reinforce HRDA private sector development activities. Except for one or two academic slots, scholarships will be limited to short-term training courses which will allow greater numbers of people to participate in HRDA at a considerably reduced cost. Newspaper advertisements will be used to solicit applications for these scholarships and for internships so that public awareness is maintained and the search for quality candidates can be pursued. At the same time, as described in the training plan, open fora designed to promote public/private sector dialogue, and targeted training activities, such as credit management training for key persons in the banking sector are as a way of removing some of the constraints to private sector development. In the outyears of HRDA, private sector development objectives will increasingly determine the organizational focus for HRDA public sector training.

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