

An Enterprise Map of Tanzania



John Sutton and Donath Olomi

An Enterprise Map of **Tanzania**



IGC International
Growth Centre

John Sutton
and
Donath Olomi

Motivation



- ❧ Lack of adequate and uniform description of the capabilities of existing enterprises
- ❧ Need for discussions of enterprise policy to be grounded in a shared, correct understanding of this

Appropriate Descriptions



- ❧ Cost and Timescale of full surveys
- ❧ What surveys do not capture
- ❧ The body of knowledge in advanced industrial economies
- ❧ The limited but specific information that is important to policy analysis
- ❧ Towards a design that is fast and inexpensive

Scope and Coverage



- ❧ Profile each of the major industries
- ❧ Excludes services and financial sector
- ❧ Profile the leading firms in each industry (History, origins, current capabilities, etc.)
- ❧ Identify clusters of mid-size firms and their activities
- ❧ Problems and challenges

Structure



- ❧ Profile 50 'Leading Firms' distributed across these key industries
- ❧ Industry profile includes brief profiles of a few representative mid-size firms in each sub-market

Overview and Motivation



- ❧ 36% of exports in 2011 came from Gold.
- ❧ No other single industry has a dominant role
- ❧ 10 industries account for half of exports [Gold, Cashews, Fish Processing, Coffee, Tobacco, Tea, Flour, Steel, Palm Oil, Cut Flowers]
- ❧ 22 firms account for over half of exports in 7 of these 10 industries; all of exports in another, and one-third of exports in the other two.
- ❧ These 22 firms account for over half of Tanzania's exports

Major Primary Exports				Others	
Gold	36%	Cashews	3%	Fish Processing	3%
Others					
85%					
Coffee	5%	Tobacco	4%	Tea	1.7%
				Flour	1.4%
				Steel	1.4%
				Palm Oil	1%
				Cut Flowers	0.7%
Others					
85%					
Dorman	TLTC	Unilever	Bakhresa	a	e
Taylor Winch				b	
Karagwe				c	
Mazao				d	
Armajaro					
	Alliance One			f	

Figure 1. An export map.
 ('a', Aluminium Africa;
 'b', Tanzania Steel Pipes;
 'c', Neelkanth;
 'd', Nyakato Steel Mills;
 'e', Kiliflora;
 'f', Tanzania Flowers)

The Big Issue



☞ Can Tanzania's Growth rate be sustained ?

☞ And if so How???

Tanzania's Growth I



- ❧ Tanzania's Economy has had really strong growth performance over the past decade
- ❧ The good news is that this growth has been broadly based across sectors

Tanzania's Growth

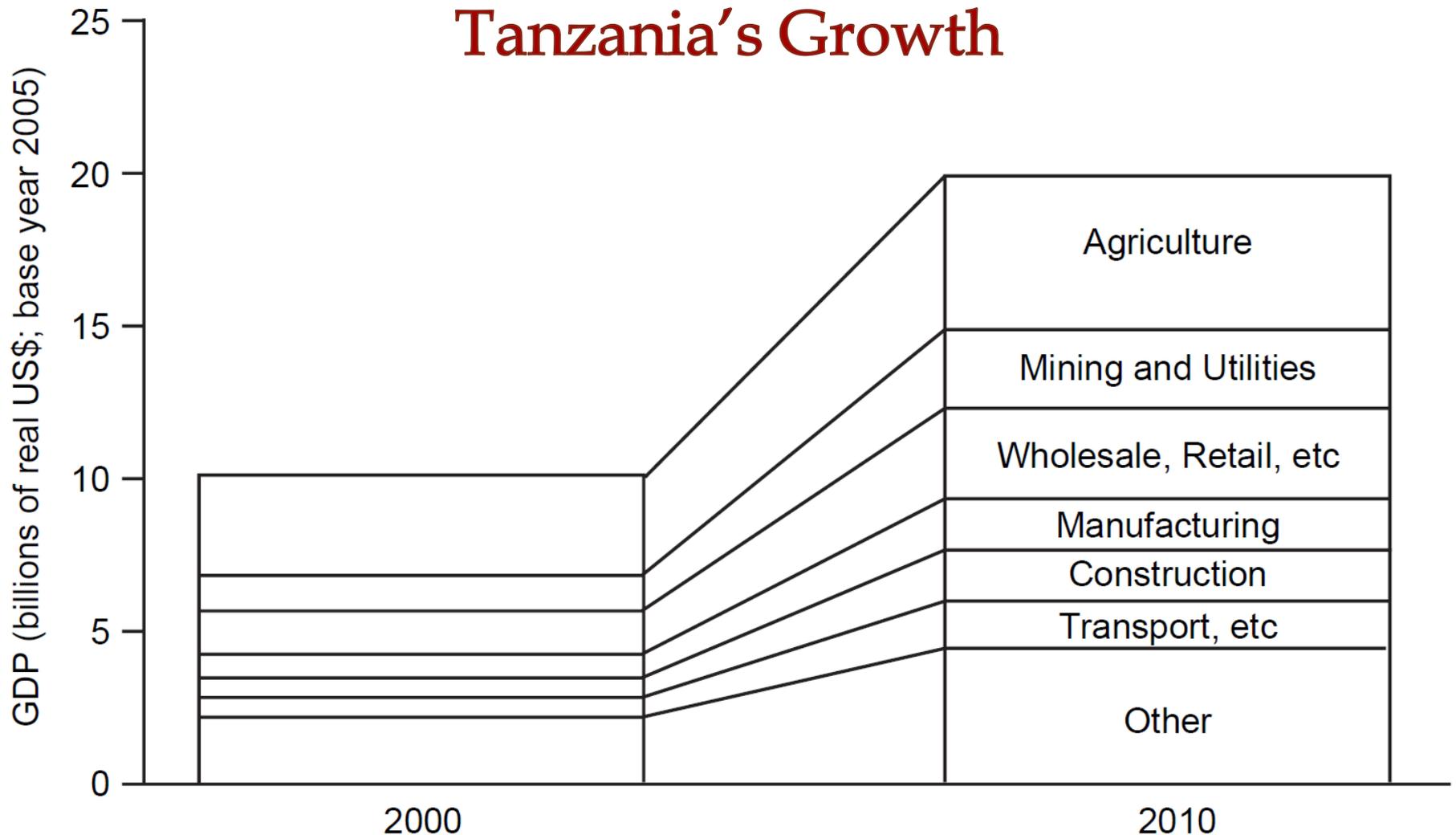


Figure 2. The change in size and composition of Tanzania's GDP, 2000–2010. ('Wholesale, retail, etc' covers wholesale, retail trade, restaurants and hotels.¹¹ 'Transport, etc' covers transport, storage and communication.)

Tanzania's Exports

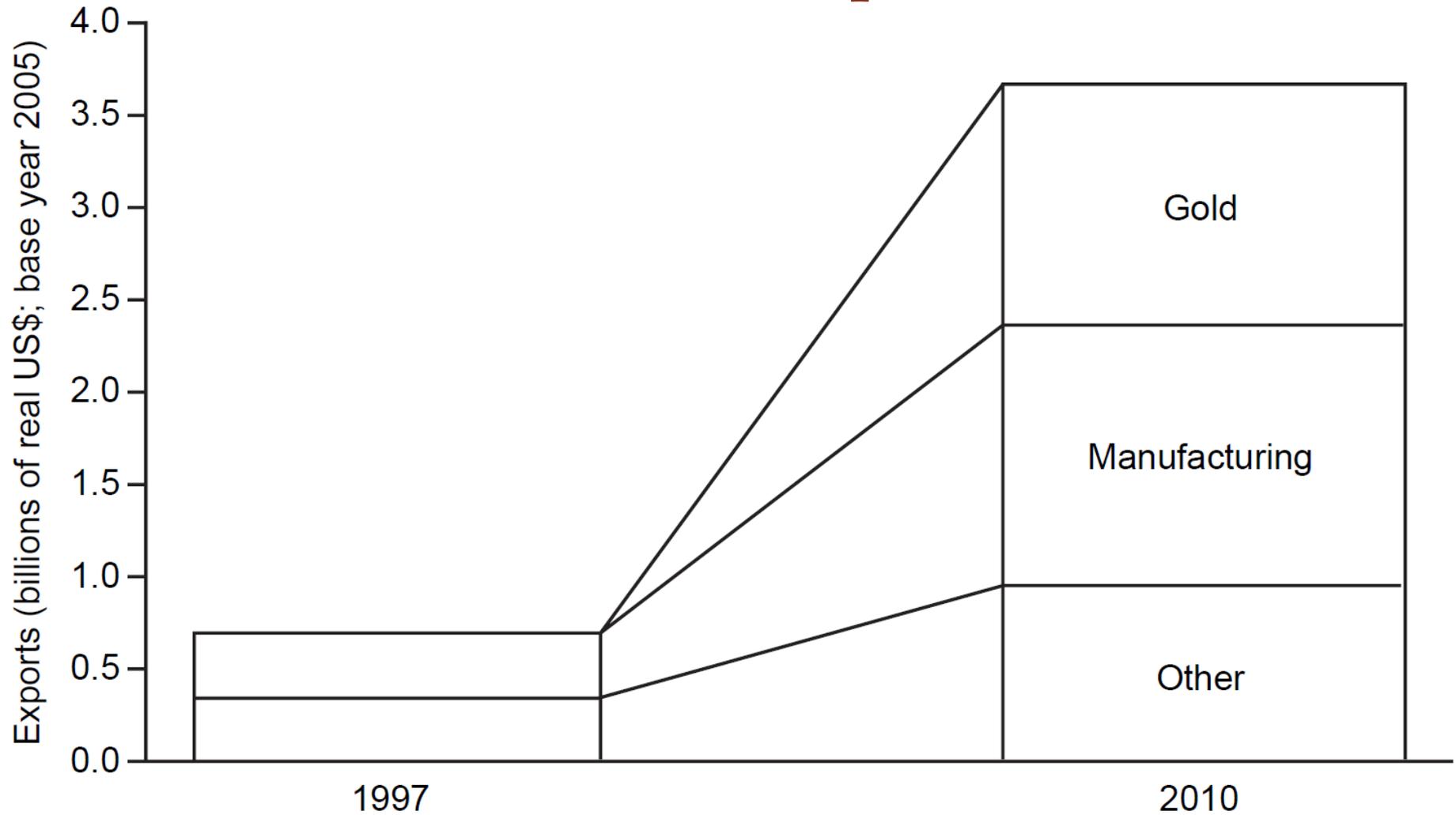


Figure 3. The changing size and composition of Tanzania's exports, 1997-2010.

Tanzania's Growth II



- ❧ If this continues, Tanzania can become a middle income country in a decade or so
- ❧ But can it continue?
- ❧ And How?
- ❧

Sources of Growth in GDP and in Exports



- ∞ Some contributions are not of a continuing nature
- ∞ Two factors will be key in sustaining growth

The 2 Factors



☞ Oil and Gas Sector

☞ Domestic Industry

☞ These must be linked

Why the 2 factors?



- ❧ Problems with attracting FDI
 - South Africa, Canada and the UK account for half the FDI stock
 - A quarter of FDI goes to manufacturing
 - The UK, US and Kenya are the leading sources of manufacturing FDI
- ❧ The key contribution of FDI
- ❧ How the Oil and Gas Sector can draw in FDI...
- ❧ But really careful management is crucial if benefits to local industry are to flow

The Enterprise Map Project



- ❧ What is in the book?
- ❧ What are the themes?
- ❧ How is it arranged?

Example



- ❧ Steel, Engineering and Assembly
- ❧ Sub-markets include:
 - ❧ A : Galvanized coil/sheet, Corrugated sheet, Re-bars etc.
 - ❧ B: Engineering products, Car/Truck bodies, etc.
 - ❧ C: Hand Tools and other final products

Focus



- ❧ Basic information on size, product range, ownership, etc
- ❧ First focus : where capabilities came from
- ❧ Second focus: Supply chains...inputs, origin by category; sales, what and to whom.

Rationale



- ❧ What can be locally sourced ?
- ❧ What can be locally sold ?
- ❧ Development of enterprises and development of domestic supply chains
- ❧ Development of enterprises within international supply chains
- ❧ Two faces of supply chains

The big picture : Where capabilities come from...



- ❧ Home grown successes (Bharat Forge)
- ❧ From Trading to Manufacturing (Steel Wire in Zambia)
- ❧ From Equipment Suppliers (Packaged Orange Juice in Ethiopia)
- ❧ From Supply Chains (Auto Components in India)

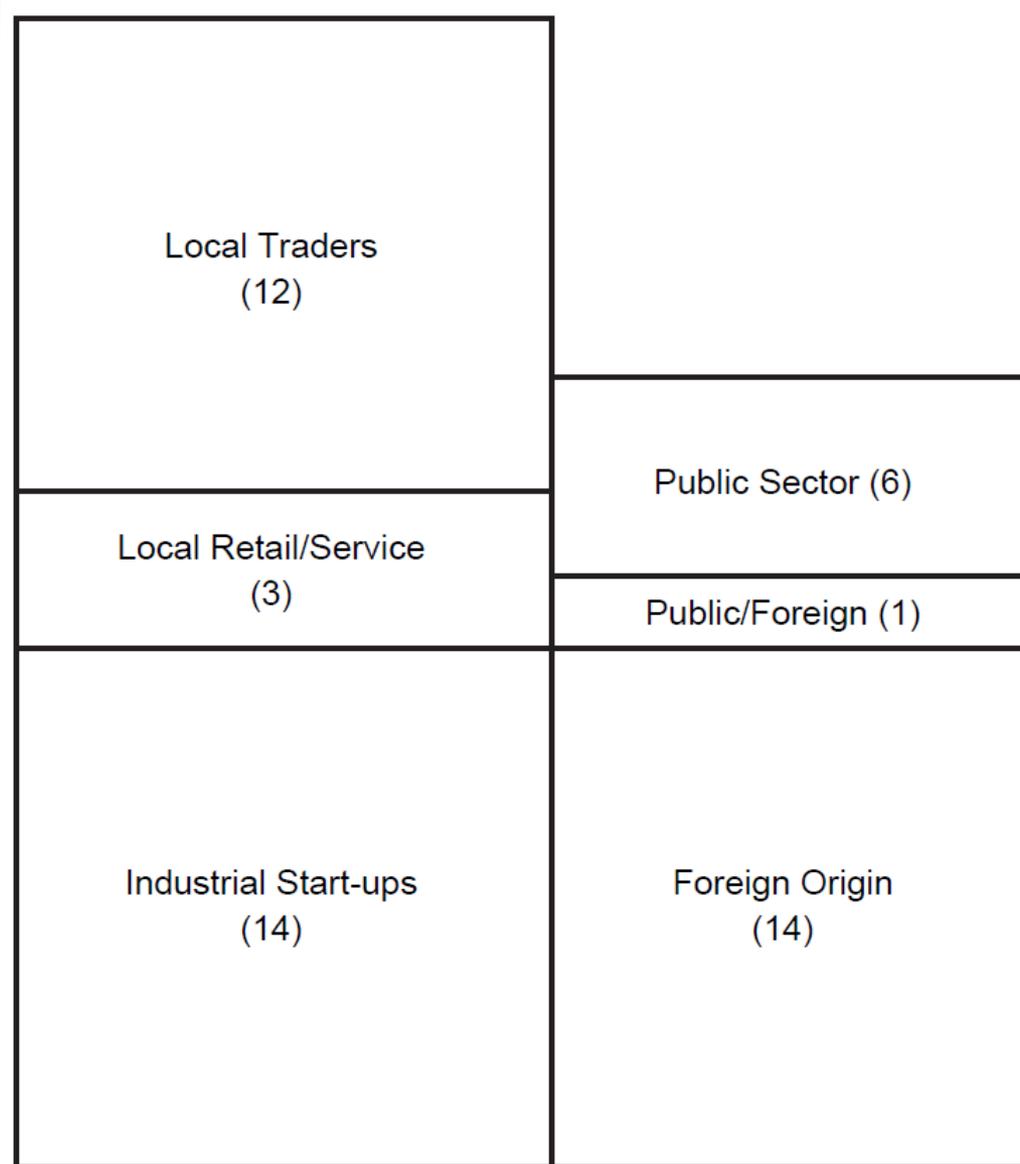


Figure 4. Origins of Tanzania's leading industrial companies.

Trading to Manufacturing



- ☞ Of the 29 domestic private sector Leaders 12 had their origin in Trading....
- ☞ And 14 were industrial start-ups

The Second Group: Domestic Industrial Start-Ups



- ❧ What do we know of such ventures in other parts of the world?
- ❧ Are Tanzanian concerns special to Tanzania?

'Growth of Firms' Stories



- ❧ It is seen as disappointing in Tanzania that so few local start-ups grow to become mid-size industrial companies....
- ❧ Is this surprising? Special to Tanzania?
- ❧ Lessons from elsewhere: a standard pattern.
- ❧ A story from the US: When DO small firms grow?

Problems and Policies



- ❧ Domestic Industrial companies need a supportive policy environment...
- ❧ Access to Land
- ❧ Anna Temu; Kamal Steel

The big picture : Where capabilities come from...



- ❧ Home grown successes (Bharat Forge, India)
- ❧ From Trading to Manufacturing (Steel Wire , Ethiopia)
- ❧ From Equipment Suppliers (Packaged Orange Juice, Ghana)
- ❧ From Supply Chains (Auto Components , China)
- ❧ The key nexus: harnessing FDI

The Big Transition



- ❧ Cement, Beer, Wood Furniture, etc.
- ❧ Clothing and Textiles...a special case
- ❧ International supply chains
- ❧ What REALLY happened to Indian and Chinese industry?

So if FDI is crucial...



- ❧ What the oil and gas sector can bring
- ❧ Integration of local firms into international supply chains
- ❧ How easy it is to go wrong

Success and Failure



- ❧ Columbia as a success story
- ❧ Tipiel now does engineering design for Italian clients
- ❧ PTS took over Well Testing from Schlumberger/Haliburton
- ❧ Equipo took over Plant Maintenance from Wood Group
- ❧ Angolan achievements
- ❧ Disappointments in Azerbaijan

Managing the process



- ❧ The key to success lies in having a deep understanding of existing industrial capabilities
- ❧ It is crucial to focus on narrowly defined sectors which offer long term viability
- ❧ It is hopeless to expect a large number of ventures

Openness of Process



- It is vital to have a fair and open process
- But it is no less important to carefully design criteria for Approved Vendor status in the light of a deep understanding of Tanzania's existing industrial capabilities

The Range of Opportunities



- ❧ See the Chapter on Steel, Engineering and Assembly for Tanzania's potential recruits in the construction of Rigs and Terminals
- ❧ See the chapter on Food Processing for leading potential suppliers
- ❧ And see also how, as in Columbia, new forms of sophisticated services can boom.

The Prize



- ❧ If oil industry supply chains can be fully integrated with Tanzania's domestic industrial sector , then the payoff to medium term growth will be huge...
- ❧ No single issue in Enterprise policy is more important right now.....