

Tanzania
Diagnostic Trade Integration Study
under the Integrated Framework
Concept Paper

Background

1. The proposed Diagnostic Trade Integration Study (DITS) is being prepared under the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF). The IF is a multi-agency, multi-donor program established by WTO trade ministers in 1996 to promote the integration of the least developed countries (LDCs) into the global economy. The participating agencies are the International Monetary Fund (IMF), the International Trade Center (ITC), United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), the World Bank and the World Trade Organization (WTO).

2. The original IF entailed the preparation of a Needs Assessment for the eligible LDCs followed by a Roundtable or Consultative Group meeting to secure donor financing for the trade action plan. Progress in mobilizing donor support proved difficult, and the program started slowly. An independent review of the IF, completed in June 2000, highlighted both the absence of donor resources, as well as the lack of linkages to overall development strategies or programs. The outcome was the redefinition of the IF to ensure better integration of trade with national development strategies, complemented by a trust fund for IF activities financed by multilateral agencies and bilateral donors, with the latter being supplemented by resources of international agencies in terms of staff contributions.

3. The revised IF work program starts with the preparation of a DTIS, led by the World Bank, that analyzes both the internal and external constraints facing the country in increasing its integration into the global economy. An important output of the DTIS is an action plan that lays out the policy measures, and investment and technical assistance needs that have been identified through the diagnostic work. To date, DTISs have been completed or underway for 22 countries, including Tanzania.

4. Tanzania was among the group of 12 countries that went through the first IF process, for which a needs assessment was prepared and two donor roundtables were held (1999 and 2000). The main result from the first IF for Tanzania is the multi-donor¹ funded “Business Environment Strengthening for Tanzania” (BEST), a program of legal and regulatory reforms aimed at improving the enabling environment for private sector development that began implementation in December 2003.

5. With the objective of continuing and broadening its efforts in promoting trade integration, for which the development of the private sector is essential, the Government

¹ The donors are the Netherlands (Royal Netherlands Embassy), U.K. (DFID), Denmark (Danida) and Sweden (Sida).

of Tanzania (GOT) applied to participate in the second IF process, for which it was approved in June 2004.

6. In light of the fact that Tanzania is already benefiting from the first IF process, and in accordance with the objectives of the GOT, the proposed DTIS for Tanzania will serve as an instrument for Tanzania to *continue* to benefit from such an integrated approach to trade-related technical assistance for the country. In this light, the DTIS will fully take into account and incorporate studies that already exist on various trade-related issues undertaken by various donors and multilateral agencies including the World Bank (see References). Further, the DTIS will also take into account the existing support on trade and trade-related activities that Tanzania is receiving from donors and multi-lateral agencies, to avoid duplication of, and to ensure consistencies in, efforts (see Appendix 1 for a draft compilation of existing trade-related support in Tanzania).² In the rest of this concept paper, the areas where analyses and support already exist and which the DTIS will draw on will be highlighted, as will areas where new work will be commissioned.

Objective and coverage of the Tanzania DTIS

7. The objective of the proposed DTIS is to identify key constraints, both internal and external, to the expansion of Tanzania's trade, with a focus on how trade expansion could help alleviate poverty in the country. In particular, the DTIS is aimed towards supporting the Government of Tanzania in the realization of its National Trade Policy³, the objective of which is to develop an export orientation for the country to enhance income and reduce poverty.

8. The National Trade Policy (NTP), issued in February 2003, recognizes the importance of trade openness in raising efficiency and productivity in the economy, while at the same time envisioning a role for the government in selective interventions. This strategy of the NTP has evolved as a result of the absence of significant benefits yet at the same time substantial short and medium term adjustment costs arising from globalization and trade liberalization that the country has pursued for more than a decade or so.

9. The NTP recognizes that the pursuit of trade and—in particular—export development requires going beyond the confines of narrow trade policies—that is, reduction of tariff and non-tariff barriers, to address the various supply-side constraints that have hampered a positive supply response so far. Specifically, the NPT has identified the following supply-side constraints: an enabling business environment; soft and hard infrastructure; market supporting institutions; and capacity to participate in and influence changes in the world trading system.

10. In line with the terms of reference of the IF, and with the objective of supporting the implementation of the NTP, and based on extensive consultations with the

² From "Division of Labor and Mode of Cooperation Between Donors on Trade-Related Assistance," prepared for the Ministry of Industry and Trade and the Royal Danish Embassy, April 2004.

³ *National Trade Policy: Trade Policy for a Competitive Economy and Export-Led Growth*, the Ministry of Industry and Trade, the United Republic of Tanzania, February 2003.

Government of Tanzania in particular the Ministry of Industry and Trade (MIT), the DTIS will provide: (i) a review and analysis of the country's economic and export performance; (ii) an assessment of the macroeconomic environment and its impact on competitiveness and trade; (iii) an assessment of domestic trade policy including Tanzania's participation in various regional trade agreements, the conflicts arising thereof, and the resulting impact on its incentive regime; (iv) an assessment of the international trade policy environment and the constraints facing the country's exports in international markets, including the impact of ongoing WTO negotiations on the prospects of Tanzania's exports; (v) an assessment of the institutional framework and capacity for trade policy and trade development; (vi) an assessment of the export processing zones; (vii) an assessment of the country's capacity to meet international product standards for exports; (viii) an assessment of the trade and transport facilitation capacity including customs, with a particular focus on the implications of Tanzania's participation in the various regional trade agreements (RTAs) on its needs in these areas; (ix) analysis of the constraints and opportunities facing Tanzania's major crop exports – cashews, coffee, cotton, tobacco and tea; and (x) analysis of the constraints and opportunities in non-traditional exports (tourism, fish and fish products, horticulture, floriculture, spices and gemstones). Based on the above analyses, reviews and assessments, the DTIS will conclude with a prioritized and sequenced action plan that lays out the policy reforms, institutional capacity building measures, and investment requirements needed for removing bottlenecks and seizing opportunities to promote the integration of Tanzania into the global economy.

Economic Background

11. After independence in 1964, Tanzania pursued two decades of socialist policies before replacing them with more market oriented ones. In the mid-1980s, economic reforms were introduced to deregulate the domestic economy and encourage domestic and foreign investment; initial steps were also taken in trade liberalization. These economic reforms were, however, not sustained and it was not until the mid-1990s that Tanzania resumed its reform course including a clear and sustained commitment to macroeconomic stabilization; more concerted efforts in trade liberalization; liberalization of the financial sector (allowing private actors); privatization of state-owned enterprises; liberalization of the agricultural sector; efforts to improve the business environment, and strengthening of public expenditure management. The reform efforts since the mid-1990s was accompanied by a sustained decline in inflation from 36 percent in 1990 to 4 percent in 2003, and an increase in growth from an annual average of 2 percent during 1990-95 to 4 percent during 1995-2000 and 6 percent during 2000-03.

12. In terms of sectoral contribution to growth, agriculture was the most important by virtue of its large share in the economy, making up nearly half of gross domestic product (GDP) during 1990-2003, although at 3.5 percent per annum its growth performance was below the economy-wide average of 3.7 percent for that period (Table 2). The trade, hotel and restaurants sector was the second largest contributor to growth, as well as the second largest sector after agriculture, making up around 16 percent of GDP during 1990-2003. Another sector worth noting in terms of growth is mining and quarrying. Between

1990 and 2003, this sector grew at an impressive 14 percent per annum, tripling its share of GDP, although at 3 percent of GDP in 2003 it was one of the smallest sectors in the economy. Finally, the sector that had among the worst performance was manufactures which, after public administration, registered the second lowest growth rate over the period, although manufacturing production accelerated recently, growing at 8 percent per annum in real terms in 2002 and 2003.

Table 1. Key Economic Indicators

	1990	1995	2000	2001	2002	2003
Real Sector						
GDP (m. US\$)	4249.4	5216.7	9091.6	9443.4	9806.6	10296.8
GDP per capita (PPP, international \$)	428.9	447.3	521.0	552.1	579.3	610.6
Gross Domestic Investment/GDP (%)	26.1	19.8	17.6	17.0	19.1	18.6
Public Investment/GDP (%)	10.5	3.4	6.0	5.6	7.6	7.4
Private Investment/GDP (%)	15.3	16.3	11.4	11.2	11.4	11.1
External Accounts (US\$m)						
Exports of Goods & NFS	538.4	1265.8	1307.1	1455.7	1568.3	1827.6
Imports of Goods & NFS	1474.0	2140.3	2063.6	2249.8	2223.8	2747.5
Current Account Balance	-558.88	-646.4	-469.6	-479.8	-251.2	-337.1
(percent of GDP)	-13.2	-12.4	-5.2	-5.1	-2.6	-3.3
Fiscal Accounts (% of GDP) 1/						
Revenues		13.2	12.0	12.0	12.1	12.9
Expenditures		17.6	16.9	16.9	19.8	22.5
Overall balance, excluding grants		-4.4	-5.3	-5.3	-7.8	-9.6
Overall balance, including grants		-2.2	-1.6	-1.6	-1.6	-2.9
Prices, Exchange Rate						
Inflation (CPI, annual average)	35.8	27.4	6.0	5.2	4.5	4.4
Exchange Rate (Shillings per US\$)	195.5	579.0	800.5	876.2	963.2	1038.4
Export Price Index (1992=100, U.S.\$) 2/	100.4	110.8	123.1	114.7	122.8	134.1
Import Price Index (1992=100, U.S. \$) 2/	93.6	103.5	88.2	90.0	89.7	103.8
Terms of Trade (1992=100) 1/	107.3	107.1	139.6	127.4	136.9	129.2
Social Indicators 2/						
Population (in millions)	25.5	29.6	33.7	34.5	35.2	35.9
Life expectancy at birth (years)	50.1	48.5	44.4	n.a.	43.1	n.a.
Infant mortality rate (per 1000 live births)	102.0	103.0	104.0	n.a.	104.0	n.a.
Adult literacy rate (% of people over 15)	62.9	69.2	75.0	76.0	77.1	n.a.

Notes: 1. Refers to central government operations; on FY basis.

2. On FY basis from 1990/91 to 1996/97, and calendar year basis for 1997-2003.

Sources: All data from Government of Tanzania except fiscal accounts, exchange rate and export and import price indices from IMF, and social indicators from World Bank.

13. The growth performances of the various sectors are more or less mirrored in their performances in exporting. The high growth sectors have also been export leaders (notably tourism, and mineral and metals), while the low growth ones have lagged behind in exports (notably manufactures). The strong correlation between output and export performances in the individual sectors is reflected in the important role that exports have

had in determining overall economic growth, as will be discussed in the next section on Export Performance.

Table 2. Sectoral shares of GDP and contributions to growth, 1990-2003

(in constant 1992 shillings)	Shares of GDP (in %)			Average growth per annum (in %)	Annual average contribution to growth (in %)
	1990	2003	Average 1990-03		
Agriculture, Forestry, Fishing, Hunting	47.9	46.8	48.8	3.5	1.7
Trade, Hotels and Restaurants	16.3	16.8	16.1	4.0	0.6
Manufacturing	8.8	8.6	8.3	2.8	0.3
Transportation & Communications	4.6	5.4	5.2	5.0	0.3
Public Administration	8.7	7.2	8.1	2.3	0.2
Financial and Business Services	5.6	5.3	5.4	3.4	0.2
Mining and Quarrying	0.9	3.0	1.7	13.5	0.2
Construction	5.7	5.2	4.7	3.0	0.1
Electricity and Water	1.5	1.6	1.6	4.4	0.1
Total GDP				3.7	3.7

Source: World Bank staff calculations based on data from Economic Survey 2003, Government of Tanzania.

Note: Contribution to growth = shares of real GDP * real growth, and denotes what total GDP growth would have been if growth of all the other sectors were zero.

14. While there are questions as to the sources of growth and how to sustain such growth,⁴ what is clear is that for Tanzania to reach its poverty reduction target in its Poverty Reduction Strategy Paper—which exceeds even the Millenium Development Goals of halving poverty by 2015—it will need to, at a minimum, sustain the growth rate it has achieved in the last few years and perhaps even to exceed it. The household budget survey carried out in 2000/01 indicated that in 2001, basic needs poverty stood at 35.8 percent while food poverty stood at 18.7 percent. The same survey indicated that rural poverty was 39 percent, which was much higher than urban poverty—poverty in Dar Es Salaam was 18 percent.

15. While sustained high growth is clearly essential for the reduction of poverty⁵, the benefits of high growth may not reach some of the poorest households. Recent simulations⁶ indicate that increases in per capita income growth after 1994 had led to estimated declines in income poverty from 40 to 34.3 percent during 1994-2002, with most of the poverty reduction concentrated in Dar Es Salaam and other urban areas, while rural poverty remained virtually untouched until 2001 and 2002 when it declined by an

⁴ These questions are being analyzed in the World Bank's Country Economic Memorandum/Poverty Assessment (CEM/PA) that is currently under preparation.

⁵ There is abundant cross-country evidence on the strong positive relationship between GDP growth and poverty reduction. This relationship applies also to Sub-Saharan Africa (SSA). Demery and Squire (1996), for example, argue that the dominant factor responsible for changes in poverty in SSA during the 1980s is economic growth.

⁶ Based on simulations for the ongoing CEM/PA reported in the Concept Note for the Tanzania CEM/Poverty Assessment, September 13, 2004.

estimated 1.5 percentage point per year. With 90 percent of the poor living in rural areas, reducing the national poverty rate would require raising rural incomes.

16. The DTIS takes as its basic premise that export growth is important for overall economic growth, which is evidenced by the experiences of many countries, in particular the East Asian countries⁷. Further, the DTIS will aim to support the Government of Tanzania’s poverty reduction efforts by paying particular attention to analyzing the constraints of those export activities that the poor can participate in and benefit from. This means, in the first place, agricultural crop exports because of the direct income effects of such exports for rural households⁸. It also includes those exports that might have especially large income multiplier effects through their linkages with the rest of the economy, such as tourism (para. 22).

Export Performance

17. Exports of goods and non-factor services have played an important role in contributing to the overall growth of the economy since 1990. As can be seen in Table 3, exports contributed 2.2 percent of the 3.8 percent annual average growth during 1990-2003 (that is, nearly 60 percent of GDP growth during the period came from exports). The importance of exports in contributing to the overall growth of the economy over the last decade is underlined by the fact that the highest growth sectors were among the most important export sectors, that is, mining and quarrying, and tourism, as mentioned earlier (para.13).

**Table 3. Contribution to growth (in percent)
(in constant shillings)**

	1990- 1995	1996- 2000	2000- 2003	1990- 2003
Private Consumption	1.6	3.9	2.7	3.1
Government Consumption	-0.5	1.5	1.5	0.8
Investment	-0.8	0.6	2.3	0.5
Exports of Goods & Nonfactor Services	2.5	0.6	4.3	2.2
Imports of Goods & Nonfactor Services	1.5	-0.1	4.8	2.0
Statistical Discrepancy	0.4	-2.6	0.4	-0.8
GDP at market prices	1.8	4.1	6.4	3.8

Source: World Bank staff calculations based on data from Economic Survey 2003, Government of Tanzania.

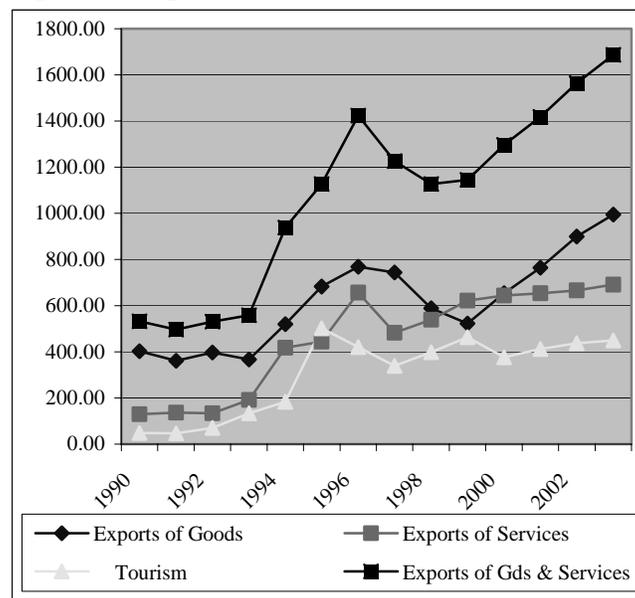
⁷ Quite aside from the trivial accounting relationship whereby exports constitute one component of the gross domestic product (GDP) such that higher export growth leads to higher GDP growth, exports could also enhance overall economic growth through the positive externalities that are associated with exports, including economies of scale, and technological upgrading that is entailed in competing in international markets as well as enabled by the foreign exchange earnings from exports, all of which help raise productivity in the domestic economy.

⁸ A recent econometric analysis of the determinants of poverty in 24 low income countries over the period 1987-1996 found that exports—and in particular agricultural exports—as a share of GDP is negatively related to poverty levels. See *Ethiopia DTIS*, Volume 2, Trade and Poverty Chapter.

18. Export performance during the 1990-2003 period could be distinguished into four phases: sluggish growth during 1990-93, followed by fast growth during 1993-96, decline in 1996-99, then recovery from 2000 onwards (Figure 1). During the fast growth period of 1993-96, the strong export performance can be attributed to both merchandise and service exports, with the latter actually registering a much stronger performance, albeit from a low base. The rapid growth in services exports, which tripled their share from around 3 percent in 1990 to over 9 percent in 1996 was due entirely to the rapid growth in tourist receipts, which rose ten-fold from \$47m. in 1990 to over \$470m. in 1996, reflecting an annual growth of nearly 47 percent. Both merchandise and service exports declined between 1996 to 1999, while the recovery from 2000 onwards was due mostly to the strong performance in merchandise exports as the growth in services exports remained sluggish.

19. During the 1990s, traditional and non-traditional exports had very similar performances, mirroring overall merchandise export performance of sluggish growth followed by acceleration, then decline (Figure 2). However, from 2000 onwards, the performance of these two categories of exports diverged dramatically, with the sharp recovery in merchandise exports since then being entirely attributed to the acceleration in non-traditional exports, which more than compensated for the continued decline in traditional exports. The divergence in performance between these two categories in the last few years has resulted in a significant shift in the composition of Tanzanian exports, from around half each in 1990, to nearly 80 percent being made up of non-traditional exports in 2003 (Table 4).

Figure 1. Exports of Goods and Services (in m.US\$)

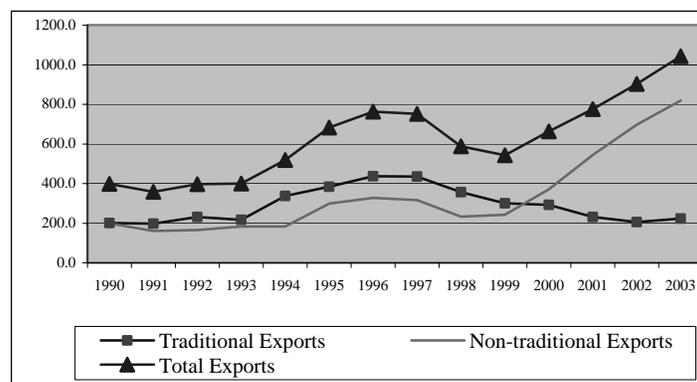


Source: IMF BOP Statistics.

20. The impressive rise in non-traditional exports has been due practically to one export commodity alone—gold. Indeed, 70 percent of the recovery in non-traditional exports since 1998 was due to gold exports, which had risen from nil in the first half of

the 1990s to being the single largest export item in 2003, making up nearly 40 percent of all exports and single-handedly propelling non-traditional exports to the dominant export category. Aside from gold, fish and fish products have also emerged as a significant export item that has contributed to the recovery of non-traditional exports, rising from 7.5 percent of total exports in 1997 to 13.5 percent in 2003. Manufactured exports have also recovered in 2003, although they are still below the levels (both in dollar terms and in terms of shares of total exports) reached in the mid-1990s.

Figure 2. Merchandise Exports-Traditional and Non-traditional
(in m. US\$)



Source: Economic Survey 2003, Government of Tanzania.

Table 4. Composition of exports (in percentage)

	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003
Traditional Exports	50.2	56.2	57.1	57.8	60.5	55.4	44.1	29.8	22.8	21.4
Coffee	21.0	20.9	17.8	15.9	18.5	14.1	12.6	7.4	3.9	4.8
Cotton	18.7	17.6	16.4	17.3	8.1	5.2	5.7	4.3	3.2	4.5
Tea	5.4	3.4	3.0	4.2	5.2	4.5	4.9	3.7	3.3	2.4
Tobacco	2.7	4.0	6.4	7.1	9.4	8.0	5.8	4.6	6.2	4.0
Cashew Nuts	1.4	9.4	12.8	12.1	18.2	18.6	12.7	7.3	5.2	4.0
Sisal	1.0	0.9	0.7	1.2	1.2	1.3	0.8	0.9	0.7	0.6
Cloves						3.7	1.5	1.6	0.4	1.0
Non-traditional Exports	49.8	43.8	42.9	42.2	39.5	44.6	55.9	70.2	77.2	78.6
Minerals & metals	6.8	6.6	7.3	6.8	4.5	13.5	26.9	38.9	42.5	43.2
of which: gold				0.2	0.5	6.4	17.0	32.7	37.8	38.6
other mineral	6.8	6.6	7.3	6.6	4.0	7.1	9.9	6.2	4.7	4.6
Manufactured	18.2	16.0	16.1	14.8	6.1	5.5	6.5	7.2	7.3	9.6
Fish & products				7.5	12.6	10.4	11.5	12.5	12.9	13.5
Horticulture				0.7	1.5	1.6	1.5	1.4	1.2	1.1
Other	24.8	21.3	19.5	12.4	14.8	13.5	9.5	10.2	13.2	11.2

Source: Economic Survey 2003, Government of Tanzania.

21. Two conclusions and/or implications can be drawn from the stylized facts of export performance outlined above. First, while much of the growth recovery since 2000 could be attributed to exports (the latter being responsible for two-thirds of the 6.4

percent per annum growth between 2000-2003), much of this export growth was due to gold exports alone. This raises the issue of the sustainability of such export growth and, in turn, overall economic growth. It also raises the issue of the income distributional impact of such growth, as proceeds from such export revenues probably do not reach large parts of the population, and even less so the poor. Both of these implications, in turn, point to the need for greater export diversification. There are signs that such diversification has begun—witness the increase in fish and fish products and horticulture exports—but it needs to be sustained, as is the recent recovery in manufactured exports.

22. Export diversification could also come from services exports, and in particular tourism, which has the potential to play a much more important role in boosting overall economic growth in Tanzania than it had done during the second half of the 1990s. Notwithstanding the recovery in tourism since 2000, by 2003 tourism receipts of US\$450m. were still below the peak of \$500m. attained in 1995. Expansion of the tourist sector—which aside from being labor-intensive also has a high income multiplier and strong forward and backward linkages—would also have the beneficial effects of generating employment and incomes beyond the sector itself⁹.

23. Second, the decline in virtually all agricultural crop exports, in light of the fact that agriculture generates 70 percent of employment and that 90 percent of the poor reside in the rural areas, further underlines concerns over the distributional impact of the recent export recovery. Recovery of such agricultural crop exports would contribute not only to overall growth but also certainly poverty reduction.

24. The DTIS will address the issue of export diversification and the possibility of the recovery of traditional exports by looking at both the cross-cutting and the sector-specific factors that affect export performance. Cross-cutting factors include: the macroeconomic environment; trade policy including regional trade agreements; institutional capacity for trade policy-making and development including that pertaining to export processing zones; and trade and transport facilitation capacity. Sector-specific factors will be analyzed in the context of sector studies. In addition, the DTIS will also address issues pertaining to product standards and the international trade policy environment, both of which affect export performance in a sector-specific manner.

25. It should be noted that the above constitutes an important, but not exhaustive, list of factors that could affect a country's export supply response. In a sense, all the factors that affect private investment would affect export supply responses as well as competitiveness. In principle, these factors could include virtually all aspects of the development agenda, ranging from education and health, to financial sector development, other infrastructure, firm entry and exit regulations, governance, taxation, framework and environment for foreign direct investment, and so on. The topics covered by the DTIS

⁹ One study (Kweka, 2001) found that the output multiplier for tourism in Tanzania is 1.8, which means that an investment of 1m. shillings leads to an increase in 1.8m. shillings to the economy. The same study also found that the output multiplier effect for tourism is higher than that for agriculture, manufacturing, and other services. Further, tourism was found to lead the other three sectors in terms of backward and forward linkages, and was second to agriculture in terms of inter-sector effects among 23 sectors.

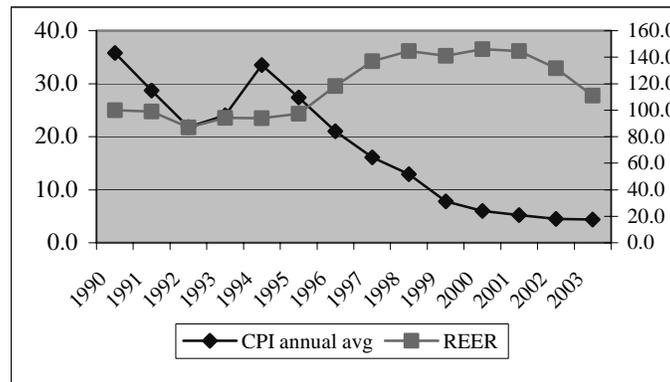
(listed in the preceding paragraph) constitute a narrower and more trade-related subset of this larger agenda, as the other aspects of the agenda have been—or are being covered—in other studies¹⁰.

Macroeconomic Environment and Challenges

26. The key macroeconomic factors important for exports are low levels of inflation, and a stable and competitive real exchange rate. Low levels of inflation are important for encouraging private investment, which in turn is the source of export growth. Exchange rate volatility creates a risky business environment in which there are uncertainties about future profits and payments. These risks are especially exacerbated in countries where financial instruments for hedging against foreign exchange risk are not developed, which is the case in many developing countries including Tanzania.

27. As discussed earlier, Tanzania has been enjoying a steady decline in inflation since the mid-1990s. The REER was relatively stable during the first half of the 1990s, then appreciated sharply by nearly 50 percent between 1996 and 1998, before declining during the last two years¹¹. The DTIS will analyze the relationship between the REER and export performance. The DTIS will also address the issue of appropriate policies for mitigating potential Dutch Disease effects arising from aid inflows and gold exports, including the impact of such foreign exchange inflows on the REER¹². This part of the DTIS will be undertaken in conjunction with the IMF team, incorporating ongoing and planned analysis on this topic by DFID and by the Bank (the latter in the context of the CEM).

Figure 3. Inflation and REER
(percent changes in CPI; REER = 100 in 1990)



Source: REER from IMF; CPI from Economic Survey 2003, Government of Tanzania.

¹⁰ Including, but not limited to, the ongoing CEM/PA, the Investment Climate Assessment (2004), and the *Specific Needs Assessment Regarding Foreign Direct Investment in Tanzania* by Rutihinda (2004) under Danida's Market Access Programme.

¹¹ Alternative REERs using CPI, wholesale price index and import prices of five major trading partners—Germany, UK, Japan, Italy and the U.S.—using only export weights showed the same pattern. Source: International Monetary Fund, *Tanzania: Selected Issues and Statistical Appendix*, September 2004.

¹² A recent IMF study (ibid) found that the REER has been in line with economic fundamentals.

Domestic Trade Policy and Regional Trade Agreements

Domestic trade policy

28. Tanzania initiated trade reforms in the mid-1980s with the lifting of restrictions on some imports, the liberalization of the foreign exchange and domestic markets, and the devaluation of the currency to boost exports. These reforms simplified Tanzania's tariff structure from one with 18 different main categories and wide dispersions ranging from 0 to 200 percent in mid-1988, to one with a narrower tariff range from 0 to 60 percent. In 1991, the tariff rates for intermediate and capital goods were set to 0 percent.

29. Reforms were reversed somewhat in 1993 when tariffs were raised to counter the shortfall in revenues (arising from excessive tariff exemptions and the setting of all goods to zero tariff rate except for consumer goods). More concerted efforts at trade liberalization and other economic reforms were undertaken from the mid-1990s onwards. Between 1993 and 2000, all trade restrictions (except for goods restricted for health and security) were abolished, a foreign exchange market was introduced, the number of non-zero tariffs were reduced from 7 to 4, and the top rate reduced to 25 percent. In April 1993, the fixed exchange rate system was replaced by market-determined exchange rates. In 1996, Article VIII of the IMF was adopted, which liberalized all current account transactions. This was followed by partial liberalization of the capital/financial account that allowed foreigners to participate in direct investment activities in the economy. By end-2003, non-tariff barriers were almost eliminated and largely confined to restrictions on petroleum imports.

30. The trade regime that has resulted from the reforms is one designed to promote domestic manufacturing, with a cascading tariff structure of four tariff bands (0, 10, 15 and 25 percent) whereby capital goods and unprocessed material imports enjoy zero import duty while most finished goods are subject to the maximum of 25 percent. In addition, there exist various restrictions to imports (licensing, minimum dutiable values, suspended duties, etc.) which encourage domestic manufacturing. Despite such an incentive regime, the performance of the manufacturing sector has been poor, both in terms of production for the domestic market as well as production for exports. It could be that aggregate protection and performance of the manufacturing sector obscure variations at the sub-sectoral levels; a recent detailed study¹³ indicates there exist substantial variations in the effective rates of protection (ERPs)¹⁴ of 14 manufacturing sub-sectors (Table 5). Further, it could also suggest that the incentive regime arising from domestic trade policy is only one factor, and may not be the most important one, in determining Tanzania's output and export performance.

31. The DTIS will evaluate the impact of Tanzania's trade policy regime on its export performance by mapping the ERPs to domestic production and export data. This analysis

¹³ TTPP (2003a) based on data collected from 152 manufacturing firms using tariffs that were applied during the period July 2001-June 2002.

¹⁴ Effective protection rates take into account protection on both outputs and inputs, and provide a better representation of while nominal protection rates take into account protection on outputs only.

would help in understanding the determinants of Tanzania's export performance in the past as well as, more importantly, help in analyzing the pros and cons of the various regional trade agreements (RTAs) that Tanzania is party to. The latter is becoming more pertinent as, increasingly, Tanzania's trade policy regime is being determined by the various RTAs that the country is signatory to which, additionally, create their own complications because of potentially conflicting requirements in the areas of tariffs, products standards, customs administration, and so on.

Table 5. Nominal and Effective Rates of Protection
(in percent)

Sectors	Nominal Rates of Protection	Effective Rates of Protection	Effective Rates of Protection under CET
Chemicals & their products	21	216	218
Other non-metallic mineral products	16	87	86
Textiles & textile products	5	74	75
Leather & leather products	3	59	68
Beverages	24	45	43
Food	23	40	35
Basic metals & fabricated metal products	8	37	55
Tobacco	3	36	33
Rubber & Plastics	10	28	28
Agriculture, Forestry & Fishing	6	27	34
Wood & wood products (including furniture)	11	5	11
Paper, publishing & printing	5	1	2
Machinery & Equipment	10	-8	-32
Transport Equipment	0	-16	-9

Source: *TTPP (2003a)*

Regional Trade Agreements

32. Tanzania is engaged in two regional trade agreements (RTAs), the Southern African Development Community¹⁵ (SADC) and the East African Co-operation (EAC) Agreement,¹⁶ and is considering re-entering the Common Market for Eastern and Southern Africa (COMESA)¹⁷, from which it withdrew in 1999. The regional efforts are intended to harmonize economic policy and promote trade. The SADC Trade Protocol, which came into effect in October 2000, aims to remove intra-regional trade barriers and turn the Community into a free trade area for most goods by 2008 (for all goods by 2012). The EAC Trade Protocol, which was signed in March 2004, is scheduled to establish common external tariffs and remove all intra-regional trade barriers during a five-year transition period.

¹⁵ The other members of SADC are: Angola, Botswana, DRC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, the Republic of South Africa (RSA), Swaziland, Zambia and Zimbabwe.

¹⁶ The other members are Kenya and Uganda.

¹⁷ The members of COMESA are: Angola, Burundi, Comoros, D.R. Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

33. The simultaneous participation in SADC and ECA poses a number of idiosyncratic challenges for trade policy makers in Tanzania, as the country is the only signatory that is a member in both of the RTAs. As a start, there are real conflicts regarding the Common External Tariff (CET) under the two RTAs, with the CET for EAC entailing a maximum tariff of 25 percent, which is inconsistent with the free trade agreement for SADC countries that entails the reduction of tariffs to zero for all members. There are also potential conflicts in the application of different trade standards and border procedures. At some point, perhaps sooner rather than later, Tanzania would be faced with the dilemma of which RTA to go with, given their inconsistencies with each other. The situation would likely be further complicated if Tanzania re-enters COMESA.

34. The DTIS will address these challenges by evaluating the advantages and drawbacks of pursuing regional integration through SADC and EAC and by joining COMESA. Pertinent questions relate to the impact of the tariff structure on domestic producers, consumers and the government's budget, as well as the potential conflicts in the application of different trade standards and border procedures. As mentioned, the DTIS will draw on the recent study on tariff policy¹⁸ which estimated effective rates of protection in Tanzania, and update and extend this work in collaboration with researchers at the University of Dar Es Salaam who undertook the data work for the earlier study. Potential conflicts between RTAs in the areas of trade standards and customs administration will also be investigated in collaboration with the DTIS team members involved in those areas of work.

International Trade Policy and Preferential Market Access

35. In addition to domestic policies (both trade and non-trade), a country's trade performance can also be affected by the international trading environment. The DTIS will address the question of whether foreign countries' trade policies help or hinder Tanzania's integration into the world economy.

36. In general, the most favored nation tariffs Tanzania faces in OECD markets are low on average, but these countries impose significant tariff peaks on the one hand and offer a variety of non-reciprocal preferences on the other. The record in other African countries has been a very uneven use of preferences, sometimes due to different administrative barriers imposed by importing countries and sometimes due to supply-side constraints in exporting countries. The DTIS will evaluate the net effect of the border barriers in OECD markets on Tanzania's exports and assess the extent to which exporters take advantage of preferences.

37. An emerging issue with respect to trade preferences granted by developed countries is the erosion of such preferences that could result from a possible future agreement on market access for agricultural and non-agricultural products reached in the current Doha Round of trade negotiations. Specifically, improved access to developed country markets—through tariff reductions for agriculture as well as manufactures—

¹⁸ TTPP (2003a).

would mainly benefit the more advanced developing countries, which would put them at a competitive advantage against the poorer developing countries (such as Tanzania) which are currently exporting under preferential schemes to those developed markets. A simulation performed in the context of a recent study¹⁹ found that under one set of tariff reductions that have been proposed in the WTO negotiations, Tanzania (along with Uganda and Malawi) are predicted to lose the most in terms of shares of total exports to Brazil compared with other African countries that also directly compete with Brazil in terms of agricultural exports. Taking into account other, as well as potential, competitors in addition to Brazil could imply even greater preference losses.

38. The DTIS will provide estimates of the potential impact on preference margins for various tariff reduction scenarios for manufactures and agriculture, with the tariff reduction formulae being taken on the basis of the most recent recommendations made in the July Framework Agreement at the WTO. Attention will be paid to losses that may arise as a result of internal reform in developed countries (such as the EU reform of the sugar regime), the end of the Multilateral Fiber Agreement (for example, is Tanzania gaining anything on the African Growth Opportunity Act—AGOA—it could lose), or WTO disputes (sugar). Potential losses (as a share of total exports or as a share of exports in the sector) will be derived for each product to estimate the cost of preference erosion in each sector and to Tanzania as a whole. If the costs of preference erosion are found to be significant either for the economy as a whole or for individual sectors, the DTIS will suggest mitigation measures that could be used to compensate Tanzania for losses.

39. Another emerging issue with respect to preferential agreements concern the ongoing negotiations of the Economic Partnership Agreement (EPA) with the European Union. The DTIS will identify the main issues for Tanzania in these negotiations with respect to goods trade, services trade, and the Singapore issues (in particular investment policy). The DTIS will also address the complications arising from Tanzania negotiating the EU-EPA with the SADC group while being a member of EAC and possibly re-acquiring COMESA membership.

40. In addition to preferential market access granted by developed countries, Tanzania also has preferential access to regional markets through the RTAs, some of which Tanzania is party to (EAC and SADC) and some it is not (for example, COMESA). The DTIS will analyze the effects of these regional arrangements on Tanzania's trade and discuss implications of COMESA's proposed common external tariff on Tanzania's access to regional markets. This part of the study will be closely coordinated with the work in the previous section on RTAs.

41. Finally, the DTIS will recommend ways that the government and exporters can increase their access to foreign markets, suggesting which should have higher priority and which should be accorded lower priority.

¹⁹ "Negotiation Policy Brief No.2, Agricultural Products, Modalities," International Lawyers and Economists Against Poverty (ILEAP), Working Draft, September 1, 2003.

Institutional Framework and Capacity for Trade Policy and Trade Development

42. Cross-country experience has highlighted how institutional constraints can negatively affect trade integration in general and export performance in particular. The experience of other least developed countries indicates that the following have been particularly important constraints:²⁰ the lack of appropriate institutional frameworks and systems for managing trade policy; weak private-public dialogue; and lack of information and communication on trade issues within countries.

43. A recent “Institutional and Organizational Review” financed by DFID and prepared for the Ministry of Industry and Trade (MIT) provides a very detailed review and analysis of the trade policy making process, institutions, and capacity within Tanzania, with a focus on the poverty alleviation dimension of trade policy; public-private dialogue; the role and capacity of civil society organizations in contributing to trade policy making; and so on. The DTIS will summarize the findings of the report, extend the work where necessary including providing recommendations for prioritized concrete action plans that draw on best practice or at least successful examples from international experience. The concrete action plans will include policy, legislative or institutional changes; capacity building measures; and investments where necessary. In particular, the DTIS will pay attention to how to engender inter-ministerial coordination with respect to trade and trade-related matters, since not all such matters are within the purview of MIT.

Export Processing Zones (EPZs)

44. One type of institutions that has been very successful in promoting export growth in *some* countries—though not in many—are export processing zones. EPZs could be a useful instrument for promoting investments and exports in countries where there is inadequate capacity to address economy-wide constraints relating to infrastructure, provision of public services, and so on. Tanzania is particularly interested in using EPZs as an instrument for export development, in light of the apparently successful experience of Kenya and especially the latter’s success in utilizing EPZs to take advantage of AGOA.

45. EPZs are at a nascent state in Tanzania. They were established by the EPZ Act of April 2002 which was operationalized in mid-2003. To date, 5 EPZ operators have been registered and 4 are actually operating, 3 of which are in textiles. The 3 textile operators are exporting to markets under preferential schemes: Star Apparels is exporting garments to the U.S. (AGOA); NIDA Textile Industry is exporting garments to South Africa (SADC) and to France (Everything But Arms); and African Price is exporting fabrics to South Africa (SADC). Two of the three operators are based in Dar Es Salaam.

²⁰ From Tsikata (2003), which summarized the findings of Diagnostic Trade Integration Studies undertaken during 2001-2003 for twelve least developed countries (Burundi, Cambodia, Ethiopia, Guinea, Lesotho, Madagascar, Malawi, Mali, Mauritania, Nepal, Senegal and Yemen).

46. The DTIS will review the current situation with respect to EPZs in Tanzania with a view towards improving their performance by proposing a prioritized concrete action plan that includes policy, legislation, institutional and design changes; capacity building measures; as well as investments where necessary. In undertaking this review, the DTIS will draw on international experience of EPZs, including that of Kenya's, taking into account lessons from successful EPZs as well as those from not so successful ones. The review will take into account the key factors that are important for the success of EPZs. These include location, taking into account which are the likely users of EPZs (which export products, and to which export markets); infrastructure; public services (such as customs, business registration, land and building permits, and so on); management of the EPZ; and incentives in comparison with those that exist elsewhere in the region.

Product Standards

47. There has been a proliferation of, and rising stringency in, products standards in international trade in recent years. It has become essential for countries to have the capacity to meet such product standards if they want to be players in today's increasingly competitive international markets.

48. The DTIS will assess how standards and related capacities for food safety, agricultural health, and quality management are affecting Tanzania's trade, and identify priority technical assistance or other capacity-building needs in these areas. More specifically, the work will:

- assess how Tanzania's exports/imports of agricultural and food products have been impacted by food safety, agricultural health, and quality standards;
- identify and characterize the major sanitary and phyto-sanitary (SPS) (and quality) issues faced by Tanzanian producers and exporters and efforts made to address these;
- examine the nature/extent of prevailing strengths/weaknesses in SPS and quality management and identify several near- and longer-term priority capacity needs;
- assess the extent to which Tanzania has engaged in regional efforts to enhance capacity and overcome constraints and the success of such initiatives.

49. The analysis will start with a broad mapping of Tanzania's agricultural and food exports, identifying key trends and pertinent challenges related to food safety, agricultural health, and quality management. This, together with the notion of a 'hierarchy' of SPS/quality management functions—ranging from basic awareness and the application of 'good' agricultural and manufacturing practices to more sophisticated technical and negotiation functions—will provide a framework for the remainder of the study.

50. Several approaches to the work and dimensions of the standards field will be pursued. This will likely include the following:

- i. Identifying several cross-cutting SPS capacity issues—for example, certification and accreditation capacity, systems of disease or pest surveillance, promotion of

- Hazard Analysis Critical Control Point (HACCP) principles in the food industry etc –and making these the focus of one or several thematic case studies.
- ii. Attention will be focused on commodity sub-sectors which have strong export potential and are facing important SPS-related challenges/opportunities, specifically fish and fish products, horticulture and floriculture—these are also the sub-sectors for which detailed analysis will be undertaken in the context of the DTIS (para. 60). Recent experiences, current strategies, outstanding issues, and the apparent options for maneuver will be highlighted.
 - iii. Reviewing prior analyses on quality management issues faced in Tanzania’s major agricultural export crops—coffee, cotton, and cashew nuts—and, where possible, providing an update of the current status and outstanding issues and needs.
 - iv. Examining Tanzania’s involvement in regional efforts to build SPS capacity, harmonize standards and otherwise overcome the trade impacts of standards. These will include standards-related work in SADC and the Codex Regional Committee for Africa, joint efforts by the Tanzanian, Kenyan and Ugandan governments to manage food safety and other issues associated with the Lake Victoria fishery, and other aspects. The aim is to identify areas where progress has been made and where problems have been encountered, with a view to potential foci and mechanisms for technical support. This will complement analysis being done under the Kenya DTIS.
 - v. Providing a broad assessment of past and current efforts to enhance SPS capacity in Tanzania, building on existing work, for example by DANIDA. This will characterize the current state of capacity in Tanzania and areas already identified for capacity development. The focus here will be on capacity development and needs within the public and private sectors and the nature and extent of technical and other forms of donor support. The outcome is expected to be some form of prioritized list of unresolved issues where further capacity development is needed and some indication of appropriate ways in which these might be addressed.
 - vi. Attempting to assess the magnitude (in qualitative terms) and direction of any impacts of food safety and plant and animal health standards on Tanzania’s trade in agricultural and food products. This will include export flows to major foreign markets and impacts of developments in domestic SPS capacity on imports, for example through the procurement practices of supermarket chains such as Shoprite. In turn, this will provide some indication of the broad economic benefits to Tanzania of developments in its food safety and agricultural health management capacity.

Trade and Transport Facilitation

51. Moving goods from the point of production to their final destination expeditiously and cost-effectively is certainly an important factor underlying the export competitiveness of a country. Country-level evidence has also indicated that transportation is the single most important component of cost for exporters in some developing countries.²¹

²¹ Tsikata (2003).

52. The DTIS will undertake a trade and transport facilitation (TTF) audit that will analyze supply chain management constraints in terms of TTF costs, governance, regulations, private sector practices and organization. The audit will provide statistics and indicators to help monitor future improvement in the logistics of exports and imports and to provide for international comparisons; identify shortcomings; and propose a prioritized action plan and implementation strategy to address these shortcomings.

53. The audit will focus on the TTF needs of those exports selected for in-depth study in the DTIS, specifically gemstones, horticulture, floriculture, fish and fish products, cashews, vanilla and cardamom, and the other major agricultural export crops—coffee, cashews and cotton. The importance of providing those living in remote rural areas access to domestic markets as a first step towards helping them integrate into the world economy (and enjoy the benefits thereof) has been documented in many of the DTISs undertaken to date.²² In this light, and given the geographic location of some of the export products listed above, the audit will focus not just on the main transport corridors, but also on the feeder/rural roads that provide access to the main transport corridors. Specifically, the audit will focus on:

- Procedural and documentary requirements necessary to move goods through borders or in transit operations.
- Availability and quality of logistics services and infrastructure to exporters and importers from Tanzania and obstacles to their modernization and development (such as through third party logistics providers).
- Market structure and national and international competition in transport and logistics services.
- The magnitude of costs and delays supported by trade operations at various stages along the supply chain for imports, exports and transit goods.
- The transit issues regarding access to landlocked countries and Tanzania's role in transport corridors as well as its potential in transit trade as a service export, taking into account the potential of multimodal transport and the ongoing World Bank corridor project.

54. The audit will collect the following key statistics: transportation costs/time to and from Tanzania along the main corridors and along feeder/rural roads where applicable for different modes of transportation; unit transportation costs in Tanzania such as ton/km; transit and border crossing costs; key customs figures; description of delays along the supply chain for both exports and import (with an indication of who is responsible for the delay); simplified supply chain cost breakdown for the key commodities listed above in para. 53; and, if possible, an estimate of the total logistics cost over GDP, including the impact of logistics on inventories.

55. The possible set of measures to be included in the action plan are: regulatory and public sector reforms; private sector development in services (transportation, logistics,

²² See, for example, the Ethiopia DTIS (2004).

finance, and so on); introduction of modern information and communication technologies related to transport and trade; training needs; and key investments to improve trade potential, notably along the transport corridors.

Customs

56. Customs is an important element of trade facilitation, and weaknesses in customs have been identified as one of the main constraints to trade integration and export performance in many least developed countries.²³ The DTIS will examine customs and border processing/clearance procedures in Tanzania to assess their level of effectiveness and compatibility with international standards and to identify areas of potential improvement. The DTIS will take stock of existing diagnostic studies and reports and capacity building and technical assistance currently being provided by the Bank and/or donor organizations, and focus special attention to identifying trade facilitation-related areas that may not be adequately addressed by the existing support. It will also focus on the customs-related implications of Tanzania's participation in the East African Community.

57. Specifically, the DTIS will assess:

- Import/export/transit procedures for compatibility with international standards (including GATT Articles V, VIII and X and the World Customs Organization's Revised Kyoto Convention)
- Customs Valuation for compatibility with World Customs Organization Valuation Agreement
- Current and future Information Technology support requirements
- Degree of cooperation between Customs and other border related regulatory agencies
- Future requirements stemming from Tanzania's participation in the East African Community

58. In assessing the needs for improvement related to each of the areas, the DTIS will take into account the policy, legislative, regulatory and institutional (including structure and capacity) aspects, and provide recommendations accordingly. The DTIS will take into account relevant international standards and best practice examples to support the analysis and recommendations.

Export Sub-Sector Studies

59. In addition to the cross-cutting factors discussed above, there could also be sector-specific constraints to exports. Certain sub-sectors have been selected for in-depth studies with the objective of identifying such constraints. The sub-sectors have been selected on the basis of their current or potential importance in contributing to Tanzania's

²³ Tsikata (2003).

overall export growth, as well as their impact on poverty alleviation through employment generation either directly or indirectly by way of forward and backward linkages.

60. The sub-sectors chosen, in consultation with MIT, are: the main agricultural export crops (cashews, coffee, cotton, tea and tobacco); agricultural export crops with potential (spices); fish and fish products; horticulture and floriculture; and gemstones. Other sub-sectors that are of interest in terms of export potential—specifically clothing and textiles (because of AGOA) and wood and wood products (in light of Tanzania’s abundance in this natural resource)—will be studied in the context of Danida’s Programme on Market Access.

61. As mentioned earlier, services exports could also make a significant contribution to Tanzania’s export performance. In Tanzania’s case, transit trade and tourism in particular have such potential. The DTIS will cover transit trade in the section on Trade and Transport Facilitation and summarize existing and ongoing analyses on tourism.²⁴

Agricultural Export Crops

62. The importance of agriculture to the Tanzanian economy (about 50 percent of GDP and 70 percent of employment) and the large share of the poor (90 percent) residing in rural areas imply that reviving or boosting the exports of agricultural crops would be very important for overall export and hence growth performances, as well as poverty alleviation. The importance of agricultural export growth to long-term economic growth is supported by the very successful experience of the newly industrialized countries in East Asia. Korea, Malaysia, Taiwan and Thailand which have had rapid economic growth and also large agricultural sectors, have also tended to have rapid growth of agricultural exports. This has led some researchers to view export-led growth as part of an economic growth cycle that begins with exports of primary goods. Over time, economic growth and knowledge change the structure of the domestic economy, which propels the more technology intensive domestic industry to begin exporting.²⁵

63. The Tanzanian agricultural sector has been progressively liberalized since the mid-1980s, with food crop marketing liberalization starting in 1985 and export crop marketing liberalization starting in 1993. The initial impact of marketing liberalization, together with rising international prices, resulted in increases in agricultural crop exports during the first half of the 1990s. Since then, such exports have been falling, in part due to the decline in international commodity prices, but there were also specific problems for individual crops including weak pricing incentives, and inadequate investments, research and extension, and so on.

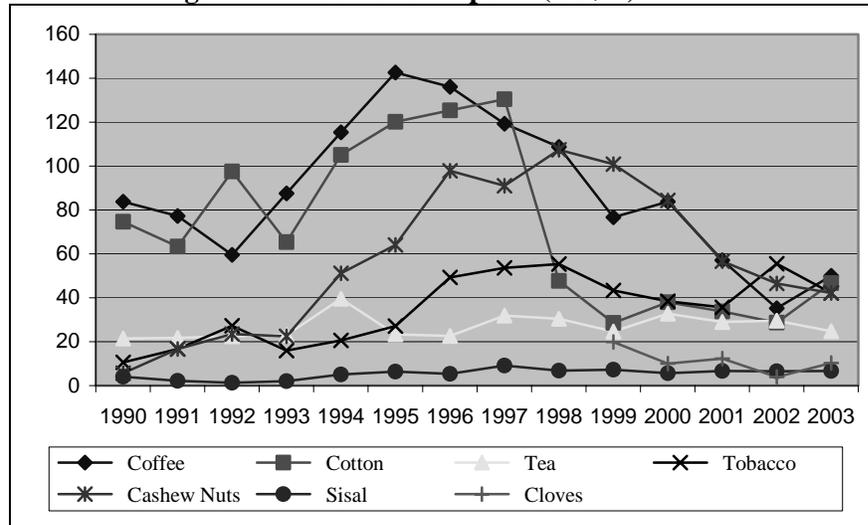
64. The DTIS will analyze the performance of Tanzania’s major crop exports – cashews, coffee, cotton, tobacco and tea—and identify policies and constraints which account for their generally poor performance since the mid-1990s, based on which to

²⁴ World Bank (2002) and Semboja and Chami (2004); World Bank (ongoing), Investment Climate for Tourism in East Africa.

²⁵ Mitchell and Baffes (2002b).

propose policy changes and initiatives to address these constraints. The DTIS will also take into account the international market conditions of these crops when reviewing their prospects for the future. This part of the DTIS will draw on and update existing analyses²⁶ on these export crops.

Figure 4. Traditional Exports (US\$m)



65. In addition to these major export crops, Tanzania also has export potential in spices, two of which in particular will be studied in depth in the DTIS – vanilla and cardamom. The DTIS will also analyze other spice crops to ensure that no crop that is either important currently or has opportunities is being ignored. The DTIS will undertake a new study as well as draw on existing analysis on the topic.²⁷ The new study will review the current status and trends of the sector (production, exports, employment); identify the structure of the industry (key companies at the producer, intermediary, processor and/or exporter levels for both the domestic and export markets); identify major constraints to its expansion in terms of production and exports; assess (and quantify where possible) the prospects of its expansion taking into account world market conditions; and propose a prioritized action plan to address these constraints that include, where applicable, policy, legislative, and/or institutional changes, capacity building measures, and investments. The study will draw on successful experiences elsewhere and incorporate lessons learnt – in the case of vanilla, for example, the recovery of the vanilla industry in Uganda may be of particular interest. The study will also review the poverty alleviation dimension of the industry, in particular employment generation either directly or indirectly through backward and forward linkages.

Non-traditional Exports

66. The importance of export diversification was already mentioned earlier in this paper, and some diversification is already taking place (para. 21). The DTIS will

²⁶ See Mitchell and Baffes (2002a, 2002b), Baffes (2004a, 2004b, 2004c), Mitchell (2004), Development Alternatives (2003), Technoserve (2003), Impact Consultants Limited (2004), World Bank (2004).

²⁷ United Republic of Tanzania, Board of External Trade, and ITC (2002).

undertake detailed analysis of these emerging exports (fish, horticulture and floriculture), as well as those in which Tanzania may have particular potential (gemstones) to identify constraints to and opportunities for these exports, based on which to propose prioritized measures to address these constraints.

67. A detailed supply chain analysis has already been undertaken for fish and fish products for the ongoing CEM/PA.²⁸ The DTIS will draw on this report and other existing work on the topic²⁹, and extend the work focusing on the product standards aspect. In addition, the DTIS will undertake new detailed studies for horticulture, floriculture and gemstones, as well as draw on any existing studies on these sectors for Tanzania.³⁰ For each of these sub-sectors, a few products will be selected for in-depth studies. As in the case of the spice crop studies above, these sub-sector studies will review the status and trend of the sub-sector; the structure of the industry; identify major constraints to its expansion in terms of production and exports; assess (and quantify where possible) the prospects of its expansion taking into account world market conditions; and propose a prioritized action plan to address the constraints that include, where applicable, policy legislative, and/or institutional changes, capacity building measures, and investments. The studies will also draw on successful experiences elsewhere, and review the poverty alleviation dimension of increasing production and exports either through direct employment generation or indirectly through backward and forward linkages.

Trade and Poverty

68. Changes in trade policy—domestic and international—and removal of non trade policy-related constraints to trade, can affect poverty in different ways. For instance, changes in the tariff structure can raise or lower the poverty levels of households depending on what the latter produce and consume. Changes in international trade policy can also affect poverty in different ways. As mentioned earlier, poverty can increase because of the erosion in preference margins that may result from a possible future WTO agreement on market access. Or, replacement of the Everything But Arms (EBA) initiative with an EPA with the EU can affect poverty by either raising or eroding the market access of households depending on what the latter produce and (potentially) export. Finally, reduction of trade-related constraints such as through measures to improve customs and other aspects of trade and transport facilitation can boost exports, raising incomes and reducing poverty as a result. The DTIS will trace, and provide quantitative estimates where possible, these various ways in which changes in trade policy and other constraints to trade can affect income and poverty levels.

69. First, the DTIS will aim to trace at a macro/sectoral level the impact of possible trade policy changes that may result from Tanzania opting for one RTA over the other. It will assess which sectors are likely to gain, which will lose and, estimate the employment implications of such an impact. Second, the DTIS will analyze the impact of different

²⁸ Kopicki, 2004.

²⁹ For example, United Republic of Tanzania, Board of External Trade, and ITC (2003a).

³⁰ For example, United Republic of Tanzania, Board of External Trade, and ITC (2003b).

RTAs at a household level, by mapping the tariff structures of these RTAs with household production and consumption data. Third, the DTIS will estimate the effects of different scenarios of market access changes on household incomes and hence poverty levels, including those relating to the possible future WTO agreement on market access, the replacement of the EBA with a EU-EPA, and so on. Fourth, the DTIS will trace the employment and hence income and poverty reduction effects arising from increased production and exports of those agricultural crops and other sub-sectors that have been selected for detailed studies. Specifically, and to the extent that data is available, the DTIS will map the geographic locations of production of these exports with regional income distribution data, and perform simulations to derive the magnitude of income changes and hence the magnitude of poverty alleviation that would result from raising the production and exports of these agricultural and non-agricultural goods. The DTIS will aim to integrate the discussion of all these various aspects of trade and trade policy changes on poverty in the respective sections/chapters of the report.

Process and Time-line

70. The processing schedule of the DTIS is as follows:

Informal Mission:	July 12-16, 2004
Concept Paper Distribution:	October 5, 2004
Concept Paper Review:	October 12, 2004
Main Mission:	November 1-12, 2004
First Drafts of Chapters:	December 3, 2004
Final Drafts of Chapters:	January 7, 2005
Draft of Summary Report:	February 4, 2005
Workshop:	March 2005
Consultative Group Meeting:	May 2005

DTIS Team

Team Leader	Helena Tang
Macroeconomic Environment and Performance	IMF Team
Trade Performance	Sibel Kulaksiz, Alema Siddiky and Emmanuel Mungunasi (AFTP2)
Trade Policies and Regional Trade Agreements	Peter Walkenhorst (PRMTR); University of Dar Es Salaam researchers (tbc)
Trade and Poverty	Burcu Duygan (consultant)
International Trade Policies and Preferential Market Access	Philip Schuler (PRMTR)
Impact of Preference Erosion	Ian Gillson and Sheila Page (consultants)
Trade and Transport Facilitation	Rene Meeuws (consultant); Jean-Francois Arvis and Zeynep Ersel (PRMTR)
Customs	Gerard Mclinden (PRMTR)
Trade Institutions	Andrew Singer (consultant)
Export Processing Zones	Deborah Porte (consultant)
Product Standards	Steve Jaffee (PRMTR), Spencer Hanson, Mirvat Sewadeh (consultants), Flora Musonda (Economic and Social Research Foundation, tbc)
Agricultural Export Crop Studies	
Cashews, coffee, cotton, tobacco, tea	Don Mitchell (DECPG)
Spices	Steve Caiger (consultant)
Non-Traditional Export Studies	
Horticulture& Floriculture	Andrew Sergeant (consultant)
Gemstones	Rudolf Heltzel (tbc)
Peer Reviewers	Yvonne Tsikata (OED) Josaphat Kweka (Economic and Social Research Foundation)

Draft Outline of DTIS Summary Report

Executive Summary

Action Plan

- Part I Context and Background
 - A. Socio-Economic Background and Performance
 - B. Export Performance – Structure and Destination

- Part II Key Factors Affecting Trade Integration
 - A. Macroeconomic Policies and the Real Exchange Rate
 - B. Domestic Trade Policies
 - C. Regional Trade Agreements
 - D. International Trade Policies – Market Access and Trade Preferences
 - E. Institutions for Trade Policy and Development
 - F. Export Processing Zones
 - G. Product Standards
 - H. Trade and Transport Facilitation
 - I. Customs

- Part III Sub-Sector Studies – Constraints and Opportunities
 - A. Traditional Exports (cashews, coffee, cotton, tea and tobacco)
 - B. Non-traditional Exports
 - i. Spices
 - ii. Horticulture
 - iii. Floriculture
 - iv. Fish and Fish Products
 - v. Gemstones
 - C. Services Exports
 - i. Tourism
 - ii. Transit Trade

**Appendix 1. Existing Trade-related Assistance (TRA)
Programs and Projects in Tanzania:
Summary, Objectives, Activities and Outputs
(Preliminary and Incomplete Compilation)**

Ministry of Industry and Trade (MIT) CAPACITY BUILDING PROJECT

Total Project Budget: 8,000,000 SEK Sweden Kronor = 1,120,460 USD United States Dollars (at February 2004 rates)

Funding: Sida

Timeframe: April 2000 to June 2004

Main Objectives and Outputs

***Overall Objectives of the MIT Capacity Building Project:** The main objective of this project is to build the capacity of MIT to deliver its responsibilities more effectively and to serve the private sector more efficiently. This is particularly important given the changing roles and functions of MIT as the economy moves towards a market-led economic system. Given economic reform since the mid-80s, it has been necessary to reorient the mindset of MIT away from market control (under the socialist era) towards market facilitation and effective economic management through appropriate policy instruments (in the liberalization era).*

Outputs:

- *Formulation and implementation of appropriate policies and strategies for enhancing sustainable industrial and trade growth and development;*
- *Modernization and strengthening of the administrative function of MIT;*
- *Improvements in the regulatory functions pertaining to industry and commerce in terms of competition policy and law, weights and measures, registration and commercial laws, industrial licensing, quality assurance and standardization and promotion of cleaner production technologies;*
- *Implementation of the Public Sector Reform Program (PSRP);*
- *Promotion of industry and commerce through bilateral and regional cooperation programs;*
- *Establish an effective process of consultation between the Ministry and various stakeholders in the economy including the private sector on sector-specific and sector-wide issues; and,*
- *Achieve significant human resource development.*

Project Activities, Objectives and Outputs

I. Trade policy formulation and implementation. Initiation of preparatory measures for the implementation of trade policy as part of the program to enhance Tanzania's competitiveness and ensuring wide-public participation in the trade policy process;

***Component Objective:** Building a competitive business environment through a stable trade regime, to facilitate support to private sector development.*

***Component Outputs:** Government adoption of a comprehensive trade policy*

contributing to the development of a competitive private sector.

II. Competition policy and law. Operationalization of the competition law through strengthening of the Fair Trade Practices Bureau and the Tribunal, including transformation of the Bureau into a Fair Competition Commission (FCC)

Component Objective: *To strengthen the Ministry's regulatory function to ensure competition in the economy by prohibiting restrictive trade practices, regulating monopolies and concentration of economic power, protecting the consumer and dealing with related matters.*

Component Outputs: *Fair Competition Commission and Tribunal trained and equipped to carry out their functions and working in accordance with ISO 9000 Standard; and, increased awareness about competition policy and the work of the Commission and Tribunal amongst stakeholders.*

III. Registry modernization. Modernizing the functioning of the Ministry's Registry system through training staff and application of modern systems of information storage and retrieval;

Component Objective: *To have an efficient registry to enhance the Ministry's capacity for efficient service delivery.*

Component Outputs: *Registry restructured and modernized; staff trained and skills improved; staff's access to information improved; in-house communication improved; and, communication with external actors improved.*

TANZANIA TRADE AND POVERTY PROGRAM (TTPP)

Total Program Budget: 927,685 GBP United Kingdom Pound = 1,732,806 USD
United States Dollars (at February 2004 rates)

Funding: DFID

Timeframe: August 2002 to July 2005

Main Objectives and Outputs

Overall Objectives of the Tanzania Trade and Poverty Program (TTPP):

Enhance capacity in appropriate Tanzanian institutions to formulate, negotiate and implement trade reform strategies that are inclusive and pro-poor and to deepen integration of Tanzania into the international trading system

Outputs:

- *GOT institutions will be able to: analyze the impact of trade reform on different groups of the poor; formulate and negotiate trade policies; and, implement trade policies which reflect poverty concerns;*
- *Private Sector and Civil Society Institutions will be able to: understand and analyze the impact of trade reform on their constituencies; help formulate and negotiate trade policies; enter meaningful dialogue with GOT officials and influence policy decisions; and, monitor the impact of trade policies on their constituencies; and,*
- *Trade policy issues will be incorporated in the PRSP and given higher profile in central budgetary processes*

Program Activities, Objectives and Outputs

I. Study of linkages between trade policy and poverty reduction

This study aims to identify linkages between trade policy and poverty reduction and to identify ways in which specific policies, sequencing, and timing of trade liberalization reforms will impact, directly or indirectly, on the main social and livelihood groups among the poor.

II. Institutional and organizational review

Institutional and Organizational Review covering the trade sector and relevant poverty focused organizations in the country, including an analysis of the political economy of trade policy, the specific interests underpinning trade policy decision-making, and the institutional processes whereby trade policy is formulated within government. This component will facilitate development of key institutions by identifying areas for future intervention.

III. Raising awareness of trade policy issues and improving dialogue between public and private sectors and civil society

A mechanism will be established for regular consultation between the public and private sectors as well as civil society in order to help develop trade policy.

IV. Integration of trade issues in the national budgetary and economic reform process (including the PRS and MTEF)

A fund will be established to facilitate the integration of trade issues in the PRS and MTEF processes. This fund would help: finance meetings of working groups; facilitate workshops to discuss trade-related aspects in the PRS and to help prepare working papers for such meetings and workshops. As the MTEF is still in an embryonic position, the TTPP could have a significant impact in this process. The fund would also provide finance to enable non-trade government departments (any other than MIT) to undertake studies related to integration of trade issues with their sectoral concerns.

V. A fund for undertaking trade policy studies, preparation of position papers and for short-term interventions by trade policy experts

This will provide support to GOT and other stakeholders in preparation for multilateral and regional trade negotiations. This component would have two sub-components; one to provide a facility to GOT and its various agencies, whilst the other would provide a facility for private sector associations and NGOs to commission short studies and position papers to meet specific trade policy formulation needs as they arise.

VI. Formal and informal capacity building in WTO and other trade issues

At the present time, there is a low level of awareness and understanding of WTO Agreements and future negotiations within the relevant GOT ministries and the social partner institutions. Therefore, to tackle this problem the project will provide financial support for a structured training program in trade policy in Tanzania. This would also include training in negotiating techniques. The training would comprise in-country training courses/ workshops and training/ mentoring over a longer term. It is critical that this training should be given to representatives of non-government institutions as well as to GOT officials. This would then enable the non-government representatives to have a more meaningful dialogue with GOT officials in policy development.

VII. Provision of IT equipment (computers, printers etc) for the MIT and/or private sector institutions.

VIII. Fund for essential participation in trade negotiating fora.

This strategic fund will provide financial assistance to allow stakeholders (primarily non-government) to attend important international trade negotiating fora, such as in the context of WTO, EU-ACP etc. It will cover travel costs and will complement existing budgetary allocations.

BUSINESS SECTOR PROGRAM SUPPORT (BSPSII): Improved Access to Markets Component

Total Program Budget: 209,000,000 DKK Danish Kroner = 35,704,079 USD United States Dollars (at February 2004 rates)

Sub-total for Component on Improved Access to Markets: 34,900,000 DKK Danish Kroner (for 'Improved Access to Markets Component') = 5,961,818 USD United States Dollars (at February 2004 rates)

Funding: Danida

Timeframe: July 2003 to June 2008

Main Objectives and Outputs

Overall Objectives of the Improved Access to Markets Component: To improve access to international and domestic markets, especially by SMEs, through product quality improvement and standardization, export promotion, support to trade negotiations and strengthening competitiveness of the companies.

Outputs:

- Results from international trade negotiations improved;
- Tanzanian product quality improved; and,
- Domestic and international competitiveness of Tanzanian SMEs is strengthened.

Program Activities, Objectives and Outputs

I. International trade negotiations

It is expected that a pool of 20-30 trade negotiation and investment specialists will be available for both government and private purposes. In addition, there will be a program for sensitization of the interested public about trade issues. The training of trade negotiation specialists (including NGOs) will be undertaken in close collaboration with other donors, e.g. DFID and Sida. Also, support will be provided to establish a course in international trade in a relevant institution of higher education, such as University of Dar Es Salaam. This course is expected to exist beyond the timeframe of the program hence efforts to maintain its sustainability will be crucial.

Sub-Component Objective: Boost trade policy formulation, trade negotiation capacity, domestic political debate on trade, and export promotion.

Sub-Component Outputs:

- Capacity building on trade policy making achieved at the Trade Section of MIT
- A cadre of trade negotiation specialists is built up in Tanzania
- The cadre of trade negotiation specialists is utilized in trade negotiations
- Trade related political debate is revived

II. Product quality improvement

To meet internal and external requirements on documentation and laboratory testing of Tanzanian products, support relevant national authorities such as Tanzanian Bureau of Standards (TBS) to obtain accreditation of laboratories and provide assistance for Tanzania's participation in international standard setting bodies.

***Sub-Component Objective:** Increase trade through product quality improvement and standardization.*

Sub-Component Outputs:

- *Laboratories accredited;*
- *Effective participation in international standard setting organizations established;*
- *Product quality development achieved (traceability); and,*
- *Packaging skills achieved by exporting/import competing SMEs.*

III. SME competitiveness

***Sub-Component Objective:** To improve access by SMEs to international and domestic markets.*

***Sub-Component Outputs:** Domestic and international competitiveness of Tanzanian SMEs is strengthened.*

**BUSINESS ENVIRONMENT STRENGTHENING FOR TANZANIA (BEST):
Reform of Import and Export Procedures (Sub-component of the Achieving
Better Regulation Component)**

Total Program Budget: 19,000,000 USD United States Dollars (Budget commitment by donors). Total cost of the program is estimated at 25,369,645 USD United States Dollars.

Sub-total for Component on Achieving Better Regulation: 8,906,644 USD United States Dollars (indicative budget; 2003-2008). **Allocation for Reform of Import / Export Procedures:** 220,000 USD United States Dollars (indicative budget; 2003-2006)

Funding: RNE, Danida, DFID and Sida

Timeframe: December 2003 to December 2008

Main Objectives and Outputs

Overall Objectives of the Business Environment Strengthening for Tanzania (BEST) Program: To improve the enabling environment for private sector development in the context of a better administrative, legal and regulatory policy environment.

Output: Achieve economic growth and poverty reduction through private-sector development, especially with respect to SMEs, through:

- Removal of unnecessary regulations;
- Establish a sustainable process for ensuring business-friendly laws, regulations and administrative procedures;
- Improve efficiency and transparency of GOT institutions dealing with businesses;
- Improve access to commercial courts and the processing of commercial cases;
- Increase local and foreign investment;
- Improve “customer service” ethos for the private sector across the public and judicial services; and,
- Improve capacity of private sector stakeholders to identify regulatory problems and solutions.

Despite the importance of the whole program for private sector and trade development, here the focus is on those interventions that directly impact upon the international trading environment, in this case import and export procedures.

Program Activities, Objectives and Outputs

The activity will establish a Working Group to identify and agree on priority areas in import/export procedures for reform drawing upon the Tanzania Investor Roadmap. The Working Group will design and implement priority reforms of import/export procedures, in co-operation with TRA, and commission a baseline regulatory impact assessment.

Areas to be covered will include:

- Reform, including privatization where possible, of Government agencies responsible for import/export;

- Develop and implement a Customer Service Charter for Customs Department;
- Shift regulatory authority for import/export to Customs Department alone;
- Review regulation of freight forwarders and clearing agents; and,
- Develop a dedicated monitoring system on implementation and evaluation of the impact of import/export reforms based on benchmarks identified in the baseline survey.

Sub-component Objective: *The main objective is to reduce the regulatory and administrative burdens prevailing in the import/export system, as one of the priority areas of the Achieving Better Regulation Component.*

Outputs:

- *Import/export procedures will be open to competition;*
- *Assessment and collection of duties on imports and exports standardized; and,*
- *Reduction in the compliance burden (e.g. customs clearance times) on business of the import/export clearance procedure through streamlining of the process (i.e. simplification of procedures, reduced number of agencies involved and improved coordination among agencies).*

Program for Building African Capacity for Trade (PACT):

Total Program Budget: ? USD United States Dollars (Allocation for Tanzania of the total pledge of 8,000,000 USD United States Dollars)

Funding: CIDA

Timeframe: February – July 2003 (Phase I); August 2003 – 2007 (Phase II)

Main Objectives and Outputs

Overall Objectives of the Program for Building Capacity for Trade (PACT): A primary objective is to enable African countries to expand their participation in the multilateral trading system through the design and development of targeted trade-related capacity-building programs, based on individual country needs, which help developing countries reap the benefits of globalization by addressing supply-side constraints and market access issues. A special emphasis is placed on SME export market development.

Outputs: Improvement in the capacity of African enterprises to do business internationally and to promote exports.

Program Activities, Objectives and Outputs

The program appears to still be in the design stage with no concrete action plan or program document. The following highlights areas which will be covered:

- Development and implementation of national export strategies, including product diversification and regional market linkages
- Strengthening institutional support infrastructure for export promotion
- Enhancement of enterprise competitiveness
- Promotion of concrete business opportunities

Joint Integrated Trade Assistance Program (JITAP)

Total Program Budget: 673,000 USD United States Dollars (Allocation for Tanzania of the total pledge so far for all 16 JITAPII countries of 10,958,484 USD United States Dollars)

Funding: Multi-donor (so far, Canada, Denmark, Finland, France, Netherlands, Norway, Sweden and UK); administered by WTO, UNCTAD, ITC.

Timeframe: 2003-2004³¹

Main Objectives and Outputs

Overall Objectives of the Joint Integrated Trade Assistance Program (JITAP):

To reduce African countries marginalization in the multilateral trading system (MTS) by developing national capacity to participate in the MTS.

Outputs:

- Formulation and implementation of national export strategies on a sector-wide basis
- Improved consultative process of the Inter-Institutional Technical Committee (IITC) and sub-committees
- Updated Reference Centers and National Enquiry Points

Program Activities, Objectives and Outputs

I. Multilateral Trading System Institutional Support, Compliance, Policies and Negotiations

A thorough review of the status of required notifications and obligations under the WTO will be undertaken, including the provision of a special handbook tracking notifications required under the various agreements. Technical assistance will be sought to conduct a series of training sessions with representatives from various ministries. Priority issues under negotiations will be evaluated, e.g. agriculture, services, other built in agendas and Singapore issues. The program document is currently being drafted hence the information is subject to change. The implementation has been delayed hence it is uncertain how the two-year budget will be disbursed over a shorter period (from 2004).

Activities include:

- Developing and maintaining contacts with policy makers, researchers, trainers and trade negotiators on a national, regional and international level;
- Monitoring positions of trading partners;
- Evaluating linkages to other trade capacity-building programs/projects;
- Conducting research for assessing impact of negotiations;
- Preparing analytical studies on key MTS issues;
- Sharing experience with other JITAP countries; and,

³¹ The program document is currently being drafted hence the information is subject to change. The implementation has been delayed hence it is uncertain how the two-year budget will be disbursed over a shorter period (from 2004).

- Addressing the interface of the MTS with regional integration processes.

Component Objective: *Strengthen the monitoring and implementation of WTO Agreements, and enhance national consultative and advisory processes on WTO issues through the IITC and its sub-committees.*

Component Outputs:

- *IITC and the sub-committees will be institutionalized and they will become an effective forum for debating MTS issues and providing advice*
- *Improved monitoring and implementation of WTO agreements including compilation of all notification requirements*
- *Preparation of a country work plan including benchmarks, timeframe, resource requirements and allocation of institutional responsibilities*
- *Enhanced negotiating capacity to handle the Post-Doha agenda*

II. Multilateral Trading System Reference Centers and National Enquiry Points

New material and specialized documentation from ITC, UNCTAD and WTO will be made available to JITAP countries and improvements in information flows will be facilitated. However, it has been recognized that hands-on training is absolutely necessary to sustain information flows to stakeholders in country.

Component Objective: *Strengthening Multilateral Trading System Reference Centers and National Enquiry Points on Technical Barriers to Trade (TBT)/Sanitary and Phytosanitary Measures (SPS)*

Component Outputs:

- *Updated equipment, documentation and databases (especially on pertinent MTS issues) for the three Reference Centers and the National Enquiry Points*
- *Links established among the trade information systems in the reference centers within MIT, CBE, BET, TCCIA, CTI, TANEXA and TBS as well as with the Communication and Discussion Facility (CDF)*
- *Improved Trade Point system at BET*
- *Improved capacity of the National Enquiry Point at TBS, including attachments of officers to experienced counterparts in the region*
- *Sensitization of stakeholders on quality standards, TBT and SPS through seminars targeted to producers/exporters*
- *Establishment of a National Enquiry Point for Services.*
- *Establishment of a National Enquiry Point for TRIPS*

III. Knowledge and Networks on Multilateral Trading Systems

This module will expand the pool of network trainers and provide opportunities for them to update their knowledge and skills training techniques. Incorporation of MTS issues in the curricula of institutions of higher learning can be expanded through a wide net of research organizations in Tanzania. This activity will provide support to the newly established Institute of Multilateral Trading Systems (IMTS), an NGO comprising of trainers drawn from the networks, including members of the IITCs, academic institutions, etc. The first step will be to inaugurate and publicize the IMTS. In addition initiatives will be undertaken regarding distance-learning.

Component Objective: *Improved awareness and understanding of MTS issues.*

Component Outputs:

- *Incorporation of MTS issues in the curricula of higher learning institutions*
- *Availability of training materials on MTS-related subjects at academic institutions*

IV. Product and Services Sector Strategies

A regional workshop on export sector strategy development was held in Tunis, April 2003 attended by participants from original JITAP 1 countries including the Gambia. Based on workshop feedback, recommendations and information exchange, ITC has prepared a toolkit for product sector strategy development with inputs from UNCTAD and WTO.

As far as export promotion is concerned, JITAP I enabled development of basic skills training through preparation of sector/product strategies – see subsection under trade promotion. Further sector strategies will be developed for leather and leather products, honey and bees-wax, timber and timber products, handicrafts, and oil seeds and essential oils. The textile sector strategy will be further developed focusing on capacity building and training in garment designs, fashions and strategic alliances. JITAP will also implement a spice sector strategy by creating an association, introducing pilot export programs, and creating awareness programs in the areas of hygiene, quality control, packaging and identification of marketable planting varieties. JITAP also intends to implement the horticulture sector strategy by creating an apex body to oversee recovery of the sector and increasing capacity through introducing new marketable varieties. Awareness programs will be conducted for small producers and distributors in the area of quality control, packaging, grading, labeling and foreign market entry requirements. For the fish sector there will be an apex body to oversee industry development. JITAP will promote aquaculture through simple technology applications and low investment as a way to reduce dependency on Nile perch exports. Fish export sources will be diversified through exploring Lake Tanganyika for dagaa and other fresh water varieties.

A survey for the services sector will be conducted in the context of GATS – and potential exploitation of different industries e.g. financial, tourism, professional resources and data centers, etc.

Component Objective: *Development and implementation of product and service sector strategies*

Component Outputs:

- *Implementation of sectoral export strategies for each of the following: textiles; spices; horticulture (especially mushrooms and green beans); and, fish and fish products;*
- *Complete export development strategies for each of the following: leather; honey and bees wax; timber and timber products; handicrafts; and, oil seeds and essential oils; and,*
- *Complete survey on export potential for Tanzania trade in services and assessment of liberalization efforts so far, in the context of GATS.*

V. Networking and Program Synergy

This module will aim to link JITAP capacity to regional and global networks. The networks are intended to provide on-going access to new information, training opportunities and other support mechanisms. The networks will also assist in coordinating negotiating objectives and preparing proposals.

It will include a revamped Communication and Discussion Facility (CDF) that will strengthen linkages between decisions-makers/negotiators in Brussels and Geneva, including guidelines for operating a national network of MTS trainers and network of MTS institutions with links to supporting infrastructure (i.e. Reference Centers and National Enquiry Points). A web conferencing facility will be developed where countries can share lessons learned and the way forward to building regional competitiveness. Tanzanian experts will be linked to other JITAP country experts/trainers through existing African networks, institutions and research centers focusing on MTS issues. Business organizations and national, regional partners will exchange views through ITC's Executive Forum, World Trade Net and other relevant programs of UNCTAD and WTO.

Component Objective: *To strengthen links among key stakeholders and encourage lesson-learning and hence create synergies between programs.*

Component Outputs:

- *Strengthening of the CDF facility launched under JITAP I;*
- *Linkage of Tanzania training network to other JITAP member country national training networks through existing regional or global training networks; and,*
- *Linkage of Tanzania experts with the JITAP member countries national experts and trainers to existing African trade policy research networks and to other pertinent global trade research networks.*

European Union (EU) Support for Economic Partnership Agreements (EPAs)
Total Program Budget: 180,000 USD United States Dollars (Allocation for Tanzania of the total pledge of 12,500,000 USD United States Dollars for all African Caribbean and Pacific (ACP) countries)

Funding: EU

Timeframe: 2002-2005 (NB. The activity being carried out in Tanzania will be completed early 2004)

Main Objectives and Outputs

Overall Objectives of the European Union (EU) Support for Economic Partnership Agreements (EPAs): *To provide support to ACP countries, regional integration organizations and private sector organizations and other non-state actors in their preparations for the negotiation of EPAs with the EU as provided for under the Cotonou Agreement.*

Outputs:

- *Development of negotiating positions for ACP countries and regions*
- *ACP officials leading negotiating teams to be trained in policy analysis and negotiating techniques*
- *Increased capacity of national trade policy officials to participate effectively in regional trade policy discussions*
- *Consolidation of economic integration initiatives*

Program Activities, Objectives and Outputs

The Ministry of Finance secured funds to conduct a national impact assessment study of an Economic Partnership Agreement (EPA) with the European Union (EU), which is aimed at establishing the rationale, modality and implications of Tanzania's engagement with EPA negotiations.³² At the time of application for funds from the EU, February 2003, the Ministry of Finance was leading on all issues relating to EPAs. However, as of November 2003, the responsibility was transferred to the focal point on trade, MIT.

Objectives of the Study: *To prepare the Tanzania representatives responsible for future EPA negotiations by providing a framework for:*

- *Defining the negotiating stance and mandate for the negotiations of the future EPAs, including the identification and activation of the required institutional support to guide negotiations;*
- *Enhancing negotiating capacities of trade negotiators.*

Study Outputs:

- *Improved understanding of the impact of EPAs and the domestic adjustment requirements necessary for effective implementation of an EPA; and,*
- *Preliminary recommendations on the structure of the EPA.*

³² "Priorities for National Trade Policy and the PRSP Review," Tanzania Trade and Poverty Programme (TTPP), January 2004.

The study will provide:

- A synthesis of the preliminary impacts of EPAs on trade and economic policy orientation, the fiscal situation and the performance of key and sensitive sectors;
- An overview of the potential trade and economic policy adjustment measures that Tanzania will have to put in place in order to build a national consensus on EPAs;
- An overview of Tanzania's various trading agreements and the possible impacts of these agreements on the EPA negotiations;
- Preliminary recommendations on the structure of the EPA for Tanzania that could be negotiated; and,
- An assessment of existing human and institutional negotiation capacities and requirements.

References

General

- Amani, Haidari K, David Nyange, Josaphat P. Kweka, and Vincent Leyaro, 2003, *Trade Policies and Agricultural Trade in the SADC Region: Challenges and Implications – Tanzania Country Report*, Dar Es Salaam, Economic and Social Research Foundation, January.
- Booth, David and Josaphat Kweka, 2004, “Priorities for National Trade Policy and the PRSP Review,” the TTPP Trade-Poverty Linkages Study, draft, January.
- Demery, L., and Lyn Squire, 1996, “Macroeconomic Adjustment and Poverty in Africa: an Emerging New Picture,” *World Bank Research Observer*, No.4.
- International Lawyers and Economists Against Poverty, 2003, “Negotiation Policy Brief No.2, Agricultural Products, Modalities,” Working Draft, September 1.
- International Monetary Fund, various staff reports.
- Joint Integrated Technical Assistance Programme II, 2004, Project Document, July 26.
- Kweka, Josaphat and David Booth, 2004, “A Review of Trade Policy Agenda and Empirical Studies on Trade and Poverty for Tanzania,” Economic and Social Research Foundation, mimeo.
- Mbelle, A.V.Y., F.S.K. Masaga and R.L. Mkenda, 2004, “Needs Assessment for Skills, Adherence to Standards and Export Promotion in Tanzania with a Focus on Small and Medium Enterprises in Non-Traditional Exports,” Final Report to the Royal Danish Embassy, Dar Es Salaam, March.
- Mwakibinga, Harvey N.N., Charles M. Eklege, 2004, “Report on Baseline Study on Tanzania’s Product Quality Infrastructure,” for the Danida Business Sector Programme Support II (2003-2008), Dar Es Salaam, January.
- Rutihinda, Cranmer, 2004, “Specific Needs Assessment Regarding Foreign Direct Investment in Tanzania,” for Danida’s Market Access Programme, final draft, March.
- Tanzania Trade and Poverty Programme (TTPP), 2003a, “United Republic of Tanzania: Tariff Policy and Effective Rates of Protection,” by Maxwell Stamp, Draft Report, Dar Es Salaam.
- Tanzania Trade and Poverty Programme (TTPP), 2003a, “United Republic of Tanzania: Institutional and Organization Review,” Draft Report, Dar Es Salaam.

- Tsikata, Yvonne, 2003, “Integrating into the Global Economy: Challenges, Experiences and Policy Lessons from the Integrated Framework,” a background paper, mimeo, the World Bank.
- United Republic of Tanzania, 2000, “Export Development Project: Foundation for Export-Led Growth and Economic Transformation,” under the Integrated Framework for Trade Development, Volume III, May.
- United Republic of Tanzania, 2003, *National Trade Policy*, February.
- United Republic of Tanzania, 2003, *National Trade Policy Background Papers*, February.
- United Republic of Tanzania, 2003, Diagnostic Trade Integration Study – Mainstreaming Trade into Poverty Reduction and SME Development, unpublished draft report.
- United Republic of Tanzania, 2004, “Division of Labor and Mode of Co-operation Between Donors on Trade-Related Assistance,” prepared for the Ministry of Industry and Trade and the Royal Danish Embassy, April.
- WTO, 2000, Trade Policy Review Tanzania, Report by the Secretariat, World Trade Organization, Geneva.
- World Bank, 1996, *Tanzania, The Challenge of Reforms: Growth, Incomes and Welfare*, Report No. 14982-TA.
- World Bank, 2000, *Agriculture in Tanzania Since 1986: Follower or Leader of Growth?* Washington, D.C.: Government of Tanzania, World Bank and International Food Policy Research Institute.
- World Bank, 2001, “The External Environment for Tanzania 2002 – 2011, Analysis and Prospects for Export Revenues”, mimeo.
- World Bank, 2003, Technical Note on “Regional Trade Integration in East Africa – Trade and Revenue Impacts of the Planned Customs Union,” February.
- World Bank, 2004, *Ethiopia Diagnostic Trade Integration Study*, July.
- World Bank, 2004, *Investment Climate Assessment: Constraints on Enterprise Performance and Growth in Tanzania*, April 14.
- World Bank, 2004, “Concept Note for the Tanzania Country Economic Memorandum/Poverty Assessment”, September 13.

Sub-Sector Studies

- Baffes, John, 2004a, "Tanzania's Coffee Sector: Constraints and Challenges," *Journal of International Development*, 16.
- Baffes, John, 2004b, "Tanzania's Cotton Sector: Reforms, Constraints and Challenges," *Development Policy Review*, 22(1).
- Baffes, John, 2004c, "Tanzania's Tea Sector: Constraints and Challenges", Africa Region Working Paper Series No. 69, the World Bank, Washington, D.C., June.
- Development Alternatives, 2003, *Cashew Nuts Sub-Sector Study*, Final Report for USAID, October.
- Impact Consultants Limited, 2004, "Strategic Revival of the Cashew Industry in Tanzania – the Way Forward," Dar Es Salaam, April.
- Kopicki, Ronald, 2004, Supply Chains Development in Tanzania, Chapter 4, "Fish Supply Chain Development in Tanzania."
- Mitchell, Donald, 2004, "Tanzania's Cashew Sector: Constraints and Challenges in a Global Environment," Africa Region Working Paper Series No.70, the World Bank, June.
- Mitchell, Donald and John Baffes, 2002a, "Tanzanian Tobacco Sector," the World Bank, mimeo.
- Mitchell, Donald and John Baffes, 2002b, "Tanzania Agricultural Exports: Challenges and Constraints in a Global Environment", the World Bank, mimeo.
- Regional Cashew Competitiveness Seminar, 2004, "Africa Region Summary of Findings", July 5-8.
- Technoserve, 2003, "Cashew Processing in Tanzania," for the IFC, Discussion Document, August 29.
- United Republic of Tanzania, Board of External Trade, 2000, "Tanzania: A Supply Survey for Wood and Wood-based Building Materials," compiled for the International Trade Center UNCTAD/WTO, April.
- United Republic of Tanzania, Board of External Trade and International Trade Center, 2002, "Spices Export Development Diagnostic Report," JITAP Cluster 12, November.
- United Republic of Tanzania, Board of External Trade and International Trade Center, 2003a, "The Fish Sector Diagnostic Report," November.

United Republic of Tanzania, Board of External Trade and International Trade Center, 2003b, "The Horticulture and Mushrooms Diagnostic Report," November.

World Bank, 2004, *Crop Boards and the Future Prospects for Agricultural Exports of Tanzania*, A Joint Report of GOT and Environmentally and Socially Sustainable Development Department, Africa Region, September 15.

Tourism

Chami, C., 2001, "Sustainable Tourism Development: A Comparison Between Tanzania and Kenya," unpublished PhD thesis, Department of Rural Economy, University of Alberta, Canada.

Kweka, Josaphat, 2001, "The Economic Potential of Tourism in Tanzania," paper presented at the DSA 2001 Annual Conference, 10-12 September, IDPM, University of Manchester, UK.

Semboja, Joseph and Cyril Chami, 2004, "Demand for Tourism in Tanzania: A Stated Preference Approach," paper presented at AERC Biannual Research Workshop, Nairobi, Kenya, May 29-June 4.

World Bank, 2002, *Tourism in Tanzania: Investment for Growth and Diversification*, executed by MIGA, the World Bank, September.

Trade and Transport Facilitation

Kweka, Josaphat, 2004, "Does Transport Cost Mean Anything for Trade Policy in Tanzania?" Economic and Social Research Foundation, June.

World Bank, 2004, Project Appraisal Document on a Proposed Credit to the United Republic of Tanzania for the Central Transport Corridor Project, March 31.