

One year on, 24 Tanzania firms fail to attract strategic partners

JOB CUTS: Trade liberalisation, outdated technology and lack of capital have already made some firms retrench

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Investors are shying away from Tanzania's industrial sector with 24 firms that have been seeking foreign equity capital since last year yet to find suitors.

Thousands of jobs are at risk as some companies are likely to close down or scale down operations unless investment capital for expansion and technology upgrades is available soon.

Trade liberalisation, outdated technology and lack of capital have already made some firms reduce employees or move to newer, less capital-intensive ventures altogether.

The managing director of Regent Food and Drinks Ltd of Mwanza, Pan-kaj Suchak, told *The EastAfrican* that no investor had come for a joint partnership. He said Regent, one of the fruit juice makers in Tanzania, has easy access to raw material and ready Kenya, Uganda, Rwanda and Burundi markets.

"Despite all these advantages, no one has shown interest to form a partnership," he said.

Avinder Singh, the director of Arusha based agroprocessor, Avco Enterprises Ltd, had the same story.

"We have almost everything — good and big storage facilities and reliable raw materials — but no one has shown interest in forming a joint venture," said Mr Singh, adding that his factory urgently needed new technology and machines but lacked capital to do so.

"It is impossible to improve agro-processing in Tanzania because agriculture is not doing well," said Jeethu Patel, another agroprocessor.

Tanzania's economy is heavily dependent on agriculture which contributes half of the country's GDP and its improvement is key to alleviating poverty.

Another project yet to get an investor

is an integrated textile concern, Morogoro Canvas Mills (MCM), which mainly produces fabric used in a wide range of applications such as tarpaulins, garden, furniture and bed sheets.

"Investors are shying away because of high production costs in Tanzania. The government needs to give incentives in all sectors," MCM director Talal Abood said. The chairman of Afro Cooling Systems and Auto Mech Ltd, Ramesh Patel, said he feared investors were interested in quick returns.

It is my feeling that some investors need quick money while some of our projects need time to realise such goals; we have decided to go it alone," he said.

This sentiment was echoed by pharmaceutical firms.

Ramadhani Madabida, the managing director of Tanzania Pharmaceutical Industries Ltd, said the company had, through its own initiatives, agreed on a technology transfer with Thai and Chinese investors. He, however, added that the country's poor transport system was

likely to discourage new investors.

Kays Hygiene Products Ltd, a manufacturer of sanitary towels, has also established trade connections in Dubai, according to managing director Khadija Simba.

Tanzania Investment Centre (TIC) Policy and Investments Promotion director Emmanuel ole Naiko has however counselled patience. "This is a long process. Investors want to know the environment and policies of where to invest, besides verifying the credibility of the partners," he said.

The Tanzania Confederation of Industries (CTI) head of information Thomas Kimbunga said that only five of the firms that had not secured partnerships were its members.

Currently, CTI has 220 active members, while Tanzania has more than 700 industries. Mr Kimbunga urged the industrialists to join CTI, through which their problems could be addressed. TIC advertised the projects to would-be partners last year.

Local investors blame poor infrastructure, high power tariffs, quality of locally made products, high fuel prices and lack of government support for lack of progress on attracting new investors.

Tanzania had floated 24 projects as joint ventures which have not materialised under the TIC, while few have succeeded through private initiatives. The new players were expected to bring in technical and managerial expertise, new innovations and quality standards to enhance productivity and competitiveness.

The projects were being sponsored by the National Engineering Company, Mansoor Daya Chemicals Ltd, Tabisco Enterprises Ltd, Auto-Mech Ltd, New, Afro Cooling Systems (Dar es Salaam) and Northern Creameries (NCC) Ltd, Africa Business Centre (Arusha) and Regent Food and Drinks Ltd (Mwanza).



Investors want to know the environment and policies

Emmanuel ole Naiko,
Tanzania Investment Centre