



Study on Danish Support to Trade Related Capacity Building in Tanzania

Prepared for: Danish International Development Cooperation (DANIDA)

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Acronyms

BEST-AC	BEST-Advocacy Component
BSPS	Business Sector Programme Support
CEO	Chief Executive Officer
CNA	Capacity Needs Assessment
COMESA	Common Market of East and Southern Africa
CTI	Confederated Chamber of Commerce
DANIDA	Danish International Development Cooperation
DTO	District Trade Officer
EAC	East African Community
EPA	Economic Partnership Agreement
EU	European Union
FCM	Faculty of Commerce and Management
GoT	Government of Tanzania
HODECT	Horticulture Development Council of Tanzania
MAFS	Ministry of Agriculture and Food Security
M&E	Monitoring and Evaluation
MEAC	Ministry of East Africa Cooperation
MIB	Masters in International Business
MIT	Masters in International Trade
Mkukuta	Kiswahili acronym for the National Strategy for Growth and Reduction of Poverty
MoIT	Ministry of Industry and Trade
MoITM	Ministry of Industry, Trade and Marketing
NES	National Export Strategy
NETS	Inter-ministerial Trade Negotiation Mechanism
NTB	Non-Tariff Barriers
PMO	Prime Minister's Office
PPP	Public Private Partnership
PS	Permanent Secretary
PSD	Private Sector Development
PSDP	Private Sector Development Policy
PSDS	Private Sector Development Strategy
PSF	Private Sector Federation

ROO	Rules of Origin
SADC	Southern Africa Development Community
SCF	SME Competitiveness Facility
SIDA	Swedish International Development Agency
SPS	Sanitary and Phytosanitary
TA	Technical Assistance
TBS	Tanzania Bureau of Standards
TBT	Technical Barriers to Trade
TCCIA	Tanzanian Chamber of Commerce Industry and Agriculture
TCI	Tanzanian Chamber of Industries
TMEA	Trade Mark East Africa
TPSF	Tanzania Private Sector Foundation
TRA	Tanzanian Revenue Authority
TRIPS	Trade Related Intellectual Property Rights
TTIS	Tanzania Trade and Integration Study
UNCTAD	United Nations Conference on Trade and Development
UDBS	University of Dar es Salaam Business School
UDEC	University of Dar-es-salaam Entrepreneurship Centre
WTO	World Trade Organisation

1. Background to the Study

The Danish International Development Cooperation (DANIDA) has supported Tanzania's participation in international markets since 2003. The purpose of the Danish support has been to improve the access of Tanzanian products to the international, regional and domestic markets, and through this contribute to economic growth, employment creation and poverty alleviation. This support has been provided through the Danish Business Sector Programme Support (BSPS) which is currently in its third phase (BSPS III).

Support to Market Access under the current phase of the programme has been narrowed to focus on developing human resources and building the institutional trade capacity that is critical to Tanzania if it is to improve its participation in international, regional and domestic markets. Technical and institutional capacity building within the Ministry of Industry and Trade (hereafter the MoIT) is intended to equip Tanzania to formulate and implement trade policy, as well as to conduct international trade negotiations. The support to technical and institutional capacity building is coupled with the delivery of a Masters Degree in International Trade at the University of Dar Es Salaam Business School (UDBS). Trade policy and international trade negotiations have been key areas of support under both phase II and III of the BSPS.

It is against this background that this study is undertaken, in order to assess the impact of Danish support in building Tanzania's capacity in trade policy and international trade negotiations, and to examine, where possible, the extent to which the access of Tanzanian products to international, regional, and domestic markets has improved.

2. DANIDA's Support to MoIT and UDBS

DANIDA's support to the MoIT and UDBS has been provided through two major interventions in BSPS II and III. The first intervention is building Tanzanian capacity to engage in international trade negotiations. The second intervention is to support the actual trade negotiations including technical trade-related studies.

As is understood from the Terms of Reference (ToR) for this study, in BSPS II¹, support was delivered through the MoIT. Under the first intervention support was aimed at improving Tanzania's institutional, organisational, administrative and technical capacity in the field of trade policy formulation, policy implementation and trade negotiation. The support also looked to ensure the utilisation of capacity. This was achieved through the subsequent funding of the costs of maintaining a network among trained specialists, and their participation, alongside the private sector, in actual trade negotiation events. Four major activities were implemented through BSPS II under the first intervention:

1. Capacity building on trade policy within the Ministry
2. Established a cadre of Tanzanian trade negotiation specialists
3. A cadre of trade negotiation specialists is utilised in trade negotiations
4. Domestic, trade related political debate was revived

Part of the second intervention was the establishment, and delivery, of the Masters in International Trade (MIT) at UDBS. This was launched in July 2005. The aim of the course was to create a critical mass of well-trained trade specialists in the MoIT, private sector, Non-governmental organisations (NGOs),

¹Programme period for BSPS II was from July 2003 to June 2007.

and other related key organisations (outside the Ministry) that are needed to formulate and implement trade policy and participate in trade negotiations in Tanzania. The Danish support to UDBS was channelled through the MoIT. Some activities in BSPS II were implemented directly by the Ministry and comprised of various technical studies, preparation of technical position papers by Ministry employees, actual negotiations, consultations with business sector, and Monitoring and Evaluation activities (M&E).

Overview of BPS II (taken from the Programme Support Document)

The Business Sector Programme Support II (BSPS II) supports the Government of Tanzania's endeavour to develop the business sector as an engine of pro-poor economic growth. This is fully in tune with the PRSP which focuses on creation of conditions for broad-based development of business activities that will contribute to economic growth, employment creation, and thus alleviating poverty.

BSPS II has been designed to support a socially balanced economic growth in Tanzania through coherent, transparent and sustainable institutions that enhance development of the business sector. The aim of the four major components of BSPS II comprises:

- 1) A regulatory and legal framework that is favourable to the business climate. This includes support to revision of acts and regulations that presently hinders private sector development, support to commercial dispute resolution, support to Tanzania Investment Centre that is a one stop shop for foreign investors to Tanzania, support to change of attitudes of government officials towards the business sector, and finally, support to development of a fair and effective advocacy for a favourable business climate through support to business organisations. Component one, Business Environment Strengthening for Tanzania (the BEST programme) is jointly funded by DFID, Sida, DGIS and Danida.
- 2) Improved access to markets through capacity building of Ministry of Industry and Trade, support to trade negotiations, development of a cadre of trade specialists, quality improvement of Tanzanian products, accreditation of laboratories, especially in testing of food and food ingredients, effective participation in international standard setting organisations, and improved competitiveness of Tanzanian enterprises.
- 3) Improved functioning of the labour market through support to the Department of Labour and its social partners, ATE and TUCTA, support to industrial conflict resolution, and support to improved occupational, safety and health conditions at the work place.
- 4) Viable banking and financial services to enterprises through capacity support to the CRDB Bank, support to micro and long-term credit schemes including guarantee schemes, and through other business services for SMEs to make these bankable.

Equal rights of women and men as well as strengthening of good governance are important concerns of BSPS II.

In BSPS III², part of the Danish support to UDBS was through the on-going funding of the MIT. The support was directly to UDBS and not through MoIT as was the case under BPS II. UDBS was also supported to build its capacity to teach and conduct research in international trade issues. Currently there is 1 lecturer of UDBS who is taking PhD studies in trade issues. UDBS is also supported in a number of areas which are not directly trade related, such as expansion and modernisation of the teaching and learning facilities, development and delivering of the short courses which are relevant to Small and Medium Enterprises (SMEs), other BPS III partners, gender issues, corporate governance and monitoring and evaluation.

In response to the demand for a Masters degree that focused more broadly on international business and not just on the more narrow area of international trade, UDBS, with support from DANIDA, set up the Masters in International Business (MIB). The MIB degree programme is designed to provide students with the knowledge and analytical capabilities to allow them to take a leadership role in international business. The degree focuses on the essential knowledge, skills, and management techniques required by leaders in different sectors of work in international organisations and environments. The MIB degree is designed to acquaint students with contemporary knowledge and skills in business disciplines while focusing on the international arena. The MIB works in Tandem with the MIT with the first module of the four module degree being the same for the MIT and the MIB. This has created a synergy as the students interact with each other at common lectures, through visiting speakers, and in the faculty. They gain a broader view of the international trading and business environment through capacity building in both international trade and business.

The Danish support to the MoIT has also been through the funding of a number of trade related studies to inform international trade negotiations and decision-making regarding trade policy issues. Such studies include:

- a trade policy review;
- an analysis of the coherence of national laws to World Trade Organisation (WTO) legal requirements;
- the provision of offensive and defensive negotiation strategies for the final leg of the East Africa Community (EAC) European Union (EU) Economic Partnership Agreement (EPA) for the Tanzania EPA Negotiation Team (this study has now been completed);
- a comprehensive needs assessment which, among other things, identifies trade related capacity needs of the Ministry; and
- the operationalisation of the M&E system for the MoIT.

The programme also funded consultations with key stakeholders from the private sector and the participation by some private sector representatives in actual international trade negotiations.

² BPS III programme period is July 2008 to June 2013

Overview of BSPS III (taken from the Programme Support Document)

BSPS III addresses three areas of problems that Tanzanian businesses face. **Component A** supports efforts to reduce the costs and complications that businesses have when trying to comply with official regulations. Also it supports government agencies in delivering better regulatory services, e.g. registration and licensing of enterprises, registration of land and property, commercial dispute resolution, regulating the labour market etc. Finally, support is provided to private labour market institutions for improving their functions in the labour market.

Component B supports the development of human resources and institutional capacity that Tanzania needs in order to improve her participation in international markets. MITM's capacity to manage international trade negotiations will be enhanced. Support will also be provided to develop the planning and management capacity of MITM. The support for FCM¹¹ will result in higher throughput of students and trainees and a more diverse menu of education and training in business management and international trade and business.

Component C improves the access of selected micro, small and medium enterprises (MSMEs), and small and large commercial farmers to financial services and business development services (BDS). A significant contribution is made to the Credit Guarantee Fund of the PASS Trust, allowing it to cover most of Tanzania and the entire agricultural value chains, including agribusiness. SCF will be institutionalised and have wider geographical coverage to support food processing and marketing SMEs adding value to food commodities and accessing international food product markets. The basket fund for the Enterprise Competitiveness Programme will be supported to improve access to BDS but also to provide risk capital, and strengthen vocational training and education institutions. Finally, a contribution is made to the basket fund of the Financial Sector Deepening Trust to enhance the capacity of financial institutions to provide services to MSMEs and poor households.

¹¹ Currently known as The University of Dar es Salaam Business School (UDBS)

3. Macroeconomic and Trade Review of the Tanzanian Economy

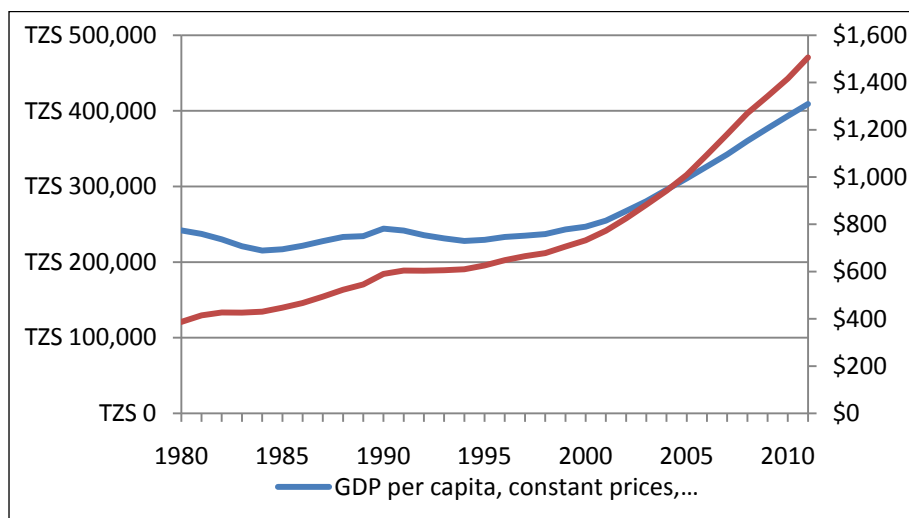
In order to review the effect of BPS II and III it is important to understand the context in which they are placed. Because of this, a detailed overview of the Tanzanian economy and the nature of trade performance over the past decade are given. Any support to improving market access should reflect the current reality on the ground which identifies actual trade, and predicts trade patterns in the future, based on Tanzania's competitive advantage. Negotiation capacity would then be built around the strategic trade initiatives as directed by the National Trade and Private Sector Development (PSD) Policies of Tanzania.

3.1 The Tanzania Economy

The Tanzanian economy averaged 7.0 per cent annual real growth between 2001 and 2010. Population growth averaged 2.1 per cent during the same period and this has driven Gross Domestic Product (GDP) per capita growth up from TZS 247,000 (\$310) in 2000 to TZS 409,000 (\$273)³ in 2010. This is a marked improvement following the stagnation in GDP per capita growth between 1980 and 2000 coupled with an average population growth of 3.0 per cent per year for the same period.

In purchase power parity US dollar terms, GDP per capita has risen to \$1,500 in 2011, up from \$400 in 1980.

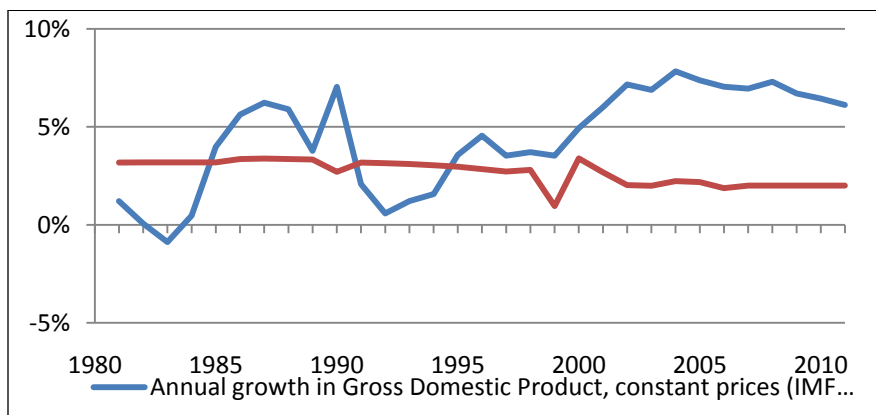
Figure 1: Tanzania's GDP per capita, constant prices, Tanzanian Shillings



Source: IMF World Economic Outlook. Note: In 2011, TZS 409,082 equated to USD 256 in non-PPP terms.

³ The USD equivalent has decline, despite GDP per capita in Tanzanian Shillings rising. This is due to the decline in value of the Tanzanian shilling, on the back of its structural trade deficit presented in Figure 3 below.

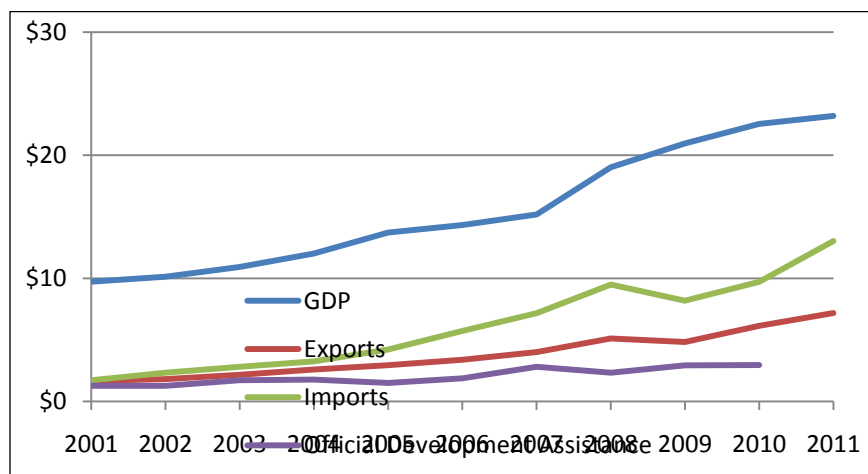
Figure 2: Tanzania's GDP growth, population growth and investment as a share of GDP



Source: International Monetary Fund (IMF) World Economic Outlook.

The primary driver of GDP growth in recent years has been the rapid expansion of the mining sector, as well as growth in consumption. Official Development Assistance (ODA) has increased from \$1 billion in 2000 to \$3 billion in 2010, as presented in **Figure 3**, though as a percentage of GDP it has remained roughly constant at 13 per cent.

Figure 3: Imports and exports of goods relative to GDP, USD billion, current prices



Source: IMF World Economic Outlook and www.trademap.com.

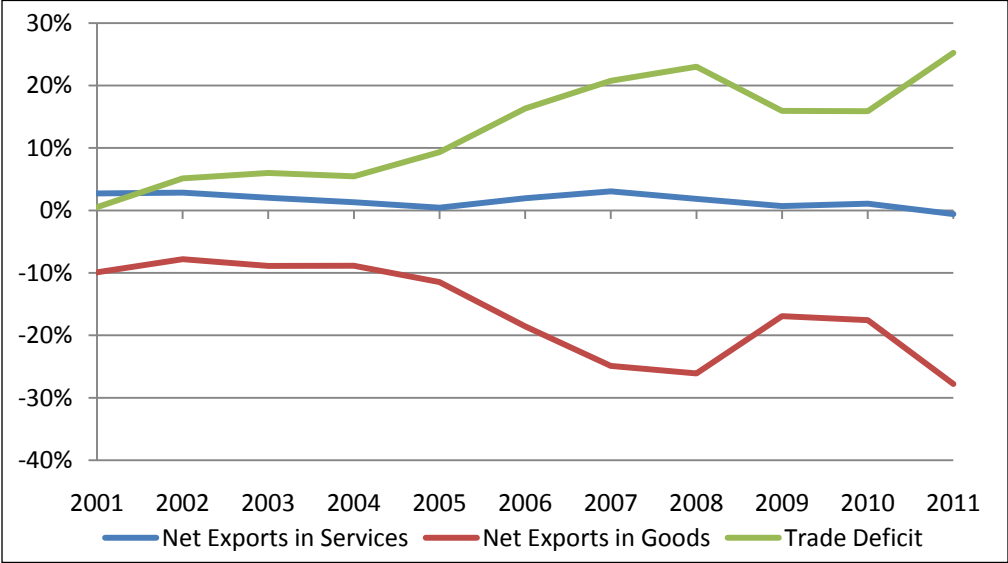
3.2 Trade Deficit

The growth of consumption is evident by the rapid growth in imports; from \$1.7 billion in 2001 to \$13.0 billion in 2011. In contrast, the value of exports rose from \$1.7 billion in 2001 to \$7.2 billion in 2011, resulting in a rapidly emerging structural trade deficit. As shown in **Figure 4**, the trade deficit in goods and services as a percentage of GDP rose from 0.5 per cent in 2001 to 25.2 per cent of GDP in 2011. This

rapid growth in the trade deficit is unsustainable as it places significant downward pressure on the country’s foreign reserves.

The rapid growth in Tanzania’s trade deficit is driven by a significant increase in the trade in goods deficit. In 2001, Tanzania registered a trade in goods deficit of 9.9 per cent of GDP. This rose to 27.8 per cent in 2011. In 2010, it stood at 17.6 per cent. This has been coupled with a decline in Tanzania’s trade balance in services from a surplus of 2.7 per cent in 2001 to a surplus of 1.1 per cent of GDP in 2011.

Figure 4: Tanzania’s Trade Deficit in Goods and Services, as a percentage of GDP

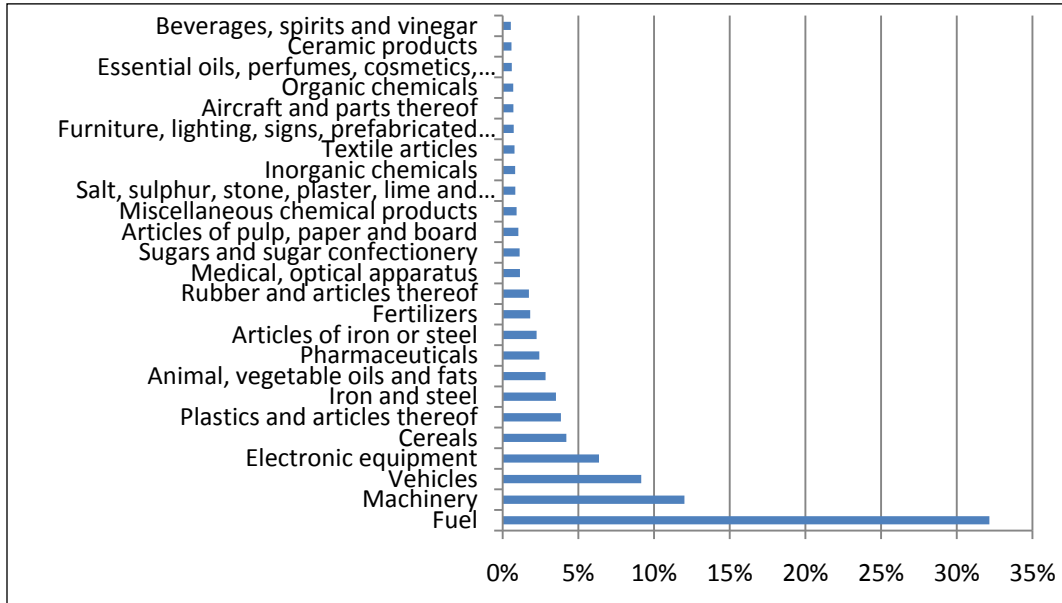


Source: www.trademap.org.

The rapid growth in the trade deficit is driven by the growth in the importation of fuel by 62 per cent between 2011 and 2010. Other fast growing key imports are machinery and electrical equipment, in line with the growth of Tanzania’s mining sector. Machinery and electrical equipment were the second and fourth most important goods imports, with vehicles ranking third (demonstrated in **Figure 5**). Other fast growing imports in 2011 included pharmaceuticals, optical apparatus, fertilisers, vegetable oils and iron and steel.

3.3 Import Analysis

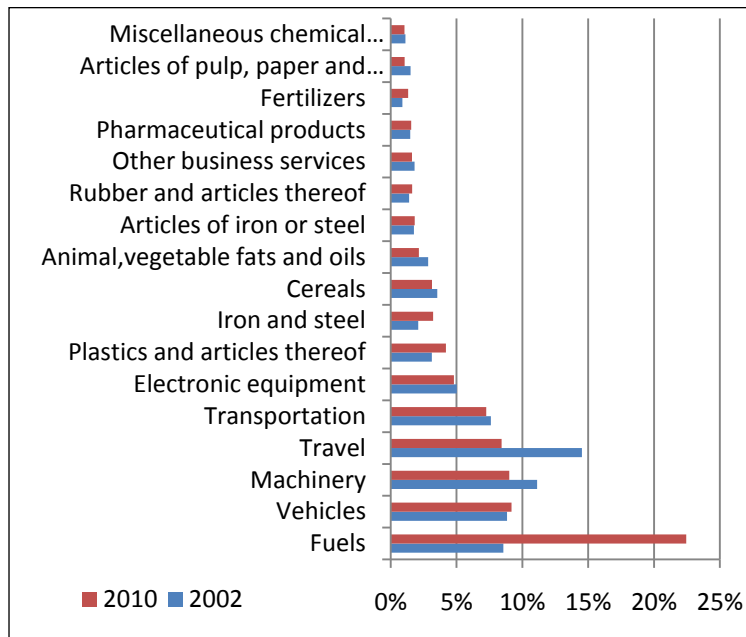
Figure 5: Tanzania's Primary Goods Imports, as a share of Total Goods Imports, 2011



Source: www.trademap.org

In **Figure 6**, a comparison of the value of imports as a share of total imports between 2002 and 2010 is presented. This shows that whereas fuel accounted for 8.6 per cent in 2001, it accounted for 22 per cent of total goods and services imports in 2010.

Figure 6: Tanzania's Primary Imports, as a share of Total Imports



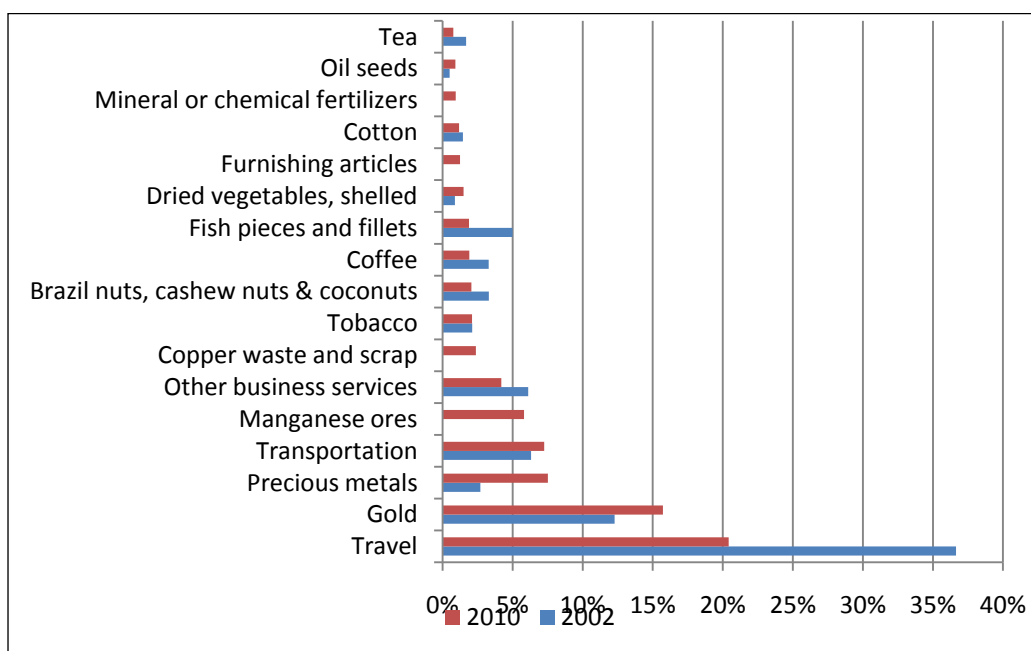
Source: www.trademap.org

3.4 Export Analysis

The travel sector ranked as Tanzania's primary export in 2010, accounting for 20.4 per cent of exports. However it is estimated to have been overtaken by gold in 2011⁴. Travel exports, the sector that best accounts for tourism, have stagnated at the \$1.2 billion mark since 2007. The annual growth in the value of travel exports has averaged 1.5 per cent between 2008 and 2010, largely due to the global economic crisis. On the other hand, exports of gold have averaged 52.6 per cent annual growth per year between 2011 and 2008.

Indeed it is the mining sector that is driving Tanzanian export growth, rather than the productive sectors. Precious metals overtook transportation as the third largest export in value terms, on the back of a 42.3 per cent average annual growth between 2008 and 2011. In addition, the export of manganese is also likely to have overtaken transportation exports. Manganese exports only commenced in 2010, rising from zero exports in 2009 to \$356 million in 2010 and \$478 million in 2011, making it Tanzania's fourth most important export in value terms (Figure 7).

Figure 7: Tanzania's Primary Exports, as a share of Total Exports, 2010



Source: www.trademap.org

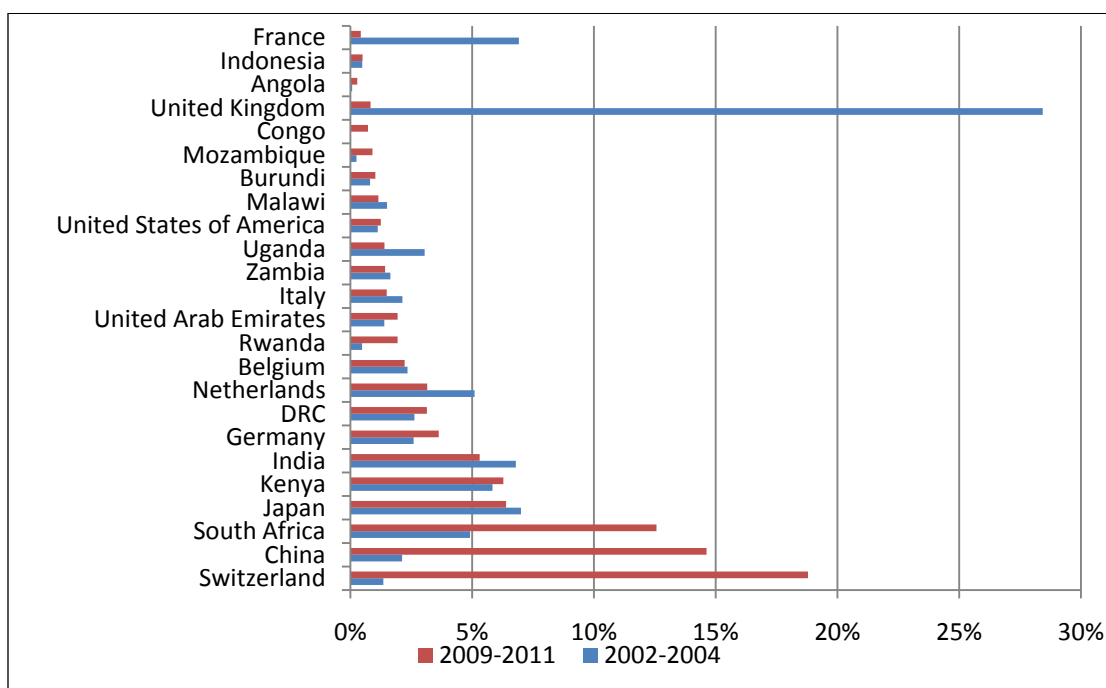
Other fast growing major exports between 2008 and 2011 are cashew nuts and coconuts, furnishing articles, fertilisers and oil seeds. Traditional agriculture sectors such as tea, cotton coffee and tobacco only registered gradual growth, therefore accounting for smaller shares in Tanzanian exports in 2011 when compared to 2002 and 2007. In contrast oil seeds and legumes saw gains in their share of total exports between 2002 and 2011, though still remaining relatively small sectors. The export of fish fillets and pieces declined by 5.1 per cent per year on average between 2011 and 2008. Fish fillets and pieces accounted for 5 per cent of total exports in 2001, but only accounted for 1.9 per cent of exports in 2010.

⁴ The services exports data for 2011 was not released at the time of writing of this report.

3.5 Market Characteristics

The primary destinations of Tanzania's exports have changed in the past ten years. The United Kingdom, France, Japan, India and Kenya were the most important destinations of Tanzanian exports in 2002-2004, while in 2009-2011 the largest purchasers of Tanzanian goods were Switzerland, South Africa and China. This change is driven by the growth in the export of gold, manganese and precious metals. Japan, Kenya and India remained important purchasers, together accounting for 15 per cent of Tanzania's exports. Rwanda, Congo, Burundi, Mozambique and Democratic Republic of Congo have become more important trade partners, while the share of exports to Uganda, Malawi and Zambia declined between 2002-2004 and 2009-2011.

Figure 8: Primary Destinations for Goods Exports, as a share of Total Goods Exports



Source: www.trademap.org

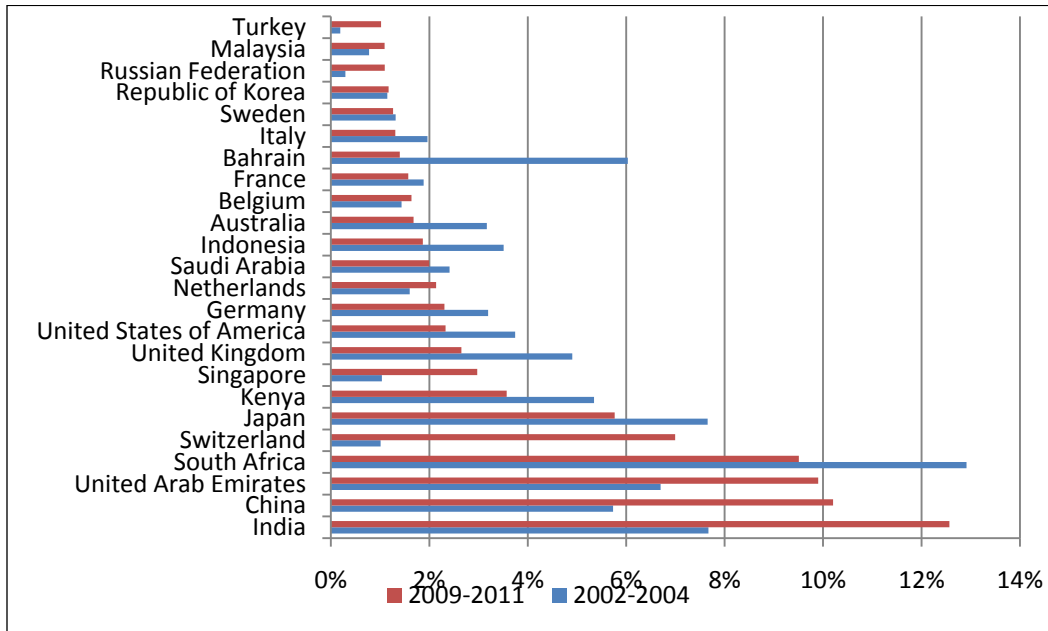
In contrast with exports, the primary origins for Tanzania's imports have experienced fewer changes as presented in **Figure 9** below. While South Africa is no longer the most important origin, it is the fourth most significant following India, China and the United Arab Emirates. This reflects the continuing importance of extra-regional imports. Tanzania's main goods imports such as fuel, machinery, vehicles and electric equipment are sourced from these countries.

Goods imports from Kenya have declined as a share of total imports, while imports from other African countries remains minimal. The third largest African source of Tanzanian imports is Zambia, accounting for 0.5 per cent of goods imports. In total, goods imports from African countries accounted for only 14.9 per cent of total goods imports between 2009 and 2011. This represents a decline from 19.7 per cent between 2009 and 2011. The EAC also saw its share dwindle, from 5.7 per cent between 2002 and 2004 to just 3.8 per cent between 2009 and 2011. The EAC has therefore, according to the statistics, become less of an important source of imported goods for Tanzania.

In contrast, the African market became more important for Tanzanian exporters. Africa purchased 31.6 per cent of Tanzanian exports between 2009 and 2011, rising from 21.8 per cent between 2002 and

2004. Exports to the EAC maintained a similar share, rising marginally from 10.2 per cent to 10.6 per cent during the same periods.

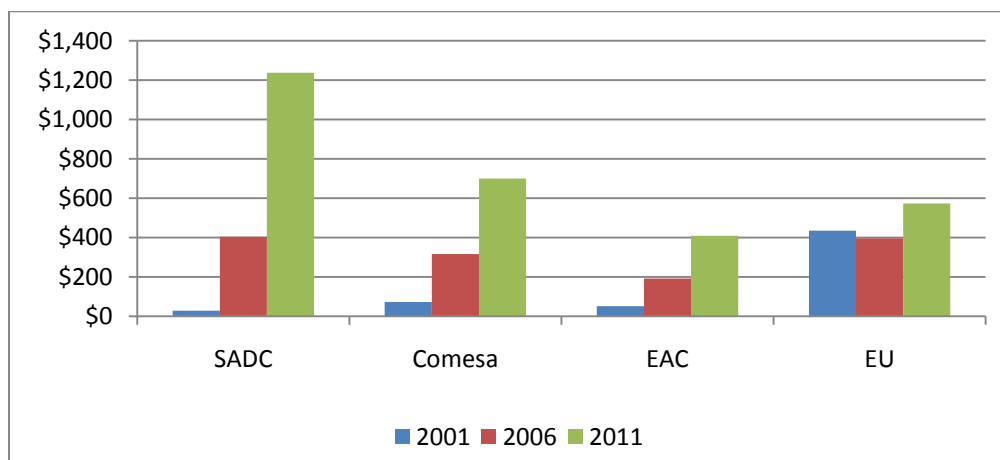
Figure 9: Primary Origins for Goods Imports, as a share of Total Goods Imports



Source: www.trademap.org

Southern African Development Community (SADC) represents the fastest growing growth market when compared with the Common Market of East and Southern Africa (COMESA), EAC and EU. This is demonstrated in **Figure 10** and is largely driven by exports of gold to South Africa. The SADC market was the smallest of these blocs for Tanzania in 2001, but gold has driven this market to be by far the largest. COMESA and EAC are also experiencing rapid growth in the value of Tanzanian exports, whilst the EU market has grown by much less between 2001 and 2010. SADC and COMESA are now more important markets for Tanzania, whilst the EAC has the potential to attract more Tanzanian exports than the EU if current trends persist.

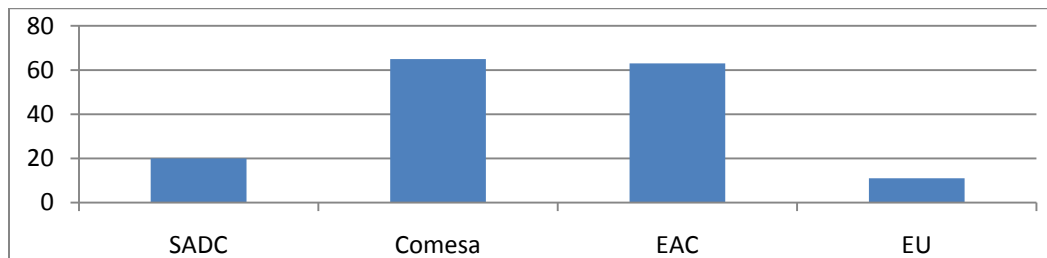
Figure 10: Value of Tanzanian Exports by recipient trade bloc, \$ million



Source: www.trademap.org.

As shown in **Figure 11**, COMESA and EAC are much more mature markets than EU and SADC, with 65 and 63 products composing 80 per cent of the value of trade. This falls to 20 in SADC and 11 in Europe. Therefore COMESA and EAC are more important markets for diversification in Tanzania.

Figure 11: Number of products that account for 80% of trade, 2009-2011

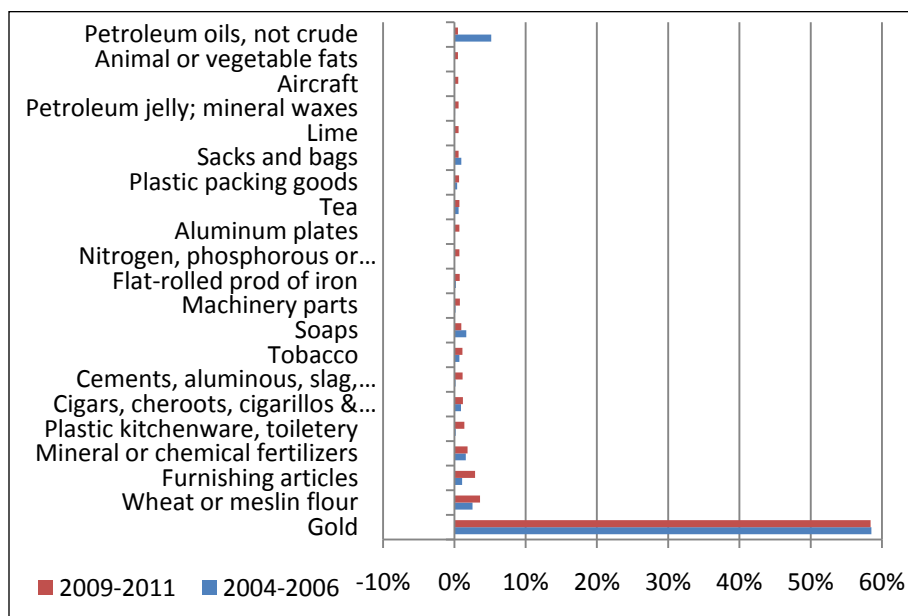


Source: www.trademap.org

Between 2009 and 2011 the most valuable exports to the EAC market from Tanzania were fertilisers, followed by furnishing articles, tea, gases, articles of plastic and paper. Wheat and meslin⁵ used to be the most important export between 2004 and 2006, accounting for 14 per cent of Tanzanian exports to EAC countries, however in 2009-2011 it accounted for 1.3 per cent of exports to the EAC. The share of tea exports to the EAC also declined, from 9 per cent to 6 per cent during the same period.

Tanzania’s trade with SADC is dominated by gold, which accounted for 58 per cent of the value of Tanzanian exports to SADC between 2009 and 2011. This share remained largely unchanged between 2004 and 2006, when it stood at 59 per cent. The next most important export to SADC is wheat and meslin flour, which between 2009 and 2011 accounted for 3.6 per cent of Tanzania’s exports to the bloc. The main exports to SADC are graphed in **Figure 12**.

Figure 12: Primary Products Exported to SADC, as a Share of Total Exports to SADC

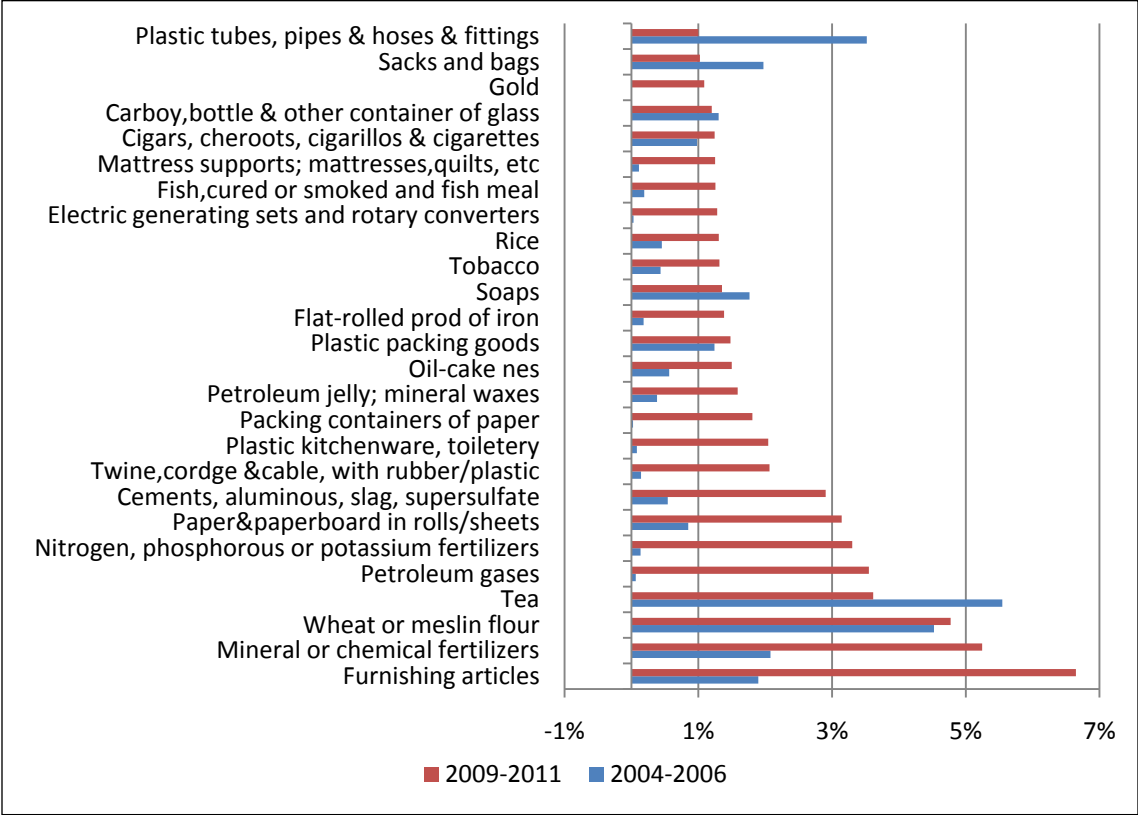


Source: www.trademap.org

⁵ A mixture of two or more sorts of grain; now called either maslin or meslin

Tanzania’s exports to COMESA are much more evenly spread across products than exports to SADC. The most important export, fertilisers, accounted for only 8.5 per cent of the value of all exports to COMESA between 2009 and 2011. The next largest exports were furnishing articles, followed by wheat and meslin flour, tea and gases. As presented in **Figure 13** below, a large number of products account for a sizeable share of exports to the COMESA region. The share of exports of wheat and meslin and of petroleum declined from 10 per cent and 8 per cent respectively in 2004-2006 to just 0.8 per cent in 2009-2011.

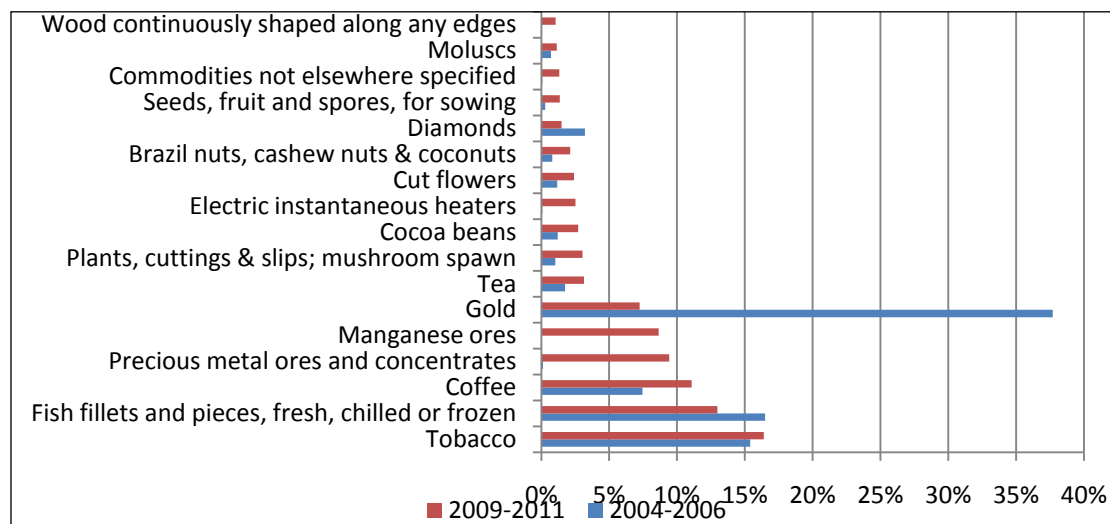
Figure 13: Primary Products Exported to COMESA, as a Share of Total Exports to COMESA



Source: www.trademap.org.

In contrast with COMESA and EAC, exports to the EU are centered on much fewer products, and these are more commodity based. As presented in **Figure 14**, the primary exports to the EU are tobacco, fish, coffee, precious metals, manganese, gold and tea. Tobacco accounted for 16 per cent of exports by Tanzania to the EU, while fish accounted for 13 per cent and coffee 11 per cent. With the exception of gold, there was not much of a change in the shares of product exports to the EU market between 2004-2006 and 2009-2011. This suggests that the structure of trade to the EU has remained largely stable.

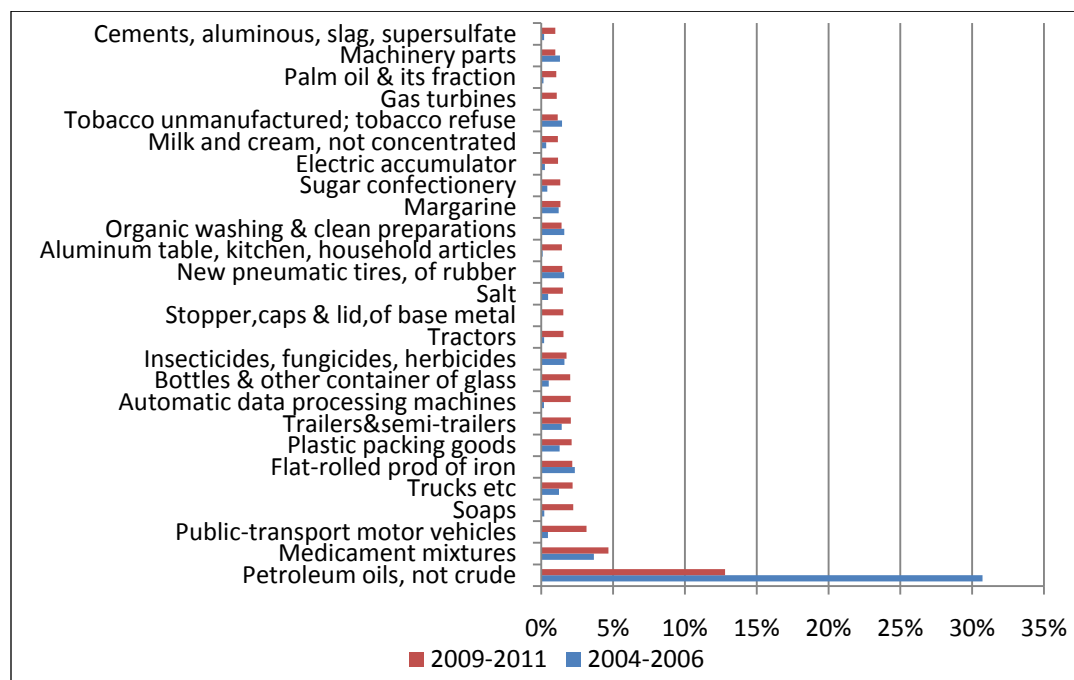
Figure 14: Primary Products Exported to EU, as a Share of Total Exports to EU



Source: www.trademap.org.

With regard to imports, between 2004 and 2006 refined petroleum accounted for 31 per cent of imports from the EAC. In 2009-2011 this remained the most important import, but its share had declined to 13 per cent. Other key imports include medicaments, vehicles, soaps, iron prods and packaging goods. However, only petroleum is a dominant import with a range of other products accounting for a significant share of imports from EAC.

Figure 15: Primary Products Imported from EAC, as a Share of Total Imports from EAC

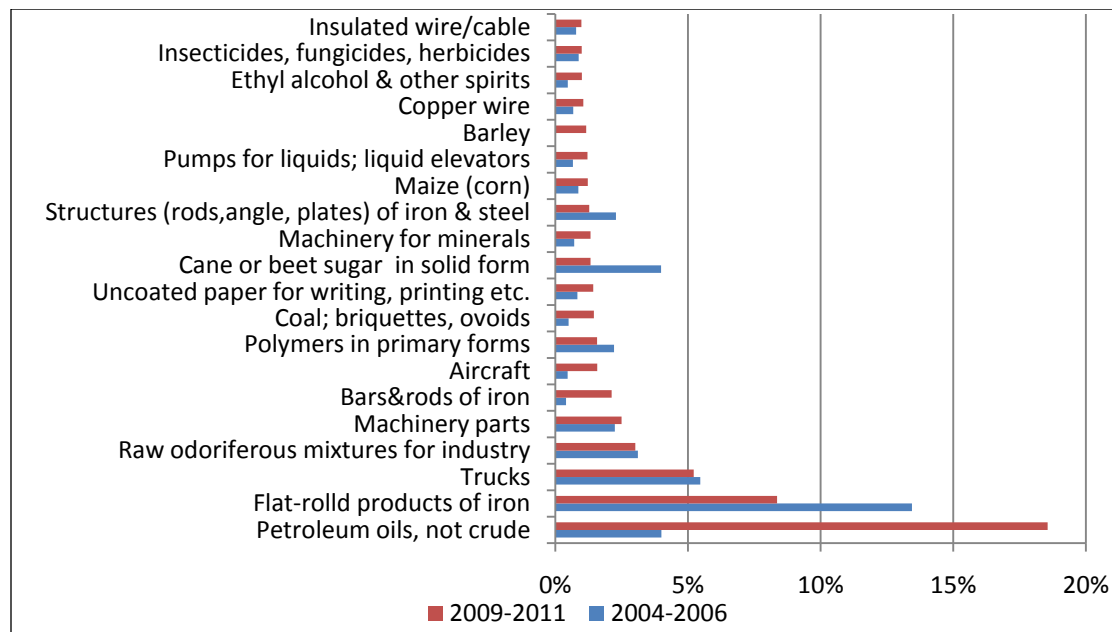


Source: www.trademap.org.

As with the EAC, refined petroleum is also the most important import from SADC, accounting for 19 per cent of imports from SADC between 2009 and 2011. This increased from 4 per cent between 2004 and

2006. Iron bars, rods and rolled products were the second most important import between 2009 and 2011, accounting for 11 per cent of imports. Other key imports from SADC include trucks, raw odiferous mixtures for industry and machinery parts. Tanzania also includes a range of other products from SADC, the most important of which are presented in **Figure 16**.

Figure 16: Primary Products Imported from SADC, as a Share of Total Imports from SADC

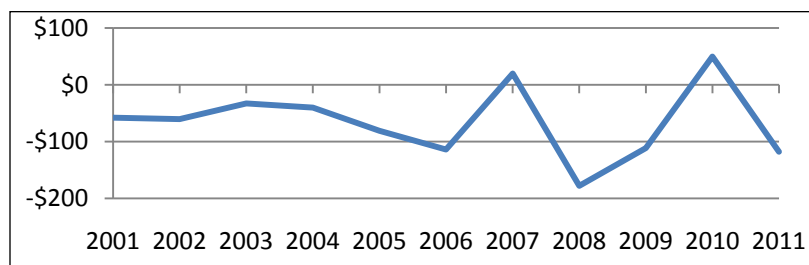


Source: www.trademap.org.

In contrast with exports to the EU, where trade is concentrated in a few commodity-based exports, Tanzania imports a wide range of products from the EU; many of these are inputs into production. The most important imports between 2009 and 2011 were electric appliances for telephony, accounting for 5 per cent of total imports from the EU. The other main imports were tractors, gas turbines, machinery parts, trucks, bulldozers, cars and aircraft. Products such as wheat and meslin, medicaments, electro-medical apparatus and malt also accounted for a significant share of imports from the EU.

Tanzania’s trade balance with Kenya has been fluctuating in recent years, but on average has equated to a goods trade deficit of around \$70 million. In 2011, the goods trade deficit stood at \$118 million, although in 2010 Tanzania recorded a goods trade surplus with Kenya of \$50 million.

Figure 17: Tanzania’s Goods Trade Balance with Kenya, US\$ million



Source: www.trademap.org.

4. Assessing Danish Support through BSPS II and III

4.1 Relevance

There are two ways in which to measure the relevance of the Market Access components of the BSPS. These are with regard to:

1. The development objectives of DANIDA and the Government of Tanzania;
2. Tanzanian private sector objectives

4.1.1 Relevance with respect to objectives of DANIDA and Government of Tanzania (GoT)

The Market Access component of the BSPS is highly relevant to Tanzania's efforts to facilitate development and reduce poverty. Ultimately, trade and private sector development are the means through which Tanzania's development objectives, as set out in Mkukuta I and II, can be financed and achieved. Therefore, from the outset, the BSPS is a key component for the goals of both DANIDA and the Government of Tanzania.

For negotiating capacity to be improved in a sustainable way, the MoIT requires an implementable and manageable strategic development plan, with a comprehensive strategic vision for the role of trade in the national development agenda. The lack of such a plan to develop Tanzania's productive base in a market-based manner, in the form of an *active* private sector development policy, and as a subset of that, an active National Export Strategy (NES), suggests a reduced degree of relevance for the BSPS. This is because the weakness and coordination of such plans limits the effectiveness and impact of such a programme, particularly because of its focus on capacity building.

The vision to develop Tanzania's productive base must build on the national development strategy (Mkukuta) and the national trade and PSD strategies. Any market access capacity building in the Ministry should be guided by the overall strategy of the Tanzanian Government and the MoIT. It must be owned, driven and understood by the MoIT from the executive management down. To achieve this, the MoIT requires adequate budgetary and technical resources. Given the current reality of a financially inhibited, and resource poor Ministry, MoIT requires broader stakeholder support to bridge these gaps. As the MoIT does not have the institutional capacity, and as a result is facing decreased motivation to implement its current projects or to negotiate and attract further support, the possibility of a sustainable improvement in its core negotiating capacity is greatly diminished. This is evident in the degree of difficulty that some of the development partners have had with their support to the Government. Owing to their internal capacity constraints the MoIT have faced challenges in meaningfully attracting further support or implementing some of these initiatives. For example, the MoIT have faced difficulties with support to trade policy development and in actualising their key internal priorities for funding needs. There is also a need for an improved forum for collaboration between external partners and the MoIT. Such a forum is where the key partners in trade and PSD development can build on common goals and improve communication and cooperation.

The development community over past years has undertaken some of its work outside of the Ministry, directly partnering with the private sector along value chains and through other mechanisms. There has been an increasing shift in donor PSD methodology to find ways to directly work with the private sector so as to harness the knowledge, entrepreneurship and energy which drives the private sector.

The MoIT's and the GoT's institutional readiness is low and implementation capability relatively weak. Therefore, the MoIT lacks the capacity to effectively engage in policy development and management. The Prime Minister's Office (PMO) is currently developing a Private Sector Development Strategy (PSDS). It is imperative that this strategy enables better coordination of PSD and trade efforts in Tanzania. The

MoIT needs to be a key stakeholder in the development of this strategy. Critical to the strategy will be the need to make the roles of Government and the private sector complementary rather than competing, and allow businesses to respond to a clearly defined set of incentives. To date the private sector has been shaped by the difficult path of emerging from a socialist structure, globalisation, imperfections in factor markets, a multiplicity and often competing trade and regional integration initiatives, and uncertain competing and uncoordinated policies. The private sector has therefore been reactionary rather than purposefully directed. Mkukuta, the Tanzania Trade and Integration Study (TTIS), and the Trade Policy 2003 have coordinated PSD efforts by the GoT (with its partners) so far.

These policies have been weak in providing direction to the formulation of one overarching PSDS for the private sector to follow and own. The overriding objective of a PSDS is to increase the competitiveness of the private sector so that Tanzania can derive maximum development benefits from trade. It is not clear how successful the BSPS market access component has been in increasing the competitiveness of the private sector. This is however, notwithstanding the success it has had in improving the overall capacity of Tanzania in trade negotiations, the delivery of key investigative research⁶ studies and the general success of the MIT courses.

The successful development of a PSDS will depend on the extent to which it is linked to Mkukuta, the five year development plan and to the Public Sector Investment Programmes. This link is fundamental, and has to come through a prioritised effort by the PMO. It is critical for the business ministry (the MoIT) and other economic ministries to ensure that the PSD actions are worked into the development framework, so that a significant number of these interventions can be resourced through public finances; demonstrating Government commitment to development partners and other relevant stakeholders who will partner in this development process. The PSDS will not be successfully implemented if it's resourcing relies solely on development partner funding. If public finances are used to demonstrate assurance, meaning development partner programmes such as the Enhanced Integrated Framework etc. can fill the gaps that public finances cannot cover.

A difficulty arises in identifying the clusters that an economy has a comparative advantage in, which can be translated into a competitive advantage. Investing in certain products as opposed to others can mean that exports ultimately fall short of the pace of imports; leading to dependency and vulnerability to on-going economic crises. This is not because those products might not earn significant revenue streams, but rather because such products have few 'spillovers' and linkages to higher value products, as is the case with such exports as coffee, tea and tobacco in Tanzania. This thinking is corroborated by Hausman, Hwang and Rodrik (2006)⁷ who stated that, '*specializing in some products will bring higher growth than specializing in others. In this setting, government policy has a potentially important positive role to play in shaping the production structure, assuming of course that it is appropriately targeted on the market failure in question*'. In the paper it is documented that the positive relationship between a country's GDP per capita and the level of income is implicit in the goods that a country exports.

Ideally, it is the private sector that picks winning clusters and sectors. This is because of their day-to-day contact with, and dependency on, both markets/consumers, and the resources necessary to respond to market demand. However market failures, such as asymmetric information (Arrow 1962, Bardhan 1970), transaction costs, technological spillovers (Jaffe, Trajtemberg and Henderson 1993) and the externalities

⁶ Studies in Rules of Origin in the context of the EAC-EU EPA negotiations; Negotiating options for the EPA; WTO Tanzania's legal compliance with the WTO (notifications); analysis of the services sector with a view to making commitments in the context of trade liberalization at bilateral, regional and multilateral trade negotiations; Capacity Needs Assessment

⁷ Hausman, Hwang and Rodrik, 'What You Export Matters', Harvard University, October 2006

of successful investment (Hausmann and Rodrik 2003)⁸, coupled with conflicting government priorities and the impact of regulation on the flexibility of markets, mean that there is often underinvestment in clusters in which an economy has a comparative advantage. This was the justification Mauritius used for the Government to lead the re-investment in textiles, and later in tourism and financial services.

The coherence of government policy is also fundamental because the growth of clusters and sectors does not take place in isolation. Rather the ability of clusters and sectors to grow is dependent on the environment that shapes the behaviour of private operators in a specific cluster or sector. In turn, that environment is not only shaped by the policies that specifically target a specific cluster or clusters, but rather is also indirectly affected by numerous other policies. Such policies could include food security policies and programmes, national security policies, fiscal and monetary policy, health and safety policies, consumer protection policies, environmental policies and others. Often such policies may come into conflict with the productive base of the country, and hence impact on the clusters with comparative advantages. Recognising this inter-dependency of policies is fundamental.

The rationale for the Cluster Prioritisation Method is to identify those clusters that can truly drive export growth in a manner that means, in the medium to long-term, the value of exports matches the value of imports. Thus, these clusters can be prioritised and facilitated in a manner that does not detract from other priorities such as food security, government fiscal obligation and law enforcement, etc. The Mkukuta gives broad direction of example potential target clusters when it refers to, for example;

- Growth of forestry and forest produce sub-sector increased from 3.5 per cent in 2009 to 5.8 per cent by 2015.
- Growth of honey and beeswax production sub sector increased from 3.4 per cent in 2008 to 4.5 per cent by 2015

There needs to be more policy guidance in Cluster I: Growth for Reduction of Income Poverty; that clearly sets out the strategic mandate of the PSDS and the trade strategy. Trade policy and strategy should be a subset of the PSDS and should not be stand alone strategy.

Similarly the Tanzania Trade Integration Strategy (TTIS) 2009-213 Framework Program⁹ was designed with two main purposes:

1. To provide a single framework for strengthening ownership of trade sector development and all current or planned Aid-for-Trade interventions by the Government of Tanzania. The Framework is based on a prioritisation and updating of the Action Matrix first formulated in Tanzania's Diagnostic Trade Integration Study (DTIS.)
2. To provide a mapping of current development needs and priorities within the Tanzanian trade sector, the role of current or planned bilateral development assistances within the sector, and possible areas of interventions for a Multi-Donor Budget Support Fund ("Basket Fund") to be created by several development partners and to operate within the MTEF Government budget planning process.

The TTIS Framework Program is organised into two main components:

1. Component A looks at enhancing Tanzania's capacity to manage Trade Policy, Trade Strategy, and Aid-for-Trade formulation and implementation processes. As such, it focuses on

⁸ '*..the process of finding out which of the many potential products best express a country's changing comparative advantage may create information externalities as those that identify the goods provide valuable information to other potential entrepreneurs but are not compensated for their efforts.*'

⁹ The TTIS 2009-213 Framework Program provided the framework which guided the BSPS

strengthening the capacity of the Government of Tanzania to harmonise its sector policies with trade sector development policies and strategies with a view to consolidate trade development as a main driver of the MKUKUTA; especially fostering growth and poverty-reduction. Component A also focuses on strengthening the capacity of the private sector to participate effectively in trade policy and strategy formulation. Finally it targets strengthening Tanzania's capacity to negotiate in regional and international trade forums more effectively.

2. Component B aims to expand a competitive export supply of goods and services in Tanzania¹⁰. The 2008 National Export Strategy needs to be reviewed and instituted as a key policy document to facilitate this.

It is important that the findings of the TTIS are captured in the Mkukuta and that it is used as a key input into the PSDS. Trade is a subset of PSD (PSD is not a subset of Trade). A weakness in policy formulation in the developing world is that trade and PSD strategies are often developed in parallel, or PSD strategies are formulated after the trade strategy, which can cause confusion and competing policies. It is essential therefore, with Mkukuta being the overarching Tanzanian development strategy, that it gives effective and clear direction to the trade and PSD policies and strategies. The five year plan should reflect these priorities. Trade is a key process of private sector development. It is therefore vital that market access initiatives develop within the emerging PSDS, the five year plan, the revised trade policy and Mkukuta II. If there is improved coordination between PSD processes, it will allow for a more efficient use of resources and move towards the goal of self-sustainability of trade-related capacity; as is desired by MoIT and its development partners.

A comprehensive and clearly articulated approach to trade policy and regulatory practices, with buy-in by all stakeholders, is vital to the success of programmes such as BSPS. When different government departments handle trade-related policies in isolation rather than in an integrated manner, it is difficult to develop and implement a coherent policy framework to support an export strategy. A coherent trade policy framework bridges government departments, public and private sector trade-related programmes, and private-sector actors. The result is an overarching set of prioritised objectives prepared in a holistic fashion by bringing together all relevant stakeholders and driven by the common goal of export impact for good¹¹.

This quote holds true for overall trade strategy, market access and the negotiation strategy that Tanzania adopts for its exports, trade policy and private sector development. This study has attempted to assess the Market Access component of the BSPS and has, where possible, explored the coherence of Tanzanian market access policy.

According to the research for this review, the sense is that the overall technical capacity across government ministries is not as robust as it needs to be, which impacts on the relevance of market access programmes such as the BSPS. Generally the Government does not have a sufficiently robust

¹⁰ At the core of this component is developing the capacity of support institutions assisting producers meet international competitiveness standards including Sanitary and Phyto-Sanitary Standards, Other Technical Standards, and Intellectual Property Rights and Protections. The component also seeks to provide direct support to producers and producer associations in priority export sectors again with a stress on standards. The emphasis on strengthening the capacity of Tanzanian exporters to meet international product and service standards emerge from the understanding that technical standards (Non-Tariff-Barriers or NTBs) increasingly shape the conditions of market access while the importance tariff preferences is being eroded, if not altogether eliminated. Component B also focuses on increasing competitiveness by lowering the costs of trade facilitation and increasing export-oriented investment through improved investment facilitation.

¹¹ *National Trade Policy for export success – International Trade Centre 2011* (www.intracen.org/National-Trade-Policy-for-Export-Success/)

understanding of the private sector and the broader concept of the enabling environment for business. This understanding is compounded by the socialist history of Tanzania where the majority of businesses were state owned and/or regulated. The ability of the GoT to build internal capacity of civil servants to understand PSD issues and to be able to effectively engage with the private sector has been weak. This is understandable given the rapid transition that the GoT has gone through over the past 10 years. There is no coordinated programme in Tanzania to institutionalise training in PSD across the Government.

Building this capacity in the Government is difficult, due to very low base levels of general training. It is commendable that the BSPS identified this and built capacity in trade negotiations from a low base and that the MoIT embraced the intervention and implemented the training.

The outcome of the authors' research for this review is that the outcome of this is that there continues to be a lack of capacity to turn policies into action, reducing the ability to implement trade policy, and to translate market access to market penetration. The Government has paid attention to the modernisation of agriculture but has no effective implementation plan for these reforms. There still appears to be a command centre approach. That said, from the President down, there are strong initiatives to move away from a government centered control over the private sector and to review the barriers within the enabling environment to increase investment and private sector lead growth. The problem is, however, that there is no 'real' desire for this change within the Government. The Government currently does not have the capacity to implement these policies. PSD can only be successful through meaningful and committed partnership between the private sector and the Government (Public Private Partnerships - PPPs), i.e. roads, ports, roads, tax policies etc. Linkages between trade policy and what is happening at the operational level is vital. Trade services, transport corridors etc., there are so many linkages but these are not being supported by the appropriate policy mechanisms.

Summary

- The BSPS is aligned to Government strategies, but lacks in relevance because the main problem is market entry and market penetration, not market access. The main issue is limited capacity to understand how trade can be fostered through the development of the productive base of the economy and the private sector
- There is a need to closely align with Government private sector development strategies
- Capacity building efforts of the MoIT are not focused enough on trade negotiation capacity, thus limiting the relevance of the programme to MoIT objectives
- Government departments, policies and stakeholders are isolated rather than integrated
- Market access initiatives need to be developed within the emerging PSDS, the five year plan, the revised trade policy and Mkukuta II
- A full competitiveness analysis should be undertaken to guide the PSDS and trade policies
- The NES should be reviewed and updated

4.1.2 Relevance of BPS in the context of Tanzania's private sector

Since the BPS is aiming to help Tanzania develop through private sector based trade, it is also important to analyse the relevance of BPS Market Access funding in the context of the structure of Tanzania's private sector.

Because of the lack of an active, prioritised private sector development policy, the private sector has limited capacity to recognise the importance of 'owning' trade policy issues and as a result has not put effort into presenting a collective position in its efforts to engage the Government. Many companies and organisations lobby directly with the Government for their individual interests. The apparent existing lack of confidence in the Tanzania Chamber of Commerce Industry and Agriculture (TCCIA), Confederated Chamber of Commerce (CTI), and Tanzania Private Sector Foundation (TPSF) that this research has revealed is the result of years of ineffectual advocacy from these organisations. The private sector associations are not fully representative of the private sector. Some sectors have stronger representation than others. Many companies in the private sectors are members but more for expediency and the other services they supply, than because of their strong advocacy skills. These companies would still lobby independently on critical issues. The private sector has seen new initiative after new initiative and very little 'real' change. Businesses are bottom line driven and make decisions on their expectations of what the market and enabling environment will do in the future. They have no reason, based on past performance, to believe that there will be any change in the private sector advocacy driven by the representative organisations, and therefore they often have to stand alone where their advocacy is concerned.

The private sector in Tanzania is still in its infancy with limited advocacy capacity. It has only recently emerged from state dominated socialism where the private sector was centrally controlled. The private sector is disparate and fragmented with poor 'real' representation at the national level. Even at the sector level each sector tends to do its own thing. For example, Agriculture of Tanzania (ACT) has failed to bring the horticulture and dairy association together under their umbrella and each of these associations are still doing their own advocacy. ACT is still struggling to bring other smaller agricultural bodies under their umbrella. i.e. there is a network of farmers in Tanzania MVIWATA (Mtandao wa Vikundi vya Wakulima Tanzania) who are running independently. There is a lack of cohesion between the apex bodies and the smaller private sector representative bodies. TCCIA assumes they are the apex body, including agriculture, but ACT does not recognise TCCIA as the apex body. Even within horticulture there is TAHA and Horticulture Development Council of Tanzania (HODECT) that do not work well together and will not move towards a merger that would allow unified horticulture sector providing increased efficiency and advocacy with the Government.

In this context this reduces the relevance of interventions to develop the trade negotiation capacity of MoIT and support the MIT course because the ultimate owners of this capacity (the private sector) have limited 'active' interest in it. Often the various sectors of the private sector will not be aware of the issues being strategised at the national level.

The private sector generally does not have the resources to participate in trade negotiation capacity building exercises. Even where private sector would, or could, fund participation in trade negotiations or negotiating capacity building they are reluctant to do so. Many of the past initiatives with the private sector have not been successful and there is very little history of successful private sector engagement in the trade arena. Firms are usually only effectively engaged by Government near the end of the development of national economic development policies and strategies. The Swedish International Development Agency (SIDA) has allocated resources to be used for this purpose, but this funding was not been effectively used for private sector capacity building and generally stayed within the MoIT.

The outcome is that there is little targeted and meaningful interaction with the private sector. When the Government has tried to engage the private sector directly it is met with distrust and ends up working with the larger private sector representative organisations; TCCIA, CTI and TPSF. The larger companies are not used to working together and tend to lobby directly in their individual capacity with the Government. The CEOs 'round table' is improving this situation. At the more micro level the MoIT has been working effectively with VIBINDO¹² (Small Industries Petty Traders Association) representing the informal business sector. These types of associations are still weak though much is being done to strengthen them and they are included in many of the MoIT meetings.

As an example of this disconnect, there is no evidence of the Government engaging the oil and extraction industry when formulating negotiating positions. There is a differentiation within the Tanzania private sector that needs to be addressed if the private sector is to present collective positions within the PSD enabling environment, trade agreements and the regional integration initiatives. A cohesive private sector is also critical for the Government of Tanzania if it is to remain competitive in the face of the approaching EAC economic union and the growing competitiveness of the regional markets.

To achieve this, the Tanzanian private sector should be properly mapped, defined, and engaged. The MoIT has noted these weaknesses and they are currently formulating a database of private sector organisations. Asian Tanzanians control a significant section of the economy. This ownership increased when the parastatals collapsed after the removal of socialism and Tanzania followed the Breton Woods Institutions development initiatives of privatisation of state assets. The Tanzanian Asian private sector community isolates itself to some extent and lobbies and engages with Government directly on PSD enabling environment issues. Many are members of the private sector representative organisations, but lobby in their own right. Mechanisms need to be created where these key, but silent, private sector players are more effectively engaged and are included in opening up market access.

Economic development is a 'reality' game. For an effective private sector development programme, with improved market access, to have success the programme must be based on the current realities on the ground. In Tanzania the private sector is fragmented, the representative organisations are not truly representative of the broad private sector with poor capacity, the 'silent' Asian sector lobbies in its own right (and often for protectionist positions¹³ and in opposition to current market liberalisation policies) and the extraction industries are often absent in the PSD initiatives. There is no specific PSD policy in Tanzania and the various PSD initiatives are not cohesive. This reality should be factored into any market access development programme. How the private sector is understood is critical to the success of future development programmes. If the market access programme and the broader trade and PSD strategies and policies are not built from the base of 'current reality' then success of the programme will be erratic at best.

Private sector involvement is very limited, and worryingly there is no strong push or demand from private sector to be more involved. The broader private sector does not currently have a big voice to influence policy outside of some of the individual and private lobbies and the limited access of TCCIA, CTI, Tanzanian Private Sector Federation (PSF) and other sector associations.

Unofficial private sector collaboration takes place in environments such as the Lions Club and Rotary Meetings; this informal network could be more effectively leveraged and even formalised. Very few of the key private sector players are in the private sector associations. Many businesses, such as small tanneries, maize exporters and small processors, have little or no idea about any of the Tanzanian trade

¹² VIBINDO – Vikundi vya Biashara Ndogondogo (Small Industries Petty Traders Association) – an umbrella association of petty business

¹³ *The current debate around the importation of Malaysian palm oil*

agreements and therefore have no real voice. Even if they did they would not have the capacity to use it effectively.

Industry associations in Tanzania are an employment platform rather than a mouthpiece; it is often the result that they are 'principal agent'¹⁴ funded. TPSF is 100% funded by the World Bank; the question should be asked to what extent was the TPSF formulation 'demand driven' or was its setup influenced as part of a World Bank initiative to strengthen the private sector. The question remains: how many of the employees have decision making capacities in business?

Trade policy should only be facilitated by Government, but should be owned by the private sector. By its own admission the Government says that it wants to support a private sector led policy. This is a critical issue for the team currently undertaking the current revision of the Tanzania's 2003 Trade Policy.

Private sector capacity (across the board) needs to be sustainably developed through an initiative to build effective PPPs in all areas of trade and PSD. The current reality of an 'us and them' relationship that the private sector has with Government must be addressed and changed if trade negotiations are to be meaningful and effective. The private sector are followers, they should co-lead the agenda to develop trade policy and the PSD enabling environment. While the BPS intervention had a marked impact on improving Tanzania's negotiating capacity and improved performance in the negotiating arena it did not do enough to help the private sector avail itself of opportunities that arose from the negotiations. It also had a minimal impact on building capacity within private sector to understand the outcomes of, and participate in, the negotiations.

To become meaningful players in the development agenda in Tanzania the private sector will require support from both the development partners and Government to address their capacity gaps. The private sector has weak capacity to understand, and to adhere to, some of the key trade issues affecting their market accesses such as TBT and SPS. This strengthening can be facilitated by the:

- GoT;
- Private Sector Representative Organisations;
- Development partners;
- Trade support agencies – i.e. (Tanzania Bureau of Standards)TBS;
- Academic institutions (UDBS through the MoIT, MIB and short demand driven courses); and
- Private sector suppliers of services.

This is important if the private sector is to better understand and engage in international trade policy and be able to meaningfully inform the negotiating team in their negotiations as it formulates trade and PSD policy. BPS provides for the capacity support but through MoIT. The research shows that the private sector has not been effectively engaged in the formulation of trade policy and negotiating strategies for Tanzania. TCCIA were unaware that BPS III Market access component was also intended for building capacity in the private sector.

BPS also provided targeted direct support to the private sector via the SME sector through:

¹⁴ In economics, the **principal-agent problem** or **agency dilemma** treats the difficulties that arise under conditions of incomplete and asymmetric information when a principal hires an agent, such as the problem of potential moral hazard and conflict of interest, in as much as the principal is—presumably—hiring the agent to pursue the principal's interests

- The SME Competitiveness Facility (SCF) - to assist food processing/ marketing SMEs to add value to food commodities and access international market through offering support to a selected cluster or value chain of SMEs to assist in capturing sales in international markets; and
- Supporting the implementation of the Enterprise Competitiveness (development) Programme (ECP) with other donor partners to support linkages between small and large firms in targeted clusters through matching grants to develop their capacity to supply quality products for export markets. (Please note this study did not assess to what extent this programme has successfully penetrated the export markets and whether it has been assisted through the market access component).

Trade Negotiations need to be more demand driven. Currently, there is no structured mechanism to effectively deliver the necessary trade negotiation information to the private sector. The Government will need to be more proactive and have the desire to encourage the involvement of the private sector in the development of trade policy and the trade negotiation agenda. Tanzania needs to have a well-developed strategic plan of what it desires to achieve in its future trade negotiations and regional integration initiatives to give the private sector a plan to respond to, as well as to encourage them to become effective stakeholders in the development process. The key requirement here is a well-structured and owned PSDS. If the private sector have ownership of a PSDS and can see the market potential in it they will invest. Businesses trade and are driven by returns. If there is a market opportunity the private sector will take it.

The private sector is not being sensitised as to what is secured as a result of the current international trade negotiations. Communication between negotiators and the private sector is essential for this to be successful. This is not just true for the private sector but for other Government departments and stakeholders. The current capacity of negotiators to speak to private sector is limited. They rely on the representative organisations such as TCCIA and TCI to channel information down to their members. This is not happening effectively as they neither have the internal capacity, broad based representative membership or the drive to do so.

Tanzania has penetrated Arabic and Asian countries with its products more effectively, typically because they have lower required product standards with lower transaction costs. DANIDA has assisted in building capacity in the Tanzanian Bureau of Standards (TBS), but their certification processes do not yet have international accreditation for all products. Manufactures and traders have to use international standards organisations, often at great expense, to obtain the right certification to allow access to US and EU markets. This is a critical market access issue and affects Tanzania's ability to compete cost effectively in these markets. Many attempts have been made through various development initiatives with the TBS but with limited success. International accreditation is essential for improved future market access. To bring this to reality the GoT will have to continue to make the TBS a priority in its development strategy by allocating adequate and sustainable budget support to make it feasible. BSPS supported TBS in Phase II with Product Quality Improvement which:

- improved international accrediting of laboratories
- improved effective participation in international standard setting organisations
- worked with product quality development (traceability); and
- Built capacity on packaging skills

The GoT is currently undertaking a trade policy review to address some of the gaping holes in the previous 2003 document with regards to the private sector and trade. Previous trade policy lacked implementation tools.

Summary

- There is a lack of an overarching PSD Policy
- Stakeholder representation is fragmented and not truly representative.
- Poor private sector resources are available for trade negotiations and there is a reluctance to take part
- Development funding within MoIT is not inclusive enough of the private sector – they need to be more effectively engaged
- Trade programmes do not mirror the PSD reality on the ground – the lack of cohesiveness was not factored in
- There is a need to change the ‘us and them’ relationship between Government and the private sector
- Trade negotiations need to be more demand driven – there is a lack of communication between negotiators and the private sector

4.2 Efficiency

The value of Component B of BSPS was \$12.6 million. Of this, \$4.6 million was spent on Enhancing Capacity in International Trade Negotiation and \$8.3 million on trade and business education; of which \$2.7 million for the MIT and MIB courses. The desired outputs were:

- Improved stakeholder consultation for formulation of Tanzania's position in international trade negotiations;
- Better informed decisions on Tanzania's position in international trade negotiations;
- Enhanced capacity of MoIT to participate in and negotiate Tanzania's position in international trade negotiations;
- Improved follow-up on international trade agreements;
- Enhanced Institutional capacity of MoIT;
- Competencies of graduates and capacity of BSPS partners enhanced by developing new programmes within the disciplines of international trade, negotiations, entrepreneurship, corporate governance, investment analysis and portfolio selection, and enterprise management;
- The Faculty of Commerce and Management (FCM) capacity enhanced in provision of knowledge and skills within its main disciplines;
- The University of Dar-es-Salaam Entrepreneurship Centre (UDEC) capacity enhanced in provision of knowledge and skills in entrepreneurship; and
- Capacity of other business school institutions improved.
- Enhanced knowledge and skills required by graduates to become employed or self-employed

It is difficult to make a judgment in terms of efficient allocation of DANIDA's resources given that while capacity did increase significantly, the impact has been fairly limited, particularly given the inability to retain capacity built. While a number of the project outputs, as listed above, were achieved, our sense is that the gains are small relative to the time and financial investment. However, in contrast, it is also important to note that skills development is the most challenging of development investments, and yet it is quite possibly, one of the most important factors necessary for development.

Because the positive externalities of skills development are difficult to measure, it is important to not be too stringent on efficiency measures when it comes to capacity building programmes. However, it is also important to recognise that DANIDA's time, management and financial resources could have been more efficient if a greater effort was made to account for the institutional weaknesses of the MoIT, and of the wider Government with respect to trade policy. Ability to retain the capacity built in the MoIT requires strategic planning which fully recognises the institutional weaknesses of the MoIT. The institutional weaknesses should be addressed first and only then can capacity be effectively built in a sustainable way. For this to be achieved, the existence of an active private sector development strategy, trade strategy and export strategy is important. In turn, for this to come about, it is essential to invest in making the case that the Mkukuta can ultimately be achieved through a true recognition that it is private sector led growth, supported by effective government, that can address market failures.

A key point to note with regard to efficiency is the type of Technical Assistance (TA) that is provided to the Ministry. The efficiency of the programme also depends on the effectiveness of technical assistance, which in turn depends on having the right technical assistants. This was a problem in BSPS III; staff in the Ministry were not in favour of long-term technical assistants because of the relatively poor relationships that long term assistants have had previously with ministry staff. The study did not analyse the issues

around these poor relationships, but we are aware that this had an impact on the outcome. As a result, short-term TAs, focused on a specific output, were more effective. The success of a long-term TA is more challenging, and this success depended on their personality and ability to understand the culture, what to say and what not to say, the political imperatives etc. The long-term TAs that engaged did not, in the opinion of the MoIT, have the desired impact. It is suggested that solutions to this will be better informed via the Capacity Needs Assessment (CAN) once it is released.

Summary

- Significant progress has been made in a challenging area
- Limited capacity has been retained considering time and financial investment
- The positive externalities of skills development are difficult to measure
- DANIDA's time, management and financial resources could have been more efficient if a greater effort was made to account for the institutional weaknesses of MoIT, and of the wider Government with respect to trade policy
- Tanzania requires a comprehensive PSD, Trade and NES strategies to drive market access interventions effectively
- Strategic planning is necessary to retain and build capacity
- Having the appropriate technical assistance is critical – this should be informed through the CNA

4.3 Outcomes, Effectiveness and Impact

4.3.1 The development of MoIT's trade negotiation capacity

This review found that the BSPS made a positive and significant contribution to the development of the negotiating and trade policy capacity of the MoIT from 2005 to 2012. The BSPS was one of the main sources of recent capacity development in the MoIT, together with the WTO internship programme.

Broad training has occurred throughout the MoIT as a result of BSPS III funding, examples of these are short courses, WTO Geneva internships and the MIT. With this assistance the Trade Department has been doing good work on Trade Negotiations and Policy. There has been success in building negotiation capacity in the MoIT through BSPS. There was a strong leadership that developed a good core team for analysis and established the Strategic Think Tank NETS (Inter-ministerial Trade Negotiation Mechanism). BSPS involvement in the MoIT has led to a general increase in capacity within the Ministry to discuss trade issues and develop an informed opinion.

Before BSPS there were no technical meetings to prepare a position prior to negotiations. Through the course of the BSPS these meetings starting happening more frequently although often they would only take place 1 or 2 weeks before the negotiation date. This did not allow for detailed consultation with the private sector organisations and other stakeholders, such as TCCIA. Tanzania has generally been reactive in the EPA negotiations in the past but, through BSPS, the technical team became more pro-active. For example, agriculture was not in the original EPA, but Tanzania negotiated it into the EPA at EAC level in 2007. BSPS and good Ministry management at the time also allowed for an improvement in WTO notification and increased understanding, and use of, Rules of Origin (RoO). This change was the result of studies undertaken by the BSPS and therefore it can be said that the BSPS Market Access programme had a positive outcome.

However translating this outcome into impact requires having a strong link between trade and private sector development. In turn these need to be linked to Tanzania's development efforts. Such a link is not there, as has been discussed earlier. The sense is that there have been too many missed linkages to other sectors to create the necessary multiplier effect. Market access is not such a big issue in policy terms as there is a lot of duty free quota free access, the problem is market entry. The key need is investment but yet there is no link between trade policy and wider private sector development. It is important to better explore how to link the outcome of trade policy to the real life of the private sector. It is a general understanding of the development community that this is the role of the TTIS, but the TTIS does not do this.

A second reason for the relatively low impact levels has been limited, ongoing management, buy-in and a lack of a concerted effort by the Ministry to defend capacity gains. **This is not meant as a criticism to the MoIT but as constructive feedback because such a concerted effort is key to the sustainability of capacity building programmes such as the BSPS.** As a result, while the recently conducted CNA of the MoIT shows a high level of technical capacity, the outlook is for a decline in this capacity due to retention difficulties, poor Ministry management, limited team work and motivation, and the susceptibility to changes in the buy-in of MoIT management. The management capability of the MoIT does not match the level of technical expertise, and there is a perceived mismatch in the hierarchical structure of the Ministry. This has resulted in poor incentive systems, poor division of work, poor work ethics, reduced time management, little initiative and inadequate motivational aspects¹⁵. One key area

¹⁵ One interviewee stated "there are 'Mindset' problems within the MoIT – lack of motivation, poor work ethic, poor incentives within MoIT to be self motivated poor time management and no initiative – employees do not 'go the extra mile'".

of intervention would be for the different departments within the MoIT to all have an overarching focus on PSD instead of just focusing on different aspects of PSD. Departments perform better if they can see the big picture and know where they fit in the end game, so to speak. The clearer the key vision of the different implementers, and how they impact in this big picture, the more cohesive the strategies, and the better the coordination and sustainable implementation, will be. This accentuates the need for a cohesive PSD strategy for Tanzania. For this to be truly effective the other ministries will need to have the same vision and understanding of PSD. The CNA will better inform the best way to address this problem.

According to the literature review and stakeholder interviews conducted for this review, a critical factor that has impinged on the impact of the BPS is the varying degree of buy-in to the vision of the BPS by the management of the Ministry. Under BPS II the management had a strong vision for international trade. It took interest, followed up, led meetings, directed staff etc.

Stakeholder interviews suggest that a number of younger employees of the MoIT would be more comfortable if there was a stronger sense of direction and focus by the Ministry. Some of the employees, who would have undergone comprehensive trade negotiation capacity building, have left for jobs where their trade negotiation skills are not used.

The focus of the MoIT is now more on domestic trade; re-enforcing the disconnect between private sector development and international trade. As a result, there has been a marked drop in activity in BPS III. The slowdown in negotiations was also externally driven and was not just an internal issue. The negotiating capacity that was developed under the previous administration is still generally there, but is much less utilised and is not being effectively strengthened. New capacity is not being continually built.

Institutional constraints in the MoIT have also contributed to the limited impact of the BPS on Tanzania's trade negotiation capacity. The MoIT faces low budget support, poor management and human resource systems which have all contributed to underperformance. The consultants undertaking the CNA for the MoIT have found the overall structure of the division of labour to be poor, current job descriptions are not communicated to employees, there are few work plans, there are poorly managed appraisal systems, no schedules, no time management, poor feedback mechanisms, and no peer reviews. These weaknesses result in highly qualified people with key PSD and trade skills not being used in ways where they can have an effective impact. Capacity has been built within these key personnel, but is not being used effectively and therefore not sustained within the MoIT.

According to interviews, there are too few official job descriptions in the MoIT and a number of employees are not aware what their set job descriptions are. Few of the MoIT staff interviewed in this review had current job descriptions. Some employees rely on the job description detailed in the advertisement when they applied for the job. They have no guiding Job Charter to guide their daily activities and are therefore not aware of what parameters they are supposed to work within. This creates a lack of direction and frustration especially for high achievers. Staff work on *ad hoc* assignments, are tasked in random ways and are not briefed regarding potential workloads and projects in advance. A key issue is that job descriptions for the MoIT are determined by the Civil Service Department and the Ministry is not able to dictate its own structure or job descriptions. The senior management of the MoIT have expressed frustration with this limitation, and would like to see this system changed and improved.

A further contributor to the limited impact of the BPS is the lack of equipment in the MoIT. This was also the assessment of the CNA consultants. Information and Communication Technology (ICT) equipment and accessories are a major inhibitor to the work of the Ministry.

The civil service transfer system with the Government constrains the impact of the BSPS. The public service regulations dictate how people are transferred within Government and the decisions for transfer are often made outside of the MoIT. This precipitates an inefficient allocation of skills and often moves a productive person, with the right skills in the right job, to an unrelated position. This augments such problems as the Lead EAC negotiator being moved from the Ministry of Agriculture to the Ministry of Planning.

An outcome of all the above is that trade negotiation skills are often identified as lacking within the MoIT. The question remains whether these skills are lacking, or whether they are present within the MoIT but just poorly utilised. An important issue that needs to be taken account of in future interventions is that there seems to be a growing resistance from long term employees to allow younger MIT graduates to participate in trade negotiations and gain the valuable experience they need through the application of their skills.

Summary

- The BSPS made a positive and significant contribution to the development of the negotiating and trade policy capacity of the MoIT from 2005 to 2012
- BSPS has introduced technical meetings to prepare a position prior to negotiations
- The approach is now becoming pro-active rather than reactive
- Positive outcomes need to be translated into impact – through strong linkages to PSD policy, and also retaining capacity gains
- Success is dependent on MoIT buy-in to the vision of BSPS
- There is too limited an understanding of the big picture surrounding PSD constrains the ability of MoIT and other economic ministries to effectively be an enabler of PSD
- There has been attrition of younger employees and core staff from MoIT
- MoIT has institutional constraints which constrain impact
- There is a disconnect between MoIT and MIT, which needs to be addressed

4.3.2 Outcomes and impact of BSPS in building Tanzanian trade negotiation capacity

As with the development of the capacity of the MoIT, the BSPS has made an important contribution to developing Tanzania's negotiation capacity. The previous EPA chief negotiator (an MIT graduate) was considered a very good trade negotiator. Tanzanian negotiators generally have an idea of what they want to achieve through negotiations, and the BSPS has made a significant contribution to allowing this, although current preparation remains fairly weak. This is more a result of management rather than of capacity.

Under previous management and as a result of the BSPS support, preparation was done in advance and good follow up measures were taken. Indeed Tanzania's negotiating capacity has improved compared to 2003; Tanzania is now able to prepare position papers. Yet despite this, according to the author's interviews, Tanzanian negotiators are not seen to be very well informed or prepared for their negotiations in the EPA, WTO and SADC negotiations **when compared with counterparts in Kenya or Rwanda**. The new chief negotiators have different styles which has not included proactive preparation for the negotiations. They are not viewed by other country negotiating teams as pro-active and through stakeholder interviews it emerged that this is not because they have analysed and understood what is

within their own interest, but because they wish to obtain concessions without reciprocating. The Tanzanian negotiation teams are often viewed as being too cautious in the negotiating process. Research suggests that Tanzania may still be wary of the drive for regional integration from its other member states of the EAC. Some stakeholders interviewed are of the view that there appears to be a desire to slow regional integration negotiations down and to ensure that Tanzania enters into any agreements on its own terms and in its own time.

A demonstration of a positive impact of BSPS on Tanzania's negotiation capacity was when a graduate of the MIT course, who was the lead for the trade negotiating team, noticed a critical change in a proposed text by EU delegates after the end of the plenary session in Brussels. The change would have undone all the key negotiations by the team, but a UDDBS graduate picked up on the change therefore protecting the Tanzanian position.

Critically, increased trade, particularly regional, is not intrinsically seen as a source or force for economic development. The hangover from socialism still produces a mindset that the private sector is seen to be a selfish force, existing only to reap maximum benefits for itself and this is perceived to be scratched off the backs of ordinary Tanzanians. This affects the ability of the Government to build meaningful and effective private sector led negotiation teams. It is key that the Government develops an extensive capacity to understand how markets work, where markets fail and what optimal Government interventions are – because this is how market entry, and not just market access will be achieved (market entry, together with market access, is mentioned in the objectives of the TOR of this study).

When the EPA negotiations started in 2002 there was a permanent ministerial negotiation committee in place. However this system collapsed and now there is an *ad hoc* revolving group which is convened when necessary. There is no mechanism to retain the intellectual capacity and knowledge base of the negotiating teams which has resulted in the team having to undergo continuous relearning of the same issues which has impacted on Tanzania's negotiating efficiency. Negotiations are not being consistently managed.

In 2005/6/7 there was an inter-ministerial trade negotiation mechanism set up called 'NETS'. Position papers were prepared, and the group met once or twice a month. This mechanism has disappeared. The current meetings are ad hoc and called on demand for specific negotiations. These meetings only happen under duress which is major issue facing the effective and competitive market access for Tanzania. It is recommended that the NETS or a similar mechanism be instituted to ensure consistency of the negotiating process, retention of memory and intellectual capacity and improved negotiating skills. This should also build confidence of the Tanzanian negotiating team and ensure that its mandate to negotiate is accepted by other regional partners. There is an expectation that the Tanzanian negotiating teams will often move back in the agenda even when there has been previous tacit agreements on an issue.

The impact of BSPS is also limited because of poor dissemination of information on what the trade and regional integration issues are to the relevant stakeholders. Once Tanzania has participated in trade negotiations, the information obtained and the new deals which are made are not disseminated to the key stakeholders. Tanzania is not taking advantage of what is secured in negotiations. There is no mechanism to keep these stakeholders updated on the progress of trade policy issues. Negotiations are run by Government. It is the private sector that trades and has to implement the results of these negotiations, therefore as many private sector representatives as possible should be included in the negotiations.

A further issue is the general weakness in Tanzania's agricultural negotiating capacity. Yet there have been some improvements since the advent of BSPS II and III and this is a positive that has to be

recognised. Tanzania has begun to identify competitive sectors within agriculture. For example in 2010, the chief negotiator for the EAC EPA, trained by the MIT program, led a delegation on tobacco to a WHO meeting in South America. The delegation led research on tobacco, WHO policy, and Tanzania's position on tobacco exports. The team recruited some experts and attended regional meetings in preparation. This was a successful exercise and should be replicated. However lack of funds often prevents negotiators from meeting with key stakeholders, thereby reducing the impact of BSPS. This process is critical for effective negotiation strategy to be developed and maintained, but needs facilitation and funds to help trade experts to engage with key stakeholders in this way. Private sector engagement is a time consuming and costly exercise. Future support to the negotiations should provide a mechanism which can facilitate this consultative process on a protracted and sustainable basis.

Tanzania requires more research capacity in the agricultural arena. With the trade negotiating mandate falling within the MoIT and the capacity building funding for market access going only through the MoIT, agriculture is not getting enough focus from the BSPS to build its capacity to contribute to trade negotiations. There is a lack of a clear understanding of the country's agriculture sector, the potential exports, and the impact of imports on the sector, by the negotiating team. Although the Ministry of Agriculture gets a lot of funding from other projects and sources, too little of such resources helps it build this capacity.

Synergy and cooperation between economic line ministries responsible for trade and PSD needs to be strengthened, as does coordination between departments and units within the MoIT. Merging of departments and units who share a common goal has been met with resistance – *“people do not want their empires compromised”*. Departments fail to see how they feed into the 'big picture' of the MoIT's overall goals and objectives. The general understanding of where their jobs fit, what their jobs are and how they deliver the mandate of the MoIT is weak. The fundamentals of private sector led economic development are not effectively embedded across the Ministry. The understanding that it is the MoIT's mandate to facilitate the growth of the private sector through improving the enabling environment is not embedded in the ethos and structures of the MoIT. The Government has not completely broken with its socialist past and this has, in turn, impacted the negotiating position that Tanzania takes at various trade and integration forums. This makes it difficult for Government to fully embrace the necessity of private sector involvement in trade negotiations.

While the BSPS has built a degree of capacity within the MoIT, this has not been effectively translated into similar interventions in other sectors and ministries. The BSPSIII is perceived by other Ministries to be very focused on Government to Government negotiations, but overlooks the importance of focusing on the business sector. This is the reality on the ground even though a key output of the programme was *'improved stakeholder consultation for formulation of Tanzania's position in international trade negotiations'*¹⁶.

According to the stakeholder interviews carried out for this review, the sense is that MoIT and BSPS III need to collaborate better with other Ministries in terms of a cross sectional approach to trade and the formation of negotiation strategies. Insufficient coordination may be driven in part by limited budgets, resulting in the MoIT only including other Ministries where they have no choice, or where those Ministries have their own budgets to engage. Despite these exceptions, the Government generally has a silo mentality towards PSD and trade. One example of this is exhibited in HODECT – while the Ministry of Agriculture is very supportive of HODECT's efforts, the MoIT has only theoretically pledged support, and the practical outworking of this pledge is very poor. HODECT continues to struggle with accessing promised resources from the MoIT. This displays a lack of understanding and/or commitment to the

¹⁶ Output B1.1 of Component B (Better access to markets)

importance of horticulture in Tanzania. The horticulture sector suffers from a lack of meaningful import and export statistics and the only meaningful data available on formal horticulture exports is from the Tanzanian Revenue Authority (TRA). Additionally, a large amount of informal trading goes unreported. All negotiations and policy decisions require effective trade statistics and strategic research information on an export sector if it is to be prioritised in negotiations. If the BSPS does not stress the importance of such collaboration, then its impact will likely continue to be limited.

Finally, the overall structure of trade implementation in Tanzania is impeded by Government structures. District trade officers who are mandated to perform the trade function at district level are employed by local government and not MoIT. Their key function therefore is administrative and they spend most of their time collecting revenue. In order for District trade officers to function according to their purpose, these officers need to be employed by the line Ministry which is responsible for the private sector. This current management structure adds another level of bureaucracy to an already inefficient system. Interviews revealed that MoIT has little or no direct connection with these lower level trade officers. For PSD/trade policy to be implemented at regional level, communication and management channels will need to be developed to provide an effective base on which to build support to PS lead growth.

Summary

- The BSPS has made an important contribution to developing Tanzania's negotiation capacity
- However, Tanzania very rarely arrives at the meetings with strongly substantiated negotiation positions
- There is a need for the inter-ministerial trade negotiation mechanism or similar to be re-established
- Dissemination of information on what the trade and regional integration issues are to the relevant stakeholders needs to be improved.
- The fundamentals of private sector led economic development are not effectively embedded across the Ministry.
- Structures at district level should be redesigned to effectively allow the implementation of, and support to the development private sector. Local government need to have the same vision, understanding and ownership of the nation PSD strategies that central government have. They need to be empowered to see the 'big picture'

5.3.3 The disconnect between trade and private sector development

Another key factor that limits the impact of the BSPS in developing Tanzania's trade negotiation capacity is the disconnect between trade policy and private sector development policy. This has resulted in very little engagement by the private sector in trade negotiations, thereby limiting the effectiveness of the negotiation team. It is often association administrators who join the negotiation team, but, as indicated by a prominent business man, "*Private sector organisations do not serve private sector interests, most representatives from TCCIA, CTI etc are administrators.*" The CNA team has also commented on the restricted capacity of the MoIT to solicit private sector opinion.

The private sector has not been effectively involved in trade negotiation capacity building funded by the BSPS. Three members of the private sector attended the Zanzibar trade negotiating course, but this is

seen as a token and is not enough to represent the broad private sector interests. As such, the effective participation of TCCIA, CTI, TPSF and the private sector in general in trade negotiations remains weak. Such associations lack effective private sector buy-in when it comes to trade issues. As a result, they are limited by their own capacity constraints both in term of funding and technical capacity. When these organisations do attend preparatory meetings and/or the negotiations they normally only send one delegate. These delegates are weak in their understanding of the issues facing the private sector, trade and PSD policy and normally only have generalist knowledge of the private sector and come from more of an administrative background than a private sector background. It is difficult to represent the private sector and engage effectively in trade negotiations without either specialised training and/or having worked in the sector, or preferably both. They show reluctance to facilitate mainly due to a lack of capability. With the representative organisations enjoying a privileged position with the MoIT and Government they obstruct MoIT from engaging directly with their members. MoIT has inadequate databases of the private sector and therefore does not always know who to engage with on specific issues. MoIT are aware of this and is undertaking, with the support of the Danish Embassy, preparation of a private sector database that identify the right people to consult on various sectorial issues. Their capacity and time constraints make it easier for them to engage with the TCCIA and CTI than undertake the time consuming exercise of finding, engaging and feeding back the responses of industry.

In addition to their own capacity constraints, some of the private sector associations are protective of their preferential relationship with Government and are reluctant to challenge Government. If they are on a platform with Government they are positive and are not prepared to present the true perspective of the private sector. It is the view of some development partners, that apex private sector representative organisations are not using their access to Government and policy debates to truly represent their members, and their role of advocacy becomes ineffective.

A further contributor to the impact of the BSPS and trade negotiation capacity is regional dynamics. Tanzania has a challenging relationship with Kenya. Such relationships are sometimes emotively driven, and push a mindset that competition is bad for Tanzanian industry, rather than supporting capacity to allow for well-informed negotiation positions to be built based on good solid analysis.

Tanzania's negotiating capacity has led to inexplicable anomalies – for example, the importation of wheat from subsidising nations such as Canada and the US. Tanzania reduced tariffs on these imports by 50 per cent, severely impacting local producers. In a similar fashion to the private sector, NGOs, who are also key stakeholders in trade policy, have not engaged very effectively in negotiations, with the specific exception of the EAC EPA negotiations. NGOs that have trade capacity would add value to the negotiating processes; as was the case with the EPA negotiations. These NGOs generally have well informed positions owing to their external networks and funding and are often well coordinated as has been seen in the past EPA and the WTO ministerial discussions. In contrast the private sector was poorly coordinated and could not effectively articulate their position on the EPA and therefore had little influence on the process.

It can be positive if the private sector has broad ownership of the process, but negative if the process has not taken the 'real' private sectors views and the impacts into account. The EPA negotiations have been highly emotive and political and with little informed input from the broader private sector. NGOs often have externally driven budgets and motivations for the trade policy work they undertake. They have well organised advertising and well planned advocacy campaigns. Their positions on the EPA were well informed and researched.

Summary

- There is a disconnect between trade policy and private sector development policy. This has resulted in very little engagement by the private sector in trade negotiations, thereby limiting the effectiveness of the negotiation team.
- The private sector has not been effectively involved in trade negotiation capacity building funded by the BSPS
- Some of the private sector associations are protective of their preferred relationship with Government and are reluctant to challenge government
- There was better interaction with the NGO sector to harness their capacity in trade negotiations. NGOs had strong input into the EPA negotiations
- Completion of MoIT's private sector database is necessary to allow targeted consultations with private sector

4.3.4 Outcomes and impact of the Masters in International Trade

To complement this report a Tracer Study¹⁷ of the Masters in International Trade was undertaken. It is recommended that this report is studied in order to obtain further understanding of the programme. A short summary of the details contained in the Tracer Report is given in the box below.

Summary of Tracer Study of the Masters in International Trade

- The population of the MIT graduates from the 2005/6 to 2010/11 intakes is 114. 14 of these graduates are from the Ministry of Industry and Trade
- 66% of the graduates are male with 34% female

Distribution of MIT Graduate by Sector	Year graduated												Total	
	2007		2008		2009		2010		2011		2012			
	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Government (Economist/Policy analyst/Trade officer)	12	12	10	10.9	5	5.4	6	6.5	12	13	0	0	45	48.9
Government (Non economist)	6	6.5	2	2.2	1	1.1	0	0	7	7.6	1*	1.1*	17	18.5
University/College	1	1.1	5	5.4	5	5.4	3	3.3	1	1.1	0	0	15	16.3
Bank (Commercial)	0	0	0	0	0	0	0	0	2	2.2	0	0	2	2.2
NGOs	1	1.1	1	1.1	1	1.1	1	1.1	1	1.1	0	0	3	3.3
Own Firm/business	0	0	0	0	0	0	1	1.1	1	1.1	0	0	2	2.2
Other (Not employed)	0	0	1	1.1	1	1.1	0	0	3	3.3	0	0	5	5.4
Total	21	22.8	19	20.7	13	14.1	11	12	27	29.3	1	1.1	92	100

* Not complete. The process for total number of students who will graduate this year is in progress

- The alumni reported that the MIT was relevant for their occupations. 39.1% of the respondents indicated that the MIT was fully relevant, 47.8% reported that it was partly relevant, and 13 % of the respondents indicated that the MIT course was irrelevant to their current occupations.
- 63% of MIT graduates were of the opinion that the programme can attract private and international students.
- 96.7% of the respondents were satisfied with the procedure used in delivering the DANIDA support at the beginning of the program and also after the change of system.
- About 64.1% of the graduates feel that there is an improvement in Tanzania's foreign trade following DANIDA support. The remaining 35.9% of the respondents have not observed any changes saying that the support has been in place for too short a time to allow for the impact and causality between the Masters Degree and Trade improvements to be discernible
- Graduates are well informed about Tanzania's trade policy matters and of facts such that it is being reviewed after every six years. Many knew that the 2003 trade policy is now under review and some MIT graduates are members of the review team. A good number, 69.6% of the graduates, believe that changes in trade policy have accelerated the country's economic growth

¹⁷ The full tracer study is available through the Danish Embassy

The MIT course has had a positive impact on the general level of training in the MoIT and has made a difference. There is agreement in MoIT that the MIT graduates have relevant and appropriate training and agree that the course was tailored to meet Ministry needs. Before the BSPS intervention programme Tanzania had very few people participating in trade negotiations. Both BSPS and WTO training have led to better equipped teams to support the different trade negotiations. There were no technical meetings to prepare a position prior to a negotiation meeting – these meetings were instituted as a result of the BSPS support, although only one to two weeks before the negotiation date. The meetings helped improve the position of the technical team on EPA.

MIT graduates have helped to influence the EAC outcome. Negotiators are now better equipped to understand issues and prepare themselves more effectively for all the trade negotiations (bilateral, EAC, EPA, SADC, Tripartite and WTO).

The BSPS was critical in allowing for the funding of key components of the MIT, including:

- Geneva field trip module which was very beneficial. Interaction with experienced experts helps to build capacity and create a realistic view of the reality of negotiations in 'real time' situations.
- The three week course in Zanzibar on trade negotiations was a highlight of the short term training. Geneva experts gave step by step courses on formulating negotiation positions, including fallback positions. This was immensely beneficial and was applied to EAC and SADC negotiations.

In other Ministries and agencies, much of the training that is available is completely unrelated to the job description of the employees that attend it. There still remains an ethos of training for training sake. Attendees often attend the training because of the travel and per diem perquisites. There still remains a general lack of general awareness in other the Ministries about the MIT. Other ministries complain about the general lack of training, which was not the case with the MoIT who have appreciated the training support received. A key issue to be addressed is that the Ministry is not making effective use of the MIT trained graduates and those who attended the WTO residential courses in Geneva and the other trade related training courses.

The MIT course has a strong curriculum on international trade but it lacks broader private sector development courses. This is important to enable students to contextualise international trade within the big picture. More practical application of the theory both from within Tanzania, and internationally, is required. The students are not exposed to seeing theory turned in to practice. TCCIA attempted to hire an MIT graduate as a trade specialist, but was shocked by the low level of understanding of the graduates during the interviews. TCCIA found that interviewees were unable to apply theory to practical issues being faced by business.

The limited awareness of the programme with other stakeholders has limited the broader impact that the MIT should have had. For example, none of the Ministry of East Africa Cooperation (MEAC) employees have attended the MIT course and one of its key deliverables is trade. Few employees in the MEAC are even aware of the MIT programme.

Traditional economists of the older generation also do not accept the new knowledge being brought to them through younger MIT graduates. It is a challenge to change this mindset and allow graduates access to effectively use their capacity. Many of these MIT graduates are not being used within relevant Ministries. Forty per cent of graduates that are placed within relevant Ministries are employed in completely unrelated departments. One graduate is working in the Ministry of Sport and

Communication. MIT graduates are supplying analysis to inform negotiations but are not being included in the negotiation teams, and are therefore not obtain practical experience. The attrition of the MIT graduates is high, five MoIT staff members graduated from the MIT course - three have since left the Ministry, one was temporarily employed by Trade Mark East Africa and has since been reemployed in MoIT and the other two moved to the Planning Commission.

Summary

- The MIT course has had a positive impact on the general level of training in the MoIT
- There is agreement in MoIT that the MIT graduates have relevant and appropriate training and agree that the course was tailored to meet Ministry needs.
- The MoIT is not making effective use of the MIT trained graduates
- The MIT course has a strong curriculum on international trade but it lacks broader private sector development courses.
- Forty per cent of MIT graduates that are placed within relevant Ministries are employed in completely unrelated departments.

4.3.5 Other factors that affect effectiveness of BSPS

- Tanzania continues to have poor capacity in the areas of Sanitary and Phytosanitary (SPS), Technical Barriers to Trade (TBT) and trade facilitation. Further financial and technical support is required in these areas. If the Tanzanian private sector is to comply with EU and US standards more capacity needs to be built directly in industries and not just to the Government agencies. Tanzania has no effective infrastructure to implement the SPS and the TBT. Infrastructure in methodology, assessment, and ‘standards’ is required as Tanzania does not have the capability to implement full traceability for their products from the table to the farm.
- There is a lack of effort to harmonise rules of origin and customs tariffs. The recent rules of origin study funded by BSPS III was well received and increased the knowledge base, but it remains for it to be effectively used. TMEA assisted in building capacity and raising awareness on trade issues, it supported a national monitoring committee through surveillance, and was able to provide a platform for dialogue with key stakeholders. TMEA is also raising awareness in the private sector through the online monitoring system of non trade barriers and are currently looking at an SMS system for reporting.
- Other structural deficiencies in the MoIT are exhibited in how the key trade issues are managed. There is only one person coordinating Non-Trade Barriers (NTBs) – that person is also the responsible desk officer for EAC and SADC.
- Coordination between Ministries is very weak. Many of the ministries are talking about trade related issues, but they are not being effectively coordinated from the president’s or the prime minister’s office. The Tanzanian government does not have clear lines of communication through which to coordinate trade policy and strategy across the various trade related ministries¹⁸.
- The core team of young trade analysts was established into a Strategic ‘Think Tank’ by the previous management regime in the MoIT. The objective of this was to use bright young people who would be moving into management positions in the future and use their analytical talent to further build their capacity and enhance the strategic thinking of the MoIT.
- There has been a change in management of the MoIT and this has impacted the strategic direction of the Ministry.
- The state still perceives itself to hold a very interventionist role in steering the economy. An open and honest dialogue for the societal model of development is needed.

18 Ministry of Industry and Trade (MOIT), the Ministry of Finance (MoF), the President’s Office, Planning and Privatisation (POPP), the Ministry of Foreign Affairs and International Co-operation (MFAIC), the Ministry of Agriculture and Food Security (MAFS), the Ministry of Cooperatives and Marketing (MCM), the Ministry of Water and Livestock Development, the Ministry of Energy and Minerals (MEM), the Ministry of Natural Resources and Tourism (MNRT), and the Ministry of Communications and Transport (MCT).

4.4 Sustainability

4.4.1 Development of Trade Negotiation Capacity

The sustainability of BSPS efforts to develop trade negotiation capacity is limited because it is not synchronised with efforts to develop the productive base of the country through the private sector. As a result of a limited management effort to defend and sustain capacity gains, coupled with a lack of focus of other Ministries to support the development of trade and the private sector, capacity that is successfully developed through the BSPS is often not retained and supported. Therefore, while the pool of persons with trade negotiation skills has increased, this pool is not large enough in size to make an effective case to Government to continually invest in trade negotiation capacity. Likewise, there is no additional effort to build capacity to allow for the necessary environment to emerge that is conducive to developing Tanzania's trade competitiveness and ability to penetrate markets that have become accessible through trade negotiations.

For sustainability to be attained, the BSPS needs to be more closely linked to true institutional development of the MoIT, with sufficient management and ownership. Currently, the Ministry's capacity to effectively absorb development partner support is weak. It has been the desire of the Swedish Embassy to assist the trade sector development through the MoIT, but after two years of ineffective discussions they have withdrawn because of the slow process. Instead, the Embassy has now directed its funds to TMEA where they hope to see better results. This support, if it had been implemented within the MoIT, would have enhanced and supported the market access component of BPS III. The MoIT does not have the institutional capacity to implement the projects which are currently underway within the Ministry. This significantly impacts on the following core objective of the BPS III Component: *"i) assisting MoIT with developing its human resource and institutional capacity for improving Tanzania's position in international trade negotiations and follow-up on signed agreements."*

The lack of policy coherence in Private Sector led growth in Tanzania gives poor direction to trade policy and Market access requirements. If trade negotiation capacity is to be effectively maintained and market access improved then a PSD strategy needs to be developed as the key tool of the Cluster One (Growth for Reduction of Income Poverty) of Mkukuta II.

Summary

- Capacity that is successfully developed through the BPS is often not retained and supported.
- For sustainability to be attained, the BPS needs to be more closely linked to true institutional development of the MoIT
- PSD strategy is a critical to the development of market access and a well informed trade negotiation strategy that will be owned by the private sector

4.4.2 Masters in International Trade

There are major sustainability concerns with the Masters in International Trade (MIT). Although the programme meets all quality assurance aspects, the sense of stakeholders is that the quality of the degree has diminished in the time period between the first batch of graduates and the fourth batch of graduates. The UDBS has not maintained the unique nature of the MIT. Although only one member of the original team of lecturers has left (Prof. Matambalya went to Sweden), the sense is that the UDBS now lacks adequate specialised teaching capacity in international trade and is having to increasingly use members of faculty who do not have experience and the academic background to lecture in international trade. The UDBS argues that it is using junior staff for continuity and understudying, and almost all who taught in the first batch are the same instructors for succeeding batches.

Gaps in the MIT course include:

- Lack of training on where trade policy fits within the private sector development process. The UDBS said this is addressed by introducing the MIB, but what is important is an understanding of the private sector development process **in the MIT course**.
- Missing link between trade and the enabling environment. The UDBS says this is being addressed through the delivery mode, though the success of this approach is uncertain.
- Needs constant input on analytical tools. The UDBS says this is being addressed through the delivery mode.

The total cost of the MIT is high, close TZS 20,000,000 with the tuition fee being TZS 7.9 Without scholarships very few students, if any, can afford to attend. Given that this is a specialist course that does not provide many job placement opportunities (as is the case for example the MBA¹⁹) the MIT should be more competitively priced for Students The question that UDBS, DANIDA and the other stakeholders face, is whether the course is sustainable at this price without scholarships? Students have become totally dependent on the scholarships as these scholarships pay for everything; stipends, books etc. If the scholarships offered just tuition fees it may attract students who had a desire to do the MIT for professional enhancement in their careers, careers that focus on trade or trade related employment. The key issue would be the security of job placement once the degree is finished. The transition of the MIT course to evenings and modular delivery will allow students to not leave their jobs and thus increase their capacity to pay the fees.

Although the bursary is equal for all UDSM postgraduate programmes, the level of funding for the MIT scholarship has, in some cases, had the effect of attracting students more as a result of the size of the bursary than because of their desire to follow a career in trade. This has also attracted students that are from backgrounds that are not business or trade related, but who come because of the scholarship and have no intention of using the MIT afterwards. There is a disconnect between the MIT course and jobs outside of the MoIT. The MIT does not require students to have any background in commerce or trade; i.e. there are biology majors in the current class.

Critically, the value of the MIT course is not recognised and appreciated in Tanzania. Many graduates are either unemployed or employed within a totally irrelevant field. For example, one graduate has now started a private catering business. The MIT course has hosted 150 students so far but does not have a placement programme linking graduates to jobs; this exercise should have been imbedded in the Ministries. The UDBS believes that its current marketing efforts will address this problem, though the effectiveness of such efforts is yet to be determined.

¹⁹ MBA evening 6.3m and MBA executive 8.8m

Without a practical or academic background in trade issues, students are not well prepared to engage with the trade issues raised in the course and often do not have the intention of going into trade related employment on graduation. This undermines the sustainability of the course and impacts on the objective of increasing technical capacity in international trade. Young graduates of the MIT programme, who have been trained in trade negotiating techniques, are not given enough opportunity to use their skills and gain essential and valuable experience. Older trade negotiators within the Ministry are not creating the space for newly trained negotiators to take part. This is often driven by monetary gains that are received through allowances rather than by what key skills are required to achieve success in the negotiations. The team that attends negotiations is generally small, which further restricts the opportunity for MIT graduates to attend and decreases the number of key experts attending. The UDDBS has included two field works to help address this problem.

The course was originally targeted at the Government Ministries, primarily MoIT and MAFS, with the development of the curriculum being driven by UCTAD with collaborative workshops. The MIT /MIB has not been effectively marketed or branded to ensure that the degrees become well known. The private sector, NGOs, SADC, COMESA, EAC institutions and other development partners are generally unaware that UDDBS offers specialised courses in international business and trade. Even within the Government Ministries the MIT is not well known.

Although UDDBS disseminates some information, the coordination and cooperation with the MoIT has decreased since the introduction of BPS III where the budgets were split in Component B between UDDBS and MoIT. There is little or no collaboration with other trade related Ministries or councils.

The funding for practical components of the course (i.e. industry visits, Geneva trip) is not being effectively implemented. The MIT emphasises academic papers, and does not have enough focus on relevant practical trade issues. The course needs to improve its communication with MoIT and other key Ministries to:

- Increase opportunities for students to be exposed to real live trade and negotiation issues
- To better inform the course curricular on the current needs of the country
- To assess where the skills gaps in trade and negotiating training/capacity are and to tailor the needs of the course to meet these gaps, especially by providing a practical experience

If the MIT/MIB is to have long term sustainability the faculty should have a mixture between practical experience in the field and academia. UDDBS needs to provide practical, hands on understanding of where trade fits into the bigger picture of economic and private sector development. It is critical that both the students and the lectures realistically understand the practical issues of how markets work, access to finance, labour, fashion trends, etc. There used to be a strong link between MIT and the private sector – this was largely championed by Prof Matambalya, who ensured that relevant experts gave guest lectures at the MIT course. Since Prof Matambalya left, there has been a weakening of private sector linkages and less emphasis on theory meeting practice. It is important to ensure that the two field works capture and address this. The MIT was based around the vision of one individual, and this is not sustainable scenario. For any course to be successful, it needs more than one champion and for this reason the UDDBS is gradually trying to increase the number of champions. It is important to support this process as it takes time.

Practical Tanzanian case studies were overlooked in most of the course components. Prof Mjema taught a theoretical component of the course and was very unimpressed by the abstract nature of the dissertations he supervised. This led the Professor to question whether the course would adequately prepare Tanzanian experts.

If the MIT builds a reputation around a knowledge base, and can provide both graduates and professional services in key areas, then the demand for the graduates will increase. It will also attract fee paying students from all sectors of both Tanzania and the region.

The changing of offering models into evening and modular represents a transition plan for the MIT once donor funding comes to an end. However, the sense is that MIT management needs to do much more to develop a long term strategic plan for the development and marketing of the MIT. The UDBS has had the intention of devising a marketing plan by which it would target key stakeholders such as other Government departments, key private sector associations, private sector companies, NGOs participating in the trade arena (Action Aid, Oxfam), the SADC, COMESA and EAC secretariats. While this has started, it needs much more resources and support in order to demonstrate 'real ownership' of the MIT programme. It is suggested that the MIT could either self-fund or find funding to ensure its marketing strategy is well-targeted and of even scale and scope. This is critical if the MIT and MIB courses are to become more sustainable. Three students are now enrolled for the PhD programme. This programme could be expanded to include PhD students from the region.

With the changes that the management and the MIT programme has undergone in the past three years it has lost some of its appeal. The reduced funding for the MIT programme can no longer sustain all the students attending the Geneva field trip programme and supporting experts from Geneva facilitating the various practical aspects of the course. The Geneva trip is now an optional extra but at a cost to the student. Other options such as visiting COMESA, EAC etc are being considered.

With management changes to the course in recent years there appears to be less vision, ownership and drive behind the course. The sense is that this may have contributed to a decline in the quality of the teaching, together with a long transitional period to increase the number of quality lecturers and champions. Lectures from the general economics school, who do not necessarily have a good knowledge of trade issues, are now being co-opted to teach some of the curriculum. This is good, but if the course is to be sustainable it needs to offer excellence in the area of trade to build the calibre of the graduates, to attract trade students nationally, regionally and internationally, and to build accreditation as a centre for excellence in trade.

The MIT will likely not survive without scholarships and new delivery modes; the MIB has a better chance of survival as it has a better job absorption. The course should be under continue review to ensure that it remains market related and attracts more students. Without a robust marketing plan it will not survive. Even if full scholarships continued to be offered it is essential that the University work with a broad set of stakeholders to improve the course and the job absorption capacity for the degree. The MIT programme idea still remains a very good concept but must be more market related and have both championship from the UDBS and achieve broad key stakeholder ownership.

MoIT students enrolled in the MIT are generally (with the exception of one candidate) over 40 years old. This is not ideal for long term capacity building within the MoIT. Addressing sustainability issues would be self-reinforcing. For example, TMEA have recently been recruiting Tanzanians for key positions, but have noted capacity gaps when they have interviewed MIT graduates. TMEA indicated they may support the MIT and MIB programme by providing scholarships.

Conclusion and Recommendations

5.1 Conclusion

Tanzania's trade in goods deficit rose from 9.9 per cent of GDP in 2001 to 27.8 per cent in 2011. This has been coupled with a decline in Tanzania's trade balance in services from a surplus of 2.7 per cent in 2001 to a surplus of 1.1 per cent of GDP in 2011. This is a major deficit that risks leading to economic crisis. A key reason for this is the rapid increase in consumption, particularly of vehicles and fuel, which has not been matched by the development of productive sectors. Exports of Tanzania's main export in recent years travel (tourism) have stagnated since 2007. Gold has overtaken travel as the major export, while other mining sectors, such as manganese and precious metals are experiencing rapid growth. The development of the extraction sector will likely continue through gas exportation.

The key point is that it is only mining that is able to keep up with the growth in imports. Traditional agriculture sectors such as tea, cotton coffee and tobacco only registered gradual growth. Fast growing agriculture sectors such as cashew nuts and coconuts, furnishing articles, fertilisers and oil seeds are still in their infancy, thus contributing too little to the trade balance. The exports of fish fillets and pieces declined by 5.1 per cent per year on average between 2011 and 2008. The main exports are tourism, gold, metals, tobacco, coffee, nuts and fish.

The Market Access component of BSPS has made a positive and significant contribution in building Tanzania's trade negotiation capacity. However, translating this contribution into impact in the real economy requires addressing the present disconnect between trade policy and efforts to develop the productive base of the economy through market-led private sector development. While there are other development programmes working towards this goal, the BSPS has not made any attempt to address this through its market access component, both in its support to the MoIT or through its support to the MIT. As such, despite positive outcomes in developing trade negotiation capacity, its relevance, efficiency, impact, effectiveness and sustainability are areas of concern.

It is difficult to draw linkages between changes in Tanzania's exports and the BSPS. As shown in **Figure 10** above, the greatest growth in exports has been toward SADC, firstly, and COMESA, secondly, rather than EAC and EU. This suggests that while regional integration is gradually progressing, the sense is that export growth is more led by *pull factors* such as the growth and size of countries such as South Africa, Kenya, Mozambique, Malawi, DRC and Zambia and 'on the ground' trade linkages, rather than key trade negotiation deals. Of course, market access is necessary to allow this, but market access has generally been gained through Tanzania's economic proximity to regional growth. Indeed, despite the EPA efforts, exports to the EU only grew by 31 per cent between 2001 and 2011, compared to a 521 per cent increase in exports to SADC during the same period. Equivalent figures stand at 692 per cent for EAC and 536 per cent for COMESA. A key question, therefore, that reinforces the importance of linking BSPS Market Access to private sector development, particularly also since Tanzania is not a member of COMESA, is to what extent does the trade negotiation capacity that has been built take into account the real economy?

While the disconnect between trade policy and efforts to develop the productive base of the economy was not a primary concern of BSPS, they cannot be seen as separate. Since they have generally been seen as separate, the sustainability of the BSPS has been susceptible to management changes with the MoIT. A hefty decline in management ownership following the management change in 2009, means that capacity gains made are not being sustained, but rather being lost through lack of retention, poor motivation, job frustrations and retirement. Without true ownership and strategic leadership, that can precipitate a sustained focus on the core capacity within the Ministry to formulate trade policy and negotiation positions, the current negotiation capacity cannot be maintained and strengthened. As a

result, if DANIDA support were to be removed, the strength and sustainability of the negotiation team would be negatively impacted.

In order not to be vulnerable to the management of the day, it is essential to broaden the scope and build trade and PSD capacity across Government and other related stakeholders. This is critical if the development policy and negotiation teams are going to work from the same level of understanding and knowledge base. It is the private sector that trades, and the Government sector that facilitates.

Coordination and agreement across stakeholders is the fundamental underlining principle of an effective negotiating strategy. It is the private sector that will need to be the agents that trade and therefore win/win positions need to be in place before the trade negotiations take place. Capacity needs to be built across Ministries and other key stakeholders to facilitate improved understanding of regional integration frameworks and agreements; these agreements are currently not well understood, particularly in terms of the benefits for the country.

Therefore, going forward, it is important not to view BSPS in a box but rather it has to support linkages to efforts to build the institutional system of the Ministry, and to activities that bridge the gap between trade and private sector development, and to Tanzania's development efforts.

5.2 Bridging the gap between trade and private sector development

There is too much of a divide between Mkukuta and trade policy. It is critical for Tanzania to have two *active, focused and realistic* strategies that are interlinked and derived from the Mkukuta: a Private Sector Development Strategy inclusive of a core Trade strategy and a National Export Strategy. In turn these should then serve as the basis on which to build trade negotiation capacity. Otherwise, the impact and sustainability of programmes to build trade negotiation capacity will likely continue to be minimal.

The PSDS and NES have to collectively provide the basis for a concerted effort to build Tanzania's productive base and trade competitiveness. They need to identify strengths and weaknesses and devise a plan on how to address these. This has to feed into the Mkukuta, to ensure buy-in and ownership and also link to trade policy. The PSDS should focus on facilitating a conducive environment for private operators and value chain development, while the NES should focus on the development of key clusters in which Tanzania has, or can have, a competitive and comparative advantage, particularly with its regional neighbors. It is essential for these key clusters to maximise their development impact as opposed to merely their trade impact, in order to ensure ongoing buy-in.

It is through being guided by such concerted strategies that trade policy can be most effective, and hence through which trade negotiation capacity can be effectively and sustainably built. For example, there has been no impact analysis of the EAC EPA. Market Access that has been provided to the EU in East Africa equates to 82.6 per cent. Tanzania may not need to open up to that level. Feasibly, Tanzania could open to less than 80 per cent. A rigorously conducted analysis would provide a real and informed base on which Tanzania could make properly informed decisions based on fact and not influenced by party politics, NGO lobbies and other stakeholders with vested interests. The EPA negotiations are currently emotive and a highly politicised debate. This debate and policy formulation should be informed by effective and well grounded research.

A further reason for the need for an active, focused and realistic PSDS and NES is that Tanzania has too wide a spectrum of products. While this is a positive, it also means that trade policy is pulled in many different directions, mostly through personal relationships between businesses and Government. As a result, the ability of trade to act as a driver of development is limited, in turn leading to sub-optimal outcomes and a lack of a concerted effort to develop Tanzania's trade capacity, including its trade negotiation capacity.

Tanzania has a wide spectrum of areas where it can focus its market access strategy and negotiations, as presented in Section 3 above. It is suggested that the NES should prioritise those clusters that have multiple transactions and spillovers, and those that it already exports. Many exports, such as gold, mining, tea, tobacco, fish and coffee require little processing, making it difficult to retain value addition in Tanzania, and hence limiting the value of total exports. In contrast, many regional exports such as paper, plastics, wheat, cement, packaging, glass, cigarettes, oil seed products, sugar, soaps, and furnishings/wood products have many spillovers as they set the basis for numerous high value products to emerge. Importantly, many EU exports are low transaction exports, while many exports to EAC and COMESA are high transaction, spillover exports. Yet trade negotiation capacity is sporadic and not focused on supporting efforts to set a conducive environment for their value added potential to be reached. This is where it is essential to link trade policy and trade negotiation capacity to a PSDS and an NES.

5.3 Recommendations for building MoIT and Tanzanian trade negotiation capacity

1. The study has demonstrated that the MoIT lacks the institutional capacity and real desire to set up a capacity building programme within the private sector. Therefore future capacity building programmes should have a multiple approach:
 - Funding through the MoIT to provide them with the incentive to engage with the private sector; it is the Government that negotiates but the private sector that trades
 - Funding directly to the private sector, through mechanisms that are not primarily through the TCCIA and CTI type organisations, to build their capacity to improve co-ordination, increase their capacity to understand and engage in both the PSD and the trade agendas, and to better relate with various Government departments.
 - Design a trade and PSD capacity building project for the private sector and other key stakeholders that will improve Tanzania's market access that can be competitively tendered out to deliver:
 - Modules on what PSD lead growth; target the export sector
 - Training to all economic Ministries including labour and education in where their roles and responsibilities are in terms of PSD. This will assist them in seeing the big picture and where their Ministries and their jobs fit, especially in the formulation of negotiation positions. i.e. negotiations need to be based on well informed research on economic reality.
 - Training in trade negotiations based on the reality of where Tanzania's competitive advantages are.
2. There needs to be increased efforts to retain the trade negotiation capacity built through the BSPS. This should be together with a continuous programme to build new capacity within the MoIT. The use of conditional courses could be one measure applied in this process.
3. A permanent, institutionalised working group for trade negotiation preparation is required. This is important for Tanzania to have a structured and consistent approach to negotiations. These groups cannot be *ad hoc*. An effective and dedicated secretariat together with true private sector and Government champions are essential for sustainable stakeholder buy-in. A permanent working group for trade negotiation preparation should be established. It is suggested that the NETS team be reintroduced or a NETS type of approach used.
4. The market access support from the BSPS requires an anchor that it can fasten itself to, if the support is to have a long term impact. This requires good implementable Ministry plans with

strong leadership and ownership of the BSPS programme across the Ministry. This could be encompassed in the CNA currently being undertaken.

5. Pay increased attention to character traits and attitudes of long-term Technical Assistants. It is essential that such TAs do not create a backfire effect through distancing staff. TAs have to be sensitive to the work culture and not compromise long term institutional and staff development for short-term goals due to pressures by their funders. The latter undermines the effectiveness of capacity building programmes such as BSPS.
6. BSPS should engage more closely with the MoIT once the CNA is completed to encourage it to revisit, improve and implement their strategic plan in line with the findings of the CNA:
7. Tanzania does not have a Trade in Services expert negotiator. Future Danish support could target building capacity in trade in services both through the MoIT and directly into the GoT.
8. The Tanzanian negotiating team has been facing difficulties with the TRIPS issues. Tanzania has done little to build capacity in this area. This could be taken up as a key deliverable for the MIT course and the other short courses being offered. In the interim support needs to be found to fund a TRIPS course.
9. A former Chief negotiator suggested that more capacity needs to be built in the MoIT and other trade related stakeholders for them to better understand the WTO; so that the country can negotiate the EPA while maintaining the flexibility of the WTO. If Tanzania can keep EPA within the compatibility of the WTO this will be largely beneficial to the country as a whole.
10. MoIT (and other Ministries) need to put civil service reform high on the agenda. Until the Ministries are functioning institutions the capacity which has been built through interventions such as BSPS II & III will be weakened and become unsustainable. This civil service issue must be raised at a policy or dialogue level in order to instigate the reform process. Without such an intervention, there is inefficient use of donor funding.
11. Undertake a review of, and support to, the inter-Ministry mechanisms; negotiation groups, and the already established technical working groups. This will be in order to:
 - Build their capacity to effectively negotiate and implement policy,
 - Ensure a consistent team of skilled people is established and maintained,
 - Establish an action plan that focuses on the current five year development plan. It will have built in mechanisms to ensure it can adapt as new programmes come on line i.e. trade policy review, PSD strategy, EIF etc.

The technical working groups should include the private sector. The use of the cluster model would greatly enhance the negotiation capacity. The sector model consists of sector related negotiation teams within the key Ministries, private sector, sector representative organisations and NGOs where necessary. The sector cluster groups would feed their negotiating positions and policy analysis into the national core negotiating team.

12. If DANIDA support is intended for private sector, it is best channelled directly through mechanisms that do not distort fair markets; these need to be established.
13. Provide funding for training in report writing, communication and presentation so that trade negotiation feedback can be appropriately disseminated.
14. Ministry of East Africa Cooperation (MEAC) requests BSPS intervention to support research and analysis within the MoIT related and market access issues.

15. Short courses seem to be in high demand - these courses must be tailored to meet specific capacity needs, not to serve as pleasure/shopping trips.
16. It is unrealistic to attempt to build capacity with District Trade Officers (DTO's) when this capacity has not yet been built at the higher level. However, DTO's should be trained in the basics of PSD and international trade and regional integration to allow them to report more effectively on local economic development. This should include what to look for when undertaking their daily activities and how, and who, to feed the information gathered back to. They should be encouraged to communicate vital information back to the MoIT regarding regional trade issues. Support will be required to build linkages with local Government (i.e. trade officers) to ensure that adequate district information is fed back into the negotiating processes.
17. Support to mainstream trade policy across all divisions of Government; trade policy should not be seen as the sole mandate of the MoIT.
18. The responsibility for the formation of the trade negotiating teams should not be the sole mandate of the MoIT (they should not be responsible for handpicking negotiation teams). Strong ToRs and selection criteria need to be established that define the mandate of the negotiating teams. These teams should be strategically selected; there is a need for inter-agency consensus.
19. BPS III needs a forum to build collaboration between the three components/recipients of BPS funding. Without this, the programme is not adequately aligned with Government objectives.
20. Increased percentage of BPS III funding should be allocated to short term training. Currently, 25% goes towards short term training and 75% to long term training. The research showed the greatest demand within the GoT Ministries is for short term targeted courses; as many employees do not have their MA's and/or the required technical skills to effectively engage in the dynamic trade agenda.
21. Although some lead negotiators have benefited from the MIT programme, specialist negotiators from various agencies have not received sufficient training. Undertake a '*Core Competency Gap Analysis*' of the various Government agencies and key private sector institutions (both at the macro and at the sartorial level) to establish where the greatest current needs are for future support. It is essential to have both generalists and specialists when it comes to trade negotiations and these negotiators need to be strategically identified in the Ministries and other key stakeholders. An example of this is addressing the current weaknesses in the more specialist skills in SPS and TBT.

5.5 Recommendations for the enhancement of the Masters in International Trade

Ownership of the MIT course needs to be home grown in order to make it sustainable. Attrition of candidates also needs to be factored in when considering the long term effects of the programme and the recruiting rate in Government and the actual market. The MIT course should be a degree where minds are challenged and opened up to trade being a viable route to development. It should be a course where critical and analytically thinking is developed.

1. Develop a communications strategy that includes a targeted marketing approach to:
 - 1.1. Principle secretaries and directors of key trade related ministries i.e. Ministry of Industry and Trade, the Ministry of Finance, the President's Office, Planning and Privatisation, the Ministry of Foreign Affairs and International Co-operation, the Ministry of Agriculture and Food Security, the Ministry of Cooperatives and Marketing, the Ministry of Water and Livestock Development,

the Ministry of Energy and Minerals, the Ministry of Natural Resources and Tourism and the Ministry of Communications and Transport. The Principle Secretaries need to know what the MIT and MIB offer and how their Ministries will be positively impacted and the benefits these courses will bring to building capacity of their staff in Trade and PSD. This marketing plan must be institutionalised with continual interaction with the Ministries. Guided tours of the faculty facilities with sessions that allow the executive management to meet the staff.

- 1.2. Improved collaboration with these ministries especially MoIT, MAFS and MEAC to review the relevance of the MIT and to seek input on the on-going curricular.
- 1.3. Increase communication with past students to build both a trade alumni and to tap into the market knowledge and networks that these students have. They could become prime ambassadors to sell the course to their networks and to give feedback on improvements to the course. Ensure that a live updated database is maintained with of all ex-students. Put them on the mailing lists and keep them updated on UDBS and specifically MIT/MIB activities and short courses and market opportunities for their services.
- 1.4. A data base of all trade related NGOs (i.e. Action Aid, Oxfam, Christian Aid etc) should be compiled and the MIT course should be marketed to this target audience.
- 1.5. Target the private sector both directly and through the private sector representation organisations.
- 1.6. Build relationships with SADC, COMESA and EAC representatives.
- 1.7. Use established and new relationships with the above stakeholders to provide access to practical experience. i.e.
 - Attending negotiations (especially when they are in Dar-es-Salaam);
 - Shadowing negotiators and trade specialists in the different trade related Ministries;
 - Possible short term attachments to development partners or donor projects

This process may require a separate funding line in the MIT budget and should be an integral part of the communications strategy. If the programme is not well planned, communicated and accepted by the various stakeholders it will be doomed to failure. This could be tabled at the donor round table meetings on trade and PSD to get a broad ownership at the earliest stages with the objective of it being included in other trade and PSD related programmes. This would leverage the opportunities for MIT/MIB graduates and improve the sustainability of the programme.
2. Run short demand driven courses parallel to the Master's programmes to meet the capacity gap requirements of the various Ministries and other stakeholders. The UDBS runs short courses in other disciplines but not trade.
3. Make use of the Trade Experts Association for the appropriate placing of MIT graduates.
4. The BSPS programme should enhance the MIT programme with a market needs assessment for the MIT graduates. Establishing the MIT course was an end in itself.
5. Increased Danish support for the WTO internship programme. Currently DANIDA and the WTO co-sponsor an intern in the programme. This exposure is very beneficial, and an increase in internship opportunities would be very valuable.
6. Undertake a funding drive to support the course from:

- 6.1. Major philanthropist organisations (Gates Foundation, Clinton Foundation. Gatsby, etc.)
- 6.2. COMESA, SADC and EAC secretariats and their related partners and donors
- 6.3. Other development partners
- 6.4. Further leverage the relationship with WTO, United Nations Conference on Trade and Development (UNCTAD) and the International Trade Centre (ITC)
7. Develop and undertake trade related research and seek grant funding to finance it. This process could support a 'centre for excellence' in trade related issues in East Africa.
 - 7.1. Attract other academics from the region and internationally.
 - 7.2. Generate funds by providing consulting and research services to Governments, development partners, NGO's and private sector.
 - 7.3. Investigate the possibility of partnering WTO, ICT, UNCTAD and other international academic and research institutions to do their regional research for them or with them. This would have the added advantage of attracting other students to the Masters courses.
 - 7.4. Develop a national and international doctorate programme on international trade
 - 7.5. Approach the WTO to partner them running their short courses in Tanzania instead of always in Geneva²⁰.
 - 7.6. Research and investigate other trade related institutions that UDBS could emulate, i.e. Tralac²¹ in Stellenbosch, South Africa. If the Government/academic institutions are supported by external experts at any point, the expert should be coupled with a local expert (or two) in order to promote local sustainable capacity building.

In conclusion, the concept of the MIT could be revisited and an investigation undertaken to create a Centre for International Trade Studies in Dar-es-Salaam. The training and development should not be through a Government owned centre, it should not be purely academic, but should blend Government and academics, the theoretical and practical. This Centre could be in strategic partnership with UDBS where the Masters programme would continue to be offered by the University with support from the Centre. The Centre would offer services to the Government, the development community, the private sector, financial sector, construction industry and other customers. The Centre could host short courses where the private sector could pay, and educate people on how to understand trade agreements and all other trade related activities. This would include training for exporters and importers, health, food and safety standards, such as HACCP²² training. This centre of excellence could service the East and Southern African region.

5.5 Possible interventions for the balance of BSPS III

- Undertake a review of all past, current and proposed policies and strategies relating to private sector driven growth. This analysis would provide a base on which to:
 - a. Review where are the gaps in PSD /trade policy
 - b. Assess where policies compete

²⁰ WTO run courses in Swaziland

²¹ <http://www.tralac.org> – Trade Law Centre

²² HACCP (Hazard Analysis Critical Control Point) is the systematic preventative approach to food safety.

- c. Draw up a strategy to bring all these sub-strategies and policies into line with the Mkukuta II and provide a platform to inform where the Mkukuta II needs to be updated
- Work with MoIT to assist with private sector database project.
- Provide support to develop a private sector engagement strategy for the MoIT and the other private sector related ministries (MEAC, PMO, MOA, MAFS, MNRT etc). This strategy would focus on the database and design a targeted approach to bring the different private sector companies and representative organisations into the mainstream of national and sector policies that impact on their industries, sectors and cross cutting areas, etc. Key focus areas for the strategy:
 - TCIIA,CTI and TPSF
 - Private sector representative organisations that have traditionally been weak and do not fully understand the advantages of PSD and improved trade policy and have a history of being influenced by the companies that have protectionist mentalities; and
 - The actual companies that have enjoyed protection for their industries in the past.
 - Companies that will benefit directly from improved market access
 - Import substitution industries
 - SMEs

Where industries have the potential to develop competitively in the next few years the infant industry argument should be adhered to and these products should be viewed as sensitive products and be captured in the appropriate policies and be treated in negotiations as such. Companies with large employment bases need special consideration in the negotiating process with the various trade agreements.

- Review status and update National Export Strategy. The NES would then inform more effectively the negotiation strategy for EAC, SADC, EPA, WTO and bilateral trade negotiations.

Annex 1: List of Interviewees

Name	Title	Organisation
Hans Determeijer	Project Manager	BEST-Advocacy Component
Salum A. Diwani (PhD)	Director	Bytrade Tanzania Ltd
Anastasia Melis	Programme Manager	CCBRT(Comprehensive Community Base Rehabilitation in Tanzania)
Felix G. N. Mosha	Chairman	Confederation of Tanzania Industries The Voice of Industry
Hussein S. Kamote	BA&MSc Economics Director of Policy & Advocacy	Confederation of Tanzania Industries The Voice of Industry
Riikka Torppa	Economist	Delegation of the European Union Tanzania
Adrian Stone	Senior Sustainable Growth Policy Advisor	DFID (Department for International Development)
Samweli Kilua	Programme Officer	Embassy of Denmark
Mikkel Klim	Programme Co-ordinator	Embassy of Denmark DANIDA International Development Cooperation
Love Theodossiadis	Second Secretary	Embassy of Sweden
Jacqueline Laisser-Shemhulu	Executive Director	HODECT (Horticultural Development Council of Tanzania)
Salum Shamte	Managing Director	Katani Limited
Iver Rosenkrantz	CEO Master of Law	Kibotrade Textiles Ltd
Honest Prosper Ngowi	Senior Lecturer, Consultant & Researcher	Mazumbe University
Margaret Ndaba Mwakyambo (Mrs)	Principal Economist	Ministry of Agriculture Food Security and Cooperatives
Aristides R. Mbwas	Economist	Ministry of Industry, Trade & Marketing
Bartwell J.A. Chingoli	Manager Exchange Control Operation	Reserve Bank of Malawi
Raymond P. Mbilinyi	Ag CEO/ Director of Investment Promotion	Tanzania Investment Centre
Revocatus Arbogust	Researcher	Tanzania Investment Centre
Anna Lyimo	Researcher	Tanzania Investment Centre
Daniel Machemba	Executive Director	TCCIA (Tanzania Chamber of Commerce, Industry and Agriculture)
Emmanuel C. Nnko	Senior Marketing Officer	TCCIA (Tanzania Chamber of Commerce, Industry and Agriculture)
Jones M. Sikira	Executive Director	Tea Association of Tanzania
Prof. Godwin D. Mjema	Rector	The Institute of Finance Management
Prof. Tadeo A. Satta	Deputy Rector	The Institute of Finance Management

(PhD Manchester)		
George P.E. Lauwo	Director	The United Republic of Tanzania Ministry of East African Cooperation
Suzana Mukohi Mwita	Principal Trade Officer	The United Republic of Tanzania Ministry of Industry & Trade
Zavery David Mdemu	Principal Trade Officer	The United Republic of Tanzania Ministry of Industry & Trade
Manyama Bwire Bukori	Trade Officer	The United Republic of Tanzania Ministry of Industry, Trade & Marketing
Clifford K. Tandari	Deputy Executive Secretary	The United Republic of Tanzania President's Office, Planning Commission
Jaaqueline B. Mbuya	MBA, Bsc. Agric.	The United Republic of Tanzania, Ministry of Agriculture, Food Security & cooperatives Policy and Planning Department
Ally Senga Gugu		Trade Mark East Africa
Paulina M. Elago	Country Director, Tanzania	Trade Mark East Africa
Dr. Marcellina M. Chijoriga	Dean	University of Dar es Salaam Business School (UDBS)
Evelyn Richard	PFIM	University of Dar es Salaam Business School (UDBS)
John Baitani	M&E Officer	University of Dar es Salaam Business School (UDBS)
Dr. John Philemon	MIB/MIT Manager	University of Dar es Salaam Business School (UDBS)
Mr George Gandye	Lecturer	University of Dar es Salaam Business School (UDBS)
Christine Chula	Project Coordinator	University of Dar es Salaam Business School (UDBS)

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Annex 3

Studies undertaken through BSPS III

As mentioned in Section 2 Danish support funding of a number of trade related studies to inform international trade negotiations and decision-making in trade policy issues. These studies have had a positive impact on Tanzania's trade position and increased the pool of knowledge informing policy, strategy and negotiation positions.

- A) Analysis of the Services Sector with a View to Making Commitments in the Context of Trade Liberalization at Bilateral, Regional and Multilateral Trade Negotiations
- B) Study on the Rules of Origin for Tanzania in the context of the EAC-EU EPA negotiations
- C) Review of Tanzania's Legal Compliance with the Multilateral Trade Agreements of the World Trade Organization
- D) The Move Towards EAC – EC – EPA
- E) Study to Review the National Trade Policy
- F) Development Strategy Tanzania EAC EPA
- G) Capacity Needs Assessment – still being undertaken