



Tanzania Cluster Competitiveness Program

Summary of Industry Cluster Identification
October 2009

Project Components

MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR

1) Conduct competitiveness diagnostics & social assess

- a. Review 20 clusters and narrow to 8
- b. National Competitiveness Assessment
- c. Cluster/Value Chain Assessment among 8 clusters
- d. Cross check against main social impact factors

2) Identify 3 initial target clusters

3) Craft cluster strategies

- a. Stakeholder consensus
- b. Target markets, value chain linkages, policy reforms, univ. curricula
- c. Social Assess – shape design of interventions
- d. Design CCP interventions

4) Implement cluster strategies (6)

- a. Demand driven assistance
 - Value chain optimiz
 - Export devel
 - Policy reform
 - Institutional capacity building
 - Infrastructure, tech training...

5) Build capacity to sustain cluster initiatives

- a. Framework for National Competitiveness Task Force
- b. Institutional and BDS capacity to support cluster develop

Cluster Competitiveness Program

Identification of Target Clusters and Value Chains

Criteria for Identification

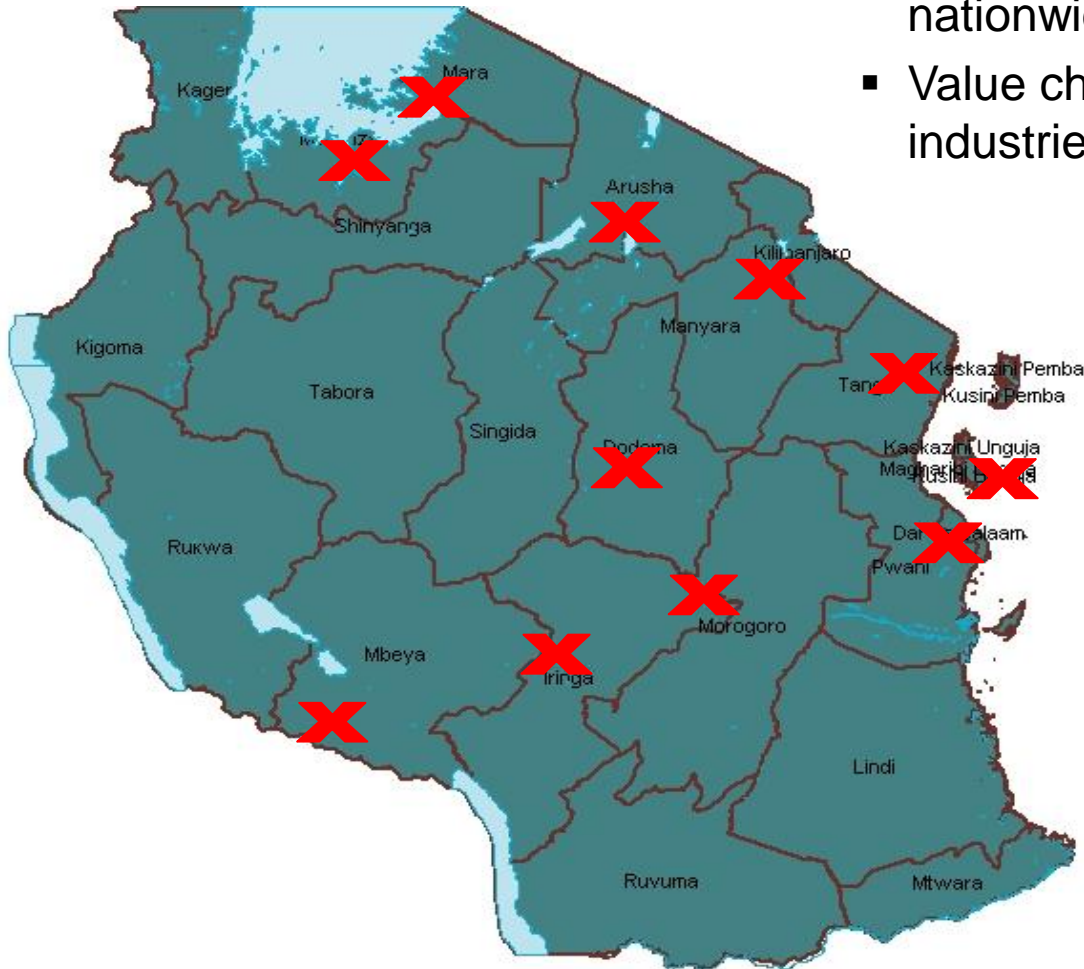


Process for Identification

1. Economic mapping
2. Pre-select 8 clusters/value chains based on available information and initial interviews
3. Compile and review recent studies on specific industries
4. Conduct in-depth analysis and primary research to fill in data gaps
5. Facilitate industry roundtables with 8 clusters to determine commitment and feasibility

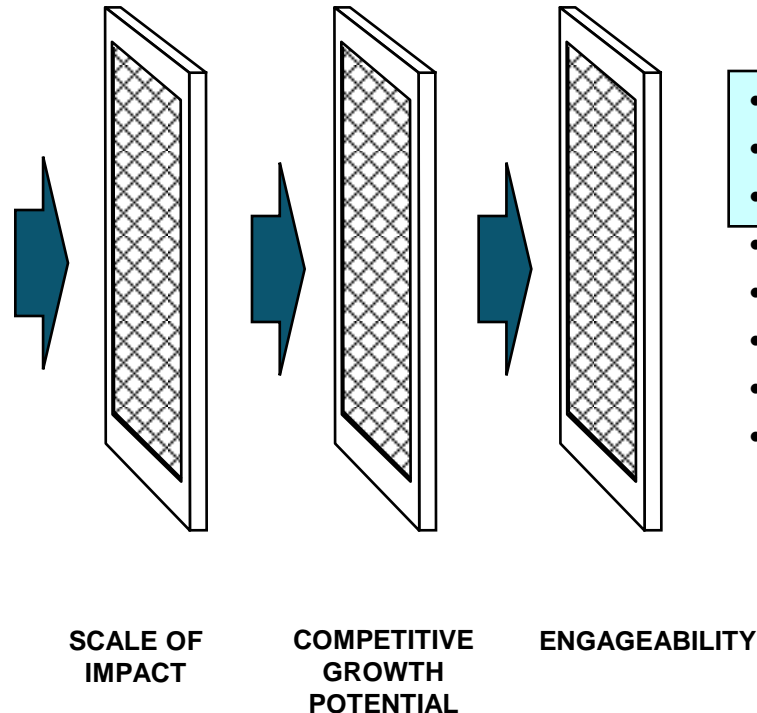
Progress Update

- Interviews with over 250 stakeholders nationwide over 8 week period
- Value chain analysis completed on 8 industries



Identifying Target Clusters and Value Chains

- Staple Crops
- Horticulture / Food Processing
- Coffee
- Cotton
- Tea
- Oilseeds
- Livestock: Meat, Dairy
- Spices
- Cashew Nuts
- Engineering/Machinery
- Tourism
- Transport/Logistics
- Footwear
- Textiles and Apparel
- Furniture
- Construction Materials
- Chemicals/Pharmaceuticals
- Fishing / Fish Products
- Wood Products
- Gems & Jewelry



- **Horticulture**
- **Food Processing**
- **Tourism**
- Tea
- Livestock – Beef, Dairy
- Fishing
- Textiles and Apparel
- Transport/Logistics

Status of Selection Process

Some advantages...

But significant drawbacks...

Dairy

- High potential impact
- Market potential

- Immature, disorganized, inefficient value chains
- Few private sector leaders
- Limited “cluster” potential

Textiles & Apparel

- Potential employment generation
- Linkages to cotton value chains

- Unclear if Tanzania can compete in current market
- Weak supporting conditions for industry
- Limited “cluster” potential

Tea

- Competitiveness conditions present
- Growing international market
- Good industry organization

- Significant support already planned for industry similar to TCCP

Preparing Future Clusters

Livestock: Meat

- Enthusiastic leadership in industry associations
- Potential to link with Leather
- Include meat in food processing events / activities
- Start initial cluster meetings in second half of year 1

Transport and Logistics

- Integrate transport issues in 3 initial clusters
- Work with industry leadership at key transit points to build deeper understanding of constraints in the sector

Fishing

- Revisit in 6 months to assess readiness

Gems and Jewelry

- Numerous assets for Tanzania, but distorted market with competition constraints that require policy reforms
- Conduct policy analysis on the sector to introduce key structural and market reforms

Horticulture: Points to Consider

- Strong industry association (TAHA) aligned with government presents opportunity for significant development of industry
- One of few industries with emerging clusters
- Potential for medium-term increases export competitiveness in international markets
- Recent domestic and regional market growth in horticulture products create potential to strengthen local value chains
- High potential impact on employment (300,000 direct beneficiaries)
- Already support from USAID and the Dutch Embassy – however, efforts appear to be complementary to TCCP

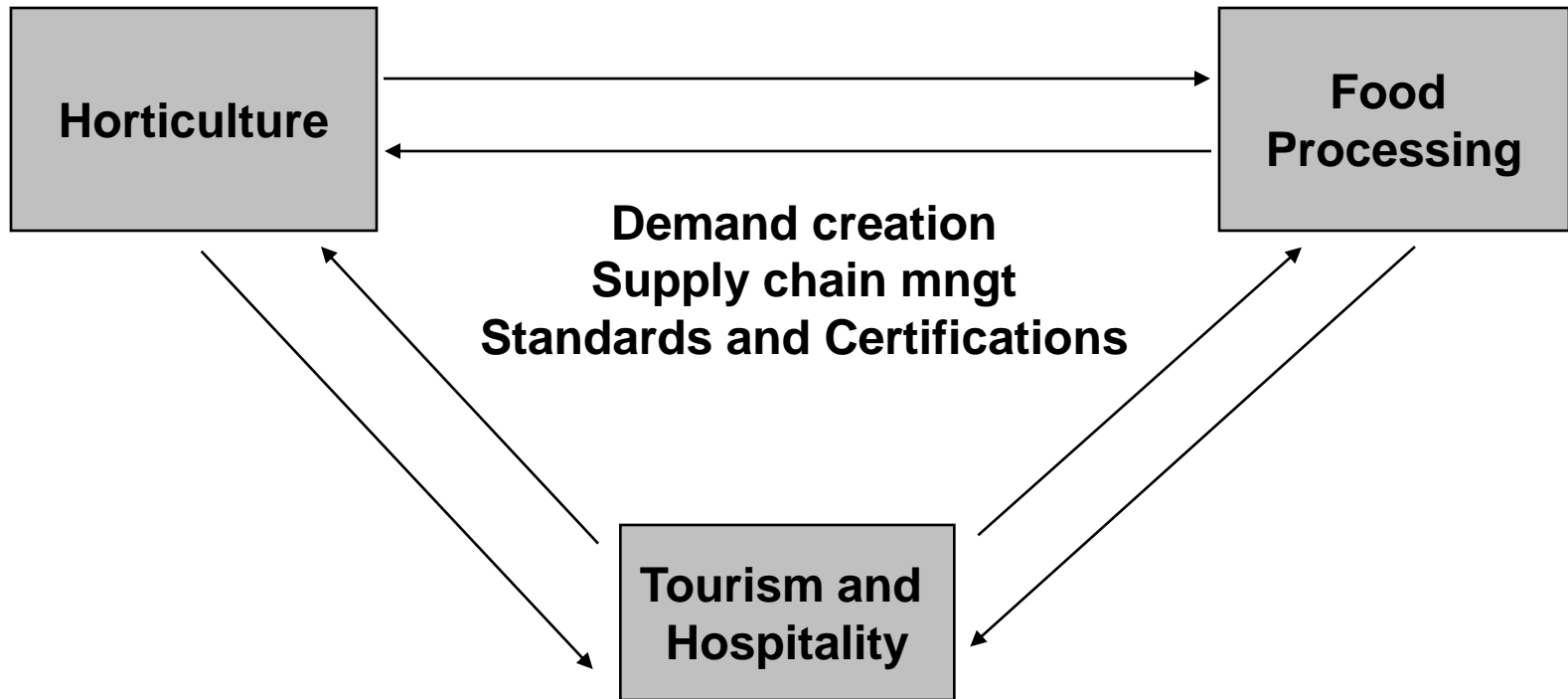
Food Processing: Points to Consider

- Limited donor support at industry level to date
- New and emerging leadership in food processing that is starting to look at regional opportunities beyond Tanzania
- Increased concern for food security globally
- Creates demand 'pull' for various agricultural products
- Opportunity to support food processing industry representation
- Emerging clusters in Iringa, Dar es Salaam, Arusha
- Allows TCCP to work with a number of different sub-sectors and improve quality of production and distribution (Dairy, Fishing, Fruits and Vegetables, Meat, Grains and Legumes, Oilseeds)

Tourism: Points to Consider

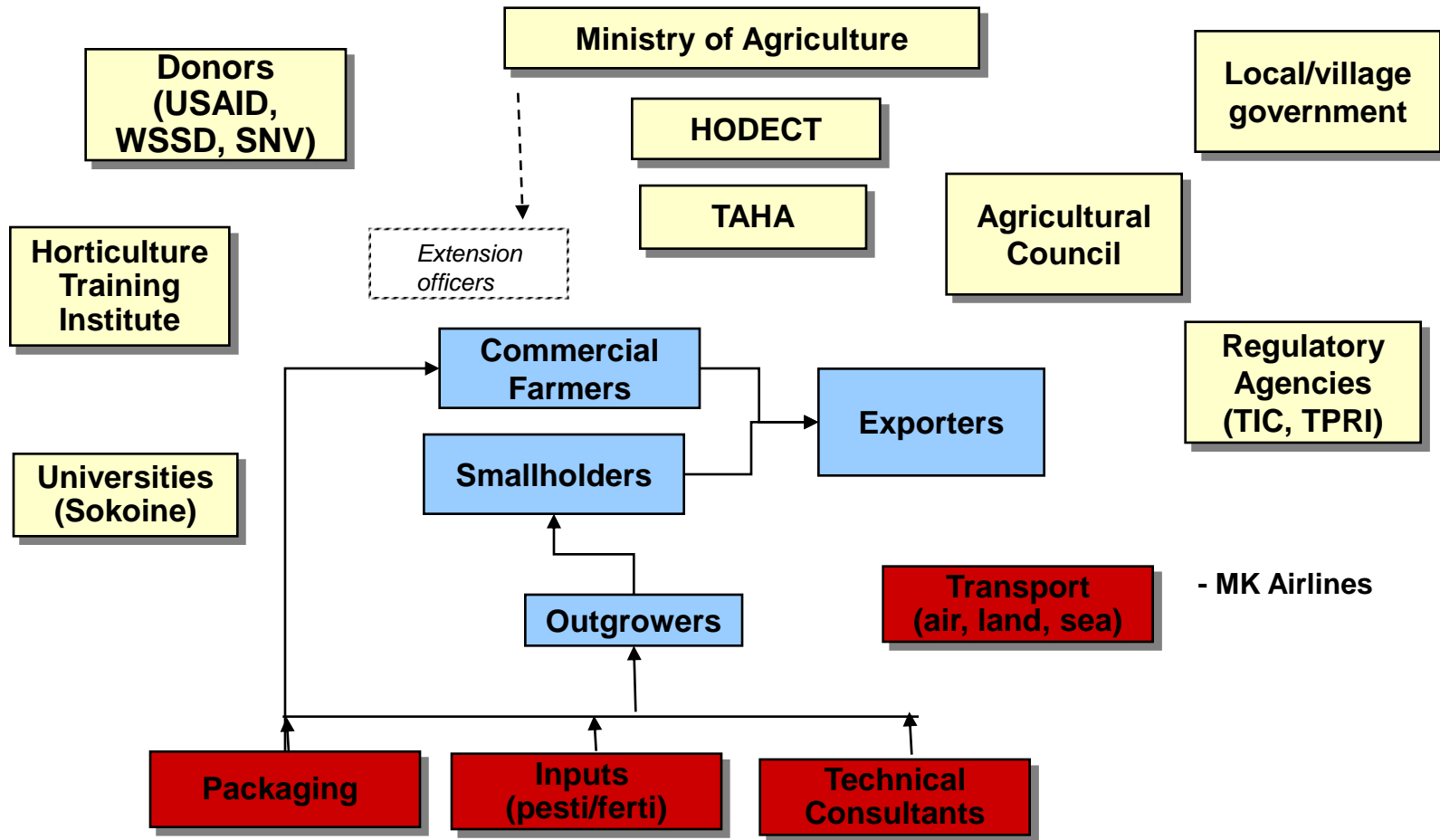
- Important part of Tanzania's export economy with many linkages
- Wide opportunities in employment generation / SME development
- Opportunity to improve international promotion
- Nation-wide assets and opportunities for tourism development
- Recent market trends (community and philanthropic tourism) create potential to expand participation and benefit of the poor
- Downturn due to the Global Financial Crisis provides unique opportunity to bring business and government together
- One of few industries with developing clusters and potential for medium-term global competitiveness
- National portfolio of tourism assets in need of public-private coordination to preserve and manage
- Tanzania's window to the world that sets stage for competitiveness of the rest of the economy (foreign investment, trade, diplomacy)
- Limited donor support at industry level to date

Cluster Linkages

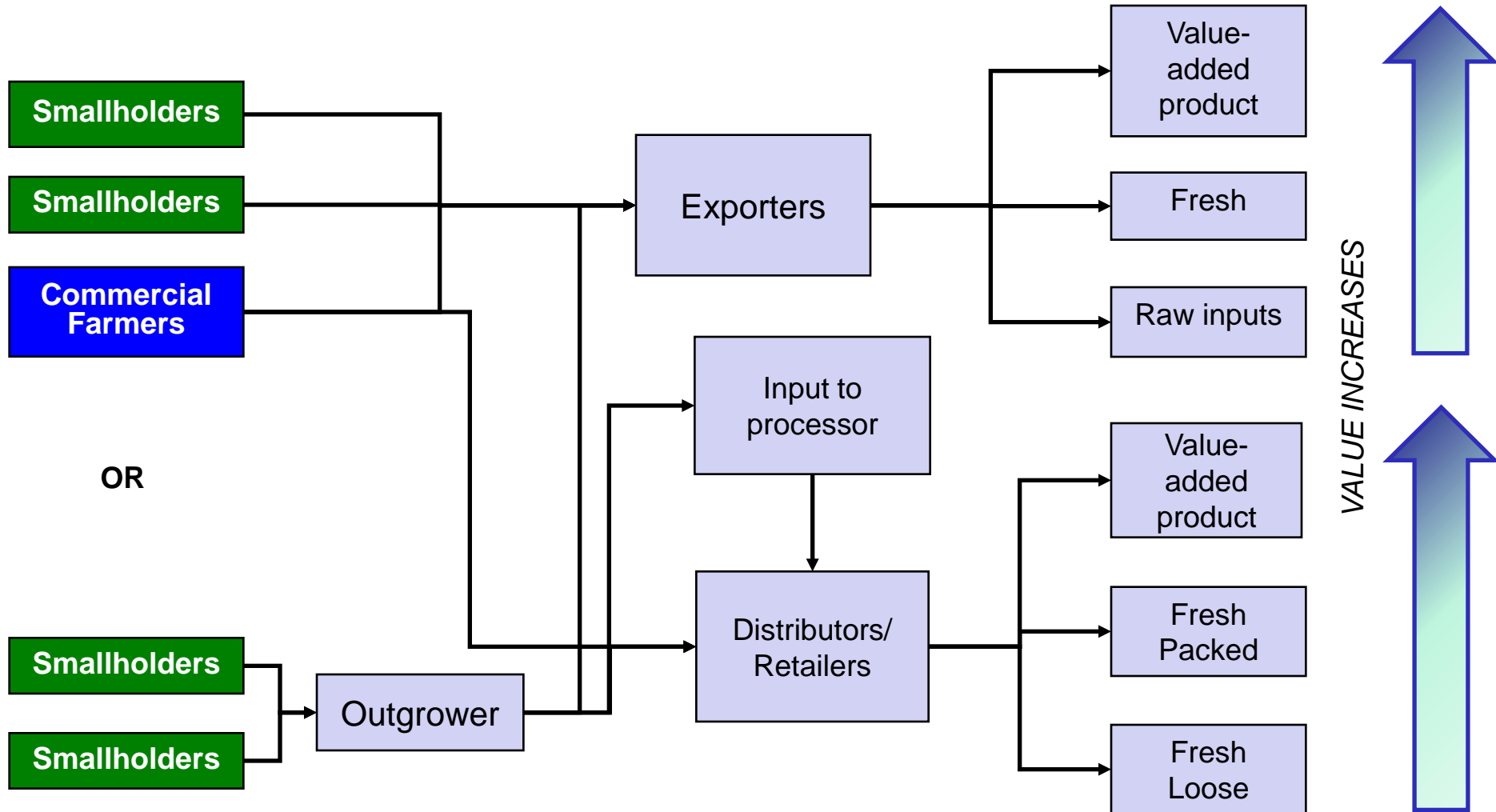


Example Analysis: Horticulture

Horticulture Cluster Map



Horticulture Value Chain

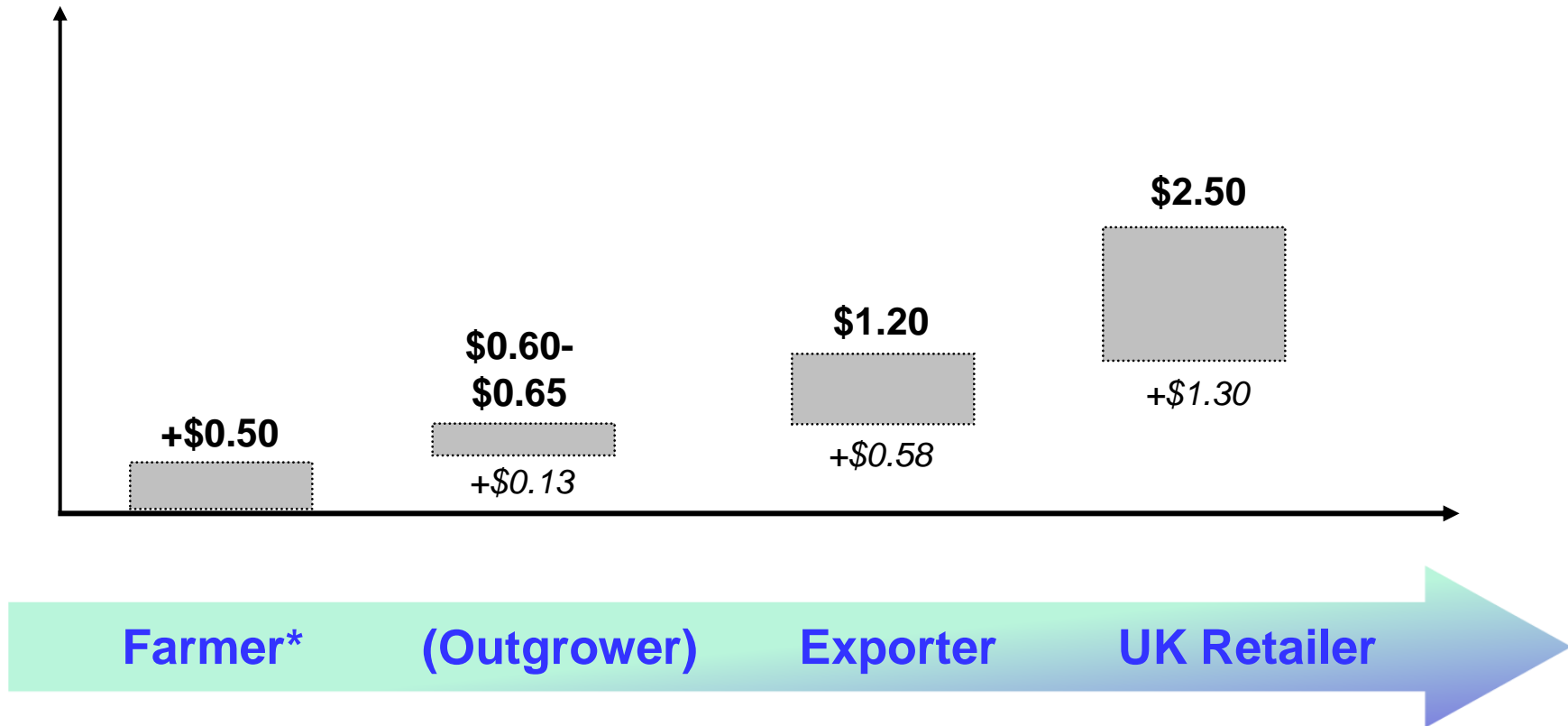


*Smallholder farmers may sell directly or through an outgrower schemer

Economic Value Chain

Green Beans: Prices Received at Each Stage

Example from One Growing Area Near Arusha



*Smallholder farmers may sell directly or through an outgrower schemer

Key Constraints in the Value Chain

Business environment
blocking new investments in
the industry

Certification and
standards for export
difficult to meet

Poor irrigation and
land management

Limited access
to skilled labor
and technology

Limited finance for
farmers

Handling issues
damage products in
transit

No cold storage
at key points, e.g
airport

Inputs

Farmers

Exporters

Example Opportunities

- Improving key points in the cold chain
 - Proposal to build a cold room at the airport
 - Improving standards for shipping truck refrigeration
 - Building capacity for inspection at airport
- Increasing opportunities for value-added in many product areas
 - Packaging, e.g. building pack-houses on site before export
 - Additional branding through upgrading of labeling
 - Prearrangement of flowers into value-added bundles
- Strengthen institutions supporting the horticulture cluster
 - Building capacity at HODECT, the newly formed public-private apex body
 - Design sustainability of TAHA and increase effective of its programs



Horticulture: Emerging Priority Interventions

- Cold chain – improve – more key point, cold room
- Laboratory facilities
- Farm-level capacities
- Pack houses at export points with cold facilities
- Access to finance at farm level matched with technical support
- ID which products best for competitive growth – matched with technical support
- Business planning and management capacity building for farmers and processors
- Improve government support capacity to smallholder farmers
- Water management techniques training for farmers
- Timely market research for horticulture
- Develop horticulture statistics – map Tanzania’s regions and capacities
- Capacity-building with farmers - negotiating and contracting
- Build capacity with associations – lobbying and information provision
- Establish National Code of Conduct for Horticulture/Benchmark of International Standards
- Adopt better technology and standards for processors