

Integrated Framework Steering Committee

**INTEGRATED FRAMEWORK PILOT SCHEME:
PROPOSAL FOR FOLLOW-UP TO THE IF ROUND TABLES**

Addendum

United Republic of Tanzania

I. BACKGROUND

A. INTEGRATED FRAMEWORK ROUND TABLE

1. To-date, the implementation of the Integrated Framework (IF) Programme for Tanzania has involved two consultative workshops, a presentation to the Consultative Group Meeting and twelve sessions of the National Steering Committee.

2. The First consultative workshop was held on 14 October, 1999 and its main output was a compendium of trade related assistance projects then under implementation and a revision of the constraints that have to be addressed in the process of facilitating trade development. The output thereof served as the basis of designing a Programme to address constraints mitigating against trade development in Tanzania. The programme drew heavily on an Export Development Strategy (EDS) report, undertaken by the Government with the assistance of the World Bank, whose final report was submitted in 1996.

3. The second consultative workshop was held in April 2000 to adopt an IF Programme that was presented to the Consultative Group Meeting held in Dar-es-Salaam in May 2000 (through a three volume set of documents). During the CGM, the multilateral and bilateral donor community adopted the Programme and indicated commitment to channelling priority assistance to a component on "Strengthening the Enabling Business Environment" involving legal and regulatory reforms and institutional capacity building, on key elements of private sector development.

4. In September 2000, the National Steering Committee with the support of DFID, SIDA and the Royal Netherlands Embassy embarked on designing an action-oriented "Enabling Environment Programme". A team of international consultants undertook extensive field-work involving review of existing studies and reports and interviews with stakeholders in the public and private sectors and the donor community with regard to constraints related to the enabling environment. A draft programme was produced and submitted in December 2000 and served as the basis for further consultations in Government and between the Government and the private sector. A final report recommending a programme with a budgeted cost of 14 (fourteen) million dollars was submitted in May 2001 and is now being considered within Government channels for approval and implementation. Four bilateral donors have indicated commitment to support the programme technically and financially, subject to its approval for implementation. These are the Governments of the United Kingdom, Sweden, The Netherlands and Denmark.

5. The programme for "Strengthening the Business Environment for Tanzania" incorporates five key components:

- A Better Regulation component;
- A Commercial Justice Delivery Component;

- Strengthening of the Tanzania Investment Centre;
- A Component on Changing the Culture of Government; and
- A Component on Strengthening of Private Sector Advocacy.

6. From a different perspective, since May 2000, the Government of Tanzania has been working on the formulation of a Tanzanian Trade Development Strategy and Trade Policy, with the assistance of the Swedish Government (Sida). The objective is to come up with a Trade Policy document that reflects the essence of an economy in transition towards a market system and provides for conformity with national obligations arising from membership in the WTO.

7. Finally, the Government of Tanzania is also in the process of laying the groundwork for effective implementation of the envisaged trade policy with the support of the British Government (DFID) through a Trade Policy Programme, currently at the design stage, focusing on measures needed to establish the capacity to implement the new trade policy.

B. TANZANIA'S INTEGRATION IN THE MULTILATERAL TRADING SYSTEM

8. Tanzania's trade policy is in draft form (as of November 2000). The country is among the first four LDCs receiving assistance under the Joint Integrated Technical Assistance Programme (JITAP) to enable the country come to grips with World Trade Organisation (WTO) arrangements in order to **access** opportunities in the world trading system and initiate mitigative measures for its full integration in the world trading system. Tanzania's gains in international trade have not been very encouraging so far, although a great potential exists. The poor performance of exports is attributed to low production and uncompetitiveness brought about by high costs of production, low quality of products as well as market-related weaknesses. This in turn is linked to the low level of skills and general low level of development. In particular, the country has not been able to take full advantage of opportunities in external markets due to the structure of her export base. Exports of agricultural products in unprocessed or semi-processed forms constitute around 60 per cent of total exports. Experience with high reliance on agricultural exports (declining terms of trade, susceptibility of output to weather changes, etc) led Tanzania into mounting strategies towards diversification into non-traditional exports in an effort to overcome supply-side constraints. In this regard, trade policies have been pursued coherently. For Tanzania to benefit from the world trading system she has to seriously address the issue of competitiveness. Areas of such potentials include mineral exports, manufactures and tourism. The government has come up with many initiatives addressing:

- Supply constraints especially physical infrastructure as well as costly and unreliable utility services; capacity constraints in production.
- Support services in trade (information, financing, technical, packaging etc.).
- Technology to effect diversification especially into export of manufactures.
- Export culture (non-adherence to standards and delivery schedules).

9. These initiatives include the Joint Integrated Technical Assistance Programme (JITAP) and the Integrated Framework for Trade (IF).

10. The JITAP programme has covered good ground in addressing the problem of Tanzania's ineffective participation in the MTS and helped create broad-based awareness of the MTS, the benefits to be derived from it and its implications for businesses. On the supply side, the Government with the support of partners in development is implementing a programme which covers the power sector, railways, roads, telecommunications, ports, petroleum sub-sector, in the medium term. Other initiatives include support to the privatisation process, mineral sector development and development of financial institutions.

C. STRATEGIC CONSIDERATIONS FOR THE MAINSTREAMING OF TRADE

11. In view of the foregoing constraints and current initiatives being pursued, Tanzania has opted for the exploration of export possibilities in the context of sub-sectors with high potential for enhanced performance in line with Vision 2025. The Vision has as one of its strategies an export-led economic growth. The Government has prepared programmes which specifically address the problems of international trade focusing on increasing exports quantity-wise as well as qualitatively. The umbrella programme is the Export Development Strategy (EDS) with several components. Two other complementary programmes are the Joint Integrated Technical Assistance Programme which basically addresses the problems of effective participation in MTS, and the Integrated Framework (IF) for Trade Development which focuses more on problems associated with support services. The specific programmes are:

- (a) Programme for Business Environment Strengthening in Tanzania;
- (b) Export Development Strategy (EDS) Review and Implementation;
- (c) Development of Economic Processing Zones (EPZs);
- (d) Capacity building for export promotion;
- (e) Promotion of Trade in Services and Transit Trade.

12. In view of the compelling need to boost exports and make them more competitive, the Government accords high priority to trade as an important tool for national development and poverty reduction. The issues of “mainstreaming of trade” and how it addresses the poverty agenda are both covered in the policy formulation and implementation aspects explained under Part 1 above. There are other initiatives at the multilateral level such as the Programmatic Structural Adjustment Credit supported by the World Bank focusing on different aspects of private sector development and by implication trade development. However the bilateral initiatives detailed in Part 1 are the most direct initiatives addressing the trade agenda in Tanzania today.

13. In particular, the Government of Tanzania recognises the need to draw up and implement comprehensive sectoral strategies for selected sectors which show a high potential for export growth. It therefore proposes to utilise an important part of the contribution expected from the Integrated Framework Trust Fund for strengthening the JITAP programme, in particular, to prepare sectoral strategies. The Ministry is establishing a unit to consolidate emerging gains and entrench the experience of the JITAP programme. It is for this reason that it is felt that the US\$300,000 is best channelled to financing activities that are incorporated in the JITAP programme.

14. To complement these activities, the Government recognises the urgent need to come to terms with all aspects of the Multilateral Trading System including compliance and implementation, creating negotiation capacities as well as understanding the full impact of the WTO Agreements on the business community and the opportunities offered by them. Remaining funds made available from the Integrated Framework Trust Fund under the new IF arrangements are proposed to be utilised for this purpose to strengthen and enhance the work of the Inter-Institutional Technical Committee and Sub-Committees established under the JITAP programme for this purpose. These activities are elaborated further below and are fully in accordance with the Government’s objective of “mainstreaming trade” and in line with project profiles presented at the earlier trade-related Round Table Meeting.

15. As noted earlier, the initiatives being implemented with bilateral donor assistance provide substantially for the issue of mainstreaming of the trade agenda. Whether or not there will be gaps to be addressed will depend on the outcome of these initiatives. Consequently, existing gaps that can be addressed quickly remain in the areas of implementation of existing programmes particularly the JITAP programme.

D. ON-GOING TRADE RELATED TECHNICAL ASSISTANCE PROGRAMMES¹

16. As mentioned in the earlier sections of the document, the Consultative Meetings on the IF have resulted in donors supporting or expressing an interest in supporting technical assistance programmes presented in the IF document. Moreover, Tanzania is also benefiting from on-going technical assistance programmes from a number of bilateral donors in the area of trade policy, capacity building etc. Some of these are mentioned in Annex 1.

II. PRIORITISATION OF ACTIVITIES TO BE FINANCED UNDER THE IF

17. The Government of Tanzania undertook consultations on priority project concepts envisaged to facilitate rapid mainstreaming of trade activities into the national development agenda. The proposals take into consideration other initiatives currently being negotiated through bilateral donor support under the aegis of the National Steering Committee of the Tanzanian IF programme. The proposals submitted here respond to mitigating constraints identified by a National Committee charged with the implementation of the WTO agreements under the JITAP programme, and are intended to compliment the JITAP programme.

18. Specific project proposals fall under two categories: The export development strategies and establishment of capacity for effective participation in the MTS. It is proposed that the International Trade Centre be the overall Executing Agency for both project modules. Whereas ITC will implement the large majority of activities, certain individual activities within each module are to be implemented by UNCTAD and WTO through an Inter-Agency Agreement.

A. EXPORT DEVELOPMENT STRATEGIES FOR PRIORITY PRODUCTS

19. The objective in this instance is to carry forward measures in developing the export development strategies for six priority products that are currently stalled due to lack of resources. The priority export products are horticultural products and spices; tourism; fish and fish products; gemstones; textile and garments; and handicrafts.² It is proposed that funds be utilised to prepare export development strategies for two priority products i.e. fish and fish products and gemstones. The strategies will be accompanied by an action plan for the implementation of the strategy, which will form the subject of discussion at a meeting of the World Bank Consultative Group for Tanzania and which will be fully integrated in the preparation of Tanzania's Poverty Reduction Strategy Paper. The preparation of these two sectoral strategies will contribute to the formulation of the overall National Export Strategy.

(a) Activities

- 1.1 *Prepare a diagnostic study of the selected export sub-sectors relating to constraints and opportunities.*
- 1.2 *Provide coaching on sectoral strategy formulation to Sectoral Counterpart Teams set up under JITAP for the selected sub-sectors.*
- 1.3 *Undertake international market demand survey for selected sub-sectors including the purchase of Product Maps and Trade Maps.*

¹ The coordination of the project activities as well as of other on-going trade-related TA with the proposed project will be ensured by the Ministry of Trade and Industry.

² This is a major undertaking that may cost more than the full amount of US\$300,000 placed at Tanzania's disposal. It is proposed that a maximum of US\$180,000 be set aside to finance this activity and that additional financing requirements be sought from appropriate bilateral donor programmes. Work on the export development strategies will initially focus on two products (fish & fish products and gemstones) so as to concentrate resources on a few areas that will have maximum impact on trade development and avoid running out of funds before some strategies are in place and operational. Action on remaining product lines can be initiated as additional resources become available.

- 1.4 *Prepare sectoral strategy and action plans for the selected sub-sectors.*
- 1.5 *Organise a National Symposium to discuss and approve the sectoral strategy papers.*
- 1.6 *Organise market missions for selected enterprises engaged in the selected sub-sectors.*

(b) Budget

- US\$ 157,000

(c) National Counterpart:

- Ministry of Industry and Trade;
- Confederation of Tanzania Industry (CTI);
- Tanzania Chamber of Industry and Commerce (TCCIA);
- Ministry of Agriculture;
- Board of External Trade;³ and,
- Strategy Counterpart Teams

B. BUILDING CAPACITY FOR EFFECTIVE PARTICIPATION IN THE MTS

20. Tanzania has established an Inter-Institutional Technical Committee (IITC), under JITAP, to undertake national implementation of obligations arising from the WTO Agreements and to advise on how best to access the emerging opportunities. The IITC, during a two-day retreat held in June 2001, identified several constraints related to lack of resources and capacity that mitigate against its effective performance in terms of enabling Tanzania fulfill obligations and exercise rights in the WTO. These functions include:

- Effective follow-up on the WTO negotiations; and
- Implementation of aspects of the WTO Agreements including the notification obligations and the adaptation of the Agreements within the National Laws of Tanzania.

³ The Board of External Trade is responsible for export promotion of non-traditional exports. It is and has been the subject of capacity building efforts both for institutional capacity building and HRD but it continues to show capacity weaknesses. Its role as a national counterpart will be facilitated by the participation of other institutions from the public and private sector.

21. Four specific project components, for financing under the IF Trust Fund allocation, are being proposed in this area⁴.

1. Adaptation of WTO Agreements into Tanzanian Trade Laws

22. Although the retreat felt that the function for the review of Tanzanian Laws and their adaptation to WTO obligations should be delegated to the Tanzanian Law Reform Commission, experience reveals that this institution has a heavy work load and other pressing priorities such that it would certainly take years before any attention is accorded to WTO issues. Yet the alignment of Tanzanian Laws to the demands of the Multilateral Trading System is already behind schedule and long overdue. The only way to catch-up with lost time is for the Ministry of Industry and Trade to shoulder this responsibility directly and undertake the necessary initiative to raise funding for the requisite legal review and reforms.

(a) Activities

2.1 *Commission a review of Tanzania's Trade Laws with a view to determining the specific laws that require amendment and the volume of work involved;*

2.2 *Draw up Terms of Reference for an eventual review assignment;*

2.3 *Undertake requisite legal review and reforms for compliance with the WTO Agreements.*

(b) Budget

– US\$ 26,000⁵

(c) National Counterpart

- Ministry of Industry and Trade;
- Ministry of Justice and Constitutional Affairs; and
- Tanzanian Law Reform Commission.

2. Legal Mandate for the IITC

23. One of the problems affecting the performance of the IITC is lack of both legal and administrative mandate for its co-ordinating function on WTO issues. There is need to draw upon the experience emerging from the institutionalization of similar mandates in the EAC region such as Kenya, decide on a suitable format for the Tanzanian IITC, and accord it the relevant mandate and resources. This is a priority element given that movement and progress on all WTO issues at the national level depends on the efficiency of the IITC and its Secretariat.

(a) Activities

3.1 *Develop different options for providing a legal or administrative mandate to the IITC.*

3.2 *Draw up recommendations based on in-depth analysis of the pros and cons of each option.*

⁴ While the actual magnitude of funding required for each component is yet to be established, a preliminary budget of approximately US\$30,000 for each activity is given as an indicative figure. For this reason a total of four project components or activities are identified for financing under the balance of US\$120,000 available from the IF Trust Fund (assuming that proposals on the priority products export development strategies component are accepted). Although the flat-rate of US\$30,000 is proposed for each activity, it is certain that some activities would cost less and some require more funding and adjustments can be made accordingly during the preparatory phase.

⁵ This activity is to be implemented by WTO.

3.3 *Prepare draft legislation and regulations for the legal mandate option, in the event this is found to constitute the first-best option.*

(b) Budget

– US\$ 26,000

(c) National Counterpart

- Ministry of Trade and Industry;
- Ministry of Finance;
- Ministry of Justice & Constitutional Affairs;
- Tanzanian Law Reform Commission

3. Technical Support to the IITC Sub-Committees

24. The IITC is comprised of four sub-committees each assigned with specific tasks arising from the WTO agreements. There is need for technical assistance to each of the sub-committees with a view to establishing the capacity to perform their functions. The level of priority on technical support differs across the sub-committees. Financial support to the Sub-committees is detailed below. In practice this should reflect relative priorities amongst the four Sub-Committees.

- (a) **Subcommittee I (on Agriculture, SPS etc)** is already functioning. The review of laws and regulations concerning SPS measures will be completed by 2002 and some progress is being made in the area of notification requirements. One area of need concerns creation of awareness especially in the business community⁶.
- (b) **With respect to Sub-Committee II (TBTs, Import Licensing, Rules of Origin, Customs Valuation and PSI)** it is noted that compliance and notification is at an advanced stage of implementation. However there is need for technical assistance to upgrade TBS laboratories and training of new techniques for conformity assessment. Probably this support can be used to ascertain the extent of needs and come up with a specific project for presentation to bilateral donors⁷.
- (c) **Subcommittee III (TRIPs, TRIMs, Anti-Dumping and Safeguard Measures):** Work on compliance and notification is in progress. Technical assistance has been secured from bilateral sources to undertake necessary review of some of key national legislation. Assistance still required on drafting national legislation on anti-dumping. It is proposed to source this from the IF Trust Fund allocation⁸.

⁶ It is proposed that this activity be implemented jointly by UNCTAD, WTO and ITC.

⁷ It is proposed that this activity be implemented by ITC and WTO.

⁸ It is proposed that this activity be implemented by the WTO.

- (d) **Subcommittee IV (Trade in Services):** There are proposals to establish an apex body to co-ordinate activities in the area of Trade in Services, probably modelled on Kenyan experience. Assistance is required to establish and put this mechanism in place and facilitate its operationalisation⁹.
- (b) Budget
 - US\$ 26,000
- (c) National Counterparts:
 - Ministry of Trade and Industry;
 - Ministry of Agriculture;
 - Ministry of Justice & Constitutional Affairs;
 - Tanzanian Law Reform Commission;
 - Standards Bodies; and,
 - Associations of Service Providers.

4. Capacity Building within the Secretariat of the IITC

25. The efficiency of the IITC and its sub-committees depends on the efficacy of the IITC's Secretariat. The IITC secretariat will need to be equipped with necessary information, computer equipment and human resources to respond to its mandate adequately.

- (a) Activities
 - 4.1 *Upgrading of the Reference Centre including provision of software, databases, internet access at the Ministry of Industry and Trade;*
 - 4.2 *Organise training courses for personnel involved in the JITAP Programme at the Ministry including training on information technology and computer literacy.*
- (b) Budget
 - US \$ 26,000
- (c) National Counterpart:
 - Ministry of Industry and Trade

⁹ It is proposed that this activity be implemented jointly by UNCTAD and ITC. ITC has assisted a number of African countries in setting up apex organisations of service providers in the recent past.

C. PROPOSED CALENDAR OF ACTIVITIES

Project Module	Starting date	Expected Date of Completion	Remarks
Export Development Strategies for Priority Products	October 2001	December 2002	
Adaptation of WTO Agreements into Tanzanian Trade Laws	October 2001	June 2002	
Legal Mandate for the IITC	October 2001	February 2002	
Technical Support to the IITC Sub-Committees	October 2001	June 2002	
Capacity Building within the Secretariat of the IITC	October 2001	May 2002	

D. CONSOLIDATED BUDGET

Project Module	2001	2002	Total
Export Development Strategies for Priority Products	47,142	109,998	157,140
Adaptation of WTO Agreements into Tanzanian Trade Laws	7,857	18,333	26,190
Legal Mandate for the IITC	7,857	18,333	26,190
Technical Support to the IITC Sub-Committees	7,857	18,333	26,190
Capacity Building within the Secretariat of the IITC	7,857	18,333	26,190
Total without Programme support costs	78,570	183,330	261,900
Project Support Costs 10%	8,730	20,370	29,100
Grand Total	87,300	203,700	291,000

ANNEX 1

On-Going Trade Related Technical Assistance Programmes

Donor	Project Title	Objective	Budget
(Swedish International Development Co-operation Agency)	Trade Policy Tanzania	Enhancing capacities to make and implement trade policy consistent with WTO obligations (including general training on WTO activities, dispute settlement, TPRM).	Agreed amount 2.6 MSEK ¹⁰ (USD246,090)
	EPOPA – Export Development and Certification Programme Organic Products from Africa	Strengthening the policy environment for trade liberalisation.	Agreed amount 15 MSEK. (USD1,419,737) This project involves others African countries
	Start South	Improving competitiveness of enterprises; increasing investment (including foreign direct investment) in productive sectors.	Agreed amount 20 MSEK. (USD1,892,983) This project involve others African countries
	Enterprises Development Programmes in Tanzania, Sri Lanka and Zambia	ND ¹¹	Agreed amount 18,75MSEK (USD1,774,726)
	Textilica – Business Development, Training and Institutional Building Textile Clothing		Agreed amount 5,2 MSEK (USD492,218)
	Trade Promotion Services Assistance in Developing Countries	Support at the enterprise level including access to business information, use of information technology, adaptation/development of new products, advice on standards, packaging, quality control, marketing and distribution channels; commercial representation	Agreed amount 13,4 MSEK. (USD1,268,408)
	Tanzania Chamber of commerce and Industry Assistance (TCCIA)	Technical Assistance for the functioning of the Chamber of Commerce and Industry	Agreed amount 17,5 MSEK. (USD1,656,459)
	National Quality Infrastructural Project	With Tanzanian Bureau of Standards	3,25 MSEK (USD307,628)
	Tanzania Private Sector Foundation Assistance	Technical Assistance for the functioning of the Private Sector Foundation	Agreed amount 0,225 MSEK (USD21,297)

¹⁰ MSEK : Million of Swedish kronas:

¹¹ ND : Non define

Donor	Project Title	Objective	Budget
FINLAND	Support to some international non-governmental organisations	Organisation of seminars and studies on trade issues	
DENMARK	Business sector support Programme		Consultations under way to add a trade component to the programme

ANNEX II

UNITED NATIONS DEVELOPMENT PROGRAMME

Integrated Framework Trust Fund (IFTF)

Project Number:

Title: Follow-Up of Trade Round Table
Pilot Phase of the Integrated Framework

Estimated Starting Date: October 2001

Duration: 15 months

Project Location: Dar-es Salaam, Tanzania

<u>Contributions</u>	
	IFTF (\$US)
2001 :	\$ 87 300
2002 :	203 700

TOTAL :	\$ 291 000
	=====

Government Cooperating Agencies:

Ministry of Industry and Trade; Ministry of Finance, Confederation of Tanzania Industry (CTI), the Tanzania Chamber of Industry and Commerce (TCCIA), Ministry of Agriculture, Board of External Trade Ministry of Justice and Constitutional Affairs; Tanzanian Law Reform Commission Ministry of Agriculture; Standards Bodies

Executing Agency: International Trade Centre UNCTAD/WTO (ITC)

Implementing Agencies: United Nations Conference on Trade and Development (UNCTAD)
World Trade Organisation (WTO)

Sector: Trade Development

Brief Description: The project aims to assist exporters to integrate in the global trading system and government strategy makers to « Mainstream » trade in national development plans and poverty alleviation strategies in the country, in particular the PRSP. The main focus of the project is to assist in the preparation of sectoral export strategies for products having good export potential applying the « coaching » and « do it yourself » approach. It also aims to provide assistance for strengthening the Inter-Institutional Committees established under the JITAP programme.

On behalf of: Government of United Republic of Tanzania

United Nations Development Programme

Date: _____

International Trade Centre UNCTAD/WTO

Date: _____

Date: _____