

Promotion of Services now more important than Promotion of Goods?

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Background

- ❑ Tanzania is a founder member of the WTO in 1995.
- ❑ Is among the least developed Countries with per capita income of US\$ 370 (2005)
- ❑ Leading Export Sectors (Figures 2005)

Services	US\$ 1,199.0 m
Traditional Products	US\$ 354.6 m
Non Traditional Prod.	US\$ 1,321.8 m

The Services Sector - 1

From the previous slide figures it is evident that the Services sector has a lot more to offer to the Tanzania economy. Unlike other sectors, the services sector performance is rapidly rising.

Why promote the Services sectors more than goods in Tanzania?

(a) The profile and contribution of international trade in services, is increasing in importance in economic growth. In 2003 the share of trade in service to GDP in developing countries averaged 48% and that of developed countries averaged 70%.

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- (b) The Services Sector in Tanzania is following the global trend. It is emerging as the largest contributor to Gross Domestic Product (GDP).**

Export earnings from services rose from US\$ 1,117.4 million in 2004 to US\$ 1,199.0 in 2005 an increase of 7.3%. The Services Sector ranks second in generation employment opportunities after agriculture with a share of more than 25% of total employment.

The main service categories include:-

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1. Tourism

- ✓ **Contributes US\$ 711m. 59% of Services contribution to the basket of export earnings**
 - ✓ **Generated 198,000 jobs (in 2005).**
 - ✓ **Reduced poverty through increased asset ownership, contribution to basic needs & community benefits.**
 - ✓ **Job availability, poverty reduction increases country's stability.**
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1. Tourism

Limitations:

- Limited development of ground and supporting services for the sector culminating in non-competitive prices for tourism facilities at the regional level;
 - Lack of suitable training facilities for tourism sector workers and operators;
 - Limited access to resources including finance for marketing and inadequate land management for the development of tourism.
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2. Transport Sector

Transport Sector is critical in the **facilitation** and supporting the productive sectors and is a **traded service** with vast potential for income generation.

Tanzania is the **main gateway for *transit trade to*** landlocked countries in the East and Central African region which include Uganda, Rwanda, Burundi, Democratic Republic of Congo, Malawi, and Zambia and has links with island nations in the Indian Ocean.

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2. Transport Sector

Transport comprises of four modes:

- ✓ Road network of 85,000 km that links the land locked countries and all regional and district production Centres
 - ✓ Two Railway networks, Tanzania Railway Corporation (2,715km) that links the land locked countries and 14 regions out of 21. The Tanzania Zambia Railway Authority (1,806km) owned jointly by Zambia and Tanzania Governments.
 - ✓ Marine transport with major seaports of Dar es Salaam, Tanga and Mtwara
 - ✓ Air transport is served by three international airports i.e. Dar es Salaam, Kilimanjaro and Zanzibar
 - ✓ There are two pipelines one for petroleum products (TAZAMA) and one for Natural gas (Songo Songo Gas pipeline)
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Transport Sector Limitations

- ❑ Deteriorating infrastructure and facilities across all transport sub-sectors;
 - ❑ Limitations in suitable regulatory framework and regimes in line with high potential for both transit trade and domestic trade transportation in the railways, roads, air and marine transportation as well as multi-modal systems
 - ❑ Limited coordination in a transport network whose functional responsibilities are shared by a large number of institutions with different objectives. These include the Ministries responsible for Infrastructure; Home affairs; Regional Administration and Local Government; Finance; and Industry, Trade and Marketing
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3. Communication

The Communication services provide links between producers and markets and is critical for efficient operation of production and supply chains at the national and international levels.

Communication links the different phases of an efficient production chain that includes actual production operations, commercial transactions, advertising and marketing, procurement, sales, payments and delivery activities. The telecommunications network comprising land-based and cellular digital technology is the heart of the system.

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Communication

□ Position in Tanzania: **Year 2005**

- ✓ 5 Cellular phone operators with 4,000,190 subscribers in 2005 compared to 1,666,583 in 2004. This is an increase of 140%.
 - ✓ 15 Television transmission stations from none in 1993
 - ✓ 33 Radio transmitters from one in 1990
 - ✓ 23 Internet Service Providers (ISPs)
 - ✓ More than 100 newspapers
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4. Construction

The construction industry transforms various resources into physical socio-economic infrastructure that supports the delivery of various services that underwrite economic growth. These include infrastructure, buildings, transportation systems and facilities like airports, harbours, highways, subways, bridges, railroads, transit systems, pipelines and transmission and power lines etc.

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□ Position in Tanzania

The construction sector has experienced extraordinary growth over the past 10 years, rising from average growth rate of 1.3% in 1994 to 11.9% in 2005. The contribution of the sector to employment creation is 8.9% of the total labour force and contributes 5.7% to the GDP.

In spite of its dramatic high growth rate the sector is constrained by problems that generally affect primarily the performance of SMEs and the informal sector and prevents formalization and growth into larger firms.

Other constraints are:

Low capacity and capability of the local contractors and consultants due to weak resource base and inadequate skills and experience

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□ Construction Sector

- **Inadequate and erratic work opportunities emanating from packaging of contracts and works that favours foreign firms particularly in the case of large donor funded public investment and infrastructure projects. This impediment can be addressed through reducing dependence on donor funding and increasing public expenditure in infrastructure projects;**
 - **Inefficiencies in the public procurement systems that lead to rent-seeking and financial mismanagement in public/private sectors;**
 - **Lack of supporting institutional mechanisms to facilitate easier access to key inputs in the industry including access to finance and equipment. For instance, introduction of leasing arrangements for heavy construction equipment is the key to increasing the capacity of SMEs to undertake larger jobs;**
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5. Education

Education provides individuals with knowledge and skills necessary for appreciating and adapting to the environment and the ever-changing social, political and economic conditions of society. It is also the means by which a person realizes one's socio-economic contribution and potential in that society. There is recognition that the education and training sector remains the key to the window for benefiting from the impact of globalization and liberalization.

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□ Education

Position in Tanzania

Tanzania is rapidly reorienting its educational sector towards making this sector as the basic platform for the development and growth of a robust private sector which is the engine of growth. Education has become the lifeline to private sector competitiveness in a knowledge based economy that increasingly demands the availability of a large pool of trainable manpower with post-secondary academic qualifications. The challenge is to ensure that such an education system is inclusive and broad-based without losing the quality perspective.

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□ Education:

Despite these achievements, the sector encounters some constraints, these are:-

- (a) The shortage of appropriate and specialized core and skilled personnel in the education sector, as well as a poor comprehensive planning for human resource development and investment.**
 - (b) Limited coordination and consultation among principal actors in the public and private sectors including limited dialogue.**
 - (c) Lack of regulatory regimes that are adequately equipped to enhance competition, fair operational practices and complimentarily of services;**
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Conclusion

The promotion of services is of outmost importance, especially this time, as we have seen,

- ✓ It is a commodity by itself it can be marketed and contribute to foreign exchange earnings of a country
 - ✓ It provides a lot of employment opportunities.
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□ Conclusion

- It provide links between the producer and the market
 - ✓ Communicating value of product
 - ✓ Transporting product to market.
 - ✓ Transferring payments to suppliers
 - ✓ Effecting movement of people from country to country (Tourists, sick people etc)
 - ✓ Provides information, entertainment, recreation,
 - ✓ Saves lives (hospitals)

Without services, the marketing of products would be a nightmare. It is therefore imperative to promote the services sector due to the multiple benefits it provides to the economy including complimenting marketing of products

END

**THANK YOU FOR YOUR
ATTENTION**