



Cooperation on Economic Sector Development between JICA and Tanzania

"Today's development of a powerful economy is development of Industries." [Mwalimu Julius K Nyerere, Mbeya, May 1, 1995] "Maendeleo ya leo ya Uchumi wenye nguvu ni maendeleo ya viwanda." [Mwalimu Julius K Nyerere, Mbeya, May 1, 1995]



1. Overview

The Government of Tanzania is focusing on "Industrialization" of Tanzania to make it a middle income country by 2025 as envisaged in the "Vision 2025". Notwithstanding the numerous efforts by the Government for realizing that through a dynamic private sector development, many challenges still remain.

For example, the messages on clear and realistic path toward industrialization have not yet been effectively delivered to domestic and international investors. Industrialization and promotion of priority industries are advocated, but many overlaps among policies and regulations still remain in many areas, such as in business registration, taxation, customs, land, financial service, local context rate, and so on. Also, some large-scale enterprises are growing steadily but a majority of MSMEs (Micro, Small and Medium-sized Enterprises) remain stagnant, while agglomeration of the relevant industries is emerging in some areas. Access to finance, business management capacity, and quality and productivity improvement are still some of the significant challenges especially for MSMEs.



Kaizen Training

In order to address those challenges for further accelerating "Industrialization", which is the core agenda of the FYDP II in Tanzania, JICA (Japan International Cooperation Agency), Japan's bilateral aid agency, has been supporting Tanzania's economic sector development in accordance with the following prioritized directions:

1. Presenting clear and realistic policy for industrialization;
2. Ensuring business environment with policy coherence; and
3. Creating a vital private sector.

Moreover, Japan's assistance is based on lessons learnt from her own experiences on "Industrialization", such as "KAIZEN" described below. Furthermore, in extending such assistance, JICA carefully considers the synergy effect among each project which are elaborated below for achieving "Industrialization" in Tanzania.

2. Nationwide Productivity Improvement: KAIZEN

"KAIZEN" is a Japanese word, meaning originally "Improvement". It is a management philosophy and know-how developed in Japan for organizations' continuous quality and productivity improvement. KAIZEN is a humanity-oriented approach fostering teamwork, self-reliance, creativity and ingenuity. Although KAIZEN is a long-term approach consisting of small steps and with little investment, it promotes the very core capabilities of firms such as production and management, which will be essential for a firm's growth.

"The Project on Strengthening Manufacturing Enterprises through Quality and Productivity Improvement" (so-called "KAIZEN Project") started in April 2013, aiming to develop Tanzanian KAIZEN movement toward a nationwide expansion. The project has been conducted by the Tanzania KAIZEN Unit (TKU) established in the Ministry of Industry and Trade (MIT), in collaboration

with the Small Industries Development Organization (SIDO) and the College of Business Education (CBE).

The project has developed the policy called "KAIZEN Strategy and Policy Actions for Promoting KAIZEN Methodology in Tanzania 2016-2025" and has provided KAIZEN consulting services directly to approx. one hundred (100) enterprises/organizations so far. Fourteen (14) Advanced KAIZEN Trainers and twenty-six (26) KAIZEN Trainers were certified by MIT. Furthermore, more than one hundred (100) candidates of KAIZEN Trainers, Advanced KAIZEN Trainers, and Trainers of KAIZEN Trainer are under training for acquiring certification. It is expected that these KAIZEN trainers will disseminate KAIZEN activities to various enterprises/organizations and expand KAIZEN to many regions in Tanzania.

For example, a company in Arusha implemented KAIZEN through assistance by the project, and reduced the waste rate of material (Polyethylene) from 6.4% to 3.6%, and thereby succeeded to save Tsh 50,000,000 per month. Moreover, the company was able to increase production (per extruder machine per day) from 345.7kg to 455.6kg, which means more than 30% improvement of productivity.

Another SME in Moshi implemented "5S" (One of KAIZEN methodology for workplace organization using five "S" words, i.e. Sort, Set-in-Order, Shine, Standardize, and Sustain), and reduced time to find the required die tools from the shelf from 15 minutes to 47 seconds drastically, which was 95% time-shortening and contributed to the productivity improvement.

Variation of KAIZEN service providers has expanded from original SIDO and CBE to the Expert Processing Zones Authority (EPZA), Local Government Administrations (LGAs), the Vocational Education and Training Authority (VETA), NGOs, Banks, private consultants, etc. In the near future, they will lead Tanzanian KAIZEN movement in various levels and areas, and contribute to develop not only in the industrial sector but also in all sectors.

3. Creating Industrial Eco-System: Cluster Development



Sunflower Oil Refinery's completion brings joy to the people (Singida)

"We talk to each other and exchange information, such as the necessity of grading machine. It is also possible to take a large order and share among us, and refer customers to others who can fulfill when I cannot by myself," says a member of the rice Cluster in Mbeya. Industrial cluster development is attracting attention of the people in Tanzania as a way of industrialization and inclusive local economic development.

Industrial "Cluster" is defined by Prof. Michael Porter at Harvard University as follows: "A geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities". Based on this idea, JICA has been supporting SIDO since 2011 to promote and implement "Cluster Development Approach" which is understood as a way to achieve competitive advantage of the selected commodity value chains. One of the culminating achievements has emerged in Singida District, where the Sunflower Oil Cluster has been formed and is evolving. The cluster in Mtinko village has more than 100 members now, who are farmers, processors and transporters. By contributing themselves and attracting various supporting

institutions, the cluster has opened a warehouse and a sunflower oil refinery plant. Farmers can supply seeds to member processors, and member processors can supply crude sunflower oil to the refinery. A cluster member says, "We can try to produce and buy more sunflower seeds without worrying about selling crude oil. Clustering helps us come together to grasp more opportunities. Mtinko is becoming more known among regional and local government officials than before, too."

The amount of sunflower seeds processed in Singida District increased more than doubled for 4 years, i.e. from 4,407 tons (in 2012) to 10,792 tons (in 2016). With collaborative efforts, more seeds can be processed through a coordinated value chain and bring more benefits to the cluster members in the region.

With JICA's technical support, SIDO is preparing a cluster development operational manual. Cluster development actors across Tanzania can utilize it to initiate and promote cluster development in their respective locations.



Before



After

Before/After of implementing KAIZEN (an example of "5S")

4. Nurturing Economic Growth: Capacity Development for Trade Facilitation and Border Control in East Africa

Five Revenue Authorities in East Africa, namely, Tanzania, Burundi, Kenya, Rwanda and Uganda, and JICA have been implementing a technical cooperation project known as the "Project on Capacity Development for Trade Facilitation and Border Control in East Africa" since December 2017. The objective of this Project is to ensure effective "One-Stop Border Posts" (OSBPs) operation at the target borders as well as to improve Customs capacity building in risk management and border control in East Africa.

smoother cross-border trade and movement. President Magufuli said the new modern border post shows that "unity is strength".

The cooperation between the East African Revenue Authorities and JICA began in 2007 and the Project is in its fourth phase, with focus more on border control anchored on the pronouncements by African Heads of States who highlighted the importance of economic development and security for the sustainable development of Africa.

In order to enhance trade facilitation within and beyond the region, JICA also supported the establishment of OSBP at Rusumo, which is located between Tanzania and Rwanda border and on the Central Corridor, as well as OSBP at Namanga, which is located between Tanzania and Kenya. Through financing both infrastructure and providing technical cooperation by developing procedures and delivering training, the clearance time at Rusumo has been reduced by 73%, from 8 hours 42 minutes to 2 hours 20 minutes. OSBP initiatives contributed to increase the turnaround time of the trucks passing the border and increased the volume of trade. The support has contributed to increased coordinated border management and

In the Project, JICA is closely working with the World Customs Organization (WCO) and Japan Customs to conduct the training to build Customs capacity in trade facilitation and effective border control in the region. To date, the Project has raised more than 90 regional trainers, who are officials from the Customs Administrations in the region, in the areas of valuation, HS classification and Intelligence Analysis in order to build sustainable training delivery capacity as well as regionally-featured training materials. More than 3,000 officers and clearing agents have been trained and the efforts by regional trainers continue with the utilization by their revenue authorities.



Inauguration ceremony on Namanga One Stop Border Post

5. Private Sector Development: Off-Grid Solar Power Project (WASSHA Inc.)

The world's population marked 7.3 billion as of 2016, and 1.2 billion people among them are living without electricity. In Tanzania, 67% of households currently do not have electricity (World Bank, 2016). Kerosene lamps are mostly used in off-grid areas. However, the brightness is not enough, and kerosene lamps sometimes make a severe problem for health such as coughs and burns. WASSHA Inc. is a Japanese private company, and WASSHA aims to solve the challenges by developing a rental service of solar lanterns. WASSHA launched its business in Tanzania in 2015, and now the total number of end users is about 1.5 million.

Through WASSHA's service, people can use WASSHA's lanterns which are brighter, cheaper, and safer than Kerosene lamps. Accordingly, people can get different benefits. For example, people can open retail shops even at night and increase the sales. Also, children can study for longer time at home. In addition,

WASSHA's lanterns can charge a mobile phone at the same time, so that people do not need to visit the other place by walking for one or two hours only to charge a mobile phone.

WASSHA installs solar panels and devices in the kiosks and provides 30 lanterns, torch, and phone charging cables for rental. The kiosk owners rent WASSHA business without initial cost. The owners pay for WASSHA through mobile money in advance to get the passcode which will enable them to rent the lanterns. The kiosk owners rent out lantern for Tsh 500 per night and then the owners can get some income as a commission based on their rental sales. WASSHA has already expanded the service to around 900 kiosks in 13 regions in Tanzania, and plans to increase the number more and more. Also, WASSHA plans to expand this service to other African countries, even in Asia.

The Company's mission is "power to the people". Through kiosks,

Continues On pg ii.



Cooperation on Economic Sector Development between JICA and Tanzania

"Today's development of a powerful economy is development of Industries." [Mwalimu Julius K Nyerere, Mbeya, May 1, 1995] "Maendeleo ya leo ya Uchumi wenye nguvu ni maendeleo ya viwanda." [Mwalimu Julius K Nyerere, Mbeya, May 1, 1995]



Continued From page 1

WASSHA delivers a whole new experience for people in the off-grid areas with affordable, accessible and safe electricity. Also, WASSHA believes that every country can develop through its own way, and there is no necessity to follow the path the other countries have passed. In other words, African countries can make use of their own cultures and the environment which can easily make them leap-frog; such as popular use of mobile money technology, and WASSHA hopes to become a leading company to create a new society together. In addition to the power supply business, WASSHA is thinking to develop various other businesses, such as supply chain management at kiosk shops by leveraging its network.

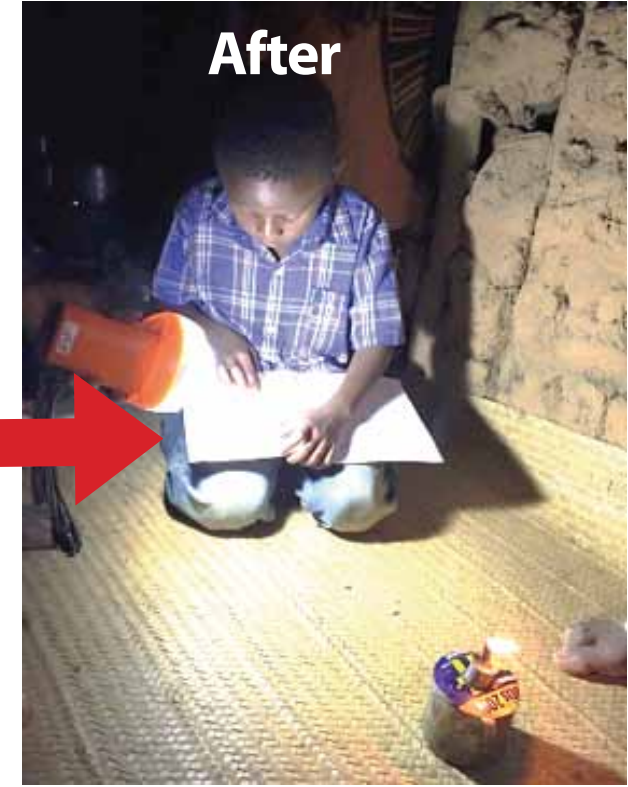
JICA has been supporting the Project as a shareholder of WASSHA Inc. by providing equity since 2016. It was the first case of JICA's Private Sector Investment Finance (PSIF) in Sub-Saharan Africa. JICA firmly believes that the growth of WASSHA will contribute towards the socio-economic development of Tanzania by providing affordable services (Solar lanterns rental services of pay as you go) to off-grid areas (remote areas) as well as by creating local employment.



Children are so excited to have a WASSHA Lantern in an off-grid area



Before



After

7. Strengthening Revenue Mobilization: Capacity Building for Tanzania Revenue Authority

Since 2017, JICA, together with the Tanzania Revenue Authority (TRA), has been conducting a project to strengthen TRA's ability to conduct training related to tax matters. The purpose of the Project is to improve the abilities of TRA staff members and strengthen Tanzania's revenue foundations. Acquiring appropriate abilities will enable TRA staff members to provide appropriate tax administration services to taxpayers.

At present, TRA has entered a period when staff members rich in practical experience are retiring in large numbers, and raising the level of new employees' abilities to that of those highly experienced employees has become a matter of great urgency.

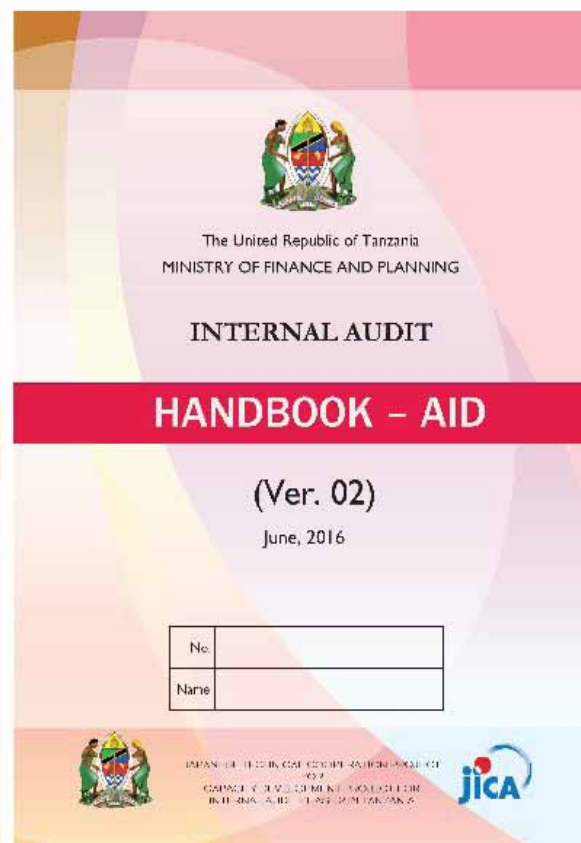
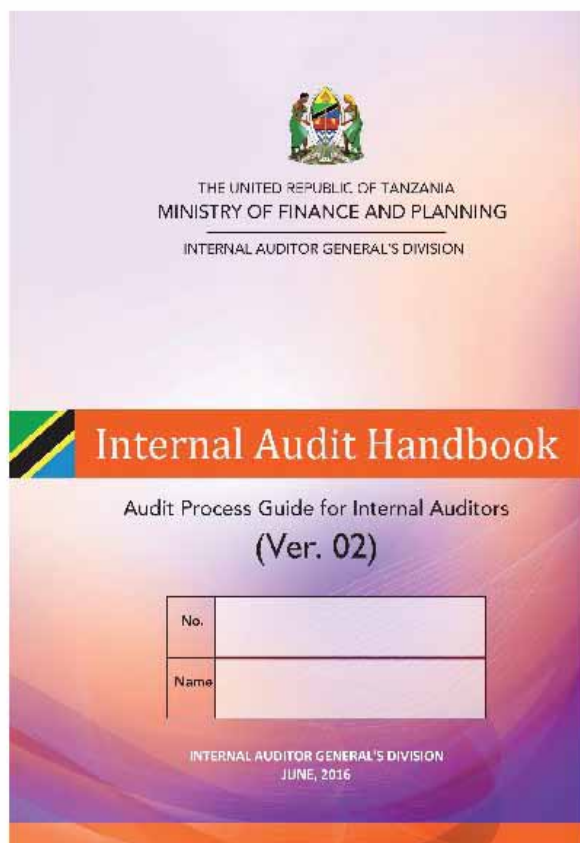
The Project will be conducted up to 2020 and comprises three outputs for strengthening capacity development of TRA staff.

Output 1 involves activities aimed at improving the tax administration abilities of TRA staff through the development and implementation of training by TRA's Institute of Tax Administration (ITA).

Output 2 consists of activities for instilling, at TRA, a Coaching and Mentoring System that will enable senior staff to educate young staff members in the workplace.

Output 3 involves activities intended to establish an effective employee training system through introducing a Career Pathway Manual for TRA staff.

6. Improvement on budget credibility: Capacity Development Project For Internal Audit Phase 2



A Training for "Champions" (Supervisors on Coaching and Mentoring)

"With skills and knowledge in risk-based internal audit, Champions have helped the organization to properly mitigate, avert and manage risks through preparation of the critical risk documentations such as Risk Register and Risk Management Framework. In addition, Champions also provided in-house training to key risk owners including the top management. In doing so, the organization saved more than Tsh 12 million which could otherwise be paid to external consultants to conduct risk assessment on an annual basis, but more importantly, now the organization is prepared for unforeseeable risk events on road works which could undermine the infrastructure development of the country."

(Comment from Mr. Jonas Jermine, Internal Auditor Champion, Tanzania Rural and Urban Road Agency (TARURA), Dar es Salaam)

"Our Internal Audit Unit observed that the ineffective revenue management control was hurting the organization. Our Unit recommended to the management to place more frequent and systematic controls such as daily Point of Sales machine to capture Local Government Revenue Collection System so that any anomalies in revenue collection can be detected in a timely manner. As a result, the council has managed to reduce the

number and amount of defaulters and hence the council's own source revenue was raised to more than 60% of its annual target in a six months period, which is a historic improvement." (Comment from Mr. Pascal Jgadi, Internal Auditor Champion, from Musoma DC)

The importance of Internal audit functions in the Government of Tanzania (GOT) has increased more than ever particularly during this period where by Tanzania is implementing the Second Five-Year Development Plan (FYDP2) that aims at turning the country's economy into an industrialized economy by 2025. To achieve that objective, efficient, effective and transparent utilization of public finances is key to the successful implementation of the FYDP2, hence the importance of internal audit roles in every Government institution.

Since the appointment of the Internal Auditor General and establishment of Internal Auditor General's Division (IAGD) under the Ministry of Finance and Planning (MOFP) in 2011, IAGD has been leading the Public Sector Organizations (PSOs) in improving internal controls, governance and risk management through the internal audit functions.

JICA has been providing technical assistance to MOFP through the "Capacity Development Project for Internal Audit" since 2009, to strengthen the operations of internal audit functions of GOT. The Project had developed the practical tools of Internal Audit Handbook Set, and trained Internal Audit "Champions" who were certified as trainers of training with practical skills through the On-the Job Training (OJT). Since the inauguration of the "Champion Certificate Program" (CCP) in October 2017, the Project has certified 80 Internal Audit Champions from 57 PSOs. The project has improved the practical skills of internal auditors and has also improved auditing procedures and documentation in a standardized way, particularly by Champions through the demonstration of Risk Based Approach which was introduced by the Hand Book Set.

IAGD in collaboration with JICA has been continuing the CCP to increase the number of Champions by expanding the coverage of PSOs with Champions. The Champions are expected to continuously improve the internal audit function and contribute to the PSOs as a change agent to enhance accountability and transparency in the use of public resources and to fight against corruption which is crucial for sustainable development.

JICA (Japan International Cooperation Agency) : An incorporated administrative agency in charge of administering Japan's ODA (Official Development Assistance), is one of the world's largest bilateral aid agency supporting socioeconomic development in developing countries in different regions of the world. Especially here in Tanzania, JICA, has been a long trustable partner of Tanzania for more than 50 years in many sectors since 1962.