



Making the Industrialization Drive a Reality in Tanzania: Real Estate Concerns

By

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Background Information

- Significance of industrialization in an economy
 - Industrialization at the centre of economic growth
 - Manufacturing of goods- value added to agriculture, forestry, mining
 - Major source of employment
 - Enhances national business environment and its international competitiveness
 - Compared with agriculture or service sector, industrialization has higher economies of scale
 - Higher linkage and spillover effects to the economy than any other
 - Functioning industrial sector complements the other sectors- several synergies (block chain benefits)

Background Information

- Tanzania has re-introduced industrialization as development strategy in its quest for elevating itself to a middle-income country by 2025.
- FYDP II envisaged industrial sector as having central role in driving economic growth and transformation:
 - The targets were by 2020:
 - average industrial growth rate to 10.5%, raising the sector's contribution to GDP to 12.5% (compared to 6.2% in 2015)
 - boosting employment growth in the industrial sector by 5.4%
- To revamp the ailing industry, the FYDP 11 strategic interventions were to:
 - 1) improve business condition and macro-stability policies
 - 2) Improve infrastructure and services
 - 3) Attract Foreign Direct Investment
 - 4) Introduce Special Economic Zones (SEZs) and Export Processing Zones (EPZs)
- Interventions by external agencies have urged for improvement along areas:
 - 1) Improving financial accessibility for MSMEs
 - 2) Developing capacity for trade facilitation and border control
 - 3) Enhancing startups through various strategies

Industrialization and real estate sector

Several studies confirmed driving engines for industrialization are:

- well-functioning urban centers
- infrastructural services,
- finance both long-term and working capital,
- improved labour skills and industrial clusters

However, no studies on the crucial links between industrialization and real estate

- Several land management issues constraining industrial development e.g SEZs, EPZs
 - Overlapping Institutional functions/roles of Tanzania Investment Centre (TIC), National Development Corporation (NDC) and EPZA
 - Securing land for foreign investors (derivative rights) – bogged down agro-business industry in Bagamoyo, Kilombero
 - Land conflicts between investors and landowners (indigenous)

Industrialization and real estate sector

- Industrial neighborhoods are hubs of informal/squatters' settlements
 - Squatter developments around old industrial areas abound around the country e.g Ubungo – Manzese; Unga Limited- Arusha, why?
 - Insufficient consideration on spillover effects of setting up an industry-agglomeration economies
 - Inconsiderate land use planning ('industrial park' concept- Urafiki Textile in Dar as a good example}
- Industrialization negative impact
 - Poor handling of industrial waste polluting real estate especially in urban areas
 - Plastic industries account for 36% of Toxic waste in Tanzania
 - Iron and Steel sector produces 52% of toxic metals (Schimdt, 2019)

Real estate sector –driving engine to industrialization

Real Estate manifests itself in

1. Actual Construction Activities

- Demand for industrial products – construction materials, equipment (transport, communication)
- Demand for cleaning and managing equipment (including software production)
- Employment opportunities it creates
- Transaction levels and Resulting fees and taxes

2. Main actors in real estate and their influence on industrialization

- Owners/developers: public or Small oFunders/Financiers-Small or Large- e.g Microfinance Housing, Commercial banks, housing financial institution
- Agents- Letting/managing: Formal or informal; large or small Management or marketing or both
- Consultants/Advisors: Designers (Architects, Engineers, Surveyors),Cost Advisers (QS), Management (Project Construction, Facilities/Property),Value(Economists, Valuers) Lawyers
- r Large; Amateur or Professional or an association



Key findings and conclusions

Objective was

- To evaluate existing policies and laws that sustain industrialization, the way land and related resources can be accessed without hindering rights of other users, means of safeguarding land rights and adjudication when conflicts happen

Findings

- main problem for industrial development is the land compensation hustle which is exuberated by existing multiple legal instruments on land acquisition and compensation

Suggestions

- Industrialization strategy must take cognizance of the land and real estate concerns through collaborative planning involving real estate actors
- The Chinese model (Urafiki Textile) is exemplary
- The roles of TIC, EPZA and District and Municipal Councils should be clearly defined in dealing with land for industrial uses

Conclusion

- Resolving real estate concerns in industrialization plans will pave way for not just efficient business environment but Health Industrialization
- Industrialization is urbanization of an area and should never be limited to erection of industrial buildings and infrastructure but address the housing needs of the future population in the area
- Industrialization is not an option.