

# Understanding business development under regimes of capitalist accumulation in Tanzania

What policies incentivise increasing shares of productive activities among domestic business conglomerates?

## Research Questions

How have business conglomerates in Tanzania developed and what policy regimes made them willing to productively reinvest accumulated rents into new enterprises?

## Key Findings

Business conglomerates models, their development trajectories and rents capture strategies are different and they respond to policy reforms and incentives for rents reinvestment differently. Tax incentives can encourage models which favour reinvestment strategies.

## Implications

Business conglomerates can play a key role in driving industrialisation if policies incentivise internal re-investment and allocation of rents across divisions, and integration of SMEs suppliers. Instead of attempting to recover captured assets, policy measures should aim to encourage reinvestment within conglomerates.

## Project Summary

The industrial sector in Tanzania is made up of a few large conglomerates and a myriad of semi-formal small businesses. The emergence of large conglomerates has been shaped by different processes and opportunities for rents capture as well as business investments and re-investment of rents, under different

regimes of capitalist accumulation. We study how these different 'mechanisms of rents allocation' (and the related policies, regulations and processes) were designed, implemented and enforced and what factors contributed to reducing unproductive rents capture while encouraging productive investments.

## Approach

We defined different regimes of capitalist accumulation by reviewing the policy framework and implementation of different mechanisms of rents allocation including forex and credit allocation, privatisation, land speculation, tax exemptions, allocation of import licences, rents extraction along the value chains.

We will produce five in-depth case studies of the major business conglomerates, study their development and current business models, and assess areas for incentivising further investments and rents re-investments.

## Key findings

- Business conglomerates models, their development trajectories and rents capture strategies are different, especially with respect to their different ways of managing the tension between trading (high margins) and manufacturing (lower and more distributed margins).
- Business conglomerates have developed context-effective organisational capabilities, and some of them engage with extensive supply chains and exploit complementarities among their different divisions.
- Business conglomerates have a major presence in the land-locked markets, and operate in Tanzania often in duopolistic/ concentrated sector structures.

## Policy and programming implications

- Business conglomerates can play a key role in driving industrialisation and their context-specific organisational capabilities can be leveraged to increase investments and develop local supply chains if rents allocation is conditionally applied.
- Tax incentives should encourage business models which favour retain and reinvest strategies and increase competitiveness in international markets.
- Policies should incentivise rents re-investment and re-allocation across divisions, instead of attempting to re-cover captured assets with retroactive changes in legislations

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