

Growth
Research
Programme



Shaping Economic Transformation in Tanzania

23 February 2015, Dar es Salaam, Tanzania
Co-hosted by the DEGRP and REPOA



Professor Benno Ndulu, Governor of the Bank of Tanzania. Photo by REPOA.

In February 2015, the DFID-ESRC Growth Research Programme (DEGRP) and REPOA convened a high level workshop to explore the challenges and potential solutions for economic transformation in Tanzania. The event brought together nearly 200 participants, comprising local and international economic and research experts; national policy-makers, including members of parliament; civil society; and media representatives, to discuss the role of agriculture, the financial sector and manufacturing in the country. Professor Benno Ndulu, Governor of the Central Bank of Tanzania gave the keynote speech.

The meeting began with opening remarks from Professor Sam Wangwe (Executive Director of REPOA) on the importance of economic transformation for Tanzanian growth. 'This workshop comes at an opportune time' he said, 'as efforts are underway to chart a five year development plan for Tanzania, the issues raised in this meeting will have useful input.'

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Following this, **Dr Dirk Willem te Velde (ODI Senior Research Fellow and DEGRP Research Lead)** introduced the **DFID-ESRC Growth Research Programme (DEGRP)** and spoke about the **importance of economic transformation**. Turning to the Tanzanian context he spoke of recent rapid economic growth, but highlighted concerns about growth longevity, particularly with respect to economic transformation. While exports are growing, diversification is low. Looking to the future, Dr te Velde suggested that there are promising opportunities emerging in Information and Communications Technology (ICT) and farm enterprises.

The keynote address was delivered by **Professor Benno Ndulu, Governor of the Central Bank of Tanzania**, who discussed recent significant changes to the country's economy. While there are lessons to be learned from Asia, he stressed that Tanzania does not have to follow the Asian Model. He identified five key characteristics of economic transformation in Tanzania: a strong comparative advantage in natural resources; geographical location as a gateway to landlocked inland destinations; rapid growth of ICT services through investment; an abundant and youthful labour force (while Asian labour costs have increased); and regional integration initiatives to exploit regional demand. Professor Ndulu closed with the message that Tanzania needs to concentrate on how to capitalise on these opportunities for sustainable growth.

The first session of the day focused on the role of agriculture in promoting economic transformation in Tanzania. Session chair **Dr Steve Wiggins (ODI Research Fellow & DEGRP Agricultural Lead)** provided context to the discussion, noting that agriculture is a central source of jobs and livelihoods in Tanzania. But how do you increase agricultural growth and productivity? He asked. Can small scale family farms be the basis for investment? Can agricultural development be left to market forces? Does the state need to intervene in supply chains?

In answer to some of these questions, Dr Julius Gatune Kariuki (from the African Centre for Economic Transformation - ACET) introduced the first **DEGRP project** for discussion. The project focuses on agricultural supply chains in Tanzania. Agriculture is still vital for economic transformation in Africa, he said, but Tanzania's agricultural sector remains uncompetitive due to undeveloped value chains. In addition there is a demand for proper infrastructure, logistics, fertilizers and technologies. Poverty is a major issue facing the sector, with low consumption and a lack of market predictability he said. Dr Kariuki suggested that solutions range from supporting small scale industries (making them more competitive and reaching wider markets with their produce) to supporting the middle class consumer market. He also emphasised the numerous supply chain innovations taking place across Africa and suggested drawing lessons for Tanzania.

Dr Geoffrey Karenga (from Southern Agricultural Corridor of Tanzania - SAGCOT), identified Public-Private Partnerships in Tanzania as an opportunity to maximise agricultural potential. The majority of the sector is small holding farmers, he said, and this presents certain risks. Small holding farmers are worried about being side-lined as vast areas of farmland are leased to commercial farmers. SAGCOT works with small holding farmers to mitigate risks and increase investments. For economic transformation, the Tanzanian agriculture sector needs better access to farming technologies and protection from the public sector.



Professor Sam Wangwe, Executive Director of REPOA speaking to the media. Photo by REPOA.

Dr Karenga suggested that as production and productivity increase, predictable policies become more important. He also stressed that for the first time the country has the capacity to afford technology and knowledge; the challenge is policy inconsistencies. Other important factors discussed were cooperatives, gender and contract farming – all areas where innovation and new policies are needed.

Session two looked at industrialisation and economic transformation in Tanzania. Professor Wangwe opened the session with a presentation on a **DEGRP project** focused on the pharmaceutical industry. He suggested that the pharmaceutical industry serves as a case study for how Tanzania can identify opportunities for improved local supply and health sector performance. Imports are rising but access is a challenge for health products, he said. Furthermore, local share of medicines is declining because of: rising barriers to market entry for local firms; increasing import price competition; infrastructure constraints; and tariffs that incentivise imports. Transformations needed include: more reliable public and donor funding; lower proportion of medicines bought in private shops; and more access at free or low cost. He highlighted the importance of good industrial public policy, the consistent implementation of that policy and the need for a strong political economy.

Dr Phillip Mpango (Executive Secretary from the Government of Tanzania's Planning Commission) argued the need for Tanzania to move towards a diversified semi-industrialised economy if it is to achieve middle-income country status by 2025. The Government has a long term plan for how this transition should take place, he said, including the increase of manufacturing GDP and the decline of agriculture. Tanzania has an abundant mineral source, which will be a key enabler to this plan. Other enablers include: a skilled and adaptable workforce; a favourable political and legal environment; and coordination between the government, businesses and researchers. Malaysia is a good example of how the government and private sector have worked closely on investment and planning, he suggested. But Tanzania still has a long way to go.

Closing session two, Mr Omari Bakari (Executive Director of Small Industries Development Organisation) summarised that industrialisation in Tanzania should be inclusive and sustainable. Policy coordination and commitment are key to building a strong system. The market is a major challenge to industrialisation in Tanzania, and effective and efficient investment will be critical for higher productivity and increased investment.

The third and final session of the day considered finance and economic transformation. **Professor Alison Brown (from Cardiff University & DEGRP grant holder)** stated that Tanzania is on the cusp of economic transformation: urban populations will double in the next 20 years and the challenge will be to harness this urban potential. She presented a [DEGRP funded research study](#) on small scale micro-enterprises in growth sectors, focusing on trade, construction, manufacturing and tourism. Professor Brown stressed that while micro finance is not the silver bullet, it is important for all to have access to credit, savings and insurance. [The findings show](#) that despite a plethora of financial provision, micro-enterprises make little use of formal financial services, instead borrowing from family and friends. Fear of debt and irregular income are critical barriers to accessing finance. Inclusive growth should consider micro-enterprises as key players. Furthermore growth has to be sector specific, with different agendas for manufacturing and tourism.

Dr Blandina Kilama (from REPOA) presented a study on the behaviour of banks and how they allocate credit, which is part of a three phase project investigating the broader relationship between saving and investment at the micro level. **Dr Abel Songole (Executive Director of the Economic & Social Research Foundation - ESRF)** presented key findings from a study on the role of finance in infrastructure in economic transformation.

Concluding the third session, Dr te Velde suggested that a nuanced view of microfinance is needed. A range of finance options are already available in Tanzania, but there is a need to look at how to use them most effectively. The discussion raised questions over whether commercial bank lending is going to the right sectors, he said. The case studies discussed here show that there is no lack of financing, but work still needs to be done on how to allocate resources to the right places.

Closing remarks were provided by Professor Wangwe, who encouraged further discussion and debate on these important policy issues in the run up to the 2015 elections. He thanked all those who participated and encouraged government representatives and candidates to take heed of the discussions and research presented at the workshop.

- **Read more on the [DEGRP event page](#) or view our event on [Storify](#).**
- **[Background note](#)**
- **A selection of media coverage:**
 - Keep track of demographic shifts for productivity – Ndulu, Business Times
 - Agriculture contributes less to GDP, Daily News
 - Street hawkers not a nuisance but vital for economic transformation, Business Times
 - Economy on track to achieve middle income status by 2025 - BoT Governor, IPP Media
 - Prof Ndulu: Utalii unaongoza kulingizia taifa pato la kigeni, Mwananchi