

Speech by Hon. Mustafa Mkulo (MP)
Minister of Finance and Economic Affairs

On the Occasion of REPOA's 13th
Annual Research Workshop
2 April 2008 at Dar es Salaam

*Madam Chairperson, Your Excellencies and Heads of Diplomatic Missions,
Distinguished Guests, Ladies and Gentlemen*

Madam Chairperson, Let me start by expressing my pleasure to be here today to officiate at the opening of the 13th REPOA Annual Research Workshop. It pleases me also to meet with the intellectual community gathered here to discuss issues of development for our country. The purpose of this meeting is to discuss matters of economic and social research, and more importantly, the link between research and policy development. The Government of Tanzania recognises the role of knowledge in the development of the economy.

For example, the Tanzania Development Vision 2025 recognises the importance of using knowledge “*in mobilizing domestic resources for assuring provision of people's basic needs and for attaining competitiveness in the regional and global economy*”. In other words, the use of knowledge will ensure that the country achieves the transformation and targets laid out in Tanzania's National Development Vision 2025. Therefore, this particular forum is playing an important role in knowledge generation and dissemination for the development of our country.

Madam Chairperson, I have noted that this workshop will allocate a substantial amount of time to discussions on issues of growth and development. Therefore, as part of my contribution to the discussion, I would like to give some of my views on this subject.

The Tanzania Development Vision 2025 established the broad parameters and direction for national growth and development. In the last six years implementation has been guided by the Poverty Reduction Strategy Paper (or the PRSP) and its successor the MKUKUTA (also known as the National Strategy for Growth and Reduction of Poverty). Both the Vision 2025 and the implementing strategies separately and collectively have contributed to the observed growth and improved service provision, but more is needed if the national targets set out in the Vision and the global targets of the Millennium Development Goals are to be attained and sustained.

Madam Chairperson, our experience has shown that these national and global targets can only be attained and sustained if they are based on a sound domestic economy. It is a fact of life for all countries, rich or poor, that any effective public service must be based on a sound domestic economy. Achievements based mainly on external resources are bound to face problems of sustainability. This is the main reason why MKUKUTA, the National Strategy for Growth and Reduction of Poverty, explicitly brought out the growth aspect, unlike the preceding PRSP.

The implementation of the Vision 2025, first through the PRSP and currently through MKUKUTA, is on course; allow me to briefly give four examples. First, GDP growth for the last ten years has been sustained at a level that few countries have reached. I

recognise that we have started from a low base, nevertheless this achievement is worthy of recognition.

Secondly, inflation has remained at single digit level for the last eight years; once again, few countries in Africa have achieved this.

Thirdly, the financial sector has undergone significant growth and transformation. It is interesting to note that in spite of the rapid growth of the number of banks and the associated volume of business, the confidence of clients continues to grow. This is a sign of well managed financial sector reform.

Fourthly, developments in the social sector are on track. We are maintaining the momentum in education and health. Significant expansions in the infrastructure and human resource development have been undertaken.

Madam Chairperson, the work has not been completed, but the foundations for further developments have been laid down and the march towards the Vision continues.

The Government recognises that there are challenges to be addressed, some of which I will briefly mention. The first relates to maintaining macroeconomic stability, especially in relation to the following two contexts.

One is the context of increasing oil prices. This is a global problem that will continue to impact upon countries that are heavy importers of petroleum, such as Tanzania. In the short to medium term the demand for oil will increase as the economy grows. How to minimise the impact of increasing oil prices on our macroeconomic performance will continue to be of concern.

The second context to maintaining macroeconomic stability is within our national agenda to provide increased social services in education, health, water and sanitation. This agenda implies heavy expenditure burdens upon the Government's Budget. The uniqueness of such expenditure is that it does not produce results in the short to medium term, and this may lead to rising prices and high inflation rates. The concern is how to minimise the impact of this type of expenditure to the macroeconomic performance.

Madam Chairperson, after the macroeconomic challenge I have just mentioned, the second challenge is to accelerate pro-poor growth to higher levels than we have achieved so far. An average growth rate of 6% per annum may not be adequate to achieve the lower poverty target we have set, given our population growth of 3% per annum. The relationship between economic growth and population growth must be understood both at the national level and the household level in order to determine the right balance.

When we talk of pro-poor growth in Tanzania, we refer to the rural economy as this is responsible for the livelihood of the majority. Yet, presently our knowledge of the rural economy is quite limited. Recent national accounts have shown that the contribution of agriculture to the gross domestic product is around 26%. This is lower than the contribution we have been accustomed to, of about 50%. This raises important issues relating to the living conditions, since more than three-quarters of the population reside in rural areas.

Could this be an issue of income distribution? The Household Budget Survey results to be released later this year should give an answer to this question. Could it be an issue of

diversification of the rural economy? If so, which economic activities are now dominant? We need to know precisely what is going on in the rural sector in order to provide the required support, such as infrastructure, roads, finance, energy and education.

Madam Chairperson, I can summarise the challenges I have mentioned above as how a poor country like Tanzania can achieve pro-poor growth and development within the context of global, regional and local settings. That is why the ongoing discussion on growth is so critical.

In my opinion this discussion now needs to focus on the refinement of the growth strategy, and this must be brought into sharp focus within the development agenda. An interesting discussion took place during the Poverty Policy Week, and I understand that this has been refined and included in the 2007 Poverty and Human Development Report, which will be made available soon.

The ongoing discussion about a more focussed strategy for growth proposes certain prioritisations. I agree that our priorities for growth must be based on consideration of the global context. We cannot ignore the fact that our products and services have to target our local, regional and global market in the same way our local market is being targeted by producers outside of Tanzania.

I am pleased that this discussion on growth will continue today. The intellectual community has a clear role to play in providing guidance and direction for the future of this country. The Government awaits to learn from this fruitful dialogue and will use the results of the discussion in the refinement of its strategy for growth and development.

Madam Chairperson, I would like to end my speech by returning to where I started. The Government values the contribution of the intellectual community in the development of policies and strategies for growth and development of our country. Research organisations play an important role in organising and managing research and the dissemination of research results.

In this context I would like to take this opportunity to thank development partners for supporting research and research organisations in Tanzania. Today in particular, I would like to express appreciation to the governments of the countries of the Netherlands, Norway, Finland, Sweden and the United Kingdom for their continued support of REPOA. REPOA's good work in knowledge generation, promotion of policy dialogue, support for policy and strategy development and monitoring of implementation is well known to many. On our part the Government will continue to provide support to facilitate REPOA's work.

Madam Chairperson, it is now my honour and privilege to declare REPOA's 13th Annual Research Workshop officially open.

Thank you for your kind attention.