



27TH ANNUAL RESEARCH WORKSHOP - 2023 (GALVANIZING INCLUSIVE AND SUSTAINABLE GROWTH THROUGH STRUCTURAL TRANSFORMATION)

WORKSHOP REPORT

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About Us

REPOA is an independent local think tank that engages in policy research and dialogues that promote socio-economic transformation for inclusive growth.

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Executive Summary

Tanzanian development strategy is directed toward the expansion of the economy's productive capabilities through a structural transformation of the economy. While enhancing productivity capacities in all productive sectors is important, industrialization is envisaged to play a pivotal role in raising the productive capacity of the economy and driving the transformation process. This has always been the aim, but it has yet to be achieved. While the country inherited a mixed economy structure in which the manufacturing sector was small, and private investment was encouraged, the concerns that the economy was still largely in the hands of foreigners and Tanzanians of alien origin led to changes in the country's development strategy. The independent, socialist-oriented,

development strategy adopted by Tanzania since the Arusha Declaration of 1967 supported some growth in manufacturing and a relatively good performance in terms of human development indicators. However, the economic crisis that started in the late 1970s and escalated further into the early 1980s resulted in a series of economic recovery measures (initiatives) sponsored by the IMF and World Bank as a step towards redressing the battered economy, and subsequently, a number of home-grown development initiatives.

One such important initiative is the National Development Vision 2025

The main objective of the Vision 2025 is to transform the economy from a predominantly agricultural one to a modernized and high productivity agriculture as well as a diversified and competitive semi-industrialized economy with a substantial industrial sector base.

In translating Vision 2025, the Government formulated the Long-Term Perspective Plan (LTPP) 2011/12 – 2025/26, in addition to sector-specific policies, strategies and plans.

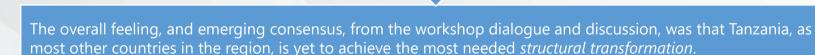
Structural transformation was expected through increasing the share of the manufacturing sector in the economy from 7% in 1970 to 18.8% in 1995 and further to 31% (and its share of employment to 21%) by 2025.

> This would come with reducing the agriculture share of employment to 41%, attaining gross domestic savings of 22% of GDP, and increasing the revenue capacity of the economy to 21% of GDP.

These targets are unlikely to be realized, and instead, the observed decline in the share of agriculture sector reflects the movement of labour away from the low productivity agriculture sector to the even lower productivity informal sector of the economy.

Against this backdrop, the 27th REPOA's Annual Research Workshop (ARW) came at a time when the country is taking stock of the achievements made after nearly four decades of experimenting with Vision 2025, which went in tandem with a set of other major socio-economic reforms.

The key question that the country has been grappling with for a long time, is whether such reforms have helped Tanzania attain the long-sought structural transformation.



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Underlining this collective consensus are the key priority areas for policymakers and researchers focusing on how current and future reforms (and the development vision) can steer the country towards the desired and long sought structural transformation. These include the following twelve key points:



•Tanzania has, over a long period, failed to enhance productive transformation and labour productivity in most of her economic activities--There are generalized low levels or even lack of productivity at the households' and firms' level and, by extension, to the sectors of the economy, especially where needed most, in employmentintensive agriculture and informal sectors.

Tanzania is ranked among the most unproductive economies in the region and across the globe. For instance, while countries such as Malaysia, Thailand, China, Indonesia, and Vietnam that were at the same economic level with most African countries have managed to increase productivity significantly to double digits, that is not the case for most African countries, which are with very low level of productivity, on single a digit. Tanzania is a vivid case with – \$2.93 output per worker in 2017 international dollar at PPP, compared to \$26 in Malaysia. Krugman (1994) noted that 'productivity is not everything, but in the long run, it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise output per worker'. Enhancing productivity in almost all sectors of the economy should, therefore, be an utmost priority for policy makers in the country. This will entail, among other things, creation of more structured work environment that brings capital and labour plus other factors together in an organised way to increase total factor productivity.



• Tanzania needs to accelerate its integration into regional (and global) value chains to enhance its economy's productive transformation, by expanding market size and lowering trade costs.

More effective regional integration can enhance export diversification and competitiveness of Tanzania's economy as one of the important drivers of economic growth and people's wellbeing. Both larger markets and low trade costs would allow firms from Tanzania to take advantage of the market opportunities by entering and competing in the regional markets. This will increase export diversification (number of Tanzania products/firms entering regional markets) and competitiveness (as firms compete for the space in the regional markets by offering low cost or high-quality goods), both of which are expected to alter Tanzania's trade structure from more of inter-industry (low value-added unprocessed trade) to intra-industry trade (high value-added processed trade). To attain structural convergence (i.e. economic transformation), Tanzania and other countries in the region must enhance the regional integration through regional value chains, which too can act as a springboard into the global value chains. The Republic of Ireland joining and retaining its membership to the European Union (EU) is one such good example of effective integration that have offered opportunities for diversification and competitiveness of the Irish economy. Seizing the opportunities from the African Continental Free Trade Agreement (AfCFTA) could be an important opportunity for Tanzania, provided that all members states uphold their commitments to respect the agreed protocols and collectively address existing trade barriers.



 Diversification and competitiveness of the economy is fundamental to increasing productivity, and productive transformation--The economy needs to steadily move away from subsistence agriculture to higher value-added and wage-visible agribusinesses, services, and labour-intensive manufacturing.

Targeting priority sectors while making the economic environment more conducive to investment, business activity and international trade is critical to attain diversification and competitiveness, which too is associated with structural transformation. Global evidence shows that targeting highpotential sectors with coordinated strategies can deliver diversification and competitiveness. Among other things, this entails focusing on smart industrialization policy by religiously prioritizing sectors based on comparative advantage and religiously engaging with the private investors to understand

the sector's needs and adapting to the needs of those specific sectors to allow for large scale growth into higher productivity and complex productive activities, both within and across sectors. One approach that has led to success in some countries is the export processing zones (EPZs), but they must

be targeted, properly regulated and resourced, and effectively involving private sector in their design to ensure they maximize synergies between firms. South Korea and Vietnam which focused on textiles and apparel, Japan on cars, and Israel on horticulture, are some notable examples of successful EPZs.



• Focused and targeted policies, strategies and plans to effectively attract productive investment and business are key to stimulating productive transformation -- One of the major reasons for the lack of structural transformation in Tanzania, and most other countries in the region, is the lack of large and more sophisticated investments that creates clusters of specialization, leading to generalized lowest capital levels per worker, and the trend is not improving.

The current status quo comprises of micro firms (businesses with less than five employees) that make up more than 96% of all firms. As a low-middle-income country, Tanzania's growth is expected to come mainly from accumulation of both human and capital, but this will require the diffusion of technology to lead Tanzania's economy to the frontier of innovation. Lessons can be drawn from the Republic of Ireland's pro-business and outward-looking economic policies of the late 1980s and early 1990s which attracted investments in high-tech sectors. Among other things, Tanzania needs to adopt a more targeted approach to attracting investment to allow for increased compatibility between supply and demand, improved linkages with domestic sectors, and better governance of the investment and business climate (i.e. making credible commitment to investors). Some studies show that, many firms already operating in Africa invest less even if they make profits, because of economic uncertainty, infrastructure challenges, and information asymmetry, a phenomenon referred to as Luca's paradox. Tanzania needs to learn from its own past to avoid this phenomenon and to attract critical mass of FDIs.



The ability to tap potentially huge domestic savings for capital accumulation to address financing gaps is one comparative advantage that Tanzania enjoys over other countries in the region owing to the large shares of its domestic savings to GDP, just the third behind Zambia and Angola.

Savings mobilization and investment doubled from 20% in 2000 to above 40% of GDP in 2022. Similarly, the rate of gross national savings has doubled from 17% to 35% of GDP during the same period. These levels mirror long-term levels maintained in East Asia as well as China. Yet notwithstanding the potential, more than three-quarters (77%) of commercial bank lending currently focuses on consumables as opposed to the productive sectors of the economy. Lending to the agriculture sector is between 7% and 10% while lending to the manufacturing sector is between 8% and 9%. The focus of the banking sector in the country needs to be aligned with the

national development agenda for productive transformation. Enabling structural change and modern economic growth requires targeted and prioritised allocation of resources (private and public) towards modern and high productivity sectors, and the accumulation of skills and institutional capacities (Rodrik et al., 2016). Tanzania's stock of domestic savings can thus be mobilized better to support much needed capital accumulation in terms of low-cost, longer-term development financing. This must be complemented by the specific targeted policies to transform small enterprises into medium and large ones to allow them to tape this opportunity.



 Identifying priority sectors of the economy with significant transformative effects, and ensuring robust delivery mechanisms and sustainable execution plans-- Experience has shown that most countries that have managed to attain higher productive capabilities and structural transformation of their economies managed to identify and prioritize few sectors with tremendous potentials and focused on them over a long period while ensuring robust delivery mechanisms.

That has been true of countries such as Germany (manufacturing), Japan (cars), South Korea and Vietnam (textile and apparel), China (manufacturing), India (information technology and outsourcing), UK (financial services), France (manufacturing), Israel (horticulture), Mauritius (textiles and apparel), South Africa (manufacturing), Morocco (textile and garments) and more. It is possible therefore for Tanzania to develop dynamic, competitive sectors by targeting the growth of key sectors such as the subsectors in agriculture (horticulture, livestock, fisheries, and forestry), critical minerals, ICT, and tourism by building capabilities and competitiveness across those respective value chains.



•Targeted human capital investment that enhances skills to address skills gap and skills mismatch to unleash productive transformation and job creation--Given its current demographic structure, Africa will be the population centre of the world in the foreseeable future as its population will double.

Tanzania has a young (median age 18.5 years) and rapidly growing population that is still several decades away from entering a potential demographic dividend. Research has increasingly shown that Tanzania performs significantly worse than its income peer group in the mean years of education (UNESCO Institute of Statistics shows that Tanzania mean years of education was 7 years in 2022 against average for sub-Saharan Africa of 8 years, and 12 and 11 in Kenya and Seychelles, respectively).

According to the World Bank Tanzania's net secondary enrolment was the lowest in the world, while its lowersecondary education completion rate was the fourth lowest in the world. Enrolment in tertiary education was less than 4 percent—among the lowest in Africa. Tanzania needs to investment in human capital, health and nutrition, foundational learning, and training and skills acquisition in formal institutions and workplaces. All of these are critical for the working people in all sectors. A healthier and a better educated labour force generates an exponential effect on productivity, as it produces a highly productive labour force. This is in addition to the efforts to promote 'industries of the future' such as financial services, the digital economy, tourism, and critical minerals, to mention some.



Easing the regulation burden and costs to allow the informal sector to integrate into the formal sector is critical for both economic growth and poverty reduction--Estimates show that Tanzania has the largest informal sector in the region, second only to Zimbabwe in Africa, approximately accounting to about 45% of GDP and 76% of labour force in 2023.

Such a large informal sector has a significant drag on economic growth as changes in the formal sector hardly trickle down into the informal sector because the latter avoids regulations and state burden that raises business and production costs. To unlock growth and attain structural transformation Tanzania must find ways to formalize its large informal sector otherwise

the growth will not trickle down. There are historical reasons for a large regulatory and state burden that raises costs and makes it difficult to formalize the informal sector in Tanzania. but the times have changed, and the technology and digital transition provides an opportunity for rapid formalisation if accompanied with the appropriate strategy and impetus.



A great window of opportunity exists for Tanzania to leapfrog technology and innovations for growth and productive transformation--With its sizeable informal service sector and relatively small manufacturing sector, Tanzania should also grow its ICT sector as a vehicle towards economic expansion and driver of productivity.

Leapfrogging through the impact of modern technology and innovation will be the largest driver for growth by reducing the size of the informality, which too can be tapped to increase Government revenue for a country like Tanzania that has a very low level of revenue collection (i.e., at 11.6% of GDP). This will increase the ability of Government spending on social and

public goods that further enhance growth and structural transformation. In addition, digitalization across the whole country, in addition to other supportive infrastructure, is critical in connecting the rural economy with urban markets, if we are to increase productivity significantly to tape the potentials in the agriculture sector.



 Notwithstanding good policies, strategies and plans, without serious measures to address the political constraint, attaining structural transformation will be an uphill task--The practice and experience of advanced and emerging economies that have succeeded in attaining traditional structural transformation have been through effective and efficient market competition in their relationship with the private sector – the investors, where the Government only regulate and facilitate those investments

In these economies, the investment deals are open and ordered such that anyone can make a deal and can be certain that the deal will be delivered. On the contrary, the practice and experience of most countries in SSA, and Tanzania is not an exception, is that most of the investment deals by the private sector are shrouded in regulatory rents and corruption. This implies that most investment deals, even when they are ordered, tends to be closed, hence only those with political connections can make a deal and can be certain that the deal is delivered. Thus, the key political constraint as the driver of limited structural transformation is the lack of open-ordered

investment deals for the private sector, which diminishes innovation and competitiveness. This resonates well with the contemporary Tanzania, and SSA, for what is needed for Tanzania to graduate from poverty into prosperity is a significant improvement in its governance and robust institutional reforms. This is critical in reducing the risks of investment and encourage the return of capital flight, physical and human (Wood, A., 2002). The state remains a mega institution in the development process, and thus its stability, predictability, and commitment to change will be key to driving the desired transformation.

Eleventh

•Committed leadership and effective coordination are important for structural transformation—Leaders need to be assertive in the direction of the economy – ready to make sacrifices, trade-offs and take risks – as long their decisions are backed by evidence and truth; leadership must stand for continuity of policy agenda and national priorities, based on tested approaches; focus must be on long-termism in planning and economic management, avoiding shifts in priorities around election cycles.

Plans must be implemented, leadership needs to be open-minded, accepting that the Government cannot do everything by itself. It should invite others with new ideas, technologies, and capital; and accept when it does things in the wrong way. This will require a very strong leadership in place with a system in which some of the key decisions and key framework for development agenda is embedded in non-changeable framework such as in the country's constitution, where changes in the government regime cannot unilaterally change the development agenda, except the strategy and means to implement it and to achieve better outcomes.



 Proper mechanisms need to be developed to address significant 'trust deficit' between the Government and the private sector to ensure the critical role of the private sector in enhancing growth--Given the Tanzania history of inward-looking and state control of the main means of production.

This is in addition to addressing Government interventions in the functioning of markets. There has been significant mistrust between the private sector and state institutions. Building trust and instilling discipline in public service will be key to building trust in the private sector and to attract FDIs. There is thus a need for public-private dialogue that is efficient and effective in problem-solving. The one that is key in identifying the right sectors for prioritization and intervening at the right time and right level to take advantage of the existing opportunity to attract FDIs in the wake of 21st industrial revolution, declining competitiveness in China, and the opportunities arising from AfCFTA. There is a need for strengthening the framework for effective dialogue between public and private sector – talking with each other, rather than talking at each other.

1.0 Introduction

REPOA's Annual Research Workshop Continues to be the longest running and largest research workshop held in Tanzania by a Tanzanian research organisation;

Where researchers, research users, and other development stakeholders meet to discuss research findings;

Development stakeholders discuss research findings, their associated implications for development policy in Tanzania, and propose areas of further strategic policy research.

The 27th REPOA's ARW was conducted at a time when the country was also taking stock of the achievements made after nearly four decades of experimenting with Vision 2025, which went in tandem with a set of other major socio-economic reforms, in preparation for Development Vision 2050.

The overall aim of the workshop was to provoke and promote policy dialogue and contextualized research on how to accelerate structural transformation of the economy and improve its outcomes, that is, inclusive, competitive, and productivity-led economic growth. This included:



A closer look at the opportunities for sustainably enhancing productive capatities as catalytic fundamentals for accelerating structural transformation;



Sharpening strategies for effective participation in the global value chains and options for strategic linkages to enhance tranformational competitiveness in agriculture, industries, and other sectors; and



Improving public-private partnerships in the acceleration of the economic transformation process.

The main theme of this year's workshop focused on the inclusive and sustainable growth through structural transformation, attempting to provide an answer to the question Tanzania has been grappling with for a long time, whether the various reforms have helped Tanzania attain the long-sought 'structural transformation'. The expected structural transformation was significant increases in productivity in the agriculture sector that would release labour into even much higher productivity sectors of the economy, in particular manufacturing and services. Thus, the insights, reflections, and analysis from the two days of the workshop dialogue and discussion provided an important platform to examine and align research and policy objectives on how to accelerate structural transformation in a manner that will promote sustainable and inclusive growth in Tanzania.







2.0 Opening Session

The workshop began by welcoming remarks from **Dr. Donald** Mmari, REPOA's Executive Director, who, on the behalf of the Members, Board of Directors, and Staff of REPOA thanked all the distinguished participants for attending this important event. He then acknowledged with appreciation, along with REPOA's partners, the presence of the Guest of Honour, among other important dignitaries.

Dr. Mmari noted the major policy reforms and initiatives taken by both the Union Government and the Revolutionary Government of Zanzibar in enhancing structural transformation over a long period and outlined REPOA's contribution to the national development agenda over the past 28 years of its existence.

REPOA's contribution included:

Generating knowledge through targeted research, and evidence-based analysis focusing on areas identified as the key pillars of development priorities in the National Development Vision 2025, Zanzibar Development Visions 2020 and Vision 2050; and

The respective medium term development blue prints and sectoral strategies; with the main aim of informing policy making process in the country.





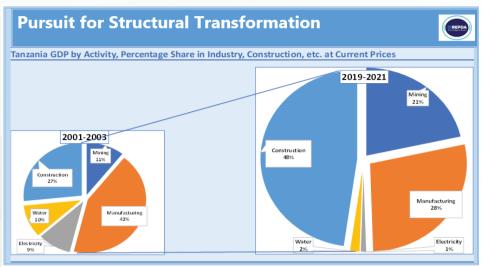


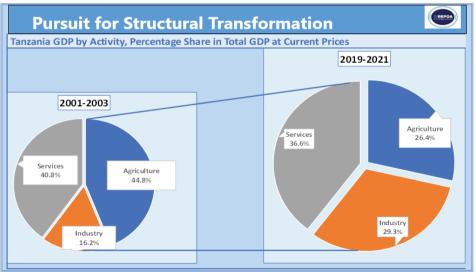


Notwithstanding the reforms and initiatives pursued, he noted, the world is going through turbulent times that include the extended disruptive effects of COVID-19, ongoing geopolitical conflicts, adverse effects of climate change, and dollar scarcity resulting from the US response to domestic inflation and adverse terms of trade: all of which have exacerbated costs of living and worsening people's standard of living. A glooming growth outlook is also experienced in the region and Tanzania is no exception, reminding us that the transformation path is not an easy one; and that the country was facing the risk of eroding some of the gains made so far, including the rates of poverty.

The choice of the theme for this 27th annual research workshop, "Galvanizing Sustainable and Inclusive Growth through Structural Transformation" has not come by coincidence, he emphasized. It has come at the time that, after nearly completing REPOA's five years research programme (2020 -

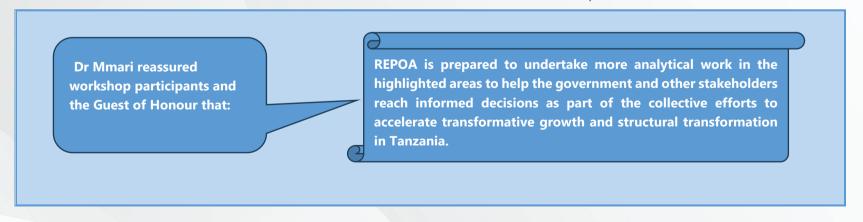
2024), REPOA will be developing its next five years strategic plan and research programme (2025 – 2029), whose focus will continue to contribute to a country's desire to achieve its longsought structural transformation. While there are some symptoms of structural change, where productivity has increased in some industries, subsectors or firms, structural transformation appears to be relatively weak or lacking in most sectors. This is in sharp contrast to the newly industrialized East Asian countries. The recent decline in the share of the agriculture sector to GDP should, therefore, not be mistakenly taken as the result of an increase in productivity in the agriculture sector, hence a movement of labour to high productivity sectors – to industry, and subsequently to services; rather labour has been mainly moving towards low productivity sectors, in particular urban informal sector, and rural-nonfarm trade and service activities





Low and weak productivity is not only the Tanzanian phenomenon, but also observed in most countries in the region. African manufacturing has stagnated over a long period, accounting only for about 1% of the world's manufacturing exports, and productivity in the agriculture sector has remained very low. Labour productivity in Africa lags significantly behind compared to the recently transformed economies in South-East Asia. Studies have shown that Malaysia is on the lead with labour productivity of \$26 output per hour in 2017 international dollar at PPP, followed by Thailand - \$15.2, China - \$13.8, Indonesia - \$13.1, and Vietnam - \$10.2. In contrast, labour productivity in most African countries is very low and on single digit; for instance, for Kenya - \$4.75, Cameroon - \$4.55, Congo Brazzaville - \$4.45, Uganda - \$3.53, Ethiopia - \$3.34, Tanzania - \$2.93 and Rwanda - \$2.86.

Effective participation in regional and global value chains can help countries leapfrog the manufacturing sector to modernize their agrarian and service sectors, Dr Mmari added, as induced by diversification and competitiveness, which is critical for raising productivity leading into structural transformation. One example is Bangladesh, which entered the garment value chain at a very basic level in the 1990s, with local assembly of sewing plants using imported inputs. Today the number of garment factories has grown to 7,000 producing yarn, accessories, and textiles with estimated exports worth over \$ 42.6 billion in 2022. Unfortunately, Africa is yet to integrate effectively into these value chains and has not been able to upgrade strategically up the value chains ladder and a large share of exports remains unprocessed. The African Continental Free Trade Area (AfCFTA) thus offers the best opportunity for African producers to trade through regional value chains for which Tanzania can tape, he further noted.



Mr. Samuel Kilua - Country Director for Gatsby Africa, gave a welcoming remark on the behalf of the collaborating institutions. Gatsby Africa, he explained, works to catalyse transformation of sectors to build stronger inclusive economies in East Africa, focusing on a limited number of selected sectors. Catalysing sector transformation means a

continuous long-term process of shifting labour and other resources from lower – to higher-productivity activities both within and between sectors, to facilitate aggregate labour productivity growth over a sustained period that results into a more diversified and complex productive activities.





Using a couple of examples from across the globe, Mr. Kilua demonstrated the key tenets of successful structural transformation. Historically, what has played an important role is that countries have reached higher income levels by diversifying their economies into a range of high-potential sectors. For example, South Korea and Vietnam on textiles and apparel, Japan on cars, Israel on horticulture, to mention but a few. In Africa, the economies with the highest standards of living all heavily relied on targeting the growth of key sectors, e.g. Mauritius, South Africa, and Morocco. It turned out, Mr.

Kilua went on to suggest, it is possible to develop dynamic, competitive sectors even when broader conditions are unfavourable.

On the contrary, and notwithstanding its enormous resources and opportunities that present Tanzania with a lot of choices to make, Tanzania has seen rapid economic growth without structural transformation. What we have observed is growth without jobs (it has not been inclusive) with poverty rates remaining stubbornly high. Employment remains concentrated in agriculture and low-value services while manufacturing has been stagnant as a share of GDP over the past 30 years – lingering at between 7% to 9%. Exports are largely unprocessed and low-value-added products with low labour productivity in most sectors.

What all these mean for Tanzania, a goal of economic transformation places far greater demands on governments than simply economic growth.

Recognise economic opportunities – both high-potential sectors and business Achieving a pattern of growth where models: productivity is continuously increased Work in a politically smart way; relies on government having the capabilities to: Make a credible commitment to investors: Overcome coordination failures Experiment, learn, and adapt.

A combination of all these strategies can help deliver a continuous and sustained growth in incomes and living standards, grounded on solid structural transformation.

H. E. Mary O'Neill, the Ambassador of Ireland to Tanzania, gave remarks on behalf of the REPOA's core partners. She began her remarks by acknowledging and appreciating the presence of the Guest of Honour, other dignitaries, and all distinguished participants for attending this very important research workshop. This year's REPOA annual research on the theme "structural" transformation for inclusive and sustainable economic growth", comes at an important moment as Tanzania is drafting its National Vision – 2050. She reminded the workshop participants that everyone of us here want to see Tanzania achieve its full potential for inclusive and sustainable development for the prosperity of all its citizens.



H.E. O'Neill also gave a special remark on the *link between investment in human capital and structural transformation* drawing from the experience of Ireland. Mindful of the reality that every country context is different and lessons from one country may not translate directly into another country; she proceeded to share some experiences and lessons from Ireland's journey of *economic and social transformation*. There were some crucial policy decisions that leaders in Ireland took during the last 70 years that were critical to the success of Ireland we are seeing today: as one of a highly developed knowledge economy, with the highest labour productivity globally (in GDP per hour worked according to OECD data), and one of the most globalised economies in the world. Ireland has achieved significant economic transformation and human capital outcomes and consistently ranks in the top tier of

countries where people live longer and healthier lives, have better living standards, and its rates of education is ranked amongst the highest in Europe. This is in sharp contrast with what Ireland was just over 100 years ago; as, emerging from British colonial rule, Ireland was poor, predominantly rural, agriculturally based, and unindustrialised country.

These phenomenon levels of structural and societal transformation achieved in Ireland could be explained by three policy areas, in addition to pragmatic aptitude to problem solving, the Ambassador noted: i) joining the European Union (EU); ii) a proactive approach to attracting foreign investment and iii) deliberate investments in human capital – education, skills development and gender equality.

On human capital: in 1960's Ireland made a series of decisions in relation to human capital investment that proved transformative over time.

For example:

In 1967 Ireland introduced free secondary education to ensure every girl and boy, regardless of their family's income would receive free high-quality education. That helped put Ireland on a path to achieving the economic prosperity that is enjoyed today.

In the 1990's, further education policy decisions were made to ensure that Ireland could keep pace with technological and innovation advancement by removing tuition fees for higher education in state-funded universities and colleges;

Universities worked increasingly in close partnership with industry for a more integrated higher education, research, and innovation sectors,

This helped to produce a tech-savvy workforce with a mix of creativity and skills capable of meeting the diverse needs of the changing labour market.

On openness and export- oriented economy:	In 1973 Ireland joined the European Economic Community, reducing trade barriers and tariffs, allowing access to the European markets for their growing exports.
	As the result of joining the EU, Ireland was challenged to take a long hard look at issues such as equality for women;
	Hence it took measures to remove barriers and enhance the role and contribution of women in Ireland's growing prosperity.

Ireland's pro-business and outward-looking economic policies, a young and tech-savvy workforce and access to the European market successfully attracted investments in hightech sectors; On attracting foreign direct investment: Delivered an unprecedented economic boom with a double-digit growth (also known as the Celtic Tiger phase) which peaked at 17% in the year 2000; Thus, Ireland's knowledge-based economy underpins its attractiveness as a destination for targeted foreign direct investment.

Thus, Ireland has achieved profound structural transformation due to the deliberate investments in human capital as well as on gender equality that has taken place over years. The service

sector in Ireland is by far the largest, employing over 75% of the workforce, with the agriculture sector employing just 5%.

Coming to Tanzania, she noted that:

There is a window of opportunity now that Tanzania is in preparation for its next National Development Vision 2050, during which deliberate and long-term policies and investments in its human capital can be made to consolidate the path to success and prosperity.

Investments in education and skills for Tanzania's young and growing population, alongside export focused industrialisation, a positive stance towards migration and the expanding AfCFTA, will further strengthen Tanzania profile and its attractiveness as a destination for investment.

The Ambassador recommended that these policy choices could put Tanzania is in a path to achieve inclusive and sustainable development and prosperity it envisions for its people in 2050.

Prof. Rwekaza Mukandala, Board Chairperson – REPOA, welcomed the Minister of Trade and Industrial Development – Revolutionary Government of Zanzibar, to invite the Guest of Honour. On the behalf of Members and Board of Directors of REPOA, Research Community and all stakeholders present,

- > He offered a special welcome to the Guest of Honour and expressed appreciation for her support to grace this important event,
- > This demonstrated yet another government commitment to engage in open discussions for exchange of knowledge and information with all segments of the population,
- > Dialogues on the direction of the economy and development of our society.



In this century, more than ever before, knowledge is a key determinant of the speed of technology and innovation diffusion which in turn influences economic growth and human development.

REPOA and the Research Community appreciate the efforts being undertaken by the Government to accelerate economic growth and recovery from various shocks.

This is vividly shown by both the government of the United Republic of Tanzania and the Revolutionary Government of Zanzibar increasingly demanding and using the researchbased evidence to inform policies, strategies, plans and in decisions related to the development needs of our society.

> REPOA is looking forward, therefore, for a continued collaboration with both governments to play its role as a think tank in conducting targeted policy relevant research, promote policy dialogue, exchange of knowledge and informing policy making.

Hon. Omar Said Shaaban, Minister of Trade and Industrial Development - Revolutionary Government of Zanzibar, on behalf of **Hon. Kitila Mkumbo** (MP) – Minister of State in the President's Office—Planning and Investment, thanked the Almighty God for this day, and sincerely thanked Hon. Prof. Joyce Ndalichako (MP), Minister of State in the Prime Minister's Office who represented Hon. Dr. Philip Isdor Mpango (MP) – Vice President of the United Republic of Tanzania as the Guest of Honour.



Hon. Shaaban noted that the role that REPOA has been playing, is the foremost creative force for:



Engaging country's top leaders, development partners, policy makers and researchers in collaborative efforts to review and shape national policies and strategies;



The Government engagement with REPOA through REPOA's ARW has been sustained for the past 27 years, which has helped to stimulate and inform policy making with evidence-based analysis from relevant researches, enhancing the alignment of research with the country's current and future development needs;



In addition, these workshops have been offering opportunities to build the capacity of young researchers through the validation and dissemination of their research works.

The decision to jointly organise this workshop with the President's Office – Planning and Investment for the first time, heeds Her Excellency President Dr. Samia Suluhu Hassan philosophy of inclusiveness in the development process based on four principles of reconciliation, resilient, reforms and rebuilding, focusing on strategic collaboration between the state and local institutions. REPOA have had several valuable and constructive collaborations with the government since its inception, and such collaborations are ongoing and set to

continue in the forceable future. Indeed, the collaboration between REPOA and the government has produced significant benefits to the country and its people in almost all sectors of the economy that ranged from policy design, monitoring and evaluation, training, and analysis. As a think tank, REPOA is in transition to go beyond policy designing to provide real life exchange and practical knowledge, to cater for ever growing needs for evidence driven analysis and policy design.

The collaboration between the President's Office - Planning and Investment, REPOA, Gatsby Africa and the Bank of Tanzania in organising this workshop, the Minister of State highlighted:

Is yet a vivid demonstration of the collective power of public--private partnership in national development agenda, and that the government will promote such inclusive partnerships in designing and pursuit of the next National Development Vision 2050 and its medium-term plans, and in implementing the ruling party manifesto;

From the government's perspective the thematic focus of this workshop on 'structural transformation' needs to be understood from the linkage between agriculture, industry, and services sectors:

If the linkages are not strong enough or if the technological improvement and changes are not supportive of efficiency across these three sectors, then linkages will be difficult to ensure high growth for all sectors;

We therefore need to stimulate technical efficiency and productivity growth across all three sectors to achieve robust transformation and economic diversification.

The Minister of State assured the Guest of Honour and distinguished participants, that his office and the Government in general remain diligent to steer the design, to monitor and to ensure the realization of the hopes and aspirations of both the current and future generations of Tanzania. He then formally invited the Guest of Honour to offer her remarks and formally open the workshop.

Hon. Prof. Joyce Ndalichako (MP), Minister of State in the Prime Minister's Office (Policy, Parliament, Labour, Employment, Youth and the Disabled) – the Guest of Honour, began her opening remarks by acknowledging the presence of Hon. Omar Said Shaaban, Minister of Trade and Industrial Development – Revolutionary Government of Zanzibar, other dignitaries, and all distinguished participants. She appreciated a great honour to grace the opening of this important workshop on the behalf of Hon. Dr. Philip Isdor Mpango – Vice President of the United Republic of Tanzania, who wanted to personally attend this important workshop but because of other equally important matters he could not make it, and therefore wished all participants a successful workshop.







She further noted that, research and associated think tanks play critical role in making our economies and societies to cope with the dynamic world, by diagnosing emerging opportunities and challenges, and informing policy decisions. It is within that context, she profoundly appreciated REPOA for upholding this tradition of organising research and policy dialogues for the past 27 years; and at the same time sustaining a strong link with the national planning commission and taking various efforts to support our two governments in the quest for accelerating structural transformation and improving people's welfare.

She informed participants that *Her Excellency* President Dr Samia Suluhu Hassan continues to support and recognize the contribution of research works and strongly value open and informed dialogue of this nature as integral part of ongoing structural transformation efforts.

Thus, this year workshop theme on Galvanising Sustainable and Inclusive Growth through Structural Transformation is topical area that aligns well with structural transformation agenda in our country.

Drawing from Tanzania experiences, several successful stories can be recorded on structural transformation, which among others encompasses:

> increased economic diversification with industrial and services sectors increasing their share of contribution to the GDP relative to the dominant agricultural sector.

To ensure inclusiveness and trickle-down effects the government have taken several measures including that of:

- > increasing the share of budget in education, health, and water sectors to ensure availability, accessibility, affordability, adequacy and
- > quality in the provision of social services in the country.

As a result, Tanzania has recently registered substantial improvement in social indicators. With the understanding that some segments of population have been left out of mainstream economic activities in the reforms process for some various factors, the government has, since 2000, scaled up the cash transfer programme (i.e. TASAF), which has now reached out over a million households in more than ten thousand villages. As the result, the programme has helped lift thousands of Tanzanians out of poverty, enhanced productive capacity of many poor households, and is empowering many women through access to resources, participation in decision making and engagement in public activities.

Besides increasing spending, social government the has also:

Embarked on efforts to diversify the economy by promoting industrial sector growth targeting minimum GDP growth rate of up to 8% per annum, compared to the prevailing average of 6% to 7% for the past two decades.

The government is pursuing agenda 10/30 that aim to achieving agricultural annual growth rate of 10% per annum by 2030 through mechanized commercial farming to capitalize on demographic dividend of youthful population under the programme known as Building a Better Tomorrow (BBT).

Other efforts are undertaken by the Government to improve the business environment, including the national blueprint for regulatory reforms, aimed to lower the costs of doing business and to enhance institution's efficiency to increase productivity. Other measures include addressing climate challenges and raising skills levels involving the implementation of higher education for economic transformation (HEET) programme. HEET programme intends to ensure that higher education institutions meet the skill needs of the labour market and raise the entrepreneurial capacity of the graduates. The government has also invested massively in major infrastructure such as the standard gauge railway that will connect Dar es Salaam port with neighbouring countries such as Burundi, Rwanda, DRC Congo, Uganda, and Southern Sudan, investing in regional road networks and feeder roads by increasing the share of their

budget. There have been as well efforts to improve water transport in major lakes, and continued efforts to scale up energy power supply capabilities such as Mwalimu Nyerere hydro power project that is estimated to produce 2000 megawatts, including exploring other sources of energy such as solar and winds.

Notwithstanding the achievements attained, challenges remain in the efforts towards structural transformation in Tanzania for which the government is committed to continue engaging with key development stakeholders, including the research community, to address them and recommendations from this workshop will be used to further strengthen current and future policy reforms including preparations of the next long term National Development Vision 2050.

The Guest of Honour tasked the Workshop participants to discuss and provide recommendations on the following three key areas:

First

• What have been the policy gaps that are necessary in realizing sustainable and inclusive growth that the Government needs to prioritize going forward?

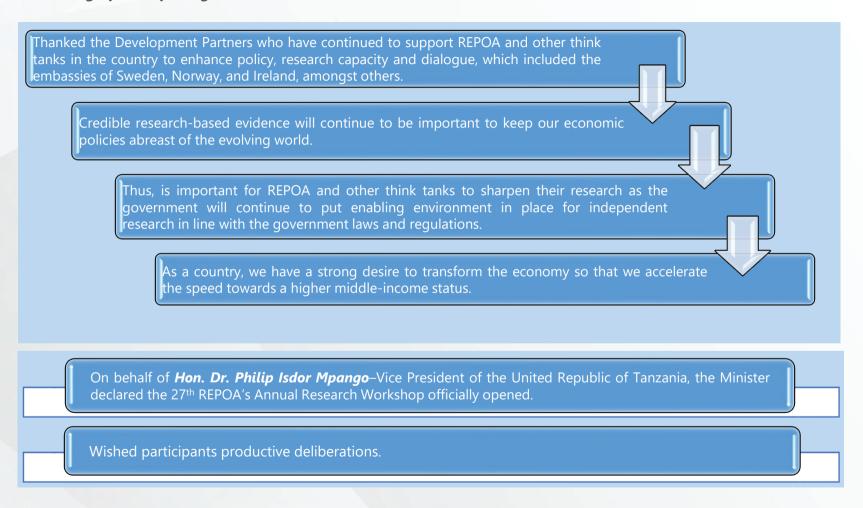


- Is it true that many of the sub-Saharan African countries experienced premature industrialization (or deindustrialization) at the time that most of Southeast Asian countries industrialized rapidly?
- If so, in the context of 4th industrial revolution and related competitiveness measures, are there opportunities for Tanzania to transform rapidly through manufacturing or are there other industries or sectors that can leverage our structural transformation faster?



- Tanzania is characterized by the dual nature of its economy where the formal sector co-exists with informal sector.
- How can we deal with negative consequences of this duality that might have contributed to slowing the structural transformation?

In winding up her opening remarks, the Guest of Honour, on the behalf of the Government:









3.0 Keynote Presentations Session

The first keynote speaker was Professor Jakkie Cillers, Chairman of the Institute of Security Studies (ISS) based in Pretoria- South Africa Board of Trustees and Head of the African Futures and Innovation Programme. He gave a presentation on *Forecasting the Future of Africa*. He began his presentation by introducing the Forecasting project and the programme website, which is based on the 'International Futures' (IFs) platform hosted at the University of Denver. Using forecast horizon of 2043, the programme does a long-term forecasting on Africa's development potentials for each Africa

country in line with the African Union (AU) Agenda 2063 – The Africa we Want. This is done by comparing progress under the current path for eight sectoral scenarios: demographics and health; agriculture; education; manufacturing; the AfCFTA; large infrastructure and leapfrogging; financial flows; and governance; with the combined AU Agenda 2063 scenarios in ambitious realistic forecast. In addition, the programme also looks at how the external world affect Africa. Thus, it models on Africa's development potentials and what is possible in the sustainable world.





He further highlighted key issues with policy implications on long the term future of Tanzania, **drawing from the country's major characteristics**:

First

• The relationship between poverty reduction and growth has remained weak, and poverty in Tanzania has remained stubborn, having limited responsiveness to growth.

The 2020 World Bank assessment found that a 10% increase in GDP growth per capita can be expected to produce only a 4.5% decrease in the proportion of the poor people. This is very low. The result is that the poor people benefit less from economic growth in Tanzania, whilst the beneficial effects of economic growth are partially offset by rising inequality. As a result, the impact of various scenarios in this report has disappointing effects on poverty reduction, now and in the future.



• The infrastructure and leapfrogging scenario will have the most significant positive impact on increase in the GDP per capita and poverty reduction, followed by the agriculture and the AfCFTA scenarios.

Of the eight modelled scenarios the focus is on two indices, which gives the best return in poverty reduction and increase on GDP per capita. The estimates show that Agriculture and large infrastructure and leapfrogging scenarios, will have significant impact on poverty reduction and increase in average income in Tanzania by 2033 and 2043, respectively followed by the implementation of AfCFTA.

Third

· Low-end services, sizeable informal service and agriculture sectors and relatively small manufacturing and energy sectors dominate Tanzania's economic structure.

In 2023, the estimates show that the services sector contributed 51% to GDP, followed by agriculture at 26%. There is a large informal subsistence agricultural in rural areas and services in urban areas with very low levels of productivity. At the same time Tanzania's manufacturing and energy sectors

are one of the smallest among its low-middle-income peers on the continent, where manufacturing contributed 5.57% points less to GDP than the average for the countries in the region in 2023. These two sectors along with ICT are supposed to be the engine of growth and structural transformation.

Fourth

• Tanzania's large informal sector is a constraint dragging economic growth.

In 2023, it is estimated that Tanzania's informal sector accounted for approximately 45% of GDP and 76% of the labour force. By 2043, the contribution of the informal sector to the country's GDP will decline to 37% under the current path and 28.5% under the combined scenario. Such a large informal sector has a significant drag on economic growth as changes in the formal sector hardly trickles down into informal sector because the informal sector tends to avoid formal sector due to regulation burden and costs. Thus, despite the many efforts taken to formalize the informal sector; those in informal sectors have continued to avoid the state burden of regulation and costs of formalization.



 With its sizeable informal service sector and relatively small manufacturing sector, Tanzania should also grow its ICT sector as a vehicle towards expansion.

Leapfrogging through the use of modern technology and innovation will be the largest driver of growth by reducing the size of the informality, which too will help increase the size of the Government revenue for a country like Tanzania that has very low level of revenue collection relative to its peers. By extension this will increase the ability of Government spending on social and public goods and services that are important for

growth and structural transformation. In addition, digitalization across the whole country is critical in connecting the rural economy with markets in urban areas, which in addition to other infrastructure, will help the country to tap its significant potentials and increase productivity in the agriculture sector.

Sixth

• Tanzania makes solid gains in the African Continental Free Trade Areas (AfCFTA) scenario.

As the country that has recently graduated from low to lower-middle-income status, its GDP per capita in 2023 is only 44% of the average for Africa's 24 low-middle-income countries. In the AfCFTA scenario, it increases to 61% in 2043 under the combined AU Agenda 2063 compared to 57% under the current path forecast.

The second keynote speaker was **Dr. Andrew L. Dabalen**, Chief Economist for Africa Region, at the World Bank—who

Transformation in Africa. He began his presentation by first looking at how people think about structural transformation and noted that there are three ways. One, is to look at sectoral composition of the economy or GDP and how much of each sector, mainly agriculture, services and manufacturing contribute to the economy, the larger the share of agriculture sector the less the transformation. Another way is to look at the labour share of agriculture sector, the bigger the share of

labour in agriculture sector the less the transformation. One more way is to think about the complexities of key product, that is, the whole product's value chain, whereby the less the complexities of the products, the less is the structural transformation.



However, all these ways of capturing structural transformation are nothing more than looking at productivity, which could happen either within sectors of the economy – where output per worker within the sector increases; or across sectors of the economy - meaning that where there is a factor that rise productivity in one sector also pull a lot of other sectors in the economy. His presentation then posed an important question related to the theme of the workshop:

What about have learned structural we transformation and what are its key features?

More specifically, what are the processes that drive structural transformation, economic growth, and job creation? The process of the structural transformation globally, he explained in detail, is through the creation of more structured work environments, that brings capital and labour (and other factors

of production) together in an organised way, and that is a key step for development. Because this leads to specialization, change in occupation, increases in tasks, and creates economies of scale, all of which in turn improve competitiveness and innovation of the economy, which is lacking in Africa.

Furthermore, a good organisation of production creates more productive jobs through three channels, first, more efficient allocation of labour and skills by worker capabilities; second, augmenting labour with innovation and technology, and third, reaching larger markets domestically and abroad. And that organisation of production is more than just formalization as it involves development of supply chains, cooperatives, and digital platforms, to mention some, in ways that connect household enterprises, MSMEs, and firms to scale in the markets. More importantly, good jobs are productive jobs, as the development of waged jobs is closely linked with firm creation and growth, and it is also linked with specialization of labour, a key source of firm productivity.

Where is Africa and where is Tanzania in structural transformation efforts, given what we have seen?

He answered this question as per the following summary:



With the exception of South Africa and Mauritius that has seen significant transformation, the sectoral composition of Africa's economies is largely dominated by primary sectors, particularly the agriculture sector.

Taking Tanzania as a case, he noted that about 70% of its labour is still in agriculture. When it comes to manufacturing, most share of labour is between 4% to 5%, while for the service sectors is between 20% to 30%.



• Africa as the region has the lowest capital levels per worker, and the trend is not improving.

Capital complements workers and improves labour productivity, therefore lack of capital limits the international competitiveness of firms. There is very little capital deepening that there are very few workers with appropriate technology to augment their labour, and a lot of workers are not wage employed and with very low productivity levels.



The organisation of production structure in Africa is primarily family firms, either on faming or business, mainly as the business that employ less than five employees (micro firms) which makes more than 96% of all firms in Africa

There is a real value of having large and more sophisticated businesses with a lot of specialization. This is lacking in Africa and is a major reason for the lack of structural transformation.



• Taking the Tanzania case, two things have happened.

First, the share of labour in agriculture have declined, but labour have been moving from agriculture mostly to the services and to a less extent to the manufacturing sector implying sectoral transformation. **Second**, the growth from sectoral transformation has declined over the last decade. The growth from sectoral transformation is characterized by growth in services which is led by non-tradable services with low skills (unlike for instance education and health which demands high skills). And that is the main reasons why such movement is not conducive for structural transformation, as it cannot absorb employment without sacrificing productivity at the same rate as industry. Thus, there has been a real trade-off between the increase in the share of the labour force in services and levels of productivity.



• Tanzania, manufacturing employment shares has declined, and the industrial employment growth has been led by mining and construction and given these sectors are capital intensive, there is little room for large employment creation.



 As a low middle-income country, Tanzania's growth will come mainly from capital accumulation, both human and capital.

This may help in catching up on the growth and transformation process, but not necessarily being at the frontier of innovation though that too is important. What is missing is the total factor productivity, that is, once one accounts for factors (capital, labour, etc) what is left to account for growth is the organisation of production, meaning how these factors/resources are combined to ensure much more efficient production and to scale up productivity of the economy. This is missing because for most of African economies machineries and equipment are very expensive to acquire and maintain to ramp up their production.



• Despite all these characterization, one good news is that Tanzania has the largest savings in the region and in order to invest a country need significant amount of capital.

This huge saving offers a huge opportunity for Tanzania as can be used to build capital and investment. The main challenge and task are on how to tape these large savings.

To summarize, the lack of structural transformation in Africa are mainly due to its shallow and unstainable growth. Growth cannot be sustained in SSA, and expansions are shorter and shallower when it comes back and as result, Africa has been losing ground compared to other parts of the world. For instance, Indonesia's fast transformation has led to better jobs outcomes that include raised wages, more waged employment, and stable waged labour share of GDP.

What will it take to successfully transform African economies, including Tanzania?

(i) We need larger, competitive, and contestable markets.

- > Reforms are needed to curtail structural barriers to private sector participation in goods and services markets.
- > Removing exit and entry barriers, expanding access to finance, and improving land tenure are few examples.
- > Addressing constraints faced by SMEs to ensure their survival, stability and growth is imperative.
- > Regulatory frameworks need to foster transparency, competition, and innovation.
- > Deepening integration will facilitate market expansion by seizing the opportunities from the African Continental Free Trade Area (AfCFTA), gradually removing tariff and nontariff barriers, and implementing the Trade Facilitation Agreement (TFA).

(ii)	We need to build
	institutions that make
	markets work.

- > It is important to build the State capacity to improve management of investments in human capital and physical capital.
- > It also entails establishing clear and secure property rights, and support institutions that enforce competition laws-including independent competition agencies and sound procurement systems.
- > National and supranational institutions that support the effective implementation of the African Continental Free Trade Area would need to be strengthened.

(iii) We need investments in transformational sectors.

- > Human capital -investments in nutrition and foundational learning; and training and skills acquisition in formal institutions and workplaces are fundamental, as are the physical infrastructure such as power, roads, railways, which can help to create economic corridors and reduce costs of connectivity.
- > Digital economy needs to be promoted by increasing uptake and addressing affordability issues, expanding digital infrastructure, and promoting synergies with other sectors (complementary infrastructure, digital skills).
- > Critical minerals potentials should be harnessed by mobilizing investments to add value to the minerals, and to leverage AfCFTA by developing the mine-to-market value chains in the region.

4.0 Reflections on the Keynote Address and Vote of Thanks



Mr. Lawrence Mafuru, Executive Secretary, Planning Commission, reflected on the keynote presentations. Having acknowledged the presence of the Guest of Honour, other dignitaries, and distinguished participants, he noted that the role given to him to reflect on the presentations of keynote speaker was equivalent to confirming the understanding on the behalf of the rest of the participants. Below are his reflections on some of the key issues, many of which he believes well feed as inputs into the preparation of National Development Vision 2050:

Both presentations emphasize the need to accelerated growth, growth that can have a dent on poverty; and that accelerated growth need to be

transformative else it will be wasteful. Furthermore, the growth will have to be inclusive to ensure as many people are not left out of prosperity otherwise poverty will remain stubborn. Above all, the growth needs to be **sustainable**; hence the real role of policy makers is to balance all these growth challenges and deliver on them together.

This year's REPOA's annual research workshop on 'galvanizing Inclusive and sustainable growth through structural transformation' speaks well to what the government is working on at the moment. The Parliament right now is debating the 2024/25 Annual Development Plan (ADP), which set to address four major challenges the country is facing: growth that is inclusive; addressing the challenges of balance of payments; ensuring better job creation; and continuing to invest more in the productive sectors of the economy in particular **the agriculture**, **livestock and fisheries** – the sectors that are highly dominated by informal and low productivity activities.

- iii) As clearly elaborated by both presenters, the nature, and characteristics of Tanzania economy, as it is for most other countries in the region, is one of weak or lacking structural transformation mainly due to the fact that a large segment of labour force is in agriculture and informal services sectors with very low productivity. Following that, a few good proposals and suggestions has been put forward by keynote speakers to address the lack of real structural transformation in Tanzania, and in African countries in general.
- iv) Serious measures to increase productivity in the labour abundant and large sectors of the economy in Tanzania– **the agriculture and informal sectors** are important if we are to enhance productive capabilities and structural transformation. This will entail, among other things:

Tapping in regional and global value chains, taking advantage of AfCFTA, enhancing economic diversification and competitiveness;

Using modern technology and innovation that include ICT to leapfrog growth and structural transformation;

Easing state regulatory and compliance burden;

Investing in human capital that meet labour markets demand;

Building institutions for making markets works; and

Reforming the coordination and delivery mechanisms, amongst others.



Ms. Rehema Tukai, Vice-Chairperson of REPOA Board, gave the vote of thanks on behalf of REPOA and REPOA's core partners first by recognising the presence of Chief Guest Hon. Prof. Joyce Ndalichako (MP), Minister of State in the Prime Minister's Office (Policy, Parliament, Labour, Employment, Youth and the Disabled) who represented Hon.

Dr. Philip Isdor Mpango - Vice President of the United Republic of Tanzania and Hon. Omar Said Shaaban, Minister of Trade and Industrial Development - Revolutionary Government of Zanzibar. She then sincerely thanked H. E. Mary O'Neill, the Ambassador

of Ireland to Tanzania, for her good welcoming remarks that focused on lessons that Tanzania could draw from Ireland's structural transformation experience that was led by massive investment in human capital.

She acknowledged the good presentations made by the two keynote speakers Prof. Jakkie Cilliers and Dr. Andrew Dabalen, which helped to set the foundation for the two days of workshop. The keynote presentations reminded us of the keynote presentation done 15 years ago, in 2008 by the late **Prof. Benno Ndulu.** On the *Changing Structure of Tanzania Economy*, where the focus was on how labour force was supposed to move across the sectors, from agriculture to manufacturing and services and what we were seeing by then, questioning whether it was a transformation for survival or transformative, and whether it was inclusive or otherwise.

She thanked:

- Mr. Lawrence Mafuru, Executive Secretary Planning Commission, for dissecting the keynote presentations;
- REPOA's Executive Director **Dr Donald Mmari** and all REPOA's staffs for making this workshop possible and at the right time to contribute to the preparation of the National Development Vision 2050.





5.0 Thematic Panel Discussions

5.1 Enhancing Productive Capacities for Accelerating Structural Transformation in Tanzania



The panel discussion on *Enhancing Productive Capacities for Accelerating Structural Transformation in Tanzania* was chaired by **Hon.**Omar Said Shaaban, with four panellists Esther Kileo Kitoka from ADC Tanzania, Deogratius Macha from the Bank of Tanzania, Josephat Mbwambo from President's Office – Planning and Investment, and Olav Lundstol from the Embassy of Norway. What is presented here is only the summary of the insights from the panel discussion and Q&A session, and its applicability and relevancy for the case of Tanzania.

(1) **Targeting strategic industries**; this follows the insights from Rodrik *et al.*, (2016) in their seminal work on structural change and growth that advanced the importance of balancing a timely allocation of resources to modern and highly productive economic activities as being necessary to sustain productivity. *Tanzania can identify sectors with high growth potential and competitive advantages, aligning them with the country's natural resources, skills base, and market demand. This targeted approach can catalyse economic transformation. South Korea, Singapore, and China that prioritized targeted industrial policies,*

invested in education and skills development, and created an enabling environment for private sector growth are such best practices. By tailoring these strategies to its specific circumstances, Tanzania can jumpstart its economic transformation process.

- (2) **Promoting export diversification (export led/outward looking);** the insight being that export diversification reduces vulnerability to external shocks and fosters sustainable growth. <u>Tanzania can implement policies that encourage the development and export of non-traditional goods and services. This can include providing incentives for industries with export potential and investing in trade infrastructure, amongst other things.</u>
- (3) **Improving investment climate and business environment;** the insight here is that a conducive investment climate is critical for attracting and retaining domestic and foreign investment. There are already on-going efforts in the country including fast-tracking implementation of the blueprint for regulatory reforms to improve business environment. <u>The Tanzanian government can further streamline regulations, reduce bureaucratic hurdles, and provide incentives to attract private sector investment. This includes policies that safeguard property rights, ensure contract enforcement, and offer the appropriate, not distortionary fiscal incentives.</u>
- (4) **Enhancing human capital development;** the insight is clear that investment in education and skills development is fundamental for sustained economic transformation. <u>Tanzania should prioritize education, technical and vocational training programmes that equip the workforce with relevant skills for the targeted industries. <u>Strategic and effective collaboration with the private sector can help align training programmes with industry needs</u>.</u>
- (5) **Strengthening institutions and governance;** effective institutions and good governance are essential for economic development and transformation; and they are important to enhance coordination and spearhead development. <u>Tanzania should focus on improving the efficiency, transparency, and accountability of public institutions. This includes measures to reduce corruption, enhance regulatory quality, and ensure the rule of law.</u>
- (6) **Facilitating access to finance and credit;** access to finance is crucial for entrepreneurship and business expansion. The government (both LGAs and Central) can work with financial institutions to develop policies and mechanisms that facilitate easier access to credit to the productive sectors of the economy and for small and medium-sized enterprises (SMEs). The statistics from the Bank of Tanzania shows that about 77% of lending are going to consumer loans, while lending to agriculture

and manufacturing sectors are about 7% to 10%, respectively. There is a need to ensure that the commercial banks are linked to financing the productive sectors that critical to structural transformation. Coordination is needed to ensure that what happens in the banking sector alians with the national agenda on structural transformation.

- (7) Leveraging on regional integration and trade agreements; regional integration can expand market access and promote economic diversification and competitiveness. Tanzania should actively engage in regional economic communities, such as the East African Community (EAC) and the African Continental Free Trade Area (AfCFTA). By participating effectively in these regional trade agreements, Tanzania can access larger markets and enhance its diversification and competitiveness, which can also lead into more effective integration into the global value chains.
- (8) Monitoring and evaluating progress towards targets and achievement: regular monitoring and evaluation of policies and programme targets are crucial for course correction and to ensuring sustained growth. Tanzania should establish robust mechanisms for monitoring and evaluating the impact of its economic policies and strategies. This includes setting clear performance indicators and conducting regular assessments to ensure alignment with transformation objectives. Experiences from Singapore, China and Malaysia are useful.

5.2 The role of sectors in driving economic transformation in Tanzania.

The panel discussion on the Role of Sectors in Driving Economic Structural Transformation in Tanzania was preceded by a presentation session that aimed at informing on Tanzania's journey through catalysing sectoral transformation, focusing on aquaculture, commercial forestry, textile and apparel, tea, livestock and water, drawing also from the experiences of other countries. The presentation drew from cross country experiences of South Korea and Vietnam in examining the role of productive sectors in the transformation process. South Korea's GDP per capita increased significantly from \$280 in 1970 to \$35,000 in 2021, as the result of the sector focus or prioritization from less sophisticated textile and apparel sectors in 1970 to more sophisticated sectors using digital technologies and attaining economic complexities that allows for effective value chain integration. Other



cases from which Tanzania can draw experience on the sector focus are Ethiopia, Kenya, Myanmar, and Vietnam in terms of exports. Tanzania could choose to focus on the sectors that can bring massive changes and impact on other sectors including employment generation.

The session Chaired by **Chema Triki** from Growth Teams, with four panellists - **Weyinmi Omamuli** from UNDP, **James Foster** from Gatsby Africa, **Anthony Chamanga** from TAHA, and **Donald Mmari** from REPOA. Below is the summary of the insights from the panel discussion and its applicability and relevancy for the case of Tanzania:

Targeting high-potential sectors with coordinated strategies can deliver continuous growth in incomes and living standards. Morocco, for example, over just a span of a decade, managed significantly to transform her

economy by focusing on smart industrialization. It selected priority sectors based on their comparative advantages. By religiously prioritizing sectors and engaging with the private investors to understand needs of their sectors, and adopting to the needs of those specific sectors, it allowed those sectors to grow into scale. This industrial policy was in line with the process of discovery. In 2003, Tunisia and Morocco had the same levels of exports of approximately \$8 billion, but today Morocco is at \$42 billion while Tunisia has remained at \$18 billion. In addition, there is a need to understand the markets to enhance regional and global values chains. For Tanzania, the two sectors with high potentials are the horticulture and tourism. This is in line with academic literature, particularly the works of Dan Rodrick, Joseph Stiglitz, and John Page on Africa deindustrialization or stolen industrialization. Hence the argument for new industrialization path, that is, industrialization without smokestacks, and with falling transports and advances in technology, the tourism sector has huge potential to absorb a lot of the semiskilled labour and transform Tanzania's economy without condition convergency.

1) Targeting investors and know what sectors we want to develop and even more what type of investments in those sectors and not any type of investments. Hence even within the sectors, either horticulture or tourism, there is a need of deliberately targeting investments to addressing sector bottlenecks and unlocking opportunities. Once investors are in, they

will need a lot of attention to address their needs, and even more attention to ensure their retention and scale expansion. A good example is the Hawassa Industrial Park in Ethiopia, with significant achievement, given the quality of public officials in overseeing investment. <u>Tanzania needs to ensure that its investment agencies are structured in a best way to attract right investments in terms of institutional arrangements and skills capacity.</u>

- 2) Public-private dialogue that is efficient and effective in problem solving is key to identifying the right sectors for prioritization and intervention at the right time and right level to avoid missing the opportunity. Building trust and instilling discipline in public service will be key to building trust in the private sector as well as to attract FDIs and PPPs. <u>Investing in know-how and partnerships with the private sector is important to increase productivity and increase exports</u>.
- 3) Ensuring effective, efficient, and productive leadership in the management of the economy is core, leaders need to be assertive in the direction of the economy ready to make sacrifices, trade-offs and taking risks as long their decisions are backed by evidence and truth. Leadership must stand for continuity of policy agenda and national priorities, based on tested approaches. The focus must be on long-termism in planning and economic management, avoiding shifts in priorities around election cycles. Plans must be effectively implemented. Leadership needs to be open-minded, accepting that government cannot do everything by itself, inviting others with new ideas, technologies, and capital, and accepting mistakes when things are done in the wrong way.
- 4) **Ensuring long-termism and continuation in the development plans and strategies of a country is important**, a very strong leadership is required, which in itself requires a system in which some of the key decisions and key framework for development are embedded in a non-changeable framework. Those may include the constitution, such that no leaders can change it rather than working to improve and implementing it. Our current democracy allows people to choose leaders they want but do not allow them to tell the leaders to stick to the development agenda, and that is the major problem that needs to address for more effective downward accountability.

5.3 Strategies for Effective Participation in the Regional and Global Value Chains

The panel discussed on the strategies for effective participation in the Regional and Global Value Chains. The panel discussion began by presentation by **Prof. Kunal Sen** from UNU-WIDER, who drew on the insights from the political economy approach to understanding the structural transformation process. By employing 'deals' and 'development' typologies, it can help us understand the limitation for structural transformation. In advanced and emerging economies, the relation between the private sectors and the government on with investment deals, should be focused on making firms engage in market competition, while the government facilitate the transactions in



an open and ordered environment such that any firm can make a deal and can be certain that the deal will be delivered. On the contrary, in most SSA countries the relationship between private investors and the government is determined by regulatory rents and corruption such as under the closed arrangements such that only those with political connections can make a deal and can be certain that the deal is delivered. Or worse, under open and disordered anyone can make a deal, but cannot be certain that the deal is delivered, which is the case of the informal sector in many countries.

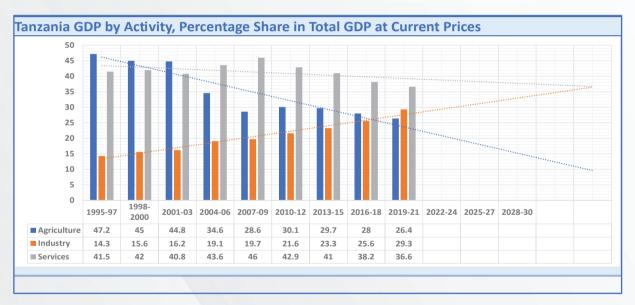
The panel was chaired by **Beatrice Mkenda** from UDSM, with four panellists, Geoffrey Kirenga from SAGCOT, Antony Chamanga from TAHA, Ahmed Ndyeshobola from REPOA, and Dorice Mgetta a Board Member from TANTRADE. Below is the summary of the insights from the panel discussion and its applicability and relevancy for the case of Tanzania:

1) Political constraint remains the main challenge to enhance productive capabilities and structural transformation in Tanzania and most countries in the SSA. Most investment deals in SSA are shrouded in regulatory rents and corruption. This implies that most investment deals, even when they ordered they often tend to be closed, hence only those with political connections can make a deal and can be certain that the deal is delivered. Thus, the key political constraint as the driver of limited structural transformation is the lack of open-ordered investment deals for the private sector.

- 2) The global value chain that are relevant for Tanzania are in agriculture, minerals, tourisms, services, and transportation. However, experience from few crops in case study shows that farmers in the upstream receive very little from the total value in the global value chains. For cashew-nuts from Masasi only less than 10%, while for coffee and cocoa they received less than 3% of the global value chain value. Tanzania and countries in the region can make use of advancements in technologies and innovations to leapfrog regional and global value constraints. Besides that, Tanzania has a niche in value chain in some products including those in horticulture, oilseeds trade and avocado targeting the European markets, but further investments to boot productivity, quality management, and value chain upgrading will be key for competitiveness, effective integration, and enhancing benefit to the producers.
- 3) Regional and global value chain are critical to enhance export diversification and competitiveness and to build industrial capacities locally, which are important for generating employment opportunities. To tape on these opportunities, Tanzania needs to increase the productivity or productive capacities of the sectors or products currently integrated in regional and global value chain, and the failure to do so, the country will not be able to sustain its export performance in those value chain either regional or global. To build competitiveness and productive capacities, Tanzania must do three things – lower costs of production, meet required standards, and build the corridors of trade.
- 4) Enhancing the transport facilities and related trade logistics that link producers to the global markets without which Tanzania cannot effectively participate in the regional and global value chains. Tanzania needs to effectively be elaborative in determining regional and global trade policies and to invest strategically in improving transport facilities and trade logistics including testing and certification laboratories, information platforms on quality and standards, customized warehousing, and export channels for agricultural commodities.
- 5) Taping economic diplomacy and external supportive structure to enhance participation in the regional and global value chains. Effective and constant communication with Tanzania embassies and consulates abroad should help to inform our policies making process on the changing nature of production and markets around the globe, and actively serving as information platforms on investment and trade opportunities to private sector umbrella organisations and Tanzanian enterprises as well as foreign enterprises operating or wishing to invest in Tanzania.

Launch of Multi-Year Research and Training Programme on "Structural Transformation and Development Trajectory in Tanzania, 2024-2028"

Day One of the workshop also saw REPOA successfully launch a multi-year research and training programme on "Structural Transformation and Development Trajectory in Tanzania, 2024-2028". The launch followed on the heels of the hugely engaging second plenary panel on Strategies for Effective Participation in Regional and Global Value Chains which had built on the opening session to pause a series of contextually relevant and strategically important policy questions for the workshop.



The launch of the programme was overseen by Hon Omar Said Shaaban, Minister of Trade and Industrial Development, Revolutionary Government of Zanzibar. The programme proposes to deepen the knowledge and skill pool on the processes of structural transformation in Tanzania focusing on how transformation affects the trajectory of development in the current and future periods.

The programme is anchored on six interrelated work packages:

- 1. Drivers of economic growth and structural change in Tanzania;
- 2. Productive capacities and intersectoral linkages in the productive sectors:
- Demographic dynamics, employment, and the informal economy;
- 4. Dynamics of the service sector in Tanzania;
- 5. Patterns of capital accumulation and impact on factor productivity. poverty, and inequality; and
- 6. The political economy of structural change.

Implementation of the programme will commence in 2024 and is scheduled to overlap with REPOA's next strategic plan by lasting until 2028. REPOA invited policy makers, academia, development partners and the civil society present at the workshop to actively collaborate—in kind and through the extension of resources—in the design, implementation, dissemination and enhancing the impact of the earmarked studies. Emphasizing on the timeliness of the programme, REPOA's Executive Director remarked that "We are accelerating the commencement of the programme to

early next year given our understanding of the need for up-to-date robust research on economic growth and transformation at a time when the nation is preparing it next medium-term development plans and long termdevelopment vision". Hon. Shaaban congratulated REPOA for its continued dedication to national development, stressing the "need to tackle age-old challenges with renewed evidence and partnerships".













5.4 Improving Public-Private Partnerships in Accelerating Structural Transformation in **Tanzania**

The panel session on Improving Public-Private Partnership for Accelerating Structural Transformation in Tanzania was Chaired by **Deogratius Macha** from the Bank of Tanzania, with four panellists - Flora Tenga from the Ministry of Finance, Adam Zuku from TEGAMAT, Linda Teggisa from NMB Bank, and Shemane Amin from the A & K Tanzania. Below is the summary of the insights from the panel discussion and its applicability and relevancy for the case of Tanzania:

1) Public-Private Partnership (PPP) framework is an alternate source of financing, managing, and maintaining public sector projects which are critical for structural transformation. Effective PPP can help to build resilience in the country's economy and enable the Government to streamline its responsibilities in providing socio-economic goods and services; and to enhance efficiency, accountability, quality of services and wide outreach across the country. These outcomes are possible under the PPP framework because it allows the government to use public funds on services that cannot be provided efficiently by the private sector. In Tanzania, PPPs are guided by the PPPs Policy of 2009, and the Five-Year Development Plan that ends in 2025/26 indicated the need and expectations of expanded use of PPPs in the execution of various development projects. The Government values PPP and has further reviewed PPP fiscal incentives in particular those related to taxation and international arbitration options, The PPP facilitation Fund has also been established, these are the attempts by the Government of Tanzania to address the existing limitations of private sector participation in the execution of large infrastructure projects and mistrust between the Government and the private sector.

PPP requires consistency of government policies and a framework for risk sharing. The effective stakeholder engagement is important in this regard to develop a shared understanding and expectations. There is a need to build trust between the state and private sector. Banks such as NMB are well placed to facilitate PPP projects either alone or jointly with other banks (syndicate funding). Risk assessment in such projects is important because in most cases, such projects tend to be of long tenure and large in monetary terms. The local private sector is still small and not very well organised for it to effectively engage with the state in PPPs, and thus joint ventures with experienced international firms is encouraged for large complex projects. There is also a need to enhance capacity - both

for the state and private sector, including banks to effectively engage in PPP projects.

3) Tanzanians need to change their mindset about the private sector to create more trust. It is recommended to start with simple projects before engaging in complex projects. The legal framework needs to be strengthened to safeguard private capital. Developing a dialogue framework between

private and state sectors that is effective will be equally key to enable honest exchange of information for the common goals.

The Government needs to know what the private sectors or investors need and work to address or solve problems preventing the fulfilment of those needs in a transparent and honest manner.

6.0 Presentations and Discussions

Ten papers in two parallel sessions under two thematic areas were presented, five papers under each theme. Under the theme on Agriculture and Industrial/Trade Integration for Inclusive Economic Transformation chaired by Paschal Mihyo from REPOA,

The following	1. Challenges and Opportunities available for diversifying and enhancing export competitiveness,
papers were	improving productivity, and upgrading technology by Emmanuel Owusu-Sekyere from ACET-Ghana;
presented:	2. Global Value Chains as a stimulation for innovation among producers: Case study of avocado farmers in
	Siha District by Hezron Makundi from the University of Dar es Salaam;
	3. Agricultural transformation and development in Sub-Saharan Africa: Experience and policy implications
	from the Asian green revolution by Samuel Kabote , from Sokoine University of Agriculture;
	4. Income Diversification and Household Welfare in Tanzania 1991 – 2018: Evidence from a Synthetic Panel
	by Josephat Hongoli from the University of Dar es Salaam; and
	5. Diversification and Intra-Industry Trade Effects of East African Community: The Case of Tanzania by
	Vincent Leyaro from the University of Dar es Salaam.



Below is a summary of key emerging issues from all the presentations in line with the theme of the workshop on structural transformation.

One, on challenges and opportunities for economic transformation in Tanzania, the presentation showed that despite remarkable economic growth, progress in economic transformation has been weak and unstable for the past two decades. Tanzania's score across all five sub-indices (diversification. competitiveness, export technology upgrading, and human wellbeing), has been below the African average and therefore ranks as a low transformer with failure to enhance its productivity. This resonates closely with what was said during the welcoming remarks and more so during the presentation by keynote speakers. In line with earlier presentations, a couple of suggestions were given; Tanzania should identify the priority sectors that will yield higher multiplier returns, jobs and higher productive capacities from active investment. In the process, Tanzania should also seriously consider industries without smokestacks, those Tanzania has a relative comparative advantage, e.g. transport and tourism.

Two, to gauge our understanding of what happened, taking a long run analysis (1991 – 2018) one presentation investigated income diversification and the dynamics of household welfare in Tanzania. It turns out that, consistent with the 'diversification as means of accumulation' hypothesis and in line with previous studies, household income diversification significantly improves household welfare; and the effect is large and significant on non-farm activity (the lowend/informal services sectors) compared to farm activities. Hence, enhancing productivity in both sub-sectors is critical both for raising income and for addressing poverty in rural areas. Thus, enhancing rural infrastructure that enhances the returns to both on-farm and off-farm activities is a viable policy option.





Three, openness to trade and Tanzania forming and joining regional blocks in particular EAC and SADC have significantly increased its trade and exports volume within the regional and global markets. However, the low intra-industry trade (IIT) indices of Tanzania in most of these markets (less than 10 %), is largely an indication of the failure of trade reforms to alter the trade structure from more of inter-industry (low value-added, unprocessed) trade) with low productivity to intra-industry trade (high value-added processed trade) with characterized with high productivity. Further, it is the indication of a lack of diversification and competitiveness. To attain

structural convergence (i.e. economic transformation), Tanzania and other countries in the region must enhance the regional integration value chain, which too can act as a springboard into the global value chain.

Four, on the importance of domestic, regional, and global value chains, one paper looked at the global value chains as stimulation for innovation among local producers of avocado. This was expected through contract farming; organic farming; improved harvesting, grading, and packing; training on heath standards; linkages with training institutions; extension support, outreach, and CSR; and crop diversification. Key

outcomes included quality improvement; improved harvesting methods; and local and foreign market access. In line with this analysis, it was proposed that Tanzania and other African countries could learn from the experience and implications of the Asian Green Revolution to help address the challenges of agricultural growth in SSA. Some of the lessons learned include increased use of inputs, high yield varieties; government spending on infrastructure, extension support, R&D; increased support for plant breeding and modern agronomy, and improved linkages between agriculture and industrial sector. The transformation requires improved land governance & extension services; increased financing of R&D, credit support; agro processing, and market linkages through effective value chain.

Under the theme on Institutionalization dynamics of services in Structural Transformation (Servicification) chaired by Lorah Madete from the Bank of Tanzania.

	1. Structural Transformation for enhanced economic inclusion in Africa by Mama Keita from UNECA;
	2. The Role of Financial Literacy in Enhancing Financial Inclusion in Tanzania by Peter Mmari from
	the Higher Education Student Loans Board (HESLB);
The following papers	3. Value Chain Analysis of Logistics in Tanzania by Ambassador Modest Mero , an Independent
were presented:	Management Consultant;
	4. Determinants of Digital Transformation in sub-Saharan Africa: Some fiscal policy implications by
	Cornel Mlacha from Mkwawa University College of Education; and
	5. Digital innovation ecosystems development for financial inclusion and market access: Status,
	Challenges and Policy proposals for under-served by Lanta Daniel from STIPRO.







Below is a summary of key emerging issues from all the presentations in line with the theme of the workshop on structural transformation.

One, one paper tried to look at structural transformation for enhanced economic inclusion in Africa and what it takes. taking a long comparison of where countries in African and Asia (in particular Indonesia, Malaysia, China, and Singapore) were in the 1960s and against the current conditions. It turned out that in almost all sectors there are stark differences. While Asian economies have significantly attained high GDP per capita, and significant increase labour productivity in

agriculture sectors, diversified, and industrialized, to mention just a few; most countries in Africa have experienced the contrary. Hence, to foster inclusive and sustainable development, the paper went on to argue, that we must create decent jobs in adequate quantity. And to achieve that we must change the structure of our economies and promote productivity of key productive sectors. This will entail among other things deliberate and targeted policies and efforts to be adopted and implemented. Among other things, AfCFTA holds huge to promote economic opportunities diversification. industrialization, and structural transformation in the region

and Tanzania needs to take that opportunity seriously for effective trade integration.

Two, in line with the foregoing call, a paper on value chain analysis of logistics in Tanzania was presented as an attempt to assess the readiness of a competitive logistics industry in Tanzania. This is because despite considerable improvements in Tanzania's physical infrastructure, constraints to trade expansion and diversification related to institutional and regulatory framework continue to persist. Despite improvements, logistics currently accounts for between 35-45 percent of the total cost of imports, insurance, and freight inclusive-making it one of the highest in the World. For instance, on average, it costs \$1,350 (against a SSA average of \$603) and 240 hours to import a 20ft container through the main seaport of Dar es Salaam. The findings of the paper, based on desk review and consultations, showed that despite the improvement observed Tanzania still has multiple challenges including handling and storage facilities, inefficiency, overly dependence on road mode of transport, unreliability and unpredictability of transport and logistic services providers. The existence of multiple government agencies; multiple bureaucratic procedures; variation in the rate of carrying cargo across countries and overestimation of taxes are among the factors driving up transportation and logistics costs in Tanzania. Hence Tanzania should continue to improve its infrastructure facilities, both the soft and physical infrastructure

to enhance its logistics and trade competitiveness in regional and global markets, among other initiatives.

Three, two papers looked at leapfrogging transformative growth, one on using digital platforms both for financial inclusion and its fiscal implications. Both emanated from two concerns: first, is due to the fact that although Tanzania has made progress in digital financial services, exclusion remains a problem partly due to inadequacy in policies and frameworks, and second, what has been preventing more people from using the internet in Tanzania and SSA? Some of the key findings and their implications are: on the supply side, the connectivity enablers (3G network coverage, access to electricity, mobile ownership) determine internet use; on the user's side, the affordability of digital services strongly determines internet use and also digital skills as measured by literacy rate played a pivotal role in promoting internet use. When looking at financial inclusion, inappropriate financial services and products to the underserved; lack of knowledge about digital financial services; challenges with technology and repayment process; inadequate infrastructure, and inappropriate marketing strategies/inadequate relevant intermediaries. And these two studies were to some extent in line with other studies on the role of financial literacy on financial inclusion. These factors have the largest role to play in providing for an enabling environment.

7.0 Reflections and Emerging Research Issues

Dialogue and deliberations during the two days of the workshop demonstrated continued and increasing demand by all stakeholders, particularly the Government, for credible research to generate credible evidence for informing the policymaking process in the country. Before concluding her opening remarks, for instance, the Guest of Honour went on to suggest few areas that the REPOA may wish to consider and shed more light in assisting the Government in attaining the long-sought structural transformation. It is within this context that four emerging research agendas with specific research themes were proposed:

Research agenda 1: Accelerating transformative, inclusive, and sustainable growth.

Research agenda 2: Private sector development (including small enterprise development)

- 1. What are the alternative routes to development beyond industrialization?
- 2. Which binding constraints and sectors, if prioritized, will have multiplier effects to multiple other sectors?
- 3. What are the effective knowledge-driven policy responses to such binding constraints?
- 4. What limits the execution/implementation of potentially effective policies?
- 5.In a constrained resources environment, how can the government balance public investments between human capital and infrastructure development needs?
- 6 How can Tanzania unlock households' assets and financial resources for effective households' and national investments?
- 1. What are the knowledge-driven policy responses to steer graduation from micro to medium & large firms?
- 2. How can productivity in the informal sector and linkages between the informal and formal sector be enhanced?
- 3. How can the government prioritize & target the types, origins, sectors for FDIs?
- 4. What are the knowledge-driven policy responses that will accelerate trade integration & competitiveness of value chains?
- 5. How can regulations incentivize the formulation of the informal sector?
- 6. How can the govt incentivize the private sector to engage in export market and product research?

Research agenda 3: Geopolitical conflicts, advances in regional and global value chains, and development processes in Tanzania.

- What are the risks (e.g. food security, external finances) from the ongoing global headwind? What are the appropriate policies to respond to the headwind?
- What opportunities emerge from regional and global value chains and geopolitical conflicts (e.g., opportunities from decoupling from China and Russia)?
- How can Tanzania participate effectively in the process of drafting regional trade arrangements?

Research agenda 4: Political, economic and social institutions and the transformation processes

- What are the necessary political, economic & social institutions that can facilitate continuity and consistency in policy & programme implementation?
- Using Kunal's political economy framework, in which 'deals' and 'rents' space do Tanzania belongs?
- And if Tanzania is outside the optimal space (open & ordered) how can it move to such a space & accelerate inclusive transformation?
- What are the right set of political institutions that will prevent the state from interfering with private sector development?
- How can Tanzania balance the roles of the state & private sector and at the same time ensure that growth is privatized and sustained?
- Which institutions are necessary to facilitate Private-Public Partnership (PPP)?

8.0 Conclusions and the Way Forward

At the centre of any country's 'structural transformation' lies its ability to significantly raise the productivity of the major sectors of her economy. Despite Tanzania, and most other countries in the region experimenting with reforms for over four decades now to attain the long sought 'structural transformation', that has not happened. What most economies have been experiencing and observed is the decline in the share of agriculture sector contribution to GDP reflecting a simple structural change that has inadvertently involved the movement of labour away from low productivity agricultural sector to even lower productivity informal sector of the economy; the two dominant sectors that make up to 80% of total labour force.

On his closing remarks for the two-day annual research workshop, REPOA's Executive - Dr. Donald Mmari noted that structural transformation is inevitable if Tanzania is to achieve inclusive and sustainable economic growth.

That will require among other things:

- 1. Structured and organised production to increase total factor productivity;
- 2. Political will and strong visionary leadership;
- 3. Coordination and prioritization to create specializations and strategic insertion into regional and global value chains;
- 4. Enhancement of economic diversification and competitiveness;
- 5. Investing in human capital that is critical for enhancing innovation, technology adaptation, and increase in productivity;
- 6. Attracting productive domestic and foreign direct investments;
- 7. Tapping the huge domestic savings for capital accumulation and investments:
- 8. Easing the regulation and state burden/costs the informal sector and MSMEs:

- 9. Leapfroging technology and innovation for growth and transformations;
- 10. Addressing rapid population growth;
- 11. Investing in research and development; and
- 12. Strengthening the framework for effective dialogue between public and private sector.

The Commissioner of the Planning Commission, Ambassador Ombeni Sefue, concurred with the overall views of the workshop participants, that to unlock transformative growth potential and to attain the long-sought structural transformation will entail coherency of policy, strategies, plans and measures that will significantly increase productivity in the major sectors of the economy. That too is critical to increasing both GDP per capita and to reducing poverty. Going forward in the context of informing priority areas for policy making, credible policy-relevant research will remain paramount to generate the needed knowledge-based analysis and evidence to help policymakers reach informed decisions.



























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