

**REPOA's 17<sup>th</sup> ANNUAL RESEARCH WORKSHOP ON SOCIO ECONOMIC  
TRANSFORMATION FOR POVERTY REDUCTION**

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**KEYNOTE ADDRESS BY DR. PHILIP MPANGO,  
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*His Excellency Jakaya Mrisho Kikwete, President of the United Republic of Tanzania,*

*Honourable Ministers and Regional Commissioners,*

*Prof. Esther Mwaikambo, Chairperson of the Board of Directors of REPOA*

*His Excellency Dr. Ad Koekkoek, Ambassador of the Netherlands and Lead  
Development Partner for REPOA,*

*Excellencies Ambassadors and Members of the Diplomatic Corps,*

*Prof. Samuel Wangwe, Executive Director of REPOA,*

*Distinguished Participants*

First and foremost, I must say I am humbled by those who decided to give me the honour to deliver the keynote address at REPOA's 17th Annual Research Workshop, which goes by the theme "Socioeconomic Transformation for Poverty Reduction". I personally would have preferred twisting it to read "Socio-economic Transformation for Prosperity". The latter formulation would force us to focus on how to grow prosperity including, the promotion of entrepreneurship and trade, harvesting emerging technology and advances in ICT, technical education, and infrastructure development. But, never mind, I will live with it. More, importantly, I know too well that there are many Tanzanians who have the standing and experience to play this part. I am even more humbled to speak immediately after the energizing and guiding speech by His Excellency President Jakaya Mrisho Kikwete. I therefore take this privilege with profound gratitude.

*Excellencies, Ladies & Gentlemen,*

I feel very passionate about socio-economic transformation of Tanzania. I grew up amidst poverty in what is now the newly established district of Buhigwe (The land of Joy) in Kigoma Region. While the 50 years independence anniversary that we celebrated in style on the 9<sup>th</sup> of December 2011 is still fresh in our memories, the majority of Tanzanians are still living in abject poverty to-date, the fast average GDP growth of 7 percent recorded during the last decade notwithstanding! Development scholars on Tanzania and commentators alike, still find it hard to explain or understand why all this

poverty in Tanzania when, as the former German Ambassador to Tanzania His Excellency Guido Hertz put it, “*Tanzania is a country with everything to make it happy*”. Surely, many of us in this room are among the lucky few to have got access to good education, opening all doors for us. However, we continue to be haunted by the fate of our parents, brothers and sisters who have not been as fortunate.

### *Excellencies, Ladies & Gentlemen,*

The good news is that of recent, independent analysts and multilateral institutions have documented that Tanzania has joined the rank of African countries in transition. Key changes observed include: Economic growth of 3.3% per capita since 1996; The share of people living below the basic needs poverty line dropped from 38.6% in 1991/92 to 35.7% in 2000/01 and 33.6 by 2007; Trade and investment have increased and financial returns on investment are much higher; School enrolment, completion and literacy rates are all increasing; Health indicators such as under-five child mortality are improving; and fertility rates have begun to decline. Interested readers are referred to: IMF (2009) Tanzania: The story of an African transition; Steven Radelet (2010), *Emerging Africa: How 17 Countries are Leading the Way*; McKinsey Global Institute (2010), *Lions on the Move: Progress and Potential of African Economies*; IMF (April, 2011) *Regional economic Outlook, Sub-Saharan Africa: Recovery and New risks*; and The World Bank (2010, 2011), *Africa’s Pulse: An Analysis of Issues Shaping Africa’s Future*. Furthermore, in the first issue of the World Bank’s Tanzania Economic Update (February 2012), four early signs of transformation are put forward. They include: The dynamism of informal firms, especially those operating in off-farm activities; the emergence of manufacturing exports; increased options for financing; and new pilot projects to improve the productivity of crop agriculture.

### *Ladies & Gentlemen,*

That said there have also been voices and analytic work questioning whether Tanzania is indeed a success story and suggested that the claim may be premature. At best, it might be a success in the making. In a recent paper (2012) titled “*Is Tanzania a Success Story? A Long Term Analysis*” Sebastian Edwards points out that taking a long term view spanning 50 years since independence, the country does not look quite like a success story. One reason for this conclusion is the slow pace of poverty reduction in Tanzania compared to Uganda and Ghana in spite of experiencing similar growth. In the latter two countries, poverty headcount fell by 25 and 23 percentage points respectively between 1991 and 2007 contrasted to only 2.4% decline for Tanzania.

### *Distinguished participants,*

I wish now to begin the gist of this keynote address with concluding remarks!! I do so, as a matter of prioritisation but also as a pre-emptive strike to the few among us that tend to extend their sleeping time well into morning hours!!

### *Excellencies, Ladies & Gentlemen,*

In the literature, socio-economic transformation is commonly defined as a process in which an increasing proportion of economic output and employment are generated by sectors other than agriculture. In more words, the process connotes the shift from agricultural based societies to urban, industrial and/or service-based economies with sustained high GDP growth rates, which combined with a reduction of the population's growth rate (resulting from increase in education) increases GDP per capita (demographic dividend), which in turn, reduces poverty in those countries. It is crucial to point out that successful socio-economic transformation entails fundamental changes in: (i) the way a country does its business. This means, changing the modus operandi from business as usual, to business unusual; and (ii) the character of the country (qualities and features that make a country different from others). In simple terms, successful transformation of a country like Tanzania must be such that it increases prosperity (reduces poverty) considerably.

### *Excellencies & Distinguished Participants,*

What does it take for socio-economic transformation in Tanzania to be successful? I attempt here to shed light on this pertinent question by simply drawing insights from around the globe, as I have no good reason to re-invent the wheel. Since I was entrusted with the noble duty of leading the Planning Commission two years ago, I and colleagues have visited a number of countries, including Vietnam, China, Namibia and Brazil on a learning mission. We went around so as to better-understand the secrets behind the phenomenal socio-economic transformation achieved by these countries during the last 30 - 50 years. This is reflected in very rapid growth, considerable poverty reduction, scientific and technological advance, modern infrastructure, prosperity and enviable shares of the global economy carved out by exploiting their respective competitive advantages. We have also been reading extensively the economic history of these and many other countries, including Singapore, South Korea, Botswana, and the United Arab Emirates for the same purpose. I hasten to add that we have also been keenly looking for signs of transformation within Tanzania. Here follows the key messages that I firmly believe matter for Tanzania.

### *Dear Participants,*

#### **Message No. 1: Success Will hinge on Tanzania having transformational leadership:**

Transformational leadership has at least six traits, namely: (i) *Leaders must stand in the future and have guts to play and win the game of the impossible*: It is about establishing the true North for the country, managing the present from the future, and setting very high or stretching targets not just incremental targets. The latter is the hat-trick to unleash or harness individual capacities since all human beings can creatively find solutions when under pressure; (ii) *Leaders must anchor everything on key performance indicators (KPIs) for each programme and project*: This is important in making the leader and their teams accountable; (iii) *Exercise discipline of action*: This requires leaders to be uncompromising about relaxing the programme implementation schedule; (iv) *Situational leadership*: This requires leaders to realize that there is no game without pain and that the leadership style must quite often be directive (less democracy) particularly during early stages of the transition. What is needed is for the leader to have conviction, stand in the future and picture vividly where the country needs to go and then lead the way. A good leader also needs to groom and empower others to take over, realizing that the graveyard is full of indispensable people!; (v) *Leaders must form a winning coalition*: This implies that leaders should not attempt to do everything themselves but rather, strive to form and work with a formidable winning team; and (vi) *Seek divine intervention*: This is necessary because human beings do not have full control over what happens. Divine intervention is solicited by being a good human being that cares and remains devoted to serve others (especially the under privileged), being ethical, honest to the country and its people and setting time for self renewal through solitude and self reflection. These traits are gratefully borrowed from six secrets of transformational leadership by Hon. Dr. Idris Jala of PEMANDU, Government of Malaysia.

### *Excellencies & Dear Participants,*

It is now crystal clear in my mind that all the architects of socio-economic transformation in their countries had the basic traits or qualities of transformational leaders. This is true of China's Deng Xiaoping, Singapore's Lee Kuan Yew, Malaysia's Dr. Mahathir Mohamad and his successor Rt. Hon. Mohamad Najib bin Tun Abdul Razak, South Korea's Park Chung-hee, and Dubai's Sheikh Rashid Saeed, to mention but a few.

### *Distinguished Participants,*

A candid assessment of whether Tanzania has transformational leadership is beyond the scope of this keynote address. However, speaking as a person that has had the

privilege to work in the Private Office of the President, and now as Executive Secretary of the Planning Commission for which the President is the Chairman, I want to confide that H.E. President Kikwete is a leader with the poor people at his heart. He is also a man with sharp intellect and a mission. An icon that is easy to spot. As Honourable Dr. Idris Jala, Minister in the Office of the Prime Minister of Malaysia and CEO of the Performance Management and Delivery Unit (PEMANDU), once wrote to me. I quote: “... Your President strikes me like a man with a mission. We would like to help him transform your country.” In my view, this implies that, as a country, we have an opportunity under the current administration, which we should not just throw away. But, the question remains: Does Tanzania have the minimum quantum of transformational leadership in the Government and the ruling Party? I leave it here as food for thought to the participants.

#### *Dear Participants,*

**Message No. 2: Relentless focus on high impact areas (Prioritization):** Successful transformation depends critically on how the fundamental challenge of making decisions in the midst of limited resources (time, finances and human resources) gets resolved. A universal lesson from all countries that have succeeded to transform their economies is that, the solution is to be found in relentless focus on high impact areas by sector, geographically and at all levels, starting from making decisions on which areas to focus on nationally, to deciding how best to sequence the various initiatives within each area or sector of focus, and further to deciding which activity delivers most impact within the prioritized initiatives, and subsequently directing the chunk of resources to few strategic interventions of high value. This is the essence of planning and, on this point, allow me to commend the President for steering the country back to practice of having five-year plans to guide Tanzania’s development effort systematically.

#### *Distinguished Participants,*

**Message No. 3: Successful socio-economic transformation in Tanzania will vitally depend on squeezing the trigger for a radical productivity improvement in agriculture:** One thing that we have seen and is borne out in the development literature is that high economic growth remains the single most important factor (though by no means the only one) for making poverty history. Also important is the quality of that growth, defined in terms of distributional patterns, sectoral composition and sustainability of growth over time that a given country experiences as it embarks on socio-economic transformation. Conventional wisdom has it that growth in sectors of the economy where the poor are concentrated will have a greater impact on reducing poverty than growth in other sectors. In the context of Tanzania, success to transform

the socio-economic profile of the country hinges on innovative strategies to trigger a radical productivity improvement in agriculture, covering crop production, livestock development, fisheries, and forestry. It is important for the Government to sustain its support to agriculture through formulation of the right set of agricultural and land policies, leveraging private sector investment and public-private-partnerships (P-P-Ps). Also important is the organizational solution to productivity growth by focusing on zoning or corridors, as well as out-grower schemes and cooperatives which integrate smallholder farming, commercial farming and permit use of marketing chains to access regional and global markets. Focus will have to be placed on ensuring land availability for large scale investment in agriculture and agro-industry; production of food grains; high value crops; increased use of improved seeds, fertilisers, and other agro-inputs; irrigation; agro-processing; emphasis on quality and standards; as well as market intelligence.

### *Excellencies,*

**Message No. 4: Success to transform the Tanzania economy will depend on industrialization strategies:** Typically, experience from East Asia and Brazil indicate that home-grown, export oriented industrialization led by private entrepreneurs (local and foreign) opens up broader opportunities for sustainable growth. In this context, it would seem most logical that Tanzania embarks on industrial development on the basis of specific industries and sectors where Tanzania has latent comparative advantage such as availability of raw materials (crops, livestock & fisheries, forestry resources, and minerals) and promoting industry clustering through SEZs and EPZs to produce electronic and electrical goods as well as other manufactured goods that are in high demand in the region. So, in addition to agro-processing, the main industries to be targeted should include power generation plants (tapping natural gas, water, coal, wind, solar energy, bio-mass etc); large fertilizer and cement factories; Iron, steel plants; integrated textile industries; sugar factories; meat and fish processing; mining etc.

### *Distinguished Participants,*

Drawing lessons from South-East Asia, it seems to me that a key strategy for Tanzania will have to include industry-clustering; preceded by a frontal attack on business unfriendly and inefficient practices and cultures, minimising frequency and intensity of policy reversals, reviewing labour laws for flexibility, securing land for mass production activities, improving logistics and supply chains for intermediate inputs, and upgrading infrastructure. These are necessary to unlock or attract FDIs and sunset industries from countries like China where firms are in the process of upgrading their business models and processes to move up the value chain and are willing to relocate their labour-intensive activities to countries and regions where labour costs are much lower. Promotion of joint ventures through the P-P-P framework is also a potent



strategy. This approach will also provide access to not only foreign capital but also foreign technology, foreign markets and foreign management know-how.

### *Excellencies,*

**Message No. 5: A strong developmental state is imperative for successful socio-economic transformation in Tanzania particularly in terms of maintaining consistent focus on long-term national aspirations, undertaking SMART interventions in areas that are not sexy to the private sector, leveraging private sector investment and forging joint ventures:** Government support is required to create a business promoting environment and offer incentives for local entrepreneurs to lead growth. One of the key elements in the successful socio – economic transformation of the studied countries has been the central and strategic role of the state in economic growth and structural transformation. The respective states were able to govern and guide development with a decisive ideological orientation, effective institutions and policies underpinned by adequate bureaucratic and organizational capacity and political will. Optimal policy measures, related to economic as well as social-development matters, were fast-tracked and a lot of effort went into nurturing, encouraging and facilitating private sector participation. The pursuit and maintenance of macroeconomic stability, sustainable growth in productivity and significant investment in technology and continued investments in human resources development are some the common strategies that seem to have borne significant positive results in the respective countries’ quest for economic and social progress.

### *Ladies & Gentlemen,*

**Message No. 6: A Strong, stable and predictable political and macroeconomic framework is the bedrock for socio-economic transformation:** In all countries that we have surveyed, it is crystal clear that key to successful socio-economic transformation was implementation of prudent fiscal (tax and non-tax revenues, domestic and foreign debt, expenditure) and monetary policies (money supply, exchange rates, foreign reserves) as they affect the country’s competitiveness and making the correct adjustments. All this was made possible by, existence of strong and stable political regimes, with traits of military regimes in some of the countries.

### *Distinguished Participants,*

**Message No. 7: A complete change of the mindset in the way of doing things:** It was also very clear that successful socio-economic transformation has to go hand in hand with a profound change in social norms, work ethos and professional etiquette. Among them was zero tolerance to corruption; throwing away the dependency mindset in the spirit of the famous Chinese saying that “*give me a fishing net instead of fish*”; high propensity to save rather than to consume; work discipline as exemplified by the motto

of Tianjin Municipal Development and Reform Commission that : “*Work hard every day, day and night, for 5+2 days a week, every month, year by year, with no overtime pay, no demonstration and no complaints*”!; as well as having elaborate incentives, including key performance indicators, rewards and sanctions. The key takeaway message here is that, collectively as a nation, we in Tanzania need to launch a fierce attack on corrupt practices; dependency-syndrome; laxity and inefficiency; carelessness on public property and infrastructure; habit of just complaining instead of being part of the solution; phobia of investors and investments; tax evasion and avoidance; surging lavish spending on kitchen/bag/wedding/confirmation parties; getting rich quickly by any means etc.

### *Excellencies, Ladies & Gentlemen,*

**Message No. 8: No one size fits all. Country specificity, exploiting its rich history, niches and catching emerging opportunities is key to shaping socio-economic transformation:** While studies assert a few similar characteristics that cut across as factors that contributed to the country’s success, each country followed its own Vision/Strategy in pursuing its socio-economic transformation agenda. South Korea has been able to sustain rapid development for more than four decades. The core of the growth in South Korea was government-lead skills development strategy coordinated with rapid technological change and equitable income distribution. The most remarkable aspect of China’s transformation has been the role of the private sector in achieving unprecedented high rates of growth. This in turn was facilitated by changes in government economic policy that have progressively given greater reign to market forces.

### *Ladies & Gentlemen,*

I would like to end this address by doing some advance canvassing for support on the socio-economic transformation of Tanzania envisaged under the forthcoming Long Term Perspective Plan 2011-2025. As you all recall, in June 2011, Parliament approved the first Five Year Development Plan 2011/12-2015/16 (FYDP I) as a roadmap to implement the Tanzania Development Vision 2025 more systematically. Most of you are aware that the theme of that plan is to unleash Tanzania’s latent growth potentials. FYDP I is the first in a series of three successive and interdependent five year plans, knitted together by the Long Term Perspective Plan (LTPP) 2011-2025, aiming at making a quantum leap for Tanzania to graduate to middle-income country status by 2025, in line with the TDV 2025 goal to transform Tanzania into a diversified and semi-industrialised economy with a substantial industrial sector comparable to typical middle-income countries.

### *Dear Participants,*



In 2011 the Planning Commission did some analysis in order to better understand what it would take for Tanzania to become a middle-income country by 2025. The study generated the GNI per capita (in constant 2009 US\$) that would have to be achieved by 2025 in order to reach the lower middle-income country threshold (US\$ 2,700). It turned out that for the threshold to be realized, an average annual GNI growth rate of 8 percent in the next 15 years will have to be sustained (equivalent to GNI per capita growth of about 5 percent given a population growth of around 3%).

### *Ladies & Gentlemen,*

On the basis of the sectoral share of GDP displayed by typical middle-income countries, and setting this sectoral share as a target for 2025, we were able to discern sectoral share and employment in agriculture implied for 2015 and 2020 as targets. The share of agriculture in GDP will have to decline from 27.8% in 2000 to 25.4% in 2015, and further to 23% in 2020 and 20.7% by 2025. Employment in agriculture as a percentage of total employment is to decline from 74.6% in 2010 to 61.2% by 2015, 50.2% by 2020 and 41.2% by 2025. The share of manufacturing in GDP will have to rise from 9.8% in 2010 to 12% by 2015, 14.6% by 2020 and 17.8% by 2025. Services as a share of GDP will have to change from 47.8% in 2010 to 48.1% in 2015, 48.3% in 2020 and reach 48.6% by 2025.

### *Distinguished participants,*

Apart from sustaining growth rates above 8% on average in order to reach the lower middle-income status, the country will also have to transform from a mainly agricultural economy to a semi-industrialised one. This transformation, or industrialisation, will happen along various lines: first, the increased productivity in agriculture will increase production and generate an excess labour supply, both fuelling agro-processing, leading to a sharp increase in the manufacturing sector. Second, an improvement of the value-addition chain will create employment and growth in the industrial sector. This sectoral transformation, coupled with the 8% GDP growth target, implies that there will have to be a drastic change in the growth paths, especially in the agricultural and manufacturing sector, in order to reach the semi-industrialised economy target. (a) Agriculture growth rate will need to increase from the 4.4% average for the period 2000-2010 to reach 6% annual average through to 2025. Similarly, growth of manufacturing will need to be increased from 8.2% average for 2000-2010 and reach 13% all through to 2025. Growth of services will need to increase from the current 7.5% to 8% all through to 2025.

### *Excellencies, Ladies & Gentlemen*

The transformation from an agriculture-led to an industrial economy will also involve changes in the country's ability to raise capital to implement the necessary investments. The country's gross fixed capital formation and gross savings will have to increase significantly (from 25% to 27% of GDP and from 18% to 22% respectively). This will happen through the development of a more business-friendly financial intermediation system and increased investment opportunities inside the country.

*Dear Participants,*

Concerning international capital flows, the country's FDI inflows remain below the level reached on average by middle-income countries (they represented 3.9% of GDP in 2007, about 1% percentage point below the level in the selected middle-income countries). Also, as the country will develop, it will have to table on lower ODA levels, with an expected drop from 13% of GDP to 5% of GDP between 2010 and 2025 (thus the need to boost national savings and other international capital transfers).

*Excellencies & Distinguished Participants,*

The picture I have just painted of structural shifts required of Tanzania to graduate to middle-income status, are obviously a tall order, and cannot be attained through the business as usual attitude. It will need strong transformational leadership, ruthless focus on prioritization of programmes and projects, radical productivity improvement in agriculture, aggressive industrialization drive, making land readily available for large scale investment in agriculture and industry, vigorous developmental role for the state or SMART government, steadfast on macroeconomic and political stability, Strict discipline of implementation, mindset change and taking full advantage of Tanzania's niches and catching emerging opportunities promptly.

*Excellencies & Distinguished Participants,*

**THANK YOU FOR YOUR KIND ATTENTION!!**

**Philip Isdor Mpango (Ph.D.)**

**Executive Secretary - President's Office, Planning Commission**

**28<sup>th</sup> March, 2012**