

**Remarks by Dr. Ad Koekkoek**  
**Ambassador of the Kingdom of the Netherlands to Tanzania**  
**On the occasion of the opening of the 15<sup>th</sup> REPOA Annual Research Workshop**

Honourable Prime Minister Pinda,

Dear Professor Semboja, Executive Director of REPOA,

Dear Professor Mwaikambo, Chair of the Board of REPOA,

Dear Professor Binswanger,

Dear Guests, Participants,

Good morning, Habari za asubuhi,

It is a pleasure to take part in my first REPOA Annual Research Workshop, the 15<sup>th</sup> in a long tradition. As we all know, Repoa's workshop this time centres on Kilimo Kwanza. And a timely subject it is. But I am not an agricultural economist, my specialization used to be development economics and international economics. So allow me to make some more general remarks, dealing with economic growth.

There are many economic theories that try to explain growth. Economists may seem reluctant to admit it, but still it is increasingly accepted that factors that seem to have been important for achieving high levels of growth in a particular country do not necessarily play the same role in another country. It may be the case, but first and foremost, it is a matter of research debate.

Ofcourse, no economist nowadays would question the importance of macro-economic stability, fiscal discipline, the importance of market signals and

outward orientation, the need for social development and the positive effects of political stability and good governance. However looking closely at the high performers like China, Korea and Vietnam, there does not seem to be a standard detailed recipe to achieve economic growth that could be replicated all over the world. It actually teaches us that, within the general confines referred to above, each country has to choose its own growth path given the specific political, social and geographical circumstances.

So, copy cat economics is not going to work. Tanzania needs its own specific growth strategy. And the government is at this very moment engaged in developing such a strategy. No doubt in the coming months, with the finalisation of the Mkukuta review process and the drafting of a new Mkukuta, there will be enough opportunity for government, civil society and development partners to discuss the new strategy and the key factors for future economic growth in Tanzania.

Let me take this opportunity to share a few thoughts about some key issues that I believe need to be addressed in the new strategy. As a former economics lecturer at Erasmus University Rotterdam, I was originally planning to use a short formula that gives some key insights in what makes GDP grow. But then I remembered all the variations in this formula, and the developments that happened in the theory of economic growth since Solow. And I thought, let

us not make things too complicated. For us, today, it is sufficient to remember that economic growth is to a great extent determined by the growth in the quantity and quality of labour, investment and technological development. Of course, the policy environment plays a crucial role here too.

### *Labour*

What does this teach us when looking at Tanzania? Looking at the role of labour, I would like to make two remarks. Firstly, population, and thus the labour force, is growing rapidly by almost 3% per annum. It is now more and more accepted that this is an untenable situation. From a purely economic point of view, the highly commendable efforts by government to invest in education and health are for a large part overtaken by the rapid growth of the population. In that way improvement in the quality of those services, and thereby in the quality of the labour force, is increasingly difficult to attain. A matter of trying to run hard, but almost standing still. In order to make education and health more effective in enhancing growth, a slowdown in population growth is imperative.

But there is more to say about labour. Foreign investors always evaluate labour skills as a determining factor for investment decisions. Skilled labour is not in ample supply in Tanzania. Changing that is paramount in this globalising economy. But is this change taking place? Are the very sizable investments all

over the country in secondary education generating a highly educated young generation? Or should we remind ourselves of what former President Nyerere said, when writing about education in Tanzania in 1984 (quote): “For we cannot expand secondary education without teachers and equipment”. Should the choice not have been made in favour of vocational training for the many and high quality secondary education for a smaller number within the fiscal space available?

You have probably noted that I have not given clear answers on what needs to be done, I have only raised issues and posed questions. That is because I believe an open debate on every aspect of government policies is an essential part of finding the right way forward. After having spent almost a year in this country it is my belief that openness, and more questions and debate is needed, especially when it comes to economics.

#### *Capital: public and private*

Now, what about the role of investment? Here both government and the private sector come in. Public investment needs to increase: energy, roads, railways. Capacity development, institutional development. A typical job for the government, taking away strong constraints on growth. At present, growth is mainly coming from mining and tourism. Kilimo Kwanza, as I understand it,

aims at creating growth in agriculture, which would be broad based growth, alleviating poverty where it is greatest.

Now a researcher would pose the following question. Is the government doing enough in this respect? This is of course hard to judge. I found that government spending on agriculture as a percentage of total government spending increased by one third between 2007/08 and 2009/10, from 4.6 to 6.1%. Government spending on roads declined slightly from 12.8% to 11.5% of total government spending. Another way of looking at this is by comparing the Tanzanian case with Asian countries in a comparable situation. Asian countries were quite successful in transforming their economies. In a recent IFPRI publication on "Priorities for public spending for agricultural and rural development in Africa" I found the following figures. On average, Asian countries spent between 12 and 15 % of government spending on agriculture in 1980/90. And about 12% on transport. The judgement on these figures, and maybe other figures that can be found, I am happy to leave to the real researchers.

Now assume Kilimo Kwanza works. And we all fervently hope it does. All over the world successful agricultural development has shown that making the sector highly capital and input intensive leads to a substantial rise in labour productivity, and therefore in income, but also to a rapid decline of the number

of people that can be employed in the sector. For Tanzania, where at the moment most employment creation takes place in rural areas and thus in agriculture, what does this mean? With Kilimo Kwanza, where is the policy to create millions of jobs in industry and services for those who will leave their marginal shamba's?

Yes agriculture needs to be modernised, perhaps not by distributing power tillers in every district, but most definitely by allowing farmers to benefit from market opportunities and incentives. If farmers in Rukwa have an opportunity to export maize to Zambia and the DRC, is the present export ban not negatively affecting them? Is it sensible to tell farmers what to produce? Let me quote from a recent newspaper article: "He (a farmer) decided not to plant tobacco in his fields near the main road, because cotton was announced as the official crop and in the past unofficial crops were uprooted". In my mind, farmers should not so much be bothered, but should really be assisted. They should be helped when they are facing constraints, not be constrained themselves. That is the policy environment I referred to earlier. Agriculture is commercial business or it will not take off.

### *Technology*

Finally, some remarks on the third component of growth, technology. Technological development has always mystified economists because it is so

unpredictable and economic consequences, both positive and negative, are hard to forecast. Who could have thought that linking a couple of mainframe computers would give rise to the global internet? It has created millions of new jobs but also did away with many. In the seventies nylon fibres took over markets that were traditionally supplied by sisal producers, Tanzania being a leading exporter. There are many more examples to give. The question here is what does this mean for Tanzania?

Let me first say that technological development is the product of scientific progress. This requires universities where the academic spirit of questioning, probing and researching is respected and seen as a vehicle for success. Every year REPOA demonstrates that that spirit does exist for economics and social sciences and this helps our understanding of the implications of policy decisions for poverty reduction and economic development. In other fields like physics, chemistry and biology Tanzania is not likely to soon rival the achievements of other countries. It is not easy, and it is very expensive for sure. It will therefore need to partner up and create a favourable environment for businesses and institutions to share knowledge and technological know how with Tanzanian partners. I believe more could be done in this regard.

One way would be to promote direct foreign investment in the Kilimo Kwanza initiative. This can bring in knowledge about products, about markets,

about technology, management and so on, and so forth. But look at a number of international reports, last year, indicating Tanzania is dropping down the ranks of competitive economies. Indicating Tanzania is losing ground against its neighbours. Indicating other countries are more attractive for investors. And keep in mind, attracting foreign investors is a very competitive business. If Tanzania does not pull up its socks very fast, not many investors will come in. And of course the same applies to domestic investors. That does not bode well for Kilimo Kwanza.

Summing up, emphasis on agriculture is very sensible in the coming growth strategy. And I hope this workshop will contribute to it. In order for Kilimo Kwanza to be effective, the government must put its money where its mouth is. And not only its money, but also its policies. But in the end, everything depends on the *implementation* of the budget and the policies. Let the farmers do their own job, let the government do everything to support them.

Asanteni sana