



**THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF FINANCE AND PLANNING**

**SPEECH BY HON DR. PHILIP MPANGO, MINISTER FOR FINANCE
AND PLANNING ON BEHALF OF THE RT. HON. KASSIM M.
MAJALIWA (MP), PRIME MINISTER OF THE UNITED REPUBLIC
OF TANZANIA AT THE OPENING OF REPOA'S 22ND ANNUAL
RESEARCH WORKSHOP DAR ES SALAAM,
29TH MARCH 2017**

Honourable Members of Parliament and Regional Commissioners present;

Your Excellency Ambassador Roeland van de Geer, Head of the EU Delegation to Tanzania and the East African Community

Excellencies, Ambassadors and Members of the Diplomatic Corps Present;

Professor Yadon Kohi, Chairman of the Board of Directors of REPOA;

Dr. Donald Mmari, Executive Director of REPOA;

Prof. Lant Prittchet from Harvard University, United States of America – the Keynote Speaker

Distinguished Discussants, Former Discusaants, Former Ministers, Former Government Officials, Retired Permanent Secretaries,

Members of the Press;

Ladies and Gentlemen;

It is a humbling experience for me to be standing here this morning to grace the occasion of REPOA's 22nd Annual Research Workshop on behalf of the Rt. Hon. Kassim M. Majaliwa (MP), Prime Minister of the United Republic of Tanzania, who could not be here with you today because of other pressing national commitments in Dodoma. However, he did direct me to convey to all of you a very warm welcome to this very important workshop being held here in Dar es Salaam. He

further asked me to assure you that Tanzania is a peaceful country, with very friendly people and that I should encourage you, and especially our guests from outside Tanzania, to use your time here alongside this workshop, to sample Tanzania's unique treasures and tourist attractions. Try not to leave Tanzania without seeing with your own eyes the mighty Serengeti that is famous for the spectacular migration of wilderbeasts; the Oldupai gorge– creddle of mankind and incredible composition of wildlife in the neighbouring Ngorongoro Crater, the extensive Selous game reserve; the imposing Mt. Kilimanjaro – the roof top of Africa at 5895m above Sea level; numerous Gemstones like Diamonds, Gold and Tanzanite; and the Spicy Islands of Zanzibar to mention but a few. You will certainly never regret having stayed on for an extra day! Furthermore, the Prime Minister extends his best wishes for a very successful workshop.

Excellencies, Ladies and Gentlemen, we have been told that the theme for this workshop is **“Why Institutions Matter for Industrialization-Led Development”** This is indeed a timely and well conceived theme that dovetails well with the country's second FYDP 2016/17 – 2020/21, whose theme is “Nurturing industrialization for economic transformation and human development”. I therefore commend REPOA for the spot on choice of the theme and for having continued to undertake research to promote policy dialogue on this subject matter. If I am not mistaken the theme of REPOA's 21st annual research workshop was **“Making Industrialization Work for**

Socioeconomic Transformation” I am happy to say that we in Government harvested a lot from that workshop in preparation of FYDP II. I was then still leading the national Planning Commission. In the same vein, the Government is anxiously waiting for recommendations from this Workshop too. We believe they will help us sharpen national plans and strategies to fast track industrialization in Tanzania going forward.

Distinguished Participants, as some of you may know, Industrialization endeavours in Tanzania, date as far back as 1970s, with the Basic Industry Strategy and import substitution manufacturing that characterized the Third Five year Plan of 1974 - 79. Subsequent policies and strategies, including the Sustainable Industrial Development Policy (SIDP) 2020 and Integrated Industrial Development Strategy (IIDS) 2025, provided broad guidelines for the country to industrialize. The privatization of state owned enterprises was among the measures taken from the mid 1980s hoping to increase efficiency, productivity, and competitiveness of the manufacturing industry. However, the results of privatization of industries were mixed. Some few industries were turned around and performed well to the point of positioning themselves to compete internationally. Others simply failed to even get off the ground.

Distinguished Participants, new industries have also been established over the years, and as data shows, manufacturing exports have grown significantly in recent years. While the share of traditional

exports have declined from nearly 40% of total goods exports in year 2000 to 16% in 2015, the share of non-traditional exports increased from 60% to 83.8% during the same period. Out of the non-traditional exports, manufacturing exports accounted for 9.8% in 2000, but this share had increased to 33.1 % by 2015. Despite this encouraging growth in exports and a robust real GDP of 7% p.a faster than Population Growth of 2.7%, these improvements have remained insufficient to create the much need jobs for the growing number of youth, technological innovation, and increased productivity, which are essential ingredients of sustained poverty reduction. Basic Needs Poverty for Tanzania remains high at 28.2 percent.

Excellencies, Ladies and Gentlemen, Margareta Drzeniek - Hanouz (2015) professed that“ if you want to predict the prosperity of a country just look at its institutions.” This is surely an insightful clue which researchers of the kind present in this room need to investigate to get to the bottom of the apparent failure of countries like Tanzania to industrialize. Therefore, I want to urge this conference to seriously discuss the fundamental question: what institutional architecture is needed to diversify the Tanzanian economy towards higher productivity activities in manufacturing, agriculture and services? In other words, considering Tanzania’s generally accepted procedures that govern interaction between members of our society (legal and regulatory framework, political parties, policies, religions, cultures etc), which of these institutions matter most for fast tracking industrialization – led

development? We in government shall be waiting eagerly to get a response from think tanks like REPOA and others backed up by good credible research work in this area.

Ladies and Gentlemen, may I also suggest to you to discuss the role of other critical institutions like Parliament, the military, Law enforcement agencies, government coordination, investment and export promotion agencies, development partners, labour unions, training organizations, banks and Financial institutions, industrial and business firms in the quest for accelerating industrialization in SSA countries like Tanzania. Suggestively you will have to scrutinize among others, where each specific country stands with respect to standards of corporate ethical behaviour, legal and administrative framework and practice, organization of private sector/chambers of commerce and industry dialogue attitude toward work, Government efficiency, effectiveness and accountability, corruption tolerance as well as trust and integrity of politicians.

Distinguished Participants; the need for broader institutional reforms is clearly reflected in the efforts that the fifth phase Government under H.E. Dr. John Pombe Joseph Magufuli is taking in building and strengthening the institutional foundation for industrialization-driven transformation and development of our country. I would like to outline some of these efforts.

First, the fifth – phase government has launched a frontal attack on corruption including the establishment of a special division of the high court to handle corruption cases. The vice has remained a significant obstacle to the delivery of quality public services and business development. According to *the Global Competitiveness Report 2015-16* corruptions was ranked second among the most problematic factors for doing business in Tanzania. We need each player to adhere to ethical business behaviour.

Second, H.E. John Pombe Joseph Magufuli has been leading a fundamental transformation in the way government operates so as to improve efficiency and tackle complacency, bureaucracy, red tape and indecision. We have also put energy to ensuring judicious management and use of the country's public resources. The government also continue to crackdown on tax evaders and dishonest/corrupt TRA staff.

Third, we have continued to invest in infrastructure in our bid to address constraints to the movement of goods, services, and people within the country and across the region and international markets. This includes further investment in trunk road network and rural roads, upgrading our rail network into standard gauge, expanding the capacity and operational efficiency of ports, and expanding our air transport capacity by modernizing our airports, building new ones, and reviving Air Tanzania Corporation. We are scaling up

investment in energy targeting to provide efficient and reliable energy at least cost. This is greatly needed to power industries, businesses and households. The gas-to-power projects in Mtwara and Lindi Regions (Madimba and Songo songo), the natural gas pipeline from Mtwara to Dar es Salaam, new gas-powered generation plants in Kinyerezi, upgrading of transmission lines, and in expanding access to electricity to the rural areas through the Rural Energy Agency (REA) are initiatives targeting to reduce the cost of doing business. Infrastructure development is an important prerequisite, not just for successful industrialization, but also for supporting agricultural transformation by reducing the cost of transport for farm inputs and outputs, for linking producing areas with markets, and for promoting the development of agro-industries in the rural areas.

Fourth, the government is determined to streamline business regulations, which include reduction of multiple taxes. These are all important determinant factors to the cost and complexity of doing business, and to attracting domestic and international private capital, which are essential as we embark on this indispensable mission of promoting industrialization in Tanzania.

Fifth, the government has taken deliberate efforts to expand access to basic education for our children, from primary to secondary schools. These efforts include waiver of fees for primary and

secondary schools, constructing more classrooms and laboratories, and increasing the supply of desks and other teaching facilities. We have seen challenges that have resulted from dramatic increase in enrolment, affecting the quality of teaching, but the government could not have waited to address all the challenges while our children wait at home. We will continue to address these challenges as we move ahead, and I ask all stakeholders to support the government in this process.

But the challenges facing our youth are not just limited to access to basic education, but also to technical skills, ethics, and aptitudes. These challenges, combined with structural limitations in the economy escalate the problem of youth unemployment. The government has already embarked on skills development programmes for the youth, which seek to equip them with skills needed in industry, including textiles, leather, and agro-industries. These skills are necessary not just for enhancing employment opportunities in the existing and new manufacturing entities, but also for providing the skills and the tools they need to establish their own micro and small enterprises.

But again, as you will also agree, education and skills are necessary but not sufficient for entry into the job market or for starting and sustaining viable enterprises. Sound work ethics, integrity, and discipline are extremely necessary. That is why the government has now rolled its sleeves to fight the illegal drug business, which has contributed

significantly to the erosion of discipline and ethics, among the youth, a workforce that the country will depend upon for our industrialization drive.

These are just among very few initiatives in the institutional change process that the government is undertaking to build a strong foundation for the successful transformation of our economy. But as I have already mentioned, transformation of our economy is not the role of the government alone. While the government must take the lead, other institutions, both market and non-market, must play their roles too. For example, to cite again *the Global Competitiveness Report 2015-16*, access to financing is the most problematic factor for doing business in Tanzania. We may want to ask our financial institutions, particularly banks, as to why this is the case? I believe this workshop today will discuss how the different institutions have supported or constrained the transformation process, and how things could be done differently to accelerate transformation and inclusive development going forward.

Distinguished Participants; I wish to reiterate that the desire to accelerate transformation of our economy driven by industrialization is possible if all institutions play their roles well. We have an enviable natural resource base and strategic geographic advantage. The global investment and trade dynamics provide threats but also opportunities for Tanzania to industrialize. We now need stronger institutional cooperation, proactive participation of all stakeholders, the citizens

rallying behind the government by working hard and promoting discipline, development oriented mind-sets, and moral values that will make all of us proudly accountable to our future generation.

I propose this workshop to address the following set of questions, which I consider very pertinent to the theme of this workshop and for informing our policies and strategies:

First, in the context of the current trajectory of Tanzania's development, what forms of institutions would be most enabling to achieve our industrialization goals?

Second, how does Tanzania compare with recent success stories of industrial transformation from emerging economies, and what are the institutional conditions that made the difference?

Third, in theory, state and market institutions may have different objectives and ways of achieving them. However, in practice, they can reinforce each other for self-sustaining. In what ways should the two institutions work more effectively to facilitate industrialization agenda?

Distinguished Participants; in closing, I wish to reiterate the appreciation of the Government on the important role played by REPOA as a Tanzanian Think Tank. I am made to understand that REPOA was

this year ranked again as the top Think Tank in Tanzania for the third year running, and has moved five places up to 13th among over 90 Think Tanks in Sub-Saharan Africa. Please maintain this good performance and be assured of the government's continued support in creating the right environment for Think Tanks to thrive and continue to provide empirical evidence for effective policy development. I extend my profound appreciation on behalf of the Government of Tanzania to all the development partners that have continued to provide core funding and long-term support to REPOA. This includes the embassies of Sweden and Norway, Bill and Melinda Gates Foundation through the African Capacity Building Foundation as well as the Think Tank Initiative administered by the International Development Research Centre (IDRC) of Canada. I also thank the European Union Delegation for providing financial support to REPOA for organizing this workshop, and the International Growth Centre (IGC), who have also covered some of the workshop costs. I know there are many other partners, who provide significant project funding and collaborate with REPOA. Your support assures us of continued access to high quality research, capacity building, and informed policy dialogue. These are essential public goods in any modern society. I urge you and other partners to continue to support this noble cause to the Tanzanian society.

Distinguished Participants, it is now my honour and privilege to declare REPOA's 22nd Annual Research Workshop officially open.

