



27TH ANNUAL RESEARCH WORKSHOP

Galvanising Sustainable & Inclusive Growth Through Structural Transformation

8th-9th November 2023 | Dar es Salaam



Norway in Tanzania
Royal Norwegian Embassy in Dar es Salaam

Embassy of Sweden
Dar es Salaam

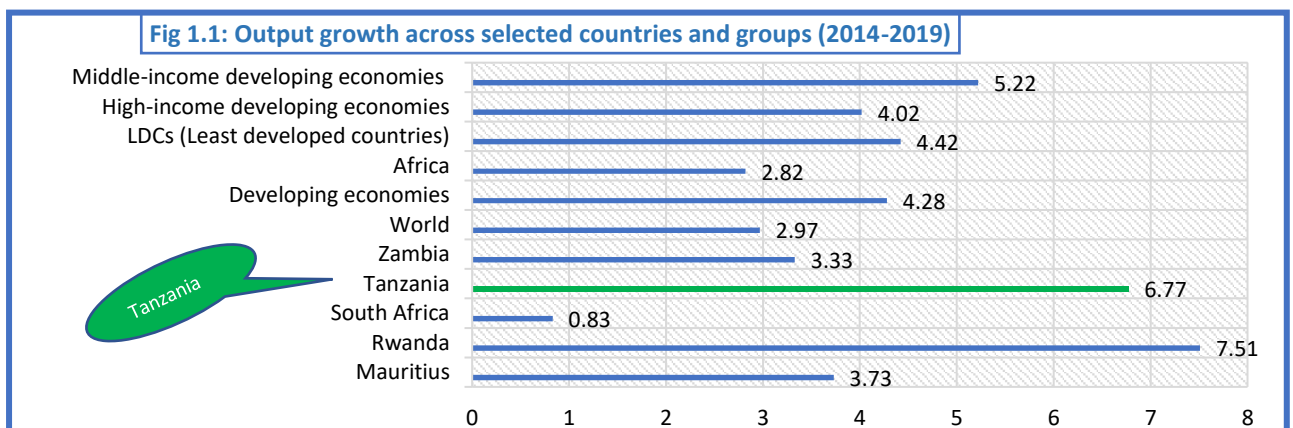
REPOA to launch a 5-year Research Programme on *Structural Transformation & Development Trajectory in Tanzania*

Monday 06 November 2022 – Dar es Salaam: On the 27th Annual Research Workshop to be held in Dar es Salaam from 8-9 November 2023 – in collaboration with the Central Bank of Tanzania (BOT), President’s Office – Investment & Planning, and Gatsby Africa – REPOA will be launching a new 5-year Research Programme on *Structural Transformation & Development Trajectory in Tanzania*.

REPOA cordially invites interested researchers and institutions to collaborate in the evolving design and implementation of this programme.

Structural transformation has historically been a key objective of development policy in Tanzania, manifesting under various guises from modernization in the post-independent *Ujamaa* aspirations (Mushi, 1970; Mushi, 1971; Nyerere, 1973); to its current post liberalization form as defined in the National Development Vision 2025 (URT, 1999). At the heart of the transformation agenda has been the desire to shift productive capacity growth and related economic rents from rural-based subsistence agriculture to a more diversified semi-industrialized economy characterized by increasing share of industry, services, and capital intensity.

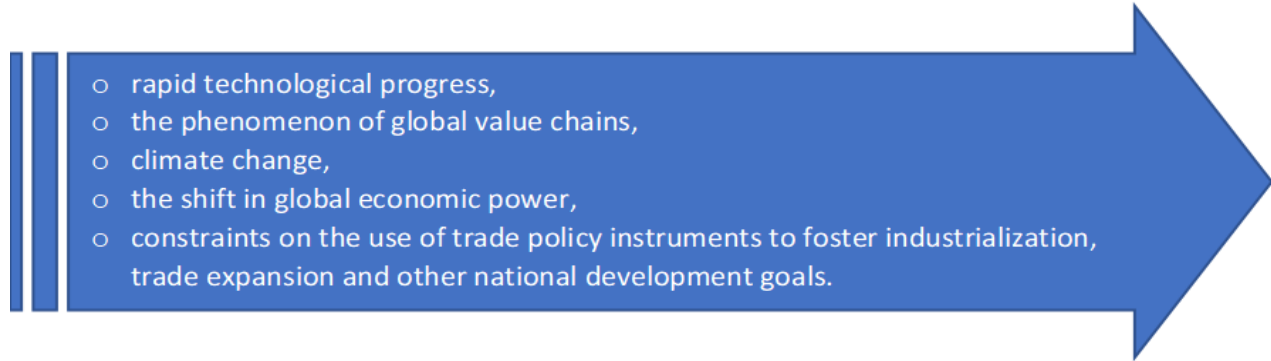
Tanzania has experienced rapid and sustained economic growth, which culminated in its reclassification from low-income to lower-middle-income country in July 2020. Since the turn of the millennium the economy has grown at more than 6 percent and in per capita terms by more than 3.5 percent despite rapid population growth. Interestingly, over the past three decades its growth performance has been consistently above the average growth for Africa. When assessed at the global level, Tanzania’s economic growth performance has also been impressive. As per Figure 1.1 below, in the period 2014-19, the annual average real output growth rate for Tanzania was about 6.8 percent compared to 5.2 percent for middle-income developing countries, 4.4 percent for LDCs, 4.3 percent for developing countries, 3 percent for the world, 2.8 percent for Africa, 3.3 percent for Zambia, 0.83 percent for South Africa, 7.51 percent for Rwanda, and 3.73 percent for Mauritius.¹



¹ REPOA (2022) Policy implementation for Building Productive Capacities and Fostering Industrial and Trade Expansion in Tanzania, Dar es Salaam: REPOA for Ministry of Industry and Trade.

Source: (REPOA, 2022)

The comparative statistics in Figure 1.1 postulate that while Tanzania's economic growth has been impressive, sustaining it will require significant efforts to deal with the daunting task of developing productive capacities and transforming the structure of its economy in a rapidly changing global environment characterized by, among others:

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- rapid technological progress,
 - the phenomenon of global value chains,
 - climate change,
 - the shift in global economic power,
 - constraints on the use of trade policy instruments to foster industrialization, trade expansion and other national development goals.

In recent years, an evidence-based approach to structural transformation in Tanzania has emerged that has sought to complement policy making with basic research and evaluation. On the one hand, some research has taken place, documenting the pace and nature of structural transformation (REPOA, 2022; UNDP and URT, 2015, 2018; Wuyts and Kilama, 2016), while policy has, through a series of three five-year development plans, sought to promote investments in the fundamentals—productive capacities, physical and human capital as well as policy and institutional reforms (URT, 2012)—generally believed to catalyse improvements in the pace and composition of economic production and productivity. As of June 2023, some TZS 211 trillion (equivalent to 134% of the 2021 Gross Domestic Product) will have been spent by both the Government and the private sector in promotion of structural transformation since 2011/12 (URT, 2011, 2016, 2021).

Investment in structural transformation has led to the supplanting of agriculture by services—mainly trade—and industry as the largest contributors to value added Gross Domestic Product (GDP) (Ellis, McMillan, and Silver, 2018). Manufacturing and trade services have grown and contributed significantly to productivity expansion and job creation in Tanzania over the period from 2002 to 2012. Further, the average labour productivity in Tanzania's manufacturing and service sectors has outstripped that in agriculture by seven and three times more (Ellis, McMillan, and Silver, 2018). On aggregate, there has been an increase in the share of non-agriculture employment from 25.4% in 2010 to 34.4% in 2021 (URT, 2022) and a marginal decline in the agriculture share of GDP from 27.8% in 2010 to 26.1% in 2021 (URT, 2022).

Yet, despite considerable investment, Tanzania has not made significant progress in achieving inclusive growth-enhancing structural transformation since 2011, and more broadly the last 40 years or so. In terms of sectoral transitioning, the economy has prematurely deindustrialized, with manufacturing's contribution to gross domestic product (GDP) declining from 11.4 per cent in 1972 to 7.8 per cent in 2021 in favour of services (and mining). Despite, its relatively high productivity, manufacturing in Tanzania is still relatively small as a share of GDP, having remained stagnant at eight per cent in the last thirty-one years from 1990 to 2019 (URT, 2021). Moreover, two-thirds of this sector is characterised by small and mostly informal firms or individuals in low productivity, low innovation and limited growth sub-sectors, including trade services (Ellis et al., 2018). Trade services include retail, wholesale, and the food and beverages trade which in Tanzania comprise the biggest share of the informal sector, making up fifty-five per cent of the informal business (FSDT, 2012). Although these service sectors positively affect overall labour productivity by absorbing labour from agriculture in Tanzania, their inherent value addition is minimal thus limiting their savings and expansion potential.

The International Monetary Fund (2018) contends that while increased absorption of agricultural labour by the traditional services sector increases growth, however, such labour absorption is unlikely to be the source of long-term growth due to its inability to generate sustained increases in productivity and structural transformation. Therefore, for sustained gains from economic transformation, economic growth needs to rely on high productivity in tradable services. However, a key argument as to why this may be detrimental to growth prospects is that traditional services do not offer the same prospects for sustained productivity growth as manufacturing does and that service activities offer less potential for positive spill-over effects (i.e., innovation, linkages, clusters, etc.) (Ekeruche *et al.*, 2022)

The increase in the contribution of services to GDP over the period 2010 to 2021 (and indeed since 1972) has been accompanied by the increasing importance of lower-value, lower-productivity services overall. At the same time, the growth of financial services has not been accompanied by significant growth in employment in the sector, nor by higher levels of savings and investment in the real economy. Within manufacturing, growth in value added has continued to be biased towards mineral- and resource-based industries that were at the industrial core of the economy in 1972, reflecting limited sectoral deepening. Indeed, the slow progress of transformation of the industrial structure is reflected in the limited diversification of Tanzania's exports. Mineral and resource-based industries continue to dominate the export basket—accounting for approximately 46 per cent of all exports in 2021, as such Tanzania has been missing out on the gains from international integration in improved competitiveness and 'learning through exporting' in diversified manufacturing industries (Bell *et al.*, 2018). From a historical perspective of the Asian model of economic transformation based on export orientation, these results are difficult to comprehend as Tanzania has enjoyed peace, political stability and trade-conducive diplomatic relations.

The failure to achieve significant growth-enhancing structural transformation has had implications on socioeconomic outcomes, including increasing non-agricultural unemployment, worsening inequality, limited expansion of domestic revenue mobilisation, limited success in increasing domestic capital accumulation and direct investment, and above all mixed success in improving national competitiveness. With two years to the expiration of the current national development vision and the current Long Term Perspective Plan (LTTP) 2011/12-2025/26, it is unlikely that Tanzania will attain structural transformation targets of reducing the agriculture share of employment to 41%, increase the share of industry to GDP to 31% (and its employment to 21%), attain gross domestic savings of 22% of GDP and increase the revenue capacity of the economy to 21%.

THE 27TH REPOA ANNUAL RESEARCH WORKSHOP

In response to the increasing need for accelerating the desired structural transformation of the economy, at a time of shared global opportunities and challenges:

The REPOA's 27th Annual Research Workshop will be organized in collaboration with:

Central Bank of Tanzania;

The Gatsby Africa;

President's Office - Investment & Planning

This collaboration will provide an opportunity for these institutions to demonstrate how they are positioned to support rapid structural transformation of the economy for inclusive, competitive, and productivity-led economic growth.

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Galvanising Sustainable and Inclusive Growth Through Structural Transformation

The overall aim of the workshop is 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 will include:

- A closer look at the opportunities for sustainably enhancing productive capacities as catalytic fundamentals for accelerating structural transformation;
- Sharpening strategies for effective participation in the global value chains and options for strategic linkages to enhance transformational competitiveness in agriculture, industries, and other sectors; and
- Improving public-private partnerships in the acceleration of the economic transformation process.

While this is not the first social and economic policy workshop examining structural transformation in Tanzania, it will be the first such workshop organised by REPOA in more than five years seeking to examine one of the foundational priorities of Tanzania's current development vision 2025 in a changing regional and global economy. It offers a timely review of its implementation and reminds all stakeholders to assess their contribution toward meeting the long-standing development objectives and targets in Tanzania.

The specific Objective of the workshop is:

To provoke and promote policy dialogue and research on how to accelerate structural transformation of the economy and improve its outcomes in terms of inclusive, competitive and productivity-led economic growth by focusing on the effects of sustainably enhancing productive capacities, benefits of effective integration in regional and global value chains, and how to (re)align public-private partnerships for sustained economic transformation.

Key questions to be explored will be:	
i.	How can Tanzania improve the utilization of transformation enhancing fundamentals such as productive capacities, trade and industrial expansion, land, and human capital?
ii.	How can effective participation in regional and global value chains promote transformational competitiveness in agriculture, industries, and other sectors? and
iii.	How can the state and private actors partner more effectively to coordinate and accelerate inclusive and sustained economic transformation in Tanzania?

Proposed Sub-Themes

Along with the main theme of the workshop, the dialogue will be structured to include important elements that derive from the strategic imperatives of enhancing productive capacities, competitiveness of the economy, and effectiveness of PPPs, which in themselves warrant special policy attention. The following three subthemes are proposed:

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