



RESEARCH PROGRAMME ON

Structural Transformation & Development Trajectory In Tanzania

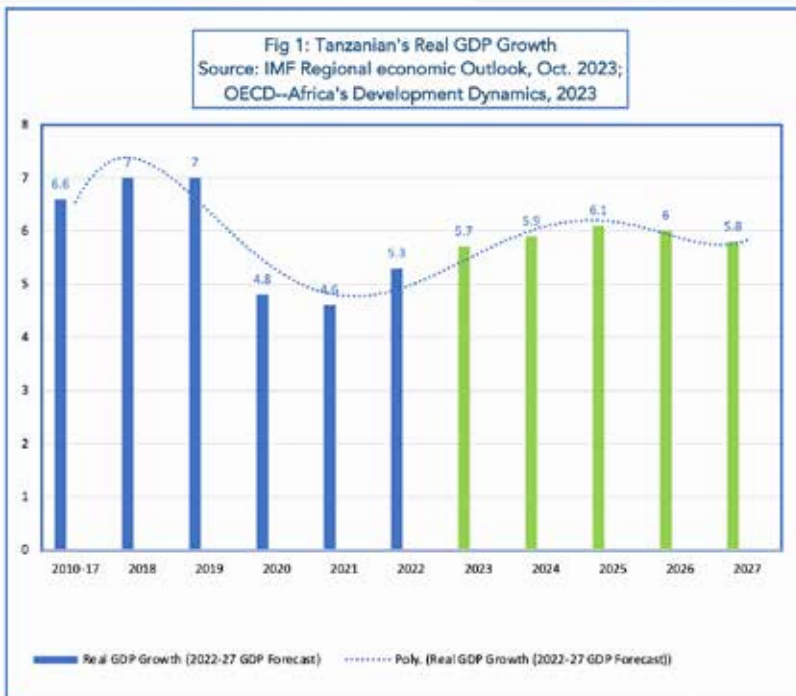
2024-28

1. Introduction

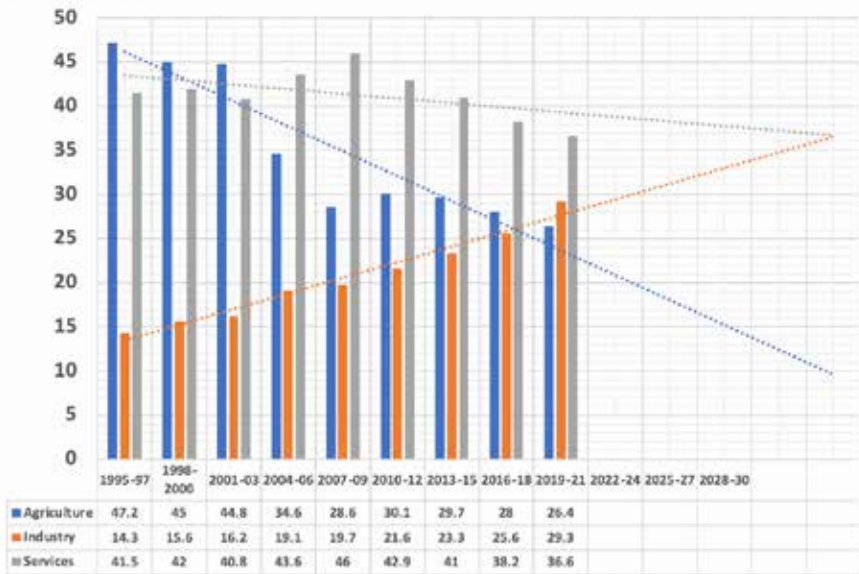
Structural transformation is the process of transition of an economy from low productivity and labour-intensive activities or sectors into higher productivity and capital or skill intensive activities or sectors. Literature has shown productivity in the modern sectors, typically manufacturing and services, to be the driving force for transformation with productivity differences often associated with the movement of labour from low productivity to high productivity sectors. Economic literature has shown structural transformation to be source of higher productivity growth and rising per capita incomes. It is also a medium for increased economic diversification and resilience to poverty, vulnerability, and shocks.

2. Structural Transformation in Tanzania

Structural transformation has proved to be an elusive dynamic in much of Africa (Sen, 2019). Tanzania, for example, has witnessed limited structural transformation evidenced by limited substitution of labour between agriculture on the one hand, and industry and services.



Tanzania GDP by Activity, Percentage Share in Total GDP at Current Prices



The substitutability of labour from these sectors has been mainly in non-farm activities in rural areas and informal trade in urban areas. These limitations have two implications on the nature and character of economic growth and transformation:

First



The non-transformative nature of the economy has a negative impact on the future growth and competitiveness of the economy;

Second



- The movement of labour from low productivity sectors to other low productivity sectors fuels jobless and non inclusive growth;
- Non inclusive growth is less sustainable, increasingly vulnerable to shocks, and hampers poverty reduction

It is against this background that REPOA is launching a policy research programme that will focus on an in-depth examination of the processes of structural transformation in Tanzania. Among others, the programme intends to provide timely and contextually rich quantitative and qualitative assessments of the effects of economic and social policies on the allocation of labour, capital, consumption, output, and prices.

The general objective of this programme is to enhance the understanding on the processes of structural transformation in Tanzania with a view to strengthening the analytical capacity of policy makers and other stakeholders, and to provide research-based evidence on development planning to accelerate structural transformation.

The programme will be organised around the following key specific objectives:

The key objectives will include:

- »»» To examine drivers and barriers of economic growth and structural transformation;
- »»» To explore productive capacities, sectoral dynamics and linkages;
- »»» To examine effects of demographic dynamics and informality on employment;
- »»» To explore the essence of capital accumulation on productivity, poverty, and inequality;
- »»» To analyse the political economy of structural transformation.

3. Themes of the Research Programme

3.1 Drivers and barriers of economic growth and structural transformation

- » To what extent do the fastest growing sectors influence the direction of final expenditure of GDP and its impact on structural transformation, that is, relative changes in productivity, labour shifts, shares of household consumption, public expenditure, investments, structure of exports, and the terms of trade between Tanzania and the rest of the world.
- » What drives sectoral productivity enhancement in Tanzania?
- » How do relative price changes and real expenditure shares affect sectoral allocation of labour and value added?
- » What is the relationship between structural change and the composition of final demand?
- » How does Tanzania's endowment structure and comparative advantages influence its structural transformation targets?
- » What policy choices can accelerate structural transformation?

3.2 Productive capacities and intersectoral linkages

- » What is the state of intersectoral linkages in Tanzania, and how has it shaped structural changes observed over the last three decades?
- » What are the enablers and constraints of effective intersectoral linkages?
- » What are the alternative high productivity sectors (i.e., Industries Without Smokestacks (IWOS)) in Tanzania?
- » What policy actions does Tanzania need to leverage on its potential IWOS for accelerating structural transformation?

3.3 Demography, employment and the informal economy

- » How does the current demographic structure and trend influence employment patterns in Tanzania?
- » To what extent do the existing development blueprints (Vision 2025, FYDP-III) and the public expenditure framework address development challenges related to human capital investment and youth employment?
- » What targeted policy actions can Tanzania employ to realise the demographic dividends?

3.4 Dynamics of the service sector in Tanzania

- »» What factors explain the increasing share of services in GDP and the trends in the growth of its key-subsectors?
- »» To what extent does the transformation within the services sector support increases in productivity in other productive sectors?
- »» What type of policies or public actions can maximise positive linkages between services, industry, and agriculture sectors?

3.5 Patterns of capital accumulation and impact on factor productivity, poverty, and inequality

- »» How has the change in the structure of the economy influenced patterns of accumulation, and how has this change affected the distribution of returns between factors of production?
- »» How effective have Tanzania's poverty reduction strategies been in the context of this change in the pattern of accumulation?
- »» What sets of policy actions can be put in place to induce the pattern of accumulation that promotes long-term growth that is inclusive, resilient, and sustainable?

3.6 Political economy of structural transformation

- »» What has enabled and/or constrained Tanzania's pursuit of coherent development policies?
- »» What has enabled and/or constrained Tanzania's conceptualisation of agriculture and industrial modernisation?
- »» Why are there limited backward and forward linkages between productive sectors and the rest of the economy?
- »» What have been the impacts of macroeconomic, financial, and social sector reforms on structural transformation in Tanzania?

4. Timeline for implementation of programme

The research programme will be implemented for a period of five years starting in 2024.

5. Resource Requirements

5.1 Financial resources

Budget Breakdown of Activities Per Thematic Areas		Year 1	Year 2	Year 3	Year 4	Year 5	Total (US Dollar)
1	Drivers of economic growth and structural change in Tanzania	25,000	90,000	37,800	30,000	40,000	222,800
2	Productive capacities and Intersectoral linkages in the productive sectors	30,000	75,000	45,000	50,000	25,000	225,000
3	Demographic dynamics, employment and the informal economy	35,000	55,000	72,400	30,000	20,000	212,400
4	Dynamics of the service sector in Tanzania	45,000	95,000	70,000	20,000	75,000	305,000
5	Patterns of capital accumulation and impact on factor productivity, poverty, and inequality	45,000	85,000	61,600	60,000	17,500	269,100
6	The political economy of structural change	95,000	95,000	63,000	30,000	15,000	298,000
TOTAL Programme Budget		275,000	495,000	349,800	220,000	192,500	1,532,300

5.2 Research and Institutional Collaboration

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



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