
What should be done to Strengthen the Economy of Tanzania?

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Outline

- Background and Context
- Development Trends and Challenges
- Overview of government response
- Strengthening the Economy: Priority action areas
- Conclusion and way forward

Background and Context

- Changes in the political of Tanzania have been dramatic: mixed economy>socialism/admin controls>market and private sector led development.

- ▶ **Since independence Tanzania has gone through distinct phases of socioeconomic development**
 - In the first two decades of the post-independence period Tanzania made deliberate efforts to build national unity, achieve human development and pursued.
 - The second policy episode from 1981 to 1995 was essentially a period in which Tanzania adopted adjustment and reforms which were aimed at restoring stabilization and growth with no clear socioeconomic transformation objective.
 - the third period (1996-) Tanzania embarked on more comprehensive economic and social policies in which the development agenda is returning. An opportunity for socioeconomic transformation in a new context of the market economy, competition and globalization.

Development Trends and Challenges

- **Macroeconomic stability largely achieved** (except for second half of 2011)
- **High Growth rate over the past ten years**
 - Good performance: Average 7% compared to target (6-8%) by 2011 and slowed from 7.3% in 2009/10 and 6.4% in 2010/11 and projected to slow down to 6% in 2011/12..
 - Generally resilient to shocks-weather, energy, and the Global Financial Crisis (largely because of weak integration into the global markets).

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Development Trends and Challenges-2

- **Gradual structural change**
 - Service sector largest(43.9% in 2010, 45.5% 2001).
 - Agriculture share 24% (29% in 2001), but 74.6% of labour force (2006).
 - Mining still a small share of GDP, but large share of export earnings.
 - Tourism-growth in number of tourists, average spending
 - There are signs of economic transformation emerging from the private sector driven by technological and education improvements.

- **Major challenges**

- ✓ Growth not translating to poverty reduction i.e. not sufficiently inclusive. Growth not Employment enhancing.
- ✓ The development policies and strategies that are formulated falter in the subsequent stages of implementation, follow up and monitoring and evaluation.
- ✓ Capacity and Institutional Arrangements for Coordination of Development Initiatives and Articulation of Policies and Strategies.
- ✓ Quality of Budget: Non-strategic and Spreading Resources Too Thin.
- ✓ Mechanisms for monitoring and evaluation and provision for feedbacks and learning from development experiences of Tanzania's own past and that of other countries.

Development Trends and Challenges-4

- ✓ Incentive Structures not conducive for Implementation, Creativity and Innovativeness.
- ✓ Aid dependence has played a role in reducing ownership as depicted in low level of confidence, creativity, initiative and innovativeness.
- Low level of competitiveness
 - Low technology and knowledge intensity
 - Low value addition,
 - Low productivity
 - Inadequate access to requisite resources (finance, skills)
 - High cost of doing business (regulatory framework, infrastructure)
 - Short history of entrepreneurship

Overview of Government Response

■ Vision 2025

- Envisions competitive and dynamic economy
- Middle income country by the year 2025
- Transformed from a low productivity agricultural economy to a semi-industrialized one.

■ MKUKUTA II

□ Growth

- Inclusive economic growth
(manufacturing, agriculture, mining, tourism, infrastructure & logistics)
- Increased employment opportunities
- Enhance good economic governance

□ Improving quality of life and wellbeing

- Wellbeing to enhance capability
- To reduce inequities in employment and productive opportunities

- ▶ Governance and accountability
 - Democracy and rule of law
 - Social cohesion and political stability
 - Accountable and responsive leadership
- **FYDP: Unleashing Latent Growth Potentials**
 - formal implementation tool of the country's development agenda (Vision 2025)
 - effective utilization of existing human and natural capital;
 - Creation of an enabling environment for the private sector to invest and participate in a wide range of business opportunities,
 - Identified key priority areas and strategic interventions that will accelerate economic growth, create employment, and support industrialization efforts.
 - Priorities: agriculture, industry, transport, energy, ICT and human resources, tourism, trade and financial services

Strengthening the Economy: Priority Action Areas

1. Shifting attention to longer term structural issues of for transformation of the economy.
2. Enhanced capacity for Planning the Economy Strategically and priority driven
 - a) Strategic frameworks with a clear mandate to translate broad strategic frameworks into focused operational strategies and coordinated implementation.
 - b) The capacity for coordination of development initiatives and management of a market economy to be built by taking action in three areas:
 - i. organizing for planning and coordination of plans
 - ii. institutionalize and operationalize prioritization
 - iii. incentives to reward good performance, creativity and innovativeness

Strengthening the Economy: Priority Action Areas-2

- c) mobilization of the needed resources and allocation of those resources (budgeting) strategically:
 - i. enhancing realization of its goals with benchmarks and targets.
 - ii. ensure that resources are allocated according to priorities articulated in the form of strategic plans at all levels.
 - iii. Accountability: outputs and results/outcomes
 - iv. public financial management
 - i. the processes of budget development
 - ii. budget execution and
 - iii. Oversight
 - iv. institutionalize PER and MTEF into the normal budgetary mechanisms.
 - i. Revisiting costings of activities;
 - ii. Institutionalizing participation in formulation priorities and allocation of resources
 - iii. facilitating public access to budget information.

Strengthening the Economy: Priority Action Areas-3

- e) Promote Ownership of the Development Agenda
 - i. To raise the level of self-confidence, in problem solving and managing development.
 - i. Promote and reward local initiatives and self-reliance attitudes towards problem solving and achieving development results.
 - i. External resources to be coordinated and guided by strategic planning to ensure consistency with the development priorities.

Strengthening the Economy: Priority Action Areas-4

- Understand the source of upcoming dynamism in some firms and actively promote competitiveness of firms
 - Dynamism of firms: the informal and SMEs
 - Manufactured exports showing dynamism
 - Increased options for financing
 - Improving productivity in agriculture: in some crops
- Promote business development services
 - Public service: Institutional capacity, Governance and Transition from controlling and policing attitude to a leading role of PSD and MSME development agenda
 - Government and private sector strategic partnership.
 - Support development of the market for BDS e.g training, marketing, information, networking etc.

Strengthening the Economy: Priority Action Areas-5

- **Investing in Skills and Human Capital**
 - Education and training to inculcate entrepreneurial attitudes and competencies
 - Higher learning institutions to better prepare graduates for jobs and self employment
 - Vocational and other technical skills to improve employability

Strengthening the Economy: Priority Action Areas-6

- Institutionalizing Mechanisms for M&E and Accountability
 - i. Accounting, Reporting and information on implementation
 - i. timely recording and reporting public expenditures.
 - ii. Allocated resources to reach the desired destination (PETS)
 - iii. Results orientation: technical auditing and auditing for effectiveness (value for money).
 - iv. Political economy and governance.
 - ii. Measurement of progress made against benchmarks
 - iii. Progress markers- moving in the right direction?
 - iv. Systematic provision for feedbacks;
 - v. Learning from own development experience
 - vi. Learning from the experience of others (in the country and outside)
 - vii. Institutionalized M&E: integrated into development management.

Conclusion and Way Forward

Priority action areas: transformation, prioritisation and competitiveness

- Shifting attention to longer term structural issues of for transformation of the economy:
 - Diversification into dynamic sectors (e.g. industry and services)
 - Systems of innovation (technology and learning)
 - Education and training for technology adaptation and upgrading, productivity and competitiveness.

Conclusion and Way Forward-2

- Managing Development: strategic and priority driven
 - Clarity of strategic direction (basis for strategic planning).
 - Strategic resource mobilization and allocation (strategic budgeting)
 - Monitoring and evaluation for development results and learning.
 - Promote Ownership of the Development Agenda
 - Incentives and Sanctions to promote performance, creativity and innovativeness.

- Promoting Competitiveness: facilitating transformation of firms
 - Improving the quality of microeconomic business environment (legal and regulatory framework, infrastructure, finance, **human resources**, land).
 - Improving enterprise level organisation (corporatisation) and capabilities especially training and skill development to facilitate building the capacity to compete.
 - Ensuring economic empowerment of SMEs to facilitate more inclusive growth and employment.

Thank you for your attention