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## Transcript

# Tanzania's Transformation and Vision 2025: Governing Economic Growth for Social Gain

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## JAKAYA KIKWETE

Mr. Chairman; Distinguished Participants; Ladies and Gentlemen;

Tanzania's development aspirations are outlined in the Tanzania Development Vision 2025 (TDV 2025), which was developed in the late 1990s to guide economic and social development efforts up to the year 2025. It is envisaged that by 2025 Tanzania will have transformed into a middle-income country, characterized by high quality livelihood; peace, stability and unity; good governance; a well educated and learning society; a competitive economy capable of producing sustainable growth and shared benefits; and a diversified semi-industrialized economy with a substantial industrial sector.

Between 2009 and 2011, we reviewed the Vision, to assess its implementation status. During the review, the urgent need to address implementation challenges in the areas of prioritization as well as monitoring and evaluation, were underscored. The review also indicated that to reach the desired status of a middle income country with a nominal per capita income of US\$ 3,000 within the 15 years remaining would require a strategic socio-economic transformation.

Ladies and Gentlemen;

Socio-economic transformation as we understand it entails, generating an increasing share of output and employment from high-productivity industrial and service activities with less reliance on the traditional low-productivity, mainly agrarian activities. This transformation will manifest itself in declining shares of primary sector, mostly agriculture in total national output and employment and a rise in the shares of manufacturing and services over time. The economy will grow faster as the manufacturing and services sectors, which are relatively more knowledge and technology intensive, grow faster than primary, mainly agricultural activities.

With reduced population growth rate, either, due to increased access to quality education, or with GDP growing faster than the population growth rate, per capita income will increase, thereby reducing poverty. As this transformation process goes on, many other important poverty reduction initiatives that we have been pursuing in Tanzania will continue. In short, the Tanzania's socio-economic transformation will follow the four typical processes: (i) a decline in the share of agriculture in GDP and employment; (ii) a rise of a modern industrial and service economy; (iii) growth in urbanisation and (iv) a demographic transition from high rates of births and deaths to low rates as a result of improved education and health services.

Ladies and Gentlemen;

Our expectations are such that, come 2025, the contribution of the agricultural sector to GDP will have been reduced from the 2010 baseline level of 27.8 percent to 20.7 percent; industrial sector's contribution will rise from 24.4 percent to 30.7 percent; and that of the services sector will reach 48.6 percent, up slightly from its 2010 proportion of 47.8 percent. This transformation requires that between 2010 and 2025 the agriculture sector grows at an annual average rate 6.0 percent; industrial sector grows at 9.2 led by the manufacturing sector which needs to grow at an annual rate of 13.0; and the services sector grows by 8.0 percent. This will be in contrast to the average annual growth of 4.4 percent, 8.8 percent and 7.5 percent for agriculture, industries and services, respectively, in the previous ten years. Adoption of new production techniques driven by development in ICT will lead to increased productivity and output of the sectors.

Ladies and Gentlemen;

The transformation described above requires that Tanzania takes deliberate steps to organise and use its resources strategically and coordinate the activities of various players towards this end. This calls for the establishment of a strong framework to facilitate strategic beyond-the-horizon thinking, systematic development planning and sound implementation and follow-up mechanisms.

It is for this reason that the Government of Tanzania reverted to long and medium term planning and formulated a Long Term Perspective Plan 2011-2025 (LTPP 2011-2025), which is divided into three five year development plans (FYDPs). Each Plan has a theme to underpin the thrust and priority interventions. The first Five Year Development Plan (FYDP I) spans the period 2011/12 to 2015/16, the second FYDP (FYDP II) will span the period 2015/16 to 2020/21 and the third FYDP (FYDP III) will span the period 2020/21 to 2025/26).

Ladies and Gentlemen;

While the first FYDP (I) focuses on addressing growth constrains, the second FYDP (II) will focus on transforming the country's resources through the development of the industrial sector. The emphasis will be on natural gas based industries, agro-processing industries and medium-technology industries. In third, FYDP III, Tanzania's development focus will be on improving the competitiveness in all sectors, especially the manufacturing and services. The improvement in competitiveness will facilitate export-oriented

growth and significantly increase Tanzania's share of regional and international trade.

Ladies and Gentlemen;

The FYDP I has the theme "Unleashing Tanzania's Latent Growth Potentials". It outlines and costs a number of interventions aiming at addressing Tanzania's growth constraints. These interventions are designed to ensure that five crucial elements needed to generate the required growth momentum are in place:

Large investments in energy and transport infrastructure – to address infrastructure bottlenecks;

Strategic investments in agriculture and manufacturing to increase productivity: agro-processing and value addition (e.g. foodstuff, textile industry); high value crops (horticulture, floriculture, vineyards); food self-sufficiency and exports for maize and rice; fertiliser production tapping the large natural gas and phosphate deposits; development of Special Economic Zones (SEZs) to foster manufacturing growth; increase the number of cement factories as well as the development of coal and steel industries, enhancing skills profile of the people; improving the business environment; and institutional reforms for an effective implementation, monitoring and evaluation of the Plan.

Ladies and Gentlemen;

These interventions are undertaken in a way that aims to sustain the following sectorial transitions: agriculture to increase its average annual growth rate from 4.4 percent to 6 percent, manufacturing from 8 percent to 12.1 percent, industry from 8.6 percent to 9.4 percent and services from 7.5 percent to 7.8 percent in the period covered by the FYDP I.

Ladies and Gentlemen;

In order to establish a strong and effective system to oversee, monitor and evaluate the implementation of its development plans particularly the FYDP I the government introduced the Big Results Now (BRN) Initiative based on Malaysian's Big Fast Results approach. The initiative hinges on: prioritization; detailed implementation and monitoring tools; and accountability for performance. In this regard, therefore, six sectors were identified and prioritized as the national key results areas (NKRAs). These include Agriculture, Transport, Energy, Water, Education and Resource Mobilisation. The identified NKRAs were subjected to intense problem solving

methodology. We called it laboratory in the sense that the problems are thoroughly diagnosed by stakeholders, their causes identified and ways of resolving them are clearly defined. The outcome of labs are subjected to public scrutiny through the Open Day. Attendant key performance indicators (KPIs) identified were made public on relevant national websites. The impact of the Big Results Now initiative will be felt as the resulting initiatives are implemented through the Annual Development Plans, which are also the channels through which FYDPs are being implemented.

Mr. Chairman; Ladies and Gentlemen;

I have been asked, also to respond to the question: How will a middle-income Tanzania look like?

I must say at the outset that there is no straight forward answer to the question. This is because today's middle income countries (MICs) are a very diverse group in terms of population, country size and income level. Some countries are small, with small population (such as Belize); others are large in area but have small population (e.g. Botswana); while still others like Brazil, India and China are very large in area, population and income levels.

With an area of 945, 000 square kilometres, Tanzania holds enormous untapped natural resources and geographic advantages. Our country is projected to have a population of 63.6 million by 2025. We will have crossed into the Gross National Income (GNI) range of the today's lower-middle-income economies of between \$1,036 and \$4,085 per capita. Then, Tanzania will be a country where abject poverty will have been eradicated, with improved social provisioning including housing and social security coverage; better education and health services in rural and urban areas; better urban-settlements and greatly improved distribution and quality of infrastructure, including road-network, electricity, digital outreach, financial services, railways and sea ports, serving landlocked countries.

The manufacturing sector is set to have acquired reckonable competitive advantage, producing high knowledge and technology content output. The sector will be capable of processing a large part of our natural resources including crops, leather, fisheries, honey, forestry products, minerals and natural gas. Though natural gas and petro-chemical industries will be playing a significant role, diversification of the economic sources of livelihood will continue to be one of the key policy objectives. This is important in order to ensure sustainability of economic prosperity.

It is true that today's MICs as a group still face diverse levels of challenges in some essential services as well as corruption and governance issues. Tanzania can be expected to keep on perfecting work in these areas too, cooperating with other countries in tackling (any remaining elements of) such critical global issues as climate change, food and water security and global trade.

Participants; Ladies and Gentlemen;

Tanzania has been a key player in Sub Saharan Africa region in many ways. It is a natural resource-rich country in terms of agriculture, wildlife, fisheries, minerals, natural gas, geography (long coastline with natural harbours and inland waterways, surrounded with land locked). The country has enjoyed political stability for over 50 years since the independence of Mainland Tanzania (Tanganyika) in 1961 and for 50 years since the birth of the United Republic of Tanzania after the merger of Tanganyika and Zanzibar on April 26, 1964. These are important assets for current and future economic prosperity. Given these assets Tanzania has a great potential to become a key player in the region as a transit trade hub, regional major supplier of goods and services, and a major market. More specifically, Tanzania will continue to forge excellence in the infrastructure for regional and transit trade leveraging all transport modes as well as the National ICT Broadband Backbone. It will also become a regional "bread basket" given the agricultural potentials, including exporting surplus maize, paddy, sugar, meat and other food products.

Last but not least, Tanzania will continue tirelessly to work for peace, stability and prosperity of the EAC and SADC region. We will continue to be a proactive player in peace-brokering in the region and participate in peace-keeping missions of the United Nations and the African Union.