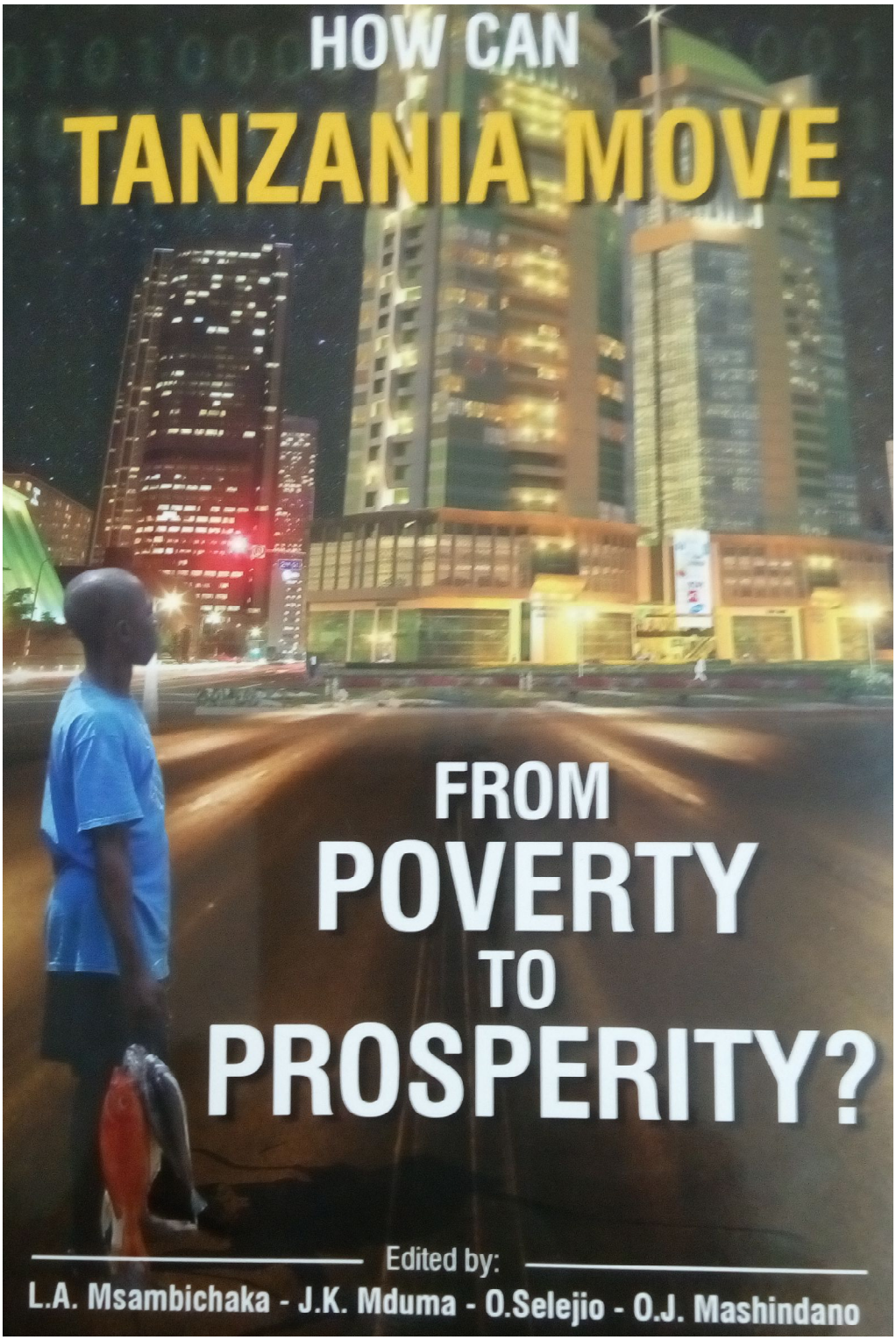

HOW CAN
TANZANIA MOVE
FROM
POVERTY
TO
PROSPERITY?
Edited by:
L.A. Msambichaka - J.K. Mduma - O.Selejio - O.J. Mashindano

How Can Tanzania Move from Poverty to Prosperity

Edited by L. A. Msambichaka, J. K. Mduma, O. Selejio & O. J. Mashindano

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Preface

This booklet is a summary or rather, an abridged version of a book titled *"How can Tanzania Move from Poverty to Prosperity"* published by the Dar es Salaam University Press.

The idea for this book first originated in 2012 when writing a paper for a workshop for the University of Dar es Salaam Mwalimu Nyerere Chair on Development. More recently, it has been driven by the fact that, despite making some progress, the country continues to struggle in the seemingly never-ending cycle of poverty, disease, aid dependency, the dearth of infrastructure and corruption. These are challenges that policy-makers and the government grapple with day in day out.

Tanzania (Mainland) has 30 regions with varying degrees of progress and poverty. The country has passed the half-century mark of the life of a nation, having attained its independence in 1961. In reflecting on the life span of Tanzania as a nation, and since the 5th Phase Government was just about to start new administration, it was considered timely that a review of the state of the country (in relation to other countries that are successful transformers) is carried out with emphasis on how to move from poverty to prosperity.

For the authors, the major quest when writing their respective chapters was that of trying to find sustainable solutions to the country's woes. Most know what poverty means, and how rural life looks like, as most have been raised in rural areas. So they have written their contributions with a strong desire of helping the many Tanzanians so that they turn the corner towards economic prosperity. The corner could be sharp and the road harder, but it will probably lead to a better future.

The book has been written for Tanzanians and Tanzanian policy-makers and for all those who want to see Tanzania moving forward. The book contains comprehensive reviews that indicate how Tanzania got where it is, case studies, observations, messages and non-ambiguous recommendations for sustainable economic growth. The lives of close to 50 million Tanzanians rests on getting the right solutions to the varied challenges; ranging from the economy to environment, sports and culture, greater representation, government accountability and transparency to a freer media.

After more than five decades of economic struggle we hope that this book will provide an overview of the many salient challenges facing a developing Tanzania that has throughout the decades managed to sustain peace and stability.

Ours is just a wake-up call for a Healthy, Happy and Prosperous Tanzania. If others did it, why not Tanzania?

Acknowledgements

How Can Tanzania Move from Poverty to Prosperity?, published by Dar-es-Salaam University Press, is the first book on this topic that has appeared here in Tanzania during this second decade of the 21st Century.

We would like to begin by thanking Dr. Florens M. Turuka, Dr. Hamisi Mwinyimyua, the Permanent Secretaries, Prime Minister's Office not only for supporting the Book Project but for their willingness and readiness to finance the book when we presented the request for the first time. We were fortunate to be entrusted to Mr Barney Laseko, Program Coordinator, Private Sector Development in the Prime Minister's Office, who meticulously enhanced the facilitation process.

We could not have completed this book in such a short period of time without the help of Dr. Jehovaness Aikaeli, Head, Department of Economics University of Dar-es-Salaam who provided all organizational arrangements and support services and was able to deal with so many different parties and authors. We also thank the University of Dar-es-Salaam leadership and the College of Social Sciences for their advice, encouragement and moral support which helped us to effectively complete the book on time.

The book would not have been a reality without the concerted efforts of the authors whose contributions reflect the enormous intellectual devotion to getting Tanzania out of poverty to prosperity. In producing this book the authors have made a memorable and indelible mark in the history of socio-economic development of Tanzania. We are grateful to all authors.

Special thanks go to our publisher, Dar es Salaam University Press; and to Mr. Justin M. Mallya whose flexibility and efficiency made it possible for us to have produced this book in time.

Finally we would like to thank our families for their patience and support while we were running up and down immersed in the creation of this book and infringing in their free-time during week-ends and holidays

We hope our book will play a humble role in the initiative of moving Tanzania to a higher level of development or else at least people will enjoy reading it.

Prof. Lucian A. Msambichaka, Dr. John K. Mduma
Mr. Onesmo Selejio & Dr. Oswald J. Mashindano

April, 2016
DEPARTMENT OF ECONOMICS
UNIVERSITY OF DAR-ES-SALAAM

1: Introduction

1.1. Motivation

In 2012, the Mwalimu Nyerere Chair on Development (MNCD) of the University of Dar es Salaam held a national economic policy workshop with the theme *'Enhancing Human Capital and Productivity for Faster Development in Tanzania'*. A similar workshop, which was held in the later part of 1980s, formed one of the basis for Tanzania's economic reforms in the 1990s and 2000s. The 2012 workshop was also meant to inform post-MDGs Tanzania's development agenda, and reforms required to achieve the Development Vision 2025 and steer discussions towards the formulation of the Second Five-Year Development Plan (FYDP II), as well as a successor national vision after 2025.

One of the focus areas of the 2012 workshop was agriculture modernization and productivity enhancement. Agriculture has been the mainstay of Tanzania's economy, though its contribution to GDP, employment, and exports has been declining. We are aware that, this declining is welcome if it signifies socio-economic transformation, which the currently developed countries experienced in the 18th and 19th century, and in the early 20th century. It is desirable to have increasing agricultural productivity, which releases labour to be employed in the industrial sector, as well as in the service sector.

Unfortunately, Tanzania is experiencing a slow and faulty transformation. The growth in wage employment outside agriculture is discouraging, and the so-called 'self-employment' in the informal sector, which has low productivity, is bulging. A sustainable solution to this faulty is to go the route of industrialization. There is plenty of evidence that countries that have successful agriculture sector (and therefore food security) are those that have strong industrial base. Therefore, Tanzania needs new ways to shape and accelerate socio-economic transformation, reduce poverty, and create a prosperous society.

1.2. Objectives

This book has been prepared to provide an alternative view to socio-economic development in Tanzania. In line with the country's Long Term Perspective Plan (LTPP), which directs that the FYDP II should focus on nurturing industrialization, this book sets out to find whether what worked in other countries—Japan, China, South Korea, Malaysia, Singapore, Dubai, Brazil, South Africa, Vietnam, etc.—can still work for Tanzania. And the answer is affirmative – Yes! Yes, with the right leadership at all levels.

Historians and economists provide supporting evidence that a nation must industrialize to move from poverty to prosperity. It is now established that it is countries with a robust industrial base that have a performing agriculture sector. Thus, the objectives of this book—which has been written by a team of experts of various backgrounds and experiences are to:

i. Provide alternative view for Tanzania's socio-economic development;
ii. Document evidence where the alternative view has worked by reviewing experiences of selected early industrialisers and newly industrialised countries; and
iii. Synthesize the experience in (ii) above and draw lessons and recommendations that can be adopted to Tanzania's context and current global economic relation.

2. The Scope of the Book

This book has a total of 21 chapters, including the one on the 'Way Forward', that are clustered in an introductory chapter and four main themes, namely: (i) why Tanzania failed in industrial transformation, (ii) experiences and lessons from other countries, (iii) experiences in utilizing natural resources for socio-economic transformation, and (iv) synthesis, adaptation, and complementarity.

2.1. Why Tanzania Failed in Industrial Transformation

This first theme reviews the earlier efforts to transform Tanzania, and what the country has been going through to fight against poverty in pre-liberalization period, liberalization era, and post-liberalization period. An analysis of why '*Kilimo Kwanza needs Viwanda Kwanza*'[1]—which entails '*Kilimo na Viwanda Kwanza*'—is discussed, followed by a review of Tanzania's experience with industrialization since independence.

The analysis takes a historical perspective to review the past efforts that Tanzania has adopted since her independence in 1961. The authors observe that looking at the past is an important step in trying to assess the current situation. The question raised by the authors is: Five decades of independence - *Why is Tanzania where it is today?*

The analysis point out that empirical theories of development economics, supported by recent experiences of the so-called *'Tiger Economies'* of Asia, lead to the evidence-based conclusion that industrialization is the key to growth and development that can bring about socio-economic transformation with prosperity. The first attempt by Tanzania to industrialize in the 1960s and 1970s using the strategy of import substitution was a false start doomed to fail, and so was the basic industrial strategy that aimed to produce primarily for the domestic market. This strategy was also fundamentally flawed, considering the population demography as well as the relatively low levels of disposable income in that market. With lessons learnt from public sector reforms and the privatization of state-owned enterprises, there was a paradigm shift away from the inward oriented post-independence legacy industrial development strategy of import substitution, to global markets oriented export-led industrial sector development strategy for international competitiveness.

We further discuss the opportunities and challenges for industrial development and innovation as a contribution to ideas for the establishment of a desirable pattern of industries well linked to the agriculture. In this way, Tanzania will be able to address the challenges of economic transformation, inclusive growth and job-creation. Tanzania needs policy coherence to ensure that the current rapid economic growth is broad-based, and hence contributes more to poverty reduction through improved food security and higher incomes from farm and non-farm employment in the rural areas.

[1]Which literally means that successful agriculture first and foremost requires robust industrial development.

2.2 Experiences and Lessons from Other Countries

This theme contains review experiences of Japan, China, South Korea, Malaysia, Singapore, Dubai, Brazil, South Africa, Vietnam, etc, draws lessons for Tanzania, and cast indicative adaption required to transplant other countries' experiences. Key lessons and policy messages are sieved out, and those relevant for Tanzania's transformation initiatives are identified and recommended. For example, we compare the transition to a market economy in Tanzania and Vietnam and show Vietnam succeeded because it adopted self-initiated market-oriented strategies of *DoiMoi (renovations)* against conditional market strategies of Tanzania's structural adjustment programmes. South Korean experience shows the role of government leadership in economic growth, approach to strengthening private sector and entrepreneurship development through direct government support; government support to build an industrial base; enforcing working culture; devotion to domestic products; and above all human capital investment.

We note that Japanese industrialization started in the rural areas, based primarily on value-addition, especially on textiles. Economic and institutional reforms that were introduced during the 18th century went hand in hand with improvement in the educational systems based on Western models but taught in Japanese, investment in infrastructure that supported industrialization and economic growth; and domestic markets were protected over years to give advantage to domestic producers.

The experiences of industrialization in China show that country's development path is dependent on its existing value-system and institutions. The most important resources are *human resources*, together with social and economic institutions that foster innovation and encourage the creation and expansion of profitability and the creation of farms and firms.

The experiences of Malaysia, Singapore and Dubai show how leaders of these countries were able to interrogate their poverty situation and design strategies that have earned them economic development. What is conspicuous from the three experiences is that there is no single formula for success. Each of the successful transformations was built to fit the history of the specific country and circumstances of the time. However, there was a higher degree of self-reliance in facilitating the social and economic transformation of the respective countries. An overarching lesson is for Tanzania to design a home-baked realistic and inclusive vision and mission that have the welfare of the people as the country's objective, and commit resources towards its implementation.

The industrialization process advocated here recognizes that important role of the agriculture sector – as market for industrial products and supplier of raw materials, stabilizer of food prices and thus costs of industrial production. To that end, we have examined how small farms compete with large farms by looking at the history and some myths or misunderstandings that have been used by proponents of large-scale farming in Tanzania to suggest that small-scale farming has little potential. We remark that agriculture can seldom be rushed in transformation. There is strong evidence that many Tanzanians will continue to be small farmers for at least the next 20 years, and that they can produce surpluses of many crops if they are supported as large scale farmers are.

2.3 Experiences in Utilizing Natural Resources

Tanzania is among the natural-resource rich countries. As the country prepares to harness on new discoveries of natural gas, and we have reviewed the perspectives and status of oil and gas, policies, governance, accountability, transparency, incentives, and socio-cultural and political issues around this sub-sector. There is scope and expectations and potentials are high for utilizing natural gas to support other sectors of the economy, including agriculture, energy, and transport sectors. The natural gas in Tanzania is destined to play a key role in (i) providing sustainable energy supplies and services needed for social and economic development; and (ii) reducing adverse impacts on global climate and the environment in general. The natural gas can have variety of applications, including power generation, chemical industry feed-stock, transportation and for residential use. But one question remains: How can Tanzania exploit her vast natural gas reserves while avoiding the 'resource curse'?

We argue that the answers should be sought starting with policy formulation, revenues and macro-economic management, as well as the management of expectations and the inclusion of local communities in development planning. Local participation is emphasized as the only way to guarantee domestication of the natural resource boom, and to transform the productive economic base of Tanzania from natural resource exploitation and extraction to industrialization.

2.4 Synthesis, Adaptation and Complementarity

Under this, we cover issues related to science- technology-innovation, formalization of the economy, impact of population dynamics on various economic indicators, pressure on resources as well as security, issues of good governance and the role of economic/ strategic diplomacy. These are intermediating factors.

Focus on Science, Technology, and Innovation is key for social economic transformation and Tanzania needs to create technology and innovation capabilities. Improvement is currently hindered by (i) lack of institutionalized guidance from the highest office of government into matters of science, technology and innovation, which in other countries is constituted by special committees placed in the president's office; (ii) inadequate involvement of parliament in strengthening the national innovation system; (iii) research and development not being business-oriented and with inadequate linkage to productive sectors; and (iv) the business sector having no competent firms to generate, absorb and adopt new technologies.

Informality in all its form hinders transformation. The formalization of an economy to function systematically include: (i) identification of the country's people (ii) availability of a comprehensive land use plan, and (iii) establishment of a comprehensive and deep transactional businesses registration database. Unfortunately, Tanzania is performing unsatisfactorily in all the three aspects. These statistics imply that Tanzania's economy is dominantly informal. The county cannot account for 'who' does 'what', and 'where'.

The national demographic structure and dynamics are equally important. For Tanzania to take full advantage of the current population growth in transforming its economy, it should adopt multi-pronged policy options and program interventions in five areas, namely: increasing contraceptive use and accelerating fertility decline, increasing budget allocation for education to improve the quality of human capital infrastructure and skills, creating a

healthy workforce, accelerating economic growth and job-creation, and enhancing governance and accountability.

Land in general will continue to be a decisive factor for economic growth and social stability. The national governance reform initiatives in Tanzania are not likely to deliver their dual goals of accelerating economic growth and combating poverty unless the public institutions for land governance are run democratically to guarantee all smallholders easy access to land. When all smallholders are assured of easy access to land, there is a likelihood that they will participate more effectively in the generation of national wealth and national private capital.

Finally and equally important is that Tanzania is not going to prosper in autarky. There is scope for role and contribution of economic diplomacy. In the world today, all nations are adopting economic diplomacy because it is the economy that matters. It can be fatal domestically and internationally if a nation fails to critically consider economic consequences of any decision it makes in the international arena. The role of economic diplomacy is to promote and protect a nation's economic interests abroad. For Tanzania, the role of economic diplomacy should be to promote investment opportunities in agriculture, mining, tourism and energy, as these are critical sectors for industrial transformation and poverty reduction. It is also important to promote a fair multilateral trading system from which every member obtains equal rights to procure and sell products, services and technology.

3. Key Observations

The analysis found the following observations useful building blocks that can form an important input towards the selection of toolboxes and toolkits for implementers of transformation process in Tanzania. They are presented without any special ranking. While the prioritization and sequencing of these key observations is critical in their implementation due to resource constraints, we consider them all to be useful and relevant to the country's development.

3.1. Challenge of Creation and Expansion of Employment Opportunities

Youth unemployment is still a nagging problem, and jobless growth is visible. Furthermore, there is the challenge of ensuring that employment and rising productivity are translated into improved wages and enhanced social provisioning.

3.2. Low Productivity

Agricultural productivity has remained very low over the years mainly due to limited use of productivity enhancing factors such as chemical fertilizers and improved seeds.

3.3. Non-Diversified Economic Transformation

To date, economic transformation has not been able to diversify the economy adequately, and hence has failed to move labour from low to higher productivity activities (for example, from agriculture to manufacturing), and within the sectors (for example, from subsistence farming to high-value commercial crops).

3.4. Appreciation of other Countries' Socio-Economic Development

The socio-economic development paths of other (selected) countries have been provided to unveil the treasure of commitment that these countries put in place and adhered to as a way to ensure accelerated growth and development. When it comes to 'commitment', one size fits all. No commitment, no development!

3.5. Adherence to Social and Moral Principles

Adherence to 'social and moral principles' brought positive changes in the selected countries, and this could be a good reflector of areas of focus for Tanzania as it endeavours to transform itself into a middle-income and semi-industrialized economy within one decade from now.

3.6. Undertake Purposeful Steps and Objective Government Interventions

Governments in the selected countries undertook purposeful steps to dictate the economy and transform from agrarian society to industrial economy; and pursued conscious objective government interventions so as to direct national development to the intended courses.

3.7. Push Factors for Economic Transformation Dividend

Economic transformation/industrialization was largely driven by:

(a) Some light manufacturing industries including textiles, food processing, toys and tobacco.
(b) Production of consumer durables, transportation equipment, and other basic industries, such as steel, cement, and electricity generation.
(c) Growth in incomes and emergence of sizeable domestic market.
(d) Availability of foreign exchange.
(e) Fiscal policies encouraging industrialization.
(f) Increased electrification of the country.
(g) Urbanization.
(h) Formation of a dynamic entrepreneurial class in the country.
(i) Addressing bottlenecks by economic planning to create comparative advantage in some manufactured goods, especially steel, aluminium, fertilizers and petrochemicals.
(j) Establishment of large public enterprises/basic industries such as integrated steel mill, aluminium, cement, fertilizers, petrochemicals, and electricity generation.
(k) Making large investments in economic infrastructure to promote production for domestic market and for exports.

3. 8. Dependence on Primary Products and the Learning Curve

For each country that acquired independence from colonial masters there is a learning curve, but this time it need not be too long. One generation is more than enough. Sticking to colonial economic structure, characterized by dependence on primary products like coffee, cotton, sisal, tea, tobacco, cashew nuts and sugar does not guarantee any significant transformation from agrarian to industrial economy. To transform, specific programmes, plans and policies that are objectively focused on rural industrial development (industrialization) must be put in place and adhered to.

3.9. Administrative Capacity and Management of the Economy

Industrial transformation needs the following:

(a) Strong leadership of a President who is committed to accelerating growth of the industrial sector in the country, and thus the Tanzania's industrial economy, come rain come sunshine.
(b) High administrative capacity of the national planning institution (the planner) and the Minister of Finance who can provide support to the President's zeal.

4. Key Policy Messages for Tanzania's Transformation

These messages have been picked from the authors' chapters. They are short but they serve as wake-up call to what the nation is doing. They are intended to make the nation think on what she has always taken for granted while there was more to it.

4.1: Nationalization: Nationalization of economic activities is not necessarily a solution to economic difficulties unless a country knows both 'what' and 'how' to nationalize.

4.2: Quality of Public Institutions: The quality of public institutions greatly matters in an economic transformation process, particularly in creating a pro-business environment. Tanzania has created a reasonable number of institutions, but they are not fully functional.

4.3: Decentralization: Decentralization by devolution is vital for transformation. The local governments in Tanzania need to be empowered.

4.4: Industrialization: Industrialization can be an agenda even if the country does not have enough domestic capacity. The country can outsource some business and knowledge processes to take advantage of foreign expertise and management. As such, industrialization is an outcome of deliberate planning, maintenance of five-year plans, and of considering industrial development as one of the strategic areas of Tanzania's development policy.

4.5: Prioritization and Knowledge Creation: Prioritization and knowledge creation in the areas of utmost importance and/or comparative advantage are requisite for a transformation process.

4.6: Diaspora: If well managed, the Diaspora can have a positive contribution to economic transformation in terms of knowledge transfer and remittances.

4.7: Natural Resources Revenue Management: It is possible to transform the economy from natural resources into an industrial one if there is a cautious and deliberate policy to develop key industries. Proper and accountable natural resources revenue management can accentuate a take-off to a rise of other sectors in the economy, particularly the industrial sector. Tanzania has currently discovered natural gas, uranium, and other minerals. This is in addition to a number of existing numerous resources from which the country can use for transformation if these resources are well-managed by complying with public resources management discipline. In the course of developing mining and industrial sectors, Tanzania has to invest well in infrastructure, especially in transport, energy and communications.

4.8: Indigenous Knowledge and Technology: Supplementing indigenous knowledge and technology with foreign technical and managerial expertise has tangible economic payoffs. The

technical and managerial capacity, which transformed some of the case-study countries, was largely imported.

4.9: STI Strengths in Creating Employment: Science, Technology and Innovation (STI) strengths are the key to creating more productive employment in an increasingly competitive and globalized world. Without a wide use of STI, no nation can sustainably achieve an overall development of its people. Every nation needs to *"innovate or it will stagnate."* It is emphasized that for a *"country to be sustainably developed, it must attain a certain level of technology and innovation capability."*

4.10: Prioritization of the Construction of a Modern Infrastructure: The construction of modern roads, railways, airports and port infrastructure as one of the country's national priorities is very plausible and commendable. The upgraded transportation infrastructure, coupled with its geographical strategic location, will give Tanzania obvious economic advantages compared to its neighbouring countries.

4. 11: Infrastructure Consultancy Services: Due to Tanzania's current low technological capability, it is inevitable that foreign-based companies will carry out most of the infrastructure-related assignments. In fact, available data indicate that 90% of registered construction companies in the country are locally-owned, and annually win 90% of tenders out of all projects in the country. However in terms of value, they constitute only 10% of all the funds spent on paying contractors. This can be only explained by the fact that local companies are given tenders to execute small projects, which do not require high skills and intensive technology. This is a clear proof of low technology capability of local companies.

4.12: Looking at Problems as an Opportunity: Tanzania has an opportunity of using the current poor state of roads, railways, ports, etc., to build competent firms with capability in building infrastructure. This capability should include the ability to design, plan, construct and management of the entire chain. It is this capability that will give Tanzania the long-term benefits through increased employment, and lay ground for continued learning and competitiveness. *"Let Tanzania dream of having the largest firms in road, railway and port construction in our region by 2025."*

4.13: Having a Blind Admiration of Anything Done Outside the Borders: Tanzania—as a people, and as a country and its leadership—need to raise its dislike and dissatisfaction of the current trend of a nation that is largely dependent on imported technologies, hired expertise and of having a blind admiration of anything done outside the country's borders, and with very little belief in its own abilities. Tanzanians have to regain confidence that as people they can also aspire for, and achieve excellence in technology or expertise.

4. 14: The Impact of Research and Development in Socio-Economic Development: Research plays a very crucial role in the socio-economic development of any society. It can lead to the improvement of the quality of people's life, e.g., by increasing life expectancy, enhancing agricultural productivity and food security, and developing technologies that will simplify people's lives. Research has been responsible for the economic prosperity currently enjoyed by all developed nations. It is unfortunate that Tanzania's research institutes and universities have somehow not undertaken a fundamental transformation since independence. To date,

most of the research outputs are still more or less the same as during the colonial times, as there is very limited research in technology development, marketing and innovation. It is not surprising that there are almost no new enterprises that are being developed as spin-offs from our research outputs.

4.15: Alternative for Attaining Sustainable Modern Development: Tanzania has to recognize that there is no alternative for attaining sustainable modern development outside locally growing and entrenching competitive technology firms in the country. On this understanding, it is important for Tanzania to have a clear strategy of establishing technology firms otherwise it will be postponing her envisaged prosperity.

5. Recommendations on How Tanzania can Prosper

Here are the recommendations that are drawn from various parts of the book. The recommendations are classified into four major groups, and have to be taken as a package as they are all of equal weight and importance. These sets of recommendation are:

Group One**:** *Strategic Thinking and Self-Assessment*

Group Two**:** *Policy Oriented Recommendations*

Group Three**:** *Good Governance*

Group Four**:** *Human Capital and Infrastructural Development*

Group One: Strategic Thinking and Self-Assessment

1: Assess the Country's Poverty Situation Including Identification of the Poor

It is important for Tanzania to identify its poor people and their characteristics, e.g., the economic activities they are engaged in or are likely to engage in, age, educational level, and where they live. The most important thing is to ask itself, as a nation, the following:

(a) For whom is it undertaking economic development goals or plans?
(b) What will be the outcome, and how can it be measured and evaluated?

These are some of the key questions that Tanzania must address before embarking on developing any economic policy, plans or strategies.

2: Carry out Prioritization of Economic Sectors

Tanzania has to prioritize the economic sectors that it must engage in. As a nation, it has to make the following choices:

(a) Choose economic sectors that have significant economic impact to the larger Tanzanian population, and on economic growth.
(b) Choose economic sectors whose growth is linked to the lives of the larger Tanzanian population.
(c) Focus on the development of micro, small and medium enterprises (MSMEs) since they are labour-intensive and employ a large number of Tanzanians.

3: Prepare and Implement the National Strategy for Industrialization

Tanzania can move from poverty to prosperity through building a desirable pattern of industries that will produce to satisfy domestic demand, as well as be able to compete in external markets. In order to achieve this quest for sustainable industrial development, the following fundamentals must be in place:

(a) National policy for science and technology that will define the development path of socio-economic transformation and liberation from poverty.
(b) The National Commission for Science and Technology that would unpack the content and application of technologies in projects that fit the desired pattern of national industry development defined by domestic needs; as well as the need to build value-chains that will link primary production and natural resources exploitation/extraction to international export trade.
(c) Policy, technology, innovation and institutions that are pro-business and pro-private sector.
(d) A coherent national plan and strategy to build adaptive capacity and efficiency for technology acquisition, as well as for the achievement of innovation capacities for economic development.
(e) National innovation systems that will provide the institutional infrastructure, as well as ecosystem, for progress in science and technology development that is necessary for industry development and socio-economic transformation.

4: Identify Strategic Industries for the Nation and Provide Appropriate Incentives

This can be done by carrying out the following:

(a) Purposefully encourage certain types of industries through loans, tax incentives, and at times public investment.
(b) Consider the pulp and paper industries that utilize the available forest resources, chemicals, iron and steel, as among strategic industries in addition to textiles and other forms of value-addition enterprises. The other menu for Tanzania's choice to industrialization include*: textiles, food processing, chemicals, pharmaceuticals, cement, steel, mining, petroleum sub-sectors, automotive and software.*

Group Two: Policy Oriented Recommendations

1: Strong, Visionary Leadership with Achieving Attitude

Leadership matters in a transformation process for it is hard to make objectives and to manage their realization if people are disorganized. For this, reason it is necessary that the leadership should do the following:

(a) Create undivided society of solidarity and meritocracy.
(b) Push for higher standards of education, higher standards of performance and integrity.
(c) Tackle problems of instability so that the country continues to fare well with its transformation agenda.
(d) Unite the country and set an example of high integrity in the top office of the government.
(e) Emerge not as a hero of 'political freedom fighter', but of an 'economic freedom fighter"
(f) Make not only a change, but a great change over a short period as possible.

(g) Accommodate democracy up to when a final decision is agreed. Thereafter, implementation should be governed by the decision, and not by 'democracy'.

2: The Role of State-Interventions with Clear Development Vision

The experiences from the case-study countries—namely Malaysia, Singapore, Dubai, South Korea and Japan—indicate that it was development-state economy that enabled them to significantly eradicate poverty. For this reason it is important for the Tanzanian government to do the following:

(a) Guide and actively participate in the whole economic development process.
(b) Have a clear and achievable development vision on what it wants to achieve, and how to achieve it. The clear vision must not only focus on the level of per capita income but also on inclusiveness of the poor section of the population.
(c) Explicitly identify industries that Tanzania needs to develop as a country.

3: Put Emphasis on Sustainability of Economic Plans

Insistence on sustainability of the country's economic plans is very important for socio-economic development. This sustenance demands the following:

(a) That despite the change of regimes, the country's master plans should not change: an incoming regime should continue implementing what had been laid down before. This will enable the country reach where it plans to be.
(b) It is not 'healthy' to frequently innovate new economic development plans.
(c) Tanzania must have a long-term master plan, of say 30 or 50 years, and every regime must adhere to it.
(d) Tanzania must have a focus on its ultimate goal, and the way it is going to be achieved.
(e) Focus the country's economic plans on raising the income of Tanzanians, inclusively and sustainably.
(f) There must be regular monitoring and evaluation, and making adjustments.

4: Advancement of Financial Markets

The financial market is one of the key development instruments and a promoter of investments in a country. The effective use of the financial market can be enhanced through the following:

(a) Enabling the larger population, which is poor, to participate in the economy.
(b) Enabling the poorest to buy shares of different companies in order to increase Tanzanians equity participation.
(c) Consider how the poor Tanzanians can be able to participate in the financial markets.
(d) Support investment financing, particularly massive and long-term financing.

5: Independent Mind-set

Tanzania needs to re-think and come up with an economic system, strategies and plans that are relevant to Tanzania's context. But more important, *leaders at all levels* need to guide people to have independent mind-set and protect their sovereignty rather than having them depend on foreign aid. Tanzania will not significantly eradicate abject poverty without focusing on self-reliance; otherwise the country will continue rotating in the *vicious cycle of poverty*.

6: Focus on Economic Growth, Equality and Stability

Economic growth, equality and stability are the three pillars for sustainable economic development. In order to sustain these three pillars, the following must be done:

(a) Consider fair distribution of the national wealth while the economy is growing in order to reduce the income gap between the 'have' and 'have-nots', and eventually eradicate poverty.
(b) Effect frugality in the use of foreign currencies.
(c) Make the economy able to accommodate the unemployed population and sustainably change their lives.

7: Harness the Comparative Advantage

Tanzania has to prioritize her economic activities and avoid attempting to achieve too many objectives so as to invest in areas where the country has the comparative advantage.

(a) The country has to know where to start, where to put emphasis, and which strategic areas can drive the country towards industrialization.
(b) The priority for Tanzania should be industrialization in light manufacturing, cement, fertilizer, tourism, automobile, pharmaceuticals, chemicals, steel industry, gold and diamond related industries, high tech items and electronics alongside agriculture, notably the farming of coffee, cotton, sisal, cashew nuts, tobacco, and tea.

8: Mind-Setting on Domestic Consumption

The country seems to be inclined more towards foreign markets for both public and private sector consumption, even for goods that are available in the country. The externalization of market of domestic goods begins from home consumption. If a country is too import-oriented it limits the consumption of its goods not only in the domestic market, but also in foreign markets. Thus, the following needs to be done:

(a) Consumer attitude of Tanzanians in both the public and private sectors has to be nurtured in a manner that cherishes the consumption of home-made goods before imported ones.
(b) Improve the quality of domestic goods if quality is the issue that makes Tanzanians run to foreign-made goods.
(c) Tanzanians should give due weight to the use of domestically produced goods at all levels if the country is to rise in industrial production.
(d) It is through the availability of market and remunerating returns that manufacturers will be able to improve quality and raise the scale of production.

9: Develop Domestic Market

The development of domestic market is central to transformation. This requires:

(a) Creation of vibrant financial markets capable of providing adequate credits.
(b) Development of middle and high income strata of the country's population that will enhance demand in the domestic market for the country's industrial products.
(c) Implementation of effective 'local contents' policy, which is key for ensuring inter-linkage in the domestic economy.

10: Social and Policy Stability for Industry Development

Industrialization is a long-term and inter-generational undertaking of building confidence for business to invest and build the necessary working skills, as well as enabling innovation for economic development to take place. In order to enhance this situation, the following conditions are necessary:

(a) Policy stability
(b) Social Stability

These two conditions are necessary in order to build business confidence for long-term investment, which is necessary for industrial development.

11: Maintain and Strengthen the Country's Peace, Unity, and Stability

This can be done by carrying out the following:

(a) Inculcating and promoting nationalistic attitudes among the citizens.
(b) Inculcating a sense of patriotism and loyalty, among the citizens, to the country and companies/institutions where they work.
(c) Citizens being able to sacrifice for their country for rapid development and industrialization.
(d) Maintaining social cohesion and integrity values among the citizens.
(e) Encouraging citizens to save and invest.

12: Exploit Regional Trade Potential

This potential includes the following:

(a) The existing regional blocks, including the EAC and SADC.
(b) Taking advantage of Tanzania's landlocked neighbours so that they use the ports and transport facilities that are available in the country.
(c) Promoting the ports of Dar es Salam, Mtwara and Tanga as the major trade hubs for East and Central Africa.

13: Promote Science, Technology and Innovation (STI) for Economic Transformation

This recommendation can effectively be implemented if the following issues are addressed.

(1) *Policy Regime, Governance and Leadership*

This gap can be filled by carrying out the following:

(a) Establishing a cabinet-level national research and innovation steering committee.
(b) Establishing a specific parliamentary committee on science, technology and innovation.
(c) Restructuring the Ministry of Communication, Science and Technology so as to have the mandate of a cross-cutting ministry.
(d) Strengthening the Commission of Science and Technology (COSTECH) through increased staffing and resources, and by considering it as a strategic agent for technological change in the country.

(2) *Research and Training System*

This gap can be filled by undertaking the following:

(a) Establishing a mechanism for national priority-setting, and for undertaking futuristic technology mapping.

(b) Developing a mechanism for increased research funding and accountability monitoring on the usage of research funds, and impose sanction mechanisms for poor/improper accountability.
(c) Developing a mechanism to attract the business sector to engage in research by promoting public-private partnerships through various arrangements, and the development of start-ups and SMEs in priority areas of the economy where both the public and private sectors could inject appropriate funding in Research and Development and Commercialization (R&Dc).
(d) Instituting an institutional review program for periodic assessment of the performance of all science, technology and innovation-based institutions in the country.
(e) Reviewing the institutional set-up and curricula of universities and polytechnics with the view of turning them into third generation universities where the main focus of training is innovation.

(3) Business and Entrepreneurship System

(a) Review the procurement regime in order to make it supportive to the growth of indigenous innovation by local firms for enhanced industrialization in the country.
(b) Create a framework to compel local firms, besides serving the local market, to also be export-oriented in order to create demand for quality products, and thus influence innovation and business expansion.
(c) Create a conducive environment for technology/business incubation, and for initiating and stimulating the growth of start-up companies.
(d) Establish enabling framework conditions for creating public technology firms by splitting some state-owned utility and service firms into subsidiary companies.

Group Three: Good Governance Recommendations

1: Eradicate Corruption, Promote Good Leadership and Effective Governance

The eradication of corruption and promotion of good leadership and effective governance are the cornerstones of a country's economic development. In this regard it is necessary to carry out the following:

(a) Having no tolerance to corruption and recognizing that corruption is the number one enemy to the country's development.
(b) Promoting effective governance by focusing on three issues: fast-tracking decision-making processes, enhancing commitment to the implementation of development goals by the civil servants, and having proactive government leaders.
(c) Tapping economic opportunities before others, i.e., being 'first movers'.
(d) Government leaders being proactive and pro-business, i.e., to think ahead of the people and private sector; and effectively implementing what has been agreed to be done for the benefit of Tanzanians.

2: Let Institutions Lead Reforms and Transformation Process

In order for institutions to be leaders in reforms and in the transformation process the following has to take place:

(a) Reform governing institutions and make them effective in pursuing their functions.
(b) Reform institutions with focus on: independence, transparency, responsibility and accountability. These should be the key features that must be part and parcel of each institution in the country.
(c) Halt institutional dysfunction that can prevent socio-economic development by indiscipline, inefficiency, lack of accountability and immorality.
(d) Make institutions and agencies that control corruption and oversee ethics in private and public service delivery effective and compliant.
(e) Effectively coordinate all functions and records of key outcomes of all government institutions.
(f) The government has to be a major lead architect of national development, and it should contain some space in its authority to guide the undertaking of the transformation process.

Group Four: Human Capital and Infrastructural Development

1: Make Coherent Economic Policies

Tanzania has attempted multiple policy initiatives and strategies for over five decades, but the country has not significantly managed to increase wealth and to reduce poverty. Human development has remained low, and economic transformation from subsistence agriculture to at least a semi-industrialized economy is not yet achieved hitherto. In this regard, therefore, the following should be undertaken:

(a) The country has to transform the economy based on conscious and deliberate economic policies that are focused on the strategic areas of comparative advantage.
(b) The implementation of economic transformation policies for different durations should be properly sequenced by putting due weights on socio-economic outcomes and the country's stability.
(c) Rekindle and support private sector initiatives to develop industry and other sectors.
(d) Tanzania has to synchronize its medium-term macroeconomic policies, strategies and programmes in a manner that avoids the duplication of efforts and confusion: it has to come up with a single national programme implementation document for all sectors to use as a guide/manual of the economic transformation process.

2: Invest Heavily in Education, Science and Technology

Investment in education, science and technology as improvement in human capital and social capability is the main source of change and transformation of a country's economy and wellbeing. This demands that the following is carried out:

(a) Compulsory education to secondary level, as proposed in the 2015 Education Policy, might put the country on the right track in this respect if it is rightfully implemented.
(b) Strategically invest in human capital, especially in science and technology, to produce professionals required for knowledge intensive industries such as in the extraction of oil and gas, computer science and engineering, healthcare, among others.
(c) Strategically develop a specialized national university and college education system that will enable the country to produce the desired outcomes.

3: Put Great Emphasis on Skills and Knowledge

Knowledge and skills are part and parcel in a country's transformation process as development does not come from *materials available*; it comes from *access to brains* that can transform materials into national welfare. Without knowledge and skills it is impossible to build a vibrant industrial sector. For this reason, it is important to observe and implement the following:

(a) Invest heavily in education and training in order to enhance domestic capacity, and hence the growth of the economy.
(b) Make technical skills on top of the country's priorities for effective industrialization and to minimize the risk of importing costly human resources, or outsourcing too much of its activities: all of which should have otherwise created employment for Tanzanians.
(c) Put emphasis on quality public education for the creation of adequate knowledge and skills in the country in building a vibrant industrial sector.
(d) Give due weight to tertiary education and research and development (R&D) in order to meet the demands of industrialization and competitiveness.
(e) Put a balanced emphasis on both lower and higher education as new approaches and solutions to critical development problems are expected to emanate from highly educated people. A country of less than 5% net tertiary education enrolment cannot adequately advocate quick and effective industrialization.
(f) Allocate enough funds to scholarships for tertiary education and, in a special way, to advanced university education in a balanced manner across all disciplines.
(g) Put all things in the education system in the right standing: from physical infrastructure to teaching capacity and incentives, required materials/inputs, curriculum reviews where necessary, etc.

4: Human Capital Development and Targeted Educational Programmes

Human capital development should be considered as the key development aspect in Tanzania, and in this respect the country should focus on the following:

(a) Creating a knowledgeable society that possesses the required competences to address the specific economic needs of the country.
(b) Having people access education that has the right combination of knowledge, skills and productivity.
(c) Promoting innovation, creativity and hardworking attitude/culture.
(d) Linking Tanzania's educational system to the specific economic needs and comparative advantage of the country.
(e) Emphasizing on Mathematics and Sciences. These subjects are crucial for industrial knowledge.

(f) Monitoring and evaluation of results.

5: Promote Entrepreneurship and Infrastructure Development

Entrepreneurship and infrastructure development are key development aspects that can change Tanzania's economic status. The public sector cannot provide employment opportunities to all unemployed population. In order to promote economic development, among others, Tanzania must focus on the following:

(a) Building capacity of its people in terms of business growth and sustainability.
(b) Develop the country's infrastructure like electricity, roads, railways, airports, etc.

6: Transform the Economy by Transforming the Agricultural Sector

There is need to shift from thinking 'agriculture' to thinking 'agri-business'. In order to transform the agricultural sector, the following must be involved:

(a) Release of excess resources, including labour.
(b) Changes from subsistence agriculture to commercial agriculture.
(c) Diversification of activities, including the consolidation of value-addition.
(d) Changes in financing arrangements
(e) Improved technology, improved irrigation technology and practices, and support services.

7: Investment in Extractive Industries

Investment in extractive industries may help to leverage economic growth and development as the country has abundant natural resources. The recent exploration findings in Tanzania have shown that the country has abundant natural gas estimated at 55.08 tcf (trillion cubic feet) by April, 2015. This makes Tanzania ideal for gas economy following the footsteps of countries with large gas reserves such as Russia (1,720 tcf); Iran (1,187 tcf); Qatar (885 tcf); USA (348 tcf); Nigeria (180 tcf); and Algeria (159 tcf), among others.

8: Invest in Infrastructure Development

According to the Africa Infrastructure Country Diagnostic Report of 2010, the improvement in Tanzania's infrastructure by 1.3% during 2000s contributed to its improved economic growth to about 7% during 2000 to 2007. In this regard, Tanzania has to continue investing heavily in the following:

(a) Transport communication.
(b) Energy, water, ICT, port, railways and airport facilities.
(c) Opening up rural areas and making them well-integrated into the economy.
(d) Designing proper infrastructure for speedy industrialization.

9: Aim High and Build Capabilities and Capacities

In carrying out this initiative, the following has to be done:

(a) Invest in creating sufficient human and financial resources capacity for diverse types of industries for sustainable development.
(b) Invest heavily in the creation of business acumen.
(c) Invest heavily in the creation of abilities of Tanzanians in different economic activities.

(d) Reform institutions that can contribute greatly to the transformation and shaping of the country's economic status through greater decentralization and transparency. Such institutions include the Executive, Judiciary, National Election Commission, Telecommunications Regulatory Authority (TCRA), market securities, insurance regulatory authority, and others.
(e) Address all those creaky institutional systems and policies that act as barriers to the development process.

10: Build Quality Public Institutions

Having quality public institutions is fundamental to growth because it accentuates the functioning of private sector.

(a) Quality public institutions can unlock the private sectors' use of unexploited economic potentials, which can eventually propel the country's growth.
(b) Tanzania has already institutions that simply need a small back-up of reforms to enable them make a bang of growth responses to reforms.
(c) Outsource expertise for operations that cannot be done at home by off-shoring overseas, through Knowledge Process Outsourcing (KPO) and Business Process Outsourcing (BPO), and by importing knowledge and harnessing the potential of Tanzanian Diaspora.

5. Concluding Remarks

This book attempts to make a contribution toward national initiative in building a strong and sustainable economy that will lead to a healthy, happy and prosperous Tanzania. The book provides the following to its readers:

(a) Reminder messages that, when preparing development policies, relevant lessons should be drawn from other countries that have gone through poverty and are now prosperous.
(b) There is no country in the history of economic development that has become prosperous or rich without having an industrial sector; and in the current world, without having a developed service sector.
(c) The more a country specializes or gives more weight to the production of raw materials, the poorer it becomes. Tanzania is faithfully producing and exporting raw cashewnuts, cotton, coffee, sisal, tobacco, tea, hides and skin and, sometimes, live animals to the advantage of importing countries. We hope this message will do the needful: play the trick or act as a wake-up call.
(d) Exporting raw material and importing manufactured products should be considered bad trade; but importing raw material and exporting manufactured products is good trade. Tanzanians! Are you listening?
(e) Tanzania should understand that it is only industrialization that can create an effective and vibrant agricultural sector. This means that if one is down-playing industrialization, s/he is forcefully down-playing agricultural modernization.

In addition to the above reminder messages, it is pointed out that if Tanzania desires to build a strong and sustainable economy, it has to emphasize, at least, on the following:

(a) Strong and visionary leadership
(b) Industrialization

(c) Human capital development
(d) Promotion of science, technology and innovation
(e) Infrastructure development
(f) Development of entrepreneurship skills
(g) Promotion of ICT
(h) Investment in Research and Development and Commercialization (R&DC)
(i) Promotion of domestic market
(j) Promotion and sustenance of peace and security

These ten (10) minimum requirements should be synergistically prioritized and taken as a package. Implementing just a few and in a disjointed manner would not expedite Tanzania's development drive to a modern and prosperous economy.

We hope the recommendations given—if implemented with vision, priority and focus, consistency, coordination and discipline of action where citizens will be inculcated the culture of working hard and being aware that time is a scarce resource —should enable Tanzania to attain the upper middle income status by 2025, and thereafter move to a higher level of prosperity.

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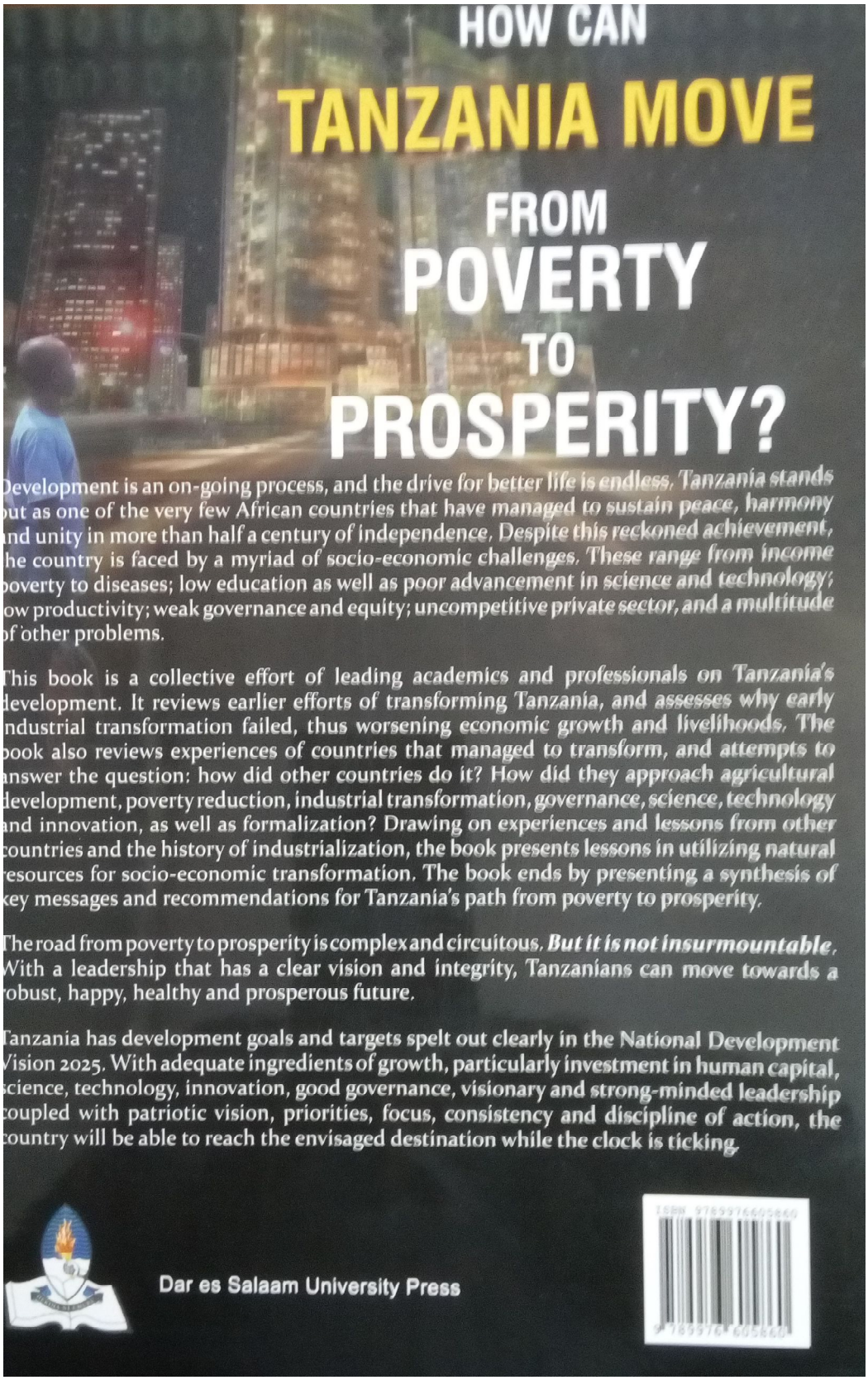
How Can Tanzania Move from Poverty to Prosperity?

Development is an on-going process and the drive for better life is endless. Tanzania stands out as one of the very few African countries that have managed to sustain peace, harmony and unity in more than half a century of independence. Despite this reckoned achievement, the country is faced by a myriad of socio-economic challenges. These range from income poverty to diseases; low education as well as poor advancement in science and technology; low productivity; weak governance and equity; global competitiveness, and a myriad of other problems.

This book is a collective effort of leading academics and professionals on Tanzania's development. It reviews earlier efforts of transforming Tanzania, and assesses why early industrial transformation failed, thus worsening economic growth and livelihoods. The book also reviews experiences of countries that managed to transform, and attempts to answer the question: how did other countries do it? How did they approach agricultural development, poverty reduction, industrial transformation, governance, science, technology and innovation, as well as formalization? Drawing on experiences and lessons from other countries and the history of industrialization, the book presents lessons in utilizing natural resources for socio-economic transformation. The book ends by presenting a synthesis of key messages and recommendations for Tanzania's path from poverty to prosperity.

The road from poverty to prosperity is complex and circuitous. ***But it is not insurmountable***. With a leadership that has a clear vision and integrity, Tanzanians can move towards a robust, happy, healthy and prosperous future.

Tanzania has development goals and targets spelt out clearly in the National Development Vision 2025. With adequate ingredients of growth, particularly investment in human capital, science, technology, innovation, good governance, visionary and strong-minded leadership; coupled with patriotic vision, priorities, focus, consistency and discipline of action, the country will be able to reach the envisaged destination while the clock is ticking.


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