

Growth and Income Poverty (Cluster #1)
Response to Five-Year Development Plan Presentation

- By way of introduction, Cluster #1, centers on the key development sectors underpinning economic growth and income poverty reduction, and unites Development Partner efforts in the sectors of energy; infrastructure; trade and industry; agriculture; and natural resources.
- On behalf of Cluster #1 Co-Chair Tonia Kandiero of the African Development Bank; Development Partner Co-Chairs of Cluster #1 Sector Subgroups and their Development Partner members, I am pleased to offer a few brief and high-level comments on the excellent presentation made by the Planning Commission on Tanzania's new Five-Year Development Plan.

Overview

- Let me start by appreciating the strong, open and frank dialogue that has taken place over the past year across all Cluster #1 sectors, between government and their many Development Partners, as well as with other stakeholders. We acknowledge the comprehensive effort in preparation of the new Plan as well as its appropriately positive theme of *unleashing Tanzania's latent growth potentials*.
- The Plan brings a fresh, appropriately ambitious and forward looking approach, and while the resource needs are huge, we are encouraged by several factors. To highlight three:

1. A shift towards opportunity-based planning that addresses pressing, near-term needs and leaves flexibility to pursue high-yielding interventions;
2. The analysis and prioritization of the major binding constraints to growth, which will allow for an efficient allocation of resources and efforts; and
3. Recognition of the central role of the private sector in driving development: in the words of the Plan “scaling up the role and participation of the private sector.” Clearly, unleashing, and harnessing, the private sector is part of the road map towards unleashing Tanzania’s potential.

- And speaking of Road Maps, let me now briefly highlight a few key issues emerging from Cluster #1 sectors:

Business Enabling Environment

- As concerns the business environment, we acknowledge and appreciate the importance placed on this issue, and the concerted efforts made since last year’s Dialogue. In this regard, we strongly encourage the continued implementation of the *Roadmap on the Improvement of the Investment Climate in Tanzania* to enable Tanzania to unleash its full entrepreneurial and investment potential.
- Indeed, Government’s target of reaching a “double digit” ranking in the “Doing Business” Index during the five-year period of the Plan is a testament this commitment. Let’s work together to make this happen.

Energy

- **In the area of energy**, as is painfully obvious to all, frequent and sustained power outages, low levels of power coverage, and a high level of generator use in both mainland and Zanzibar all point to electricity being a binding constraint

to growth. Over the past 12 months, the sector has faced severe challenges, some of which were unforeseen and which led to losses of income and damage to the private sector and hence loss of tax revenues.

- In recent months there has been substantial improvement in the dialogue among sector stakeholders, and a reengaged leadership of the Ministry of Energy and Minerals. Efforts to improve sector governance are also commendable, and should continue.
- The ambitious Emergency Power Plan to mitigate the current generation shortage crisis will necessitate a substantial increase in public spending for energy for several years to come. Long-term generation expansion projects to help avoid future crises should thus be responsive to principles of least cost planning, technical feasibility, and financial sustainability.
- Looking forward, proper energy sector planning, including a clear sector strategy coupled with subsequent increased investments in generation and efficient management of resources will enable the sector to unlock its potential and importantly, will open the doors for increased private sector participation. In this regard, the recently new Public Private Partnership regulation and the establishment of the PPP units within the Ministries of Finance and Energy are positive foundations that need to be made operational.

Transport

- Moving to another critical infrastructure area, **transport**, in order to unleash Tanzania's growth potential, substantial investments, both private and public, will be needed in the transport sector, including trunk and feeder roads, ports

and railway. Improving transportation systems can support competitiveness and economic growth by reducing transaction costs, and creating opportunities for firms to access larger markets.

- Within the transportation sector, the poor quality of rural roads connecting high production agricultural areas to markets poses a binding constraint to growth. Rural roads have thus far received very limited budget allocations. This area requires a major push, and government should allocate more of its own resources to local governments for road development.

Agriculture

- **As concerns Tanzania's vital agriculture sector**, the Development Partners congratulate government on launching the Tanzania Agriculture and Food Security Investment Plan (TAFSIP).
- TAFSIP provides a detailed, consensus roadmap for implementing the agricultural elements of the Five-Year Development Plan. New initiatives, such as SAGCOT that are forward looking and involve the private sector to help unleash the potential of Tanzanian agriculture are commendable. As the Agriculture Sector Working Group, Non-state actors, and government work together to develop an expanded Agriculture Sector Development Program to operationalize TAFSIP and implement the priorities of the Five-Year Development Plan, it will be incumbent on us all to make sure we are all working towards the same strategic outcomes, performance targets, with common understanding of financing gaps.

- As Tanzania implements TAFSIP and the new Plan, there are a number of sector disincentives which need to be analysed and policy options developed to encourage more investment in the sector, by smallholders and private sector alike.

Natural Resources

- Finally, **in the area of natural resources**, Tanzania's considerable natural resource endowment is the foundation for its economic growth and prosperity. Thus, revenues from the sustainable management of natural resources like oil, gas, forestry, minerals and others must support the country's development. Greater attention to non-tax revenues accruing from natural resources is a positive trend, and more can be done to ensure that part of these revenue are reinvested in sustaining Tanzania's natural resource endowment.

Regional Integration

- Given Tanzania's geographical location the story will not be complete without mentioning **the Regional Integration Agenda**. Regional integration must play a role in expanding opportunities for trade and economic growth, leveraging Tanzania's competitive advantages and strategic location. Therefore, the commitment to scale up investments in regional transport, energy, and other initiatives, by, for example, aligning with programs such as the Programme for Infrastructure Development in Africa, is an important step in that direction.

Conclusion

- **To conclude**, as Tanzania moves to unleash its growth potential, it is critical to address all the above issues in a holistic and coordinated way; supported by a robust and open analytical dialogue among stakeholders.

- The preface of the Plan cites the need to move beyond a “business as usual” attitude. Words are easy, implementation is hard. Tanzania must translate the well-thought out words in the new Five-Year Development Plan into concrete action and results on the ground. Strong political leadership at all levels, and bold decision-making are essential ingredients making the Plan a reality.
- The Development Partners of Cluster #1 again signal their appreciation for the open dialogue that has existed and look forward to that continued spirit of collaboration as Tanzania seeks to realize the development aspirations outlined in the new Plan. In this regard, we promise to take up further and more detailed discussions within the Sector Working Groups and Cluster.
- On behalf of the Cluster #1 Development Partners, *Asanteni sana.*