



**KEYNOTE ADDRESS BY MS. PAULINA M. ELAGO, EXECUTIVE SECRETARY
OF THE SOUTHERN AFRICAN CUSTOMS UNION (SACU) AT REPOA'S 23rd
ANNUAL RESEARCH WORKSHOP**

**“TOWARDS INDUSTRIALIZING SOCIETY BY 2025: WHY COMPETITIVENESS
MATTERS”**

4 APRIL 2018

Your Excellency, Samia Suluhu Hassan, Vice President, United Republic of Tanzania;

Hon. Charles John Mwijage, Minister for Industry, Trade and Investment;

Prof. Maj. Gen (rtd). Yadon M. Kohi, Chairperson of REPOA;

Dr. Donald Mmari, Executive Director of REPOA

Members of the diplomatic corps;

Distinguished Government officials;

Members of various research think-tanks and universities;

Media;

Ladies and Gentlemen.

1. Introduction

1.1 It is a great honour for me to deliver this keynote address at this very important forum. At the onset, I would like to express my sincere appreciation for the invitation to deliver the keynote address and to congratulate the organizers of the Workshop, for the excellent arrangements made for this event and for the hospitality extended to us. I would also like to recognize the great efforts of Dr. Donald Mmari, Executive Director of REPOA and his team, who worked tirelessly to prepare for this seminar, particularly in conceptualizing its theme.

- 1.2 I have been asked to talk about the theme “why competitiveness matters” for industrialization. The theme of this workshop is not only relevant to this workshop, it also comes at an opportune time when countries on our continent, including the United Republic of Tanzania, have adopted and prioritized industrialization as an overarching development objective.
- 1.3 As you are well aware, the Government of Tanzania has formulated a Long-Term Development Plan, Vision 2025 that is aimed at transforming the economy and to place it on a competitive growth trajectory. One of the key attributes of that Development Plan is “a competitive economy capable of producing sustainable growth and shared benefits”.
- 1.4 This workshop is therefore timely as it is not only aimed at promoting policy dialogue and research on the importance of competitiveness in the transformation of the Tanzanian economy, but also seeks to inform the discourse towards the implementation of Vision 2025. I am therefore delighted to be part of this workshop and look forward to exchanging ideas and insights on how Tanzania could achieve competitiveness and in turn transform its economy into an industrialized country.
- 1.5 I will start my address with brief highlights on the concept of competitiveness and why competitiveness matters. Then, I will briefly touch on the extent to which Tanzania fares in terms of

competitiveness, compared to its peers in Sub-Saharan Africa and conclude with possible policy options to facilitate the transformation of Tanzania's economy into a competitive and industrialized nation.

1.6 As you will appreciate, the theme for this workshop is quite broad, and I hope to elaborate on the issues further during the discussions.

2. WHAT IS COMPETITIVENESS AND WHY IT MATTERS FOR INDUSTRIALISATION AND ECONOMIC DEVELOPMENT?

2.1 According to the World Economic Forum (WEF), Competitiveness is defined as a set of institutions, policies and factors that determine a country's productivity levels. Productivity is therefore a central element here and a major factor that determines long-term economic growth and prosperity for a country.

2.2 The WEF uses the Global Competitiveness Index (GCI) to rate the performance or competitiveness of countries based on 12 selected indicators / pillars. These pillars of competitiveness are grouped into three broad sub-pillars.

2.3 The first sub-pillar includes “**basic requirements**” which comprise institutions, infrastructure, macroeconomic environment, health and primary education, and infrastructure and connectivity.

- 2.4 The second pillar is “**efficiency enhancers**” which looks at the functioning of goods, labour or financial markets as well as higher education and training, and technological readiness, which measures how well countries are prepared for the transition into more advanced, knowledge-based economies.
- 2.5 The last pillar is “**innovation and sophistication**”, consisting of business sophistication and innovation. These are more complex areas of competitiveness that require an economy to be able to draw on world-class businesses and research establishments, as well as an innovative, supportive government.
- 2.6 Through the GCI, countries will better understand their shortcomings and in turn able to design better policies in collaboration with the private sector to make remedial measures that restore confidence for the sake of economic progress. One hope that through a coordinated action of the state, civil society and the business community, countries can improve their competitiveness.
- 2.7 Therefore, competitiveness matters because the more competitive the country is in the production of goods and services, the more wealth it can create for its citizens and thereby contributing to improved standards of living and well-being.

- 2.8 Productive nations are more likely to offers greater returns on investment, which attract more Foreign Direct Investments into the country thereby contributing to the country's economic growth and development.
- 2.9 Competitiveness is directly linked to industrialisation. A more competitive economy tends to produce more outputs in an efficient way as well as more diversified and less vulnerable to external shocks. This in turn, create economic stability and resilience.
- 2.10 Therefore, increasing national investments in areas such as infrastructure, education and skills development have greater potential to transform the country and contribute to industrialisation and to economic growth.
- 2.11 While basic drivers of competitiveness that I mentioned earlier (such as infrastructure, health and education) are important, research suggests that a nation's performance in terms of technological readiness, business sophistication and innovation is equally important in driving industrialisation and growth. It is therefore important for policy-makers in developing economies to be aware of these factors as they plan to move up the economic ladder.
- 2.12 In line with the afore-mentioned determinants of competitiveness, the Fourth Industrial Revolution, also prioritizes technology and automation for competitiveness. The Fourth Industrial Revolution

refers to a set of highly disruptive technologies to traditional markets and industries that can transform social, economic and political systems. The Fourth Industrial Revolution calls for a new way of formulating policy and regulation to address the digitally-enabled and the fastest period of innovation and it is underpinned by rapid advances in technologies including artificial intelligence, robotics, the internet of things, nanotechnology and biotechnology, to name a few.

2.13 The Fourth Industrial Revolution represents a fundamental change in the way we live, work and relate to one another. It is a new chapter in human development, enabled by extraordinary technology advancements. Therefore, there is a need for shared efforts in seeking converging and inclusive technologies for a human-centered future. The question is where does that leave Tanzania and Africa in general, in terms of its readiness to embrace the 4th Industrial Revolution?

3. PERFORMANCE OF THE UNITED REPUBLIC OF TANZANIA AND SUB-SAHARA AFRICA (SSA)

3.1 Allow me now to reflect on the recent performance of Tanzania in terms of competitiveness in relations to its peers. I wish to focus on two questions. Firstly: how has Tanzania transformed over the last decade? Secondly: how can Tanzania leverage its comparative advantage to enhance the competitiveness of its economy?

- 3.2 On the first question, it is important to note that like other developing economies, Tanzania is faced with a number of developmental challenges; both on the social and economic fronts. Although, the country has experienced high growth rates averaging 6 to 7 percent per year over the past decade, this growth has not been inclusive nor has it made an impact on employment and poverty reduction. For example, the World Bank (2017) estimates that about 12 million Tanzanians still live in extreme poverty, and on earnings of less than US\$0.60 per day. Therefore, economic transformation is necessary to ensure inclusive economic growth that are shared by all citizens going forward.
- 3.3 In terms of competitiveness ranking, the United Republic of Tanzania is ranked 113th out of 137 countries in the world in 2017/18. Over the last 5 years, Tanzania has improved her competitiveness from 125th position to the current 113th position in the world. The country was rated the 7th most improved African economy on the GCI. This is indeed commendable. This improvement is attributed to *Labour market efficiency and the Domestic Market* size, which is said to be relatively competitive.
- 3.4 Notwithstanding this improvement, Tanzania's performance is clearly below average compared to its peers in Africa. SSA's top 5 performers are led by Mauritius, ranked 45th out of 137 countries in

the world, followed by Rwanda (ranked 58th), South Africa (ranked 61st), Botswana (ranked 62nd), and Namibia (ranked 90th).

3.5 Mauritius performance' is mainly driven by Institutions and Business Sophistication, ranked 37th and 38th, respectively out of 137 countries and standing at a score of 4.5 out of 7 for both. Botswana, which is ranked as the 4th most competitive country in Africa. This performance is mainly drive by the Macroeconomic environment pillar, ranked at number 13th out of 137 countries and Labour Market Efficiency ranked 40th. These variable scored 6.1 and 4.5 out of 7, respectively.

3.6 Tanzania's under-performance is explained the following factors, amongst others:

a) *Higher Education and Training* is ranked 130th in the world, with a score of 2.6 out of 7. Importantly, the limiting factor is the quality of education.

b) *Health and Primary Education* is ranked 125th in the world, with *primary education* performing the worst.

c) *Infrastructure* performs poorly at 114th in the world particularly *electricity and telephone infrastructure*. This is then followed by *Technological Readiness* at 122nd rank. The main weakness identified is the limited use of *ICT systems and infrastructure*.

- d) *Goods Market efficiency*, ranked 116th in the world and limited by *lower quality of demand conditions* in the economy.
- e) *Innovation* matters for development and industrialisation. Tanzania's innovation pillar is ranked 82nd in the world, but the capacity for innovation is very low, ranked at 112th while registration of patents is also low, ranked 107th. Therefore, there is a need to improve this area in order to support industrialisation and economic development.
- f) Lastly, the country faces challenges in Doing Business in the areas of access to finance, high tax rates, low infrastructure supply as well as high inflation, among others.

4. POLICY OPTIONS TO ACHIEVE COMPETITIVENESS AND INDUSTRIALIZATION

- 4.1 Let me now turn my attention to possible policy options available to help attain competitiveness in Tanzania. Let me start by noting that economic growth in Tanzania is forecast to grow at an average of 6.9 percent over the medium term. This is commendable as it is above the projected average global growth of 3.9 percent for both 2018 and 2019.

- 4.2 The present cyclical upswing in the global economic activity, offers countries including Tanzania, a chance to undertake key economic reforms necessary to sustain the momentum and move the global economy forward. In this context, the issue of competitiveness comes to the fore, especially considering that the process of structural transformation, can be challenging. It requires time, sustained use of resources and technological capabilities to nurture growth.
- 4.3 Notwithstanding the significant projected growth rate, the country would need to accelerate and undertake concerted policy interventions in its quest to achieve competitiveness. These include, but not limited to the following:
- a. Strengthen and improve the quality of education, which serves as a catalyst for improved labour productivity. Boosting human capital is one of the key drives for competitiveness and industrialisation. Of importance here is ensuring that the skills produced marches the need of the industry.
 - b. Improving infrastructure including transport, power generation and supply is critical to support industrial development. Tanzania is clearly making notable investments in this area and this is commendable.

- c. Improving the country's innovation, research and development in order to drive industrialisation. Innovation coupled with ICT will go a long way in the development of low technology solutions tailored for domestic challenges. The use of mobile technology and applications is also a key in this drive given that the country and the region have high mobile penetration rates.
- d. Working on the challenges affecting the business environment such as high tax rates, high inflation, to facilitate and catalyze trade. Similarly, financial deepening is important in order to improve access to finance by many segments of the population.
- e. Tanzania should also leverage and take advantage of the increasing momentum on the African Continent towards regional economic integration. The free market access resulting from its membership in the EAC and SADC and the recent conclusion of the CFTA, offers immense opportunities in terms of a large market for its exports. This can directly help the country not only to industrialize, but also to diversify its economy. However, these can only be realized if the country's productive capacity is enhanced in order to supply the market efficiently and competitively.

4.4 I wish to acknowledge that some of these issues are being addressed with policies and strategies already in place. According to the World

Bank Country Partnership Framework for Tanzania, 2018-2022, Tanzania is working to address the “*substantial gaps in infrastructure and resource management to reach the goal of becoming semi-industrialized*”. In the area of human capital, Tanzania has registered notable expansion in access to education with 72% of the work force having 7 seven years of education in 2014.

4.5 The fundamental question is why despite all these achievements including the policies and reforms being undertaken, the country competitiveness ranking remains low?

4.6 This could be attributed to, among others, the lack of policy coordination and implementation. Therefore, a coherent and integrated approach, in close partnership with private sector and civil society, is therefore required for the effective implementation of these policies and reforms.

5. Conclusion

Ladies and gentlemen,

5.1 In conclusion, I hope I was able to highlight some of the factors that are key to competitiveness. Clearly, competitiveness is the key defining factor in whether or not a country is able to industrialize and put itself on a sustainable growth trajectory.

5.2 I wish to acknowledge that the challenges faced by Tanzania are enormous, but not insurmountable. Doing nothing is not an option. Therefore, with the right and targeted and effectively coordinated policy interventions, some of which I have alluded to, I have no doubt that Tanzania can improve competitiveness and thus transform into industrialized nation.

5.3 Finally, it is important to emphasize that there are no single measures to improve competitiveness. However of critical importance, is to understand what drives competitiveness. Only through such an understanding that policy makers could pinpoint the factors that are crucial, evaluate these and take necessary remedial measures for improvement.

Thank you for your attention!
