Tanzania: GDP growth has been high, but per capita GDP growth is much lower due to population growth

Tanzania: Rapid GDP growth is having a small impact on poverty rates, but absolute numbers are growing

## Tanzania rate of basic needs poverty (%)
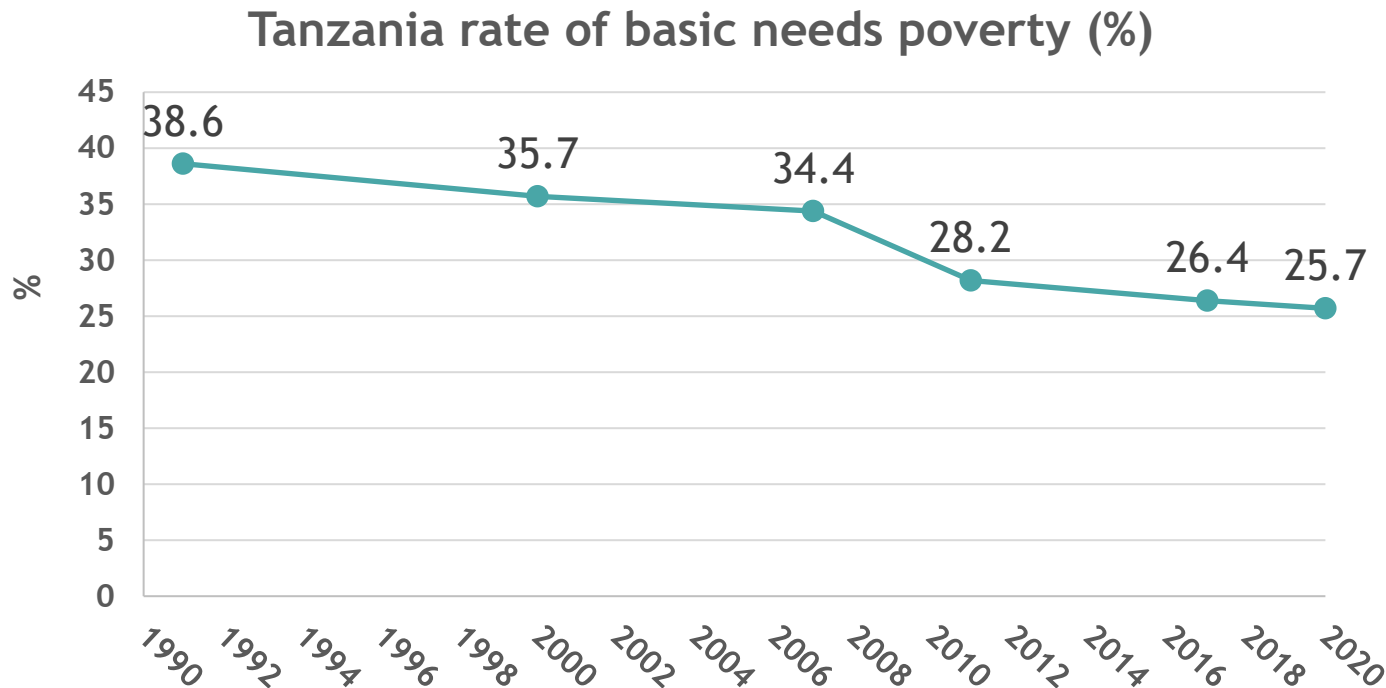
Actual numbers living in basic needs poverty have risen from 10m in 1990 to 16m in 2020

Growing inequality means a 10% increase in GDP per capita is needed to reduce poverty by 4.5%

*Approximately 50% of the population live below the World Bank $1.9 a day international poverty line. GINI coefficient has risen from 36% in 1991 to over 40% in 2018.

Tanzania: Employment has grown the most in sectors with lowest productivity

Comparison of employment growth with productivity per worker
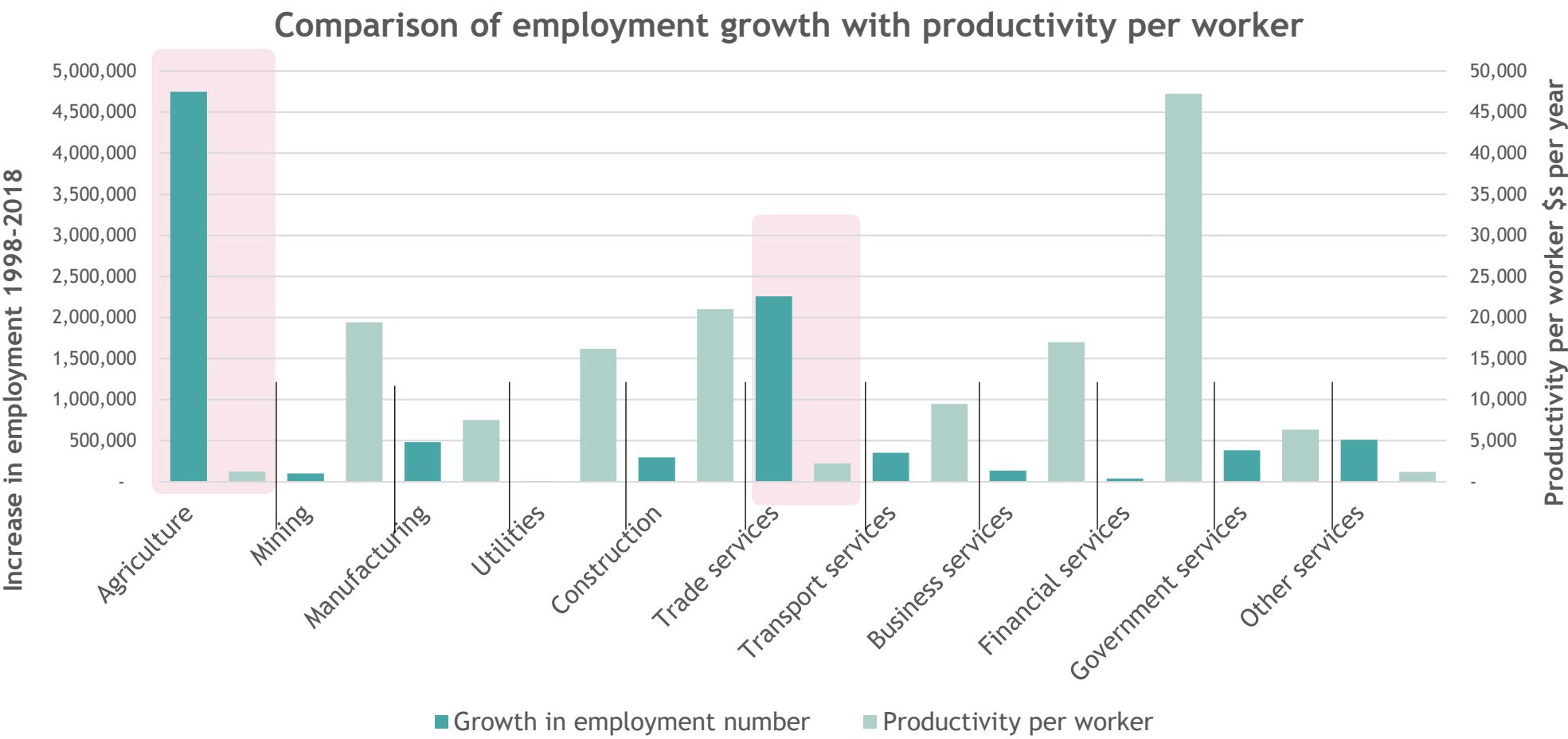
Source:

World Bank World Development Indicators, 2024

Sector transformation: what does success look like?

Textile and apparel – Tanzania

Between 2001 and 2019, Vietnam grew from 62nd to 3rd largest exporter of textile and garments

- It now employs over 2 million people directly and approx. 1.5m in ancillary services

- T&A provides over 15% of GDP and almost 20% of exports
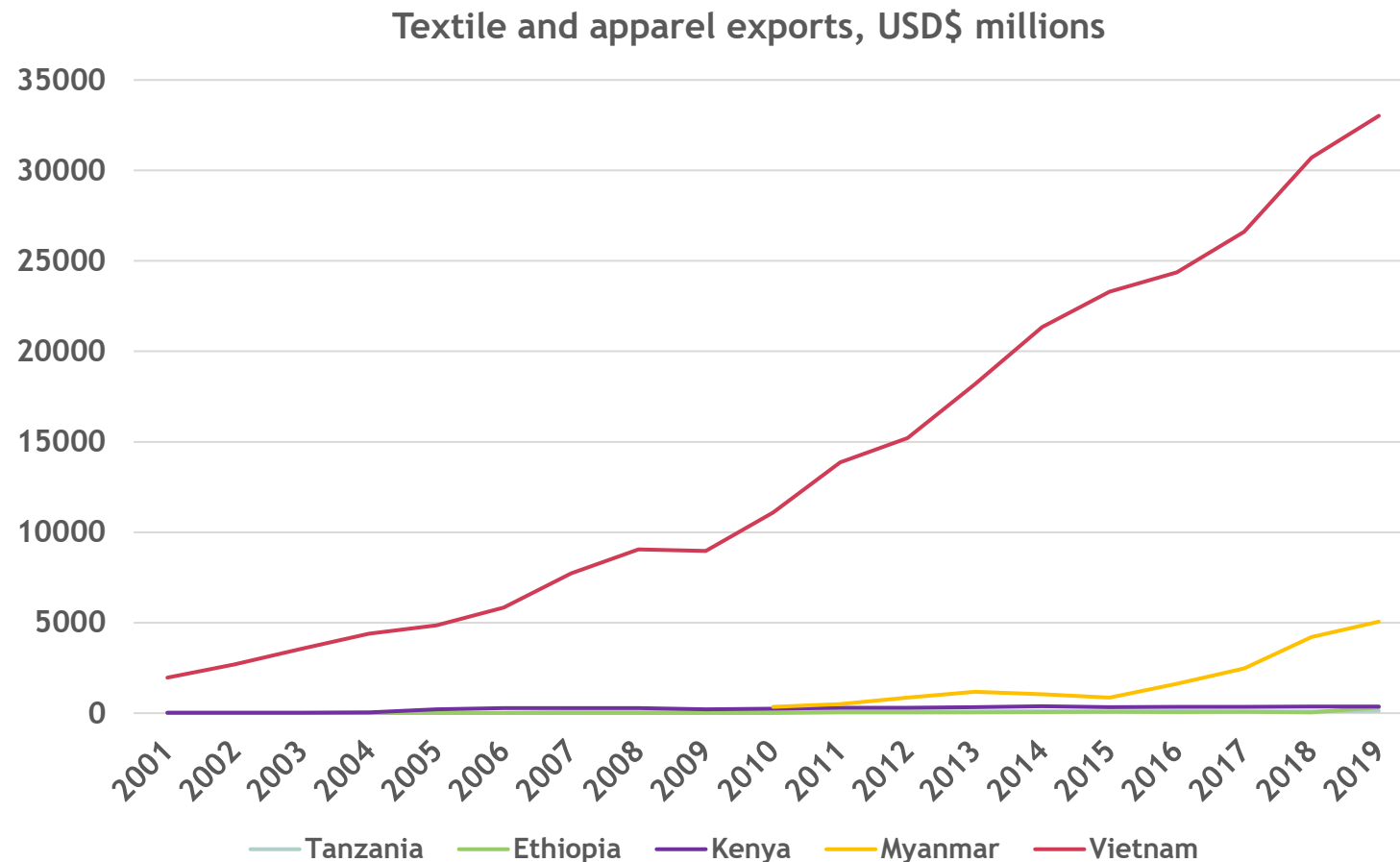
Textile and apparel exports, USD$ millions

Legend: Tanzania — Ethiopia — Kenya — Myanmar — Vietnam

Market systems resilience

Ben Fowler, MSA

Catalyzing Learning Performance Across the Private Sector:
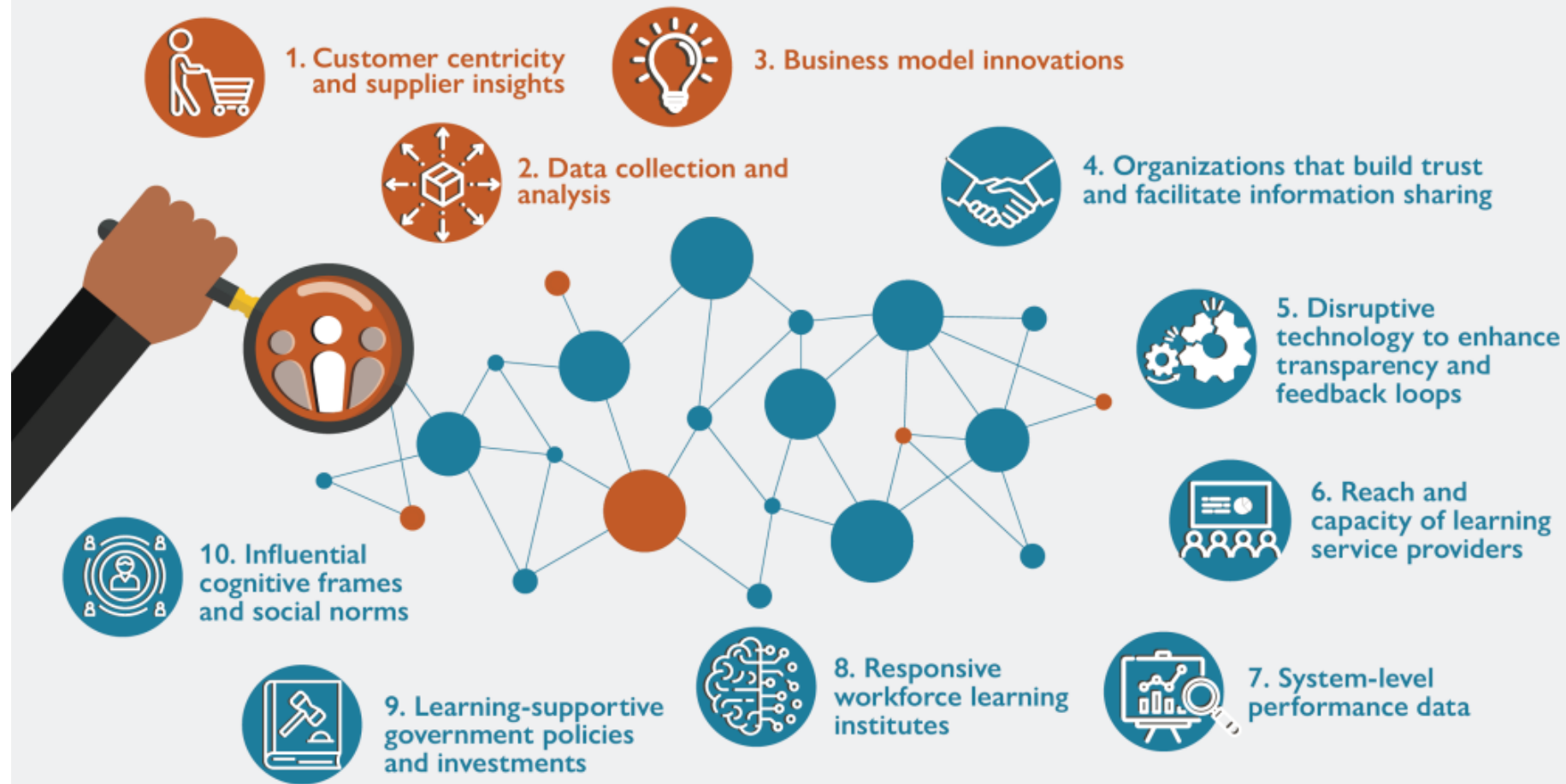## 10 Intervention Strategies

New capacity

Current capacity

Building competitive, resilient, and inclusive economic systems demands a private sector—firms, organizations, and the broader system itself—with the capacity to effectively learn and adapt. This implies a shift in agency away from a program directing the learning process, to strengthening the long-term capacity of local actors. Here is a menu of practical, proven intervention areas to consider, prioritize, and contextualize. Strategies are organized around two levels.

Market actor-level, by strengthening demand for and internal capacity regarding:

System-level, by supporting incentives, processes, and mechanisms that enable local stakeholders to drive progress in:

1. Customer centricity and supplier insights

2. Data collection and analysis

3. Business model innovations

4. Organizations that build trust and facilitate information sharing

5. Disruptive technology to enhance transparency and feedback loops

6. Reach and capacity of learning service providers

7. System-level performance data

8. Responsive workforce learning institutes

9. Learning-supportive government policies and investments

10. Influential cognitive frames and social norms

Lessons from our work in Tanzanian cotton

Gatsby
Africa

The challenges were understood

Limited extension information

Weather, pests & diseases

Soil degradation

Competitive ginning industry discourages investment in production

Low quality inputs

Limited investment in R&D

Lack of access to finance

Underinvestment in cotton production → Low productivity → Low profitability → Volatile Production & limited processing

~500,000 households
$13 a year investment per acre
~200kg average yield
<$100 a year profit per acre
Roughly 4 acre farms of which 2 acres planted to cotton

Cotton sector vision

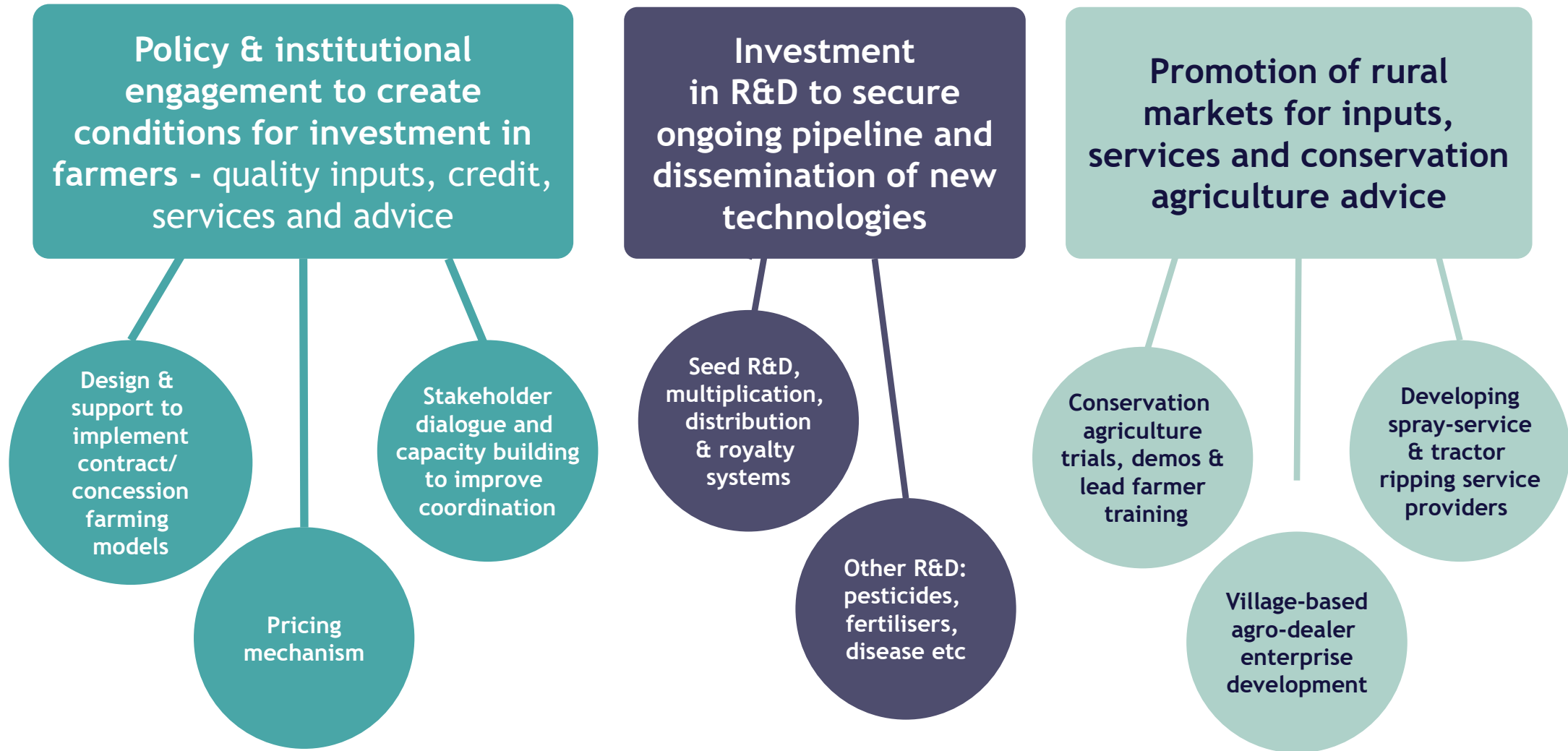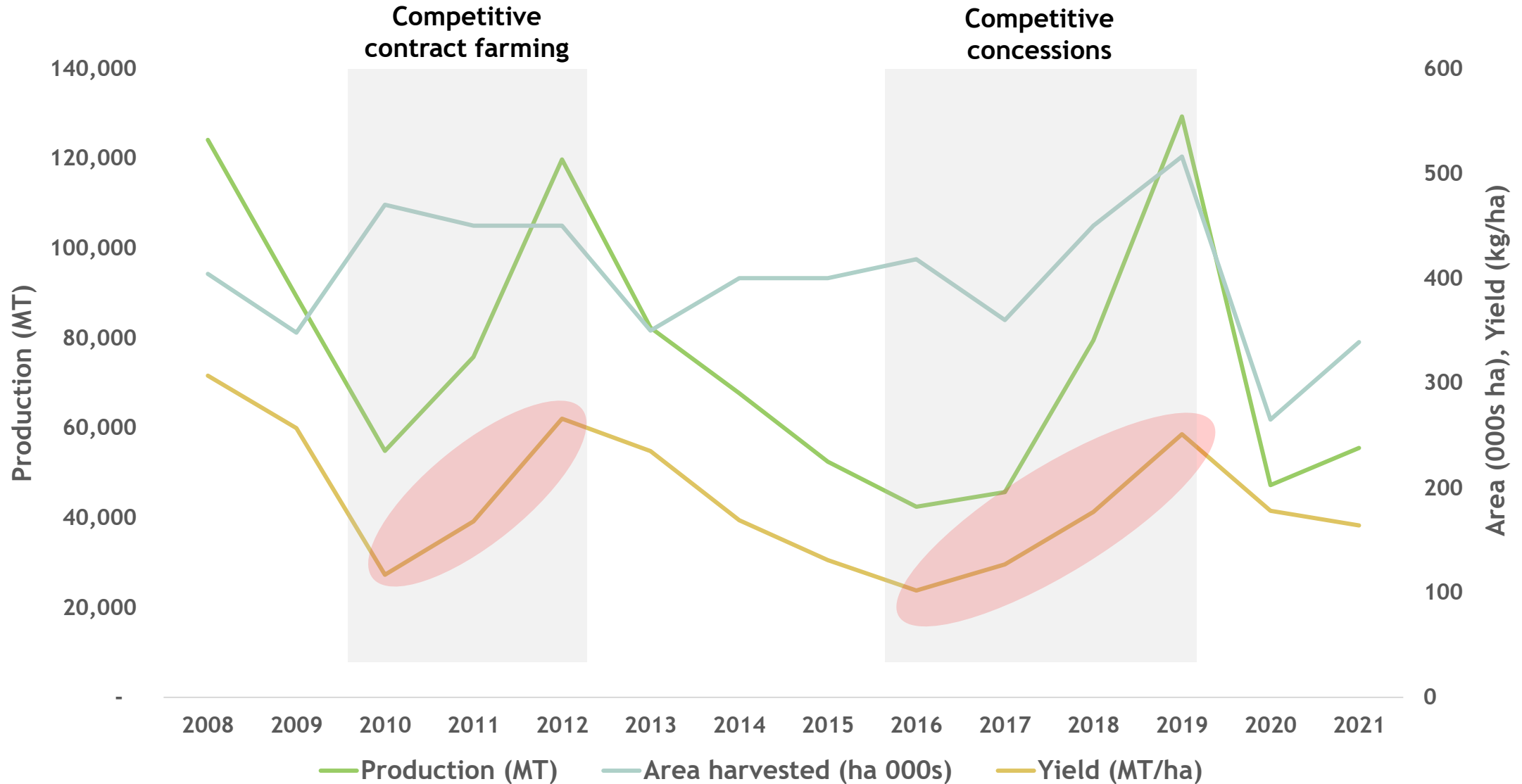- **Cotton farmers triple their yields**
  200kg to 600kg per acre

- **400,000 people** achieve substantial increase in net incomes from cotton $200-$600 with impacts on other crops as well

- **USD 90 million** added to Lake Zone economy each year

- **Capabilities in place for learning and adaptation of the system**

Cotton sector programme strategy

Policy & institutional engagement to create conditions for investment in farmers - quality inputs, credit, services and advice

- Design & support to implement contract/concession farming models
- Pricing mechanism
- Stakeholder dialogue and capacity building to improve coordination

Investment in R&D to secure ongoing pipeline and dissemination of new technologies

- Seed R&D, multiplication, distribution & royalty systems
- Other R&D: pesticides, fertilisers, disease etc

Promotion of rural markets for inputs, services and conservation agriculture advice

- Conservation agriculture trials, demos & lead farmer training
- Village-based agro-dealer enterprise development
- Developing spray-service & tractor ripping service providers

The cotton programme story

Programme results
- 2 years after exit

The VBA network is driving significant economic activity

- Roughly 800 small enterprises established with growing incomes
- Approximately

Farmers also benefited from the VBA network:

- Cotton yields of farmers served by VBAs were 246 kg/acre compared to others at 180 kg/acre
- 89% of farmers in villages with VBA shops now have access to improved seeds, inorganic fertilizers, pesticides & herbicides
- 82% have received advice on input usage from VBAs
- 83.3% of farmers buying inputs from VBAs supported by GA reported receiving inputs on credit

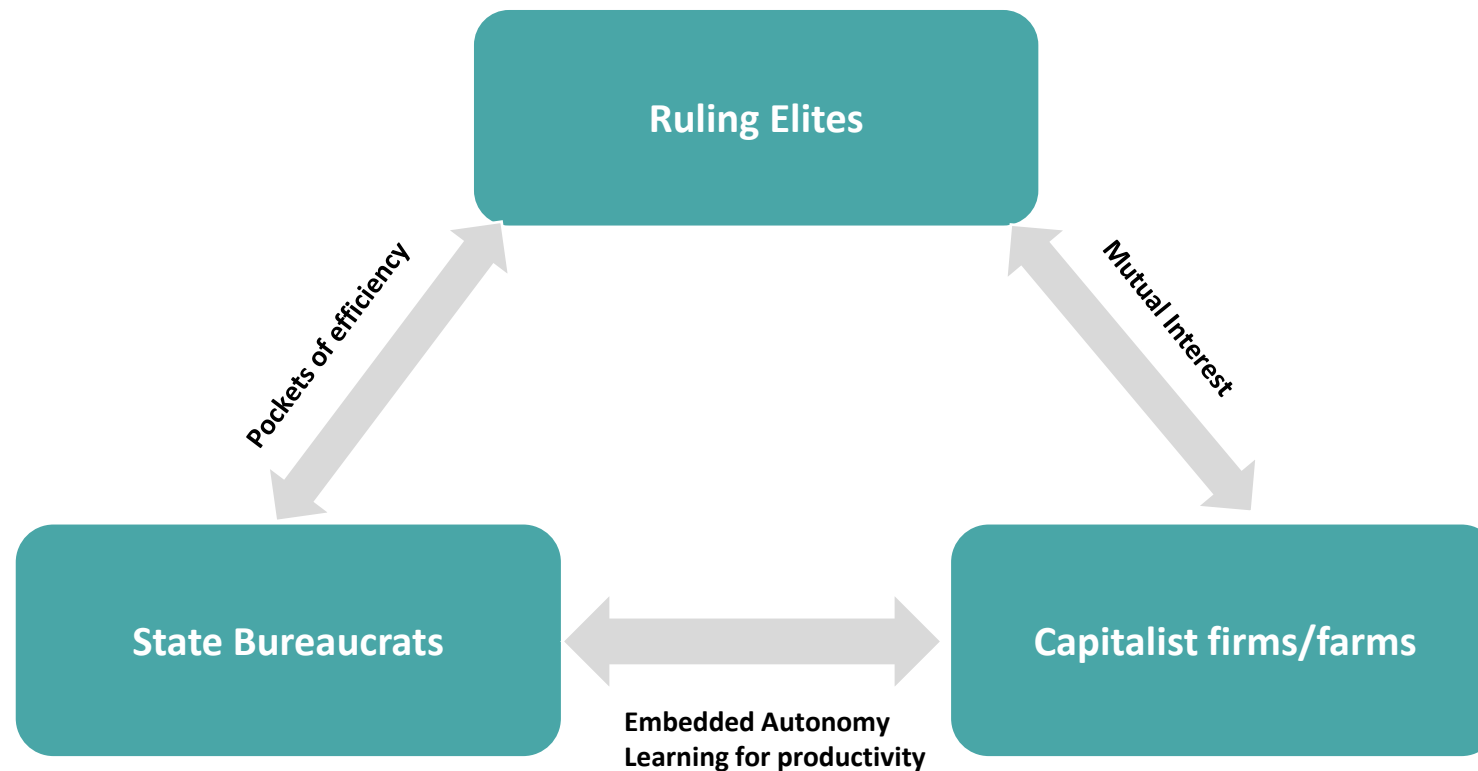# Economic Transformation and State Capabilities

Chema Triki

Managing Director

September 2024

www.growth-teams.org

Economic Transformation is a long-term process which heavily depends on a country's political economy - including state capabilities

Source: Whitfield, Lindsay; Therkildsen, Ole; Buur, Lars; Kjær, Anne Mette. The Politics of African Industrial Policy: A Comparative Perspective

Governments have been essential in driving economic growth

Malaysia

	1960	Today
GDP/capita	**$244.6**	**$11,648**

Mauritius

	1960	Today
GDP/capita	**$239.5**	**$11,649**

South Korea

	1960	Today
GDP/capita	**$158.3**	**$33,121**

Costa Rica

	1960	Today
GDP/capita	**$377**	**$16,595**

Source: WDI – GDP per capita (current US$)

Two transformational case studies over the last two decades illustrate this - Morocco

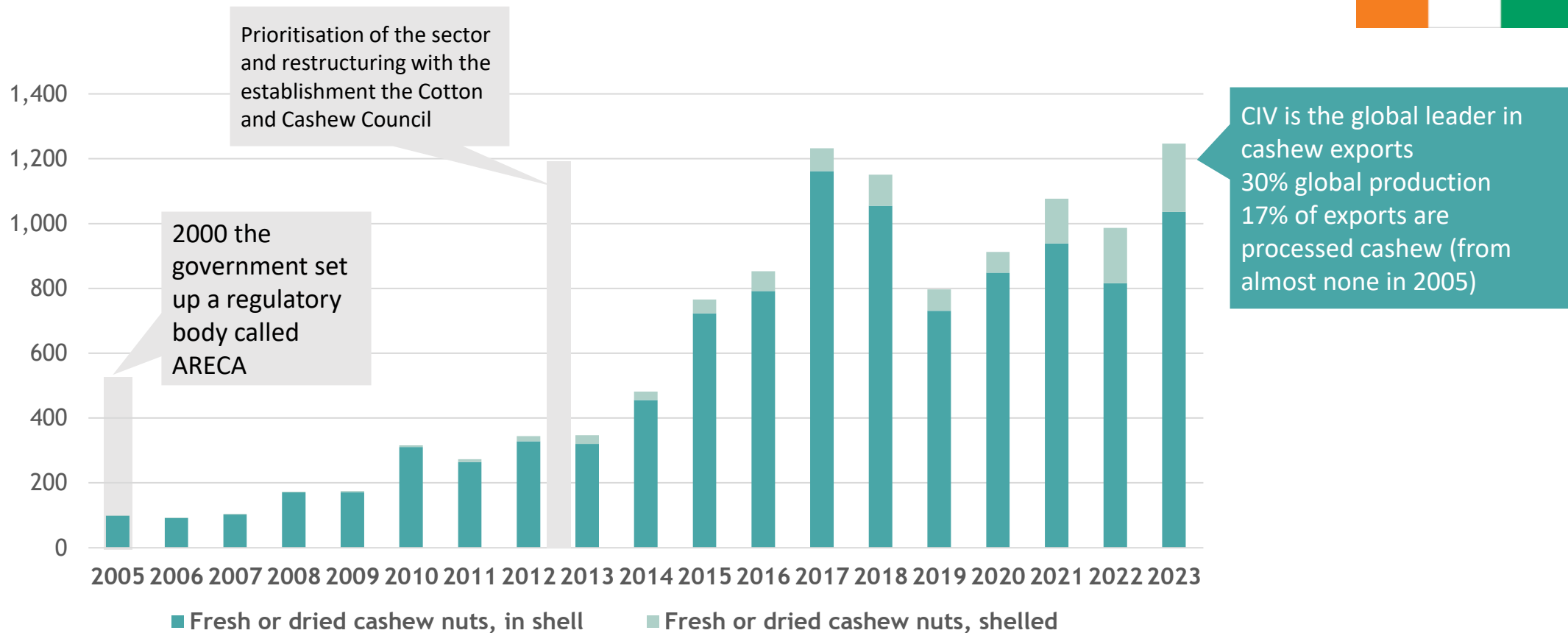**Exports in the automotive industry (in Million of $) – Morocco (HS 87)**

Prioritisation of the sector

MoU signed with Renaud

Renault opens facility in Tangier in 2012

Exports multiplied by a factor of 104 between 2005 and 2023 (reaching almost 8b$)
220k jobs created
+ a push for other sectors due to the improvement of business environment
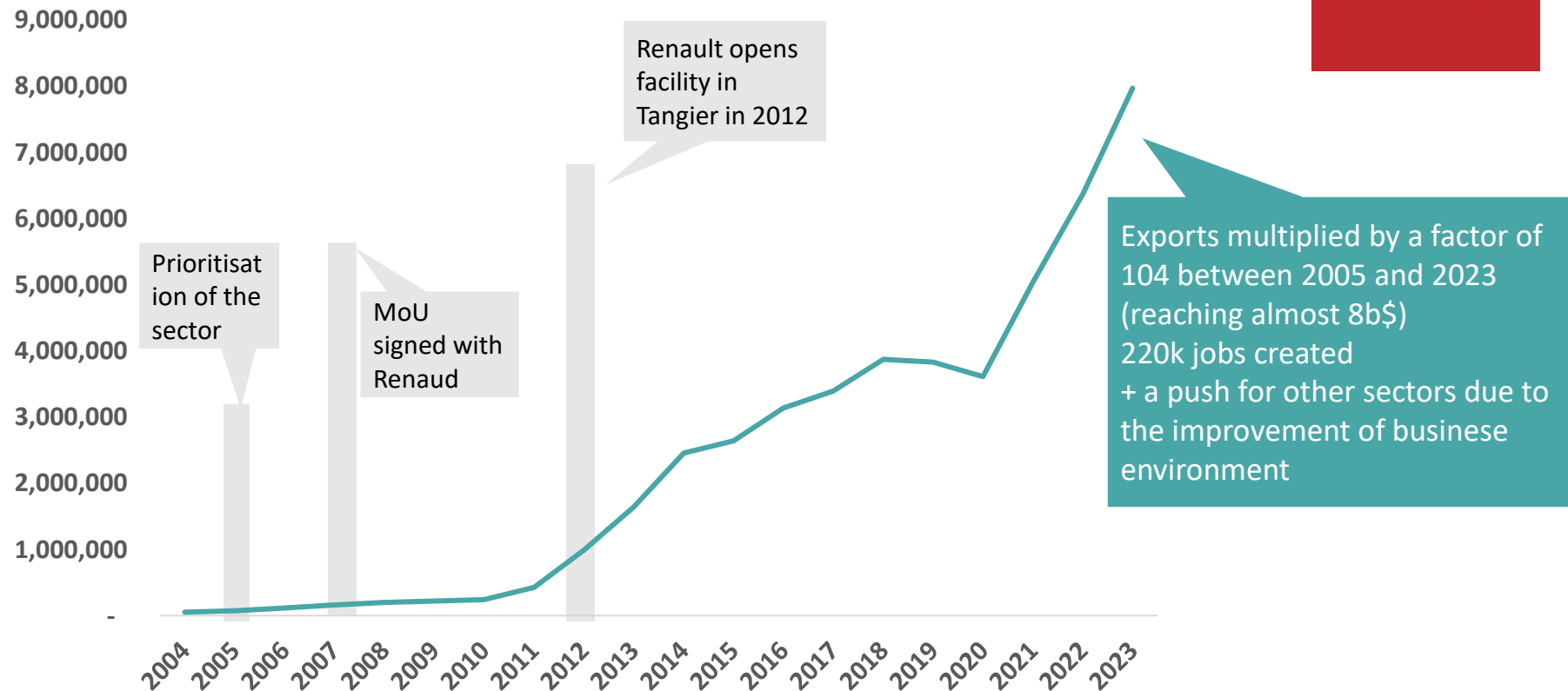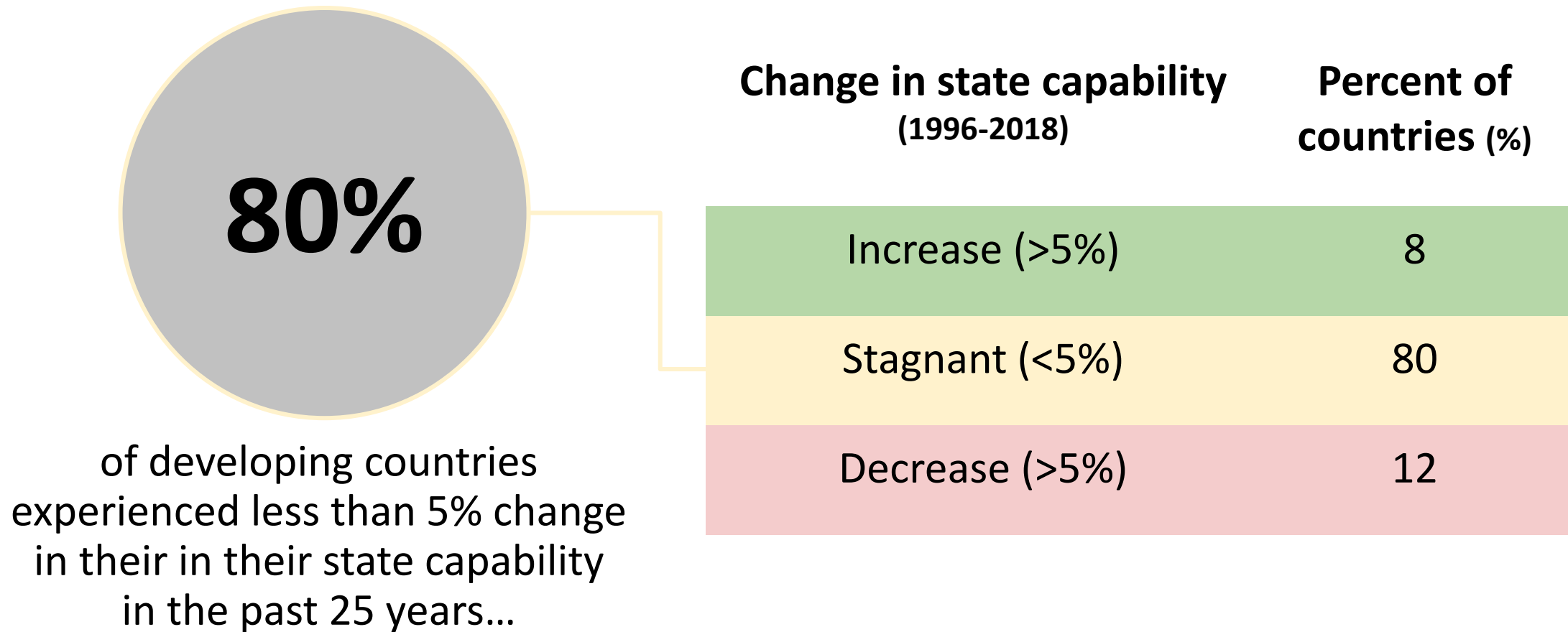
Source: TradeMap for data

Two transformational case studies over the last two decades illustrate this – Cote d'Ivoire

Exports of cashew nuts in Cote d'ivoire (in M$)

Prioritisation of the sector and restructuring with the establishment the Cotton and Cashew Council

CIV is the global leader in cashew exports
30% global production
17% of exports are processed cashew (from almost none in 2005)

2000 the government set up a regulatory body called ARECA

- Fresh or dried cashew nuts, in shell
- Fresh or dried cashew nuts, shelled

Source: TradeMap for data

However, in developing countries today, they struggle to translate policy into action...

80%

of developing countries experienced less than 5% change in their in their state capability in the past 25 years...

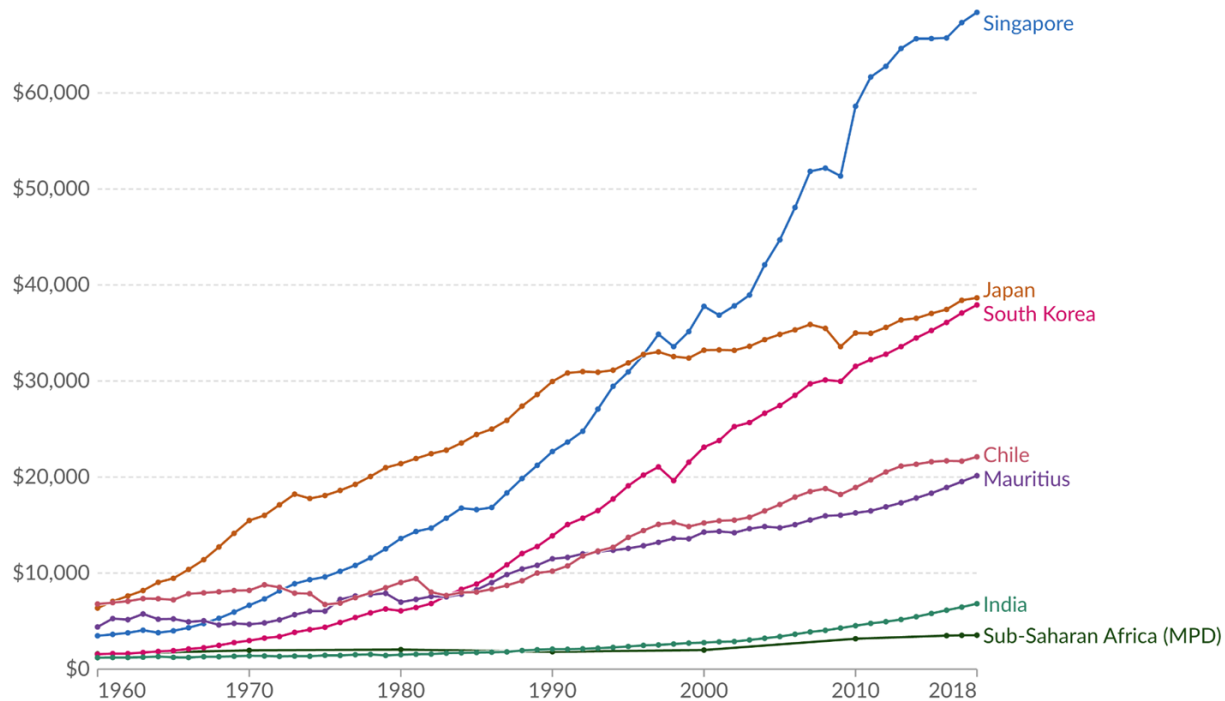| Change in state capability (1996-2018)	Percent of countries (%)
Increase (>5%)	8
Stagnant (<5%)	80
Decrease (>5%)	12

… leading to a stagnant GDP per capita in regions like Africa and India, where the workforce will increase by 1 billion people by 2050

GDP per capita, 1960 to 2018

This data is adjusted for inflation and for differences in the cost of living between countries.

Our World in Data

Data source: Maddison Project Database 2020 (Bolt and van Zanden, 2020)
Note: This data is expressed in international-$ at 2011 prices.

OurWorldInData.org/economic-growth | CC BY

Working-age (15-64) population

	2020	2050	Change
Africa	753M	1.549B	**+796M**
India	928M	1.111B	**+183M**
China	1.035B	855M	-180M
Europe	969M	814M	-156M
North America	480M	519M	+39M
Latin America	439M	488M	+49M

Source: Our World in Data; McKinsey Global Institute.

Transforming Sectors
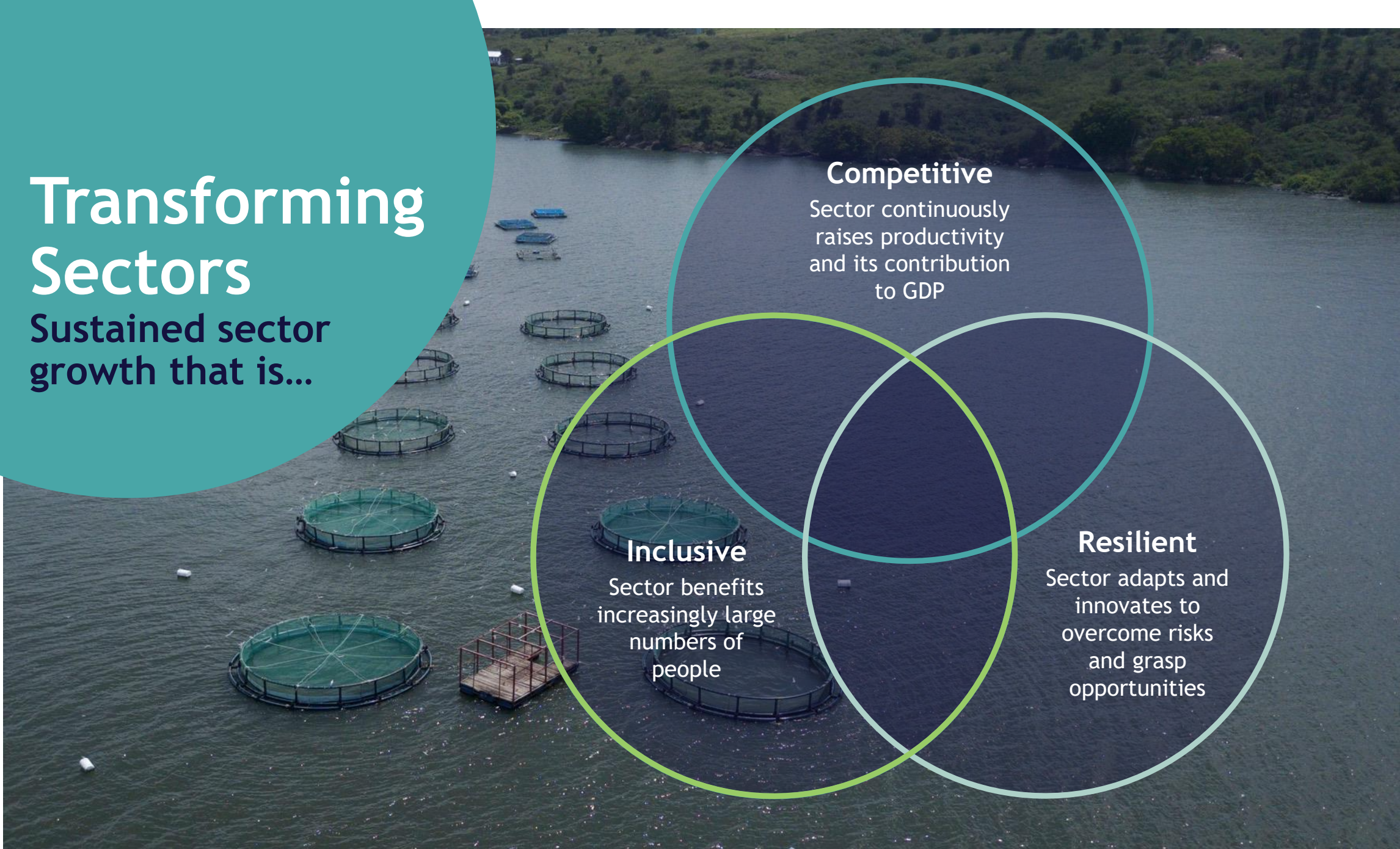**Sustained sector growth that is…**

Competitive
Sector continuously raises productivity and its contribution to GDP

Inclusive
Sector benefits increasingly large numbers of people

Resilient
Sector adapts and innovates to overcome risks and grasp opportunities

What are the key lessons for GA from cotton?

Focus on long-term and large-scale transformative change, but be clear about what this will require.

Continuously assess and respond to the political economy of a sector

Recognise trade-offs in how and where you anchor programmes with Government counterparts

Identify and validate where the investment is going to come from and where the market is for the products

Transparent evidence, deliberate learning and adaptation is critical

Know when to exit

If necessary, run some lower risk interventions alongside the higher risk interventions to secure your funder 'licence to operate'