

IGC Policy Brief Template

Transportation Costs, Food Markets, and Structural Transformation in Tanzania

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Policy Motivation for Research

Despite a fairly impressive macroeconomic performance over the last 20 years, Tanzania has not experienced the structural transformation required to turn it from a low-income agrarian economy into the semi-industrialized middle-income country envisaged in the government's *Tanzania National Development Vision 2025*. The overwhelming majority of the population still lives in rural areas and works in agriculture, predominantly depending for their livelihoods on farming small plots of land, where they primarily produce food for home consumption. At the same time, while urbanization has been rapid in and around the capital city, Dar es Salaam, medium-sized 'secondary cities', so much a feature of successful middle-income countries have yet to emerge as important centers of dynamic economic activity. Whilst many of the key constraints to growth are undoubtedly to do with problems within agriculture itself, attention is increasingly focused on the extent to which high transportation costs – affecting both domestic and international trade – contribute to Tanzania's slow structural transformation.

There is already a large and growing empirical literature on links between transport costs, infrastructure and growth. This project complements this empirical literature by developing an analytical modeling framework capable of exploring the channels through which policy-induced reductions in transportation costs change the spatial allocation of resources and spur the growth of secondary cities and the growth of non-agricultural economic activities that drive structural transformation.

Contribution and Policy Implications

The research does not generate *specific* empirical evidence but rather uses a stylized model based on Tanzanian data to provide broad analytical insights into the structural linkages between transport costs and the spatial and sectoral patterns of growth in an economy such as Tanzania.

The framework is thus best suited to support medium-term strategic planning on growth and the development of a strategic framework for public infrastructure investment programme.

Audience: Presidential Planning Commission, Ministry of Finance, Ministry of Agriculture, Government of Tanzania.

Specific policy Implications, implementation and dissemination: This research develops a framework for examining how the scale and structure of transport costs influence the spatial distribution of economic activity. The paper describes in some detail how economic structures might be expected to respond to changes in response to a set of highly stylized policy experiments, but does not at this stage examine specific policy experiments measures. Specific policy implications and recommendations for implementation therefore do not emerge at this stage in the research programme.