

**ECONOMIC DIVERSIFICATION IN THE CONTEXT OF
CLIMATE CHANGE**

**TANZANIA* EXPERIENCE ON ECONOMIC
DIVERSIFICATION**

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* The views given in this paper represent only the author's perspectives

1. INTRODUCTION

The United Republic of Tanzania is among the 49 Least Developed Countries (LDCs) in the world. The country has a population of about 35 million people (Population census, 2002) and composed of Tanzania mainland and Zanzibar.

The country's main economic activity is agriculture, a climate change fragile activity that employs about 80 percent of the total population. Like many other LDCs, Tanzania economy is more vulnerable to climate change adverse impact due to its dependency on climate change sensitive activity (agriculture).

The adverse impacts of climate change include reduced crop yield due to drought and floods, reduced water availability, increased coral reefs and coastal ecosystem destruction, rising sea levels, increased exposure to vector borne and water-borne diseases, etc.

2. ECONOMIC DIVERSIFICATION IN TANZANIA

Since in the 1990s, Tanzania has been actively undertaking macro-economic reform/transformation, including economic diversification in order to achieve sustainable development. The process of economic transformation mainly involves shifting from government/state-led economy to market oriented/private sector dominated economy. So far several companies, which were owned by the government in the past, are now privately or jointly owned between the government and the private sector. Moreover, the country has been promoting foreign direct investment so as to boost the national economy.

Since the commencement of the reform programme, a remarkable economic growth has been achieved. For example, Tanzania economy grew at 6.2 percent in 2002 while the target was 6.3% by this year.

Agriculture sector has been the backbone of the national economy since Tanzania independency in 1961. Up to now the agriculture sector continue to employ more than 70 percent of the total population. However, due to price fluctuation of some agricultural crop products and due to climate change adverse impacts, agriculture sector has been declining yearly prompting the government to initiate some economic diversification to secure the economy. As a result of such initiatives, today there are several economic activities, which have been promoted by the government of Tanzania beside agriculture sector. Among them are the tourism and mining sectors, which are

now among the key sectors contributing to growth of national economy.

In Zanzibar for example, tourism is the principal focus of the government policy of economic diversification away from cloves, although 70 – 80% of the island economy is still based on agricultural production. However, 90% of the current investment in Zanzibar is tourism related.

Tanzania has also utilized to some extent the initiatives from developed countries geared to foster economic development in the low-income countries. Such initiatives include economic arrangement like US's Africa Growth and Opportunities Act (AGOA); EU's everything But Arms (EBA) and Canada similar arrangement.

3. LESSONS/CHALLENGES LEARNED

From the above discussion we can draw the following conclusion regarding economic diversification in Tanzania: -

- Economic diversification, which has been so far undertaken by Tanzania, can be perceived as response to economic motives/market forces rather than as an adaptation to climate change per se, particularly at national level. However, agricultural crop diversification, which is often being undertaken by the local community, may answer correctly the question of economic diversification in the context of climate change and economic motives. This is due to the fact that agriculture is the main source of income to most of the local communities.
- There are still some barriers that hinder growth of economic diversification especially to poor countries like Tanzania. Such barriers include lack of necessary skills and capacity to access international markets (e.g. EU markets) due to restricted trade rules, e.g. Rules of origin, sanitary and phyto-sanitary standards and technical barriers to trade.
- There is lack of infrastructure to promote economic diversification in developing countries, thus there is a need for the international community to support enhancement of physical and institutional capacities so as to promote economic diversification in poor countries, especially in the context of climate change. National Adaptation Programme of Actions (NAPAs), which is being prepared, is an important window available to LDCs through which such countries can be assisted to enhance their economic diversification in the context of climate change. Thus we call upon the donor community to

fully support implementation of NAPAs in order to increase the capacities of LDCs to respond to climate change related adverse effects.

- In view of the above, the support for economic diversification in the context of climate change per se is likely to face some difficulties/challenges particularly under the current influence of globalization and free market economy. However, this problem can be easily overcome if the Annex I under the UNFCCC will fulfill their commitments.

Thank you for your attention.

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