MACRO-FISCAL PROFILE

TANZANIA

May 2016

Key Indicators	
Population (2014)	51.8 million
Per capita GDP (constant USD, 2015)	$601
Average population growth rate (2010-2014)	3.2%
Government revenue, % of GDP (2014)	20.7%
Country income classification	Low income

Source: World Bank, 2015.

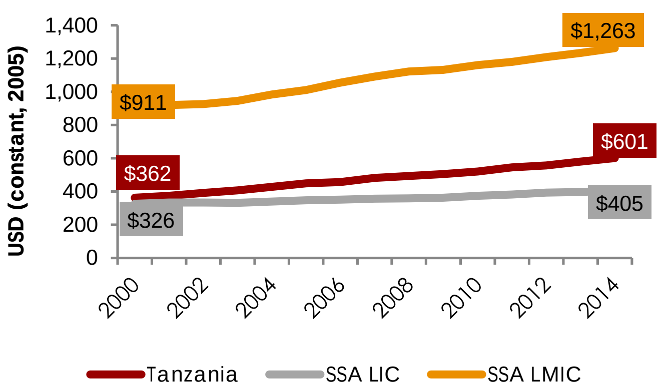
Country Policy and Institutional Assessment Ratings (1 = low, 6 = high)	National	SSA Mean
Efficiency of revenue mobilization	4.0	3.5
Equity of public resource use	4.0	3.3
Fiscal policy	3.5	3.1
Macroeconomic management	4.5	3.5
Quality of budgetary and financial management	4.0	3.5

Source: World Bank, 2014.

Macroeconomic Forecasts					
Indicator	2013	2014	2015 (est.)	2016 (proj.)	2017 (proj.)
Real GDP growth	7.3%	7.0%	7.0%	7.2%	7.2%
GDP per capita growth	4.3%	3.8%	3.9%	4.0%	4.0%

Source: IMF, 2014; Emenuga, Dhliwayo, and Charle, 2016.

Figure 1: GDP per Capita



Source: World Bank, 2015.

Overview

Tanzania continues to enjoy a strong and stable economy, driven by the construction, communications, and manufacturing sectors. The country's performance has been bolstered by a stable polity, as evidenced by a smooth transition to a new president in 2015. However, growth has not been broad based. Poverty remains high, with the majority of the workforce employed in the agriculture sector, which is characterized by low productivity. Prudent monetary policy has stabilized inflation, which was 6.1% in 2014. Export performance is strong, driven by gold and tourism, but imports of capital and intermediate goods, particularly oil, keep the current account deficit wide, at 11% of gross domestic product (GDP). Tanzania is not a resource-dependent country; resource rents account for 7% of GDP. The foreign reserves position is healthy, maintaining 4.1 months of import cover, as is the fiscal deficit, projected at sustainable levels around 5–6% of GDP (Emenuga, Dhliwayo, and Charle, 2016). Overall, the broad macroeconomic outlook is favorable, with growth on track to reach 7% in fiscal year (FY) 2015/16.

Political Economy

Tanzania Country Policy and Institutional Assessment values for policy response and governance efficiency are higher than the corresponding mean values for sub-Saharan African (SSA) countries. In 2015, Tanzania elected a new president, John Magufuli, committed to reducing government waste and corruption. Tanzania is maintaining medium-term (3–5 years) macroeconomic stability without adversely affecting the private sector. Fiscal policy is able to meet public financing targets across ministerial sectors as planned through the *Government's Medium Term Expenditure Framework*, although the country has met government wage payments and unforeseen fiscal needs unevenly. The country should be seeking improvement in linking policies and priorities to budgeting. Poverty measurement tools are in place, with vulnerable populations mostly identified. In 2000, the Government of Tanzania (GOT) formed the Social Action Fund which focused on providing social and economic services, including conditional cash transfers, as part of its poverty reduction measures.

GDP and Economic Growth

Since 2000, Tanzania has experienced an average annual real GDP growth rate of 6.6%. Going forward, growth is projected to remain strong, at at least 7% for 2015 and 2016. From 2000 to 2015, per capita GDP in 2005 constant U.S. dollars increased by an average of 3.7% annually, from US$362 to US$601 (Figure 1), outpacing the regional average for low-income countries (LICs) and lower middle-income countries (LMICs)—

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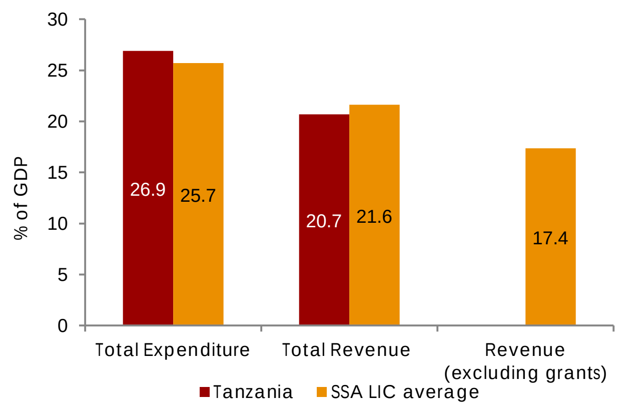
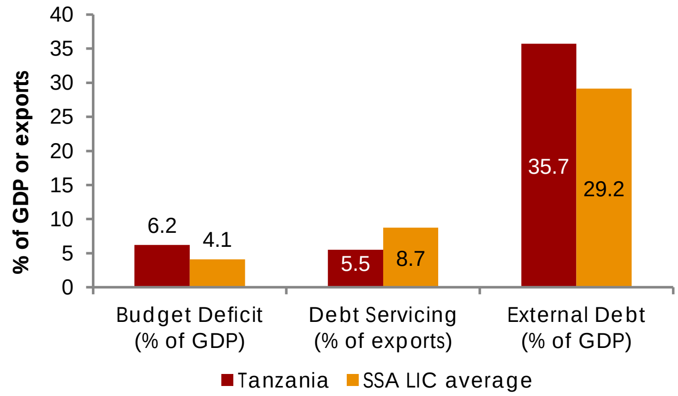
Figure 2: Government Revenue and Expenditure (2014/15)



Source: Emenuga, Dhliwayo, and Charle, 2016.

Figure 3: Government Borrowing (2014/15)



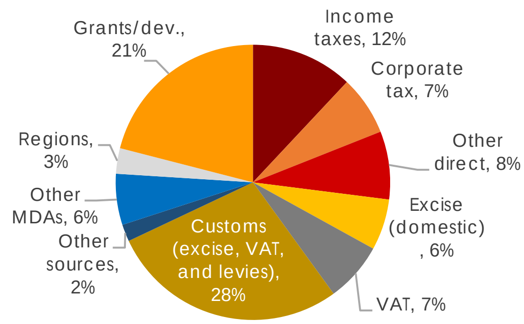
Source: Emenuga, Dhliwayo, and Charle, 2016.

1.6% and 2.4%, respectively. Given its current trajectory, Tanzania is poised to graduate into middle-income status based on the World Bank threshold; this achievement has financing implications, including losing access to highly concessional International Development Association loans.

Government Revenue and Expenditure

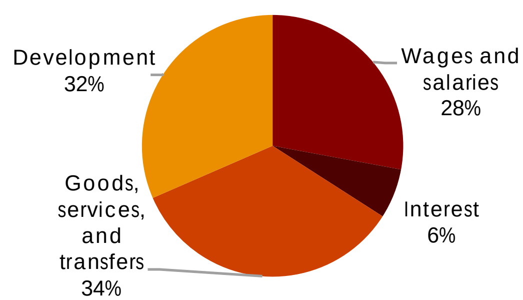
Revenue, excluding grants, accounts for 17.4% of GDP—nearly US$5 billion in current prices. Revenue generation schemes are generally stablethe GOT is collecting non-distortionary amounts of revenue (Figure 2) from firms and individual income, VAT, and import and excise duties (Figure 4), though revenue typically has fallen short of its ambitious collection targets. The GOT continues to identify new sources for widening domestic revenue, such as value-added tax (VAT) and excise duty reform, and strengthen its administration of current sources. It has focused on reducing recurrent expenditure in areas considered to be "non-priority," such as exhibitions, travel, and salaries; in the mid-term, the level of total expenditure (Figure 5) is forecasted to remain at around 26% of GDP. Actual expenditure for FY 2014/15 was US$6.8 billion (current prices), an increase of 5% compared to the previous year. In line with ceilings established by the International Monetary Fund's Policy Support Instrument program, non-concessional financing is budgeted at 2% of GDP (Emenuga, Dhliwayo, and Charle, 2016).

Figure 4: GOT Revenue and Grants (FY 2014/15)



Source: IMF, 2014.
MDAs = Ministries, Departments, or Agencies

Figure 5. Expenditure (FY 2014/15)



Source: IMF, 2014.

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