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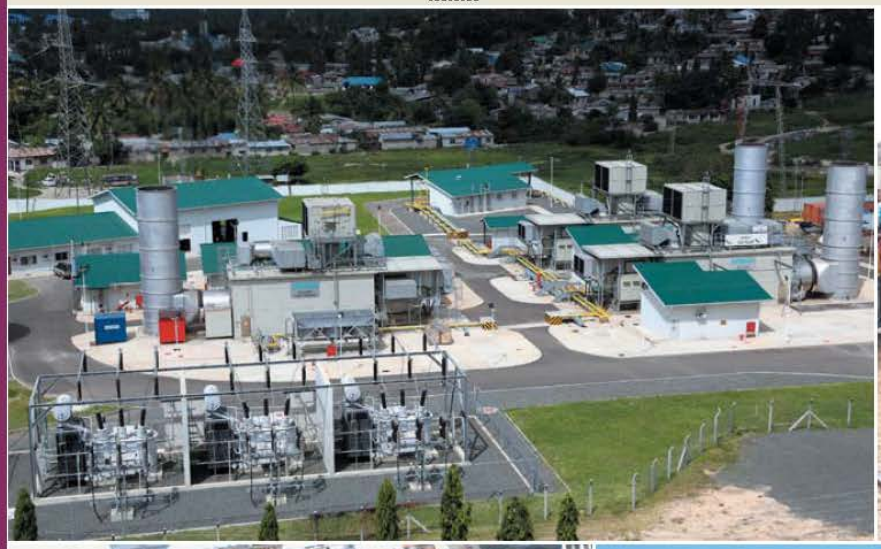
Tanzania Economic Update

The Road Less Traveled

Unleashing Public Private Partnerships in Tanzania



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Foreword

The eighth Tanzania Economic Update is a sequel to the seventh edition, which addressed issues related to financing economic development by enhancing the collection of tax revenues. Over the past decade, Tanzania has achieved a high rate of economic growth and has reduced the incidence of poverty. However, approximately 12 million people still live on less than TZS 1,300 per day and a large proportion of Tanzania's rapidly growing population still does not have adequate access to basic infrastructure and social services. Thus, investments in infrastructure and human capital are critically important in order to unlock Tanzania's latent economic potential and to accelerate economic growth and poverty reduction. However, with limited available resources, investments need to be carefully prioritized and fully funded. With job creation being the most immediate avenue to promote pro-poor growth, productive employment opportunities need to be generated for the estimated 800,000 people entering the labor market every year. In this process, the private sector, which employs more than 95 percent of the workforce, should take the driver's seat. To foster private sector growth, the Government needs to create a more conducive business environment.

With Tanzania's massive development needs, it finds itself at a critical juncture, with domestic revenues barely sufficient to cover the Government's recurrent expenditures; aid inflows declining; and external commercial loans becoming increasingly expensive and less accessible. Thus, to bridge the massive financing gap, the Government needs to identify alternative sources of finance. Potential options include increasing the level of domestic revenue collection; engaging in additional borrowing; improving spending efficiency; and utilizing private sector financing. The new administration is taking sweeping measures to increase revenue mobilization; to improve efficiency in public spending; and to reduce corruption. These measures are already beginning to yield positive results. However, any further significant increase in the level of commercial borrowing and payment arrears, without additional strengthening of the fiscal policy stance and without the identification of the means to lower borrowing costs, is likely to raise concerns over the sustainability of debt

and fiscal accounts. Thus, private sector financing, including through carefully selected, appropriately implemented public private partnerships (PPPs), is the most as yet underutilized source of financing.

The 2030 Agenda for Sustainable Development Goals (SDGs) strongly emphasizes the role of the private sector in the development process. Private sector financing and investment are identified as the most significant potential source of additional funding required to facilitate the achievement of the SDGs. If appropriately selected and implemented, PPP projects can make a significant contribution towards mobilizing financing to help address the significant infrastructure and social services gap; towards delivering projects on time and within budget to a greater extent than in the case of public projects; and towards delivering higher quality services than could be achieved through publicly managed projects. In fact, global experience shows that countries that have implemented successful PPP programs, including India, Mexico, Chile and Brazil, are able to raise finance for 25-30 percent of their investment needs from the private sector through PPPs, while at the same time achieving a significantly higher level of service quality and efficiency gains. This Economic Update shows that PPPs could play a useful role in financing Tanzania's economic development. However, it also shows that this will only be achieved if PPPs are well-designed and appropriately implemented.

Tanzania has significant experiences with PPPs, although these have so far produced mixed results. However, combined with the lessons learnt from global best practice, these experiences provide a strong basis on which to implement a successful PPP program. The key lessons include the following: (i) PPPs are not a panacea and do not necessarily work well in all sectors. PPP projects should be carefully selected on the basis of their financial viability and attractiveness to the private sector; (ii) selected projects need to be prepared well, with the appropriate allocation of financial and human resources, including access to expert advice; (iii) projects that are awarded on a non-competitive and non-transparent basis are less likely to succeed, with global good practice suggesting that investors should be selected through competitive procedures; (iv) a high level of commitment from the highest levels of government is key to ensuring the success of a PPP program. On the other hand, unwarranted government interference and micro-management is likely to lead to failure; and (v) well-designed, well-resourced training programs and public outreach campaigns play a vital role in building awareness and forging consensus amongst government staff, private investors, financiers, and the broader public regarding the role and value of PPPs and the best means to implement them.

Bella Bird
Country Director for Tanzania, Malawi, Burundi and Somalia

Abbreviations and acronyms

BoT	Bank of Tanzania
BRN	Big Results Now
CCM	Chama Cha Mapinduzi
CYN	Chinese Yuan
DAWASCO	Dar es Salaam Water and Sewerage Corporation
DBSA	Development Bank of Southern Africa
DFID	Department for International Development
DNP	Department of National Planning
EAC	East African Community
EU	European Union
EUR	Euro
FDI	Foreign Direct investment
FYDP	Five-Year Development Plan
GDP	Gross Domestic Product
GoT	Government of Tanzania
GTZ	German Technical Cooperation Agency
ICTSI	International Container Terminal Services
IDA	International Development Association
IMF	International Monetary Fund
INR	Indian Rupee
IPTL	Independent Power Tanzania Ltd
KES	Kenyan Shilling
KIA	Kilimanjaro International Airport
KPMG	Klynveld Peat Marwick Goerdeler
LGA	Local Government Authority
LNG	Liquefied Natural Gas
MKUKUTA	Mkakati wa Kukuza Uchumi na Kupunguza Umasikini Tanzania
MoF	Ministry of Finance
MoU	Memorandum of Understanding
NGOs	Non-governmental organization
OECD	Organisation for Economic Co-operation and Development
PO-RALG	President's Office Regional and Local Government
PPI	Public Private Infrastructure
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Public–Private Partnership
PSPF	Public Service Pension Fund
RAHCO	Reli Assets Holding Company
REA	Rural Electrification Agency

RITES	Rail India Technical and Economic Service
SDG	Sustainable Development Goals
SMR	Statutory Minimum Reserve
TANESCO	Tanzania Electric Supply Company
TDV	Tanzania Development Vision
TICTS	Tanzania International Container Terminal Services
TNBC	Tanzania National Business Council
TRL	Tanzania Railways Limited
TSH	Tanzanian Shilling
TTCL	Tanzania Telecommunications Company Limited
TZS	Tanzanian Shilling
UDA-RT	Usafiri Dar es Salaam Rapid Transit
UK	United Kingdom
UKAWA	Umoja Wa Katiba Ya Wananchi
US	United States
USAID	United States Agency for International Development
USD	United States Dollar
VAT	Value Added Tax

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Executive Summary

Tanzania successfully conducted its general elections in October 2015. As a result of these elections, Dr. John P. Magufuli, the candidate from the ruling party, Chama Cha Mapinduzi (CCM; "Party of the Revolution"), was declared the fifth president of the United Republic of Tanzania.

Upon its inauguration in November 2015, the new administration quickly launched sweeping measures to improve tax collection; to reduce non-priority expenditures; and to curb corruption. Recent efforts to reduce tax evasion and tax exemptions have met with a significant degree of success, with monthly tax revenue collections surpassing the targets in every month since December 2015. In addition, the President's strong anti-corruption stance has led to the dismissal of several senior government officials.

In his first dialogue with the private sector, President Magufuli called on the private sector to cooperate and make the required tax payments. He noted the importance of a stronger partnership between the Government and the private sector to boost tax collection and thus to reduce dependence on aid. While the Government should strengthen measures to improve tax collection, these measures should be implemented in a business-friendly way, especially through streamlining the multiple taxes and levies, particularly in the agriculture and tourism sectors.

Part 1: The State of the Economy

The Tanzanian economy has grown at an average annual rate of around 6-7 percent for more than a decade. The rate of inflation has declined since January 2016, although it trended upwards in the preceding few months due to increases in domestic food prices and the lagged impacts of the sharp depreciation of the Tanzanian Shilling during the first half of 2015. However, the Shilling stabilized in the second half of 2015, with the real exchange rate now close to the equilibrium level. The current account deficit has also improved, standing at around 8.7 percent of GDP in 2014/15. The level of aid inflows declined during 2014/15, although this was offset by increases in FDI and external non-concessional borrowing, maintaining the overall balance of payments in a stable position.

Despite achieving a high rate of economic growth and poverty reduction, approximately 12 million Tanzanians still live on less than TZS 1,300 per day, the national poverty line. In addition, a significant proportion of the population are just above the poverty line and are vulnerable to falling back into poverty in the event of economic shocks. So far, economic growth has been primarily driven by non-labor-intensive sectors. Thus, the expansion of these sectors has had only a limited impact on job creation, with poverty reduction having been achieved mainly through increased returns on marginally productive economic activities. Thus, there is still a pressing need to generate a greater number of productive employment opportunities for Tanzania's rapidly expanding workforce.

Over the past four years, Tanzania's fiscal deficit has declined steadily, from 6.8 percent of GDP in 2011/12 to 3.3 percent in 2014/15. However, this reduction has mainly been achieved through the imposition of painful cuts to development expenditures and through the accumulation of a high level of arrears. As of June 2015, the Government had accumulated arrears to a value of approximately TZS 5 trillion (6 percent of GDP) with suppliers and pension funds. Including arrears with suppliers, the fiscal deficit in 2014/15 increased to 4.5-5.0 percent of GDP. In addition, TANESCO has accumulated a significant level of arrears, the value of which is estimated to reach approximately TZS 1 trillion (1.2 percent of GDP), while the situation of other parastatal entities, such as REA and DAWASCO, remains unclear. The skyrocketing cost of debt service creates additional fiscal challenges, with debt service currently consuming approximately 25 percent of domestic revenues.

While economic performance has remained strong in the recent past, the new administration comes into power in the context of increasingly significant external risks. These risks include China's economic slowdown; the decline in commodity prices; volatile global financial markets; and a further decline in aid inflows. The persistent decline in oil prices has delayed investment decisions related to the development of Tanzania's liquefied natural gas (LNG), which will potentially result in a reduction in the huge FDI that is expected to flow to the gas sector beginning in 2017. In addition, given the growing pressure on European countries to divert their aid budgets towards addressing the European refugee crisis, aid flows to Tanzania might decline even further in the foreseeable future. It is vital that policymakers carefully monitor and manage these developments.

In the medium term, the economy is projected to expand at a rate of around 7 percent over the next two years, assuming no major shocks, while the rate of inflation is projected to decline to about 5 percent. The current account balance is expected to further improve if oil prices remain low and exports continue to improve. The value of

gross international reserves is projected to remain stable, at approximately 4 months of import coverage. The fiscal deficit is expected to decline to approximately 4.2 percent of GDP in 2015/16 and to 3 percent in 2016/17, following further fiscal consolidation.

However, a business-as-usual approach makes the achievement of the goals of accelerated growth and further poverty reduction less likely. An average annual rate of growth of 6-7 percent is estimated to have only reduced the poverty rate from 46 percent in 2012 to 41 percent in 2015, based on the US$ 1.90 per day global poverty line. Therefore, maintaining the status quo may not be enough to achieve rapid poverty reduction. With job creation being the most immediate means to promote pro-poor growth, the creation of a significantly greater number of productive employment opportunities is of paramount importance to productively absorb the estimated 800,000 people who enter the labor market each year.

Investments in infrastructure and human capital are critically important if Tanzania is to unleash its economic potential and to generate a greater number of productive jobs while increasing the productivity of its domestic industries. To facilitate rapid poverty reduction, it is also vital to modernize the agricultural sector; to expand health, education, and water services; and to extend the coverage of productive safety nets. However, given the limited availability of public resources to finance development, investments need to be carefully prioritized and fully resourced. The private sector should play a much more significant role in accelerating economic growth and creating jobs. However, for this to occur, constraints to private sector growth need to be resolved. This requires significant improvements in the business environment, which in turn will involve expanding access to affordable finance; expanding access to reliable infrastructure, such as power supply and good road and railway networks; and improving the education and training system to produce skilled workers in order to promote productive activities.

In a fiscal environment in which domestic revenues are only sufficient to meet the Government's recurrent expenditures and in which aid meets only a small proportion of the financing gap, it is necessary to identify alternative means of financing Tanzania's huge development needs. There are several means by which this may be achieved, such as increasing the collection of domestic revenue; increasing efficiency in spending; increased borrowing; and tapping into private sector financing. The Government is already implementing sweeping measures to improve revenue mobilization and to improve spending efficiency. Significant additional borrowing, without further fiscal consolidation and without the means to lower borrowing costs, would result in significant increases to debt stock and debt service costs, raising

concerns over debt and fiscal sustainability. International experience suggests that it is worth seriously considering the so far underutilized financing options involving the private sector, especially public private partnerships (PPPs). Thus, the current edition of the Economic Update focuses on the potential of PPPs to finance development. This is a sequel to the seventh Economic Update, which focused on improving tax revenue collection.

Part 2: Making PPPs deliver

Tanzania's infrastructure and social services deficits are already massive and projected to increase into the future. As noted in Part I, traditional financing instruments are clearly insufficient to bridge the profound gap between existing public resources and financing requirements. By leveraging synergy between the public and private sectors, PPPs can mobilize additional sources of finance to fund the development of vitally needed infrastructure; to deliver on budget and on time to a greater extent than in the case of publicly financed projects; and to deliver higher quality services than in the case of publicly managed projects. Tanzania's own policy documents identify PPP as a key instrument to attract new investment and to deliver infrastructure more efficiently.

The private sector plays an important role in financing and delivering public services in many developing and emerging economies. Countries with successful PPP programs include India, Mexico, Chile and Brazil, which mobilize finance for 25-30 percent of their investment needs from the private sector, primarily through PPPs. Global experience clearly shows that well-designed and properly implemented PPPs can make significant economic contributions. Privately-managed infrastructure services have been shown to facilitate the delivery of 12-29 percent more connections per worker to services such as power and water; the achievement of bill collection ratios that are 85 percent higher than in the case of publicly managed projects; and to reduce distribution losses by as much as 41 percent.[1]

Tanzania has both a comprehensive framework for, and significant experience with, PPPs. However, much still needs to be done to ensure their appropriate and effective implementation. The history of PPPs in Tanzania provides a series of excellent lessons learned which, combined with best practices from other countries, provide a useful roadmap to facilitate the changes necessary to implement a successful PPP program. Some of these key lessons are briefly discussed below.

1. *Select well*: Careful analysis is needed to verify that a project is likely to be feasible; to be attractive to the private sector; and to provide value for money. PPPs are not a panacea and many projects

[1] World Bank, PPP Reference Guide (2015).

are not suitable to be implemented as PPPs. In particular, there are problems that PPPs cannot solve. For example, by itself, the establishment of a PPP will not reform a sector with substantial governance and pricing problems. Where such problems exist, it is necessary for the Government to diligently implement sector reforms as part of the process of establishing PPP projects.

2. *PPP framework*: Global good practice clearly indicates that a sound institutional and regulatory framework is critical for the success of PPP programs. Accordingly, the Government should give serious consideration to the means by which it might strengthen its central PPP institutions. The PPP Centre needs to be properly established, with the appropriate resources. It should be headed by senior CEO, with strong private and government experience, and preferably with significant experience in the financial sector. The PPP Centre should report to a central government ministry that has the power and authority to challenge line ministries and to ensure compliance with the PPP framework. The Ministry of Finance (MoF) PPP team and the Local Government Authority (LGA) PPP Node need to have full-time, dedicated staff with the appropriate skills and access to external experts to support the contracting authorities; to mobilize project funding; and to ensure high-quality project delivery.

3. *Prepare well*: Successful PPP programs allocate appropriate resources necessary for project preparation. Once projects are selected, the necessary financial and human resources should be assigned to carefully prepare projects through budget allocations and other funding sources. In the past, the Government has relied excessively on studies and analysis provided by investors and other governments, despite the potential for conflicts of interest. Global good practice indicates the importance of independent feasibility studies and transaction advice from independent and highly experienced advisers to identify investors and financiers and to assist in the oversight of implementation.

4. *Compete*: Best practice PPP programs adopt open, transparent, competitive bidding. Competition brings the best out of private investors and helps to ensure that the Government achieves value for money. It also protects against perceptions of corruption and bias that may result in the case of direct negotiations and unsolicited proposals. Thus, direct negotiations and unsolicited proposals should be permitted only in the most limited of circumstances, when this is the only feasible approach. The PPP Act mandates this approach, and it should be implemented accordingly.

5. *Use public support carefully*: Global good practice indicates the need to allocate sufficient financial and human resources to assess, approve, and monitor public liabilities associated with PPP. Tanzania needs to adopt and apply a policy for the provision of Government financial support for PPP, including awarding guarantees

and deciding which projects will receive such support.

6. *Train them up*: Finally, a solid training program and public outreach campaign plays an important role in enabling government staff, local governments and the public to understand the rationale for PPPs. Training will enable Government staff to select the appropriate projects for PPP and to implement those projects well. An awareness campaign should be implemented to ensure that the public understands the value and risks associated with PPP. In addition, it is necessary to strengthen the local financial sector to develop the skills and instruments needed to support PPP.

1 The State of the Economy

Part I: The State of the Economy

Key Messages

- Tanzania continues to record a strong economic performance. However, about 12 million of its citizens still live in dire poverty, with a significant portion of the non-poor population living just above the poverty line and therefore vulnerable to falling back into poverty in the case of economic shocks.
- More and better infrastructure and human capital investment is key to unlocking Tanzania's economic potential and to creating a greater number of jobs in high-productivity sectors. However, given significant financing constraints, which left FYDP priorities (including the BRN projects) underfunded by about 50 percent until 2014/15, investments need to be carefully prioritized and fully funded if they are to facilitate the achievement of these goals.
- The new administration is taking sweeping measures to improve tax collection; to contain public spending; and to curb corruption. However, measures to improve tax collection should be implemented in a business-friendly manner and accompanied by the measures to streamline multiple taxes and levies, particularly in the agricultural and tourism sectors.
- There are some signs of increased business optimism regarding the future of the economy. The Government needs to capitalize on this by creating a more conducive business environment, which is critical to private sector growth and job creation.
- The stock of domestic payment arrears remains unsustainably high, with progress towards clearing these arrears remaining slow. To restore the confidence of suppliers and pension funds, and the private sector more generally, these arrears need to be cleared as a matter of urgency.
- Tanzania's debt levels have increased significantly, with debt service consuming about 25 percent of domestic revenues. To ensure fiscal and debt sustainability, the authorities should monitor these debt levels closely.
- While Tanzania's short to medium term prospects remain positive, the economy faces a number of increasingly significant external risks, including China's economic slowdown, falling commodity prices, volatile global financial markets, and decline in aid flows. These need to be carefully monitored and appropriately managed.

1.1 Recent Developments

In October 2015, Tanzania successfully conducted its general elections. As a result of these elections, Dr. John P. Magufuli, the candidate from the ruling party, the Chama Cha Mapinduzi (CCM, "Party of the Revolution"), was declared the fifth president of the United Republic of Tanzania. The CCM, the ruling party for the last 40 years, won a parliamentary majority, although the opposition parties under the UKAWA coalition increased their number of seats in the Parliament. Following the peaceful conclusion of the elections, a new administration has been formed, with the size of the cabinet scaled down to half of its size under the previous administration.

The President has called on the private sector to cooperate with the authorities and to comply with the requirements to pay taxes.

The new administration is taking sweeping measures to strengthen fiscal management and to curb corruption. Upon his inauguration in November 2015, the President quickly implemented a series of measures to cut non-priority expenditures, including expenditures related to foreign trips by government officials, conferences, and celebrations. The new administration has taken bold measures to crack down on tax evasion, with these measures resulting in consistent over-performance in tax revenue collection during the first four months of this administration. As a result of the President's strong anti-corruption stance, a number of senior officials were dismissed during his first 100 days in office, including heads and board members of key agencies, including the Tanzania Ports Authority (TPA); the Tanzania Revenue Authority (TRA); and the Prevention and Combating of Corruption Bureau (PCCB).

The President has called on the private sector to cooperate with the authorities and to comply with the requirements to pay taxes. In his first dialogue with the private sector, through the Tanzania National Business Council (TNBC), the President emphasized the importance of establishing a stronger partnership between the Government and the private sector, particularly as a means to improve tax collection and thus reduce Tanzania's dependence on foreign aid. He encouraged businesspeople to cooperate with the authorities and to pay all required taxes, warning that stern legal measures would be taken against tax evaders. However, efforts to strengthen tax collection should be implemented in a manner that does not adversely impact the business environment, with an ongoing dialogue with the business community being helpful to ensure this. In addition, multiple taxes and levies should be streamlined to improve efficiency and to reduce transaction costs for the private sector, particularly in the agricultural and tourism sectors.

The new administration has indicated its commitment to the achievement of accelerated economic growth and to the delivery of quality social services. This is in line with the new development agenda that promotes the structural transformation of the Tanzanian

economy into a semi-industrialized one and that accelerates progress towards the achievement of the goals defined by the Tanzania Development Vision (TDV) 2025. To achieve these goals, the Government's priorities include: the development of infrastructure to facilitate accelerated growth; the creation of a significantly greater number of productive job opportunities; and the delivery of high quality social services. The development of both transportation infrastructure, including the Dar es Salaam port, central railway, roads; and energy infrastructure, including both generation and distribution facilities, are top priorities. In the area of social services, top priorities include the provision of 11 years of free schooling; the delivery of high quality health services; and provision of clean and safe water supplies in both rural and urban areas. The administration has already begun to implement its free education policy, with the disbursement of the first tranche of TZS 180 billion to schools in January 2016 to compensate them for the abolition of school fees. The President has also directed that a portion of the funds allocated for the parliamentary inauguration ceremony be reallocated for the purchase of additional hospital beds at the Muhimbili National Hospital.

However, the new administration comes into power in the context of significant global economic challenges. These include challenges related to the economic slowdown in China; low commodity prices; volatile global financial markets; and a general decline in aid flows, partly due to potential impact of the refugee crisis in Europe. In addition, Tanzania continues to face significant fiscal challenges, including the high level of domestic payment arrears; low levels of revenue mobilization; and massive financing needs for infrastructure and social services delivery. The first section of Part I of this Economic Update discusses recent macroeconomic trends and their main drivers, while the second section presents the economic outlook, including an analysis of external risks. Finally, the third section discusses why a business-as-usual approach is insufficient to facilitate the achievement of rapid poverty reduction, pointing to the need for alternative financing sources to complement the low level of available public resources.

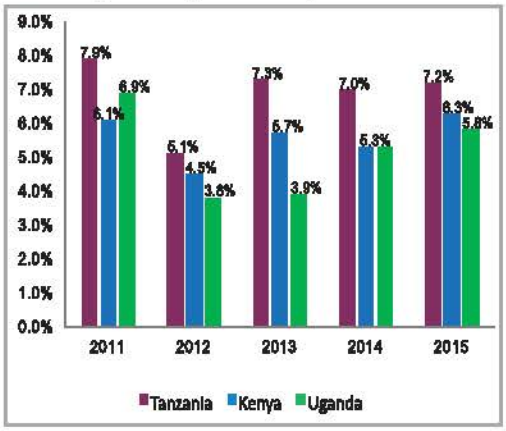
Tanzania's economy has grown at 7 percent in 2015, the fastest in the EAC.

1.1.1 Stable economic performance in spite of fiscal challenges

The Tanzanian economy continues to be the fastest growing among the EAC countries, with a rate of economic growth of 7 percent in 2015 (see Figure 1). This fairly high rate of growth was primarily driven by rapidly growing sectors such as hotels and restaurants; construction; finance; and trade, which were also the key drivers of growth in 2014. Despite earlier concerns, low rainfalls in 2015 had no significant impact on economic growth. From the demand side, real GDP growth was primarily driven by a significant expansion in public consumption; private consumption; and

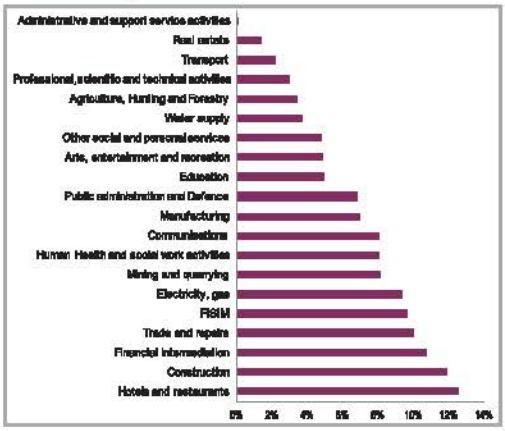
private investment. Unlike the case in 2014, public consumption made a significant positive contribution to growth in 2015, with this phenomenon possibly related to the election cycle. The contribution from net exports also increased, largely due to lower oil import bills. However, Tanzania's low level of public investment (about 7 percent of GDP in recent years) implies lacking potential crowding-in effect on private investment, which would have contributed more to economic growth.

Figure 1: Tanzania: The fastest growing economy in EAC



Source: MoF and World Bank

Figure 2: Tanzania's sector growth rates in 2015

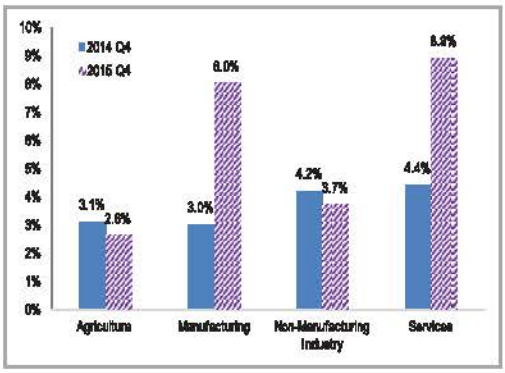


Source: NBS

Unlike the case in 2014, public consumption made a significant positive contribution to growth in 2015, with this phenomenon possibly related to the election cycle.

While the agricultural sector experienced continuous slow growth in 2015, there was a surge in manufacturing and retail trade (see Figure 3). In particular, agro-processing (food, beverages, and tobacco) and basic metal industries (construction materials) experienced strong growth. In the fourth quarter of 2015, the agricultural sector registered a slightly lower rate of growth, mainly due to a decline in the production of major crops as a result of unfavorable weather conditions. In contrast, the manufacturing sector grew at the remarkable rate of about 8 percent in the fourth quarter of 2015, with this growth being primarily driven by lower fuel costs; the increased flow of credit; and an increase in the volume of regional trade.

Figure 3: Quarterly sector growth rates



Source: MoF and World Bank.

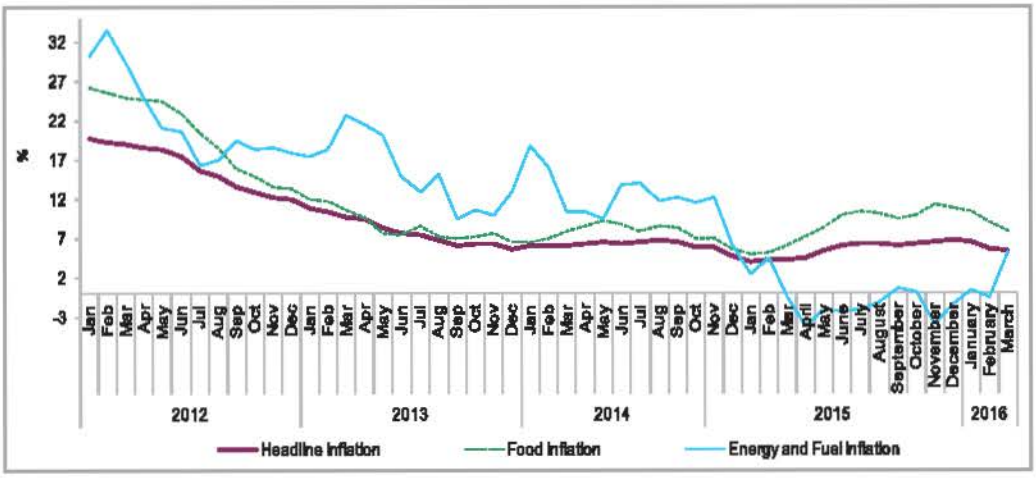
By contrast, the rate of growth in the non-manufacturing industrial sector declined slightly in 2015. However, the mining sub-sector grew at a rate of approximately 11 percent in the fourth quarter of 2015, compared to the rate of 7 percent in the corresponding quarter in 2014. This was

mainly due to increased gold production, resulting from drastically reduced fuel costs. In the final quarter of 2015, the construction industry experienced a significant decline in growth.

Despite high economic growth and a reduction in the poverty rate over the past decade, about 12 million Tanzanians continue to live on less than TZS 1,300 per day. This high number is partly due to Tanzania's rapid population growth. In addition to those living in poverty, a significant proportion of the population live just around the poverty line. Those just above the line are highly vulnerable to falling back into poverty in the case of economic shocks. The poverty rate fell from 34 percent in 2007 to 28 percent in 2012.[2] Nonetheless, with the country's high rate of population growth, the proportion of people living below the poverty line remains roughly the same as in 2007. In addition, if the proportion is calculated using the new US$ 1.90 per day global poverty line, the poverty rate increases to 46 percent in 2012. Based on this measure, Tanzania ranks in ninth place in terms of the number of its population living in poverty on a global scale. While estimates indicate that the poverty rate declined to about 41 percent in 2015, it is unarguable that a high proportion of the population remains poor.

Despite high economic growth, about 12 million people live on less than TZS 1,300 per day, while many others are just above the poverty line.

Figure 4: Inflation has declined in recent months



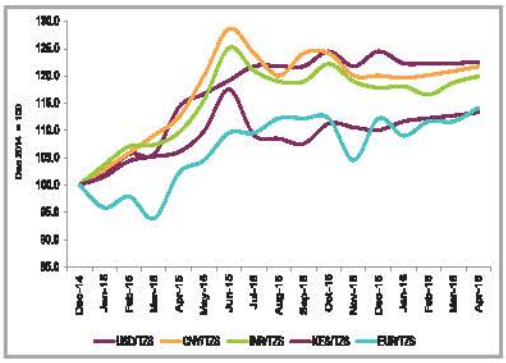
Source: NBS.

The rate of inflation has declined since January 2016, although it trended upwards during the second half of 2015, largely due to increases in domestic food prices (see Figure 4). The rate of inflation had reached 6.8 percent in December 2015, mainly due to increases in domestic food prices and the lagged impacts of the sharp depreciation of the Tanzanian Shilling, particularly during the

[2] Using the National Poverty line of about 0.6 dollar (TZS 1,300) per day.

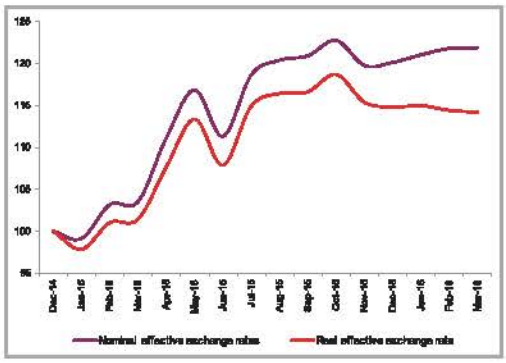
first half of 2015. However, the rate has been declining slowly over the past few months, standing at 5.4 percent in March 2016. The rate of food inflation increased consistently between January 2015 and January 2016, largely due to increases in domestic food prices resulting from a shortfall in the supply of major food crops, particularly rice and maize. Prudent monetary policy and the decline in energy prices have played a role in dampening the effects of the increases in the domestic food prices and of the depreciation in the value of the currency, thus playing a key role in maintaining inflation in the single-digit range. Analysis shows that the sharp depreciation in the value of the Shilling exerted upward pressure on the rate of inflation, which was offset by the decline in global fuel and food prices (see Box 1).

Figure 5: The Shilling has stabilized after sharp depreciation in the first half of 2015



Source: IMF, World Bank, BoT

Figure 6: Nominal and real effective exchange rates have remained stable



Source: IMF, World Bank, BoT

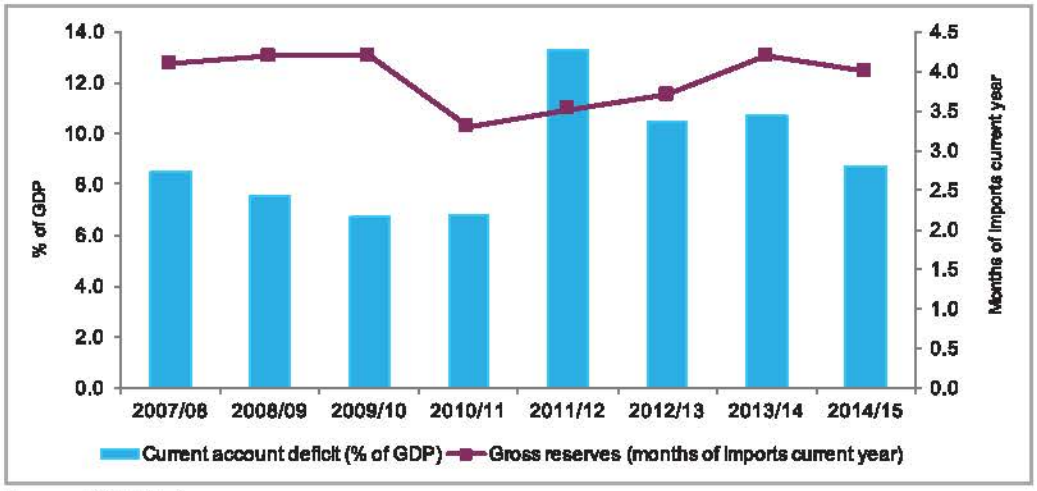
The shilling has now stabilized after a significant depreciation in the first half of 2015.

The Shilling appears to have stabilized, following a significant depreciation relative to most major currencies during the first half of 2015 (see Figures 5 and 6). The Shilling depreciated by approximately 25 percent in the first half of 2015, largely due to the strength of the US dollar; the high level of liquidity in the banking system; and seasonally low export earnings. The rapid depreciation was exacerbated by delays in the mobilization of external program financing. However, the value of the Shilling has remained fairly stable relative to the US dollar since August 2015, despite a significant appreciation relative to the Euro in November 2015, followed by an equally significant depreciation in December 2015. The recent stability has been achieved through a tightening of monetary policy, supported by increases in the value of export earnings, especially since August 2015. The real effective exchange rate is now close to equilibrium, from a somewhat overvalued starting point.

Tanzania's balance of payments improved during the second half of 2015. This improvement was largely due to the good performance of exports and to the reduced import bill resulting from the

decline in oil prices. The current account deficit declined to a value of approximately 8.7 percent of GDP in 2014/15, down from 10.7 percent in 2013/14 (see Figure 7). This reflects an increase in the value of exports of goods and services, driven primarily by an increase in manufacturing and services exports, and a decrease in imports of goods and services, mainly due to a decline in the oil import bill (see Figure 8). The current account deficit amounted to a value of US$ 2.8 billion in February 2016, nearly half of the value recorded in February 2015. The value of gross international reserves stood at US$ 4.2 billion at the end of February 2016, equivalent to approximately 4 months of projected imports of goods and services, excluding the portion financed by FDI. The current account balance is expected to continue to improve in 2015/16 if oil prices remain low, given that oil accounts for about 30 percent of the total import bill.

Figure 7: Stable international reserves and current account deficit



Source: IMF, BoT

Aid and private capital flow are no longer the major services of financing balance of payment.

Aid and private capital inflows, which were the major sources of financing for the balance of payments deficit, have reversed their trends in recent years, partly reflecting increased volatility in global financial markets. Aid contributed to around 25 percent of the total value of capital inflows in 2014/15, a decline from the figure of about 35 percent recorded in 2013/14. Similarly, although both FDI and public external non-concessional borrowing constituted important sources of capital inflows, FDI experienced a lower rate of growth while public external non-concessional borrowing experienced a negative rate of growth over this period. Specifically, over the period from 2013/14 to 2014/15, the value of FDI increased by only 2 percent, while the value of public external non-concessional borrowing declined by 32 percent, mainly due to higher borrowing costs. Tighter global

financial conditions and falling commodity prices (particularly in the cases of oil and gold) have contributed to the decline in the value of FDI flows, which have been largely directed towards the extractive and mining sectors.

Box 1: Shilling depreciation was associated with higher domestic inflation

Over the past year, the value of the Shilling has depreciated significantly, mainly due to increases in the value of the US dollar. As already noted, the rate of inflation has been slowly increasing in recent months. Was the depreciation in the value of the Shilling associated with these higher rates of inflation?

Although the increases in the rate have not been dramatic, it does not necessarily follow that nominal depreciation has not had an inflationary impact. Rather, it appears that the relatively low increases are the result of a confluence of counteracting factors, with the deflationary impact of the fall in oil prices mitigating the inflationary impact of the depreciation in the value of the currency. Using Tanzanian data, empirical analysis shows that higher rates of nominal depreciation are associated with increases in the rate of inflation. Specifically, it is estimated that a 1.0 percent depreciation in the nominal effective exchange rate results in an increase of 0.58 percent to the rate of inflation. By contrast, a 1 percent decline in global oil prices results in a decline in the domestic rate of inflation of approximately 0.2 percent, while a 1 percent decline in the rate of food inflation results in a decline in the overall domestic rate of inflation of approximately 0.5 percent. Thus, while a significant depreciation in the value of the Shilling had an inflationary impact, most of this impact has been offset by lower global oil and food prices. This suggests that a possible concurrence of a bounce back in global commodity prices and further depreciation in the value of the Shilling might induce an inflationary spiral.

Source: Haile (2016) 'Global shocks and their impact on the Tanzanian economy.'

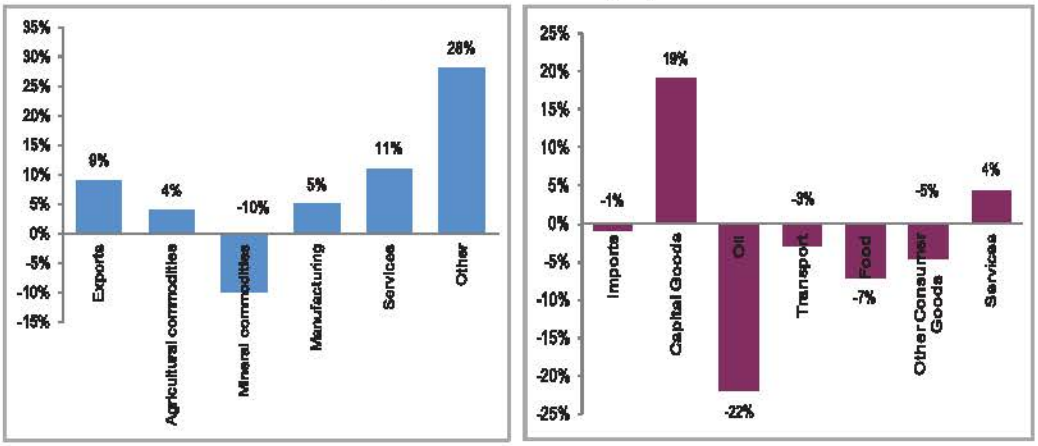
Current account stability has been achieved, partly through trade diversification.

The increasing diversification of Tanzania's trade has played a role in stabilizing the current account (see Figure 8). In terms of exports, a larger portion of Tanzania's foreign exchange earnings are now generated from non-traditional exports, with manufacturing and tourism exports making the most significant contribution to the improvements. The increased diversification of exports is partly associated with an intensification of regional integration. In terms of imports, a greater share of foreign currency is now being channeled towards the import of capital goods, such as machinery and transport equipment. In addition, to some extent, the shift in the composition of trade value is explained by the fall in the global price of commodities such as oil, gold and other traditional agricultural products. Specifically, the value of traditional exports declined by about 6 percent in the period from February 2015 to February 2016, while the value of non-traditional exports increased by approximately 10 percent. Over the aforementioned period, there was a decrease in the value of imports of oil by around 25 percent, of food by a negligible 0.3 percent, and of fertilizer by about 20 percent. By contrast, there

was an increase in imports of buildings and construction materials by around 2.6 percent and of machinery by around 14 percent. Overall, lower global commodity prices have had a net positive impact on the economy.

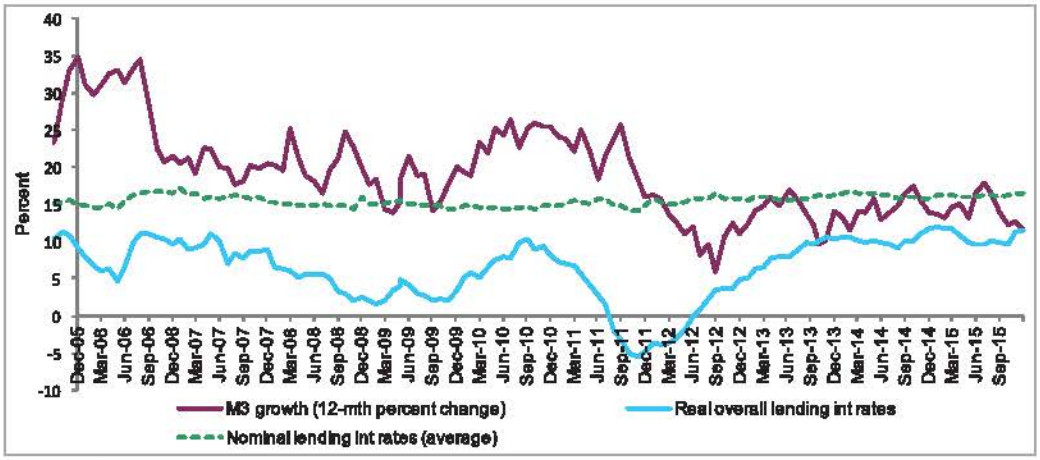
Overall, lower global commodity prices have had a net positive impact on the economy.

Figure 8: Stable trade flows but significant shift in their composition (2015 annual changes)



Source: IMF, BoT
Note: 'Other' exports include: edible vegitables, oil seeds, cereals, cocoa, raw hides and skins, woods

Figure 9: Sustained low monetary growth since 2011 and fairly stable nominal and real interest rates



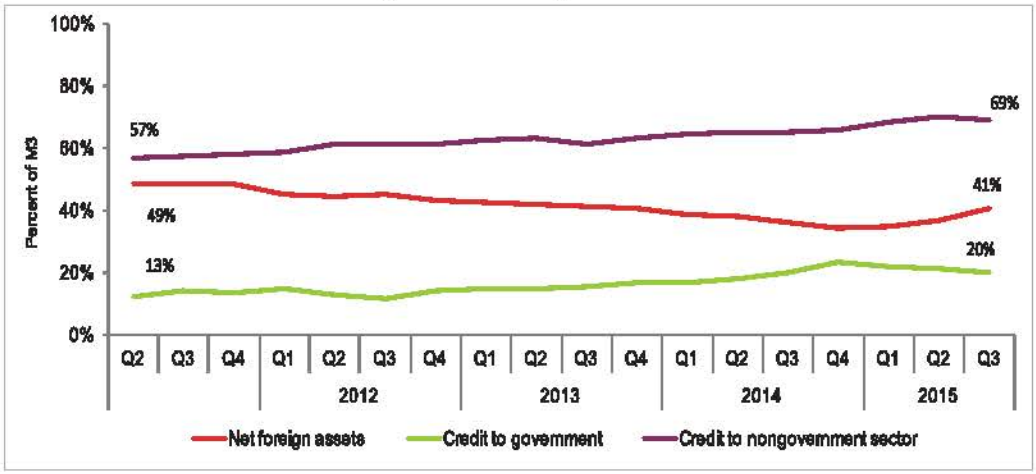
Source: BoT

1.1.2 Business environment remains weak albeit increased credit to private sector

In 2015, the annual rate of growth of extended broad money supply (M3) has remained relatively stable. However, it has accelerated somewhat from 13.6 percent in the first quarter to approximately 17 percent in the fourth quarter (see Figure 9). The higher rate of growth was mainly due to an Increase in the value of the banking system's net foreign assets and to the increase in the value of credit

to the private sector. Monetary policy remained tight, as reflected by the decline in the growth of reserve money to about 7 percent (year-on-year) in February 2016, from about 10 percent at the same point in 2015.

Figure 10: Composition of monetary growth (M3) has recently shifted towards credit growth to the private sector



Source: BoT

Credit growth has shifted in favour of private sector.

However, the composition of monetary growth has shifted recently, with an increasing proportion of private sector credit and a decreasing proportion of government sector credit (see Figure 10). A close scrutiny of the data shows that the relatively stable growth in M3 was the outcome of an increase in the share of net foreign assets and credit to the private sector, and a considerable decrease in the rate of growth of credit to the Government. The rate of growth for credit to the private sector held steady at 25 percent in the fourth quarter of 2015, compared to around 21 percent for the same period in 2014. However, over the same period, the rate of growth for credit to the government declined substantially from 60 percent to about 10 percent. This appears to have ushered in a higher rate of growth in credit to the private sector, contrasting sharply with the crowding out effect of government borrowing in the first half of 2015.

The cost of credit to the private sector has been fairly stable, fluctuating within a relatively narrow band of 9.5 percent to 12 percent in 2015. A combination of stagnant nominal interest rates and the low rate of inflation has led to a fairly stable movement in real interest rates. This contrasts with the significant increase in real overall lending rates during the preceding few years (see Figure 9). Real interest rates have declined gradually in recent months, due to slowly rising inflation rates. Despite the significant fluctuations in monetary growth, nominal lending rates have been far less responsive, a phenomenon noted in many developing countries.

Despite the increased availability of credit, private sector development continues to be constrained by the non-conducive business environment. In particular, private sector growth is constrained by weak market institutions and the poor business climate, characterized by multilevel state interventions that result in high transaction costs and segmented markets. Tanzania continues to lag behind neighboring countries in terms of improving its business environment. The cost of doing business remains high, with Tanzania ranking in the 139th place out of 189 countries according to an assessment included in the Doing Business 2016 report. Although several initiatives have been launched to improve the business environment, including the Business Environment Strengthening in Tanzania (BEST) and the Big Results Now (BRN) Business Environment Lab, so far their impact has been limited. With more than 95 percent of Tanzania's workforce employed in the private sector, this sector should be empowered to play a more significant role in generating productive jobs for the 800,000 new entrants to the labor market each year.

Access to finance and electricity stand out as the most significant constraints to doing business in Tanzania. According to the 2013 World Bank Enterprise Survey, access to finance was considered the most significant constraint by more than 40 percent of small businesses responding to the survey, while 25 percent identified access to electricity as the most significant constraint. The non-conducive business environment negatively affects the productivity and competitiveness of Tanzanian firms, which record a low level of productivity even by generally low SSA standards. For example, the average level of productivity of Tanzanian firms is only 67 percent of that of their Kenyan counterparts and 22 percent of that of their South African counterparts. Significant infrastructure bottlenecks, particularly in the power and transport sectors, also constrain businesses. In addition, private business activities are constrained by the multitude of taxes and other charges (such as the agriculture cess), and by a range of cumbersome and non-transparent procedures that add significantly to the cost of doing business.

There exists a significant potential to achieve productivity improvements through the development of a more conducive business climate. For instance, a benchmarking exercise shows that an increase in the proportion of firms with access to bank credit from 23 percent (Tanzania's current level) to 60 percent (corresponding to the median level in the enterprise survey) would increase the productivity of Tanzanian firms by 4.3 percent. The critical elements for crowding-in private sector involvement include expanding access to affordable finance; providing reliable infrastructure to promote productive activities, including reliable power supplies and good road networks; and developing an improved education and training system to produce skilled workers. State interventions must be far less distortionary and should be governed by a transparent and predictable set of rules. In general, international good practice shows that a more conducive business environment is a more effective means of facilitating strong private sector growth than the provision of tax incentives.

Weak business environment constraints private sector development.

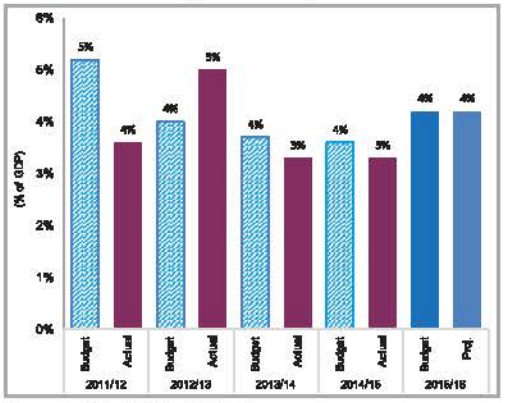
President Magufuli's administration has explicitly recognized the vital role of the private sector in the development process.

The new administration has recognized the need to improve the business environment in the manner described above. In particular, the Government's expressed commitment to developing road and rail networks; to boosting electricity generation capacities; and to expanding quality education, are expected to facilitate increased private sector growth. In addition, President Magufuli's administration has explicitly recognized the vital role of the private sector in the development process. This appears to have led to increased optimism amongst business managers from Tanzania's top 100 mid-sized companies (see Box 2). In December 2015, more than 50 percent of surveyed managers stated that they expected the performance of the economy to improve, compared to 32 percent who expressed the same sentiment in December 2014. Similarly, in December 2015, approximately 52 percent of these managers stated that they expected their businesses to perform better in 2016 than in the previous year, a significantly higher proportion than the 37 percent who expressed similar sentiments in December 2014.

1.1.3 Significant fiscal challenges

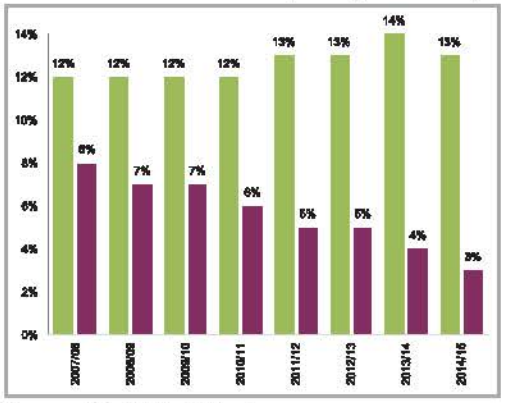
The Government continued to maintain low levels of fiscal deficit in 2014/15, with the value of this deficit standing at 3.3 percent of GDP (see Figure 11). However, if the value of the Government's accumulated arrears to suppliers is included in this figure, it increases to around 4.5-5 percent of GDP. Shortfalls in the collection of domestic revenue and external non-concessional borrowing have forced the Government to implement a range of fiscal adjustments, including cuts to non-priority recurrent expenditures; the delayed implementation of development projects; and the accumulation of additional arrears with suppliers and pension funds. In 2014/15, the authorities missed their domestic revenue collection target by about 0.3 percent of GDP, due to the low level of collection of VAT and income taxes. In addition, the authorities missed their target for external non-concessional borrowing by about 1 percent of GDP, due to the high cost of borrowing.

Figure 11: Fiscal deficit under control (% of GDP)



Source: MoF, World Bank

Figure 12: Low and stagnant domestic revenue and declining aid (% of GDP)

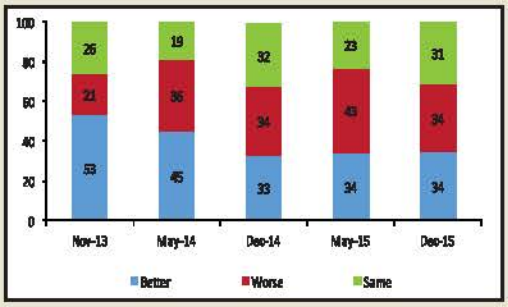


Source: MoF, World Bank

Box 2: The pulse of the economy

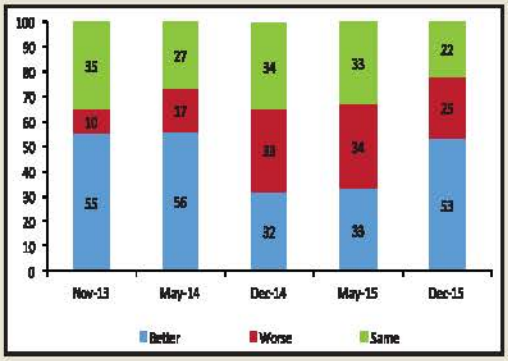
The views of business managers of the top 100 mid-sized companies in Tanzania have been collected every six months since April 2013. This data is collected by KPMG through electronic questionnaires and responses are anonymous. In December 2015, one third of the managers assessed the performance of the economy to be worse than the previous year while the other third reported the same performance. Looking forward, more than half of the managers are optimistic about the economy and their own businesses.

How do you believe the Tanzanian economy is performing compared to last year?



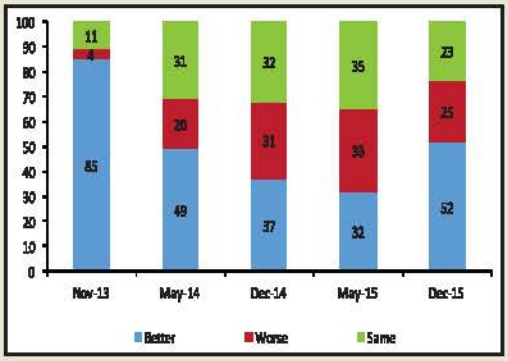
- In December 2015, only 34 percent of the managers believed that the economy performed better in the last 12 months than the preceding year.
- 34 percent of the views were unfavorable, 25 percent lower than in May 2014 but the same as in December 2014.
- 32 percent of the managers saw no change, which is 32 percent higher than in May 2015 but the same as in December 2014.

How do you expect the Tanzanian economy to perform in the coming year?



- In December 2015, 53 percent of the managers expected the economy to perform better in 2016 than in 2015, significantly higher than 32 percent in December 2014.
- Only 22 percent of the managers anticipated economic slowdown 2016, which is 12 percentage points lower than December 2014.

How do you think that your own business will perform during the next 12 months compared to its current level of performance?

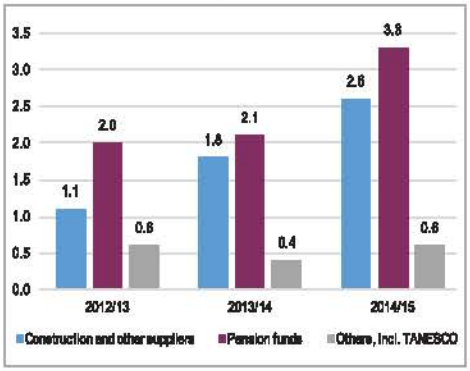


- In December 2014, only 37 percent of the managers expected the performance of their companies to improve during the next 12 months. This rate increased significantly to 52 percent in December 2015.
- The rate for those expecting the same performance declined from 31 percent to 25 percent over the same period.

Source: KPMG/World Bank, November 2013 – May 2015.

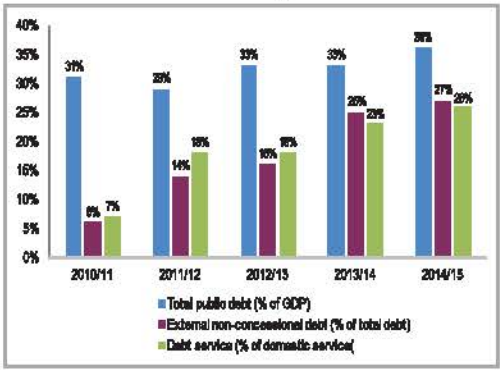
In particular, a major proportion of these expenditure cuts has involved expenditure on the development of economic infrastructure and the social services. This has resulted in the overall execution rate of the budget standing at only 85 percent in 2014/15, leading to a significant decline in development expenditures, with this expenditure sinking to 4.4 percent of GDP, the lowest level in the last ten years. At the same time, the implementation of donor funded programs that require counterpart funding from the Government has slowed. A notable example is the Education for Results project, which is intended to improve the quality of basic education through the provision of capitation grants. However, implementation has slowed due to lack of counterpart funding, with similar cases in a number of other sectors. This has been particularly the case with high-impact infrastructure investment projects such as the Kinyerezi II power plant, which only commenced in March 2016, three years after the contract was signed with main lenders due to lack of counterpart funding.

Figure 13: Sharp increase in arrears (% of GDP)



Source: MoF

Figure 14: Steeply increasing external non-concessional borrowing and debt service



Source: MoF

Recent efforts to improve revenue mobilization have started to yield positive results.

Tanzania's level of domestic revenue mobilization remains among the lowest in the world (see Figure 12). At 13 percent of GDP in 2014/15, the domestic revenue collection failed by a significant factor to meet expenditure needs, which stand at around 17.5 percent of GDP. In particular, the authorities failed to meet domestic revenue collection targets due to the low level of collection of VAT and income taxes. However, recent efforts to improve revenue mobilization have started to yield positive results, with the value of monthly tax revenue collections exceeding targets by an average of around 3 percent since December 2015. In an effort to increase the level of domestic revenue mobilization, a new VAT Act was promulgated in July 2015, with the intention of this Act being to expand the tax base by reducing tax exemptions and curbing tax evasion. Moreover, a new Tax Administration Act was promulgated in July 2015, with the intention of this Act being to streamline tax payment procedures.

Table 1: Public expenditure and budget support trends (in percent of GDP)

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Total expenditure	17.6	19.6	20.4	19.7	18.9	20.5	18.6	17.3
Aid[3]	7.9	6.6	7.0	5.6	5.0	4.6	3.8	2.6
Budget support	4.7	3.7	4.1	3.0	2.5	2.0	1.9	1.2

Source: MoF and IMF

In addition, the level of aid inflows has continued to decline (see Table 1). Aid financed only 15 percent of total public expenditures in 2014/15, a significant decline from the figure of 45 percent recorded in 2007/08. The proportion of public expenditures financed by budget support aid is also on a declining trend, going down from more than 27 percent in 2007/08 to only 7 percent in 2014/15.

At the same time, the level of arrears accumulated by the Government with suppliers and pension funds is extremely high. These arrears need to be cleared as a matter of urgency (see Figure 13). By June 2015, the Government had accumulated a stock of arrears to a value of approximately TZS 5 trillion with suppliers and pension funds, with this being higher than the total annual value of development spending in 2014/15. Moreover, these figures exclude arrears accumulated with suppliers by state owned enterprises such as TANESCO, with the value of this entity's arrears alone amounting to TZS 1 trillion, while the fiscal situation of others, such as DAWASCO and REA, remains unclear. The stock of arrears with road contractors amounted to a value of around TZS 2.2 trillion, while the value of arrears to pension funds was estimated to reach the figure of around TZS 2.8 trillion. Arrears toward pension funds are largely due to the Government's inability to transfer sufficient funds to PSPF to cover the payment of "pre-1999" benefits and to the non-submission of employer's statutory contributions. These arrears need to be fully verified and cleared to ensure the financial sustainability of pension funds and to restore the Government's credibility, with some private companies already no longer prepared to supply to the Government. While measures are being taken to clear these arrears, progress has been slow.

In addition, the stock of public debt and debt service costs has increased significantly due to increased external commercial borrowing to finance investments in infrastructure. The increase in the debt level is also partly due to a depreciation-induced increase in dollar-denominated debt. The share of external commercial debt to total public debt has increased from 6 percent in 2010/11 to around 27 percent in 2014/15 (see Figure 14). The share of domestic debt in total has stabilized at around 28 percent over the same period. Total public debt remains sustainable, with this debt reaching a value of around US$ 17.3 billion (equivalent to 36 percent of

The Government has accumulated unsustainably high level of arrears.

[3] Aid includes grants and concessional loans with a grant element of 25 percent or higher.

GDP) in June 2015. The December 2015 Debt Sustainability Analysis (DSA) shows that Tanzania still faces a low risk of debt stress. Nonetheless, the sustainability of Tanzania's public debt has become vulnerable to exchange rate depreciation under the external DSA and lack of fiscal consolidation under the public DSA. In particular, the debt service to revenue ratio breaches the threshold by a small margin in the most extreme scenario for a one-time depreciation shock.

The positive impacts of low energy prices and higher levels of public investment should help Tanzania maintain its fairly rapid growth momentum.

Borrowing does not come without a cost and debt service costs have increased rapidly. Tanzania is now spending the equivalent of 26 percent of domestic revenues on servicing its debt, which is almost four times the proportion spent in 2010/11. This has clearly narrowed the budget space for other priority expenditures, including investments in infrastructure. In the context of tight global financial markets and the decline in official aid, debt stock and debt service costs will continue to increase unless the Government moves to tap alternative financing sources.

1.2 Outlook: Positive economic trajectory in a volatile external environment

Tanzania's medium-term macroeconomic outlook remains favorable, with high and stable economic growth expected to continue over the next two years. The positive impacts of low energy prices and higher levels of public investment should help Tanzania maintain its fairly rapid growth momentum. However, the economy is now facing a number of external risks, including risks related to the slowdown in China's economy; the ongoing decline in global commodity prices; volatility in financial markets; and a further decline in aid inflows.

1.2.1 Short - to medium - term prospects

The Tanzanian economy is forecast to expand at an annual rate of around 7 percent over the next two years, while the annual rate of inflation is projected to decline to approximately 5 percent (see Table 2). The growth rate of 7 percent will have a marginal impact on the poverty rate (using the US$ 1.90 per day measurement), with this rate projected to decline from 41 percent in 2015 to around 39 percent in 2016.[4] This baseline scenario rests on the assumption that world commodity prices will remain at roughly their current levels and that the Chinese economy will not experience major additional slowdowns. In addition, it is assumed that the authorities will remain committed to fiscal and debt sustainability and to maintaining prudent monetary and exchange rate policies.

Economic growth will continue to be driven by a number of rapidly growing sectors, which include hotels and restaurants; construction; finance; and trade.

[4] World Bank Tanzania Macroeconomic and Poverty Projections (MPO) 2016.

Strong growth in these sectors will be supported from the demand side by a continued growth in private consumption and private investment. However, a further tightening of global financial conditions and further decreases in fuel prices would negatively affect the supply of capital needed for investments in these sectors.

Table 2: Macroeconomic projections

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual			Projections		
Real GDP growth	6.2	7.3	7.0	7.0	7.1	7.1
Inflation (CPI, %)	7.6	6.4	6.1	5.5	5.0	5.0
Overall fiscal balance	-5.0	-3.3	-3.3	-4.2	-3.0	-3.0
Current account balance	-10.5	-10.7	-8.7	-8.2	-7.5	-7.2
Gross official reserves ($ million)	4,357	4,638	4,285	4,655	5,140	5,658

Source: World Bank

The overall external balance is expected to remain stable, with declining energy bills and strong export performance likely to contribute to a lower current account deficit. In the medium-term, the current account deficit is expected to continue to improve when the use of onshore natural gas replaces liquid fuel as the main source of fuel for thermal power generation, which will reduce the cost of energy imports.

If the Government adopts further fiscal consolidation measures, the overall fiscal deficit is projected to stand at around 4.2 percent of GDP in 2015/16, with this figure falling to 3.0 percent of GDP over the next two years. These deficit targets, which will be achieved by controlling public expenditures and increasing domestic revenues, are consistent with the Government's objective of maintaining fiscal and debt sustainability. The value of domestic revenue is forecast to reach approximately 14.6 percent of GDP in 2015/16, increasing to 16.1 percent of GDP in 2016/17. These increases will be primarily due to strengthened tax policy and administration measures. The value of public expenditures is projected to reach 21.2 percent of GDP in 2015/16 and 21.1 percent of GDP in 2016/17, with about 40 percent of total expenditures being allotted for development projects, mainly investments in the construction of infrastructure. A considerable share of expenditures will be allocated to clear arrears (0.8 percent of GDP) and to meet the costs of debt servicing (3.6 percent of GDP). In addition, the President's new initiatives, including the free provision of basic education, need to be accommodated starting from 2015/16.

In the medium-term, the current account deficit is expected to continue to improve when the use of onshore natural gas replaces liquid fuel as the main source of fuel for thermal power generation.

1.2.2 External risks[5]

Tanzania's economy faces a number of growing and interlinked external risks. These risks included those related to China's economic slowdown; to falling global commodity prices; and to increased volatility in global financial markets; to a further decline in aid inflows; and to increases in the US interest rate.

China's economic slowdown may have significant negative impact on Tanzania's efforts.

China's economic slowdown

China is one of Tanzania's biggest trading partners and an increasingly important source of development finance and FDI. In 2014, the total value of Sino-Tanzanian trade surged to about US$ 2.6 billion, up from negligible levels in 2000. In 2014, China contributed to more than 10 percent of Tanzania's total exports value and was the third major export destination after India and South Africa. The value of China's development finance to Tanzania has also grown substantially in recently years, including US$ 1.2 billion in 2013/14-2014/15 for the construction of the gas pipeline from Mtwara to Dar es Salaam. Moreover, the officially reported stock of Chinese FDI in Tanzania has increased significantly, standing at an estimated value of US$ 60 million in 2013.

While the increased economic ties have resulted in increased economic growth, they have also increased Tanzania's vulnerability to downturns in China's business cycles. The Chinese economy has been slowing down in recent years, partly reflecting a rebalancing towards a consumption-driven services-oriented growth model. Over the past decade, unparalleled growth in China was mainly driven by an investment boom that led to a soaring demand for commodities. However, the structural shift away from investment-propelled growth has recently began manifesting itself in depressed demand and lower prices for commodities.

China's faltering growth may have sizable knock-on effects on the Tanzanian economy as a result of a deceleration in exports. A sharper-than-expected slowdown in China could spill over into the Tanzanian economy through both direct (trade, development finance, and FDI) and indirect (commodity prices) channels. In particular, the slowdown in China's economy has weighed heavily on most commodity prices, with metal prices dropping particularly sharply. For example, the price of gold stood at US$ 1,245 per ounce in April 2015, a decline of 70 percent from its peak in mid-2011. In addition, if the Chinese economy stalls, it may put further strain on the availability of development finance for Tanzania. The magnitude of the ripple effect in the future depends on how successful and smooth China's economic rebalancing will be.

[5] All empirical estimates in this section are from a recent World Bank study- Halle (2016) 'Global shocks and their impact on the Tanzanian economy.'

However, fluctuation in Chinese FDI is less likely to send shock waves through the Tanzanian economy, as it accounts for a relatively small portion of the total value of FDI.

A one percentage point decline in China's domestic investment growth is associated with a decline of approximately 0.6 percentage points in the rate of growth of Tanzania's exports.[6] This basically reflects the fact that an investment boom has been the driving force behind China's breakneck growth and that this investment boom was accompanied by a dramatically increased demand for commodities, which account for a very large proportion of Tanzania's export revenues. A slower, more balanced rate of growth in China has led to a depressed global demand for commodities and hence to decreased demand for Tanzanian exports. A one percent decline in investment in China is estimated to have the impact of reducing Tanzania's export prices by nearly one percent. Therefore, to shield itself from economic malaise in China and other emerging economies, Tanzania may need to diversify its export destinations.[7]

End of commodity price super-cycle

The sharp fall in the demand for commodities poses a significant economic risk for Tanzania, given that it is a net commodity exporter. Following the demand-driven surge in global commodity prices that began in around 2002 and lasted for more than a decade, often dubbed the commodity price 'super-cycle,' commodity prices have dropped sharply over the past several months. As a net oil importer, plummeting oil prices have resulted in a decline in Tanzania's energy import bill. In fact, turbulent global commodity prices have not so far had a significant negative impact on the Tanzanian economy. However, unfavorable fluctuations in the price of commodities, such as a protracted decline in gold prices and a rebound in oil prices, would have a negative impact on the country's economic growth. The generally muted impact of falling commodity prices has also been due to the countervailing effects of increased export diversification, with manufacturing and services featuring more prominently in recent years.

Continued low commodity prices may delay investment decision in the natural gas sector.

Declining global commodity prices have delayed decisions related to investment operations in the gas sector, as the value of future outputs is marked up or down with the fluctuations in the price of this commodity. Tanzania has discovered vast reserves of natural gas and massive foreign investment is expected to flow to its near-shore gas sector. However, the persistent drop in the prices of oil and LNG has had a negative impact on the sentiment of multinational gas companies and delayed investment decisions. Global natural gas prices recently fell below the estimated level that would make establishing a LNG plant

[6] In addition, empirical estimates indicate that a 1 percent contraction in China's domestic investment would lead to about 0.57 percent drop in Tanzania's exports in the long-run.

[7] In 2014, India, South Africa, and China absorbed nearly 50 percent of Tanzania's exports.

cost effective, with this level standing at US$ 10-12/mm BTU (World Bank, 2015). However, this might be a blessing in disguise, since Tanzania now has a longer time period to prepare for a new gas economy and to establish strong foundations to take full advantage of the resource windfall. As with the case with natural gas, a continuation of the low mineral prices might lead to a scaling down of existing mining operations and delays to the establishment of new operations in the medium to long term.

Global financial volatility is likely to have a modest impact on Tanzania's economy.

A one percent decrease in Tanzania's export prices correlates with a 0.62 percent decline in the value of exports. This attests to the fact that the country's exports are mainly driven by external factors, such as changes in world market prices. A high level of dependence on a few primary commodities for its export earnings has made Tanzania more vulnerable to commodity price fluctuations. Concerted efforts to achieve a diversification of the export portfolio and to improve the quality of existing products could help Tanzania mitigate the impact of price swings and to boost its competitiveness. Empirical analysis shows that export commodity prices are among the key determinants of FDI inflows. Specifically, a one percent drop in export commodity prices is associated with a 3.2 percent decline in FDI inflows, which reflects the fact that FDI flows to Tanzania have increasingly focused on export-oriented production, mainly in extractive industries.

Volatility in financial markets

The impact of volatility in global financial markets on the Tanzanian economy is likely to be modest. Tanzania's economy remained largely unaffected by previous financial market turbulences, due to its limited financial development and integration. However, given that Tanzania has intensified its level of financial integration, with rising private capital flows and external commercial borrowing, it has become increasingly vulnerable to global market instabilities. The value of net FDI inflows to Tanzania stood at about US$ 2.1 billion in 2014, a dramatic increase from the figure of less than US$ 400 million a decade ago, with this increase demonstrating the country's increasing reliance on potentially volatile private capital flows.[8] Nonetheless, while portfolio equity and debt flows are prone to sudden reversals, FDI is chiefly driven by long-term prospects and is relatively irreversible in the short-run.[9] It is estimated that a one percent increase in net private capital inflows leads to an increase in national income of approximately 0.04 percent, while a one percentage point

[8] In recent years, low interest rates in international markets and subdued financial market volatility have led a number of African countries to issue bonds. However, in the face of rising global volatilities and U.S. interest rates, Tanzania should expect higher costs of issuing sovereign bonds.

[9] Conventional wisdom suggests that, despite theoretically sound arguments in favor of private capital flows, portfolio equity and debt flows may pose substantial countervailing risks for developing economies as they are often motivated by speculative considerations (Reinert et al., 2010). In Hausmann and Fernández-Arias (2000), short-term capital flows are referred to as "bad cholesterol", while FDI as "good cholesterol".

increase in capital flow volatility reduces growth by a negligible 0.01 percentage points. Portfolio flows, representing only a meager proportion of total private capital flows to Tanzania, are more volatile and more susceptible to changing conditions in global markets than FDI. This partly explains the very limited impact of volatility in capital flows on growth.

Further decline in aid inflows

Increased domestic spending needs of European countries resulting from the migration crisis could cause a further decline in the overall value of aid flows to Tanzania. An additional risk to Tanzania's economy results from a potential further decrease in the value of aid inflows, with a number of European nations taking advantage of an OECD directive that allows the use of official development assistance budgets to cover costs associated with the massive influx of migrants into Europe. Europe's refugee crisis has led several EU governments to consider redirecting a large proportion of development assistance away from financing projects in developing countries. Thus, the refugee crisis might result in lower levels of aid disbursements to Tanzania by, amongst other means, affecting the overall IDA 18 replenishment.

US interest rate rise

The liftoff of US interest rates from the zero lower bound could raise cost of borrowing and debt service for Tanzania, although to a very limited extent.[10] In December 2015, the US Federal Reserve raised interest rates by a quarter percentage point for the first time in almost a decade. Tanzania is far less likely to be severely hit by monetary policy normalization in the US. Firstly, Tanzania has no strong trade links with the US and is not deeply integrated with international capital markets. Secondly, the Fed's cautious move seems to have sent clear signals that the tightening cycle will proceed in a smooth and gradual fashion. Empirical analysis finds no significant link between movements in the US federal funds rate and capital flows to Tanzania.

1.3 Financing development in Tanzania: Beyond business as usual

If Tanzania continues with its business-as-usual approach, it runs the risk of failing to achieve its goals of accelerated growth and poverty reduction. Tanzania's average annual rate of economic growth has stood at around 6-7 percent over the past decade, and it is projected to maintain these rates for the next two years. However, as discussed in Part I of this Update, the achievement of this rate of growth will only have a marginal impact in terms of the country's poverty reduction goals, given the country's high rate of population growth. Therefore, it is critically important to accelerate growth in labor-intensive sectors, such as agriculture

Aid to Tanzania might declined further if EU government redirect aid budgets to spending on refugee crisis.

[10] A rise in US interest rates increases debt service costs and the local currency value of debt stock via causing dollar appreciation. Around 55 percent of the Tanzania's external debt is dollar-denominated.

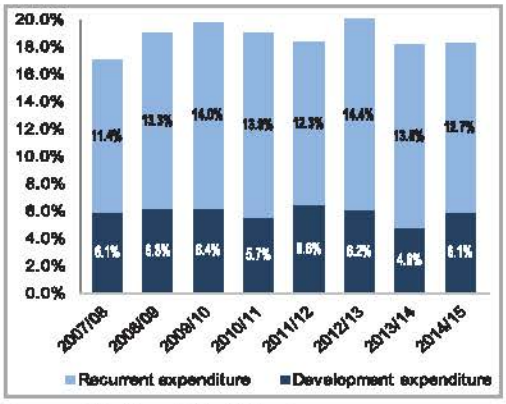
and manufacturing, in order to create a far greater number of productive and decent jobs for the rapidly expanding workforce. Generating a greater number of productive jobs is critical for the achievement of equitable growth and the maintenance of social and political stability.

Investment infrastructure can generate higher level of economic growth.

Expansion of infrastructure and human capital development is the key factor to unlocking Tanzania's economic potential and to creating a greater number of productive jobs. Tanzania's massive infrastructure deficits, particularly in the power and transport sectors, have had a significant negative impact on both the business sector and people's welfare. To address these, the development of infrastructure needs to be accelerated. However, these investments need to be carefully prioritized and fully funded if they are to achieve the aforementioned goals. In addition, the Government should also mobilize additional resources from the private sector. However, improvements to the business environment are essential to enhance the development of the private sector. Accelerating economic growth and achieving a higher level of poverty reduction will also require the modernization of the agricultural sector and the provision of quality health, education, and water services to the vast majority of the population.

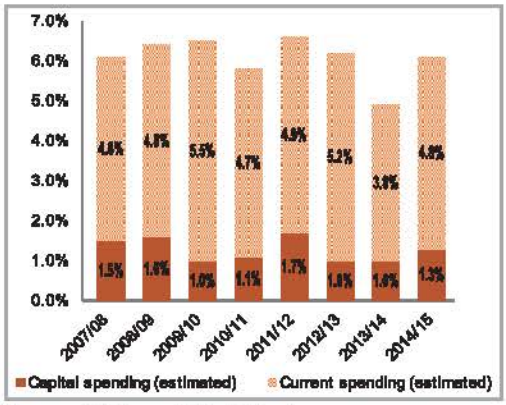
Investments in infrastructure are the surest means to generate a higher level of economic growth. A simulation analysis using a macro-econometric model for Tanzania (MACMOD) indicates that an increase in public investments in infrastructure to a value of approximately 1.2 percent of GDP in a particular year could result in an increase of 1.7 percent to GDP in the following year. In addition, these investments will also have a sustained growth impact over the following years. For instance, the same increase in the value of infrastructure investments would result in an increase of 1 percent to real GDP every year at least for the following four to five years. The question is: How can the Government raise the funds to finance these additional public investments in infrastructure?

Figure 15: The level of development spending (as a share of GDP) is low



Source: MoF and World Bank

Figure 16: The level of spending on physical capital investment is even lower



Source: MoF and World Bank

By international standards, the current level of development spending in Tanzania is low. Since the early 2010s, public expenditure on development programs has reached an average annual value of only 6 percent of GDP (see Figure 15). The level of public expenditures on physical capital investment is considerably lower, hovering at around 1 percent of GDP in recent years (see Figure 16). This is in stark contrast to the stated objectives of the BRN initiative, which mandates a significantly higher level of capital spending. Tanzania's Five Year Development Plan (FYDP) recognizes the massive nature of the current development financing gaps. For example, the financing requirement for priority sectors for the period from 2011/12 to 2015/16 was estimated at TZS 43 trillion.[11] However, the total actual value of development expenditures stood at about TZS 22 trillion, approximately half of the total financing requirement. As a result, many investments in infrastructure prioritized under the FYDP and the BRN were either underfunded or not implemented at all. This has constrained economic growth and left a vast number of Tanzanians without access to basic infrastructure services.

Given its narrow fiscal space, the Government needs to tap into private sector financing to alleviate these huge financing gaps. The steep decline in donor funding, combined with low levels of domestic revenue and government borrowing constraints, indicates a need to diversify financing sources. In particular, the authorities should make unprecedented efforts to leverage private sector financing. Amongst other means, this will require them to unleash the power of PPPs, as mandated by the FYDP. It should be emphasized that PPPs have significant potential not only to provide additional finance, but to facilitate the achievement of significantly higher levels of efficiency in investments and potentially to create a large number of productive, well-paying jobs for Tanzanian citizens. In this fashion, they may play a significant role in facilitating a reduction in poverty and promoting equitable growth, which will provide a solid basis for the achievement of a prosperous and harmonious society into the future.

PPPs can provide additional finance, improve efficiency in investments and potentially create jobs.

[11] However, these figures are likely to represent upper-bound estimates and should be taken as indicative of actual financing requirements. The funding gaps need to be discussed keeping this caveat in mind.

2 Making Public-Private Partnerships Deliver

Part II: Making Public-Private Partnerships Deliver

Key messages

- Existing public resources are clearly insufficient to meet Tanzania's huge development needs. The increased use of private finance, through PPPs, can help alleviate the financing gaps. This approach is mandated by the 2030 Agenda for Sustainable Development Goals.
- PPP can serve as a powerful tool to facilitate the development and improve the quality of infrastructure in Tanzania. However, they can only serve this purpose if the Government demonstrates a high level of commitment to implementing such partnerships in a coordinated manner, with the careful selection and full preparation of projects.
- PPP projects involve complex commercial and financial structures. Thus, their preparation, negotiation and implementation requires expert advice from experienced advisers. Tanzania needs to hire highly qualified expert advisers to prepare and deliver high-quality PPP projects. The PPP Centre, the Ministry of Finance PPP team and the Local Government Authority PPP Node need to have the appropriate human and financial resources to ensure the delivery of viable, sustainable PPP projects.
- PPP partners need to be selected through competitive processes. Competition is vital to ensuring that the Government receives the best price, terms, technology and partner for each project. The use of direct negotiations, unsolicited proposals and government-to-government MOUs should be adopted in only the most limited of circumstances and, when utilized, subjected to intense scrutiny.

2.1 Tanzania's Infrastructure Challenge

Tanzania is challenged by a significant infrastructure deficit, with the level of access to and quality of its infrastructure insufficient to facilitate the rate of economic growth to which it aspires. As Table 3 below shows, Tanzania's level of access to infrastructure and the quality of this infrastructure is as poor as or worse than that of many of its neighbors. Although none of the listed countries performs well in the area of logistics, Tanzania's level of access to basic services such as electricity, water and sanitation lags behind the other countries, and its number of internet users is much lower. The World Economic Forum (WEF) rates

Tanzania's infrastructure as worse than Zambia's and Uganda's and substantially worse than Kenya's and Rwanda's in terms of its impact on competitiveness.

Tanzania's infrastructure needs are massive and are projected to increase into the future. As noted previously, there is a profound financing gap between existing public resources and financing requirements. This gap will not be bridged through the exclusive use of traditional instruments. Hence, there is a clear need for the Government to utilize alternative financing instruments, particularly private sector finance, which is in line with the 2030 Agenda for Sustainable Development Goals (SDGs). Private finance and investment have been recognized as the most significant potential source of additional funding required to facilitate the achievement of the SDGs.[12] The use of these alternative sources is all the more important in a context in which the global development community is being affected by a paradigm shift in financing development. This shift is characterized by a move away from reliance on official aid towards the use of broader sources of finance, especially those involving a higher level of private sector participation.

Private investment is the most significant potential source of additional funding required to facilitate the achievement of the Sustainable Development Goals.

Table 3: Infrastructure indicators, 2015

	Tanzania	Kenya	Rwanda	Uganda	Zambia
WEF Global Competitive Index Infra-structure Score	2.26	3.27	3.14	2.28	2.67
Access to electricity (percent popula-tion)	15.3	23	18	18.2	22.1
Electric power consumption (kWh per capita)	98.8	159.7	N/A	N/A	571.3
Improved water sources (percent population)	55.6	63.2	N/A	N/A	65.4
Improved sanitation facilities (percent population)	15.6	30.1	61.6	19.1	43.9
Mobile Cellular Subscriptions (per 100 people)	62.8	73.8	64.0	52.4	67.3
Internet users (per 100 people)	4.9	43.4	10.6	17.7	17.3
Logistics performance Index (1 to 5)	2.32	2.4	2.32	2.35	2.31

Source: All data is from World Development Indicators 2015 except for the Global Competitive Index that is produced by the WEF (2014-2015) (http://reports.weforum.org/global-competitiveness-report-2014-2015/)

Note: This table only report on the infrastructure pillar of the Global competitive Index. The score ranges from 1 (very low) to 7 (very high). The Logistics Performance Index includes quality of trade and transport related infrastructure (e.g. ports, railroads, roads, information technology) on a rating ranging from 1 (very low) to 5 (very high).

[12] See World Bank and IMF (2015).

If the Government adopts a business-as-usual approach, it will be unable to bridge the infrastructure gap. The challenge facing Tanzania is similar to that faced by many other African countries. In 2010, the World Bank's diagnostic study of infrastructure in Africa estimated that Sub-Saharan Africa (SSA) needed to spend US$ 93 billion a year on infrastructure, of which only US$45 billion is currently being met through existing sources. This represents a funding gap of US$ 48 billion. Around 35 percent of the funding gap, or US$ 17 billion, could be attributed to inefficiencies arising from poor governance; poor planning of investments; under-investment in maintenance; under-charging for services; and operating inefficiencies. Of these factors, inefficiencies in the management and operation of state-owned utilities and infrastructure providers accounted for around US$ 6 billion a year.

Tanzania's own policy documents identify PPP as a key instrument to attract new investment and to deliver infrastructure services more efficiently. Vision 2025; the 15-year Perspective Plan (2010-2025); the First Five-Year Plan (2011-2016); MKUKUTA (2011-2015); and Big Results Now (2012-2015), all identify PPPs as important means to mobilize the large amounts of financing necessary to facilitate infrastructure development (see Box 3).

Box 3: Tanzania's major policy statements recognize the need for PPP

Vision 2025 emphasizes the importance of the allocation of public funds for strategic investment and private sector financing for development investments. The 15 year Perspective Plan (2010-2025) prioritizes private investment in the context of PPP. The First Five-Year Plan (2011-2016) recognizes the fundamental role of the private sector in enabling the Government to allocate its funds to strategic projects to facilitate a higher level of development. MKUKUTA II (2010-2015) identifies PPPs as a means of increasing the level of stakeholder participation and of easing the financial burden on the Government. Finally, the Big Results Now initiative of 2012prioritized capital investments and identified PPP as a means to bridge the existing financing gap.

2.2 The role of the private sector in closing the infrastructure deficit: trends and lessons from the world and Tanzania

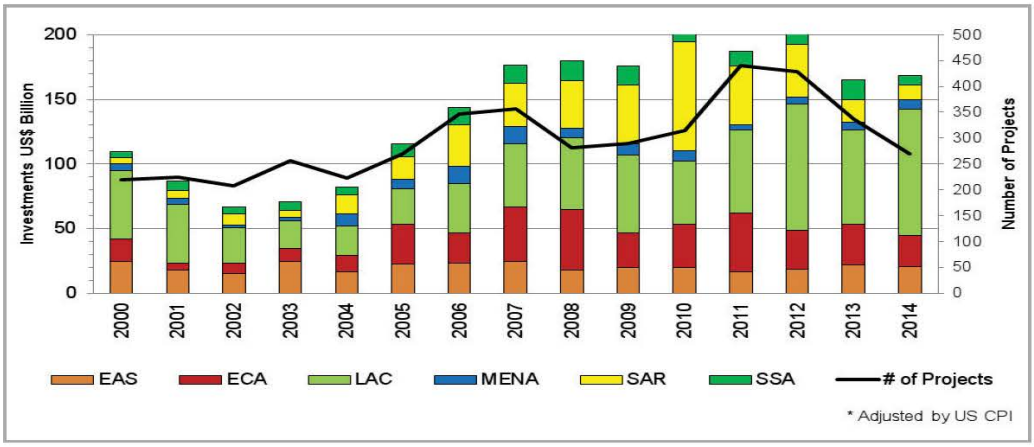
As a means of closing the infrastructure gap, an increasingly large number of countries around the world have turned to the private sector to provide financing and to improve delivery capabilities. Since 1990, an increasing number of developing countries have implemented programs to attract the private sector to participate in the provision of infrastructure services that were previously delivered by the public sector. This trend has been

Since 1990, an increasing number of developing countries have implemented programs to attract the private sector to participate in the provision of infrastructure services that were previously delivered by the public sector.

largely driven by the limited availability of public resources to finance infrastructure development and, in many countries, to address the poor performance of publicly implemented and delivered infrastructure.

Thus, the private sector now plays an important role in financing and delivering public services in many developing countries. Since 2000, the total value of investment commitments in projects involving private sector participation in telecoms, energy, transport, water and sanitation in emerging markets has been in excess of US$ 1,900 billion. Breaking this down by sectors, the most significant proportion of these investments has been in telecoms, with their value standing at around US$ 840 billion. This is closely followed by investments in energy (US$ 647 billion); transport (US$ 382 billion); and finally water (US$ 49 billion). In regional terms, Latin America accounts for slightly in excess of US$ 700 billion, or nearly 40 percent, of the total value of these investment commitments. This is followed by South Asia (US$ 365 billion) and Europe/Central Asia (US$ 347 billion). The level of activity in SSA was much lower, although investment commitments in this region still amounted to US$ 143 billion.

Figure 17: Total investments with private sector participation in energy, telecoms, transport, and water by region, 2004-2014 (2014 US$ billions)



Source: World Bank and PPIAF, PPI Project Database

Since 2000, the total value of investment commitments in projects involving private sector participation in telecoms, energy, transport, water and sanitation in emerging markets has been in excess of US$ 1,900 billion.

The increasing tendency of governments to utilize PPP is linked with their aspirations to achieve higher levels of efficiency in investment and improvements in service delivery. In the context of infrastructure funding and service gaps, the reasons that governments have chosen to utilize PPP include a recognition that:

- **PPPs enable the mobilization of additional sources of funding for infrastructure development.** Charging users appropriately for services can generate higher levels of revenue, and it is often easier for this to be achieved if these services are managed and operated by the private sector than by the public sector.

- **PPPs can allow expenditures related to the capital cost of infrastructure assets to be spread over time.** Governments often face borrowing constraints, possibly due to prudent public financial management policies. As a result, it is sometimes the case that even commercially viable infrastructure projects cannot be implemented by the public sector. Alternative financing from PPPs can overcome this constraint.

- **PPPs can facilitate the improved selection of projects.** In order to attract private sector financing, assumptions regarding the viability of the projects are subject to assessment by the market of potential investors, resulting in improved selection.

- **PPPs can facilitate more timely implementation of projects**. Because private sector operators typically do not receive payment under a PPP contract until the facility is available for use, they are highly motivated to ensure that the project is completed within the defined time frame. Thus, the PPP structure encourages the timely completion of projects.

- **PPPs can play a role in ensuring that projects are appropriately maintained.** Transferring performance risk to the private sector means that returns to investment are only realized if the asset performs according to contractual obligations, which in turn provides incentives for adequate maintenance. Transferring construction risk means that the Government should not bear the burden of any over-runs in construction costs, resulting in improved efficiency.

- **PPPs can play a role in facilitating innovation.** PPP contracts specify obligations to produce specific outputs, rather than prescribing inputs. This creates opportunities and incentives for innovative approaches. The use of competitive procurement processes incentivizes bidders to develop innovative solutions to meet contractual specifications

Governments often face borrowing constraints, in particular due to prudent public financial management policies. Alternative financing from PPPs can help fill the financing gap.

Box 4: Malaysian PPP Program Achievements (1983-2013)

Under the Ninth Malaysia Plan, the Malaysian Government officially mandated the implementation of public projects according to the PPP, or Private Finance Initiative (PFI), scheme. In 2009, a new unit was established under the Prime Minister's Department to coordinate Privatization and PPP projects, known as the Privatization and Private Finance Initiative Unit.

Under the Tenth Malaysia Plan, the Malaysian Government is encouraging the private sector to invest in development projects, either through PPP or through the private sector's direct investment in the country's development program.

Achievements facilitated through the implementation of the national privatization policy include the following:

- The development and provision of world class infrastructure facilities, including the North-South Highway; the Light Rail Transit (LRT); the Tanjung Pelepas Port; and Kuala Lumpur International Airport (KLIA) projects;
- The creation of successful and competitive local conglomerate companies, including the Tenaga Nasional Berhad (National Electricity Board) and Telekom Malaysia Berhad;
- The creation of private sector employment opportunities and the development of the capacities of the professional work force, especially amongst the Bumiputra;
- The energizing of Malaysia's capital markets through capital investments by the private sector in privatized Government projects.

Since the introduction of the privatization program, in the period from 1983 to 2009, approximately 500 privatized projects were implemented throughout the country. The Malaysian Government has benefited through savings to capital expenditure amounting to approximately RM 161 billion and to annual operational management expenditure amounting to approximately RM 7.79 billion (or an estimated RM 25 billion over a 25 year period). In addition, the Malaysian Government is currently implementing 52 additional projects which are in the construction stage, with the total estimated value of these projects standing at RM 62.7 billion (US$ 15.5 billion).

Source: www.UKAS.gov.my

Over the past 15 years, the largest emerging markets, including Brazil, China, India, Mexico and Turkey, have actively utilized PPPs.

Around the world, it is countries with the largest emerging economies that have taken the lead in the implementation of PPP programs. Over the past 15 years, the largest emerging markets, including Brazil, China, India, Mexico and Turkey, have actively utilized PPPs. In addition to having large economies and therefore the ability to develop sizeable, high-value projects that are attractive to investors, they also have substantial domestic financing and construction capabilities. In these particular countries, the average value of such investment commitments in private energy, transport and water projects ranged between 0.4 percent and 0.7 percent of GDP in the period from 2005 to 2013. This is significantly higher than the range for all emerging and developing economies, with the overall average value fluctuating between 0.2 percent and 0.4 percent of GDP.[13] Within Sub-Saharan Africa, the telecommunications sector accounted for approximately 75 percent of the value of investment commitments; the energy sector for 15 percent; and the transport sector for 11 percent over the same period. Unsurprisingly, the large majority of this activity in the region took place in South Africa and Nigeria, the two

[13] Non-tax revenues include royalties on mining, a large variety of levies and other licenses.

largest regional economies, with these two countries together accounting for more than 50 percent of the total value of these investment commitments (see Table 3).

Table 4: Telecom, water, energy, transport projects 2000-2014

Country	Total investment commitments (US$ billions)
South Africa	39,067
Nigeria	37,892
Kenya	8,451
Ghana	6,959
Tanzania	4,476
Sudan	4,358
Uganda	4,146
Senegal	3,734
Côte d'Ivoire	3,536
Cameroon	3,387

Source: PPI Database

Investment in Tanzania has been heavily concentrated in the telecommunications sector. Tanzania recorded the fifth highest level of investment in the region, with the value of investment commitments standing at almost US$ 4.5 billion (see Table 4). However, activities have been concentrated in the telecommunication sector to a far greater extent than in neighboring countries (see Table 5). The value of investment commitments in Tanzania's energy sector was significantly lower than that recorded by Kenya and Uganda. On the other hand, Tanzania is the only country to have recorded a significant level of investment in the transportation sector. Over the past decade, the average value of Tanzania's investment commitments in PPPs stood at 0.14 percent of GDP, which is somewhat below the global average.

Table 5: Sector-wise breakdown of PPP projects for Tanzania and neighboring countries (in US$ million)

	Telecom	Energy	Transport	Water	Total investment commitments
Kenya	6,619	1,817	15		8,451
Rwanda	589	260			848
Tanzania	3,796	511	162	9	4,476
Uganda	2,793	1,353			4,146
Zambia	1,719	343	16		2,078

Source: PPI Database

Tanzania recorded the fifth highest level of investment in the region, with the value of investment commitments standing at almost US$ 4.5 billion.

2.3 Have PPPs delivered? The evidence globally and in Tanzania

Global experience suggests that PPPs can make a positive contribution to closing the infrastructure gap. This contribution can be measured in terms of the timely delivery of assets to budget. Moreover, under the right conditions, it can be demonstrated that PPPs play a role in improving the quality of service and the level of performance in terms of key efficiency parameters (see Box 5).

Box 5: PPPs can deliver benefits

Studies of successful PPP programs across the globe, primarily in developed countries, provide a vision for the improved efficiencies that can be achieved. In Australia, PPPs were found to deliver projects on budget and on schedule more often than publicly procured projects, with only 30 percent of publicly procured projects being delivered on time and on budget, compared to 80 percent of PPP projects. In a survey of developed PPP programs, well-implemented PPP project facilitated a 29 percent higher number of residential electricity connections per worker than a publicly procured project; a 12 percent higher number of water connections; and a 19 percent higher number of sanitation connections; 85 percent higher bill collection ratios in the case of electricity and 50 percent higher in the case of water. They can also reduce distribution losses, with a 25 percent reduction in the case of electricity and a 41 percent increase in hours of daily service for water. Based on an empirical analysis using time series data (1995-2006) in 32 LAC countries, Andres et al. (2013) conclude that there private sector participation has a significant, positive impact in terms of coverage, quality of service and labor productivity for the analyzed utilities, especially when regulation is strong.

Source: World Bank, Reference Guide on Public Private Partnerships (2015)

In the period from 2002 to 2004, Tanesco's revenues from electricity sales more than doubled as a result of the adoption of new technologies and methodologies under PPP.

In Tanzania, there have been a number of positive experiences involving the private provision of infrastructure. As noted in Table 4 above, since 2000, Tanzania has recorded investment commitments in the telecommunications sector to a total value of almost US$ 4 billion. The incentive mechanism utilized in the first phase of the TANESCO Management Contract with Netgroup facilitated the delivery of clear benefits. In the period from 2002 to 2004, the value of revenues from electricity sales more than doubled as a result of the adoption of new technologies and methodologies. In the first five years of the Tanzania International Container Terminal (TICTS) PPP arrangement, the volume of container throughput and transshipments doubled. In 2004, the Songas gas supply and power generation project was commissioned, resulting in cost savings of US$ 78 million compared to the 2001 appraisal, with the savings achieved through the use of a modified procurement process. However, extensions to the TANESCO and TICTS PPPs arguably failed to deliver the expected benefits.

In addition, a number of other projects have either been terminated early or failed to deliver the expected benefits. A number of projects, including the City Water lease; the Kilimanjaro International Airport; the TRL concession; and the Tanzania Telecommunications Company Limited PPPs, were terminated early due to differences between the Government and the private sector operators involved In these projects. Thus, in total, almost 15 percent of Tanzania's projects have been

terminated early. This compares with the global average of 3.7 percent for the period from 1990 to 2014.[14] A high level of early terminations can increase perceptions of political risk. Moszoro et al. (2014) find that for each project requiring court arbitration, the level of private sector investment declines by 4 percent. Canceled projects can also increase perceptions of risks related to breaches of contract. According to the annual MIGA-EIU Political Risk Survey, 45 percent of surveyed investors in developing countries named breach of contract as the most important political risk they would face in the next three years. In the same survey, 34 percent of the respondents stated that they had experienced financial losses related to breach of contract in the preceding three years.

2.4 Implementing a PPP framework that is fit-for-purpose

Global and domestic evidence indicates that a strong institutional and regulatory framework is critical to ensure the growth of PPP markets. Moszoro et al (2014) find that the level of private investment in infrastructure is highly sensitive to issues related to corruption, rule of law, quality of regulations, and the frequency of disputes in a sector. They find that a decline in the level of corruption by 10 percent is correlated with an increase in the level of private participation in infrastructure (PPI) of 15 percent; improvements to the rule of law by one standard deviation are correlated with an increase to this level of three percent; improvements to the quality of regulation by one standard deviation are correlated with an increase of four percent; and having one more project requiring court resolution due to differences between the public and private parties is correlated with a decrease in the level of investment of four percent.

It should be emphasized that PPPs are not a panacea and that many projects are not suitable to be implemented as PPPs. Careful analysis is needed to verify that a project is likely to be feasible; that it is attractive to the private sector; and that it is likely to provide value for money. There are problems that PPPs alone cannot solve. For example, the establishment of a PPP by itself will not achieve the reform of a sector with substantial governance and pricing problems. In such cases, the Government needs to engage in the diligent implementation of sector reforms prior to or in parallel with the implementation of PPP projects, if these projects are to facilitate the achievement of positive transformation.

PPPs can be more expensive than publicly procured projects if they are not selected and implemented appropriately. PPPs ultimately only increase the fiscal envelope for the development of infrastructure if they result in improved efficiencies and/or higher collection of revenues compared to projects implemented through public provision and financing.

Government needs to engage in the diligent implementation of sector reforms prior to or in parallel with the implementation of PPP projects, if these projects are to facilitate the achievement of positive transformation.

[14] World Bank (2015).

While PPPs can create value for money by facilitating better maintenance and the improved delivery of services, the extent to which these improvements are actually achieved depends heavily on the extent to which the Government effectively contracts and procures PPP. It is important that governments avoid the temptation to establish PPPs to finance infrastructure without recording associated risks. This could have the effect of leading governments to accept a higher level of fiscal commitment and risk through the implementation of PPPs than is consistent with prudent public financial management.

Unnecessary or excessive renegotiations can undermine the potential of PPP to generate value for money. Given the long-term nature of PPPs, the need for some renegotiation is not surprising. In fact, some renegotiation may be beneficial both to the Government and consumers. However, in some cases, renegotiation may lead to a reduction in the expected benefits from PPPs. A 2014 report on the renegotiation of PPP contracts in Latin America[15] shows that in the period from 1990 to 2014, 68 percent of PPP projects in Latin America were renegotiated, usually within the first few years of financial closure. Issues involving poor planning and lack of effective contract monitoring were often responsible. To avoid and manage these issues, projects must be designed to address conflict as it arises.

It is important that governments avoid the temptation to establish PPPs to finance infrastructure without recording associated risks.

Tanzania has a robust legal and institutional framework for the establishment and implementation of PPPs. The Government approved a PPP Policy in 2009, following which it promulgated the PPP Act in 2010 and the associated PPP Regulations in 2011. The PPP Finance Unit under the Ministry of Finance and the PPP Coordination Unit in the Tanzania Investment Centre were established in 2012. The Government amended the PPP Act in December 2014 and approved new PPP Regulations in November 2015. The terms of these instruments replaced the PPP Finance Unit and the PPP Coordination Unit with the PPP Centre, although this center has yet to be created or staffed. According to a recent evaluation of PPP readiness undertaken by the Economist Intelligence Unit (EIU) in 2015 (see Table 6), while Tanzania's PPP framework overall is well behind that of the regional leader, South Africa, it was ranked fifth out of 15 countries surveyed in Africa.

Table 6: EIU Infrascope ratings

Rank	Country	Score
1	South Africa	70.7
2	Morocco	51.8
3	Kenya	51.4
4	Egypt	51.0
5	Tanzania	48.6
6	Cote D'Ivoire	45.5
7	Tunisia	45.4
8	Uganda	45.1

Source: EIU

[15] Guasch et al. (2014).

While Tanzania has a good PPP framework, the challenge is to actually implement this framework so that PPPs fulfill their intended purpose of closing the infrastructure gap. The EIU Infrascope report noted that: "The rules and procedures governing PPP selection and decision-making in Tanzania are clearly delineated, but implementation is less than perfect." Particular issues highlighted by this report include the following:

- Project design is sometimes weakened because of a failure to ensure that the feasibility analysis for PPP projects is sufficiently comprehensive;
- There is no requirement for mandatory accounting and publication of contingent contractual liabilities;
- There is uneven treatment between solicited and unsolicited bids. While solicited bids are subject to both a pre-feasibility study and a full feasibility study commissioned by the Contracting Authority, unsolicited bids generally rely upon a feasibility study undertaken by the private-sector party; and
- Government agencies have insufficient management and technical capacities to successfully facilitate negotiations related to PPPs, and the associated procurement, implementation and administration of contracts.

Tanzania must implement reforms in four important areas if it is to develop and implement a PPP program that conforms to global good practice. Implementing these reforms will enable Tanzania to identify and implement the infrastructure projects that are best conducted as PPPs and to ensure that these projects deliver the expected benefits. These reforms are as follows:

- Providing strategic direction and leadership to the PPP program: The Government must provide strong strategic direction and leadership to the PPP program. Amongst other measures, this should involve the establishment of strong and capable central PPP unit;
- Increasing competition and improving transparency: The Government must ensure compliance with global good practice through the routine use of competitive approaches to procure PPPs. It must also implement measures to increase the overall level of transparency related to PPP projects and contracts;
- Strengthening project identification, preparation and oversight: The Government must provide adequate resources for the purpose of identifying and preparing PPPs. It must also implement measures to improve contract management; and
- Clear and transparent approaches to address funding and financing issues: The Government must address funding and financing issues related to PPPs by developing and implementing clear and transparent approaches to providing Government support to PPPs, including working with domestic financial institutions to gradually develop local currency financing for PPPs.

The rules and procedures governing PPP selection and decision-making in Tanzania are clearly delineated, but implementation is less than perfect.

Each of these issues will be discussed in the following sub-sections.

2.4.1 Providing strategic direction and leadership to the PPP program

The Government should develop a clear strategy to determine which infrastructure projects would be best implemented as PPPs and to assist line agencies to implement these projects. Until the promulgation of the PPP Policy in 2009 and the PPP Act in 2010, there was no framework to facilitate the process of a coordinated Government review of projects. Even after this framework was established, PPP projects have continued to be selected in an ad hoc manner. Often, projects are selected merely because the Government is unable to attract other forms of financing or because foreign governments or investors make proposals to the Government. This ad hoc approach has made it difficult to ensure consistency and quality in implementation. It also exposes investors to a high level of political risk and vulnerability to changing Government priorities. The lack of clear political support also makes it difficult for regulators to support projects through appropriate tariff adjustments.

A clear message should be sent to all line ministries that funds will not be allocated through the Government budget for projects that would be better implemented with private financing.

Global good practice indicates that the highest levels of government should require line ministries to deliver PPP where this is the appropriate format for the implementation of the project. In addition, the highest levels of government should continue to be involved in the process of monitoring the delivery of PPP. Strategic decisions made at the highest level of government engender a sense of confidence amongst all stakeholders that the Government will follow through on its commitments and take responsibility for them. A clear message should be sent to all line ministries that funds will not be allocated through the Government budgets for projects that would be better implemented with private financing. The Kenyan Government has successfully adopted this approach, creating strong momentum for its PPP program. The sectors usually considered to be most responsive to PPP include energy, airports and ports. However, the focus of an initiative to increase the appropriate use of PPP should not be limited to these sectors. While high-level leadership is vital, project prioritization should not be a bureaucratically heavy process, under central control. Rather, there should be a clear emphasis on enabling contracting agencies and assisting them to identify the projects most likely to succeed. The President's Office should make it clear that appropriate projects should be developed through PPP and take measures to ensure that this occurs. It should closely monitor the implementation of each project, testing milestones and helping to overcome constraints as they arise.

Global good practice indicates that a high level of commitment to reform plays a significant role in facilitating the successful implementation of a PPP

initiative. In particular, the current high level of Government payment arrears undermines private sector confidence in the Government, increasing the cost and complexity of projects as the private sector seeks to protect itself against Government breach. Steps need to be taken to reduce the accumulated arrears and to improve the Government's level of compliance with its contractual obligations.

The establishment of effective PPP institutions with the appropriate capacities is critically important. The PPP Centre needs to be properly established, with the appropriate resources and institutional framework. It should be headed by a senior CEO, with significant government and private sector experience (and preferably with significant experience in the financial sector), so that he or she is respected by both. The PPP Centre should report to a central government ministry that has the power and authority to challenge line ministries and to ensure compliance with the PPP framework. The Ministry of Finance PPP team and the Local Government Authority (LGA) PPP Node need to have dedicated staff with the appropriate skills and access to external experts to support the contracting authorities; to mobilize project funding; and to ensure high quality project delivery. As an example of good practice, Kenya's PPP Unit, based in the Ministry of Finance, has strong funding support, full-time staff, access to technical experts, and the support of the Minister and the President.

2.4.2 Increasing competition and improving transparency

Open, transparent, competitive bidding is a significant characteristic of good practice PPP programs. Global good practice clearly indicates the value of competitive processes for PPP projects, with this approach having been adopted by successful PPP programs around the world. Successful PPP programs implemented by the Republic of India and most European nations do not consider unsolicited proposals or direct negotiations except in extremely limited circumstances. Competition helps to ensure that a project is appropriately vetted and that the Government achieves value for money. It also protects against perceptions of corruption and bias that may result in the case of direct negotiations and unsolicited proposals.

Tanzania has resorted to direct negotiations to award PPPs significantly more frequently than the global average. In the period from 2010 to 2014, on average amongst emerging markets and developing economies, only 23 percent of PPPs for projects in the energy, transport and water sectors were awarded through direct negotiations. The use of direct negotiations was most frequent for projects in the energy sector, but even for this sector, the number of these projects accounted for only a third of the total. In Sub-Saharan Africa, only 20 percent of PPP projects in these sectors were awarded through a process

The PPP Centre needs to be properly established, with the appropriate resources and institutional framework.

of direct negotiation over the same period.[16] Evidence suggests that Tanzania has not consistently adopted competitive processes in the implementation of its PPP program. In fact, on the basis of publicly available data, only around half of recent PPP projects were competitively procured (see Table 7).

Table 7: Award processes used for some recent PPPs in Tanzania

Project	Business-to-Business	Government-to-Government	Competitive procurement	Number of bidders
Songas	-	-	X	2
UDA-RT	X	-	-	-
TICTS	-	-	X	2
IPTL	-	X	-	-
Richmond/ Dowans	X	-	-	-
TRL	-	-	X	1
City Water	-	-	X	1
Aggreko	X	-	-	-
KIA			X	?
Alstom	X			-
Netgroup			X	3

Source: World Bank

Measures to restrict or eliminate single bid scenarios also help to reduce the risk of abuse of competitive processes.

The PPP Act mandates a competitive approach, and it should be implemented accordingly. Where such an approach has been formally adopted in Tanzania, it has often resulted in the submission of only a single bid, as, for example, in the case of the City Water lease and the Tanzania Rail Lines concession. This may have been because tendered projects were not sufficiently well prepared when taken to market. In many countries, such single bidder situations are viewed with extreme caution, often requiring bidding processes to be rerun to attract a higher level of competition and the implementation of measures to identify the issues that resulted in such a limited market appetite for the project. This high level of caution also reflects concerns that abuse of bidding processes often results in a single bid by eliminating competition through the process. Thus, measures to restrict or eliminate single bid scenarios also help to reduce the risk of abuse of competitive processes. The PPP Technical Committee should be established to act proactively to encourage and enable PPP; to provide guidance to line Ministries; and to ensure that the right projects are implemented.

Unsolicited proposals (USPs) can enable governments to benefit from innovative ideas generated by the private sector. However, they can also create new

[16] See PPI Database and State of PPPs report.

challenges and thus need to be managed with a high level of transparency. Agencies in some countries receive a large number of USPs. Experience shows that these proposals often waste public officials' time, distracting governments from their stated priorities and diverting limited financial and human resources. The problem is often caused by the absence of minimum submission requirements to set a threshold for the quality of a USP. Moreover, poor evaluation criteria may result in USPs that may not be aligned with the Government's priorities. Additionally, the dispersed submission of USPs and the easy provision of benefits for USP proponents (reimbursements or direct negotiation) exacerbate the problem.[17] It should be noted that because USPs originate in the private sector, they are outside the public sector investment planning framework. Thus, it is necessary to establish a clear process to assess USPs to ensure their consistency with public sector priorities and needs, especially when their assessment requires public commitments. It is also important to subject these USPs to competitive tension, for the same reasons that a high level of competition benefits all PPP projects. To ensure the development of the appropriate approaches for handling such proposals, Tanzanian policy makers could learn from the approaches adopted by South Africa, Colombia and Peru (see Box 6).

It is necessary to establish a clear process to assess Unsolicited proposals to ensure their consistency with public sector priorities and needs, especially when they require public contributions.

Box 6: Handling unsolicited proposals in a transparent way

Studies of successful PPP programs across the globe, primarily in developed countries, provide a vision for the improved efficiencies that can be achieved. In Australia, PPPs were found to deliver projects on budget and on schedule more often than publicly procured projects, with only 30 percent of publicly procured projects being delivered on time and on budget, compared to 80 percent of PPP projects. In a survey of developed PPP programs, well-implemented PPP project facilitated a 29 percent higher number of residential electricity connections per worker than a publicly procured project; a 12 percent higher number of water connections; and a 19 percent higher number of sanitation connections; 85 percent higher bill collection ratios in the case of electricity and 50 percent higher in the case of water. They can also reduce distribution losses, with a 25 percent reduction in the case of electricity and a 41 percent increase in hours of daily service for water. Based on an empirical analysis using time series data (1995-2006) in 32 LAC countries, Andres et al. (2013) conclude that there private sector participation has a significant, positive impact in terms of coverage, quality of service and labor productivity for the analyzed utilities, especially when regulation is strong.

Source: World Bank, Reference Guide on Public Private Partnerships (2015)

[17] World Bank (2016).

Faced with the need to address significant infrastructure deficits, governments may be tempted to believe that direct negotiations are a quicker and cheaper way of implementing projects than through a competitive process. It may be tempting for governments to take what appears to be the path of least resistance, adopting what seems like an economical and easy approach. However, global experience clearly demonstrates that sole-sourcing, direct negotiations and unsolicited proposals rarely work out well over the longer term and are generally not faster or cheaper to implement than projects involving competitive processes. Also, lack of competition can create a potentially poisonous perception of bias or even corruption.[18] Direct negotiations are not tested through a process of competition and therefore it is hard to tell what price or terms are appropriate. In addition, they are especially vulnerable to future governments challenging their validity and wisdom.[19]

However, global experience clearly demonstrates that sole-sourcing, direct negotiations and unsolicited proposals rarely work out well over the longer term and are generally not faster or cheaper to implement than projects involving competitive processes.

It is crucial for the public sector to play a leading role in project development to ensure the appropriate level of competition during the procurement process. The Government should outline clear procedures and processes for the management of USPs to ensure that the Government leads project development and that appropriate levels of transparency and competition are achieved. The centralized management of USPs, under a single agency or department, improves the ability to manage such proposals and to generate benefits from them.[20]

There is a growing tendency for countries around the world to release more information related to PPP projects and contracts into the public domain. This tendency is driven by a recognition that in the implementation of PPPs, transparency and full disclosure result in improved governance; better management of fiscal costs; and a higher level of understanding of the impact on service delivery. A high level of transparency enables stakeholders to express their concerns, which in turn enables the Government to adjust PPP projects to address these concerns and to present evidence to stakeholders and the broader public that project processes are being implemented properly. At the minimum, basic project information and information related to procurement processes; the Request for Quotation (RFQ) documents; the Request for Proposal (RFP) documents; and information related to the provision of Government support should be fully disclosed, as should the complete PPP contract.

[18] Hodges and Dellacha (2016).

[19] World Bank (2014).

[20] World Bank (2016).

Tanzania could increase the level of disclosure related to PPP projects. Tanzania's current regulatory framework already mandates the publication of award notices, but it does not mandate the publication of the complete PPP contract. Both Ghana and Kenya mandate higher levels of disclosure regarding the publication of the PPP award than does Tanzania. For example, in Kenya, the publication of the award notice must be accompanied by information related to: (i) the nature of the project; (ii) the scope of the project; (iii) the successful bidder; (iv) the project cost at net present value; (v) the project value and tariff; and (vi) the duration of the project. The regulatory frameworks in both Colombia and Peru require the full PPP Contract to be published and included in the public registries of PPPs. [21]

2.4.3 Strengthening project identification, preparation and oversight

The PPP program should be driven by the overall public investment management program. PPPs are a means to implement public infrastructure projects and to deliver public services. As a consequence, a first step for a successful PPP is to identify PPP projects within the broader context of the public investment management process. Ideally, this should take place within a unified public investment management framework. A number of countries explicitly mandate this in their PPP frameworks. In Peru, the regulatory framework expressly requires that PPPs that involve co-financing with public resources must be certified as viable, as must all other public investment projects implemented in the context of the National Public Investment System. In Tanzania, the regulatory framework does not explicitly require the assessment and prioritization of PPPs within the broader context of public investment planning.

PPP contracts often have significant ongoing financial implications for governments. Therefore, these contracts must be assessed and managed appropriately. PPP contracts often involve long-term payment commitments and may be contingent on one or more risks. This can create particular challenges for public financial management systems and institutions, which are generally geared to the management of annual expenditure appropriations. For this reason, specific approaches to the public financial management of PPP are embedded in well-designed PPP frameworks. To ensure that projects implemented through PPPs are affordable, both the Ministry of Finance and the procuring authorities should participate in the preparation of arrangements related to the implementation of these projects. Tanzania's PPP framework mandates the Ministry of Finance to provide input into the approval process based on its assessment of fiscal costs, but it does not provide it with the right of approval. A number of

Tanzania's current regulatory framework already mandates the publication of award notices, but it does not mandate the publication of the complete PPP contract.

[21] World Bank (2015), Benchmarking PPP Procurement.

countries grant very specific roles to the Ministry of Finance, including the right to approve or reject a project. For example, Colombia's regulatory framework grants the Ministry of Finance the authority to approve or reject the project's contingent liabilities before the bidding process is launched and the authority to grant or withhold a certificate of no-objection to the financial conditions and terms of the PPP contract.

A successful PPP program must allocate the necessary resources to ensure the appropriate preparation of projects. Successful PPP programs allocate the appropriate financial and human resources to prepare selected projects through budget allocations and other sources of funding. In the past, Tanzania has relied on studies and analysis prepared by investors and other governments, despite the potential for conflict of interest. Global good practice emphasizes the need to develop independent feasibility studies and to seek transaction advice from highly experienced, independent advisers to identify investors and financiers. These advisers should also play a role in overseeing implementation (see Box 7). In Tanzania, the PPP Act and PPP Regulations mandate the establishment of two PPP facilitation funds for such purposes, one for central Government projects and the other for local government projects. Sufficient resources should be invested in these funds. Also, the PPP Centre and LGA PPP Node need to have dedicated staff with the appropriate capacities and access to external experts to support the contracting authorities; to mobilize project funding; to help agencies oversee consultants; and to ensure high quality project delivery.

Successful PPP programs allocate the appropriate financial and human resources to prepare selected projects through budget allocations and other sources of funding.

Box 7: Project Development Funds

Project development funds (PDFs) are commonly utilized by nations implementing PPP to provide funds to conduct studies and to contract the services of advisers. The South African PDF, which began operations on 21 October 2003, is one example of such a fund. It operates as a single-function trading entity (public account) and was created within the National Treasury. The funds disbursed may be recovered from the successful private party bidder when the PPP reaches financial close, as a "success fee." This fee is factored into the cost of conducting the feasibility study to avoid undue affordability constraints being imposed on the project. Bidders will price the success fee into their bids and will recover the costs through the payment mechanism used in that particular PPP. The PDF is exposed to the full risk of the project not reaching financial closure. The PDF is capitalized both by the South African Government and by donor agencies.

Source: www.ppp.gov.za

Once a potential project has been identified, it is necessary to determine whether it has the appropriate features for procurement as a PPP. Successful PPP programs establish appraisal criteria, with the project being required to satisfy

these criteria in order to be implemented as a PPP. The assessment typically involves four main criteria: (i) the feasibility and economic viability of the project (including its financial viability or bankability); (ii) the value for money of the PPP; (iii) fiscal responsibility; and (iv) commercial viability. In addition, any potential PPP project must go through a structuring phase that includes the identification, assessment, and intended allocation of the risks. Table 8 below presents a list of countries and shows which of these four criteria are legally mandated in the appraisal studies conducted by them.

Table 8: Appraisal studies for PPPs

Economy	Socio-economic impact	Financial Viability or bankability	Affordability assessment	Comparative assessment	Market assessment	Risk identification, assessment, and allocation
Cameroon	✓	✓	✓	✓	✓	✓
Colombia	✓	✓	✓	✓	✗	✓
Egypt, Arab Rep.	✓	✓	✗	✓	✓	✓
Ghana	✗	✓	✓	✓	✗	✓
Kenya	✓	✓	✓	✓	✓	✓
Nigeria	✓	✓	✓	✓	✓	✓
Peru	✓	✓	✓	✓	✗	✓
South Africa	✓	✓	✓	✓	✓	✓
Tanzania	✓	✓	✓	✓	✗	✓
Tunisia	✗	✗	✗	✗	✗	✗

Source: Benchmarking PPP Procurement 2015

In Tanzania, a relatively high proportion of PPP projects have been subject to early termination compared to the global average.

The Tanzanian Government should invest the appropriate resources in the systems necessary to ensure good contract management and oversight. As noted earlier, in Tanzania, a relatively high proportion of PPP projects have been subject to early termination compared to the global average. Improved systems of contract management could enable the resolution of minor issues before they get out of hand and become major problems. At the same time, Tanzania should learn from global experience to avoid the consequences of frequent renegotiation (see Box 8). Tanzania's regulatory framework does not explicitly limit or regulate changes in the scope, the risk allocation or the investment plan/duration of the contract.

Box 8: Approaches to managing contract renegotiations

In Kenya, the regulatory framework mandates that when a PPP project is amended, it should continue to provide value for money; be affordable; transfer the appropriate level of risk to the private party; ensure an efficient and effective provision of the service to the public and the protection; and facilitate the preservation of the environment. In South Africa, the Treasury will approve a material amendment only if it is satisfied that the PPP agreement, if so amended, will continue to provide: (i) value for money; (ii) affordability; and (iii) substantial technical, operational and financial risk transfer to the private party.

In Colombia, by law, changes to the scope or the duration of a PPP contract may not involve an increase in the value of the contract by more than 20 percent. The regulatory framework does not specifically address limiting or regulating changes in the risk allocation of the PPP contract. In Peru, changes during the first three years of a PPP contract are limited to the following cases: (i) the correction of clerical errors; (ii) the requirements of allowed creditors related to the stage of financial closing; and (iii) the accuracy of operational issues that impede the implementation of the contract. After that period, if an amendment involves an increase of more than 15 percent to the original cost of the project, the procuring entity should initiate a new procurement procedure.

Source: World Bank, Benchmarking PPP Procurement, 2015

A well-designed training program will enable Government staff to understand PPP; to select the appropriate projects for PPP; and to implement selected projects well.

Well-designed, appropriately resourced training programs and public outreach campaigns can play an important role in enabling Government staff and the broader public to understand the rationale for PPPs. Government staff, officials of local governments and their agencies, private sector operators and members of the broader public need to understand how and why PPP can be implemented as an effective tool for certain types of project and the role they can play in meeting critical infrastructure and service needs. A well-designed training program will enable Government staff to understand PPP; to select the appropriate projects for PPP; and to implement selected projects well. Developing public awareness of these issues is an important means to ensure higher levels of transparency, which in turn is a significant characteristic of successful PPP programs. The greater use of PPPs can facilitate positive transformation in Tanzania's financial sector, but only if the financial sector develops the skills and instruments necessary to support the PPP program. The responsibility for delivering a coordinated and comprehensive training program for PPP should be allocated between the PPP Centre, the LGA PPP Node and the Ministry of Finance PPP team, as appropriate. Box 9 describes some aspects of the successful LGA PPP program, and the role of capacity building in facilitating this success.

Box 9: Local Government PPP

A stand-out in Tanzania's storied history of PPP is the Local Government PPP program. The PPP Regulations (2015) empower the PPP Node of the Local Government Department of the President's Office (PO-RALG) to oversee local government PPP and to act as the approval authority for small PPP (involving projects with a value of less than US$ 70 million).

The Local Government Authority (LGA) PPP Node was established by the Permanent Secretary of the PO-RALG, with a Head, a Deputy Head and five members of staff. In the pilot phase, the LGA PPP Node has engaged with eight LGAs, providing training; reviewing project proposals; identifying those projects with the greatest potential for implementation through PPPs; and helping the LGAs to develop concept notes for each of the identified projects. These efforts have already yielded positive results, with the identification of more than 60 potential PPP projects and the development of more than 28 concept notes.

The LGA PPP Node is supported by the World Bank; the Department for International Development of the UK; and the Public Private Infrastructure Advisory Facility (PPIAF).

Source: www.ppp.gov.za

The degree of support provided by the Government should as far as possible be determined by a competitive process during bidding.

2.4.4 Developing a robust funding and financing framework for PPPs

The Government needs to develop and apply a policy for the provision of financial support for PPP, with these policies covering the awarding of guarantees and criteria to determine which projects will receive such support, amongst other matters. Requests for public support, including for extra-budgetary funding allocations, guarantees and other fiscal commitments, need to be assessed and managed quickly and efficiently. The degree of support provided by the Government should as far as possible be determined by a competitive process during bidding. Sufficient funding should be allocated to enable the assessment, approval, and structuring and monitoring of public liabilities associated with PPP. The Ministry of Finance PPP team needs to have the necessary human resources, including dedicated staff with the appropriate capacities and access to external experts to support the contracting authorities; to review proposed projects; to advise on the most appropriate structure for the provision of public support; and to monitor public liabilities to ensure high quality project delivery. The Kenyan Government maintains its PPP unit in the Ministry of Finance, with the specific functions of this unit including helping to structure competitive processes and to discuss public support, and its Debt Management Office, to assess and monitor fiscal liabilities.

Box 10: India's Viability Gap Fund

In 2004, the Government of India launched the Scheme for Financial Support of PPPs in Infrastructure, now commonly known as the Viability Gap Funding (VGF) scheme. The VGF scheme provides up-front capital grants for projects at the construction stage. These grants may not exceed a value of 20 percent of the project cost and are disbursed only after the private company has made the required equity contribution. Sponsoring ministries or state governments may provide additional grants from their own budgets, but these may not exceed an additional 20 percent of the total project cost. The value of public capital provided is identified through a competitive process, with the level of public funding needed acting as a core bid criteria.

India's Ministry of Finance administers the VGF scheme, which is separate from any funding provided to an implementing agency through the normal budgetary process. No economic cost benefit assessments are performed, with the Government instead relying on sector regulation and competitive procurement processes to identify the need for a Government contribution.

Source: www.pppindiadatabase.com

Tanzania's domestic financial markets have little experience in the financing of PPP transactions.

Local financial markets need to be provided with assistance to fund PPP transactions, particularly in the case of small projects that may be entirely funded in local currency. Tanzania's domestic financial markets have little experience in the financing of PPP transactions (see Box 11). Thus, it is important to provide training and support to enable domestic financial institutions to adapt to the use of these financing practices and instruments. A number of regulatory issues may need to be addressed to amend internal practices to encourage these institutions to engage in PPP financing. An infrastructure finance working group could be established under the Bank of Tanzania with the Ministry of Finance's PPP team; the Tanzania Bankers' Association; and other key stakeholders to discuss constraints to the development of a robust infrastructure for the PPP finance market in Tanzania and to resolve these constraints. The working group should consider the establishment of functions to generate public support and to facilitate intermediation to enable Tanzanian financial institutions to support PPP. For example, this could involve the establishment of mechanisms to allow pension funds to finance PPP projects, without exposing them to risks inconsistent with good pension fund governance.

Box 11: Financing PPP

A well-designed PPP program could create important new opportunities for the Tanzanian financial sector. Many PPP projects will involve local currency debt, particularly long-term and fixed-rate debt. The domestic financial markets of a number of countries have experienced significant development as a result of the mobilization of the financial instruments needed to drive a robust PPP program.

Tanzanian commercial and developments banks could play an important role in originating projects and arranging debt. Pension and other institutional funds are well placed to support PPP, particularly in the refinancing of debt for PPP after construction is complete and once the risk profile of the project becomes more consistent with the governance priorities of such funds. The Tanzania Investment Bank is already engaging in this space, working with local governments and pension funds to develop projects more akin to PPP models. Pension funds are investing directly in some projects, helping to drive investment, but often without the efficiencies available from PPP and without the level of governance that pensions funds might otherwise require.

PPP can help make these investments more efficient and provide a safer means for pension funds and other institutional investors to engage in them.

Statistical Annexes

Annex 1: Key Macroeconomic Indicators 2010-15

Indicator	Unit	2010	2011	2012	2013	2014	2015
Population (Mainland)/2	Millions	43.6	44.8	44.9	46.1	47.4	48.8
Per capita Income/2	US$	726	765	870	969	1028.8	968.8
GDP Growth/2	%	6.4	7.9	5.1	7.3	7.0	7.0
Inflation/2 (period average)	%	7.2	12.7	16.0	7.9	6.0	5.6
Exchange Rate/2 (period average)	TZS/US$	1,432.3	1,579.5	1,571.7	1,597.6	1658.1	2,002.8
External Sector							
Exports - Goods & Services (f.o.b)/1	Mil. US$	3,805	4,896	5,562	5,441	5517	5,618
Imports - Goods & Services (f.o.b)/1	Mil. US$	-6,596	-8,012	-10,615	-10,482	-11541	-10659
Current Account Balance/1	Mil. US$	-2,047	-2,215	-4,736	-4,290	-4746	-4,182
Balance of Payments (Overall balance)/1	Mil. US$	478	101	200	457	232	-100
Foreign Reserves/1	Mil. US$	3,483	3,610	3,797	4,357	4634	4,285
External Debt/1	(as a % of GDP)	18	22	21	23	24	31
Foreign Direct Investment/1	Mil. US$	991	1,009	1,574	1,836	1924	2,152
Monetary Sector							
Average Deposit Rate/2	%	9.1	7.3	9.6	11.4	8.3	8.3
Average Lending Rate/2	%	13.8	13.9	13.9	14.1	13.9	13.9
Growth in Money Supply (M3)/2	%	25.4	18.2	12.5	10.0	15.6	18.0
Government Finance							
Total Domestic Revenue/1	(as a % of GDP)	11.8	12.2	12.6	13.1	13.5	13.0
Tax Revenue/1	(as a % of GDP)	11.1	11.2	11.6	12.0	12.4	11.7
Non-Tax Revenue/1	(as a % of GDP)	0.6	0.9	1.0	1.0	1.2	1.3
Total Expenditure/1	(as a % of GDP)	20.0	19.1	19.1	18.8	18.6	17.3
Recurrent Expenditure/1	(as a % of GDP)	13.9	12.9	13.0	13.4	13.7	12.9
Development Expenditure/1	(as a % of GDP)	6.1	6.2	6.1	5.4	4.9	4.4
Grants/1	(as a % of GDP)	3.5	3.4	3.2	2.6	2.1	1.2
Fiscal Balance (after grants)/1	(as a % of GDP)	-6.9	-4.8	-5.0	-3.6	-3.3	-3.3

Note
/1 Fiscal year is used, and it ends June 30th of the mentioned year
/2 Calendar year is used, and it ends in mentioned year December 31st.

Source: IMF and Tanzania Authorities (MoF, BoT, NBS,).

Annex 2: Real GDP growth rates 2009-2015 (percent)

Economic Activity	2009	2010	2011	2012	2013	2014	2015
Agriculture and Fishing	**5.1**	**2.7**	**3.5**	**3.2**	**3.2**	**3.4**	**3.5**
Crops	5.5	3.7	4.8	4.2	3.5	4.0	3.4
Livestock	5.3	1.4	1.6	1.8	2.0	2.2	3.2
Forestry and Hunting	5.1	3.4	3.3	3.5	4.7	5.1	5.2
Fishing	0.5	0.9	2.6	2.9	5.5	2.0	2.7
Industry and construction	**3.3**	**9.1**	**12.0**	**4.0**	**9.5**	**10.3**	**9.3**
Mining and quarrying	18.7	7.3	6.3	6.7	3.9	9.4	8.2
Manufacturing	4.7	8.9	6.9	4.1	6.5	6.8	6.9
Electricity	4.3	13.4	-4.3	3.3	13.0	9.3	9.3
Water	4.6	2.2	-1.2	2.8	2.7	3.7	3.7
Construction	-3.8	10.3	22.9	3.2	14.6	14.1	11.9
Services	**5.8**	**7.8**	**8.4**	**7.2**	**7.1**	**7.2**	**7.4**
Trade and repairs	2.7	10.0	11.3	3.8	4.5	10.0	10.0
Hotels and restaurants	6.9	10.7	4.4	4.2	12.2	12.5	12.6
Transport	1.0	3.7	4.1	6.7	2.8	2.2	2.2
Communications	26.6	24.4	8.6	22.2	13.3	8.0	8.0
Financial intermediation	18.4	12.6	14.8	5.1	6.2	10.8	10.8
Real estate	1.8	1.8	1.9	2.0	2.1	2.2	1.4
Professional, scientific & technical services	15.8	29.9	4.8	-5.8	5.4	0.5	3.0
Administrative and support service activities	0.4	8.6	5.1	23.8	12.2	6.0	0.1
Public administration & defence	-0.7	-5.0	15.9	9.1	7.8	3.9	6.9
Education	9.2	6.4	5.6	7.4	4.3	4.8	4.9
Health	7.4	3.3	5.3	11.4	8.8	8.1	8.1
Arts	3.0	7.3	7.7	11.0	5.7	5.7	4.8
Other social and personal services	5.9	6.0	6.2	6.4	6.5	6.7	4.8
Activities of households as employers	2.7	2.7	2.7	2.7	2.7	2.7	11.0
FISIM	20.0	7.9	22.6	1.2	0.1	9.7	9.7
Net taxes	12.8	3.8	12.1	0.4	14.2	7.7	9.7
Total GDP	**5.4**	**6.4**	**7.9**	**5.1**	**7.3**	**7.0**	**7.0**

Source: NBS, GoT

Annex 3: Shares of economic activity in GDP (current market price) 2009-15

Economic Activity	2009	2010	2011	2012	2013	2014	2015
Agriculture and Fishing	**27.24**	**26.31**	**25.23**	**24.77**	**23.83**	**23.03**	22.26
Crops	13.76	13.41	13.03	12.91	12.46	12.11	11.70
Livestock	9.60	9.16	8.63	8.35	7.94	7.59	7.32
Forestry and Hunting	2.34	2.28	2.18	2.15	2.10	2.06	2.02
Fishing	1.54	1.46	1.39	1.36	1.33	1.27	1.22
Industry and construction	**19.98**	**20.49**	**21.28**	**21.05**	**21.50**	**22.18**	**22.65**
Mining and quarrying	3.36	3.39	3.34	3.39	3.28	3.36	3.39
Manufacturing	7.36	7.54	7.47	7.40	7.35	7.34	7.33
Electricity and water	1.75	1.77	1.59	1.56	1.57	1.57	1.57
Electricity	0.88	0.94	0.83	0.82	0.86	0.88	0.90
Water	0.87	0.83	0.76	0.74	0.71	0.69	0.67
Construction	7.51	7.79	8.87	8.70	9.30	9.92	10.37
Services	**46.97**	**47.60**	**47.81**	**48.76**	**48.69**	**48.80**	**48.94**
Trade and repairs	9.72	10.04	10.36	10.23	9.96	10.24	10.53
Hotels and restaurants	5.75	5.99	5.79	5.74	6.00	6.31	6.64
Transport	1.69	1.65	1.59	1.61	1.55	1.48	1.41
Communications	2.93	3.42	3.44	4.01	4.23	4.27	4.31
Financial intermediation	3.57	3.78	4.02	4.02	3.98	4.12	4.27
Real estate	5.56	5.33	5.03	4.88	4.65	4.44	4.20
Professional, scientific and technical activities	1.62	1.98	1.92	1.72	1.69	1.59	1.53
Administrative and support service activities	2.62	2.68	2.61	3.07	3.22	3.19	2.98
Public administration and Defence	6.81	6.08	6.53	6.78	6.81	6.62	6.61
Education	3.42	3.42	3.35	3.42	3.32	3.25	3.19
Human Health and social work activities	1.67	1.62	1.58	1.68	1.70	1.72	1.74
Arts, entertainment and recreation	0.34	0.34	0.34	0.36	0.35	0.35	0.34
Other social and personal services	0.96	0.95	0.94	0.95	0.94	0.94	0.92
Activities of households as employers	0.33	0.32	0.30	0.30	0.28	0.27	0.28
FISIM	-1.42	-1.45	-1.64	-1.58	-1.48	-1.51	-1.55
Net taxes	7.23	7.05	7.33	7.00	7.45	7.50	7.69
Total GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: NBS

Annex 4: Fiscal framework as a percentage of GDP

	2011/12		2012/13		2013/14		2014/15	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Total domestic revenue	12.2	12.7	13.8	12.9	15.6	13.5	14.3	13.0
Total expenditure	22.2	18.9	20.9	20.6	22.7	18.6	20.4	17.3
Overall deficit before grants	-10.0	-6.2	-7.1	-7.8	-7.0	-5.0	-6.1	-4.3
Grants	4.8	3.3	3.1	2.6	3.2	-2.1	2.6	1.2
Overall deficit after grants	-5.2	-3.6	-4.0	-5.0	-3.8	-3.3	-3.4	-3.3
Overall primary balance	-3.7	-2.1	-2.7	-3.7	-2.5	-2.0	-1.9	-1.8
Financing	5.2	3.6	4.0	5.0	3.8	3.3	3.4	3.3
Foreign (net)	4.2	3.0	5.5	3.9	3.8	3.0	3.2	3.1
Domestic (net)	0.7	0.6	-1.4	1.1	0.0	0.3	0.3	0.2

Source: Ministry of Finance, IMF and World Bank

Annex 5: Balance of payments (percentage of GDP unless otherwise indicated) 2008/9 - 2014/15

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
1. CA balance (including transfers)	**-7.6**	**-6.7**	**-6.8**	**-13.3**	**-10.5**	**-10.7**	**-8.7**
Exports of Goods	11.7	12.4	15.1	15.6	12.9	11.9	-10.5
o/w Gold	3.3	4.9	5.5	6.4	4.5	3.6	2.6
Import of Goods	-22.3	-21.5	-24.6	-29.7	-25.0	-24.8	-22.3
Services (net)	0.6	0.5	0.5	0.2	1.3	1.7	2.0
Trade balance	-10.0	-8.5	-9.1	-13.9	-10.8	-11.3	-10.5
Income (net)	-1.0	-1.0	-0.8	-2.0	-1.3	-1.1	-1.4
Current transfers (net)	3.4	2.9	3.1	2.6	1.9	1.6	1.2
2. Capital and financial account	**8.3**	**8.9**	**8.7**	**11.8**	**11.7**	**11.3**	**8.9**
Capital account	1.4	1.7	1.7	2.2	1.8	1.5	0.9
Financial account	6.9	7.2	7.0	9.6	9.9	9.9	8.0
o/w Direct investment	4.0	3.2	3.1	4.4	4.4	4.5	4.5
3. Overall balance	**0.1**	**1.6**	**0.3**	**0.8**	**1.1**	**0.6**	**-0.2**
Gross international reserves (Mil USD)	2930	3483	3610	3797	4357	4643	4285
In months of imports (current year)	4.5	5.0	4.3	3.5	4.1	4.0	4.1

Source: BoT, IMF and World Bank

Annex 6: Monthly imports of Goods and Services (US$ million)

USD mn	2013			2014												2015								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Total Imports of Goods and Services	1120	1291	1063	1200	1098	1258	991	1067	1165	1031	1080	1128	1135	1100	1351	1106	1105	1136	979	1019	1217	13370	1229	1019
Imports of goods (f.o.b.)	892	1051	843	969	884	1037	786	866	954	810	837	884	907	889	1084	874	858	918	769	813	997	10658	976	786
Capital goods	274	362	283	310	255	295	262	280	246	275	272	297	336	373	394	961	381	357	352	348	313	4058	325	277
Transport equipment	84	187	105	89	95	119	91	97	92	97	95	105	113	119	104	105	98	108	90	102	106	1242	108	78
Building and construction	74	104	62	110	71	72	70	86	72	81	85	91	85	108	100	96	81	91	71	67	62	1018	67	58
Machinery	116	110	115	111	90	104	100	96	83	97	92	101	138	147	190	159	203	159	190	178	145	1797	150	141
Intermediate goods	426	441	379	428	431	509	311	350	466	309	377	370	383	326	406	291	338	346	232	269	461	4108	398	318
Oil imports	337	354	300	344	343	438	252	277	409	237	279	296	281	225	286	212	270	281	172	211	323	3083	290	261
Fertilizers	18	10	15	6	2	6	0	2	0	3	26	32	10	22	15	6	2	1	6	9	9	141	37	11
Industrial raw materials	71	78	64	76	88	66	59	72	57	69	72	52	92	79	104	73	66	65	53	49	129	904	70	46
Consumer goods	192	228	181	238	197	238	215	235	240	226	188	227	188	189	284	223	138	214	205	199	213	2492	252	171
Food and foodstuffs	30	69	58	54	44	57	42	54	81	53	45	52	63	40	45	83	34	72	62	64	54	649	20	40
All other consumer goods	162	159	126	179	153	177	172	181	159	170	143	175	126	149	239	139	104	142	143	134	158	1842	232	131
Imports of services	227	238	219	231	214	220	203	201	211	221	223	234	228	211	267	232	247	218	190	208	230	2711	254	253
Transportation	92	109	89	101	91	104	82	89	100	86	88	99	99	97	119	97	95	97	84	94	107	1163	107	88
Passenger	6	7	7	8	6	4	6	6	8	8	7	14	12	12	14	13	13	9	8	16	10	134	14	14
Freight	86	101	81	93	85	100	76	83	91	78	80	86	87	85	104	84	82	88	76	78	95	1023	94	73
Other	0	1	1	0	1	0	0	0	1	0	0	0	0	0	2	0	0	0	0	0	2	6	0	0
Travel	105	104	105	104	91	90	73	66	76	96	113	103	95	65	109	99	124	88	80	79	93	1162	117	134
Communications services	3	3	3	4	3	4	4	4	4	3	2	1	1	1	2	4	2	3	5	5	3	37	4	6
Construction services	1	1	1	0	1	2	0	3	0	0	0	2	1	2	2	4	0	0	0	0	2	13	0	0
Insurance services	5	4	3	4	4	4	3	3	3	5	3	5	4	3	4	4	3	3	3	3	3	44	6	5
Financial services	0	0	1	1	1	0	0	2	0	1	0	1	1	1	1	1	0	0	1	0	0	6	1	0
Computer and information services	1	1	1	1	1	0	1	1	0	1	0	1	0	1	2	2	3	2	0	1	1	13	1	0
Other business services	13	12	11	13	15	10	33	24	25	25	14	17	16	12	21	22	20	27	17	24	20	272	16	20

Source: BoT

Annex 7: Monthly Exports of Goods and Services (US$ million)

USD mn	2013			2014												2015								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Total Exports of Goods &Services	728	622	683	700	580	585	505	566	586	632	727	758	747	796	820	774	747	688	606	618	684	8587	690	776
Exports of goods	432	510	370	429	316	354	274	372	338	399	391	433	421	481	480	454	443	376	327	346	392	4885	360	406
Traditional exports (values)	121	130	111	122	71	43	27	14	9	29	67	68	80	161	139	136	102	60	41	15	11	908	20	24
Coffee	10	21	20	17	14	10	11	6	4	3	6	6	12	18	18	19	26	19	18	7	3	149	4	9
Cotton	20	14	16	3	0	1	2	1	0	4	20	11	6	4	4	2	1	1	1	1	0	52	1	6
Tea	1	5	5	5	5	5	4	3	2	4	3	3	3	4	4	4	4	4	5	3	4	45	4	3
Tobacco	82	61	27	60	19	12	1	2	2	14	38	39	50	76	18	38	41	31	16	2	3	360	6	3
Cashewnuts	0	27	35	31	18	12	6	0	0	1	0	1	6	55	92	68	28	2	1	1	0	253	5	0
Cloves	6	12	6	14	13	1	1	0	0	0	4	7	2	7	4	6	1	0	0	0	0	31	0	0
Non-traditional exports	311	380	259	307	245	310	247	358	327	370	324	365	341	320	341	317	341	316	287	331	381	3977	340	388
Minerals	142	175	137	159	111	124	96	125	125	109	121	131	132	122	113	114	79	113	115	82	109	1352	151	124
Gold	128	169	122	137	106	112	88	119	108	103	98	124	126	99	107	110	74	92	111	69	97	1226	148	116
Diamond	10	0	0	13	1	9	1	0	13	1	22	1	0	18	0	1	1	19	0	0	9	71	1	1
Other minerals	4	5	16	8	5	4	6	6	3	6	6	6	6	5	6	4	4	2	4	3	3	54	2	6
Manufactured goods	94	141	84	72	73	97	82	131	98	115	115	129	102	110	119	110	183	95	57	74	128	1317	85	142
Cotton Yarn	1	1	0	1	1	1	1	2	1	1	1	1	0	1	1	0	1	0	1	1	1	9	1	1
Manufactured Coffee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0
Manufactured Tobacco	3	4	3	1	3	2	3	3	3	3	2	3	4	3	3	2	2	2	1	3	3	32	3	3
Steel Products	1	1	1	1	1	1	2	1	0	1	1	0	1	1	1	1	3	1	3	1	2	15	1	1
Other manufactured goods	89	136	81	69	69	92	75	126	92	110	111	124	96	105	114	106	157	92	51	69	122	1260	79	137
Fish and Fish Products	11	9	11	13	15	29	17	17	16	18	13	12	22	11	15	17	16	16	13	15	14	169	16	11
Horticultural Products	2	2	2	3	3	3	4	3	2	3	2	3	1	2	2	2	3	2	2	2	2	27	2	2
Other Export Products	50	36	36	49	32	33	36	73	61	61	56	66	71	69	76	48	36	56	48	116	90	774	62	64
Re-Exports	12	15	10	11	12	24	11	10	8	14	18	23	14	16	17	28	45	30	51	31	37	325	25	20
Services receipts	296	313	324	271	264	232	231	224	250	293	336	326	326	315	340	320	304	292	279	271	291	3682	330	368
Transportation	66	75	80	63	62	73	67	61	62	72	79	77	79	62	68	62	65	64	62	60	77	954	79	62
Passenger	4	5	5	3	4	2	4	1	2	3	3	3	4	3	4	3	2	1	1	1	0	28	3	1
Freight	49	51	47	50	49	49	49	48	48	52	54	56	57	58	59	59	62	61	59	58	58	667	57	61
Other	15	18	29	29	28	22	14	11	14	18	17	19	19	22	23	20	22	22	22	22	21	240	19	20
Travel	178	185	187	154	145	122	128	132	143	180	212	202	199	190	204	189	176	164	154	151	178	2189	213	244
Communications services	4	5	5	5	5	5	3	3	3	7	7	7	6	6	7	4	4	6	5	4	3	53	5	6
Insurance services	3	5	2	2	4	3	4	3	2	4	2	3	3	2	3	4	3	4	4	4	4	39	4	4
Financial services	3	3	3	2	3	3	1	3	0	0	3	3	2	2	1	1	1	1	1	1	2	20	1	1
Computer & information services	0	1	2	1	1	0	0	0	0	1	1	1	1	2	1	1	0	0	0	0	1	7	0	0
Other business services	35	36	40	23	22	24	25	23	39	29	34	31	33	27	34	33	34	33	32	31	28	409	28	32

Source: BoT

Annex 8: Inflation rates 2012-2016

Period	Headline Overall Index	Food & Non Alcoholic Beverages (Exclude Food consumed at Restaurants)	Transport	Housing, Water,Electricity,Gas & Other Fuel	Furnishing, Housing Equipment & Routine Maintenance of House	Clothing & Footwear	Restaurants and Hotels	Miscel. Goods and Services	Alcoholic and Tobacco	Communi-cation & Entertainment	Education	Recreation & Culture	Health
2012-Jan	19.7	27.8	10.9	18.8	14.4	12.5	12.8	9.1	6.3	-0.4	2.9	4.5	3.4
Feb	18.4	26.7	10.8	19.5	8.2	13.9	15.8	12.1	8.3	-0.8	4.8	8.7	2.5
Mar	19.0	25.7	9.7	17.4	9.0	15.0	16.2	12.3	9.3	-0.7	4.8	9.1	2.8
Apr	18.7	25.3	8.6	16.2	9.1	15.4	16.8	12.8	9.3	-0.7	4.7	9.1	3.2
May	18.2	25.3	6.7	14.7	9.1	15.5	17.5	13.2	9.7	-0.7	4.7	9.2	3.2
Jun	17.4	23.5	5.9	14.8	9.0	15.1	17.8	13.1	11.7	-0.9	4.7	11.7	3.3
Jul	15.7	20.8	4.7	12.5	8.7	15.0	16.1	10.8	18.0	-1.6	4.7	11.9	3.7
Aug	14.9	18.8	3.8	14.4	8.6	14.4	16.0	11.8	20.4	-1.7	4.7	11.0	3.3
Sep	13.5	15.8	1.7	16.5	8.3	13.4	17.5	8.3	20.9	-1.7	4.7	11.3	3.0
Oct	12.9	14.9	2.7	17.4	7.9	12.4	16.3	8.4	20.9	-1.8	4.7	11.1	2.9
Nov	12.1	13.4	2.3	17.3	8.4	12.0	16.1	8.0	21.3	-1.7	4.7	10.8	2.9
Dec	12.1	13.1	3.2	17.1	8.2	11.8	15.7	9.1	22.8	-1.9	4.7	10.5	3.4
2013-Jan	10.9	11.9	2.7	15.3	7.2	9.8	13.5	8.8	23.0	-1.9	4.2	8.9	2.9
Feb	10.4	12.0	2.5	16.3	6.1	7.9	9.0	6.6	18.8	-0.4	2.1	3.8	3.0
Mar	9.8	11.1	1.3	20.4	5.1	6.4	6.8	5.0	17.4	-0.4	2.2	3.1	3.7
Apr	9.4	10.2	4.2	19.9	4.6	5.8	5.9	5.2	17.7	-0.6	2.2	3.5	3.2
May	8.3	8.0	7.5	19.0	4.4	5.3	5.5	4.9	16.0	-0.7	2.2	3.5	3.0
Jun	7.8	7.8	7.1	15.4	4.0	5.2	5.5	4.8	15.0	-0.8	2.2	0.3	2.9
Jul	7.5	8.0	7.5	14.4	3.8	5.2	5.9	5.9	12.0	-0.1	2.4	0.2	2.7
Aug	6.7	6.5	9.0	14.3	3.5	5.2	4.9	4.9	10.6	0.0	2.4	0.7	2.9
Sept	6.1	6.5	7.6	9.6	3.2	4.9	2.2	6.5	10.4	0.0	2.4	0.4	2.9
Oct	5.8	6.9	9.3	9.0	3.3	4.6	2.9	6.0	10.7	0.2	2.4	0.5	2.8
Nov	6.2	7.2	8.6	8.7	2.5	4.4	2.7	5.6	9.9	0.1	2.4	0.7	2.1
Dec	5.8	6.0	8.2	10.2	2.3	3.9	2.2	4.0	7.8	0.5	2.4	1.0	1.5
2014-Jan	6.0	6.0	8.9	14.9	2.0	3.9	1.7	4.1	7.1	0.5	5.9	0.6	1.8
Feb	6.0	6.2	9.0	13.3	1.8	3.5	1.5	4.6	7.1	0.5	5.3	1.2	2.0
Mar	6.1	7.2	8.7	9.0	1.8	3.3	1.7	5.2	7.1	0.5	5.3	1.3	2.1
Apr	6.3	7.8	5.3	9.2	2.6	3.2	2.2	7.7	6.8	0.7	5.3	0.8	3.6
May	6.5	8.7	2.3	6.3	2.4	3.1	2.6	8.3	6.6	0.7	5.3	0.6	3.8
June	6.4	8.1	2.7	11.3	2.2	2.9	2.6	8.1	5.4	1.6	5.3	0.8	4.2
Jul	6.5	8.1	2.4	11.7	2.1	2.8	2.4	6.8	4.7	1.1	5.1	0.6	3.9
Aug	6.7	8.8	2.1	10.3	2	2.4	2.7	6.6	4.6	1	5.1	0.5	4
Sep	6.8	8.5	2	10.7	1.7	2.2	4.1	5.6	5	0.7	5.1	0.6	4.7
Oct	5.9	7.1	1.6	10.6	1.5	2.7	3.6	5.5	5.4	0.7	5.1	0.7	4.6
Nov	5.8	7.0	1.8	11.3	1.4	2.8	3.2	5.6	5.4	0.6	5.1	0.7	4.6
Dec	4.8	5.7	0.5	7.8	1.2	3.2	3.5	5.3	5.5	0.4	5.1	0.6	4.5
2015-Jan	4.0	4.9	0.0	4.9	1.5	3.1	3.6	5.3	5.4	0.5	1.2	0.6	4.7
Feb	4.2	4.9	-1.4	6.6	1.5	3.4	5.2	5.2	5.4	0.7	2.2	0.7	4.4
Mar	4.3	5.9	-2.4	3.6	1.0	3.7	5.1	4.8	5.4	0.6	2.2	0.3	3.2
Apr	4.5	7.1	-2.3	0.6	0.3	3.6	5.3	1.8	5.3	0.6	3.3	0.3	2.1
May	5.3	8.5	5.0	2.0	0.9	4.1	4.8	1.4	5.2	0.9	3.5	0.9	2.3
June	6.1	10.1	-1.3	1.0	0.9	4.5	4.3	1.1	5.9	-0.1	3.3	1.5	1.9
Jul	6.4	10.6	-0.5	0.2	1.6	4.5	5.6	1.6	3.4	-0.2	3.3	1.3	2.8
Aug	6.4	10.2	0.9	0.2	1.9	5.3	5.2	1.8	2.6	-0.4	3.3	1.5	3.0
Sep	6.1	9.6	0.7	1.3	2.2	4.8	3.7	2.5	2.0	0.0	3.3	3.3	2.4
Oct	5.8	10.2	-0.1	1.3	2.0	4.5	3.9	3.0	1.2	0.2	3.3	3.3	2.9
Nov	6.6	11.2	-0.2	-1.7	2.4	4.5	4.4	3.3	1.1	0.2	3.3	3.2	3.3
Dec	6.8	11.1	1.0	-0.3	3.0	4.1	3.9	3.4	1.2	0.4	3.3	3.2	4.0
2016-Jan	6.5	10.7	1.3	1.1	3.5	4.8	4.3	4.0	1.7	0.5	3.4	3.6	4.4
Feb	5.8	9.5	2.0	0.8	3.1	4.5	2.8	3.9	1.8	0.4	3.6	3.3	6.0
Mar	5.4	8.3	2.6	5.5	3.8	4.2	2.8	3.6	2.1	-1.0	2.6	4.1	6.2

Source: BoT

Annex 9: Monthly Food Crop Prices (Wholesale) Tanzania Shillings per 100kg

	Maize			Rice			Wheat			Beans			Sorghum		
Month-Year	Arusha	Dar es Salaam	Mbeya	Arusha	Dar es Salaam	Mbeya	Arusha	Dar es Salaam	Mbeya	Arusha	Dar es Salaam	Mbeya	Arusha	Dar es Salaam	Mbeya
Jan-12	44,500	48,052	40,500	165,962	183,962	183,500	84,038	121,231	100,385	137,308	140,308	160,615	50,731	61,962	-
Feb-12	41,654	46,808	40,423	167,115	188,769	202,615	78,654	122,042	108,846	186,154	139,808	164,000	52,654	65,808	-
Mar-12	45,286	46,923	40,231	185,714	202,038	206,000	82,679	108,192	125,000	140,000	136,615	139,077	50,500	57,462	70,000
Apr-12	51,727	51,773	39,909	194,091	221,136	216,000	82,045	107,500	125,682	128,273	138,682	110,682	50,909	55,227	-
May-12	58,885	63,306	45,654	183,462	179,231	182,308	80,846	108,462	127,692	178,346	130,385	114,077	51,462	63,962	-
Jun-12	51,789	58,519	43,500	160,577	160,365	181,308	79,731	109,038	93,077	134,423	136,538	122,654	62,692	69,077	50,000
Jul-12	54,000	60,692	45,000	145,577	170,385	188,808	83,269	105,654	84,308	116,154	137,500	112,692	60,769	69,038	-
Aug-12	53,200	60,250	46,750	148,000	143,350	190,250	78,650	95,000	92,050	99,250	148,300	129,500	56,250	71,050	-
Sep-12	54,186	60,000	50,417	155,208	152,063	182,500	63,875	99,167	102,292	109,667	145,833	133,333	50,750	76,458	-
Oct-12	55,981	65,192	52,750	160,000	173,654	188,500	74,846	98,462	100,000	114,423	141,731	136,417	52,154	77,308	-
Nov-12	61,404	72,769	56,115	162,308	183,269	201,231	73,269	102,115	103,846	115,000	153,462	149,808	50,462	85,385	-
Dec-12	67,708	80,045	65,583	172,500	188,409	217,500	76,542	115,000	112,500	117,500	158,818	151,458	56,833	87,182	152,500
Jan-13	70,083	84,292	73,792	171,458	201,625	229,375	75,500	130,417	118,333	126,250	160,417	160,792	54,792	81,542	-
Feb-13	71,333	90,167	71,000	170,833	190,208	197,250	76,875	125,909	110,000	107,292	168,125	149,292	53,833	93,750	-
Mar-13	69,875	83,458	72,708	174,167	181,042	182,875	78,167	127,500	113,333	104,167	162,292	127,500	60,833	85,125	-
Apr-13	67,682	78,909	72,136	167,273	156,818	127,364	85,227	127,727	114,091	120,455	154,773	113,864	65,000	85,250	-
May-13	55,308	72,962	52,346	156,923	145,385	126,654	84,846	124,583	115,000	117,269	151,923	110,000	68,125	85,962	100,000
Jun-13	47,222	62,111	44,333	133,889	144,444	130,278	83,611	119,444	113,611	114,445	150,833	104,167	75,500	99,722	-
Jul-13	50,100	59,133	44,700	130,000	143,833	126,333	85,167	101,833	105,833	110,167	150,000	110,333	68,167	112,500	-
Aug-13	51,167	57,900	48,400	125,700	134,833	107,500	116,283	108,333	95,567	108,700	145,167	112,667	69,833	87,833	185,000
Sep-13	51,133	57,667	47,633	130,000	134,000	99,667	76,167	126,000	92,500	114,667	149,333	110,000	64,667	93,833	-
Oct-13	51,841	55,727	47,000	130,000	137,500	103,182	75,500	125,000	90,000	121,773	146,591	108,864	136,227	89,545	-
Nov-13	50,942	49,923	48,077	130,000	134,808	110,000	76,923	106,923	90,000	126,538	152,500	118,654	55,385	67,538	-
Dec-13	51,909	52,818	46,864	128,409	140,000	109,091	78,591	108,636	102,273	135,364	160,682	129,545	57,364	85,318	-
Jan-14	50,250	54,792	44,625	130,000	143,958	114,167	80,688	108,750	105,000	132,625	156,458	132,708	62,333	69,167	-
Feb-14	50,773	53,864	45,364	127,727	128,182	114,318	79,318	109,091	107,000	139,545	157,727	135,000	60,773	70,364	-
Mar-14	49,750	57,750	47,458	130,000	148,042	128,750	78,667	98,542	110,000	146,875	167,708	135,000	66,417	70,364	-
Apr-14	50,400	56,000	41,850	130,000	143,625	139,000	77,900	115,625	113,500	136,500	164,250	135,100	57,000	72,375	-
May-14	53,654	57,769	39,923	133,846	146,931	139,038	82,500	130,673	115,000	144,615	171,296	134,654	59,462	72,572	-
Jun-14	49,192	54,682	44,077	129,231	134,923	121,731	81,423	129,808	111,923	132,500	174,872	132,500	54,808	73,395	-
Jul-14	45,227	49,700	40,364	135,000	131,492	117,591	77,318	123,045	106,591	127,955	157,007	125,000	52,227	68,583	-
Aug-14	40,468	42,398	34,968	127,083	123,750	107,292	73,375	121,389	97,500	127,917	148,250	116,000	52,500	66,181	-
Sep-14	38,577	34,212	36,615	128,846	123,173	104,423	75,577	120,193	102,308	137,885	159,423	116,538	54,346	66,539	-
Oct-14	38,250	35,107	39,714	131,071	131,126	116,788	78,036	118,958	111,429	136,788	165,119	118,571	54,893	68,742	
Nov-14	35,125	37,334	34,375	140,000	145,729	128,750	76,792	121,875	112,500	152,083	168,646	123,125	60,667	66,771	
Dec-14	35,712	39,452	33,538	143,846	151,538	134,731	76,923	122,116	115,000	149,423	165,865	123,462	46,808	59,308	-
Jan-15	36,521	38,136	32,727	150,625	155,682	126,618	77,500	130,000	115,000	162,083	167,500	127,273	53,792	57,273	-
Feb-15	36,500	37,444	32,625	150,000	162,778	139,375	77,000	146,111	115,000	161,250	178,333	161,250	49,250	58,889	-
Mar-15	40,167	41,850	32,000	156,250	179,500	143,333	83,833	140,750	115,000	151,458	181,250	122,500	47,958	59,500	-
Apr-15	52,909	52,636	39,955	159,455	160,909	154,182	83,955	122,727	115,000	157,955	174,818	122,500	50,955	64,545	-
May-15	52,563	51,333	44,667	175,000	178,333	141,667	78,875	120,417	117,083	171,875	188,333	122,500	53,750	68,958	-
Jun-15	55,083	53,813	44,667	171,667	170,000	139,833	78,833	110,000	127,500	174,167	205,625	122,500	55,333	80,000	-
Jul-15	58,964	58,730	42,238	169,345	175,411	134,792	77,500	120,833	101,539	138,897	175,411	117,024	59,940	76,486	-
Aug-15	71,455	59,115	46,676	159,470	166,563	136,167	77,848	117,090	97,611	130,540	175,000	113,259	69,500	75,146	-
Sep-15	67,402	58,872	49,687	162,603	162,969	139,954	77,279	113,250	99,796	136,800	171,042	127,500	75,515	87,863	-
Oct-15	60,863	62,467	51,100	170,333	170,313	149,200	77,389	111,200	97,500	146,063	164,563	133,500	78,944	80,825	-
Nov-15	66,731	67,325	57,208	182,212	183,194	151,125	77,500	118,120	102,500	170,128	186,768	142,500	80,000	73,029	-
Dec-15	69,800	65,027	61,091	174,000	190,581	161,909	77,861	121,364	104,773	161,000	194,773	142,500	78,500	78,742	-
Jan-16	70,516	64,942	68,000	168,859	193,322	162,500	83,364	129,196	116,818	168,208	201,097	143,182	83,542	88,276	-
Feb-16	66,269	66,122	64,455	183,942	194,093	162,500	78,917	134,880	122,273	145,756	194,802	145,000	71,109	106,756	-
Mar-16	59,908	64,428	60,400	165,250	191,493	171,000	75,667	124,484	125,000	131,817	183,556	157,000	74,733	109,873	-

Source: Ministry of Industry, Trade, and Marketing (MITM), Government of Tanzania

Annex 10: Average wholesale prices: Tanzania shillings per 100kg

Month-Year	Beans	Maize	Rice	Round Potatoes	Sorghum
Jan-12	132,641.5	44,259.4	175,178.1	67,193.2	45,585.9
Feb-12	126,981.7	42,449.1	178,627.8	60,939.2	55,956.3
Mar-12	121,523.1	42,919.4	191,719.2	60,079.6	55,387.4
Apr-12	120,567.1	46,934.9	204,025.4	62,383.3	63,629.9
May-12	128,112.8	52,440.3	183,585.5	70,651.3	60,627.3
Jun-12	129,574.6	52,326.0	165,444.2	69,924.5	65,201.0
Jul-12	130,789.9	52,071.6	160,325.4	79,904.4	58,974.9
Aug-12	126,322.8	50,311.1	158,089.2	69,914.6	57,378.6
Sep-12	126,923.2	54,291.1	163,317.9	67,353.8	61,793.2
Oct-12	123,121.1	54,879.9	163,039.9	67,434.9	53,238.6
Nov-12	135,724.2	65,340.6	176,828.6	96,841.5	65,089.4
Dec-12	139,497.6	72,880.4	185,619.9	85,499.2	75,584.3
Jan-13	144,225.0	76,740.0	188,418.0	82,023.3	75,278.5
Feb-13	136,129.4	77,393.4	182,480.2	76,765.4	85,059.5
Mar-13	126,420.9	72,966.3	175,430.1	68,324.3	88,903.2
Apr-13	124,975.2	66,273.4	159,200.1	64,973.3	82,143.4
May-13	123,689.8	55,949.3	139,257.6	65,567.1	93,086.6
Jun-13	127,741.7	49,486.3	131,541.7	65,769.5	85,444.4
Jul-13	125,467.5	50,113.3	128,382.4	67,660.5	105,733.3
Aug-13	123,313.3	52,107.8	123,407.5	68,823.2	86,053.9
Sep-13	121,427.0	53,095.0	120,391.0	66,017.0	73,765.0
Oct-13	131,525.1	53,252.0	117,913.9	85,684.0	74,869.2
Nov-14	135,023.0	53,242.4	120,073.1	86,896.2	76,770.4
Dec-13	136,601.1	54,648.6	121,897.8	89,589.4	74,456.0
Jan-14	137,264.5	56,152.2	124,104.1	72,145.3	75,424.5
Feb-14	137,264.5	56,152.2	124,104.1	72,145.3	75,424.5
Mar-14	141,476.6	50,631.8	128,952.7	69,177.7	70,264.0
Apr-14	139,796.2	49,970.1	135,418.1	67,985.9	68,285.4
May-14	141,766.7	48,110.6	134,265.6	69,550.7	74,421.2
Jun-14	139,048.5	48,098.8	123,059.6	62,664.0	69,972.3
Jul-14	130,471.5	44,931.7	116,644.3	63,838.5	64,965.8
Aug-14	130,655.8	41,414.1	113,291.4	68,420.5	55,512.1
Sep-14	133,969.9	40,551.8	115,674.8	67,112.0	56,082.5
Oct-14	142,283.3	39,020.0	123,561.7	68,639.3	62,631.2
Nov-14	148,785.5	38,189.5	135,082.1	69,846.3	58,266.1
Dec-14	148,541.0	38,781.3	141,923.1	73,360.5	66,382.6
Jan-15	153,210.0	37,929.0	144,929.0	73,316.0	63,886.0
Feb-15	150,431.0	37,205.0	149,765.0	69,975.0	62,227.0
Mar-15	149,534.0	39,940.0	161,422.0	68,249.0	63,548.0
Apr-15	151,733.2	48,628.0	166,901.5	71,221.0	65,778.7
May-15	156,789.3	47,163.3	162,701.7	77,508.5	69,222.2
Jun-15	163,722.7	47,428.9	155,359.9	77,753.4	69,381.4
Jul-15	158,313.3	52,153.8	153,401.8	71,723.0	67,396.6
Aug-15	158,477.3	56,310.0	158,170.5	73,095.8	78,477.5
Sep-15	158,241.3	56,839.9	161,727.1	70,011.2	69,547.8
Oct-15	164,536.8	58,009.3	170,588.5	79,483.4	76,586.1
Nov-15	174,852.7	63,403.9	176,644.3	87,658.6	73,399.1
Dec-15	172,852.5	65,103.5	176,237.1	82,790.7	81,638.1
Jan-16	173,501.3	67,044.9	178,803.4	78,980.5	85,906.5
Feb-16	171,919.0	67,316.0	184,137.0	77,635.0	92,338.0
Mar-16	158,487.4	64,206.9	178,886.3	77,352.7	91,720.6

Source: Ministry of Industry, Trade, and Marketing (MITM), Government of Tanzania

Annex 11: Interest rate structure (percent)

A: Domestic Currency	2014												2015												2016	
1. Interbank Cash Market Rates	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Overnight	11.4	9.5	8.6	6.9	8.9	10.4	14.4	19.4	4.3	8.2	9.7	11.7	10.1	6.9	8.4	9.7	8.1	18.9	30.0	9.8	6.3	12.8	10.5	7.1	11.9	12.2
2 to 7 days	12.1	16.7	8.8	7.1	8.5	11.7	14.6	13.4	5.6	8.6	12.9	13.0	12.7	7.6	6.6	8.9	7.1	21.1	31.4	9.8	7.3	12.8	13.1	14.4	13.5	13.4
8 to 14 days	11.9	9.1	8.1	8.7	9.8	11.7	14.9	13.0	6.8	12.2	12.3	14.4	9.8	8.4	7.7	9.4	7.9	23.9	33.6	14.7	9.1	9.1	12.4	12.4	15.0	13.7
15 to 30 days	10.8	11.7	8.9	10.4	12.0	13.8	10.0	15.3	6.9	12.2	13.9	14.5	16.5	8.1	6.3	18.3	10.3	28.8	18.5	18.5	18.5	18.5	18.5	18.5	12.2	18.8
31 to 60 days	14.5	10.0	10.7	11.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.3	9.3	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
61 to 90 days	12.0	10.0	12.0	12.0	12.0	12.8	13.0	12.8	10.8	10.0	18.8	16.0	16.8	16.0	16.0	16.8	16.0	16.8	16.0	16.0	16.8	16.0	16.8	16.0	16.0	16.8
91 to 180 days	13.0	13.0	13.0	13.0	13.0	13.8	13.0	13.0	8.0	8.8	14.0	14.0	14.0	20.0	13.0	13.8	13.0	13.0	13.0	13.0	13.8	13.0	13.0	13.0	13.0	13.8
181 and above	14.5	14.5	14.5	14.5	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9	12.9
Overall interbank cash market rate	13.7	7.8	8.93	7.1	7.8	10.6	16.4	11.8	5.8	8.3	9.3	11.8	10.3	7.1	6.4	9.8	6.6	18.7	33.7	9.8	6.6	13.4	10.7	7.3	13.8	13.3
2. Lombard Rate	13.7	7.8	8.8	6.8	8.9	12.8	17.2	12.8	6.9	10.9	11.6	14.0	12.2	9.0	7.7	11.7	9.1	27.9	48.0	17.7	10.6	18.8	15.7	11.1	17.8	19.9
3. REPO Rate	8.8	3.9	3.30	3.6	4.1	4.4	4.6	6.3	3.3	5.5	3.8	7.1	6.2	4.3	4.2	6.8	8.0	6.8	12.6	11.8	6.1	8.1	6.8	5.6	5.4	5.6
4.Treasury Bills Rates																										
35 days	4.7	8.0	7.3	7.3	7.4	6.8	7.0	7.4	3.0	5.2	8.7	5.2	8.1	7.3	2.7	2.4	2.6	8.5	4.3	8.8	7.1	7.4	7.4	7.4	7.4	7.4
91 days	13.8	13.5	12.6	12.2	11.5	10.6	11.8	13.4	10.9	10.6	13.1	13.2	13.9	9.9	7.1	6.9	7.8	7.4	8.0	8.1	8.3	9.5	10.8	9.3	9.8	8.8
182 days	14.8	13.7	13.2	13.2	13.0	12.6	13.7	14.0	13.3	13.9	13.9	13.2	14.4	12.4	8.1	9.6	10.7	11.5	12.9	13.6	13.8	14.0	18.5	17.2	17.7	17.8
364 days	14.8	13.8	13.4	13.3	13.2	13.8	14.1	14.4	13.3	13.7	14.6	16.3	14.6	13.7	10.0	13.3	11.4	13.8	13.5	14.5	14.5	15.5	18.3	18.7	18.8	19.8
Overall Treasury bills rate	14.7	13.7	13.0	13.1	13.5	12.7	13.7	14.5	13.6	13.5	14.0	13.7	14.4	12.5	9.0	9.1	10.6	10.8	11.2	13.8	13.9	14.4	17.8	18.3	18.4	18.5
5.Treasury Bonds Rates																										
2-years	15.1	15.1	14.4	13.1	13.1	13.8	13.8	14.1	14.1	14.8	14.8	14.8	13.3	13.3	13.3	13.3	14.0	14.0	14.0	15.0	15.8	16.8	16.8	16.8	17.3	17.3
5-years	15.4	14.5	14.9	14.9	14.9	14.9	15.7	15.7	15.7	16.0	16.0	16.0	16.0	15.3	15.0	11.4	11.4	11.4	16.8	16.5	16.0	16.9	16.9	17.8	17.5	18.8
7-years	15.9	15.9	15.6	15.6	15.7	15.7	15.3	15.3	15.8	15.8	16.8	16.0	16.8	16.3	16.8	15.6	15.6	16.6	16.6	16.5	16.9	16.9	17.6	17.6	16.2	16.3
10-years	16.0	16.0	16.0	16.0	16.4	16.4	16.0	16.8	16.3	16.8	16.8	16.8	16.8	16.9	16.9	16.7	16.7	17.0	17.0	17.0	17.4	17.6	18.1	17.6	17.6	18.8
15-years	16.8	16.9	16.9	17.3	17.3	17.3	17.3	17.6	17.6	17.9	17.9	17.9	17.9	17.9	17.6	17.6	17.6	17.6	17.6	17.6	18.8	18.0	18.8	18.0	18.0	18.8
6. Discount Rate or Bank Rate	12.9	12.9	12.0	13.0	13.8	12.0	13.0	12.8	13.0	13.8	12.0	13.0	12.8	13.0	13.8	12.0	13.0	12.8	13.0	13.8	12.0	13.0	12.8	13.0	13.5	12.0
7. Savings Deposit Rate	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.2	3.2	3.1	3.2	3.8	3.4	3.5	3.5	3.5	3.8	3.5	3.5	3.5	3.5	3.4	3.4	3.4
8. Overall Time Deposits Rate	8.7	6.8	8.6	8.8	8.7	8.1	8.0	8.3	8.3	8.0	8.3	8.7	9.6	7.6	8.2	8.1	8.7	9.6	9.3	9.1	9.1	9.3	9.3	9.3	9.1	8.6
1 month	7.7	8.1	8.7	9.0	9.7	6.3	8.1	6.3	8.6	7.9	7.6	10.2	9.6	6.6	10.9	9.8	9.2	10.1	10.8	10.2	9.6	10.1	10.1	10.3	10.4	9.1
2 months	9.3	10.3	9.6	10.4	9.9	7.9	7.6	8.3	8.7	8.3	8.7	9.5	9.5	7.0	10.1	7.4	9.8	9.3	10.5	10.5	10.8	10.7	10.6	10.4	10.0	9.6
3 months	10.4	10.8	10.3	10.3	9.6	9.3	9.9	9.6	9.3	9.6	9.7	9.6	10.8	8.7	10.9	8.4	9.4	9.7	10.2	9.9	9.7	10.6	10.4	10.2	9.8	10.6
6 months	11.3	10.6	10.8	10.4	10.6	10.4	9.9	10.5	10.3	9.9	10.1	10.6	10.8	10.6	10.5	9.8	10.1	10.6	10.3	9.8	9.9	9.5	10.8	10.3	10.1	9.1
12 months	11.1	11.4	11.2	11.4	11.3	10.7	10.4	10.1	10.5	10.1	10.7	10.7	10.8	10.7	11.0	10.9	10.7	10.9	10.5	10.6	11.0	10.9	11.8	11.3	11.0	10.3
24 months	8.3	8.4	7.8	7.6	8.9	7.7	7.6	8.8	7.5	7.8	7.8	7.7	9.0	6.5	8.7	8.4	9.9	9.4	9.7	9.9	9.8	9.9	9.7	9.9	9.4	9.2
9. Negotiated Deposit Rate	11.3	12.1	11.3	10.8	10.8	10.8	10.4	11.1	10.8	11.1	10.8	11.4	10.8	9.7	9.4	9.8	9.6	9.6	11.3	11.4	11.7	10.9	10.6	12.1	12.1	12.0
10. Overall Lending rate	16.3	16.5	15.9	16.8	15.8	16.4	16.5	16.4	15.5	15.7	15.7	15.4	15.7	16.1	16.1	16.2	16.1	16.1	16.1	16.1	16.2	16.1	16.1	16.4	16.3	15.9
Short-term (up to 1year)	14.3	15.0	15.0	15.2	15.1	14.2	14.3	14.4	14.8	14.1	14.8	14.8	14.3	14.4	14.3	13.7	14.3	14.7	14.3	14.4	14.3	14.1	14.1	14.3	14.8	13.8
Medium-term (1-2 years)	16.8	17.0	17.4	16.8	17.2	17.3	17.1	15.6	16.1	16.2	15.6	15.7	16.3	16.8	16.3	16.3	16.8	16.6	16.9	17.2	17.2	17.2	17.3	17.7	17.8	17.0
Medium-term (2-3 years)	16.3	16.2	16.6	16.7	16.5	16.8	16.6	16.7	15.8	16.5	16.2	15.8	15.3	16.9	16.9	17.3	16.5	16.5	16.8	16.4	16.4	16.5	16.6	16.8	16.5	15.5
Long-term (3-5 years)	15.8	16.7	15.7	16.5	16.5	16.5	15.3	15.8	15.2	15.3	15.3	15.0	15.3	15.0	15.5	15.9	15.4	15.1	15.5	15.4	15.3	15.1	15.1	15.9	15.8	15.3
Term Loans (over 5 years)	17.2	17.7	18.1	17.7	17.2	17.7	17.2	17.4	17.0	18.6	16.8	18.5	17.2	17.4	17.6	18.0	17.4	17.8	17.2	17.3	17.7	17.5	17.7	17.7	17.1	17.4
11. Negotiated Lending Rate	13.1	13.8	13.6	13.0	13.1	13.8	13.8	13.6	13.6	13.9	13.8	13.0	12.6	12.8	12.8	12.6	12.7	12.3	12.9	11.8	12.8	12.8	12.7	14.4	12.3	12.4
B: Foreign Currency																										
Savings Deposits Rate	0.8	1.4	0.9	1.4	0.8	1.1	1.9	1.4	1.4	1.1	1.4	1.5	0.8	1.8	1.0	0.9	1.3	1.2	0.7	1.0	1.8	1.1	0.8	0.8	1.0	1.2
Overall Time Deposits Rate	3.1	4.3	4.0	3.8	4.6	3.8	4.1	5.7	3.8	8.3	3.8	3.1	3.8	3.6	3.7	3.8	3.3	3.3	2.7	2.9	3.8	3.6	2.7	2.8	2.9	2.7
1-months	2.4	2.4	1.7	1.8	1.5	3.2	3.3	3.9	3.8	4.1	3.6	3.0	3.2	3.3	2.7	2.6	4.2	4.2	2.5	2.9	2.4	2.2	2.4	2.6	1.7	2.7
2-months	2.8	4.8	5.0	3.8	5.0	2.2	3.8	3.6	3.7	3.1	3.4	2.9	3.3	3.7	3.7	2.1	3.8	3.8	2.7	2.6	2.6	2.4	2.7	2.5	2.5	2.8
3-months	2.7	4.9	3.8	3.8	4.0	3.8	3.3	3.9	3.8	3.0	2.7	2.0	3.8	3.3	2.9	2.7	2.8	2.4	2.5	2.9	3.3	2.7	2.8	2.6	2.7	2.3
6-months	4.2	4.6	4.8	4.8	4.1	2.6	3.6	3.2	4.2	8.2	3.8	2.9	3.4	4.1	4.2	3.6	2.9	3.9	2.6	3.1	3.9	2.7	3.8	3.0	2.8	2.8
12-months	3.6	4.8	4.9	4.5	7.8	7.0	6.7	3.7	3.5	3.3	3.5	3.5	4.4	3.4	4.0	3.3	2.9	2.8	3.0	3.1	2.8	3.1	3.1	3.4	2.8	3.1
Overall Lending Rate	6.8	7.9	6.9	6.8	6.8	6.8	6.9	6.9	6.9	6.8	6.8	8.0	6.1	6.8	5.8	5.5	5.6	5.4	6.6	5.8	5.4	5.9	6.4	6.7	6.5	7.5
Short-term (up to 1year)	3.1	3.5	2.5	1.5	1.9	1.8	1.8	4.3	1.5	2.6	3.2	3.7	3.8	5.4	3.3	3.1	3.8	3.8	4.7	4.0	3.3	3.3	3.3	4.3	3.3	4.3
Medium-term (1-2 years)	6.4	8.6	8.7	6.4	8.4	6.1	9.3	7.3	6.3	8.7	6.3	8.1	6.6	6.6	6.6	6.0	6.1	6.1	6.3	7.5	6.3	8.0	7.8	7.7	7.7	7.7
Medium-term (2-3 years)	8.8	8.8	8.4	8.1	8.2	8.2	9.3	8.5	10.5	8.2	8.0	6.1	7.8	7.6	6.1	6.1	5.1	6.3	7.3	8.4	7.6	8.2	8.1	8.1	8.1	7.6
Long-term (3-5 years)	7.5	7.5	7.6	7.3	7.3	7.2	8.4	8.2	7.2	7.1	7.1	6.1	6.3	6.3	6.1	6.2	7.0	7.1	8.0	4.1	3.1	7.0	7.0	7.6	7.5	6.2
Term Loans (over 5 years)	7.1	7.5	7.4	8.8	8.1	6.0	8.1	7.6	7.0	7.0	7.0	6.0	6.1	6.1	7.1	6.3	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	9.7

Source: BoT

Annex 12: Monetary Aggregates (2007/8 – 2014/15)

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Monetary aggregates								
M3 as % of GDP	22.3	29.6	24.0	23.2	23.2	23.1	23.5	23.7
M2 as % of GDP	16.3	16.4	17.9	18.0	17.2	17.0	17.6	16.9
M3 growth rate (%)	18.1	18.5	25.1	22.0	10.9	14.9	15.8	13.1
M2 growth rate (%)	26.5	19.5	26.2	19.4	12.7	14.8	17.7	8.0
Domestic credit								
Total Domestic credit (% of GDP)	11.4	13.7	15.3	17.6	17.0	17.8	19.7	21.0
Total domestic credit growth (%)	21.1	42.5	29.2	36.0	14.8	21.1	25.4	19.8
Private Sector credit (% of GDP)	10.8	11.6	13.5	14.2	14.2	14.4	15.4	16.6
Private Sector credit growth (%)	38.6	32.8	17.6	24.3	18.6	17.1	21.4	21.0
Interest rates structure								
Overall Tbills rate (period average, %)	9.7	10.0	3.9	4.5	10.6	11.9	12.7	10.3
Average lending rate (%)	15.4	15.1	14.7	14.8	15.1	15.8	16.2	16.0
Average deposit rate(%)	7.8	6.6	6.3	5.8	7.2	8.8	8.7	8.4

Source: BoT, IMF

Annex 13: National debt developments

USD mn	2014/15												2015/16							
Item	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb
1. Overall Total Debt Committed2	18,843.6	18,702.9	18,675.2	18,776.9	18,388.7	19,107.4	19,445.6	18,572.1	18,274.0	19,303.60	19,116.00	20,128.40	20,624.90	20,633.60	20,607.20	20,518.30	20,561.50	20,785.70	20,758.10	20,853.50
Disbursed outstanding debt	12,576.1	12,678.3	12,576.6	12,692.0	12,497.3	13,161.1	13,187.7	13,280.7	13,233.1	13,368.60	13,301.20	13,958.80	13,946.00	14,013.60	13,917.90	13,864.80	13,781.20	14,046.50	14,041.90	14,104.00
Undisbursed debt	6,267.6	6,024.6	6,098.6	6,084.9	5,891.4	5,946.3	6,257.9	5,291.4	5,041.0	5,936.90	5,815.60	6,170.60	6,678.90	6,620.00	6,689.30	6,653.50	6,780.30	6,739.20	6,716.20	6,749.50
2. Disbursed Debt by Creditor Category2	12,576.1	12,678.3	12,576.6	12,692.0	12,497.3	13,161.1	13,187.7	13,280.7	13,233.1	13,368.60	13,301.20	13,958.80	13,946.00	14,013.60	13,917.90	13,864.80	13,781.20	14,154.10	14,082.00	14,104.00
Bilateral debt	1,091.0	1,091.0	1,059.0	1,062.0	1,034.0	1,030.2	1,040.2	1,045.4	1,040.6	928.3	915.9	920.5	927.2	920.5	930.3	931.7	928.3	957.7	952.6	979.4
Multilateral debt	6,954.6	7,001.2	6,910.2	6,972.6	6,906.6	6,765.0	6,657.7	6,774.3	6,678.3	6,770.70	6,744.10	7,146.60	7,104.00	7,153.60	7,161.60	7,169.90	7,195.70	7,263.40	7,271.70	7,293.60
Commercial debt	3,719.1	3,736.7	3,750.0	3,798.1	3,736.1	4,469.6	4,546.2	4,532.7	4,598.6	4,704.20	4,803.00	4,840.40	4,841.20	4,863.20	4,805.40	4,821.70	4,736.00	4,951.30	4,853.70	4,863.00
Export credits	820.8	856.7	857.4	861.3	850.4	896.4	938.5	938.3	948.6	963.4	1,838.20	1,043.30	1,043.60	1,087.30	1,020.70	1,021.50	918.4	981.7	965	968
3. Disbursed Debt by Borrower Category2	12,576.1	12,678.3	12,576.6	12,692.0	12,497.3	13,161.1	13,187.7	13,280.7	13,233.1	13,368.60	13,301.20	13,958.80	13,946.00	14,013.60	13,917.90	13,864.80	13,781.20	14,046.50	14,081.90	14,104.00
Central Government	10,428.2	10,535.4	10,434.8	10,553.7	10,494.1	10,930.9	10,872.4	10,975.4	10,913.1	10,900.90	10,847.70	11,475.80	11,461.10	11,501.80	11,538.90	11,515.00	11,719.10	11,770.10	11,855.00	11,961.00
Parastatal Companies	496.7	494.6	488.6	486.2	485.9	497.7	463.8	463.5	456.0	463	460.7	462.4	463.6	431.7	442.6	442.7	405.6	404.9	396.7	356.5
Private Sector	1,651.3	1,648.1	1,658.0	1,652.1	1,617.3	1,722.5	1,851.5	1,851.5	1,864.9	2,012.70	1,994.90	2,020.60	2,021.40	2,080.10	1,936.60	1,907.10	1,656.60	1,871.50	1,780.30	1,786.50
4. Disbursed Debt by Use of Funds2	12,576.1	12,678.3	12,576.6	12,692.0	12,497.3	13,161.1	13,187.7	13,280.7	13,233.1	2,360.00	2,341.70	2,207.20	2,207.50	2,270.00	2,280.00	2,270.00	2,332.50	15,915.40	14,026.70	14,104.00
BOP & Budget Support	2,538.7	2,530.7	2,495.8	2,528.7	2,468.2	2,585.5	2,308.4	2,318.1	2,305.6	2,921.70	2,982.50	3,157.70	3,213.60	3,222.60	3,194.40	3,189.70	3,022.80	2,321.20	2,350.60	2,341.00
Transport & Telecommunicatio	2,889.0	2,923.7	2,836.2	2,900.3	2,917.3	2,970.5	2,888.0	2,917.2	2,888.7	579.3	575	578.6	575	577.3	526.3	536.8	511.6	3,120.60	3,121.40	3,225.80
Agriculture	604.6	595.7	538.6	535.8	546.6	554.5	584.7	583.2	568.9	2,108.10	2,213.30	2,229.60	2,226.90	2,236.20	2,316.00	2,389.20	2,402.70	526	522.3	525.6
Energy & Mining	1,787.5	1,832.4	1,784.9	1,813.5	1,786.0	1,948.4	2,067.1	2,088.2	2,092.4	325.2	318.1	331.2	329.4	333.4	307.3	310	311.6	2,399.90	2,407.40	2,430.30
Industries	212.3	218.8	224.7	227.8	225.4	232.7	318.1	322.2	324.0	2,114.40	2,084.00	2,104.30	2,143.60	2,153.30	2,084.10	2,037.80	2,083.40	311.6	318.5	318.9
Social Welfare & Education	2,074.7	2,138.5	2,117.8	2,181.4	2,128.5	2,180.0	2,071.2	2,121.4	2,097.9	598.2	598.5	611.4	605.8	615.6	608	659.4	520.1	2,017.00	1,983.10	2,010.00
Finance and Insurance	402.7	398.9	397.7	402.7	398.5	404.6	468.1	508.3	507.2	93	93	88.5	92.6	94	84.6	86.6	79.4	587.9	695.5	560.8
Tourism	101.1	96.7	98.1	100.9	98.2	100.7	97.2	96.6	92.8	587.6	582.6	582.6	586.6	589.6	547.7	545.9	605.4	77.5	72.3	73.1
Others	1,965.6	1,980.1	1,982.3	1,942.1	1,900.8	2,197.2	2,340.3	2,256.3	2,256.4	2,270.70	2,265.00	2,504.10	2,401.10	2,503.20	1,980.20	2,080.60	2,001.60	2,019.70	2,049.30	2,066.60
5. Total Amount of Loan Contracted1	12.0	1.6	55.5	25.1	0.3	328.3	0.5	0.2	0.30	58.10	2.20	280.00	14.80	2.80	1.40	2.50	4.20	368	0.1	11.5
Government	0.0	0.0	0.0	0.0	0.0	300.0	0.0	0.0	0.00	0.00	0.00	280.00	0.00	0.00	0.00	0.00	0.00	0	0	0
Parastatal Companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0
Private	12.0	1.6	55.6	25.1	0.3	28.3	0.6	0.2	0.30	58.10	2.20	0.00	14.80	2.80	1.40	2.50	4.20	368	0.1	11.5
6. Disbursements1	72.4	196.2	47.2	157.4	88.8	505.9	81.5	74.1	80.50	52.10	52.80	535.80	43.90	56.10	7.00	74.90	127.80	178	19.7	36.5
Government	49.5	195.8	47.2	156.6	72.8	504.4	80.4	68.8	58.80	51.70	52.80	487.00	40.80	47.50	7.10	72.40	127.20	67.2	19.7	30.6
Parastatal Companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0
Private	22.9	0.4	0.0	0.8	15.9	1.5	1.1	0.5	0.00	0.40	0.00	48.80	3.20	7.00	0.50	2.50	0.70	110.8	0	5.9
7. Actual Debt Service1	16.3	22.8	46.8	38.3	27.8	38.9	21.2	16.2	36.90	33.00	14.10	28.60	22.50	18.40	34.80	39.10	22.70	64.2	23.9	108.2
Principal	2.5	15.8	8.5	28.4	3.7	27.2	5.4	12.3	4.00	24.40	9.50	28.20	4.70	13.50	6.10	27.30	17.20	59.3	4	81.6
Interest	11.7	7.0	38.1	8.9	24.1	1.7	15.8	3.6	35.80	8.50	4.60	1.40	17.80	4.80	28.70	11.80	5.50	4.9	19.9	26.5
Others	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0
8. Net Transfers1	56.1	174.2	0.4	119.1	61.0	477.0	60.3	58.9	20.00	19.10	38.80	508.20	21.40	38.70	-27.30	35.80	105.20	113.8	-4.2	-71.7
9.Total Arrears by Creditors Category2	3,341.0	3,121.3	3,104.0	3,167.8	3,142.8	3,160.8	3,279.5	3,144.2	3,208.4	3,081.90	3,075.30	3,146.80	3,142.70	3,060.30	2,985.80	2,980.20	2,766.20	2,835.30	2,753.70	2,806.50
Principal	1,758.0	1,702.8	1,706.5	1,706.1	1,752.3	1,753.7	1,822.4	1,670.8	1,749.7	1780.4	1775.3	1811.1	1814.4	1710.5	1580.4	1581.1	1280.4	1,342.30	1,305.60	1,353.30
Bilateral	378.3	398.4	370.8	378.8	361.8	382.4	374.0	385.3	428.7	428.1	410.7	427.3	429.1	309.2	389.3	388.6	387.9	318.90	271.40	318.50
Multilateral	24.8	24.7	28.2	25.3	25.8	24.8	28.3	25.5	27.2	30.8	31.2	34.6	33.7	38.9	58.6	55.9	42	45.60	48.10	48.50
Commercial	844.2	845.2	841.9	842.3	841.2	842.5	860.5	726.1	710.6	720.9	720.6	754.6	755.1	782.1	729.2	728.9	520.8	562.2	562	562
Export Credits	510.7	514.6	527.6	524.9	523.7	524.1	558.6	550.0	571.2	590.4	584.8	594.6	588.5	580.3	406.2	407.6	415.6	415.6	423.4	424.3
Interest	1,583.0	1,418.3	1,397.5	1,461.7	1,390.6	1,406.8	1,457.1	1,466.3	1,464.7	1,310.00	1,301.00	1,335.70	1,328.30	1,349.00	1,402.10	1,407.10	1,470.00	1,493.10	1,448.70	1,453.30
Bilateral	838.0	828.1	816.7	817.9	808.6	828.2	827.3	831.7	828.7	875.8	878.9	878.3	673	683.8	683.8	684.8	683.3	685	735.1	718.9
Multilateral	11.1	11.8	11.9	11.9	11.9	11.2	12.8	12.0	11.4	13.5	13.6	11.2	12.8	13.2	14.7	14.5	15.5	15.80	15.50	15.50
Commercial	677.0	415.9	404.8	408.7	408.5	407.6	422.6	427.2	428.9	422.4	428.5	408.8	440.1	407.2	471.4	482.5	460.1	468.4	377.5	377.6
Export Credits	182.1	182.3	184.7	183.8	183.9	182.8	194.3	197.4	197.7	201.9	198	208.4	202.4	214.6	232.2	245.2	321	323.9	340.6	341.2
10. External Debt Stock	14,150.0	4,096.0	13,974.1	14,093.7	13,877.9	14,080.0	14,644.6	14,750.0	14,687.7	14,689.20	14,692.20	15,294.60	15,274.30	15,362.40	15,328.10	15,371.80	15,291.00	15,539.60	15,490.70	15,557.20
11. Domestic Debt Stock	3,934.2	4,444.0	4,479.0	4,542.0	4,430.0	4,341.0	4,288.3	4,130.7	4,294.1	4,015.40	4,550.60	4,253.00	3,590.90	3,643.30	3,641.70	3,640.00	3,912.70	3,987.20	4,045.40	4,221.50
12. Total Debt Stock	18,084.1	8,540.0	18,453.1	18,636.0	18,307.7	18,382.5	18,933.0	18,887.7	18,981.8	18,695.00	19,152.70	19,547.50	18,865.20	19,005.70	18,981.00	19,221.40	19,173.80	19,526.70	19,537.30	19,778.80
End Period Exchange Rate	1684.3	1,682.7	1,686.0	1,684.6	1,731.3	1,728.2	1,744.6	1,791.7	1,786.3	1,820.00	1,989.20	1,974.30	2,086.40	2,138.30	2,140.00	2,177.10	2,148.10	2,156.40	2,150.00	2,158.00

Source: BoT

Annex 14: Poverty by geographic regions

	Poverty Headcount	Distribution of the Poor	Distribution of the Population
	HBS 2011/12	HBS 2011/12	HBS 2011/12
Basic Needs Poverty Line/1 = TSh 36,482			
Urban	15.5	15.9	28.8
Rural	33.3	84.1	71.2
Regions			
Urban	21.7	14.4	18.7
Rural	33.3	84.1	71.2
Dar es Salaam	4.1	1.5	10.1
Total	**28.2**	**100.0**	**100.0**
Food Poverty Line/1 = TSh 26,085			
Urban	6.0	17.7	28.8
Rural	11.3	82.3	71.2
Regions			
Urban	8.7	16.7	18.7
Rural	11.3	82.3	71.2
Dar es Salaam	1.0	1.0	10.1
Total	**9.7**	**100.0**	**100.0**

Source: NBS

1/ Monthly expenditure per adult

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