

SUB-SAHARAN  
AFRICA



KEY FIGURES

POPULATION  
GDP  
GNI PER CAPITA  
LIFE EXPECTANCY

40.4 million  
\$16.2 billion  
\$1,200 (PURCHASING POWER PARITY)  
52 years

# TANZANIA

COUNTRY BRIEF



THE WORLD BANK



# Tanzania

Country Brief



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# TANZANIA

- SELECTED CITIES AND TOWNS
- ⊙ PROVINCE CAPITALS
- ⊕ NATIONAL CAPITAL
- ~ RIVERS
- MAIN ROADS
- ++++ RAILROADS
- PROVINCE BOUNDARIES
- - - INTERNATIONAL BOUNDARIES





## Fast Facts about Tanzania

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- The name Tanzania is a portmanteau of *Tanganyika*, the mainland, and *Zanzibar*, the nearby archipelago in the Indian Ocean. The two united to become the United Republic of Tanzania in 1964.
- With a surface area of 947,300 square kilometers, Tanzania is comparable in size to Nigeria and is slightly more than twice the size of the U.S. state of California.
- Tanzania's population of approximately 40.4 million (as of 2007) is the second largest in East Africa, after Ethiopia's. Dar es Salaam, the most populous city, contains approximately 2.7 million people and accounts for most commercial activity.
- Swahili (or Kiswahili) and English are the two official languages of Tanzania. A large number of local languages are also spoken. In Zanzibar, Arabic is commonly used.
- Agriculture remains the mainstay of Tanzania's economy, accounting for one-quarter of gross domestic product (GDP) and approximately 80 percent of employment.
- Tanzania is endowed with mineral and natural resources, including gold, diamonds, and several other precious and semiprecious stones. The blue gemstone tanzanite is found only in Tanzania. Tanzania accounted for almost 2 percent of world gold production as of 2006.
- Tanzania receives by far the most foreign direct investment (FDI) inflows of East African Community countries, at 3.3 percent of GDP.
- Because of its political stability and willingness to pursue economic reforms, Tanzania has long been one of Sub-Saharan Africa's top recipients of international aid.
- Tanzania is home to many well-known natural wonders, including Mount Kilimanjaro, Africa's highest peak; Lake Victoria, Africa's largest lake (and which Tanzania shares administration of with Uganda and Kenya); and the Serengeti plains.
- Tanzania has a long history of hosting refugees fleeing civil wars in nearby countries. As of January 2008, there were more than 380,000 refugees living in Tanzania, predominantly from Burundi and the Democratic Republic of Congo.
- Tanzania is an up-market tourism destination. The country is endowed with a variety of tourism assets, including seven UNESCO World Heritage Sites and numerous wildlife parks, beach resorts, coral reefs, and spectacular scenic mountain views.

### Tanzania is performing well in several areas . . .

- Tanzania has made remarkable progress in increasing primary school net enrollment in the past several years, from 59 percent in 2001 to more than 84 percent in 2007.
- Economic performance in Tanzania has been solid in recent years, with high levels of growth, steadily increasing levels of exports, and significant financial deepening. In terms of growth, Tanzania has been one of the fastest-growing nonoil economies in Sub-Saharan Africa.
- Incidence of child mortality in Tanzania has dropped significantly in recent years as progress has been made in decreasing the prevalence of malaria, diarrhea, and respiratory complications.
- Tanzania's tourism industry has been a source of dynamism over the past decade, growing from 7.5 percent of GDP in 1995 to 16 percent in 2004. The government estimates that tourism revenue rose to just more than \$1 billion in 2007 and \$1.2 billion in 2008.
- Tanzania's financial sector has deepened in recent years. Credit to the private sector in particular has grown rapidly in comparison with comparator countries, though starting from a lower level.
- FDI flows to Tanzania are greater than to other East African Community countries and expanded each year between 2003 and 2006.
- International debt reduction initiatives have allowed Tanzania to dramatically reduce its external debt, from 77 percent of gross national product (GNP) in 2000 to 34 percent in 2006.

### ...yet major development challenges remain

- As measured by international poverty lines, Tanzania has the highest rate of extreme poverty in the world, with 88.5 percent of the population subsisting on less than \$1.25 per day and 96.6 percent on less than \$2 per day.
- Life expectancy in Tanzania improved by a mere year-and-a-half between 1980 and 2005, following a decline during the 1990s. In recent years, the combined impact of HIV/AIDS and malaria are the main reason for the stagnation (though malaria has been on the decline).
- Tanzania continues to have a significantly higher-than-average rate of maternal mortality among Sub-Saharan African countries, with 950 women dying per 100,000 live births as of 2005.
- While Tanzania's openness to international trade has allowed it to fare better than several of its neighbors in facing severe food shocks, low labor and land productivity constrain the ability of agriculture, in which approximately 80 percent of the labor force works, to contribute meaningfully to poverty reduction.
- Access to electricity in Tanzania is extremely low. Nationally, electricity coverage is about 10 percent of the population—and only 2 percent in rural areas. Energy accounts for more than half of companies' costs, and power outages are more common than in comparator countries.
- Although Tanzania has made efforts to improve its governance and business environment in recent years—opening the economy to more foreign investment, clamping down on corruption from a legal perspective, and encouraging lending to the private sector—restrictions to doing business in the country are still pervasive.
- Tanzania has some of the poorest infrastructure indicators in the world. Aging, underfunded road and rail systems lead to increased producer prices, lengthened supply chains, and export constraints for the private sector and reduced access to social services for the population at large. A mere 9 percent of roads were paved as of 2003, a metric that compares poorly with those in other low-income countries.
- Access to finance remains low. Just 10 percent of the population had access to formal financial services as of 2007, up from 6.4 percent in 2001.



## People and Poverty

The United Republic of Tanzania comprises mainland Tanzania and Zanzibar,<sup>1</sup> a semiautonomous archipelago in the Indian Ocean (box 1). Dar es Salaam, the most populous city, contains approximately 2.7 million people and accounts for the majority of commercial activity. Dodoma is the country's official capital, while Stone Town is the capital of Zanzibar. Tanzania's population of approximately 40.4 million as of 2007 is the second largest in East Africa, after Ethiopia's.

Swahili (or Kiswahili) and English are Tanzania's two official languages. English is used in government administration, business, and higher education. A large number of local languages are also spoken. Arabic is commonly used in Zanzibar. In terms of religion, Christianity and Islam are both practiced widely in mainland Tanzania. Indigenous religions are also followed, and Hinduism and Sikhism are practiced by a minority of the population. Zanzibar's population is almost entirely Muslim.

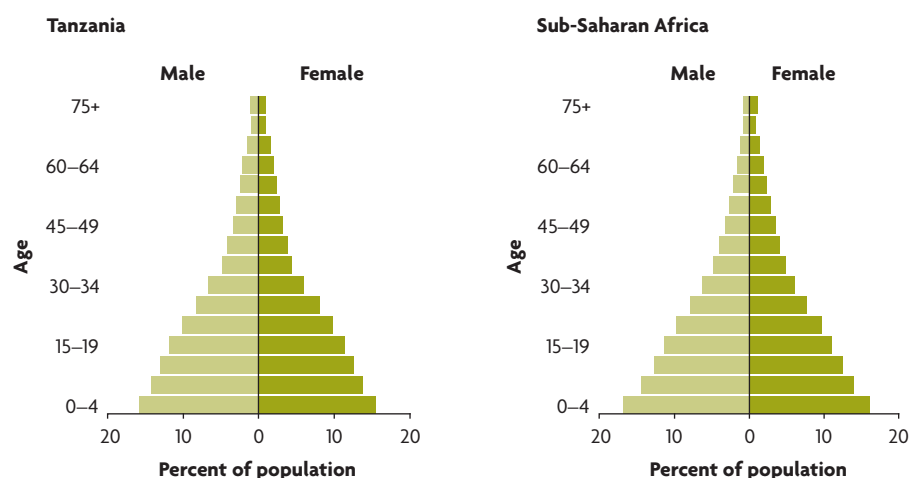
### **Tanzania has a young, fast-growing population**

The population of Tanzania is young, with 44 percent of people under the age of 15, a proportion similar to that for Sub-Saharan Africa as a whole (figure 1). A mere 3 percent of the population is 65 or older. Tanzania's population is also growing rapidly, at a rate of 2.9 percent annually as of 2007 (Tanzania National Bureau of Statistics). This rate is higher than the Sub-Saharan African average of 2.4 percent and well above the low-income country average of 2.2 percent. Life expectancy at birth was 52 years as of 2006, an increase of almost three years since 2000. Population density, at 46 people per square kilometer in 2007, is higher than the Sub-Saharan African average of 33. Three-quarters of Tanzanians live in rural areas. Tanzania is one of the less urbanized countries in Sub-Saharan Africa, where a regional average of 36 percent of people live in urban areas.

### **Income poverty is persistently high**

Despite being free of the armed conflict that many of its neighboring countries have suffered over the past several decades (aside from the Zanzibar revolution of 1964 and a brief conflict with Uganda in 1978) and having an

**Figure 1: Tanzania has a population age structure similar to that of Sub-Saharan Africa**



Source: World Bank 2008e (data for 2006).

### Box 1 Tanzania's political history

Tanzania, previously known as Tanganyika, was mandated as a British territory under the League of Nations in 1919. That year also marked the end of German colonial hold on the country. In 1961, following 42 years of British rule, the country became independent. Zanzibar, a small island off the coast of Tanzania, gained independence from the United Kingdom in 1963. In 1964, Zanzibar united with Tanganyika, and the country was renamed the United Republic of Tanzania.

Julius Nyerere became the first prime minister of the newly formed Tanzania—and several years later, the president. Under his government, the country followed a one-party rule, in which the Tanganyika African National Union (TANU) was recognized as the only political party on the mainland and the Afro-Shirazi Party (ASP) the sole party of the isles. The two were merged into a single party, Chama Cha Mapinduzi (CCM), in 1977. As laid out in the Arusha Declaration in 1967, Nyerere introduced a set of policies intended to be socialist and egalitarian, largely based on the concept of *ujamaa*, or pulling together. The rural population was organized into collective farming communities. Factories and plantations were nationalized, and large public investments were made in education and health care. The reforms, however, failed to improve Tanzania's economic situation and never truly gained popular support. Nyerere resigned in 1985, giving way to Ali Hassan Mwinyi as the new president. Under Mwinyi's leadership, the constitution was amended in 1992 to allow a multiparty state. Benjamin Mkapa was elected president in 1995 in the first-ever multiparty elections. He served two terms. In December 2005, Jakaya Kikwete of the ruling CCM party emerged victorious in general elections and shortly thereafter assumed the presidency. Kikwete is also serving as chairman of the African Union as of January 2008. Despite the political stability, there is no credible opposition to the CCM party on the mainland.

Tanzania's president and the National Assembly members are democratically elected for five-year terms; the prime minister is appointed by the president. The National Assembly has one legislative chamber that comprises 274 members (232 popularly elected, 37 women nominated by the president, and five members of the Zanzibar House of Representatives). The five-level judicial system of Tanzania incorporates aspects of tribal, Islamic, and British common law.

Tanzania is divided into 26 administrative regions, with 21 on the mainland, three on Zanzibar, and two on Pemba. Further divisions are made for 99 districts. In recognition of delegating greater authority to the local communities, district councils have been created.

Zanzibar maintains a semiautonomous system of government. The Zanzibari population appoints its own president through multiparty elections and elects 50 persons to five-year terms in its unicameral House of Representatives; an additional 31 seats in the current House have been appointed by the president, regional commissioners, and political parties, and 1 seat is held by the attorney general. Zanzibari courts handle all cases except those involving constitutional issues and Islamic law.

economy that has performed well in recent years, Tanzania's people remain extremely poor. Tanzania is classified as a low-income country by the World Bank, is considered a least developed country by the United Nations, and ranks 159th out of 177 countries in the United Nations Development Programme's (UNDP's) 2007/08 Human Development Index, a placement that has not improved in recent years (Tanzania ranked 151st out of 173 countries in 2002).<sup>2</sup>

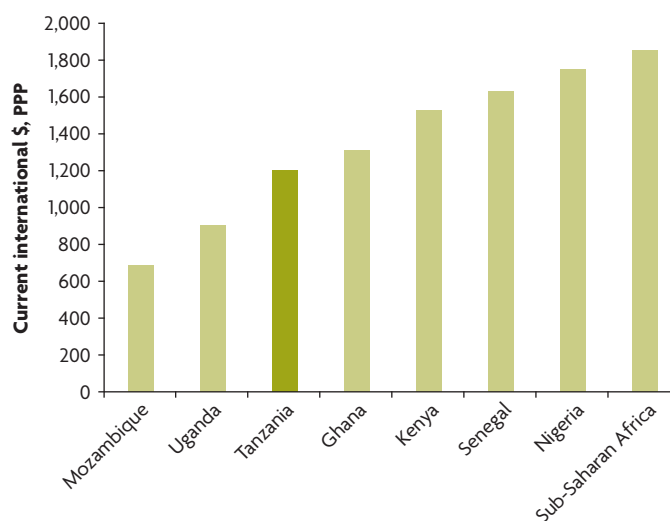
As of the 2007 Household Budget Survey (HBS), 33.6 percent of Tanzanians lived below the national poverty line, a decline from 35.7 percent the 2000/01 HBS (Tanzania, NBS 2008b). Poverty in rural areas, whether measured by people below the food poverty line or the basic needs poverty line, is more widespread than in urban areas (37 percent in rural areas versus 16 percent in Dar es Salaam and 24 percent in other urban areas, according to the HBS). Despite the reduction in the proportion of the population that is poor, the absolute number of people living in poverty increased by 1.5 million in the time between the two surveys.<sup>3</sup> By international standards, Tanzanians fare dramatically worse: 51.4 percent of the population lives below the \$1.25-per-day poverty line (DPG-TMG 2008).<sup>4</sup> This is broadly in line with the average for Sub-Saharan Africa

Tanzania's per capita gross national income (GNI), measured using purchasing power parity (PPP) in current international dollars, was \$1,200 in 2007, far less than the Sub-Saharan African average of \$1,870 and below even the least developed country average of \$1,173 (figure 2). Using the World Bank's Atlas method,<sup>5</sup> per capita income in Tanzania was \$400 in 2007, 43 percent of the \$935 threshold below which countries were considered low income for that year. By both measures, Tanzanians are among the poorest people in the world. In terms of income inequality, Tanzania's Gini index<sup>6</sup> was 34.6 in 2000, substantially better than neighboring Uganda's, which was 45.7 in 2002. Results from Tanzania's 2007 HBS indicate that the Gini index remains unchanged for the country as a whole, though there was a slight decrease (i.e., improvement) in Dar es Salaam and other urban areas (Tanzania, NBS 2008b).

### **Primary school enrollment has increased substantially in recent years**

Tanzania has made remarkable progress in increasing primary school net enrollment in the past several years, from 59 percent in 2001 to around 84 percent in 2007 (Tanzania, NBS 2008). Children from poor households have benefited in particular—the net enrollment rate of children from the poorest wealth quintile increased from 47 percent in 2000/01 to 78 percent in 2007. Most children begin the seven-year primary school cycle at age seven or eight. A significantly improved primary completion rate (55 percent in 2001 to 85 percent in 2007), along with the presence of more government budget resources, has led to an accompanying increase in traditionally very low secondary enrollment to an estimated 25 percent (World Bank 2007b). These improvements, however, accord-

**Figure 2: Tanzania's GNI per capita is substantially lower than the Sub-Saharan African average**



Source: World Bank 2008e (data for 2006).

ing to the 2007 Household Budget Survey, mask continued differences between enrollment rates in urban versus rural areas. In short, rural children are still being left behind in terms of primary and secondary education.

Several key transformations, including reducing the cost of enrollment and decentralization of school system management, would improve secondary enrollment, according to the World Bank. The 2004/05 Demographic and Health Survey shows that only 2 percent of the poorest 40 percent of students in their final year of primary school advance to secondary school after taking a selective exam (Vespoor 2008). Gross tertiary enrollment in Tanzania is among the lowest in Africa, at 1.5 percent in 2007, compared with 3.5 percent in Uganda and 2.8 percent in Kenya in 2004 and 5.1 percent for Sub-Saharan Africa in 2005.

Although the female-to-male ratio of students enrolled in primary school and lower secondary is very nearly equal, higher secondary and tertiary ratios are much more skewed. Retention of girls is affected by early pregnancies—the percentage of girls dropping out of secondary school is reported to have tripled in 2007, to 21.9 percent (World Bank 2008a). At the tertiary level, the ratio was 48 females to 100 males as of 2007.

### ***Level of education has a strong impact on earnings potential***

Education remains an important predictor of future earnings potential, as evidenced by the fact that a wage earner in Tanzania who has completed primary education earns 75 percent more than an uneducated wage earner (Vespoor 2008). A worker who has completed junior secondary education earns 163 percent more than an uneducated worker, and one who has completed senior secondary education 181 percent more. In the long term, therefore, the recent increases in school enrollment are expected to have positive effects on future earnings and economic growth.

### ***Improvements in health and nutrition indicators have been patchy***

While the overall health status of Tanzanians remains poor, major health indicators are generally better than the Sub-Saharan African average, though worse than the low-income-country average (table 1). Infant and under-five mortality

**Table 1: Tanzania's health indicators are generally better than those of Sub-Saharan Africa and worse than those of low-income countries**

	Tanzania	Sub-Saharan Africa	Low-income countries
Life expectancy at birth (years)	52	51	58
Access to improved water (percent)	55	58	68
Access to improved sanitation (percent)	33	31	39
Maternal mortality (modeled estimate, per 100,000 live births)	950	900	780
Infant mortality (per 1,000 live births)	74	94	85
Under-five mortality (per 1,000)	118	157	135
Malnutrition, weight for age (percent of under-five children)	17	27	29
Malnutrition, height for age (percent of under-five children)	44	44	44
Pregnant women receiving prenatal care (percent)	78	72	63
Contraceptive prevalence (percent of women ages 15–49)	26	22	33
Measles immunization (percent of children ages 12–23 months)	93	72	76
Tuberculosis incidence (per 100,000 people)	312	368	266

Source: World Bank 2008e.

Note: All data are for 2005 or 2006.



rates in Tanzania are lower than those of both Sub-Saharan African countries and low-income countries as a group. The vast majority of child deaths are the result of preventable illnesses, including malaria, pneumonia, diarrhea, malnutrition, HIV/AIDS, and complications from low birth weight. In some areas of Tanzania, malaria is responsible for one-third of deaths of young children (Garcia, Pence, and Evans 2008), a scenario that could be improved by increasing the percentage of children sleeping under a bed net. Among children ages 6 months to 5 years, malaria prevalence was 18 percent as of a 2007/08 survey (Tanzania, NBS 2008d). Measles, though, once a common cause of childhood death, has been reduced significantly because of steadily rising immunization against the disease. Childhood mortality is higher in rural than in urban areas. Despite the challenges, significant progress has been made in reducing infant and childhood mortality.

The burden of malnutrition continues to be heavy in Tanzania. Almost four out of every 10 children under the age of 5 are chronically undernourished and too short for their age (stunted); about one out of every five children weighs too little given his or her height (underweight). A significant percentage of all Tanzanians (44 percent) are energy deficient and unable to simultaneously sustain their body and carry out even light physical activity (World Bank 2007g).

Progress in lowering maternal mortality, unlike childhood mortality, has been weak, despite a large improvement in prenatal care coverage (from 50 percent in 1996 to 78 percent in 2005). This is in part the result of slow progress in hospital and referral care reforms and access to emergency obstetric care (World Bank 2007b and United Republic of Tanzania 2005). Micronutrient deficiencies are very common—more than 60 percent of children and 50 percent of women, for example, are anemic (World Bank 2007g). As of 2003, approximately one-quarter of maternal deaths were associated with anemia (Tanzania, Ministry of Health 2003). Contraceptive prevalence among women ages 15–49, while still only 26 percent in 2005, is more than two-and-a-half times what it was in 1991, when it was only 10 percent. Since 1999, though, contraceptive prevalence has stagnated, increasing by only 1 percentage point between then and 2005, and fertility remains high.

Increasing access to improved water and sanitation facilities, among other initiatives, would lead to improvements in several health indicators. Access to improved sanitation facilities, at 33 percent of the total population in 2007, has actually declined by two percentage points since 1990. In rural areas, the percentage of the population with access to a source of improved water remained less than half (46 percent) as of 2007, far below the 81 percent observed in urban areas. In seven districts, less than 10 percent of households have improved water access (Tanzania, Research and Analysis Working Group 2005). According to the latest Household Budget Survey, piped water to Dar es Salaam dropped dramatically, from 86 percent in 2000/01 to 58 percent in 2007. This is possibly the result of public services not being able to keep up with the fast population growth the city has experienced in recent years.

Life expectancy in Tanzania improved by a mere two years between 1980 and 2006, following a decline during the 1990s. In recent years, the combined impact of HIV/AIDS and malaria has contributed heavily to the stagnation (though the incidence of malaria has declined significantly). Adding to this overall picture,

Tanzania's health sector suffers from a severe shortage of human resources. There are, for example, only two physicians for every 100,000 people (UNDP 2007).

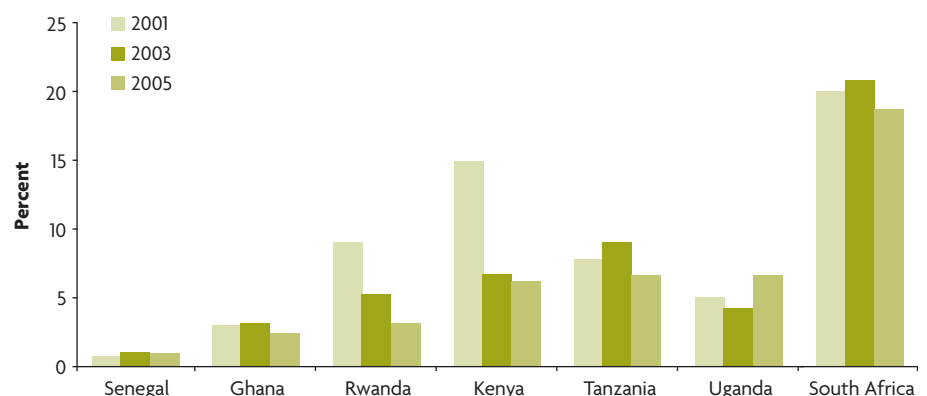
***HIV prevalence declined between 2003 and 2005, but remains higher than the Sub-Saharan African average***

HIV prevalence in Tanzania among the population ages 15–49 was 5.7 percent as of a 2007/08 indicator survey (Tanzania, NBS 2008d), down from 6.5 percent in 2005 (UNAIDS and WHO 2007). The primary mode of transmission of the disease is unprotected heterosexual intercourse, which accounts for approximately 80 percent of new cases; mother-to-child transmission accounts for 18 percent of new cases (Tanzania Commission for AIDS 2008). In a somewhat new phenomenon for Tanzania and several other countries in the region, however, including South Africa and Kenya, the role of injecting drug use in the transmission of HIV is increasing (UNAIDS and WHO 2008). Prevalence in urban areas is much higher than in rural areas. As of 2007/08, the measurement for mainland Tanzania, prevalence among women, at 6.8 percent, is substantially higher than the 4.7 percent among men (Tanzania, NBS 2008d). This is consistent with a larger trend in the Sub-Saharan African region, where women represent 61 percent of the HIV burden as of 2007 (UNAIDS and WHO 2007). A moderate reduction in HIV prevalence among pregnant women in rural areas has occurred in recent years, however, from 8.7 percent in 2003 to 8.4 percent in 2005/06 (Tanzania Commission for AIDS 2008).

Tanzania's HIV prevalence was approximately six times the worldwide rate (1.0 percent) and roughly on par with that of Sub-Saharan Africa (5.9 percent) in 2006 (UNAIDS and WHO 2006). By 2007, worldwide and Sub-Saharan African prevalence had dropped to 0.8 percent and 5.0 percent, respectively (UNAIDS and WHO 2007). Prevalence in Tanzania as of 2005 is similar to that in Kenya and Uganda but widely different from that of several other African countries (figure 3). Despite the decline in prevalence over the past several years, the number of AIDS orphans in Tanzania is expected to grow rapidly in the coming years.

In July 2008, Tanzania's Ministry of Health and Social Welfare announced plans to triple the number of HIV/AIDS patients receiving free antiretroviral drugs, to 440,000, by 2010. Antiretroviral coverage has increased rapidly in

**Figure 3: HIV prevalence in Tanzania was similar to that of neighboring Kenya and Uganda as of 2005**



Source: UNAIDS and World Health Organization 2007.

recent years, from virtually none in 2004 to more than 30 percent in 2007 (UNAIDS and WHO 2008).

***Women in Tanzania contribute heavily to the economy, but are at a disadvantage according to social indicators***

Women play a strong role in Tanzania's economy. In terms of labor force participation, women and men in Tanzania are in a roughly equal position—88 percent of women versus 91 percent of men in 2006 for those ages 15–64. This scenario is vastly different from that of Sub-Saharan Africa as a whole, where 63 percent of women and 86 percent of men participate in the labor force. Disparities arise, though, regarding income levels, which are significantly higher for men. In the manufacturing sector, for example, mean monthly income of women is 3.5 times lower than that of men (World Bank 2007f). Moreover, only 4 percent of women work in paid jobs (in either the formal or informal sector) versus 9.8 percent of men, as of the last Labor Force Survey (United Republic of Tanzania 2002). Women are also more likely to work informally—71 percent of workers in the formal sector are male (Tanzania, NBS 2002).

Further disparities arise in terms of social development indicators. The gap between sexes in terms of literacy is sizable: 62 percent of female adults (those ages 15 and above) were literate as of 2002 versus 78 percent of males. And, as mentioned above, women account for the majority of HIV/AIDS cases and are seriously underrepresented in tertiary education. Of the 157 countries for which the UNDP was able to compile a gender-related development index in 2007 (components of the index include life expectancy at birth, adult literacy, school enrollment, and earned income), Tanzania ranked 138th (UNDP 2007). In fact, the bottommost 21 countries in the index are all in Sub-Saharan Africa.

***The mainland and Zanzibar development programs are more than halfway through their implementation periods***

Tanzania's National Strategy for Growth and Reduction of Poverty for 2005–10 is known by its Swahili acronym, MKUKUTA. The strategy covers three main clusters—economic growth and reduction of income poverty, quality-of-life improvements, and strengthening of governance and accountability—and puts achievement of the Millennium Development Goals (MDGs) at the center of the agenda. In some cases, the numerical targets set by the MKUKUTA are even more ambitious than those established by the MDGs. In Zanzibar, the MKUZA establishes similar growth and poverty goals for 2006–10 and is organized into clusters similar to those of the MKUKUTA.

***Tanzania is unlikely to meet all of the Millennium Development Goals by 2015***

Adopted by the United Nations in 2001, the eight MDGs comprise 18 targets and 48 indicators to be achieved by 2015. They set quantitative targets for poverty reduction and improvements in health, education, gender equality, the environment, and other aspects of human welfare. While Tanzania has made great advances in a number of the target areas, namely those related to gender equity in basic education and under-five mortality (both of these at a much faster pace than for Sub-Saharan Africa as a whole), the goals related to poverty, universal primary education, and maternal mortality are not likely to be achieved by 2015 (table 2). Halving the rate of poverty by 2015 will require the agricultural sector to grow at a very fast pace, which does not seem likely to happen in the near future.

**Table 2: Tanzania's progress toward the Millennium Development Goals is mixed**

	1990	1995	2000	2007
<i>Goal 1: halve the rates for extreme poverty and malnutrition</i>				
Population below \$1.25 per day international poverty line (%)	72.6	—	88.5	—
Population below national poverty line (%)	38.6	—	35.7	33.6 <sup>a</sup>
Income share held by lowest 20%	7.4	—	7.3	—
Malnutrition prevalence, weight for age (% of children under 5)	25.1	26.9	25.3	16.7
<i>Goal 2: ensure that children are able to complete primary schooling</i>				
School enrollment, primary (% net)	51	—	59 <sup>b</sup>	84 <sup>b</sup>
Primary completion rate, total (% of relevant age group)	46	57	55	85
School enrollment, secondary (% gross)	5	—	6	—
Literacy rate, youth total (% of people ages 15–24)	82	—	78	—
<i>Goal 3: eliminate gender disparity in education and empower women</i>				
Ratio of girls to boys in primary and secondary education (%)	97	—	99	—
Women employed in the nonagricultural sector (% nonagricultural employment)	—	—	45	—
Proportion of seats held by women in national parliament (%)	—	18	16	30
<i>Goal 4: reduce under-5 mortality by two-thirds</i>				
Under-5 mortality rate (per 1,000)	161	159	141	118
Infant mortality rate (per 1,000 live births)	102	100	88	74
Measles immunization (proportion of 1-year-old children immunized, %)	80	78	78	93
<i>Goal 5: reduce maternal mortality by three-fourths</i>				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	—	—	—	950
Births attended by skilled health staff (% of total)	53	47	44	43
Contraceptive prevalence (% of women ages 15–49)	10	18	25	26
<i>Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases</i>				
Prevalence of HIV, total (% of population ages 15–49)	—	—	7.0	5.7 <sup>c</sup>
Incidence of tuberculosis (per 100,000 people)	178	271	339	312
Tuberculosis cases detected under DOTS (%)	—	57	49	46
<i>Goal 7: halve the proportion of people without sustainable access to basic needs</i>				
Improved water source (% of population with access)	49	50	53	55
Improved sanitation facilities (% of population with access)	35	35	34	33
Forest area (% of land area)	46.8	—	42.1	39.8
Nationally protected areas (% of total land area)	—	—	—	—
CO <sub>2</sub> emissions (metric tons per capita)	0.1	0.1	0.1	—
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	2.2	2.2	2.2	2.0
<i>Goal 8: develop a global partnership for development</i>				
Telephone mainlines (per 100 people)	0.3	0.3	0.5	0.6
Mobile phone subscribers (per 100 people)	—	0.0	0.3	20.4
Internet users (per 100 people)	—	0.0	0.1	1.0
Personal computers (per 100 people)	—	0.2	0.3	0.9

Source: World Bank 2008e except where noted.

a. Tanzania, NBS 2008b.

b. Tanzania, NBS 2008.

c. Tanzania, NBS 2008d.

Note: Figures in italics are for plus or minus two years of those specified at the top of the table. — = not available.

## Economy

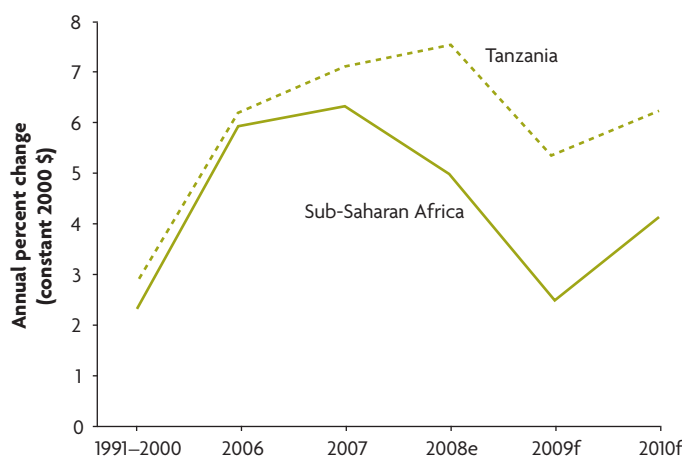
### **GDP has recorded high growth in recent years**

Economic performance in Tanzania has been solid in recent years, with high levels of growth, a steadily increasing share of exports, and significant financial deepening, following significant efforts since the mid-1980s to steer the country away from previously socialist policies by privatizing state-owned enterprises, liberalizing prices and international trade, improving the business environment, and strengthening public expenditure management. Intensification of reforms since the mid-1990s has led to increased inflows of both foreign direct investment (FDI) and foreign aid. Although the slowdown in the world economy has led to reduced economic growth expectations in Tanzania in 2009, the medium-term growth outlook remains positive.

Tanzania's \$16.2 billion economy has grown faster—in some years, significantly faster—than the Sub-Saharan African average for more than a decade (figure 4), making Tanzania one of the fastest-growing nonoil economies in Sub-Saharan Africa. Since 2000, growth has been bolstered by strong performance by the communications, mining, government, manufacturing, and construction sectors. Following a growth slowdown in 2006 that resulted from a drought and an energy crisis, growth was above 7 percent in 2007. Agriculture, though, remains the mainstay of the economy, accounting for nearly a quarter of GDP and approximately 80 percent of employment (2007 Tanzania national accounts data). Overall economic growth is expected to fall back to 5.3 percent in 2009 as a result of the global recession, from an estimated 7.5 percent in 2008, before rising to 6.2 percent in 2010 (World Bank 2009).

Maintaining a high level of growth in the coming years is expected to prove challenging, both because of the global downturn and because structural changes in Tanzania's economy are being implemented slowly and are geographically focused on Dar es Salaam and several other urban areas. Infrastructure and business environment constraints also hinder the growth outlook, as do slow adoption of new technology and the reality that public expenditure growth may not be sustained at levels recently observed (World Bank 2008d). Large amounts of official aid to Tanzania over the past several years have fueled increases in government spending, while growth in household consumption has been comparatively sluggish (the latter trend was confirmed by

**Figure 4: Tanzania's GDP growth is outperforming that of Sub-Saharan Africa, a trend that is expected to continue over the next two years**



Source: World Bank 2009 for 1991–2007 figures; World Bank Development Prospects Group for 2008–10 figures.

Note: e = estimate; f = forecast.

the 2007 Household Budget Survey). In the short term, during which aid inflows are likely to decline as the global economic situation deteriorates, government spending is also likely to decline—and with it, overall economic growth.

### ***Agriculture remains the mainstay of the economy***

The overall structure of Tanzania's output has changed only marginally since 1990. In value-added terms, agriculture generates 29 percent of GDP, industry 24 percent, and services 47 percent (2007 Tanzania national accounts data). (Manufacturing, a subset of industry, generates 8 percent of GDP.) The contribution of industry to GDP is one of the lowest among Sub-Saharan African countries, although manufacturing and mining exports have been growing at a fast rate recently. From an expenditure perspective, private consumption accounts for the vast majority of spending (73 percent), while government expenditure represents 16 percent, investment 17 percent, and net exports –6 percent. Reliance on production of primary goods using traditional methods leaves Tanzania's economy vulnerable to fluctuations in international commodity markets and weather patterns and makes competition with countries embracing technological advances difficult. Droughts occur in Tanzania with some regularity, reducing agricultural output and highlighting the need for improved irrigation systems. During the drought of 2005–06, electricity generation, which is heavily dependent on hydropower, was reduced dramatically, negatively impacting households and businesses.

### ***Although the agricultural sector is growing, labor and crop productivity are still low***

Although the majority of Tanzania's population is employed in the agricultural sector, most of those workers are involved in subsistence farming, producing mostly corn, rice, wheat, cassava, sorghum, and fruits and vegetables. Cash crops include coffee, tea, cotton, sisal, cashews, tobacco, pyrethrum (chrysanthemums), and sugarcane. Cattle, sheep, and goats are also raised for profit, and a variety of spices are cultivated for export in Zanzibar. Although Tanzania's relatively fast pace of annual agricultural growth (4.9 percent in value-added terms in 2004–06, above the 4.4 percent average for Sub-Saharan Africa as a whole) and its openness to international trade have allowed it to fare better than several of its neighbors in facing severe food shocks, deteriorating international economic conditions and high commodity prices landed Tanzania on the Food and Agriculture Organization's May 2008 list of 22 countries particularly threatened by the global food crisis. In the course of 2008, the government enacted an export ban on maize, allowed the duty-free import of cereals, and provided fertilizer subsidies to farmers. Looking ahead to 2009, the maize shortage faced by neighboring Kenya presents a risk to Tanzania, as the informal maize trade between the countries will leave Tanzanians seeking the commodity elsewhere, likely at higher prices.

Growth in Tanzania's agricultural sector in recent years has been brought about primarily by increases in cultivated area and crop diversification at the farm level. Despite the growth, Tanzania does not look likely to meet the goal of 10 percent annual growth in agriculture by 2010 laid out in the MKUKUTA as long as it faces low labor productivity (table 3) and flat crop yields. Improvements in land tenure, agricultural research, sustainable use of land and water resources, irrigation, and markets associated with rural services (for example, finance) would

**Table 3: Value added per agricultural worker in Tanzania remains lower than the Sub-Saharan African average**

	2000–02 (average)	2003–05 (average)
Tanzania	\$268	\$295
Sub-Saharan Africa	\$317	\$335

Source: World Bank 2008e.

Note: Figures are in constant 2000 U.S. dollars.

improve productivity (Gordon 2008), as would increased fertilizer usage and improvements in transport infrastructure. Another complicating factor for farmers in Tanzania is that they are required to pay high taxes and fees to sell their products, which reduces their profits substantially.

While Tanzania has been considered a good candidate for biofuel production—it has vast tracts of unused arable land and biofuels could reduce dependence on imported oil—government officials have taken a cautious approach to the prospect of increasing biofuel crops on a large scale, citing the danger of reducing the portion of the workforce involved in food crop production on the availability of food and, with a mind toward vulnerability to drought, the large volume of water required by some biofuel crops.

### ***The manufacturing sector is small, but growing***

Manufacturing represents around 8 percent of GDP in Tanzania, low compared with the Sub-Saharan African average of 14 percent. The sector has, however, grown steadily since 2000 (aside from the slowdown in 2006 and into 2007 caused by the drought and resulting increase in the cost of electricity), and exports of manufactured goods have increased substantially. Manufacturing is important to the larger economy in that it diversifies exports away from primary products, which are particularly vulnerable to external shocks, and creates jobs that are higher-paying than those in the agricultural sector. Three main types of manufacturing activity, all concentrated in urban areas, occur: agroprocessing and food and beverage production, light industry, and heavy industry (metals, cement, paints, and plastics) (Chandra, Kacker, and Li 2008). Within these categories, consumer products and metals have accounted for most of the growth. General constraints to the manufacturing sector include the low availability and high price of financial capital, minimal access to technologies that will improve productivity, poor infrastructure, and low levels of labor skills and productivity.

### ***The mining and natural resources industry is expanding, but is not yet contributing substantially to long-term economic development***

Tanzania is endowed with mineral and natural resources—from gold, diamonds, tanzanite, and several other precious and semiprecious stones to iron ore, coal, and several base metals—many of which are found in quantities sufficient for export. Natural gas and offshore oil exploration are also ongoing. Tanzania accounted for almost 2 percent of world gold production as of 2006 (Yager 2008) and is one of the top gold producers in Africa, along with South Africa and Ghana. Gold represented 33 percent of the total value of Tanzania's merchandise exports between January and December 2008, and other minerals (rubies, sapphires, emeralds, copper, silver, and other precious and semiprecious stones) 3 percent (Bank of Tanzania 2009).

Though the mining sector has grown rapidly in recent years (table 4), the ability of the sector to make long-term improvements in Tanzania's economy is limited by the low contribution of mining activities to domestic revenue, shortfalls in governance and law enforcement, and a shortage of

**Table 4: The mining, construction, communications, and financial sectors grew fastest in 2005–07**

	Real annual growth, percent		
	2005	2006	2007
Agriculture, hunting, and forestry	4.3	3.8	4.0
Fishing	6.0	5.0	4.5
Mining and quarrying	16.1	15.6	10.7
Manufacturing	9.6	8.5	8.7
Electricity and gas	9.4	-1.9	10.9
Construction	10.1	9.5	9.7
Hotels and restaurants	5.6	4.3	4.4
Transport	6.7	5.3	6.5
Communications	18.8	19.2	20.1
Financial intermediation	10.8	11.4	10.2
Real estate and business services	7.5	7.3	7.0
Public administration	11.4	6.5	6.7
Education	4.0	5.0	5.5
Health	8.1	8.5	8.8

Source: World Bank 2008d.

mining expertise in the labor force, the last of which means that Tanzanians have less opportunity for higher-paying technical and managerial positions. Mines pay royalties of 3 percent on gold and 5 percent on gemstones, though most mines in Tanzania have still not made an operating profit and therefore have not paid income taxes. This is partly due to the nature of mineral investment, which requires large capital investments that are recovered before taxable profits are made but also due to early fiscal incentives that have now been removed. The Tanzanian government has recently conducted a policy review and is considering changes in the royalty rates to increase revenue.

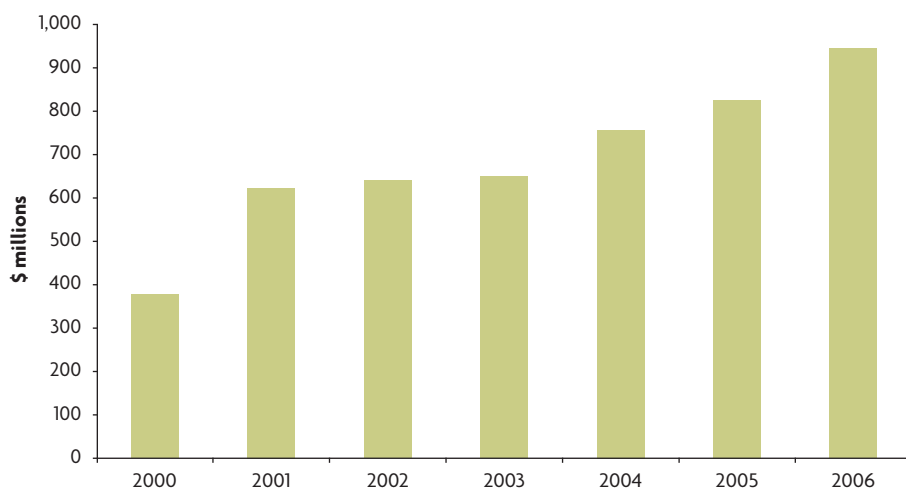
The World Bank's Sustainable Management of Mineral Resources Project, due to be approved in fiscal year 2009, aims to strengthen government capacity to manage the mining sector, improve benefits, and increase investment over the long term.

### ***Tourism is a priority sector that is likely to lead to growth in other sectors***

Tourism, largely focused on the northern circuit encompassing wildlife viewing in the Serengeti and visiting Mount Kilimanjaro and Lake Victoria, is considered a priority sector by the government. The industry has grown briskly in recent years compared with other economic subsectors, from 7.5 percent of GDP in 1995 to 16 percent in 2004 (Skof 2008b). Revenue from international tourism has increased steadily since 2000, to \$950 million in 2006 (figure 5). The government of Tanzania estimates that tourism revenue rose to slightly more than \$1 billion in 2007 and projects that revenue will be \$1.2 billion in 2008 and \$1.35 billion in 2009 (Utz 2008a). In addition to being a direct source of revenue, tourism is important to the Tanzanian economy because of its linkages with several input sectors, including agriculture, livestock, fisheries, dairy, manufacturing, ground transportation, and even handicrafts. Expanding tourism has the potential to contribute to growth in all of these sectors and thus contribute to long-term economic growth, though it is limited by the carrying capacity of the northern circuit. The government aims to attract 1 million tourists per year by 2010.

### ***The size of the informal sector is substantial***

**Figure 5: International tourism revenue is increasing steadily**



Source: World Bank 2008e.

By one estimate, informal economic activity in Tanzania (including agricultural activity) is equivalent to 60 percent of official GDP as of 2002/03, on par with that of Nigeria but significantly higher than estimates for Uganda (45 percent of GDP) and South Africa (30 percent) (Schneider 2005). Tanzania's 2000/01 Household Budget Survey suggests that informal economic activity increased over the previous decade, with one in three households participating in informal activities versus one in four in 1990/91 (Skof 2008). The increase is likely the result of a combination of factors, including tolerance of informal activities that were previously illegal,



the need for laid-off government workers and migrants to find new sources of income, and enhanced demand for informal sector products and services.

Though income in the informal sector is generally much lower than in the formal sector, informal activity is popular because of a dearth of formal sector jobs and the opportunity it allows to incubate new business ideas into viable enterprises. On the other hand, formalization of informal businesses would lead to an increase in the tax base and lead to a stronger fiscal position. According to a joint study by the International Labour Organization (ILO), United Nations Industrial Development Organization (UNIDO), and UNDP, the main constraint to formalization of urban-based firms in Tanzania is a large tax burden; for firms in rural areas, the main constraint is access to finance (World Bank 2005).

### **Improved domestic revenue collection has been supporting fiscal policy**

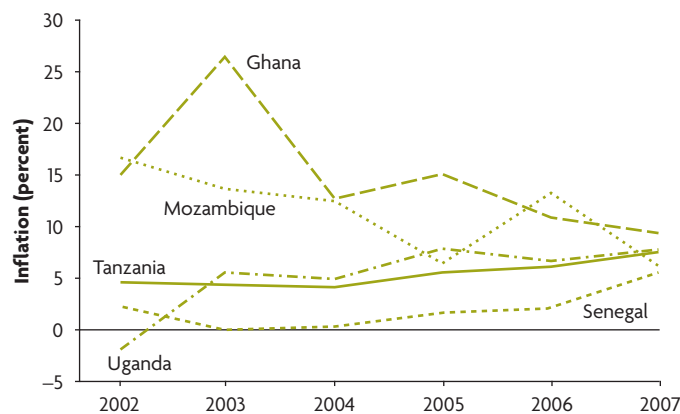
Domestic revenues have witnessed a remarkable sustained upward trend since the early 2000s. This development is important in that it provides the foundation for reducing aid dependence and improving domestic accountability. However, at around 16 percent of GDP in 2007/08 and a projected 18 percent of GDP in 2008/09, domestic revenues in Tanzania are still below the average for Sub-Saharan Africa, and not high by international standards. The 19 percent increase in the fiscal year 2008/09 budget over 2007/08 was achieved largely due to the rise in tax revenue (Obulutsa 2008a). Traditionally, Tanzania has relied heavily on foreign aid to finance the budget. With a mind toward this, the 2008/09 budget released in June 2008 plans to reduce the share of aid to 34 percent of the budget, down from 42 percent in 2007/08 (Obulutsa 2008a).

Though a rise in domestic revenue collection in 2007/08 shows that fiscal policy is on a broadly prudent path, the central government deficit before grants increased from approximately 5.5 percent of GDP in 2000/01 to approximately 12.5 percent in 2006/07 and is estimated to have remained at more than 12 percent in 2007/08 (World Bank 2008d). The 20 percent increase in civil service minimum wage in 2008 can be expected to have an effect on the budget, particularly given that public wages already represent approximately 9 percent of GDP (World Bank 2008f). The government's medium-term expenditure framework focuses on fiscal prudence, improving tax collection and administration, increasing compliance with public procurement rules, and escalating measures to combat corruption (OECD 2007).

### **Inflation has intensified**

Inflationary pressures have intensified in 2008—consumer price index (CPI) inflation was 13.5 percent year-over-year as of December 2008, according to the Tanzania National Bureau of Statistics, complicating development efforts and putting a heavy burden on the poor. While prudent policies have, in recent years, allowed Tanzania to avoid the wide swings in inflation that several of its regional comparator countries have experienced (figure 6), since 2005, the central bank, the Bank of Tanzania, has not been successful in taming the rising inflation trend (see IMF 2008a). Year-over-year inflation crept upward in each of the six months between June and November 2008, hitting double digits for the first time in years. The increases in the latter portion of

**Figure 6: Tanzania has avoided the wide swings in inflation that several of its regional comparators have experienced**



Source: IMF 2008.

this period reflect higher food prices and follow significant increases in global prices of both food and fuel in the first half of 2008, as well as challenges in managing the domestic liquidity expansion fed by large foreign public and private capital inflows.

### ***The external position remains sound***

Despite a growing current account deficit over the past several years, Tanzania's external position has been sound, with total reserves at approximately five months of imports in late 2008, a level that has not deteriorated since the global credit crunch began in mid-2007 and one that is higher than that in most neighboring countries. The healthy foreign reserves position is key in maintaining both the stability of the Tanzanian shilling and overall confidence in the economy. Underlying the stable foreign reserves position, however, the current account deficit widened to an estimated 14.2 percent of GDP for 2008 as a whole, due in large part to the rising level of imports (World Bank 2009). Though the value of exports of goods and services has grown in recent years, the value of imports has risen even faster. The Bank of Tanzania (2009) estimates that the current account deficit grew to more than \$2.8 billion for the 12 months ending December 2008, a hefty increase over the \$2.1 billion seen one year earlier. The deficit is no longer fully covered by inflows of foreign aid.

In early 2009, Tanzania halted its efforts to seek a sovereign debt rating, which had been underway since mid-2008, as the result of deteriorating external financing conditions associated with the global financial and economic turmoil. The government had planned to issue a bond to fund infrastructure projects.

### ***Monetary policy must tread a careful path***

A late 2007 adjustment in monetary policy strategy, under which the Bank of Tanzania began selling foreign exchange on a near-daily basis and making more use of repurchase agreements in addition to selling Treasury bills, have helped to stabilize the macroeconomic environment amidst deteriorating external economic conditions and partially cushioned Tanzania against steep increases in the price of oil and other imports. During 2008, however, the Tanzanian shilling has depreciated against the U.S. dollar. In recent months, the Bank of Tanzania moved to strengthen monetary policy by improving Treasury bill auctions.

In general, monetary policy needs to tread a careful path between containing excess demand and providing space for continued private sector credit expansion (IMF 2008a). It must also manage the tendency of large inflows of foreign aid to stoke inflation and exchange rate appreciation, the latter of which risks restricting exports.

### ***Numerous challenges to the economy remain***

Though Tanzania's economy is projected to remain on a strong growth path in the medium term, it faces several major challenges, namely: controlling inflationary pressures; improving weak governance and public accountability; diversifying exports away from agricultural products; dramatically improving physical infrastructure; and further mobilizing human, financial, and natural resources. Improving these indicators not only would contribute to economic development but also in the long term would likely reduce heavy reliance on international aid and debt relief.

## Environment and Natural Resources

### ***The natural environment is diverse***

With a surface area of 947,300 square kilometers, Tanzania is comparable in size to Nigeria and is slightly more than twice the size of the U.S. state of California. It is endowed with large areas of forests and woodlands, a great diversity of flora and fauna, mountain ranges, numerous lakes, and coastal areas and wetlands. It is also home to Mount Kilimanjaro, Africa's highest peak; Lake Victoria, Africa's largest lake (which Tanzania jointly administers with Uganda and Kenya); Lake Tanganyika, the second-deepest lake in the world; and the spectacular Serengeti plains. Climatic zones include coastal, subtropical, semiarid, semidesert, temperate, and alpine.

Tanzania's natural environment contributes substantially to its economy, in particular the agriculture, fishery, and forestry sectors, but also the tourism and mining industries. Tanzania's mineral resources, including gold, diamonds, tanzanite, several other precious and semiprecious stones, nickel, copper, cobalt, tin, iron ore, and coal, account for a substantial amount of foreign exchange earnings. At the household level, the livelihoods of poor people in rural areas depend heavily on natural resources—land and forests in particular.

Over the past decade, Tanzania has taken steps to improve governance surrounding natural resources and environmental protection. In general, though, policy shortcomings and limited years of enforcement mean that Tanzania's natural resources are being used in a way that is not optimal for economic growth and poverty reduction (Pfliegner 2008). In the forestry, wildlife, fisheries, and mining sectors, for example, royalties are set arbitrarily and do not reflect scarcity; instead, natural resources are offered at below-market prices to the benefit of a small number of powerful market participants and detriment of most of the rural population (Pfliegner 2008). A steadily growing population also has negatively impacted Tanzania's natural resources and ecology. All of these factors have contributed to the environmental challenges the country faces.

### ***A range of challenges require attention***

Tanzania faces a host of environmental challenges, including soil degradation, deforestation, inadequate land titling, desertification, water scarcity and degradation, destruction of marine habitats, and threats to biodiversity, as well as the natural hazard of drought. Table 5 compares key environmental data for Tanzania, Sub-Saharan Africa, and low-income countries. Emission and pollution indicators for Tanzania are better than for the two aggregates. Deforestation, though, occurs at a rate almost twice that of the low-income-country composite.

**Table 5: Environmental indicators in Tanzania versus Sub-Saharan Africa and low-income countries**

	Tanzania	Sub-Saharan Africa	Low-income countries
<i>Agriculture</i>			
Agricultural land (% of land area)	39	44	39
Irrigated land (% of cropland)	1.8	3.5	19
Fertilizer consumption (100 grams per hectare of arable land)	104	—	—
Rural population density (rural population per sq. km of arable land)	317	351	603
<i>Forests</i>			
Forest area (% of land area)	39.8	26.5	24.8
Deforestation (average annual %, 1990–2005)	1.1	0.7	0.6
Nationally protected areas (% of total land area)	42.3	11.3	10.8
<i>Energy</i>			
GDP per unit of energy use (constant 2005 PPP \$ / kg of oil equivalent)	2.0	2.7	3.1
Per capita energy use (kilograms of oil equivalent)	530	681	481
Energy from biomass products and waste (% of total)	92.1	56.3	41.7
Energy imports, net (% of energy use)	6.4	–61.7	–28.5
Electricity generated using fossil fuel (% of total)	41.4	76.1	18.9
Electric power consumption (kWh per capita)	61	542	305
<i>Emissions and pollution</i>			
CO <sub>2</sub> emissions per unit of GDP (kg/2005 PPP \$ GDP)	0.1	0.6	0.4
CO <sub>2</sub> emissions (metric tons per capita)	0.1	0.9	0.6
Particulate matter (urban-pop.-weighted avg., ug/cu. M)	24	60	74

Source: World Bank 2008e. All data are for 2003, 2004, or 2005.

Note: — = not available.

### **Deforestation is occurring faster than the average for Sub-Saharan African countries**

Forests, which are important in maintaining the ecological balance, are also a main source of fuel in Tanzania. Approximately 40 percent of the total land area of Tanzania is covered by forests, though the average annual rate of deforestation was 1.1 percent during 1990–2005 (table 5). UNDP (2008) puts annual deforestation at an estimated 5,000 square kilometers per year.

Tanzania uses biomass products for more than 92 percent of its energy consumption, one of the highest rates in the world (table 6), and a figure that cannot be sustained in the long term. Lack of reliable electricity supply—especially in rural areas—forces people to use energy sources such as fuel wood, charcoal, kerosene, and cow dung. A poorly regulated timber industry has also contributed to deforestation. And in turn, deforestation has contributed to soil erosion, desertification, and loss of biodiversity.

Unsustainable timber exploitation, which has expanded rapidly in recent years, has exhausted tree supplies in some areas. Roundwood resources in the coastal Rufiji, Kilwa, and Linda districts have been particularly heavily exploited. Underregulation and corruption in the industry mean that a significant amount of forestry revenue is not collected. A May 2007 report by TRAFFIC (2007), a natural resources trade monitoring network, estimates that \$58 million of timber revenue was lost during 2004 and 2005, mainly attributed to undercollection of royalties and undervaluation of forest products. The same report reports that 10 times more timber from Tanzania entered China than reportedly was exported from Tanzania. A logging scandal in the district of Rufiji in 2004 revealed illegally harvested logs valued at 382.65 million Tanzanian shillings (T Sh) (Pfliegner 2008).

**Table 6: Top 10 users of biomass products and waste (percentage of total energy use)**

	1990	2005
Congo, Dem. Rep. of	84.0	92.5
Tanzania	91.0	92.1
Ethiopia	92.8	90.6
Nepal	93.4	86.6
Mozambique	94.4	85.4
Sudan	81.7	79.5
Togo	82.6	79.4
Zambia	73.4	78.7
Cameroon	75.9	78.6
Nigeria	79.8	78.0

Source: World Bank 2008e.

### ***Clean water is at a premium***

Compared with many countries in Sub-Saharan Africa, Tanzania has a sufficient supply of fresh water, although the fast rate of population growth challenges this adequacy in the long term, as does the propensity for drought. Water pollution is problematic in some areas, as is limited investment by the government in the collection and distribution of water (only 55 percent of the population had access to an improved water source as of 2006, and only 46 percent in rural areas). In rural areas, lack of steady, convenient water supplies forces women to travel long distances to fetch water. Moreover, farming activities are constrained by lack of regular water supply.

These challenges mean that Tanzania is not on track to meet the MDG target of halving the proportion of people without access to improved water, nor has it been making progress in increasing access to improved sanitation facilities, for which access actually declined by two percentage points between 1990 and 2007. Improvements in pollution control and solid waste management systems would prevent the spread of diseases including cholera, schistosomiasis (bilharzia), and malaria. Making access to water more equitable would also be beneficial to the population, particularly to people living in rural areas.

### ***Overgrazing has contributed to soil degradation and desertification***

In some areas, such as the Mbeya region in the southwest of the country, soil degradation has been brought on by cattle herds too large to be supported by the amount of land available. Tanzania had an estimated 18 million head of cattle as of 2006, one of the largest concentrations among African countries; many of these animals are moved around to graze and obtain water (IRIN 2006). The practice not only stresses the land but also leads to conflict with local farmers. Under the impact of a severe drought in 2006, the government developed and implemented the Strategy for Urgent Actions on Land Degradation and Water Catchments to reduce the environmental impact of overgrazing. Among the measures taken were (i) removal of all livestock that had invaded the water catchments; (ii) banning of unauthorized movement of livestock from one area to another (except for trading purposes); and (iii) prohibition of entry of livestock from neighboring countries, particularly into Kigoma, Kagera, and other border regions.

As of 2004, the government estimated that 61 percent of total land was “dry land area” (Tanzania, Vice President’s Office 2004). The livelihoods of many people in Tanzania have been challenged or destroyed as desertification has expanded in arid and semiarid regions, including Shinyanga, Singida, Dodoma, Manyara, and Tabora. This situation has forced many people to migrate from their previously arable land to urban centers, thereby increasing strain on urban infrastructure.

### ***Biodiversity is threatened by overfishing and illegal hunting***

With a multitude of lakes and a long coastline, Tanzania has great fisheries potential—indeed, fishing was one of the fastest-growing subsectors of the economy, at 6.7 percent, over 2000–05. But according to recent statistics provided by the government, fish stocks are dwindling. Both inland and coastal fishery stocks in mainland Tanzania and Zanzibar are overexploited, a situation particularly detrimental to the livelihoods of the approximately 25 percent of the country’s

population living along the coast, who depend heavily on fisheries for food and income (Silva 2006). Lack of catch-based license fees, resulting in any vessel with a license being allowed an unlimited catch, has been a factor in declining fish numbers (lack of proper licensing is another issue.) Along the coast, octopus, shrimp, and lobster have been overexploited. In Lake Victoria, there has been a sharp decline in Nile perch stocks, from 756,000 tons in February 2006 to only 375,670 tons in February 2008 (Magubira 2008). The decline is blamed on increased use of anglers and fishing vessels in the lake, as well as on the practice of using dynamite to catch fish. The latter practice has increased along the coast-line as well, with a particularly negative impact on the already threatened coral reef ecosystems.

In terms of inland biodiversity, the government of Tanzania reports that 19 percent of surface area is dedicated to wildlife conservation, on which human settlement is not allowed. Despite the protection afforded by 15 national parks, the Ngorongoro Conservation Area, 31 game reserves, and 38 game-controlled areas, and the fact that Tanzania is a long-standing party to the Convention on International Trade in Endangered Species (it ratified the convention in 1979), Tanzania's wildlife suffers from poaching, illegal hunting, and illegal trade. In 2005 and 2006, Tanzania was reported to be the source of significant ivory exports that made their way to East Asia before being seized by authorities in Taiwan (China).

### ***The impact of climate change is likely to be significant***

The effects of climate change are visible in various parts of Tanzania. It is expected that drier areas will be under increasing water stress, and wetter areas wetter. According to a government-commissioned study, global warming conditions will drive up average temperatures in Tanzania by 3–5 degrees Celsius (and average daily temperatures by 2–3 degrees Celsius) by 2075. Increases are expected to be highest in the central and western parts of the country. The increase in temperature is primarily caused by increased carbon emissions from use of wood-based products as fuel. The effects of climate change on Mount Kilimanjaro, on the other hand, are debatable (box 2).

#### **Box 2 The glaciers of Mount Kilimanjaro**

Mount Kilimanjaro is located in northeastern Tanzania, some 300 kilometers south of the equator. With its three volcanic cones—Kibo, Mawenzi, and Shira—it is a dormant stratovolcano with a height of 19,335 square feet, making it the highest peak in Africa.

In 1976, glaciers covered most of the summit of Mount Kilimanjaro; however, by 2000, the glaciers had greatly receded. Researchers have estimated that ice fields on the mountain summit have decreased by 82 percent since the early 20th century (UNEP 2008). By one 2002 estimate, the ice will disappear within the next two decades if recession continues at the present rate (Krajick 2002). Some researchers have attributed the shrinking of the ice caps to climate change; others have blamed a decline in precipitation, mainly due to decreased vegetation cover.

Inland, Tanzania's many lakes are being affected by warmer temperatures, a condition that is compounded by droughts. Lake Victoria, Lake Tanganyika in the west, Lake Manyara and Lake Natron in the north, and Lake Rukwa in the southwest, all suffering from land degradation and unsustainable obstruction levels, have all shown evidence of falling water levels, as have their tributaries, in part due to negative effects of climate change.

Another potential negative consequence of global climate change is on Tanzania's coastal areas. Rising sea levels not only encroach on low-lying human settlements but also result in salinization of the water table near the coast, forcing people to either travel long distances to obtain water or purchase water, which is likely to be expensive.

***The government is taking steps to improve environmental oversight, but significant positive outcomes are yet to be seen***

Over the past few years, the government of Tanzania has announced several measures to improve environmental protection: increasing coordination among national-, regional-, and district-level policies and program and joining forces with governments of neighboring countries to combat the growing issue of water pollution and to devise a more sustainable way of using common waters.

Tanzania adopted the National Environment Policy in 1997, which identified six key environmental challenges: land degradation, accessibility of water, air and water pollution, loss of biodiversity and habitats, aquatic systems degradation, and deforestation. These problems continue to plague Tanzania—in some cases—particularly deforestation and inaccessibility of water caused by drought—they have worsened (Assey et al. 2007). The legislative framework surrounding environmental issues was strengthened under the 2004 Environmental Management Act, which established the National Environmental Trust Fund. In addition, 15 of the 108 MKUKUTA targets directly involve environmental action, while five targets indirectly involve environmental action (Assey et al. 2007). Although the Environmental Management Act provides an appropriate framework for environmental protection, it has not been in effect long enough to engender significant environmental change (Pflieger 2008). In addition, and taking into account stagnant or decreasing public investment in environmental management, implementation and enforcement capacities are weak and overstretched.

Tanzania is party to an array of environmental protection accords and conventions, including the Convention on International Trade in Endangered Species as of 1979, the UN Convention on the Law of the Sea as of 1985, the Convention concerning the Protection of the World Cultural Heritage as of 1987, the Vienna Convention for the Protection of the Ozone Layer as of 1993, the Montreal Protocol on Substances That Deplete the Ozone Layer as of 1993, the Basel Convention on the Transboundary Movements of Hazardous Wastes and Their Disposal as of 1993, the Lusaka Agreement on Cooperative Enforcement Operations Directed at Illegal Trade in Wild Fauna and Flora as of 1994, the UN Framework Convention on Climate Change as of 1996, the UN Convention to Combat Desertification as of 1997, the Kyoto Protocol in 2002, and the Convention on Biological Diversity as of 2003.

## Governance and Business Environment

### ***Though reforms are being implemented, the business environment in Tanzania remains poor***

While Tanzania has made efforts to improve its governance and business environment in recent years—opening the economy to more foreign investment, clamping down on corruption from a legal perspective, encouraging lending to the private sector, and allowing greater freedom of the press (particularly via the Internet)—restrictions are still numerous. Areas of challenge include poor infrastructure, lack of access to finance, a persistently high level of corruption in both the private and public sectors, and a difficult tax environment. Improving the business environment is essential to expanding the number of jobs, increasing the level of private investment in the economy, and fostering the ability of the population to escape poverty.

The government of Tanzania has altered its business and investment regulatory framework by passing several measures, including those related to labor, land, business registration and licensing, tax administration, regulatory environment, and the financial sector, over the past decade. Thus far, the results have been marginal due to factors including the lag between introduction and results of reforms and the tendency of the government to undertake flashy programs rather than simple reforms. The Tanzania Investment Act 1997 allowed for the creation of the Tanzania Investment Centre, a one-stop shop facilitating the provision of incentives to foreign and domestic investors. In addition, Tanzania launched the Business Environment Strengthening for Tanzania (BEST) in 2003. The five-year program has goals of eliminating procedural and administrative barriers, reducing the time and cost needed to resolve commercial disputes, improving government service delivery to the private sector, and improving the capacity of the private sector to advocate for a better business environment (Tanzania Investment Center 2008). Overall, though, there has been no significant improvement in the business and investment environment in recent years, and some of the reforms have been implemented half-heartedly.

According to analysis in the World Bank and IFC's *Doing Business 2009* report, Tanzania ranks poorly compared with most countries, at 127th of 181 economies, nearly unchanged from a statistical standpoint from 124th of 178 economies in the previous year's report and substantially worse than neighboring Kenya and Uganda (at 82nd and 111th, respectively). Between the 2008 and 2009 reports, Tanzania made positive, albeit small, reforms in three



categories: trading across borders, enforcing contracts, and closing a business (table 7). This follows, however, the achievement of being named one of the world's top-reforming countries in *Doing Business 2007*, when Tanzania dramatically reduced the cost of starting a business (from 161 percent of GNI per capita to 92 percent), introduced a new electronic customs clearance system, and cut customs clearance times.

In addition, Tanzania is in the process of computerizing its registry to expedite name verification and business registration, an effort that Nigeria and Ghana have completed in recent years. The cost of obtaining a construction permit, however, remains intensely restrictive—at 2,087 percent of GNI per capita, it is the 10th-highest of all countries ranked in *Doing Business 2009* (and exponentially higher than the 46.3 percent observed in neighboring Kenya). Likewise, the cost of exporting remains prohibitively high. By one report, the cost of shipping a container from Dar es Salaam to Arusha is almost as much as shipping a container from Europe to Dar es Salaam (Aikaeli 2007). Despite its poor overall ranking, Tanzania outperforms the Sub-Saharan African group average in 26 of 41 *Doing Business* rankings (table 8).

The World Economic Forum's Global Competitiveness Index (GCI) ranked Tanzania 108th of 128 economies in its 2007–08 report, compared with 105th of 117 economies the previous year. Specific indicators where Tanzania performs well compared with its overall score, however, include private sector employment of women (16th of 128 economies) and FDI (17th). On the opposite end of the spectrum, the GCI finds that secondary education enrollment (125th); the business impact of malaria, tuberculosis, and HIV/AIDS (123rd, 123rd, and 127th, respectively); and information and communication technology indicators, including telephone lines (121st), mobile telephone subscribers (118th), and Internet users (115th), present a particular hindrance to the country's business competitiveness.

According to enterprise surveys carried out by the World Bank,<sup>7</sup> which summarize perceived constraints by entrepreneurs, 88.4 percent of firms rate problems related to electricity as “major” or “very severe” in Tanzania, some 20 percentage points more than for Africa as a whole. Access to finance and tax rates are other commonly identified “major” or “very severe” constraints to conducting business in Tanzania (World Economic Forum, World Bank, and African Development Bank 2007).

Tanzania's corporate tax rate is 30 percent (though tax evasion is common). The World Bank estimates that companies purposely fail to report more than 30 percent of revenue, compared with less than 20 percent in Kenya, Uganda, and Zambia (Skof 2008). By another measure, an estimated 71 percent of firms in Tanzania report less than 100 percent of their sales for tax purposes; this figure is much higher than the estimated 51 percent in Sub-Saharan Africa, according to World Bank enterprise surveys.

**Table 7: Tanzania made improvements trading across borders in 2008, but backtracked in most other areas**

Indicator	Doing Business 2008 rank	Doing Business 2009 rank	Change in rank
<i>Ease of doing business (overall)</i>	124	127	-3
Starting a business	97	109	-12
Dealing with construction permits	172	172	0
Employing workers	138	140	-2
Registering property	141	142	-1
Getting credit	79	84	-5
Protecting investors	84	88	-4
Paying taxes	106	109	-3
Trading across borders	105	103	+12
Enforcing contracts	34	33	+11
Closing a business	112	111	+11

Source: World Bank and IFC 2008.

Note: Measurements of rank reflect Tanzania's performance among 181 countries in 2009 and 178 countries in 2008; lower rank indicates better performance.

**Table 8: Tanzania outperforms Sub-Saharan Africa on 26 of 41 business environment indicators**

Indicator	Tanzania	Sub-Saharan African average	Indicator	Tanzania	Sub-Saharan African average
<b>Starting a business (rank)</b>	<b>109</b>		<b>Paying taxes (rank)</b>	<b>109</b>	
Procedures (number)	12	10.2	Payments (number)	48	37.8
Time (days)	29	47.8	Time (hours)	172	311.7
Cost (% of GNI per capita)	41.5	111.2	Profit tax (%)	19.8	21.5
Minimum capital (% of GNI per capita)	0	173.4	Labor tax and contributions (%)	18.0	13.2
<b>Dealing with construction permits (rank)</b>	<b>172</b>		Other taxes (%)	7.3	32.0
Procedures (number)	21	17.2	Total tax rate (% of profit)	45.1	66.7
Duration (days)	308	271.1	<b>Trading across borders (rank)</b>	<b>103</b>	
Cost (% GNI per capita)	2,087	2,574.4	Documents to export (number)	5	7.8
<b>Employing workers (rank)</b>	<b>140</b>		Time for export (days)	24	34.7
Difficulty of hiring index (0–100)	100	39.0	Cost to export (dollars per container)	1,262	1,878.8
Rigidity of hours index (0–100)	40	43.5	Documents for import (number)	7	8.8
Difficulty of firing index (0–100)	50	41.5	Time for import (days)	31	41.1
Rigidity of employment index (0–100)	63	41.3	Cost for import (dollars per container)	1,475	2,278.7
Firing cost (weeks of wages)	18	68.3	<b>Enforcing contracts (rank)</b>	<b>33</b>	
<b>Registering property (rank)</b>	<b>142</b>		Procedures (number)	38	39.4
Procedures (number)	9	6.8	Duration (days)	462	659.7
Duration (days)	73	95.6	Cost (% of claim)	14.3	48.9
Cost (% of property value)	4.4	10.5	<b>Closing a business (rank)</b>	<b>111</b>	
<b>Getting credit (rank)</b>	<b>84</b>		Time (years)	3.0	3.4
Legal rights index (0–10)	8	4.5	Cost (% of estate)	22	20.2
Credit information index (0–6)	0	1.4	Recovery rate (cents on the dollar)	21.3	16.9
Public registry coverage (% of adults)	0	2.5			
Private bureau coverage (% of adults)	0	4.8			
<b>Protecting investors (rank)</b>	<b>88</b>				
Disclosure index (0–10)	3	4.6			
Director liability index (0–10)	4	3.2			
Shareholder suits index (0–10)	8	5.0			
Investor protection index (0–10)	5.0	4.3			

Source: World Bank and IFC 2008.

Note: Measurements of rank reflect Tanzania's performance among 181 economies; lower rank indicates better performance. For the "employing workers" indexes, higher values indicate more rigid regulations. For the "getting credit" indexes, higher values indicate stronger legal rights and greater availability of credit information. For the "protecting investors" indexes, higher values indicate greater extent of disclosure, greater liability of directors, greater power of shareholders to challenge a transaction, and stronger investor protection.

### **Privatization efforts have been partially successful**

Tanzania began a market-oriented reform program of its business sector in 1985 (Utz 2008a). By 2000, nearly all manufacturing and commercial parastatals had been privatized. Privatization of infrastructure entities, which began in the late 1990s, has been more difficult, though five companies—including Tanzania Electricity Supply Corporation (TANESCO), Tanzania International Container Terminal Services (TICTS), Dar es Salaam Water and Sewerage Authority, Tanzania Telecommunications Company, and Air Tanzania—had some amount of private ownership by 2003. By 2007, however, private ownership was retained only in TICTS. Privatization of the two railway companies and the port authority has not yet begun (Utz 2008a).

The situation with TANESCO, however, improved dramatically in September 2007, when a consortium of commercial banks and pension funds in Tanzania issued a \$240 million bailout to the struggling company, the largest corporate finance package ever in East Africa.

### **Small and medium enterprises contribute significantly to the economy, but face numerous constraints**

Tanzania's small and medium enterprises (SMEs)—defined as businesses with 1 to 100 employees and capital investment not more than T Sh 800 million—are

estimated to account for approximately 20 percent of employment and one-third of GDP (Aikaeli 2007). The number of SMEs is estimated to have increased rapidly over the past decade as privatization and public sector reforms have been undertaken (the latter of which have resulted in a reduction of government employees). But a collection of factors inhibit the competitiveness of SMEs. Among others, these include inadequate infrastructure; limited production capacity resulting from low levels of education, technical, and management skills; and information barriers, issues that also tend to be problematic for large firms. But in other areas, such as access to financial services, the ability to afford a generator, and the ability to pay to resolve a commercial court case, SMEs are at a distinct disadvantage compared with large firms. Easing regulations for small businesses would improve the overall business environment in Tanzania considerably.

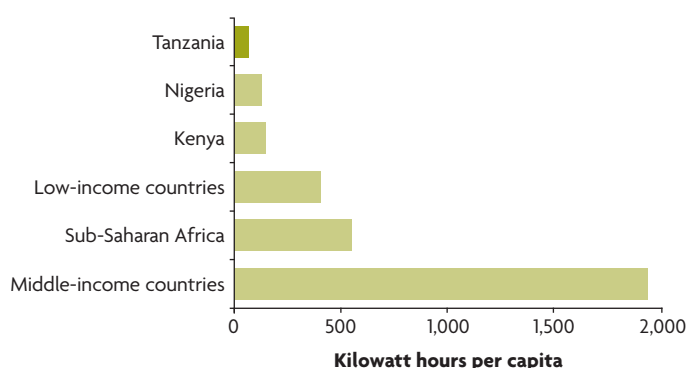
### **Infrastructure is underfunded, in very poor condition, and a major constraint to growth**

Despite the government's initiation of reforms and, to some degree, increasing spending to some degree on infrastructure in recent years, Tanzania has some of the poorest infrastructure indicators in the world, a serious impediment to social development, the business environment, and the economy as a whole. The financial resources necessary to considerably improve infrastructure are much more than the government can afford, while efforts to improve the policy, financial, and institutional framework for infrastructure services are still insufficient.

Insufficient power supply is considered the most serious infrastructural shortcoming, a situation similar to that in many Sub-Saharan African countries. Per capita electricity consumption in Tanzania, however, at a mere 61 kilowatt hours for 2005, is extremely low even by low-income-country and Sub-Saharan African standards, where consumption averaged 391 and 542 kilowatt hours, respectively (figure 7). Electricity generation relies heavily on hydropower, which accounts for nearly 60 percent of electricity production (despite being at the mercy of sufficient rainfall), and on oil, which accounts for close to 40 percent of production (coal sources account for the remaining 3 percent). The dependence on hydropower, combined with poor management by TANESCO, proved particularly troublesome during the 2005–06 drought, when power was severely rationed.

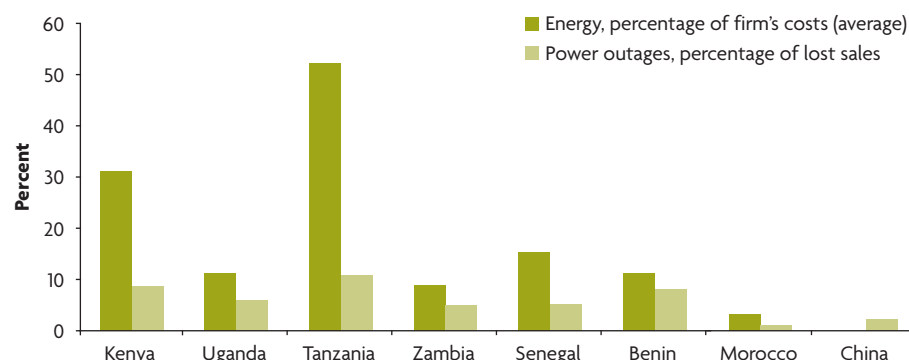
Nationally, electricity coverage is about 10 percent of the population—and only 2 percent in rural areas (World Bank 2007d). In rural areas, households without electricity spend an estimated 10 percent of their disposable income on kerosene, candles, and batteries. Lack of and unreliability of power puts a heavy strain on businesses, particularly small businesses (World Bank 2007a). In addition to being scarce, electricity is expensive—more than 50 percent of companies' costs go to energy in Tanzania, far more than in several comparator countries in Sub-Saharan Africa (figure 8). According to World Bank enterprise surveys conducted between 2001 and 2005, 55 percent of firms own generators, though that percentage ranges from approximately 15 percent for microenterprises, to slightly less than 55 percent for small and medium businesses, and to more than 85 percent for large and very large businesses (Ndulu et al. 2007). In addition, a very signifi-

**Figure 7: Electricity consumption in Tanzania is extremely low**



Source: World Bank 2008e (data for 2005).

**Figure 8: Energy accounts for more than half of companies' costs in Tanzania, and power outages are more common than in comparator countries**



Source: Ndulu et al. 2007.

cant amount of electricity output—27 percent—is lost in the process of transmission and distribution. The government of Tanzania has undertaken an ambitious energy expansion and reform program, with plans to dedicate \$1.3 billion to increasing electricity coverage to 25 percent (World Bank 2007d).

Tanzania's road and rail systems are also in poor condition, leading to increased producer prices, lengthened supply chains, and export constraints for the private sector and reduced access to social services for the population at large. A mere 9 percent of roads were paved as of 2004, a metric that compares poorly with low-income countries (12 percent in 2000) and middle-income countries (39 percent in 2000). Since the creation of the Tanzania Roads Authority (TANROADS) in 2000, however, the percentage of the 85,000-kilometer road system in poor condition has dropped from 30 percent to 16 percent (World Bank 2007e). The railway system comprises tracks not only operated by two different companies but also with incompatible track sizes, such that trains must travel on only one type of line. In addition, Air Tanzania, the national airline, offers infrequent service. Most flights to and from East Africa go through Nairobi.

Several key growth sectors of the economy—mining, tourism, and construction—are hindered by their heavy reliance on the weak transportation network. Besides complicating the business environment and economic growth within Tanzania's borders, poor transportation infrastructure also creates delays for transport of goods to its six landlocked neighbors. Despite the long list of shortcomings, growth in the transportation and communication sector has been relatively strong, at 6 percent of GDP during 2000–05 (Utz 2008a).

### ***Usage and affordability of information and communication technology in Tanzania varies compared to Sub-Saharan Africa as a whole***

Measures of information and communication technology (ICT) usage and affordability in Tanzania present a mixed picture. Approximately 20 of every 100 people are mobile phone subscribers (as of 2007), slightly above 23 of 100 people in both Sub-Saharan Africa and low-income countries as a group. Usage of the Internet, at less than 1 per 100 people in Tanzania in 2007, is less than the 4 per 100 observed in Sub-Saharan African countries as a whole in the same year. The

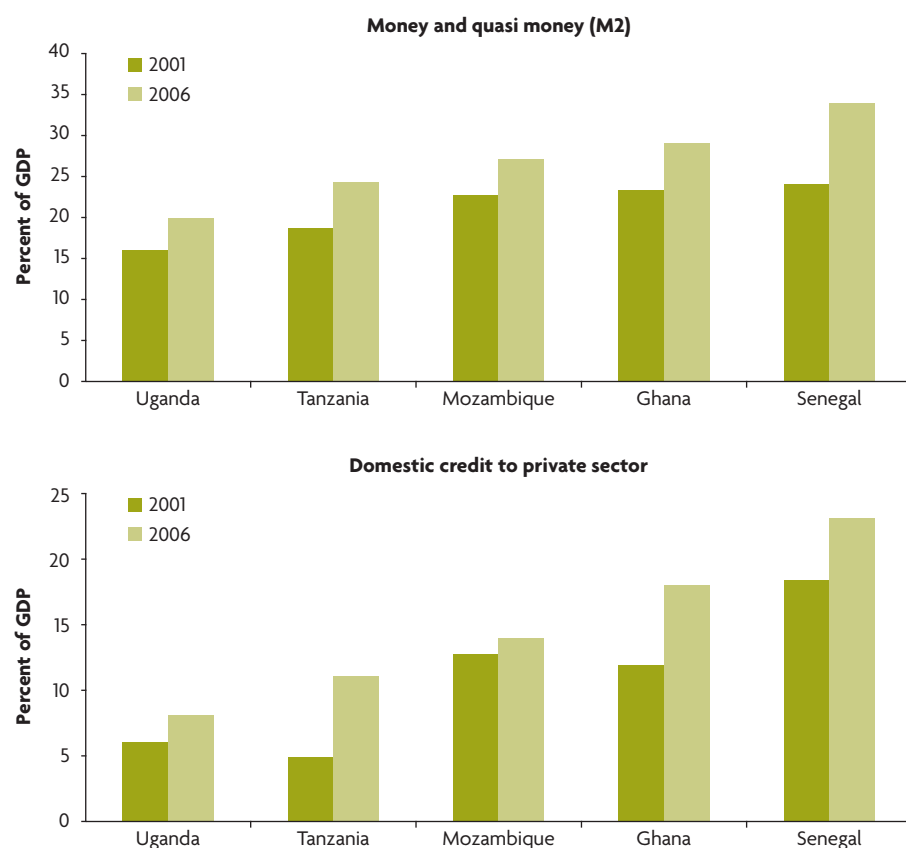
price basket for ICT services in Tanzania, however—\$20 per month for Internet (in 2007) and \$10 per month for mobile phone in 2006—was lower than the \$43 and \$12 per month, respectively, observed in Sub-Saharan Africa as a whole. (As a reference, the \$30 price basket is 30 percent of monthly GNI per capita in Tanzania, measured in PPP current international dollars.) Firms in Tanzania, however, appear to use the Internet and e-mail as a communication tool more than in Africa as a whole, according to World Bank enterprise surveys: 16 percent of firms use the Web to communicate with clients, versus 14 percent in Africa, and 42 percent use e-mail to communicate with clients, versus 37 percent in Africa.

***The financial sector has undergone deep reforms, but access to finance remains low***

Tanzania embarked upon a significant overhaul of its financial sector in the early 1990s, privatizing state-owned financial institutions, opening the domestic market to foreign banks, strengthening financial legislation, further incorporating microcredit institutions into the financial sector, creating electronic payment systems, and establishing a credit bureau (Wong, Ruparel, and Mwanakatwe 2008). The latest household budget survey estimates that just 10 percent of Tanzanians had a bank account as of 2007, up from 6.4 percent in the 2000/01 survey (Tanzania, NBS 2008c). Still, these levels represent a dramatic decline from the early 1990s, when 18 percent of the population had a bank account. The shift was brought about by the closing of bank branches during the restructuring. Use of informal financial services was 7.8 percent as of the 2007 survey, up from 3.8 percent in 2000/01. Access to formal financial services in Tanzania is below that in comparator countries such as Botswana, Kenya, Uganda, and Zambia. In a larger sense, the lack of access to formal finance is problematic because access to financial services is an important determinant in investment and economic growth. A World Bank report (forthcoming) finds that banks in Tanzania—along with those in Burkina Faso, the Democratic Republic of Congo, Liberia, Malawi, and Senegal—charge among the highest rates for basic services such as debit cards, bank drafts, and remittances among the 54 countries surveyed.

The connection between the financial and agricultural sectors is one that needs to be improved. Agriculture, which employs the largest portion of the population and accounts for the largest percentage of GDP, is acutely underserved because of lack of rural bank branches and unclear property rights that prevent usage of land as collateral. Microfinance institutions, which in theory could fill some of the gap, struggle to contend with the seasonal nature of agriculture in the provision of cost-effective services (Burgis 2007b). That said, microfinance institutions are expected to fill an important role in the expanding access to credit for the poor in the coming years.

Though access to credit remains problematic and the overall level of lending remains low, the financial sector has deepened considerably in recent years. Broad money supply (M2) relative to GDP increased from 20 percent in 2002 to 26 percent in 2007; credit to the private sector rose from less than 6 percent of GDP in 2002 to more than 14 percent in 2007. And while credit to the private sector has grown rapidly in comparison with that in comparator countries, it is still quite low (figure 9). As of 2005, 23 percent of commercial bank lending went to the

**Figure 9: Financial sector depth in Tanzania has increased in recent years**

Source: World Bank 2008e.

mining and manufacturing sector, 12 percent to agriculture, and 8 percent to transportation (Wong, Ruparel, and Mwanakatwe 2008). Mining has also been among the fastest-growing economic sectors in recent years.

### ***The banking sector remains relatively unscathed amid the global financial crisis***

As of late 2008, Tanzania's banking sector is in relatively good condition relative to many emerging markets in the face of the global financial crisis. Liquidity is adequate, credit to the private sector has continued to grow, and banks within the country continue lend to each other in daily interbank cash market at a rate of approximately 5 percent, which the central bank considers to be reasonable (Bank of Tanzania 2008). In general, low exposure to foreign borrowing and foreign securities by Tanzanian banks limits the country's exposure to the crisis.

### ***The fight against corruption continues***

As in many countries in Sub-Saharan Africa, corruption in Tanzania hinders the business environment. Several major anticorruption initiatives are now in effect, though, including the Finance Act of 2001 and the Public Procurement Act of 2002. Between late 2007 and mid-2008, the premier, three cabinet ministers, and the governor of the central bank resigned or were fired amid corruption alle-

gations, which some view as a signal that President Kikwete is fulfilling the goal of reducing corruption that has been at the top of his political agenda since his election in late 2005. These actions, however, follow a report by the comptroller and auditor general that T Sh 1.3 billion in government funds were removed without proper documentation in 2005–06 (Burgis 2007). In general, Tanzanian companies are still heavily affected by corruption. Small businesses (especially informal ones) are particularly vulnerable to corruption, while the leadership of large companies is likely to have the benefit of being connected to someone in a government office. Mid-sized companies walk a difficult line between the two scenarios. Consideration of whether corruption is systemic is something the government needs to do.

World Bank enterprise surveys show that 49 percent of business managers report that bribes to government officials are needed to “get things done” in regard to customs, taxes, licenses, and other services (higher than the Sub-Saharan African regional average of 43 percent), while 43 percent of firms that do business with the government report that unofficial payments are necessary to secure government contracts.

From the perspective of Transparency International, the status of corruption in Tanzania is poor, but not as bad as in many Sub-Saharan African countries. Of the 180 countries in Transparency International’s 2008 corruption perceptions index, Tanzania ranks 102nd. Indeed, Tanzania performs significantly better than several comparator countries in Sub-Saharan Africa (table 9). Though official measures of corruption in Tanzania such as these have improved in recent years, reports from the ground indicate that the corruption situation has not changed much.

Another analytical tool, the World Bank’s Country Policy and Institutional Assessment, assesses, on an annual basis, rankings for each borrowing country according to four clusters of criteria—economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions. According to the 2007 rankings, Tanzania ranks very favorably compared with other Sub-Saharan African countries in the last cluster, which includes measurements of property rights and rule-based governance; quality of budgetary and financial management; efficiency of revenue mobilization; quality of public administration; and transparency, accountability, and corruption in the public sector. In this cluster, only Cape Verde and Ghana score better than Tanzania.

### **Tanzania has undertaken administrative reforms**

Following the implementation of an eight-year civil service program that successfully reduced public wage costs and clarified the role of a range of ministries, Tanzania undertook an 11-year program in 2000 that is executing further pay reform and implementing a performance improvement model in government agencies that provides incentives for agencies to clarify their mission and address capacity development needs.

**Table 9: Transparency International rates Tanzania better than several comparator countries**

	Rank	Score	Confidence range
Ghana	67	3.9	3.4–4.5
Senegal	85	3.4	2.9–4.0
<b>Tanzania</b>	<b>102</b>	<b>3.0</b>	<b>2.5–3.3</b>
Zambia	115	2.8	2.5–3.0
Mozambique	126	2.6	2.4–2.9
Uganda	126	2.6	2.2–3.0
Kenya	147	2.1	1.9–2.4

Source: Transparency International 2008.

Note: “Score” in the table ranges from 10 (highly clean) to 0 (highly corrupt).

## Global Links

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### ***Tanzania is a member of several regional economic blocs***

Tanzania is a member of several regional economic and trade groupings—including the African Union, the East African Community (EAC), the Southern African Development Community (SADC), the Cross-Border Initiative, and the World Trade Organization. Tanzania's exports qualify for duty-free access to the European Union via the Everything but Arms initiative, as well as preferential access to the United States under the Africa Growth and Opportunity Act and to China under a special preferential tariff agreement.

The December 2007 interim economic partnership agreement between the EAC and the EU serves as the replacement to the agreement between the two regions laid out under the now-expired Cotonou Agreement. The interim agreement provides for complete liberalization of exports to the EU as of January 2008 and a 64 percent liberalization of imports (by value) from the EU, a level that will increase to 80 percent in 15 years and 82 percent in 25 years. Goods excluded from the EAC-EU agreement at present include agricultural products, textiles, and footwear (IMF 2008a). Negotiations continue, however, concerning a permanent agreement.

The EAC, comprising Burundi, Kenya, Rwanda, Tanzania, and Uganda, is pursuing increased economic harmonization. A customs union was established among the member states in 2005, and a common external tariff program has been adopted. The program establishes three bands—of 0, 10, and 25 percent—for different groups of items, also allowing for an additional 58 higher tariff lines (35–100 percent) for sensitive items such as dairy, wheat, and sugar products (World Bank 2008a). The tariffs are being phased in over a period of five years. A monetary union among the EAC countries remains in development. In October 2008, representatives of the EAC, SADC, and Common Market for Eastern and Southern Africa (COMESA) laid the groundwork for an umbrella trade area comprising the 26 member countries of the three existing blocs.

### ***The EU, China, India, Kenya, and South Africa are Tanzania's largest trade partners***

China and India are the most common destinations for Tanzanian exports, which represent 10 percent and 9 percent of the total value of exports, respectively (figure 10), though collectively EU countries represent 26 percent. Three African countries—South Africa, Malawi, and the Democratic Republic of Congo—are among the top 10 countries to which Tanzania exports. China also represents the most common origin of imports to Tanzania, followed by Kenya and South Africa.



Tanzania's major exports include gold, coffee, tea, cashews, cotton, gemstones, and some manufactured goods, while imports are predominantly consumer goods, machinery, transportation equipment, crude oil, and food. Export growth has been erratic in recent years, from a high of 21 percent in 2002 to a low of -0.2 percent in 2006. There has been a trend for the share of traditional agricultural products within exports to decline, while livestock, fish, and horticultural exports are leading export growth. In general, Tanzania's share of world exports has been increasing since the mid-1990s (World Bank 2007b), albeit with a simultaneous trade deficit.

Although Tanzania has significantly reduced its average tariff protection, particularly for nonagricultural products, by implementing several trade reforms in the late 1990s and early 2000s, it is still a restrictive trade environment, primarily because of its nontariff barriers (World Bank 2008f). In addition, poor road, rail, and information technology infrastructure limit the smooth flow of goods and services within Tanzania's borders and between Tanzania and the rest of the world.

Despite these challenges, real trade growth was 6.6 percent in 2007, higher than the Sub-Saharan African average of 6.4 percent (World Bank 2008f).

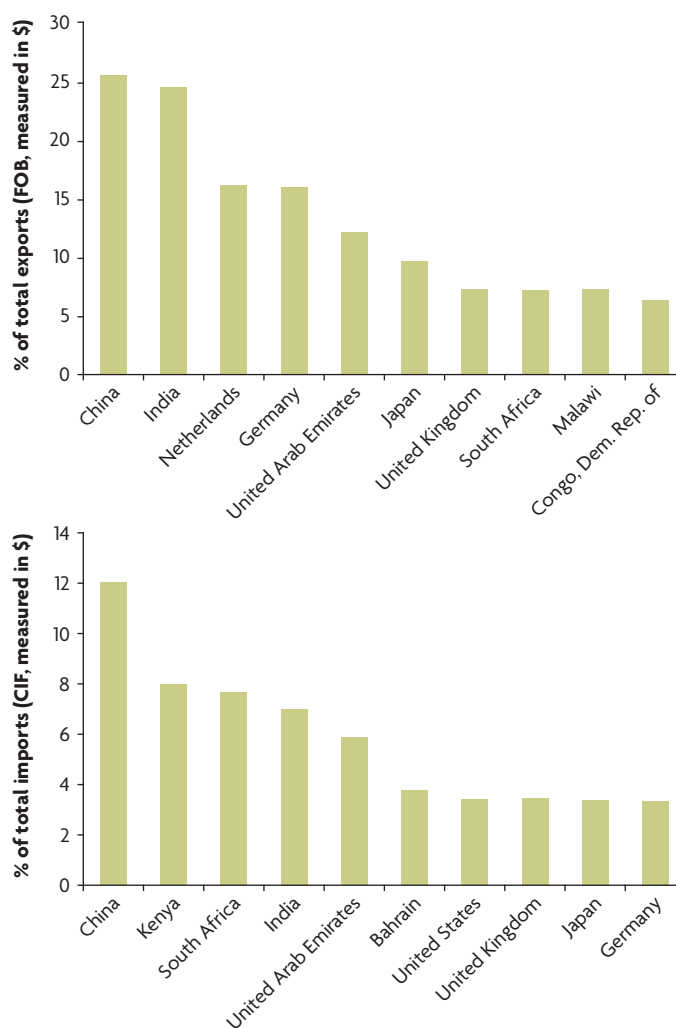
The World Bank's 2007 logistics performance index, which rates countries on measures related to trade, ranks Tanzania 137th of 150 countries, citing logistics competence (for example, transport and customs brokers) and quality of infrastructure (specifically, transport and information technology infrastructure) as key challenges.

### **Immigrants far outpace emigrants**

As of 2005, the number of immigrants living in Tanzania was more than four times the number of emigrants living in other countries, as reported in table 10 (World Bank 2008e). Tanzania has a long history of hosting refugees fleeing civil wars in nearby countries, as demonstrated by the fact that 73 percent of immigrants are refugees. As of January 2008, there were more than 380,000 refugees living in Tanzania, predominantly from Burundi and the Democratic Republic of Congo (UNHCR 2007). Voluntary repatriation, which began in 2002, has resulted in many thousands of refugees departing; a decision by the government to close all camps for Burundian refugees will result in thousands more returning to their home country (Majtenyi 2008). UNHCR (2007) estimates that the number of refugees living in Tanzania will be reduced by some 87,000 between early 2008 and early 2009.

Movement of travelers across borders has been facilitated by the East African passport, which provides multiple entries over a six-month period for citizens of Kenya, Tanzania, and Uganda, and increasing harmonization of work permit requirements among EAC countries.

**Figure 10: China and India are the most common destinations of Tanzania's exports, while China is the largest source of imports**



Source: IMF, Direction of Trade Statistics database (data for 2007).

Note: Data for China do not include Hong Kong and Taiwan.

**Table 10: Immigrants to Tanzania totaled more than four times the number of emigrants as of 2005**

Immigration	
Stock of immigrants	792,328
Immigrants as % of population	2.1%
Females as % of immigrants	52.3%
Refugees as % of immigrants	73.1%
Top 10 source countries (in descending order)	Burundi, Mozambique, Kenya, Republic of Congo, Rwanda, Zambia, Uganda, Malawi, India, and United States (data not available for Democratic Republic of Congo)
Emigration	
Stock of emigrants	188,789
Emigrants as % of population	0.5%
Top 10 destination countries (in descending order)	Uganda, United Kingdom, Canada, Mozambique, Malawi, United States, Australia, Rwanda, Germany, and the Netherlands

Source: World Bank 2008b.

**Foreign direct investment has grown in recent years**

The government of Tanzania has actively pursued FDI in recent years, creating tax incentives and reducing procedural requirements. As a result, FDI inflows expanded for three successive years between 2004 and 2006. Net FDI inflows to Tanzania amounted to \$474.5 million in 2006 (3.3 percent of GDP), up from \$447.6 million in 2005 and by far the highest amount of any East African Community country (figure 11). Approximately half of Tanzania’s FDI flows and stocks go to Dar es Salaam (Utz 2008a). As of 2006, Tanzania received approximately 2.8 percent of all FDI inflows to Sub-Saharan Africa.

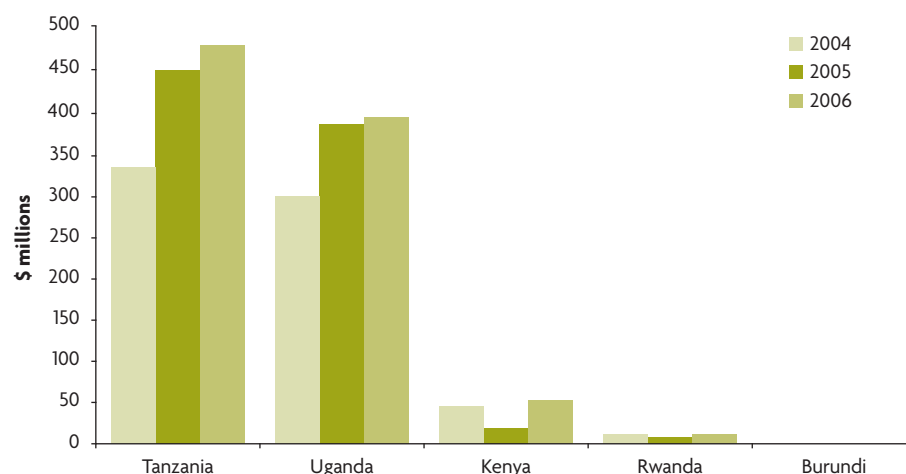
The Tanzania Investment Centre has identified a long list of priority sectors. Among others, these include mining, tourism, infrastructure, agriculture, construction, financial services, and manufacturing. Companies investing in the export processing zones are granted preferred benefits. As of 2004, 30 percent of FDI flows went to the mining sector, 31

percent to manufacturing, 14 percent to wholesale and retail trade (including tourism), and just 7 percent to agriculture (Utz 2008a). In recent years, a growing portion of FDI comes from South Africa and Kenya.

**Remittance inflows remain very low compared to other Sub-Saharan African countries**

Tanzania receives a small amount of remittances compared with those to other Sub-Saharan countries. In 2007, official inflows of workers’ remittances, compensation of employees, and migrant transfers were \$14.9 million, or slightly more than 0.1 percent of GDP, while Sub-Saharan Africa as a whole received remittances equivalent to 1.7 percent of GDP (World Bank 2008b). Tanzania was ranked 31st of the 39 Sub-Saharan African countries reporting amount of remittances received in 2007. Kenya, by comparison, was ranked 2nd, and Uganda was ranked 5th, with respective remittance inflows of 5 percent and 7.1

**Figure 11: FDI inflows to Tanzania are greater than those to other East African Community countries**



Source: World Bank 2008e.

percent of GDP (World Bank 2008b). In the face of global financial crisis, remittances to Tanzania are set to decline in 2008 as a whole. Figure 12 shows the level of remittances to Tanzania compared with FDI and official development assistance (ODA).

### ***Tanzania remains a significant recipient of international aid***

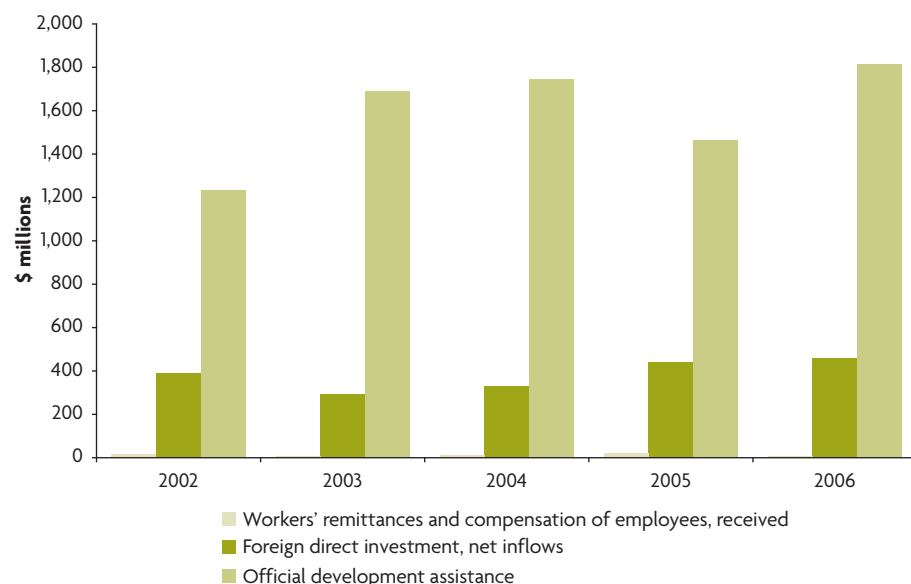
Because of its political stability and willingness to pursue economic reforms, Tanzania has long been one of Sub-Saharan Africa's top recipients of international aid, with annual ODA inflows of (on average) 13.8 percent of GNI during 2002–06. Aid flows have both bolstered macroeconomic reform efforts and encouraged growth by stimulating domestic demand. The value of ODA, however, has varied significantly from year to year (figure 12). Bilateral donors—the top of which were the United Kingdom, the United States, and Sweden as of 2005—provide a larger portion of aid than multilateral donors. Tanzania's budget remains heavily dependent on aid; this is also the case in Mozambique and Uganda.

Assuming the global economic downturn does not dramatically impact the ability and willingness of developed countries to provide ODA to the developing world, Tanzania is positioned to receive a significant increase in aid inflows in the coming years, as the domestic tax revenue base remains limited and investment needs for infrastructure development and social service provision are high.

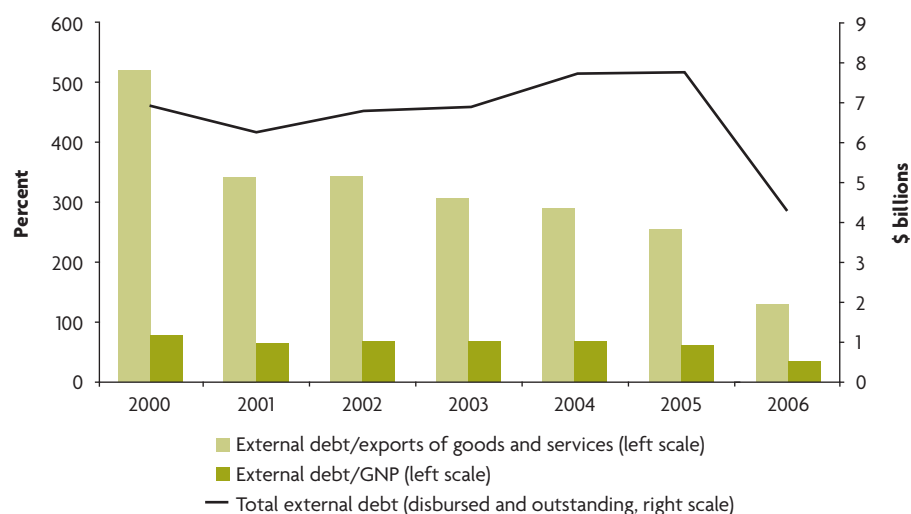
### ***By several measures, external debt has dropped in recent years***

As of 2006, Tanzania's total external debt was \$4.2 billion, or 33.6 percent of gross national product (GNP), higher than the Sub-Saharan African external debt composite of 26.2 percent of GNP. External debt as a percentage of goods and services exports, for which the Highly Indebted Poor Countries (HIPC) Initiative defines a target maximum of 150 percent at the decision point, has dropped

**Figure 12: FDI inflows are far less than official development assistance, while remittance inflows remain minute**



Source: World Bank 2008e.

**Figure 13: External debt as a percentage of exports has dropped significantly in recent years**

Source: World Bank 2008e.

precipitously in recent years, from 517 percent in 2000 to 129 percent in 2006 (figure 13). Tanzania participated in the enhanced HIPC Initiative, reaching the decision point in April 2000 and the completion point in November 2001, the fourth country to achieve the latter status. At completion point, debt relief to Tanzania provided under HIPC was expected to total approximately \$3 billion over time (IMF 2001).

The reduction in debt by approximately \$3.6 billion between 2005 and 2006 was partly caused by the receipt of financing through the Multilateral Debt Relief Initiative (MDRI). Under the MDRI, approximately \$2.8 billion of Tanzania's debt will be canceled by the International Development Agency (IDA) arm of the World Bank, \$645 million by the African Development Bank, and \$336 million by the IMF (DFID 2006). In the case of the IMF, the full amount was transferred to Tanzania in January 2006. IDA financing will be distributed over the course of close to 40 years. Several bilateral donors have also announced plans to cancel Tanzania's debt. While Tanzania is considered at low risk for debt distress, this situation is contingent upon continued financing of its significant current account deficit (\$2.8 billion as of end-2008) at very concessional terms.

## Tanzania and the World Bank Group

### World Bank portfolio

Tanzania joined the World Bank Group in 1962 and received its first credit, from IDA, in 1963. More than \$6.2 billion in credits and \$274 million in grants had been approved as of February 2009. As of that month, the Tanzania portfolio represented a total commitment of \$2 billion, with 23 active projects in all major sectors.

Due to its gross national income per capita being below a specified threshold, Tanzania is eligible for lending via the IDA, the World Bank Group's interest-free lending arm serving 78 low-income countries. The largest share (30 percent) of IDA support to Tanzania goes to the infrastructure and energy sectors. In fiscal year 2008, Tanzania was the seventh-largest IDA borrower, with receipts of \$498.5 million.

In May 2008, World Bank approved two projects in Tanzania: the Science and Technology Higher Education program, aimed at strengthening the institutional capacity of key higher education agencies, and the Second Central Transport Corridor Project, which seeks to improve the reliability and cost effectiveness of transport facilities. Table 11 provides a snapshot of the type and value of projects

**Table 11: New projects in Tanzania supported by the IDA, fiscal 2008–mid-fiscal 2009**

Project name and description	Date of approval	\$ millions
The <b>Sixth Poverty Reduction Support Credit</b> aims to sustain a high level of economic growth and the expansion of basic services delivery by the Tanzanian government.	10/21/08	160
<b>Science and Technology Higher Education Program (Phase 1)</b> aims to provide a conducive learning environment so as to increase the quality and quantity of higher education graduates in the field of science and technology.	05/27/08	100
<b>Second Central Transport Corridor Project</b> will support economic growth by providing improved, cost-effective transport facilities in line with national transport policy and strategy.	05/27/08	190
<b>Energy Development and Access Expansion Project</b> will help provide better-quality electricity service in areas of Dar es Salaam, Arusha, and Kilimanjaro, and also aims to devise a sustainable basis for electricity expansion (amount includes \$6.5 million from the Global Environmental Facility).	12/12/07	111.5
<b>Performance Results and Accountability Project</b> will enhance capacity, performance, and accountability of ministries, departments, and agencies using public resources and service delivery.	09/27/07	40
<b>Lower Kihansi Environmental Management Project II (supplemental)</b> will reduce the threat of downstream habitat loss resulting from the Kihansi Hydropower Project.	09/27/07	3.5
<b>Health Sector Development II Scale-Up</b> will support the continuation of improvements to the health-care system at hospital, district, regional, and national levels.	07/05/07	60

**Note:** Fiscal years 2008 and 2009 represent the period from July 1, 2007, to June 30, 2009.

supported by the World Bank to Tanzania during fiscal years 2008 and thus far in 2009.

### **International Finance Corporation portfolio**

The IFC, which provides private-sector financial products and advisory services to support the private sector in emerging markets, has focused on the financial, agribusiness, tourism, infrastructure, and small and medium enterprise sectors in Tanzania. The largest project, in financial terms, over the past two fiscal years is an investment in Tanzania Railway Corporation. Between becoming a member of the IFC in 1962 and the end of June 2008, the IFC approved more than \$185 million in investments in Tanzania. Table 12 provides an overview of IFC projects in Tanzania in fiscal year 2008 through mid-2009.

### **Multilateral Investment Guarantee Agency portfolio**

Tanzania became a member of Multilateral Investment Guarantee Agency (MIGA) in 1992. Currently, MIGA does not have exposure in Tanzania.

**Table 12: New projects in Tanzania supported by the IFC, fiscal 2008–mid-fiscal 2009**

Project description	Environmental and social category	IFC loan (\$ millions)	IFC equity (\$ millions)	IFC guarantee (\$ millions)	Global Trade	Risk	Syndications (\$ millions)	Total (\$ millions)
					Finance Program (\$ millions)	management projects (\$ millions)		
Tanzania Railway Corporation will use IFC funds to rehabilitate, develop, and operate its 2,700-kilometer rail network.	B	44						44
Access Bank Tanzania will expand its credit activities to underserved segments of the population.	FI		0.79					0.79
Exim Bank of Tanzania will expand its financial services to underserved segments of the population.	C				2.36			2.36
Ocean Leisure Company Ltd. will expand and refurbish a hotel in Zanzibar into an international-standard resort to attract new tourists, travel agencies, and airlines.	B	11						11

**Note:** Fiscal years 2008 and 2009 represent the period from July 1, 2007, to June 30, 2009. "IFC loan" includes loan-type quasi-equity investments; "IFC equity" includes equity-type quasi-equity investments. Under the Global Trade Finance Program, the IFC provides guarantee coverage of bank risk in emerging markets, where confirming banks need risk mitigation to support their export clients because of limited capacity for country and bank exposure. Structured finance mobilization is a feature of selected guarantee, loan, and equity transactions, but it is not included in the total committed for these projects. The mobilization number covers the full amount at the project commitment date. For the environmental and social category, projects are assigned an A, B, or C, in descending order of environmental and social sensitivity, or FI, in the case of financial institutions that onlend to clients who may present environmental and social concerns. Category A projects are expected to have significant adverse social and/or environmental impacts that are diverse, irreversible, or unprecedented. Category B projects are expected to have limited adverse social and/or environmental impacts that can be readily addressed through mitigation measures. Category C projects are expected to have minimal or no adverse impacts, including certain financial intermediary projects. Category FI investments are in financial intermediaries that themselves have no adverse social and/or environmental impacts but may finance subprojects with potential impacts.

## Notes

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1. Zanzibar comprises two main islands, Unguja (known informally as Zanzibar) and Pemba, as well as several smaller islands.
2. The Human Development Index is a composite measure assessing three dimensions: life expectancy, education, and income.
3. A decrease in the proportion of people in poverty translates into a decrease in the number of people in poverty only when the decline in poverty more than offsets population growth.
4. International poverty line figures for Tanzania are based on a 2000/01 survey year.
5. The Atlas method is used to reduce the impact of exchange rate fluctuations. It averages a country's current exchange rate with its rates in the two preceding years, adjusting for the difference in inflation between that country and a group of high-income countries (used as a proxy for international inflation).
6. The Gini index measures income inequality on a scale of 0–100, with 0 representing perfect equality and 100 representing perfect inequality.
7. See <http://www.enterprisesurveys.org> for more background and data.

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## Data Appendix

	Tanzania			Low-income group	Sub-Saharan Africa region
	1990	2000	2007	2007	2007
<b>People and poverty</b>					
<i>Population structure</i>					
Population (millions)	25.5	33.8	40.4	1,296	800
Population growth (%)	3	2	3 <sup>a</sup>	2	2
Population density (people per square kilometer)	29	38	46	61	34
Urban population (% of total)	19	22	25	32	36
Population ages 0–14 (% of total)	46	44	44	39	43
Population ages 15–64 (% of total)	51	53	53	57	54
Population ages 65 and above (% of total)	3	3	3	4	3
<i>Income and poverty</i>					
Gross national income per capita, Atlas method (\$)	190	260	400	578	952
Gross national income per capita, PPP (\$)	590	760	1,200	1,494	1,870
Population below \$1.25-per-day international poverty line (%)	72.6	88.5	—	—	—
Population below \$2-per-day international poverty line (%)	91.3	96.6	—	—	—
Population below national poverty line (%)	38.6	35.7	33.6 <sup>b</sup>	—	—
Urban population below national poverty line (%)	31.2	29.5	—	—	—
Rural population below national poverty line (%)	40.8	38.7	37.6 <sup>b</sup>	—	—
Income share held by lowest 20 percent of earners (%)	7.4	7.3	—	—	—
<i>Fertility and mortality</i>					
Life expectancy at birth (years)	51	49	52	57	51
Total fertility rate (births per woman)	6.1	5.7	5.3	4.3	5.2
Adolescent fertility rate (births per 1,000 women ages 15–19)	—	132	123	97	121
Births attended by skilled health staff (% of total)	53	44	43	41	45
Maternal mortality rate (modeled estimate, per 100,000 live births)	—	—	950	780	900
Infant mortality rate (per 1,000)	102	88	74	85	94
Under-five mortality rate (per 1,000)	161	141	118	135	157
<i>Health</i>					
Malnutrition prevalence, weight for age (% of under age 5)	25	25	17	29	27
Malnutrition prevalence, height for age (% of under age 5)	50	48	44	44	44
Child immunization, measles (% of ages 12–23 months)	80	78	93	76	72
HIV prevalence rate (% population of ages 15–49)	—	7.0	5.7 <sup>c</sup>	2.2	5.2
Contraceptive prevalence rate (% of married women ages 15–49)	10	25	26	33	22
Incidence of tuberculosis (per 100,000 people)	178	339	312	266	368
<i>Education and literacy</i>					
Primary school enrollment (% net)	51	59 <sup>d</sup>	84 <sup>d</sup>	73	70
Primary completion rate, total (% of relevant age group)	46	55	85	65	60
Secondary school enrollment (% gross)	5	6	—	38	32
Ratio of girls to boys in primary and secondary school (%)	97	99	—	88	87
Tertiary school enrollment (% gross)	0	1	1	6	5
Literacy rate, youth (% of population ages 15–24)	82	78	—	73	70
Literacy rate, adult (% of population ages 15 and above)	59	69	—	61	59

	Tanzania			Low-income group	Sub-Saharan Africa region
	1990	2000	2007	2007	2007
<b>Economy</b>					
<i>Size and structure of economy</i>					
GDP (\$ billions)	4.3	9.1	16.2	810	843
GDP per capita (\$)	167	268	400	625	1,054
GDP growth (annual %)	7.0	5.1	7.1	6.5	6.2
Household final consumption expenditure (% of GDP)	81	79	73	74	67
Government final consumption expenditure (% of GDP)	18	11	16	9	16
Gross capital formation (% of GDP)	26	18	17	24	22
Exports of goods and services (% of GDP)	13	17	22	30	33
Imports of goods and services (% of GDP)	37	24	28	36	36
<i>Source of GDP</i>					
Value added in agriculture (% of GDP)	46	45	45	25	15
Value added in industry (% of GDP)	18	16	17	28	32
Value added in manufacturing (% of GDP)	9	7	7	14	15
Value added in services (% of GDP)	36	39	37	48	54
<i>Central government budget</i>					
Central government revenue (% of GDP)	—	—	—	—	—
Central government expenditure (% of GDP)	—	—	—	—	—
Central government cash surplus/deficit (% of GDP)	—	—	—	—	—
<i>Inflation</i>					
Inflation (annual % change in consumer price index)	35.8	5.9	7.0	—	—
<i>Labor force</i>					
Labor force (millions)	12.4	16.7	19.3	545	323
Unemployment rate (% of labor force)	3.6	5.1	—	—	—
<b>Environment</b>					
<i>Agriculture</i>					
Agricultural land (% land area)	38	38	39	39	44
Irrigated land (% of cropland)	1	2	—	—	—
Fertilizer consumption (100 grams/hectare arable land)	52	25	104	—	—
<i>Forests</i>					
Forests (thousands of square kilometers)	414	373	353	5,251	6,247
Deforestation (average annual %, 1990–2005)	—	—	1.1	0.6	0.7
Nationally protected area (% of land area)	—	—	42.3	10.8	11.3
<i>Water and sanitation</i>					
Freshwater withdrawal (% of internal resources)	—	6.2	—	—	—
Internal freshwater resources per capita (cubic meters)	—	—	2,183	4,821	5,062
Freshwater withdrawal used for agriculture (%)	—	89	—	78	87
<i>Energy</i>					
GDP per unit of energy use (2005 PPP \$/kilogram oil equivalent)	2.2	2.2	2.0	3.0	2.9
Energy use per capita (kilograms oil equivalent)	385	397	530	481	681
Energy from biomass products and waste (% of total)	91.0	92.6	92.1	53.7	56.3
Electricity generated using fossil fuel (% of total)	4.9	13.6	41.4	55.4	79.3
Electricity generated by hydropower (% of total)	95.1	86.4	58.6	44.2	20.1
<i>Emissions and pollution</i>					
CO <sub>2</sub> emissions per unit of GDP (kilograms/2005 PPP \$)	0.1	0.1	0.1	0.4	0.5
CO <sub>2</sub> emissions per capita (metric tons)	0.1	0.1	0.1	0.6	0.9
CO <sub>2</sub> emissions growth (% 1990–2004)	—	—	86.3	55.7	46.3
Particulate matter (urban-population-weighted average, microgram/cubic meter)	57	42	24	75	60
Passenger cars (per 1,000 people)	1	1	—	—	—

continued

	Tanzania			Low-income group	Sub-Saharan Africa region
	1990	2000	2007	2007	2007
<b>Business environment</b>					
<i>General environment</i>					
Time to start a business (days)	—	—	29	55	55
Procedures to start a business (number)	—	—	12	10	11
Firing cost (weeks of wages)	—	—	32.0	63.7	66.8
Closing a business (years to resolve insolvency)	—	—	3.0	3.6	3.4
Total tax rate (% of profit)	—	—	44.3	69.6	68.2
Highest marginal tax rate, corporate (%)	—	30	30	—	—
Business entry rate (new registrations as % of total)	—	—	6.6	6.5	6.6
<i>Infrastructure</i>					
Paved roads (% of total roads)	37.0	4.2	—	—	—
Electric power consumption (kilowatt hours per capita)	51	58	61	305	542
Power outages in a typical month (number)	—	—	12.0	—	—
Access to improved water source (% total population)	49	53	55	68	58
Rural (% rural population)	39	44	46	60	46
Urban (% urban population)	90	84	81	84	81
Access to improved sanitation (% total population)	35	34	33	39	31
Rural (% rural population)	36	35	34	33	24
Urban (% urban population)	29	31	31	54	42
<i>Information and communication technology</i>					
Fixed line and mobile subscribers (per 100 people)	0	1	21	27	25
Mobile phone subscribers (per 100 people)	0	0	20	23	23
Population covered by mobile telephony (%)	—	25	65	54	54
Internet users (per 100 people)	0.0	0.1	1.0	5.2	4.4
Broadband subscribers (per 100 people)	—	0.0	0.0	0.0	0.0
<i>Finance and banking</i>					
Deposit money banks' assets (% of GDP)	—	—	—	—	—
Total financial system deposits (% of GDP)	—	—	—	—	—
Bank capital to asset ratio (%)	—	—	—	—	—
Bank nonperforming loans to total gross loans (%)	—	—	—	—	—
Domestic credit to the private sector (% of GDP)	13.9	4.6	14.3	24.8	47.1
Market capitalization of listed companies (% of GDP)	—	2.6	3.8	39.9	149.8
Real interest rate (%)	8.6	13.1	9.5	—	—
Interest rate spread (lending minus deposit rate, percentage points)	14.0	14.2	8.8	9.6	9.2
<b>Global links</b>					
<i>External trade</i>					
Trade balance (\$ millions)	-1,057.6	-673.0	-834.2	—	—
Current account balance (\$ millions)	-558.9	-498.6	-1,442.1	-17,589	-22,374
Current account balance (% of GDP)	-13.1	-5.5	-10.2	—	—
Exchange rate (local currency units per \$)	195.1	800.4	1,245.0	—	—
<i>Capital flows</i>					
Foreign direct investment, net inflows (\$ millions)	0.0	463.4	474.5	20,380	15,408
Foreign direct investment, net inflows (% of GDP)	0.0	5.1	3.3	3.1	2.1
Workers' remittances received (\$ millions)	—	8.0	14.9	33,329	16,166
Workers' remittances received (% of GDP)	—	0.1	0.1	4.7	2.1
Official development assistance (\$ millions)	1,163.2	1,019.4	1,825.3	44,300	40,490
Official development assistance (% of GDP)	27.3	11.2	12.9	6.3	5.5
Portfolio investment, equity (net flows, \$ millions)	0.0	0.0	2.6	1,279	10,200
Portfolio investment, bonds, public and publicly guaranteed + private nonguaranteed (net flows, \$ millions)	0.0	0.0	0.0	3,187	5,802

	Tanzania			Low-income group	Sub-Saharan Africa region
	1990	2000	2007	2007	2007
<i>External debt and debt service</i>					
Total external debt (\$ millions)	6,454.0	6,931.1	4,239.9	214,805	193,480
Short-term debt (\$ millions)	519.8	847.5	1,292.6	22,182	44,399
External debt (% of GNI)	158.5	77.4	33.6	31.6	26.4
External debt (% of exports of goods and services)	1,185.8	516.9	128.7	72.4	59.8
Total debt service (% of GNI)	4.4	1.9	0.8	2.5	3.1
<i>Foreign reserves</i>					
Total reserves minus gold (\$ millions)	192.8	974.2	2,886.4	131,540	136,696
Total reserves in months of imports	1.4	5.2	5.1	6.7	7.0

Source: World Bank 2008e except where noted.

a. Tanzania, NBS.

b. Tanzania, NBS 2008b.

c. Tanzania, NBS 2008d.

d. Tanzania, NBS 2008.

Note: Figures in italics are for plus or minus two years of those specified at the top of the table. — = not available.

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