COUNTRY PROFILE **2015**

UNITED REPUBLIC OF TANZANIA

United Nations
Economic Commission for Africa

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The lead authors of the United Republic of Tanzania country profile were Timothy Wilson and Farzana Sharmin, both of the Subregional Office for Eastern Africa. The country profile was prepared under the overall coordination and substantive guidance of Giovanie Biha, Deputy Executive Secretary for Knowledge Delivery of the Commission, and the direct leadership of Antonio Pedro, Director of the Subregional Office for Eastern Africa.

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TANZANIA AT A GLANCE

General information	
Subregion	Eastern Africa
Official language(s)	Swahili, English
Currency	Tanzanian shilling
Capital city	Dodoma
REC membership(s)	EAC, SADC

Rankings	
Human development index (United Nations Development Programme)	151/188 (2014)
Gender inequality index (African Union Commission)	125/155 (2014)
Ibrahim index of African governance (Mo Ibrahim Foundation)	18/54 (2014)
Ease of doing business index (World Bank)	140/189 (2015)
Corruption perceptions index (Transparency International)	117/168 (2015)

ECONOMIC GROWTH

In the United Republic of Tanzania, agriculture employs the bulk of the labour force, but only contributes 23 per cent of gross value added. Growth in this sector has been disappointing by comparison with other sectors, with 3.2 per cent annual average growth between 2010 and 2014 (inclusive) on the mainland and 2.5 per cent on Zanzibar. This is lower than the economy-wide growth rate of 6.9 per cent over the same period.

FISCAL POLICY

The 2014/15 budget for the mainland included a 23 per cent increase in expenditure that was matched by a 24 per cent increase in non-grant revenue. This, however, was outweighed by a notable decrease in grants. As of June 2015, the total stock of national debt stood at US$ 19.2 billion, 80 per cent of which came from external sources.

MONETARY POLICY

Inflation has been contained within single figures at an annual average of 9.6 per cent per year between 2010 and 2014. More recently, inflation has declined, dropping to around 6 per cent during June, July and August 2015. There is a risk that inflationary pressures may build in response to the depreciation of the Tanzanian shilling against the United States dollar. As of June 2015, the annualized rate of depreciation of the shilling was 18.4 per cent, up from the equivalent rate in July 2014 of only 2.5 per cent.

CURRENT ACCOUNT

The current account deficit has been widening steadily in recent years. The deficit reached more than US$ 5 billion in 2014 (10.4 per cent of gross domestic product (GDP)), up from US$ 2.2 billion in 2010 (7.0 per cent of GDP). While the United Republic of Tanzania is one of the few countries in Eastern Africa consistently to record a trade surplus in services (TSh745 million in 2014), this has not been sufficient to offset the rising imports of goods.

CAPITAL AND FINANCIAL ACCOUNTS

The United Republic of Tanzania is a regional leader when it comes to attracting foreign direct investment. Net inflows increased to US$ 2.1 billion in 2014, placing it among the top three least developed country recipients of such investment.

DEMOGRAPHY

The most recent census set the population of the United Republic of Tanzania in 2012 at 45 million. As in many countries in the region, young people make up a large share of the population. In all, 79 per cent of the population is under 35.

POVERTY

The proportion of the population living below the basic needs poverty line has fallen from 38.6 per cent in 1991/92 to 28.2 per cent in 2011/12. A 2014/15 survey of perceptions of living conditions revealed, however, that 63 per cent of those surveyed considered their living conditions to be fairly bad or very bad.

EMPLOYMENT

The unemployment rate on the mainland fell from 11.7 per cent of the work force in 2006, to 10.3 percent in 2014. However, the under-employment rate increased over the same period, from 6.9 per cent to 10.8 per cent.

HEALTH

Infant mortality fell from 92 deaths per 1,000 live births in 1992 to 46 in 2012. The under-5 mortality rate per 1,000 live births fell from 141 to 67 over the same period. 42 per cent of children under 5 had low height-for-age ratios in 2010, while 16 per cent had low weight-for-age ratios, suggesting chronic and acute undernutrition.

EDUCATION

The United Republic of Tanzania has been successful in improving access to education. In 2000/01, the net attendance ratio in primary schools was 59 per cent. By 2011/12, this had risen to 77 per cent. At the secondary level, the net enrolment ratio increased from a mere 5 per cent in 2000/01 to 29 per cent in 2011/12.

GENDER SCORECARD OF THE AFRICAN UNION COMMISSION

The United Republic of Tanzania performs poorly with regard to overall secondary school enrolment, with gross enrolment ratios of 31.6 per cent for girls and 34.3 per cent for boys. The labour force participation rate for women is high, at 92.0 per cent (against 95.7 per cent for men). Women make up 36.6 per cent of members of parliament. However, in key gender dimensions such as land, the country scores poorly, with just 2 out of 10 in the African gender scorecard, indicating persistent inequality in access to and ownership of land.

1

OVERVIEW

The United Republic of Tanzania is emerging from the most contested election in its history. The new Government will inherit an economy that is growing rapidly but that continues to fall short of the ambitions of its citizens. The economy has demonstrated resilience in the face of a weakening global economy. With an average annual growth rate of 6.9 per cent during the period from 2010 to 2014, the United Republic of Tanzania is one of the fastest growing economies in Eastern Africa (see figure 1). Economic growth, which is estimated by the National Bureau of Statistics (2016a) to have reached 7.1 percent in 2015, has been driven by a strong performance in the information and communication sectors, public administration and defence, financial and insurance, mining and quarrying.

Notwithstanding the rapid economic growth, important vulnerabilities remain. Minerals account for nearly one third of exports, which leaves the country exposed to fluctuations in commodity prices. Much greater progress is required to achieve the structural transformation of the economy, as 66.3 per cent of the workforce remains employed in agriculture (National Bureau of Statistics, 2015b). Moyo and others (2010) argue that this proportion must be reduced to 40 per cent by 2025 if the country is to achieve middle-income status. Meanwhile, a lack of investment in irrigation means that the agricultural sector is still highly exposed to the effects of climate change. With respect to the pace of industrialization, serious obstacles to growth remain, including a shortage of skills and infrastructure bottlenecks. The Government's next five-year development plan is expected to have a special focus on industrialization. Industrialization is one of the major policy challenges examined in section 5.1.

Finally, in contrast to its economic performance, the country's recent achievements in social development have been relatively modest. The United Republic of Tanzania ranked between 151st and 152nd in the human development index of the United Nations Development Programme (UNDP) for every year from 2010 to 2014. While the incidence of poverty has fallen under the Second National Strategy for Growth and Poverty Reduction (Mpangowa Piliwa Kukuza Uchumina Kuondoa Umaskini Tanzania, MKUKUTA II), progress has not been even throughout the country: for example, the proportion of the population living below the basic needs poverty line[1] has fallen to 4.1 per cent in Dar es Salaam but remains at 33.3 per cent in rural areas (National Bureau of Statistics, 2015a). This spatial variance in development, combined with a rapidly urbanizing population, presents a challenge for addressing inequality, which is one of the major policy challenges discussed in section 5.2.

1 The basic needs poverty line was defined by the Government of the United Republic of Tanzania as "the absolute minimum resources necessary for long-term physical well-being in terms of consumption of goods" (National Bureau of Statistics (2013), p. 95). In the 2012 assessment of poverty levels, the line was set at TSh 1,276 per day. The annual average exchange rate for United States dollars in 2012 was TSh 1,571.7 (Bank of Tanzania (2012), p. 39). This places the poverty line at 81 cents per day.

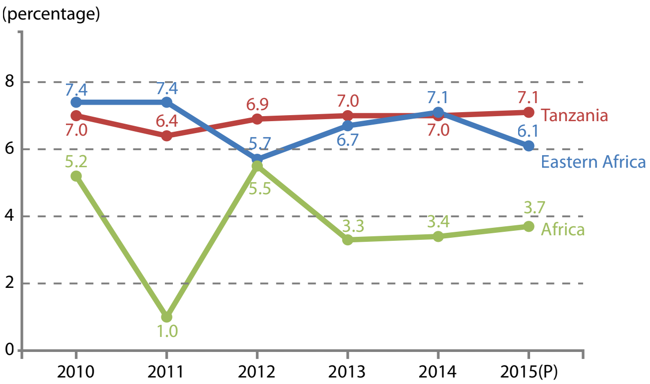
2

NATIONAL AND SUBREGIONAL CONTEXT

The United Republic of Tanzania is a member of two regional economic communities: the East African Community (EAC) and the Southern African Development Community (SADC). It is the only member of EAC to belong simultaneously to SADC, something which has occasionally been at the root of divergences of opinion and policy between the United Republic of Tanzania and other EAC member States.

The full benefits of these trade agreements are far from being fully realized. For instance, exports to EAC member States have remained at between 8-13 per cent of total exports every year since 2008. Similarly, except in 2011, imports from EAC member States have remained below 6 per cent. This low level of intra-regional trade represents a missed opportunity, as such trade tends to be more diversified and have a higher proportion of manufactured goods than extra-regional or North-South trade. Furthermore, the United Republic of Tanzania has run an average annual trade surplus with Common Market for Eastern and Southern Africa (COMESA) member States of 63 billion Tanzanian shillings (39.8 million United States dollars) between 2011 and 2014 (Bank of Tanzania, 2015f). This is despite the fact that the country withdrew from COMESA in 2000. At the same time, the efficiency of the main port of the United Republic of Tanzania (Dar es Salaam) has been improved, but continues to lag behind its main competitor (the port of Mombasa, in Kenya). It has been estimated that if the port of Dar es Salaam were managed to increase its efficiency to the same level as that prevailing in the port of Mombasa, the economy would gain an additional US$1.8 billion per year.[2]

Figure 1: Real GDP growth



Source: Bank of Tanzania (2015b), United Nations (2015) and ECA calculations
*Refers to estimates.

The country distinguishes itself in the region for consistently recording a trade surplus in services, driven mostly by tourism receipts. However, the current account deficit, at 10.4 per cent of the gross domestic product (GDP) in 2014, is still large (Bank of Tanzania, 2015b). Steadily rising domestic demand has been the principal source of growth over the last decade, rather than export expansion or import substitution, a feature shared by many economies in the region (Economic Commission for Africa, 2013).

2 The cost of delays at the port, relative to Mombasa, are estimated to impose the equivalent of a 22 percent tariff on container imports and a 5 percent tariff on bulk imports (World Bank, 2014b).

Box 1: Africa regional integration index: the United Republic of Tanzania

The Africa regional integration index is designed to measure the extent to which each country in Africa is meeting its commitments under the various pan-African integration frameworks such as Agenda 2063 and the Abuja Treaty. The index, which is a joint project of the African Development Bank, the African Union Commission and the Economic Commission for Africa, covers the following dimensions: (i) free movement of persons; (ii) trade integration; (iii) productive integration; (iv) infrastructure; (v) financial integration and macroeconomic policy convergence. The following section gives highlights on selected indicators. A technical description of the indicator may be found on the ECA website at www.uneca.org.

Overall rank: Fifth in EAC (score: 0.43) and twelfth in SADC (score: 0.36) (Highest score in EAC is 0.66, by Kenya) *				
Free movement of persons: Fifth in EAC (score: 0.58), twelfth in SADC (0.52). Best performers in EAC are Rwanda and Kenya with 0.8.	Trade integration: Third in EAC (score: 0.78), thirteenth in SADC (0.33). Best performer in EAC is Kenya with 1.	Productive integration: Third in EAC (score: 0.45), sixth in SADC (0.38). Best performer in EAC is Kenya with 0.84.	Infrastructure: Fifth in EAC (score: 0.36), twelfth in SADC (0.39). Best performer in EAC is Burundi with 0.84.	Financial integration and macroeconomic policy convergence: Fifth in EAC (score: 0), thirteenth in SADC (0.2). Best performer in EAC is Rwanda with 0.5.

Free movement of persons: The United Republic of Tanzania scores poorly in this dimension. It allows nationals of 27 other African countries to enter without a visa or to obtain a visa upon arrival. It has ratified the EAC instruments concerning the free movement of persons and the rights of establishment and free movement of workers but has not ratified the relevant SADC instruments (i.e. articles 14, 17 and 18 of the Treaty of the Southern African Development Community) (ECA, the African Development Bank and the African Union Commission, 2012 and 2013; ECA and the African Union Commission, 2015).

Trade integration: The United Republic of Tanzania has an average applied tariff of zero per cent on imports from EAC Partner States, as do all EAC partner States, and an average applied tariff of 10 per cent on imports from SADC member States. The country's trade with the members of the other regional economic communities of which it is a member, in terms of share of GDP, is relatively weak.

Productive integration: The United Republic of Tanzania is middle-ranked in EAC in terms of its integration into regional value chains but falls within the group of highest-ranking countries in SADC as regards this dimension. The share of intermediates in its imports from EAC was 13 per cent in 2013; the equivalent statistic for its imports from SADC was 26 per cent in the same year. 36 per cent of its exports to EAC in 2013 were intermediates, as were 17 per cent of its exports to SADC in the same year.

Infrastructure: The country's Internet bandwidth, which stands at around 0.3 megabits per second per person, is the thirtieth-highest on the continent. Internet bandwidth is important for international communication, both within Africa and beyond, including to support trade in services. Around 78 per cent of international flights to and from the United Republic of Tanzania in June 2014 were intra-EAC, meaning that the country ranks second within this bloc on this indicator, behind Burundi.

Information on the United Republic of Tanzania's performance in the area of financial integration and macroeconomic policy convergence can be retrieved from the standalone report on the regional integration index and the website.

Conclusions: The United Republic of Tanzania should consider:

- Ratifying the relevant SADC instruments on the free movement of persons
- Waiving visa requirements or granting visas on arrival for nationals of a greater number of African countries
- Reducing tariffs on intra-SADC imports
- Upgrading its Internet infrastructure

* A continent-wide ranking, in which all African countries from all regional economic communities will be compared with one another, is currently under development for the Africa regional integration index and will be added to subsequent updates of the ECA country profiles.

The United Republic of Tanzania has become one of the fastest growing economies in Eastern Africa. Between 2010 and 2014, real GDP grew by 6.9 per cent per year on average. Despite being a frontrunner in this respect, the United Republic of Tanzania shares many similarities with other countries in the subregion, including the relatively slow pace of industrialization. While manufacturing has grown, its contribution to GDP has remained static, a trend also evident across the EAC area. Agriculture remains the largest employer, accounting for 66.3 per cent of the workforce (National Bureau of Statistics, 2015b).

As a commodity exporter with a flexible exchange rate regime, the United Republic of Tanzania is among a number of countries that have experienced a sharp depreciation in the value of their currencies over the course of 2015. This is fuelling inflationary pressures in the country, which in recent years have largely been contained by the Bank of Tanzania. Inflation has been kept at levels close to the regional average: the average annual rate of inflation for the United Republic of Tanzania was 9.6 per cent during 2010-2014, compared with 10.0 per cent for East Africa. Compared with the average annual inflation rate of faster growing countries in the subregion (the Democratic Republic of the Congo, Ethiopia and Rwanda), the inflation rate of the United Republic of Tanzania has remained relatively low.[3] The Bank of Tanzania is transitioning towards an inflation-targeting system using interest rates rather than money supply. This is consistent with similar moves by the central banks of other EAC member States.

Economic progress has not yet been matched by commensurate success in social development. Indeed, the most recent performance of the United Republic of Tanzania in the human development index has been disappointing, with its ranking rising only two places between 2009 and 2014: it is now 151st in the world, behind Kenya (145th), but above Rwanda and Uganda (both 163rd).

Further complicating the picture is the uneven nature of social development in urban and rural areas. The poverty headcount is only 4.1 per cent of the population in Dar es Salaam, compared with 33.3 per cent in rural areas (National Bureau of Statistics, 2015a). This steady increase in spatial inequality is a phenomenon shared with most other East African States. It will be discussed in more detail in section 5.2.

Part of the discrepancy between economic and social progress is due to the way in which the United Republic of Tanzania is achieving growth. As will be discussed in subsequent sections, the most labour-intensive sectors have not been growing as rapidly as other sectors. In particular, the agricultural sector, which includes forestry and fishing, grew by only 3.2 per cent on average per year between 2010 and 2014 on the Tanzanian mainland. In Zanzibar, the growth rate was 2.5 per cent (ECA calculations, using data from the Bank of Tanzania, 2015f). In section 5.1 suggestions are made for ways in which this situation might be improved through a more inclusive industrial policy.

3 Thus the Democratic Republic of the Congo and Ethiopia both recorded double-digit annual average inflation during the period 2010-2014, at 10.2 and 15.3 percent respectively (ECA calculations using data from national authorities).

3

ECONOMIC PERFORMANCE

The strong economic performance recorded by the United Republic of Tanzania over recent years continued into 2015. GDP is estimated to have grown at 7.1 per cent during that year (National Bureau of Statistics, 2016a). Looking forward, the Bank of Tanzania forecasts economic growth of 7.4 per cent for 2016 (Bank of Tanzania, 2015a), slightly above the forecasts from international institutions, which range from 6.7 to 7.2 per cent (box 2).

The national accounts for the Tanzanian mainland were rebased in 2014 in order to account for new economic activities and structural changes. The result was that the estimated size of the economy was revised upwards by 32 per cent compared with previous estimates for the year 2013 (National Bureau of Statistics, 2014a). In other words, the economy was nearly one third bigger than previously thought. Under the revised figures, the contribution of agriculture declined only slightly, from 27.1 to 26.8 per cent, while the services sector increased from 43.3 to 47.6 percent. Within the service subsectors, the largest changes occurred in the areas of social and personal services and education, which both increased by close to 200 per cent or more. This increase in services as a percentage of GDP is consistent with the results of other recent rebasing exercises in Nigeria, Uganda and Zambia (Sy, 2015).

3.1 Economic growth

The economy continues to be strongly influenced by the performance of the agriculture sector. Although it only contributes 23 per cent of gross value added (see figure 2), the sector employs the bulk of the labour force (62 per cent) and is closely linked with other subsectors (such as agroprocessing). Growth in the agricultural sector has been disappointing relative to other sectors. Annual average growth between 2010 and 2014 was 3.2 per cent on the mainland and 2.5 per cent on Zanzibar, much lower than the nationwide growth rate of 6.9 per cent over the same period (Bank of Tanzania, 2015f). Perhaps of greatest concern is the sector's continued reliance on favourable weather conditions, as planned investments in irrigation are proceeding slowly. This weakness leaves the economy highly exposed to unfavourable weather conditions resulting from climate change.

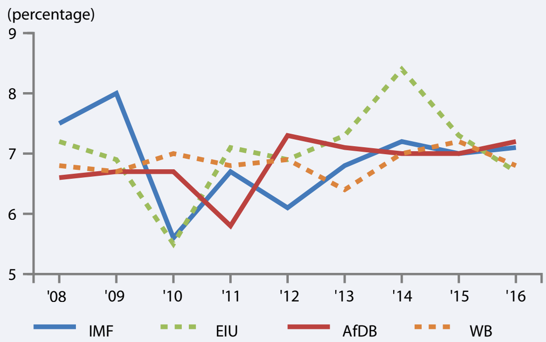
Construction and the wholesale and retail trade subsectors are the largest subsectors in terms of gross value added (see figure 2). Both subsectors are growing rapidly. Construction on the mainland grew 16 per cent in 2014 and 13.2 per cent in the second quarter of 2015 (Bank of Tanzania, 2015b). Construction activity is likely to continue to grow as urbanization continues and a growing middle class invests in improved housing.

The manufacturing subsector has been growing steadily. On the mainland, annual growth of manufacturing averaged 6.6 per cent between 2010 and 2014. However, the contribution to gross value added remains small, at only 6.9 per cent (see figure 2) (Bank of Tanzania, 2015b). Furthermore, the growth rate of the subsector is lower than the rate required to meet the Government's goal of

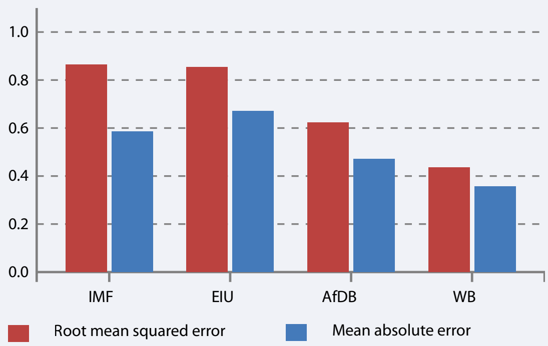
Box 2: Forecasts for the Tanzanian economy

A number of organizations produce forecasts of economic growth in the United Republic of Tanzania, including the African Development Bank (AfDB), the Economist Intelligence Unit (EIU), the International Monetary Fund (IMF) and the World Bank (WB). The forecasts produced by these organizations remained within 2 percent of each other for all the years under review (2008-2016). The only major points of departure were in 2009, when IMF was more optimistic than the others, and in 2014, when the Economist Intelligence Unit was more optimistic. Looking forward, the four organizations have produced very similar forecasts for real GDP growth in 2016, separated by only half a percentage point. The most optimistic forecast for 2016 is that produced by the African Development Bank (7.2 percent), closely followed by that of the World Bank (7.1 percent).

Forecast real GDP growth rates, by institution



Forecast error



What about the accuracy of those forecasts? The root mean squared error and the mean absolute error are common measures used to evaluate forecasts - generally speaking, the higher the value of these errors, the less accurate the forecasts. Our analysis suggest that the most accurate forecasts produced in relation to the period 2008-2014 were the forecasts made by the World Bank, closely followed by those of the African Development Bank.

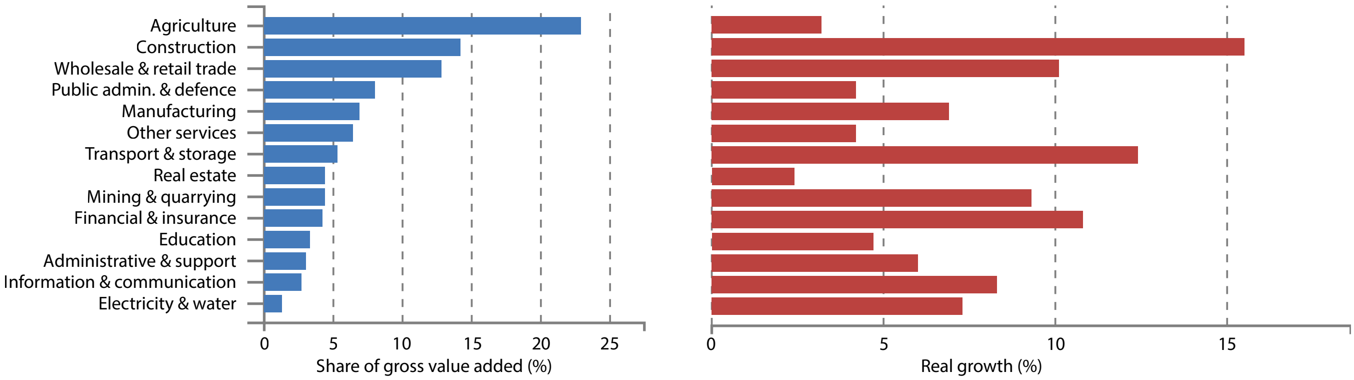
manufacturing contributing 23 per cent of GDP by 2025 (See section 5.1).

Finally, despite its importance for exports, the mining and quarrying subsector makes a small contribution to total gross value added (4.4 per cent). On the mainland, mining and quarrying activities grew 8.9 per cent each year on average between 2010 and 2014. Looking forward, gold prices are expected to remain at similar levels or decline,[4] which may offset the anticipated growth from uranium and nickel mining that is scheduled to begin within the next five years. The discovery and extraction of natural gas may alter future prospects dramatically.

With respect to demand, growth in domestic consumption has been the main driver of the economy in the United Republic of Tanzania. Household consumption accounts for more than two thirds of GDP on the mainland (see figure 3). Meanwhile, government consumption and imports are the two most rapidly expanding areas of demand. Over the long term, these need to be matched by a commensurate growth in domestic resource mobilization and exports or they will

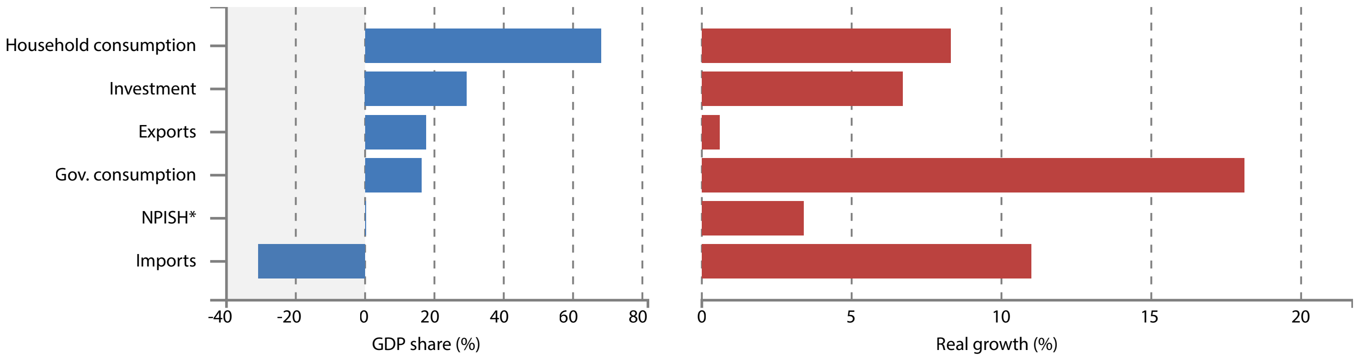
4 The World Bank (2015c) forecasts that the price of gold will decline steadily at least until 2020.

Figure 2: Sector shares and real growth (2014)



Source: Bank of Tanzania (2015f)

Figure 3: Demand shares and real growth on the Tanzanian mainland (2014)



*NPISH: Non-profit Institutions Serving Households

Source: Source: Bank of Tanzania (2015f)

challenge the sustainability of the country's pattern of growth.

3.2 Fiscal policy

Fiscal deficits have been contained, particularly over the past five years. The Government has succeeded in gradually reducing its budgetary reliance on grants.[5] Revenues as a proportion of GDP have steadily increased, but not at the rate envisaged by the Government. Tax revenue collection for the third quarter of 2015 was 93.2 per cent of target (Bank of Tanzania, 2015b).

The disaggregated accounts present a more mixed picture. On the one hand, the 2014/15 budget for the Tanzanian mainland included a 23 per cent increase in expenditure that was matched by a 24 per cent increase in non-grant revenue (Bank of Tanzania, 2015f). However, this was outweighed by a notable decrease in grants. Furthermore, in the latest government accounts for that period, actual revenues collected were estimated to be more than TSh3 trillion below expenditure (Bank of Tanzania, 2015b). On Zanzibar, grant revenues have also declined notably, with a substantial decrease in project grants during the first half of 2015. The fiscal deficit for the 2014/15 period was TSh56 billion,

5 However, the recent decline in grants has mainly been attributable to donors withholding support in relation to allegations of corruption in the energy sector.

or about 2.6 per cent of Zanzibar's GDP (Bank of Tanzania, 2015f).[6]

Fiscal deficits have led to a steady increase in public debt. As of June 2015, the national debt stood at US$ 19.2 billion, 80 per cent of which came from external sources, especially through non-concessional loans (Bank of Tanzania, 2015f). However, the rebasing of the national accounts, which significantly increased the estimated size of GDP (discussed above), implies that the relative size of this debt to GDP remains within more sustainable levels (IMF and International Development Association, 2015). National debt as a percentage of GDP stood at about 41.5 per cent as of December 2014.

Table 1: Fiscal accounts

	2011/12	2012/13	2013/14	2014/15
Tanzanian mainland	millions of Tanzanian Shillings			
Revenue (including grants)	9076504	9821329	11770103	11981898
Tax revenue	6480478	7729986	9294417	9891680
Non-tax revenue[a]	740931	712625	888038	1066085
Grants	1855096	1378718	1587649	1024133
Expenditure	10764528	12714236	13958162	14603714
Recurrent expenditure	6989807	9043323	10032120	10893486
Development expenditure	3774722	3670913	3926042	3710228
Fiscal balance[b]	-2070125	-2804319	-2497879	-2806518

a Includes local government authority sources.
b Adjustments made by the Bank of Tanzania to account for cash and other items as well as the expenditure float (Bank of Tanzania, 2015b).

Non-concessional loans have increasingly been utilised to fund spending, facilitated by the strong performance of the economy, among other factors. Prior to 2010, the Government had rarely been able to make recourse to non-concessional loans. Recent issuances have included a sovereign bond issue worth US$ 600 million for infrastructure development and a credit line with the Export-Import Bank of India worth US$ 178 million for a water project. Looking forward, the Government intends to borrow nearly one third (32 per cent) of the financing for the 2015/16 financial period from external, non-concessional sources. The continued dependence on these external sources of non-concessional finance may raise questions over the long term capacity to service the resultant debt.

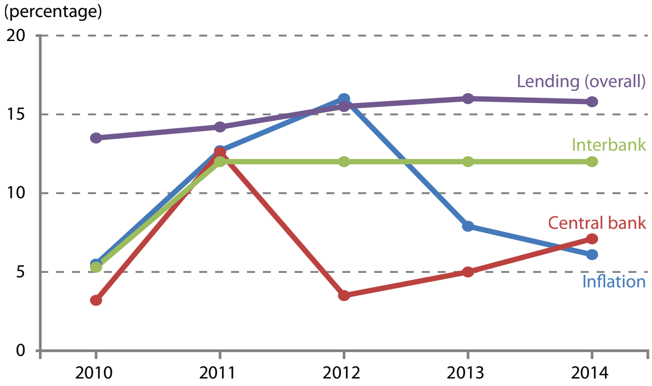
3.3 Inflation and monetary policy

Inflation has been contained within single figures at an annual average of 9.6 per cent per year between 2010 and 2014 (see figure 4). More recently, inflation declined to around 6 per cent between June-August 2015. While this is slightly higher than the medium-term target inflation rate (5 per cent), it is much lower than that of some other rapidly growing countries in the region, such as Ethiopia. The Bank of Tanzania reports that the factors driving these low inflation rates include a strong harvest in the 2014/15 crop season, the low global price of oil and prudent monetary policy. Indeed, the Bank of Tanzania has taken active measures to curb inflation. In 2011, the central bank rate was raised to a record high of 12.6 per cent. It was subsequently reduced and, as at June 2015, it stood at 6 per cent (Bank of Tanzania, 2015c).

Looking forward, there is a risk that inflationary pressures may build in the light of the depreciation of the Tanzanian shilling with respect to the United States dollar. As at June 2015, the annualized rate of depreciation of the shilling was -18.4 per cent. The Bank of Tanzania took a number of measures to slow down the depreciation, including undertaking foreign exchange transactions of close to US$ 1 billion in the first half of 2015 (Bank of Tanzania, 2015f). All East African currencies depreciated against the United States dollar in 2015. Yet the Tanzanian shilling's depreciation has been more rapid than that of both the currency of Rwanda and of Kenya. Notwithstanding these developments, foreign exchange reserves remain within safe bounds. As at August 2015, gross official reserves stood at US$ 4.2

6 GDP data on Zanzibar for the financial year 2014/15 is not yet available, so the 2014 calendar year GDP from the Bank of Tanzania (2015b) was used.

Figure 4: Annual Inflation and interest rates



Source: Bank of Tanzania (2015b) and National Bureau of Statistics (2015a)

billion. This equates to four months of imports, which is the Bank of Tanzania's target (Bank of Tanzania, 2015e).

The broad money supply is growing at an annualized rate of 17.8 per cent (August 2015), up from 13.9 per cent the previous year. Credit to the private sector is also accelerating. The annual growth rate was 24.1 per cent in August 2015, compared with 20.5 per cent the previous year. Although the largest share of this credit goes to trade (21.1 per cent), credit to manufacturing and hotels and restaurants has also been growing rapidly. In August 2015, both subsectors saw an annualized growth rate of more than 33 per cent (Bank of Tanzania, 2015e).

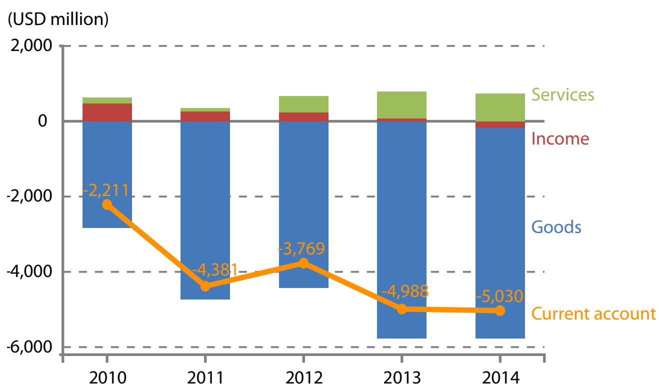
Despite these improvements, private sector credit remains expensive, with the lending rate above 15 per cent in 2014 (see figure 4). In the same year, the spread between lending and deposit rates was 8.1 per cent. Such a large spread indicates that the financial sector is performing inefficiently; this may be due to an uncompetitive market structure (Were and Wambua, 2014; Folawewo and Tennant, 2008). As a result, there is notable room for the financial sector to improve the contribution that it makes to the country's growth and development.

3.4 Current account

The current account deficit of the United Republic of Tanzania has been widening steadily in recent years (see figure 5). The deficit reached more than US$ 5 billion in 2014 (-10.4 per cent of GDP), up from US$ 2.2 billion in 2010 (-7 per cent of GDP). While the United Republic of Tanzania is one of very few countries in East Africa to consistently record a trade surplus in services (TSh745 million in 2014) (due principally to tourism-related income), this has not been sufficient to offset the rising imports of goods. Indeed, imports of capital, intermediate and consumer goods have all increased steadily since 2008 (see figure 7). The total value of oil imported has more than doubled between 2011 and 2014 (Bank of Tanzania, 2015f).

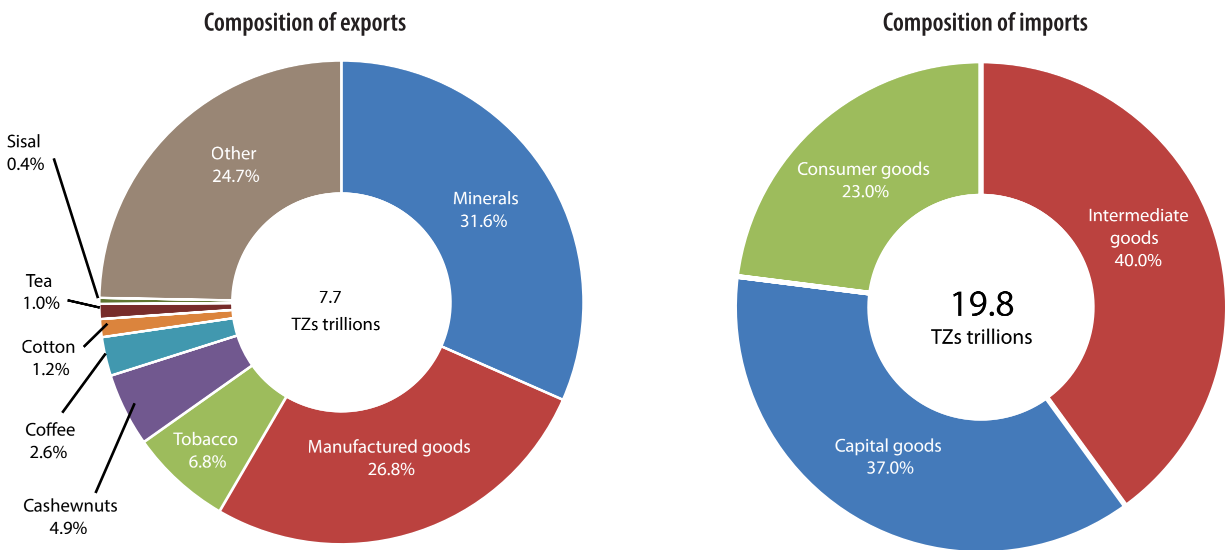
Export performance presents a mixed picture. On the one hand, exports of manufactured products have grown steadily to reach TSh2 trillion in 2014, equivalent to 27 per cent of total exports. This is one of the reasons why non-traditional exports are now significantly outweighing traditional exports. On the other hand, mineral exports, which usually constitute the largest share of exports of the country (TSh2.4 trillion in 2014), have been recently performing poorly and actually declined by 15 per cent from 2013 to 2014, due principally to falling commodity prices. Looking forward, the prospects for mineral exports are also mixed. The weak outlook for the price of gold

Figure 5:Current account balance



Source: Bank of Tanzania (2015b)

Figure 6: Foreign trade



Note: Traditional exports are coffee, cotton, sisal, tea, tobacco and cashew nuts. Non-traditional exports are minerals, manufactured products and "others".
Source: Bank of Tanzania (2015b)

is at least partially offset by the expectation of new mineral exports coming online, including uranium and nickel.

Exports to China increased by 130 per cent between 2013 and 2014, making China now the second-largest export destination behind India. As recently as 2008, exports to China made up only 7 per cent of all exports. While this growth is a positive development, it does come with the risk that the United Republic of Tanzania is now more exposed to the economic uncertainties due to the slowdown of growth in China.

Finally, there is scope to leverage trading opportunities better by reducing some of the persistent structural and bureaucratic impediments to trade. The United Republic of Tanzania ranks poorly in the World Bank's logistics performance index (World Bank, 2015a). The country has fallen from ranking eighty-eighth in the world in 2012 to ranking 138th (2014). This places it below the sub-Saharan African average and makes it the lowest ranking of all EAC member States. It is particularly far behind other EAC member States in the areas of tracking and tracing consignments and the competence of its logistics services. As Dar es Salaam is a major port for the whole of the EAC region, this has implications for other partner states.

3.5 Capital account

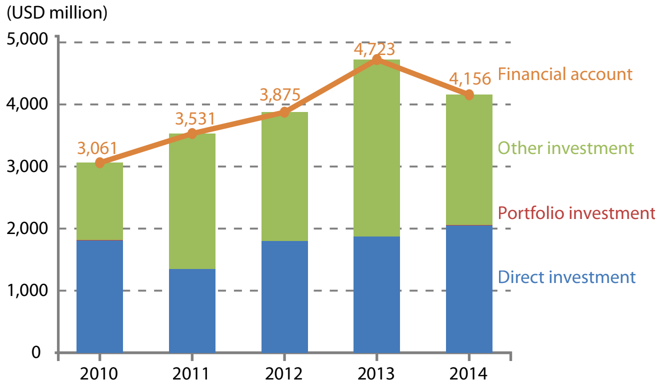
The United Republic of Tanzania is a leader in the region when it comes to attracting foreign direct investment (FDI). Net inflows increased to US$ 2.1 billion in 2014 according to the United Nations Conference on Trade and Development (2015), placing the country among the top three recipients of FDI among the least developed countries in the world. The country's stock of inward FDI has now reached US$ 17 billion, the highest of any country in East Africa. Most of this stock is in the gas sector, although the Government has begun to actively seek to attract more FDI to the agricultural sector and the manufacturing subsector, which have a higher job creation elasticity.

One drawback of large-scale FDI inflows is that it is often accompanied by a substantial repatriation of profits to outside the host country. The United Republic of Tanzania is no exception, with profit outflows amounting to US$ 541.4 million (1 per cent of GDP) in 2014. However, the absolute value of these outflows recently seems to be declining (see figure 7). At the same time, widely circulated concerns about illicit financial flows are being addressed in an inquiry led by the Bank of Tanzania, the results of which are due to be released in May 2016.

With respect to the financial accounts, direct investment has fallen from close to 60 per cent of total investment in 2010 to 49 per cent in 2014 (see figure 8). In comparison, portfolio investment inflows remain tiny. Nonetheless, the Dar es Salaam stock exchange has been growing steadily over recent years. As at October 2015, market capitalization stood at TSh21 trillion (about US$ 7.8 billion or approximately 25 per cent of GDP). Although it is notably smaller than the Nairobi stock exchange (US$ 19 billion), it is larger than the stock exchanges of Rwanda (US$ 3.9 billion) and Uganda (US$ 7.4 billion).[7]

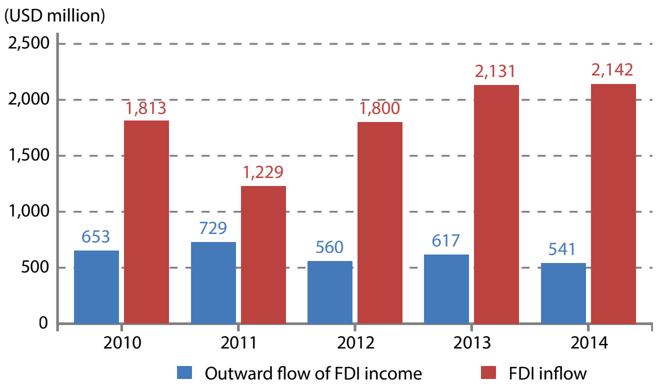
Official development assistance (ODA) declined by 23.4 percent in 2014, compared to 2013, according to figures released by the Organization for Economic Cooperation and Development (2015). This is partly explainable by cuts implemented by donors following allegations of corruption in the energy sector, but is also part of a more general downturn in development finance directed towards low income countries. The largest bilateral donor for Tanzania is the United States of America, which provided an average of US$ million of 623 million in 2013/14. The majority of the bilateral aid is allocated to a combination of education, economic infrastructure, health and population issues.

Figure 8: Financial account balance



Source: Bank of Tanzania (2015b)

Figure 7: FDI inflows and profit repatriation outflows



Source: Bank of Tanzania (2015b) and United Nations Conference on Trade and Development (2015)

7 Authors' calculations based on data from the official websites of each stock exchange.

4

SOCIAL DEVELOPMENTS

As highlighted above, the country's second strategy for growth and poverty reduction – MKUKUTA II – contained a set of six goals directed at improving quality of life and social well-being. MKUKUTA II was due to expire in June 2015 but was extended by one year so that its successor could be incorporated into the second five-year development plan (2016/17-2021/22), a strategy that had previously been run in parallel with the first five-year development plan (2011/12-2015/16).

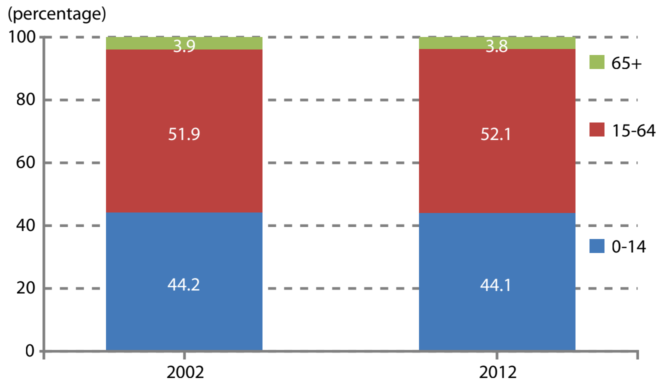
4.1 Demography

The most recent census in 2012 estimated the population of the United Republic of Tanzania at 45 million. As in many countries in the region, youth make up a large share of the population, with 79 per cent of the population less than 35 years old (National Bureau of Statistics, 2013). This "youth bulge" first emerged in the 1980s. While it has the potential to create a demographic dividend, in the sense of reducing the dependency ratio[8], it also presents challenges, including the need to constantly create new jobs. An estimated 700,000 workers join the Tanzanian labour force every year (United Republic of Tanzania, Economic and Social Research Foundation and United Nations Development Programme, 2015).

Population density varies considerably across the country. The Tanzanian mainland is sparsely populated, with an average of 49 people per square kilometre. In contrast, according to the census, there are 530 people per square kilometre in Zanzibar, a density higher than that of Rwanda, the most densely populated country in Africa. Demographic trends are also affected by urbanization, which is expected to continue at a rapid pace. The World Bank (2014a) forecasts that Dar es Salaam will become a mega-city of over 10 million people by 2027. At the national level, the urban population is growing at a rate of 5.2 per cent per year, which makes the United Republic of Tanzania the fourth most rapidly urbanizing country in East Africa, behind only Rwanda (6.4 per cent), Burundi (5.6 per cent) and Uganda (5.4 per cent) (United Nations and World Bank, 2014).

The total population is growing at an annual rate of 2.7 per cent. This is lower than the rate registered in

Figure 9: Population



Source: National Bureau of Statistics (2015a)

8 The dependency ratio is a measure showing the number of dependents (aged 0-14 and over the age of 65) to the total population (aged 15-64).

neighbouring Kenya and Uganda (both of which are growing at a rate of 3 per cent per year), but much higher than the average rate for all less developed countries (1.36 per cent) (National Bureau of Statistics, 2015a).

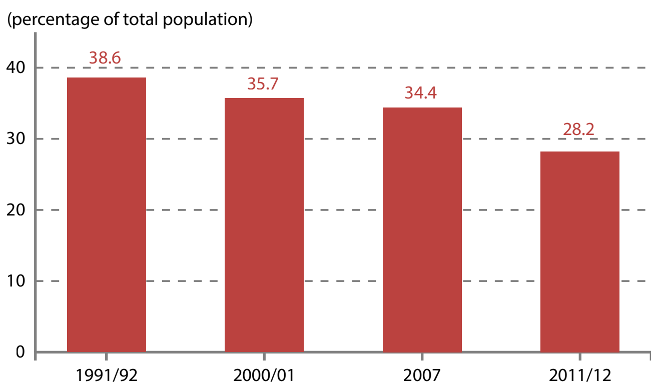
4.2 Poverty and employment

The progress made by the United Republic of Tanzania in reducing poverty has been disappointing relative to its economic growth. On the one hand, the proportion of the population living below the basic needs poverty line has been falling under MKUKUTA II and was 28.2 per cent when it was last officially measured in 2011/12 (see figure 10). On the other hand, poverty rates vary throughout the country, and there is a growing divide between urban and rural areas that is discussed in more detail in section 5.2. At the same time, the most recent edition of the National Panel Survey, which employs a different methodology and has a smaller sample than the household budget survey quoted above, suggests that poverty may have increased in the two years prior to 2013. Furthermore, it estimates that 42.6 per cent of Tanzanians experienced some form of food shortage in the 12 months leading up to the Survey (National Bureau of Statistics, 2014).

Perhaps more worryingly, perceptions of living conditions among Tanzanians appear to be deteriorating. Since the early 2000s, the proportion of Tanzanians reporting that their living conditions are fairly bad or very bad has been rising, while the proportion of those reporting that their living conditions are fairly good or very good has been falling (see figure 11). Of course, perceptions can be expected to change over time and this trend may be a function of higher expectations as a result of improved growth, just as much as of a deterioration in living standards. Nonetheless, it remains the case that 63 per cent of those surveyed in 2014/15 considered their living conditions to be fairly bad or very bad.

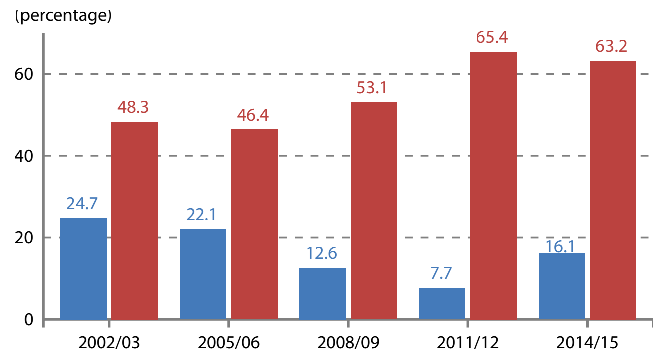
A key factor behind the discrepancy between economic growth and poverty reduction has been the relatively poor performance of the labour market. On the one hand, the unemployment rate has fallen since the mid-2000s among the total labour force and among young people (see

Figure 10: Population below basic needs poverty line



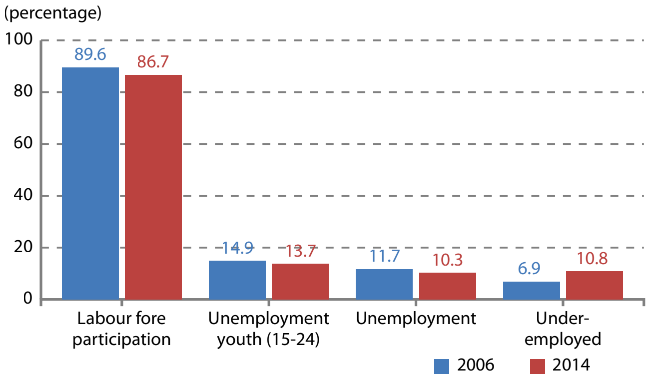
Source: National Bureau of Statistics (2015a)

Figure 11: Perceptions of living conditions



Source: Afrobarometer (2015)
Survey question: In general, how would you describe your own present living conditions?
Proportion of total responses that were very bad or fairly bad (left-hand side graph), very good or fairly good (right-hand side graph)

Figure 12: Labour market outcomes



Source: Rwanda Statistical Yearbook (2014).

figure 12).[9] In addition, the proportion of the employed work force whose status in employment is agriculture has fallen from 75.1 per cent in 2006 to 65.7 per cent in 2014.[10] This is a promising sign for the pace of structural transformation. The fall in the labour force participation rate, which is already high, may also be a positive sign, if it is driven by citizens moving into secondary and tertiary education rather than the labour force. The rising net enrolments rates (see section 4.4) suggest that this may be the case. However, a more worrying trend has been the rising rate of underemployment (see figure 12) (National Bureau of Statistics, 2015b). In addition, among the unemployed, the proportion of those who are considered to be long-term unemployed, has also been rising.[11] Finally, while unemployment among men and in urban areas has been falling, unemployment among women and in rural areas has been increasing (National Bureau of Statistics, 2015b). This has an important implication for the trajectory of inequality in the United Republic of Tanzania, which is discussed further in section 5.2.

9 According to national statistics, a person is considered to be employed if he or she is involved in some economic activity for at least one hour over the reference period.

10 Note that this is a slightly different measure from the proportion of total employment in the agricultural sector (66.3 per cent in 2014), which is also discussed in the present profile.

11 Long-term unemployment refers to a situation in which a person has been without a job for one year or more and has been looking for a job during that time. The long-term unemployment rate is the proportion of those unemployed who are considered to be in long-term unemployment. The rate has risen from 17.9 percent in 2006 to 32.2 percent in 2014 (National Bureau of Statistics, 2015f).

4.3 Health

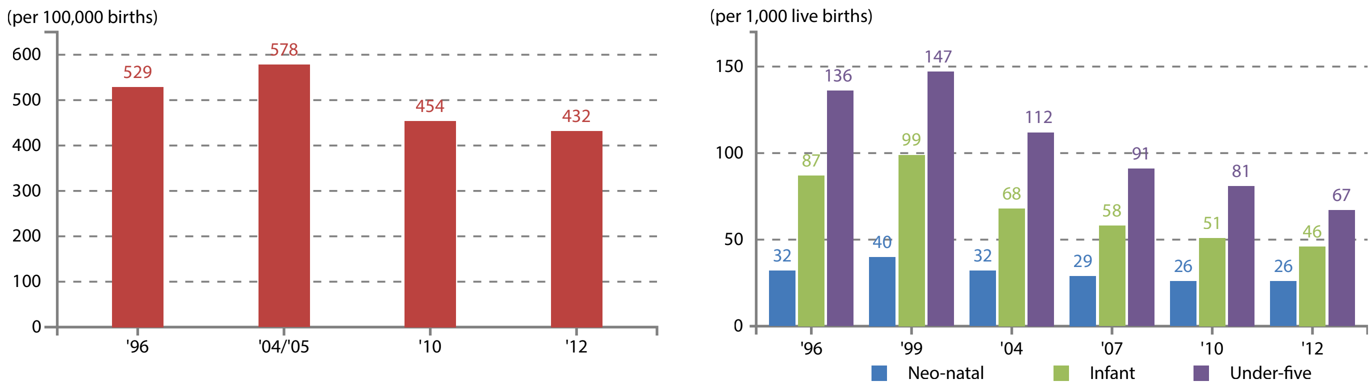
The United Republic of Tanzania is ranked low on the human development index, where it occupies 151st place. In comparison, neighbouring Kenya is ranked 145th, while Uganda and Rwanda are both ranked 163rd (UNDP, 2015). The index measures development across three spheres: health, education and income. In the area of health, there has been some notable progress. For instance, life expectancy has risen from 51 years in 2002 to 61 years in 2012. Meanwhile, infant mortality fell from 92 deaths per 1,000 live births in 1992 to 46 in 2012. Mortality rates for children under 5 years of age have fallen from 141 to 67 over the same period. Finally, maternal mortality has fallen from 529 per 100,000 live births in 1996 to 432 in 2012 (National Bureau of Statistics, 2016b). Part of this success is due to a reduction in the disease burden - or, at least, containing its advance. Thus, for instance, the implementation of the Third Health-Sector Strategic Plan (2009-2015), which directly targeted HIV and AIDS, resulted in the prevalence of HIV on the mainland falling from 5.8 per cent in 2008 to 5.3 per cent in 2012. More than 65 per cent of health facilities in the United Republic of Tanzania offer services aimed at preventing mother-to-child transmission (Ministry of Finance, 2014).

Unequal access to food, variation in the quality of public services and other socioeconomic and distributional factors remain factors limiting further progress. In particular, nutrition outcomes among children have actually worsened. At the national level, 42 per cent of children under 5 have low height-to-age ratios (as at 2010), which means that they are stunted, while 16 per cent have low weight-to-age ratios, which suggests chronic and acute undernutrition.[12] In part, these results may be related to low per capita spending on health care. The United Republic of Tanzania spent about US$ 49 per person on health care in 2013.This places it behind Rwanda (US$ 71), Uganda (US$ 50) and only slightly

12 These indicators were 38 per cent and 22 per cent respectively in 2004.

Figure 13: **Health**

Maternal mortality rates **Child mortality rates**



Source: National Bureau of Statistics (2015a)

above Kenya (US$ 45) (Namata, 2015). This low level of funding needs to be addressed if government services are to respond to the demands of Tanzanian citizens. In one recent poll (Pew Research Centre, 205) this was highlighted as the most important priority by 45 per cent of respondents, much higher than any other priority, including education (29 per cent), food supply (9 per cent) and government effectiveness (8 per cent).

4.4 Education

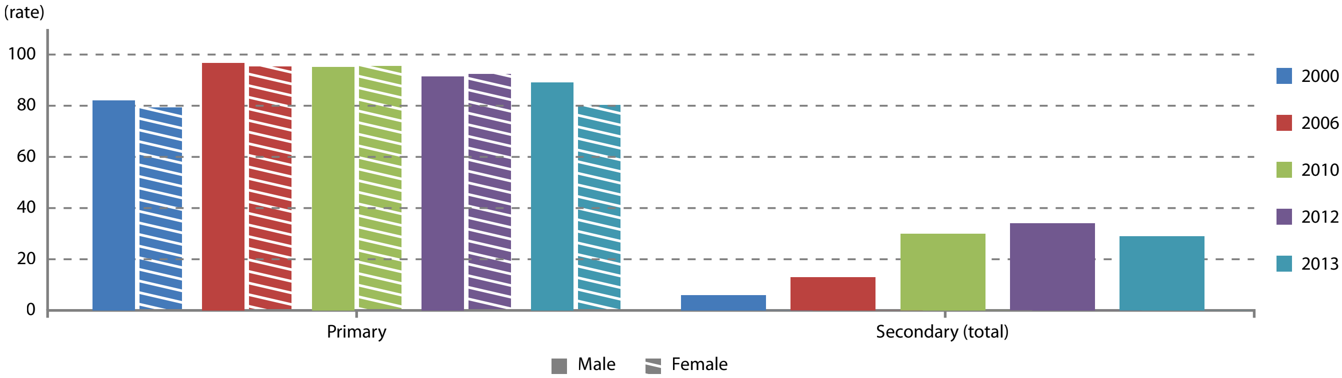
The remarkable success achieved by the United Republic of Tanzania in improving access to education has received much attention. Immediately prior to the implementation of the Primary Education Development Programme, which began in 2001, the net attendance ratio in primary schools was 59 per cent (2000). By 2013, this had risen to 77 per cent at the national level (National Bureau of Statistics, 2015a). Gender equality with respect to enrolments has improved[13] and notable progress has also been achieved in reducing the repetition rate.[14] At the secondary level, the net enrolment rate increased from only 5 per cent in 2000/01 to 29 per cent in 2011/12. Meanwhile, tertiary enrolment increased 200 per cent in just seven years (2005/06-2012/13) but remains low at only 204,000 enrolments (Ministry of Education and Vocational Training, 2014).

The challenge, however, is that these improvements in access to education have not been accompanied by commensurate improvements in the quality of that education. At the primary level, in particular, the learning outcomes have been disappointing, despite an increase in funding. Twaweza (2014) reports that only 3 out of 10 children who are in standard three can do standard two work. Meanwhile, 3 out of 10 children who have completed primary school in grade seven can neither read nor do mathematical problems of standard two. Finally, there are also worrying differences developing between the education outcomes of children in rural and urban areas, which are discussed in more detail below, in section 5.2.

13 For instance, on the Tanzanian mainland, the average gross completion rate for male and female students were 83 and 91 percent between 2010 and 2013respectively (Ministry of Education and Vocational Training, 2014).

14 The number of children repeating primary school declined by 30 percent between 2005 and 2013 and the drop-out rate fell from 4 percent in 2001/02 to 3 percent in 2011/12 (Ministry of Education and Vocational Training,2014).

Figure 14:Education outcomes (proportion of population)



Source: National Bureau of Statistics (2015a)

Despite these challenges, the education system is still generating steady improvements at the national level. The proportion of adults who are literate and the proportion of adults who have some form of education have steadily risen over the past 20 years (see figure 14).

4.5 Gender Scorecard of the African Union Commission*

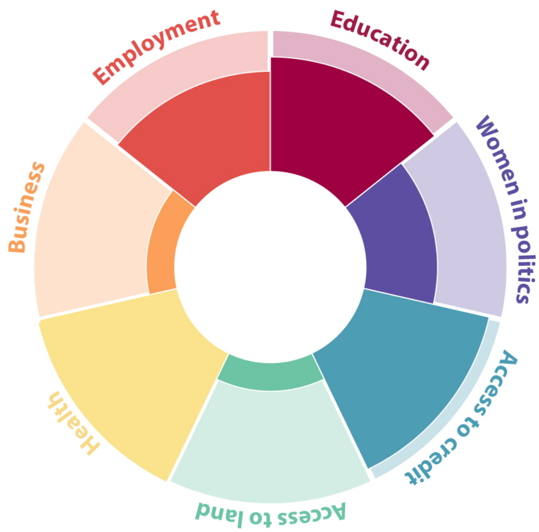
The African Union declared 2015 as the Year of Women's Empowerment and Development towards Africa's Agenda 2063, with a view to building momentum for gender equality and women's empowerment on the continent. Based on this commitment, the African Union developed the African gender scorecard. The scorecard is designed to measure the status of gender equality and women's empowerment in seven core sectors that have a transformative impact on women's lives through their contribution to broad-based, sustainable and inclusive growth. These core sectors are: employment, the business sector, access to credit, access to land, women in politics and decision-making, health, and education at the secondary and tertiary levels.

Interpretation of the pie chart: *The scoring is between 0–10, with 0 being the worst level of inequality, 5 suggesting middle parity, and 10 indicating perfect parity. Perfect parity connotes a situation where the proportion of men and women is equal, irrespective of the developmental level of the variable or indicator being assessed. Some countries go beyond the score of 10, thus showing that women may be more highly empowered in that subsector than men for that country. However, caution is needed when drawing conclusions based only on the scores, particularly when there are large variations in levels of developmental achievements between countries.***

Employment	Score
Employment in non-agricultural sector	5
Labour force participation rate	10

Business	Score
Top management in firms	2
Ownership in firms	3

Health	Score
Under-five survival rate	10
Children under age five who are not stunted	11
Life expectancy at birth	10
Share of population without HIV	7



Education	Score
Youth literacy rate	10
Enrolment ratio in secondary education	9
Enrolment ratio in tertiary education	5

Women in politics	Score
Representation in parliament	6
Ministerial positions - cabinet	5

Access to credit	Score
Account at a financial institution	8
Borrowed from financial institution	10

Access to land	Score
Access to land	2

* The data used in the calculation of the scorecard are drawn from several international databases and sources, including: United Nations, Statistical Division; World Development Indicators, Global Financial Inclusion Database and Enterprise Surveys of the World Bank; the Gender and Land Rights Database of the Food and Agriculture Organization of the United Nations; International Labour Organization; United Nations Children's Fund; Joint United Nations Programme on HIV/AIDs; World Health Organization; International Food Policy Research Institute; United Nations Educational, Scientific and Cultural Organization; United Nations Population Division; United Nations Population Fund; Inter-Parliamentary Union; and some national data sources. Data on access to land were drawn from several sources, with the scoring and harmonization of legislative frameworks done in-house by the African Centre for Statistics and the African Centre for Gender.

** The pie chart is based on the African gender scorecard, which was presented to the Heads of State and Government at the twenty-fifth ordinary session of the Assembly of the African Union in June 2015.

5

MAJOR POLICY CHALLENGES

5.1 Industrialization

The results of policies to promote industrialization in the United Republic of Tanzania have thus far been mixed. The manufacturing subsector was small in the years immediately following independence, contributing a modest 3-4 per cent of GDP (Rweyemamu, 1973). Of the few industrial establishments that existed, most were involved in the processing of primary products or basic foods. Massive state investment during the 1960s saw the value added of the subsector rise. However, it declined again in the 1970s owing to a series of external and internal shocks and then declined further in the late 1980s and 1990s during a period of structural adjustment (United Nations Industrial Development Organization and United Republic of Tanzania, 2012). It was not until the turn of the millennium that the manufacturing subsector began to grow again. Manufacturing's gross value added grew by 6.9 per cent between 2013 and 2014 (Bank of Tanzania, 2015f). More recently, exports of manufactured goods expanded by 12.7 per cent in the year to August 2015 (Bank of Tanzania, 2015e).

Against this backdrop, the Government of the United Republic of Tanzania is developing its next five-year development plan with a special focus on industrialization. This will not be the first government policy in the area. It follows the Integrated Industrialization Development Strategy of Tanzania 2011 and the Zanzibar Industry Policy 1998. The importance of manufacturing is also highlighted in other strategic documents (e.g. the Investment Policy 2005 and the Trade Policy 2006). Measures in these documents include the establishment of export processing zones, the prioritization of certain sectors[15] and the introduction of tax incentives. There are currently six export processing zones in operation, as well as 17 regions identified as being suitable for the development of such zones in the future. The package of incentives introduced by the Tanzania Investment Centre include 10-year corporate tax "holidays" (five years for entities that have already invested in export processing zones), duty and value-added tax exemptions on raw materials, machinery, equipment and other inputs and tax exemptions on dividends for 10 years (Tanzania Investment Centre, 2014).

The relative success of these measures is a matter for conjecture. One promising development has been the growth of manufactured exports and an improvement in the diversification of export destination markets. Exported manufactured products as a percentage of total exports has increased from around 5 per cent at the turn of the millennium to 25 per cent in 2014 (Bank of Tanzania, 2015f). At the same time, export markets have diversified significantly. For instance, in 2000, 49 per cent of manufactured exports were sent to the European Union and 29 per cent to sub-

15 The Government has identified a number of potential sectors for industrial development on the basis of comparative advantage, availability of resources and overall economic effect. These are textile, agroprocessing, leather and leather products, light industry, and iron and steel.

Saharan Africa. By 2010, the share of European-bound exports had declined substantially with a concomitant increase in the export share of sub-Saharan Africa (34 per cent) and East Asia and the Pacific (34 per cent) (UNIDO and United Republic of Tanzania, 2012). On the domestic front, manufacturing's share of GDP has remained relatively static since 2010 on the mainland, while it has fallen on Zanzibar[16] (see figure 16).

The capacity of the manufacturing subsector to generate employment has remained comparatively lacklustre. The subsector continues to account for less than one fifth of formal employment, which is itself a tiny fraction of total employment (National Bureau of Statistics, 2015b). UNIDO and the Government (2012) argue that this is due to the fact that most existing manufacturing has been focused on capital-intensive, resource-based industries that tend to have a lower rate of job creation. Dinh and Monga (2013) argue that a number of structural matters are constraining the pace of industrialization, including a perceived anti-export bias, weak trade logistics, inadequate power supply and transportation infrastructure, a lack of entrepreneurial skills and access to capital, difficult access to industrial land, limited competition and relatively expensive labour. It is likely that major changes in the labour market are necessary in order for industrialization to drive the country into middle-income status.[17]

On balance, the manufacturing subsector has not yet achieved the aspirations set out by the Government. The Integrated Industrialization Development Strategy of Tanzania 2011 set the goal of growing the subsector to the point that it contributes 23 per cent of GDP. ECA calculations suggest that achieving this goal will require a step-change in growth - the subsector will need to grow from an annual average of 5.8 per cent (2012-2014) to 18.4 per cent until 2025 (Figure 17).

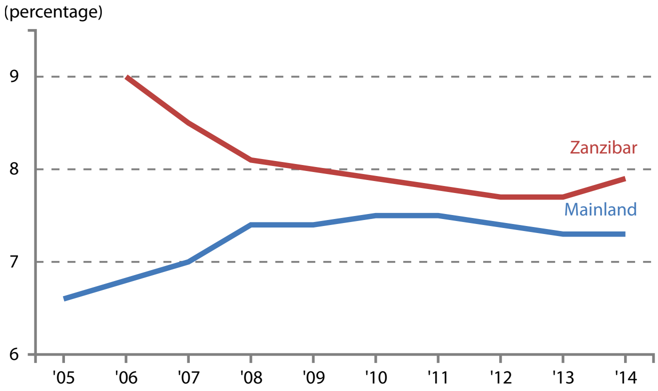
Ensuring that the manufacturing sector performs better in the future will require further measures to be implemented. Greater focus on developing the agro-processing sector is required, since manufacturing businesses in this area have a proven track record of producing positive spillover effects, such as boosting the productivity of the domestic agricultural sector. This approach would also be consistent with the national green revolution vision *Kilimo Kwanza*. At the same time, UNIDO (2012) makes a strong case for fine-tuning the education system so that more resources are allocated to developing production-related skills and so that teaching combines both theoretical and experience-based approaches. Finally, continuing and even accelerating the ongoing investments in infrastructure, particularly the electricity grid, the ports and the railway line, will help to improve the competitiveness of the manufacturing sector.

Ultimately, since industrialization is a gradual process, it will take time to build the necessary productive capacities and industrial competitiveness. Nonetheless, it is important that the Government commit itself to tapping into the transformational potential of a dynamic and flourishing manufacturing sector. The next five-year development plan's focus on industrialization is timely.

16 UNIDO (2012) argues that factors hindering industrial competitiveness in Zanzibar include limited implementation of action plans, a lack of coordination, insufficient priority given to industrialization by the Government's development vision, insufficient financial and human resources, and limited cooperation between public and private stakeholders.

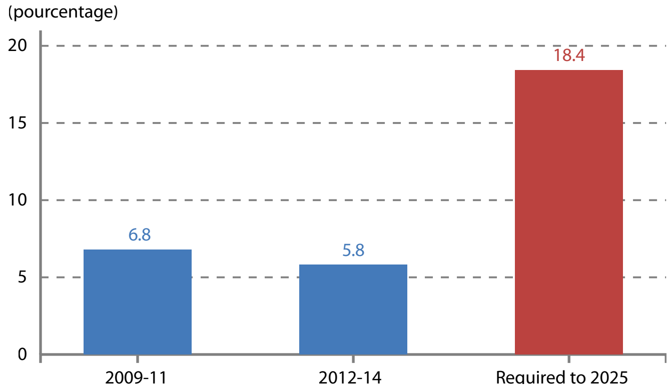
17 Moyo and others (2010) argue that, to get middle-income country status, the United Republic of Tanzania will have to almost triple the number of technicians and increase the number of professionals six-fold (as a percentage of the working population). The country will also need nearly 300,000 engineers, architects and related technicians along with up to 90,000 physical scientists and related technicians and 70,000 life scientists and related technicians.

Figure 15: Manufacturing as a share of GDP



Source: Bank of Tanzania (2015b) and ECA calculations

Figure 16: Real growth rate of manufacturing sector (using 2007 constant values)



Source: Bank of Tanzania (2015b) and ECA calculations

5.2 Inequality

Under the leadership of President Julius Nyerere, the United Republic of Tanzania was one of the first countries in East Africa to introduce large-scale policy measures aimed at building social cohesion and national unity. Those measures included the promotion of one national language (Kiswahili) and the requirement that secondary-school students and civil servants study or work outside their region of origin. While the efficacy of the measures is occasionally debated (see, for example, Scott, 1998), it is commonly agreed that the United Republic of Tanzania entered the millennium as one of the most stable and more equitable countries on the African continent.

However, the recent period of rapid economic growth has been accompanied with social developments that have put a strain on this delicate balance. A common indicator of inequality in income is the Gini coefficient. On the surface, according to this measure, income inequality does not appear to be a pressing issue: the most recent household budget survey reported a declining Gini coefficient, from 0.37 in 2007 to 0.34 in 2011/12. This is lower than the coefficient recorded for all other countries in East Africa except Burundi. However, the figure is inconsistent with the findings of a more recent National Panel Survey, according to which the Gini coefficient has actually increased, from 0.37 in 2010/11 to 0.39 in 2012/13.

Reducing a complicated phenomenon like inequality to a single number can hide important trends. For instance, further disaggregating income data shows that the top 20 per cent of earners in the United Republic of Tanzania earn nearly seven times as much as the bottom 20 per cent (Society for International Development, 2014). This is part of a broader trend in the East African Community. For instance, it has recently been estimated that six people in Uganda, Kenya and the United Republic of Tanzania have as much wealth as half the population of those countries combined (Taylor, 2014).

Inequalities are growing along other dimensions, including across regions (geospatial inequality) and between genders (gender inequality). With respect to the former, the divide between urban and rural areas is growing. The national poverty headcount of 28.2 per cent belies the fact that, in rural areas, the headcount reaches 33.3 per cent, while in Dar es Salaam the headcount is only 4.1 per cent. With respect to the proportion of the population living in multidimensional poverty, the rates range from 83 per cent in Dodoma to 26 per cent in Dar es Salaam. Much of the difference is driven by income inequality: the GDP per capita in Dar es Salaam is nearly three times that of the GDP per capita in Dodoma, as well as Kigoma and Singida (United Republic of Tanzania, Economic and Social Research Foundation and United Nations Development Programme 2015).

Gender inequality too persists despite government attempts to address it. A raft of policy measures have been designed, including the Women and Gender Development Policy 2000 and the National Plan for the Prevention and Eradication of Violence against Women and Children 2001-2015. Yet, a number of Tanzanian interviewees have noted that, while the country is excellent at drafting promising legislation and cutting-edge strategies, it has much less success in implementing them. It remains the case that, on average, salaries paid to women are 63 per cent lower than those paid to men. Meanwhile, the unemployment rate is higher among women than it is among men, in both urban and rural areas. In urban areas, it is more than twice as high (19.5 per cent instead of 14.1 per cent) (National Bureau of Statistics, 2015b). The United Republic of Tanzania is also one of only nine countries in sub-Saharan Africa to not provide equal inheritance rights to widows and widowers (World Bank, 2015b). Perhaps the bleakest indicator of gender inequality is violence. In a 2011 study, one third of women aged 15-49 reported having experienced physical violence often or sometimes over the previous 12 months (National Bureau of Statistics, 2011).

Of greatest concern is the fact that spatial and gender inequalities tend to overlap and reinforce each other. This is particularly true in the labour market: unemployment is highest among women in rural areas. While unemployment rates have been falling among men in urban areas, they have been rising in rural areas, among rural women in particular (National Bureau of Statistics, 2015b). Looking forward, these trends are likely to be exacerbated by the fact that differences in human capital fall along the same lines. In rural areas, 21 per cent of the economically active population has received no education. In Dar es Salaam, this rate is 4 per cent (National Bureau of Statistics, 2015b).

Admittedly, there is strong government commitment to addressing these issues. The achievement of gender parity in primary school education and the reduction of poverty in many rural areas, although not as fast as in urban areas, should be commended. The Tanzania Social Action Fund is also growing, as the Government seeks to extend the scheme to reach 7.5 million direct beneficiaries during the 2012-2017 programme period. Nonetheless, addressing inequality will continue to require concerted action by the Government.

6. NATIONAL DATA QUALITY EVALUATION

Methodological note

The quality of national data sources for key indicators in the country profiles was evaluated. The result is presented in colour codes, with green indicating a "good" data source, yellow for "satisfactory", and red for "needs improvement".

The evaluation focused on the transparency and accessibility of each national data source. The evaluation took into consideration the timeliness and periodicity of data publishing, based on the punctuality of publication and frequency of data updates in accordance with international standards. It also measured the comparability of the data series, based on their length, definition and standard units of measurement. It evaluated database accessibility, specifically whether the data were open and freely available to the general public, the format of the data, and the ease of downloading and sharing. Data citation, together with references to primary or secondary sources, was also assessed. Finally, the evaluation checked the completeness of metadata for data release and the completeness and clarity of documentation and notes.

Demography	Value	Evaluation
Population (millions)	44.9 (2012)	2
Children (under 15 years, %)	44.1 (2012)	2
Adults (15-60 years, %)	52.2 (2012)	2
Elderly (60+ years, %)	3.8 (2012)	2
Urban population (%)	29.6 (2012)	2
Growth rate (%)	2.7 (2012)	2

Education and employment	Value	Evaluation
Net enrolment ratio in primary education (%)	76.8 (2012)	2
Share of employed in primary sector (%)	66.3 (2014)	2
Unemployment rate (%)	10.3 (2014)	2
Youth unemployment rate (%)	13.7 (2014)	2

Key macroeconomic and sectoral performance indicators	Value	Evaluation
GDP, constant prices (trillions of TSh trillion)	41.2 (2014)	1
GDP, current prices (trillions of TSh)	78.3 (2014)	1
Real GDP growth rate (%)	7 (2014)	1
Inflation rate (%)	6.1 (2014)	2
Current account balance (millions of US$)	5 030 (2014)	1

Health	Value	Evaluation
Under-5 mortality rate (per 1,000 live births)	67 (2012)	2
Infant mortality rate per (per 1,000 live births)	46 (2012)	2
Maternal mortality ratio (per 100,000 births)	432 (2012)	2

Economic trends and performance indicators	Value	Evaluation
Total imports (trillions of TSh)	19.8 (2014)	1
Total exports (trillions of TSh)	7.7 (2014)	1
Exports of manufactured products	2.1 (2014)	1

Data sources code index
1. Bank of Tanzania
2. National Bureau of Statistics

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