

# Renewing the IGC Tanzania Country Strategy

Growth Week

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# Charting a course to middle income status

## The ambition of Vision 2025

- Annual growth rate of 5% per capita or 8% overall assuming a 3% population growth
- A pronounced growth spurt in the manufacturing sector accompanied by a more skilled labor force and high rates of migration to urban areas
- Large productivity gains in agriculture and movement of labor from agriculture to manufacturing
- Rapid growth in exports, FDI, domestic savings and government revenue

	Tanzania 2010	MMIC at turning point
Industry (% of GDP)	24	30.7
Manufacture (% of GDP)	9.4	17.8
Service (% of GDP)	47.6	48.6
Agriculture (% of GDP)	28.4	20.7

Sources: WDI database, ES 2009, own computation

# Tanzania: charting a course to middle income status

## Recent Economic Indicators<sup>[1]</sup>

	<b>Tanzania 2012</b>	<b>Representative Middle Income Country at transition point</b>
GDP Growth Rate (% in that year)	6.8	7.4
GFKF (% of GDP)	40.0	26.6
FDI (% of GDP)	3.9	4.5
G Dom S (% of GDP)	20.0	21.6
Net ODA (% of GNI)	10.3	4.5
Rev (% of GDP)	16.2	20.7
Inflation, consumer prices (% in that year)	16.0	7.8
Labour Force Growth Rate (% in that year)	2.8	2.2

[1] Based on IGC background paper for Planning Commission on “Attaining Middle Income Status”  
Sources: WDI database, own computations

# Country Context:

## Key Economic Challenges

- Increasing threats to macroeconomic stability
  - Fiscal control
  - Inflation (local and regional)
  - Uncertainty over development finance
- Limited structural transformation and rapid population growth
  - Recent growth driven by natural resources and services
  - Slower growth of high value added agriculture and industry
  - Lagging productivity growth in agriculture

# Country Context:

## Key Economic Challenges

- A “disconnect” between growth and poverty reduction
  - An increasing rural-urban divide
  - A perception of “jobless growth”
- The rising role of natural resources
  - Oil and gas: a potentially “transformative” asset
  - “Sleepwalking” into a boom

# The IGC Country Strategy: Areas of Engagement

- Macroeconomic management
  - Joint research with the Bank of Tanzania (FY10-13)
  - Joint research with the Ministry of Finance (FY10; FY12)
  - Joint research with the East African Community (FY 11-13)
- Structural transformation
  - Support to the Planning Commission (FY12)
  - Research on Agriculture and Rural Development (FY 10-13)
  - Research on Industry (FY11-13)
- Growth and poverty reduction
  - Analytical work on growth and poverty (FY10-11)
- Natural resources
  - Scoping work on natural resources management (FY12-13)
  - Advise on local content (FY12-13 / 13-14)

# The IGC Country Program: Major Stakeholders

- **Government:**
  - Bank of Tanzania
  - President's Office Planning Commission
  - Ministry of Finance
  - Ministry of Industry
  - Ministry of Agriculture
  - Ministry of Industry
- **East African Community**
  - Monetary Affairs Committee of EAC
- **Academia:**
  - University of Dar es Salaam (UDSM)
  - Sokoine Agricultural University (SAU)
  - Economic and Social Research Foundation (ESRF)
  - Research on Poverty Alleviation (REPOA)
- **Development Partners**
  - DFID/UK High Commission
  - World Bank Resident Mission
  - IMF Resident Mission

# Hits and Misses

- Hits
  - The macro research program
  - The Enterprise Map
  - Fiscal challenges and public expenditure analysis
  - Support for Vision 2025
- Misses
  - Depth and impact of research on agriculture
  - Take-up of growth and poverty work
  - Take-up of work on fiscal policy
  - Lack of momentum on urbanization and economic geography



# Future Directions

- Sustaining momentum
  - Extending the macro research program (inflation targeting)
  - New directions in public finance
  - Expanding work on industry (Domestic Content, SMEs)
- New initiatives
  - Strengthening work on agriculture
  - Deepening the work program on growth, employment and poverty
  - Developing a work program on natural resources
  - Urbanisation
- Strengthening the research team
  - New in-country economists
  - Attracting new blood to the Tz programme

# Strengthening Stakeholder Relations

- Building on success with the Planning Commission and the Ministry of Finance
- Strengthening links to the line ministries
- Undertaking joint work with the think tanks and UDSM
- Developing stronger ties with civil society and the private sector