

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^[1]

| | Tanzania 2012 | Representative Middle Income Country at transition point |
|---|--------------------------|---|
| 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