

# Country Economic Memorandum for Tanzania 2005

**W/Bank bi-monthly 'Coffee Morning' with  
the Press and CSOs in Tanzania**

**Wednesday, June 8, 2005**

# What is a CEM?

- \* **A ‘CEM’ is a piece of analytic work examining economic problems and prospects of a country.**
- \* **It is undertaken in WB member-countries on a regular basis (once in 3-4 years). The last CEM for TZ was prepared in 2000 – “TZ at the Turn of the Century”.**
- \* **Aims at deepening/widening understanding of an economy, including:**
  - \* **Recent performance record**
  - \* **Sources of growth**
  - \* **Available options/what can be done**
  - \* **Relative costs and benefits of future reform strategies.**
- \* **Prepared in collaboration with Govt & in open consultation with other national stakeholders.**

# Background to the Tanzania CEM 2005



## Clusters of Poverty Reduction Outcomes Under MKUKUTA

⇒ **Growth & Reduction of Income Poverty**

⊢ **Improvement in the Quality of Life & Social Well-being**

⊢ **Good Governance**

# MKUKUTA: Sources of Future Growth



⇒ **Investment in Human capability**

⇒ **Investment in physical capital**

⇒ **Factor productivity increases**

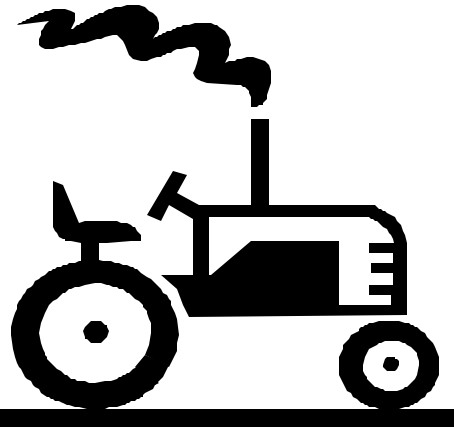


⇒ **PSD**

⇒ **Domestic trade**

⇒ **Trade diversification & competitiveness**

⇒ **Trade-related assistance**



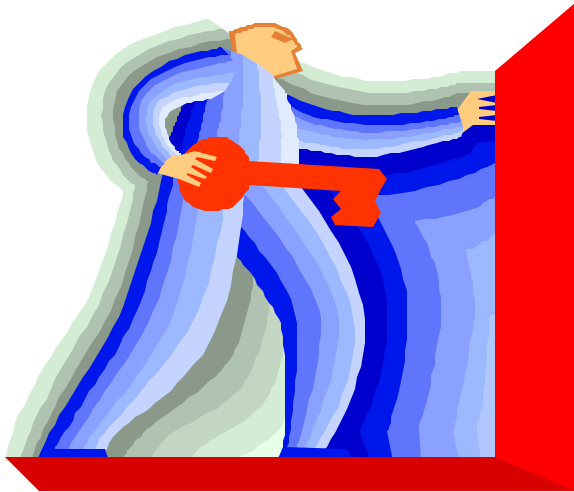
⇒ **FDI**

⇒ **Foreign assistance**

# Main Objectives of CEM 2005

- ★ **Support GoT to operationalize the growth-focus of MKUKUTA**
- ★ **Identify major constraints to growth**
- ★ **Provide an independent & objective analysis of TZ's growth record and prospects**

# Focus of the CEM 2005



- \* **What has been driving recent growth acceleration in Tanzania?**

- \* **Has higher growth translated into poverty reduction?**



- \* **What are the imperatives for sustaining economic Growth?**

- \* **What can be done to ensure shared growth?**

# CEM Preparation Process

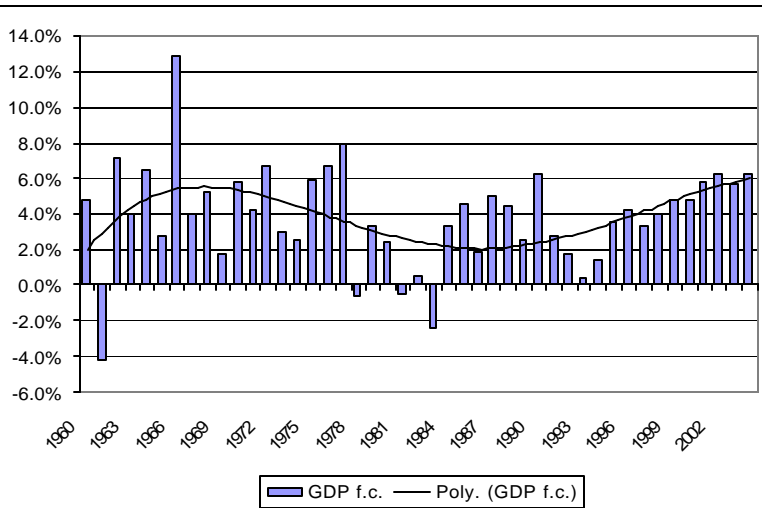


- \* **Collaborative - TZ & other analysts**  
{UDSM, ESRF, REPOA, TFNC, WB, UNESCO-IHE, Orebro University etc.)
- \* **Consultative:**
  - \* **Initial - GoT/R&AWG/private sector to define the scope**
  - \* **November 2004 – Dar, Mtwara, Lindi, Kigoma (Regional diversity; what is working)**
  - \* **March 2005 – Dodoma, Morogoro, Moshi, Dar (Regional diversity; what is working)**
  - \* **June/July 2005 - Draft for further consultations with GoT/other stakeholders**
  - \* **Finalization & dissemination**

# Preliminary Findings

$G_{\text{gdp}} = 2.4\%$  1992-1997

$G_{\text{gdp}} = 5.2\%$  1998-2003 !!



## Drivers of recent growth

- ★ **Reforms** (yielded macro-stability, liberalized economy & greater scope for a vibrant private sector)
- ★ **Foreign support**
- ★ **Gold contributed only little**

# But...Is the high growth sustainable?



## Concern

- ★ **Overall private sector investment stagnant over the past 10 yrs** (in spite of high FDI in mining, tourism, banking etc. )

# Did Growth acceleration translate into poverty reduction?

- \* **Only modest poverty reduction in the 90s**  
(35% living in poverty in 2001 compared to 38% in 1991 )
- \* **Improved housing, ownership of assets (radios, bicycles)**
- \* **Improved access to primary education**



- \* **Low g in early 90s** muted the impact of **high G in late 90s**
- \* **NB: Simulations suggest significant drop in poverty**

# Priorities for sustaining high Growth in TZ

- \* **Preserve reform achievements:**

- \* **Macro stability; Distinct public-private sector roles; Market prices; open economy**

- \* **Deal with most pressing constraints:**

- \* **Infrastructure; Access to finance; PPP**

- \* **Create space for future growth:**

- \* **Support innovation, HRD & ICT;**
- \* **Capitalize on TZ's econ. potentials to forge ahead domestic & global integration;**
- \* **Strengthen capacity for formulation, coordination & implementation of growth strategies**



# Ensuring pro-poor Growth



- \* **Generating more income from agriculture {farm productivity; agro-processing, market access; infrastructure; Institutional & regulatory f/work}**
- \* **Shift to more profitable agric products {high-value crops, Research & extension}**
- \* **Shift to income generating opportunities outside agriculture**
- \* **HCD- access to quality education, nutrition, health services etc.**

# WB Support to the Growth Agenda



**(a) Financial: (i) PRSC (\$150m FY05; \$175m FY06\*) - GBS**

**(ii) Credit/grants to projects, programs in agric, PSD, roads, power, education, health, water, HIV/AIDS ( \$341m FY03/04)**

**(b) Analytical/Advisory (CEM; Investment Climate Assessment; Rural Investment Climate Assessment; Diagnostic Trade Integration Study; Crop Boards Study, Sector-specific studies)**

ASANTE KWA KUNISIKILIZA



THANK YOU FOR YOUR ATTENTION

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June 8, 2005