Tanzania

Tanzania: Current Path

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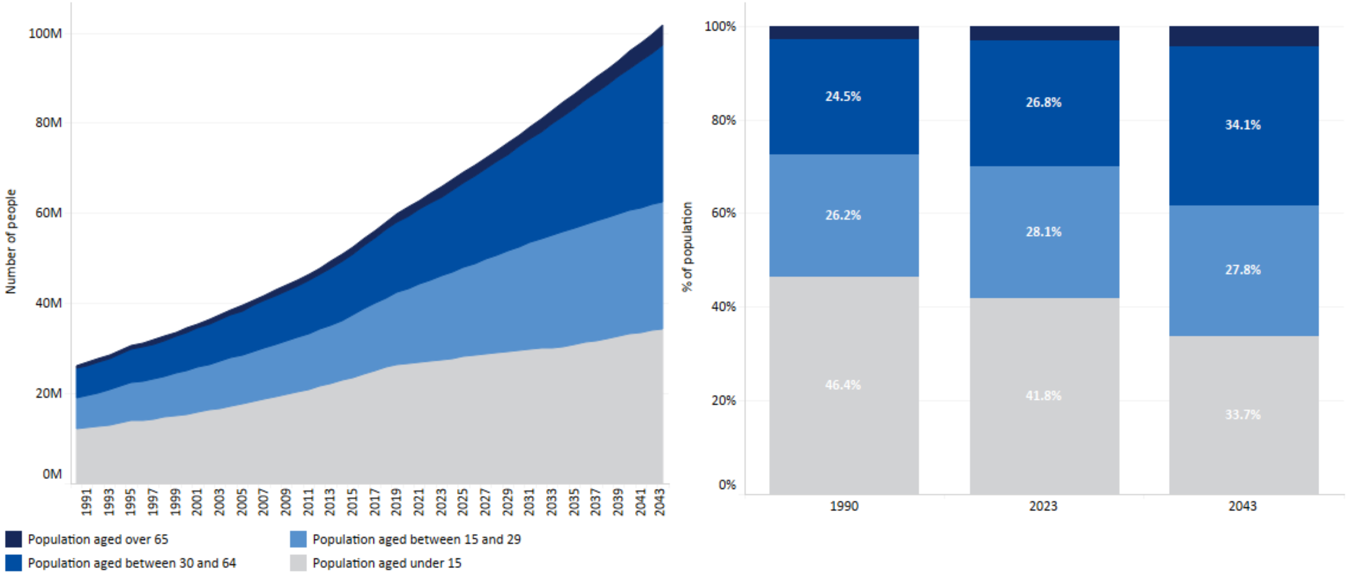
Chart 2: Population structure in Current Path, 1990-2043



Source: IFs 8.10 initialising from UNPD population prospects estimate and WDI population data

Chart 2 presents the population structure for 2043 in the Current Path forecast.

Tanzania has a young (median age 18.5 years) and rapidly growing population reflected in a population pyramid that is very broad at the bottom and still several decades away from entering a potential demographic window of opportunity. At independence in 1963, its population was estimated at 11 million. By 2000, it had increased to 34.5 million and, by 2023, to 65.8 million, growing at a rate of 2.4% per annum. In the Current Path forecast, Tanzania will have 102 million people in 2043. Total fertility rates are coming down, but slowly. In 2023, it was 4.7 children per fertile woman, and by 2043, it will have declined to 3.3 - consistently above the average for low-middle-income countries. In fact, in its immediate region, Tanzania's fertility rate is above rates in Mozambique, Uganda, South Sudan and Sudan.

Various factors contribute to Tanzania's high fertility and rapid population growth, including its large informal economy (45% of GDP in 2023) with low levels of urbanisation (37% in 2023) and education (adults above 15 years of age have 6.6 years of schooling), as well as the fact that the average age of first marriage is two years below that of its peer group In all these indices, Tanzania trails below the averages for 24 low-middle-income African countries.

These structural characteristics are such that they outweigh the fact that Tanzania has slightly higher access to modern contraceptives (at 41% in 2023) than the average for low-middle-income Africa (at 38%).

Because Tanzania has a larger cohort of children (aged 15 and below) at 42% of its total population compared to 38% of its peers in 2023, Tanzania's working-age population (aged 15 to 64) constituted 55% of its total population. The latter is three percentage points lower than the average for Africa's low-middle-income countries, translating into a comparatively smaller potential labour force with a commensurate reduction in the contribution that labour could make to economic growth.

Chart 3: Population distribution map, 2022

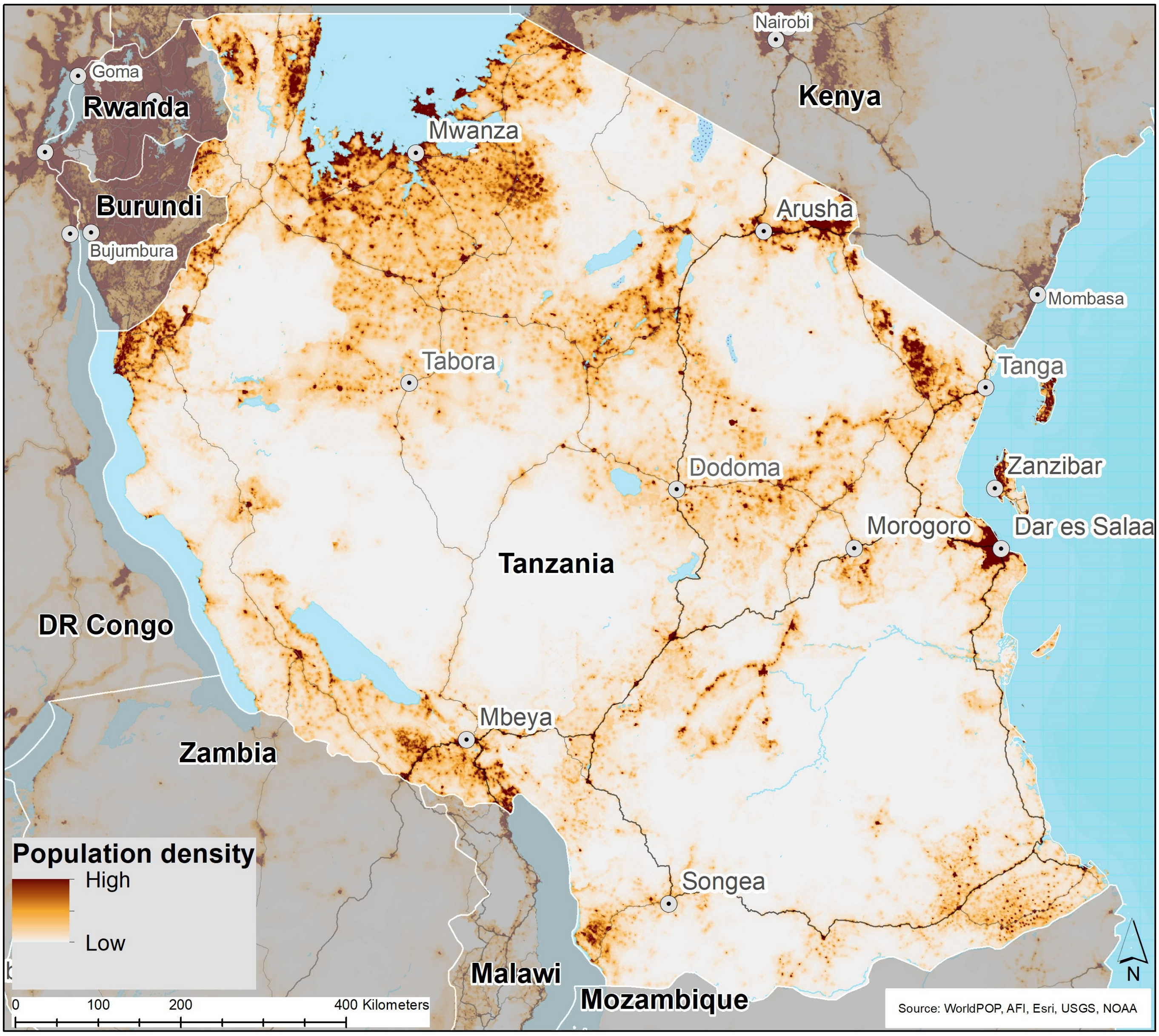


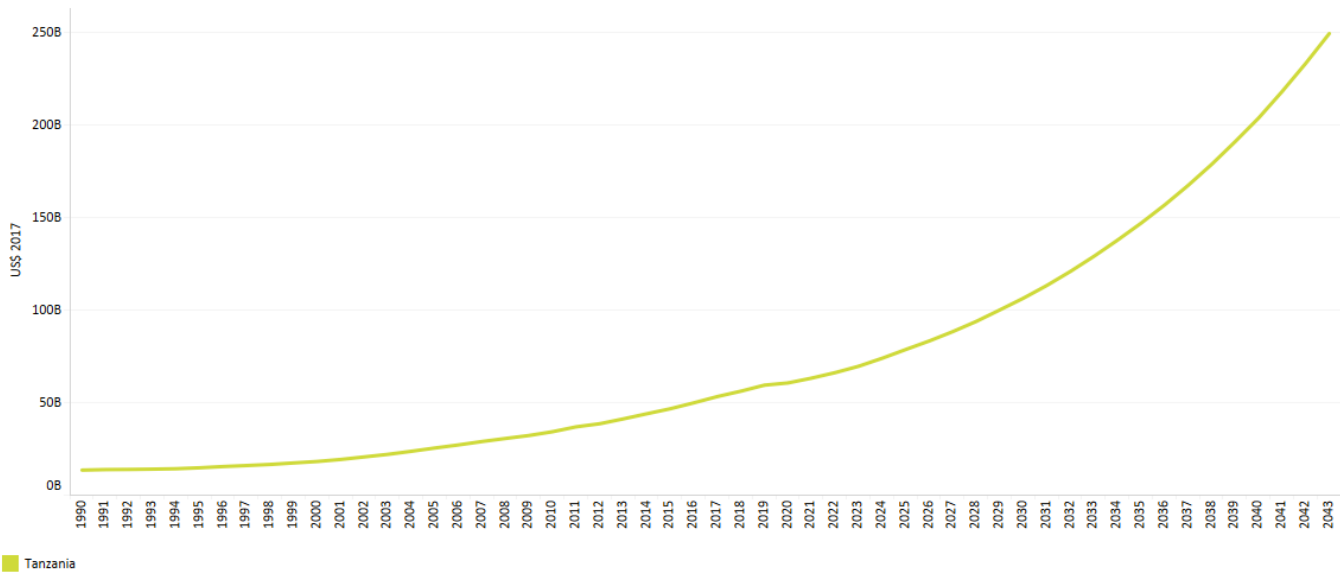
Chart 3 presents a population density map.

An estimated 63% of Tanzania's population was considered rural in 2023, comparable to Sudan, Zimbabwe, Guinea and Mozambique. Technically, Tanzania will become urban in 2040, at which point more than 50% of its population will be classified as urban. Overall population density is average for Africa, but it is vastly different between its 31 administrative regions.

The Dar es Salaam, the Mwanza, and the Arusha Regions are the most densely populated areas, home to Tanzania's major cities and commercial centres. The least densely populated areas are the Singida Region, the Manyara Region, and the Tabora Region. These regions are primarily rural and contain large semi-arid and arid land areas.

The uneven population distribution in Tanzania is due to several factors, including climate, geography, and economic development. The northern border and eastern coast regions have more favourable temperatures and are more fertile than the interior regions. They are also home to more infrastructure and economic opportunities.

Chart 4: GDP (MER) in the Current Path, 1990-2043



Source: IFs 8.10 initialising from IMF data

Chart 4 presents the size of Tanzania’s economy from 1990 and includes a forecast for 2043, including the associated growth rate.

Tanzania has experienced strong economic growth for several decades, primarily driven by its growing population. Still, it has long struggled with competitiveness, reflected in its poor ranking by various indices such as the World Economic Forum Global Competitiveness Index (2019), where it is ranked 117 out of 141 countries.

Despite various efforts to strengthen the competitiveness of the economy, improve the business and investment environment, and reduce the cost of regulatory compliance, the World Bank's Global Competitiveness Report 2022-2023[1] ranked Tanzania 147th out of 180 countries, scoring below the average for sub-Saharan Africa and the world average. According to the Bank, one of the main challenges to Tanzania’s competitiveness is its high infrastructure costs, including its extensive and underdeveloped road network and unreliable electricity supply.

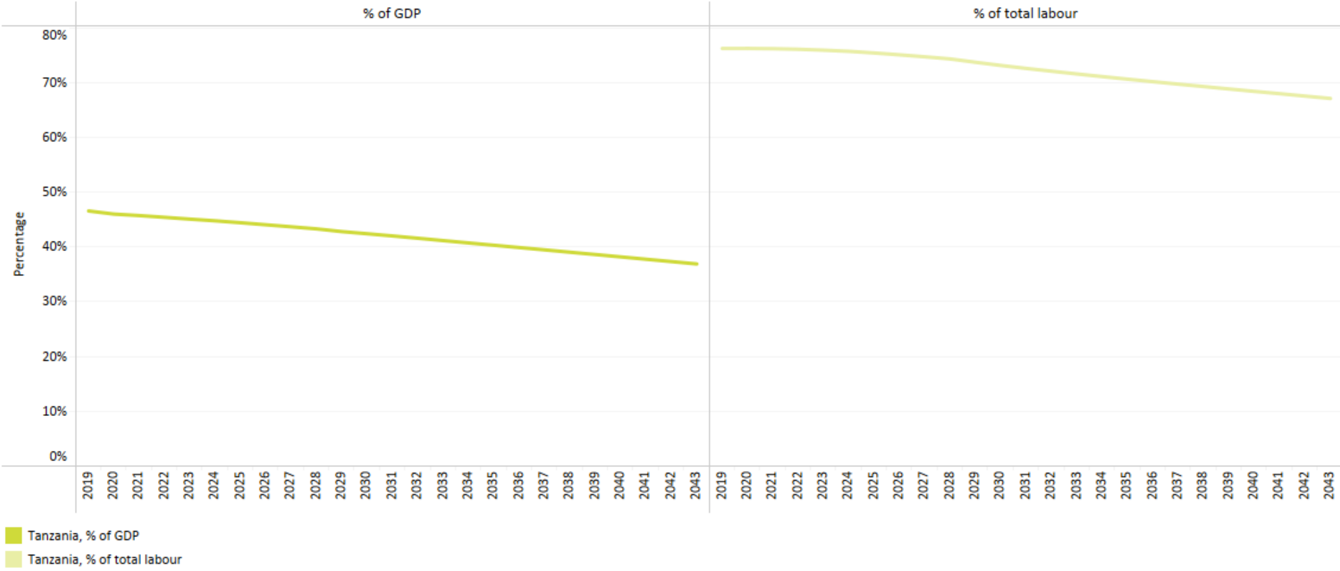
The World Bank's ease of doing business[2] (2020 data) ranks Tanzania 141 out of 190 countries. The extent to which the country trails in the region is evident, considering that neighbouring Kenya is at 56, Uganda at 116 and Rwanda at 38.

In Transparency International’s corruption perception index[3] (2022 data), Tanzania is considered moderately corrupt and ranked 94 out of 180 countries.

In the Global Innovation Index[4] (2022), Tanzania is ranked 103 out of 132 countries. Its most positive aspects relate to the strength of its institutions.

According to the Economic Freedom Index by the Fraser Institute (2021)[5], Tanzania is the 105th freest economy out of 165, considered ‘moderately free’ and ranked towards the bottom end of the index, doing particularly poorly on the freedom to trade internationally.

Chart 5: Size of the informal economy, as % of GDP and % of total (non-agriculture) labour, 2019-2043



Source: IFs 8.10 initialising from Elgin and Oztunali (2008), and Schneider and Enste (2012) data

Chart 5 presents the size of the informal economy as a per cent of GDP and, in absolute terms, as well as the per cent of total non-agriculture labour involved in the informal economy. Chart 33 presents the impact of the combined scenario on the informal sector.

Estimations and data on the informal sector are often unreliable and must be treated carefully. Researchers generally distinguish between the shadow and informal economy. According to the International Labour Organization (ILO): 'The informal economy refers to all economic activities by workers and economic units that are – in law or practice – not covered or insufficiently covered by formal arrangements. Where data is not available, IFs estimate the size. The ILO definition of employment in the informal economy excludes the agricultural sector.

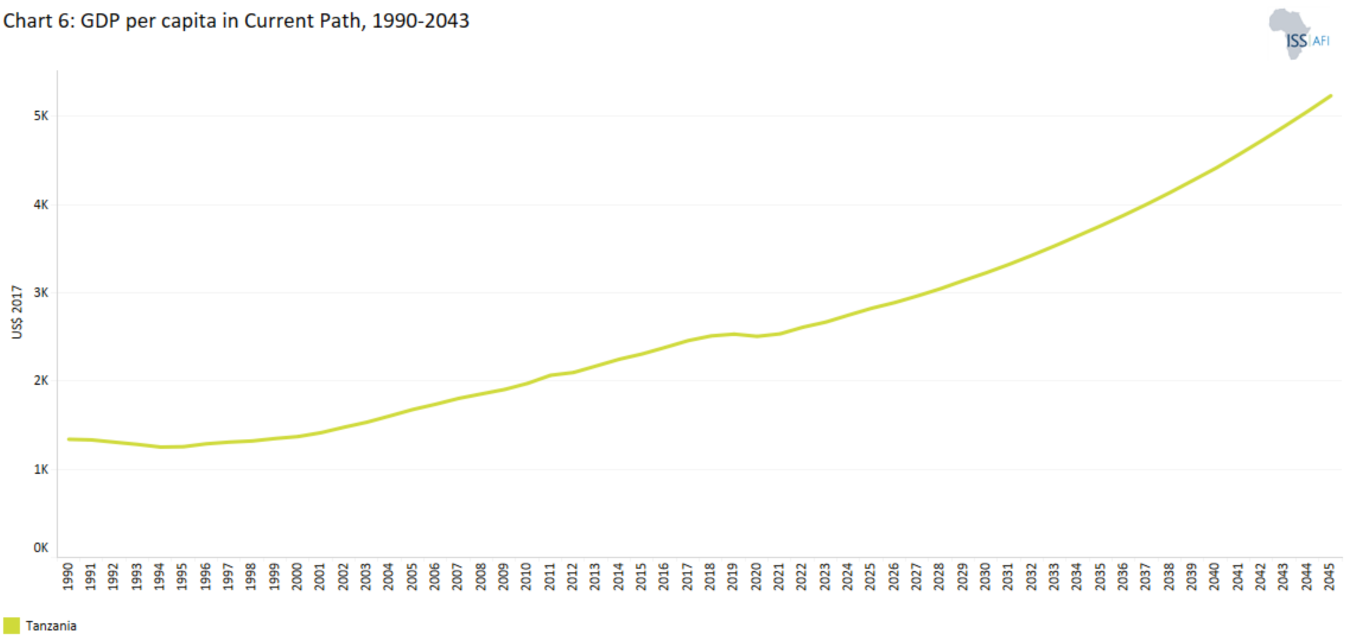
Much work has been done to understand Tanzania's[6] informal sector.

For example, the 2002 *Roadmap Study on the Informal Sector in Mainland Tanzania* reflects the regulatory and policy environment as an apparent handicap to the growth of small and medium-sized businesses. The study identified numerous regulatory constraints, including legal leftovers from colonial times or the previous socialist economic model, which only envisaged large enterprises. The Roadmap found that smaller business operators could broadly fit into two categories: survivalists and entrepreneurs. Survivalists tended to want to remain small and invisible and to avoid compliance. Entrepreneurs were split again into broadly two types: those who managed to comply to prevent harassment and be free to pursue their growth, and those who, while pursuing their growth, refused to comply with the demands of a corrupt bureaucracy.

At 45% of GDP in 2023, Tanzania has the second largest informal sector among Africa's low-middle-income countries a portion of its total economy. Only Zimbabwe's informal sector is larger. This means that a significant portion of Tanzania's economic activity occurs outside the formal economy, where businesses are not registered or taxed. By 2043, the contribution from Tanzania's substantial informal sector will decline to 37%, which is still very large. As a portion of the total economy, it will be the largest amongst Africa's 24 low-middle-income countries, followed by Nigeria, Benin and Zimbabwe. As a result, Tanzania has the lowest labour productivity amongst its peers.

At 76%, the percentage of Tanzania's informal labour is more significant in 2023 than any low-middle-income country and modestly declines to 67% in 2043. Benin had the second-largest informal labour share at 74%. Casual labour in Zimbabwe, which had a more significant informal sector than Tanzania in 2023, only constituted 41% of its labour force. By implication, not only is Tanzania's informal sector huge, but it also reflects very low levels of productivity. The informal sector in Tanzania is survivalist in nature. Although it provides a means of subsistence and survival for a large portion of the population, many are trapped in poverty.

Chart 6: GDP per capita in Current Path, 1990-2043



Source: IFs 8.10 initialising from IMF data

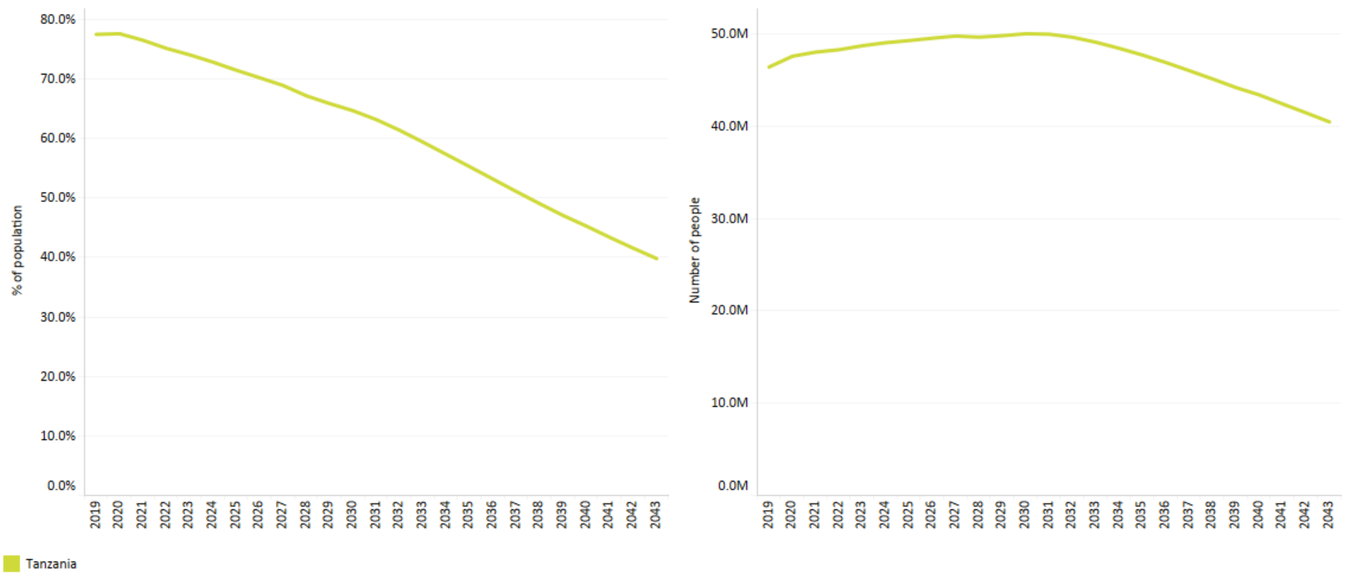
Chart 6 presents the average GDP per capita from 1990, including the Current Path forecast to 2043.

Until 1989, the GDP per capita for Tanzania was below the average of Africa's low-income countries, although the gap had been slowly closing. After that, more rapid growth in Tanzania meant that the World Bank upgraded the country to low-middle income status in 2020, reflecting the extent to which the country was growing more rapidly than most other low-income countries in Africa.

In 2023, the GDP per capita of Tanzania, at US$2 668, was 56% of the average for Africa's low-middle-income countries, third lowest amongst its peer grouping of low-middle-income countries, but improving. The two low-middle-income countries that, in 2023, had a lower GDP per capita than Tanzania were Lesotho and Zimbabwe.

On the Current Path scenario, Tanzania will grow its GDP per capita to US$4 890 or 43% of the group average by 2043, reflecting steady progress. Whereas it had the third lowest GDP per capita in the group in 2023, by 2043, it would have improved its ranking by one position, doing better than Comoros, Zimbabwe and Lesotho. The long-term growth prospects for Tanzania are positive.

Chart 7: Extreme poverty in Current Path as % of population and numbers, 2019-2043



Source: IFs 8.10 initialising from UNPD population prospects estimate, WDI and PovcalNet data

Chart 7 presents the number of people living in extreme poverty, also expressed as a percentage of the population.

In 2015, the World Bank adopted US$1.90 per person per day (in 2011 prices using GNI), also used to measure progress towards achieving Sustainable Development Goal (SDG) 1 of eradicating extreme poverty.

In 2022, the World Bank updated the poverty lines to 2017 constant dollar values as follows:

- The previous US$1.90 extreme poverty line is now set at US$2.15 for use in low-income countries.
- US$3.20 for lower-middle-income countries, now US$3.65 in 2017 values.
- US$5.50 for upper-middle-income countries, now US$6.85 in 2017 values.
- US$22.70 for high-income countries. The Bank has not yet announced the new poverty line in 2017 US$ prices for high-income countries.

Monetary poverty only tells part of the story. In addition, the global Multidimensional Poverty Index (MPI) measures acute multidimensional poverty by measuring each person's overlapping deprivations across ten indicators in three equally weighted dimensions: health, education and standard of living. The MPI complements the international US$2.15 a day poverty rate by identifying who is multidimensionally poor and also shows the composition of multidimensional poverty. The headcount or incidence of multidimensional poverty is often several percentage points higher than that of monetary poverty. This implies that individuals living above the monetary poverty line may still suffer health, education and standard of living deprivations.

Starting with monetary poverty. Using US$2.15, 50.3% of Tanzania's population was considered extremely poor in 2023, equivalent to 33.1 million people. As a per cent of its total population, only Zambia and Angola had higher monetary poverty rates among Africa's 24 low-middle-income countries in 2023. The Current Path forecasts Tanzania's extreme poverty rate will decline to 18.9% (or 19.1 million people) in 2043. Then Tanzania will still have a sizeable extreme poverty burden but rank 7th instead of third in the portion of extremely poor people among Africa's 24 low-middle-income countries.

While the US$2.15 extreme poverty line is used to monitor progress towards achieving goal 1 of the SDGs towards eliminating the extreme poverty line by 2030, Tanzania is now categorised as a low-middle-income country. The World Bank and others consider US$3.65 a more appropriate monetary poverty line than US$2.15 for these countries.

Using US$3.65, 74.1% (or 48.7 million) Tanzanians would be considered poor, a ratio that will decline to 39.8% (40.5 million) in 2043 on the Current Path forecast. These are large numbers, with only Nigeria, and Sao Tomé and Princípe having more significant portions of their populations classified as such. Tanzania will, however, make steady progress within the 24-country low-middle-income group and improve its ranking to the extent that, in 2043, it will have dropped from the country with the third-highest poverty rate to seventh.

Poverty has many dimensions. For example, the number of children under 15 in poor households in Tanzania is almost double that in non-poor households. Poor households also have significantly higher dependency ratios. About 44% of households with five or more children under 15 are poor, 18 percentage points higher than the national average and 28 percentage points more than the poverty rate for households with just one or two children. Furthermore, poverty is more prevalent among women. In urban areas, more women-headed households are poor than men-headed ones, and single and divorced women are poorer than men. The gap is high in rural and urban areas, particularly in the latter. Urban widows are also poorer than urban widowers. Ownership of assets, especially mobility and communication equipment, is also significantly lower among women-headed households, indicating women's limited access to productive assets.[7]

Using MPI, the Tanzania Human Development Report 2019-2022 estimated that the poverty rate in Tanzania was higher than the monetary measure of US$2.15, at 57.1% in 2021, while an additional 23.4% of the population was classified as vulnerable to multidimensional poverty. The contributions to overall poverty by the MPI dimensions were as follows:

- Health: 39.8%
- Education: 34.2%
- Standard of living: 26.0%

Nationally, the poor are defined as those whose consumption is below Tanzania's national poverty line and who, therefore, were not able to meet their basic consumption needs; the extreme poor were not able to afford enough food to meet the minimum nutritional requirements of 2 200 kilocalories (Kcal) per adult per day. The national basic needs poverty line in 2018 was TZS 49 320 per adult per month, and the food poverty line was TZS 33 748.

In response to its high poverty burden, the government has instituted numerous programs that range from investments in education, health, economic growth and social welfare that have helped the poorest Tanzanians, without which poverty rates would have been much higher. The potential income from its enormous gas resources would, if appropriately managed, allow the government to expand these efforts significantly by ringfencing profits for social grants.

The effects of such widespread and deep poverty mean that many Tanzanians are unable to afford enough food to eat, resulting in high levels of malnutrition and stunted growth. Nor can parents afford to send their children to school, and many citizens do not have access to quality healthcare and suffer from limited economic opportunities.

Poverty in Tanzania has been widely studied and is well understood, reflected in extensive reporting such as the 2020

Tanzania Mainland Poverty Assessment Report published by the World Bank and the Tanzania National Bureau of Statistics.

Chart 8: The Tanzania Development Vision 2025

THE UNITED REPUBLIC OF TANZANIA

THE TANZANIA DEVELOPMENT VISION 2025

Tanzania has a long history of national development plans, dating back to the country's independence in 1961. The first five-year development plan was launched in 1964, and it was followed by a series of plans, each of which has been informed by the country's changing development priorities.

The early development plans in Tanzania were focused on achieving economic growth and self-reliance. The Arusha Declaration of 1967, a policy statement issued by the ruling party at the time, enshrined the principles of *ujamaa* (socialism) and self-reliance as the basis for the country's development. The development plans of the 1970s and 1980s focused on implementing these principles through policies such as the collectivisation of agriculture and the promotion of village industries.

In the early 1990s, Tanzania adopted a more market-oriented approach to development. The development plans of this period were focused on promoting economic growth through private-sector investment and trade liberalisation. The National Development Vision 2025, launched in 1999, set a long-term goal for Tanzania to become a middle-income country by 2025. The three principle objects are achieving quality and good life for all; good governance and the rule of law, and building a strong and resilient economy that can effectively withstand global competition.

The current Five Year Development Plan lll (2021/22 - 2025/26) is the third in a series of plans to achieve the National Development Vision 2025 goals. The plan focuses on increasing the country's capacity for production, building a competitive economy, and stimulating human development.

FYDP III also aims to implement sectoral strategic plans, agreements and regional and international strategic plans, including implementing the Sustainable Development Goals (SDGs) to accelerate economic growth and social development.

The specific objectives of the FYDP III are:

(i) To build on achievements realised towards the attainment of the National Development Vision 2025 to make Tanzania a semi-industrialised, middle-income country by 2025;

(ii) To strengthen capacity building in the areas of science, technology and innovation to enhance competitiveness and productivity in all sectors, especially the productive, manufacturing and services sectors, to enable Tanzanians to benefit from the opportunities available within the country;

(iii) To strengthen the industrial economy as a basis for export-driven growth, including investing in new products and markets and enabling Tanzania to become a production hub in the countries of East, Central and Southern Africa and, thus increasing the country's contribution to international trade;

(iv) To enhance the scope of Tanzania's benefits from strategic geographical opportunities by enabling improved business environments and strengthening the country's regional position as a hub for production, trade, supply and transportation;

(v) To facilitate increased business start-up and private sector involvement to find the best way to promote the growth of the sector in tandem with job creation and make the sector a strong and reliable partner in development;

(vi) To promote exports of services, including tourism, banking services, insurance and entertainment;

(vii) To strengthen the implementation of FYDP III, including prioritisation, planning, integration and alignment of implementation interventions;

(viii) To accelerate inclusive economic growth through poverty reduction and social development strategies as well as productive capacity for youth, women and people with disabilities;

(ix) To ensure that regional and global agreements and commitments are fully integrated into national development for the benefit of the country;

(x) To strengthen the relationship between the sectors that are endowed with natural wealth and resources with other economic and social sectors;

(xi) To strengthen the role of Local Government Authorities (LGAs) in bringing about development and increasing income at the community level; and

(xii) To strengthen the country's capacity to finance development by ensuring access to domestic revenue and effective management of public expenditure.

Endnotes

1. World Bank Group, Global Economic Prospects,30 May 2023
2. The ease of doing business is a measure of how easy or difficult it is for a business to operate in a particular country. It is calculated by the World Bank Group and takes into account a number of factors, including the time and cost required to start a business, obtain construction permits, register property, get credit, and pay taxes.
3. The CPI is a global index that measures perceived levels of public sector corruption in countries and territories around the world. It is based on a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean.
4. Done by the World Intellectual Property Organization (WIPO)
5. Economic Freedom
6. ILO, UNIDO and UNDP, April 2002
7. World Bank Group, Tanzania: Mainland Poverty Assessment, Executive Summary, September 2020, pp 26-27

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About the authors

Dr Jakkie Cilliers is the ISS's founder and former executive director of the ISS. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria oce of the ISS. His 2017 best-seller Fate of the Nation addresses South Africa's futures from political, economic and social perspectives. His three most recent books, Africa First! Igniting a Growth Revolution (March 2020), The Future of Africa: Challenges and Opportunities (April 2021), and Africa Tomorrow: Pathways to Prosperity (June 2022) take a rigorous look at the continent as a whole.

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