ISS AFRICAN FUTURES

Tanzania

Tanzania: Scenarios

Jakkie Cilliers

Last updated 15 April 2024 using IFs v8.10

Table of contents

Tanzania: Scenarios

Relationship between scenarios

Chart 9: Current Path and scenarios

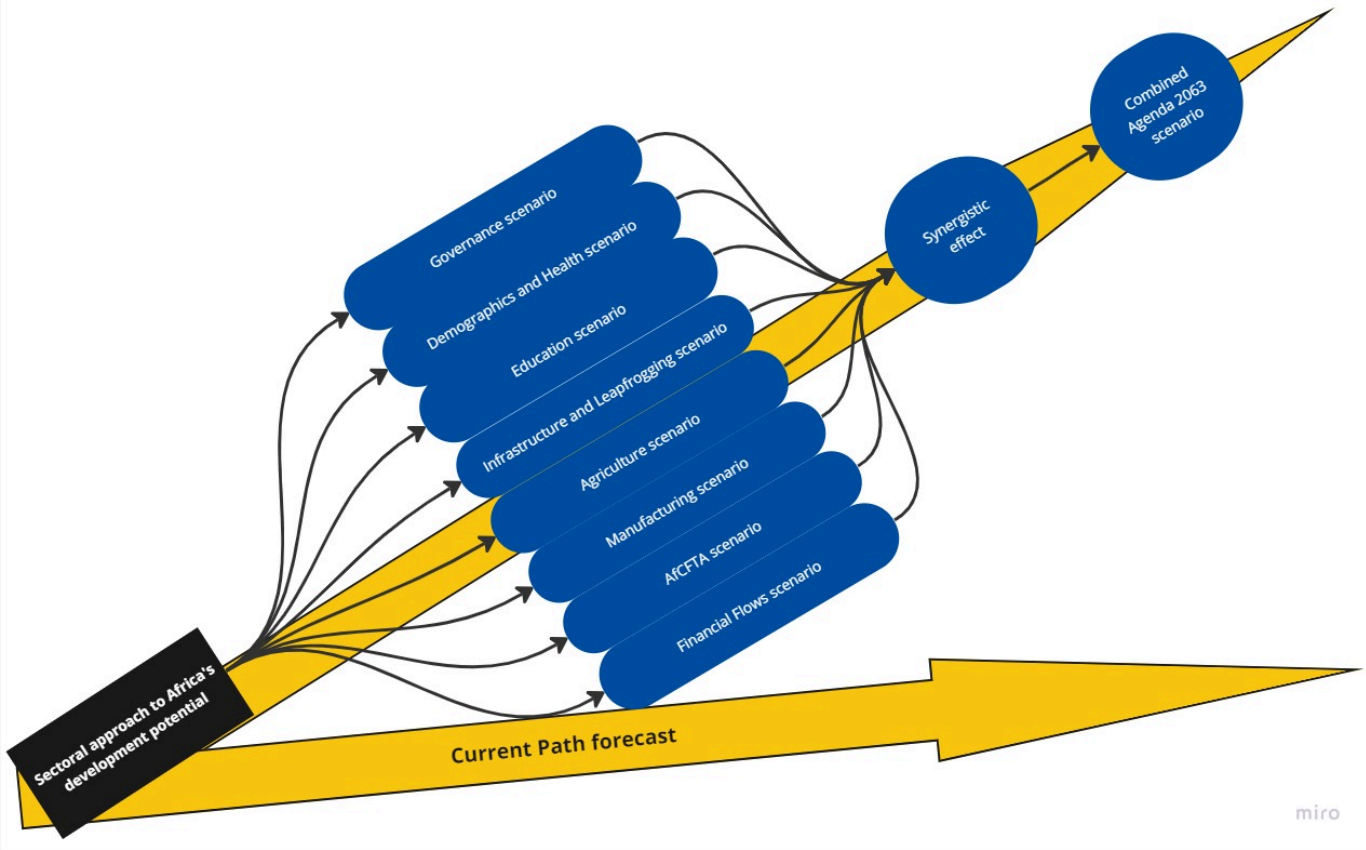


Chart 9 depicts the relationship between the Current Path forecast, the various sectoral scenarios and the Combined Agenda 2063 scenario.

The Current Path forecast is a dynamic scenario in the International Futures forecasting platform that imitates continuing current policies and environmental conditions.

The eight sectoral scenarios are each explained in the various themes on the website and the impact on each is compared with the Current Path forecast and a Combined Agenda 2063 scenario. The eight scenarios are:

- A more rapid demographic transition and investments in better health and water, sanitation and hygiene (WaSH) infrastructure.
- Better and more education (looking at quantity, quality and relevance).
- Large infrastructure and leapfrogging (the impact of renewables, ICT and the more rapid formalisation of the informal sector).
- Food security and an agricultural revolution.
- A low-end manufacturing transition.
- The full implementation of the African Continental Free Trade Area (AfCFTA).
- More inward financial flows (consisting of aid, foreign direct investment, remittances and illicit financial flows).
- Better governance (consisting of stability, capacity and inclusion).

The Combined Agenda 2063 scenario is a combination of all eight sectoral scenarios.

The impact of these scenarios on jobs/employment and greenhouse gas emissions and energy are presented in separate themes.

A final theme models the effect of alternative global scenarios on Africa's development potential.

The interventions within IFs are detailed in an annexure at the end of this page.

Demographics and Health scenario

Chart 10: Demographics and Health scenario

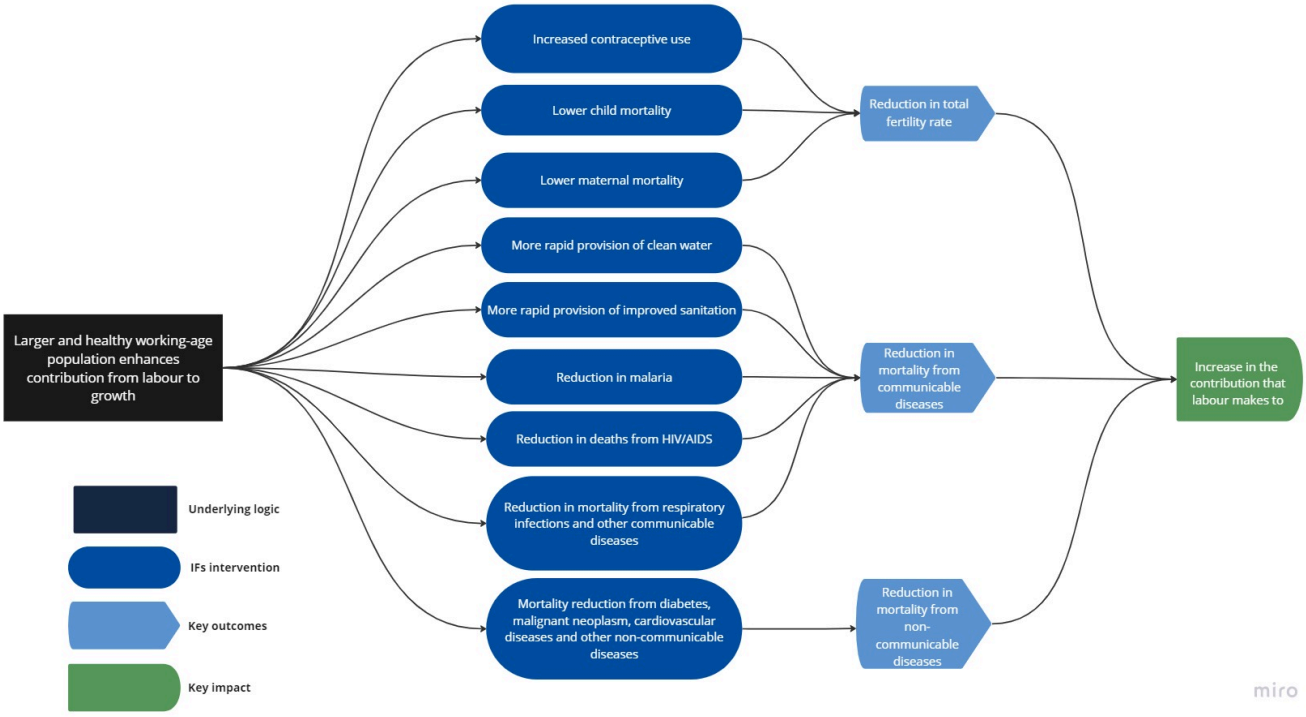


Chart 10 presents the structure of the Demographics and Health scenario as modelled in IFs that advances the demographic dividend and improves health.

The Demographics and Health scenario consists of reasonable but ambitious reductions in child and maternal mortality ratio, increased access to modern contraception. It decreases in the mortality rates associated with both communicable diseases (e.g. AIDS, diarrhoea, malaria and respiratory infections) and non-communicable diseases (e.g. diabetes), as well as improvements in access to safe water and better sanitation.

Visit the themes on Demographics and Health/WaSH for more detail on the scenario structure and interventions.

Poor health is a significant constraint on development in Tanzania. Within IFs, labour productivity in Tanzania is roughly one-third of the average for Africa's 24 low-middle-income countries and particularly low in the manufacturing and ICTech sectors, both crucial to productivity growth.

Tanzania underwent its epidemiologic transition in 2023. After that, death rates from non-communicable diseases exceed those from communicable diseases, reflecting the general shift from acute infectious and deficiency diseases characteristic of low levels of development to chronic noncommunicable diseases characteristic of modernisation and higher levels of development. As a result, after 2023, citizens are, on average, more likely to die from (and require treatment for) chronic diseases such as heart disease, stroke, and cancer. The shift occurred even though Tanzania has a large proportion of young people (median age of 18.5 years in 2023), high levels of poverty (using US$3.65, more than 70% of its population is poor) and low levels of income (GDP per capita was US$2 668 in 2023).

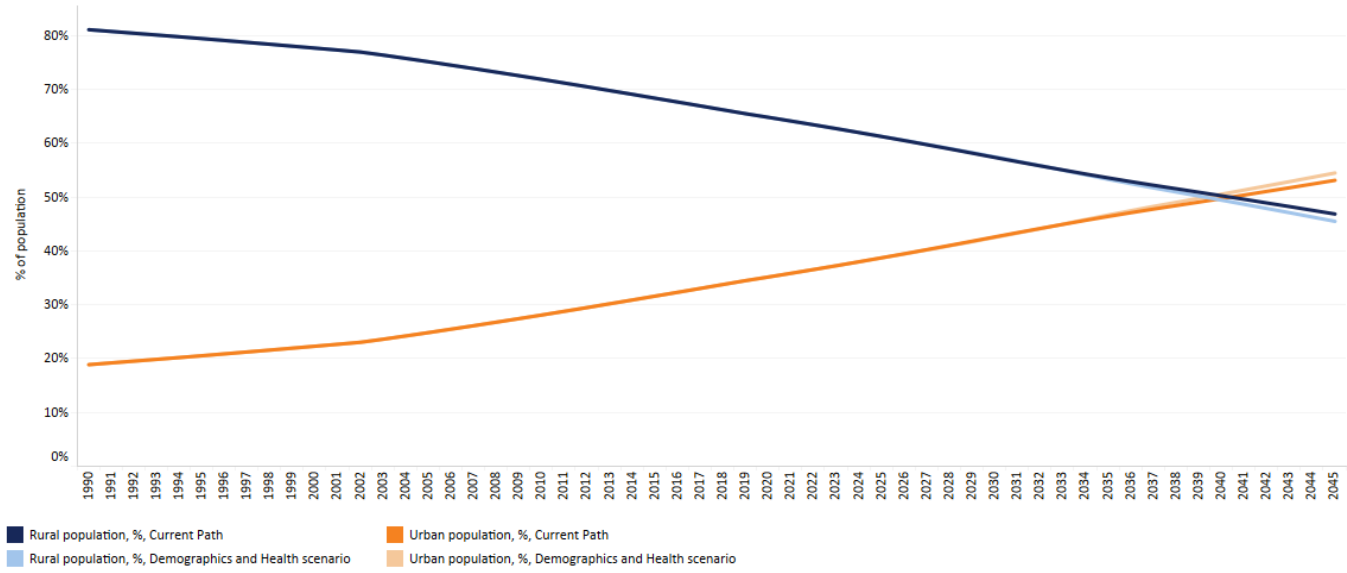
The early transition may have been accelerated by the country's high malnutrition rate, which increases the risk of

developing chronic diseases later in life. Tanzania also has a limited healthcare system, meaning people may not have access to the care they need. From a health expenditure perspective, the main challenge with the transition is that non-communicable diseases are more expensive to treat. It, therefore, is an additional burden on an already constrained health budget. Death rates are, therefore, changing. In 2023, the category 'other communicable diseases' had the most significant statistical death rate on the Current Path forecast, whereas, by 2043, it would be cardiovascular afflictions.

Tanzania also needs to improve on various indices of basic infrastructure. For example, among Africa's 24 low-middle-income countries, it has the fourth largest population still dependent upon unimproved water supply at 26% in 2023. Only Angola, Zambia and Kenya did worse. On the Current Path forecast, the percentage will decline to 18% in 2043 and 13% in the Demographic and Health scenario.

Whereas access to improved sanitation was at 54% of the population in 2023, it will improve to 78% by 2043 in the Demographic and Health scenario compared to 68% on the Current Path forecast. The difference is equivalent to 4.8 million additional persons.

Chart 11: Urban and rural population in Current Path and Demographics and Health scenario, 1990–2043

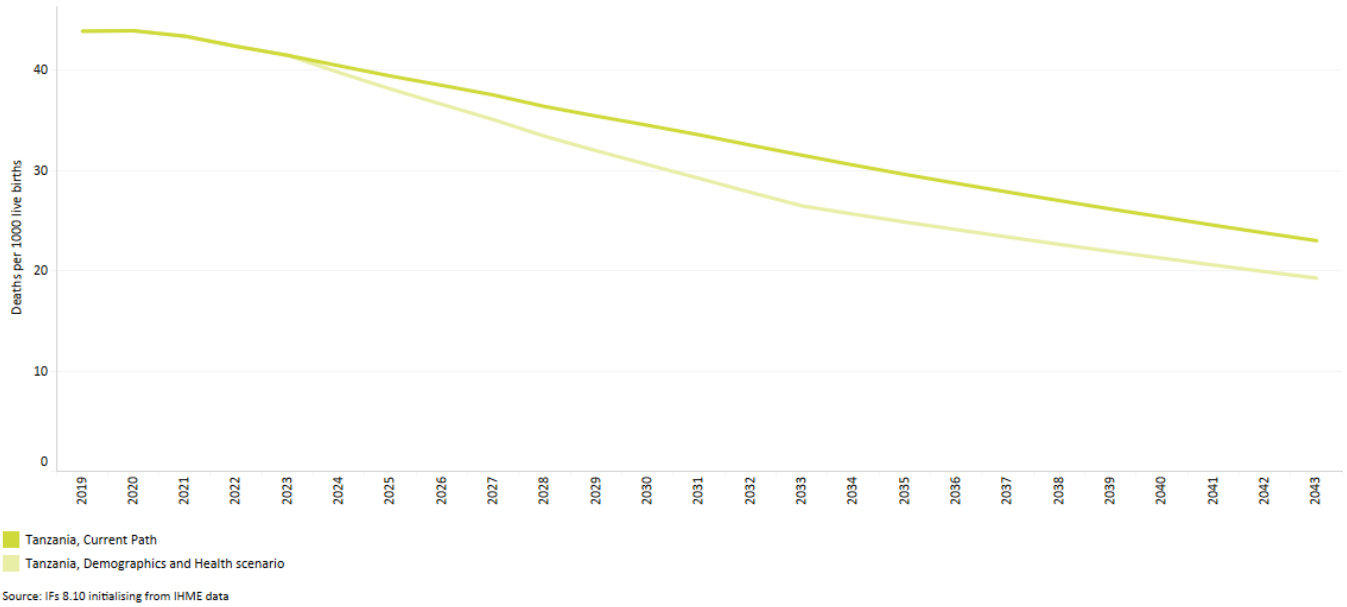


Source: IFs 8.10 initialising from UN world urbanization prospects data

Chart 11 compares urban and rural populations in the Current Path and the Demographics and Health scenario.

Tanzania's population is still largely rural, with only 37% of its total population considered urban, set to increase to 52% in 2043. The annual rate of increase of the urban population, at 4.4% per annum in 2023, is among the highest in Africa and presents authorities with numerous challenges. The primary reason for urbanisation is often to escape rural poverty rather than the attraction of jobs in urban areas. Rural areas offer limited economic opportunities and poor access to education and healthcare. As a result, Tanzania's urbanising population is moving from rural subsistence farming to informal settlements engaged in low-end services in the informal sector with only limited positive impact on improved productivity and economic growth.

Chart 12: Infant mortality rate in Current Path and Demographics and Health scenario, 2019–2043



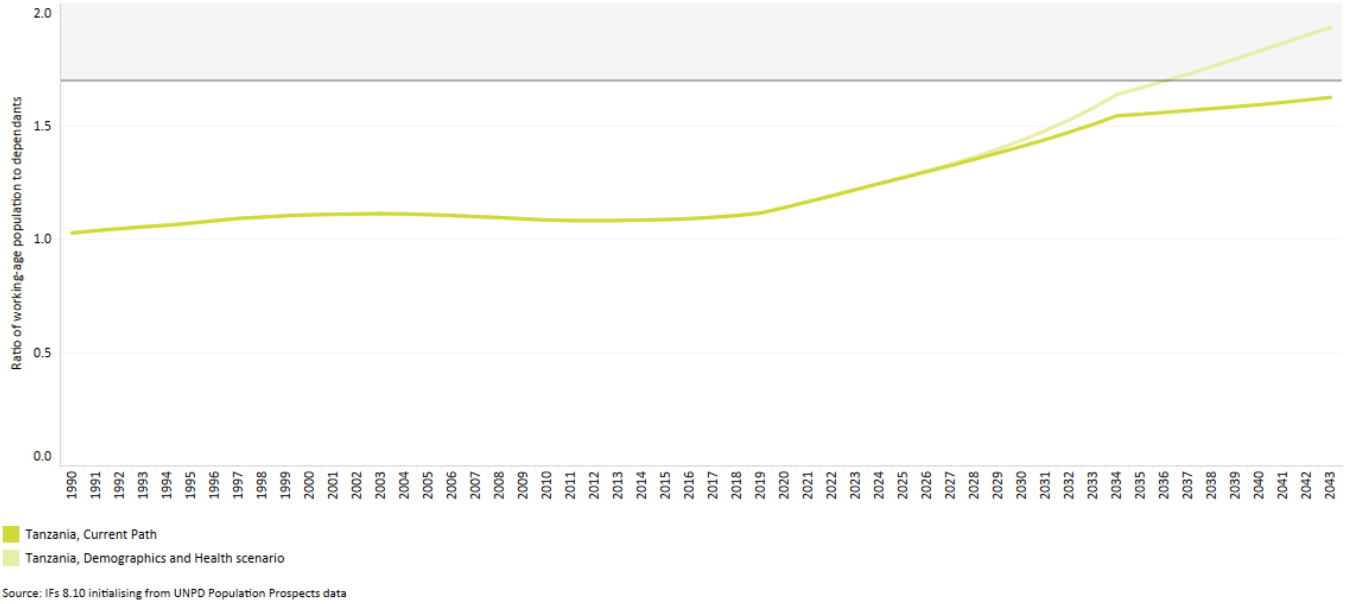
Source: IFs 8.10 initialising from IHME data

Chart 12 presents the infant mortality rate in the Current Path and the Demographics and Health scenario.

The infant mortality rate is the probability of a child born in a specific year dying before reaching the age of one. It measures the child-born survival rate and reflects the social, economic and environmental conditions in which children live, including their health care. It is calculated as the number of infant deaths per 1 000 live births and is an important marker of the overall quality of the health system in a country.

Infant mortality in Tanzania is relatively high, although it has improved drastically since 1990 when it stood at 101.6. Tanzania performs better than the average for its lower middle-income peer group, with 41.4 deaths per 1 000 live births in 2023, roughly comparable to rates in Zimbabwe and Zambia. The contributors to high infant mortality rates in Tanzania include poverty, malnutrition, infectious diseases such as malaria and pneumonia and limited health care access. In the Demographic and Health scenario, infant mortality rates in Tanzania decline to 19 deaths per 1 000 live births by 2043 compared to 23 deaths in the Current Path forecast. The improvements follow from the determined implementation of the government's National Immunization Program, the Integrated Management of Childhood Illness program, and improved access to healthcare in rural areas, amongst others.

Chart 13: Demographic dividend in the Current Path and the Demographics and Health scenario, 1990–2043



Source: IFs 8.10 initialising from UNPD Population Prospects data

Chart 13 presents the demographic dividend in the Current Path and in the Demographics and Health scenario.

The dividend is the window of economic growth opportunity when the ratio of working-age persons to dependents increases from 1.7:1 and higher.

Increased access to modern contraception supported by appropriate education and information will have a dramatic impact on Tanzania's total fertility rate, which was at 4.7 children per fertile woman in 2023. In 2023, modern contraceptive use in Tanzania stood at 41% and will increase to 59% in 2043. In the Demographic and Health scenario, fertility rates will decline much quicker than in the Current Path forecast, dropping to 2.4 births per woman by 2043 compared to 3.3 on the Current Path. A lower average fertility rate would slow down Tanzania's population growth, with 6.4 million fewer people by 2043. Instead of 102 million people in 2043, Tanzania would only have 96 million. As a result, in the Demographic and Health scenario, Tanzania will enter a demographic window of opportunity (a potential demographic dividend) from 2036, on par with the average for its low-middle-income peer group on the continent and about a decade earlier than on the Current Path.

Agriculture scenario

Chart 14: Agriculture scenario

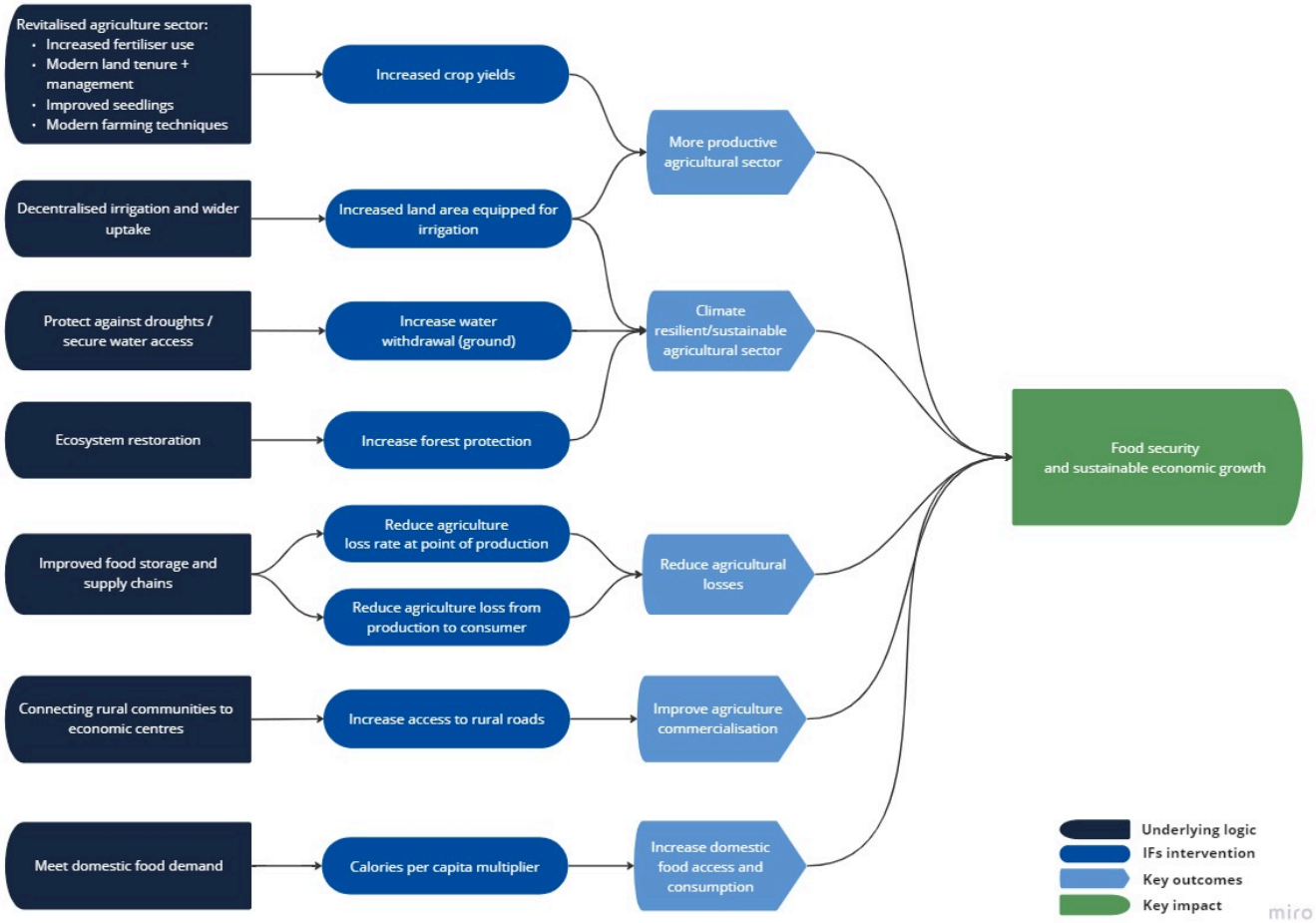


Chart 14 sets out the composition of the Agriculture scenario to advance food security.

The Agriculture scenario represents reasonable but ambitious increases in yields per hectare (reflecting better management and seed and fertiliser technology), increased land equipped and under irrigation and reductions in food loss and waste. We use increased calorie consumption as a proxy for prioritsing food self-sufficiency above food exports as a desirable policy objective.

The increase in forest protection reflects sustainable land use practices.

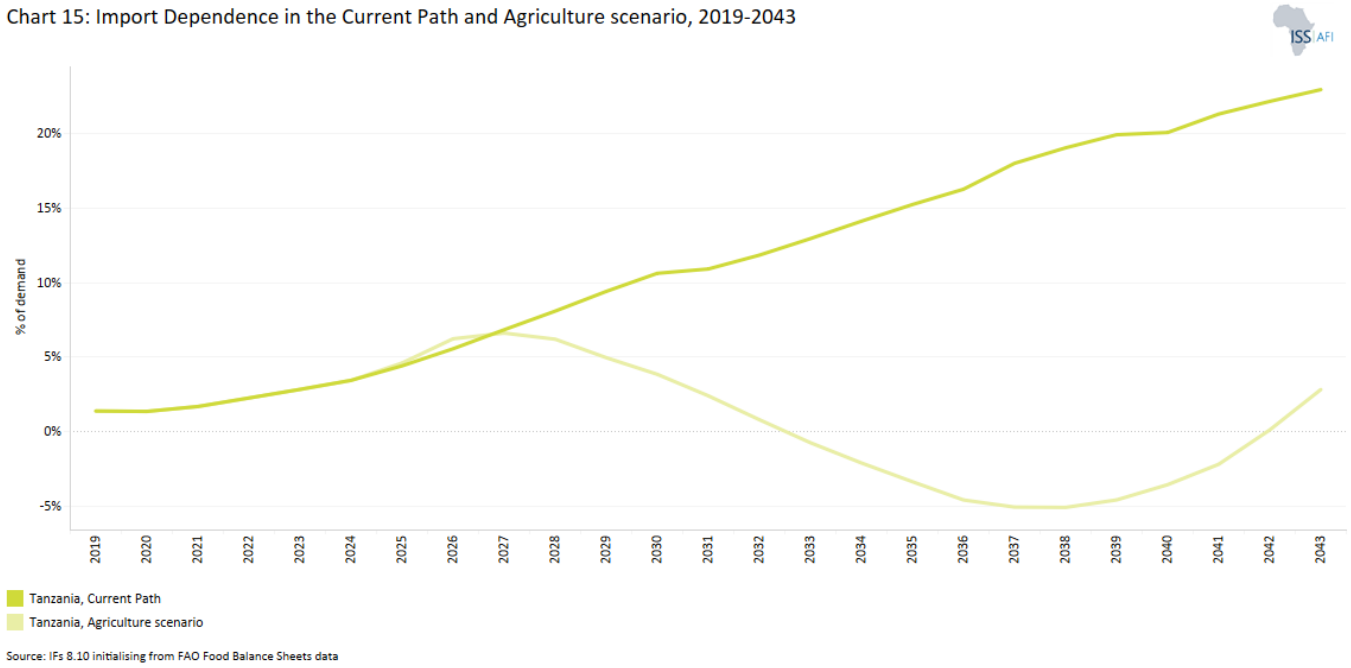
Visit the theme on Agriculture for our conceptualisation and details on the scenario structure and interventions.

In 2023 agriculture contributed 26% to Tanzania's GDP in 2023, which was almost ten percentage points above the average for low-middle-income African countries. On the Current Path forecast the contribution from agriculture will decline to a difference of only one percentage points in 2043. Because the sector grows more rapidly in the Agriculture scenario, Tanzania's agricultural sector is still around five percentage points above the average for low-middle-income Africa in the Agriculture scenario by then.

Tanzania has the potential to be a major agricultural exporter, with an estimated 44 million hectares of arable land, of which only about 10 million hectares are currently under cultivation. The horticulture sector has, in particular, been growing rapidly in recent years. Tanzania struggles to meet is domestic food requirements, however, due to generally low productivity in an agricultural sector that predominantly consists of subsistence farming. Agribusiness is still in its infancy in Tanzania and largely located in its traditional export crops such as coffee, tea, cotton, cashew nuts, tobacco. Yet the country has a diverse range of agro-ecological zones, allowing for the production of a wide variety of crops, including maize, rice, wheat, sorghum, cassava, sweet potatoes, beans, peas, coffee, tea, cotton, and oilseeds.

In 2023, yields in Tanzania stood at 3.4 metric tons per hectare, which is low compared to the average of 5.5 metric tons per hectare for Africa's low-middle-income peer group. In the Current Path forecast, yields in Tanzania will increase modestly to 4 tons by 2043 and the gap in average yields per hectare between Tanzania and the low-middle-income Africa grouping will have widened. However, in the Agriculture scenario yields increase to 6.1 tons which is almost on par with the forecast of 6.8 tons per hectare for the peer group.

Chart 15: Import Dependence in the Current Path and Agriculture scenario, 2019-2043



Source: IFs 8.10 initialising from FAO Food Balance Sheets data

Chart 15 presents import dependence in the Current Path forecast and the Agriculture scenario.

The agricultural production and demand data in the IFs forecasting platform initialises from data provided on food balances by the Food and Agriculture Organization (FAO). IFs contain data on numerous types of agriculture but aggregate its forecast into crops, meat and fish, presented in million metric tons. Chart 17 shows agricultural production and demand as a total of all three categories.

In 2023, nearly 17 million hectares of land in Tanzania were used for crops, and crop yields were only 3.3 tons per hectare compared to the average of 5.5 tons for its African income peer group. Tanzania's agricultural crop production stood at 50 million metric tons (54.7 if meat and fish are included), matching agrarian demand. However, the forecast is for a growing gap between demand and production on the Current Path forecast, resulting in about 21.6 million metric tons of unmet agrarian needs in 2043.

Tanzania's rapidly expanding population fuels agricultural demand, a situation that increases food insecurity, which is already troubling. This trend is visible across Africa's low-middle-income economies generally.

Because of widespread poverty and lack of access to calories, over 34% of Tanzanian children under five are stunted, and nearly 45% of women of reproductive age are anaemic, according to USAID. The agency lists four challenges: 'Limited access to productive and financial resources, weak infrastructure, and poor policies reduce incentives to develop the agriculture sector. Private-sector investment in agriculture is constrained by limited access to long-term capital, low capacity and business skills, and policies discouraging growth. Climate change poses significant risks of prolonged drought and unpredictable weather, threatening the livelihoods of subsistence farmers. Rapid population growth and agricultural expansion threaten Tanzania's natural resources that, when managed effectively, support livelihoods and agriculture.'[1]

In the Agriculture scenario, that sees yields in Tanzania more than double to 6.1 metric tons per hectare in 2043, the country will start closing the gap in average yields per hectare with low-middle-income African countries. The result is that instead of producing 64.7 million metric tons of crops in 2043, Tanzania would produce 89.3 million metric tons. Total production from agriculture (i.e. including crops, meat and fish) will be at 101.3 million metric tons instead of 76.1. In the Agriculture scenario, Tanzania would have the ninth highest yields per hectare amongst Africa's 24 low-middle-income countries in 2043. In 2023, it stood at number 18.

The Agriculture scenario will free Tanzania from import dependence. By 2043, the country will be producing 101.3 million metric tons of crops, meat and fish, comparable to its 2043 demand of 102.4 million metric tons.

Education scenario

Chart 16: Education scenario

Chart 16 presents the structure of the Education scenario as modelled in IFs. The scenario improves the quantity and quality of education and its relevance to job requirements.

The Education scenario represents reasonable but ambitious improved intake, transition and graduation rates from primary to tertiary levels and better quality of education at primary and secondary levels. It also models substantive progress towards gender parity at all levels, additional vocational training at the secondary school level and increases in the share of science and engineering graduates.

You can visit the theme on Education for our conceptualisation and details on the scenario structure and interventions.

The 2020 World Bank report Tanzania Mainland Poverty Assessment found that large numbers of dependents and disadvantaged burdened poor households by too little education. About 29% of household heads have no education, and 19% did not complete primary school, with rates being highest among poor rural households. Only 3.4% of the heads of poor households (and 1.3% of rural ones) went beyond primary education, compared to 20% for nonpoor households. Of households whose heads have no education or did not complete primary, about 35% live in poverty. The poverty rate

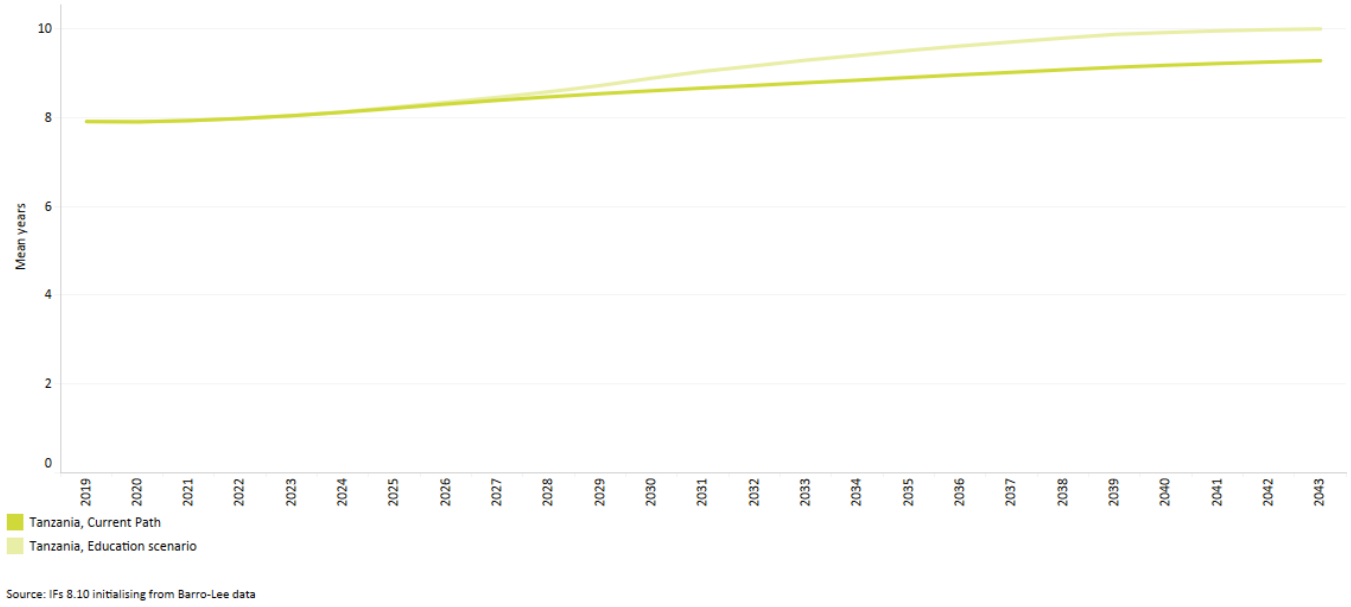
drops to 26% for those who completed primary schooling and to just 6% among households with lower secondary education and above. It concluded that while education is still the best shield against poverty, primary education seems no longer sufficient to open up opportunities.

Literacy rates in Tanzania are higher at 79% in 2023 than most low-middle-income African countries, which has an average of 73%. On the Current Path forecast, literacy rates will improve to 92% in 2043 and slightly higher in the Education scenario.

Tanzania's primary test score in 2023 was roughly on par with the average for Africa's low-middle-income countries but fell behind the average of its peer group by five percentage points in 2043 as education expenditure per learner remains flat due to the ongoing increase in the number of learners that enter the system. The Education scenario modestly changes this trajectory.

The average test scores for secondary learners in Tanzania was 5% below the average for Africa's low middle-income countries and will increase by more than % above the Current Path forecast by 2043.

Chart 17: Mean years of education in Current Path and Education scenario, 2019-2043
15 to 24 year age group



Source: IFs 8.10 initialising from Barro-Lee data

Chart 17 presents mean years of education in the Current Path forecast and the Education scenario for the 15 to 24-year age group.

The average years of education in the adult population aged 15 to 24 is an excellent first indicator of how the stock of knowledge in society is changing.

In 2023, Tanzania performed significantly worse than its income peer group, with its mean of years of education in 2023 around one year below the average for Africa's 24 low-middle-income countries. In the Education scenario, the mean years of education increase from 6.6 years in 2023 to 8.4 years in 2043. This represents an improvement of 0.6 years in 2043 compared to the Current Path forecast. In addition, the gap will slowly increase in the Current Path forecast over the forecast horizon. In the Education scenario, the gap between the mean years of education in Tanzania and the average for Africa's low-middle-income countries is halved to 0.5 years instead of one year.

Turning to gender issues, according to USAID: 'While primary school enrolment among girls and boys is nearly equivalent, only one in three girls who start secondary school will finish their lower secondary education. Causes of low secondary enrolment and retention among girls include economic hardship, early marriage and teen pregnancy, and school-related gender-based violence.'[2]

Manufacturing scenario

Chart 18: Manufacturing scenario

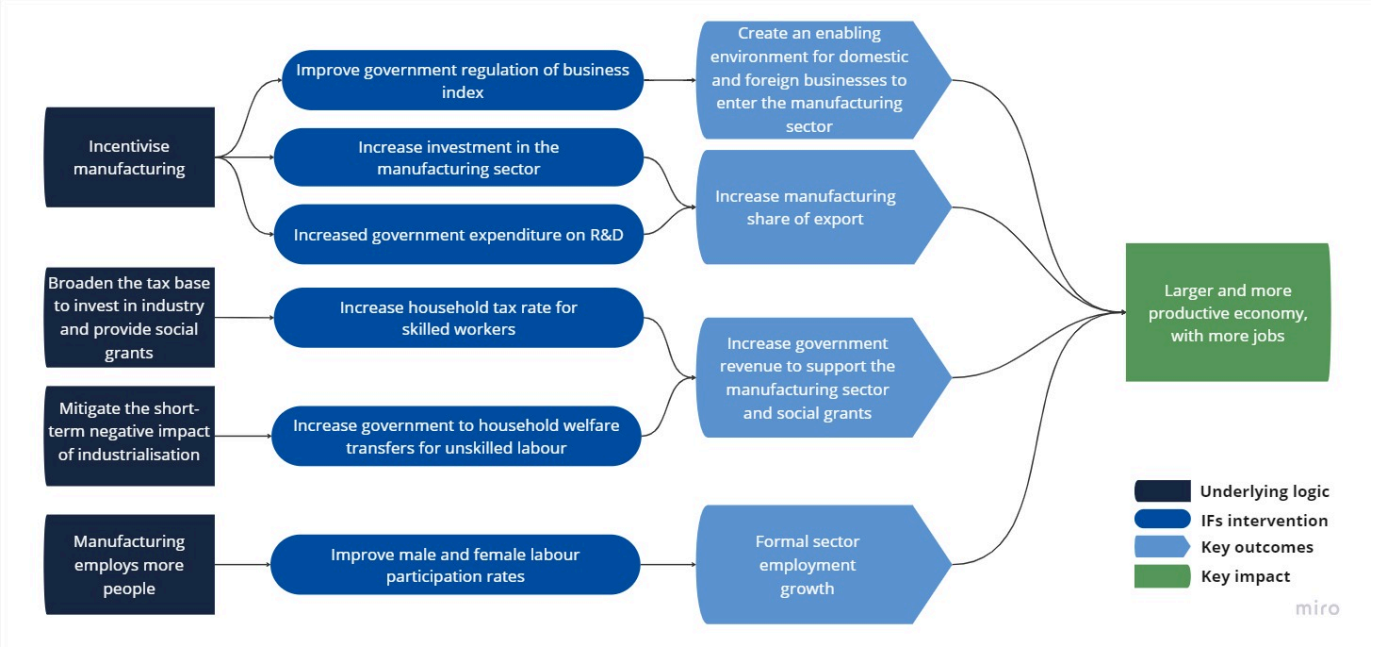


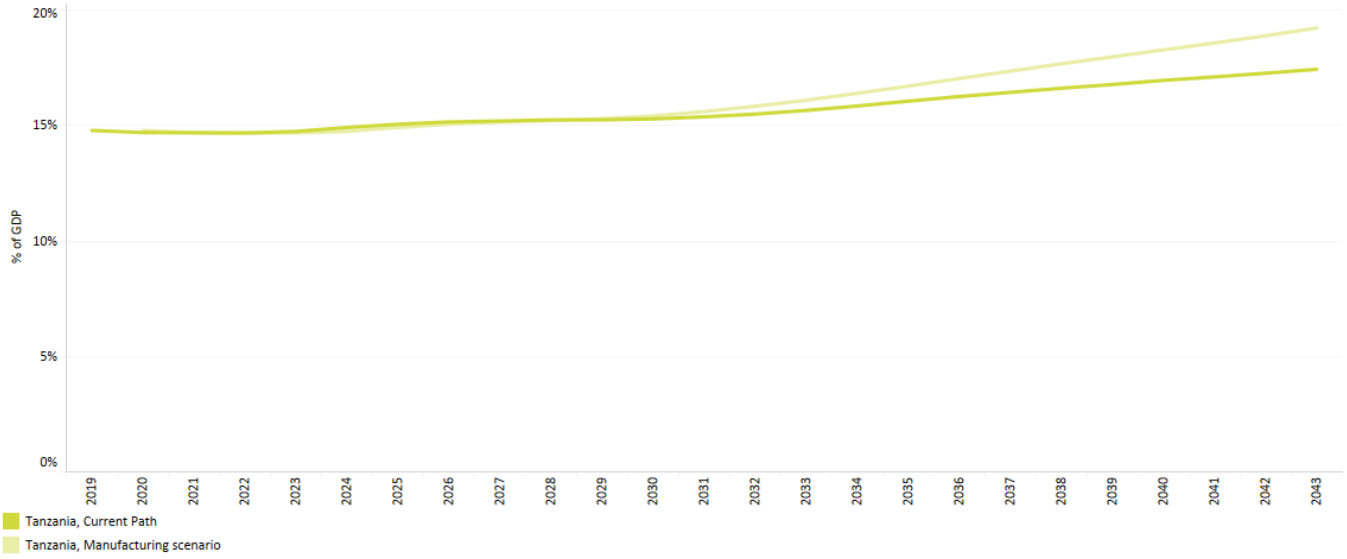
Chart 18 presents the structure of the Manufacturing scenario as modelled in IFs.

The Manufacturing scenario represents reasonable but ambitious manufacturing growth through greater investment in the manufacturing sector, in research and development (R&D) as well as improvement in government regulation of businesses. It increases total labour participation rates with a larger increase in female participation rates where appropriate. It is accompanied by increased welfare transfers (social grants) to unskilled workers to moderate the initial increases in inequality typically associated with a manufacturing transition.

Visit the theme on Manufacturing for our conceptualisation and details on the scenario structure and interventions. Chart 18 presents a summary chart that sets out the composition of the scenario.

In this scenario, the government of Tanzania raises around US$4.4 bn more tax in 2043. It invests most of that money in the manufacturing sector while transferring around US$1.7 bn as a social grant to offset the likely negative effects of a manufacturing transition, borrowing the balance.

Chart 19: Value-add by the manufacturing sector in Current Path and Manufacturing scenario, 2019–2043



Source: IFs 8.10 initialising from IMF World Economic Outlook data

Chart 19 presents the contribution of the manufacturing sector to GDP in the Current Path forecast and in the Manufacturing scenario. The IFs platform uses data from the Global Trade and Analysis Project (GTAP) to classify economic activity into six sectors: agriculture, energy, materials (including mining), manufacturing, services and information and communication technologies (ICT). Most other sources use a threefold distinction between only agriculture, industry and services, with the result that data may differ.

Tanzania has built a more resource-intensive manufacturing sector focused on serving domestic and regional markets but in spite of robust improvements, it lagged at around 4.4 percentage points below the average for low-middle-income Africa in 2023. On the Current Path forecast the gap closes slightly to 4.1 percentage points. In the Manufacturing scenario the gap is reduced to 1.8 percentage points by 2043 and the value of Tanzania's manufacturing sector is then US$6.2 billion larger than in the Current Path forecast for that year.

The Manufacturing scenario has limited impact on poverty. It will reduce the share of Tanzanians living below the US$3.65 poverty line from 74.1% in 2023 (equivalent to 48.3 million people) to 39.7% in 2043 (40.3 million people). This represents a 0.8 percentage point improvement that will translate to 837 000 people escaping poverty in 2043.

Labour participation rates for males increase by 2.6 percentage points in 2043 and by 4.1 for females relative to the Current Path forecast.

In this scenario government revenues are US$4.1 billion larger in 2043 compared to the Current Path forecast.

AfCFTA scenario

Chart 20: AfCFTA scenario

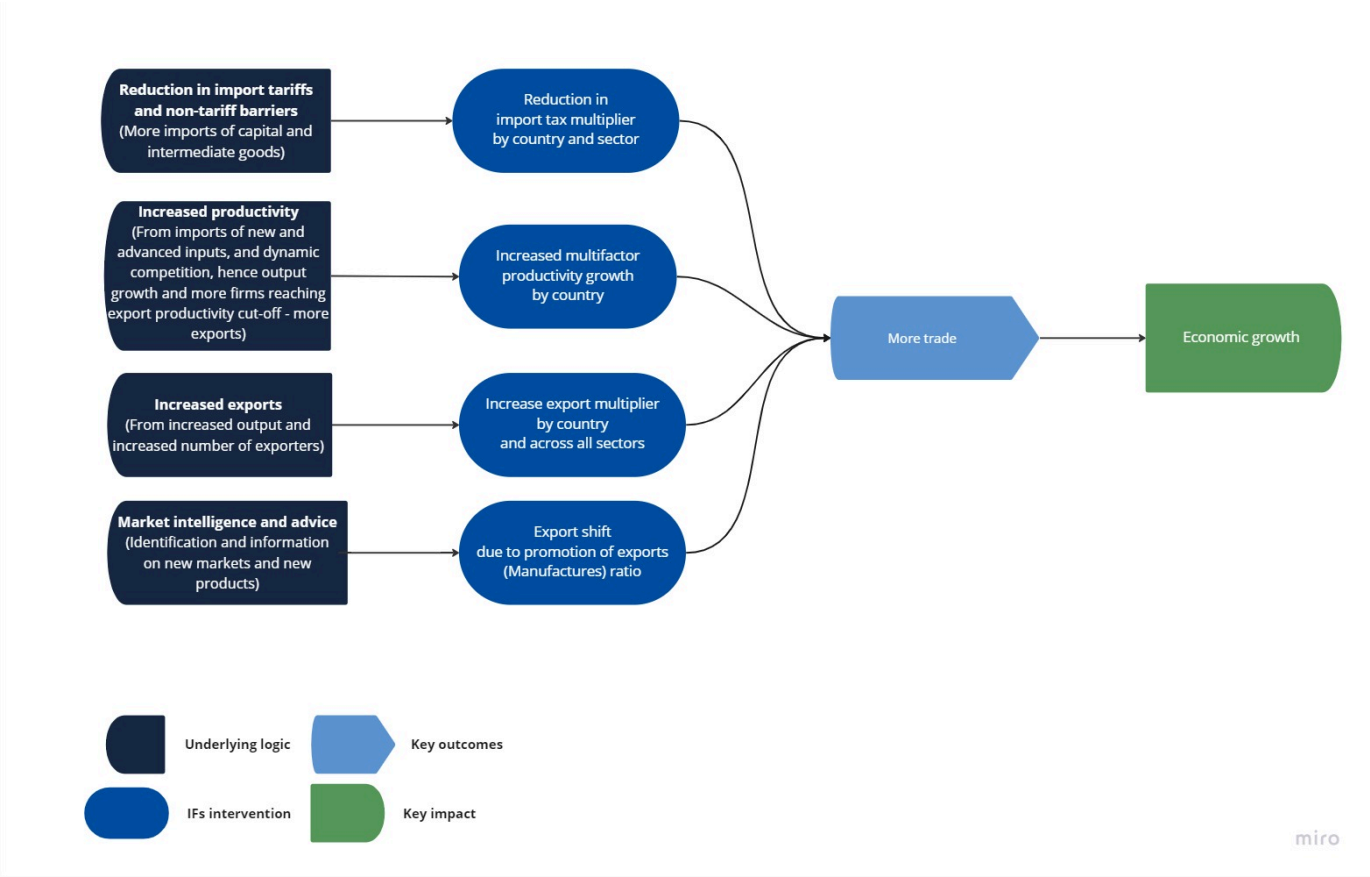
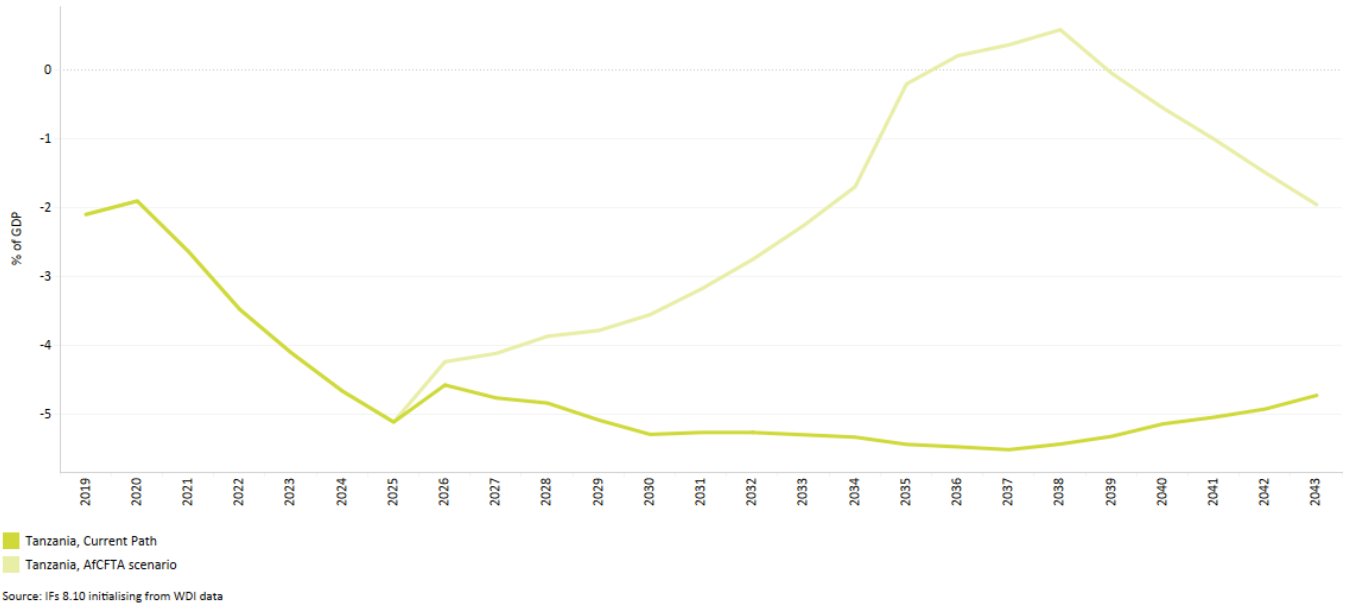


Chart 20 presents the structure of the AfCFTA scenario as modelled in IFs. The AfCFTA scenario represents the impact of fully implementing the African Continental Free Trade Agreement by 2034. The scenario increases exports in manufacturing, agriculture, services, ICT, materials and energy. It also includes an improvement in multifactor productivity growth emanating from trade and a reduction in tariffs for all sectors.

Visit the theme on AfCFTA for our conceptualisation and details on the scenario structure and interventions.

Chart 21: Trade balance in Current Path and AfCFTA scenario, 2019–2043



Source: IFs 8.10 initialising from WDI data

Chart 21 compares the trade balance in the Current Path forecast with the AfCFTA scenario.

Tanzania makes solid gains in the AfCFTA scenario. Whereas, in 2023, its GDP per capita was US$2 668, it would increase to US$5 285 in 2043 instead of US$4 890, an improvement of 8% (or US$395) above the Current Path forecast. Because it has recently graduated from low to low-middle-income status, Tanzania's GDP per capita in 2023 is only 44% of the average for Africa's 24 low-middle-income countries. In the AfCFTA scenario, it increases to 61% in 2043 instead of 57% on the Current Path forecast.

The scenario stimulates both exports and imports. By 2043, Tanzania's export value will increase by 52% and imports by 32%. Whereas Tanzania's 2023 current account within IFs stood at 1.2% of GDP and is forecast to decline to -1.2% by 2043, the AfCFTA scenario the Current Account remains positive throughout the forecast horizon.

The AfCFTA scenario does little to reduce extreme poverty compared to the Current Path forecast; however, it is likely because few of its positive effects trickle down to Tanzania's large informal sector.

Large Infrastructure and Leapfrogging scenario

Chart 22: Infrastructure and Leapfrogging scenario

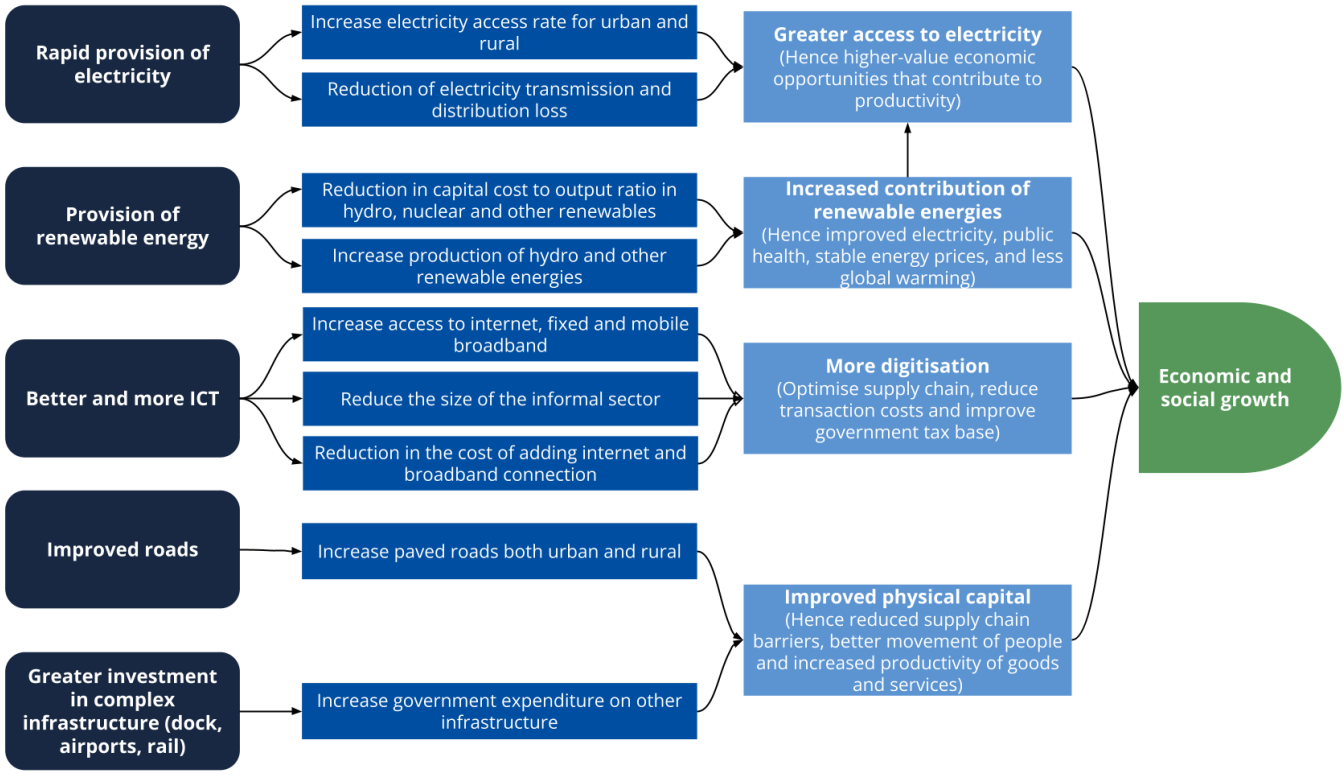


Chart 22 presents the structure of the Large Infrastructure and Leapfrogging scenario as modelled in IFs.

The Large Infrastructure and Leapfrogging scenario represents a reasonable but ambitious investment in road infrastructure, renewable energy technologies and improved access to electricity in urban and rural areas. The scenario includes accelerated access to mobile and fixed broadband and the adoption of modern technology that improves government efficiency and allows for the more rapid formalisation of the informal sector. A final intervention emulates investments in large infrastructure such as rail, port and airports.

Visit the themes on Large Infrastructure and Leapfrogging for our conceptualisation and details on the scenario structure and interventions. Chart 22 presents a summary chart that sets out the composition of the scenario.

According to the World Bank[3], poor households suffer from less access to infrastructure and community services such as electricity, water supply, health facilities, roads, markets, and communication networks. These, are the backbone of household development; they structure the household environment and promote emergence of opportunities. Their absence minimizes opportunities and perpetuates their dire lack of cash. The 2020 study goes on to note that only 7% of poor households were connected to the electrical grid and 28% use solar energy; the rest rely on inefficient energy sources for lighting and that 90% of poor households use firewood and charcoal for cooking. About 30% of poor households still have access only to unsafe sources of drinking water, and over 90% rely on unimproved sanitation facilities or none at all. Only about 13% of poor households have access to tarmac roads; 44% lack any source of access. Among nonpoor households, the corresponding rates are 22% with good access and 32% without any. Also, 41% of households have no access to a health center, dispensary, or hospital, whether public or private.

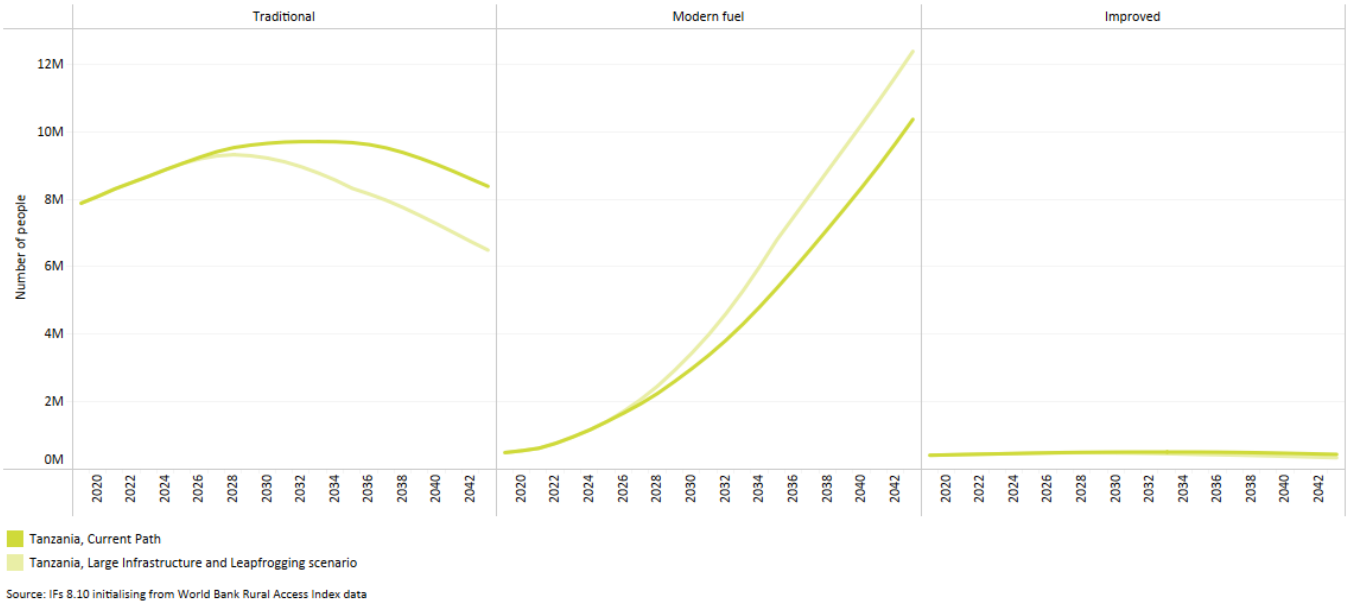
Within IFs, and looking nationally, only 41.7% of Tanzania's population had access to electricity in 2023. In fact, Tanzania ranks second to last on access to electricity in its African low middle-income peer group with 38.3 million persons without access. At 70% in 2023, the latter has an average access rate that is almost twice as high.

In the Current Path forecast, 72.3% of Tanzanians will have access to electricity by 2043. In the Infratructure and Leapfrogging scenario, access to electricity will expand faster reaching 81.5% of the population by 2043, but still lag by four percentage points behind the average for the continent's low-middle-income economies. In that scenario only 19 million Tanzanians will still be without electricity access. Rural access increases more than urban access by 15 percentage points from 22% in 2023 to 70% instead of 55% on the Current Path forecast by 2043.

The 2020 World Bank report Poverty Assessment for Mainland Tanzania notes, that access to electricity has progressed somewhat, but that national electrification remains insufficient, particularly in rural areas and for poor households. Although 29% of Tanzania's households have access to electricity, it notes, access is available to just 10% of rural and 7% of poor households. The report finds that the country's strategy to diversify toward solar energy has started to pay off, particularly in rural areas, where 33% of households use solar energy for lighting compared to 14% in urban areas. Howvver, in spite of some improvements, about 45% of households still rely on such inefficient lighting sources as torches and kerosene. Use of efficient energy sources for cooking has improved slightly, but over 80% of all households, and more than 90% of rural and poor households, continue to rely on firewood and charcoal, it found.[4]

Investments in rural road infrastructure are associated with positive socio-economic impacts, such as increased rural incomes and poverty reduction, improved maternal health as well as paediatric health and increased agricultural productivity. In 2023, 29 % of Tanzania's rural population had access to an all-weather road. This is roughly on par with the average access rate for Africa's low-middle-income economies. The Infrastructure scenario will improve rural road access by one percentage point to 39% in 2043 compared to the Current Path.

Chart 23: Cookstove usage in Current Path and Infra/Leapfrogging scenario, 2019–2043



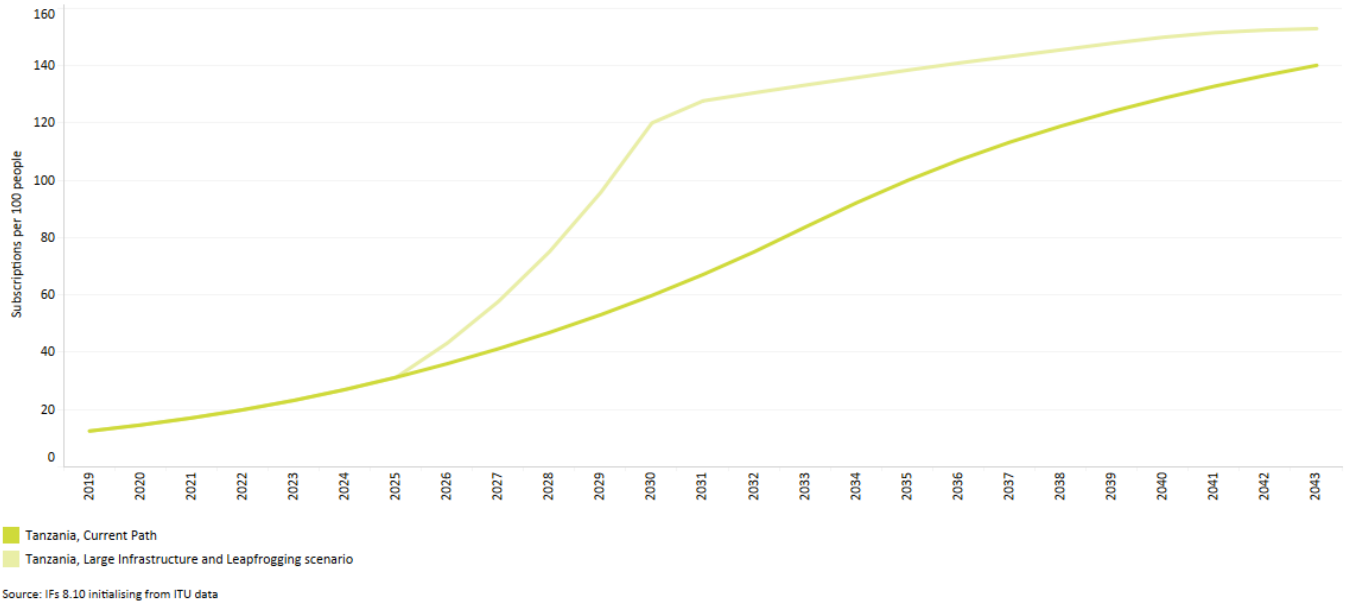
Source: IFs 8.10 initialising from World Bank Rural Access Index data

Chart 23 presents cook stove usage in the Current Path forecast and the Large Infrastructure and Leapfrogging scenario.

In 2023 only Nigeria, which has a much larger population than Tanzania, had more persons among Africa's 24 low-middle-income country populations still using traditional cookstoves (at 24.8 million)than Tanzania (at 8.7 million). In

the Large Infrastructure and Leapfrogging scenario 1.9 million fewer Tanzanians will rely on traditional cookstoves in 2043 and 0.8 million fewer will rely on cooking stoves using improved fuel.

Chart 24: Access to mobile and fixed broadband in Current Path and Infra/Leapfrogging scenario, 2019-2043



Source: IFs 8.10 initialising from ITU data

Chart 24 presents access to mobile and fixed broadband in the Current Path and the Large Infrastructure and Leapfrogging scenario.

Fixed broadband subscription is particularly important for the private sector and to enable the expansion of business in the formal sector. Mobile broadband, on the other hand, is important for the informal sector, and small and medium-sized businesses as well as to unlock educational and other opportunities.

Tanzania, like most African lower-middle-income countries, had a very low fixed broadband rate of 7.8 per 100 people in 2023, although high within its peer group. The global average in 2023 is more than double that at 19 subscriptions per 100 people. In the Large Infrastructure and Leapfrogging scenario, Tanzania's fixed broadband is set to increase to 46 subscriptions per 100 people by 2043 compared to only 30 per 100 people in the Current Path forecast. Despite these low rates, Tanzania performs above the average of its African-income peer group.

In 2023, Tanzania had a mobile broadband subscription rate of 23 subscriptions per 100 people. This rate is significantly lower than the average rate of subscriptions per 100 people for Africa's low-middle-income economies, which is at 66 per 100. Only Angola, the Republic of Congo and Comoros had a lower mobile broadband subscription rate in that year. On the Current Path Tanzania's mobile broadband subscription rates will increase to 141 per 100 persons and to 153 in the Large Infrastructure and Leapfrogging scenario. The average rate for low-middle-income countries in 2043 is below that, at 143 per 100 people. The improvement in the ranking of Tanzania compared with others is large. Instead of the low-middle-income country with the 19th highest rate amongst its peers, it will have the 12th. These improvements occur in spite of the damping effect rates as rates approach a saturation rate of 150 subscriptions per 100 people evident in Chart 24.

Financial Flows scenario

Chart 25: Financial Flows scenario

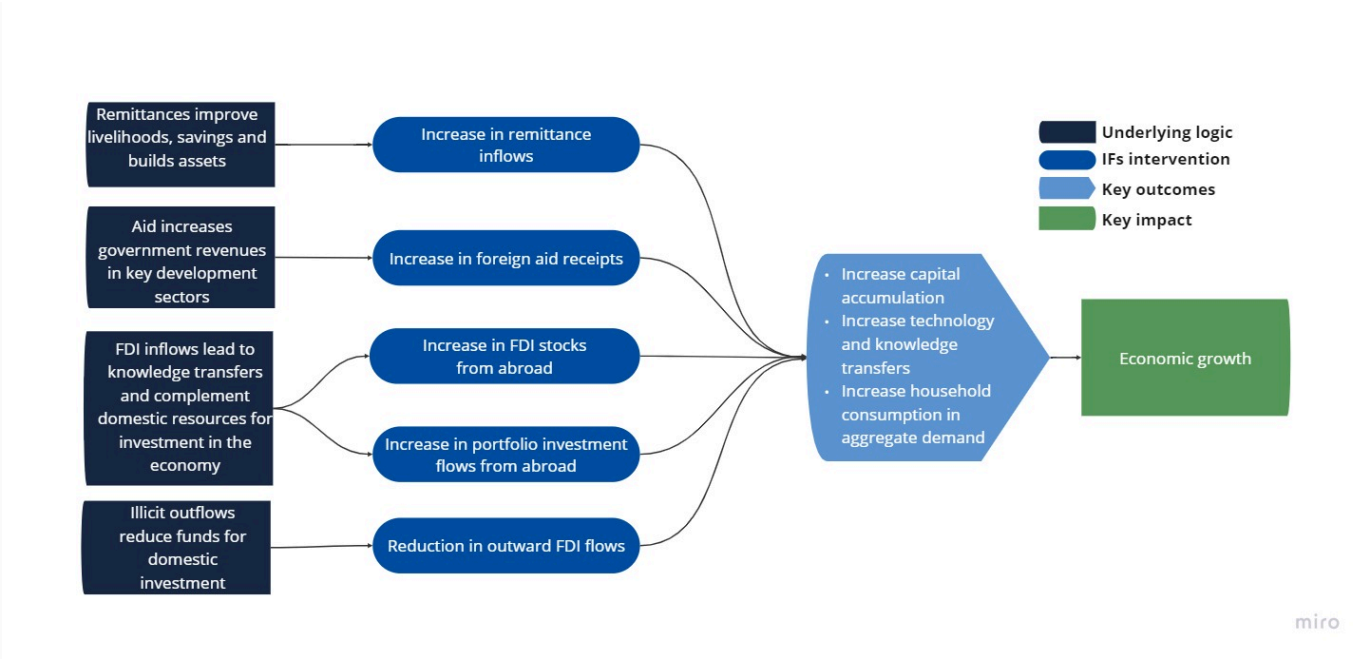
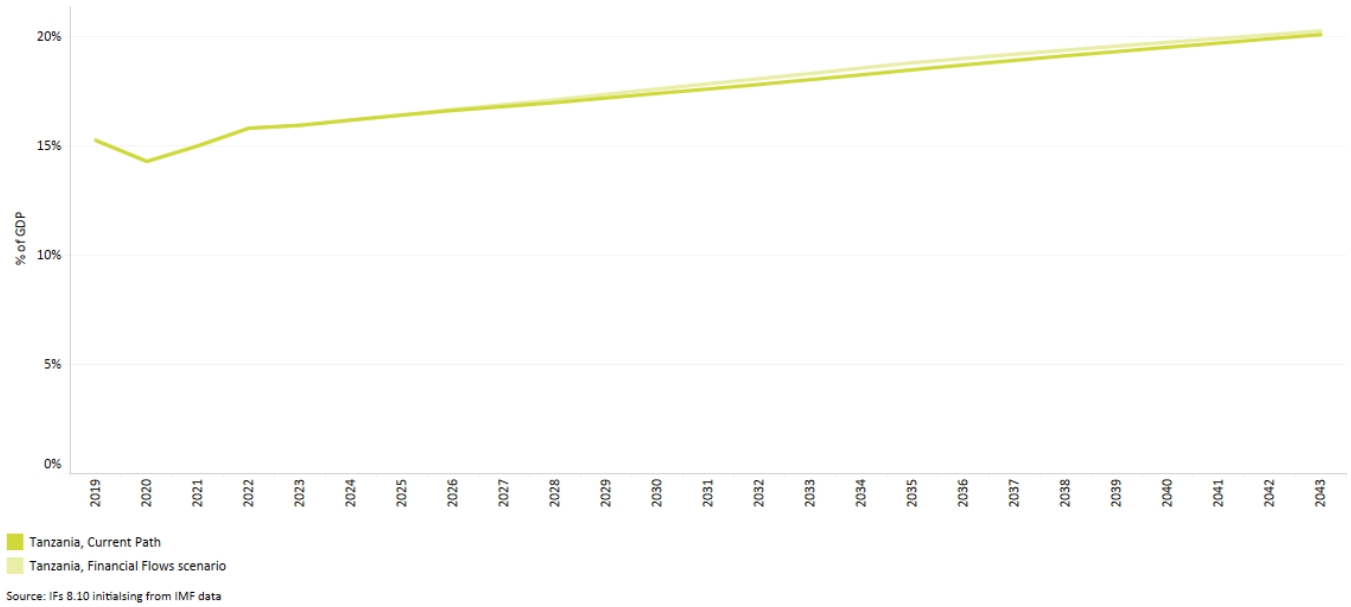


Chart 25 presents the structure of the Financial Flows scenario as modelled in IFs.

The Financial Flows scenario represents a reasonable but ambitious increase in inward flows of worker remittances, aid to poor countries and an increase in the stock of foreign direct investment (FDI) and additional portfolio investment inflows. We reduce outward financial flows to emulate a reduction in illicit financial outflows.

Visit the theme on Financial Flows for our conceptualisation and details on the scenario structure and interventions. Chart 27 presents a summary chart that sets out the composition of the scenario.

Chart 26: Government revenue in Current Path and Financial Flows scenario, 2019-2043



Source: IFs 8.10 initialsing from IMF data

Chart 26 presents government revenues in the Current Path and Financial Flows scenario.

Wagner's law, or the law of increasing state activity, is the observation that public expenditure increases as national income rises. It is, therefore, reasonable to expect that government revenues will increase as a per cent of GDP in the Financial Flows scenario compared to the Current Path forecast. Between 1999/00 and 2020/21, public expenditure in Tanzania rose 26-fold, while the government's revenue from taxes and other sources rose 20-fold, leading to a 15-fold increase in the budget deficit, although still below the 3% of GDP target set by the East-African Community and generally financially manageable. An analysis by Joseph Semboja and Derick Msafiri for REPOA[5] on Tanzania's budget deficit points to the challenge of a shrinking operational budget inadequate to support the expanding infrastructure, a repeat of the 1970s when capacity expansion went hand in hand with high capacity underutilisation. They highlight 'a seemingly contradictory phenemenom in which public facilities are expanding at the same time as public services are declining.'

Government revenues in Tanzania are below 16% of GDP in 2023, almost three percentage points below the average for Africa's 24 low-middle-income countries. It is the result of

- A large informal sector that is not taxed, meaning that Tanzania's tax base is relatively small
- Widespread tax evasion
- Inefficient tax administration
- Various tax exemptions and incentives

Once the contribution of foreign aid is removed, government revenues decline to below 12%, reflecting the extent to which Tanzania depends on aid to fund government expenditures. The average contribution of aid to GDP amongst Africa's 24 low-middle-income countries is significantly lower.

Tanzania has been a significant recipient of development aid that peaked at an unprecedented 30% of GDP in 1992, equivalent to US$4.2 billion, before declining to US$1.37 billion in 1998 and then resuming its upward trajectory in

absolute amounts to US$3.8 billion in 2007. Compared to the average for Africa's low-middle-income countries, foreign aid accounts for a quarter of government revenues in Tanzania at 25.1% in 2023. However, given rapid economic growth, its importance has declined recently. In 2023, Tanzania ranked ninth out of 24 low-middle-income economies on the continent regarding aid receipts as a per cent of government revenues. The average for the group was much lower at 8.7% and will decline to 2.8% in 2043. In the Financial Flows scenario, aid accounts for 8.9% of Tanzania's government revenues in 2043, still significantly higher than the peer group's average. In the Financial Flows scenario, Tanzania gets an additional US$12 billion in aid, i.e. above the Current Path forecast from 2024 to 2043.

In both the Current Path and the Financial Flows scenarios, the contribution of foreign aid to government revenues is projected to decline. By 2043, aid will constitute 9.8% of government revenues in the Financial Flows scenario compared to 9.4% in the Current Path forecast, equivalent to US$342 million that year.

FDI inflows to Tanzania as a per cent of GDP have steadily increased since democratisation in 1992. However, they declined during the global financial crisis in 2007/08, and later during the COVID-19 pandemic from 2020 that saw a sharp drop to 0.8% in 2020 before a robust recovery to 3.8% in 2021. FDI flows to Tanzania accounted for 3% of GDP in 2023, 0.5 percentage points above the average for Africa's low-middle-income economies, primarily as investments in mining (gas in particular), manufacturing (in response to government efforts to promote industrial development) and financial services (in response to the growing demand). Much of it comes from China, India and the United Kingdom.

By 2043, FDI flows will account for 5% of Tanzania's GDP in the Financial Flows scenario compared to 3.9% in the Current Path forecast. The impact would be a substantial increase in the stock of FDI in Tanzania from 38.2% of GDP in 2023 to 47.9% in 2043 compared to 38.2% of GDP on the Current Path forecast. The corresponding amounts in 2043 would be US$123 billion in the combined scenario compared to US$95.4 billion in the Current Path forecast.

In 2023, remittance inflows to Tanzania accounted for 0.6% of GDP (US$415 million), more than two percentage points below the average for its income peer group. In the Current Path forecast and the Financial Flows scenario, remittances will decline, if expressed as a per cent of GDP, to 0.49% and 0.54%, respectively in 2043. In absolute terms, remittances will increase to US$1.4 billion in the Financial Flows scenario by 2043, US$160 million above the Current Path forecast.

In the Financial Flows scenario, government revenues will increase by 1.47 percentage points of GDP in 2043, equivalent to US$1.47 billion - a cumulative increase of US$12.2 billion more revenues from 2024 to 2043.

Governance scenario

Chart 27: Governance scenario

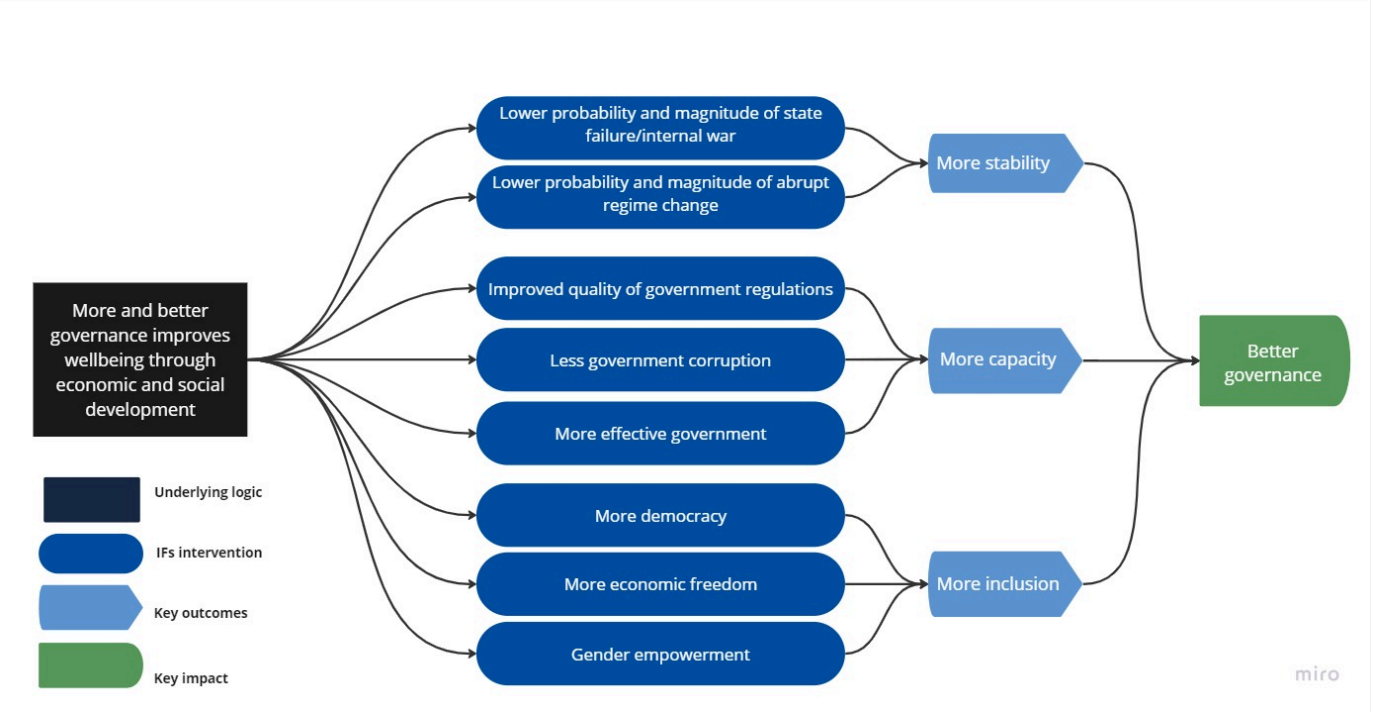


Chart 27 is a summary chart that sets out the composition of the Governance scenario as modelled in IFs. Thinking of governance in terms of security, capacity, and inclusion provides a valuable lens to compare how countries progressed over time and the state of governance between countries and groups of countries.

You can visit the theme on Governance for a complete conceptualisation and details on the scenario structure and interventions.

In brief, the stability dimension uses data from the Political Instability Task Force on:

- the probability and magnitude of state failure/internal war,
- the probability and magnitude of abrupt regime change and
- social violence consisting of reductions in conflict and terror and police conflict.

Capacity is enhanced by improving the quality of government regulation, government effectiveness (both from the Worldwide Governance Indicators) and corruption reductions using Transparency International data.

Inclusion improves as a result of the following:

- an improvement in levels of democracy using the Polity IV index applied to those countries that evidence a democratic deficit,
- an improvement in gender empowerment using the gender empowerment measure (GEM) from the United Nations

Development Programme (UNDP) and

- more economic freedom (using the associated index from the Fraser Institute).

These IFs indices compare well with the results from others, although IFs adopt a more structural/long-term approach. For example, the Worldwide Governance Indicators published by the World Bank measure six dimensions of governance, many of which overlap with the three IFs indices. These are voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law, and control of corruption.

Since independence in 1961, Tanzania has been ruled by five Presidents, namely Mwalimu Julius Kambarage Nyerere (1961-1985), Haj Ali Hassan Mwinyi (1985 – 1995), Benjamin William Mkapa (1995 – 2005), Jakaya Mrisho Kikwete (2005-2015), John Magafuli (2015-2021) and since the death of President Magafuli, by Samia Suluhu Hassan, the first female president of the United Republic of Tanzania.

Until the mid-1980s, Tanzania was a one-party state with a socialist and inclusive economic development model. Nyerere introduced a socialist policy of *ujamaa* (Swahili for familyhood) in 1964 that called for the creation of communal villages, where people would share land and resources and introduced a one-party system with Chama Cha Mpinduzi (CCM) as the ruling party. The Arusha Declaration of 1967 placed an emphasis on the egalitarianism inherent in a socialist society by leveraging the collective ability of the population to determine the destiny of the country.

Various challenges, including inefficiency, corruption and a lack of incentives for individual effort, meant slow growth, and the economy suffered from several external shocks, including the oil crisis in the 1970s and the fall of world coffee prices.

Beginning in the mid-1980s, under the administration of President Ali Hassan Mwinyi, Tanzania undertook several political and economic reforms, including a shift away from state control of the economy, the introduction of multi-party politics, and the adoption of a market-based economy.

The current multi-party political system was introduced in 1992, followed by regular elections, with the first conducted in 1995. CCM won the elections, but it lost its majority in parliament. The opposition parties joined CCM to form a coalition government, and Tanzania has been a multi-party democracy ever since.

Chart 28: Composite governance index in Current Path vs Governance scenario, 2023-2043

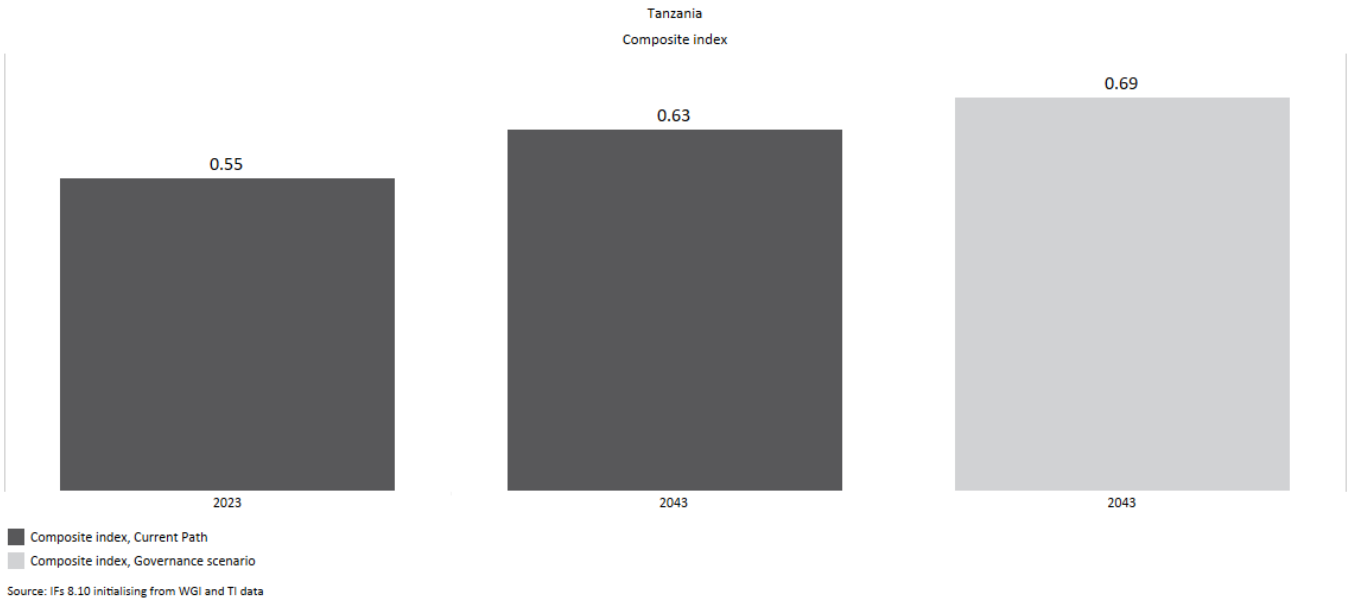


Chart 28 presents progress with the three governance dimensions by 2043 in the Current Path and Governance scenario compared to 2019.

We measure and compare security, capacity and inclusion within and between countries and combine them in an average governance index.

In 2023, Tanzania scored better than the average of the low-middle-income Africa group in security and much higher in inclusion but had slightly less capacity than its peers. In the Governance scenario, Tanzania will do better than the group average in all three dimensions by 2043 and further improve its leadership in inclusion. These individual scores affect its combined governance index score. In 2023, Tanzania was ranked 10th out of 24 low-middle-income countries and will improve its ranking to eighth in 2043 on the Current Path forecast. In the Governance scenario, its ranking improves to an impressive third by 2043, behind only Lesotho and Cape Verde.

We start with security.

Tanzania has generally been an island of stability in a turbulent region compared to neighbouring Uganda, the DR Congo, Rwanda and Burundi. In the process, it has become host to a large refugee population, mainly from Burundi and the DR Congo. Most refugee camps are located in the northwestern region of Kigoma.

Perhaps the most significant threat to its instability came when, in April 1964, Zanzibar merged with mainland Tanganyika as the United Republic of Tanzania, within which Zanzibar remains an autonomous region. The complex relations between the semi-autonomous archipelago of Zanzibar and the mainland sometimes threatened the political stability of the union. Zanzibar has long maintained a strong sense of autonomy, and in 1972, there was a brief attempt to break away from the union. In 2010, Zanzibar was granted greater autonomy, including the right to elect its own president, which has eased relations.

Tanzania is a religiously diverse country with a majority Muslim population and has a long history of religious tolerance, given the strong influence of moderate Sufi Islam. Radical Islam has not been a significant problem in the country compared to ongoing poverty and unemployment that could make people more susceptible to radicalisation. Tanzania

also has a very large youth bulge. Around 48% of its adult population is aged 15 to 29 in 2023, which is about six percentage points above the average for Africa's low-middle-income group of countries. Even by 2043, the portion will only have declined to 38%. Generally, a youth bulge above 40% would indicate a potential for instability.

The insurgency in neighbouring northern Mozambique since 2017 is a cause for concern. The insurgency is led by a group called Ansar al-Sunna wa Jama'at (ASWJ), which has pledged allegiance to the Islamic State (ISIS). The group has carried out numerous attacks against civilians and security forces and has displaced hundreds of thousands of people. Tanzania, too, has experienced isolated incidents of jihadist violence and has taken various steps to counter the threat.

Turning to capacity.

Tanzania needs to improve its government capacity (it scores below average on the IFs government capacity index) than most of its peers, translating into low-quality public services, including health, education and water.[6] Low government capacity is, in turn, a function of low government revenues. As a per cent of GDP, Tanzania has the eighth lowest government revenues among Africa's 24 low-middle-income countries.

The government has been working hard to improve this situation. As a result, the tax-to-GDP ratio in Tanzania has been increasing in recent years, reaching 11.8% in 2022/23. This ratio is still below the average for sub-Saharan Africa, but it significantly improved from the 10% ratio in 2004/05, close to that of low-income countries.

'Low domestic revenue mobilisation' in Tanzania, the World Bank cautions, 'has led to low overall public expenditure. While public spending is low across all expenditure categories compared to comparable countries, the most pronounced gap is observed in social spending. To illustrate, Tanzania's public spending on education and healthcare amounts to only 3.3% and 1.2% of GDP in 2021/22, respectively. These figures fall below the average spending levels of 4.4% and 2.3% for LMICs (low-middle-income countries)'.

A comparable index to government capacity would be government effectiveness.

In 2023, Tanzania's score on the World Bank Government Effectiveness Index was below the average of its income peer group on the continent, ranked 19th out of the 24-country group, just above Nigeria and below Lesotho. It, therefore, does significantly worse than neighbours such as Kenya. In the Governance scenario, Tanzania would improve its ranking on government effectiveness to eighth by 2043, just below Kenya, which is in the seventh spot. As an example of the impact of government effectiveness, the World Bank points to poor budget execution rates, noting that these have consistently lagged, with the execution rate for the development budget averaging 67% over the past four years since 2017/18. The execution rate for domestically financed projects rose from 60% in 2017/18 to 85% in 2020/21, but the rate for foreign-financed projects averaged just 58%.

According to the World Bank, low budget execution rates suggest opportunities for improvement in strategic planning, budget preparation, and procurement processes, as well as to address delays in contracting non-concessional loans and in project preparation and implementation.

Finally, turning to inclusion.

Within IFs, inclusion combines levels of democracy and gender inequality.

Various indices track democracy, according to which Tanzania's democracy scores have fluctuated in recent years. According to the 2022 Varieties of Democracy (V-Dem) index, Tanzania's electoral democracy score has declined from 0.47 in 2018 to 0.42 due to restrictions on freedom of speech and assembly, increasing corruption, economic inequality and

weak rule of law. According to the 2022 IDEA Index report, Tanzania is categorised as a hybrid regime, scoring 41.94 out of 100 points. This score indicates that the country has made some progress towards democracy but still faces significant challenges in civil liberties, political rights, and checks and balances.

The Polity Project, which produces a widely used measure of democracy and is used by IFs, classifies Tanzania as a hybrid regime with limited executive constraints, weak political participation, and low institutionalisation. The Economist Intelligence Unit's Democracy Index also classifies Tanzania as a "hybrid regime", and Freedom House's Freedom in the World report classifies Tanzania as "partly free." However, the level of democracy in Tanzania appears roughly in line with what could be expected given its education and income levels compared to other countries at similar levels of development.

Endnotes

1. USAID, Agriculture and food security, 1 December 2021
2. USAID, Tanzania: Education, 1 December 2021
3. World Bank Group, Poverty Assessment for Mainland Tanzania, Executive Summary, September 2020, p 29
4. World Bank Group, Poverty Assessment for Mainland Tanzania, Executive Summary, September 2020, p 10
5. J Semboja and D Msafiri, *Should Tanzania be concerned about its budget deficit?* REPOA Brief 17/2022, December 2022
6. USAID, Democracy, human rights, and governance, 1 December 2021

Donors and sponsors

Cite this research

Jakkie Cilliers (2024) Tanzania. Published online at futures.issafrica.org. Retrieved from https://futures.issafrica.org/geographic/countries/tanzania/ [Online Resource] Updated 15 April 2024.

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.

About African Futures & Innovation

Scenarios and forecasting can help Africa identify and respond to opportunities and threats. The work of the African Futures & Innovation (AFI) program at the Institute for Security Studies aims to understand and address a widening gap between indices of wellbeing in Africa and elsewhere in the world. The AFI helps stakeholders understand likely future developments. Research findings and their policy implications are widely disseminated, often in collaboration with in-country partners. Forecasting tools inspire debate and provide insights into possible trajectories that inform planning, prioritisation and effective resource allocation. Africa's future depends on today's choices and actions by governments and their non-governmental and international partners. The AFI provides empirical data that informs short- and medium-term decisions with long-term implications. The AFI enhances Africa's capacity to prepare for and respond to future challenges. The program is headed by Dr Jakkie Cilliers.