TANZANIA
ECONOMIC UPDATE

Overcoming Demographic Challenges while Embracing Opportunities

Issue 20
2024

WORLD BANK GROUP

Tanzania Economic Update

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ACRONYMS AND ABBREVIATIONS

AE	Advanced Economy	LICs	Low-Income Countries
AEP	Alternative Education Pathways	LMICs	Lower-Middle Income Countries
AfCFTA	African Continental Free Trade Area	LPPA	Lesotho Planned Parenthood Association
BoT	Bank of Tanzania	M0	Reserve Money
Bps	Basis points	M3	Extended Broad Money Supply
CBOs	Community-Based Organizations	MTI	Macroeconomics, Trade and Investment
CEM	Country Economic Memorandum		
COVID-19	Coronavirus Disease of 2019	NBS	National Bureau of Statistics
CPD	Continuous Professional Development	NDA	Net Domestic Assets
CPI	Consumer Price Index	NFA	Net Foreign Assets
CPR	Contraceptive Prevalence Rate	NGOs	Non-Governmental Organizations
CY	Calendar Year	OBSE	Off-balance Sheet Exposures
DHS	Demographic and Health Surveys	OCGS	Office of the Chief Government Statistician
DSA	Debt Sustainability Analysis		
EAC	East African Community	PPI	Producer Price Index
EMDEs	Emerging Markets and Developing Economies	PPP	Purchasing Power Parity
		PPPs	Public-Private Partnerships
FAO	Food and Agriculture Organization	Q1/3/4	The First/Third/Fourth Quarter
FDI	Foreign Direct Investment	RH	Reproductive Health
FP	Family Planning	SGR	Standard Gauge Railway
FY	Fiscal Year	SSA	Sub-Sharan Africa
GDP	Gross Domestic Product	SSP	Safe Schools Program
GNI	Gross National Income	TASAF	Tanzania Social Action Fund
H1/2	First/Second Half	TeIW	Tanzania Electronic Investment Window
HIV	Human Immunodeficiency Virus		
HPV	Human Papillomavirus	TEU	Tanzania Economic Update
IMF	International Monetary Fund	TFR	Total Fertility Rate
LGA	Local Government Areas	Tsh	Tanzania Shilling

TWRA	Total Risk Weighted Assets	WB	The World Bank
UAE	United Arab Emirates	WDI	World Development Indicators
UN	United Nations	WPP	World Population Prospects
URT	United Republic of Tanzania	y/y	Year-over-Year or Year-on-Year
US ($)	United States (Dollar)	5/9/10/11M	The First Five/Nine/Ten/Eleven
VAT	Value Added Tax		Months
WAS	Working-Age Population Share		

PREFACE

The Tanzania Economic Update (TEU) is a biannual report describing the recent evolution of Tanzania's economy, and each edition highlights a subject of critical interest to policymakers. The TEU series is also designed to reach a broader audience of stakeholders that includes the private sector, the government's development partners, and the public. To ensure that the TEU is accessible to as wide a readership as possible, each edition is presented in a relatively nontechnical style.

This twentieth edition of the TEU was prepared by a team from the World Bank's Macroeconomics, Trade and Investment (MTI) Global Practice, with contributions from several other Global Practices. The overall effort was led by Emmanuel Mungunasi (Senior Economist, EAEM1). The analysis benefitted from advice provided by William Battaile (Program Leader, EAEDR).

Emmanuel Mungunasi (Senior Country Economist, EAEM1) prepared the macroeconomic outlook and risks section. Xu Dong (Consultant, EAEM1) authored the sections on recent economic activity, monetary policy and inflation, and ᴢanzibar ᴍacroeconomic ᴀssessment, while the sections on fiscal and debt dynamics and the balance of payments were written by Ying Li (Consultant, EAEM1). Pedro Olinto (Senior Economist, EAEPV) and Revocatus Washington Paul (ET Consultant, EAEPV) provided input on poverty trends. Randa Akeel (Senior Financial Sector Specialist, EAEM1) prepared input on financial sector development, Sophia Muradyan (Senior Private Sector Specialist, EAEF1) provided input on business climate, and Dominik Peschel (Senior Economist, EPGDR) prepared the section on global economic conditions. Box 1 (The State of Tanzania's Economy in Six Charts), Box 2 (Tanzania's Slowing Structural Transformation and the Role of the Agriculture Sector), Box 3 (Tanzania's Monetary Policy Framework Transition), and Box 5 (Tanzania's Long-Term Growth Challenges) were prepared by Xu Dong (Consultant, EAEM1), while Box 4 (Diminishing Role of Tanzania's Exports) was prepared by Emmanuel Mungunasi (Senior Economist, EAEM1).

The special focus section of the report is on demographic challenges and opportunities, which was prepared by a team led by the World Bank's Health, Nutrition and Population (HNP) Global Practice. Chiho Suzuki (Senior Health Specialist, HEAHN) together with Miriam Schneidman (Former Lead Health Specialist, Consultant, HAHE1) authored this section with analysis led by Emi Suzuki (Demographer, DECID). The section was prepared with contributions from several other Global Practices: Innocent Mulindwa (Senior Education Specialist, HAEE1) provided technical inputs; Ravinder Casley Gera (ET Consultant, HAEE1) and Dmitry Chugunov (Education Specialist, HAEE1) provided costing analysis related to public education; Pedro Olinto

EXECUTIVE SUMMARY

Recent Economic Developments and Outlook

Tanzania has managed to sustain its growth momentum despite the intensifying effects of climate change. Tanzania's real GDP growth rate rose from 4.6 percent in 2022 to 5.2 percent in 2023, as a stronger business climate and improved trade balances boosted aggregate demand, offsetting the damaging impact of droughts and floods on household income. According to the NBS, the services sector accounted for half of GDP growth during the first nine months of 2023, led by the strong performance of the financial and insurance, tourism, transportation, and accommodation subsectors. Agricultural output increased in 2023, albeit at a slower pace, as recurrent floods and droughts destroyed livestock and farm fields, slashing the production of major staple foods. The industrial sector also sustained its growth momentum, with mining, manufacturing, and construction each contributing about 30 percent to the sector's expansion.

While Tanzania's economy continues to expand, recent growth has been concentrated in sectors that employ few workers from poor households, limiting its impact on poverty. The national poverty rate fell from an estimated 27 percent in 2022 to about 26.5 percent in 2023. However, income gains among poor households have not kept pace with population growth, and the number of people living below the poverty line has increased since 2018 and reached 15 million in 2022. Moreover, the economic fallout from the COVID-19 pandemic and other exogenous crises has exacerbated poverty in Tanzania, with many workers returning to low-productivity agriculture as a survival strategy. The vulnerability of Tanzanian households to shocks is the main cause of the economy's slow structural transformation, underscoring the importance of building resilience by providing adequate healthcare and a robust social protection system.

Lower public spending on goods and services threatens the quality of social service delivery. During the first five months (5M) of 2023, total public expenditures and net lending declined from 18.1 percent of GDP to 18.0 percent, while recurrent spending fell from 10.5 percent of GDP to 10.2 percent. Expenditures on goods, services, and transfers fell from 3.6 percent of GDP to 3.1 percent during the period, driving the overall decline in recurrent spending. Insufficient spending on goods and services could hinder equitable growth over the medium term, and delayed payments to suppliers could result in the accumulation of arrears.

Development spending, which is mainly focused on megaprojects, has increased to 7.9 percent of GDP. The disbursement of new loans to finance major capital projects has driven the growth of the public debt stock, while the debt-to-GDP ratio decreased from 43.6 percent at the end of FY2021/22 to 40.9 percent at the end of FY2022/23. According to the latest joint IMF-World Bank Debt Sustainability Analysis (April 2023), the risk of debt distress remains moderate.

In addition to controlling expenditures, the authorities have demonstrated a credible commitment to narrowing the fiscal deficit through increased tax collection. Following the implementation of reforms designed to enhance revenue mobilization by broadening the tax base and improving tax compliance, tax revenue rose from 11.6 percent of GDP in 5M-FY2022/23 to 12.3 percent in 5M-FY2023/24, while total government revenue increased from 14.2 percent of GDP to 14.8 percent. Rising income-tax receipts more than offset a decline in revenue from value-added tax (VAT), and import taxes, while nontax revenue remained stable at around 2.5 percent of GDP. As a result, the government's fiscal deficit fell from 4.6 percent of GDP to 3.0 percent during 5M-FY2023/24.

The Bank of Tanzania (BoT) has implemented an effective monetary policy designed to curb inflation and alleviate mounting short-term demand pressure on foreign exchange. In response to the impact of multiple shocks, the BoT continued to tighten its monetary policy and lowered monetary targets for the second half of 2023. The growth rate of reserve money (M0) fell from 11.3 percent at end-November 2022 to 7.6 percent at end-November 2023, while the growth rate of extended broad money (M3) slowed sharply from 21.3 percent at mid-2023 to 13.7 percent at end-November. The government implemented temporary fiscal support for fuel, fertilizer, and staple foods in response to rising global commodity prices and a protracted domestic drought, while tightener monetary policies effectively mitigated inflationary pressures from rising food, energy, fuel, and utility prices. As a result, Tanzania's headline consumer price index (CPI) inflation rate declined from a five-year peak of 4.9 percent (y/y) at the beginning of

2023 to just 3 percent in December, while food inflation slowed from almost 10 percent to 2.3 percent. Similarly, the cumulative headline inflation rate fell from 4.4 percent in 2022 to 3.8 percent in 2023, well below the BoT's target of 5 percent for FY2023/24 and regional peers. The managed growth of monetary aggregates also helped address imbalances in the supply and demand for foreign exchange.

While tighter monetary policies have successfully shored up price stability, the BoT seeks to strengthen inflation controls as the economy develops. The average y/y growth rates for M0 and M3 were 6.0 percent and 16.8 percent, respectively, between July and November 2023, well below and above the 10.1 percent growth targets for the second half of the year. The missed targets partly reflect the destabilizing effect of financial innovations on the long-run relationship between M0 and M3 in Tanzania, while the current monetary-targeting framework has also weakened monetary-policy transmission. To address these challenges and better control inflation, the government shifted its monetary policy to an interest-rate-based framework at the beginning of 2024.

Tanzania operates a managed floating exchange rate regime; however, the exchange rate was more flexible to absorb external shocks especially in the second half of 2023. Despite global headwinds, Tanzania's current-account deficit fell from US$5.3 billion, or 7.7 percent of GDP, during 11M-2022 to US$2.8 billion, or about 3.9 percent of GDP, during 11M-2023. A shrinking merchandise trade deficit arising from moderating global commodity prices, combined with a growing services trade surplus, helped narrow the current-account deficit. However, the improving current-account balance did not alleviate pressure on the BoT's foreign-exchange reserves. Due to the limited flexibility of the managed float, gross reserves dropped from US$5.2 billion, or 4.7 months of imports, at end-2022 to US$4.5 billion, or 4 months of imports, at end-November 2023. As interest rates rose in advanced economies and capital outflows increased, the BoT used its reserves to meet demand in the foreign-exchange market and stabilize the official exchange rate. In late July 2023, when surging demand for foreign exchange caused a parallel market to emerge, the authorities started to

allow the Tsh/US$ exchange rate to depreciate faster to ease demand. Between July 2023 and November 2023, the Tanzanian shilling depreciated by 6.1 percent against the US dollar.

Global growth is expected to slow further in 2024 amid monetary tightening and more restrictive credit conditions. While global economic activity was stronger in 2023 than expected earlier, it is projected to weaken in 2024, as the delayed impact of higher interest rates drove an especially sharp slowdown among advanced economies. Global headline inflation has continued to decline as supply chains have stabilized and commodity prices have moderated, but inflation remains above target in many countries. Aggressive monetary tightening has sharply increased borrowing costs, constraining the credit supply and raising long-term bond yields. Economic activity in emerging markets and developing economies (EMDEs) is expected to firm in 2024 as improving domestic demand in many countries and a pickup in international trade offsets the decelerating activity in China. Less accommodative financing conditions, and high debt levels are still expected to increase the cost of debt across EMDEs and especially in low-income countries. Growth in SSA is expected to accelerate to 3.8 percent in 2024 as inflationary pressures fade.

An improving business climate and the implementation of structural reforms are expected to boost annual GDP growth to 5.6 percent in 2024. Growth is forecast to average about 6 percent over the medium term as demand strengthens while inflationary pressures ease and interest rates decline. The headline inflation rate is expected to fall below 4 percent over the medium term as global commodity prices continue to ease, planned investments in agriculture bolster the domestic food supply, and the central bank pivots from monetary targeting to an interest-rate-based framework. The fiscal deficit is expected to narrow in the near term as the economic recovery accelerates domestic revenue collection while the growth of public spending stabilizes, and the public-debt-to-GDP ratio is projected to decline from 42 percent in 2022 to about 37 percent over the medium term. Meanwhile, the current-account balance is expected to improve further and will be largely financed by concessional external borrowing and foreign direct investment.

While Tanzania's recovery continues to accelerate, several serious threats cloud its economic outlook. Key risks include the slow or incomplete implementation of structural reforms, the damaging effects of climate change on the agriculture and tourism sectors, and the possibility of a global recession caused by fiscal and monetary policy tightening in advanced economies and major EMDEs. To mitigate these risks, policymakers must accelerate structural reforms as part of a sustained effort to attract greater private investment and spur resilient and inclusive private-sector-led growth. Over the longer term, one of the country's key challenges will be to complete its structural economic transformation, which will require creating a more favorable business climate to support the growth of the industrial and services sectors while boosting agricultural productivity. Another key long-term growth challenge will be achieving more balanced and inclusive growth.

Demographic Challenges and Opportunities in Tanzania

Demographics are Key to Human Capital and Economic Development

While Tanzania's recent economic performance has remained strong despite multiple shocks, progress on poverty reduction has been slow, as discussed in chapter 1. With real GDP hovering around 5 percent (2023), the country's fundamental challenge remains how to make growth more inclusive and how to create education opportunities and better jobs for all Tanzanians.

There is growing global recognition that rapid population growth can be an impediment to countries' development prospects and aspirational goals. With a 3 percent annual population growth rate, the population of Tanzania is estimated to double every 23 years, making it more costly to build human capital. The total school-age population is projected to rise to 44.3 million (low fertility scenario) in

FIGURE B1.A • Since 2022, a Prolonged Regional Drought has Reduced the Production of Major Staple Foods, Resulting in Skyrocketing Food Prices

Tanzania – Selected Food Production and Prices
Levels, 9M-2019 = 100
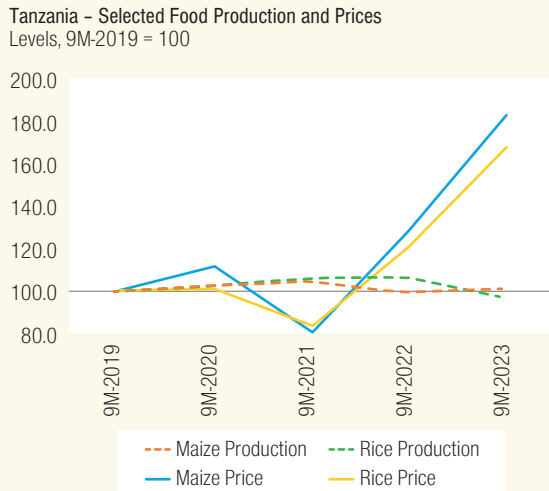
Source: Haver Analytics, WB staff estimates.

FIGURE B1.B • However, Inflation Remains Contained and is Relatively Low by Regional Standards

Regional Inflation Comparison
Horizontal axis (2023 inflation*); vertical axis (2022 inflation)
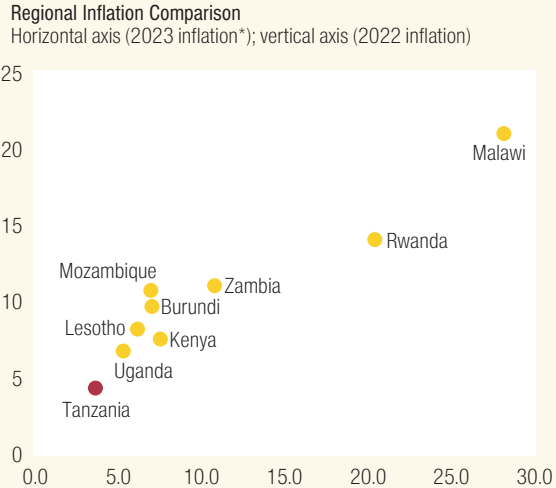
Source: Haver Analytics, NBS, WB staff estimates.
* Inflation for Lesotho and Malawi is 11M-2023.

FIGURE B1.C • High-frequency Indicators Confirm that Economic Activity Remains Vibrant, Especially in the Industrial Sector...

Tanzania – High-frequency Economic Inidcators
(9M-2020 = 100)
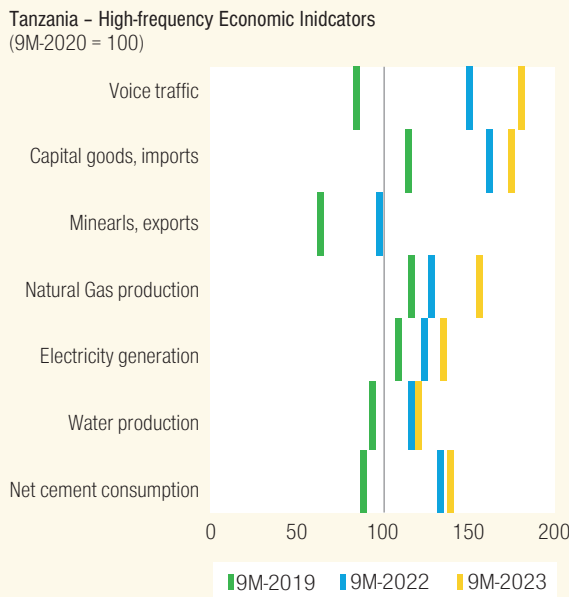
Source: NBS, BoT, WB staff estimates.

FIGURE B1.D • ...and the Tourism Sector; these Trends, along with Robust Private Credit Demand, Continue to Bolster Economic Growth
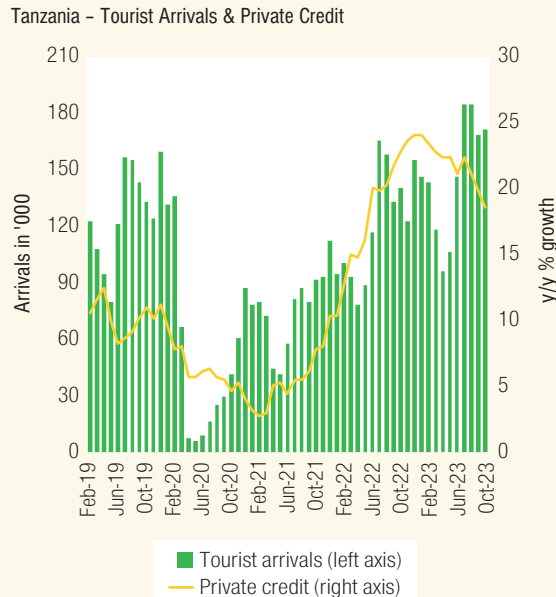
Tanzania – Tourist Arrivals & Private Credit

Source: NBS, BoT, WB staff estimates.

FIGURE B1.E • Nevertheless, Tanzania's Recent Growth has been Close to the Average for Regional Peers...

GDP and its Components, 9M-2023
(y/y change)
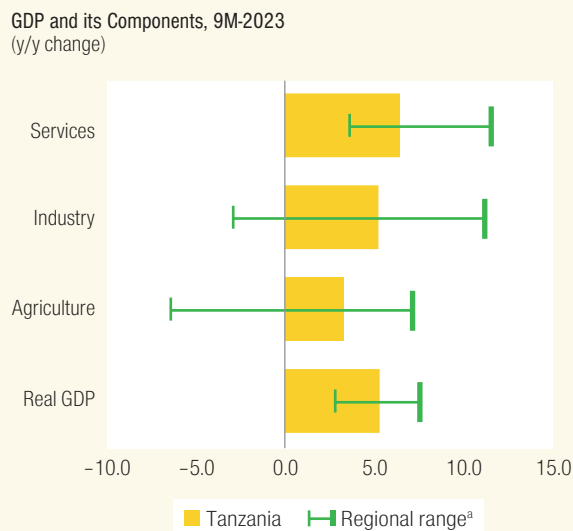
Source: Haver Analytics, WB staff estimates.
[a] Includes Uganda, Mozambique, Kenya, Rwanda, Ghana, Zambia

FIGURE B1.F • ...and Further Investment in Priority Social Sectors is Vital to Achieve the Economy's Full Potential and Build Resilience

Non-monetary Indicators
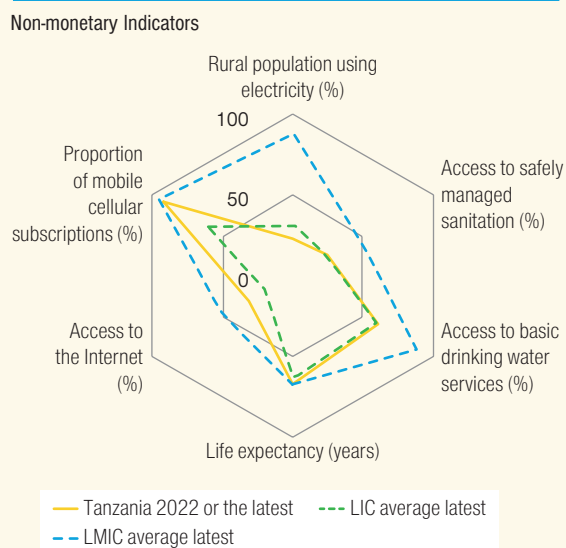
Source: WDI.

2061 in contrast to 65.5 million (high fertility scenario), nearly 50 percent higher; with the cost of public education increasing from the current 3.3 percent of GDP to 4.1 percent under (high fertility scenario) but dropping to 2.9 percent (low fertility scenario) in 2061. The total cost of vaccinating children and adolescent girls against HPV will range between US$718 million (low fertility scenario) and US$1.3 billion (high fertility scenario) in 2061, nearly a two-fold differential.

Accelerating the Demographic Transition Will Be a Game Changer

Accelerating the demographic transition in Tanzania could bring about shifts in the age structure which would contribute to economic growth and poverty reduction. This process will not be automatic or fast as there is pent-up 'population momentum' due to high historical fertility rates. A reduction in fertility is a pre-condition for harnessing a demographic dividend. The speed and magnitude of fertility transitions

are critical. While the impacts will be seen in the long run, accelerated action is needed now.

Simulations of Tanzania's economic growth suggest that lower fertility rates, leading to a higher working-age population share, could almost double per capita GDP growth by 2050, with further enhancement possible through improved institutional quality, thereby potentially lifting 6 million of its citizens out of poverty.

Good policies are needed to reap the 'demographic dividend', the economic benefit that can take place when a country undergoes a rapid decline in mortality, followed by a rapid decline in fertility, thus producing smaller, healthier families and a youth cohort that can be educated and empowered to enter the labor market with appropriate skills. Tanzania's long-term economic prospects will be enhanced by changes in the age structure resulting in lower dependency ratios, an expanded labor force, and a boost in savings. While Tanzania will adopt its own path toward a demographic dividend, this special

feature may provide insights into this process, trigger reflections, and motivate discussions.

Tanzania has Made Excellent Progress Lowering Mortality but Gaps Persist

Infant and child mortality declined steeply since 1990, and life expectancy increased by 15 years with Tanzania outperforming most countries in the Africa region and reaching the average for Lower-Middle-Income Countries (LMICs). Further attention is needed to address childhood stunting which remains high (30 percent) with persistent disparities across education and wealth quintiles.

Tanzania Needs to Renew Commitment on FP to Reap the Potential Benefits of Lower Fertility for Mothers and Children

Tanzania is a typical country in terms of the slow fertility transition in Africa. On average, a woman in Tanzania has 4.8 children (2022) almost double the rate in LMICs (2.6). The Total Fertility Rate (TFR) in Tanzania declined by only 1.4 children in 30 years (1990–2020).

High levels of fertility reflect the proximate determinants: (i) early age at marriage and childbearing and (ii) low levels of contraceptive use with these patterns changing very slowly. Child marriage has been on the decline since 1990, but rates remain relatively high with about a third of girls married by 18 years. Adolescent childbearing also declined over the past three decades, from 144 (1990) to 112 (2022) per 1,000 women, narrowing the gap with the regional average (102 per 1,000 women). Fertility rates among rural women declined at an accelerated rate (from 6 to 5.5) during 2015–2020 compared to the previous 25 years (from 6.6 to 6.0) but remain high.

The overall demand for children is generally high but there is considerable unmet need for modern contraception (21 percent). The proportion of Tanzanian women and men who do not want more children is estimated at 22 percent and 16 percent, respectively (2022) with a 2.5-child differential in the ideal number of children between women with no edu-cation and those with secondary schooling. While the national Contraceptive Prevalence Rate (CPR, modern methods) is only 31 percent, over one-third of regions are making good progress (CPR: 36-55 percent) which has contributed to the decline in rural fertility.

Commitment to Female Education is Exemplary, Progress Needs to Be Intensified

Global evidence has shown that female education is the dominant socioeconomic determinant of fertility transitions. Country trajectories vary widely in terms of the timing, magnitude, and pace of decline. As education levels rise, fertility initially remains high in culturally and religiously heterogenous societies, such as Tanzania. Resistance to change can slow down the process while the early introduction of FP programs can accelerate transitions.

The Government of Tanzania recognizes the centrality of investing in girls' education. With the extension of the fee-free policy to secondary education, roll out of the Alternative Education Pathways Program, and major expansion of the school network, the number of girls enrolled rose considerably. Concerns persist with the quality of learning and completion rates.

Priorities For Policy Action—An Integrated Approach

Intensify efforts to expand access and strengthen completion of secondary education for girls. To ensure that girls take advantage of the government's strong commitment to secondary education, it will be important to pass legislation raising the minimum marriage age to 18 years. The expected benefits of expanding access to secondary education and reduc-ing child marriage are considerable (e.g., lower fertility, improved child survival, enhanced family welfare).

Scale up access to high quality, affordable FP services. A renewed commitment to FP is critical, prioritizing women facing geographic, socioeconomic, or cultural barriers; engaging men and religious leaders to address social norms; and learning from well-performing regions in Tanzania.

Improve child survival. Implement targeted community and primary health care interventions to integrate infant care with postpartum services; expand nutrition interventions; encourage prolonged breastfeeding; focus on neonatal mortality; and sustain the child spacing policy.

Promote women's empowerment. Empowering women economically and socially will support their reproductive health, health-seeking behavior, and investments in their children.

Focus on adolescent girls. One key group that requires a special focus in all areas—education, health, and empowerment—are adolescent girls.

Identify champions for the demographic dividend agenda. A national dialogue can be spearheaded by respected Tanzanian champions. The narrative needs to be carefully crafted and delivered in terms of the expected benefits for human capital development, women's empowerment, and gender equality.

RECENT ECONOMIC DEVELOPMENTS

Economic Activity and Poverty Trends

Tanzania's economic expansion has remained strong despite multiple overlapping shocks, and the country continues to move toward its potential growth after recovering from the pandemic. The real GDP growth rate rose from 4.6 percent in 2022 to a preliminary estimate of 5.2 percent year-on-year (y/y) in 2023. A stronger business climate and improving trade balances have boosted demand, though droughts and floods have damaged agricultural output and constrained the growth of households' real income. On the supply side,[1] an expansion in the services sector, driven by the sustained revival of tourism has bolstered overall economic growth to 5.3 percent in the first nine months (9M) of 2023, compensating for a stagnant agricultural output (Figure 1). Over the longer term, the economy is expected to sustain its momentum, and if the government implements planned reforms steadfastly, growth should gradually reach its potential real GDP growth rate (Figure 2).[2]

Despite shocks to household income, the improving trade balance has increased aggre-gate demand. Following a surge in post-pandemic pent-up consumer spending in 2022, household consumption grew modestly in 2023. The agricultural sector employs nearly 70 percent of Tanzania's workforce, and the prolonged drought has constrained the growth of households' real disposable income and weighed on final consumption. Moreover, an increase in Tanzanian's precautionary savings that act as a financial buffer against future income uncertainties may also be weakening short-term demand.[3] However, lower domestic demand for imported non-food consumer goods and increased transportation and travel receipts bolstered by the recovery of tourism, helped improve Tanzania's net exports. As a result, the contribution of net exports turned positive in

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[1] The supply side analysis of the real economy is based on the NBS published data.

[2] Government ongoing reforms is included but not limited to (i) Strengthen Tanzania's export competitiveness; (ii) Improve the business and investment environment; (iii) Reduce the cost of regulatory compliance.

[3] According to the NBS, households' saving increased by almost 20 percent during 9M-2023, reaching Tsh 99.9 trillion, despite a slight decrease in average savings rate.

FIGURE 1 • GDP Growth, Supply Side

(% y/y change, contribution in ppt.)

FIGURE 1 • GDP Growth, Supply Side

Legend: Net taxes, Services, Industry, Agriculture, GDP

Source: NBS, WB staff estimates.

FIGURE 2 • Long-Term Growth Trends

(Tsh trillion)

FIGURE 2 • Long-Term Growth Trends

Legend: Pre-covid potential output, Actual, WB staff-forecast
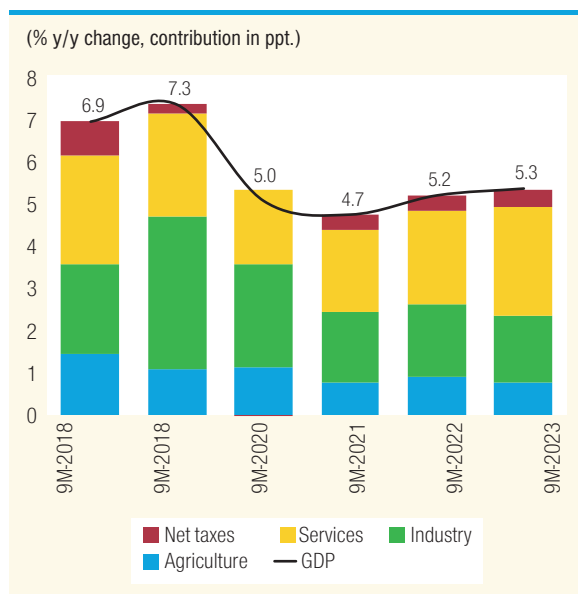
Source: NBS, WB staff estimates.

2023, accounting for 12 percent of real GDP growth (Figure 3) and fully offsetting the compressed private consumption.

Supported by an improved business environment and increased public infrastructure, gross fixed investment—a typical driver of domestic demand—is estimated to increase by 3.8 percent y/y in 2023. The current administration has continued to support private-sector development, and in 2023 the legislature passed a new Tanzania Investment Act along with its implementing regulations. While an important step forward, they fell short of addressing several critical gaps. The government is reviewing several amendments to further strengthen the Investment Act, proposed under the Miscellaneous Amendment Bill. The proposed amendments, if approved in 2024, will significantly strengthen the investor protection guarantees. In September 2023, Tanzania also officially launched the Tanzania Electronic Investment Window (TeIW), a platform designed to seamlessly integrate facilitation services under the One Stop Facilitation Centre for all investors. While net FDI inflows in Tanzania are quite volatile and have been on a downward trend over the past few years, there are signs of partial recovery in investment activity, including an increase in the share of FDI in GDP from 1.1 percent in 2020 to 1.5 percent in 2022.
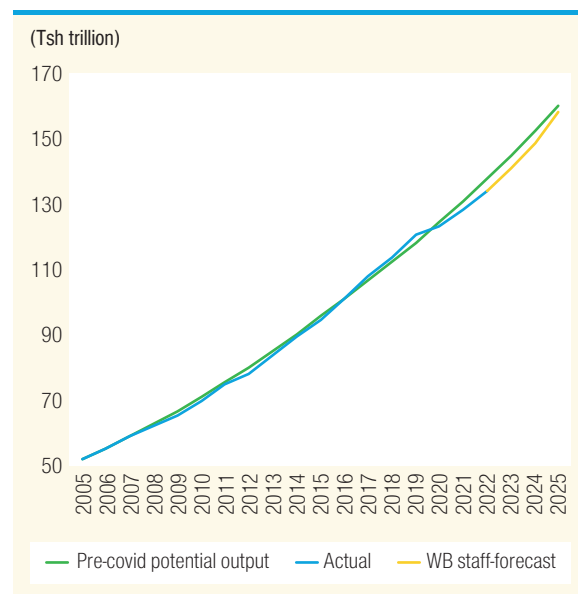
Tanzania Investment Center has also reported a nearly 70 percent increase in number of registered investment projects between February and September in 2023 (344 projects) compared to the same period in 2022 (203 projects).[4]

On the production side, more frequent floods and more protracted droughts have undermined the growth of the agriculture sector. After expanding by 3.8 percent during 9M-2022, the agricultural sector's growth rate fell to 3.3 percent during 9M-2023. Climate change is driving abnormal rainfall patterns, resulting in more protracted droughts, more frequent floods, and the decelerated sectoral growth. In 2022, four of what are usually rainy months ranked among the ten driest months in the past five decades, while some regions saw heavy rains in what are normally the non-rainy seasons.[5] Atypical rainfall influenced by the recent El Niño destroyed farm fields, livestock, and agricultural infrastructure, slashing production of major staple foods. While maize yields rose by merely 2 percent during 9M-2023, the production of paddy, and rice fell by almost 9 percent. The decline in the agricultural out-

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[4]   Source: https://www.tic.go.tz/publications/tic-monthly -investment-bulletin.

[5]   Tanzania Meteorological Authority, 2023.

FIGURE 3 • Annual GDP Growth, Demand Side

(% y/y change, contribution in ppt.)

Statistical discrepency · Net export · Gross fixed investment
Government consumption · Household consumption · — Real GDP

Source: MFMod, WB staff estimates.

FIGURE 4 • Cement Consumption and Electricity Generation

(000' tons; % y/y growth (right axis))

Domestic cement consumption · Electricity generation
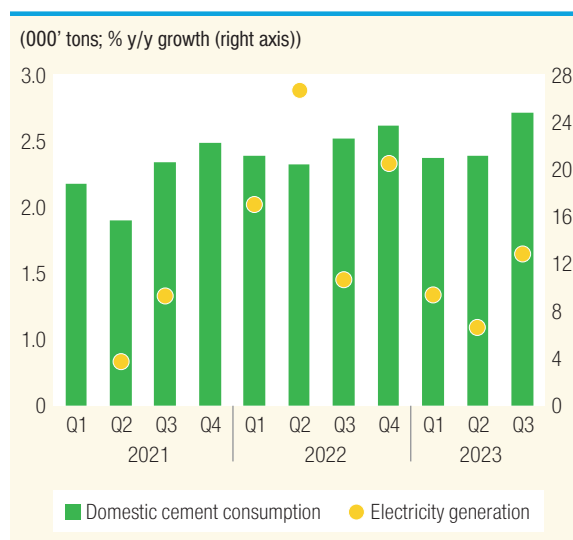
Source: NBS, and WB staff estimates.
Note: Only positive electricity generation growth were represented in the red dots.

put indicated the magnitude of the climate change threats and Tanzanians' vulnerability to those risks. As climate-related disasters are becoming increasingly frequent and severe,[6] the government and its development partners must invest in the resilience of the agriculture sector.

The expansion of the industrial sector has slowed, with aggregate output increasing by 5.2 percent in 9M-2023, compared with 5.7 percent in 9M-2022. The mining, manufacturing, and construction subsectors each contributed about 30 percent to the sector's expansion. As external crises elevated demand for coal in EU countries facing shortages of crude oil and natural gas, coal production in Tanzania rose by almost 70 percent.[7] Surging coal exports, combined with a 21 percent increase in natural gas production, stimulated double-digit growth in the mining and quarrying subsector. A boom in mining and quarrying stimulated mining-related manufacturing activities, offset the influence of declined agricultural output and boosted the growth rate of manufacturing, which rose from 5.1 percent in 9M-2022 to 5.5 percent in 9M-2023. Construction accounts for nearly 50 percent of the value added in the industrial sector. The growth of the construction subsector slowed by 1.7 percentage point to 3.3 percent in 9M-2023, reflecting a decline

in development spending in FY2022/23, as well as the rebalancing of spending from infrastructure to priority social sectors in the approved budget for FY2023/24.

Leading indicators suggest a promising growth in the industrial sector, contingent on the absence of electricity shortages. Cement consumption increased by 4.3 percent in 9M-2023, with a similar increase observed in domestic cement manufacturing. After rising by 17.7 percent in 9M-2022, electricity generation registered a more modest 9.5 percent increase in 9M-2023, reflecting ongoing repairs to electric grids and diminished water levels in hydropower plants (Figure 4). Despite Tanzania's continuous efforts to improve national grids and increase use of natural gas in the country's electricity generation, domestic electricity production is failing to keep pace with demand amid the ongoing economic recovery. Tanzania currently faces a 213-megawatt shortfall, which is hindering the

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[6] According to the EM-DAT database, the number of climate disasters related to floods and droughts in Tanzania rose from 14 reported during 2000–10 to 23 during 2011–2021.

[7] According to the NBS and Ministry of Minerals, coal production increased from 1.4 million tons in 9M-2022 to 2.4 million tons in 9M-2023.

FIGURE 5 • GDP Growth Rates in Selected Subsectors

(% y/y change)

■ H1-2023 ■ H1-2022

Source: NBS, WB staff estimates.

FIGURE 6 • Economic Growth Rates, Tanzania and Regional Peers

(% y/y change)

Botswana · Rwanda · Uganda · Lesotho · Kenya · Zambia · Tanzania · Mozambique
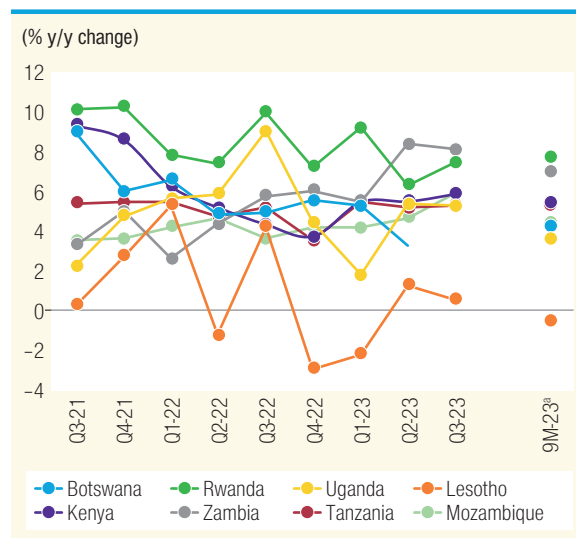
Source: Haver Analytics, and WB staff estimates.
[a] The data for Botswana is for H1 2023.

further expansion of the industrial sector. This calls for a more efficient electricity allocation to promote inclusive growth.

The resurgence of tourism has driven a broad-based expansion in the service sector. The sector's growth rate rose from 5.5 percent in 9M-2022 to 6.5 percent in 9M-2023. While economic activity remained buoyant across all subsectors, only four—financial and insurance, transport and storage, administrative and support services, and trade and repair—surpassed their 9M-2022 growth rates (Figure 5). The financial and insurance subsector exhibited the strongest performance in 9M-2023, growing by 16 percent due to a 22 percent increase in households' deposits and expanded insurance services. As the tourism sector continued to recover, the transportation and storage subsector grew by 5.3 percent, and accommodations and restaurants expanded by 8.9 percent. Supported by the full lifting of COVID-19-related mobility and travel restrictions worldwide, the number of international tourist arrivals in mainland Tanzania doubled from 0.8 million in the first eleven months (11M) of 2021 to 1.6 million in the same period in 2023. The soaring number of tourists, most hailing from Africa and Europe, significantly increased hotel occupancy rates, spurred activity among travel agents and tour operators, and

increased the number of passengers transported by road, water, and air. However, the growth of health and education services slowed over the period, underlying the importance of further increasing government support on priority social sectors.[8]

Tanzania's recent growth performance has been in the middle of the range for its regional peers. While all economies in Sub-Saharan Africa (SSA) are exposed to climate-related shocks, Rwanda, and Zambia grew by over 7.0 percent during 9M-2023. By contrast, Tanzania's growth rate was close to that of Kenya at around 5.3 percent (Figure 6). Tanzania's average performance compared to its regional peers partly reflects the relatively low agricultural productivity and the slowing structure transformation, which underscores the importance of improving productivity in the agricultural sector, and facilitating the movement of labor into higher-productivity sectors (Box 2).

Continuing to remove regulatory barriers to entry remains critical to transform the business climate and stimulate formal private-sector growth. A burdensome tax administration, costly

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[8] According to IMF EFF program for Tanzania, priority social spending needs are expected to remain at about 6.7 percent of GDP.

BOX 2: TANZANIA'S SLOWING STRUCTURAL TRANSFORMATION AND THE ROLE OF THE AGRICULTURE SECTOR

Since 2014, Tanzania's slow and unfinished structural transformation[a] **has been a significant drag on its overall productivity growth.** According to recent labor-force surveys, structural change contributed over 72 percent to total productivity growth between 2006 and 2014, but its contribution turned negative between 2014 and 2021 (Figure B2.A). Persistently low agricultural productivity and the slow reallocation of workers across sectors further highlight the country's incomplete structural transformation.

Labor productivity remains low and stagnant in Tanzania's agricultural sector, which continues to employ nearly two-thirds of the country's labor force. Tanzania achieved LMIC status in 2020, yet its agricultural productivity (measured as the real value added per worker) is just above the LIC average and well below the LMICs and SSA averages. Annualized productivity growth in the agricultural sector has also been slower than in the industrial and services sectors (Figure B2.B). However, faster productivity growth in the non-agricultural sectors was not accompanied by a commensurate shift in labor toward those sectors. In 2021, employment remained heavily concentrated in agriculture, which produces just one-quarter of the country's GDP, while the more productive sectors that often drive growth in middle- and high-income countries accounted for only 30 percent of total employment (Figure B2.C).

Insufficient social safety nets, constraints on borrowing, and low levels of educational attainment prevent workers from moving out of agriculture. Although Tanzania has recently improved its social protection system, large coverage gaps remain.[b] In the World Bank's latest Findex survey, only 13 percent of Tanzanian households reported borrowing money from banks or other formal financial institutions, and over half reported having difficulty accessing emergency financial resources within 30 days. The limited social protection system and borrowing constraints compound the adverse impact of economic shocks, particularly among poor and vulnerable households, pushing them to engage in agriculture as a final survival strategy. During the COVID-19 pandemic, the agricultural sector's share in total employment increased from

FIGURE B2.A • Contribution to Labor-Productivity Growth, 2006–14 vs. 2014–21
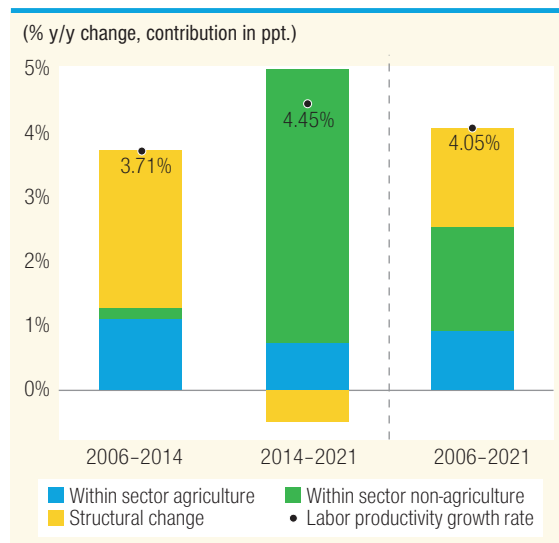
Source: Labor Force Survey (LFS) of Tanzania, 2006, 2014, and 2020/21.

FIGURE B2.B • Annualized Productivity Growth by Sector
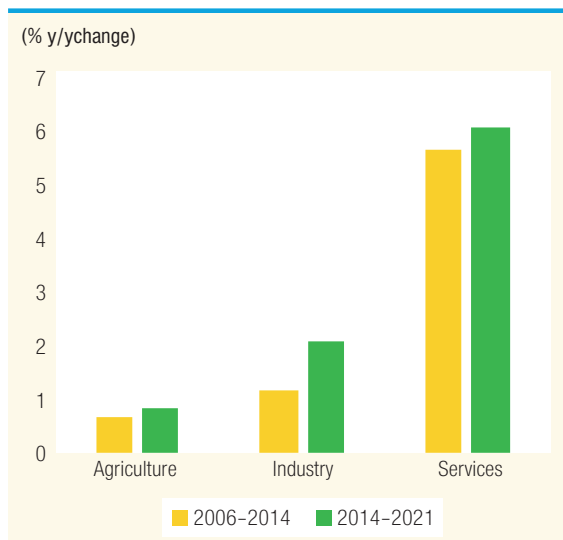
Source: National Accounts and the Labor Force Surveys in Tanzania.

FIGURE B2.C • Employment and GDP by Sector
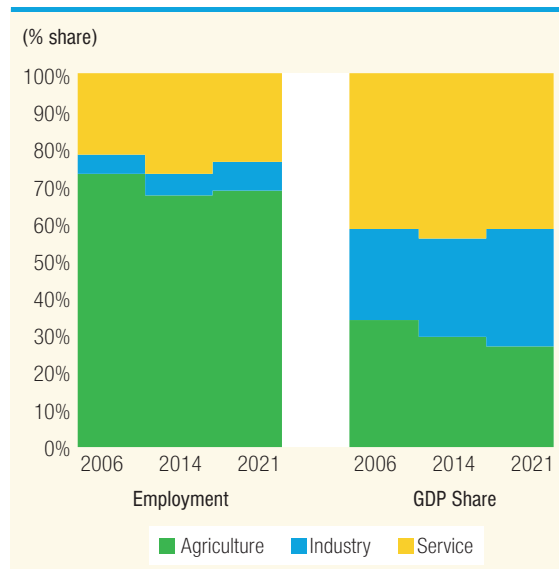
Source: National Accounts and the Labor Force Surveys in Tanzania.

(continued on next page)

about 67 percent to 69 percent. In addition, low levels of educational attainment can inhibit the ability of workers to take jobs in the industrial and service sectors. Amankwah et al. (2023) find that personal characteristic such as age, education level, and gender significantly affect the movement of workers between sectors.[c] Younger and better-educated workers are more likely to move into to the industrial and service sectors, while older and less-educated workers tend to remain employed in agriculture.

Policies designed to improve productivity and build resilience in the agricultural sector could help facilitate structural transformation in the near term. Limited access to agricultural inputs, financing, and infrastructure hinder productivity growth. The authorities could further expand the use of improved seeds, ensure the small farmers have access to low-cost credit, and allocate additional resources to irrigation infrastructure, extension services, and other areas that yield high returns.[d] Recent increases in agricultural output have been driven by the expansion of cultivated area, resulting in severe land degradation and the unsustainable exploitation of natural capital. Greater investment in innovation in areas such as seed varieties, micro-irrigation systems, livestock management, and the digitization of agricultural statistics could improve the sustainability and resilience of the agriculture sector, mitigating Tanzania's exposure to the more frequent and severe weather-related shocks.

Going forward, a focus on high-quality job creation, accelerated human capital formation, and enhanced social protection—including protection against the effects of climate change—will facilitate the movement of labor into higher-productivity sectors. Shifting employment patterns will contribute to a more balanced growth model. Finally, the very small share of formal employment in the agricultural sector (less than 1 percent in 2021) underscores the importance of continued improvements in the regulatory, business, and policy environments to foster agricultural commercialization and formalization.

[a] As described by Kuznets (1966), structural transformation is the reallocation of economic activity between the agricultural, industrial, and services sectors that accompanies long-term economic development. More specifically, it refers to the movement of labor from low-productivity to high-productivity sectors (UNCTAD, 2006).

[b] Relatively few people benefit from Tanzania's social safety nets. In 2020, the Tanzania Social Action Fund (TASAF) reached just 7 percent of the population. Only 14 percent of Tanzanians report receiving any form of social security, including in-kind donations and conditional cash transfers.

[c] Source: Amankwah, A., Attah-Ankomah, R., Moshi, G. C., & Swinkels, R. (2023). The Welfare Effects of Structural Change and Internal Migration in Tanzania.

[d] A 2022 analysis by the World Bank and FAO found that Tanzania has a high benefit-to-cost ratio for improved seeds (17), irrigation (16), and extension services (9).

processes for opening and closing businesses, a cumbersome and inconsistent licensing and inspections framework, and inefficient cross-border tariffs and trade regulations remain the primary constraints on business and investment. These challenges continue to encourage informality and distort the distribution of firms by size. As a result, the formal private sector is small and underdeveloped relative to Tanzania's economy and population, and most firms are very small. In 2013, 96.8 percent of firms employed fewer than ten workers, and that share grew to 98.5 percent in 2021.[9] There are few medium-sized firms, and large firms made up just 0.2 percent of all firms in 2021. While domestic credit to the private sector increased by 22.5 percent between 2021 and 2022,[10] its share in GDP was still less than 20 percent—well below the average of 40 percent for Sub-Saharan Africa.[11]

After a temporary increase during the acute phase of the COVID-19 pandemic, the national poverty rate has declined modestly. It fell from an estimated 27 percent in 2022 to about 26.5 percent in 2023. However, the 2023 estimate remains 0.1 percentage point above the official rate for 2018. Over the longer term, the poverty rate has declined substantially, dropping by an average of 2.4 percentage points each year between 2007 and 2018. The pandemic and subsequent economic downturn, as well as the complex challenges triggered by external crises, disrupted this positive trend, and the number of people living below the poverty line rose from 14 million in 2018 to an estimated 15 million in 2022.

The government has taken significant steps to address these challenges. Strong monetary policies and subsidies for fuel and fertilizer have helped contain inflation and increase the purchasing power of poor and vulnerable households. However, progress in addressing inequality, particularly in terms of ensuring equal access to opportunities, has been limited. For example, among adults whose fathers lacked formal

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[9] World Bank, 2023. Privatizing Growth: A Country Economic Memorandum for Tanzania.

[10] Tanzania National Bureau of Statistics. https://www.nbs.go.tz/nbs/takwimu/na/THE_ECONOMIC_SURVEY_2022.pdf.

[11] World Development Indicators, 2023.

FIGURE 7 • CPI Headline Inflation by Component

(% y/y change, contribution in ppt.)

Energy, fuel and utilities **Unprocessed food**
Core **Headline inflation**

Source: NBS, WB staff estimates.

FIGURE 8 • Core Inflation and Selected Components

(% y/ychange)

Restaurants and accommodation services (6.6)
Education services (2.0)
Recreation, sport and culture (1.6)
Information and Communication (5.4)
Transport (14.1)
Health (2.5)
Clothing and footwear (10.8)
Core (73.9)

2023 2022

Source: NBS, WB staff estimates.

education, only 7 percent have completed education beyond the primary level, including just 3 percent of those below the poverty line. Among women whose mothers lacked formal education and who live in poor households, this share falls to just 2 percent. As Tanzania continues to experience a high rate of population growth, with the population doubling every 23 years, the government must accelerate the demographic transition to improve the age structure, and seize the demographic dividend, which would contribute to economic growth and poverty reduction. The special focus section of this edition provides a comprehensive analysis on demographic challenges in Tanzania.

Monetary Policy and Inflation

Despite a recent increase in food prices, overall consumer price pressures have eased. Tanzania's headline consumer price index (CPI) inflation rate fell from a five-year peak of 4.9 percent year-on-year (y/y) in January 2023 to 3.0 percent y/y in December, as food and energy-price inflation declined. Cumulative headline CPI inflation dropped from 4.3 percent y/y in 2022 to 3.8 percent y/y in 2023.[12] While a protracted drought coupled with external crises such as heightened geopolitical tensions in the Middle East caused

a surge in food prices,[13] the government implemented effective fiscal subsidies and tightening monetary policies to mitigate the surging inflationary pressures. As a result, cumulative food-price inflation fell from 7.3 percent during 2022 to 6.8 percent during 2023. A slump in global oil prices passed through to domestic energy, fuel, and utility prices,[14] and caused cumulative energy-related inflation to fall from 9.1 percent to 2.3 percent over the period (Figure 7).

Core inflation accounts for 73.9 percent of the CPI basket, and cumulative core inflation declined from 3.0 percent in 2022 to 2.3 percent in 2023. This trend is generally consistent with the compressed private consumption in 2023. While core inflation excludes volatile food and energy prices, the steep drop in global oil prices greatly reduced transportation costs, offsetting an increase in prices for many other components in the core index (Figure 8). For

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[12] Cumulative inflation is the average of monthly y/y inflation over the given period.

[13] Prices for maize, rice, and other key staples spiked. According to the NBS, domestic maize prices increased by 29 percent to Tsh 1,032 per kg during 11M-2023 while rice prices grew by 30 percent to Tsh 2,752 per kg. Similar trends were recorded for other crop prices.

[14] After spiking by 30.8 percent and 38.8 percent, respectively, during 10M-2022, petrol and diesel prices increased by just 2.0 and 5.0 percent, respectively, in 10M-2023.

FIGURE 9 • PPI Inflation by Component

(% y/y change, contribution in ppt.)

Utility Manufacturing Mining and quarrying — Overall index

Source: NBS, WB staff estimates.

FIGURE 10 • Inflation, Tanzania and Regional Comparators

(% y/y change)

🟨 2023[a]   ⊢—⊣ Inflation range since 2020
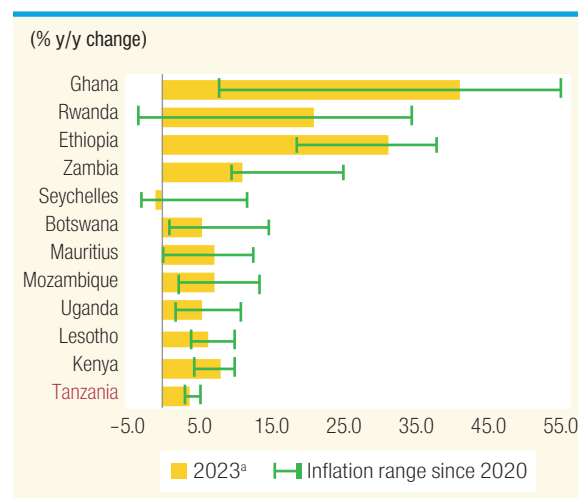
Source: NBS, WB staff estimates.
[a] Data for Lesotho and Ethiopia is 11M-2023.

example, prices for restaurant meals and accommodations rose significantly as the tourism sector recovered.

Producer price index (PPI) inflation[15] **has also declined.** The PPI inflation rate fell from a peak of 4.9 percent y/y in Q3-2022 to 3.5 percent in Q4-2022 and reached 2.1 percent in Q1-2023, driven by the waning contribution of manufacturing (Figure 9). While input costs for manufacturers of food, beverages, and tobacco products increased, costs for manufacturers of chemicals, basic metals, and related products fell, and the PPI inflation rate for the manufacturing sector dropped from 5.4 percent in Q1-2022 to 3.9 percent in Q1-2023. The mining and quarrying and utilities subsectors also contributed to the decline in PPI inflation, with prices contracting by 0.1 percent and 1.4 percent, respectively, during the period.

Amid external headwinds, overall inflation in Tanzania has remained well below the levels of regional peers. Tanzania's monthly inflation readings are still consistent with the country's medium-term policy target of 5 percent despite the effects of the COVID-19 pandemic, rate hikes in advanced economies, and other external crises. By contrast, SSA's aggregate inflation rate is expected to reach 15.8 percent in 2023,[16] and comparator countries such as Ghana and Rwanda experienced double-digit cumulative inflation during 2023. Moreover, Tanzania's inflation rate is the least volatile[17] among regional

peers (Figure 10), due largely to its relatively stable exchange rate, government subsidies for fuel and fertilizer, and other monetary policy interventions.

Though inflation is low and stable, the Bank of Tanzania (BoT) continued to tighten its monetary policy to mitigate domestic demand pressures on foreign exchange. The growth rate of reserve money (M0), the most liquid measure of the money supply, fell from 11.3 percent in November 2022 to 7.6 percent in November 2023 while that of extended broad money (M3) dropped sharply from 21.3 percent from mid-2023 to 13.7 percent in November 2023, despite the contribution of net foreign financial assets (NFA) turned positive (Figure 11). These trends are consistent with BoT's policies that aimed to slow the growth of monetary aggregates as a short-term measure to address imbalances in the supply of and demand for foreign exchange. On the liability side, the growth of M3 reflected a slight y/y increase in demand deposits, time deposits, savings deposits, and foreign deposits in November.

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[15] PPI inflation is a measure of wholesale inflation that calculates the changes in prices of goods and services at the producer level.

[16] Source: IMF, World Economic Outlook October 2023.

[17] In this case, volatility is defined as the variance in monthly inflation data since 2020.

FIGURE 11 • Monetary Aggregates

(% y/ychange, contribution in ppt.)

Legend: NDA, NFA, M3

Source: Bank of Tanzania, WB staff estimates.

FIGURE 12 • Private Credit Growth and Its Drivers

(% y/ychange, contribution in ppt.)

Legend: Others, Agriculture, Manufacturing, Trade, Transport and communication, Personal, Total

Source: Bank of Tanzania, WB staff estimates.

Net domestic financial assets (NDA) remained the primary sources of Tanzania's liquidity, and the growth of NDA was supported by a broad-based expansion in private credit offtake. NDA expanded by 10.1 percent in November 2023, building on an increase of 43 percent in November 2022, driven by the expansion of claims on non-central government borrowers. Credit to the private sector grew by 18.3 percent y/y in November 2023, slightly lower than 22.6 recorded in November 2022. The central bank lent Tsh 1 trillion to banks at a special policy rate of 3 percent to promote lending to the agriculture sector, which posted the fastest average annual credit growth rate of any sector at 38.9 percent. Credit to the transport and communication sector recorded the second highest growth rate at 25.3 percent, up from 9.9 percent during the same period in 2022. The growth of personal loans, the largest component of private credit, was stable, while credit growth in trade, and hotel and restaurant sectors declined (Figure 12).

The banking sector remains adequately capitalized under the Basel I framework[18] **and profitable.** As banks met the rising demand for lending to the economy, the core capital to total risk weighted assets (TWRA) and off-balance sheet exposures (OBSE) ratio fell from 20.2 percent in 2022 to 18.3 percent in 2023, as did the total capital/TWRA+OBSE ratio which fell from 20.2 percent to

19 percent. However, both ratios remain comfortably above their minimum regulatory thresholds of 10.0 percent and 12.0 percent, respectively.[19] Asset quality also improved, with nonperforming loans falling from 7.8 percent of total loans in 2022 to 5.3 percent, close to the target ceiling of 5.0 percent.[20] Overall interest rates remained unchanged at an average of 16 percent with the overall lending rate shifting down slightly from 16.41 percent in 2022 to 16.04 percent in 2023. The savings deposit rate increased from 1.55 percent to 1.73 percent, and the overall time deposit rate increased from 6.8 percent to 7.19 percent. Net interest spreads remained at about 8 percent, indicating banks' continued profitability. Tanzania's recent financial innovations in banking and financial sector has partly weakened the relationship between monetary aggregates and policy goals. This prompts the BoT to implement a new interest rate-based monetary policy framework, which is expected to help the central bank better anchor inflationary expectations and inflation (Box 3).

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[18] The BoT is transitioning to the Basel III framework and has granted banks a grace period of 18 months to facilitate the phased adoption of the new framework.

[19] Following the transition to Basel III, the capital adequacy ratio is likely to decrease.

[20] BoT (2022) Financial Sector Supervision Annual Report.

The Bank of Tanzania (BoT) plans to shift its policy framework from monetary targeting to an interest-rate-based regime. According to the BoT's FY2023/24 monetary policy statement published in June 2023, the BoT would continue to implement its current framework until the end of 2023, then pivot to an interest-rate-based framework. This decision is motivated by the unreliable long-run relationship between extended broad money (M3) and nominal income, as well as an unstable money multiplier. M3 velocity,[a] rose from 4.1 in 2010 to a peak of 5.1 in 2020 before dropping sharply to 4.5 in 2022, and its annual change varied between negative 7 percent and positive 11 percent. These erratic changes in M3 velocity are evidence of an unstable connection between M3 and nominal income, which complicates the central bank's efforts to set monetary targets based on M3 velocity forecasts. In addition, the relationship between reserve money (M0) and M3 has become increasingly unstable since 2017 (Figure B3.A), hindering efforts to achieve M3 targets via the control of M0.

In principle, an interest-rate-based monetary framework could address these challenges and help control inflation. Unlike Tanzania's current framework, which depends heavily on monetary aggregates, the new framework uses an inflation-forecasting model to set an optimal short-term policy interest rate.[b] Consequently, policy decisions will no longer be influenced either by the unreliable long-run relationship between the growth of the money supply and the growth of nominal income (Figure B3.B) or by the unstable connection between M0 and M3. As a precursor to a full-fledged inflation-targeting framework, the new interest-rate-based framework is more transparent and accessible to the public, which will help to anchor inflationary expectations (Table B3.A). An IMF analysis found both inflation and inflationary expectations tend to be relatively low and stable in emerging markets that have adopted inflation-targeting monetary frameworks.[c]

While the authorities have begun preparing to implement the new monetary policy framework, further measures will be required for a successful transition. Tanzania's modest fiscal deficits and relatively low debt-to-GDP ratio, to some extent, help insulate the BoT from political pressure to monetize the deficit and debt. The relative independence of the central bank, combined with a moderate long-run pass-through effect of exchange-rate changes on inflation,[d] have created a sound basis for implementing the new framework. In June 2023, the BoT published updated guidelines for monetary policy and strengthened its modelling capacity, with a focus on forecasting, analytics, and quarterly projections. As communication is an integral part of the new framework, the BoT will need to enhance its communications strategy, especially in terms of producing and communicating inflation forecasts to the public, with support from the IMF.

FIGURE B3.A • M3 Velocity and Money Multiplier, Tanzania
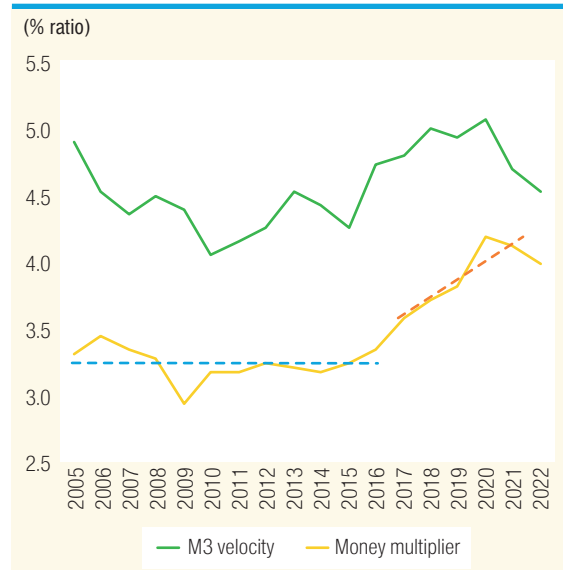
Source: Bank of Tanzania, WB staff estimates.

FIGURE B3.B • M3 and Nominal GDP Growth, Tanzania
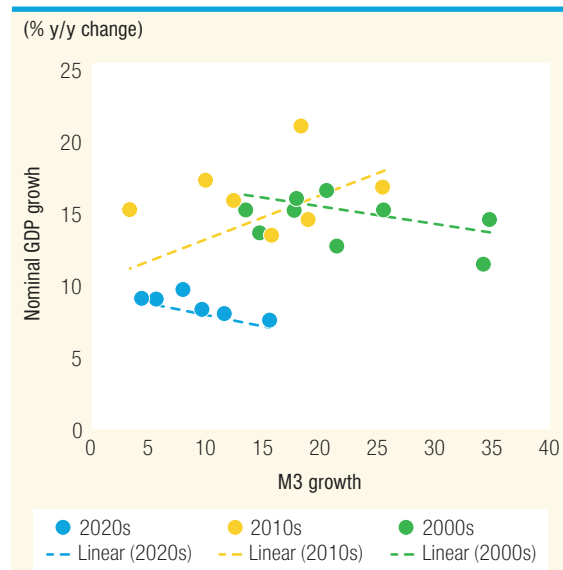
Source: WB staff calculations.

[a] M3 velocity is a measurement of rate at which M3 is transacted for goods and services in an economy and is an indicator of the link between M3 and nominal income. M3 velocity being 4.1 means the extended broad money is exchanged 4.1 times in Tanzania's economy for transactions of goods and services.

[b] According to the guidelines for monetary policy framework published by the BoT in June 2023, the 7-day repo rate will be used as the central bank policy rate to be used as a reference for determination of short-term interest rates.

[c] IMF, World Economic Outlook, October 2015.

[d] As IMF estimated, a percent depreciation in the Tsh/US$ exchange rate is associated to an inflation increase by 0.25 percent in the after two years. Source: United Republic of Tanzania, Country Report No. 23/153, April 2023, International Monetary Fund.

TABLE B3.A • Comparison between Main Monetary Policy Frameworks

	Policy goals	Operating target	Intermediate target	Advantages	Criticisms	Representative countries
Inflation targeting	Low and stable inflation; stable output	Short-term interest rate	Inflation target	(i) Can be readily understood by the public and is highly transparent; (ii) offers monetary policy autonomy; (iii) anchors inflationary expectations directly	(i) Requires the government to build credibility and accountability in the initial phase; (ii) some pre-conditions should be met[a]	New Zealand (since 1990), Canada (since 1991), UK (since 1992)
Monetary targeting	Low and stable inflation; stable output	Reserve money (M0)	Broad money (M2/M3) or credit aggregates	(i) Relies on more rapidly reported monetary data; (ii) requires little analytical effort by the central bank; (iii) offers monetary policy autonomy	(i) Requires a strong and predictable relationship between GDP/Inflation and the targeted aggregates; (ii) makes it difficult to anchor inflationary expectations	Nigeria (1993–2001), Tanzania (1980s–2023)
Exchange-rate targeting	Stable exchange rate; low and stable inflation	Short-term interest rate or M0	Exchange rate against pegged currency	(i) Reduces exchange-rate volatility; (ii) can be easily understood by the public	(i) Curtails independent monetary policy; (ii) may expose countries to speculative attacks on their currencies, resulting in financial fragility and banking crises	Argentina (1991–2002), Mexico (1987–1994)

Source: WEO (October 2015), Mishikin (1998), WB staff summarization.

Note: [a] Pre-conditions included institutional independence, a well-developed technical infrastructure (inflation forecasting model, etc.), economic structure, and a healthy financial system. According to WEO (October 2015), it's not necessary to meet all pre-conditions before implementing the new framework; what is important is authorities' commitment to drive institutional change after the introduction.

Fiscal and Debt Developments

The government's FY2023/24 budget aims to narrow the fiscal deficit through enhanced revenue mobilization. The budget estimates that the deficit will fall from 4.4 percent of GDP in FY2022/23[21] to 3.1 percent in FY2023/24.[22] Meanwhile, total revenue is expected to rise from 14.4 percent of GDP to 16 percent,[23] with tax revenue increasing from 11.8 percent to 12.8 percent.[24] VAT and income tax are expected to drive the increase in tax revenue. However, as actual revenue collection has consistently fallen short of budget estimates, achieving the budget targets will hinge on the successful implementation of tax reforms.[25] Budgeted central-government spending in FY2023/24 is broadly unchanged from its actual FY2022/23 level at 19.4 percent of GDP.[26] However, the FY2023/24 budget shifts resources from capital investment to recurrent expenditures, mainly spending on goods, services, and transfers. The budget allocation for goods, services, and transfers is 4.6 percent of GDP, up from 3.9 percent in the previous fiscal year, while

[21] Actual in 2022/23 as other figures for FY2022/23 in this paragraph.

[22] The estimated budget deficit for FY2022/23 was 3.5 percent of GDP. The actual deficit is adjusted for cash items.

[23] Estimated revenue for FY2022/23 was 15.4 percent of GDP.

[24] Estimated tax revenue for FY2022/23 was 12.2 percent of GDP.

[25] Measures to increase tax revenue include broadening tax base by registering businesses and new taxpayers, modernizing tax collection and administration systems to lower compliance costs, and rationalizing tax exemptions. See: Budget Speech for FY2023/24, Ministry of Finance, Tanzania; IMF Country Report No. 23/153, April 2023; IMF Country Report No. 22/269, August 2022.

[26] Actual expenditures were very close to their budgeted level.

the capital budget is 7.2 percent, down from 7.3 percent.[27] External borrowing is expected to finance two-thirds of the FY2023/24 budget deficit. Gross external borrowing is projected to equal 3.3 percent of GDP, with program loans making up one-third and project loans two-thirds. Half of external borrowing will be from non-concessional sources, while borrowing from commercial banks will provide 90 percent of net domestic financing.

Due to the under-execution of the expenditure budget,[28] the realized cash-based fiscal deficit stood at 3.0 percent of estimated GDP in the first five months (5M) of FY2023/24. This was on par with the budget estimate of fiscal deficit for the period. Despite the collected tax revenues, as percentage of GDP, were 0.8 percentage points short of the budget targets, less actual expenditures by a full percentage point compared to the budget goal led to the fiscal consolidation. About 70 percent of net financing was sourced domestically. This pattern is contrary to the budget estimates, which envision greater financing from foreign sources.

Public revenue collection grew by 12.7 percent between 5M-FY2022/23 and 5M-FY2023/24. The increase was driven by the strong performance of income taxes, taxes on imports, VAT, and excise taxes, followed by nontax revenue (Figure 13). Income tax collection grew by 17.8 percent during 5M-FY2023/24, contributing 4.4 percent to total revenue growth. Import taxes, VAT, and excise taxes increased by a combined 13.9 percent, accounting for 7.1 of revenue growth, while nontax revenue rose by 5.6 percent, representing 1.0 percent of revenue growth.

Despite strong year-on-year growth, government revenue remained short of budget estimates in 5M-FY2023/24. Total revenue collection was 5.1 percent below the budget target, of which 1.8 percentage points reflected a shortfall in tax revenue (primarily income tax), while 3.3 percentage points was due to the underperformance of nontax revenue collection. Meanwhile, the collection of VAT and excise taxes on local goods exceeded the budget estimate by 3.7 percent, contributing a positive 0.6 percentage points to the change in total revenue.

Expenditure execution was well below the budget estimate for 5M-FY2023/24, due

FIGURE 13 • Revenue Growth in 5M-FY2023/24

(% y/y change, contribution in ppt.)

Non-tax revenue (inc. LGAs)
Income taxes
Taxes on imports
Other taxes (mainly inland revenue)
Sales/VAT and excise on local goods
Total revenue
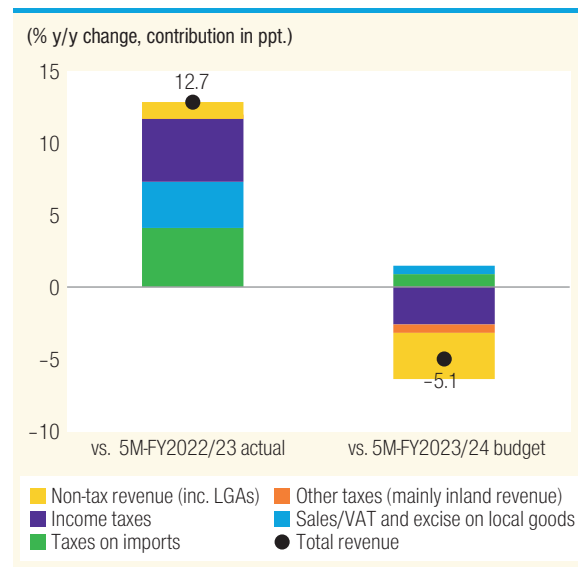
Source: Bank of Tanzania, WB staff estimates.

largely to substantial underspending on goods, services, and transfers. Of the 5.5 percent under-execution of expenditures in 5M-FY2023/24, nearly 5.0 percentage points were attributable to lower-than-budgeted spending on goods, services, and transfers (Figure 14). At Tsh 2.4 trillion, the actual spending on goods, services, and transfers was nearly one-fourth below its budgeted level of Tsh 3.2 trillion. While total spending was higher than in 5M-FY2022/23, spending on goods, services, and transfers dropped by around 8 percent year-on-year (Figure 14). Expenditure execution in the first five months does not appear to be consistent with the FY2023/24 budget, which envisaged a shift from infrastructure investment toward current expenditures, including spending on education, health, and other social services crucial to support human capital development.

The latest IMF-World Bank Debt Sustainability Analysis, concluded in April 2023, found that Tanzania remained at moderate risk of external and public debt distress. External debt

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27 The budget estimate of capital expenditure for 2022/23 was 8.3 percent.

28 The analysis of budget execution is based on provisional data published by the Bank of Tanzania as of 8th January 2024. These data are not final and are subject to change.

FIGURE 14 • Expenditure Growth in 5M-FY2023/24

(% y/y change, contribution in ppt.)

■ Development expenditure   ■ Other goods, services and transfers
■ Interest payments – foreign   ■ Interest payments – domestic
■ Wages and salaries   ● Total expenditures
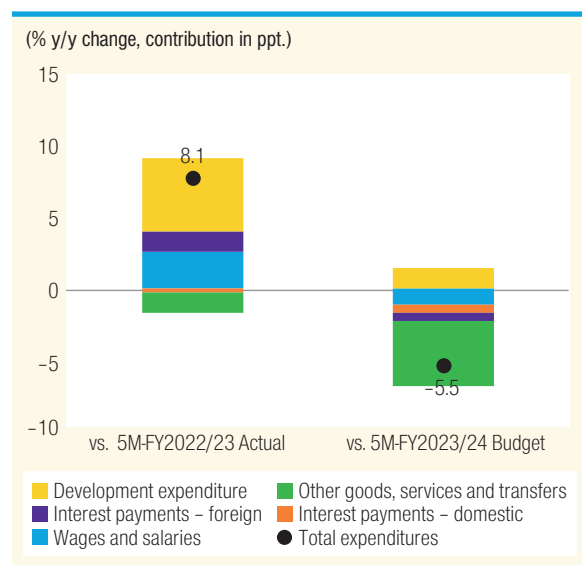
Source: Bank of Tanzania, WB staff estimates.

solvency and liquidity indicators remained below the policy-determined thresholds under the baseline scenario, but the debt service-to-export ratio breached its threshold under the export-shock stress test.[29] Nevertheless, the present value of the public debt-to-GDP ratio should remain well below the 55 percent benchmark for Tanzania's debt carrying capacity.

The central government's outstanding debt stock rose from 42.5 percent of GDP at end-FY2021/22 to 44.3 percent at end-FY2022/23. Central-government debt amounted to Tsh 80.3 trillion (about US$34.5 billion), up 12.3 percent from the previous

[29] Under this standard stress test, nominal export growth (in USD) is set to its historical average minus one standard deviation, or the baseline projection minus one standard deviation, whichever is lower in the second and third years of the projection period.

TABLE 1 • Central Government Fiscal Operations (% of GDP)

	Fiscal year (July to June)					July–November (5M)	
	2018/19	2019/20	2020/21	2021/22	2022/23	2022/23	2023/24
Total revenues	13.9	14.5	13.1	14.5	14.4	14.2	14.8
Tax revenue	11.5	12.0	11.0	11.9	11.8	11.6	12.3
Taxes on imports	4.2	4.1	4.2	4.7	4.6	4.9	5.0
Sales/VAT and excise on local goods	2.8	2.6	2.4	2.0	2.3	2.4	2.6
Income taxes	3.8	4.5	3.8	4.5	4.2	3.5	3.8
Other taxes (mainly Inland Revenue)	0.7	0.8	0.7	0.7	0.8	0.8	0.8
Non-tax revenue	2.3	2.5	2.1	2.6	2.6	2.6	2.5
Total expenditure and net lending	16.6	16.6	16.9	18.5	18.2	18.1	18.0
Recurrent expenditure	10.3	9.8	9.5	9.5	10.9	10.5	10.2
Wages and salaries	5.0	4.8	4.7	4.8	5.0	5.1	5.2
Interest payments	1.8	1.6	1.6	1.7	2.0	1.8	1.9
Domestic	1.2	1.0	1.2	1.2	1.5	1.3	1.1
Foreign	0.6	0.6	0.5	0.5	0.6	0.5	0.7
Other goods, services, and transfers	3.5	3.4	3.2	3.0	3.9	3.6	3.1
Development expenditure and net lending	6.3	6.8	7.4	9.0	7.3	7.5	7.9
Overall balance before grants	–2.8	–2.1	–3.8	–4.0	–3.8	–3.8	–3.2
Grants	0.3	0.6	0.4	0.4	0.4	0.3	0.2
Adjustments to cash and other items (net)	–0.7	–0.4	–0.5	0.0	–1.0	–1.1	0.0

(continued on next page)

TABLE 1 • Central Government Fiscal Operations (% of GDP) *(continued)*

	Fiscal year (July to June)					July–November (5M)	
	2018/19	2019/20	2020/21	2021/22	2022/23	2022/23	2023/24
Overall balance (cash basis)	**–3.2**	**–1.9**	**–3.8**	**–3.6**	**–4.4**	**–4.6**	**–3.0**
Financing	**3.2**	**1.9**	**3.8**	**3.6**	**4.4**	**4.6**	**3.0**
Foreign financing (net)	*0.9*	*1.6*	*1.7*	*1.9*	*1.9*	*0.9*	*0.9*
Domestic (net)	*2.3*	*0.3*	*2.1*	*1.7*	*2.5*	*3.7*	*2.1*

Source: Ministry of Finance and Planning and Bank of Tanzania.
Note: Calendar year GDP for 2018/19 onwards is based on World Bank staff estimates which is converted to quarterly GDP using seasonal factors, from which fiscal year GDP is estimated.

TABLE 2 • Central Government Debt Stock[a]

	June 2022				June 2023			
Debt stock	Tsh. bil	USD mil	% of Total	% of GDP	Tsh. bil	USD mil	% of Total	% of GDP
External debt	**47519.2**	**20428.9**	**66.4%**	**28.2%**	**51403.5**	**22085.1**	**64.0%**	**28.3%**
DOD	44963.1	19330.0	62.8%	26.7%	48800.7	20966.8	60.7%	26.9%
Interest arrears	2556.1	1098.9	3.6%	1.5%	2602.9	1118.3	3.2%	1.4%
Domestic debt	**24039.8**	**10334.9**	**33.6%**	**14.3%**	**28927.1**	**12428.3**	**36.0%**	**15.9%**
Treasury bills	1757.8	755.7	2.5%	1.0%	2129.2	914.8	2.7%	1.2%
Treasury bonds	19883.9	8548.3	27.8%	11.8%	22300.2	9581.1	27.8%	12.3%
Overdraft	2127.0	914.4	3.0	1.3%	4226.4	1815.8	5.3%	2.3%
Other	271.1	116.5	0.4%	0.2%	271.1	116.6	0.3%	0.1%
Total debt	**71559.0**	**30763.8**	**100.0%**	**42.5%**	**80330.6**	**34513.4**	**100.0%**	**44.3%**

Source: Ministry of Finance and Planning and Bank of Tanzania.
[a] Currency conversions are based on the end-period exchange rates published by the Bank of Tanzania.

year in nominal terms, with external debt increasing by 8.2 percent and domestic debt by 20.3 percent (Table 2 Central Government Debt Stock). As a result, the debt portfolio shifted toward domestic debt, consistent with the financing pattern observed in the fiscal accounts.

Despite the rapid growth of domestic debt, external debt continues to represent most of the central government's debt stock. The share of external debt in total debt declined marginally from 66.4 percent at end-June 2022 to 64 percent at end-June 2023. More than 60 percent of the external debt was sourced from multilateral creditors, including the World Bank and IMF, mostly on concessional terms. Meanwhile, domestic debt rose from 33.6 percent of central-government debt at end-June 2022 to 36 percent at end-June 2023. Treasury bonds accounted

for 77.1 percent of the domestic debt portfolio, but treasury bills and overdrafts grew rapidly, with the stock of overdrafts almost doubling in nominal terms to reach 5.3 percent of total debt and 2.3 percent of GDP. The government's reliance on overdraft financing underscores the limited reliability of budget and the lack of effective cash management, and its high cost intensifies pressure on the budget.[30]

Pension funds, commercial banks, and the Bank of Tanzania jointly held about 80 percent of domestic debt at end-June 2023. Additional

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[30] In FY2022/23, net nonbank borrowing amounted to about 15 times the budget estimate. Actual domestic debt interest payments were almost 50 percent higher than budgeted.

FIGURE 15 • Breakdown of Domestic Debt by Creditor

Source: Bank of Tanzania.
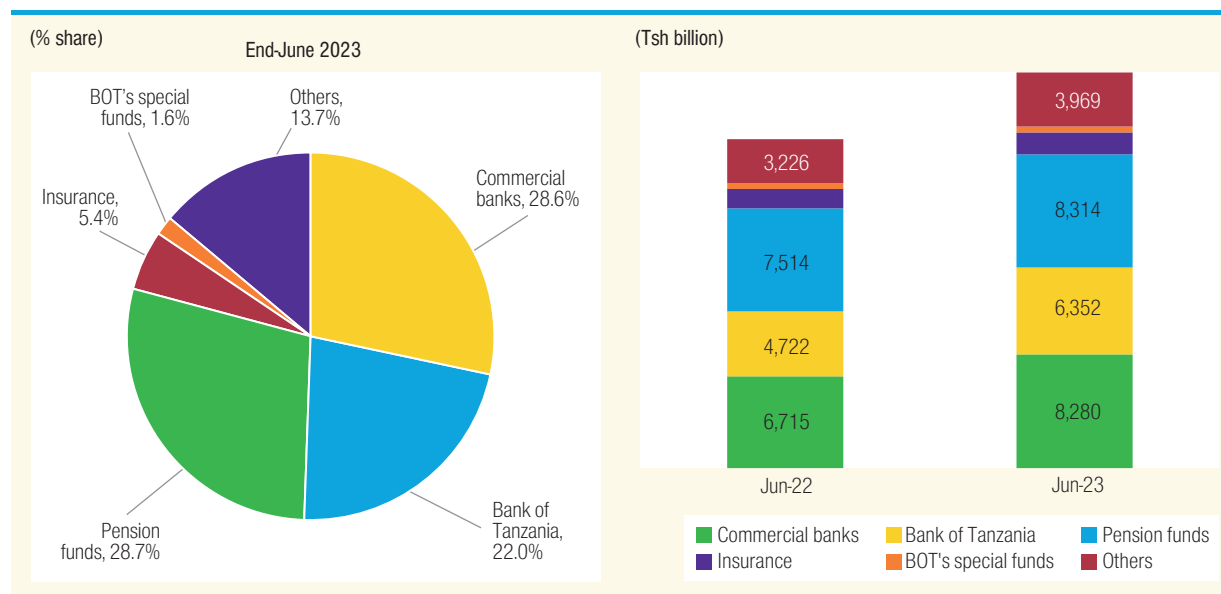
domestic credits were sourced from the central bank and commercial banks in FY2022/23, contributing 33.3 and 32 percent of net increase in domestic debt, respectively. In addition, pension funds and other sources contributed 16.4 and 15.2 percent, respectively, to the net increase in domestic debt (Figure 15).

Balance-of-Payments Position

Bolstered by a narrowing merchandise trade deficit and a rising service surplus, Tanzania's current-account position improved, year-on-year, during the first eleven months (11M) of 2023.[31] During 11M-2023, the current-account deficit was US$2.8 billion, or about 3.9 percent of GDP, down from US$5.3 billion, or 7.7 percent of GDP, in 11M-2022. The improvement in the current account was driven in roughly equal measure by an improved merchandise trade balance and an expanded surplus in services trade, especially tourism (Figure 16).

Supported by both expanded exports and reduced imports, the merchandise trade deficit narrowed by 13.7 percent y/y during 11M-2023. As a percent of GDP, it fell to 8.1 percent from 9.7 percent during 11M-2022. The growth of goods exports accelerated slightly to 8.6 percent y/y during 11M-

2023, up from 7 percent during the same period last year (Figure 17). Gold exports, which usually account for more than 40 percent of goods exports, increased as gold prices rise, while horticulture products and some traditional exports such as tobacco and coffee also grew at a robust pace in 11M-2023. After peaking in 2022, goods imports declined moderately during the period, from 18.7 percent of GDP to a remained-high level of 17.6 percent of GDP.

Reduced goods imports bill mainly reflects the favorable movement of Tanzania's term of trade since the second half of 2022, with oil prices down significantly from their recent high in June 2022.[32] Refined oil imports, which make up about two-thirds of all intermediate imports, fell by 14.8 percent y/y during 11M-2023 because of the lower prices. The declining oil-import bill has been the main cause of the overall drop in goods imports, though demand for capital-goods imports increased at a relatively slower pace—grew by 7.2 percent during 11M-2023 after surging by 36.1 percent from 11M-2022. Following a sharp spike in 2022,

[31] Based on the provisional data as of early-January 2023, published by the Bank of Tanzania.
[32] Source: Quarterly Economic Bulletin, Q2 2023, Bank of Tanzania.

FIGURE 16 • The Evolution of the Current Account

(US$ million (left axis), % of GDP)

Legend:
- Income outflow
- Income inflow
- Services imports
- Services exports
- Goods imports
- Goods exports
- Current accout balance (US$ mil)
- Current accout balance (% of GDP, right axis)

Source: Bank of Tanzania, WB staff estimates.

FIGURE 17 • The Drivers of Merchandise Exports

(% y/y change, contribution in ppt.)

Legend:
- Traditional goods
- Manufactured goods
- Gold
- Other minerals
- Other export goods
- Goods exports

Source: Bank of Tanzania, WB staff estimates.

the growth of global food prices moderated slightly but remained elevated in 2023.[33] During 11M-2023, food imports, representing around 7 percent of total goods imports, rose by 30.4 percent y/y, well below the 38.7 percent increase observed during the same period in 2022. However, consumer-goods imports declined by 5.7 percent, as the contraction in other consumer-goods imports more than offset the increase in food imports (Figure 18).

The services trade surplus expanded sharply from 3 percent of GDP in 11M-2022 to 5.0 percent in 11M-2023, led by strong tourism and transportation receipts. Service exports increased by 33 percent y/y while service imports declined slightly by 3.1 percent (Figure 19). Imports of freight services, which accounted for more than half of total service imports, also declined by 2 percent.
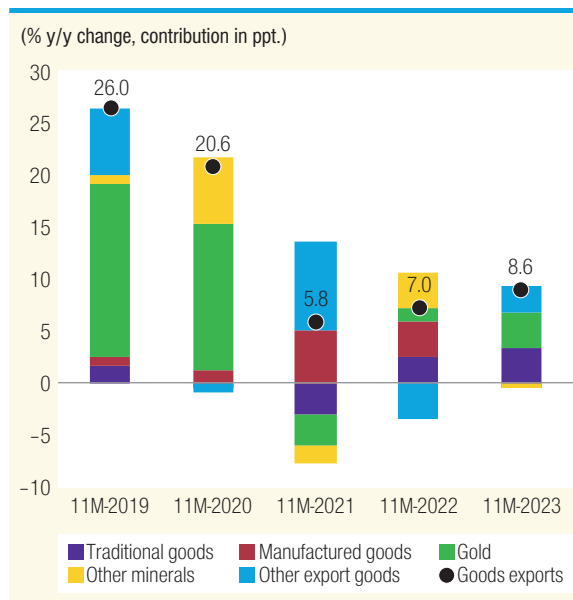
Building on a strong recovery during 2021 and 2022, the tourism industry continued to grow at a robust pace in 2023. Tourist arrivals exceeded 1.6 million during 11M-2023, up 26.4 percent from the same period in 2022. About 80 percent of the tourists hailed from Africa or Europe, but the share of tourists from Asia, North America, and other regions increased from 16.2 percent in 2021 to about 20 percent during 10M-2023. Tourism exports during

11M-2023 garnered US$3.0 billion in foreign income, up 34 percent from the same period in 2022 and 28.4 percent above the corresponding period in 2019—just prior to the pandemic. Tourism receipts exceeded the pre-pandemic level, reaching 4.3 percent of GDP in 11M-2023. Despite the improved services exports, Tanzania recently experienced a sharp drop of total exports relative to its economy size, which is caused by the tariff and non-tariff barriers and requires policies and reforms to reduce trade costs (Box 4).

After rebounding in the second half (H2) of 2022, private and public financial inflows slowed in H1-2023. Direct investment inflows remained largely stable at 1.7 percent of GDP. However, other financial inflows dropped from 6.1 percent of GDP in H2-2022 to 2.2 percent in H1-2023, reflecting low net disbursements of public borrowing in Q1 and accelerating capital outflows in Q2 in 2023 when the global inflationary pressures persist and yields in the US bond market remain high.

The external headwinds also influenced bank's exposure to foreign exchange amid an

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[33] World Food Situation: FAO Food Price Index, Food and Agriculture Organization of the United Nations, https://www.fao.org/worldfoodsituation/foodpricesindex/en/.

FIGURE 18 • The Drivers of Merchandise Imports
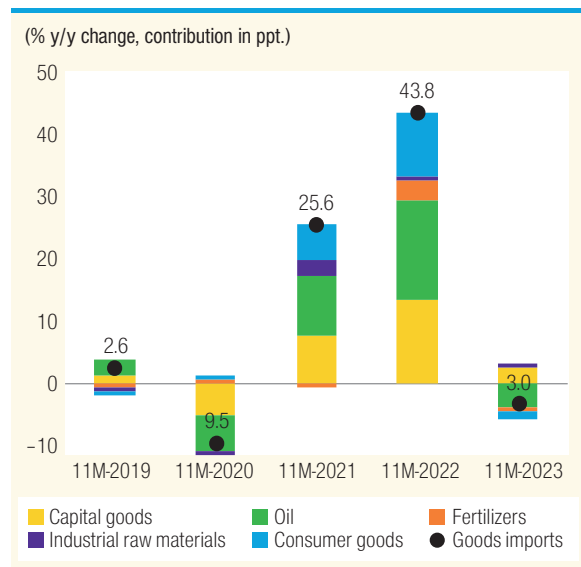
FIGURE 19 • The Drivers of Services Imports

(% y/y change, contribution in ppt.)

Source: Bank of Tanzania, WB staff estimates.

(% y/y change, contribution in ppt.)
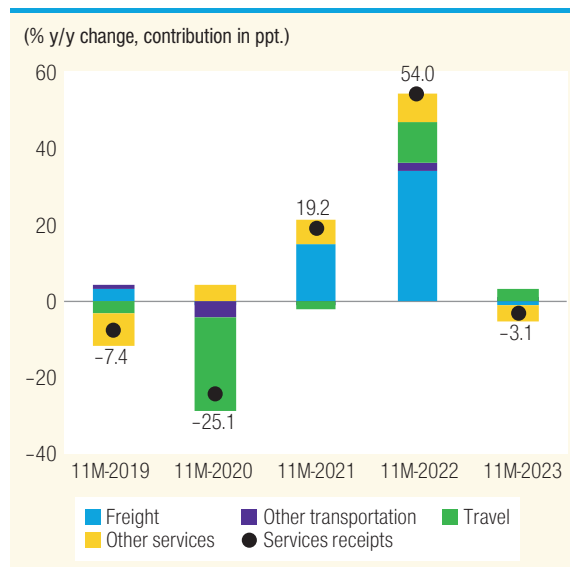
Source: Bank of Tanzania, WB staff estimates.

ongoing economic recovery. Banks' net open position averaged a strong 7.9 percent total capital[34] between 2018 to 2021, above the regulatory limit of ±7.5 percent, reflecting a sizeable increase in foreign-currency assets relative to foreign-currency liabilities[35] as a share of total capital. However, the net open position dropped to 2.5 percent of total capital in 2022, as foreign-currency assets decreased while foreign-currency liabilities increased. As the economy recovered, mounting demand for imports drove an increase in loans, advances, and overdrafts in a context marked by volatile inflation, relatively high levels of foreign-currency-denominated debt, and a large share of claims by foreign shareholders (repre-senting 29.3 percent of total sector liabilities). Banks' outstanding net foreign assets[36] contracted sharply, plunging from negative Tsh 111.9 billion in 2021 to negative Tsh 718.5 billion in July 2022.[37]

Official foreign-exchange reserves fell sharply since June 2023, and the deprecia-tion of the Tanzanian shilling has accelerated in recent months. Gross foreign-exchange reserves dropped from US$5.3 billion, or 4.8 months of imports, at end-June 2022 to US$4.5 billion, or 4 months of imports, at end-November 2023 (Figure 20), which drove the BoT to shore up reserves by purchasing gold. The Tsh/US$

exchange rate depreciated gradually until late July 2023, when the depreciation accelerated due to surging demand for foreign exchange. Between end-December 2022 and end-September 2023, the Tanzanian shilling lost just 5.2 percent of its value against the US dollar, but in August 2023 alone it depreciated by 3.5 percent month-on-month. The Bank of Tanzania's net sales of foreign exchange on the interbank foreign-exchange market slowed the depreciation in September and October 2023 (Figure 21). Additionally, the BoT increased the issuance of foreign-exchange licenses to agents to curtail the development of a parallel exchange mar-ket, and it continues to monitor banks carefully to ensure that they maintain their capital requirements.

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[34] The ratio of net open position to total capital reflects the sector's exposure to foreign-exchange risk.

[35] Foreign-currency assets include foreign-currency-denominated cash deposits and placements abroad, while foreign-currency liabilities include loans, deposits, and claims payable in foreign currency.

[36] Outstanding net foreign assets are the sum of foreign assets and deposits minus foreign liabilities.

[37] Foreign-currency-denominated loans increased from Tsh 7,037 billion in 2021 to Tsh 8,993 billion in 2022, while foreign-currency-denominated deposits remained broadly unchanged at Tsh 8,344 billion in 2022.

FIGURE 20 • Official Foreign Reserves (end of period)
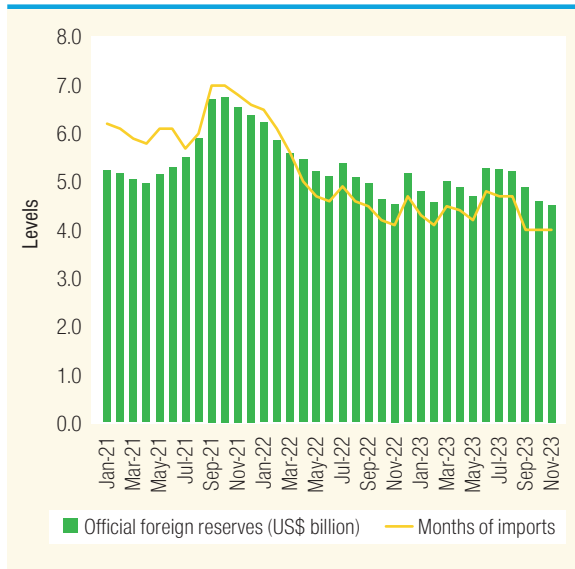
Source: Bank of Tanzania, NBS, WB staff estimates.

FIGURE 21 • The Evolution of the Exchange Rate
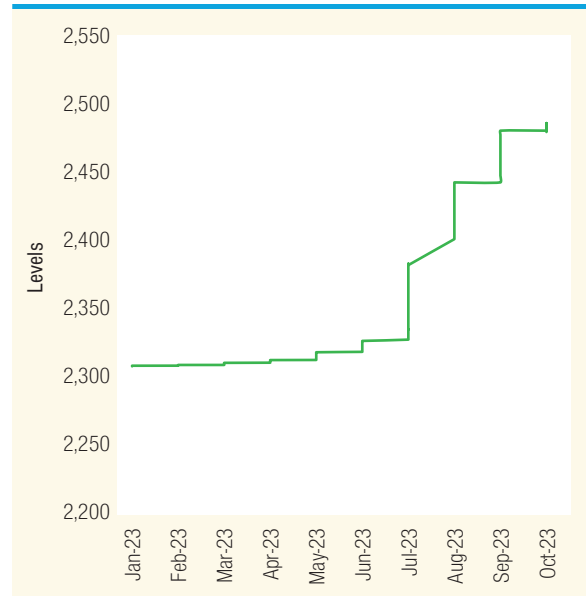
Source: Bank of Tanzania, NBS, WB staff estimates estimates.

BOX 4: DIMINISHING ROLE OF TANZANIA'S EXPORTS

Like many countries, Tanzania experienced slowing export growth in the 2010s, but its deceleration was especially sharp. Between 2011 and 2021, LMIC exports declined from a peak of 28.8 percent of GDP to 24.2 percent, and exports from the East African Community (EAC) fell from about 14 percent to 12.6 percent. While Tanzania exhibited the same pattern, its exports fell by a much larger 6.4 percentage points of GDP (Figure B4.A). Tanzania's export values remain low relative to the size of its economy, and its gap with comparable countries is large and widening. In 2021, Tanzania's exports-to-GDP ratio was just one-third of what a cross-country comparison would predict (Figure B4.B).

Low productivity growth and high trade costs hinder Tanzania's export performance. Total factor productivity contributes just 1.8 percentage points to GDP—well below the levels of comparable countries—and low productivity prevents most domestic firms from competing abroad. Due to burdensome trade procedures and documentation requirements, Tanzania's border-compliance costs are significantly higher than those of most comparators. In the latest edition of the World Bank's Doing Business Index, Tanzania ranked 180th out of 189 countries on the ease of trading across borders. For example, the process for exporting fresh fruit and vegetables entails up to 26 steps, including the submission of 28 documents to 14 different public agencies, and obtaining the necessary permits can take as long as five-and-a-half days and cost as much as US$1,030 (Figure B4.C). Streamlining and automating trade-related procedures will be crucial to facilitate export growth.

Tariffs and nontariff barriers create additional challenges. Tanzania's unweighted average tariff increased from 12.6 percent in 2010 to 13.5 percent in 2022—significantly exceeding the levels of trade-oriented countries such as Vietnam (5.6 percent) or regional benchmark South Africa (7.1 percent). As more than half of Tanzanian exporters source at least some of their inputs from abroad, import tariffs also inhibit exports. Tanzanian exporters report significant non-tariff barriers to trade, especially in the agricultural sector. Three-quarters of agricultural firms report difficulties around issuing product certifications, satisfying testing requirements, and ensuring the product characteristics demanded by foreign buyers. Food exporters often struggle to meet the packaging requirements of trading partners, as the necessary materials are not locally available and must be imported at a high cost (Table B4.A).

Reducing trade costs will be crucial to increase export competitiveness. Addressing high trade costs requires a mix of behind-the-border and at-the-border policies. While all factors relevant to the business climate also affect trade performance, priority policy actions to improve the volume and composition of trade include: (i) eliminating high tariffs that discourage exports and reduce access to imported inputs; (ii) addressing existing non-tariff barriers and curtailing the development of new ones, particularly for primary agricultural commodities; (iii) increasing infrastructure investment along transport corridors to reduce trade and logistics costs; and (iv) simplifying documentation requirements and streamlining procedures to reduce customs risk.

The African Continental Free Trade Area (AfCFTA) could significantly reduce trade costs and improve market access, but taking advantage of this opportunity will require comprehensive reforms at the country level. By 2035, the AfCFTA could boost Tanzania's GDP by 7.4 percent,

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BOX 4 DIMINISHING ROLE OF TANZANIA'S EXPORTS *(continued)*

FIGURE B4.A • Exports by Sector, Tanzania (% of GDP)
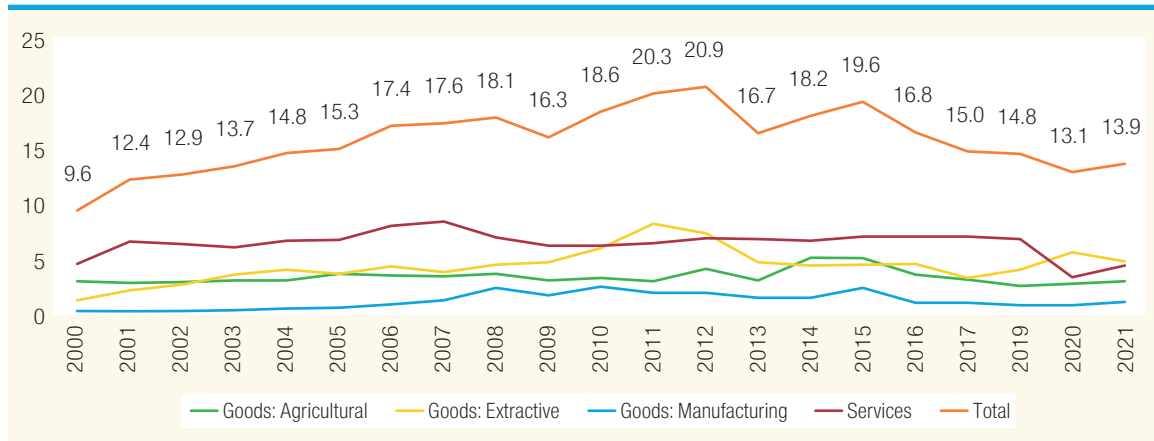
Source: WDI.

FIGURE B4.B • GDP and Export-to-GDP Ratios by Country
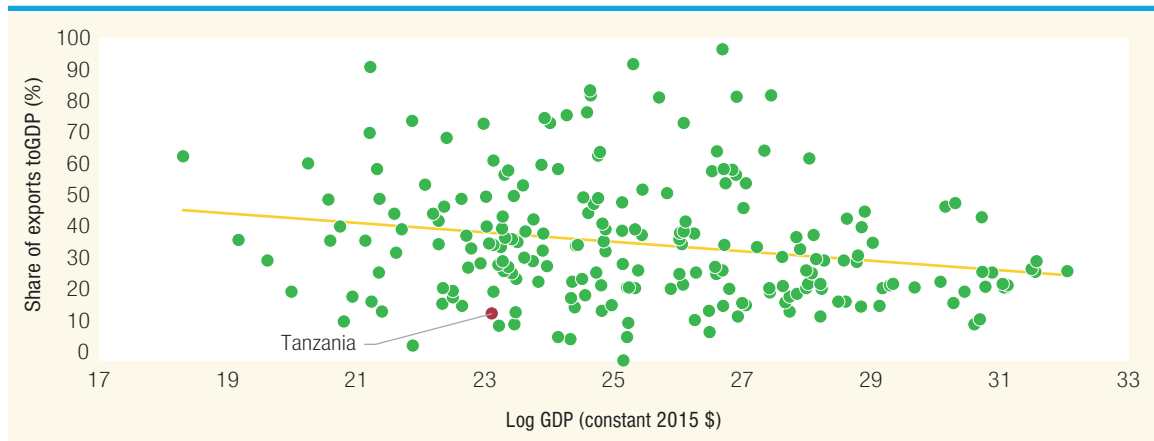
Source: WDI.

FIGURE B4.C • Trade Costs (US$)
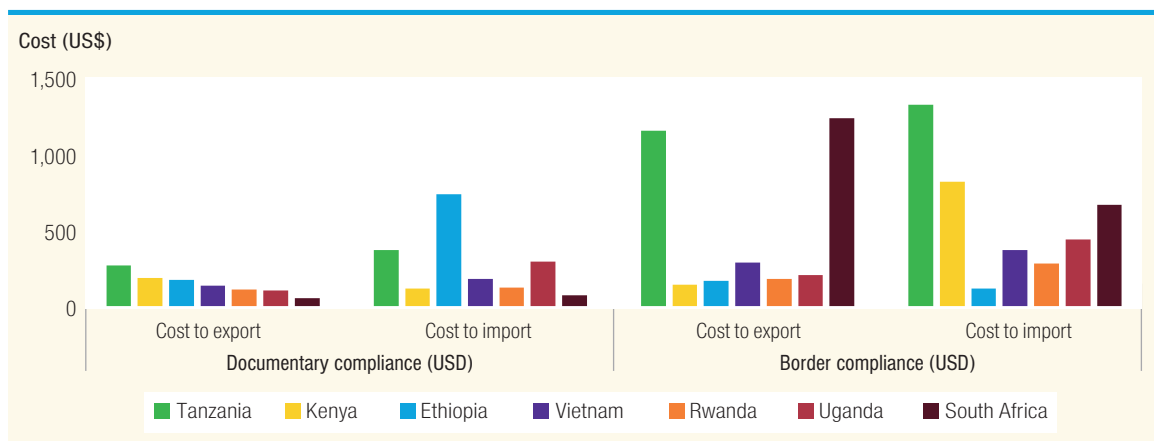
Source: OECD Trade Facilitation Indicators.

(continued on next page)

BOX 4 DIMINISHING ROLE OF TANZANIA'S EXPORTS *(continued)*

increase its exports by 43 percent, and raise average income by 12.2 percent. These gains would be even larger if accompanied by parallel efforts to reduce tariffs, lower non-tariff barriers, and implement measures to facilitate trade. While tariff liberalization would Tanzania's GDP by 0.1 percent and average income by 0.2 percent, removing non-tariff barriers and improving trade facilitation could raise GDP by 7.4 percent and income by 12.2 percent.

TABLE B4.A • Major Non-Tariff Barriers to Trade

Barriers	Examples of products affected	Share of intra-EAC trade affected (%)
Import bans and quotas	Wheat, beer, poultry, flour, meat, maize, milk, cement, sugar, peas, egg, pasta, sorghum	6.1
Preferences denied	Salt, fishmeal, pasta	0.4
Import permits and levies	Milk, bread, eggs, sugar, fruit and vegetables, livestock, cooking oil, maize	5.4
Rules of origin	Textiles and clothing, palm oil, soap, rice, vegetable oil, wheat flour, confectionery	3.0
Export taxes	Dried beans, live animals, hides, skins, sugar, tobacco, maize, meat, wood	4.8
Standards, SPS, TBT	Milk, meat, beer, honey, maize, cotton cake, poultry, sugar, confectionery	2.5
Customs-related	Wine, electronic equipment, salt, toiletries, medicine	5.2
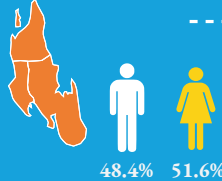
Source: World Bank calculations based on the SADC-EAC-COMESA monitoring mechanism.

Zanzibar Macroeconomic Assessment

Overview

Zanzibar is a semi-autonomous province that united with Tanzania Mainland to form the United Republic of Tanzania (URT)

Its population was estimated at around **1.9 million** (or **3.1 percent** of URT's total population) in 2021 and its real GDP was **2.4 percent** of URT's in 2022

48.4% 51.6%

Zanzibar is an island economy driven by the **services sector and heavily dependent on imports**. The services industry takes the lion's share, representing more than half of the total GDP, followed by agriculture and industry each contributing around 20 percent. **Tourists** in Zanzibar make up over 1/4 of URT's total tourist visitors

Zanzibar Sustained its Growth Momentum into 2023

Economic growth

▲ **6.2%**
Q1-2023

5.1%
Q1-2022

The **services sector** has experienced a broad-based expansion, at almost **6 percent** in Q1-2023

Real GDP Growth (% change, y/y)

Legend: Services (green), Agriculture (yellow), Industry (blue), Net taxes on product (purple), Real GDP (red line)
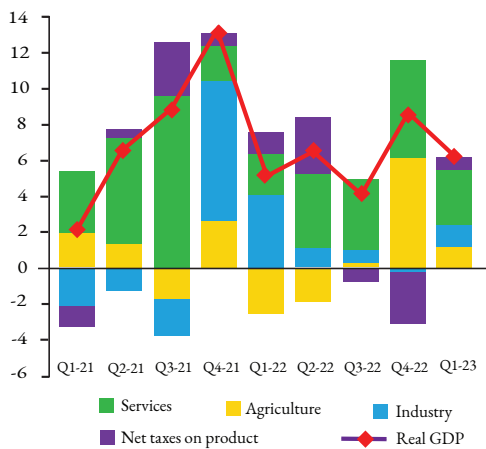
Growth of Key Services Sub-sectors (% change, y/y)

Sub-sector	Q1-2022	Q1-2023
Service sectors	4.3	5.9
Human health and social work	-3.2	7.7
Education	19.9	7.8
Public administration	4.5	1.5
Real estate	7	7.2
Financial and insurance activities	-0.2	4.8
Transport and storage	-1.8	3.7
Accomodation and food services	5.6	1.5
Wholesale and retail trade	3.0	22.6
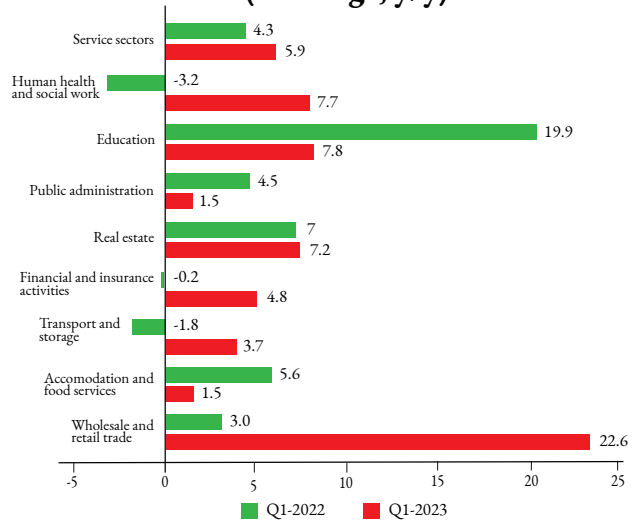
Over 50% of the GDP was driven by the **services sector**, followed by industry at 20 percent in Q1-2023

Wholesale and retail trade, and **real estate** subsectors primarily led the sectoral growth

Tourism Remains the Primary Driver for Growth and Jobs

0.45 million

In **9M-2023,** Zanzibar attracted nearly **28%** more tourist arrivals than in **9M-2022**

Zanziba's tourism markert continued to be dominated by tourists from **Europe**

Tourist Arrivals by Continents, 9M-2023

Europe	Africa	Others
64.5%	15.5%	20%
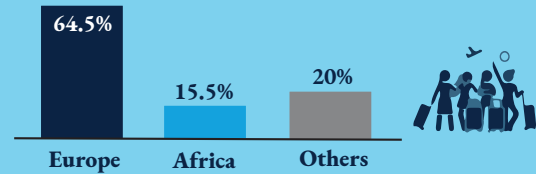
Inflationary Pressure Remains

6.3%

Headline inflation slowed to **6.3 percent** in November 2023, down from **7.8 percent** one year ago

However, cumulative inflation rose significantly from **4.8 percent** during 11M-2022 to **7.0 percent** during 11M-2023

Food inflation was **11.3 percent** during 11M-2023, but merely **5.5 percent** during the same period last year

This reflects the escalating prices of...

Maize **+29%** (y/y) | Beans **+32%** (y/y) | Rice **+30%** (y/y)

57%

Food and Non-alcoholic Bevarages remained the leading driving force of the inflation, contributing over **57 percent** to the overall increase **followed by...**

Zanzibar Headline Inflation Trend (% change, y/y)

Inflation — Food and Non-Alcoholic Bevarages — Transport — Housing, Water, Electricity, Gas, and Other Fuels — Others

Transport **+13%**

Water, housing & electricity **+10%**

Overall Fiscal Deficit Deteriorated

Overall deficit more than doubled

198.6 Tsh billion
Q1-FY2023/24

>

61.9 Tsh billion
Q1-FY2022/23
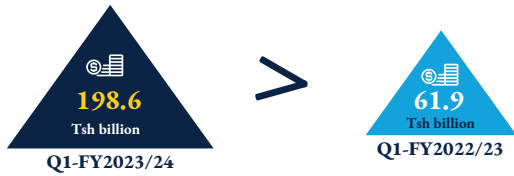
Improved tax revenue collection

300

15%

246.3 Tsh billion
Q1-FY2022/23

283 Tsh billion
Q1-FY2023/24

0
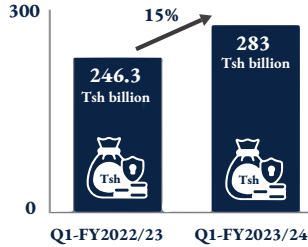
Non tax revenue grew by **24 percent** in Q1-FY2023/24, after a slight contraction in Q1-FY2022/23

24%

FEES

Total expenditure surged significanantly, far outpacing revenue growth

500

313.6 Tsh billion
Q1-FY2022/23

492.5 Tsh billion
Q1-FY2023/24

0

- 🟩 Wages & salaries
- ⬛ Other recurrent expenditure
- 🟨 Development expenditures

47% | 34% | 19%
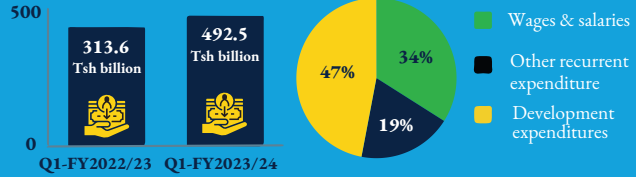
This is driven by the **increasing wages and salaries payment (+7 percent, y/y)...**

...and rising development spending

250

76.1 Tsh billion
Q1-FY2022/23

231.1 Tsh billion
Q1-FY2023/24

0
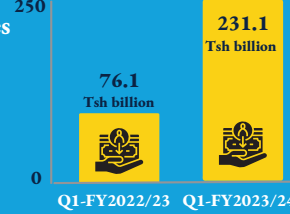
Merchandise Trade Deficit Widened because of Rising Imports

Trade balance of goods registered a deficit of **US$429.2 million** in **11M-2023** compared to US$357.9 million in 11M-2022

38.5% Exports continued to decrease by **38.5 percent** during **11M-2023**

Major Export for 11M-2023

36% | 23.5% | 17.2% | 23.3%

- 🟦 Cloves
- 🔵 Manufactured goods
- 🟨 Seaweeds
- 🟩 Others
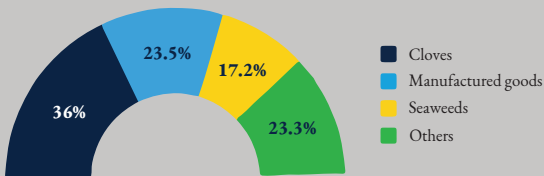
This growth in exports due to the decreases in...

-67.8% y/y

Cloves

The **volume effects** dominated the price effects for **cloves** while the **reverse** is true for **seaweeds**

Merchandise imports grew positively during **11M-2023**

45.3% 11M-2022

10.1% 11M-2023

largest import partners

3

UAE **46%** | China **11%** | India **8%**

Major imports for 11M-2023

34.2% | 39.2% | 16% | 10.6%

- 🟦 Oil
- 🔵 Industrial raw materials
- 🟨 Capital goods
- 🟩 Consumer goods
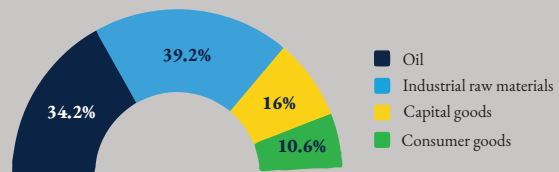
Goods Imports Growth (% change, y/y)

50
40
30
20
10
0
-10

45.3
11M-2022

10.1
11M-2023

- 🔶 Imports
- 🟨 Capital goods
- 🔵 Industrial raw materials
- 🟩 Oil imports
- 🟦 Consumer goods
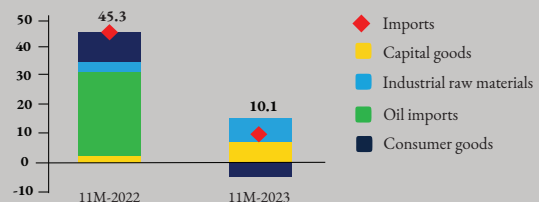
The imports growth is driven by **industrial raw materials** and **capital goods**

Source: Bank of Tanzania, OCGS and World Bank staff estimates.

MACROECONOMIC OUTLOOK AND RISKS

Global Conditions

Global growth is expected to slow further this year amid the lagged and ongoing effects of tight monetary policy, restrictive financial conditions, and weak global trade and investment.[38] While global economic activity was stronger in 2023 than had been expected earlier, it is projected to weaken in 2024 to 2.4 percent (Figure 22). Near-term economic prospects are diverging, with subdued growth in major economies but improving conditions in some emerging market and developing economies (EMDEs). Global headline inflation has continued to decline from its 2022 peak (Figure 22). Nonetheless, inflation remains above target in most advanced economies and about half of inflation-targeting EMDEs. Meanwhile, government bond yields in advanced economies reached their highest levels in more than a decade in October 2023 (Figure 22). While risks to the growth outlook have become somewhat more balanced since in mid-2023, risks remain tilted to the downside, with the possibility of an intensification of the conflict in the Middle East representing a major downside risk.

Growth in EMDEs is projected at 3.9 percent in 2024. Decelerating activity in China is expected to be offset by firming aggregate growth elsewhere, with improving domestic demand in many countries and a pickup in international trade. Excluding China, EMDE growth is projected to firm to 3.5 percent in 2024. This pickup reflects steady improvements in projected trade growth and expectations for solid domestic demand growth in several large economies, as inflation continues to recede and interest rates decline. With inflation projected to continue retreating, and policy rates already declining in many EMDEs, monetary policies are expected to be more supportive of EMDE growth in 2024–25 than in 2023 (Figure 22). At the same time, elevated debt and still high interest rates heighten the risk of financial stress, especially in the more vulnerable EMDEs.

Growth in SSA is expected to accelerate to 3.8 percent in 2024 as inflationary pressures fade. The projections for regional growth in 2024

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[38] This section and the forecasts are based on World Bank. 2024. Global Economic Prospects. January 2024. Washington, DC. World Bank.

FIGURE 22 • Global Indicators

A. Global Purchasing Managers' Index

— Composite — Manufacturing — Services

B. Median Headline Inflation Rate

— Global — AEs — EMDEs

C. 10-Year Government Bond Yields

— Germany — United States

D. Policy Rates
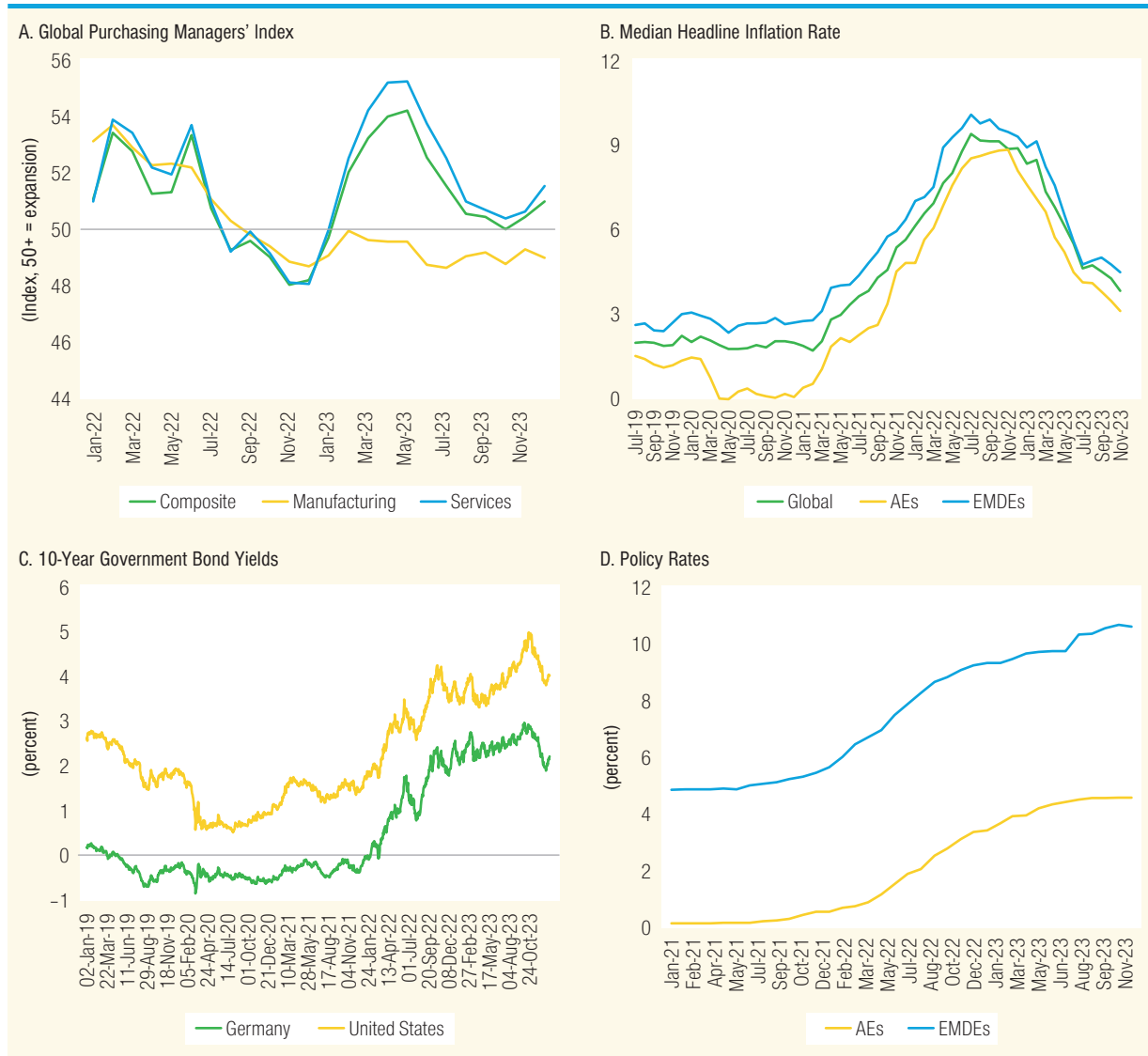
— AEs — EMDEs

Source: Haver Analytics; World Bank.
Notes: AEs =Advanced Economies; EMDEs = Emerging Markets and Developing Economies.
A. Last observation is December 2023. The Purchasing Managers' Index indicates the prevailing direction of economic trends in manufacturing and services.
B. Year-on-year Increase. Sample includes 35 AEs and up to 100 EMDEs. Last observation is November 2023.
C. 10-year treasury bond mid yield (% p.a.) for Germany and the US. Last observation is 10 January 2024.
D. Simple average. Panel includes 16 AEs and at least 70 EMDEs. Last observation is Dember 2023.

are little changed from the forecasts in mid-2023, but these aggregates mask a mix of upgrades and downgrades at the country level. Growth in the largest economies in SSA is expected to lag the rest of the region. Growth in South Africa is projected to firm to a still-subdued 1.3 percent in 2024. While energy sector reforms are expected to improve energy availability in the medium term, infrastructure bottlenecks,

exacerbated by the slow pace of structural reforms, are likely to continue to limit the country's growth potential.[39] Growth in Nigeria is projected at 3.3 percent in 2024 as macro-fiscal reforms gradually bear fruits. Non-resource-rich economies are forecasted to maintain a growth rate above the regional as they

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[39] In South Africa, power outages hit record highs in 2023.

continue benefiting from the moderation in fertilizer prices. Although metal exporters are expected to recover from their growth slump in 2023, continued weak growth in demand from China is expected to be a drag on activity. Risks to the regional baseline growth forecast are tilted to the downside. They include a rise in political instability and violence, such as the intensification of the conflict in the Middle East, disruptions to global or local trade and production, increased frequency and intensity of adverse weather events, a sharper-than-expected global economic slowdown, and higher risk of government defaults, especially if debt restructuring attempts by highly indebted countries prove unsuccessful.

Outlook and Risks for Tanzania

Tanzania's growth momentum is expected to continue over the medium term. The economy is set to expand by an estimated 5.6 percent in 2024, 40 basis points (bps) higher than in 2023. Growth is projected to rise to 6.0 percent in 2025 and reach 6.4 percent in 2026—about its long-run potential (Table 3). Increased public and private investment are expected to boost domestic demand and exports, while reforms to improve the business climate and expanded government outreach to foreign businesses will further encourage investment in Tanzania. The government has already approved new legislation designed to promote investment, including amendments to the law on public-private partnerships (PPPs), improvements in tax administration, and measures to reduce the cost of regulatory compliance. Real per capita GDP growth is expected to increase to 2.6 percent in 2024 and should average about 3 percent per year over the medium term (Figure 23). While the near-term economic growth is positive, Tanzania's government should address the key long-term growth challenges in order to achieve more balanced and inclusive growth (Box 5).

Price pressures are expected to moderate over the medium term. The headline inflation rate is expected to average 3.4 percent in 2024, down 40 bps from 2023, due to the easing of supply disruptions, moderating commodity prices, and gov-

FIGURE 23 • Real per Capita GDP Growth Forecasts
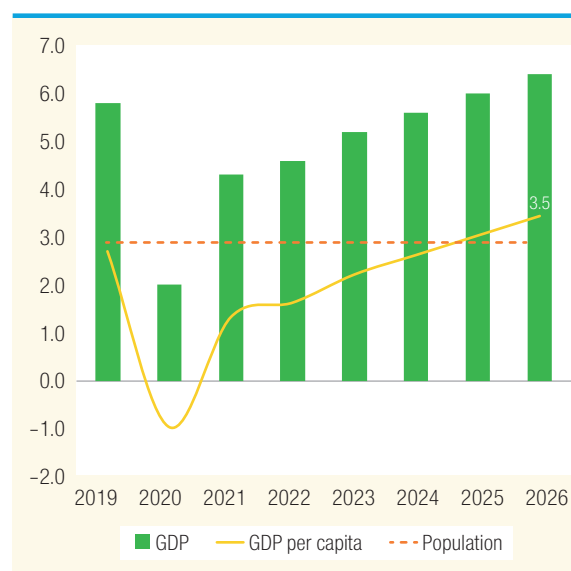
Source: NBS, World Bank staff estimates.

ernment subsidies for fuel and fertilizers. Over the medium term, inflation is expected to remain below 4 percent, well within the authorities' target range 3–7 percent, as global commodity prices continue to ease, planned investments in agriculture boost the domestic food supply, and the central bank pivots from monetary targeting to an interest-rate-based framework.

As the trade deficit narrows, the current-account deficit is projected to improve over the medium term. The current-account deficit is projected to shrink to 3.3 percent of GDP in 2024 as exports continue to recover (especially tourism) while global energy prices moderate (Table 3). Over the medium term, the current-account deficit is projected to fall near 3 percent of GDP amid rising exports and slowing import growth. Services, manufacturing, and gold are expected to drive export growth, supported by resurgent tourism and a continued increase in exports of manufactured goods to East African Community (EAC) member states and other neighboring countries. The government is implementing structural reforms to accelerate the clearance of VAT refunds, strengthening investor protections, and improving dispute-resolution mechanisms, which should encourage investment and enhance export

BOX 5: TANZANIA'S LONG-TERM GROWTH CHALLENGES

In recent years, Tanzania has achieved a considerable degree of macroeconomic stability despite multiple external headwinds. The Tanzanian economy has proven resilient to the spillover effects from heightened geopolitical tensions, as well as the impact of domestic droughts and flooding. Growth momentum remained strong during 9M-2023, with inflation low and stable by regional standards throughout the year. The fiscal deficit narrowed during the first five months of FY2023/24, and the latest IMF country report from December 2023 confirmed that the risk of external debt distress is moderate, with an improved current-account position during the first eleven months and declining but adequate levels of gross official reserves.

However, despite solid macroeconomic fundamentals—especially at a time when many comparator countries face weak growth, surging inflation, and rising debt—Tanzania still faces numerous long-term growth challenges:

1. Recent growth has been concentrated in non-agriculture sectors that employ only 30 percent of the total labor force, and the growth elasticity of poverty is close to zero.

2. Structural transformation has slowed since 2014, hindering productivity growth.

3. Low productivity growth, along with high trade costs and other barriers, has constrained Tanzania's export competitiveness. Worsening export performance has reduced foreign-exchange earnings and slowed job creation and poverty reduction.

4. While tax revenue has increased, it remains well below its potential, and there is still considerable scope to prioritize social spending.

5. Rapid population growth rate of 3 percent per year could enable a demographic dividend, but if adequate economic opportunities are not made available, continued population growth could further constrain the country's development prospects.

These challenges must be addressed to sustain a more balanced and inclusive growth pattern and enable Tanzania to become a successful LMIC. Whereas the 19th edition of the TEU analyzed issues related to the efficiency and effectiveness of fiscal policy, this edition examines the demographic opportunities and challenges facing Tanzania. Although the fertility transition and family planning are longer-term challenges, the special focus section presents priority actions that can be implemented in the near term. Slowing structural transformation and declining exports are also discussed briefly in Box 2 and Box 4 of this edition of the TEU, and a deeper analysis of these subjects is presented in the latest Country Economic Memorandum (CEM) for Tanzania. Focused on the theme of privatizing growth, the CEM provides a comprehensive analysis of Tanzania's changing growth model, identifies key obstacles, and discusses policy suggestions for accelerating business-climate reforms, boosting inclusion in the social sectors, building climate resilience in agriculture, spurring the development of tourism, and leveraging regional integration.

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competitiveness. Growth of imports, however, are expected to decelerate as global commodity prices continue to moderate and the completion of large investment projects reduces demand for imported inputs. Rising FDI inflows and external borrowing, especially from concessional, will continue to fund the current-account deficit and help keep official gross reserves at an adequate level.

The fiscal deficit is projected to narrow as the ongoing economic recovery boosts domestic revenue while the growth of public spending slows. The fiscal deficit is projected to decrease from 3.6 percent of GDP in 2024 to 3.4 percent in 2025 and reach 3.1 percent in 2026 (Table 3), in line with the government's approved budget for 2023/24 and well below the EAC convergence criterion of 3 percent. Over the medium term, revenue is expected to rise to over 16 percent of GDP, mostly from domestic sources, while grants should stabilize at 0.5 percent of GDP. Tax and nontax revenues are expected to increase, supported by growing private investment and stronger tax compliance following the implementation of reforms to improve the business environment and strengthen tax administration. Public spending is projected to stabilize at around 19 percent of GDP, with an increase in recurrent expenditures offsetting a slight decline in development spending. The gradual slowing of public infrastructure investment as major projects are completed will push development spending to around 8 percent of GDP, while expected increases in goods and services spending will push recurrent expenditures to around 11 percent of GDP. The narrowing fiscal deficit is expected to be financed by both external and domestic loans. The latest joint IMF-World Bank Debt Sustainability Analysis (DSA) found that Tanzania's risk of external debt distress remains moderate, and the present value of the public debt-to-GDP ratio is contained at about 31 percent, well below the 55 percent threshold for Tanzania's debt-carrying capacity.

TABLE 3 • Medium-Term Outlook, 2021–26

(Annual % change unless otherwise indicated)	2021 est.	2022 est.	2023 est.	2024 fcst.	2025 fcst.	2026 fcst.
Real GDP growth (at constant market prices)	**4.3**	**4.6**	**5.2**	**5.6**	**6.0**	**6.4**
Private consumption	2.3	4.6	2.2	2.9	3.5	3.1
Government consumption	9.0	9.0	3.1	7.7	10.3	5.2
Gross fixed capital investment	7.8	9.6	3.8	6.2	6.9	9.4
Exports, goods and services	5.2	10.2	17.4	9.3	6.3	9.1
Imports, goods and services	9.6	23.7	2.3	4.2	4.1	6.5
Inflation (consumer price index)	3.7	4.3	3.8	3.4	3.2	3.0
Current account balance (% of GDP)	–3.2	–5.6	–3.8	–3.3	–3.2	–3.0
Net foreign direct investment (% of GDP)	1.6	1.7	1.8	2.3	2.6	2.8
Fiscal balance (% of GDP)	–3.8	–3.6	–3.8	–3.6	–3.4	–3.1
Gross nominal debt (% of GDP in FY)[a]	41.3	42.0	40.9	39.2	37.8	36.6

Source: World Bank Staff Estimates.

Note: Est. stands for Estimates and Fcst. stands for Forecasts. All variables are based on calendar year unless otherwise specified. Fiscal Year (FY) runs from 1st July to 30th June
[a] As is the same in the published WB-IMF Joint Debt Sustainability Analysis in April 2023. For details, see United Republic of Tanzania, Country Report No. 23/153, April 2023, International Monetary Fund.

Strong growth is expected to support continued poverty reduction over the medium term. Projections based on the growth elasticity of poverty indicate that the poverty rate will fall from 26.5 percent in 2023 to 26.3 percent in 2024—dropping below its 2018 level for the first time in recent years. By 2025, the poverty rate is expected to decline to 25.9 percent. To sustain poverty reduction, going forward, the government must implement reforms that enhance agricultural productivity, build human capital, and promote employment-intensive job creation in the private sector while maintaining a strong fiscal revenue position. Moreover, ensuring that women have access to economic opportunities and assets, including land, is crucial to maximize their economic contribution and create a virtuous cycle of investment in future generations. Efforts to reduce fertility rates and promote family planning will help lower dependency ratios, expand the labor force, increase savings, and encourage innovation. In the long run, these factors will help accelerate economic growth and further reduce the poverty rate.

Risks to the macroeconomic outlook are tilted to the downside. External risks include a possible global economic slowdown, partially one driven by the underperformance of Europe and/or China, a sustained increase in global commodity prices, the continuing fallout from external crises, such as a wider conflict in the Middle East. Domestic risks include the slow or incomplete implementation of structural reforms, particularly those related to private-sector development, gender equity, and the impact of climate change on agriculture, tourism and financial sector. To mitigate these risks, the government must continue to implement policies that reinforce macroeconomic and financial stability, improve the business environment, enhance productivity, strengthen climate resilience, and build human capital and workforce skills, especially among women.

3

SPECIAL FOCUS: DEMOGRAPHIC CHALLENGES AND OPPORTUNITIES IN TANZANIA

Introduction: Demographics are Key to Human Capital and Economic Development

There is growing global recognition that demographic changes are critical to human capital development and to countries' development prospects. The demographic dividend refers to the economic benefit that can take place when a country undergoes a rapid decline in mortality, followed by a rapid decline in fertility, thus producing smaller, healthier families and a youth cohort that can be educated and empowered to enter the labor market with the appropriate skills. The 'first dividend' occurs with the decline of birth rates and an increase in the labor supply. The 'second dividend' occurs when a significant number of workers are motivated to invest for their financial security in retirement. While having a more favorable age structure is necessary, it is not sufficient to realize actual economic gains; the labor force must be well educated and possess the right skills and

the economy must provide good jobs. If the economy does not create sufficient jobs to absorb entrants into the labor market this can create new risks.

Cognizant of these issues, the Government of Tanzania reconfirmed its commitment to harnessing a demographic dividend at the Africa Human Capital Heads of State Summit in July 2023. This includes strong commitments to ambitious investments in people with specific targets on education, health, jobs, and women's empowerment. There is broad-based recognition that the rapid increase in cohorts of children and young people presents a significant pressure on the government regarding service delivery needs and sustained investment in quality education and health services in an increasingly tight fiscal space. For example, the annual cost of public education will rise from the current 3.3 percent of GDP to 4.1 percent under the high fertility scenario but could drop to 2.9 percent under the low fertility scenario by 2061. Likewise, the total cost of vaccinating children and adolescent girls against HPV will range between US$718 million (low fertility scenario) and US$1.3 billion (high fertility scenario) in 2061, nearly a two-fold differential.

Accelerating the demographic transition will be a gamechanger for Tanzania, bringing about important structural shifts in the age structure which would contribute to economic growth and poverty reduction. The East Asian "economic tigers" may owe up to a quarter or a third of their economic growth to the demographic dividend (Bloom, et. al., 2000). The impact of lower fertility in Tanzania could almost double per capita GDP growth and

could lift six million people out of poverty by 2050. An accelerated demographic transition will also contribute to improvements in child survival and the nutritional status of mothers and children and reduce the risk of maternal mortality as children are better spaced, and couples are offered choices for attaining their desired number of children.

The government has a window of opportunity to tackle these culturally sensitive issues. To help inform this process, this Economic Update includes a special feature on demographic challenges and opportunities, building on previous Tanzania Economic Updates that featured human capital, education and child marriage, and women's empowerment, as well as previous analytical work conducted by the World Bank.[40] The focus of this special feature is the 'fertility transition' which is a pre-condition for attaining a demographic dividend. Drawing on global experience with fertility transitions, the report focuses on two main strategic priorities—continuing to expand girls' access to education, which is the main socioeconomic determinant of fertility transitions, and scaling up access to family planning (FP) which can accelerate the fertility transition. The main messages from the report were shared with key Tanzanian stakeholders in November 2023 to gain further insights and enrich the analysis and recommendations.

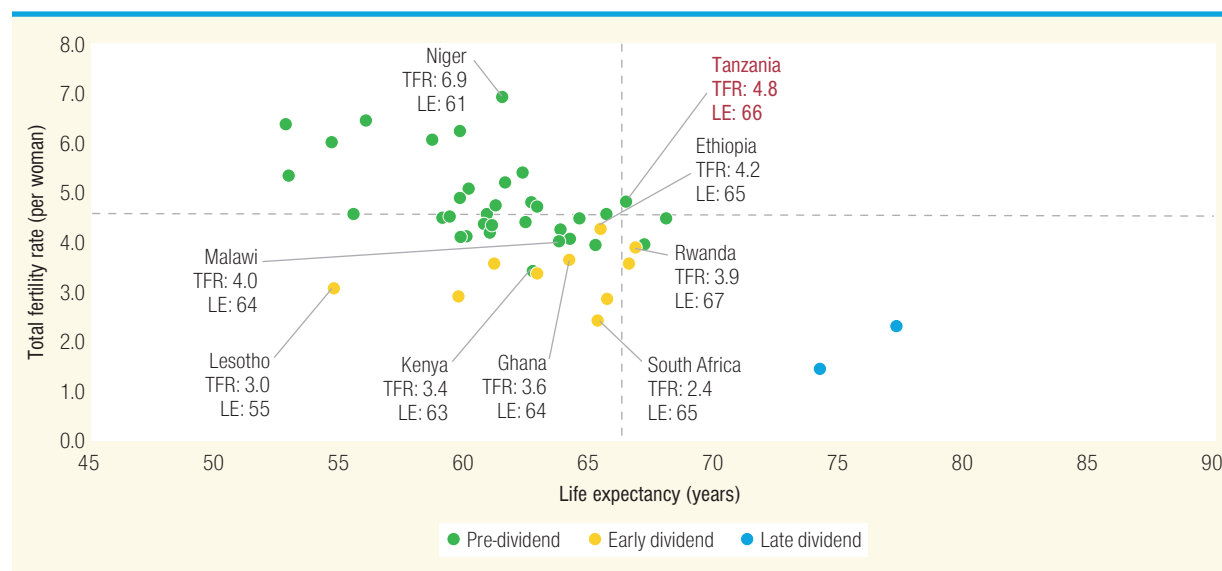## Slow Demographic Transition: Excellent Progress on Mortality but High Fertility Rates

[40] Schneidman, M., et al. 2018. *Demographic Challenges and Opportunities in Tanzania*, Washington, DC: World Bank. https://imagebank2.worldbank.org/search/30016922.

FIGURE 24 • Tanzania is a Pre-dividend Country, Doing Well on Life Expectancy, but Lagging on the Fertility Transition

Source: UN, World Development Indicators, 2020.

**Tanzania is currently a pre-demographic dividend country, given its high fertility levels and youthful age structure.**[41] Most countries in Sub-Saharan Africa are in the pre-dividend phase, some are early dividend (e.g., Ghana, Ethiopia, Kenya, Lesotho, Rwanda, South Africa) and a few are late dividend (i.e., Mauritius, Seychelles) (Figure 24). Tanzanian authorities need to consider ways to position the country to reap the potential benefits of accelerated economic growth that will occur as the country goes through the demographic transition. This process will not be automatic or fast. It will require good policies (Annex 3) and accelerated action as there is pent up 'population momentum' resulting from large cohorts of children entering their reproductive years and bearing children, due to historically high fertility rates.

Tanzania has experienced a rapid drop in mortality, a rise in life expectancy, but persistently high fertility, which implies continued high rates of population growth (3.0 percent), with the population doubling every 23 years.[42] Death rates have progressively declined over several decades (Annex 5, Figure A5.1). Under-five mortality declined steeply from 141 per 1,000 live births (1990) to 43 per 1,000 live births (2022), reaching the LMIC average (43.7 per 1,000 live births) with Tanzania outperform-

[41] The 2015/16 Global Monitoring Report used two criteria drawn from the demographic dividend framework to identify four types of countries, characterized by whether their potential for a first demographic dividend is in the past, present, or future. The first criterion is whether the working age share is likely to be rising or not over the next 15 years (2015–30, the time horizon for several development goals). To distinguish two subgroups within these broader groups, the current fertility rate, and the fertility rate from 1985 are used to identify how far along countries are in the initial and final phases of demographic transition. *Global Monitoring Report 2015/2016: Development Goals in an Era of Demographic Change*, World Bank.

[42] Most data used for this report comes from various rounds of Demographic and Health Surveys (DHS), including the recently released 2022 DHS. United Nations (UN) World Population Prospects 2022 Revision data are used for several key indicators (e.g., crude birth rate, crude death rate, life expectancy, total population, dependency ratios, and population growth) and population projections. There are some minor differences between the UN data and the recent census data as UN data are adjusted for under/over counting, age heaping, and under enumeration of children in the census but these do not affect the overall analysis. The year of a survey is used to describe the survey data with the actual reference period of the data often a few years before the survey. Annex 4 contains key data used.
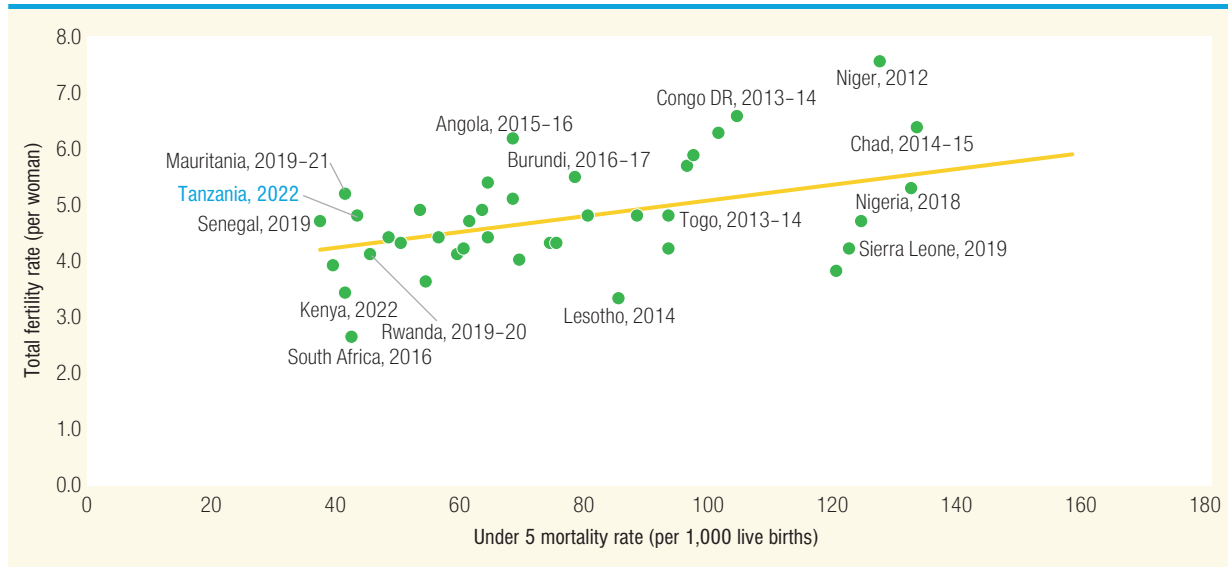
Source: DHS.

ing most countries on the continent (Figure 25). Life expectancy increased by 15 years since 1990 to reach 66 years in 2022, surpassing the regional average (61 years). The solid progress on mortality is consistent with historical improvements in other key indicators such as childhood immunization (Annex 5, Figure 14) and health seeking behavior for sick children, but gaps persist across wealth quintiles and education levels.[43] By contrast, childhood stunting has dropped more slowly (i.e., from 50 percent (1991-92) to 30 percent (2022)) and remains high with persistent gaps.[44]

In stark contrast to the significant improvements in child survival, the TFR in Tanzania declined by only 1.4 children during the past 30 years, from 6.2 (1991/1992) to 4.8 (2022). Trends in fertility are remarkably like the average for the Africa region, making Tanzania a typical country in terms of the slow fertility transition on the continent (Annex 5, Figure 2). In comparison to developing countries in Asia and Latin America, the fertility transition in Sub-Saharan Africa, including Tanzania, started later (mid-1990s); occurred at lower levels of development; and proceeded at a slower pace due to a combination of factors (e.g., slow overall pace of socioeconomic development; persistently high desired family size in traditional pronatalist societies).[45] In countries which made FP a priority, coupled with a rise in girls' sec-

ondary education, there was a significant uptake of contraception and a decline in fertility. For example, neighboring countries that started at similar (Kenya) or higher (Rwanda) fertility levels in 1990, have seen drops of about 3.0 children during 1990-2020 (Figure 26).

Proximate Determinants of Fertility

High average levels of fertility mask large socioeconomic and geographic disparities. There are stark differences between fertility rates in urban (3.6) and rural (5.5) areas and across wealth quintiles (i.e., two-fold differential), 2022 DHS. There are also large

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[43] For example, advice or treatment for common childhood illnesses, which is critical in reducing child deaths, was sought for 79 percent of children with symptoms of acute respiratory infections; 78 percent of children with fever; and 64 percent of children with diarrhea, but only 39 percent of children with diarrhea received oral rehydration salts (Annex 5, Figure 15).

[44] There are disparities across mother's educational and wealth groups, i.e., nearly two-fold differentials between children of mothers with no education and those with secondary+ education; and 2.6-fold differentials between children from the lowest and highest wealth quintiles (2022).

[45] Bongaarts, J. 2017. *Africa's Unique Fertility Transition.* Population and Development Review, 43: 39-58.

FIGURE 26 • TFR in Tanzania, Kenya, and Rwanda
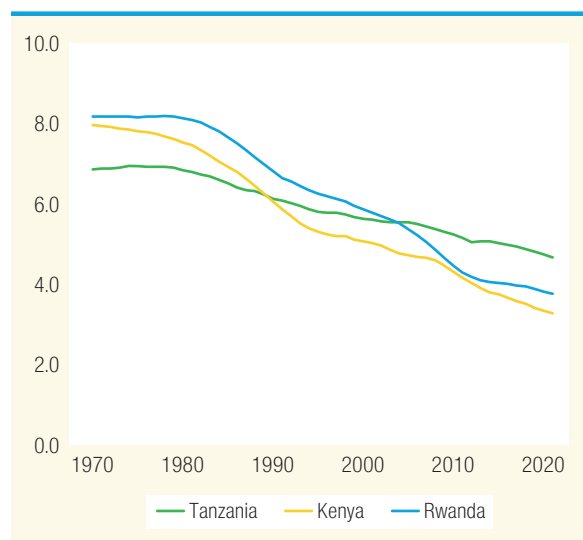
Source: UN, World Development Indicators.

FIGURE 27 • Total Fertility Rate in Tanzania

Source: DHS.

Key Messages

The key proximate (direct) determinants of fertility in Tanzania are:

i. early age at marriage and childbearing;

ii. low levels of modern contraceptive use; and

iii. modest duration of exclusive breastfeeding (3 months).

regional variations in fertility in this culturally and religiously heterogenous population.[46] The average for Zanzibar (4.7) is like the national average but this also masks regional dispa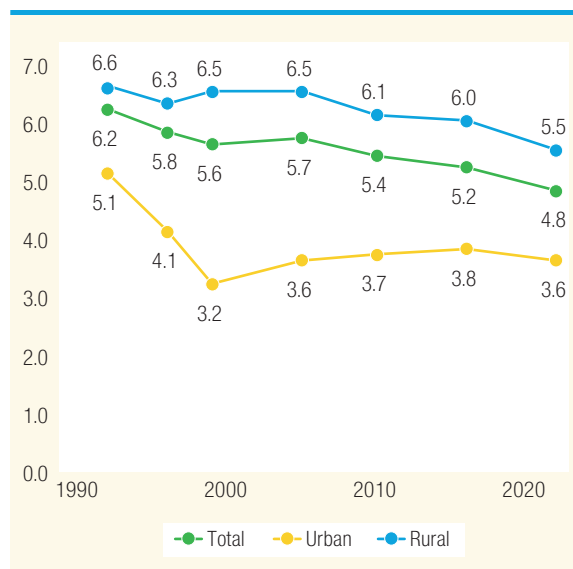rities (e.g., Unguja: 4.2; Pemba: 6.1, 2022 DHS). One encouraging trend since 1990 is the rise in median birth intervals (i.e., total: 37 months; urban: 47 months; rural: 35 months; lowest wealth quintile: 32 months) which reflects the effective implementation of the national child spacing policy. A more recent trend is the accelerated decline in fertility among rural women (from 6 to 5.5) during 2015–2020, in comparison to historical trends (from 6.6 to 6.0 during the previous 25 years (1990–2015, Figure 27). Improvements in contraceptive use in some regions may account for this drop in rural fertility. By contrast, fertility rates in urban areas have not changed since 2005 (Figure 27) which may be due

to the persistently high demand for children and the modest rise in modern contraceptive use among married women.

Adolescent marriage and childbearing patterns are important factors contributing to the high fertility levels. Tanzanian girls have historically married young, initiated childbearing quickly (Annex 5, Figure 4), and used modern contraception sparingly, prolonging the reproductive years, and resulting in relatively high rates of fertility. The legal age for marriage in Tanzania is 15 years for girls and 18 years for boys, making it socially and legally acceptable for girls to marry young. With the expansion in education, urbanization, and health services, these patterns are beginning to gradually change. Child marriage has been on the decline, but rates remain relatively high with roughly one-third of girls married by 18 years.[47] Adolescent childbearing

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[46] Fertility rates range from about 5 to 7 (e.g., *Coastal and Southern zones*: 4.9 children per woman; *Southern Highlands and Northern Highlands zones*: 5.4 and 5.7 children per woman, respectively; and the *Lake and Central zones* have the highest level of fertility: 7.0 and 6.1 children per woman, respectively.

[47] The prevalence of child marriage (percent married by 15) declined from 18 percent (1990) to 6 percent (2022). The percent married by 18 dropped from 51 percent (1990) to 32 percent (2022).

(15–19 years) has declined from 144 (1990) to 112 (2022) per 1,000 women, narrowing the gap with the regional average (102 per 1,000 women) but remaining above the LMIC average (43 per 1,000 women) with 70 percent of births occurring during marriage.

There are widespread variations in adolescent childbearing by education, wealth quintile, and geographic area.[48] There are also stark differences in the proportion of women 15–19 years who have ever been pregnant between the Mainland (23 percent) and Zanzibar (4 percent). These patterns of early marriage and childbearing are of concern as adolescent girls are more likely to experience adverse pregnancy outcomes; less likely to pursue educational opportunities; and more likely to earn less in adulthood than young women who postpone childbearing, trapping them in a vicious cycle of poverty.

Programs that strengthen access to education, training, life skills, health care, and contraception for adolescent girls are key to delaying marriage and childbearing. Tanzania can learn from other countries that have adopted innovative models (Box 6) and can support peer-to-peer learning within the country to share experiences with promising FP models underway in several regions of the country (Box 7).

The overall demand for children is generally high in Tanzania. The mean ideal number of children has dropped since 1990 but remains relatively high in rural areas (5.5), where children serve as a source of labor and old age security, as well as in urban areas

(4.3), with a 2.5-child differential between women with no education versus those with secondary schooling (2022 DHS).

Observed fertility across all wealth quintiles is higher than wanted fertility (i.e., what the TFR would be if all unwanted births were avoided, Annex 5, Figure 6). The total demand for FP (all methods) among married women 15-49 years rose

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[48] The percent of adolescents who have ever had a live birth varies by education (no education: 40.6; secondary+: 8.5 percent) and wealth quintile (lowest: 26.2; highest: 7.7). Fertility rates among urban adolescents have been on the decline since 1990, but fertility among rural adolescents has remained stubbornly high (Annex 5, Figure 5). There is also wide geographic variation in the percent of 15–19-year-old girls who have ever been pregnant (e.g., Lake: 23 percent; Southern and Western: 24-25 percent; and Southern West Highlands: 31 percent.

BOX 6: REACHING VULNERABLE ADOLESCENT GIRLS TO PREVENT EARLY MARRIAGE AND CHILDBEARING

Expanding female education, economically and socially empowering adolescent girls, and actively engaging their parents and communities to provide acceptable alternatives to early marriage, are pathways to improved well-being for girls and their families. There is a growing body of evidence of programs, implemented across and beyond the African continent, that tailor to the specific needs of adolescent girls and address the underlying contextual factors (sociocultural norms and poverty).

Sahel Women's Empowerment and Demographic Project (Burkina Faso, Chad, Cote d'Ivoire, Mauritania, Mali, Niger): The project aims to increase girls' and young women's access to safe spaces, life skills, education, health care, and contraception, employment, and training. To date, over 693,000 in- and out-of-school girls and young women have been reached; with 300,000 new users of contraception through increased availability of 9,525 midwives trained on a regionally harmonized curriculum that promotes adolescent-friendly services. Over 30,000 husbands and future husbands have enrolled in community clubs, where the curriculum helps increase male participation in household tasks, healthy sexual and reproductive health behaviors, and prevention/reduction of violence against women and children. More than 15,000 religious leaders actively promote girls' and women's empowerment in rural communities by addressing norms and harmful practices. Over four million people have also been reached through social and behavior change campaigns that have led to community discussions.

Northwestern Nigeria: Since 2008, the Center for Girls Education has worked to delay the age of marriage in rural communities by reducing social and economic barriers to female schooling and providing group-based mentoring and support. The center supports girls' transition from primary to junior secondary through basic academic skills enhancement and life skills, facilitates the transition from junior secondary to senior secondary, from senior secondary to tertiary institutions, and assists out-of-school girls to transition into school or into a vocation. Starting with 36 girls a decade ago, it now serves about 17,000 girls. At baseline in 2007, less than 25 percent of girls graduating from primary school in participating communities made the transition to junior secondary and of those, only 4 percent graduated from senior secondary. Now, 92 percent of girls in these communities progress from primary to secondary school and 82 percent are graduating from secondary school. A Kaplan-Meier analysis suggests that the center's program is associated with an average delay of marriage of 2.5 years.

Bangladesh: The Bangladesh Association for Life Skills, Income and Knowledge for Adolescents targets girls age 12-18 across three districts with a combination of interventions, including (i) safe spaces; (ii) education support in the form of tutoring; (iii) life skills covering sexual and reproductive health, gender-based violence, decision-making, critical thinking, negotiation, and gender-rights awareness; and (iv) livelihoods training and exposure to a variety of income-earning activities. Impact evaluations of the program found a significant decline in child marriage among the girls who have benefitted from the interventions (31 percent decline in the education and gender-rights awareness arms, 23 percent decline in the livelihoods arm). The program also yielded a significant increase in girls' engagement in income-generating activities (31 percent and 35 percent among the gender and livelihoods arms respectively). Significant improvement in mathematic test scores were observed among the education and gender arms (20 percent and 23 percent, respectively). Men and boys play a central role in improving the health and well-being of women and girls. Empowering women and addressing gender inequality requires the cooperation of men who often hold more power and influence over decision-making and who can constrain women's choices.

Niger: The Husbands' Schools were developed in response to a 2007 study which revealed that male decision-making authority was a main barrier to women's access to sexual and reproductive health services. The project was designed to get men actively involved in the promotion of reproductive health and to foster behavior change at the community level. During biweekly meetings, husbands analyze and discuss specific cases of reproductive health problems within the community and look for appropriate solutions. Evidence has shown that husbands in areas covered by the project have taken a more active role in the health care of their families and are communicating better with their wives. Significant rises have also been recorded in deliveries assisted by skilled personnel, prenatal and postnatal consultations, and use of FP.

BOX 7: FAMILY PLANNING INNOVATIONS FROM TANZANIA

Owning their Reproductive Health Choices: Tanzania Women and Girls Decide (Marie Stopes Tanzania): This program reached 700,000 beneficiaries with modern FP services in 14 regions supporting innovative models with potential for scale up, such as: (i) Public Sector Strengthening Program that expanded access to high-quality FP services for vulnerable groups in rural areas through an integrated strategy that reached nearly 100,000 clients; and (ii) Reaching Adolescents and Youth using innovative strategies to provide sexual and reproductive health services and life skills; engaging community leaders, parents, and teachers to address social norms through community dialogues with a total of over 100,000 adolescents and youth (15-24 years) reached.

Scaling up FP Program/Engender Health: This program supported the delivery of integrated FP services covering eight regions using three models: (i) outreach; (ii) routine; and (iii) postpartum, reaching nearly 900,000 clients with modern contraceptives in a 2-year period, of which three-quarters benefitted from outreach activities that have proven to be successful in bringing services closer to clients.

Boresha Afya Program: Implemented across 12 regions, this innovative program used trained male champions and Community Health Workers to generate demand, and trained providers to deliver a comprehensive package of men-friendly sexual and reproductive health services. Gender-transformative strategies were used to address harmful gender norms and male champions counselled men on FP uptake. In a 3-year period the program mainstreamed services in the North-Central and Southern Zones.

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from 48 percent (1999) to 61 percent (2015–2016), then declined slightly to 59 percent (2022). Unmet need (any contraceptive method) has remained high at about 21 percent. Women from the lowest wealth quintiles have high rates of unsatisfied demand (60 percent) for modern FP services, and some regions have high levels of unmet need (Annex 5,

Figure 7),[49] underscoring the importance of well-tailored, targeted approaches.

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[49] Unmet need for modern contraception is high in Shinyanga (65 percent); Katavi (62 percent); Simiyu (83 percent); Kaskazini Unguja (80 percent); Kaskazini Pemba (74 percent); and Kusini Pemba (72 percent).

FIGURE 28 • Contraceptive Prevalence Rate (modern methods) and Total Fertility Rate in Sub-Saharan African Countries and Averages of Sub-Saharan Africa and Lower-Middle-Income Countries, around 2019
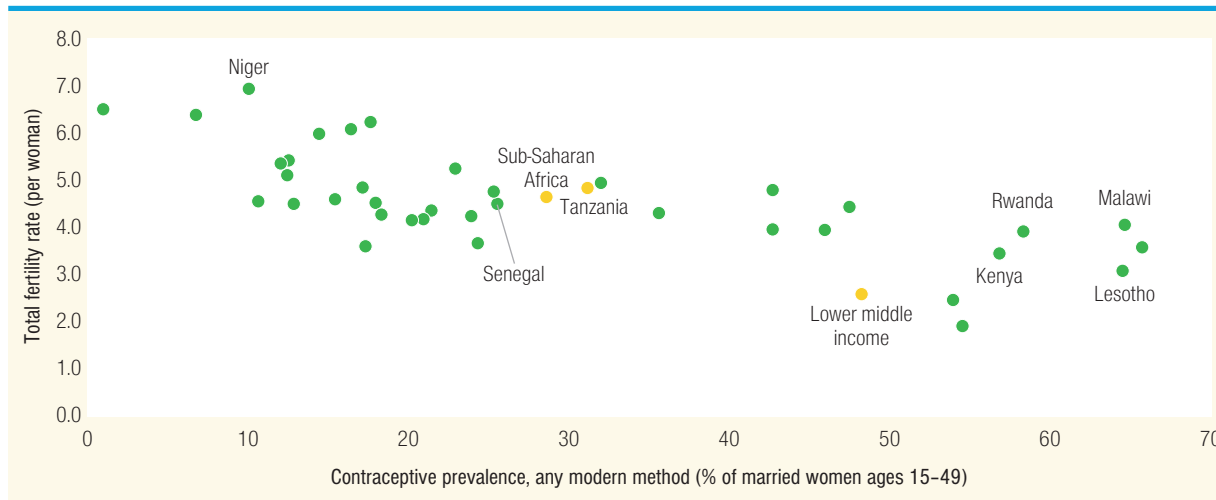
Source: Data on contraceptive prevalence are from household surveys. Data on total fertility are from UN and World Development Indicators.

Fertility preferences vary between women and men. The proportion of Tanzanian women of reproductive age (15–49) who do not want more children is estimated at 22 percent while the proportion of men (age 15–49) who do not want more children is lower (15 percent). By contrast, in Rwanda which has a strong FP program, the proportion who do not want more children has risen to over 50 percent for both women and men. Given the importance of men's views in shaping decisions about contraceptive use, further efforts are needed to educate Tanzanian men and women on the benefits of FP and to ensure family size concordance among couples.

While the utilization of modern contraceptives has been on the rise since 1990, rates remain generally low, stagnant, or even declining for some women.[50] With a national average of only 31 percent (2022), the country is off track to attain the National Plan for Reproductive, Maternal, Newborn, Child and Adolescent Health and Nutrition (2021/2022–2025/2026), One Plan III target of 42 percent (2025). Tanzania continues to lag other countries in the region with stronger FP programs (and greater access to girls' secondary education) and is behind the average for LMICs (48 percent), as can be seen in Figure 28. Overall, there is substantial geographic variability in contraceptive use in this large, culturally, and religiously diverse country where acceptability of FP

services remains a huge challenge, as noted by multiple stakeholders during recent consultations. (Box 8).

While Tanzania was unable to reach the national contraceptive target (any method) of 60 percent by 2015, several regions (e.g., Kilimanjaro, Iringa, Njombe, Morogoro, Pwani, Lindi, Mbeya) have since made remarkable progress expanding FP during 2015-2022, reaching a CPR of over 50 percent (any method). These findings are encouraging and consistent with various innovative FP programs underway in some regions of Tanzania that can serve as models for potential scale up (Box 7 Family Planning Innovations from Tanzania).

There are important demand and supply side impediments that need to be addressed to

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[50] Among currently married women, use of modern contraception rose from about 7 percent (1991–1992) to 32 percent (2015–2016) and has remained virtually unchanged. In Zanzibar, use of modern contraception is only 17.4 percent. Among married adolescents, use of modern contraception has increased from about 2 percent (1991/1992) to over 13.0 percent (2015/2016), in contrast to the HSSP V target of 20 percent (2025). Among sexually active, unmarried women, use of any modern method has declined substantially, from 46 percent (2015–2016) to 36 percent (2022). Women from poorer households (Annex 5, Figure 8) and those with relatively low levels of education (Annex 5, Figure 9) have also benefitted from the rise in contraceptive use since the early 1990s but their rates remain relatively modest.

further bolster acceptability and to strengthen the provision of high-quality FP services. Most of the constraints to expanding contraceptive use cited by women relate to opposition to contraception and concerns with side effects (Annex 5, Figure 10). The substantial proportion which cites opposition to modern contraception suggests a need to address social and religious barriers. Given the significant role that partners play regarding the use of contraception, education of both women and men is important as there is a vast body of evidence on the benefits of targeting couples and engaging men in FP. There is also solid evidence on the importance of engaging religious leaders who can play a key role in shaping decisions around fertility and FP.[51] Supply-side impediments relate to inadequate provider knowledge, shortcomings in the provision of services, and limited community outreach activities.[52] Key informants emphasized the importance of addressing demand-side impediments and shared examples of good practices (Box 8). Countries which have made substantial progress on FP have used a combination of demand and supply side strategies implemented at scale (Box 9).

Socioeconomic Determinants of Fertility[53]

Female Education

The importance of girls' education and links to fertility reduction are well documented in the global literature. A recent review of the evidence on

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[51] World Vision, August 2014, *Engaging Faith Leaders in FP: A Review of Literature plus Resources*.

[52] Only 52 percent of providers address the critical issue of potential side effects (Annex 5, Figure 10). Clinics perform best in terms of discussion of concerns and side effects (Annex 5, Figure 11). When looking at contact of nonusers with FP providers, 81 percent of women say that they did not discuss FP either with a fieldworker or a health care professional at a facility (Annex 5, Figure 12). There are also important gaps in terms of counseling on FP, and specialized training for dealing with HIV positive patients (Annex 5, Figure 13).

[53] This section provides a descriptive overview of two key socioeconomic determinants of fertility—female education and women's agency.

Key Messages

- Tanzania is a pre-dividend country given its high fertility levels and youthful age structure.
- Tanzania has experienced a rapid drop in mortality and a rise in life expectancy but persistently high fertility.
- The fertility transition needs to be accelerated to make progress toward reaping a demographic dividend.

the potential role of several socioeconomic variables as causes of fertility trends in the developing world from 1960 to 2015 confirmed that *'female education is the dominant socioeconomic driver of fertility transitions'*.[54] The review found that while fertility declines with education levels there is *'wide variation in country*

trajectories' about the timing, magnitude, and pace of decline (e.g., as education levels rise, fertility initially remains high in traditional patriarchal societies where women prefer not to deviate from traditional norms; resistance to change in culturally and religiously diverse heterogenic countries can slow down the process while the early introduction of FP programs can accelerate it). Once a country in a region has entered the transition, neighboring countries follow sooner than expected from their education level as norms change and social interaction stimulates change. The declining threshold implies that fertility transitions can be reduced by several decades, as occurred in Bangladesh (Box 9).

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[54] Bongaarts and Hodgson, 2022. *Fertility Transition in the Developing World*, Springer Briefs in Population Studies.

BOX 9: STRATEGIES AND INNOVATIONS FROM FP PROGRAMS

Bangladesh: The country was able to accelerate its fertility transition, with the TFR dropping from about 7 (1970) to 2 (2020), replacement level, with much of the decline occurring when socioeconomic levels remained modest. The reduction in fertility was followed by significant economic growth with a three-fold rise in GDP per capita during 1997–2018. Although no causal claim can be made, this pattern is consistent with the theory that declining fertility combined with appropriate education and labor policies can stimulate growth via the demographic dividend. The main driver of the rapid fertility decline (especially during 1975–1990) was the nationwide introduction of a vibrant national population program. The Bangladesh FP 'success story' has been attributed to several factors: (i) ensuring a sustained commitment across administrations for nearly five decades, and adopting an all-of-government approach; (ii) establishing a strong FP program including massive deployment of Family Welfare Assistants who played a key role in improving knowledge, providing contraceptives, and referring women to clinics; and (iii) mobilizing local influencers, including religious leaders, to garner support for more rapid change in social norms.[a] The rapid fertility decline occurred at a time when girls' secondary education coverage remained initially very low (i.e., 11–14 percent during 1973–1990). In subsequent years, enrollment rose considerably (i.e., 51 percent in 2000 and 86 percent in 2021) which, coupled with rising employment opportunities in the garment industry and improvements in child survival, contributed to the accelerated fertility decline. Bangladesh's transition would have been delayed by decades if it had to wait until it achieved the same level of education as Republic of Korea and Taiwan, China.

Rwanda: Historically, Rwanda had one of the highest population densities in Africa and one of the highest fertility rates in the world (TFR: 8.6). The issue of rapid population growth became a top national priority in the mid-2000s with the government reinvigorating the national FP program. As a result, Rwanda made remarkable progress on FP within a brief period, with the CPR rising from only 17 percent (2005) to 52 percent (2010), and the TFR dropping from 6.1 to 4.6. During 2010–2022 progress, on FP was slower with the CPR rising to only 60 percent and the TFR dropping to 3.8. The main FP strategies used included: (i) conducting mass media campaigns to change awareness and promote behavior change; (ii) strengthening the delivery and financing of services, including making contraceptives widely available and affordable; broadening the contraceptive mix and promoting long-lasting methods; and constructing secondary posts to deliver contraceptives near health facilities run by faith-based organizations; and (iii) promoting community participation in FP, including winning the support of men and religious and traditional leaders and community-based distribution of contraceptives.[b] Parallel efforts to expand coverage of girls' secondary education likely contributed to declining fertility levels (i.e., enrollment rates rose from a meager 16 percent in 2005 to 32 percent in 2010; and to nearly 50 percent by 2021) but the spike in contraceptive use during 2005–2010 was probably the primary driver of the accelerated drop.

Kenya: Kenya has been a leader in FP in Sub-Saharan Africa and has made remarkable progress with fertility declining from 8.1 (1977) to 3.4 (2016), and to 3.3 (2022). The government: (i) established the National Council for Population and Development (1982); (ii) developed a robust national program; (iii) initiated a voucher program for poor women to lower cost and strengthen uptake (2006); (iv) introduced performance-based incentives to reward providers for the delivery of quality FP services; and (v) promoted use of Community Health Workers as first line providers. Cultural stigma and lack of youth-friendly health services remain challenges to contraceptive use among younger women. Women with lower education, those married to husbands with lower education, unmarried, and rural women remain behind in FP utilization and

(continued on next page)

require targeted support.[c] Kenya's fertility transition started earlier than other countries on the continent but at higher socioeconomic and girls' secondary education levels (i.e., enrollment rose from 16 percent in 1975; to 25 percent in 1980; and to 54 percent in 2009).

Lesotho: Lesotho, one of the smallest landlocked countries in Africa, is one of the few on the continent to adopt a population policy in the 1990s aimed at achieving replacement level fertility. Lesotho is also unique to the extent that it has some of the highest literacy levels in southern Africa; a homogenous population with one tradition related to marriage and childbearing; and extended periods of postpartum abstinence because of lengthy absence of young adult males who work in South Africa. Fertility rates stagnated since the late 1970s at about 5.0 children per woman and contraceptive use was very low (23 percent). The government was initially cautious about offering modern contraceptive methods due to fears of a negative response from the public but became directly involved in the late 1970s as part of the national primary health care strategy. In addition to services provided at public sector facilities, since the late 1980s the government provides grant funding to the Lesotho Planned Parenthood Association (LPPA), which serves as a main provider of FP services. A 2015 study on factors associated with the significant progress on contraceptive use showed the importance of secondary education of women and men as well as the critical role of accessible, quality FP services with a good mix of methods; convenient operating hours at clinics; and well-trained personnel. To accelerate progress toward the government's target it was noted that there is a need to reach teenagers through youth friendly programs and couples from the lower socioeconomic backgrounds through communication campaigns to raise awareness. By 2022, Lesotho reached a CPR of 51 percent and a TFR of 3.0.[d]

[a] World Bank, 2020. Demographic Transition: Lessons from Bangladesh's Success Story, Human Capital Project.
[b] Muhuza, et. al., February 2013, Measuring the Success of FP Initiatives in Rwanda: A Multivariate Decomposition Analysis, DHS Working Papers.
[c] Akoth, et. al., December 2021, Factors Associated with the Utilisation and Unmet Need for Modern Contraceptives among Urban Women in Kenya: A Cross Sectional Study, frontiers in Global Women's Health.
[d] Tuoane, M., et. al., 2003. Use of FP in Lesotho: The Importance of Quality of Care and Access.

- *Allowing former dropouts, including pregnant girls and young mothers, to return to the public schools*, through a Government Statement and Circular of November 24, 2021. This was followed by the dissemination of national guidelines to support implementation at regional and local government levels.

- *Extending the Fee-Free Basic Education policy to the former dropouts returning to secondary education* through the Alternative Education Pathways (AEP) program; and expanding the number of AEP centers from 134 (2020) to 168 (2022).

- *Developing a two-year accelerated secondary education program delivered by AEPs* targeting former dropouts. By November 2022, roughly 4,100 former dropouts were enrolled in the AEPs accelerated program. This was accompanied by a comprehensive review of the AEP curriculum across the core subjects, including integration of life skills and reproductive health education.

- *Designing and rolling out the Safe Schools Program (SSP) package for public secondary schools* which has reached 1,000 secondary schools with plans underway to extend it to primary schools. The package includes school guidance and counselling services; in-service training on gender-sensitive pedagogy; Teachers' Code of Conduct training; training in school safety; community-based mechanisms to ensure safe travel to schools; and leadership training with special focus on school management, gender-based violence, and a school-based monitoring system. School feeding is also a key component of the SSP.

- *Expanding the school network with new regional secondary boarding schools for girls* (1 for each of the 26 regions) and constructing new day secondary schools at the ward level to reduce commute to school especially for girls; amending the infrastructure standards to include 'student to functioning latrine ratio' of 25:1 for girls and 30:1 for boys.

Expanding access to quality education for girls is the best way forward; but we must not leave the boys behind.

Key stakeholder

The government of Tanzania recognizes the centrality of investing in girls' education and has made tremendous strides over the past several **decades in improving access to lower-secondary education**. These efforts are reflected in not only the extension of the fee-free basic education to the secondary level since 2015, which removed cost barriers for girls' access to secondary education at the family level, but also enactment of complementary policies and strategies to improve quality of learning and strengthen school completion (Box 10). The progression rate to secondary education for girls has improved rapidly

FIGURE 29 • Trends in Female Secondary School Enrollment (% gross)

Source: World Development Indicators.

FIGURE 30 • Total Fertility Rate, by Education Level in Tanzania
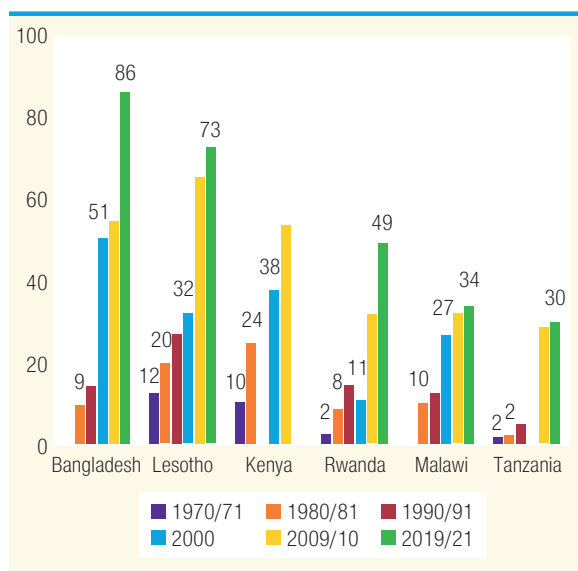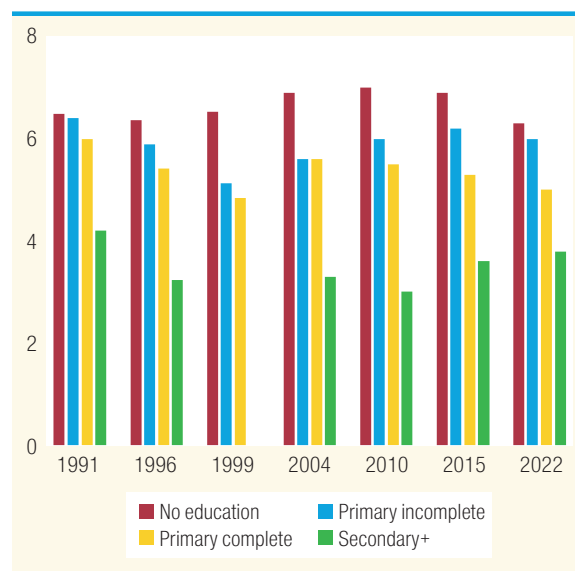

Source: DHS.

from less than 20 percent (2001) to nearly 71 percent (2017) (World Development Indicators, World Bank). During the past few years, the government has intensified efforts to expand secondary education opportunities with significant achievements in increasing enrollment of girls and reducing gender gaps in exam pass rates, notwithstanding the extremely low national performance in math and sciences.[55] These efforts need to be accelerated to have a greater impact on the fertility transition as Tanzania continues to lag other countries which have made faster progress on girls' secondary education (Figure 29).

Since 1991, fertility rates have declined progressively with educational attainment with the most marked differences for girls who have attained at least secondary education (Figure 30. The 2022 DHS revealed that women (15–49 years) with no education had a TFR of 6.3; those with primary schooling had a lower rate (5.0); while those with secondary or higher education levels had a lower fertility rate (3.8). Similarly, the percentage of teenagers (15–19 years) with no education who are mothers is significantly higher (41 percent) than those with secondary or higher education (6.5 percent). Noteworthy is the generally slow rate of decline in fertility for girls at different education levels as expansion in enrollments take time and use of contraception remains

modest (Figure 30). For girls with no education, fertility rates have been historically high but have dropped significantly during 2015–2022.

The uptake of modern contraception in Tanzania has not risen steeply, even for girls with secondary or higher education (Figure 31)**.** This may be due to prevailing social and cultural norms, continued high desired family size, and/or supply side constraints. By contrast, in Rwanda modern contraceptive use has increased steeply, and gaps by education level have narrowed (Figure 31). Similar steep rises in modern contraceptive use among educated women are seen in Kenya, Ethiopia, Lesotho, and Malawi (Annex 6). Further analysis is needed to better understand and address the constraints to modern contraceptive use in Tanzania.

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[55] For example, in 2022 the number of students enrolled in Form 4 (i.e., last grade of lower secondary education) at government schools increased by nearly 64 percent (454,981) from the 2019 baseline (278,239). The number of girls enrolled in Form 4 rose by 75 percent during 2019–2022, compared to the 53 percent increase in boys' enrollment. The number of females enrolled in Form 5 increased by 42 percent during 2019–2022; and the average gender gaps in Form 4 and Form 6 exam pass rates in math and sciences dropped from 11 percent to 5 percent.
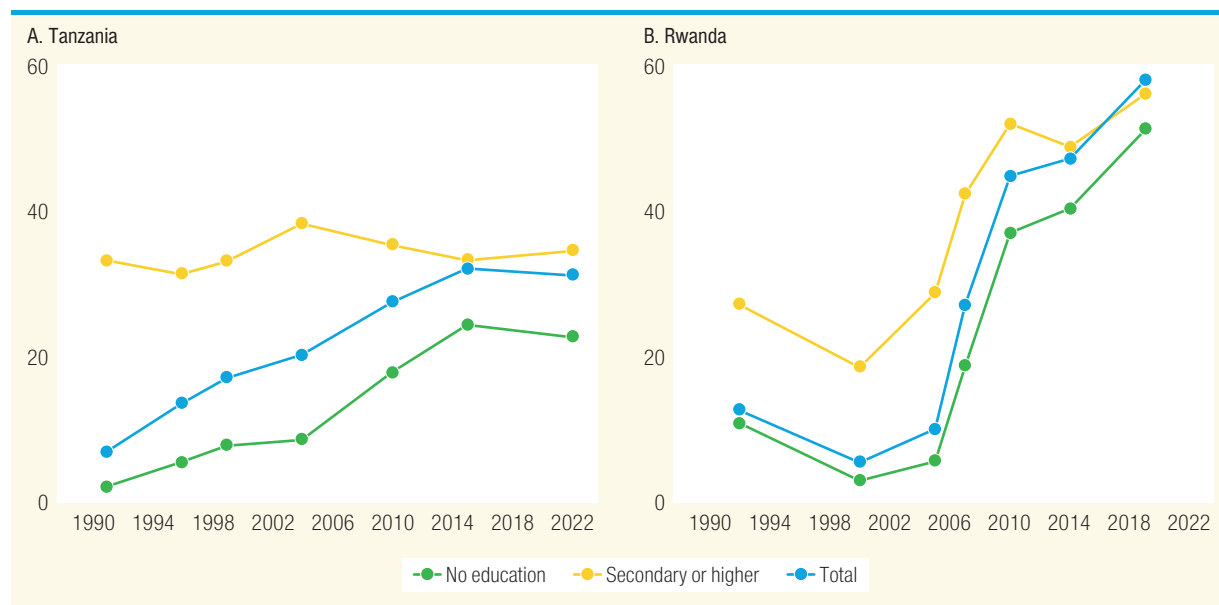
Source: DHS.

Women's Agency

Demographic issues in Tanzania need to be addressed in the context of the complex nexus of factors which affect the role of women and shape gender inequality. Women's agency is defined as the ability to make effective choices or the process by which women use their endowments (such as health and education) to take advantage of economic opportunities to achieve desired outcomes (World Development Report, 2012). Tanzania has seen important improvements in gender equality and women's empowerment, even though gaps persist, particularly on reproductive health.

Control over health: Access to critical maternal health services has improved over the past three decades with the largest gains among rural women and those with lower education levels and household wealth.[56] Access to antenatal care (four visits) is estimated at 65 percent and skilled attendance at birth is virtually universal (85 percent). Women also report few problems accessing care due to "need to get permission" with limited variability across education and wealth levels (Annex 5, Figure 17). By contrast, women's reproductive health choices remain limited by patriarchal social norms which encourage girls to marry early; husband's desired family size and views with limited negotiating power for poor and vulnerable women; and ability to pay which in turn is affected by the cost of services and women's lack of control over resources. While FP services and commodities are free, women face

Key Messages

- Women's economic and social empowerment shape childbearing patterns and contribute indirectly to fertility transitions.
- Tanzania has made significant progress on women's empowerment and gender equality, but gaps persist.
- Women's reproductive health choices remain limited by patriarchal social norms and lack of control over resources.

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[56] Since 1991, women in Tanzania have benefitted from universal access to antenatal care (at least one visit); the percentage which has benefitted from at least four antenatal care visits has risen to 65 percent (above the LMIC average of 61 percent); and facility deliveries and skilled birth attendance, which are critical for maternal health, have increased steeply from about 50 percent (1990–1991) to 80 percent (2022), surpassing the LMIC average of 77.3 percent (Annex 5, Figure 16).

other important financial (i.e., transportation) or economic costs (i.e., opportunity cost of going to a health facility).

Control over resources: Control over resources has also improved particularly among rural women but there are persistent concerns with affordability. The percentage of women who say they alone or jointly are the final decision-maker for their own health care has increased from about 59 percent (2004–2005) to 72 percent (2015–16) with a particularly significant increase among rural women. Women who report greater participation in household decision-making also report greater use of modern contraceptive methods (i.e., 28.5 percent among women who participate in zero decisions, versus 45.4 percent among women who participate in at least three decisions). About 36 percent of women report "getting money for treatment" as a problem in accessing health care, with considerable variation by education and household wealth (Annex 5, Figure 18).

Economic opportunities: Economic opportunities continue to be characterized by inequalities which also impede reproductive health choices. The major drivers of inequality in economic opportunities in Tanzania are: (i) women's lower access to farm labor and lower returns with a gender gap in agricultural productivity in the range of 20–30 percent; (ii) women entrepreneurs' sales are 46 percent less than those of their male counterparts; and (iii) women wage workers are more likely than men to make less money or not to be paid for their work, as they face greater time constraints and have heavier domestic and childcaring loads (Tanzania Gender Assessment, 2022). Other major drivers of inequality and limited economic opportunities relate to land insecurity.[57] These inequalities in economic opportunities impede women's reproductive health choices and negotiating power within the household, particularly for young girls who marry men who are much older. The law of inheritance implies that a widow has a choice between three evils—to be inherited as a wife, to go back to 'her people' or to live where her children have decided. These practices contribute to the high value attached to children both as a source of domestic and agricultural labor as well as old-age security for women.

Domestic violence: As seen in other countries, there are high rates of gender-based violence in Tanzania, including intimate partner violence.[58] While gender-based violence is underpinned by social norms, key risk factors exacerbating exposure include: (i) high rates of early marriage and childbearing and large age differentials between spouses; (ii) low levels of economic independence for women; and (iii) low levels of education among women (Tanzania Gender Based Violence Assessment, 2022). Women's ability to make reproductive health choices and negotiate relations remains limited in some households and is driven by social norms (2022 DHS).[59]

Implications of High Population Growth

Our continent is a continent with many children and young people. In demographic terms, this news is both good and bad for us. This situation can only be good and productive for us if we invest in human resources by ensuring good health, good education with life skills to create a productive workforce like our colleagues in Asia.

Dr. Samia Suluhu Hassan
President of the Republic of Tanzania
The 2023 Africa Human Capital Heads of State Summit

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[57] Despite several important land reforms, land tenure in Tanzania continues to discriminate against women because of traditional practices and customary laws as well as ambiguities stemming from overlapping customary and statutory legal systems. Land insecurity is pervasive in Tanzania and women are the most land insecure, as they are less likely to be included on land titles. Women are estimated to own about 19 percent of the registered land, and their plots are less than half the size of those of their male counterparts (2007).

[58] In total, 27 percent of women 15–49 years has experienced physical violence since age 15, while 12 percent has experienced sexual violence in their lifetime. Roughly 30 percent of women 15–49 years has experienced physical or sexual violence, which is lower than rates found in some neighboring countries (i.e., Rwanda: 45.4 percent; Kenya: 37.4 percent; and Burundi: 43.6 percent). In Zanzibar, women are less likely to encounter intimate partner violence in comparison to the Mainland.

[59] The social norms contributing to domestic violence are reflected in the high proportion (34 percent) of women who report wife beating as justified "if she argues with him" and who report it as justified (24 percent) "*if she refuses to have sexual relations with him*" (2022 DHS).

Tanzania's youthful age structure (Figure 32) reflects the challenges facing the country in providing schooling, health care, and jobs to the large cohorts surviving childhood and entering their reproductive cycles. At the current annual population growth rate of 3.0 percent (2022) Tanzania's population is doubling approximately every 23 years. The total dependency ratio (i.e., number of dependents, aged 0–14 and over 65, to the total working age population, aged 15–64), remains much higher (88) than the average for LMICs (56). The current proportion of adolescents (10–19 years) is very

high (24 percent) and projected to grow from about 15.0 million (2015) to roughly 24.0 million (low fertility scenario) and to 31.0 million (high fertility scenario) in 2050. Given the high historical levels of fertility in Tanzania, there is a pent-up 'population momentum', resulting in large cohorts of children entering their reproductive years and bearing children which will contribute to future growth.[60]

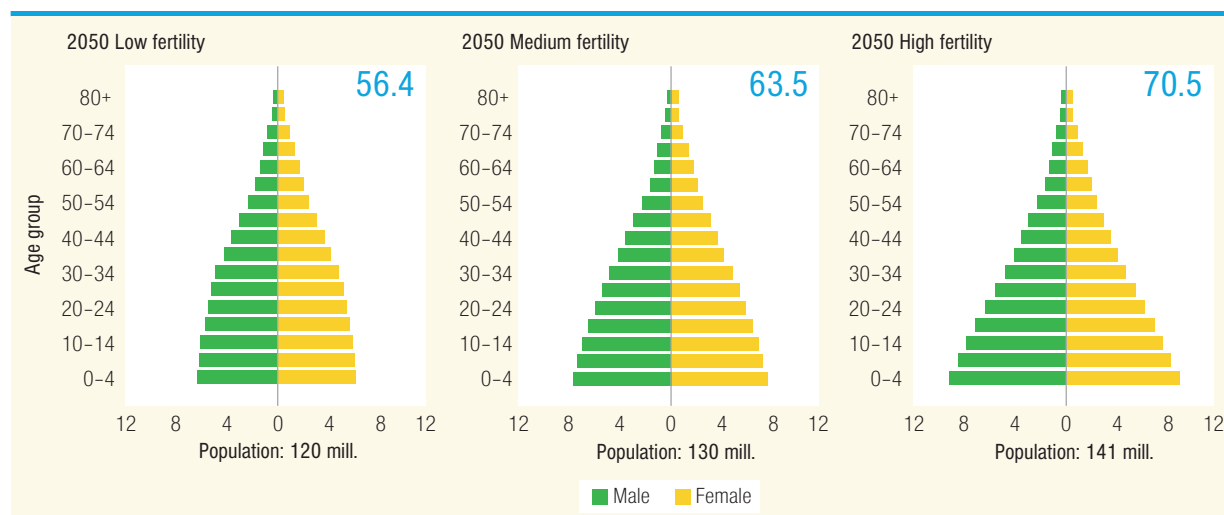[60] Even if fertility rates in Tanzania would reach replacement level immediately, for several decades the absolute number of people born will exceed the number dying

FIGURE 32 • Population Pyramids in Tanzania and Korea
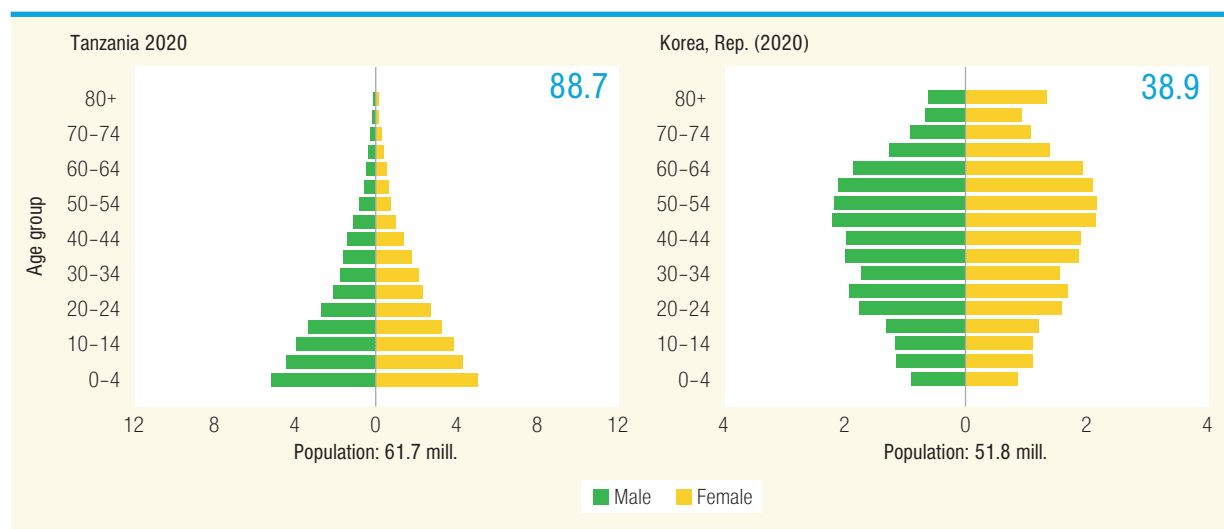
Note: Dependency ratios appear inside the circles.

FIGURE 33 • Tanzania: Population Projections under Three Fertility Assumptions, 2050

Source: UN.

The pressures of high rates of fertility on the education sector are considerable. The impact of different fertility scenarios on the school-age population can be seen in Figure 34.[61] School-Age Population, Pre-primary to Tertiary ('000). If fertility declines slowly as indicated in the high fertility scenario, the school-age population (pre-primary, primary, secondary, tertiary) will increase 65.5 million by 2061. However, should Tanzania's fertility decline, as projected in the low fertility scenario, the school population could decline to 44.3 million students by 2061–slightly above 50 percent of the estimate for the high fertility scenario. The projections suggest that total enrollment in public education from pre-

primary through to tertiary levels will rise by 2061 to 22.4 million under the low fertility scenario to about 35.0 million under the high fertility scenario, nearly 56 percent higher. The cost of public education will rise from the current 3.3 percent of GDP to 4.1 percent under the high fertility scenario while this could drop to 2.9 percent under the low fertility scenario in 2061.

The above projections on school-age population have implications on total enrollment in public education from pre-primary through to tertiary levels. It is projected that should the high fertility levels continue and decline very slowly, total enrollment in the public schools and institutions including universities will rise to 35 million students by 2061, compared to a low of 22.4 million students should fertility drop to levels projected in the low fertility scenario (Figure 35). This is based on the assumptions that: (i) the Gross Enrollment Rate (GER)

due to the pent-up population momentum. Replacement level fertility refers to the average number of children born per woman—at which a population exactly replaces itself from one generation to the next without migration.

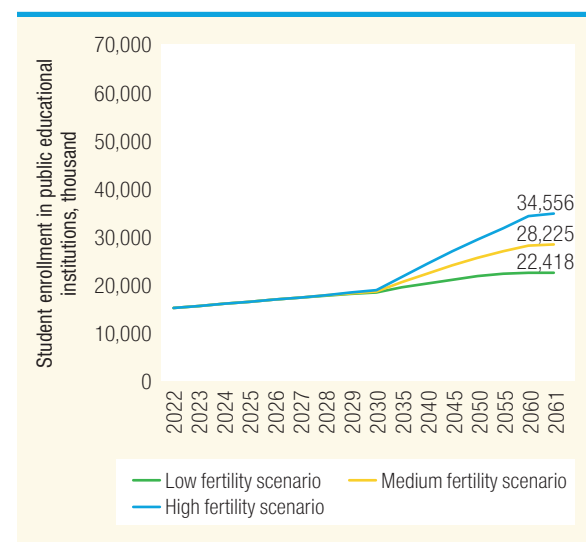[61] The data for the total school-age population (pre-primary, primary, secondary, and tertiary) comes from the UNESCO Institute for Statistics (UIS) and the government's Education Management Information System (EMIS).

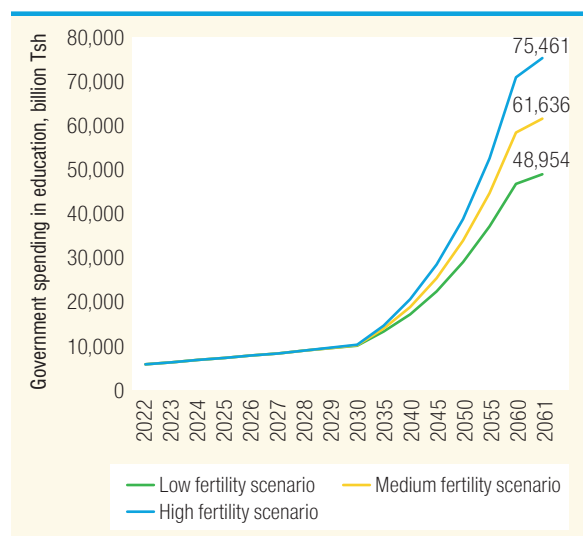FIGURE 34 • School-Age Population, Pre-primary to Tertiary ('000)
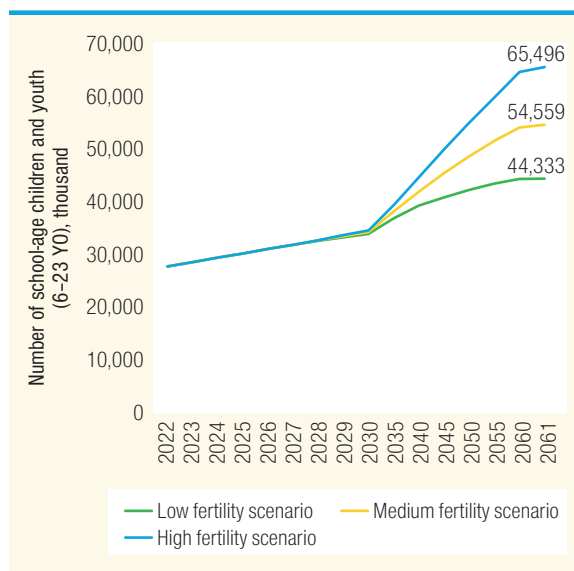
Source: UN.

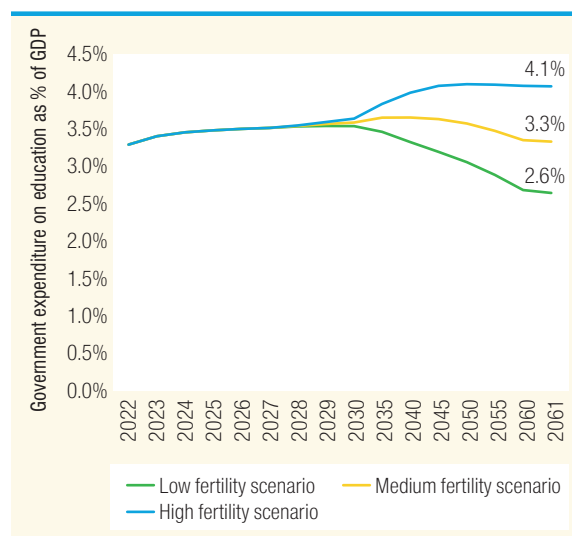FIGURE 35 • Number of Students in Public Schools, Pre-primary to Tertiary ('000)

Source: UN.

FIGURE 36 • Government Expenditure on Education, Total (billion Tsh)

Source: World Bank estimates using UN population projections, UIS education statistics, and IMF projections for GDP growth in Tanzania.

FIGURE 37 • Government Expenditure on Education, Total (as % of GDP)

Source: World Bank estimates using UN population projections, UIS education statistics, and IMF projections for GDP growth in Tanzania.

remains at the current (2023) level through to 2061; (ii) the growth in population at the various age levels (7–13 for primary, 14–19 for secondary, 20–21 for non-tertiary post-secondary and 20–23 for tertiary) occurs in line with the three fertility scenarios; and (iii) a constant share of enrollment is in public schools and institutions. These assumptions are conservative because: (a) the 2023 update to the 2014 Tanzania Education Policy stipulates compulsory 10 years of basic education (from Standard 1 to Form IV of the lower secondary education cycle); and (b) the GER at post-primary levels is likely to increase given rising uptake of post-primary education and strong government commitment. Annex 7 provides further details on the sources of data used for the education projections.
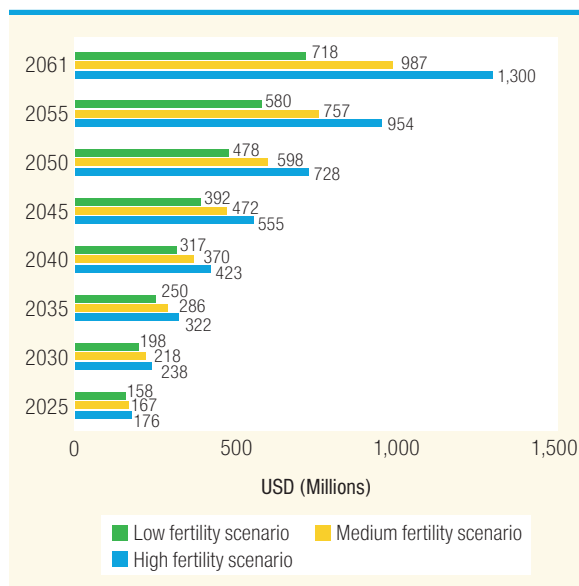
The rise in student numbers in public schools and institutions will impact the total annual cost of public education. The continued high fertility regime implies that the government will have to raise the annual expenditure on public education to Tsh 75,461 billion (US$31.2 billion) while a low fertility scenario would require the government to annually spend Tsh 48,954 billion (US$20.2 billion) by 2061 (Figure 36). The 2021 per-student cost of education was estimated using the share of Gross Domestic Product (GDP) and total enrollment and projected forward, adjusted by the rate of GDP growth.

The International Monetary Fund (IMF) GDP projections for 2023–27 were used, assuming GDP growth rate remains constant at the average rate of 2025–27. The above projected costs to public education imply that the government will need to increase expenditure from the current 3.3 percent of GDP to 4.1 percent under the high fertility scenario, while this could drop to 2.9 percent under the low fertility scenario in 2061 (Figure 37).

The pressures on the health sector of high rates of fertility are also significant. Using immunization as an example, the cost of vaccinating children and adolescent girls against HPV was estimated under the three fertility scenarios. As seen in Figure 38 Estimated Total Cost of Vaccines and Delivery Under the Three Fertility Scenarios (US $ millions), the total cost (vaccines and delivery) will be US$718 million (low fertility scenario) and US$1.3 billion (high fertility scenario) in 2061, nearly a two-fold differential. The unit costs for immunizing children (i.e., those below 1 and those aged 1) are drawn from a costing study published in 2020[62] while the costs of

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[62] Vaughan, K., et. al., *Immunization costs, from evidence to policy: Findings from a nationally representative costing study and policy translation in Tanzania*, Elsevier, October 2020.

**FIGURE 38** • Estimated Total Cost of Vaccines and Delivery Under the Three Fertility Scenarios (US $ millions)

Source: World Bank estimates based on Vaughan, K., et. Al; IMF WEO; and UN.

FIGURE 39 • Working-age Population Shares will Continue to Grow through 2050

Share of working age people in total population by fertility scenario (percent)

Source: Data from United Nations (2022).
Note: The scenarios consider the age-structure changes projected in the medium, high, and low fertility scenarios of United Nations (2022).

vaccinating 14-year-old girls for HPV are taken from a study published in 2022.[63] Costing data was adjusted for inflation using the IMF World Economic Outlook database and future assumptions. The vaccination schedule by age comes from the Tanzanian government while the population data are from the UN WPP 2022 Revision.

These projections of the implications of high rates of fertility are illustrative and not exhaustive. Further analytic work can be conducted in collaboration with government counterparts to deepen and broaden the assessment of population growth on other government priorities (e.g., job creation, skills development) and/or areas of sustainable development (e.g., climate change, urbanization, environment). Likewise, further work can be done on aging which may be an emerging issue in the medium to long term.

Accelerating the demographic transition in Tanzania could bring about important structural shifts in the age structure which would contribute to economic growth and poverty reduction, as happened in the East Asia economic tigers, and as illustrated through the Korea experience (Box 11)**.** The size of the Tanzanian population projected under three scenarios will range from about 120 million (low
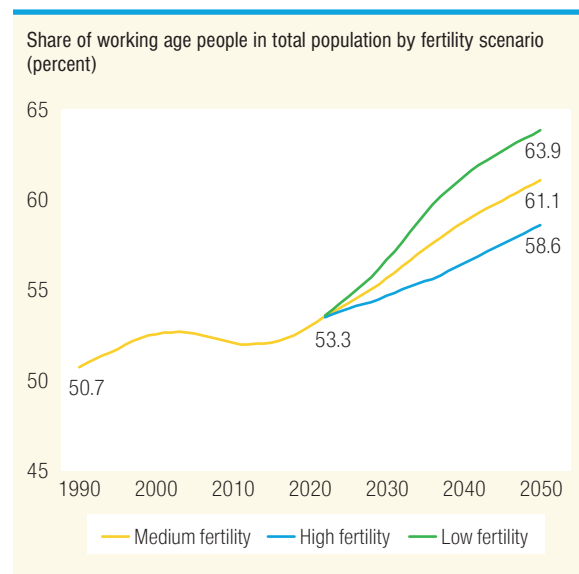
fertility), 130 million (medium fertility) to 141 million (high fertility) by 2050 (Figure 33). The corresponding declines in fertility rates, drops in the share of children, and increases in the working-age adults under the three scenarios can be seen in Figure 39 Working-age Population Shares will Continue to Grow through 2050/Figure 40 Lower Future Fertility Rates Could Lead to Substantial Differences in the Share of Children in Tanzania's Population in the Medium and Long Run. The total dependency ratio is expected to progressively decline from 88.7 (2020) to a range of 56–71 (2050). The sheer numbers projected to rise by 2050 may appear daunting. The cost of inaction would be even higher, as illustrated by the education and immunization projections.

An econometric analysis examining panel data from 105 countries across four 5-year periods suggests that decreasing fertility rates, leading to a higher working-age population share (WAS),

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[63] Levin, A., et. al., *Comprehensive approach to costing cervical cancer prevention and control: a case study in the United Republic of Tanzania using the Cervical Cancer Prevention and Control (C4P) tool*, BMC Medicine, 2022.

A. Total fertility rate by fertility scenario (births per woman)

B. Share of children in population by fertility scenario (percent)

— Low fertility   — Medium fertility   — High fertility

Source: Data from United Nations (2022).
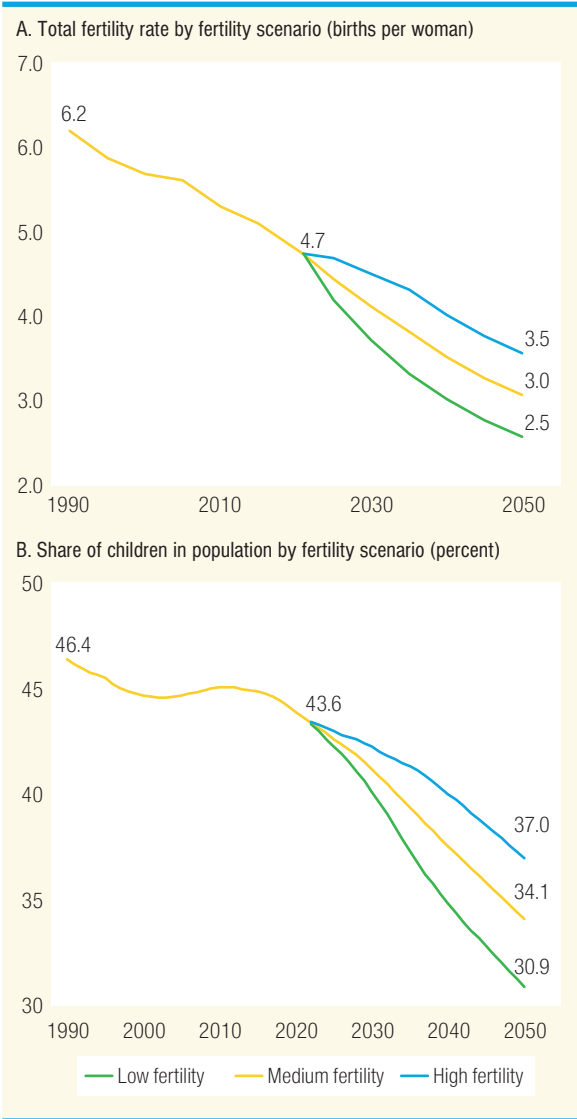*Note:* The scenarios consider the age-structure changes projected in the medium, high, and low fertility scenarios of United Nations (2022).

could substantially enhance per capita GDP. By 2050, a lower fertility scenario may increase per capita GDP by about US$1.8 per day (2017 PPP US dollars), reaching US$3,337 compared to US$3,010 under the high fertility scenario. This increase could potentially lift 6 million people out of poverty by 2050 and translates in an increase from US$1,050 to US$1,302 in per capita GNI by the Atlas Method.

In a medium fertility scenario with a WAS of 61 percent, the expected per capita GDP gain is approximately US$0.40 per day over the high fertility baseline, achieving US$3,160 by 2050 (or US$1,236 GNI per capita). Conversely, maintaining high fertility rates predicts only a 6-percentage point rise in WAS, with per capita GDP reaching just US$3,010 by 2050 (or US$1,177 GNI per capita), reflecting a less than 0.38 percent annual growth from 2020 to 2050. This growth contrasts with 0.73 percent under low fertility and 0.54 percent with medium fertility scenarios.

The model also projects that reducing fertility rates combined with enhancing institutional quality could further elevate Tanzania's GDP.[64] By 2050, this could result in a per capita GDP of US$3,487 (or US$1,364 in GNI per capita), marking nearly 1 percent annual income growth from 2020 to 2050. Institutional quality, particularly in fostering a business-friendly environment, plays a crucial role in economic growth. Effective institutions promote competition, protect property rights, facilitate financial access, and reward risk-taking, driving innovation, new enterprise creation, and private sector job growth.

The impact of institutional quality was quantified in the econometric model by incorporating it as an explanatory variable, interacting with WAS. Improved institutional quality was found to significantly amplify the positive impact of WAS on economic growth. For instance, if Tanzania improves its institutional quality to the average of Upper-Middle Income countries, its per capita GDP in a low fertility scenario could be 60 percent higher than its current institutional quality level (Figure 41). A related study for the Human Capital Summit corroborated these findings, showing that stronger institutions are associated with higher GDP per capita rates.

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[64] The analysis uses six measures of institutional quality: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. These indicators evaluate a country's governance, covering public power misuse, elite influence, public service quality, political stability, terrorism risks, policymaking for private sector development, societal rule confidence, and citizen freedoms. Each indicator scores from –2.5 to 2.5, where higher scores indicate better governance. Data source: Kaufmann and Kraay's Worldwide Governance Indicators, 2023 Update (www.govindicators.org).

While the context in Korea is different from that in Tanzania, the example illustrates how the adoption of a set of policy measures contributed to reaping a demographic dividend. The government adopted a three-pronged approach that included critical policy measures to: (i) expand access to FP; (ii) provide people with critical skills; and (iii) create a positive business environment.
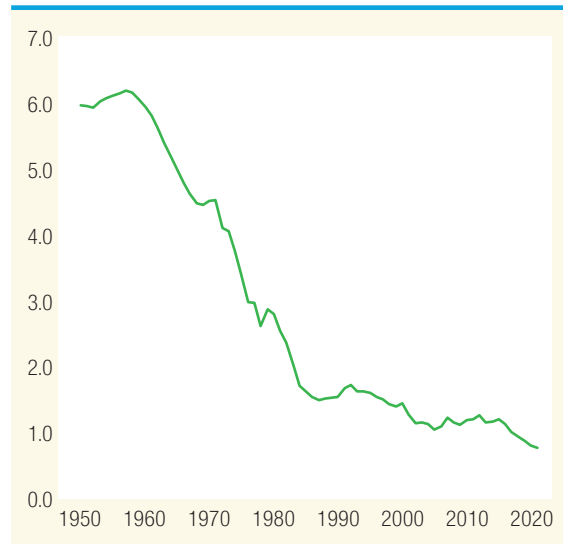
Family Planning. The government created a strong enabling environment, adopting appropriate population policies and programs, including: (i) comprehensive FP services that were implemented through both the public and private sectors; (ii) investments in training of providers on supply of contraceptives; and (iii) mothers' clubs.

Education. The government refined its education and skills development strategy, by adding a focus on "production-oriented education" to provide people with critical knowledge and skills needed for economic development, resulting in a higher skilled labor force.

Economic Development. Korean authorities also introduced policy measures to improve the business environment, bolstering demand for labor, including investments in: (i) labor-intensive sectors (agriculture, manufacturing, chemical, iron, and steel); and (ii) infrastructure and rural construction programs. The creation of a favorable business environment brought in foreign direct investments.

FIGURE B11.A • A Total Fertility Rate, 1950–2021

Source: World Development Indicators.

These mutually reinforcing multisectoral actions resulted in a steep drop in the fertility rate, the dependency ratio, and a rapid rise in GNI per capita at PPP with Korea reaping the benefits of the demographic dividend. The TFR declined from 6.2 to 2.1 (replacement level) in about 25 years (1958–1983), similar to the average for the East Asia and Pacific Region (24 years) but twice as fast as the Latin America and the Caribbean average (52 years); the dependency ratio dropped steeply from 88.6 to 57.0 in only 17 years; and GDP per capita rose rapidly and steeply with one-third of the growth attributed to the demographic dividend.

FIGURE B11.B • Worker to Dependent Ratio, 1950–2022
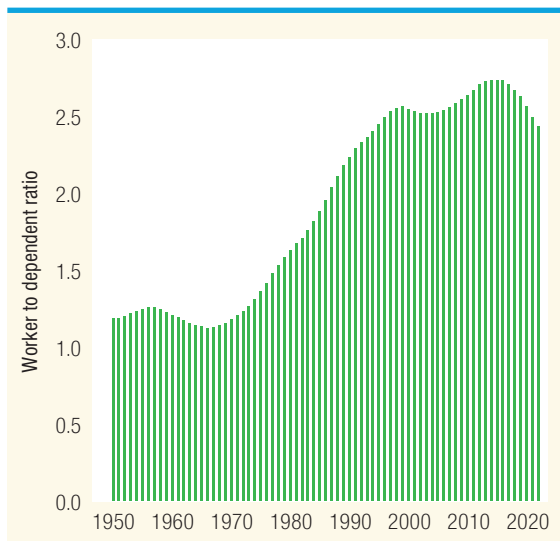
Source: World Development Indicators.

FIGURE B11.C • Reaping the benefits of the Demographic Dividend, 1950–2022

Source: World Development Indicators.

Source: Olinto and Paul (2023).

The greatest contraceptive one can have in the developing world is the knowledge that your children will live.
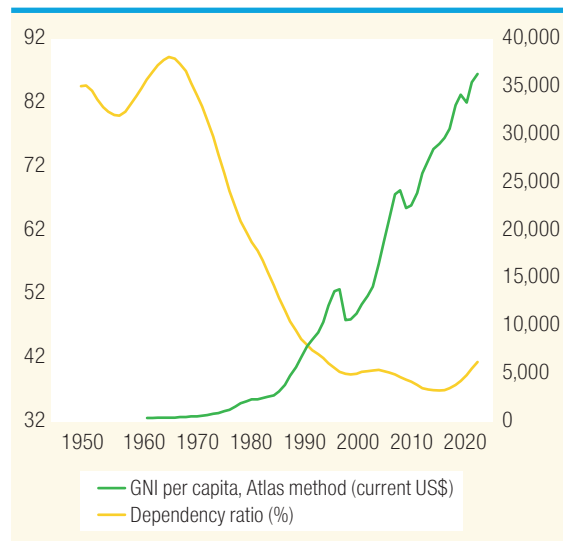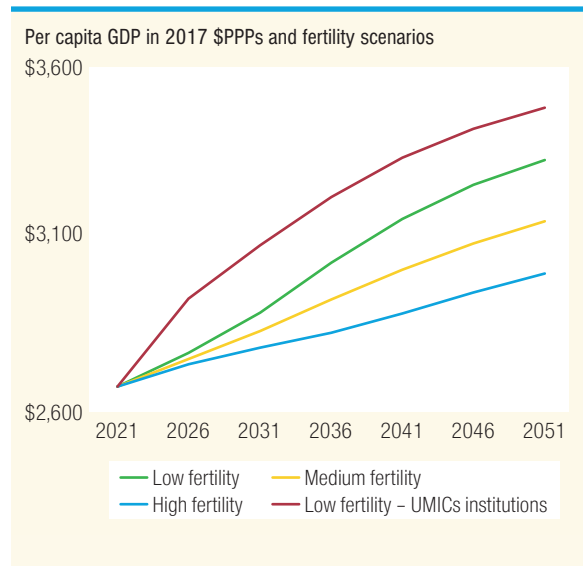
Julius Nyerere
First President of Tanzania

Key Policies and Strategies

Over the past two decades, the Government of Tanzania has made important progress on policies and strategies to strengthen FP and reproductive health, creating a strong enabling policy environment. These include a National Population Policy which promoted an all of government approach (2006); One Plan I/II (National Road Map Strategic Plan to Accelerate Reduction of Maternal, Newborn and Child Deaths, 2008–2015; 2016–2020); Sharpened One Plan focusing on FP with a national campaign "Follow the Green Star" encouraging Tanzanians to seek FP services (2013–2015); and a National Accelerated Action and Investment Agenda for Adolescent Health and Wellbeing (2021/2022–2024/2025) that focuses on preventing teenage pregnancy, keeping boys and girls in school, and developing soft skills. Improvements in the policy environment in Tanzania are reflected in higher scores on international indexes for measuring FP performance.[65] The Government of Tanzania has also made significant strides on policies and laws that promote gender equality.[66] A case in point is the proposed extension of compulsory education to lower secondary level which represents another step forward in promoting gender equality and delaying marriage.

Looking forward, the Government of Tanzania needs to expedite implementation of key policies to accelerate the fertility transition. As noted by key stakeholders during the recent consultations, there is a need to: (i) intensify efforts to expand access and strengthen completion of secondary education, for girls but not leaving boys behind; (ii) scale up access to high quality FP, emphasizing the benefits in terms of child survival and maternal health; (iii) address the social norms around early marriage and childbearing that impede girls from reaching their potential; (iv) reduce childhood stunting and neonatal mortality; and (iv) promote women's economic and social empowerment. While Tanzania has made progress in most areas it needs to redouble efforts on FP, as this is critical to accelerating the fertility transition. Given the highly heterogenous population there is no one-size-fits-all approach. A well-tailored strategy will be needed that focuses on the most vulnerable groups and lagging regions and accounts for religious and cultural

[65] In comparing Tanzania in 2014 with the other pre-dividend countries (Benin, Burundi, Togo, Malawi, DRC, Nigeria) and with some of the oldest (Ghana, Kenya) or strongest (Ethiopia, Rwanda) FP programs in Africa, it scored below 50 percent on all indicators (e.g., policies: 48 percent; services: 43 percent, and monitoring and evaluation: 49 percent) of the FP Program Effort Index. When looking at the National Composite Index on FP (2014–2017), Tanzania has made important progress on several key dimensions (strategy, data, quality, and accountability) but is lagging on equity (Annex 8, Figure 1, 2).

[66] The Government's commitment to gender equality is reflected in the National Five-Year Development Plan (2021/2022–2025/2026) and in the Tanzania Development Vision 2025. Other key policies/laws include the National Plan of Action for Violence Against Women and Children (2017/8–2021/2); the Employment and Labour Relations Act (2019) to increase women's presence in male-dominated sectors; and the proposed Revisions to the Law of Marriage Act (2022).

barriers that shape childbearing patterns. Adolescent girls, particularly those in rural areas who face multiple constraints, are one of the key priority groups that will require a special focus. Renewing commitment to FP and making it an integral part of the human capital development agenda will send a strong signal about its importance. Tanzanian visionaries need to take on the challenge of facilitating a paradigm shift on FP, from viewing these issues as difficult to address to making them part of the national norms. The main policy priorities are summarized in Box 12 Key Priorities with details in Table 4.

To summarize, Tanzania can take bold actions to intensify the implementation of national policies to take advantage of the potential benefits of the demographic dividend. This process will require multisectoral action as high rates of population growth have broad-based implications for virtually all sectors and all aspects of sustainable development (e.g., climate change, urbanization, environment). Accelerating the fertility transition will bring about a change in the age structure and an important drop in dependency ratios, with substantial benefits at the household level in terms of child and maternal health. Tanzania's economic growth trajectory and poverty reduction prospects will be enhanced through policies and investments that result in healthy families, gender equality, and a rise in productive work for the working-age population.

BOX 12: KEY PRIORITIES

Accelerate ongoing programs to expand access to secondary education and strengthen completion rates for girls while not leaving boys behind. Completion of quality secondary education for girls is key to fertility reduction, child survival, and enhanced welfare with substantial expected benefits (e.g., one child fewer per woman with three additional years of schooling; 5–10 percent lower mortality rates in children under five for every year of mother's education; higher probability of seeking maternal services and using FP methods; 10–20 percent increased wages for each additional year of education). To enable girls to take advantage of the government's strong commitment to secondary education, it will be important to pass legislation raising the minimum marriage age for girls to 18 years. The expected benefits of reducing child marriage are considerable (e.g., lowering fertility, improving child health, empowering girls).

Scale up access to quality FP services while addressing social norms, using innovative approaches, including community outreach strategies, mobile units, and private sector outlets. Particular attention needs to be given to poor and vulnerable women and young girls who are at a disadvantage because of geographic, socioeconomic, and/or cultural barriers. Policies that make FP services more accessible, less costly (i. e., lower opportunity cost), and of higher quality (i.e., lower side effects, lower concerns over health, more convenient) will reduce the cost of fertility regulation. Private sector has an important potential role to play with many service delivery platforms that could be further harnessed to address unmet need, particularly for short-acting modern methods and for younger groups (15–24) that use these outlets more frequently. Given the persistently high levels of desired family size, much more needs to be done to change social norms. Engaging men will be key to family size concordance among couples and mobilizing religious leaders is important to dispel myths and misconceptions about FP and to change social norms.

Improve child survival to give parents the confidence to have fewer children. Targeted interventions at both the community and primary health care level would support integration of infant care with postpartum FP services; encourage prolonged breastfeeding beyond the current three months; accelerate action on reducing childhood stunting; focus on the persistently high levels of neonatal mortality; and sustain the child spacing policy.

Scale up intervention to promote women's economic empowerment. Improving economic opportunities that empower women to take control of their reproductive health and invest in their children will also be critical to supporting the demographic transition in Tanzania as discussed in the 17th TEU which had a special feature on Empowering Women.

Focus on adolescent girls. One key group that requires a special focus in all areas noted above— education, health, and empowerment–is adolescent girls. The government is cognizant of the importance of expanding opportunities for adolescent girls and ensuring that early marriage and childbearing do not perpetuate a vicious cycle of poverty. To this end, accelerating education reforms, expanding adolescent friendly health services, and creating economic and social empowerment opportunities are key priorities to supporting the fertility transition.

Identify champions for the demographic dividend agenda. A national dialogue can be spearheaded by respected Tanzanian champions who can address these issues in a culturally sensitive manner. The narrative on the demographic transition and FP needs to be carefully crafted and conveyed in terms of the benefits for human capital development, women's empowerment, and gender equality. This will require strong multisectoral coordination bringing together key ministries (e.g., finance, education, health, gender) and mobilizing religious leaders, traditional community and civil society leaders, parliamentarians, and policymakers. A renewed commitment to FP will be critical to revamping the national program, drawing lessons from successful initiatives in the country and in other countries.

TABLE 4 • Priority Strategies to Accelerate the Demographic Transition

FP and reproductive health services to lower fertility, improve maternal health, and reduce child mortality	Maternal & child health and nutrition to improve child survival, lower maternal mortality, and contribute to fertility reduction	Secondary education and women's empowerment to further delay age at marriage and childbearing, improve child survival, and reduce fertility
Scaling up FP/reproductive health (FP/RH) services through multiple channels (public, NGOs, CBOs, private sector) by piloting innovative approaches for reaching poor and vulnerable women (e.g., community based distribution, social franchising, demand side vouchers) that reduce geographic, financial and sociocultural barriers; whenever feasible, FP/RH services should be integrated into community and primary health care programs to increase uptake, keep costs in check, and reduce opportunity costs	Expanding access to a package of cost-effective nutrition specific and nutrition sensitive interventions to promote good child feeding practices, including extended breast feeding of newborns; strategies to be considered include community-based distribution of critical health commodities; targeted support for the poorest households through social protection programs	Expanding access to secondary education with a particular focus on girls from the lowest wealth quintiles through use of conditional or non-conditional transfers to poor households; transport vouchers; in kind incentives (e.g., uniform and book subsidies); and/or subsidies to support girls to stay in school
Leveraging the government's strong digitalization strategy to better monitor and track FP commodity availability to avoid stock outs		Intensifying the delivery of the updated and integrated curriculum,
Clarifying policy framework with respect to who can dispense which contraceptives (e.g., Community Health Workers, Accredited Drug Dispensation Outlets)		improving and expanding sexual and reproductive health education in the formal secondary education system and scaling up programs that provide similar information and life skills for out of school youth
Exploring option of introducing incentives for LGAs to prioritize FP/RH in their plans		Ensuring the national roll out of the Safe Schools Program (SSP) package of interventions in all schools
Scaling up youth friendly programs to expand access to reproductive health services combined with life skills and income-generating activities; as well as building on successful HIV prevention programs targeting adolescents and youth, given potential synergies and benefits (i.e., condoms protect against both unintended pregnancies and HIV transmission)		Continuing to support enrollment of former dropouts, including young mothers and pregnant girls, to ensure completion of quality secondary education
Leveraging digital technologies for delivering correct information on FP, particularly to youth and young adults who use these platforms frequently		Scaling up successful interventions and piloting new schemes which promote women and girls' empowerment
Conducting research with a view to improve the effectiveness and uptake of FP with a focus on: (i) understanding the economic (poverty-coping strategy), socio-cultural, and religious barriers to FP and how they can be addressed, including how social safety nets can be further expanded to reach poor and vulnerable households (which can contribute indirectly to changing childbearing patterns in the long run); and (ii) addressing rising concerns over side effects associated with contraception to avoid a downturn in demand		Intensifying advocacy activities to promote the benefits of secondary education, including use of community specific secondary education graduates as role models
		Continuing the expansion of the secondary education school network through construction of ward secondary schools and new regional girls' secondary schools to bring schools closer to communities
Using FP indicator(s) to better track progress on the broader UHC agenda, and ensure that the benefit package includes a full range of reproductive health and FP services		Improving the quality of secondary education by strengthening and sustaining ongoing quality enhancement initiatives including the: (i) Continuous Professional Development (CPD) programs for science and math teachers to improve their classroom instructional practices and better master the content they instruct, and (ii) equitable distribution of key inputs (e.g., teachers, instructional materials) for effective teaching-learning processes
		Conducting both impact and process evaluations of the new secondary education reforms for evidence-based expansion of the secondary education system

ANNEX 1
CORE MACROECONOMIC DATA SOURCES FOR THE REPORT

Sector	Series	Latest data point	Source	Measurement year
Tanzania Mainland				
Real	GDP at constant 2015 prices by activity and by demand, MFO Spring Survey 2023, monthly tourist arrivals at Tanzania Mainland by nationality, monthly electricity, and quarterly cement production data.	GDP data: Q1–Q3 2023 High frequency data: Oct-2023 for tourist arrivals and Q1–Q3 2023 for other data	National Bureau of Statistics, Bank of Tanzania, Haver, Integrated Labor Force Survey, Welfare Monitoring Survey, World Bank staff estimates.	Calendar Year
Inflation	Inflation (headline, food, non-food, core, energy), credit to selected economic activities.	December 2023	National Bureau of Statistics, Bank of Tanzania, World Bank staff estimates.	Calendar Year
Monetary	Reserve money, broad money, and private sector credit	November 2023	Bank of Tanzania	Calendar Year
Fiscal	Revenues, expenditures, grants, financing, expenditure arrears	Budget FY2023/24 and Actual 5M-FY2023/24	Ministry of Finance and Planning, Bank of Tanzania	Fiscal Year
Debt	PPG total, external, and domestic	FY 2022/23	Bank of Tanzania, United Republic of Tanzania, Country Report No. 23/153, April 2023, International Monetary Fund.	Fiscal Year
External	Current account, exports and imports of goods and services.	Current account and trade data: 11M-2023	Bank of Tanzania and National Bureau of Statistics.	Calendar Year
Outlook	Global PMI Index, Global Sentix Index, Commodity Price Indexes, 10-year government bonds yield	December 2023	World Bank staff estimates, Bloomberg, Haver, Goldman Sachs Financial condition indices, JP Morgan Global Purchasing Manger's Indexes, World Bank Data	Calendar Year

(continued on next page)

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(continued)

Sector	Series	Latest data point	Source	Measurement year
Zanzibar				
Real	GDP at constant 2015 prices by activity, tourist arrivals	GDP data: Q1-2023 Tourist data: September 2023	Bank of Tanzania and Office of the Chief Government Statistician (OCGS) - Zanzibar	Calendar Year
Inflation	Inflation (headline, food, non-food)	November 2023	Bank of Tanzania	Calendar Year
Trade	Exports and imports of goods and services, merchandise trade data	November 2023	Bank of Tanzania	Calendar Year
Fiscal	Revenues, expenditures, grants, financing	3M-FY2023/24	Bank of Tanzania and OCGS – Zanzibar	Fiscal Year

ANNEX 2
SUMMARY OF SPECIAL FOCUSES FROM THE LATEST TANZANIA ECONOMIC UPDATES

Spring 2023 TEU 19: The Efficiency and Effectiveness of Fiscal Policy in Tanzania

Over the past decade, Tanzania has made strides in broadening its tax collection efforts, and its fiscal policy has played a vital role in supporting inclusive and sustainable growth. However, total public spending in Tanzania is below the average for Sub-Saharan Africa, low-income countries, and lower-middle-income countries, while budget execution rates in Tanzania remain low, especially for development spending. This special focus further identified policies and reforms to close the policy and compliance gaps further and increase revenue collection for improved public spending, steering toward the National Development Vision 2025, which envisages Tanzania as a middle-income country with well-developed human capital, an adequate supply of high-quality livelihoods, and rising living standards.

Fall 2022 TEU 18: Clean Water, Bright Future: The Transformative Impact of Investing in WASH

The provision of near-universal access to water, sanitation, and hygiene (WASH) services can drastically improve multiple facets of Tanzania's population. Although there has been progress toward increasing access to WASH services, achieving the Sustainable Development Goals of the UN will require greater prioritization. The Water Sector Development Program (WSDP) has made significant progress; however, the current WSDP-3 stands to have the largest impact toward providing near-universal access to WASH services yet. Achieving the goals of WSDP-3 would mitigate the high volume of yearly deaths due to inadequate WASH services, significantly reduce economic loss, and bring substantial increases in job creation and workforce productivity. With a majority of the population without adequate WASH services, the provision of near-universal access will be crucial for the development of Tanzania.

Spring 2022 TEU 17: Accelerating Growth by Expanding Women's Economic Opportunities and Ensuring Equitable Access to Assets

Over the last two decades, a growing share of Tanzanian women have entered salaried employment, and an increase in the female labor-force participation rate (LFPR) has accelerated Tanzania's transition to lower-middle-income country. However, women still face multiple challenges, including persistent gender gaps in wage rates and agricultural productivity. Despite

recent progress, women are less likely to own a home, exercise secure land rights, hold a bank account, or have access to finance. These gender disparities prevent women from maximizing their contribution to Tanzania's economic development.

Fall 2021 TEU 16: The Recovery Resilience, and Transformation of Tanzania's Tourism Sector

Tanzania's abundant nature and rich cultural resources are a considerable economic opportunity. The tourism sector can support the government's broader development objectives by: (i) creating jobs, both directly and through backward linkages to other sectors; (ii) generating foreign-exchange earnings; (iii) providing revenue to support the preservation and maintenance of natural and cultural heritage; and (iv) expanding the tax base to finance development expenditures and poverty-reduction efforts. However, the COVID-19 crisis severely impacted Tanzania's tourism sector as the disruption of global travel and tourism activity resulted in job losses and business closures. This prompted policy makers, investors, firms, and development practitioners to reconsider tourism's underlying sustainability and value proposition.
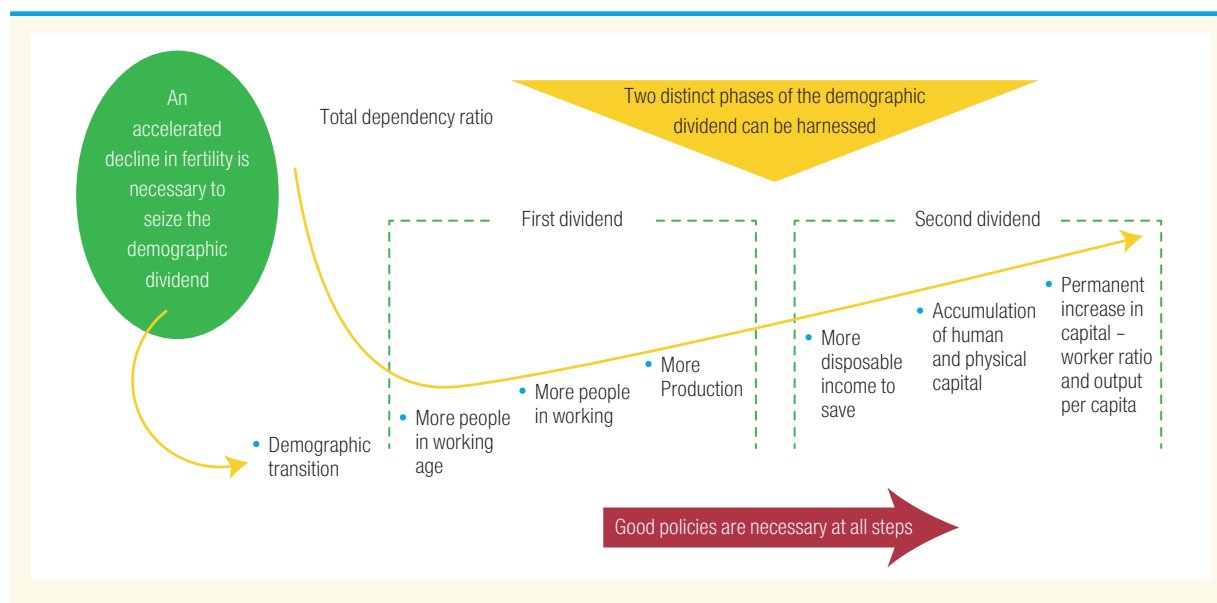
Spring 2021 TEU 15: Raising the Bar: Achieving Tanzania's Development Vision

Following two decades of sustained growth, Tanzania reached an important milestone in July 2020, when it formally graduated from low-income country (LIC) to lower-middle-income country (LMIC) status. While reaching LMIC status is a laudable achievement, Tanzania's larger development agenda remains unfinished. The Tanzania Development Vision (TDV) 2025 envisages Tanzania as a middle-income country with well-developed human capital, an ample supply of high-quality livelihood opportunities, and broad-based gains in living standards. Achieving this will require an annual GDP growth rate of 8 percent, the creation of 8 million jobs, and sustained improvements in social indicators. While Tanzania aspires to middle-income status, in the near term it will need to maintain its LMIC status in a context of deep and lasting external shocks. This special focus further frames three pillars that reflect both the lessons of the international experience and Tanzania's unique circumstances and form the basis for an actionable policy agenda to achieve the goals of the TDV 2025.

ANNEX 3
WHAT IS THE DEMOGRAPHIC DIVIDEND AND WHAT POLICIES ARE NEEDED TO REAP THE DIVIDEND?

FIGURE A3.1 • What is the Demographic Dividend

WHAT POLICIES ARE NEEDED TO REAP THE DEMOGRAPHIC DIVIDEND?

Purpose	Policies
Accelerate the fertility decline	Reduce child mortality, morbidity, malnutrition
	Increase female education and gender equity
	Address social norms on fertility
	Reduce child marriage and teenage pregnancy
	Expand comprehensive FP programs
Reap the first economic dividend	Invest in human capital, including investments in health and education
Reap the second economic dividend	Attract foreign direct investments
	Improve business environment to build demand for labor
	Reduce trade barriers
	Encourage female employment outside the home
	Improve policies and institutions for domestic savings and investment

Source: Africa's Demographic Transition: Dividend or Disaster?, Canning, et. al.

ANNEX 4
DEMOGRAPHIC AND HEALTH INDICATORS IN TANZANIA AND COMPARATOR AVERAGES

	Tanzania							Sub-Saharan Africa around 2020	Low-income countries around 2020	Lower-middle-income countries around 2020
	1990	1995	2000	2005	2010	2015	2022			
Infant mortality rate (per 1,000 live births) *	92	87	99	47	51	43	33	50	47	33
Under-5 mortality rate (per 1,000 live births) *	141	136	147	67	81	67	43	73	67	44
Maternal mortality ratio (per 100,000 live births) *		612		430	494	530		536	430	255
Life expectancy at birth (years)	51	51	52	63	60	65	66	61	63	69
Dependency ratio (percent)	97	93	90	84	92	92	88	83	84	56
Annual population growth rate (percent)	2.6	3.2	2.8	2.7	2.6	3.3	3.0	2.6	2.7	1.2
Total fertility rate (per woman) *	6.2	5.8	5.6	4.7	5.4	5.2	4.8	4.7	4.7	2.6
Adolescent fertility rate (births per 1,000 women ages 15-19) *	144	135	138	92	116	132	112	102	100	43
Women ages 15-19 who are mothers or pregnant with their first child (percent)*	29	26	25		23	27	22			
Child marriage (percent married by 15) *	18	15	13		8	7	6			
Child marriage (percent married by 18) *	51	48	49		40	36	32			
Wanted total fertility rate (per woman) *	5.6	5.1	4.8		4.7	4.5	4.4			

(continued)

	Tanzania							Sub-Saharan Africa around 2020	Low-income countries around 2020	Lower-middle-income countries around 2020
	1990	1995	2000	2005	2010	2015	2022			
Unmet need for FP (any method) (percent)*	28	26	22	22	22	22	21	22	22	13
Contraceptive prevalence rate (modern method) (percent)*	7	13	17	31	27	32	31	29	31	48
Contraceptive prevalence rate (any method) (percent)*	10	18	25	35	34	38	38	33	35	57

Source: DHS, Health Nutrition and Population Statistics database, UNICEF, United Nations
Note: Empty cells are due to unavailability of reliable data. *Data may not be for the exact year indicated.

ANNEX 5
KEY FIGURES

FIGURE A5.1 • The Demographic Transition in Tanzania
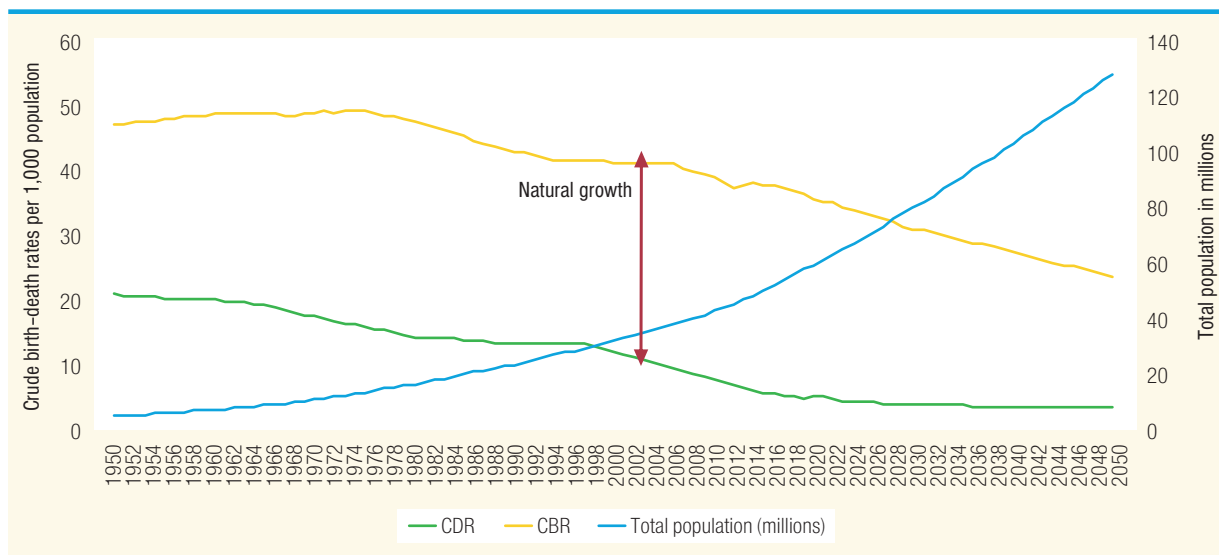
Source: UN Population Division, World Population Prospects 2022 Revision.
Note: Data after 2022 are projections based on UN medium fertility scenario.

FIGURE A5.2 • TFR in Tanzania, and Averages for Sub-Saharan Africa, LMIC and LICs (1970–2020)


Legend: Tanzania DHS, Sub-Saharan Africa, Low income, Lower middle income
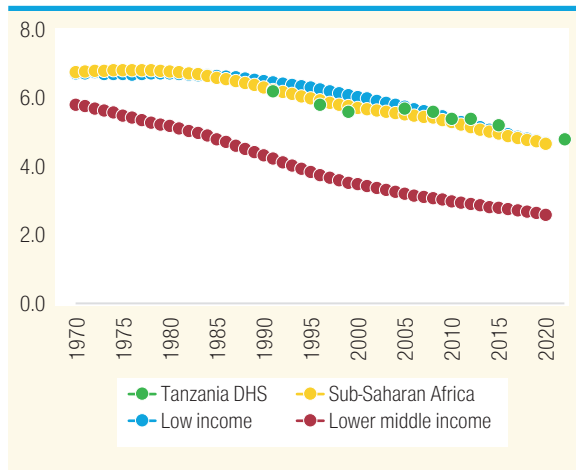
Source: DHS, UN Population Division (2022), World Development Indicators.

FIGURE A5.3 • Age-specific Fertility Rate (births per 1,000 women)

Age group

Legend: 1991–92 DHS, 1999 DHS, 2004-05 DHS, 2015–16 DHS, 2022 DHS (Key Indicators report)
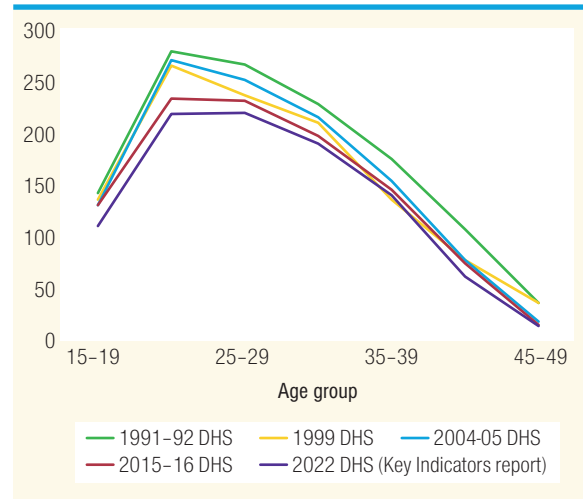
Source: DHS.

FIGURE A5.4 • Median Age at First Sexual Intercourse, Marriage, and Birth, among Women Age 25–49

Legend: Median age at first marriage, Median age at first sex, Median age at first birth
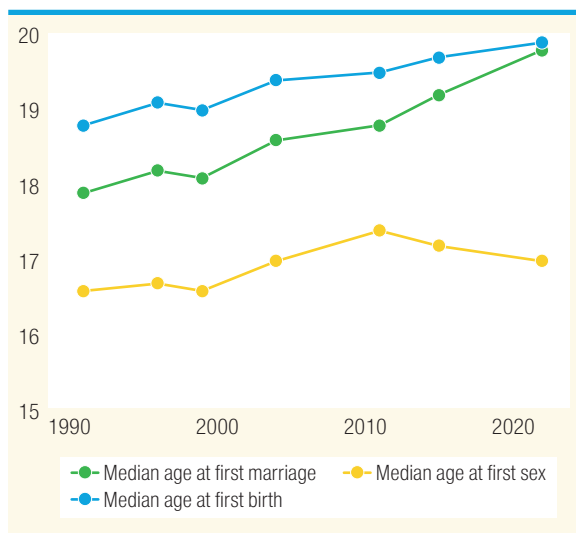
Source: DHS.

FIGURE A5.5 • Age-specific Fertility Rate among 15–19 Year Olds, by Place of Residence (births per 1,000 women)
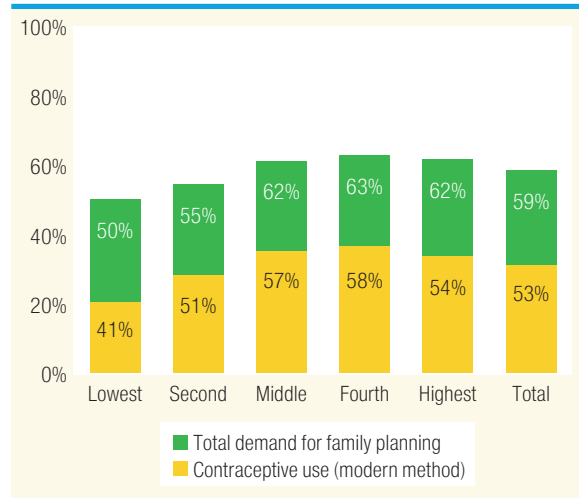

Legend: Urban, Rural
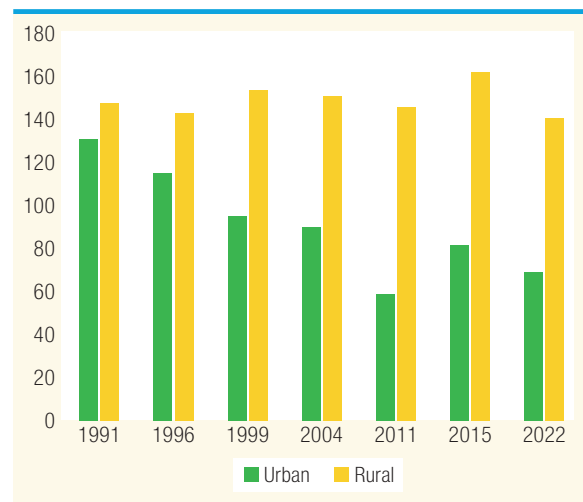
Source: DHS.

FIGURE A5.6 • Observed and Wanted Total Fertility Rate by Wealth Quintiles (per woman), 2022
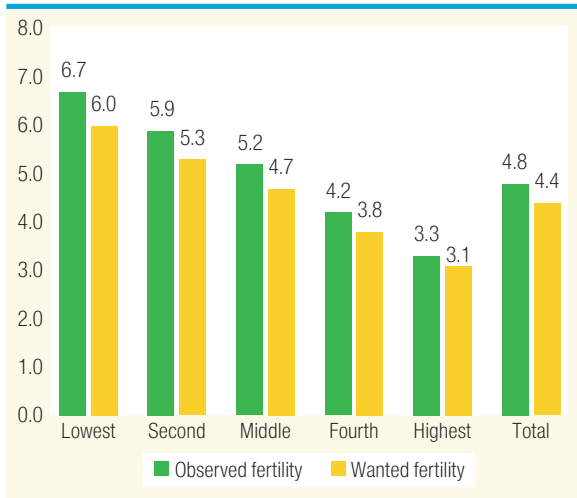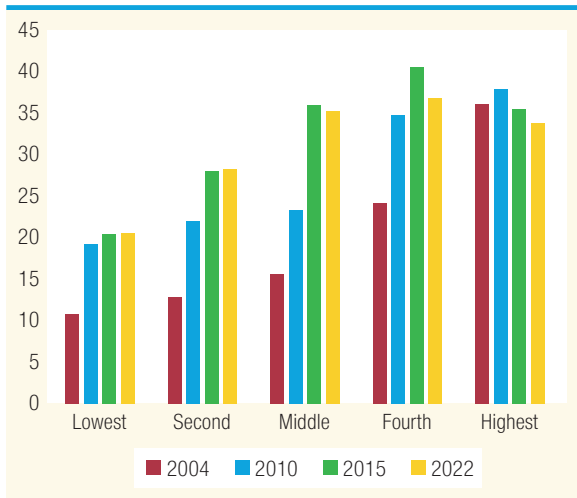

Source: DHS.

FIGURE A5.7 • Percent of Demand for FP Satisfied with Modern Methods, by Wealth Quintiles, 2022
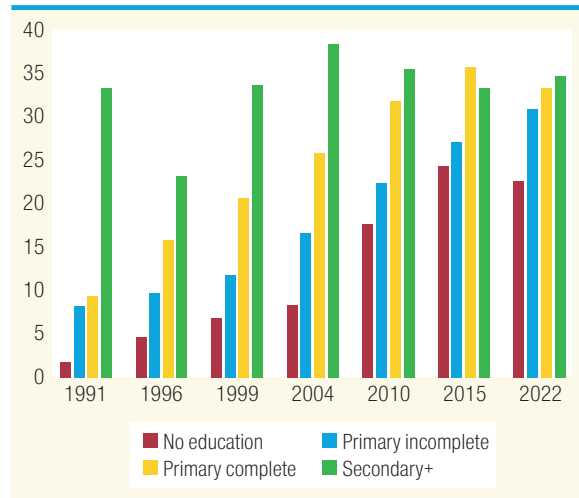

Source: DHS.

FIGURE A5.8 • Current Use of Contraception, any Modern Method, among Currently Married Women, by Wealth Quintile
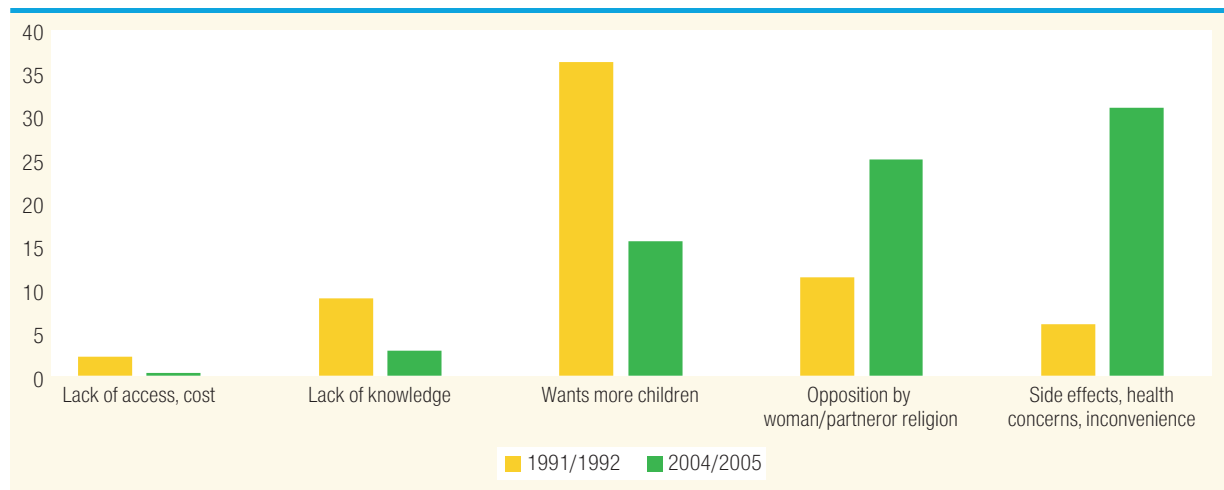

Source: DHS.

FIGURE A5.9 • Current Use of Contraception, any Modern Method, among Currently Married Women, by Educational Level
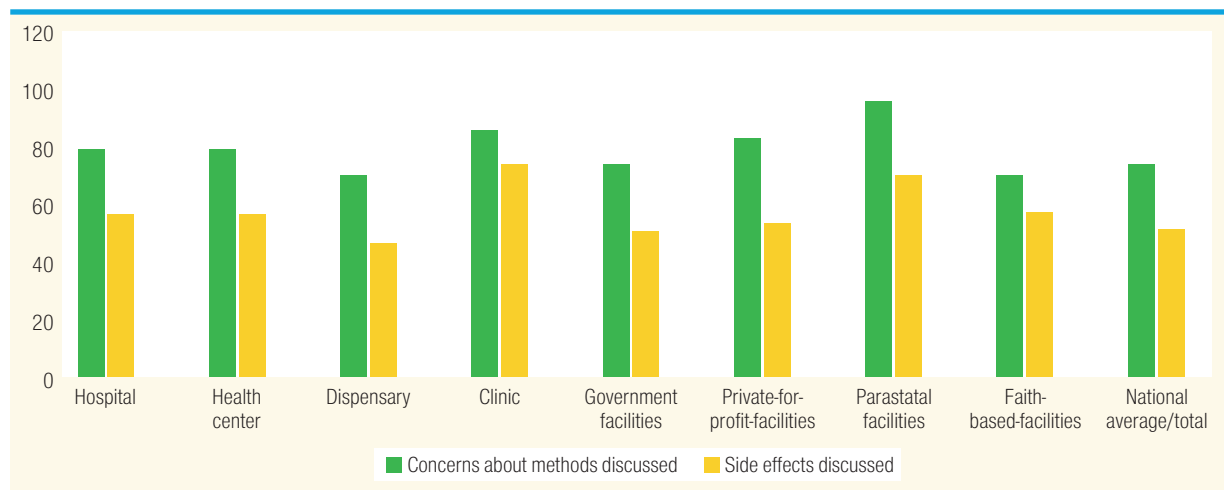

Source: DHS.

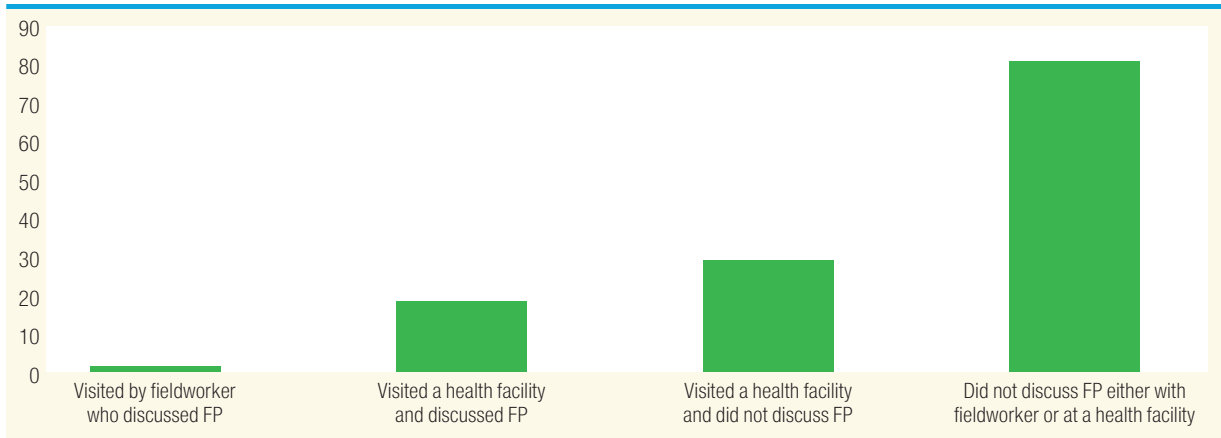**FIGURE A5.10 • Reasons Cited for Not Intending to Use Contraception**

Lack of access, cost | Lack of knowledge | Wants more children | Opposition by woman/partner or religion | Side effects, health concerns, inconvenience

■ 1991/1992   ■ 2004/2005

Note: The 1991 survey examined reasons for "not intending to use contraception" among all currently married women (i.e., including those who have never used and ever used contraception). The 2004 survey examined the reasons among women who discontinued (i.e., have ever used and stopped using them).

FIGURE A5.11 • Components of Counseling and Discussions during Consultations for All Female FP Clients, 2015
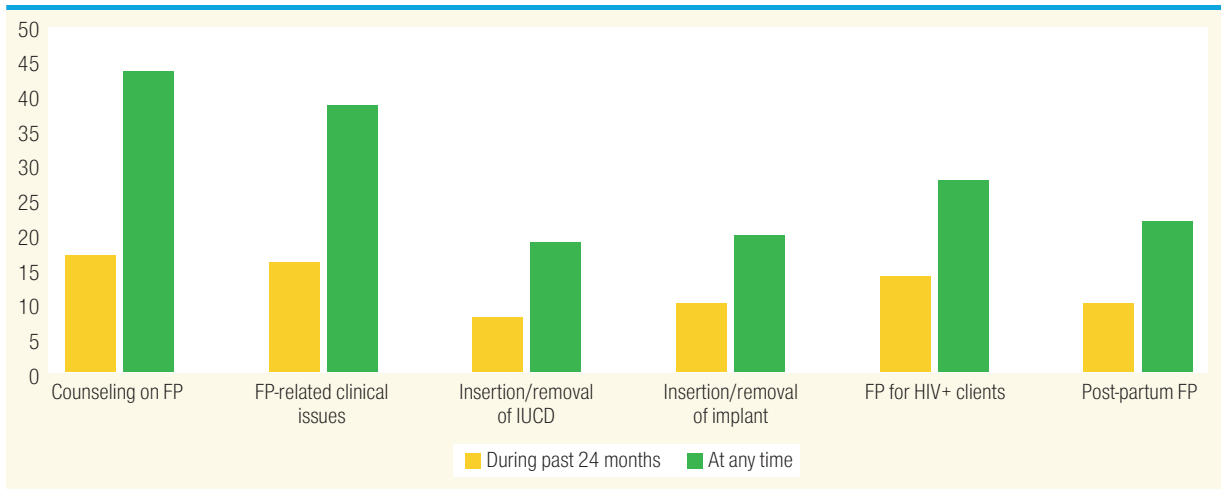

Hospital | Health center | Dispensary | Clinic | Government facilities | Private-for-profit-facilities | Parastatal facilities | Faith-based-facilities | National average/total

■ Concerns about methods discussed   ■ Side effects discussed

Source: DHS.

FIGURE A5.12 • Contact of Non Users with FP Providers, 2022

Bar chart with y-axis from 0 to 90:
- Visited by fieldworker who discussed FP: ~2
- Visited a health facility and discussed FP: ~19
- Visited a health facility and did not discuss FP: ~30
- Did not discuss FP either with fieldworker or at a health facility: ~81

Source: DHS.

FIGURE A5.13 • Service Providers that Received iIn-service Training on Topics Related to FP, 2015

Bar chart with y-axis from 0 to 50, with two series (During past 24 months, At any time):
- Counseling on FP: ~17.5 / ~44
- FP-related clinical issues: ~16 / ~39
- Insertion/removal of IUCD: ~8 / ~19.5
- Insertion/removal of implant: ~10.5 / ~20.5
- FP for HIV+ clients: ~14.5 / ~28
- Post-partum FP: ~10.5 / ~22.5

■ During past 24 months   ■ At any time

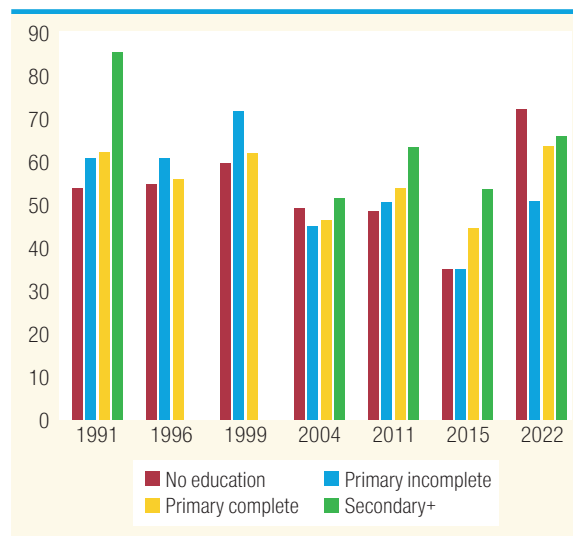*Source*: DHS.

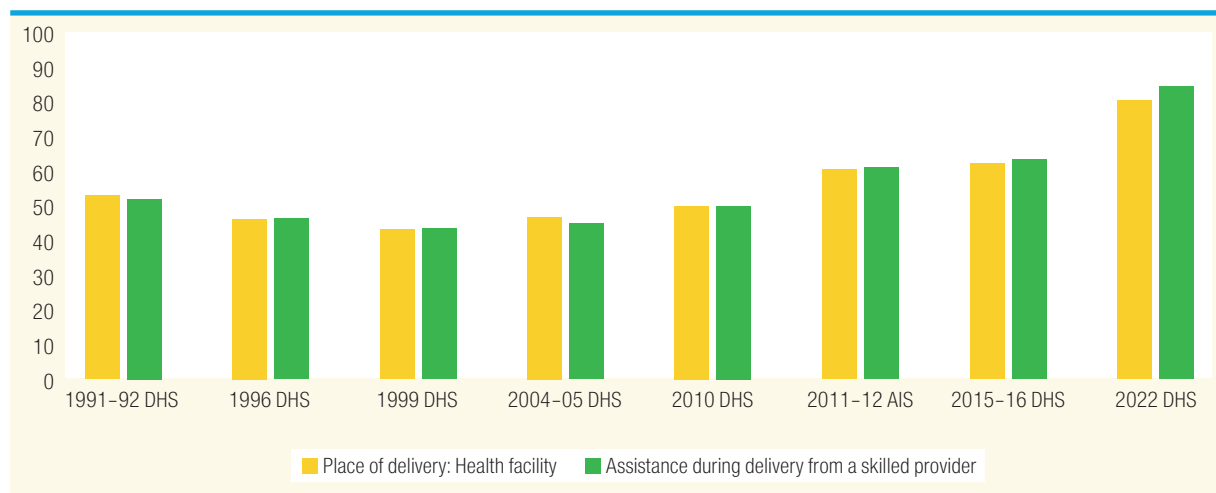FIGURE A5.14 • Children (aged 12–23 months) with All Basic Vaccines, by Mother's Education Level
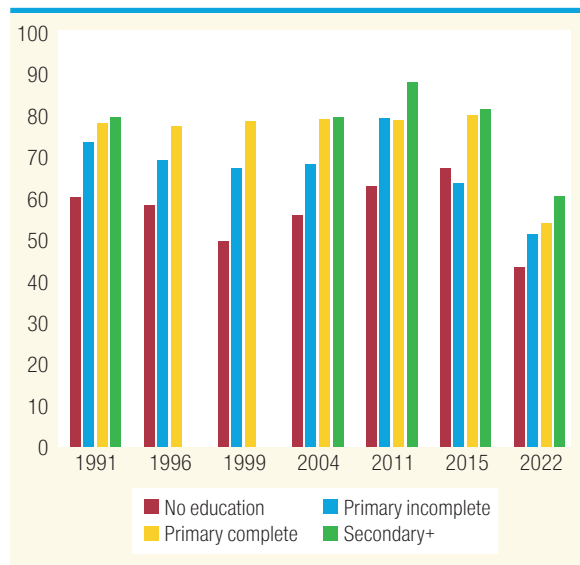
FIGURE A5.15 • Children under Five with Recent Diarrhea who were Treated at a Health Facility, by Mother's Education Level
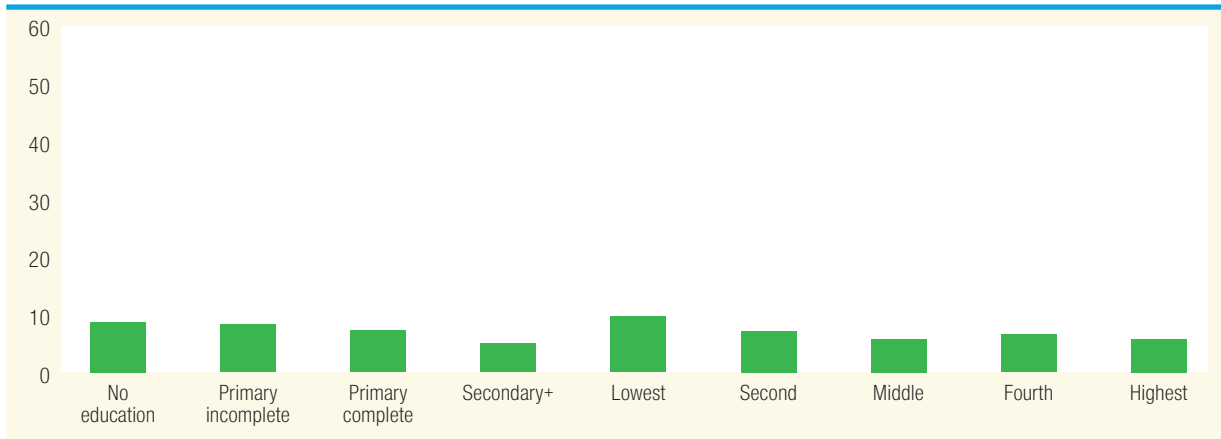

Source: DHS.

Source: DHS.

FIGURE A5.16 • Delivery at Health Facility and Assistance during Delivery from a Skilled Provider (%)
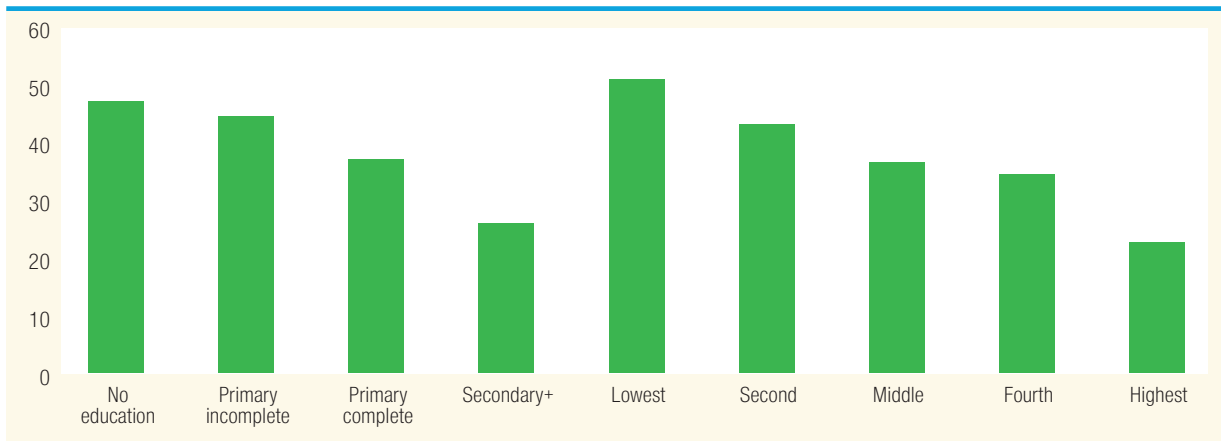

Source: DHS.

FIGURE A5.17 • Percentage of Women with Problems Accessing Care due to Need to Get Permission,by Educational Background and by Wealth Quintile, 2022
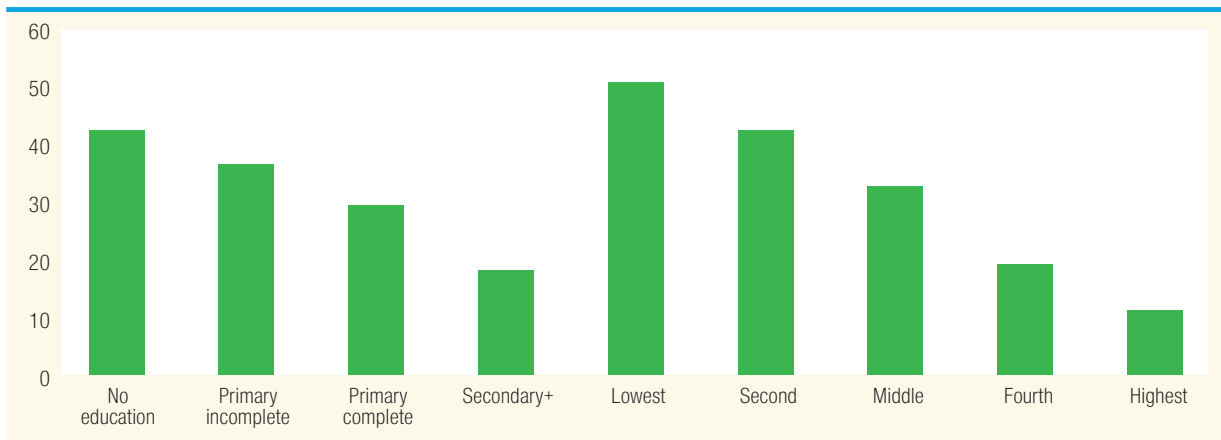

Source: DHS.

FIGURE A5.18 • Percentage of Women with Problems Accessing Care due to Lack of Access to Money for Treatment, by Educational Background and by Wealth Quintile, 2022
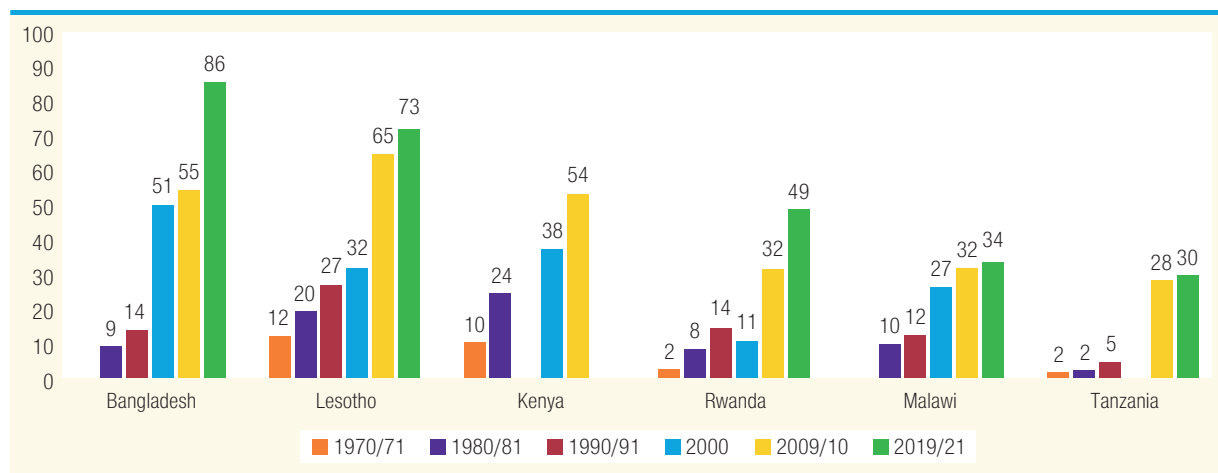

Source: DHS.

FIGURE A5.19 • Percentage of Women with Problems Accessing Care due to Distance To Health Facility, by Educational Background and by Wealth Quintile, 2022

Source: DHS.

FIGURE A5.20 • Trends in Female Secondary School Enrollment (% gross)

Source: DHS, United Nations, Health Nutrition and Population Statistics database, World Development Indicators database.

ANNEX 6
CURRENT USE OF CONTRACEPTION, ANY MODERN METHOD, AMONG CURRENTLY MARRIED WOMEN, BY EDUCATION LEVEL FOR ETHIOPIA, KENYA, LESOTHO, MALAWI, RWANDA, AND TANZANIA

FIGURE A6.1 • Current Use of Contraception, any Modern Method, among Currently Married Women, by Education Level for Ethiopia, Kenya, Lesotho, Malawi, Rwanda, and Tanzania

Source: DHS.

ANNEX 7
DATA SOURCES AND ASSUMPTIONS FOR PROJECTIONS

Total fertility rate (children per woman)	Estimates							Projections					
	1990	1995	2000	2005	2010	2015	2021	2025	2030	2035	2040	2045	2050
Estimates/medium fertility (projections)	6.195	5.865	5.686	5.610	5.293	5.088	4.726	4.423	4.087	3.789	3.489	3.234	3.034
High fertility (projections)								4.673	4.487	4.289	3.989	3.734	3.534
Low fertility (projections)								4.173	3.687	3.289	2.989	2.734	2.534

Population growth rate (percentage)	Estimates							Projections					
	1990	1995	2000	2005	2010	2015	2021	2025	2030	2035	2040	2045	2050
Estimates/medium fertility (projections)	2.60	2.46	2.85	2.80	2.82	3.56	2.99	2.83	2.64	2.49	2.31	2.13	1.97
High fertility (projections)								3.00	2.89	2.78	2.60	2.46	2.33
Low fertility (projections)								2.66	2.38	2.17	1.99	1.79	1.59

Source: UN Population Division, World Population Prospects 2022 Revision.
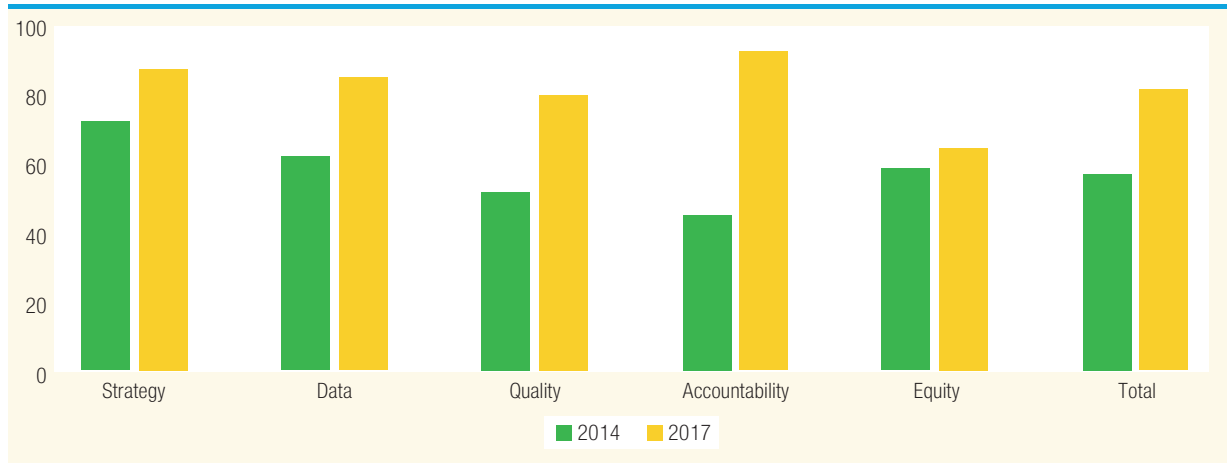
ANNEX 8
GOVERNMENT EFFORTS TO STRENGTHEN FP

FIGURE A8.1 • FP Program Effort Index, 2014
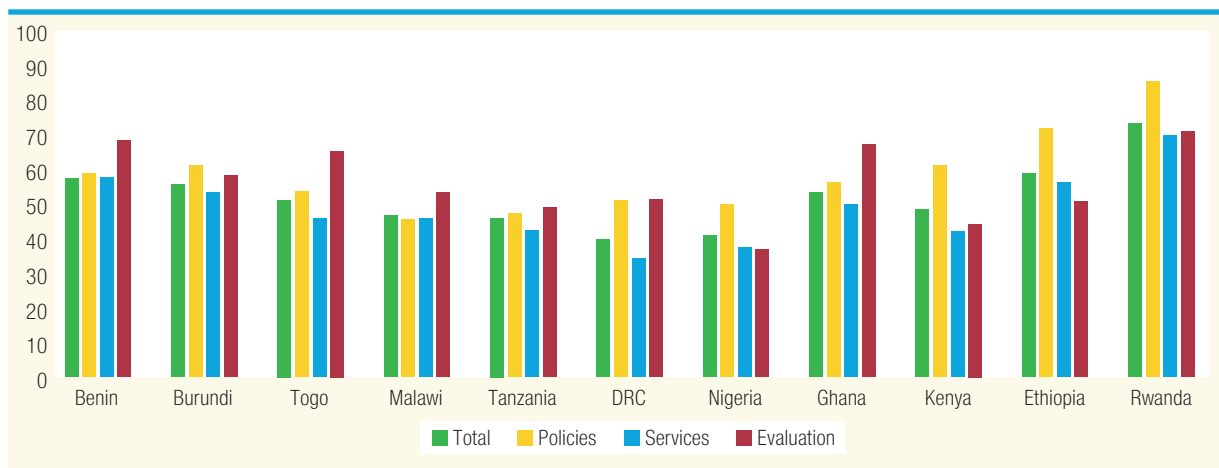
Source: Data for Impact, USAID

FIGURE A8.2 • National Composite Index on FP (NCIFP) Results

Source: Track20, Bill & Melinda Gates Foundation.