

# Empowering Women

—  
Expanding Access to  
Assets and Economic  
Opportunities

TANZANIA  
ECONOMIC  
UPDATE

**MARCH 2022**  
ISSUE 17



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1818 H Street NW  
Washington DC 20433  
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Internet: [www.worldbank.org](http://www.worldbank.org)

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TANZANIA ECONOMIC UPDATE | MARCH 2022 | ISSUE 17



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# Abbreviations and Acronyms

BoT	Bank of Tanzania
CCT	Conditional Cash Transfer
CNY	Chinese Yuan
OPI	Consumer Price Index
DHS	Demographic and Health Survey
DSA	Debt Sustainability Analysis
EAC	East African Community
EMDEs	Emerging Markets and Developing Economies
FDI	Foreign Direct Investment
FIFP	Female Labor Force Participation
GBV	Gender-based Violence
GDP	Gross Domestic Product
HFWMs	High-Frequency Welfare Monitoring Survey
IBCM	Inter-bank Cash Market
ICT	Information Communication Technology
ILFS	Integrated Labor Force Survey
ILO	International Labor Organization
IMF	International Monetary Fund
INR	Indian Rupee
IPV	Intimate-partner Violence
KES	Kenyan Shilling
LIC	Low-Income Country
LMIC	Lower-Middle-Income Country
LSMS-ISA	Living Standard Measurement Survey and Integrated Survey on Agriculture
M3	Extended Broad Money
MoFP	Ministry of Finance and Planning
NBS	National Bureau of Statistics
OCGS	Office of the Chief Government Statistician
PMI	Purchasing Manager's Index
RCF	Rapid Credit Facility
ISSA	Sub-Saharan Africa
TDHS-MIS	Tanzania Demographic and Health Survey and Malaria Indicator Survey
TRA	Tanzania Revenue Authority
ITZS	Tanzanian Shilling
URT	United Republic of Tanzania
IUSD	United States Dollar
VAT	Value-Added tax
WHO	World Health Organization



## Acknowledgements

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 seventeenth edition of the TEU was prepared by a joint World Bank team that included members of the Macroeconomics, Trade, and Investment (MTI), Poverty (GPV), and Finance, Competition, and Innovation (FCI), Education, Health, Nutrition and Population, and Social Sustainability and Inclusion Global Practices. The authors of this report are Randa Akeel, Marina Bakanova, Emmanuel Mungunasi (Task Team Leader), Sergiy Kasyanenko, Rob Swinkels, M. Yaa Opong, Gemma Todd, Inaam Ul Haq, and Jonathan Grabinsky. The team appreciates the valuable input it received from Solomon Baregu and Daniel Kirkwood during the preparation of the report. The analysis also benefitted from advice provided by William Battaile, Aurelien Kruse and Helle Buchhave.

Mara Warwick (Country Director for Tanzania, Malawi, Zambia, and Zimbabwe), Vivek Suri (Practice Manager for MTI, East Africa) and Preeti Arora (Operations Manager, AECE1) provided guidance and leadership throughout the preparation of the report.

Sean Lothrop is the editor of the TEU series. Faustina Chande, Diana Mwaipopo and Karima Ladjo managed the design and printing process for this edition, with support from Vito Raimondi. Loy Nabeta assisted with external communications. All pictures are provided by the Country Team members and are duly acknowledged.

The findings, interpretations, and conclusions expressed in this publication do not necessarily reflect the views of the World Bank's Executive Directors or the countries they represent. The report is based on information current as of November 30, 2021.

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# Executive Summary





Photo: World Bank

## Recent Developments

**The Tanzanian government is implementing a nationwide COVID-19 vaccination program, but to contain the spread of the virus and lay the foundation for a robust recovery, the pace of vaccination needs to accelerate.** The government appointed an expert committee to advise on the COVID-19 response, and the authorities have followed the committee's recommendations to resume reporting COVID-19 data to the World Health Organization while deploying vaccines across the country. Her Excellency President Samia Suluhu Hassan launched the vaccination program in August 2021, but by December 27th just 2,431,769 vaccine doses had been administered—a slow pace by global standards. Meanwhile, cases of the new Omicron variant were detected in Tanzania. Limited vaccination progress and the uncertainty generated by new variants could further delay the recovery of international travel and tourism, which accounts for more than one-quarter of Tanzania's total exports. The longer the pandemic persists, the greater the damage to human, physical, and financial capital, especially among women and the country's poorest households.

**High-frequency data suggest that economic activity is gradually recovering.** The accommodation and restaurants, mining, and electricity sectors drove a sharp rebound in quarterly GDP during Q3 2021. Leading indicators such as cement production, electricity generation, private-sector credit, goods and services exports, nonfuel goods imports, telecommunications, mobility, and tourist arrivals all improved in 2021, though activity in most sectors remains below pre-pandemic levels. Nevertheless, the preliminary findings from a recent telephone survey suggest that employment among heads of household returned to its January 2020 level in mid-2021. As a result, the World Bank estimates a real GDP growth rate of 4.3 percent and a GDP per capita growth rate of 1.3 percent in 2021, following a 1.0 percent of per capita GDP contraction in 2020. Meanwhile, the national poverty rate<sup>1</sup> is estimated to have declined marginally from 27.1 percent in 2020 to 27.0 percent in 2021, driven by the recovery of employment and nonfarm business revenue.

**In Zanzibar, the official quarterly GDP data show an expansion during the first half of 2021, but growth was uneven across sectors.** The services sector, which accounts for nearly 50 percent of Zanzibar's GDP, expanded by 9.4 percent in H1 2021, following a 2.4 percent contraction in H1 2020. An estimated 60,000 jobs are directly or indirectly linked to Zanzibar's tourism sector. Between January and September 2021, the number of tourist arrivals increased to 252,937, albeit still well below the 376,732 recorded during the same period in 2019. Nevertheless, rising tourist arrivals supported the growth of accommodations and food service, while public administration also contributed to the expansion of services. The industrial sector expanded more slowly during the period, while the agricultural sector contracted.

**Although exports have increased, Tanzania's current-account deficit has widened slightly.** The current-account deficit reached 2.0 percent of GDP at end-September 2021, as import growth more than offset export growth. Services and manufacturing exports to East African Community (EAC) member states significantly increased due to improving relations between Tanzania and its neighbors, but the implementation of capital projects spurred a sharp rise in imports of oil and capital goods. The current-account deficit was funded largely by external loans and foreign direct investment. The Tanzanian shilling (TZS) remained relatively stable against the currencies of major trading partners in 2021. Gross official reserves increased to about US\$6.7 billion by end-October 2021 (equal to about seven months of imports of goods and services) thanks to the disbursement of a US\$751 million IMF Rapid Credit Facility. The authorities have continued to implement an expansionary monetary policy, but the growth rate of credit to the private sector remained relatively low at 5.6 percent in October 2021, while lending rates remained stubbornly high at about 17 percent. The banking sector is relatively stable, and the nonperforming loan ratio fell to 8.0 percent in October 2021, though it remains above the central bank's national prudential threshold of 5.0 percent. Tanzania's inflation rate rose to 4.1 percent in November 2021, its highest level in the past three years, but it remains among the lowest and least volatile in the EAC.

**Significant revenue shortfalls widened the fiscal deficit, leading to increased domestic borrowing in 2020/21.** The fiscal deficit expanded to 4.2 percent of GDP in 2020/21, more than double the 1.4 percent observed in 2019/20 and significantly above the 2.7 percent target for 2020/21. Domestic revenue collection fell short of the government's objective by 1.7 percent of GDP, as the recovery remained slow and revenue targets were ambitious. Total domestic revenue amounted to 14.4 percent of GDP, while public spending totaled 18.6 percent. Recurrent and development expenditures both increased as the authorities accelerated arrears clearance, expanded public service delivery, and ramped up the implementation of capital projects. Despite stronger arrears management, the government has not finished verifying its 2020/21 arrears, and the stock of VAT-refund arrears remained high at TZS 920 billion in June 2021. The widening fiscal deficit was largely funded by increased domestic borrowing, and while the public and publicly guaranteed debt stock remained low at US\$29.6 billion (40.6 percent of GDP) in October 2021, the cost of debt service has increased significantly and now consumes nearly 40 percent of domestic revenue.

**The latest joint IMF-World Bank Debt Sustainability Analysis, conducted in September 2021, concluded that Tanzania's risk of external debt distress had increased from low to moderate.**

The downgrade primarily reflected the collapse of tourism exports during the COVID-19 pandemic in a context of increased non-concessional borrowing and rising debt service. In addition, the new debt-carrying-capacity classification lowered the debt-burden thresholds. The results of the analysis underscore the importance of boosting revenue mobilization and maximizing concessional borrowing. Other key recommendations include: (i) improving public investment management and proceeding only with investment projects that offer clear socioeconomic payoffs; and (ii) enhancing the coverage and transparency of public-sector debt statistics, including non-guaranteed debt, to minimize the risk of unanticipated liabilities. Given the large fiscal demands of the pandemic response, to preserve debt sustainability the government will need to carefully balance emergency spending with the country's broader development agenda.

**Growth is expected to strengthen over the next two years, assuming pandemic conditions ease and the external environment improves.**

The real GDP growth rate is projected to reach 4.5–5.5 percent in 2022 and average about 6 percent over the medium term as exports and domestic demand recover. After contracting in 2020 and rebounding in 2021, GDP per capita is expected to continue expanding in 2022. The current-account deficit is projected to widen to 3.7 percent of GDP in 2022 due to rising imports, which will more than offset an expected increase in exports. The fiscal deficit is projected to widen to 4.2 percent of GDP in 2022, driven by pandemic-related public spending and the implementation of several major capital projects. The national poverty rate is expected to decline to 26.7 percent in 2022 and reach 26.4 percent in 2023, supported by the growth of high-quality nonfarm employment, including among women.





**Risks to Tanzania's economic outlook have moderated, but the recovery continues to hinge on external developments and domestic health policies, as well as continued support to the private sector.**

Real GDP is expected to grow by between 4.5 and 5.5 percent in 2022, below its long-run potential growth rate of about 6 percent. Tanzania's vulnerability to the global pandemic remains high amid the slow vaccination rollout. The evolution of the pandemic and the pace of vaccination, both globally and domestically, will be the most crucial factors driving Tanzania's outlook. An accelerated domestic vaccination program, increased regional trade and cooperation, and policy reforms designed to improve the business environment and support the growth of the private sector have somewhat mitigated downside risks, but the emergence of new coronavirus variants, reduced capital flows, elevated debt levels, persistent inflationary pressures, and supply bottlenecks continue to threaten the projected recovery.

**The government will need to strengthen its pandemic response in the short term while laying the groundwork for a private-sector-led recovery over the medium-to-long term.**

Priority policy actions should focus on saving lives, protecting poor and vulnerable households, attracting new foreign and domestic investment, supporting an employment-intensive and resilient recovery, and expanding the available fiscal space while maintaining debt sustainability (Table 1). In line with the conclusions of previous editions of the Tanzania Economic Update (TEU), achieving the country's development vision will require the government to revise, strengthen, and expand its existing efforts to support struggling firms while implementing structural reforms to address longstanding constraints on private investment and women's access to economic opportunities, including excessive bureaucracy, predatory taxation, inadequate infrastructure, and skills shortages. The authorities have established a track record of sound macroeconomic management, but further reforms to revenue policy and administration, public expenditures, and debt management will be necessary to create adequate space to increase priority social spending and productive investment without jeopardizing fiscal sustainability.

Table 1: Priority Policy Areas

 <p><b>Saving Lives:</b></p> <p>Expanding efforts to prevent, detect, and treat COVID-19 while enhancing the transparency of public health information</p>	 <p><b>Protecting Poor and Vulnerable Households:</b></p> <p>Building a resilient and inclusive social protection system while protecting and empowering women</p>	 <p><b>Supporting an Employment-Intensive, Private-Sector-Led Recovery:</b></p> <p>Supporting viable firms, promoting private investment, and expanding women's access to assets and economic opportunities</p>	 <p><b>Expanding the Available Fiscal Space while Maintaining Debt Sustainability:</b></p> <p>Improving expenditure efficiency, mobilizing domestic revenue, and borrowing responsibly</p>
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## Empowering women

**This edition of the Tanzania Economic Update includes a special focus section on women's economic empowerment, which will play a pivotal role in achieving an inclusive and resilient post-crisis recovery.** Tanzania has experienced over 20 years of sustained economic growth, culminating in its transition from low-income to lower-middle-income status in July 2020. Between 2007 and 2018, the national poverty rate fell from 34.4 to 26.4 percent, while the extreme poverty rate dropped from 12 to 8 percent. The Tanzania Development Vision 2025, which aims to enable the country to achieve middle-income status within the next three years, emphasizes gender equity in its social, economic, and political dimensions.

**Tanzania's sustained progress in expanding women's economic opportunities has contributed to its recent success in growth and poverty reduction.** The female labor-force participation rate rose from 67 percent in 2000-01 to 80 percent in 2019, well above the 63 percent average for Sub-Saharan Africa and among the highest rates on the continent. A growing share of Tanzanian women are now compensated employees, and the ratio of women to men in jobs paying wages and salaries rose from 0.35:1 in 2000 to 0.64:1 in 2019, while the share of women engaged in unpaid agricultural work fell from 78 percent in 2004-05 to 64 percent in 2015-16.

**Despite these impressive gains, several factors continue to hinder the ability of Tanzanian women to realize their full economic potential.** Urban poverty rates are significantly higher among female-headed households (20.3 percent) than among male-headed households (14 percent), and the share of employed women dropped from 79 percent in 2004-05 to 72 percent in 2015-16. Women are much more likely than men to be engaged in unpaid labor, and women with



wage jobs tend to earn less than their male counterparts. Tanzania's average fertility rate is high at 4.8 children per adult woman, and elevated fertility rates—including high rates of adolescent pregnancy—are correlated with decreased economic activity, lower levels of education, poverty, and diminished female agency.

**Tanzanian women continue to face serious constraints on access to land, labor, and productive assets.** About 25 percent of men are sole owners of land, versus just 8 percent of women, while about 7 percent of women are sole homeowners, compared to 26 percent of men. Tanzania's rates of both landownership and homeownership are below the average for Sub-Saharan Africa, due largely to low rates among women. The gender gap in agricultural productivity is estimated at 20-30 percent, and a full 97 percent of the gap is explained by women's diminished access to male family labor, while the remaining percent reflects lower levels of access to agricultural implements and pesticides. In 2017, 44 percent of men had a mobile-money account, versus just 33 percent of women.

**The COVID-19 pandemic has had an especially severe impact on women and businesses owned by women.** A high-frequency phone survey administered in June-July of 2021 found that 58 percent of male household members were working, compared to 43 percent of female household members. A survey conducted in May 2020 across Sub-Saharan Africa found that the closure rate for female-owned businesses was 43 percent, while the rate for male-owned businesses was 34 percent. In Tanzania, 97 percent of female-owned businesses sell to final consumers, compared to 89 percent of male-owned businesses, and consumer-focused activities such as travel, tourism, hospitality, and childcare services appear to have fared the worst during the pandemic.

**This report builds on previous editions of the TEU that examined human capital and the role of gender in Tanzania's social and economic development.** The January 2019 TEU explored the challenges of educating girls and ending child marriage, while the July 2019 TEU offered a comprehensive assessment of the factors associated with human capital accumulation. Recent editions of the TEU have focused on the economic impact of COVID-19, including its implications for the tourism industry and for the information and communication technology sector. These reports inform the analysis of gender disparities and women's economic empowerment presented in this edition of the TEU.

**This edition of the TEU details the enormous benefits that Tanzania could garner by expanding women's economic opportunities, especially in terms of access to land and productive assets.** Bridging the gender gap in agricultural productivity could boost Tanzania's annual GDP by 0.86 percent, while eliminating the gender wage gap could dramatically improve household welfare. Moreover, strengthening women's tenure security would spur investments in the productivity of agricultural land. Among developing countries, higher levels of financial inclusion are associated with significantly lower rates of poverty and income inequality, as well as faster rates of economic growth and employment creation.

**Enabling Tanzanian women to maximize their contribution to the country's growth and development will require a multidimensional strategy.** The government can promote women's economic empowerment by providing tailored business- and life-skills training to female entrepreneurs. Stepping up efforts to end child marriage, lower school dropout rates, and provide childcare support will be vital to expand women's participation in the workforce, and conditional-cash-transfer programs can be an effective strategy for keeping female students enrolled in school. The authorities can strengthen women's land rights by offering land-titling subsidies to lower-income households and by providing incentives to encourage spouses to co-title. To address the gender gap in agricultural productivity, policymakers should focus on expanding women's access to male household labor, increasing women's use of agricultural inputs, and encouraging them to adopt new digital technologies. Finally, behavioral interventions can promote financial inclusion among women and strengthen their capacity to manage both their personal and business finances.



# 1

## Tanzania's Economy in Global Perspective

Photo: World Bank

## 1.1 Recent Economic Developments

*New COVID-19 variants threaten the economic recovery across Sub-Saharan Africa.*

**Following a decline in new COVID-19 cases from their mid-2021 peak, new waves of infections have swept across Sub-Saharan Africa (SSA).** As of mid-December 2021, over 70 percent of SSA countries had reported at least a 50 percent increase in new COVID-19 cases during the previous four weeks, and the more transmittable Omicron variant is becoming a dominant strain in some countries. SSA's recovery remains particularly fragile, as possible negative spillovers from slowing global growth could be amplified by the accelerated spread of the pandemic within the region. By mid-December, fewer than 6 percent of people in SSA had been fully vaccinated, and both the threat of recurrent outbreaks and the possibility of new restrictions remain elevated.

**Tanzania has launched a nationwide COVID-19 vaccination program, but its progress has been slow thus far.** Following the recommendations of an expert committee, the government strengthened its health response to the COVID pandemic by stepping up reporting and vaccination (Box 1). The vaccination program started in August 2021, and by the end of the year over 2.4 million vaccine doses had been administered. During the same period, Tanzania's first cases of the Omicron variant were detected. The slow pace of vaccination could further delay the recovery of international travel and tourism, which together account for more than one-quarter of the country's total exports. The longer the pandemic persists in Tanzania, the greater the damage to human, physical, and financial capital, especially among the poorest households.

**The risks posed by new variants have been compounded by adverse global macroeconomic developments.** The global economy is facing stronger headwinds, as COVID-19 flareups and the emergence of new variants have prompted renewed containment measures and delayed the resumption of economic activity. Meanwhile, persistent inflationary pressures have accelerated policy tightening—both in emerging markets and developing economies (EMDEs) and, more recently, in advanced economies—leading to rising borrowing costs, renewed currency weaknesses in EMDEs, and capital outflows. Market volatility remains elevated in a context of heightened pandemic-related uncertainty, while many commodity prices are under renewed downward pressure amid concerns that the spread of the Omicron variant could weaken global demand.

### Box 1 COVID-19 pandemic status and health response

**Tanzania has faced four waves of COVID-19 since the pandemic began in early 2020.** Tanzania's fourth surge occurred in the second half of December 2021, during a period of exponential growth in COVID-19 cases across the region. As of January 3, 2022, Tanzania had reported a total of 30,564 cases and 740 deaths from the virus, and during the seven days prior to January 3, the country reported 1,258 cases and 3 deaths. The fourth wave appears to have peaked, and the number of new reported cases is declining.

**Tanzania's public health response to pandemic has had two distinct phases.** During the first phase, from March 2020 to March 2021, the government's response to first two surges was modest by regional standards. Tanzania did not impose a strict lockdown, and the government relied on mitigation measures such as social distancing, enhanced screening at points of entry and exit, and increased surveillance, including contact tracing and quarantine for suspected cases. The government also invested in laboratory testing capacity for COVID-19 and strengthened the treatment capabilities of selected health facilities. However, during April-June 2020, the government scaled down these efforts despite a surge in infections, and the authorities stopped reporting on COVID-19 test results and cases. A second surge of cases and deaths occurred across eastern and southern Africa between December 2020 and March 2021. In Tanzania, this surge was exacerbated by a lack of containment measures and the limited adoption of preventive behaviors such as masking and social distancing. The absence of official data makes it impossible to reliably assess either the human toll of the virus or the effectiveness of the government's public health and economic strategy.

**During the second phase, which started in April 2021 and remains ongoing, the government's approach to COVID-19 was comprehensively reorganized and aligned with global standards.** In early April 2021, an expert committee advising the president evaluated the COVID-19 situation and response. The committee acknowledged that Tanzania had experienced two waves of the pandemic and was at risk of a third wave. It recommended that the government strengthen its capacity to manage COVID-19 and urged close collaboration with international and local stakeholders to accelerate the response effort. The committee advised the government to: (i) revise its contingency and response plans at all levels; (ii) report accurate COVID-19 data both to its citizens and to the World Health Organization (WHO); (iii) take steps toward the deployment of WHO-approved COVID-19 vaccines; (iv) collaborate with international institutions, including the COVAX Facility, to procure and deploy vaccines; and (v) further strengthen laboratory capacity to expand the scope of COVID-19 testing. In line with these recommendations, the government has enforced mandatory screening at ports of entry and exit, promoted social distancing and other preventive behaviors, further strengthened COVID-19 testing capacity, resumed reporting COVID-19 statistics to the WHO, and launched a national vaccination program.

**Tanzania has joined the COVAX Facility, a global initiative to deliver COVID-19 vaccines to low- and middle-income countries, and the authorities are exploring options for acquiring vaccines through the African Union's Africa Vaccine Acquisition Trust.** To support the implementation of the government's National COVID-19 Vaccine Deployment Plan, the COVAX Facility has provided sufficient vaccines and deployment assistance to cover 20 percent of the population. As of end-2021, Tanzania had administered vaccines to about 2 percent of its population, and the government has yet to secure additional financing to reach its goal of 70 percent vaccine coverage.

*Economic activity is accelerating, but Tanzania's recovery remains fragile.*

**Data for Q3 2021 show the continued resumption of economic activity.** Following rising growth rates during the second half of 2020 and the first half of 2021, the official data show a

seasonally adjusted deceleration during Q2 and a sharp acceleration in Q3 (Figure 1). Because the government did not impose mobility restrictions in 2020, the rebound observed during 2021 was modest, as Tanzania did not experience a statistical base effect similar to those of regional comparators. However, the hospitality and food service, mining, and electricity sectors led a surge in economic activity in Q3, supported by a strong recovery in tourist arrivals

**Figure 1:** Official Quarterly GDP Growth Rates



Source: NBS and World Bank Staff estimates

**Moreover, while high-frequency indicators for 2021 suggest that economic activity is recovering, most activities have yet to return to their pre-pandemic levels.** For example, the growth rate of credit to the private sector increased in 2021 but remains well below its 2020 level and less than half its 2019 level. Exports of goods and services and imports of nonfuel goods both increased in 2021 but remain below 50 percent of their pre-pandemic levels. Other high-frequency indicators such as mobility, telecommunications activity, cement production, and tourist arrivals show improvement but have yet to return to their 2019 levels, suggesting that the economic recovery is ongoing ([Table 2](#) and [Box 2](#)).



Photo: World Bank

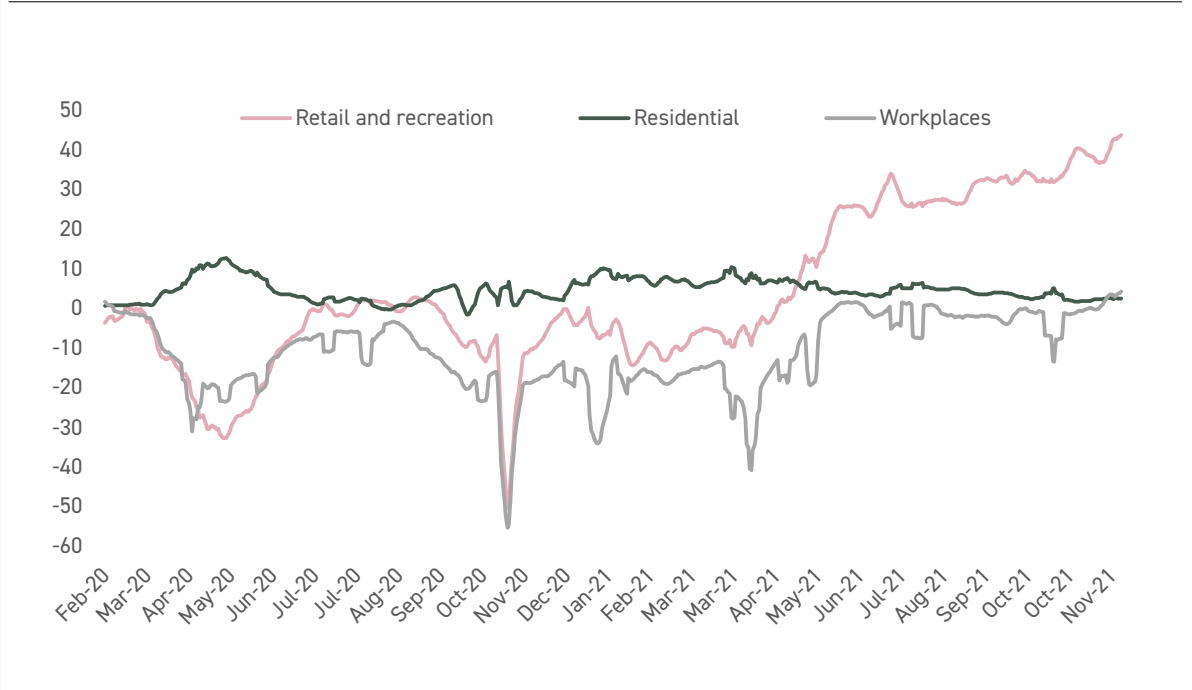
**Table 2:** High-Frequency Indicators from the National Bureau of Statistics and World Bank Surveys

Sector	Series	Latest Datapoint	Source
External	Exports of goods and services, imports of goods and services, the current account, international reserves	September 2021	Bank of Tanzania and Office of the Chief Government Statistician - Zanzibar
Fiscal	Revenues, expenditures, grants, financing, arrears	September 2021	Ministry of Finance and Planning, Bank of Tanzania, and Tanzania Revenue Authority
Prices	Inflation (headline, food, energy), oil prices, exchange rates	October 2021	National Bureau of Statistics, World Bank, OANDA corporation
Monetary	Monetary aggregates of deposit corporations and the central bank, interest rates	September 2021	Bank of Tanzania
Financial	Bank assets and liabilities, nonperforming loans	September 2021	Bank of Tanzania
Mobility	Mobility indexes for workplaces, transit stations, and retail	November 2021	Google
Household Welfare	Employment, income, access to necessities, food security, public assistance, health, education	February 2021 – July 2021	NBS/ OCGS/ World Bank Tanzania High-Frequency Welfare Monitoring Survey, rounds 1, 2, 3.

**Box 2**  
**High-Frequency Indicators Show Signs of Recovery**

**Services are recovering gradually.** Mobility data indicate that movement to retail and recreation areas has increased since February 2021, partly due to increased tourist arrivals. However, as of December 2021 movement to retail and recreation areas had not yet reached 50 percent of its pre-COVID level (Figure 2). By September 2021, tourist arrivals and tourism earnings had also increased, but they likewise remained below 50 percent of their pre-COVID levels (Figure 3). The growth of credit to the private sector has also picked up since March 2021, reaching 5.6 percent in September 2021 (Figure 4), but it remains just half its pre-pandemic average of 10 percent.

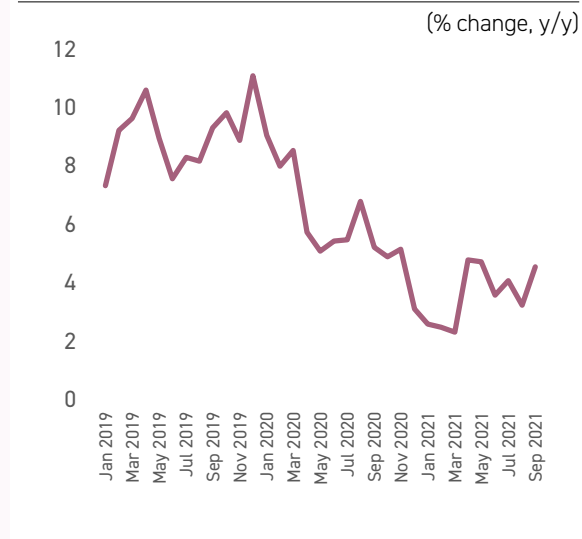
**Figure 2:** Mobility Levels to Retail and Recreation Areas, Residential Areas, and Workplaces



**Figure 3:** Tourist Arrivals and Earnings

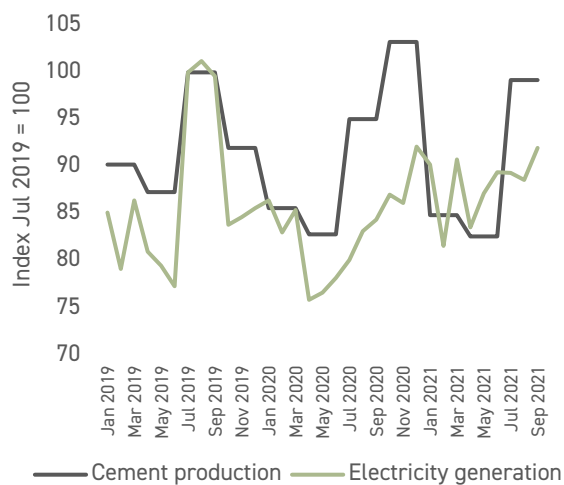


**Figure 4:** Credit to Private Sector Growth Rates

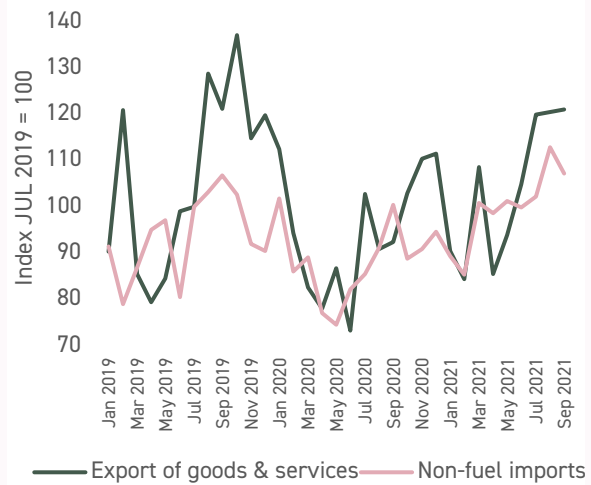


**Manufacturing activities are recovering rapidly.** High-frequency economic indicators such as cement production and electricity generation show robust growth. By September 2021, cement production had reached its pre-pandemic level, while electricity generation was approaching 90 percent of its pre-pandemic level (Figure 5). During the same period, exports of goods and services and non-fuel imports increased significantly but did not reach the levels recorded before the pandemic (Figure 6). Although the overall increase in exports was partly driven by rising tourist arrivals, a surge in imports of industrial raw materials fueled the growth of manufacturing exports.

**Figure 5: High Frequency Economic Indicators**



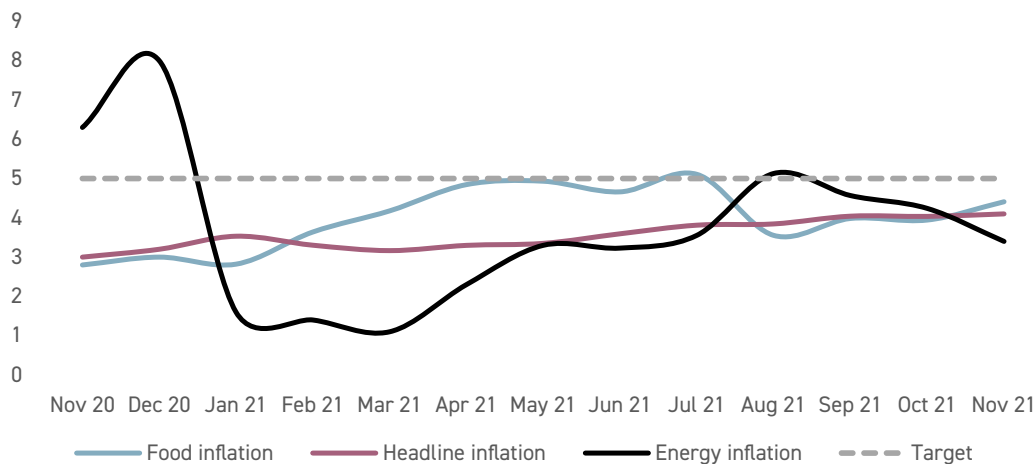
**Figure 6: Exports and Imports**



Source: Bank of Tanzania, NBS, and Google

**Inflation rates are low and stable.** However, the headline inflation rate increased steadily in 2021, pushed by a combination of rising prices for oil and food, and reached 4.1 percent in November, its highest level in three years (Figure 7). Nevertheless, thanks to relatively adequate domestic food supply, inflation rates in Tanzania remain among the lowest and least volatile in the EAC. The energy-price inflation rate increased after April 2021, then fell after August and reached 3.4 percent in November as global oil prices stabilized. The food-price inflation rate rose consistently from March 2021 to reach 5.1 percent in August before falling slightly to 4.4 percent in November. Food-price inflation has remained somewhat elevated due to higher prices for staple foods such as sorghum, maize and maize flour, wheat flour, meat, cooking oil, fruits, sweet potatoes, and fresh cassava. Rising prices of nonfood items such as garments, household textiles, mosquito nets, and mobile phones also contributed to the increase in headline inflation.



**Figure 7:** Monthly Inflation Rates by Component (%)

Source: NBS.

### *Employment, income, and poverty indicators are improving*

**The decline in economic activity caused by the pandemic led to considerable employment losses.** Data from the first round of the High-Frequency Welfare Monitoring Survey (HFWMS), a telephone survey conducted in early 2021, show that employment<sup>2</sup> among household heads declined by 6 percentage points between January 2020 and February-March 2021. The most-reported reasons for losing a job were seasonality (27 percent) and illness (19 percent). In Dar Es Salaam, employment among household heads dropped by 10 percentage points during the period, with just over 12 percent of respondents citing a business closure as the reason for their loss of employment. The new Integrated Labor Force Survey (ILFS)<sup>3</sup> conducted in mainland Tanzania and Zanzibar between July 2020 and June 2021 also points to a loss of employment since the previous survey in 2014 (Box 3). Further analysis will be conducted to assess the causes of the decline in employment—and changes in the composition of employment—over the past six years, including the onset of the COVID-19 pandemic in 2020 and the rising share of school-aged children (Box 3).

**Box 3****Labor-Market Trends: Evidence from the ILFS**

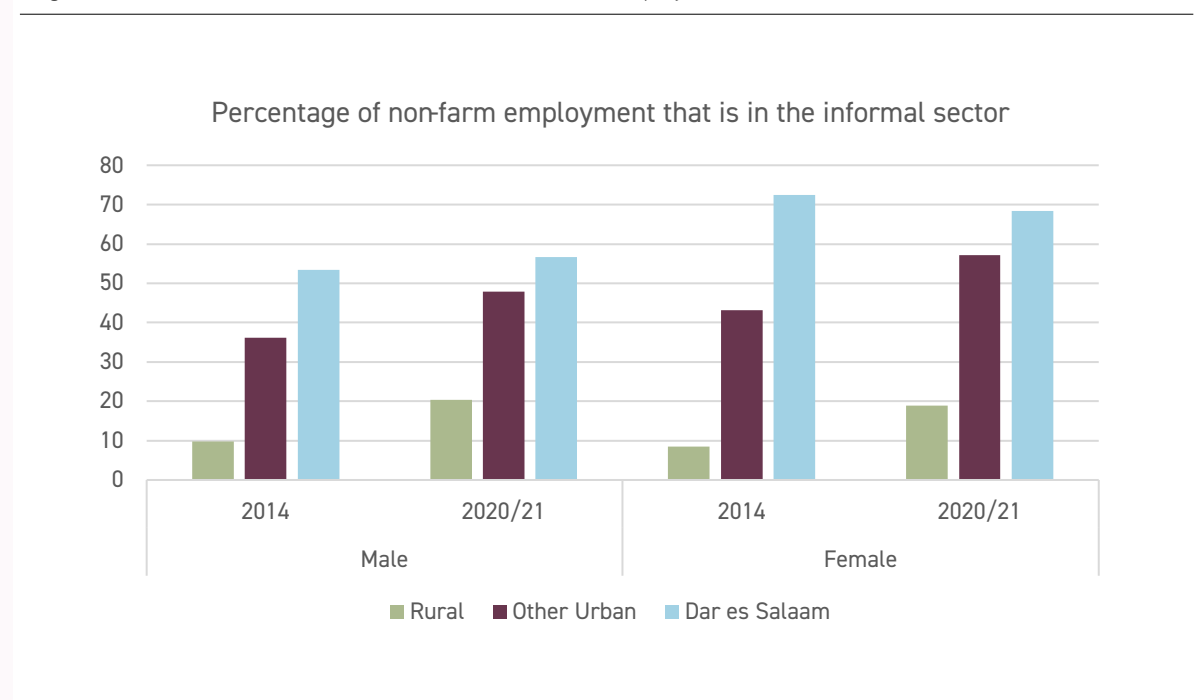
**Data from the recently completed ILFS show a significant shift in the sectoral distribution of employment between 2014 and 2021.** The share of the working-age population engaged in the agriculture, forestry, and fishery sectors dropped from 66 to 61 percent,<sup>4</sup> while the share working in services increased from 27 to 31 percent during the same period. The industrial sector's share of employment remained small and rose only marginally from 7 to 8 percent. In Zanzibar, the share of salaried workers in total employment rose from 26 to 28 percent, while in mainland Tanzania it remained broadly unchanged.

**The sectoral employment shift was almost entirely caused by the female labor force.** The share of women working in agriculture, forestry, or fisheries plunged from 69 percent in 2014 to 60 percent in 2020/21, while the share of men engaged in those sectors declined marginally from 63 percent to 62 percent. Female employment in the services sector rose from 27 to 35 percent, while male employment in services remained unchanged at 27 percent. Similar patterns were observed in mainland Tanzania and in Zanzibar, where the share of female employment in the agricultural and fisheries sector dropped from 44 to 34 percent, while female employment in services rose from 42 percent to 51 percent.

**The share of paid jobs in overall employment barely changed.** Wage workers accounted for 14 percent of total employment both in 2014 and 2020/21, while the share of self-employed workers rose sharply from 47 to 54 percent. The latter shift was particularly dramatic among women, many of whom transitioned from unpaid family labor to self-employment. Between 2014 and 2020/21, the share of self-employed female workers rose from 38 percent to 49 percent, while the share recorded as “contributing family members” sharply declined.

**The shift toward self-employment has been concentrated in the informal sector.** Employment in the nonfarm informal sector rose from 22 percent to 29 percent of total employment over the period. The rise in informal employment has been focused on the services sector and has taken place primarily in secondary cities. In urban areas outside the capital, the share of employment in the informal sector rose from 40 percent to 53 percent, and in rural areas it ticked up from 9 percent to 10 percent. In Dar es Salaam, the informal sector continued to represent 62 percent of total employment (Figure 8).

**Figure 8:** The Informal Sector as a Share of Total Nonfarm Employment



**Between 2014 and 2020/21, the employed share of the national labor force dropped by 2 percentage points.** The decline in employment was sharper among women (-3 percent) than men (-0.8 percent), and it may have been driven in part by the rising share of school-aged children. The average education level of the labor force rose between 2014 and 2020/21: the share of workers with at least four years of secondary education increased from 13.8 to 16.5 percent, while the share with a university degree increased from 1.2 to 1.8 percent. The increase in secondary education was even across genders, but the share of workers with a university education rose faster among women than among men. In Zanzibar, the employed share of the labor force dropped by 4.5 percent, twice the decline observed in the mainland,<sup>5</sup> while education levels rose much faster. The employment rate among women in Zanzibar fell by 6 percent, compared to 2.5 percent among men, but gains in educational attainment were concentrated among women.<sup>6</sup>

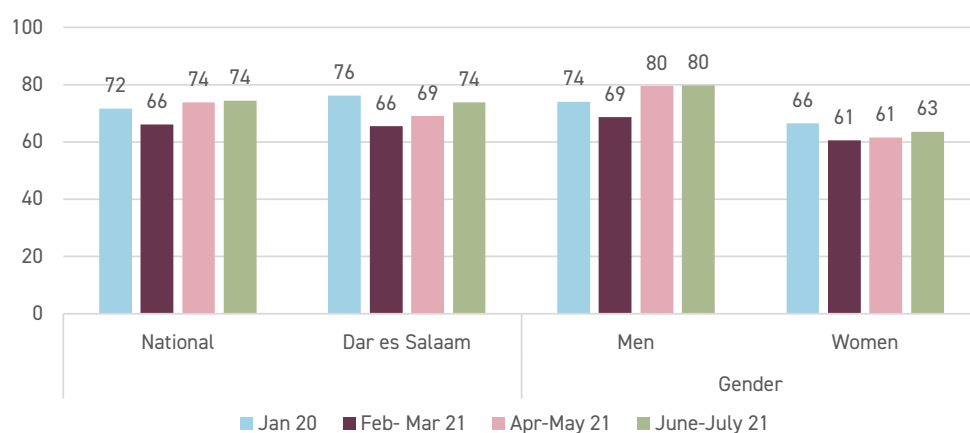


Photo: World Bank

**Preliminary findings from the third round of the HFWMS suggest that employment among household heads recovered to pre-pandemic levels in mid-2021.**

The employment rate among household heads rose by 8 percentage points between February-March 2021 and June-July 2021, exceeding the pre-pandemic rate recorded in January 2020 by 2 percentage points (Figure 9). Employment in Dar es Salaam was especially affected by the crisis due to the large share of nonfarm household enterprises, but steady gains in employment among household heads have been observed in recent months. Employment among household heads in the capital rose from 66 percent in February-March 2021 to 68 percent in April-May and reached 74 percent in June-July 2021. However, the recovery was concentrated among men, while employment among female heads of household has yet to return to its pre-pandemic level.

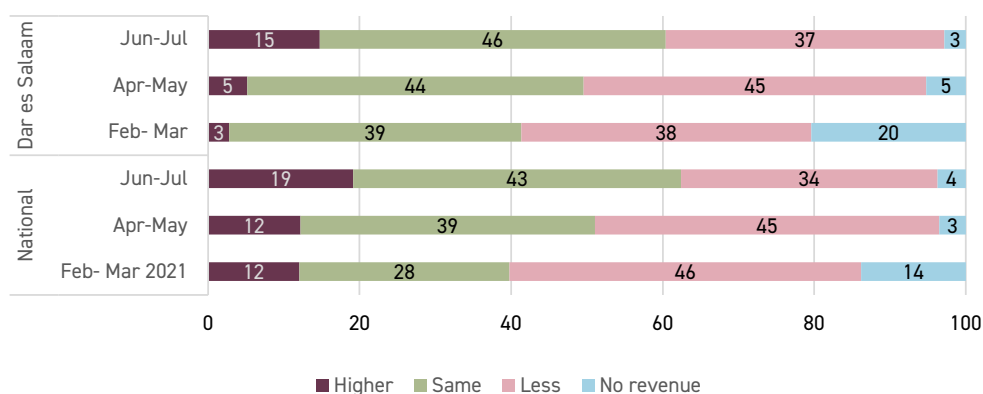
**Figure 9: Share of Employed Respondents by Location and Gender, Early 2020 and 2021 (%)**



Source: Preliminary findings from the first three rounds of the HFWMS.

Notes: Sample size is 2,693, 2,412 and 2,330 for round 1, round 2 and round 3, respectively. Questions regarding work were asked to one respondent of working age per household only, which was typically the household head. The sample is thus representative for household heads but not for all individuals in Tanzania.

**Figure 10: Change in Business Revenue Since the Previous Month, 2021**



Source: Preliminary findings of the first three rounds of the HFWMS.

Notes: Respondents are owners of nonfarm family enterprises. Sample size 761, 610, and 737 in round 1, round 2, and round 3, respectively. The responses are for households with an active enterprise that was launched before the previous month.

**Household business revenue had partially recovered by mid-2021.** The share of household business owners indicating a revenue decline from the previous month or reporting no revenue at all dropped from 60 percent in February-March 2021 to 38 percent in June-July (Figure 10). Dar es Salaam initially experienced the greatest decline in revenue from non-farm household businesses, but the share of respondents in the capital reporting no business revenue fell from 20 percent in February-March 2021 to just 3 percent in June-July (Figure 10).<sup>7</sup> However, the recovery in revenue was limited to the two-thirds of non-farm household enterprises that remained open through the survey period (June-July 2021). Almost one-fifth temporarily closed, and one-seventh permanently closed. The most common reasons for closing a business were lack of customers (18 percent), followed by illness (17 percent).

**The national poverty rate<sup>8</sup> is estimated to have declined marginally to 27.0 percent in 2021, supported by the recovery of employment and nonfarm business revenue.** The pandemic-induced economic shock pushed the national poverty rate from 26.1 percent in 2019 to 27.1 percent in 2020, while the poverty rate measured at the international extreme poverty line rose from 49.3 percent to 50.4 percent. Households relying on self-employment or informal microenterprises in urban areas were the most affected by the economic slowdown. In 2020, the urban poverty rate rose to 21.1 percent, up 5.5 percentage points from its 2019 level. However, by 2021 non-farm household income had begun showing signs of improvement, as the third round of the HFWMS recorded gains in employment and business revenue.

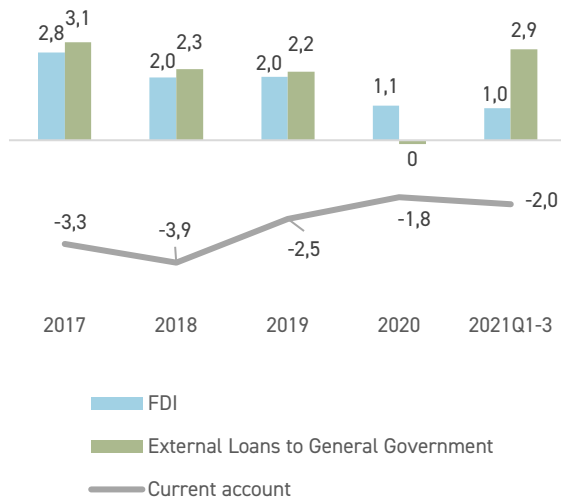
*Exports have increased, but the external accounts have slightly deteriorated*

**A widening current-account deficit was primarily funded by external loans during the first three quarters of 2021.** The current-account deficit widened from 1.8 percent of GDP in 2020 to 2.0 percent at end-September 2021, as rising imports more than

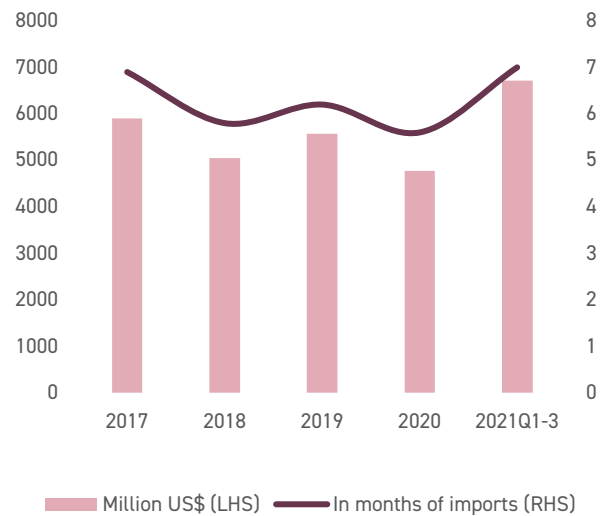
offset an increase in exports (Figure 11).<sup>9</sup> After contracting by 10.6 percent during the first three quarters of 2020, exports grew by 14.2 percent during the same period in 2021; meanwhile, imports contracted by 12.2 percent in Q1-Q3 2020, then rebounded by 18.7 percent in Q1-Q3 2021 (Table 3). The current-account deficit was largely funded by external borrowing and foreign direct investment (FDI). Disbursements of official external loans rose from zero in 2020 to 2.9 percent of GDP in 2021, while FDI remained stable at about 1.0 percent of GDP.

**Manufactured goods and services drove the recovery of exports.** Manufactured goods exports rose by 32.3 percent during Q1-Q3 2021, up from 2.5 percent during the same period in 2020, reflecting Tanzania's improving relations with EAC member states and other regional neighbors. However, traditional goods exports plunged by 28.7 percent due to falling exports of cloves, sisal, and coffee. Services exports expanded by 33.8 percent in the first three quarters of 2021 after contracting by 49.7 percent during the same period in 2020, driven by the recovery of travel and tourism. Travel-related service exports dropped by 74.2 percent in Q1-Q3 2020 before rebounding by 90.2 percent in 2021. Tourist arrivals have increased significantly but remain below 50 percent of their pre-pandemic levels. The share of services in total exports rose to 31.4 percent during the first three quarters of 2021, up from 26.8 percent during the same period in 2020.

**Goods imports have increased sharply in 2021.** Import of goods and services both increased during the first three quarters of the year. After contracting by 10.0 percent in Q1-Q3 2020, goods imports expanded by 19.4 percent during Q1-Q3 2021, driven by increases in all categories. Capital goods and food imports rose by about 14 percent, while imports of intermediate goods increased by about 32 percent, and oil imports grew by 47 percent. The increase in goods imports reflects the global reopening following the initial waves of the pandemic, as well as the accelerated implementation of capital projects and the resumption of domestic economic activity, particularly in the services sector.

**Figure 11:** The Current-Account Deficit, FDI, and External Loans to the General Government (% of GDP)

Source: Bank of Tanzania

**Figure 12:** Gross International Reserves (% of GDP and US\$ millions)

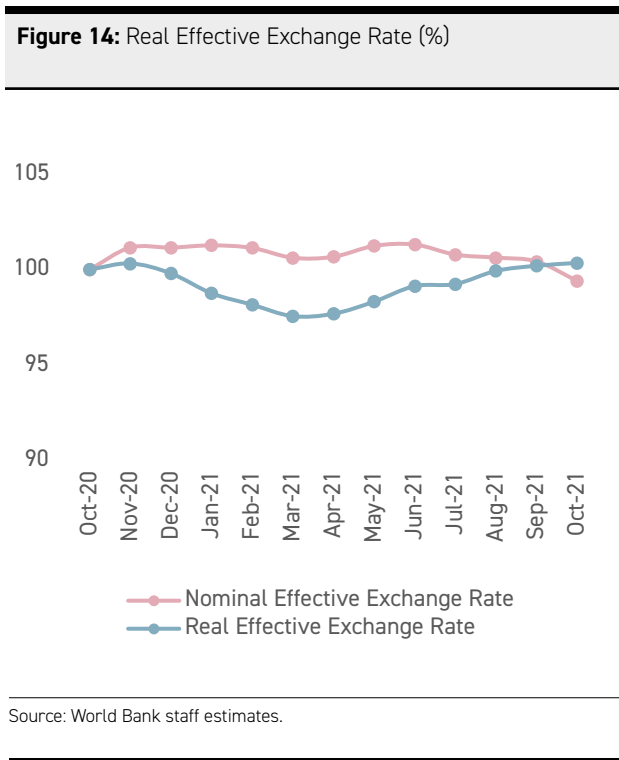
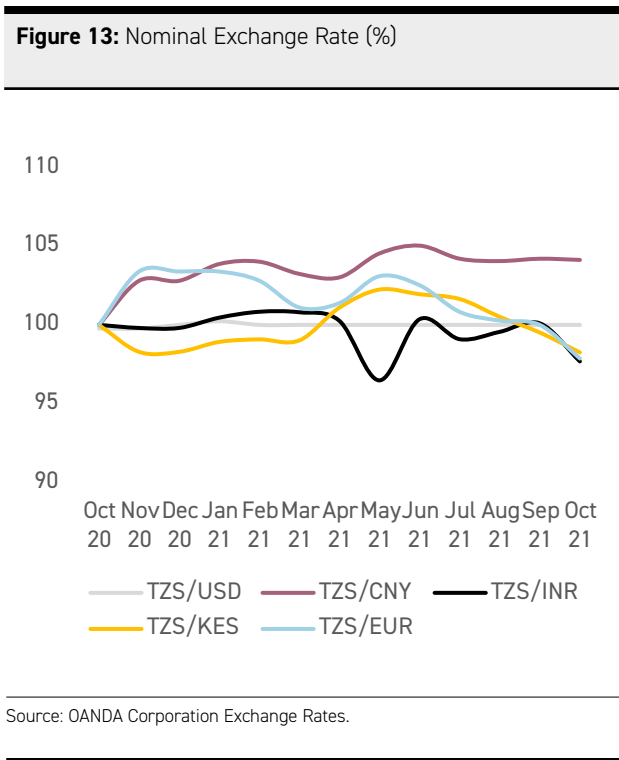
Source: Bank of Tanzania

**Table 3:** The Evolution of the Trade Balance, Q1 2019 - Q1 2021

	2019 Q1-3	2020 Q1-3	2021 Q1-3	(Annual percent change)		(Shares)	
				2020 Q1-3	2021 Q1-3	2020 Q1-3	2021 Q1-3
<b>Total Exports</b>	<b>6591</b>	<b>5892</b>	<b>6730</b>	<b>-10,6</b>	<b>14,2</b>	<b>100,0</b>	<b>100,0</b>
<b>Goods</b>	<b>3454</b>	<b>4315</b>	<b>4620</b>	<b>24,9</b>	<b>7,1</b>	<b>73,2</b>	<b>68,6</b>
<i>Of which</i>							
Gold	1521	2132	2061	40,2	-3,4	36,2	30,6
Manufactured goods	662	678	897	2,5	32,3	11,5	13,3
Traditional exports	370	440	314	19,0	-28,7	7,5	4,7
<b>Services</b>	<b>3137</b>	<b>1577</b>	<b>2111</b>	<b>-49,7</b>	<b>33,8</b>	<b>26,8</b>	<b>31,4</b>
<i>Of which</i>							
Travel	1917	495	942	-74,2	90,2	8,4	14,0
Transport	972	944	980	-2,9	3,8	16,0	14,6
<b>Total Imports</b>	<b>7807</b>	<b>6852</b>	<b>8135</b>	<b>-12,2</b>	<b>18,7</b>	<b>100,0</b>	<b>100,0</b>
<b>Goods</b>	<b>6526</b>	<b>5873</b>	<b>7011</b>	<b>-10,0</b>	<b>19,4</b>	<b>85,7</b>	<b>86,2</b>
Capital goods	2838	2382	2723	-16,1	14,3	34,8	33,5
Intermediate imports	1959	1684	2216	-14,0	31,6	24,6	27,2
<i>Of which: Oil</i>	1301	973	1426	-25,2	46,5	14,2	17,5
Consumer goods	1727	1805	2070	4,5	14,7	26,3	25,4
<b>Services</b>	<b>1281</b>	<b>979</b>	<b>1124</b>	<b>-23,6</b>	<b>14,8</b>	<b>14,3</b>	<b>13,8</b>
<i>Of which</i>							
Travel	469	166	118	-64,7	-28,6	2,4	1,5
Transport	505	432	545	-14,5	26,2	6,3	6,7

Source: Bank of Tanzania

**In 2021, the Tanzanian shilling (TZS) remained broadly stable against the currencies of major trading partners.** The shilling depreciated by about 5 percent against the Chinese renminbi, remained unchanged against the US dollar, and appreciated marginally against the euro, the Kenyan shilling, and the Indian rupee, especially after August 2021 (Figure 13). Central bank interventions to smooth fluctuations in the exchange rate and maintain an adequate level of official reserves helped stabilize the shilling. Following the disbursement of a US\$751 million IMF Rapid Credit Facility, gross official reserves rose from US\$4.8 billion (5.6 months of imports) at end-2020 to US\$6.7 billion (7 months of imports) at end-October 2021 (Figure 12). Between January and July 2021, the real effective exchange rate appreciated by about 3 percent, largely due to rising inflationary pressures among major trading partners. However, since August 2021 the real effective exchange has remained stable as the shilling has strengthened (Figure 14).



*Significant revenue shortfalls have led to widening fiscal deficits and increased domestic borrowing*

**The fiscal deficit more than doubled between 2019/20 and 2020/21, rising from 1.4 percent of GDP to 4.2 percent, far above the government's target of 2.7 percent.** A domestic revenue shortfall of 1.7 percent

of GDP in 2020/21 drove the increase in the fiscal deficit (Table 4). A combination of foreign and domestic loans financed the fiscal deficit, with the later accounting for the larger share. Foreign loans equaled 1.9 percent of GDP, marginally exceeding the government's target of 1.7 percent, but domestic loans amounted to 2.3 percent of GDP, more than double the target of 1.1 percent. The significant increase in domestic borrowing suggests that the government may have crowded the private sector out of the domestic credit market. The 2021/22 budget targets a fiscal deficit of 2.0 percent of GDP, which is to be financed by domestic and foreign loans equal to 1.3 percent and 0.7 percent of GDP, respectively. During Q1 2021/22, the fiscal deficit reached 0.7 percent of GDP, just below the quarterly target of 0.9 percent.

**Table 4: Fiscal Trends (% of GDP)**

	2018/19	2019/20	2019/20	2020/21	2020/21	2021/22	2020/21	2020/21	2021/22	2021/22
	Actual	Budget	Actual	Budget	Actual	Budget	Estimates	Actual	Estimates	Actual
<b>Domestic revenue</b>	<b>13,2</b>	<b>16,1</b>	<b>14,7</b>	<b>16,1</b>	<b>14,4</b>	<b>17,6</b>	<b>4,0</b>	<b>3,5</b>	<b>4,1</b>	<b>3,7</b>
Tax revenue	11,0	13,3	12,2	13,4	12,1	13,8	3,4	3,0	3,3	3,0
Taxes on imports	4,1	4,7	4,2	4,8	4,6	5,2	1,2	1,2	1,2	1,3
Sales/VAT and excise on local goods	2,7	3,4	2,7	3,0	2,6	3,1	0,8	0,7	0,7	0,4
Income taxes	3,6	4,4	4,5	4,8	4,2	4,7	1,2	0,9	1,1	1,1
Other taxes	0,7	0,7	0,8	0,9	0,7	0,8	0,2	0,2	0,2	0,2
Nontax revenue	2,2	2,9	2,5	2,6	2,8	3,8	0,6	0,5	0,9	0,7
<b>Total expenditure</b>	<b>15,9</b>	<b>19,4</b>	<b>16,4</b>	<b>19,4</b>	<b>18,6</b>	<b>20,3</b>	<b>4,3</b>	<b>4,0</b>	<b>5,1</b>	<b>4,7</b>
<b>Recurrent expenditure</b>	<b>9,9</b>	<b>8,0</b>	<b>9,9</b>	<b>10,9</b>	<b>10,4</b>	<b>11,2</b>	<b>2,8</b>	<b>2,7</b>	<b>2,8</b>	<b>2,6</b>
Wages and salaries	4,8	5,3	4,9	5,2	5,1	5,4	1,3	1,3	1,3	1,3
Interest payments	1,7	1,7	1,6	1,9	1,8	1,8	0,4	0,4	0,4	0,4
Goods and services	0,0	3,8	3,4	3,8	3,5	4,0	1,0	1,0	1,0	0,9
<b>Development expenditure</b>	<b>6,0</b>	<b>8,6</b>	<b>6,5</b>	<b>8,5</b>	<b>8,2</b>	<b>9,1</b>	<b>1,5</b>	<b>1,3</b>	<b>2,3</b>	<b>2,0</b>
Domestically financed	4,6	6,8	4,8	6,7	6,5	7,2	1,2	1,1	1,9	1,7
Foreign financed	0,6	1,8	1,7	1,8	1,7	2,0	0,3	0,2	0,4	0,3
<b>Grants</b>	<b>0,3</b>	<b>0,8</b>	<b>0,7</b>	<b>0,6</b>	<b>0,5</b>	<b>0,8</b>	<b>0,1</b>	<b>0,0</b>	<b>0,1</b>	<b>0,1</b>
<b>Overall fiscal balance</b>	<b>-2,3</b>	<b>-2,4</b>	<b>-1,4</b>	<b>-2,7</b>	<b>-4,2</b>	<b>-2,0</b>	<b>-0,2</b>	<b>0,3</b>	<b>-0,9</b>	<b>-0,7</b>
<b>Financing</b>	<b>2,3</b>	<b>2,4</b>	<b>1,4</b>	<b>2,7</b>	<b>4,2</b>	<b>2,0</b>	<b>0,2</b>	<b>-0,3</b>	<b>0,9</b>	<b>0,7</b>
Foreign (net)	0,9	1,3	1,1	1,7	1,9	0,7	0,7	-0,1	0,8	1,7
Domestic (net)	1,5	1,0	0,3	1,1	2,3	1,2	-0,5	-0,2	0,1	-1,0

Note: Tanzania's fiscal year runs from July 1 to June 30.  
Source: MoFP.

### **Domestic revenue mobilization underperformed as tax revenue failed to meet expectations.**

Amid the ongoing pandemic-induced economic slowdown, domestic revenue totaled 14.4 percent of GDP in 2020/21, 1.7 percentage points below its target and 0.3 percentage points below its 2019/20 level. A shortfall in tax revenue equal to 1.3 percent of GDP drove the underperformance of domestic revenue, while nontax revenue overperformed its target by 0.2 percent of GDP. The domestic revenue target for 2021/22 is overly ambitious at 17.6 percent of GDP, and both tax and nontax revenue have fallen short of their targets in Q1. All categories of tax revenue, including import duties, excise taxes, VAT, and income taxes underperformed their targets, with the latter two missing their targets by 0.4 percent and 0.6 percent of GDP, respectively. According to the Tanzania Revenue Authority's monthly tax-revenue reports, the pandemic-induced economic slowdown is primarily responsible for the underperformance of tax revenues, though revenue projections have also been overly optimistic.





Photo: World Bank

### *The pandemic response effort drove an increase in total public spending*

**Public spending rose from 16.4 percent of GDP in 2019/20 to 18.6 percent in 2020/21, its highest level in five years but still well below the government's target.**

Development expenditures increased from 6.5 percent of GDP in 2019/20 to 8.2 percent in 2020/21, while recurrent expenditures rose from 9.9 percent of GDP to 10.4 percent (Table 4). The growth of both recurrent and development expenditures reflected the cost of pandemic-response measures combined with the accelerated implementation of capital projects. However, both recurrent and development expenditures missed their highly ambitious targets of 11.2 percent and 9.1 percent of GDP, respectively. Nevertheless, both recurrent and development expenditures missed their targets by smaller margins in Q1 2021/22 than they did in Q1 2020/21.

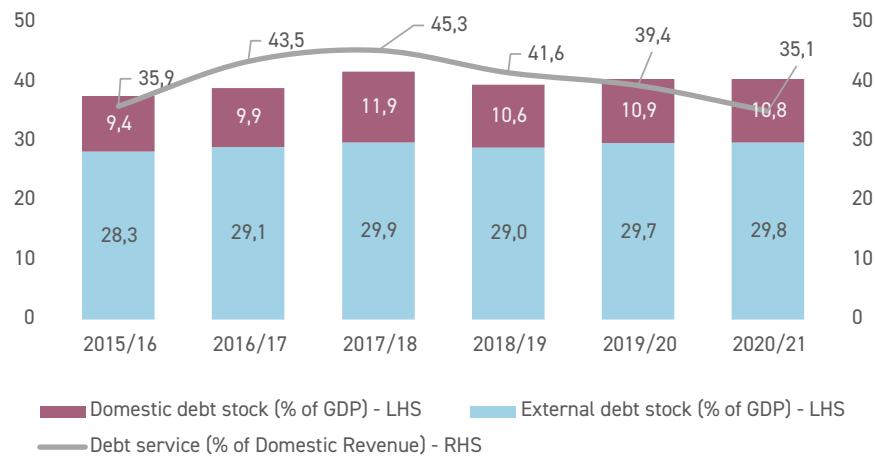
**The rise in recurrent expenditures masks a shortfall in spending on goods and services in 2020/21.** Spending on interest payment and wages and salaries in 2020/21 were in line with the budget targets at 5.1 percent and 1.8 percent of GDP, respectively, and both increased from 2019/20. At 3.5 percent of GDP, spending on goods and services was broadly unchanged from 2019/20 and significantly below its target of 3.8 percent of GDP, reflecting cuts to certain allowances and expenditures, especially spending on fuel and lubricants for government vehicles. In Q1 2021/22, recurrent spending accelerated, including expenditures on wages and salaries, interest payment, and goods and services, all of which are up significantly from Q1 of 2020/21 and in line with their targets. Increased spending on wages and salaries and on goods and services is intended to address the effects of the COVID pandemic, and these categories include the hiring of additional health workers and purchases of medical supplies.

**The accelerated implementation of capital projects pushed development expenditures to a 10-year high in 2020/21.** Development spending rose to 8.2 percent of GDP, up 1.7 percentage points from 2019/20 and just short of the target of 8.5 percent of GDP. The execution rate for development expenditures reached 96 percent, far above its average of about 65 percent. The locally funded component of the development budget increased by 1.7 percent of GDP, while the foreign-funded component remained unchanged from 2019/20 at 1.7 percent of GDP, consistent with its 2020/21 target. Development expenditures remained high in Q1 2021/22 at 2.0 percent of GDP, up 1.3 percentage points from Q1 2020/21, but slightly below the target of 2.3 percent of GDP.

**Publicly guaranteed debt has increased significantly, as non-concessional borrowing has risen.**

As of October 2021, total public and publicly guaranteed debt stood at US\$29.6 billion, equivalent to 40.6 percent of GDP.<sup>10</sup> About 74 percent was external debt, and the rest was domestic debt. While the concessional loans represent most of the debt stock, the share of non-concessional loans rose from just under 3 percent of GDP in 2011 to more than 16 percent of GDP in 2021. The rise in non-concessional loans reflects increased commercial borrowing to finance large capital projects, such as the Standard Gauge Railway, Air Tanzania Company Ltd, and the Mwalimu Nyerere Hydropower Dam. Partly due to the expanding share of non-concessional loans, debt-service costs remain high and consumed about 35 percent of domestic revenue in 2020/21 (Figure 15). To maintain sustainable debt dynamics, large capital projects financed by external non-concessional loans must drive growth and exports, while the authorities must ensure transparency and improve debt management.

**Figure 15:** Public Debt Stock and Debt Service



Source: Ministry of Finance and Planning.

*Significant progress in clearing domestic payment arrears has not been matched by VAT-refund arrears*

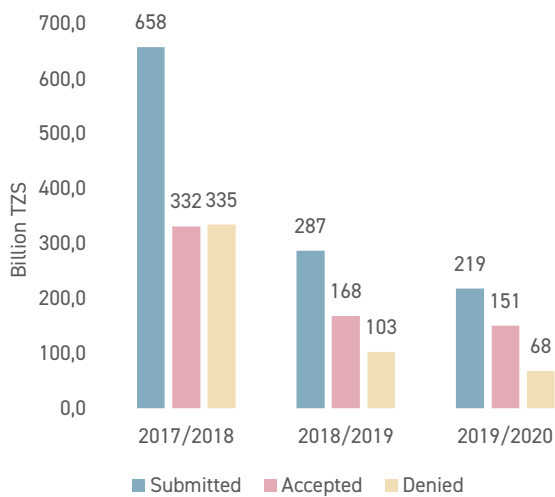
**The authorities have strengthened the implementation of the domestic arrears-management strategy, but the verification of the 2020/21 arrears is still pending.**

The government has verified domestic payment arrears up to 2019/20 (Figure 16), and over TZS 3.4 trillion were cleared between 2018 and 2022 (Figure 17). The government has continued to adhere to its strategy by ensuring it clears more than TZS 600 billion of verified domestic payment arrears each year. The authorities cleared TZS 701

billion in 2019/20 and TZS 754 billion in 2020/21, easing cashflow difficulties among business and households—including disruptions caused by the pandemic. During July-October 2021, the government cleared nearly TZS 200 billion in arrears. The verification of the 2020/21 domestic payment arrears is pending.

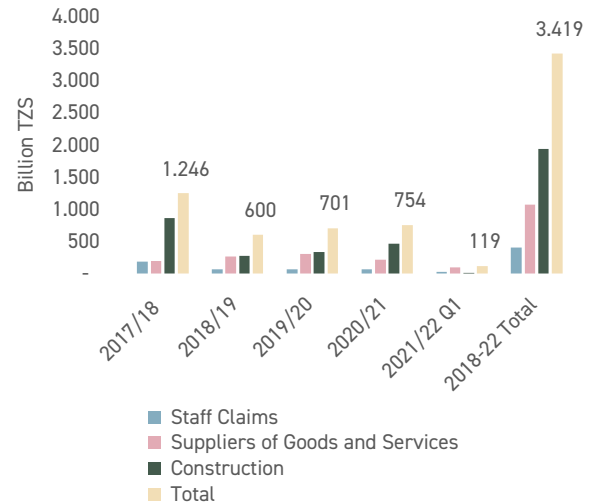
**The stock of VAT refund arrears remains large. As of June 2021, 720 claims for VAT refund arrears totaled TZS 920.9 billion, down from 1,088 claims totaling TZS 577.4 billion in July 2020.** As of June 2021, 720 claims for VAT-refund arrears totaled TZS 920.9 billion, down from 1,088 claims totaling TZS 577.4 billion in July 2020. In addition to VAT-refund arrears, as of June 2021 the government owed TZS 237.8 billion in arrears related to industrial sugar production and to the activities of the Zanzibar Revenue Board. Although the government has improved the timely verification and payment of VAT refunds, further effort will be needed to clear the backlog of VAT-refund arrears, which continues to strain the cashflows of firms, especially exporters.

**Figure 16:** Trends in Verification of Domestic Payment Claims



Source: Ministry of Finance and Planning.

**Figure 17:** Trends in Clearance of Verified Domestic Payment Arrears



Source: Ministry of Finance and Planning.

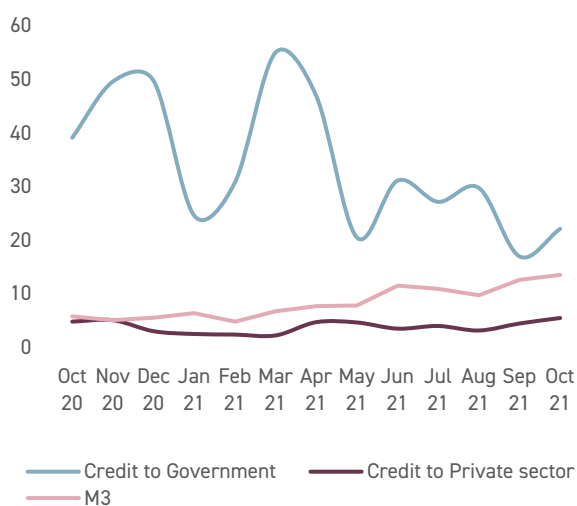
*The supply of credit to the private sector is recovering slowly*

**A combination of monetary easing and rebounding exports has boosted activity in the financial sector.**

The broad money supply (M3) more than doubled between April and September of 2021, reflecting an annual growth rate of 13.6 percent—up sharply from the 7.8 percent growth rate observed in October 2021 (Figure 18). The increase in M3 was driven by the central bank's monetary-easing policy, which was designed to mitigate the adverse economic effects of the pandemic. Increased liquidity, combined with rising external demand, pushed the annual growth rate of credit to the private sector from 4.8 percent in April 2021 to 5.6 percent in October. However, the growth of M3 was largely driven by increased credit to the government, which expanded at an average rate of 27.9 percent between April and October 2021. As a result, the overall credit-to-GDP ratio increased from 17.6 percent in September 2020 to 18.8 percent in September 2021 (Figure 19). While many countries have implemented similar measures to attenuate the impact of the COVID-19 pandemic, a clear exit strategy is important.

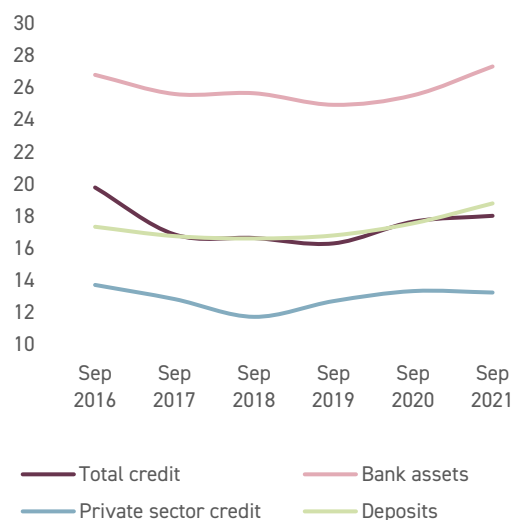
**Central-bank policies to support the growth of credit to the private sector have yielded mixed results.** The growth rate of credit for trade accelerated from 15.7 percent in April 2021 to 16.5 percent in October. The growth rate of personal loans, which primarily finance the activities of small and medium enterprises, rose from 35.6 percent to 37.2 percent over the same period. However, credit growth to all other sectors—including manufacturing, agriculture, transportation, and hotels and restaurants, inter alia—slowed during the period (Figure 20). The central bank's reduced statutory minimum reserve requirement for banks that lend to agriculture is now subject to an annual interest rate cap of 10 percent. This measure likely contributed to decline in credit to the agricultural sector, since the interest rate cap of 10 percent does not cover banks' risks and costs. It could also jeopardize the stability of the banking sector, as agricultural borrowers feature prominently in bank portfolios, and many large banks are exposed to a high concentration of agricultural loans.

**Figure 18:** Growth Rates of M3 and Credit to the Private Sector (%)



Source: Bank of Tanzania.

**Figure 19:** Trends in Bank Assets, Credits, and Deposits (% of GDP)

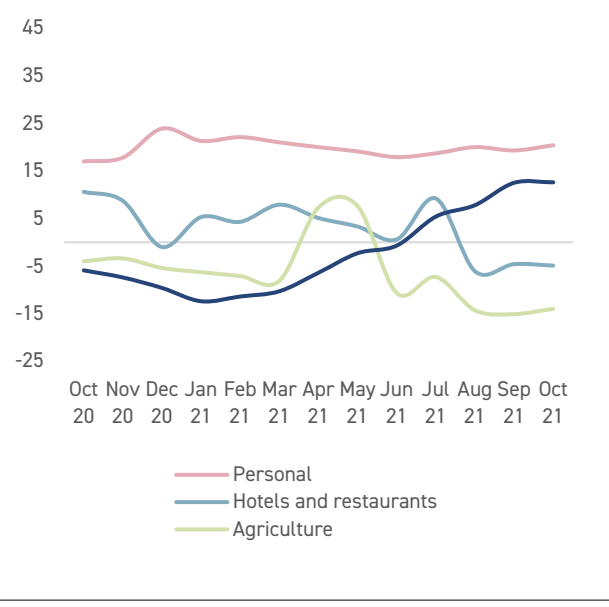


Source: Bank of Tanzania.

**The interest rates that banks charge on loans and offer on deposits remained broadly unchanged.**

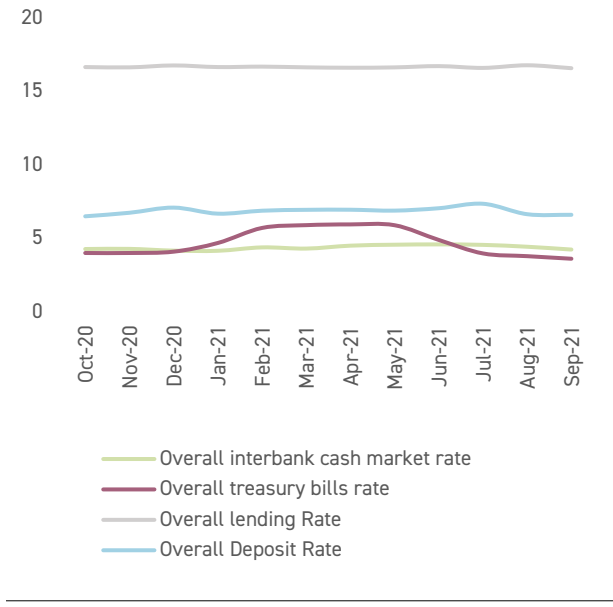
The overall and one-year lending rates averaged around 17.0 percent, while the overall and one-year time deposit interest rates were 6.6 percent and 7.7 percent, respectively (Figure 21). The overall interbank cash market rate and the two-to-seven-day interest rate remained in single digits at an average of 4.5 percent and 4.3 percent, respectively. Meanwhile, the overnight interest rate averaged 3.7 percent, up from 3.6 percent in the preceding month. The central bank is monitoring the impact of its recent liquidity-support policies and monetary-easing measures, which include (i) relaxing the agent-banking eligibility criteria to increase deposit mobilization; and (ii) capping the interest rate paid on mobile-money trust accounts at the rate of savings accounts.

**Figure 20: Annual Growth of Credit to Selected Economic Activities (%)**



Source: Bank of Tanzania.

**Figure 21: Selected Lending Rates (%)**



Source: Bank of Tanzania.

**The banking sector is relatively stable, and key indicators are showing modest improvement.**

Although the overall capital-adequacy ratio has been on a slight downward trend, falling to 12.8 percent in September 2021, it is well above the standard prudential minimum of 8 percent. Earnings and profitability have remained broadly consistent. The ratio of nonperforming loans to total loans declined from 9.4 percent in March 2021 to 8.0 percent in October, but it remains above the national prudential threshold of 5 percent, which poses challenges given the increasingly large exposures of certain banks.



Photo: World Bank

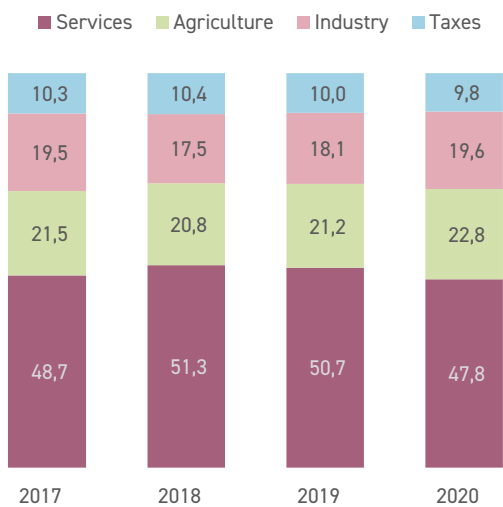
## 1.2. Macroeconomic and Poverty Developments in Zanzibar

### *Zanzibar's economy is recovering*

**Official quarterly GDP data indicate that Zanzibar's economy expanded by 5.1 percent during H1 2021, but growth was uneven across sectors.**

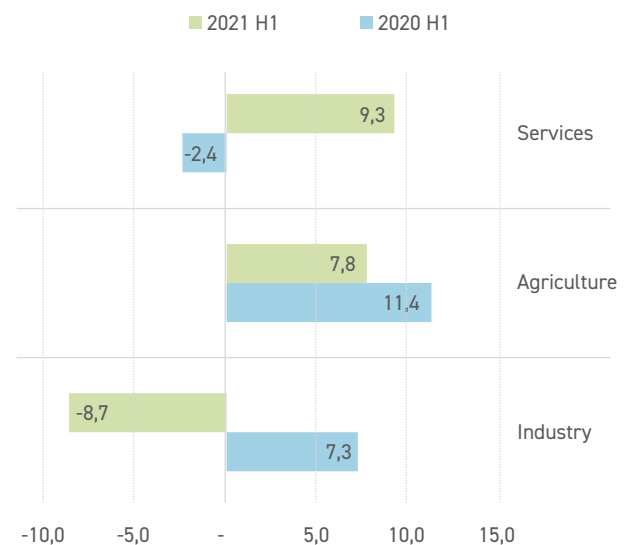
The services sector, which accounts for nearly 50 percent of Zanzibar's GDP, expanded by 9.4 percent after contracting by 2.4 percent in H1 2020 (Figure 22 and Figure 23). The expansion of public administration, combined with the partial recovery of tourism-related accommodation and food services, supported the growth of the services sector. The industrial sector contracted by a significant rate H1 2021, as a sharp contraction in construction and mining activities offset the expansion of manufacturing and electricity. The agricultural sector expanded by a slower pace in H1 2021, as the growth of crops, livestock, and forestry was adequate to compensate for a steep decline in fishery output.

**Figure 22:** GDP Shares by Sector, Zanzibar, 2017-2020 (% of total)



Source: OCGS.

**Figure 23:** GDP Growth by Sector, Zanzibar, H1 2020 and H1 2021 (%)

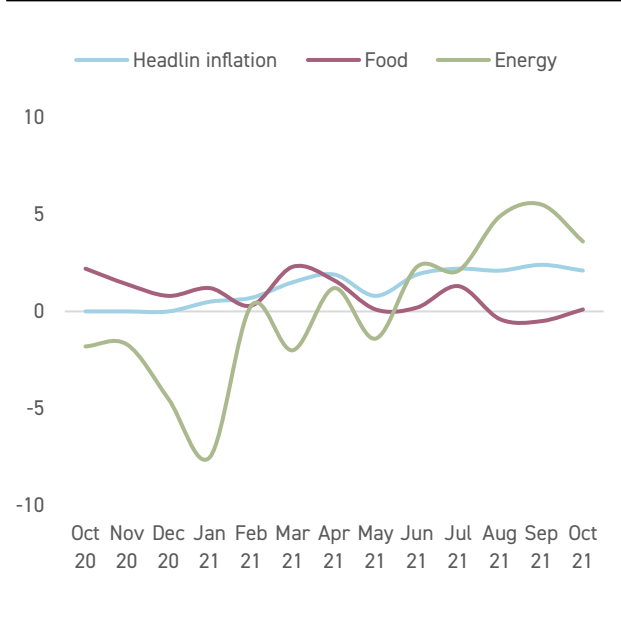


Source: OCGS.

**Despite a recent increase, the headline inflation rate has remained low.** Headline inflation accelerated in January 2021 and peaked at 2.4 percent in September 2021 (Figure 24). Nevertheless, Zanzibar's inflation rate remains lower than that of both mainland Tanzania and other EAC member states. The increase in headline inflation reflects rising global oil prices, while food prices have remained low-to-negative: energy-price inflation peaked at 5.5 percent in September 2021, while food-price inflation fell to -0.5 percent.

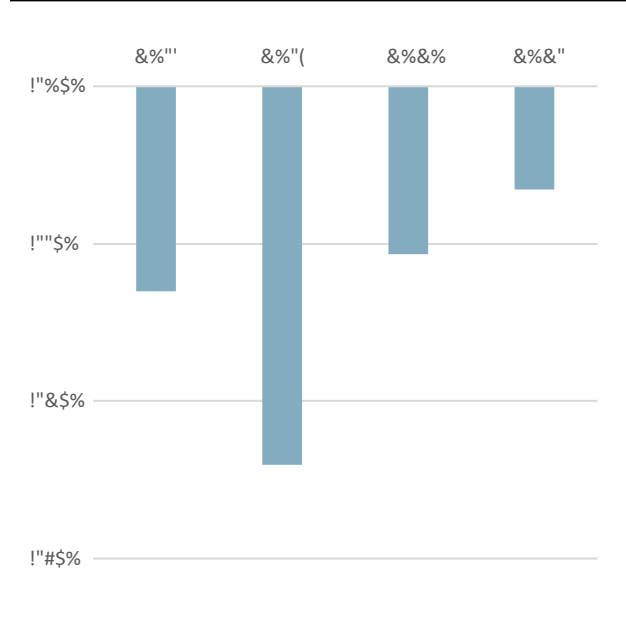
**The current-account deficit has narrowed.** The rising value of goods and services exports, coupled with declining imports, narrowed the current-account deficit from 11.1 percent of GDP in the 12 months ending in November 2020 to 10.7 percent in the same period in 2021 (Figure 25). Earnings from services exports increased by about 46 percent during the period, largely due to rising tourist arrivals. Although the number of tourist arrivals between January and September 2021 exceeded the total for 2020, it was still just 52 percent of the 2019 level. The value of cloves exports also increased during the 12 months prior to November 2021, while the import bill fell by about 5 percent as capital imports and service payments declined. Falling capital imports reflect the contraction of the construction subsector.

**Figure 24:** Inflation Rates, Zanzibar (%)



Source: OCGS.

**Figure 25:** Current-Account Balance, Zanzibar, 2018-2021 (% of GDP)



Source: OCGS.

**Fiscal outturn data for 2020/21 are not available, but the fiscal deficit target for 2021/22 is relatively high at 7.9 percent of GDP.** The fiscal deficit is to be financed largely by external borrowing (equal to 6.9 percent of GDP), while domestic borrowing will finance the rest (Table 5). The 2021/22 budget originally targeted a fiscal deficit of 4.4 percent of GDP, which was to be financed entirely by external borrowing. The external grant target is about 2 percent of GDP both for 2020/21 and 2021/22, twice the actual disbursement recorded in 2019/20. The actual fiscal deficit narrowed slightly from 1.1 percent of GDP in Q1 2020/21 to 1.0 percent in Q1 2021/22, but the deficits in both quarters were significantly above their targets, and both were financed by a combination of external and domestic borrowing.

**The domestic revenue target for 2021/22 budget is optimistic.** Although some economic activities, especially tourism, have started to recover from the pandemic, a revenue target of 24.0 percent of GDP for remains highly ambitious, as it would exceed actual pre-pandemic revenue performance by 4 percentage points of GDP. Tax and nontax revenue collection are both expected to increase, with the former expanding by a greater margin. In Q1 2021/22, actual domestic revenue collection amounted to 4.3 percent of GDP, exceeding the 3.0 percent collected in Q1 2020/21 but significantly below the target of 6.0 percent. Nontax revenue outperformed tax revenue during the quarter.

**Public expenditures targets for 2021/21 are also high.** Public expenditures are budgeted at 39.4 percent of GDP in 2021/22, up from 36.3 percent budgeted in 2020/21. Recurrent and development expenditures are expected to rise significantly, with the latter experiencing the greatest increase. Recurrent expenditures are expected to reach 20.4 percent of GDP, 3 percentage points of GDP higher than in 2019/20, due to increase in wages and salaries as well as other non-interest expenditures. Development expenditures are expected rise from 7.2 percent of GDP in 2019/20 to 19.0 percent in 2021/22, driven by a fourfold increase in the locally financed expenditure component. In Q1 2021/22, total public spending amounted to 5.7 percent of GDP, above the 5.1 percent recorded in Q1 2020/21 but below the target of 6.9 percent. During the quarter, recurrent expenditures accounted for about 70 percent of public spending. Development expenditures were financed equally from domestic and foreign sources.

**Table 5: Zanzibar - Fiscal Trends (% of GDP)**

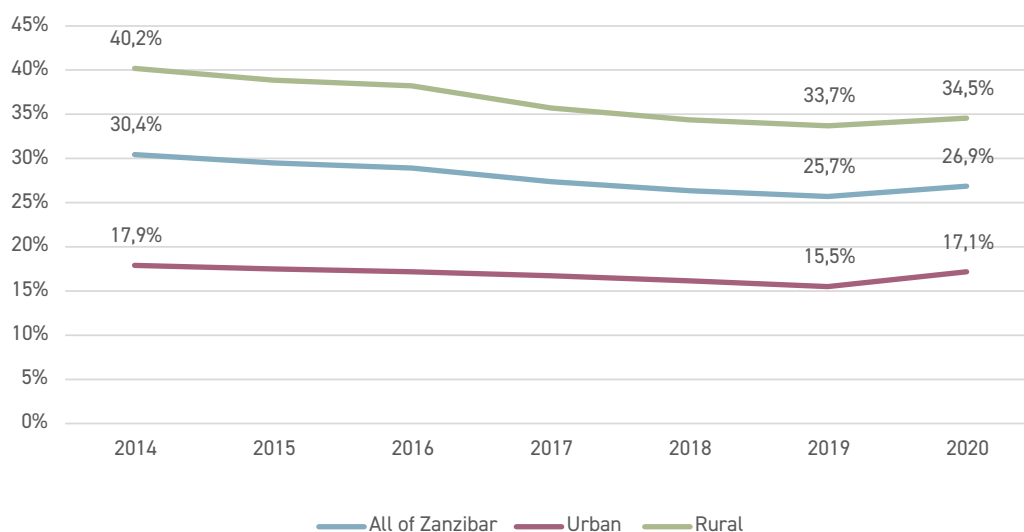
	2018/19	2019/20	2020/21	2021/22	2020/21 Q1	2020/21 Q1	2021/22 Q1	2021/22 Q1
	Actual	Actual	Budget	Budget	Estimates	Actual	Estimates	Actual
<b>Domestic revenue</b>	<b>19,0</b>	<b>18,9</b>	<b>24,1</b>	<b>24,5</b>	<b>4,8</b>	<b>3,0</b>	<b>6,0</b>	<b>4,3</b>
Tax revenue	16,6	16,2	20,4	20,7	4,5	2,7	5,0	3,6
Nontax revenue	2,4	2,6	3,7	3,8	0,3	0,3	1,0	0,8
<b>Total expenditure</b>	<b>28,8</b>	<b>24,6</b>	<b>36,3</b>	<b>39,4</b>	<b>5,7</b>	<b>5,1</b>	<b>6,9</b>	<b>5,7</b>
<b>Recurrent expenditure</b>	<b>17,9</b>	<b>17,3</b>	<b>22,3</b>	<b>20,4</b>	<b>4,5</b>	<b>4,1</b>	<b>5,3</b>	<b>3,9</b>
Wages and salaries	8,5	8,9	10,1	9,5	2,3	2,3	2,2	2,2
Interest payments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Goods and services	9,4	8,5	12,1	10,9	2,2	1,8	3,0	1,7
<b>Development expenditure</b>	<b>10,9</b>	<b>7,2</b>	<b>14,0</b>	<b>19,0</b>	<b>1,3</b>	<b>1,0</b>	<b>1,6</b>	<b>1,2</b>
Domestically financed	2,6	3,3	4,5	13,1	0,5	0,4	0,8	0,5
Foreign financed	8,3	3,9	9,5	6,0	0,7	0,6	0,8	0,6
<b>Grants</b>	<b>1,1</b>	<b>0,8</b>	<b>1,9</b>	<b>1,6</b>	<b>0,1</b>	<b>0,1</b>	<b>0,0</b>	<b>0,1</b>
<b>Overall fiscal balance</b>	<b>-8,4</b>	<b>-3,8</b>	<b>-7,9</b>	<b>-4,4</b>	<b>-0,4</b>	<b>-1,1</b>	<b>-0,8</b>	<b>-1,0</b>
<b>Financing</b>	<b>8,4</b>	<b>3,8</b>	<b>7,9</b>	<b>4,4</b>	<b>0,4</b>	<b>1,1</b>	<b>0,8</b>	<b>1,0</b>
Foreign (net)	7,5	2,8	6,9	4,4	0,4	0,6	0,8	0,6
Domestic (net)	0,9	1,0	1,0	0,0	0,0	0,5	0,0	0,4

Source: Bank of Tanzania.



**Following a modest downward trend between 2014 and 2019, the national poverty rate rose again in 2020, especially in urban areas and among workers in the nonfarm informal sector.** The decline in the national poverty rate between 2014 and 2019 coincided with a 5 percentage-point shift of the employed workforce out of the primary sector and into the secondary and tertiary sectors. Between 2014 and 2020/21, the shares of the employed workforce engaged in the services and industrial sectors each grew by 3 percentage points, while the share of employment in the nonfarm informal sector increased from 38 percent to 42 percent. These trends were particularly significant for women, whose share of employment in the services sector increased from 41 percent to 51 percent, while female employment in the nonfarm informal sector rose from 42 percent to 49 percent. Among men, the share of employment in the nonfarm informal sector increased more modestly, rising from 34 percent to 36 percent. The pandemic-induced economic shock caused a contraction in the services sector that reduced per capita GDP by 4 percent in 2020, increasing urban and rural poverty rates by an estimated 1.6 and 0.8 percentage points, respectively (Figure 26). The increase in the poverty rate is likely to have disproportionately affected women and informal workers, who tend to have fewer savings and are often less able to cope with shocks.

**Figure 26:** Poverty Rates by Location Type, Zanzibar, 2014-2020



Source: OCGS based on the Household Budget Surveys of 2014/15 and 2019; estimates for 2020 are based on a simulation using per capita sectoral GDP growth for 2020 and poverty to growth elasticities for 2014-2019 for urban and rural areas in Zanzibar.

## 1.3 Macroeconomic Outlook and Risks

*The pace of the global economic recovery is slowing*

**After rebounding by 5.6 percent in 2021, the global economic growth rate is expected to fall to 4.3 percent in 2022 and 3.1 percent in 2023.<sup>11</sup>** The

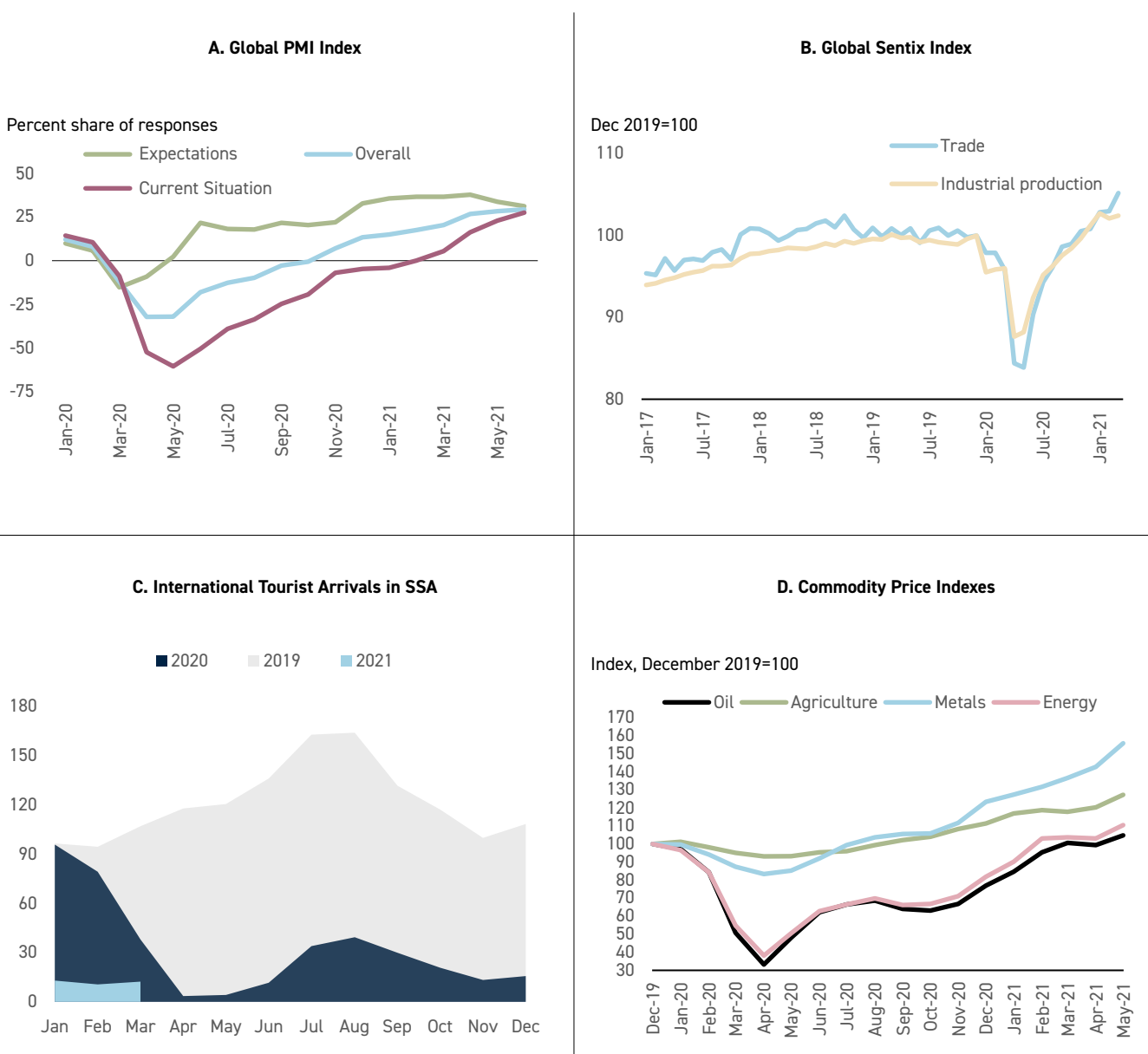
slowing global recovery reflects the impact of continued COVID-19 flare-ups, including the emergence of new variants, as well as reduced policy support, monetary tightening amid persistent inflationary pressures, and protracted supply bottlenecks. After a broad-based recovery starting in early 2021, the growth of the Global Purchasing Manager's Index (PMI) has decelerated, due largely to supply disruptions in the manufacturing sector. The emergence of the Omicron variant and increased divergence between advanced and developing economies have weakened investor confidence, and the global Sentix Index fell to 15.1 in November, its lowest level since January (Figure 27). Various downside risks to the global outlook remain, including a prolonged pandemic, persistent supply disruptions, debt distress, uncontrolled inflation, and a slow reversal of recent increases in poverty.

**The recovery is projected to remain highly uneven across countries, with pandemic-inflicted economic scars persisting longer in many EMDEs. By 2023, output per capita is forecast to remain below its 2019 levels in about 40 percent of EMDEs.** By 2023, output per capita is forecast to remain below its 2019 levels in about 40 percent of EMDEs. Pandemic scarring is especially severe in fragile and conflict-affected EMDEs, many in SSA, as well as small-island developing states reliant on tourism and commodity exporters that depend heavily on extractive industries. The pandemic has reduced output through lower investment and innovation, eroded human capital of the unemployed, including women, and hampered global trade and supply chains. Moreover, the pandemic has reversed almost a decade of gains in per capita income in about a third of SSA economies: in 16 countries, including South Africa and Angola, per capita income levels in 2022 are projected to be lower than they were a decade earlier. After barely increasing in 2021, the average per capita income in SSA is projected to recover at a subdued pace and will remain almost 2 percent below its 2019 level in 2023.



Photo: World Bank

Figure 27: Leading Global Economic Indicators



Source: Bloomberg; Haver Analytics; World Bank.

Notes:

A. JP Morgan Global Purchasing Manager's Indexes, seasonally adjusted. A value above 50 indicates expansion. Last observation is November 2021.

B. A positive value indicates improving sentiment. Last observation is December 2021.

C. Figure shows changes in tourist arrivals indexed to January 2020 = 100.

D. Pink Sheet data for oil, metals, and agricultural prices indexed to January 2020=100

**Lagging vaccination rates and pandemic-related uncertainty will continue to impact trade, tourism, and both consumer and business sentiment in Tanzania.** As of early December, less than 2 percent of Tanzania's population was fully vaccinated against COVID-19—one of the lowest rates in SSA. As a result, the threat of recurring COVID-19 outbreaks, possibly driven by new coronavirus variants, remains very high. Slowing growth among Tanzania's main trading partners, China and India, will further weigh on the recovery, compounding the effect of fading tailwinds from last year's rebound in commodity prices, and diminishing growth spillovers from advanced economies. A more proactive approach to COVID-19 containment and domestic policy

reforms could attenuate some of these risks, but the risks posed by the questionable effectiveness of international debt-restructuring initiatives, both now and over the past 50 years, remains. Vulnerability to adverse weather events and the effects of climate change also threaten to undermine agricultural output, with negative implications for poverty and food insecurity. Risks to the outlook for SSA are also tilted to the downside, reflecting the region's extremely low COVID-19 vaccination rates and sensitivity to further economic and health shocks. The extended duration or increased severity of the COVID-19 pandemic could delay recoveries in many countries across the region, hindering efforts to restore the gains in poverty reduction and social development that were lost during the pandemic.

*Tanzania's recovery is expected to continue over the next two years*

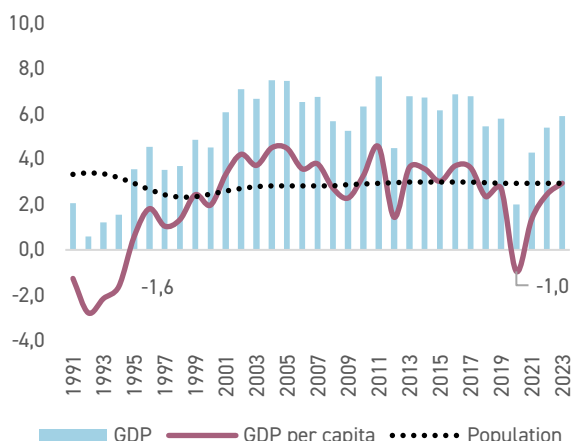
**Tanzania's real GDP growth rate is projected to reach 4.5–5.5 percent in 2022 and average about 6.0 percent over the medium term, supported by the ongoing recovery of exports and domestic demand.**

Despite the divergence between prospects of developed and developing economies, the continued resurgence of global economic activity in 2022 is expected to bolster external demand for Tanzania's exports, as well as FDI and other capital inflows. Increased services and manufacturing exports are expected to generate employment and income growth, strengthening private consumption, which accounts for about two-thirds of GDP. Public consumption is expected to rise as the government continues to implement COVID-19 response measures and accelerate the implementation of flagship capital projects such as the Standard Gauge Railway, the Mwalimu Nyerere Hydropower Dam, the Air Tanzania Company Ltd., and the Hoima-Hororo-Tanga Oil Pipeline. Private investment is expected to increase, supported by rising FDI and an improved business environment. This baseline projection reflects the data available as of October 31, 2021.

**Tanzania's per capita GDP growth rate is expected remain positive in 2022.** Following two decades of continuous expansion, Tanzania's per capita GDP contracted in 2020 (Figure 28). In 2021, per capita GDP growth is expected to turn positive, growing at a rate of 1.3 percent—its slowest growth rate in two decades—before accelerating to 2.9 percent in 2022. From 2022 onward, Tanzania is expected to remain among the top ten growth performers in SSA. The headline inflation rate is expected to remain below the official target of 5 percent, one of the lowest levels among EAC member states (Figure 29).

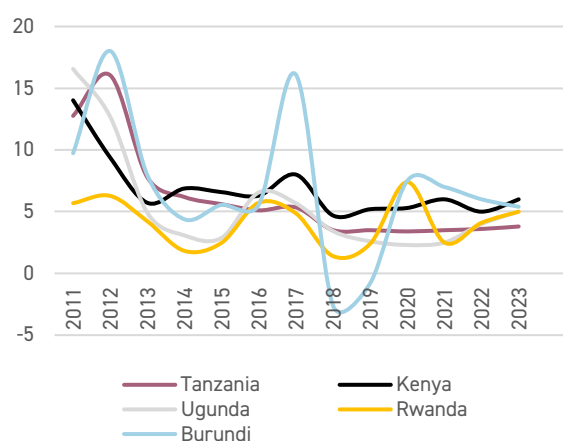
**The current-account deficit is expected to widen to 3.7 percent of GDP in 2022 as rising imports outpace the growth of exports.** Exports are expected to recover, led by services and nontraditional sectors such as manufacturing and gold. Exports to EAC member states and other neighboring countries have recently increased, and gold exports are expected to remain relatively high. Gold prices have declined since July 2020 but are still above their 2019 level. Tourist arrivals have increased and are projected to continue rising as the worldwide vaccine rollout continues. A combination of expanding capital-goods imports for major investment projects and a rising oil-import bill will more than offset the growth of exports, widening the trade deficit. Although oil prices have declined since October 2021, West Texas International (WTI) crude prices exceeded US\$76 per barrel in December 2021 and are expected to remain elevated. A combination of rising FDI inflows and external borrowing is expected to finance the current-account deficit (Table 6).

**Figure 28: GDP and Population Growth Rates, Tanzania**



Source: NBS, WB staff estimates.

**Figure 29: Annual Inflation Rates, Tanzania and Comparators**



Source: OCGS.

**Table 6: Medium-Term Outlook (annual % change unless otherwise indicated)**

	2018	2019	2020	2021e	2022f	2023f
<b>Real GDP growth, at constant market prices</b>	<b>5,4</b>	<b>5,8</b>	<b>2,0</b>	<b>4,3</b>	<b>5,4</b>	<b>5,9</b>
Private Consumption	5,6	3,1	1,0	3,9	4,9	4,5
Government Consumption	2,0	2,3	7,4	14,3	6,6	3,9
Gross Fixed Capital Investment	7,7	8,0	2,4	6,7	7,8	6,8
Exports, Goods and Services	-1,7	19,0	-8,6	2,2	4,2	6,6
Imports, Goods and Services	16,7	-1,4	-7,6	13,3	9,8	3,6
Inflation (consumer price index)	3,5	3,5	3,4	3,5	3,7	4,0
Current Account Balance (% of GDP)	-3,9	-2,3	-1,6	-3,1	-3,7	-3,0
Net Foreign Direct Investment (% of GDP)	1,7	2,0	1,1	1,2	1,3	1,4
Fiscal Balance (% of GDP in FY)	-2,6	-2,2	-2,0	-3,7	-4,2	-4,0
Debt (% of GDP)	41,8	39,6	40,6	40,6	39,7	39,6

Source: World Bank staff estimates.

**Increased recurrent spending and the accelerated implementation of flagship capital projects are projected to expand the fiscal deficit to 4.2 percent of GDP in 2022.** Recurrent expenditures are expected to increase significantly as the government strengthens its public health response to the COVID-19 pandemic; meanwhile, interest payments are rising, and the clearance of verified arrears has accelerated (Table 6). Moreover, development expenditures are projected to increase as the government steps up implementation of major projects in the transportation and energy sectors. Domestic and external borrowing will finance the fiscal deficit. The public debt stock is expected to rise to 38.8 percent of GDP, but debt vulnerabilities will remain moderate.

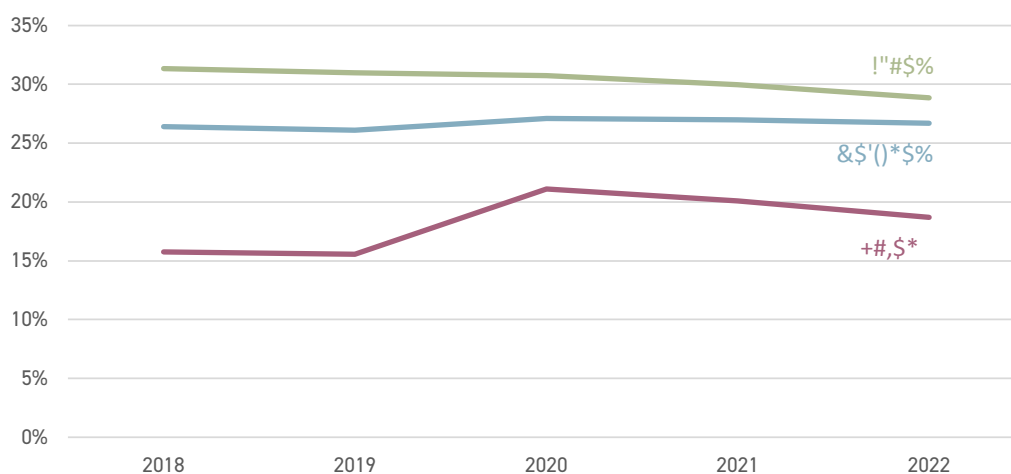
**The latest joint IMF-World Bank Debt Sustainability Analysis, conducted in September 2021, concluded that Tanzania's risk of external debt distress had increased from low to moderate.**

The downgrade primarily reflected the collapse of tourism exports during the COVID-19 pandemic in a context of increased non-concessional borrowing and rising debt service. In addition, the new debt-carrying-capacity classification lowered the debt-burden thresholds. The results of the analysis underscore the importance of boosting revenue mobilization and maximizing concessional borrowing. Other key recommendations include: (i) improving public investment management and proceeding only with investment projects that offer clear socioeconomic payoffs; and (ii) enhancing the coverage and transparency of public sector debt statistics, including non-guaranteed debt, to minimize the risk of unanticipated liabilities. Given the large fiscal demands of the pandemic response, to preserve debt sustainability the government will need to carefully balance emergency spending with the country's broader development agenda.

**The national poverty rate is expected to decline to 26.7 percent in 2022 and reach 26.4 percent in 2023, broadly in line with its 2018 level.**

Increased agricultural productivity and high-quality employment growth outside the agricultural sector will be crucial to ensure further poverty reduction. Meanwhile, the recovery of the service sector has been weak, and a sectoral expansion of just 2.6 percent in 2021 failed to match the population growth rate of 3 percent. The urban poverty rate is expected to drop from 20.1 percent in 2021 to 18.7 percent in 2022, still about 3 percentage points above its 2019 level (Figure 30). Increasing the share of the workforce employed in productive wage jobs and raising the productivity of low-income workers in the nonfarm informal sector will be vital to support further gains in poverty reduction. In addition, with 61 percent of the workforce still engaged in agriculture, strengthening the performance of the agricultural sector remains a top priority. As the agricultural growth rate is projected to rise from 3.1 percent in 2020 to 4.1 percent in 2021 and 4.6 percent in 2022, the rural poverty rate is expected to drop from 30 percent in 2021 to 28.9 percent in 2022.

**Figure 30:** National Poverty Rates, 2018-2022, Estimated and Projected (%)



Source: NBS' Household Budget Survey 2017/18 for 2018 estimate and World Bank projections using sectoral growth rates and estimated poverty to growth elasticities for Tanzania

**Risks to Tanzania's economic outlook have moderated, but the recovery continues to hinge on external developments and domestic health policies.** Real GDP is expected to grow by between 4.5 and 5.5 percent in 2022, below its long-run potential growth rate of about 6 percent. The evolution of the pandemic and the pace of vaccination, both globally and domestically, will largely determine the trajectory of future growth. Continued vaccination progress, improved regional trade and cooperation, and policy reforms to improve the business environment have somewhat attenuated downside risks. Nevertheless, the emergence of new coronavirus variants, reduced capital flows, elevated debt levels, persistent inflationary pressures, and supply bottlenecks threaten the projected recovery (Figure 31).

**Figure 31:** Real GDP Growth Rate Forecasts under Alternative Scenarios (%)



Source: WB staff estimates based on NBS data.

Note: The fan chart shows the likelihood of different GDP growth outcomes in 2021 and 2022. The estimates are based on growth scenarios and risk profiles under different assumptions regarding viral spread, containment measures, and economic policy responses. The darker bands indicate the most likely outcomes, and the central black line is the baseline scenario.

*More aggressive action is necessary to protect lives and support an inclusive and resilient recovery*

**The government must provide adequate protection to households and business while building the institutional capacity to support a robust and equitable recovery.**

Following the recommendations of the expert committee, the authorities are rolling out a COVID-19 vaccination program and have strengthened the national health response. The government has loosened its fiscal policy stance to create space for increased health and economic spending, including greater support for households and human development, as well as institutional capacity-building. However, greater efforts are needed to protect the poorest households, facilitate job creation, and enable the swift recovery of the private sector. Ensuring sustainable and inclusive medium-term economic growth will require a well-designed package of policies targeting macroeconomic and fiscal stability, along with private-sector-led growth. The key challenges facing the government can be organized under the four policy areas described below (Table 7).

**Table 7:** Priority Policy Areas and Key Actions

— = INITIATE	→ = CONTINUE	↗ = STRENGTHEN
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## 1. Saving Lives



+

Expanding efforts to prevent, detect, and treat COVID-19 while enhancing the transparency of public health information

Strengthening transparency and ensuring timely reporting of COVID-19-related information to policymakers and the public (short term)



Accelerating the procurement and deployment of vaccines in urban and rural areas (short term)



Strengthening community-based containment strategies focused on promoting masking, handwashing, and social distancing, as well as the proactive identification, isolation, and management of COVID-19 cases (short term)



Expanding the capacity of essential hospital and medical services, including critical care and respiratory care, and refurbishing frontline facilities (short-to-medium term)



## 2. Protecting Poor and Vulnerable Households



+

Building a resilient and inclusive social protection system

Expanding the coverage of the PSSN, including among the urban poor (short term)



Creating a social insurance program for informal workers and expanding Zanzibar's social pension system to mainland Tanzania (medium term)



Establishing a medium-term financing strategy for the social protection sector (short term)



Developing a unified social registry (medium term)



Increasing women's participation in the workforce via efforts aimed at ending child marriage, lowering school dropout rates, and expanding childcare support



Strengthening women's land rights and increasing their agricultural productivity by expanding females' access to male household labor and to productive agricultural inputs



Promoting policies aimed at strengthening women's financial inclusion and ability to manage their personal and business finances





### 3. Supporting a Jobs-Intensive, Green Private-Sector-Led Recovery<sup>12</sup>



Supporting viable firms and promoting private investment



Evaluating and strengthening existing private-sector support programs, such as the expedited arrears-clearance and VAT-refund efforts, as well as targeted soft loans (short term)



Enhancing the quality, frequency, and scope of the public-private dialogue (short-to-medium term)



Addressing administrative inefficiencies in private-sector regulation and streamlining licensing processes (short term)



Prioritizing green public investment in ready-to-invest infrastructure for manufacturing (medium term)



Offering tailored business and life-skills training to female entrepreneurs as well as expanding access to internships and apprenticeship programs



### 4. Expanding the Available Fiscal Space while Maintaining Debt Sustainability



Improving expenditure efficiency, mobilizing domestic revenue, and borrowing responsibly



Strengthening expenditure efficiency and public investment management to create fiscal space for investments in education, connectivity, and environmental infrastructure (short-to-medium term)



Strengthening clearance of the domestic payment and VAT-refund arrears; and preventing the accumulation of new arrears (short-to-medium term)



Broadening the VAT base while simplifying and modernizing VAT administration (short-to-medium term)



Increasing revenue collection from the informal sector by safeguarding the presumptive tax base and strengthening revenue administration (medium term)



Improving excise taxation through a mix of policy and administrative reforms (medium term)



Prioritizing concessional financing and ensuring that projects financed by non-concessional external loans have an adequately large impact on growth and exports (short-to-medium term)



Enhancing fiscal and debt transparency through the timely publication of reliable data (short term)



Photo: World Bank





# 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.*

# Introduction

**Tanzania has experienced over 20 years of sustained economic growth, culminating in its transition from low-income country (LIC) to lower-middle-income country (LMIC) status in July 2020.** Between 2007 and 2017, Tanzania's GDP growth rate averaged 6.3 percent per year; 3.3 percent when adjusted by population size. Sustained growth and job creation caused the national poverty rate to fall from 34.4 percent in 2007 to 26.4 percent in 2018, while the extreme poverty rate dropped from 12 to 8 percent.<sup>13</sup> Under the Tanzania Development Vision 2025, the government lays out a roadmap to transition the country to middle-income status by 2025. The strategy includes ambitious goals for the development of human and physical capital, and emphasizes gender equity in its full range of social, economic, and political dimensions.<sup>14</sup>

**Tanzania's sustained progress in expanding women's economic opportunities has contributed to its success in growth and poverty reduction.**<sup>15</sup> The female LFPR rose from 67 percent in 2000-01 to 80 percent in 2019,<sup>16</sup> well above the average of 63 percent for Sub-Saharan Africa (SSA) and among the highest in the continent. Moreover, a large share of Tanzanian women are now compensated employees, and the ratio of women to men in jobs paying wages and salaries rose from 0.35 in 2000 to 0.64 in 2019.<sup>17</sup> Meanwhile, the share of women engaged in unpaid agricultural work fell from 78 percent in 2004-05 to 64 percent in 2015-16.<sup>18</sup>

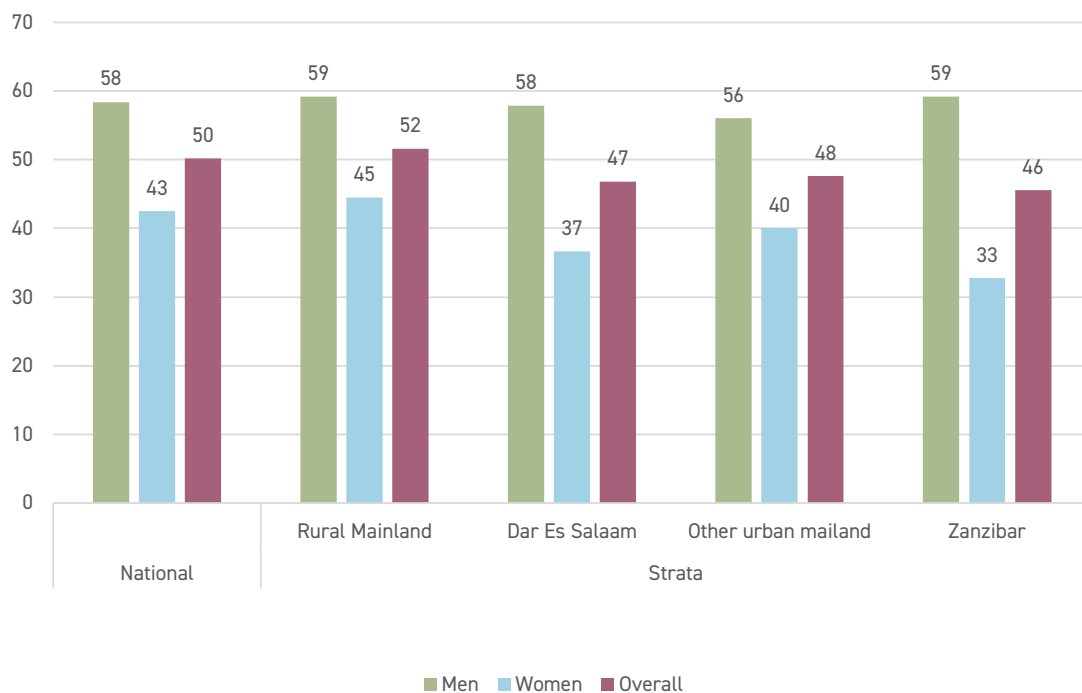
**Despite these impressive gains, several factors continue to hinder the ability of Tanzanian women to realize their full economic potential.** Urban poverty rates are significantly higher among female-headed households (20.3 percent) than among male-headed household (14 percent), and the share of employed women dropped from 79 percent in 2004-05 to 72 percent in 2015-16.<sup>19</sup> Women are much more likely than men to be engaged in unpaid labor, and women with wage jobs tend to earn less than their male counterparts.<sup>20</sup> Tanzania's average fertility rate is high, at 4.8 children per adult woman,<sup>21</sup> and elevated fertility rates—including high rates of adolescent pregnancy—are correlated with decreased economic activity, lower levels of education, poverty, and diminished female agency.

**Tanzanian women continue to face serious constraints on access to land and productive assets.** About 25 percent of men are sole owners of land, versus just 8 percent of women, while about 7 percent of women are sole homeowners, compared to 26 percent of men.<sup>22</sup> Tanzania's rates of both landownership and homeownership are below the SSA average. In 2017, 44 percent of men had a mobile-money account, while among women these shares were just 33 percent.<sup>23</sup>

**The economic impact of COVID-19 has been especially severe among businesses owned by women.** The COVID-19 Future of Business Survey, which was conducted in May 2020 and covered all of SSA, found that the closure rate for female-owned businesses was 43 percent, while the rate for male-owned businesses was 34 percent.<sup>24</sup> Closures of female-owned businesses were correlated with school closures, highlighting the constraints that childcare responsibilities impose on women's economic opportunities. Moreover, in Tanzania, 97 percent of female-owned businesses sell to final consumers, compared to 89 percent of male-owned businesses, and consumer-focused activities such as travel, tourism, hospitality, and childcare services appear to have fared the worst during the pandemic.

**Evidence from the High-Frequency Phone Surveys (HFPS)<sup>25</sup> suggests that the pandemic has disproportionately affected women's employment opportunities.** Preliminary estimates from the HFPS administered in June-July of 2021 indicate that 58 percent of male household members reported working, compared to 43 percent of female household members (Figure 32). Gender disparities in employment are evident across all regions the country. About 26 percent of women reported being out of work due to illness, compared to only 16 percent of men. While this is a preliminary statistic that requires further analysis, it suggests that illness from COVID-19 may be disproportionately affecting women's ability to work. Moreover,<sup>26</sup> 10 percent of women reported the closure of a business as the reason for not working, compared to just 3 percent of men.

**Figure 32:** Share of Working-Age Household Members Who Worked during the week prior to the June-July 2021 Survey



Source: Preliminary findings from the first three rounds of the HFWS.

**This report builds on previous editions of the Tanzania Economic Update (TEU) that have examined human capital and the role of gender in Tanzania's social and economic development.** The January 2019 TEU explored the challenges of educating girls and ending child marriage, while the July 2019 TEU presented a comprehensive assessment of the factors associated with human capital accumulation formation. Recent editions of the TEU have focused on the economic impact of COVID-19, including its implications for the tourism industry and for the information and communications technology sector. This edition draws on those reports to inform its analysis of gender disparities and women's economic empowerment.

**This edition of the TEU details the significant benefits that Tanzania could garner by expanding women's economic opportunities, with a special focus on access to land and productive assets.** Over the past several decades, Tanzania has made significant progress in increasing women's access to education, entrepreneurship, and wage employment, and women's economic empowerment played a major role in the country's transition to LMIC status. However, substantial gender disparities persist in key areas. Bridging the gender gap in agricultural productivity could boost Tanzania's annual GDP by 0.86 percent; eliminating the gender wage gap could have sizeable effects on household welfare;<sup>27</sup> and strengthening women's tenure security could spur investments in the productivity of agricultural land. Among developing countries, higher levels of financial inclusion are associated with significantly lower rates of poverty and income inequality, as well as faster rates of economic growth and employment creation.

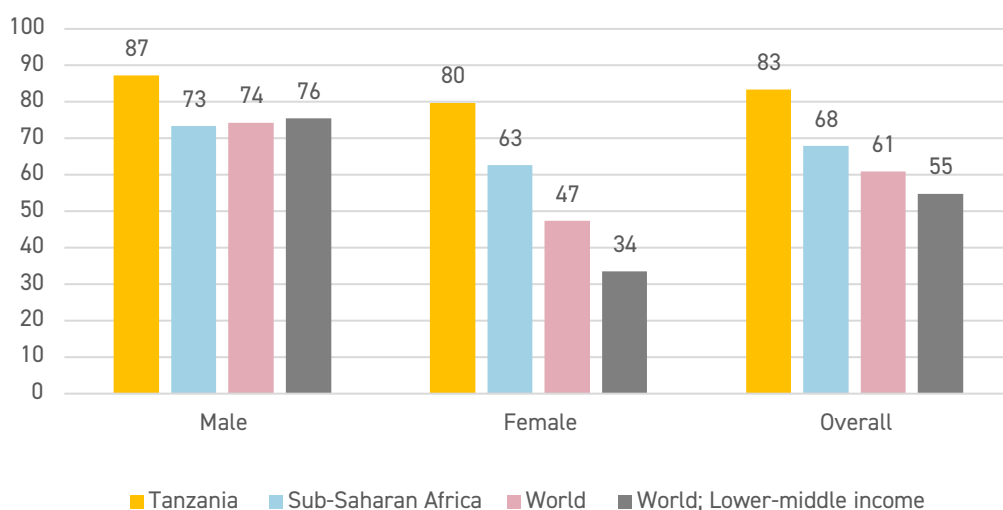


Photo: World Bank

*While Tanzania has made important strides toward ensuring women’s economic empowerment, major gender gaps remain*

**As it transitioned to LMIC status, Tanzania made considerable progress on key indicators of gender equality.** In 2019, the LFPR was estimated at 83 percent, with rates of 87 percent among men and 80 percent among women.<sup>28</sup> Tanzania’s overall LFPR is far above the SSA average of 68 percent, and its estimated gender gap is 3 percentage points smaller than the regional average (Figure 33). However, while economic engagement among Tanzanian women has increased substantially over the past two decades, the gender gap has widened: in 2000-01, the overall LFPR was 68 percent, with almost equal rates of 69 percent for men and 67 percent for women.<sup>29</sup> Nevertheless, the ratio of female-to-male participation in wage and salaried work nearly doubled over the period, rising from 35 percent in 2000 to 64 percent in 2019,<sup>30</sup> while the rate of unpaid agricultural work among women fell by more than 10 percentage points between 2004-05 and 2015-16.<sup>31</sup>

**Figure 33:** Labor Force Participation Rates by Gender, Tanzania and Comparators, 2019



Source: Authors’ elaboration based on the Global Findex Database 2021

**Box 4**  
**Household Surveys in Tanzania**

The household surveys used in this analysis include Tanzania’s 2015-16 Demographic Household Survey and Malaria Indicator Survey (TDHS-MIS) and 2021 Living Standards Measurement Study and Integrated Surveys on Agriculture (LSMS-ISA). The 2015-16 TDHS-MIS captures information on a range of socioeconomic indicators related to household wellbeing, including family planning, maternal mortality, gender-based violence, nutritional status, and malaria incidence. Previous rounds of the TDHS-MIS surveys were completed in 1991-92, 1996, 1999, 2004-05, and 2010. A new round of the survey is currently underway.

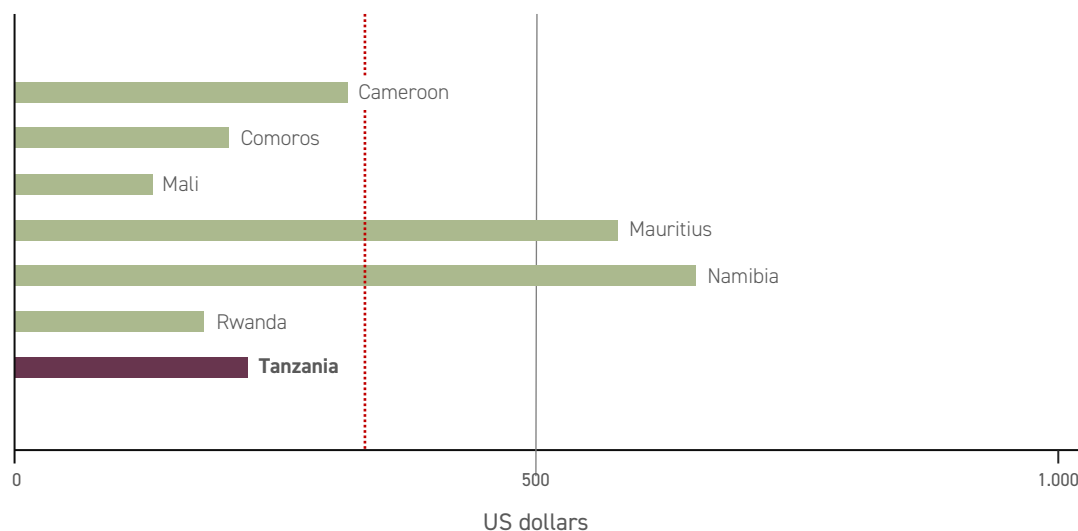
The LSMS-ISA is a nationally representative survey that collects extensive information on agricultural production, consumption expenditures, and nonfarm income-generating activities, as well as a range of household socioeconomic characteristics. Previous survey rounds were conducted in 2008-09, 2010-11, 2012-13, 2014-15, 2019-20. The Tanzania LSMS-ISA differs from many other nationally representative household surveys in that a sub-component aims to track the same households over time.

**However, the persistent economic challenges faced by Tanzanian women continue to slow economic growth.** Tanzania's large and persistent gender gaps in agricultural productivity, wage rates, the business environment, access to land, homeownership, and financial services slow economic growth. Alleviating these disparities would greatly enhance economic efficiency while contributing to broad and lasting gains in household welfare.

**Most of Tanzania's labor force remains concentrated in the agricultural sector, which suffers from profound gender gaps in productivity.** In 2019, 65 percent of the workforce was engaged in agriculture, including 67 percent of women and 64 percent of men.<sup>32</sup> The gender gap in agricultural productivity is estimated at 20-30 percent.<sup>33</sup> A full 97 percent of the gender gap is explained by women's diminished access to male family labor, while the remaining percent reflects lower levels of access to agricultural implements and pesticides.<sup>34</sup>

**Female wage workers tend to make less money than their male counterparts; they are more likely to go unpaid; and their monthly earnings are below the levels of several regional comparators.** An estimated 22 percent of Tanzanian women are engaged in wage employment, compared to 48 percent of men,<sup>35</sup> and women wage workers earn about 88 cents for each dollar earned by male wage workers.<sup>36</sup> Moreover, at an average of US\$158 per month, the earnings of female wage workers in Tanzania are also significantly below the averages for many comparable countries in SSA (Figure 34).

**Figure 34:** Mean Nominal Monthly Wages among Female Employees by Industry among SSA Countries for Which Data are Available, 2014 (US\$)



Source: Author's elaboration using ILO Model retrieved via ILOSTAT in November 2021.

Note: The red dotted line represents the monetary average across SSA countries displayed here.

**Tanzania has relatively high rates of female entrepreneurship, but various constraints reduce the returns of female-owned enterprises.** Women own 48.1 percent of nonfarm enterprises in mainland Tanzania, including 44 percent in rural areas and 51 percent in urban areas.<sup>37</sup> Across SSA, the performance of female-owned businesses consistently lags that of their male-owned counterparts.<sup>38</sup> A multivariate regression analysis of data from the 2021 Tanzania LSMS-ISA finds that, when controlling for individual, household, and enterprise-level factors, the sales of female business managers are nearly 46 percent less than those of male managers.<sup>39</sup> Challenges facing female entrepreneurs include diminished access to capital and exclusion from male-dominated sectors. On the entrepreneurship indicator of the 2021 Women, Business and the Law index,



which captures gender inequalities in access to credit, opening a bank account, registering a business, and signing contracts, Tanzania scores close to the SSA average but significantly below the levels of regional comparators such as Angola, Central African Republic, South Africa, Togo, Zambia, and Zimbabwe.<sup>40</sup>

**Women's ability to participate in the workforce is further constrained by inadequate access to childcare services and low levels of enrollment in upper-secondary education.** In 2021, the net enrollment ratio<sup>41</sup> for pre-primary education was 65.8 percent, far from covering the entire population.<sup>42</sup> In 2019, only 9.1 percent of pre-primary teachers in Tanzania had a diploma or higher qualification.<sup>43</sup> The international literature highlights the importance of access to childcare in expanding women's economic participation. For example, a study in Kenya found that women with access to subsidized informal childcare facilities were 8.5 percentage points more likely to be employed than those without access.<sup>44</sup> In Tanzania, gender disparities have narrowed at the primary and lower-secondary levels, but they persist at the upper-secondary level, where the female-to-male enrollment ratio is 0.78:1.<sup>45</sup>

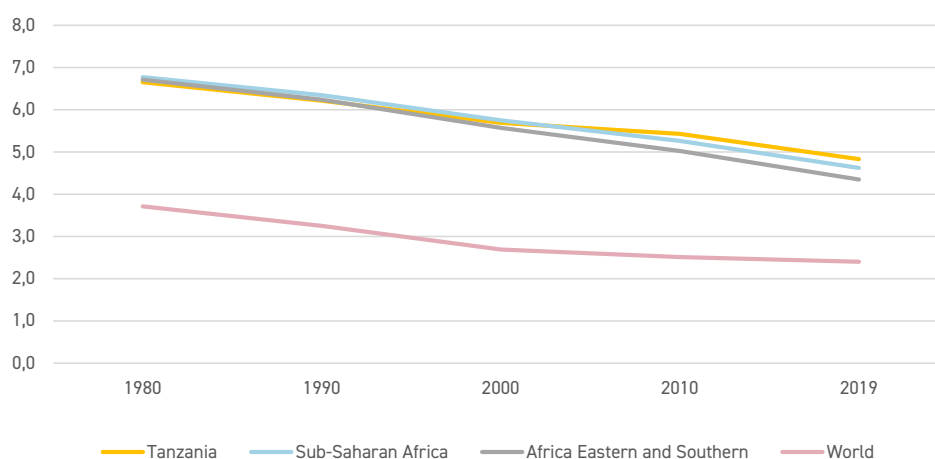
#### Box 5

#### Fertility Rates and Women's Economic Empowerment

Tanzania's average fertility rate fell from 6.2 children per woman in 1991 to 4.8 in 2019, slightly above the SSA average of 4.6 (Figure 35). While the adolescent fertility rate has fallen from 134 to 115 births per 1,000 women aged 15-19, it remains above the SSA average of 100. High fertility rates pose multiple challenges. In Tanzania, an estimated 1 in 33 women dies during pregnancy, at childbirth, or within two months of giving birth; high fertility rates strain the country's scarce healthcare resources, contributing to elevated levels of maternal mortality.<sup>46</sup> Meanwhile, rapid population growth slows poverty reduction and intensifies pressure on Tanzania's limited physical, environmental, and institutional capital. High levels of adolescent fertility are associated with elevated school dropout rates, child marriage, and other negative health, educational, and social outcomes that diminish women's lifelong economic productivity and constrain their ability to participate in the formal labor market.

To further reduce fertility rates, especially among adolescents, the government must invest in programs designed to lower dropout rates and encourage former students to return to school. In parallel, the authorities must continue to expand access to reproductive health and family planning services, involve men in birth-spacing interventions, and reduce the incidence of child marriage. Estimates suggest that the lower rates of fertility and population growth associated with ending child marriage could reduce Tanzania's education spending by US\$311 million by 2030 while sharply reducing rates of infant mortality and stunting.<sup>47</sup>

**Figure 35:** Total Fertility Rate



## Wide gender gaps in land ownership and in access to assets diminish the productivity of women

### Land tenure insecurity is pervasive in Tanzania, and women are more likely to be land insecure.

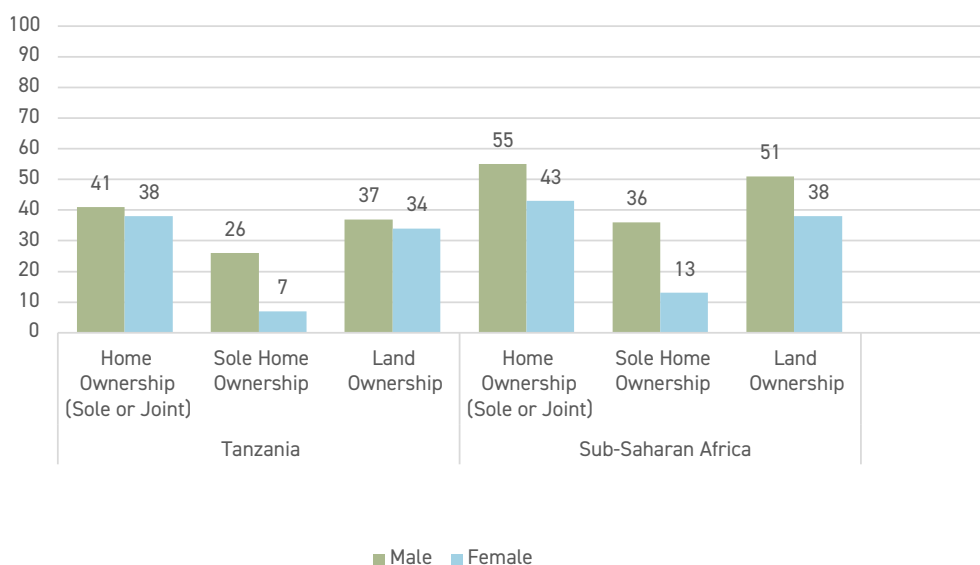
Women are only marginally less likely than men to own land (34 percent versus 37 percent), and rates of both male and female landownership are below the average for 28 SSA

countries (38 percent and 51 percent, respectively).<sup>48</sup> However, 25 percent of Tanzanian men are the sole owners of land, while the same is true for just 8 percent of women.<sup>49</sup> Around 90 percent of rural land in SSA is unregistered, and women are less likely than men to have ownership documents. In Tanzania, over 80 percent of male landowners and almost 85 percent of female landowners lack a formal title or deed.<sup>50, 51</sup>

### Tanzania's homeownership rates are below the regional average, and substantial gender gaps persist.

Just 38 percent of Tanzanian women own a house, either alone or jointly, versus 41 percent of men. About 7 percent of women claim sole ownership of a house, while the rate of homeownership among men is 26 percent. Moreover, 79 percent of female homeowners lack a title or deed, compared to 76 percent of men.<sup>52</sup> Across SSA, 43 percent of women own a house, either alone or jointly, while the same is true for 55 percent of men, and only about 13 percent of women are sole homeowners, compared to 36 percent of men (Figure 36).<sup>53</sup>

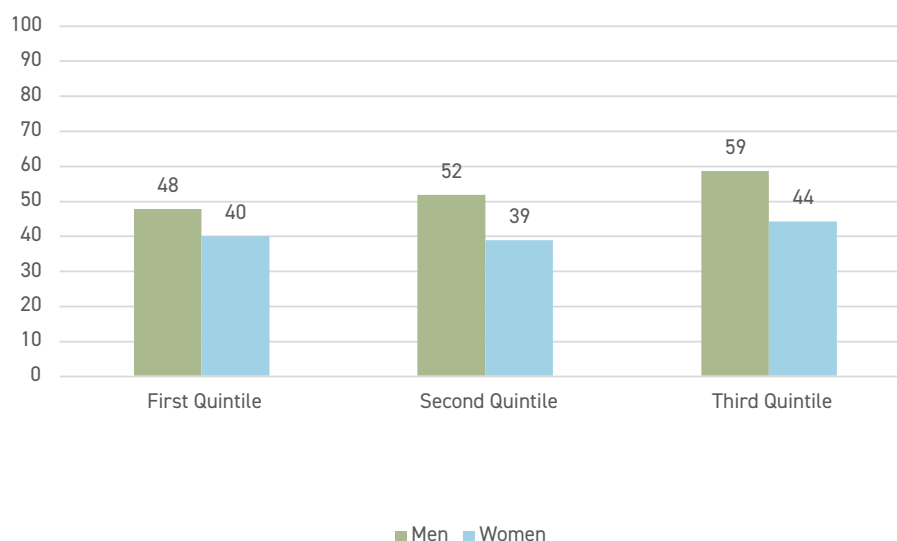
**Figure 36:** Land Tenure and Homeownership by Gender, Tanzania and SSA



Source: Tanzania indicators retrieved from the DHS 2015-2016 and regional averages retrieved from pooled DHS estimates of SSA in Gender Gaps in Property Ownership in SSA, 2018

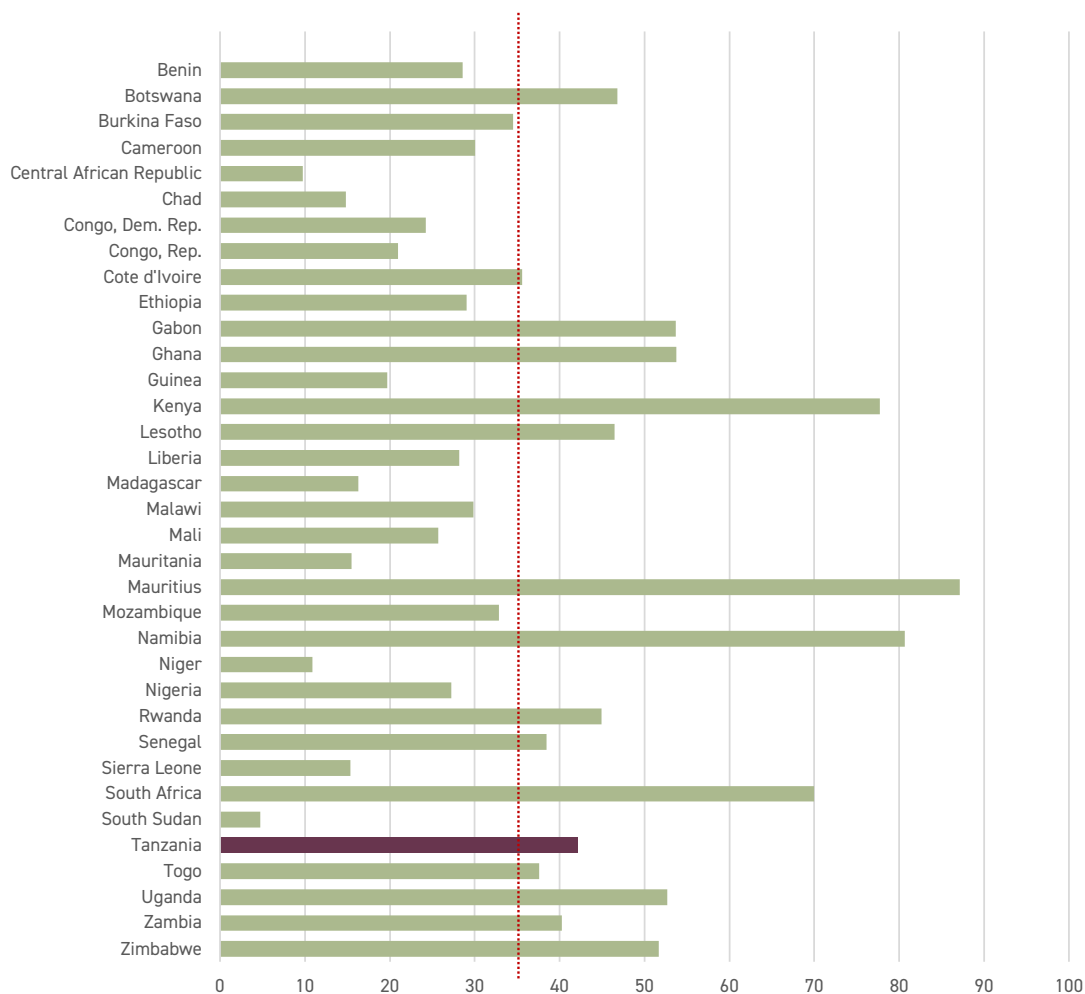
**Tanzanian men are also more likely to have access to household assets.** In 2016, an estimated 52 percent of women reported owning a phone, compared to 69 percent of men.<sup>54</sup> Moreover, 59 percent of men from households in the highest income quintile reported owning livestock, versus just 44 percent of women.<sup>55</sup> Among households in the lowest quintile, these figures were 48 percent and 40 percent, with statistically significant gender differences observed across all quintiles (Figure 37). The Women, Business, and the Law index's assets indicator, which capture gender inequalities in ownership rights, inheritance, and rights to nonmonetary contributions and immovable property, Tanzania scores significantly below the average for SSA and below the levels of regional comparators.<sup>56</sup>

**Figure 37:** Livestock Ownership by Gender and Income Quintile, Tanzania



Source: FAO, 2020

**The share of Tanzanian women with an account at a formal financial institution or mobile-money provider is above the SSA average, but the gender gap remains wide.** The share of women with an account rose from 14 percent in 2011 to 42 percent in 2017, above the regional average of 37 percent but below the levels of several comparator countries (Figure 38).<sup>57</sup> Meanwhile, the share of men with an account is much higher at 52 percent. Rates of account ownership among both men and women are below the averages for LMICs (67 percent and 59 percent, respectively).<sup>58</sup> In 2017, 38.5 percent of the Tanzanian population had a registered mobile-money account, including 44 percent of men and 33 percent of women.<sup>59</sup>

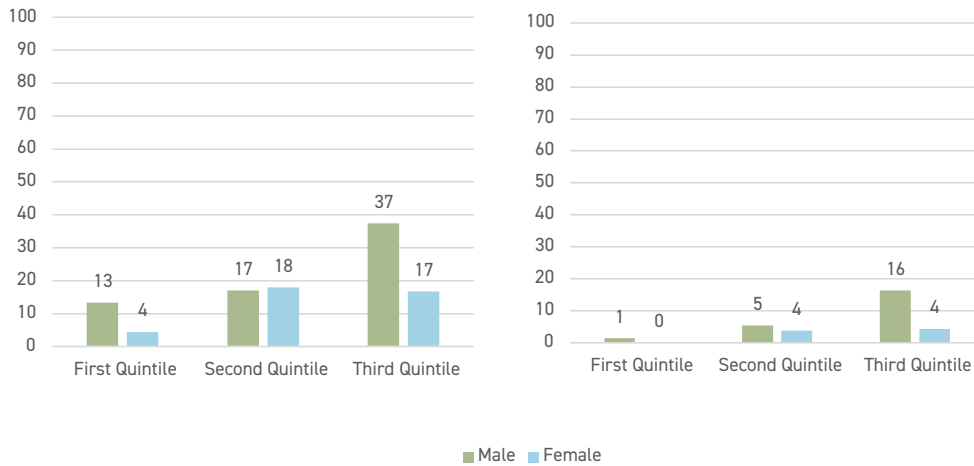
**Figure 38:** Share of Women Ages 15+ with a Bank Account, Selected SSA Countries, 2017

Source: Authors' elaboration based on the Global Findex Database, 2021

Note: The dotted red line represents the SSA average (excluding high-income countries)

**Familiarity with the formal financial sector also varies by gender.** Among households in the lowest quintile of the income distribution, 13 percent of men reported having ever been inside a bank, while the same was true for only 4 percent of women.<sup>60</sup> Among households in the highest quintile, these shares are higher at 37 percent of men and 17 percent of women. Moreover, men from households in the highest quintile were three times more likely than women to have a bank account (Figure 39). Gender disparities across both indicators are statistically significant for the first- and third-income quintiles.

**Figure 39:** Experience with Financial Services by Gender and Income Level, Tanzania



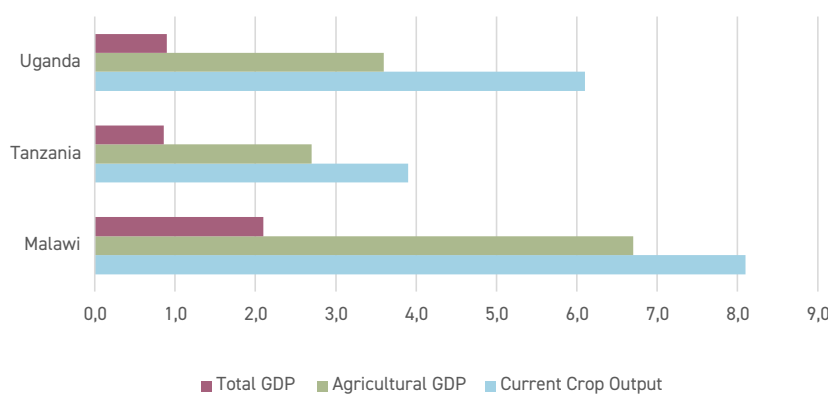
Source: Deconstructing the Gender Gap in Rural Financial Inclusion, FAO (2021)

*Women’s economic empowerment is vital to economic growth*

**Eliminating gender disparities in the agricultural sector would greatly accelerate poverty reduction while enhancing the productivity of the rural economy.**

Closing the conditional gender gap in agricultural productivity<sup>61</sup> could lift approximately 80,000 Tanzanians out of poverty every year<sup>62</sup> while increasing annual agricultural output by 2.7 percent and boosting annual GDP by 0.86 percent (Figure 40). Closing the gender gap in access to male labor alone could increase Tanzania’s GDP by US\$102 million.

**Figure 40:** The Impact of Closing the Gender Gap in Agricultural Productivity on Marginal Crop Production, Total Agricultural Output, and GDP, Tanzania and Comparators



Source: The cost of the gender gap in agricultural productivity in Malawi, Tanzania and Uganda, 2015 UN Women, UNDP, UNEP, and the World Bank Group.

**Narrowing the gender gap in labor-force participation could further increase Tanzania's GDP by maximizing the value of its human capital.** A 25 percent reduction in the disparity between male and female LFPRs could boost annual global employment by 189 million and increase worldwide GDP by 3.9 percent.<sup>63</sup> In SSA, a 25 percent reduction in LFPR gender gaps could boost the continent's aggregate GDP by 2.2 percent by 2025 (Table 8).<sup>64</sup> A 2021 study found that, in Tanzania, closing the difference between male and female employment could increase long-term per-capita GDP<sup>65</sup> by 4.8 percent.<sup>66</sup> Moreover, a 2019 study in Ethiopia found that eliminating gender gaps in agricultural productivity, business sales, and hourly wages would increase output by US\$1.1 billion (1.4 percent of GDP), US\$1.1 billion (1.4 percent of GDP), and US\$1.5 billion (1.9 percent of GDP), respectively.<sup>67</sup> Eliminating gender wage gaps is also linked with decreased levels of domestic violence.<sup>68</sup>

**Table 8:** Projected Effects of a 25% Reduction in the Gender Gap in Labor-Force Participation by 2025

Country/region	Labour force		Employment		GDP
	Millions	Per cent	Millions	Per cent	Per cent
<b>World</b>	<b>203,9</b>	<b>5,4</b>	<b>188,6</b>	<b>5,3</b>	<b>3,9</b>
Developing countries	7,8	2,1	7,1	2	2
Emerging countries	175,5	6,3	162,4	6,2	4,8
Developed countries	20,6	3,3	19	3,3	2,6
<b>Northern Africa</b>	<b>11,4</b>	<b>13</b>	<b>9,1</b>	<b>11,8</b>	<b>9,5</b>
<b>Sub-Saharan Africa</b>	<b>11,1</b>	<b>2,2</b>	<b>10,1</b>	<b>2,1</b>	<b>2,2</b>
<b>Latin America and the Caribbean</b>	<b>17,4</b>	<b>5</b>	<b>15,8</b>	<b>4,9</b>	<b>4</b>
<b>Northern America</b>	<b>4,8</b>	<b>2,5</b>	<b>4,5</b>	<b>2,5</b>	<b>2</b>
<b>Arab States</b>	<b>7,8</b>	<b>11,8</b>	<b>6</b>	<b>10,2</b>	<b>7,1</b>
<b>Eastern Asia</b>	<b>27,3</b>	<b>3</b>	<b>26,2</b>	<b>3</b>	<b>2,5</b>
<b>South-Eastern Asia and the Pacific</b>	<b>15,9</b>	<b>4,1</b>	<b>15</b>	<b>4</b>	<b>3,5</b>
<b>Southern Asia</b>	<b>92,7</b>	<b>11,1</b>	<b>87,7</b>	<b>11</b>	<b>9,2</b>
<b>Northern, Southern and Western Europe</b>	<b>5,7</b>	<b>2,6</b>	<b>5,1</b>	<b>2,6</b>	<b>2</b>
<b>Eastern Europe</b>	<b>4,5</b>	<b>3,3</b>	<b>4,2</b>	<b>3,3</b>	<b>2,6</b>
<b>Central and Western Asia</b>	<b>5,3</b>	<b>6,6</b>	<b>4,8</b>	<b>6,5</b>	<b>5,7</b>

Note: GDP indicates the percentage increase in GDP projected by 2025 using PPP exchange rates

**Increased wage employment among women is associated with improved mental health and a decline in negative social behaviors.** A qualitative study of an entrepreneurship training program in Tanzania found that participants experienced a greater sense of self-worth within the community.<sup>69</sup> Conversely, a qualitative study of South African youth found that the depression and low self-esteem which accompany unemployment were associated with increases in criminal activity and sexually abusive behavior.<sup>70</sup>



Photo: World Bank

*Expanding women's access to land and assets is crucial to support economic development and improve household welfare*

**Strengthening land-tenure security is associated with increased investments in land conservation, especially among women.**

Insecure land rights are linked with drops in agricultural investments and productivity; in Tanzania, an impact evaluation of USAID's Land Tenure Assistance (LTA) activity found that it had a large effect on household tenure security. The qualitative component of the impact evaluation found that it increased women's access to land resources and tenure security.<sup>71</sup> An impact evaluation of Rwanda's nationwide land-tenure regularization program found that individuals whose plots had been registered through the program were almost 10 percentage points more likely to invest in soil conservation.<sup>72</sup> The effect was especially strong among female-headed households, which increased their land investment by 19 percent.

**Higher levels of financial inclusion are linked with lower poverty rates and less income inequality.**

An analysis of a panel dataset of 116 developing countries during 2004 to 2016 covering indicators of financial penetration, availability, and usage found that financial inclusion significantly reduces poverty rates and income inequality across developing countries.<sup>73</sup> Moreover, a recent study of eight countries in South Asia from 2004 to 2018 found that increased financial inclusion is correlated with greater household investment in education and healthcare.<sup>74</sup> An econometric analysis using data from 140 countries, including 34 in SSA, found that unequal financial access is associated with higher levels of income inequality and that narrowing gender disparities in financial inclusion can substantially reduce inequality.<sup>75</sup>

**Equitable access to assets is fundamental to women's economic empowerment.** A 2019 impact evaluation in Pakistan found that asset ownership among women is associated with increased decision-making power regarding agricultural production, improved access to labor and other resources, greater control over household expenditure decisions, stronger community leadership, and more efficient time management.<sup>76</sup> Moreover, qualitative evidence from a program in Bangladesh found that providing assets and technical education to women increased their social capital and confidence levels.<sup>77</sup>

**Evidence suggests that increased levels of financial inclusion can also boost women's intra-household bargaining power and promote more equitable gender roles within communities.**

An impact evaluation of an intervention aimed at expanding access to mobile-money accounts and providing business training to female entrepreneurs in Tanzania and Indonesia found that participation significantly increased women's intra-household bargaining power.<sup>78</sup> Moreover, a randomized controlled trial in India found that the uptake of direct-deposit accounts among women, combined with training in how to use them, shifted the work-related gender norms of participating communities three years later.<sup>79</sup>

**Increased female landownership is also associated with lower fertility levels and greater agency over agricultural production.** A study in Nepal found that women who own land have an average of 0.26-0.47 fewer children than do landless women.<sup>80</sup> Similarly, an analysis conducted in northern Ghana found that landownership is associated with increased decision-making power regarding cultivation and membership in agricultural associations.<sup>81</sup>



## Recommendations

**Over the past two decades, Tanzania's sustained progress in expanding women's economic opportunities has contributed to growth and poverty reduction, yet persistent gender disparities continue to slow its economic development.** Sustained growth and job creation caused the national poverty rate to fall from 34.4 percent in 2007 to 26.4 percent in 2018.<sup>82</sup> A large share of Tanzanian women are now compensated employees, and the ratio of women to men in jobs paying wages and salaries rose from 0.35 in 2000 to 0.64 in 2019. However, gender gaps in landownership, wage rates, and agricultural productivity continue to slow economic activity while preventing women from maximizing their contribution to Tanzania's development.

**The government can promote women's economic empowerment by expanding apprenticeship programs and offering tailored business- and life-skills training to female entrepreneurs.** Case studies suggest that expanding women's access to apprenticeship programs, scholarships, and internships can help smooth their transition into traditionally male-dominated sectors.<sup>83</sup> Impact evaluations of programs in Tanzania and Indonesia have shown that training female entrepreneurs in financial and business skills bolstered their savings and capital investment, increased their probability of opening new businesses, and strengthened their decision-making power within the household.<sup>84</sup> Similarly, an impact evaluation of a program designed to support female entrepreneurs in urban Tanzania found that providing tailored business training benefitted experienced entrepreneurs, who reported higher average revenues two years later.<sup>85,86</sup>

**The authorities can strengthen women's land rights by offering land-titling subsidies to lower-income households and by providing incentives to encourage spouses to co-title.** The results of a field experiment in Dar es Salaam found that offering subsidies to lower-income families increased the likelihood that they would acquire a formal land title. To promote gender equity in land ownership, titling subsidies should be conditional on the inclusion of a female spouse or partner in the title, as the same study showed that co-titling did not affect the owners' probability of acquiring a title.<sup>87</sup> A similar experiment in Uganda also found that providing land-titling subsidies that were conditional on the co-titling of both spouses increased demand for co-titling by 50 percent. A parallel strategy included in the same experiment found that showing educational videos to male participants increased the co-titling of female spouses by 25 percent, even when no subsidies were offered.<sup>88</sup> The magnitude of this effect is especially dramatic given the low marginal costs of the program.

**Further evidence suggests that land reforms can help improve service delivery and boost female land ownership, and that co-titling can have a range of positive spillover effects on women.** An econometric analysis of a 2010 land-reform initiative in Lesotho that allowed female land ownership and reduced the costs of registering land found that these measures improved the quality of services, encouraged female land ownership, and increased the share of registered land sales.<sup>89</sup> Moreover, a nonexperimental analysis of land-titling strategies in Vietnam found that households with joint titles invested more both in agricultural and residential land. The same study found that joint titling also improved health outcomes and increased women's employment in nonfarm jobs.<sup>90</sup>

**To address the gender gap in agricultural productivity, policymakers should focus on expanding women's access to male household labor, increasing their use of agricultural inputs, and encouraging the adoption of digital technologies.** As described above, an estimated 97 percent of the gender gap in agricultural productivity in Tanzania is due to women's limited access to male labor. Alleviating financial constraints and tackling negative gender norms can eliminate important distortions in the allocation of agricultural labor. In parallel, expanding research initiatives

can help policymakers better understand imbalances in male and female labor productivity. The government can also increase women's access to agricultural inputs, including fertilizers, pesticides, and agricultural equipment, through targeted interventions. An impact evaluation in Niger showed that access to digital services can improve women's knowledge about agricultural production.<sup>91</sup>

**Behavioral interventions can promote financial inclusion among women and strengthen their capacity to manage both their personal and business finances.** Simply having access to a bank account is associated with a greater propensity to save and invest. In Kenya, a program that provided women with financial accounts increased their savings, boosted investment in their businesses, and increased their daily expenditures.<sup>92</sup> Similarly, the preliminary results from an impact evaluation in Côte d'Ivoire suggest that offering workers a free direct-deposit savings account increased their earnings and productivity by 10 percent.<sup>93</sup>

**Strengthening efforts to end child marriage, lower school dropout rates, and provide childcare support are vital to expand women's participation in the workforce.** Conditional cash-transfer programs have proven to be an effective strategy for keeping female students enrolled in school. A review of three programs in which transfers were conditional on girls' attendance at school found significant declines in dropout rates and in the incidence of child marriage.<sup>94</sup> A study in Kenya found that women who had access to subsidized early childcare were 8.5 percent more likely to be employed.<sup>95</sup> In addition, a study of a multi-channel program in Uganda that provided women with training in sexual health, reproduction, and marriage found that participation increased rates of self-employment.<sup>96</sup>

**Additional legislative initiatives should be introduced to enforce the judicial ban on child marriage and address gender gaps in secondary education.** Tanzania's persistently elevated rates of child marriage contribute to high levels of maternal mortality and population growth, perpetuate gender disparities in educational attainment, and hamper women's ability to participate in the labor market. In 2016, the High Court of Tanzania ruled that marriage among girls under 18 years of age is unconstitutional, and the Court of Appeal reaffirmed this conclusion in 2019. Policymakers should work to ensure that these rulings are respected and enforced.<sup>97</sup> Additional legislative initiatives should explore the possibilities of expanding the law on free and mandatory schooling to include upper-secondary education, where enrollment rates among women are significantly below those of their male peers.<sup>98</sup>

**Finally, the government should leverage its regulatory powers to enforce laws protecting women's access to land and barring gender discrimination in the workplace.** The Lands Act and the Village Lands Act, both passed in 1999, seek to eliminate gender discrimination in land registration and tenure rights. As stated in the Village Lands Act, any customary law that "denies women, children or persons with disabilities lawful access to ownership, occupation or use of any such land" will be void and inapplicable. However, the evidence shows that significant gender gaps in access to land ownership remain, underscoring the need for more effective enforcement. Moreover, although the 2004 Employment and Labour Relations Act prohibits gender-based discrimination in employment and mandates equal remuneration for equal work, female wage workers tend to make less money than their male counterparts, and female entrepreneurs continue to face a range of constraints on access to productive inputs.

## Selected Economic and Social Indicators

	2016	2017	2018	2019	2020	2020
<b>National Accounts and Prices</b>						
GDP at constant market price (% change)	6.9	6.8	5.4	5.8	2.0	4.3
Agriculture	4.8	6.0	3.4	3.5	3.1	4.1
Industry	11.7	10.7	9.7	10.3	2.5	6.5
Service	6.3	5.3	3.8	4.2	0.9	2.6
Inflation (e.o.p)	5.2	5.3	3.5	3.5	3.4	3.5
Per capita (in US\$)	934	1005	1056	1080	1080	-
<b>Fiscal (% of GDP, fiscal year)</b>						
Revenue and grants	14.8	16.3	15.4	13.5	15.4	14.8
Tax and nontax revenue	14.3	15.3	14.6	13.2	14.7	14.3
Grants	0.5	1.0	0.8	0.3	0.7	0.5
Expenditure and net lending	18.3	17.4	16.6	15.9	16.4	18.6
Overall balance (excluding grants)	-4.0	-2.1	-2.7	-2.6	-2.1	-4.7
Overall balance (including grants)	-3.5	-1.1	-1.9	-2.3	-1.4	-4.2
Financing	3.5	1.5	1.9	2.3	1.4	4.2
Foreign financing (net)	1.4	1.6	1.4	0.9	1.1	1.9
Domestic financing (net)	2.1	-0.1	0.1	2.4	0.3	2.3
<b>Money and Credit</b>						
M3 (% change)	3.4	8.0	4.5	9.6	8.8	9.3
Credit to private sector (% change)	7.2	1.7	4.9	11.1	6.1	3.8
<b>External sector (US\$ million unless otherwise)</b>						
Exports (goods and services)	9,341	8,343	8,460	9,659	8,809	9,209
Imports (goods and services)	11,597	9,592	10,201	10,362	8,908	9,608
Gross official reserves	3,870	5,900	5,045	5,568	4,768	6,714
(months of imports)	4.0	7.5	6.3	6.5	5.6	7.0
Current Account Balance (% of GDP)	-6.5	-3.4	-3.3	-2.5	-1.8	-2.0
Exchange rate (Tsh/US\$, e.o.p)	2,179	2,230	2,281	2,288	2,299	2,305
<b>Debt Stock and Service</b>						
Total public debt (% of GDP)	34.4	39.0	41.8	39.6	40.6	40.6
External debt (public sector, % of GDP)	24.5	29.1	29.9	29.0	29.7	29.8
Domestic public debt (% of GDP)	9.9	9.9	11.9	10.6	10.9	10.8
<b>Poverty Indicators</b>						
Basic Needs Poverty Line/1 = TZS 36,482	-	-	26.4	-	-	-
Food Poverty Line/1 = TZS 26,085	-	-	8.0	-	-	-

Note /1 Monthly expenditure per adult  
Source: World Bank, IMF, and Tanzania government.

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- 1 Tanzania's national poverty line is equivalent to US\$1.35 per person per day in purchasing-power-parity terms, well below the international extreme poverty line of US\$1.9 per person per day.
- 2 A survey respondent is considered employed if, during the week before the interview, they were engaged in an income-generating activity, including wage and salaried employment, as well as self-employment as a worker, farmer, or business owner.
- 3 The ILFS was conducted by the National Bureau of Statistics (NBS) and the Office of the Chief Government Statistician (OCGS) with support from Tanzania's development partners.
- 4 The national definition of employment is somewhat stricter than the international definition. However, figures using the international definition show a comparable drop in the share of the agricultural and fisheries employment from 68 to 62 percent, and general and overall labor-market trends are similar to those using the national definition.
- 5 Employment rates are 75 percent in mainland Tanzania and 61 percent in Zanzibar.
- 6 Between 2014 and 2020/21, the share of women in Zanzibar's labor force who had completed secondary school rose from 47 percent to 54 percent, while the share on the mainland rose from 11.5 percent to 14 percent.
- 7 About half of all households reported operating a non-farm household enterprise during April-July 2021, including almost three-quarters of respondents in Dar es Salaam.
- 8 Tanzania's national poverty line is equivalent to US\$1.35 per person per day in purchasing-power-parity terms, well below the international extreme poverty line of US\$1.9 per person per day.
- 9 All changes in imports and exports are expressed in terms of value.
- 10 These debt ratios may differ from those presented other publications due to the use of revised GDP estimates.
- 11 The approved budget for 2021/22 targeted a fiscal deficit of 1.8 percent of GDP, total expenditures of 17.6 percent of GDP, and domestic revenue and grants equal to 15.8 percent of GDP. The deficit will be financed largely by domestic borrowing (1.1 percent of GDP). Recurrent expenditures are programed at 9.8 percent of GDP, while development expenditures are programed at 8.0 percent of GDP. See: World Bank. 2021. Global Economic Prospects, June 2021. Washington, DC: World Bank.
- 12 These recommendations are aligned with the findings and recommendations of Tanzania Joint Private Sector Diagnostics (forthcoming).
- 13 Tanzania Mainland Poverty Assessment Report, 2020 <https://openknowledge.worldbank.org/handle/10986/33542>
- 14 Gender Assessment of Tanzania Mainland and Zanzibar, forthcoming
- 15 The coat of arms of Tanzania reflects the country's guiding principles of Uhuru na Umoja (Freedom and Unity), showing a man and a woman working side by side to uphold and build the nation. The country's founders selected this symbol as a reminder of the central role that gender equality plays in social and economic development.
- 16 Integrated Labor Force Survey, 2000-2001; ILO Projected Estimates, 2021
- 17 Gender Assessment of Tanzania Mainland and Zanzibar, forthcoming
- 18 DHS, 2004, TDHS MIS, 2015-2016
- 19 Ibid.
- 20 Gender Assessment of Tanzania Mainland and Zanzibar, forthcoming
- 21 TDHS -MIS, 2015-2016
- 22 Ibid.
- 23 The Global Findex Database, 2017
- 24 Goldstein et al., 2020
- 25 Tanzania COVID High Frequency Phone Surveys, forthcoming
- 26 Tanzania COVID High Frequency Phone Surveys, forthcoming
- 27 Buehren and Gonzales, 2019
- 28 These ILO projections for 2021 are broadly consistent with the findings of recent surveys. The 2014 National Panel Survey estimated a lower overall LFPR of 78.2 percent, with rates of 82.6 percent for men and 74.1 percent for women. The 2014 Integrated Labor Force Survey estimated a somewhat higher overall LFPR of 86.7 percent, with rates of 89.4 percent for men and 84.2 percent for women.
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- 30 Gender Assessment of Tanzania Mainland and Zanzibar, forthcoming
- 31 DHS, 2004, TDHS MIS, 2015-2016
- 32 Gender Assessment of Tanzania Mainland and Zanzibar, forthcoming. These estimates are drawn from 2021 ILO data, but the share of women participating in agriculture varies slightly across surveys. The 2015-16 TDHS-MIS found that 56 percent of women aged 15-49 and 59 percent of men reported agriculture as their main source of employment. In the 2017-18 Household Budget Survey, 52 percent of respondents 15 and older listed agriculture as their main source of employment.
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- 35 LSMS-ISA 2021
- 36 Gender Assessment of Tanzania Mainland and Zanzibar, forthcoming
- 37 Gender Assessment of Tanzania Mainland and Zanzibar, forthcoming
- 38 World Bank, 2021
- 39 Gender Assessment of Tanzania Mainland and Zanzibar, forthcoming
- 40 Women, Business and the Law, 2021
- 41 The NER is the percentage of school aged pupils enrolled in each level of education expressed as a percentage of the corresponding school-age population.
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- 43 Ministry Of Education and Vocational Training, "Education Sector Performance Report 2019 Presentation," 2019.
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- 48 Gaddis, Lahoti, et al., 2018. These estimates are based on the Demographic Household Surveys for 2010-16.
- 49 TDHS-MIS, 2015-2016
- 50 Gender Assessment of Tanzania Mainland and Zanzibar, forthcoming
- 51 Gaddis, Lahoti, et al., 2018. These figures are based on the 2016 Women, Business, and the Law database.
- 52 TDHS MIS, 2015-2016
- 53 Gaddis, Lahoti, et al., 2018
- 54 TDHS - MIS, 2015-2016
- 55 FAO, 2020
- 56 Women, Business and the Law, 2021
- 57 The Global Findex Database, 2017
- 58 Ibid.
- 59 Ibid.
- 60 FAO, 2020. These figures are based on data from the 2016 National Survey and Segmentation of Smallholder Households.
- 61 The conditional gender gap in agricultural production is the difference in output per hectare between male and female farmers after controlling for average plot size and agro-climatic conditions.
- 62 This figure implies a reduction in the poverty rate of 0.41 percent per year. See: Closing the Gender Gap in Agricultural Productivity in Malawi, Tanzania, and Uganda, 2019.
- 63 The World Employment Social Outlook; Trends for Women, 2017
- 64 ILO, 2017
- 65 The authors estimate long-term GDP changes as those occurring across a generation or so. Changes in GDP are a product of direct boost from having more workers, and from indirect boosts, when female employment encourages human capital accumulation.
- 66 Pennings, 2021
- 67 Buehren, Gonzales, Copley, 2019
- 68 Azier, 2010
- 69 Iseselo et al., 2019
- 70 Kheswa, 2017
- 71 USAID, 2021
- 72 Ali et al., 2011
- 73 Omar and Ikaba, 2020
- 74 Thathsarani and Samaraweera, 2021
- 75 Aslan et al., 2017
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- 77 Das et al., 2013
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- 79 Field et al., 2021
- 80 Chakrabati, 2017
- 81 Yokying and Lambrecht, 2019
- 82 Integrated Labor Force Survey, 2000-2001; ILO Projected Estimates, 2021
- 83 Hammond, Schomer, 2020
- 84 Bastian et al., 2018
- 85 Bardasi et al., 2017
- 86 This report seeks to ensure that the policy recommendations introduced here are informed by the most rigorous evidence. Thus, the gender work presented throughout this report often draws from experimental research and, to a lesser degree, from qualitative studies. To the extent possible, the report relies on evidence from Tanzania. When such country-specific research is not available, and to minimize problems of lack of comparability across countries, the report also draws on the experience of other countries in the region. Policymakers who plan to adopt similar strategies must consider the external validity of these findings and ensure that programs informed by them are properly tailored to the country context.
- 87 Ali et al., 2014
- 88 Cherchi et al., 2019
- 89 Aji, Deninger, 2021
- 90 Buchhave, et al, 2020.
- 91 Aker and Ksoll, 2016
- 92 Dupas and Robinson, 2009
- 93 IPA, 2016-2019. One important aspect of this program is that the accounts were private. The positive impact of the program on productivity disappeared once the accounts were made public, suggesting that women face social and familial pressures that may hamper their ability to direct savings to productive uses.
- 94 Parsons and McCleary-Sills, 2015
- 95 Yokying and Lambrecht, 2019
- 96 Bandiera et al., 2020
- 97 Gender Assessment of Tanzania Mainland and Zanzibar, forthcoming
- 98 The National Education Act of 1978 and the Zanzibar Education Act of 1982 provide free and compulsory basic education for all children and have been instrumental in increasing enrollment, and in erasing gender differences in enrollment rates throughout the country.

Photo: World Bank





