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Staff Country Reports

Tanzania: Selected Issues and Statistical Appendix

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TANZANIA

Selected Issues and Statistical Appendix

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Approved by the African Department

July 22, 2004

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I. EXTERNAL COMPETITIVENESS AND EXPORT PERFORMANCE IN TANZANIA

A. Introduction

1. Recent experiences from many countries, most prominently in East Asia, have provided strong evidence of a positive link between export growth and economic growth. Hence, fostering competitiveness is important for Tanzania's development objectives. Exports of traditional goods have long been an important source of revenue for the Tanzanian economy. More recently, exports of non-traditional goods, particularly gold and manufacturing, have been growing, bringing with them new technologies and opportunities for employment.

2. This section analyzes trends in Tanzania's external competitiveness and export performance. It begins by examining the developments in the real effective exchange rate (REER) since 1990. To assess the evolution of the real exchange rate relative to economic fundamentals we estimate deviations of the real exchange rate from its equilibrium level, calculated from an econometric model using cointegrating vector equations.

3. However, external competitiveness has many facets, which are not captured by the real exchange rate. These include the cost of doing business, quality of infrastructure, and tax structure among others. Hence, the paper also presents an analysis of changes in these qualitative aspects of external competitiveness to the extent availability of data permits.

4. This paper is organized as follows. Using various multilateral and bilateral real exchange rates, subsection B looks at developments in Tanzania's real effective exchange rate since 1990. Subsection C evaluates the misalignment in the real exchange rate based on results from an equilibrium real exchange rate model that accounts for changes in the economic fundamentals. Subsection D presents an analysis of other qualitative aspects of competitiveness. Subsection E contains an evaluation of Tanzania's export performance and examines whether this performance supports the findings from the previous analysis. The last subsection concludes the paper.

B. Real Exchange Rate and Competitiveness

5. Starting with a pegged system in 1990, Tanzania has gradually introduced more flexibility to the exchange rate regime. Foreign exchange bureaus were authorized in 1992 to buy and sell foreign exchange at freely negotiated rates. In 1993, a weekly foreign exchange auction system was introduced, and the official exchange rate was guided by the average rate from these auctions. Consequently, the exchange rate premium in the parallel market gradually declined to below 10 percent of the official rate in 1993 from its peak of about 400 percent in 1986. A market-determined exchange rate was adopted, when an interbank foreign exchange market replaced the auction system in 1994.

6. The following analysis includes various multilateral and bilateral real exchange rates and REER indices based on different prices (e.g., consumer prices and wholesale prices) to

check the robustness of real exchange rate developments. In addition, a comparison of real exchange rate developments with other EAC member countries is provided.

7. The real effective exchange rate appreciated in Tanzania in the second half of the 1990s. The REER based on trade-weighted consumer prices reveals a large real appreciation from 1996 to 2001 and a real depreciation since (Figure 1).¹ Table 1 presents the weights for the REER index. Figure 1 also displays the nominal effective exchange rate and an index of the nominal exchange rate between the Tanzania shilling and the US. dollar. While the nominal effective exchange rate remained slightly depreciated, higher inflation in Tanzania than in its trading partners in the mid-1990s led to a real appreciation of about 25 percent between end-1995 and end-2000 (Table 2). Thereafter, the real effective exchange rate depreciated by 34.6 percent primarily owing to the weakening Shilling—which fell by 26 percent against the U.S. dollar during the last 3 years. This depreciation was associated with the accumulation of reserves by the BoT.

8. Alternative measures of REER show similar patterns of real exchange rate developments. Both wholesale price index (WPI) and import price index of trading partners may be informative price indices, other than the consumer price index, to evaluate competitiveness as they capture different relative ratios of traded to non-traded goods (Hinkle and Montiel, 1999). Thus, three alternative REERs based on the wholesale and import prices of five major trading partners using only export weights are shown on Figure 2.² Because the set of trading partners and weights are different from the INS database, we have also calculated REERs based on the CPI for those same partners. All three REERs display similar patterns (Figure 2). A large real appreciation is clearly evident from all three indices, as well as a subsequent real depreciation. However, the REERs based on the wholesale and import prices display larger volatility.

9. Given Tanzania's reliance on exports of primary products (e.g., agriculture crops and minerals), export prices are likely to be determined in the world market and in major currencies. Hence, bilateral real exchange rates with respect to major currencies are also informative about the competitiveness of the exports sector. Bilateral real exchange rates for the three major currencies (U.S. dollar, U.K. pound sterling, and Euro) are shown in Figure 3. All three bilateral real exchange rate indices are highly correlated and have similar patterns as the various indicators discussed above.

10. Tanzania's real exchange rate, relative to the other members of the EAC (Kenya and Uganda) and South Africa, substantially appreciated in the second half of the 1990s. However, since then, the sharp depreciation has allowed the country to regain competitive

¹ This index is calculated from the Information Notice System (INS) database of the IMF and covers 23 major trading partners.

² Export weights for Germany, UK, Japan, Italy, and the United States were used.

ground, even though its REER remains moderately more appreciated than that of Uganda and South Africa since 1995 (Figure 4 and Table 2). Even though in the late 1990s the loss in competitiveness was much smaller in Kenya than in Tanzania, currently, the real exchange rate index has returned, in both countries, to the 1990 level.

11. Although the REER suggests an improvement in competitiveness, a full analysis requires an estimation of Tanzania's equilibrium real exchange rate. The equilibrium real exchange rate is not a static parameter but rather a function of economic fundamentals—such as productivity or terms of trade—which vary over time. Hence, the real exchange rate evolves over time. That is, it is not stationary. For example, factors such as increased productivity, structural reform or a better external environment would justify a more appreciated equilibrium exchange rate. Thus, real exchange rate appreciations do not necessarily imply an erosion in competitiveness nor do depreciations imply a gain. To account for this, the next subsection estimates the equilibrium real exchange rate for Tanzania and calculates the current deviation of the real exchange rate from this indicator in an attempt to better capture any possible exchange rate misalignment.

A. Equilibrium Real Exchange Rate and Competitiveness

12. The real exchange rate is a function of economic fundamentals such as terms of trade, productivity, volume of trade and the existing policy stance, which vary over time. What we refer to as the equilibrium real exchange rate (ERER) is the level of the real exchange rate, determined by such fundamentals, that is consistent with both long run internal equilibrium (i.e., equilibrium in domestic goods and labor markets) and external equilibrium (i.e., a sustainable current account).¹ Hence, in the long run, the ERER will vary with a vector of exogenous and policy variables which we refer to as macroeconomic fundamentals (F) and can be specified as the following:

$$ERER_t = \alpha_0 + \alpha(F_t) + \varepsilon_t \quad (1)$$

The empirical literature has identified a few variables as relevant determinants of the equilibrium exchange rate. These include (in logs) the terms of trade (TOT), factor productivity of Tanzania relative to its trading partners (RFP), government consumption as a

¹ Relationship to the PPP approach: The PPP approach to equilibrium exchange rates requires the choice of a single equilibrium rate for all periods, assuming no movements in fundamentals. The key difference with the approach taken here is that the equilibrium implies a given *relationship* between the real exchange rate and the fundamentals as opposed to a single value for the real exchange rate. The idea is that the fundamentals are time varying so that the equilibrium real exchange rate moves over time. The basic principle that it relies upon is that while the fundamentals may have permanent movements (i.e. may be non-stationary) the relevant *function of the fundamentals* is fixed at least for the time horizon considered.

proxy for policy stance and non-tradable demand (GC), trade openness (OPEN), and foreign capital flows-which, in the case of Tanzania will be proxied by official development assistance (AID). Thus, we will specify the model in equation (1) for Tanzania as:

$$ERER_t = \beta_0 + \beta_1 TOT_t + \beta_2 RFP_t + \beta_3 GC_t + \beta_4 OPEN_t + \beta_5 AID + \varepsilon_t \quad (2)$$

Additionally, we use the external real exchange rate; measured as a ratio of domestic CPI to trade-weighted foreign prices, because data on the internal real exchange rate (i.e., relative prices of nontradable commodities to tradable commodities) is not available for Tanzania. Also, given the lack of data on relative factor productivity, we use the relative growth rate of real GDP per worker (RGDP), measured in PPP dollars. Finally, to capture public sector demand for nontradables we use government consumption expenditures as a share of GDP and trade openness as measured by total trade as a share of GDP.⁴ The data sample contains annual observations covering the period 1970-2003.

13. Prior to estimation of the long-run equilibrium real exchange rate we test for the time-series properties of all variables. Results for the Augmented Dickey-Fuller(ADF) test to check the existence of unit roots (Table 3). The ADF test show that all variables in the ERER model are nonstationary in levels but stationary in first differences. A group of non-stationary time series is cointegrated if there is a linear combination of them that is stationary; that is, the combination does not have a stochastic trend. The linear combination is called the cointegrating equation. As Table 4 shows, the residuals of equation (2) are stationary, hence the included variables are cointegrated.⁵

14. The results of the long-run equilibrium real exchange rate model are reported in Table 4 and discussed below. As the variables are estimated in log form, the coefficients represent elasticities of the real exchange rate with respect to the economic fundamentals.

15. These coefficients represent the parameter of the long-run cointegrating vector that relates the equilibrium real exchange rate to the right-hand side variables. Overall, the obtained signs of the coefficients are the ones implied by theory and corroborated in other empirical work and are robust to different specifications:

- The effects of a change in the Terms of Trade are theoretically ambiguous. An improvement in the terms of trade generates a positive income effect which leads to increase spending and demand for all goods, including nontradables, hence

⁴ This proxy is based on the argument that a more liberal trade regime leads to greater specialization in production and, hence, to a higher trade ratio.

⁵ Using Johansen (1991), we can reject the null hypothesis of no cointegration for the CPI-based real exchange rate and conclude that there is one cointegrating equation.

appreciating the real exchange rate. However, there is also a substitution effect from domestic to foreign goods that instead depreciates the real exchange rate. In the case of Tanzania, the substitution effect seems to dominate as an improvement in the terms of trade depreciates the exchange rate. However, the effects is small and the coefficient is not significant. Moreover, the coefficient's sign is non-robust, as it tends to change when relative productivity is taken out of the equation.

- Policy fundamentals also influence the equilibrium real exchange rate. Our proxy for an open trade regime has a negative estimated elasticity with respect to the real exchange rate, in line with the theoretical prediction that trade-liberalizing reforms depreciate the currency (Hinkle and Montiel, 1999). An increase in the total trade-to-GDP ratio will depreciate the equilibrium real exchange rate.
- The estimated elasticity of the ERES with respect to government consumption, a proxy for public sector demand for nontradables, is positive. This result is consistent with previous empirical studies. An increase in government consumption expenditures will be consistent with an appreciation of the equilibrium real exchange rate. Both these coefficients are robust, but not significant.
- The relative productivity variable influences the ERES in two ways. First, on the domestic level, the Balassa-Samuelson effect predicts that a higher productivity growth in the tradables sector than in the nontradables sector leads to an appreciation in the ERES by lowering the relative prices of tradables. Second, at an international level, higher productivity growth of a country relative to its partners causes higher demand for nontradables and thus appreciates its ERES. Empirical evidence from Tanzania is consistent with this hypothesis and, moreover, the coefficient shows a large and significant effect. Our results suggest that, as the Tanzanian economy is likely to grow at a faster pace than its trading partners, owing to both a “catching up” effect and the recent reforms aimed at increasing efficiency and investment, the equilibrium real exchange rate will appreciate further.

16. Tanzania has little access to borrowing from international capital markets, so financing for its current account deficit depends heavily on official flows, primarily official development assistance (ODA). In general, an increase in capital inflows (including aid flows) appreciates the real exchange rate by increasing the demand for nontradable commodities. Tanzania exhibits high aid dependence by any standard (e.g., an aid-to-GDP ratio has been higher than 10 percent in recent years) and aid dependency has raised concerns about external sector competitiveness.

17. Our results suggest that, as expected, the increase in aid flows appreciates the real exchange rate. The coefficient is robust and significant at the 10 percent level. However, through active liquidity management, the BoT has been able to achieve a real exchange rate that is in line with fundamentals. Figure 5 shows the fitted and actual values for the sample we study. Even though by the mid 1990s the exchange rate appeared overvalued, in recent years it has returned to equilibrium levels. The lower panel of Figure 5 attempts to

disentangle the “permanent” component of the economy’s fundamentals by using a HP filter on the fitted values. Our econometric analysis shows that there is currently no evidence of an exchange rate misalignment.⁶

18. In the sections below we complement our analysis by looking at other aspects of external competitiveness.

D. Qualitative Measures of Competitiveness

19. The real exchange rate is only one variable in the competitiveness equation. Other aspects, including infrastructure, institutions, taxes, financing, among others, can have very important effects, which may undermine the ground gained by maintaining a competitive exchange rate. This section covers these elements, highlighting comparisons with Kenya and Uganda, two of Tanzania’s main competitors and partner members of the EAC.

20. Tanzania embarked on a program of structural adjustment in the late 1980s and has since undertaken many measures to enhance efficiency and productivity in the economy. Similarly, Uganda started an economic reform program in 1986 and Kenya has, for a longer period, been a relatively market-oriented economy. All three countries export primary commodities and most of the manufactured exports from Kenya and Tanzania are agriculture related.

21. Important insights are gained from the World Economic Forum’s competitiveness indices. These are based on a combination of “hard” or quantitative data, and “soft” or survey data on trade, government, finance, labor, corruption, infrastructure and technology for 102 countries. Hence, this index allows us to get a sense of development matters that are important, but difficult to capture if one limits the analysis to conventional numerical indicators.

22. Tanzania ranks better than Kenya and Uganda in the overall Growth Competitiveness Index, although lower than South Africa (Table 5). This outcome is due to Tanzania’s better performance relative to its EAC counterparts on the Public Institutions Index, which includes, among others, measures of corruption and rule of law. Although there is still room for improvement, this highlights the very positive effect recent reforms have had on public management.

23. However, the study also reveals much weaker outcomes for both the Macroeconomic Environment Index and particularly, the Technology Index. On the macroeconomic side, access to credit is again highlighted as a problem area. Perhaps more surprising, on the technology side, is Tanzania’s low ranking on access to information and communications

⁶ Parameter estimates are robust to different model specifications. However, the results are to be taken with caution as the sample size is small.

technology relative to Uganda, Kenya and South Africa. More globally, out of a total of 102 countries, Tanzania ranked 90 on technological progress and innovation.

24. These outcomes suggest that Tanzania must, in the medium term, start to shift efforts to technological improvement in order to enhance competitiveness but also to safeguard gains in growth. Ultimately, the key to long run growth lies in technological improvements. As a country reaches higher standards in areas such as institutions or infrastructure, further improvements will have a lower contribution to growth. This, however, will not be a constraint for technological progress, as technological innovation can always further productivity and efficiency in huge leaps of previously unimaginable means. That is, unlike most inputs to production, improvements in technology do not face diminishing returns.

25. The United Nations' UNCTAD's 2003 study on business climate in Africa (Table 6) reveals that the procedural burden for starting a business in Tanzania is comparable to that of other EAC member countries and slightly higher than the regional average. However, the costs in terms of GNI per capita of doing so are considerably higher than in both Kenya and Uganda, albeit lower than the regional average.

26. On the labor side, labor flexibility ranks very low compared to the EAC member countries and performs worse than the average for the region as a whole. Tanzania's labor market is more rigid, offers worse conditions of employment and weaker employment laws and regulations. On enforcing contracts, however, the picture is much brighter, with the burden lower in terms of duration and monetary costs, although with higher procedural complexity.

27. Utility and input costs seem to be higher in Tanzania than in other EAC countries, in part because of higher taxes on fuel and VAT. Discussions in the recent Investors Roundtable suggest that Tanzanian businesses continue to pay twice as much for electricity and fuel than those in Kenya, although these costs are lower than in Uganda, partly because of the higher transportation costs resulting from its landlocked geographic position. Moreover, telecommunication costs in Tanzania are three times higher than in Kenya and two thirds higher than in Uganda.

28. Discussions of the May 2004 IMF mission with the business community have also highlighted a number of other structural bottlenecks to investment and production which include (i) excessive local government taxes levied on agricultural producers⁷ (ii) poor road infrastructure and (iii) inefficient crop boards which, despite reform efforts, continue to have monopsony power and are a threat to private sector involvement in production and financing of the agricultural sector.

⁷ Even though the government has recently abolished a good number of such taxes and replaced them with central government transfers, implementation of such measures continues to lag behind.

29. The above discussion suggests that, notwithstanding significant improvements in public sector reform and gains on exchange rate competitiveness, Tanzania has substantial work ahead to make its business sector more competitive in the region. Costs of starting a new business remain high and, despite many years of reform, its tax system is still considered an obstacle for business growth. Tanzania's banking system is perceived to be open, but it is considered as not serving adequately the credit demands of businesses, especially smaller firms. Tanzania's labor market is excessively rigid hampering the country's capacity to adapt to necessary changes in the business environment. And finally, Tanzania's costs of transportation, utilities, telecommunications and information technology are considered a major hindrance for competitiveness.

E. Tanzania's Export Performance in the 1990s

30. The growth rate of total exports was high in the first half of the 1990s, but then declined in the late 1990s, following a negative terms of trade shock and a real appreciation of the currency, significantly underperforming the average for developing countries and the regional average as well. However, since 2000 the growth rate has significantly picked up (Table 7 and Figure 6). The recovery in aggregate exports has been led mainly by increased gold exports as well as by manufacturing and fishing exports. However, after the decline of the late 1990s the traditional export sector has not shown much improvement despite the real depreciation (Figure 7).

31. In fact, from Figure 6 we can see that unlike the manufacturing sector which has been very responsive to movements in the REER (exports increased 14 percent for each percent depreciation of the REER), the traditional sector has been less responsive (traditional exports have decreased by 4 percent for each percent depreciation in the REER).⁸ This crude look at the properties of these series suggests that other factors, outside the REER, importantly affect export performance particularly of non-manufacturing exports.

32. These other factors include, as described above, structural bottlenecks in infrastructure, taxes, access to credit, utility and communication costs. In addition, given that many commodities such as tobacco, coffee, cotton and coffee are import intensive, an exchange rate depreciation may be having opposing effects on exports. On the one hand, a depreciation gives a boost to exports through price competitiveness. On the other hand, a depreciation increases production costs through more expensive imported inputs such as fertilizers, pesticides and irrigation systems. If the second, export dampening effect,

⁸ This illustrative estimate of export elasticity is robust to the use of direct measures of the REER as well as REER misalignment. However, for firm conclusions on the magnitude of this elasticity a more exhaustive study, which controls for a broader range of relevant variables is necessary. Lack of adequate data prevents us from undertaking such study at this moment.

dominates the first, further exchange rate depreciation will dampen as opposed to boost competitiveness.

F. Conclusions

33. After a period of real exchange rate appreciation in Tanzania over the late 1990s, the real exchange rate has depreciated and, according to our econometric analysis, is currently in line with fundamentals. However, the gains in competitiveness that this implies have been undermined by a number of structural bottlenecks, identified above, which are hampering export growth in the traditional sector. Hence, this paper suggests that a focus on reform in these sectors would help export performance.

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Figure 1. Tanzania: Real Effective Exchange Rate Trends, December 1990-January 2004
(Monthly, Index, 1995=100)

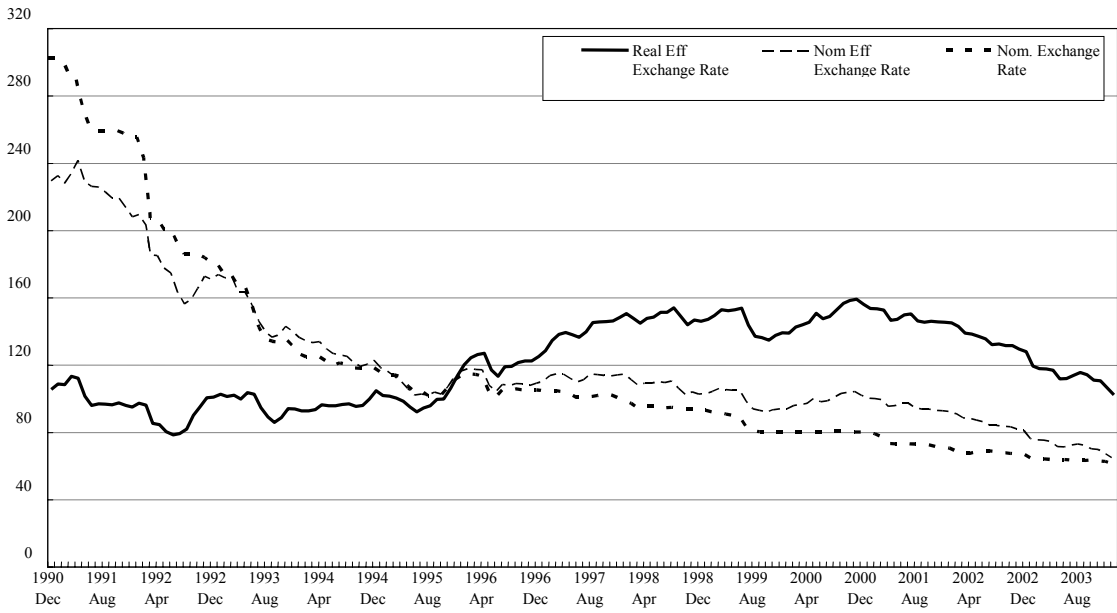


Figure 2. Tanzania: Export-Weighted Real Exchange Rates, 1990:1-2003:IV
(Quarterly, Index, 1995=100)

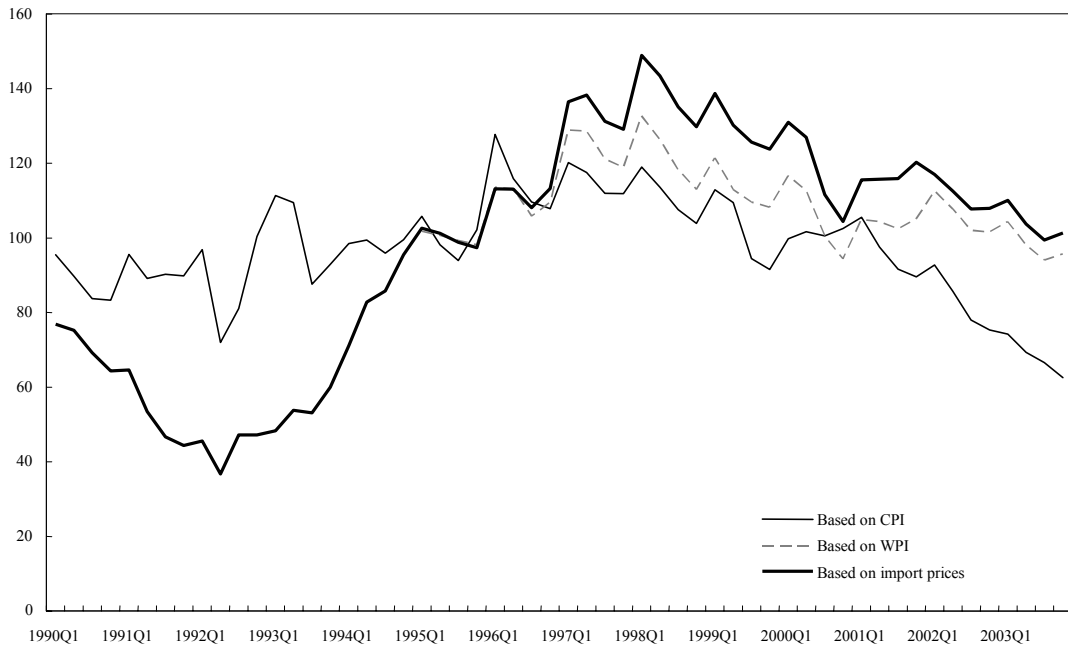


Figure 3. Tanzania: Bilateral Real Exchange Rates for Major Currencies, 1990:I-2003:IV
(Quarterly)

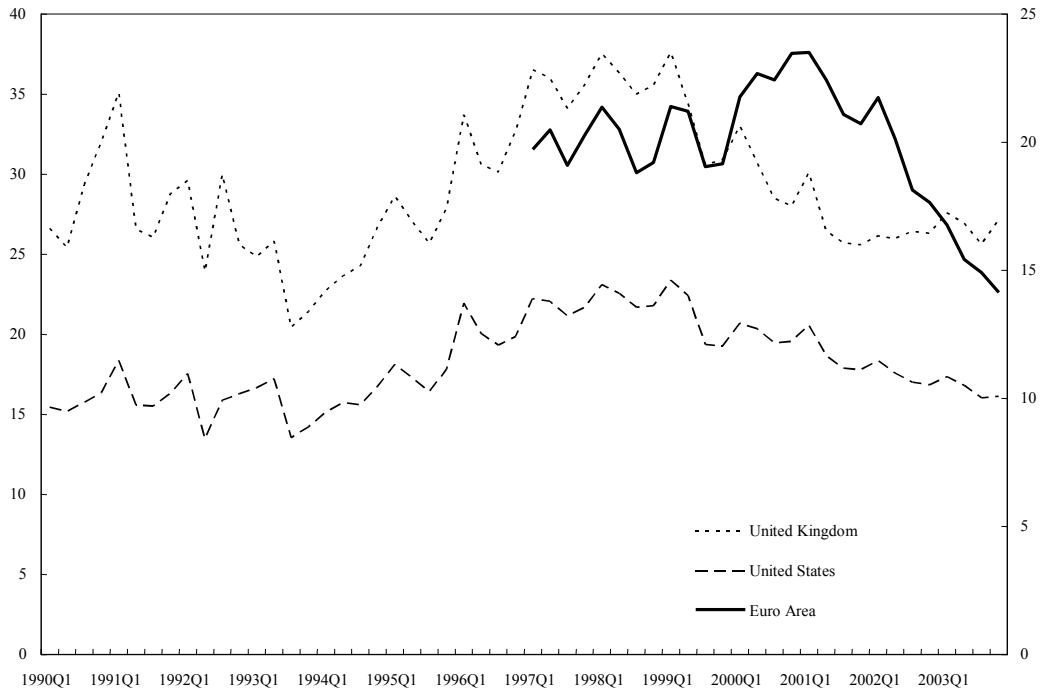


Figure 4. Tanzania: Regional Real Effective Exchange Rates, January 1990-February 2004
(Monthly, Index, 1995=100)

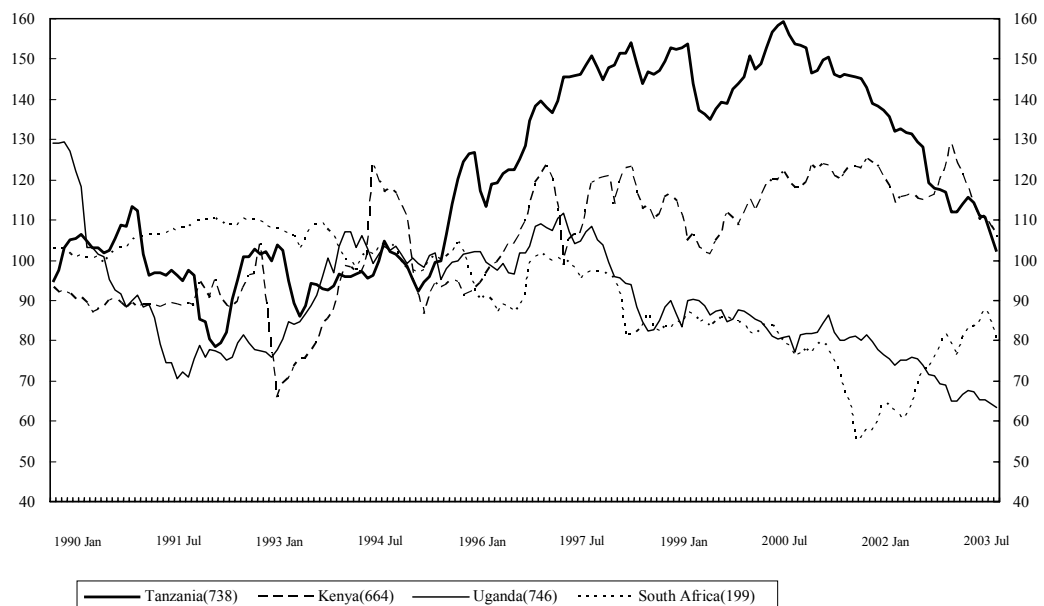
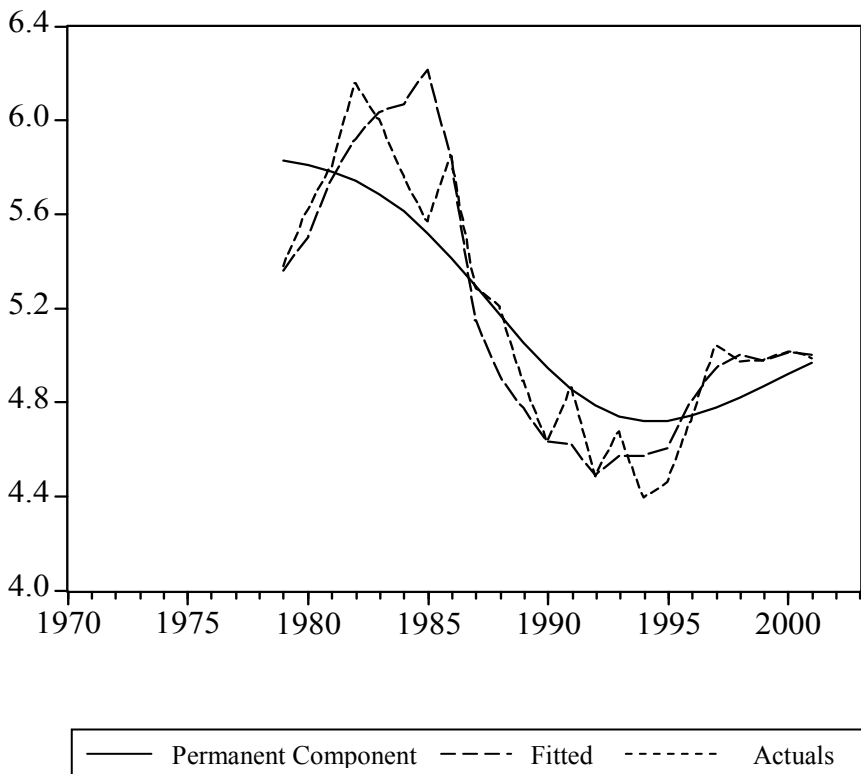
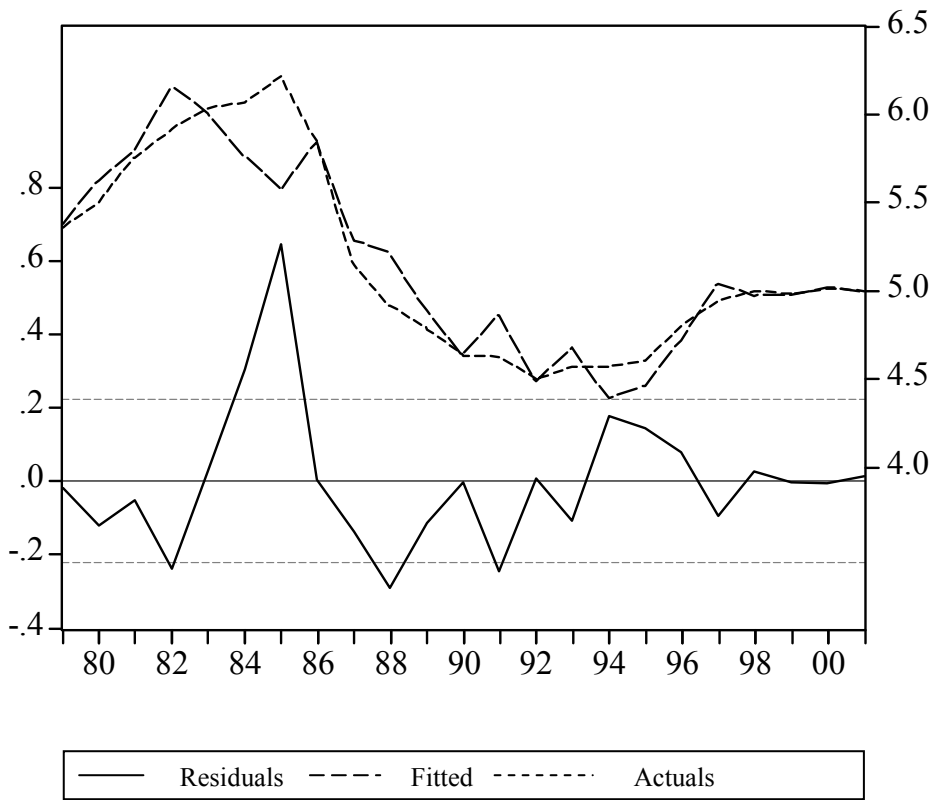
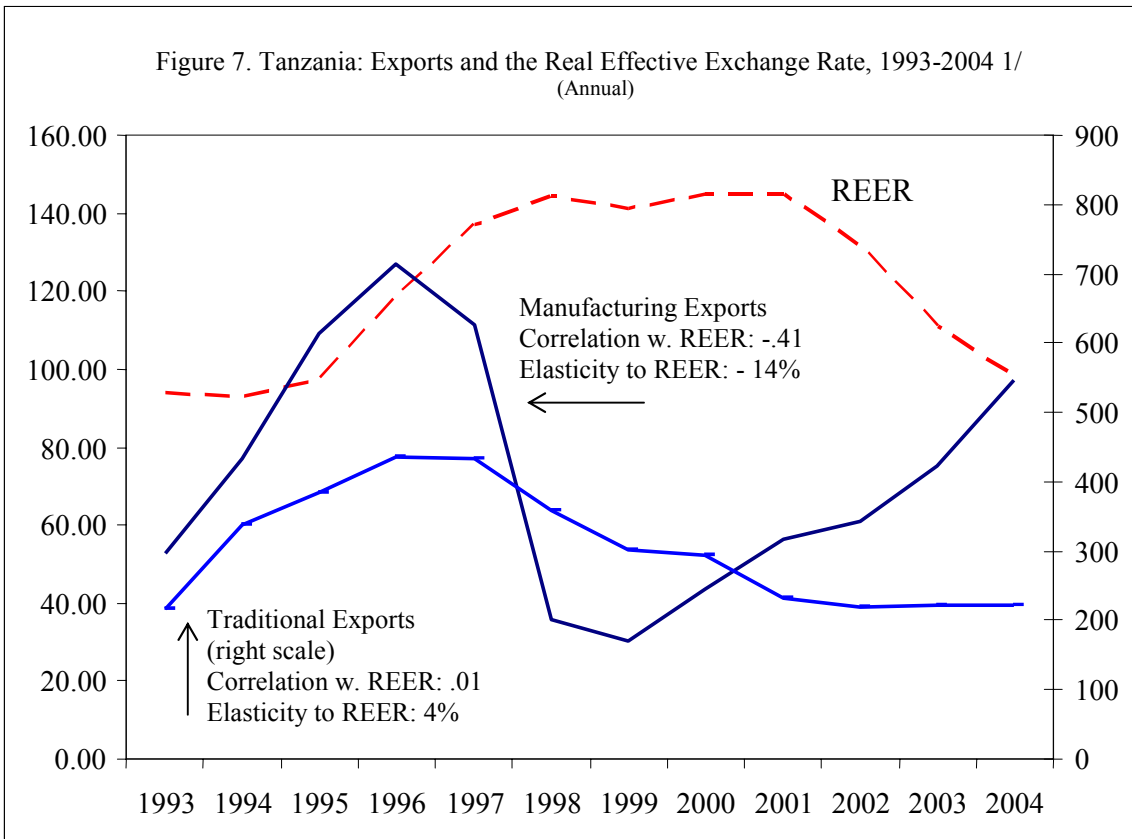
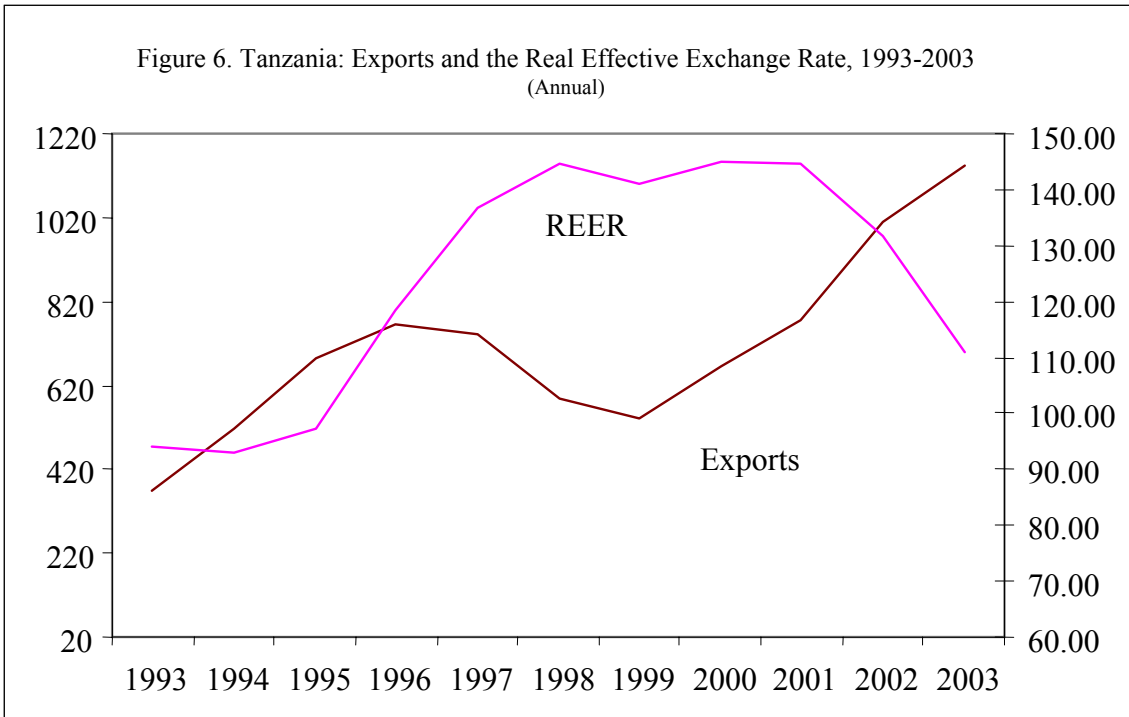


Figure 5. Tanzania: The Equilibrium Real Exchange Rate, 1980-2003
(Annual)





1/ Estimates for 2004 include staff projections.

Table 1. Tanzania: Trade Weights for Real Effective Exchange Rate

(In percent)					
Partner	Weight	Partner	Weight	Partner	Weight
United Kingdom	16.10	Belgium	3.65	Brazil	1.66
Germany	11.87	India	2.76	Finland	1.51
Japan	11.16	China	2.72	Spain	1.36
Italy	10.11	Denmark	2.42	Australia	1.30
United States	8.13	Canada	2.37	Norway	1.23
Netherlands	5.54	Kenya	1.86	Singapore	1.23
France	4.48	Switzerland	1.78	Korea	1.22
Sweden	3.78	Pakistan	1.75	Total of 23 countries	100.00

Source: IMF, Information Notice System (INS).

Table 2. Tanzania: Real Effective Exchange Rates (REER's) and their Components for Tanzania and Other Regional Economies

	(Percent change)		
	1990-1995	1996-2000	Dec 2000 - Jan 2004
REER - Tanzania			
% change in REER (-dep)	7.9	24.8	-34.6
% change in NEER (-dep)	-54.3	-7.1	-39.5
% change in relative prices	136.2	34.3	8.2
% change in NER (-dep)	-64.8	-25.9	-25.8
REER - Kenya			
% change in REER (-dep)	5.3	12.2	-11.5
% change in NEER (-dep)	-43.7	-12.3	-15.1
% change in relative prices	87.0	27.9	4.2
% change in NER (-dep)	-57.4	-29.9	3.6
REER - South Africa			
% change in REER (-dep)	-0.4	-10.9	0.9
% change in NEER (-dep)	-18.3	-25.0	-10.4
% change in relative prices	21.9	18.9	12.7
% change in NER (-dep)	-30.9	-38.7	9.7
REER - Uganda			
% change in REER (-dep)	7.4	-20.3	-22.0
% change in NEER (-dep)	-8.7	-24.7	-21.3
% change in relative prices	17.7	5.8	-0.9
% change in NER (-dep)	-48.0	-42.3	-8.0

Source: IMF, Information Notice System (INS).

Notes: NEER is the nominal effective exchange rate, while NER is an index of nominal exchange rate of local currency with respect to the US dollar.

Table 3. Tanzania: ADF Unit-Root Tests

	In Levels		First Differences	
	Coefficient	P-Value	Coefficient	P-Value
Log(Open)	-2.006221	0.5766	-6.878561	0.0000
Log(Terms of Trade)	-1.072975	0.9186	-6.097564	0.0001
Log(Gov. Consumption)	-2.412076	0.3668	-4.090777	0.0033
Log(Relative Per Cap GDP)	-2.014026	0.2796	-3.926135	0.0053
Log(Aid/GDP)	0.191788	0.7352	-8.151240	0.0000
Log(RER)	-0.784999	0.3650	-2.346737	0.0213

Table 4. Tanzania: Cointegrating Vector for CPI-Based RER

Dependent Variable: Log(CPI-based real Exchange Rate)
Included observations: 25 after adjusting endpoints

Variable	Coefficient	Std. Error	Prob.
C	26.64144	5.126780	0.0001
Log(Open)	-0.133617	0.217120	0.5464
Log(Terms of Trade)	-0.118301	0.206215	0.5737
Log(Gov. Consumption)	0.139409	0.206175	0.5080
Log(Relative Per Cap GDP)	1.581675	0.311491	0.0001
Log(Aid/GDP)	0.247270	0.145983	0.1085
R-squared	0.875987		
Adjusted R-squared	0.839513		
Residual ADF Unit-root test	-5.445778		0.0001

Table 5. Tanzania: Competitiveness Index Rankings Relative to African Countries

Country	Tanzania	Kenya	South Africa	Uganda
Growth Competitiveness Index Rank	69	83	42	80
Macroeconomic Environment Index Rank	76	77	40	71
Macroeconomic subindex rank	79	60	41	58
Government waste subindex rank	43	77	37	60
Country credit subindex rank	83	82	40	85
Public Institutions Index Rank	59	92	43	84
Contracts and law subindex rank	46	80	40	73
Corruption subindex rank	73	95	48	93
Technology Index Rank	81	74	40	77
Innovation subindex rank	90	84	58	86
Information and Communications Tech. subindex rank	90	86	44	89
Technology transfer subindex rank (out of 77 non-core innovators)	23	17	3	22

Source: World Economic Forum.

Table 6. Tanzania: Business Climate Relative to Regional Competitors, 2003

	Tanzania	Kenya	Uganda	Regional Average
Starting a business				
Number of procedures	13	11	17	11
Duration (days)	35	61	36	73
Cost (percent of GNI per capita)	199	54	135.1	255.5
Minimum capital (percent of GNI per capita)	0	0	0	286.6
Labor flexibility 1/				
Flexibility hiring	57	33	33	49
Conditions of Employment Index	77	53	44	68
Flexibility of Firing Index	49	16	50	40
Employment Laws Index	61	34	42	52
Enforcing contracts				
Number of procedures	14	25	16	31
Duration (days)	127	255	99	372
Cost (percent of GNI per capita)	3.8	49.5	10	61.2
Procedural Complexity Index	62	44	40	56

Source: UNCTAD.

1/ Conditions covered by the indices include: availability of part-time and fixed-term contracts, working time requirements, minimum wage laws, and minimum conditions of employment. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Employment Laws Index is an average of the three indices.

Table 7. Tanzania: Exports Growth, 1991-2003
(Annual average rate, in percent)

Country	1991-95	1996-99	2000-2003	1991-2003
Tanzania	13.0	2.4	11.7	8.6
World	8.7	6.1	6.8	6.4
Developing countries	12.2	7.2	10.6	9.4
Africa	2.1	5.0	11.0	5.3
Kenya	11.5	4.8	6.5	7.3
Uganda	38.0	3.2	-0.9	12.9

Source: IMF, Direction of Trade Statistics.

II. AN ASSESSMENT OF PUBLIC DOMESTIC DEBT EVOLUTION IN TANZANIA

A. Background

34. In November 2001, Tanzania became the fourth country to reach the completion point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Both the (external) debt sustainability analysis (DSA) at the completion point and the updated DSA in June 2004⁹ confirmed that, after the full delivery of HIPC relief, Tanzania's external debt position would remain sustainable over the medium term.

35. Unlike public external debt, two other types of debt have so far received much less attention: private external debt and public domestic debt. Private external debt is generally unlikely to be an issue in a low-income country like Tanzania due to limited access to international capital markets. On the other hand, public domestic debt, including government contingent liabilities, could, and, in some low-income countries, have become a serious issue. Domestic borrowing and foreign borrowing, to some extent, are fungible. In the medium term, depending on government policy regarding the mix of domestic versus foreign borrowing, domestic debt may become an important source of additional stress on the government's fiscal position. More importantly, domestic financing usually fulfills a buffer role. If at any time the international donor community were to reduce its support to Tanzania, the government may have to borrow aggressively from domestic sources in order to effect a gradual adjustment of its fiscal position. Otherwise, a large and sudden expenditure cut would become necessary to close the financing gap, which will have adverse impact on the economic growth in general and poverty-reducing expenditures in particular.

36. To get a clearer picture about the public domestic debt position in Tanzania, this section tracks, over time, the accumulation of public domestic debt under different assumptions on macroeconomic developments and the international donor community's willingness to provide additional concessional resources to Tanzania. Because of the lack of empirical threshold to assess the appropriate level of domestic debt, the intention here is not to give a definite answer to the question of whether or not Tanzania's domestic debt position is sustainable, but rather to highlight important factors that underpin the accumulation of domestic debt.

37. This paper is organized as follows: part B provides a brief overview of public domestic debt position in Tanzania; part C introduces the simulation model; part D describes different scenarios; part E reports simulation results; and the last part is a short summary.

⁹ Table 10 of the staff report for 2004 Article IV consultation and the second review of the PRGF arrangement.

B. Public Domestic Debt in Tanzania

38. The public domestic debt position in Tanzania is modest. Although the total stock of public domestic debt, including contingent liabilities, has grown steadily over time, and more than doubled from T Sh 643 billion in 1993/94 to T Sh 1,533 billion in 2002/03 (Table 8), the ratio of public domestic debt to GDP has remained at a low level. It declined from about 30 percent in 1993/94 to about 15 percent in 1998/99 and remained broadly stable thereafter (Figure 8). Compared with other African countries, Tanzania has a modest public domestic debt burden in terms of GDP (Table 9). Since 1993/94, the ratio of domestic debt to total public debt has been fluctuating between 15 and 20 percent, with a mean of 17 percent (Figure 9), reflecting limited recourse to domestic financing in the presence of sufficient donor inflows. Interest payments for public domestic debt,¹⁰ in terms of domestic revenue and current expenditures, peaked in the mid-1990s and then started to decline steadily to 4 to 5 percent (Figure 3). These ratios are all consistent with the government's conservative position in contracting domestic debt, which has been articulated in the government's National Debt Strategy.

39. About 75 percent of the public domestic debt is government securities. A variety of debt instruments are used by the government for different purposes. Among them are treasury bills (T-bills), treasury bonds, special bonds, and stocks. The first two instruments are tradable, while the latter two are not.

40. Treasury bills are short-term debt instruments, primarily used for meeting the government's cash flow and the Bank of Tanzania's (BoT) liquidity management needs. T-bills have four different maturities: 35-day, 91-day, 182-day, and 364-day. While 182-day and 364-day T-bills are issued for financing purposes, 35-day and 91-day T-bills are used primarily for BoT's open market operations. In recent years, with Tanzania enjoying macroeconomic stability, steadily increasing foreign aid has led to a rapid reserve accumulation in the BoT and excess liquidity in the economy. To contain inflationary pressure, the BoT sells T-bills (liquidity paper) to mop up excess liquidity. As a result, an increasing number of T-bills have been issued for this purpose. The share of BoT liquidity paper in the total government securities more than tripled to 28 percent by December 2003. Commercial banks have historically been major holders of T-bills. More recently, pension funds have become major holders as well.

41. Treasury bonds with two-year maturities were first introduced in 1997 to replace some of the government's nontradable debt. To meet the financing needs as well as develop the domestic financial market by introducing a benchmark yield curve, the government has introduced treasury bonds with longer maturities: 5-year bonds (2002), 7-year bonds (2002),

¹⁰ Debt service payment from the budget only.

and 10-year bonds (2003). Commercial banks and pension funds are also key players in this market.

42. Special bonds have been issued mostly for the recapitalization of former state-owned banks (for example, the National Bank of Commerce) that have large nonperforming assets and large outstanding liabilities to the BoT. The BoT owns about ¼ of all special bonds. The remaining balance is owned by commercial banks.

43. “Stocks” are long-term bonds that arose primarily from securitization of government’s liabilities to the BoT, including advances, exchange losses, and parastatals’ liabilities.

44. About 25 percent of public domestic debt are nonsecuritized contingent liabilities. As of end-2002/03, the total amount of contingent liabilities was T Sh 375.3 billion, equivalent to 3.8 percent of GDP. Most of the Tanzanian government’s contingent liabilities arise from parastatals’ debt (Table 10). Only a small portion of parastatals’ debt is guaranteed by the government, which will become the government’s legal obligation in the event of default. The majority of parastatals’ debt are not implicitly guaranteed by the government, but they still constitute the government’s implicit contingent liability because of a public expectation on the government to support those entities. As a result of pressure by interest groups, the government’s resources can be called upon to assume these nonguaranteed debts. Other major contingent liabilities include local government debt, compensation claims, unremitted pension contribution, and unremitted union contributions.

45. Recognizing the serious implications of contingent liabilities, the Tanzania government has adopted a series of measures in recent years to contain the growth of this liability. On the one hand, the government attempted to securitize some existing contingent liability by converting some parastatals’ debt to government bonds, when the concerned parastatals were privatized. On the other hand, the government took measures to avoid the emergence of new contingent liabilities. To this end, the power to issue government guarantees was strictly restricted to the Minister of Finance. The government also refrained from acting ‘morally’ and obliged itself to honor only contractual obligations. For contingent liabilities arising from unremitted pension contributions, the government has issued a circular, directing concerned entities to remit their employees’ pension contributions as soon as they arise. In addition, the National Debt Strategy requires the government to prepare a contingent liabilities report regularly, to check on the status of its obligations.

C. The Model

46. In the model simulations below, all domestic debt is denominated in Tanzania shillings and all external debt is denominated in U.S. dollars. The stock of public debt at time t is denoted as D_t , which is the sum of domestic debt (DD_t) and external debt (DC_t). The evolution of the public debt stock in shillings is governed by the following equation:

$$\Delta D_t = \{ r_t^D DD_{t-1} + \Delta E_t * DC_{t-1} + E_t * r_t^C * DC_{t-1} \} + PB_t \quad (3)$$

where r_t^C and r_t^D are the average interest rate paid on external debt and domestic debt, respectively, E_t is the exchange rate (expressed as shillings per U.S. dollar), ΔE_t is the change in the exchange rate, and PB_t is the primary balance.¹¹ While the valuation changes due to exchange rate fluctuations may have implications on the future debt service burden, they do not have cash flow consequences in the current period. Therefore, they should be excluded from the amount of liabilities that requires financing. Now, we have the following:

$$\Delta D_t = \{ r_t^D DD_{t-1} + E_t * r_t^C DC_{t-1} \} + PB_t \quad (4)$$

47. To finance the additional liability in (4), two options are available to the government: external financing and domestic financing. In principle, the mix of external debt and domestic debt is a policy variable. In reality, however, the latter normally serves as a last resort to close any remaining financing gap, once the external concessional funding is exhausted. As a result, the evolution of domestic debt will depend not only on total financing needs, but also, probably more importantly, on the international donor community's willingness to provide new concessional loans. It is assumed that θ is the rate at which external creditors are willing to increase their exposure to Tanzania. The net inflow (ΔDC_t), in addition to the rollover of all existing obligations when they come due, is defined as follows:

$$\Delta DC_t = \theta * E_t * DC_{t-1} \quad (5)$$

combine (4) and (5), we have the following:

$$\Delta DD_t = \Delta D_t - \Delta DC_t = \{ r_t^D DD_{t-1} + E_t * r_t^C DC_{t-1} \} + PB_t - \theta * E_t * DC_{t-1} \quad (6)$$

Then, the stock of public domestic debt at time t is as follows:

$$DD_t = DD_{t-1} + \Delta DD_t = (1 + r_t^D) * DD_{t-1} + (r_t^C - \theta) * E_t * DC_{t-1} + PB_t \quad (7)$$

Expressing all variables in terms of ratios to GDP (lowercase expressions are used to distinguish them from Shilling figures in uppercase letters), we get the following:

$$\frac{DD_t}{Y_t / (1 + g + \pi)} = \frac{(1 + r_t^D) * DD_{t-1}}{Y_{t-1}} + \frac{(r_t^C - \theta) * E_t * DC_{t-1}}{Y_{t-1}} + \frac{PB_t}{Y_{t-1}} \quad (8)$$

¹¹ Primary balance is defined as revenue (including grants) minus expenditure (excluding interest payments).

$$dd_t * (1 + g + \pi) = (1 + r_t^D) * dd_{t-1} + (r_t^C - \theta) * dc_{t-1} + pb_t * (1 + g + \pi) \quad (9)$$

Where g is the real GDP growth rate, π is annual inflation rate. Divide both sides by $(1+g+\pi)$, we have the following equation, which, together with our assumption on external debt evolution (equation (5)), will give us the public domestic debt stock in percent of GDP at any given time in the future.

$$dd_t = \frac{(1 + r_t^D)}{(1 + g + \pi)} * dd_{t-1} + \frac{(r_t^C - \theta)}{(1 + g + \pi)} * dc_{t-1} + pb_t \quad (10)$$

D. Simulations

48. The purpose of the simulations is to track, over time, the stock of public domestic debt in different scenarios. For simplicity, it is assumed that all new external debt contracted by Tanzania's public sector is on concessional terms (specifically, IDA terms), and all new domestic debt is issued at the prevailing interest rate in the domestic capital market.

49. In the model simulations below, we would like to examine the impact on the accumulation of domestic debt from the variation of the following four variables: real growth (g), interest rate on domestic debt (r_t^D), primary balance (pb_t), and external creditor's willingness to provide new concessional loans (θ). For each variable, we have a baseline assumption, which is more or less the current reality,¹² and a set of alternative assumptions, which have some possibility of materializing, following certain adverse shocks.

50. We first consider a baseline case (**Case I**), in which all variables take baseline values. To examine the potential impact from each individual variable, we then consider five alternative cases where the variable we are interested in will take the alternative value(s), and all other variables are assumed to have the baseline values. For the purpose of simplicity, all variables in the simulation model are assumed to be exogenously determined and constant over time. It can be argued that these variables may change over time, and that they may be correlated to each other. In particular, if resources from debt financing, external and domestic, are well utilized, it may have the desirable impact on economic growth in the medium to long term, therefore improving the debt position. Nevertheless, the simulations below will still provide some useful information on the interrelationships among growth, fiscal policy, interest rate, and the mix of external versus domestic debt for financing government expenditures. All assumptions are summarized in the table below.

¹² For simplicity purpose, the baseline assumptions here are not identical to the medium-term projections presented in the staff report.

51. The baseline assumes that Tanzania achieves its real GDP growth target of 7 percent and inflation target of 4 percent. In 2003, Tanzania, despite drought, achieved a growth rate of 5.6 percent and inflation of 4.6 percent. In the medium term, the growth rate is expected to pick up to above 7 percent, while inflation will be maintained around 4 percent. In the low-growth case (**Case II**), real GDP growth rate is assumed to be half of the growth rate in the baseline scenario. This low-growth case is roughly in line with historic performance in 1990s.

52. In the baseline case, the average interest rate on domestic debt is 8 percent, which is broadly in line with the current situation. In the high interest rate scenario (**Case III**), the average interest rate on domestic debt is assumed to double to 16 percent, which is not at all impossible, given that Tanzania's inflation was once over 30 percent.

53. The primary deficit is assumed to be 5 percent of GDP in the baseline scenario. The corresponding staff projection for 2004/05 is about 4.5 percent of GDP. For the case of a high primary deficit (**Case IV**), we assume a deficit of 10 percent of GDP.

54. The degree of access to highly concessional financing to help finance Tanzania's development has major implications for domestic debt accumulation in Tanzania because of the large grant element provided by concessional financing. Three different scenarios are considered in the simulations:

Scenario I: additional external borrowing on highly concessional terms

55. This is the baseline, which assumes that, on top of rolling over of existing external loans, additional new loans are available to the government from external donors on highly concessional terms, so that the ratio of external debt to GDP remains constant at its initial level over the simulation horizon. In this case, θ is equal to the growth of nominal GDP, $(g+\pi)$.

Scenario II: recourse to domestic financing (Case V)

56. This case assumes that the donor community is not willing to provide new concessional loans on a net basis, so that $\theta = 0$, and that any gross inflow from donors is sufficient only to roll over the existing stock of foreign obligations as they become due. In the simulation, additional domestic borrowing is needed to finance the interest payments and primary balance.

Scenario III: net repayment of foreign loans (Case VI)

57. This case highlights the risk of foreign donors' withdrawal from Tanzania. It assumes that foreign donors reduce their exposure gradually, so that the Tanzania government is required to make a net repayment of its foreign loans as they fall due and the net repayments in each period amount to a 5 percent reduction in the nominal stock of outstanding foreign debt.

Tanzania: Summary of Macroeconomic and Other Assumptions

	Case I (Baseline)	Case II	Case III	Case IV	Case V	Case VI
Real Growth g (in percent)	7	3.5	7	7	7	7
Inflation π (in percent)	4	4	4	4	4	4
Net increase in external loans θ (in percent)	11	7.5	11	11	0	-5
Interest rate on external loans r_i^C (in percent)	0.75	0.75	0.75	0.75	0.75	0.75
Interest rate on domestic debt r_i^D (in percent)	8	8	16	8	8	8
Primary balance pb_t (in percent of GDP)	-5	-5	-5	-10	-5	-5

E. Evolution of Public Domestic Debt under Alternative Cases

58. The purpose of the baseline (**Case I**) is to shed light on the following question: what will happen to Tanzania's public domestic debt position if things remain broadly in line with their current status. Under this case, high growth and low inflation is maintained and the government has continued access to highly concessional financing from foreign sources. The international donor community is not only willing to roll over all existing obligations, but also to provide new additional funding on highly concessional terms. This allows for a rapid expansion of the government's resource envelope, while maintaining a sustainable fiscal position. Because the rate of interest paid on external concessional debt is considerably lower than the rate of growth in GDP, it provides the government with some additional room for accumulating new domestic debt. In the baseline, the ratio of public domestic debt to GDP will steadily decline over time (Figure 11). At the end of the projection period, the government cannot only retire all domestic debt, but also maintain a net deposit position of about 17 percent of GDP.^{13,14} Of the six cases, the domestic debt dynamics under the baseline case are most favorable.

59. One important lesson from the comparison of **Case I** (baseline) and **Case II** (low-growth case) is that a sufficiently high growth rate is necessary to contain the domestic debt position. Under **Case II** (Figure 11), public domestic debt in terms of GDP doubled to about 35 percent at the end of the projection period. Simple calculations suggest that a growth rate of 4.5 percent is necessary to maintain a roughly constant public domestic debt burden in terms of GDP, given that all other variables take baseline assumptions. It should be noted that donors, in the low-growth scenario, are less willing to provide new concessional loans to Tanzania because we assumed that the growth of the new concessional loan is the same as the growth of nominal GDP. This is not an unreasonable assumption given that many donors nowadays insist on result-oriented assistance. The low-growth scenario underscores the need for Tanzania to implement structural reforms that are growth-enhancing and to maintain access to highly concessional external financing.

60. Because of excess liquidity in the banking system and the lack of lending opportunities, commercial banks in Tanzania have invested heavily in treasury securities. This large demand is putting downward pressure on the yield. With the emergence of more profitable investment alternatives in the private sector, the commercial banks would eventually shift their fund from treasury securities to other areas. As a result, the government

¹³ It should be noted that the simulations in this paper are only for the illustration purpose. The government may decide to or be forced to make adjustments well before the domestic debt position reaches the extreme levels indicated under some cases.

¹⁴ This does not necessarily imply that no domestic debt is outstanding. The government may choose to maintain domestic debt instruments and deposits at the same time.

will have to pay higher interest rates to sell its debt. A comparison of the high interest rate case and baseline case (16 percent vs. 8 percent) shows that doubling interest rates paid on domestic debt will have only a minor impact on the evolution of domestic debt, and it will increase the ratio of public domestic debt to GDP by about 2 percentage points at the end of the projection period (Figure 12). This small difference is mainly due to the small stock of domestic debt and large inflows of foreign financing, which provide more resources than needed to stabilize the domestic debt position in terms of GDP.

61. A lack of fiscal discipline would have a major impact on the accumulation of public domestic debt. While the baseline case projects a declining domestic debt burden, a doubling of the primary deficit will cause the ratio of public domestic debt to GDP to rise steadily over time (Figure 13) to over 70 percent at the end of the projection period. A primary deficit of 10 percent of GDP seems high against Tanzania's recent fiscal performance. However, there are some worrisome signs, given that both the overall balance and primary balance have been deteriorating over the last three fiscal years.

62. While the above simulations suggest that the public domestic debt position in Tanzania could worsen following adverse shocks to growth, primary balance or interest rate, the real risk remains that foreign donors could withdraw their support. The comparison presented in Figure 14 clearly demonstrates the danger arising from a gradual decline of foreign donors' exposure to Tanzania or even from the situation where donors are not willing to provide new concessional loans on a net basis. Under both alternative cases, domestic debt, in percent of GDP, will increase rapidly. This ratio will double in two to three years and will exceed 100 percent of GDP at the end of the projection period. This shows how crucial it is for Tanzania to maintain access to concessional resources, and how vulnerable Tanzania's macroeconomic stability is to external shocks. It should be noted that a gradual withdrawal as captured in the simulation (**Case VI**), a net repayment of 5 percent of outstanding obligations at each period, represents a fairly orderly and phased exit, thus limiting the damage. In reality, the loss of donor confidence and concessional assistance tends to happen more abruptly. Therefore, the actual impact on domestic debt and the requirement on fiscal tightening should be more substantial than suggested by the above simulations.

F. Conclusions

63. Based on the macroeconomic assumptions made about growth, inflation, interest rate, primary balance, and the availability of external financing, the simulations indicate that Tanzania's domestic debt position is manageable, if it continues to enjoy access to highly concessional external financing. Adverse shocks on growth, interest rates, and primary balance will worsen domestic debt position, but not to the extent that it will pose any immediate threat to the macroeconomic stability.

64. Over the longer term, however, the risk remains that concessional financing from donors will dry up. The simulations indicate that the impact of even a gradual exit of foreign donors would have a significant adverse impact on Tanzania's domestic debt position, or it will require significant fiscal tightening.

65. Given the pressures to spend on social priorities, such as health and education, and the push to reach the MDGs, the scope for reducing expenditures is probably limited. Consequently, to reduce aid dependency over the medium term, there is a need for the government to implement revenue-enhancing measures and to start putting Tanzania on a fiscal path that is less reliant on debt financing, including external concessional financing.

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Figure 8. Tanzania: Public Domestic Debt, 1993/94-2002/03

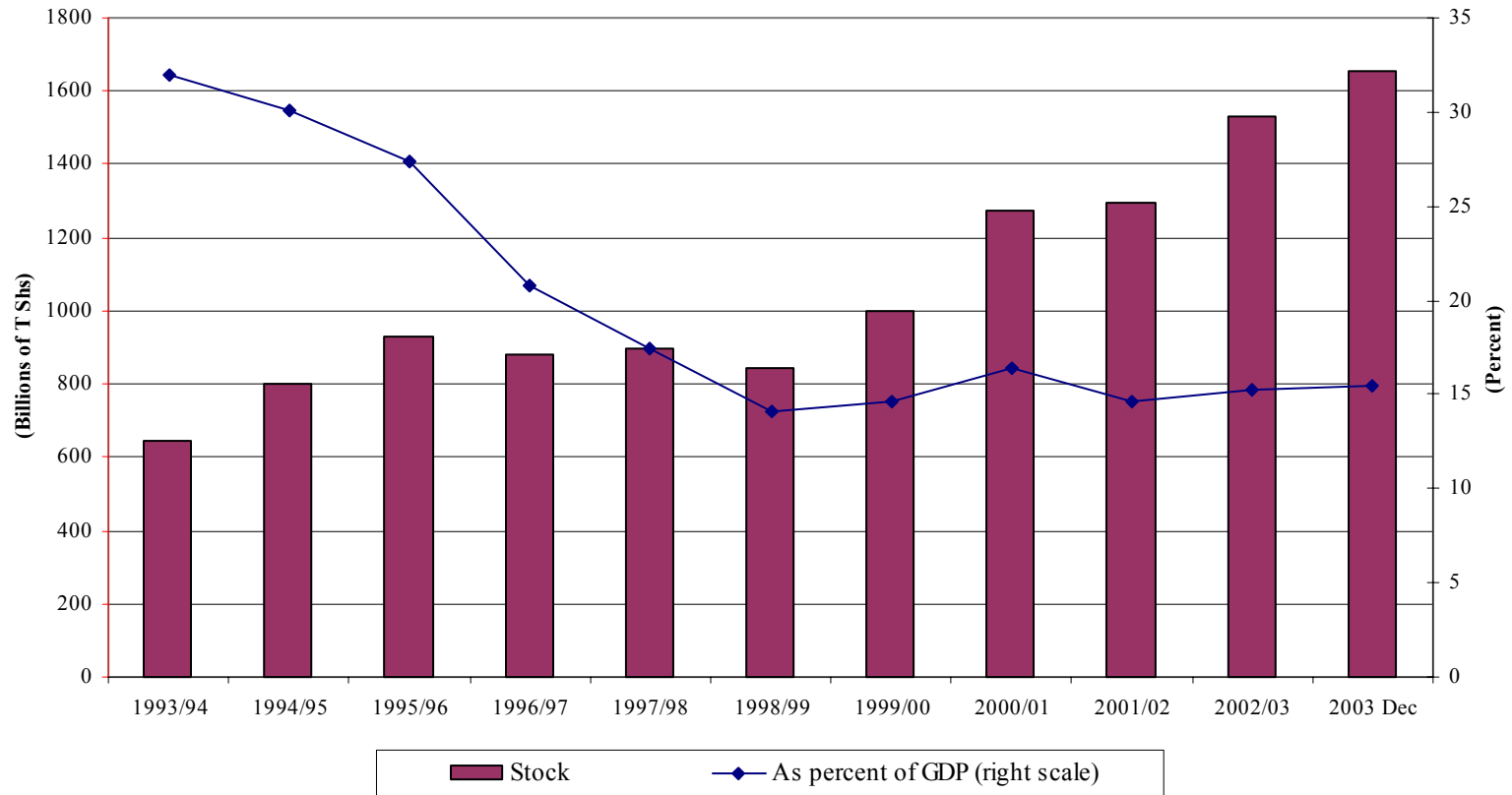


Figure 9. Tanzania: Domestic Debt vs. External Debt, 1993/94-2002/03
(In percent of total)

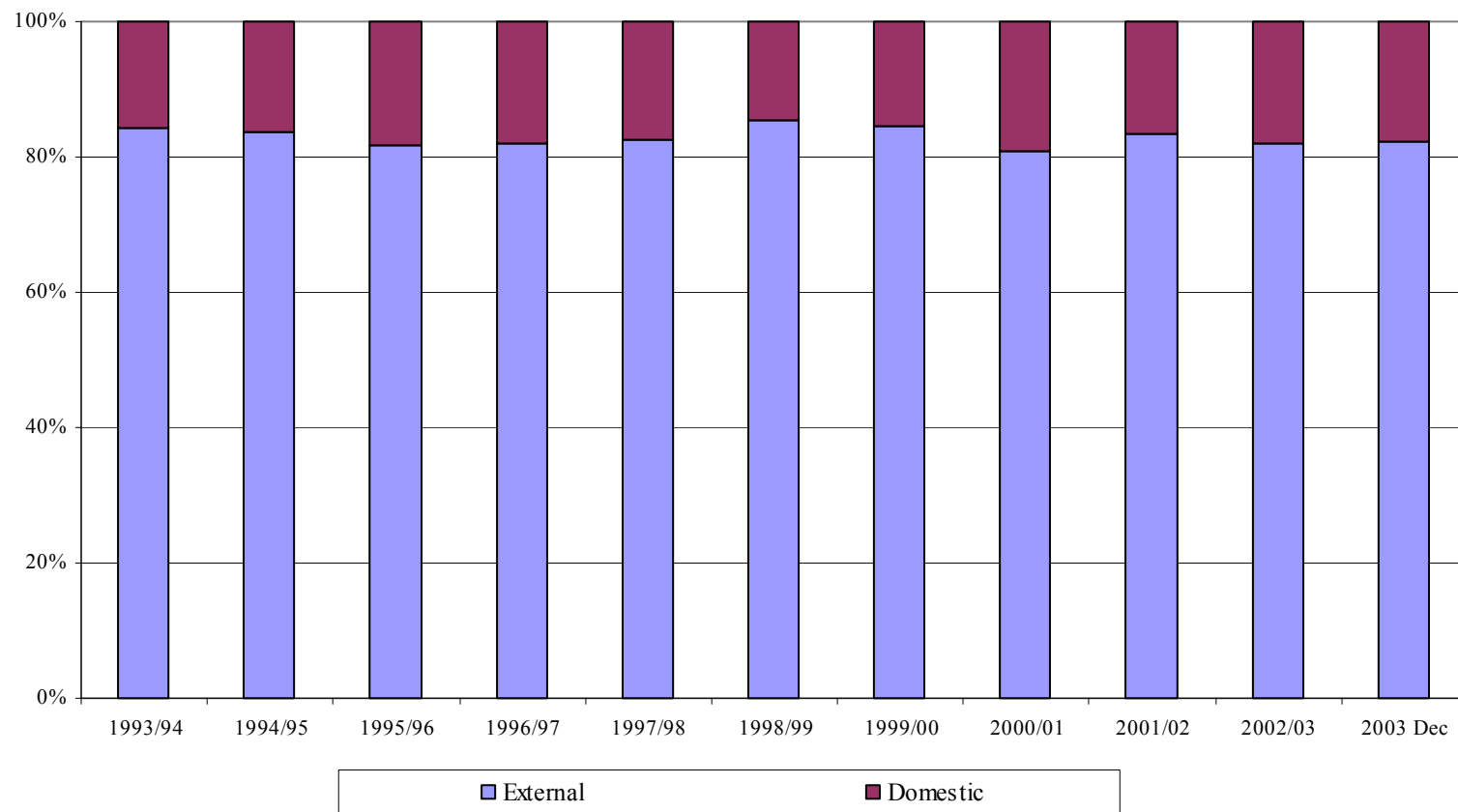
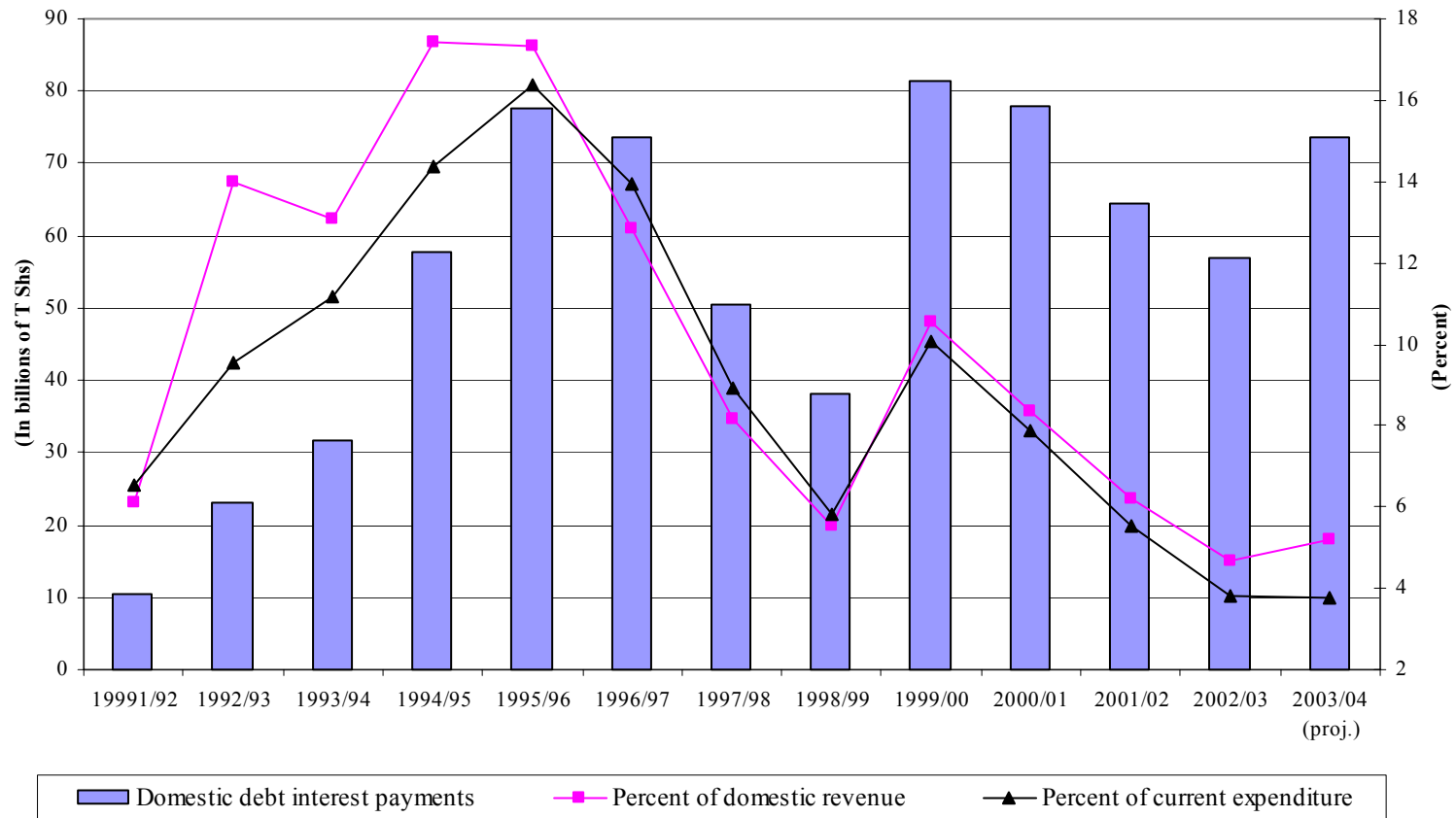
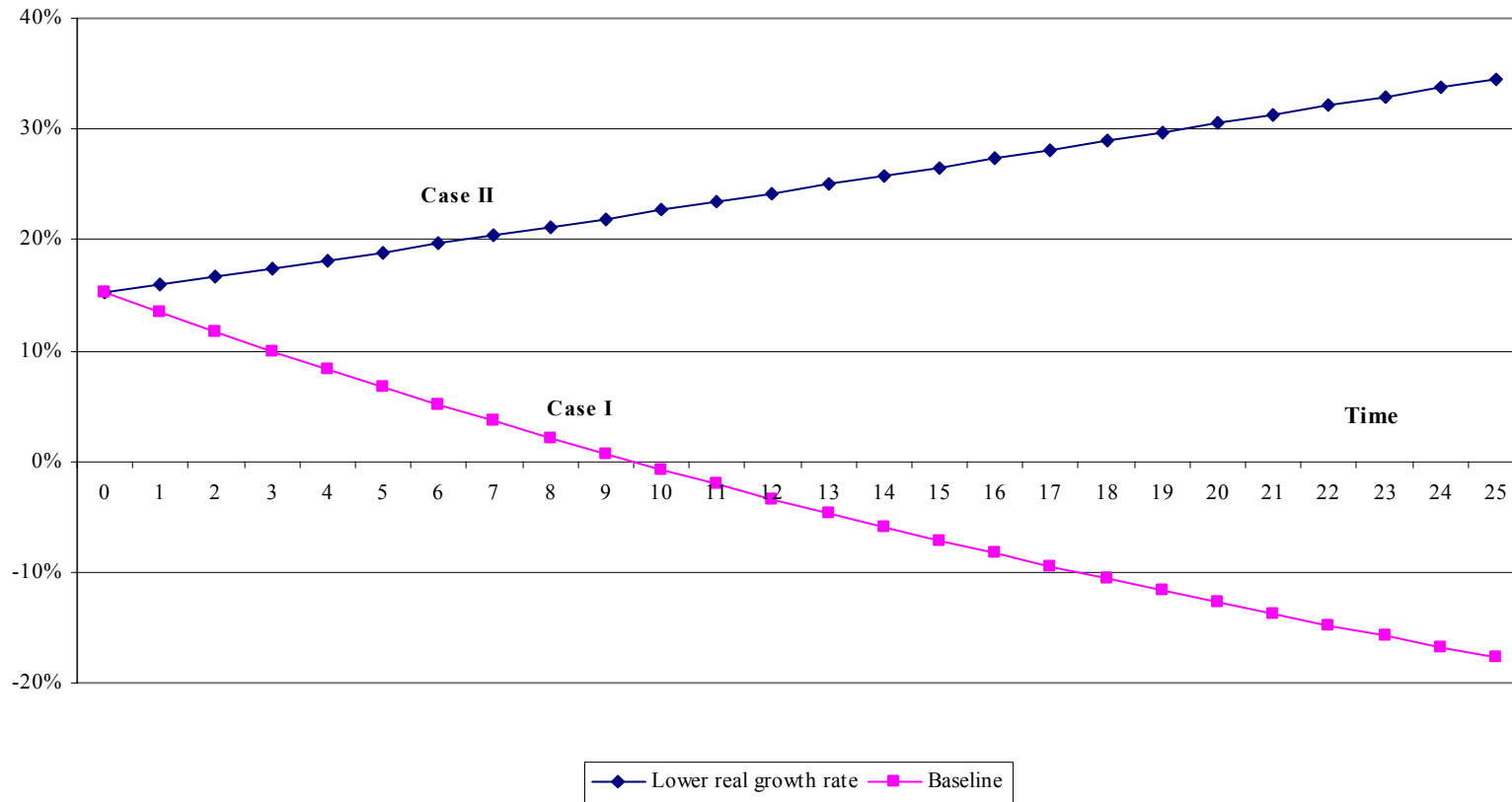


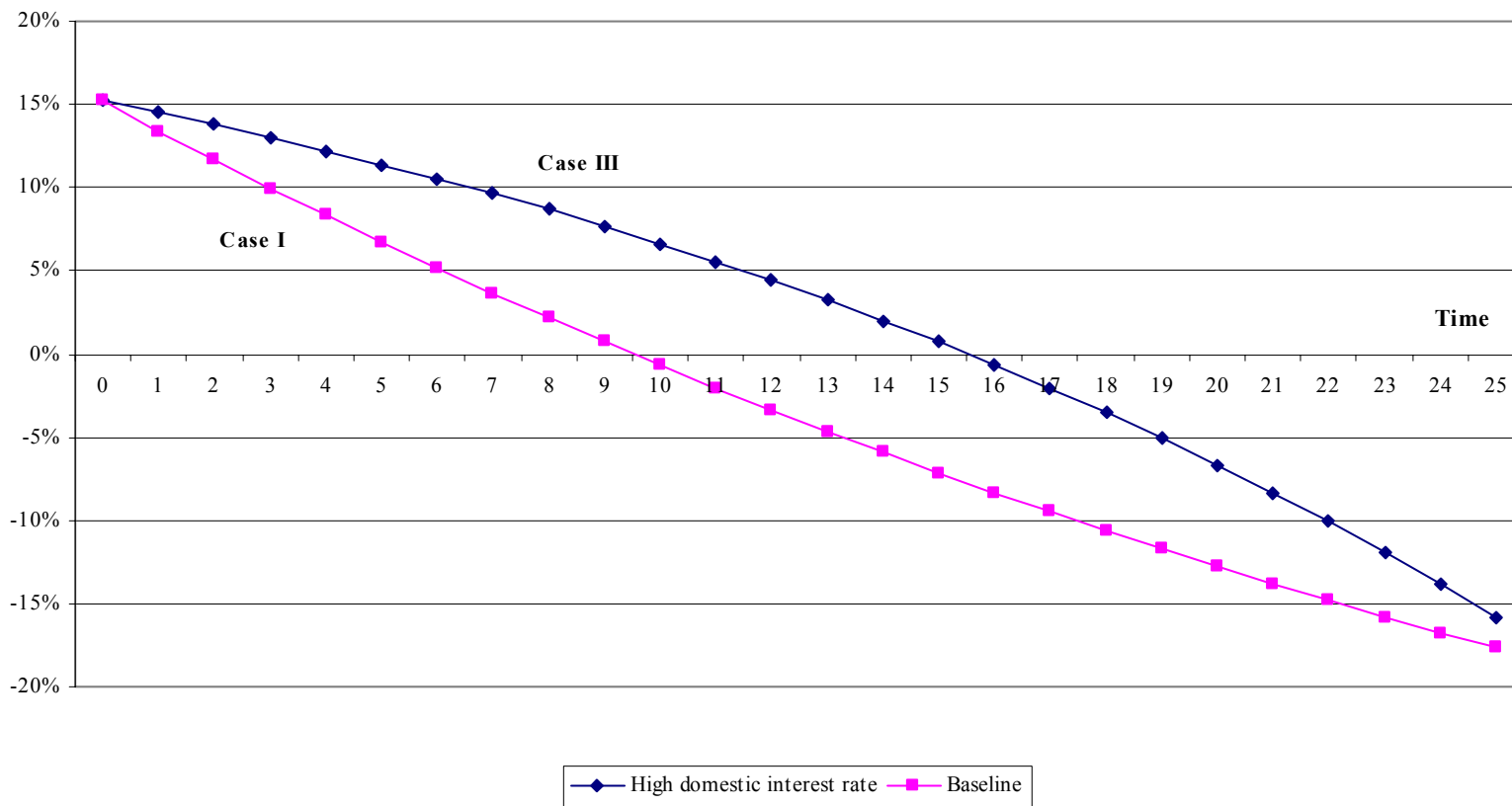
Figure 10. Tanzania: Interest Payments on Domestic Debt, 1991/92-2003/04



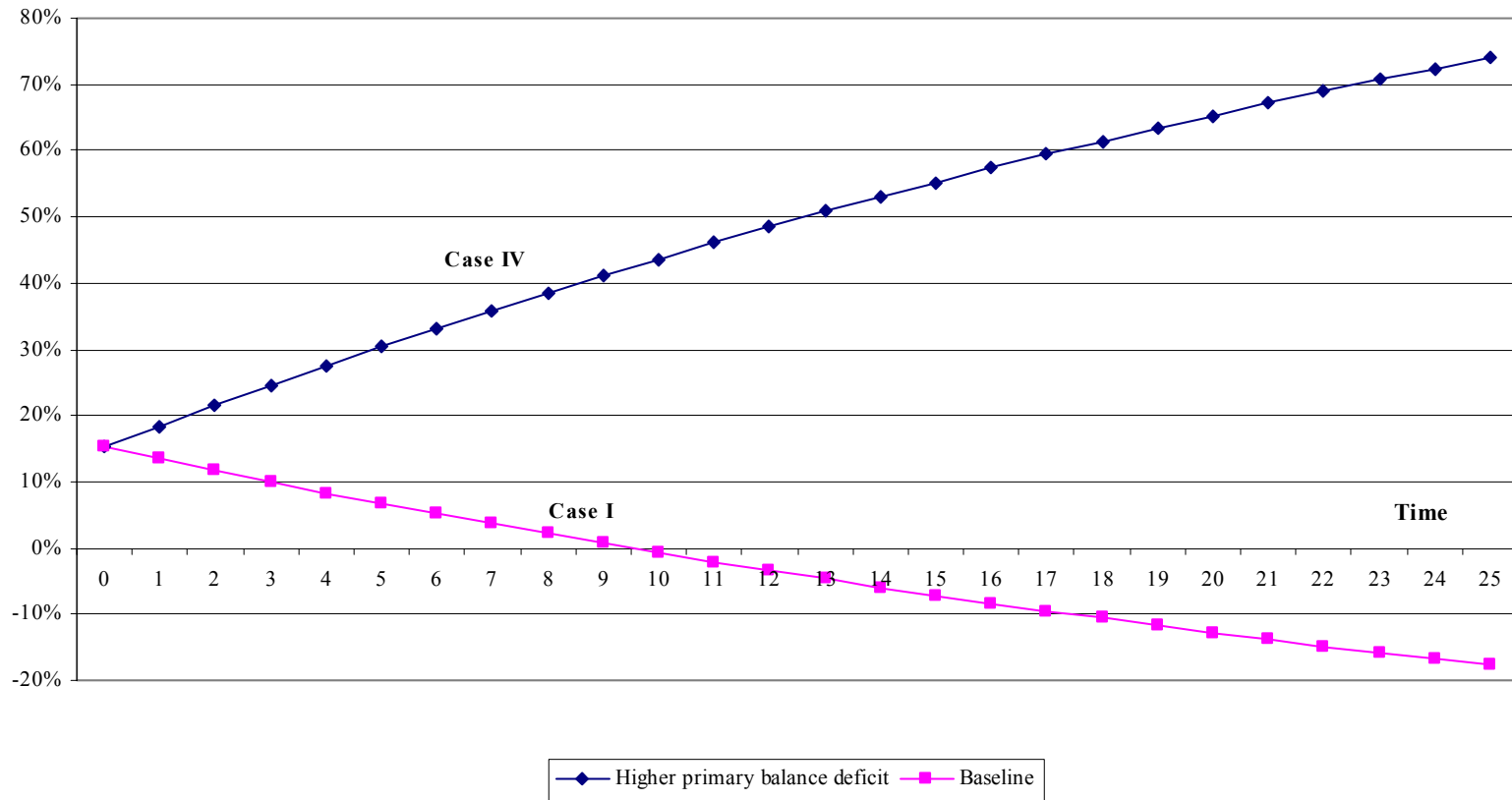
**Figure 11. Public Domestic Debt Stock (Case I and Case II)
(In percent of GDP)**



**Figure 12. Public Domestic Debt Stock (Case I and Case III)
(In percent of GDP)**



**Figure 13. Public Domestic Debt Stock (Case I and Case IV)
(In percent of GDP)**



**Figure 14. Public Domestic Debt Stock (Case I, V, and VI)
(In percent of GDP)**

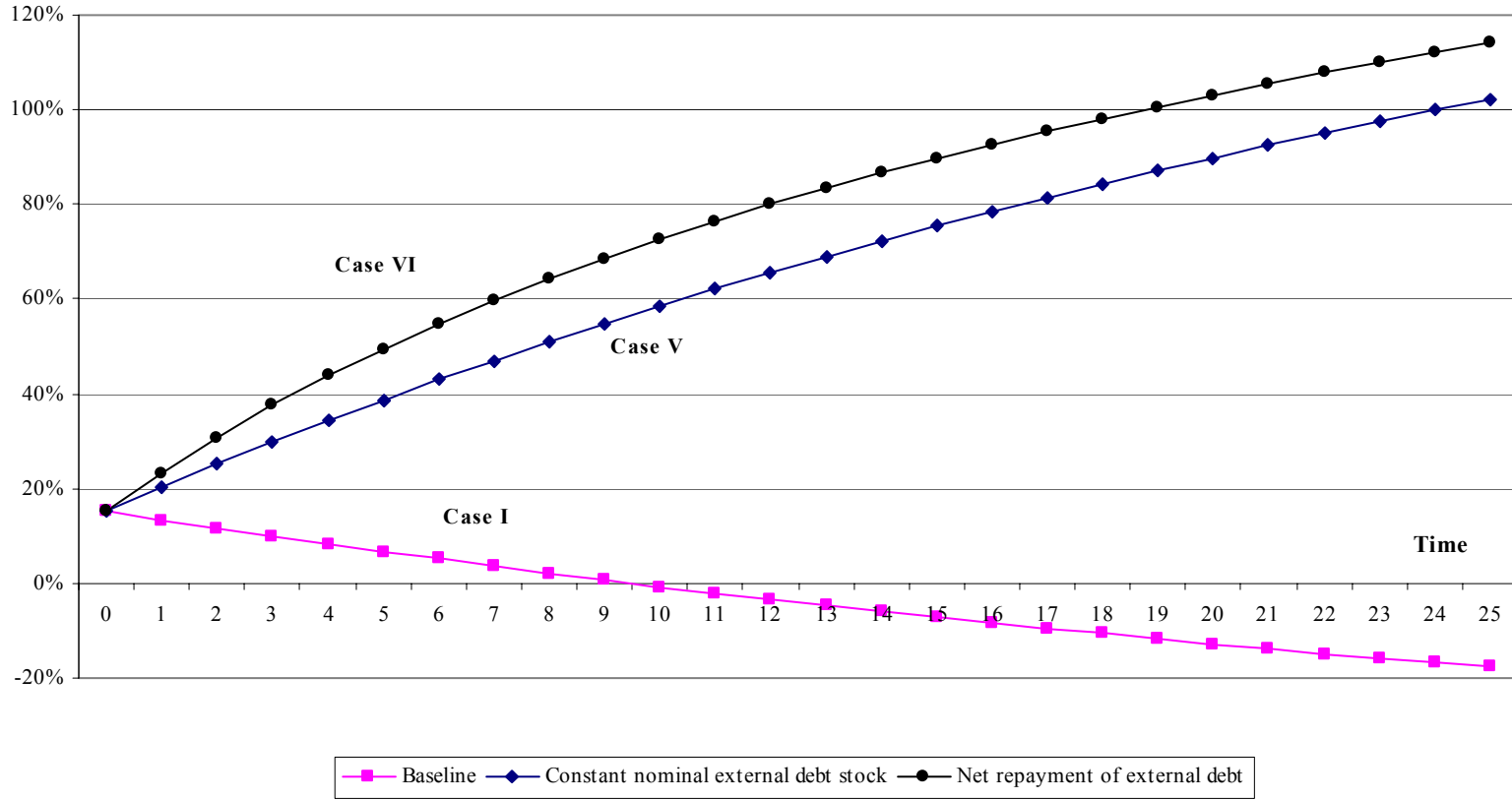


Table 8. Tanzania: Public Domestic Debt, 1993/94 - 2002/03
(In billions of Tanzania shillings)

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Total Public Domestic Debt	643.2	801.2	928.7	881.6	899.5	844.4	999.8	1,273.4	1,297.0	1,533.4
Government securities	...	...	...	687.8	639.6	639.2	855.0	889.2	969.4	1158.1
BOT liquidity paper	...	...	...	61.1	33.9	34.6	22.7	104.6	181.3	322.7
Central government securities	...	...	...	626.7	605.7	604.6	832.3	784.6	788.1	835.4
Special bonds & stock	...	...	...	487.1	433.5	420.4	574.1	474.7	468.1	354.1
T-bonds	...	...	...	5.5	57.6	92.1	112.9	137.9	147.2	216.1
T-bills (financing)	...	...	...	134.1	114.7	92.1	145.4	172.0	172.8	265.2
Nonsecuritized liabilities				193.8	260.0	205.3	144.7	384.2	327.6	375.3
Net parastatal debt	...	...	...	24.2	38.7	19.1	15.0	219.3	230.8	266.8
Interest arrears	...	...	...	82.2	111.6	99.7	59.2	0.7	0.8	0.9
Promissory notes	...	...	...	0.0	31.5	20.0	7.3	0.0	0.0	0.0
Other nonsecuritized liabilities	...	...	...	87.4	78.2	66.5	63.2	164.2	96.0	107.4
Memorandum item:										
Nominal GDP (market price)	2,012	2,660	3,394	4,238	5,140	6,002	6,850	7,771	8,860	10,069

Sources: National Debt Strategy; and Quarterly Public Debt Reports.

Table 9. Domestic Debt in Selected African Low-Income Countries (2000)

Country	Domestic Debt as percent of GDP
Tanzania	14.6
Benin	5.8
Burkina Faso	18.0
Burundi	13.3
Cameroon 1/	18.7
Cote d'Ivoire	20.4
Ethiopia 1/	42.2
Gambia, The	31.4
Ghana	28.9
Guyana 2/	36.9
Kenya 1/	22.2
Liberia 3/	57.0
Nicaragua	42.2
Niger	18.5
Nigeria	21.0
Rwanda	11.7
Senegal	6.7
Togo	24.2
Uganda	4.9
Zambia	19.3
Average	22.9

Sources: IMF statistical appendices; BoT; and staff estimates.

1/ 1999/00.

2/ June 2000.

3/ September 2002.

Table 10. Tanzania: Summary of Nonsecuritized Liabilities, 2002/03
(In billions of Tanzania shillings)

Source of liabilities	
Parastatals' debt	266.8
Privatized	27.4
Under privatization	126.3
Not privatized	34.1
Government guarantees	12.2
Possible retrenchment costs	66.8
Others	108.4
Compensation claim	13.4
Mortgages on acquired sisal estate	0.8
Trade unions	21.9
TALGWU	2.4
RAAWU	19.5
Pension funds	24.6
NSSF	1.4
PPF	18.4
LAPF	4.8
Local government debt	47.7
Total	375.3

Source: PAD of the Ministry of Finance.

Table 1. Tanzania: Gross Domestic Product at Constant 1992 Prices, 1997–2003

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
(In billions of Tanzania shillings)							
Agriculture, forestry, fishing, and hunting	403.9	413.2	433.3	450.2	479.6	507.2	528.1
Manufacturing	117.5	126.9	131.5	137.8	144.6	156.2	169.7
Mining and quarrying	24.1	30.7	33.5	38.1	43.3	49.8	58.3
Electricity and water	24.5	25.9	26.9	28.5	29.3	30.2	31.7
Construction	46.6	52.2	57.3	62.4	68.4	76.6	85.8
Trade, hotels, and restaurants	229.1	239.8	254.1	270.6	288.7	308.9	329.0
Transportation and communications	75.1	79.8	84.4	89.5	95.2	101.2	106.4
Public administration	96.5	98.9	101.1	104.5	107.7	111.7	116.0
Financial and business services	84.7	91.3	94.6	98.4	100.6	105.4	110.1
Other services	18.5	19.2	21.1	22.1	23.3	24.6	25.9
Imputed bank service charge	-72.3	-78.5	-81.2	-82.4	-84.4	-86.8	-89.8
Total monetary GDP	1,048.3	1,099.2	1,156.5	1,219.6	1,296.3	1,385.1	1,471.0
Agriculture, forestry, fishing, and hunting	322.2	326.7	337.2	346.3	360.7	374.9	389.3
Construction	12.8	13.0	13.6	14.4	15.1	16.0	17.1
Owner-occupied dwellings	65.0	66.8	70.0	73.9	77.3	81.1	84.6
Total nonmonetary GDP	399.9	406.6	420.8	434.7	453.1	472.0	490.9
Total GDP (at factor cost)	1,448.2	1,505.8	1,577.3	1,654.3	1,749.4	1,857.2	1,962.0
Net taxes	130.2	131.1	117.5	126.8	143.0	172.2	211.4
Total GDP (at market prices)	1,578.4	1,637.0	1,694.7	1,781.2	1,892.4	2,029.4	2,173.4
(In percent of GDP at factor cost)							
Agriculture, forestry, fishing, and hunting	27.9	27.4	27.5	27.2	27.4	27.3	26.9
Manufacturing	8.1	8.4	8.3	8.3	8.3	8.4	8.6
Mining and quarrying	1.7	2.0	2.1	2.3	2.5	2.7	3.0
Electricity and water	1.7	1.7	1.7	1.7	1.7	1.6	1.6
Construction	3.2	3.5	3.6	3.8	3.9	4.1	4.4
Trade, hotels, and restaurants	15.8	15.9	16.1	16.4	16.5	16.6	16.8
Transportation and communications	5.2	5.3	5.4	5.4	5.4	5.5	5.4
Public administration	6.7	6.6	6.4	6.3	6.2	6.0	5.9
Financial and business services	5.9	6.1	6.0	5.9	5.8	5.7	5.6
Other services	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Imputed bank service charge	-5.0	-5.2	-5.1	-5.0	-4.8	-4.7	-4.6
Total monetary GDP	72.4	73.0	73.3	73.7	74.1	74.6	75.0
Agriculture, forestry, fishing, and hunting	22.2	21.7	21.4	20.9	20.6	20.2	19.8
Construction	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Owner-occupied dwellings	4.5	4.4	4.4	4.5	4.4	4.4	4.3
Total nonmonetary GDP	27.6	27.0	26.7	26.3	25.9	25.4	25.0
Total GDP (at factor cost)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
(Annual change in percent)							
Agriculture, forestry, fishing, and hunting	1.5	2.3	4.9	3.9	6.5	5.8	4.1
Manufacturing	5.0	8.0	3.6	4.8	5.0	8.0	8.6
Mining and quarrying	17.1	27.4	9.1	13.9	13.5	15.0	17.0
Electricity and water	2.2	5.5	3.9	5.9	3.0	3.1	4.9
Construction	10.0	12.0	9.7	9.0	9.5	12.1	12.0
Trade, hotels, and restaurants	5.0	4.7	6.0	6.5	6.7	7.0	6.5
Transportation and communications	4.9	6.2	5.8	6.1	6.3	6.4	5.1
Public administration	2.0	2.5	2.3	3.3	3.1	3.8	3.8
Financial and business services	11.5	7.7	3.6	4.0	2.3	4.7	4.5
Other services	5.1	4.0	9.5	4.9	5.4	5.5	5.4
Imputed bank service charge	23.5	8.6	3.4	1.4	2.5	2.8	3.5
Total monetary GDP	3.2	4.9	5.2	5.5	6.3	6.9	6.2
Total nonmonetary GDP	3.6	1.7	3.5	3.3	4.2	4.2	4.0
Total GDP (at factor cost)	3.3	4.0	4.7	4.9	5.7	6.2	5.6
Total GDP (at market price)	3.5	3.7	3.5	5.1	6.2	7.2	7.1

Source: Tanzanian authorities.

Table 2. Tanzania: Gross Domestic Product at Current Prices, 1997–2003

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
(In billions of Tanzania shillings)							
Agriculture, forestry, fishing, and hunting	1,085.7	1,264.3	1,500.6	1,689.6	1,919.7	2,205.2	2,508.9
Manufacturing	295.3	382.9	434.5	499.7	564.7	638.7	711.0
Mining and quarrying	53.5	74.4	85.8	99.5	120.5	153.0	191.2
Electricity and water	74.6	81.8	101.3	112.8	124.8	145.8	157.0
Construction	149.8	209.8	253.4	282.2	335.9	389.7	454.2
Trade, hotels, and restaurants	562.8	635.3	740.2	823.0	926.9	1,038.1	1,153.3
Transportation and communications	219.4	250.1	294.2	328.3	361.6	404.9	454.0
Public administration	413.1	510.5	594.0	645.4	723.1	810.3	869.3
Financial and business services	248.6	312.8	345.1	383.0	421.5	494.8	564.3
Other services	44.0	49.3	55.6	63.9	73.9	82.7	86.9
Imputed bank service charge	-138.2	-141.9	-144.8	-151.4	-157.8	-168.8	-182.3
Total monetary GDP	3,008.6	3,629.2	4,259.9	4,776.0	5,414.6	6,194.3	6,967.7
Agriculture, forestry, fishing, and hunting	918.1	1,030.8	1,193.8	1,330.3	1,486.4	1,679.4	1,909.0
Construction	38.3	45.6	52.4	61.2	69.2	80.3	92.0
Owner-occupied dwellings	321.9	418.4	471.6	537.6	654.3	745.9	842.9
Total nonmonetary GDP	1,278.2	1,494.8	1,717.8	1,929.1	2,210.0	2,505.6	2,843.8
Total GDP (at factor cost)	4,286.8	5,123.9	5,977.7	6,705.1	7,624.6	8,699.9	9,811.6
Net taxes	421.9	446.3	455.2	562.0	650.0	745.6	880.9
Total GDP (at market prices)	4,708.6	5,570.3	6,432.9	7,267.1	8,274.6	9,445.5	10,692.4
(In percent of GDP at factor cost)							
Agriculture, forestry, fishing, and hunting	25.3	24.7	25.1	25.2	25.2	25.3	25.6
Manufacturing	6.9	7.5	7.3	7.5	7.4	7.3	7.2
Mining and quarrying	1.2	1.5	1.4	1.5	1.6	1.8	1.9
Electricity and water	1.7	1.6	1.7	1.7	1.6	1.7	1.6
Construction	3.5	4.1	4.2	4.2	4.4	4.5	4.6
Trade, hotels, and restaurants	13.1	12.4	12.4	12.3	12.2	11.9	11.8
Transportation and communications	5.1	4.9	4.9	4.9	4.7	4.7	4.6
Public administration	9.6	10.0	9.9	9.6	9.5	9.3	8.9
Financial and business services	5.8	6.1	5.8	5.7	5.5	5.7	5.8
Other services	1.0	1.0	0.9	1.0	1.0	1.0	0.9
Imputed bank service charge	-3.2	-2.8	-2.4	-2.3	-2.1	-1.9	-1.9
Total monetary GDP	70.2	70.8	71.3	71.2	71.0	71.2	71.0
Total nonmonetary GDP	29.8	29.2	28.7	28.8	29.0	28.8	29.0
Total GDP (at factor cost)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
(Annual change in percent)							
Agriculture, forestry, fishing, and hunting	16.5	16.4	18.7	12.6	13.6	14.9	13.8
Manufacturing	16.1	29.7	13.5	15.0	13.0	13.1	11.3
Mining and quarrying	39.0	39.0	15.3	16.0	21.0	27.0	25.0
Electricity and water	13.4	9.6	23.9	11.3	10.7	16.8	7.7
Construction	50.0	40.0	20.8	11.3	19.1	16.0	16.6
Trade, hotels, and restaurants	14.0	12.9	16.5	11.2	12.6	12.0	11.1
Transportation and communications	13.1	14.0	17.6	11.6	10.1	12.0	12.1
Public administration	57.3	23.6	16.4	8.7	12.0	12.1	7.3
Financial and business services	18.7	25.8	10.3	11.0	10.1	17.4	14.1
Other services	14.9	12.1	12.7	15.0	15.6	12.0	5.0
Imputed bank service charge	0.9	2.7	2.0	4.6	4.2	7.0	8.0
Total monetary GDP	22.7	20.6	17.4	12.1	13.4	14.4	12.5
Total nonmonetary GDP	27.6	16.9	14.9	12.3	14.6	13.4	13.5
Total GDP (at factor cost)	24.2	19.5	16.7	12.2	13.7	14.1	12.8

Source: Tanzanian authorities.

Table 3. Tanzania: Gross Domestic Product and Expenditure at Constant 1992 Prices, 1997–2003

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
(In billions of Tanzania shillings)							
Gross domestic product (at market prices)	1,578.4	1,637.0	1,694.7	1,781.2	1,892.4	2,029.4	2,173.4
Final consumption	1,589.3	1,765.5	1,861.7	1,849.6	1,937.2	2,082.8	2,185.0
Private	1,310.0	1,447.4	1,548.5	1,529.5	1,598.0	1,681.4	1,759.4
Public	279.3	318.1	313.2	320.1	339.3	401.4	425.6
Investment	279.3	318.1	313.2	336.6	381.7	454.2	481.3
Gross fixed capital formation	275.5	314.3	309.3	332.6	377.6	449.5	476.7
Change in inventories	3.8	3.9	3.9	4.0	4.1	4.7	4.6
Net exports 1/	-155.6	-295.9	-295.0	-236.2	-218.2	-271.3	-345.5
Exports	247.1	271.5	321.9	381.2	449.1	517.0	646.0
Imports	402.8	567.4	617.0	617.4	667.2	788.3	991.5
Discrepancy	-134.6	-150.7	-185.2	-168.8	-208.4	-236.3	-147.4
(In percent of GDP)							
Final consumption	100.7	107.9	109.9	103.8	102.4	102.6	100.5
Private	83.0	88.4	91.4	85.9	84.4	82.9	80.9
Public	17.7	19.4	18.5	18.0	17.9	19.8	19.6
Investment	17.7	19.4	18.5	18.9	20.2	22.4	22.1
Gross fixed capital formation	17.5	19.2	18.3	18.7	20.0	22.1	21.9
Change in inventories	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Net exports 1/	-9.9	-18.1	-17.4	-13.3	-11.5	-13.4	-15.9
Exports	15.7	16.6	19.0	21.4	23.7	25.5	29.7
Imports	25.5	34.7	36.4	34.7	35.3	38.8	45.6
Discrepancy	-8.5	-9.2	-10.9	-9.5	-11.0	-11.6	-6.8

Source: Tanzanian authorities.

1/ Includes goods and nonfactor services.

Table 4. Tanzania: Gross Domestic Product and Expenditure at Current Prices, 1997–2003

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
(In billions of Tanzania shillings)							
Gross domestic product (at market prices)	4,708.6	5,570.3	6,432.9	7,267.1	8,274.6	9,445.5	10,692.4
Final consumption	4,381.6	5,343.0	6,118.6	6,552.3	7,433.9	8,098.6	9,463.3
Private	3,968.1	4,909.3	5,667.4	6,069.6	6,917.6	7,499.6	8,765.5
Public	413.6	433.8	451.1	482.7	516.3	598.9	697.8
Investment	700.8	902.6	999.7	1,281.0	1,406.3	1,807.8	1,991.6
Gross fixed capital formation	692.4	892.7	989.3	1,266.7	1,390.6	1,789.9	1,974.1
Change in inventories	8.4	9.9	10.3	14.4	15.7	17.9	17.5
Net exports 1/	-445.5	-816.4	-817.8	-611.6	-678.1	-586.4	-957.4
Exports	762.8	749.0	885.9	1,064.8	1,284.7	1,520.5	1,900.0
Imports	1,208.3	1,565.3	1,703.8	1,676.3	1,962.8	2,106.9	2,857.4
Discrepancy	71.7	141.0	132.5	45.4	112.5	125.5	195.0
(In percent of GDP at market prices)							
Final consumption	93.1	95.9	95.1	90.2	89.8	85.7	88.5
Private	84.3	88.1	88.1	83.5	83.6	79.4	82.0
Public	8.8	7.8	7.0	6.6	6.2	6.3	6.5
Investment	14.9	16.2	15.5	17.6	17.0	19.1	18.6
Gross fixed capital formation	14.7	16.0	15.4	17.4	16.8	18.9	18.5
Change in inventories	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Net exports 1/	-9.5	-14.7	-12.7	-8.4	-8.2	-6.2	-9.0
Exports	16.2	13.4	13.8	14.7	15.5	16.1	17.8
Imports	25.7	28.1	26.5	23.1	23.7	22.3	26.7
Discrepancy	1.5	2.5	2.1	0.6	1.4	1.3	1.8

Source: Tanzanian authorities.

Table 5. Tanzania: Production of Major Food Crops and Purchases of Principal Exports, 1997/98-2003/04
(In thousands of tons)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04 Est.
Food crops							
Production							
Maize	2,685	2,452	2,009	2,579	3,348	3,480	3,129
Paddy	676	506	508	564	1,010	1,069	921
Wheat	111	82	33	89	65	67	72
Cassava	1,758	1,795	1,781	1,445	2,017	2,058	2,656
Export crops							
Marketing board purchases							
Coffee	38.0	46.6	47.9	58.0	60.4	35.4	58.0
Seed cotton	69.9	39.0	35.0	41.4	148.0	154.1	140.0
Green tea	26.2	21.9	24.8	26.4	23.0	81.0	20.9
Cashew nuts	93.2	103.3	121.2	122.3	95.0	78.0	64.0
Tobacco	52.0	38.0	31.8	24.8	47.3	59.0	20.0
Sisal	19.0	33.0	20.6	20.5	13.9	19.4	12.8

Source: Tanzanian authorities.

Table 6. Tanzania: Production of Selected Manufactured Commodities, 1997–2003

Commodity	Unit	1997	1998	1999	2000	2001	2002	2003
		Actual						Prov.
Consumer goods								
Sugar	Metric tons (thousands)	116.1	143.0	153.0	135.3	184.0	189.6	212.9
Cigarettes	Pieces (millions)	4.7	3.9	3.4	3.7	3.5	3.8	3.9
Beer	Liters (millions)	148.3	170.7	167.4	183.0	175.7	175.9	194.1
Soft drinks	Liters (millions)	113.5	129.4	139.7	177.4	198.7	208.7	208.4
Textiles	Square meters (millions)	41.7	45.5	49.8	73.6	84.3	106.3	125.8
Intermediate goods								
Cement	Tons (thousands)	621.0	778.0	833.0	833.0	900.0	1,026.0	1,186.0
Rolled steel	Tons (thousands)	12.5	9.5	9.5	11.2	16.1	25.4	39.6
Iron sheets	Tons (thousands)	15.2	14.9	23.0	25.0	25.9	35.1	33.6
Aluminum	Tons (thousands)	0.1	0.2	0.2	0.1	0.1	0.1	0.2
Petroleum products	Tons (thousands)	313.0	312.0	287.0	117.0	...	...	...
Sisal ropes	Tons (thousands)	4.9	4.3	3.3	3.9	4.5	5.9	6.9
Paints	Liters (millions)	4.9	4.9	12.9	7.1	9.0	13.6	16.8

Source: Tanzanian authorities.

Table 7. Tanzania: Gross Capital Formation by Public and Private Sectors, 1997-2003

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
(In billions of Tanzania shillings)							
Gross fixed capital formation	692.4	892.7	989.3	1,266.7	1,390.6	1,789.9	1,974.1
Public sector fixed capital formation	137.6	185.6	199.9	438.4	461.7	716.0	790.0
Central government	25.9	128.1	136.5	354.6	371.3	580.7	650.0
Public enterprises 1/	111.8	57.5	63.3	83.8	90.4	135.3	139.3
Private sector fixed capital formation 2/	554.8	707.1	789.5	828.3	928.9	1,073.9	1,184.0
Changes in stocks 3/	8.4	9.9	10.3	14.4	15.7	17.9	17.5
Total capital formation	700.8	902.6	999.7	1,281.0	1,406.3	1,807.8	1,991.6
Total GDP (at market prices)	4,708.6	5,570.3	6,432.9	7,267.1	8,274.6	9,445.5	10,692.4
(In percent of GDP)							
Gross fixed capital formation	14.7	16.0	15.4	17.4	16.8	18.9	18.5
Public sector fixed capital formation	2.9	3.3	3.1	6.0	5.6	7.6	7.4
Central government	0.5	2.3	2.1	4.9	4.5	6.1	6.1
Public enterprises 1/	2.4	1.0	1.0	1.2	1.1	1.4	1.3
Private sector fixed capital formation 2/	11.8	12.7	12.3	11.4	11.2	11.4	11.1
Changes in stocks 3/	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total capital formation	14.9	16.2	15.5	17.6	17.0	19.1	18.6

Source: Tanzanian authorities.

1/ Includes nonprofit organizations.

2/ Includes rural noncommercial construction.

3/ Includes only livestock.

Table 8. Tanzania: Analysis of the Savings-Investment Relationship, 1997–2003
(At current prices)

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
(In billions of Tanzania shillings)							
Gross domestic product (at market prices)	4,708.6	5,570.3	6,432.9	7,267.1	8,274.6	9,445.5	10,692.4
Monetary (at factor costs)	3,008.6	3,630.2	4,259.9	4,785.6	5,424.7	6,160.6	6,967.7
Nonmonetary (at factor costs)	1,278.2	1,495.1	1,717.8	1,930.2	2,210.0	2,468.4	2,843.8
Indirect taxes and subsidies	421.9	446.3	455.2	562.0	650.0	745.6	880.9
Final consumption	4,381.6	5,343.0	6,118.6	6,552.3	7,433.9	8,098.6	9,463.3
Private	3,968.1	4,909.3	5,667.4	6,069.6	6,917.6	7,499.6	8,765.5
Public	413.6	433.8	451.1	482.7	516.3	598.9	697.8
Investment	700.8	902.6	999.7	1,281.0	1,406.3	1,807.8	1,991.6
Government	137.6	185.6	199.9	438.4	461.7	716.0	790.0
Private	563.2	717.0	799.8	842.6	944.6	1,091.8	1,201.5
Gross fixed capital formation (excluding stocks)	692.4	892.7	989.3	1,266.7	1,390.6	1,789.9	1,974.1
Public sector	137.6	185.6	199.9	438.4	461.7	716.0	790.0
Central government	25.9	128.1	136.5	354.6	371.3	580.7	650.0
Public enterprises	108.2	28.1	31.9	36.2	40.4	60.7	62.0
Institutions 1/	3.5	29.5	31.4	47.5	50.0	74.5	77.3
Private sector 2/	554.8	707.1	789.5	828.3	928.9	1,073.9	1,184.0
Changes in stocks	8.4	9.9	10.3	14.4	15.7	17.9	17.5
Total capital formation (excluding stocks)	700.8	902.6	999.7	1,281.0	1,406.3	1,807.8	1,991.6
Net exports of goods and nonfactor services	-445.5	-816.4	-817.8	-611.6	-678.1	-586.4	-957.4
Exports	762.8	749.0	885.9	1,064.8	1,284.7	1,520.5	1,900.0
Imports	1,208.3	1,565.3	1,703.8	1,676.3	1,962.8	2,106.9	2,857.4
Discrepancy	71.7	141.0	132.5	45.4	112.5	125.5	195.0
Domestic savings	255.3	86.3	181.8	669.5	728.2	1,221.4	1,034.1
(In percent of GDP)							
Final consumption	93.1	95.9	95.1	90.2	89.8	85.7	88.5
Government	8.8	7.8	7.0	6.6	6.2	6.3	6.5
Private	84.3	88.1	88.1	83.5	83.6	79.4	82.0
Investment	14.9	16.2	15.5	17.6	17.0	19.1	18.6
Government	2.9	3.3	3.1	6.0	5.6	7.6	7.4
Private	12.0	12.9	12.4	11.6	11.4	11.6	11.2
Gross fixed capital formation	14.7	16.0	15.4	17.4	16.8	18.9	18.5
Public sector	2.9	3.3	3.1	6.0	5.6	7.6	7.4
Central government	0.5	2.3	2.1	4.9	4.5	6.1	6.1
Public enterprises	2.3	0.5	0.5	0.5	0.5	0.6	0.6
Institutions 1/	0.1	0.5	0.5	0.7	0.6	0.8	0.7
Private sector 2/	11.8	12.7	12.3	11.4	11.2	11.4	11.1
Changes in stocks	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total capital formation	14.9	16.2	15.5	17.6	17.0	19.1	18.6
Domestic savings	5.4	1.5	2.8	9.2	8.8	12.9	9.7
Resource balance	-9.5	-14.7	-12.7	-8.4	-8.2	-6.2	-9.0

Source: Tanzanian authorities.

1/ Includes nonprofit organizations.

2/ Includes rural noncommercial construction.

Table 9. Tanzania Analysis of the Savings-Investment Relationship, 1997–2003
(At constant 1992 prices)

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
	(In billions of Tanzania shillings)						
Gross domestic product (at market prices)	1,578.4	1,637.0	1,694.7	1,781.2	1,892.4	2,029.4	2,173.4
Monetary (at factor costs)	1,048.3	1,099.2	1,156.5	1,219.6	1,296.3	1,385.1	1,471.0
Nonmonetary (at factor costs)	399.9	406.6	420.8	434.7	453.1	472.0	490.9
Indirect taxes and subsidies	130.2	131.1	117.5	126.8	143.0	172.2	211.4
Final consumption	1,589.4	1,765.5	1,861.7	1,849.6	1,937.2	2,082.8	2,185.0
Government	279.3	318.1	313.2	320.1	339.3	401.4	425.6
Private	1,310.1	1,447.4	1,548.5	1,529.5	1,598.0	1,681.4	1,759.4
Investment	279.3	318.1	313.2	336.6	381.7	454.2	481.3
Government	51.7	62.3	59.4	107.5	125.4	179.8	190.8
Private	227.6	255.8	253.8	229.1	256.3	274.4	290.6
Gross fixed capital formation (excluding stocks)	275.5	314.3	309.3	332.6	377.6	449.5	476.7
Public sector	51.7	62.3	59.4	107.5	125.4	179.8	190.8
Central government	10.3	45.1	42.7	86.9	100.8	145.8	157.0
Public enterprises	40.0	6.8	6.9	8.9	11.0	15.3	15.2
Institutions 1/	1.4	10.4	9.8	11.7	13.6	18.7	18.7
Private sector	223.8	252.0	249.9	225.1	252.2	269.7	285.9
Changes in stocks	3.8	3.9	3.9	3.5	4.1	4.7	4.6
Total capital formation (excluding stocks)	279.3	318.1	313.2	336.6	381.7	454.2	481.3
Net exports of goods and nonfactor services	-155.6	-295.9	-295.0	-236.2	-218.2	-271.3	-345.5
Exports	247.1	271.5	321.9	381.2	449.1	517.0	646.0
Imports	402.8	567.4	617.0	617.4	667.2	788.3	991.5
Discrepancy	-134.7	-150.7	-185.2	-168.7	-208.4	-236.3	-147.4
Domestic savings	123.7	22.2	18.2	100.3	163.5	182.9	135.8
	(In percent of GDP)						
Final consumption	100.7	107.9	109.9	103.8	102.4	102.6	100.5
Government	17.7	19.4	18.5	18.0	17.9	19.8	19.6
Private	83.0	88.4	91.4	85.9	84.4	82.9	80.9
Investment	17.7	19.4	18.5	18.9	20.2	22.4	22.1
Government	3.3	3.8	3.5	6.0	6.6	8.9	8.8
Private	14.4	15.6	15.0	12.9	13.5	13.5	13.4
Gross fixed capital formation	17.5	19.2	18.3	18.7	20.0	22.1	21.9
Public sector	3.3	3.8	3.5	6.0	6.6	8.9	8.8
Central government	0.7	2.8	2.5	4.9	5.3	7.2	7.2
Public enterprises	2.5	0.4	0.4	0.5	0.6	0.8	0.7
Institutions 1/	0.1	0.6	0.6	0.7	0.7	0.9	0.9
Private sector	14.2	15.4	14.7	12.6	13.3	13.3	13.2
Changes in stocks	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total capital formation	17.7	19.4	18.5	18.9	20.2	22.4	22.1
Domestic savings	7.8	1.4	1.1	5.6	8.6	9.0	6.2
Resource balance	-9.9	-18.1	-17.4	-13.3	-11.5	-13.4	-15.9

Source: Tanzanian authorities.

1/ Includes nonprofit organizations.

Table 10. Tanzania: Average Producer Prices for Selected Export Crops, 1997/98–2003/04 1/
(In Tanzania shillings per kilogram, unless otherwise indicated)

Crop Year	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Actual					
Arabic coffee	1,063	1,006	1,404	470	500	430
Robusta coffee	326	450	293	200	106	95
Flue cured tobacco	714	534	527	527	543	572
Fire cured tobacco	477	455	559	558	519	550
Sisal 3L 2/	946	919	791	650	650	...
Sisal UG 2/	826	803	619	540	540	...
Raw cashew	233	345	641	252	300	360
Seed cotton	180	185	123	180	175	180
Green tea	55	60	60	76	80	84
Pyrethrum	340	320	350	453	483	380
Clove	299	409	869	1,688	5,024	...

Source: Ministry of Agriculture.

1/ Crop years vary.

2/ U.S. dollars per ton.

Table 11. Tanzania: Central Government Operations, 1999/00-2003/04 1/

(In billions of Tanzania shillings, unless otherwise indicated)

	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual				Est.
Total revenue	772.5	929.6	1,042.9	1,217.5	1,447.3
Tax revenue	691.9	827.8	938.5	1,105.7	1,325.1
Import duties	87.7	95.6	88.9	106.4	130.1
VAT	223.8	302.0	352.3	424.3	494.8
Excises	88.5	154.8	177.6	187.3	216.6
Income taxes	205.1	194.0	228.4	276.1	360.4
Other taxes	86.9	81.4	91.3	111.7	123.2
Nontax revenue	80.5	101.8	104.5	111.8	122.3
Total expenditure	1,271.9	1,314.8	1,521.9	1,989.5	2,531.5
Recurrent expenditure	807.6	986.6	1,171.4	1,488.6	1,887.1
Wages and salaries	285.3	308.1	342.0	397.8	464.1
Interest payments	127.0	128.1	121.1	99.8	121.7
Domestic	81.4	77.8	64.6	57.0	73.6
Foreign	45.6	50.4	56.5	42.8	48.0
Goods and services and transfers	395.3	550.4	708.3	991.1	1,301.4
Development expenditure	359.9	286.3	291.3	500.9	644.4
Domestically financed	19.4	35.1	50.2	95.7	136.1
Foreign financed	340.5	251.2	241.1	405.2	508.3
Adjustment to cash 2/	35.0	25.4	0.6	13.5	0.0
Overall balance before grants	-534.4	-410.7	-479.5	-785.5	-1,084.2
Grants	307.3	286.3	385.2	622.3	758.4
Program (including basket grants) 3/	94.3	114.0	183.0	293.9	386.1
Project	207.5	123.6	140.2	255.5	286.4
HIPC grant relief	5.5	48.7	62.0	72.9	85.9
Overall balance after grants	-227.1	-124.3	-94.3	-163.2	-325.8
Financing	227.1	124.3	94.3	163.2	325.8
Foreign (net)	105.4	90.4	118.5	199.7	348.3
Foreign loans	191.2	172.9	187.4	301.1	436.4
Program (including basket loans) 3/	58.2	45.3	86.5	151.3	214.4
Project	133.0	127.6	100.9	149.7	222.0
Amortization	-85.8	-82.5	-68.9	-101.3	-88.1
Domestic (net)	9.1	-2.5	-22.6	-36.3	-17.9
Bank financing	-27.4	-18.7	-59.2	-10.3	-37.6
Nonbank financing	36.5	16.2	36.6	-26.0	19.8
Amortization of parastatal debt	0.0	0.0	-1.6	-0.3	-14.4
Privatization proceeds	12.0	26.7	0.0	0.0	9.8
Memorandum items:					
Primary balance (excluding grants and foreign-financed development expenditure)	-67.0	-31.3	-117.3	-267.0	-454.2
Share of expenditures financed from foreign sources (percent) 4/	36.7	32.9	36.0	44.2	45.6
Share of current expenditures financed by foreign program assistance 5/	18.9	16.2	23.0	29.9	31.8
Ratio of recurrent expenditures to total revenues (percent)	104.6	106.1	112.3	122.3	130.4

Source: Ministry of Finance.

1/ Fiscal years run from July to June.

2/ Unidentified financing (-)/expenditure (+). Includes expenditure carryover from the previous fiscal year.

3/ Basket funds are sector-specific accounts established by the government for channeling donor support to fund specific activities in different sectors.

4/ Defined as a ratio (in percent) of gross grant and loan inflows to a sum of total expenditures and amortization payments.

5/ Defined as a ratio (in percent) of current expenditures to a sum of program grants and loans (including basket funding).

Table 11. Tanzania: Central Government Operations, 1999/00-2003/04 1/ (concluded)
(In percent of GDP, unless otherwise indicated)

	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual				Est.
Total revenue	11.3	12.0	11.8	12.1	12.9
Tax revenue	10.1	10.7	10.6	11.0	11.8
Import duties	1.3	1.2	1.0	1.1	1.2
VAT	3.3	3.9	4.0	4.2	4.4
Excises	1.3	2.0	2.0	1.9	1.9
Income taxes	3.0	2.5	2.6	2.7	3.2
Other taxes	1.3	1.0	1.0	1.1	1.1
Nontax revenue	1.2	1.3	1.2	1.1	1.1
Total expenditure	18.6	16.9	17.2	19.8	22.5
Recurrent expenditure	11.8	12.7	13.2	14.8	16.8
Wages and salaries	4.2	4.0	3.9	4.0	4.1
Interest payments	1.9	1.6	1.4	1.0	1.1
Domestic	1.2	1.0	0.7	0.6	0.7
Foreign	0.7	0.6	0.6	0.4	0.4
Goods and services and transfers	5.8	7.1	8.0	9.8	11.6
Development expenditure	5.3	3.7	3.3	5.0	5.7
Domestically financed	0.3	0.5	0.6	1.0	1.2
Foreign financed	5.0	3.2	2.7	4.0	4.5
Adjustment to cash 2/	0.5	0.3	0.0	0.1	0.0
Overall balance before grants	-7.8	-5.3	-5.4	-7.8	-9.6
Grants	4.5	3.7	4.3	6.2	6.7
Program (including basket grants) 3/	1.4	1.5	2.1	2.9	3.4
Project	3.0	1.6	1.6	2.5	2.5
HIPC grant relief	0.1	0.6	0.7	0.7	0.8
Overall balance after grants	-3.3	-1.6	-1.1	-1.6	-2.9
Financing	3.3	1.6	1.1	1.6	2.9
Foreign (net)	1.5	1.2	1.3	2.0	3.1
Foreign loans	2.8	2.2	2.1	3.0	3.9
Program (including basket loans) 3/	0.8	0.6	1.0	1.5	1.9
Project	1.9	1.6	1.1	1.5	2.0
Amortization	-1.3	-1.1	-0.8	-1.0	-0.8
Domestic (net)	0.1	0.0	-0.3	-0.4	-0.2
Bank financing	-0.4	-0.2	-0.7	-0.1	-0.3
Nonbank financing	0.5	0.2	0.4	-0.3	0.2
Amortization of parastatal debt	0.0	0.0	0.0	0.0	-0.1
Privatization proceeds	0.2	0.3	0.0	0.0	0.1
Memorandum items:					
Primary balance (excluding grants and foreign-financed development expenditure)	-1.0	-0.4	-1.3	-2.7	-4.0
Share of expenditures financed from foreign sources 4/	36.7	32.9	36.0	44.2	45.6
Share of current expenditures financed from foreign sources 5/	18.9	16.2	23.0	29.9	31.8
Ratio of recurrent expenditures to domestic revenues (percent)	104.6	106.1	112.3	122.3	130.4
Nominal GDP (market prices, billions of Tanzania shillings)	6,850	7,771	8,860	10,069	11,257
Foreign grants and loans (net)	6.0	4.8	5.7	8.2	9.8

Sources: Ministry of Finance.

1/ Fiscal years run from July to June.

2/ Unidentified financing (-)/expenditure (+). Includes expenditure carryover from the previous fiscal year.

3/ Basket funds are sector-specific accounts established by the government for channeling donor support to fund specific activities in different sectors.

4/ Defined as a ratio in percent of gross grant and loan inflows to a sum of total expenditures and amortization payments.

5/ Defined as a ratio in percent of program grants and loans (including basket funding) to current expenditures.

Table 12. Tanzania: Summary of Central Government Revenue, 1999/00-2003/04 1/

	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual				Est.
(In billions of Tanzania shillings)					
Total revenue	772.5	929.6	1,042.9	1,217.5	1,447.3
Tax revenue	691.9	827.8	938.5	1,105.7	1,325.1
Import duties	87.7	95.6	88.9	106.4	130.1
Export tax	0.0	0.0	0.0	0.0	0.0
Value-added tax (VAT)	223.8	302.0	352.3	424.3	494.8
VAT on domestic goods and services	112.5	119.8	143.6	174.5	227.7
VAT on imports	111.2	182.1	208.7	249.9	267.1
VAT on petroleum	0.7	58.6	60.6	65.5	88.5
VAT on other imports	110.5	123.5	148.1	184.3	178.7
Excises	88.5	154.8	177.6	187.3	216.6
Excises on domestic G&S	67.0	69.0	72.8	85.3	91.1
Excises on imports	21.5	85.8	104.8	102.0	125.5
Excise on petroleum	17.0	82.0	98.8	97.1	121.0
Excise on other imports	4.6	3.7	6.0	4.9	4.5
Income tax	205.1	194.0	228.4	276.1	360.4
Petroleum windfall tax	35.3	6.5	0.0	0.0	0.0
Pay-as-you-earn tax	73.3	92.7	116.6	132.7	185.5
Corporate	45.5	46.2	57.1	77.9	100.3
Other income	51.0	48.6	54.8	65.5	74.6
Other taxes	86.9	81.4	91.3	111.7	123.2
Payroll	14.7	15.8	17.1	27.2	24.0
Road toll/fuel levy	37.5	43.6	50.1	55.9	65.9
Others	34.7	22.0	24.1	28.6	33.3
Nontax revenue	80.5	101.8	104.5	111.8	122.3
Parastatal dividends	11.7	25.6	17.2	17.2	11.7
Treasury	12.5	18.6	16.2	13.5	18.0
Ministries and regions	46.8	51.4	68.0	78.0	85.4
Appropriations in aid	0.1	0.1	0.1	0.0	0.0
TRA (VAT and Customs Departments)	9.5	6.1	3.0	3.0	7.2
(In percent of GDP)					
Total revenue	11.3	12.0	11.8	12.1	12.9
Tax revenue	10.1	10.7	10.6	11.0	11.8
Import duties	1.3	1.2	1.0	1.1	1.2
Export tax	0.0	0.0	0.0	0.0	0.0
Value-added tax (VAT)	3.3	3.9	4.0	4.2	4.4
VAT on domestic G&S	1.6	1.5	1.6	1.7	2.0
VAT on imports	1.6	2.3	2.4	2.5	2.4
Excises	1.3	2.0	2.0	1.9	1.9
Excises on domestic G&S	1.0	0.9	0.8	0.8	0.8
Excises on imports	0.3	1.1	1.2	1.0	1.1
Income tax	3.0	2.5	2.6	2.7	3.2
Other taxes	1.3	1.0	1.0	1.1	1.1
Nontax revenue	1.2	1.3	1.2	1.1	1.1
Memorandum item:					
GDP (market prices)	6,850	7,771	8,860	10,069	11,257

Sources: Ministry of Finance; and Tanzania Revenue Authority (TRA).

1/ Fiscal years run from July to June.

Table 13. Tanzania: Summary of Central Government Expenditure, 1999/00-2003/04 1/

	1999/00	2000/01	2001/02	2002/03	2003/04 Est.
	Actual				
	(In billions of Tanzania shillings)				
Total expenditure	1,271.9	1,314.8	1,521.9	1,989.5	2,531.5
Recurrent expenditure	807.6	986.6	1,171.4	1,488.6	1,887.1
Wages	285.3	308.1	342.0	397.8	464.1
Interest	127.0	128.1	121.1	99.8	121.7
Domestic	81.4	77.8	64.6	57.0	73.6
Foreign	45.6	50.4	56.5	42.8	48.0
Goods, services, and transfers	395.3	550.4	708.3	991.1	1,301.4
Priority sector spending	108.1	168.3	301.0	422.8	526.3
Consolidated Fund Services (others)	55.5	61.7	79.8	102.3	97.9
Tanzania Revenue Authority/Capital Market Authority	21.8	27.0	32.0	34.2	39.1
Subsidies to electricity company (TANESCO)	10.0	0.0	11.5	13.0	59.3
Parastatal wages	52.4	52.4	55.2	67.7	76.2
Other charges	147.6	241.0	228.9	351.1	502.6
Net lending	0.0	0.0	0.0	0.0	0.0
Clearance of domestic payments arrears	3.7	32.2	59.1	0.0	0.0
Banks and parastatal recapitalization	100.7	9.8	0.0	0.0	0.0
Development expenditure and net lending	359.9	286.3	291.3	500.9	644.4
Local	19.4	35.1	50.2	95.7	136.1
Foreign	340.5	251.2	241.1	405.2	508.3
Project grants	207.5	123.6	140.2	255.5	286.4
Project loans	133.0	127.6	100.9	149.7	222.0
Adjustment to cash	20.7	23.4	34.1	79.4	0.0
	(In percent of GDP)				
Total expenditure	18.6	17.0	17.7	19.8	22.5
Recurrent expenditure	11.8	12.8	13.6	14.8	16.8
Wages	4.2	4.0	4.0	4.0	4.1
Interest	1.9	1.7	1.4	1.0	1.1
Domestic	1.2	1.0	0.8	0.6	0.7
Foreign	0.7	0.7	0.7	0.4	0.4
Goods, services, and transfers	5.8	7.1	8.2	9.8	11.6
Clearance of domestic payments arrears	0.1	0.4	0.7	0.0	0.0
Banks and parastatal recapitalization	1.5	0.1	0.0	0.0	0.0
Development expenditure and net lending	5.3	3.7	3.4	5.0	5.7
Local	0.3	0.5	0.6	1.0	1.2
Foreign	5.0	3.3	2.8	4.0	4.5
Adjustment to cash	0.3	0.3	0.4	0.8	0.0
Memorandum item:					
GDP (market prices)	6,850	7,727	8,613	10,069	11,257

Source: Ministry of Finance.

1/ Fiscal years run from July to June.

Table 14. Tanzania: Budgetary Transfer Payments, 1999/00–2003/04 1/
(In billions of Tanzania shillings, unless otherwise indicated)

	1999/00	2000/01	2001/02	2002/03	2003/04
		Actual			Est.
Total transfer payments	73.7	110.2	168.1	407.1	581.3
Transfers to parastatals	1.6	1.7	13.4	16.1	109.1
Strategic Grain Reserve management	1.0	0.8	1.9	1.6	22.2
Financial assistance to parastatals	0.6	0.9	11.5	14.5	86.9
Other domestic transfers	66.3	103.0	144.9	377.3	459.7
Urban and district councils 2/	15.4	29.7	56.4	56.4	60.9
University of Dar es Salaam	8.3	12.6	13.0	13.0	15.8
Sokoine University	4.3	7.4	9.9	7.4	10.1
Other educational institutions	13.4	20.4	24.4	36.0	38.1
Agricultural institutions	0.4	0.7	1.0	2.7	3.5
Natural resources	0.3	0.3	2.3	3.9	7.5
Industrial research and development	0.4	0.9	1.2	2.2	1.1
Health services	13.7	18.1	22.0	22.0	31.8
Political parties	2.7	2.8	3.0	7.6	7.9
Other 3/	7.3	10.2	11.7	226.1	283.0
Transfers abroad	5.7	5.5	9.8	13.7	12.5
Memorandum items:					
Total transfer payments (in percent of GDP)	1.1	1.4	1.9	4.0	5.2
<i>Of which:</i> transfers to urban and district councils (in percent of other transfers)	23.2	28.8	33.5	13.9	10.5
GDP (market prices)	6,850	7,771	8,860	10,069	11,257

Source: Tanzanian authorities.

1/ Fiscal years run from July to June.

2/ Excluding salaries and wages for urban and district councils.

3/ Represents government subvention to internal organizations less transfers to educational and agricultural institutions.

Table 15. Tanzania: Central Government Expenditure on Priority Sectors, 1999/00-2003/04 1/
(In billions of Tanzania shillings, unless otherwise indicated)

	1999/00	2000/01	2001/02	2002/03	2003/04
	Actual				Est.
Total expenditure in priority sectors	418.6	499.7	761.9	973.7	1,118.2
(in percent of GDP)	6.1	6.5	8.8	9.7	9.9
(in percent of total expenditure)	35.8	39.3	52.1	48.9	44.2
Education	218.0	254.9	344.9	436.2	447.2
Health	81.2	100.7	142.1	186.7	213.2
Water	14.5	18.3	32.5	51.9	61.0
Agriculture (research and extension)	21.6	19.1	31.9	60.2	110.6
Lands	4.2	5.1	8.1	20.1	6.9
Roads	70.8	92.5	179.6	190.2	227.5
Judiciary	8.3	9.2	18.8	23.1	31.7
TACAIDS 2/	0.0	0.0	4.0	5.3	20.2
Recurrent expenditure in priority sectors	285.4	351.7	497.6	724.6	802.0
(in percent of GDP)	4.2	4.6	5.8	7.2	7.1
(in percent of total recurrent expenditure)	35.3	35.6	42.5	48.7	42.5
Education	158.9	189.2	282.1	422.9	417.7
Health	53.9	70.3	90.9	149.1	178.6
Water	5.4	8.1	15.5	16.5	16.8
Agriculture (research and extension)	13.7	10.3	17.2	36.0	67.9
Lands	3.4	4.2	7.4	4.8	5.3
Roads	42.2	60.7	65.7	71.9	83.5
Judiciary	7.9	8.8	14.8	18.9	24.3
TACAIDS 2/	0.0	0.0	4.0	4.5	7.9
Development expenditure in priority sectors	133.2	148.0	264.2	249.1	316.2
(in percent of GDP)	1.9	1.9	3.1	2.5	2.8
(in percent of total development expenditure)	37.0	51.7	90.7	49.7	49.1
Education	59.1	65.7	62.8	13.3	29.5
Health	27.3	30.4	51.2	37.6	34.5
Water	9.1	10.1	17.0	35.4	44.2
Agriculture (research and extension)	7.9	8.7	14.7	24.2	42.7
Lands	0.8	0.9	0.7	15.3	1.6
Roads	28.6	31.7	113.9	118.3	144.0
Judiciary	0.4	0.4	4.0	4.2	7.4
TACAIDS 2/	0.0	0.0	0.0	0.8	12.2
Memorandum items:					
Total expenditure 3/	1,167.5	1,272.8	1,462.8	1,989.5	2,531.5
Recurrent expenditure	807.6	986.6	1,171.4	1,488.6	1,887.1
Development expenditure	359.9	286.3	291.3	500.9	644.4
HIPC Initiative debt relief	51.6	141.2	116.8	72.9	85.9
(in percent of GDP)	0.8	1.8	1.4	0.7	0.8
GDP (market prices)	6,850	7,727	8,613	10,069	11,257

Source: Ministry of Finance.

1/ Fiscal years run from July to June.

2/ Government agency created in 2001 to coordinate AIDS-related interventions.

3/ Excludes clearance of domestic arrears and recapitalization of banks.

Table 16. Tanzania: Monetary Survey, 1997 - 2003

	December						2003 Prov.
	1997	1998	1999	2000	2001	2002	
	Actual						
	(In billions of Tanzania shillings; end of period)						
Net foreign assets	355.1	423.2	573.8	858.4	1,173.6	1,527.7	2,268.4
Net domestic assets	571.9	603.7	643.8	539.3	463.1	520.0	119.9
Domestic credit	422.4	515.9	672.3	655.6	633.1	824.2	684.9
Net claims on government 1/	239.5	267.6	360.8	314.9	228.6	253.5	-132.2
Credit to other public sector	20.7	8.4	9.3	7.4	1.0	0.0	0.0
Credit to the private sector	162.3	239.9	302.2	333.3	403.5	570.7	817.1
Other items (net)	149.5	87.8	-28.5	-116.2	-170.0	-304.2	-565.0
<i>of which</i> : liquidity paper (issued by BOT)	0.0	0.0	-55.8	-51.5	-133.0	-244.9	-333.3
Broad money (M3)	927.1	1,027.0	1,217.5	1,397.7	1,636.7	2,047.7	2,388.3
Currency in circulation	287.9	307.8	384.9	392.4	411.6	495.4	553.0
Deposits	472.5	537.1	587.1	701.2	822.0	1,011.9	1,168.1
Demand deposits	206.0	237.7	247.7	302.6	354.4	463.3	560.3
Time deposits	126.3	134.4	149.2	170.1	208.1	223.9	231.0
Savings deposits	140.2	165.0	190.2	228.6	259.5	324.7	376.8
Foreign currency deposits	166.7	182.1	245.5	304.1	403.1	540.3	667.2
Memorandum Items:	(In percent, unless otherwise indicated)						
Annual percentage changes in:							
Money (M2)	11.0	11.1	15.0	12.5	12.8	22.2	14.2
Broad money (M3)	13.3	10.8	18.6	14.8	17.1	25.1	16.6
Net claims on government 1/	-19.1	11.8	34.8	-12.7	-27.4	10.9	-152.2
Credit to other public sector	-16.6	-59.3	10.6	-20.9	-86.2	-100.0	...
Credit to the private sector	39.2	47.8	26.0	10.3	21.1	41.4	43.2
Contribution to the annual % growth of M3							
Net foreign assets	13.3	7.3	14.7	23.4	22.6	21.6	36.2
Net domestic assets	0.0	3.4	3.9	-8.6	-5.5	3.5	-19.5
Net claims on government 1/	-6.9	3.0	9.1	-3.8	-6.2	1.5	-18.8
Credit to other public sector	-0.5	-1.3	0.1	-0.2	-0.5	-0.1	0.0
Credit to the private sector	5.6	8.4	6.1	2.6	5.0	10.2	12.0
Money multiplier (M3/reserve money)	2.5	2.5	2.4	2.5	2.8	2.9	3.0

Source: Bank of Tanzania.

1/ Includes government bonds issued for the recapitalization of banks.

Table 17. Tanzania: Summary Accounts of the Bank of Tanzania, 1997- 2003
(In billions of Tanzania shillings; end of period)

	December						
	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
Net foreign assets	126.4	158.5	274.5	451.6	650.7	991.4	1589.8
Net international reserves	170.2	202.2	318.1	494.9	692.6	1033.2	1631.5
Medium- and long-term foreign liabilities	43.9	43.7	43.6	43.3	41.9	41.8	41.7
Net domestic assets	238.55	260.26	234.19	104.86	-66.34	-295.68	-806.50
Net credit to the government 1/	20.5	-19.8	51.1	-62.8	-37.8	-80.3	-372.8
Credit to banks	4.6	5.4	4.2	0.0	0.0	0.0	0.0
Liquidity paper	0.0	0.0	-55.8	-51.5	-133.0	-244.9	-333.3
Other items (net)	213.45	274.69	234.71	219.14	104.41	29.50	-100.40
Reserve Money	364.9	418.7	508.7	556.4	584.4	695.7	783.3
Currency outside banks	287.9	307.8	384.8	392.4	411.6	495.4	553.0
Banks reserves	77.1	110.9	123.8	164.0	172.7	200.3	230.3
Currency in commercial banks	26.6	29.5	42.6	50.6	44.6	51.2	53.5
Banks deposits	50.5	81.4	81.2	113.4	128.2	149.1	176.7

Source: Bank of Tanzania.

1/ Includes government bonds issued in November 1999 for payment of interest arrears, exclude all government FCD .

Table 18. Tanzania: Summary Accounts of Domestic Money Banks, 1997- 2003
(In billions of Tanzania shillings;end of period)

	December						
	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
Net foreign assets	228.7	264.8	299.3	406.8	522.9	536.4	678.6
Foreign assets	233.6	267.3	301.1	411.0	539.1	571.6	685.5
Foreign liabilities	4.9	2.5	1.8	4.2	16.2	35.2	6.9
Net domestic assets	410.5	454.4	533.4	598.5	702.2	1015.9	1156.7
Reserves	59.7	113.2	123.2	172.1	177.3	195.2	226.9
Domestic credit	401.9	535.7	621.2	718.3	670.9	904.5	1057.7
Claims on government (net)	219.0	287.4	309.7	377.7	266.4	333.8	240.6
Claims on government	247.4	312.7	331.3	403.8	295.7	364.6	322.4
Deposits	28.4	25.3	21.6	26.1	29.3	30.8	81.8
Claims on other public sector	20.7	8.4	9.3	7.4	1.0	0.0	0.0
Marketing boards	0.8	0.8	0.8	0.0	0.0	0.0	0.0
Cooperatives	4.5	5.4	4.6	4.4	0.0	0.0	0.0
Industrial & commercial parastat:	15.4	2.3	3.9	3.0	1.0	0.0	0.0
Claims on private sector	162.3	239.9	302.2	333.3	403.5	570.7	817.1
Other items net	-51.1	-194.5	-211.0	-291.9	-146.0	-83.8	-127.9
Demand deposits	206.0	237.7	247.7	302.6	354.4	463.3	560.3
Time and Savings deposits	266.5	299.4	339.4	398.6	467.6	548.6	607.7
Foreign currency deposits	166.7	182.1	245.5	304.1	403.1	540.3	667.2

Source: Bank of Tanzania.

Table 19. Tanzania: Commercial Bank Domestic Lending by Borrowing Sectors, June 1997- December 2003

	Public Sector	Agricultural production	Mining and manufacturing	Building and construction	Transportation	Tourism	Marketing of agricultural produce	Export of agricultural produce	Trade in capital goods	All other trade	Specified financial institutions	Other	Total
(In millions of Tanzania Shillings)													
1997-June	7,350.4	11,037.2	32,961	4,589	9,301	1,780	5,233	2,278	19	24,189	1,749	34,099	134,586
Dec	5,198.0	13,919.7	43,703	4,316	15,016	2,608	2,675	3,117	438	43,535	657	49,658	184,840
1998-June	7,777.0	12,218.0	54,081	5,159	19,773	2,153	3,518	2,961	17	49,115	1,744	42,897	201,412
Dec	5,123.0	18,826.0	57,914	5,748	22,777	2,315	6,419	1,954	70	65,314	2,788	61,830	251,079
1999-June	8,387.0	16,668.3	81,039	6,682	39,823	2,888	5,503	1,876	0	69,146	2,697	47,880	282,589
Dec	6,864.4	17,738.9	91,354	6,552	34,322	3,767	2,439	1,948	53	78,648	2,808	65,524	312,020
2000-June	6,582.2	19,157.5	92,532	8,826	29,695	6,070	2,949	2,187	175	83,887	4,062	57,316	313,438
Dec	7,319.0	21,432.2	106,792	11,444	45,899	3,439	1,336	202	0	89,941	7,169	45,655	340,628
2001-June	8,142.0	27,035.1	115,981	15,932	34,968	4,255	1,241	0	0	100,601	5,642	64,626	378,423
Dec	8,406.0	38,955.3	135,760	13,923	40,835	7,119	0	0	0	133,939	4,301	21,274	404,512
2002-June	8,659.0	61,392.1	135,069	24,002	47,303	11,558	0	0	0	128,302	17,832	47,927	482,043
Dec	7,542.3	97,683.1	145,858	30,672	62,370	13,146	0	0	0	132,059	25,898	55,440	570,668
2003-June	9,072.0	79,686.4	177,935	33,377	77,559	15,128	0	0	0	164,742	27,215	73,810	658,525
Dec	15,246.0	97,795.0	213,204	38,669	74,697	20,020	0	0	0	186,496	33,570	137,427	817,125
(Percent of Total; end of period)													
1997-June	5.5	8.2	24.5	3.4	6.9	1.3	3.9	1.7	0.0	18.0	1.3	25.3	100.0
Dec	2.8	7.5	23.6	2.3	8.1	1.4	1.4	1.7	0.2	23.6	0.4	26.9	100.0
1998-June	3.9	6.1	26.9	2.6	9.8	1.1	1.7	1.5	0.0	24.4	0.9	21.3	100.0
Dec	2.0	7.5	23.1	2.3	9.1	0.9	2.6	0.8	0.0	26.0	1.1	24.6	100.0
1999-June	3.0	5.9	28.7	2.4	14.1	1.0	1.9	0.7	0.0	24.5	1.0	16.9	100.0
Dec	2.2	5.7	29.3	2.1	11.0	1.2	0.8	0.6	0.0	25.2	0.9	21.0	100.0
2000-June	2.1	6.1	29.5	2.8	9.5	1.9	0.9	0.7	0.1	26.8	1.3	18.3	100.0
Dec	2.1	6.3	31.4	3.4	13.5	1.0	0.4	0.1	0.0	26.4	2.1	13.4	100.0
2001-June	2.2	7.1	30.6	4.2	9.2	1.1	0.3	0.0	0.0	26.6	1.5	17.1	100.0
Dec	2.1	9.6	33.6	3.4	10.1	1.8	0.0	0.0	0.0	33.1	1.1	5.3	100.0
2002-June	1.8	12.7	28.0	5.0	9.8	2.4	0.0	0.0	0.0	26.6	3.7	9.9	100.0
Dec	1.3	17.1	25.6	5.4	10.9	2.3	0.0	0.0	0.0	23.1	4.5	9.7	100.0
2003-June	1.4	12.1	27.0	5.1	11.8	2.3	0.0	0.0	0.0	25.0	4.1	11.2	100.0
Dec	1.9	12.0	26.1	4.7	9.1	2.5	0.0	0.0	0.0	22.8	4.1	16.8	100.0

Source: Bank of Tanzania.

Table 20. Tanzania: Structure of Interest Rates of Financial Institutions, 1997-2003

(In percent; end of period)

	1997	1998	1999	2000	2001	2002	2003
	Actual						
Bank of Tanzania Discount Rate	16.2	17.6	20.2	10.7	8.7	9.2	12.3
Commercial banks							
Savings deposit rates							
Low	7.3	5.0	3.7	3.8	1.8	1.0	1.5
High	12.8	12.0	12.0	10.0	10.0	10.0	10.0
Time deposit rates							
3-6 month							
Low	4.0	5.1	3.0	2.2	1.8	1.8	1.5
High	11.8	12.8	16.4	13.7	9.7	9.7	7.7
12-month							
Low	6.0	7.5	4.0	3.7	3.3	2.3	2.4
High	13.5	14.1	14.2	13.0	12.0	12.0	9.0
Short-term lending rates 1/							
Low	21.0	15.0	14.5	9.3	9.3	4.4	9.8
High	28.0	30.0	32.0	28.0	28.4	28.4	35.0
Medium and long-term lending rates							
Low	21.0	20.0	5.0	6.0	5.0	4.5	4.5
High	32.0	22.0	40.0	38.0	30.0	30.0	30.0

Source: Bank of Tanzania.

Table 21. Tanzania: Financial Indicators for the Banking Sector, 1998-2003
(In percent, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003
	Actual					Prov.
Access to bank lending						
Claims on non-government sector to GDP	4.5	4.8	4.7	4.9	6.0	7.6
Of which: claims on the private sector to GDP	4.3	4.7	4.6	4.9	6.0	7.6
Capital adequacy						
Capital to risk-weighted assets 1/	19.2	12.9	21.8	24.1	20.6	21.0
Capital to assets	6.5	3.8	9.6	9.6	8.6	9.9
Asset composition and quality						
Total loans and advances to total assets	17.1	15.5	20.9	22.6	25.4	30.2
Sectoral distribution of loans to total loans						
Trade	26.0	25.2	26.4	33.1	22.1	23.8
Manufacturing and mining	23.1	29.3	31.4	33.6	24.4	27.3
Agricultural production	7.5	5.7	6.3	9.6	12.9	14.1
Building and construction	2.3	2.1	3.4	3.4	3.6	5.5
Transport	9.1	11.0	13.5	10.1	11.8	10.3
FX loans to total loans	22.8	32.7	32.2	32.3	28.1	27.2
Gross NPLs to gross loans	22.9	25.2	17.3	12.0	8.2	4.5
NPLs net of provisions to capital 2/	97.4	191.7	51.5	36.0	22.0	9.3
Large exposures to capital 3/	...	...	...	44.7	58.2	59.3
Earnings and profitability						
Return on Assets (ROA)	1.9	0.1	1.3	1.2	1.8	2.1
Return on Equity (ROE)	45.6	2.1	20.5	21.4	20.6	20.7
Interest margin to gross income	37.6	42.1	41.9	42.5	41.7	45.0
Noninterest expenses to gross income	46.7	46.7	49.1	58.8	60.9	58.5
Personnel expenses to noninterest expenses	44.7	38.5	40.6	37.6	42.5	40.7
Trading and fee income to total income	37.5	32.8	24.8	40.1	45.2	42.3
Interest rate earned on loans and advances	...	18.4	17.8	15.3	11.3	10.2
Interest rate paid on non-bank deposits	...	3.9	3.3	2.3	2.7	2.4
Spread (lending and deposit rates)	...	14.5	14.5	13.1	8.7	7.8
Liquidity						
Liquid assets to total assets	32.9	31.2	50.9	56.5	58.0	56.3
Liquid assets to total short-term liabilities	37.1	33.8	65.5	67.0	68.9	62.8
Total loans to customer deposits	32.9	33.0	31.1	29.8	34.1	41.2
FX liabilities to total liabilities	17.3	18.0	28.3	33.3	34.1	36.5
Sensitivity to market risk						
Net open positions in FX to capital 4/	110.6	148.2	68.6	52.0	70.3	55.6

Source: Bank of Tanzania and staff calculations.

1/ Virtually all capital in the banking system is Tier 1 capital.

2/ NPLs = Non Performing Loans.

3/ Five largest borrowers to total banking sector capital.

4/ Reflects gradual liquidation of a large position in one formerly state owned bank; FX= Foreign Exchange.

Table 22. Tanzania: Balance of Payments, 2000/1-2003/4
(In millions of U.S. dollars, unless otherwise indicated)

	2000/01	2001/02	2002/03	2003/04
	Actual			Est.
Current account	-378.2	-375.9	-245.7	-552.1
Trade balance	-724.4	-696.3	-649.6	-927.4
Exports, f.o.b.	714.5	839.7	1010.1	1173.3
Traditional	261.0	218.6	223.7	221.2
Nontraditional	453.5	621.1	786.4	952.1
Imports, f.o.b.	-1438.9	-1536.0	-1659.6	-2100.7
Services (net)	-42.1	-23.0	-52.9	-138.3
Income (net)	-100.3	-64.0	-32.5	-68.8
<i>Of which:</i> interest payments due	-118.9	-106.8	-73.5	-124.5
<i>Of which:</i> interest on public debt	-109.0	-88.9	-62.2	-80.4
<i>Of which:</i> interest on central government debt	-97.5	-69.9	-60.0	-74.0
Current transfers (net)	488.6	407.4	489.3	582.5
<i>Of which:</i> official transfers	445.1	426.3	488.3	584.7
<i>Of which:</i> program grants	181.2	184.6	290.3	364.7
HIPC Initiative relief grants	42.3	64.0	68.6	79.4
Capital account	398.4	321.3	294.5	309.7
<i>Of which:</i> project grants	380.6	293.3	264.4	271.1
Financial account	312.0	191.4	356.2	486.2
Direct investment	395.3	283.8	244.1	254.0
Portfolio investment	0.0	0.0	0.0	0.0
Other investment	-83.3	-92.4	112.1	232.2
<i>Of which:</i> government scheduled amortization	-256.1	-199.8	-108.7	-108.0
<i>Of which:</i> central government amortization	-150.0	-59.8	-102.5	-92.9
Errors and omissions	-319.1	-129.5	35.1	0.0
Overall balance	13.1	7.3	440.2	243.9
Financing	-13.1	-7.3	-440.2	-243.9
BoT reserve assets (increase, -)	-233.2	-279.5	-458.0	-281.5
Use of Fund credit	7.4	20.8	4.6	-3.1
Exceptional financing	212.7	251.3	13.2	40.7
Change in arrears (increase +) 1/	142.0	153.1	13.2	40.7
Debt rescheduled	70.7	98.2	0.0	0.0
Memorandum items:				
Gross official reserves (BoT)	983.0	1183.8	1670.4	1951.9
In months of imports of goods and services (next year)	5.3	5.9	6.8	7.0
Current account deficit (as percent of GDP)				
Excluding official current transfers	-9.4	-8.4	-7.3	-10.9
Including official current transfers	-4.1	-4.0	-2.4	-5.3
World oil price (U.S. dollar/barrel) 2/	26.3	24.6	26.9	31.2
Aid dependency 3/	12.4	9.9	10.1	12.1
Direct foreign investment (as percent of GDP)	4.3	3.0	2.4	2.4
GDP	9,211	9,378	10,077	10,449

Source: Tanzanian authorities.

1/ Arrears are on non-Paris Club official and commercial debt subject to rescheduling and currently under negotiation.

2/ Oil price is average of spot prices for U.K. Brent, Dubai and West Texas Intermediate.

3/ Program and project assistance (BOP definition) as percentage of GDP.

Table 23. Tanzania: Value, Unit Value, and Volume Indices of Exports and Imports,
and Terms of Trade, 1997–2003
(On the basis of U.S. dollar data; 1992 = 100)

	1997	1998	1999	2000	2001	2002	2003
	Actual						Est.
Value							
Exports	187.3	148.2	136.8	167.1	195.6	227.3	251.7
Imports	93.0	114.9	115.2	112.4	125.6	121.6	154.3
Unit value							
Exports	122.6	113.4	128.5	123.1	114.7	122.8	134.1
Imports	104.7	96.7	87.8	88.2	90.0	89.7	103.8
Volume							
Exports	152.7	130.7	106.5	135.7	170.5	185.2	187.7
Imports	88.8	118.8	131.2	127.3	139.5	135.5	148.6
Terms of trade	117.1	117.3	146.5	139.5	127.5	136.8	129.2

Source: Tanzanian authorities.

Table 24. Tanzania: Value, Volume, and Unit Values of Principal Exports, 1997/98–2003/04
(Value in millions of U.S. dollars; volume in thousands of metric tons; unit values in U.S. dollars per kilogram) 1/

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04 Est.
	Actual						
Coffee							
Value	105.1	96.3	85.7	74.9	36.9	48.9	44.8
Volume	37.5	43.9	48.2	58.6	37.6	46.8	38.8
Unit value	2,800.3	2,193.6	1,777.9	1,278.0	981.2	1,043.8	1,155.3
Cotton							
Value	97.3	36.6	29.6	34.9	31.9	42.3	39.7
Volume	65.2	27.0	30.5	33.1	36.0	49.2	36.7
Unit value	1,492.2	1,357.2	970.7	1,054.4	887.1	858.3	1,081.1
Sisal							
Value	7.7	7.5	6.4	5.5	6.9	6.5	7.2
Volume	13.3	13.4	15.4	12.0	14.0	12.6	13.4
Unit value	576.7	560.6	417.4	457.9	491.5	512.8	535.6
Tea							
Value	36.6	23.8	30.4	32.7	26.4	29.6	21.4
Volume	22.7	20.7	23.9	23.6	21.7	24.6	17.6
Unit value	1,611.0	1,146.6	1,269.8	1,384.9	1,217.7	1,202.6	1,213.8
Tobacco							
Value	78.3	46.6	41.3	31.2	43.0	42.5	48.6
Volume	40.6	22.6	20.3	17.3	20.3	20.2	25.3
Unit value	1,926.5	2,065.4	2,039.0	1,798.9	2,119.6	2,109.2	1,922.5
Cashew nuts							
Value	74.8	97.5	119.0	80.6	37.4	44.1	48.5
Volume	90.8	154.1	116.0	113.1	64.6	74.3	76.6
Unit value	823.7	632.5	1,025.2	713.2	578.4	593.7	633.5
Cloves							
Value	...	...	...	1.2	11.9	9.8	11.1
Volume	...	...	...	0.4	2.3	3.8	6.2
Unit value	...	...	...	3,252.0	5,221.1	2,551.9	1,792.1
Traditional exports (value)	399.8	308.3	312.4	261.0	194.3	223.6	221.2
Other principal exports (value)							
Mineral and metals	36.2	34.6	131.7	238.6	349.5	432.3	623.2
<i>Of which:</i> gold	2.3	14.3	66.8	178.8	311.2	383.1	581.6
Gold Volume							
Diamonds	18.0	7.0	43.0	34.9	18.7	29.3	20.5
Other minerals	15.8	13.3	21.8	24.9	19.5	20.0	21.1
Manufactured goods	41.7	32.6	31.9	47.9	64.2	75.8	95.5
Cotton Yarn	0.7	0.9	2.6	3.4	2.7	3.9	4.8
Manufactured Coffee	1.4	1.0	0.9	0.7	0.8	0.8	0.4
Manufactured Tobacco	6.2	0.5	0.7	0.1	0.3	1.3	1.3
Sisal Products	3.1	4.0	5.7	3.4	2.1	3.1	2.7
Other Manufactured goods	30.3	26.2	21.9	40.4	58.2	66.8	86.3
Fish and products	62.6	77.4	57.1	88.4	108.3	125.8	123.7
Horticulture	5.1	10.3	10.3	8.9	11.4	13.3	12.9
Other	67.2	79.7	104.5	69.6	88.4	139.1	96.8
Nontraditional exports (value)	212.8	234.6	335.5	453.4	621.8	786.4	952.1
Grand total (value)	612.6	543.0	647.8	714.4	816.1	1,010.0	1,173.1

Source: Tanzanian authorities.

1/ Unit values are obtained from value and volume figures.

Table 25. Tanzania: Composition of Exports, 1997–2003
(In percent of total exports, f.o.b.)

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov
Traditional exports	58.4	60.5	55.5	44.1	29.8	22.8	19.5
Coffee	16.0	18.5	14.1	12.6	7.4	3.9	4.4
Cotton	17.5	8.1	5.2	5.7	4.3	3.2	4.1
Sisal	1.2	1.2	1.3	0.8	0.9	0.7	0.6
Tea	4.3	5.2	4.5	4.9	3.7	3.3	2.2
Tobacco	7.2	9.4	8.0	5.8	4.6	6.2	3.7
Cashew nuts	12.2	18.2	18.6	12.7	7.3	5.2	3.7
Cloves	0.0	0.0	3.7	1.5	1.6	0.4	0.9
Nontraditional exports	41.6	39.5	44.5	55.9	70.2	77.2	80.5
Minerals	6.9	4.5	13.5	26.9	38.9	42.5	48.0
<i>Of which: gold</i>	0.2	0.5	6.4	17.0	32.2	37.8	43.7
Manufactured products	14.9	6.1	5.5	6.5	7.2	7.3	8.7
Fish products	7.6	12.6	10.5	11.5	12.5	12.9	11.9
Horticulture	0.7	1.5	1.6	1.5	1.4	1.2	1.2
Other nontraditional exports	11.6	14.8	13.4	9.5	10.2	13.2	10.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Tanzanian authorities.

Table 26. Tanzania: Destination of Exports, 1997–2003
(In percent of total exports)

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
European Union (EU)	30.2	40.9	38.8	54.4	56.1	53.1	56.7
United Kingdom	5.0	10.1	17.0	22.0	18.3	18.1	33.9
Germany	9.0	8.3	6.4	9.9	5.0	3.1	2.7
Netherlands	5.3	7.7	5.6	6.9	6.7	6.0	6.0
Belgium	1.1	4.4	3.0	2.8	1.4	2.4	3.1
Italy	1.6	1.1	1.2	1.3	1.0	2.7	2.1
Other EU	8.1	9.3	5.6	11.4	23.7	20.8	8.9
United States	2.8	2.2	3.2	2.3	2.0	1.5	1.0
Japan	8.0	7.7	7.9	5.1	8.9	10.8	7.8
India	8.9	19.5	20.4	14.8	10.7	7.2	6.2
China (including Hong Kong SAR)	4.7	1.2	1.4	1.4	0.1	1.3	1.2
Singapore	1.9	1.9	4.5	1.0	0.8	0.4	1.2
Kenya	1.7	4.4	3.8	4.8	5.0	4.0	7.0
Uganda	1.5	1.1	0.8	1.3	0.7	0.6	1.0
South Africa	1.1	1.1	1.2	1.8	1.1	1.9	3.3
Zambia	1.3	0.6	0.5	0.7	0.7	2.0	1.6
Zimbabwe	0.9	2.2	5.5	4.3	0.1	0.2	0.4
Other	36.9	17.3	11.8	8.1	13.9	17.0	12.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Tanzanian authorities.

Table 27. Tanzania: Value of Principal Imports, 1997–2003
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
Capital goods	563.6	764.9	693.2	638.2	739.7	721.2	852.4
Transport and equipment	253.1	253.1	231.8	228.5	189.8	218.3	263.2
Building and construction	85.1	137.0	121.6	128.8	144.0	134.7	168.3
Machinery	225.4	374.8	339.8	280.9	406.0	368.3	420.9
Intermediate goods	382.9	303.4	319.6	319.4	440.8	423.0	679.7
Oil	173.0	126.8	148.1	142.6	220.7	194.8	403.4
Fertilizers	22.6	13.8	10.8	16.8	15.5	20.1	28.5
Industrial raw materials	187.3	162.8	160.7	159.9	204.6	208.0	247.7
Consumer goods	373.1	520.4	559.9	576.7	531.8	514.2	633.7
Food and foodstuffs	97.0	180.9	230.7	183.0	169.42	147.28	183.13
Other consumer goods	276.0	339.5	329.2	393.8	362.39	366.90	450.56
Unclassified imports	0.0	0.0	0.0	2.6	2.4	2.4	2.4
Total, c.i.f.	1,319.5	1,588.7	1,572.7	1,536.9	1,714.8	1,660.8	2,168.2

Source: Tanzanian authorities.

Table 28. Tanzania: Composition of Imports, 1997–2003
(In percent of total imports)

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
Capital goods	42.7	48.1	44.1	41.5	43.1	43.4	39.3
Transport and equipment	19.2	15.9	14.7	14.9	11.1	13.1	15.8
Building and construction	6.5	8.6	7.7	8.4	8.4	8.1	10.1
Machinery	17.1	23.6	21.6	18.3	23.7	22.2	25.3
Intermediate goods	29.0	19.1	20.3	20.8	25.7	25.5	31.3
<i>Of which</i> : oil imports	13.1	8.0	9.4	9.3	12.9	11.7	18.6
Consumer goods	28.3	32.8	35.6	37.5	31.0	31.0	29.2
<i>Of which</i> : food imports	7.4	11.4	14.7	11.9	9.9	8.9	8.4
Unclassified imports	0.0	0.0	0.0	0.2	0.1	0.1	0.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Tanzanian authorities.

Table 29. Tanzania: Sources of Imports, 1997–2003
(In percent of total imports)

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
European Union (EU)	27.8	32.7	25.4	22.6	23.1	22.0	19.7
United Kingdom	9.3	7.8	7.9	7.0	7.4	5.7	5.0
Germany	3.8	4.9	3.8	3.4	3.9	3.6	3.2
Netherlands	2.1	6.0	2.3	1.9	1.8	1.6	1.5
Belgium	1.9	1.6	1.4	1.0	1.3	1.4	1.5
Italy	2.9	4.3	3.0	2.3	2.9	2.7	1.8
Denmark	0.7	1.7	1.5	1.5	1.0	0.9	0.9
Other EU	7.0	6.4	5.5	5.5	4.8	6.1	5.8
United States	4.0	5.2	6.1	3.9	3.8	5.5	3.2
Japan	5.6	8.3	11.0	9.3	8.7	8.3	7.8
India	5.9	5.7	5.8	5.8	5.1	6.4	7.7
China (including Hong Kong SAR)	5.2	3.3	3.8	4.8	4.1	5.2	5.8
Singapore	2.9	0.8	0.6	0.4	0.5	0.3	0.8
Kenya	7.2	6.7	5.8	6.1	5.6	5.7	5.3
Uganda	0.1	0.1	0.4	0.4	0.7	0.2	0.4
South Africa	7.3	8.3	10.5	11.5	11.8	11.3	14.1
Zambia	1.9	1.1	0.4	0.2	0.1	0.3	0.1
Zimbabwe	0.4	0.9	0.3	0.3	0.2	0.1	0.1
Other	31.8	26.7	29.8	34.8	36.6	34.7	35.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Tanzanian authorities.

Table 30. Tanzania: Services Account of the Balance of Payments, 1997–2003
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
Services (net)	-317.8	-434.1	-194.8	-55.1	37.2	0.1	-89.3
Service receipts	482.4	521.3	600.3	627.3	679.3	668.6	685.2
Insurance	1.5	16.2	6.7	13.0	14.8	19.2	18.2
Transportation	59.4	41.8	53.7	56.8	68.4	61.1	72.8
<i>Of which</i> : freight	42.0	32.6	44.8	40.7	39.7	38.6	39.7
Travel	339.0	399.0	463.7	376.7	412.8	439.2	450.3
Communications	23.7	16.9	22.2	26.7	14.9	14.2	21.5
Construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial services	12.3	4.0	4.0	4.0	3.8	4.3	4.1
Business services	18.5	18.0	21.1	97.3	102.6	68.9	68.8
Other government services	24.5	21.2	24.7	52.0	61.2	59.9	48.0
Other services	3.4	4.1	4.2	0.9	0.8	1.7	1.4
Service payments	800.2	955.3	795.0	682.4	642.1	668.5	774.5
Insurance	21.2	27.5	13.2	18.3	20.7	27.4	35.1
Transportation	205.6	224.7	189.9	205.7	194.2	176.9	219.4
<i>Of which</i> : freight	168.9	185.1	154.1	167.3	149.7	145.1	190.3
Travel	407.2	493.3	369.7	337.3	327.3	337.5	353.2
Communications	15.1	9.0	4.8	6.2	10.0	52.0	63.4
Financial services	0.1	3.3	3.3	3.3	2.3	4.5	6.7
Business services	55.5	132.0	134.5	41.8	66.3	42.0	50.2
Other services	4.0	8.5	8.0	7.1	6.6	6.2	5.8
Other government services	91.5	56.9	71.6	62.7	14.7	21.9	40.6

Source: Tanzanian authorities.

Table 31. Zanzibar: Selected Economic Indicators, 1997–2003

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
	(Annual percent change)						
Real GDP growth	4.1	0.5	4.5	4.2	4.0	8.0	5.0
Consumer price index	12.7	8.0	5.5	6.5	2.9	5.2	9.0
	(In millions of U.S. dollars)						
Balance of payments							
Exports	6.0	18.5	20.6	15.5	16.1	9.2	13.6
Imports	48.0	92.2	121.1	104.4	68.0	56.1	67.1
	(In millions of Tanzania Shillings)						
Government finance (1996/97 - 2002/03) 1/							
Total revenue (including grants)	19,808	37,286	37,691	62,628	38,669	42,396	45,389
<i>Of which</i> : recurrent	17,155	37,286	37,691	62,628	38,669	42,396	45,389
Total expenditure	19,833	38,394	38,206	63,066	43,291	47,354	5,992

Source: Bank of Tanzania.

1/ Fiscal years run from July to June.

Table 32. Zanzibar: Social and Demographic Indicators, 1997-2003

	1997	1998	1999	2000	2001	2002	2003
	Actual						Prov.
Population characteristics							
Total population (thousands)	844	870	897	925	953	982	1012
Population under age 15 (thousands)	428	428	428	438	428	435	450
Birth rate (per 1,000)	49	49	49	49	49	68	68
Life expectancy (years)	50	50	48	48	48	48	48
Population growth (percent) 1/	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Health, food, and nutrition							
Infant mortality (per 1,000)	83	83	83	83	80	80	80
Persons per physician	16000	16000	16000	13115	13115	13600	13800
Education							
Literacy rate (in percent of population)	72.0	72.0	70.0	65.0	71.0	73.4	74.0
Primary enrollment (in percent of total children of primary school age)	82.0	85.0	85.0	86.0	93.0	99.1	99.0
Secondary enrollment (in percent of total children of secondary school age)	12.0	13.0	14.0	21.0	21.0	20.6	20.0

Source: Zanzibar authorities.

1/ A population census was carried out in 2002, which yielded an average population growth rate of 3.1 percent for 1998-2002.

Table 33. Tanzania: Summary of the Tax System, as of July 1, 2004
(In Tanzania shillings, unless otherwise specified)

Tax	Nature of Tax	Exemptions and Deductions		Rates
1. Taxes on net income and profits				
1.1 Taxes on individuals (Income Tax Act, 2004)	The tax is on the global income of residents of two years or more and on the Tanzania-source income of non-residents and residents of less than two years. Partnership income is based on the remuneration payable to the partner and on the partner's share of the local partnership income. Returns and assessment are separate for spouse. Employment income includes wages and salaries, leave and sick pay, fees, commissions, entertainment allowance, severance pay, employer-paid life insurance premium to other than approved pension fund, and benefits in kind, unless exempted. Individuals are also chargeable in respect of gains or profits from business, dividends, interest, rents, and premium paid for the use or occupation of property.	Exemptions: Diplomatic and consular agents of foreign governments; foreign-source payments to technical assistance officials and employees; disability pensions; education grants to public employees; and any person or income exempted by the Minister for Finance. Relief: Contributions to approved retirement funds by employer or employee.	Monthly taxable income	Rates payable
			0 - 50,000	Nil
			50,000 - 180,000	18.5 percent over 50,000
			180,000 - 360,000	24,050+ 20 percent over 180,000
			360,000 - 540,000	60,050 + 25 percent over 360,000
			Above 540,000	105,050 + 30 percent over 540,000
	- Tax on Individual business who does not file return of gross turnover of less than 20,000,000 shillings per annum.		Turnover	Rates payable
			0 - 3,000,000	(without records) 35,000
			3,000,000 - 7,000,000	95,000
			7,000,000 - 14,000,000	291,000
			14,000,00 - 20,000,000	589,000
				(with records)
				1.2% of the turnover
				35,000 plus 1.5% of the turnover in excess of 3,000,000
				95,000 plus 2.8% of the turnover in excess of 7,000,000
				291,000 plus 5.0% of the turnover in excess of 14,000,000
1.2 Corporation tax	The tax is on the global income of resident corporations and on the Tanzania-source income of nonresident corporations. Income includes gains or profits from business, dividend and interest, royalties, rents, and premium paid for the use or occupation of property. Interest income is included in other company business incomes and taxed at a rate of 30 percent.	Exemptions: Income certified as exempt by the Minister for Finance; approved pension fund; dividends income received by a resident corporation holding 25 percent or more of the shares of the paying corporation. Deductions: Ordinary and necessary expenses; research expenses; research and development expenditures; straight line depreciation of all commercial buildings at 5 percent; machinery 12.5- 37.5 percent. Agricultural plant and machinery 100% expensed, manufacturing and hotel plant and machinery special 50% first year allowance. Losses sustained in one year can be carried forward and offset against tax claimed in the subsequent year indefinitely. 100 percent capital expensing remains applicable to mining companies.	Category of tax payer	Rate (in percent)
			Residents	30
			Nonresidents	30

Table 33. Tanzania: Summary of the Tax System, as of July 1, 2004
(In Tanzania shillings, unless otherwise specified)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.3 Withholding taxes (Corporation and Individuals)			
		Residents	Regulations
		Employment	Final if no return filed
		Dividend (listed on DSE)	5% Final
		Dividend (not listed on DSE)	10% Final
		Interest (except paid to financial institutions)	10% Final to non business individuals
		Natural resource payment	15% Non-Final
		Rent for land or building	10% Final to non business individuals
		Royalty	15% Non-Final
		Retirement payment -commuted pension	10% Non-Final
		Retirement payment – regular payments	15% Non-Final
		Mining Technical Service fee	5% Final
		Nonresidents	
		Employment	15% Final
		Dividend (listed on DSE)	5% Final
		Dividend (not listed on DSE)	10% Final
		Interest	10% Final
		Natural resource payment	15% Final
		Rent	15% Final
		Royalty	15% Final
		Retirement payment	15% Final
		Service fee	15% Final
		Insurance premium	5% Final
Capital gains tax	For individuals outside business, special capital gains tax on sale of land, buildings, shares and securities. (For business, capital gains are included in income.)	Exemptions apply on shares issued by a company listed under the Dar es Salaam Stock Exchange.	10 percent
2. Payroll or manpower taxes			
2.1 Skills and Development levy (enacted July, 2000/01)	The tax is on the gross wage bill of employers with four or more employees. Gross wage bill includes wages, salaries, leave pay, sick pay, fees, commissions, bonuses, gratuities, and any other subsistence, traveling and entertainment allowance paid by the employer. Employer-provided housing is valued as under Income Tax Act. The tax is not deducted from employee's pay.	Government: Also the Minister for Finance may, by order in the Gazette, exempt an employer from all or any of the provisions. Agricultural employment is exempt.	6 percent of gross wage bill
3. Taxes on property			
3.1 Motor vehicle transfer tax	The tax is payable by the transferee on acquiring a vehicle from the transfer.	Minister for Finance may exempt.	50,000
4. Domestic taxes on goods and services			
4.1 Value-Added Tax (VAT Act, 1997)	The tax is levied on all supplies of goods and services (both domestically supplied or imported) unless exempted or zero-rated	Special relief for religious, diplomatic, NGOs, etc. Exports of goods and services are zero rated. Some supplies are also zero rated. Claims on input tax is allowed on zero-rated supplies. Exempted items do not claim refunds. A Treasury Voucher System applies to NGOs special relief Exemptions apply to unprocessed food and livestock supplies, health services, Aviation fuel, education services, transport services, etc.	20 percent

Table 33. Tanzania: Summary of the Tax System, as of July 1, 2004
(In Tanzania shillings, unless otherwise specified)

Tax	Nature of Tax	Exemptions and Deductions	Rates										
4.2 Excise tax	The tax is levied on plastic bags beer, wines and spirits, cigarettes, petroleum products, motorcars (including station wagons) of a cylinder capacity exceeding 2000cc, and soft drinks, mobile phone airtime, satellite TV services.	Minister for Finance may exempt and statutory exemptions may apply.	Specific rates are levied on all excisable items, except motor cars, which are subject to 10 %, plastic bags 15%, mobile phone services 5% and satellite TV services 5%										
4.3 Taxes to use goods or perform activities													
4.3.1 Business licenses	Once off fee only of Tsh 20,000, or zero if turnover below Tsh 20 million.												
4.3.2 Motor vehicle	These consist of registration tax, road tolls, foreign motor vehicle permits, and foreign commercial vehicle licenses.	<p>Transit licenses</p> <p>US\$6 on vehicles of up to three axles per 100 kms. US\$60 applied on foreign motor vehicle permit.</p> <p>Registration</p> <p>The rate is 95,000</p> <p>Driving licenses</p> <p>5,000 to 10,000</p>											
4.3.3 Road tolls	The tax is levied on consumption of gas oil (diesel) and motor spirit (premium and regular).	Specific rate	90 per liter										
5. Taxes on international transactions													
5.1 Import duties	Levied on the c.i.f. value of imports.	Statutory exemptions apply, for example, diplomatic corps, foreign government projects; and religious and charitable NGOs. NGOs and civil servant exemptions are administered through a treasury voucher scheme. Minister for Finance may exempt.	<p>The tariff schedule is basically ad valorem for all items. There are four rate bands: 0, 10, 15, and 25 percent. Imports from agricultural inputs & implements, capital goods and raw materials have rates of 0, 2, 3 and 5 percent. A suspended duty is applicable on some imports. Sugar from any country is levied a suspended duty at 20 percent, and corrugated iron sheet and flat-rolled product of width exceeding 600 mm at 10 percent, and jute bags at TSh 200.</p> <p>(In percent)</p> <table> <tr> <td>Agricultural inputs & implements</td> <td>0</td> </tr> <tr> <td>Capital goods and raw materials</td> <td>10</td> </tr> <tr> <td>Semiprocessed inputs</td> <td>15</td> </tr> <tr> <td>Fully processed inputs</td> <td>25</td> </tr> <tr> <td>Consumer goods</td> <td></td> </tr> </table>	Agricultural inputs & implements	0	Capital goods and raw materials	10	Semiprocessed inputs	15	Fully processed inputs	25	Consumer goods	
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6 Other taxes													
6.1 Stamp duty	There is stamp duty on some legal instruments.												
6.2 Port charges													
Airport	Applied to resident and nonresident passengers.	Transit passengers and infants.	TSh 5,000 per domestic US\$30 per foreign trip										
Port	Applied to resident and nonresident passengers.	Transit passengers and infants.	Tsh 500 per trip										

Source: Tanzania Revenue Authority.