

# Country Focus Report 2023

## TANZANIA

Mobilizing Private Sector Financing for Climate and Green Growth

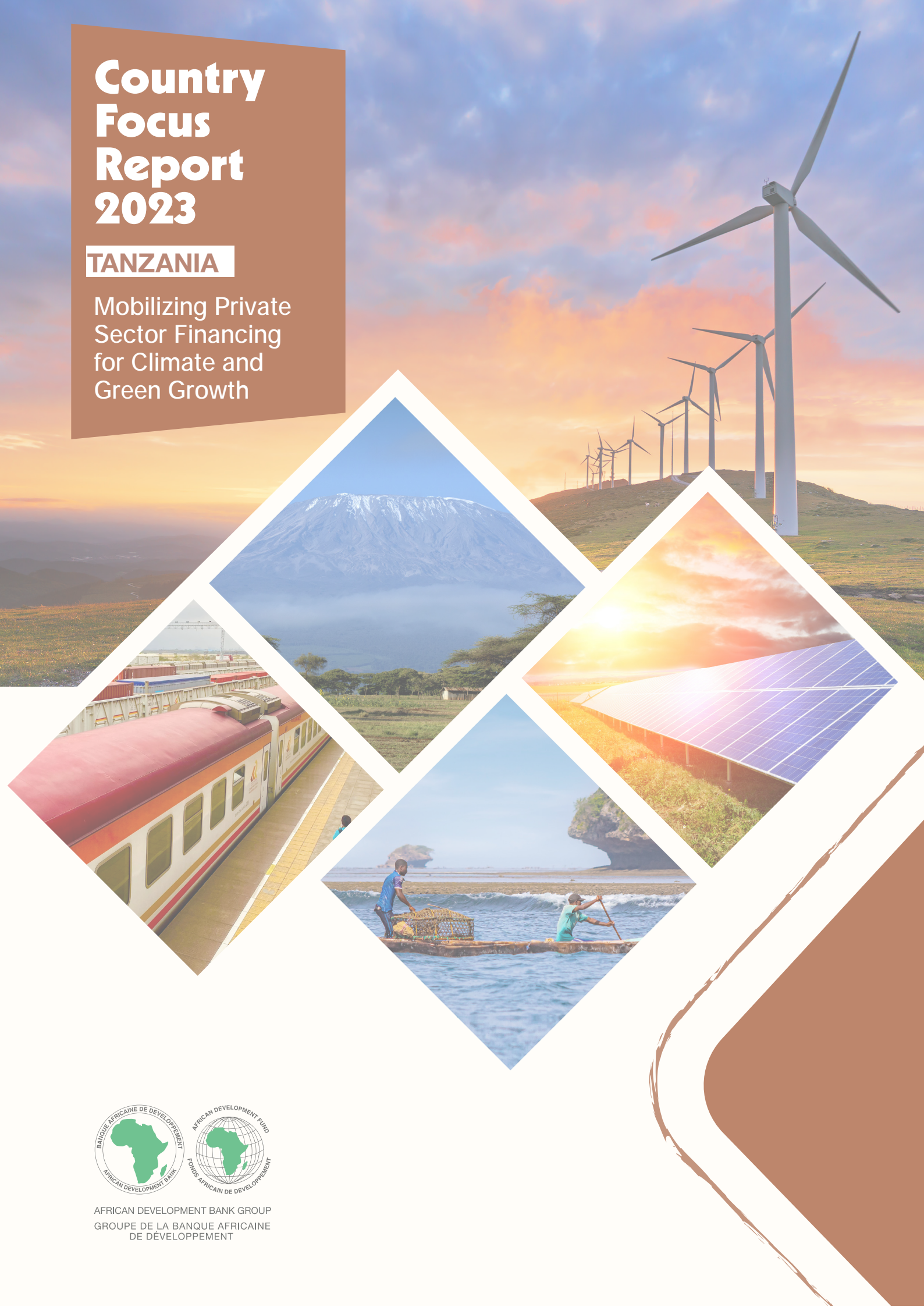


AFRICAN DEVELOPMENT BANK GROUP  
GROUPE DE LA BANQUE AFRICAINE  
DE DEVELOPPEMENT

# Country Focus Report 2023

## TANZANIA

Mobilizing Private Sector Financing for Climate and Green Growth



AFRICAN DEVELOPMENT BANK GROUP  
GROUPE DE LA BANQUE AFRICAINE  
DE DEVELOPPEMENT

© 2023 African Development Bank

African Development Bank Group  
Avenue Joseph Anoma  
01 BP 1387 Abidjan 01  
Côte d'Ivoire  
[www.afdb.org](http://www.afdb.org)

The opinions expressed and arguments employed herein do not necessarily reflect the official views of the African Development Bank, its Boards of Directors, or the countries they represent. This document, as well as any data and maps included, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries, and to the name of any territory, city, or area.

You may copy, download, or print this material for your own use, and you may include excerpts from this publication in your own documents, presentations, blogs, websites, and teaching materials, as long as the African Development Bank is suitably acknowledged as the source and copyright owner.

# ACKNOWLEDGEMENTS

The Country Focus Report 2023 for Tanzania was prepared in the Chief Economist and Vice-Presidency for Economic Governance and Knowledge Management Complex, under the general direction and supervision of Prof. Kevin C. Urama, Chief Economist and Vice-President, with support from Eric Kehinde Ogunleye, Amadou Boly, and Amah Marie-Aude Ezanin Koffi.

The preparation of the report was led and coordinated by Ferdinand Bakoup, Acting Director, Country Economics Department, with a core team consisting of Edward Sennoga Lead Economist for East Africa, Prosper Charle, Senior Macroeconomist, Tanzania Country Office, Jacob Oduor, Chief Country Economist, Tanzania Country Office, and Tricia Effe Baidoo, Staff Assistant, Country Economics Department.

Peer review comments were received from Leontine Kanziemo, Advisor, ECNR, Ochieng Robert Mugabe, Senior Climate Change & Green Growth Officer, PEGC 2, Marealle Maria Saguti, Chief Land Officer, ECNR, Chi Lawrence Tawah, of the East Africa country team led by Nnenna Nwabuo, Director General, East Africa region and Patricia Laverley, Country Manager, Tanzania Country Office; James Ochieng, Consultant, ECOMR.1 of the Macroeconomics Policy, Forecasting and Research Department led by Abdoulaye Coulibaly, Director, Officer-in-Charge, Anthony Simpasa and Jaoui Fadel, Division Managers of the Macroeconomics Policy and Debt Sustainability Division and Microeconomic and Institutional Impact Assessment Division respectively, Julius Tieguhong, Chief Forest Officer, ECNR, and Innocent Onah Chief Natural Resource Officer, ECNR of the African Natural Resources and Investment Centre led by Vanessa Ushie, Acting Director, and Fred Kabanda, Division Manager, Renewables, and Robert Mugabe Ochieng, Senior Climate Change and Green Growth Officer – PEGC.2 led by Anthony Nyong, Director, Climate Change and Green Growth Department.

Jessica Omukuti (Oxford University) and Prof. Anil Markandya (Basque Centre for Climate Change) contributed background notes for the report. Prof. Gunnar Kohlin, University of Gothenburg, Tracy Tunge, Energy and Climate Finance and Dr. Mark Ellyne, former Senior Economist at IMF and Associate Professor of Economics, University of Cape Town served as external peer reviewers.

The data appearing in the report were compiled by the Statistics Department, led by Louis Kouakou, Acting Director, and Manager, Economic and Social Statistics Division and including A. Chaouch, S. Karambiri and H. Stéphane.

The cover of the report is based on a general design by Laetitia Yattien-Amiguet and Justin Kabasele of the Bank's External Relations and Communications. Editing and lay out was done by the Lionel Stanbrook and Eight Wonder Company, respectively.

# TABLE OF CONTENTS

<b>ACKNOWLEDGEMENTS</b>	<b>iii</b>
<b>TABLE OF CONTENTS</b>	<b>iv</b>
<b>LIST OF FIGURES</b>	<b>v</b>
<b>LIST OF BOXES</b>	<b>v</b>
<b>LIST OF TABLES</b>	<b>v</b>
<b>LIST OF ABBREVIATIONS</b>	<b>vi</b>
<b>1 INTRODUCTION</b>	<b>1</b>
<b>2 Tanzania's Economic Performance and Outlook</b>	<b>3</b>
2.1 Recent macroeconomic and financial developments	3
2.2 Outlook and Risks	6
<b>3 Private Sector Financing for Climate and Green Growth in Tanzania</b>	<b>9</b>
3.1 The imperative for green growth and the role of private sector financing	9
3.2 Private sector finance flows, gaps and needs for green growth and climate action in Tanzania.	12
3.2.1 Current flows of finance	12
3.2.2 Private sector finance needs for the future.	12
3.2.3 Emerging innovative private sector financing mechanisms for green growth and climate action	13
3.3 Opportunities and barriers for mobilizing private sector finance for green growth and climate action.	14
3.3.1 Opportunities for private sector investments	14
3.3.2 Barriers to private sector investments	14
3.3.3 Pathways to mobilizing private sector finance for green growth and climate action in Tanzania	15
<b>4 Natural Capital for Climate Finance and Green Growth</b>	<b>17</b>
4.1 The Evolution of Natural Capital	17
4.2 Opportunities for Enhancing the Contribution of Natural Capital	18
4.2.1 Non-Renewable Resources	19
4.2.2 Renewable Resources	19
<b>5 CONCLUSION AND POLICY RECOMMENDATIONS</b>	<b>23</b>
5.1 Conclusion	23
5.2 Policy Recommendations relating to macroeconomic performance and outlook.	24
5.3 Policy recommendations for private sector financing for climate change and green growth	24
5.3.1 National Government	24
5.3.2 MDBs and DFIs	24
5.3.3 Domestic and international private sector	24
5.3.4 Developed country governments.	24
5.4 Policy Recommendations for increasing the contribution of natural capital to climate finance and green growth.	25
<b>REFERENCES</b>	<b>26</b>
<b>ANNEX 1</b>	<b>28</b>

## LIST OF FIGURES

- Figure 3.1 a:** Tanzania's GGI 2010 - 2021
- Figure 3.1 b:** Tanzania's GGI in comparison with other African countries
- Figure 3.1 c:** Components of Tanzania's Green Growth Index
- Figure 3.2 :** Potential contribution of private sector climate finance for Tanzania

## LIST OF BOXES

- Box 1:** The IMF's Extended Credit Facility (ECF) for Tanzania
- Box 2:** Impact of Russia's Invasion of Ukraine on Tanzania

## LIST OF TABLES

- Table 1:** Macroeconomic Indicators
- Table 2:** Innovative instruments used to mobilise private sector finance
- Table 3:** Evolution of Natural Capital in Tanzania: 1995-2018



# LIST OF ABBREVIATIONS

<b>AEO</b>	African Economic Outlook
<b>AFDB</b>	African Development Bank
<b>ASDP</b>	Agricultural Sector Development Policy
<b>CFR</b>	Country Focus Report
<b>CSO</b>	Civil Society Organisation
<b>CSP</b>	Country Strategy Paper
<b>DFIs</b>	Development Finance Institutions
<b>DP</b>	Development Partners
<b>ECF</b>	Extended Credit Facility
<b>EEZ</b>	Exclusive Economic Zone
<b>EIA</b>	Environmental Impact Assessment
<b>ESRF</b>	Economic and Social Research Foundation
<b>FDI</b>	Foreign Direct Investment
<b>FYDP</b>	Five Year Development Plan
<b>GDP</b>	Gross Domestic Product
<b>GEF</b>	Global Environmental Facility
<b>GG</b>	Green Growth
<b>GGI</b>	Green Growth Index
<b>HGA</b>	Host Government Agreement
<b>IMF</b>	International Monetary Fund
<b>INDCs</b>	Nationally Determined Contributions
<b>IUU</b>	Illegal Unreported and Unregulated fishing
<b>LGA</b>	Local Government Authority
<b>LNG</b>	Liquefied Natural Gas
<b>LTPP</b>	Long Term Perspective Plan
<b>MACEMP</b>	Marine and Coastal Environmental Management Project
<b>MDA</b>	Ministries, Departments and Agencies
<b>MDBs,</b>	Multilateral Development Banks
<b>NCCRS</b>	National Climate Change Response Strategy
<b>NEMA</b>	National Environmental Management Act
<b>NEMC</b>	National Environment Management Council
<b>NEMPSI</b>	National Environmental Master Plan for Strategic Interventions
<b>NLUC</b>	National Land Use Commission
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PPP</b>	Public Private Sector Partnership
<b>PSA</b>	Production Sharing Agreement
<b>REDD</b>	Reducing Emissions from Deforestation and Degradation
<b>SPILL</b>	Strategic Plan for Implementation New Land Laws

<b>TANAPA</b>	Tanzania National Parks
<b>TDV</b>	Tanzania Development Vision
<b>UNDP</b>	United Nations Development Programme
<b>UNFCCC</b>	UN Framework Convention on Climate Change
<b>UNIDO</b>	UN International Development Organisation
<b>USAID</b>	United States Agency for International Development
<b>\$</b>	United States Dollar
<b>WB</b>	World Bank
<b>ZADEP</b>	Zanzibar Development Plan



# Tanzania

## KEY MESSAGES

### Macroeconomic Performance and Outlook

**Real GDP growth slowed to 4.7% in 2022 from 4.9% in 2021 due in part to the impact of Russia's invasion of Ukraine, notably on food and energy prices.** Growth was driven by the services and agriculture sectors on the supply side, and investments and consumption on the demand side. Outlook is positive, with growth projected at 5.3% and 6.3% in 2023 and 2024, respectively, led by services and agriculture, and supported by public investments, continued recovery in tourism, and gradual stability in global supply and value chains.

**Monetary policy has remained cautiously accommodative to support recovery of economic activity while containing inflationary pressures. However, rising food and fuel prices pushed inflation to 4.3% in 2022 from 3.7% in 2021.** Because of spillovers from Russia's invasion of Ukraine, inflation is expected to increase to 4.7% in 2023 before moderating to 4% in 2024.

Rebalancing expenditures over recent years has created space for increased priority social spending, while maintaining sufficient outlays for the implementation of a public investment program. The fiscal deficit narrowed from 3.8% of GDP in 2021 to 3.4% of GDP in 2022 and is projected to increase slightly to 3.5% in 2024 – financed by external and domestic borrowing. Tanzania's public debt is sustainable, but the risk of debt distress remains moderate, partly due to vulnerabilities from a narrow export basket.

**The external position has weakened over the past year because of spillovers from Russia's invasion of Ukraine, and the country's external outlook has worsened due to global financial tightening.** The current account deficit widened from 3.4% of GDP in 2021 to 5.7% of GDP in 2022 driven by the uptick in the import bill in part due to higher oil prices and is estimated to gradually narrow down to 4.4% of GDP in 2024, helped by the sustained recovery in tourism and higher earnings from gold exports. Exchange rates remained stable, supported by forex earnings from gold exports and tourism.

### Private sector financing for climate change and green growth

**Tanzania has strong political commitment towards green growth and climate action, backed with a comprehensive institutional framework.** Tanzania has made good progress in developing its national green growth frameworks and strategies, all of which highlight the importance of multisectoral engagement for green growth and climate action, including the mobilization of resources to meet the country's climate finance needs. The efforts have been accompanied by comparatively good performance on green growth.

**The commitment towards green growth and climate action needs to be translated into action by strengthening cross-sectoral coordination which will contribute towards mobilising additional private sector finance.** Tanzania mobilises very little private sector finance for climate change, partly due to low engagement and inadequate awareness of the private sector on issues related to climate change. The country needs to step further and implement these frameworks while also ensuring strong horizontal and vertical integration. Implementation also requires the development of green skills and addressing the existing capacity gaps that limit the development of commercially viable green growth and climate change projects for private sector investments.

**Key barriers preventing the mobilisation of private sector finance at scale to meet the country's green growth and climate action goals** relate to the challenging business and investment climate including narrow financial markets, limiting the availability of financial instruments for private climate finance; lack of functional PPP mechanisms for climate finance, the low levels of skills and capacities amongst institutions to develop and implement commercially viable green growth and climate action projects for private sector investments, particularly for non-energy related sectors and the limited integration amongst different sectors at the national level to ensure equitable distribution of mobilised private sector finance.

**Blending and green finance instruments are an opportunity for Tanzania to further mobilise domestic and international private sector finance for green growth and climate action.** Blending of finance still offers Tanzania an opportunity to de-risk investments in key sectors for green growth and climate action. This, combined with the recent reforms, including the issuance of carbon trading regulations meant to promote development of carbon markets in Tanzania, will contribute to the mobilization of private sector climate finance.

**The private sector financing opportunities for green growth and climate change in Tanzania are immense, and unlocking these opportunities will need action by multiple stakeholders.**

- **The government should strengthen the implementation of reforms to improve the business environment to support private sector climate financing.** Strengthening the engagement of the private sector in addressing climate change and promoting PPP arrangements for implementation of Tanzania's Climate Change Response Strategy are equally important.
- The authorities, with support from development partners, should implement reforms to support expansion of the domestic financial sector and provide specialized and targeted financial products to enable and enhance green investments to small enterprises.
- The authorities, in collaboration with development partners, should support the mainstreaming of green skills development into education institutions to ensure that there is a continuous supply of green skills to enable the transition to green growth.
- The authorities, in partnership with development partners, need to develop multistakeholder platforms that link the domestic private sector with other international actors such as the MDBs, the DFIs, and the international private sector that are sources of private sector finance.

#### Natural capital for climate finance and green growth

**Natural capital plays a major role in Tanzania's economy, especially renewable natural capital.** Tanzania's renewable natural capital has not grown over the last quarter century to keep pace with population and so the per capita level of such wealth has declined. If this is to be reversed in the coming years, action will have to be taken to prevent the loss of forest ecosystems and marine biodiversity as well as harnessing the returns from these systems in a sustainable manner. More can also be done to exploit clean energy resources.

**The role of non-renewable assets in Tanzania is significant, considering the importance of minerals in the country's export performance and the ongoing developments regarding investments in natural gas.** For cropland and pastureland more goods and services can be generated in value terms by investing in new technologies, as well as extending the value chains.

**The channels for increasing the returns from natural capital without damaging the base that provides these returns include both domestically driven actions as well as internationally driven ones.** Domestically, Tanzania needs to strengthen natural resource governance to maximize benefits from these resources, while ensuring sustainability. Good governance is important in the management of the returns from natural capital and in bringing together physical and human capital to add value to exports where opportunities for that are available. Internationally, Tanzania needs to make greater use of international agreements on climate change and biological diversity to finance higher returns from the substantial endowments of natural assets in the country.

**Tanzania needs to do more to stop IUU fishing** and to sign access agreements for distant water fleets that prevent the overexploitation of wild stocks while generating fair revenues for local communities. For tourism the aim should be to increase total income, with an emphasis on ecotourism.

**Tanzania should improve the governance of its natural resources to ensure it receives a fair share of resource rents, and effectively manage revenues generated from such resources to fully harness its natural resource potential for climate finance and green growth.** In recent years, Tanzania has revised the legislation governing the mining sector to improve receipts from mineral resources' rents. To complement these initiatives, Tanzania should design tax policies that internalize environmental opportunity costs associated with the exploitation of non-renewable resources.

# 1 INTRODUCTION

---

1.1 This Country Focus Report (CFR) for Tanzania reviews the role of the private sector in the financing of climate change and green growth. It further explores the scope for harnessing natural capital to finance adaptation and mitigation to climate change and to promote green growth. It aims to replicate at the country level the analyses carried out at the continental and regional levels in the African Development Bank's main African Economic Outlook (AEO) and regional level in East Africa Economic Outlook reports, respectively.

1.2 This CFR is structured as follows. Section 2 discusses Tanzania's recent macroeconomic performance and outlook. Section 3 discusses private sector financing for climate and green growth in Tanzania. Section 4 discusses the role of natural capital for climate finance and green growth in Tanzania. Section 5 draws some policy recommendations for the government, the donors' community, the domestic and international private sector, and developed country governments, and Section 6 offers some concluding remarks.



# 2 TANZANIA'S ECONOMIC PERFORMANCE AND OUTLOOK

Tanzania's economy has remained resilient but recent external shocks have increased pressure on the country's external sector. The country's recovery from the negative impacts of the Covid pandemic has been slowed by the spillovers from the Russia's invasion of Ukraine. This section provides a short discussion of recent macroeconomic developments, prospects, and risks.

## 2.1 Recent macroeconomic and financial developments

**Economic Growth:** Growth slowed to 4.7% in 2022 from 4.9% in 2021 in part due to the impact of Russia's invasion of Ukraine, notably raising food and energy prices. Overall growth was driven by the services and agriculture sectors on the supply side, and investments and consumption on the demand side. The service sector was supported by the continued recovery in tourism, which is estimated to contribute about 17% of GDP. Tourism receipts about doubled from \$1.3 billion in 2021 to \$2.56 billion in 2022 – gradually returning to the pre-pandemic level of \$2.6 billion in 2019. Growth in the agriculture sector was estimated at 3.4% in 2022 compared to 3.9% in 2021, largely owing to delays in the short rains. Growth was supported by public investments in the large infrastructure projects in transport and energy.

**Monetary policy and inflation:** Monetary policy in fiscal year 2022/23 has been less accommodative as authorities sought to anchor inflation expectations emanating from a sharp rise in global commodity prices and rising US interest rates. Annual growth of the

broad money supply increased slightly to 15.6% in April 2023 compared to the 15.3% in March 2022. Annual average inflation increased to 4.3% in 2022 compared to 3.7% recorded in 2021, driven by increases in food and energy prices. However, the core inflation rate, which excludes food and energy prices, declined from an annual average of 4.1% in 2021 to 3% in 2022, but food inflation increased from an annual average of 0.3% in 2021 to 8.8% in 2022 while energy inflation increased from an annual average of 3.1% in 2021 to 9.1% in 2022. The exchange rate remained stable in 2022, with the Shilling shedding only 0.24% of its value against the US dollar during the year, thanks to being supported by high gold exports and a continued recovery in tourism earnings.

**Fiscal and current account balances:** Recent expenditure management measures have resulted in the rebalancing of public spending with recurrent outlays declining from 10.3% of GDP in fiscal year 2019/20 to 9.7% of GDP in fiscal year 2021/22 before picking up to an estimated 11% of GDP in fiscal year 2022/23, largely driven by priority social spending in the health and education sectors. This trend in recurrent spending was matched with corresponding increases in capital spending, which rose from 6.3% of GDP in fiscal year 2019/20 to 8.5% of GDP in 2021/22 before moderating to an estimated 7.5% of GDP in 2022/23 – a result of expenditure rebalancing by the authorities to allow space for priority social spending. Domestic revenues weakened from 14.5% of GDP during fiscal year 2019/2020 to 13.2% in fiscal 2020/21 because of COVID-19's impact on the economy, before increasing

to 14.4% of GDP in fiscal year 2021/22, aided by the recovery in economic activity. However, current estimates are for revenues to stagnate at around 14.4% of GDP in fiscal year 2022/23. The fiscal deficit increased from 1.9% of GDP in

fiscal year 2020/21 to 3.9% of GDP in fiscal year 2021/22 and is estimated to moderate to 2.8% of GDP in fiscal year 2022/23, financed both by external and domestic borrowing.

### **Box 1: The IMF's Extended Credit Facility (ECF) for Tanzania**

In April 2023, the IMF completed the first review under the Extended Credit Facility (ECF) for Tanzania. The review noted good progress in the implementation of the reform program. The 3-year ECF was approved in July 2022, with SDR 795.58 million (about USD1,046.4 million) financing package to support economic recovery as the country face protracted balance of payments needs associated with the two external shocks—the COVID-19 pandemic and the spillovers from war in Ukraine. The program draws from the government's priorities identified in the Five-Year Development Plan (FYDP III 2021/22-2025/26) and it will assist in preserving macroeconomic stability and support structural reforms towards sustainable and inclusive growth. The support under the ECF is a follow-up to the earlier emergency financing amounting to USD561.5 million in 2021 under the Rapid Credit Facility (RCF), which aimed to address fiscal pressures and preserve stability given the government's COVID-19 response. The IMF arrangement is also expected to catalyze additional bilateral and multilateral financial support and provide a positive signaling effect for investors. The focus of the current program is to: complete the pandemic health and economic response which started under the RCF in 2021, preserve macroeconomic stability, and support reforms toward sustainable and inclusive growth. Also, as the country continues to implement mega-infrastructure projects, particularly in transport and energy, the ECF will strengthen fiscal space and allow much-needed social spending and high-yield public investment, through improved revenue mobilization and spending quality. The program will also support the government's structural reform agenda to unlock growth potential, improve the business environment and competitiveness; and strengthen financial deepening and stability, including through enhancing the monetary policy framework and improving supervision.

The current account deficit widened from 3.4% of GDP in 2021 to 5.7% of GDP in 2022 and is estimated to narrow down to 4.8% of GDP in 2023 helped by the continued recovery of the tourism sector and higher earnings from gold exports. Financing of the current account deficit is through external commercial debt as other financial flows including foreign direct investments (FDI) and grants remain low. Tanzania is currently implementing a three-year IMF Program – the Extended Credit Facility (ECF) – with a \$1 billion financing package. The program aims to assist the country in meeting its balance of payments needs amid external shocks in relation to the COVID-19 pandemic and the Russia-Ukraine conflict (Box 1). The

ECF is a follow-up program to earlier support to Tanzania by several development partners, including the AfDB, to tackle the health and economic effects of COVID-19 pandemic. The AfDB support was through the \$50.7 million Tanzania Crisis Response Budget Support Program in 2021.

**Tanzania's public debt** increased from 41.3% of GDP in 2020/21 to 42% of GDP in 2021/22 but is projected to decline to 39.2% of GDP in 2022/23, with external debt accounting for 71% of total public debt. The risk of external debt distress has remained moderate since 2021 due to vulnerabilities from a narrow export basket, but the public debt remains sustainable.

Tanzania's international reserves declined from \$6.6 billion in 2021 (about 6.6 months of import cover) to \$5.2 billion (about 4.7 months of import cover) in 2022, partly owing to external debt service requirements and forex sales to the government for public investment imports.

**Financial sector:** Tanzania's financial sector remains dominated by the banking sector, which accounts for about three quarters of the country's financial assets. Recent reports by the Bank of Tanzania indicate that the country's banking sector remains sound, profitable, sufficiently liquid, and adequately capitalized. The sector remained stable in 2022, with the ratio of core capital to total risk-weighted assets declining to 18.9% in December 2022 from

20.1% in December 2021, but still exceeding the 10% statutory requirement. The quality of assets as measured by the ratio of gross non-performing loans (NPLs) to gross loans improved to 5.1% as of December 2022 from 8.5% recorded in December 2021 – close to the Bank of Tanzania's targeted ceiling of 5% for the sector. Lending rates declined slightly from 16.31% in April 2022 to 15.91% in April 2023, which facilitated an annual growth of private sector credit of 22.5% in the year ending April 2023 compared to 13.4% in April 2022. However, the depth of Tanzania's financial sector, measured by the GDP share of domestic credit to the private sector, remains very low at around 13% in 2022 compared to sub-Saharan Africa's average of 27%.

**Table 1: Macroeconomic Indicators for Tanzania**

	2018	2019	2020	2021	2022(e)	2023(p)	2024(p)
Real GDP Growth	7.0	7.0	4.8	4.9	4.7	5.3	6.3
Real GDP Growth per Capita	3.7	3.9	1.8	1.9	1.7	2.3	3.3
Inflation	3.6	3.4	3.3	3.7	4.3	4.7	4.0
Overall Fiscal Balance, Including Grants (% GDP)	-1.9	-3.1	-1.9	-3.8	-3.4	-3.5	-3.5
Current Account (% GDP)	-4.1	-2.2	-2.2	-3.4	-5.7	-4.8	-4.4

Source: AfDB statistics

**Poverty and social indicators:** Despite recent gains, poverty increased in 2020 due to the impacts of COVID-19, while inequality remained high, slowing the country's progress towards inclusive growth. The most recent Household Budget Survey 2017/18 reported that poverty declined from 28.2% in 2011/12 to 26.4% in 2017/18, but a recent assessment by the UNDP showed that poverty increased from 26.1% in 2019 to 27.7% in 2020 due to the COVID-19-induced economic slowdown. Furthermore, the National Panel Survey - NPS 2020-2021 showed that inequality, as measured by the Gini Coefficient, increased from 0.42 in 2014-

2015 to 0.44 in 2020-2021. Spatial inequalities between regions only marginally dropped over the 2012-2018 period with the western corridor of Kigoma, Tabora and Singida lagging behind the other regions. Also, vulnerability remains high. Estimates indicate that, for every four Tanzanians who had moved out of poverty, three fell back (World Bank, 2019). Most non-poor people living just above the poverty line are at risk of slipping below it. Therefore, the country's main development challenge is to make growth more inclusive across regions, districts, and social groups, and to address vulnerability.



## 2.2 Outlook and Risks

**Economic growth:** The outlook is positive, with real GDP growth projected at 5.3% and 6.3% in 2023 and 2024 respectively, gradually nearing the pre-COVID-19 levels. Growth will be led by services and agriculture on the supply side and tourism and public investments on the demand side, as government continues with its ambitious large infrastructure projects.

**Monetary policy and inflation:** Monetary policy is expected to remain cautiously accommodative through 2023/24 to support growth, while anchoring inflation expectations. Inflation is projected to increase to 4.7% in 2023, before moderating to 4% in 2024 respectively, explained by higher food and energy prices, in part due to the Ukraine-Russia conflict.

**Fiscal and current account balances:** The fiscal deficit is expected to increase slightly from 3.4% of GDP in 2022 to 3.5% of GDP in 2023 and remain around the same level in 2024, partly explained by the ongoing rebalancing of expenditures to increase priority social spending while maintaining adequate expenditure levels to support the ambitious

public investment program. The current account deficit is projected to gradually narrow down to 4.8% of GDP in 2023 and further to 4.4% of GDP in 2024, supported by improved continued recovery in export performance. The current account deficit will continue to be financed through external debt as other inflows including foreign direct investments and remittances remain subdued.

**Risks:** The risks to the outlook center around the global economic recovery including the reopening of the Chinese economy, the continued recovery of the tourism and hospitality sector, the reopening of trade corridors, and the gradual stabilization of value and supply chains. The key risks to the growth outlook relate to the disruption of trade flows resulting from economic sanctions in relation to the Russia – Ukraine conflict (Box 2), as well as regional conflicts with the potential to stifle economic cooperation, exacerbate commodity price fluctuations and disrupt economic activity. Moreover, the risk of extreme climate events – including the possibility of prolonged droughts or abnormally heavy rainfalls – would threaten economic activity and food security, and cause loss of lives and damage to infrastructure.

## **Box 2: Impact of Russia's Invasion of Ukraine on Tanzania**

Tanzania's economy has been impacted significantly by the spillovers from Russia's invasion of Ukraine, both directly through effects on bilateral trade with both parties, and indirectly through higher global commodity prices and disruptions in international trading. Tanzania's agriculture sector is the mainstay of the economy, employing more than 60% of the country's workforce and contributing to food security both within the country and across the East African region. Tanzania imports 70% of the fertilizer for its agriculture sector, of which 11% and 13% of its fertilizers came from Ukraine and Russia, respectively, in 2020. Because of the Ukraine conflict, fertilizer prices increased sharply, prompting the government to implement a temporary input subsidy program to reduce the fertilizer price burden and safeguard food production. The AfDB supported the authorities' efforts to mitigate the impacts of these global shocks on the domestic economy through a \$75 million Tanzania Agricultural Input Support Project. Furthermore, due to the increase in global fuel prices, the government implemented a temporary fuel subsidy program during the first half of fiscal year 2022/20, which ended in January 2023. These initiatives were helpful in safeguarding domestic price stability and food security, with annual average inflation contained below 5% in 2022.

Tanzania's external position has weakened because of the spillovers from the war in Ukraine. The impact of the conflict on commodity prices, coupled with the monetary tightening in advanced economies, and the steep appreciation of the US dollar has worsened the country's outlook for the external sector. During the pandemic, low oil prices and high gold prices helped cushion Tanzania's terms of trade, but the gains have been eroded by the recent rise in fuel and food prices. Recently, rising import prices have more than offset a double-digit recovery of export performance and widened the current-account deficit. While exports of goods and services increased by 14.7% during the quarter ending December 2022, imports of goods and services increased by 30.9% during the same period. This led to a widening of the current account deficit from 3.4% of GDP to an estimated 5.7% of GDP in 2022. Because of widening current-account deficit, coupled with weak private and official inflows, Tanzania's foreign-exchange reserves diminished significantly from \$6.4 billion recorded in December 2021 – sufficient for 6.6 months of import cover to \$5.2 billion in December 2022, sufficient for only 4.7 months of import cover. Tanzania has received support from the International Monetary Fund through the Extended Credit Facility (ECF), as well as the World Bank through the Development Policy Operation to mitigate the balance of payments shocks resulting from the spillovers of the conflict and to create fiscal space for priority social spending.



# 3 PRIVATE SECTOR FINANCING FOR CLIMATE AND GREEN GROWTH IN TANZANIA

## 3.1 The imperative for green growth and the role of private sector financing

**Climate change variability inflicts significant economic costs on Tanzania and threatens the country's long-term growth.** Tanzania is highly vulnerable to the adverse impacts of climate change, which include seasonal variations, frequent and prolonged droughts, frequent floods, intense winds, and sea level rise associated with saltwater intrusion. Extreme events such as floods and prolonged droughts are already affecting millions of people and their livelihoods and impacting negatively on the country's long-term growth. Climate change could negatively impact key sectors of the economy, including agriculture and food security, water supply, power generation, industry, and infrastructure, which collectively may threaten Tanzania's future economic growth and development. A 2011 study by the Global Climate Adaptation Partnership and partners estimated the economic cost of climate variability in Tanzania at about 1% of GDP annually, with a likelihood of escalating to 2-3% of GDP annually by 2030. Also, according to the National Environmental Master Plan for Strategic Interventions (NEMPSI 2022-2032), the unsustainable utilization of natural resources, has increased pressure on a wide range of ecosystems, resulting in an estimated economic loss of at least 5% of national GDP. Furthermore, the cost of implementing Tanzania's NDCs is estimated at \$14 billion.

Mobilization of financing for climate change to address vulnerabilities and build resilience in Tanzania will require a significant scaling up of support from international partners and a greater engagement of domestic non-state actors including the private sector.

**Tanzania's existing policies and strategies place emphasis on the aspects of environment and climate change, on account of the economy's reliance on primary resources and climate-sensitive sectors, particularly agriculture and tourism.** Tanzania's Development Vision - TDV 2025 and Zanzibar Development Vision 2050 aim at attaining a high-quality livelihood and developing a strong and competitive economy, among other things. Some of the strategies toward attaining these objectives include ensuring food security and self-sufficiency, universal access to safe water, and the absence of abject poverty. These objectives implicitly embed climate change adaptation and mitigation because they cannot be attained if climate change adaptation concerns are not factored into the development process, and mitigation opportunities in the context of sustainable development are not fully exploited. Both the Five-Year Development Plan - FYDP-III (2021/22-2025/26), and the Zanzibar Development Plan (ZADEP 2021-2026) target strengthening environmental conservation and protection to mitigate the adverse effects of climate change through key interventions, among them the promotion

of renewable green energy technologies. The country's development frameworks place emphasis on the importance of sustainable land management practices, environmental protection, support for alternative livelihoods, and proper utilization of proceeds from natural resources, as key elements of sustainable development. These are also accorded high priority as key for inclusive growth because the poor depend significantly on the environment and natural resources for the basic needs and livelihoods.

Also, it is emphasized in the United Republic of Tanzania's Long Term Perspective Plan (LTPP 2011/12 – 2025/26), that among the compelling factors for long term planning are the "adverse impacts on environmental assets such as water resources, agricultural and grazing lands, brought about by, among others, global warming, extractive industries, and hence the emphasis on "green growth". The LTPP outlines several measures to attain the vision of green growth, including the aspects of sustainable land management, agriculture, and wildlife and forest management. It also identifies the key policies areas and principles aimed at improving climate change resilience and disaster preparedness. Furthermore, Tanzania National Climate Change Response Strategy (NCCRS) 2021-2026 identifies key sectors where the country's adaptation and mitigation efforts will be focused. These include the agriculture sector with smart agriculture, sustainable land management and drought-resistant seeds, where a majority of farmers still rely on rainfed agriculture, and in the water sector to protect water catchment areas for both agriculture and reliability of water for hydropower generation. The priority mitigation strategies identified in the NCCRS cover the sectors of energy, forest and mangroves, industry, transport, waste management and livestock. The Zanzibar Climate Change Strategy aims at building climate resilience and sustainability by 2030 for the island's economy which is heavily dependent on tourism and agriculture.

**Tanzania has a comprehensive institutional, policy and legal framework for climate change, with plans, programs, guidelines, strategies for climate change.**

The Vice President's Office – Environment Division is tasked with the coordination of the issues related to environment, climate change and green growth in the country. Similarly, in Zanzibar, the coordination of climate action and green growth is under the First Vice-President's Office, with key oversight functions placed under the Ministry of Blue Economy and Fisheries. The National Environmental Management Council (NEMC) is responsible for environmental regulation and enforcement. The other institutions involved in the oversight of climate action and green growth include the Tanzania Meteorological Authority (TMA), the Prime Minister's Office – Disaster Management Department (PMO – DMD) and the Local Government Authorities (LGAs), which are responsible for the enforcement of key legislation (particularly the Village Land Act and Land Use Planning Act) for safeguarding and developing grazing lands, including demarcation and delineation of grazing land.

Tanzania has put in place several policy actions for environmental protection, and towards a resilient and less polluting economy. These include: the legislations, especially the National Environment Management Act 2004, the creation of the National Environment Management Council (NEMC), compulsory Environmental Impact Assessment (EIA) for all projects, and the Marine and Coastal Environmental Management Project (MACEMP), which targets the conservation of marine ecosystems. Tanzania has also implemented several programs designed to enhance the capacity to mitigate the adverse impacts of climate change and disasters, both natural and human-made, and is actively engaged in global initiatives such as the Global Environment Facility (GEF), the United Nations Environment Programme, the International Climate Fund, and several other related protocols.

Tanzania's green growth index has been stable over the past decade and is one of the highest performing countries on green growth. Tanzania's mean GGI has remained

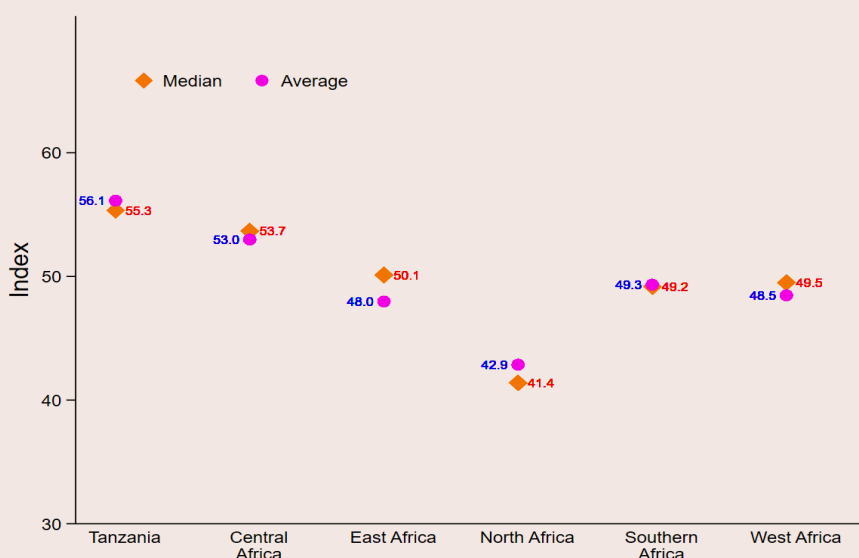
**Figure 3.1 a: Tanzania's GGI 2010 - 2021**



Source: Staff calculations based on the Global Green Growth Institute database.

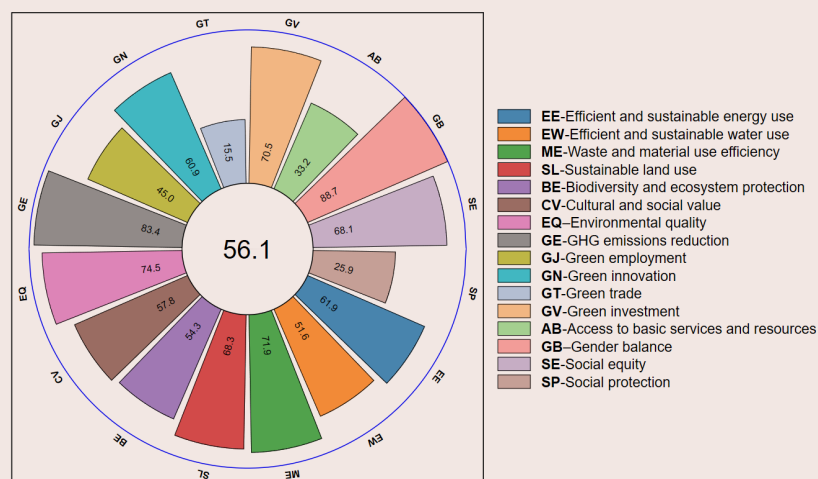
high over the past 10 years, increasing from 53.45 in 2010 to 59.44 in 2021 (see Figure 3.1a). Tanzania is the highest performing country on green growth in the East African region, with a mean green growth index of 56.1 (Figure 3.1b), which is also higher than regional Africa's mean index of 48.2. Tanzania's good GGI is driven by high performance on environmental quality, gender balance, greenhouse gas emission reduction, waste and material use efficiency, social equity, gender balance and environmental quality, green employment, and green investment. However, Tanzania underperforms regarding green trade and social protection (Figure 3.1c).

**Figure 3.1 b: Tanzania's GGI in comparison with other African countries**



Source: Staff calculations based on the Global Green Growth Institute database.

**Figure 3.1 c: Components of Tanzania's Green Growth Index**



Source: Staff calculations based on the Global Green Growth Institute database.

### 3.2 Private sector finance flows, gaps and needs for green growth and climate action in Tanzania.

period.

#### 3.2.2 Private sector finance needs for the future.

##### 3.2.1 Current flows of finance

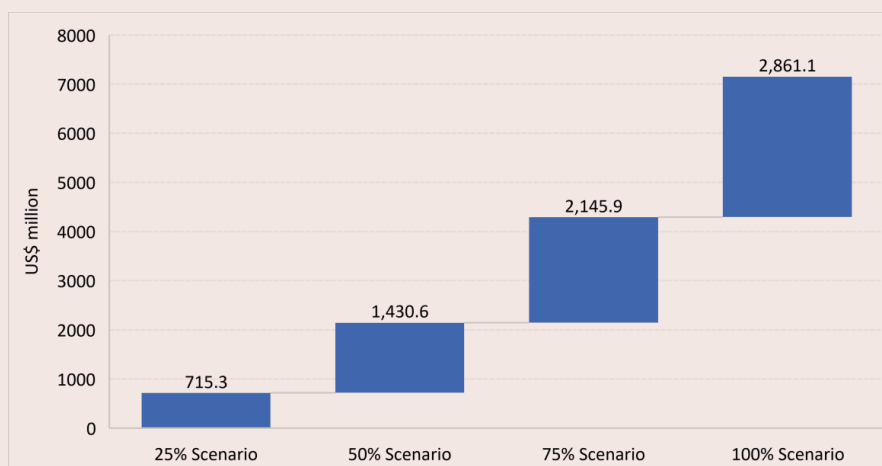
Tanzania will need about \$6.3 billion annually up to 2030 to meet its climate change and green growth objectives. Tanzania's recently updated NDC estimates that the country will need about \$1 billion annually to address the immediate climate risks and about \$5.3 billion annually for adaptation and mitigation measures to achieve the country's green growth objectives. About three quarters of the estimated resource needs would be allocated towards adaptation and resilience goals.

Given current trends in global private climate finance flows to Tanzania, the private sector is likely to contribute between 25% and 50% of the climate financing needs of the country. For a 25% level of contribution to climate financing needs, the private sector would need to increase its finance contribution by about \$670 million annually (from the current levels of \$46.2 million annually). For a 50% contribution to climate finance by the private sector, which is an ambitious scenario given the current levels of private financing in the country, private sector financing would need to grow by \$1.38 billion annually to bridge the \$1.43 billion financing gap (see Figure 3.2).

**Tanzania will need about \$6.3 billion annually up to 2030 to meet its climate change and green growth objectives**

Financial flows from the private sector and other economic investments remain unnoticed in the current climate financial landscape in Tanzania. This may be partly due to low engagement and inadequate awareness of the private sector on issues related to climate change. The largest proportion of climate finance flows in Tanzania are public. During 2019 – 2020 private finance (\$46.2 million) accounted for a dismal 5.7% of the total climate finance in Tanzania from both international and domestic sources. During the 2019-2020 period Tanzania mobilized \$816.6 million for climate finance – representing merely a quarter of the estimated annual climate finance needs of about \$3.2 billion for the country. This level of financing was slightly better than the \$500 million annual average that was mobilized during the 11-year period spanning 2010 -2020 period, as Tanzania received a cumulative total of \$5.5 billion in climate finance from developed countries. Of the \$5.5 billion mobilized during the 2010-20 period, \$3.24 billion was used for adaptation, \$1.84 billion for mitigation, and \$802.5 million was utilized for cross-cutting finance, which covered both climate adaptation and mitigation actions over the 2010-2020

**Figure 3.2: Potential contribution of private sector climate finance for Tanzania**



Source: AfDB database and World Bank 2021

### 3.2.3 Emerging innovative private sector financing mechanisms for green growth and climate action

Given the limited financing dedicated to climate change adaptation and mitigation from the traditional financiers, innovations to diversify climate financing are critical. Efforts should be made to provide incentives to the private sector including portfolio investors, corporations, banking institutions, life insurance companies, pension funds, sovereign wealth funds and endowments to make debt and equity climate investments. The government of the United Republic of Tanzania must now embrace emerging sources of finance including green

climate performance bonds, carbon credits/markets including blue carbon pricing, debt-for-nature/debt-for-climate swaps, climate-related risk management initiatives, green and blue bonds, and a national climate fund. Furthermore, the country can tap into the several global climate change funds including the UNFCCC’s Special Climate Change Fund, the AfDB’s Adaptation Benefits Mechanism, and the African Adaptation Acceleration Program. The country should, however, strengthen its capacity to prepare bankable projects to be able to benefit from these funds. Some of the innovative financing mechanisms for green growth and climate action are highlighted in Table 2.

**Table 2: Innovative instruments used to mobilise private sector finance in Tanzania**

Type of instruments	Green and sustainable finance e.g., Sustainable bonds, sustainability-linked loans/bonds, social bonds	Blended financing instruments e.g., guarantees, first loss	Private equity and venture capital	Carbon markets
Current performance	Still very limited use, but there are plans under way to expand the use of different sustainable finance mechanisms for mobilising private sector finance.	The use of blended financing instruments for climate finance is still new in Tanzania	Private equity and venture capital for climate change finance are not developed in Tanzania	Tanzania has an established mechanism for voluntary carbon markets, but participation is very minimal



Contextual challenges to scaling up	Market conditions, policy Insufficient working of regulation and governance Smaller ticket size project opportunities Limited technical capacity	Lack of sufficient knowledge and information about blended financing Absence of supporting frameworks for the use of blended finance instruments across some sectors The limited technical capacity for blending of finance	Shallow domestic financial markets that limit sources of investments to international investors only.	Gaps in legal and regulatory frameworks. Tanzania issued the first regulations for carbon trading only in November 2022. Most demand for carbon credits is from international sources, with very limited consumption locally that could further expand the market.
Key factors enabling successful use of instrument	High volume of national wealth held by domestic private sector which could be used to mobilise sustainable finance in domestic currency	A government commitment to financing climate action using public sector domestic finance -Presence of strong public finance management systems e.g., that track public finance allocation and spending	Readiness of the authorities to establish and enable regulatory environment to promote innovation. The Bank of Tanzania issue the guidelines on climate related financial risks in 2022.	Increased carbon pricing globally, which provides a positive market signal for current investments in carbon reduction The establishment of the African Carbon Markets Initiatives means that Tanzania can build on its existing experiences to further scale up the use of these schemes to mobilise additional climate finance.

### 3.3 Opportunities and barriers for mobilizing private sector finance for green growth and climate action.

#### 3.3.1 Opportunities for private sector investments

Tanzania mobilizes very little private sector finance for climate change. As highlighted earlier, private sector finance for climate change in Tanzania accounts for a dismal 5.7% of the total financing mobilized. Climate financing is currently mainly sourced from NGOs whose purses are exceedingly small. NGOs, philanthropic, and social investors who, unlike traditional private finance, prioritize social impacts over profits but offer only small grants, which in many cases are limited in scope and impact. Climate financing from the private sector is not yet widespread in the country because private investors are often less attracted to climate adaptation and mitigation investments due to low returns. There are several opportunities for private investments in climate mitigation and adaptation in Tanzania, including energy, transport, agriculture, water,

and environment. One notable area is private investment in renewable energy technologies and energy efficiency, backed by the country's huge potential for geothermal (with a potential of 5 GW); solar energy (with average sunshine of more than 9 hours per day); and wind (with speed of 0.9 – 9.9 m/s across many parts of the country). Also, there are opportunities for investment in climate smart agriculture, water management and waste management.

#### 3.3.2 Barriers to private sector investments

##### a. High cost of doing business and challenging investment climate

Tanzania's private sector has expanded in recent years but the country's investment climate, access to finance, and regulatory environment, including for climate-related projects, remain major challenges. The private sector is dominated by small enterprises with only 9% of the firms having over 100 employees. The small size of enterprises limits the possibilities of private sector participation in the impactful climate financing instruments, including green

There are several opportunities for private investments in climate mitigation and adaptation in Tanzania, including energy, transport, agriculture, water, and environment.

bonds. Because of their small sizes, coupled with high levels of informality, most of the enterprises lack capacity and awareness to effectively participate in climate financing. Also, as in many other developing countries, the nascent carbon pricing initiatives offer only limited price signals to support private climate financing in Tanzania. Furthermore, Tanzania's nascent financial sector provides little room for the mobilization of climate financing by the private sector. The country's financial sector is heavily dominated by the commercial banking subsector, while other aspects including insurance and capital markets are not sufficiently developed. Another challenge relates to the lack of functional PPP mechanisms for climate finance. The government of Tanzania is keen to address inadequacies in PPPs, including a lack of comprehensive legal and institutional arrangements that provide clear procedures and support for the development and implementation of PPPs, including for climate related projects. In addition, the government aims to grow the economy by unlocking the potential of the ocean and coastal economy and is in the process of developing a blue economy policy for the country, which will also introduce blue carbon markets as an additional source of revenue.

**b. Low levels of skills within the country to meet green growth and climate action needs**

Tanzania lacks adequate green skills across sectors, with existing skills mostly concentrated in the renewable energy sector. Transitions to green growth and the implementation of climate change adaptation and mitigation requires green skills and capacities within key sectors. Existing skills and capacities in the country are limited to a specific set of sectors, mostly those related to renewable energy as this is where most of the private sector financing is directed. The absence of adequate skills and capacities increases the risks that private sector investors and lenders attach to lending, as this means that projects may not be sufficiently implemented on time and to completion. Skills gaps also leave

the country dependent on external providers, which fails to contribute to a sustained flow of financing once these external sources of skills exit. This means that Tanzania needs to focus on further deepening and expanding its skills and capacities across sectors, while at the same time promoting innovation in other sectors to attract private sector investors.

**3.3.3 Pathways to mobilizing private sector finance for green growth and climate action in Tanzania**

Tanzania can increase participation in the voluntary market, where new opportunities are arising. Among these is an ambitious new Post-2020 Global Biodiversity Framework, to scale up ecosystem restoration, reduce the extinction risk of species, and protect 30% of land, freshwater and marine areas by 2030. The AEO 2023 report notes that for Africa to benefit from such arrangements, there may be a need for the establishment of an Africa Biodiversity Fund to attract private capital. To meet this demand, many project developers that offer a range of greenhouse gas emission offsets have emerged. Many of these are nature-based solutions (NbS) related to forestry and land use, agriculture and soil sequestration, and blue carbon. These credits would expand the voluntary market, so Tanzania should prepare to be part of the growth by developing new offsets and ensuring the integrity of certification of voluntary carbon markets. Tanzania issued the first regulations for carbon trading in 2022, a crucial step in the development of carbon markets in the country. Also, the government has indicated its readiness to establish a dedicated unit at the Ministry of Finance and Planning that would be responsible for climate change, including the mobilization of a climate change fund from various sources. The envisaged climate change unit would also sensitize and facilitate the other ministries, departments, agencies, and the private sector on the process for accreditation to various climate change funds to increase funding opportunities. Also, there is need to build the institutional capacity on the preparation of

bankable projects that respond sufficiently to the requirements of the climate change funds. Other opportunities for mobilizing private sector finance for green growth and climate action include provision of fiscal incentives, and the use of innovative instruments such as bonds and blended financing.

# 4 NATURAL CAPITAL FOR CLIMATE FINANCE AND GREEN GROWTH

## 4.1 The Evolution of Natural Capital

Natural capital is tracked in three groups:

(a) renewable capital, consisting of forest timber, forest non-timber, mangroves, fisheries, protected areas, cropland, and pastureland; (b) non-renewable assets, separated into oil,

natural gas, coal, and minerals. In addition, non-measured forms of natural wealth, such as renewable energy potential from solar, wind and hydro-resources, landscapes, and marine assets are also reviewed but qualitatively. The data for (a) and (b) are from the World Bank, covering the period 1995-2018.

**Table 3: Evolution of Natural Capital in Tanzania: 1995-2018**

	Millions, constant 2018 \$			Per Capita, constant 2018 \$		
	1995	2018	% change (1995 to 2018)	1995	2018	% change (1995 to 2018)
Total wealth	375,549	866,052	131%	12,666	15,378	21.41%
Produced capital	33,757	186,632	453%	1,139	3,314	191%
Human capital	171,621	527,398	207%	5,788	9,365	62%
Natural capital	194,821	182,368	-6.4%	6,571	3,238	-50.7%
Renewable natural resources	194,374	175,593	-10%	6,556	3,118	-52%
Forests, timber	40,680	44,052	8%	1,372	782	-43%
Forests, ecosystem services	24,261	26,512	9%	818	471	-42%
Mangroves	89	260	192%	3	5	54%
Fisheries	631	316	-50%	21	6	-74%
Protected areas	32,885	27,730	-16%	1,109	492	-56%
Cropland	64,544	56,881	-12%	2,177	1,010	-54%
Pastureland	31,284	19,841	-37%	1,055	352	-67%
Non-renewables	447	6,775	1416%	15	120	698%
Oil	0	0	..	0	0	..
Natural gas	0	459	..	0	8	..
Coal	33	227	594%	1	4	266%
Metals and minerals	414	6,089	1370%	14	108.1	674%

Source: World Bank 2021

---

To fully harness its natural resource potential for climate finance and green growth, Tanzania should improve the governance of its natural resources to ensure it receives a fair share of resource rents, and to effectively manage revenues generated from such resources.

- Tanzania's total wealth increased by 131% during the 1998-2018 period, mainly driven by increases in the produced capital and human capital. However, total wealth per capita increased by only 21.4% because of population growth.
- Tanzania is richly endowed with natural resources, including mineral deposits, forest resources, natural gas, land, and water resources. Tanzania's natural capital declined by 6.4% from an estimated value of \$198.8 billion in 1998 to \$182.4 billion, reflecting pressure on the country's natural resources because of rapid population growth. Natural capital per capita declined by 50.7%, from \$5,788 in 1998 to \$6,571 in 2018.
- Tanzania's renewable capital consists of forest timber, forest non-timber, mangroves, fisheries, protected areas, cropland, and pastureland. The combined value of Tanzania's renewable capital declined from \$194,374 million in 1995 to \$175,593 million in 2018, a 10% decline (see Table 2). The decline was driven by the fall in value for fishery resources, pastureland, protected areas, and cropland.
- Tanzania's non-renewable capital has appreciated sharply, from \$447 million in 1995 to \$6,775 million in 2018, driven by increases in the value of mineral resources and natural gas.

#### 4.2 Opportunities for Enhancing the Contribution of Natural Capital

The channels for increasing the returns from natural capital without damaging the base that provides these returns include domestically driven as well as internationally driven actions. On the former, the importance of good governance in the management of the returns from natural capital and in bringing together physical and human capital to add value to exports where opportunities for that are available is significant. For instance, Tanzania

is a high forest-cover country (with 31%-50% of forested land) that generates a lot of primary wood products. From 1998 - 2017, the forestry sector contributed an average of 4.2% to the GDP of Tanzania (ANRC 2021). Simply adding value to primary wood products to produce secondary and tertiary wood products will in the process generate more revenue and jobs in the country. Regarding timber trade performance, from 2010 to 2019, Tanzania enjoyed positive trade balances for four primary products (industrial round wood, sawn wood, plywood and veneers) worth \$179.13 million but suffered from negative trade balances for three secondary (wooden furniture, building woodwork, and cane and bamboo products) and six tertiary (printing and writing papers, wrapping paper, household and sanitary papers, newsprints, carton board and case materials) wood products worth \$507.24 million and \$454.91 million respectively (ANRC 2021). Moreover, there is a special role for making greater use of international agreements on climate change and biological diversity to finance higher returns from the substantial endowments of natural assets in the region that can serve the global goals in these areas.

To fully harness its natural resource potential for climate finance and green growth, Tanzania should improve the governance of its natural resources to ensure it receives a fair share of resource rents, and to effectively manage revenues generated from such resources. Tanzania's total natural resources rents declined from an annual average of 6.5% of GDP during the 2010-2013 period to an annual average of 4.6% of GDP during the 2014-2020 period (Annex 1). The highest contribution of natural resources rents in Tanzania is from forest resources – with annual average of 3.5% of GDP during the 2010-2020 period, followed by mineral resources rents averaging 1.6% of GDP annually. In recent years, Tanzania has revised the legislation governing the mining sector to improve receipts from mineral resources rents. Based on the revised Mining Act (2019), the government is entitled to a minimum of 16% non-dilutable free carried

interest shares in the capital of a mining company. Also, mining licence holders have an obligation to pay royalties at a rate of 6% for gemstones, diamonds, uranium, and metallic minerals – including gold; and at a rate of 3% for other minerals. To complement these initiatives, Tanzania should design tax policies that consider environmental opportunity costs associated with the exploitation of non-renewable resources.

The review has shown that natural capital in Tanzania, as in other East African countries, declined sharply in per capita terms over the last quarter of a century; more so than for Africa as a whole. Measures to reverse this trend are divided into those pertaining to non-renewable natural capital and renewable natural capital.

#### 4.2.1 Non-Renewable Resources

Tanzania has a vast array of non-renewable wealth; most notably, the mineral resources which include gold, base metals, diamonds, ferrous minerals, gemstones (e.g., tanzanite), coal, uranium, industrial minerals (soda, kaolin, tin gypsum, phosphate, dimension stones), and oil and gas. Gold is currently the country's leading foreign exchange earner – with annual exports of \$3 billion in 2021 – equivalent to about 4% of GDP. Tanzania also has recoverable natural gas reserves – currently estimated at around 57 trillion cubic feet. In June 2023, Tanzania concluded negotiations with the international energy companies for an estimated \$30 billion investment in a Liquefied Natural Gas (LNG) project. The conclusion of the negotiations culminated in the signing of the host government agreement (HGA) that covers the onshore elements of the project and a production-sharing agreement (PSA) that oversees its upstream components. The country has put in place several measures – including enactment of key legislations, and policy and institutional framework for local content – to improve the governance of natural resources and to ensure that the revenues from the extractive sectors have an impactful contribution to the economy.

#### 4.2.2 Renewable Resources

Tanzania's economy is heavily dependent on natural factors, and renewable resources are crucial for the country's development agenda. Several ways in which these resources can be exploited more effectively and yet sustainably are highlighted below.

##### a. Land resources

Tanzania's land area is estimated at 881,289 km<sup>2</sup>. The share of Tanzania's agricultural land (cropland and pasture) declined from 95,828 km<sup>2</sup> (about 11% of the country's land area) in 1995 to 76,722 km<sup>2</sup> (about 9% of the land area) in 2018, which is about a 20% decline (Table 2 above). This trend is partly attributed to Tanzania's rapid population growth coupled with the expansion of economic activities, most of which depend on land, as well as climate change. Also, the rapid expansion of economic activity without a corresponding increase in productivity has led to the encroachment of water catchments leading to reduced volumes and levels of dams and rivers, and recurrent floods and droughts. A 2013 study by the Economic and Social Research Foundation highlights that climate change effects have resulted in new cropping systems (together with new pests and human/animal diseases), calling for innovative mitigation measures, emergence of new economic activities as well as innovative designs for infrastructural facilities and services. Inadequate land use planning practices have led to widespread conflicts between distinct categories of land users, leading to increasingly violent clashes causing human and livestock losses. Cattle is reared free range and pastoralists have been moving from one part of the country to the other (driven by rain and dry seasons) in search of pasture in both crop and forest land. Years have seen pastureland get smaller and smaller and deteriorate in quality, leading to frequent clashes between farmers and pastoralists that have resulted in loss of life and property.

The value of land per hectare in Tanzania has increased only moderately – by 28% since 1995 – partly explained by the existing land tenure policy. Moreover, Tanzania has not experienced a large expansion in cropland and pastureland areas over the last quarter century (unlike some other parts of the continent and other developing countries). In fact, Tanzania's agricultural land has declined. While exploring the potential measures to increase the agricultural land without deforestation, and to add to the stock of land that can generate a long-term income flow, the most important aspect for Tanzania would be to improve productivity – so that more and better-quality output can be produced from the same land or less. This will raise the unit value of the land, by moving up the value chain in the agrifood system. Some of the measures to achieve this include the mechanization of agricultural production and use of improved seeds.

As in other East African countries, because of deforestation, Tanzania's forest area has declined significantly (by 15%) since 1995 – although the decline was slightly less compared to the regional peers - Uganda (28%), Rwanda (9%), Kenya (8%). Serious conservation measures are needed to reverse this trend, as well as replanting and recovery, where appropriate. The proposed measures include promotion and enforcement of policies and regulations protecting forests, including protecting reserved areas and preventing illegal logging through increased enforcement and greater penalties for illegal logging. Sustainable forestry practices such as selective logging practices and reforestation should also be promoted by governments using instruments such as performance bonds for forest lessees. Indeed, there is evidence that some countries in the sub-region have begun to reforest in the last few years.

Policies for green growth can raise revenue from forests by increasing the efficiency of carbon capture and raising the price received for carbon sequestered through accessing international carbon agreements. These

measures could be accompanied by policies to increase the productive uses and values within the forestry sector. The AEO 2023 report noted an important channel for doing this is the creation of a single market for the trade of emissions credits (under Article 6 of the Paris International Agreement). This requires countries to establish MRV procedures and participate in the market by establishing NDCs with clear mitigation targets. The gains from doing this were estimated in that report for different sub-regions in Africa, with the finding that East African countries, including Tanzania, stood to benefit from the sale of significant amounts of such credits.

#### **b. Water resources and blue economy potential:**

Tanzania is well endowed with abundant inland water and marine resources. The total inland water area covers 61,500 km<sup>2</sup> or about 6.5% of the total land area. The total water area is 62,000 km<sup>2</sup> distribution of which is as follows; 35,088 km<sup>2</sup> - Lake Victoria, 13,489 km<sup>2</sup> - Lake Tanganyika, 5,760 km<sup>2</sup> - Lake Nyasa, 3,000 km<sup>2</sup> - Lake Rukwa, 1,000 km<sup>2</sup> - Lake Eyasi, and 1,000 km<sup>2</sup> of other small water bodies. Most of these water bodies have substantial fisheries resources. On the marine side the country has a territorial sea of about 64,000 km<sup>2</sup> and a coastal line of 1,424 km. The Exclusive Economic Zone (EEZ) is up to 200 nautical miles covering an area of 223,000 km<sup>2</sup> providing the country with additional marine area and fisheries resources.

The blue economy, which in Tanzania is based on the Indian Ocean, encompasses sustainable use of ocean resources for economic growth, livelihood, poverty alleviation, and creation of employment. The Indian Ocean available for Tanzania stretches all the way from the northern border with Kenya to the southern with Mozambique, and on the eastern side shared with the islands of Comoro and Seychelles. The country does not have any significant catches of fish for export from the ocean, and there are no sea wave energy harvesting investments.

The only economic use has been ocean transportation and the ports of Tanga, Zanzibar, Dar-es-Salaam and Mtwara. The tuna and tuna-like fish species are shared fish stocks in the Indian Ocean and adjacent oceans, whose management is made jointly by members of the Indian Ocean Tuna Commission (IOTC). The country has plans to install cold storage facilities in the existing ports and construct a fish harbor for receiving tuna and tuna-like fish species from the Tanzanian Exclusive Economic Zone (EEZ) and EEZ of neighboring countries. The country is encouraging investments – both domestic and foreign – in the construction of fishing processing plants that will receive fish for the EEZ, add value to fish and fishery products, market of fish and fishery products domestically and internationally, among others. The country would also generally benefit from capacity-building support in developing its blue economy. However, this potential is seriously threatened by Illegal Unreported and Unregulated (IUU) fishing, which is both detrimental to the marine resources and the economy in general. Furthermore, the country's blue economy potential is threatened by environmental degradation, including pollution and degradation of coastal areas due to population growth, human activities, tourism, port activities, inadequate water, and waste management, etc., and climate change (coastal erosion, floods, and sea-level rise).

Also, traditional fishing in the country's inland waters, Tanzania's Fisheries Sector Development Programme (2010) aims to promote investments in fisheries resource management and including environmental protection, fisheries resource utilization and marketing (involving quality and standards control, use of technologies in aquaculture and fisheries), aquaculture resource development, research, training and extension, and an improved legal and institutional framework. Currently, most of the recorded fish exports come from freshwater lakes, whose resources have been decreasing due to overfishing, leading to the closure of some factories in Mwanza and Musoma.

### c. Tourism

Another important natural resource sector for Tanzania is tourism. Tourism is currently the second largest foreign exchange earner for Tanzania, with annual receipts estimated at around 2% of GDP. Tanzania's Wildlife Conservation Act and the Tourism Act have several provisions for protecting the environment. The Ministry of Natural Resources and Tourism is responsible for implementing the Wildlife Conservation Act No.5 of 2009 and its subsidiary legislations enacted in 2002 on the Ngorongoro Conservation Act; Tanzania National Parks Act; Tanzania Wildlife Research Institute Act; Mweka College Act; the National Environmental Management Act - NEM Act 2004; the Regulation of Land Tenure (Established Villages Act); Local Government (District Authorities) Act; Natural Resources Act; Forest Act; Fisheries Act; Tanzania Forest Research Institute Act; and the National Museum of Tanzania Act. Tanzania's National Tourism Policy seeks to promote and encourage the development of sustainable and quality tourism that is culturally and socially acceptable, ecologically friendly, environmentally sustainable, and economically viable. One of the most pressing and persistent challenges in recent years has been an increase in wildlife poaching.

Tanzania has beautiful landscapes that could be exploited more effectively for tourism, to develop ecotourism further. The potential for ecotourism in Tanzania is significant but not fully realized. If properly utilized, it could yield considerable economic and social benefits for local communities while safeguarding natural resources. The country is one of the best ecotourism destinations in the world with several protected natural areas, including Mount Kilimanjaro, Ngorongoro Crater, and the famous Serengeti National Park. Tanzania has a total of 22 national parks, protected by law, and managed by the Tanzania National Parks (TANAPA). One peculiar location for ecotourism in Tanzania is the Ngorongoro Conservation Area, which spans vast expanses of highland



plains, savanna, savanna woodlands and forests. Ngorongoro is protected under the UNESCO World Heritage Convention, as a multiple land use area, with wildlife coexisting with semi-nomadic Maasai pastoralists practicing traditional livestock grazing, and it includes the spectacular Ngorongoro Crater, the world's largest caldera. The property has global importance for biodiversity conservation due to the presence of globally threatened species, the density of wildlife inhabiting the area, and the annual migration of wildebeest, zebra, gazelles, and other animals into the northern plains. In general, Tanzania could benefit more from ecotourism by devising measures to capture as much as possible of international tourists' consumer surplus, including through optimally designed park fees or with pricing of lodge concessions. Also, since a fair share of tourist visits are organized by foreign companies, more efforts are needed to

block leakages to international trip organizers. Other means for making natural capital more productive in Tanzania could focus on capturing more value for the goods and services generated by the natural capital. While attempts to do this by enforcing local content requirements in products have not been so successful, there are opportunities for increasing value added through strategic partnerships with state-owned enterprises and foreign investors, for fostering innovation, and creating a conducive environment for African-owned firms to emerge and thrive. Apart from local content, AEO 2023 also recommends countries to explore franchising agreements with foreign firms to complement existing local content policies and requirements, especially where capacity (both technical and financial) is lacking. Recent studies show a huge potential for franchising, yet many countries have overlooked it on the African continent.

# 5 CONCLUSION AND POLICY RECOMMENDATIONS

## 5.1 Conclusion

The performance of Tanzania's economy has remained strong, but the pace of growth slowed over the past year mainly due to external factors – most notably the impact of Russia's invasion of Ukraine on commodity prices. Prudent fiscal and monetary policies have helped to contain inflationary pressures, while maintaining fiscal deficit, current account deficit and public debt at sustainable levels. Tanzania remains heavily dependent on climate-sensitive sectors and natural resources, making its economy highly vulnerable to climate change. The economic cost of climate variability is estimated at about 1% of GDP, and unsustainable use of natural resources is estimated to cost the country about 5% of its GDP. Tanzania's economic outlook is seriously threatened by the risk of extreme climate events – including the possibility of prolonged droughts or abnormally heavy rainfalls – with potentially severe impact on economic activity and food security, while causing loss of lives and damage to infrastructure. Therefore, to sustain macroeconomic stability, emphasis should be placed on green growth and climate action, particularly building resilience through mitigation and adaptation policies supported by a broad financing strategy.

Mobilizing finance for green growth and climate action in Tanzania to meet the estimated need will require that the private sector plays a key role. Actions should be taken to leverage the opportunities for private sector investments in adaptation and mitigation of climate change, while reducing the barriers to private sector investments. This will involve tapping into the emerging innovative private sector financing

mechanisms for green growth and climate action.

Natural capital also plays a key role in climate finance. Renewable natural capital plays a significant role in Tanzania's economy. Natural capital over the last quarter century has not kept pace with population growth and so the per capita level of such wealth has declined. If this is to be reversed in the coming years, action will have to be taken to prevent the loss of forest ecosystems and marine biodiversity as well as harnessing the returns from these systems in a sustainable manner. More also needs to be done to exploit clean energy resources.

For cropland and pastureland, more goods and services can be generated in value terms by investing in new technologies, as well as extending the value chains. This may require bringing in foreign partnerships in selected cases. For forests, there are several incentives that can be introduced to reduce loss or damage to the forests and to increase the efficiency with which carbon can be captured as well as producing more secondary and tertiary wood products in the country. These should be pursued vigorously. In addition, accessing international mechanisms to market carbon credits at higher prices will increase unit rents a great deal. For fisheries, Tanzania, with its long and resourceful ocean coasts, need to do more to curb illegal, unreported, and unregulated (IUU) fishing and to work with development partners and the international community to sign and enforce agreements for distant water fleets that prevent overexploitation of wild stocks while generating fair revenues for local communities. Currently, the country licenses distant water fishing nations' (DWFNs)

fleets to harvest tuna resources and other highly migratory species. The Deep-Sea Fishing Authority (DFSA) is responsible for the management and development of tuna fisheries resources in both mainland Tanzania and Zanzibar. For tourism, Tanzania should aim at maintaining a high level of employment while increasing domestic revenues and capturing a fair share of the rents from the sector for investments in sustainability, with emphasis on ecotourism.

Below is a set of recommendations for different sets of stakeholders with indications of whether these should be implemented in the short term [S], medium term [M] or long term [L].

## 5.2 Policy Recommendations relating to macroeconomic performance and outlook.

[S, M] Strengthen monetary and fiscal policy coordination to continue shielding the economy from inflationary pressures due to the uncertain global environment.

[S, M, L] Strengthen public financial management, including efforts to improve domestic revenue mobilization, and efficiency of public spending – with a focus on preserving priority social spending without compromising public investment program necessary for building long term productive capacity.

[M, L] Scale up implementation of reforms to improve business environment to facilitate faster and more impactful recovery of key sectors of the economy, especially tourism.

## 5.3 Policy recommendations for private sector financing for climate change and green growth

### 5.3.1 National Government

[S] Ensure vertical coordination by national level institutions responsible for facilitating the implementation of green growth and climate action frameworks.

[S] Strengthen the implementation of reforms to improve the business environment to support private sector climate financing.

[S] Strengthen the engagement of the private sector in addressing climate change and promoting PPP arrangements for the implementation of Tanzania's Climate Change Response Strategy.

[M] Implement reforms to support expansion of the domestic financial sector and provide specialized and targeted financial products to enable and enhance green investments to small enterprises.

[M, L] Mainstream green skills development into education institutions to ensure that there is a continuous supply of green skills to enable the transition to green growth.

[M] Develop multistakeholder platforms that link the domestic private sector with other international actors such as MDBs, DFIs and international private sector that are sources of private sector finance.

### 5.3.2 MDBs and DFIs

[S] By adopting approaches that are less risk-averse, engage with the Tanzanian government to identify ways to provide affordable capital for green growth and climate change investments.

### 5.3.3 Domestic and international private sector

[M, L] Collaborate with national government, MDBs and DFIs and other private sector actors to identify key risks to investments and propose ways of addressing these investment risks.

### 5.3.4 Developed country governments.

[S] As shareholders of MDBs and DFIs, developed country governments can instruct these institutions to be less risk-averse when financing green growth in Tanzania and providing additional capital to these institutions.

## 5.4 Policy Recommendations for increasing the contribution of natural capital to climate finance and green growth.

### Short term measures:

- The government should increase investment and efficiency to increase rents on cropland and pastureland, taking account of climate change impacts. This needs to be undertaken in the short term and continued in the coming decades.
- Tanzania should strengthen the governance of its natural resources to ensure it receives a fair share of resource rents, and effectively manages revenues generated from such resources to fully harness its natural resource potential for climate finance and green growth.
- Tanzania should design tax policies that consider environmental opportunity costs associated with the exploitation of non-renewable resources.
- The government should promote and enforce stricter policies and regulations protecting forests and preventing illegal logging. Sustainable forestry practices such as selective logging practices and reforestation should also be promoted through instruments such as performance bonds for forest lessees.
- Tanzania needs to do more to support the development of a climate-resilient blue economy in the short term. More efforts are needed to tackle IUU fishing in the short term. The country also needs to work with development partners and developed country governments to make sure that access agreements for distant water fleets do not over-exploit stocks and

that the revenues are fair. These are the short term goals.

### Medium term measures:

- The government should work together with development partners together to exploit international agreements in several areas, including the creation of a single market for the trade of emissions credits (under Article 6 of the Paris International Agreement), which will raise the price of carbon credits in the forests; and increase participation in the voluntary market, where new opportunities are arising through the Post-2020 Global Biodiversity Framework.
- Tanzania, with support from development partners, should prepare to be part of the growth in carbon sequestration related to nature-based solutions linked to forestry and land use, agriculture and soil sequestration, and blue carbon. This can be done by developing new offsets and ensuring the integrity of certification of voluntary carbon markets.
- The Government should exploit landscapes more effectively for tourism by developing ecotourism further as a short-to-medium-term endeavor.

### Longer term measures:

- In the area of renewable energy, the government needs to work with development partners and capital markets to exploit the potential for such energy at a much faster rate.
- Tanzania should look at means for making its natural capital more productive through strategic partnerships, increased value addition and franchising arrangements where possible.

# REFERENCES

1. African Development Bank (AfDB) 2023. "African Economic Outlook 2023: Private Sector Financing for Climate and Green Growth in Africa". Abidjan, Côte d'Ivoire: African Development Bank.
2. African Natural Resources Centre (ANRC). 2021. Performance of the forestry sector in the Southern African Development Community. African Development Bank. Abidjan, Côte d'Ivoire.
3. Askew, K., Maganga, F., and Odgaard, R. (2016). "Terms of Use of Land and Legitimacy: A Tale of Two Lawsuits of Land and Legitimacy." *Cambridge Journal* 83:120-41.
4. Brehony, E., Morindat, A. O., and Sakafu, A. (2003). A Study on Conflicts between Pastoralists and Farming Communities, Kilosa District, Morogoro Region, Tanzania. Report for Kilosa District Council, 16.
5. ESRF (2013), "Promoting Agriculture-Climate-Trade Linkages in the East African Community (PACT EAC)". CUTS International Project. Dar es salaam
6. FAO (2013) A Fire Baseline for Tanzania. Sustainable Forest Management in a Changing Climate. FAO-Finland Forestry Program, Tanzania.
7. IPCC, 2022: Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge University Press. In Press.
8. IMF, 2023 Article IV Consultation and First Review Under the Extended Credit Facility Arrangement—Press Release; Staff Report; and Statement by the Executive Director for the United Republic of Tanzania. International Monetary Fund, Country Report no. 23/153.
9. IMF, 2022 "Scaling Up Private Climate Finance in Emerging Market and Developing Economies: Challenges and Opportunities" - Global Financial Stability Report. October 2022.
10. Meyer, A. 1999. "The Kyoto Protocol and the Emergence of 'Contraction and Convergence' as a Framework for an International Political Solution to Greenhouse Gas Emissions Abatement." In O. Hohmeyer and K. Rennings (eds.), *Man-Made Climate Change*. ZEW Economic Studies, Volume 1. Heidelberg, Germany: Physica-Verlag.
11. Mitchell, I., L. Robinson, and A. Tahmasebi. 2021. "Valuing Climate Liability." CGD Notes, Center for Global Development, Washington, DC.
12. Think Hazard (2020), Tanzania. The Global Facility for Disaster Reduction and Recovery (GFDRR), World Bank, Washington DC.
13. Revolutionary Government of Zanzibar, 2013. Zanzibar Climate Change Strategy. Zanzibar, 2013.
14. Revolutionary Government of Zanzibar, 2022. Zanzibar Development Plan 2021-2026. Blue Economy for Inclusive Growth and Sustainable Development.

15. United Republic of Tanzania. URT 2021. Report on Nationally Determined Contributions. Vice President's Office, Dodoma.
16. United Republic of Tanzania. URT 2013. Report on Forests, Rangelands and Climate Change Adaptation in Tanzania. Vice President's Office, Dar es Salaam.
17. United Republic of Tanzania, URT (2014-a). State of the Environment Report, Vice President's Office, Vice President's Office, Dar es Salaam
18. United Republic of Tanzania, URT (2014-b), Tanzania's Second Communication to the United Nations Framework Convention on Climate Change, Vice President's Office, Dar es Salaam
19. URT 2012. Tanzania Long Term Perspective Plan (LTPP) 2011/12 – 2025/26. The Roadmap to Middle Income Country.
20. URT and Development Partners' Group on Environment and Climate Change (2011). The Economics of Climate Change in the United Republic of Tanzania
21. URT 2021. National Five-Year Development Plan 2021/22 – 2025/26. Realizing Competitiveness and Industrialization for Human Development.
22. URT 2021. National Climate Change Response Strategy 2021 – 2026. Vice President's Office, Environment Division. Dodoma.
23. URT and UNDP. Tanzania Development Finance Assessment Report, 2021. Supported by the United Nations Development Programme.
24. URT 2022. National Environmental Master Plan for Strategic Interventions (2022 – 2032). Vice President's Office, Environment Division. Dodoma.
25. World Bank 2019. Tanzania Mainland Poverty Assessment. The World Bank, 1818 H Street NW, Washington, DC 20433, USA

# ANNEX 1: TANZANIA

## SELECTED INDICATORS

Indicators	Unit	2010	2015	2018	2019	2020	2021	2022 (e)	2023 (p)	2024 (p)
<b>National Accounts</b>										
GNI at Current Prices	Million US \$	32,028	50,441	58,090	64,064	64,790	69,947	...	...	...
GNI per Capita	US\$	710	960	1,000	1,070	1,050	1,100	...	...	...
GDP at Current Prices	Million US \$	31,410	47,379	56,712	60,701	65,549	69,938	84,664	92,317	101,717
GDP at 2010 Constant prices	Million US \$	31,410	43,097	52,594	56,273	58,984	61,901	64,797	68,207	72,474
Real GDP Growth Rate	%	6.4	6.2	7.0	7.0	4.8	4.9	4.7	5.3	6.3
Real per Capita GDP Growth Rate	%	3.6	2.7	3.6	3.8	1.7	1.8	1.6	2.2	3.2
Value Added: Mining and quarrying	Million US \$	1,262	2,037	2,889	3,136	4,314	5,017	4,699	...	...
Value Added: Mining and quarrying	% GDP	4.0	4.3	5.1	5.2	6.6	7.2	5.5	...	...
Value Added: Fishing	Million US \$	638	926	969	973	1,037	1,061	1,426	...	...
Value Added: Fishing	% GDP	2.0	2.0	1.7	1.6	1.6	1.5	1.7	...	...
<b>Prices and Money</b>										
Inflation (CPI)	%	8.2	5.6	3.6	3.4	3.3	3.7	4.3	4.7	4.0
Exchange Rate (Annual Average)	local currency/US\$	1,410.2	1,991.4	2,275.4	2,300.5	2,306.1	2,309.6	2,313.8	2,325.4	2,337.0
<b>Government Finance</b>										
Total Revenue and Grants	% GDP	14.9	14.0	15.2	14.4	15.3	13.5	16.2	14.5	14.0
Total Expenditure and Net Lending	% GDP	20.4	17.1	17.1	17.6	17.2	17.3	19.6	18.0	17.6
Overall Deficit (-) / Surplus (+)	% GDP	-5.5	-3.1	-1.9	-3.1	-1.9	-3.8	-3.4	-3.5	-3.5
<b>External Sector</b>										
Terms of Trade Growth	%	6.6	3.8	-17.7	0.0	17.1	-3.7	-5.4	0.8	3.4
Current Account Balance	Million US \$	-2,211	-2,450	-2,298	-1,333	-1,450	-2,395	-4,839	-4,463	-4,486
Current Account Balance	% GDP	-7.0	-5.2	-4.1	-2.2	-2.2	-3.4	-5.7	-4.8	-4.4
<b>Debt and Financial Flows</b>										
Debt Service	% exports	3.5	7.5	13.9	16.0	18.0	18.4	17.4	15.9	16.5
External Debt	% GDP	22.8	31.7	37.4	36.6	36.6	38.1	37.9	37.4	37.1
Net Total Financial Flows	Million US \$	3,031	2,689	2,443	1,928	2,242	3,476	...	...	...
Net Official Development Assistance	Million US \$	2,960	2,585	2,455	2,126	2,276	2,568	...	...	...
Net Foreign Direct Investment	Million US \$	1,813	1,561	972	1,217	685	922	...	...	...
<b>Demography</b>										
Total Population	Millions	45.1	52.5	58.1	59.9	61.7	63.6	65.5	67.4	69.4
Population Growth Rate	%	2.6	3.4	3.2	3.1	3.1	3.1	3.0	3.0	2.9
Urban population	% of total	28.7	32.4	34.4	35.1	35.8	36.6	37.3	38.0	38.8
Life Expectancy at Birth	Years	60.1	64.7	66.5	67.0	66.4	66.2	66.8	67.6	68.1
Fertility Rate	births per woman	5.3	5.1	4.9	4.9	4.8	4.7	4.7	4.6	4.5
<b>Poverty and Income Distribution</b>										
Pop. living below national poverty line	% of total population	...	...	...	...	...	...	...	...	...
Population living below \$2.15 a day	% of total population	...	...	44.9	...	...	...	...	...	...
Gini Index	%	...	...	40.5	...	...	...	...	...	...
<b>Labor Indicators</b>										
Labor Force participation (total)	%	86.3	84.0	83.9	83.8	80.4	81.8	82.6	82.9	...
Labour Force participation (youth)	%	76.2	72.3	71.6	71.3	66.1	68.1	69.2	69.7	...
Unemployment rate (total)	%	3.0	2.1	2.2	2.2	2.8	2.7	2.8	2.9	2.9
Unemployment rate (youth)	%	5.9	3.8	3.9	3.9	3.8	4.2	4.3	4.5	4.6
<b>Natural Resources rents</b>										
Total natural resources rents	% GDP	5.6	5.3	3.5	3.5	3.9	...	...	...	...
Oil rents	% GDP	...	...	...	...	...	...	...	...	...
Natural gas rents	% GDP	0.2	0.1	0.3	0.2	0.2	...	...	...	...
Mineral rents	% GDP	1.6	1.2	0.8	1.0	1.2	...	...	...	...
Forest rents	% GDP	3.8	4.0	2.4	2.3	2.4	...	...	...	...
Coal rents	% GDP	...	0.0	0.0	0.0	0.0	...	...	...	...
<b>Natural Capital Renewable Resources</b>										
Arable land	1000 hectare	11,688.5	12,595.5	13,139.7	13,321.1	13,502.5	...	...	...	...
Agricultural land	1000 hectare	37,399.0	38,460.5	39,097.4	39,309.7	39,521.2	...	...	...	...
Other land	1000 hectare	1,231.0	2,029.5	2,799.6	3,056.3	3,313.8	...	...	...	...
Forest land	1000 hectare	49,950.0	48,090.0	46,683.0	46,214.0	45,745.0	...	...	...	...
Planted Forest	1000 hectare	553.0	553.0	553.0	553.0	553.0	...	...	...	...
Annual freshwater withdrawals, total	% of internal resources	6.2	6.2	6.2	6.2	...	...	...	...	...
Total Fisheries Production	metric tons	509,576.5	592,210.6	535,902.8	622,212.3	616,287.5	...	...	...	...
<b>Climate Finance and Green Growth</b>										
Total Climate Finance*	Million US \$	...	...	...	...	816.8	...	...	...	...
Green Growth Index**	%	53.5	54.7	58.9	59.4	59.5	59.4	...	...	...

Source : AfDB Statistics Department: African; IMF: World Economic Outlook, April 2023 and International Financial Statistics, April 2023; AfDB Statistics Department: Development Data Portal Database, April 2023. United Nations: OECD, Reporting System Division. Notes: ... Data Not Available (e) Estimations (p) Projections Last Update: June 2023\* Source: Climate Policy Initiative ([www.climatepolicyinitiative.org](http://www.climatepolicyinitiative.org))\*\*Source: Global Green Growth Institute



AFRICAN DEVELOPMENT BANK GROUP  
GROUPE DE LA BANQUE AFRICAINE  
DE DÉVELOPPEMENT