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Introduction and Context

Tanzania, officially the United Republic of Tanzania, is a country located in East Africa. It is bordered by Kenya and Uganda to the north; Rwanda, Burundi, and the Democratic Republic of the Congo to the west; Zambia, Malawi, and Mozambique to the south; and the Indian Ocean to the east. Kilimanjaro, Africa's highest mountain, is in north-eastern Tanzania.

Due to the fact that Tanzania is formed by two main regions, Tanganyika and the Zanzibar Archipelago (which merged into one same state on April 26th, 1964), its population of 51.82 million (2014) is diverse, composed of several ethnic, linguistic, and religious groups.

After a huge economic crisis in 1970s, it had to undergo through several structural reforms in the mid-1980s from the hand of the IMF, which financed the country. Since then, Tanzania’s GDP has grown and poverty has been reduced, according to the World Bank.

Since Tanzania’s first multi-party elections held in 1995, the effort on Tanzania’s development and reducing its poverty levels has continued and, nowadays, it is working on achieving the 1999 economic development plan with vision to 2025, better known as the Development or National Vision 2025.

However, the historical challenges on ending poverty in Tanzania have been mainly the low income per person, which causes extreme hunger (the 68% of its population lives under poverty line of $1.25 per day) and malnutrition (16% of children under 5 are malnourished), lack of infrastructure and bad investment on it. This is especially relevant in rural areas, where most of the population live; therefore, becoming, very vulnerable to climate changes and with heavy dependency on rain-fed agriculture (76% of people rely on agriculture for livelihood) and on access to natural resources. One example of this vulnerability is the easy exposure to suffer from famine and diseases (with especial mention to HIV/AIDS). Indeed, according to the United Nation’s Human Development Index (2014), Tanzania ranks 159 out of 187 countries in poverty.

Figure 2.12:
Share of employment in major sectors (%)

SWOT Analysis

For a broader and better understanding, in the following lines, we are going to develop a SWOT analysis based on the KPMG Report on the 2nd quarter (Q2) of 2015 and give some conclusions on Tanzania’s situation.

Strengths

Tanzania disposes of four main strengths for the development of its economy. The first one is a strong economic growth performance over the last decade, and good prospects for future growth. The latest data on Tanzania’s GDP growth said that its growth rate in 2014 was a 7.1% and that the expected average GDP growth rate for 2015 was slightly over the 7%, predominantly driven by industry (manufacturing, construction) and services (financial services, telecommunications, and tourism).

Indeed, Tanzania has been able to record an average real GDP growth rate of around 6.4% per annum (p.a.) over the 2008-14 period.

This strong economic growth performance has also translated into a reduction in poverty. According to a recent World Bank report, in mainland Tanzania, basic needs poverty declined from 34.4% in 2006 to 28.2% by 2012. During the same period, extreme poverty also decreased from 11.7% to 9.7%.

The second strength of Tanzania’s economy is a healthy level of foreign direct investment (FDI) and positive remaining prospects of it. Also accompanied with adequate foreign exchange reserves and a remarkable relatively low political risk in an African context, which is the third strength.

The country’s stable political environment, sizeable domestic consumer market, ample natural resources, strategic location, and strong economic growth performance contribute to Tanzania’s attractiveness as an investment destination.

The fourth and last strength the KPMG experts detect is that the policies being approved by the government are driving the capital market into a higher degree of liberalisation, which will help to increase both the FDI and the annual GDP growth rate.
Weaknesses and Vulnerabilities

The first of the weaknesses that Tanzania has to face in its development path is the existence of **large twin deficits.** One country is said to have twin deficits when both the budget and trade balances are in deficit and follow almost parallel evolutions over time.

In the case of Tanzania, this twin deficit is due to the rapid accumulation of arrears, sub-par performance in domestic revenue collection, and governance concerns that have delayed external aid disbursements and forced the government to borrow significant amounts on the domestic market.

This problem needs to be addressed to ensure sustainable growth going forward. Furthermore, the country continues to struggle with weak socioeconomic indicators, high donor dependence, poor infrastructure, and rising debt levels.

KPMG’s report claims that, looking forward, Tanzania will have to reduce its donor dependence, improve the government’s fiscal position, narrow the substantial current account deficit, and diversify the country’s export base to attain a more positive economic outlook.

The second major weakness Tanzania’s economy is its **vulnerability to weather shocks and fluctuating commodity prices.** As mentioned in the introduction, 76% of Tanzania’s population lives subsist thanks to agriculture and, due to the lack of knowledge and infrastructure to develop and implement some kind of agricultural technology, any droughts, floods, or temperature shocks can severely damage the living standards of those people and create hugely increases in unemployment, hunger and malnutrition rates, as well as, in really severe cases, mortality rates due to starvation.

Furthermore, important shocks in commodity prices would mean a decrease on exports revenues and, as a consequence, an increase of the trade deficit and, as it is correlated, also of the budget deficit. Therefore, it would hinder even more the development of the country, with especial emphasis in prospective GDP growth rates, as agriculture represents the 32.4% of the total GDP.
The third weakness is a **low socio-economic development**. This means that Tanzania’s economic operational performance is incapable of materializing investments into permanent economic development. Preventing the population from achieving any improvement on their actual living standards and which will place pressure on public finances for some time to come.

One last weakness is the **electricity sector**, which potentially poses a significant contingent liability to the government. And the worst thing is that it does not even provide energy to a huge part of the population due to the lack of infrastructure, especially in rural areas.

**Opportunities**

One of the clearest opportunities Tanzania has to get out from poverty is the **access to a potentially large market**. Tanzania has a population of close to 50 million people, while around 150 million people live within the East African Community (EAC). The country is part of this community and has the potential of becoming a regional transportation hub.

Thanks to reforms made to the business environment, it is relatively **cheap** (in a regional context) to **register a business** in the country. This is clearly a key opportunity for development because it allows to attract new foreign investors and to encourage entrepreneurship among the local population, especially among young population.

As inferring fetch from what we have analysed until now, Tanzania is **rich in minerals**, including gold, uranium, iron, vanadium, titanium, and coal. Meanwhile, industry is one of Tanzania’s strongest growing sectors, driven especially by construction, mining & quarrying, and manufacturing.

Tanzania also has a **significant amount of natural gas reserves**. The exploitation of the country’s natural gas resources will stimulate industrial development, having positive effects on manufacturing and construction.

Development of the country’s significant natural gas resources has the potential to transform Tanzania’s economic landscape, and catapult the country onto a more rapid economic growth trajectory.
Finally, Tanzania is one of the top tourist destinations in Africa. The country also has a lot of **untapped potential in the tourism sector**, which could be utilised if the necessary infrastructure is put in place and/or upgraded.

**Threats or Risks**

If there is any major threat or risk nowadays to Tanzania's developing economy, it is **inflation**. Prices have started to rise up as agricultural production is not giving the expected results. Indeed, the consumer price index (CPI) inflation rate increased from 5.3% year-on-year (y-o-y) in May to 6.1% y-o-y in June 2015.

![Average CPI (% change, y-o-y)](chart.png)

There are no other immediate threats or risks for Tanzania’s developing economy apart from those that could derive from the weaknesses previously exposed.
Final Conclusion

“Every proposal must be judged by the criterion of whether it serves the purpose of development – and the purpose of development is the people.”
Nyerere J.K (1973), Freedom and Development.

As in words of the first president of the United Republic of Tanzania, every step towards development must be always designed and applied taking into account how they will improve people’s lives.

Tanzania is still today a developing country with a high index of poverty. However, unlike many other African countries in the region, this is not caused by any conflict or because of any dictatorial regime. Therefore, why is it still so much underdeveloped?

As we have seen through this report, Tanzania is a country with a lot of potential, but this potential needs to be exploited. To do so, we have seen that it is very important to invest in infrastructure at all levels with special mention in the agricultural sector (i.e. irrigation infrastructure), so that people can stop living for subsistence and then participate in the development of other sectors. In other words, the strengths need to be maintained or empowered, the weaknesses need to be fought, opportunities need to be turned into reality and risks must be avoided.

To achieve it, Tanzania must continue working in collaboration with the International Monetary Fund (IMF) in policy formulation and implementation. This well-known institution will give to the government the know-how for advancing towards development in the most efficient and effective ways.

At the end, development will only be achieved with dedication both in time and efforts (with human and physical capital); and the first step is to accomplish the objectives fixed in the Development Vision 2025.
Annex: Twitter News Report

Prior to enter into analysing whether there is or not a correlation between the data obtained on Twitter on the local media from Tanzania and the conclusions to which we have arrived in the poverty report, it must be pointed out that, the information found on Twitter comes from a very little number of different media because of the lack of a huge presence of those media on this social media. Therefore, it must be taken into account that the data subtracted from twitter could be highly biased (to have the same point of view) due to the lack of variety.

Both the poverty report and the news subtracted from Twitter have in common that the most affected agent by poverty is without any doubt the local population in general terms and that those who need to take action on this matter are the politicians.

Although there exist a higher positive focus on poverty in Tanzania (34%) from the local media with respect to the average on the same matter in the African continent (21%), it exist an even higher number of negative number of news that give a negative perception on poverty (40%).

The main symptoms of poverty in Tanzania throughout the analysis of the tweets were mainly: low economic incomes, hunger, health problems and bad education. From these, we can conclude that what we have found out in our poverty report on Tanzania and in the tweets share almost all symptoms. The only difference we can observe is the huge importance given by the media to bad education, while in our diagnosis is the lack of infrastructure what has pointed out. This has a logic explanation: if there is no infrastructure, such as schools, hospitals, roads, public transport, etc., it becomes almost impossible to avoid any of the other symptoms. Therefore, we must solve this lack of infrastructure first and then we will be able to focus on the rest of matters.

Finally, among the factors which might be correlated with poverty in Tanzania we can see that, despite the variety of those factors showed on Twitter, political problems, diseases, education, agriculture, rural world, enterprises and investment (both national and foreign) are the most mentioned. Therefore, we can conclude that the correlation between the results obtained from the diagnosis of the poverty report on Tanzania elaborated previously and the ones obtained from the local media on Twitter, is very strong.
Bibliography