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TANZANIA ECONOMIC UPDATE



MAKING JOBS WORK

TANZANIA ECONOMIC UPDATE

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Acronyms and Abbreviations

AfDB	African Development Bank
BBT	Building a Better Tomorrow
BoT	Bank of Tanzania
BOP	Balance of Payments
BRELA	Business Registrations and Licensing Agency
B-Ready	Business Ready
CIV	Côte d'Ivoire
CAD	Current Account Deficit
CBR	Central Bank Rate
CRS	Creditor Reporting System
DRC	Democratic Republic of Congo
DSA	Debt Sustainability Analysis
EAC	East African Community
ECF	Extended Credit Facility
ESPJ-II	Education and Skills for Productive Jobs Program
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FCDO	Foreign, Commonwealth and Development Office
FDI	Foreign Direct Investment
FYDP III	Third Five-Year Development Plan
GDP	Gross Domestic Product
GHA	Ghana
GNI	Gross National Income
IAs	Implementation Agreements
ICA	Investment Climate Assessment
ILFS	Integrated Labour Force Survey
IMF	International Monetary Fund
IND	India
ILO	International Labour Organisation
IPC	Integrated Food Security Phase Classification
IPP	Independent Power Producer
LGA	Local Government Authority
LMIS	Labor Market Information System
LMIC	Lower Middle Income Country
LNG	Liquefied Natural Gas
MDG	Madagascar
MoF	Ministry of Finance
MW	Megawatts
MKUMBI II	Mwongozo wa Pili wa Kuboresha Mazingira ya Biashara na Uwekezaji (Business Environment Blueprint II)
NACTVET	National Council for Technical and Vocational Education and Training
NBS	National Bureau of Statistics
NEET	Not in Employment, Education, or Training
NHIF	National Health Insurance Fund
NSSF	National Social Security Fund
OCGS	Office of the Chief Government Statistician
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PAK	Pakistan
PAMOJA	World Bank Project for Advancing Gender Equality in Tanzania
PPAs	Power Purchase Agreements
PPRA	Public Procurement Regulatory Authority
PPP	Public-Private Partnership
PPP	Purchasing Power Parity
PSSSF	Public Service Social Security Fund
PSSN	Productive Social Safety Net
R&D	Research and Development
RPL	Recognition of Prior Learning
RSF	Resilience and Sustainability Facility
RWA	Rwanda
SBR	Statistical Business Register
SDG	Sustainable Development Goal
SGR	Standard Gauge Railway



SMEs	Small and Medium Enterprises
SSA	Sub-Saharan Africa
TaESA	Tanzania Employment Services Agency
TANESCO	Tanzania Electric Supply Company
TASFAM	World Bank Tanzania Scaling-up Sustainable Marine Fisheries and Aquaculture Management Project
TEU	World Bank Tanzania Economic Update
TFRA	Tanzania Fertilizer Regulatory Authority
TICGL	Tanzania Institute of Corporate Governance and Leadership
TRA	Tanzania Revenue Authority
TVET	Technical and Vocational Education and Training
TZS	Tanzanian Shilling
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNCTAD	United Nations Conference on Trade and Development
US$	United States Dollar
VAT	Value-Added Tax
WBG	World Bank Group
WBES	World Bank Enterprise Survey
WFP	World Food Programme
ZSSF	Zanzibar Social Security Fund



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Executive Summary

Tanzania's economy expanded by 5.9 percent in 2025, supported by increased government spending ahead of the October elections. Public spending accounted for more than two-thirds of real Gross Domestic Product (GDP) growth, with expenditure shifting toward recurrent outlays. Services particularly financial services, trade, and transport contributed nearly half of sectoral real growth, while mining activity was constrained by capacity limitations.

Monetary conditions remained stable, with inflation staying within the Bank of Tanzania's 3–5 percent target band throughout 2025. The Bank of Tanzania (BoT) continued implementing its interest-rate-based monetary policy framework, narrowing the operating band in April 2026 and subsequently raising the Central Bank Rate by 50 basis points to 6.25 percent in July 2026. Private sector credit grew by 28.1 percent year-on-year in June 2026, a multi-year high, while non-performing loans remained below the 5 percent prudential threshold. Gold purchase operations continued to add liquidity to the financial system.

Revenue collection outperformed targets in FY2026, although expenditure pressures linked to the election cycle complicated the consolidation path. Domestic revenues exceeded budget projections by 4.2 percent in nominal terms during the first eleven months of FY2026. Elevated recurrent spending after the elections was corrected during November–May of FY2026, helping ease expenditure pressures. While the share of concessional financing in new borrowing has declined, public debt remains moderate at 49 percent of GDP, with a moderate risk of debt distress.

The current account deficit widened to 2.5 percent of GDP in FY2026, driven by higher energy prices and freight costs. The widening reflected the impact of higher import prices particularly oil products, transport, and insurance costs associated with the war in the Middle East. These pressures outweighed the positive effects of elevated gold prices.

Growth is projected to accelerate to 6.1 percent in 2026 and 6.5 percent over the medium term, driven by expanded private sector activity. The outlook rests on growth-friendly fiscal consolidation and continued implementation of business environment reforms. However, risks are tilted to the downside. A prolonged war in the Middle East could weigh on fuel-dependent sectors, agricultural inputs, tourism, and logistics. Other risks relate to reform momentum, fiscal discipline, and external shocks, while climate vulnerability adds further uncertainty. Over the longer term, the evidence points to human capital investment as the public spending priority most likely to sustain growth, support job creation, and reduce poverty.

Special Theme: Making Jobs Work

Tanzania does not face a jobs shortage, it faces a jobs quality challenge. With an employment-to-population ratio of 68.7 percent, among the highest in the world, more than two in three working-age Tanzanians were in employment in 2024. Yet median hourly pay stands at just TZS 1,005, and most workers are own-account workers or contributing family members in low-return, low-productivity activities. Agriculture alone employs 54 percent of the workforce. Rapid growth of the working age population makes the challenge more urgent.

The scarcity of good jobs is an important link between Tanzania's impressive growth record and its limited progress on poverty reduction and formalization. While the economy has grown at an average of 5.7 percent annually over two decades, this growth has been driven primarily by resource accumulation rather than productivity gains. Improving job quality requires addressing limitations on both sides of the labor market simultaneously.



On the supply side, most of Tanzania's labor force faces the dual constraints of low readiness and limited market opportunity. Over half of workers are rural, informal, with limited human capital and high vulnerability to shocks. Learning-adjusted schooling averages only 4.5 years. Without adequate social protection, income shocks from health emergencies, family crises, or climate events force households to withdraw children from school or liquidate productive assets, degrading the human capital that would otherwise support transitions to better employment. Women face compounding barriers: care responsibilities, limited mobility, and occupational segmentation concentrate them in the lowest-productivity activities. Social assistance spending at 0.7 percent of GDP is less than half the Sub-Saharan Africa (SSA) average, and active labor market programs are structurally skewed toward urban, higher-readiness workers.

On the demand side, Tanzania's formal private sector lacks the productivity and dynamism to generate better jobs at scale. Labor productivity in formal firms lags SSA peers by around 50 percent in services and more in manufacturing. Firm entry is limited: only 12 percent of formal firms are young, compared to 38 percent in Rwanda, for instance. Private investment has shrunk, with the average firm investing just 11 percent of what it did a decade ago. Technology adoption, Research and Development (R&D) spending, and innovation all trail regional peers. One in three firms is credit-constrained, and 58 percent of large firms cite land access as a major barrier. Wide within-sector productivity gaps signal resource allocation issues that prevent firms from growing and creating jobs.

Two policy pillars address these interlocking constraints. The first targets the quality job base reducing barriers to firm entry, exit, investment, and land access, strengthening insolvency frameworks, and unlocking long-term finance. The second builds the quality workforce pipeline redesigning social protection as a mobility enabler, prioritizing the lowest-readiness workers, embedding gender-responsive design as a system standard, and building the labor market information and credential recognition systems that connect workers to better jobs.



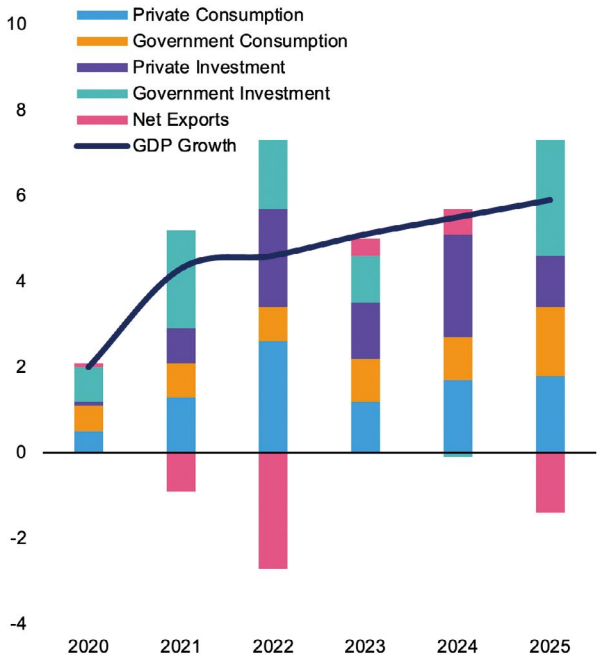


Economic Activity

Real Economy

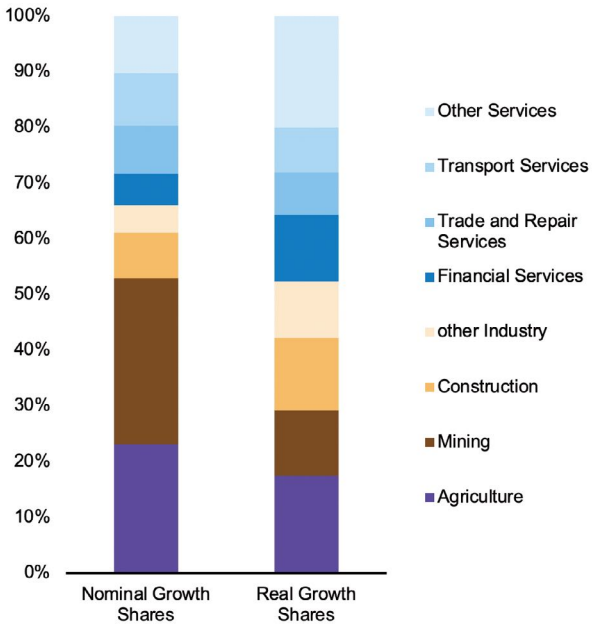
Economic growth in Tanzania accelerated to 5.9 percent in 2025, and 6.0 percent in Q1-2026, supported by scaled-up government expenditure. The second half of 2025 was marked by rapid fiscal expansion in the context of the October 2025 elections. Government primary expenditure has increased from 16.3 percent of GDP in 2024 to 17.8 percent of GDP in 2025 and, on demand side, over two-thirds of economic growth was on the back of government spending (compared to an average of 45 percent during 2021-2024, Figure 1.1). Meanwhile, private investment and consumption continued to expand at a slower pace while exports – growing strongly in nominal terms – contracted in volume.

Figure 1.1: Real GDP growth and expenditure-side decomposition, % and ppts.



Source: World Bank staff estimates based on MFMOD

Figure 1.2: 2025 real and nominal GDP growth sectoral shares, %.



Source: World Bank staff estimates based on National Bureau of Statistics (NBS)

Almost half of the real growth in 2025 came from services, led by financial, transport, and trade and repair services. Overall, the service sector, already the largest sector, expanded by 6.7 percent, ahead of average growth. Growth in industry was 6.8 percent, with particularly strong contributions from construction and mining. Agriculture expanded by 4.1 percent, driven by continued gradual intensification and broadly supportive weather conditions. Strong food commodity and mineral prices led to a pronounced shift in sectoral relative prices in 2025 that favored mining and agriculture, resulting in increased share of these sectors in nominal value added (Figure 1.2). In June 2026, the authorities completed the rebasing of national accounts, updating the GDP base year from 2015 to 2019, representing an important step toward improving the accuracy of Tanzania's national accounts by better capturing structural changes in the economy (Box 1).



Box 1: Rebasing Tanzania's National Accounts from 2015 to 2019

In June 2026, the authorities completed the rebasing of national accounts, updating the GDP base year from 2015 to 2019. The reported GDP growth rate of 6.0 percent in Q1 2026 was based on the rebased estimates. This update represents an important step toward improving the accuracy of Tanzania's national accounts by better capturing structural changes in the economy. The aggregate revision also reflects changes in the relative contribution of key sectors to GDP. Sectors whose shares of GDP were revised upward include accommodation and food services, electricity, health, and public administration, while professional services and agriculture were revised downward. The 2019 supply-and-use table draws on a wide range of data sources, including the agricultural census, service-sector study, household budget survey, tax turnover and VAT data, administrative records, and special studies. These shifts likely reflect improved coverage of small and informal service activities, although the National Bureau of Statistics does not publish a sector-by-sector bridge. However, the update creates a break in the data series and affects all indicators expressed as ratios to GDP. The subsequent publications will feature in full the rebased data.

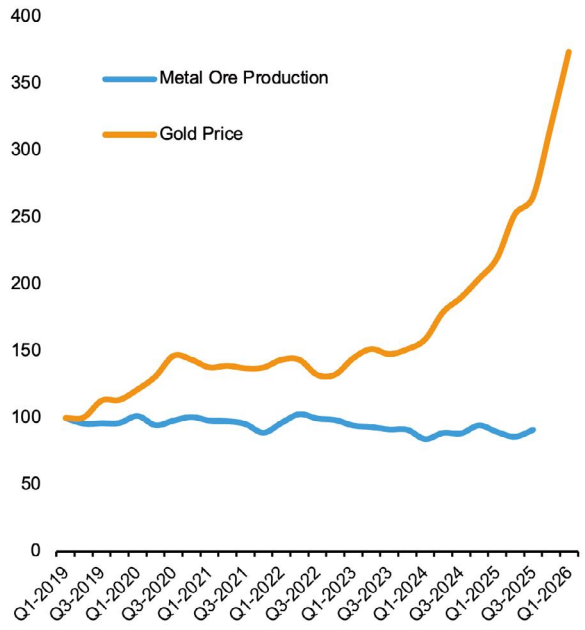
In real terms, however, the mining and agriculture sectors have underperformed their nominal gains, with output growth held back by structural limitations.

✓ **In mining, gold production cannot easily respond to higher gold prices while the pipeline of energy transition minerals is developing slowly** (Figure 1.3). Many of Tanzania's gold mines are mature, exploiting deposits with stagnating or diminishing concentrations of gold, and on-site machinery cannot easily process more material as is typically run near capacity throughout a mine's life. Despite being conceived several years ago, new projects such as the Nyanzaga mine and the tripling of capacity at the Buckreef mine are only expected to become operational in or after 2027 as planning, permitting, and construction of new mines are lengthy processes. Meanwhile, the pipeline for energy transition minerals (including nickel, graphite, and rare earths) is slowly accelerating amidst increased global demand.

✓ **In agriculture, growth potential is limited by market inefficiency and policy gaps coupled with escalating global fertilizer prices.** While the reintroduction of fertilizer subsidies in 2022 to stabilize prices was aimed at intensification and growth, in practice subsidies predominantly benefit richer farmers with larger landholdings already applying intensive farming techniques[1]. Fertilizer importers also report significant subsidy arrears. In addition, subsidies cement close government control over the fertilizer sector, including price caps that are not always adjusted in a timely manner. Global wholesale prices for fertilizers (excluding packaging, taxes, fees, and logistics) are sometimes higher than retail caps (Figure 1.4), leading to reports of stock-outs. These pressures are compounded by the recent escalation of global prices of inorganic fertilizers and with Tanzania importing 40 percent of fertilizers from Gulf countries, which puts pressure on Tanzania's agro-food systems. Agricultural and food markets have shown moderate resilience, though conditions are mixed: March-April 2026 rainfall has supported crop development, but flooding in several low-lying regions has caused significant loss of life, assets, crops, and infrastructure. With food access disruptions, about 1 million people (10 percent of the analyzed population) are currently facing acute food insecurity (Integrated Food Security Phase Classification (IPC) Phase 3 or above; FAO/WFP Food and Agriculture Organization of the United Nations (FAO)/ World Food Programme (WFP) 2026). While staple markets remain broadly stable, national food reserve stocks are lower than last year following pricestabilizing releases.

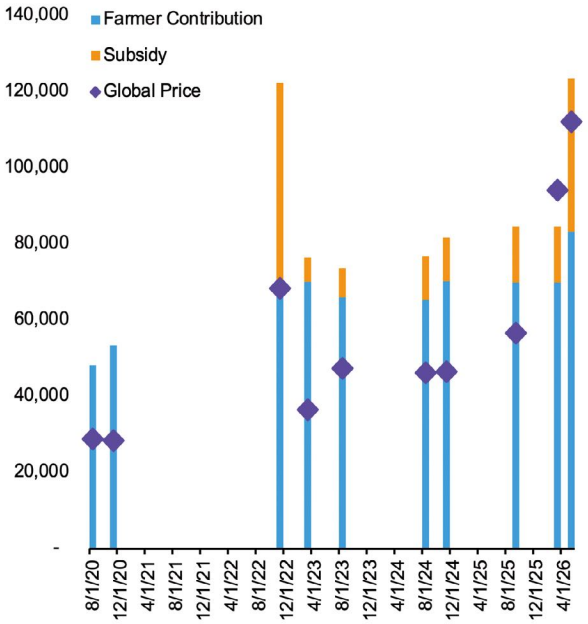
[1] The richest 20 percent of farmers are three times as likely as the poorest 20 percent to apply inorganic fertilizers in the first place.

Figure 1.3: Gold prices and metal ore production, index (Q1-2019 = 100).



Source: World Bank staff estimates based on World Bank Commodity Markets and NBS Index of Industrial Production

Figure 1.4: Domestic retail, producer, and global price for 50 kg of urea fertilizer, TZS.



Source: World Bank staff estimates based on the Tanzania Fertilizer Regulatory Authority (TFRA), World Bank Commodity Markets, and Haver

The war in the Middle East is starting to affect the wider economy in early 2026, but the impact is less than in many other countries across the region. High fuel prices sap domestic economic momentum in the region and across the world. The impact on Tanzania has so far been concentrated in the transport sector. The government responded by allowing a measured rise in fuel retail prices and introducing a moderate subsidy of about 6 percent on diesel only, to avoid heavy fiscal pressures. The impact on power generation costs and availability has been low as Tanzania produces most of its electricity from domestic sources and progress on the Mission 300 in Tanzania is not endangered (Box 2).



Box 2: Mission 300 - Progress on Tanzania's National Energy Compact

Signed under the Mission 300 initiative, the Compact sets ambitious 2030 targets: 8.3 million new electricity connections, clean cooking access for 75 percent of the population, a 75 percent renewable energy share in national generation, and US$ 4 billion in mobilized private capital.

Tanzania has made substantial progress under its National Energy Compact. Out of the 53 reform actions, 8 have been implemented, 41 are in progress and only 4 are delayed. Completed reforms have established the planning and regulatory foundations that underpin the broader agenda. The government finalized the Power System Master Plan and completed a grid assessment to align with regional codes, positioning Tanzania as a future regional control area. On clean cooking, the National Clean Cooking Action Plan was formally adopted and the Rural Energy Agency's Results-Based Financing Facility for improved stoves was scaled up, contributing to a jump in clean cooking access from 6.9 to 23 percent. Standard Power Purchase Agreements were updated in April 2026 to include payment guarantees, reducing offtake risk for private investors. Electricity access has reached 78.4 percent, with renewables accounting for 65 percent of national generation.

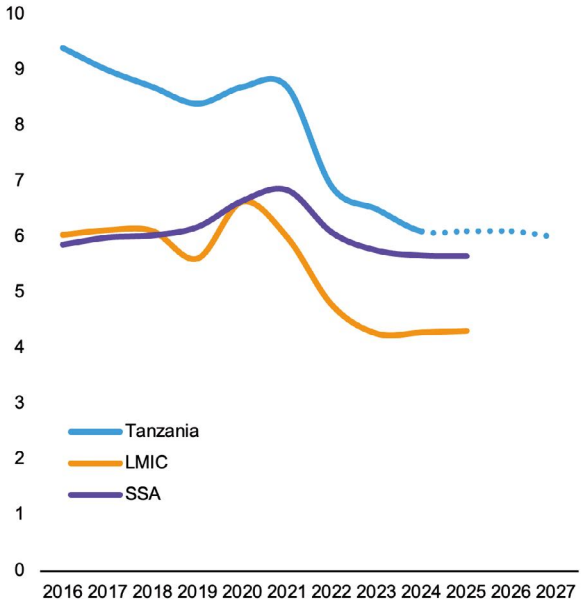
Three areas require prioritization over the next twelve months to sustain momentum and unlock private investment. The Renewable Energy Independent Power Producer (IPP) Procurement Programme remains stalled pending a dedicated procurement framework from the Public Procurement Regulatory Authority. Here, delayed action is the primary bottleneck behind private capital mobilization, which stands at US$ 143 million against a US$ 4 billion target. A Cost-of-Service Study, delayed until December 2026, is a prerequisite for retail tariff reform. Until tariffs better reflect costs, the Tanzania Electric Supply Company's (TANESCO's) financial position will continue to constrain sector investment.

Table B1: Mission 300 Targets and Achievements

Target	2024 Baseline	2025 Progress	2030 Target
New electricity connections	5,067,565	+711,320	+8,300,000
Clean cooking access	6.9 percent	23 percent	75 percent
Renewable energy share	62 percent	65 percent	75 percent
Private capital mobilized	US$ 500M	US$ 143M	US$ 4,039M

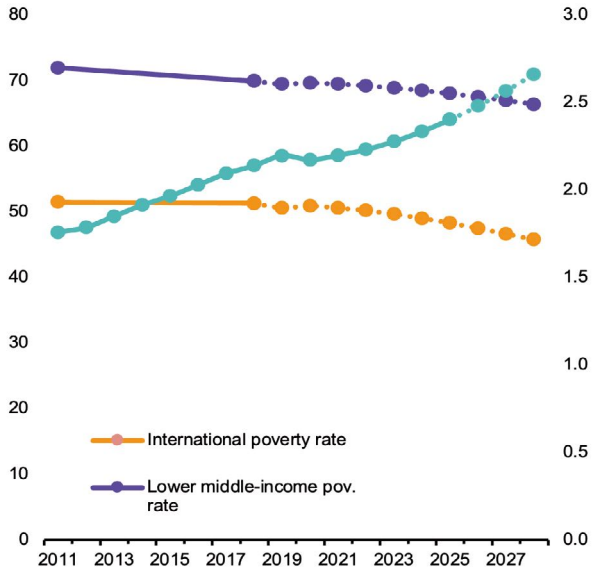
Unemployment in Tanzania is trending down, but many Tanzanians work low-quality jobs. World Bank estimates put unemployment in 2025 at 6.1 percent, down from 8.7 percent in 2020. This is a steeper decline than among peers (Figure 1.5), driven by a rapid post-pandemic recovery. However, as the Special Theme section shows, many of these jobs are relatively low quality by international standards, with over half of workers employed in smallholder agriculture.

Figure 1.5: Unemployment rates in Tanzania and among peers, %



Source: World Bank staff estimates based on MFMOD and World Bank WDI

Figure 1.6: Poverty rate and real GDP per capita, % and constant 2015 TZS



Source: World Bank staff estimates based on POVMOD

The share of Tanzanians living below the $4.20/day poverty line is estimated to have fallen marginally from 70 percent in 2018[2] to 69.8 percent this year (Figure 1.6). This reflects the weak link between aggregate macroeconomic growth and broader indicators of welfare. Average real private consumption per capita, for example, grew by an average of just 0.2 percent annually between 2018 and 2025. Key mechanisms to translate headline growth into poverty reduction – productive employment, improving agricultural productivity, and strengthening human capital – are yet to structurally change trajectory. At the same time, the welfare of the poor is immediately threatened through the effects of the war in the Middle East, particularly through rising fuel prices, transport costs, and potentially food prices, all weighing heavily on low-income households. However, broad-based instruments like recently reintroduced blanket fuel subsidies are costly and most of the benefits accrue to the wealthiest households in the country. Tanzania's social registry has recently been expanded and provides opportunities for more targeted support. In addition, social protection can be a tool to help Tanzanians transition into higher-quality jobs (see Special Theme section) and to respond to more structural risks, including the climate-related risks facing different regions and populations (Box 3).

[2] The most recent year for which an official poverty rate is available.

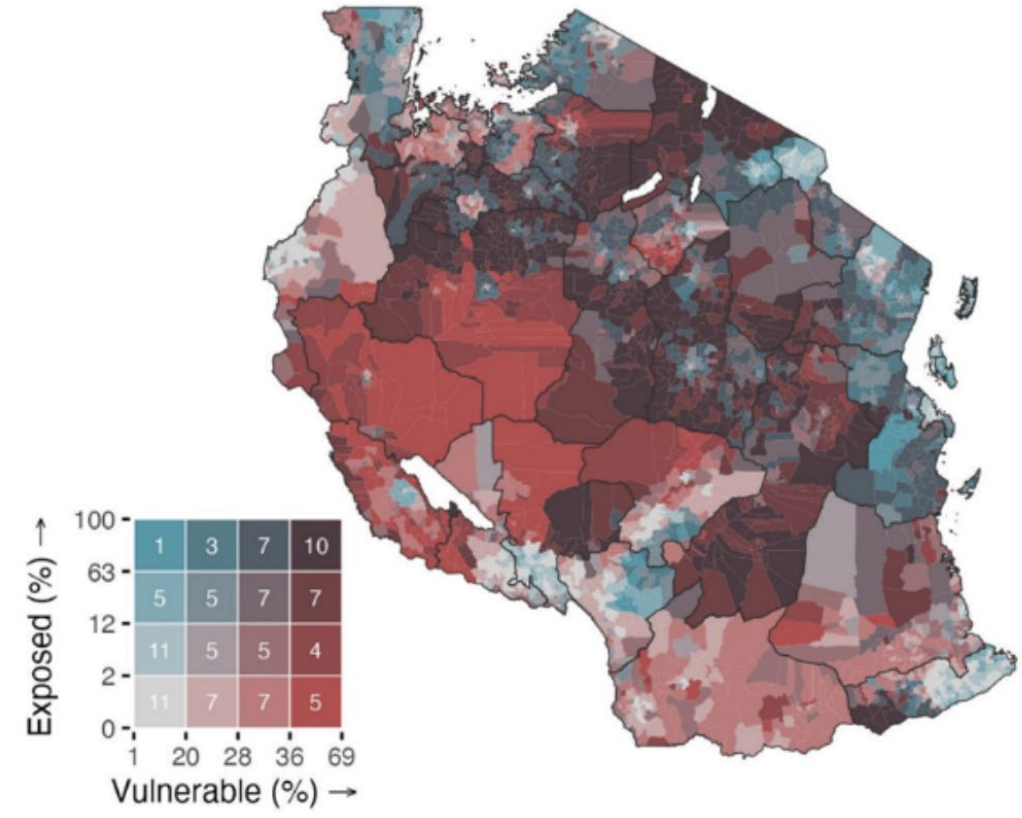
Box 3: Who Suffers Most from Climate Risks in Tanzania?

Climate risk occurs when exposure, hazard, and vulnerability come together. For a population to experience climate risks, there need to be: (1) people, farmland, or cattle exposed – *Nyerere National Park may suffer from a flood, but there is no permanent population;* (2) a hazard – *Arusha has people who would suffer from a tropical cyclone, but cyclones cannot reach there;* and (3) the population needs to be vulnerable – *Dar es Salaam may suffer an agricultural drought but most people would not be much affected.*

Droughts pose the highest climate risk to Tanzanians, followed by floods and heatwaves. As new World Bank research shows (Brunckhorst et al 2025), 5 million Tanzanians are exposed and vulnerable to a significant drought. 700,000 Tanzanians are exposed and vulnerable to flooding, while 600,000 are exposed and vulnerable to heatwaves. A further 400,000 are exposed and vulnerable to multiple risks at the same time.

Exposure and vulnerability vary significantly across the country. Spatial disaggregation shows Tanzania's west to be highly vulnerable but moderately exposed and the east as well as much of Lake Victoria's shores to be exposed but much better able to deal with climate shocks (see Figure B1). Regions that are both exposed to climate shocks and where people have little recourse to protect their welfare when facing a shock cluster in a diagonal belt through the center of the country, as well as clusters in northern Arusha, southern Morogoro, and western Mtwara districts.

Figure B1: *Bivariate map of vulnerability and exposure*



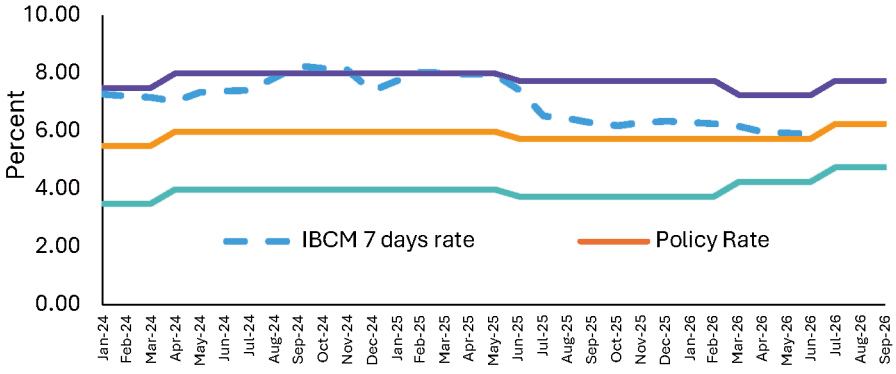
Source: Brunckhorst et al., 2025

Monetary Policy and Inflation

The Bank of Tanzania (BoT) is implementing a price-based monetary policy framework to manage inflation and support economic growth. The BoT adopted this framework to align with the rest of East African Community (EAC) central banks and strengthen monetary policy transmission. It replaced the previous money-supply targeting approach, which had weak transmission and ineffectiveness in managing inflation, particularly during shocks. Under the new framework, the BoT aligns short-term market rates[3] with the Central Bank Rate (CBR) to achieve price stability and influence economic activity and inflation expectations through changes in borrowing costs. In July 2026, the BoT raised the CBR by 50 basis points to 6.25 percent, after holding it unchanged for four consecutive quarters, to contain inflationary pressures linked to second-round effects from higher energy, fertilizer, and transport costs associated with the war in the Middle East. This followed the April 2026 narrowing of the operating band around the CBR from 200 to 150 basis points, reflecting the sustained convergence of the seven-day interbank cash market (IBCM) rate toward the policy rate (Figure 1.7).

The new framework has helped keep Tanzania's headline inflation within the authorities' medium-term target band of 3–5 percent. Headline inflation rose to 4.2 percent year-on-year in July 2026, while core inflation increased to 3.9 percent over the same period (Figures 1.8 and 1.9). Core inflation's contribution to headline inflation also rose to 3 percent, from a pre-war low of 1.6 percent. The increase was driven mainly by cost-push pressures, particularly higher transport costs linked to pass-through effects of the war in the Middle East. Domestic diesel pump prices increased by about 60 percent between the start of the war and June 2026, despite a government subsidy of TZS 534.9 per liter intended to cushion consumers and protect key sectors of the economy. As global prices eased, pump prices declined slightly across all petroleum products, with diesel prices falling by 8.2 percent between June and August 2026. Anchored mainly in non-durable and semi-durable goods, the relative stability of core inflation continues to guide the Bank of Tanzania's forward-looking policy calibration and communication in anchoring inflation expectations.

Figure 1.7: BoT Policy Rate and IBCM Rate, %

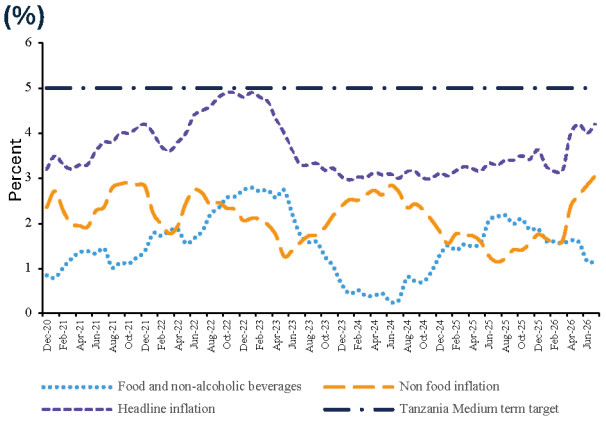


Source: World Bank staff estimates based on BoT

[3] The BoT uses the seven-day Interbank Cash Market rate as an operating target for the framework.

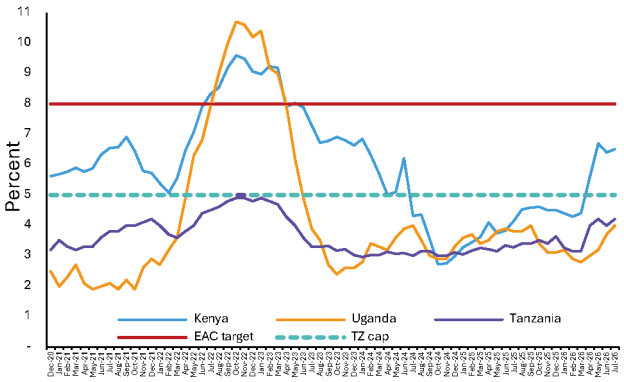
Tanzania's strong macroeconomic management has helped position the economy to absorb external turbulence in an effective and sustainable manner. Food supply conditions including episodic droughts, regional supply disruptions together with global commodity price movements continue to contribute to food price volatility, requiring calibrated fiscal and monetary policy responses. Policy responses have been differentiated by the source of inflationary pressure, with the BoT focusing on liquidity management to contain core inflation. Fiscal measures have combined increased budgetary allocations for medium-term programs with targeted responses to short-term challenges. For example, Value Added Tax (VAT) exemptions on double-refined edible oil produced locally from domestically grown seeds aim to support local production while helping contain price pressures. Such differentiated responses have helped insulate domestic prices from external turbulence. Depending on the responsiveness of agricultural production and demand and supply conditions for locally produced edible oil, the VAT exemption could stimulate agricultural production and related value chains.

Figure 1.8: Inflation Main Components, and ppts contribution



Source: World Bank staff estimates based on BoT

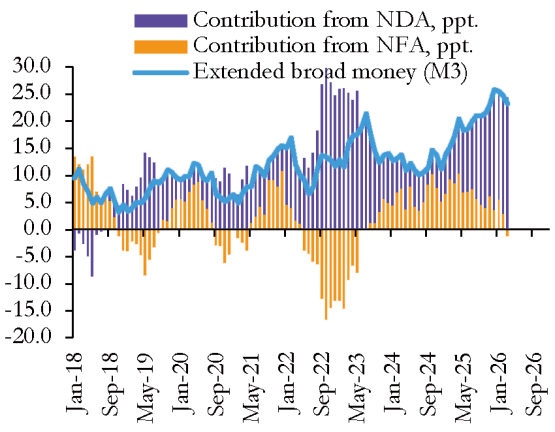
Figure 1.9: Inflation in Select East African Countries, %



Source: World Bank staff estimates based on BoT

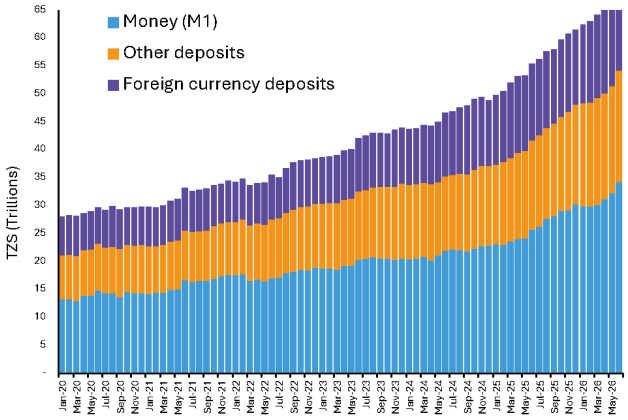
Money supply growth strengthened throughout 2025, driven by both private sector credit expansion and foreign reserve accumulation by BoT. Robust growth in domestic assets – up by 40.7 percent year-on-year in June 2026 – supported broad money growth of 25.5 percent over the same period (Figure 1.10). The BoT's gold purchases, reaching about 29 tonnes and valued at over US$3.68 billion in July 2026, were a key source of liquidity injection, reinforced by strong lending momentum among commercial banks (Figure 1.11). The price-based monetary policy framework helped guide sterilization operations, which were necessary to shield the economy from inflationary pressures that could arise from liquidity injections associated with gold purchases.

Figure 1.10: Contributions to M3, year-on-year % and ppts



Source: World Bank staff estimates based on BoT

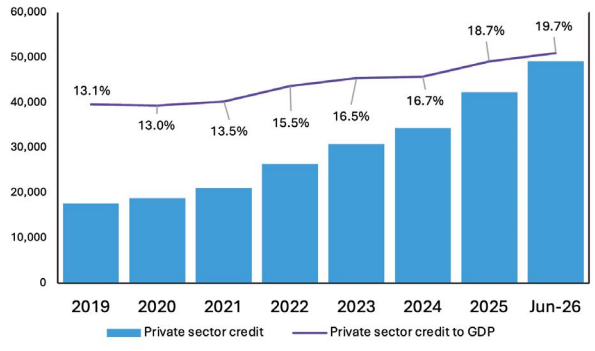
Figure 1.11: Money Supply Components, TZS trillions



Source: Staff Calculations based on BOT

The banking sector remained stable, supported by strong profitability, ample liquidity, and adequate capital buffers. Private sector credit growth accelerated to 28.1 percent year-on-year in June 2026, supported by the BoT's accommodative monetary policy stance. Asset quality remained sound, with non-performing loans at 2.5 percent well below the 5 percent prudential threshold reflecting prudent regulation, expanding digital financial services, and product diversification. Credit expansion was broad-based, led by personal loans largely financing Small and Medium Enterprises (SMEs) alongside strong growth in trade, transport, and communication, pointing to improved access to finance and a recovery in productive economic activity. Nonetheless, credit to GDP remains low (Figure 1.12), well below the SSA average of about 27 percent.

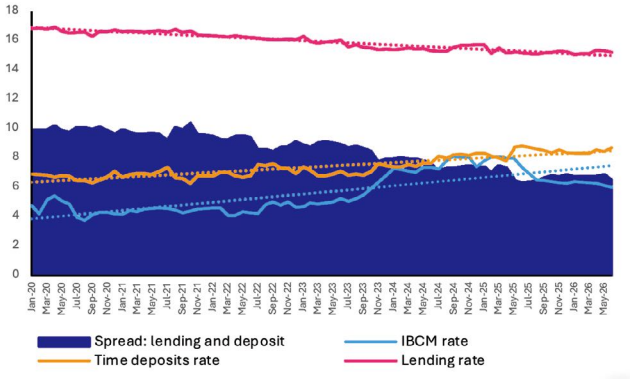
Figure 1.12: Private Sector Credit
(TZS Billions)



Source: Staff Calculations based on BOT

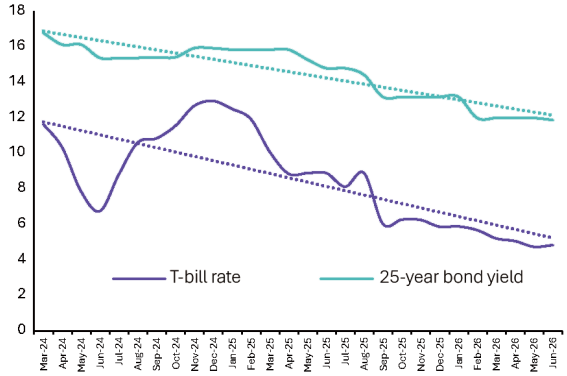
Interest rates have moderated in line with improved liquidity management and an accommodative monetary policy stance. The Bank of Tanzania's adjustments to the policy rate and operating band, together with stable inflation expectations, have translated into lower interbank, deposit, and lending rates. Interest rate spreads have narrowed, pointing to stronger monetary policy transmission since mid-2025 and improved financial-sector efficiency, supported by greater use of technology in the banking sector. These developments have supported investment while non-performing loans remain low (Figure 1.13). Government securities yields also declined across the maturity spectrum, reflecting investor confidence, improved liquidity conditions, and increased domestic financing, as net domestic claims on government by the banking sector rose by 39 percent year-on-year (Figure 1.14).

Figure 1.13: Trend on Interest Rates and Spread, %



Source: World Bank staff estimates based on BoT

Figure 1.14: Government Securities yields, %



Source: World Bank staff estimates based on BoT

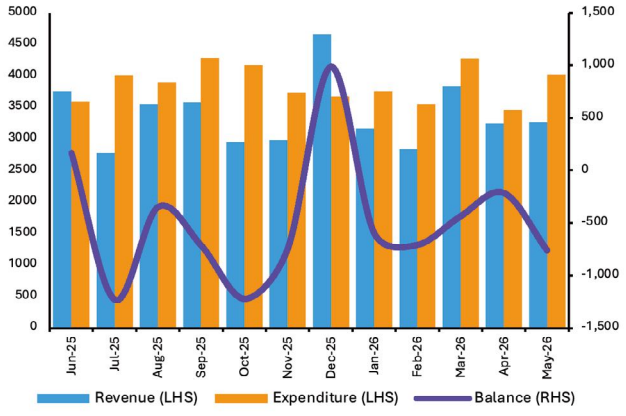




Fiscal and Debt Developments

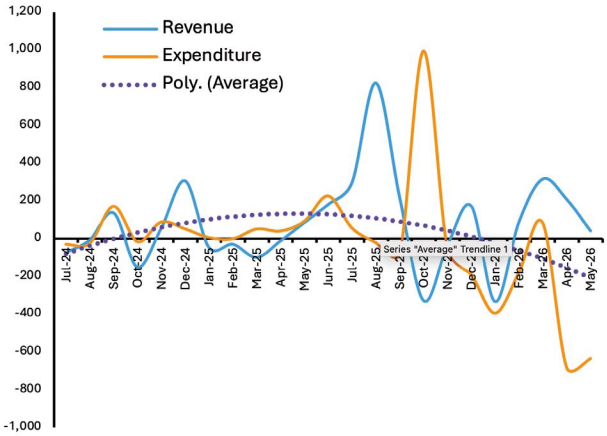
The FY26 government budget marks the conclusion of the Third Five-Year Development Plan, which was anchored in macroeconomic targets for strong growth.
The Third Five-Year Development Plan (FYDP III, 2021/22–2025/26) envisaged fiscal consolidation toward a deficit of 3 percent of GDP after grants. Overall, the government has maintained a prudent fiscal stance through spending restraint and stronger domestic resource mobilization, with fiscal deficits averaging 3.5 percent of GDP over the past five years. Revenue mobilization has improved through tax base broadening and greater use of technology in tax administration, while spending on social sectors has increased moderately to partly offset declining grants. However, pronounced intra-year revenue and expenditure fluctuations driven by quarterly tax payment cycles and election-related pressures in H1-FY26 underscore persistent challenges in liquidity planning and cash management. These fluctuations began to dissipate (Figure 1.16) in Q3-FY26, while the fiscal deficit narrowed (Figure 1.15) in line with the performance benchmarks of the International Monetary Fund's (IMF's) Extended Credit Facility (ECF) and Resilience and Sustainability Facility (RSF) programs.

Figure 1.15: Revenue and Expenditure, TZS billions



Source: World Bank staff estimates based on BoT

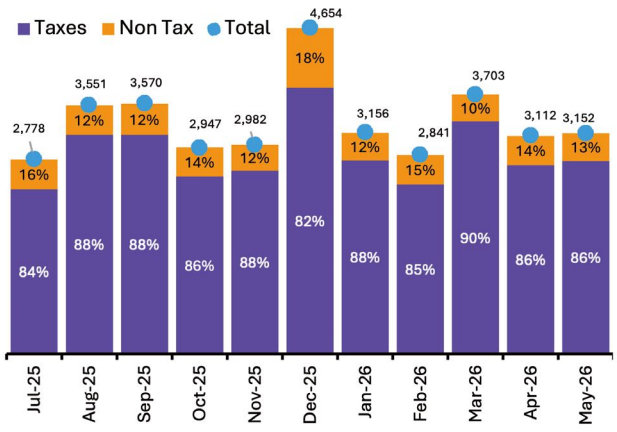
Figure 1.16: Budget Deviations, TZS billions



Source: *World Bank staff estimates based on BoT*

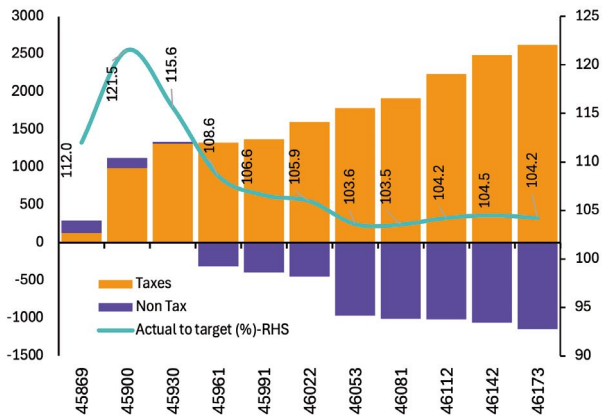
Government domestic revenue collection exceeded the target by about 4.2 percent in the first eleven months of FY26, reflecting strong tax performance despite weaker non-tax revenues. Collections continued to follow quarterly tax payment patterns, with a pronounced overperformance in March 2026 9.3 percent above target driven mainly by a surge in income taxes (Figure 1.15). Income taxes remained the largest revenue source, accounting for 38.5 percent of total revenue, followed by taxes on imports at 36.2 percent. While tax revenues consistently exceeded targets during the first eleven months of FY26 by 9.1 percent, non-tax revenues underperformed by 12.1 percent (Figure 1.18).

Figure 1.17: Revenue Collection, TZS billions



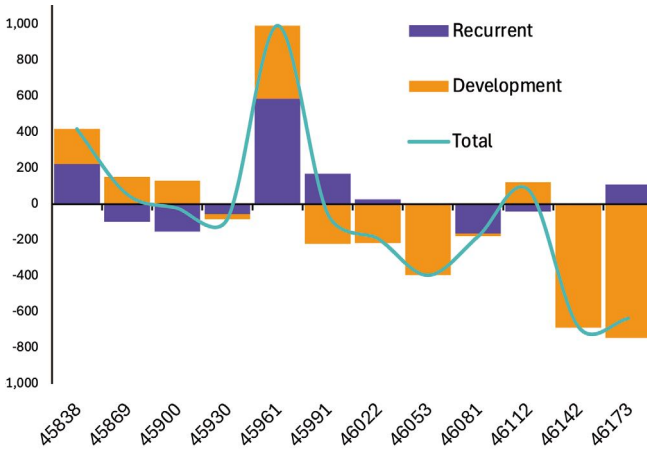
Source: World Bank staff estimates based on BoT

Figure 1.18: Revenue Deviations from Targets, TZS billions



Source: World Bank staff estimates based on BoT

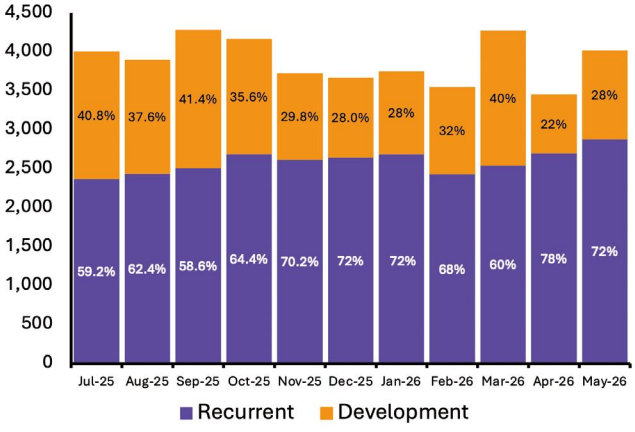
Figure 1.20: Targets v/s Actual Expenditure TZS billions



Source: World Bank staff estimates based on BoT

During the first eleven months of FY26, total spending fell short of the estimate by 5 percent, mainly due to lower-than-planned development expenditure (Figure 1.16). Recurrent spending accounted for about 66.6 percent of total expenditure outlays during the period, driven by additional allocations to the health sector to offset declining external grants and by election-related recurrent spending. Expenditure deviations from budget targets widened in the first half of FY26 before normalizing in H2-FY26, with spending compressed by 14.3 percent of the estimate during November–May of FY26 (Figure 1.20). Savings from the completion of some public investment projects partly offset spending associated with expanded public sector recruitment since the start of FY26. The government is continuing to strengthen the treasury management function in the Ministry of Finance to better manage the accumulation of supplier arrears.

Figure 1.19: Expenditure Components TZS billions



Public debt, comprising both domestic and external obligations of the central government, stood at 49 percent of GDP at end-June 2026 and remained dominated by external debt. The debt structure is broadly aligned with the authorities' Medium-Term Debt Management Strategy for FY26–FY28, which emphasizes diversification of financing sources, development of the domestic debt market, and stronger fiscal-monetary coordination. Public debt increased by 6.8 percent in nominal terms in FY26, driven by a 10 percent rise in domestic debt following the securitization of pension funds' legacy claims. However, the debt-to-GDP ratio declined by one percentage point, reflecting stronger GDP growth (Figure 1.21). Reliance on non-concessional external borrowing to finance some public investments has increased, accounting for close to one-fifth of total public debt and exposing the debt portfolio to refinancing and interest rate risks. Interest rate indicators on external debt have deteriorated, reflected in a 0.2-day decline in the average time to refixing and a 0.3 percentage point increase in the share of variable-rate debt in FY26. On domestic financing, the concentration of holdings among commercial banks and pension funds highlights limited investor diversification and low participation by long-term institutional investors.



Box 4: Unlocking Private Finance — Public-Private Partnerships and Tanzania's Vision 2050

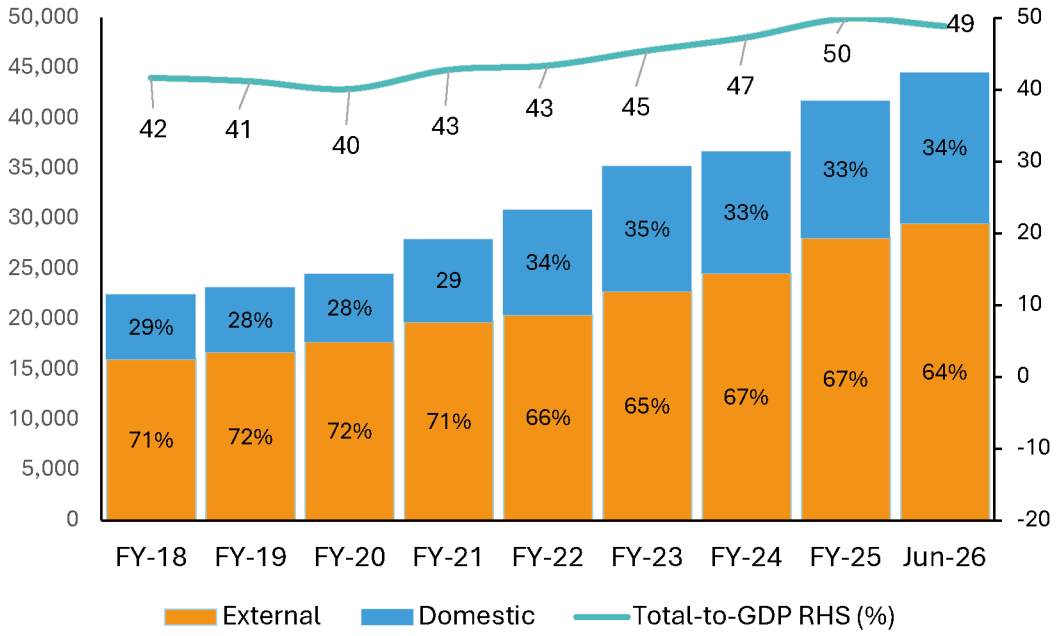
Tanzania's Vision 2050 foresees a much larger role for the private sector, with public-private partnerships (PPPs) expected to be a central delivery mechanism for infrastructure and other large investments. The Vision targets a US$ 1 trillion economy and upper-middle-income status by mid-century. In energy, the Vision aims to scale installed capacity from under 4,000 megawatts (MW) as of late 2024 to 70,000 MW by 2050. In transport, the Vision foresees expanding the Standard Gauge Railway across the Central Corridor to connect the Democratic Republic of Congo (DRC), Burundi, and Rwanda. In water, the Vision emphasizes private participation in utilities such as the Dar es Salaam Water and Sewerage Authority (DAWASA) and major transmission corridors. The PPP Centre is building a multi-sector pipeline aligned with Vision 2050 and the forthcoming Fourth Five-Year Development Plan. Tanzania's PPP landscape presents a striking paradox: a legally mature framework, a credible project pipeline, and sustained investor interest — yet projects consistently fail to reach financial close.

Reform momentum is most visible in energy. The Electricity Act is being revised to enable open access and permit private investment in transmission, while updated model Power Purchase Agreements (PPAs) and Implementation Agreements (IAs) are strengthening key bankability provisions.

Yet, significant constraints hold back PPP deal flow. Incremental improvements to frameworks alone are unlikely to unlock investment at scale unless accompanied by greater alignment in how risks are structured, assessed, and approved across institutions. The core constraint is not a lack of projects or financing, but the system's limited ability to convert prepared pipeline opportunities into bankable transactions. This reflects a combination of institutional, procedural, and risk allocation challenges. In the energy sector, investor confidence is constrained less by the absence of guarantees *per se* and more by uncertainty around payment security, foreign exchange convertibility, and consistency between PPAs and IAs. These issues are compounded by a multi-layered, committee-based approval system with overlapping mandates and no fixed timelines, resulting in repeated validation cycles and reduced transaction predictability.

The path forward calls for targeted reforms that prioritize execution credibility over additional framework design. While the PPP Act maintains competitive tendering as the default, exemptions for specific projects should be narrow and transparent so that most of the pipeline is brought to market through genuine competition. Clarifying the scope and availability of limited risk mitigation instruments whether via legal amendment, implementing guidance, or a multilateral-backed guarantee facility would help address bankability constraints where payment security and foreign exchange risks remain binding. Project structuring discipline also needs to improve, with fiscal and legal authorities engaged earlier, before commercial positions harden, to reduce downstream delays and renegotiation. Over time, more standardized bankability parameters across sectors would streamline preparation and give investors greater confidence in the risk allocation offered. In the energy sector, strengthening TANESCO's financial sustainability and credit profile is essential. Without a credible, solvent offtaker, even well-structured projects will struggle to attract private capital.

Figure 1.21: Public debt developments, US$ billions and %



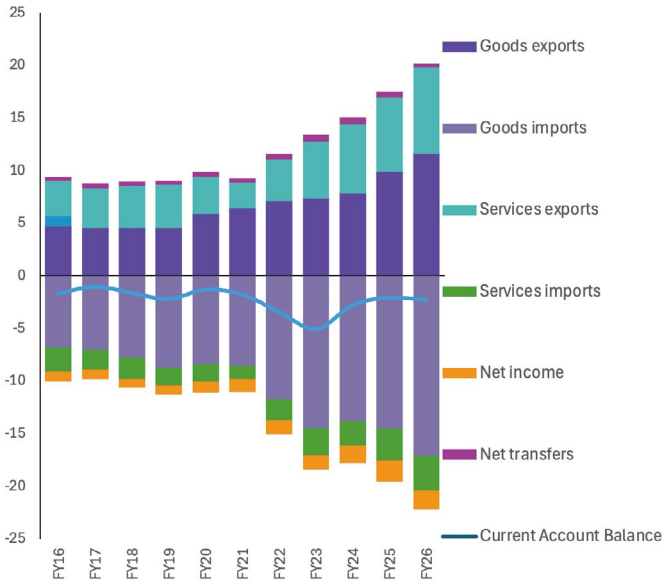
Source: World Bank staff estimates based on BoT

The risk of debt distress remains moderate, with some policy space to absorb shocks, although vulnerabilities persist to export, exchange rate, and contingent-liability shocks. According to the June 2025 joint World Bank–International Monetary Fund (IMF) Debt Sustainability Analysis (DSA), both external and total public debt remain below policy thresholds under baseline assumptions. However, liquidity risks have increased due to rising short-term domestic repayments and bunched external amortizations over the medium term. Tanzania's sovereign credit ratings remain solid: Moody's affirmed a stable outlook in March 2026, while Fitch revised the outlook to positive in August 2026. These assessments reflect comparatively low debt levels, strong growth performance, and improved access to external financing, supported by reforms to strengthen debt management capacity, transparency, and fiscal sustainability.

Balance of Payments Position

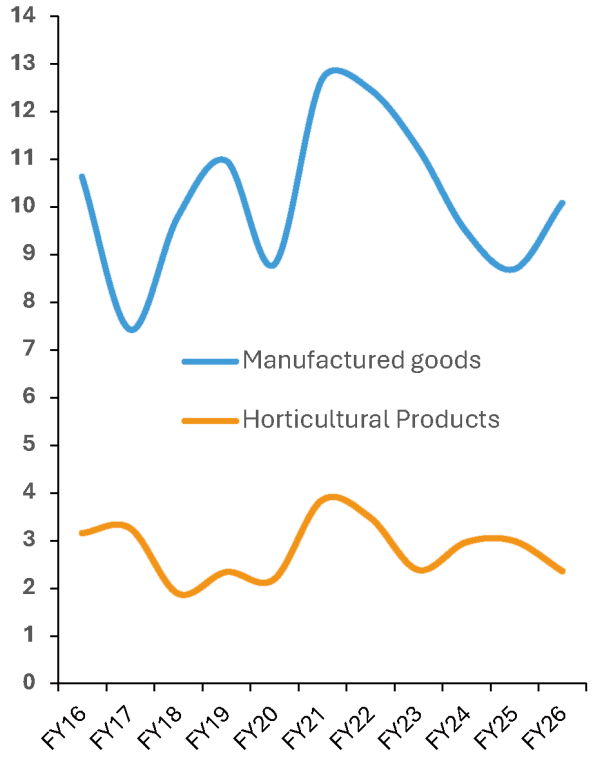
Tanzania's current account deficit widened to US$2.3 billion, or 2.5 percent of GDP, in the year ending June 2026, driven largely by higher energy prices and freight costs (Figure 1.22). The deficit widened from US$2.0 billion, or 2.2 percent of GDP, in 2025. Goods exports are estimated to have increased by 19.2 percent in FY26, supported mainly by higher gold prices and strong growth in manufactured goods particularly iron and steel products, glassware, and textiles in response to demand from neighboring countries. Service exports also increased by 14.4 percent to US$8.1 billion, driven by travel and transport services associated with a 4.5 percent rise in international tourist arrivals during the year. Tanzania's logistics exports remain relatively limited given the country's potential to serve as a regional hub, conditional on the successful operationalization of the Central Corridor (Box 5). However, the higher import bill driven mainly by higher prices for oil products, fertilizers, and shipping costs in H2-FY26 together with lower transfers and higher interest payments to foreign entities, outweighed strong export performance. Imports of goods and services increased by 18.1 percent to US$20.8 billion in FY2026, with capital goods imports rising by 9.5 percent, reflecting strong investment momentum.

Figure 1.22: Tanzania's Current Account and Components, US$ billions



Source: World Bank staff estimates based on BoT

Figure 1.23: Export Shares of Manufactured and Horticultural Goods, %



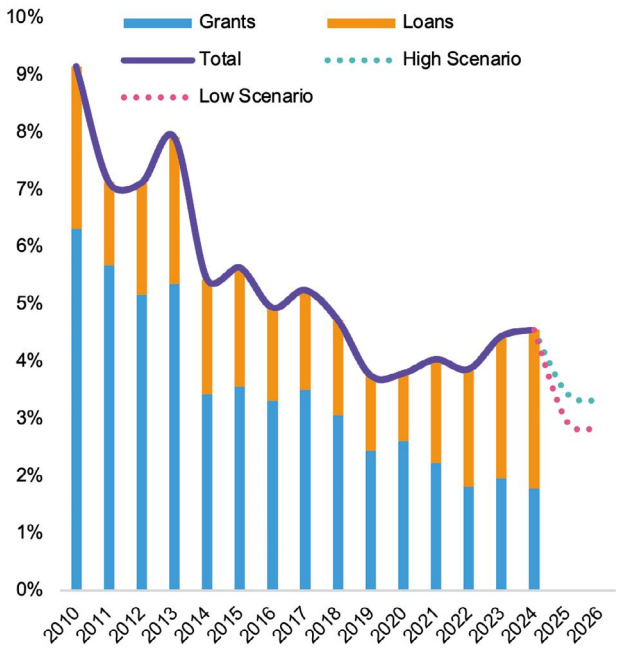
Source: World Bank staff estimates based on BoT

Tanzania's external position remains closely linked to macroeconomic policy choices, financing conditions, and positive terms-of-trade developments. Prudent fiscal and monetary policies, together with favorable gold prices, have helped cushion external pressures, but underlying vulnerabilities remain. Although recent gold price shocks have supported Tanzania's export earnings, the terms of trade have begun to deteriorate as the war in the Middle East raises import costs and creates additional balance of payments (BoP) pressures. Beyond commodity prices, the conflict could also affect tourism and transport exports. These pressures are emerging alongside declining official development assistance and rising debt repayments. ODA has halved as a share of GDP since 2010 (Figure 1.24), with 2025 marking the fastest reduction in a decade; global ODA availability is projected to decline further in 2027, compounding external financing pressures.

In addition, the grant element of ODA has declined: while about 65 percent of ODA was provided as grants in 2010, less than 40 percent is now grant-financed, with the remainder delivered mostly as highly concessional loans, including from multilateral institutions.

Tanzania's performance in labor-intensive exports an area of potential comparative advantage has not kept pace with overall export growth. Labor-intensive non-traditional exports, including manufactured goods and horticultural products, have grown more slowly than nominal exports overall (Figure 1.23). This represents an underutilized opportunity for Tanzania, particularly given the country's jobs quality challenge. These sectors—often initially pioneered by sizable, formal, and foreign firms before national clusters and networks grow—have particularly broad scope to benefit from business environment enhancements (see Special Theme section).

Figure 1.24: ODA Disbursements to Tanzania, % of GDP



Source: World Bank staff estimates based on the Organisation for Economic Co-operation and Development (OECD) Creditor Reporting System (CRS), OECD 2025[4], and MFMOD

[4] Applying the SSA scenario to Tanzania.



Box 5: Unlocking the Central Corridor: Policy Priorities for Tanzania's Emerging Regional Logistics Hub

Tanzania has made major investments in transport infrastructure over the past decade. These include the modernization of the Port of Dar es Salaam, upgrades to key trunk roads, and the development of the Standard Gauge Railway (SGR). These investments significantly expand the country's capacity to serve as a logistics gateway for inland regions and five neighboring countries along the Central Corridor (Figure B3). As these assets come online, the key policy challenge is shifting from infrastructure expansion toward improving the performance of the corridor as an integrated logistics system.

Intermodal connectivity will determine corridor efficiency. While the SGR represents a transformative investment, road transport will continue to play a dominant role in freight movements in the medium term due to its flexibility and established logistics networks. Efficient corridor operations therefore require stronger integration between ports, railways, roads, and inland logistics facilities. Improving last-mile connectivity at the port, expanding inland logistics hubs and dry ports, and strengthening feeder connections to productive regions will be critical to fully capture the benefits of new rail capacity.

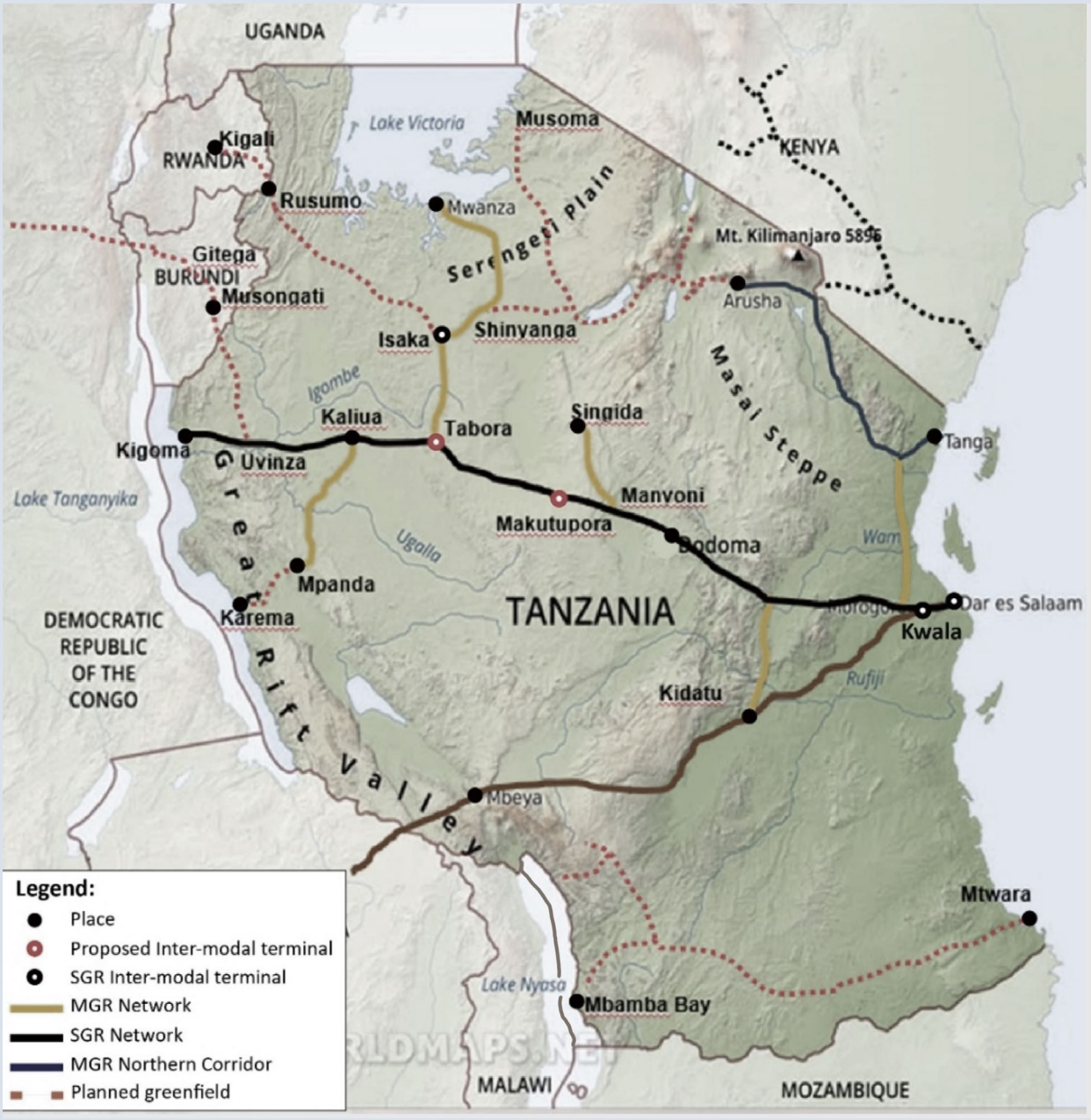
Infrastructure expansion must be paced to ensure fiscal sustainability. Transport infrastructure investments can generate significant economic returns, but large-scale expansions also carry fiscal and financial risks if capacity grows faster than demand. Sequencing investments in port expansion, rail development, and logistics infrastructure based on realistic demand projections and financial sustainability considerations will help safeguard fiscal space while maximizing the productivity of existing assets.

Policy reform is essential to unlock infrastructure value. International experience shows that corridor efficiency depends as much on market structure and regulatory frameworks as on infrastructure. Allowing greater private sector participation in rail freight services, port operations, and inland logistics facilities can help improve service quality and expand logistics options for shippers. Transparent rules for infrastructure access—particularly in the rail sector—can support competition, attract private investment, and improve the utilization of costly infrastructure assets.

Maintaining infrastructure assets is critical to protecting past investments. Tanzania has invested heavily in transport infrastructure, and the long-term economic returns from these investments will depend on effective maintenance and asset management systems. Deferred maintenance can quickly erode infrastructure quality, increase safety risks, and reduce logistics reliability. Strengthening maintenance financing and institutional capacity will therefore be essential to preserve asset value and service performance.

Institutional and financial sustainability will shape long-term outcomes. The operational and financial performance of transport institutions, particularly in the rail and port sectors—will play a central role in determining whether infrastructure investments translate into improved logistics outcomes. Strengthening governance, financial discipline, and operational efficiency will be important to ensure that transport institutions remain capable of managing increasingly complex multimodal systems. Regional logistics networks evolve and competing corridors emerge across Africa. Hence, Tanzania's ability to translate infrastructure investments into efficient, competitive, and financially sustainable logistics services will determine whether the Central Corridor realizes its full potential as a regional gateway.

Figure B2: Tanzania's Central Corridor Runs from Dar es Salaam Inland toward the African Great Lakes



Source: Tanzania Railway Corporation, 2024

Zanzibar Macroeconomic Assessment

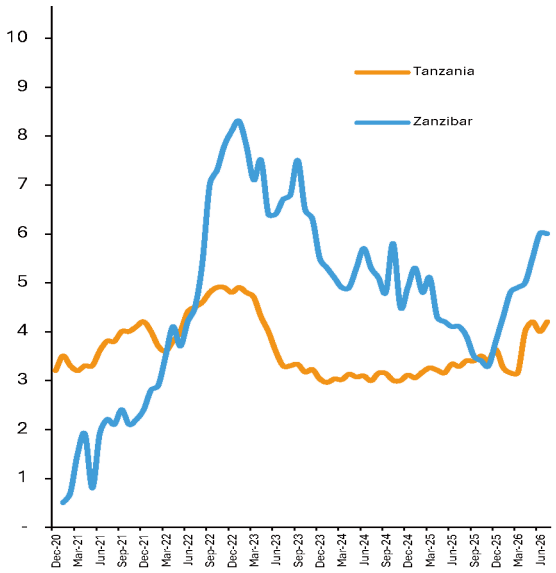
Zanzibar's strong economic growth is driven by tourism and public investment. Growth in 2025 was 7.5%, with half of that growth coming from accommodation and food services. Industry, especially manufacturing, is estimated to have stagnated. This increases the concentration of Zanzibar's economy in tourism, a sector that is highly dependent on disposable income in origin countries. With higher public expenditure and resulting higher wages (which registered a 50% increase in nominal terms over four years, or 23% in real terms), high aggregate demand is pulling up inflation in Zanzibar, which is now higher than on the Mainland despite the common currency (Figure 1.25).

Zanzibar continues to experience rapid structural transformation with labor moving away from agriculture to services but underemployment and informality prevail. By 2024, only 29% of Zanzibaris were employed in agriculture, down from 34% in 2020, while employment in hospitality and sales has gone up. However, unemployment is also rising, particularly among women and prime-age workers, and many young Zanzibaris increasingly opt out of the labor force. Unusually for economies undergoing structural transformation, jobs are deformalizing with informality rising from 80% to 85% between 2020 and 2024.

Government spending is increasing, driven by infrastructure expenditure. In FY25, public expenditures reached 42% of GDP, up from 37% of GDP in FY24. More than half of this expenditure was development spending, which includes funding for Zanzibar's debt repayment fund in Zanzibar's local accounting framework. Domestic revenues only covered 60% of FY25 expenditure and grants a further 6% with the remainder predominantly covered by debt. In FY26, public expenditure accelerated even further (Figure 1.26) driven by the government's ambitious agenda to upgrade port, airport, road, and social sector infrastructure.

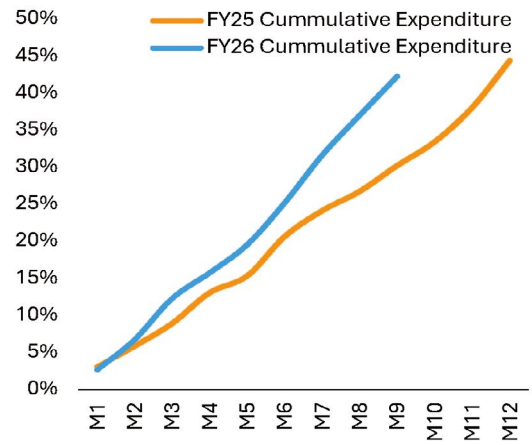
Zanzibar's government investment agenda is reflected in high expenditure ceilings. The authorities increased the expenditure ceiling from TZS 5.2 trillion (76% of GDP) in FY25 to TZS 7.0 trillion (92% of GDP) in FY26. Budget guidelines for FY27 indicate a further expansion of expenditure to TZS 8.2 trillion. The shares earmarked for development projects continuously exceed 60% of the budgeted amount. Taxes and development partner resources are planned to cover less than two-fifths of expenditure in FY27, and the balance is earmarked for predominantly commercial financing sources.

Figure 1.25: Consumer Price Inflation in Zanzibar and Mainland Tanzania, %



Source: World Bank staff estimates based on BoT

Figure 1.26: Zanzibar Cumulative Monthly Government Expenditure, % of GDP



Source: World Bank staff estimates based on BoT and MFMOD



Macroeconomic Outlook and Risks

Tanzania's growth is projected to strengthen to 6.1% in 2026 and 6.5% over the medium term. While 2025 growth was partly supported by election-related government consumption, a transitory demand impulse that is expected to unwind, the 2026 outlook rests on a distinct set of drivers. On the demand side, the recovery in private investment, underpinned by continued infrastructure rollout and a gradual improvement in the business climate, is expected to play a larger role, supported by renewed reform momentum from the government's Second Blueprint for Investment Climate Reform (MKUMBI II). Real export growth is expected to rebound strongly to 6.8% in 2026, driven primarily by high global demand for the commodities that Tanzania produces. On the supply side, services growth is expected to continue despite external headwinds (see below), underpinned by Tanzania's expanding role in regional connectivity. Industry is projected to sustain strong growth of 7.8%, with the private investment pipeline in extractives and manufacturing providing a boost. This growth momentum is also critical for the jobs quality challenge (see Special Theme). Disruption from the war in the Middle East is assumed to be relatively short-lived under the baseline scenario— which incorporates some pass-through of higher fuel and fertilizer costs reflected in 4.1 percent inflation expected in 2026. The large liquefied natural gas (LNG) export project is excluded from the baseline, since it has not yet reached a final investment decision.

The fiscal deficit will narrow to 3.1% of GDP, consistent with progress toward regional benchmarks. Robust revenue collection and a gradual easing of capital expenditure intensity underpin the fiscal consolidation path. The election cycle exerted significant pressure on the fiscal position in the second half of 2025. The 2026 projection assumes a normalization of this recurrent spending as the transitory electoral impulse fades. This spending trajectory is corroborated by expenditure outturn since December 2025. FY27 spending plans indicate a 10% increase in nominal expenditure to support growth, human capital, and infrastructure, with about 35% of expenditure allocated to development spending. Priorities include infrastructure, irrigation in agriculture, and job creation through industrialization. The fiscal framework assumes raising the tax-to-GDP ratio from 13% to 16% over the medium term via stronger digital revenue systems, improved tax efficiency, and expansion of the blue economy. While revenue projections are in line with recent tax buoyancy trends, the achievement of medium-term targets nonetheless depends on sustained reform implementation, drawing on the direction set by the Presidential Tax Reform Commission. The current account is projected to improve in the baseline scenario as Tanzania's terms of trade recover.

Tanzania is exposed to the war in the Middle East through multiple channels, and the cumulative impact warrants careful monitoring. While few tourists originate from Gulf countries, the Middle East transit hubs often serve as the most convenient and cost-effective connecting routes for tourists travelling to Tanzania from Europe, Asia, and elsewhere. Prolonged disruption to these hubs could weigh meaningfully on tourism receipts, which account for around 24% of Tanzania's exports. Beyond tourism, Gulf ports are both a key source of imported commodities and critical transshipment nodes for goods destined for Tanzania. Disruptions to logistics chains add to cost pressures across the economy, particularly transport service exports which account for 15% of exports. If these shocks prove more persistent than the baseline assumes and remain unmitigated, the CAD could widen materially, potentially approaching levels last seen in 2022. Tanzania's gold exports provide a partial natural hedge against this scenario as prices remain substantially elevated.

The balance of risks is tilted to the downside, with domestic reform capacity, fiscal discipline, and external shocks as the key concerns. A loss of reform momentum — whether from political pressures or implementation constraints — would weigh on private sector confidence and may undermine the macroeconomic trajectory. On the fiscal side, election-related spending pressures and payroll



expansion, albeit transitory, have demonstrated that the risk of arrears accumulation and weak cash management is real and needs to be mitigated. Externally, the war in the Middle East could prove more disruptive than assumed under the baseline scenario, particularly for fuel costs, tourism receipts, and financial conditions. Tanzania's structural vulnerability to climate shocks remains an additional downside risk, especially for agricultural output and the welfare of the most exposed households.

Navigating these risks calls for continued improvements in macroeconomic management while protecting expenditures with long-term impact on development. The BoT's proven willingness to allow the exchange rate to adjust has served Tanzania well and should continue to anchor the policy response to external pressures. On the fiscal side, revenue efficiency and cash management are important priorities. Over the medium term, however, the most consequential policy choice is the sustained prioritization of human capital spending — the area where public expenditure can be leveraged to achieve durable and inclusive growth.

Table 1.1: Recent History and Macroeconomic Baseline Projections

Variable	2023	2024	2025	2026	2027	2028
Annual % change unless indicated otherwise						
Real GDP Growth, at constant market prices	5.1	5.5	5.9	6.1	6.4	6.5
Private Consumption	2.2	3.1	3.4	5.2	6.4	6.5
Government Consumption	10.7	9.5	15.2	7.8	7.1	7.0
Gross Fixed Capital Formation	5.7	5.3	9.0	5.1	6.5	6.1
Exports, Goods and Services	13.2	16.4	-5.0	6.8	6.4	6.5
Imports, Goods and Services	7.5	9.2	2.5	3.4	7.5	6.4
Real GDP Growth, at constant factor prices	5.1	5.6	5.9	6.1	6.4	6.5
Agriculture	3.6	3.9	3.6	2.9	3.9	3.5
Industry	4.8	5.4	7.8	7.8	7.9	8.0
Services	6.2	6.8	5.8	6.9	6.8	7.1
Inflation (Consumer Price Index)	3.8	3.1	3.4	4.1	3.9	4.0
Net Foreign Direct Investment, Inflow (% of GDP)	2.1	2.2	1.9	2.1	2.3	2.4
Fiscal Balance (% of GDP)	-3.7	-2.7	-3.4	-3.1	-2.8	-2.6
Revenues (% of GDP)	14.9	16.1	16.8	17.1	17.3	17.4
Debt (% of GDP)	45.0	49.9	48.5	47.4	46.2	44.8
Primary Balance (% of GDP)	-1.6	-0.2	-1.0	-0.4	-0.3	-0.2
GHG emissions growth (mtCO2e)	1.1	1.5	-0.1	2.0	2.1	2.1
Energy related GHG emissions (% of total)	18.7	19.0	17.6	18.0	18.6	19.1
GDP nominal in US$ (billions)	78.1	79.2	90.1	96.4	103.3	113.0

Source: World Bank MFMOD


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Special Theme: Making Jobs Work

Tanzania Needs More Quality Private Sector Jobs

This Special Theme investigates some perspectives on how to increase the availability of high-quality private sector jobs in Tanzania[5]. Tanzania does not face a jobs shortage—it faces a jobs quality challenge (Box 6). Tanzania's employment-to-population ratio of 68.7% is among the highest in the world. This means that more than two in three working-age Tanzanians were employed in 2024, compared to 65.8% in 2020. Tanzania's employment-to-population ratio is higher than in all but five countries with populations above 1.5 million for which data is available. In total, Tanzania's labor force consists of 27.3 million people – 12.8 million women and 14.5 million men.

Workers remain concentrated in low-return, low-productivity agriculture. Earnings remain low and the median hourly pay, including profits and in-kind income, is just TZS 1,005 (approximately US$0.40).[6] Most workers are own-account workers (75%) or contributing family workers (17%), with employees accounting for just 8 percent of the workforce. While agriculture's share of employment declined by 6 percentage points from 2020, it remains the dominant sector, employing 54% of workers.

The service sector accounts for about one-third of employment, while roughly one in ten workers is employed in industry. Although occupations like professionals, legislators, administrators, managers, and plant and machine operators and assemblers are growing rapidly, they comprise only 6% of the workforce while 83% work as skilled agricultural and fishery workers, service workers and shop sales workers, or in elementary occupations. Among the 4 million employees[7] of Tanzania's formal sector, 61% work for profit-making institutions, 27% for government, and 9% for non-profits and cooperatives. Parastatal organizations only employ 2.6% of the formal sector workforce, about 106,000 workers.

The jobs quality challenge is becoming more urgent. Tanzania's population is growing rapidly: each year, approximately 2 million Tanzanians reach working age while only around 400,000 leave it — about half through retirement and half through premature mortality (World Bank 2026[8]). Yet formal employment grows too slowly to keep pace: informality has deepened from approximately 93% in 2020 to around 95% in 2024, as the working-age population has expanded faster than the formal job base.

[5] This Special Theme section falls within a broader World Bank analytical pipeline on jobs in Tanzania, including a forthcoming Country Growth and Jobs Report that may reflect issues omitted or only tangentially discussed in this Special Theme section, such as sectoral lenses or the role of cognitive skills.

[6] World Bank staff calculations based on NBS Tanzania Integrated Labour Force Survey (ILFS) 2024.

[7] According to the 2023/24 Formal Sector Employment and Earnings Survey.

[8] The calculations by the TEU team were based on United Nations Department of Economic and Social Affairs (UNDESA 2024) Population Division World Population Prospects median projections.



Box 6: What Makes a Job High-Quality?

The World Bank's better jobs agenda and the government's jobs ambitions are complementary. The World Bank Group's new corporate scorecard indicator on jobs aims to track the creation of "more and better jobs", which is operationalized by linking it to improvements in earnings (labor income). The World Bank Group's flagship publication on jobs adopted a broad-based definition for "jobs": "activities that generate income, monetary or in kind, without violating human rights" (World Bank 2013). Tanzania's national jobs target puts more emphasis on formality and is primarily derived from the Development Vision 2050: Goal 2 —High Quality of Life and Well-Being for All—calls for at least 50% of Tanzanians to hold decent jobs in the formal sector. Tanzania also subscribes to Sustainable Development Goal 8 and the International Labour Organisation's Decent Work Agenda which calls for jobs to be productive; to provide fair income; to ensure security in the workplace; to offer social protection; to offer prospects for personal development; to guarantee basic freedoms; and to guarantee gender equality.

Targets set by the Tanzania government and the WBG define a direction, not an end-goal. There is no agreed definition or threshold on that makes a job high-quality. Rather, all targets call for continuous enhancements of attributes that tend to go hand-in-hand: formal jobs also tend to pay better and vice versa (World Bank, 2026).

The scarcity of high-quality jobs is likely an element of Tanzania's challenge to translate impressive economic growth into wider developmental advances. While Tanzania's economy has grown by an annual average of 5.7 percent over the last two decades, some advances typically associated with such rapid growth have not been observed. Recent growth has primarily been driven by resource accumulation rather than productivity advances (World Bank, 2023). Poverty has only been declining marginally (see Real Economy section). The economy, and jobs specifically, have been informalizing. The scarcity of high-quality jobs is an important link between these apparently disparate phenomena. While precise definitions of what constitutes a high-quality job differ, what can unambiguously be called a quality job is currently extremely scarce (Box 7).

Labor supply, labor demand, and matching failures can partially explain the low share of high-quality jobs in Tanzania. On the labor supply side, job readiness – skills, credentials, and access to risk management tools that support upward mobility – creates pathways to access better jobs**.** Currently, only about 15% of Tanzanian workers have high readiness and opportunity, as laid out in the following subsection, whereas the vast majority of workers lack preparation for and access to quality formal jobs. Moving more workers into quality jobs will require a gradual, structural shift in the characteristics that currently define Tanzania's workforce. The transition of workers will require investments in human capital[9], platforms to manage risk and vulnerability, and systems to match workers to quality jobs, underpinned by labor market systems, institutions, and regulations combined with a robust social protection system.

In parallel, the creation of more high-quality jobs requires more productive firms. Currently only a small share of firms in Tanzania have the capacity to create high-quality jobs, mainly because most firms are small survivalist enterprises. The 2023/24 Statistical Business Register (SBR), enumerated 219,371 establishments in Tanzania, predominantly from registered (formal) firms (78.1%).[10] The size distribution is heavily concentrated among micro firms (0–4 employees), with only 12.2% of firms employing five or more workers.[11] Global evidence shows that micro and small enterprises are important for employment and gross job

[9] Investments in education-related human capital, including cognitive skills, have been discussed in the previous TEU (World Bank, 2026).

[10] The SBR is the first harmonized Census of establishment conducted by the National Bureau of Statistics (NBS), Tanzania Mainland and Office of the Chief Government Statistician (OCGS) Zanzibar. The enumeration methodology strongly favors the inclusion of formal firms over informal firms.

[11] A more disaggregated view shows that 5.6 percent of firms employ 10–19 workers, 2.9% employ 20–49, and 1.2% employ 50 or more.

creation, but they tend to have low average productivity, high churn, and make a limited contribution to aggregate productivity growth through within-firm productivity gains (Li and Rama, 2015). The main channels through which the private sector can generate more vacancies for quality jobs are twofold and will be discussed in further detail in the third subsection.

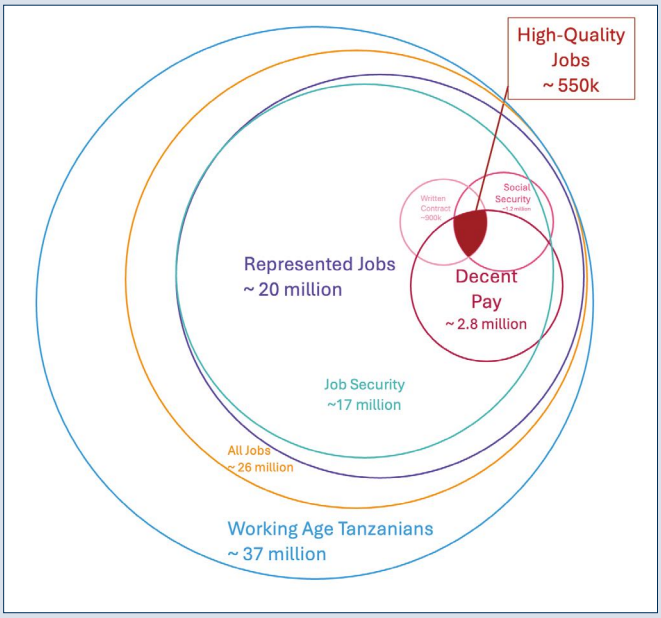
First, increasing the number of formal private sector firms with five or more employees in the non-agriculture private sector and, second, boosting the productivity of existing firms so they can expand employment and offer better-paying jobs. Ultimately, firms need to remain profitable while paying higher wages to a larger workforce, meaning that labor productivity is a pre-requisite for the creation of high-quality jobs.

Box 7: High-quality Jobs are Extremely Rare in Tanzania

Well-paying, secure jobs with benefits are among the most sought-after by workers. Some job seekers may prefer the flexibility of self-employment, entrepreneurship, or are willing to trade-off job security for better pay. Although the quantification of job quality is complicated by subjective factors, job quality is generally associated with remuneration, working conditions and benefits. For the purposes of this box, high-quality jobs are defined as those meeting the following four criteria:

- **Decent pay**[12], that is an hourly wage above TZS 3,830 (approximately US$ 1.50), equivalent to about TZS 750,000 (US$ 294) per month at Tanzania's statutory 45-hour workweek. This level of pay is sufficient to lift an average-sized household above the Lower-Middle Income Country (LMIC) poverty line of US$4.20 purchasing power parity per person per day, even with a single earner. It exceeds both 1.5 times the median wage (TZS 1,507 per hour, a benchmark for high pay) and all statutory minimum wages in effect in 2024.
- **Written contract,** formal employment contracts that provide workers with minimum legal protection.
- **Social security,** participation in contributory schemes,[13] offering workers protection against old-age and disability-related poverty.
- **Job security,** certainty that workers will hold their job in the next month.[14]

Figure B3: High-Quality Jobs Are Extremely Rare. Estimated number of jobs by type



Source: World Bank staff estimates based on NBS ILFS 2024

[12] Wages that meaningfully exceed subsistence thresholds and allow workers to accumulate savings, invest in their families, and participate in the broader consumer economy.

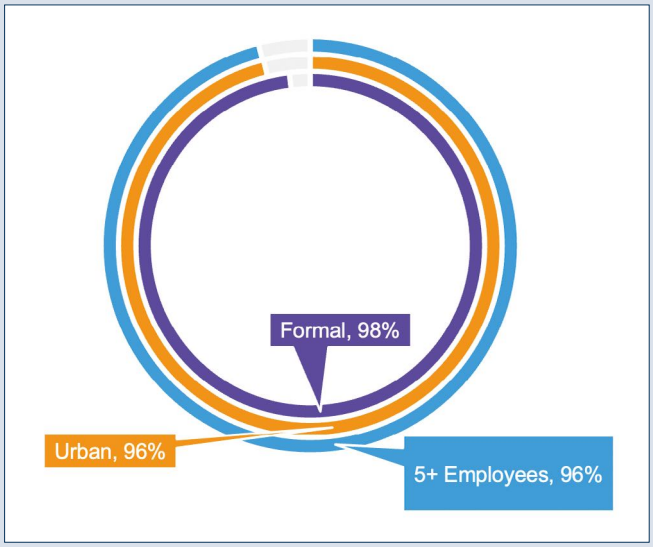
[13] Such as the PSSSF, NSSF, or the ZSSF.

[14] This is based on an ILFS item asking respondents "How would you rate your chance to hold this job next month?", rating the top two items on the four-point Likert scale ("Absolute certainty" and "High certainty") as job security. Related survey items (typically with longer time horizons) have been included in several worker and household surveys since the 1990s, including those informing European Central Bank and United States Federal Reserve policy. Their predictive power has been validated in several research studies (Stephens 2004; Penrose and La Cava 2021). In this context, the question is primarily used to disqualify precarious gig workers from undisputedly high-quality jobs. Including job-insecure workers in undisputedly high-quality jobs would raise their estimated prevalence by 1.6 percent to 561,602.

Such high-quality jobs are extremely rare in Tanzania, especially in the private sector. Out of Tanzania's 26 million total jobs, we find evidence of only about 550,000 high-quality jobs – predominantly because most jobs are either in the informal sector or informal jobs within the formal sector – meaning they do not provide a written contract, social security coverage, decent pay, or a combination thereof (see Figure B3). Only about 120,000 of these jobs are in the private sector. While the creation of quality jobs in the public sector is important for service delivery, it is not sustainable for the public sector to be the main driver of high-quality job expansion.

Formal, urban, larger, and non-agricultural enterprises tend to provide most high-quality jobs in Tanzania (Figure B4). While most Tanzanians work for informal, rural or peri-urban settings, in agriculture and micro-enterprises, this is not where the highest-quality jobs in the private sector are found. About 98 percent of the highest-quality private sector jobs are found in formal enterprises[15], compared to just 15% of regular jobs[16]. Some 96% of these jobs are in urban areas, with nearly half in Dar es Salaam alone. Some 96% of undisputedly high-quality jobs are also in enterprises with at least five employees, compared to less than a third of regular jobs. While 57% of all represented jobs are in agriculture, little evidence of the highest-quality jobs was found in agriculture (though they are more common in agriculture-adjacent industries like agro-processing). The most common industries for the highest-quality private sector jobs are service sectors like education (14% of highest-quality jobs), healthcare (11%) and finance (11%).

Figure B4: High-Quality Private Sector Jobs Are Formal, Urban, and in Larger Firms.
Share of high-quality jobs by enterprise type, %



Source: World Bank staff estimates based on NBS ILFS 2024

These high-quality jobs require fundamentally different skill sets from those held by most Tanzanians today. This includes advanced levels of technical and computer skills (see Figure B5).

Young and female Tanzanians find it particularly hard to access these jobs (Figure B6). Women constitute 51% of the working-age population, and 46% of all represented workers. Yet, they represent only 32% of those holding undisputedly high-quality jobs. Similarly, youth – those aged between 15 and 35 of both sexes – constitute about 63% of the working age population, 46% of all workers, but only 34% of those holding the highest-quality jobs.

[15] Defined here as enterprises of any size with regulatory registration.
[16] All those jobs represented in the survey are not undisputedly high-quality jobs.

The creation of more high-quality jobs matters for all Tanzanians — not just for the individuals who hold them, but for society. In the longer term, productive, formal and stable jobs are a key driver of economic development. High-quality jobs are a major contributor to public finances — 96% of holders pay income taxes, compared to just 7% of regular job holders — funding essential services like schools, hospitals, and infrastructure. Conversely, informal jobs like those dominant in Tanzania have been found to be associated with lower productivity and slower poverty reduction, including through worse fiscal performance, limited social safety nets, and large earning differentials between formal and informal workers (Ohnsorge and Yu, 2022).

Figure B5: High-Quality Jobs Are Skill Intensive. Share of workers reporting to have advanced skills by skill type and job type, %.

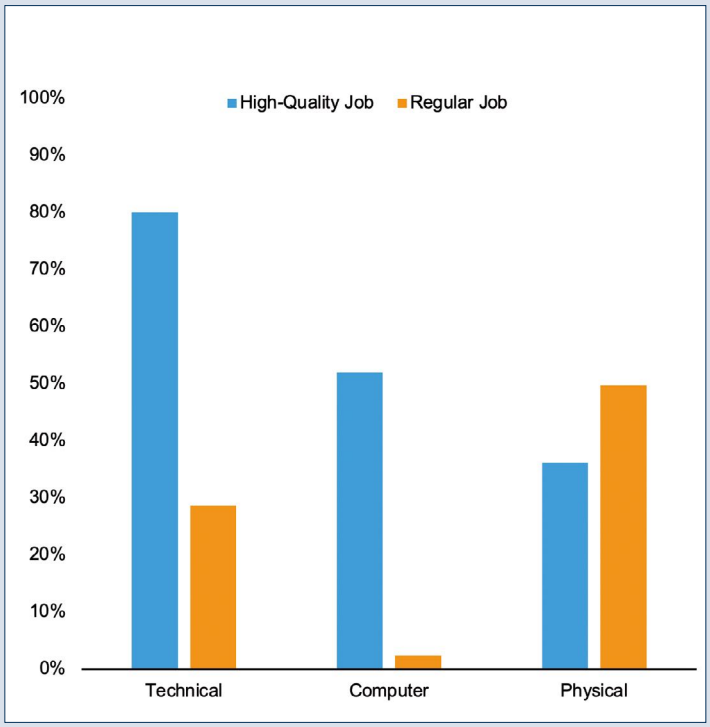
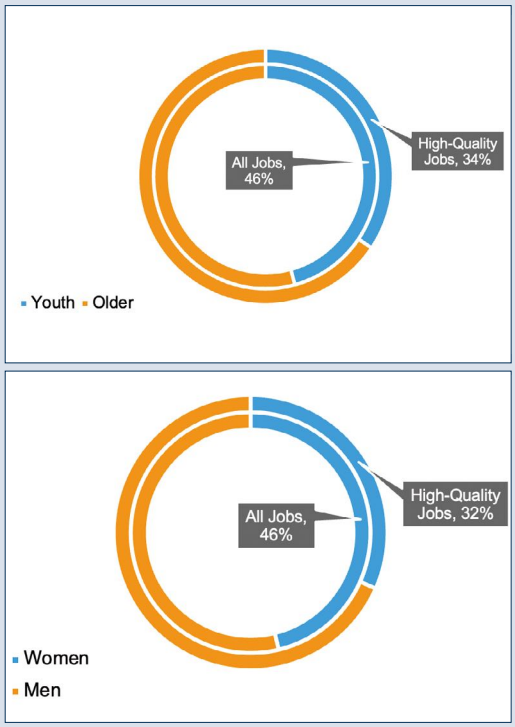


Figure B6: High-Quality Jobs Tend to Be Held by Male and Older Workers. Regular and high-quality jobs by gender and age, %.



Source: World Bank staff estimates based on NBS ILFS 2024



What Constrains the Quality of the Labor Force?

Tanzania's demographic opportunity to materialize would require workers to build skills, manage risks, and access pathways to better jobs. Currently, human capital levels are low, and the systems that support learning, risk protection, and job matching are uneven. Many Tanzanians enter the labor market young and underprepared, with limited education and weak links to higher-productivity work, making it harder to adapt as labor markets change. Gender and social norms compound the problem. Women and youth, particularly in rural areas, are disproportionately concentrated in unpaid, subsistence, or low-productivity work (NBS 2024). Care responsibilities, early marriage, and social expectations limit their mobility and time for skills development, reinforcing occupational segmentation and widening productivity gaps.

Information asymmetries and failures further contribute to poor matching between workers and jobs in Tanzania. In an economy where most employment is informal and recruitment typically occurs outside formal or transparent channels, limited access to reliable information on vacancies, wages, and required skills leads to widespread mismatches: capable workers remain trapped in low-productivity activities, while employers report difficulty finding suitable workers. These failures are particularly acute outside major urban centers, where formal job opportunities are scarce and labor market institutions have limited reach. Rural youth often lack reliable information on the skills demanded in urban and regional labor markets, while many employers – particularly small and informal firms – continue to rely on personal networks to signal vacancies and screen applicants. Limited use of formal jobmatching platforms raises search costs and constrains geographic and occupational mobility for workers without established social connections.

Translating growth into quality jobs requires measures beyond job creation, such as tailored labor and social protection programs and systems to support workers' transition to quality jobs. The supply-side constraints discussed in this section partially explain why strong economic growth has not translated into sustained improvements in job quality or mobility. They also highlight why expanding jobs alone is unlikely to be sufficient. Moving workers into better employment, and especially into quality jobs, requires an integrated system that enables skills accumulation, protects households from risks, and facilitates connections between workers and job opportunities. Labor and social protection programs, systems, and institutions, when properly tailored to different groups of the labor force, can support their mobility toward quality jobs.

The remainder of the section identifies constraints faced by different segments of the labor force and provides targeted solutions to address them. The analysis draws on the Opportunity–Readiness framework (Carranza et al. 2026), which organizes Tanzania's labor force along two dimensions: (a) their level of job readiness — the skills, credentials, and economic stability that determine their capacity to take up and sustain formal employment; and (b) the availability of market opportunity where they live and work (Figure 2.1). Four quadrants emerge from this mapping, each characterized by distinct binding constraints and requiring distinct policy responses. Quality jobs are in the highest-readiness, highest-opportunity quadrant.



Figure 2.1: Tanzania's Opportunity and Readiness Framework

LABOR MARKET OPPORTUNITY	JOB READINESS: LOW READINESS	JOB READINESS: HIGH READINESS
HIGH OPPORTUNITY	**Bridge the Gaps (Q3)** ✓ *Target Segment: Formal job seekers; skilled urban youth; secondary school graduates; recent TVET/university graduates* ✓ *Priority: Employer-driven training (short-term included); TVET; RPL; wage subsidies; job matching; apprenticeships*	**★ GOAL: QUALITY JOBS** **Connect to Jobs (Q4)** ✓ *Target Segment: Skilled graduates with networks; formal workers near threshold* ✓ *Priority: Job-matching platforms; skills certification; advanced/digital skills upgrading; career services; in-work mobility support*
LOW OPPORTUNITY	**★ MOST TANZANIANS TODAY** **Expand Productive Employment (Q1)** ✓ *Target Segment: Rural informal workers; NEET youth; agricultural smallholders; subsistence self-employed* ✓ *Priority: Graduation programs; cash and productive assets; foundational skills; second-chance education; social protection reform*	**Unlock Talent (Q2)** ✓ *Target Segment: Skilled workers in thin markets; urban self-employed; informal artisans with credentials gaps; workers with outdated skills* ✓ *Priority: Enterprise support; transportation subsidies for rural-urban mobility; reskilling/ upskilling; RPL certification; migration facilitation; market linkage; seed capital*

Source: World Bank staff adaptation based on Carranza et al. 2026

Tanzania's Workforce Today Is Often in Low-Opportunity, Low-Readiness

Most Tanzanians in the labor force — over half — face the dual constraints of low readiness and limited market opportunities (Quadrant 1, Q1). This group includes rural informal wage workers, agricultural smallholders, subsistence self-employed workers and micro-entrepreneurs, and a large share of young people who are not in employment, education, or training (NEET). For these groups, the path to formal wage employment is long, and the more immediate priority is to raise productivity and earnings within their current activities to help them move out of poverty and into better jobs. That requires a combination of skills development (including secondary school completion), access to productive assets and finance, and improved connections to markets. In addition, these people often lack access to social protection measures that would reduce households' vulnerability to income shocks, thereby trapping them in low-productivity equilibria.

The depth of this readiness gap is reflected in Tanzania's human capital stock. Once learning quality is accounted for, the average adult aged 25 and above has approximately 4.5 years of learning-adjusted schooling, which is below that of SSA and LMIC peers. Near-universal primary enrollment has not translated into retention or learning outcomes at higher levels, with only around 40% of secondary school-aged children enrolled. As a result, a large share of the Q1 labor force entered the labor market without foundational skills, increasing the need for targeted training to support their transition to higher-productivity employment. Vulnerability compounds this deficit through a further causal mechanism related to income shocks: without adequate social protection, income shocks — from health emergencies, family crises, or climate events — can force households to reduce food consumption, withdraw children from school, or liquidate productive assets. Each of these responses degrades the human capital that would otherwise support an eventual transition



to better employment, creating a trap that skills and training programs alone cannot break.

Women are disproportionately represented in Q1, due to structural and cultural constraints. In Tanzania, a larger share of women than men work in agriculture (70% compared to 64%, FAO 2023), and women are more than twice as likely as men to work as unpaid family helpers, who account for 35% of those employed in the agriculture sector (Idris 2018). A similar pattern emerges for women-led microenterprises, which are 46% less productive than those run by men due to occupational segmentation (that is, sectors in which women-led enterprises operate), lower capital access, and lower asset returns, rather than their skills (World Bank 2022). These disadvantages are reinforced by severe time constraints and limited mobility. Women spend about 14% of their time on unpaid care work, compared to about 4% for men, resulting in time poverty that reduces productivity and limits women's participation in training and job searches (United Nations Development Programme (UNDP), 2017). Care responsibilities and prevailing social expectations reduce the time available for skills acquisition and constrain geographic mobility. This limits women's ability to respond to training opportunities or job openings, even when these exist. These factors reinforce occupational segmentation and widen the distance between female workers and the formal labor market.

A further 15% of the labor force has demonstrated capability but lacks the credentials, information, or market connections to translate it into better employment (Quadrant 2, Q2). Tanzania has a large number of workers in this position: urban self-employed workers, skilled informal artisans, construction workers, small-scale food processors, and microentrepreneurs who meet a de facto productivity threshold but lack recognized certification. This group has accumulated practical competencies through experience and informal apprenticeship. Their binding constraint is not readiness per se but the absence of mechanisms to signal and legitimize that readiness to employers and higher-value markets. Addressing Q2 requires more than certification: it calls for continuous skills upgrading, digital adaptability, and alignment between training systems and evolving industry needs — with RPL complemented by upskilling pathways and labor market information systems that signal shifting demand. For this population, the pathway to better employment runs through credential recognition, stronger market linkages, and access to enterprise finance to improve productivity and advance formality.

About 18% of the labor force operates in high-opportunity environments but lacks the readiness to access the formal jobs those environments offer (Quadrant 3, Q3). This group includes unemployed and underemployed urban job seekers, recent Technical and Vocational Education and Training (TVET) and university graduates, and young people actively seeking formal employment. Unlike workers in Q1 and Q2, these workers are not far from the formal labor market, nor indeed from the informal labor market, since today's labor force is engaged primarily in informal jobs, in geographic or sectoral terms — the demand exists. But entry is blocked by mismatches between qualifications and employer needs, weak job-matching and intermediation, and limited signaling mechanisms. Around 83% of advertised positions in Tanzania require skills that the current pool of applicants often lacks (Tanzania Institute of Corporate Governance and Leadership (TICGL) 2025). Information failures amplify this mismatch in an economy where recruitment predominantly occurs through personal networks rather than formal channels. Workers without established connections face high search costs and limited visibility into where vacancies exist, what skills they require, and what they pay. These failures are particularly acute outside Dar es Salaam, where formal labor market institutions have limited reach (as discussed earlier in the section), and rural youth often lack reliable information about the skills demanded in urban and regional markets.

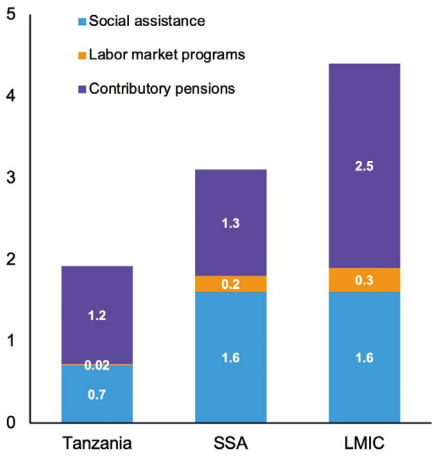
The 15% of the labor force in Quadrant 4 — those with both high readiness and high opportunity — includes approximately 4 million formally employed workers in Tanzania. Q4 includes skilled graduates with professional networks, formal private-sector workers with higher quality jobs or their close approximation, established employees in medium- and large-sized firms, and even informal wage workers (in both formal and informal firms). The gap reflects two compounding forces. First, there are insufficient

higher-quality jobs to absorb even those workers who are ready for them: the majority of formal vacancies are in firms that pay inadequate wages or do not offer contracts and social security coverage simultaneously. Second, labor market frictions, weak job-matching infrastructure, limited portability of pension rights, and informational asymmetries between employers and job seekers all constrain mobility. This means that well-qualified workers cannot access the specific vacancies for which they are best suited. Even within Q4, downward mobility is a real risk: job loss, firm closure, or skill obsolescence can push workers employed formally back toward lower-quality employment. The limited portability of social security entitlements and the thin safety net for formal workers who lose their jobs are issues.

Tanzania's Workforce Support is Growing but Incomplete

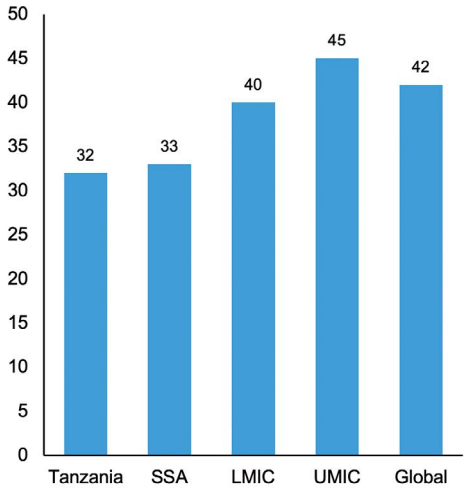
Labor market programs, and social protection more broadly, are critical for enabling workers to access better employment and navigate labor-market transitions — whether by putting them on a path to formality, facilitating job mobility, or helping them adapt to shocks. Primary and direct solutions come from active labor market programs — including skills training and job placement services — alongside social protection measures that provide the income stability that workers need to meaningfully engage with these interventions, as many workers would otherwise be unable to stop working to upskill or reskill. Furthermore, contributory systems such as social insurance and unemployment insurance provide support during job loss and encourage workers to pursue more productive opportunities rather than remaining in lowquality jobs out of necessity. Non-contributory programs such as cash transfers extend this protection to poor, low-income, and informal workers excluded from contributory schemes, cushioning household income during periods of shocks. Finally, social protection systems (including community-led targeting and initiatives) can complement labor market information systems by generating data on employment status, earnings, and household vulnerability, thereby improving targeting, program design, and the overall responsiveness of labor market policy.

Figure 2.2: Social Protection and Labor Spending, % of GDP



Source: World Bank's ASPIRE data

Figure 2.3: Tanzania's Social Assistance Coverage, % of total population



Source: Adapted from World Bank (2025b) and authors' calculations based on World Bank's ASPIRE data.



The flagship social assistance program, the Productive Social Safety Net (PSSN), is the primary instrument for supporting Q1 workers, but its third phase will cover only a fraction of those eligible. PSSN III introduces a time-bound Productive Cash Transfer model for 575,000 extreme-poor households. It combines economic inclusion packages — savings promotion, financial literacy, and linkages to extension services — with enhanced coaching, productive grants, and public works. The program's design has improved considerably since its first phase, and its delivery infrastructure represents a platform that could, if scaled, support broader labor market programming through established links to labor market information systems. This infrastructure includes a national household registry, a digital management information system, and electronic payments targeting at least 90% of beneficiaries. However, transfer values remain below the level needed to cover transition costs such as transport to training centers or income losses during a livelihood shift. Moreover, the program's third phase will cover only 13% of households below the national poverty line. Social assistance spending across all programs amounts to 0.7% of GDP, compared to SSA and LMIC averages of 1.6% (Figure 2.2), resulting in low coverage (Figure 2.3). For female-headed households, who are overrepresented among PSSN beneficiaries but face additional barriers to productive grant take-up, the constraints are particularly binding.

Social insurance reforms introduced in 2024 have extended the architecture for formal workers and opened a pathway for informal workers, but effective coverage remains limited. The NSSF and PSSSF provide contributory coverage for formal public and private sector workers, but their combined reach has historically been confined to Q4. The 2024 reforms represent a structural step forward: they permit self-employed and informal workers to contribute and allow simultaneous contributions from multiple employers. Critically, and for benefit entitlement purposes, they treat unremitted employee deductions as paid, reducing worker exposure to employer non-compliance. Pension portability across employers within the NSSF system has also been improved, reducing the penalty for job transitions that had previously discouraged upward mobility.

Alongside these reforms, the Universal Health Insurance Act of 2023 made health insurance mandatory for all citizens and residents. The Act integrated the Community Health Fund into a unified National Health Insurance Fund (NHIF) framework and established dedicated financing for those unable to pay premiums. The practical impact of these reforms will depend on implementation capacity and outreach to informal workers. If implemented as envisioned, they represent the most significant expansion of Tanzania's social insurance framework in a generation.

Tanzania's active labor market programs have expanded in recent years but remain limited in scale relative to the workforce needs. The programs are structurally skewed toward workers who are already relatively well-positioned. The main interventions operate through the TVET system and the Skills Development Fund, complemented by employment-matching services provided by the Tanzania Employment Services Agency (TaESA). Recent initiatives (Table 2.1) have meaningfully expanded coverage, achieved through government -funded and donor-financed programs. The government operates two loan initiatives, which are domestically financed, including the 10% Local Government Authority (LGA) loans (TZS 83 billion) targeting women, youth, and persons with disabilities, as well as the Youth and Women Empowerment Fund, launched in 2026, which provides concessional loans through CRDB Bank to beneficiaries in productive sectors; the first round supported 1,961 beneficiaries alongside short training programs. Beyond these, development partners, such as the World Bank, are financing large-scale labor programs. Notable examples include the Education and Skills for Productive Jobs program (ESPJ-II, US$ 300 million, approved in 2026), which targets approximately 1 million beneficiaries through TVET reform and skills provision in priority sectors, with a 45% female target. Similarly, PAMOJA (US$ 104 million, 2024) supports women's economic empowerment through business skills, market linkages, and affordable credit, reaching approximately 320,000 direct beneficiaries. In addition, PSSN public works and economic inclusion components have provided temporary employment and livelihood opportunities to around 800,000 households since 2020.

Despite Tanzania's diverse social protection and labor programs, their small scale and fragmentation limit their ability to support large-scale transformation toward higher-quality jobs. Four stylized facts emerge from mapping the social protection and labor programs' support to the readiness-opportunity framework (see Table 2.1). First, while coverage has expanded, most programs remain small relative to needs – this applies across the board. Second, interventions are unevenly distributed, with a concentration in urban and higher-readiness populations (especially the labor market and insurance programs), leaving many rural and informal workers underserved. Third, programs operate largely as standalone interventions rather than as an integrated system – with limited coordination across programs, social protection pillars, and institutions. Finally, most programs are not currently structured to support sustained transitions into better jobs. Thus, these gaps help explain why existing systems have yet to support large-scale transitions into better jobs.





Table 2.1: Tanzania's Social Protection and Active Labor Market Program Landscape

Program	Focus & Scale	Key Limitation	Target Quadrant
PSSN III (World Bank)	Cash transfers and livelihoods, public works; targets 575,000 poor households	Transfer values insufficient to cover transition costs; limited graduation at scale	Q1, Q2
ESPJ-II (World Bank)	Skills for priority sectors; targets approx. 1 million beneficiaries, 45% female; performance-linked TVET	Disproportionately concentrated in urban areas; informal workers largely unreached	Q1, Q2, Q3, Q4
PAMOJA (World Bank)	Women's economic empowerment; business skills, market links; targets approx. 320,000 beneficiaries	Geographically concentrated; scaling uncertain	Q1 & Q3
TASFAM (World Bank)	Blue economy and fisheries livelihoods; targets 160,000 beneficiaries in 28 coastal districts	Sector-specific; limited transferability	Q1
Building a Better Tomorrow (BBT) Program: Youth in Agribusiness (AfDB)	Youth agribusiness; targets graduates and agri-entrepreneurs; targets 1.5 million jobs	Limited to Dodoma and Mbeya initially; impact evidence pending	Q2 & Q3
10% LGA Loans (Government)	LGA-mandated loans to women, youth, persons with disabilities; TZS 83bn disbursed 2024/25. Target figures unknown	Weak recovery; limited administrative capacity; not linked to skills; Training and upskilling were lacking	Q1 & Q2
Youth & Women Empowerment Fund (Government)	Loans to youth/women via CRDB Bank in productive sectors such as agriculture, fisheries, arts, start-ups, and manufacturing; First round approved 1,961 beneficiaries under the concessional financing scheme; who also received a mandatory three-day training program	Very new; governance uncertainty in the selection process; replaces or supplements 10% LGA loans	Q2
Funguo (UNDP–EU–FCDO)	Catalytic grants (TZS 50–100 million) for startups and innovative SMEs. Target figures unknown	Accessible mainly to educated urban entrepreneurs; narrow investee base	Q2 & Q3
Daraja Impact Fund (Switzerland)	Catalytic grants (US$50,000-250,000) for formal, youth and women-led, growth and impact focused SMEs. Target figures unknown	Limited scale (10 companies supported), narrow investee base	Q3 & Q4
NSSF includes PSSSF, Hifadhi Scheme (Government)	Contributory pension & social insurance for formal workers, such as public sector employees (via PSSSF), private sector workers, and international organizations. The total contribution rate is 20% of the employee's monthly wage, split equally between the employer and employee. Newly introduced Hifadhi scheme to expand social security to informal & self-employed workers.	Current coverage is limited to formal sector, which is a very small share of the workforce, given high informality; Uptake and enrolment into Hifadhi Scheme coverage are not clear yet.	Q1, Q2, Q3, Q4
NHIF (Government)	NHIF reaches 6.7 million beneficiaries nationwide (8% of the population), of which 1.39 million are primary contributors, while the rest are dependents. The contributors provide 6% of their salary (shared between employers and employees). Beyond the formal system, as part of Universal Health Insurance, informal-sector workers have a tiered package, while households classified as poor have fully subsidized coverage. These reach about 1.45 million beneficiaries nationwide.	Until recently, coverage was limited to the formal sector; but the government has since introduced a tiered benefit system to make health insurance accessible to low-income and informal workers under universal health insurance.	Q1, Q2, Q3, Q4

Source: *World Bank staff compilation based on program documents and government data.*
Note: The table lists major social protection and labor market programs from the government and development partners.



Workforce Programs have Structural Barriers to Effectiveness

Three structural weaknesses limit the effectiveness of these programs in supporting labor market transitions. First, most are designed on a leave-to-learn model — requiring participants to interrupt existing livelihoods to attend — which structurally excludes most Q1 and Q2 workers for whom even short income interruptions can have severe consequences. Women's participation is further constrained by early marriage,[17] adolescent pregnancy,[18] or primary childcare responsibilities. These factors systematically exclude women from even short-term skills programs that do not accommodate childcare needs. Second, coordination across programs is minimal, resulting in duplication within urban, educated-beneficiary segments while leaving near-total gaps for rural, informal, and low-skilled workers. Third, the evidence base outside PSSN is thin: most active labor market programs lack rigorous impact evaluations, making it difficult to distinguish effective spending from ineffective spending and to justify scaling decisions.

Labor market governance provides a foundation for improvement, but implementation gaps are substantial.

Tanzania's legal framework is anchored by the Employment and Labour Relations Act (2004), the Labour Institutions Act (2004), and the Workers' Compensation Act (2008). It provides International Labour Organisation aligned protections on minimum wages, contracts, dispute resolution, and occupational safety. The 2024 social security reforms have further improved pension portability. However, labor inspectors reach less than 5% of formal firms annually, and coverage of the informal economy is negligible. Furthermore, despite approximately 4 million workers being employed in the formal sector, many are in registered enterprises that, in practice, lack contracts or social security contributions, highlighting vulnerabilities similar to those of workers in the informal sector. The Public Employment Service holds the mandate to provide labor market information, job matching, and active program delivery. However, it remains chronically underfunded and largely undigitized, functioning as a passive registry rather than an active labor market intermediary. Digitizing case management and linking performance incentives to placement outcomes would significantly strengthen its effectiveness at comparatively low cost.

What Constrains High-Quality Firms?

Strengthening labor demand from a productive private sector is critical to addressing job quality challenges. This subsection therefore focuses on formal private sector firms, which are best positioned to generate high quality employment at scale.

The analysis leverages the World Bank Enterprise Survey (WBES) data for Tanzania, which cover formal firms with five or more employees operating in the non-agriculture, non-mining private sector (see Box 8 for details).[19]

[17] About one-third of girls marry before age 18 (UNICEF 2022).

[18] Slightly over one-fifth are pregnant by age 19 (Stephano et al. 2025).

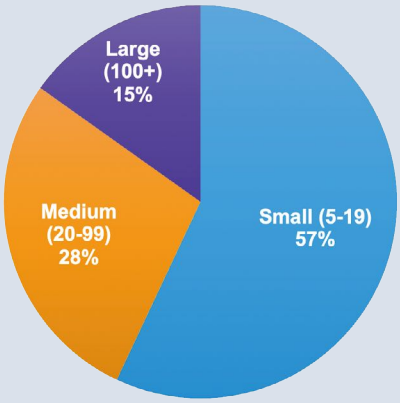
[19] Formal firms may also hire workers informally, a dimension that cannot be captured with the available data.

Box 8: Tanzania World Bank Enterprise Survey Data.

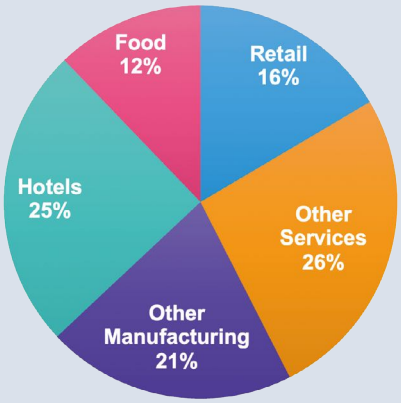
The analysis of constraints to productivity growth and jobs in Tanzania's formal private sector relies on the WBES. The WBES is a nationally representative survey covering the formal, non-agriculture, non-mining private sector. The Tanzania WBES used in the analysis were collected in 2013 and 2023. The sample includes 813 firms in 2013 and 600 firms in 2023. The sample composition of the 2023 Tanzania WBES data is presented in Figure B7.

Figure B7. Tanzania 2023 WBES sample composition

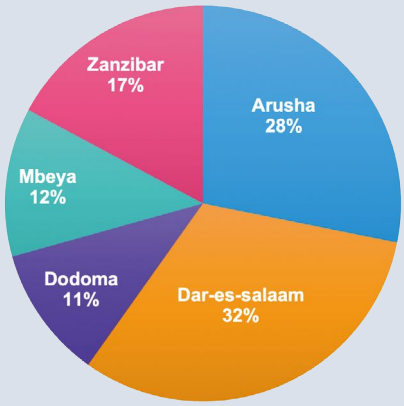
Sample composition by size (number of employees)



Sample composition by sector



Sample composition by region



Source: 2023 Tanzania WBES

The WBES draws its sample by grouping firms into categories and then randomly selecting from each group. This ensures meaningful coverage across manufacturing, retail, and services firms in urban and peri-urban areas. The 2023 WBES selection of firms is also based on firm size (small: 5–19 employees; medium: 20–99 employees; large: 100 or more employees), sector, and geographical location.

The WBES questionnaire covers multiple dimensions of the business environment. This includes access to finance, infrastructure, regulatory burden, corruption, and workforce skills. It also collects firm-level data on sales, costs, employment, technology adoption, and export behavior, enabling analysis of how the business environment relates to firms' performance, including productivity and jobs measures. More information is available at https://www.enterprisesurveys.org/en/enterprisesurveys.

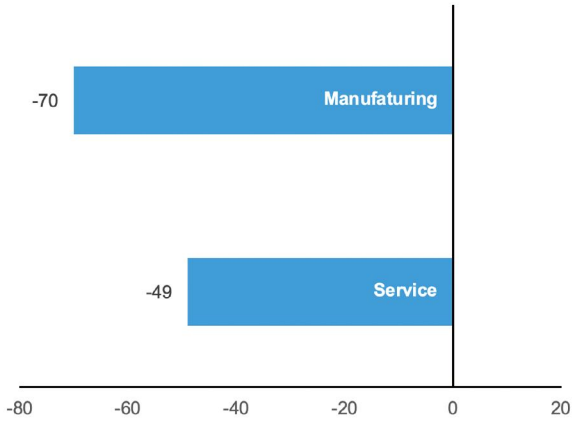
The WBES data, together with other relevant data, has been analyzed using the Investment Climate Assessment (ICA) 2.0 framework. ICA 2.0 provides guiding principles on the most important policy areas that drive private sector investments, productivity, and jobs.

Labor Productivity is Rising Slowly among Quality Firms

Firms in Tanzania's private sector have not achieved the productivity needed to generate sufficient high-quality jobs. Labor productivity for firms with five or more employees in Tanzania, as measured by sales per worker, lags regional peers in both manufacturing and services. Even in the service sector, where the gap is smaller, firms in Tanzania are 49% less productive than their peers in other SSA economies (Figure 2.4).[20, 21]

Figure 2.4: Tanzanian firms have lower labor productivity than their peers in Sub-Saharan African economies

Tanzania labor productivity percentage difference relative Sub-Saharan African economies, by sector



Source: World Bank Enterprise Surveys, using ICA 2.0 tools
Various years

Labor productivity increases with productive firms expanding and new productive firms emerging, which requires a conducive business environment. Tanzania can boost firms' productivity by maximizing the ease and flexibility that firms have in entering the market and operating. A conducive business environment—covering the institutional and regulatory conditions in which firms operate—supports productivity and firm entry, including through formalization. It promotes a more efficient allocation of capital and labor and helps alleviate constraints such as limited finance and burdensome regulations that hinder growth. [22] Addressing these bottlenecks in Tanzania could yield substantial gains with relatively limited public spending. The next subsection looks at possible channels that can explain the low productivity results and related business environment constraints.[23]

[20] Throughout this analysis, benchmarking is conducted against either the average of SSA economies with available WBES data or a selected set of comparator countries. The latter are grouped into two categories: structural peers and aspirational peers. Structural peers are economies with similar economic structures and performance to Tanzania, including Ethiopia, Ghana, Kenya, Madagascar, and Rwanda. Aspirational peers, while broadly comparable in structure, have achieved higher economic and labor productivity growth despite starting from a relatively higher baseline. These include Côte d'Ivoire, India, and Pakistan.

[21] Percentage differences are derived from regression coefficients expressed in log points. Specifically, the estimated gaps of −0.67 (services) and −1.2 (manufacturing) are exponentiated to obtain relative levels, implying that sales per worker in Tanzania are approximately 49 percent lower in services and 70 percent lower in manufacturing than the SSA average.

[22] This is supported by a large body of literature, including Aghion, Akcigit, and Howitt (2015), Aterido, Hallward-Driemeier and Pagés (2011), Klapper and Love (2010), and Xu (2011).

[23] The business environment encompasses several dimensions, some of which—such as infrastructure, taxation, and trade policies—are not covered in this section. These areas have been extensively analyzed in other studies that focus specifically on these topics.



Box 9: Skills, Firms, and Quality Jobs

Skills are not only a determinant of worker employability — they are a key input into firm productivity and job quality. In Tanzania, the availability of foundational and job-relevant skills shapes firms' capacity to raise labor productivity, adopt new technologies, and expand into higher-value-added activities.

Analysis of ILFS 2020–21 data shows that education significantly affects both worker outcomes and firm performance. Workers with lower secondary education earn 22%–30% more in formal private sector jobs than those with only primary education, with smaller but positive returns also observed in informal employment. At the firm level, entrepreneurs with basic education are nearly twice as likely to hire paid workers (30%, compared to 18% among non-completers and 10% among those with only primary education), suggesting that foundational skills drive firm expansion and job creation, not only earnings. Skills also condition the returns to further training. TVET generates earnings gains of up to 51% for workers with formal wage contracts — but primarily for those who completed basic education. Weak foundations therefore limit the effectiveness of subsequent training investments and constrain firms' access to productive workers.

The implication is direct: gaps in the skills pipeline, particularly low completion of basic education, act as a binding constraint on both labor supply and firm growth. Strengthening the alignment between skills development and firm needs is central to raising labor productivity and expanding quality jobs in Tanzania (World Bank 2026).

Firms Have Struggled to Establish Themselves

Few firms enter the private sector, and new firms often enter the market informally. In 2023, only 12% of formal firms were young firms (that is, those that began operations after 2018), far fewer than Rwanda's 38% or Ghana's 26%. Moreover**,** new entrants contribute less to productivity than in peer economies: among formal firms less than 5 years old, only 20% have above-median productivity, compared to roughly twice that share among peers (Figure 2.5, panel a). Informality at entry also remains widespread. In Tanzania, 32% of firms reported starting operations without registration up from 25% in 2013.

Foreign direct investment (FDI), a crucial conduit for introducing new and more productive firms, also plays a relatively limited role in Tanzania. FDI in Tanzania has hovered around 2% of GDP since 2016, which is lower than the average among LMICs and other countries in SSA (Figure 2.5, panel b).

The business registration regulatory framework, a crucial element for supporting firm entry, has improved. A decade of administrative reforms — including the establishment of the Business Registrations and Licensing Agency (BRELA) and streamlined Tanzania Revenue Authority (TRA) registration procedures — has strengthened the regulatory framework for business registration, as reflected by Tanzania's strong overall scores of 72 out of 100, on business entry. This ranks the country in the top 20% globally, one of the strongest performances across different measures in the 2025 B-Ready assessment.

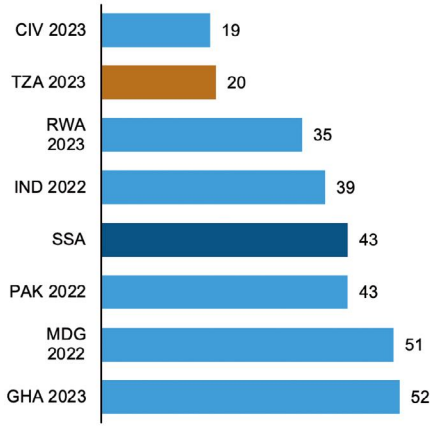
The registration process, however, remains an obstacle to the creation of formal firms, being time-consuming and costly, particularly for foreign investors. The efficiency with which the regulatory framework is combined in practice with the provision of public services remains the key weakness despite improvements from prior years. [24]

[24] The Business Ready (B-Ready) report assesses the regulatory framework and public services directed at firms and the efficiency with which the regulatory framework and public services are combined in practice.

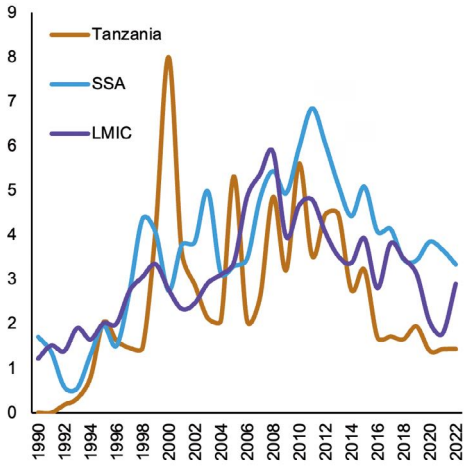
Further reductions in the time and costs of business registration in practice would help lower barriers for first-time entrepreneurs. More pressing is the cost of registering foreign firms at 59% of gross national income per capita, which is a significant deterrent to FDI in a competitive regional environment. While there has been strong progress in building a digital registration ecosystem, the practical experience of starting a business in terms of time, cost and inter-agency coordination still often falls short. This requires a targeted reform to convert regulatory progress into on-the-ground results.

Figure 2.5: Tanzania is characterized by fewer high-productivity young firms and declining FDI

a. Within young firms (< 5 years in operations), share that have above-median productivity (%)



b. FDI as share of GDP



Source: World Bank Enterprise Surveys, 2023 using ICA 2.0 tools (panel a) and UNCTAD (panel b).

Registration is only the first hurdle; a fragmented licensing regime imposes additional costs on new and prospective firms. Progress has been made toward simplifying the licensing process, and firms in Tanzania are now able to secure licenses and permits more quickly than in the past.[25] However, some licensing requirements across national, regional, and local government levels remain duplicative and not fully harmonized, with variations in implementation that may continue to pose administrative challenges for firms. Enterprise Survey data show Tanzanian firms spending on average almost 14% of senior management's time on regulatory compliance —more than the 2% in 2013 and above the regional average of 8%. Spending a significant share of senior management's time on regulatory compliance rather than on productivity-enhancing activities can hinder firm growth and efficiency and may also discourage foreign firms from investing or locating in the country.

Inefficient and ineffective business insolvency processes weaken creative destruction and hinder job preservation when viable businesses are not reorganized. Effective insolvency frameworks can prevent job losses through reorganization of viable but financially distressed firms. They can promote job mobility by allowing workers at reorganizing firms to retain their current job while searching for a potentially better-quality position. Insolvency laws can also play a crucial role in fostering employment growth generally by providing a mechanism for exiting nonviable firms (especially "zombie firms"), opening-up industries for entry by more efficient competitors. According to the B-Ready 2025 data, Tanzania has significant room for improvement in business insolvency—both in absolute terms and compared to other economies. With 30 points out of 100, Tanzania is in the bottom 20% globally, making it the country's lowest-performing area across the assessment. The country's legal and institutional frameworks have notable gaps. In the law, there is a lack of: cross-border insolvency procedures, simplified processes for small enterprises, and robust creditor and debtor protections. On the institutional side, there is: little regulation of insolvency administrators, very low levels of digitalization and no operational specialization

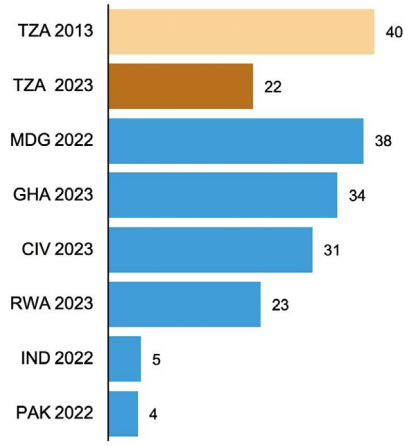
[25] For example, it takes on average 12 days to obtain an operating license and 16 days to obtain a construction-related permit, compared to 19 days and 41 days, respectively, in 2013.

in the courts. These shortcomings limit the effectiveness of insolvency proceedings, making it more difficult for firms to resolve financial difficulties and reorganize or exit the market efficiently (World Bank, 2025).

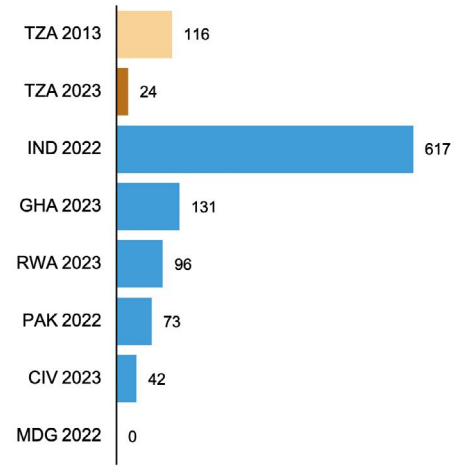
Once Established, Firms Struggle to Upgrade Investment, Adopt Technology, and Innovate

Figure 2.6: Firms' investments have declined since 2013

a. Firms buying fixed assets, %



b. Average volume of investments by firms across countries (in thousands 2009 US$)



Source: World Bank Enterprise Surveys. Various years

Note: In Figure in panel b, the amount invested is measured in 2009 US$ for comparison across countries.

Firms in Tanzania experience inadequate investment flow. Limited upgrading over the firm lifecycle is an indication of distortions in business dynamism and constraints to sustained capital investment, technology adoption, and innovation, significantly affecting productivity growth. At the firm level, investments have become both less frequent and smaller. The share of firms in Tanzania that invested fell from 40% in 2013 to 22% in 2023 (Figure 2.6, panel a), while average investment dropped from US$116,000 to US$24,000 (Figure 2.6, panel b). This decline spans all firm sizes and sectors but is most pronounced among medium-sized and manufacturing firms. Overall, the average firm now invests just 11% of what it did a decade ago, lagging behind nearly all peer countries.[26]

Few formal firms in Tanzania license or create new technologies or leverage digital technologies. Only 4% of Tanzanian manufacturing firms license technology from foreign companies (Table 2.2). This is less than the average for SSA economies. Nor is this gap explained by Tanzanian firms developing their own technologies. Only 7 percent of Tanzanian firms spend on R&D against an average of 13 percent among peer countries. Tanzanian firms are also relatively slow to adopt digital technologies with only 34% having a website against 42% among peers.

As a result, Tanzanian firms are selling increasingly outdated products. Only 9% of Tanzanian firms reported having introduced a new production technique recently. Among peers, the average is 15%. This is associated with Tanzanian firms selling increasingly outdated products and services with just 14% having introduced a new one recently, as opposed to 25% among peers. Limited product innovation prevents firms from moving into higher-value markets

26 This trend stands in contrast with national accounts data, which show a continuous increase in economy-wide investment, largely driven by construction and likely reflecting a strong role of public and large-scale infrastructure investment.



through the development of new or improved goods, while limited process innovation slows the adoption of more efficient technologies and production methods that would reduce costs and raise productivity. Together, these constraints keep firms concentrated in low-value activities and weaken their ability to compete in dynamic and increasingly global markets

Table 2.2: Firms Reporting Innovative Activities, %

	Licensed foreign technology	Spent on R&D	Has a website	Introduced a process innovation over last 3 years	Introduced a new product/ service over last 3 years
Tanzania	4.1	7.3	34.3	9.5	14.1
Sub-Saharan economies	11	13.3	42.4	14.8	24.6

Source: World Bank staff estimates based on World Bank Enterprise Surveys, various years

Tanzanian firms neither hire particularly skilled workers, nor do they intensively train their workforce. While 78% of workers in Tanzania's manufacturing sector can be described as skilled, this is lower than in peer countries with data and lower than the 85% recorded in 2013. With 20% of firms offering formal training to their workers, Tanzania is just about average among peers, despite the lower existing skill level. Workforce readiness is critical for a firm's productivity and is discussed in the previous sub-section.

Firms' limited investments in upgrading productivity appear to be linked to constraints in accessing financing. Long-term investment finance — needed to purchase machinery, construct facilities, or develop new product lines — is scarce and expensive. One out of three companies in Tanzania reports being fully or partially credit constrained (the average in SSA economies is 22%). Commercial banks, which dominate the financial sector, are structurally oriented toward short-term trade and working capital lending. Development finance institutions have attempted to fill this gap, but their reach remains limited relative to need. Only 14% of firms finance investments through banks, compared with 38% in Côte d'Ivoire and 25% in Rwanda. Even when credit is accessed, it covers a smaller share of investment—just 4% in Tanzania versus 13% in Côte d'Ivoire and 16% in Rwanda. Capital markets are nascent: the Dar es Salaam Stock Exchange lists few companies, and the corporate bond market is minimal, leaving equity and long-term debt financing largely unavailable to growing firms.

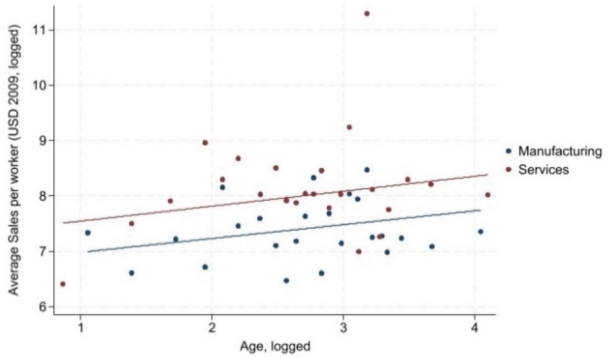
Land tenure insecurity adds a further deterrent to long-term fixed investment. Firms seeking to expand their physical footprint – or entrepreneurs to starting their business – frequently encounter difficulties obtaining information about statutory and customary land rights, securing clear title claims, and obtaining development permits. The resulting uncertainty discourages capital commitment, since firms cannot be assured that assets they build will be legally protected. Enterprise Survey data shows this concern to be particularly acute for large firms. In 2023, 58% of large firms in Tanzania reported access to land to be a major or very severe constraint to operation compared to an average of 20% in SSA economies. The B-Ready assessment measures gaps in the options that are available to entrepreneurs to set up or expand their business and highlights gaps in the business location practices in Tanzania. This is especially related to the quality of public services and transparency of information in the provision of property transfer, building, and environmental permits (World Bank, 2025a).

Firms Show Moderate Dynamism, but More Productive Firms Coexist with Laggards and Offer Limited Jobs

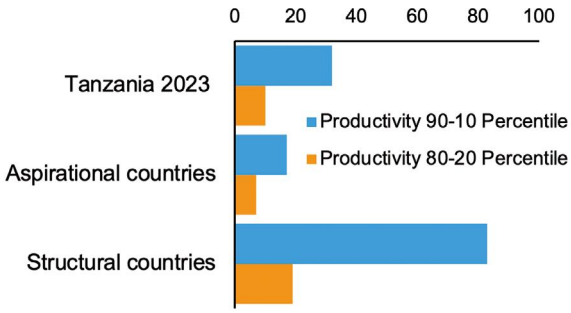
Older firms are slightly more productive (Figure 2.7, panel a), signaling some competitive pressure for incumbents, but highly productive firms coexist with laggards. Tanzanian firms belonging to the top 10% most productive firms are about 32 times more productive than those in the bottom 10% - compared to a gap of about 17 times among aspirational peers (Figure 2.7, panel b). The gap is bigger in the service sector. Retail firms in the top 10% earn 42 times more per employee than those in the bottom 10%. Top food processors generate 18 times more sales per worker than their less productive counterparts. Wide productivity gaps are signs of misallocation. They indicate barriers preventing lagging firms from catching up and competing. They may also signal misallocation of resources, where low-productivity firms continue to operate and absorb resources that could otherwise flow to more productive firms.

Figure 2.7: Productivity moderately grows with age but highly productive firms coexist with lower productivity firms

a. Correlation between labor productivity and firm age, by sector



b. Ratio of average labor productivity for 90th to 10th percentile firms and 80th to 20th percentile firms

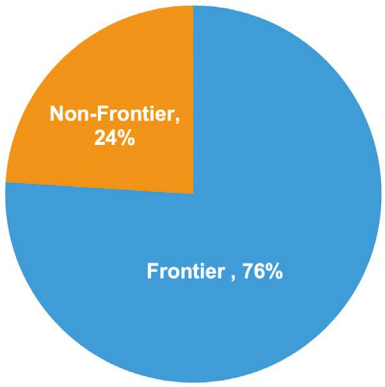


Source: World Bank Enterprise Surveys, 2023 using ICA 2.0 tools.

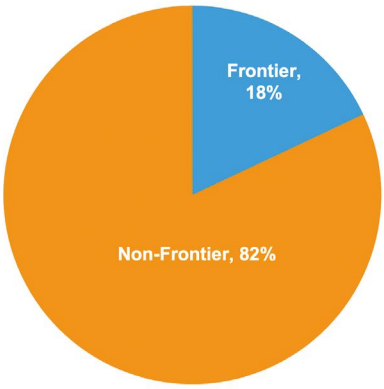
Exceptionally productive firms dominate the market, but less productive firms have begun making inroads. Although frontier firms represented only 11% of firms, they accounted for 97% of sales in 2013. By 2023, their share had declined to about three-quarters of total sales, indicating that non-frontier firms are gradually gaining ground in Tanzanian markets despite their lower productivity (Figure 2.8, panel a). Even so, frontier firms remain significantly more productive—in 2023, their productivity is at least 2.7 times higher than that of other firms. They also pay, on average, four times higher wages and are more likely to innovate, including through the use of foreign technology and digital tools. In 2023 they accounted for only 18% of jobs (Figure 2.8, panel b). Reducing the market dominance of frontier firms can strengthen competition, foster innovation among non-frontier firms, and generate employment growth, as less productive firms tend to be more labor-intensive and would expand hiring as their market share increases.

Figure 2.8: Frontier firms' contribution to employment is considerably lower compared to their contribution to total sales

a. Frontier firms' market share (sales) in 2023 (% of sales)



b. Frontier firms' employment in 2023 (% of total employment by firms)



Source: *World Bank Enterprise Surveys, 2023 using ICA 2.0 tools.*
Note: Frontier firms: 10% most productive firms based on labor productivity.

Leveling the playing field for lagging (non-frontier) firms is the key to scaling formal sector jobs. Most formal employment in Tanzania is created by non-frontier firms. While frontier firms continue to drive productivity, they employed only one in five formal sector workers in 2023, down from one in four in 2013 (Figure 2.8, panel b). Because they rely more on capital and high-skilled labor, these firms cannot absorb the large number of job seekers entering Tanzania's labor market. Although their presence and expansion are essential—for economy-wide spillovers and as a source of tax revenue —their job creation capacity is limited. The key question, therefore, is how Tanzania can support high-potential non-frontier firms to grow, invest, and become more productive so they can play a larger role in creating more and better jobs.

At the current trajectory, Tanzania is unlikely to succeed in creating enough high-quality jobs for the growing labor force. Firm entry is limited, and the segment of the economy that drives high-quality jobs in most countries—larger, formal firms—is failing to invest and innovate. At the same time, the workforce constraints are not merely a separate, downstream problem: skills availability shapes firms' incentives to invest and expand in the first place, reinforcing the very productivity gap that limits quality job creation. Addressing both sides of this equation simultaneously reflects, a mutually reinforcing relationship: more productive firms create more high-quality jobs, and a better-prepared workforce makes firms more productive. Policy options must therefore drive higher firm formalization and expansion, enhance workforce employability, and support the matching of qualified individuals to quality jobs.



Two Policy Pillars to Make Jobs Work

Pillar 1: Expand the Quality Job Base

1. ***Encouraging firm entry through simplifying registration procedures and active entrepreneurship support***

✓ **Facilitating the integration across digital systems**, particularly amongst BRELA, TRA, LGAs, and sector regulators, to eliminate the multiple and often duplicative reporting obligations currently faced by businesses, streamlining compliance, reducing administrative and cost-related burdens on businesses, and creating a more coherent and efficient regulatory environment.

✓ **Streamlining the investment framework and reducing unnecessary burdens to foreign firm registration and investment.** This includes reviewing unnecessary restrictions on foreign investment—such as sector-specific restrictions on foreign entrepreneurs, employment restrictions on foreign personnel, high minimum capital requirements, and opaque administrative processes—and rationalizing these to create a more open, predictable, and investor-friendly environment.

✓ **Enhancing transparency and predictability in the regulatory cost environment.** On the legislative side, fee schedules should be published annually, with any adjustments subject to sufficient prior notice, to ensure that businesses can plan and budget with greater certainty. On the fiscal side, sustainable central government budget resources should be allocated to regulators to reduce their reliance on unpredictable fees and levies, establishing a more stable and coherent funding model that serves both regulators and the businesses they oversee.

✓ **Supporting micro-enterprises to promote formalization, boost productivity and promote successful scale-up**. Policies specifically addressing micro-enterprises needs include both adapting registration to the micro-enterprises' needs, through measures such as low-tiered licensing for very small enterprises and digital registration channels in Kiswahili, and interventions to boost productivity of the most promising micro-firms. The latter includes interventions to improve basic business management support, including through community-based or mobile extension models supplier development programs to increase the positive spillover effects of FDI.

2. ***Strengthening the insolvency framework to facilitate exit of nonviable firms, the reorganization of viable firms, and promote creative destruction.***

✓ **Protecting creditors' rights and enabling reorganization**. Ensuring that those with financial stakes in the process are kept adequately informed at each stage, enabling more effective participation, timely decision-making, and meaningful oversight of how their claims are being handled. Further ensuring that assets are appropriately protected and post-commencement financing is incentivized.

✓ **Strengthening the institutional framework**. Judges should be trained in insolvency matters. Insolvency administrators should be well regulated. There should be clear, robust criteria (including adherence to a code of ethics) to enter the profession so that they have the capacity to undertake their work. Further, administrators should be monitored and complaints investigated and disciplinary action taken should they violate the law.

✓ **Establishing simplified procedures for small enterprises.** Creating specialized procedures for small enterprises which are simpler, faster and more cost-effective than the regular procedures. This would include institutional changes to facilitate the use of the procedures.

✓ **Incorporating cross-border insolvency provisions.** This would allow for the coordinated resolution of cases involving assets, creditors, or operations spanning multiple jurisdictions, reducing legal uncertainty, minimizing the risk of conflicting proceedings, and improving overall recovery outcomes in an increasingly interconnected global economy.



3. Unlocking private investment by expanding access to long-term finance

✓ **Strengthening the existing secured transactions framework** to broaden the range of recognized collateral. The United Republic of Tanzania is in the process of enacting a legal framework for secured transactions on movable property. Enacting and swiftly implementing this legislation — ensuring the collateral registry includes notice-based filing, unrestricted public access, and recognition of key asset types such as future receivables and invoices — would significantly expand the creditworthy universe of Tanzanian firms, especially those led by women.

✓ **Deepening credit information infrastructure** by mandating the incorporation of utility and mobile money payment data into credit bureau reporting. Mobile money now reaches over 94% of Tanzanians, and digital financial service providers are beginning to use transaction data for credit scoring — but the regulatory framework for doing so systematically remains underdeveloped. Formalizing this channel would open formal credit to firms and entrepreneurs without a conventional credit history.

✓ **Building on Tanzania's nascent capital market reforms** to expand long-term financing options for growing firms. The Dar es Salaam Stock Exchange has seen encouraging recent developments — including the first infrastructure bond, green water bonds, a Sukuk issuance, and work on new draft private equity and venture capital regulations — but the corporate bond market and equity listings remain thin. Sustaining this momentum requires reducing barriers to listing, enabling development finance institutions to use blended finance to crowd in private capital, and expanding the market for leasing and factoring as alternatives to bank credit.

4. Promoting formal enterprise growth by giving firms access to investable land

✓ **Opening up the cadastre.** Continued updating and improvement of the e-Ardhi digital record system would further allow enterprises in search of a new business location to query land records for ownership and encumbrance. This would diminish fraud and enhance legal certainty.

✓ **Enhancing accountability among land officers.** While the introduction of a ticketing system for land office service requests is an essential first step, a dependable public service requires accountability systems making use of these data. This could include key performance indicators for land officers' performance, improved tracking and reporting of service requests, and the automatic escalation of delayed requests.

Pillar 2: Build the Quality Workforce Pipeline

5. Redesign social protection as a mobility enabler

✓ **Introducing income replacement components within PSSN III** for participants in skills and training programs, and piloting transfer continuity for beneficiaries who enter wage employment, making formality attractive rather than penalizing the transition.

✓ **Making social protection benefits portable across jobs and locations**, that is, moving toward a model that transcends location specificity.

6. Prioritize investing in Q1, with escalation pathways to Q3

✓ **Redesigning program delivery** toward in-community, modular, and part-time formats using extension agents and digital tools, shifting away from the leave-to-learn model that structurally excludes most Q1 and Q2 workers.

✓ **Adopting integrated graduation-style packages for Q1 workers** combining income support, foundational skills (literacy, numeracy, digital), productive asset grants, and coaching — delivered as a bundle through mobile extension agents and in-community, part-time formats.

✓ **Incentivizing completion of secondary education and supporting second-chance pathways for youth** (especially girls), recognizing that foundational education is a



prerequisite to accessing high-quality jobs, with social protection mechanisms such as conditional transfers helping to reduce dropout and sustain participation among the most vulnerable.

7. **Making gender-responsive design a system standard**

✓ **Requiring childcare provision and flexible work arrangements across all programs as a compulsory feature rather than optional add-ons,** improving the share of women's participation by addressing some of their societal constraints (such as childcare responsibilities).
✓ **Recognizing the care economy not only as a participation constraint but as a sector with direct job creation potential**. Tanzania's expansion of community health infrastructure offers a concrete entry point, linking gender-responsive design to structural job creation.
✓ **Setting participation targets for women** across all active labor market programs to create accountability for outcomes.

8. **Building a national labor market information system with real reach**

✓ **Digitizing Public Employment Service case management** and reorienting performance incentives toward placement outcomes, while establishing a mobile-accessible national jobs portal in Kiswahili with real-time vacancy data and employer profiles.
✓ **Complementing the portal with mobile employer recruitment events** in secondary towns and targeted digital job information campaigns, to unlock mobility for Q2 workers whose constraints are informational rather than skills-based.
✓ **Designing the labor market information system (LMIS) as a real-time labor demand diagnostic tool** — not only a vacancy-matching platform — to inform training design, resource allocation, and real-time adjustments to skills provision based on evolving firm demand. Private sector intermediaries, including digital matching platforms and placement agencies, should be incorporated through performance-based partnerships linked to verified placement outcomes.

9. **Building a functional, employer-trusted recognition of prior learning system (RPL)**

✓ **Expanding the National Council for Technical and Vocational Education and Training (NACTVET) RPL assessment centers** by establishing at least three regional hubs outside Dar es Salaam, to improve geographic access and reduce costs for beneficiaries. This would also address some of the access-related constraints faced by women, thereby supporting their uptake.
✓ **Issuing RPL credentials as portable digital certificates,** providing Tanzania's large pool of uncredentialed but capable informal workers with a durable and verifiable competency signal that benefits both Q2 and Q3 workers simultaneously.
✓ **Ensuring RPL credentials are co-designed with employer associations from the outset** — not merely validated after the fact — so that certificates create actionable signals for hiring managers for private hiring and wage-setting decisions. NACTVET's expansion should be paired with firm advisory panels for each occupational track and results-based agreements with employer associations that commit to preferential consideration of RPL-certified candidates.

These recommendations are in line with the Government of Tanzania Development Vision 2050 reform agenda. Vision 2050 sets an ambitious target for private-sector-led investment where it becomes the dominant source of investment financing and aims to create a robust and predictable business environment to attract private investments. The recommendations aim to support prioritization for the forthcoming MKUMBI II agenda. They also aim to support implementation of Tanzania's Social Protection Policy and emerging active labor market programming. Strengthening the alignment between firm needs and skills systems will be critical to ensuring that both firm productivity and job quality improve in tandem. The aspiration—a Tanzania where most workers hold better jobs—is not a short-term target. It is a generational trajectory. But the institutions built in the next five years will determine whether that trajectory bends upward or continues to lag behind GDP growth.



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