Tanzania’s economic freedom score is 60.2, making its economy the 94th freest in the 2019 Index. Its overall score has increased by 0.3 point, with higher scores for judicial effectiveness and fiscal health offsetting declines in trade freedom and business freedom. Tanzania is ranked 7th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

The government’s Development Vision 2025 strategy, focused on the private sector, prioritizes industrialization and job creation and seems intended to promote good governance. However, abrupt tax increases, erratic regulatory changes, uneven policymaking, rising protectionism, and lack of transparency undermine the plan and deter private investment. Long-standing structural problems include poor management of public finance, widespread corruption, and an underdeveloped legal framework that interferes with regulatory efficiency and weakens the rule of law. More institutional reform and greater market openness are essential to long-term economic development.

**BACKGROUND:** In 1964, shortly after independence from Britain, Tanganyika and the island of Zanzibar merged to form Tanzania. The Chama Cha Mapinduzi (CCM) party has been in power continuously since independence. John Magufuli of the CCM, who was elected to a five-year term as president in 2015, launched an aggressive anticorruption campaign, but he also launched a crackdown on political opponents and civil society. Despite vast mineral and natural resources and tourism, most Tanzanians are poor and dependent on subsistence agriculture. In 2016, a large helium gas field was discovered, and Uganda and Tanzania agreed to build an oil pipeline from western Uganda to Tanzania’s Tanga port. Tanzania is also looking into building a pipeline to pump natural gas to Uganda.
Complex land laws have provoked numerous disputes, and land ownership remains restricted. Fees for property registration were raised in 2018. The underresourced and corrupt judiciary remains under political influence. Corruption remains pervasive, and although the president has conducted widespread investigations into it, he is alleged to have acted with impunity and to have used his anticorruption campaign to target political enemies.

The top personal income and corporate tax rates are 30 percent. Other taxes include a value-added tax and an interest tax. The overall tax burden equals 12.4 percent of total domestic income. Over the past three years, government spending has amounted to 18.0 percent of the country’s output (GDP), and budget deficits have averaged 2.7 percent of GDP. Public debt is equivalent to 38.2 percent of GDP.

The business environment remains hampered by inefficient regulations. Although requirements for launching a business are not time-consuming, the licensing process costs over five times the average level of annual income. Labor regulations are not flexible enough to support a vibrant labor market. The state subsidizes the TANESCO public electricity utility and has begun to subsidize solar power and mining.

The combined value of exports and imports is equal to 42.3 percent of GDP. The average applied tariff rate is 8.6 percent. As of June 30, 2018, according to the WTO, Tanzania had 19 nontariff measures in force. Trade and investment policies needed to sustain open markets are undercut by lingering government interference in the economy. About 47 percent of adult Tanzanians have access to an account with a formal banking institution.