Terms of Reference

Implications of National Accounts Revisions (GDP Rebasing) on Macroeconomic Variables and Poverty Dynamics

1. Background

The Public Expenditure Review (PER) in Tanzania is a forum comprising of representatives from the Government, development partners, academia, the private sector and civil society organizations responsible for provision of strategic guidance and advice on resource allocation and management of public spending. This forum provides inputs to improve the management of fiscal policy through strategic choices and policy implementation informed by participatory process and rigorous studies in order to increase the effectiveness and efficiency of public spending. The output of the PER studies informs the Government budget process and public financial management.

The National Bureau of Statistics (NBS) revised national accounts estimates for Tanzania Mainland in November 2014, using base year 2007. The aim of the revisions was to better reflect changes in the economy due to social, technological and economic transformations. Also, it aimed at ensuring international comparability in accordance with the United Nations System of National Accounts 1993 and 2008.
Following the revisions of national accounts estimates, the country’s GDP has changed in size, structure and composition. In addition to changing the previous and current economic landscape, the changes in GDP have significant macroeconomic implications going forward; notably, on monetary and fiscal policies, especially in relation to public expenditure programs in the country. Therefore, policy decisions, planning and budgetary programs in the country would need to take into account the new GDP estimates.

Given the immense importance of GDP as a scale variable, the PER Champions Group decided in February 2015 that a comprehensive study be conducted to assess the implications of the GDP rebasing on macroeconomic and the public expenditure programs. Further, the study will involve updating of the existing Government of Tanzania (GoT) Macroeconomic Modeling (MACMOD) using the recently revised national accounts statistics which provides estimates of the Gross Domestic Product and other allied aggregates. The findings of this study will be used as valuable inputs in preparation of plans and budget guidelines for 2016/17 and other policy needs. This study, therefore, will be used for policy formulation, effective planning and implementation of public expenditure programs.
2.0. **Purpose**
The purpose of the study is to determine the implication of the revised national accounts estimates to the macroeconomic variables, poverty dynamics and government frameworks and processes.

3.0 **Objectives and Scope**

3.1 **Objectives**
The overall objective of the study is to assess implications of the rebased GDP on macroeconomic variables and poverty dynamics.

**Specific Objectives**
The specific objectives of this study are to:

i. Assess the implications of the revised GDP on macroeconomic variables and the public expenditure programs;

ii. Update the existing GoT’s Macroeconomic Model (MACMOD) using the revised national accounts statistics which provide estimates of the Gross Domestic Product and other allied aggregates;

iii. Provide a link between macroeconomic/fiscal data and micro data so as to analyze medium term prospects of pro-poor growth impacts of the government expenditure programs; and

iv. Update the Government’s annual budget framework and the MTEF with the view to inform the design and implementation of the envisaged second Five Year Development Plan (FYDP II) and the Big Results Now Initiative.


3.2 Scope of the study

In order to accomplish the purpose and objectives of the study, the following activities shall be covered:

i) To assess the extent to which the revised national Accounts (GDP rebasing) affect the current macroeconomic indicators, including Tanzania’s position relative to other countries;

ii) Assess the implication of the revised national accounts in understanding of growth dynamics and their impact on poverty;

iii) Assess how the revised national accounts affect projections of the medium term macroeconomic dynamics in terms of growth (including sectoral patterns), balance of payments, (financial sector monetary situation) including their implications for medium-term fiscal framework;

iv) Assess how future growth prospects and fiscal position would facilitate poverty reduction through various Government’s public expenditure programs, such as cash transfers, social services provision and public investments in infrastructure; and

v) Provide assessment of the desirable mix of public expenditure programs that will most likely provide means to achieve sustainable poverty reducing growth.

1. Specific Tasks

The consultant shall undertake the following specific tasks in two phases:
a. Phase one
Update MACMOD database including the revised national accounts data, estimation and analysis: The consultant shall team up with Government officials to enhance their capacity and ownership of the process. The activities to be performed shall include:

a) Updating the MACMOD database, model cleaning (formula linking) and ensure consistency of the data;
b) Re-estimating variable elasticity of the MACMOD based on the revised GDP series up to 2014;
c) Undertaking an in-depth performance review on recent developments of key macroeconomic variables by sub-groups (GDP, Prices, Money, BOP, GFS);
d) Assessing the implications of the rebased GDP series on key macroeconomic variables, undertake critical analysis of the ratios, compare with SADC and EAC countries and propose policy options for the way forward; and
e) Present and facilitate a 2-day stakeholders’ workshop in collaboration with the client to discuss the draft report.

b. Phase two

Implications of rebased GDP on poverty dynamics and MACMOD simulation analysis.
The consultant shall engage Government officials for a two-week working session to implement the work. The commencement of activities in this
phase is subject to completion of phase one. The main activities shall include:

   a) MACMOD simulation analysis;
   b) Preparing and analyzing alternative scenarios (optimistic and pessimistic);
   c) Setting up a micro-simulation model/framework using HBS 2011/12, supplemented by NPS 2011 as needed;
   d) Linking the micro-simulation model/framework with the updated MACMOD;
   e) Simulation analysis of potential poverty impacts from various scenarios of public expenditure programs;
   f) Designing “poverty module”;
   g) Preparing a user-friendly manual to guide navigating through the model; and
   h) Present and facilitate a 2-day stakeholders’ workshop in collaboration with the client to discuss draft report.

2. Deliverables/Output

   a.1 Phase One

   a) The inception report showing the consultants’ understanding of the assignment and methodology to be used in undertaking the work.
   b) Re-estimated elasticity’s with a brief note of methodology used;
   c) Reviewed and updated MACMOD database;
d) A draft report on the implication of the rebased GDP on key macroeconomic variables;

e) Stakeholders workshop: This report will be discussed at stakeholders’ workshop to be organised by the consultants/Government, and the comments thereof will be incorporated in the final report.

f) The final report incorporating stakeholders’ comments raised from the stakeholders’ workshop.

2.2 Phase Two

a) The inception report showing consultants’ understanding of the assignment and methodology to be used in undertaking the work.

b) Medium term forecast to inform budget process for FY 2016/17;

c) Draft report on poverty implication on the rebased GDP;

d) Stakeholders workshop to discuss the draft report;

e) Final report incorporating stakeholders’ comments and policy recommendations;

f) The report should also contain statistical annexes in a format that allows further analysis.

3. Qualifications

The consultant must possess the following qualifications:

   i. At least a Masters Degree in Economics, majoring in econometric analysis and/or Poverty analysis

   ii. At least ten years proven work experience in macro-modeling or related field at senior managerial level;
iii. Practical experience in undertaking similar assignments particularly in macro-modeling and poverty analysis. The experience must be evidenced by the consultant proven track record in undertaking similar assignments at least for the past five years; and

iv. Possession of relevant professional qualifications, skills and expertise by the consultant’s staff in econometric and practical experience in modeling and/or in poverty analysis.

It is expected that the Consultant will ensure that his/her team adequately possess needed skills and experience for the assignment. In case of a foreign Consultant, it is expected that to the extent possible, the Consultant will endeavor to source domestically some of the required competencies. The World Bank and DFID will also provide technical quality assurance and technical inputs where needed.

**TIMELINE**

The consultants shall commence the study immediately after the approval and signing of the contract by the client and consultant, respectively. The submission of the report shall adhere to the following time frame:

i. Inception report: Phase 1: End of April, 2015 and Phase 2: End of July, 2015

ii. 2-day workshop for phase 1: Mid June, 2015

iii. 2-week work session for phase 2: July/August 2015

v. Technical meeting: First week of September, 2015