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June 9, 2020

**Statement by Ms. Mahasandana and Ms. Pandit on United Republic of Tanzania
(Preliminary)
Executive Board Meeting 20/69
June 10, 2020**

We thank staff for the concise report on the debt relief proposal for the United Republic of Tanzania under the CCRT and Mr. Mahlinza, Mr. Odonye, and Mr. Jappah for their informative Buff statement. The United Republic of Tanzania is facing significant economic challenges from the pandemic, including through significant decline in tourism income and exports, which are creating fiscal pressures and exceptional balance of payment needs as well as economic slowdown. Moreover, concerns of health risks and potential second round wave of the COVID-19 infection pose downside risks to growth and further drawdowns of reserves. In this context, the proposed debt relief under the CCRT will help authorities free up budgetary resources to support growth while helping fill the financing gap. **We support the approval of the proposed debt service relief under the CCRT for the initial period of six months. We broadly agree with staff appraisal and offer the following comments for the emphasis.**

We welcome the authorities' efforts to combat the economic impact of the pandemic COVID through various policies responses. That said, risks remain, and we note staff's recommendation to continue to pursue measures to mitigate the impact of COVID-19. Furthermore, we also share the staff's suggestions for a proper plan on arrears settlement, improvement of business environment and reforms to invigorate bank lending once the crisis abated. In this regard, we encourage staff to continue to closely engage with authorities on granular policy advice and provide capacity building assistance where needed.

On fiscal front, the gradual spillover effect on economic activities would weaken government revenues and increase spending. In this context, we welcome the authorities' plan of using contingency reserves and expenditure reprioritization to increase the health spending as well as the the VAT and custom exemptions for medical supplies. Furthermore, we welcome the authorities' intention to seek external financing to help fill the financing needs, including by requesting for IMF emergency funding under the RCF/RFI. We urge the

authorities to use the resources made available to address the immediate crisis-related spending in an efficient and targeted manner. We also stress the importance of implementing the safeguard measures as well as communicating the utilization of external financing. However, *as multilateral donor support has not yet been fully secured, we welcome staff comments on the authorities' interest on the G-20 debt initiative and on the possible contingency plan to address the financing gap and promote debt sustainability.*

With these comments, we wish the United Republic of Tanzania and its people success in their future endeavors.