

The contents of this document are preliminary and subject to change.

GRAY/20/2346

June 9, 2020

**Statement by Mr. Kaya, Mr. Benk, and Mr. Marek on United Republic of Tanzania
(Preliminary)
Executive Board Meeting 20/69
June 10, 2020**

We thank staff for the concise report and Messrs. Mahlinza, Odonye and Jappah for their helpful Buff statement. Tanzania is impacted by the COVID-19 pandemic through the decline in the tourism and hospitality sectors as well as weak external demand from the main trading partners. Economic growth is projected to decelerate, and fiscal pressures might exacerbate should additional spending for healthcare become necessary. As Tanzania meets the GNI threshold for CCRT debt relief and is facing BoP needs, **we support the authorities' request for debt relief under the CCRT.** A prospective request for the IMF's emergency resources should be underpinned by a credible medium-term fiscal strategy and additional donor-supported financing.

While the impact of the pandemic might be relatively less severe, it is critical to remain vigilant of potential downside risks. Given that Tanzania was not constrained by the lockdown of the economy, the overall impact of the crisis might be less pronounced. However, in light of the uncertainties related to the recovery in tourism, the situation in Tanzania's main trading partners, as well as the potential of a second wave of the pandemic, the authorities should stand ready to further reallocate priority spending and maintain close cooperation with multilateral agencies and donors to mobilize financing. This would also be instrumental in securing sufficient resources for the authorities' near-term policy objectives, including higher spending on social protection and possible support for small businesses. We are encouraged by the authorities' commitment to ensure fiscal and debt sustainability as indicated in their Letter of Intent (LoI).

The authorities need to closely monitor COVID-related spending and ensure it is used efficiently and transparently. In this regard, we take positive note of the authorities' assurances in the LoI that the office of the Auditor General will undertake and publish an ex-post audit of Covid-19 related spending. *We would welcome staff's comments whether they have discussed with the authorities any additional measures, which they could put in place to ensure sound governance and decision-making over crisis-containment expenditures.*

The authorities' potential request for the Fund's emergency financing should include more detailed analysis of macroeconomic policies and prospective reforms. Both the staff report and the LoI indicate areas for further structural reforms, including strengthening the AML/CFT framework, improvements in the business environment and repayments of government's expenditure arrears. The prospective Fund-supported arrangement should elaborate on these medium-term objectives, and we encourage the authorities to step up their reform efforts in line with the last 2019 Article IV consultation. *Can staff comment on the progress with the implementation of the 2019 Article IV recommendations.*