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June 9, 2020

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

We thank staff for the paper and Mr. Mahlinza, Mr. Odonye, and Mr. Jappah for the helpful Buff statement. We can support the proposed CCRT debt relief for Tanzania, considering the expected balance of payments impact of the COVID-19 crisis. We have concerns, however, about the quality of the COVID-19 policy response and particularly about the lack of transparency, even while recognizing capacity constraints and related limitations in the accuracy of data. We underscore the need for a more transparent, robust COVID-19 policy response to underpin any potential request for an RCF. We appreciate that the authorities have committed to an audit of COVID-19-related spending and would look for more detailed and robust commitments on fiscal governance in the context of any RCF.

COVID-19 Response. We urge the authorities to strike an appropriate balance in the budget among health spending, support for households and businesses hit by the crisis, and other economic priorities. The initial modest reallocation of budget resources toward health is welcome as a first step but may not be sufficient considering the significant downside risks, including in the context of reporting about potential wider spread of COVID-19 infections that could lead to strains on the health system. Nor are we clear about the authorities' budgetary plans for social support or relief for impacted firms. *Can staff comment on the magnitude of total planned COVID-19-related spending and how it compares to fiscal resources freed up by CCRT relief?*

Tanzania's banking sector has a history of high non-performing loans and weakening capital adequacy and asset quality. *Can staff comment on how they expect recent measures adopted in response to COVID-19—lowering of minimum reserve requirements and support for loan*

restructuring—to impact the situation in the banking sector? What is being done to mitigate the adverse impact on private sector credit and to ensure its recovery post-COVID-19?

Medium-term Fiscal Reforms. The authorities also need to focus on longer-term fiscal-structural reforms. We encourage the authorities to continue making progress on longstanding issues of slow budget execution, domestic arrears, domestic revenue mobilization, and delay in payments of VAT refunds, which significantly impacts the business environment.

Catalytic Role. The staff report notes that discussions around donor support for Tanzania are at a preliminary stage. We encourage the authorities to engage constructively with development partners to help maximize the catalytic effect of IMF debt relief through the CCRT.

Transparency. We emphasize the importance of accurate and comprehensive data in assessing the health of Tanzania’s economy, especially during a time of major external shocks to the economy. In this regard, we look forward to the eventual Board discussion of the 2020 Article IV consultations (mission concluded in March) and urge the authorities to publish the associated staff report. We regret that the authorities chose not to publish the 2019 Article IV report.