

**EXECUTIVE
BOARD
MEETING**

EBS/21/95

November 4, 2021

To: Members of the Executive Board

From: The Secretary

Subject: **United Republic of Tanzania—Request for Disbursement Under the Rapid Credit Facility**

Board Action:	Executive Directors' consideration (Formal)
Tentative Board Date:	Friday, November 12, 2021
Proposed Decision:	Page 10
Publication:	Yes*
Questions:	Mr. Tsangarides, AFR (ext. 35833) Mr. Poplawski Ribeiro, AFR (ext. 30144) Mr. McLoughlin, AFR (cmcloughlin@imf.org) Ms. Fang, AFR (ext. 35377) Mr. Reinke, AFR (ext. 36493)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—African Development Bank, Organisation for Economic Cooperation and Development, World Trade Organization

*The authorities have indicated that they consent to the Fund's publication of this paper.



UNITED REPUBLIC OF TANZANIA

November 4, 2021

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

EXECUTIVE SUMMARY

Context. The COVID-19 pandemic has negatively impacted Tanzania's macroeconomic outlook. The Tanzanian authorities are implementing a comprehensive emergency pandemic response plan to help mitigate the significant socioeconomic and health effects of the crisis, resulting in an ongoing urgent balance of payments need.

Request for Fund support. The emergency financing under a blended Rapid Financing Instrument (RFI)/Rapid Credit Facility (RCF) that the Fund approved for Tanzania on September 7, 2021, was premised on its status as a presumed blender. While the advice staff provided to the authorities on this status was originally correct, this status changed after a policy reform adopted by the Fund prior to the approval of the blended financing for Tanzania. Based on its new status, Tanzania was eligible to receive emergency financing fully on concessional terms. In order to restore the benefit of Tanzania to receive Fund emergency financing fully on concessional terms, as it should have been the case the authorities are now requesting a new disbursement under the exogenous shocks window of the RCF in an amount equivalent to the RFI purchase they made on September 9, 2021, which they have already repurchased early. In this way, the Fund will be providing emergency financing to Tanzania in the same concessional terms that it should have received in September. Moreover, Fund financing under this new RCF disbursement will continue to help Tanzania in addressing its urgent BOP needs arising from the COVID-19 pandemic.

Policy Recommendations. In their attached letter of intent (LOI), the authorities remain committed to the policies discussed in IMF [Country Report No. 21/213](#), to temporarily loosening macroeconomic policies and implementing their comprehensive response plan to address the COVID-19 emergency and mitigate the health and socioeconomic impacts of the pandemic. The authorities have also reiterated their commitment to strengthening governance and transparency to ensure that the RCF disbursement is efficiently spent on addressing the health crisis and its socioeconomic impacts.

Staff supports the authorities' request. Staff assesses that Tanzania continues to meet the eligibility criteria for the RCF, staff also supports Tanzania receiving the benefit of borrowing fully on concessional terms under the RCF.

Risks of external and public debt distress remain moderate.

Capacity to repay the Fund remains adequate and there is no increase in Fund exposure due to the advance RFI repurchase and the new RCF disbursement.

Approved By
Catherine Pattillo
 (AFR) and **Maria**
Gonzalez (SPR)

The staff team comprised Charalambos Tsangarides (Head), Marcos Poplawski Ribeiro, Xiangming Fang, Cameron McLoughlin and Chiara Ferrero (all AFR), Jens Reinke (Resident Representative) and Chelaus Rutachururwa (local economist). Based on technical discussions on June 15, 16, 25 and July 16, 2021; August 11-12, 2021; and follow up high-level discussions on October 7 and 8, 2021

CONTENTS

BACKGROUND	4
RECENT ECONOMIC DEVELOPMENTS, OUTLOOK AND RISKS	4
POLICY ISSUES AND DISCUSSIONS	7
ACCESS, MODALITIES, AND CAPACITY TO REPAY	8
STAFF APPRAISAL	9
FIGURE	
1. COVID-19 and Recent Economic Developments	5
TABLES	
1. Selected Economic Indicators, 2016/17–2025/26	11
2. Balance of Payments, 2016/17–2025/26	12
3. Capacity to Repay, 2020/21-2030/31	13
APPENDICES	
I. Letter of Intent	14
II. Draft Press Release	17

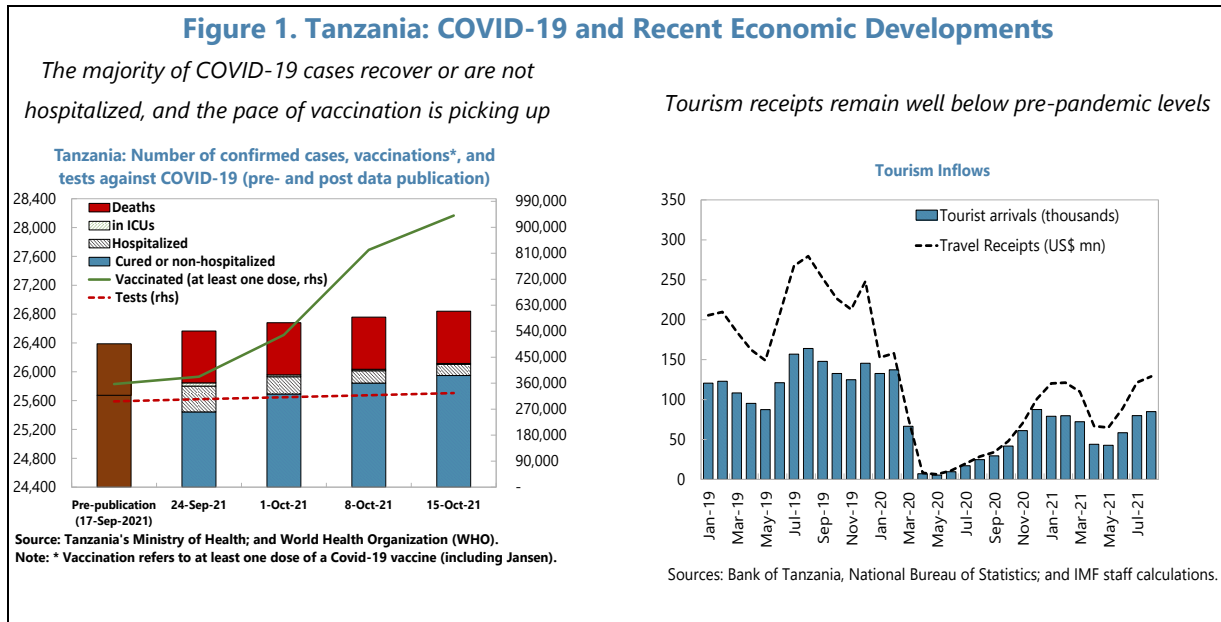
BACKGROUND

1. Tanzania is requesting a new RCF disbursement to help address urgent BOP needs arising from the COVID-19 pandemic, and benefit from Fund emergency financing fully on concessional terms. The emergency financing under a blended RFI/RCF approved for Tanzania on September 7, 2021 was premised on its status as a *presumed blender*. While the advice staff provided to the authorities on Tanzania's status was originally correct, this status changed after a policy reform adopted by the Fund prior to the approval of the blended financing for Tanzania.¹ Based on its new status, Tanzania was eligible to receive emergency financing fully on concessional terms; however, the emergency financing was approved as a blended RFI/RCF. The authorities have been advised by staff of this oversight and are now requesting a new disbursement under the exogenous shocks window of the RCF in an amount equivalent to the RFI purchase they made on September 9, 2021, which they have already repurchased early. This will allow Tanzania to benefit from the opportunity to receive Fund emergency financing on fully concessional terms, as it should have been the case. Fund financing under this new RCF disbursement will continue to help Tanzania in addressing its urgent BOP needs arising from the COVID-19 shock on fully concessional terms in line with its blending status.

RECENT ECONOMIC DEVELOPMENTS, OUTLOOK AND RISKS

2. Tanzania continues to be battered by the COVID-19 pandemic. The latest data on the impact of the pandemic on Tanzania from the World Health Organization (WHO) indicates that as of October 13, 2021, there were 26,034 confirmed cases COVID-19 cases in Tanzania, and 724 deaths since January 2020. With the recent reporting of more COVID data in Tanzania (including information on hospitalization and patients on intensive care units (ICUs)) to the WHO—meeting the commitment in the previous LOI—it has become evident that there has been a recent increase in the number of cases amidst a reported third wave of the virus. The pandemic also continues to take its toll on the economy. The latest available data indicates that travel services receipts and travel arrivals increased in July and August 2021 but remain well below pre-pandemic levels (Figure 1). Growth in credit to the private sector remained weak, at 3.2 percent y/y (down from 6.8 percent y/y in August 2020) and inflation remained stable. Higher-than-expected spending execution, including of recurrent spending in goods and services, such as on COVID-19 needs (0.3 percentage points of GDP) led to a wider-than-expected fiscal deficit for FY2020/21.

¹ See [“Fund Concessional Financial Support for Low-Income Countries—Responding to the Pandemic”](#), IMF Policy Paper 2021/23, July 2021.



3. Efforts by the Tanzanian authorities to mitigate the fallout of the pandemic continue.

The authorities are implementing their pandemic emergency response plan—the Tanzania COVID-19 Socioeconomic Response Plan (TCRP)—which aims to mitigate the health and socioeconomic effects of the pandemic (see Box 1 of IMF [Country Report No. 21/213](#) for further details). The TCRP was officially launched in October and has been published on the Ministry of Finance and Planning [website](#). The ongoing vaccination campaign was launched on July 28, 2021 and vaccines are being administered via over 6,500 vaccination centers throughout the country, with mobile clinics being used to reach remote villages. The authorities report that 940,507 people had been vaccinated as of October 15, 2021, equivalent to about 1.6 percent of the national population.

4. Implementing the TCRP results in an ongoing and urgent balance of payments need in line with that in IMF [Country Report No. 21/213](#) (Text Table 1).

Emergency imports of pandemic-related supplies will continue to be critical for the success of the authorities' efforts to mitigate the health and socioeconomic impacts of the pandemic. At the same time, tourism receipts are still expected to remain well below pre-crisis levels, and the projected increase in oil and other commodity prices will increase the import bill and partly offset earnings from gold exports. These factors, together with the authorities' early repurchase of RFI funds, combine to create an urgent balance of payments need, which is expected to be resolved within 12 months.

5. The fiscal deficit is expected to remain elevated in FY2021/22 to accommodate the response to the pandemic (see IMF [Country Report No. 21/213](#)).

The authorities remain committed to incorporating the COVID-19 response, supported by RCF resources, into a supplementary budget that is expected to be presented to Parliament in February 2022.

This implies a deficit of 3.9 percent of GDP for FY2021/22.² Such a fiscal stance will permit health spending necessary to address the pandemic, including deployment of the vaccination campaign, as well as support for tourism and agricultural sectors. FY2021/22 is also expected to see the implementation of the government's ambitious infrastructure program.

6. Financial assistance under the RCF will make a substantial contribution to filling immediate external needs and help catalyze further financial support from development partners.

The disbursement to the central bank of SDR265.2 million (US\$377 million, 0.5 percent of GDP) will close about 44 percent of the external financing gap in FY2021/22. The RCF disbursement is expected to play a catalytic role in the authorities' ongoing efforts to seek additional budget support. The authorities are in discussions with various development partners on additional financing (focusing on support for health, water and sanitation, and infrastructure expenditure). Discussions with the World Bank on a development policy operation (DPO) are progressing.

Text Table 1. Tanzania: Balance of Payments

(in millions of U.S. dollars)

	2020/21		2021/22	
	Estimates		RCF baseline	
	US\$	% of GDP	US\$	% of GDP
Current account	-1,282	-1.9	-3,227	-4.5
Exports of goods and services	8,848	13.2	9,654	13.4
of which:				
Gold	3,029	4.5	3,047	4.2
Travel receipts	874	1.3	1,700	2.4
Imports of goods and services	-9,738	-14.6	-12,413	-17.2
of which:				
Oil	-1,577	-2.4	-1,958	-2.7
Emergency imports ¹			-850	
Capital and financial account	1,676	2.5	2,667	3.7
of which:				
Direct investment	803	1.2	900	1.3
Foreign program and project assistance	1,052	1.6	1,633	2.3
Overall balance	23	0.0	-561	-0.8
BOP financing gap	23	0.0	1,104	1.5
Potential financing sources	23	0.0	1,104	1.5
IMF use of fund resources: RCF September 2021 ²	23	0.03	189	0.3
IMF use of fund resources: RCF November 2021 ²			377	0.5
Reserves drawdown (excl. SDR allocation) ³	0	0.0	238	0.3
Global Fund	0	0.0	113	0.2
Unidentified donors	0	0.0	187	0.3
Remaining financing gap	0	0.0	0	0.0

Sources: Tanzanian authorities and IMF staff estimates and projections.

¹ Medical equipment, medications and vaccines.

² In 2020/21 it reflects debt relief under the CCRT.

³ The SDR allocation of US\$543 million is included in the baseline (see Table 2). Accounting for the SDR allocation reserves in 2021/22 will increase by US\$305 million.

² The FY2020/21 cash-based deficit outturn was higher than expected in September 2021 (IMF Country Report No. 21/213) by 1.5 percentage points of GDP, driven by additional cash spending than previously envisaged on COVID-related support. This was financed through domestic debt, non-banking financing, and foreign project financing.

7. The outlook for Tanzania continues to depend on successful implementation of the emergency pandemic response plan that would be facilitated by the RCF disbursement, but downside risks remain on the horizon. The absence of urgent financial assistance, including from the new RCF disbursement, would hinder the authorities' ability to implement their pandemic relief plans and have severe health, social, and economic consequences for the country amidst a reported third wave of the virus. Tanzania remains susceptible to downside health, economic and political risks (for further details see IMF [Country Report No. 21/213](#)).

POLICY ISSUES AND DISCUSSIONS

8. The authorities' temporarily loosening of macroeconomic and financial policies will mitigate the pandemic's fallout and support economic recovery (LOI ¶15, IMF [Country Report No. 21/213](#)). As explained in their LOI of August 20, a temporary relaxation of the fiscal stance is geared towards implementing the TCRP and addressing the COVID-19 pandemic, including through the scaling-up of health and social spending, the vaccination campaign, and support to highly affected sectors such as tourism. The authorities have eased monetary policy, including lowering the discount rate and minimum reserve requirements and providing regulatory flexibility for banks to support liquidity provision and credit provision to the economy.

9. The authorities remain committed to strengthening transparency and coordination, in line with commitments made in IMF [Country Report No. 21/213](#), to ensure that funds received are spent on addressing the crisis (¶15, LOI ¶16). As noted in the previous LOI, the authorities will create pandemic-specific Integrated Financial Management Information Systems (IFMIS) codes to track RCF spending; publish quarterly reports of RCF spending within one month after the quarter ends on the website of the Ministry of Finance, as well as the list of financial transfers, all pandemic related public procurement contracts and related documents, including the names of the awarded companies and their beneficial owners, as well as information on all other pandemic related spending; publish a post-crisis audit of pandemic-related spending by December 2022; and publish the ongoing audit of the COVID-19 related spending financed with the debt relief received under the IMF's Catastrophe Containment and Relief Trust (CCRT) by April 2022. At the recent public launch of the TCRP, President Hassan highlighted the government's commitment to a suite of transparency and accountability measures, including close monitoring of pandemic-related spending, project audits that will be undertaken by internal auditors and led by the Controller and Auditor General, as well as on-site project visits by parliamentary committees to ensure that value for money is being observed. Stepping up efforts to publish more timely data under the e-GDDS framework will also be important.

10. Commitments made by the Tanzanian authorities in relation to the recent RCF disbursement/RFI purchase (see IMF [Country Report No. 21/213](#)) are already bearing fruit. At the recent public launch of the TCRP, senior government officials committed to ensuring that financial support received is used for its intended purpose, in line with their LOI commitments in IMF [Country Report No. 21/213](#). The Tanzanian authorities have also resumed regular reporting of epidemiological data to the WHO, as also committed in the same LOI.

11. Tanzania’s risk of debt distress remains moderate for both external and overall public debt. In the specific circumstances of this financing request, which in practice results in no increase in overall Fund credit commitments but instead shifts the composition of Fund financing to be on more favorable terms, and where this financing request has arisen very soon after an earlier request and there has been no significant change in the medium-term macroeconomic framework, the assessment of debt sustainability is based on the information presented in the Debt Sustainability Analysis (DSA) Annex in the IMF [Country Report No. 21/213](#). That DSA indicates that Tanzania’s risk of external debt distress increased to moderate, mainly due to the effects of the pandemic on exports, which weakened the country’s ability to service its external debt, and the lower debt burden thresholds that corresponded to the new medium debt carrying capacity classification.³

ACCESS, MODALITIES, AND CAPACITY TO REPAY

12. The Tanzanian authorities are seeking a new RCF disbursement to help it address its existing urgent BOP needs and benefit from Fund emergency financing fully on concessional terms. The proposed new RCF disbursement, equivalent to SDR 265.2 million, will help fill the urgent BOP need described in this report and in IMF [Country Report No. 21/213](#), and which will remain uncovered after the advance repurchase of the RFI. It will also restore the benefit that Tanzania had to receive Fund emergency financing on fully concessional terms as it should have been the case when the blended RFI/RCF financing was approved in September. The proposed RCF disbursement would bring Tanzania’s access under the RCF exogenous shock window to the annual access limit (100 percent of quota).⁴

13. The capacity to repay the Fund remains adequate. A disbursement of 66.67 percent of quota would result in total Fund exposure to Tanzania of 0.8 percent of GDP. Annual repayments are projected to peak at 0.1 percent of GDP and 0.7 percent of government revenue in FY2027/28 (Table 3).

³ Discussions to settle external arrears claims made by the government of Libya on a US\$101 million loan contracted in 1983 are progressing.

⁴ Since the decision on September 7 to approve the RFI purchase for Tanzania was made on the basis of an oversight pertaining to the change in Tanzania’s status as a presumed blender, and in application of generally acknowledged equitable principles, notwithstanding the annual access limits rules pursuant to in Section II, paragraph 2(b) of the Instrument to Establish the Poverty Reduction and Growth Trust (“PRGT Instrument”), Annex to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended, the RFI purchase made by Tanzania on September 9 will not count against the annual access limits for the new RCF disbursement. For the same reasons, Tanzania was reimbursed for the service charge it paid and was not billed for GRA charges accrued before the RFI purchase was repurchased by the authorities.

STAFF APPRAISAL

14. Staff supports Tanzania’s request for a disbursement under the Rapid Credit Facility in the amount of SDR 265.2 million, equivalent to 66.67 percent of quota. In light of the existing urgent BOP need discussed in this report and in IMF [Country Report No. 21/213](#), and given Tanzania’s eligibility to borrow on fully concessional terms, staff supports the requested new RCF disbursement. This new disbursement, aimed at helping Tanzania address its urgent BOP need, is also supported by the continued efforts to mitigate the fallout of the pandemic, and the authorities’ existing and prospective policies to address this external shock. The proposed support will also help catalyze additional financing from development partners and close immediate external needs.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. The United Republic of Tanzania has requested a loan disbursement in an amount equivalent to SDR 265.2 million (66.67 percent of quota) under the Rapid Credit Facility of the Poverty Reduction and Growth Trust.
2. The Executive Board takes note of the staff oversight in advising the United Republic of Tanzania and recommending Executive Board approval of emergency financing under a blended Rapid Financing Instrument and Rapid Credit Facility for the United Republic of Tanzania, when prior to such approval on September 7, 2021 (see EBS/21/78), it had already ceased to be a presumed blender under the Poverty Reduction and Growth Trust as set forth in SM/21/120. Given these exceptional circumstances, the Executive Board endorses staff's proposal to apply the generally recognized equitable principle of mistake of fact in the very circumscribed manner of the United Republic of Tanzania's case as laid out by staff in EBS/21/95, which allows the United Republic of Tanzania to receive a new disbursement under the Rapid Credit Facility, notwithstanding the annual access limits set forth in Section II, Paragraph 2(b) of the Instrument to Establish the Poverty Reduction and Growth Trust, Annex to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended.
3. The Fund notes the intentions of the United Republic of Tanzania as set forth in the letter from the Minister of Finance and Planning and the Governor of the Bank of Tanzania, dated November 2, 2021, and approves the disbursement in accordance with the request.

Table 1. Tanzania: Selected Economic Indicators, 2016/17–2025/26¹

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Act.	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.
(Percent change, unless otherwise indicated)										
Output, prices and exchange rates										
Real GDP ²	6.8	6.9	7.0	5.9	4.4	4.6	5.3	5.7	5.9	6.0
GDP deflator	108.9	111.2	112.8	114.3	117.2	121.7	126.5	131.5	136.8	142.3
CPI (period average)	5.3	4.3	3.2	3.5	3.2	3.4	3.5	3.5	3.5	3.5
CPI (end of period)	5.4	3.4	3.7	3.2	3.2	3.4	3.5	3.5	3.5	3.5
Core inflation (end of period)	2.4	1.6	3.0	2.3	...	...	...	...	...	...
Terms of trade (deterioration, -)	0.0	-6.8	-3.4	11.6	5.5	-3.2	2.6	1.4	1.2	1.0
Exchange rate (period average, TSh/USD)	2,199	2,251	2,294	2,302	2,310	...	...	...	...	...
Real effective exchange rate (end of period; depreciation = -)	1.9	-1.6	3.3	1.9	2.6	...	...	...	...	...
Money and credit										
Broad money (M3, end of period)	6.0	6.0	7.7	9.5	11.6	8.4	9.2	9.6	10.0	10.1
Average reserve money	1.1	4.0	3.2	9.3	2.4	12.5	9.5	9.9	9.9	10.4
Credit to the private sector (end of period)	1.3	4.0	7.6	5.5	3.6	7.5	8.8	9.2	9.4	9.5
Overall T-bill interest rate (percent; end of period)	7.6	5.6	8.7	3.0	4.9	...	...	...	...	...
Non-performing loans (percent of total loans, end of period)	10.6	10.3	10.7	11.1	...	...	...	...	...	...
(Percent of GDP, unless otherwise indicated)										
Central government operations										
Revenues and grants	15.6	15.2	14.1	15.2	13.8	14.0	14.7	14.9	15.0	14.9
<i>Of which: grants</i>	1.0	0.8	0.3	0.6	0.5	0.4	0.4	0.4	0.4	0.3
Expenditures	16.6	16.5	16.6	16.7	16.7	17.9	17.7	17.8	17.9	17.5
Current	10.2	10.4	10.3	9.8	9.6	10.4	10.1	10.2	10.4	10.5
Development	6.4	6.1	6.4	6.9	7.0	7.4	7.6	7.6	7.4	7.0
Overall balance	-1.4	-1.9	-3.1	-1.9	-3.9	-3.9	-2.9	-2.9	-2.9	-2.6
Excluding grants	-2.0	-2.0	-2.9	-2.1	-3.3	-4.3	-3.3	-3.3	-3.3	-2.9
Public debt										
Gross nominal debt ³	40.0	41.4	39.7	38.7	40.4	40.9	40.3	39.6	38.8	37.7
<i>of which: external debt⁴</i>	28.3	29.5	28.6	28.0	28.2	28.1	27.5	26.1	24.8	23.5
Investment and savings										
Investment	33.2	36.3	39.0	39.8	38.4	38.7	40.4	40.5	40.4	40.2
Government ⁵	10.4	11.4	12.3	13.0	13.6	13.9	14.1	14.0	13.6	13.0
Nongovernment ⁶	22.8	24.9	26.8	26.8	24.8	24.8	26.4	26.5	26.8	27.2
Domestic savings	30.4	33.8	35.5	38.2	36.5	34.3	35.9	36.4	36.6	36.5
External sector										
Exports (goods and services)	16.8	15.9	14.8	14.9	13.2	13.5	13.6	13.9	14.2	14.5
Imports (goods and services)	18.7	17.7	17.6	15.9	14.6	17.2	15.9	16.0	16.0	16.1
Current account balance	-2.8	-2.5	-3.5	-1.6	-1.9	-4.5	-3.3	-3.1	-2.8	-2.7
Excluding current transfers	-3.1	-2.8	-3.6	-1.9	-2.0	-4.6	-3.4	-3.2	-2.9	-2.7
Gross international reserves										
In billions of U.S. dollars	5.0	5.5	4.4	5.2	5.2	5.5	6.2	6.7	7.4	8.0
<i>of which: SDR allocation</i>						0.5				
In months of next year's imports	6.2	6.4	5.3	6.4	5.1	5.4	5.5	5.6	5.7	5.7
Memorandum items:										
Calendar year real GDP growth (percent) ⁷	6.8	7.0	7.0	4.8	4.0	5.2	5.5	5.9	5.9	6.0
GDP at current prices										
Trillions of Tanzanian shillings	114	124	134	144	154	168	184	202	222	245
Millions of U.S. dollars	51,500	54,963	58,755	62,607	66,838	72,011	77,556	83,444	89,869	96,853
GDP per capita (in U.S. dollars)	985	1,020	1,058	1,095	1,135	1,187	1,242	1,298	1,357	1,420
Population (million)	52.3	53.9	55.5	57.2	58.9	60.6	62.4	64.3	66.2	68.2

Sources: Tanzanian authorities and IMF staff estimates and projections.

¹ Fiscal year (July-June).² Historical figures are based on official data up to the fourth quarter of 2020.³ Excludes liquidity management papers and domestic arrears.⁴ Excludes external debt under negotiation for relief.⁵ Includes investments made by parastatals and other public sector institutions.⁶ Historical figures are based on official data up to 2020.⁷ Fiscal year 2017/18 corresponds to calendar year 2018.

Table 2. Tanzania: Balance of Payments, 2016/17–2025/26
(Millions of U.S. dollars, unless otherwise indicated)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Act.	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.
(Millions of U.S. dollars, unless otherwise indicated)										
Current account	-1,423	-1,392	-2,080	-1,014	-1,282	-3,224	-2,561	-2,559	-2,541	-2,601
Trade balance	-2,801	-2,894	-4,130	-2,567	-2,129	-4,242	-3,971	-4,381	-4,699	-5,144
Exports, f.o.b.	4,906	4,852	4,543	5,869	6,458	6,648	6,927	7,423	7,993	8,592
Traditional agricultural products	866	1,056	513	996	578	630	697	756	821	894
Gold	1,532	1,545	1,745	2,591	3,029	3,107	3,176	3,322	3,535	3,744
Other	2,508	2,251	2,284	2,281	2,851	2,911	3,054	3,345	3,637	3,954
Imports, f.o.b.	-7,707	-7,746	-8,672	-8,435	-8,587	-10,890	-10,898	-11,804	-12,692	-13,736
Of which: Oil	-1,943	-1,781	-1,748	-1,556	-1,577	-1,958	-1,949	-1,919	-1,912	-1,924
Services (net)	1,829	1,898	2,462	1,984	1,239	1,606	2,134	2,624	3,090	3,572
Of which: Travel receipts	2,231	2,317	2,528	1,899	874	1,600	1,938	2,396	2,826	3,277
Income (net)	-907	-830	-789	-895	-841	-1,015	-1,163	-1,250	-1,387	-1,487
Of which: Interest on public debt	-232	-300	-285	-327	-138	-428	-661	-732	-845	-901
Current transfers (net)	457	434	376	464	448	427	440	448	455	457
Of which: Official transfers	152	140	58	192	60	73	78	79	79	48
Capital account	423	397	368	362	313	350	329	348	409	395
Of which: Project grants ¹	334	302	304	289	221	281	256	271	328	309
Financial account	2,209	1,999	1,281	1,972	1,363	2,013	2,846	2,795	2,798	2,850
Foreign Direct Investment	901	955	981	951	803	900	1,039	1,285	1,384	1,588
Public Sector, net	671	622	558	1,083	702	1,337	953	455	493	456
Program loans	116	33	75	85	47	230	230	230	230	230
Non-concessional borrowing	553	655	503	900	967	1,290	1,056	620	728	784
Project loans	511	651	633	984	723	748	826	818	801	764
Scheduled amortization ²	-483	-685	-653	-886	-1,035	-1,031	-1,160	-1,215	-1,266	-1,322
Commercial Banks, net	291	-119	-63	66	-64	-131	-94	-112	-116	-116
Other private inflows	346	542	-194	-129	-76	-537	948	1,167	1,037	921
Errors and omissions ³	-6	-377	-566	-508	-371	0	0	0	0	0
Overall balance	1,203	628	-997	812	23	-561	615	584	666	643
Financing	-1,203	-628	997	-814	-45	-305	-615	-584	-666	-643
Change in BoT reserve assets (increase= -)	-1,128	-545	1,082	-783	-45	-305	-615	-584	-666	-643
Use of Fund credit	-75	-83	-85	-32	0	0	0	0	0	0
Financing gap	0	0	0	3	23	866	0	0	0	0
Exceptional financing	0	0	0	3	23	866	0	0	0	0
of which: IMF RCF September 2021	0	0	0	0	0	189	0	0	0	0
IMF RCF November 2021						377				
CCRT debt relief	0	0	0	3	23	0	0	0	0	0
Global Fund	0	0	0	0	0	113	0	0	0	0
Unidentified donors	0	0	0	0	0	187	0	0	0	0
Residual financing gap	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Gross official reserves (BoT)	5,000	5,484	4,402	5,185	5,230	5,535	6,150	6,734	7,400	8,044
of which: SDR allocation						543				
Months of imports of goods and services	6.2	6.4	5.3	6.4	5.1	5.4	5.5	5.6	5.7	5.7
Exports of goods and services (percent of GDP)	16.8	15.9	14.8	14.9	13.2	13.5	13.6	13.9	14.2	14.5
Exports of goods (percent of GDP)	9.5	8.8	7.7	9.4	9.7	9.2	8.9	8.9	8.9	8.9
Exports excl. gold (percent of GDP)	6.6	6.0	4.8	5.2	5.1	4.9	4.8	4.9	5.0	5.0
Imports of goods and services (percent of GDP)	-18.7	-17.7	-17.6	-15.9	-14.6	-17.2	-15.9	-16.0	-16.0	-16.1
Imports of goods (percent of GDP)	-15.0	-14.1	-14.8	-13.5	-12.8	-15.1	-14.1	-14.1	-14.1	-14.2
Imports excl. oil (percent of GDP)	-11.2	-10.9	-11.8	-11.0	-10.5	-12.4	-11.5	-11.8	-12.0	-12.2
Current account deficit (percent of GDP)	-2.8	-2.5	-3.5	-1.6	-1.9	-4.5	-3.3	-3.1	-2.8	-2.7
Foreign direct investment (Percent of GDP)	1.7	1.7	1.7	1.5	1.2	1.3	1.3	1.5	1.5	1.6
Foreign program and project assistance (percent of GDP)	2.2	2.0	1.8	2.5	1.6	1.9	1.8	1.7	1.6	1.4
Nominal GDP	51,500	54,963	58,755	62,607	66,838	72,011	77,556	83,444	89,869	96,853

Sources: Tanzanian authorities and IMF staff estimates and projections.

¹ The Bank of Tanzania adjusts the estimated outturn to reflect information on project grants provided by ministries.

² Relief on some external debt obligations is being negotiated with a number of creditors.

³ Includes valuation changes in gross reserves resulting from changes in exchange rates among major currencies.

Table 3. Tanzania: Capacity to Repay, 2021/22-2030/31

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
IMF obligations based on existing credit	0.1	0.1	0.1	0.1	0.1	13.4	26.6	26.6	26.6	26.6
Principal (in millions of SDRs)	0.0	0.0	0.0	0.0	0.0	13.3	26.5	26.5	26.5	26.5
Charges/interest (in millions of SDRs)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Principal (in millions of U.S. dollars)	0.0	0.0	0.0	0.0	0.0	19.7	39.4	39.4	39.4	39.4
Charges/interest (in millions of U.S. dollars)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
IMF obligations based on existing and prospective credit	0.1	0.1	0.1	0.1	0.1	39.9	79.7	79.7	79.7	79.7
Principal (in millions of SDRs)	0.0	0.0	0.0	0.0	0.0	39.8	79.6	79.6	79.6	79.6
Charges/interest (in millions of SDRs)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Principal (in millions of U.S. dollars)	0.0	0.0	0.0	0.0	0.0	59.1	118.2	118.2	118.2	118.2
Charges/interest (in millions of U.S. dollars)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total IMF existing and prospective obligations										
In millions of SDRs	0.1	0.1	0.1	0.1	0.1	39.9	79.7	79.7	79.7	79.7
In millions of U.S. dollars	0.1	0.1	0.1	0.1	0.1	59.3	118.4	118.4	118.4	118.4
In percent of GDP	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
In percent of exports of goods and services	0.0	0.0	0.0	0.0	0.0	0.4	0.7	0.7	0.6	0.6
In percent of government revenue	0.0	0.0	0.0	0.0	0.0	0.4	0.7	0.7	0.6	0.6
In percent of quota	0.0	0.0	0.0	0.0	0.0	10.0	20.0	20.0	20.0	20.0
In percent of gross international reserves	0.0	0.0	0.0	0.0	0.0	0.7	1.2	1.1	1.1	1.0
IMF credit outstanding (end of period)										
In millions of SDRs	397.8	397.8	397.8	397.8	397.8	358.0	278.5	198.9	119.3	39.8
In millions of U.S. dollars	571.8	577.3	582.7	587.2	591.2	532.1	413.8	295.6	177.4	59.1
In percent of GDP	0.8	0.7	0.7	0.7	0.6	0.5	0.4	0.2	0.1	0.0
In percent of exports of goods and services	5.9	5.5	5.0	4.6	4.2	3.5	2.5	1.7	0.9	0.3
In percent of government revenue	5.8	5.2	4.8	4.5	4.2	3.5	2.5	1.6	0.9	0.3
In percent of quota	100.0	100.0	100.0	100.0	100.0	90.0	70.0	50.0	30.0	10.0
In percent of gross international reserves	10.3	9.4	8.7	7.9	7.3	6.1	4.3	2.9	1.6	0.5
Net use of IMF credit¹	0.0	0.0	0.0	0.0	0.0	-39.8	-79.6	-79.6	-79.6	-78.6
Disbursements (millions of SDRs)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Repayments and repurchases (millions of SDRs)	0.0	0.0	0.0	0.0	0.0	39.8	79.6	79.6	79.6	79.6
Disbursements (millions of U.S. dollars)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5
Repayments and repurchases (millions of U.S. dollars)	0.0	0.0	0.0	0.0	0.0	59.1	118.2	118.2	118.2	118.2
Memorandum items:										
Exports of goods and services (millions of U.S. dollars)	9,715	10,522	11,630	12,787	14,008	15,233	16,536	17,865	19,257	20,757
Government revenue (millions of U.S. dollars)	9,812	11,154	12,161	13,096	14,114	15,291	16,692	18,034	19,439	20,953
Quota (millions of SDRs)	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8
Quota (millions of U.S. dollars)	571.8	577.3	582.7	587.2	591.2	591.2	591.2	591.2	591.2	591.2
Gross international reserves (millions of U.S. dollars)	5,535	6,150	6,734	7,400	8,044	8,782	9,533	10,300	11,102	11,967
GDP (millions of U.S. dollars)	72,011	77,556	83,444	89,869	96,853	104,923	113,894	123,049	132,636	142,970
SDRs per U.S. dollar ²	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7

Sources: Bank of Tanzania, and IMF staff estimates and projections.

¹ Assumes access of 100 percent of quota as RCF disbursements² WEO GAS projections, dated October 12, 2021.

Appendix. Letter of Intent

Dodoma, Tanzania

November 2, 2021

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Madame Managing Director:

1. Our country has been hit by the COVID-19 pandemic. After the first COVID-19 case was reported in Tanzania in March 2020, the country has gone through two major waves of the pandemic and is in the midst of a third. A Special Committee has been formed to study and make recommendations as a response to the virus spread. Currently, we are adopting the Special Committee recommendations on the improvement of health facilities to manage and minimize COVID-19 cases, rolling out vaccination to our people, and increasing public awareness. We have started to regularly and transparently report and disseminate critical information on the pandemic (testing, cases, deaths, etc.) to the WHO and the public.

2. While our economy showed resilience to the COVID-19 shock at the beginning, facilitated by limited lockdowns, the prolonged pandemic effects are beginning to show. The weakening in external demand and domestic economic activity has hindered our traditional exports, tourism receipts, and revenue collection. The slowdown in economic activity is expected to have increased poverty and unemployment. We estimate that real GDP grew by 4.8 percent in 2020, well below our pre-pandemic projection of 6.9 percent, and we expect economic performance to remain subdued growing at 4 percent in 2021. The tourism sector, our main source of foreign exchange earnings, has in the recent past been severely hit by the COVID-19 pandemic, with the number of international tourist arrivals more than halved in 2020. The external position is expected to further deteriorate in the near term, following the need for emergency imports to procure COVID-19 testing machines, vaccines, and other medical supplies. Furthermore, as the pandemic continues to evolve, tourism receipts are expected to remain well below pre-crisis levels; while the projected increase in oil and other commodity prices will increase the import bill, partly offsetting the windfall gain from gold exports.

3. Benefiting from our new eligibility to borrow on fully concessional terms, we have made an early repurchase of the RFI purchase made on September 9. In light of this, we continue to experience an urgent balance of payments financing need and to help address it we are requesting a new RCF disbursement. As discussed in our Letter of Intent dated August 20, 2021, we are experiencing an urgent BOP need of US\$1.1 billion (1.5 percent of GDP) in 2021/22. The shortfall in tax revenues due to the pandemic, implementation of country's COVID-19 response plan to address the health and economic crisis, and deployment of the vaccination campaign are expected to lead the overall fiscal deficit to remain elevated at 3.9 percent of GDP in 2021/22, causing a fiscal financing gap of 0.8

percent of GDP. Given that the budget for 2021/22 only envisages a deficit of 1.8 percent of GDP that leaves little space to tackle the pandemic, we are committed to presenting to parliament a supplementary budget in February 2022 after the mid-year review to properly account for all necessary pandemic spending. Since we have already received an RCF disbursement of SDR 132.6 million and given that we have made an early repurchase of the RFI purchase made on September 9, the current BOP need Tanzania is experiencing is in the amount of SDR 265.2 million.

4. In light of the above, we now request emergency financial support from the IMF of SDR 265.2 million (66.67 percent of quota) under the Rapid Credit Facility (RCF), which we intend to use as direct budget support to help address our urgent balance of payment needs triggered by the COVID-19 shock, and will provide needed fiscal space to implement our targeted measures to respond to the health crisis and mitigate the socioeconomic impact. We are also confident that IMF financial support to Tanzania will help catalyze additional support from development partners to respond to the crisis. We also commit to continue to actively seek additional support from other development partners.

5. We have set up a comprehensive policy agenda to respond to the COVID-19 emergency and mitigate its socioeconomic impact. A comprehensive response plan—“*Tanzania COVID-19 Socioeconomic Response and Recovery Plan (TCRP)*”—to address the COVID-19 emergency and mitigate its impact on our people and the economy was launched in early October and has been published on the Ministry of Finance and Planning website. Our fiscal policy is geared towards responding to the COVID-19 emergency by scaling-up health spending to contain the virus spread and save lives, starting vaccine acquisition and the deployment of a vaccination campaign, strengthening social safety nets to protect vulnerable households, providing support for the tourism sector, and increasing the priority spending on education and water sectors. In parallel, our monetary policy has been loosened to ameliorate the pandemic’s impact. The Bank of Tanzania (BOT) has reduced the discount rate from 7 percent to 5 percent, lowered minimum reserve requirements from 7 percent to 6 percent. Moreover, the BOT has provided regulatory flexibility for banks to support liquidity and credit provision to the economy. We are committed to preserving financial stability while ensuring adequate liquidity to support credit to the economy.

6. We remain committed to ensuring the appropriate use, monitoring, and reporting of COVID-19 related spending. We will thus ensure that the financial assistance received is used for health expenditure to fight the pandemic and to provide support to affected households and economic sectors. We will create pandemic-specific Integrated Financial Management Information Systems (IFMIS) codes to track RCF spending. As per our previous commitments, starting in September 2021, we also commit to publish quarterly reports of RCF spending related to the RCF financing we have and will be receiving under this new request, within one month after the quarter ends on the website of the Ministry of Finance, as well as the list of financial transfers, all pandemic related public procurement contracts and related documents, including the names of the awarded companies and their beneficial owners, as well as information on all other pandemic related spending. This website will be easily accessible and searchable, and will include the contact details of Tanzania’s relevant agencies in charge of receiving whistleblowers’ reporting about potential conflict of interest

and corruption. In addition, we commit to completing and publishing a post-crisis audit of pandemic-related spending by December 2022. We also reiterate our commitment to publish the ongoing audit of the COVID-19 related spending financed with the debt relief received under the IMF's Catastrophe Containment and Relief Trust (CCRT) by April 2022.

7. In line with IMF safeguards policy, we reiterate the BOT's commitment to undergo a safeguards assessment which would need to be completed before Executive Board approval of any subsequent arrangement. We will provide Fund staff with the necessary central bank audit reports and authorize the BOT's external auditors to hold discussions with staff. Furthermore, as we request the RCF disbursement to be made available as budget support, we will use the Memorandum of Understanding between the Ministry of Finance and Planning and the BOT that clarifies respective responsibilities for servicing financial obligations to the IMF signed after the approval of the blended RCF/RFI, which remains valid for the new RCF. Moreover, we do not intend to introduce or intensify exchange and trade restrictions, multiple currency practices, and other measures or policies that would exacerbate balance of payments difficulties.

8. Once the crisis abates, we intend to continue reforms to raise and sustain inclusive growth. We commit not to incur new spending arrears, and to pay tax refunds on time. Furthermore, we plan to clear the backlog of domestic and tax refunds in a timely manner, and to use a risk-based approach in the review of tax refund and spending arrears claims. We also remain committed to maintaining fiscal and debt sustainability. We plan to implement the measures and recommendations in the action plan of the Blueprint for Regulatory Reform to enhance the business environment in Tanzania, with particular emphasis on licenses, and permits to reduce red tape. We also intend to increase support for priority social spending areas, particularly in education and health. Finally, we plan to go ahead with the transition to an interest-rate based framework to improve monetary policy communication and transmission.

9. Looking ahead, we plan to continue the close collaboration with the IMF. We look forward to benefiting from the Fund's policy advice, technical assistance, and as needed, further financial assistance to support, as we implement policies to preserve macroeconomic stability and broader economic reforms to promote sustainable and inclusive growth.

10. We authorize the IMF to publish this Letter of Intent and the staff report for the request for a disbursement under the RCF after approval by the Executive Board of the IMF.

Sincerely yours,

/s/

Dr. Mwigulu Lameck Nchemba Madelu (MP.)
Minister of Finance and Planning

/s/

Prof. Florens D.A.M. Luoga
Governor, Bank of Tanzania



IMF Executive Board Approves [US\$375] Million Rapid Credit Facility Disbursement to Tanzania to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- Tanzania continues to be battered by the COVID-19 pandemic and faces an ongoing urgent balance of payments need as the authorities implement a comprehensive emergency response plan, including a vaccination campaign.
- The IMF approved US\$[375] million in emergency financial assistance under the Rapid Credit Facility (RCF) in an amount equivalent to the recently early repurchased non-concessional financial assistance under the Rapid Financing Instrument (RFI). The fully concessional RCF emergency financing will facilitate the ongoing implementation of the authorities' pandemic relief plans.
- The authorities remain committed to strengthening governance and transparency to ensure that the IMF financial resources are efficiently spent on addressing the crisis.

Washington, DC – November X, 2021: The Executive Board of the International Monetary Fund (IMF) today approved a disbursement equivalent to SDR265.2 million (US\$375 million or 66.7 percent of quota) under the [Rapid Credit Facility](#) (RCF) for Tanzania.¹ This RCF disbursement allows Tanzania to take full advantage of its new eligibility to borrow from the Fund fully on concessional terms.

Tanzania continues to be battered by the COVID-19 pandemic. Recent reporting of COVID-19 data in Tanzania indicates a recent increase in the number of cases amid a third wave of the virus, while travel services receipts and travel arrivals continue to remain below pre-pandemic levels. Due to the impact of the pandemic and the collapse in tourism in the wake of travel restrictions, growth reportedly decelerated to [4.8] percent in 2020, and economic performance is expected to remain subdued in 2021.

The RCF disbursement, in an amount equivalent to the previous financial assistance under the RFI which was repurchased early by the authorities, will continue to help address Tanzania's urgent balance of payment needs arising from the COVID-19 pandemic and will provide Tanzania with concessional resources needed to take measures to mitigate the severe socio-economic impact of the pandemic. The Fund financing should also help catalyze support from development partners. The authorities have reiterated their commitment to strengthening coordination and transparency to ensure that RCF resources are spent on the response to the pandemic. These measures include publishing reports of RCF resources spent and undertaking a post-crisis audit of all pandemic-related spending.

Following the Executive Board's discussion, Mr. Bo Li, Deputy Managing Director and Chair, issued the following statement:

¹ Tanzania's previous emergency financing under a blended RFI/RCF was approved by the IMF Executive Board in September based on its status as a presumed blender under IMF policies. Tanzania's status changed when lending policy reform was adopted in July 2021 prior to the actual approval of the blended financing on September 7, 2021. Tanzania is now receiving all emergency financing on concessional terms as should have been the case in September. Also see, "[Fund Concessional Financial Support for Low-Income Countries--Responding to the Pandemic](#)", IMF Policy Paper 2021/23, July 2021.