

EBS/88/227  
Correction 1

CONFIDENTIAL

November 29, 1988

To: Members of the Executive Board  
From: The Secretary  
Subject: Tanzania - Staff Report for the 1988 Article IV Consultation  
and Request for Arrangement Under the Structural Adjustment  
Facility

The following corrections have been made in EBS/88/227  
(11/9/88):

Page 59, Table I, stub "Exports, f.o.b.," last column: for "16.7"  
read "16.0"

stub "Including IMF," column 4: for "70.0" read "59.5"

column 6: for "67.9" read "58.0"

last column: for "59.3"  
read "53.4"

stub "Excluding IMF," column 4: for "68.5" read "58.2"

column 6: for "66.8" read "57.1"

last column: for "58.3"  
read "52.5"

A corrected page is attached.

Att: (1)

Table I. Tanzania: Selected Economic and Financial Indicators, 1984-1988/89

	1984	1985	1986	1987 Est.	1987/88 Prog.	1987/88 Est.	1988/89 Prog.
<u>(Changes in percent, unless otherwise stated)</u>							
GDP and prices							
Real GDP	3.4	2.6	3.6	3.9	4.0	4.0	4.0
Consumer prices							
End of period	36.1	28.2	33.2	28.9	20.0	30.0	18.0
Average	36.2	33.3	32.4	29.9	25.0	29.7	22.6
Government budget <sup>1/</sup>							
Revenue excluding grants	26.5	16.5	47.7	51.3	60.3	51.3	52.9
Total expenditure	24.4	24.6	45.1	39.5	59.6	39.5	64.4
Money and credit (end of period)							
Total credit	21.9	22.0	18.7	47.9	21.1	53.0	26.5
Of which: Government (net)	(21.9)	(28.0)	(9.3)	(9.2)	(-5.9)	(13.7)	(--)
Money plus quasi-money	22.4	27.5	17.0	28.8	10.2	35.5	10.0
Velocity (GDP relative to M2)	2.9	3.1	3.3	3.6	4.9	4.2	4.9
Interest rates (12-month time deposit rate at end of period)	9.0	10.0	12.5	24.0 <sup>2/</sup>	24.0	24.0	29.0
External sector (on the basis of U.S. dollars)							
Exports, f.o.b.	2.5	-26.4	22.1	-0.2	19.0	7.7	16.0
Imports, c.i.f.	9.0	11.9	5.1	9.5	7.7	8.7	6.1
Nominal effective exchange rate <sup>3/</sup>	-19.2	-2.2	-61.5	-41.2	...	-31.9	...
Real effective exchange rate <sup>3/</sup>	4.0	8.7	-61.3	-32.1	...	-21.3	...
<u>(In percent of GDP)</u>							
Overall government budget deficit <sup>1/</sup>							
Checks-issued basis	-7.3	-7.9	-8.0	-6.9	-9.4	-6.9	-10.4
Checks-cleared basis	-6.4	-5.9	-8.7	-9.1	-8.7	-9.1	-10.6
<u>(In percent of merchandise exports)</u>							
External current account deficit							
Excluding grants	124.7	192.0	162.4	214.4	165.0	214.2	193.2
Including grants	87.3	124.3	58.1	76.5	49.2	80.2	71.0
Scheduled external debt service <sup>4/</sup>							
Including IMF	66.4	55.7	55.5	59.5	52.1	58.0	53.4
Excluding IMF	62.1	53.3	52.1	58.2	51.2	57.1	52.5
<u>(In millions of U.S. dollars)</u>							
External current account balance (excluding grants; deficit -)	-484.4	-548.4	-565.0	-742.3	-696.5	-781.6	-817.6
Overall balance (deficit -)	-158.7	-394.6	-280.0	-365.3	-214.8	-318.8	-221.2
Stock of payments arrears	438.5	843.3	434.4	595.6	--	724.8	--
<u>(In weeks of imports)</u>							
Gross official reserves	1.6	0.8	2.4	1.4	5.1	2.8	5.3

Sources: Based on data provided by the Tanzanian authorities; and staff estimates.

<sup>1/</sup> On a fiscal year basis, beginning on July 1 of each year.<sup>2/</sup> Effective April 1, 1987.<sup>3/</sup> Information Notice System.<sup>4/</sup> In percent of exports of goods and services and private transfers.

Table II. Tanzania: Quantitative Benchmarks, 1988/89

	End-June 1988 Actual <u>1/</u>	July-Oct. 1988	July-Dec. 1988	July 1988- March 1989	July 1988- June 1989
	Program				
	(In millions of U.S. dollars)				
Minimum improvement in net official foreign assets of Bank of Tanzania		—	5	12	20
Cumulative cash reduction in external arrears		3	8	16	25
New external payments arrears (gross) <u>2/</u>		81.5	—	—	—
Increase in public and publicly guaranteed short-term external debt <u>3/</u>		—	—	—	—
Government's contracting and guaranteeing of nonconcessional loans of 1-15 years' maturity		—	—	—	—
New nonconcessional foreign borrowing contracted by public enterprises involved in the production process, on their own credit-worthiness in the maturity range of 1-15 years		50	50	50	50
	(In millions of Tanzania shillings)				
Maximum increase in net domestic assets <u>4/</u>	90,436	22,700	26,450	25,150	27,500
Maximum increase in net central government domestic bank borrowing <u>4/ 5/</u>	38,585	—	-4,000	-4,000	—
Maximum increase in bank credit to specified marketing boards <u>5/</u>	24,017	5,300	7,900	5,500	2,000
Indicative central government revenue		19,300	31,300	50,250	72,600
Indicative total central government expenditure <u>5/</u>		23,300	37,700	59,900	107,750
Indicative central government recurrent expenditure <u>5/</u>		16,750	27,050	43,050	77,466
Overall central government deficit <u>5/</u>		-4,000	6,400	9,650	35,150

Sources: Data provided by the Tanzanian authorities; and staff estimates.

1/ Data represent the actual stocks outstanding at the end of June 1988.

2/ For this period only, this represents the accumulation of new arrears considered eligible for rescheduling in the balance of payments projections. A Paris Club meeting for Tanzania is expected to take place in December 1988.

3/ Debt having an original maturity of up to and including one year, excluding import-related credits.

4/ The above benchmarks for changes in net domestic assets and net central government domestic bank borrowing are set upon the assumption that the World Bank program lending to the Central Government plus the external commodity assistance receipts (import support) to the Central Government totals T Sh 6,653 billion during July-October 1988, T Sh 13,692 billion during July-December 1988, T Sh 18,763 billion during July 1988-March 1989, and T Sh 32,751 million during July 1988-June 1989. To the extent that these estimates are exceeded, the benchmarks on changes in net domestic assets and net credit to the Central Government will be reduced accordingly.

5/ The figures do not reflect the assumption of T Sh 13.6 billion of outstanding debt of specified marketing boards by the Central Government on July 1, 1988. However, the fiscal benchmarks for 1988/89 include the financial costs associated with the servicing of this additional stock of debt.