

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. |
|--|--------|--------|--------|--------------------|------------------|-----------------|------------------|
| (Changes in percent, unless otherwise stated) | | | | | | | |
| 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 ^{1/} | | | | | | | |
| 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 ^{2/} | 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 ^{3/} | -19.2 | -2.2 | -61.5 | -41.2 | ... | -31.9 | ... |
| Real effective exchange rate ^{3/} | 4.0 | 8.7 | -61.3 | -32.1 | ... | -21.3 | ... |
| (In percent of GDP) | | | | | | | |
| Overall government budget deficit ^{1/} | | | | | | | |
| 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 |
| (In percent of merchandise exports) | | | | | | | |
| 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 ^{4/} | | | | | | | |
| 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 |
| (In millions of U.S. dollars) | | | | | | | |
| 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 | -- |
| (In weeks of imports) | | | | | | | |
| 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.

^{1/} On a fiscal year basis, beginning on July 1 of each year.^{2/} Effective April 1, 1987.^{3/} Information Notice System.^{4/} 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 Program | July 1988- June 1989 |
|---|--------------------------------------|-------------------|-------------------|-------------------------------------|-------------------------|
| | (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.