International Monetary Fund

IMF Executive Board Completes Fifth PSI Review and First Review Under the Standby Credit Facility for United Republic of Tanzania

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The Executive Board of the International Monetary Fund (IMF) today completed the fifth review of Tanzania's economic performance under the Policy Support Instrument (PSI) and the first review under the precautionary Standby Credit Facility (SCF) arrangement. In completing the SCF review the Board made available for disbursement an additional SDR 37.3 million (about US$57 million), bringing total resources available for potential disbursement under the arrangement to SDR 74.6 million (about US$114 million).

The Board also approved the Tanzanian authorities' request for a waiver of non-observance of the continuous performance/assessment criterion on the ceiling on external non-concessional debt contracted or guaranteed by the government. The staff judged that the nonobservance would not materially affect the country's debt sustainability.

The Executive Board approved the precautionary 18-month SCF arrangement for Tanzania in July 2012 in an amount equivalent to SDR 149.175 million (about US$228 million—see Press Release No. 12/252).

Following the Executive Board's discussion on Tanzania, Mr. Naoyuki Shinohara, IMF Deputy Managing Director and Acting Chair, made the following statement:

"The Tanzanian authorities are to be commended for their prudent policy management and progress in stabilizing the economy. The overall macroeconomic outlook remains favorable, with buoyant growth and declining inflation. Continued tight fiscal and monetary policies are crucial for securing sustainability.

"The planned tightening of monetary policy is appropriate in view of the remaining inflationary pressures. The authorities are committed to taking additional measures if needed to attain the targeted decline in inflation.

"The budget for 2012/13 appropriately balances the country's

development and social spending needs with the debt-stabilizing objective. To preserve the fiscal consolidation path and avoid a build-up of arrears, any revenue shortfalls would be offset by cutbacks in recurrent and non-priority capital expenditures while safeguarding critical social spending. Any financial support to the energy sector would be accommodated within the existing fiscal framework. An action plan is being finalized to address the financial challenges facing the power utility, preventing costly power outages and large quasi-fiscal losses.

"Structural reforms under the program aim to secure fiscal sustainability and support a strong economic expansion in the medium term. Priorities include modernizing the VAT regime, strengthening public financial management, and improving debt management.

"Tanzania's large current account deficit and related vulnerabilities call for readiness to adjust policies in the event of external shocks, with a view to preserving macroeconomic stability and keeping the program on track. The floating exchange regime would continue to provide helpful flexibility in this regard."

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