

# Statement at the Conclusion of the IMF Mission to Tanzania

Press Release No. 13/66

March 6, 2013

An International Monetary Fund (IMF) mission, led by Mr. Paolo Mauro, visited Dar es Salaam during February 21 – March 6, 2013 to conduct discussions for the sixth and final review under the Policy Support Instrument (PSI, which expires in June 2013) and the second review under the Standby Credit Facility (SCF, which expires in January 2014).<sup>1</sup> The mission met with Hon. Dr. William A. Mgimwa, Minister for Finance, Professor Benno Ndulu, Governor of the Bank of Tanzania, other senior government officials, representatives of the private sector, and development partners.

At the conclusion of the visit, Mr. Mauro issued the following statement:

"Tanzania's economy has continued to perform robustly. Economic growth is projected at about 7 percent in 2013. Inflation has continued to fall, albeit more slowly than envisaged, and is projected to be in the single digits by mid-2013.

"The PSI/SCF program performance has been broadly favorable. Most end-December 2012 quantitative targets were met, whereas implementation of the structural reforms has been more uneven. Citing emerging balance of payments pressures, the authorities in late January 2013 drew the full amount of accumulated access under the SCF (about US\$114 million), which they consider to have played a helpful role in complementing their policy response and supporting market confidence (see Press Release No. 13/45). The mission welcomed the authorities' commitment to attain their **fiscal deficit objective of 5.5 percent of gross domestic product (GDP)** in 2012/13, despite a modest shortfall in revenues and the rising fiscal implications of the high power generation costs associated with hydrological conditions.

"The authorities and the mission made substantial progress in their discussions. Economic policy will aim at further moderating inflation, preserving a sustainable debt outlook, and increasing foreign reserves, which will be facilitated by further enhancing exchange rate flexibility. The mission welcomed the authorities' readiness to moderately tighten **monetary policy to meet their inflation objective of 7 percent** by end-2013. The mission also supported the authorities' aim

for a further reduction in the budget deficit in 2013/14, based on ambitious but realistic revenue targets, while transparently including support to the power sector and reversing the increase in unpaid claims (including in the road infrastructure sector) that have emerged during the current fiscal year. Prompt verification of the stock of arrears would be the first step toward that goal.

"The IMF's Executive Board is expected to consider the PSI and SCF review by end-May 2013. The IMF team wishes to thank the authorities for their warm hospitality and the constructive and open dialogue on policy issues."

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<sup>1</sup> The PSI is an instrument of the IMF designed for countries that do not need balance of payments financial support. The PSI helps countries design effective economic programs that, once approved by the IMF's Executive Board, signal to donors, multilateral development banks, and markets the Fund's endorsement of a member's policies (see <http://www.imf.org/external/np/exr/facts/psi.htm>). The SCF supports LICs that have reached broadly sustainable macroeconomic positions, but may experience episodic, short-term financing and adjustment needs, including those caused by shocks. The SCF supports countries' economic programs aimed at restoring a stable and sustainable macroeconomic position consistent with strong and durable growth and poverty reduction. It also provides policy support and can help catalyze foreign aid. (See <http://www.imf.org/external/np/exr/facts/scf.htm>.) Details on Tanzania's current PSI and SCF are available at [www.imf.org/tanzania](http://www.imf.org/tanzania)

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