International Monetary Fund

IMF Executive Board Completes Sixth and Final Review Under the Policy Support Instrument for Tanzania and the Second Review Under Standby Credit Facility Arrangement

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The Executive Board of the International Monetary Fund (IMF) today completed the sixth and final review of Tanzania's performance under the Policy Support Instrument (PSI) and the second review under the Standby Credit Facility (SCF) arrangement. In February 2013, the authorities drew the full accumulated amount of US$114 million under the SCF arrangement. The authorities have indicated that going forward they intend to treat the arrangement as precautionary.

The Executive Board approved the 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). The PSI for Tanzania was approved by the Executive Board on June 4, 2010 (see Press Release No. 10/ 227).

Following the Executive Board's decision on Tanzania, Mr. David Lipton, Deputy Managing Director and Acting Chair, issued the following statement:

"The Tanzanian economy has continued to grow at a robust pace and the recent decline in inflation is welcome. The authorities are to be commended for their commitment to policies aimed at containing demand pressures, strengthening macroeconomic stability, and preserving a sound fiscal position.

"The planned moderate tightening of monetary policy in 2013 will support gradual disinflation. The Bank of Tanzania's (BoT) commitment to take additional measures in the event of a reemergence of inflationary pressures is welcome. Looking ahead, it would be appropriate for the BoT to complement the reserve money targeting framework with a more flexible

approach to policymaking that gives a greater role to the policy interest rate. Greater exchange rate flexibility could play a useful role in the event of renewed pressures on the exchange rate.

"The deficit target equivalent to 5 percent of GDP in the fiscal year 2013/14 is consistent with the medium-term objectives of fiscal consolidation and debt stabilization. By undertaking new revenue measures, the authorities have appropriately sought to preserve critical infrastructure and social spending. The authorities' commitment to reducing non-priority spending in the event of revenue shortfalls is welcome, as is their commitment to dealing with domestic arrears and to addressing the financial difficulties of the power sector in a transparent manner.

"A priority in the months ahead will be to step up the implementation of structural reforms, particularly in modernizing the VAT regime, strengthening debt management capacity, and establishing a sound institutional and legal framework to ensure that possible future revenues from newly discovered gas deposits accrue to the benefit of all citizens."

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