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FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FIRST REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE UNITED REPUBLIC OF TANZANIA

In the context of the Fourth Review Under the Extended Credit Facility Arrangement, and First Review Under the Resilience and Sustainability Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 13, 2024, following discussions that ended on October 17, 2024, with the officials of the United Republic of Tanzania on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility and the Resilience and Sustainability Facility. Based on information available at the time of these discussions, the staff report was completed on December 2, 2024.
- A **Statement by the Executive Director** for the United Republic of Tanzania.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes Fourth Review Under the Extended Credit Facility Arrangement and First Review Under the Resilience and Sustainability Facility Arrangement with Tanzania

FOR IMMEDIATE RELEASE

- The IMF Executive Board today completed the fourth review under the Extended Credit Facility arrangement with Tanzania, allowing for an immediate disbursement of about US$ 148.6 million (SDR 113.37 million), and the first review of the 23-month arrangement under the Resilience and Sustainability Facility (RSF) arrangement, allowing for an immediate disbursement of about US$ 55.9 million (SDR 42.62 million).
- Economic growth momentum is picking up in 2024 with improved external and fiscal balances, low inflation within the central bank's target, and easing pressures in the foreign exchange market.
- Tanzania's economic reform program supported by the ECF arrangement remained on track. The authorities are committed to continue implementing reforms to preserve macro-financial stability, promote sustainable and inclusive growth, advance structural reforms, and address the risks and challenges associated with climate change, supported by the ECF and RSF arrangements.

Washington, DC – December 13, 2024: The Executive Board of the International Monetary Fund (IMF) completed the fourth review of the Extended Credit Facility (ECF) Arrangement for Tanzania, which was approved in July 2022 (see press release 22/265) for a total access of SDR 795.58 million (200 percent of quota—about US$ 1,046.4 million at the time of program approval). The completion of the review allows the immediate access to US$ 148.6 million (SDR 113.37 million), bringing total disbursement to Tanzania under the arrangement to about US$ 754.3 million. The ECF aims to preserve macroeconomic stability, strengthen the economic recovery, and promote sustainable and inclusive growth.

The Executive Board also completed the first review under the Resilience and Sustainability Facility (RSF) arrangement that was approved in June 2024 with total access of US$791.6 million (SDR 596.7 million,150 percent of quota). The completion of the review allows the immediate disbursement of about US$55.9 million (SDR 42.62 million). The RSF supports Tanzania's ambitious reform efforts to implement climate policy reforms that address risks and challenges associated with climate change and enhance the resilience of the Tanzanian economy.

Tanzania's economic reform program under the ECF arrangement remained on track. All end-June 2024 quantitative performance criteria and indicative targets were met. Performance on structural benchmarks was mixed, with three structural benchmarks completed on time, and two completed with delays. Three structural benchmarks (two of which were due end-June

2024, and one end-September 2024) were not completed, and the authorities have requested to reset of these SBs to end-March 2025 to allow sufficient time for completion.

Economic growth has gained momentum, with real GDP growth picking up to 5.4 percent (year-on-year) in the first half of 2024, from 5.1 percent in 2023. Inflation remains within the central bank's target and a growth-friendly fiscal consolidation is underway. The current account deficit narrowed in FY2023/24, driven by strong exports of services and a slowdown in imports. Pressures in the foreign exchange market have eased, reflecting seasonal current account flows, a tight monetary policy stance, and exchange rate flexibility.

Growth is expected to continue strengthening over the medium term, but risks are tilted to the downside. Near-term policy priorities include implementation of fiscal consolidation as envisaged in the budget, while preserving priority social spending, strengthening monetary operations, and continuing to allow exchange rate flexibility. The medium-term outlook is positive contingent on the steadfast implementation of the authorities' reform agenda, anchored by the ECF arrangement. Additionally, the RSF supports the authorities' efforts to address climate policy challenges and advance their climate reform agenda.

Following the Executive Board discussion, Mr. Li, Deputy Managing Director and Acting Chair, issued the following statement:

"Tanzania's reform program supported by the Extended Credit Facility (ECF) remains on track, and the growth outlook is favorable. The ECF program focuses on strengthening macro-financial stability and supporting sustainable and inclusive growth. The authorities' strong commitment to their reform agenda remains important amid downside risks, combined with continued engagement and capacity support by development partners.

"The ongoing growth-friendly fiscal consolidation will help to create fiscal space and safeguard debt sustainability. Efforts should be geared toward implementing reforms to enhance domestic revenue mobilization and strengthen management and commitment controls. Improving public financial and investment management will help contain fiscal risks and improve the efficiency of public investment. Continued increase in the allocation of funds to priority social spending is needed to close Tanzania's human capital and social development gaps.

"Pressures in the foreign exchange market have eased, reflecting seasonal current account flows, a tight monetary policy stance, and increased exchange rate flexibility. The latter should remain the first line of defense against potential reemergence of FX market pressures. The Bank of Tanzania (BoT) should continue its efforts to improve liquidity and price discovery in the FX market.

"The launch of the interest rate-based monetary policy framework was an important achievement and should be supported by further efforts to improve monetary policy effectiveness. Implementing and developing the communication strategy, strengthening the analytical tools and capacity of the central bank, and supporting the development of money markets would help enhance the monetary policy framework.

"Upgrading the financial supervision and regulatory frameworks, including by implementing FSAP recommendations, will help to buttress financial sector stability and promote financial deepening and inclusion. Completing efforts to align Tanzania's legal framework with FATF standards and improve its effectiveness will strengthen the AML/CFT framework.

“Structural reforms are essential to promote private sector development and inclusive, resilient, and sustainable growth. Business reforms should focus on removing obstacles to foreign investment, simplifying the regulatory regime, enhancing governance and regulatory transparency, and improving public policy predictability. Implementation and enforcement of the authorities’ anti-corruption legislation and strategies are central to enhancing governance. Closing gender gaps would also support growth and inclusion.

“The authorities have begun implementing their ambitious climate reform agenda supported by the Resilience and Sustainability Facility (RSF) arrangement, which is also expected to help catalyze official technical and financial assistance and private sector financing.”

Table 1. Tanzania: Selected Economic Indicators, 2020/21–2029/30[1]

	2020/21	2021/22	2022/23	2023/24	2024/25		2025/26		2026/27	2027/28	2028/29	2029/30
	Act.	Act.	Act.	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Percent change, unless otherwise indicated)											
Output, Prices and Exchange Rates												
Real GDP[2]	4.7	4.7	4.9	5.3	5.7	5.7	6.2	6.2	6.4	6.5	6.5	6.3
GDP deflator	114.3	118.3	124.0	130.1	136.0	136.0	141.9	141.9	148.5	155.8	163.6	171.8
CPI (period average)[3]	3.3	4.0	4.6	3.1	3.8	3.8	4.0	4.0	4.0	4.0	4.0	4.0
CPI (end of period)[3]	3.6	4.4	3.6	3.1	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Core inflation (end of period)[3]	2.4	3.1	3.1	3.1	...	...	...	...	...	...	...	...
Terms of trade (deterioration, -)	5.0	-8.0	-0.7	8.2	3.1	8.5	2.7	4.5	4.5	4.5	4.5	4.5
Exchange rate (period average, TSh/USD)	2,298	2,298	2,310	2,505	...	...	...	...	...	...	...	...
Real effective exchange rate (end of period; depreciation = -)	-4.7	3.8	4.1	-10.8	...	...	...	...	...	...	...	...
Money and Credit												
Broad money (M3, end of period)	11.7	6.5	18.8	10.9	11.1	11.1	11.1	11.1	11.5	12.0	12.0	12.0
Average reserve money	2.4	12.8	8.1	12.7	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Credit to the private sector (end of period)	5.8	22.1	22.2	16.1	12.5	12.5	12.2	12.2	12.2	12.1	12.1	12.1
Overall T-bill interest rate (percent; end of period)	4.9	4.6	6.5	...	...	...	...	...	...	...	...	...
Non-performing loans (percent of total loans, end of period)	9.2	7.8	5.3	...	...	...	...	...	...	...	...	...
	(Percent of GDP, unless otherwise indicated)											
Central Government Operations												
Revenues and grants	14.1	15.4	14.9	15.3	16.1	16.1	16.4	16.4	16.5	16.5	16.4	16.4
Of which: grants	0.5	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.3
Expenditures	17.6	18.9	19.2	18.4	19.1	19.1	19.2	19.2	19.2	19.2	19.2	19.2
Current	10.3	10.1	11.9	11.0	12.3	12.3	12.5	12.4	12.5	12.5	12.5	12.4
Development	7.3	8.8	7.3	7.4	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Overall balance	-4.5	-3.8	-4.3	-3.1	-3.0	-3.0	-2.8	-2.8	-2.8	-2.8	-2.7	-2.7
Excluding grants	-4.9	-4.2	-4.7	-3.4	-3.3	-3.3	-3.2	-3.1	-3.1	-3.1	-3.1	-3.1
Primary balance	-2.8	-2.0	-2.3	-0.9	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Excluding grants	-3.3	-2.4	-2.6	-1.2	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Public Debt												
Gross nominal debt	42.7	43.5	45.7	48.7	46.7	47.6	45.6	46.3	44.9	43.5	42.1	40.9
of which: external debt[4]	30.1	28.8	29.6	32.6	31.9	32.4	31.1	31.5	29.8	28.2	26.7	25.5
Investment and Savings												
Investment	39.7	40.0	38.5	37.7	39.1	37.9	39.7	38.8	40.0	41.1	41.5	41.6
Government[5]	12.9	12.4	12.0	11.9	10.6	11.5	10.7	11.3	11.3	11.3	11.3	11.3
Nongovernment[6]	26.8	27.6	26.5	25.7	28.5	26.4	29.1	27.5	28.7	29.8	30.2	30.3
Domestic savings	36.9	35.1	32.0	34.6	35.3	34.8	36.3	35.8	37.1	38.4	39.0	39.2
External Sector												
Exports (goods and services)	13.4	15.5	16.7	18.4	17.9	18.4	17.9	18.3	18.1	17.9	17.8	17.8
Imports (goods and services)	15.0	19.3	22.2	20.1	20.2	20.3	20.2	20.4	20.2	19.8	19.6	19.6
Current account balance	-2.8	-4.9	-6.5	-3.1	-3.7	-3.1	-3.5	-3.1	-3.0	-2.7	-2.5	-2.4
Excluding current transfers	-2.9	-5.0	-6.6	-3.2	-3.8	-3.2	-3.6	-3.2	-3.1	-2.7	-2.6	-2.5
Gross international reserves												
In billions of U.S. dollars	5.2	5.1	5.4	5.4	6.3	6.4	7.0	7.1	7.6	8.3	9.0	9.8
of which: SDR allocation		0.5										
In months of next year's imports	4.6	3.6	4.1	3.8	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3
Memorandum Items:												
Calendar year real GDP growth (percent)[7]	4.8	4.7	5.1	5.4	6.0	6.0	6.3	6.3	6.5	6.5	6.5	6.2
GDP at current prices												
Trillions of Tanzanian shillings	150.8	163.5	179.7	198.5	219.4	219.4	243.0	243.0	270.5	302.4	338.2	377.6
Millions of U.S. dollars	65,669	71,069	76,655	79,653	82,681	83,069	89,242	89,747	97,959	107,354	117,722	128,880
GDP per capita (in U.S. dollars)	1,115	1,172	1,228	1,239	1,249	1,254	1,308	1,316	1,395	1,484	1,580	1,680
Population (million)	58.9	60.6	62.4	64.3	66.2	66.2	68.2	68.2	70.2	72.3	74.5	76.7

Sources: Tanzanian authorities and IMF staff estimates and projections.

1 Fiscal year (July-June).

2 Based on GDP by production.

3 The inflation index uses price data collected from all 26 regional headquarters of the statistical office in Tanzania Mainland.

4 Excludes external debt under negotiation for relief.

5 Includes investments made by parastatals and other public sector institutions.

6 Historical figures are based on official data up to 2022.

7 Fiscal year 2020/21 corresponds to calendar year 2021.

INTERNATIONAL MONETARY FUND

UNITED REPUBLIC OF TANZANIA

December 2, 2024

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FIRST REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

Context and outlook. Growth continues to recover from the impacts of the unfavorable global economic environment and domestic factors. Growth is expected to continue strengthening, supported by the implementation of the authorities' reform agenda, and subsiding global commodity prices. Inflation is projected to remain within the central bank's target range. Growth-friendly fiscal consolidation is expected to continue, anchored by the ECF arrangement. The current account deficit has narrowed significantly and is projected to improve further over the medium term. The authorities have begun implementing their ambitious climate reform agenda, supported by the RSF arrangement.

Performance under the ECF arrangement. All quantitative performance criteria (QPC), continuous QPCs, and indicative targets (ITs) for end-June 2024 were met. Performance of structural benchmarks (SBs) was mixed. The structural benchmarks (SBs) on revising and publishing the schedule for the MPC meetings, submitting revenue measures with annual yield of 0.5 percent of GDP to Parliament, and submitting a draft amendment of the VAT Act to Parliament, were met. The draft amendment of the VAT Act was not, however, approved as Parliament suggested that the Revenue Authority fully automates the refund process before re-submitting the draft Act. The SB on preparation and publication of an annual report on tax expenditures, and the end-December 2023 SB on establishing an AML/CFT risk-based supervisory framework (which had not been met during the third review), were completed with delay. The end-June 2024 SB on amendment of the BoT Act, the end-June 2024 SB on preparation of a medium-term revenue strategy with an implementation plan, and the end-September 2024 SB on drafting and submitting to Parliament a secured transactions Act were not completed on time, and the authorities request reset of these SBs to end-March 2025 to allow time for completion. Preliminary data shows that all end-September 2024 ITs were met.

Progress under the RSF arrangement. Efforts towards the RSF reform measures (RMs) are underway, as the authorities mobilize technical assistance in support of their climate reform agenda. One end-November RM—RM5 (amend the Environmental Impact Assessment Regulation)—has been completed, while RM1 (amend the Environmental Management Act) is progressing and expected to be completed by March 2025.

Approved By
Catherine Pattillo (AFR) and Peter Dohlman (SPR)

Discussions took place in Dodoma and Dar es Salaam during October 2–17, 2024. The staff team comprised Charalambos Tsangarides (Head), Melesse Tashu, Farayi Gwenhamo, Leni Hunter, and Sunwoo Lee (AFR), Katja Funke (FAD), Sebastian Acevedo (Resident Representative), Chelaus Rutachururwa (local economist). Berit Lindholdt-Lauridsen (MCM) joined some meetings virtually. Ms. Cadario from the Global Center on Adaptation (GCA) joined some meetings virtually. Dickson Lema (OEDAE) participated in the discussions. The team met with Minister of Finance, Mwigulu Nchemba, Bank of Tanzania Governor, Emmanuel Tutuba, and other officials. Staff also held discussions with the private sector and development partners. Ignacio Gutierrez and Mason Stabile (AFR) provided excellent assistance for the preparation of this report.

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APPENDIX

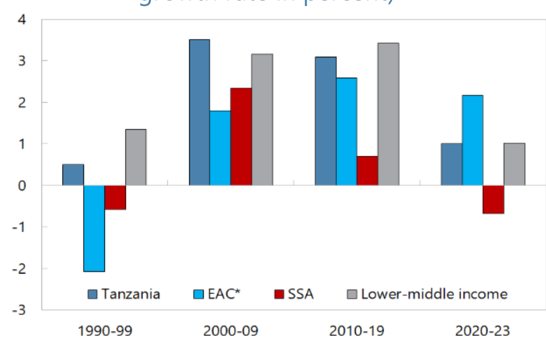
CONTEXT

1. **Tanzania continues to recover well from recent shocks but needs sustained efforts to unleash its economic potential.** Tanzania has enjoyed 20 years of strong economic growth, but human capital development needs and infrastructure deficits have limited the country's growth potential, keeping a large share of the rapidly growing population below the poverty line (Text Figure 1).

Text Figure 1. Growth and Development Indicators: Tanzania and Comparators

Real GDP Per Capita

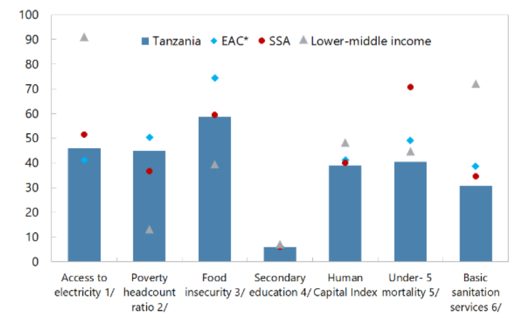
(GDP per capita in constant 2015 USD; per capita growth rate in percent)



*Excludes Tanzania and South Sudan

Development Indicators

(World Development Indicators, 2012-2022)



1/Percent of population (2022); 2/At $1.90 a day (2011 PPP) (% of population) (2012-2021); 3/Prevalence of moderate or severe food insecurity in the population (%) (2019-2021); 4/Duration in years (2022); 5/Rate per 1000 live births (2022); 6/SSA excludes Eritrea (2022).
*Excludes Tanzania and South Sudan.

Sources: World Development Indicators and Fund staff calculations.

2. **The authorities' reform agenda is supported by a 40-month ECF arrangement approved in July 2022 (200 percent of quota access)**. The program focuses on three key areas: (i) strengthening fiscal space to allow for much needed social spending and high-yield public investment through improved revenue mobilization and spending quality; (ii) advancing the authorities' structural reform agenda; and (iii) safeguarding macro-financial stability and advancing financial deepening through enhancing the monetary policy framework and improving financial supervision. In June 2024, the IMF Executive Board concluded the third review under the ECF arrangement and approved the authorities' request for extension of the arrangement by 6 months and rephasing of access.

3. **A 23-month arrangement under the RSF approved in June 2024 (150 percent of quota access) anchors Tanzania's efforts to build resilience to climate change.** RSF reforms focus on: (i) enhancing governance and coordination of climate change policies; (ii) strengthening the disaster risk management (DRM) framework; (iii) mainstreaming climate policies in budgeting and public investment planning; (iv) aligning sectoral climate policies with national policies and commitments; and (v) enhancing supervision of financial sector climate-related risks. The RSF increases concessional financing and helps substitute for more expensive domestic financing.

RECENT ECONOMIC DEVELOPMENTS

4. **Economic activity continues to recover from the impact of unfavorable global economic environment and domestic factors.** Real GDP growth increased to 5.1 percent in 2023, from 4.7 percent in 2022, on the back of strong growth in agriculture, mining, and financial services. Growth continued to pick up to 5.4 percent (yoy) in the first half of 2024, driven by the agriculture, construction, manufacturing, and financial service sectors. At 3 percent (yoy) in October, headline inflation remained within BoT's target, while core CPI has declined in recent months, to 3.2 percent (yoy) in October (Figure 2).

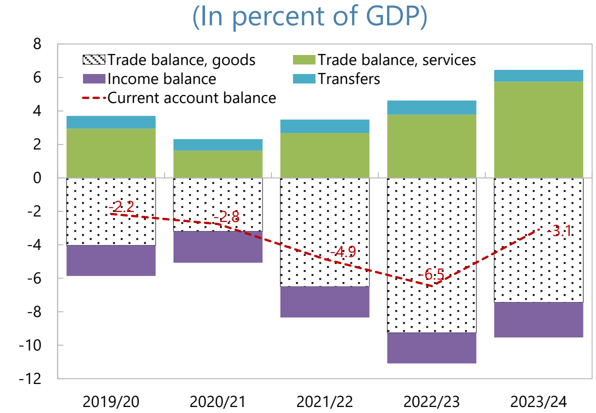
Text Table 1. Tanzania: Fiscal Developments FY2022/23 and FY2023/24
(In percent of GDP)

	2022/23	2023/24	
		Budget_rev est.	Outturn
Domestic revenue	**14.6**	**15.4**	**15.0**
Tax revenue	11.9	12.6	12.5
Non tax revenue	2.7	2.7	2.6
External grants	**0.3**	**0.6**	**0.3**
Expenditure	**19.2**	**18.7**	**18.4**
Recurrent	11.9	12.0	11.0
Wages and services	4.3	4.8	4.2
Interest	2.0	2.1	2.3
Goods, services and transfers	5.6	5.1	4.6
Development	7.3	6.7	7.4
Locally financed	6.3	5.1	5.6
Externally finance	1.0	1.7	1.7
Primary balance	**-2.2**	**-0.7**	**-0.9**
Domestic primary balance	***-2.6***	***-1.3***	***-1.2***
Overall balance	**-4.3**	**-2.8**	**-3.1**
Financing	**4.3**	**2.8**	**3.1**
External, net	1.7	1.9	2.0
Domestic, net	2.6	0.9	1.1
Memo:			
Priority social spending	*5.9*	*6.6*	*6.6*
Statistical discripancy	*-0.1*	*...*	*-0.1*

Source: Ministry of Finance and Fund staff calculations.

5. **Fiscal consolidation was achieved in FY2023/24 through both improvements in revenues and adjustments in spending.** The domestic primary balance improved by 1.4 ppts of GDP, slightly better than the budget estimate and the program target. While falling short of budget expectations, domestic revenues improved by 0.4 ppts of GDP compared to FY2022/23.[1] A significant adjustment to primary current spending helped offset not only shortfalls in revenues (compared to budget) but also higher than expected development spending. Priority social spending was increased by 0.7 percentage points of GDP in line with the program target (Text Table 1).

Text Figure 2. Current Account Balance
(In percent of GDP)



Sources: Bank of Tanzania and Fund staff calculations.

6. **The current account deficit improved markedly in FY2023/24, reflecting improvements in exports of services and a slowdown in imports (Text Figure 2).** After widening significantly to 6.5 percent of GDP in FY2022/23, the current account deficit improved to about 3.1 percent of GDP in FY2023/24, reflecting a rapid growth of exports of services (25.5 percent) and a slowdown in imports of goods and services (-5.6 percent). Imports of goods fell 4.6 percent, reflecting a

[1] Shortfalls in revenues, notably non-tax revenues, reflect lower collections from mining companies, SOEs dividends, and fees and rents.

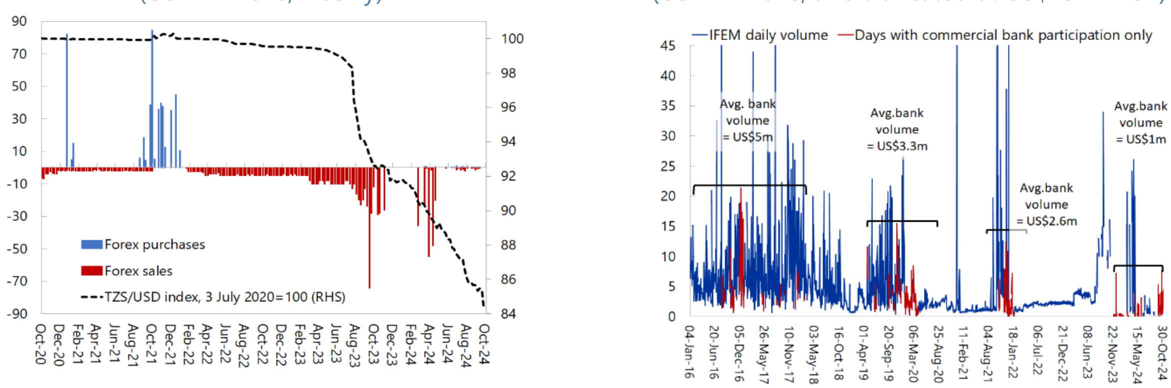
decline in imports of consumer goods and subsiding global commodity prices, which led to lower import bills for fuel and fertilizer. The level of gross international reserves stood at US$5.4 billion (about 3.8 months of imports) in September 2024, compared to about US$4.8 billion a year earlier, and is assessed as adequate by the ARA metric.

7. Pressures in the FX market have eased, after reemerging in the first half of 2024. The FX market came under pressure in 2023 due to a widening current account deficit in 2022. The BoT initially responded with heavy interventions in the interbank foreign exchange market (IFEM) and administrative measures while keeping the exchange rate stable.[2] However, more exchange rate flexibility[3] and limited interventions by the BoT along with improvements in the current account deficit led to a modest return of IFEM activity towards the end of 2023. While FX market pressures reemerged in the first half of 2024, FX liquidity has recently improved due to seasonal current account flows, the tight monetary policy stance, and continued exchange rate flexibility. The spread between the IFEM and retail rates has narrowed, and anecdotal evidence indicates the parallel market has receded. Notwithstanding these gains, the parallel market reportedly remains an important source of FX for some firms which are unable to meet all their FX demand in the formal market; and dollarization of bank liabilities has increased, while trading in the IFEM has remained low. The BoT implemented sizable FXI mainly through auctions in early 2024, but net FX sales in the IFEM have been modest since late April (Text Figure 3).

Text Figure 3. Forex Market Activity and the Exchange Rate

(a) Bank of Tanzania FX Purchases and Sales (USD millions, weekly)

(b) IFEM Daily Volumes (USD millions, axis truncated at US$45 million)



Sources: Bank of Tanzania, Haver, IMF staff calculations.

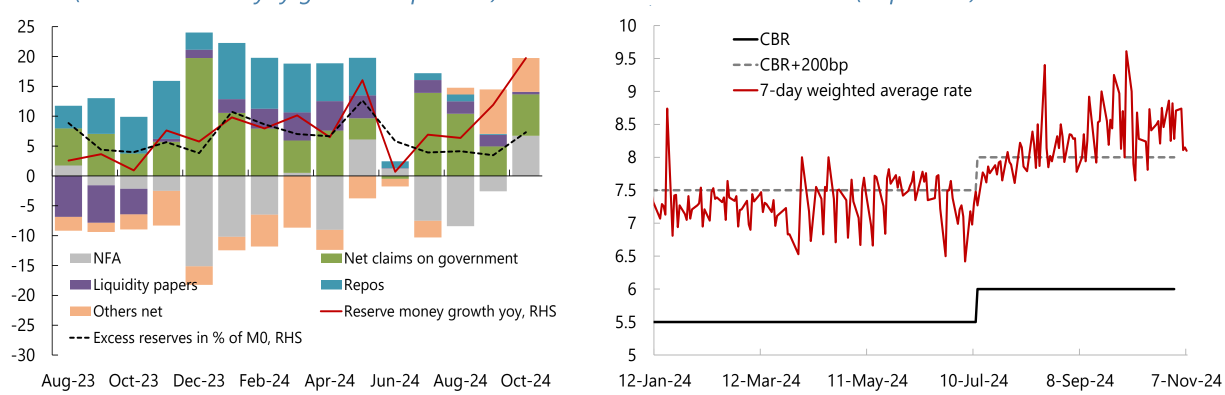
8. The BoT maintains a moderately tight monetary policy stance. The BoT launched its new interest rate-based monetary policy framework in January, initially setting the central bank rate (CBR) at 5.5 percent. The BoT raised the CBR to 6 percent in April, adopting a moderately tight

[2] Tanzania maintains one exchange restriction subject to Article VIII, Section 2(a), which pre-dates the program, arising from the requirement that residents use letters of credit for forex payments for transit cargoes.
[3] The Tanzanian shilling depreciated by 12.9 percent in FY2023/24, compared to 1 percent depreciation in FY2022/23. The nominal and real effective exchange rates also depreciated by 8.5 and 10.8 percent, respectively in FY2023/24. Tanzania's de facto exchange rate arrangement was reclassified from a stabilized to crawl-like arrangement in July 2023.

stance in response to an increase in core inflation, and maintained the CBR at 6 percent at the July and October Monetary Policy Committee meetings. Shilling liquidity tightened significantly at end-June 2024, with reserve money growth dipping to 1 percent yoy before picking up to 20 percent yoy at end-October, reflecting liquidity injection by the BoT. Consistent with tight liquidity conditions, the 7-day IBCM rate has recently exceeded CBR+200bp corridor. Although liquidity injections have resulted in ICBM rate decline it remains above the corridor, reflecting the need to further improve monetary operations including the use of standing facilities (Text Figure 4).[4]

Text Figure 4. Monetary Policy and Banking System Liquidity

(a) Reserve Money and Banks' Excess Reserves *(Contribution to yoy growth in percent)* | (b) Central Bank and 7-days IBCM Rates *(In percent)*



Sources: Bank of Tanzania and Fund staff calculations.

9. The financial sector remains broadly stable with some pockets of vulnerabilities persisting (Table 5). Overall, the banking sector is well-capitalized and profitable. Asset quality indicators improved in June 2024 compared to a year earlier, with a decrease in the NPL ratio to 4.1 percent, from 5.3 percent. At the same time, private sector credit growth continued to ease, to 14.7 percent yoy in September 2024, from 20 percent a year earlier, due to tighter monetary conditions. The banking system continued to record strong profits in June, with RoA and RoE of 5.7 percent and 27.3 percent, respectively. The net open position to total capital ratio was 4.4 percent in June, an increase from -0.3 percent in March. Performance varies across banks, with large banks (two of which represent nearly half of system assets) performing well while weaknesses persist in some smaller banks. High credit concentration, financial dollarization, and deficiencies in the AML/CFT framework remain key vulnerabilities.

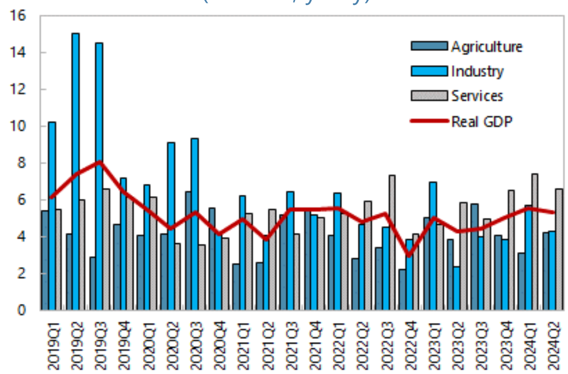
[4] Under the new framework, the BoT aims to align the 7-day interbank cash market (IBCM) rate within +/- 200bp of the CBR using its monetary policy instruments and standing facilities.

Figure 1. Overview of Recent Economic Developments

After slowing down in 2022, growth is picking up on the back of recovery in agriculture and services sectors…

Real GDP Growth

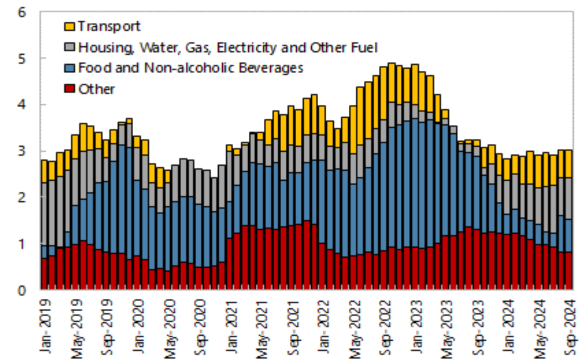
(Percent, y-o-y)



…and inflation has decelerated reflecting the authorities' policy responses and moderation in commodity prices.

Contribution to Inflation

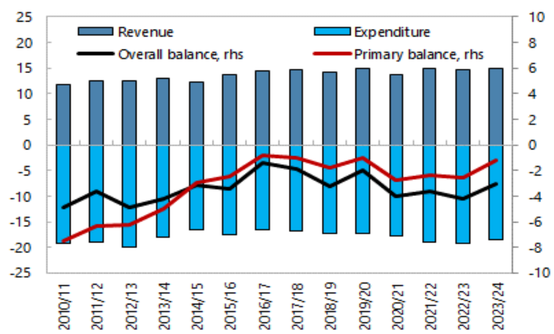
(Percent)



Fiscal consolidation was achieved in FY2023/24 through both improvements in revenues and adjustments in expenditure.

Recent Developments: Fiscal Sector

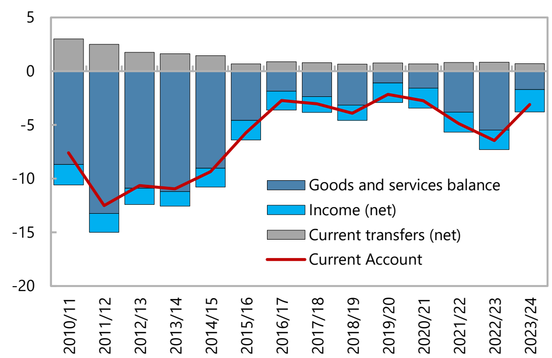
(Percent of GDP)



The current account deficit narrowed significantly in FY2023/24, reflecting improvements in the trade balance.

Recent Developments: External Sector

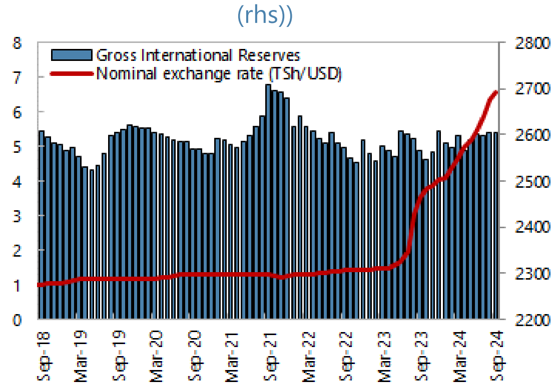
Percent of GDP)



The level of international reserves remained stable while the Tanzanian shilling depreciated vis-à-vis the USD.

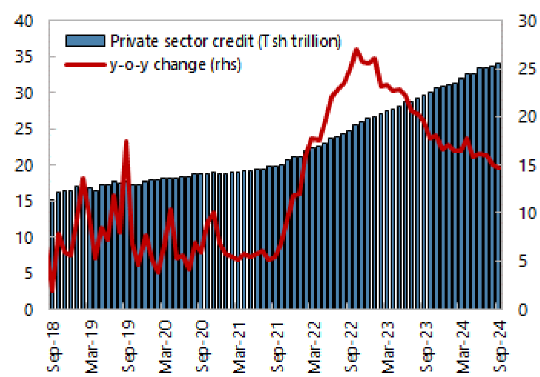
Recent Developments: International Reserves

(Billions of USD, and national currency per USD (rhs))



Private sector credit growth has moderated reflecting tighter monetary conditions.

Credit to Private Sector



Sources: Tanzanian authorities; and IMF staff calculations and projections.

OUTLOOK AND RISKS

10. Economic activity is expected to continue strengthening, and the medium-term outlook is positive contingent on implementation of the authorities' reform agenda. Growth is projected to pick up to 5.4 and 6.0 percent in 2024 and 2025, respectively, and projected to reach about 6½ percent over the medium-term supported by successful implementation of the authorities' reform agenda, improvements in the business environment, and improvements in the global economic environment. Inflation is expected to remain below the BoT's 5 percent target and enhanced revenue mobilization efforts are expected to improve the fiscal outlook (Text Table 2). The current account deficit is projected to continue moderating further over the medium-term, reflecting a favorable outlook for the terms of trade and the impact of the authorities' reforms.

Text Table 2. Tanzania: Selected Economic and Financial Indicators Under the ECF Arrangement, 2020/21–2029/30

(Annual percentage change; unless stated otherwise)

	2020/21 Act.	2021/22 Act.	2022/23 Prel.	2023/24 Proj.	2024/25 Proj.	2025/26 Proj.	2026/27 Proj.	2027/28 Proj.	2028/29 Proj.	2029/30 Proj.
Real GDP	4.7	4.7	4.9	5.3	5.7	6.2	6.4	6.5	6.5	6.3
Calendar year Real GDP[1]	4.8	4.7	5.1	5.4	6.0	6.3	6.5	6.5	6.5	6.2
GDP deflator	114.3	118.3	124.0	130.1	136.0	141.9	148.5	155.8	163.6	171.8
CPI (period average)	3.3	4.0	4.6	3.1	3.8	4.0	4.0	4.0	4.0	4.0
Credit to the private sector (end of period)	3.6	19.4	21.3	17.2	12.5	12.2	12.2	12.1	12.1	12.1
Domestic primary balance (percent of GDP)	-2.8	-2.0	-2.3	-0.9	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3
Fiscal overall balance (percent of GDP)	-4.5	-3.8	-4.3	-3.1	-3.0	-2.8	-2.8	-2.8	-2.7	-2.7
Public debt (percent of GDP)	42.7	43.5	45.7	48.7	47.6	46.3	44.9	43.5	42.1	40.9
Current account balance (percent of GDP)	-2.8	-4.9	-6.5	-3.1	-3.1	-3.1	-3.0	-2.7	-2.5	-2.4
Reserves (months of imports)	4.6	3.6	4.1	3.9	4.2	4.3	4.3	4.3	4.3	4.3

Sources: Tanzanian authorities and IMF staff estimates and projections.
[1] Fiscal year 2020/21 corresponds to calendar year 2021.

11. Risks to the outlook are tilted to the downside. Intensification of regional conflicts, increased commodity price volatility, a global economic slowdown, natural disasters related to climate change, reemergence of pressures in the FX market, and a poorly executed scale up of public investment projects could weigh negatively on the near-term outlook (Annex I). Risks to the medium-term outlook include complacency in reform implementation and spillovers from deepening geoeconomic fragmentation. On the positive side, realization of the LNG project could boost investment and growth.[5]

POLICY DISCUSSIONS

Discussions focused on policy priorities to safeguard macro-financial stability in the near-term and promote sustainable and inclusive private sector-led growth in the medium-term. While pressures in the FX market have eased, ongoing effort is needed to ensure exchange rate flexibility and revive the

[5] As part of the National Five-Year Development Plan, the authorities foresee a multi-billion, currently estimated at US$42 billion, investment on building the LNG plant and the associated infrastructure for exports. Negotiations between the Tanzanian government and a consortium of private investors are ongoing.

interbank FX exchange market. Medium-term reform priorities continue to center on creating fiscal space, modernizing the monetary policy framework and financial supervision, and advancing structural reforms.

A. Safeguarding Macro-Financial Stability

12. Continuing with fiscal consolidation as envisaged in the FY2024/25 budget will enhance fiscal sustainability. In line with ECF program objectives, the budget envisages a fiscal consolidation of 0.4 percent of GDP in the domestic primary balance, achieved primarily through domestic revenue mobilization (MEFP ¶9, 19-21). Primary expenditure is projected to remain stable in percent of GDP with adjustments to non-priority spending offsetting the increase in priority social spending (PSS) (MEFP ¶9, 22-24). Given recurring revenue underperformances, strengthening cash management and commitment controls is critical to ensure that spending is consistent with resource availability (MEFP ¶26-27).

13. Exchange rate flexibility should be the first line of defense against potential reemergence of FX market pressures. While FX market pressures have recently eased, there is risk that they could reemerge in 2025H1 which is a low season for tourism. The issuance of the FXI policy and revised IFEM code of conduct (both completed ECF SBs) and the BoT's commitment to conduct auctions based on competitive criteria were important steps to support market liquidity and foster price discovery. The BoT should enhance exchange rate flexibility by encouraging banks and bureau de changes to trade at market clearing exchange rates and continuing to conduct FXI in accordance with the new policy while maintaining adequate foreign exchange reserves.[6] Ongoing engagement and communication is important to reinforce market participants' understanding of the FXI policy and the revised IFEM code of conduct (MEFP ¶12, 13).

14. The BoT should improve the functioning of the interbank cash market and monetary policy operations including standing facilities. In the months immediately following the launch of the new monetary policy framework, the BoT was largely successful in keeping the 7-day cash rate within the CBR+/- 200bp corridor. However, the 7-day cash rate has been frequently above CBR+200bp upper bound since August, indicating tightness in shilling liquidity. The BoT should undertake liquidity management operations as needed to ensure that liquidity conditions are consistent with aligning the 7-day interbank rate within the CBR corridor (MEFP ¶38). The BoT should also continue to improve the functioning of the interbank cash market through ongoing technical support from Frontclear.[7] Further consultation with banks is needed to identify opportunities to improve the functioning of the Lombard standing facility, including issues related

[6] The FXI policy states that during the conduct of its foreign exchange intervention the BoT does not limit exchange rate flexibility, nor seek to fix or achieve any particular level of the exchange rate. Foreign exchange intervention is intended to address disorderly market conditions and contain excessive fluctuations in the exchange rate, and increase the level of international reserves to reduce external vulnerability and improve access conditions to external funding.

[7] Frontclear is a development finance company that supports development of money markets through: (i) credit guarantees to cover counterparty credit risk in repo, derivative and securities lending transactions; and (ii) technical assistance to build the required skills, regulatory frameworks, and market infrastructure.

to availability of collateral and potential stigma. The +/- 200bp corridor between CBR and the target rate is appropriate during the introductory phase of the new framework, but as monetary policy operations are further developed and the BoT's influence on the 7-day cash rate is improved, the corridor can be narrowed over time.

15. Continued close monitoring of developments in the financial sector and enforcement of regulatory requirements would help contain emerging risks and vulnerabilities. Given the potential for renewed pressures in the FX market, the BoT should continue actively monitoring and engaging with banks on market risks. The BoT should closely monitor credit and operational risks, particularly in light of the relatively high credit growth during 2022-23 and ensure compliance with both solvency and liquidity requirements. Continued implementation of FSAP recommendations in key priority areas is also important, including increasing provisioning and enhancing buffers to manage liquidity, credit, and concentration risks (MEFP ¶39).

B. Promoting Sustainable and Inclusive Private Sector-Led Growth

Creating Fiscal Space

16. Fiscal reforms are needed to create fiscal space and safeguard debt sustainability. Tanzania's 2024 Debt Sustainability Analysis (DSA) indicates that its risk of external debt distress and overall debt distress are moderate with some space to absorb shocks. Financing Tanzania's large human capital needs and the authorities' ambitious investment agenda while maintaining debt sustainability requires stepping up efforts to increase domestic revenue mobilization and strengthen public finance management.[8]

17. An ambitious revenue reform agenda is needed to realize Tanzania's revenue potential. At about 12½ percent in 2023/24, Tanzania's tax revenue to GDP is below the SSA average and below that of regional peers. It is also significantly below its estimated potential, and revenue performance has continuously fallen below budget expectations. A 2022 Fund TA on tax system diagnostics found that widespread and poorly targeted tax exemptions and inefficient tax administration contributed to the country's weak revenue performance. To address these gaps, the authorities have taken initial steps by approving revenue measures with an estimated revenue yield of 0.5 percent of GDP per year starting in FY2024/25 (end-June 2024 SB, MEFP ¶20) and committing to repeal income tax exemptions provided to export processing zones and special economic zones by end-June 2025 (SB, MEFP ¶20). As a basis for launching more ambitious fiscal structural and policy reforms, the authorities are preparing a medium-term revenue strategy yielding an efficient, equitable and progressive tax system, which will be completed by end-March 2025 (reset SB, MEFP ¶20). Drawing from the MTRS and the 2022 TA report, the authorities will propose to Parliament tax policy measures, including streamlining and simplifying of tax exemptions, with the objective to

[8] The authorities' FYDPIII outlines an ambitious public investment agenda including in the areas of transport, energy, and human capital.

raise additional revenues of 0.5 percent of GDP in FY2025/26 and 1 percent of GDP a year then after (end-June 2025 new SB, MEFP ¶20).

18. Closing Tanzania's human capital and social development gaps requires prioritizing social spending during budget allocation and execution. Anchored by ECF program indicative targets, the authorities increased priority social spending by 0.7 ppts to 6.6 percent of GDP in FY2023/24. Closing gaps in Tanzania's health and education outcomes requires continued increase in the allocation of funds to education and health, both in levels and in percent of GDP, and stepping up efforts to improve not only the coverage but also the quality of the services (MEFP ¶22).[9] Sufficient resources should also be allocated to expand the Tanzanian Social Action Fund (TASAF) program to eligible families,[10] financed by domestic revenue mobilization, improving the efficiency of spending, and rebalancing budget allocation from low priority infrastructure projects. Completing the ongoing review of the subsidy system (MEFP ¶24) and addressing efficiency gaps would help improve the targeting and coverage of social safety net programs.

19. Strengthening PFM and public investment management will help contain fiscal risks and improve the efficiency of public investments. Supported by the ECF arrangement, the authorities have made significant progress in tackling long-standing domestic arrears problems (Box 1). While welcoming this progress, the mission called for additional steps to strengthen PFM. To improve the efficiency of public investment management and strengthen the credibility of the medium-term fiscal framework, the authorities are amending the 2023 Planning Commission Act to explicitly require appraisal of public investment projects, including climate change impact assessments, before they are included in the budget (end-June 2025 SB, MEFP ¶25). Starting in the FY2025/26 budget, the budget document will also include, for each ongoing public investment project: (i) total estimated project costs, (ii) previous budget years' actual spending, (iii) estimated spending in the current budget year, (iv) committed expenditure for the next budget year, (v) estimated spending and contractual commitments for the two outer years, and (vi) the balance of funding required to complete the project (MEFP ¶25).

[9] While increasing in shilling amounts, spending on education is projected to decline by 0.1 percentage points of GDP and that on health is projected to remain unchanged as a share of GDP in the FY2024/25 draft budget due to the need for rehabilitation and rebuilding of rural roads (also part of priority social spending) damaged by recent floods.

[10] Currently, TASAF supports only households who are under the extreme poverty line (8 percent of total households) and 20 percent of total households who are under the poverty line are not covered by any social safety net program.

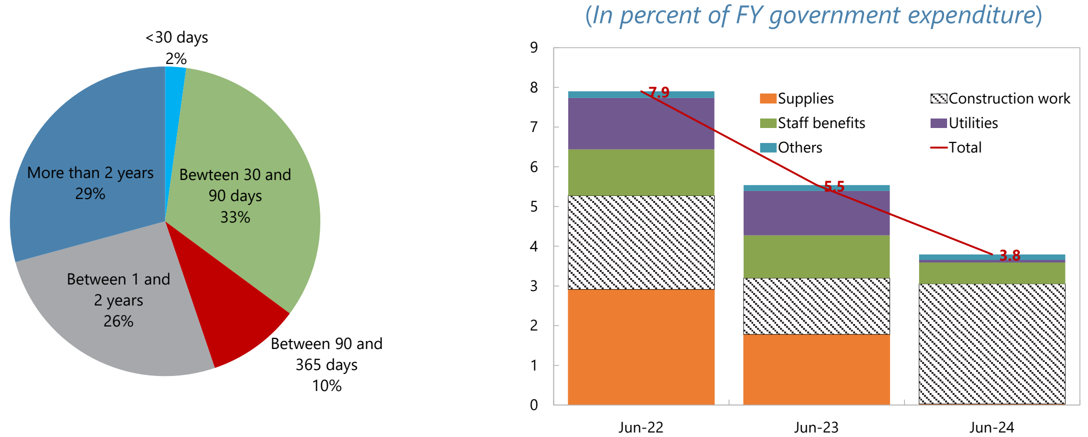
Box 1. Tanzania: Progress in Resolving Domestic Arrears

The accumulation of domestic expenditure arrears has been a longstanding PFM challenge for the government of Tanzania (GoT).[1] Expenditure arrears, including unverified arrears, were estimated to be in excess of 10 percent of government expenditure during 2018-21. About 55 percent of the outstanding balance of arrears in June 2021 were overdue for more than a year, and 29 percent were overdue for more than 2 years (Figure 1, left panel). Over two-thirds of the outstanding balance of arrears in June-2022 was not verified. In addition, VAT refund arears outstanding for more than 90 days stood at 10.8 percent of annual VAT collections as of June 2022.

Addressing the longstanding expenditure arrears problem has been one of the key reforms under the ECF arrangement. The program set three objectives: (i) completing verification of the outstanding arrears; (ii) preparing and implementing a roadmap for reducing these arrears; and (iii) implementing PFM reforms to prevent accumulation of new arrears. Towards these goals, the authorities developed and started to implement a roadmap for reducing arrears and a strategy for preventing accumulation of new arrears (December 2022 SB).[2]

Box 1. Figure.1 Domestic Payment Arrears

Status of Domestic Arrears by Age, June 2021 | **Verified Domestic Payment Arrears** *(In percent of FY government expenditure)*



Sources: Ministry of Finance and Planning; IMF staff calculations.

The authorities have made significant progress in implementing their domestic arrears strategy supported by the ECF arrangement. Verification of legacy arrears was completed as a prior action for the first ECF review and new arrears have been verified and settled on a timely manner since then. As of June 2024, verified expenditure arrears stood at 3.8 percent of total expenditure, down from 7.9 percent in June 2022 (Figure 1, right panel). The objective is to reduce it further to 2 percent by the end of the current FY. VAT refund arears outstanding for more than 90 days have already been cleared.

PFM and tax administration reforms aimed at improving the efficiency of VAT refunds will be key to solidify achieved gains. PFM reforms should focus on enforcing use of the MUSE financial management system for recording and processing of arrears payments, enforcing sanctions against noncompliance of Public Finance laws and regulations, and capacity building for use of the Financial Management Information System. For VAT refunds, the authorities should complete automation of VAT refund processes and amend the VAT Act to require that legitimate VAT refund claims be paid within a month of complete claims submission.

[1] Expenditure arrears are defined as unpaid claims outstanding for over 30 days for delivery of goods and services and for over 90 days for construction work.
[2] Ministry of Finance and Planning. Revised Strategy for Management of Arrears. December 2022.

Modernizing the Monetary Policy Framework and Financial Supervision

20. Further steps are needed to complete the transition to the new interest rate-based monetary framework. The new policy framework has been a welcome step and key to improving monetary policy effectiveness. As part of the new framework, the BoT issues a MPC press release that explains the decision, publishes the monetary policy report and communicates monetary policy decisions through meetings with CEOs of banks and media. The BoT has also published a revised MPC meeting schedule, noting the announcement dates for monetary policy decisions, with the goal of better aligning the monetary policy process with key data releases, and allowing time for an iterative process to produce forecasts and policy recommendations (end-June 2024 SB). Building on these steps, the BoT needs to: (i) ensure that liquidity conditions are consistent with aligning the CBR and 7-day cash rate within the +/- 200bp corridor, based on liquidity forecasts; and (ii) ensure that the Lombard facility provides an effective ceiling on the 7-day interbank rate, at the Lombard rate of CBR+200bp. In this regard, the BoT will issue, by end-June 2025, a revised collateral framework for the standing facilities to facilitate banks' access the standing facilities while protecting the BoT from credit risk (new SB, MEFP ¶38). Further steps to strengthen the effectiveness of the new policy framework should include: enhancing the communication strategy, strengthening the analytical tools and capacity of the BoT in modelling and forecasting (including liquidity forecasting), and continuing to support the development of financial markets.

21. The BoT needs to continue upgrading the regulatory and supervision framework. In 2023, the BoT took key steps to improve its regulatory framework, through amendment of the Banking and Financial Institutions Act, and issuance of capital adequacy, liquidity management, and prompt corrective action regulations to align them with Basel II/III standards risk-based supervision (RBS) principles. The BoT is also enhancing its capabilities for monitoring and implementation of prudential regulations and guidelines, risk-based supervision, stress testing, climate-related financial risk analysis, and macro-financial analysis. While acknowledging these efforts, staff reiterates the need for further progress on FSAP recommendations, including developing crisis management and the Emergency Liquidity Assistance (ELA) frameworks, enhancing the macroprudential toolkit by incorporating appropriate FX risk management tools, and enhanced monitoring of large exposures. In line with the FSAP recommendations, the BoT should enhance the prudential framework to reduce FX liquidity vulnerabilities, by implementing a FX liquidity coverage ratio and, conditional on EAC harmonization, reserve requirements in FX. The BoT commits to enhance the RBS framework by creating a single RBS rating system by end-December 2024 (SB, MEFP ¶39). It will also prepare and publish an ELA framework, including frameworks for ELA collateral and governance, and prepare guidelines, in line with FSAP recommendations by end-September 2025 (new SB, MEFP ¶39).

22. The authorities are implementing policies to promote financial inclusion. The National Financial Inclusion Framework 2023- 2028 aims to ensure that all adults and businesses have access to and use a broad range of affordable and high-quality financial products and services. Supportive efforts to promote financial inclusion include the ongoing rollout of the National Identification Number, the National Financial Education Program, as well as increased mobile phone access. To further enhance financial inclusion, the authorities are drafting a Secured Transactions Act that allows collateral recovery and broadens the pool of acceptable collateral to movable collateral, which will be submitted to Parliament by end-March 2025 (reset SB, MEFP ¶40).

Advancing Structural Reforms

23. Structural reforms are crucial to unlock Tanzania's potential for sustainable and inclusive growth. Key reform priorities include streamlining business regulations, enforcing anti-corruption regulations, and strengthening the AML/CFT framework.

- **Improving the business environment.** Streamlining business regulations, simplifying the business regulatory regime, enhancing regulatory transparency, and improving public policy predictability will help improve the business environment and promote private sector development. To pave the way for streamlining of business regulations, the authorities are on track to prepare and publish a timetable for implementation of key de-regulations envisaged in the Blueprint for Regulatory Reforms along with a clear delineation of responsibilities among government entities by end-December 2024 (SB, MEFP ¶32). Strengthening the Tanzania Revenue Authority's (TRA's) operational efficiency and auditing capacity, modernizing tax systems and digitalization to support simplifying tax compliance, and enhancing transparency and predictability in tax policies, would contribute to a stable and supportive business environment, while safeguarding tax collection gains and improving trust in the tax system. To ensure the country-wide consistency of statistics and provide an accurate economic overview, enhance credibility, improve budget forecasting, and attract investment it is important to continue improving the quality of national data and statistics and the timely data dissemination.

- **Governance and anti-corruption.** Recent initiatives to improve governance and anti-corruption frameworks include increasing the judiciary budget, and preparing a revised (phase IV) National Anti-Corruption Strategy and Action Plan (NACSAP-IV 2023-2030) which is currently under implementation. Going forward, it is important to address outstanding corruption vulnerabilities and governance issues, including the need to improve compliance with international best practices in the publication and verification of asset and income declarations.

- **AML/CFT framework.** Tanzania is currently a jurisdiction under increased monitoring by the FATF, but continues to work with the FATF and ESAAMLG to strengthen the effectiveness of its AML/CFT regime and align the legal framework with the FATF standards and improve its effectiveness. The authorities are improving technical compliance with FATF recommendations and implementing Tanzania's action plan to address the remaining strategic deficiency, by demonstrating a capability to conduct terrorist financing investigations and pursue prosecutions in line with the country's risk profile (MEFP ¶36).

PROGRAM MODALITIES AND OTHER ISSUES

24. Performance under the ECF arrangement remains on track. All performance criteria, including the continuous performance criteria, and indicative targets for end-June 2024 were met

(MEFP Table 1). Performance of structural benchmarks (SBs) was, however, somewhat mixed (MEFP Table 2). The SBs on revising and publishing the schedule for the MPC meetings, submitting revenue measures with annual yield of 0.5 percent of GDP to Parliament, and submitting a draft amendment of the VAT Act to Parliament, were completed on time. The draft amendment of the VAT Act was not, however, approved as Parliament requested that the Tanzania Revenue Authority (TRA) fully automates the VAT refund process before re-submitting the draft Act. The authorities are committed to complete automation of the VAT refund process by end-June 2025 (new SB, MEFP¶30) and to re-submit the draft amendment Act to Parliament by end-January 2026, once the automated system is operational (MEFP ¶30). The end-December 2023 SB on establishing an AML/CFT risk-based supervisory approach and end-June 2024 SB on preparation and publication of annual report on tax expenditures (end-June 2024) were completed with delay. Preliminary data shows that all end-September 2024 ITs were met.

25. Three missed SBs are proposed to be reset for end-March 2025. Two end-June 2024 SBs— amendment of the BoT Act and preparation of a medium-term revenue strategy— and the end-September 2024 SB on drafting and submitting to Parliament a Secured Transactions Act have not been completed as the internal and external stakeholder engagements have taken more time than expected. The authorities have requested reset of these three SBs to end-March 2025 as more time is needed to complete them (MEFP¶3).

26. To continue the structural reform momentum, the authorities agreed to set four new SBs (MEFP Table 2). These SBs aim to enhance revenue mobilization efforts, enhance the monetary policy framework, and strengthen financial stability. The authorities reaffirmed their commitment to the reform program and a continued close engagement with the Fund through information sharing and technical assistance.

27. The authorities have begun implementation of their climate reform agenda supported by the RSF arrangement and the RMs related to this review. RM5, to amend the Environmental Impact Assessment regulation to require climate impact and climate vulnerability assessments for large projects and all climate relevant projects at all stages of project appraisal (RM5, end-November, MEFP Table 3) was completed. The Environmental Management Act (RM1, end-November, MEFP Table 3) was revised and submitted for first Parliament Reading during the November Parliament session. Changes to the draft Act are needed to provide for clear roles and responsibilities for various stakeholders in climate change management and to codify key objectives for climate change policies. The authorities plan to submit the revised Act for second Parliament reading at the next session in end-January 2025 and complete the RM by March 2025.

28. Efforts are underway to implement the remaining RMs and the authorities are mobilizing technical assistance from development partners to support their climate reform agenda (MEFP ¶44). They have requested TA from the Fund to help them implement climate related public financial management reforms, develop a disaster risk financing framework, introduce an environmental tax, and strengthen supervision of climate related risks to the financial system. The authorities are also working with other development partners, including the World Bank and the Global Center on Adaptation.

29. Program modalities remain unchanged. The ECF program will continue to be monitored on a semi-annual basis through ITs, QPCs, and SBs, with new QPCs and ITs set for December 2025. The ECF arrangement financing will continue to be used as direct budget support to the Treasury and the existing MoU between the BoT and the Ministry of Finance on respective responsibilities for servicing financial obligations to the Fund has been renewed. Reform implementation under the RSF arrangement will be monitored by semi-annual reviews, taking place concurrently with the ECF reviews (Tables 8 and 11). RSF financing will substitute for more expensive domestic budget financing and will help build buffers to strengthen Tanzania's ability to face climate-related shocks. From the balance of payments standpoint, RSF disbursements will be used to build international reserves.

30. The program is fully financed through December-2025. There are firm commitments in place over the 12 months immediately following the completion of the review and there are good prospects that financing will be adequate for the remainder of the program following the upcoming 12 months. The financing gap for FY2024/25 is projected at about US$726 million and is expected to be financed by the ECF arrangement disbursement (SDR 226.74 million, about US$305 million), the World Bank (US$250 million), and AfDB (US$171 million) (Text Table 3). The financing gap for the first half of FY2025/26 is projected to be US$78 million and is expected to be financed by the ECF arrangement. The total financing gap, before ECF arrangement financing, for FY2022/23-FY2025/26 is estimated at US$2,602 million and is being covered by donor financing, including the ECF arrangement.

Text Table 3. Tanzania: Financing Gap and Sources of Financing, 2022/23–2025/26

(Millions of US Dollars)

	2022/23 Act.	2023/24 Prel.	2024/25 Proj.	2025/26 Proj.
1. Financing Gap Under Program Baseline	**913**	**807**	**726**	**157**
In percent of GDP	*1.2*	*1.0*	*0.9*	*0.2*
2. Expected Budget Support	**609**	**500**	**421**	**0**
World Bank	500	500	250	0
Other donors	109	0	171	0
3. Residual Financing Gap (1-2)	**304**	**307**	**305**	**157**
4. IMF Financing	**304**	**307**	**305**	**157**
In percent of GDP	*0.4*	*0.4*	*0.4*	*0.2*
ECF (200 percent of quota)	304	307	305	157
Remaining financing gap	**0**	**0**	**0**	**0**

Sources: Tanzanian authorities; development partners; and IMF staff projections.

31. Tanzania's latest Debt Sustainability Analysis (DSA) indicates that its risk of external debt distress is moderate, public debt is sustainable and has some space to absorb shocks. (IMF Country Report No. 24/187).[11] The quantitative performance criterion (QPC) on the PV of newly

[11] The DSA remains unchanged since the last Staff Report (see IMF Country Report No. 24/187) as there are no significant changes in economic circumstances and borrowing assumptions.

contracted external public debt (ceiling) and the indicative target on newly disbursed external non-concessional borrowing (ceiling) are set to be consistent with a moderate risk of external debt distress (i.e., ensure compliance of the relevant thresholds). The authorities met the test date targets for the second and third ECF Reviews. The end-June 2024 target for the 4th ECF Review was also met.

32. Capacity to Repay. Tanzania's capacity to repay the Fund is adequate and the authorities' track record of servicing IMF debt is strong (Table 6). Total debt service obligations to the Fund peak at 0.3 percent of GDP (1.1 percent of exports of goods and services or 3.3 percent of gross FX reserves) in FY2030/31.

33. Progress is being made to implement recommendations from the safeguards assessment, although gaps remain in the central bank's autonomy and governance arrangements. The 2022 safeguards assessment found that the BoT has made progress in strengthening internal audit and maintained sound financial reporting practices. The BoT has implemented recommendations to further strengthen its external audit arrangements, the composition of the audit committee, and the internal audit. Key vulnerabilities remain in the governance arrangements, which lack independent oversight. The BOT is drafting amendments to the BoT Act to strengthen governance arrangements and personal and financial autonomy, which will be submitted to Parliament by end-March 2025 (reset SB, MEFP¶46).

34. Capacity development priorities are aligned with program objectives (Annex II). Recent Fund TA covered issues of taxation, climate policy diagnostics, PIMA including with a climate module, monetary policy, financial supervision, Government Finance Statistics, Public Sector Debt Statistics and National Accounts statistics. Ongoing Fund TA focus on areas related to program objectives.

35. Tanzania has become the second pilot country for the IMF-World Bank enhanced cooperation framework for scaled-up climate action. The framework leverages the analytics, technical assistance, financing, and policy expertise of the two institutions to help Tanzania mobilize private and public funding for climate action. IMF staff had closely coordinated with the World Bank during the design of RSF reforms to identify synergies with ongoing and expected World Bank operations, diagnostics, and capacity building activities and push for ambitious policies as well as technical assistance for implementation. These synergies have been further clarified through regular consultation with the World Bank in the context of the enhanced cooperation framework (Tables 12 and 13).

STAFF APPRAISAL

36. Economic growth momentum is picking up in 2024 with improved external and fiscal balances and low inflation. After slowing down to 4.7 percent in 2022, real GDP growth picked up to 5.1 percent in 2023 and 5.4 percent (yoy) in the first half of 2024. Inflation remains within the central bank's target and a growth-friendly fiscal consolidation is underway. After widening significantly in FY2022/23, the current account deficit narrowed in FY2023/24, reflecting strong exports of services and a slowdown in imports. The outlook is favorable with growth expected to continue strengthening over the medium term, contingent on implementation of the authorities' reform agenda, and inflation to remain within the BoT's target. Enhanced revenue mobilization efforts and consolidation of non-priority spending are expected to improve the fiscal outlook. The current account deficit is projected to continue moderating reflecting a favorable outlook for the terms of trade and reform implementation.

37. The outlook faces downside risks and uncertainties. Intensification of regional conflicts, increased commodity price volatility, an abrupt global slowdown or recession, natural disasters related to climate change, reemergence of pressures in the FX market, and a poorly executed scale up of public investment projects could weigh negatively on the near-term outlook. Risks to the medium-term outlook include complacency in reform implementation and spillovers from deepening geoeconomic fragmentation. On the positive side, realization of the LNG project could boost investment and growth.

38. Performance under the ECF arrangement remained on track. All quantitative QPCs, continuous QPCs, and ITs for end-June 2024 were met. However, performance of structural benchmarks (SBs) was mixed. SBs on revising and publishing the schedule for the MPC meetings, submitting revenue measures with annual yield of 0.5 percent of GDP to Parliament, and submitting draft amendment of the VAT Act to Parliament, were met. The end-December 2023 SB on establishing an AML/CFT risk based supervisory approach and end-June 2024 SB on preparation and publication of an annual report on tax expenditures were completed with delay. The end-June 2024 SB on amendment of the BoT Act, the end-June 2024 SB on preparation of a medium-term revenue strategy with an implementation plan, and the end-September 2024 SB on drafting and submitting to Parliament a secured transactions Act were not completed on time, and the authorities request reset of these SBs to end-March 2025 to allow time for completion. Preliminary data shows that all end-September 2024 ITs were met.

39. The authorities have completed one of the first two reform measures under the RSF. The end-November RM to amend the Environmental Impact Assessment Regulation (RM5) has been completed. The RM to amend the Environmental Management Act (RM1) is expected to be completed by March 2025. Efforts are underway to implement the remaining RMs with technical support from development partners. Tanzania is the second pilot country for the IMF-World Bank enhanced cooperation framework for scaled-up climate action.

40. Exchange rate flexibility should be the first line of defense against potential reemergence FX market pressures. The issuance of the FXI policy and revised IFEM code of conduct (both completed ECF SBs) and the BoT's commitment to conduct auctions based on competitive criteria were important steps to support market liquidity and foster price discovery. The BoT should enhance exchange rate flexibility and encourage banks and bureau de changes to trade at market clearing exchange rates and conduct FXI in accordance with the new policy while maintaining adequate foreign exchange reserves. Ongoing engagement and communication is important to reinforce market participants' understanding of the FXI policy and the revised IFEM code of conduct.

41. Reforms to enhance domestic revenue mobilization and strengthen public finance management will help create fiscal space and safeguard debt sustainability. The budget for FY2024/25 envisages continued fiscal consolidation, achieved primarily through domestic revenue mobilization, while primary expenditure is projected to remain stable in percent of GDP with a composition shift towards priority social spending (PSS). Initial steps are being taken to raise revenue performance, with a more ambitious agenda to be supported by the MTRS which is currently under preparation. However, in light of recurring revenue underperformance, cash management and commitment controls should be strengthened to ensure that execution of spending is consistent with resource availability. The significant progress in implementing a domestic arrears clearance strategy supported by the ECF arrangement is welcome.

42. The launch of the interest rate-based monetary policy framework was an important achievement and should be supported by further efforts to improve monetary policy effectiveness. Efforts should be geared towards improving the BoT's ability to align the operational target with the policy rate and develop the interest rate transmission channel. Implementing and developing the communication strategy, strengthening the analytical tools and capacity of the BoT, and supporting the development of financial markets would help enhance the effectiveness of the new policy framework. Publication of the schedule for the monetary policy committee meetings has helped to better align the monetary policy process with key data releases and ensure sufficient time for an iterative process to produce the forecasts and policy recommendations.

43. Upgrading the financial supervision and regulatory frameworks would help promote financial sector stability and deepening. The BoT should continue implementation of FSAP recommendations, including developing the crisis management and the emergency liquidity assistance frameworks, enhancing the macroprudential toolkit by incorporating appropriate FX risk management tools, and enhanced monitoring of large exposures. Operationalizing and enhancing the BoT's micro- and macro-prudential policies would help address pockets of vulnerabilities in the banking sector.

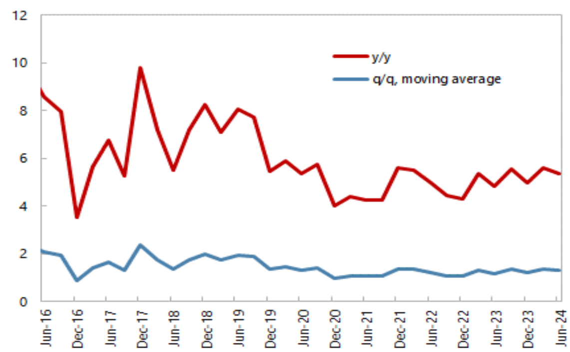
44. Structural reforms are essential to promote inclusive, resilient, and sustainable growth. Structural reforms aimed at removing obstacles to foreign investment, streamlining bureaucratic procedures, simplifying the business regulatory regime, enhancing regulatory transparency, and improving public policy predictability are crucial to promote private sector development. Implementation and enforcement of the authorities' anti-corruption strategy and completing efforts to establish a risk-based AML/CFT supervisory approach would help improve governance and address deficiencies and safeguard against de-risking in correspondent banking.

45. Staff supports the authorities' request for the completion of the fourth review under the ECF arrangement, and first review under the RSF with respect to RM5.

Figure 2. Real Sector Developments

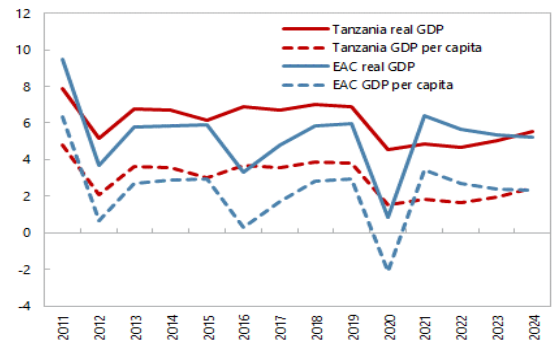
Growth is picking up after a slowdown in 2022 due to the impact of global factors and shortfalls in rainfall.

Recent Growth Trends
(Percent, y/y and q/q moving average)



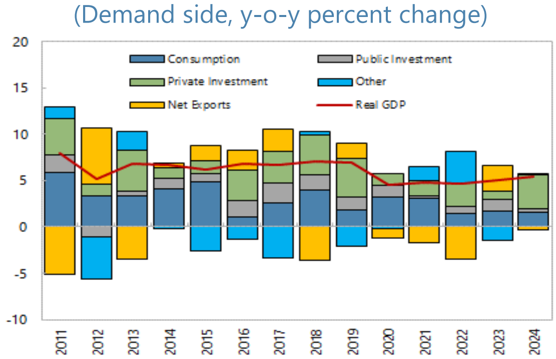
Tanzania's performance in real GDP and per capita growth has been largely better than the EAC averages.

Real GDP and GDP per Capita
(y-o-y percent change, PPP 2017 international dollars)



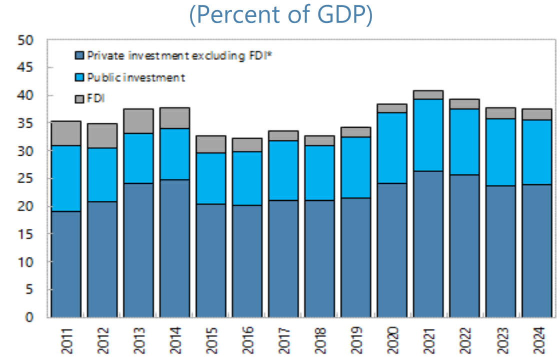
Improvements in net exports supported growth in 2023.

Contributions to Real GDP
(Demand side, y-o-y percent change)



Private investment moderated while public investment continued to support growth.

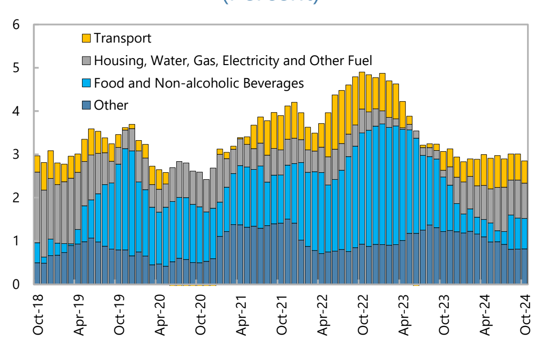
Investment
(Percent of GDP)



* Including changes in inventories

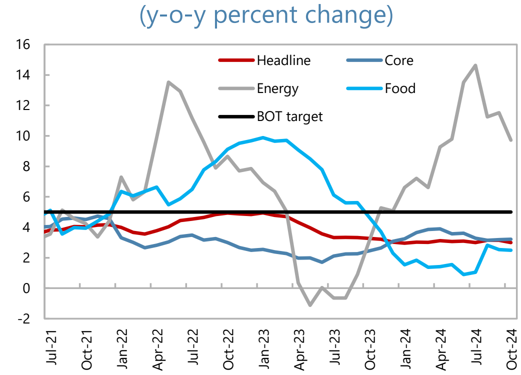
Driven by the slowdown in food prices, inflation has moderated in recent months...

Contributions to Inflation
(Percent)



... and both headline and core inflation remained well below the BoT's target.

Inflation
(y-o-y percent change)

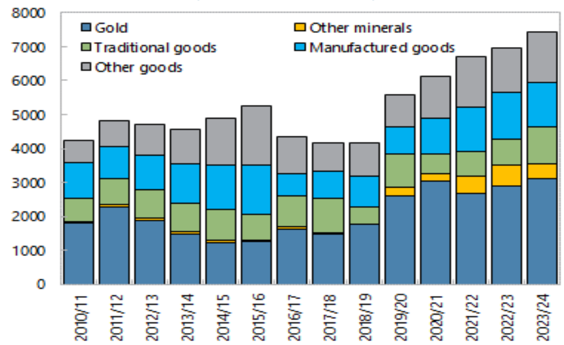


Sources: Tanzanian authorities; and IMF staff calculations and projections.

Figure 3. External Sector Developments

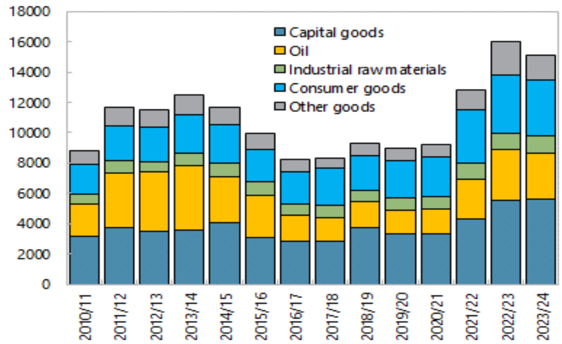
Exports of goods grew modestly in FY2023/24 driven by gold and traditional exports…

Composition of Goods Exports
(Millions of USD)



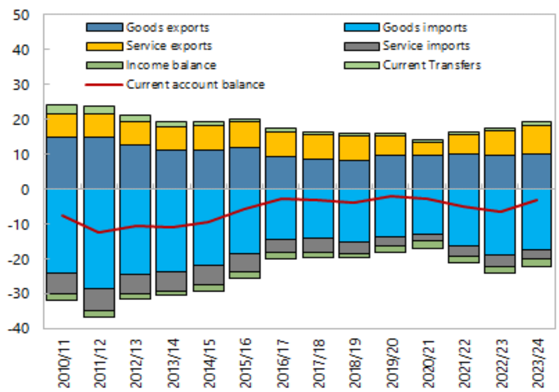
… while imports of goods fell, largely reflecting the slowdown in commodity prices and imports of consumer goods.

Composition of Goods Imports
(Millions of USD)



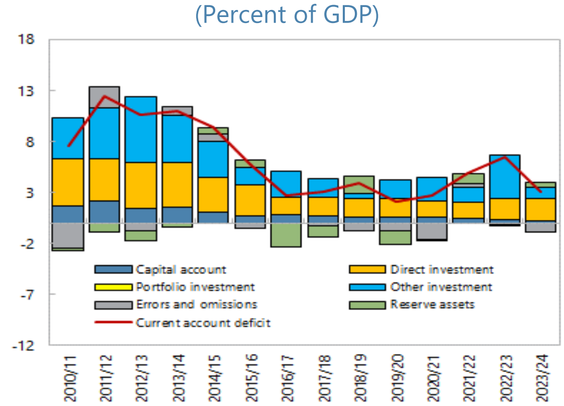
The current account deficit narrowed significantly, reflecting the growth of exports and the slowdown in imports.

Current Account Balance Decomposition
(Percent of GDP)



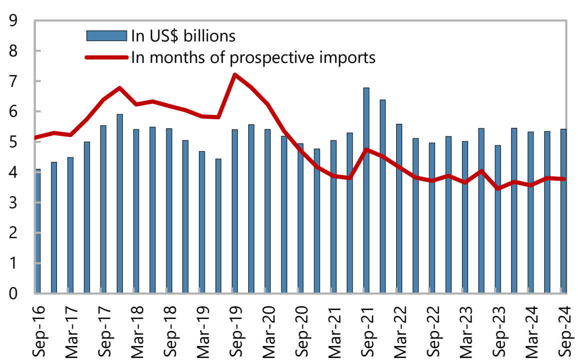
The current account deficit was financed by FDI and private sector borrowing.

Current Account Deficit and Sources of Financing
(Percent of GDP)



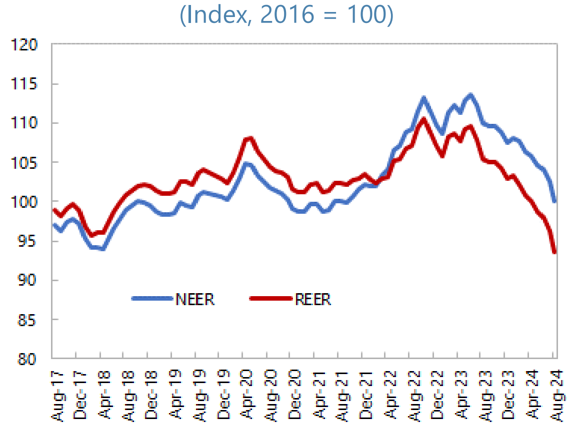
Reserves have remained stable …

Gross International Reserves



…while the real and nominal effective exchange rates depreciated in FY2023/24.

Real and Nominal Effective Exchange Rates
(Index, 2016 = 100)

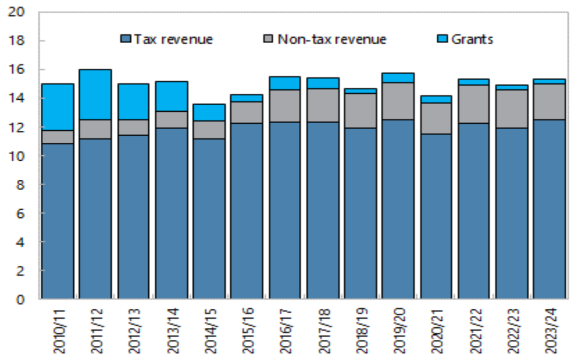


Sources: Tanzanian authorities; and IMF staff calculations and projections.

Figure 4. Fiscal Developments

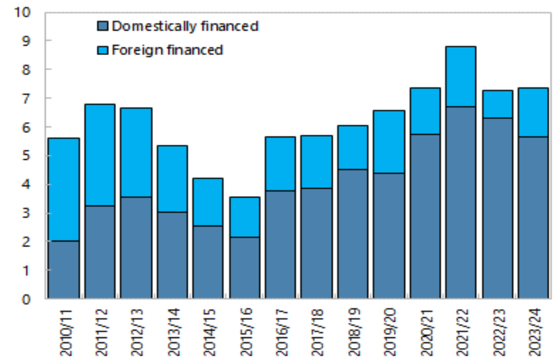
Domestic revenue mobilization improved in FY2023/24 but remains below potential.

Fiscal Revenues
(Percent of GDP)



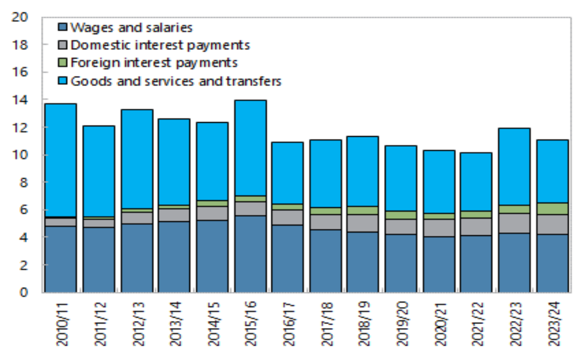
After slowing down in FY2022/23, development expenditure remained stable in FY2023/24...

Development Expenditure
(Percent of GDP)



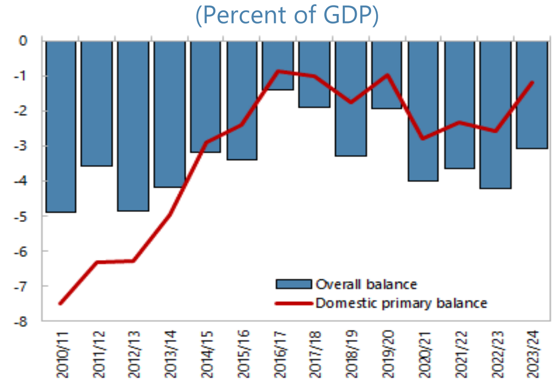
...while recurrent expenditure declined.

Current Expenditure
(Percent of GDP



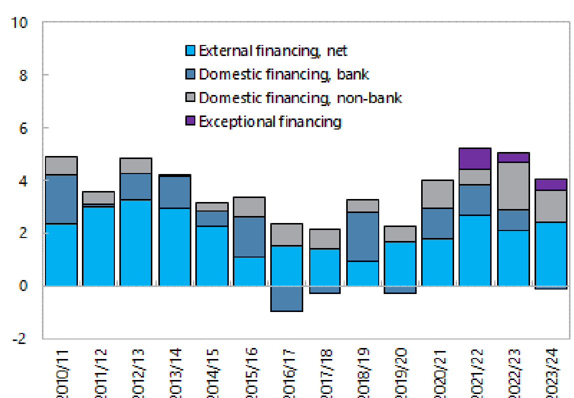
Consequently, the budget deficit narrowed in FY2023/24.

Overall Balance and Primary Deficit
(Percent of GDP)



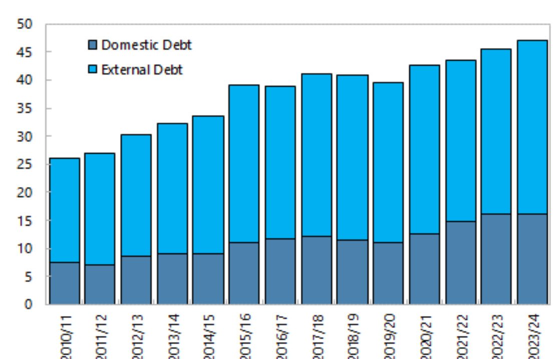
The deficit was financed mainly by external borrowing...

Sources of Financing of Overall Balance
(Percent of GDP)



... leading to a modest increase in external debt.

Total Public Debt
(Percent of GDP)

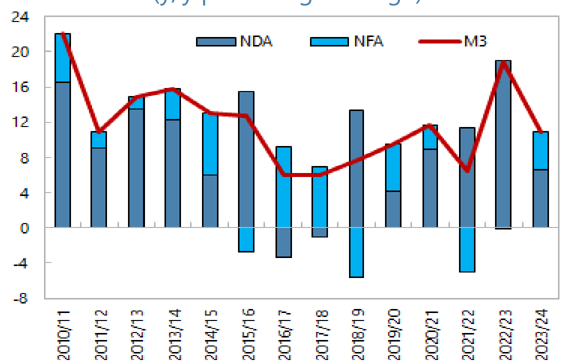


Sources: Tanzanian authorities; and IMF staff calculations and projections.

Figure 5. Monetary Developments

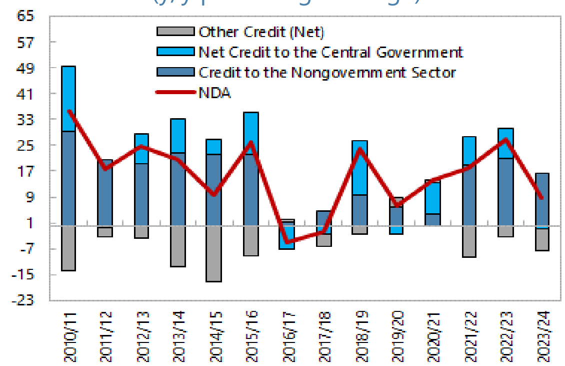
Monetary conditions tightened in FY2023/24 ....

Contributions to Broad Money Growth
(y/y percentage change)



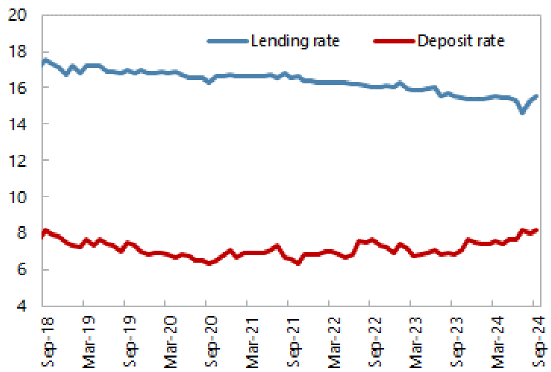
....leading to moderation in growth of credit to the private sector.

Contributions to Net Domestic Assets
(y/y percentage change)



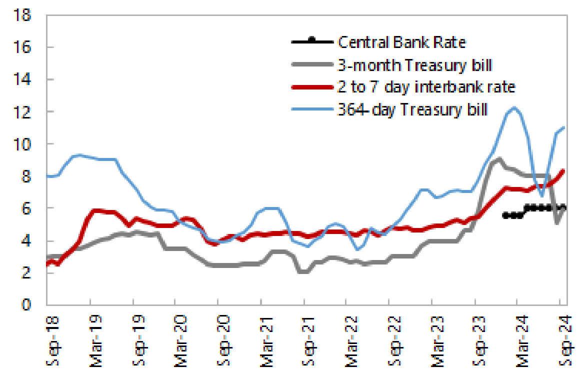
Lending and deposit rates have remained relatively stable....

Lending and Deposits Rates
(Monthly)



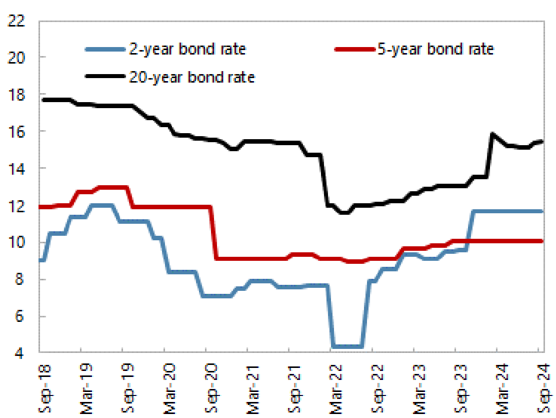
...while money market rates increased recently.

Interest Rates
(Monthly)



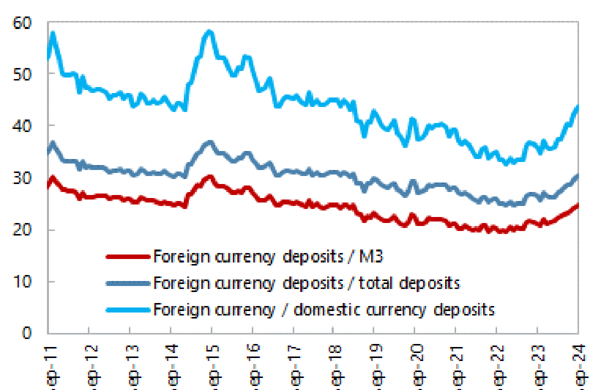
Government bond yields have picked up lately.

Government Bond Rates
(Monthly)



Deposit dollarization increased recently, reflecting depreciation of TZS.

Dollarization
(Monthly, In Percent)

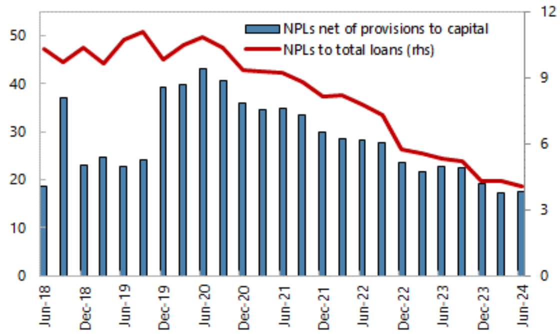


Sources: Tanzanian authorities; and IMF staff calculations.

Figure 6. Financial Sector Developments

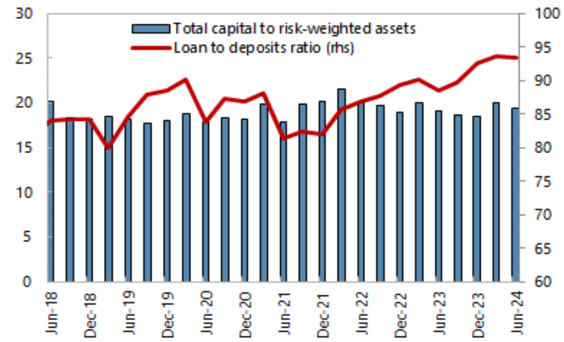
NPLs have come down in recent years.

Non-Performing Loans
(Percent)



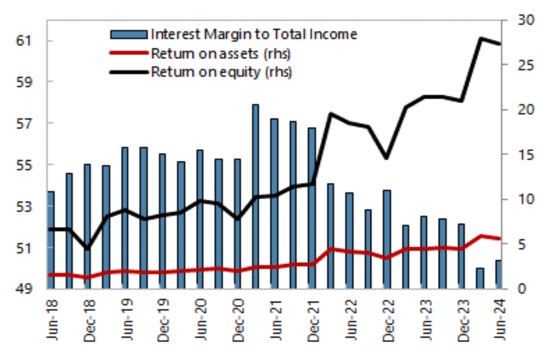
Leverage has increased, but the banking sector on aggregate remains well capitalized.

Capital Adequacy and Leverage
(Percent)



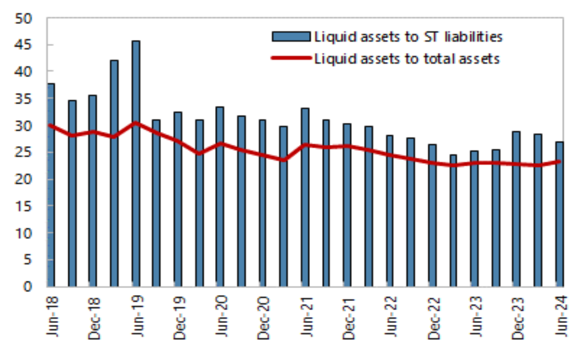
Profitability increased in recent years, while the share of interest income declined.

Profitability and Source of Income
(Percent of Total Assets)



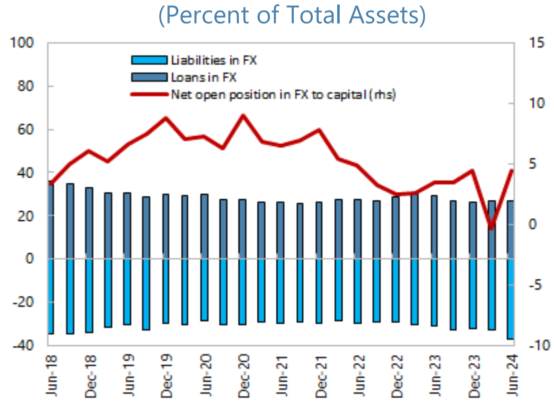
Liquidity in the sector remains adequate.

Liquid Assets Indicators
(Percent)



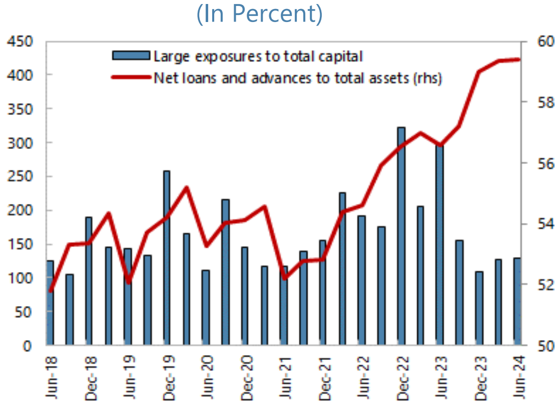
Net open FX positions remained within the prudential limit.

Banks Exposure to FX
(Percent of Total Assets)



The share of loans in assets picked up recently while large exposures declined.

Large Exposure and Net Loans and Advances
(In Percent)



Sources: IMF Financial Soundness Indicators; and IMF staff calculations.

Table 1. Tanzania: Selected Economic Indicators, 2020/21–2029/30[1]

	2020/21	2021/22	2022/23	2023/24	2024/25		2025/26		2026/27	2027/28	2028/29	2029/30
	Act.	Act.	Act.	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
					(Percent change, unless otherwise indicated)							
Output, Prices and Exchange Rates												
Real GDP[2]	4.7	4.7	4.9	5.3	5.7	5.7	6.2	6.2	6.4	6.5	6.5	6.3
GDP deflator	114.3	118.3	124.0	130.1	136.0	136.0	141.9	141.9	148.5	155.8	163.6	171.8
CPI (period average)[3]	3.3	4.0	4.6	3.1	3.8	3.8	4.0	4.0	4.0	4.0	4.0	4.0
CPI (end of period)[3]	3.6	4.4	3.6	3.1	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Core inflation (end of period)[3]	2.4	3.1	3.1	3.1	...	...	...	...	...	...	...	...
Terms of trade (deterioration, -)	5.0	-8.0	-0.7	8.2	3.1	8.5	2.7	4.5	4.5	4.5	4.5	4.5
Exchange rate (period average, TSh/USD)	2,298	2,298	2,310	2,505	...	...	...	...	...	...	...	...
Real effective exchange rate (end of period; depreciation = -)	-4.7	3.8	4.1	-10.8	...	...	...	...	...	...	...	...
Money and Credit												
Broad money (M3, end of period)	11.7	6.5	18.8	10.9	11.1	11.1	11.1	11.1	11.5	12.0	12.0	12.0
Average reserve money	2.4	12.8	8.1	12.7	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Credit to the private sector (end of period)	5.8	22.1	22.2	15.7	12.5	12.5	12.2	12.2	12.2	12.1	12.1	12.1
Overall T-bill interest rate (percent; end of period)	4.9	4.6	6.5	...	...	...	...	...	...	...	...	...
Non-performing loans (percent of total loans, end of period)	9.2	7.8	5.3	...	...	...	...	...	...	...	...	...
					(Percent of GDP, unless otherwise indicated)							
Central Government Operations												
Revenues and grants	14.1	15.4	14.9	15.3	16.1	16.1	16.4	16.4	16.5	16.5	16.4	16.4
Of which: grants	0.5	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.3
Expenditures	17.6	18.9	19.2	18.4	19.1	19.1	19.2	19.2	19.2	19.2	19.2	19.2
Current	10.3	10.1	11.9	11.0	12.3	12.3	12.5	12.4	12.5	12.5	12.5	12.4
Development	7.3	8.8	7.3	7.4	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Overall balance	-4.5	-3.8	-4.3	-3.1	-3.0	-3.0	-2.8	-2.8	-2.8	-2.8	-2.7	-2.7
Excluding grants	-4.9	-4.2	-4.7	-3.4	-3.3	-3.3	-3.2	-3.1	-3.1	-3.1	-3.1	-3.1
Primary balance	-2.8	-2.0	-2.3	-0.9	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Excluding grants	-3.3	-2.4	-2.6	-1.2	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Public Debt												
Gross nominal debt	42.7	43.5	45.7	48.7	46.7	47.6	45.6	46.3	44.9	43.5	42.1	40.9
of which : external debt[4]	30.1	28.8	29.6	32.6	31.9	32.4	31.1	31.5	29.8	28.2	26.7	25.5
Investment and Savings												
Investment	39.7	40.0	38.5	37.7	39.1	37.9	39.7	38.8	40.0	41.1	41.5	41.6
Government[5]	12.9	12.4	12.0	11.9	10.6	11.5	10.7	11.3	11.3	11.3	11.3	11.3
Nongovernment[6]	26.8	27.6	26.5	25.7	28.5	26.4	29.1	27.5	28.7	29.8	30.2	30.3
Domestic savings	36.9	35.1	32.0	34.6	35.3	34.8	36.3	35.8	37.1	38.4	39.0	39.2
External Sector												
Exports (goods and services)	13.4	15.5	16.7	18.4	17.9	18.4	17.9	18.3	18.1	17.9	17.8	17.8
Imports (goods and services)	15.0	19.3	22.2	20.1	20.2	20.3	20.2	20.4	20.2	19.8	19.6	19.6
Current account balance	-2.8	-4.9	-6.5	-3.1	-3.7	-3.1	-3.5	-3.1	-3.0	-2.7	-2.5	-2.4
Excluding current transfers	-2.9	-5.0	-6.6	-3.2	-3.8	-3.2	-3.6	-3.2	-3.1	-2.7	-2.6	-2.5
Gross international reserves												
In billions of U.S. dollars	5.2	5.1	5.4	5.4	6.3	6.4	7.0	7.1	7.6	8.3	9.0	9.8
of which : SDR allocation		0.5										
In months of next year's imports	4.6	3.6	4.1	3.8	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3
Memorandum Items:												
Calendar year real GDP growth (percent)[7]	4.8	4.7	5.1	5.4	6.0	6.0	6.3	6.3	6.5	6.5	6.5	6.2
GDP at current prices												
Trillions of Tanzanian shillings	150.8	163.5	179.7	198.5	219.4	219.4	243.0	243.0	270.5	302.4	338.2	377.6
Millions of U.S. dollars	65,669	71,069	76,655	79,653	82,681	83,069	89,242	89,747	97,959	107,354	117,722	128,880
GDP per capita (in U.S. dollars)	1,115	1,172	1,228	1,239	1,249	1,254	1,308	1,316	1,395	1,484	1,580	1,680
Population (million)	58.9	60.6	62.4	64.3	66.2	66.2	68.2	68.2	70.2	72.3	74.5	76.7

Sources: Tanzanian authorities and IMF staff estimates and projections.

[1] Fiscal year (July-June).

[2] Based on GDP by production.

[3] The inflation index uses price data collected from all 26 regional headquarters of the statistical office in Tanzania Mainland.

[4] Excludes external debt under negotiation for relief.

[5] Includes investments made by parastatals and other public sector insitutions.

[6] Historical figures are based on official data up to 2022.

[7] Fiscal year 2020/21 corresponds to calendar year 2021.

Table 2a. Tanzania: Central Government Operations, 2020/21–2029/30

(Trillions of Tanzanian Shillings)

	2020/21	2021/22	2022/23	2023/24	2024/25		2025/26		2026/27	2027/28	2028/29	2029/30
	Act.	Act.	Act.	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Trillions of Tanzanian Shillings)											
Total Revenue	20.6	24.4	26.2	29.8	34.6	34.6	38.9	38.9	43.5	48.7	54.4	60.8
Tax revenue	17.3	20.0	21.4	24.8	28.2	28.2	31.9	31.9	35.7	39.9	44.6	49.8
Import duties	1.3	1.5	1.6	1.8	2.3	2.3	2.5	2.5	2.8	3.1	3.5	3.9
Value-added tax	5.0	5.3	6.2	6.6	7.5	7.5	8.5	8.5	9.7	10.8	12.1	13.5
Excises	2.7	2.9	2.9	3.5	4.3	4.3	4.9	4.9	5.5	6.1	6.9	7.7
Income taxes	6.0	7.5	7.6	9.1	10.0	10.0	11.0	11.0	12.3	13.7	15.3	17.1
Other taxes	2.3	2.8	3.1	3.7	4.2	4.2	4.9	4.9	5.4	6.1	6.8	7.6
Nontax revenue	3.3	4.4	4.8	5.1	6.4	6.4	7.0	7.0	7.8	8.8	9.8	10.9
Total Expenditure	26.6	30.9	34.4	36.6	41.8	41.8	46.6	46.6	52.0	58.1	64.9	72.4
Recurrent expenditure	15.5	16.5	21.4	21.9	27.1	27.1	30.2	30.2	33.8	37.8	42.1	47.0
Wages and salaries	6.1	6.8	7.7	8.3	10.6	10.6	12.3	12.3	13.6	15.2	17.1	19.0
Interest payments	2.5	2.8	3.7	4.5	5.6	5.6	5.9	5.9	6.5	7.3	8.1	9.0
Domestic	1.8	2.0	2.6	2.8	3.1	3.1	3.3	3.3	3.5	4.0	4.6	5.1
Foreign[1]	0.7	0.8	1.0	1.7	2.4	2.4	2.7	2.7	3.0	3.3	3.5	3.8
Goods and services and transfers	6.8	6.9	10.0	9.1	10.9	10.9	12.0	12.0	13.6	15.2	17.0	19.0
Development expenditure	11.1	14.4	13.1	14.6	14.8	14.8	16.3	16.3	18.2	20.3	22.7	25.4
Domestically financed	8.6	10.9	11.4	11.2	11.1	11.1	12.3	12.3	13.7	15.3	17.1	19.1
Foreign (concessionally) financed	2.4	3.4	1.7	3.5	3.6	3.6	4.0	4.0	4.5	5.0	5.6	6.3
Grants	0.7	0.7	0.6	0.6	0.7	0.7	0.9	0.9	1.0	1.1	1.2	1.3
Program (including basket grants)[2]	0.2	0.2	0.1	0.2	0.1	0.1	0.3	0.3	0.3	0.3	0.3	0.3
Project	0.5	0.5	0.5	0.4	0.6	0.6	0.6	0.6	0.7	0.8	0.9	1.0
Statistical Discrepancy	-0.7	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-6.7	-6.1	-7.8	-6.2	-6.5	-6.5	-6.7	-6.7	-7.5	-8.3	-9.3	-10.3
Overall balance excluding grants	-7.4	-6.8	-8.4	-6.8	-7.2	-7.2	-7.6	-7.6	-8.4	-9.4	-10.4	-11.6
Primary balance (cash basis)	-4.2	-3.3	-4.1	-1.7	-0.9	-0.9	-0.8	-0.8	-0.9	-1.0	-1.2	-1.3
Primary balance excluding grants	-4.9	-4.0	-4.7	-2.4	-1.6	-1.6	-1.7	-1.7	-1.9	-2.1	-2.3	-2.6
Financing	6.7	6.0	7.7	6.2	5.1	4.6	6.3	6.3	7.5	8.3	9.3	10.3
Foreign (net)	2.7	3.1	3.1	4.0	3.3	3.3	3.8	3.7	2.5	2.9	3.5	4.2
Foreign loans	5.1	5.9	6.0	7.0	6.8	6.8	7.7	7.7	6.9	7.6	8.4	9.4
Program (including basket loans)[2]	0.3	1.3	1.9	2.1	1.0	1.0	1.2	1.2	0.0	0.0	0.0	0.0
Of which: basket loans	0.1	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Project	1.7	2.8	1.1	2.9	2.9	2.9	3.4	3.4	3.8	4.2	4.7	5.3
Nonconcessional borrowing	3.1	1.8	3.0	2.1	3.0	3.0	3.1	3.1	3.2	3.3	3.7	4.1
Amortization	-2.4	-2.8	-2.9	-3.0	-3.5	-3.5	-3.9	-4.1	-4.4	-4.6	-4.9	-5.2
Domestic (net)	4.1	2.9	4.6	2.2	1.7	1.3	2.5	2.7	4.9	5.4	5.8	6.1
Bank financing	1.8	1.8	1.4	-0.3	1.4	1.0	2.1	1.6	3.6	3.9	4.1	4.2
Nonbank financing	1.6	1.0	3.2	2.4	0.3	0.3	0.4	1.0	1.4	1.5	1.7	1.9
Financing Gap	0.0	0.0	-0.1	0.1	-1.4	-1.9	-0.4	-0.4	0.0	0.0	0.0	0.0
External sources of financing the gap	…	…	…	…	0.6	1.1	0.0	0.0	0.0	0.0	0.0	0.0
African Development Bank	…	…	…	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
World Bank	…	…	…	0.0	0.6	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Other donors	…	…	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	…	…	…	0.8	0.8	0.8	0.4	0.4	0.0	0.0	0.0	0.0
IMF-ECF	…	…	…	0.8	0.8	0.8	0.4	0.4	0.0	0.0	0.0	0.0
Remaining Financing Gap	…	…	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:												
Domestic arrears stock (verified claims)	…	3.0	1.9	1.4	0.8	0.8	0.4	0.7	0.8	0.8	0.8	0.7
Priority social spending[3]	8.3	10.9	10.6	13.1	15.0	15.0	17.0	17.0	18.9	21.2	23.7	26.4
Nominal GDP	150.8	163.5	179.7	198.5	219.4	219.4	243.0	243.0	270.5	302.4	338.2	377.6

Sources: Ministry of Finance; Bank of Tanzania; and IMF staff projections.

[1] Excludes interest payments on external debt obligations that are under negotiation for relief with a number of creditors.

[2] Basket funds are sector-specific accounts established by the government to channel donor support to fund-specific activities.

[3] Priority social spending comprises government spending (recurrent and development) to on education, health, water, and rural roads, including transfers to local governments.

Table 2b. Tanzania: Central Government Operations, 2020/21–2029/30

(Percent of GDP)

	2020/21	2021/22	2022/23	2023/24	2024/25		2025/26		2026/27	2027/28	2028/29	2029/30
	Act.	Act.	Act.	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
					(In percent of GDP)							
Total Revenue	13.7	14.9	14.6	15.0	15.8	15.8	16.0	16.0	16.1	16.1	16.1	16.1
Tax revenue	11.5	12.3	11.9	12.5	12.9	12.9	13.1	13.1	13.2	13.2	13.2	13.2
Import duties	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Value-added tax	3.3	3.3	3.4	3.3	3.4	3.4	3.5	3.5	3.6	3.6	3.6	3.6
Excises	1.8	1.8	1.6	1.8	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0
Income taxes	4.0	4.6	4.2	4.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Other taxes	1.5	1.7	1.7	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0
Nontax revenue	2.2	2.7	2.7	2.6	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Total Expenditure	17.6	18.9	19.2	18.4	19.1	19.1	19.2	19.2	19.2	19.2	19.2	19.2
Recurrent expenditure	10.3	10.1	11.9	11.0	12.3	12.3	12.4	12.4	12.5	12.5	12.5	12.4
Wages and salaries	4.1	4.2	4.3	4.2	4.8	4.8	5.0	5.0	5.0	5.0	5.0	5.0
Interest payments	1.7	1.7	2.0	2.3	2.5	2.5	2.4	2.4	2.4	2.4	2.4	2.4
Domestic	1.2	1.3	1.5	1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.4
Foreign[1]	0.5	0.5	0.6	0.8	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0
Goods and services and transfers	4.5	4.2	5.6	4.6	4.9	4.9	4.9	4.9	5.0	5.0	5.0	5.0
Development expenditure	7.3	8.8	7.3	7.4	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Domestically financed	5.7	6.7	6.3	5.6	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Foreign (concessionally) financed	1.6	2.1	1.0	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Unidentified expenditure measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.5	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.3
Program (including basket grants) [2]	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Project	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Statistical Discrepancy	-0.5	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-4.5	-3.8	-4.3	-3.1	-3.0	-3.0	-2.8	-2.8	-2.8	-2.8	-2.7	-2.7
Overall balance excluding grants	-4.9	-4.2	-4.7	-3.4	-3.3	-3.3	-3.1	-3.1	-3.1	-3.1	-3.1	-3.1
Primary balance (cash basis)	-2.8	-2.0	-2.3	-0.9	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Primary balance excluding grants	-3.3	-2.4	-2.6	-1.2	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Financing	4.5	3.6	4.3	3.1	2.3	2.1	2.6	2.6	2.8	2.8	2.7	2.7
Foreign (net)	1.8	1.9	1.7	2.0	1.5	1.5	1.6	1.5	0.9	1.0	1.0	1.1
Foreign loans	3.4	3.6	3.3	3.6	3.1	3.1	3.2	3.2	2.6	2.5	2.5	2.5
Program (including basket loans)[2]	0.2	0.8	1.0	1.0	0.4	0.4	0.5	0.5	0.0	0.0	0.0	0.0
Of which: basket loans	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project	1.1	1.7	0.6	1.5	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4
Nonconcessional borrowing	2.1	1.1	1.7	1.1	1.4	1.4	1.3	1.3	1.2	1.1	1.1	1.1
Amortization	-1.6	-1.7	-1.6	-1.5	-1.6	-1.6	-1.6	-1.7	-1.6	-1.5	-1.5	-1.4
Domestic (net)	2.7	1.7	2.6	1.1	0.8	0.6	1.0	1.1	1.8	1.8	1.7	1.6
Bank financing	1.2	1.1	0.8	-0.1	0.7	0.4	0.9	0.7	1.3	1.3	1.2	1.1
Nonbank financing	1.0	0.6	1.8	1.2	0.1	0.1	0.2	0.4	0.5	0.5	0.5	0.5
Financing Gap	0.0	0.0	0.0	0.1	-0.7	-0.9	-0.2	-0.2	0.0	0.0	0.0	0.0
External sources of financing the gap	…	…	…	…	0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0
African Development Bank	…	…	…	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
World Bank	…	…	…	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Other donors	…	…	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	…	…	…	0.4	0.4	0.4	0.2	0.2	0.0	0.0	0.0	0.0
IMF-ECF	…	…	…	0.4	0.4	0.4	0.2	0.2	0.0	0.0	0.0	0.0
Remaining Financing Gap	…	…	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:												
Total public debt	42.7	43.5	45.7	48.7	46.7	47.6	45.5	46.3	44.9	43.5	42.1	40.9
Domestic arrears stock (verified claims)	…	1.8	1.1	0.7	0.4	0.4	0.2	0.3	0.3	0.2	0.2	0.2
Priority social spending[3]	5.5	6.7	5.9	6.6	6.9	6.9	7.0	7.0	7.0	7.0	7.0	7.0

Sources: Ministry of Finance; Bank of Tanzania; and IMF staff projections.

[1] Excludes interest payments on external debt obligations that are under negotiation for relief with a number of creditors.

[2] Basket funds are sector-specific accounts established by the government to channel donor support to fund-specific activities.

[3] Priority social spending comprises government spending (recurrent and development) to on education, health, water, and rural roads, including transfers to local governments.

Table 3a. Tanzania: Balance of Payments, 2020/21–2029/30

(Millions of U.S. Dollars, Unless Otherwise Indicated)

	2020/21	2021/22	2022/23	2023/24	2024/25		2025/26		2026/27	2027/28	2028/29	2029/30
	Act.	Act.	Act.	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Millions of U.S. dollars, unless otherwise indicated)											
Current Account	-1,811	-3,464	-4,956	-2,469	-2,914	-2,556	-3,062	-2,760	-2,944	-2,862	-2,987	-3,072
Trade balance	-2,100	-4,616	-7,094	-5,916	-5,481	-5,995	-5,863	-6,408	-6,894	-7,246	-7,794	-8,493
Exports, f.o.b.	6,447	7,097	7,352	7,869	8,929	8,444	9,655	9,162	9,949	10,885	11,914	13,040
Traditional agricultural products	578	738	752	1,066	1,075	1,081	1,164	1,171	1,313	1,485	1,672	1,889
Gold	3,025	2,692	2,909	3,122	3,842	3,617	4,102	3,893	4,041	4,152	4,234	4,300
Other	2,843	3,668	3,690	3,681	4,012	3,746	4,390	4,098	4,595	5,248	6,008	6,851
Imports, f.o.b	-8,547	-11,713	-14,446	-13,785	-14,410	-14,439	-15,519	-15,570	-16,842	-18,131	-19,708	-21,532
Of which: Oil	-1,583	-2,606	-3,399	-3,083	-3,117	-3,083	-3,070	-3,004	-3,060	-3,152	-3,272	-3,420
Services (net)	1,070	1,904	2,894	4,553	3,662	4,442	3,807	4,556	4,835	5,212	5,601	6,167
Of which: Travel receipts	834	1,778	2,945	3,643	3,375	3,673	3,506	3,819	3,971	4,123	4,280	4,530
Income (net)	-1,234	-1,327	-1,403	-1,665	-1,743	-1,669	-1,670	-1,594	-1,631	-1,674	-1,720	-1,766
Of which : Interest on public debt	-264	-161	-452	0	-960	-960	-858	-858	-858	-858	-858	-858
Current transfers (net)	452	574	647	559	647	665	664	686	745	846	925	1,020
Of which : Official transfers	64	81	85	61	83	79	87	82	82	90	94	98
Capital Account	398	295	285	224	348	345	370	368	394	419	446	475
Of which : Project grants[1]	306	26	219	159	275	276	294	295	316	341	368	397
Financial Account	2,514	2,221	4,811	2,619	2,762	2,157	2,728	2,448	3,126	3,219	3,367	3,540
Foreign Direct Investment	988	1,151	1,532	1,672	1,488	1,495	1,696	1,705	1,959	2,201	2,413	2,642
Public Sector, net	1,110	817	2,087	1,325	921	934	677	691	802	972	1,214	1,492
Program loans	65	-100	609	517	0	0	0	0	0	0	0	0
Non-concessional borrowing	1,375	787	2,248	852	1,119	1,126	1,142	1,149	1,145	1,184	1,281	1,402
Project loans	727	1,226	483	1,155	1,083	1,089	1,249	1,256	1,371	1,502	1,647	1,803
Scheduled amortization[2]	-1,056	-1,197	-1,252	-1,198	-1,281	-1,281	-1,714	-1,714	-1,714	-1,714	-1,714	-1,714
Commercial Banks, net	-64	84	504	-221	39	39	-134	-134	-87	142	142	142
Other private inflows	482	-374	687	-158	313	-312	490	187	451	-96	-402	-736
Errors and Omissions [3]	-1,078	262	-108	-739	0	0	0	0	0	0	0	0
Overall Balance	23	-686	32	-366	195	-54	36	56	576	776	826	943
Financing	-23	686	-32	366	-735	-671	-187	-213	-576	-776	-826	-943
Change in BoT reserve assets (increase= -)	-45	120	-336	59	-1,099	-1,035	-640	-666	-522	-668	-718	-835
Use of Fund credit	0	566	304	307	364	364	453	453	-54	-108	-108	-108
O/w RSF	…	…	…	…	364	364	453	453	…	…	…	…
CCRT debt relief	23	…	…	…	…	…	…	…	…	…	…	…
Financing Gap	0	0	0	0	540	726	151	157	0	0	0	0
Exceptional financing	…	…	…	…	540	726	151	157	0	0	0	0
IMF Financing	…	…	…	…	301	305	151	157	0	0	0	0
of which: IMF ECF	…	…	…	…	301	305	151	157				
Debt relief	…	…	…	…	0	0	0	0	0	0	0	0
World Bank	…	…	…	…	239	250	0	0	0	0	0	0
Global Fund	…	…	…	…	0	0	0	0	0	0	0	0
Other donors	…	…	…	…	0	171	0	0	0	0	0	0
Residual financing gap	…	…	…	…	0	0	0	0	0	0	0	0
Memorandum Items:												
Gross official reserves (BoT)	5,230	5,110	5,446	5,387	6,318	6,422	6,958	7,088	7,610	8,278	8,995	9,831
of which: SDR allocation		543										
Months of *prospective* imports of goods and services	4.6	3.6	4.1	3.8	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3
Exports of goods (percent of GDP)	9.8	10.0	9.6	9.9	10.8	10.2	10.8	10.2	10.2	10.1	10.1	10.1
Exports excl. gold (percent of GDP)	5.2	6.2	5.8	6.0	6.2	5.8	6.2	5.9	6.0	6.3	6.5	6.8
Imports of goods and services (percent of GDP)	-15.0	-19.3	-22.2	-20.1	-20.5	-20.3	-20.4	-20.4	-20.2	-19.8	-19.6	-19.6
Imports of goods (percent of GDP)	-13.0	-16.5	-18.8	-17.3	-17.4	-17.4	-17.4	-17.3	-17.2	-16.9	-16.7	-16.7
Imports excl. oil (percent of GDP)	-10.6	-12.8	-14.4	-13.4	-13.7	-13.7	-13.9	-14.0	-14.1	-14.0	-14.0	-14.1
Current account deficit (percent of GDP)	-2.8	-4.9	-6.5	-3.1	-3.5	-3.1	-3.4	-3.1	-3.0	-2.7	-2.5	-2.4
Foreign direct investment (Percent of GDP)	1.5	1.6	2.0	2.1	1.8	1.8	1.9	1.9	2.0	2.1	2.1	2.1
Foreign program and project assistance (percent of GDP)	1.8	1.7	1.8	2.4	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8
Nominal GDP	65,669	71,069	76,655	79,653	82,681	83,069	89,242	89,747	97,959	107,354	117,722	128,880

Sources: Tanzanian authorities and IMF staff estimates and projections.

[1] The Bank of Tanzania adjusts the estimated outturn to reflect information on project grants provided by ministries.

[2] Relief on some external debt obligations is being negotiated with a number of creditors.

[3] Includes valuation changes in gross reserves resulting from changes in exchange rates among major currencies.

Table 3b. Tanzania: Balance of Payments, 2020/21–2029/30

(Percent of GDP, Unless Otherwise Indicated)

	2020/21	2021/22	2022/23	2023/24	2024/25		2025/26		2026/27	2027/28	2028/29	2029/30
	Act.	Act.	Act.	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
					(Percent of GDP, unless otherwise indicated)							
Current Account	-2.8	-4.9	-6.5	-3.1	-3.5	-3.1	-3.4	-3.1	-3.0	-2.7	-2.5	-2.4
Trade balance	-3.2	-6.5	-9.3	-7.4	-6.6	-7.2	-6.6	-7.1	-7.0	-6.7	-6.6	-6.6
Exports, f.o.b.	9.8	10.0	9.6	9.9	10.8	10.2	10.8	10.2	10.2	10.1	10.1	10.1
Traditional agricultural products	0.9	1.0	1.0	1.3	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.5
Gold	4.6	3.8	3.8	3.9	4.6	4.4	4.6	4.3	4.1	3.9	3.6	3.3
Other	4.3	5.2	4.8	4.6	4.9	4.5	4.9	4.6	4.7	4.9	5.1	5.3
Imports, f.o.b	-13.0	-16.5	-18.8	-17.3	-17.4	-17.4	-17.4	-17.3	-17.2	-16.9	-16.7	-16.7
Of which: Oil	-2.4	-3.7	-4.4	-3.9	-3.8	-3.7	-3.4	-3.3	-3.1	-2.9	-2.8	-2.7
Services (net)	1.6	2.7	3.8	5.7	4.4	5.3	4.3	5.1	4.9	4.9	4.8	4.8
Of which: Travel receipts	1.3	2.5	3.8	4.6	4.1	4.4	3.9	4.3	4.1	3.8	3.6	3.5
Income (net)	-1.9	-1.9	-1.8	-2.1	-2.1	-2.0	-1.9	-1.8	-1.7	-1.6	-1.5	-1.4
Of which : Interest on public debt	-0.4	-0.2	-0.6	0.0	-1.2	-1.2	-1.0	-1.0	-0.9	-0.8	-0.7	-0.7
Current transfers (net)	0.7	0.8	0.8	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.8
Of which : Official transfers	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Capital Account	0.6	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Of which : Project grants[1]	0.5	0.0	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Financial Account	3.8	3.1	6.3	3.3	3.3	2.6	3.1	2.7	3.2	3.0	2.9	2.7
Foreign Direct Investment	1.5	1.6	2.0	2.1	1.8	1.8	1.9	1.9	2.0	2.1	2.1	2.1
Public Sector, net	1.7	1.1	2.7	1.7	1.1	1.1	0.8	0.8	0.8	0.9	1.0	1.2
Program loans	0.1	-0.1	0.8	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-concessional borrowing	2.1	1.1	2.9	1.1	1.4	1.4	1.3	1.3	1.2	1.1	1.1	1.1
Project loans	1.1	1.7	0.6	1.4	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4
Scheduled amortization[2]	-1.6	-1.7	-1.6	-1.5	-1.5	-1.5	-1.9	-1.9	-1.7	-1.6	-1.5	-1.3
Commercial Banks, net	-0.1	0.1	0.7	-0.3	0.0	0.0	-0.2	-0.1	-0.1	0.1	0.1	0.1
Other private inflows	0.7	-0.5	0.9	-0.2	0.4	-0.4	0.5	0.2	0.5	-0.1	-0.3	-0.6
Errors and Omissions[3]	-1.6	0.4	-0.1	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	0.0	-1.0	0.0	-0.5	0.2	-0.1	0.0	0.1	0.6	0.7	0.7	0.7
Financing	0.0	1.0	0.0	0.5	-0.9	-0.8	-0.2	-0.2	-0.6	-0.7	-0.7	-0.7
Change in BoT reserve assets (increase= -)	-0.1	0.2	-0.4	0.1	-1.3	-1.2	-0.7	-0.7	-0.5	-0.6	-0.6	-0.6
Use of Fund credit	0.0	0.8	0.4	0.4	0.4	0.4	0.5	0.5	-0.1	-0.1	-0.1	-0.1
O/w RSF	…	…	…	…	0.4	0.4	0.5	0.5	…	…	…	…
CCRT debt relief	0.0											
Financing Gap	0.0	0.0	0.0	0.0	0.7	0.9	0.2	0.2	0.0	0.0	0.0	0.0
Exceptional financing	…	…	…	…	0.7	0.9	0.2	0.2	0.0	0.0	0.0	0.0
IMF Financing	…	…	…	…	0.4	0.4	0.2	0.2	0.0	0.0	0.0	0.0
of which: IMF ECF	…	…	…	…	0.4	0.4	0.2	0.2	…	…	…	…
Debt relief	…	…	…	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
World Bank	…	…	…	…	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Global Fund	…	…	…	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other donors	…	…	…	…	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	…	…	…	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:												
Gross official reserves (BoT)	8.0	7.2	7.1	6.8	7.6	7.7	7.8	7.9	7.8	7.7	7.6	7.6
of which: SDR allocation		0.8										
Months of *prospective* imports of goods and service	4.6	3.6	4.1	3.8	4.2	4.2	4.2	4.3	4.3	4.3	4.3	4.3
Exports of goods	9.8	10.0	9.6	9.9	10.8	10.2	10.8	10.2	10.2	10.1	10.1	10.1
Exports excl. gold	5.2	6.2	5.8	6.0	6.2	5.8	6.2	5.9	6.0	6.3	6.5	6.8
Imports of goods and services	-15.0	-19.3	-22.2	-20.1	-20.5	-20.3	-20.4	-20.4	-20.2	-19.8	-19.6	-19.6
Imports of goods	-13.0	-16.5	-18.8	-17.3	-17.4	-17.4	-17.4	-17.3	-17.2	-16.9	-16.7	-16.7
Imports excl. oil	-10.6	-12.8	-14.4	-13.4	-13.7	-13.7	-13.9	-14.0	-14.1	-14.0	-14.0	-14.1
Current account deficit	-2.8	-4.9	-6.5	-3.1	-3.5	-3.1	-3.4	-3.1	-3.0	-2.7	-2.5	-2.4
Foreign direct investment	1.5	1.6	2.0	2.1	1.8	1.8	1.9	1.9	2.0	2.1	2.1	2.1
Foreign program and project assistance	1.8	1.7	1.8	2.4	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8
Nominal GDP (Millions of U.S. dollars)	65,669	71,069	76,655	79,653	82,681	83,069	89,242	89,747	97,959	107,354	117,722	128,880

Sources: Tanzanian authorities and IMF staff estimates and projections.

[1] The Bank of Tanzania adjusts the estimated outturn to reflect information on project grants provided by ministries.

[2] Relief on some external debt obligations is being negotiated with a number of creditors.

[3] Includes valuation changes in gross reserves resulting from changes in exchange rates among major currencies.

Table 4. Tanzania: Central Bank and Depository Corporations Survey, 2020–2024

	2020		2021		2022				2023				2024		
	June	Dec	June	Dec	Mar	Jun	Sep	Dec.	Mar	Jun	Sep	Dec.	Mar	Jun	Sep
	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.
	(Billions of Tanzania shillings, unless otherwise indicated; end of period)														
Bank of Tanzania															
Net Foreign Assets	11,259	10,309	11,701	13,219	11,578	10,585	10,348	10,733	10,251	11,333	10,647	12,079	11,982	12,350	12,804
Net international reserves [1]	11,836	10,884	12,143	14,496	12,213	11,761	11,429	11,409	11,564	12,666	12,055	13,364	13,607	14,033	14,675
(Millions of U.S. dollars) [1]	5,152	4,735	5,282	6,309	5,313	5,104	4,952	4,941	5,003	5,440	4,858	5,342	5,314	5,335	5,402
Net non-reserve foreign assets	-577	-575	-442	-1,276	-634	-1,176	-1,081	-677	-1,313	-1,333	-1,409	-1,285	-1,625	-1,683	-1,871
Net Domestic Assets	-2,956	-3,139	-3,133	-4,812	-3,196	-1,308	-776	-997	-1,015	-483	-703	-1,979	-1,796	-1,424	-1,670
Net credit to government	731	368	1,826	741	898	2,217	2,998	2,231	2,179	2,840	2,695	2,123	1,631	2,072	1,695
Of which: Excluding counterpart of liquidity paper	850	471	1,866	763	930	2,264	3,118	2,470	2,887	3,386	3,418	2,230	1,904	2,608	2,225
Credit to other economic sectors	137	122	112	111	113	107	101	102	100	135	95	115	124	125	99
Claims on other depository corporations	90	299	161	221	65	352	144	163	229	310	354	538	374	622	1,648
Other items (net)	-3,914	-3,929	-5,232	-5,885	-4,272	-3,984	-4,019	-3,493	-3,522	-3,767	-3,847	-4,756	-3,925	-4,242	-5,113
REPOs	0	0	0	0	0	0	-589	-275	-756	-125	-15	0	0	0	0
Other items, excluding REPOs (net)	-3,914	-3,929	-5,232	-5,885	-4,272	-3,984	-3,430	-3,217	-2,767	-3,642	-3,832	-4,756	-3,925	-4,242	-5,113
Reserve Money	8,302	7,169	8,568	8,407	8,382	9,277	9,572	9,736	9,236	10,851	9,944	10,100	10,186	10,926	11,134
Currency outside banks	4,232	4,501	4,700	5,012	4,769	5,334	5,849	5,709	5,371	6,161	6,476	6,485	6,326	7,076	7,354
Bank reserves	4,071	2,669	3,868	3,395	3,613	3,943	3,723	4,027	3,865	4,689	3,468	3,615	3,860	3,850	3,780
Currency in banks	931	1,001	846	1,001	880	1,024	1,012	1,039	972	1,031	1,057	1,170	953	963	1,113
Deposits	3,139	1,667	3,022	2,394	2,733	2,918	2,712	2,988	2,893	3,659	2,411	2,445	2,907	2,887	2,667
Required reserves	1,421	1,414	1,448	1,485	1,542	1,566	1,719	1,797	1,851	1,942	1,981	2,059	2,191	2,250	2,280
Excess reserves	1,728	359	1,578	885	1,194	1,361	1,020	1,001	1,053	1,716	436	385	715	637	387
Memorandum Items:															
Average reserve money	7,852	7,523	8,037	8,773	8,640	9,063	9,789	9,481	9,402	9,797	10,388	10,184	10,535	11,040	11,223
Depository Corporations Survey															
Net Foreign Assets	11,289	10,723	12,145	13,966	11,816	10,504	9,701	9,438	8,697	10,455	10,122	11,302	11,635	12,238	13,704
Bank of Tanzania [1]	11,259	10,309	11,701	13,219	11,578	10,585	10,348	10,733	10,251	11,333	10,647	12,079	11,982	12,350	12,804
Commercial banks	30	414	444	747	237	-81	-647	-1,295	-1,554	-878	-525	-777	-347	-112	900
Net Domestic Assets	18,552	19,198	21,189	20,592	21,936	24,996	27,983	29,143	30,416	31,730	33,020	32,706	32,892	34,524	34,360
Domestic credit	25,697	26,140	28,215	30,031	31,447	34,053	36,055	37,557	39,140	41,586	42,587	43,456	44,223	46,461	47,161
Credit to government (net)	5,808	5,831	7,613	7,686	8,222	9,460	10,281	10,185	10,604	11,751	11,795	11,354	10,877	11,480	10,987
Claims on other financial corporations	814	713	852	816	453	578	575	573	663	667	683	760	769	1,051	1,607
Claims on state and local governments	70	80	84	49	46	46	45	58	57	55	54	53	51	34	33
Claims on non-financial public enterprises	728	668	325	410	400	364	348	298	270	258	427	428	460	404	540
Claims on non-financial private sector	18,276	18,848	19,341	21,069	22,326	23,605	24,807	26,443	27,545	28,855	29,628	30,862	32,065	33,491	33,994
Other items (net)	-7,145	-6,942	-7,025	-9,438	-9,511	-9,057	-8,072	-8,415	-8,724	-9,856	-9,567	-10,750	-11,330	-11,937	-12,801
M3	29,842	29,921	33,334	34,558	33,752	35,500	37,684	38,580	39,113	42,185	43,141	44,009	44,528	46,762	48,065
Foreign currency deposits	6,630	6,888	7,678	7,470	7,247	7,878	8,362	8,201	8,618	9,591	9,716	10,001	10,397	11,496	12,428
M2	23,212	23,033	25,655	27,088	26,505	27,622	29,322	30,379	30,495	32,594	33,425	34,008	34,130	35,266	35,637
Currency in circulation	4,232	4,501	4,700	5,012	4,769	5,334	5,849	5,709	5,371	6,161	6,476	6,485	6,326	7,076	7,354
Deposits (TSh)	18,980	18,532	20,955	22,076	21,736	22,288	23,473	24,670	25,124	26,432	26,949	27,523	27,805	28,190	28,283
Memorandum Items:	(12-month percent change, unless otherwise indicated)														
M3 growth	9.5	5.7	11.7	15.5	11.9	6.5	13.6	11.6	15.9	18.8	14.5	14.1	13.8	10.9	11.4
M3 (percent of GDP)	21.3	19.8	22.1	21.1	20.6	21.7	21.0	21.5	21.8	23.5	21.7	22.2	22.4	23.6	24.2
Private sector credit growth	5.6	6.8	5.8	11.8	17.7	22.1	24.9	25.5	23.4	22.2	19.4	16.7	16.4	16.1	14.7
Private sector credit (percent of GDP)	13.1	12.5	12.8	12.9	13.7	14.4	13.8	14.7	15.3	16.1	14.9	15.5	16.2	16.9	15.5
Private sector credit growth, inflation-adjusted	2.4	3.5	2.2	7.3	13.6	16.9	19.2	19.7	17.8	18.0	15.6	13.3	13.0	12.6	11.2
Velocity of money (nominal GDP/ M3)	5.0	5.2	5.0	5.1	4.9	4.8	5.2	5.0	4.8	4.6	4.9	4.8	4.6	4.5	4.4
Average reserve money growth	9.3	0.4	2.4	16.6	20.6	12.8	22.3	8.1	8.8	8.1	6.1	7.4	12.0	12.7	8.0
Reserve money multiplier (M3/average reserve money)	3.8	4.0	4.1	3.9	3.9	3.9	3.8	4.1	4.2	4.3	4.2	4.3	4.2	4.2	4.3
Nonbank financing of the government (net) [2]	782	764	1,546	578	692	1,004	30	827	1,352	2,168	583	1,038	1,319	2,446	1,313
Bank financing of the government (net) [2]	-405	23	1,805	73	609	1,846	821	725	1,144	2,291	45	-397	-874	-271	-764
Bank and nonbank financing of the government (net) [2]	377	788	3,352	651	1,301	2,850	852	1,552	2,497	4,459	628	642	445	2,175	549

Sources: Bank of Tanzania and IMF staff estimates and projections.

[1] Includes short-term (less than 1 year) foreign exchange liabilities to residents.

[2] In billions of Tanzanian shillings; cumulative from the beginning of the fiscal year (July 1).

Table 5. Tanzania: Financial Soundness Indicators, 2020–2024

	2020				2021				2022				2023				2024	
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	June	Sept	Dec	Mar	June
	(Percent, end of period)																	
Capital Adequacy																		
Total capital to risk-weighted assets	18.7	17.9	18.3	18.1	19.8	17.9	19.9	20.1	21.6	20.2	19.7	18.9	20.0	19.0	18.6	18.4	19.9	19.3
Total capital to total assets	13.8	12.8	13.2	13.2	13.8	12.9	12.8	13.1	14.3	13.5	13.2	12.9	13.7	12.6	12.5	12.6	13.9	13.2
Asset Composition and Quality																		
Net loans and advances to total assets	55.2	53.3	54.0	54.1	54.6	52.2	52.8	52.8	54.4	54.6	55.9	56.6	57.0	56.6	57.2	59.0	59.4	59.4
Sectoral distribution of loans																		
Personal	30.3	31.9	33.0	34.3	35.6	35.9	37.0	36.8	38.9	38.2	38.6	38.2	38.3	37.5	38.1	37.2	38.2	36.2
Trade	17.7	16.6	15.9	15.4	15.4	15.8	16.8	16.7	16.5	16.4	15.7	16.8	15.9	16.3	15.4	13.6	12.9	13.0
Manufacturing and mining	13.1	13.4	12.3	11.7	12.0	12.2	12.0	11.8	12.8	12.8	13.5	12.1	11.9	11.8	11.6	11.9	12.3	11.9
Agricultural production	9.2	8.2	8.5	8.7	8.2	7.0	6.8	7.3	7.6	8.3	8.2	8.6	8.7	9.5	10.4	10.2	10.9	12.0
Transport and communication	5.6	5.8	6.0	5.8	5.5	5.4	5.1	4.8	4.8	4.5	4.6	4.5	4.5	4.5	4.4	4.3	4.2	4.3
Real Estate	3.7	3.9	3.8	3.8	3.7	3.7	3.4	3.2	3.2	3.0	3.0	2.8	2.5	2.3	2.3	2.5	2.5	2.4
Building and construction	6.0	5.6	5.8	5.4	5.2	5.0	4.8	4.6	4.7	4.6	4.6	4.4	4.4	4.5	4.6	4.5	4.1	4.3
Foreign exchange loans to total loans	29.4	29.9	27.6	27.6	26.4	26.5	25.7	26.4	27.3	27.5	27.1	28.9	30.0	29.2	26.5	26.3	26.6	26.7
Non-performing loans (NPLs) to total loans	10.5	10.8	10.4	9.3	9.3	9.2	8.8	8.2	8.2	7.8	7.3	5.8	5.6	5.3	5.2	4.3	4.3	4.1
NPLs net of provisions to capital	39.9	42.9	40.7	35.8	34.4	34.7	33.3	29.9	28.4	28.2	27.6	23.5	21.6	22.7	22.5	19.1	17.3	17.4
Large exposures to total capital	165.1	110.8	215.1	144.6	117.5	116.9	139.4	154.3	225.4	191.7	175.7	323.1	205.2	295.7	155.4	109.2	126.3	128.2
Net open positions in foreign exchange to total capital[1]	7.1	7.3	6.2	9.0	6.9	6.5	6.9	7.8	5.5	4.9	3.2	2.5	2.6	3.4	3.5	4.5	-0.3	4.4
Earnings and Profitability																		
Return on assets	2.0	2.2	2.3	2.0	2.5	2.4	2.7	2.8	4.4	4.1	4.1	3.5	4.5	4.5	4.6	4.5	5.9	5.7
Return on equity	8.5	9.9	9.6	7.9	10.3	10.5	11.4	11.6	19.5	18.5	18.0	14.6	20.3	21.5	21.4	21.0	27.9	27.3
Interest margin to total income	55.1	55.7	55.3	55.2	57.9	57.2	57.1	56.8	54.1	53.6	52.8	53.8	52.1	52.5	52.4	52.1	50.0	50.4
Noninterest expenses to gross income	55.2	55.1	53.4	53.7	51.7	51.7	50.9	50.0	44.5	45.2	44.4	43.7	41.1	41.0	40.8	40.4	36.5	36.5
Personnel expenses to noninterest expenses	50.8	50.4	50.0	48.9	52.6	52.1	51.9	51.9	52.8	52.1	51.7	51.4	52.7	51.1	50.2	49.4	50.0	48.7
Liquidity																		
Liquid assets to total assets	24.8	26.6	25.4	24.6	23.6	26.3	25.8	26.2	25.4	24.4	23.8	23.1	22.7	22.9	22.9	22.8	22.6	23.2
Liquid assets to total short term liabilities	31.0	33.4	31.6	30.9	29.7	33.2	30.9	30.2	29.7	28.1	27.5	26.4	24.4	25.1	25.3	28.7	28.4	26.9
Total loans to customer deposits	90.1	83.9	87.2	86.9	88.1	81.4	82.4	81.9	85.7	86.8	87.7	89.3	90.1	88.5	89.7	92.7	93.6	93.3
Foreign exchange liabilities to total liabilities	30.2	28.6	30.8	30.2	29.5	30.1	29.4	29.8	29.0	29.6	29.1	29.4	30.3	31.4	32.8	32.2	33.3	37.4

Source: Bank of Tanzania.

1/ Net open position calculation includes off-balance sheet letters of credit as FC denominated liabilities.

Table 6. Tanzania: Indicators of Fund Credit, Baseline Scenario (PRGT & RSF Arrangements)

(In Millions of SDRs, Unless Otherwise Indicated)

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Fund Obligations Based on Existing Credit (millions of SDRs)	22.7	19.5	19.5	99.1	133.5	178.8	190.2	190.2	110.6	76.2	30.9	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Principal	0.0	0.0	0.0	79.6	114.0	159.3	170.7	170.7	91.1	56.7	11.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Charges and interest	22.7	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Fund Obligations Based on Existing and Prospective Credit (millions of SDRs)	22.7	22.4	31.1	112.5	146.9	192.3	237.6	266.0	192.1	157.6	112.3	81.9	89.3	90.8	89.5	88.2	86.8	85.5	84.1	82.8	81.5	65.2	28.2
Principal	0.0	0.0	0.0	79.6	114.0	159.3	204.7	233.0	159.1	124.7	79.4	48.9	56.8	59.7	59.7	59.7	59.7	59.7	59.7	59.7	59.7	44.8	8.5
PRGT	0.0	0.0	0.0	79.6	114.0	159.3	204.7	233.0	159.1	124.7	79.4	34.0	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.9	51.1	59.7	59.7	59.7	59.7	59.7	59.7	59.7	59.7	44.8	8.5
Charges and interest	22.7	22.4	31.1	33.0	33.0	32.9	33.0	33.0	33.0	32.9	33.0	32.9	32.4	31.2	29.8	28.5	27.2	25.8	24.5	23.1	21.8	20.4	19.6
Total Obligations Based on Existing and Prospective Credit																							
Millions of SDRs	22.7	22.4	31.1	112.5	146.9	192.3	237.6	266.0	192.1	157.6	112.3	81.9	89.3	90.8	89.5	88.2	86.8	85.5	84.1	82.8	81.5	65.2	28.2
Millions of U.S. dollars	30.2	30.1	41.8	151.4	198.1	259.3	320.4	358.6	259.0	212.6	151.5	110.4	120.4	122.5	120.7	118.9	117.1	115.2	113.4	111.6	109.8	87.9	38.0
Percent of exports of goods and services	0.2	0.1	0.2	0.6	0.8	0.9	1.0	1.1	0.7	0.5	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0
Percent of debt service	0.6	0.6	0.8	2.6	3.0	3.9	10.2	9.9	6.9	5.3	3.5	2.5	2.5	2.4	2.2	2.0	1.8	1.6	1.5	1.3	1.2	0.7	0.3
Percent of GDP	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of gross international reserves	0.6	0.5	0.6	2.0	2.4	2.9	3.3	3.3	2.2	1.7	1.1	0.7	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.2	0.1
Percent of quota	7.6	7.6	10.5	38.1	49.8	65.2	80.5	90.2	65.1	53.4	38.1	27.8	30.3	30.8	30.3	29.9	29.4	29.0	28.5	28.1	27.6	22.1	9.5
Principal																							
PRGT	0.0	0.0	0.0	20.0	28.6	40.0	51.4	58.6	40.0	31.3	19.9	8.5	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.7	12.9	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	11.3	2.1
Outstanding Fund Credit Based on Existing and Prospective Credit																							
Millions of SDRs	1009.3	1562.9	1790.1	1710.5	1596.6	1437.2	1232.6	999.6	840.4	715.7	636.4	587.5	530.6	471.0	411.3	351.6	292.0	232.3	172.6	112.9	53.3	8.5	0.0
PRGT	966.6	1136.7	1193.4	1113.8	999.9	840.5	635.9	402.9	243.7	119.0	39.7	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	42.6	426.2	596.7	596.7	596.7	596.7	596.7	596.7	596.7	596.7	596.7	581.8	530.6	471.0	411.3	351.6	292.0	232.3	172.6	112.9	53.3	8.5	0.0
Millions of U.S. dollars	1343.7	2096.4	2407.8	2302.2	2152.9	1938.0	1662.1	1347.9	1133.3	965.1	858.1	792.2	715.5	635.1	554.6	474.2	393.7	313.2	232.8	152.3	71.8	11.5	0.0
Percent of exports of goods and services	9.2	13.7	14.7	13.0	11.2	9.3	7.2	5.4	4.2	3.3	2.7	2.3	1.9	1.5	1.2	1.0	0.7	0.5	0.4	0.2	0.1	0.0	0.0
Percent of debt service	36.4	59.0	58.1	52.5	43.5	39.2	71.1	50.3	40.6	32.3	27.0	23.9	20.2	16.8	13.7	10.8	8.2	6.0	4.1	2.5	1.1	0.1	0.0
Percent of GDP	1.7	2.5	2.7	2.4	2.0	1.6	1.3	1.0	0.7	0.6	0.5	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Percent of gross international reserves	24.9	32.6	34.0	30.3	26.0	21.5	16.9	12.5	9.7	7.6	6.2	5.3	4.4	3.6	2.9	2.3	1.7	1.2	0.8	0.5	0.2	0.0	0.0
Percent of quota	3.4	5.3	6.1	5.8	5.4	4.9	4.2	3.4	2.8	2.4	2.2	2.0	1.8	1.6	1.4	1.2	1.0	0.8	0.6	0.4	0.2	0.0	0.0
PRGT	243.0	285.7	300.0	280.0	251.3	211.3	159.8	101.3	61.3	29.9	10.0	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	10.7	107.1	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	146.3	133.4	118.4	103.4	88.4	73.4	58.4	43.4	28.4	13.4	2.1	0.0
Net Use of Fund Credit (millions of SDRs)																							
Disbursements and purchases	226.7	482.5	454.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	0.0	0.0	0.0	39.8	91.1	136.6	182.0	221.7	198.9	147.6	102.0	60.9	51.1	59.7	59.7	59.7	59.7	59.7	59.7	59.7	59.7	55.4	25.6
Memorandum Items:																							
Exports of goods and services (millions of U.S. dollars)	14,664	15,315	16,417	17,704	19,242	20,935	22,944	25,042	27,199	29,543	32,088	34,852	37,855	41,116	44,658	48,505	52,956	58,387	64,679	71,286	78,409	86,446	95,307
Debt service (millions of U.S. dollars)	3,691	3,551	4,141	4,388	4,944	4,945	2,337	2,679	2,792	2,987	3,184	3,313	3,539	3,771	4,046	4,396	4,791	5,229	5,673	6,164	6,720	8,843	9,749
Nominal GDP (millions of U.S. dollars)	79,653	83,069	89,747	97,959	107,354	117,722	128,880	140,425	152,523	165,663	179,935	195,437	212,274	230,562	250,425	271,999	296,954	327,414	362,693	399,743	439,687	484,755	534,442
Gross International Reserves (millions of U.S. dollars)	5,387	6,422	7,088	7,610	8,278	8,995	9,831	10,767	11,694	12,702	13,796	14,984	16,275	17,678	19,201	20,855	22,768	25,103	27,808	30,649	33,712	37,167	40,977
Average exchange rate: SDR per U.S. dollars	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Quota (millions of SDRs)	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8	397.8

Source: IMF staff calculations.

Note: RST financing terms according to Group A.

Table 7. Tanzania: External Financing Requirements and Sources, 2021/22–2025/26

(Millions of U.S. Dollars)

	2021/22	2022/23	2023/24		2024/25		2025/26
	Act.	Act.	3rd Rev.	Est.	3rd Rev.	Proj.	Proj.
Financing Needs	**3,344**	**5,291**	**3,171**	**2,410**	**3,650**	**3,228**	**2,973**
Current account deficit	3,464	4,956	3,398	2,469	2,914	2,556	2,760
Reserves accumulation (without RSF; +=increase)	-120	336	-227	-59	735	671	213
of which: SDR allocation	543	…	…	…	…	…	…
Financing Sources	**3,082**	**4,487**	**2,294**	**2,342**	**3,109**	**2,502**	**2,816**
Capital account	295	285	492	224	348	345	368
Financial account	2,221	4,202	1,802	2,119	2,762	2,157	2,448
of which: FDI inflow	1,151	1,532	1,431	1,672	1,488	1,495	1,705
Use of Fund credit	566	…	…	…		364	453
Net Errors and Omissions	262	-108	0	-739	0	0	0
Financing Gap	**0**	**913**	**877**	**807**	**540**	**726**	**157**
Additional Financing Sources	**0**	**913**	**877**	**807**	**540**	**726**	**157**
IMF (ECF)	…	304	302	307	301	305	157
World Bank	…	500	500	500	239	250	0
Global Fund	…	0	0	0	0	0	0
Other donors	…	109	75	0	0	171	0
Remaining Financing Gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**
RSF disbursement	…	…	…	…	364	364	453
Reserve accumulation (with RSF)	…	…	…	…	1,099	1,035	666

Source: Tanzanian authorities and IMF staff estimates and projections.

Table 8. Tanzania: Access and Phasing Under the ECF Arrangement

Availability Date	Condition for Disbursement	Disbursements Percentage of quota[1]	SDRs (millions)	US dollars (millions)[2]	Tsh (billions)[3]	Percent of GDP
July 18, 2022	Approval of the ECF Arrangement	29.0	115.36	151.70	372.03	0.21
March 29, 2023	Observance of the PCs for end-December 2022, continuous PCs and completion of the first review	28.5	113.37	152.60	374.23	0.21
September 29, 2023	Observance of the PCs for end-June 2023, continuous PCs and completion of the second review	28.5	113.37	149.97	367.79	0.18
March 29, 2024	Observance of the PCs for end-December 2023, continuous PCs and completion of the third review	28.5	113.37	149.97	367.79	0.18
September 27, 2024	Observance of the PCs for end-June 2024, continuous PCs and completion of the fourth review	28.5	113.37	149.97	367.79	0.17
March 27, 2025	Observance of the PCs for end-December 2024, continuous PCs and completion of the fifth review	28.5	113.37	149.97	367.78	0.17
September 26, 2025	Observance of the PCs for end-June 2025, continuous PCs and completion of the sixth review	14.3	56.68	74.98	183.89	0.08
March 29, 2026	Observance of the PCs for end-December 2025, continuous PCs and completion of the seventh review	14.3	56.69	75.00	183.92	0.08
	Total	200.0	795.58	1052.42	2580.93	1.26

Source: IMF staff projections and calculations.

[1] United Republic of Tanzania's quota is SDR 397.8 Million. Figures in percent of quota have been rounded.

[2] Future US dollar values use the exchange rate to SDR as of September 6, 2023 (1 SDR = 1.3228 US$).

[3] Tanzanian shilling values use the exchange rate to US dollar as of September 6, 2023 (1 USD = 2,452.4 Tanzanian shillings).

Table 9. Tanzania: External Borrowing Plan, FY2024/25

PPG external debt contracted or guaranteed	Volume of new debt, US million [1/]	Present value of new debt, US million [1/]
Sources of debt financing	**3,304**	**2,542**
Concessional debt, of which [2/]	2,178	1,416
Multilateral debt	2,178	1,416
Bilateral debt	0	0
Non-concessional debt, of which [3/]	1,126	1,126
Semi-concessional debt [3/]	0	0
Commercial terms [4/]	1,126	1,126
Use of debt financing	**3,304**	**2,542**
Infrastructure	2,215	1,833
Budget financing	1,089	708
Memorandum items		
Indicative projections		
Year 2	3,014	2,200-2,600
Year 3	2,516	1,750-2,200

Sources: Tanzanian authorities; and IMF staff estimates and projections.

[1] The present value of debt is calculated using the terms of individual loans and applying the 5 percent program discount rate.

[2] Debt with a grant element that exceeds a minimum threshold. This minimum is typically 35 percent but could be established at a higher level.

[3] Debt with a positive grant element which does not meet the minimum grant element.

[4] Debt without a positive grant element. For commercial debt, the present value would be defined as the nominal/face value.

Table 10. Tanzania: Decomposition of Public Debt and Debt Service by Creditor, 2023-2025

	Debt Stock 1/			Debt Service					
	2024			2023	2024	2025	2023	2024	2025
	(In US$ millions)	*(Percent of total debt)*	*(Percent of GDP)*	*(In US$ millions)*			*(Percent of GDP)*		
Total[2]	**37,291**	**100.0**	**49.4**	**3,821**	**3,717**	**3,692**	**5.0**	**4.7**	**4.4**
External	**24,600**	**66.0**	**32.6**	**1,627**	**1,210**	**1,175**	**2.1**	**1.5**	**1.4**
Multilateral creditors[3]	16,563	44.4	21.9	355	357	386	0.5	0.4	0.5
IMF	973	2.6	1.3	0	0	0	0.0	0.0	0.0
World Bank	11,671	31.3	15.4	240	254	275	0.3	0.3	0.3
AfDB	685	1.8	0.9	38	25	24	0.0	0.0	0.0
Other Multilaterals	3,234	8.7	4.3	77	79	86	0.1	0.1	0.1
o/w African Development Fund	2,618	7.0	3.5	38	42	49	0.0	0.1	0.1
o/w International Fund for Agricultural Dev.	212	0.6	0.3	12	12	12	0.0	0.0	0.0
Bilateral creditors	1,392	3.7	1.8	72	57	62	0.1	0.1	0.1
Paris Club	697	1.7	0.8	25	26	27	0.0	0.0	0.0
o/w France	342	0.9	0.5	13	12	13	0.0	0.0	0.0
o/w Japan	350	0.9	0.5	10	12	12	0.0	0.0	0.0
Non-Paris Club	694	1.9	0.9	48	31	35	0.1	0.0	0.0
o/w China	116	0.3	0.2	0	3	3	0.0	0.0	0.0
o/w Iran	78	0.2	0.1	0	8	8	0.0	0.0	0.0
Bonds	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Commercial creditors	6,645	17.8	8.8	1,199	796	727	1.6	1.0	0.9
o/w Credit Suisse AG	953	2.6	1.3	424	240	202	0.6	0.3	0.2
o/w Exim Bank China	1,266	3.4	1.7	193	168	164	0.3	0.2	0.2
Domestic	**12,691**	**34.0**	**16.8**	**2,195**	**2,506**	**2,516**	**2.9**	**3.1**	**3.0**
Held by residents, total	12,691	34.0	16.8	2,194.7	2,506	2,516	2.9	3.1	3.0
Held by non-residents, total	0	0.0	0.0	0	0	0	0.0	0.0	0.0
T-Bills	886	2.4	1.2	749	855	858	1.0	1.1	1.0
Bonds	9,422	25.3	12.5	1,446	1,651	1,658	1.9	2.1	2.0
Loans	78	0.2	0.1	0	0	0	0.0	0.0	0.0
Memo Items:									
Collaterized debt[4]	0	0.0	0.0	...	...	...	...	...	...
o/w: Related	0	0.0	0.0	...	...	...	...	...	...
o/w: Unrelated	0	0.0	0.0	...	...	...	...	...	...
Contingent liabilities	2,390	6.4	3.2	...	...	...	...	...	...
o/w: Public guarantees (external)	0	0.0	0.0	...	...	...	...	...	...
o/w: Other contingent liabilities[5]	2,390	6.4	3.0	...	...	...	...	...	...

Source: Tanzanian Authorities & IMF Staff estimates

1/ Total debt includes domestic arrears (about 0.7 percent of GDP), which is not included in the authorities' debt statistics.

2/ Excludes public guarantees and other contingent liabilities, which are noted under memo items.

3/ "Multilateral creditors" are institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g., Lending Into Arrears).

4/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the join IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

5/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g., credit lines) and other explicit contingent liabilities not elsewhere classified (e.g., potential legal claims, payments

Table 11. Tanzania: Schedule of Disbursement Under the RSF Arrangement, 2024-2026

Date of availability	Disbursement amount (in millions of SDR)	Disbursement amount (in percent of quota)[1/]	Conditions (implementation of RMs)
December 1, 2024	42.62	10.7	Implementation of RM1
December 1, 2024	42.62	10.7	Implementation of RM5
June 1, 2025	42.62	10.7	Implementation of RM2
June 1, 2025	42.62	10.7	Implementation of RM3
June 1, 2025	42.62	10.7	Implementation of RM6
June 1, 2025	42.62	10.7	Implementation of RM7
October 31, 2025	42.62	10.7	Implementation of RM4
October 31, 2025	42.62	10.7	Implementation of RM8
October 31, 2025	42.62	10.7	Implementation of RM10
October 31, 2025	42.62	10.7	Implementation of RM13
April 30, 2026	42.62	10.7	Implementation of RM9
April 30, 2026	42.62	10.7	Implementation of RM11
April 30, 2026	42.62	10.7	Implementation of RM12
April 30, 2026	42.64	10.7	Implementation of RM14
Total	**596.70**	**150.0**	

[1/]Tanzania's quota is SDR 397.80 million.

Table 12. Tanzania: IMF-World Bank Jointly Identified Challenges, Reform Objectives, and CD Support

Key Challenge	Diagnostic reference	Key Objectives of Proposed Reforms	Expected CD/TA Output	Role of other development partners	Authorities' Readiness	Key Impediments
National coordination and management of climate change is incomplete and not able to ensure cross sector coordination; no common national view on climate change; and limited appreciation of long-term nature of climate challenge.	IMF CPD (2024); WB CCDR (2024)	Enhance governance and coordination of climate change policies through- (i) clearly defining the institutional framework for climate change-related policies in the legal framework; (ii) strengthening institutional coordination across all MDA's, including local government, by assigning clearer responsibilities for coordination, implementation and monitoring & evaluation; (iii) preparing and publishing common climate scenarios and vulnerability maps; and (iv) requiring use of common climate scenarios and vulnerability maps in land use planning and civil construction design.	IMF FAD to provide support through desk review. The WB under the fortcoming CAT DDO is supporting the revision of EMA in Zanzibar.	The GCA would apply its expertise in developing hazard risk maps to support the Tanzanian authorities in developing risk maps for floods, land-slides and droughts.	The Environmental Management Act is being ammended and the authorities are making progress on RM2 with support from GCA.	Tight timeline
Effective implementation of disaster risk management policy faces challenges.	IMF CPD (2024); WB CCDR (2024)	Strengthen the distaster risk management framework through- (i) developing and implementing a disaster risk financing framework; (ii) mainstreaming DRM into sectoral development plans, strategies, budgets and programs, particularly in infrastructure, construction and land use planning; (iii) strenghtening emergency preparedness and response, including early warning system and weather data; and (iv) strenghthening community level preparedness.	IMF FAD to support the authorities in defining and implementing a DRF framework. WB CAT/DDO will focus on community level preparedness.		The authorities have begun engagement with IMF on TA support.	Limited capacity to implement.
Limited integration of climate considerations into efforts to build human capital and social protection.	IMF CPD (2024); IMF C-PIMA (2022)	(i) Increase resilience through safety nets - transforming the current Productive Social Safety Net (PSSN) into an adaptive social protection system and expanding the register to include households who could fall under the extreme poverty line if climate and disaster risks materialize; (ii) plan for restoring school infrastructure as part of climate recovery program; (iii) ensure that climate-related health risks are integrated into national, regional, and local programs and associated budgets.	World Bank interventions through investment financing in SPJ, Education, and HNP.	World Bank supporting the authorities with the design, implementation, and financing of the PSSN program. Expansion of the coverage of the register and adaptive SP design are envisaged for the next phase of the PSSN program and will be supported by the WB in collaboration with other partners like WFP.	TASAF started initial steps; finalization will depend on the vulnerability map and budget availability	Limited technical and financial prioritization
Budget formulation and public investment planning do not adequately take into account climate change considerations; and climate related fiscal risks not assessed.	IMF CPD (2024); IMF C-PIMA (2022), WB CCDR (2024)	(i) Mainstream climate policies in budget and public investment planning through integrating climate into core public financial management and processes including developing budget guidelines and manuals on how to consider climate in the budget; (ii) requiring climate impact and climate vulnerability assessments for large projects and all climate-relevant projects at all stages of project appraisal; (iii) include the outcome of climate assessments of all climate-relevant projects in the Budget document; and (iv) enhance health system resilience to climate-related hazards and ensure that climate-related health risks are integrated into national, regional, and local programs and associated budgets.	IMF FAD to support the authorities' effort to enhance the climate responsiveness of PIM as well as develop methods for assessing and managing fiscal risks related to natural disasters.		The authorities have begun engagement with IMF on TA support.	Tight timeline and limited capacity.

Table 12. Tanzania: IMF-World Bank Jointly Identified Challenges, Reform Objectives, and CD Support (concluded)

Key Challenge	Diagnostic reference	Key Objectives of Proposed Reforms	Expected CD/TA Output	Role of other development partners	Authorities' Readiness	Key Impediments
Long-term sectoral plans in infrastructure need to be better aligned with Tanzania's NDC.	IMF CPD (2024)	Align sectoral climate policies with national policies and commitments through- (i) presenting and implementing a long-term power sector plan that is aligned with climate mitigation goals and coordinated with the long-term plans of other sectors, including water and agriculture: (ii) determining and implementing cost-recovery rate for the provision of electricity (fully reflecting operational and investment cost of the energy transition); (iii) improving the coverage, quality and reliability of high capacity public transport services, including electrification of the sector; (iv) identifying and integrating climate policy-related key performance indicators (KPIs) in the existing conditional tariff structure and business plans of the water utilities; and (v) applying an environmental tax on domestic consumption of sources of carbon emissions tailored to Tanzania's circumstances and in line with IMF technical assistance and consistent with Tanzania's commitment under the NDC.	IMF FAD to support: (i) the design and implementation of environmental taxes that would be consistent with Tanzania's NDC commitments; and (ii) identification of climate policy-related KPIs to be integrated into the conditional tariff structure of water utilities. WB to support: (i) preparation of the long-term power sector plan; and (ii) determination and implemention of cost-recovery rate for the provision of electricity (fully reflecting operational and investment cost of the energy transition).	AFD, EU, JICA, and USAID are supporting the authorities to improve power sector service efficiency and coverage. GIZ (Germany) supports water sector reforms and climate-sensitive water resources management to improve drinking water supply and sanitation.	The authorities are updating the power sector master plan. They are also conducting financial analysis to determine cost of services, taking into account the energy transition plan.	The impact of cost recovery tariffs on the poor and access to electricity.
Tanzania's potential in mitigation, including in land-based GHG emission reduction, can be leveraged better.	IMF CPD (2024), WB CCDR (2024)	Enhance Tanzania's cilimate mitigation through- (i) sustainable production in forest sector and conservation, and substitution of biomass-based energy; (ii) stainable intensification for Livestock Production and Systems; and (iii) adopting the guideline for Integrated and Participatory Village Land Use Planning, Management and Administration to formally require its implementation in all villages across the country.			Draft guideline for village land use has been completed and will be issued in December. Next step will be implementation.	Limited capacity to implement.
Monitoring of financial sector climate-related risk is limited.	CCDR (2024) Climate-related risks in the financial sector background paper to the CCDR	Enhance supervision of financial sector climate-related risks through- (i) creating a repository of climate-related data to support assessment of climate-related risks; and (ii) publishing, on an annual basis, analysis of climate risks in the financial system.	World Bank to support the BoT through CD/TA		The authorities have begun engagement with IMF and the World Bank on TA support.	Limited capacity to implement.

Table 13. Tanzania: Timeline of Proposed Reforms and Synergies Under the Enhanced IMF-World Bank Framework for Scaled Up Climate Action

REFORM AREA 1: Institutional and legal framework for climate change management					
EXPECTED COMPLETION DATE	**Nov-24**	**Mar-25**	**May-25**	**Sep-25**	**Mar-26**
MEASURE	Environmental Management Act	Vulnerability maps			
supporting cd	IMF	GCA			
SUPPORTING INSTRUMENT	IMF RSF RM1	IMF RSF RM2			
REFORM AREA 2: Disaster risk management and social protection					
EXPECTED COMPLETION DATE	**Nov-24**	**Mar-25**	**May-25**	**Sep-25**	**Mar-26**
MEASURE	Disaster Risk Management Policy and implementation strategy	Disaster Risk Financing framework		Productive Social Safety Net register expanded	Unified social registry
supporting cd	WB	IMF		WB	WB
SUPPORTING INSTRUMENT	WB CAT-DDO [1/ 2/]	IMF RSF RM3		IMF RSF RM4; WB DPF2 PA#6 [2/]	WB DPF2 PA#6
REFORM AREA 3: Climate resilient PFM					
EXPECTED COMPLETION DATE	**Nov-24**	**Mar-25**	**May-25**	**Sep-25**	**Mar-26**
MEASURE	Climate Impact Assessment regulation	Climate Impact Assessment reporting		Integrate climate concerns into investment project appraisal	
		Natural Disaster Risk reporting			
supporting cd	IMF	IMF		WB	
SUPPORTING INSTRUMENT	IMF RSF RM5	IMF RSF RM6 and RM7		WB PforR DLI 5 WB DPF1 PA#8	
REFORM AREA 4: Climate resilient sectoral policies					
EXPECTED COMPLETION DATE	**Nov-24**	**Mar-25**	**May-25**	**Sep-25**	**Mar-26**
MEASURE	Approval of the first Zanzibar Energy Policy to enhance energy resilience and diversify energy sources	Development of Climate Resilience Plan	Development of Zanzibar Integrated Resource Plan	Long-term power sector plan	Electricity tariff adjustment
supporting cd	WB	WB	WB	WB / EU	WB / EU
SUPPORTING INSTRUMENT	WB CAT-DDO	WB TA	WB ZESTA project	IMF RSF RM8	IMF RSF RM9
MEASURE	Tanzania Mainland and Zanzibar to adopt policies to enhance water resource management to address water use and supply challenges due to climate change.			Environmental tax	1) 5 million people reached by the Operational Decision Support System early warning and flood forecasting bulletins in Wami Ruvu Basin. 2) Climate-related Key Performance Indicators added for Water Supply and Sanitation Authorities monitored by the Energy and Water Utilities Regulatory Authority (EWURA).
supporting cd	WB			IMF	IMF/World Bank TA
SUPPORTING INSTRUMENT	WB CAT-DDO			IMF RSF RM10	IMF RSF RM11, WB Tanzania Water Sector Support project
MEASURE					Guidelines for Integrated and Participatory Village Land Use Planning, Management and Administration
supporting cd					
SUPPORTING INSTRUMENT					IMF RSF RM12
REFORM AREA 5: Financial sector climate risk management					
EXPECTED COMPLETION DATE	**Nov-24**	**Mar-25**	**May-25**	**Sep-25**	**Mar-26**
MEASURE		Introduction of Geo-enabled initiative for monitoring & supervision (GEMS) with BOT and MOF		Climate risk related data repository	Publication of climate risk analysis
supporting cd		WB		WB/IMF	
SUPPORTING INSTRUMENT		FAST Growth IPF (P500471)		IMF RSF RM13	IMF RSF RM14

[1/] CAT-DDO is subject to management review (expected in Q3 of FY25)
[1/ 2/] Timing for WB DPF measures is set by FY.

Annex I. Risk Assessment Matrix[1]

Source of Risks	Likelihood	Expected Impact if Realized	Possible Policy Response
		Conjunctural Risks	
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	**High**	**High** • Higher import bills on commodities will worsen external position, push up domestic prices and dampen economic activity. • Disrupted tourist flows and decline in tourists from long-haul destinations.	• Allow exchange rate flexibility. • Provide targeted fuel and food subsidies to the poor and vulnerable groups. • Enhance tourism promotion in alternative markets, including within the regional markets.
Commodity price volatility. Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.	**High**	**High** • Higher food and energy prices will hurt domestic economic activity and corporate profits. • Rising prices would erode household's purchasing power and increase poverty levels.	• Allow exchange rate flexibility. • Ramp up domestic production of some imported commodities, including cooking oil, and wheat. • Provide targeted fiscal support as needed and avoid policies that could distort market incentives. • Tighten monetary policy if needed to combat inflation.
Global growth slowdown. Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs.	**Medium**	**Medium** • Lower trade flows and fewer investment inflows from China.	• Improve business environment and competitiveness to attract more foreign investment. • Boost regional and international trade.

[1] Based on the July 2024 Global Risk Assessment Matrix, which shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risks	Likelihood	Expected Impact if Realized	Possible Policy Response
		Structural Risks	
Deepening geoeconomic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.	High	Medium • Disruptions in trade and investment flows.	• Improve business environment and competitiveness to attract more foreign investment. • Strengthen regional integration.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	Medium	Medium • Interruption in economic activity, loss of important data and endanger financial stability.	• Strengthen cyber security. • Ensure financial service providers frequently test the resilience of their IT systems.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	Medium	Medium • Lower agriculture sector output, increase in poverty levels, need for increased development and social spending.	• Implement counter-cyclical fiscal and monetary policies, provide fiscal support as needed. • Implement climate adaptation policies.
A hurried scaling-up of large infrastructure projects.	High	High • Pressure on the FX market • Low return on public investments and higher public debt vulnerability.	• Pace execution of projects in line with FX funding availability • Improve costing, evaluation, and prioritization of projects.
Reemergence of FX market pressures.	Medium	High • Distortions and misallocation of resources, weakening economic activity.	• Allow exchange the rate to be flexible and clear markets. • Supportive fiscal and monetary policy measures
Delays in implementing key reforms.	Medium	High • Subpar medium-term growth and fail to create employment.	• Accelerate implementation of reforms involving experts and stakeholders to improve the business climate.

Annex II. Capacity Development Strategy

1. **The ECF and RSF arrangements provide an opportunity to align Fund technical assistance (TA) with the authorities' reform agendas.** Fund TA is critical to support the authorities' goal to: (i) create fiscal space through improved revenue mobilization and public finance management; (ii) advance structural reform agenda through enhancing governance and the quality of national statistics; (iii) safeguard macro-financial stability and promote financing deepening through upgrading the monetary policy framework and improving supervision; and (iv) enhance resilience to climate change.

2. **TA activity picked up in recent years following the launch of the ECF arrangement.** Since late 2022, Tanzania received TA in the areas of tax policy diagnostics, public investment management including with climate module, monetary policy, national statistics, and climate policy diagnostics. These TAs support the authorities' ongoing effort to enhance revenue collections, strengthen efficiency of public investment, modernize their monetary policy framework, improve national statistics, and strengthen their climate policy frameworks.

3. **Going forward, Tanzanian CD priorities will build on recent TA and focus on areas related to ECF and RSF arrangement objectives.** The authorities agree that Tanzania's CD strategy should focus on supporting their effort to enhance revenue mobilization, PFM, resilience to climate change, governance, the monetary policy framework, and the quality of statistics compilation (Table 1).

- *Revenue mobilization*. Follow up TA to support the authorities' effort to prepare medium-term revenue strategy (MTRS) and formulate tax policy and administrative reforms on the basis of recently provided TA on tax diagnostics.
- *Public finance management.* Support the authorities' effort to: (i) strengthen budget formulation, expenditure controls, cash management, and public investment management; and (ii) develop a fiscal framework for natural resource management with particular focus on oil and gas in order to promote sustainable use for the benefit of present and future generations.
- *Climate*. Support the authorities' effort to: (i) strengthen climate sensitive PFM and PIM; (ii) develop disaster risk financing framework and make the social safety net program responsive to natural disasters; (iii) formulate and implement environmental tax on domestic consumption of sources of carbon emissions; and (iv) create a repository of climate-related data to support assessment of climate-related risks.
- *Governance*. Support the authorities to: (i) amend the Bank of Tanzania (BoT) Act to strengthen governance arrangements as well as personal and financial autonomy in line with recent Safeguards Assessment recommendations; and (ii) establish AML/CFT risk-based supervisory approach to address deficiencies in Tanzania's AML/CFT framework.
- *Monetary policy and FX intervention*. Support the BoT to enhance its FX intervention policy and implement measures underpinning the ongoing transition to an interest-rate based monetary policy framework.

- *National statistics*. Support the authorities' effort to: (i) strengthen national accounts and prices data with a focus on GDP rebasing and reconciling GDP by expenditure and GDP by production, as they deviate by more than 2 percent of 2022 and 2023 GDP by production; (ii) improve the quality and coverage of fiscal and public sector debt statistics, including extra-budgetary units, social security funds and local government units as well as integrating fiscal statistics from Zanzibar, and finalize the transition to *GFSM2014*; (iii) revise the percentage allocation of the revenue resulting from government budget support between the government of United Republic of Tanzania and the Revolutionary Government of Zanzibar; and (iv) improve the quality, coverage, and frequency of external sector statistics, including the dissemination of the international investment position (IIP) on a quarterly basis, and achieve full consistency between macroeconomic statistics; and (v) resume the timely dissemination of core economic statistics in line with the authorities' timeliness goals under the e-GDDS data standard through the National Data Summary Page (NSDP).

Table 1. United Republic of Tanzania: Capacity Development Priorities, 2024–26

Priorities	Objectives
Revenue mobilization	• Prepare MTRS, drawing from the recommendations of the 2022 Tax Policy Diagnostic IMF TA • Formulate tax policy and administrative reforms based on the MTRS. • Conduct Customs diagnostics and TADAT and follow-up to identify medium term priorities for reform to assist the authorities to develop, plan and implement a medium-term revenue strategy
Public finance management	• Improve costing, prioritization, and implementation of public investments in line with the 2022 C-PIMA TA mission recommendation. • Strengthen budget formulation, implementation, and reporting (including the medium–term budget framework, cash management, revenue forecasting and commitment controls), improve financial risk reporting and coverage, and strengthen risk and cost analysis in debt management office. • Develop fiscal framework for management of natural resource revenues
Climate	• Climate sensitive PFM and PIM • Disaster risk financing and social safety nets • Carbon taxation • Monitoring of climate-related financial sector risks
Governance	• Establish an AML/CFT risk-based supervisory approach that assigns a supervisor for each sector (financial institutions and designated non-financial businesses and professions sector), details a template sectoral money-laundering terrorist financing risk assessment methodology, establishes a template onsite and offsite supervisory manual, and a supervisory plan for the highest risk sectors. • Amend the BoT Act to strengthen governance arrangements as well as personal and financial autonomy, including addressing the issue of the composition of the Board to be comprised of a clear majority of non-executive (independent) members in line with leading practices.
Monetary and financial sector	• Improve transparency of BoT's FX intervention policy • Implement measures underpinning the ongoing transition to an interest-rate based monetary policy framework
Strengthen statistics compilation and dissemination	• Revise the percentage allocation of the fiscal revenue between the government of United Republic of Tanzania and the Revolutionary Government of Zanzibar • Improve the quality and coverage of the national accounts, prices, BOP, international investment position, fiscal and debt data. • To enhance data transparency, ensure timely compilation and dissemination of prices, labor market indicators, industrial production index, fiscal statistics, BOP, international reserves, and debt statistics, in line with the recommendations of the e-GDDS framework implemented in 2016.

Annex III. Closing the Gender Gap in Tanzania[1]

The Annex presents the status of gender gaps in Tanzania and their implications. Tanzania has achieved balanced enrollment rates in primary and secondary education and a labor force participation rate gap narrower than regional averages, but significant gender gaps persist. Wage disparities, along with gaps in financial inclusion and asset ownership, hinder women's economic empowerment. Additionally, practices of child marriage and bride price continue to reinforce gender inequalities and exacerbate gender-based violence. Closing the gender gaps would not only uphold women's rights and reduce inequality, but also foster economic growth through fully leveraging the country's human capital. Policies aimed at encouraging economic empowerment of women, ending child marriage, and addressing gender-based violence are key to closing gender disparities.

A. Introduction

1. **Addressing gender inequality and enhancing the participation of women in the economy are essential to fostering inclusive and sustainable growth.** Research shows that gender equality is closely associated with improved macroeconomic outcomes, including reduced income inequality and faster growth (IMF, 2015), while gender gaps have been linked to increased fragility and corruption (Goemans et al., 2021; Branisa et al., 2013). By fully integrating women into the labor force and ensuring equal access to education and employment opportunities, the economy can leverage untapped potential and drive sustainable growth.

2. **Achieving gender equity has been an important goal in Tanzania's recent development strategies and plans.** The Tanzania Development Vision 2025 and Zanzibar Development Vision 2050 both emphasize gender equality and women's empowerment as key objectives. Furthermore, the Third National Five-Year Development Plan 2021/22 to 2025/26 and Zanzibar Development Plan 2021-2026 identify gender issues as governmental priorities. Tanzania also ranks among the leading countries in Sub-Saharan Africa for the number of gender budgeting tools and practices implemented (Keating et al., 2024). With these efforts, composite gender indicators suggest that gender inequality in Tanzania is improving, and disparities are smaller in Tanzania compared to those in many of its regional peers, on average (Figure 1a). However, despite the progress, individual indicators suggest that Tanzania still lags behind peers in key areas, including child marriage, adolescent fertility, and gender-based violence (Figure 1b).

B. Gender Disparities in Tanzania

3. **Tanzania has bridged the gender gap in primary and secondary school enrollment rates, although enrollment of both genders falls sharply at secondary education levels.** Gross enrollment rates for female students in primary and lower-secondary education (Standard I-VII, and Form 1-4) was 3- and 5- percentage points (ppt) higher, respectively, than male students.

[1] Prepared by Sunwoo Lee. Usama Zafar provided the cross-country analysis Figures 1a and 1b. We thank the Tanzanian authorities for their comments and suggestions.

Conversely, at the upper-secondary level (Form 5 and 6), the gross enrollment rate was higher for male students by 2 ppts, while the disparities disappear for net enrollment rates. However, financial constraints continue to pose significant barriers to continuing education for both genders, as suggested by low rate of transition to the upper-secondary level[2] gross enrollment rate of 8.6 percent for male students and 6.9 percent for female students, respectively) and the large share of primary school dropouts due to either a lack of basic needs or the necessity to participate in income-generating activities. Girls tend to drop out more often than boys due to a lack of basic needs and domestic work, while boys are more likely to leave school to engage in income-generating activities, underscoring gender discrepancies that can perpetuate into adulthood (Figure 2).

4. Despite closing gender gaps in education, gender disparities in the labor market remain significant in Tanzania.[3] The labor force participation rate gap was 5.8 percentage points in 2023, with participation rate of 86.1 percent for males, compared to 80.3 percent for females. At regional level, the gap was significantly wider in Zanzibar at 11.3 percentage points. 29.8 percent of total female employment and 28.3 percent of male employment were in informal sector, with the most common reasons for the engagement in informal sector activities being the inability to find other work and the need for additional family income. Women face higher unemployment rates across all age groups, with an average gap of 6.9 percentage points. Notably, approximately 70 percent of discouraged job seekers are females, and female youth are more likely to experience long-term unemployment lasting six months or more than their male counterparts in both rural and urban settings (Figure 3).

5. Wage disparities are also significant, with males consistently earning higher mean monthly incomes across all employment types. The most pronounced gaps are observed among the self-employed, where men's earnings surpass those of women by a wide margin. This wage inequality persists across all levels of education and in the majority of sectors[4]. The gap is also significant in agriculture, where about 60 percent of female workers are employed, often due to their limited access to inputs and the longer time spent on house chores and caregiving activities (Figure 3). These disparities contribute to the economic vulnerability of women, as they often have less access to financial resources and face greater challenges in achieving economic independence.

6. Gender disparities extend to financial inclusion and property ownership, further limiting women's economic empowerment. Only 33 percent of adult women solely or jointly own agricultural land compared to 47 percent of men, with the gender gap widening to 17 percentage points in rural areas, especially in regions with a large agricultural sector, according to the 2022

[2] Tanzania's Fee-Free Basic Education Policy (FFBEP) has only been recently expanded to the upper-secondary level (Forms V and VI) in FY2022/23.
[3] Tanzania Integrated Labour Force Survey 2020/21 Analytical Report
[4] In specific occupations (such as legislators, professionals, craft and related workers, plant and machine operators, and assemblers), female workers reported higher mean monthly incomes; however, these occupations only comprise less than 7 percent of total female employment of persons over the age of 15.

Social Institutions and Gender Index (SIGI) Country Report. [5] Women's limited representation on land tribunals and councils, coupled with the low proportion of owners with formal land ownership documentation (38 percent of owners at the national level) and potential undermining of statutory rights by customary practices,[6] may leave women vulnerable to land grabbing and other customary practices to their disadvantage (Kisambu et al., 2017).

7. Additionally, a significant and persistent gap exists in formal bank account ownership. The gender gap in the uptake of banking services has remained nearly unchanged at 9 percentage points from 2017 to 2023, while the share of financially excluded female population significantly declined from 30 percent to 19.4 percent over the same period, largely driven by the increase in mobile money uptake. Common barriers such as insufficient income and lack of mobile phone suggest a cycle where limited financial resources prevent women from accessing the services that could help them improve their economic situation.[7] Men were also more likely to borrow money, although borrowing from financial institutions remains limited for both genders. A higher share of male respondents indicated borrowing from banks, whereas women more frequently relied on microfinance institutions (Figure 4). Women, Business and the Law 2024 by World Bank[8] found that about a half of the experts surveyed indicated that half or fewer women have equal access to credit.

8. Gender-based violence remains critically high in Tanzania. About two-thirds of the SIGI survey respondents identified violence as a major issue facing girls and women in Tanzania (Figure 5). Nearly half of the women in Tanzania have suffered at least one form of violence in their lifetime and 30 percent have experienced non-partner violence. This widespread violence is often culturally justified, as evidenced by the significant portion (49 percent) of the respondents believing that a man can be justified in hitting or beating his wife under certain circumstances. The prevalence of gender-based violence not only undermines women's personal safety but also reduces productivity (Callan et al. 2013) and restricts their economic opportunities, as violence can prevent women from engaging in economic activities both directly, through physical abuse or damage to work-related assets, and indirectly, by instilling a fear of violence (Ouedraogo and Stenzel, 2021).

9. Child marriage and bride price continue to reinforce gender inequalities. Despite the decline over the past decades, child marriage remains prevalent. According to the 2022

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[5] Social Institutions and Gender Index (SIGI) Country Report for Tanzania, OECD (2022). The report findings are based on quantitative data collected through a household survey statistically representative at the national and regional level, and qualitative data from focus groups discussions and interviews. The survey-based indicators reflect respondents' perceptions of the gender-based discrimination in the country.

[6] The Village Land Act, adopted in 2019, establishes that 'rule of customary law and any such decision in respect of land held under customary tenure shall be void and inoperative […] to the extent to which it denies women […] lawful access to ownership, occupation or use of any such land.' However, the National Land Policy, states that 'inheritance of clan land will continue to be governed by custom and tradition' and reinforces customary practices, which can be discriminatory against women in many cases.

[7] The share of financially excluded is calculated as the share of respondents without access to formal or informal financial services. See Finscope Tanzania (2023) and Annex III in Country Report 23/425 for details.

[8] Women, Business, and the Law 2024 measures the perceived level of legal barriers to women's economic participation using survey data collected from experts in laws on family, labor, and violence against women.

Demographic and Health Survey, 29 percent of women aged 20-24 years were married by the age of 18, and 5 percent by 15, compared to 3.5 percent of male counterparts who were married by the age of 18. This rate is only slightly below the Sub-Saharan average, where 31 percent of women are married by the age of 18 (UNICEF). The practice of bride price, deeply rooted in cultural beliefs—as evidenced by over 90 percent of the SIGI survey respondents agreeing that marriage necessitates a bride price, and more than 70 percent believing that paying a bride price grants ownership of the wife to the husband—continues to exacerbate gender disparities in the country. The practice not only sustains child marriage but also contributes to the vulnerability of women to economic dependency and increased risks of violence. Relatedly, teenage fertility rate remains high, with 22 percent of women aged 15-19 having been pregnant in 2022, with rates as high as 45 percent in some regions (Figure 4). Empirical evidence shows that teenage pregnancy decreases with increasing education and wealth[9], highlighting the close connection of the issue with the access to education and poverty.

10. While women are often expected to fulfill roles within the domestic sphere, there have been modest improvements in the representation of women in decision-making roles. Findings from the Integrated Labor Force Survey (ILFS) indicate that women spend 11.4 percentage points more time on unpaid care and domestic responsibilities compared to men, who allocate 7.4 percentage points more of their time on employment and related activities. In addition, results from the SIGI survey show that over 60 percent of respondents view household tasks such as cooking, cleaning, and washing as exclusively women's responsibilities. About a half of respondents also believe that men make better leaders than women, underscoring the cultural barriers that may restrict women's roles both economically and politically. Despite these challenges, there have been improvements in the representation of women in decision-making roles. Between 2014 and 2021, the employment of women in senior and middle management levels rose from 23.3 percent to 27.9 percent (ILFS), and by 2022, women accounted for 36.9% of seats in the national parliament (ILO) compared to 31% in 2009, signaling ongoing transformation in societal attitudes.

11. The barriers to women's economic participation not only undermine gender equality but also have implications for Tanzania's economic growth. Research on gender and economic growth shows that narrowing gender gaps can positively impact the country's economic performance. Previous studies linking labor force participation, domestic violence, and child marriage to GDP growth underscore the significant economic benefits of addressing these issues. Mitra et al. (2020) finds a significant positive impact on growth from eliminating child marriage, through multiple channels including health, education, fertility, and labor force participation. In another study, Ouedraogo and Stenzel (2021) used sub-Saharan African data to estimate that the increase in the share of women subject to violence by 1 percentage point can reduce economic activities by up to 8 percentage. Social and economic barriers facing half of the population will prevent the economy from fully realizing its human capital potential.

[9] See Fact Sheet: Teenage Pregnancy, UNFPA Tanzania

C. Policy Recommendations

12. Implementing the strategies outlined in the Implementation Strategy of the National Gender and Women Development Policy (2023-2033) **will support identifying the barriers faced by women and addressing them, including***:*

- *Collection and analysis of gender disaggregated data*: The collection of gender-disaggregated data is crucial to effectively monitor gender gaps and needs. Tanzania has already made significant progress in embedding gender-level data within main surveys through Demographic and Health Surveys and Labor Force Surveys. Continued support and investment are essential to maintain the quality and expand the scope of data utilization, including as essential inputs to government plans and budgets.

- *Economic empowerment of women:* Promoting women's access to financial services, including loan provisions, and supporting women entrepreneurs with training can help them overcome the social and economic barriers they encounter.

- *Addressing Gender-Based Violence.* Addressing the issue of gender-based violence (GBV) is critical to unlocking Tanzania's full human capital potential. This includes enhancing GBV awareness, establishing community based systems, and strengthening coordination mechanisms for GBV prevention and response.

13. Strengthening gender budgeting. Tanzania was among the first sub-Saharan African countries to adopt gender budgeting, initiating its first pilot project in 2000 and integrating gender-specific strategies within the Ministry of Finance and other government sectors (Stosky et al., 2016). Zanzibar has also started implementing Gender and Equity-Budgeting with pilot ministries in the 2024/25 Budget. To further these efforts, enhanced coordination among ministries and additional capacity building to sensitize and train officials are necessary to fully integrate gender-responsive budgeting across all government levels.

14. Updating Discriminatory Laws and Legal Provisions. Political and legal support for updating laws and legal provisions that discriminate based on gender, including those concerning child marriage, are crucial. Tanzania's 1971 Law of Marriage Act, which sets the minimum marriage age for girls at 15 with parental consent and 18 for boys, creates a legal disparity that perpetuates child marriages. Despite the top court's ruling against child marriage in 2019, the amendment to the Act has been delayed. The amendment would be vital to further support the education of girls by legally protecting them from early marriage, thus allowing them to complete their education and contribute more effectively to economic development. Ensuring that the legal provisions promoting gender equality, such as those in the Village Land Act, are not compromised is also essential.

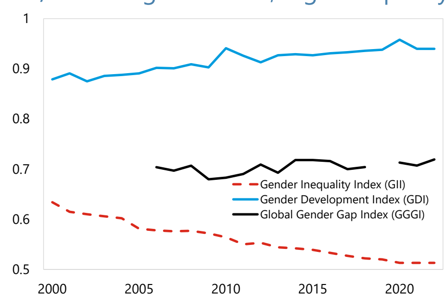
15. Family Planning and Reproductive Health Initiatives. Investment in health to fill the unmet need for family planning and support reproductive health initiatives can generate a significant demographic dividend by helping to reduce dependency ratios and expand the labor force. The Health Sector Strategic Plan July 2021 – June 2026 (HSSP V) includes reproductive health as its priority area and aims to reduce adolescent pregnancy. Increasing access to family planning services, particularly in rural and underserved areas, and integrating comprehensive sex education into school curriculums will help reduce unintended pregnancies, lower maternal and child mortality rates, and help women make informed decisions about their reproductive health.

Figure 1a. Indicators of Gender Inequality

Overall, composite indicators show that gender inequality is improving in Tanzania….

Composite Gender Indices

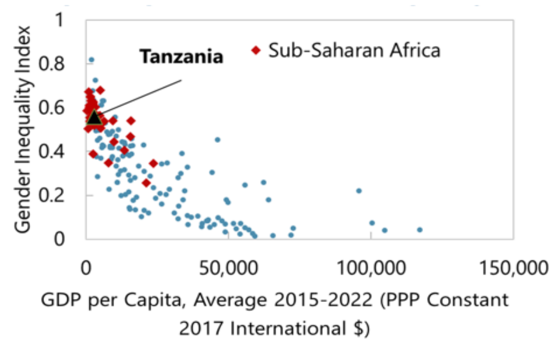
(Index, 0-1; GII: higher value, lower equality; GDI/GGGI: higher values, higher equality)



Sources: UNDP and World Economic Forum, IMF staff Calculations

…and the Gender Inequality Index (GII) is lower than many other countries in Sub-Saharan Africa

GDP per Capita and Gender Inequality

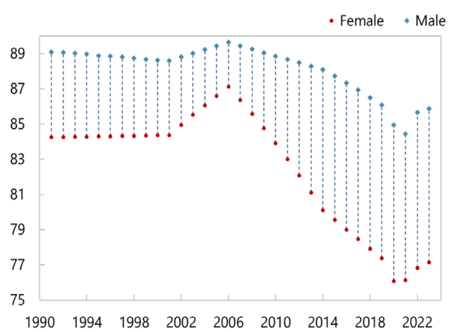


Sources: UNDP and World Bank Development Indicators, IMF staff Calculations

However, the gender gap in labor force participation has increased over the years….

Labor Force Participation Rate

(Percent of Population 15+, modeled estimate)

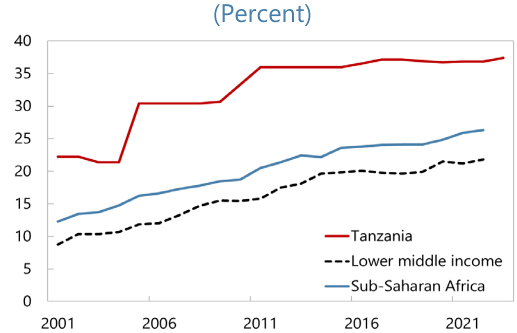


Sources: World Bank Gender Statistics

…though women's representation in the legislature has increased and has always been higher than peer countries.

Proportions of Seats Held by Women in National Parliament

(Percent)

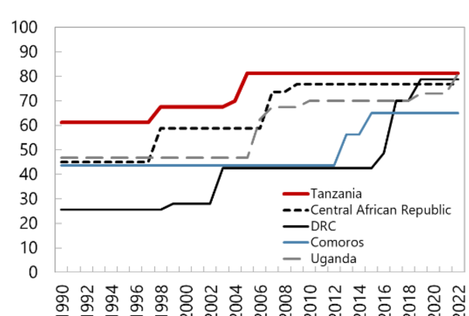


Sources: World Bank Gender Statistics

Tanzania also scores higher in terms of women's legal rights compared to peer countries…

Legal Rights Index 1990-2022

(Index 0-100, higher values higher equality)

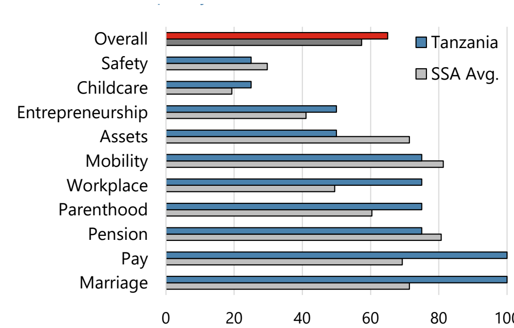


Sources: World Bank Women, Business and the Law

…though there are areas for further improvement, especially in the areas of childcare and women's safety.

Legal Rights Index 2024

(100=Full Equality)



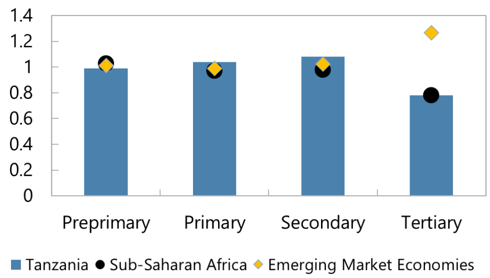
Sources: World Bank Women, Business and the Law

Figure 1b. Indicators of Gender Inequality

The gender gaps in school enrollment have largely closed, except at the tertiary level…

School Enrollment Ratio, Latest Available

(Ratio, female/male Enrollment)

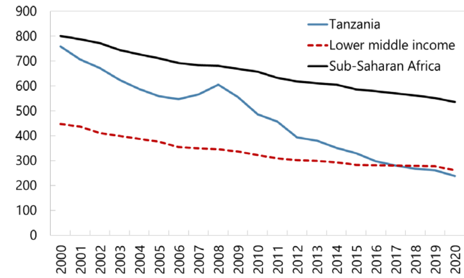


Sources: World Bank Development Indicators

…the maternal mortality rate has also fallen sharply and currently sits well below other African countries.

Maternal Mortality Ratio

(Per 100,000 live births)

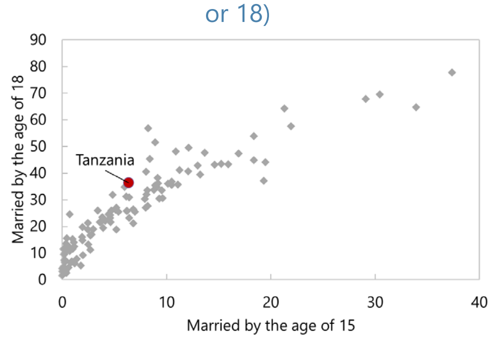


Sources: World Bank Gender Statistics

The incidence of child marriage, however, is still prevalent

Child Marriage

(Percent of Women 20-24 first married by age 15 or 18)

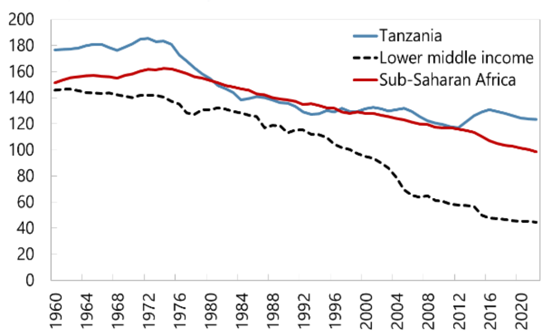


Sources: UNDP

…which also translates into relatively higher incidence of adolescent fertility.

Adolescent Fertility

(Birth per 1,000 women ages 15-19)

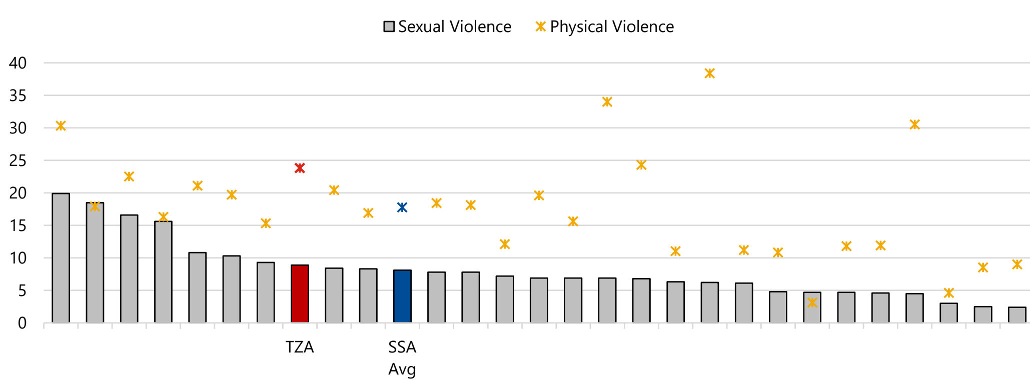


Sources: World Bank Gender Statistics

Incidence of GBV is also existent, with one in four women reporting physical violence by their husband/partner

Share of Women Who Experienced Physical or Sexual Violence by a Current or Former Intimate Partner in the Past 12 Months, 2018, Sub-Saharan Africa

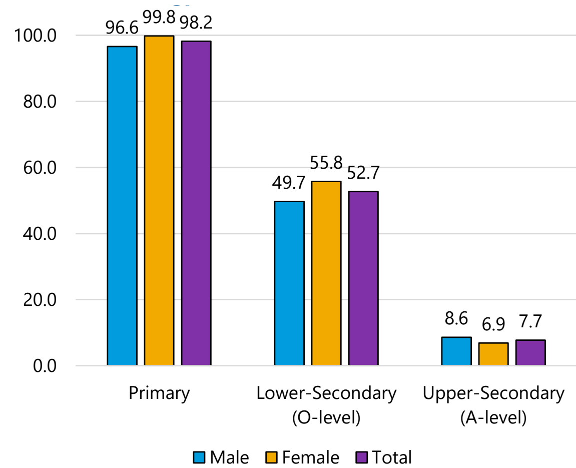
(Percentage of Ever-Partnered Women Aged 15-49 years)



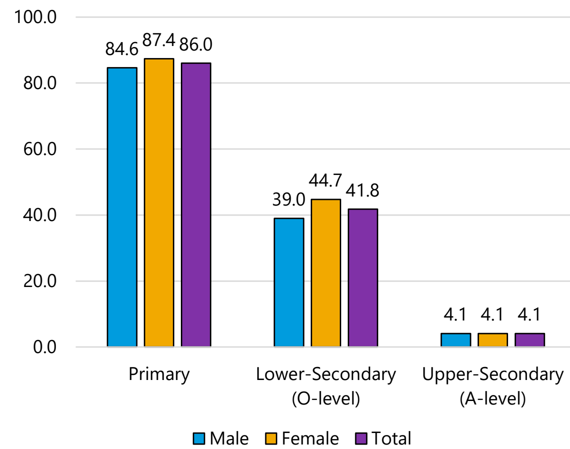
Sources: World Bank Gender Statistics

Figure 2. Enrollment Rates and Reasons for Dropouts by Gender

Gross Enrollment Rate (GER) in 2023 by Level of Education, Percentage

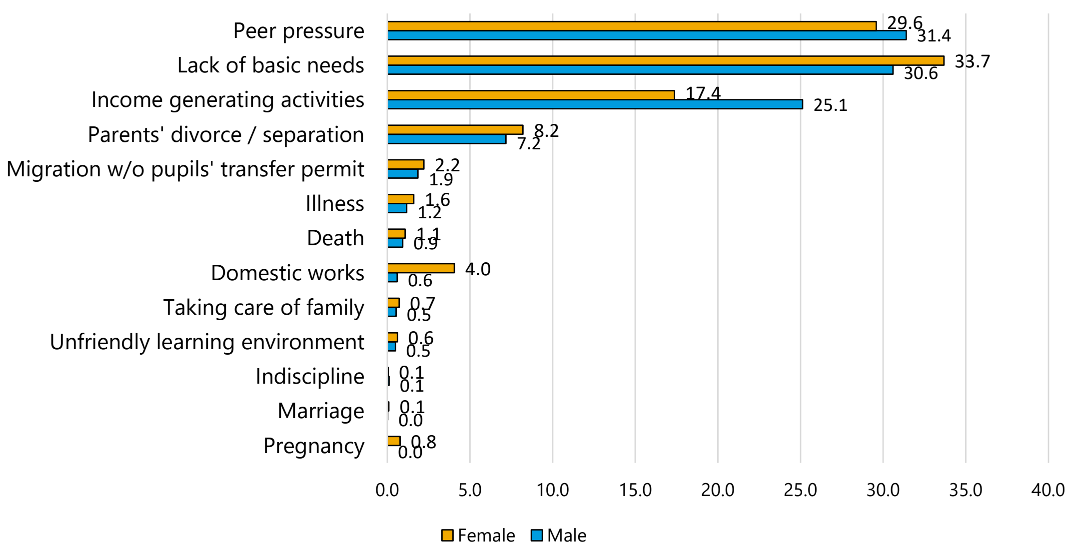


Net Enrollment (NER) in 2023 By Level of Education, Percentage



Reasons for Dropouts in 2022, Primary Education

(Percentage Share Excluding 'Other Reasons')

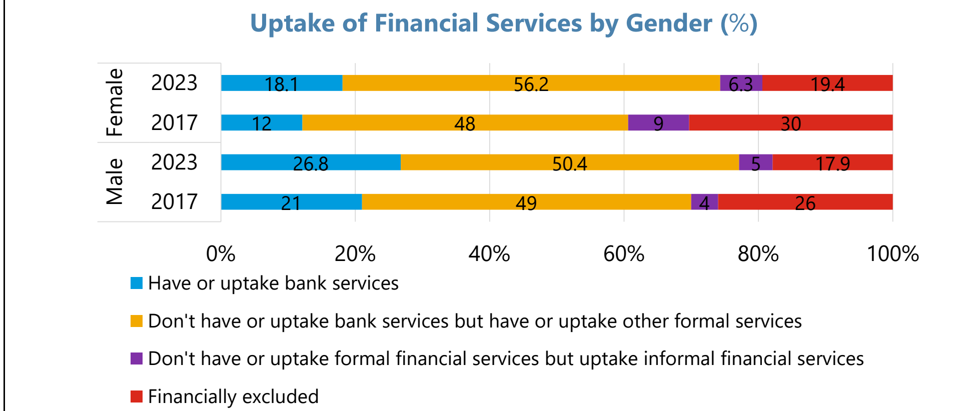


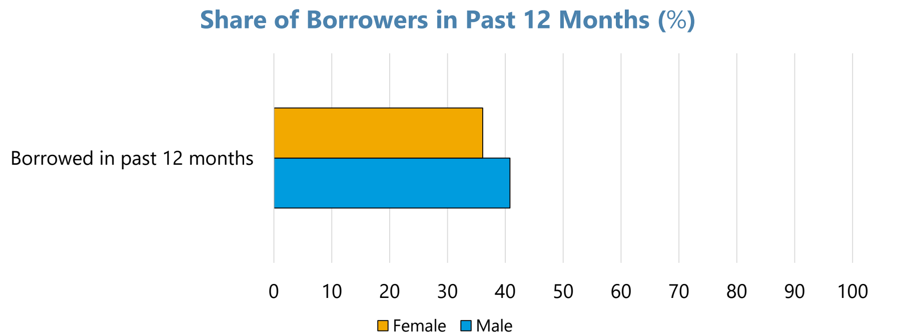
Sources: Tanzania Regional Pre-Primary, Primary, Secondary, Adult and Non-Formal Education Statistics 2023.

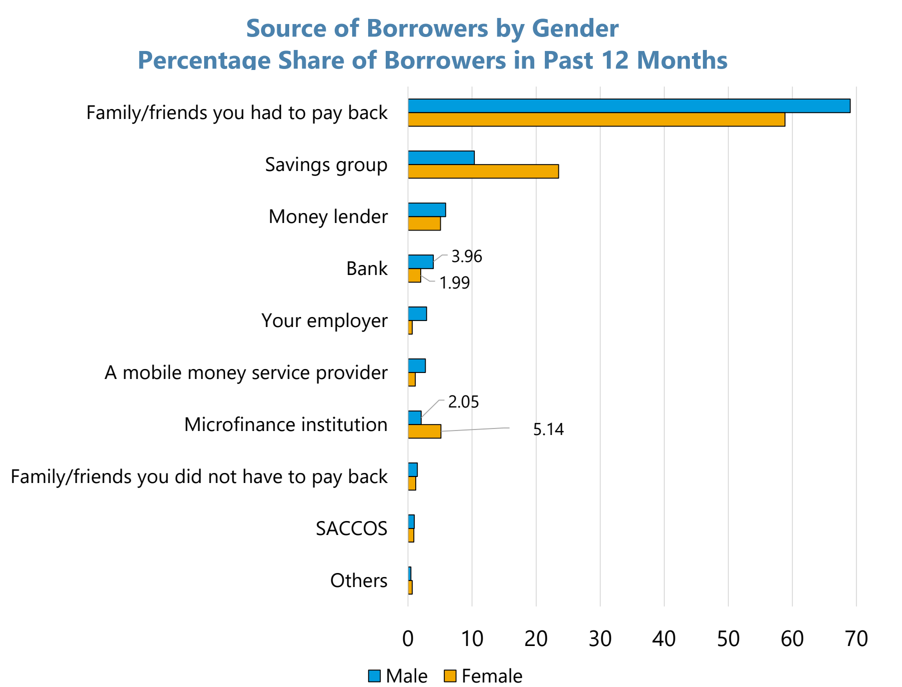
Figure 3. Labor Market Indicators by Gender, 2020/21

Sources: Tanzania Integrated Labour Force Survey (ILFS) 2020/21 Analytical Report.

Figure 4. Financial Inclusion by Gender, Finscope (2023)

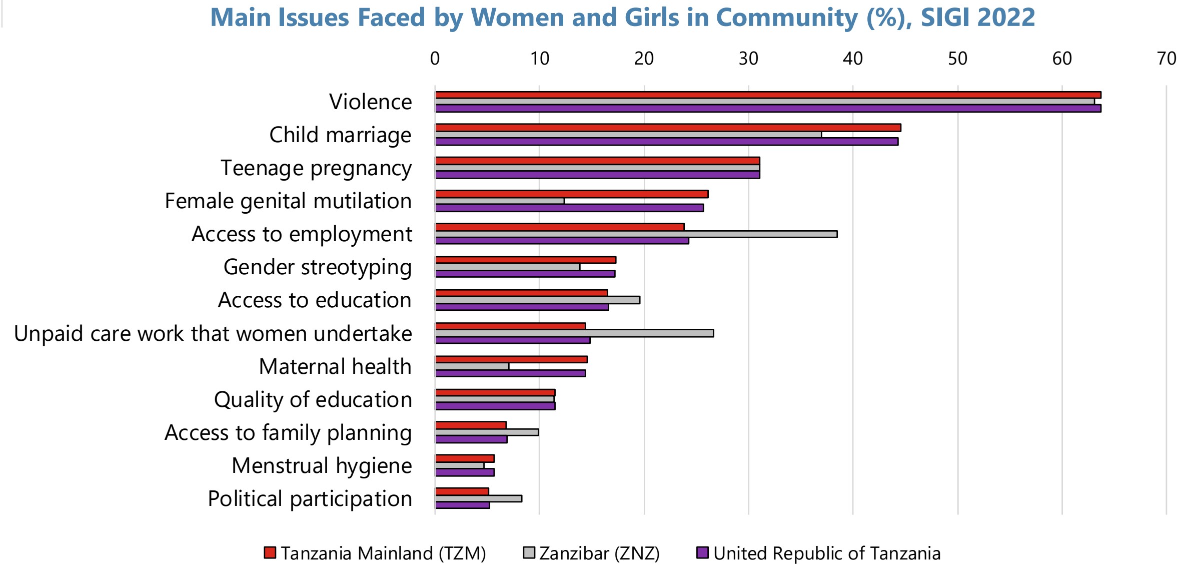


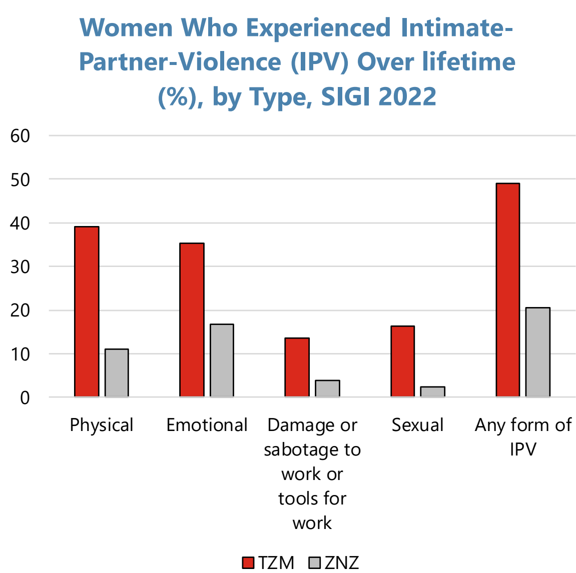


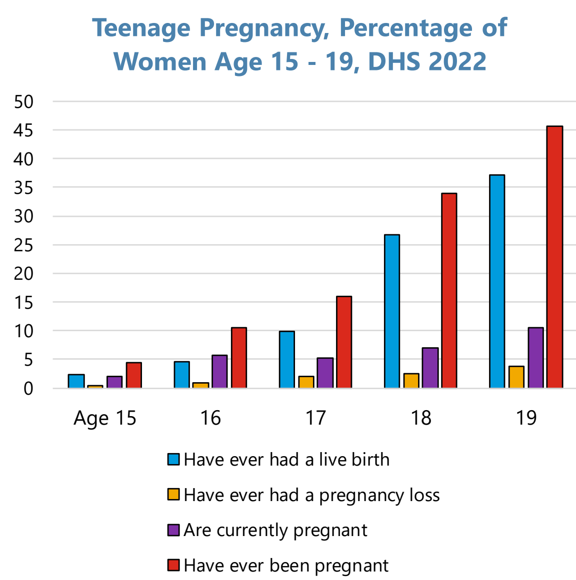


Source: Finscope Tanzania (2023).

Figure 5. Social Issues Faced by Women in Tanzania







Sources: Social Institutions and Gender Index (SIGI) Country Report for Tanzania, OECD (2022); Tanzania Demographic and Health Survey and Malaria Indicator Survey (TDHS-MIS) 2022.

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Annex IV. Banking and Financial Sector Developments

Granular banking sector data and sensitivity analysis indicates that Tanzania's banking system remains stable. However, uneven performance across banks continues to reflect pockets of vulnerability.

1. The banking system remains well-capitalized and indicators of asset quality improved. Capital ratios remained stable, with a capital adequacy ratio of 19.3 percent as of end-June 2024 (from 19.9 percent, end-March). The ratio of liquid assets to short-term liabilities reduced slightly to 26.9 percent in June (from 28.4 percent in March) but above the regulatory minimum of 20 percent. The NPL ratio declined to 4.1 percent in June (from 4.3 percent in March), below the BoT's 5 percent and continuing the steady improvement from a peak of 12.5 percent in 2017.[1] The system continues to be significantly dollarized, with the share of (on-balance sheet) total assets and liabilities denominated in foreign currency at 36.4 and 33.7 percent, respectively (Figure 1). The FSI for the net open position to total capital returned to previous levels at 4.4 percent in June after dipping to -0.3 percent in March 2024 due to letters of credit and other off-balance sheet items.

2. Larger banks, with more than 1 percent of system assets, remained well-capitalized and profitable.[2] The banking system remains concentrated, with 17 relatively "large" banks representing around 91 percent of system assets. Profitability in this group of banks has been strong, with a weighted mean ROE of 28.8 percent.[3] Large banks hold capital in excess of the 12 percent regulatory minimum capital adequacy ratio (CAR), and nearly all hold capital ratios above the additional buffer which will come into effect in April 2025. For this group of banks, the weighted mean NPL ratio is well below the BoT's target, at 3.7 percent end-June.

3. Continued effort and vigilance is needed to address risks in small banks. Twenty-seven "small" banks together represent around 9 percent of system assets, each with less than 1 percent of system assets. The weighted mean of the NPL ratio for these banks remained stable at 8.6 percent in June (compared 8.4 percent in December), but improvements in data reporting resulted in an increased share of restructured loans, resulting in a weighted mean of around 20 percent of gross loans.[4] In addition, capital adequacy ratios of one small bank is currently below the regulatory minimum, and one bank are currently below the regulatory minimum liquidity ratio. Profitability for this group of banks picked up overall in June, with an increase in the weighted mean ROA and ROE relative to December, but a few small banks have recorded losses. Staff urges the BoT to continue reducing risks in this part of the banking sector. Given the ongoing vulnerabilities, continued rationalization is expected over time.

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[1] In 2021, the BoT issued a circular (FA.178/461/01/02) that prohibits banks with either a cost-to-income (CIR) ratio above 55 percent or an NPL ratio above 5 percent from paying dividends and bonuses.

[2] For the purposes of this Annex banks are divided into two groups, according to whether they hold more or less than 1 percent of system assets.

[3] Weighted means are calculated using shares of each FSI denominator as weights.

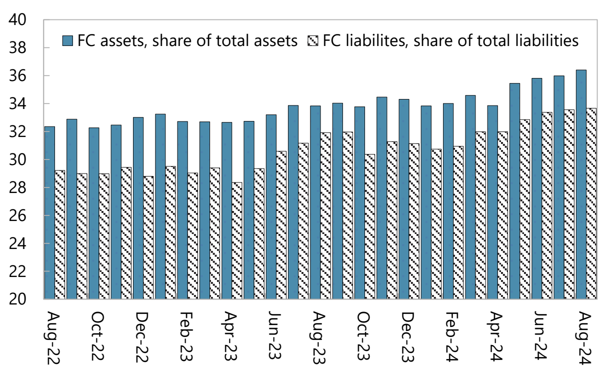
[4] Weighted mean for small banks are calculated excluding the bank with CAR below the minimum requirement.

4. **Stylized sensitivity analysis using end-June data showed exposure to capital risk.** Two scenarios are used in which 50 percent and 75 percent of banks' restructured loan portfolios were assumed to turn non-performing, respectively, to examine potential capital adequacy effects. Both scenarios assumed that each bank has a provisioning rate of 25 percent for the new NPLs, and hold risk-weighted assets unchanged. In the first scenario five small banks fell below the regulatory minimum capital adequacy ratio, together representing less than 2 percent of total bank assets as of end-June 2024. In the second scenario, seven banks fell below the 12 percent regulatory minimum capital adequacy ratio, together representing less than 5 percent of total bank assets. Results of this analysis depend on the assumptions and should be interpreted with care.

Figure 1. Banking Sector Indicators

Banking System Foreign Currency Assets and Liabilities

(In Percent of Total Assets and Total Liabilities)

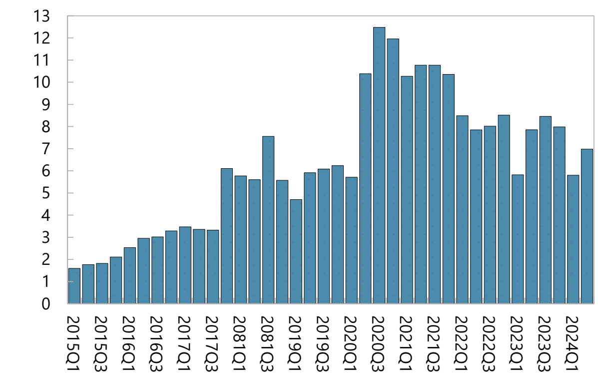


Sources: Bank of Tanzania, IMF staff calculations.

Source: Bank of Tanzania.

Restructured Loans as a Share of Total Gross Loans

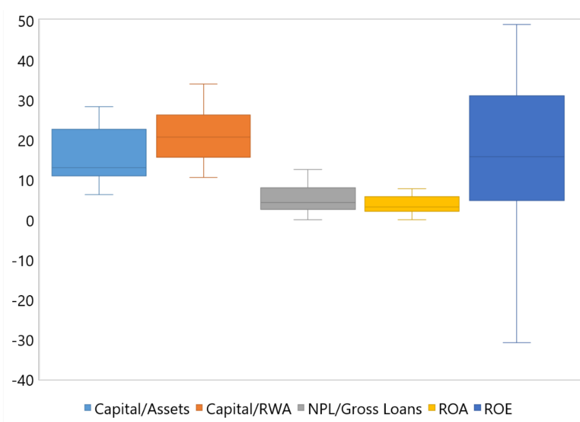
(In Percent)

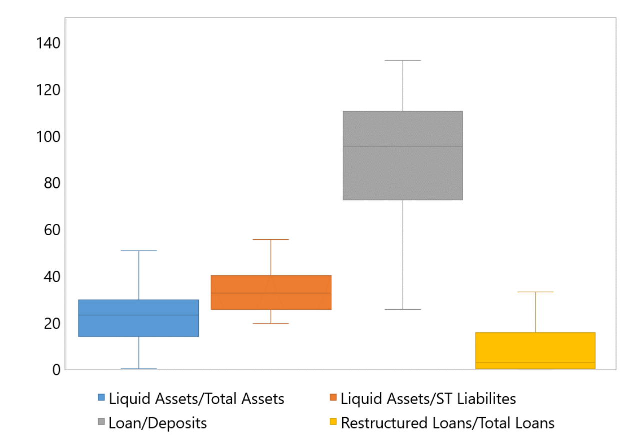


Source: Bank of Tanzania.

Distribution of Bank-level Indicators, end-June 2024

(In Percent)

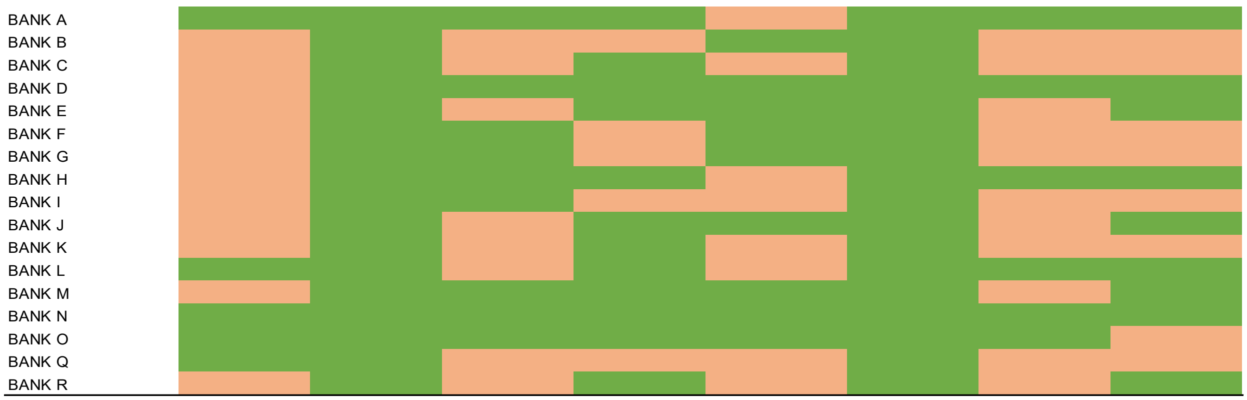




Sources: Tanzanian authorities; and IMF staff calculations. Outliers are omitted from box and whisker charts.

Figure 2. Anonymized Bank-Level Indicators, End-June 2024

	Total Capital/ Assets	Total Capital/ RWA	Loan/ Deposits	NPLs/Gross Loans	Restructured / Gross Loans	Liquid Assets/ ST Liabilities	Return on Assets (ROA)	Return on Equity (ROE)
Threshold 1	> Mean	> 12	< Mean	< 5	< Mean	> 20	> Mean	> Mean
Threshold 2	< Mean	< 12	> Mean	> 5	> Mean	< 20	< Mean	< Mean
Banks with greater than 1 percent market share of assets:								
Weighted mean	14.0	18.9	92.8	3.7	2.6	29.7	5.9	28.8



	Total Capital/ Assets	Total Capital/ RWA	Loan/ Deposits	NPLs/Gross Loans	Restructured / Gross Loans	Liquid Assets/ ST Liabilities	Return on Assets (ROA)	Return on Equity (ROE)
Banks with less than 1 percent market share of assets:								
Weighted mean	17.6	24.0	99.4	8.6	21.5	33.5	3.1	15.0

	Total Capital/ Assets	Total Capital/ RWA	Loan/ Deposits	NPLs/Gross Loans	Restructured / Gross Loans	Liquid Assets/ ST Liabilities	Return on Assets (ROA)	Return on Equity (ROE)
Total	14.2	19.3	93.3	4.1	6.8	29.1	5.7	27.3

Sources: Tanzanian authorities and IMF staff calculations.

Note: Due to bank-level data restrictions, some aggregate ratios may not match the data shown in Table 5. Thresholds use weighted means, which are calculated using shares of each FSI denominator as weights. Weighted means calculations exclude the bank with CAR below the minimum requirement.

Appendix I. Letter of Intent

Dodoma, United Republic of Tanzania
November 29, 2024

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC
USA

Dear Madam Managing Director,

We would like to thank the IMF for its support under the Extended Credit Facility (ECF) arrangement and Resilience and Sustainability Facility (RSF) arrangement. Supported by the ECF arrangement, we have been able to implement reforms that: (i) helped the economy to recover from the impacts of the pandemic and the war in Ukraine; (ii) preserved macroeconomic stability despite continued global economic and climate change-related challenges; and (iii) address long-term challenges to support sustainable and inclusive growth, drawing on the reform agenda and development plans envisaged in our National Third Five Year Development Plan (FYDP III). Our reform program will continue to focus on: (i) strengthening fiscal space to allow for much-needed social spending and high-yield public investment by improving revenue mobilization and spending quality; (ii) resuming and advancing the structural reform agenda to unlock growth potential, improve the business environment and competitiveness; and (iii) enhancing financial deepening and stability, including through, strengthening the monetary policy framework and improving financial sector supervision.

Performance of the reform program under the ECF arrangement remained strong. All end-June 2024 quantitative performance criteria (QPC) and indicative targets (ITs) as well as all end-September 2024 ITs were met. The end-June 2024 structural benchmarks (SBs) on revising and publishing the schedule for the MPC meetings, submitting revenue measures with annual yield of 0.5 percent of GDP to Parliament, and submitting draft amendment of the VAT Act to Parliament, were completed on time. The draft amendment of the VAT Act was not, however, approved as Parliament suggested that the Tanzania Revenue Authority (TRA) fully automates the refund process before re-submitting the draft Act. TRA will complete automation of the VAT refund process by end-June 2025 (new SB). Once the automation is complete and operational, we will re-submit the draft amendment Act to Parliament by end-January 2026. The end-December 2023 SB on establishing an AML/CFT risk-based supervisory approach and the end-June SB on preparation and publication of annual report on tax expenditures were completed with delay. The end-June 2024 SB on amendment of the BoT Act, end-June 2024 SB on preparation of a medium-term revenue strategy with an implementation plan, and end-September 2024 SB on drafting and submitting to Parliament a secured transactions Act have not been completed, and we request reset of these SBs to end-March 2025 as more time is needed to complete them.

Reducing vulnerabilities and strengthening resilience to climate change is a top priority for the Government of Tanzania as climate change poses significant risks to our goal of achieving a sustainable and inclusive growth. The RSF arrangement is helping us to implement climate Reform Measures (RMs) that aim to: (i) enhance governance and coordination of climate change policies; (ii) strengthen the disaster risk management (DRM) framework; (iii) mainstream climate policies in budgeting and public investment planning; (iv) align sectoral climate policies with national policies and commitments; and (v) enhance supervision of financial sector climate-related risks.

The Environmental Impact Assessment Regulation has been amended to require climate impact and climate vulnerability assessment for large projects and all climate relevant projects at all stages of project appraisal (RM5, end-November). Despite notable progress (with the first reading by Parliament completed), the RM to amend the Environmental Management Act to clearly define the institutional framework for climate change related policies (RM1, end-November) has not been completed. We plan to resubmit the revised Act to Parliament in the January 2025 session and plan to complete the RM by end-March 2025. To support our continued reform efforts, we request completion of the fourth review of the ECF arrangement and the disbursement of the fifth tranche in the amount equivalent to SDR 113.37 million (28.5 percent of quota). As before, IMF resources will be used for direct budget support and will be maintained in government accounts at the Bank of Tanzania. We also request completion of the first review of the RSF arrangement with respect to RM5 and the associated disbursement equivalent to SDR 42.62 million (10.7 percent of quota). The RSF resources will help support the government's ongoing efforts to address climate change challenges and enhance Tanzania's prospective BoP stability.

The attached MEFP reports on recent economic developments and implementation of our economic reform program and sets out policies and reforms that we plan to pursue going forward supported by the ECF and RSF arrangements. The MEFP, which supplements the memorandum signed on June 07, 2024, presents economic and financial policies and climate reforms that the government intends to implement during 2025–26 and defines QPCs, ITs, and SBs through end-December 2025 and RMs through end-May 2026. Disbursements under the ECF arrangement will be subject to observance of the performance criteria and SBs shown in Tables 1 and 2 and disbursements under the RSF will be subject to implementation of RMs as presented in Table 3 of the attached MEFP.

We consider the policies described in the attached MEFP as adequate to achieve program objectives. We stand ready to take additional measures should they be needed to meet the objectives of the program, and we will consult with the IMF in advance of any necessary revisions to the policies contained in this letter and attached memorandum, in line with Fund policies on such matters. We will provide Fund staff all the data and information needed to assess the performance of the policies and RMs, particularly those mentioned in the Technical Memorandum of Understanding.

We will continue to maintain a close policy dialogue with the IMF to preserve macroeconomic stability and strengthen Tanzania's balance of payments position and to implement the RSF arrangement**.** We will also consult in advance of any revisions to the RMs contained in the MEFP, in accordance with the Fund's policies on such consultations, and provide information to the IMF in connection with our progress in implementing the RMs and achieving their objectives, which is linked to the disbursement schedule under the RSF. Furthermore, in line with the IMF safeguards policy, the Bank of Tanzania (BoT) commits to comply with the recommendations of the 2022 safeguards assessment of the BoT, including strengthening the legal framework to ensure independent oversight of the BoT.

We agree to the publication of this Letter of Intent and the attached Memorandum of Economic and Financial Policies for FY2022/23–FY2025/26 and Technical Memorandum of Understanding, as well as the IMF staff report related to the fourth review under the 46-month ECF arrangement and the first review under the 23-month RSF arrangement, after approval by the Executive Board of the IMF.

Sincerely yours,

/s/	/s/
Dr. Mwigulu Lameck Nchemba Madelu (MP) Minister of Finance	Emmanuel Mpawe Tutuba Governor, Bank of Tanzania

Attachments (2):

- Memorandum of Economic and Financial Policies
- Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

Dar Es Salaam, November 29, 2024

This Memorandum of Economic and Financial Policies (MEFP) reviews recent economic developments and performance under the Extended Credit Facility (ECF) and Resilience and Sustainability Facility (RSF) arrangements and lays out the medium-term economic objectives and the policy framework of the government of Tanzania, supported by the ECF and RSF arrangements. The macroeconomic policies and structural reforms included in this MEFP are consistent with the objectives of the Third National Five-Year Development Plan 2021/22–2025/26 (FYDP III); namely, to raise inclusive growth and become a competitive, middle-income country. The policies and reform program presented here aim to preserve macroeconomic stability, create fiscal space, strengthen financial sector stability and development, and build resilience to climate change related shocks.

Recent Economic Development and Performance Under the ECF Arrangement

1. The growth of our economy is recovering from the impacts of unfavorable global economic environments and domestic factors. After slowing down to 4.7 percent in 2022, reflecting the impact of global economic conditions and shortfalls in rainfall, real GDP growth picked up to 5.1 percent in 2023 on the back of strong growth in agriculture, mining, and financial services. Growth continued to pick up to 5.4 percent (yoy) in the first half of 2024, driven by the agriculture, construction, manufacturing, and financial service sectors. Despite significant depreciation of our currency since mid-2023, inflation remained under the BoT's 5 percent target anchored by prudent fiscal and monetary policy management, complemented by adequate food supply. After deteriorating significantly to 6.5 percent of GDP in FY2022/23, the current account deficit narrowed to 3.1 percent of GDP in FY2023/24, on the back of strong growth of exports and a slowdown in the growth of imports. The level of our international reserves remained adequate at US$5.3 billion (about 4 months of prospective imports)[1] in June 2024. Financial sector remains stable on account of sound macroeconomic and business environment, but with some pockets of vulnerabilities.

2. We are implementing a growth friendly fiscal consolidation to safeguard fiscal sustainability. Despite shortfalls in revenue mobilizations compared to budget expectations, the domestic primary balance improved by 1.4 ppts of GDP, slightly better than the budget estimate and the program target, in FY2023/24. This was achieved thanks to a significant adjustment to the primary current spending (by 1 ppts of GDP) and a modest improvement in the domestic revenue mobilizations (by 0.4 ppts of GDP) compared to FY2022/23. Priority social spending was increased by 0.7 percentage points of GDP in line with the program targets.

3. Reform implementation under the ECF arrangement remained on track. All quantitative performance criteria (QPCs) and indicative targets (ITs) for end-June 2024 and all end-September 2024 ITs were met. Notwithstanding delays in implementation of some structural benchmarks (SBs), our structural reform agenda is also progressing well. The end-June 2024 structural benchmarks

[1] Based on the authorities' projection of imports of goods and services.

(SBs) on revising and publishing the schedule for the MPC meetings, submitting revenue measures with annual yield of 0.5 percent of GDP to Parliament, and submitting draft amendment of the VAT Act to Parliament, were completed on time. The draft amendment of the VAT Act was not, however, approved as Parliament requested that the Tanzania Revenue Authority (TRA) fully automates the VAT refund process before re-submitting the draft Act. TRA will complete automation of the VAT refund process by end-June 2025 (new SB) and we will re-submit the draft amendment Act to Parliament by end-January 2026, once the automated system is operational. The end-December 2023 SB on establishing an AML/CFT risk-based supervisory approach and end-June 2024 SB on preparation and publication of annual report on tax expenditures were completed with delay. The end-June 2024 SB on amendment of the BoT Act, end-June 2024 SB on preparation of a medium-term revenue strategy with an implementation plan, end-September 2024 SB on drafting and submitting to Parliament a secured transactions Act have not been completed, and we request reset of these SBs to end-March 2025 as more time is needed to complete them.

Macroeconomic Program and Reforms Under the ECF Arrangement

A. Program Objectives and Outlook

4. The government is committed to continue preserving macroeconomic stability and promoting sustainable and inclusive private sector-led growth as laid out in the FYDP III. The government's vision of the future is outlined in the FYDP III priority intervention areas, which include: (i) realizing an inclusive and competitive economy by completing strategic public sector investment program in key infrastructure projects; (ii) deepening industrialization and service provision through interventions in diverse sectors, including tourism, construction, agriculture, manufacturing, health, and education; (iii) addressing institutional bottlenecks through streamlining business environment procedures, promoting investment and trade, consolidating business environment reforms under the umbrella of the Blueprint, addressing bottlenecks impacting investment and business conduct and simplifying business and investment processes, and boosting regional and international trade; (iv) improving human development and promoting inclusive growth through targeted interventions in education, health, water supply and sanitation, urban planning and housing, food security/nutrition, and social protection; and (v) supporting skills development to specifically target improvements in technical education, vocational training, and workforce skills to enhance the economy's productivity and competitiveness. Key FYDP III strategies are aligned with and linked directly to the relevant SDG goals.

5. The sequencing of the priorities of the ECF program are aligned with the government's reform agenda. The near-term ECF program priorities are to safeguard macroeconomic stability and help Tanzania cope with global economic shocks. Based on the objectives and policies included in the FYDP III, the ECF program is also supporting reforms for sustainable, inclusive, and resilient growth and addressing long-term challenges through: (i) mobilizing domestic revenue and improving spending quality to create fiscal space for much-needed investment in human and physical capital; (ii) resuming and advancing a strong structural reform agenda, improving the business environment and competitiveness, and strengthening governance and reinforcing the anti-corruption framework; and (iii) strengthening financial deepening and stability, including through enhancing the monetary policy framework and improving supervision of the financial sector. ECF program financing is helping to increase social spending and maintain priority public investment, while structural and fiscal reforms come into effect mobilizing revenue to sustain the increased social spending.

6. **We expect real GDP growth to continue regaining momentum.** Growth is estimated to reach 5.4 percent in 2024 and pick up further to about 6 percent in 2025. Inflation is projected to remain within the BoT's target. The current account deficit is expected to remain moderate in the next fiscal year. The FY2024/25 budget envisages continued fiscal consolidation in line with program targets. Potential sources of risk to the near-term outlook include intensification of regional conflicts, increased commodity price volatility, a global economic slowdown, natural disasters related to climate change, reemergence of pressures in the FX market, and weaker than anticipated execution of public investment projects.

7. **Over the medium-term, successful implementation of our reform agenda will support growth, and safeguard macroeconomic stability and debt sustainability.** GDP growth is expected to reach about 6½ percent in the medium-term, driven by successful implementation of the reforms in FYDP III including improvements in the business environment and productive sectors. An additional fiscal consolidation of about ½ percent of GDP (measured by the domestic primary balance) is envisaged by the end of the program, expected to be achieved through additional revenue mobilization. The external position is expected to improve further over the medium-term and the level of international reserves will remain within the IMF's adequacy range, supported by the authorities' reforms and improvements in the global economic environment.

B. Macroeconomic Policies and Risks to the Outlook

8. **The domestic primary balance will anchor public debt at a sustainable level.** This fiscal policy measure, which excludes foreign assistance aid and net interest payments, is combined with a ceiling on contracting new external debt by the central government or the BoT (in PV terms) to maintain the risk of debt distress at a moderate level, while allowing room for critical investments in human and physical capital, given sizable development needs.

9. **The government is committed to implementing the fiscal consolidation plan envisaged in the FY2024/25 budget.** The budget is based on more realistic revenue and expenditure projections, with the domestic primary deficit projected to narrow to 0.7 percent of GDP (QPC in Table 1). Tax revenues are expected to continue recovering and will reach about 12.9 percent of GDP in FY2024/25 supported by tax measures approved by Parliament (paragraph 20 below). Overall spending is expected to increase to about 19.1 percent of GDP, and the government will rebalance the composition of spending to meet the target for priority social spending (PSS) (paragraph 22 below). Should revenue projections not materialize in the first half of FY2024/25, widening the primary balance deficit and/or compromising the PSS target, the government commits to adjust the budget in accordance with Section 6 of the Appropriations Act and share with IMF staff a revised

budget by mid-February 2025, indicating the budgetary changes to reprioritize spending in line with available resources, while protecting PSS. The amount of funds allocated to the broad areas of priority social sectors, as defined in the Technical Memorandum of Understanding, will be published as an Annex to the revised mid-year budget.

10. The government will continue to seek external financing mainly on concessional terms and through grants to preserve debt sustainability. Tanzania is assessed to have a moderate risk of external debt distress and will continue following a prudent debt management strategy that aims to improve this risk rating. Newly contracted public debt will favor loans offered on concessional terms, which will help improve the current risk rating and debt sustainability. However, some long-term non- and semi-concessional borrowing will be considered to support critical expenditure needs for high-yield investment projects. The government will continue the policy of avoiding all non-concessional short-term external borrowing (with original maturity of less than one year). The government also commits to maintaining a ceiling on new external debt of the central government or the BoT in present value terms as presented in the continuous Performance Criterion in Table 1, to reconcile investment and external financing needs with the goal of preserving debt sustainability.

11. The government commits to remain well-within the ceiling on government borrowing from the central bank, as specified by the BoT Act. In the FY2022/23 budget, Parliament passed an amendment which sets the limit on government borrowing from the central bank at 18 percent of the actual collected revenues of the previous fiscal year. Prior to this, this ceiling was one-eighth of the preceding fiscal year's domestic revenue. The objective of this amendment was to harmonize the government borrowing limit in Tanzania with that of other East African Community (EAC) countries and facilitate government budget execution. To enhance monetary policy effectiveness in the context of the price-based monetary policy, government borrowing from the BoT will be kept at a minimum, and well-within the limit.

12. The BoT is committed to enhancing exchange rate flexibility to cushion the economy against external shocks. The Tanzanian shilling depreciated by about 13 percent (yoy) vis-à-vis the USD and 8.5 percent (yoy) and 10.8 percent (yoy), respectively, in nominal and real effective exchange rate terms in FY2023/24, reflecting heightened pressures in the forex market. At the same time, the BoT stepped in to provide liquidity in the interbank market and ensure orderly market conditions through auctions. Going forward, exchange rate flexibility will increasingly be the first line of defense against external shocks, while FX interventions will be limited to addressing disorderly market conditions. To enhance the transparency of forex interventions in line with the FX intervention policy, when conducting FX auctions, the BoT commits to continue transacting FX in pre-announced amounts based on competitive price-based criteria, aligned with best practices, accepting the market-clearing price to sell the desired volume. In addition, the BoT is committed to publish the results of its forex auctions on the same day, on its website, effective in the beginning of June 2024. The published information includes the number of bids received and allotted, total value of bids accepted, amount on offer and allotted, highest bid rate received and accepted, lowest bid rate allocated, and the weighted average rate. The level of international reserves will be maintained at a comfortable level as a buffer against external shocks.

13. **The BoT is taking measures to address forex liquidity pressures, revitalize the forex market, and ensure price discovery that allows a market-clearing exchange rate system.** In January 2024, the BoT published a revised "Interbank Foreign Exchange Market (IFEM) Code of Conduct", adopting international best practices following the "FX Global Code" and in consultation with IMF staff and market players. It also published its FX intervention policy in December 2023 to enhance transparency. As the FX market pressures ease, we are seeing modest improvements in liquidity at the IFEM, supported by the new FX Code of Conduct and the FXI policy, and receding parallel market transactions. Notwithstanding these improvements, the IFEM trading activities remain limited. To revitalize the forex markets and ensure a market-clearing exchange rate system, the BoT will continue to encourage market participants to trade at a market-clearing exchange rate in the interbank and retail markets.

14. **The BoT will continue to closely monitor monetary and financial sector developments and take necessary steps to safeguard macro-financial stability.** In January, the BoT launched its new interest rate monetary policy framework, setting the Central Bank Rate (CBR) to 5.5 percent. At its meeting in April 2024, the BoT Monetary Policy Committee (MPC) raised the CBR to 6 percent, which has been maintained since then, to contain emerging inflationary pressures. The BoT will continue to calibrate its monetary policy to maintain low and stable prices, while safeguarding the recovery of economic activities from the impacts of global economic shocks and unfavorable weather conditions. The financial sector remains broadly stable albeit with pockets of vulnerabilities. The BoT will continue closely monitoring developments in the financial sector and enforce prudential requirements.

15. **The government will continue to implement economic policies to achieve the objectives and quantitative performance targets set out in the ECF program macroeconomic framework for FY2024/25 and the medium-term.** Our economic reforms supported by the ECF program aim to mitigate the short-term economic impacts of unfavorable global economic conditions, maintain macro-economic stability, and improve the business environment to raise and sustain growth and reduce poverty. The goal of FYDP III is to make Tanzania a competitive and semi-industrialized middle-income country, while at the same time enhancing human and physical capital and achieving inclusive growth. To this end, it sets an ambitious goal of accelerating and sustaining economic growth. The government will continue to discuss medium-term projections with IMF staff and stands ready to refine the medium-term macroeconomic framework in future budget projections.

16. **Considering the high uncertainty in the current environment, the government has prepared potential contingency plans if adverse scenarios materialize.** Worsening economic and financial global environment, due to intensification of regional conflicts, could significantly impact Tanzania's economy. Furthermore, abrupt global slowdown or recession and increased volatility of commodity prices could worsen the external position and increase financing needs. If these risks materialize, the government's response would include: (i) exchange rate flexibility to help partly absorb further external shocks like higher commodity prices or lower tourism demand, while reserve buffers are carefully used to prevent episodes of disorderly market conditions;

(ii) reprioritizing spending including infrastructure investments to help protect the most vulnerable, while safeguarding fiscal and debt sustainability; and (iii) maintaining a data-dependent monetary policy to ensure price stability. The government will ensure that higher fuel and food prices do not put at risk the financial stability of SOEs and that social protection needs are met without endangering fiscal objectives. The government will also seek additional budget support, for which keeping the IMF supported program on track would be critical.

C. Structural Reforms

17. The structural reform agenda will continue to focus on improving conditions for sustainable and inclusive growth. The government will implement: (i) fiscal reforms to promote growth and safeguard debt sustainability; (ii) business environment and governance reforms, and investments in human and physical capital to unlock Tanzania's growth potential; and (iii) monetary policy and financial sector reforms to ensure macro-financial stability and promote financial deepening.

Fiscal Policies to Promote Growth

18. We will focus on three key fiscal policy areas to enhance growth while maintaining fiscal and debt sustainability. In the near-term, the priority of fiscal policy is to safeguard macro-financial stability through implementation of the fiscal consolidation program envisaged in the FY2024/25 budget. Over the medium term, fiscal reforms will focus on: (i) increasing domestic revenue mobilization, (ii) rebalancing spending towards priority social spending, and (iii) improving the quality of spending including by reducing fiscal risks and improving public investment management to close the infrastructure gap.

Mobilizing Tax Revenue

19. Tax policy and revenue administration efforts in FY2024/25 and during the program period are based on: (i) broadening the tax base by reducing the informal sector through incentivizing more electronic declarations and electronic payments; (ii) bringing the digital economy into the tax net; (iii) controlling and reducing tax exemptions granted in the tax laws; (iv) enhancing tax administration systems; (v) enhancing human resource capacity including recruitment and training; (vi) enhancing enforcement on the issuance of electronic fiscal devices (EFD) receipts; and (vii) enhancing risk-based programming and strengthening recovery action.

20. To realize Tanzania's revenue potential, the government will launch an ambitious revenue reform agenda anchored on a Medium-Term Revenue Strategy (MTRS). Tanzania's tax revenue is significantly below its potential, and revenue performances have continued to fall below budget expectations. A 2022 IMF TA report identifies widespread and poorly targeted tax exemptions and inefficient tax administration as key contributors to our sub-optimal revenue performance. We are making efforts to address these weaknesses. In the FY2024/25 budget, Parliament approved revenue measures that are estimated to yield 0.5 percent of GDP per year (end-June 2024 SB). Income tax exemptions provided to export processing zones and special economic zones will be repealed by June 2025 (SB). To enhance transparency of tax exemptions, we have started publishing an annual report on tax expenditures starting in FY2023/24 (end-June 2024 SB). We are preparing a medium-term revenue strategy with an implementation plan (reset SB, end-March 2025), which will be the basis for revenue reforms going forward. Drawing from the MTRS and 2022 IMF TA report, we will submit to Parliament tax policy measures, including streamlining and simplifying tax exemptions, with a revenue yield of at least 0.5 percent of GDP in FY2025/26 and 1 percent of GDP a year starting in FY2026/27 (new SB, end-June 2025). To support the operationalization of the MTRS, we will set up an interagency MTRS steering committee with the mandate to monitor and oversee MTRS implementation.

21. The government intends to continue to devote efforts to recover tax arrears and to expand the registration of taxpayers. Efforts will be directed towards expediting verification of VAT refunds through automating the VAT refund process and amending the VAT Act (paragraph 30) and mobilizing all recoverable overdue tax debts over the duration of the program, building on measures implemented in December 2022 to enhance risk-based tax audit mechanisms. Regarding the registration of taxpayers, the government has updated the taxpayer registry and streamlined the process for new taxpayers, e.g., using a single point of entry for registration, regulation, and issuance of tax ID numbers.

Rebalancing and Improving the Quality of Spending

22. The government is committed to improving the quality of expenditures by rebalancing spending towards priority social spending. Since the launch of the ECF program, the government has increased the recruitment of health workers and primary and secondary teachers to promote access to health and education, notably in rural areas. The government intends to continue investing on social sectors to significantly reduce the gaps in teachers and healthcare workers and equip schools and local health facilities over the duration of the program. Towards this goal, we are committed to increase spending on health and education, both in levels, and as a share of GDP, with total social priority spending reaching TZS 15 trillion (about 6.9 percent of GDP) in the current FY. We will continue increasing social priority spending in levels and as percent of GDP, with the goal of stabilizing it at 7 percent of GDP over the medium-term. The government will continue to disclose, on a quarterly basis, the amounts spent on each social sector (health, education, social transfers, among others) aiming at least at reaching the floor on social spending agreed on the program. The performance in raising and maintaining social spending is being monitored by an indicative target.

23. A sufficiently financed education policy, a well-functioning health system and a strong safety-net are crucial to promote sustainable and equitable growth. The government policies to help address these issues are:

- *Increase budgetary allocations for education to expand coverage, improve quality, and reduce gender and rural-urban disparities*. The expansion in hiring of teachers will be accompanied by increases and improvements in teacher training to improve the quality of education. To expand access and reduce the student teacher ratio in a cost-effective manner, some efficiency gains could be achieved by: (i) revising the construction parameters of schools to use multipurpose laboratories and in-class libraries; (ii) leveraging technology for online learning; and (iii) reallocating teachers to use them more effectively.

- *Help reduce the gender gap in educational attendance and outcomes.* This includes building and improving sanitary facilities in schools to increase girls' attendance, providing a larger share of female teachers, and supporting more gender-friendly teaching practices to promote girls' active participation in class.
- *Balance resources between primary, secondary, and tertiary education to increase the efficiency of spending*. In this regard, the government will seek to improve the public program of Higher Education Students Loans Board (HESLB) by refining the targeting mechanism for eligible students (e.g., means-testing) and further strengthening loan recovery efforts.
- *Modernize the equipment and technologies used for vocational and technical education over the medium-term.*
- *Ensure continuous consultations with the private sector on training and vocational programs and follow up on the recommendations from the National Skills Council.*

24. Improving health and social assistance will also contribute to human capital accumulation and poverty reduction. Continuing to support eligible low-income households with cash transfers, through TASAF, will also help the economic recovery while protecting the most vulnerable. Over the medium-term, the government will focus on increasing resources for the health sector to keep up with the increasing demand for health services, and to reduce gaps in coverage. Expanding TASAF to more eligible families, while properly targeting the aid provided will help reduce poverty and inequality and enhance human capital accumulation of poor households. Following the phase out of TASAF III - PSSN II at end- September 2025, the government will review and expand beneficiary households for the coming new phase. More generally, the government is conducting a comprehensive review of the subsidy system, including direct and indirect subsidies, with the objective to identify gaps and reform measures needed to improve efficiency and targeting by December 2024.

25. We will strengthen public finance management (PFM) and the efficiency of public investments, drawing from recommendations of the IMF TA on Public Investment Management Assessment with Climate Module (C-PIMA). To this end, the Planning Commission Act of 2023 will be amended to explicitly require appraisal of public investment projects, including climate change impact assessments, before they are included in the budget, by end-June 2025 (SB). Starting in the FY2025/26 budget, the budget document will also include, for each ongoing public investment project: (i) total estimated project costs, (ii) previous budget years' actual spending, (iii) estimated spending in the current budget year, (iv) committed expenditure for the next budget year, (v) estimated spending and contractual commitments for the two outer years, and (vi) the balance of funding required to complete the project. We are conducting a mid-point review of the FYDPIII with the objective to assess implementation progress and take stock of large projects and publish a statement of multi-year budgetary commitments with the project inventory by March 2025.

Reducing Fiscal Risks

26. The government is engaged in taking all necessary measures to clear existing arrears and prevent their accumulation going forward. Towards this goal, the government is continuing to implement its plan, prepared and published as part of an ECF program structural benchmark, to clear all existing verified arrears. To prevent the resurgence of expenditure arrears, the government is also preparing properly costed budget baselines and realistic revenue projections; and has amended the definition of arrears as unpaid claims over 30 and 90 days for goods and services and construction work, respectively. To strengthen commitment controls in budget execution, the government is strictly enforcing the sanction regime against unauthorized spending commitments, with clear personal penalties, as specified in the Budget Act (2015) and the Treasury Circular No.2 (2022/23). The government's performance in reducing the stock of expenditure arrears is being monitored by an ECF program indicative target.

27. Improving financial information systems is one of the government's priorities to strengthen budget execution and transparency and reduce fiscal risks. To this end, the government has configured a new functionality of the Integrated Financial Management Information System (IFMIS), which enabled all commitments with approved budget allocations to be reflected into the system.

28. The government is committed to strengthening government finance statistics and completing and expanding the coverage of budgetary and financial reports to give a more complete picture of the public sector's financial operations. The government will take steps to gradually include all public entities, in addition to the central government, in order to establish and periodically update a public sector balance sheet covering all assets and liabilities. This statistical improvement will also help the process of harmonizing and integrating fiscal statistics from Zanzibar into the General Government reporting. Furthermore, the government is adopting the provisions of the government finance statistics manual (GFSM 2014), with technical assistance from the IMF.

29. We are committed to increasing transparency by publishing data related to investments made by other public entities (e.g., public enterprises and local governments) or through Public-Private Partnerships (PPPs). The monitoring of PPPs will be strengthened through their full consideration in budget documents, as well as in documents related to public debt sustainability, given their potential as contingent liabilities. To enhance transparency of public enterprises, the government issued a circular mandating all SOEs to publish their annual audited financial statements starting in FY2022/23, by April of the following FY. After completion of Statutory Audit of the SOEs by the Controller and Auditor General in March 2024, the SOEs have published the FY2022/23 annual audited financial statements in their respective website.

30. Preserving and enhancing fiscal resilience will be important to safeguard fiscal space in an uncertain external environment. In this regard, the government is committed to implement the following measures to resolve outstanding issues and reduce fiscal risks:

- *Implementing the plan for the repayment of arrears on VAT refunds and continuing to implement a risk-based approach*. To expedite the verification and payment of VAT refund claims, TRA is fully automating the VAT refund process, which will be completed by end-June 2025 (new SB). Once the process is fully automated, the Ministry of Finance will resubmit to Parliament, by end-January 2026, a draft amendment to the VAT Act requiring that legitimate VAT refund claims are paid by the end of the month following the month in which the claim was filed.
- *Containing risks emanating from SOEs, including the national energy company (i.e., TANESCO) and the national airline (Air Tanzania)*. In the case of TANESCO, the government converted Tsh 2.4 trillion on-lent loan to TANESCO into equity, in FY2022/23, to improve the company's balance sheet. Further reforms are required to improve the company's financial footing by implementing a plan to clear its arrears to suppliers and the government arrears to TANESCO; enhancing the efficiency of TANESCO; and building generation capacity based on cost-benefit analysis and diversified energy sources. Discussions are ongoing between the Ministry of Finance and TANESCO to establish the modality for improving the company's financial position.
- *Accelerating the verification of claims from the social security funds and proposing a plan for clearing those arrears*. The Government has completed verification of the public sector pension fund (PSSSF) claims, and the Ministry of Finance is planning to discuss with the pension fund on the modality of payments. Parametric reforms to the public pension system have been implemented effective in July 2022 in order to safeguard the sustainability of the public pension fund.

Business Environment and Governance Reforms to Unlock Growth Potential

31. To improve the business environment and promote private sector development, the government has reviewed and amended the business regulatory frameworks. In October 2022, Parliament approved amendments of the 1996 National Investment Promotion Policy and the 1997 Tanzania Investment Act to improve the business climate and promote private sector investment, well ahead of plan. In addition, in June 2023, the government implemented 16 amendments of laws guided by the Blueprint for Regulatory Reform (BLUEPRINT) to improve the business environment and attract private investment. These include the Immigration Act, the Land Rent Act, the Mining Act, the Local Government Finance Act, the Value Added Tax Act, the Tax Administration Act, the Local Government Act, and the PPP Act Amendment of the Value Added Tax Act increased the VAT registration threshold from 100 million shillings to 200 million shillings; amendment of the Mining Act exempted refineries from paying inspection fee of 1 percent; amendment of the Land Rent Act reduced the premium charge from 0.5 percent of the land value to 0.25 percent and reduced land rent registration fees from 20 percent to 10 percent; and amendment of the PPP Act allowed international arbitration and granted tax incentives to PPP projects.

32. While effectively implementing the revised regulatory frameworks, we will review and revise the BLUEPRINT. The government will prepare and publish a timetable for implementation of key de-regulations envisaged in the Blueprint for Regulatory Reforms along with a clear delineation of responsibilities among government entities by end-December 2024 (SB). To continue strengthening the regulatory framework and improving the business environment, the government plans to review and revise the BLUEPRINT along with an action plan by end-FY2025/2026, in consultation with relevant stakeholders to address their concerns in the planning and implementation of reforms.

33. In line with the BLUEPRINT, the government will examine additional measures to promote private sector development. These include: (i) minimizing non-tariff trade barriers (streamlining requirements on the type, volume, or quality of imported goods) and continuing to implement a risk-based approach for all inspections; (ii) enhancing engagement with the private sector and other stakeholders in the formulation of new legislation to improve the business environment; and (iii) improving predictability in government policies.

34. We are committed to improve the quality of National Accounts statistics to further enhance credibility, improve budget forecasting and attract investment. The government recognizes the importance of improving the overall consistency and transparency of the National Accounts statistics. The government will endeavor to regularly improve the quality of national account source data. In this regard, we will finalize and publish rebased GDP using 2019 base year by June 2025. The external sector data between the national accounts and the balance of payment statistics has been reconciled and the revised national accounts data for 2017–22 has been published as per the government's commitment towards end-June 2023 structural benchmark. The government is also committed to continuously update and revise national accounts statistics as source data is updated to maintain the consistency of statistics across the country and complying with the e-GDDS timely submission of data.

35. The government will strengthen implementation and enforcement of comprehensive anti-corruption strategy and legislation. As part of the National Anti-Corruption Strategy and Action Plan 2023–28 (NACSAP), efforts are being made towards: (i) enhancing investigative and intelligence capabilities, (ii) building technological and big data capabilities to address new challenges, (iii) focusing on prevention strategies including promotion of society participation in the anti-corruption campaigns, increasing public awareness of corruption, and enhancing adherence to asset declaration of public officials and the codes of conduct. The government also commits to resolving outstanding governance issues and will seek technical assistance from the IMF and other development partners as needed to maximize its efforts.

36. We are taking steps to align our legal framework with the FATF standards and improve the effectiveness of the AML/CFT framework. Tanzania is currently listed by FATF as a jurisdiction under increased monitoring by FATF . Following the amendments of the AML/CFT Laws from 2022, we requested re-rating on technical compliance and were upgraded on 9 FATF recommendations. Tanzania submitted its request for re-rating on 13 Recommendations to the ESAAMLG Council of Ministers for review during the meeting in September 2024. After initial review ESAAMLG Secretariat recommended improvement on 8 recommendations and reviewed 5 recommendations, of which all 5 were rated compliant or largely compliant. Tanzania will continue work on the remaining 15 recommendations with intent to resubmit to ESAAMLG for review at the next ESAAMLG Council of Ministers meeting in September 2025. We are making progress on implementing the FATF Action Plan to strengthen effectiveness, and in July 2024 Tanzania submitted its 4th Cycle Report for the FATF Plenary in October 2024. In the October 2024 Plenary session, FATF acknowledged progress we made on 20 of the 21 action items, which were adopted in October 2022, and made a recommendation on the remaining action item; namely, demonstrate (including through case studies and statistics) the ability to identify terrorism financing cases, successfully conduct terrorism financing investigations and pursue prosecutions commensurate with Tanzania's risk profile. The government, in consultation with the IMF, has established an AML/CFT risk-based supervisory approach that: assigns a supervisor for each sector (financial institutions and designated non-financial businesses and professions), details a template sectoral money-laundering terrorist financing risk assessment methodology, establishes a template onsite and offsite supervisory manual, and a supervisory plan for the highest risk sectors (end-December 2023 SB).

37. The government has met the governance commitments in the RCF Letter of Intent. In particular, the government has published quarterly reports of RCF spending and posted online here the list of financial transfers, all pandemic related public procurement contracts, and related documents (including the names of the awarded companies and their beneficial owners) and posted here. The audit of all pandemic-related spending was published in January 2023 (structural benchmark) and is available here.

Strengthening Monetary Policy and Financial Stability

38. The BoT will continue to strengthen the recently launched interest rate-based monetary policy framework. The adoption of the interest rate-based monetary policy framework, combined with new macroprudential tools to enhance systemic liquidity management, will help improve monetary policy transmission. As part of the recently launched monetary policy framework, BoT published the monetary policy communication strategy in February 2024 and the schedule for the MPC meetings in June 2024 (SB). BoT issues MPC press release that explains the decision, publishes the Monetary Policy Report and communicates monetary policy decisions through meetings with CEOs of banks and media. Efforts are underway to further improve monetary policy communication with market participants and the general public. Building on these steps, the BoT will ensure that: (i) liquidity conditions are consistent with aligning the 7-day cash rate within the +/-200bp CBR corridor, based on liquidity forecasts; and (ii) the Lombard facility provides an effective ceiling on the 7-day interbank rate, in line with the current operational framework. Towards this goal, the BoT will issue, by end-June 2025, a revised collateral framework for the standing facilities to facilitate banks' access the standing facilities while protecting the BoT from credit risk, in consultation with IMF staff (new SB).

39. The BoT is committed to continue implementing the FSAP recommendations to enhance financial sector stability and mitigate near-term banking sector vulnerabilities. Key priorities include enhancing capacities in risk-based supervision, solvency stress testing, and climate related risks; reducing NPLs and increasing provisioning (including for restructured loans), and enhancing buffers to manage near-term liquidity, credit, and concentration risks, which will be supported by IMF technical assistance. The BoT continues to run its quarterly top-down and bottom-up stress testing to assess the resilience of the financial system to potential shocks. In addition, BoT is stepping-up monitoring and enforcement of prudential guidelines, particularly in relation to undercapitalization, NPLs and restructured loans. As a first step, the Banking and Financial Institutions Act (BAFIA) has been amended to allow compliance with the requirements of capital adequacy as a step to the migration to Basel II/III risk-based supervision standards. The BoT issued new Capital Adequacy, Liquidity Management, and Prompt Corrective Action Regulations in line with Basel II/III in October 2023. The BoT will enhance the current two-tier assessment framework by creating a single risk-based rating system by December 2024 (SB) and improve AML/CFT risk-based supervision. In line with FSAP recommendations, BoT will also prepare and publish an Emergency Liquidity Assistance (ELA) framework including frameworks for ELA collateral and governance and prepare guidelines by end-September 2025 (new SB).

40. The government is implementing policies to promote financial inclusion. Survey results from Finscope indicate steady progress, with formal financial inclusion reported at 76 percent in 2023, compared to 65 percent in 2017. Building on this progress, the National Financial Inclusion Framework 2023- 2028 (NFIF) aims to ensure that all adults and businesses have access to and use a broad range of affordable and high-quality financial products and services, to improve their financial well-being and living standard. In addition to the NFIF, the Tanzania Development Vision 2025 and the Financial Sector Development Master Plan 2020/21- 2029/30 guide our financial inclusion policies. Implementation of these policies involves a public-private sector partnership under a National Council, which include Ministries, Regulatory Authorities, Agencies, financial service providers, and consumers' associations with the BoT serving as secretariat. Efforts to promote financial inclusion are supported by the ongoing rollout of the National Identification Number, the National Financial Education Program, as well as increased mobile phone access. To further enhance financial inclusion, we are drafting a secured transactions Act to allow collateral recovery and broaden the pool of acceptable collateral to movable collateral, which will be submitted to Parliament by end-March 2025 (reset SB).

Reform Measures to Address Climate Challenges

41. Climate change poses significant risks to Tanzania's economic and social developments. Climate change has adversely affected lives, livelihoods, and economic activity through changing precipitation patterns, flooding, drought, water/sea-level rise, and saltwater intrusion. Key economic sectors including agriculture, tourism, livestock, fisheries, and transport and infrastructure are particularly vulnerable to such extreme conditions. Economic costs of such events are estimated at more than 1 percent of GDP per year and occur regularly, reducing long-term growth, and claiming many lives and property. Climate change also poses significant risks to food security, public health, and equity. In the absence of reform measures, climate related disasters could create sizable BoP pressures through adverse impacts on tourism and agriculture production, which are the major sources of FX earnings for Tanzania, and increased imports associated with reconstruction of infrastructure damaged by floods and rise in sea level as well as those associated with losses due to drought.

42. The RSF supports our effort to address climate policy challenges and implement reforms to enhance the resilience and sustainability of our economy. Reform measures supported by the RSF focus on: (i) enhancing governance and coordination of climate change policies; (ii) strengthening the disaster risk management (DRM) framework; (iii) mainstreaming climate policies in public investment planning and budgeting; (iv) strengthening the alignment of sectoral climate policies with national policies and commitments; and (v) enhancing supervision of financial sector climate-related risks.

43. We have completed implementation of one of the two reform measures (RMs) that were due for end-November 2024. The Environmental Impact Assessment regulation has been amended to require climate impact and climate vulnerability assessment for large projects and climate relevant projects at all stages of project appraisal (RM5).

44. Efforts are underway to implement the remaining RMs with technical support from development partners.

- Despite notable progress, the RM to amend the Environmental Management Act to clearly define the institutional framework for climate change related policies (**RM1**, end-November) has not been completed and we plan complete it by end-March 2025.
- To develop a common understanding of the implications of climate change and to create climate change awareness, we are preparing common climate scenarios and vulnerability maps, with technical support from Global Center for Adaptation; and we will include in the legal framework for land use planning and civil construction design a requirement to take climate vulnerabilities into account in land use planning and civil construction design, by end-March 2025 (**RM2**).
- With technical support from the IMF and the World Bank, we are developing a disaster risk financing (DRF) framework, taking into account the efficient use of risk retention and transfer, and ex-ante and ex-post DRF, based on a DRF needs assessment including for social protection by end-March 2025 (**RM3**).
- Ongoing efforts to expand our Productive Social Safety Net (PSSN) register to include poor households who could fall under extreme poverty when disaster risks materialize (**RM4**, end-September 2025) are being supported by the World Bank and the World Food Program. The sequencing of the expansion of the register will take a risk-based approach, starting with areas that are at highest risk of natural disasters, taking into account the information provided by vulnerability maps.
- Our effort to mainstream climate change in public investment planning and budgeting is being supported by IMF TA. The operational manual for public investment management (PIM-OM) is being revised to provide guidance on how to comply with requirements of the amended Environmental Impact Assessment regulation. Starting in the FY2025/26 budget, the Budget document will include climate assessment outcomes of all climate-relevant projects approved for budget financing (**RM6**, end-May 2025). We will also include assessment of natural disaster related fiscal risks in the budget document starting with the FY2025/26 budget (**RM7**, end-May 2025).

- We are developing a long-term power sector plan that is aligned with climate mitigation goals and coordinated with the long-term plans of other sectors, including agriculture and water, which will be implemented starting in end-September 2025 (**RM8**). To support our energy transition plans, we will determine the cost-recovery rate for the provision of electricity (fully reflecting operational and investment cost, including for energy transition), and establish and start implementing a methodology for adjusting electricity tariffs to the identified cost-recovery rates, with transparent periodic adjustments while protecting poor and vulnerable groups by end-March 2026 (**RM9**).
- To help reduce GHG emissions in line with our NDC commitments, we will apply an environmental tax on domestic consumption of sources of carbon emissions (including coal and natural gas) tailored to Tanzania's circumstances and in line with IMF technical assistance (**RM10**, end-September 2025).
- To promote sustainable management of water resources, we will identify and integrate climate policy-related key performance indicators in the water utilities' business plans and conditional tariff structure by end-March 2026 (**RM11**).
- To support our deforestation goal, the government will finalize and adopt the 'Guidelines for Integrated and Participatory Village Land Use Planning, Management and Administration in Tanzania - 3rd Edition' and will issue a Notice to formally require implementation of the Guideline in all villages across the country (**RM12**, end-March 2026).
- With TA support from the World Bank, BoT is developing a repository of climate-related data for assessment of climate-related risks by end-September 2025 (**RM13**) to support its effort to strengthen financial sector resilience to climate related risks. As a next step, BoT will conduct and publish, on an annual basis, a qualitative assessment of climate-related risks, focusing on key transmission channels, to financial system stability starting in CY2025 (**RM14**).

Program Monitoring and Other Issues

45. The government will continue to strengthen collaboration and engagement with the IMF and other development partners on the implementation of technical assistance. The government values the technical assistance received from the IMF and other partners. To ensure that the TA is effective and brings lasting benefits, the government will ensure ownership by being fully involved at each stage of the process from the identification of needs to implementation and monitoring progress. TA provision will be instrumental for progress to address new needs and challenges arising from the implementation of the economic reform agenda under the ECF program and climate change reforms supported by the RSF.

46. The government is committed to implementing the recommendations from the safeguards assessment completed in 2022. Strengthening the legal framework to ensure independent oversight of the BoT will be pursued. The draft amendment to the BoT Act, which will be submitted to Parliament by end-March 2025 (reset SB), aims to strengthen governance arrangements as well as personal and financial autonomy, including addressing the issue of the composition of the Board to be comprised of a clear majority of non-executive (independent) members in line with leading practices. In addition, given that IMF financing is for budget support, the existing MoU between the BoT and the Ministry of Finance on respective responsibilities for servicing financial obligations to the IMF have been revisited.

47. The government will continue a close policy dialogue with the IMF to maintain macroeconomic stability and strengthen Tanzania's balance of payments position. The government will refrain from measures or policies that would compound our balance of payments difficulties. The government does not intend to impose new, or intensify existing, restrictions on the making of payments and transfers for current international transactions, introduce new, or intensify existing, multiple currency practices, introduce new, or intensify existing, import restrictions for balance of payments purposes, or enter into bilateral payments agreements which are inconsistent with Article VIII of the Fund's Articles of Agreement.

48. While data provision is broadly adequate for surveillance and program monitoring, the government remains committed to allocate sufficient human, financial, and material resources to the production of statistics. The government will continue to support the National Bureau of Statistics (NBS) in fulfilling its missions and counts on continued technical and financial assistance from development partners. In consultation with key stakeholders including the IMF, the government is rebasing and benchmarking national accounts statistics to the base year 2019, incorporating data collected from censuses, surveys, special studies and administrative records. The government will continue to collaborate with the IMF and other stakeholders to address shortcomings and strengthen data provisioning and ensure full transparency and access to data and methods.

49. The ECF program will continue to be evaluated based on quantitative performance criteria, indicative targets, and structural benchmarks (MEFP, Tables 1 and 2) and semi-annual reviews. Definitions of key concepts and indicators, as well as reporting requirements, are set out in the accompanying Technical Memorandum of Understanding (TMU). The seventh review is scheduled to be completed on or after March 29, 2026, based on the test date for periodic performance criteria of end-December 2025. Under the RSF, monitoring will be done by means of the reform measures, which are presented in Table 3 of the MEFP.

Table 1. United Republic of Tanzania: Quantitative Performance Criteria and Indicative Targets, June 2023 – December 2025

(Tsh billions, unless otherwise indicated)

	2023											
	End-June				End-Sep. IT				End-December			
	Target	Target-adj	Actual	Status	IT	IT-adj	Actual	Status	Target	Target-adj	Actual	Status
Continuous Performance Criteria												
Ceiling on accumulation of new external payment arrears incurred by the central government or the BoT	0	0	0	Met	0	0	0	Met	0	0	0	Met
Ceiling on the PV of new external public and publicly guaranteed debt contracted by the central government or the Bank of Tanzania (millions of U.S. dollars) 1/	7,057	7,057	3,932	Met	5,053	5,053	31	Met	5,737	5,737	540	Met
Performance Criteria												
Floor on domestic primary balance 1/	-4,376	-4,634	-4,606	Met	-718	-828	-363	Met	-1,510	-1,561	-1,464	Met
Ceiling on net domestic assets (NDA) of the BoT	-98	-916	-636	Not met	-220	-206	-380	Met	-287	-392	-1,592	Met
Change in net international reserves of the Bank of Tanzania (floor, millions of U.S. dollars) 2/	-292	-292	449	Met	-192	-301	-88	Met	-92	-92	433	Met
Indicative Targets												
Floor on priority social spending 1/	12,653	12,653	10,574	Not met	3,506	3,506	3,274	Not Met	7,012	7,012	7,251	Met
Ceiling on the stock of domestic arrears 1/	1,985	1,985	2,028	Not met	1,868	1,868	1,801	Met	1,691	1,691	1,684	Met
Ceiling on the newly disbursed external non-concessional borrowing by the central government or the BoT (millions of U.S. dollars) 1/	1,631	1,631	1,498	Met	1,533	1,533	0	Met	1,631	1,631	144	Met
Memorandum Items												
Foreign assistance grants and loans (US$ mlns) 1/	3,551	3,551	2,235	...	620	620	257	...	1,169	1,169	1,511	...
VAT refunds in arrears	0	0	121	...	0	0	0	...	0	0	0	...
Expenditure arrears	1,985	1,985	1,907	...	1,868	1,868	1,801	...	1,691	1,691	1,684	...
Wage bill on education and health workers 1/	3,358	3,358	4,658	...	744	744	1,273	...	1,489	1,489	2,559	...

	2024										2025			
	End-Mar. IT				End-June									
	IT	IT-adj	Actual	Status	Target	Target-adj	Actual	Status	End-Sep. IT	End-Dec. Target	End-Mar. IT	End-Jun. Target	End-Sep. IT	End-Dec. Target
Continuous Performance Criteria														
Ceiling on accumulation of new external payment arrears incurred by the central government or the BoT	0	0	0	Met	0	0	0	Met	0	0	0	0	0	0
Ceiling on the PV of new external public and publicly guaranteed debt contracted by the central government or the Bank of Tanzania (millions of U.S. dollars) 1/	5,737	5,737	1,544	Met	6,500	6,500	1,544	Met	3,000	5,500	5,500	6,500	3,000	5,500
Performance Criteria														
Floor on domestic primary balance 1/	-1,969	-2,033	-1,881	Met	-2,537	-2,591	-2,363	Met	-695	-1,105	-1,359	-1,614	-727	-1,155
Ceiling on net domestic assets (NDA) of the BoT	-86	-82	-913	Met	566	736	-195	Met	272	337	457	657	691	659
Change in net international reserves of the Bank of Tanzania (floor, millions of U.S. dollars) 2/	-42	-42	270	Met	8	-18	390	Met	58	108	208	308	508	608
Indicative Targets														
Floor on priority social spending 1/	10,267	10,267	10,576	Met	13,023	13,023	13,147	Met	3,076	8,551	11,793	15,034	3,479	8,973
Ceiling on the stock of domestic arrears 1/	1,544	1,544	1,524	Met	1,397	1,397	1,387	Met	1,247	1,097	947	797	747	722
Ceiling on the newly disbursed external non-concessional borrowing by the central government or the BoT (millions of U.S. dollars) 1/	1,631	1,631	474	Met	1,631	1,631	874	Met	1,500	1,600	1,600	1,600	1,500	1,600
Memorandum Items														
Foreign assistance grants and loans (US$ mlns) 1/	1,647	1,647	2,133	...	2,160	2,160	2,810	...	448	1,379	1,591	2,339	332	1,069
VAT refunds in arrears	0	0	0	...	0	0	0	...	0	0	0	0	0	0
Expenditure arrears	1,544	1,544	1,524	...	1,397	1,397	1,387	...	1,247	1,097	947	797	747	722
Wage bill on education and health workers 1/	2,942	2,942	3,833	...	4,844	4,844	5,114	...	1,259	2,519	3,060	5,038	1,310	2,620

Sources: Tanzanian authorities; and IMF staff projections.

1/ The quarterly figures represent cumulative values from the start (July) till the end (June) of each fiscal year.

2/ Cumulative change from June 2022. A positive change denotes an accumulation of net international reserves.

Note: Precise definitions of the aggregates shown and details are included in the Technical Memorandum of Understanding (TMU).

Table 2. United Republic of Tanzania: Structural Benchmarks Through September 2025

Reform Targets	Macroeconomic Rationale	Target Date	Status
Existing Structural Benchmarks			
1. Prepare and begin implementing a plan to clear all expenditure arrears.	Improve fiscal management, the business environment and reduce potential for corruption	End-Dec. 2022	Met
2. Complete and publish the post-crisis audit of pandemic-related spending.	Improve fiscal management and enhancing economic governance	End-Dec. 2022	Not met; implemented with delay
3. The BoT will submit an amendment to the Banking and Financial Institutions Act (BAFIA) to the government to allow compliance with the requirements of capital adequacy as a step to the migration to Basel II/III risk-based supervision standards.	Enhance financial stability and strengthen bank oversight	End-Dec. 2022	Met
4. Submit the FY2023/24 Preliminary Budget draft to the Parliament with the statistical reclassification of Transfers to HESLB and the fee-free basic education program.	Improve fiscal management and official statistics, and enhance economic governance and transparency	End-Feb. 2023	Not met; implemented with delay
5. Publish the operational guidelines of the interest rate-based monetary policy framework, including documentation and regulations on the use of standing facilities.	Enhance financial stability and transparency	End-Jun. 2023	Met
6. Appoint additional 15,000 teachers for primary education to improve quality of education and reduce the student/teacher ratio, particularly in rural areas. And hire 10,000 additional health workers to address gaps.	Build human capital	End-Jun. 2023	Met
7. Reconcile national accounts (NA) and BOP external sector data and publish revised NA historical data.	Improve GDP quality and transparency	End-Jun. 2023	Met
8. The government will include a proposal in the FY2023/24 budget for indirect tax policy measures for 0.3 percent of GDP and submit to Parliament.	Enhance revenue performance	End-Jun. 2023	Met
9. The Revenue Authority will interface its information technology system with that of prioritized government institutions.	Enhance revenue performance	End-Dec. 2023	Met
10. The BoT will formalize and publish its forex intervention policy stating the objectives, the triggers, the mechanism and modality of the intervention.	Strengthen the transparency of forex interventions	End-Dec. 2023	Met
11. The government, in consultation with the IMF, will establish an AML/CFT risk-based supervisory approach that: assigns a supervisor for each sector (financial institutions and designated non-financial businesses and professions), details a template sectoral money-laundering terrorist financing risk assessment methodology, establishes a template onsite and offsite supervisory manual, and a supervisory plan for the highest risk sectors.	Strengthen financial stability	End-Dec. 2023	Not met; implemented with delay
12. Submit to Parliament draft amendment to the VAT Act, requiring that legitimate VAT refunds are paid by the end of the month following the month in which the VAT refund was filed.	Enhance revenue administration efficiency	End-Jun. 2024	Met[1]
13. Prepare a medium-term revenue strategy (MTRS) with an implementation plan and submit to Cabinet for approval.	Enhance revenue performance	End-Jun. 2024	Not met
14. Begin preparation and publication of annual report on tax expenditures and their budget implications.	Strengthen fiscal transparency	End-Jun. 2024	Not met; implemented with delay
15. Review and publish a revised “Interbank Foreign Exchange Market (IFEM) Code of Conduct”, adopting international best practices following the “FX Global Code” and in consultation with IMF staff.	Support forex market development	End-Jan. 2024	Met
16. Revise and publish the schedule for the monetary policy committee meetings, noting in the schedule the announcement dates for any monetary policy decisions taken by the MPC.	Enhance the monetary policy framework	End-Jun. 2024	Met

Table 2. United Republic of Tanzania: Structural Benchmarks Through September 2025 (concluded)

Reform Targets	Macroeconomic Rationale	Target Date	Status
17. Prepare draft amendments to the BoT Act in consultation with IMF staff to strengthen governance arrangements as well as personal and financial autonomy, including addressing the issue of the composition of the Board to be comprised of a clear majority of non-executive (independent) members in line with leading practices, and submit to Parliament.	Strengthen governance of the BoT	End-Jun. 2024	Not met
18. Enhance the risk-based supervision (RBS) framework by creating a single RBS rating system.	Enhance financial stability	End-Dec. 2024	Ongoing
19. Draft a secured transactions Act that allows collateral recovery and broadens the pool of acceptable collateral to movable collateral and submit to Parliament.	Foster financial deepening and promote financial inclusion	End-Sep. 2024	Not met
20. Submit to Parliament a draft amendment to the Planning Commission Act 2023 that explicitly requires appraisal of public investment projects, including climate change impact assessments, before they are included in the budget.	Strengthen public investment management	End-Jun. 2025	Ongoing
21. Submit to Parliament revenue measures with net positive revenue yield of 0.5 percent of GDP a year.	Enhance revenue performance	End-Jun. 2024	Met
22. Repeal income tax exemptions provided to export processing zones and special economic zones.	Enhance revenue performance	End-Jun. 2025	Ongoing
23. Prepare and publish a timetable for implementation of key de-regulations envisaged in the Blueprint for Regulatory Reforms along with a clear delineation of responsibilities among government entities.	Streamline business regulations	End-Dec. 2024	Ongoing
Proposed Structural Benchmarks			
24. Prepare a medium-term revenue strategy (MTRS) with an implementation plan and submit to Cabinet for approval.	Enhance revenue performance	End- March 2025	Reset
25. Draft a secured transactions Act that allows collateral recovery and broadens the pool of acceptable collateral to movable collateral and submit to Parliament.	Foster financial deepening and promote financial inclusion	End- March 2025	Reset
26. Prepare draft amendments to the BoT Act in consultation with IMF staff to strengthen governance arrangements as well as personal and financial autonomy, including addressing the issue of the composition of the Board to be comprised of a clear majority of non-executive (independent) members in line with leading practices, and submit to Parliament.	Strengthen governance of the BoT	End- March 2025	Reset
27. Tanzania Revenue Authority to complete automation of the VAT refund process.	Enhance revenue administration efficiency	End-Jun. 2025	New
28. Submit to Parliament tax policy measures, including streamlining and simplifying tax exemptions, with a revenue yield of at least 0.5 percent of GDP in FY2025/26 and 1 percent of GDP a year starting in FY2026/27.	Enhance revenue performance	End-Jun. 2025	New
29. Issue a revised collateral framework for the standing facilities to facilitate banks' access the standing facilities while protecting the BoT from credit risk, in consultation with IMF staff.	Enhance the monetary policy framework	End-Jun. 2025	New
30. Prepare and publish an Emergency Liquidity Assistance (ELA) framework including frameworks for ELA collateral and governance and prepare guidelines, in line with FSAP recommendations.	Strengthen financial stability	End-Sep. 2025	New

[1]Act submitted to Parliament as per the end-June 2024 SB but was not approved by Parliament.

Table 3. United Republic of Tanzania: Proposed RSF Reform Measures, 2024–26

Key Challenge	Reform Measure	Tentative Date	Diagnostic Reference	RM Expected Outcome	IMF CD Input	Development Partner Role
National coordination and management of climate change is incomplete and not able to ensure cross sector coordination; no common national view on climate change; and limited appreciation of long-term nature of climate challenge.	**RM1.** Amend the Environmental Management Act to clearly define the institutional framework for climate change related policies.	30-Nov-24	IMF CPD	The Environmental Management Act amended to establish the institutional framework and grant the VPO a legal mandate for coordinating and monitoring the government's climate policy formulation and implementation.		The World Bank under the fortcoming CAT DDO is supporting the revision of EMA to anchor a carbon trading mechanism. SIDA (Sweden) is supporting the authorities' efforts in the implementation and assessment of the Environmental Management Act.
	RM2. Prepare and publish common climate scenarios and vulnerability maps; and include in the legal framework for land use planning and civil construction design a requirement to take the so identified climate vulnerabilities into account in land use planning and civil construction design.	31-Mar-25	IMF CPD	Common climate scenarios and vulnerability maps published and disseminated; Circular issued requiring use of the scenarios and maps in project appraisal, land use planning, and construction design issued.		The GCA would apply its experience in developing hazard risk maps to support the Tanzanian authorities in developing risk maps for floods, land-slides and droughts. The World Bank, in the context of the CAT DDO engaged in vulnerability risk assessments for Zanzibar and Dar Es Salaam and could assist the authorities in exapnding this work to vulnerable parts of Tanzania's territory.
Effective implementation of disaster risk management policy faces challenges of inadequate funding and gaps in social protection and early warning system.	**RM3.** Develop and implement a Disaster Risk Financing (DRF) framework, taking into account the efficient use of risk retention and transfer, and ex-ante and ex-post DRF, based on a DRF needs assessment including for social protection.	31-Mar-25	IMF CPD and C-PIMA	Issuance of DRF legal and policy framework, taking into account the efficient use of risk retention and transfer, and ex-ante and ex-post DRF; and/or adequate provision in budget.	IMF TA in collaboration with the World Bank	The World Bank is working to arrange for a CAT DDO, which would support DRF. In addition, reforms under the CAT DDO will aim to strengthen the financing arrangements of the Disaster Risk Fund, a key component of DRF.
	RM4. Expand the Productive Social Safety Net (PSSN) register to include households who could fall under the extreme poverty line if climate and disaster risks materialize.	30-Sep-25	IMF CPD	The Productive Social Safety Net (PSSN) register expanded to include at least 5 percent of households who could fall under the extreme poverty line when climate and disaster risks materialize.		The World Bank and WFP are cooperating to support the authorities with the design, implementation, and financing of the PSSN program. Expansion of the coverage of the register and shock responsive benefit design are envisaged for the next phase of the PSSN program and will be supported by the Bank and the WFP.
Budget formulation and public investment planning do not adequately take into account climate change considerations; and climate related fiscal risks not assessed.	**RM5**. Ammend the Environmental Impact Assessment regulation to require climate impact and climate vulnerability assessments for large projects and all climate relevant projects at all stages of project appraisal.	30-Nov-24	IMF C-PIMA	The Environmental Impact Assessment regulation ammended requiring climate impact and climate vulnerability assessments for large projects and all climate relevant projects at all stages of project appraisal.	IMF TA	
	RM6. Include the outcome of climate assessments of all climate-relevant projects in the Budget document submitted to Parliament, starting in the FY2025/26 budget.	31-May-25	IMF C-PIMA	Proposed budget for FY2025/26 includes climate assessment outcomes of all climate-relevant projects.	IMF TA	
	RM7. Starting in the FY2025/26 Budget, include assessment of natural disaster related fiscal risks in the budget document.	31-May-25	IMF C-PIMA	The FY2025/26 draft Budget includes assessment of natural disaster related fiscal risks.	IMF TA	

Table 3. United Republic of Tanzania: Proposed RSF Reform Measures, 2024–26 (concluded)

Key Challenge	Reform Measure	Tentative Date	Diagnostic Reference	RM Expected Outcome	IMF CD Input	Development Partner Role
Energy, water, forestry, and land use policies are not fully aligned with Tanzania's NDC decarbonization commitments; limited synergy among sectoral plans.	**RM8**. Present and implement a long-term power sector plan that is aligned with climate mitigation goals and coordinated with the long-term plans of other sectors, including water and agriculture.	30-Sep-25	IMF CPD	Power sector plan consistent with energy transition goals and other sectoral plan prepared and started to be implements.		The World Bank has a long-standing engagement, supporting energy sector related policy discussions and activities in Tanzania, including for power sector transition.
	RM9. To support energy transition plans: (i) determine the cost-recovery rate for the provision of electricity (fully reflecting operational and investment cost of the energy transition); and (ii) establish and implement a methodology for adjusting electricity tariffs to the identified cost-recovery rates, with transparent periodic adjustments while protecting poor and vulnerable groups.	31-Mar-26	AFR team assessment in consultation with the WB	Cost-recovery electricity tariff rates determined; methodology for adjusting electricity tariffs to the identified cost-recovery rates, with transparent periodic adjustments, while protecting poor and vulnerable groups established and published online; and implementation of the new tariff adjustment begins.		The World Bank has undertaken some economic and financial assessments of the energy sector and engaged with the authorities on supporting a cost-of-service assessment for the national power company. Other development partners including AFD, EU, JICA, and USAID are also providing assistance in this area.
	RM10. Apply an environmental tax on domestic consumption of sources of carbon emissions (including coal and natural gas) tailored to Tanzania's circumstances and in line with IMF technical assistance and consistent with Tanzania's commitment under the NDC.	30-Sep-25	IMF CPD	Environmental tax on domestic consumption of sources of carbon emissions (including coal and natural gas) formulated and applied in line with IMF technical assistance and consistent with Tanzania's commitment under the NDC.	IMF TA	
	RM11. Identify and integrate climate policy-related key performance indicators (KPIs) in the existing conditional tariff structure and business plans of the water utilities.	31-Mar-26	IMF CPD	Key climate policy related KPIs identified and integrated to the conditional water tariff setting.	IMF TA	GIZ (Germany) supports water sector reforms and climate-sensitive water resources management to improve drinking water supply and sanitation.
	RM12.The National Land Use Planning Commission finalizes and adopts the Guidelines for Integrated and Participatory Village Land Use Planning, Management and Administration in Tanzania - 3rd Edition and issues a Government Notice to formally require its implementation in all villages across the country.	31-Mar-26	IMF CPD and the authorities' inputs	The Guidelines for Integrated and Participatory Village Land Use Planning, Management and Administration in Tanzania - 3rd Edition finalized and a Government Notice issued to formally require its implementation in all villages across the country.		
Monitoring of financial sector climate-related risk is limited.	**RM13.** Create a repository of climate-related data to support assessment of climate-related risks by supervised financial institutions and BoT.	30-Sep-25	AFR team assessment in consultation with the WB	A repository of climate-related database created to support assessment of climate-related risks by supervised financial institutions and BoT.		The World Bank to provide TA to the BoT.
	RM14. The BoT will publish, on an annual basis, its analysis of climate risks in the financial system, including an assessment of the key transmission channels, starting in CY2025.	31-Mar-26	AFR team assessment in consultation with the WB	BoT publishes annual report for CY2025, including a qualitative analysis focusing on key transmission channels of climate risks in the financial system.	IMF TA	

Attachment II. Technical Memorandum of Understanding

Dar Es Salaam, November 29, 2024

1. This Technical Memorandum of Understanding (TMU) describes concepts and defines the quantitative performance criteria and indicative targets described in the Memorandum of Economic and Financial Policies (MEFP) for the financial program supported by an arrangement under the IMF's Extended Credit Facility (ECF) over the period of July 2022 – March 2026.

A. Definitions

2. The principal data sources are the standardized reporting forms, 1SR, 2SR, NDF table provided by the Bank of Tanzania (BoT) to the IMF, the government provisional budget execution tables provided by the Ministry of Finance (MoF), the government debt tables provided by the Accountant General's office, and the data on the national accounts, inflation and high frequency indicators provided by the National Bureau of Statistics (NBS).

Text Table 1. United Republic of Tanzania: Program Exchange Rate and Prices
(end-June 2022)

Currency	US$ per currency unit
British pound	1.2235
Euro	1.0568
Japanese yen	0.0073
Australian dollar	0.6999
Canadian dollar	0.7752
Chinese yuan	0.1507
SDR	1.3474
Swedish Krona	0.0969
Kenyan Shilling	0.0085
South African Rand	0.0609
Gold price	1822.85

3. The stock of all foreign assets and liabilities will be converted into the U.S. dollars at each test date using the cross-exchange rate referred to in the Text Table 1 for the various currencies, and then converted into Tanzanian Shillings (TSh) using the program U.S. dollar-Tanzanian Shillings exchange rate for end-June 2022, unless otherwise indicated in the text.

4. For purposes of this TMU, "external" and "domestic" shall be defined on a residency basis.

5. Performance criteria included in the program, as defined below, refer to the new external payments arrears, new external debt contracted by the central government or the BoT, domestic primary balance, net domestic assets (NDA) and net international reserves. Performance criteria are set for end-December 2025, while indicative targets are set for end-September and end-December 2025.

6. In addition to the specific PCs listed in paragraph 5, as for any Fund arrangement, continuous PCs also include the non-introduction of exchange restrictions and multiple currency practices. Specifically, such continuous performance criteria cover: (i) the non-imposition or intensification of restrictions on the making of payments and transfers for current international transactions; (ii) the non-introduction or modification of multiple currency practices; (iii) the non-conclusion of bilateral payments agreements that are inconsistent with Article VIII; and (iv) the non-imposition or intensification of import restrictions for balance of payments reasons. These continuous PCs, given their non-quantitative nature, are not listed in the PC table annexed to the MEFP.

B. Provision of Data to the Fund

7. The following information will be provided to the IMF staff for the purpose of monitoring the program (see Table 1 for details):

- Data with respect to all variables subject to quantitative periodic performance criteria and indicative targets will be provided to Fund staff monthly or quarterly with a lag of no more than the period specified in Table 1. The authorities will promptly transmit any data revisions to the Fund. As set out below, for continuous performance criteria, the authorities will provide the relevant data to IMF staff immediately.

- For variables assessing performance against program objectives but which are not specifically defined in this memorandum, the authorities will consult with Fund staff as needed on the appropriate way of measuring and reporting.

Quantitative Performance Criteria

C. External Debt

Ceiling on Accumulation of New External Payment Arrears Incurred by the Central Government or the Bank of Tanzania

8. The ceiling on the accumulation of new external payments arrears is zero. This limit, which is to be observed on a continuous basis, applies to the change in the stock of overdue payments on debt contracted by the central government or the BoT from their level at end-June 2022. External payment arrears consist of the total amount of external debt service obligations (interest and principal) of the central government and the BoT that have not been paid at the time they are due, excluding arrears on external debt service obligations pending the conclusion of debt-rescheduling arrangements and arrears previously accumulated and reported to the Executive Board. For the purposes of this continuous PC, which is monitored continuously, the government will immediately report to the IMF staff any new external payment arrears it accumulates.

Ceiling on the Present Value of New External Public and Publicly Guaranteed Debt Contracted by the Central Government or the Bank of Tanzania

Definition, Coverage

9. For program purposes, the definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688- (14/107), effective June 30, 2015. A debt is considered contracted when all conditions for its entrance into effect have been met, including approval by the government. Contracting of credit lines with no predetermined disbursement schedules or with multiple disbursements will be also considered as contracting of debt.

10. External debt is any debt contracted by the central government or the BoT on both concessional and non-concessional terms with non-residents. For purposes of the program target, the measure of external debt will exclude IMF disbursements.

Concessionality

11. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97).

12. For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD Secured Overnight Financing Rate (SOFR) is 2.7 percent and will remain fixed for the duration of the program. The spread of six-month Euro EURIBOR over six-month USD SOFR is -140 basis points. The spread of six-month JPY LIBOR over six- month USD SOFR is -270 basis points. The spread of six-month GBP Sterling Overnight Interbank Average Rate (SONIR) over six-month USD SOFR is -60 basis point. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD SOFR is 15 basis points.[1] Where the variable rate is linked to a benchmark interest rate other than the six-month USD SOFR, a spread reflecting the difference between the benchmark rate and the six- month USD SOFR (rounded to the nearest 50 bps) will be added.

13. A ceiling applies to the present value of external debt, newly contracted by the central government or the BoT. The ceiling applies to debt contracted for which value has not yet been received. The quantitative target does not apply to normal import-related commercial debt having a maturity of less than one year, and rescheduling agreements. For the purposes of this continuous PC, which is monitored continuously, the government will immediately report to the IMF staff any new external loans it contracts, stating the conditions of these loans.

[1] The program reference rate and spreads are based on the average projected rate for the six-month USD SOFR over the following 5 years from the July 2022 World Economic Outlook (WEO) Update.

D. Fiscal Aggregates

Floor on Domestic Primary Balance

14. A floor on domestic primary balance will apply. The domestic primary balance is defined as the overall fiscal balance of the government (central and local governments) excluding foreign assistance grants and net interest payments on public debt.

15. The fiscal balance is the fiscal deficit of the government measured on a cash basis from the financing side and defined as the sum of: (i) net domestic financing (NDF) of the government; (ii) net external financing; and (iii) privatization receipts. Any amounts in foreign currency will be converted into TSh at the exchange rates prevalent on the dates of the transactions.

i. NDF is calculated as the cumulative change from the beginning of each Fiscal Year, in the sum of:

   a. Loans and advances to the government by the BoT and holdings of government securities and promissory notes (including liquidity paper issued for monetary policy purposes), minus all government deposits with the BoT, which comprise government deposits as reported in the BoT balance sheet, 1SR (including counterpart deposits in the BoT of liquidity paper issued for monetary policy purposes) and foreign currency-denominated government deposits at the BoT (including the PRBS accounts and the foreign currency deposit account).

   b. All BoT accounts receivable due from the government of Tanzania that are not included under item (a) above.

   c. Loans and advances to the government by other domestic depository corporations and holdings of government securities and promissory notes, minus all government deposits held with other domestic depository corporations.

   d. Loans and advances to the government, and holdings of government securities and promissory notes by other public entities (e.g., pension funds) not covered by the central government accounts.

   e. The outstanding stock of domestic debt held outside domestic depository corporations and other public entities excluding government debt issued for the recapitalization of the NMB and TIB; debt swaps with COBELMO (Russia) and the government of Bulgaria; mortgage on acquired sisal estates; compensation claims; and debt of parastatal companies assumed by the government.

ii. Net external financing is measured on a cumulative basis from the beginning of each Fiscal Year and is defined as the sum of disbursements minus amortization of budget support loans, project loans, external non-concessional borrowing (ENCB) including project ENCB directly disbursed to project implementers, and any other forms of Government external debt. The term “debt” will have the meaning set forth in paragraph 9 above. Government external debt is understood to mean a direct, i.e., not contingent, liability to non-residents of the government of Tanzania.

iii. Privatization receipts consist of net proceeds to the government of Tanzania in connection with the sale/purchase of financial assets that are not included in NDF and the sale of intangible nonfinancial assets, such as leases and the sale of licenses with duration of 10 years or longer.

E. Monetary Aggregates

Ceiling on Net Domestic Assets (NDA) of the Bank of Tanzania

16. The target ceiling on NDA of the BoT is evaluated using the end of period stock. The NDA of the BoT are defined as the difference between reserve money and the NFA of the BoT valued in TZS using the program exchange rates as described in text Table 1. The calculation includes net credit to the government, claims on other sectors, claims on banks, other liabilities to banks, deposits and securities other than shares excluded from the monetary base, shares and other equity, and other items (net). As an illustration, at end-April 2022, using the Tanzanian shillings per US dollar exchange rate of 2,299 as of April 30, 2022, NDA of the BoT was TZSh -2,658 billion, calculated as shown in Text Table 2.

Text Table 2. United Republic of Tanzania: Calculating NDA of the BoT
(End-April 2022)

Net Foreign Assets	
USD millions	4,934
TZSh billions (A)	11,343
Reserve Money	
TZSh billions (B)	8,684
Net Domestic Assets	
TZSh billions = (B) - (A)	-2,658

F. International Reserves

Change in Net International Reserves of the BoT

17. Net international reserves (NIR) of the BoT are defined as reserve assets of the BoT minus short-term foreign currency liabilities of the BoT.[2] The change in NIR is calculated as the cumulative change since June 30, 2022. The BoT's reserve assets, as defined in the IMF BOP Manual (6th edition) and elaborated in the reserve template of the IMF's Special Data Dissemination Standards (SDDS), include: (i) monetary gold; (ii) holdings of SDRs; (iii) the reserve position at the IMF; (iv) all holdings of foreign exchange; and (v) other liquid and marketable assets readily available to the monetary authorities. Reserve assets exclude assets pledged or otherwise encumbered, including but not limited to assets used as collateral or as guarantee for a third-party external liability (assets not readily available). The BoT's short-term foreign currency liabilities include: (i) all foreign exchange liabilities to nonresidents and residents, including the government's foreign currency deposits, with residual maturities of less than one year; and (ii) outstanding purchases and loans from the IMF, as

[2] The definition of short-term foreign currency liabilities of the BoT has been modified to include short-term forex liabilities to residents in line with best practices. The definition of reserve assets has also been modified to remove 'exclusion of assets acquired through short-term currency swaps' as these are already excluded from the NIR on the liability side.

recorded in the financial position of Tanzania with the IMF by the Finance Department of the Fund, which is on the balance sheet of the BoT.

18. NIR are monitored in U.S. dollars, and for program monitoring purposes, assets and liabilities in currencies other than U.S. dollars will be converted into dollar equivalent values using the program exchange rates as of as displayed in the text Table 1. Monetary gold will be valued in USD at the exchange rates and gold prices that prevailed as of end_June 2022 (see Table 1).

Indicative Targets

G. Floor on Priority Social Spending

19. A floor on priority social spending will be set. Priority social spending is defined as central government spending (recurrent and development) for education, health, water, social safety nets (including cash transfers through Tanzania's Social Action Fund -TASAF), rural electrification, agricultural inputs, as well as for upgrading and maintenance of rural roads, including transfers to local governments for health, education, and rural water supply. The indicative target for the floor on priority social spending by the central government will be calculated cumulatively from the beginning of the fiscal year.

H. Ceiling on the Stock of Domestic Arrears

20. Domestic arrears are defined as the sum of expenditure arrears and VAT refunds in arrears. A ceiling applies to the stock of domestic arrears by the government measured cumulatively from the beginning of the fiscal year in July. An unpaid bill is defined as any verified outstanding payment for more than 30 days owed by any entity that forms part of the central government votes for the following: utilities, rent, employee costs, other recurrent, court awards, compensation, contributions to international organizations, development, taxes, and other deductions. For construction work an unpaid bill is defined as any verified outstanding payment for more than 90 days owed by any entity that forms part of the central government. Expenditure arrears are the total stock of unpaid bills at the end of each quarter as verified by Chief Internal Auditors. The ceiling on the stock of domestic arrears also includes unpaid VAT refunds which include: (i) VAT refund claims for which adequate information has been submitted by the taxpayer but not processed by the authorities within 90 days from the time the taxpayer submitted the refund claim; and (ii) VAT refund claims that have been processed but not paid by the authorities within 90 days from the time the taxpayer submitted the refund claim. Refund claims for which complete information has not been submitted by taxpayers are not considered as outstanding unpaid VAT refund claims.

I. Ceiling on the New External Non-Concessional Borrowing Disbursed by the Central Government or the Bank of Tanzania

21. For program purposes, the definition of debt is set out in paragraph 9 above. The coverage of new external non-concessional borrowing in this indicative target comprises the central government and the central bank. The ceiling is inserted on disbursed rather than contracted new external non concessional borrowing.

22. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. IMF disbursements are also excluded from the indicative target.

23. A ceiling applies to new external non-concessional borrowing disbursed by the central government or the Bank of Tanzania. The indicative target will be assessed on a cumulative basis for each test date with disbursements based on the schedule announced in the authorities' borrowing plan for debt disbursements. Any change in the disbursement schedule should be immediately reported to the IMF staff, stating the conditions of the changes in the disbursement schedule.

Memorandum Items

24. Foreign assistance grants and loans are defined as the sum of external budget support (including IMF financing); program, project and basket grants; and concessional loans received by MoF through BoT accounts and accounts at other depository corporations. This memorandum item is calculated as the cumulative sum of the receipts from program loans and program grants since the beginning of the fiscal year.

25. VAT refunds in arrears and expenditure arrears are defined in paragraph 20 above. They will be monitored separately as two different memorandum items to indicate transparently their respective clearance scheduling plans.

26. The wage bill on education and health workers will be defined as the sum of budget spending on wages and salaries of public sector employees in education and health sectors—according to economic budgetary classification, including but not limited to employer pension contributions and other social security contributions, and other remunerations (such as bonus payments).

Use of Adjusters

27. The performance criterion on the present value of newly contracted external public and publicly guaranteed debt will be adjusted in line with deviations from amounts projected. A downward adjustor is applied to cover World Bank lending projects that feature in the authorities' borrowing plan and are expected to be contracted within the program period. The size of this adjustor is limited to the value of the identified projects and should be revisited at each program review to incorporate updated information. Schedule A presents the current PV of World Bank lending projects.

Text Table 3. United Republic of Tanzania:
Schedule A. PV of Lending Projects with the World Bank[1]
(US$ million)

	2022/23				2023/24				2024/25				2025/26	
	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
World Bank lending projects	494	560	629	689	40	274	588	769	55	55	327	554	169	341

[1] Cumulative flows from July 1st of the corresponding Fiscal Year.

28. The performance criterion on the change in net international reserves will be adjusted downward by the amount (in U.S. dollars) of any shortfalls, up to a limit of US$500 million, in: (a) foreign program assistance, defined as the sum of budget support grants and loans; and (b) external non-concessional borrowing (ENCB) financing of the government budget, excluding non-concessional foreign program assistance, if any, included in (a), calculated relative to the projections shown in Schedule B below.

Text Table 4. United Republic of Tanzania:
Schedule B. Support and External Non-Concessional Borrowing for the Budget[1]
(US$ million)

	2022/23				2023/24				2024/25				2025/26	
	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Budget support grants	0	0	0	0	10	28	104	106	9	23	44	86	9	22
Budget support loans	0	350	350	350	0	500	500	607	171	434	440	440	0	13
External non-concessional borrowing	1,252	1,331	1,331	1,331	103	186	348	699	7	544	899	990	6	527

[1] Cumulative flows from July 1st of the corresponding Fiscal Year.

29. The performance criterion on the domestic primary fiscal balance will be adjusted in line with deviations, downward (upward) by any excess (shortfall) in the amount of government domestic arrears settled, compared to those displayed in the Schedule C below which are based on the Indicative Target on the decline of the stock of domestic arrears presented in Table 1 of the MEFP.

Text Table 5. United Republic of Tanzania:
Schedule C. Payment of Domestic Arrears[1]
(TSh$ billion)

	2022/23				2023/24				2024/25				2024/25	
	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Payment of domestic arrears	238	692	692	1,109	118	294	441	588	150	300	450	600	50	75

[1] Cumulative flows from July 1st of the corresponding Fiscal Year

30. The ceiling on NDA of the Bank of Tanzania will be adjusted upward (downward) by the cumulative deviation of actual from projected budget support (official external program support, shown above in Schedule B). This adjustment will be capped at the equivalent of US$500 million, evaluated at program exchange rates as described in text Table 1.

RSF Reform Measures

31. Preparation of climate scenarios and vulnerability maps (RM2). The common climate scenarios will be developed for 2030, 2050, and 2080. The hazard maps will be based on the climate scenarios and will cover flood, landslide, and drought risks.

32. Expanding Productive Social Safety Net (PSSN) register (RM4). The coverage of the PSSN register will be expanded by adding at least another 5 percent of the population. The expansion will be targeting the population under the poverty line, prioritizing registration based on vulnerability to natural disaster risks.

33. Large projects and climate relevant projects (RM 5 and 6). 'Large projects' refer to projects with total project cost of US$50 million or above and 'climate-relevant projects' refer to all investment projects and policies related to energy, transport, water, agriculture, forestry, and land-use planning/management.

34. Banking sector coverage and definition of loans in the climate data repository (RM 13). RM13 will include data from banks representing 50 percent of banking system assets. For the purpose of RM13 loans data is for loans at origination.

Table 1. United Republic of Tanzania: Summary of Reporting Requirements

Information	Reporting Institution	Frequency	Submission Lag
Consumer price index	NBS	Monthly	2 weeks
The annual national account statistics in current and constant prices	NBS	Annually	3 months
The quarterly national account statistics in constant prices	NBS	Quarterly	3 months
Daily data on reserve money and its components	BoT	Weekly	3 days
Daily retail foreign exchange rate and volumes transacted in banks and in bureau de changes	BoT	Weekly	3 days
Balance sheet of the BoT (1SRF) and the currency composition of official foreign assets and official foreign liabilities	BoT	Monthly	2 weeks
Consolidated accounts of other depository corporations and the depository corporations survey (2SRF and the DCS)	BoT	Monthly	4 weeks
Information on foreign exchange cashflow, with detailed inflows and outflows (cashflow table)	BoT	Monthly	4 weeks
BoT's foreign exchange liabilities to residents and non-residents due in the next 12 months	BoT	Monthly	4 weeks
Foreign exchange swaps: outstanding balance and new contracts with amounts, contract date, maturity dates	BoT	Monthly	4 weeks
Information on gross reserves assets and liabilities (NIR table)	BoT	Monthly	4 weeks
Summary of stock and projections of external debt, external payment arrears, and committed undisbursed loan balances by creditor	MoF	Quarterly	4 weeks
Yields on government securities	BoT	Monthly	1 week
Daily data on transactions through IFEM by exchange rate and volume, separating BoT and commercial bank transactions	BoT	Monthly	1 week
External trade	BoT	Monthly	4 weeks
Balance of payments	BoT	Quarterly	1 quarter

Table 1. United Republic of Tanzania: Summary of Reporting Requirements (continued)

Information	Reporting Institution	Frequency	Submission Lag
Standard off-site bank supervision indicators for other depository corporations, including sectoral breakdown of credit and NPLs	BoT	Quarterly	4 weeks
Financial Soundness Indicators for other depository corporations	BoT	Quarterly	4 weeks
Commercial banks interest rate structure	BoT	Monthly	4 weeks
The flash report on revenues and expenditures	MoF/ACGEN	Monthly	4 weeks
The TRA monthly revenue report	TRA	Monthly	4 weeks
Report on priority social spending with the breakdown by each spending category, with quarterly budget allocation and execution	MoF	Monthly	4 weeks
Monthly report on central government operations	MoF	Monthly	6 weeks
The monthly domestic debt report[1]	MoF	Monthly	4 weeks
Data on external and domestic debt by creditor; amortizations, and interest payments	MoF	Monthly	6 weeks
Detailed central government account of disbursed budget support grants and loans, and ENCB, and external debt service due and paid	MoF	Monthly	4 weeks
Statement on new external loans contracted and guarantees provided by the entities listed in paragraph 2 of the TMU during the period including terms and conditions according to loan agreements as well as quarterly borrowing plans during the program years	MoF	Monthly	4 weeks
Report on loans and advances to government by pension funds and other public entities not covered by the central government accounts	MoF	Monthly	4 weeks
Number of public sector teachers and health workers employed	MoF	Monthly	4 weeks
Quarterly expenditure arrears verified by the Chief Internal Auditors	MoF	Quarterly	6 weeks
Quarterly verified unpaid VAT refunds	TRA	Quarterly	4 weeks
Monthly tourist arrivals	NBS	Monthly	4weeks

[1] The MoF and BoT will reconcile data on BoT claims on the government, to ensure that such claims recorded in the BoT balance sheet are the same as those reported by the Accountant General of the MoF.

Table 1. United Republic of Tanzania: Summary of Reporting Requirements (concluded)

Information	Reporting Institution	Frequency	Submission Lag
Cement production and consumption (imports, exports, and production)	NBS	Quarterly	4 weeks
Monthly construction inputs from index of construction material sourced from the national construction council (sand, clay and chalk, gravel and stone, lime, paints, putty and varnish etc., plastic kitchen and sanitary ware products, timber and wood products, cut stone and the like, glass, iron and steel sheets, bars, tanks and other products, other metal pipes, tubes, wire, sheets, etc., padlocks, metal mountings, soldering and welding wire, electrical wiring and fittings)	NBS	Monthly	4 weeks
Monthly electricity generation and consumption by sources of production/imports	NBS	Quarterly	4 weeks
Quarterly crop production of maize, cashew nuts, coffee, rice, wheat, cotton)	NBS	Quarterly	4 weeks
Monthly mobile phone airtime use in minutes	NBS	Monthly	4 weeks
Monthly gas consumption (volumes and values) for industry, tourism, and prisons	NBS	Monthly	4 weeks

Statement by Adriano Ubisse Executive Director for the United Republic of Tanzania, and Dickson Lema, Advisor to Executive Director
December 13, 2024

Introduction

1. Our Tanzanian authorities appreciate the constructive engagement with the Fund and broadly share the thrust of staff's appraisal and policy priorities.

2. Tanzania's economic growth remained strong amid global economic shocks and domestic factors, with inflation contained within the target. The authorities have demonstrated a strong commitment to implementing bold macroeconomic policies and structural reforms aligned with the objectives of the Third Five-Year Development Plan (FYDP III) 2021/22-2025/26, supported by the ECF and RSF arrangements. Currently, efforts are directed towards strengthening fiscal consolidation and safeguarding macroeconomic stability. Additionally, the authorities are pushing forward broad-based structural reforms to unlock the economy's growth potential, reduce poverty, and support the smooth attainment of Sustainable Development Goals. Recognizing the significant socioeconomic impacts of climate change, the authorities are also working with development partners to build the economy's resilience against climate-related shocks.

Program Performance

3. The authorities have demonstrated strong program performance under the ECF arrangement, meeting all continuous performance criteria, quantitative performance criteria (QPCs), and indicative targets (ITs) for end-June 2024. Meanwhile, three out of six structural benchmarks (SBs) were completed on time, and the authorities are actively working to complete the remaining SBs within FY2024/25. The end-December 2023 SB on establishing an AML/CFT risk-based supervisory approach and the end-June 2024 SB on the preparation and publication of annual report on tax expenditures were completed with delay. The end-September 2024 ITs were met, while the SB on drafting and submitting to Parliament a secured transactions Act was not met. The authorities request a reset of the missed SBs to end-March 2025 to allow time to engage key stakeholders.

4. The authorities attach high priority to implementing RSF reform measures (RMs), with technical support from the IMF, World Bank, and other development partners. Significant progress has been made, with one of the two climate reform measures due by end-November 2024 already completed. Authorities are also fast-tracking the implementation of other reform measures, including the amendment of the Environmental Management Act (RM1), which was revised and submitted to Parliament for the first reading in November 2024, and is expected to be completed by end-March 2025.

Considering the strong program performance and corrective measures being undertaken to address the remaining reforms, the authorities seek Executive Directors' support in completing the fourth review under the ECF arrangement and the first review under the RSF.

Economic Developments and Outlook

5. Tanzania's economy has demonstrated resilience amid multiple shocks, with real GDP growth picking up to 5.4 percent in the first half of 2024, from 5.1 percent in 2023. For the entire year of 2024, GDP growth is projected to remain at 5.4 percent, with expectations of a rebound to around 6 percent in 2025 and 6.5 percent in the medium term. This growth momentum is driven by activities in the agriculture, construction, manufacturing, and financial services sectors, alongside growth-friendly fiscal policies, structural reforms, flexible exchange rates, and prudent monetary policy. However, risks are tilted to the downside, including geopolitical conflicts, commodity price volatility, a global economic slowdown, and climate change shocks. The authorities are focused on advancing structural reforms to diversify the economy, ensure financial stability, improve the business environment, and enhance public financial management to unlock growth potential.

6. Over the past seven years, Tanzania's inflation has remained low and stable within the central bank's medium-term target of 5 percent. In FY2023/24, the inflation rate averaged3.1 percent, stabilizing at 3.0 percent in October 2024, down from 4.6 percent in FY2022/23. It is expected to stay within the target in 2024/25, supported by adequate food supply, prudent fiscal and monetary policies, stable electricity generation, and increased efficiency in transport services. However, upside risks persist, mainly due to geopolitical conflicts, exchange rate volatility, and climate-related shocks.

7. The current account (CA) deficit narrowed significantly to 3.1 percent of GDP in FY2023/24 from 6.5 percent in FY2022/23, owing to increased tourism and transport receipts, higher exports of gold and traditional products, relatively lower oil prices, and a decline in consumer goods imports. The CA deficit is expected to continue narrowing due to global price dynamics, export promotion initiatives, and import substitution efforts. However, risks such as geopolitical conflicts and climate-related shocks remain critical. Gross international reserves remained adequate, stabilizing at about 4 months of import cover from June through September 2024. The authorities commit to maintaining an adequate level of international reserves and shield the economy from external shocks.

Fiscal Policy and Debt Management

8. The authorities prioritize domestic revenue mobilization and expenditure management to preserve growth-friendly fiscal consolidation and enhance spending on education, health, and targeted social program assistance. In FY2023/24, the domestic primary balance was better than the program target, due to strong revenue and significant adjustment in

primary current spending. To preserve fiscal and public debt sustainability, the FY2024/25 budget targets further recovery in revenue to 15.8 percent of GDP, up from15.0 percent in FY2023/24, with the domestic primary deficit projected to narrow to 0.7percent of GDP. Several revenue-enhancing measures continue apace, including updating and broadening the taxpayer registry, leveraging technology, and streamlining the process for new taxpayers, bringing the digital economy into the tax net, and rationalizing tax expenditures. To complement the reform efforts and realize revenue potential, the Medium-Term Revenue Strategy (MTRS) will be launched by March 2025 to strengthen tax administration systems and promote an efficient, equitable and progressive tax system. Additionally, a robust revenue management system, which includes a module to expedite verification of VAT refunds, is expected to be operational by end-June 2025. Efforts to mobilize recoverable tax dues are progressing, with the authorities actively engaging taxpayers, providing taxpayer education, and fostering a more cooperative relationship with taxpayers.

9. Our authorities continue to take measures to maintain quality spending while enforcing cash management and commitment controls in budget execution, including a sanction regime against unauthorized spending. In the event of a shortfall in revenue, they commit to adjusting the budget to reprioritize spending in line with available resources, protecting priority social spending and high-yield public investment, and ensuring a more targeted subsidy system. To enhance transparency of tax exemptions, the FY2023/24 annual report on tax expenditures was published in November 2024, and additional steps are being pursued to enhance monitoring of PPPs through their full consideration in budget documents. Strengthening public financial management continues to rank high on the authorities' priorities, including clearing legacy arrears and preventing the accumulation of new ones. Concurrently, the authorities have configured a new functionality of the Integrated Financial Management Information System (IFMIS), which strengthens commitment control in line with approved budget. They are also developing a framework to include climate change impact assessments of public investment projects before they are included for budget financing.

10. Public debt remains sustainable with a moderate risk of distress, and the authorities are committed to maintaining prudent borrowing for productive purposes. They prioritize concessional financing and grants, and determined to improve public investment management and debt transparency. Additionally, they are committed to investing in climate-resilient infrastructure and implementing adaptation measures to mitigate the economic impact of natural disasters, reduce economic losses, and minimize the need for post-disaster borrowing.

Monetary and Exchange Rate Policies

11. Monetary policy conditions remained tight, with the policy rate held at 6 percent for the third consecutive quarter in 2024. This measure aims to mitigate the second-round effects of exchange rate depreciation on inflation. Meanwhile, strong growth of private sector

credit persisted, albeit at a decreasing rate. The Bank of Tanzania (BoT) is committed to a data-dependent monetary policy, adjusting its policies to ensure inflation expectations are durably anchored and policy transmission is effective. To enhance the effectiveness of monetary policy, the authorities are limiting monetary financing of the government to a minimum and within the regulatory limit, while ensuring liquidity conditions align with the policy stance. Efforts are also underway to strengthen the communications strategy and money market operations to stabilize short-term interest rates within the corridor. Additionally, the BoT is enhancing its macroprudential toolkit and collateral framework for standing facilities to manage credit risk. The BoT Act is being amended to strengthen governance arrangements and autonomy, following recommendations from the 2022 safeguards assessment.

12. The authorities uphold a market-clearing exchange rate to protect the economy from balance of payment shocks. In the second half of 2024, pressures in the FX market have eased compared to the preceding half, with a slowdown in the shilling's depreciation due to improved FX liquidity and tight monetary policy conditions. The spread between the wholesale and retail exchange rates narrowed significantly, driven by increased dollar liquidity from tourism, higher gold prices, import substitution initiatives, and seasonal traditional exports. The authorities commit to enhancing exchange rate flexibility as the first line of defense against external shocks, and limit FX interventions to addressing disorderly market conditions.

Financial Sector Policies

13. The banking sector remains stable, resilient, and profitable, with adequate capital and liquidity buffers in aggregate. Non-performing loans (NPLs) declined to 4.1 percent in June 2024 from 5.3 percent in June 2023, attributable to better loan recovery and credit underwriting standards, supported by a favourable macroeconomic and business environment. Foreign exchange exposure of banks was within the regulatory limit of ±10 percent, with a net open position of 4.4 percent in June 2024, up from 3.4 percent in June 2023. The authorities are advancing in implementing FSAP recommendations to strengthen financial sector stability and mitigate the persisting banking sector vulnerabilities. The main focus is on risk-based supervision, reducing NPLs, increasing provisioning, enhancing capital buffers and capacities in solvency stress testing, and managing climate-related risks. Efforts to adopt Basel II & III standards are ongoing, aiming for full compliance by April 2025. The current two-tier assessment framework will be enhanced by creating a single risk-based rating system by December 2024 and improving AML/CFT risk-based supervision. Additionally, an Emergency Liquidity Assistance (ELA) framework, including collateral framework, governance, and guidelines, is expected to be published by September 2025 to support financial stability.

14. The authorities are implementing various policies to promote financial inclusion. The National Financial Inclusion Framework (NFIF) 2023-2028 is advancing to improve access for women, youths, disadvantaged SMEs groups, persons with disabilities, and

smallholder farmers to a broad range of affordable and high-quality financial products and services. Relatedly, authorities are taking other initiatives under the Financial Sector Development Master Plan 2020/21 - 2029/30, and the rollout of National Identification Numbers. Steady progress has been registered towards National Financial Education Program, as well as increased mobile phone access, to further boost access and usage of formal financial services and reduce informality. Drafting of the Secured Transaction Law is progressing and expected to be submitted to Parliament by March 2025. The Act will broaden the pool of acceptable collateral to movable assets and enhance financial inclusion.

Structural Reforms

15. The authorities are committed to robust structural reforms to preserve macro-financial stability, strengthen economic recovery, and promote sustainable and inclusive private sector-led growth. They attach high priority to reducing red tape to improve the business environment, simplifying the regulatory regime, and encouraging competitive private sector participation in development projects. They plan to publish a timetable for implementing key de-regulations outlined in the Blueprint for Regulatory Reforms along with a clear delineation of responsibilities among public entities by the end of December 2024. Relatedly, a revised Blueprint, along with an action plan, will be developed by the end of FY2025/26, in consultation with all stakeholders to address concerns in the planning and implementation of reforms.

16. The authorities place a high priority on strengthening governance, performance, transparency, and financial stability of SOEs. Several strides are ongoing to improve the balance sheets of SOEs and the pension sector, while implementing a strategy to clear legacy arrears aligned with fiscal objectives under the ECF program. To enhance transparency, all SOEs are mandated to publish their quarterly and annual audited financial and performance reports on their respective websites. Alongside, the authorities are pressing ahead with efforts to close human capital and social development gaps by expanding productive social safety net.

17. The authorities are improving governance and accountability in the management of public resources by enforcing anti-corruption legislation and strategies to enhance public trust. Under the National Anti-Corruption Strategy and Action Plan 2023-2028 (NACSAP), the authorities have strengthened investigative and intelligence capabilities, developed technological and big data capabilities, and emphasized prevention strategies and anti-corruption campaigns. Additionally, they are addressing governance weaknesses by raising public awareness about corruption and ensuring that public officials adhere to asset declaration requirements and codes of conduct.

18. The authorities have made significant advancements in addressing AML/CFT deficiencies. Out of twenty-one issues identified in the FATF action plan in October 2022, twenty have been resolved. The authorities are committed to addressing the

remaining strategic AML/CFT deficiency by demonstrating a capability to conduct terrorism financing investigations and pursue prosecutions in line with the country's risk profile. They have also made significant progress in improving technical compliance since the Mutual Evaluation Report in 2021, currently working on the remaining fifteen recommendations with the intent to resubmit to the ESAAMLG Council of Ministers in September 2025.

Building Climate Resilience

19. Tanzania is making significant strides in tackling climate change through mitigation and adaptation initiatives supported by development partners, including IMF and World Bank. The RSF is playing a crucial role in supporting reforms to enhance resilience and sustainability, focusing on strengthening governance and coordination of climate change policies, consolidating the disaster risk management framework, mainstreaming climate policies in budgeting and public investment planning, and enhancing banking supervision of climate-related financial risks. Investment in green transitions is progressing, notably in renewable energy, reforestation, and climate-resilient agriculture. To complement these efforts, the authorities have joined the pilot under the IMF-World Bank enhanced cooperation framework for scaled-up climate action to leverage analytics, technical assistance, climate financing and policy expertise.

Conclusion

20. Our Tanzanian authorities reaffirm their unwavering commitment to the program objectives. They view the policies and structural reforms under the ECF and RSF as crucial for preserving macroeconomic stability, strengthening the external sector position, creating fiscal space, firming financial sector stability and development, and building resilience to climate change-related shocks. To complement these efforts, they highly value Fund technical assistance and capacity development to address new needs and challenges in implementing the reform agenda. They look forward to continuing close policy dialogue and support with the Fund and other development partners to achieve reform objectives, accelerate inclusive economic growth, and uplift living standards of its people.