INTERNATIONAL MONETARY FUND

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July 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION, FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, MODIFICATION OF PERFORMANCE CRITERIA, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; STAFF SUPPLEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE UNITED REPUBLIC FOR TANZANIA

In the context of the 2025 Article IV Consultation, Fifth Review Under the Extended Credit Facility Arrangement, Modification of Performance Criteria, and Second Review Under the Resilience and Sustainability Facility Arrangement, 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 and summarizing the views of the Executive Board as expressed during its June 27, 2025 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangements.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 27, 2025, following discussions that ended on April 17, 2025, with the officials of the United Republic of Tanzania on economic developments and policies underpinning the IMF arrangements 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 June 16, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for the United Republic of Tanzania.

The documents listed below have been or will be separately released.

Selected Issues

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes the 2025 Article IV Consultation and Completes the Fifth Review Under the Extended Credit Facility Arrangement, and Second Review Under the Resilience and Sustainability Facility Arrangement with Tanzania

FOR IMMEDIATE RELEASE

- The IMF Executive Board today concluded the 2025 Article IV Consultation and completed the fifth review under the Extended Credit Facility (ECF) arrangement and the second review under the Resilience and Sustainability Facility (RSF) arrangement with Tanzania, allowing for an immediate disbursement of about US$ 448.4 million (SDR 326.47 million) under both the ECF and the RSF.
- Economic conditions have continued to improve, with robust growth and macro-financial stability. Real GDP growth was 5.5 percent in CY24 and is projected to reach 6.0 percent in CY25 and 6½ percent over the medium-term, contingent on decisive reform implementation.
- Tanzania's economic reform program supported by the ECF arrangement remained broadly on track. The authorities are committed to implementing reforms to preserve macro-financial stability, promote sustainable and inclusive growth, advance structural reforms, and address risks and challenges from climate change, supported by the ECF and RSF arrangements.

Washington, DC – June 27, 2025: The Executive Board of the International Monetary Fund (IMF) concluded today the 2025 Article IV Consultation[1] with Tanzania and completed the fifth review of the Extended Credit Facility (ECF) arrangement and the second review of the Resilience and Sustainability Framework (RSF) arrangement. The authorities have consented to the publication of the Staff Report prepared for this consultation.[2] Completion of the fifth ECF review allows for the immediate disbursement of about US$ 155.7 million (28.5 percent of quota, SDR 113.37 million), bringing Tanzania's total access under the ECF arrangement to about US$ 908.3 million. Completion of the second RSF review allows for the immediate

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. Staff hold separate annual discussions with the regional institutions responsible for common policies in four currency unions—the Euro Area, the Eastern Caribbean Currency Union, the Central African Economic and Monetary Union, and the West African Economic and Monetary Union. For each of the currency unions, staff teams visit the regional institutions responsible for common policies in the currency union, collects economic and financial information, and discusses with officials the currency union's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis of discussion by the Executive Board. Both staff's discussions with the regional institutions and the Board discussion of the annual staff report will be considered an integral part of the Article IV consultation with each member.

[2] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the https://www.imf.org/en/Countries/TZA page.

disbursement of about US$ 292.7 million (53.5 percent of quota, SDR 213.1 million), bringing Tanzania’s total access under the RSF arrangement to about US$ 345.4 million.

The 40-month ECF Arrangement with Tanzania for a total access of about US$ 1,046.4 million at the time of program approval (200 percent of quota, SDR 795.58 million) was initially approved in July 2022, and was extended by 6 months in June 2024. The arrangement aims to support economic recovery, preserve macro-financial stability, and promote sustainable and inclusive growth. The 23-month RSF arrangement with Tanzania, approved in June 2024 (150 percent of quota), supports the authorities’ reforms to reduce prospective balance of payments risks and enhance economic resilience to climate change.

Tanzania’s economic reform program under the ECF arrangement remained on track. All end-December 2024 quantitative performance criteria and indicative targets were met, and two end-December 2024 structural benchmarks were completed on time. Two of the three end-March SBs were implemented with delay, but the Secured Transaction Act has not been implemented and is reset to end-February 2026. All five reform measures (RMs) for this review were implemented despite challenges in meeting indicative timelines.

Economic activity continued to gain momentum, with real GDP growth reaching 5.5 percent in CY24. Headline inflation remained stable at 3.2 percent (year-on-year) in April 2025, below the central bank’s target, while a neutral or mildly stimulative monetary policy was maintained and exchange rate flexibility increased. The banking sector remains resilient, but pockets of vulnerability persist. The fiscal balance weakened markedly in the third quarter of FY25, prompting the authorities to delay lower priority spending in the fourth quarter. The current account deficit narrowed further to 2.6 percent of GDP in CY24, from 3.8 percent in CY23, underpinned by strong export performance.

The medium-term outlook is favorable, contingent on sustained reform implementation, particularly to strengthen the business environment and support a more dynamic private sector. However, risks to the outlook are tilted to the downside, and challenges to meet SDG targets and reduce poverty are daunting, especially considering that the population is expected to double by 2050.

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

“Tanzania’s reform program supported by the Extended Credit Facility (ECF) remains broadly on track. Amid downside risks to the economic outlook and daunting challenges to reduce poverty, the authorities’ strong commitment to reform implementation, as well as continued engagement and capacity support by development partners, are critical.

“The authorities’ plan to resume growth-friendly fiscal consolidation in FY25/26 is welcome and will require steadfast implementation of revenue measures and strict cash management and commitment controls to ensure that spending is consistent with revenue outturns. Implementing contingency measures would also be essential to compensate for any budget over-run in FY24/25. In the medium term, decisive implementation of fiscal reforms including the new medium-term revenue strategy and public financial management reforms will be important to meet development needs while maintaining debt sustainability.

“Continued efforts are needed to fully operationalize the new interest rate-based monetary policy framework. Monetary operations could be strengthened by improving liquidity forecasting capacity and operation of standing facilities and addressing segmentation and counterparty credit risk in the interbank cash market. The recent increase in exchange rate flexibility is welcome and should continue to be a key pillar of the new monetary policy framework. Ongoing efforts to upgrade financial supervision will help enhance financial stability and deepening.

“Amid strong demographic pressures, achieving resilient and inclusive long-term growth requires accelerated human capital development through increased and more efficient public spending on education and health. At the same time, structural reforms in the areas of public sector governance, business regulation, and access to finance, as well as climate change-related reforms, are critical to foster private sector development and job creation, enhance economic resilience and reduce prospective balance of payments risks.”

Executive Board Assessment[3]

Executive Directors agreed with the thrust of the staff appraisal. They welcomed Tanzania’s continued robust growth, subdued inflation, and improved external balance. While they agreed that the medium-term outlook is favorable, they noted downside risks, including from an uncertain external environment, declining aid flows, and potential delays in reform implementation. They emphasized that the authorities’ commitment to reforms under the ECF and RSF programs will be critical to safeguard macro financial stability and achieve more resilient and inclusive long-term growth. Continued engagement and capacity development support by the Fund and other international partners also remain essential.

Directors welcomed the authorities’ commitment to resume growth friendly fiscal consolidation in FY25/26. They concurred that stepped-up efforts to enhance domestic revenue mobilization in line with the recently approved medium term revenue strategy, and to strengthen public financial and investment management, will be critical to create space for priority development needs and safeguard debt sustainability. They called for prudent budget execution in an election year and enforcement of commitment controls to control spending. They welcomed the continued progress in reducing domestic arrears.

Directors agreed that a neutral or mildly stimulative monetary policy stance remains appropriate at this juncture but encouraged the authorities to stand ready to adjust this stance if inflation pressures emerge. They called for continued efforts to improve monetary policy effectiveness, including strengthening monetary and liquidity management operations, policy communication, and central bank independence. They underscored the importance of greater exchange rate flexibility for cushioning the economy against external shocks and encouraged the removal of legacy exchange rate restrictions and Multiple Currency Practices. They welcomed the recent adoption of Basel II & III supervisory and regulatory standards and encouraged the authorities to continue upgrading the financial supervision framework and closely monitoring risks.

Directors called for accelerated structural reforms to promote sustainable private sector led growth and job creation. They urged the authorities to improve the efficiency of tax

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[3] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

administration, ease the regulatory burden, promote access to finance, close gender gaps, and upgrade infrastructure. They also highlighted the pressing need to increase human capital through increased and more efficient public spending on education and health, as well as on social safety nets. Directors commended the authorities' efforts to strengthen the AML/CFT framework and encouraged them to formalize risk-based AML/CFT supervision in the real estate sector. They welcomed the progress made in strengthening climate resilience through the RSF supported reforms.

It is expected that the next Article IV consultation with Tanzania will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

Tanzania: Selected Economic Indicators

	2022/23 Act.	2023/24 Est.	2024/25 Proj.
Output			
Real GDP growth (%) [1]	4.9	5.3	5.7
Calendar year real GDP growth (%) [2]	5.1	5.5	6.0
Prices			
Inflation - average (%)	4.6	3.1	3.3
Central government finances			
Revenue (% GDP) [3]	15.0	15.5	16.3
Expenditure (% GDP)	19.3	18.6	19.7
Fiscal balance (% GDP)	-4.3	-3.2	-3.4
Public debt (% GDP)	45.9	49.2	48.5
Money and credit			
Broad money (% change)	18.8	10.9	11.1
Credit to private sector (% change)	22.2	16.1	12.5
3-month Treasury bill interest rate (%)	6.5	6.8	...
Balance of payments			
Current account (% GDP)	-6.6	-3.5	-2.6
FDI (% GDP)	2.0	2.1	2.1
Reserves (in months of imports)	4.0	3.8	3.8
External public debt (% GDP)	29.7	32.9	32.8
Exchange rate			
REER (% change)	3.3	-10.3	...

Sources: Tanzanian authorities and IMF staff estimates and projections.

[1] All data refer to fiscal years (July-June).

[2] Fiscal year 2022/23 corresponds to calendar year 2023.

[3] Includes grants.

INTERNATIONAL MONETARY FUND

UNITED REPUBLIC OF TANZANIA

June 16, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION, FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, MODIFICATION OF PERFORMANCE CRITERIA, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

Context. Economic conditions have continued to improve, with robust growth and macro-financial stability underpinned by prudent macroeconomic management. The medium-term outlook is favorable, contingent on sustained reform implementation, in particular to strengthen the business environment and support a more dynamic private sector. However, downside risks remain, including from an uncertain external environment or reform delays. Challenges to meet SDG targets and reduce poverty are daunting, especially considering that the population size is expected to double by 2050.

Program performance. The ECF program remained broadly on track, with all QPCs and ITs for end-December 2024, as well as all continuous QPCs, being met. All end-March 2025 ITs, except for the domestic primary balance, were met. For end-June 2025, the authorities are requesting to (i) reduce the floor on the domestic primary fiscal balance QPC to reflect increased priority spending under a FY24/25 supplementary budget; (ii) increase the floor on the priority social spending IT; (iii) reduce the ceiling on domestic arrears to reflect the supplementary budget; and (iv) modify the SB on revenue measures to clarify that expected revenue yields are relative to FY24/25. Two end-December 2024 SBs were completed on time. Out of the three end-March 2025 SBs, the amendment of the BoT Act was implemented with delay, and the SBs on medium-term revenue strategy and drafting of a secured transactions Act are expected to be implemented with delay in time for the Executive Board’s assessment for this review. Structural conditionality has been augmented to include new SBs aiming to improve public financial management (MEFP Table 2). Out of the five RSF reform measures for this review, three (RM1, RM6, and RM7) were implemented, and two (RM2 and RM3) are expected to be implemented in time for the Executive Board’s assessment for this review.

Policy recommendations. Discussions focused on policy priorities to safeguard macro-financial stability and achieve resilient and inclusive long-term growth:

- Safeguarding macro-stability will require efforts to: (i) strengthen fiscal space through domestic revenue mobilization and public financial management; (ii) modernize monetary policy and ensure exchange rate flexibility; and (iii) continue upgrading financial supervision.

- Achieving resilient and inclusive long-term growth will require accelerating: (i) human capital development through increased and more efficient public spending on education and health; and (ii) private sector development and job creation through structural reforms in the areas of public sector governance, the regulatory environment, and access to finance.

Staff's views. Staff supports the authorities' requests to: (i) complete the fifth review of the ECF arrangement and the disbursement of the sixth tranche; (ii) modify the end-June 2025 performance criteria on the domestic primary fiscal balance, ITs on priority social spending and domestic arrears, and SB on revenue measures; and (iii) complete the second review under the RSF arrangement and the disbursement of the amounts associated with respect to RM1, RM2, RM3, RM6, and RM7. Completion of the fifth ECF review allows the immediate disbursement of SDR 113.37 million (28.5 percent of quota) under the ECF arrangement and SDR 213.1 million (53.5 percent of quota) under the RSF arrangement.[1]

[1] The macro-framework for FY24/25 and FY25/26 presented in Tables 1-4 is based on the assumption that all five RSF reform measures for this review will be completed in time for the Executive Board's assessment for the review.

Approved By
Catherine Pattillo (AFR) and Niamh Sheridan (SPR)

Discussions took place in Dar es Salaam and Dodoma during April 2–17, 2025. The staff team comprised Nicolas Blancher (Head), Farayi Gwenhamo, Leni Hunter, Melesse Tashu (AFR), Katja Funke (FAD), Agustin Velasquez (SPR), Sebastian Acevedo (Resident Representative), and Chelaus Rutachururwa (local economist). Dickson Lema (OEDAS) 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, civil society organizations, and development partners. Ignacio Gutierrez and Mason Stabile (AFR) provided excellent support for the preparation of this report.

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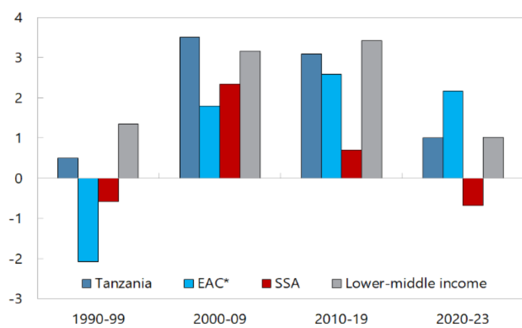
CONTEXT

1. Tanzania's macroeconomic fundamentals are healthy, but growth will need to be more inclusive. Despite strong growth and progress in securing macro-financial stability, Tanzania still faces daunting challenges to meet SDG targets, including education and health goals, and to reduce poverty rates, especially as the population is expected to double in size by 2050. Empirical evidence suggests that the growth elasticity of poverty has weakened in recent years.[1] Tanzania's macroeconomic and political stability are key assets in addressing these challenges.

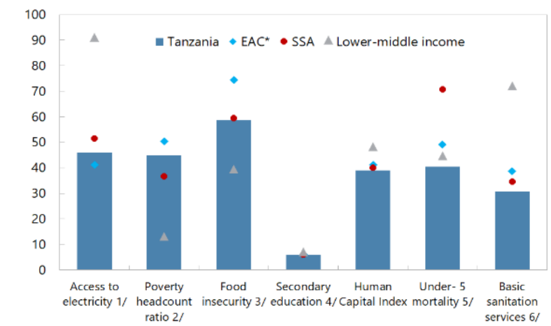
Text Figure 1. Growth and Development Indicators: Tanzania and Comparators

Real GDP Per Capita Growth
(Constant 2015 USD; 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. Sustained reforms will be key to meet the authorities' development objectives. The authorities have implemented successive *Five-Year Development Plans* (FYDP) to elevate Tanzania's economy to middle-income status by safeguarding macroeconomic stability, investing in infrastructure and human capital, easing institutional bottlenecks, and promoting investment, industrialization, and trade.[2] This will require decisive reform implementation in the years ahead, including to accelerate the transition to a more private sector-led and job-rich growth model. Climate-related reforms are also critical to ensure economic resilience and social development: increasing temperatures, changing rainfall patterns, the sea level rise, and recurrent natural disasters have caused economic costs estimated at about 1 percent of GDP per year in the past.[3]

3. The authorities' economic policies and reforms have been supported by two IMF financing arrangements:

[1] See *FY2025-29 Country Partnership Framework for Tanzania*, World Bank, 2024.

[2] The Fourth FYDP is expected to be launched by end-2026.

[3] Country Report 24/349, Annex III.

- **A 40-month ECF arrangement approved in July 2022 and extended by 6 months** in June 2024 (200 percent of quota access). The ECF aims to preserve macroeconomic stability, strengthen the economic recovery, and promote sustainable and inclusive growth.
- **A 23-month arrangement under the RSF approved in June 2024** (150 percent of quota). The RSF reduces prospective balance of payments risks and supports reforms to address risks and challenges associated with climate change and to enhance economic resilience.

RECENT ECONOMIC DEVELOPMENTS

4. **Economic growth has picked up further while inflation remained subdued.** Real GDP growth reached 5.5 percent in CY24, driven by strong activity in agriculture, mining, financial services, electricity production and construction. In April 2025, headline inflation remained stable at 3.2 percent (yoy) (below BoT's medium-term target of 5 percent) while core inflation slowed to 2.2 percent, from 3.9 percent a year earlier. Meanwhile, food inflation accelerated to 5.3 percent (yoy), from 1.4 percent a year ago (Text Figures 5 and Figure 2).

5. **The fiscal balance has weakened in recent months.** The domestic primary deficit was in line with the program target in FY24/25H1. In February 2025, a supplementary budget was adopted, increasing budget spending on education, health, clearance of expenditure arrears,[4] climate change adaptation, and other priorities by about 0.4 percent of GDP compared to the initial budget.[5] However, the fiscal outturn as of March 2025 shows a marked deterioration of the domestic primary balance in FY24/25Q3, beyond the level implied in the supplementary budget, and largely reflecting accelerated execution of development projects – while priority social spending remained broadly in line with the program target. As a result, the domestic primary deficit for the first 9 months of the year exceeded the end-March IT by about 0.8 ppt of GDP.

Text Table 1. Tanzania: Fiscal Developments, FY2024/25Q1-Q3
(In Billions of TZS) [1/]

	Budget est.	Outturn	Outturn/Budget (%)
Domestic revenue	**25,961**	**25,670**	**98.9**
Tax revenue	21,851	21,223	97.1
Non tax revenue	4,111	4,447	108.2
External grants	**474**	**693**	**146.2**
Expenditure	**31,346**	**31,842**	**101.6**
Recurrent	20,163	19,765	98.0
Wages and services	7,857	7,015	89.3
Interest	4,026	3,565	88.6
Goods, services and transfers	8,280	9,185	110.9
Development	11,183	12,077	108.0
Locally financed	8,348	9,945	119.1
Externally finance	2,836	2,132	75.2
Primary balance	**-885**	**-2,350**	**265.6**
Domestic primary balance	***-1,359***	***-3,043***	***223.9***
Overall balance	**-4,910**	**-5,914**	**120.4**
Financing	**4,910**	**5,914**	**120.4**
External, net	3,514	2,818	80.2
Domestic, net	1,396	3,096	221.7
Memo:			
Primary expenditure	*27,320*	*28,277*	103.5
Priority social spending	*11,793*	11,874	100.7
Statistical discripancy	*0*	*-436*	...

1/Budget estimate refers to initial budget.
Source: Ministry of Finance and Fund staff calculations.

[4] These reflect delayed payments to construction work, suppliers, and utility.

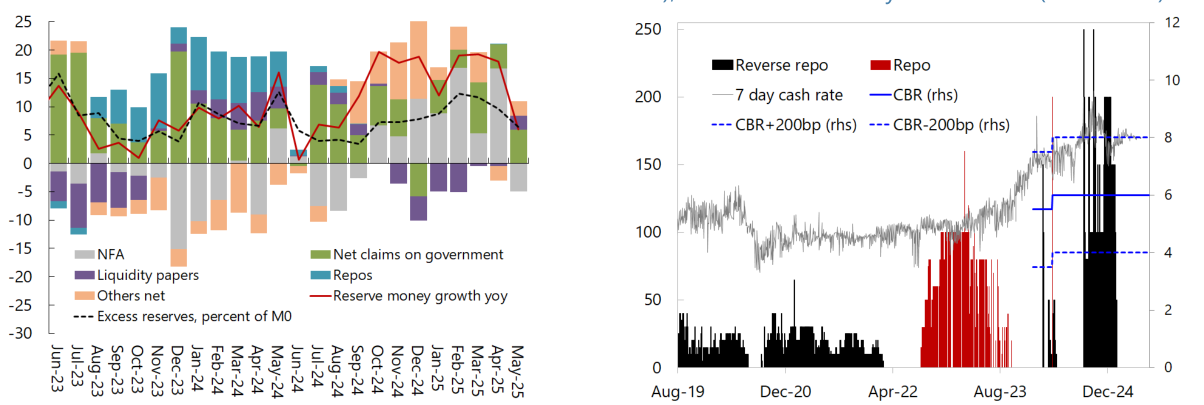
[5] The supplementary budget reflects the availability of budget support from AfDB (anticipated for FY23/24 but disbursed in FY24/25) and RSF disbursements, which were not included in the initial FY24/25 budget.

6. **While BOT's policy rate (CBR) remained close to neutral or mildly stimulative, monetary conditions tightened in late 2024.** Monetary policy has been cautious given the ongoing transition to an interest rate-based policy framework and to contain inflation risks from potential exchange rate depreciation or increased public spending in an election year. In late 2024, domestic liquidity conditions tightened, contributing to a deceleration of private sector credit growth to 12.1 percent by March 2025 (yoy), from 16.4 percent a year earlier (Table 4).[6] Since then, the BoT's liquidity provision through reverse repo operations and the Lombard facility helped to bring the 7-day interbank cash rate down to the top of the CBR corridor (CBR +/- 200bp).

Text Figure 2. Monetary Policy and Banking System Liquidity

(a) Reserve Money and Banks' Excess Reserves (Contributions to y-o-y Growth in Percent)

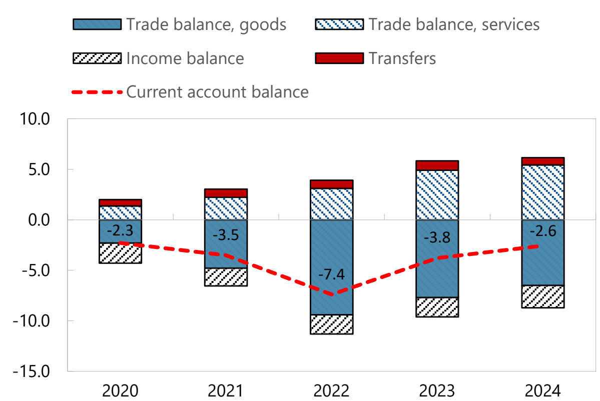
(b) Repo and Reverse Repo (Conducted Volumes in Tsh billions), and CBR and 7-day IBCM Rates (In Percent)



Sources: Bank of Tanzania and Fund staff calculations. Repo is defined as a sale of government securities by BoT with an agreement to repurchase (liquidity withdrawal).

7. **The external balance improved further in 2024, underpinned by strong export performance.** The current account deficit narrowed to 2.6 percent of GDP in CY24, from 3.8 percent in CY23. Exports of goods and services grew by 15 percent, driven by strong cashew nuts, tobacco, and minerals exports, favorable commodity prices, as well as record levels of tourist arrivals. Meanwhile, import growth moderated to 4.7 percent, as declining imports of fuel and fertilizer partially offset strong growth in imports of other goods and services. Tanzania's external position is assessed to have been moderately stronger than implied by fundamentals and desirable policies in 2024 (Annex III). In March

Text Figure 3. Current Account Balance
(In Percent of GDP)



Sources: Bank of Tanzania and Fund staff calculations.

[6] The real CBR (3 percent) is assessed to be below the neutral real rate (NRR) considering Tanzania's high potential growth and relative to NRR estimates in other countries.

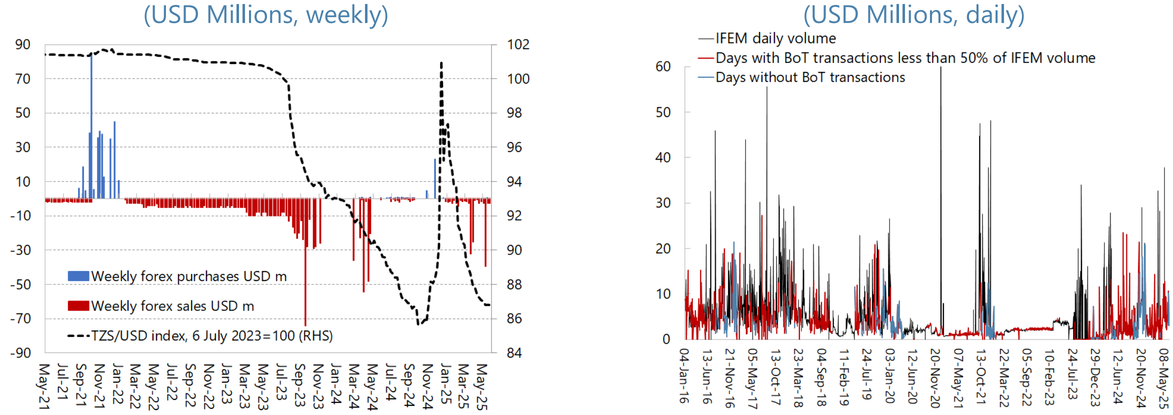
2025, gross international reserves stood at US$5.7 billion (about 3.8 months of imports), a level assessed as adequate by the ARA metric.

8. **The exchange rate has been increasingly flexible in recent months**. The Tanzanian shilling depreciated significantly from mid-2023 through end-2024, while the interbank forex market was largely inactive, reflecting a relatively weak current account position. Following a short-lived trend reversal in 2024Q4, due to seasonal factors, shilling depreciation has resumed in early 2025. Since then, anecdotal information suggests that parallel market activity has returned, though to a lesser degree than in 2023-24. FXI have picked up in recent months, with BoT selling US$109m between March and mid-May, primarily through auctions, due to concerns about low FX market liquidity.[7]

Text Figure 4. Forex Market Activity and the Exchange Rate

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

(b) IFEM Daily Volumes (USD Millions, daily)



Sources: Bank of Tanzania, Haver, IMF staff calculations. Note: Figure (b) scale is truncated to US$60m; IFEM volume on 23 December 2023 was US$80m. IFEM volumes include transactions in USD and EUR. Data used to calculate BoT transaction size relative to IFEM volumes includes BoT transactions that may have occurred outside the IFEM.

9. **The banking sector is resilient, but pockets of vulnerability persist, and credit-to-GDP levels remain low**. Overall, the banking sector is well-capitalized, asset quality has improved,[8] and the system has been strongly profitable (Table 5). However, performance varies considerably across banks, with persisting weaknesses in smaller banks. High loan concentration and financial dollarization are also sources of vulnerability. More broadly, Tanzania's credit-to-GDP ratio remains low relative to country peers, signaling significant scope for sustained credit growth and financial deepening going forward (Text Figure 7, Text Table 2).[9]

10. **The authorities have made progress in implementing key recommendations from the 2023 Article IV consultation** (Annex I), including as regards revenue mobilization, public financial

[7] Results for the auctions held on March 17, March 27, and May 7, 2025 are published on the BoT website.

[8] The NPL ratio declined to 3.5 percent in March 2025, from 4.3 percent a year earlier.

[9] In a recent Finscope survey, only 22.2 percent of respondents reported uptake of banking services, and only 3 percent of respondents who borrowed reported doing so from a bank.

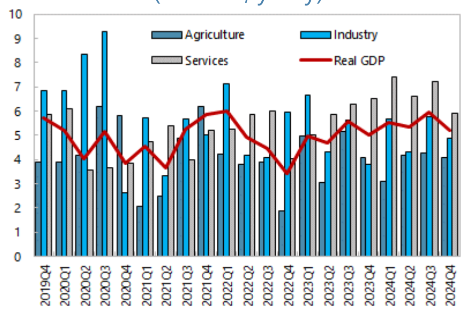
management, exchange rate flexibility, and modernization of the monetary policy and financial supervision frameworks. Nevertheless, decisive efforts are needed to further strengthen domestic revenue mobilization and public financial management further, improve the business environment, and strengthen data quality.

Text Figure 5. Overview of Recent Economic Developments

Growth continues to accelerate on the back of a recovery in the agriculture and services sectors…

Real GDP Growth

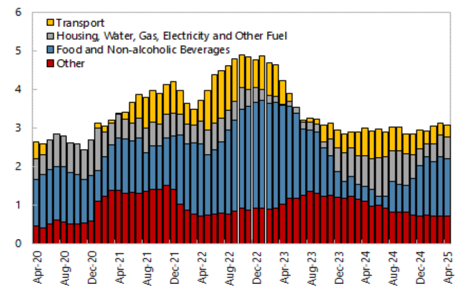
(Percent, y-o-y)



…and headline inflation remained low and stable, including because of declining energy, fuel and utility prices.

Contributions to Inflation

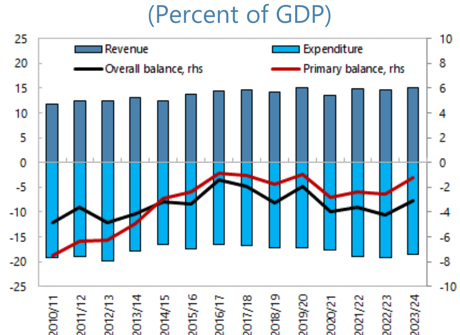
(Percent)



Fiscal consolidation was achieved in FY23/24 through both revenue improvements and expenditure adjustments.

Fiscal Sector

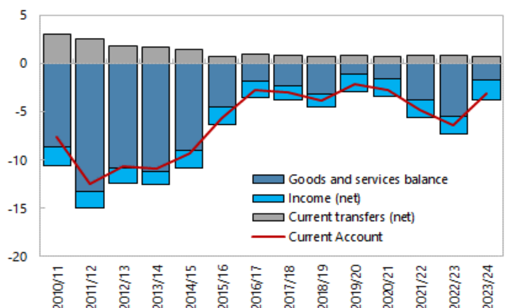
(Percent of GDP)



The current account deficit narrowed significantly in FY23/24, reflecting an improved trade balance.

External Sector

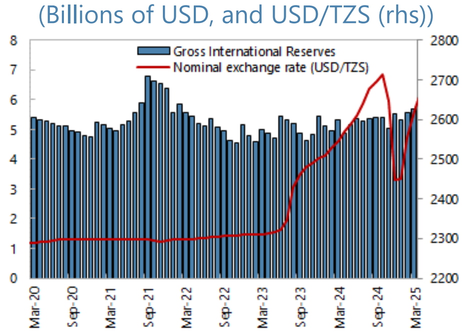
(Percent of GDP)



International reserves remained stable, while the exchange rate experienced a sharp swing in December 2024.

International Reserves

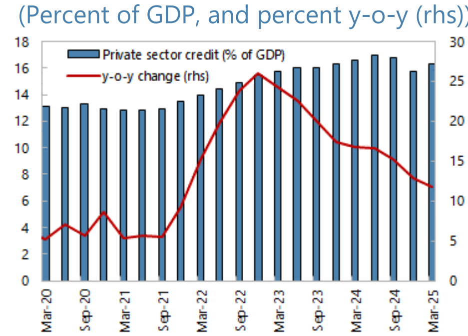
(Billions of USD, and USD/TZS (rhs))



Private sector credit growth has moderated further, reflecting tighter monetary conditions.

Credit to the Private Sector

(Percent of GDP, and percent y-o-y (rhs))



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

OUTLOOK AND RISKS

11. The medium-term outlook is positive, contingent on decisive reform implementation. Growth is projected to reach 6.0 percent in CY25 and 6½ percent over the medium-term. This assumes sustained reform implementation, including improvements to the business environment. Inflation would remain below the BoT's 5 percent target, and enhanced revenue mobilization would help finance highly needed social spending while ensuring continued fiscal prudence. The current account deficit is projected to remain moderate over the medium-term, reflecting a favorable outlook for the terms of trade and the impact of continued reforms.

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

(Annual percentage change, unless stated otherwise)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Act.	Act.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	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	5.5	6.0	6.3	6.5	6.5	6.5	6.2
GDP deflator	114.3	118.3	123.3	128.8	134.6	140.4	146.9	154.2	161.9	170.0
CPI (period average)	3.3	4.0	4.6	3.1	3.3	3.7	4.0	4.0	4.0	4.0
Credit to the private sector (end of period)	5.8	22.1	22.2	16.1	12.5	13.0	13.5	14.0	14.5	14.5
Domestic primary balance (percent of GDP)	-2.8	-2.0	-2.3	-0.9	-0.8	-0.3	-0.4	-0.4	-0.5	-0.5
Fiscal overall balance (percent of GDP)	-4.5	-3.8	-4.3	-3.2	-3.4	-3.0	-3.0	-3.0	-3.1	-3.0
Public debt (percent of GDP)	42.7	43.5	45.9	49.2	48.5	47.3	46.1	44.7	43.6	42.5
Current account balance (percent of GDP)	-2.8	-4.9	-6.6	-3.5	-2.6	-2.6	-2.8	-2.8	-2.8	-2.8
Reserves (months of imports)	4.6	3.6	4.0	3.8	3.8	3.9	3.9	3.9	3.9	3.9

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

12. Risks to the outlook are tilted to the downside. External risks include a slowdown in the global economy due to escalating trade measures and prolonged trade uncertainty; deepening geoeconomic fragmentation; and, reduced foreign development assistance (Annex II). While Tanzania's *direct* exposure to global trade tensions is limited,[11] such tensions could affect Tanzania through lower global export demand and prices, and tighter financial conditions, potentially requiring targeted fiscal support and enhanced exchange rate flexibility. On the domestic front, a new virus outbreak, elections-related risks including fiscal slippages, renewed FX market pressures, or reform delays, could all pose risks to growth. Tanzania also continues to face downside risks from natural disasters related to climate change. On the upside, tourism over-performance, commodity price (including gold) increases, and accelerated reforms following the 2025 elections could boost export, investment, and growth prospects.

Authorities' Views

13. The authorities concurred with the need for sustained reform implementation to realize Tanzania's growth potential. They expect accelerated progress through the launch of

[11] Tanzania exports only about 2 percent of its goods to the U.S. Additionally, gold, which represents 40 percent of its total goods exports, appreciated substantially in early 2025, while the recent decline in oil prices also benefited Tanzania. Finally, the growing tourism sector is expected to remain unaffected by tariff measures.

Vision 2050 and the second phase of the *Blueprint for Regulatory Reforms*. They broadly agreed that risks to the outlook are tilted to the downside but noted that Tanzania has a strong track record of prudent macroeconomic management and political stability during election years.

POLICY DISCUSSIONS

Discussions focused on policies to safeguard macro-financial stability and on structural reforms to achieve a more resilient and inclusive long-term growth. Policy priorities to safeguard macro-stability include strengthening fiscal space through public financial management and domestic revenue mobilization; modernizing monetary policy and ensuring exchange rate flexibility; and continuing to upgrade financial supervision. Regarding structural reforms, key priorities are to raise education outcomes and labor skills, and to expand private sector job opportunities for the youth. Together with increased and more efficient social spending, this will require alleviating constraints to private sector development, especially as regards public sector governance, access to finance, and the regulatory environment.

A. Safeguarding Macro-Financial Stability

14. A cautious policy mix is warranted to safeguard macro-financial stability in an election year and uncertain global environment. With low inflation, a negative output gap projected to close in 2026, and slower credit growth, neutral or mildly stimulatory monetary policy is appropriate – while the BoT should stand ready to adjust its stance if inflation pressures or downside risks to growth materialize. Continued exchange rate flexibility should help cushion the economy against external shocks. While fiscal policy is expected to be neutral in FY24/25 following the adoption of the supplementary budget, the authorities' draft budget for FY25/26 submitted to Parliament envisages a resumption of fiscal consolidation, which will be important to preserve fiscal space in the current environment.

Strengthening Fiscal Space for Priority Social Spending

15. Urgent and decisive measures are needed to ensure that end-June 2025 fiscal targets are met. The supplementary budget increases the domestic primary deficit by 0.4 percent of GDP, fully offsetting the fiscal consolidation envisaged in the initial budget. As noted above, the additional spending consists mostly of priority spending, including to address the impact of reduced foreign assistance, and is aligned with program objectives. On this basis, and since the government is committed to implementing corrective measures in FY25/26 (MEFP¶2), staff supports the authorities' request to modify the end-June 2025 QPC on the domestic primary balance (floor) and ITs on priority social spending (floor) and domestic arrears (ceiling).[12] However, urgent measures are necessary to offset the budget overrun in FY24/25Q3 and ensure that the modified end-June fiscal targets are met. The Ministry of Finance has issued a circular requiring line ministries to pause

[12] Specifically, the domestic primary deficit is being increased by TZS 945 billion and is accompanied by an increase in PSS by TZS 359 billion and a reduction in the stock of domestic arrears by TZS 100 billion.

implementation of low-priority projects to reduce aggregate spending in FY24/25Q4 by about 0.7 percent of GDP (TZS1.46 trillion) (MEFP¶7). The list of affected projects is broadly consistent with program objectives.

16. The authorities' plan to resume growth-friendly fiscal consolidation in FY25/26 is welcome and will require prudent budget execution in an election year. The draft budget submitted to Parliament targets a domestic primary deficit of 0.8 percent of GDP, implying a 0.4 ppts of GDP consolidation compared to FY24/25. Domestic revenues would increase by 0.9 ppts of GDP, through tax policy measures yielding 0.5 percent of GDP (end-June 2025 SB) and non-tax revenue measures yielding 0.4 percent of GDP, reflecting implementation of the new Medium-Term Revenue Strategy (MTRS). Primary expenditure would increase by 0.4 ppts of GDP, largely driven by increased investment spending, while priority social spending (PSS) would be maintained at 7.1 percent of GDP, in line with ECF program objectives (MEFP¶9). Achieving such revenue-based fiscal consolidation will require steadfast implementation of revenue measures and strict cash management and commitment controls to ensure that spending is consistent with revenue outturns. In addition, implementing contingency measures, e.g., in the form of cuts to low-priority spending, would be essential to compensate for any budget over-run in FY24/25.

17. Further expenditure reprioritization may be needed to offset the impact of declining foreign assistance inflows. Although interrupted foreign aid operations are largely off-budget, those targeted to the poor and vulnerable groups will need to be replaced by budget allocations. The draft FY25/26 budget does not have such an allocation as the authorities are still assessing the full magnitude of the impact. However, preliminary estimates show that the budget impact for FY25/26 could amount to US$200 million (about 0.2 percent of GDP) (Box 1). This would need to be accommodated through spending reallocation and improved domestic revenue mobilization, PFM, and spending efficiency (see below). More broadly, such efforts would be important to make social programs less dependent on foreign financing in the future.

Box 1. Declining Foreign Assistance Inflows

Nature and Magnitude of the Shock

- Bilateral partners have announced that they will reduce ODA support to Tanzania or refocus it toward investments over time, while UN agency (e.g., WHO, UNICEF, WFP and UNHCR) operations will likely be affected by funding gaps. In particular, Tanzania is among the largest recipients of USAID operations in SSA (chart). These operations amounted to about US$400 million, about 0.5 percent of Tanzania's GDP and 40 percent of its total health expenditures, in FY24; and they are expected to decline by at least US$200 million in FY25.

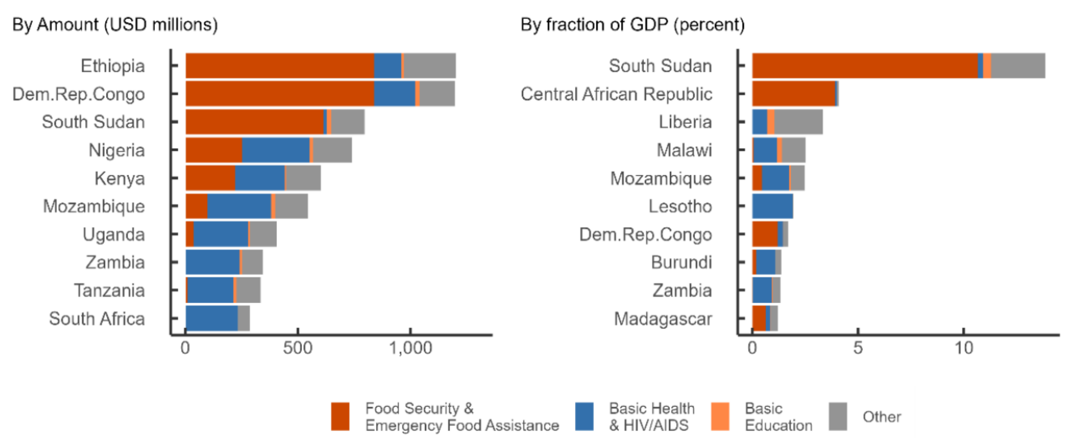
- To date, most foreign assistance cuts have affected the health sector – both supplies and staff. For instance, USAID employed over 20,000 workers, both directly and indirectly (including CSO and community workers), mostly involved in HIV, malaria, family planning and child health treatments. Another 30,000 health workers were paid by USAID to carry out additional activities beyond their official duties.

Box 1. Declining Foreign Assistance Inflows (concluded)

Policy Considerations

- The authorities are still assessing the consequences of this shock and developing a policy response. The government has already allocated additional financing in a supplementary budget for FY25 and as part of budget proposals for FY26. Indeed, USAID foreign assistance was provided off-budget but will be replaced at least in part by budgetary resources, for instance as the authorities aim to maintain medical supplies. The fiscal and external sector impact, while still uncertain, could be of the order of 0.2 percent of GDP per year, assuming USAID operations expected to be interrupted (about US$200 million) are all high priority.
- More broadly, this shock highlights the importance of increasing the level and focus of social spending on urgent health and education needs in Tanzania, in line with current program objectives, and especially considering that the shock may prove permanent. Making social assistance programs less dependent on foreign financing, by allocating budget resources financed through domestic resource mobilization, should be a key medium-term priority (e.g., the *Tanzanian Social Action Fund* safety net program is entirely financed by donor funding).

Box 1. Table 1. Sub-Saharan African Top 10 Most Exposed Countries to USAID Flows, CY 2024



Source: ForeignAssitance.gov. WEO database, and IMF staff calculations.

18. In the medium term, fiscal reforms will be critical to meet development needs while maintaining debt sustainability. While PSS has increased recently, social spending will have to be scaled up further to meet the needs of a rapidly growing population and to improve the coverage of social safety nets (see below). The Debt Sustainability Analysis (DSA) indicates that debt distress risks are moderate. Financing large social spending needs will require:

- **Implementing the MTRS to help realize Tanzania's revenue potential**. The current tax revenue-to-GDP ratio is comparatively low and well below Tanzania's revenue potential (Box 2). In the FY25/26 budget, the authorities proposed tax policy measures yielding additional revenues of 0.5 percent of GDP in FY25/26, and 1 percent of GDP thereafter relative to FY24/25 (SB, MEFP¶20), including by repealing income tax exemptions for export processing and special economic zones by end-June 2025 (SB, MEFP¶ 20). Implementing the recently approved MTRS could help reach more ambitious revenue levels through more efficient, equitable and progressive taxation (SB, MEFP¶20). It will require establishing dedicated government taskforces to oversee and coordinate implementation and strengthening the resources and capacity of the *Tanzania Revenue Authority*.

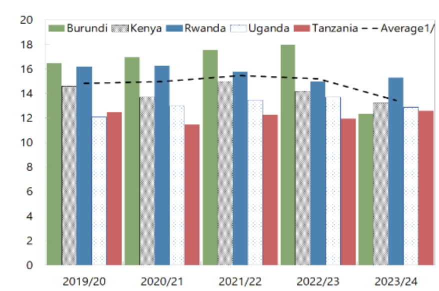
- **Strengthening PFM and public investment management to improve public spending efficiency.** Continued progress is underway to reduce domestic arrears.[13] To strengthen public investment management and the credibility of the medium-term fiscal framework, the authorities are amending the *2023 Planning Commission Act* to require appraisals of public investment projects, including their climate change impact, before they are included in the budget (SB, MEFP¶25). The *Public Investment Operational Manual* (PIM-OM) will also be revised to provide clear methodology for appraisal that includes assessing project benefits, costs, and risks, from a social, economic, climate, and financial perspective, by end-December 2025 (new SB, MEFP¶25*)*. In addition, the authorities intend to further enhance the transparency of public investment spending starting in FY25/26 (MEFP¶25).[14]

Box 2. Medium Term Revenue Strategy (MTRS)

Tanzania's revenue performance falls well below that of regional peers and its potential. In FY22/23, the government collected 11.9 percent of GDP in tax revenues, compared to an average for other EAC countries (excluding South Sudan) of 15.2 percent. Tanzania's tax potential is estimated to be in the range of 17½-19½ percent of GDP.[1]

The authorities have launched an MTRS to enhance domestic revenue mobilization. 2022 Fund TA on tax diagnostics found that widespread and poorly targeted tax exemptions and inefficient tax administration contributed to weak revenue performance. Reform measures taken to strengthen domestic revenue mobilization have so far been piecemeal and insufficient to address the country's tax performance gap. In 2024, with Fund TA support, the authorities developed an MTRS as a basis for more ambitious revenue reforms, through a consultative process involving key private sector stakeholders and development partners.

Box 2. Figure 1. Tax Revenue in East Africa Community Countries
(In Percent of GDP)



1/ Excluding Tanzania. Sources: Tanzania MTRS.

[13] Tanzania, Country Report No. 2024/349, Box 1.

[14] For each public investment project, the budget document will include: (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.

Box 2. Medium Term Revenue Strategy (MTRS) (concluded)

The MTRS should make the revenue system more effective and equitable through policy, administrative, and legal reforms. Policy reforms seek to broaden the revenue base, promote voluntary compliance, and improve revenue predictability. They cover income tax, excise duty, VAT, stamp duty, new taxation areas (e.g., digital assets and the insurance sector), exemptions, and non-tax revenues. Administrative reforms aim to automate and interface revenue systems; enhance compliance risk management; improve tax exemption and concession systems; strengthen the VAT refund and taxpayer registration processes, as well as tax audits; improve customs administration; and raise tax awareness. The TRA is currently recruiting 1,500 agents to strengthen its capacity. Legal reforms aim to consolidate tax law amendments, enact a tax exemptions Act (consolidating existing fragmented exemptions), and review the Tax Administration Transfer Pricing Regulation and Guidelines.

The MTRS could yield 2.5 percent of GDP in additional revenues between FY24/25 and FY26/27. As a result, tax revenues would reach 13.7 percent of GDP (from 12.5 percent in FY23/24), and non-tax revenues 3.9 percent of GDP (from 2.6 percent in FY23/24). Staff projects a lower yield from *non-tax* revenue reforms (by about 0.4 percent of GDP), considering capacity limitations and the impact of economic uncertainty on state-owned enterprise performance. Various public institutions will be involved in MTRS implementation, with the Ministry of Finance playing a coordination role through a Steering Committee, Technical Committee, and the MTRS Secretariat. Implementation will be monitored through quarterly and annual reports, and evaluations will be conducted after 1½ year and at the end of the implementation period.

[1]IMF Country Report 22/269, Annex V.

Enhancing Monetary Policy Effectiveness

19. Continued effort is needed to fully operationalize the new interest rate-based framework. As noted above, while the CBR was appropriately neutral or mildly stimulative, the 7-day cash rate (the operational target) has traded at or above the upper bound of its corridor for some time, suggesting inconsistent application of monetary policy instruments. To avoid this risk, monetary operations could be strengthened by: (i) improving liquidity forecasting capacity (in coordination with the Ministry of Finance); (ii) improving operation of standing facilities, including through the review of the collateral framework (SB, MEFP¶38)[15] and communication with banks to address issues related to collateral availability and potential stigma associated with the Lombard facility;[16] and, (iii) addressing segmentation and counterparty credit risk in the interbank cash market.

20. The effectiveness of monetary policy can be improved in several additional areas. These include enhancing the BoT's communication strategy and analytical capacity in modelling and forecasting and supporting the development of financial markets. In particular, communication about the BoT's inflation target could be clearer and more consistent.[17] More broadly, amendments

[15] Over time, the +/- 200bp corridor between CBR and the target rate should also be narrowed, pending further monetary operation improvements and development of the interbank cash market.

[16] Such stigma may result from a lack of clear distinction in Tanzania between (i) on-demand standing credit facilities (such as the Lombard facility) used to manage liquidity fluctuations under normal circumstances, and (ii) emergency liquidity assistance (ELA) support targeted at individual banks that face distress due to persistent liquidity pressures.

[17] Inconsistent definitions currently appear on the BoT website and official documents, e.g. budget documents.

to the BoT Act (SB, MEFP¶45) will contribute to more robust policy formulation and central bank independence (see below), while the BoT should also reduce its financing of the government (which, as of March 2025, was 11.7 percent of the previous year's fiscal revenue, below the legislated limit of 18 percent) in order to limit inflation risks and foster money market development.

21. Enhanced exchange rate flexibility is a key pillar of the new monetary policy framework. The *de facto* exchange rate arrangement was reclassified to "floating" (from "crawl-like") in November 2024. Given strong seasonal fluctuations in forex flows, the FXI policy and IFEM code of conduct (both completed ECF SBs), as well as the BoT's commitment to conduct auctions based on more competitive criteria, are important steps to reduce incentives for parallel market transactions, support FX market deepening, and improve price discovery. While BoT's FX sales through auctions have increased transparency and are in line with the objectives of the FXI policy, auction rules could be strengthened to enhance competition.[18] In addition, a recent FX regulation specifying that transactions within Tanzania must be conducted in TZS requires further clarification, including on penalties and application to non-residents, and the authorities should continue to engage with affected sectors regarding potential risks and concerns (e.g., exchange rate and competition risks).[19] More broadly, ongoing communication with market participants will be important to reinforce understanding of recent policy changes.

22. Two multiple currency practices (MCP) and three exchange restrictions that are subject to Article VIII predate the ECF arrangement and should be removed. The two MCPs arise from (i) a requirement that transactions in the retail market over a certain threshold (currently US$1 million) be traded within the interbank prevailing quoted rates (which aimed to better align retail and IFEM rates), and (ii) the long-standing use of a one-day lagged exchange rate for the BOT's forex transactions with the government, where such rate is not derived from transactions representative of the forex market. Neither MCP is economically significant as they do not have practical effect while the IFEM and retail exchange rates are aligned, which is currently the case. However, they should be removed, and could become economically significant if the IFEM and retail market rates were to sufficiently diverge in the future.[20] The authorities do not request, and staff does not recommend, approval of these measures.[21]

[18] The limit on maximum bid amounts of 20 percent by any single bank deviates from best practice and should be removed. As this limit creates market segmentation, the BoT's FX auctions are an official action under the MCP policy (IMF 2023, paragraph 8(ii)).

[19] To the extent that the new FX regulation applies to non-residents, the authorities should consider issuing the regulation and penalties in English and other relevant languages, particularly as the new regulation creates an offense.

[20] Breaches of the permissible spread relating to the two MPCs most recently occurred on January 31 and February 19, 2025, respectively (in amounts of TZS 5 and 4).

[21] The exchange restrictions arise from requirements relating to (i) tax clearance certificates, (ii) importers having to report consignment delays (for BOP statistics reasons), and (iii) letters of credit for forex payments for transit cargos.

Box 3. EAC Monetary Policy Frameworks

This box compares aspects of monetary policy frameworks in Tanzania and three EAC peers, to provide regional context given EAC integration and coordination efforts. The countries in Table 1 use inflation targets and policy interest rates, with interest rate corridors for operational targets (interbank cash rates). However, the frameworks differ in key aspects, such as the use of standing facilities and interest rate corridor width. As Tanzania's liquidity management framework evolves, clear communication of the purpose, and terms and conditions of each instrument, is necessary to facilitate understanding of Tanzania's policy framework relative to EAC peers.

Box 3. Table 1. Monetary Policy Frameworks and Liquidity Management Instruments

	Tanzania	Kenya	Uganda	Rwanda
Inflation target / objective	In the medium term (up to 5 years), the inflation target is 5 percent.	CPI inflation of 5 percent plus/minus 2.5 percent.	Medium-term core inflation of 5 percent +/- 3 percent.	Maintain CPI inflation within 2-8 percent; medium term target of 5 percent.
Policy rate	Central Bank Rate (CBR)	CBR	CBR	CBR
Operating target	7-day interbank rate	Interbank rate	7-day interbank rate	7-day interbank rate
Corridor	CBR +/-200 bp	CBR +/-75 bp (April 2025)	CBR +/-200 bp	CBR +/-100 bp
Liquidity management instruments	Repo/reverse repo. BoT may also sell/buy debt securities (liquidity papers) or FX.	Repo/reverse repo, Term Auction Deposits (TAD), FX transactions	Repo/reverse repo, Bank of Uganda (BOU) bills, FX swaps, sales/purchases of securities in the secondary market	Repo/reverse repo, Central Bank Bills.
Standing facility	Intraday Loan Facility and the overnight Lombard loan facility (CBR+200 bp)	No automatic standing facility.	Standing Lending Facility (an overnight facility, which has been used to meet the CRR).	Standing Lending Facility (overnight). Overnight deposit facility.
Reserve requirements	Statutory Minimum Reserve requirement	Cash Reserve Ratio, in percent of total deposit liabilities.	Cash Reserve Requirement (CRR)	Reserve requirement, in percent of the reserve requirement base.
Discount window	Rediscount rate set at 8.5 percent, as of May 2025.	Discount window (overnight facility). Discount rate is CBR+75 bp, as of April 2025	Rediscount rate and bank rate, set at CBR+300bp and CBR+400bp respectively as of May 2025.	Refinancing facility (for up to 30 days)

Sources: Central bank websites, 2023 AREAER reports. The table does not aim to provide a comprehensive description of monetary policy frameworks.

Upgrading the Financial Sector Policy Framework

23. Ongoing efforts to upgrade financial supervision will help enhance financial stability and deepening. The completion of the migration to Basel II/III risk-based bank supervision (RBS) as of April 2025 is commendable. In particular, the BoT has developed a single risk-based rating system (completed SB, end-December 2024), which it plans to implement by end-2025 (MEFP¶39). The BoT is also enhancing its capacity to implement prudential regulations, stress testing, climate-related risk analysis, and macro-financial analysis. Looking ahead, the authorities should enhance the monitoring of large exposures, introduce an FX liquidity coverage ratio, and consider implementing reserve requirements in FX. Strict enforcement of regulatory requirements will be important to contain risks of distress among smaller banks (Annex IV).

24. The authorities have improved their capacity to manage bank distress and crisis preparedness. Since the 2018 FSAP, several key improvements have been made, including the issuance of new Capital Adequacy, Liquidity Management, and Prompt Corrective Action Regulations in line with Basel II/III in October 2023. The BoT has also prepared an Emergency Liquidity Assistance (ELA) framework, including ELA collateral and governance improvements, which is expected to become effective by end-September 2025 (SB, MEFP¶39). The BoT, in collaboration with other financial regulators, chairs the *Tanzania Financial Stability Forum* (TFSF) to coordinate and ensure effective bank resolution and financial crisis management, among others. Financial regulators have finalized their sector-specific crisis management frameworks, and the TFSF plans to work on a national crisis management plan from June 2025. Finally, the authorities are reviewing the mandate of the *Deposit Insurance Board*, with the objective of strengthening the deposit insurance system.

Authorities' Views

25. The authorities agreed that a cautious policy mix is needed to safeguard macro-financial stability. They adopted urgent fiscal measures to ensure that end-June 2025 program targets are met, are strongly committed to achieving fiscal consolidation in FY25/26 and enhancing Tanzania's revenue potential, and noted that social spending needs to be sustained. The authorities expected to maintain a prudent monetary policy stance this year, standing ready to adjust it as needed, while further improving monetary policy operations. The authorities assessed that the parallel exchange market had ceased and reaffirmed their commitment to exchange rate flexibility. They were satisfied with the implementation of Basel II and III and expected the new RBS rating system to be effective by the end of 2025.

26. The authorities noted that the MCP findings and the measures giving rise to MCP do not have practical effect as the retail and IFEM exchange rates are aligned. They emphasized that the three measures on (i) tax clearance certificates, (ii) importers having to report consignment delays, and (iii) letters of credit for forex payments for transit cargos, are not intended to restrict payments and transfers for current international transactions.

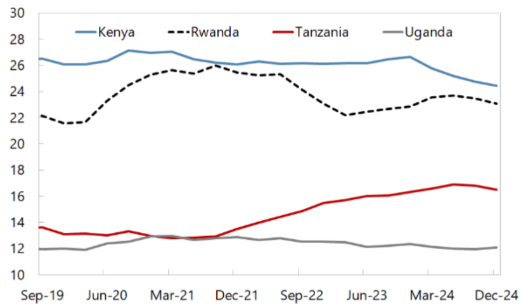
B. Promoting Inclusive and Resilient Private Sector-Led Growth

27. Despite robust economic growth, Tanzania's private sector remains underdeveloped and total factor productivity has been declining. Growth has been driven by significant capital accumulation, but estimated productivity gains are low, consistent with slow structural transformation: most jobs are in low-productivity agriculture, while industrialization is still at an early stage of development (Annex V). Business creation and the availability of finance are well below neighboring countries, pointing to an urgent need to address obstacles to more efficient resource allocation in the economy (Text Figure 6).

Text Figure 6. Private Sector Development

Private Sector Credit to GDP Ratio

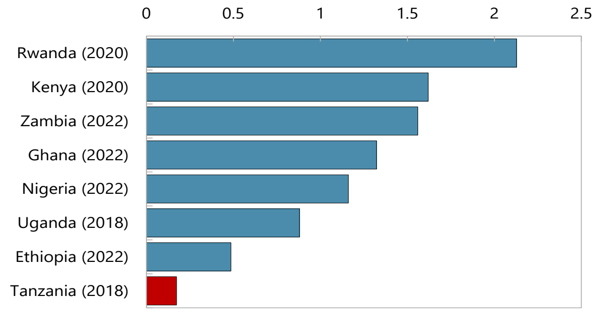
(Rolling 4 Quarter Ratios, in Percent)



Source: Haver, IMF staff calculations.

New Business Density Rate

(New Business per 1,000 Adults)



Source: World Economic Entrepreneurship Database (latest available year), and *Country Economic Memorandum* December 2023

28. Indicators of inclusive growth are improving, but Tanzania lags emerging market and developing economies (EMDE) averages in key areas (Text Table 3). Progress is being made in governance, with several indicators comparable with or ahead of EMDE averages, while labor market indicators appear strong. Yet, other inclusive growth indicators remain behind EMDE averages, particularly for poverty and inequality, and education and health. Despite progress, reducing gaps in gender policies to address talent misallocation also remains a priority, particularly in the areas of economic empowerment of women, ending child marriage, and addressing gender-based violence.[22]

Text Table 3. Tanzania: Inclusive Growth Indicators

	Indicator		EMDE Average 2/	SSA Average
Growth				
GDP per capita growth (percent; 2014-23 average)	1.8		1.5	0.8
Gross Fixed Capital Formation (percent of GDP; 2014-23 average)	42.1		23.1	22.1
Poverty and Inequality				
Poverty headcount ratio at $5.50/day (percent of population; 2018)	92.3	⇧	29.3	91.0
Income share held by highest 10% (2018)	33.1	⇩	29.7	34.3
GINI Index (2018)	40.5	⇩	38.2	44.5
Growth in mean consumption (growth, %, bottom 40th percentile, 2018)	-0.2		3.3	0.03
Labor Markets (ILO estimates)				
Unemployment rate (% of total labor force, 2023)	2.6	⇧	8.4	8.9
Female unemployment (% of female labor force, 2023)	3.5	⇧	9.0	10.3
Youth unemployment (% of total labor force ages 15-24, 2023)	3.5	⇧	16.4	16.6
Labor force participation (% of total population ages 15+, 2023)	81.4	⇧	64.1	62.6
Female (% of female population ages 15+, 2023)	77.1	⇧	58.1	55.8
Youth (% of population ages 15-24, 2023)	66.1	⇧	47.0	40.4
Female employment to population ratio (%, 2023)	74.5	⇧	54.8	50.8
Government				
Commitment to reducing inequality index (2024)	0.4	⇧	0.5	0.4
Coverage of social safety net programs in poorest quintile (% population, 2014)	8.7		59.0	34.5
Government expenditure on education, total (% GDP, 2023)	3.3	⇧	4.3	4.8
Health expenditure, domestic general government (% of GDP, 2021)	0.9	⇧	2.9	1.9

	Indicator		EMDE Average 2/	SSA Average
Human Development and Access to Services				
Human Development Index (2022)	0.5	⇧	0.7	0.5
Life expectancy at birth (years, 2022)	66.8	⇧	68.5	60.6
Prevalence of stunting (% of children under 5, 2022)	30.0	⇧	17.7	32.3
Child mortality (per 1,000, 2022)	40.5	⇧	34.0	59.1
Access to electricity (% of population, 2022)	45.8	⇧	81.2	54.1
Net school enrollment, secondary, total (% population, 2018)	26.5	⇧	68.4	57.2
Net school enrollment, secondary (female vs male, %, 2018)	105.9	⇧	102.7	103.3
Individuals using internet (% population, 2022)	31.9	⇧	13.8	18.0
Literacy rate (% population, 2022)	82.0	⇧	82.5	68.5
Literacy rate (female vs male, %, 2022)	92.0	⇧	92.2	93.1
Gender Gap Index (2024)	0.7	⇧	0.7	0.7
Access to Finance				
Account at a financial institution (% age 15+, 2021)	52.4	⇧	43.7	58.8
Account at a financial institution (female vs male, %, 2017)	77.5	⇩	72.2	79.9
Domestic credit to private sector (% GDP, 2023)	16.3	⇧	40.9	41.17
Governance[1]				
Government Effectiveness (WGI, 2023)[3]	-0.46	⇧	-0.49	-0.82
Regulatory Quality (WGI, 2023)[3]	-0.59	⇧	-0.48	-0.77
Rule of Law (WGI, 2023)[3]	-0.37	⇧	-0.48	-0.76
Control of Corruption (WGI, 2023)[3]	-0.32	⇧	-0.46	-0.65
Corruption Perceptions Index Score (2024)	41.0	⇧	35.2	32.5

Better than or above EMDE Average

Improvement / increase since previous observation ⇧/⇧

Worse than EMDE Average

Deterioration since previous observation ⇩

Sources: IMF World Economic Outlook, World Bank, World Economic Forum, International Labor Organization, Transparency International, UNDP, Oxfam International.

1/ Indicators use official sources and surveys to summarize perceptions of the quality of governance and business environments. Higher scores indicate better governance.

2/ Simple (non-weighted) average.

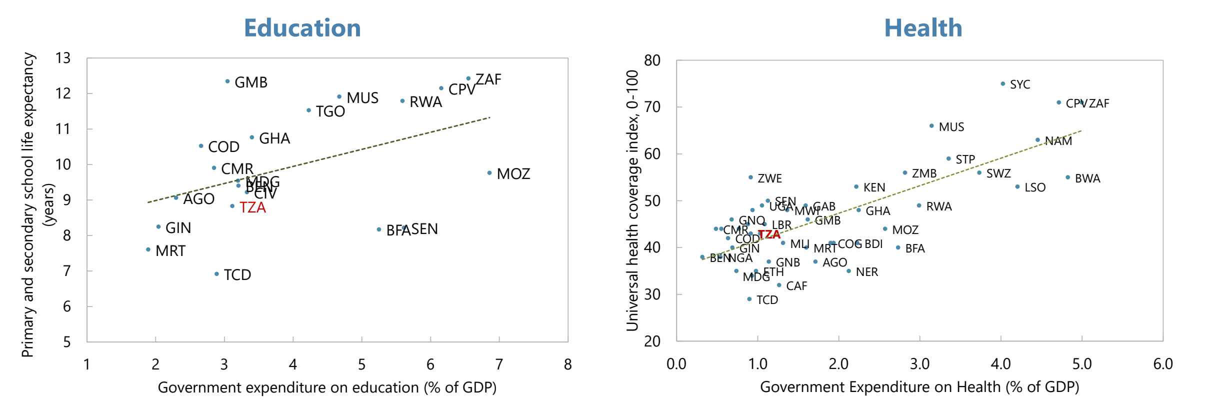
3/ Comparison period for WGI indicators is 2018-2023.

[22] IMF Country Report No. 24/349 Annex III.

Prioritizing Health and Education Needs

29. To foster more inclusive growth, significantly higher resources need to be allocated to human capital development.[23] Tanzania's population growth rate (2.9 percent annually) is one of the fastest in the world, and over 70 percent of the population is under the age of 30. While PSS has increased, government spending on education and health has only marginally improved over the last few years and remains low even by regional standards, contributing to poor education and health outcomes (Text Figure 7). In the FY25/26 budget, the budget allocations to education and health would each increase by 0.1 ppts of GDP. However, education and health spending would need to increase by an additional 4.2 and 2.1 percent of GDP respectively over the next five years to meet SDGs 3 and 4.[24] Rebalancing spending to address acute human resource shortfalls in teachers and health workers is essential to expand the quality of social services. Additionally, focusing on basic education and preventive and community health care would help improve spending efficiency. Social safety nets should also be strengthened, including by broadening access to the *Tanzanian Social Action Fund* (TASAF) program to all eligible families.[25] Since the TASAF program is almost entirely donor-funded, and given the current decline of foreign aid, a greater share of financing for these critical investments needs to come from stepped up domestic revenue mobilization and reallocation from non-priority spending.

Text Figure 7. Education and Health Systems in Sub-Saharan Africa, 2021



Source: UNESCO

Source: World Development Indicators, World Bank

Addressing Constraints to Private Sector Growth and Job Creation

30. Progress has been made to improve public sector governance in recent years. Several institutions have been strengthened (including to address issues raised in the 2022 PEFA), and

[23] See Selected Issues Paper, Chapter II.

[24] This would be to reach the level of coverage and quality of services of the top performing countries among LICs, and an SDG3 index of at least 75 and an SDG4 index of at least 87.

[25] The TASAF program supports households under the *extreme* poverty line (8 percent of households). Currently, 20 percent of households under the poverty line are not covered by any social safety net. As part of an RSF reform measure (RM4), the authorities are reviewing the *Productive Social Safety Net* register to include households who could fall under the extreme poverty line if climate and disaster risks materialize.

governance indicators have improved. However, further efforts are needed to bolster independence and transparency. In particular:

- **Judicial capacity.** Ensuring the judicial system is perceived as strong and impartial is critical to private sector development and investor confidence. Efforts have been underway since 2015 to reform and modernize the judicial system, including with World Bank assistance, focusing on improving accessibility and efficiency. This work has included the introduction of new ICT systems (e.g., an electronic case management system), increased court infrastructure (including mobile courts), and a judicial performance system, leading to positive results in terms of reduced case backlog, reduced time from filing to disposition, and online publication of decisions.[26]

- **Anti-corruption measures.** Building on recent progress, the authorities are taking steps to further mitigate governance and corruption vulnerabilities. Steadfast implementation of the National Anti-Corruption Strategy and Action Plan requires further strengthening the independence and institutional capacity of the *Prevention and Combatting of Corruption Bureau* (PCCB) and *National Audit Office*. PCCB's annual reports and the asset declarations of high-risk public officials should be made publicly available to uphold trust in the public sector.

- **AML/CFT framework.** The authorities have implemented all 21 items in the FATF-approved Action Plan and, following a high-level on-site visit by the FATF in April 2025, a delisting of Tanzania was approved in the June 2025 FATF Plenary. Going forward, sustained AML/CFT reforms will be essential to further improve formality, integrity and transparency across the economy. In particular, risk-based AML/CFT supervision of the real estate sector should be strengthened, including by addressing resource constraints under the current supervisory arrangement and ultimately establishing a dedicated supervisory authority.

31. Nonetheless, in several key areas, resolute reforms are still needed to establish a supportive environment for private sector development (Box 4).[27] Priorities reform areas include:

- **Tax administration.** Continued efforts are needed to strengthen the *Tanzania Revenue Authority's* (TRA's) operational efficiency, modernize tax systems, leverage digitalization to simplify tax compliance, and enhance tax transparency and predictability. Expediting VAT refunds through full automation (SB, MEFP¶30), amendments of the VAT Act to provide timelines for payments of valid VAT refund claims (new SB, MEFP¶30),[28] and more risk-based auditing,[29] would also help improve the business environment and trust in the tax system. The

[26] See *Comprehensive Report of the Judicial Functions – 2023*, Judiciary of Tanzania.

[27] See *Privatizing Growth: A Country Economic Memorandum for the United Republic of Tanzania*, World Bank, 2023.

[28] The proposed amendment of the VAT Act in FY24/25 (end-June 2024 SB) was not approved by Parliament as automation of the VAT refund process was considered to be a precondition.

[29] VAT refund claimants are currently required to submit a *Certificate of Genuineness* from a TRA-registered tax consultant, effectively auditing all refunds before they are paid, irrespective of risk, and adding to taxpayers' cost of compliance.

income tax on companies with perpetual unrelieved loss for three consecutive years should be repealed as it penalizes startup companies.[30]

- **Business regulations.** Guided by the *Blueprint for Regulatory Reforms* (Blueprint) and FYDP III, various regulations amended since 2022 have improved the business environment (MEFP¶31). However, modest gains were achieved in terms of: (i) reducing fees and streamlining processes; (ii) introducing electronic systems and one-stop centers; and (iii) consolidating and harmonizing regulations. The recently published timetable for outstanding reforms under the *Blueprint* (SB, MEFP¶32) confirms the need to accelerate implementation. The authorities have started preparing a new set of regulatory reforms (Blueprint II), expected to be launched by end-June 2026 (MEFP¶32). In this context, decisive progress is needed to further streamline business regulations, consolidate regulatory institutions, and launch new electronic platforms.[31]

- **Access to finance and credit growth.** While financial inclusion benefits from the rapid development of mobile money services, access to finance remains a key impediment to private sector development and Tanzania has low levels of private sector credit compared to peers. Lenders can experience lengthy delays in enforcing asset recovery following defaults,[32] highlighting the need to: (i) enhance the insolvency framework, including voluntary out-of-court workout mechanisms, and (ii) improve the reliability of land registry and documentation of land occupancy rights. Importantly, the authorities are in the process of strengthening personal identification to assist KYC and creating a movable asset registry as part of a draft *Secured Transactions Act* (SB, MEFP¶40*).* Finally, credit deepening also requires the development of domestic capital markets, which are still nascent.

- **Infrastructure.** Empirical analysis shows that frequent power outages and limited access to transport infrastructure are associated with low private sector productivity. In this regard, the authorities' ongoing investment in power, roads and railway infrastructure would help improve the business environment. Improvements in the reliability of electricity service require investments in grid stabilization, network rehabilitation, reinforcement, and digital technologies to enhance operational flexibility. Ensuring that electricity tariffs are cost reflective would enable TANESCO to perform the required operations and maintenance without relying on budget support from the government.

[30] Although the intended objective is to discourage use of aggressive tax planning by generating consistent losses, tax manipulators can still avoid paying taxes by generating very small profits rather than losses.

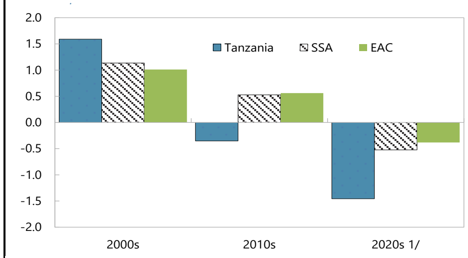
[31] Such platforms include the *Government Electronic Payment Gateway* (GePG), *Government Enterprise Service Bus* (GoVESB), and *Tanzania Electronic Single Window System* (TeSWS).

[32] The World Bank's 2024 B-Ready report highlights weaknesses in judicial proceedings for liquidation and reorganization that are necessary for structured debt resolution processes and effective creditor and debtor regimes.

Box 4. The Business Environment and Productivity Growth in Tanzania[1]

Tanzania's robust economic growth in the past two decades has been characterized by declining productivity growth and a slowdown in structural transformation. Real GDP growth was largely driven by investment in fixed capital, in particular by the public sector. The contribution of TFP growth to real GDP growth declined from 1.6 ppts in the 2000s to -0.1 ppts in the 2010s and further to -2 during 2020-23. While the slowdown in TFP growth since the 2000s was a global phenomenon, Tanzania's TFP growth lagged significantly that of countries in the Eastern Africa Community and Sub-Saharan Africa. A recent study finds that the contribution of structural change to total labor productivity declined from 72 percent during 2006-2014 to -5 percent during 2014-2021, implying that 105 percent of labor productivity during 2014-2021 was driven by within-sector productivity gains (World Bank, 2023).

Box 4. Figure 1. TFP Growth
(In Percent)



1/Reflect data for 2020-23. Excluding Tanzania.
Sources: Tanzania MTRS.

Staff analysis shows that shortcomings in the business environment are associated with declining productivity growth. Using firm-level data on the manufacturing sector, the study finds statistically significant evidence that cumbersome tax administration, limited access to finance, and limited access to transport are associated with lower firm TFP in the manufacturing sector. While regression coefficients are not statistically significant, negative associations between TFP and the regulatory burden, as well as power outage, are also evident in non-parametric relationships.

Rebooting productivity growth and unlocking Tanzania's growth potential requires steadfast implementation of reforms to address shortcomings in the business environment. Priorities should include:

- *Improving access to finance.* Reforms should facilitate access to finance for the private sector, including by expanding the quality of credit information, establishing a legal framework for collateral secured transactions and collateral registries, and upgrading the digital infrastructure (e.g. payment systems, digital ID, and data sharing) to expand digital financial services.
- *Enhancing the efficiency of tax administration*. Continuing to automate tax systems, strengthen the risk-based compliance management framework, and increase the capacity of the TRA would be key to reduce the need for in-person meetings and to improve the efficiency of the tax system.
- *Easing the regulatory burden*. Building on recent progress, more decisive efforts are needed to streamline regulatory requirements, avoid regulatory loopholes and duplications, consolidate regulatory agencies, and automate regulatory procedures, including along the lines envisaged by the authorities under *Blueprint II*.
- *Upgrading infrastructure*. Improvements in the reliability of electricity service require investments in grid stabilization, network rehabilitation, reinforcement, and digital technologies to enhance operational flexibility. Ensuring that electricity tariffs are cost reflective would enable TANESCO to perform the required operations and maintenance without relying on budget support from the government. Ongoing investments in road and railway infrastructure will also help ease constraints on transport infrastructure.

[1] See Selected Issues Paper, Chapter I.

Enhancing Resilience to Climate Change

32. **Reforms to enhance resilience to climate change are progressing well**, supported by the RSF arrangement and technical assistance from the IMF and other partners (MEFP¶41-42). Reform priorities 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.

33. **Additional climate finance will be critical to implement the authorities' ambitious reform agenda.** Tanzania is one of the few countries with an accredited institution to directly access global climate funds.[33] However, climate-related funding mobilized so far has been minimal compared to investment needs, which are estimated by the authorities at about US$19 billion.[34] Raising such large amounts requires a concerted effort and multi-pronged approach, including domestic revenue mobilization and accessing both concessional donor funding and private sector sources. The upcoming climate finance roundtable, being organized by the authorities in collaboration with the IMF and the World Bank, will be an opportunity for the authorities to make a strong case for both concessional and private sector funding.

Authorities' Views

34. **The authorities welcomed staff's recommendations to address challenges to private sector development and long-term growth**. They noted that improving education and health outcomes is their top priority and highlighted recent improvements to governance and business regulations under Blueprint I, while acknowledging that more efforts are needed. In this regard, the authorities are engaging with stakeholders, including the private sector, to identify priorities for *Blueprint II* and the upcoming *Fourth Five Year Development Plan* (FYDPIV). They agreed on the importance of improved access to finance and resilience against climate change.

DATA ADEQUACY

35. **Data provision has some shortcomings but is broadly adequate for surveillance** (Annex VII). Further strengthening data quality and dissemination would provide a more accurate basis for economic policy decisions, enhance policy credibility, and attract investment. In particular, the mission highlighted the need to improve the coverage and timeliness of national accounts data, the granularity of balance of payments data, and inter-sectoral data consistency.

[33] The OECD climate finance database reports that between 2015 and 2020, Tanzania benefited from commitments of US$3.8 billion for climate-related projects, in the form of grants (45 percent) and debt instruments (55 percent, of which 93 percent are concessional).

[34] See *2021 Nationally Determined Contribution* (NDC).

Authorities' Views

36. While agreeing on the need to further improve national statistics, the authorities highlighted progress made in addressing gaps identified by staff. They highlighted that quarterly national statistics are released with a quarter lag, in line with international best practices, and pointed to recent progress in reconciling national accounts with external sector statistics.

PROGRAM MATTERS AND OTHER ISSUES

Program Modalities

37. Program modalities remain unchanged. The ECF program will continue to be monitored on a semi-annual basis through ITs, QPCs, and SBs. 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 is also monitored through semi-annual reviews, concurrently with ECF reviews (Tables 8 and 10). RSF financing substitutes for more expensive domestic budget financing. From a balance of payments standpoint, RSF disbursements are used to build international reserves.

38. The authorities agreed to set two new structural benchmarks for the remainder of the ECF arrangement. These SBs aim to (i) strengthen the integrity of the tax system by shortening VAT refund timelines, and (ii) improve public investment management by revising the PIM-OM with clear methodologies for appraisal of public investment projects. The authorities reaffirmed their commitment to the reform program and continued close engagement with the Fund through information sharing and technical assistance.

Program Performance

39. The ECF program remained broadly on track. All QPCs and ITs for end-December 2024 and all ITs for end-March 2025, except for the domestic primary balance (floor), were met (MEFP Table 1). All continuous QPCs have also been met. The two end-December 2024 SBs—enhancing risk-based supervision and preparing and publishing a timetable for deregulation measures envisaged in the *Blueprint*—were completed on time. Out of the three end-March 2025 SBs, the amendment of the BoT Act was implemented with delay in early June, and the SBs on medium-term revenue strategy and drafting of a secured transactions Act are expected to be implemented with delay in time for the Executive Board's assessment for this review (MEFP Table 2).

40. The authorities are requesting modifications of end-June 2025 program targets. To accommodate the increased priority spending under the FY24/25 supplementary budget, the authorities are requesting to: (i) increase the domestic primary fiscal deficit (QPC floor); (ii) increase the priority social spending (IT floor); and (iii) reduce the domestic arrears (IT ceiling). The authorities are also requesting to modify the end-June SB on revenue measures to clarify that revenue yields are relative to FY24/25.

41. Implementation of RSF reform measures is progressing. Despite missing the indicative timelines, three of the five reform measures related to the current review (RM1, RM6, and RM7) have been implemented, with technical assistance from the Fund and other development partners (MEFP Table 3). The remaining two RMs (RM2 and RM3) are expected to be implemented in time for the Executive Board's assessment for this review.

- **RM1** was implemented: The Environmental Management Act was amended to clarify the institutional framework for climate change related policies. Looking ahead, additional regulations should be introduced to facilitate the implementation of the new framework.

- **RM2** is not implemented yet: Common climate scenarios and vulnerability maps have been prepared and made available online. However, a circular requiring the use of these maps and scenarios in land use planning and construction design has not yet been issued. The authorities plan to issue the circular in time for the Executive Board's assessment for this review.

- **RM3** is not implemented yet: A Disaster Risk Financing Framework (DRF) was developed, 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, but it is not yet formally adopted. The authorities plan to formally adopt the DRF in time for the Executive Board's assessment for this review.

- **RM 6 and 7** were both implemented. The FY25/26 budget documents include the outcome of climate assessment of climate-relevant projects (RM6) and assessment of natural disaster-related fiscal risks (RM7).

Program Financing

42. The program is fully financed through June 2026. The financing gap for FY26 is projected to be US$251 million and is expected to be financed by the ECF arrangement (SDR 113.37 million or about US$158 million) and budget support from the World Bank (US$100 million). Program co-financing by the World Bank and African Development Bank was frontloaded. The total financing gap, before ECF arrangement financing, for FY23-FY26 is estimated at US$2,695 million and is being covered by donor financing, including the ECF arrangement.

Text Table 4. 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**	**724**	**251**
In percent of GDP	*1.2*	*1.0*	*0.9*	*0.3*
2. Expected Budget Support	**609**	**500**	**423**	**100**
World Bank	500	500	250	100
Other donors	109	0	173	0
3. Residual Financing Gap (1-2)	**304**	**307**	**301**	**151**
4. IMF Financing	**304**	**307**	**301**	**151**
In percent of GDP	*0.4*	*0.4*	*0.4*	*0.2*
ECF (200 percent of quota)	304	307	301	151
Remaining financing gap	**0**	**0**	**0**	**0**

Source: IMF staff calculations.

43. The Debt Sustainability Analysis (DSA) indicates that the risk of external and overall debt distress is moderate, public debt is sustainable, and there is some space to absorb shocks.[35] The quantitative performance criterion (QPC) on the PV of newly 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 with relevant thresholds). The authorities met the test date targets for the second, third and fourth ECF reviews. The end-December 2024 target for the fifth ECF review and the end-March 2025 IT were also met.

44. 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 will peak at 0.2 percent of GDP (1 percent of exports of goods and services, or 3 percent of gross FX reserves) in FY31.

45. While progress in implementing safeguards recommendations has been ongoing, continued efforts are needed to ensure a strong safeguards framework at the BoT. The central bank has drafted amendments to the BoT Act to strengthen governance arrangements and personal and financial autonomy, which were recently submitted to Parliament (reset SB, MEFP¶45). An ELA framework has been prepared by the BoT and is expected to be implemented by September 2025 (SB, MEFP39). Other remaining recommendations relate to building IT capacity and conducting a review of the special loan program.

Other Issues

46. Capacity development priorities are aligned with program objectives (Annex VI). Recent Fund TA covered issues of taxation, climate policy (including disaster risk financing and

[35] 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.

climate aspects in investment project design and budgeting), PIMA (including a climate module), monetary policy, financial supervision, Government Finance Statistics, Public Sector Debt Statistics and National Accounts statistics.

47. Tanzania is a pilot country for the IMF-World Bank enhanced cooperation framework for scaled-up climate action. The framework leverages analytics, technical assistance, financing, and policy expertise from both institutions to help Tanzania mobilize private and public funding for climate action. Staff coordinated closely with the World Bank in the design of RSF reforms to identify synergies with World Bank operations, diagnostics, and CD activities, and push for ambitious policies and TA support for program implementation. These synergies are monitored through regular consultations with the World Bank (Tables 11 and 12).

STAFF APPRAISAL

48. Economic conditions and prospects have improved, supported by prudent macroeconomic management. Economic growth is expected to reach 6 percent in CY25 and 6½ percent over the medium term, underpinned by sustained economic reforms. Inflation would remain within the BoT's 5 percent target, while enhanced revenue mobilization would underpin continued fiscal prudence. The current account deficit is projected to remain moderate over the medium term.

49. The outlook is subject to significant risks and uncertainties. External risks include a slowdown in the global economy due to escalating trade tensions, further geoeconomic fragmentation, and reduced foreign development assistance. On the domestic front, election-related risks (including fiscal slippages), FX market pressures, or reform delays, could affect the outlook. Tanzania also faces downside risks from natural disasters. On the upside, over-performance in the tourism sector, commodity price increases, and accelerated reforms after the 2025 elections could boost economic prospects.

50. Program performance remained broadly on track. All QPCs and ITs for end-December 2024 and all ITs for end-March 2025, except for the domestic primary balance IT, were met. The two end-December 2024 SBs—enhancing risk-based supervision and preparing and publishing a timetable for deregulation measures envisaged in the Blueprint—were completed on time. Out of the three end-March 2025 SBs, the amendment of the BoT Act was implemented with delay, and the SBs on medium-term revenue strategy and drafting of a secured transactions Act are expected to be implemented with delay in time for the Executive Board's assessment for this review. Three reform measures related to the current RSF review (RM1, RM6, and RM7) were implemented, and two (RM2 and RM3) are expected to be met in time for the Executive Board's assessment for this review.

51. Resuming fiscal consolidation in FY25/26 will be essential, while further efforts are needed to strengthen domestic revenue mobilization and public financial management. The recent increases in public development spending, in the context of pressing needs to address critical social priorities and offset declining donor financing, highlight the importance of decisive efforts to enhance domestic revenue mobilization and improve the efficiency of public spending. The recently approved medium-term revenue strategy is a major opportunity in this regard. Ongoing efforts to strengthen public investment management are welcome and should allow to rebalance spending towards priority social sectors.

52. A neutral or mildly stimulative monetary policy stance remains appropriate at this juncture, and the effectiveness of monetary policy should be improved. The BoT should stand ready to adjust its stance if inflation pressures or downside risks to growth materialize. Regarding the new, interest rate-based monetary policy framework, key priorities are to strengthen monetary and liquidity management operations and enhance policy communication, including about the inflation target. The amendment of the BoT Act will contribute to more robust policy formulation and central bank independence.

53. Greater exchange rate flexibility is welcome and constitutes a key pillar of the new monetary policy framework. Tanzania's external position in 2024 is assessed to have been moderately stronger than the level implied by fundamentals and medium-term desirable policies, and the level of international reserves is currently adequate. Going forward, continuing to maintain adequate reserve levels and allowing exchange rate flexibility would help cushion the economy against external shocks. The authorities should remove the two MCPs that are maintained under Article VIII, Section 2(a) and predate the ECF program, and are encouraged to also remove the three exchange restrictions.

54. Ongoing progress in upgrading the financial supervision framework helps enhance financial sector stability and deepening. The recent adoption of Basel II & III supervisory and regulatory standards, and the introduction of a new rating system to underpin risk-based banking supervision (RBS), expected in 2026, are important steps. Priorities ahead include enhanced monitoring of large exposures, and implementation of an FX liquidity coverage ratio and of FX reserve requirements. Close regulatory enforcement will also be needed to contain risks of distress among smaller banks.

55. Resolute implementation of further structural reforms is critical to promote inclusive, resilient, and sustainable private sector-led growth. Reform implementation has been slow in recent years, and private sector dynamism remains hampered by widespread obstacles. Outstanding priorities include improving the efficiency of tax administration, easing the regulatory burden, promoting access to finance, upgrading infrastructure, continuing to strengthen judicial capacity, and implementing anti-corruption measures. The authorities' efforts to strengthen the AML/CFT framework are commendable and continued reforms, including to formalize risk-based AML/CFT supervision in the real estate sector, are warranted.

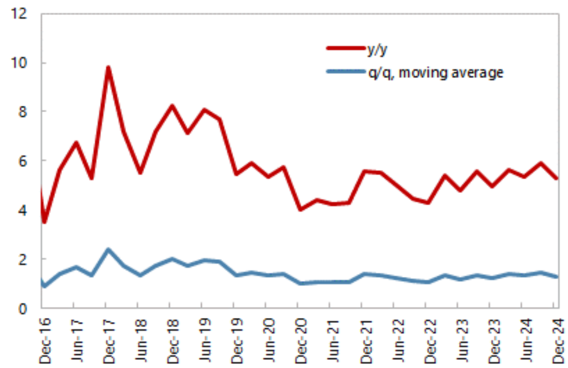
56. Data provision has some shortcomings but is broadly adequate for surveillance. To provide a sound basis for economic policy decisions, enhance policy credibility, and attract investment, it is important to continue strengthening data quality and dissemination. In particular, the coverage and timeliness national accounts data, the granularity of balance of payments data, and inter-sectoral consistency need improvement.

57. Staff supports the authorities' requests for completion of the fifth review of the ECF arrangement and second review of the RSF arrangement and modification of the end-June 2025 QPC on the domestic primary balance, ITs on PSS and domestic arrears, and SB on revenue measures. Completion of the fifth ECF review allows for the immediate disbursement of SDR 113.37 million (28.5 percent of quota) under the ECF arrangement and SDR 213.1 million (53.5 percent of quota) under the RSF arrangement. The next Article IV consultation is expected to be held within 24 months, in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

Figure 1. Real Sector Developments

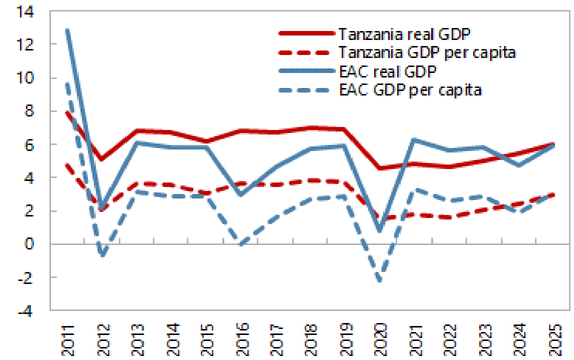
Growth has gradually picked up.

Recent Growth Trends
(Percent, y/y and q/q Moving Average)



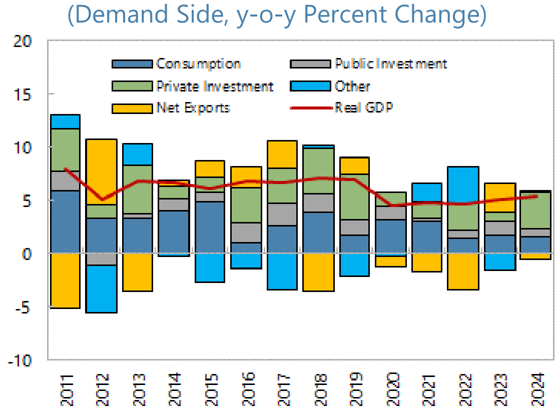
Real GDP and per capita growth has been stronger than EAC averages.

Real GDP and GDP per Capita
(y-o-y Percent Change, PPP 2017 dollars)



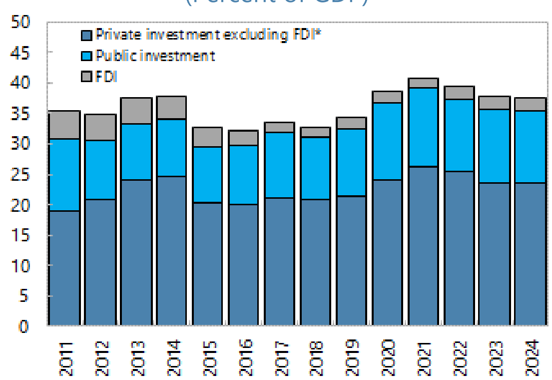
Improved net exports supported growth in 2023.

Contributions to Real GDP
(Demand Side, y-o-y Percent Change)



Private investment moderated while public investment continued to support growth.

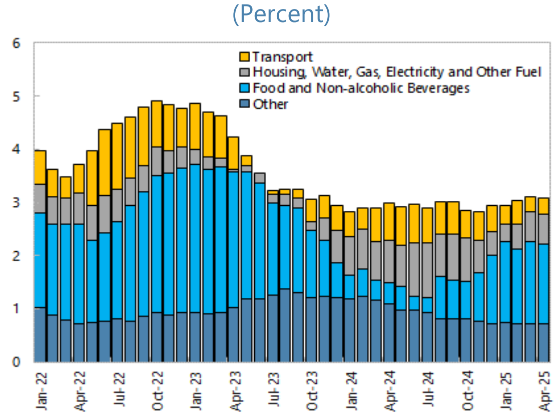
Investment
(Percent of GDP)



* Including changes in inventories

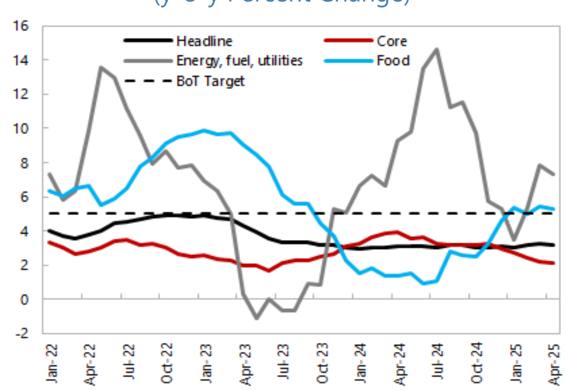
The recent rise in food price inflation has been offset by moderating energy, fuel and utility prices...

Contributions to Inflation
(Percent)



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

Inflation
(y-o-y Percent Change)



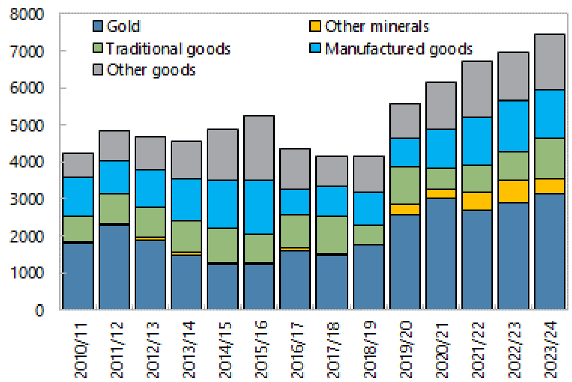
Sources: Tanzanian authorities; and IMF staff calculations and projections.

Figure 2. External Sector Developments

Exports of goods grew modestly in FY24 driven by gold and traditional exports...

Composition of Goods Exports

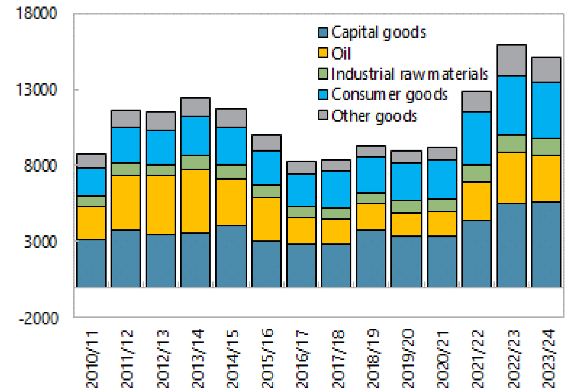
(Millions of USD)



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

Composition of Goods Imports

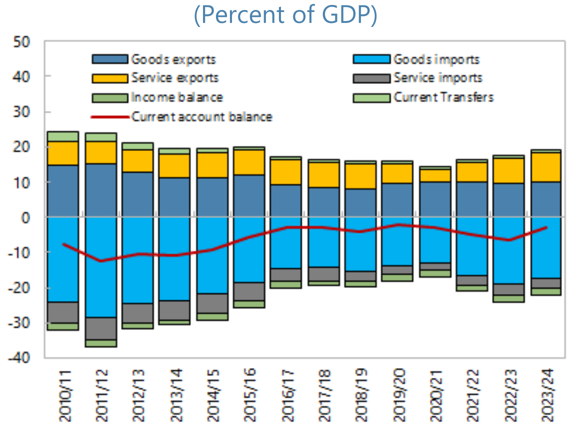
(Millions of USD)



The current account deficit narrowed in FY24...

Current Account Balance Decomposition

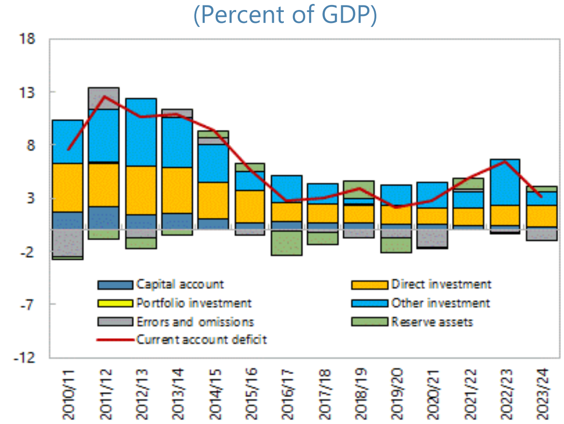
(Percent of GDP)



... and was financed mostly by FDI and private sector borrowing.

Current Account Deficit and Financing

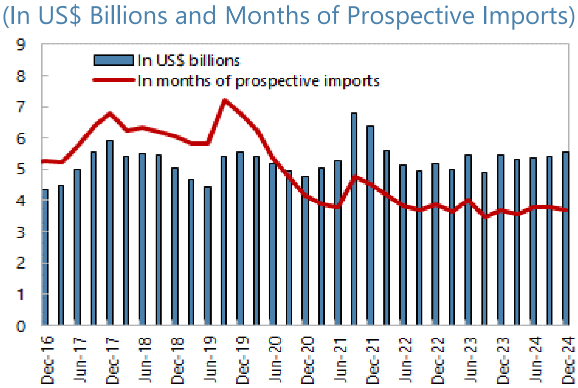
(Percent of GDP)



Reserves have remained stable ...

Gross International Reserves

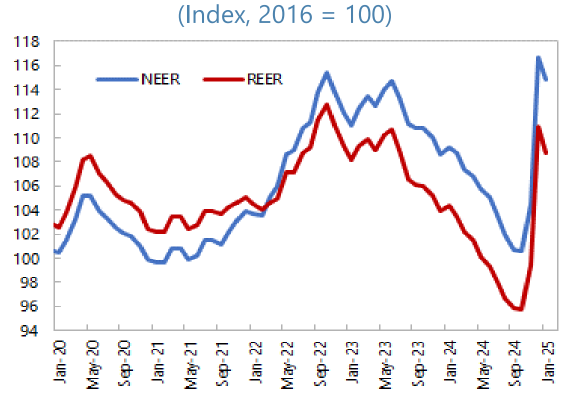
(In US$ Billions and Months of Prospective Imports)



...while the real and nominal effective exchange rates appreciated in the first half of FY25.

Real and Nominal Effective Exchange Rates

(Index, 2016 = 100)

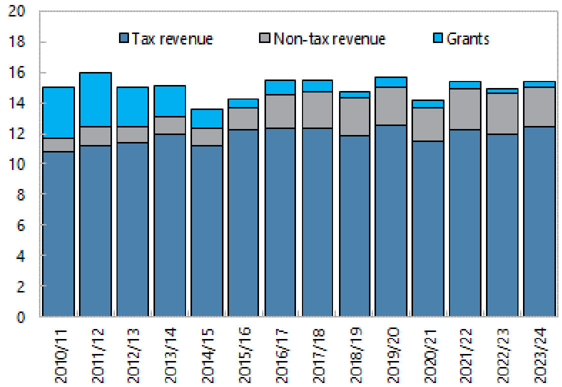


Sources: Tanzanian authorities; and IMF staff calculations and projections.

Figure 3. Fiscal Developments

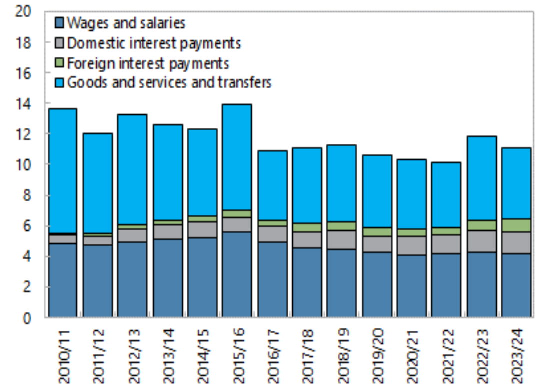
Domestic revenue mobilization improved in FY24…

Fiscal Revenues
(Percent of GDP)



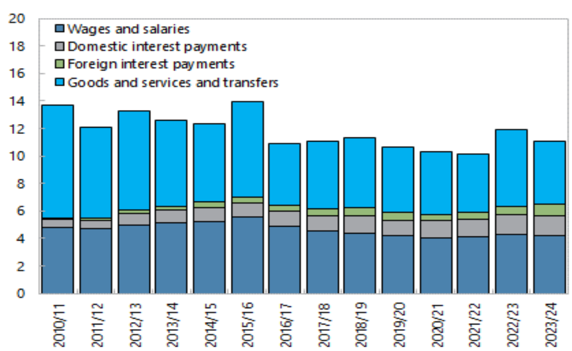
… while development expenditure remained stable…

Development Expenditure
(Percent of GDP)



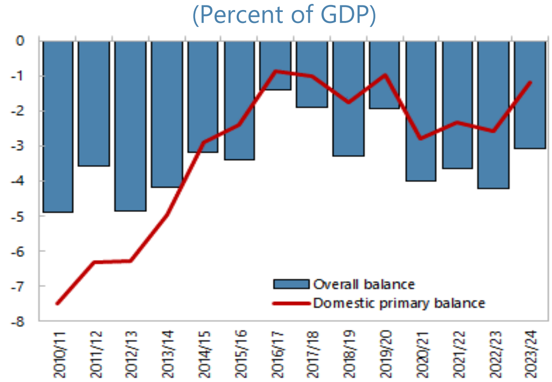
…and recurrent expenditure declined.

Current Expenditure
(Percent of GDP



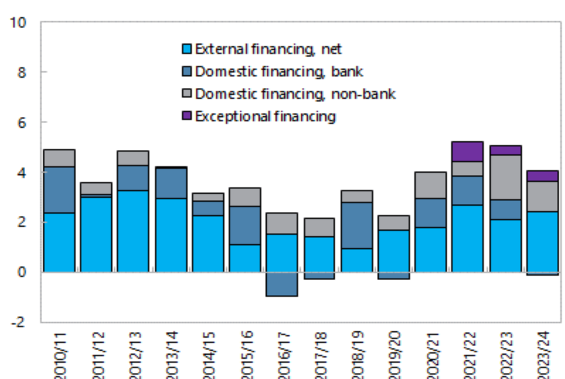
Consequently, the budget deficit narrowed in FY24.

Overall Balance and Primary Deficit
(Percent of GDP)



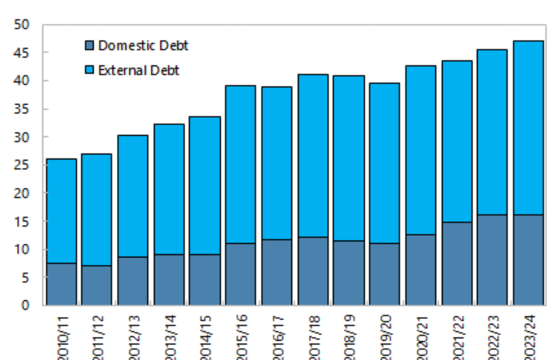
The deficit was financed mainly by external borrowing, …

Sources of Financing of Overall Balance
(Percent of GDP)



… leading to a continued increase in external debt.

Total Public Debt
(Percent of GDP)

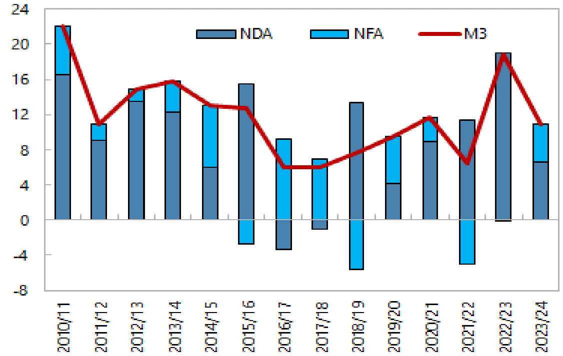


Sources: Tanzanian authorities; and IMF staff calculations and projections.

Figure 4. Monetary Developments

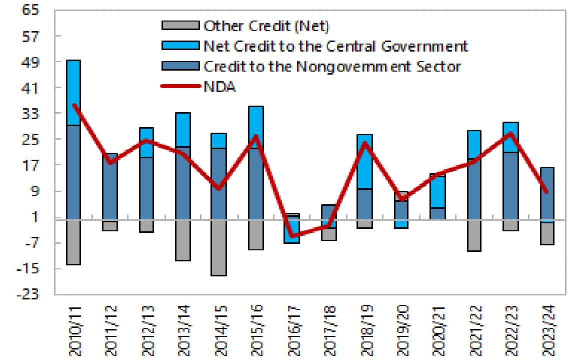
Monetary conditions tightened in FY24 ….

Contributions to Broad Money Growth
(y/y Percentage Change)



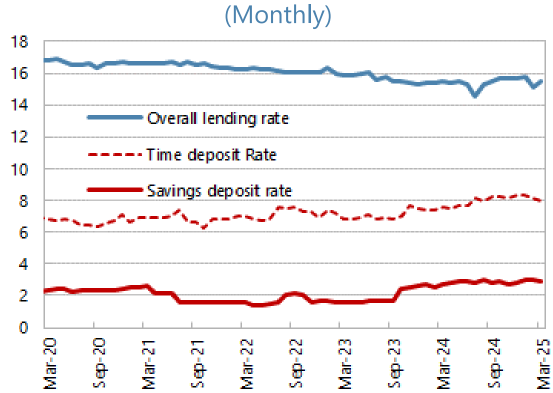
…contributing to a moderation in growth of credit to the private sector.

Contributions to Net Domestic Assets
(y/y Percentage Change)



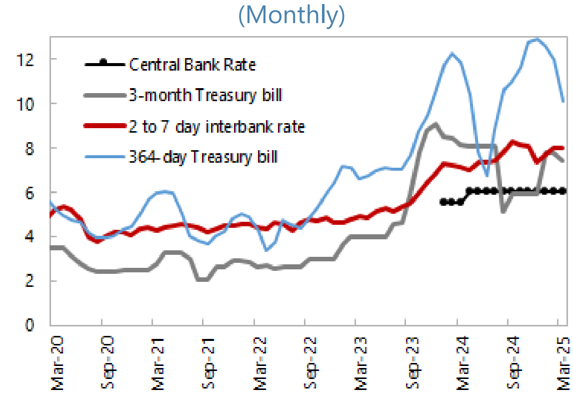
Lending and deposit rates have remained broadly stable.

Lending and Deposits Rates
(Monthly)



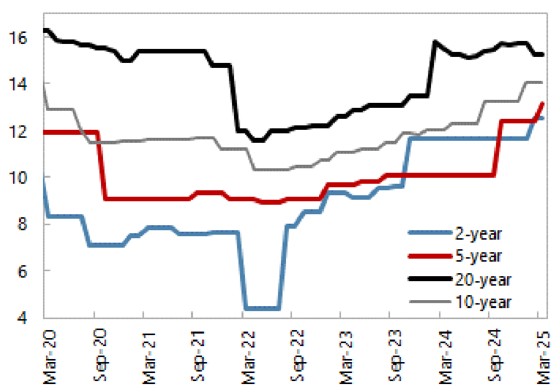
Short-term interest rates have increased in recent years.

Interest Rates
(Monthly)



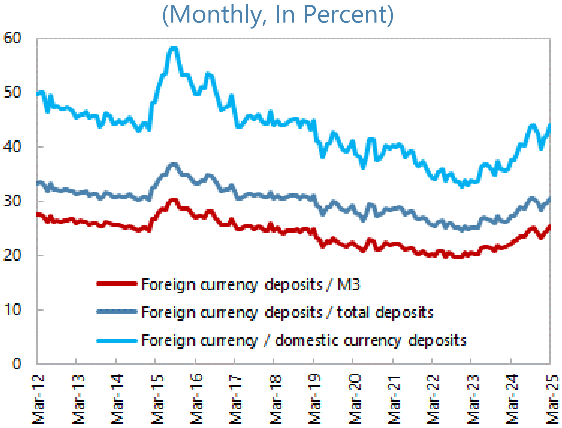
Government bond yields have also increased in recent years.

Government Bond Rates
(Monthly)



Deposit dollarization remains high.

Dollarization
(Monthly, In Percent)

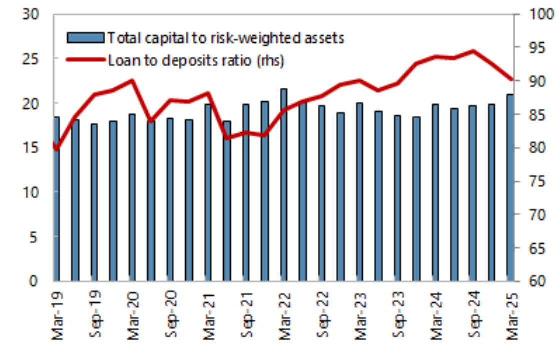


Sources: Tanzanian authorities; and IMF staff calculations.

Figure 5. Financial Sector Developments

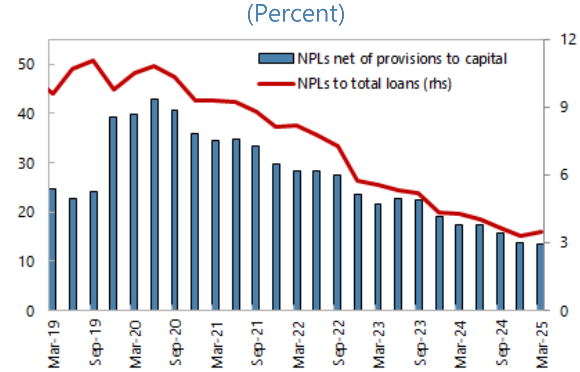
The banking sector remains well capitalized, and reliant on deposit funding.

Capital Adequacy and Loan to Deposit Ratio
(Percent)



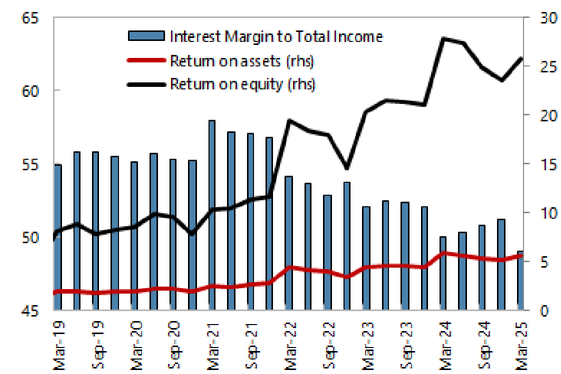
The NPL ratio has been significantly reduced in recent years.

Non-Performing Loans
(Percent)



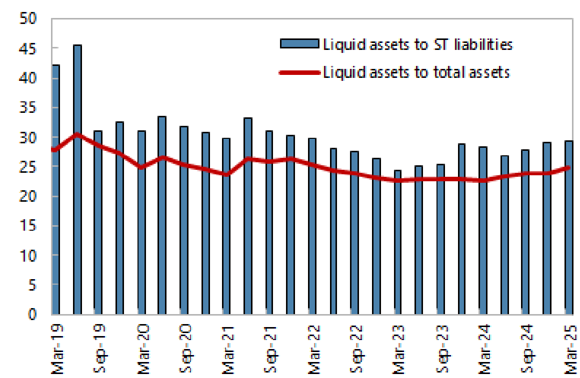
Bank profitability has been strong, even as the share of interest income declined.

Profitability and Source of Income
(Percent of Total Assets)



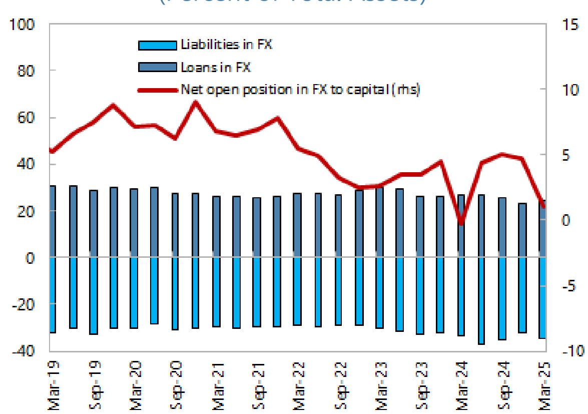
Liquidity in the sector remains adequate.

Liquid Assets Indicators
(Percent)



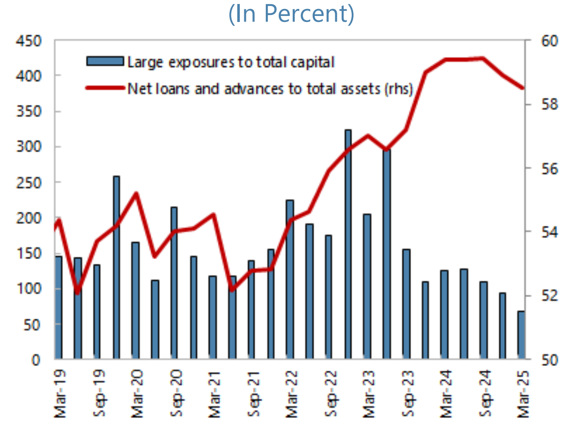
Banks remain significantly dollarized, while the net open FX position FSI declined in March.

FX Exposures
(Percent of Total Assets)



The share of loans in total assets and the ratio of large exposures to capital have recently declined.

Large Exposures 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.	4th Rev.	Proj.	4th 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	123.3	128.8	136.0	134.6	141.9	140.4	146.9	154.2	161.9	170.0
CPI (period average)[3]	3.3	4.0	4.6	3.1	3.8	3.3	4.0	3.7	4.0	4.0	4.0	4.0
CPI (end of period)[3]	3.6	4.4	3.6	3.1	4.0	3.5	4.0	3.6	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	8.9	8.5	14.5	4.5	6.6	0.1	-1.5	0.2	0.4
Exchange rate (period average, TSh/USD)	2,298	2,298	2,310	2,505	...	...	...	...	...	...	...	...
Real effective exchange rate (end of period; depreciation = -)	-4.0	4.3	3.3	-10.3	...	...	...	...	...	...	...	...
Money and Credit												
Broad money (M3, end of period)	11.7	6.5	18.8	10.9	11.1	11.1	11.1	11.6	12.1	12.6	13.1	13.1
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	13.0	13.5	14.0	14.5	14.5
Overall T-bill interest rate (percent; end of period)	4.9	4.6	6.5	6.8	...	...	...	...	...	...	...	...
Non-performing loans (percent of total loans, end of period)	9.2	7.8	5.3	4.1	...	...	...	...	...	...	...	...
	(Percent of GDP, unless otherwise indicated)											
Central Government Operations												
Revenues and grants	14.1	15.4	15.0	15.5	16.1	16.3	16.4	17.3	17.5	17.7	17.8	17.8
Of which: grants	0.5	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Expenditures	17.6	18.9	19.3	18.6	19.1	19.7	19.2	20.3	20.5	20.6	20.8	20.8
Current	10.3	10.1	11.9	11.2	12.3	12.7	12.4	13.0	13.4	13.6	13.8	13.8
Development	7.3	8.8	7.3	7.5	6.7	7.0	6.7	7.3	7.1	7.0	7.0	7.0
Overall balance	-4.5	-3.8	-4.3	-3.2	-3.0	-3.4	-2.8	-3.0	-3.0	-3.0	-3.1	-3.0
Excluding grants	-4.9	-4.2	-4.7	-3.5	-3.3	-3.8	-3.1	-3.5	-3.3	-3.3	-3.4	-3.3
Primary balance	-2.8	-2.0	-2.3	-0.9	-0.4	-0.8	-0.3	-0.3	-0.4	-0.4	-0.5	-0.5
Excluding grants	-3.3	-2.4	-2.6	-1.2	-0.7	-1.2	-0.7	-0.8	-0.7	-0.7	-0.8	-0.8
Public Debt												
Gross nominal debt	42.7	43.5	45.9	49.2	47.6	48.5	46.3	47.3	46.1	44.7	43.6	42.5
of which : external debt[4]	30.1	28.8	29.7	32.9	32.4	32.8	31.5	32.0	30.7	29.2	27.8	26.6
Investment and Savings												
Investment	39.7	40.0	38.1	37.1	37.9	37.4	38.8	38.4	39.5	40.8	41.9	42.8
Government[5]	12.9	12.4	12.1	12.1	11.5	12.0	11.3	12.0	11.9	11.7	11.7	11.7
Nongovernment[6]	26.8	27.6	26.0	24.9	26.4	25.5	27.5	26.4	27.6	29.0	30.2	31.2
Domestic savings	36.9	35.1	31.5	33.6	34.8	34.9	35.8	35.7	36.7	37.9	39.0	40.0
External Sector												
Exports (goods and services)	13.4	15.5	16.7	18.3	18.4	19.5	18.3	19.1	19.0	18.7	18.6	18.6
Imports (goods and services)	15.0	19.3	22.3	20.5	20.3	20.5	20.4	20.2	20.2	20.1	20.0	20.1
Current account balance	-2.8	-4.9	-6.6	-3.5	-3.1	-2.6	-3.1	-2.6	-2.8	-2.8	-2.8	-2.8
Excluding current transfers	-2.9	-5.0	-6.7	-3.7	-3.2	-2.7	-3.2	-2.7	-2.9	-2.9	-2.9	-2.9
Gross international reserves												
In billions of U.S. dollars	5.3	5.1	5.4	5.3	6.4	5.8	7.1	6.4	6.9	7.5	8.2	9.0
of which : SDR allocation		0.5										
In months of next year's imports	4.6	3.6	4.0	3.8	4.2	3.8	4.3	3.9	3.9	3.9	3.9	3.9
Memorandum Items:												
Calendar year real GDP growth (percent)[7]	4.8	4.7	5.1	5.5	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	178.8	196.3	219.4	217.0	243.0	240.7	268.1	299.7	335.1	374.2
Millions of U.S. dollars	65,669	71,069	76,270	78,802	83,069	82,695	89,747	89,406	97,079	106,436	116,726	127,821
GDP per capita (in U.S. dollars)	1,115	1,172	1,222	1,226	1,254	1,249	1,316	1,311	1,382	1,471	1,567	1,666
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.	4th Rev.	Proj.	4th 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	40.5	46.1	52.1	58.5	65.3
Tax revenue	17.3	20.0	21.4	24.8	28.2	28.0	31.9	32.3	36.7	41.6	46.8	52.2
Import duties	1.3	1.5	1.6	1.8	2.3	2.0	2.5	2.2	2.5	2.8	3.1	3.5
Value-added tax	5.0	5.3	6.2	6.6	7.5	7.4	8.5	8.5	9.9	11.6	13.3	14.8
Excises	2.7	2.9	2.9	3.5	4.3	4.1	4.9	4.9	5.5	6.1	6.8	7.6
Income taxes	6.0	7.5	7.6	9.1	10.0	10.2	11.0	11.7	13.3	14.9	16.7	18.6
Other taxes	2.3	2.8	3.1	3.7	4.2	4.3	4.9	4.9	5.5	6.1	6.9	7.7
Nontax revenue	3.3	4.4	4.8	5.1	6.4	6.6	7.0	8.2	9.4	10.5	11.7	13.1
Total Expenditure	26.6	30.9	34.4	36.6	41.8	42.8	46.6	48.8	55.0	61.9	69.8	77.8
Recurrent expenditure	15.5	16.5	21.4	21.9	27.1	27.5	30.2	31.3	35.9	40.9	46.3	51.7
Wages and salaries	6.1	6.8	7.7	8.3	10.6	9.6	12.3	10.9	12.9	15.1	17.5	19.5
Interest payments	2.5	2.8	3.7	4.5	5.6	5.6	5.9	6.5	7.1	7.8	8.7	9.7
Domestic	1.8	2.0	2.6	2.8	3.1	3.1	3.3	3.7	4.0	4.5	5.1	5.8
Foreign[1]	0.7	0.8	1.0	1.7	2.4	2.4	2.7	2.8	3.1	3.3	3.6	3.9
Goods and services and transfers	6.8	6.9	10.0	9.1	10.9	12.3	12.0	13.9	15.9	18.0	20.2	22.5
Development expenditure	11.1	14.4	13.1	14.6	14.8	15.3	16.3	17.5	19.1	21.0	23.4	26.2
Domestically financed	8.6	10.9	11.4	11.2	11.1	11.6	12.3	12.1	13.5	15.1	16.9	18.8
Foreign (concessionally) financed	2.4	3.4	1.7	3.5	3.6	3.6	4.0	5.4	5.6	5.9	6.6	7.3
Grants	0.7	0.7	0.6	0.6	0.7	0.8	0.9	1.1	0.8	0.9	1.0	1.1
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	0.8	0.5	0.6	0.7	0.8
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	-7.3	-6.7	-7.2	-8.1	-8.9	-10.3	-11.4
Overall balance excluding grants	-7.4	-6.8	-8.4	-6.8	-7.2	-8.1	-7.6	-8.3	-8.9	-9.8	-11.2	-12.5
Primary balance (cash basis)	-4.2	-3.3	-4.1	-1.7	-0.9	-1.8	-0.8	-0.7	-1.0	-1.1	-1.6	-1.7
Primary balance excluding grants	-4.9	-4.0	-4.7	-2.4	-1.6	-2.6	-1.7	-1.8	-1.8	-2.0	-2.5	-2.8
Financing	6.7	6.0	7.7	6.2	4.6	5.4	6.3	6.6	8.1	8.9	10.3	11.4
Foreign (net)	2.7	3.1	3.1	4.0	3.3	3.3	3.7	3.9	3.6	3.6	4.0	4.6
Foreign loans	5.1	5.9	6.0	7.0	6.8	6.8	7.7	8.3	8.0	8.3	9.0	9.9
Program (including basket loans)[2]	0.3	1.3	1.9	2.1	1.0	1.0	1.2	1.3	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	4.3	5.4	5.6	6.0	6.6
Nonconcessional borrowing	3.1	1.8	3.0	2.1	3.0	3.0	3.1	2.6	2.6	2.7	3.0	3.4
Amortization	-2.4	-2.8	-2.9	-3.0	-3.5	-3.5	-4.1	-4.4	-4.4	-4.7	-5.0	-5.4
Domestic (net)	4.1	2.9	4.6	2.2	1.3	2.1	2.7	2.7	4.5	5.4	6.3	6.8
Bank financing	1.8	1.8	1.4	-0.3	1.0	1.8	1.6	2.2	3.2	3.9	4.6	4.9
Nonbank financing	1.6	1.0	3.2	2.4	0.3	0.3	1.0	0.5	1.3	1.5	1.7	1.9
Financing Gap	0.0	0.0	-0.1	0.1	-1.9	-1.9	-0.4	-0.7	0.0	0.0	0.0	0.0
External sources of financing the gap	…	…	…	…	1.1	1.1	0.0	0.3	0.0	0.0	0.0	0.0
African Development Bank	…	…	…	0.0	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0
World Bank	…	…	…	0.0	0.7	0.6	0.0	0.3	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	0.7	0.7	0.6	0.6	0.6	0.6	0.6
Priority social spending[3]	8.3	10.9	10.6	13.1	15.0	15.4	17.0	17.2	19.3	22.2	25.2	28.1
Nominal GDP	150.8	163.5	178.8	196.3	219.4	217.0	243.0	240.7	268.1	299.7	335.1	374.2

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.	4th Rev.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
						(In percent of GDP)						
Total Revenue	13.7	14.9	14.7	15.2	15.8	15.9	16.0	16.8	17.2	17.4	17.5	17.5
Tax revenue	11.5	12.3	12.0	12.6	12.9	12.9	13.1	13.4	13.7	13.9	14.0	14.0
Import duties	0.9	0.9	0.9	0.9	1.0	0.9	1.0	0.9	0.9	0.9	0.9	0.9
Value-added tax	3.3	3.3	3.4	3.4	3.4	3.4	3.5	3.5	3.7	3.9	4.0	4.0
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	4.3	4.6	4.5	4.7	4.5	4.9	5.0	5.0	5.0	5.0
Other taxes	1.5	1.7	1.7	1.9	1.9	2.0	2.0	2.1	2.1	2.1	2.1	2.1
Nontax revenue	2.2	2.7	2.7	2.6	2.9	3.0	2.9	3.4	3.5	3.5	3.5	3.5
Total Expenditure	17.6	18.9	19.3	18.6	19.1	19.7	19.2	20.3	20.5	20.6	20.8	20.8
Recurrent expenditure	10.3	10.1	11.9	11.2	12.3	12.7	12.4	13.0	13.4	13.6	13.8	13.8
Wages and salaries	4.1	4.2	4.3	4.2	4.8	4.4	5.0	4.5	4.8	5.0	5.2	5.2
Interest payments	1.7	1.7	2.1	2.3	2.5	2.6	2.4	2.7	2.7	2.6	2.6	2.6
Domestic	1.2	1.3	1.5	1.4	1.4	1.5	1.3	1.5	1.5	1.5	1.5	1.6
Foreign[1]	0.5	0.5	0.6	0.8	1.1	1.1	1.1	1.2	1.2	1.1	1.1	1.0
Goods and services and transfers	4.5	4.2	5.6	4.6	4.9	5.7	4.9	5.8	5.9	6.0	6.0	6.0
Development expenditure	7.3	8.8	7.3	7.5	6.7	7.0	6.7	7.3	7.1	7.0	7.0	7.0
Domestically financed	5.7	6.7	6.4	5.7	5.1	5.4	5.1	5.0	5.0	5.0	5.0	5.0
Foreign (concessionally) financed	1.6	2.1	1.0	1.8	1.7	1.7	1.7	2.2	2.1	2.0	2.0	2.0
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	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Program (including basket grants) [2]	0.1	0.1	0.1	0.1	0.0	0.1	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	0.4	0.2	0.2	0.2	0.2
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	-3.2	-3.0	-3.4	-2.8	-3.0	-3.0	-3.0	-3.1	-3.0
Overall balance excluding grants	-4.9	-4.2	-4.7	-3.5	-3.3	-3.8	-3.1	-3.5	-3.3	-3.3	-3.4	-3.3
Primary balance (cash basis)	-2.8	-2.0	-2.3	-0.9	-0.4	-0.8	-0.3	-0.3	-0.4	-0.4	-0.5	-0.5
Primary balance excluding grants	-3.3	-2.4	-2.6	-1.2	-0.7	-1.2	-0.7	-0.8	-0.7	-0.7	-0.8	-0.8
Financing	4.5	3.6	4.3	3.2	2.1	2.5	2.6	2.7	3.0	3.0	3.1	3.0
Foreign (net)	1.8	1.9	1.7	2.1	1.5	1.5	1.5	1.6	1.3	1.2	1.2	1.2
Foreign loans	3.4	3.6	3.3	3.6	3.1	3.2	3.2	3.4	3.0	2.8	2.7	2.7
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	1.8	2.0	1.9	1.8	1.8
Nonconcessional borrowing	2.1	1.1	1.7	1.1	1.4	1.4	1.3	1.1	1.0	0.9	0.9	0.9
Amortization	-1.6	-1.7	-1.6	-1.5	-1.6	-1.6	-1.7	-1.8	-1.7	-1.6	-1.5	-1.4
Domestic (net)	2.7	1.7	2.6	1.1	0.6	1.0	1.1	1.1	1.7	1.8	1.9	1.8
Bank financing	1.2	1.1	0.8	-0.1	0.4	0.8	0.7	0.9	1.2	1.3	1.4	1.3
Nonbank financing	1.0	0.6	1.8	1.2	0.1	0.1	0.4	0.2	0.5	0.5	0.5	0.5
Financing Gap	0.0	0.0	0.0	0.1	-0.9	-0.9	-0.2	-0.3	0.0	0.0	0.0	0.0
External sources of financing the gap	...	...	...	...	0.5	0.5	0.0	0.1	0.0	0.0	0.0	0.0
African Development Bank	...	...	...	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
World Bank	...	...	...	0.0	0.3	0.3	0.0	0.1	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	45.9	49.2	47.6	48.5	46.3	47.3	46.1	44.7	43.6	42.5
Domestic arrears stock (verified claims)	...	1.8	1.1	0.7	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Priority social spending[3]	5.5	6.7	5.9	6.7	6.9	7.1	7.0	7.1	7.2	7.4	7.5	7.5

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 central government spending (recurrent and development) 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.	4th Rev.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Millions of U.S. dollars, unless otherwise indicated)											
Current Account	-1,811	-3,464	-5,054	-2,767	-2,556	-2,129	-2,760	-2,332	-2,745	-3,032	-3,321	-3,627
Trade balance	-2,100	-4,616	-7,094	-5,954	-5,995	-5,000	-6,408	-5,237	-6,020	-6,942	-7,706	-8,614
Exports, f.o.b.	6,447	7,097	7,352	7,832	8,444	9,119	9,162	9,802	10,389	10,999	11,957	13,075
Traditional agricultural products	578	738	752	1,066	1,081	1,407	1,171	1,579	1,719	1,863	2,086	2,392
Gold	3,025	2,692	2,909	3,122	3,617	3,846	3,893	4,278	4,378	4,403	4,539	4,803
Other	2,843	3,668	3,690	3,644	3,746	3,866	4,098	3,945	4,293	4,733	5,333	5,880
Imports, f.o.b	-8,547	-11,713	-14,446	-13,785	-14,439	-14,119	-15,570	-15,038	-16,409	-17,941	-19,664	-21,690
Of which: Oil	-1,583	-2,606	-3,399	-3,083	-3,083	-2,622	-3,004	-2,437	-2,476	-2,650	-2,831	-3,146
Services (net)	1,070	1,904	2,814	4,219	4,442	4,193	4,556	4,309	4,839	5,475	6,102	6,739
Of which: Travel receipts	834	1,778	2,945	3,680	3,673	3,827	3,819	4,002	4,371	4,792	5,136	5,501
Income (net)	-1,234	-1,327	-1,420	-1,654	-1,669	-1,843	-1,594	-1,967	-2,175	-2,235	-2,451	-2,556
Of which : Interest on public debt	-264	-161	-452	-64	-960	-203	-858	-203	-203	-203	-203	-203
Current transfers (net)	452	574	646	621	665	521	686	563	611	670	735	805
Of which : Official transfers	64	81	85	111	79	85	82	83	83	83	83	83
Capital Account	398	295	285	224	345	345	368	446	335	354	375	397
Of which : Project grants[1]	306	26	219	159	276	276	295	373	257	276	297	320
Financial Account	2,514	2,221	4,811	3,033	2,157	1,134	2,448	1,795	3,027	3,389	3,842	4,258
Foreign Direct Investment	988	1,151	1,532	1,683	1,495	1,772	1,705	1,967	2,427	2,661	2,918	3,196
Public Sector, net	1,110	817	2,087	1,415	934	1,222	691	738	1,708	1,628	1,829	2,009
Program loans	65	-100	609	517	0	0	0	0	0	0	0	0
Non-concessional borrowing	1,375	787	2,248	211	1,126	1,471	1,149	660	1,100	1,100	1,100	1,100
Project loans	727	1,226	483	1,871	1,089	1,089	1,256	1,603	1,953	1,974	2,088	2,248
Scheduled amortization[2]	-1,056	-1,197	-1,252	-1,184	-1,281	-1,338	-1,714	-1,526	-1,345	-1,447	-1,358	-1,339
Commercial Banks, net	-64	84	504	-221	39	-124	-134	54	215	215	215	215
Other private inflows	482	-374	687	156	-312	-1,736	187	-964	-1,323	-1,115	-1,120	-1,161
Errors and Omissions [3]	-1,017	202	-10	-897	0	0	0	0	0	0	0	0
Overall Balance	83	-746	32	-407	-54	-650	56	-91	617	710	896	1,028
Financing	-83	746	-32	407	-671	-74	-213	-160	-617	-710	-896	-1,028
Change in BoT reserve assets (increase= -)	-106	180	-336	101	-1,035	-412	-666	-614	-563	-587	-712	-783
Use of Fund credit	0	566	304	307	364	338	453	454	-54	-123	-184	-246
O/w RSF	…	…	…	…	364	338	453	454	…	…	…	…
CCRT debt relief	23	…	…	…	…	…	…	…	…	…	…	…
Financing Gap	0	0	0	0	726	724	157	251	0	0	0	0
Exceptional financing	…	…	…	…	726	724	157	251	0	0	0	0
IMF Financing	…	…	…	…	305	301	157	151	0	0	0	0
of which: IMF ECF	…	…	…	…	305	301	157	151				
Debt relief	…	…	…	…	0	0	0	0	0	0	0	0
World Bank	…	…	…	…	250	250	0	100	0	0	0	0
Global Fund	…	…	…	…	0	0	0	0	0	0	0	0
Other donors	…	…	…	…	171	173	0	0	0	0	0	0
Residual financing gap	…	…	…	…	0	0	0	0	0	0	0	0
Memorandum Items:												
Gross official reserves (BoT)	5,290	5,110	5,446	5,346	6,422	5,758	7,088	6,372	6,935	7,522	8,234	9,016
of which: SDR allocation		543										
Months of *prospective* imports of goods and services	4.6	3.6	4.0	3.8	4.2	3.8	4.3	3.9	3.9	3.9	3.9	3.9
Exports of goods (percent of GDP)	9.8	10.0	9.6	9.9	10.2	11.0	10.2	11.0	10.7	10.3	10.2	10.2
Exports excl. gold (percent of GDP)	5.2	6.2	5.8	6.0	5.8	6.4	5.9	6.2	6.2	6.2	6.4	6.5
Imports of goods and services (percent of GDP)	-15.0	-19.3	-22.3	-20.5	-20.3	-20.5	-20.4	-20.2	-20.2	-20.1	-20.0	-20.1
Imports of goods (percent of GDP)	-13.0	-16.5	-18.9	-17.5	-17.4	-17.1	-17.3	-16.8	-16.9	-16.9	-16.8	-17.0
Imports excl. oil (percent of GDP)	-10.6	-12.8	-14.5	-13.6	-13.7	-13.9	-14.0	-14.1	-14.4	-14.4	-14.4	-14.5
Current account deficit (percent of GDP)	-2.8	-4.9	-6.6	-3.5	-3.1	-2.6	-3.1	-2.6	-2.8	-2.8	-2.8	-2.8
Foreign direct investment (Percent of GDP)	1.5	1.6	2.0	2.1	1.8	2.1	1.9	2.2	2.5	2.5	2.5	2.5
Foreign program and project assistance (percent of GDP)	1.8	1.7	1.8	3.4	1.7	1.8	1.8	2.3	2.4	2.2	2.1	2.1
Nominal GDP	65,669	71,069	76,270	78,802	83,069	82,695	89,747	89,406	97,079	106,436	116,726	127,821

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.	4th Rev.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Percent of GDP, unless otherwise indicated)											
Current Account	-2.8	-4.9	-6.6	-3.5	-3.1	-2.6	-3.1	-2.6	-2.8	-2.8	-2.8	-2.8
Trade balance	-3.2	-6.5	-9.3	-7.6	-7.2	-6.0	-7.1	-5.9	-6.2	-6.5	-6.6	-6.7
Exports, f.o.b.	9.8	10.0	9.6	9.9	10.2	11.0	10.2	11.0	10.7	10.3	10.2	10.2
Traditional agricultural products	0.9	1.0	1.0	1.4	1.3	1.7	1.3	1.8	1.8	1.8	1.8	1.9
Gold	4.6	3.8	3.8	4.0	4.4	4.7	4.3	4.8	4.5	4.1	3.9	3.8
Other	4.3	5.2	4.8	4.6	4.5	4.7	4.6	4.4	4.4	4.4	4.6	4.6
Imports, f.o.b	-13.0	-16.5	-18.9	-17.5	-17.4	-17.1	-17.3	-16.8	-16.9	-16.9	-16.8	-17.0
Of which: Oil	-2.4	-3.7	-4.5	-3.9	-3.7	-3.2	-3.3	-2.7	-2.6	-2.5	-2.4	-2.5
Services (net)	1.6	2.7	3.7	5.4	5.3	5.1	5.1	4.8	5.0	5.1	5.2	5.3
Of which: Travel receipts	1.3	2.5	3.9	4.7	4.4	4.6	4.3	4.5	4.5	4.5	4.4	4.3
Income (net)	-1.9	-1.9	-1.9	-2.1	-2.0	-2.2	-1.8	-2.2	-2.2	-2.1	-2.1	-2.0
Of which : Interest on public debt	-0.4	-0.2	-0.6	-0.1	-1.2	-0.2	-1.0	-0.2	-0.2	-0.2	-0.2	-0.2
Current transfers (net)	0.7	0.8	0.8	0.8	0.8	0.6	0.8	0.6	0.6	0.6	0.6	0.6
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	0.5	0.3	0.3	0.3	0.3
Of which : Project grants[1]	0.5	0.0	0.3	0.2	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3
Financial Account	3.8	3.1	6.3	3.8	2.6	1.4	2.7	2.0	3.1	3.2	3.3	3.3
Foreign Direct Investment	1.5	1.6	2.0	2.1	1.8	2.1	1.9	2.2	2.5	2.5	2.5	2.5
Public Sector, net	1.7	1.1	2.7	1.8	1.1	1.5	0.8	0.8	1.8	1.5	1.6	1.6
Program loans	0.1	-0.1	0.8	0.7	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	0.3	1.4	1.8	1.3	0.7	1.1	1.0	0.9	0.9
Project loans	1.1	1.7	0.6	2.4	1.3	1.3	1.4	1.8	2.0	1.9	1.8	1.8
Scheduled amortization[2]	-1.6	-1.7	-1.6	-1.5	-1.5	-1.6	-1.9	-1.7	-1.4	-1.4	-1.2	-1.0
Commercial Banks, net	-0.1	0.1	0.7	-0.3	0.0	-0.2	-0.1	0.1	0.2	0.2	0.2	0.2
Other private inflows	0.7	-0.5	0.9	0.2	-0.4	-2.1	0.2	-1.1	-1.4	-1.0	-1.0	-0.9
Errors and Omissions [3]	-1.5	0.3	0.0	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	0.1	-1.0	0.0	-0.5	-0.1	-0.8	0.1	-0.1	0.6	0.7	0.8	0.8
Financing	-0.1	1.0	0.0	0.5	-0.8	-0.1	-0.2	-0.2	-0.6	-0.7	-0.8	-0.8
Change in BoT reserve assets (increase= -)	-0.2	0.3	-0.4	0.1	-1.2	-0.5	-0.7	-0.7	-0.6	-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	-0.2	-0.2
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	0.9	0.9	0.2	0.3	0.0	0.0	0.0	0.0
Exceptional financing	…	…	…	…	0.9	0.9	0.2	0.3	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	0.1	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	…	…	…	…	0.2	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)	8.1	7.2	7.1	6.8	7.7	7.0	7.9	7.1	7.1	7.1	7.1	7.1
of which: SDR allocation		0.8										
Months of *prospective* imports of goods and service	4.6	3.6	4.0	3.8	4.2	3.8	4.3	3.9	3.9	3.9	3.9	3.9
Exports of goods	9.8	10.0	9.6	9.9	10.2	11.0	10.2	11.0	10.7	10.3	10.2	10.2
Exports excl. gold	5.2	6.2	5.8	6.0	5.8	6.4	5.9	6.2	6.2	6.2	6.4	6.5
Imports of goods and services	-15.0	-19.3	-22.3	-20.5	-20.3	-20.5	-20.4	-20.2	-20.2	-20.1	-20.0	-20.1
Imports of goods	-13.0	-16.5	-18.9	-17.5	-17.4	-17.1	-17.3	-16.8	-16.9	-16.9	-16.8	-17.0
Imports excl. oil	-10.6	-12.8	-14.5	-13.6	-13.7	-13.9	-14.0	-14.1	-14.4	-14.4	-14.4	-14.5
Current account deficit	-2.8	-4.9	-6.6	-3.5	-3.1	-2.6	-3.1	-2.6	-2.8	-2.8	-2.8	-2.8
Foreign direct investment	1.5	1.6	2.0	2.1	1.8	2.1	1.9	2.2	2.5	2.5	2.5	2.5
Foreign program and project assistance	1.8	1.7	1.8	3.4	1.7	1.8	1.8	2.3	2.4	2.2	2.1	2.1
Nominal GDP (Millions of U.S. dollars)	65,669	71,069	76,270	78,802	83,069	82,695	89,747	89,406	97,079	106,436	116,726	127,821

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, 2020–2025

	2020		2021		2022		2023				2024				2025
	June	Dec	June	Dec	Jun	Dec.	Mar	Jun	Sep	Dec.	Mar	Jun	Sep	Dec.	Mar
	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	10,585	10,733	10,251	11,333	10,647	12,079	11,982	12,350	12,804	11,863	13,218
Net international reserves [1]	11,836	10,884	12,143	14,496	11,761	11,409	11,564	12,666	12,055	13,364	13,607	14,033	14,675	13,132	15,041
(Millions of U.S. dollars) [1]	5,152	4,735	5,282	6,309	5,104	4,941	5,003	5,440	4,858	5,342	5,314	5,335	5,402	5,530	5,661
Net non-reserve foreign assets	-577	-575	-442	-1,276	-1,176	-677	-1,313	-1,333	-1,409	-1,285	-1,625	-1,683	-1,871	-1,269	-1,823
Net Domestic Assets	-2,956	-3,139	-3,133	-4,812	-1,308	-997	-1,015	-483	-703	-1,979	-1,796	-1,424	-1,670	161	-1,425
Net credit to government	731	368	1,826	741	2,217	2,231	2,179	2,840	2,695	2,123	1,631	2,072	1,695	2,716	3,167
Of which: Excluding counterpart of liquidity paper	850	471	1,866	763	2,264	2,470	2,887	3,386	3,418	2,230	1,904	2,608	2,225	3,249	3,483
Credit to other economic sectors	137	122	112	111	107	102	100	135	95	115	124	125	99	99	100
Claims on other depository corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items (net)	-3,825	-3,630	-5,071	-5,665	-3,632	-3,330	-3,293	-3,457	-3,493	-4,217	-3,551	-3,620	-3,465	-2,654	-4,691
REPOs	0	0	0	0	0	-275	-756	-125	-15	0	0	0	0	0	0
Other items, excluding REPOs (net)	-3,825	-3,630	-5,071	-5,665	-3,632	-3,054	-2,538	-3,332	-3,478	-4,217	-3,551	-3,620	-3,465	-2,654	-4,691
Reserve Money	8,302	7,169	8,568	8,407	9,277	9,736	9,236	10,851	9,944	10,100	10,186	10,926	11,134	12,024	11,793
Currency outside banks	4,232	4,501	4,700	5,012	5,334	5,709	5,371	6,161	6,476	6,485	6,326	7,076	7,354	7,352	7,190
Bank reserves	4,071	2,669	3,868	3,395	3,943	4,027	3,865	4,689	3,468	3,615	3,860	3,850	3,780	4,673	4,603
Currency in banks	931	1,001	846	1,001	1,024	1,039	972	1,031	1,057	1,170	953	963	1,113	1,321	980
Deposits	3,139	1,667	3,022	2,394	2,918	2,988	2,893	3,659	2,411	2,445	2,907	2,887	2,667	3,352	3,623
Required reserves	1,421	1,414	1,448	1,485	1,566	1,797	1,851	1,942	1,981	2,059	2,191	2,250	2,280	2,395	2,592
Excess reserves	1,728	359	1,578	885	1,361	1,001	1,053	1,716	436	385	715	637	387	935	1,422
Memorandum Items:															
Average reserve money	7,852	7,523	8,037	8,773	9,063	9,481	9,402	9,797	10,388	10,184	10,535	11,040	11,223	11,989	12,139
Depository Corporations Survey															
Net Foreign Assets	11,289	10,723	12,145	13,966	10,504	9,438	8,697	10,455	10,122	11,302	11,635	12,238	13,704	13,584	15,442
Bank of Tanzania [1]	11,259	10,309	11,701	13,219	10,585	10,733	10,251	11,333	10,647	12,079	11,982	12,350	12,804	11,863	13,218
Commercial banks	30	414	444	747	-81	-1,295	-1,554	-878	-525	-777	-347	-112	900	1,721	2,224
Net Domestic Assets	18,552	19,198	21,189	20,592	24,996	29,143	30,416	31,730	33,020	32,706	32,892	34,524	34,360	35,321	36,700
Domestic credit	25,697	26,140	28,215	30,031	34,053	37,557	39,140	41,586	42,587	43,456	44,223	46,461	47,161	47,559	50,109
Credit to government (net)	5,808	5,831	7,613	7,686	9,460	10,185	10,604	11,751	11,795	11,354	10,877	11,480	10,987	11,462	12,110
Claims on other financial corporations	814	713	852	816	578	573	663	667	683	760	769	1,051	1,607	1,146	1,415
Claims on state and local governments	70	80	84	49	46	58	57	55	54	53	51	34	33	23	23
Claims on non-financial public enterprises	728	668	325	410	364	298	270	258	427	428	460	404	540	610	625
Claims on non-financial private sector	18,276	18,848	19,341	21,069	23,605	26,443	27,545	28,855	29,628	30,862	32,065	33,491	33,994	34,319	35,937
Other items (net)	-7,145	-6,942	-7,025	-9,438	-9,057	-8,415	-8,724	-9,856	-9,567	-10,750	-11,330	-11,937	-12,801	-12,238	-13,409
M3	29,842	29,921	33,334	34,558	35,500	38,580	39,113	42,185	43,141	44,009	44,528	46,762	48,065	48,905	52,142
Foreign currency deposits	6,630	6,888	7,678	7,470	7,878	8,201	8,618	9,591	9,716	10,001	10,397	11,496	12,428	11,765	13,606
M2	23,212	23,033	25,655	27,088	27,622	30,379	30,495	32,594	33,425	34,008	34,130	35,266	35,637	37,140	38,536
Currency in circulation	4,232	4,501	4,700	5,012	5,334	5,709	5,371	6,161	6,476	6,485	6,326	7,076	7,354	7,352	7,190
Deposits (TSh)	18,980	18,532	20,955	22,076	22,288	24,670	25,124	26,432	26,949	27,523	27,805	28,190	28,283	29,788	31,346
Memorandum Items:	(12-month percent change, unless otherwise indicated)														
M3 growth	9.5	5.7	11.7	15.5	6.5	11.6	15.9	18.8	14.5	14.1	13.8	10.9	11.4	11.1	17.1
M3 (percent of GDP)	21.3	19.8	22.1	21.1	21.7	21.6	21.9	23.6	22.0	22.4	22.7	23.8	24.5	24.9	26.6
Private sector credit growth	5.6	6.8	5.8	11.8	22.1	25.5	23.4	22.2	19.4	16.7	16.4	16.1	14.7	11.2	12.1
Private sector credit (percent of GDP)	13.1	12.5	12.8	12.9	14.4	14.8	15.4	16.1	15.1	15.7	16.3	17.1	15.7	15.8	16.6
Private sector credit growth, inflation-adjusted	2.4	3.5	2.2	7.3	16.9	19.7	17.8	18.0	15.6	13.3	13.0	12.6	11.2	7.8	8.5
Velocity of money (nominal GDP/ M3)	5.0	5.2	5.0	5.1	4.8	5.0	4.8	4.6	4.9	4.7	4.6	4.5	4.3	4.2	4.1
Average reserve money growth	9.3	0.4	2.4	16.6	12.8	8.1	8.8	8.1	6.1	7.4	12.0	12.7	8.0	17.7	15.2
Reserve money multiplier (M3/average reserve money)	3.8	4.0	4.1	3.9	3.9	4.1	4.2	4.3	4.2	4.3	4.2	4.2	4.3	4.1	4.3
Nonbank financing of the government (net) [2]	782	764	1,546	578	1,004	827	1,352	2,168	583	1,038	1,319	2,446	1,042	1,859	2,466
Bank financing of the government (net) [2]	-405	23	1,805	73	1,846	725	1,144	2,291	45	-397	-874	-271	-493	-18	630
Bank and nonbank financing of the government (net) [2]	377	788	3,352	651	2,850	1,552	2,497	4,459	628	642	445	2,175	549	1,841	3,096

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, 2020–2025

	2020	2021				2022				2023				2024				2025
	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	June	Sept	Dec	Mar	June	Sept	Dec	Mar
	(Percent, end of period)																	
Capital Adequacy																		
Total capital to risk-weighted assets	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	19.7	19.9	21.0
Total capital to total assets	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	13.2	13.3	14.5
Asset Composition and Quality																		
Net loans and advances to total assets	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	59.4	58.9	58.5
Sectoral distribution of loans																		
Personal	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	37.2	37.6	36.4
Trade	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	12.7	12.7	12.7
Manufacturing and mining	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	11.8	11.1	11.2
Agricultural production	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	11.8	12.6	13.0
Transport and communication	1.9	1.9	1.9	1.8	1.9	1.7	1.7	1.7	1.7	1.6	1.7	1.8	1.6	1.6	1.6	1.6	1.7	1.6
Real Estate	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	2.4	2.2	2.2
Building and construction	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	4.7	4.4	4.9
Foreign exchange loans to total loans	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	25.4	23.1	24.5
Non-performing loans (NPLs) to total loans	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	3.7	3.3	3.5
NPLs net of provisions to capital	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	15.7	13.8	13.4
Large exposures to total capital	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	109.0	94.5	69.0
Net open positions in foreign exchange to total capital 1/	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	5.1	4.7	1.1
Earnings and Profitability																		
Return on assets	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	5.4	5.2	5.6
Return on equity	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	24.8	23.5	25.7
Interest margin to total income	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	50.8	51.2	49.0
Noninterest expenses to gross income	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	36.8	37.3	36.0
Personnel expenses to noninterest expenses	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	48.9	48.6	50.0
Liquidity																		
Liquid assets to total assets	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	24.0	23.9	24.7
Liquid assets to total short term liabilities	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	27.7	29.0	29.3
Total loans to customer deposits	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	94.5	92.6	90.2
Foreign exchange liabilities to total liabilities	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	35.0	32.2	34.8

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 and RSF Arrangements)

(In Millions of SDRs, unless otherwise indicated)

	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.
Fund Obligations Based on Existing Credit (millions of SDRs)	20.1	17.9	57.7	109.1	154.5	199.9	211.2	171.5	120.1	74.6	31.4	22.2	22.0	21.9	21.8	21.8	21.6	21.5	21.5	21.4	19.1	17.0
Principal	0.0	0.0	39.8	91.1	136.6	182.0	193.3	153.5	102.2	56.7	13.5	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	2.1	0.0
Charges and interest	20.1	17.9	17.9	18.0	17.9	17.9	17.9	18.0	17.9	17.9	17.9	17.9	17.7	17.7	17.6	17.5	17.4	17.3	17.2	17.1	17.0	17.0
Fund Obligations Based on Existing and Prospective Credit (millions of SDRs)	20.1	24.2	70.2	121.5	167.0	212.4	252.1	229.3	177.9	132.4	89.2	81.4	88.9	87.6	86.3	85.0	83.5	82.2	80.9	79.6	76.1	42.9
Principal	0.0	0.0	39.8	91.1	136.6	182.0	221.7	198.9	147.6	102.0	58.8	51.1	59.7	59.7	59.7	59.7	59.7	59.7	59.7	59.7	57.5	25.6
PRGT	0.0	0.0	39.8	91.1	136.6	182.0	221.7	198.9	147.6	102.0	56.7	17.0	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	2.1	34.1	59.7	59.7	59.7	59.7	59.7	59.7	59.7	59.7	57.5	25.6
Charges and interest	20.1	24.2	30.4	30.4	30.3	30.4	30.4	30.4	30.3	30.4	30.4	30.3	29.2	27.9	26.6	25.3	23.9	22.6	21.2	19.9	18.5	17.4
Total Obligations Based on Existing and Prospective Credit																						
Millions of SDRs	20.1	24.2	70.2	121.5	167.0	212.4	252.1	229.3	177.9	132.4	89.2	81.4	88.9	87.6	86.3	85.0	83.5	82.2	80.9	79.6	76.1	42.9
Millions of U.S. dollars	26.7	32.4	93.9	163.1	224.1	285.0	338.3	307.8	238.8	177.7	119.7	109.2	119.3	117.6	115.8	114.0	112.1	110.4	108.6	106.8	102.1	57.6
Percent of exports of goods and services	0.12	0.1	0.4	0.6	0.8	0.9	1.0	0.8	0.6	0.4	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Percent of debt service	0.3	0.5	2.1	3.6	5.3	6.9	10.0	8.8	7.9	6.3	4.7	5.0	5.5	5.2	4.9	4.9	6.2	6.0	7.9	8.1	7.8	9.8
Percent of GDP	0.0	0.0	0.1	0.2	0.2	0.2	0.2	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	0.5	0.5	1.4	2.2	2.7	3.2	3.4	3.1	2.4	1.4	0.9	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.1
Percent of quota	6.7	8.1	23.6	41.0	56.3	71.7	85.0	77.4	60.0	44.7	30.1	27.5	30.0	29.6	29.1	28.7	28.2	27.7	27.3	26.9	25.7	14.5
Principal																						
PRGT	0.0	0.0	10.0	22.9	34.3	45.7	55.7	50.0	37.1	25.6	14.2	4.3	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	0.5	8.6	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	14.5	6.4
Outstanding Fund Credit Based on Existing and Prospective Credit																						
Millions of SDRs	1335.7	1790.1	1750.3	1659.2	1522.6	1340.6	1118.9	920.0	772.4	670.4	611.6	560.5	500.8	441.1	381.5	321.8	262.1	202.5	142.8	83.1	25.6	0.0
PRGT	1080.0	1193.4	1153.6	1062.5	925.9	743.9	522.2	323.3	175.7	73.7	17.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	255.7	596.7	596.7	596.7	596.7	596.7	596.7	596.7	596.7	596.7	594.6	560.5	500.8	441.1	381.5	321.8	262.1	202.5	142.8	83.1	25.6	0.0
Millions of U.S. dollars	1773.7	2391.8	2343.1	2226.8	2043.4	1799.2	1501.7	1234.7	1036.7	899.7	820.8	752.2	672.1	592.0	512.0	431.9	351.8	271.7	191.6	111.5	34.3	0.0
Percent of exports of goods and services	11.0	14.0	12.7	11.2	9.4	7.6	5.8	4.3	3.3	2.7	2.2	1.9	1.5	1.2	1.0	0.8	0.6	0.4	0.2	0.1	0.0	0.0
Percent of debt service	27.2	51.9	69.9	66.5	65.0	58.5	59.4	47.5	45.9	43.0	42.9	46.1	41.3	35.1	29.3	25.1	26.3	19.7	18.7	11.3	3.5	0.0
Percent of GDP	2.1	2.7	2.4	2.1	1.8	1.4	1.1	0.8	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	30.8	37.5	33.8	29.6	24.8	20.0	15.3	12.6	10.6	7.0	5.8	4.9	4.0	3.2	2.6	2.0	1.4	1.0	0.6	0.3	0.1	0.0
Percent of quota	4.5	6.0	5.9	5.6	5.1	4.5	3.8	3.1	2.6	2.3	2.1	1.9	1.7	1.5	1.3	1.1	0.9	0.7	0.5	0.3	0.1	0.0
PRGT	271.5	300.0	290.0	267.1	232.7	187.0	131.3	81.3	44.2	18.5	4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	64.3	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	149.5	140.9	125.9	110.9	95.9	80.9	65.9	50.9	35.9	20.9	6.4	0.0
Net Use of Fund Credit (millions of SDRs)																						
Disbursements and purchases	226.7	113.4	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	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)	16,121	17,113	18,430	19,897	21,730	23,779	26,008	28,388	30,985	33,820	36,915	40,293	43,979	48,003	52,395	57,482	63,682	70,878	78,686	87,375	97,249	108,238
Debt service (millions of U.S. dollars)	6,518	4,612	3,350	3,350	3,142	3,075	2,526	2,599	2,259	2,094	1,915	1,631	1,628	1,688	1,745	1,720	1,339	1,380	1,023	987	977	438
Nominal GDP (millions of U.S. dollars)	82,695	89,406	97,079	106,436	116,726	127,821	139,669	152,449	166,397	181,622	198,240	216,378	236,176	257,786	281,372	308,688	341,983	380,627	422,555	469,221	522,243	581,256
Gross International Reserves (millions of U.S. dollars)	5,758	6,372	6,935	7,522	8,234	9,016	9,821	9,821	9,821	12,904	14,084	15,373	16,780	18,315	19,991	21,931	24,297	27,042	30,021	33,337	37,104	41,297
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
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

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.	Est.	4th Rev.	Proj.	4th Rev.	Proj.
Financing Needs	**3,284**	**5,390**	**2,667**	**3,228**	**2,203**	**2,973**	**2,492**
Current account deficit	3,464	5,054	2,767	2,556	2,129	2,760	2,332
Reserves accumulation (without RSF; +=increase)	-180	336	-101	671	74	213	160
of which: SDR allocation	543	…	…	…	…	…	…
Financing Sources	**3,082**	**4,487**	**2,757**	**2,502**	**1,479**	**2,816**	**2,241**
Capital account	295	285	224	345	345	368	446
Financial account	2,221	4,202	2,533	2,157	1,134	2,448	1,795
of which: FDI inflow	1,151	1,532	1,683	1,495	1,772	1,705	1,967
Use of Fund credit	566	…	…	364	338	453	454
Net Errors and Omissions	202	-10	-897	0	0	0	0
Financing Gap	**0**	**913**	**807**	**726**	**724**	**157**	**251**
Additional Financing Sources	**0**	**913**	**807**	**726**	**724**	**157**	**251**
IMF (ECF)	…	304	307	305	301	157	151
World Bank	…	500	500	250	250	0	100
Global Fund	…	0	0	0	0	0	0
Other donors	…	109	0	171	173	0	0
Remaining Financing Gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**
RSF disbursement	…	…	…	364	338	453	454
Reserve accumulation (with RSF)	…	…	…	1,035	412	666	614

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	0.19
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	0.19
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	1.28

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, FY2025/26

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	**3,309**	**2,491**
Concessional debt, of which 2/	2,338	1,520
Multilateral debt	2,338	1,520
Bilateral debt	0	0
Non-concessional debt, of which 3/	971	971
Semi-concessional debt 3/	0	0
Commercial terms 4/	971	971
Use of debt financing	**3,309**	**2,491**
Infrastructure	2,575	2,014
Budget financing	735	477
Memorandum items		
Indicative projections		
Year 2	2,905	1,800-2,300
Year 3	2,947	1,900-2,400

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: 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 11. 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 provided support through desk review. The WB under the 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 is supporting the authorities in defining and implementing a DRF framework. WB CAT/DDO will focus on community level preparedness.		Work in progress 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 is supporting 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.		Work in progress with IMF on TA support.	Tight timeline and limited capacity.

Table 11. 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 climate 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 is supporting the BoT through CD/TA		Work in progress with World Bank TA support.	Limited capacity to implement.

Table 12. 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	
SUPPORTING INSTRUMENT		FAST Growth IPF (P500471)		IMF RSF RM13	IMF RSF RM14

[1/] CAR-DDO is subject to management review (expected in Q3 of FY25)

[2/] Timing for WB DPF measures is set by FY.

Annex I. Implementation Status of Key Recommendations from the 2023 Article IV Consultation

Objectives	Actions/Measures	Progress in Implementation
Enhance domestic revenue mobilization, expedite verification and payment of VAT refunds, improve public finance management, increase priority social spending, and put SOEs on a sustainable financial footing.	Comprehensive revenue reform agenda to broaden the tax base, modernize tax administration, reduce compliance costs, and rationalize tax exemptions.	Some progress has been made. The authorities [have launched] a medium-term revenue strategy (MTRS), which seeks to broaden the revenue base, promote voluntary compliance, improve revenue predictability, rationalize tax exemptions, and improve administrative efficiency. The authorities have taken steps to automate the collection and management of revenues. One of the key measures is the use of the government electronic payment gateway (GePG) system, which facilitates the collection of government revenue electronically. The authorities have updated the taxpayer registry and streamlined the process for new taxpayers, by using a single point of entry for registration, regulation, and issuance of tax ID numbers.
	Expedite verification and payment of VAT refunds through leveraging technology.	Notable progress has been made recently in repayment of arrears on VAT refunds. Verified VAT arrears have been cleared and kept at zero since September 2023. The Tanzania Revenue Authority (TRA) is finalizing the development of an automated VAT refund system that will allow for the online submission and verification of VAT refunds. The system is expected to be operational effective in July 2025.
	Addressing long standing arrears problem through reducing legacy arrears and preventing accumulation of new arrears.	There has been significant progress in the verification and clearing of expenditure arrears. 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 FY23/24 expenditure, down from 7.9 percent in June 2022.
	Effective cash management and commitment controls; Improve efficiency in public investment in line with PIMA and C-PIMA recommendations.	The authorities have configured a new functionality of the Integrated Financial Management Information System (IFMIS), which enables all commitments with approved budget allocations to be reflected into the system. They have also started 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). Progress in operationalizing the public investment operational manual in line with the 2022 C-PIMA TA recommendations has, however, been slow. The National Planning Commission has lately started the process of reviewing the Public Investment Management Operational Manual (PIM-OM 2022) to provide clear methodology and integrate the Manual with the National Project Management Information System (NPMIS), thereby optimizing public investment management practices.
	Increase priority social spending	Priority social spending has been increased in line with ECF program objectives. However, more resources need to be allocated particularly to health, education, and social safety nets.
	Put SOEs on a sustainable financial footing by moving towards cost-recovery pricing, improved management and oversight, and enhanced transparency through publishing audited financial statements of SOEs	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. There is, however, no progress towards cost-recovery pricing.

Objectives	Actions/Measures	Progress in Implementation
Exchange rate flexibility	Increase exchange rate flexibility and enhance the transparency of FX policies	The Bank of Tanzania (BoT) has taken steps to improve FX market conditions and enhance exchange rate flexibility. These include: • formalized and published the forex intervention policy stating the objectives, triggers, mechanism and modality • issued a revised IFEM Interbank Foreign Exchange Market (IFEM) Code of Conduct, adopting international best practices The USD/TZS exchange rate has shown increased flexibility since mid-2023, leading to reclassification of the de facto exchange rate arrangement from 'crawl-like' to 'floating' effective in November 2024.
Modernize the monetary policy framework	Transition to an interest-rate based framework, implement the communication strategy, strengthen analytical tools and capacity, support money market development.	The BoT officially adopted the interest-rate based monetary policy framework in January 2024. A number of measures have been taken to complete the transition to interest rate based monetary policy: • Published operational guidelines, including documentation and regulations on the use of standing facilities. • Issued the monetary policy communication strategy. The Bank has been implementing the strategy through: (i) holding press briefing after each quarterly monetary policy committee (MPC) meeting and issuing MPC statement, (ii) publishing the MPC report after the meeting, (iii) Conducting awareness session with stakeholders and public on the new monetary policy framework to enhance understanding and align their decision with monetary policy actions. • Revised and published the schedule for the monetary policy committee meetings, noting in the schedule the announcement dates for any monetary policy decisions taken by the MPC. The Bank is also implementing measures to deepen and further develop money market to improve the monetary policy transmission mechanism. Ongoing reforms include: • reviewing collateral framework to broaden the scope of eligible collateral; • reviewing the pricing of monetary policy instruments to align with the new framework; and • developing counterpart risk guarantee to enable efficient distribution of liquidity among players in the market, in collaboration with Front Clear company.

Objectives	Actions/Measures	Progress in Implementation
Strengthen the financial system	Upgrade the financial supervision framework	Progress has been made and continues. The BOT issued the Basel II & III regulatory framework in November 2023, with an effective implementation date for, including ICAAP guidelines, of April 2025. The BOT has created a new risk-based supervision (RBS) rating system and is drafting Supervisory Review and Evaluation Process (SREP) guidelines. BoT's implementation of FSAP recommendations also includes enhancing data collection through the Real Time Supervision Information System, quarterly stress testing and issuance of a stress testing guideline, introduction of the Tanzania Instant Payments System, supervision of microfinance service providers, and increases to supervision staffing. Work is ongoing to improve the crisis management framework, including with regard to ELA. The BoT is also working on netting legislation which will support financial system development. Good progress is being made to strengthen the AML/CFT framework.
Improve the quality and reliability of GDP data	Improve the quality of National Accounts, in particular consistency among the different approaches (value added, expenditure and income), and reconcile external sector data between the National Accounts and Balance of Payments statistics.	The authorities have made some progress, but more efforts are needed to improve the quality and consistency of NA data. Reconciliation of national accounts and balance of payments data on imports and exports have been completed, but administrative data from the Tanzania Revenue Administration and other sources are still not being systematically incorporated in the compilation of GDP statistics. Work on benchmarking and rebasing the National Accounts data to base year 2019 is ongoing and is expected to be completed by end-June 2025.
Structural reforms to unlock Tanzania's growth potential	Business reforms to support private sector development; strengthening governance; and developing climate adaptation and mitigation policies	Some progress has been achieved in improving governance and easing regulatory burden on the private sector, but much remains to be done. Efforts to implement the Blueprint for regulatory reforms include: consolidating regulations, reducing or eliminating fees and levies, and launching electronic platforms with the objective to reduce the processing time required for businesses permits and bureaucratic red tape. However, the effectiveness of these systems has been limited by inadequate personnel, frequent slowdown and outages, and proliferation of electronic systems. Supported by the RSF arrangement, the authorities have launched an ambitious climate reform agenda. Implementation of these reforms is being supported by TA from development partners, including the Fund.

Annex II. Risk Assessment Matrix[1]

Source of Risks	Likelihood	Expected Impact if Realized	Possible Policy Response
Conjunctural Risks			
Regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	**Medium**	**High** • Conflict in DR Congo may disrupt trade flows and create humanitarian needs. • Higher commodity imports could worsen external accounts, raise domestic prices and dampen economic activity. • Risk of disrupted tourism flows.	• Allow exchange rate flexibility. • Provide targeted fuel and food subsidies to the poor and vulnerable groups. • Enhance tourism promotion in alternative markets, including regional markets.
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	**High**	**Medium** • Lower trade and investment flows, largely through spillover effects on Tanzania's trade and investment partners. • Increased pressure on the FX market.	• Allow exchange rate flexibility. • Diversify sources of imports. • Provide targeted fiscal support as needed; avoid policies that could distort market incentives. • Tighten monetary policy if needed to combat inflation.
Sovereign debt distress. Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries.	**High**	**Medium** • High cost of borrowing. • Limited access to external financing. • Lower public investment and growth.	• Allow exchange rate flexibility. • Reprioritize government expenditure and enhance efficiency of spending.

[1] Based on the February 2025 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
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	Medium	High • Increased FX pressures. • Risk of depreciation increasing debt servicing costs and passing-through to higher domestic prices.	• Allow exchange rate flexibility. • Provide targeted fiscal support as needed; avoid policies that could distort market incentives. • Tighten monetary policy if needed to combat inflation. • Conduct FXI in accordance with the FXI policy, while maintaining adequate FX reserves.
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium	High • Higher food and energy prices would hurt domestic economic activity and corporate profits. • Rising prices would erode household's purchasing power and increase poverty levels.	• Allow exchange rate flexibility. • Provide targeted fiscal support as needed; avoid policies that could distort market incentives. • Tighten monetary policy if needed to combat inflation.
Structural Risks			
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential 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.	High	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	High • 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.

Source of Risks	Likelihood	Expected Impact if Realized	Possible Policy Response
Social discontent. Real income loss, spillovers from conflicts, dissatisfaction with migration, and worsening inequality ignite social unrest, populism, polarization, and resistance to reforms or suboptimal policies. This weakens growth and leads to policy uncertainty and market repricing.	Medium	Low • Social discontent in the lead up to the election could affect investor confidence and growth.	• Maintain macroeconomic stability through targeted fiscal support where needed. • Loosen monetary policy if needed to maintain low and stable inflation.
Reemergence of FX market pressures.	Medium	High • Distortions and resources misallocation weakening economic activity.	• Allow exchange the rate to be flexible and clear markets. • Supportive fiscal and monetary policy measures.

Annex III. External Sector Assessment

Overall Assessment: The external position of Tanzania in 2024 was moderately stronger than the level implied by fundamentals and medium-term desirable policies. As of end-December 2024, the level of international reserves stood at US$5.5 billion and is assessed to be adequate by the Fund's ARA metric. Since the last assessment, the external position strengthened due to a higher growth in exports (mainly exports of services with a record level of tourist arrivals) compared to imports. The current account deficit is estimated to have narrowed to 2.6 percent in 2024, from 3.8 percent in 2023. Meanwhile, the real exchange rate appreciated by about 6.7 percent in 2024.

Potential Policy Responses: Exchange rate flexibility is needed to cushion the economy against external shocks and clear potential FX shortages in the market. Continued maintenance of an adequate level, and possible accumulation of reserves to 4.4 months of prospective imports (midrange of the ARA-metric) to create buffers, remains key considering large uncertainties in global developments.

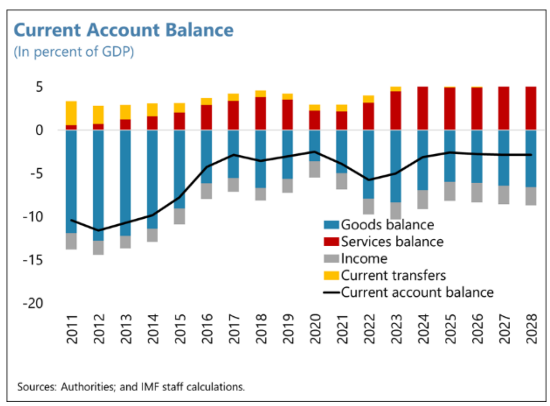
Foreign Assets and Liabilities: Position and Trajectory

Data on the international investment position (IIP) was -59.2 percent in 2023 (latest available). Foreign assets are mainly composed of net foreign reserves (7.3 percent of GDP). Foreign liabilities include direct investments (24.7 percent of GDP) and loans (42.4 percent of GDP). External debt obligations (24.6 billion USD), include as main creditors multilateral institutions (16.6 billion USD) and commercial lenders (6.6 billion USD). The IIP declined by about 5 percentage points in the past five years driven by an increase in debt liabilities. Risks to the outlook include less available concessional financing and/or foreign aid. FDI inflows (around 2 percent of GDP) are a slight mitigating factor.

2023 (% GDP)	NIIP: - 59.2	Gross Assets: 11	Debt Assets: 0.5	Gross Liab.: 70.3	Debt Liab.: 42.4

Current Account

Background. The current account deficit contracted to 2.6 percent of GDP in 2024, from 3.8 percent of GDP in 2023, as rising exports more than offset the increase in imports. This marks the second consecutive year of a narrowing current account since the Covid-19 shock. The current account deficit is expected to reach similar levels in 2025, partially supported by high gold prices. Over the medium term, the current account is projected to remain close to 2.8 percent.

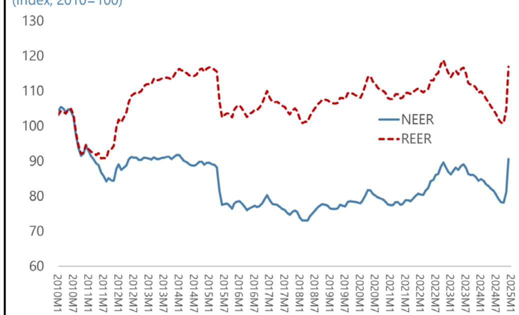


Assessment. The EBA-lite methodology shows that Tanzania's external position in 2024 was moderately stronger than fundamentals and desirable policies. With an estimated CA norm of -5 percent of GDP against a cyclically adjusted CA of -3 percent of GDP, the current account model shows a CA gap of 1.99 percent of GDP which is moderately stronger than the level implied by fundamentals and desirable policies (a categorization of CA gap between 1 and 2 percent). This displays a strengthening of the external sector compared to the 2023 assessment, which was broadly in line with fundamentals and desirable policies. One of the drivers of the CA gap is the low level of current public health expenditure, which the EBA methodology uses for a proxy for precautionary savings. The logic being that many households in low- income economies may engage in more precautionary saving given the greater likelihood of catastrophic events. Precautionary savings can lead to aggregate savings that are larger than optimal, leading to a narrower CA than desirable. The EBA-lite quantifies that the current low level in public health expenditure amounts to nearly 1.1 percent of GDP. Expanding health, and overall social current spending, would help close this gap. In addition, further investment projects with external financing would also contribute to closing the CA gap.

Real Exchange Rate

Background. On average, during 2024 the Tanzanian shilling appreciated 6.7 percent in real terms against a basket of currencies of trading partners, reflecting improvements in the trade balance and overall current account. The nominal effective exchange rate appreciated by about 5.7 percent on average in 2024. Most of the appreciation was registered in December, which offset the depreciation observed in prior months. This event was driven by a sudden inflow of USD by some exporters to meet debt obligations. Compared to 2020, the real exchange rate has appreciated by about 4.4 percent, reflecting the balance of payments' recovery from the impact of the COVID-19 shock.

Real and Nominal Effective Exchange Rates
(Index, 2010=100)



Sources: Authorities; and IMF staff calculations.

Tanzania: EBA-lite Model Results, 2024

	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	**-2.6**	
Cyclical contributions (from model) (-)	0.4	
Adjusted CA	**-3.0**	
CA Norm (from model) 2/	**-5.0**	
Adjusted CA Norm	**-5.0**	
CA Gap	**2.0**	**0.6**
o/w Relative policy gap	1.2	
Elasticity	-0.1	
REER Gap (in percent)	**-16.3**	**-5.0**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Assessment. The REER gap of the CA model shows an undervaluation of the REER of -16.3 percent of GDP. However, this result should be interpreted with caution given the low estimated CA-REER elasticity, which implies that a relatively large REER gap is derived from the CA gap. In addition, mapping this assessment to the average observed REER in 2024 can be challenging given the large exchange rate volatility. Staff recommends continuing pursuing flexibility to contribute to external sector balancing.

Capital and Financial Accounts: Flows and Policy Measures

Background. Historically, Tanzania's current account deficit was financed mainly by FDI, capital grants, and concessional public-sector borrowing. In recent years, however, the current account deficit has been financed mainly by public sector borrowing, as capital grants and FDI slowed down.

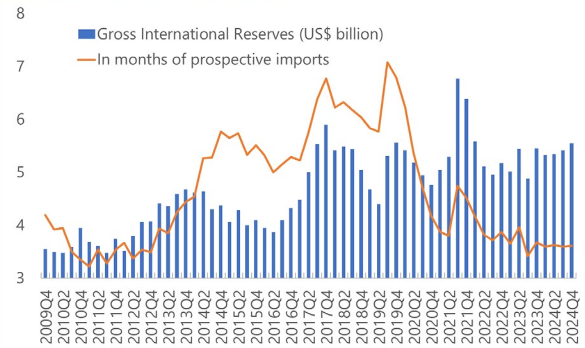
Assessment. Tanzania's relatively closed capital account regime has made its financial system less vulnerable to global financial volatility. Going forward, FDI inflows are expected to pick up driven by improved business conditions, reflecting ECF-supported reforms.

FX Intervention and Reserves Level

Background. At US$5.5 billion at end-December 2024, the level of international reserves is assessed to be adequate. Reserves coverage, at around 4 months of imports and 7 percent of GDP, falls slightly below the midrange of the ARA metric (3.5 to 5.3) for credit-constrained economies, that compares the marginal costs of holding reserves against marginal benefits (see Figure below).

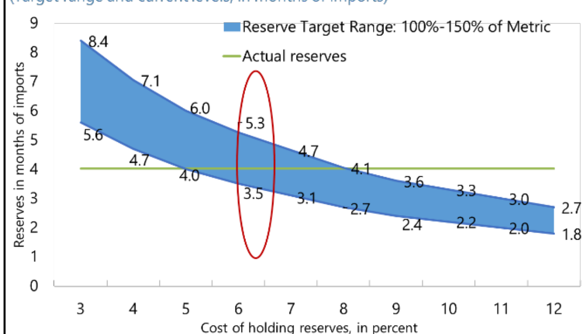
Assessment. The ARA metric models an indicative adequate level of reserves. Nonetheless, other risks faced by Tanzania may not be fully captured by the model, such as borrowing from international financial markets, opening the capital account, currency risks in the banking system, among others. For these reasons, a higher level of international reserves, for suggested the mid-range of the ARA metric range at 4.4 months of imports, would be desirable for Tanzania. In this regard, the BoT should conduct FXI in accordance with the new FXI policy, which states that foreign exchange intervention by the Bank 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.

Gross International Reserves
(In US$ millions, and months of imports)



Sources: Authorities; and IMF staff calculations and projections.

Tanzania Optimal Reserves 1/
(Target range and current levels, in months of imports)



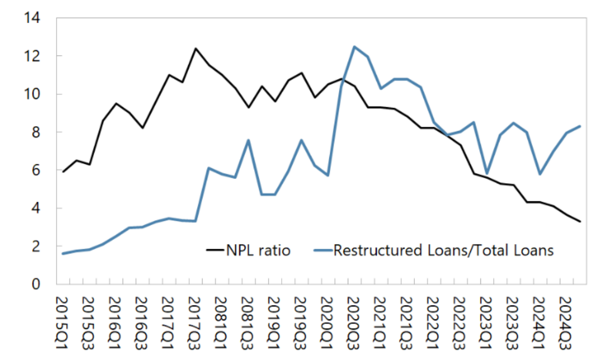
1/ Assuming no IMF program and unconditional probability of a large shock event of 0.5.
Source: IMF staff calculations.

Annex IV. Banking and Financial Sector Developments

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

1. The banking system remains well capitalized, and the non-performing loan ratio continued to improve. Aggregate capital ratios remained stable, with a capital adequacy ratio of 21 percent as of March 2025. The ratio of liquid assets to short-term liabilities was broadly stable at 29.3 percent in March, above the regulatory minimum of 20 percent. The NPL ratio declined to 3.5 percent in March, below the BoT's 5 percent objective, continuing to steadily improve from a peak of 12.5 percent in 2017.[1] The restructured loan ratio has declined since Covid-19, averaging 7.6 since 2023Q2 but remained slightly above pre-pandemic levels. The system continues to be significantly dollarized, with the share of FX loans and FX denominated liabilities at 25.4 of total loans, and 35 percent of total liabilities, respectively.

Figure 1. Restructured and Non-performing Loans (In percent)



Source: Bank of Tanzania.

2. Tanzania's banking system is concentrated, with high profitability in the large banks. Two banks represent nearly half of system assets and the 17 largest banks represent around 90 percent. Profitability in these banks remained very strong in December bank-level data, with a weighted mean ROE of 25.1 percent (moderating from 28.8 percent in June 2024). The weighted average NPL ratio for this group of banks declined, to 2.9 percent in December, although the weighted average restructured loan ratio increased to 8 percent. All banks in this group exceeded the 12 percent regulatory minimum capital adequacy ratio. (As of December, all but two banks exceeded the 14.5 percent regulatory minimum that subsequently came into effect in April 2025.)

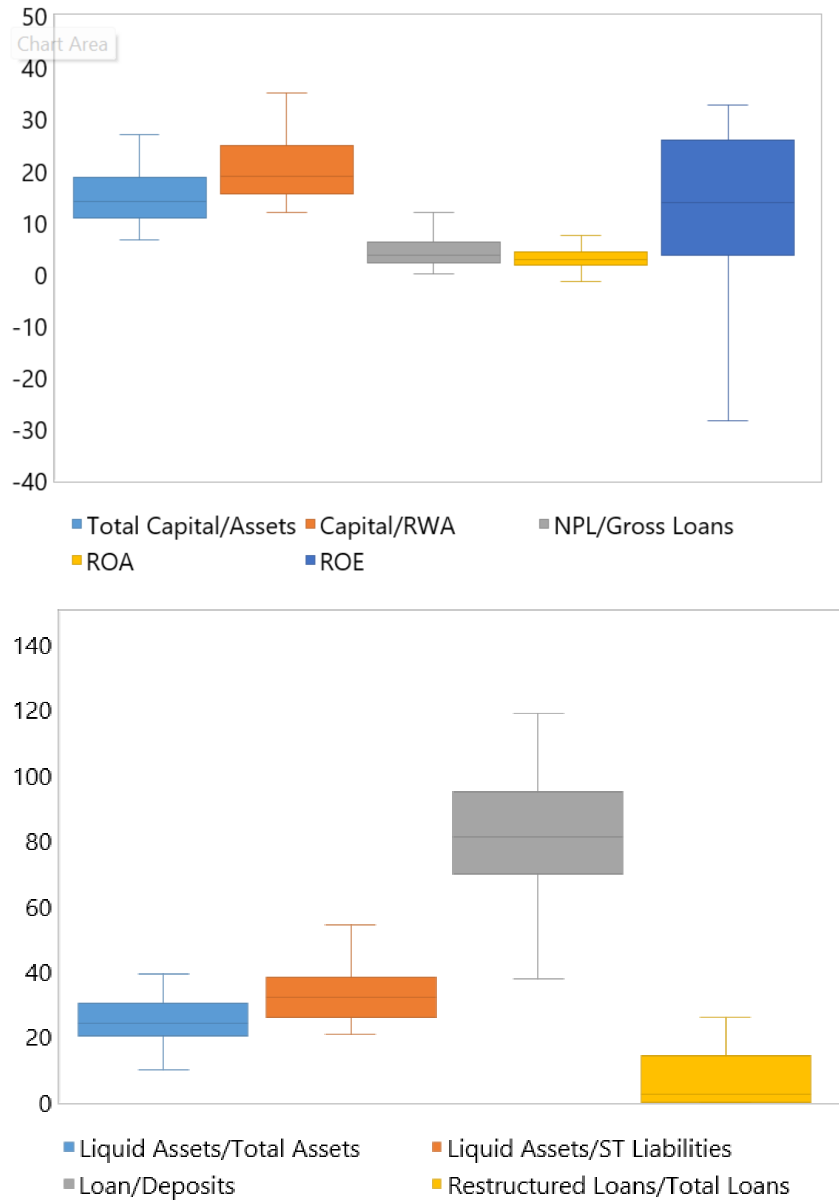
3. For the smallest banks, performance remains mixed and continued rationalization is underway. Recent merger and acquisition activity saw the number of banks with less than 1 percent of system assets reduce from 27 to 25 banks, with these banks representing around 8 percent of system assets. Asset quality for these banks improved, with a lower weighted mean NPL ratio of 7.7 percent in December (8.6 percent in June) and a decline in the weighted mean restructured loan ratio to 9.4 percent (20 percent in June). However, profitability remains mixed with a few small banks recording losses. The capital ratio for one bank in this group is below the

[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.

regulatory requirement, and two others have liquidity ratios below the regulatory minimum. The BoT should continue working with the affected banks to address risks and restore compliance.

Figure 2. Distribution of Bank-level Indicators, December 2024

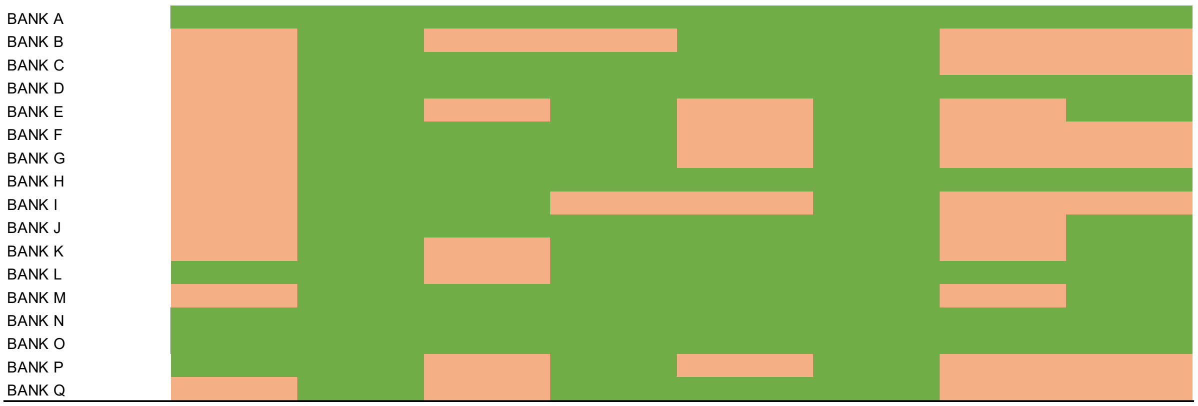
(In percent)



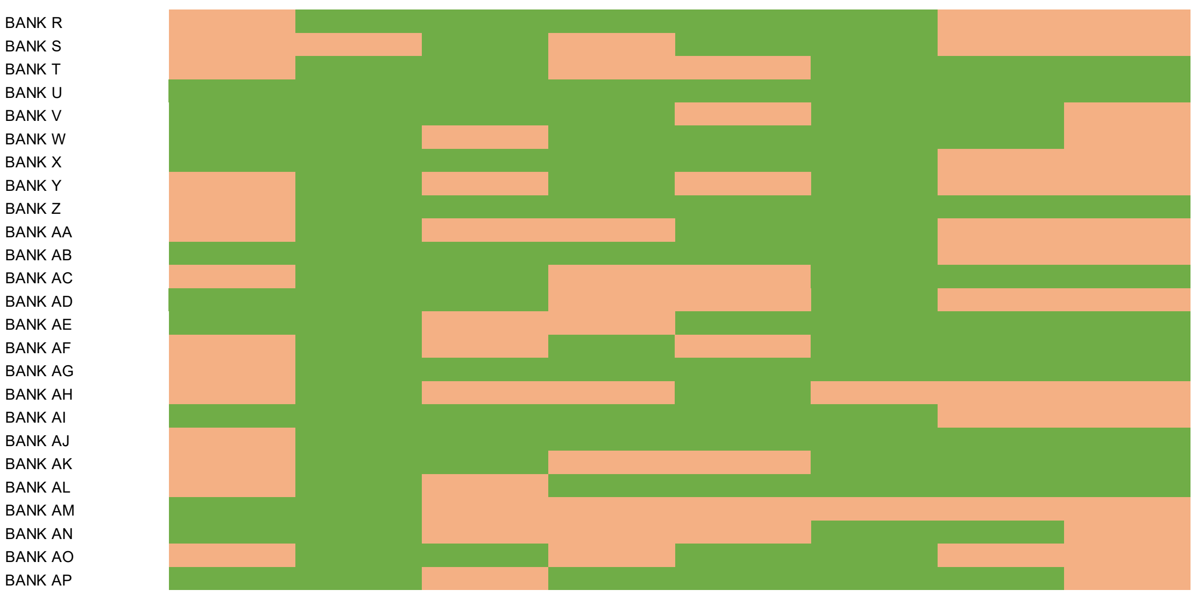
Sources: Tanzanian authorities; and IMF staff calculations. Individual outliers are not plotted.

Figure 3. Anonymized bank-level indicators December 2024[1]

	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	19.0	87.9	2.9	8.0	30.4	5.5	25.1



	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	16.9	22.9	86.5	7.7	9.4	30.9	1.9	8.3



	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	87.8	3.3	8.1	30.5	5.2	23.5

[1] 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.

Annex V. Growth Accounting and Potential Growth

1. An updated growth accounting analysis is used to estimate contributions to Tanzania's economic growth by factors of production and total factor productivity (TFP).[1] Results show that physical capital, mainly supported by public investment, is the main driver of growth in recent years. TFP, a measure of an economy's productive efficiency, has been declining and contributing negatively to growth over the period 2014-2024. This reflects structural impediments to growth and the importance of structural reforms to unlock Tanzania's potential economic growth.

2. The methodology uses a Cobb-Douglas production function to decompose contributions to economic growth, with Y_t as total output, K_t as capital stock, L_t as quantity of labor, h_t as human capital per worker and A_t as the total factor productivity (TFP) in period t. Exponents α and (1- α) represent output elasticities of capital and human capital:

$$Y_t = A_t\, K_t^{\alpha}(L_t h_t)^{(1-\alpha)}$$

TFP growth rate is computed as a residual: $\hat{A} = \hat{Y} - \alpha * \hat{K} - (1-\alpha) * \hat{L} - (1-\alpha) * \hat{H}$

The variables are defined and estimated as in the following way:

- $\boldsymbol{Y_t}$: real GDP growth is obtained from Penn world tables from 1970 through 1999 and from the IMF World Economic Outlook database from 2000 onwards.
- $\boldsymbol{K_t}$: capital stock at constant 2017 national prices (in mil. 2017US$) from Penn world tables until 2019. From 2020 onwards values are estimated using the perpetual inventory method as $K_t = K_{t-1} * (1-\delta) + I_t$, where I_t is computed as I_{t-1} times the growth rate of gross fixed capital formation obtained from IMF World Economic Outlook database.
- $\boldsymbol{L_t}$**:** number of persons engaged (in millions) from Penn world tables through 2019. For year 2020 onwards, level computed as $L_t = L_{t-1} * \frac{L_{t-1}}{L_{t-2}}$.
- $\boldsymbol{h_t}$: human capital index, based on years of schooling and returns to education, from Penn world tables until 2019. After 2019, computed as $h_t = h_{t-1} * \frac{h_{t-1}}{h_{t-2}}$.
- **1-α** is 0.5 based on ILO's estimate of Tanzania's labor income share in national output.
- Using the methodology outlined above, Tanzania's computed TFP growth through 2024 is shown in Text Table 1 and Text Figure 1. Taking into account medium term growth projections under the baseline, supported by sustained reform implementation, including improvements to the business environment, the computed TFP growth in the medium term is shown in Text Figure 2.

Text Table 1. Tanzania: TFP Growth

	1980s	1990s	2000s	2010s	2020s
Capital	0.4	1.8	3.0	4.9	4.9
Employment	1.4	1.3	1.5	1.5	1.7
Human Capital	0.0	0.6	0.4	0.4	0.4
TFP	0.5	0.4	1.6	-0.1	-2.0
Total	**2.4**	**4.1**	**6.4**	**6.7**	**4.9**

Source: IMF Staff Calculations

3. Declining TFP and its negative contribution to growth in the past decade is evident.

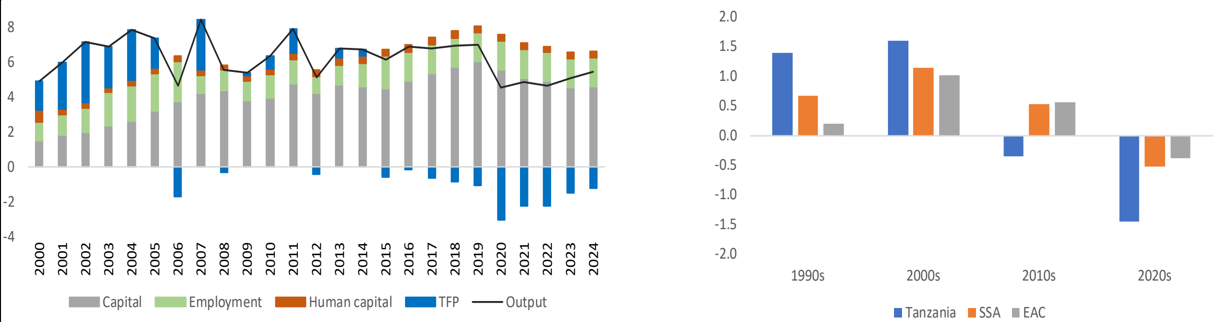
[1] See earlier growth accounting analysis in the IMF Country Report No. 23/153.

- From the 1990s, the increase in stock of physical capital, supported by public investment, has been the main driver of growth, with the role of TFP increasing through the 2000s, but decreasing afterwards, becoming negative after 2014.
- Since 2010, growth can be mostly attributed to an increase in the stock of physical capital (about 4.9 percentage points (pp) contribution to growth on average between 2010-2024, with the contribution to growth of labor and human capital remaining somewhat stable (1.5-1.7pp and 0.4 pp respectively).

4. **The decline in the contribution of TFP to growth is particularly pronounced in Tanzania.** Worldwide TFP decline is evident, worsening during the COVID-19 pandemic and more severe for LICs. In the case of Tanzania, it started earlier and was sharper than observed in peer countries. Broadly, this calls for reforms to boost TFP through improved governance, education, health, capital formation, and innovation.

Text Figure 1. Growth in Tanzania

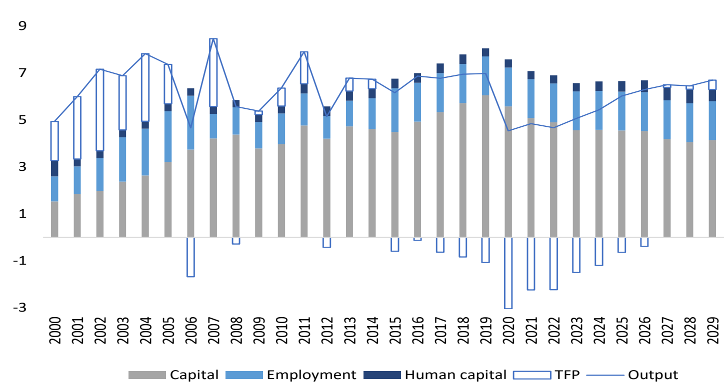
Growth Accounting 2000-2024 (Contribution to Growth in Percent) | **TFP Growth in Tanzania, EAC & SSA** (Percent Change)



Source: IMF Staff Calculations

5. **For Tanzania, tailored structural reforms are needed to boost TFP and unlock potential growth, including by addressing the following:**

Text Figure 2. Decomposition of Medium-Term Growth under the Baseline Scenario



Source: IMF Staff Calculations

- Business environment constraints that hinder private sector participation in economic activities. Addressing these constraints would help to unlock private sector investment which is critical for economic growth.
- Human capital needs, though investment in education.
- Barriers that impede access to finance and credit growth. These relate to difficulty in enforcing defaults, highlighting the need to (i) enhance the legal framework for insolvency, including to introduce voluntary out-of-court workout guidelines (2018 FSSA), and (ii) improve the reliability

of the land registry and the availability of documentation of land occupancy rights for loan collateral.

A boost in TFP would enhance Tanzania's growth path towards its potential levels estimated at about 6.5-7 percent.

Annex VI. 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, revenue administration effectiveness, public investment management including with climate module, monetary policy, national statistics, climate policy diagnostics, disaster risk financing framework, and climate sensitive PFM. 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, CD priorities will build on recent TA and focus on areas related to ECF and RSF program 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: (i) finalize and implement the medium-term revenue strategy (MTRS), including robust and high-yield tax policy and administrative reforms; and (ii) develop the capacity of the Tax Policy Unit.
- *Public finance management.* Support the authorities' effort to: (i) strengthen budget formulation, expenditure controls, cash management, and public investment management; (ii) develop a comprehensive Fiscal Risk Statement; and (iii) 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.[1]
- *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.
- *Monetary policy and FX intervention*. Support the BoT to implement measures underpinning the smooth implementation of the interest-rate based monetary policy framework.

[1] TA support for the authorities' effort to create a repository of climate-related data to support assessment of climate-related risks is provided by the World Bank.

- *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. Tanzania: Capacity Development Priorities, 2024–26[1]

Priorities	Objectives
Revenue mobilization	• Formulate tax policy and administrative reforms based on the MTRS.
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 • Environmental taxation on sources of carbon emission • Monitoring of climate-related financial sector risks
Governance	• 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	• 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.

[1] TA projects in Table 1 are either ongoing or at an advanced planning stage.

Annex VII. Data Issues

Table 1. Tanzania: Data Adequacy Assessment for Surveillance 1/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
B							
Questionnaire Results 2/							
Assessment	C	B	B	B	B	C	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	B	B	B	B		
Granularity 3/	B		B	C	B		
			A		B		
Consistency			B	B		C	
Frequency and Timeliness	C	A	B	B	A		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Macroeconomic data provided by Tanzanian authorities have some shortcomings, but data quality is broadly adequate for surveillance. Shortcomings include coverage (does not cover Zanzibar) and timeliness of NA data (released with quarter lag), lack of granularity of external sector data, and limited consistency between national accounts and the external sector data. External sector data is subject to frequent revisions, and FDI breakdown is scarce, usually collected with surveys and a two-year lag. While the authorities have made efforts to improve inter-sectoral consistency, challenges remain in the consistency between NA and external sector data. These weaknesses add uncertainty to the Article AIV analysis.

Changes since the last Article IV consultation. With TA support from the Fund, the authorities have made progress in improving the quality of National Accounts data, including by reconciling and publishing National Accounts and external sector data for 2017-2022 and, more recently, by incorporating administrative data to the compilation of National Accounts.

Corrective actions and capacity development priorities. The authorities have made commitment under the current ECF arrangement to address deficiencies in data quality. With TA support from the Fund, efforts are underway to release a re-based (to 2019 prices) National Accounts statistics by end-2025 and 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. The misison highlighted the need to improve the granularity of balance of payments data and the coverage and timeliness national accounts data releases. Continued CD support will help the authorities finalize rebasing of National Accounts data and ensuring consistency between production and expenditure data.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. The coverage of public sector debt in Fund-World Bank DSA analysis includes expenditure arrears, which is not part of the authorities' debt statistics.

Other data gaps. Creating a repository of climate-related financial sector data would support assessment of climate-related financial risks.

Table 2. Tanzania: Data Standards Initiatives

Tanzania participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since November 2016.

Table 3. Tanzania: Table of Common Indicators Required for Surveillance
(As of May 16, 2025)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Tanzania[8]	Expected Timeliness[6,7]	Tanzania[8]
Exchange Rates	14-May-25	16-May-25	D	W	D	D	...	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	March 2025	2-May-25	M	M	M	M	1M	1M
Reserve/Base Money	14-May-25	16-May-25	D	W	M	M	2M	6W
Broad Money	March 2025	2-May-25	M	M	M	M	1Q	6W
Central Bank Balance Sheet	March 2025	2-May-25	M	M	M	M	2M	6W
Consolidated Balance Sheet of the Banking System	March 2025	2-May-25	M	M	M	M	1Q	6W
Interest Rates[2]	March 2025	2-May-25	M	M	M	M	...	1M
Consumer Price Index	April 2025	8-May-25	M	M	M	M	2M	1W
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	March 2025	15-May-25	M	M	A	A	3Q	12M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	March 2025	15-May-25	M	M	Q	M	1Q	6W
Stocks of Central Government and Central Government-Guaranteed Debt[5]	March 2025	14-May-25	M	M	Q	Q	2Q	1M
External Current Account Balance	March 2025	19-May-25	M	M	Q	Q	1Q	3M
Exports and Imports of Goods and Services	March 2025	19-May-25	M	M	M	M	12W	1W
GDP/GNP	2024Q4	2-Apr-25	Q	Q	Q	A	1Q	6M
Gross External Debt	March 2025	14-May-25	M	M	Q	M	2Q	2W
International Investment Position	2023	11-Nov-24	A	A	A	A	3Q	6M

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

Appendix I. Letter of Intent

Dodoma, United Republic of Tanzania
June 16, 2025

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

Dear Madam Managing Director,

1. 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 geopolitical conflicts; (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 Third National 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.

2. Our reform program supported by the ECF arrangement remained on track. All end-December 2024 quantitative performance criteria (QPC) and indicative targets (ITs) as well as all end-March 2025 ITs, except for the domestic primary balance, were met. The two end-December 2024 structural benchmarks (SBs)— enhancing risk-based supervision and preparing and publishing a timetable for deregulation measures envisaged in the Blueprint for Regulatory Reforms—were completed on time. One of the three end-March 2025 SBs—submission of draft amendments to the BoT Act to Parliament— was completed with delay; and we plan to complete the SBs on preparation of a medium-term revenue strategy and submission of a draft Secured Transactions Act to Parliament in time for the Executive Board's assessment for this review. The Tanzania Revenue Authority is on track to complete automation of the VAT refund process by end-June 2025 (SB). Once the automation is complete and operational, we will re-submit the draft amendment Act, requiring that legitimate VAT refunds are paid by the end of the month following the month in which the VAT refund was filed, to Parliament by end-January 2026 (new SB). To support and strengthen the appraisal of public investment projects, we will issue a revised Public Investment Management (PIM)-Operational Manual (OM) with clear methodologies for appraisal of public investment projects by end-December 2025 (new SB).

3. 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.

4. We have made notable progress under the RSF with the successful completion of 3 of the 5 RMs for the current review— namely, amendment of the Environmental Management Act to clearly define the institutional framework for climate change related policies (RM1); including the outcome of climate assessments of all climate-relevant projects in the FY2025/26 Budget document that has been submitted to Parliament (RM6); and including an assessment of disaster-related fiscal risks in the FY2025/26 budget document submitted to Parliament (RM7). We plan to complete the two remaining RMs— preparing and publishing common climate scenarios and vulnerability maps and requiring use of the information on climate vulnerabilities, land use planning and construction design (RM2), and developing a Disaster Risk Financing Framework (RM3), in time for the Executive Board's assessment for this review.

5. To support our continued reform efforts, we request completion of the fifth review of the ECF arrangement and the disbursement of the sixth 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. To accommodate the supplementary budget for FY24/25, we request to: (i) increase the domestic primary fiscal deficit by TZS 946 billion (QPC floor); (ii) increase priority social spending by TZS 359 billion (IT floor); and (iii) reduce domestic arrears by TZS 100 billion (IT ceiling). We acknowledge that this delays our planned fiscal consolidation, and we are taking the necessary corrective measures by proposing to Parliament a draft FY25/26 budget with 0.4 ppts of GDP fiscal consolidation. In light of the budget overrun in the third quarter of FY24/25, and to ensure that the modified end-June program targets are met, we have cut about TZS1.46 trillion of lower priority budget spending in the fourth quarter. We request to modify the end-June structural benchmark on revenue measures to clarify that revenue yields are relative to FY24/25. We also request completion of the second review of the RSF arrangement with respect to the completed RMs and the associated disbursement equivalent to SDR 213.1 million (53.5 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.

6. 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 November 29, 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.

7. 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.

8. 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.

9. 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 2025 Article IV Consultations, the fifth review under the ECF arrangement, and the second review under the RSF arrangement, after approval by the Executive Board of the IMF.

Sincerely yours,

/s/

Dr. Mwigulu Lameck Nchemba Madelu (MP)
Minister of Finance

/s/

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, June 16, 2025

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 Developments and Performance Under the ECF and RSF Arrangements

10. The growth of our economy remains strong and macroeconomic fundamentals are healthy despite global shocks. Real GDP growth picked up to 5.5 percent in CY2024 from 5.1 percent in CY2023 on the back of strong growth in electricity production, transport, mining, financial services and communication sectors. Preliminary high frequency data show a strong growth momentum in the first quarter of 2025. Inflation remained subdued under the BoT's 5 percent target, anchored by prudent fiscal and monetary policy management, complemented by adequate food supply and moderate commodity prices in the world market. The current account deficit narrowed to 2.6 percent of GDP in CY2024, from 3.8 percent in CY2023, on the back of strong exports, driven by mineral and crop exports and record level of tourist arrivals, and a slowdown in the growth of imports. The level of our international reserves remained adequate at US$5.7 billion (about 3.8 months of prospective imports) in March 2025. The financial sector remains stable on account of sound macroeconomic and business environment, but with some pockets of vulnerabilities.

11. We remain committed to implementing growth-friendly fiscal consolidation to safeguard fiscal sustainability. The fiscal outturn in the first half of FY2024/25 was broadly in line with budget plans and the domestic primary balance and priority social spending were consistent with program targets for end-December 2024. In the second half of FY2024/25, we adopted a supplementary budget that will increase the domestic primary deficit by 0.4 percent of GDP, driven by additional spending for mostly priority social spending (PSS) – including to offset the impact of interrupted USAID operations, climate change adaptation programs related to the RSF arrangement, and clearing domestic arrears, in line with key program objectives. In this regard, we request to: (i) increase the domestic primary fiscal deficit by TZS 946 billion (QPC floor); (ii) increase priority social spending by TZS 359 billion (IT floor); and (iii) reduce domestic arrears by TZS 100 billion (IT ceiling). We acknowledge that this pauses our planned fiscal consolidation, and we are taking the necessary corrective measures by proposing to Parliament a draft FY2025/26 budget with 0.4 ppts of GDP fiscal consolidation. In light of the budget overrun in the third quarter of FY24/25, which led to a deterioration of the domestic primary balance, and to ensure that the modified end-June program targets are met, we have cut lower priority budget spending in the fourth quarter by about TZS 1.46

trillion. We also request to modify the end-June structural benchmark on revenue measures to clarify that the revenue yields are relative to FY24/25.

12. Notwithstanding reform implementation delays, the ECF arrangement remains on track. All quantitative performance criteria (QPCs) and indicative targets (ITs) for end-December 2024 were met. All ITs for end-March, except for the domestic primary balance, were also met. Our structural reform agenda is also progressing well notwithstanding delays in meeting a few structural benchmarks (SBs). The two end-December 2024 SBs—enhancing risk-based supervision and preparing and publishing a timetable for deregulation measures envisaged in the Blueprint for Regulatory Reforms—were completed on time. One of the three end-March 2025 SBs—submission of draft amendments to the BoT Act to parliament—was completed with delay; the SBs on preparation of a medium-term revenue strategy and submission of a draft Secured Transactions Act to Parliament will be implemented (with delay) in time for the Executive Board's assessment for this review.

13. We are also making good progress in implementation of reform measures (RMs) under the RSF arrangement. With technical Assistance (TA) from the IMF and other development partners, we have:

- Amended the Environmental Management Act to clearly define the institutional framework for climate change related policies (**RM1**).

- Included the outcome of climate assessments of all climate-relevant projects in the FY2025/26 Budget document that will be submitted to Parliament (**RM6**).

- Included assessment of disaster related fiscal risks in the FY2025/26 budget document that will be submitted to Parliament (**RM7**).

Two RMs are also being finalized and will be completed in time for the Executive Board's assessment for this review:

- With TA from the Global Center on Adaptation (GCA), we are finalizing the preparation of common climate scenarios and vulnerability maps (**RM2**). The process of hosting and data transfer is at final stage with a dedicated demo weblink already in place. We plan to launch common climate scenarios and vulnerability maps and to issue a Circular requiring use of this information for land use planning and construction design in time for the Executive Board's assessment for this review.

- A Disaster Risk Financing 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 (**RM3**) has been developed with TA from the IMF and is expected to be launched, following endorsement by the Prime Minister's Office, in time for the Executive Board's assessment for this review.

Macroeconomic Program and Reforms Under the ECF Arrangement

A. Program Objectives and Outlook

14. 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 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. Climate-related reforms are also critical to ensure macroeconomic and fiscal resilience, as well as social development: rising temperatures, rainfall pattern changes, sea level rise, and recurrent climate-related events have caused economic costs estimated at more than 1 percent of GDP per year.[1] Beyond 2025, the authorities' vision for the future will be laid out in the forthcoming Vision 2050 to be launched in mid-2025 and FYDP IV to be implemented from FY2026/27 onward.

15. 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 macro-financial 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 *to achieve more resilient,* sustainable and inclusive 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 capital, to raise education outcomes and labor skills, 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.

[1] Tanzania National Climate Change Response Strategy (2021-2026).

16. Successful implementation of our reform agenda will support growth, and safeguard macroeconomic stability and debt sustainability in the short and medium term. Growth is projected to pick up from 5.5 percent in CY2024 to about 6 and 6.3 percent in CY2025 and CY2026, respectively and to stabilize at 6.5 percent in the medium-term, supported by sustained reform implementation, including improvements to the business environment. Inflation is projected to remain within the BoT's target, supported by prudent fiscal and monetary policies while enhanced revenue mobilization would underpin continued fiscal prudence. The current account deficit is projected to remain moderate over the medium-term, reflecting a favorable outlook for the terms of trade and the impact of continued reforms.

B. Macroeconomic Policies and Risks to the Outlook

17. 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. In the near term, we are committed to fiscal consolidation, and we will implement necessary measures to preserve fiscal sustainability. In the medium term, reforms will be geared towards creating fiscal space for scaling up human capital investment necessary to cater for Tanzania's young and growing population and the country's developmental needs. The medium-term fiscal reforms will be underpinned by improved domestic revenue mobilization and public finance management (paragraphs 20 and 25).

18. The government is committed to return to a growth-friendly fiscal consolidation in FY2025/26. The draft FY2025/26 budget submitted to Parliament envisages a fiscal consolidation (in terms of the domestic primary balance) of 0.4 percent of GDP, achieved through enhanced revenue mobilization. Towards this goal, we have submitted to Parliament tax policy reform measures, including streamlining and simplifying tax exemptions, with a revenue yield of 0.5 percent of GDP in FY2025/26 and 1 percent of GDP a year starting in FY2026/27 (SB, end-June 2025) relative to FY2024/25. In addition, non-tax revenues are projected to increase by about 0.4 ppts of GDP to 3.3 percent supported by introducing fixed rate service levy and public health levy; enhance land rent and property tax collection systems; formalize the informal sector and develop universal billing system. Primary expenditure (total expenditure excluding interest payments) is projected to increase by about 0.4 ppts of GDP to 17.6 percent, reflecting stepped up efforts to complete ongoing infrastructure projects and the need to offset the impact of shortfalls in foreign aid. Priority social spending (PSS) will be maintained at 7.1 percent of GDP in FY2025/26, in line with ECF program objectives.

19. 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 its risk rating. Newly contracted public debt will favor loans offered on concessional terms, which will help improve 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. The authorities will seek to improve the debt repayment profile and reduce refinancing risks through liability management operations (LMOs) and by exploring debt swaps.

20. 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. 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.

21. The BoT will continue to closely monitor monetary and financial sector developments and take necessary steps to safeguard macro-financial stability. In January 2024, 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. Although the CBR stance is considered mildly stimulatory, market liquidity conditions remain moderately tight reflecting the need to improve monetary policy transmission. The BoT will continue to implement reforms to improve the transmission and calibrate its monetary policy to maintain low and stable prices. 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.

22. The BoT is committed to enhancing exchange rate flexibility to cushion the economy against external shocks. Exchange rate flexibility will continue to be the first line of defense against external shocks, while FX interventions will be limited to addressing disorderly market conditions in line with the new FXI policy published in December 2023. To enhance FXI transparency, this new policy also provides that, when conducting FX auctions, the BoT will transact FX in pre-announced amounts based on competitive price-based criteria, and accept the market-clearing price to sell desired volumes. In addition, the BoT will continue to publish the results of its forex auctions on the same day, on its website, as per the 2025 Rules and Procedures for FX Auctions. 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.

23. 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. Modest improvement was observed in IFEM liquidity in late 2024, supported by the new FX Code of Conduct and FXI policy, with receding parallel market transactions. However, IFEM trading activities remain limited. To improve FX availability and lower FX demand, 2023 the BoT also issued Bureau de Change regulations and a Public Notice requiring goods and services prices to be quoted in shillings. FX regulations issued in March 2025 further require all domestic transactions to be conducted in shillings. 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.

24. 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 the near-term 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.

25. Considering the high uncertainty in the current environment, the government has prepared potential contingency plans if adverse scenarios materialize. A slowdown in global trade due to widespread policy changes in advanced economies, deepening geoeconomic fragmentation, further intensification of the DRC conflict and reduced foreign development assistance, 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

26. 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

27. 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 prudent fiscal policy by returning to the envisaged fiscal consolidation in the FY2025/26. Over the medium term, fiscal reforms will focus on: (i) enhancing domestic revenue mobilization efforts, (ii) scaling up priority social spending, in particular education and health, and (iii) strengthening public finance management and fiscal transparency.

Enhancing Revenue Mobilization Efforts

28. Tax policy and revenue administration efforts in FY2025/26 and in the medium term will be 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.

29. To realize Tanzania's revenue potential, the government has launched 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 identified 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. Revenue measures yielding 0.5 percent of GDP per year starting in FY2024/25 (SB, end-June 2024) were approved by Parliament, and income tax exemptions for export processing zones and special economic zones will be repealed by end-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 have finalized an MTRS aimed at promoting efficient, equitable and progressive taxation (SB, end-March 2025), which should be adopted by Cabinet on June 22, 2025 and implemented during FY2025/26-FY2027/28. For FY2025/26, we have proposed to Parliament tax policy measures, including streamlined tax exemptions, aiming to raise additional revenues of at least 0.5 percent of GDP in FY2025/26 and 1 percent of GDP thereafter relative to FY2024/25 (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.

30. 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.

Scaling up Priority Social Spending

31. The government has increased priority social spending under the ECF program. 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. With additional spending approved in the supplementary budget, priority social spending is expected to reach TZS 15.4 trillion (7.1 percent of GDP) in FY2024/25, an increase from 5.9 percent of GDP in FY2022/23. In the FY2025/26 draft budget submitted to Parliament, we are maintaining total priority social spending to 7.1 percent of GDP, with allocation for education and health by increasing by 0.1 percent of GDP each. 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.

32. A sufficiently financed education policy is crucial to promote sustainable and equitable growth. Towards this goal, the government will:

- *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.*

33. Improving social assistance will also contribute to human capital development and foster inclusive growth. 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. The Government is finalizing review of the subsidy system, including direct and indirect subsidies, expected to identify gaps in the efficiency and targeting of our subsidy system, by December 2025. Following the phase out of TASAF - PSSN II at end- September 2025, the government will review and expand beneficiary households for the coming new phase.

Strengthening Public Finance Management

34. We are taking steps to 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). The Planning Commission Act of 2023 is being amended to explicitly require appraisal of public investment projects, including climate change impact assessments, before they are included in the budget (SB, end-June 2025). To support and strengthen the appraisal of public investment projects, we will issue a revised Public Investment Management (PIM)-Operational Manual (OP) with clear methodologies for appraisal of public investment projects that include assessing project benefits, costs, and risks, from a social, economic, climate, and financial perspective (new SB, end-Dec 2025). Starting in the FY2025/26 budget, to enhance budget transparency on investment, 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. The mid-point evaluation of the FYDPIII is ongoing to assess implementation progress and take stock of large projects. The evaluation report will include projects inventory and budgetary requirements for completing these projects. Looking ahead, a multi-year budgetary commitment will be included in the Forth Five-Year Development Plan (FYDP IV).

35. The government is 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 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 domestic arrears is being monitored by an ECF program indicative target.

36. 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.

37. 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.

38. 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. All SOEs have so far been in compliance of the circular.

39. 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:

- *Strengthen fiscal risk assessment.* In line with best practices in the region, we will establish a Fiscal Risk Committee to oversee risk analysis; maintain a Fiscal Risk Register to track exposures across government operations; and publish annually a comprehensive Fiscal Risk Statement.
- *Implement the plan for the repayment of arrears on VAT refunds and continue 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 (SB). Once the process is fully automated, the Ministry of Finance will resubmit to Parliament 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 (new SB, end-February 2026).
- *Contain risks 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 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.

- *Accelerate 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, which amounts to TZS 2.1 trillion. The Ministry of Finance is in the process of signing a memorandum of understanding with PSSSF to issue non - cash bonds in 3 annual instalments starting in September 2025. 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

40. 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.

41. While effectively implementing the revised regulatory frameworks, we will review and revise the BLUEPRINT. The government has prepared and published 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 (SB, end-December 2024). To continue strengthening the regulatory framework and improving the business environment, the government is in the process of reviewing and revising the BLUEPRINT along with an action plan, expected to be completed by end-June 2026, in consultation with relevant stakeholders to address their concerns in the planning and implementation of reforms.

42. 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.

43. 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 have been reconciled and the revised national accounts data for 2017–22 have 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.

44. The government will strengthen implementation and enforcement of comprehensive anti-corruption strategy and legislation. As a part of The National Anti – Corruption Strategy and Action Plan Phase Four (NACSAP IV) 2023 -2030 took off in 2023. The Strategy aims to have a prosperous society with robust systems of integrity promotion and zero tolerance to corruption. To enhance successful implementation of NACSAP IV, efforts are being made towards: (i) promote society participation in the fight against corruption by developing citizens' competence to demand for better services from providers and to enforce service providers' accountability and transparency in attempts to build a culture of integrity; (ii) strengthen Watchdog Oversight Institutions' reviews of integrity and anti-corruption legislations, overseeing legal compliance in regular bases and by enhancing the tracing and recovery of assets acquired as proceeds of corruption; (iii) enhancing the use of ICT based service delivery systems; and (iv) by actively engaging non – state actors in anti – corruption initiatives and in the promotion of integrity.

45. Significant progress has been made in aligning our legal framework with the FATF standards to improve the effectiveness of the AML/CFT framework. Good progress has been made in implementing all 21 items in the Action Plan. Following the review of the Authority's 5th Cycle Report submitted in November 2024, and the determination for Onsite Visit at the FATF Plenary in February 2025.FATF Team conducted onsite mission on 14-15 April 2025, which was officiated by Right Hon. Kassim Majaliwa Majaliwa, Prime Minister of the United Republic of Tanzania. It is expected that upon review of the results of the onsite visit by the global network, the FATF will receive for discussion the onsite visit report and determine on the delisting of Tanzania as a jurisdiction under increased monitoring during the June 2025 FATF Plenary. The government remains committed to continue sustaining the efforts to combat ML/TF/PF and upholding the international standards. 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 an onsite and offsite supervisory manual template, and a supervisory plan for the highest risk sectors (end-December 2023 SB). The government will continue to strengthen the AML/CFT supervisory framework, especially in the real estate sector, including by establishing a dedicated supervisory authority with sufficient resources.

46. 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

47. 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 (SB, end-June 2025).

48. The BoT is committed to enhancing financial sector stability and mitigating 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.The Banking and Financial Institutions Act (BAFIA) was amended to allow compliance with the requirements of capital adequacy ,and BoT issued new Capital Adequacy, Liquidity Management, and Prompt Corrective Action Regulations in line with Basel II/III in October 2023. The migration to Basel II/III risk-based bank supervision standards was recently completed, with the new standards effective from 1 April 2025. The BoT has enhanced the current two-tier assessment framework by creating a single risk-based rating system, which it plans to implement by end-2025, and has increased staffing for 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 (SB).

49. 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 include movable collateral, which will be submitted to Parliament in time for the Executive Board's assessment for this review (reset SB, end-March 2025).

Reform Measures to Address Climate Challenges

50. 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,[2] 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.

51. 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.

52. Efforts are underway to implement the following reforms with technical support from development partners.

- To take full advantage of the work we have done on developing and disseminating vulnerability maps (**RM2**), we will run a capacity building program facilitating and promoting the use of the information made available on the eGOV platform to all key stakeholders. Based on the

[2] Tanzania National Climate Change Response Strategy (2021-2026).

feedback from and evolving needs of our stakeholders, we will continue updating and expanding the information included in the database.

- 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.
- 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

53. 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.

54. The BoT 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 has been submitted to Parliament (reset SB, end-March 2025), 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.

55. 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.

56. 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.

57. 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, December 2023 – December 2025

(Tsh billions, unless otherwise indicated)

	2023				2024																2025						
	End-December				End-March				End-June				End-September				End-December				End-March				End-Jun.	End-Sep.	End-Dec.
	Target	Target-adj	Actual	Status	IT	IT-adj	Actual	Status	Target	Target-adj	Actual	Status	IT	IT-adj	Actual	Status	Target	Target-adj	Actual	Status	IT	IT-adj	Actual	Status	Target	IT	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	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met	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	540	Met	5,737	5,737	1,544	Met	6,500	6,500	1,544	Met	3,000	3,000	401	Met	5,500	5,500	1,438	Met	5,500	5,500	2,066	Met	6,500	3,000	5,500
Performance Criteria																											
Floor on domestic primary balance 1/	-1,510	-1,561	-1,464	Met	-1,969	-2,033	-1,881	Met	-2,537	-2,591	-2,363	Met	-695	-695	16	Met	-1,105	-1,247	-1,215	Met	-1,359	-1,565	-3,043	Not met	-2,559	-727	-1,155
Ceiling on net domestic assets (NDA) of the BoT	-287	-392	-1,592	Met	-86	-82	-913	Met	566	736	-195	Met	272	272	229	Met	337	213	-300	Met	457	350	-399	Met	657	691	659
Change in net international reserves of the Bank of Tanzania (floor, millions of U.S. dollars) 2/	-92	-92	433	Met	-42	-42	270	Met	8	-18	390	Met	58	58	425	Met	108	-32	612	Met	208	5	611	Met	308	508	608
Indicative Targets																											
Floor on priority social spending 1/	7,012	7,012	7,251	Met	10,267	10,267	10,576	Met	13,023	13,023	13,147	Met	3,076	3,076	3,540	Met	8,551	8,551	8,562	Met	11,793	11,793	11,874	Met	15,393	3,479	8,973
Ceiling on the stock of domestic arrears 1/	1,691	1,691	1,684	Met	1,544	1,544	1,524	Met	1,397	1,397	1,387	Met	1,247	1,247	1,247	Met	1,097	1,097	945	Met	947	947	731	Met	697	647	622
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	144	Met	1,631	1,631	474	Met	1,631	1,631	874	Met	1,500	1,500	230	Met	1,600	1,600	622	Met	1,600	1,600	960	Met	1,600	1,500	1,600
Memorandum Items																											
Foreign assistance grants and loans (US$ mlns) 1/	1,169	1,169	1,511	...	1,647	1,647	2,133	...	2,160	2,160	2,810	...	448	...	448	...	1,379	...	1,166	...	1,591	...	1,521	...	2,339	332	1,069
VAT refunds in arrears	0	0	0	...	0	0	0	...	0	0	0	...	0	...	0	...	0	...	0	...	0	...	0	...	0	0	0
Expenditure arrears	1,691	1,691	1,684	...	1,544	1,544	1,524	...	1,397	1,397	1,387	...	1,247	...	1,247	...	1,097	...	945	...	947	...	731	...	697	647	622
Wage bill on education and health workers 1/	1,489	1,489	2,559	...	2,942	2,942	3,833	...	4,844	4,844	5,114	...	1,259	...	1,411	...	2,519	...	2,793	...	3,060	...	4,236	...	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 January 2026

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 January 2026 (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	Met
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	Met
24. Prepare a medium-term revenue strategy (MTRS) with an implementation plan and submit to Cabinet for approval.	Enhance revenue performance	End- March 2025	Not met; ongoing
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	Not met; ongoing
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	Not met; implemented with delay
27. Tanzania Revenue Authority to complete automation of the VAT refund process.	Enhance revenue administration efficiency	End-Jun. 2025	Ongoing
28. 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	Ongoing
29. 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	Ongoing
Proposed Structural Benchmarks			
30. Submit to Parliament revenue measures, including streamlining and simplifying tax exemptions, with a revenue yield of at least 0.5 percent of GDP in FY25/26 and 1 percent of GDP a year starting in FY26/27 relative to FY2024/25.	Enhance revenue performance	End-Jun. 2025	Modified
31. Issue a revised PIM-OM with clear methodologies for appraisal of public investment projects that include assessment of a project's benefits, costs, and risks, from a social, economic, climate, and financial perspective.	Improve public financial management	End-Dec. 2025	New
32. Resubmit to Parliament an amendment of the VAT Act requiring that legitimate VAT refunds be paid by the end of the month following the month in which the VAT refund was claimed.	Improve public financial management	End-Feb. 2026	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 Completion Date	Completion Status	Availability Date	TA Provider	Development Partner Role	RM Expected Outcome	Prospective BoP risk reduction
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	Completed	1-Jun-25		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.	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.	*Improved fiscal and external sustainability.* -Better coordination of climate policy formulation and monitoring of implementation reduces fiscal and private sector costs of climate hazards, as well as related domestic and external financing needs. It also helps improve the impact of other RMs and macro-critical reforms. - Improves planning, reducing fiscal costs of climate shocks and related external financing needs. - Support private sector risk management and investment decisions, and lower search costs
	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	Ongoing	1-Jun-25	World Bank (WB)\Global Center on Adaptation (GCA)	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 vulnarability risk assessments for Zanzibar and Dar Es Salaam and could assist the authorities in exapnding this work to vulnerable parts of Tanzania's territory.	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.	
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	Ongoing	1-Jun-25	IMF\WB	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.	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.	*Improved fiscal, external and growth resilience.* - Promotes household sector resilence, reduces the need for after-shock support, and mitigates the growth impact of climate shocks - Reduces the impact of unforeseen disasters on the fiscal position and BoP, thereby reducing ex-post external financing needs.
	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	Ongoing	31-Oct-25		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 World Band and the WFP.	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.	
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	Completed	1-Dec-24	IMF		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.	*Improved fiscal and external sustainability.* - Reduces fiscal costs and risks from climate-related hazards and the implications of changing climate conditions, and minimizes disruptions to the economy; - Reduces the need for external financing and import demand for reconstruction; and facilitates a quick recovery of growth and net exports.
	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	Completed	1-Jun-25	IMF		Proposed budget for FY2025/26 includes climate assessment outcomes of all climate-relevant projects.	
	RM7. Starting in the FY2025/26 Budget, include assessment of natural disaster related fiscal risks in the budget document.	31-May-25	Completed	1-Jun-25	IMF		The FY2025/26 draft Budget includes assessment of natural disaster related fiscal risks.	

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

Key Challenge	Reform Measure	Tentative Completion Date	Completion Status	Availability Date	TA Provider	Development Partner Role	RM Expected Outcome	Prospective BoP risk reduction
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	Ongoing	31-Oct-25		The World Bank has a long-standing engagement, supporting energy sector related policy discussions and activities in Tanzania, including for power sector transition.	Power sector plan consistent with energy transition goals and other sectoral plan prepared and started to be implements.	*BOP and fiscal resilience to shocks.* - Strengthen resilience to climate change of vulnerable economic sectors - Reduces long-term reliance on expensive fossil fuel imports, whose prices are volatile. - Protects key resources and assets (including utilities), reducing the fiscal cost of and risks from climate change, and the related need for external financing. - Limits the need for increased imports for reconstruction in the aftermath of natural disasters. *Increased productivity, growth, investment, net exports* thanks to continued reliable access to electricity and water over the long term.
	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	Ongoing	30-Apr-26		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.	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.	
	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	Ongoing	31-Oct-25	IMF		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.	
	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	Ongoing	30-Apr-26	IMF	GIZ (Germany) supports water sector reforms and climate-sensitive water resources management to improve drinking water supply and sanitation.	Key climate policy related KPIs identified and integrated to the conditional water tariff setting.	
	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	Ongoing	30-Apr-26			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	Ongoing	31-Oct-25	WB		A repository of climate-related database created to support assessment of climate-related risks by supervised financial institutions and BoT.	*Financial sector resilience.* - Reduced financial sector losses when climate risks materialize, lowering recapitalization needs for banks. *Financial Deepening/ Private sector credit growth.* - Clarifying financial system stability risks from climate-related exposures supports bank lending in climate-affected areas including agriculture, leading to increased investments and supporting the BoP.
	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	Ongoing	30-Apr-26	IMF		BoT publishes annual report for CY2025, including a qualitative analysis focusing on key transmission channels of climate risks in the financial system.	

Attachment II. Technical Memorandum of Understanding

Dar Es Salaam, June 16, 2025

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.

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. [3] 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.

[3] 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.[4] 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

[4] 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	696	222	335

[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	24	67	9	21
Budget support loans	0	350	350	350	0	500	500	607	171	421	439	439	0	24
External non-concessional borrowing	1,252	1,331	1,331	1,331	103	186	348	699	7	350	650	742	6	312

[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				2025/26	
	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

[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
Quarterly verified unpaid VAT refunds	TRA	Quarterly	4 weeks
Monthly tourist arrivals	NBS	Monthly	4weeks
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

INTERNATIONAL MONETARY FUND

UNITED REPUBLIC OF TANZANIA

June 16, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION, FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, MODIFICATION OF PERFORMANCE CRITERIA, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—INFORMATIONAL ANNEX

Prepared By

The African Department
(In collaboration with other departments)

CONTENTS

RELATIONS WITH THE IMF

IMF and the United Republic of Tanzania (imf.org)

As of April 30, 2025

Financial Position in the Fund for the United Republic of Tanzania as of April 30, 2025 (imf.org)

Membership Status: Joined September 10, 1962; Article VIII

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	397.80	100.00
IMF's Holdings of Currency (Holdings Rate)	338.07	84.99
Reserve Tranche Position	59.73	15.01

SDR Department:	**SDR Million**	**Percent of Quota**
Net cumulative allocation	571.78	100.00
Holdings	8.54	1.49

Outstanding Purchases and Loans:	**SDR Million**	**Percent of Quota**
RSF Arrangements	42.62	10.71
RCF Loans	397.80	100.00
ECF Arrangements	568.84	143.00

Latest Financial Commitments

Arrangements:

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
RSF	June 20, 2024	May 17, 2026	596.70	42.62
ECF	July 18, 2022	May 17, 2026	795.58	568.84
SCF	July 06, 2012	April 30, 2014	149.18	74.60

Outright Loans:

Type	Date of Commitment	Date Drawn/Expired	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RCF[1]	Nov 12, 2021	Nov 12, 2021	265.20	265.20
RCF[1]	Sep 07, 2021	Sep 09, 2021	132.60	132.60
RFI	Sep 07, 2021	Sep 08, 2021	265.20	265.20

Overdue Obligations and Projected Payments to Fund[2]

(SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2025	2026	2027	2028	2029
Principal			79.56	113.97	159.32
Charges/interest	13.53	17.85	17.85	17.86	17.84
Total	13.53	17.85	97.41	131.82	177.16

Implementation of HIPC Initiative:

I.	Commitment of HIPC assistance	Enhanced Framework
	Decision point date	April 2000
	Assistance committed by all creditors (US$ millions)[3]	2,026.00
	Of which: IMF assistance (US$ millions)	119.80
	(SDR equivalent millions)	88.95
	Completion point date	November 2001

[1] Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e. Board approval date.

[2] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

[3] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two numbers cannot be added.

II. Disbursement of IMF assistance (SDR millions)	
Assistance disbursed to the member	88.95
Interim assistance	26.68
Completion point balance	62.27
Additional disbursement of interest income[4]	7.45
Total disbursements	96.40

Implementation of MDRI Assistance:

I. MDRI-eligible debt (SDR Million)[5]	234.03
Financed by: MDRI Trust	207.00
Remaining HIPC resources	27.03

II. Debt Relief by Facility (SDR Million)

Eligible Debt

Delivery Date	GRA	PRGT	Total
January 2006	N/A	234.03	234.03

Implementation of Catastrophe Containment Relief (CCR):

Date of Catastrophe	**Board Decision Date**	**Amount Committed (SDR Million)**	**Amount Disbursed (SDR Million)**
N/A	Jun 10, 2020	10.28	10.28
N/A	Oct 02, 2020	8.29	8.29

[4] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

[5] The MDRI provides 100 percent debt relief to eligible countries that qualified for the assistance. Grant assistance from MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Exchange Rate Arrangement:

Tanzania's *de jure* exchange rate arrangement is free floating, and the *de facto* exchange rate arrangement is classified as floating. The Bank of Tanzania (BOT) occasionally intervenes in the interbank foreign exchange market (IFEM) to address disorderly market conditions and contain excessive volatility in the exchange rate. In carrying out these operations, the BOT remains mindful of the need to maintain adequate level of international reserves within the statutory requirement. Trading in the IFEM is conducted using the Reuters trading platform in a two-way quote system. The BOT is not required to indicate two-way quotes when it participates in the IFEM.

Tanzania maintains three exchange restrictions and two multiple currency practices (MCPs) subject to Article VIII, Section 2(a). The exchange restrictions arise from (i) the requirement that residents use letters of credit for forex payments for transit cargoes, (ii) prohibiting importers who do not comply with the requirement to report the non-receipt of goods within 90 days from accessing foreign exchange for unrelated imports and (iii) the requirement to obtain a tax clearance certificate evidencing the payment of all taxes prior to making payments or transfers for certain current international transactions. One MCP arises from a requirement that transactions in the retail market over a certain threshold (currently USD 1 million) be traded within the interbank prevailing quoted rates. Five impermissible spreads relating to this MCP have been observed, first on 27 June 2024 and most recently on 19 February 2025 (permissible spread exceeded by Tsh4). A second MCP results from the long-standing use of a one-day lagged exchange rate for the BOT's forex transactions with the government, where such rate is not derived from transactions representative of the forex market. Ten impermissible spreads relating to this MCP have been observed, first on 6 November 2024 and most recently on 31 January 2025 (permissible spread exceeded by Tsh5).

Last Article IV Consultation:

The last Article IV consultation was concluded by the Executive Board on April 24, 2023.

Safeguards Assessment:

An updated safeguards assessment of the Bank of Tanzania (BoT) was completed in February 2022, in connection with the disbursements under the Rapid Credit Facility (RCF) approved by the IMF Executive Board in 2021. The assessment found that the BoT has made progress in strengthening internal audit and has maintained sound financial reporting practices. The report pointed to some risks related to the legal framework, external audit process, and currency operations. The authorities are addressing these risks in the context of the ongoing ECF arrangement.

Resident Representative: the current resident representative, Mr. Sebastian Acevedo, started his assignment in August 2023.

TECHNICAL ASSISTANCE

Table 1. United Republic of Tanzania: Fund Technical Assistance Received

Department	Purpose	Start-date	End-date
FAD	Revenue Administration	1-Apr-24	12-Apr-24
FAD	Revenue Administration	1-Apr-24	12-Apr-24
FAD	Revenue Administration	1-Apr-24	12-Apr-24
FAD	Revenue Administration	29-Jan-24	10-Feb-24
FAD	Revenue Administration	29-Jan-24	9-Feb-24
FAD	Macro-Fiscal Policies	18-Jan-24	30-Jan-24
FAD	Macro-Fiscal Policies	18-Jan-24	30-Jan-24
FAD	Tax Policy	14-Sep-23	27-Sep-23
FAD	Revenue Administration	11-Sep-23	22-Sep-23
FAD	Revenue Administration	6-Sep-23	19-Sep-23
FAD	Revenue Administration	6-Sep-23	19-Sep-23
FAD	Revenue Administration	6-Sep-23	19-Sep-23
FAD	Revenue Administration	6-Sep-23	19-Sep-23
STA	National Accounts	28-Aug-23	8-Sep-23
FAD	Public Financial Management	21-Aug-23	1-Sep-23
FAD	Public Financial Management	21-Aug-23	1-Sep-23
FAD	Public Financial Management	21-Aug-23	1-Sep-23
FAD	Public Financial Management	16-Aug-23	29-Aug-23
FAD	Public Financial Management	16-Aug-23	29-Aug-23
STA	Government Finance	8-Aug-23	14-Aug-23
LEG	Governance and Anti-Corruption	24-Jul-23	1-Aug-23
MCM	Monetary and Macroprudential Policies	14-Jul-23	25-Jul-23
FAD	Revenue Administration	6-Jul-23	10-Jul-23
MCM	Financial Crisis Management	21-Jun-23	30-Jun-23
MCM	Debt Management	27-Apr-23	28-Apr-23
MCM	Debt Management	27-Apr-23	28-Apr-23
MCM	Debt Management	26-Apr-23	28-Apr-23
MCM	Debt Management	24-Apr-23	25-Apr-23
MCM	Debt Management	24-Apr-23	25-Apr-23
MCM	Debt Management	24-Apr-23	25-Apr-23
MCM	Debt Management	17-Apr-23	23-Apr-23
MCM	Debt Management	17-Apr-23	21-Apr-23
MCM	Debt Management	17-Apr-23	21-Apr-23

Table 1. United Republic of Tanzania: Fund Technical Assistance Received (concluded)

Department	Purpose	Start-date	End-date
FAD	Public Financial Management	3-Apr-23	7-Apr-23
FAD	Public Financial Management	3-Apr-23	7-Apr-23
FAD	Revenue Administration	3-Apr-23	7-Apr-23
FAD	Revenue Administration	3-Apr-23	7-Apr-23
MCM	Financial Supervision and Regulation	2-Feb-23	15-Feb-23
MCM	Financial Supervision and Regulation	2-Feb-23	15-Feb-23
STA	Prices Statistics	23-Jan-23	3-Feb-23
FAD	Public Financial Management	30-Nov-22	13-Dec-22
FAD	Public Financial Management	30-Nov-22	13-Dec-22
FAD	Public Financial Management	30-Nov-22	13-Dec-22
FAD	Public Financial Management	28-Nov-22	4-Dec-22
FAD	Public Financial Management	28-Nov-22	4-Dec-22
FAD	Public Financial Management	22-Nov-22	25-Nov-24
STA	Government Finance	22-Nov-22	5-Dec-22
STA	Government Finance	22-Nov-22	5-Dec-22
FAD	Tax Policy	24-Oct-22	7-Nov-22
FAD	Revenue Administration	24-Oct-22	7-Nov-22
STA	National Accounts	24-Oct-22	4-Nov-22
STA	National Accounts	19-Sep-22	30-Sep-22
MCM	Financial Supervision and Regulation	19-Sep-22	26-Sep-22
MCM	Financial Supervision and Regulation	19-Sep-22	26-Sep-22
MCM	Central Bank Operations	6-Sep-22	15-Sep-22
FAD	Public Financial Management	15-Aug-22	26-Aug-22
FAD	Public Financial Management	15-Aug-22	26-Aug-22
STA	Government Finance	12-Jul-22	25-Jul-22
FAD	Revenue Administration	1-May-22	30-Apr-23

RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

A. World Bank

https://www.worldbank.org/en/country/tanzania

World Bank Group Projects:
https://projects.worldbank.org/en/projects-operations/projects
summary?lang=en&countrycode_exact=TZ

B. African Development Bank

https://www.afdb.org/en/countries/east-africa/tanzania

INTERNATIONAL MONETARY FUND

UNITED REPUBLIC OF TANZANIA

June 16, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION, FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, MODIFICATION OF PERFORMANCE CRITERIA, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS

Approved By
Catherine Pattillo (AFR), Niamh Sheridan, (SPR), and Manuela Francisco and Hassan Zaman (IDA)

Prepared by the staff of the International Monetary Fund (IMF) and the International Development Association (IDA).[1]

Risk of external debt distress	Moderate
Overall risk of debt distress	Moderate
Granularity in the risk rating	Some space to absorb shocks
Application of judgment	No

Tanzania remains at moderate risk of debt distress under the Low-Income Country Debt Sustainability Framework (LIC-DSF), with medium debt-carrying capacity.[2] All external debt burden indicators continue to stay below the policy-determined thresholds under the baseline scenario and the present value of the overall public debt-to-GDP ratio remains below the 55 percent of GDP benchmark. Nonetheless, liquidity indicators have deteriorated compared to the previous DSA on account of higher repayments of short-term domestic debt obligations and, on the external side, lumped amortization of various external loans. Stress tests show significant sensitivity of external debt dynamics to exports and exchange rate shocks, while contingent liabilities and climate shocks matter for overall public debt dynamics. Over the medium term, public debt will trend downwards supported by implementation of the authorities' reforms and prudent policies in line with the IMF Extended Credit Facility (ECF) objectives. The DSA results signal the importance of accessing, to the extent possible, external financing on concessional terms, developing of the domestic debt market, improving revenue mobilization and public investment management, and building resilience to climate change to maintain fiscal and debt sustainability.

[1] This DSA was prepared based on the Joint Bank-Fund LIC-DSA methodology.

[2] Tanzania's debt carrying capacity classification remains medium as in the June 2024 DSA. The composite index (CI), estimated at 2.88 is based on the October 2024 World Economic Outlook (WEO) and the 2023 World Bank Country Policy and Institutional Assessment (CPIA) data.

PUBLIC DEBT COVERAGE

1. The public sector debt covers central government debt, central government-guaranteed debt (i.e., excluding non-guaranteed debt of SOEs and local governments), and central bank debt (Text Table 1). Local governments and non-guaranteed public corporations' debt are not fully covered in available debt statistics, but the authorities are making progress in addressing these shortcomings.[3] The Bank of Tanzania (BoT) currently has no outstanding debt. The definition of external debt is based on residency. The DSA contingent liability (CL) stress test captures public sector exposure to SOEs, calibrated at 2.6 percent of GDP, reflecting the authorities' estimated size of contingent liabilities, including 2.3 percent of GDP in guarantees to the National Insurance Corporation[4] and 0.3 percent of GDP non-guaranteed SOEs debt.

Text Table 1. United Republic of Tanzania: Public Debt Coverage

Public Debt Coverage

	Subsectors of the public sector	Check box
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

Public Debt Coverage and the Magnitude of the Contingent Liability Tailored Stress Test

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.6	NIC-Insurance Policy and non-guaranteed SOE debt (with no clear repayment plan)
4	PPP	35 percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		7.6	

[1] The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0 percent.

[3] The Ministry of Finance (MoF) has a wide mandate over debt management by local governments and all parastatals: (i) the issuance of domestic debt is subject to its approval; and (ii) all external borrowing requires government guarantees or consent (implicit guarantee). The MoF has information on debt stocks of public corporations and local governments and is making progress on compiling data on debt flows (debt service) data in consultation with the Ministry responsible for Local Government and the Treasury Registrar responsible for SOEs. The central government's strong control over public sector debt limits the risk of additional, uncaptured, contingent liabilities.

[4] The guarantee to NIC is a contingent liability because it is not for debt but for NIC's insurance coverage for the construction of a major dam for hydroelectricity generation.

The CL stress test also includes default minimum value of 5 percent of GDP for a financial markets shock, incorporated in the LIC DSA, representing the average cost to the government of a financial crisis in LICs. Given that Tanzania's PPP stock, estimated at 1.5 percent of GDP, is below the 3 percent of GDP threshold, the CL stress test does not include PPPs contingent liabilities. The DSA includes in the domestic debt stock the full amount of government verified domestic arrears, totaling about 0.7 percent of GDP at end-FY2023/24, and incorporates implementation of the authorities' domestic arrears clearance strategy.[5] The authorities are continuing to engage external creditors to get resolutions on external arrears and to reach agreements on disputed amounts.

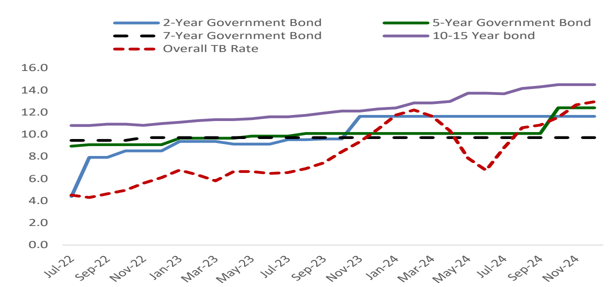
BACKGROUND ON DEBT

2. **Tanzania's public and publicly guaranteed (PPG) debt has increased moderately over the past decade.** At the end of FY2023/24, the level of public debt stood at 49.2 percent of GDP (49.9 percent of GDP including domestic arrears), up from 45.9 percent in FY2022/23, reflecting the government borrowing to finance the fiscal deficit.[6] This represents an increase of about 11 percent of GDP over the past decade. While domestic debt also rose over the same ten years, most of the increase came from the external debt component, which accounted for 66 percent of total debt at end-FY2023/24.

3. **External non-concessional borrowing has increased in recent years to finance the public infrastructure agenda**. Multilateral and official bilateral debt continue to be the major categories, accounting for about 73 percent of the stock of external public and publicly guaranteed (PPG) debt as of end-FY2023/24 (Text Table 2). However, in recent years, commercial borrowing has increased significantly, reaching 27 percent of total outstanding external at end FY2023/24. The BoT has currently no external debt outstanding.

4. **Domestic public debt has also increased, reaching the median range for peer countries** (Figure 7). Domestic debt stood at 16.3 percent of GDP (17 percent of GDP including domestic arrears) at end of FY2023/24. About 25 percent is accounted for by short-term instruments, including T-bills, domestic arrears, and central bank advances. As of end-June 2024, government bonds and T-bills constituted 75 percent and 7 percent of total government domestic debt respectively, jointly making up 82 percent of total domestic public debt. Most of the domestic debt stock

Text Figure 1. Government Securities Yields



Source: IMF Staff estimates.

[5] The outstanding balance of verified domestic arrears as of June-2024 was Tsh 1.3 trillion, consisting of verified expenditure arrears. There were no VAT refund claims outstanding for more than 90 days at end-June 2024. The authorities have accelerated the clearance of arrears in line with the ECF conditionality that includes a ceiling on the stock of expenditure arrears (quarterly indicative target—IT) with a schedule of their clearance, and reflects the authorities *Revised Strategy for Management of Arrears*, as of December 2022. Domestic arrears do not impact Tanzania's DSA rating, as per the LIC DSF guidance note, around 80 percent of Tanzania's domestic arrears are verified expenditure arrears to suppliers.

[6] All the figures and tables in the DSA follow the fiscal year; for example, year 2024 corresponds to FY2023/24.

is held by commercial banks with a share of 33.1 percent, followed by social security funds with holdings of 26.7 percent. Yields on government securities depicted mixed trends in FY2023/24. The overall T-Bills interest rate rose to 9.2 percent in FY2023/24, on average, from 6.8 percent in FY2022/23. The 2-year and 10-15-years bond yields also increased but at a slower pace and the 4- to 7-year bond yields remained the same as in the previous year.

Text Table 2. United Republic of Tanzania: Decomposition of Public Debt and Debt Service by Creditor, 2024-2026[1]

	Debt Stock 1/			Debt Service					
	2024			2024	2025	2026	2024	2025	2026
	(In US$ millions)	*(Percent of total debt)*	*(Percent of GDP)*	*(In US$ millions)*			*(Percent of GDP)*		
Total[2]	**37,321**	**100.0**	**49.9**	**6,211**	**6,518**	**4,612**	**8.0**	**7.9**	**5.1**
External	**24,600**	**65.9**	**32.9**	**1,867**	**2,046**	**2,024**	**2.4**	**2.5**	**2.2**
Multilateral creditors[3]	**16,615**	**44.5**	**22.2**	**489**	**563**	**622**	**0.7**	**0.7**	**0.7**
IMF	973	2.6	1.3	30	27	32	0.04	0.03	0.04
World Bank	11,606	31.1	15.5	302	358	384	0.4	0.4	0.4
AfDB	685	1.8	0.9	67	81	82	0.1	0.1	0.1
Other Multilaterals	3,351	9.0	4.5	90	98	124	0.1	0.1	0.1
o/w Africa Growing Together Fund (AGTF)	108	0.3	0.1	3	3	3	0.0	0.0	0.0
o/w African Development Fund	2,617	7.0	3.5	46	43	58	0.1	0.1	0.1
o/w International Fund for Agricultural Dev.	200	0.5	0.3	12	11	11	0.0	0.0	0.0
Bilateral creditors	**1,367**	**3.7**	**1.8**	**70.4**	**150.2**	**115.8**	**0.1**	**0.2**	**0.1**
Paris Club	712	1.9	1.0	29.67	43	46	0.0	0.1	0.1
o/w France	332	0.9	0.4	16.58	23	24	0.0	0.0	0.0
o/w Japan	374	1.0	0.5	11.26	19	20	0.0	0.0	0.0
Non-Paris Club	655	1.8	0.9	40.69	107	70	0.1	0.1	0.1
o/w China	116	0.3	0.2	-	-	2	0.0	0.0	0.0
o/w Iran	78	0.2	0.1	-	51	51	0.0	0.1	0.1
o/w Kuwait	90	0.2	0.1	7	7	6	0.0	0.0	0.0
o/w Poland	81	0.2	0.1	2	3	4	0.0	0.0	0.0
Commercial creditors	**6,618**	**17.7**	**9.7**	**1,307.20**	**1,332.31**	**1,287**	**1.7**	**1.6**	**1.4**
o/w UBS AG (formerly Credit Suisse)	997	2.7	1.5	387	309	290	0.5	0.4	0.3
o/w TBD-Eastern &S. African Trade & Dev Bank	333	0.9	0.5	220	200	181	0.3	0.2	0.2
o/w Exim Bank China[4]	1,266	3.4	1.9	195	190	183	0.3	0.2	0.2
o/w Exim Bank India[4]	524	1.4	0.7	50	66	67	0.1	0.1	0.1
o/w Exim Bank Korea[4]	438	1.2	0.6	2	2	5	0.0	0.0	0.0
o/w Standard Bank South Africa	784	2.1	1.0	38	143	218	0.1	0.2	0.2
o/w Standard Chartered Bank	1,280	3.4	1.7	261	247	215	0.3	0.3	0.2
o/w Societe generale	128		0.2	12	16	24			
Domestic	**12,721**	**39.8**	**17.0**	**4,344**	**4,472**	**2,588**	**5.5**	**5.5**	**2.9**
Held by non-residents, total	0	0.0	0.0	0	0	0	**0.0**	**0.0**	**0.0**
Held by residents, total	12,721	39.8	17.02	4,344	4,472	2,588	**5.5**	**5.5**	**2.9**
o/w T-Bills	886	2.8	1.2	971	878	809	1.2	1.1	0.9
o/w Bonds	9,500	29.7	12.7	1,610	1,764	1,779	2.1	2.2	2.0
o/w Central Bank Advances	1,776	4.8	2.4	1,763	1,830	0	2.2	2.2	0.0
o/w Domestic arrears	528	1.4	0.7	0	0	0	0.0	0.0	0.0
Memo Items:									
Collaterized debt[5]	0	0.0	0.0	...	...	...	...	...	...
o/w: Related	0	0.0	0.0	...	...	...	...	...	...
o/w: Unrelated	0	0.0	0.0	...	...	...	...	...	...
Contingent liabilities	2,033	0.0	0.0	...	...	...	...	...	...
o/w: Public guarantees (external)		0.0	0.0	...	...	...	...	...	...
o/w: Other contingent liabilities[6]	2,033	0.0	2.6	...	...	...	...	...	...

Sources: 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/ While debt from bilateral Exim banks is typically classified as bilateral, authorities classify such debts as commercial based on the market terms of the loans. Authorities envisage to review the classification in their debt database.

5/ 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.

6/ Includes other guarantees not included in publicly guaranteed debt such as the NIC insurance guarantee and non-guaranteed SoEs debts that pose a potential risk to debt dynamics.

MACROECONOMIC AND POLICY ASSUMPTIONS

5. Tanzania's macroeconomic fundamentals are healthy, and growth performance has been strong, but it will also need to be more inclusive going forward. Despite strong growth and ongoing progress in securing macro-financial stability, Tanzania faces daunting challenges to meet SDG targets, including education and health goals, and to reduce poverty rates, especially considering that its growing population is expected to double by 2050. Sustained reforms will be key to meet the authorities' development objectives to elevate Tanzania's economy to middle-income status by safeguarding macroeconomic stability, investing in infrastructure and human capital, easing institutional bottlenecks, and promoting investment, industrialization, and trade in line with the Third Five-Year Development Plan (FYDPIII). Decisive reform implementation is needed in the years ahead, including to accelerate the transition to a more private sector-led and job-rich growth model FYDPIII while safeguarding debt sustainability. Tanzania is also highly vulnerable to climate-related natural disasters which pose significant risks to macroeconomic, fiscal, and social developments.

6. The authorities' reforms are supported by two IMF financing arrangements and World Bank support.

- A 40-month ECF arrangement approved in July 2022 and extended by 6 months in June 2024 (200 percent of quota access). The ECF aims to preserve macroeconomic stability, strengthen the economic recovery, and promote sustainable and inclusive growth. The IMF Executive Board concluded the fourth review under the ECF in December 2024.

- A 23-month arrangement under the RSF approved in June 2024 (150 percent of quota). The RSF reduces prospective balance of payments risks and supports reforms to address risks and challenges associated with climate change and enhance the resilience of the Tanzania economy.

- The second ($750 million) World Bank support to Tanzania under the Development Policy Financing (DPF) operation, approved in December 2023, set to support private sector led recovery in Tanzania. It comprises tranche 1 amounting to $500 million and tranche 2 of $250 million disbursed in FY2023/24 and FY2024/25 respectively. In addition, the World Bank will continue to support Tanzania in strengthening economic resilience and the technical, financial and institutional capacity to manage climate, fiscal and disaster risks through the DPF with a Catastrophe Deferred Drawdown Option (CatDDO) expected to be approved by the World Bank Board before end-June-2025. In addressing skills for employability, the World Bank will, through the Second Education and Skills for Productive Jobs Program for Results worth about $300 million, support the country to address gaps in market-relevant skills, relevant in enhancing productivity.

7. Tanzania's economic conditions have continued to improve, with robust growth and low inflation. Real GDP growth picked up to 5.5 percent in CY2024 (yoy), from 5.1 percent in CY2023, driven by strong activity in agriculture, mining, financial services and electricity production. Headline inflation remained stable at 3.2 percent (yoy) in April 2025 (below BoT's target of 5 percent) while core inflation slowed to 2.1 percent in April 2025 from 3.9 percent a year earlier. Meanwhile though food inflation accelerated to 5.3 percent (yoy), from 1.4 percent (yoy) a year ago. The fiscal outturn in the first half of FY2024/25 was in line with program targets under the ECF. The supplementary budget adopted in February 2025 is expected to widen the domestic primary deficit by about 0.4 percent of GDP compared to the initial budget. This reflects increased spending on education, health, clearance of expenditure arrears[7], climate change adaptation and other priority areas. However, the fiscal outturn as of March 2025 shows a marked deterioration of the domestic primary balance in FY24/25Q3, beyond the level implied in the supplementary budget, and largely reflecting accelerated execution of development projects – while priority social spending remained broadly in line with the program target. As a result, the domestic primary deficit for the first 9 months of the year exceeded the end-March 2025 Indicative Target (IT) under the ECF by about 0.8 ppt of GDP. Decisive measures are necessary to offset the budget overrun in FY24/25Q3 and ensure that the end-June fiscal targets are met. The current account deficit narrowed to 2.6 percent of GDP in CY2024, from 3.8 percent of GDP in CY2023, reflecting strong export growth and moderate import growth. Exports of goods and services grew 15.2 percent in CY2024, driven by strong exports of cashew nuts, tobacco, and minerals as well as record levels of tourist arrivals. Imports growth moderated to 4.3 percent, as declining imports of fuel and fertilizer partially offset strong growth in imports of other goods and services.

8. The medium-term outlook is positive, contingent on continued reform implementation. Real GDP growth. Real GDP growth is projected to pick up to 6.0 and 6.3 percent in CY2025 and CY2026, respectively, and to reach 6½ percent over the medium-term. It is expected to stabilize around 6.0 percent in the long term (CY2031 to CY2045). This assumes sustained reform implementation, including improvements to the business environment, supported by the IMF, the World Bank and other development partners. Business environment reforms will address key constraints such as access to finance, efficiency of tax administration, easing regulatory burden and improving infrastructure, including access to electricity, helping to boost productivity in agriculture, manufacturing and services sectors. The World Bank support on education aiming to help Tanzania increase the number of graduates with market- relevant skills for employability in priority sectors, will add impetus to raising productivity. In addition, climate-related reforms will ensure resilience of the agricultural sector.

[7] These reflect delayed payments to construction work, suppliers, and utility.

Text Table 3. United Republic of Tanzania: Selected Macroeconomic Indicators, Current vs Previous DSA[1,2]

		Previous 10 years avg.	2024 Est.	2025 proj.	2026 proj.	2027 proj.	2028 proj.	2029 proj.	2030 proj.	Long-term avg. (Last 15 years)[3]
Real GDP Growth	Current	5.9	5.3	5.7	6.2	6.4	6.5	6.5	6.3	6.0
(percent)	Previous	5.9	5.3	5.7	6.2	6.4	6.5	6.5	6.3	5.5
Inflation	Current	4.3	3.1	3.3	3.7	4.0	4.0	4.0	4.0	4.0
(average)	Previous	4.3	3.1	3.8	4.0	4.0	4.0	4.0	4.0	4.0
Fiscal Balance	Current	-2.7	-3.1	-3.4	-3.0	-3.0	-3.0	-3.1	-3.0	-2.9
(percent of GDP)	Previous	-2.7	-2.8	-3.0	-2.8	-2.7	-2.7	-2.7	-2.7	-2.7
Current Account	Current	-4.5	-3.5	-2.6	-2.6	-2.8	-2.8	-2.8	-2.8	-2.8
(percent of GDP)	Previous	-4.5	-4.3	-3.5	-3.4	-3.1	-2.7	-2.5	-2.5	-2.5
Exports of Good & Services	Current	16.4	18.3	19.5	19.1	19.0	18.7	18.6	18.6	18.6
(percent of GDP)	Previous	16.3	17.2	18.3	18.1	18.1	18.0	18.0	18.0	18.1
FDI	Current	2.1	2.1	2.1	2.5	2.5	2.5	2.5	2.5	2.5
(percent of GDP)	Previous	2.0	1.8	1.8	1.9	2.0	2.1	2.1	2.1	2.1
Memorandum Items:										
Calendar Year GDP Growth	Current	5.8	5.5	6.0	6.3	6.5	6.5	6.5	6.2	6.0

Sources: Tanzanian authorities; and IMF staff estimates and projections

[1]/ Projections refer to fiscal years, unless stated otherwise. The previous DSA was conducted in the context of the Third Review under the ECF and RSF Request (June 2024).

[2]/Ratios in percent of GDP for the Current DSA reflect the actual outturn for CY2024 nominal GDP.

[3]/Average for period 2031-2045.

- **Inflation (CPI).** Inflation is expected to average about 3.3 percent in FY2024/25 and 3.7 in FY2025/26, then stabilize at 4 percent over the medium-term, anchored by the BoT's recently launched interest rate-based monetary policy framework.

- **Fiscal balance.** The authorities plan to resume growth-friendly fiscal consolidation in FY2025/26 which will require prudent budget execution in an election year. In this regard, the draft FY2025/26 budget submitted to Parliament targets an overall fiscal deficit of 3 percent of GDP , implying a 0.4 ppts of GDP consolidation compared to FY2024/25Domestic revenues would increase by 0.9 ppts of GDP to 16.8 percent, supported by tax policy measures yielding 0.5 percent of GDP and non-tax revenue measures yielding 0.4 percent of GDP, reflecting implementation of the new Medium-Term Revenue Strategy (MTRS). Primary expenditure would increase by 0.4 ppts of GDP to 17.6 percent, largely driven by further increases in investment spending, while priority social spending (PSS) will be maintained at 7.1 percent of GDP, in line with ECF program objectives. Achieving such revenue-based fiscal consolidation will require steadfast implementation of revenue measures and strict cash management and commitment controls to ensure that spending is consistent with revenue outturns. In addition, implementing contingency measures, e.g., in the form of cuts to non-priority spending would be essential to compensate for any budget over-run in FY24/25. In the medium term and long term, a prudent fiscal stance is expected to continue, with a deficit remaining within 3 percent of GDP (in line with the East African Community convergence criterion), reflecting expected improvements in revenue mobilization under the ECF coupled with a gradual decline in development spending.[8]

- **Gross financing needs.** Gross financing needs reached 8.0 percent of GDP in FY2023/24, projected to reach 8.7 percent of GDP in FY2024/25 and to stabilize at about 6.3 percent of GDP over the medium term. In addition to IMF financing, the financing gap during FY2024/25-FY2027/28 is expected to be covered from other multilateral sources including the World Bank[9] and the African Development Bank. External non-concessional borrowing (ENCB) is projected to remain below 50 percent of annual foreign financing over the next five years, while access to grants is assumed to taper. Domestic borrowing assumptions are in line with the authorities' debt management strategy.

- **Current account balance.** The current account deficit is projected to remain moderate over the medium-term, averaging 2.8 percent of GDP per year, reflecting a favorable outlook for the terms of trade and the impact of continued reforms.

- **Special Drawing Rights (SDR).** The authorities withdrew their entire August 2021 SDR allocation of SDR 381.3 million (USD 534 million) to boost reserves and concurrently bought US treasury bonds to optimize the Bank of Tanzania (BoT) foreign reserves management.[10] Since the withdrawn SDRs will remain on the balance sheet of the BoT—based on the 2021 Guidance Note on the SDRs' usage—the operation is not integrated in the DSA.

- **IDA projections and terms.** In FY2023, Tanzania's financing terms changed from 100% credits on regular terms to 50-year credit terms. Disbursements incorporate assumptions that Performance Based Allocations- Shorter Maturity Loans (PBA-SMLs) are for IDA20 and will be discontinued in IDA21; and only include window financing that has already been approved.

- **Debt conditionality.** Tanzania's ECF conditionality is set in compliance with the 2021 Guidance Note on Implementing the Debt Limits Policy in Fund Supported Programs. The quantitative performance criterion (QPC) on the PV of newly contracted external public debt (ceiling) and the indicative target on newly disbursed external non-concessional borrowing (ceiling) are consistent with a moderate risk of external debt distress (i.e., ensure compliance of the relevant thresholds). The authorities met the test date target for end-December 2024 for the fifth ECF

[8] Fiscal structural reforms and new tax measures are expected to increase public revenues and fiscal space over the program period. These include broadening the tax base, modernizing tax administration, reducing compliance costs and rationalizing tax exemptions. In this regard, the authorities are finalizing the Medium-Term Revenue Strategy aimed at promoting efficient, equitable and progressive taxation.

[9] Tranche 2 of the Tanzania Second Inclusive and Resilient Growth DPF (P180504), (an addition to the the IDA credit tapping SUW/Regular worth $500 million approved by the World Bank Board in December 2022). The World Bank is expected to approve a DPF with Cat DDO (P507912), worth about $100 million before end of FY25.

[10] The authorities have pursued a similar strategy for the 2009 SDR allocation following the Global Financial Crisis.

Review and they are on track to meet the end-April 2025 policy and performance actions (PPAs) targets for FY25 under the Sustainable Development Finance Policy (SDFP) of the World Bank.[11]

Text Table 4. United Republic of Tanzania: Summary Table on 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	**3,309**	**2,491**
Concessional debt, of which 2/	2,338	1,520
Multilateral debt	2,338	1,520
Bilateral debt	0	0
Non-concessional debt, of which 3/	971	971
Semi-concessional debt 3/	0	0
Commercial terms 4/	971	971
Use of debt financing	**3,309**	**2,491**
Infrastructure	2,575	2,014
Budget financing	735	477
Memorandum items		
Indicative projections		
Year 2	2,905	1,800-2,300
Year 3	2,947	1,900-2,400

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.

- **Climate-related investments.** According to Tanzania's 2021 Nationally Determined Contributions (NDC), the estimated budget for climate-related actions is $19.2 billion of which $9.9 billion is envisaged for climate adaptation in key sectors. These ambitions are not incorporated in the baseline macroeconomic framework. The DSA uses the tailored natural disaster stress test to analyze the potential impact of climate change shocks on debt dynamics.

9. **The realism tools indicate that the projections are reasonable (Figure 5).** The projected increase in public investment is expected to yield a growth dividend somewhat in line with historical values. As the bottom-right chart of Figure 5 indicates, under the DSA assumption of a 0.15 output elasticity,

[11] Tanzania successfully implemented three Performance and Policy Actions (PPAs) under the World Bank Sustainable Development Finance Policy (SDFP) in FY24. These strengthened debt transparency by authorizing the Commissioner of Debt Management Division to execute treasury securities and publishing an Annual Borrowing Plan and promoted fiscal sustainability by mandating better public investment management practices and operationalizing the Tax Ombudsman Office. For FY25, the government committed to implementing reforms to increase debt transparency by publishing audited financial statements of public debt and reporting on arrears and to enhance fiscal sustainability through scaled-up investment project appraisal.

government capital is expected to contribute an average of 1.4 percentage points of the 6.3 percent growth in real GDP in the next five years. This is somewhat lower than the historical average contribution of government capital to the growth of real GDP in Tanzania. Projected real GDP growth in 2025 and 2026 is higher than what is implied by the size of fiscal consolidation at different fiscal multipliers, Figure 7 top-right chart, reflecting positive impacts on growth of improvements in the business climate, supported by the ECF program, on private sector activity.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

10. **The country's debt-carrying capacity applied to this DSA is categorized as medium, same as in the previous DSA.** The calculated Composite Indicator (CI) Index is 2.88 (text table 5), down from 2.89 in the June 2024 DSA (Text Table 6), based on the October 2024 WEO and the 2023 CPIA data. The corresponding indicative thresholds are: (i) 40 percent for the present value (PV) of external debt-to-GDP ratio; (ii) 180 percent for the PV of external debt-to-exports ratio; (iii) 15 percent for the external debt service-to-exports ratio; and (iv) 18 percent for the external debt service-to-revenue ratio. The benchmark of the PV of total public debt for medium debt-carrying capacity is 55 percent.

Text Table 5. United Republic of Tanzania: Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.498	1.35	47%
Real growth rate (in percent)	2.719	5.676	0.15	5%
Import coverage of reserves (in percent)	4.052	39.693	1.61	56%
Import coverage of reserves^2 (in percent)	-3.990	15.755	-0.63	-22%
Remittances (in percent)	2.022	0.035	0.00	0%
World economic growth (in percent)	13.520	2.967	0.40	14%
CI Score			2.88	100%
CI rating			Medium	

Sources: 2023 October WEO; 2022 World Bank CPIA; and IMF and World Bank staff calculations.

Text Table 6. United Republic of Tanzania: CI Index

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Medium	Medium	Medium	Medium
	2.88	2.89	2.90

Sources: IMF and World Bank staff calculations.

EXTERNAL DSA

11. According to the baseline projections and borrowing assumptions, Tanzania's risk of external debt distress is assessed as moderate. The present value of the PPG external debt-to-GDP ratio peaks at about 22 percent in FY2025/26. Going forward, it is projected to steadily decline over time and remain around 15 percent in the outer years. Under the baseline, all external debt burden indicators continue to stay below the policy-determined thresholds, supported by robust economic growth, and the authorities' determination to safeguard debt sustainability and their strong program ownership. Nonetheless, relative to the previous DSA, baseline liquidity indicators have deteriorated especially between FY2027/28 and FY2029/30, reflecting lumped amortization of various external commercial loans. While there are no breaches under the baseline, there is a breach of the debt service-to-exports and debt service-to- revenue ratio under the shock scenario. As a result, the DSA rating for the external risk of debt distress is moderate (Figure 1). Enhancing domestic revenue mobilization and strengthening export earning capacity are critical for mitigating the risk of breaching liquidity indicators thresholds in the event of shocks.

12. Several debt indicators are sensitive to shocks (Figure 1). A decline in exports is the most extreme scenario shock on bound tests for the two ratios (PV of debt-to-exports and the debt service- to-exports), reflecting the sensitivity of the Tanzanian economy to a narrow of its exports base. This is especially noticeable for the debt service- to- exports ratio. Likewise, a one-time depreciation is the most extreme shock on bounds tests for the other two ratios (PV of debt-to-GDP and debt service-to -revenue) reflecting the composition of the public debt portfolio which is about 66 percent external debt and would be impacted by an exchange rate shock.

PUBLIC DSA

13. The risk of overall public debt distress is assessed to be moderate, in line with the moderate risk of external debt distress rating, figure 2. The PV of public debt-to-GDP ratio remains below the indicative benchmark under the baseline and most extreme stress scenarios. The ratio is projected to decline gradually and remain below both the benchmark associated with heightened public debt vulnerabilities (55 percent) and the East African Community (EAC) convergence criterion of 50 percent (Table 2 and Figure 2). The overall debt service to revenue ratio increased to 48.8 percent of GDP in F2023/24 from 46.2 percent in FY2022/23, but it is projected to decline to about 32 percent by 2035. The high debt service to revenue ratio in FY2024/25 reflects the domestic debt redemption profile with high repayment of short-term obligations in FY2024/25 (Figure 8). The present value of public debt-to-revenue ratio is expected to decline from 262 in FY2024 to 174 in FY2035. While gross financing needs are expected to stabilize around 5 percent of GDP in the long term, mitigating measures to improve the debt repayment profile and reduce refinancing risks through liability management operations (LMOs) in the short to medium term are warranted. Domestic revenue mobilization reforms will also be critical to ensure a long-term reduction of the debt service-to-revenue ratio.

14. Tanzania's domestic debt-to-GDP ratio increased to the median range for LIC peers in the past five years (Figure 7)**.** The domestic debt-to-GDP ratio increased to 17 percent by end-FY2023/24, from 11 percent in FY2019/20. During FY2024/25, the government finalized the verification of historical arrears to the Public Service Social Security Fund (PSSSF). As a result, these arrears, estimated at around 1 percent of GDP, should now be included in the stock of domestic public debt, which was increased accordingly. These newly recognized liabilities will be settled via the issuance of medium- to long-term non-cash government bonds to PSSSF. The domestic debt service-to-revenue ratio rose sharply to 31 percent in FY2023/24 and is projected to peak at 34 percent in FY2024/25. This increase mainly reflects the use and repayment of the government's short-term overdraft facility. In the medium term, the domestic debt-to-GDP ratio is projected to stabilize at around 17 percent, and the domestic debt service-to-revenue ratio to hover around 20 percent, in line with the authorities' consolidation plans and financing mix.

15. Bound tests indicate the criticality of sound public finance management (PFM) and public investment management. A one-time materialization of contingent liabilities is the most extreme scenario amongst the bound tests for all ratios, excluding the natural disaster stress test (discussed below). This signals the criticality of ensuring sound PFM and improving public investment management processes, including carefully prioritizing investment projects, figure 2. In this regard, it is paramount to continue improving the coverage and transparency of public sector debt statistics, including non-guaranteed debt of SOEs, to minimize the risk of unexpected debt surprises from unaccounted contingent liabilities.

16. Given Tanzania's vulnerabilities to climate change shocks, a tailored natural disaster stress test is used to assess the impact of natural disasters on debt dynamics.[12] The shock is calibrated as a one-off extreme natural disaster causing a 4 percent decline in real GDP, figure 3. This hypothetical scenario is twice the size of potential economic costs, per year, from natural disasters discussed in the authorities National Climate Change Response Strategy (2021-2026). In addition, the stress test assumes a one-off increase in PPG external debt by 6 percent of GDP, contracted by the government to fund post-disaster reconstruction and humanitarian needs, and 3.5 percent shock on exports growth. While the PV of total public debt-to GDP remains below the benchmark of 55 percent of GDP under the baseline and shock scenarios, the natural disaster becomes the most extreme shock for all three debt indicators namely the PV of debt-to-GDP, the PV of debt-to-revenue ratio and the debt service-to-revenue ratio. These results highlight the need for reforms to strengthen resilience to climate change which the authorities have started implementing under the RSF program.

RISK RATING AND VULNERABILITIES

17. The DSA indicates that the external and the overall risk of debt distress for Tanzania are moderate. This assessment is based on results showing that all external debt burden indicators remain below the policy-dependent thresholds under the baseline scenario, but also that the thresholds for the debt service-to-exports ratio and debt service-to-revenue ratio are breached under shock scenarios. For the overall public debt, the PV of total public debt-to-GDP ratio remains below the indicative benchmark under the baseline and shock scenarios.

[12] See World Bank CCDR Report-Tanzania and IMF Country Report 24/187 for detailed analysis on climate change risks, climate investments, and policies.

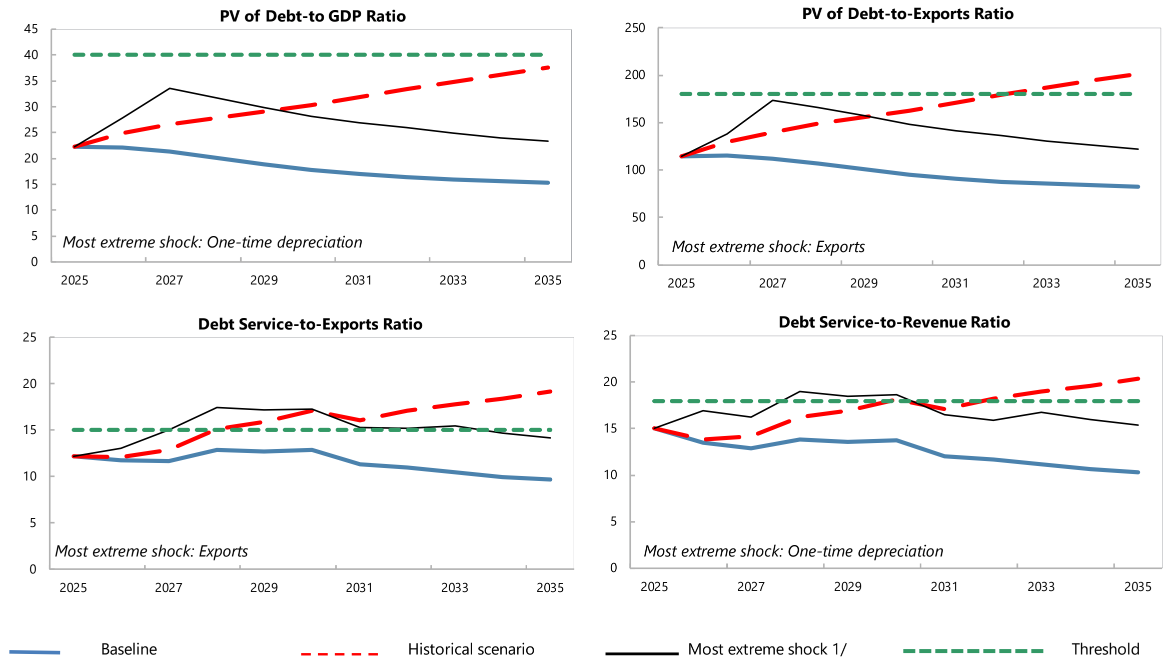
18. The DSA assessment highlights Tanzania's vulnerability to exogenous shocks. The stress tests show that an exports shock, one-time currency depreciation, contingent liabilities shock, and extreme natural disasters pose risks to debt sustainability. Vulnerability to exogenous shocks, such as climate-related natural disasters could negatively impact Tanzania's capacity to earn foreign exchange and repay external debt. The authorities will need to carefully balance their response to shocks and public investment plans as part of their broader development agenda to preserve debt sustainability. Creating additional fiscal space through domestic revenue mobilization efforts and improving the efficiency of public spending, including by carefully selecting projects to be financed by commercial loans, would help improve debt vulnerabilities. There is also a need to build resilience to natural disasters by implementing reforms to address gaps in adaptation and mitigation, including under the RSF and CatDDO programs of the IMF and World Bank, respectively. These results confirm the criticality of sustained reform implementation.

19. Tanzania has some space to absorb shocks, reflecting its prudent fiscal policy management (Figure 6). The DSA analysis suggests that Tanzania has some policy space to absorb shocks. Nonetheless, liquidity indicators have deteriorated relative to the previous DSA. Safeguarding healthy liquidity indicators will require the authorities to implement mitigating measures to improve the debt repayment profile and reduce refinancing risks through liability management operations (LMOs).

AUTHORITIES' VIEWS

20. The authorities agreed with staff's assessment that Tanzania's external and overall risk of debt distress remain moderate. They underscored that maintaining a moderate risk of debt distress is important to safeguard Tanzania's macroeconomic stability. In this regard, they concurred with staff's recommendations to maintain prudent borrowing, improve revenue mobilization, and enhance public investment management, including by selecting investment projects with clear socio-economic payoffs and addressing vulnerabilities to climate and contingent liabilities. With respect to contingent liabilities, the authorities will continue to improve debt statistics by covering SOEs and Local Government Authorities. Given the deterioration in liquidity indicators relative to the previous DSA, the authorities will also seek to improve the debt repayment profile and reduce refinancing risks through liability management operations (LMOs) and by exploring debt swaps.

Figure 1. United Republic of Tanzania: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2025–35



Customization of Default Settings

Tailored Stress	Size	Interactions
Combined CL	Yes	
Natural disaster	Yes	Yes
Commodity price	n.a.	n.a.
Market financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*

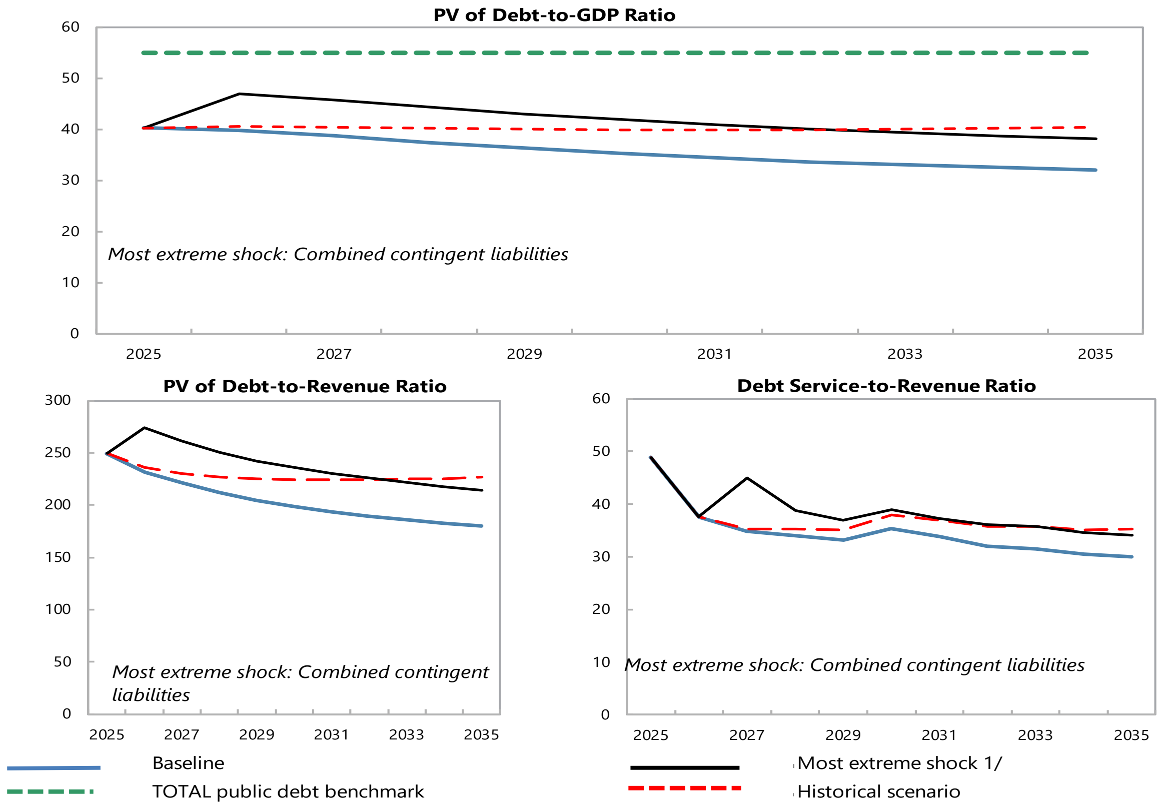
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	3.8%	3.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	21	21
Avg. grace period	5	5

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 2. United Republic of Tanzania: Indicators of Public Debt Under Alternative Scenarios, 2025–35



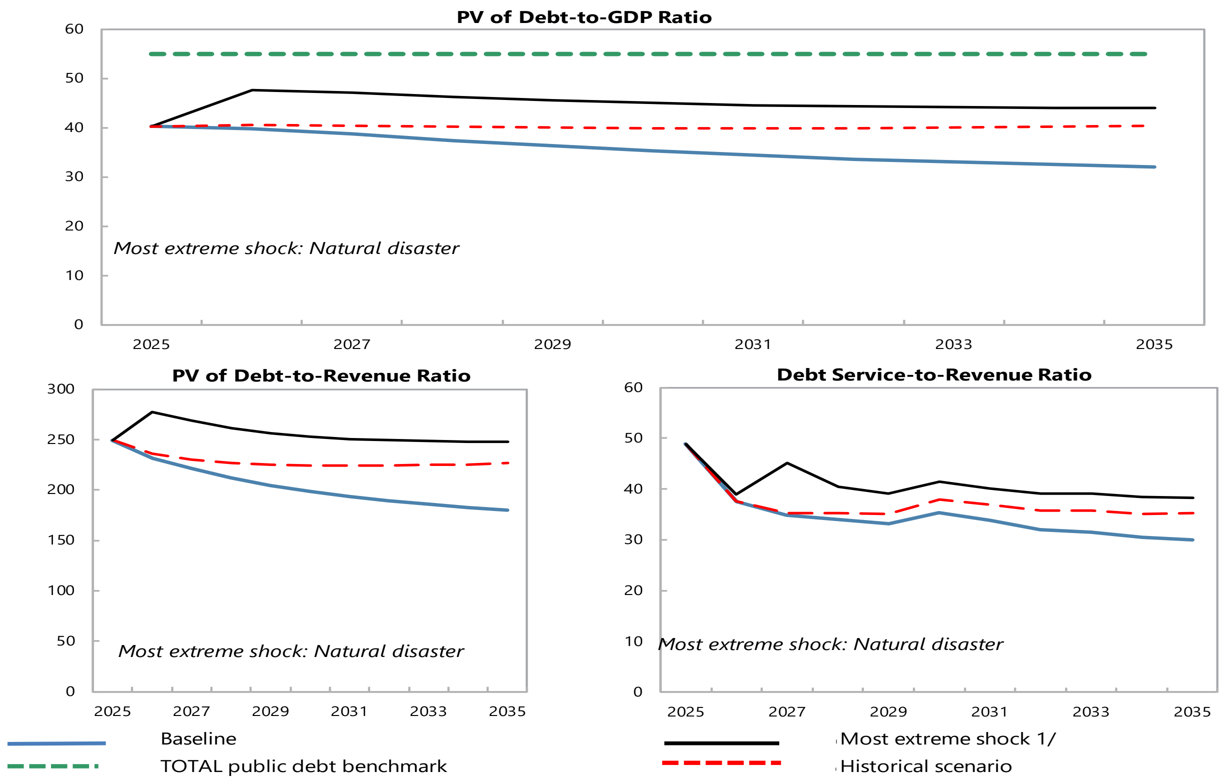
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	45%	45%
Domestic medium and long-term	37%	37%
Domestic short-term	18%	18%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	3.8%	3.8%
Avg. maturity (incl. grace period)	21	21
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	8.5%	8.5%
Avg. maturity (incl. grace period)	12	12
Avg. grace period	11	11
Domestic short-term debt		
Avg. real interest rate	5.7%	5.7%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

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

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. United Republic of Tanzania: Indicators of Public Debt Under Alternative Scenarios 2025–35—Natural Disaster Stress Test



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	45%	45%
Domestic medium and long-term	37%	37%
Domestic short-term	18%	18%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	3.8%	3.8%
Avg. maturity (incl. grace period)	21	21
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	8.5%	8.5%
Avg. maturity (incl. grace period)	12	12
Avg. grace period	11	11
Domestic short-term debt		
Avg. real interest rate	5.7%	5.7%

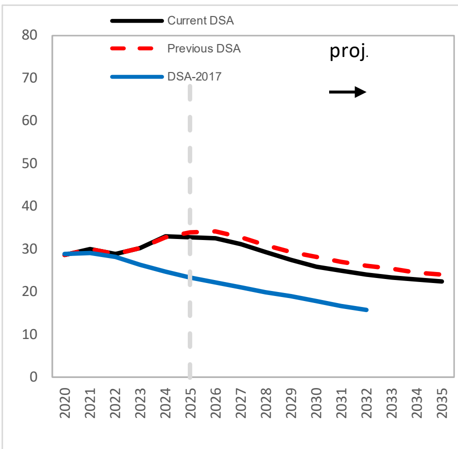
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Tanzanian authorities; and IMF staff estimates and projections

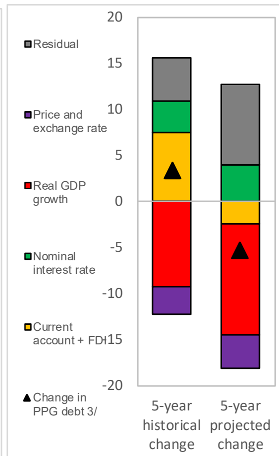
[1/] The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 4. United Republic of Tanzania: Drivers of Debt Dynamics—Baseline Scenario

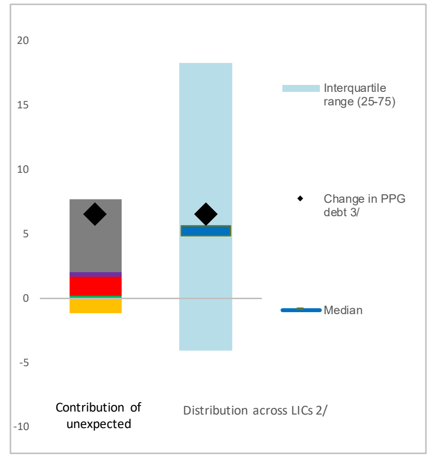
Gross Nominal PPG External Debt
(in Percent of GDP; DSA Vintages)



Debt-Creating Flows
(Percent of GDP)

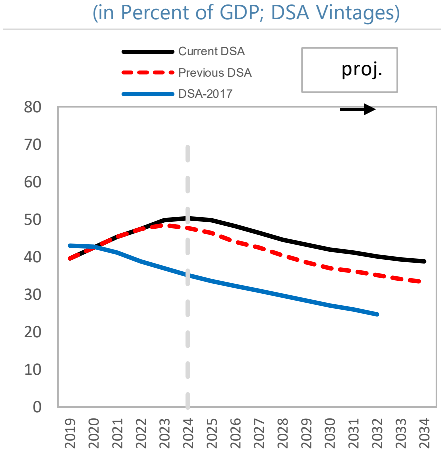


Unexpected Changes in Debt 1/
(Past 5 Years, Percent of GDP)

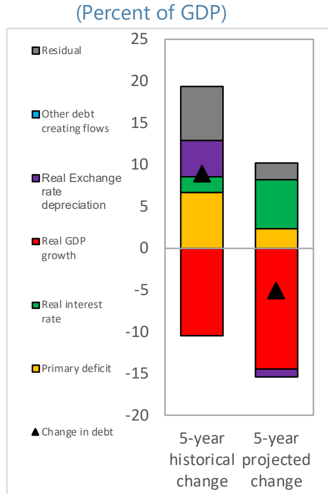


Public Debt

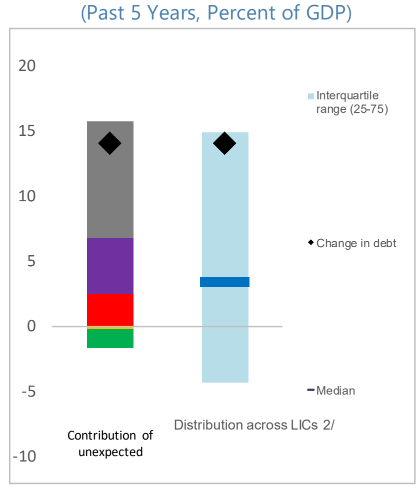
Gross Nominal Public Debt
(in Percent of GDP; DSA Vintages)



Debt-Creating Flows
(Percent of GDP)



Unexpected Changes in Debt 1/
(Past 5 Years, Percent of GDP)



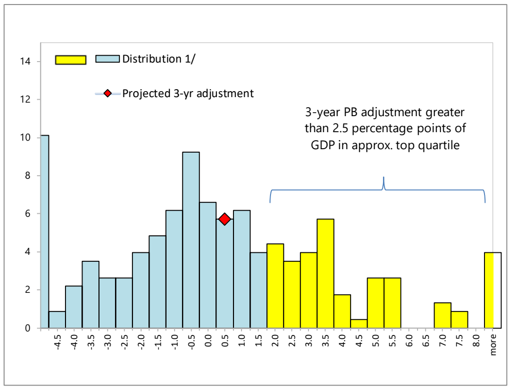
[1] Difference between anticipated and actual contributions to debt ratios.

[2] Distribution across LICs for which LIC DSAs were produced.

[3] Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

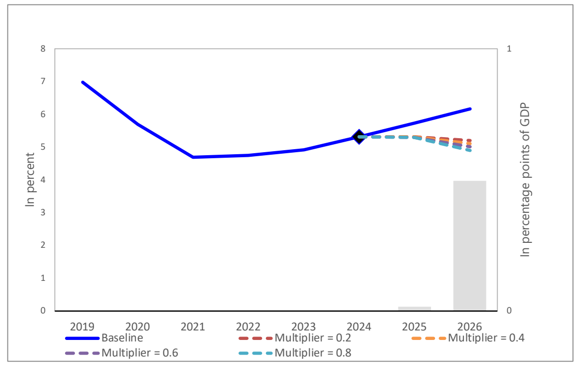
Figure 5. United Republic of Tanzania: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



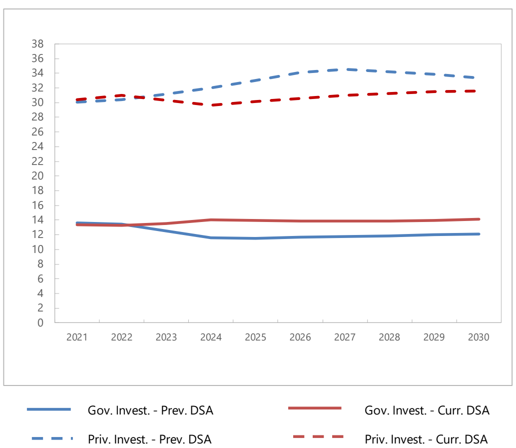
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(Percent of GDP)



Contribution to Real GDP growth
(Percent, 5-year Average)

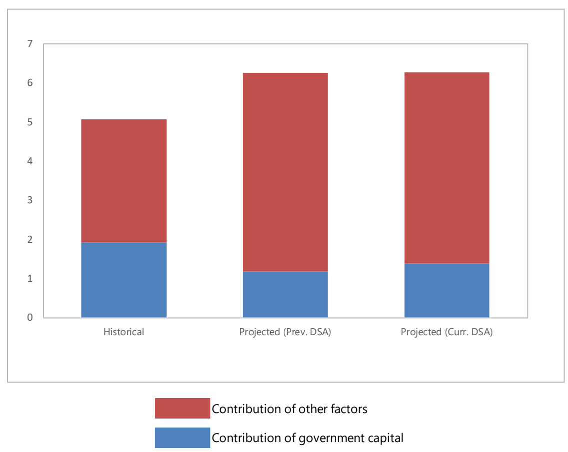
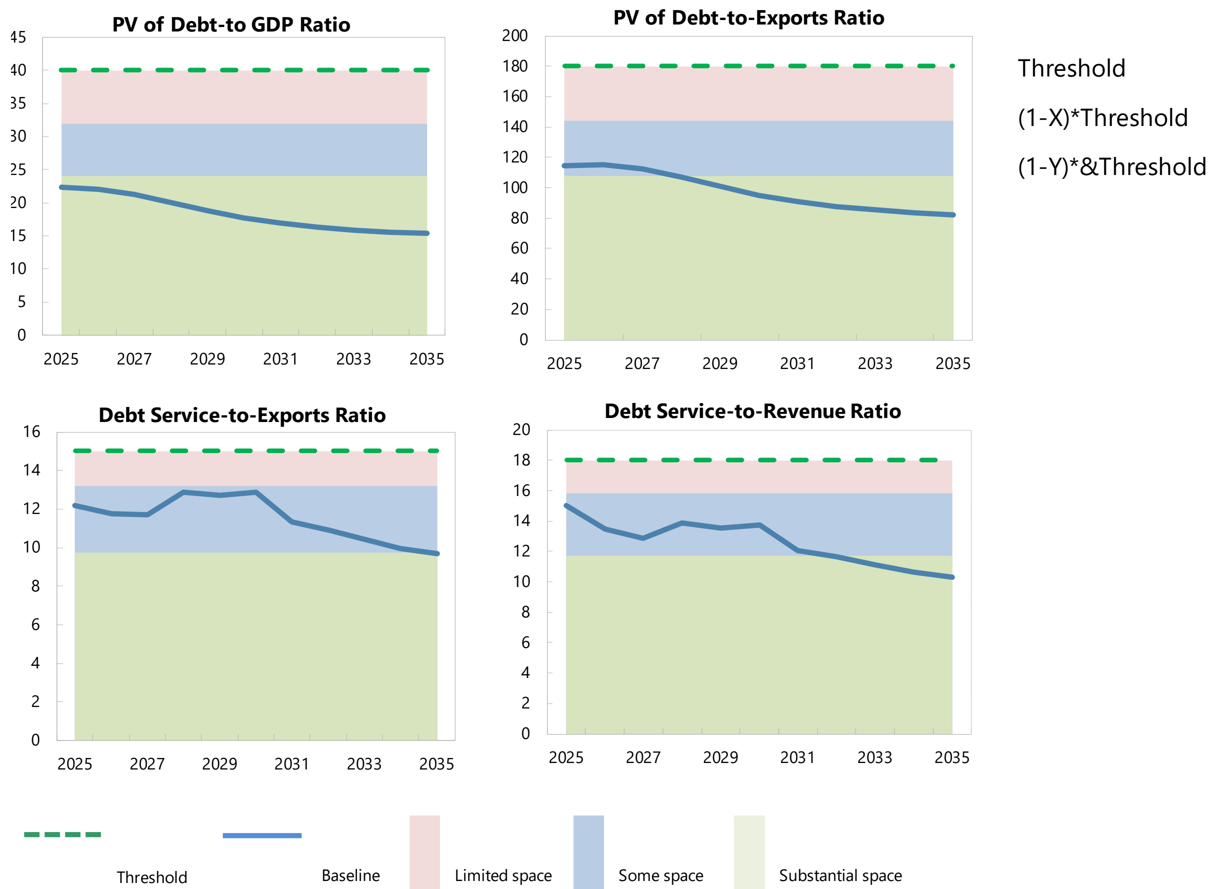


Figure 6. United Republic of Tanzania: Qualification of the Moderate Category, 2025–35[1/]

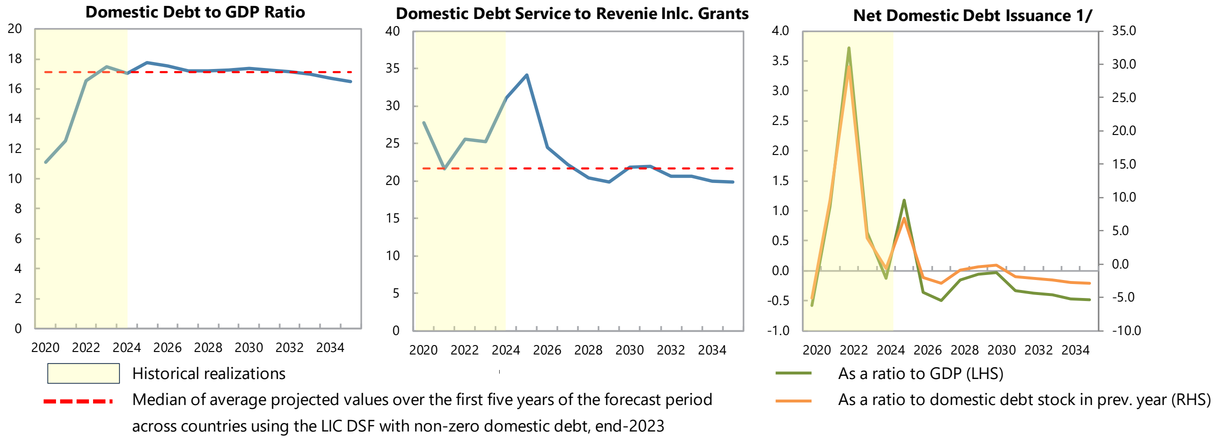


Source: Country authorities; and staff estimate and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Figure 7. United Republic of Tanzania: Indicators of Public Domestic Debt 2020-2034

(Percent)



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	67%
Short-term	33%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	8.5%
Avg. maturity (incl. grace period)	12
Avg. grace period	11
Domestic short-term debt	
Avg. real interest rate	5.7%

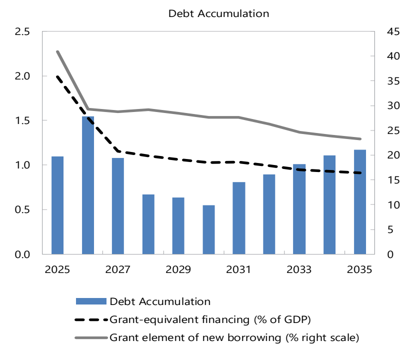
Source: Country authorities; and staff estimate and projections.
1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets,

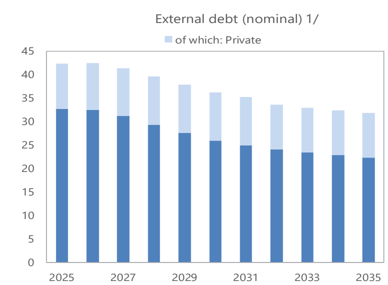
Table 1. United Republic of Tanzania: External Debt Sustainability Framework, Baseline Scenario, 2024-45

(In Percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 8/	
	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	**41.9**	**42.3**	**42.5**	**41.4**	**39.6**	**37.8**	**36.2**	**31.9**	**27.0**	**37.4**	**36.9**
of which: public and publicly guaranteed (PPG)	**32.9**	**32.7**	**32.4**	**31.2**	**29.3**	**27.5**	**25.9**	**22.3**	**17.4**	**29.7**	**27.0**
Change in external debt	2.0	0.3	0.2	-1.1	-1.8	-1.7	-1.6	-0.5	-0.5		
Identified net debt-creating flows	**0.1**	**-1.9**	**-2.3**	**-2.2**	**-2.1**	**-2.0**	**-1.9**	**-1.4**	**-1.1**	**0.6**	**-1.8**
Non-interest current account deficit	**2.5**	**1.4**	**1.7**	**2.1**	**2.2**	**2.2**	**2.1**	**2.2**	**2.4**	**3.8**	**2.0**
Deficit in balance of goods and services	-38.8	-40.0	-39.3	-39.2	-38.8	-38.6	-38.7	-38.6	-38.6	**-36.4**	**-38.9**
Exports	18.3	19.5	19.1	19.0	18.7	18.6	18.6	18.6	18.6		
Imports	-20.5	-20.5	-20.2	-20.2	-20.1	-20.0	-20.1	-20.0	-20.0		
Net current transfers (negative = inflow)	-0.8	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	**-0.8**	**-0.6**
of which: official	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0		
Other current account flows (negative = net inflow)	42.1	42.0	41.7	41.9	41.6	41.4	41.4	41.4	41.7	**41.0**	**41.5**
Net FDI (negative = inflow)	**-2.1**	**-2.1**	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-2.1**	**-2.5**
Endogenous debt dynamics 2/	**-0.3**	**-1.1**	**-1.6**	**-1.8**	**-1.8**	**-1.7**	**-1.5**	**-1.0**	**-1.0**		
Contribution from nominal interest rate	1.0	1.2	0.9	0.7	0.6	0.6	0.7	0.7	0.5		
Contribution from real GDP growth	-2.1	-2.3	-2.4	-2.5	-2.5	-2.3	-2.2	-1.8	-1.5		
Contribution from price and exchange rate changes	0.8	...	...	...	...	...	...	...	...		
Residual 3/	**1.9**	**2.2**	**2.5**	**1.1**	**0.3**	**0.3**	**0.3**	**0.9**	**0.5**	**1.0**	**0.9**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators											
PV of PPG external debt-to-GDP ratio	**22.3**	**22.3**	**22.0**	**21.3**	**20.0**	**18.8**	**17.7**	**15.3**	**12.8**		
PV of PPG external debt-to-exports ratio	**121.9**	**114.3**	**115.1**	**112.2**	**107.2**	**101.2**	**95.2**	**82.4**	**68.6**		
PPG debt service-to-exports ratio	**12.8**	**12.2**	**11.8**	**11.7**	**12.9**	**12.7**	**12.9**	**9.7**	**8.9**		
PPG debt service-to-revenue ratio	**15.5**	**15.0**	**13.5**	**12.9**	**13.9**	**13.5**	**13.7**	**10.3**	**10.4**		
Gross external financing need (Billion of U.S. dollars)	2.6	1.8	1.9	2.4	2.9	3.1	3.4	4.2	10.5		
Key macroeconomic assumptions											
Real GDP growth (in percent)	5.3	5.7	6.2	6.4	6.5	6.5	6.3	6.0	6.0	**5.9**	**6.2**
GDP deflator in US dollar terms (change in percent)	-1.9	-0.8	1.8	2.0	2.9	3.0	3.0	3.0	5.0	**-0.7**	**2.4**
Effective interest rate (percent) 4/	2.5	2.9	2.2	1.8	1.7	1.8	2.0	2.5	2.0	**1.9**	**2.3**
Growth of exports of G&S (US dollar terms, in percent)	13.0	11.9	6.2	7.7	8.0	9.2	9.4	9.1	11.3	**5.7**	**8.9**
Growth of imports of G&S (US dollar terms, in percent)	-5.2	4.9	6.6	8.7	8.9	9.2	9.9	9.1	11.3	**2.7**	**8.5**
Grant element of new public sector borrowing (in percent)	...	40.9	29.3	28.7	29.1	28.4	27.6	23.2	18.9	**...**	**28.1**
Government revenues (excluding grants, in percent of GDP)	15.1	15.8	16.7	17.2	17.4	17.5	17.5	17.5	15.9	**14.3**	**17.2**
Aid flows (in Billion of US dollars) 5/	2.2	2.4	1.7	1.5	1.5	1.5	1.4	1.4	2.3		
Grant-equivalent financing (in percent of GDP) 6/	...	2.0	1.5	1.2	1.1	1.1	1.0	0.9	0.7	**...**	**1.2**
Grant-equivalent financing (in percent of external financing) 6/	...	45.8	36.8	35.1	36.0	35.5	34.8	30.9	27.0	**...**	**35.2**
Nominal GDP (Billion of US dollars)	79	...	...	...	...	...	...	... ...	...		
Nominal dollar GDP growth	3.3	4.9	8.1	8.6	9.6	9.7	9.5	9.1	11.3	**5.2**	**8.8**
Memorandum items:											
PV of external debt 7/	31.3	31.9	32.1	31.5	30.3	29.1	28.0	24.9	22.3		
In percent of exports	171.2	163.5	167.5	165.7	161.9	156.5	150.7	133.7	119.8		
Total external debt service-to-exports ratio	16.0	15.2	14.8	14.8	16.1	15.9	16.3	13.0	11.2		
PV of PPG external debt (in Billion of US dollars)	17.6	18.4	19.7	20.7	21.3	22.0	22.6	30.4	66.7		
(PVt-PVt-1)/GDPt-1 (in percent)		1.1	1.5	1.1	0.7	0.6	0.6	1.2	1.1		
Non-interest current account deficit that stabilizes debt ratio	0.5	1.1	1.6	3.2	4.0	3.9	3.7	2.7	3.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Εα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ε=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

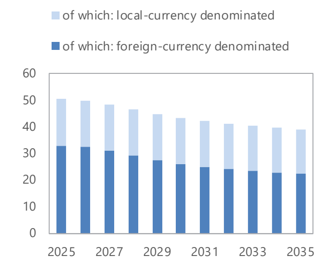
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

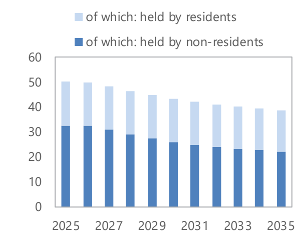
Table 2. United Republic of Tanzania: Public Sector Debt Sustainability Framework, Baseline Scenario, 2024-45
(In Percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 6/	
	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
Public sector debt 1/	49.9	50.4	49.9	48.4	46.5	44.8	43.3	38.8	30.3	42.7	44.1
of which: external debt	32.9	32.7	32.4	31.2	29.3	27.5	25.9	22.3	17.4	29.7	27.0
Change in public sector debt	2.3	0.5	-0.5	-1.5	-1.9	-1.7	-1.5	-0.7	-1.0		
Identified debt-creating flows	1.6	-0.9	-1.3	-1.4	-1.5	-1.2	-1.0	-0.4	-0.5	0.3	-0.9
Primary deficit	0.9	0.8	0.3	0.4	0.4	0.5	0.5	0.5	0.4	1.0	0.5
Revenue and grants	15.4	16.1	17.2	17.5	17.7	17.8	17.8	17.8	16.2	14.9	17.5
of which: grants	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3		
Primary (noninterest) expenditure	16.3	16.9	17.5	17.9	18.1	18.2	18.2	18.2	16.6	15.9	18.0
Automatic debt dynamics	0.6	-1.7	-1.6	-1.8	-1.8	-1.7	-1.5	-0.9	-0.9		
Contribution from interest rate/growth differential	-1.8	-1.7	-1.6	-1.8	-1.8	-1.7	-1.5	-0.9	-0.9		
of which: contribution from average real interest rate	0.6	1.0	1.3	1.3	1.1	1.2	1.2	1.3	0.9		
of which: contribution from real GDP growth	-2.4	-2.7	-2.9	-3.0	-3.0	-2.8	-2.7	-2.2	-1.8		
Contribution from real exchange rate depreciation	2.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	0.7	1.4	0.8	-0.1	-0.5	-0.5	-0.5	-0.3	-0.5	1.3	-0.1
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	40.5	40.2	39.8	38.7	37.4	36.3	35.3	32.0	25.7		
PV of public debt-to-revenue and grants ratio	262.6	249.4	231.6	221.1	211.6	204.2	198.5	180.0	159.0		
Debt service-to-revenue and grants ratio 3/	46.2	48.8	37.5	34.8	34.1	33.2	35.4	30.0	27.1		
Gross financing need 4/	8.0	8.7	6.8	6.5	6.4	6.4	6.8	5.8	4.8		
Key macroeconomic and fiscal assumptions											
Real GDP growth (in percent)	5.3	5.7	6.2	6.4	6.5	6.5	6.3	6.0	6.0	5.9	6.2
Average nominal interest rate on external debt (in percent)	2.9	3.4	2.4	1.9	1.8	1.8	2.0	2.7	3.1	2.0	2.4
Average real interest rate on domestic debt (in percent)	2.6	3.4	7.0	7.7	7.2	7.3	7.4	7.4	5.3	7.0	7.0
Real exchange rate depreciation (in percent, + indicates depreciation)	8.6	...	...	...	...	...	...	...	...	3.8	...
Inflation rate (GDP deflator, in percent)	6.4	5.1	3.9	4.0	4.9	5.0	5.0	5.0	7.1	3.8	4.8
Growth of real primary spending (deflated by GDP deflator, in percent)	-1.9	10.2	9.5	8.9	7.6	7.5	6.3	6.0	4.0	5.6	7.3
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.4	0.3	0.8	1.9	2.3	2.2	2.0	1.2	1.4	-0.8	1.5
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. United Republic of Tanzania: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025–35

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to GDP Ratio											
Baseline	22	22	21	20	19	18	17	16	16	16	15
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	22	25	27	28	29	30	32	33	35	36	38
A2. Alternative Scenario :[Customize, enter title]	22	22	21	20	19	18	17	16	16	16	15
B. Bound Tests											
B1. Real GDP growth	22	22	22	21	20	18	18	17	17	16	16
B2. Primary balance	22	23	23	22	21	20	19	18	18	17	17
B3. Exports	22	24	27	25	24	22	21	21	20	19	18
B4. Other flows 3/	22	23	24	22	21	20	19	18	17	17	17
B5. Depreciation	22	28	34	32	30	28	27	26	25	24	23
B6. Combination of B1-B5	22	25	27	25	24	22	21	21	20	19	19
C. Tailored Tests											
C1. Combined contingent liabilities	22	25	25	24	22	21	20	20	19	19	18
C2. Natural disaster	22	26	25	25	24	23	22	22	22	21	21
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	22	25	24	22	21	20	19	18	18	17	17
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of Debt-to-Exports Ratio											
Baseline	114	115	112	107	101	95	91	88	85	84	82
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	114	130	140	149	156	163	171	179	**187**	**195**	**201**
A2. Alternative Scenario :[Customize, enter title]	115	116	113	108	102	96	92	88	86	84	83
B. Bound Tests											
B1. Real GDP growth	114	115	112	107	101	95	91	88	85	84	82
B2. Primary balance	114	119	123	118	112	106	102	98	95	93	92
B3. Exports	114	138	173	166	157	148	142	136	131	126	122
B4. Other flows 3/	114	121	124	119	112	106	101	97	94	91	89
B5. Depreciation	114	115	140	134	127	120	115	111	106	102	99
B6. Combination of B1-B5	114	131	132	143	135	127	122	117	113	109	106
C. Tailored Tests											
C1. Combined contingent liabilities	114	131	131	126	120	114	110	106	103	101	99
C2. Natural disaster	114	133	134	131	126	122	119	117	115	115	115
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	114	115	112	108	102	96	91	87	85	83	82
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt Service-to-Exports Ratio											
Baseline	12	12	12	13	13	13	11	11	10	10	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	12	12	13	**15**	**16**	**17**	**16**	**17**	**18**	**18**	**19**
A2. Alternative Scenario :[Customize, enter title]	12	12	12	13	13	13	11	11	10	10	10
B. Bound Tests											
B1. Real GDP growth	12	12	12	13	13	13	11	11	10	10	10
B2. Primary balance	12	12	12	14	13	13	12	12	11	11	10
B3. Exports	12	13	**15**	**17**	**17**	**17**	**15**	**15**	**15**	15	14
B4. Other flows 3/	12	12	12	13	13	13	12	12	11	11	10
B5. Depreciation	12	12	12	14	14	14	12	12	13	12	11
B6. Combination of B1-B5	12	12	14	**16**	**15**	**15**	14	14	13	13	12
C. Tailored Tests											
C1. Combined contingent liabilities	12	12	12	14	13	14	12	12	12	11	11
C2. Natural disaster	12	12	13	14	14	14	13	13	13	12	12
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	12	12	12	14	15	15	12	10	10	9	10
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt Service-to-Revenue Ratio											
Baseline	15	13	13	14	14	14	12	12	11	11	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	15	14	14	16	17	**18**	17	**18**	**19**	**20**	**20**
A2. Alternative Scenario :[Customize, enter title]	15	13	13	14	14	14	12	12	11	11	10
B. Bound Tests											
B1. Real GDP growth	15	14	13	14	14	14	13	12	12	11	11
B2. Primary balance	15	13	13	15	14	14	13	12	12	11	11
B3. Exports	15	14	13	15	15	15	13	13	13	13	12
B4. Other flows 3/	15	13	13	14	14	14	12	12	12	11	11
B5. Depreciation	15	17	16	**19**	**18**	**19**	16	16	17	16	15
B6. Combination of B1-B5	15	14	14	16	15	16	14	14	14	13	12
C. Tailored Tests											
C1. Combined contingent liabilities	15	13	14	15	14	14	13	13	13	12	12
C2. Natural disaster	15	14	14	15	15	15	13	14	13	13	13
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	15	13	13	15	16	16	13	11	10	10	10
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. United Republic of Tanzania: Sensitivity Analysis for Key Indicators of Public Debt, 2025–35

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	PV of Debt-to-GDP Ratio										
Baseline	40	40	39	37	36	35	34	34	33	32	32
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	40	41	40	40	40	40	40	40	40	40	40
A2. Alternative Scenario :[Customize, enter title]	40	40	38	37	36	35	34	34	33	32	32
B. Bound Tests											
B1. Real GDP growth	40	41	41	41	40	40	39	39	39	39	39
B2. Primary balance	40	41	42	41	40	39	38	37	36	36	35
B3. Exports	40	41	44	42	41	40	39	38	37	36	35
B4. Other flows 3/	40	41	41	40	38	37	36	35	35	34	33
B5. Depreciation	40	43	41	38	35	33	30	29	27	25	24
B6. Combination of B1-B5	40	39	40	38	37	35	34	33	32	31	31
C. Tailored Tests											
C1. Combined contingent liabilities	40	47	46	44	43	42	41	40	39	39	38
C2. Natural disaster	40	48	47	46	46	45	45	44	44	44	44
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	40	40	39	38	36	35	34	34	33	32	32
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
	PV of Debt-to-Revenue Ratio										
Baseline	249	232	221	212	204	199	193	189	186	183	180
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	249	236	230	227	225	225	224	224	225	225	227
A2. Alternative Scenario :[Customize, enter title]	248	230	220	211	203	198	193	189	185	182	179
B. Bound Tests											
B1. Real GDP growth	249	238	236	230	225	223	222	221	221	221	221
B2. Primary balance	249	241	243	232	224	218	213	208	205	201	198
B3. Exports	249	242	250	239	230	223	217	212	206	201	196
B4. Other flows 3/	249	238	234	224	216	210	204	199	195	191	187
B5. Depreciation	249	252	232	213	197	184	172	161	152	143	135
B6. Combination of B1-B5	249	230	228	216	207	199	193	187	181	176	172
C. Tailored Tests											
C1. Combined contingent liabilities	249	274	261	251	242	236	230	225	221	218	214
C2. Natural disaster	249	277	269	261	256	253	251	249	248	248	248
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	249	232	221	212	205	199	193	189	185	182	180
	Debt Service-to-Revenue Ratio										
Baseline	49	38	35	34	33	35	34	32	32	30	30
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	49	38	35	35	35	38	37	36	36	35	35
A2. Alternative Scenario :[Customize, enter title]	49	38	35	34	33	35	34	32	32	30	30
B. Bound Tests											
B1. Real GDP growth	49	38	37	37	36	39	38	36	36	35	35
B2. Primary balance	49	38	37	38	36	37	36	34	34	33	32
B3. Exports	49	38	35	35	34	36	35	33	34	32	32
B4. Other flows 3/	49	38	35	35	34	36	34	33	32	31	31
B5. Depreciation	49	37	36	36	35	37	35	33	32	30	29
B6. Combination of B1-B5	49	36	35	35	34	35	34	32	32	31	30
C. Tailored Tests											
C1. Combined contingent liabilities	49	38	45	39	37	39	37	36	36	35	34
C2. Natural disaster	49	39	45	40	39	42	40	39	39	38	38
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	49	38	35	35	36	37	34	31	31	30	30

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

UNITED REPUBLIC OF TANZANIA

June 24, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION, FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, MODIFICATION OF PERFORMANCE CRITERIA, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—SUPPLEMENTARY INFORMATION, AND SUPPLEMENTARY LETTER OF INTENT

Approved by
Catherine Pattillo (AFR) and Niamh Sheridan (SPR)

Prepared by the African Department in consultation with the Strategy, Policy, and Review Department, as well as the Legal Department.

This supplement provides information additional to the Staff Report circulated to the Executive Board on June 17, 2025. It includes staff's assessment of the latest macroeconomic developments and implementation status of ECF Structural Benchmarks and RSF Reform Measures. Staff projections and recommendations, as well as the thrust of the staff appraisal, are unchanged. The supplement provides an updated Board decision and a Supplementary LOI reflecting the current status of Structural Benchmarks and Reform Measures.

1. Fiscal policy developments. The domestic primary balance stood at TSH -192.7 billion in April, taking the domestic primary deficit to TSH 3.2 trillion (about 1.5 percent of GDP) for the first 10 months of FY24/25, higher than its end-March level. This reinforces the importance of staff's recommendation in the staff report to implement urgent and decisive corrective measures over the remaining two months of FY24/25Q4 in order to meet the end-June target for the domestic primary balance (TSH 2.6 trillion).

2. ECF structural benchmarks (SB). Of the two remaining SBs that the authorities intended to implement before the Board meeting, one has been implemented:

i. **The Medium-Term Revenue Strategy (MTRS) has been adopted** by the Cabinet on June 22, 2025, for implementation during FY25/26-FY27/28. Staff considers the SB relating to the MTRS as implemented with delay.

ii. **The draft Secured transaction Act has *not* been submitted to Parliament.** Implementing this SB has proven more challenging than anticipated, including due to the need for stakeholder consultation and to ensure consistency across legislations. However, the authorities remain committed to implementing this SB under the ECF program, and requested resetting it to February 2026, which is the date of the next parliamentary session for legislation, given the upcoming general election in October.

3. **RSF Reform Measures (RM).** The two remaining RMs that the authorities intended to implement before the Board meeting, which are macro-critical, have now been implemented:[1]

i. **RM2.** Common climate scenarios and vulnerability maps have been prepared and official guidelines instructing ministries and government agencies to use these maps and scenarios for land use planning and construction design were approved on June 20, 2025 by the *National Disaster Management Committee*, under the provisions of the *Disaster Management Act*. An online portal for public access, hosted on the Prime Minister's Office website, is operational and access protocols will be streamlined shortly. [2]

ii. **RM3.** A Disaster Risk Financing Framework (DRF) was developed and formally adopted by the *National Disaster Management Committee* on June 20, 2025.

4. **A supplementary LOI has been provided by the authorities** (attached). It includes (i) the authorities' request to reset the SB on the Secured Transactions Act to February 2026, and (ii) a confirmation that the SB relating to the MTRS and all five RMs have been implemented. The corresponding tables from the MEFP have been updated and are also attached.[3]

5. **A revised decision is proposed for Executive Board approval** (attached). With all five RMs being now implemented, the authorities request the first, third, fourth, fifth and sixth disbursements under the second RSF review. Staff supports this request.

[1] Staff projections are unchanged including because completion of the RMs was the baseline in the previous version of the staff report.

[2] They are available at https://tcvmp.pmo.go.tz.

[3] The authorities' request for disbursement under the RSF arrangement with respect to the completed five RMs is stated in the original LOI, dated June 16, 2025.

Appendix I. Supplementary Letter of Intent

Dodoma, United Republic of Tanzania
June 24, 2025

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

Dear Madam Managing Director,

1. This is a supplement to our Letter of Intent dated June 16, 2025, to inform you that despite our concerted efforts, the structural benchmark on submitting a draft Secured Transactions Act to Parliament could not be completed in time for the Executive Board's assessment for this review. We are, therefore, requesting to reset the SB to end-February 2026, which, due to the October 2025 general elections, is the date of the next Parliamentary session for legislation.

2. On the other hand, we can report that the Medium-Term Revenue Strategy (MTRS) has been adopted by the Cabinet on June 22, 2025, for implementation during FY25/26-FY27/28. The two remaining RMs (RM2 and RM3) that we intended to implement before the Board meeting have also been implemented.

3. To reflect these developments, please see below the revised Tables 2 and 3 of the Memorandum of Economic and Financial Policies attached to our Letter of Intent dated June 16, 2025.

Sincerely yours,

/s/

Dr. Mwigulu Lameck Nchemba Madelu (MP)
Minister of Finance

/s/

Emmanuel Mpawe Tutuba
Governor, Bank of Tanzania

Table 2. United Republic of Tanzania: Structural Benchmarks Through January 2026

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 January 2026 (continued)

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	Met
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	Met
24. Prepare a medium-term revenue strategy (MTRS) with an implementation plan and submit to Cabinet for approval.	Enhance revenue performance	End- March 2025	Not met; implemented with delay
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	Not met
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	Not met; implemented with delay
27. Tanzania Revenue Authority to complete automation of the VAT refund process.	Enhance revenue administration efficiency	End-Jun. 2025	Ongoing
28. 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	Ongoing
29. 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	Ongoing
Proposed Structural Benchmarks			
30. Submit to Parliament revenue measures, including streamlining and simplifying tax exemptions, with a revenue yield of at least 0.5 percent of GDP in FY25/26 and 1 percent of GDP a year starting in FY26/27 relative to FY2024/25.	Enhance revenue performance	End-Jun. 2025	Modified
31. Issue a revised PIM-OM with clear methodologies for appraisal of public investment projects that include assessment of a project's benefits, costs, and risks, from a social, economic, climate, and financial perspective.	Improve public financial management	End-Dec. 2025	New

Table 2. United Republic of Tanzania: Structural Benchmarks Through January 2026 (concluded)

Reform Targets	Macroeconomic Rationale	Target Date	Status
32. Resubmit to Parliament an amendment of the VAT Act requiring that legitimate VAT refunds be paid by the end of the month following the month in which the VAT refund was claimed.	Improve public financial management	End-Feb. 2026	New
33. 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-February 2026	Reset

[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 Completion Date	Completion Status	Availability Date	TA Provider	Development Partner Role	RM Expected Outcome	Prospective BoP risk reduction
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	Completed	1-Jun-25		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.	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.	*Improved fiscal and external sustainability.* -Better coordination of climate policy formulation and monitoring of implementation reduces fiscal and private sector costs of climate hazards, as well as related domestic and external financing needs. It also helps improve the impact of other RMs and macro-critical reforms. - Improves planning, reducing fiscal costs of climate shocks and related external financing needs. - Support private sector risk management and investment decisions, and lower search costs
	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	Completed	1-Jun-25	World Bank (WB)\Global Center on Adaptation (GCA)	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 vulnarability risk assessments for Zanzibar and Dar Es Salaam and could assist the authorities in exapnding this work to vulnerable parts of Tanzania's territory.	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.	
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	Completed	1-Jun-25	IMF\WB	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.	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.	*Improved fiscal, external and growth resilience.* - Promotes household sector resilence, reduces the need for after-shock support, and mitigates the growth impact of climate shocks - Reduces the impact of unforeseen disasters on the fiscal position and BoP, thereby reducing ex-post external financing needs.
	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	Ongoing	31-Oct-25		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 World Band and the WFP.	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.	
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	Completed	1-Dec-24	IMF		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.	*Improved fiscal and external sustainability.* - Reduces fiscal costs and risks from climate-related hazards and the implications of changing climate conditions, and minimizes disruptions to the economy; - Reduces the need for external financing and import demand for reconstruction; and facilitates a quick recovery of growth and net exports.
	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	Completed	1-Jun-25	IMF		Proposed budget for FY2025/26 includes climate assessment outcomes of all climate-relevant projects.	
	RM7. Starting in the FY2025/26 Budget, include assessment of natural disaster related fiscal risks in the budget document.	31-May-25	Completed	1-Jun-25	IMF		The FY2025/26 draft Budget includes assessment of natural disaster related fiscal risks.	

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

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	Ongoing	31-Oct-25		The World Bank has a long-standing engagement, supporting energy sector related policy discussions and activities in Tanzania, including for power sector transition.	Power sector plan consistent with energy transition goals and other sectoral plan prepared and started to be implements.	*BOP and fiscal resilience to shocks.* - Strengthen resilience to climate change of vulnerable economic sectors - Reduces long-term reliance on expensive fossil fuel imports, whose prices are volatile. - Protects key resources and assets (including utilities), reducing the fiscal cost of and risks from climate change, and the related need for external financing. - Limits the need for increased imports for reconstruction in the aftermath of natural disasters. *Increased productivity, growth, investment, net exports* thanks to continued reliable access to electricity and water over the long term.
	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	Ongoing	30-Apr-26		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.	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.	
	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	Ongoing	31-Oct-25	IMF		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.	
	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	Ongoing	30-Apr-26	IMF	GIZ (Germany) supports water sector reforms and climate-sensitive water resources management to improve drinking water supply and sanitation.	Key climate policy related KPIs identified and integrated to the conditional water tariff setting.	
	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	Ongoing	30-Apr-26			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	Ongoing	31-Oct-25	WB		A repository of climate-related database created to support assessment of climate-related risks by supervised financial institutions and BoT.	*Financial sector resilience.* - Reduced financial sector losses when climate risks materialize, lowering recapitalization needs for banks. *Financial Deepening/ Private sector credit growth.* - Clarifying financial system stability risks from climate-related exposures supports bank lending in climate-affected areas including agriculture, leading to increased investments and supporting the BoP.
	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	Ongoing	30-Apr-26	IMF		BoT publishes annual report for CY2025, including a qualitative analysis focusing on key transmission channels of climate risks in the financial system.	

Statement by Mr. Adriano Ubisse, Executive Director for the United Republic of Tanzania, Mr. Pedro Silva, Alternate Executive Director, and Mr. Dickson Lema, Advisor to Executive Direcor
June 27, 2025

Introduction

1. On behalf of our Tanzanian authorities, we would like to express our deepest appreciation to the IMF mission team, led by Mr. Nicolas Blancher, for their constructive engagement, and to the IMF Executive Board and Management for their continued support. Our authorities broadly concur with staff's assessment and policy recommendations and highly value the candid and productive dialogue during the 2025 Article IV consultation, the Fifth review under the Extended Credit Facility (ECF), and the Second review under the Resilience and Sustainability Facility (RSF).

2. The authorities remain firmly committed to sound economic policies and reform implementation under the Third National Five-Year Development Plan (FYDPIII) (2021/22 - 2025/26), supported by the ECF and RSF arrangements. Despite the global economic headwinds and climate-related shocks, the authorities aim to build policy buffers, maintain macroeconomic stability, improve the business environment, promote inclusive growth, and reduce poverty. Looking ahead, Vision 2050 will guide the long-term development agenda, implemented through a new cycle of Five-Year Development Plans (FYDPIV) beginning in FY2026/27.

Program Performance

3. Performance under the ECF and RSF programs has remained broadly on track. All quantitative performance criteria (QPCs) and indicative targets (ITs) for end-December 2024 and end-March 2025 were met, except for the domestic primary balance, which was missed in March due to increased spending on education, health, and arrears clearance. Two structural benchmarks (SBs) for end-December 2024 were completed on time, including enhancements to risk-based supervision and the publication of a timetable for deregulation measures envisaged in the Blueprint for Regulatory Reforms. Two of the three SBs for end-March 2025 were implemented with delays, specifically the Medium-Term Revenue Strategy (MTRS) along with its implementation plan, and amendments to the Bank of Tanzania Act. Additionally, the proposal for the enactment of the Secured Transaction Act was approved by the Cabinet on June 22, 2025, and the next step is to finalize and submit the Bill to the Parliamentary session in February 2026.

4. Our authorities have made significant strides in implementing reforms under the RSF arrangement, aiming to address vulnerabilities and bolstering resilience to climate change for sustainable and inclusive growth. Support from development partners, including the IMF and World Bank, has been crucial in building institutional capacity for effective implementation of reform measures across various sectors. In March 2025, Parliament passed amendments to the Environmental Management Act (RM1), which clearly defines the institutional framework for climate-related policies. Several other reform measures have been completed, such as the publication of common climate scenarios and vulnerability maps, and the requirement to use this information in climate vulnerabilities assessments, land use planning, and construction design (RM2), and the development of a Disaster Risk Financing Framework (RM3) . Additionally, climate assessment outcomes for all climate-relevant projects (RM6) have been incorporated into the Annual Development Plan for FY2025/26, which was submitted to Parliament. Similarly, fiscal risks assessments related to natural

disasters (RM7) have been incorporated into the FY2025/26 budget, submitted to Parliament in June 2025, in line with program objectives.

Considering the strong program performance and ownership, the authorities seek the Executive Board's support in concluding the 2025 Article IV Consultation, and completing the Fifth Review under the ECF Arrangement, and the Second Review under the RSF Arrangement. They also request modification of the end-June 2025 QPC on domestic primary balance to accommodate the supplementary budget for increased priority social spending and clearance of domestic arrears.

Economic Developments and Outlook

5. **The Tanzanian economy is recovering strongly from multiple shocks, supported by robust policies and comprehensive reforms.** GDP grew by 5.5 percent in 2024, up from 5.1 percent in 2023, largely contributed by agriculture, construction, mining, trade, transport, and manufacturing activities. Growth is projected to reach 6.0 percent in 2025 and 6.3 percent in 2026, before stabilizing at around 6.5 percent over the medium term. This positive outlook is underpinned by ongoing reforms aimed at improving the business environment, economic diversification, financial stability, public financial management, and climate resilience. However, there are downside risks, including a potential slowdown in the global economy and trade, geoeconomic fragmentation, geopolitical conflicts, climate-related risks, and reduced foreign development assistance.

6. **Inflation remains contained, thanks to sustained prudent macroeconomic policies and favourable weather conditions.** Inflation averaged 3.1 percent in 2024 and was 3.2 percent in May 2025, within the central bank's 3–5 percent target range. Inflation is expected to stay within the target over the short to medium term, supported by prudent policies, favorable weather, and improved energy and transport efficiency.

7. **The current account balance is improving as exports surge and imports normalize.** The current account deficit narrowed to 2.6 percent of GDP in 2024, from 3.8 percent in 2023, supported by exports of minerals, proceeds from tourism, cashew, and tobacco. Ongoing export promotion and import substitution initiatives are expected to keep the current account deficit around 3 percent of GDP over the medium term. Forex reserves remained adequate at US$5.7 billion in March 2025, covering approximately 3.8 months of prospective imports.

POLICY PRIORITIES OVER THE NEAR TO MEDIUM TERM

Fiscal Policy and Debt Management

8. **The authorities are committed to growth-friendly fiscal consolidation, emphasizing revenue mobilization, infrastructure development, and social service delivery.** Fiscal performance in the first half of FY2024/25 was strong, aligning well with budget plans and meeting program targets for the domestic primary balance and priority social spending. In the second half, a supplementary budget was adopted to address urgent needs, including priority social spending to mitigate the impact of interrupted USAID operations, climate change adaptation, and clearing domestic arrears, temporarily increasing the domestic primary deficit by 0.4 percent of GDP. To maintain fiscal discipline, the authorities postponed low priority spending in the fourth quarter of FY2024/25 by about 0.7 percent of GDP to correct budget overruns and align with program targets. The FY2025/26

budget aims for a 0.4 percentage point deficit reduction, supported by tax policy and administrative reform measures, with a revenue yield of 0.5 percent of GDP. Additionally, several measures have been introduced to enhance non-tax collection by about 0.4 percentage points of GDP, including improvements to land rent and property tax collection systems.

9. **Our authorities are strengthening revenue mobilization through automated tax systems and simplified payment processes.** The Tanzania Revenue Authority has made significant ICT investments, launched the Tanzania Customs Integrated System (TANCIS) and deployed two modules of the Integrated Domestic Revenue Administration System (IDRAS) in January 2025, with full implementation expected by December 2025. Efforts to expand electronic tax stamps and enforce electronic fiscal device (EFD) receipts are progressing well. The government is also recovering tax arrears, expanding taxpayer registration, incorporating the digital economy into the tax net, and streamlining the process with a single-entry point for registration and tax ID issuance. To prevent new expenditure arrears, the authorities are clearing existing verified arrears and strengthening budget commitment controls.

10. **Medium-term reforms in public resource management are progressing well.** On June 22nd, 2025, the Cabinet approved the Medium-Term Revenue Strategy (MTRS) along with its implementation plan to enhance efficient, equitable, and progressive taxation, and to address the financing gap from reduced foreign assistance through fiscal adjustments. Efforts to improve spending efficiency, strengthen public financial management (PFM), and public investment management (PIM) are on course, guided by the IMF's C-PIMA recommendations. The Planning Commission Act of 2023 is being amended to require climate impact assessments for public investment projects, and the Public Investment Management Manual will be revised by end-December 2025 to detail project appraisal methodologies. The FY2025/26 budget includes detailed financial information for each ongoing public investment project to improve transparency and accountability.

11. **Debt sustainability remains at the core of our authorities' policy priorities.** Their medium-term debt strategy focuses on concessional financing and grants, ensuring public debt remains sustainable with a moderate risk of distress. They aim to maintain prudent borrowing practices, effective debt management, and enhance domestic resource mobilization and public investment management. Efforts include improving the debt repayment profile, reducing refinancing risks through liability management operations (LMOs) and debt swaps, and investing in climate-resilient infrastructure to mitigate the economic impact of natural disasters and reduce the need for post-disaster borrowing.

Monetary and Exchange Rate Policies

12. **The interest rate-based monetary policy stance aligns with the inflation objective and improves liquidity management among banks.** Throughout most of 2024 and 2025, the Bank of Tanzania maintained the policy rate at 6 percent to anchor inflation expectations. The interbank cash market rate stayed near the upper band, partly due to market segmentation. The Bank is actively modernizing the financial market and operational framework to improve policy implementation and transparency, including revising the collateral framework to support liquidity management. Efforts to enhance liquidity forecasting and communication strategies are progressing to aid policy transmission, while maintaining a data-dependent monetary policy remains key. In line with these developments, private sector credit grew satisfactorily, reaching 17.1 percent for the year ending May 2025,

up from 16.5 percent in May 2024. Meanwhile, average interest rates for lending and deposits were around 15.43 percent and 8.13 percent, respectively.

13. **The market-determined exchange rate system is becoming more entrenched, with limited intervention by the Bank of Tanzania to allow more flexibility and cushion the economy against external shocks.** Forex liquidity was lower in the first quarter of 2025 compared to the previous quarter due to the low season for cash crop exports, leading to faster depreciation of the exchange rate. The Bank continued to participate in the forex market according to the intervention policy, while purchasing gold from the domestic market using local currency to preserve reserve adequacy. To avoid transactional dollarization and enhance monetary policy effectiveness, new forex regulations issued in March 2025 require all domestic transactions to be conducted in shillings, improving market functioning, and ensuring a market-clearing exchange rate system.

Financial Sector Policies

14. **The banking sector remained sound, stable, and profitable, with adequate capital and liquidity.** In March 2025, the core and total capital adequacy ratios were 20.4 percent and 21.0 percent, respectively, against the minimum regulatory requirements of 10.0 percent and 12.0 percent. Asset quality improved, as evidenced by the decline in the non-performing loans ratio to 3.5 percent in March 2025, from 4.3 percent a year earlier, while the liquidity ratio stood at 29.3 percent. Supervisory and oversight functions have been strengthened with key macroprudential measures such as capital conservation buffers, loan loss provisioning, caps on loan-to-value and debt-service-to-income ratios, and restrictions on unsecured loans. The Bank of Tanzania is also advancing fintech and mobile money platforms, expanding eligible collateral, and enhancing financial literacy programs. Additionally, it is strengthening supervision and compliance under a risk-based AML/CFT framework. The authorities have successfully migrated to Basel II/III as of April 2025, and the Bank of Tanzania has enhanced its risk-based framework by developing a single risk-based rating system, which is set to be implemented by the end of 2025. These steps are part of ongoing efforts to enhance financial stability and deepen the financial system's resilience.

15. **The Bank of Tanzania is actively enhancing its supervision of banks and financial institutions through several initiatives.** These include developing a Real-Time Data Collection, Analytics, and Visualization System for real-time data access and analysis; operationalizing an Emergency Liquidity Assistance framework for solvent banks facing temporary liquidity issues; and implementing a Domestic Systemically Important Banks framework to identify banks whose distress could disrupt the financial system. Additionally, the Bank has developed a regulatory framework for Islamic Banking and Fintech Regulatory Sandbox Regulations for testing fintech innovations and reviewing Financial Consumer Protection Regulations to improve consumer redress processes. Efforts to enhance financial inclusion and deepening are advancing, including rolling out of the National Identification Number.

Structural Reforms

16. **The authorities' near-term reform agenda is guided by the Third National Five-Year Development Plan (FYDPIII) (2021/22 - 2025/26), supported by the ECF and RSF arrangements.** The development plan aims to safeguard macroeconomic stability, improve the business environment, increase inclusive growth, and reduce poverty. Beyond FY2025/26, the authorities' vision for the future will be laid out in the forthcoming Vision

2050, to be implemented in a new cycle of Five-Year Development Plans (FYDPIV) from FY2026/27 onward.

17. **In light of the significant uncertainty in the current global landscape, the government is advancing legal reforms, reducing bureaucratic hurdles, increasing business registrations, and automating business processes.** These efforts have streamlined operations, minimized delays, and improved regulatory relationships, resulting in faster processing times for permits, registrations, and licenses, and enhanced efficiency in trade and transport logistics. Despite these successes, the authorities recognize the need for further reforms to promote private sector development and create more jobs. To this end, they plan to revise the Blueprint for Regulatory Reforms, along with an action plan, expected to be completed by end-June 2026. This initiative aims to streamline the regulatory environment, further improve the tax system through technology, increase access to finance, incentivize business formality, and enhance the reliability of electricity and transport networks.

18. **To address Tanzania's young and growing population and developmental needs, the authorities are implementing medium-term reforms to boost investment in human and physical capital.** Specifically, efforts are directed towards increasing budgetary allocations for education to expand coverage, improve quality, reduce gender and rural-urban disparities, leverage technology for online learning, and modernize vocational and technical education. The authorities are also enhancing social assistance, expanding eligibility for vulnerable families, and improving access to health services. To strengthen governance, transparency, accountability, and public trust, all state-owned enterprises (SOEs) are publishing annual audited financial statements.

19. **The authorities are ramping up anti-corruption efforts through the National Anti-Corruption Strategy and Action Plan Phase Four** (NACSAP IV) 2023-2030. This strategy aims to foster a society with robust integrity systems and zero tolerance for corruption. Key initiatives include encouraging public participation in demanding better services, enforcing accountability, strengthening oversight institutions to ensure legal compliance and recover assets from corruption, enhancing ICT-based service delivery systems, and involving non-state actors in anti-corruption initiatives. Additionally, Tanzania has aligned its legal framework with FATF standards to enhance the effectiveness of its AML/CFT framework. In April 2025, the FATF team conducted an onsite visit and decided to remove Tanzania from the list of jurisdictions under increased monitoring during the June 13th, 2025 Plenary. The authorities remain committed to advancing efforts to combat money laundering, terrorist financing, and proliferation financing, while upholding international standards.

Building Climate Resilience and Sustainability

20. **Our authorities are making significant strides in tackling climate change through mitigation and adaptation policies supported by development partners, including the IMF and World Bank.** The RSF reform measures complement the National Determined Contribution by enhancing resilience through improved governance and coordination of climate policies, strengthening the disaster risk management framework, and integrating climate policies into budgeting and public investment planning. They also focus on aligning sectoral climate policies with national commitments, enhancing banking supervision of climate-related financial risks, and promoting sustainable resource management. To strengthen resilience and sustainability, while reducing risks to food, public health, and balance of payments shocks, the authorities are leveraging various stakeholders,

including the private sector, to advance investment in green transitions, notably in renewable energy, reforestation, countrywide irrigation schemes, and climate-resilient agriculture. The authorities are also transitioning to clean cooking solutions and improving land use planning in both urban and rural areas to foster sustainable development.

Conclusion

21. Our authorities reaffirm their steadfast commitment to the program objectives. They view the policies and reforms under the ECF and RSF as pivotal for maintaining macroeconomic stability, fortifying the external sector position, and creating fiscal space to support sustainable and inclusive growth. They are determined to safeguard financial stability and development, while building resilience against climate change-induced shocks. They express their appreciation for the continued support of the Fund and other development partners in setting a strong foundation for effective reform implementation under the program. The authorities are committed to continuing to work closely with the Fund and other development partners to achieve reform objectives, expedite inclusive economic growth, and elevate the living standards of Tanzanians.