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April 7, 2006

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Tanzania: Letter of Intent and Memorandum of Economic and Financial Policies

March 24, 2006

The following item is a Letter of Intent of the government of Tanzania, which describes the policies that Tanzania intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Tanzania, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

March 24, 2006

Mr. Rodrigo de Rato
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Mr. de Rato:

1. The Government of the United Republic of Tanzania has been implementing a financial and economic programme with support from the Fund's Poverty Reduction and Growth Facility (PRGF), under a three-year low access arrangement. Following the discussions we recently had with the Fund staff covering the fifth review of the PRGF programme, I hereby transmit the attached Memorandum of Economic and Financial Policies (MEFP), which reviews recent economic developments and progress in the implementation of the programme in the first half of 2005/06, and sets out policies the Government intends to pursue during the remainder of the fiscal year and beyond.
2. Progress under the 2005/06 programme has been satisfactory. All quantitative performance criteria and most indicative targets for the first two quarters were observed, except for the end-December indicative target for reserve money, which was missed by a tiny margin, and the end-September and end-December indicative targets on net domestic assets of the Bank of Tanzania because of difficulties in managing liquidity pressures in the banking system emanating from unanticipated outlays by the Government and the Bank of Tanzania.
3. Implementation of structural performance criteria and benchmarks during the period under review was broadly on track. However, approval by cabinet of the Anti-Corruption bill, an end-April 2006 structural benchmark, has been delayed by the prolonged period of the change of government. This has also delayed establishment of the planned DFGF.
4. The Government reaffirms its commitment in implementation of MKUKUTA, which sets economic growth, social well being of Tanzanians, good governance and accountability as the pillars of the country's development agenda. The Government underscores the need for continuation of appropriate monetary and fiscal policies, combined with key structural reforms which are essential to achieving MKUKUTA goals.
5. The Government believes that the policies and measures described in the attached MEFP are adequate to achieve the objectives of the 2005/06 programme. Throughout the programme, we will continue to provide the Fund with the required information to assess progress in implementing the programme. We shall also consult with the Fund on the adoption of any measures that may be appropriate at the initiative of Tanzania or the Fund.

We are therefore seeking completion of the fifth review under the PRGF arrangement and the consequent disbursement of the sixth tranche in an amount equivalent to SDR 2.8 million. The sixth and final review of the programme is contemplated for completion no later than early August 2006. Noting that the PRGF expires in August 2006, we would like to inform you of our intention to seek further support from the IMF in the context of the Policy Support Instrument.

6. The Government of Tanzania intends to make the contents of this letter and those of the attached MEFP available to the public and authorizes its publishing on the IMF website, together with Fund staff reports on the fifth review under the PRGF and MKUKUTA, once the Executive Board completes the review.

Yours Sincerely,

/s/

Zakia Hamdani Meghji (MP),
Minister for Finance,
United Republic of Tanzania.

Attachment: Memorandum of Economic and Financial Policies.

Memorandum of Economic and Financial Policies for 2005/06 and the Medium Term

RECENT ECONOMIC DEVELOPMENTS AND PROGRESS UNDER THE PROGRAMME

Real Sector Performance

1. Tanzania's sustained economic reforms have generated strong macroeconomic performance characterized by strong GDP growth and low inflation. Preliminary estimates show that the economy performed well in the year 2005, with a GDP growth of around 7 percent in line with projections. The sectors that are estimated to have grown strongly during the year include, trade and tourism, manufacturing, mining and construction, which together contributed about 40 percent of GDP.
2. As noted below, the drought experienced during the last quarter of 2005 has adversely affected food production and hydropower generation. This, coupled with the persistent increase in oil prices throughout 2005, exerted upward pressure on inflation. After having successfully kept the inflation rate close to 4 percent, it began inching upward, from 4.2 percent in June 2005 to the annual inflation rate of 5.0 percent at end-December 2005.

Fiscal policy and public resource management

3. Fiscal revenues during the first half of FY 2005/06 were broadly in line with the targets, while expenditures were running ahead of programme targets. Strong revenue performance was sustained during the first half of FY 2005/06, mainly reflecting continued tax administration reforms. Higher-than-programmed expenditures were due to: additional costs associated with the postponement of the national elections, accelerated transfers to TANESCO to help mitigate the increased costs of power generation, procurement and distribution of food aid, and higher pension outlays. The lower outturn of external support to the budget culminated in increased domestic financing of the budget.
4. Tax and customs administration reforms continue to show remarkable progress. The VAT and Income Tax departments at TRA headquarters were merged into the Domestic Revenue Department (DRD) in July 2005 and technical staff were made to undergo 'total tax person' training. Other areas of progress with tax administration reform include: increased coverage of taxpayers by LTD; strengthened staffing of the LTD and the post clearance audit unit in the Customs Department; and issuance of practice notes for the implementation of the Income Tax Act of 2004. Beginning October 2005, customs procedures have been streamlined through, among others, building capacity for risk profiling of import consignments as a basis for post clearance audits. Significant progress was made in implementing the ASYCUDA++ system and there are indications that customs clearance

times have been reduced at both the airport and Customs Service Centre (formerly Dar es Salaam Customs Longroom) and the problem of electronically transferring data between TISCAN and ASYCUDA ++ has been resolved.

Monetary Policy

5. During the first half of 2005/06, the economy witnessed a considerable build up of excess liquidity mainly from an uneven pace of government payments and accelerated outlays by the Bank of Tanzania. The situation was exacerbated by the sizable shortfall (US\$157 million) in donor funds inflows, which forced the Government to draw down its deposits in the banking system.

6. The excess liquidity in the economy was reflected by the persistent increase in reserve money above projections. In response, the Bank of Tanzania scaled up its sales of treasury bills, which were complemented by sales of foreign exchange, and repurchase agreement transactions with commercial banks. The tender size for treasury bills was steadily increased from T Sh 48.6 billion per week during July 2005 to T Sh 70 billion during December 2005. Together with robust credit demand from the private sector this led to upward pressure on interest rates. The weighted average yield for treasury bills moved from an average of 10.4 percent in July 2005 to 14.8 percent in December 2005. The weighted average time deposit rate rose from 4.4 percent to 5.3 percent, while the average lending rate and the average negotiated lending rate, were maintained at around 15 percent and 11 percent, respectively.

7. During the past six months, private sector credit grew at an average annual rate of 32.1 percent, which is in line with the envisaged momentum of economic activities. The major factors behind the strong growth include strong economic expansion, a noticeable increase in the number of credit worthy clients, and improvement in the business environment. The trade sector has been the largest borrower receiving about 22.9 percent of total private sector loans, followed by manufacturing (20.9 percent). Lending to agricultural production has been growing rapidly in recent years. Outstanding loans for agricultural production stood at T Sh 177 billion at end-December 2005, compared with T Sh 21 billion in December 2000.

8. We believe that the demand for credit will continue to expand in particular for small and medium sized enterprises, as well as exporters. The recently established credit guarantee schemes for exporters and SMEs should help enhance access to credit. Thus, we need to continue to steer fiscal and monetary policies in a way to accommodate continued strong private sector credit growth in an environment of financial stability.

External Sector performance

9. In the first half of 2005/06 the current account deficit widened substantially, owing to a rising trade deficit and a significant shortfall in programme assistance. A noticeable

increase in export earnings and tourism receipts was offset by an expansion in merchandise imports.

10. Official and private inflows, together with HIPC debt relief resulted in an increase in gross official reserves to US\$ 2.2 billion at end-December 2005, the equivalent of 5 ½ months of next year's imports. In the same period, the nominal exchange rate of the shilling to the U.S. dollar depreciated from an average of T Sh 1,117 in the last quarter of 2004/05 to T Sh 1,161 in the second quarter of 2005/06.

11. During the period under review, Tanzania expects to benefit substantially from debt relief under the Multilateral Debt Relief Initiative (MDRI). The IMF has already finalized its assistance under this initiative. In January 2006 the Fund granted Tanzania relief on debt to the IMF in the amount of US\$336 million (including HIPC relief) and as noted in paragraph 20 below, we are considering how best to use these funds for the benefit of the Tanzanian people. The Government also continued negotiations with bilateral creditors for debt relief. Among the Paris Club member countries, relief is sought from the remaining creditors, namely Brazil and some Japanese agencies (EID/MITI and the Japanese Food Agency). Relief amounting to US\$101 million was received from Libya, and Hungary granted debt relief amounting to US\$10.4 million.

I. THE PROGRAMME FOR THE REMAINDER OF 2005/06

12. Looking forward, economic performance during 2006 is expected to be affected by the impact of drought on agriculture and the availability of hydroelectric power. While the extent of the impact is not yet fully known, our provisional estimates suggest that the real GDP growth rate for 2006 is likely to be in the order of 5.8 percent compared to 7.2 percent previously projected. These estimates assume normal rainfall during the long rains season and expeditious introduction of measures in the power sector to address the deficit of hydropower generation in order to limit the adverse effect of electricity supply shortfalls on industry and manufacturing.

13. The Government's programme of food distribution from its Strategic Grain Reserve together with commercial grain imports temporarily exempted from import duty are expected to dampen pressures on food prices. However, given persistently high world market prices of oil and fuel, energy related price pressures are likely to accelerate somewhat in the coming months as producers and businesses begin to fully pass on to consumers the higher fuel costs. With monetary policy remaining prudent, and geared towards not accommodating second round price adjustments, the annual rate of inflation in 2006 is expected to average about 6 percent compared to 4 percent previously projected.

14. We expect revenue to continue performing as projected during the second half of FY 2005/06, and that the programme target of T Sh 2,067 billion will be attained, reflecting on-going tax administration reforms and expectations of normal long rains. This assumes that

the selective power rationing by TANESCO will remain limited and will not greatly harm revenue collections.

15. In light of the emergence of unexpected outlays associated mainly with the drought, total expenditure of about 28 percent of GDP (excluding use of IMF MDRI) would be needed for 2005/06 compared with 26.8 percent of GDP originally envisaged. Specifically, it is provisionally projected that an additional T Sh 42 billion (0.3 percent of GDP) is needed to purchase food from the Strategic Grain Reserve for free or heavily subsidized distribution to vulnerable families. In addition, the crisis that has emerged in the energy sector requires additional transfers from the budget for supporting system maintenance and current operations of TANESCO (as discussed below). We are provisionally envisaging about T Sh 28 billion (0.2 percent of GDP) of such support. Thus about T Sh 70 billion (0.5 percent of GDP) is envisaged for the impact of the drought.

16. Taking into account slightly lower net foreign financing and higher privatization proceeds and amortization requirements, net domestic financing is expected to reach a maximum of 2.6 percent of GDP compared with 1.1 percent in the original programme. Since some of these unexpected expenditures are expected to be one-off, a marked decline in NDF is envisaged for FY 2006/07.

17. Continued prudent macroeconomic management will be underpinned by tax administration reforms. In the area of customs administration reforms, the two structural benchmarks (integrating the destination inspection programme with customs procedures at all customs offices in the Dar es Salaam region and increasing to 32 the number of staff in the post-clearance section of customs) were met. To further strengthen the operations of customs, the following measures are envisaged: further strengthening of post-clearance audit and risk management and intelligence and rolling out of ASYCUDA++ to all major customs stations. Domestic tax administration reforms will continue, including: (i) increasing the coverage of the LTD; (ii) development of an action plan with a view to possible establishment of a single department with responsibility for all domestic taxes; and (iii) extending and strengthening the taxpayer segmentation approach for medium taxpayers.

18. Improving expenditure management will remain a priority for the remainder of the year and in the medium term. The Government will strengthen the transparency and accountability of expenditure management, consistent with the objectives of the MKUKUTA by rolling out the IFMS to eligible Local Government Authorities and continue with training of accounting staff and capacity building at the local government level. With support from AFRITAC, we are addressing the persistent end year float problem through a joint Ministry of Finance and Bank of Tanzania capacity building programme. The plan includes monitoring closely, and limiting, the amount of idle cash held by MDAs and LGAs outside of the Bank of Tanzania (BoT). Also, it is expected that MDAs will have a smooth pattern of spending and all payments that fall due beyond the financial year will be budgeted under the subsequent year. The effort to strengthen the National Audit Office will continue, with the Government providing sufficient funds for it to implement the key elements of its capacity building initiatives. The Government will continue to urge donors to channel aid through the

budgetary system, and move to general budget support as a desired modality of channeling foreign assistance.

19. The external current account deficit is expected to widen significantly in FY 2005/06, owing mainly to a sharp increase in the value of oil imports and drought related imports. However, a notable improvement in non-traditional export performance, especially the pick up in mining and manufacturing sectors, and high level of donor assistance and debt relief from the Fund under the MDRI are expected to mostly cushion the adverse impact of these exogenous shocks. As a result, the external reserve position of the BoT will remain at comfortable levels. The BoT will continue to allow the exchange rate to be market determined and limit its interventions to liquidity management and smoothing out excessive fluctuations.

20. The expected increase in net foreign assets includes the impact of the MDRI relief from the Fund. The counterpart has been placed in a special account at the Bank of Tanzania and will be passed on to the Government solely to fund the foreign exchange component of high priority pro-poor social outlays and growth-critical economic projects. All such outlays will be subject to regular procurement and financial management laws and regulations. Administrative regulations will be introduced to ensure that disbursements are made from the account in a transparent manner that can be easily tracked. It is envisaged that the MDRI account will be utilized over a period of about 3 years. The whole process of using MDRI funds will be properly structured and closely monitored. At this stage, it is provisionally envisaged that about US\$50 million could be used during 2005/06 to address the emergency situation caused by the drought, namely for a one-year lease of an emergency electricity generator and food imports. The rest of the payments from the MDRI account at the Bank of Tanzania will take place beginning in fiscal year 2006/07, and will be fully taken into account in our annual budgets and the IMF supported programme.

21. Monetary policy for the remainder of 2005/06 remains focused on containing any broadening of inflation from higher fuel and food prices, while facilitating sufficient credit to the private sector for emergency food imports and for productive activities, and maintaining adequate foreign reserves. To this end, we envisage M3 growth (12-month) of about 34 percent through end-March, slowing to 30 percent by end-June. This growth would be consistent with private sector credit growth (12-month) of about 37 percent by end-March and 35 percent by end-June. In line with these objectives, the BoT will target reserve money growth (12-month) of 35.9 percent by end-March, falling to 30.9 percent by end-June. Velocity is expected to continue to decline, consistent with the ongoing expansion of financial intermediation. The Government recognizes the potential risks to inflation from higher money growth, and we are committed to adjusting our policies as appropriate to meet our inflation and growth targets in a manner consistent with the programme supported by the PRGF.

22. The BoT recognizes that the path of liquidity has been uneven, and is studying means to improve liquidity management. It intends to shift to some form of average reserve money targeting, perhaps within a band, beginning July 2006. In support of these efforts, the BoT

and the Finance Ministry are undertaking a joint capacity building programme to help smooth spending patterns, as noted in para. 18 above. Other measures to boost liquidity forecasting, and to strengthen domestic markets to facilitate liquidity management, will also be implemented.

23. The Government is continuing its efforts to implement broad-based second-generation financial sector reforms aimed at increasing the financial sector's contribution to investment and growth of the economy, within the context of the Financial Sector Reform Implementation Action Plan. A top priority is strengthening the BoT's capacity, cementing in law its current operating practices, and enhancing accountability through submitting to parliament the BoT Act and the Banking and Financial Institutions Act by end-April, which will be a structural performance criterion of the programme. The BoT Act will include provisions for three deputy governors, determination of exchange rate policy by the BoT, and strong provisions for transparency and accountability.

24. The Government is undertaking other efforts to further improve the availability of medium-term credit to key sectors of the economy, and in this connection intends to launch the Development Finance Guarantee Facility (DFGF), and is continuing efforts to facilitate the creation of a privately owned and managed Long Term Financing Facility to channel longer-term funds from nonbanks, banks, and development partners to be on-lent to commercial banks. The Government intends to limit its involvement under these facilities and the Development Finance Institution (DFI) consistent with paragraphs 42-44 of the MEFP attached to the Government's letter of intent dated July 14, 2005 (continuous structural benchmark).

25. The end-March structural benchmark to ensure that the instruments establishing the DFGF and the DFI require an annual independent operational audit to verify that the funds are being used for the purposes intended and that proper governance procedures have been followed was met for the DFI but was delayed for the DFGF due to the transition to a new government. The Government will include this requirement in relevant DFGF instruments (structural benchmark).

26. The inter-agency committee on financial reform is proceeding with development of a proposed unified legal and regulatory framework for all pension funds, and investment guidelines. It is intended that this be submitted to Government by end-June 2006 (structural benchmark), with technical support from the World Bank. This effort is expected to facilitate the channeling of pension funds' resources into longer term lending through commercial banks.

II. MKUKUTA MEDIUM-TERM OBJECTIVES

27. In implementing economic and financial policies, the Government will continue the policy direction charted in the MKUKUTA, which aims at attaining broad-based economic growth of at least 6-8 percent annually over the medium term and the Millennium

Development Goals (MDGs). The MKUKUTA's emphasis on shared economic growth translates into particular attention to stimulating private investment, developing infrastructure, building human capacity and a competitive economy. The Government intends to continue to gear its economic policies to the three clusters of outcomes delineated in MKUKUTA, namely: growth and reduction of income poverty; improved quality of life and social well-being; and good governance and accountability.

28. A complete matrix of indicators that would allow measurement of progress towards goals in the three cluster areas is being prepared through broad based stakeholder consultations. In parallel, the Government, together with development partners, is working on (i) costing the MDGs, and (ii) putting together multi-year costed programmes for infrastructure and other priority areas. When completed, these building blocks should allow to fully operationalize the MKUKUTA and become part of a road map for scaling up of aid and measuring success.

29. We are well aware of the fact that strong performance of revenues over the medium term is critical to protecting key MKUKUTA-related expenditures and reducing Tanzania's aid dependence. Achieving the revenue projections of 14.4 percent of GDP for 2006/07 hinges on continued implementation of our tax administration reforms. In order to further enhance revenue performance during FY 2006/07, we are considering the proposals of the Tax Policy Review mission for inclusion in the FY 2006/07 budget. In addition, caution will be exercised in the implementation of Special Economic Zones legislation, particularly regarding possible revenue loss implications.

30. In light of the need for increased credit to the private sector, further financial sector development and the increasing costs of domestic financing, budgeted expenditure for 2006/07 would be consistent with envisaged available resources and minimal use of domestic financing. In this regard, total expenditures of about 26.5 percent of GDP are provisionally envisaged for 2006/07 assuming that net donor support is sustained at about 11.1 percent of GDP, with domestic revenue of about 14.4 percent of GDP. This envisaged envelope would permit continued increase in MKUKUTA-related expenditures in view of one-off expenditures (elections and drought-related emergency outlays) projected for 2005/06. The possible additional external assistance associated with the MDRI should permit reducing domestic financing to about 0.5 percent of GDP, consistent with the targets in MKUKUTA, compared with preliminary estimates of 1.0 percent of GDP.

31. As noted above, the deficit of hydropower generation resulted in electricity supply shortages and is adversely affecting economic activity. The Government is actively considering ways to address the crisis situation in the energy sector through installing additional gas-based generation capacity to compensate for the loss of hydro-based generation capacity and to meet the growing demand for power over the medium-term.

32. In addition, the Government will finalize by end-June a financial recovery plan for TANESCO (structural benchmark) to close its operational deficits and to provide room for undertaking critical expenditures for transmission and distribution network maintenance,

upgrading and refurbishment. The plan will include tariff increases to reflect the increased cost of power generation as well as a number of efficiency enhancing measures to be implemented by TANESCO, including improvements in revenue and arrears collection rates and reduction of system losses. Nonetheless, the Government recognizes that, given the high fixed cost of power generation and limited scope for increasing supply and revenue in the short run, public involvement in the form of budgetary support for TANESCO will be unavoidable over the course of the next two years. In this regard, the Ministry of Finance has established a monthly reporting and monitoring procedure to ensure TANESCO's adherence to the revenue-enhancing and cost-reducing targets agreed under its financial recovery plan.

33. The Government will also finalize and agree on a medium-term Power Sector Strategy by end-June 2006 (structural benchmark), which it expects to share with key stakeholders. To ensure hands-on strategic steering of the energy sector reform and investment agenda, the Government will establish an inter-ministerial inter-agency committee responsible for defining and monitoring implementation of a comprehensive power sector restructuring plan and monitoring TANESCO's financial performance.

Table 1. Tanzania: Quantitative Performance Criteria and Benchmarks Under the Poverty Reduction and Growth Facility Arrangement, September 2005 - June 2006

	2005						2006			
	September			December			March		June	
	Performance Criteria	Adjusted	Actual	Indicative Targets	Adjusted	Actual	Indicative Targets	Performance Criteria	Indicative Targets	Revised Indicative Targets
Net domestic financing of the government of Tanzania (ceiling) 1/ 2/ 3/	-101	171	110	-144	37	-27	-42	309	164	371
Accumulation of budgetary arrears (ceiling; indicative target only)	0	0	0	0	0	0	0	0	0	0
Net domestic assets of the Bank of Tanzania (ceiling; indicative target only) 2/ 3/	-894	-622	-578	-963	-782	-682	-806	-735	-641	-570
Reserve money (ceiling)	1,133	1,133	1,128	1,235	1,235	1,236	1,250	1,328	1,302	1,348
Net international reserves of the Bank of Tanzania (floor) 3/ 4/	1,763	1,523	1,615	1,921	1,765	1,808	1,790	1,779	1,685	1,656
Accumulation of external payments arrears (ceiling) 5/	0	0	0	0	0	0	0	0	0	0
Contracting or guaranteeing of external debt on nonconcessional terms (ceiling)	0	0	0	0	0	0	0	0	0	0
Memorandum item: Foreign program assistance (grants and loans) 1/	442	442	202	758	758	601	823	688	838	767

Note: For precise definitions of the aggregates shown and details of the adjustment clauses (except MDRI), see the technical memorandum of understanding (TMU) attached to the government's letter of July 22, 2004.

1/ Cumulative from the beginning of the fiscal year (July 1).

2/ To be adjusted upward for the Tanzania shilling equivalent of any shortfall in foreign program assistance from the amounts shown in the memorandum item. Figures are different from BoT (NDA) in the monetary authorities' accounts, as they are adjusted for the program exchange rate.

3/ Excludes any use of IMF MDRI funds held at the Bank of Tanzania (beyond the US\$50 million already envisaged) for the foreign exchange component of government outlays, consistent with para. 20 of the MEFP.

4/ To be adjusted downward for any shortfall in foreign program assistance from the amounts shown in the memorandum item.

5/ Continuous performance criterion; excludes arrears on debt-service payments pending the conclusion of debt-rescheduling agreements.

Table 2. Tanzania: Structural Performance Criteria and Benchmarks Under the Poverty Reduction and Growth Facility Arrangement, July 2005-June 2006

Measure	Date of Implementation	Status
Tax policy and administration		
Integrate the destination inspection program with customs procedures at all customs offices in the Dar es Salaam region as described in paragraph 27 of the MEFP. 1/	End-January 2006.	Observed
Increase the number of staff in the post-clearance audit section of customs to 32 as described in paragraph 27 of the MEFP. 1/	End-March 2006.	Observed
Financial sector reform		
Limit Government guarantees under the three medium-term credit facilities as described in paragraphs 42-44 of the MEFP. 2/	Continuous.	Observed.
Inter-agency committee on financial sector reform will submit to government a proposed unified legal and regulatory framework for all pension funds, and investment guidelines, as described in paragraph 46 of the MEFP. 1/	End-June 2006.	Recruitment of technical assistant through World Bank is proceeding.
Governance		
The Government will ensure that the instruments establishing the Development Finance Guarantee Facility and Development Finance Institution require an annual independent operational audit to verify that the funds are being used for the purposes intended and that proper governance procedures have been followed, as indicated in paragraph 45 of the MEFP. 1/	End-March 2006.	Met for the DFI. However, establishment of the DFGF has been delayed.
Cabinet approval of the new Anti-Corruption Law, as described in paragraph 47 of the MEFP. 1/	End-April 2006.	Not met.
Publish the list of companies, individuals, and NGO's that have received tax exemptions each quarter under the Treasury voucher scheme. 1/	Quarterly.	Observed

1/ Structural benchmark.

2/ Performance criterion.

Table 3. Tanzania: Structural Performance Criteria and Benchmarks Under the Poverty Reduction and Growth Facility Arrangement, April 2006-June 2006

Measure	Date of Implementation
Financial sector reform	
Submit to parliament the Bank of Tanzania Act and the Banking and Financial Institutions Act, consistent with paragraph 23 of the MEFP. 2/	End-April 2006.
Limit Government guarantees under the three medium-term credit facilities as described in paragraphs 42-44 of the MEFP attached to the Government's July 14, 2005 letter of intent. 1/	Continuous.
Inter-agency committee on financial sector reform will submit to government a proposed unified legal and regulatory framework for all pension funds, and investment guidelines, as described in paragraph 46 of the MEFP attached to the Government's July 14, 2005 letter of intent. 1/	End-June 2006.
Energy Sector	
The Government will finalize a financial recovery plan, including tariff increases as appropriate, and a medium-term Power Sector Strategy through FY 2008/09 for TANESCO, consistent with paras. 32-33 of the MEFP. 1/	End-June 2006.
Governance	
The government will ensure that the instruments establishing the Development Finance Guarantee Facility require an annual independent operational audit to verify that the funds are being used for the purposes intended and that proper governance procedures have been followed, as indicated in paragraph 45 of the MEFP attached to the Government's July 14, 2005 letter of intent. 1/	Continuous.
Publish the list of companies, individuals, and NGO's that have received tax exemptions each quarter under the Treasury voucher scheme. 1/	Quarterly.

1/ Structural benchmark.
2/ Performance criterion.