

**Central bank responses to IMF supported programme  
conditionality and macroeconomic volatility in Tanzania**

**Nicas Yabu**

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This study investigated how, in the course of achieving the IMF-supported programme quantitative conditionality, monetary aggregates, in particular, might cause volatility in macroeconomic variables in Tanzania. Specifically, the study investigated the existence of macroeconomic volatility before and during the IMF-supported programme quarterly targets, and ascertained the extent to which achieving the IMF-supported programme quarterly targets amplified macroeconomic volatility. Using the GARCH model, findings from this study revealed that volatility existed before and during the IMF-supported programme quarterly targets. Also, results from an Error Correction Model indicated that although the IMF aims at helping member countries to stabilize their economies, paradoxically, findings revealed that in the course of fulfilling the IMF-supported programme conditionality, the process amplified macroeconomic volatility in Tanzania. In addition, findings from this study gave evidence that the way the Bank of Tanzania was going about to meet the conditionality by achieving the IMF-supported programme quarterly targets was one of the augmenters of macroeconomic volatility. Also, the behavior of fiscal aggregates, such as government expenditure and deficit were noted to contribute to macroeconomic volatility in Tanzania. The study suggests that the IMF needs to design appropriate performance criteria, which are manageable by a recipient country within a specified period. Also, recipient countries need to implement their economic policies on a steady basis in order to be able to fulfill the agreed IMF-supported programme conditionality feasibly.