



UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE

ACCOUNTANT GENERAL'S DEPARTMENT

**ANNUAL REPORT
ON DEBT MANAGEMENT
IN TANZANIA**

**1997/98
DAR ES SALAAM**



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INTRODUCTION

Debt management is complex and multi-dimensional. On the macro dimension Public debt is part of a country's overall macroeconomic management and broader process of public administration and management. Both government budgeting and Balance of Payment Position are directly linked to Public debt. As such the Public debt cannot be analyzed in isolation. At the micro dimension debt management refers to individual aspects in debt management viewed in isolation This involve issues like administrative settings in debt management and office operations.

The report on debt management is a critical analysis of Public Debt approached from both the macro and micro dimensions.

In this report Chapter one is a conceptual outlook on the whole idea of creation of public debt. This part is an argument on the rationale for borrowing, taking the case of Tanzania.

Chapter two gives the legal ramification and institutional settings for effective debt management in Tanzania. This part outlines all the entities responsible for debt management. The subsequent chapter gives an outline for National Debt Strategy.

Chapter four and five give analysis of domestic and external debt respectively.

The chapters are aimed at quantifying the magnitude and size of both domestic and external debt. A thorough analysis is made on debt categories, trends and developments in Public debt.

Chapter six focuses on debt restructuring. Basically it highlights all the measures taken by the government of Tanzania to reduce the size and burden of its external and domestic debt through various debt reduction techniques such as Paris Club rescheduling, cancellation, Debt Conversion and Debt buyback operation and recently through the establishment of Multilateral Debt Relief Fund (MDF).

In order to have comprehensive and effective debt management one needs to have an elaborate institutional setting in place, which must have the capacity to address the challenge of debt management. These issues are well discussed in *chapter seven*. This chapter also gives recommendations for improving debt management function in Tanzania.

ABBREVIATIONS

BOT	-	Bank of Tanzania
CG	-	Consultative Group
CS-DRMS	-	Commonwealth Secretariat Debt Recording and Management System
DCP	-	Debt Conversion Programme
DDSR	-	Debt and Debt Service Reduction Scheme
DSE	-	Dar Es Salaam Stock Exchange
ESAF	-	Enhanced Structural Adjustment Programme
GDP	-	Gross Domestic Product
HIPC	-	Highly Indebted Poor Countries
IBRD	-	International Bank For Reconstruction and Development
IDA	-	International Development Association
IMF	-	International Monetary Fund
LDC	-	Less Developed Countries
MDF	-	Multilateral Debt Relief Fund
MEFMI	-	Macro Economic and Financial Institute of Eastern and Southern Africa
MOF	-	Ministry of Finance
NPV	-	Net Present Value
OECD	-	Organisation for Economic Co-operation and Development
PC	-	Paris Club
PDS	-	Public Debt Section
REPO	-	Repurchase Agreement
SIDA	-	Swedish International Development Agency
TDS	-	Total Debt Service
TRA	-	Tanzania Revenue Authority
VAT	-	Value Added Tax
XGS	-	Export of Goods and Services

CHAPTER 1 CREATION OF PUBLIC DEBT

*'When the Government finances its deficit by
Borrowing, it engages in debt financing'*

Public debt arises when the government borrows to finance the budget and or the Balance of Payment deficit. External debt comes into existence when borrowing from abroad finances these twin deficits. Domestic debt emerges when deficits especially budget deficit is financed through local borrowing.

Budget deficit

A budget deficit occurs when Government revenues are insufficient to meet expenditure.

Government Revenue sources include taxes (income tax, sales tax (to be replaced by VAT and stamp duty) and Non-tax revenues (fees, License, dividend from Public enterprises, fines and penalties).

Government expenditure is classified into:

Recurrent expenditure such as salaries and wages, Personnel emoluments including pensions and gratuity,

Supplies

Interest charges and Principal repayments

Transfer subsidies

Operations and maintenance

Development expenditure such as investment in infrastructure and other projects.

To finance the *budget deficit*, the government can do one or more of the following; borrow domestically or externally, use of the existing reserves (reserve depletion) or increase taxes. The Government can borrow domestically by printing money (e. i. borrowing from the central bank) or raising money from the market.

Balance of Payments

Balance of payments is a systematic record of all the international economic transactions between residents of a country and the rest of the world in a given period, usually a calendar year.

The Balance of international payments has the following categories:

I. Current Account

- A. Trade (visible) account: this records exports and imports of tangible goods such as machinery, cashcrops etc.
- B. Service (invisible) account: this records receipts and payments for services such as tourism, insurance, freight, banking and shipping.
- C. Investment income: records all income such as interest, royalties, and dividends etc.
- D. Transfers (net): records grants, gifts, reparations, private remittances and other transfers extended or received between government and/or citizens with rest of the world.

II. Capital Account: records the inward and outward flows of capital both long term and short term, which includes items such as supplier's credit, and direct foreign Investments.

III. Special (monetary) transactions or movements: records mainly transaction with the IMF, like currency adjustments and transactions in the IMF Special Drawing Rights.

Net Errors and Omissions. This is included as a balancing item for any transactions that cannot be accounted for in the above items.

When the overall balance of Payments is positive, there is an increase in government reserves. Conversely when the balance of payments is negative, then the foreign exchange reserves are depleted. For most LCD's, depleting foreign reserves may lead to exchange rate instability. There is therefore a persistent need for a country like Tanzania to maintain a certain reserve target to stabilize the exchange rate. As a result the gap in Balance of Payments in most cases is financed through external inflows. The reason for this is explained below.

DEFICIT FINANCING IN TANZANIA

Tanzania has been experiencing Budget deficit over the years (see annex I on *Budget Frame*). Domestic revenue and other external inflow such as grants are insufficient to

finance budget deficit. Domestic private sector savings are minimal due to low incomes. The country has to finance its deficit through external borrowing. Why should Tanzania borrow externally when it already has unsustainable level of debt? What is the rationale?

First, the government has to borrow in order to correct the Balance of Payment deficit. The overall balance of Payment has been negative over the years indicating a deficit in Balance of Payments. The cause of this has been low foreign exchange earnings from exports and adverse terms of trade (see annex 2 on Balance of Payments Position). This has necessitated Tanzania to borrow in order to pay for its imports (Import support) as reserves could not be further depleted against the minimum reserve requirements.

Second, even if the government could borrow domestically, it may not opt for such a fiscal policy measure as this may crowd out private sector investments and hence sterilize efforts to boost private investment which may not be in line with policies aiming at encouraging private investment. Borrowing from the banking sector may be inflationary.

Third, Tanzania has to borrow cheaply to meet high costs of external interest and amortization on outstanding foreign debt. This has been the case because export earnings are not sufficient enough to cover such expenditure.

Given these arguments borrowing externally is more desirable than borrowing domestically. However there are risks associated with borrowing externally. These risks can be analyzed in the following categories:

I Market risks:

External Debt can be compounded by market risks. This implies that factors such as changes in interest rate may increase the cost of debt servicing. Market risks are consequences of factors often beyond the control of a single developing country like Tanzania. These factors include all those variables that can impact negatively the on GDP growth rate, export volume, the terms of trade, the accelerated population growth, interest rate risks, exchange rate risks etc. The ratios such as External Debt/GDP, External Debt Service/Exports can assist in gauging the extent of market risk a country is facing. The down turn in economic

growth, unfavorable terms of trade, reduced volume of exports and increased volume of imports without a corresponding increase in exports can impair a country's ability to service debt.

II Specific Risks

(a) Economies relying on small ranges of commodities face high specific risks.

As the prices of the few commodities decline in the world market or the consuming countries adopt protective measures against these products or there is an oversupply of these commodities, It could severely affect a country's ability to generate foreign exchange and therefore the capacity to service its debts.

(b) The quality of economic management of a country may also affect its specific risks. Inexperience, lack of understanding, lack of relevant information, inability to take and implement decisions on part of civil servants and politicians could lead to incompetent management of the economy. Sometimes a country may increase its specific risks by adopting inappropriate policies. Policies such as direct control on trade and production, prices, interest rates and exchange rates tend to distract economies and lead to misallocation of resources and depressed economic activities.

As economic reforms are implemented, there is the to formulate and adopt comprehensive policies and strategies that will assist in addressing these risks and guide debt managers in decision making.

Conclusion

Given the above arguments it is obvious that Tanzania cannot pursue most of its development programmes without borrowing externally. Tanzania has to borrow in order to eliminate gaps in the Budget and Balance of Payments. However Tanzania has to borrow only from highly concessional sources as a last resort if grants are not forthcoming. It must also consider its capacity to service external loans and give provision for changes resulting from market risks and increased cost of borrowing.

CHAPTER II

THE FRAMEWORK FOR NATIONAL DEBT MANAGEMENT IN TANZANIA

Introduction

In order for a country to be effective in its debt management and avoid excessive borrowing a legal framework must be in place. Given the current debt crisis in Tanzania the need for legal ramification for loans contracted cannot be overemphasized. It is not just a question of having Laws enacted by the parliament but more so is the question of a mechanism for enforcing loan contracting process. This part identifies the legal framework that Tanzania must consider when borrowing.

(A) Legal Framework for national Debt Management

In Tanzania *the Government Loans, Guarantees and Grants Act of 1994* regulates the contracting of loans, and issuing of guarantees. In the act, the Minister for Finance is empowered to contract government loans, give guarantees and accept grants on behalf of the government of Tanzania. The act states that: "Subject to the provisions of this Act the Minister may, for and on behalf of the Government, from time to time, raise from outside Tanganyika, upon such terms and conditions as to interest, repayment or otherwise as may be negotiated by the Minister, loans of such sums as in the opinion of the Minister are necessary to defray expenditure which may lawfully be defrayed".

The act implicitly stipulates borrowing ceiling and explicitly states the debt servicing limits. The condition for minister to borrow are spelled out thus; "Provided the authority conferred upon the Minister shall be so exercised that in no financial year the aggregate of the service cost becoming due and payable in respect of all outstanding foreign loans during that financial year and four succeeding financial year exceed 15% of the average annual foreign exchange earnings computed on the basis of the annual foreign exchange earnings of the preceding three financial years".

For both external and domestic loans the aggregate of the service cost becoming due and payable in respect of all outstanding loans during that financial year and the four succeeding financial years shall not exceed 30% of all the average annual recurrent revenue computed on the basis of the three preceding financial years.

Since the act came into force in 1974 it has been poorly implemented. Unauthorized persons have been contracting loans on behalf of the government without prior consent of the Minister for Finance and no legal action has been taken against them. Borrowing and debt service limits have been exceeded.

If laws governing loan contracting are not adhered to and enforced by relevant authorities, individuals and entities will be borrow haphazardly and no meaningful monitoring will be made on these loans will be possible. As a result there will be tendency for outstanding foreign and domestic loans to exceed the defined benchmarks, leading to future debt service problems and financial difficulties.

(B) Debt Management Functions and Institutional Arrangements

Debt management is a complex process that involves various functions and activities. These include policy, regulatory, recording, analytical, controlling and operational functions. There are also various entities that are involved in carrying out these activities. The responsibility of debt management is carried out jointly by various institutions and departments each carrying out specific activities. In certain cases these activities overlap. The various debt management activities and respective institution responsible for particular function can be analyzed as below:

Determination of External finance requirements: The entities responsible are the Planning Commission and the Office of the President in consultation with the Ministry of Finance. When the line Ministry or Parastatal identifies a project, the Planning Commission together with the line will assess the economic viability of the project. If the project is passed as viable the, Ministry of Finance will be requested to identify suitable financiers for the project.

Negotiation of new loans, rescheduling and debt reduction: The departments responsible are the External Finance department in the Ministry of Finance, Attorney General's Office and the Bank of Tanzania. The Attorney General's office is involved in legal aspects, while the External Finance Department liases with the potential donors.

Government Borrowing

Loan/Grants contracting: The department responsible is the External Finance department of the Ministry of Finance

Monitoring Disbursements: The departments responsible are the External Finance and the Accountant Generals Department both in the Ministry of Finance.

Debt Service Payments: The departments responsible is the Accountant General Department of the Ministry of Finance which prepares the payment voucher and provides the local cash cover. Foreign Accounts Department of the Bank of Tanzania effects the externalization.

Issue of Government Guarantee: Public Investment Division of the Ministry of Finance is responsible for issuing government guarantees.

Parastatal Borrowing: The borrowing Parastatals in Consultation with the Public Investment Division in the Ministry of Finance are responsible for borrowing.

Private sector borrowing:

Loan Contracting:

External Debt Department of the Bank of Tanzania *approves commercial loans*. Suppliers credit with maturity of one year and above are approved by External Debt Department of the Bank of Tanzania while those with less than one year maturity are approved directly by Commercial banks which reports to the External Debt Department for information only.

The borrowing entities and the Debt Department in BOT are responsible for *monitoring of disbursements* and the Accountant General Department will collect the information.

Debt Service Payments are handled by commercial banks. The External Debt Department is responsible for collection of information.

Debt Policy and Strategy Formulation:

The debt strategy unit of the Policy Analysis department of the Ministry of Finance is responsible for formulating Debt Policies and Strategies.

There are also two Committees, which have been established to, oversee the debt management process. These are the Debt Co-ordination Committee and Debt Management Committee. They consist of officials from key department in the treasury namely External finance and the Accountant General's Office, Bank of Tanzania viz. Debt and Foreign departments, the Attorney General's Chambers and the Directorate of external sector in the Planning Commission. These committees are in the process of being reactivated, having been inoperational for sometime.

Conclusion

Given the above scenario, it is clear that debt management can be a complex undertaking. For Tanzania the reactivation of debt committees is expected to substantially improve the co-ordination among institutions mandated to carry out debt management.

CHAPTER III

THE NATIONAL DEBT STRATEGY

Introduction

Since the onset of the debt crisis in the early 1980's Tanzania has continued to face difficulties in meeting its external debt obligations, largely because of exogenous factors and to a greater extent internal factors. Tanzania has been facing a series of economic and natural setbacks which has led to persistent Fiscal and Balance of Payment Deficit. As a result Tanzania has been forced to borrow heavily without considering the capacity to service external debt. The country has been pursuing imprudent debt management policies compounded by lack of sustained adjustment or implementation of structural reforms. From the mid 80's Tanzania decided to pursue structural reforms and it has also been implementing wide traditional mechanisms to alleviate the debt burden. Most of these mechanisms have been at global initiatives. This includes Bilateral Debt Relief, Paris Club Debt Relief, and Debt Conversion Programme. Despite these measures the country still remains severely indebted with low capacity to service its external obligations. Some of the internal initiatives to contain debt problem include the formulation and implementation of debt strategies.

In 1993 Tanzania adopted and implemented a strategy to achieve, over a three years period, solution to Tanzania's immediate external debt problems. The objective of this strategy was mainly to restore orderly relations with creditors and assist in bringing the debt to sustainable level. In the context of this strategy specific actions were taken including reduction of Bilateral debt and debt conversion measures. Different strategies were formulated for different categories of debt. In spite of all these initiatives Tanzania was not able to service its debts as scheduled due to poor performance of the economy. Actual debt service has for long period remained below scheduled debt payments resulting into accumulation of arrears of USD. 2.5 billion by June 1998. As a result of this Tanzania formulated a Debt strategy in 1998. Different strategies for different categories of external debt have been formulated This part gives a brief outline of these debt strategies.

Multilateral Debt

Multilateral debt accounts for largest proportion of entire external debt. More than 48% of total external debt is owed to multilateral institutions. The total DOD, up to June 1998, was around USD. 3 billion. Total debt arrears is USD 4 million. Interest arrears for this category is USD. 1.9 million while Principal arrears is USD. 2.1 million. Arrears to this category of debt are the smallest compared to other categories of debt. This has been the case because default on this category of debt has serious consequences. Most of agreement under Multilateral debt bear a *Cross-Default Clause* and penalties leading to suspension of Disbursement in case of default. Suspension of disbursement will lead to serious consequences such as the collapse of adjustment programmes with the IMF. While it has been possible for Tanzania to obtain relief from the bilateral creditors, it has not been the case for multilateral creditors. Following the endorsement of the HIPC's initiative by the Bretton Woods institutions in 1996 it is very unlikely that Tanzania will qualify for the HIPC debt reduction facility as it is expected that the Fiscal Burden and Debt sustainability indicators will be within the threshold set by the IMF and the World Bank. On this ground Tanzania decided to establish the Multilateral Debt Relief Fund in December 1997. The strategies for this category of debt is set as follows:

- (a) To convince the World Bank and IMF to ease the fiscal burden indicator in assessing the sustainability of Tanzania's debt service burden. By easing this indicator it will be possible to qualify for the HIPC facility because Tanzania utilizes a large portion of her domestic revenue to service external debt.
- (b) To request donor to contribute resources to the Multilateral Debt Fund, which will be used to service the debt owed to multilateral Creditors and reduce the burden on Government. It is recommended that donors be requested to provide USD. 125 million annually into the fund. The relief resulting from the Multilateral Debt Relief Fund will release Government funds to go to priority areas related to poverty alleviation such as health, education, water supply and infrastructure.

Paris Club Debt

The Paris Club Debt is approximately USD. 1.5 billion as at June 1998. Arrears have accumulated to the tune of USD. 108.6 million. The main borrower from the Paris club countries is the Central government. Tanzania has been to Paris Club five times since

1986 to request for Debt Relief. Debts worth USD. 924.4 million were cancelled and USD. 3,136.2 million were rescheduled by end 1997. In 1997 Tanzania was accorded 67% flows reduction under the Paris Club V Naples terms, where debts worth over USD 1,000 million were cancelled and USD. 700 million in Net Present (NPV) terms were rescheduled.

The strategy for this category of debt is to implement Paris Club V Agreed Minutes so as to obtain 67% stock of debt cancellation during Paris club VI negotiations in 1999. This will also be the basis for accessing the HIPC debt relief.

Non-Paris Club Debt

By the end of the financial year ending June 1998, the total Non-Paris Club Disbursed and outstanding debt is estimated to be around USD. 4.6 million. Arrears amounts to USD.588.9 million. Several attempts have been made to reach agreements with Non Paris Club creditors, but negotiations have not been successful because of the conditions set by Paris Club that Tanzania must negotiate with Non-Paris Club creditors on terms similar to those it has obtained from Paris Club Creditors. This has been the main stumbling block as Non-Paris Club maintains that they are not part of the "Developed World" and are themselves facing serious debt difficulties.

With regards to Non-Paris Club debt, various recommendations, to be adopted as strategies have been made. These are:

- (a) Continue formal negotiations and conclude agreements with the Non Paris Club creditors to obtain debt reduction of up to 67% in net Present value terms.
- (b) Request for discounted payments in the framework of debt buyback and set aside the equivalent of USD. 60 million (which is about 10% of total exports per annum) from its budget to finance the operation. Assuming that creditors would agree to forfeit the payment of interest arrears of USD. 383.3 million and if Tanzania manages to negotiate for a discount of up to 85% on the principal arrears of USD. 795.8 million it will require USD. 120 million to extinguish the Non-Paris Club arrears, with a budgetary allocation of around USD. 60 million.

- (c) Retire some of debt through conversion such as debt for equity swaps, debt for nature, debt for aid or other local currency swaps, in a manner that will benefit the economy and reduce the country's debt.

Commercial Debt

Disbursed and Outstanding debt by the end of June 1998 is USD. 2.9 billion. This category of debt has accumulated arrears to the tune of USD. 304.2 million. Previously arrears for this category of debt used to accumulate excessively mainly due to scarcity in foreign exchange. As a result Commercial borrowers had to apply for foreign exchange through the National Bank of Commerce to service their external debt. Accordingly on due dates, the equivalent amount in Tanzanian shillings were deposited with the National Bank of Commerce in non-interest bearing accounts until such time that foreign exchange was available for externalization. The funds were deposited in what was referred to as External Payment Arrears Account. By 1993 the arrears had grown over USD. 500 million. In order to reduce this debt, the Debt Conversion Programme was introduced. Between 1990-1993 debts worth USD. 182 million were converted and the proceeds were re-invested in 82 projects. However the programme had to be suspended due to its inflationary impact. As a result the Government decided to embark on debt Buyback Scheme. The necessary preparations have been completed. Its execution is expected to take off in mid- 1998 and debts worth USD 253 million are expected to be extinguished using resources from the IDA Debt Reduction Facility.

The strategy for this category of debt is: -

- (a) To ensure that the existing arrears of which about USD.250 million has been verified will be cleared through a debt buyback operation that will use the World Bank's Debt reduction facility supplemented with bilateral grants. This was to be implemented before June 1998, subject to release of funds by the World Bank.
- (b) All other arrears in this category which are not eligible for clearance through the buyback arrangements should be dealt with using own resources. The Strategy aims at clearing the debts within two years from January 1st, 1999.

Conclusion

It is envisaged that if the National Debt Strategy is well implemented Tanzania will overcome “*debt overhang*”. The external debt of Tanzania will be reduced to sustainable level. There are several factors which threaten the implementation of the debt strategy. The debt strategy relies very much on the donor compliance. It is very likely that donors will contribute to the Multilateral Debt relief Fund but may as well divert resources from other sectors like Balance of Payment support making a small net effect. It is not easy to convince the World Bank and the IMF to ease the fiscal burden indicator in assessing sustainability of Tanzania’s debt service burden. The IMF has been highly inflexible in interpreting Tanzania’s track record. Tanzania has a track record of around seven years since mid-1980s. However the IMF has arbitrarily discounted this track record on the grounds of a temporary lapse in 1994, despite the far-reaching economic and political reforms which have been introduced. It is difficult for Tanzania to negotiate with Non-Paris club creditors on terms similar to those obtained from Paris Club Creditors as they argue that they face similar problems just like the rest of LDCs. Tanzania cannot give the Non-Paris Club members better terms than the Paris Club as this will conflict with the Paris Club terms

CHAPTER IV

DOMESTIC DEBT

Introduction

Since the emergence of the debt crisis, attention at the international level has largely been focused to ways of dealing with the external debt problem of a large number of developing countries. Growth of Domestic Public Debt levels in many developing countries, especially those that already have a high external debt burden was less emphasized. Growing levels of Domestic Debt entail high interest rates in the Domestic Economy as countries adopt more market determined interest rates. One of consequences of high interest rate is pressure on Government budgets brought about by high level of domestic debt.

Increased debt service payments for both, domestic and external debt puts the macroeconomic objectives of stabilization, growth and adjustment at jeopardy hence impeding public sector investment and provision social services.

There is a significant interaction between external debt and domestic debt, and this has implications for its management and the conduct of fiscal and monetary policy. In an economy that is pursuing financial liberalization and internationalization of domestic financial markets, this interaction creates a blurred demarcation between external and domestic debt. With all critical importance and complexities involved in the management of public domestic debt, very few studies and researches have provided a systematic analysis of its situation in developing countries. Less emphasis leads to scanty data on domestic public debt, which makes inter-state comparison difficult or gives out unrealistic outcome.

It is now imperative that the international economy, whose institutions have been playing immense and important role in conducting studies and research, to turn to the other side of the same coin and conduct more studies and research on domestic debt. This will provide a systematic and analytical mechanism of dealing with the growing levels of

domestic debt in many of heavily indebted countries, putting into consideration that external and domestic debt impact negatively on the macroeconomic objectives equally.

FISCAL POLICY AND DOMESTIC DEBT

Key issues

Growing levels in domestic as well as external debt in most of the developing countries have brought about complex issues in the area of fiscal policy and domestic debt management.

Persistent Fiscal Deficit and Government Borrowing

Increased and persistent fiscal deficit and associated accumulation of public debt is the key issue in fiscal policy and domestic debt management. Fiscal deficit can be caused by:

- (a) Rapid growth in expenditure as governments tries to balance growth and stability with social objectives, when the economy has low revenue generating capacity.

- (b) Growth of the public Sector enterprises and the associated losses compounded by their borrowings from external as well as domestic sources, which are backed, by government guarantees.

- (c) Other exogenous factors such as oil price fluctuations, unfavorable terms of trade and decline in foreign assets inflows.

Sustainability of Fiscal Deficits and Domestic Debt

In a persistent fiscal deficit economy, the determination of sustainable level of fiscal deficit is very important. This will help to decide how much out of the deficit is to be financed through domestic debt borrowing. The lack of an agreed framework for analyzing fiscal deficit prevents the use of an appropriate method to measure sustainable level of public debt.

Debt sustainability depends on the growth rate of the economy, interest rates and the ratio of the primary balance (the budget balance excluding interest payments) to GDP. The

exact percentage of the ratio will be determined on a country by country basis but generally it is suggested that it should be below 3% of GDP.

Another indicator is the ratio of the Public Debt service to domestically generated revenue or expenditure. This measures the ability to finance debt service from domestic sources. A rule of thumb is that the ratio should not exceed 15% on a sustainable basis.

Last but not least is the ratio of public domestic debt to domestically generated revenue. This ratio indicates the total domestic indebtedness and ability of the government to meet debt-servicing obligations. The ratio should not exceed 200%.

FINANCING OF FISCAL DEFICIT

Key issue in the management of an economy is how to finance the fiscal deficits without unduly compromising Macroeconomic objectives namely stability (low inflation, stable interest rates and a balance of payments position) and growth. Deficits can be financed in the following ways:

External Borrowing

The Government can borrow from external sources such as Commercial banks, Multilateral institutions, Other Governments and Private Creditors.

Domestic Borrowing

This can be either from the Banking System or the General Public. Financing from the banking system can be either from the Central Bank (Monetary Financing) or from the commercial banks operating in the Domestic economy (Commercial Borrowing).

Excessive borrowing from the banking system can result in adverse effects in the economy. Too much reliance on borrowing from the Central Bank increases money in circulation and hence accelerating inflation. On the other hand, excessive borrowing from the commercial banks tends to force banks to reduce credits to other borrowers (Lends more to the GOVT.), hence crowding out Private investments.

Financing by selling government securities to the general public, also referred to as Financial markets is the most commendable method of financing fiscal deficits. The method is deflationary and contributes towards the development of the Private Sector. However for this method to operate efficiently, the financial markets must equally be well developed. Under development of the financial markets in most of the developing countries has been a serious problem. This leads to higher interest rates due to few market makers in the economy. Consequently, the governments are forced to adopt captive marketing of securities.

GOVERNMENT OF TANZANIA DOMESTIC DEBT POSITION

The total domestic debt stock (principal and Interest Arrears) for which the Government has direct servicing liability as at June 30, 1998 is Tshs 790.288¹ billion. The amount includes Principal Arrears of Tshs. 25.002 billion out of which 23.085 billion accumulated prior to the commencement of this financial year .The government has also accumulated interest arrears of Tshs. 112.557 billion by the end of Financial year 1997/98. The following table gives summary on Debt Outstanding for each category of debt instrument while the subsequent table is a summary of interest arrears for major categories of debt.

Table 4(a)
GOVERNMENT OF TANZANIA DOMESTIC DEBT POSITION INCLUDING PRINCIPAL ARREARS
(TSHS)

CATEGORY	POSITION AS AT 30 TH JUNE 1997	POSITION AS AT 30 TH JUNE 1998	Change(%) Increase(+)/Decrease(-)
Stock	*242,343,830,420.00	181,992,554,120.00	-24.90
Bond	262,204,788,000.00	309,076,688,000.00	17.86
Promissory notes	24,674,504,997.56	31,533,249,040.06	27.80
Duty drawback scheme	4,141,569,592.05	634,477,935.80	-84.68
Privatised Parastatals loans taken over	14,546,438,222.45	14,473,677,723.03	-0.50
Crop Authority Debts	4,095,000,000.00	4,095,000,000.00	0
BOT Revaluation Account **	80,625,475,877.00	-	-100
Southern Paper Mills Debts	568,120,700.00	568,120,700.00	0
Fertiliser Subsidy	4,944,442,350.00	4,400,978,923.00	-10.99
Mortgages on sisal Estates	829,461,592.60	829,461,592.60	0
Compensation	1,456,777,080.00	-	-100
a) Due to H. P. Stain			
b) Acquired Buildings	300,000,000.00	300,000,000.00	0
Tax Reserve Certificates	-	48,655,000.00	100
Special obligation (Tanesco)	-	15,120,960,000.00	100
Treasury Bills	134,065,800,000.00	114,656,400,000.00	-14.48
TOTAL	774,796,208,811.66	677,730,223,034.51	-12.53

Source: Accountant General Dept, Public Debt Section

*Revised figure

** Has been excluded from the list of Contingent liabilities.

¹The stock figure excludes stocks owed by Government of Zanzibar issued under Union Government guarantee.

Table 4(b)
GOVERNMENT OF TANZANIA DOMESTIC DEBT INTEREST ARREARS AS AT 30 JUNE 1998.

CATEGORY	POSITION AS AT JUNE 1997	POSITION AS AT JUNE 1998
Stocks	44,702,421,285.92	* 60,479,512,897
Bonds	37,518,705,327.05	*51,095,569,402.05
Crop Authority	764,400,000.00	764,400,000.00
TOTAL	83,749,926,613.00	112,557,882,298.57

Source: Accountant General Dept. Public debt Section

* Revised Figure after Reconciliation with BOT

ANNUAL COMPARISON BASED ON SUMMARY IN TABLE 4(a)

Comparison of the total domestic debt position between the financial year 1996/97 and 1997/98 shows a decrease by 12.53% or Tshs. 97,065,985,777.15. If the figure for BOT Revaluation Account, which by agreement between officials of the Ministry of Finance and BOT was excluded from the list of contingent liabilities for the Financial year 1997/98 (this does not reflect repayments), is considered, then actual decline in the total domestic debt position is Tshs. 16,440,509,900.15 or 2.12%.

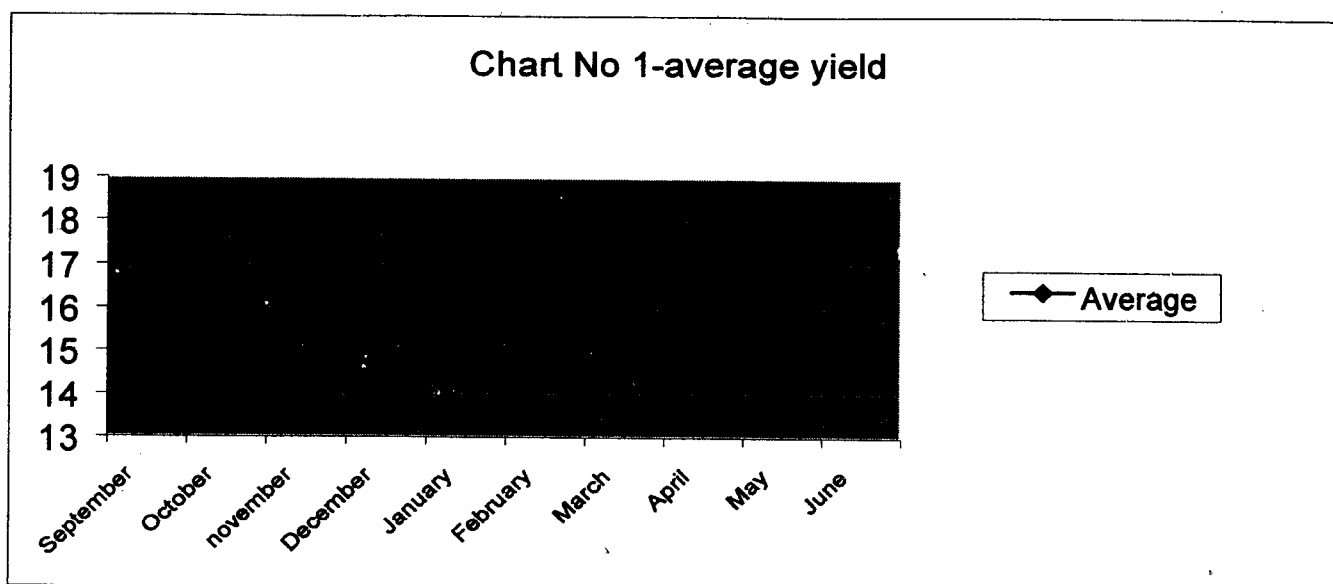
Analytical comparison of domestic debt by instruments shows that stocks have decreased by 24.90%. The change has been brought about by refinancing of 25% stock 2010 through the issue of two-year Treasury bonds at lower interest rates. Although interest rate on bonds showed an upward trend (as shown by yield curve in Chart No 1), it is unlikely that it will grow to as high as 25% (which was original interest rate before there financing) before the remaining balance is completely cleared off. As at 30th June 1998 the balance outstanding on this stock stood at Tshs. 9,409,008,500.00.

Table 4(c)
TWO-YEAR TREASURY BONDS MONTHLY YIELDS

MONTH	AVERAGE YIELD IN PERCENTAGE
September	15
October	15.2
November	16
December	16
January	16.4
February	17.4
March	17.5
April	17.5
May	18
June	18

Source: BOT

Chart No 1-average yield



Source: BOT

However the exercise of refinancing became possible only because the Bank of Tanzania is the only holder of the stock. This is to say that the Government can not benefit from refinancing opportunities that might arise in the domestic markets for other bonds, stocks, treasury bills or any other securities. This is because the holders may not be willing to lose the interest that they would earn, if they hold the securities up to maturity. The government should now review the laws governing the issuance of its securities so that they include callability or accelerated payments clause(s). A good example of such facility is the assistance from The European union, which has decided to help Tanzania repay domestic debt. The success of this facility will depend, to large extent, on the response of the holders of various Government securities.

Treasury bonds have increased by 17.86%. The increase has been attributed to the refinancing of the 25% Special stock through the issue of two-year treasury bonds.

Balance outstanding on *Promissory Notes* increased from Tshs. 24,674,504,977.56 in the financial year 1996/97 to Tshs. 31,533,249,040.06 in the financial year 1997/98, which represent an increase of 27.8%. The increase was caused by promissory notes issued by the government to various companies, which supplied motor vehicles to officials of the ministries of Defence and National Service and Home Affairs.

Duty drawback scheme arrears registered a net decline of 84.68% as a result of repayments of Tshs. 6,360,250,125.70 during the financial year 197/98.

The government also paid a total of Tshs, 72,760,499.40 in respect of Loans of *Privatized Parastatals* taken over by the government. This reduced the balance outstanding as at 30th June 97 by 0.5% from the position in June 1996

Fertilizer subsidy recorded a decrease in the balance outstanding by 10.99%. This represents payments made during the financial year 1997/98, amounting to a total of Tshs. 543,463,427.00.

Treasury bills show a decrease of 14.14% as compared to last financial year. This could partly be caused by decline in demand for *treasury bills* as a result of the commencement of operations at the Dar es Salaam stock exchange (DSE) where investors can invest in shares. Another possible cause is the decline in fiscal deficit proportion that used to be financed through treasury bills, as a result of increased revenue collection following the operationalisation of Tanzania Revenue Authority (TRA). Prior to TRA becoming operational, the monthly collection estimates used to be Tshs. 40 billion, with actual collections showing a big deviation from this target. With the inception of TRA, the targeted monthly collection increased to 53.3 billion in April 1998. Actual revenue collected for the month of April and May 1998 was Tshs. 51.5 billion and Tshs. 49.9 respectively. Although in both months, the revenue collected was below targets, it is over and above the targeted monthly revenue collection before the establishment of TRA. In June 1998, revenue collection reached Tshs. 56.4 billion although it was 8.1 billion below the revised target of Tshs. 64.5 billion for that month (June 1998).

INTEREST RATES STRUCTURE (as extracted from BOT Monthly Economic Review of July 1998.)

Deposit Rates

In June 1998 Deposit rate offered by Commercial banks and non-banks remained stable with insignificant fluctuations. Average rate on Savings deposit remained stable at 8.3% while 3-months fixed deposits rate declined marginally from 7.6% to 7.5%. Likewise interest on 6-months fixed deposits declined from 9% in May to 8.9% in June while that on 12-months remained stable at 10.9%. Yield on Treasury Bills Discount Rate continued to show an upward trend, the latter shooting up from 15.8% in May to 17.2% in June 1998.

Lending Rates

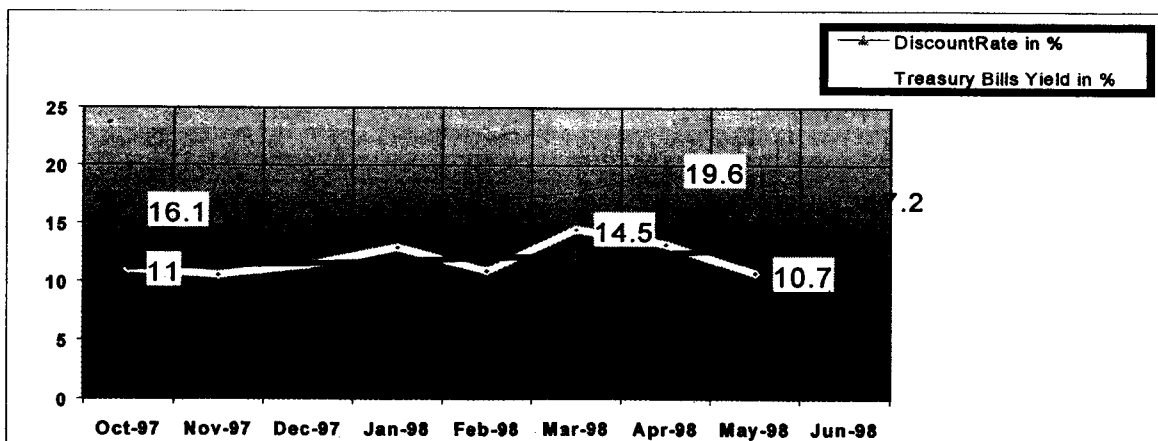
During the month of June 1997, average short-term lending rate declined from 22.2% to 22% while the average medium and long-term lending rate remained at 22%.

Table 4(c)
SELECTED MONTHLY AVERAGE RATES OF INTEREST

Month	Discount Rate in %	Treasury Bills Yield in %
Oct-98	16.1	11
Nov-98	15.4	10.5
Dec-98	15.9	11.4
Jan-98	17.9	12.9
Feb-98	16.9	10.9
Mar-98	17.7	14.5
Apr-98	19.6	13.2
May-98	15.8	10.7

Source: BOT

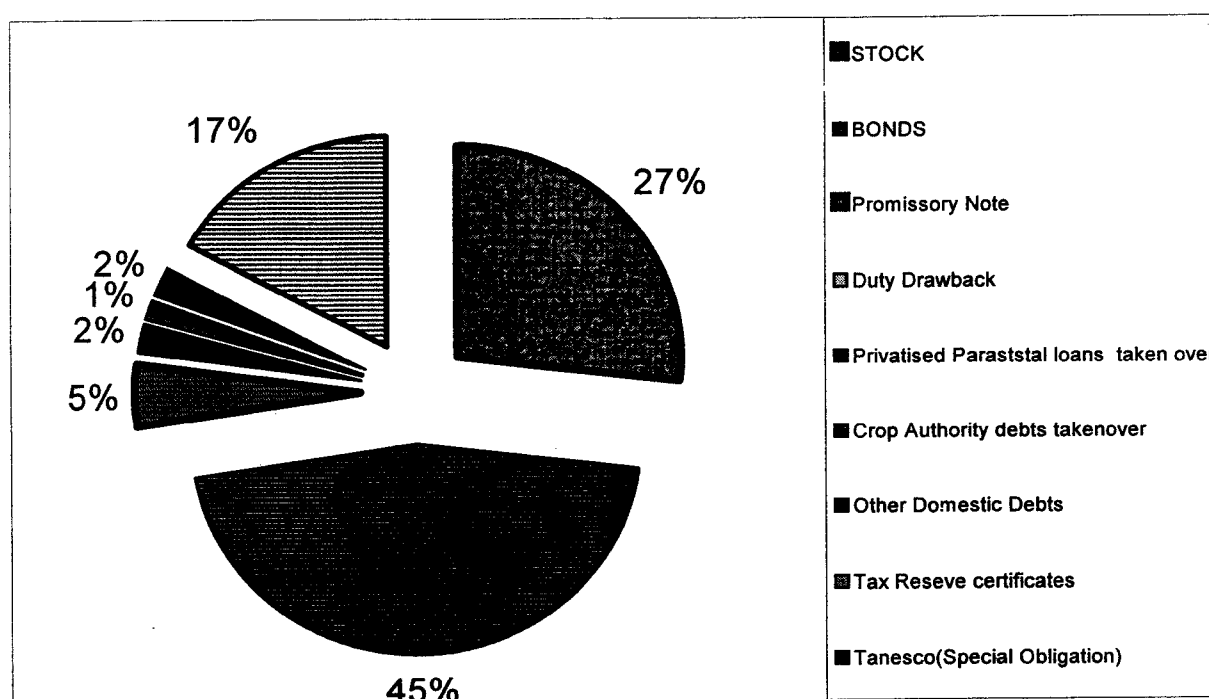
Chart 2
TREASURY BILLS YIELD AND DISCOUNT RATES TRENDS



INSTRUMENT AND HOLDING

Analysis of Domestic Debt by instrument shows that large part of it is composed of Treasury Bonds which accounts for 45% followed by Treasury Stocks which forms 27%. This not only reflects investors' preference for long-term securities but also the securitisation strategy of the Government for contingent liabilities. Out of the total amount outstanding on stocks Tshs.96, 710,490,000.00 represent non-interest bearing securities. Treasury bills accounts for 17% of the total debt outstanding, Promissory Notes account for 5%, while Special obligation (Tanesco) and Privatized Parastatal loans taken over sharing 5% each, Crop authority debts and Tax Reserve certificates when combined, account for 2% of the total Domestic debt.

Chart 3
DOMESTIC DEBT INSTRUMENT IN MILLIONS OF TSHS.



Source: Accountant General Dept. Public Debt Section

Stocks and Bonds by Holder

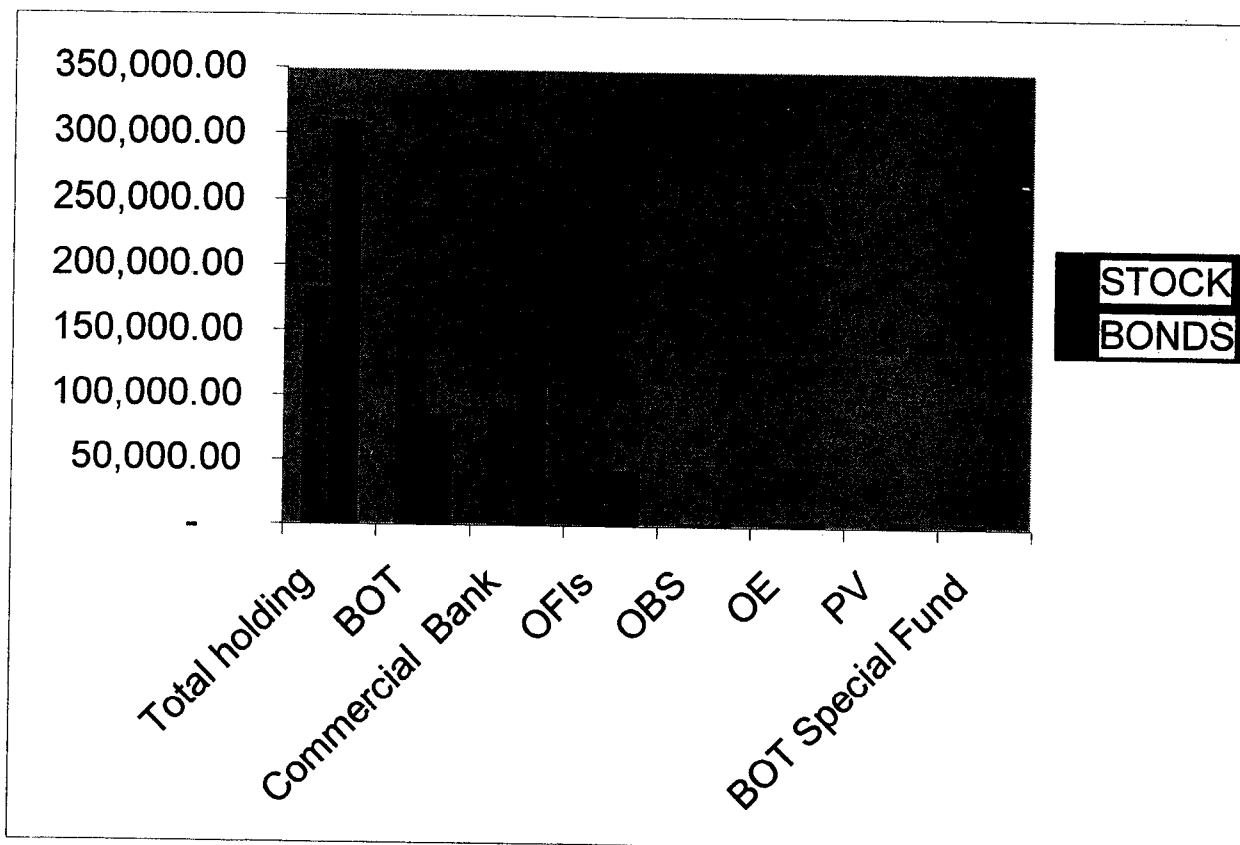
Analysis of Stocks and Bonds by holder, as shown in chart no 4 and table 4(d) below, shows that BOT is the main holder of Stocks while commercial banks are the main holders of Bonds. Private sector has a very small share in both Stocks and Bonds hence implying underdevelopment. Official entities, which represent Parastatals, also hold a very small portion of the total holding. This reflects a run from captive markets.

Table 4(d)
DOMESTIC DEBT CATEGORISATION BY HOLDER
(In Millions of Tshs.)

	STOCKS	BONDS
TOTAL HOLDING	181,992.55	30,9076.69
Bank of Tanzania (BOT)	158,668.03	85,189.19
Commercial Banks	1,215.00	163,736.60
Other Financial institutions(OFIS)	15,264.29	42,050.00
Other Banks(OBS)	1,770.85	1,026.00
Official Entities(OE)	3,191.09	3,788.00
Private Sector (PV)	288.00	4,052.90
BOT Special Funds	1,854.49	-

Source: Accountant General Dept. Public Debt Section

CHART NO 4
COMPOSITION OF BONDS AND STOCKS BY HOLDER



Source: Accountant General dept, Public Debt Section

Developments in the Domestic Markets

Since July 1997 a number of changes have been taking place in the economy. These changes have, to some extent, entailed broadening and deepening of the financial markets as well as injection of liquidity in the economy.

One remarkable development in the capital markets is the onset of the Dar es Salaam Stock Exchange (DSE) which started operations early this year. Two companies, Tanzania Oxygen Ltd (TOL) and Tanzania Breweries Ltd (TBL) have started selling their shares through DSE. Other companies have shown their intention to get listed with DSE.

Another development is the establishment of Repurchase Agreement (Repo) in July 1997. This instrument was introduced by BOT, which sells or buys eligible Bills and securities. The BOT can use Repos either to absorb or inject money in the economy by selling or buying eligible bills or securities in the money markets.

CHAPTER V

EXTERNAL DEBT

Introduction

Detailed and continuous review of a country's debt portfolio is a necessary prerequisite for effective debt management. The key issues discussed will aim at the following:

- (i) To quantify on the level of Tanzania external debt and debt servicing costs.
- (ii) Classify and analyze debt composition according to creditor and borrower category.
- (iii) Highlight major sector to which the funds are directed and see whether fund usage is in line with economic policies
- (iv) Analyze the structural composition of external debt in terms of maturity, and exposure to market risks.
- (v) Give highlights on opportunities for portfolio improvement, identify potential debt service difficulties and anomalies, as well as suggest possible corrective measures.

External Debt by Creditor Category

In the financial year 1997/98 the total external (medium and long-term) debt stood at USD. 6.374 billion. The general trend (from the financial 1993/94 to financial year 1997/98) indicates that the debt owed to Bilateral creditors has been declining, while debt owed to multilateral creditors has been increasing. Debt owed to other creditors has been more or less constant throughout the years. Table 5(a) is a *classification by creditor (source) category*. According to this classification, in 1997/98, 48.51% of Tanzania's external debt was owed to multilateral agencies, about 43.8% to bilateral creditors, 4.59% to Commercial banks and 3.09% to other creditors. In 1993/94 Bilateral creditors accounted for 51.36% while multilateral creditors accounted for 42.49% of entire debt.

Table 5(a)
DISBURSED OUTSTANDING DEBT (DOD) BY CREDITOR
CATEGORY FOR FINANCIAL YEARS 1993/94-1997/9
(In Thousands of Tshs)

CREDITOR	1993/94	1994/95	1995/96	1996/97	1997/98
BILATERAL					
Disbursed Outstanding Debt	3,273,710.00	3,445,614.00	2,984,181.00	3,022,130.00	2,794,613.00
% of DOD	51.36	49.88	46.69	45.96	43.80
MULTILATERAL					
Disbursed Outstanding Debt	2,708,047.00	3,020,201.00	2,958,708.00	3,107,658.00	3,094,862.00
% of DOD	42.49	43.72	46.29	47.26	48.51
COMMERCIAL BANK					
Disbursed Outstanding Debt	191,194.00	229,646.00	239,793.00	247,890.00	292,785.00
% of DOD	3.00	3.32	3.75	3.77	4.59
EXPORT CREDIT					
Disbursed Outstanding Debt	201,158.00	212,418.00	208,386.00	198,154.00	197,396.00
% of DOD	3.16	3.08	3.26	3.01	3.09
OTHER					
Disbursed Outstanding Debt	-	-	-	270.00	270.00
% of DOD				0.00	0.00
Total Disbursed Outstanding Debt	6,374,109.00	6,907,879.00	6,391,068.00	6,576,102.00	6,379,925.00

Source: BOT, Debt Management Dept.

The debt owed to multilateral creditors has been increasing as multilateral institutions continued to make large-scale contributions to the financing of projects on concessional terms, especially the International Development Association and the African Development Fund. IDA accounted for 74% of debt owed to Multilateral institutions.

External Debt by Borrower Category

Table 5(b) Show *debt ownership* in the period 1993/94 to 1997/98. In the financial year ending 30th June 1998 the Central Government owed 93.27% of total external debt with the remaining 6.73% owed by Public Corporations and Private Sector. The debt owed by Central Government has been decreasing at a gradual pace from 1993/94, while debt owed by private sector has been increasing. As such no drastic changes can be observed in terms of debt ownership.

Table 5(b)
EXTERNAL DEBT OUTSTANDING BY BORROWER CATEGORY FOR FINANCIAL
YEARS 1993/94-1997/98 (IN THOUSANDS OF USD)

Year	1993/94	1994/95	1995/96	1996/97	1997/98
CENTRAL GOVERNMENT					
Disbursed Outstanding Debt	6,057,911.00	6,545,480.00	6,018,029.00	6,195,666.00	5,950,371.00
% of Total DOD	95.04	94.75	94.16	94.21	93.27
PUBLIC CORPORATIONS					
Disbursed Outstanding Debt	184,162.00	190,331.00	175,943.00	170,598.00	174,338.00
% of Total DOD	2.89	2.76	2.75	2.59	2.73
PRIVATE SECTOR					
Disbursed Outstanding Debt	132,037.00	172,067.00	197,096.00	209,838.00	255,217.00
% of Total DOD	2.07	2.49	3.08	3.19	4.00
TOTAL					
Disbursed Outstanding Debt	6,374,109.00	6,907,879.00	6,391,068.00	6,576,101.00	6,379,925.00

Source: BOT, Debt Management dept.

Composition of Debt by Economic Sector

Tanzania has been borrowing mainly for Balance of Payments Support, followed by investment in Sectors of transport & telecommunication, Agriculture, Energy, Industrial Development and Manufacturing. See table 5(c), *composition of debt by economic sector*. This has been the trend since 1993/94. In 1997/98, borrowing for Balance of payment Support accounted for 23.23% of total DOD. Investment in transport and Communication accounted for 20.25% of total DOD, followed by agriculture sector 13.63%, Energy, Mining and Quarrying 12.34% Industrial development and manufacturing sector 8.18%. These sectors have been considered as priority sectors in terms of Government policies and public investment plans. The Balance of Payment shows a large share because of rescheduled loans which have BOP as economic sector. For other sectors of the economy each accounted for less than 5% of total DOD.

Table 5(c)
COMPOSITION OF DEBT BY ECONOMIC SECTOR
FOR FINANCIAL YEARS 1993/94-1997/98
(IN THOUSANDS OF USD)

ECONOMIC SECTOR	YEAR	1993/94	% of DOD	1994/95	% of DOD	1995/96	% of DOD	1996/97	% of DOD	1997/98	% of DOD
Agriculture & irrigation		901,306.00	14.14	996,053.00	14.42	911,363.00	14.26	911,961.00	13.87	869,677.00	13.63
Transport & Telecommunication		1,215,073.00	19.06	1,358,677.00	19.67	1,281,357.00	20.05	1,323,339.00	20.12	1,292,246.00	20.23
Balance of Pay. Support		1,752,125.00	27.49	1,909,446.00	27.64	1,651,631.00	25.84	1,652,189.00	25.12	1,481,926.00	23.23
Energy, Mining & Quarrying		664,800.00	10.43	665,805.00	9.64	679,766.00	10.64	727,193.00	11.06	787,390.00	12.34
Social Welfare & Education		84,373.00	1.32	105,373.00	1.53	117,312.00	1.84	149,958.00	2.28	166,375.00	2.61
Finance Insurance etc.		205,203.00	3.22	217,161.00	3.14	189,717.00	2.97	187,770.00	2.86	166,616.00	2.61
Fisheries		8,216.00	0.13	10,277.00	0.15	11,413.00	0.18	10,899.00	0.17	10,649.00	0.17
Forestry		16,920.00	0.27	21,435.00	0.31	22,985.00	0.36	26,378.00	0.40	25,997.00	0.41
General		528,190.00	8.29	592,253.00	8.57	543,403.00	8.50	625,374.00	9.51	594,627.00	9.32
Housing & Urban Develop.		26,295.00	0.41	31,905.00	0.46	36,521.00	0.57	37,267.00	0.57	40,873.00	0.64
Industrial Development & Manufacturing		629,882.00	9.88	638,328.00	9.24	574,956.00	9.00	543,193.00	8.26	522,055.00	8.18
Other		170,055.00	2.67	184,294.00	2.67	204,046.00	3.19	221,880.00	3.37	276,233.00	4.33
Rural Development		23,958.00	0.38	23,583.00	0.34	23,266.00	0.36	22,608.00	0.34	21,811.00	0.34
Rail transport		94,040.00	1.48	94,157.00	1.36	86,373.00	1.35	84,535.00	1.29	83,621.00	1.31
Computer Technology		5.00	-	5.00	-	5.00	-	5.00	-	5.00	-
Tourism & Hotel Industry		61,930.00	0.97	90,304.00	1.31	89,581.00	1.40	87,639.00	1.33	77,623.00	1.22
Water Supply & Drainage		85,778.00	1.35	62,979.00	0.91	53,746.00	0.84	48,449.00	0.74	45,823.00	0.72
Total		6,374,109.00		6,907,879.00		6,391,068.00		6,576,101.00		6,379,925.00	

Source: BOT, debt management Dept.

Currency Composition of Debt

The currency composition of debt is of special importance for a country like Tanzania which has been experiencing foreign currency scarcity and exchange rate fluctuation over the years. Currency composition of debt contributes to the final cost of borrowing. Over-exposure in specific currencies has implication on debt servicing especially when the currency of denomination is the currency of repayment. For example when the currency of denomination appreciates the local cost of servicing the debt increases. For the case of Tanzania, the USD and the SDR denominated debt account for over 50% percent of the total debt. This can be attributed to how the debt was negotiated, and also the fact that there is only limited pool of donors whom the country relies on for external funding. As a result it has not been possible to control the currency distribution of external debt. The importance of the analysis on currency composition of debt is twofold; first it assists reserve managers to match existing and future reserves with currencies in which the external debt is denominated. Second, it assists loan managers and negotiators to hedge

against over exposure to specific currencies and as such match debt currencies to exports in order to reduce the cost of debt servicing,

Table 5(b) shows the *currency composition of debt* for the major currencies in the financial years 1993/94-1997/98. The table shows that, the Special Drawing Rights (SDR) which is a basket of currencies accounts for great percentage of DOD throughout period. The SDR. is made up of 40% US Dollar, 21% Germany marks, 17% Japanese Yen and 11% for both Pound Sterling and French Franc. Analysis of the SDR. should consider that there are other currencies in the basket especially the USD. and repayment can be made in any of the currencies in the basket.

The table indicates that on average between 1993/94 and 1997/98, about 87% of debt was denominated in seven currencies led by the USD, followed by the Japanese Yen Roubles, Pound Sterling, Deutsche Marks, and the French Franc. It can be observed that the share of USD in the DOD has been increasing consistently over the years from 25.89% in 1993/94 to 28.12% in 1997/98. The share of Yen has been declining consistently from 14.48% in 1993/94 to 9.8% in 1997/98. Other currencies have tended to remain the same except for slight fluctuations. Due to Tanzania's over-exposure to the USD, and the Japanese Yen, she has been severely hit by exchange rate fluctuations. As indicated in the table both the USD and the Japanese Yen have been appreciating against the local currency. In 1993/94 the exchange rate was 517.6 TZS. to 1 USD. By the end of the financial year 1997/98 the TZS. was pegged at 664.98 to the dollar. In the financial 1993/94 to 1997/98 the Yen also appreciated by over 15% against the local currency.

The depreciation of local currency implies that it will require the government to pay more in local currency to purchase the foreign currency equivalent. Ultimately it increases the local cost of the debt leading to an increase in fiscal deficit. Table 5(e) shows that the overexposure to the USD. and the SDR. will increase. There is therefore the need to ensure that the external debt is spread more evenly among different currencies so as to minimise the effects of exchange rate fluctuation. There is a need to consider the possibility of restructuring the existing debt in terms of currency composition in order to reduce the high costs of debt servicing arising from exchange rates fluctuations.

Table 5(d)
CURRENCY COMPOSITION OF DEBT FOR CURRENCIES WHICH ACCOUNTS FOR
A GREATER PERCENTAGE OF EXTERNAL DEBT FOR
THE FINANCIAL YEARS 1993/94-1997/98

CURRENCY	1993/94 % of DOD	1994/95 % of DOD	1995/96 % of DOD	1996/97 % of DOD	1997/98 % of DOD	Average for 1993/94- 1997/98
Belgian Francs	2.39	2.50	2.44	2.55	2.51	2.48
Yuan Renminbis -official	1.35	1.36	1.55	1.54	1.64	1.49
Deutsche Marks	4.41	3.72	3.76	2.94	2.88	3.54
French Francs	3.27	3.40	3.41	2.65	2.54	3.05
Pound Sterling	3.75	3.72	3.87	3.72	3.78	3.77
Thousands of Yen	14.48	15.69	12.90	12.11	9.80	13.00
Kuwaiti Dinars	1.21	1.00	0.91	0.89	0.89	0.98
Netherlands Guilders	2.13	2.25	2.15	1.57	1.49	1.92
Roubles (official rate)	7.36	7.12	6.04	7.39	7.58	7.10
United States Dollars	25.89	23.85	25.86	26.93	28.12	26.13
Special Drawing Rights	26.97	29.09	30.76	32.24	33.70	30.55
European Currency Units	3.27	2.79	2.75	2.47	2.37	2.73
Exchange rate 1USD. To TZS.	517.6002	595.4373	624.2495	624.0842	664.98	
Exchange rate 1JPY. To TZS.	4.2865	5.2429	5.0612	5.0612	5.0612	

Source: BOT, Debt Management Dept.

Table 5(e)
PROJECTED CURRENCY COMPOSITION OF DEBT FOR CURRENCIES WHICH ACCOUNT
FOR A GREATER PERCENTAGE OF EXTERNAL DEBT FOR FINANCIAL YEAR 1998/99-2001/2002

CURRENCY	1998/99 % of DOD	1999/2000 % of DOD	2000/2001 % of DOD	2001/2002 % of DOD
African Units of Account	1.45	2.24	3.07	3.56
Belgian Francs	2.9	2.83	2.86	2.89
Yuan Renminbis -official	2.16	2.24	2.27	2.3
Deutsche Marks	2.89	2.63	2.46	2.35
French Francs	2.06	1.84	1.66	1.5
Pound Sterling	3.35	2.97	2.67	2.37
Thousands of Yen	6.6	5.67	4.94	4.28
Kuwaiti Dinars	1.08	1.28	1.29	1.28
Netherlands Guilders	1.42	1.28	1.18	1.11
United States Dollars	25.7	23.39	21.65	20.86
Special Drawing Rights	44.92	48.47	50.84	52.5
European Currency Units	2.9	2.79	2.79	2.67

Source: BOT, Debt Management Dept.

TERMS OF NEW COMMITMENTS

The average terms of new commitments in the period 1994/95 to 1997/98 indicates that the government has been contracting new loans mainly from concessional sources (The World Bank defines concessional loans as one for which the grant element is 25% and above). The average grant element for all creditors for the period of three consecutive financial years is 60.15%. The average grant element for official creditors in the financial

year 1997/98 was 77.20%. This is very close to the IDA credits which offers a grant element of 78% and above. The general trend indicates that the government is increasingly seeking new loans from more concessional sources, a trend that is encouraging.

Table 5(f)
THE AVERAGE TERMS OF NEW COMMITMENTS
FOR FINANCIAL YEARS 1994/95-1997/98

Year	1994/95	1995/96	1996/97	1997/98	Average for 1994/95-1997/98
ALL CREDITORS					
Interest (%)	2.00	2.50	0.60	1.00	1.53
Maturity (Years)	23.80	22.30	24.50	38.40	27.25
Grace Period (Years)	4.30	4.80	7.70	9.60	6.60
Grant Element	49.40	54.70	61.40	75.10	60.15
OFFICIAL CREDITORS					-
Interest (%)	2.00	2.50	0.80	0.80	1.53
Maturity (Years)	23.80	22.30	29.30	39.30	28.68
Grace Period (Years)	4.30	1.80	9.20	9.80	6.28
Grant Element	49.40	54.70	71.60	77.20	63.23
PRIVATE CREDITORS					-
Interest (%)			-	12.00	3.00
Maturity (Years)			3.60	2.00	1.40
Grace Period (Years)			1.60	2.00	0.90
Grant Element			17.60	- 4.30	3.33

Source: BOT, Management Dept.

CHAPTER VI

DEBT REORGANISATION AND RESTRUCTURING:

Introduction:

During the 1990's we have witnessed substantial progress in stabilising and restructuring the Tanzanian economy, building on earlier reforms with respect to external sector, monetary management, and agricultural marketing arrangements. The reforms have resulted into major progress toward a market-oriented economy, when compared with the previous control mechanisms. The more recent achievements have included fiscal consolidation, streamlining of the civil service and parastatal restructuring. The government also made strong efforts to develop physical and human infrastructure during the reform process.

While continuing with the efforts of implementing policies consistent with macroeconomic stability the government is also focusing on boosting the efficient use of capital to accelerate economic growth. In line with this, the government is continuing with its policy of withdrawing from direct involvement in production activities, while enhancing external competitiveness and improving efficiency in the use of public resources. Financial sector reforms are aiming at facilitating the mobilisation of domestic savings and the more efficient allocation of resources. Macroeconomic management is further geared towards strengthening the formulation and implementation of fiscal policy. The government is also aiming at achieving substantial improvements in the economic database, which should contribute importantly toward strengthening economic analysis and policy formulation.

Since 1986 when the country embarked on broad macro-economic reform programmes, external borrowing has been guided by structural adjustment programmes agreed between the government and the Multilateral Financial Institutions. Since then, the government has been taking measures to address the debt problem. These include, substantially reducing borrowing from non-concessional sources, creating debt database, and

improving institutional arrangements for debt management. In 1993, the government adopted a debt strategy aimed at initiating a dialogue with all creditors, with the objective of securing debt relief through debt cancellations and rescheduling.

The debt strategy further aimed at streamlining the institutional arrangements to facilitate effective co-ordination of debt management and reducing the contractual debt service to manageable levels of below 20% of exports. To attain these goals, the Government restricted contraction of new debts by Ministries and public enterprises without prior approval of the cabinet. It also suspended issuance of loan guarantees to the public enterprises and imposed strict compliance with the provisions of the Government Loans, Guarantees and Grants Act, 1974. The Government is currently finalising a new external debt strategy.

However, despite the implementation of the measures outlined in the debt strategy, the severity of the debt service burden in relation to fiscal capacity is unbearable. Currently the debt service represents a massive transfer of the country's limited resources at a time when investment in both human and material capitals are highly required to revamp the economy and address poverty eradication. The requirements of the structural reforms in the economy have imposed additional constraints on the Government budget and shifted the debt burden of the public enterprises to the Government. Unless something is done quickly to help the country out of the debt crisis efforts to reform the economy and eradicate poverty by the year 2025 as outlined in the government vision will be in vain.

An Overview of External Debt

According to the BOT CS-DRMS records, the total external debt committed as at June 30, 1998 amounted to USD 7,846.7 million. Out of the total amount, disbursed outstanding debt (disbursed plus principal arrears) stood at USD 6,379.7 million, while committed undisbursed debt was USD 1,467.0 million.

The profile of disbursed outstanding debt by creditor category reveals that, Multilateral and Bilateral debts are approximately USD 3,094.6 million (48.5%) and USD 2,794.6 million (43.8%) respectively. The total debt owed to commercial sources and other

private creditors are USD 292.7 million (4.6%) and USD 197.7 (3.1%) million respectively. When the disbursed outstanding debt is classified by borrower category it shows that, the central government is the largest borrower accounting for approximately USD 5,950.4 (93.3%) million of the total debt. Public Corporations and Private Sector accounts for only USD 174.10 (2.7%) million and USD 255.2 (4.0%) million of the total debt respectively.

Though the government made much efforts to meet most of her maturing obligations, due to resource constraint it has accumulated arrears amounting to USD 2,511.2 million. Out of this amount principal arrears are USD 1,471.3 million (58.6%), while interest arrears are USD 1,039.9 million (41.4%) giving an external debt stock of USD 7,419.6 million. Summary of debt data (stocks) are shown on table 6 (a).

DEBT REDUCTION AND RESCHEDULING

In addressing the debt crisis the government took serious measures to ease the debt burden on the economy. Most of the measures were discussed in details on our first debt management annual report, In summary these measures are: -

Bilateral Cancellations

In support of structural adjustment programmes, Tanzania benefited from the cancellation of official bilateral debts. As part of the strategy to address the debt crisis official creditors were requested to cancel or convert their debts into grants. Between 1978 and 1992 bilateral debts amounting to USD 1,044.3 million were either cancelled or converted into grants. Detailed breakdown of creditors who cancelled or converted their debts into grants is shown on table 6 (b).

Table 6 (a)
SUMMARY DEBT DATA: STOCKS
In Millions USD.

ITEM	PERIODS						PERCENTAGE					
	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	92/93	93/94	94/95	95/96	96/97	97/98
1.OVERAL TOTAL DEBT												
COMMITTED	7,455.10	8,011.40	8,440.70	7,793.40	8,033.80	7,846.70	100.00	100.00	100.00	100.00	100.00	100.00
Disbursed	6,208.80	6,427.10	6,917.50	6,496.20	6,535.00	6,379.70	83.30	80.20	82.00	83.40	81.30	81.30
outstanding debt												
Undisbursed	1,248.30	1,584.30	1,523.20	1,297.20	1,498.80	1,467.00	16.70	19.80	18.00	16.60	18.70	18.70
debt												
2.DISBURSED DEBT BY												
CREDITOR												
CATEGORY	6,208.80	6,427.10	6,917.50	6,496.20	6,535.00	6,379.70	100.00	100.00	100.00	100.00	100.00	100.00
Bilateral	3,374.68	3,283.02	3,426.26	3,009.44	2,941.17	2,794.60	54.40	51.10	49.50	46.30	45.00	43.80
Multilateral	2,433.99	2,724.09	3,022.39	3,008.39	3,130.06	3,094.60	39.20	42.40	43.70	46.30	47.90	48.51
Commercial	171.27	188.77	226.69	239.56	233.38	292.70	2.80	2.90	3.30	3.70	3.60	4.59
Other private	228.86	231.22	242.16	238.81	230.39	197.70	3.60	3.60	3.50	3.70	3.50	3.10
creditors												
3.DISBURSED DEBT BY												
BORROWER												
CATEGORY	6,208.80	6,427.10	6,917.50	6,496.20	6,535.00	6,379.70	100.00	100.00	100.00	100.00	100.00	100.00
Central	5,889.90	6,077.10	6,523.00	6,093.00	6,140.90	5,950.40	94.90	94.60	94.30	93.80	94.00	93.27
Government												
Public	221.10	215.40	220.50	205.20	196.30	175.40	3.60	3.40	3.20	3.20	3.00	2.73
Corporations												
Private Sector	97.80	134.60	174.00	198.00	197.80	253.90	1.50	2.00	2.50	3.00	3.00	4.00
4.DISBURSED DEBT BY												
USE OF FUNDS	6,208.80	6,427.10	6,917.50	6,496.20	6,535.00	6,379.70	100.00	100.00	100.00	100.00	100.00	100.00
Balance of	1,839.10	1,747.00	1,889.40	1,659.60	1,506.50	1,481.93	29.60	27.20	27.30	25.50	23.10	23.23
payments												
support												
Transport &	1,193.30	1,193.50	1,325.10	1,265.30	1,326.40	1,292.25	19.20	18.60	19.20	19.50	20.30	20.26
Telecommunicati												
on												
Agriculture	812.00	927.20	1,017.30	950.60	941.00	906.32	13.10	14.40	14.70	14.60	14.40	14.21
Energy and	693.20	695.50	691.80	709.80	735.70	787.14	11.20	10.80	10.00	10.90	11.30	12.34
Mining												
Industries	624.60	647.60	654.00	597.60	559.50	522.06	10.10	10.10	9.50	9.20	8.60	8.18
Social Welfare &	206.30	207.40	219.00	238.40	256.20	274.88	3.30	3.20	3.20	3.70	3.90	4.31
Education												
Finance and	193.40	204.70	215.10	190.70	182.22	166.62	3.10	3.20	3.10	2.90	2.80	2.61
Insurance												
Tourism	36.10	61.90	89.90	89.90	89.60	77.62	0.60	1.00	1.30	1.40	1.40	1.22
Others	610.80	742.30	815.90	794.40	937.88	870.88	9.80	11.50	11.70	12.30	14.20	13.65
5.TOTAL ARREARS BY												
CREDITOR												
CATEGORY	2,186.20	2,070.00	2,654.90	2,813.70	3,155.60	2,511.20	100.00	100.00	100.00	100.00	100.00	100.00
Principal	1,050.40	1,217.10	1,586.20	1,682.90	1,901.40	1,471.30	48.00	58.80	59.70	59.80	60.30	58.59
Bilateral	749.30	913.90	1,249.20	1,367.20	1,593.40	1,157.80	34.30	44.10	47.10	48.60	50.50	46.11
Multilateral	73.40	64.00	62.00	29.60	12.80	16.90	3.40	3.10	2.30	1.10	0.40	0.67
Commercial	78.20	85.40	100.90	100.80	109.80	120.80	3.60	4.10	3.80	3.60	3.50	4.81
Other private	149.50	153.80	174.10	185.30	185.40	175.80	6.70	7.50	6.50	6.50	5.90	7.00
creditors												
Interest	1,135.80	852.90	1,068.70	1,130.80	1,254.20	1,039.90	52.00	41.20	40.30	40.20	39.70	41.41
Bilateral	484.50	576.90	744.10	827.50	943.10	723.20	22.20	27.90	28.00	29.40	29.90	28.80
Multilateral	63.70	61.10	64.00	29.30	0.60	5.50	2.90	3.00	2.40	1.00	-	0.22
Commercial	496.90	114.70	147.20	155.20	179.20	185.40	22.70	5.50	5.50	5.50	5.70	7.38
Other private	90.70	100.20	113.40	118.80	131.30	125.80	4.20	4.80	4.40	4.30	4.10	5.01
creditors												
6.TOTAL DEBT	7,344.60	7,280.00	7,986.20	7,627.00	7,789.20	7,419.60						
STOCK												
7.Total Outstanding Debt												
Stock as % of	203.68	206.40	190.52	147.89	140.48							
GDP												

Source: Debt Department – Bank of Tanzania

Table 6 (b) Bilateral Debts Cancelled to Tanzania.

COUNTRY	YEAR	CURRENCY	USD--EQUIVALENT
1. GERMANY	1978	DEM 109,230,718.30	59,754,222.26
2. CANADA	1978	CAD 70,643,006.92	59,564,086.78
3. NETHERLANDS	1978	NLG 126,005,315.20	63,994,573.49
4. SWEDEN	1986	SEK 246,344,841.20	57,349,514.89
5. DENMARK	1986	DKK 885,000,000.00	120,522,947.00
6. FINLAND	1989	FIM 80,000,000.00	20,376,974.00
7. JAPAN	1989-92	JPY 7,570,171,318.00	52,534,152.10
8. USA	1990	USD 141,198,486.04	141,198,486.04
9. UNITED KINGDOM	1991	GBP 3,829,650.21	7,791,423.35
10. BELGIUM	1990	BEF 1,067,200,000.00	31,079,270.78
11. FRANCE	1990	FRF 266,000,000.00	51,861,961.40
12. ITALY	1992	USD 300,000,000.00	300,000,000.00
TOTAL IN USD			1,044,307,481.40

Source: BOT, Debt Department

Debt Reduction under Paris Club arrangements:

In addition to the above measure, the government made much effort to negotiate with bilateral Paris Club creditors to cancel or reschedule their debts. Between 1986 and 1997 Tanzania has had five Paris Club (PC) arrangements. For the first four Paris Club that is, September 1986 (PC-I), December 1988 (PC-II), March 1990 (PC-III) and January 1992 (PC-IV) arrangements, debts worth USD 1,753.56 million were rescheduled and USD 223.83 million cancelled. The debts affected were those contracted before June 30, 1986.

Currently Tanzania is implementing the Paris Club V agreement of January 21, 1997. Under this agreement Tanzania received the "Naples terms". The Naples terms entail 67% cancellation of the eligible debt stock or flows and the remaining 33% to be rescheduled on concessional terms. In a voluntary manner, each creditor may also transform limited debt for aid, debt for equity swaps, or other local currency swaps, up to 20% of the relevant debt.

The cut off date for PC-V was June 30, 1986 and the consolidation period is ending in November 1999. During the consolidation period the government is required to maintain strict discipline in the management of the economy. The government is also required to maintain good relations with the Bretton Wood Institutions in as far as the implementation of ESAF is concerned as well as to be prompt in the repayment of debt obligations.

By the end of the financial year 1997/98 the government had concluded bilateral agreements with the government of France, Germany, Austria, Norway, Netherlands, Canada, United States of America, United Kingdom and Belgium under which debts worth USD 371.121 million have been cancelled and USD 351.985 million rescheduled.

Creditors who opted for 67% cancellation of the eligible debt and rescheduling the remaining 33% are France, Germany, Norway, Canada, Netherlands, United States of America and United Kingdom. Austria and Belgium opted for rescheduling 100% of the eligible debt at concessional terms so as to attain a reduction in Net Present Value of 67%. The government is yet to conclude agreements with the government of Brazil, Italy, Japan and Russia. Table 6(c) shows the PC-V status as on June 30, 1998 while table 6(d) presents a summary of debt reduction and rescheduling under the Paris Club arrangements.

Table 6(c)
PC V STATUS AS ON JUNE 30, 1998.

COUNTRY	AGREEMENT DATE	CONSOLIDATED AMOUNT	AMOUNT CANCELLED	AMOUNT RESCHEDULED	AMOUNT DEFERRED
FRANCE	18/04/1997	127,223,848.75	77,231,937.62	48,583,229.10	1,408,682.03
GERMANY	26/05/1997	96,996,119.78	62,097,023.13	34,273,427.30	625,669.35
NORWAY	30/06/1997	8,113,250.95	4,515,191.80	3,158,398.72	439,660.43
AUSTRIA	16/06/1997	41,500,827.50	0	36,623,176.62	4,877,650.88
N'LANDS	16/09/1997	184,859,580,580.08	104,892,600.14	79,966,979.94	0
CANADA	20/10/1997	45,846,743.37	28,465,932.02	16,827,798.25	553,013.10
USA	16/01/1998	7,230,3000.00	4,328,200.00	2,131,800.00	770,000.00
UK	23/01/1998	155,727,608.47	89,590,222.93	66,137,385.54	0
BELGIUM	03/02/1998	65,191,275.00	0	64,282,991.00	908,284.00
TOTAL		732,689,253.90	371,121,107.64	351,985,186.47	9,582,186.47

Table 6(d)
DEBT REDUCTION AND RESCHEDULING UNDER THE PARIS CLUB ARRANGEMENTS
(In USD.)

Agreement No.	Cut off date	Consolidation Period	Amount Cancelled	Amount Rescheduled
PC I	June 30, 1986	01.10.86-30.09.87	0	722,956,196.56
PC II	June 30, 1986	01.01.89-30.06.89	22,346,155.88	372,904,671.47
PC III	June 30, 1986	01.01.90-31.12.90	18,663,927.64	199,431,424.02
PC IV	June 30, 1986	01.01.92-30.06.94	182,823,329.51	458,272,301.86
PC V	June 30, 1986	01.12.96-30.11.99	371,121,107.64	351,985,186.47
TOTAL			594,954,520.67	2,105,549,780.38

Source: BOT, Debt Department & Treasury

It can be observed from table 6(d) that, debt reduction and rescheduling under Paris Club arrangements have provided much needed relief to Tanzania. The rescheduling measures were crucial in easing up the pressure on the Tanzania economy, which could not sustain

the high debt burden. However, it is important to note that a substantial amount of the debts rescheduled were arrears, which were capitalised, directly increasing the debt stock that was already at high levels. The problem is further compounded by the fact that the interest levied on the rescheduled debt had in many cases, been based on market rates hence off – setting to a large extent the relief that the rescheduling was meant to provide.

The Debt Conversion Programme:

The government in 1990 introduced the Debt Conversion Programme (DCP) with formal operations starting in January 1991. The objective of the DCP was to reduce arrears of external debt and promote investments in selected priority areas, without compromising the monetary stability. Debts worth USD 164.5 million were converted and utilised by various beneficiaries (77 projects) to finance investments in tourism, industry, agriculture, mining and social sector. Because of its inflationary pressure, the scheme was abandoned in June 1993 save for the then already approved debts.

While the debt relief measures have provided some breathing space, statistics shows that the country continues to experience a massive debt overhang, which poses not only a serious threat to the long - term viability of the reform process but also compromises efforts made to restore Tanzania's creditworthiness to the donor community and to attract more non debt creating flows in the country. Other measures that the government has taken to reduce the country's debt include:

The Debt and Debt Service Reduction Scheme (DDSR):

This scheme which is also known as Debt Buyback aims at eliminating arrears of external commercial debts at the cut off date of January 1, 1990. It was expected to have been undertaken during the financial year 1997/98. However due to complexity involved in verifying and setting up the list of potential eligible debts for DDSR scheme and in view of the large number of creditors in the operations who were mostly suppliers, the scheme was delayed.

The scheme is now scheduled for implementation during the financial year 1998/99. There are two sets of eligible debts under the scheme. These are Commercial Debt and Bilateral Debt.

Commercial Debts that are eligible for the scheme include the following:

- Claims for borrowed money or the deferred purchase price of goods or services.
- Claims corresponding to local currency to the National Bank of Commerce or the Bank of Tanzania pursuant to the Foreign Exchange Control Ordinance Act of 1982.
- Claims that were, by their original terms, denominated in a currency other than Tanzanian Shillings.
- Claims which were outstanding prior to January 1, 1990 and are in arrears on or after January 1, 1994; and that have been reconciled and confirmed prior to the date of offer by either the National Bank of Commerce or the Bank of Tanzania.

Eligible Bilateral Debts include the following:

- Claims for borrowed money on normal commercial terms or the deferred purchase price of goods or services other than claims which appear, on the face of the related credit instrument, to relate to the provision of goods or services of a military character.
- Claims that were, by their original terms, denominated in a currency other than Tanzanian Shillings.
- Claims that were outstanding prior to January 1, 1990.
- Claims in which a foreign (non Tanzanian) state owned instrumentality or corporation (other than an export credit agency) appears on the face of the related credit instrument as the creditor or the guarantor.

On the basis of verification made up to now by the Bank of Tanzania, the World Bank and the Financial Advisor (acting on behalf of the United Republic of Tanzania) with some creditor representatives, eligible debts amounting to USD 253 million are expected to be liquidated at a substantial discount. Resources to facilitate the scheme will be made

available by IDA Reduction Facility Funds as well as from varied group of supportive OECD countries such as Switzerland, Germany, and some Nordic countries.

In implementing the scheme a policy have been adopted for all-new commercial debt maturities contracted after January 1, 1990, to be serviced directly through commercial banks to avoid accumulation of arrears. This policy will improve the country's creditworthiness and thereby improve prospects of borrowing from the international private capital markets at better terms.

The Multilateral Debt Relief Fund

The increased assistance from Multilateral Financial Institutions in support of reform programs adopted by the government since 1986 has implications on the structure and servicing of debt. While the bilateral debts decreased from 61.2% to 43.8% between 1986 and June 30, 1998 the share of multilateral on the total debt increased from 27.3% to 48.5% and is expected to grow to 76.03% by the year 2000.

While the share of multilateral debt on total debt will keep on rising, the ability to service this debt is questionable. This is due to the fact that multilateral debts cannot be restructured, and accumulation of any arrears to the major multilateral institution such as the World Bank, African Development Bank and IMF would not only lead to immediate suspension from accessing funds from the soft windows of these institutions, but also suspension of most grants from bilateral donors. The preponderance of multilateral debts in the total debt is limiting the country's ability in reducing its debt and debt service burden through traditional debt restructuring mechanisms. Faced with this situation the government approached the donor community during the Consultative Group (CG) meeting held in Dar es Salaam on December 10-11, 1997, for help in meeting its multilateral obligations. A Multilateral Debt Relief Fund (MDF) was set up and donors requested to pledge funds to service the expensive loans from multilateral institutions.

During the meeting Donors were requested to strongly support this initiative, by making maximum contributions to the fund in form of grants. The MDF is intended to specifically service scheduled debts owed to Multilateral Financial Institutions, while the

budgetary savings arising therefrom would be used to assist the government in protecting and possibly increasing the priority sector budget (health, education, water and infrastructure) by reallocating the savings. A number of donors strongly supported this initiative. Donors who have indicated willingness to support the fund include Sweden, United Kingdom, Netherlands, Ireland, Norway, Denmark, Switzerland, and Federal Republic of Germany.

The Bank of Tanzania will administer the fund on behalf of the government with maximum transparency. The operational Modalities of the MDF are outlined below.

- The Bank of Tanzania shall open a special USD Account (MDF Account) with the Federal Reserve Bank, New York;
- The MDF shall be utilised to service debts owed to multilateral institutions;
- The MDF account shall be opened upon the authority of the Accountant General's Department;
- Funds from donors shall be disbursed directly into the MDF account;
- Interest accrued shall be retained in the MDF account to service multilateral debts;
- The Bank of Tanzania shall receive billing statements from multilateral institutions, inform the Ministry of Finance of the of the MDF account and request the ministry for payment instructions;
- The Permanent Secretary, Ministry of Finance shall issue payment instructions authorising Bank of Tanzania to pay funds to the eligible creditors provided funds are available and debit the MDF account;
- The Bank of Tanzania shall report quarterly internal audits; external auditors shall make annual audits of the MDF account and report its operations within three months after the financial year;
- Contributing donors may undertake an independent audit on the MDF at their own cost;
- The Bank of Tanzania shall keep detailed records in respect of the MDF account as follows:-
 - ◆ Disbursements made by donors i.e. (name, currency, amount, USD equivalent & date);
 - ◆ Interest accrued minus charges on daily basis;

- ◆ Payments made for debt servicing;
 - ◆ The balances in the account at the end of every month;
 - ◆ Debt service projections for the next quarter;
- The Bank of Tanzania shall provide transaction by transaction details of the MDF account to the Public Debt Section, Accountant General's Office on weekly basis;
 - The Public Debt Section will maintain records relating to the operations of the MDF as follows;
 - ◆ To reflect projected provisions of multilateral debts payments due during the year (vote 22);
 - ◆ Statement of payments made out of the MDF account, at the end of each month in dollars, and in Tshs saved and, in the case of the IMF, returned to the government budget;
 - The Bank of Tanzania shall pay to the government the Tshs saved from MDF paying IMF credits repayments which the government will use for funding the budget;
 - The Ministry of Finance shall call a meeting with the representatives of the contributing donors on a quarterly basis and shall provide the relevant documentation and agenda two weeks before the schedule quarterly meeting. The Ministry of Finance can invite, at its discretion, other donors. The Ministry of Finance shall inform them on the following: -
 - ◆ General introduction of the performance of the economy, and specific analysis of the budget;
 - ◆ Information on debt management, debt strategy, borrowing policy, and its execution;
 - ◆ Status of the MDF account (including disbursements made by donors and the drawn down for debt service) and projected debt service for the next quarter;
 - ◆ Budgetary performance as specified below:-
 - Budget vs. actuals for personnel emoluments and other charges for the priority Sectors;
 - Total budget vs. actuals (whole budget desegregated at the sectoral level);
 - Actual revenues vs. projected;

-All resources (including from donors) vs. expectations;

□ Audit Reports of the MDF account.

The Multilateral Debt Relief Fund is expected to provide great relief to the budget and the balance of payments, in terms of domestic savings and foreign resources respectively. The Fund will go a long way in supporting the debt strategy and helping the government meet its socio-economic development targets.

Conclusion:

Despite all measures taken by the Government in collaboration with the Bretton Wood Institutions and the International Community the level of Tanzania debt stock and debt service obligations are still unsustainable. While the debt stock at the end of the fiscal year 1997/98 was USD 7,419.6 million arrears amounted to USD 2,511.2 million. Unfortunately, the stock of arrears keep on accumulating because the country's export growth rate is not fast enough to match with the debt servicing requirements. Most of the arrears are with respect to debts contracted with non- – OECD countries. Efforts to negotiate debt relief with these countries have proved not to be very successful. If strong measures are not taken to reverse the situation, there is a danger that, Tanzania will carry a chronically unsustainable debt burden into the next millennium.

CHAPTER VII

INSTITUTIONAL ISSUES AND CAPACITY BUILDING:

Introduction:

Recent developments show that, the Ministry of Finance is increasingly taking an active role in the management of the Public Sector Debt. Previously the debt management was left to the Bank of Tanzania, with the ministry taking peripheral role of signing agreements and making payments as they become due. The Ministry of Finance is now more involved in managing the debt database in conjunction with the Bank of Tanzania, with an intention of transferring the database to the Ministry once it is established that adequate capacity has been built to undertake active debt data management.

The increasing role of the Ministry of Finance in managing the Public Sector Debt is a result of Government decision and efforts to make the Accountant General's Department through its Public Debt Section (PDS) responsible for all operational aspect of debt database management. The Policy Analysis Department (PAD) through its Debt Policy and Strategy Section is responsible for debt analysis and strategy formulation. In this chapter we have tried to outline the efforts made to build capacity in the Ministry, challenges to be addressed and the way forward.

PROGRESS MADE BY THE ACCOUNTANT GENERAL'S DEPARTMENT IN THE AREA OF DEBT MANAGEMENT

Following the government decision to make the Accountant General's Department, through its Public Debt Section, the central body responsible for all debt database operations in the MOF, a number of initiatives have been taken to strengthen capacity in management. With financial assistance from the World Bank and Swedish International Development Agency (SIDA), four qualified graduates were recruited on April 1997 to work for the Public Debt Section. The World Bank also provided funds to recruit an International Debt Consultant for a period of six months starting from July 15, 1997. During the second half of the financial year 1997/98, the Accountant General's

Department with the assistance of SIDA was able to increase the local staff by recruiting twenty new graduates, six of them for the Public Debt Section. An International debt consultant was also contracted for a period of six months to train the Public Debt Section staff in the use of CS-DRMS and to oversee operationalization of the CS-DRMS software in the PDS.

The newly recruited staff have been trained in the use of Commonwealth Secretariat – Debt Recording and Management System (CS-DRMS). They have also been trained in the operations of the Financial Markets. The staff of the Section have also been attending courses in debt management organized by regional and international institutions such as Macro Economic and Financial Management Institute of Eastern and Southern Africa (MEFMI) and the Commonwealth Secretariat.

The Accountant General's Department is now linked using the Local Area Network (LAN). The latest version of CS – DRMS (7.1) has been installed for debt recording and management purposes. Currently the Debt Department of the Bank of Tanzania maintains the CS-DRMS external debt database. However, it has been agreed that the PDS will have access and will assist in the verification process of both external and domestic debt databases. Soon the two sites will be linked through radar thus allowing each of the sites to operate the database. A strategy defining the individual responsibilities between the Public Debt Section and the Debt Department of BOT for updating the database has been worked out. The PDS will update disbursements while the BOT will update payment transactions. It is expected that there will be gradual transfer of the operational responsibility of the database from the BOT to the Public Debt Section.

All these initiatives have had a marked impact on the progress made by the Public Debt Section, particularly in the area of debt database management.

The Public Debt Section has developed a Domestic Debt Database based on Microsoft Excel Linking Concept. The database provides up to date information on the Government's domestic debt position. All the domestic debt categories have been

recorded using June 30, 1997 as the cut-off date, and are being updated on a regular basis. The database has facilitated the debt data verification and reconciliation process with the Bank of Tanzania. Monthly Domestic Debt Reports are being issued regularly.

In order to effectively manage and monitor the pace of aid disbursements and debt repayments, the Public Debt Section has established the External Debt Payment and Disbursement Tracking Systems. The purposes of the external debt payment tracking system is to reconcile the debt service payments made by the government against maturities and payments externalised by the Bank of Tanzania. The system has also assisted in detecting delays on externalisation so that measures to streamline operations can be taken. Similarly the disbursement tracking system has assisted the government in recording all disbursements at a centralized location. With this system, comparison can be made between the committed and disbursed funds.

In order to better manage the aid flows: the Public Debt Section is making efforts to develop a grant database using CS-DRMS. Once developed the database will assist the government in monitoring resource flows in the form of grants. The grant database will be merged with the external loan database for the purposes of analyzing the external resource inflows in an integrated manner. Efforts to develop a contingent liability and on-lent loans database using the CS-DRMS are underway. The Treasury Registrar who keeps a manual record of on-lending agreements will assist the section in capturing all active on-lent loans. Staffs responsible for capturing the on-lent loan data into the system have already started interpreting the agreements and filling the data entry sheets. Once the on-lending database is completed and validated the government will be in a good position to monitor the magnitude of such liabilities, including the arrears position of various borrowing entities.

ANALYTICAL CAPACITY OF THE DEBT POLICY AND STRATEGY SECTION

Policy Analysis Department has been established to carry out macro – economic, fiscal and debt policy analysis. Its Debt Policy and Strategy Section is responsible for policy analysis on debt and debt – related issues. Given these responsibilities, it is necessary that adequate capacity is available in the section to carry out the required tasks. Priority is to be given in terms of recruitment, training and providing adequate incentives so as to retain debt management staff. There are certain areas that PAD should most concentrate on. These include, debt restructuring, analysing the country's debt situation and defining appropriate debt policy and strategy (in consultation with the BOT and the Planning Commission). It should also analyse debt information and reports retrieved from CS – DRMS, highlighting trends, preparing analysis for other units and divisions; publishing debt information in annual reports and bulletins in tandem with other units of MOF and BOT.

WAY FOWARD

Improving the Existing Institutional Framework

There is need to improve and strengthen the institutional framework for debt management especially within the Ministry of Finance. This should involve defining the roles and responsibilities of each department engaged in debt management process. This will enhance efficiency in the whole process of debt management.

Institutional arrangement for contracting, recording and monitoring external debt should be an integral part of the government's policy and institutional reform agenda. Since a major portion of all new borrowings are being contracted by the government, there is a need to improve co-ordination and observe the procedures for approving new borrowing, monitoring the utilization and servicing of external loans.

Use of the Database for Policy Analysis and Decision-Making

There is need to improve on serious policy analysis and decision making. Information should be shared more widely to include other parties involved in debt management e.g. Planning Commission. This can be achieved through circulating reports. The nature and periodicity of these reports should be tailored to ensure that they meet the requirements of the clients. Awareness should also be created among government departments and ministries.

Revival of the Debt Operations Committees

In 1994 two inter-ministerial committees were established to oversee the debt management process one at the technical level and the other at the decision making. These are the Debt Co-ordination Committee (DCC) and Debt Management Committee (DMC). DCC is the highest organ entrusted with the task of overseeing the implementation of policy and institutional aspects of the debt strategy and debt management. The DMC is the operational arm (technical) of the DCC charged with the task of overseeing implementation of operational aspects as contained in the debt strategy.

After their formation the committees operated briefly. There is need to reactivate these committees so as to address the pertinent debt management issues. These include; Effective implementation of Tanzania's Debt Strategy and deal with the bottlenecks in debt information flows between the institutions parts involved in debt management. Oversee the setting up of the common CS-DRMS debt database and ensuring that all departments having access to the common database are discharging their responsibilities properly to ensure that the database is current at any given point in time. Defining the roles and responsibilities in the debt management process and monitoring the operation of the Multilateral Debt Relief Fund.

Training of Staff

There is need to train the staff involved in debt management. The training can take the form of hands on training, attachments, attending courses within the region and outside. This helps in sharing experiences with other people involved in debt management.

Conclusion

The various developments taking place within the Ministry of Finance are no doubt commendable, given that, in the past the functions of debt management in the ministry have not been given sufficient weight, resulting in over reliance on the BOT. If the efforts currently put in place are sustained, the MOF will be able to develop its debt management capacity similar to what is currently at the BOT.

The on-going efforts to strengthen staff skills in debt management are taking place under the premises that such capacity will be sustainable and will meet the needs of the Ministry of Finance. The Ministry has to ensure that the debt management capacity, which has been painstakingly put in place, is retained. Sufficient resources should be allocated to maintain the momentum attained and ensure that capacity is adequately developed to undertake active debt management.

GLOSSARY

Bond

Is an obligation or formal Promise of Issuer (Corporation or Government) to pay security owner a fixed income (interest) over life of the bond and repay Principal Value at maturity. The coupon rate may be fixed at issue date, reset at regular interval index linked, paid annually, semi-annually, quarterly or monthly.

The Government uses bonds to raise medium and long term funds from residents of the country. They are denominated in countries currency and are fully guaranteed by the Government. The proceeds from sale of bonds are used to finance budget deficit.

Consolidation Period

The period during which debt service payments falling due are to be restructured (i.e. rescheduled, refinanced etc.). It is usual for the consolidation period to coincide with the period of the country's IMF agreement. The date on which the arrears to be restructured are calculated is the day before the start date of the consolidation period.

Crop Authority Debts

Liabilities of Crop Authorities assumed by the Government through the Treasury Register The liabilities arose out of Government Guarantees in respect of overdraft facilities accorded to three Crop authorities by the NBC These crop authorities includes the Tanzania Cotton Marketing Board, National Milling Corporation, and Tanzania Tobacco Processing and Marketing Board. The crop authority had defaulted in payment of principal and interest in order to discharge their liabilities with the bank.

Debt Buyback

The process whereby creditors sell unwanted liabilities usually at a discount. The buyers, who are frequently other creditor institutions, are attempting to alter their portfolio of developing country or to use it for debt conversion scheme. Alternatively the buyers may be speculators hoping to make profits on changes in the market value of this debt. Reduce the debt stock by purchase of outstanding liabilities at full cost or discount

Debt Conversion

Changing the form of borrowers liability from loan debt to another form of liability such as equity, bond. It can also include the consolidation of short-term loans into medium to long-term loans.

Debt Overhang

Negative impact of large external debt burden on economic growth, which contributes to investment disincentives and delays in private capital flows required to generate sustainable growth.

Debt Rescheduling

Form of debt restructuring in which terms of repayment of principal and interest are changed.

Debt Stock

Is the Disbursed Outstanding Debt plus Interest Arrears.

Duty Drawback Scheme

Scheme developed by the Government to give incentive to exporters through the board of External Trade, which reimburse exporters some of their costs on exporting

LART

(Loan and advances Realisation Trust Act) enacted in 1991 as part of the Government effort to reform the banking sector. The act provides for the acquisition of the non-performing assets of bank and other financial institutions and machinery for their expeditious recovery as a means of transforming the affected institutions once again into viable entities. The establishment and operation of LART is expected to have far-reaching effects on the assets portfolio of commercial Banks. Some of bonds held by NBC and CRDB have been rediscounted with the BOT.

LART Bonds

Are debt instruments issued to banks with non-performing assets acquired under LART. Bonds were issued to commercial banks (NBC & CRDB) as their repayments to non-performing Loans to Companies, which were under the custody of LART earmarked for liquidation. Some of bonds held by NBC and CRDB have been rediscounted with the BOT.

Paris Club

International Consortium of creditor countries for Restructuring of Bilateral Debt. The principal members of the Paris club are the Government of the OECD countries; it sometimes allows OPEC and developing country creditors to attend its meetings. It is based in Paris and it has a secretariat and Chairperson provided by the French treasury. The Paris Club meets several times a year and debt countries present their request for debt relief. The criteria for debtor country eligibility are: the country must be facing debt service difficulties and build up of payment arrears and it must agree to IMF economic adjustment policy and loan conditions or have a shadow IMF-MONITOR programme.

Recapitalization Bonds

Are issued by the government to give additional financial support to commercial banks (NBC & CRDB) to meet its minimum prudential requirement under the terms of the banking and financial institution act 1991, which give guideline on the minimum capital requirement of the banks.

Repurchase agreement

Is transaction in short term money market in which debts (especially securities) are sold/ disposed with the commitment by the seller to buy back or redeem from the purchaser the security after a fixed period of time at specified price. This is form of borrowing by pledging a longer-term security as collateral. It can be used as an instrument for monetary policy reserve management.

Stock

An obligation or formal Promise of issuer (Corporation or Government) to repay Principal Value at maturity to security owner with or without interest over the life of the security. Government stocks have come into existence through:

- Conversion of Treasury bills
- Conversion of Government Advances or overdraft with the BOT
- Conversion of the external payment adjustments arising out of devaluation of the shilling against the major foreign currencies.

Tax Reserve Certificate

Are papers given to taxpayers as confirmation slips for advance tax payment made by them through the BOT. Advance tax payment can be made after tax assessment schedule has been made this can assist taxpayer to know in advance the amount required to be paid by them within a particular period. In a way it is an investment to the taxpayer because it attracts an interest usually at the rate of 16.5%

Treasury Bill

Is an interest bearing government security, which pay the holder a specific sum of money at specific intervals in addition to repaying the principal amount on maturity. Instrument used for purposes of financing Government fiscal deficit and liquidity management in accordance with monetary policies. Normally Treasury bills with maturity of more than six month are issued for purposes of deficit financing while others with three months or less are issued to mop up excess money in circulation.

ANNEX 1
GOVERNMENT REVENUE AND EXPENDITURE FOR FINANCIAL YEARS 1992/93-1997/98
(In Millions of Tshs.)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
	Actual	Actual	Actual	Actual	Preliminary Actual	Likely Outturn	Budget
DOMESTIC REVENUE	164,110.00	242,444.00	331,240.00	448,373.00	572,030.00	627,500.00	699,521.00
TOTAL EXPENDITURE	343,609.00	398,666.00	453,393.00	500,117.00	730,878.00	866,951.00	769,786.00
RECURRENT EXPENDITURE	278,899.00	323,977.00	386,573.00	470,014.00	606,308.00	711,851.00	743,321.00
CFS	81,328.00	87,212.00	106,840.00	154,950.00	187,880.00	202,700.00	209,123.00
Debt Service	77,964.00	79,280.00	88,178.00	120,122.00	164,280.00	165,900.00	185,637.00
Interest	42,803.00	38,415.00	47,520.00	66,176.00	111,580.00	118,600.00	109,909.00
Amortisation	35,161.00	40,865.00	40,657.00	53,946.00	52,700.00	47,300.00	5,728.00
Others	3,364.00	7,932.00	18,662.00	34,828.00	23,600.00	36,800.00	23,486.00
Recurrent Expenditure (excl.CFS)	197,571.00	236,765.00	279,733.00	315,064.00	384,228.00	473,351.00	519,729.00
O/W Salaries & wages	57,946.00	73,779.00	109,680.00	156,087.00	199,228.00	226,000.00	244,782.00
Other Charges	139,625.00	162,986.00	167,517.00	153,237.00	84,817.00	134,783.00	103,841.00
Designated items					100,183.00	112,568.00	171,106.00
Payment of Arrears					34,200.00	35,800.00	14,469.00
DEVELOPMENT EXPENDITURE	64,710.00	74,689.00	66,820.00	30,103.00	124,570.00	155,100.00	26,465.00
Projects	64,710.00	74,689.00	66,820.00	30,103.00	84,129.00	116,300.00	239,000.00
Local	23,440.00	18,678.00	20,000.00	5,382.00	20,229.00	28,000.00	10,000.00
Foreign	41,270.00	56,011.00	43,820.00	24,720.00	63,900.00	88,300.00	229,000.00
Other Programme Assistance					40,441.00	38,800.00	25,465.00

Source: Ministry of Finance

ANNEX 2
TANZANIA'S BALANCE OF PAYMENTS

YEAR	1990	1991	1992	1993	1994	1995	1996	1997**
ITEMS								
A. Trade Account	-164,722.00	-195,396.70	-268,699.10	-350,594.20	-401,081.50	-380,400.70	-247,021.50	-275,411.90
Exports (f.o.b.)	66,560.50	75,981.30	123,966.00	181,147.60	265,176.80	390,378.00	455,419.00	438,180.00
Imports (f.o.b.)	231,282.50	271,378.00	392,665.10	531,741.80	666,258.30	770,778.70	702,440.50	713,591.90
B. Services (net)	5,923.50	5,278.80	2,149.40	-161,637.60	-43,354.60	-124,584.60	-161,793.70	-191,377.30
Receipts	26,312.00	31,364.20	43,769.10	128,839.00	213,151.20	334,859.40	311,621.80	303,326.60
Payments	20,388.50	26,085.40	41,619.70	290,476.60	256,505.80	459,444.00	473,415.50	494,703.90
C. Investment income	-37,669.50	-40,608.30	-67,079.90	-61,184.70	-62,430.10	-63,378.50	-36,921.00	-75,781.70
Receipts	1,211.00	1,571.90	2,434.90	8,871.00	15,747.70	18,258.30	24,090.00	27,451.60
Payments	38,880.50	42,180.20	69,514.80	70,055.70	78,177.80	81,636.80	61,011.00	103,233.30
D. Transfers (Net)	135,274.20	180,929.00	269,426.00	145,554.20	146,020.30	194,389.50	196,341.60	194,637.60
Inflows	141,126.00	187,955.40	279,846.00	157,990.10	158,761.10	212,947.10	215,085.50	236,150.30
O/w Govt.	105,195.90	122,873.70	179,348.80	153,757.70	109,591.60	135,572.90	136,934.30	146,910.60
Private	35,930.10	65,081.70	100,497.20	4,232.40	49,169.50	77,374.20	78,151.20	89,239.70
Outflows	5,851.80	7,026.40	10,420.00	12,435.90	12,740.80	18,557.60	18,743.90	41,512.70
Current Account	-61,193.80	-49,797.20	-64,203.60	-427,862.30	-360,845.90	-373,974.30	-249,394.60	-347,933.30
E. Capital Account	26,762.20	28,069.90	21,939.00	83,163.10	133,845.10	109,693.40	110,794.90	212,557.10
Inflows	60,673.40	67,623.00	52,851.70	83,163.10	133,845.10	109,693.40	110,794.90	212,557.10
Outflows	33,911.20	39,553.10	30,912.70	0.00	0.00	0.00	0.00	0.00
F. Financial Account	0.00	0.00	3,622.90	23,606.70	-54,466.00	61,302.70	11,900.60	-4,761.40
Direct Investment	0.00	-	3,622.90	8,290.60	25,481.70	68,935.40	87,034.50	96,747.60
Abroad	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
In Tanzania	0.00		3,622.90	8,290.60	25,481.70	68,935.40	87,034.50	96,747.60
Portfolio Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investment	-	-	-	15,316.10	-79,947.70	-7,632.70	-75,133.90	-101,509.00
Inflow of Financial Resources	0.00	0.00	0.00	255,094.40	221,408.00	249,668.10	192,950.80	277,434.10
Outflow of Financial Resources	0.00	0.00	0.00	239,778.30	301,355.70	257,300.80	268,084.70	378,943.10
G. Errors and Omissions	-19,553.10	-36,909.80	-28,164.70	58,347.70	53,814.40	-11,671.00	-3,218.60	-3,433.10
H. OVERALL BALANCE	-53,984.70	-58,637.10	-66,806.40	-262,744.80	-227,652.40	-214,649.20	-129,917.70	-143,570.70

Source: BOT "Economic Bulletin for Quarter Ended 31st March, 1998

ANNEX 3
External Debt Service by Creditor Category for Financial Year 1997/98 Charges
Against the C.F.S (In TSHS.)

	GRAND TOTAL	Percentage of Total Debt Service
MULTILATERAL		
IBRD	8,843,957,553.38	8.038
IDA	21,462,258,602.37	19.506
ADB	2,688,800,813.79	2.444
ADF	2,317,185,857.92	2.106
EEC/EIB	2,117,630,273.92	1.925
IFAD	565,938,338.35	0.514
OPEC FUND	6,939,734,423.12	6.307
EADB	2,090,446,805.84	1.900
BADEA	2,590,544,500.83	2.354
NDF/NORDIC	21,541,130.22	0.020
NTF	551,223,714.59	0.501
CDC	1,639,176,141.24	1.490
Sub Total	51,828,438,155.58	47.104
BILATERAL PC		
JAPAN	20,110,166,466.33	18.277
U.K.	5,022,823,770.53	4.565
USA	510,673,613.28	0.464
GERMANY	2,612,735,636.94	2.375
NETHERLANDS	3,347,958,796.63	3.043
FRANCE	4,027,200,878.11	3.660
BELGIUM	2,294,795,132.25	2.086
SPAIN	502,839,954.25	0.457
AUSTRIA	360,144,194.51	0.327
ITALY	3,086,342,088.69	2.805
NORWAY	391,244,198.38	0.356
CANADA	2,029,510,960.38	1.845
DENMARK	57,840,000.00	0.053
Sub Total	44,354,275,690.27	40.512
BILATERAL NON PC		
CHINA	1,131,838,282.10	1.029
SAUD FUND	717,185,824.48	0.652
KOREA	95,090,711.82	0.086
CROATIA - INGRA	1,757,707,290.00	1.597
KUWAIT FUND	1,219,298,905.74	1.108
Sub Total	4,921,121,014.14	4.473
PRIVATE/COMMERCIAL		
MBL INER. CONTRACTORS	629,330,933.24	0.572
HARBANS SING CASHEWNUT	23,049,728.88	0.021
BANKERS T. Co/INTERBIO/TRANEL	4,846,537,108.66	4.405
TOYOTA TSUSHO JAPAN	1,579,262,895.18	1.435
Sub Total	7,078,180,665.96	6.433
OTHER CREDITORS		
H. P. STAYN	1,457,616,600.00	1.325
IMPREGILO/COGEFER P. NOTES	385,311,170.81	0.350
Exchange Rate Adjustments	3,770,485.20	0.003
Sub Total	1,846,698,256.01	1.698
GRAND TOTAL	100,028,715,781.95	100.000

Source: Accountant General Dept., Public Debt Section

ANNEX 4
EXTERNAL DEBT POSITION
FOR FINANCIAL YEAR 1993/94-1997/98
(IN THOUSANDS OF USD.)

YEAR	1993/94	1994/95	1995/96	1996/97	1997/98
Disbursed Outstanding Debt	6,374,109.00	6,907,879.00	6,391,068.00	6,576,101.00	6,379,925.00
Principal Repayments	135,377.00	116,672.00	117,971.00	132,387.00	112,351.00
Interest Payments	100,002.00	60,563.00	66,647.00	99,181.00	63,062.00
Other Payments	160.00	2,906.00	251.00	658.00	546.00
Total Debt Service	235,540.00	180,141.00	184,869.00	232,225.00	175,959.00
Principal Arrears	1,194,700.00	1,571,400.00	1,639,300.00	1,455,500.00	1,471,200.00
interest Arrears	835,900.00	1,060,800.00	1,120,400.00	997,400.00	1,039,900.00
Total Arrears	2,030,700.00	2,632,100.00	2,759,700.00	2,453,000.00	2,511,100.00
Debt Stock	7,210,009.00	7,968,679.00	7,511,468.00	7,573,501.00	7,419,825.00
Total Domestic Revenue (in Tshs.)	242,444,000.00	331,240,000.00	448,373,000.00	572,030,000.00	627,500,000.00
Total Domestic Revenue (in USD.)	468,400.13	556,297.03	718,259.29	916,591.06	943,637.40
Debt Service to Domestic Budgetary Revenue(%)	50.29	32.38	25.74	25.34	18.65
EXCHANGE RATES [2]	517.60	595.44	624.25	624.08	664.98

Source: BOT, Debt Management Dept.

ANNEX 5
MAJOR ECONOMIC AGGREGATES AND PRINCIPAL RATIOS (HISTORICAL)
FOR FINNICAL YEARS 1993/94 –1997/98 (in millions of USD.)

YEAR	1994/95	1995/96	1996/97	1997/98	Average in Three Years
GNP at Market Prices (GNP)	3,282.80	3,368.20	4,543.20	603.70	2,949.48
Exports of Goods and Services (XGS)	643.50	936.30	1,046.00	1,128.30	938.53
Imports of Goods and Services (MGS)	1,430.90	1,711.90	1,866.70	1,941.50	1,737.75
Reserves (RES)	88.50	222.10	327.10	560.70	299.60
					-
					-
PRINCIPAL RATIOS					-
					-
EDT/XGS (%)	1,070.90	681.20	628.80	567.30	737.05
EDT/GNP (%)	209.90	189.40	144.80	1,060.30	401.10
RES/EDT (%)	1.30	3.50	5.00	8.80	4.65
RES/MGS (months)	0.70	1.60	2.10	3.50	1.98
					-
Public and Publicly Guaranteed Debt					-
					-
DOD/XGS (%)	1,043.80	659.80	608.40	543.80	713.95
DOD/GNP (%)	204.60	183.40	140.10	1,016.40	386.13
TDS/XGS (%)	26.70	18.90	20.40	17.00	20.75
TDS/GNP (%)	5.20	5.20	4.70	31.80	11.73
INT/XGS (%)	9.50	6.70	8.80	5.90	7.73
INT/GNP (%)	1.90	1.90	2.00	11.00	4.20
RES/DOD (%)	1.30	3.60	5.10	9.10	4.78
					-
Exchange Rate	954.37360	624.24950	624.08420	664.98000	716.92

Source: BOT, Debt management Dept.

Note: Figures are for External Debt Only

EDT: Total External Debt
DOD: Disbursed Outstanding Debt
TDS: Total Debt Service
INT: Interest
GNP: Gross National Product
FY: Financial year

ANNEX 6
GOVERNMENT OF TANZANIA STOCK BALANCES
(IN TSHS.)

No	Name of Stock	Holding	Interest Rate	Maturity Date	Closing Principal	Principal Paid/ Adjusted	Interest Paid for 1997/98	Total Arrears/ Overpaid
1	7.5% "A" Stock 1997/98	1,205,484,500.00	7.50%	01-Jan-98	-	1,205,484,500.00	128,192,006.30	-
2	16% Treasury Stock 2005	2,570,871,500.00	16.00%	10-Jul-2005	2,570,871,500.00	-	617,009,160.00	-
3	28% "A" Stock 2003/2004	800,000,000.00	28.00%	15-Jul-2003	800,000,000.00	-	299,218,444.00	0.00
4	29% "A" Stock 2008/2009	500,000,000.00	29.00%	15-Jul-2008	500,000,000.00	-	217,500,000.00	-
5	EPA Special Stock 2000/2001	90,000,000,000.00	0.00%	11-Jul-2000	90,000,000,000.00	-	-	-
6	6.5% Special Stock 2003/2004	2,236,830,000.00	NBR	30-Jul-2003	2,236,830,000.00	-	-	-
7	7.5% Special Stock 2008/2009	2,236,830,000.00	NBR	01-Aug-2008	2,236,830,000.00	-	-	-
8	15% Treasury Stock 2000	1,460,631,300.00	15.00%	15-Aug-2000	1,460,631,300.00	-	142,883,872.50	185,758,170.00
9	29% "B" Stock 2008/2009	1,523,203,500.00	29.00%	15-Aug-2008	1,523,203,500.00	-	342,853,007.50	291,465,515.00
10	24% "E" Stock 2001/2002	2,118,507,500.00	24.00%	20-Aug-2002	2,118,507,500.00	-	415,836,900.00	307,225,800.00
11	25.5% "C" Stock 2000/2001	4,167,051,500.00	25.50%	31-Aug-2000	4,167,051,500.00	-	711,137,842.75	784,533,356.00
12	28% "C" Stock 2005/2006	800,000,000.00	28.00%	31-Aug-2005	800,000,000.00	-	127,120,000.00	201,880,000.00
13	29% "C" Stock 2010/2011	805,500,000.00	29.00%	20-Sep-2010	805,500,000.00	-	348,217,500.00	116,797,500.00
14	7.5% "B" Stock 1997/98	300,000,000.00	7.50%	23-Mar-1998	-	300,000,000.00	33,750,000.00	-
15	28% "B" Stock 2004	1,450,000,000.00	28.00%	01-Apr-2004	1,450,000,000.00	-	259,566,776.00	444,043,544.00
16	20% "E" Stock 2007/2008	1,995,552,600.00	20.00%	01-Apr-2008	1,995,552,600.00	-	209,555,260.00	558,665,780.00
17	24.5% "E" Stock 1997/98	2,040,894,100.00	24.50%	15-Oct-1997	-	2,040,894,100.00	824,373,109.00	-
18	7.75% Treasury Stock 2000/2001	1,949,713,800.00	7.75%	20-Oct-2001	1,949,713,800.00	-	271,836,295.25	-
19	25.5% Stock 1997/98	64,040,300.00	25.50%	20-Apr-1998	-	64,040,300.00	24,495,414.75	-
20	25% Special Stock 1993/98	42,243,000,000.00	25.00%	31-Oct-1998	42,243,000,000.00	-	-	31,682,250,000.00
21	25.5% "B" Stock 1998/99	750,000,000.00	25.50%	31-Oct-1998	750,000,000.00	-	130,700,530.00	251,799,470.00
22	15% "E" Stock 2012/2013	3,950,000.00	15.00%	10-May-2013	3,950,000.00	-	888,750.00	-
23	7.5% Stock 1996/98	250,000,800.00	7.50%	14-May-1998	-	250,000,800.00	29,098,965.00	-
25	24% "D" Stock 2001	909,149,500.00	24.00%	15-May-2001	909,149,500.00	-	327,293,820.00	-
26	7.5% Stock "A" 1998/99	421,374,000.00	7.50%	20-May-1999	421,374,000.00	-	48,040,950.00	-
27	7.5% Stock 1998/99	337,479,400.00	7.50%	30-Nov-1998	337,479,400.00	-	32,008,612.50	-
28	8.5% Stock 2003	1,089,391,320.00	8.50%	30-Nov-2003	1,089,391,320.00	-	138,897,393.30	-
29	25.5% Stock "A" 1997/98	632,535,100.00	25.50%	31-May-1998	-	632,535,100.00	241,944,675.75	-
30	8.5% Stock 2001/2002	2,207,084,900.00	8.50%	01-Dec-2002	2,207,084,900.00	-	93,801,108.25	187,602,216.50
31	5.5% Special Stock 1997/98	2,236,830,000.00	NBR	01-June-1998	-	2,236,830,000.00	-	-
32	7.5% Stock 1999/2000	601,000,000.00	7.50%	12-Jun-2000	601,000,000.00	-	27,622,271.25	44,696,812.50
33	19% Stock 2004/2005	122,622,000.00	19.00%	20-June-2005	122,622,000.00	-	23,298,180.00	23,298,180.00
34	22% Stock 2004/2005	177,000,000.00	22.00%	20-June-2005	177,000,000.00	-	52,690,000.00	19,470,000.00
35	27.5% Stock 2004/2005	950,550,000.00	27.50%	20-June-2005	950,550,000.00	-	135,011,250.00	190,678,125.00
36	29% Stock 2005/2006	1,242,286,600.00	29.00%	20-June-2006	1,242,286,600.00	-	317,246,170.20	300,560,582.00
37	19% Special Stock 2004/2005	2,500,000,000.00	18.00%	20-June-2005	2,500,000,000.00	-	-	567,600,565.45
38	18% Stock 1999/2000	95,000,000.00	18.00%	30-June-2000	95,000,000.00	-	25,650,000.00	8,550,000.00
39	20.75% Stock 1999/2000	64,000,000.00	20.75%	30-June-2000	64,000,000.00	-	18,353,750.00	6,640,000.00
40	26% Stock 1999/2000	222,140,000.00	26.00%	30-June-2000	222,140,000.00	-	57,738,200.00	57,774,600.00
41	28% Stock 2000/2001	225,326,200.00	28.00%	30-June-2001	225,326,200.00	-	52,374,451.50	63,091,336.00
42	18% Special Stock 1999/2000	2,000,000,000.00	15.00%	30-June-2000	2,000,000,000.00	-	150,000,000.00	450,000,000.00
43	25% Special Stock 1995/2010	64,838,000,000.00	25.00%	30-June-2010	11,216,508,500.00	53,621,491,500.00	3,138,856,306.40	23,735,131,344.07
	TOTAL	242,343,830,420.00			181,992,554,120.00	60,351,276,300.00	10,015,060,972.20	60,479,512,896.52

Source: Accountant General Dept. Public Debt Section

NBR = Non Bearing

ANNEX 7
GOVERNMENT OF TANZANIA BONDS BALANCES
(IN THSH.)

No	Name of Bond	Holding	Interest Rate	Maturity Date	Closing Principal	Principal Paid Or Adjusted	Interest Arrears Paid	Total Arrears/Overpaid(-)
1	CRDB LART BOND 1991/2011	420,900,000.00	11.00%	25-Nov-2011	420,900,000.00	-	35,191,750.00	11,574,750.00
2	NBC LART BOND 1991/2011	15,687,500,000.00	11.00%	25-Nov-2011	15,687,500,000.00	-	3,019,843,750.00	-
3	11% BOT LART BOND 1991/2011	11,658,500,000.00	11.00%	25-Nov-2011	11,658,500,000.00	-	320,608,750.00	2,244,261,250.00
4	5% BOT LART BOND 1991/2011	73,530,688,000.00	5.00%	25-Nov-2011	73,530,688,000.00	-	1,838,267,200.00	5,514,801,600.00
5	SPECIAL BOND FOR RECAP. OF CRDB	11,800,000,000.00	11.00%	31-Dec-2013	11,800,000,000.00	-	973,500,000.00	324,500,000.00
6	2005 SPECIAL BOND FOR RECAP. CF NBC	10,750,000,000.00	DTB	15-Oct-2005	10,750,000,000.00	-	1,964,756,250.00	324,381,250.00
7	11% SPECIAL BOND FOR RECAP. OF NBC	43,600,000,000.00	11.00%	31-Dec-2013	43,600,000,000.00	-	-	20,665,479,552.05
8	11% CRDB SPECIAL BOND FOR RECAP.	9,800,000,000.00	11.00%	31-Dec-2015	6,650,000,000.00	3,150,000,000.00	365,750,000.00	182,875,000.00
9	11% SPECIAL GOVT BOND 2012 (CRDB)	4,010,900,000.00	11.00%	31-Dec-2012	4,010,900,000.00	-	220,599,500.00	110,299,750.00
10	11% SPECIAL GOVT BOND 2012 (NBC)	25,295,600,000.00	11.00%	31-Dec-2012	25,295,600,000.00	-	-	6,956,290,000.00
11	11% SPECIAL GOVT BOND 2013 (NBC)	23,879,000,000.00	11.00%	31-Dec-2013	23,879,000,000.00	-	-	11,820,105,000.00
12	11% SPECIAL GOVT BOND 2015 (NBC)	10,191,200,000.00	11.00%	31-Dec-2015	10,191,200,000.00	-	-	2,802,580,000.00
13	11% SPECIAL GOVT BOND 2015 (CRDB)	5,033,500,000.00	11.00%	31-Dec-2015	5,033,500,000.00	-	276,842,500.00	138,421,250.00
14	SPECIAL GOVT BOND STANBIC BANK	6,000,000,000.00	Depends on TBILLS rate	20-May-2000	4,000,000,000.00	-	103,200,000.00	-
15	22% TREASURY BOND 1998/99 (1 st ADILI)	5,000,000,000.00	22.00%	01-Aug-1998	5,000,000,000.00	-	550,000,000.00	-
16	11.5% 1/1997 T-Bond 1998/99	800,000,000.00	11.50%	28-May-1999	800,000,000.00	-	92,000,000.00	-
17	12% 2/1997 T-Bond 1998/99	2,625,000,000.00	12.00%	11-Jun-1999	2,625,000,000.00	-	315,000,000.00	-
18	13% 3/1997 T-Bond 1998/99	2,120,000,000.00	13.00%	25-Jun-1999	2,120,000,000.00	-	275,600,000.00	-
19	14% 4/1997 T-Bond 1999/2000	2,135,000,000.00	14.00%	09-Jul-1999	2,135,000,000.00	-	149,450,000.00	-
20	14% 5/1997 T-Bond 1999/2000	1,628,000,000.00	14.00%	23-Jul-1999	1,628,000,000.00	-	113,960,000.00	-
21	14% 6/1997 T-Bond 1999/2000	255,000,000.00	14.00%	06-Aug-1999	255,000,000.00	-	17,850,000.00	-
22	14.5% 7/1997 T-Bond 1999/2000	32,000,000.00	14.50%	12-Aug-1999	32,000,000.00	-	2,320,000.00	-
23	14.5% 8/1997 T-Bond 1999/2000	100,000,000.00	14.50%	19-Aug-1999	100,000,000.00	-	7,250,000.00	-
24	15% 10/1997 T-Bond 1999/2000	600,000,000.00	15.00%	2-Sep-1999	600,000,000.00	-	2,320,000.00	-
25	15% 1997 T-Bond 1997/2002	4,600,000,000.00	15.00%	28-Feb-2002	4,600,000,000.00	-	321,472,603.00	-
26	15% 1997 T-Bond 1997/2000	2,000,000,000.00	15.00%	28-Feb-2002	2,000,000,000.00	-	150,000,000.00	-
27	15% 12/1997 T-Bond 1997/1999	103,000,000.00	15.00%	16-Sep-1999	103,000,000.00	-	7,725,000.00	-
28	15% 13/1997 T-Bond 1997/1999	21,500,000.00	15.00%	23-Sep-1999	21,500,000.00	-	150,000,000.00	-
29	15% 14/1997 T-Bond 1997/1999	621,000,000.00	15.00%	30-Sep-1999	621,000,000.00	-	46,575,000.00	-
30	15% 15/1997 T-Bond 1997/1999	719,000,000.00	15.00%	7-Oct-1999	719,000,000.00	-	53,925,000.00	-
31	15% 16/1997 T-Bond 1997/1999	555,000,000.00	15.00%	14-Oct-1999	555,000,000.00	-	41,625,000.00	-
32	15% 17/1997 T-Bond 1997/1999	1,080,000,000.00	15.50%	21-Oct-1999	1,080,000,000.00	-	83,700,000.00	-
33	15.5% 18/1997 T-Bond 1997/1999	186,000,000.00	15.50%	28-Oct-1999	186,000,000.00	-	14,415,000.00	-
34	16% 19/1997 T-Bond 1997/1999	2,197,000,000.00	16.00%	4-Nov-1999	2,197,000,000.00	-	175,760,000.00	-
35	16% 20/1997 T-Bond 1997/1999	963,000,000.00	16.00%	15-Nov-1999	963,000,000.00	-	77,040,000.00	-
36	16% 21/1997 T-Bond 1997/1999	908,000,000.00	16.00%	22-Nov-1999	908,000,000.00	-	72,640,000.00	-
37	16% 22/1997 T-Bond 1997/1999	2,820,000,000.00	16.00%	29-Nov-1999	2,820,000,000.00	-	225,600,000.00	-
38	16% 23/1997 T-Bond 1997/1999	2,024,000,000.00	16.00%	5-Dec-1999	2,024,000,000.00	-	161,920,000.00	-
39	16% 24/1997 T-Bond 1997/1999	1,005,000,000.00	16.00%	12-Dec-1999	1,005,000,000.00	-	-	-
40	16% 25/1997 T-Bond 1997/1999	411,000,000.00	16.00%	19-Dec-1999	411,000,000.00	-	-	-
41	16% 26/1997 T-Bond 1997/1999	818,000,000.00	16.00%	26-Dec-1999	818,000,000.00	-	-	-
42	16% 27/1998 T-Bond 1998/2000	749,000,000.00	16.00%	10-Jan-2000	749,000,000.00	-	-	-
43	16.5% 28/1998 T-Bond 1998/2000	1,206,000,000.00	16.00%	17-Jan-2000	1,206,000,000.00	-	-	-
44	16.5% 29/1998 T-Bond 1998/2000	781,000,000.00	16.50%	24-Jan-2000	781,000,000.00	-	-	-
45	17% 30/1998 T-Bond 1998/2000	1,861,000,000.00	17.00%	31-Jan-2000	1,861,000,000.00	-	-	-
46	17% 31/1998 T-Bond 1998/2000	1,002,000,000.00	17.00%	7-Feb-2000	1,002,000,000.00	-	-	-
47	17.5% 32/1998 T-Bond 1998/2000	1,054,000,000.00	17.50%	14-Feb-2000	1,054,000,000.00	-	-	-
47	17.5% 33/1998 T-Bond 1998/2000	479,000,000.00	17.50%	21-Feb-2000	479,000,000.00	-	-	-
49	17.5% 34/1998 T-Bond 1998/2000	696,000,000.00	17.50%	28-Feb-2000	696,000,000.00	-	-	-
50	17.5% 35/1998 T-Bond 1998/2000	1,080,000,000.00	17.50%	4-Mar-2000	1,080,000,000.00	-	-	-
51	17.5% 36/1998 T-Bond 1998/2000	1,016,000,000.00	17.50%	11-Mar-2000	1,016,000,000.00	-	-	-
52	17.5% 37/1998 T-Bond 1998/2000	204,000,000.00	17.50%	01-Mar-00	204,000,000.00	-	-	-
53	17.5% 38/1998 T-Bond 1998/2000	924,000,000.00	17.50%	25-Mar-2000	924,000,000.00	-	-	-
54	17.5% 39/1998 T-Bond 1998/2000	732,000,000.00	17.50%	1-Apr-2000	732,000,000.00	-	-	-
55	17.5% 40/1998 T-Bond 1998/2000	818,000,000.00	17.50%	9-Apr-2000	818,000,000.00	-	-	-
56	17.5% 41/1998 T-Bond 1998/2000	208,000,000.00	17.50%	16-Apr-2000	208,000,000.00	-	-	-
57	17.5% 42/1998 T-Bond 1998/2000	529,000,000.00	17.50%	23-Apr-2000	529,000,000.00	-	-	-
58	17.5% 43/1998 T-Bond 1998/2000	2,020,000,000.00	17.50%	30-Apr-2000	2,020,000,000.00	-	-	-
59	18% 44/1998 T-Bond 1998/2000	1,313,000,000.00	18.00%	6-May-2000	1,313,000,000.00	-	-	-
60	18% 46/1998 T-Bond 1998/2000	795,000,000.00	18.00%	20-May-2000	795,000,000.00	-	-	-
61	18% 47/1998 T-Bond 1998/2000	2,412,000,000.00	18.00%	27-May-2000	2,412,000,000.00	-	-	-
62	18% 48/1998 T-Bond 1998/2000	1,139,000,000.00	18.00%	3-Jun-2000	1,139,000,000.00	-	-	-
63	18% 49/1998 T-Bond 1998/2000	1,014,400,000.00	18.00%	10-Jun-2000	1,014,400,000.00	-	-	-
64	18% 50/1998 T-Bond 1998/2000	2,622,000,000.00	18.00%	17-Jun-2000	2,622,000,000.00	-	-	-
65	18% 51/1998 T-Bond 1998/2000	1,588,000,000.00	18.00%	24-Jun-2000	1,588,000,000.00	-	-	-
	TOTAL	314,226,688,000.00			309,076,688,000.00	3,150,000,000.00	12,226,707,303.00	51,095,569,402.05

Source: Accountant General Dept. Public Debt Section
DTB = Depend on Treasury Bills

ANNEX 8
GOVERNMENT OF TANZANIA LIST OF PROMISSORY NOTES
(In Tshs.)

NO	Name of Beneficiary	Purpose	Amount	Amount Paid FY 1997/98	Closing Balance	Issue Date	Due Date
1	TRADEX (Ireland)	Purchase of TPDF vehicles	1,791,742,474	1,791,742,474	-	02-Feb-96	31-Aug-97
2	Hyundai Corporation Seoul	Purchase of TPDF vehicles	741,352,435	741,352,435	-	04-Feb-96	31-Aug-97
3	F.K. Motors Limited	Local Charges for TPDF vehicles	308,686,560	308,686,560	-	06-Feb-96	31-Aug-97
4	Toyota Tsusho Corporation, Japan	Purchase of 35 MPs vehicles	2,524,652,478	2,524,652,478	0	01-Jun-96	31-Dec-97
5	Toyota Tsusho Corporation, Japan	Purchase of 41 MPs & 13 Govt. vehicles	922,362,100	922,362,100	-	04-Jun-96	31-Mar-98
6	TRADEX (U.K.)	Purchase of 16 MPs vehicles	252,619,950	252,619,950	-	05-Jun-96	31-Mar-98
7	Nissan trading Co. Ltd, Japan	Purchase of 26 MPs vehicles	429,105,011	438,366,500	-	11-Jun-96	31-Mar-98
8	Cogefarimpresit (Italy)	Execution of the Mtera Power Plant, Contract II, Civil Works	185,649,306	185,649,306	-	25-Jul-94	01-Sep-97
9	Cogefarimpresit (Italy)	Execution of the Mtera Power Plant, Contract II, Civil Works	199,661,865	199,661,865	-	25-Jul-94	01-Mar-98
10	Cogefarimpresit (Italy)	Execution of the Mtera Power Plant, Contract II, Civil Works	178,774,409	-	178,774,409	25-Jul-94	01-Sep-98
11	Cogefarimpresit (Italy)	Execution of the Mtera Power Plant, Contract II, Civil Works	175,273,021	-	175,273,021	25-Jul-94	01-Mar-99
12	Cogefarimpresit (Italy)	Execution of the Mtera Power Plant, Contract II, Civil Works	171,771,634	-	171,771,634	25-Jul-94	01-Sep-99
13	Cogefarimpresit (Italy)	Execution of the Mtera Power Plant, Contract II, Civil Works	168,270,247	-	168,270,247	25-Jul-94	01-Mar-00
14	NPF	Purchase of 252 Residential Flats	1,425,000,000	1,425,000,000	-	08-Nov-95	31-Dec-97
15	NPF	Purchase of 252 Residential Flats	1,375,000,000	-	1,375,000,000	08-Nov-95	31-Dec-98
16	NPF	Purchase of 252 Residential Flats	1,305,000,000	-	1,305,000,000	08-Nov-95	31-Dec-99
17	NPF	Purchase of 252 Residential Flats	1,275,000,000	-	1,275,000,000	08-Nov-95	31-Dec-00
18	NIC	Default By Air Tanzania Corp.	400,053,262	400,053,262	-	13-Nov-95	01-Aug-97
19	NIC	Default By Air Tanzania Corp.	400,053,262	-	400,053,262	13-Nov-95	01-Aug-98
20	NIC	Default By Air Tanzania Corp.	400,053,262	-	400,053,262	13-Nov-95	01-Aug-99
21	Netherlands Development Finance Co.	Kilombero Sugar Co.	92,159,087	92,159,087	-	03-Feb-69	01-Nov-82
22	Netherlands Development Finance Co.	Kilombero Sugar Co.	92,159,087	92,159,087	-	03-Feb-69	01-Nov-83
23	Netherlands Development Finance Co.	Kilombero Sugar Co.	92,159,087	92,159,087	-	03-Feb-69	01-Nov-84
24	TIB	Urafiki Joint Venture	200,000,000	200,000,000	-	27-Dec-96	31-Jul-97
25	TIB	Urafiki Joint Venture	200,000,000	200,000,000	-	27-Dec-96	31-Oct-97
26	TIB	Urafiki Joint Venture	244,871,028	244,871,028	-	27-Dec-96	31-Jan-98
27	F.K. Motors Limited	615 Vehicles for Ministry of Defence	1,374,318,000	-	1,374,318,000	09-May-97	30-Jun-98
29	F.K. Motors Limited	615 Vehicles for Ministry of Defence	1,374,318,000	-	1,374,318,000	09-May-97	30-Jun-99
30	F.K. Motors Limited	615 Vehicles for Ministry of Defence	1,374,318,000	-	1,374,318,000	09-May-97	28-Feb-00
31	F.K. Motors Limited	615 Vehicles for Ministry of Defence	1,261,349,060	-	1,261,349,060	09-May-97	30-Jun-00
32	F.K. Motors Limited	300 Vehicles for Ministry of Home Affairs	899,553,600	-	899,553,600	04-Aug-97	31-Aug-98
33	F.K. Motors Limited	300 Vehicles for Ministry of Home Affairs	899,553,600	-	899,553,600	04-Aug-97	31-Aug-99
34	F.K. Motors Limited	300 Vehicles for Ministry of Home Affairs	899,553,600	-	899,553,600	04-Aug-97	31-Aug-00
35	M/S CMC Land Rover (T) Ltd	580 Vehicles Landrover for Ministry of Defence & National Service	4,865,110,211	-	4,865,110,211	07-Oct-97	30-Sep-98
36	M/S CMC Land Rover (T) Ltd	580 Vehicles Landrover for Ministry of Defence & National Service	4,865,110,211	-	4,865,110,211	07-Oct-97	30-Sep-99
37	M/S CMC Land Rover (T) Ltd	580 Vehicles Landrover for Ministry of Defence & National Service	4,865,110,211	-	4,865,110,211	07-Oct-97	30-Sep-00
38	M/S CMC Land Rover (T) Ltd	153 Vehicles Landrover 150 for Ministry of Home Affairs & 3 for President's Office	1,135,252,907	-	1,135,252,907	04-Aug-97	30-Jun-98
39	M/S CMC Land Rover (T) Ltd	153 Vehicles Landrover 150 for Ministry of Home Affairs & 3 for President's Office	1,135,252,907	-	1,135,252,907	04-Aug-97	30-Jun-99
40	M/S CMC Land Rover (T) Ltd	153 Vehicles Landrover 150 for Ministry of Home Affairs & 3 for President's office	1,135,252,897	-	1,135,252,897	04-Aug-97	30-Jun-00
41	F.K. MOTORS LTD	10 Vehicles for the office of the clerk of the National Assembly	176,192,166	176,192,166	-	01-Jul-97	31-Dec-97
	TOTAL		41,811,674,935	10,287,687,384	31,533,249,040		

Source: Accountant General Dept. Public Debt Section

DTB = Depend on Treasury Bills

ANNEX 9
GOVERNMENT OF TANZANIA DUTYDRAWBACK SCHEME BALANCES
(In Tshs)

NO	Name of the Company	Item	Opening Balance	Amount Approved After June 30, 1997	Amount Paid After June 30, '97	Total
1	Sunflag (T) Limited	Knitted Fabrics	2,358,850,035	889,240,258	3,137,604,384	110,485,908
2	J.V. Textiles & Garments Limited	Gregy Fabrics	96,232,251	-	96,232,251	-
3	Amboni Limited	Baler Twine/Sisal Rope	649,536,505	312,027,942	649,536,505	312,027,942
4	Tanganyika Sisal Spinning Co. Limited	Baler Twine/Sisal Rope	402,826,728	49,868,711	450,000,000	2,695,439
5	Usambara Spinning Co. Limited	Baler Twine/Sisal Rope	80,211,766	-	80,211,766	-
6	Kioo Limited	Fanta/Cocoa/Pepsi	156,825,366	102,779,144	259,604,510	-
7	Tanganyika Industrial Corporation	Baler Twine	147,901,146	57,206,896	205,108,042	-
8	Morogoro Canvass Mill Limited	Canvas Mater	53,590,193	-	10,000,000	43,590,193
9	Afro Cooling System	Radiators	12,399,587	2,643,379	15,042,966	-
10	National Bicycles Co. Limited	Bicycles Parts	15,012,907	5,314,524	20,327,431	0
11	Moshi Leather Industries	Wet Blue	59,151,565	89,994,379	20,000,000	129,145,943
12	Africa Trade Development Limited	Wet Blue	108,267,145	-	108,267,145	-
13	Seif Impex Limited	Alkvd Resins	764,400	-	764,400	-
14	Light Source Manufacturers Limited	0	-	1,052,752	-	1,052,752
15	A to Z Textiles Ltd.	Textile products	-	1,306,501,679	1,272,051,520	34,450,159
16	Garden Pharmaceuticals Ltd.	Pharmaceuticals	-	20,001,528	18,971,928	1,029,600
17	SHINYANGA EMPORIUM	Bicycles/Parts	-	695,376	695,376	-
18	ICR Enterprises	Hand hoes	-	7,944,841	7,944,841	-
19	BORA Industries	Foot wear	-	544,272	544,272	-
20	Ralli Estate	Twine/rope	-	7,342,789	7,342,789	-
			4,141,569,592.05	2,853,158,469.45	6,360,250,125.70	634,477,935.80

Source: Accountant General Dept. Public Debt Section

ANNEX 10
PRIVATISED PARASTATAL LOANS TAKEN OVER BY THE GOVERNMENT
(In Tshs.)

NO	Name of the Creditor	Details	Amount Taken over	Amount Paid	Total Arrears
1	NBC	Loans of Mwanza Tanneries	78,759,533	-	78,759,533
2	NBC	Loans of Tanzania Tanneries	159,281,264	-	159,281,264
3	Commercial Creditors	Dues of Mwanza Tanneries	15,767,415	15,567,416	200,000
4	Commercial Creditors	Dues of Morogoro Shoes	91,998,873	2,604,394	89,394,479
5	Commercial Creditors	Dues of Tanzania Tanneries	44,155,750	9,438,770	34,716,980
6	Commercial Creditors	Dues of Morogoro Tanneries	2,479,809	2,479,809	-
7	Commercial Creditors	Court Decrees	22,537,274	-	22,537,274
8	Commercial Creditors	Dues of Bora Shoe	290,958,304	42,670,111	248,288,193
9	Trade Creditors	Friendship Textile Mills Dues	1,037,000,000	-	1,037,000,000
10	Terminal Benefits	Friendship Textile Mills Dues	2,403,500,000	-	2,403,500,000
11	PTA	Tanzania Tourist Corporation loans	10,400,000,000	-	10,400,000,000
			14,546,438,222	72,760,499	14,473,677,723

Source: Accountant General Dept. Public Debt Section -