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INTERNATIONAL MONETARY FUND AND INTERNATIONAL DEVELOPMENT ASSOCIATION

TANZANIA

Completion Point Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative

Prepared by the Staffs of the International Monetary Fund and the International Development Association[1]

November 8, 2001

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CURRENCY EQUIVALENTS

Currency unit	=	Tanzania shilling (T Sh)
US$1	=	T Sh 890.8 (September 30, 2001)

WEIGHTS AND MEASURES

Metric system

FISCAL YEAR

July-June

ABBREVIATIONS AND ACRONYMS

AfDB/F	African Development Bank/Fund
AIDS	Acquired immunodeficiency syndrome
BADEA	Arab Bank for Economic Development in Africa
DAWASA	Dar es Salaam Water and Sewerage Authority
DPT	Diphtheria, Pertussis, and Tetanus
DSA	Debt sustainability analysis
EADB	East African Development Bank
EC	European Commission
EIB	European Investment Bank
ESAF	Enhanced Structural Adjustment Facility
ESDP	Education Sector Development Program
EU	European Union
GDP	Gross domestic product
HIPC Initiative	Initiative for Heavily Indebted Poor Countries
HIV	Human immunodeficiency virus
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFMS	Integrated Financial Management System
IMF	International Monetary Fund
MDF	Multilateral debt fund
MTEF	Medium-term expenditure framework
NDF	Nordic Development Fund
NPES	National Poverty Eradication Strategy
NPV	Net present value
ODA	Official Development Assistance
OPEC	Organization of Petroleum Exporting Countries
PER	Public expenditure review
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
TANESCO	Tanzania Electric Supply Company Ltd.
TIC	Tanzania Investment Center

I. INTRODUCTION

1. In April 2000, the Executive Boards of the IMF and IDA agreed that Tanzania had met the requirements for a decision point under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative).[2] The debt relief agreed was US$2,026 million in net present value (NPV) terms, calculated to reduce the NPV of Tanzania's external debt to 150 percent of average 1996/97–1998/99 exports (July-June) as of end-June 1999.[3] This relief represents a reduction of 54 percent of the NPV of debt as of end-June 1999 (and a reduction of 42 percent in the nominal value of the debt service over time). At the same time, the Boards also agreed to provide interim debt relief until Tanzania reaches its completion point; the IMF approved interim debt relief of SDR 26.7 million (about US$35 million) in nominal terms for the period April 2000-March 2002, and IDA's interim relief amounted to about US$59 million in nominal terms through end-October 2001.

2. This paper recommends that the Boards approve the completion point for Tanzania under the enhanced HIPC Initiative. The Boards had agreed that this completion point would be reached when Tanzania (i) had prepared a poverty reduction strategy paper (PRSP) and satisfactorily implemented its poverty reduction strategy for at least one year; (ii) had a stable macroeconomic position and had kept on track with its IMF-supported program; and (iii) had satisfactorily implemented a set of policy reforms (described in Box 1). The government of Tanzania approved its first full PRSP on August 31, 2000; it was sent to IDA and the IMF on October 11, 2000 and the Boards of IDA and the IMF endorsed the staffs' assessment of the PRSP on November 30 and December 1, 2000, respectively. The first annual progress report of the PRSP, including an additional short update note on further developments with respect to the implementation of the PRSP through October 2001, and the accompanying joint staff assessment (JSA) will be considered by the Boards of IDA and the IMF, along with the present paper. Tanzania has maintained a stable macroeconomic position and has remained on track with its IMF-supported program; the Board of the IMF completed the third review under the current Poverty Reduction and Growth Facility (PRGF) arrangement on September 24, 2001. In the opinion of the staffs, the policy reforms for the completion point have been implemented satisfactorily and give evidence of strong and sustained policy performance.

3. This paper is organized as follows. Section II assesses Tanzania's performance in meeting the requirements for reaching the completion point, as set out in the decision point document. Section III reviews the status of creditor participation and the delivery of debt relief to Tanzania under the enhanced HIPC Initiative, and presents the results of the updated debt sustainability analysis (DSA). Sections IV and V present the conclusions and issues for discussion.

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[2] EBS/00/54, Supplement 2, (4/6/2000) and IDA/SecM2000-151 (4/4/2000).

[3] "Tanzania—Enhanced Heavily Indebted Poor Countries Initiative—Decision Point Document," EBS/00/54 (3/20/2000) and IDA/R2000-32 (3/21/2000).

II. Assessment of Requirements for Reaching the Completion Point

A. The PRSP and the Implementation of Tanzania's Poverty Reduction Strategy

4. The PRSP has been welcomed within Tanzania and by the donor community as an important step forward in the process of focusing explicitly on poverty reduction as the objective of public policy. It built on a process that had started with the adoption of the National Poverty Eradication Strategy in 1997, and that has been continued in the context of annual public expenditure reviews (PERs) and the medium-term expenditure framework (MTEF) consultations. The range of participants in the discussions was broadened under the PRSP from the earlier initiatives, and the document represents a truly homegrown development strategy statement. However, as noted in the JSA of the PRSP, the PRSP suffered from a number of important gaps: recent data for assessing the poverty situation were not available; strategies were not in place for some of the key sectors, notably agriculture and education; the strategies and programs for poverty reduction were not adequately costed; and a system was not in place to monitor the impact of the strategy.

5. Tanzania has made significant progress in filling these gaps. This progress and the success in implementing the overall poverty reduction strategy are documented in detail in its PRSP progress report and the additional update note and discussed in the associated JSA. These documents indicate that Tanzania is on track to meet the goals for service delivery and social programs set for 2003 in the PRSP. Many of the poverty reduction programs described in the PRSP were already reflected in the budget for 2000/01 (July-June), which included major increases in spending for education, health, and water supply. A Household Budget Survey (HBS) has been completed; national strategies for education and agriculture have been developed, and a rural development strategy is under preparation; programs have been costed in the context of a strengthened public expenditure management system; and a poverty-monitoring system has been established. An interim poverty analysis indicated limited change in household welfare during the 1990s. However, some of the preliminary findings on poverty measures were statistically unreliable. A more accurate analysis, based on the full HBS, is under way and expected to be completed by February 2002.

6. The implementation of the PRSP has been further strengthened with the budget for 2001/02, which was approved by parliament in August 2001. As described in the progress report, this budget is a key element in the implementation of the PRSP. Reflecting the progress in costing the policies included in the PRSP, allocations to the priority sectors were increased sharply again, and the budget also included a series of specific policy measures in line with the poverty reduction strategies, including the abolition of primary school fees and other enrollment contributions and tax measures to improve the business climate. Actual allocations to the priority sectors through October 2001 have been fully in line with the annual budget.

7. The PRSP process is now well established in a manner that will ensure its continuation beyond the HIPC Initiative completion point. The PRSP has thus become a framework for discussion of government policies and on progress with respect to poverty

reduction policies. Furthermore, it has become the basis for much interaction with the donor community and has reinforced the process of unification in donor support behind a common program. Moreover, it is now embedded in the other ongoing processes, such as the MTEF and the PER, the Tanzania Assistance Strategy, and the Consultative Group meetings. Most important, however, it has become fully owned in-country. The wide-ranging and open process of public consultation and substantive involvement of civil society have combined to create the expectation in civil society that the PRSP is a central element of the development strategy and of the public's interaction with the government.

B. The Economic Program

8. Tanzania's economy has performed well in 2000 and 2001 (Table 1). The annual growth rate increased to 4.9 percent in 2000 and is projected to remain at a similar level in 2001, despite the negative effects on commodity prices and tourism of the slowdown in the world economy. Conservative fiscal policies, supported by a cautious monetary policy, contributed to a decline in inflation from 7 percent at end-1999 to some 5 percent by September 2001. The current account deficit (before grants) of the balance of payments declined from 12 percent of GDP in 1999 to less than 10 percent of GDP for 2000, reflecting in particular the coming onstream of gold exports. These developments, contributed, together with higher foreign program assistance and (interim) debt relief under the HIPC Initiative, to a further strengthening of international reserves. Gross official reserves increased from the equivalent of 4.2 months of imports of goods and nonfactor services at end-1999 to 5 months of import cover by end-September 2001.

9. Reflecting these positive economic developments, Tanzania observed all quantitative performance criteria and most quantitative benchmarks under the PRGF-supported program during the period March 2000-September 2001. Structural reforms envisaged under the program focused especially on public expenditure management, but the program also included reforms of the tax and trade systems. The authorities made good progress in all areas, and most structural performance criteria and benchmarks were also observed. The completion of an audit of budgetary arrears—a structural performance criterion for end-March 2001—was delayed for technical reasons but completed in June 2001.

C. Key Policy Measures and Reforms

10. As set out in the decision point document, in order for Tanzania to reach the floating completion point a series of specific measures would need to be implemented in the areas of governance, government financial management, tax reform, improvement of the business environment, improvement of utility performance, and poverty reduction. The implementation status of reforms in these areas is summarized in Box 1. As described in the following paragraphs, progress in several areas has exceeded the expectations for the completion point; in only two areas – the signing of the concessioning agreement for DAWASA and the updating of poverty lines and indicators – progress was less than envisaged.

Box 1: Tanzania - Policy Reforms for the Floating Completion Point

Measure	Status
Governance. Adoption, publication, and dissemination of the national action plan for the control of corruption, including dissemination to all district authorities, implementation of workshops with district authorities and civil society, and adoption of sector-specific anticorruption plans for tax administration, national tender system, the judiciary, and works.	Implemented.
Government financial management. Submission to parliament of the Public Finance Management Bill and Public Audit Bill. Full implementation of the IFMS, including all budgetary votes and tax and nontax revenues, and recording of all expenditure commitments, payments, and arrears.	Implemented.
Tax reform. Substantial completion of the remaining tax reform agenda through: application of VAT on petroleum products and consolidation of all other taxes on them; repeal of import-specific partial remissions on customs duties and abstention from imposing additional minimum dutiable values and basing existing ones on international prices (except for sugar); harmonization of investment incentives; reduction in scope of exemptions; reduction in the number of excise taxes from 52 to 6; abolition of the withholding tax on goods and services; starting operation of a unified tax appeals system; and the establishment of a more efficient duty drawback system based on technical assistance recommendations.	Implemented.
Improvement of the business environment. Submission to parliament of amendments to the TIC Act transforming it into an effective service center for investors; issuance of land regulations ensuring that land can be used as collateral for commercial transactions.	Implemented; required legal changes for the restructuring of TIC were effected through the Public Finance Act.
Improvement of utility performance. Signing of concession agreement assigning assets of DAWASA to private management companies; initiation of the process for unbundling TANESCO into autonomous commercial entities by appointing advisers; and adoption by the government of the framework for the establishment of regulatory authorities for the utilities.	Implemented in part; process for the concessioning of DAWASA ongoing.
Improvement of the poverty database and monitoring capacity. Implementation of a Household Budget Survey and the establishment of poverty lines and indicators based thereon; approval of the institutional setup and a monitoring system for tracking changes in income poverty, social indicators, and community needs. Strengthened capacity in the Vice-President's Office and the National Bureau of Statistics to collect and analyze poverty data.	Substantially implemented. Preliminary poverty analysis completed and included in the PRSP progress report. Poverty lines and income poverty analysis to be completed in early 2002.
*Adoption of a **MTEF and provision of allocations in the budget** for* 2000/01 in line with poverty reduction objectives, including for a rationalization of higher education and the introduction of a revolving fund in all hospitals.	*Implemented.*
Education. Completion of mapping of schools covering 50 percent of all local authorities.	Implemented.
Health. Complete immunization of at least 75 percent of children under 2 years against measles and DPTs. Implementation of the national spearhead campaign against HIV/AIDS, including completion of visits to 75 percent of all districts.	Implemented.

Governance

11. The government has made significant progress in its efforts to improve governance and reduce corruption, and all measures to be undertaken for the completion point were implemented. The National Anti-Corruption Strategy and Action Plan was adopted and published and provides the overall framework for all efforts to curb corruption. Since its adoption, it has been widely disseminated, including through the holding of workshops with district authorities and civil society. The Prevention of Corruption Bureau in the President's office is engaged in a wide variety of outreach activities including regular meetings and outreach programs through radio, TV, news letters, posters, leaflets and debates to raise awareness of the National Anti Corruption Strategy and Action Plan and to inform the public of their rights and obligations in minimizing corrupt practices in all sectors.

12. Sector-specific anticorruption plans were adopted in May 2001. The latter cover all ministries, departments, and agencies, including those specified under the HIPC Initiative completion point conditions, that is, tax administration, the national tender system, the judiciary, and the Ministry of Works. The government has made provisions in the budget for 2001/02 to fund the implementation of these plans and has undertaken to issue quarterly progress reports on their implementation; a first progress report was submitted to the donors and civil society groups at a Consultative Group meeting in September 2001. Parliament approved a new procurement law in February 2001, following which the Ministry of Finance issued regulations promoting greater transparency and integrity in procurement. Also, results of public tenders are being published.

Government financial management

13. The government's recent efforts to strengthen expenditure management have been along three lines. First, the legislative base for the financial and accounting responsibilities within the central government was modernized through the approval by parliament of a new Public Finance Act (which incorporated the Public Finance Management Bill and the Public Audit Bill) in February 2001. Implementation regulations strengthening the supervisory roles of the Accountant-General and the Auditor-General became effective in July 2001. Second, the coverage of the new Integrated Financial Management System (IFMS)—facilitating enforcement of the regulation that ministries can only legally engage in spending commitments if funds are available—was gradually broadened; following initial delays to address data security issues, all central government spending units in Dar es Salaam were included in the IFMS as from January 2001. With the inclusion of expenditures of the 20 regional authorities in the IFMS since July 1, 2001,[4] all central government spending is being channeled through the IFMS, thereby allowing the generation of comprehensive commitment and spending reports, as well as control over arrears. Furthermore, all tax revenue collection

[4] The data from the regional authorities—as well as for some ministries—is included in the system monthly on an off-line basis; work is continuing to allow on-line inclusion of these entities in the system at a later stage.

points in Dar es Salaam—covering 75-80 percent of total tax revenue—have been included in the system on a real-time basis; revenues collected outside the capital are being entered in the IFMS on a manual basis and will be included "on-line" gradually, as donor financing for the purchase of equipment becomes available. Third, the government has taken measures to strengthen budget preparation and execution, issuing the Budget Guidelines one to two months earlier than in the past and thus giving ministries, departments, and agencies more time for the preparation of their budgets, and requesting the ministries to prepare monthly cash-flow estimates to assist in the budget's cash management system. Funds for the priority sectors have been allocated on a quarterly instead of a monthly basis since January 2001, thus improving planning and budget execution in these sectors. Steps have also been taken to improve the expenditure management of the local governments, starting with better reporting to the central government and the publication of their revenue and expenditure data.

Tax reform

14. Tanzania made substantial progress in reforming its tax system in the second half of the 1990s. A cascading sales tax system was replaced by a value-added tax (VAT) in 1998, and the import tariff system was extensively overhauled, and rates reduced, in 1999, at which time the government also implemented a comprehensive reform of the income tax system. Following these major steps, tax reforms addressed a wide range of remaining smaller issues during the last two fiscal years. In this respect, all measures to be undertaken for the completion point have been implemented; important additional measures concerned the elimination of tax exemptions for the government in 2000 (on petroleum products) and 2001 (VAT on other products) and a reduction in the number of bands for import tariffs from four to three (thereby further reducing the average rate) in the budget for 2001/02. Nevertheless, although the thrust of tax reforms has remained unchanged, there have been some setbacks as well, including some new exemptions under the VAT (including, in support of the poverty reduction strategy, on imports related to education and computers) and the imposition of a number of surcharges on imports (e.g. on dairy products, sugar, cement, and tires) in the budget for 2001/02.

Improvement of the business environment

15. A key government goal is to improve the investment climate in order to stimulate a more rapid expansion of local and foreign private investment. As part of the conditions for reaching the HIPC Initiative completion point, the government undertook to strengthen the effectiveness of the Tanzania Investment Center (TIC) in promoting and facilitating private investment and to issue regulations that would ensure land can be used as collateral for commercial transactions.

16. The TIC has been restructured and competitively restaffed. Its role has been transformed from granting investment certificates and tax incentives to providing the services of a modern investment facilitation center. Its previous powers to grant tax incentives were stipulated under the 1997 TIC Act and at the decision point it was thought that a change in law was necessary to remove these functions from TIC prior to the restructuring. Further discussions with the Government revealed that it was not necessary to amend the law in order to change the functional focus of TIC, as the Finance

Act could be used to withdraw the delegated tax-incentive granting role from TIC. In 2000 and 2001, various steps were taken to enhance TIC's role in investment facilitation, including visits to sites of ongoing investments by TIC professional staff; setting up a computerized investor tracking system; and handling of new enquiries within 48 hours and all new applications within one week.

17. Land regulations were issued and gazetted in May 2001, bringing the 1999 Land Act and the Village Land Act into effect. The regulations took into account agreements reached in two stakeholder meetings, which were held to discuss, *inter alia,* the provisions under the acts and draft regulations to enable the use of land as collateral for commercial purposes. As a follow-up to these stakeholder meetings and to address concerns expressed by the banking sector concerning the effectiveness of the legal framework in achieving the stated objectives, the government agreed to review the Land Act to see whether additional legal changes were necessary to further facilitate the use of land as collateral for commercial transactions.

Improvement of utility performance

18. Substantial progress has been made in restructuring and privatizing public utilities and in establishing an appropriate legislative framework for them. Following the privatization of many smaller entities, the government's privatization policy has focused in the past two years on the restructuring and privatization of the remaining large monopolies and utilities. Major progress in this area included the closure of the government-owned oil refinery in October 1999 and the subsequent completion of the liberalization of the petroleum sector, as well as the privatization of the telecommunications parastatal, the container harbor, and the National Bank of Commerce (1997) in 2000. The unbundling of the electricity company TANESCO into autonomous commercial entities was initiated in September 2001 with the appointment of a consultant for the design of trading arrangements, industry restructuring, the development of TANESCO reorganization, and the design of regulatory provisions for transmission and distribution. Consultant recommendations on the restructuring strategy and trading options are expected to be issued by January 2002.

19. With respect to the framework for the establishment of regulatory authorities for the utilities, legislation was passed in April 2001 establishing such agencies for surface and marine transport and for the energy and water utilities. Meanwhile, the responsibility for safety regulations for railways and ports, as well as for the treatment of telecommunications, aviation, and broadcasting in the new multisector regulatory framework, remains to be decided.

20. The privatization of the Dar es Salaam Water and Sewerage Authority (DAWASA) is well advanced, although it experienced delays because of circumstances outside government control. At the decision point, the bidding process for a concessioning agreement that would assign the assets of DAWASA to private management companies was almost completed with the imminent selection of one of the bidders to serve as operator. The actions to be monitored in the context of the completion point under the HIPC Initiative concerned the remainder of the process. However, once the bids were scrutinized, they turned out to be noncompliant, reflecting bidders'

concerns about a consistent regulatory framework not yet being in place. To resolve these concerns, the DAWASA Act needed to be amended to ensure consistency with the multisector regulatory framework, prior to a new invitation for bids; this legislation was approved by parliament in October 2001. Tender documents are scheduled to be issued to the pre-qualified bidders in December 2001; and selection of a successful bidder is expected by June 2002.

Improvement of the poverty database and monitoring capacity

21. A Tanzania Reproductive and Child Health Survey was carried out in 1999, and the results have been analyzed and disseminated. The 2000/01 Household Budget Survey (HBS) and the Labor Force Survey have been completed on schedule, and the data are being processed. As indicated in the PRSP, an analysis of partial data from the 2000/01 HBS was undertaken for the PRSP progress report, and a number of non-income poverty indicators in the poverty database were updated. For technical reasons, the sample size was considerably smaller than anticipated, reducing the statistical significance of the results. Accordingly, the authorities decided to wait with updating the poverty lines and indicators until the completion of the work on the HBS, which is expected in February 2002.

22. To strengthen the national capacity for poverty monitoring, the government has prepared a poverty-monitoring master plan and set up an institutional framework for poverty monitoring consistent with this plan. Four poverty-monitoring groups have been set up covering the areas of censuses and surveys, research and analysis, administrative data, and dissemination and sensitization. Local research institutes, the University of Dar es Salaam, donors, and other stakeholders have been given a role in poverty monitoring and analysis through participation in these working groups. The capacity in the Vice-President's Office and the National Bureau of Statistics, which carry primary responsibility for the collection and analysis of poverty data, has been strengthened through specific training and capacity development measures.

Priority sector expenditures

23. Since the adoption of the PER and MTEF process in 1998, the government has conducted annual consultations with donors and representatives of civil society to set priority sector expenditure.[5] Under the MTEF, allocations to the priority sectors increased, partially financed from higher foreign grants through the multilateral debt fund (MDF).[6] The monitoring of the use of the MDF support was ensured through quarterly reports to the donors on the execution of the budget, especially with regard to priority-sector expenditure. These arrangements allowed close integration of the discussions on the PRSP and the MTEF for the budget for 2000/01, ensuring that the latter already included allocations to the priority sectors in line with the poverty reduction strategy.

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[5] The priority sectors are (basic) education, (primary) health, water, roads, agriculture, lands, the judiciary, and HIV/AIDS.

[6] Following the granting of interim debt relief under the HIPC Initiative, the MDF was succeeded by the Poverty Reduction Budget Support Fund.

24. The increase in priority-sector expenditure (Table 2) was further facilitated by (interim) debt relief under the HIPC Initiative. Following the reaching of the decision point in April 2000, total HIPC Initiative debt relief amounted to T Sh 52 billion in 1999/2000, increasing to T Sh 141 billion (1.9 percent of GDP) in 2000/01. Recurrent spending on priority sectors increased by about T Sh 116 billion from 1998/99 to 2000/01 despite a large claim on available resources from the costs of the general elections in October 2000; allocations for recurrent expenditures of the priority sectors in the budget for 2001/02 have been increased by a further T Sh 103 billion, while the savings from HIPC debt relief are expected to increase by a modest T Sh 7 billion.

Education

25. In recent years, the government has undertaken important initiatives to improve access to, and the quality of, education. In close collaboration with donors and stakeholders, the government has developed an Education Sector Development Program (ESDP). The first three-year phase of the ESDP focuses on policy measures, investments, reinforcement of the capacity to manage schools at the grassroot level, and provision of sufficient public funding for primary education. The main goals are to alleviate the cost burden on households, enhance education quality and internal efficiency, and increase access to primary education, particularly in poor areas and among demographic groups that are socially and economically disadvantaged.

26. Progress in the implementation of the ESDP includes increased budgetary allocations to education, especially primary education, the abolition of school fees at the primary level, and a school-mapping exercise, covering 63 out of the 114 local authorities. The results from school mapping provide baseline data on the availability and condition of schools, the quality and distribution of teachers, the quality of school management, and school enrollment and dropout rates, and they allow the identification of the key problems in the delivery of quality primary education. Districts have already begun using these results to prepare their education plans. A key measure to support access to primary education for children from poor households is the introduction of a capitation grant of US$10 equivalent per pupil, starting in school-year 2002, to cover expenditures on textbooks, other teaching and learning materials, school operation and administration, and the cluster-based professional development of teachers.

Health

27. Under a donor-supported health sector development program (HSDP), the government continues to implement sector reforms and expand the provision of basic health services. The initial target of achieving complete immunization of at least 75 percent of children under 2 years against measles and DPT has been exceeded. Instrumental in the achievement of this objective was the increase in the coverage of the Integrated Management of Child Illness program in health facilities from 17 to 31 districts. At present, 78 percent of children under 2 years have been immunized, and the new target is to achieve and maintain an immunization rate of 85 percent.

28. The fight against HIV/AIDS has been intensified, and the act establishing the Tanzania Commission on AIDS (TACAIDS) was approved by parliament in October

2001. The new commission will be the central coordinating institution for the multisectoral response in the country. All districts have been covered by an active HIV/AIDS awareness campaign, following the preparation of HIV/AIDS plans for all districts (the HIPC Initiative completion point target was 75 percent of all districts). The government has made provisions in the 2001/02 budget for TACAIDS and the multisector programs.

III. Delivery of Debt Relief and Medium-Term Debt Sustainability

A. Status of Creditor Participation

29. The assistance required at the decision point to bring Tanzania's external debt to a sustainable level, as defined by the threshold of NPV of debt-to-exports ratio of 150 percent, amounted to US$2,026 million in NPV terms (Table 3). This implied a common reduction factor for multilateral, bilateral, and commercial creditors of 54 percent of debt outstanding at end-June 1999 after application of traditional debt-relief mechanisms. Preliminary estimates suggested that Paris Club creditors could provide their share of assistance with an NPV reduction of about 85 percent of eligible debt. The status of creditor participation under the enhanced HIPC Initiative is discussed below and summarized in Table 4.

Multilateral creditors

30. As agreed at the decision point, the enhanced HIPC Initiative assistance required from the multilateral creditors amounts to US$1,020 million in NPV terms. IDA, the IMF, and the African Development Bank and Fund (AfDB) granted interim debt relief starting from the decision point. Other multilateral creditors have indicated their commitment to provide the debt relief required under the enhanced HIPC Initiative as soon as Tanzania reaches the completion point.

31. The details of the debt relief by multilateral creditor are as follows:[7]

- The enhanced HIPC Initiative assistance from **IDA** is being delivered through a 69.1 percent reduction in debt service on IDA credits disbursed and outstanding as of end-June 1999 (Table 5). The debt relief from IDA amounts to US$694.5 million in NPV terms (US$1,157.1 million in nominal terms through 2020). Interim assistance over the period April 2000 to October 2001 amounts to US$59 million in nominal terms.

- The debt relief from **the IMF**, amounting to SDR 88.95 million in NPV terms (approximately US$120 million), is being delivered through debt-service reduction through grants provided from the PRGF-HIPC Trust (Table 6). The value of interim assistance in nominal terms is SDR 26.7

[7] These details were confirmed at the recent Multilateral Development Banks' meeting (see also HIPC Debt Initiative—Multilateral Development Banks' Meeting—October 10-11, 2001, Chairman's Summary, IDA/SecM2001-0614 (10/18/2001).

million over the period April 2000 to March 2002. The share of debt service to the IMF covered by HIPC Initiative relief is front-loaded, amounting to 77.5 percent in 2000/01, 92.8 percent in 2001/02 and 82.6 percent in 2002/03, before falling to an average of 26.9 percent during the period 2003/04-2008/09.

- The **AfDB** is providing interim relief backdated to the April 2000 decision point, yielding a debt service reduction of about 80 percent (US$13.1 million in nominal terms through October 2001). The interim assistance is expected to be followed by a commitment at the completion point to provide a further debt-service reduction of 80 percent until 2017. The cumulative savings on debt service to the AfDB would amount to US$124.9 million in NPV terms (US$190.7 million, or about US$10.6 million annually, in nominal terms).

- **The European Commission/European Union (EC/EU)** will deliver its assistance under the HIPC Initiative by providing grants at the completion point to pay off outstanding loans. The NPV of total assistance due from the EC/EU is US$37.9 million. No interim assistance was provided because of the late issuance of an agreement on modalities to provide that assistance.

- **The International Fund for Agricultural Development (IFAD)** will begin delivering front-loaded relief starting at the completion point, providing up to 100 percent relief of debt service due, equivalent to US$15.3 million in NPV terms. It is estimated that the debt-service reduction could be provided by IFAD until 2016, with cumulative debt-service savings of US$24.5 million in nominal terms.

- The **Nordic Development Fund (NDF)** will also provide front-loaded assistance at the completion point. This relief covers 100 percent relief of debt service due and operates through the HIPC Trust Fund administered by the World Bank. The NDF's debt-service reduction could be provided until 2017, with cumulative debt-service savings of US$3.2 million in nominal terms.

- Assistance committed by **the Organization of Petroleum Exporting Countries (OPEC) Fund** at the decision point is US$9.8 million in NPV terms. This relief will be delivered through a concessional loan that will finance the restructuring of existing debt.

- **The East African Development Bank (EADB)** has proposed a modality to provide assistance of US$0.6 million in NPV terms by reducing the interest rate and extending the repayment period on the remaining outstanding loan. The EADB's share of required relief is US$1.6 million in NPV terms. Discussions are underway to finance the remaining US$1 million (NPV) of EADB's assistance.

- The assistance provided by **the Arab Bank for Economic Development in Africa (BADEA)** will consist of a concessional rescheduling of the debt and a reduction in the interest rate, for a total debt relief in NPV terms of US$14.7 million.

Bilateral and commercial creditors[8]

32. Tanzania and the Paris Club, involving 13 official bilateral creditors, concluded a new debt rescheduling on Cologne terms (a debt reduction of 90 percent in NPV terms) in April 2000. The agreement included a goodwill clause requiring participating countries to meet at the completion point to make the necessary effort to reach the objective of debt sustainability in the context of equitable burden sharing among creditors, provided Tanzania maintained satisfactory relations with the participating creditor countries. The difference between the debt service on Cologne terms and on Naples terms is considered interim relief; the remaining amount of the assistance will be provided through a stock-of-debt operation on Cologne terms at the completion point. A number of Paris Club creditors have indicated that they would provide debt relief beyond that required under the terms of the enhanced HIPC Initiative (Table 7).

33. Non-Paris Club bilateral and commercial creditors are expected to provide comparable treatment to that of Paris Club creditors. The NPV of debt outstanding to these creditors is US$1.1 billion. Of these creditors, China and Kuwait (accounting for 16 percent of the NPV of debt outstanding to non-Paris Club bilateral and commercial creditors) have indicated their intention to provide debt relief in the context of the HIPC Initiative. The Tanzanian authorities are continuing their efforts to obtain HIPC Initiative debt relief from the other non-Paris Club official bilateral creditors. The government of Tanzania is also the guarantor of US$194.8 million in NPV terms of commercial credit; there has been little progress in concluding debt-relief agreements with these creditors.[9] The Tanzanian authorities are continuing their efforts to obtain comparable treatment from their commercial creditors.

B. Data Reconciliation and Assistance

34. As part of the process of updating the DSA, the staffs and the authorities solicited new creditor statements and reviewed the calculations of the stock of debt based thereon. In the course of this review, most of the debt was reconciled and the original data on the overall debt stock outstanding at end-June 1999 and used for the DSA of the decision point were substantially confirmed. Some revisions, pertaining mainly to bilateral and commercial debt were largely offsetting, leaving a net increase in the overall NPV of debt

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[8] Paris Club and non-Paris Club creditors are listed in Table 13.

[9] In addition, the authorities implemented a debt-buy back operation financed by IDA and German and Swiss donors. The operation concerned non-public and non-publically guaranteed commercial debt which had been paid in local currency to the Bank of Tanzania but for which the foreign currency could not be provided at the time. In June 2001, a first round under the operation allowed the cancellation of US$155.7 million in debt owed to 145 large creditors at a sharply discounted price; all accrued interest was cancelled simultaneously. The offer to creditors under this facility remains open.

after traditional relief of only 0.07 percent (US$2.5 million). Given remaining uncertainties in the debt reconciliation and the very marginal net revision to the calculated NPV of debt, the staffs have not changed their assessment of the required debt relief from that agreed at the time of the decision point under the enhanced HIPC Initiative.

C. Updated Debt Sustainability Analysis

35. The DSA included in the decision point document has been updated jointly by the authorities and the staffs of the IMF and IDA. The stock of debt outstanding was updated on the basis of loan-by-loan debt data provided by the Bank of Tanzania for nominal debt outstanding at end-June 2001; this information has been reconciled with creditor statements from all multilateral and Paris Club creditors and from most of the non-Paris Club official bilateral and commercial creditors.[10] The exchange rates used for converting the debt into U.S. dollars and the discount rates used for the calculation of the NPV of debt are reported in Table 8.

36. The long-term macroeconomic framework for the DSA was also revised, compared with the decision point document. The new projections are based on the authorities' medium-term framework included in the PRSP progress report (Box 2, Table 9). Compared with the assumptions underlying the DSA of the decision point,[11] the projected long-term growth rate remains at 6 percent. Exports are projected to grow more slowly than assumed at the decision point. Actual exports in 2000/2001 were higher than projected at the decision point, reflecting the earlier than anticipated increase in gold exports and resumption of fish exports to the European Union. For the long-term projections, however, export prices are projected to be lower than those assumed for the decision point DSA, as is the growth in the export of agricultural products, reflecting actual developments in recent years. As a result, exports of goods and services are now projected to grow at an annual average rate of 7.2 percent in the period 2001-20, compared with 9.1 percent assumed in the decision point document (Table 14).

37. Debt indicators show that debt relief provided under the enhanced HIPC Initiative would reduce Tanzania's public and publicly guaranteed external debt to sustainable levels at the completion point. The net present value of Tanzania's official debt after traditional debt relief stood at US$3.6 billion at end-June 2001 (Tables 11 and 12). It is projected to fall in 2001/02 to US$1.6 billion (US$1.8 billion if new loans are included) after full relief under traditional debt-relief mechanisms and the enhanced HIPC Initiative. As can be seen in Table 13, the ratio of NPV of debt to exports remains well below the enhanced HIPC Initiative sustainability target of 150 percent throughout the

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[10] Commercial debt at the completion point is higher than at the decision point. This increase does not reflect new commercial loan data but rather a reclassification between bilateral and commercial loan data, compared to the decision point document.

[11] These assumptions were included in Box 5 on page 33 of the decision point document.

Box 2: Tanzania Macroeconomic Assumptions Underlying the Debt Sustainability Analysis

Economic growth. The economy is assumed to grow at an average annual rate of close to 6 percent during the period 2001-2020 (Table 9). This projection is based on the assumption that further improvement in infrastructure and transportation will allow for agricultural growth of 5.5 percent per year. Investment in privatized parastatal enterprises and in new gold mines is expected to lead to average annual growth rates of 6.5 percent in manufacturing and 8.7 percent in the mining sector.

Inflation. Sound fiscal and monetary policies are expected to keep annual average inflation below 5 percent.

Exports and imports. In the wake of the recent slowdown in world economic activity and its adverse effects for commodity prices and tourism, Tanzania's total receipts from exports of goods and services are expected to follow a lower path than anticipated at the decision point. **Traditional exports** are assumed to grow by 6.1 percent on average in nominal U.S. dollar terms (4.6 percent in real terms) over the 2001-20 period. Export prices are assumed to increase in line with the forecasts of the IMF's World Economic Outlook and the World Bank's Global Economic Prospects until 2006, and to remain constant in real terms thereafter. A steady increase in **nontraditional exports**, mainly due to increased gold exports and tourism receipts, will help to stabilize the ratio of exports of goods and non-factor services to GDP at 15 percent. Gold exports are assumed to increase from US$112 million in 2000 to about US$250 million in 2005, reflecting the new gold mines' reaching full capacity. However, the price of gold over the 20-year period is assumed to remain unchanged at US$265 per ounce, compared with the US$290 assumed at the time of the decision point. **Imports** of goods and services are projected to grow by 6.8 percent on average in nominal U.S. dollar terms as import volumes are projected to increase in line with real GDP growth.

Current account. The deficit on the current account excluding grants is projected to continue on the downward trajectory observed since 1999 throughout the projection period except for the period 2001-02. Reflecting the impact on tourism and exports of the September 11 terrorist attacks on the United States, we project a temporary increase in the current account deficit for 2001/02.

Foreign direct investment (FDI) is projected to remain stable at about 2 percent of GDP, resulting in an average annual increase of 7.4 percent in nominal U.S. dollar terms.

Grants and loans. Tanzania is expected to become gradually less dependent on official transfers, and, accordingly, **grants** are assumed to decline steadily from 8.5 percent of GDP (about US$760 million) in 2000 to just over 2 percent (or US$891million) in 2020. It is assumed that the share of program grants will gradually increase from 23 percent (or US$175 million) in 2000 to above 40 percent (or US$365 million) in 2020, as the donor community becomes more confident of improved fiscal management in Tanzania, and the authorities are consistently implementing the PRSP. New project **loans**, which are assumed to be on concessional terms, in line with Tanzania's debt strategy, are projected to grow by 6.0 percent per year in nominal U.S. dollar terms. Program loans are assumed to grow at about 7.5 percent per year, partly because of the recent shift toward program lending by the World Bank.

Gross official reserves, expressed in months of imports of goods and services, are expected to decline from the high level of 5.6 months in 2000 to 4.3 months in 2010, and to remain at that level thereafter.

projection horizon, rising from 130.8 percent in 2001/02 to a peak of 137.1 percent in 2003/04, before falling to 117.4 percent by 2020/21. The NPV of official debt as a proportion of GDP is projected to decline slightly, from 17.6 percent in 2001/02 to 14.4 percent by 2020/21.

38. Bilateral relief beyond that required under the HIPC Initiative is projected to reduce the NPV of Tanzania's debt by a further US$363 million in 2001/02. The ratio of NPV of debt to exports will remain even further below 150 percent as compared to after enhanced HIPC Initiative assistance, rising from 104.4 percent in 2001/02 to a peak of 116.3 percent in 2006/07, following which it will decline slightly to 114 percent by

2020/21.[12] The NPV of official debt as a proportion of GDP is projected to remain broadly the same over the next 20 years, increasing from 14 percent in 2001/02 to 15.1 percent in 2008/09, before declining back to 14 percent in 2020/21.

D. Comparison of Revised DSA with DSA as of the Decision Point

39. The NPV of debt-to-exports ratio after enhanced HIPC Initiative debt relief for end-June 2001 is estimated in this revised DSA at 137 percent compared to 172 percent projected for this time at the decision point. The revision reflects new information on the debt stock at end-June 2001, revisions to the macroeconomic and debt projections, and changes in discount rates and exchange rates. The ratio would be further reduced to 105 percent after taking into account pledges of additional assistance from Paris Club bilateral creditors beyond the enhanced HIPC Initiative. These elements are discussed below.

40. Based on the same exchange and discount rates as used for the decision point, the **debt stock** (in NPV terms) at end-June 2001 before debt relief under the enhanced HIPC Initiative was US$4 billion, US$137 million lower than projected at the time of the decision point, mainly because of lower than projected new borrowing (Table 15); this latter change accounts for 10 percentage points of the decline in the NPV of debt-to-exports ratio after assistance under the enhanced HIPC Initiative. When the higher exports (compared to projections of the decision point), are also taken into account, the NPV of debt-to-exports ratio declines to 150 percent at end-June 2001, compared with 172 percent projected at the time of the decision point. Including updated exchange and discount rates, the ratio falls further to 137 percent. Additional Paris Club bilateral debt relief beyond the HIPC Initiative is expected to reduce the debt stock in NPV terms at end-June 2001 by an additional US$407 million. The impact of this additional relief would be a further decline in the NPV of debt-to-exports ratio to 105 percent.

41. For 2000/01, exports of goods and services were higher by about US$100 million than projected at the time of the decision point. However, growth projections for exports of goods and services have been revised downward for the period 2001/02-2020/21 to reflect continued depressed commodity prices and lower growth projections, particularly in the agricultural and tourism sector (Table 14).

42. As a result of these revisions, official debt service would be lower than projected at the decision point and remain within the sustainable limits as defined under the enhanced HIPC Initiative (Table 16). After debt relief under the enhanced HIPC Initiative, debt service as a percentage of exports is estimated to be 6.7 percent in 2001/02, compared with the 9.5 percent projected at the time of the decision point, and it is projected to remain lower for most of the projection period because debt service is lower given the lower-than-expected new borrowing (Table 13). As the front-loading of interim debt relief from the IMF comes to an end, the debt-service ratio rises gradually to a peak of 8.6 percent of exports in 2004/05 before falling to 6.4 percent in 2020/21. After Paris Club bilateral debt relief beyond the HIPC Initiative, the debt service ratio is reduced further, particularly over the period 2001/02–2010/11. By 2020/21, debt service

[12] The ratio is calculated using the average exports of goods and services in the preceding three years.

is projected to be 6.2 percent of exports. With regard to the fiscal debt sustainability indicator, government revenue in U.S. dollar terms is expected to be slightly lower in the next two decades than projected at the decision point, partly because of a faster-than-anticipated depreciation in the Tanzanian shilling during the last two years. Nevertheless, the debt service-to-revenue ratio after enhanced HIPC Initiative assistance, is also forecast to decline, falling from 8.3 percent in 2001/02 to 4.9 percent in 2020/21.

E. Sensitivity Analysis

43. This section examines the implications for debt sustainability under more pessimistic assumptions than those included in the baseline scenario described above. Two specific scenarios are analyzed below and compared with the baseline case (Table 17). The first scenario examines the likely impact of lower growth, and the second scenario examines the impact of lower external project grants.

Scenario 1: lower growth

44. There is a risk that Tanzania's real GDP will grow by less than the 6 percent per year assumed under the baseline scenario. The growth rate has gradually increased during the second half of the 1990s, reflecting the impact of macroeconomic stabilization and structural reform policies. However, the target of annual real GDP growth of 6 percent, which assumes continuation of the present strong macroeconomic and reform policies, is yet to be attained. In addition, Tanzania's agriculture-based economy remains vulnerable to climatic conditions, and the impact of the HIV/AIDS pandemic on growth prospects remains uncertain. To examine the sensitivity of lower growth on the debt indicators, for the purpose of this scenario, real GDP growth is assumed to remain at the average level of the 1990s of 3.1 percent throughout the period 2001/02-2020/21, implying little long-term effect of the present stabilization, reform and poverty reduction policies. The lower growth rate is reflected in lower export growth—especially with regard to agricultural products—of on average 4.2 percent annually, compared to 7.2 under the baseline scenario and lower foreign direct investment growth of on average 3.5 percent per year instead of 7.4 percent under the baseline case. In addition, lower growth will adversely affect Tanzania's ability to borrow and, hence, total new official borrowing will be lower by about 1.7 percent per annum (US$675 million compared to almost US$940 million in the baseline case). These shortfalls are expected to be offset mainly by lower import volumes.

45. Under the lower-growth scenario (Table 17), the NPV of debt-to-exports ratio in 2001/02, when the assumed lower growth period begins, is 129.7 percent; it increases to 146.7 percent by 2010/11, compared with 122.3 percent under the baseline scenario, and to 176.9 percent by 2020/21 (compared with 117.4 percent in the baseline scenario). Whereas debt service decreases in nominal terms (by US$38 million by 2020/21), as a result of lower export and government revenue, the debt service to exports and debt service to revenue ratios are significantly higher than those under the baseline scenario. While the debt service ratio in this lower growth scenario is lower by 0.1 percentage points in 2002/03, the difference increases to about 4 percentage points by 2020/21 (10.4 percent compared with 6.4 percent in the baseline case). The debt service to revenue ratio is also significantly higher in the lower-growth scenario. However, both debt

service to export and debt service to revenue ratios remain below 10 percent for most of the next two decades. This sensitivity analysis clearly shows the importance of achieving high and sustained growth though maintenance of macroeconomic stability and continued pursuit of structural reforms.

Scenario 2: lower grants

46. Tanzania has been receiving substantial foreign assistance, including grants, since 1995/96, partly because of very low per capita income and partly because of an impressive record of economic reform. The baseline projections assume an increase in external grants from about US$740 million in 2001/02 to US$891 million in 2020/21, a growth rate of 1 percent per year. Under alternative scenario 2, however, external project grants will remain constant in nominal US dollar terms at US$740 million. As a result, external grants would decline from 8.1 percent of GDP in 2001/02 to 1.9 percent in 2020/21, compared with the baseline scenario of 2.2 percent. In the absence of any other changes, it is assumed that these additional financing requirements are met through new concessional official borrowing. However, the average grant element of new loans is reduced to 55.4 percent compared with 58.3 percent in the baseline case as the additional official borrowing is expected to have only a grant element of 35 percent. Additional borrowing is also required to cover the higher debt service costs with total debt service being US$125.4 million higher than in the baseline scenario in 2020/21.

47. The NPV of debt-to-exports ratio in this lower-grant-scenario increases beyond that in the baseline scenario, rising from 135.2 percent in 2002/03 to 148.2 percent by 2020/21. Debt service is also higher in this scenario than in the baseline case over the projected horizon, but lower than in the lower-growth scenario. Starting at 6.5 percent in 2002/03, the debt service ratio increases to 8.5 percent by 2020/21, compared to 6.4 percent in the baseline scenario. This sensitivity analysis underlines the importance of following prudent debt management policies and avoiding a new build-up in debt. Tanzania will have to continue to rely on grants and highly concessional loans in order to keep its debt within sustainable limits.

IV. Conclusions

48. The staffs of the IMF and IDA consider that Tanzania has satisfactorily met the conditions established for reaching the completion point. Staffs' assessment of Tanzania's PRSP was endorsed by the Boards of IDA and the IMF and, in the view of the staffs, Tanzania has satisfactorily implemented its poverty reduction strategy for more than a year, building on a process that started in 1997. The government has also continued to implement prudent financial policies, that have contributed to the positive macroeconomic developments during the last two years and the excellent performance under its program supported by the PRGF. Tanzania made good progress with structural reforms, including with regard to the key areas of reform identified in the decision point document. Progress surpassed the conditions for the floating completion point in many areas; in the two areas where progress was less than envisaged, this was the result of technical difficulties outside the control of the government, and does not reflect a weakening of Tanzania's commitment under the HIPC Initiative to a strong and sustained policy performance.

49. The interim debt relief provided under the HIPC Initiative has allowed Tanzania to protect and further increase government spending in the priority sectors in 2000/01 and 2001/02. The budget allocations are being set in line with the poverty reduction strategy, based on improved costings and a broad-based consultation process in the context of the MTEF. However, although the authorities strengthened the central government's expenditure management system, the tracking of priority-sector expenditure by the local governments—which are expected to play an increasing role in social sector expenditures in the context of the local government reform program—remains weak, reflecting serious capacity constraints. With technical assistance from the IMF, the World Bank, and other donors, efforts are under way to improve monitoring in this area.

50. The staffs consider that, with the assistance expected to be provided under the enhanced HIPC Initiative, Tanzania will achieve a sustainable debt and debt-service profile as defined under the Initiative. After full delivery of enhanced HIPC Initiative assistance, the NPV of debt would remain well under 150 percent of exports; possible additional debt relief from some Paris Club creditors would reduce the debt ratio to about 105 percent at end-June 2001. This NPV of debt-to-exports ratio, which is considerably lower than projected at the time of the decision point, reflects not only higher exports and lower-than-expected new borrowings, but also higher discount rates and additional debt relief from Paris Club creditors beyond the HIPC Initiative. While Tanzania's economy remains vulnerable to external shocks, the lower NPV of debt-to-exports ratio affords some margin for Tanzania to accommodate possible unfavorable developments. However, the sensitivity analysis shows that Tanzania's external debt sustainability could be jeopardized by a failure to continue to implement strong macroeconomic and reform polices as well as a prudent management of external debt.

51. In light of the above, the staffs of the IMF and IDA recommend that the Executive Directors determine that Tanzania has met the conditions for reaching the completion point under the enhanced HIPC Initiative

V. ISSUES FOR DISCUSSION

52. Executive Directors may wish to focus on the following issues and questions:

- Do Directors agree that Tanzania has met the conditions for reaching the floating completion point?

- Do Directors agree that assistance agreed at the decision point will provide Tanzania with a solid basis for debt sustainability over the medium term, within the framework of the enhanced HIPC Initiative, as discussed in Section III?

Table 1: Tanzania: Selected Economic and Financial Indicators, 1999-2004

	1999 Act.	2000 Act.	2001 Proj.	2002 Proj.	2003 Proj.	2004 Proj.
	(Annual percentage change, unless otherwise indicated)					
National income and prices						
Nominal GDP (billions of Tanzania shillings)	6,433	7,226	7,975	8,786	9,661	10,640
Real GDP growth	4.7	4.9	4.8	5.5	5.8	6.0
Real GDP per capita growth	1.9	2.6	2.6	3.4	3.7	3.9
Consumer prices (period average)	7.9	5.9	5.2	4.4	3.9	3.8
Consumer prices (end of period)	7.0	5.5	4.8	4.0	3.9	3.8
External sector						
Exports, f.o.b (in U.S. dollars)	562.7	663.1	727.2	777.1	840.9	921.6
Imports, c.i.f. (in U.S. dollars)	1,572.7	1,534.4	1,698.2	1,806.0	1,932.2	2,084.5
Export volume	-4.1	21.3	10.9	4.9	5.5	6.6
Import volume	0.7	-2.1	11.5	6.4	6.7	6.8
Terms of trade	9.9	-2.5	-1.0	2.3	2.3	1.9
Nominal effective exchange rate (end of period)	-10.5	9.3	...	...	...	...
Real effective exchange rate (depreciation -)	-5.6	12.4	...	...	...	...
Public finance 1/						
Revenue (excluding grants)	12.0	20.3	10.3	12.1	13.5	10.4
Total expenditure	30.9	1.1	23.1	9.4	9.4	13.1
Current expenditure	21.7	22.2	25.3	5.2	8.8	13.5
Development expenditure and net lending	49.0	-20.5	19.5	24.5	11.1	11.9
Money and credit						
Broad money	18.6	14.8	13.0	10.7	10.0	10.1
Net foreign assets	35.6	49.6	28.1	6.5	-7.8	11.5
Net domestic assets	6.6	-16.2	-11.0	20.3	46.0	8.3
Credit to government 2/	14.0	-13.6	-39.3	14.7	0.0	0.0
Credit to non-government sector	25.5	9.4	24.1	24.6	17.7	14.3
Velocity of money (GDP/M3; average)	5.7	5.5	5.4	5.3	5.3	5.3
Treasury bill interest rate (in percent; end of period) 3/	15.5	6.9	...	...	...	...
	(In percent of GDP, unless otherwise indicated)					
Public finance						
Revenue (excluding grants)	11.3	12.2	12.2	12.5	12.9	12.9
Total grants	4.5	3.8	5.4	5.3	5.5	5.4
Expenditure	18.6	16.9	18.8	18.7	18.6	19.1
Overall balance (including grants)	-3.3	-1.2	-1.2	-1.0	-0.6	-0.9
Domestic financing 4/	1.8	0.4	0.5	0.0	0.0	0.0
Savings and investment						
Resource gap	-12.1	-8.5	-10.9	-11.1	-11.1	-10.8
Investment	15.5	17.7	18.6	19.2	19.2	19.3
Government	3.1	3.4	4.3	4.8	4.9	5.0
Non-government	12.4	14.3	14.3	14.3	14.3	14.3
Gross domestic savings	3.4	9.2	7.7	8.1	8.1	8.5
Government	-0.5	-0.8	-2.7	-1.7	-1.2	-1.6
Non-government	4.0	10.0	10.4	9.8	9.3	10.0
External sector						
Current account deficit (excluding grants)	-12.3	-9.2	-11.7	-11.8	-11.7	-11.3
Current account deficit (including grants)	-3.8	-0.7	-3.6	-4.3	-4.7	-4.7
	(In millions of U.S. dollars, unless otherwise indicated)					
External sector indicators						
Current account balance (excluding grants)	-1,060.7	-826.9	-1,068.8	-1,161.1	-1,242.9	-1,296.7
Current account balance (including grants)	-324.1	-64.2	-328.3	-421.4	-503.1	-535.5
Overall balance of payments (deficit -)	43.4	111.7	-25.0	-73.7	-91.6	-68.3
Gross official reserves	775.6	974.4	1,078.0	1,160.5	1,198.3	1,230.7
In months of imports of goods and nonfactor services	4.2	5.6	5.5	5.5	5.3	5.1

Sources: Tanzanian authorities; and World Bank/IMF staff estimates and projections.

1/ Fiscal years (July-June), beginning in the year indicated in the column header.
2/ Including new debt issued for the recapitalization of banks.
3/ Weighted-average yield of 91-, 182-, and 364-day treasury bills.
4/ Excluding new debt issued to recapitalize government-owned banks.

Table 2: Tanzania: Central Government Expenditure on Priority Sectors, 1999/2000-2001/02 1/

(In billions of Tanzania shillings, unless otherwise indicated)

	1998/99 Act.	1999/00 Act.	2000/01 Proj.	Act.	2001/02 Proj.
Total expenditure in priority sectors	290.9	354.3	491.7	499.7	766.5
(in percent of GDP)	4.8	5.2	6.5	6.6	9.1
(in percent of total expenditure)	32.4	30.3	38.1	39.3	48.6
Education	135.2	180.9	247.8	254.9	347.6
Health	69.4	77.3	96.3	100.7	139.3
Water	9.6	8.6	17.1	18.3	31.6
Agriculture (research and extension)	10.5	16.1	18.9	19.1	30.5
Lands	3.2	3.9	5.3	5.1	8.1
Roads	57.8	59.6	91.4	92.5	181.2
Judiciary	5.2	7.9	10.1	9.2	21.0
HIV/AIDS 2/	...	...	4.8	...	7.3
Recurrent expenditure in priority sectors	235.8	285.4	343.8	351.7	454.3
(in percent of GDP)	3.9	4.2	4.5	4.6	5.4
(in percent of total recurrent expenditure)	35.9	35.3	35.1	35.6	36.1
Education	117.6	158.9	182.1	189.2	238.0
Health	50.7	53.9	66.0	70.3	88.6
Water	7.1	5.4	7.0	8.1	14.7
Agriculture (research and extension)	8.6	13.7	10.2	10.3	15.9
Lands	2.8	3.4	4.4	4.2	7.4
Roads	43.9	42.2	59.6	60.7	68.3
Judiciary	5.2	7.9	9.7	8.8	14.1
HIV/AIDS 2/	...	...	4.8	...	7.3
Development expenditure in priority sectors	55.1	68.9	147.9	148.0	312.3
(in percent of GDP)	0.9	1.0	1.9	2.0	3.7
(in percent of total development expenditure)	22.2	19.1	47.2	51.7	91.1
Education	17.6	22.0	65.7	65.7	109.5
Health	18.7	23.4	30.4	30.4	50.7
Water	2.6	3.2	10.1	10.1	16.9
Agriculture (research and extension)	1.9	2.4	8.7	8.7	14.6
Lands	0.4	0.5	0.9	0.9	0.7
Roads	13.9	17.4	31.7	31.7	112.9
Judiciary	...	...	0.4	0.4	7.0
HIV/AIDS 2/	...	...	...	...	...
Memorandum items:					
Total expenditure 3/	898.8	1,167.5	1,292.1	1,272.9	1,578.7
Recurrent expenditure	657.3	807.6	978.6	986.6	1,236.5
Development expenditure	247.9	359.9	313.5	286.3	342.1
HIPC Initiative debt relief	...	51.6	...	141.2	148.5
(in percent of GDP)	...	0.8	...	1.9	1.8
GDP	6,002.0	6,829.3	7,600.4	7,600.4	8,380.8

Sources: Ministry of Finance; and World Bank/IMF staff estimates and projections.

1/ Fiscal years run from July to June.

2/ Expenditure on HIV/AIDS related activities are distributed across various ministries, departments, and agencies (MDA) and currently not reported separately from other expenditures of these MDAs in Tanzania's expenditure reporting system. Amounts shown refer to the operation of TACAIDS.

3/ Total expenditure excludes bank and parastatal recapitalization, and thus, differs from the figures in Table 1.

Table 3: Tanzania: Assistance Under the HIPC Initiative as Approved at the Decision Point 1/

(In millions of U.S. dollars, unless otherwise indicated)

	Total	Total Assistance Under the NPV of Debt-to-Exports Criterion 2/ Bilateral 3/	Multilateral	Common Reduction Factor at the Decision Point 4/ (In percent)	Memorandum Item: Required NPV Debt Reduction on Paris Club Debt Assuming Comparable Action by Nonmultilateral Creditors
	2,026	*1,006*	*1,020*	*54*	
Memorandum items:					
NPV of debt 5/	3,769	1,871	1,898		
Three-year average of exports	1,162	...	...		
Current-year exports	1,081	...	...		
NPV of debt-to-exports ratio 6/	324	...	...		
Paris Club creditors		1,481			85
Of which: pre-cutoff-date non-ODA		1,125			90
Non-Paris Club creditors 3/		390			85
Of which: pre-cutoff-date non-ODA		240			96

Sources: Tanzanian authorities; and World Bank/IMF staff estimates and projections.

1/ The proportional burden-sharing approach is described in "HIPC Initiative—Estimated Costs and Burden-Sharing Approaches" (EBS/97/127, 7/7/97, and IDA/SEC M 97-306, 7/7/97).

2/ Applies a hypothetical stock-of-debt operation on Naples terms and appropriate comparable treatment by other official bilateral creditors at end-June 1999. The net present value (NPV) of debt-to-exports target is 150 percent.

3/ Includes official bilateral and commercial creditors.

4/ Each creditor's NPV reduction at the decision point (after traditional debt relief mechanisms), in percent of its exposure at the decision point.

5/ Based on end-June 1999 data and after a hypothetical full application of traditional debt-relief mechanisms.

6/ Based on the three-year export average (backward-looking average).

Table 4: Tanzania: Status of Creditor Participation Under the Enhanced HIPC Initiative

	Debt Relief in NPV Terms (US$ mil.)	Percentage of Total Assistance	Satisfactory reply to participate in Initiative	Modalities to Deliver Debt Relief	Implemented
IDA/IBRD	694.5	34.3	Yes	Debt-service relief of 69.1 percent annually for 20 years on debts outstanding at end-June 1999 (average reduction of 63.6 percent on debts outstanding at end-June 2001). Interim relief starting in April 2000.	Yes
AfDB Group	124.9	6.2	Yes	Using the HIPC Initiative Trust Fund resources and internal resources to release eligible countries from 80 percent of annual debt-service obligations until debt relief is delivered, subject to a maximum of 40 percent of HIPC Initiative assistance being provided in the interim period. Interim debt relief backdated to April 2001.	Yes
IMF 1/	119.8	5.9	Yes	The IMF's enhanced assistance is being provided through special PRGF grants -- to be paid into an escrow account and used to cover debt-service payments to the IMF. Share of debt service due on current IMF obligations (as of end-June 2001) covered by total IMF assistance averages 48 percent over the period 1999/00-2008/09.	Yes
EU/EIB	37.9	1.9	Yes	Debt relief on identified EU loans during the interim, supplemented with grants to pay off EU loans at completion point.	No
IFAD	15.3	0.8	Yes	Up to 100 percent debt-service relief until NPV target is achieved.	No
BADEA	14.7	0.7	Yes	Concessional clearance of arrears; concessional rescheduling of debt and reduction of interest rates.	No
OPEC Fund	9.8	0.5	Yes	Concessional loan and restructuring of existing debt.	No
NDF	1.8	0.1	Yes	Contribution to HIPC Initiative Trust Fund, which will pay 100 percent debt service at completion point.	No
EADB	1.6	0.1	Yes	Reduction of interest rate on outstanding loan and extension of repayment period.	No
Total multilateral	1,020.3	50.4			
Paris Club creditors	796.3	39.3	Yes	Flow rescheduling on Cologne terms during the interim period, to be followed by a Cologne stock deal.	Yes
Non-Paris Club creditors		9.0	Some	China and Kuwait indicated participation. Others being contacted by Tanzania.	No
Commercial creditors	27.7	1.4	No	Being contacted by Tanzania.	No
Total bilateral and commercial		49.6			
Total	2,026.3	100.0			

Sources: "HIPC Debt Initiative, Multilateral Development Banks' Meeting, October 10-11, 2001, Chairman's Summary," IDA/SecM2001-0614, October 18, 2001; and World Bank/IMF staff estimates.

Table 5: Tanzania: Delivery of IDA Assistance Under the Enhanced HIPC Initiative, 1999/2000-2019/20 1/

(In millions of U.S. dollars, unless otherwise indicated)

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Projected debt service to IDA before HIPC Initiative assistance 2/	44.9	54.2	59.7	63.0	70.2	73.6	74.2	79.4	88 1	89.8	96.0	108.1	111.2	113.2	116.8	119.1	116.9	113.1	107.9	103.1	102.1
IDA debt service reduction	9.5 3/	37.5	41.2	43.7	48.1	48.7	48.9	51.5	54.2	55.3	58.7	63.1	65.2	66.8	69.6	69.3	68.9	69.0	69.9	69.2	49.0
Projected remaining debt service to IDA 2/	35.4	16.7	18.5	19.4	22.0	25.0	25.4	27.9	33.9	34.5	37.3	45.0	46.0	46.4	47.3	49.8	48.0	44.1	38.0	33.9	53.1
Memorandum items:																					
Percentage reduction of IDA debt service 2/	69.1 3/	69.1	69 1	69 3	68.6	66.1	65.8	64.8	61.5	61.6	61.1	58.4	58.6	59.0	59.6	58.2	58.9	61.0	64.8	67.1	65.2 4/
Percentage reduction on total debt service 5/	4.4	17.2	18.4	19.7	20.9	20.8	20.5	21.3	22.8	23.8	24.9	26.1	29.3	29.3	29.5	28.7	28.0	27.8	28.1	27.6	19.2
HIPC Initiative assistance in NPV terms 694.5																					
HIPC Initiative assistance in nominal 1,157.1 terms																					

Source: World Bank staff estimates and projections.

1/ All years on July-June fiscal-year basis

2/ Before new borrowing, i.e., on disbursed and outstanding debt as of end-June 2001.

3/ The percentage reduction is not 69.1 percent in all years because this line shows the percentage reduction of IDA debt service at end-June 2001 after receiving relief as agreed at decision point (i.e. 69.1 percent reduction of debt service due to IDA at **end-June 1999**)

4/ For 2019/20, the 65.2 percent debt-service reduction applies only to the debt service due to IDA between July 1, 2019 and March 31, 2020.

5/ After traditional debt-relief mechanisms and before new borrowing.

Table 6: Tanzania: Delivery of IMF Assistance under the Enhanced HIPC Initiative 1/

(In millions of SDRs, unless otherwise indicated)

	1999/2000	Actual 2000/01		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
		Jul.-Feb.	Mar.-Jun.								
Delivery schedule of IMF assistance (in percent of total assistance) 2/	5.6	9.4	6.4	17.6	12.5	8.5	8.0	8.0	8.0	8.0	8.0
Debt service due on current IMF obligations	7.3	12.4	7.4	19.6	19.3	23.2	35.4	44.1	47.3	35.8	28.5
Principal	6.4	10.7	6.4	17.6	17.1	21.0	33.4	42.3	45.7	34.5	27.3
Interest	0.9	1.7	1.0	2.1	2.2	2.2	2.0	1.8	1.6	1.4	1.2
IMF assistance—deposits into Tanzania's account											
Interim assistance	13.3		13.3								
Completion point assistance 3/				62.3							
IMF assistance—drawdown schedule 4/	5.0	8.6	5.7	18.2	15.9	11.9	8.9	8.6	8.2	7.8	7.5
IMF assistance without interest	5.0	8.3	5.7	15.6	11.1	7.6	7.1	7.1	7.1	7.1	7.1
Estimated interest earnings	--	0.3	--	2.6	4.8	4.3	1.8	1.4	1.1	0.7	0.3
Debt service due on current IMF obligations after IMF assistance 4/	2.3	3.8	1.7	1.4	3.4	11.3	26.4	35.6	39.1	28.0	21.1
Share of debt service due on current IMF obligations covered by IMF assistance (in percent) 4/	68.4	69.4	77.5	92.8	82.6	51.4	25.3	19.4	17.3	21.8	26.1
Proportion (in percent) of each repayment falling due during the period to be paid by IMF HIPC Initiative assistance from the principal deposited in member's account	78.0	78.0	89.0	89.0	65.2	36.0	21.3	16.8	15.6	20.6	26.0
Memorandum items: 5/			2000/01								
Total debt service due (millions of U.S. dollars) 6/	216.7		217.7	224.0	221.4	230.3	234.4	238.9	241.4	237.2	232.8
Of which: debt service due on IMF obligations (millions of U.S. dollars)	9.1		24.6	24.4	24.1	28.8	44.1	55.0	59.0	44.6	35.6
Debt service due on current IMF obligations after IMF assistance 4/											
In millions of U.S. dollars	2.9		6.8	1.8	4.2	14.0	32.9	44.3	48.8	34.9	26.3
In percent of exports	0.2		0.5	0.1	0.3	0.9	1.9	2.3	2.3	1.5	1.1
Share of total debt service covered by IMF assistance (in percent) 4/	2.9		8.2	10.1	9.0	6.4	4.7	4.5	4.2	4.1	4.0

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

1/ All years on July-June basis.

2/ Total IMF assistance under the HIPC Initiative is SDR 88.95 million, calculated on the basis of data available at the decision point, excluding interest earned on member's account and on committed but undisbursed amounts as described in footnotes 3 and 4.

3/ Remaining amount of assistance assumed is to be disbursed into Tanzania' s account at the assumed completion point in November 2001.

4/ Includes estimated interest earnings on (1) amounts held in member's account; and (2) amounts committed but not yet disbursed up to completion point. It is assumed that these amounts earn a rate of return of 5 percent in SDR terms; actual interest earnings may be higher or lower. Interest accrued on (1) during a calendar year will be used toward the first repayment obligation(s) falling due in the following calendar year except in the final year, when it will be used toward payment of the final obligation(s) falling due in that year. Interest accrued on (2) during the interim period will be used toward the repayment of obligations falling due during the three years after the completion point.

5/ For memorandum items, numbers for "Mar.-Jun." 2000/01 refer to total for 2000/01.

6/ After traditional debt relief mechanisms.

Table 7: Paris Club Creditors' Delivery of Debt Relief Under Bilateral Initiatives Beyond the Enhanced HIPC Initiative

Creditors (countries in bold are creditors to Tanzania)	Countries Covered	ODA (In percent)		Non-ODA (In percent)		Provision of Relief Decision point	
		Pre-cutoff date	Post-cutoff date	Pre-cutoff date	Post-cutoff date	(In percent)	Completion point
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Australia	HIPCs	100	100	100	100 1/	1/	1/
Austria	HIPCs (Case-by-case)	Case-by-case (100)	Case-by-case (100)	Case-by-case (100)	...	Case-by-case	Case-by-case
Belgium	HIPCs	100	100	Case-by-case (up to 100)	Case-by Case	flow	Stock
Canada	HIPCs 2/	... 3/	... 3/	100	100	100 flow	Stock
Denmark	HIPCs	100	Case-by-case	...	...	...	Stock
France	HIPCs	100	100	100	...	100 flow 4/	Stock
Finland	HIPCs	95	98	...	...	...	...
Germany	HIPCs	100	100	100	...	100 flow	Stock
Ireland	...	...	...	...	...	...	...
Italy	HIPCs	100	100 5/	100	100 5/	100 flow	Stock
Japan	HIPCs	100	100	100	...	...	Stock
Netherlands	HIPCs	100	100	100	...	90–100 flow 6/	Stock 6/
Norway	HIPCs	... 3/	... 3/	100	100 7/	100 flow	Stock
Russia	Case-by-case	...	...	...	...	...	Stock
Spain	HIPCs	100	Case-by-case	Case-by-case	Case-by-case	...	Stock
Sweden	Case-by-case	... 3/	... 3/	Case-by-case (100)	...	...	Stock
Switzerland	HIPCs	... 3/	... 3/	Case-by-case	Case-by-case	Case-by-case, flow	Stock
United Kingdom	HIPCs	100	100	100	100 8/	100 flow 8/	Stock
United States	HIPCs	100	100	100	100 9/	100 flow	Stock

Source: Paris Club Secretariat.

Notes: Columns (1) to (7) describe the additional debt relief provided following a specific methodology under bilateral initiatives and need to be read as a whole for each creditor. In column (1), "HIPCs" stands for eligible countries effectively qualifying for the HIPC Initiative process. A "100 percent" mention in the table means that the debt relief provided under the enhanced HIPC Initiative framework will be topped up to 100 percent through a bilateral initiative.

1/ Australia: post-cutoff date non-ODA relief to apply to debts incurred before a date to be finalized; timing details for both flow and stock relief are to be finalized.

2/ Canada: including Bangladesh. Canada has granted a moratorium of debt service as of January 2001 on all debt disbursed before end-March 1999 for 11 out of 17 HIPCs with debt service due to Canada. The debt will be written off at the completion point. The countries to be covered are Benin, Bolivia, Cameroon, Ethiopia, Guyana, Honduras, Madagascar, Mali, Senegal, Tanzania, and Zambia.

3/ 100 percent of ODA claims have already been cancelled on HIPCs, with the exception of Myanmar's debt to Canada.

4/ France: cancellation of 100 percent of debt service on pre-cutoff-date commercial claims as they fall due starting at the decision point. Once countries have reached their completion point debt relief on ODA claims will go to a special account and will be used for specific development projects.

5/ Italy: 100 percent debt cancellation of post-COD ODA and non-ODA debt assumed prior to the Cologne summit on 6/20/1999.

6/ The Netherlands: for ODA, 100 percent ODA pre- and post-cutoff date debt will be cancelled at decision point; for non-ODA, in some particular cases (Bolivia, Burkina Faso, Mali, Ethiopia, Nicaragua, and Tanzania), the Netherlands will write off 100 percent of the consolidated amounts on the flow at decision point; all other HIPCs will receive interim relief up to 90 percent reduction of the consolidated amounts. At completion point, all HIPC countries will receive 100 percent cancellation of the remaining stock of the pre-cutoff date debt.

7/ On debt assumed before December 31, 1997.

8/ United Kingdom: "beyond 100 percent" full write-off of all debts of HIPCs as of their decision points, and reimbursement at the decision point of any debt service paid before the decision point.

9/ United States: 100 percent post-cutoff date non-ODA treated on debt assumed prior to 6/20/99 (the Cologne summit).

Table 8: Comparison of Discount Rate and Exchange Rate Assumptions at end-June 1999 and end-June 2001 1/

	Discount Rates 1/ 2/ (In percent per annum)		Exchange Rates (Currency per U.S. dollar)	
	At completion point	At decision point	At completion point	At decision point
Currency				
Austrian schilling	5.76	4.61	16.23	13.32
Belgian franc	5.76	4.61	47.57	39.06
Bulgarian lev	5.40	4.87	2.31	1.89
Canadian dollar	6.23	6.02	1.52	1.47
Chinese yuan	5.40	4.87	8.28	8.28
Danish krone	6.05	4.81	8.79	7.20
Deutsche mark	5.76	4.61	2.31	1.89
European currency unit	5.76	4.61	1.18	0.97
Finnish markka	5.76	4.61	7.01	5.76
French franc	5.76	4.61	7.74	6.35
Indian rupee	5.40	4.87	47.04	43.36
Iraqi dinar	5.40	4.87	0.31	30.00
Irish pound	5.76	4.61	0.93	0.76
Italian lira	5.76	4.61	2,283.34	1,874.78
Japanese yen	1.76	2.32	124.05	121.10
Kuwaiti dinar	5.40	4.87	0.31	0.31
Luxembourg franc	5.76	4.61	47.57	39.06
Netherlands guilder	5.76	4.61	2.60	2.13
Norwegian krone	7.79	6.02	9.30	7.85
Portuguese escudo	5.40	4.61	236.42	194.12
Russian ruble	6.20	6.00	0.60	0.60
Saudi Arabian riyal	5.40	4.87	3.75	3.75
Spanish peseta	5.76	4.61	196.21	161.10
Special drawing rights	5.40	4.87	0.80	0.75
Swedish kroner	5.57	4.77	10.85	8.46
Swiss franc	4.44	3.74	1.80	1.55
Tanzania shilling	5.40	4.87	888.03	737.00
U.A.E. dirham	5.40	4.87	3.67	3.67
U.K. pound sterling	6.16	5.82	0.71	0.63
U.S. dollar	6.20	6.00	1.00	1.00
Zambian kwacha	5.40	4.87	3,457.44	2,439.45
Zimbabwe dollar	5.40	4.87	55.07	37.97
Memorandum item:				
Paris Club cutoff date is June 30, 1986				

Sources: OECD; and IMF, *International Financial Statistics*.

1/ The discount rates used are the average commercial interest reference rates (CIRRs) for the respective currencies over the six-month period ended in June 2001 for the completion point and June 1999 for the decision point.

2/ For all currencies for which the CIRRs are not available, the SDR discount rate is used as the proxy.

Table 9: Tanzania – Main Macroeconomic Assumptions, 2001-2020

(In percent of GDP, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001-10	2011-20
	Act.	Act.	Projected										Average	
Economic growth														
Real GDP (percentage change)	4.7	4.9	4.8	5.5	5 8	6.0	6.0	6.0	6.0	6 0	6.0	6 0	5 8	6.0
Real GDP per capita (percentage change)	1.9	2 6	2.6	3.4	3.7	3 9	4 0	4 0	3 9	3.9	3.9	3.9	3 7	3.9
Investment (all sectors)	15.5	17.7	18 6	19.2	19.2	19.3	19.5	19 6	19.7	19.8	19.9	20.1	19.5	19.5
Balance of payments														
Exports of goods and services 1/	14 0	14.7	15.0	14.8	14 6	14.7	14.9	15 0	15.2	15.2	15.2	15 2	15.0	14.6
Imports of goods and services 1/	25.8	23.2	25.9	25.9	25 7	25.5	25.4	25.1	24.8	24.5	24.2	24.0	25.1	22.1
Current account, including grants	-3.8	-0.7	-3.6	-4 3	-4.7	-4.7	-4 6	-4.3	-4.2	-4.2	-4.3	-4.3	-4.3	-4.2
Current account, excluding grants	-12.3	-9.2	-11.7	-11.8	-11.7	-11.3	-11.0	-10.4	-9.9	-9 5	-9.2	-8.9	-10.5	-7.4
Gross official reserves (in months of imports) 2/	4.2	5.6	5.5	5.5	5.3	5.1	4.8	4.7	4.6	4.5	4.4	4 3	4.8	4.3
Export volume growth (percentage change) 3/	-4.1	21.3	10.9	4.9	5.5	6 6	7.1	6.2	7.2	6.1	5.8	5.8	6.6	5.1
Import volume growth (percentage change) 3/	0.7	-2.1	11.5	6.4	6.7	6.8	6 8	6.0	6.0	6 0	6.0	6.0	6.8	6.0
Terms of trade (percentage change)	9.9	-2.5	-1.0	2.3	2.3	1.9	1.7	1.6	0.5	0.5	0.5	0.5	1.1	0.4

Sources: Tanzanian authorities; and World Bank/IMF staff estimates and projections.

1/ Exports (imports) of goods and nonfactor services as defined in IMF, *Balance of Payments Manual*, 5th edition, 1993.

2/ Imports of goods and nonfactor services.

3/ Merchandise exports (imports).

Table 10: Tanzania – Medium- and Long-Term Balance of Payments, 1999-2020

(In millions of U.S. dollars, unless otherwise indicated)

	1999 Act.	2000 Act.	2001	2002	2003	2004	2005	2001-10	2011-20
Trade account	-1,010.0	-871.3	-971.0	-1,028.8	-1,091.3	-1,162.8	-1,235.2	-1,282.3	-2,311.8
Exports, f.o.b.	562.7	663.1	727.2	777.1	840.9	921.6	1,013.5	1,076.2	2,145.6
Traditional	301.2	292.8	292.2	317.0	342.9	374.1	409.5	425.9	782.8
Nontraditional	261.5	370.3	435.0	460.2	498.1	547.6	604.0	650.4	1,362.8
Imports, c.i.f	-1,572.7	-1,534.4	-1,698.2	-1,806.0	-1,932.2	-2,084.5	-2,248.8	-2,358.5	-4,457.5
Services and factor income (net)	-84.6	9.8	-131.5	-166.2	-184.6	-168.7	-164.3	-120.9	168.4
Receipts	702.5	726.7	703.0	741.2	777.9	826.8	894.7	983.2	2,163.5
Of which: nonfactor receipts	646.4	663.7	646.0	682.9	715.8	760.6	823.5	905.6	1,997.1
Payments	-787.1	-716.9	-834.5	-907.3	-962.6	-995.5	-1,059.0	-1,104.1	-1,995.0
Interest 1/	-116.0	-105.8	-109.9	-102.8	-99.1	-95.1	-94.1	-96.6	-105.9
Other services	-671.1	-611.1	-724.6	-804.5	-863.5	-900.4	-964.9	-1,007.6	-1,889.2
Nonfactor payments	-652.0	-560.0	-671.4	-743.8	-798.4	-832.4	-893.6	-934.5	-1,770.4
Factor payments (excl. interest)	-19.1	-51.1	-53.2	-60.7	-65.0	-68.1	-71.3	-73.1	-118.8
Private transfers (net)	33.9	34.6	33.7	33.9	33.0	34.8	41.3	42.8	77.8
Current account (excl. official transfers)	-1,060.7	-826.9	-1,068.8	-1,161.1	-1,242.9	-1,296.7	-1,358.3	-1,360.4	-2,065.6
Official transfers (net)	736.6	762.7	740.5	739.7	739.8	761.2	788.0	791.7	867.0
Project financing	606.2	587.1	568.6	519.9	501.6	509.4	517.3	524.3	525.3
Program financing	130.4	175.6	171.9	219.8	238.2	251.9	270.8	267.4	341.7
Current account (incl. official transfers)	-324.1	-64.2	-328.3	-421.4	-503.1	-535.5	-570.2	-568.7	-1,198.6
Capital account	377.3	239.1	303.3	347.8	411.5	467.2	515.7	528.9	1,219.6
Loan inflow	469.3	319.3	440.4	418.1	417.3	418.4	442.3	473.0	825.4
Official project financing	348.7	189.6	285.0	283.6	283.6	278.6	289.5	329.3	544.9
Official program financing	81.5	68.4	105.0	105.6	115.0	120.0	130.9	117.8	200.2
Other loans	39.1	61.3	50.4	28.9	18.7	19.9	21.8	25.9	80.3
Amortization 1/	-275.0	-273.0	-329.8	-270.7	-214.2	-168.0	-152.0	-189.5	-181.0
Direct investment	183.0	192.8	192.7	200.4	208.4	216.8	225.4	245.4	575.3
Errors and omissions	-9.8	-63.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	43.4	111.7	-25.0	-73.7	-91.6	-68.3	-54.6	-39.7	21.0
Financing	-43.4	-111.7	25.0	73.7	91.6	68.4	54.6	39.8	-21.0
Change in net foreign assets (increase -)	-142.6	-348.4	-143.2	-72.5	-45.1	-61.2	-71.4	-91.4	-137.0
Bank of Tanzania (BoT) (increase -)	-127.6	-217.3	-100.4	-72.5	-45.1	-61.2	-71.4	-87.1	-137.0
Gross reserves	-176.5	-198.8	-103.6	-82.5	-37.8	-32.3	-28.0	-57.3	-132.4
Use of Fund credit	36.3	30.7	27.1	27.4	-7.3	-28.9	-43.5	-25.7	-4.7
Purchases	58.8	53.2	51.2	52.0	19.8	0.0	0.0	12.3	0.0
Repurchases	-22.5	-22.5	-24.1	-24.6	-27.1	-28.9	-43.5	-38.0	-4.7
Other (net)	12.7	-49.2	-23.9	-17.4	0.0	0.0	0.0	-4.1	0.0
Commercial banks (increase -)	-15.0	-131.1	-42.8	0.0	0.0	0.0	0.0	-4.3	0.0
Arrears (increase +)	-1,163.3	106.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief 2/	1,262.5	130.5	168.3	146.2	136.7	129.6	126.0	131.2	116.0
Of which: multilateral HIPC Initiative debt relief 3/	0.0	43.8	74.2	72.4	67.3	64.9	62.5	62.9	52.5
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Gross official reserves (BoT)	775.6	974.4	1,078.0	1,160.5	1,198.3	1,230.7	1,258.6	1,308.2	2,208.3
In months of goods an nonfactor services imports	4.2	5.6	5.5	5.5	5.3	5.1	4.8	4.8	4.3
Current account deficit 4/									
Excluding official transfers	-12.3	-9.2	-11.7	-11.8	-11.7	-11.3	-11.0	-10.5	-7.4
Including official transfers	-3.8	-0.7	-3.6	-4.3	-4.7	-4.7	-4.6	-4.3	-4.2

Sources: Tanzanian authorities; and World Bank/IMF staff estimates and projections.

1/ Includes amounts due to all creditors, before debt rescheduling and debt relief.

2/ Debt relief prior to 2000 is from the January 21, 1997 Paris Club rescheduling agreement, including assumed implementation of a bilateral agreement with Russia in November 1999, involving an up-front discount of 80 percent on all Russian claims and a flow rescheduling on Naples terms. Debt relief for 2000 and beyond includes the April 2000 Paris Club rescheduling agreement on Cologne terms and HIPC debt relief from the IMF, IDA, and AfDB.

3/ For 2000-01, interim assistance from the Fund, IDA, and AfDB pending the HIPC Initiative completion point.

4/ In percent of gross domestic product.

Table 11: Tanzania – Net Present Value of External Debt, 2000-2020

(In millions of U.S. dollars, unless otherwise indicated)

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2020/21	2000/01-2010/11	2011/12-2020/21
	Actual	Estimate						Projections						
I. After traditional debt relief mechanisms 2/														
1. NPV of total debt (2+6) 2/	3,653.6	3,739.9	3,852.2	3,966.1	4,085.8	4,217.1	4,363.5	4,509.7	4,661.4	4,809.4	4,959.2	7,011.6	4,256.2	6,086.0
2. NPV of outstanding debt (3+4)	3,653.6	3,587.1	3,538.7	3,487.7	3,445.3	3,399.8	3,353.4	3,294.7	3,228.4	3,150.8	3,062.9	1,874.8	3,382.1	2,492.3
3. Official bilateral and commercial	1,752.3	1,714.9	1,680.9	1,649.6	1,629.8	1,613.1	1,600.5	1,586.4	1,569.2	1,549.1	1,526.1	972.0	1,624.7	1,290.3
Paris Club	1,309.0	1,287.8	1,274.3	1,259.1	1,255.1	1,249.4	1,241.9	1,234.9	1,226.0	1,214.9	1,201.4	826.8	1,250.3	1,044.7
Other official bilateral	335.2	331.1	325.3	322.7	320.6	317.1	313.1	307.2	300.3	293.0	285.5	139.0	313.7	222.1
Commercial	108.0	96.0	81.3	67.8	54.1	46.6	45.5	44.3	42.8	41.2	39.3	6.2	60.6	23.5
4. Multilateral	1,901.3	1,872.3	1,857.8	1,838.2	1,815.5	1,786.7	1,752.9	1,708.3	1,659.3	1,601.8	1,536.7	902.8	1,757.3	1,202.0
World Bank Group	1,323.0	1,333.1	1,340.5	1,341.1	1,339.8	1,339.4	1,333.8	1,319.1	1,301.9	1,277.6	1,239.9	687.9	1,317.2	947.9
IMF	228.2	195.0	177.5	163.3	148.3	125.2	101.1	75.8	49.3	21.5	0.0	0.0	116.8	0.0
African Development Bank Group	241.7	243.7	245.1	245.3	245.6	245.9	246.5	246.2	244.9	243.3	241.6	187.1	244.5	215.3
Others	108.4	100.4	94.6	88.4	81.8	76.1	71.6	67.2	63.2	59.3	55.2	27.8	78.7	38.8
5. Nominal stock of total debt	5,717.0	5,996.2	6,290.4	6,568.6	6,846.3	7,143.4	7,457.0	7,779.0	8,115.9	8,458.4	8,812.4	13,346.9	7,198.6	11,339.4
II. After enhanced HIPC assistance														
1. NPV of total debt (2+6) 3/	4,102.2	1,800.3	1,946.4	2,077.5	2,202.8	2,347.6	2,517.9	2,694.9	2,884.6	3,069.3	3,269.3	6,300.8	2,628.4	4,887.0
NPV of total debt after full delivery 4/	1,748.8	1,800.3	1,946.4	2,077.5	2,202.8	2,347.6	2,517.9	2,694.9	2,884.6	3,069.3	3,269.3	6,300.8	2,414.5	4,887.0
2. NPV of outstanding debt (3+4)	4,102.2	1,647.6	1,632.9	1,599.1	1,562.4	1,530.3	1,507.9	1,479.9	1,451.6	1,410.8	1,373.0	1,164.0	1,754.3	1,293.3
3. Official bilateral and commercial	2,200.9	685.7	651.1	604.1	555.9	518.2	492.2	467.0	442.6	419.8	400.6	263.2	676.2	330.0
Paris Club	1,128.1	404.8	395.1	372.3	348.2	325.2	303.4	283.9	265.8	249.4	236.7	182.5	392.1	205.5
Other official bilateral	878.0	198.3	188.0	177.3	167.0	159.6	156.2	151.4	146.1	140.8	135.6	69.1	227.1	104.7
Commercial	194.8	82.7	68.0	54.5	40.8	33.4	32.6	31.7	30.7	29.6	28.4	11.6	57.0	19.8
4. Multilateral	1,901.3	961.9	981.8	995.0	1,006.4	1,012.0	1,015.7	1,012.9	1,009.0	991.0	972.4	900.8	1,078.1	963.3
World Bank Group	1,323.0	688.0	703.5	717.2	730.2	745.0	758.1	766.0	773.7	779.0	776.9	687.9	796.4	751.1
IMF	228.2	109.9	111.7	108.5	104.6	92.4	79.1	64.8	49.3	21.5	0.0	0.0	88.2	0.0
African Development Bank Group	241.7	121.2	124.6	128.2	131.9	135.9	140.1	144.1	148.1	152.5	157.4	187.1	147.8	180.5
Others	108.4	42.7	41.9	41.1	39.8	38.7	38.3	38.0	38.0	38.0	38.0	25.8	45.7	31.7
5. Nominal stock of total debt	6,159.7	4,573.9	4,870.5	5,139.8	5,398.9	5,685.6	5,996.9	6,319.4	6,661.2	7,013.4	7,384.1	12,490.5	5,927.6	10,158.1
III. After bilateral debt relief beyond HIPC assistance 5/														
1. NPV of total debt (2+6) 3/	4,102.2	1,437.3	1,589.8	1,740.2	1,885.8	2,050.9	2,241.6	2,436.6	2,643.0	2,843.0	3,054.6	6,118.3	2,365.9	4,696.4
NPV of total debt after full delivery 4/	1,342.2	1,437.3	1,589.8	1,740.2	1,885.8	2,050.9	2,241.6	2,436.6	2,643.0	2,843.0	3,054.6	6,118.3	2,115.0	4,696.4
2. NPV of outstanding debt (3+4)	4,102.2	1,284.6	1,276.3	1,261.9	1,245.4	1,233.6	1,231.5	1,221.6	1,210.0	1,184.4	1,158.3	981.5	1,491.8	1,102.6
3. Official bilateral and commercial	2,200.9	322.7	294.6	266.9	239.0	221.6	215.9	208.7	201.0	193.4	186.0	80.7	413.7	139.3
Paris Club	1,128.1	41.8	38.6	35.1	31.2	28.6	27.1	25.6	24.2	23.0	22.0	0.0	129.6	14.8
Other official bilateral	878.0	198.3	188.0	177.3	167.0	159.6	156.2	151.4	146.1	140.8	135.6	69.1	227.1	104.7
Commercial	194.8	82.7	68.0	54.5	40.8	33.4	32.6	31.7	30.7	29.6	28.4	11.6	57.0	19.8
4. Multilateral	1,901.3	961.9	981.8	995.0	1,006.4	1,012.0	1,015.7	1,012.9	1,009.0	991.0	972.4	900.8	1,078.1	963.3
IDA	1,323.0	688.0	703.5	717.2	730.2	745.0	758.1	766.0	773.7	779.0	776.9	687.9	796.4	751.1
IMF	228.2	109.9	111.7	108.5	104.6	92.4	79.1	64.8	49.3	21.5	0.0	0.0	88.2	0.0
African Development Bank	241.7	121.2	124.6	128.2	131.9	135.9	140.1	144.1	148.1	152.5	157.4	187.1	147.8	180.5
Others	108.4	42.7	41.9	41.1	39.8	38.7	38.3	38.0	38.0	38.0	38.0	25.8	45.7	31.7
5. Nominal stock of total debt	6,159.7	4,214.5	4,523.7	4,815.0	5,094.9	5,402.3	5,734.0	6,074.6	6,433.1	6,800.5	7,182.9	12,311.7	5,675.9	9,977.6
Memorandum items:														
6. NPV of new borrowing	...	152.7	313.5	478.4	640.5	817.3	1,010.1	1,215.0	1,433.0	1,658.5	1,896.3	5,136.9	961.5	3,593.7
Official bilateral	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral	...	152.7	313.5	478.4	640.5	817.3	1,010.1	1,215.0	1,433.0	1,658.5	1,896.3	5,136.9	961.5	3,593.7

Sources: Tanzanian authorities; and World Bank/IMF staff estimates and projections.

1/ All years on July-June basis.

2/ Refers to public and publicly guaranteed external debt only and assumes a hypothetical stock-of-debt operation on Naples terms (67 percent NPV reduction) at end-June 1999.

3/ Discounted on the basis of the average commercial interest reference rate for the respective currency, derived over the six-month period prior to the latest date for which actual data are available (June 30, 2001). The conversion of currency-specific NPVs into U.S. dollars occurs for all years at the base date (June 30, 2001) exchange rate.

4/ NPV of total debt assuming the entire HIPC Initiative assistance is fully delivered as of end-June 2001.

5/ After debt relief beyond HIPC Initiative offered by some of the Paris Club creditors.

Table 12: Tanzania – Nominal and Net Present Value of External Debt Outstanding at End-June 2001 1/

(In million of U.S. dollars)

	Legal Situation 1/ at end-June 2001		After Traditional Debt Relief Mechanisms 2/	
	Nominal debt	NPV of debt	Nominal debt	NPV of debt 3/
Total	**6,185.8**	**4,155.4**	**5,717.0**	**3,653.6**
Multilateral creditors	3,514.8	1,901.3	3,514.8	1,901.3
World Bank	2,524.0	1,323.0	2,524.0	1,323.0
IDA	2,514.9	1,313.8	2,514.9	1,313.8
IBRD	9.1	9.3	9.1	9.3
African Development Bank group	499.0	241.7	499.0	241 7
African Development Bank	9.3	11.2	9.3	11.2
African Development Fund	489.7	230.5	489.7	230.5
IMF	323.6	228.2	323.6	228.2
European Union	64.7	45.8	64.7	45.8
EADB	1.1	1.1	1.1	1.1
IFAD	62.5	31.8	62.5	31.8
BADEA	14.6	12.4	14.6	12 4
OPEC Fund	14.3	12.3	14.3	12.3
Nordic Development Fund	11.0	5.0	11.0	5.0
Paris Club	1,547.3	1,181.5	1,624.0	1,309 0
Austria	29.5	18.3	37.4	19.9
Belgium	123.2	73.2	122.4	75 6
Brazil	232.8	76.9	229.8	76.0
Canada	37.3	30.3	32.4	30 0
France	65.3	63.8	65.3	69.5
Germany	45.4	46.0	41.4	45.6
Italy	185.1	127.1	182.4	103.5
Japan	467.6	472.3	584.2	628.9
Norway	7.1	6.4	6.5	5.9
Netherlands	54.5	56.8	46.9	49.1
Russia	140.4	75.6	136.0	74.2
Spain	12.4	10.0	13.3	10 9
United Kingdom	119.1	101.5	112.4	107.1
United States	27.8	23.2	13.5	12.9
Other official bilateral	926.0	877.8	467.5	335.2
Algeria	106.1	106.1	33.4	33 0
Angola	5.4	5.4	1.8	1.8
Bulgaria	26.2	26.2	20.0	13.3
China	164.8	125.7	152.8	59.9
Czech Republic	1.6	1.6	1.6	1.1
Egypt	2.0	2.0	2.0	0.3
Hungary	14.4	14.4	4.8	4.7
India	32.1	32.1	14.3	13.8
Iran, I.R. of	154.3	154.3	48.0	47.5
Iraq	110.1	110.1	31 8	31.5
Korea	2.0	1.8	2.0	0.4
Kuwait	51.3	44.7	56.5	34.4
Libya	113.3	113.3	37.4	37.0
Poland	8.4	8.4	3.0	2.9
Romania	0.1	0 1	0.0	0.0
Saudi Arabia	15.9	13.6	12.3	9 9
United Arab Emirates	11.8	11.8	11.3	9.7
Yugoslavia	104.9	104.9	33.8	33.5
Zambia	0.8	0.8	0.8	0.2
Zimbabwe	0 4	0.4	0.1	0.1
Commercial	197.7	194.8	110.8	108.0

Sources: Tanzanian authorities; and World Bank/IMF staff estimates.

1/ Reflects the external debt situation at end-June 2001, including the April 13, 2000 Paris Club flow rescheduling under Cologne terms except for Italy and Japan who have yet to sign the bilateral agreement.

2/ Assuming a hypothetical stock-of-debt operation under Naples terms.

3/ Does not include the impact of grants disbursed to cover debt service payments to some multilateral creditors.

Table 13: Tanzania – External Debt Indicators, 2001/02-2019/20 1/

(in percent, unless otherwise indicated)

	2000/01 Actual	2001/02 Estimate	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	Outer Year 2020/21	Averages 2001/02-2010/11	Averages 2011/12-2020/21
							(In percent)							
After traditional debt-relief mechanisms 2/														
NPV of debt-to-GDP ratio	38 5	36.5	34.9	33.3	31.8	30.3	29 0	27.8	26.6	25.4	24 2	16.0	30 0	19 6
NPV of debt-to-exports ratio 3/ 4/	285 4	271 7	267.7	261 8	250.8	238.6	226.3	214.6	204 2	194 5	185.6	130.6	231.6	154.6
NPV of debt-to-revenue ratio 5/	324.9	325.0	297.5	280.4	264.5	245.6	228 8	214.4	199 4	186.5	172 9	94 9	241.5	125.7
Debt-service ratio	15 6	16.0	15 1	14.8	14.0	13.2	12 4	11.6	10 9	10.8	10 6	8 3	12.9	8 9
Debt service-to-revenue ratio 5/	19.4	19.7	17 6	16 9	16.0	14 8	13.7	12.6	11.5	11 2	10.7	6.5	14.5	7.7
After enhanced HIPC Initiative assistance														
NPV of debt-to-GDP ratio	43.2	17 6	17.6	17.5	17.1	16.9	16.8	16.6	16 4	16.2	15.9	14.4	16 9	15.4
NPV of debt-to-exports ratio (existing debt only)	320.4	119.7	113.5	105.6	95.9	86 6	78.2	70.4	63 6	57.1	51.4	21.7	84.2	33 8
NPV of debt-to-exports ratio after full delivery in 2000/01 3/ 4/ 6/ 7/	136.6	130 8	135 2	137.1	135 2	132 8	130.6	128 2	126 3	124.1	122 3	117 4	130.3	122.0
NPV of debt-to-revenue ratio 5/	364.8	156 5	150 3	146.9	142.6	136.7	132.0	128 1	123.4	119.0	114 0	85.3	135.0	98.5
Debt-service ratio	6.6	6.7	6 7	8.1	8.6	7 8	7.0	6 4	5.9	6.2	6 0	6.4	6.9	5.1
Debt service-to-revenue ratio 5/	8.2	8.3	7 8	9.2	9.7	8 8	7 7	7.0	6 2	6.4	6.0	4.9	7.7	4.4
After bilateral debt relief beyond HIPC Initiative assistance 6/														
NPV of debt-to-GDP ratio	43.2	14 0	14.4	14.6	14 7	14.8	14.9	15.0	15.1	15 0	14.9	14.0	14.7	14.8
NPV of debt-to-exports ratio after full delivery in 2000/01 3/ 4/ 6/ 7/	104.9	104 4	110.5	114.9	115 8	116 0	116 3	115.9	115.8	115 0	114.3	114.0	113.9	117.0
NPV of debt-to-revenue ratio 5/	364.8	124 9	122.8	123 0	122.1	119.4	117.5	115 9	113.1	110.2	106.5	82.8	117.5	94.4
Debt-service ratio	6.6	6.5	5 7	6 2	6 9	6.4	5.7	5.3	5.0	5.4	5 4	6.2	5.8	4.8
Debt service-to-revenue ratio 5/	8 2	8.0	6.6	7 1	7.9	7.1	6.3	5 8	5.3	5.6	5 4	4 8	6.5	4 2
Memorandum items:							(In millions of U.S dollars)							
NPV of debt after traditional debt-relief mechanisms	3,653 1	3,740	3,852	3,966	4,086	4,217	4,363	4,510	4,661	4,809	4,959	7,012	4,316	6,086
Debt service after traditional debt-relief mechanisms	217.7	227	228	240	247	254	260	265	269	288	306	477	258	376
NPV of debt after enhanced HIPC Initiative assistance 8/	4,102	1,800	1,946	2,077	2,203	2,348	2,518	2,695	2,885	3,069	3,269	6,301	2,481	4,887
Debt service after enhanced HIPC Initiative assistance	92	96	102	130	151	151	147	147	146	166	173	365	141	219
GDP	9,494	10,232	11,032	11,897	12,859	13,902	15,024	16,234	17,544	18,965	20,501	43,748	14,819	31,863
Exports of goods and services 3/	1,393	1,417	1,508	1,620	1,760	1,923	2,100	2,282	2,468	2,668	2,882	5,744	2,063	4,290
Exports of goods and services (three-year mvg. avg.) 3/	1,280	1,376	1,439	1,515	1,629	1,768	1,928	2,102	2,283	2,473	2,673	5,368	1,919	4,010
Government revenue 5/	1,124	1,151	1,295	1,414	1,545	1,717	1,907	2,103	2,337	2,579	2,869	7,390	1,892	5,059

Sources: Tanzanian authorities, and World Bank/IMF staff estimates.

1/ All debt indicators refer to public and publicly guaranteed debt and are defined after rescheduling, unless otherwise indicated. All years on July-June basis.

2/ Reflects a hypothetical stock-of-debt operation on Naples terms at end-June 1999 for official bilateral and commercial creditors.

3/ As defined in IMF, *Balance of Payments Manual*, 5th edition, 1993.

4/ Based on a three-year average of exports (e g., export average over 1998/99-2000/01 for NPV of debt-to-exports ratio in 2000/01).

5/ Revenue is defined as central government revenue, excluding grants.

6/ Assuming full delivery of HIPC Initiative assistance at end-June 2001.

7/ Some Paris Club creditors have agreed to extend additional debt-relief beyond HIPC Initiative assistance (see Table 7).

8/ For 2000/01 the NPV of debt does not reflect the full delivery of HIPC assistance as of end-June 2001.

Table 14: Tanzania - Main Assumptions used for DSA at Decision Point and Completion Point, 1999/00-2017/18 1/

(In millions of US dollars, unless otherwise indicated)

	1999/00 2/	2000/01 3/	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	1999/00-2008/09	2009/10-2017/18
			Projected						Average	
At Decision Point:										
Economic growth										
Real GDP (percentage change)	5.2	5.6	6.0	6.0	6.0	6.0	6.0	6.0	5.9	6.0
Export growth (percentage change) 4/	10.2	8.6	15.2	14.5	11.0	9.6	9.5	9.3	10.6	8.4
Exports of goods and services 4/	1191.1	1293.1	1489.4	1705.6	1892.9	2075.0	2272.2	2483.7	2006.1	4519.6
Terms of trade (percentage change)	-3.9	1.6	1.0	1.0	0.7	0.9	0.7	0.7	0.4	0.7
After enhanced HIPC Intiative assistance										
NPV of total debt 5/	1876.9	2042.1	2355.9	2616.6	2820.1	3041.3	3279.0	3526.6	2943.5	5885.4
NPV of old debt 5/	1674.5	1601.4	1662.9	1657.7	1609.5	1559.4	1510.3	1458.8	1553.2	1041.6
NPV of new debt 5/	202.4	440.8	693.0	959.0	1210.6	1481.9	1768.7	2066.8	1390.3	4843.8
NPV of debt to exports ratio (in percent) 4/ 5/ 6/	165.4	171.9	177.9	174.9	166.3	160.8	157.6	154.8	163.3	141.8
Debt service ratio (in percent) 7/	19.8	11.9	9.5	8 4	7.8	7.3	7.0	7.0	9.2	5.8
At Completion Point:										
Economic growth										
Real GDP (percentage change)	4.9	4.8	5.5	5.8	6.0	6.0	6.0	6.0	5.7	6.0
Export growth (percentage change) 4/	17.0	5.6	1.7	6.5	7.4	8.7	9.3	9.2	8.2	7.3
Exports of goods and services 4/	1319.4	1392.8	1416.6	1508.4	1619.5	1759.6	1923.4	2100 3	1779.0	3594.6
Terms of trade (percentage change)	-2.5	-1.0	2.3	2.3	1.9	1.7	1.6	0.5	0.8	0.4
After enhanced HIPC Intiative assistance										
NPV of total debt 8/	...	1748.8	1800.3	1946.4	2077.4	2202.8	2347.6	2517.9	2246.7	4113.1
NPV of old debt 8/	...	1748.8	1647.6	1632.9	1599.1	1562.4	1530.3	1507.9	1573.4	1335.4
NPV of new debt 8/	..	...	152.7	313.5	478.4	640.5	817.3	1010.1	757.6	2777.7
NPV of debt to exports ratio (in percent) 4/ 6/ 8/		136.6	130.8	135.2	137.1	135.2	132.8	130.6	132.5	122.5
Debt service ratio (in percent) 7/	..	6.6	6 7	6.7	8.1	8.6	7.8	7.0	7 1	5.2

1/ On a fiscal year basis (July-June).

2/ 1999/00 figures are estimated for decision point, actual for completion point.

3/ 2000/01 figures are estimated for completion point.

4/ As defined in IMF Balance of Payments Manual, 5th edition, 1993, and calculated on a fiscal-year basis.

5/ Assumed committed unconditionally at end-June 1999

6/ Based on a three-year backward looking average of exports.

7/ In the decision point document, the debt service ratio was calculated incorrectly as a percentage of the three-year backward looking average of exports of goods and non-factor services, instead of the current fiscal year annual export data.

In the completion point document, the debt service ratio is calculated as a percentage of the current fiscal year annual export data.

8/ Assumed committed unconditionally at end-June 2001.

Table 15: Tanzania: Comparison of NPV of External Public Debt Between Decision and Completion Points

(In millions of U.S. dollars, unless otherwise indicated; stock at end-June 2001)

	Decision Point DSA (Projection) 1/		Completion Point DSA 2/		
	After traditional debt relief	After enhanced HIPC relief	After traditional debt relief	After enhanced HIPC relief	After additional bilateral relief 3/
NPV of debt using end-June 1999 parameters	4,111	2,042	3,974	1,926	1,514
Multilateral	2,297	1,247	2,129	1,109	1,109
Official bilateral and commercial	1,814	795	1,845	818	405
NPV of debt using end-June 2001 parameters	...	...	3,654	1,749	1,342
Multilateral	...	...	1,901	958	958
Official bilateral and commercial	...	...	1,752	791	384
NPV of debt-to-exports ratio (in percent) 4/					
Using end-June 1999 parameters	346	172	310	150	118
Using end-June 2001 parameters	...	...	285	137	105
Memorandum items:					
NPV of enhanced HIPC Initiative assistance 5/					
Using end-June 1999 parameters 6/	...	2,069	...	2,048	...
Using end-June 2001 parameters	...	...	. .	1,905	...
Exports of goods and services 7/					
Decision point	1,188	1,188	...	...	...
Completion point	..	...	1,280	1,280	1,280

Sources: Tanzanian authorities; and IMF/World Bank staff estimates.

1/ Debt sustainability analysis (DSA) based on stock of debt reconciled as of end-June 1999, assuming full (hypothetical) delivery of enhanced HIPC Initiative assistance.

2/ Based on stock of debt reconciled as of end-June 2001, assuming full (hypothetical) delivery of enhanced HIPC Initiative assistance.

3/ After debt relief beyond enhanced HIPC Initiative offered by some of the Paris Club creditors.

4/ Based on the average of three consecutive years of exports of goods and services ending in the current year.

5/ The value of assistance under the enhanced HIPC Initiative framework was determined at its March 2000 decision point, namely US$2,026 million in NPV terms, using end-June 1999 parameters (exchange rates and discount factors). The corresponding values for enhanced HIPC Initiative relief expressed as of end-June 2001 are provided for information only.

6/ The estimate of US$2,048 million expresses the value of the agreed assistance (US$2,026 million in NPV terms of March 2000) in NPV terms of end-June 2001.

7/ Average of three consecutive years of exports of goods and services ending in June 2001. Projections at the time of the decision point and actual data at the completion point under the enhanced HIPC Initiative framework

Table 16: Tanzania: External Debt-Service After Full Implementation of Debt-Relief Mechanisms, 2001/02-2020/21

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2020/21	2001/02-2010/11	2011/12-2020/21
				Projections							Outer year	Averages	
Total debt service													
after traditional debt-relief mechanisms 1/	224 0	221.4	230 3	234.4	238 9	241.4	237 2	232.8	235.7	242.0	262.9	233.8	244.0
Multilateral	111.1	112 6	125 9	143 1	151.6	159 1	153 9	147 0	147.8	152.2	121 9	140.4	132 1
World Bank Group	62 8	66 1	73 2	75 2	74.2	79 4	88.1	89 8	96 0	108 1	101.1	81 3	110.4
IMF	24 4	24.1	28 8	44.1	55 0	59 0	44 6	35 6	30.4	22 7	0 0	36.9	0 0
African Development Bank Group	10 2	11 0	12 3	12 2	12 1	11 9	12 8	13.8	14.0	14.1	17 1	12 4	16 6
Others	13.7	11 5	11.6	11 6	10.3	8 8	8 4	7.8	7 4	7.4	3 8	9.9	5.0
Official bilateral	95 6	88.3	86 0	73.5	76 6	78.4	79 3	81.7	83.6	85.4	135 2	82 9	107 0
Paris Club	72 4	63.6	64 8	53 1	54 7	56.3	55 5	57.2	59.1	61 1	100.3	59.8	79 0
Other official bilateral	23 2	24.7	21 2	20 5	21.9	22 1	23 8	24.5	24.5	24 3	34 9	23.1	28 0
Commercial 2/	17.2	20.5	18.5	17 8	10.7	3 9	4.0	4 1	4 2	4.3	5 8	10.5	4 9
Total debt service													
after enhanced HIPC assistance 3/	92 5	95.4	121 2	138 2	135 4	128 4	119 0	109 4	113.4	108 6	150 6	116 2	86 8
Multilateral	32 0	32.5	45 1	65 8	75 7	81 9	74 3	66 3	72 9	72 5	121 2	61.9	59 8
World Bank Group	21 5	22 4	25 1	26 5	25.4	27 9	33 9	34.5	37 3	45 0	101 1	29.9	50 8
IMF	1 8	4 2	14 0	32 9	44 3	48 8	34 9	26 3	30 4	22.7	0 0	26.0	0 0
African Development Bank Group	2.3	2 7	2.8	2 8	2 7	2 7	3 1	3 4	3 1	2.8	17 1	2 8	6 0
Others	6.4	3 2	3.2	3 6	3.3	2 6	2.4	2 1	2 1	2 1	3 0	3 1	3 0
Official bilateral	44 3	43 2	58 5	55 4	50 0	43 6	41 9	40 2	37 6	33 1	26 2	44 8	24.0
Paris Club	25 1	21.4	37 0	34.8	32 8	30 9	28 0	26 0	23 7	19 6	10.5	27 9	10 8
Other official bilateral	19.2	21.8	21 5	20 6	17 1	12 7	13 9	14 2	13.9	13 5	15.7	16 8	13 2
Commercial 2/	16 2	19 7	17 7	17 0	9 8	2.9	2 9	2.9	2.9	3 0	3 2	9 5	3 0
Total debt service													
after bilateral debt relief beyond HIPC 4/	88 6	79 2	90 5	109 4	107 1	100 7	94,1	86 3	92 3	91 4	140 1	94 0	77 6
Multilateral	32 0	32 5	45 1	65.8	75 7	81 9	74 3	66 3	72 9	72 5	121 2	61 9	59.8
Official bilateral	40 4	27.0	27 8	26 5	21 6	15 9	17 0	17 1	16 5	15 9	15 7	22 6	14 8
Paris Club	21 2	5 2	6 3	5 9	4.5	3 2	3 1	2.9	2 6	2 4	0 0	5 7	1 5
Other official bilateral	19 2	21 8	21 5	20 6	17 1	12 7	13 9	14 2	13 9	13 5	15 7	16 8	13 2
Commercial 2/	16 2	19 7	17 7	17 0	9 8	2 9	2 9	2 9	2 9	3 0	3 2	9 5	3 0
Memorandum items													
Debt service of new debt	3 0	6 1	9 2	12 3	15 5	19.0	27 7	36 6	52 3	64 2	214 5	24 6	132 4
Multilateral	3 0	6 1	9 2	12 3	15 5	19 0	27,7	36 6	52 3	64 2	214 5	24 6	132 4
Official bilateral	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
Nominal HIPC Initiave relief	131 5	126 0	109.1	96 2	103 4	113 0	118 2	123.5	122 2	133 3	112 3	117 7	157 2
Of which multilateral	79 2	80 1	80 8	77 3	75 9	77 2	79.6	80 8	74 9	79.7	0 7	78 5	72 3

Sources: Tanzanian authorities, and IMF/World Bank staff estimates and projections.

1/ Assumes a stock-of-debt operation under Naples terms at end-June 1999 for official bilateral and commercial creditors and full delivery of original HIPC Initiative assistance

2/ Reflects the clearance of arrears from 2001/02 to 2004/05

3/ Includes debt relief from the April 2000 Paris Club flow rescheduling under Cologne terms and assumes a stock-of-debt operation under Cologne terms at Completion Point

4/ After debt relief beyond HIPC Initiative offered by some of the Paris Club creditors

Table 17: Tanzania: Sensitivity Analysis of Debt Sustainability, 2001/02-2020/21 1/

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2020/21	2001/02-2010/11	2011/12-2020/21
	Estimates										Outer Year	Averages	
Baseline scenario													
NPV of debt-to-exports ratio 2/	130.8	135.2	137.1	135.2	132.8	130.6	128.2	126.3	124.1	122.3	117.4	130.3	122.0
Debt service-to-exports ratio 2/	6.7	6.7	8.1	8.6	7.8	7.0	6.4	5.9	6.2	6.0	6.4	6.9	5.1
Debt service-to-revenue ratio 3/	8.3	7.8	9.2	9.7	8.8	7.7	7.0	6.2	6.4	6.0	4.9	7.7	4.4
Grant element in total debt	60.6	60.0	59.6	59.2	58.7	58.0	57.4	56.7	56.2	55.7	49.6	58.2	52.2
Grant element in new debt	63.2	62.5	61.8	61.5	61.0	60.4	59.9	59.3	58.9	58.5	53.4	60.7	55.9
Alternative scenario - Lower growth 4/													
NPV of debt-to-exports ratio 2/	129.7	133.2	135.6	135.6	136.3	138.1	140.0	142.4	144.3	146.7	176.9	138.2	165.6
Debt service-to-exports ratio 2/	6.5	6.6	8.2	9.1	8.7	8.2	7.5	7.2	7.8	7.8	10.4	7.8	7.3
Debt service-to-revenue ratio 3/	8.1	8.1	9.8	10.8	10.1	9.2	8.3	7.6	8.1	7.8	8.5	8.8	6.4
Grant element in total debt	60.8	60.3	59.9	59.6	59.2	58.5	57.9	57.4	57.0	56.5	50.9	58.7	53.4
Grant element in new debt	62.9	62.0	61.4	61.1	60.6	60.0	59.5	59.0	58.6	58.2	52.9	60.3	55.3
Alternative scenario—lower project grants 5/													
NPV of debt-to-exports ratio 2/	130.8	135.2	138.0	138.0	138.4	138.8	138.8	139.2	139.2	139.5	148.2	137.6	147.8
Debt service-to-exports ratio 2/	6.5	6.5	7.9	8.6	8.0	7.3	6.6	6.1	6.5	6.4	8.5	7.0	6.5
Debt service-to-revenue ratio 3/	8.0	7.6	9.1	9.7	9.0	8.0	7.1	6.5	6.7	6.4	6.6	7.8	5.6
Grant element in total debt	60.9	60.4	59.9	59.5	58.9	58.1	57.3	56.6	56.0	55.5	49.2	58.3	52.0
Grant element in new debt	63.2	62.5	61.4	60.5	59.3	58.2	57.3	56.4	55.7	55.1	48.9	59.0	51.8

Sources: Tanzanian authorities; and IMF/World Bank staff estimates and projections.

1/ Including new debt. All years on July-June basis.

2/ As defined in IMF, Balance of Payments Manual, 5th edition, 1993. NPV of debt ratio is based on a three-year average of exports on the previous year (e.g., export average over 1998/99-2000/01 for NPV of debt-to-exports ratio in 2000/01). The debt service ratio is based on contemporary exports.

3/ Revenue is defined as central government revenue, excluding grants.

4/ Growth of real GDP is assumed to be 3.1 percent per annum (average growth rate for the 1990s) compared to 6 percent in the baseline scenario, starting from 2001/02 onward. Export and import volumes have been lowered, consistent with the lower GDP growth.

5/ Grants in external financing are assumed constant in nominal terms at US$740 million annually from 2001/02 to 2020/21.

Table 18: HIPC Initiative: Status of Country Cases Considered Under the Initiative, November 8, 2001

Country	Decision Point	Completion Point	Target NPV of Debt-to-Export (in percent)	Target NPV of Debt-to-Gov. revenue (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilateral	Multilateral	IMF	World Bank	Percentage Reduction In NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
Completion point reached under enhanced framework											
Bolivia					1,302	425	876	84	193		2,060
original framework	*Sep. 97*	*Sep. 98*	*225*		*448*	*157*	*291*	*29*	*53*	*14*	*760*
enhanced framework	*Feb. 00*	*Jun. 01*	*150*		*854*	*268*	*585*	*55*	*140*	*30*	*1,300*
Mozambique					2,022	1,270	753	143	443		4,300
original framework	*Apr. 98*	*Jun. 99*	*200*		*1,716*	*1,076*	*641*	*125*	*381*	*63*	*3,700*
enhanced framework	*Apr. 00*	*Sep. 01*	*150*		*306*	*194*	*112*	*18*	*62*	*73*	*600*
Uganda					1,003	183	820	160	517		1,950
original framework	*Apr. 97*	*Apr. 98*	*202*		*347*	*73*	*274*	*69*	*160*	*20*	*650*
enhanced framework	*Feb. 00*	*May 00*	*150*		*656*	*110*	*546*	*91*	*357*	*37*	*1,300*
Decision point reached under enhanced framework											
Benin	Jul. 00	Floating	150		265	77	189	24	84	31	460
Burkina Faso					398	56	342	42	162		700
original framework	*Sep. 97*	*Jul. 00*	*205*		*229*	*32*	*196*	*22*	*91*	*27*	*400*
enhanced framework	*Jul. 00*	*Floating*	*150*		*169*	*24*	*146*	*20*	*71*	*27*	*300*
Cameroon	Oct. 00	Floating	150		1,260	874	324	37	179	27	2,000
Chad	May. 01	Floating	150		170	35	134	18	68	30	260
Ethiopia	Nov. 01	Floating	150		1,275	482	763	34	463	47	1,930
Gambia, The	Dec. 00	Floating	150		67	17	49	2	22	27	90
Guinea	Dec. 00	Floating	150		545	215	328	31	152	32	800
Guinea-Bissau	Dec. 00	Floating	150		416	212	204	12	93	85	790
Guyana					585	220	365	75	68		1,030
original framework	*Dec. 97*	*May 99*	*107*	*280*	*256*	*91*	*165*	*35*	*27*	*24*	*440*
enhanced framework	*Nov. 00*	*Floating*	*150*	*250*	*329*	*129*	*200*	*40*	*41*	*40*	*590*
Honduras	Jul. 00	Floating	110	250	556	215	340	30	98	18	900
Madagascar	Dec. 00	Floating	150		814	457	357	22	252	40	1,500
Malawi	Dec. 00	Floating	150		643	163	480	30	331	44	1,000
Mali					522	162	361	58	182		870
original framework	*Sep. 98*	*Sep. 00*	*200*		*121*	*37*	*84*	*14*	*44*	*9*	*220*
enhanced framework	*Sep. 00*	*Floating*	*150*		*401*	*124*	*277*	*44*	*138*	*28*	*650*
Mauritania	Feb. 00	Floating	137	250	622	261	361	47	100	50	1,100
Nicaragua	Dec. 00	Floating	150		3,267	2,145	1,123	82	189	72	4,500
Niger	Dec. 00	Floating	150		521	211	309	28	170	54	900
Rwanda	Dec. 00	Floating	150		452	56	397	44	228	71	810
Sao Tome & Principe	Dec. 00	Floating	150		97	29	68	-	24	83	200
Senegal	Jun. 00	Floating	133	250	488	193	259	45	124	19	850
Tanzania	Apr. 00	Floating	150		2,026	1,006	1,020	120	695	54	3,000
Zambia	Dec. 00	Floating	150		2,499	1,168	1,331	602	493	63	3,820
Decision point reached under original framework											
Côte d'Ivoire	Mar. 98	...	141	280	345	163	182	23	91	6 3/	800
Total assistance provided/committed					**22,159**	**10,296**	**11,735**	**1,791** 4/	**5,422**		**36,620**
Preliminary HIPC document issued 5/											
Ghana	...	...		250	2,096	1,002	1,095	122	767	55	3,200
Sierra Leone	...	...	150		553	189	326	121	119	79	900

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

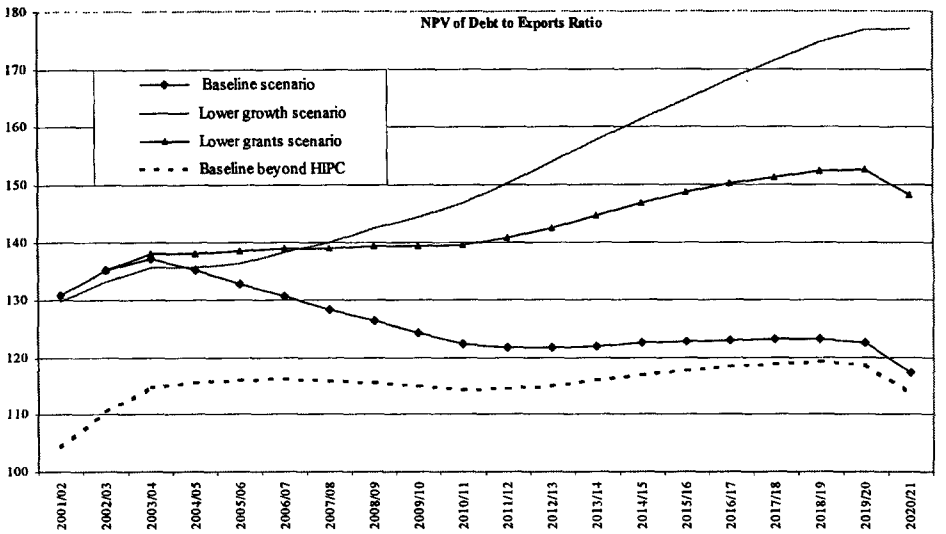
2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

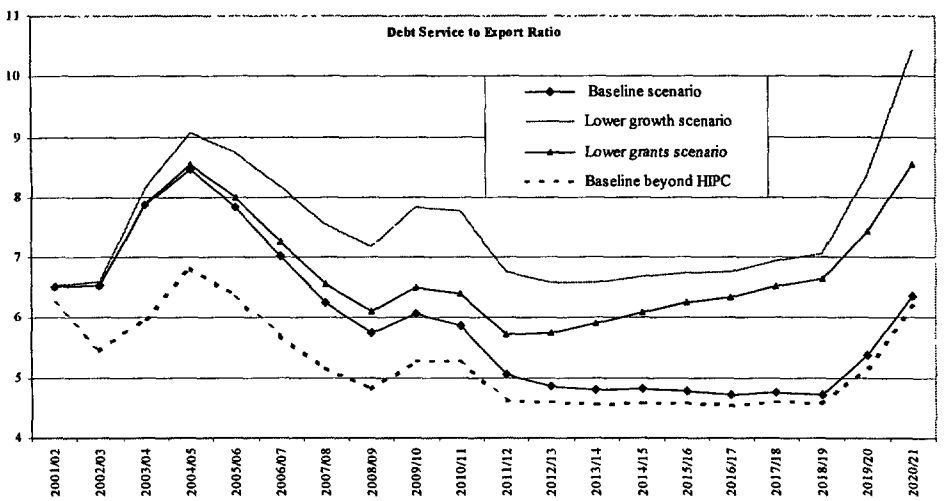
3/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional Restructuring, is excluded from the NPVof debt at the completion point in the calculation of this ratio.

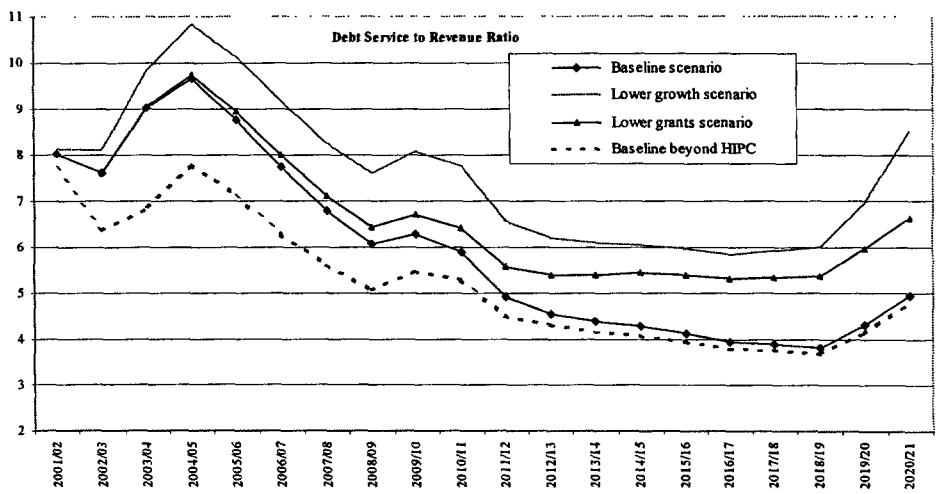
4/ Equivalent to SDR 1,398 million at an SDR/USD exchange rate of 0.7806, of November 1, 2001.

5/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change.

Figure 1: Sensitivity Analysis of Debt Sustainability, 2001/02-2020/21







APPENDIX 1

Tanzania: Debt Management

INSTITUTIONAL FRAMEWORK

Debt management is the joint responsibility of the Ministry of Finance and the Bank of Tanzania (Central Bank). Public or publicly guaranteed debt can only be contracted with the approval of the Ministry, however the technical work related to the granting of state guarantees is handled by both the Ministry and the Bank of Tanzania. The government prepares and publishes a comprehensive annual debt strategy report in addition to monthly and quarterly reports.

DEBT RECORDING AND REPORTING

Monitoring of public and publicly-guaranteed debt has been good. The loan data is maintained using the Commonwealth Secretariat database system, CS-DRMS. The database is generally up-to-date and is regularly maintained by both the Ministry and the Bank of Tanzania. Information on contracts, disbursements, debt service and reports are exchanged weekly between the Ministry and the Bank of Tanzania. However, the current system is not able to produce data directly in an analytical form.

DEBT MANAGEMENT AND BORROWING STRATEGY

A committee is in place, composed of the Ministry of Finance, the Bank of Tanzania, the Planning Commission, the Attorney General Chamber and Sectoral Ministries, to oversee debt management and coordination. Procedures are also in place to track the public sector's debt servicing needs and the impact on the budget and Balance of Payments. Borrowing policy is developed by a committee comprised of the Ministry of Finance, the Bank of Tanzania, the Planning Commission and Attorney General Chambers.

ANALYTICAL CAPACITY

The technical staff at both the Ministry of Finance and the Bank of Tanzania are experienced and knowledgeable about debt issues and have carried out numerous debt restructuring renegotiations. There is more limited capacity within the debt teams to integrate debt and macroeconomic simulations and have tended to be produced in conjunction with the Bank and the Fund.