The Loan Contraction Process in Africa

The Case of Tanzania

AFRODAD

African Forum and Network on Debt and Development

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About AFRODAD

AFRODAD Vision

AFRODAD aspires for an equitable and sustainable development process leading to a prosperous Africa.

AFRODAD Mission

To secure policies that will redress the African debt crisis based on a human rights value system.

AFRODAD Objectives include the following:

1. To enhance efficient and effective management and use of resources by African governments;
2. To secure a paradigm shift in the international socio-economic and political world order to a development process that addresses the needs and aspirations of the majority of the people in the world.
3. To facilitate dialogue between civil society and governments on issues related to Debt and development in Africa and elsewhere.

From the vision and the mission statements and from our objectives, it is clear that the Debt crisis, apart from being a political, economic and structural issue, has an intrinsic link to human rights. This forms the guiding philosophy for our work on Debt and the need to have African external debts cancelled for poverty eradication and attainment of social and economic justice. Furthermore, the principle of equity must of necessity apply and in this regard, responsibility of creditors and debtors in the debt crisis should be acknowledged and assumed by the parties. When this is not done, it is a reflection of failure of governance mechanisms at the global level that protect the interests of the weaker nations. The Transparent Arbitration mechanism proposed by AFRODAD as one way of dealing with the debt crisis finds a fundamental basis in this respect.

AFRODAD aspires for an African and global society that is just (equal access to and fair distribution of resources), respects human rights and promotes popular participation as a fundamental right of citizens (Arusha Declaration of 1980). In this light, African society should have the space in the global development arena to generate its own solutions, uphold good values that ensure that its development process is owned and driven by its people and not dominated by markets/profits and international financial institutions.

AFRODAD is governed by a Board of seven people from the five regions of Africa, namely East, Central, West, Southern and the North. The Board meets twice a year. The Secretariat, based in Harare, Zimbabwe, has a staff compliment of Seven programme and five support staff.

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Preface

The 2002 Monterrey Financing for Development Conference established a consensus among the international development community that 'sustainable foreign borrowing' will remain an important source of capital to finance private and public investment in developing and least developed countries for the foreseeable future.

Research findings show that governments and international financial institutions often negotiate and sign loan agreements in a non-transparent and non-accountable way. In some cases the government may overrule their parliament's objections to a loan, and often parliaments end up rubberstamping new lending agreements without being properly involved in the decision-making process. On the other hand, civil society organizations have played a very limited role at any stage of lending agreements. There is no formal legislation to involve them in the loan cycle, and they lack the resources and skills to research, advocate on and monitor government loans.

Citizens' groups need to be allowed to scrutinize the process by which aid-recipient countries agree to take on the terms and conditions of a loan. This should help to avoid lending and borrowing mistakes, which in the past have led to the build-up of unsustainable debt that now has to be paid off at the cost of financing the MDGs. Citizens' organizations and the bodies that represent the interests of different groups of poor people in the formal democratic process need to be informed about the purpose of every project and programme financed by new loans, including the associated risks of the loan in the light of a country's existing unpaid loans and economic indicators. Public debate should inform the final decision of governments and creditors on the content of development projects and programmes, as well as the most appropriate form of finance. The MDG targets, which may differ from country to country, provide a useful political tool that allows citizens to hold their governments and creditor institutions to account.

This study shows that although Tanzania has been a destiny for a number of donors and the country is also a beneficiary of the Multilateral Debt Relief Initiative (MDRI) its loan contraction process still leaves a lot to be desired if it is not to slide back to indebtedness. A number of legal and structural improvements are still required. The study looks at the institutional framework for managing aid, aspects of effectiveness of aid, indebtedness, capacity building, aid coordination and aid conditionality. The poorly funded ministry of finance debt structures poses a threat to the long term sustainability and management of loans and debts in Tanzania.

The lack of a coherent coordination and equitable training to both staff at the ministry of finance and those at the central bank only serves to reinforce the fact that a bold vision is now needed in policy design and implementation, drawing on the experience of both post-colonial and adjustment periods, as well as drawing on lessons from successful industrialization and development in East Asia and elsewhere. Needless to underscore the need for monetary and fiscal discipline, macro-economic stability, constitutionalism, good governance and effective institutions, on the role of the African state in developing human and physical infrastructure and promoting effective market and regulatory institutions, a competent, professional and autonomous bureaucracy which has seen considerable erosion after two decades of emphasis on a small state.

There is need for continuous check against having Tanzania failing to achieve most of the MDGs except for education and gender equity.

Charles Mutasa

Executive Director

AFRODAD

Table of Contents

List of Acronyms

BOT	-	Bank of Tanzania
CGG	-	Campaign for Good Governance
CS-DRMS	-	Commonwealth Secretariat Debt Recording and Management System
CSOs	-	Civil Society Organizations
GNP	-	Gross National Product
IDA	-	International Development Agency
IMF	-	International Monetary Fund
LDCs	-	Least Developed Countries
NDMC	-	National Debt Management Committee
NGOs	-	Non-Governmental Organizations
PRSP	-	Poverty Reduction Strategy Paper
SDR	-	1Special Drawing Rights
TASAF	-	Tanzania Action Social Fund
TASOET	-	Tanzania Social and Economic Trust
TDMC	-	Technical Debt Management Committee
TGNP	-	Tanzania Gender Networking Programme
TZS	-	Tanzanian Shilling

1.0 Introduction

Tanzania like many other developing countries has been the recipient of significant amounts of loans over the past three decades mostly from multilateral international financial institutions. The country undertook these loans with the aim of reducing poverty in the country. However, the receipt of loans by Tanzania has failed to lead to the achievement of the goal of raising the living standards and quality of life the poor. This implies that in terms of loan utilization, Tanzania has not pursued the best set of activities that are consistent with the achievement of its objective of poverty reduction. The failure of loans received by Tanzania to lead to poverty reduction has meant that such loans have also failed to spur the adequate economic growth which is necessary to enable the country to repay the loans. This has led the necessity to even borrow more eventually resulting in increased indebtedness whose servicing eats into available public resources that can be used for other more important pro-poor activities.

The failure of loans to achieve the noble goal of poverty reduction is not peculiar to Tanzania as it is quite common in most of the world's poorest countries. This is evident from the fact that of 85 countries which received IDA loans between 1980 and 1999, about two thirds derived little or no benefits as far as per capita wealth is concerned; only 13 % reduced their debt to GNP ratios; 80% became more indebted to the IDA; and 81% were in arrears. This goes to show that even when countries receive subsidized loans like those from the IDA, they are still not effectively utilized in achieving the objectives of acquiring the loans (IMF, 2001; World Bank, 2001).

The fact that loans have not been efficiently utilized in Tanzania to bring about improved living standards and quality of life which they were intended to do implies that it is necessary to take a closer look at the whole loan contraction process so as to pinpoint where exactly the problem lies. Failure of loans to achieve to achieve satisfactory social and economic development in Tanzania can be attributed to two things. First it could be that the terms of the loans may too hard to bring about social and economic improvement in the country. This may result from failure to find loans of reasonable nature as far as financial sustainability is concerned. This could be the result of existence of a poor loan contraction process. Secondly, the terms of the loans could be okay in terms interest and maturity period although there may be poor utilization due to the existence of a poor utilization framework

Failure of loans to bring about the desired affect of economic and social development in a country due to difficult loan terms is an indication of the failure of a country to adequately negotiate for loan terms that are not just financially sustainable but also morally sustainable. External loans have mostly failed to have a significant impact on poverty reduction in Tanzania because loan negotiations have mainly been anchored on the issue of financial sustainability viz a vis ratios that give an indication as to the ability of a country to repay its loans accordingly based on a threshold value. The important threshold in terms of external loans is a net present value of external debt to exports ratio of 150 percent. The idea is that a country with a net present value of external debt to exports ratio of less than 150 percent is doing okay and is thus capable of receiving more loans of less concessional nature and vice versa for countries with a net present value of external debt to exports ratio of more than 150 percent.

The problem with too much reliance on financial sustainability indicators to determine the extent to which a country is capable of servicing its loans is that it only focuses on the act of servicing the loans and ignores the activities that ultimately lead to the servicing of the loans. However, when the activities that lead to servicing of loans are scrutinized, it is found that a developing country like Tanzania faces significantly high opportunity costs for the sake of servicing its loans in order to maintain its status of being a credit worthy country. The high opportunity costs of servicing loans arise because the country has to for go financing of development plans which have significant impact on poverty reduction for the sake of servicing loans. The fact that a poor country like Tanzania is forced to for go some development initiatives in health, education, infrastructure and so on that are capable of making a significant dent on poverty in the country just for the sake of being able to service loans implies that although the loans can be said to be financially sustainable they definitely cannot be said to be morally or socially sustainable and therefore fail to be effective in bringing about reduction in poverty in the country. It is thus important for Tanzania to be more forceful in incorporating the moral and social sustainability element in its loan contraction process.

A very important aspect of the loans is the issue of how the loans are utilized.

This is an important aspect because even if the loan contraction process is adequate and a country succeeds in acquiring loans which are both financially and morally sustainable, there is still the issue of putting the loans to the most effective and efficient use as far as achieving the objectives of acquiring the loans which is generally poverty reduction. Thus the issue of effective utilization of loans takes centre stage in determining the extent to which loans are useful in improving the quality of life of people in Tanzania. When we speak of utilization of loans, two things come to mind. These are the activities to which the loans are put to and the existence of a framework to encourage and ensure the accountability of use of the loans in a manner that is consistent with the objectives of the loans.

Even though the objectives of loans are stipulated, the formulation of activities in order to operationalize the objectives of the loans so as to achieve them is not such a straight forward matter and thus requires extreme caution. Extreme caution is required because there is a tendency to confuse or pretend to confuse the difference between development and recurrent expenditure as regards the utilization of loan resources. This is apparent in projects and programmes which use significant chunks of loan resources to finance things pertaining to planning the undertaking of their activities and evaluation of activities such as wages, training and workshops and seminars at the expense of some activities that pertain to the actual execution of the project/programme objectives.

Accountability of the use of loan resources is crucial in ensuring that loans are effectively utilized because it puts a check on the institutions and people who are responsible for utilizing the loans so as to bring about the desired outcome from the acquisition of the loans. Accountability for loan utilization entails the matching of the use of loan resources and the achievement of stated outcomes of the loans. For accountability to be effective there must be mechanisms to ensure that adequate measures are taken to punish institutions which fail to deliver on the desired outcome from its use of loan resources apart from the customary reprimands given to individuals. In fact, such measures should involve should involve the cutting of financial allocations to such institutions as well as reducing their role in utilizing loan resources. Such measures would serve as an incentive for institutions that are responsible for utilizing loan resources to deliver effective and efficient outcomes from the utilization of the loan resources.

1.2 Purpose of Study

The study is premised on the understanding that the procurement, utilization and management of public loans and debts are a national and global issue and, therefore, should be seen to be transparent, accountable, participatory and inclusive. The processes of loan procurement and debt management require legitimacy and systematic planning to be sustainable. By making loans sustainable, governments will have extra revenue to support their social services and goods for development and enhance their people's welfare and reduce poverty. This study constructs a framework for rationalisation of the loan contraction and debt management process in these terms.

1.3 Overall Objective

The purpose of the study was to critically examine the loan contraction and debt management process in Tanzania and make recommendations on improving transparency, accountability and participation of the processes.

Specific Objectives

The specific objectives of the study were to:

- Assess existing loan agreements by creditor institution, nature of project or programme, conditions of each loan, maturity dates, interest rates and annual debt service.
- Outline the legal and institutional frameworks regulating Tanzania's borrowing practices and how these work in practice
- Examine the role of the IMF and World Bank and other major creditors/lenders' in the loan contraction process and their lending procedures paying special attention to openness, transparency and accountability.
- Examine the role of civil society in the loan contraction and monitoring process
- Examine the extent to which Tanzania as beneficiary of the Multilateral Debt Relief Initiative (MDRI), is preparing itself to maximize the use of debt relief resources to achieve the Millennium Development Goals (MDGs)

1.4 Methodology

Both primary and secondary sources of information were collected for the write up of this report. Primary data was gathered through interviews. Relevant government officials in the Ministry of Finance, Ministry of Planning and Economic Empowerment, and the Bank of Tanzania (BOT) were interviewed. Interviews were also had with the officials of donor institutions such as the World Bank, as well as officials of Non-governmental organizations and Civil Society Organizations.

As for secondary data, information on Tanzanian debt was obtained from the Ministry of Finance. Relevant documents published by the government, donor institutions, and civil society organizations were studied and reviewed.

1.5 Tanzania's Socio-Economic Background

Tanzania is one of the world's severely indebted poor countries. Without the 2005 multilateral debt relief, the country would have continued in a debt trap paying more in debt service than on health and education. The economy is heavily dependent on agriculture, which accounts for more than half of GDP, provides 85% of exports, and employs 80% of the work force. For more than 20 years after independence, its first president, Julius Nyerere, leader of the Chama Cha Mapinduzi, ruled Tanzania. Following a policy of self-help socialism, Nyerere improved welfare and educational standards but was less successful with the economy, which in the 1980s started to decline.

The World Bank, the International Monetary Fund, and bilateral donors have provided funds to rehabilitate Tanzania's deteriorated economic infrastructure. On 27 November 2001 the Bank and the Fund approved Tanzania's Poverty Reduction Strategy Paper (PRSP). The PRSP provided the basis for assistance from the Bank and the Fund as well as debt relief under the HIPC initiative. Tanzania's inability to serve its debt is vividly reflected not only in massive build-up of arrears but most importantly by the number of frequency of rescheduling. The structural adjustment programmes (SAPs) that have been designed to rescue debtors seem to have made the situation worse as Tanzania's debt increased rapidly from US$2 257 million in 1980 to more than US$5bilion at the beginning of the 1990s. . A combination of both external and domestic factors has caused Tanzania's debt problems. Tanzania's economic woes were compounded in 1979 and 1981 by a costly military intervention to overthrow President Idi Amin of Uganda.

Apart from external causes of poverty and continued indebtedness, internal factors such as domestic budget deficit, structural rigidity of the economy, inappropriate economic policy, inefficient public sector, the misconcepted investment policy, bureaucracy and corruption have been mentioned in various literature as some of the causes of poverty and indebtedness in Tanzania. In 1995, Benjamin Mkapa won the presidency in the first Multi-party elections as an anti-corruption crusader.

The existing weak legal and institutional framework has been another source of Tanzania's increasing economic doldrums and external public debt burden. Neither the Constitution of the United Republic of Tanzania of 1977 nor legislative Acts do provide enough direction and guidance for external public debt contraction, execution, management, transparency and accountability. Public participation has been very poor with the executive arm of government been the sole contractor and regulator, implementer and evaluator of financial resources especially external loans. Equally of importance to note is the role-played by state-owned companies and the large sum of loans advanced to them despite their inefficiency and losses. Although a number of loans were secured to establish the manufacturing, extractive and construction industries these experienced huge retrenchments and viability problems. Considering the high debt burden of Tanzania, its high dependence on donor funds and its high social and developmental needs, the Bank and Fund gave an early consideration of Tanzania's eligibility to the HIPC initiative.

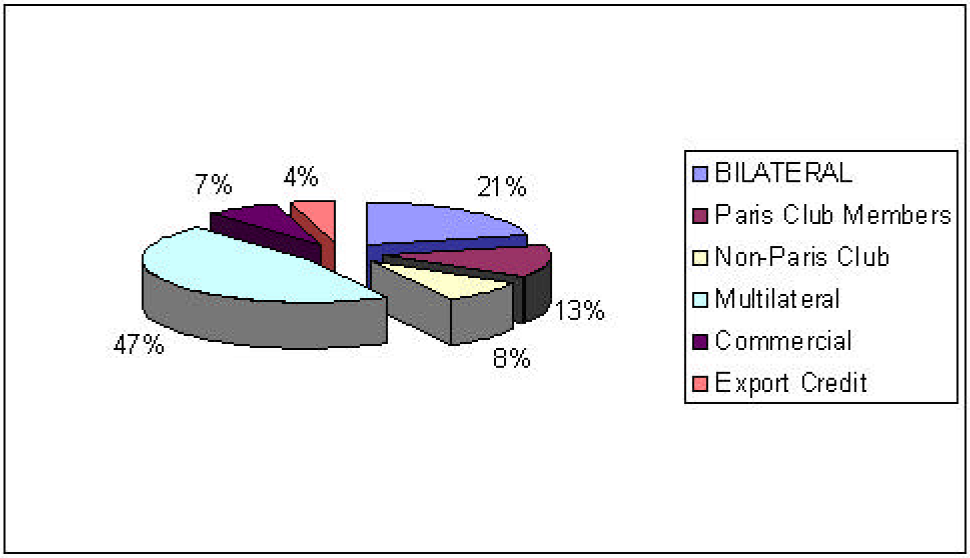
Tanzania external debt crisis was acknowledged as far back as 1993 when the government formulated its first External Debt Strategy (EDS). This was also the year when the foreign exchange regime changed and the currency started to be traded in twice-weekly auctions. Prior to that, private firms and parastatal organizations that wished to service their external debt obligations had done so by paying debt service in local currency to the Bank of Tanzania but BoT could not service the debts because of lack of foreign exchange. Thus the period before 1993 saw an increase not only in accumulation of arrears, but also in the proportion of the debt guaranteed by government.

1.6 An overview of Tanzania's Debt Status and Loan Agreements

Tanzania's external debt stock as at March 31, 2006 stood at US$ 8.0232 billion with about 59% of that being multilateral implying that the country mostly borrows from concessional sources. Chart 1 and appendix 1 shows a breakdown of Tanzania's debt stock as of March 31, 2006

Chart 1 reveals that almost half of loans Tanzania contracts are of the multilateral type. This is an indication of prudence since multilateral loans tend to be more concessional than other types of loans. Figure 1.1 shows the share of loans by creditor category.

Chart 1: Pie Chart of Creditor Category



Loans have to be put to good use in order for them to be effective in reducing poverty. Good use in this case is the disbursement of loans to activities which have significant effects on reducing poverty. Table 1.2 shows disbursed outstanding debt by use of funds.

Table 1: Tanzania's Disbursed Outstanding Debt by Use of Funds (Millions of US$) as of September 30, 2006

USE	AMOUNT DISBURSED	% DISBURSED OUTSTANDING DEBT
Balance of Payments Support	1,317.60	21.4
Infrastructure	1,110.80	17.3
Agriculture	1,058.10	16.4
Energy and Mining	942.50	14.6
Industry	391.50	6.1
Education	102.80	1.6
Tourism	80.10	1.2
Others	1,030.80	16

Table 1 reveals that balance of payments support is the leading benefactor of disbursed outstanding debt. Balance of payments support unfortunately pertains more to stabilization than to poverty reduction as it has quite a low impact on poverty reduction. The amount of disbursed outstanding debt going to agriculture is a meagre 16.4%. This amount seems quite small relative to the significance of the agriculture sector to the Tanzanian economy. The agriculture sector is important in Tanzania because it produces about half the national output and employs about 80% of the labour force in the country. Serious investment in agriculture thus helps to improve the life of many people in the country and should thus be a priority when it comes to the disbursement of loans.

Table 1 however reveals that this is not the case as disbursements have also targeted uses such as energy and mining, tourism which have low level of linkages in the economy which result in low poverty reduction impact. It can thus be said that the disbursement of loans in Tanzania is not consistent with uses which have high poverty reduction impacts.

Tanzania has diverse creditors of different nature i.e. multilateral, bilateral and commercial. Thus, the country's debt stock is a reflection of this diverse nature of creditors. This has ultimately resulted in the debt stock being composed of different loans with differing maturity dates, interest rate and purpose. Appendix 2 shows a sample of the country's loans with their terms.

2.0 Loan Contraction - Legal and Institutional Framework

This chapter assesses previous and current practice in Tanzania's external public debt management and the country's legal and regulatory framework. This chapter assesses previous and current practice in Tanzania's external public debt management and the country's legal and regulatory framework

The authority to borrow externally on behalf of the country in Tanzania is given to the Minister of Finance under the provisions of the Loans, Guarantees and Grants Act No. 30 of 1974 which was revised in 2004 which applies Mainland Tanzania and Zanzibar. The Act empowers the Minister of Finance to borrow for and on behalf of the Government loans of such sums as in the opinion of the Minister are necessary to defray expenditure which may lawfully be defrayed. Lawfully defraying in this case implies that the authority conferred upon the Minister of Finance shall be exercised that in no financial year shall:

(a) The aggregate of the service cost becoming due and payable in respect of all outstanding foreign loans during that financial year and the four succeeding financial years exceed fifteen per centum of the average annual foreign exchange earnings computed on the basis of the annual foreign exchange earnings of the preceding three financial years;

(b) The aggregate of the service cost becoming due and payable in respect of all outstanding loans (both foreign loans raised under this section and local loans raised under Part III) during that financial year and the four succeeding financial years exceed thirty per cent of the average annual recurrent revenue computed on the basis of the three proceeding financial years.

2.1 Legal Framework

The legal and regulatory framework for loan contraction in Tanzania is rooted in the Constitution of the United Republic of Tanzania (URT) of 1977 with various legislation including Act No. 30 on Government Loans, Guarantees and Grants of 1974, (which was amended by Act No 9 of 2003); the Public Finance Act of 2001; and the corresponding regulations and standing orders made by Minister for Finance, to regulate the business of official public loan contraction in Tanzania.

Article (141) in the Constitution makes specific reference to public debt. It reads:

(1) The public debt of the United Republic shall be secured on the Consolidated Fund of the Government of the United Republic.

(2) For the purpose of interpretation of this article, "the public debt" means the debt itself and also the interest charged on it, sinking fund payments in respect of that debt and the costs, charges and expenses incidental to the management of that debt.

The Loans, Guarantees and Grants Act No. 30 of 1974 which was revised in 2004 gives the Minister of Finance the authority to borrow on behalf of Government agencies, departments and parastatal organizations as well as to guarantee loans to parastatal organizations. The authority conferred upon the Minister of Finance is exercised in line with the debt management objectives of the National Debt Strategy upon advice by the National Debt Management Committee which is one of the two debt management committees that are in place to enable the Minister to exercise his/her authority to borrow externally. These are the National Debt Management Committee (NDMC) and the Technical Debt Management Committee (TDMC).

The Constitution and the statutes mentioned above are not exhaustive nor are they comprehensive in matters pursuant to external public borrowing. The Legislature, under both the Constitution and the statute, is not given legal powers to oversee Tanzania's external public debt. Nor is it the external public borrowing approving authority, although best practice in external debt contraction suggests that it should be. Consultation with civil society (the supposed beneficiaries) before loan contraction is not mentioned anywhere, either in the Constitution or in the statutes.

External borrowing powers are concentrated in the hands of the Minister of Finance. The Government Loans, Guarantees and Grants Act (No. 30 of 1974) empowers the Minister of Finance to raise or contract loans and grants on behalf of the government. Under the same Act the Minister of Finance was authorized to delegate to a public officer the authority to execute any agreement or instrument relating to a loan or guarantee raised on behalf of the government.

Tanzania's external borrowing practice has a number of weaknesses and flaws the greatest being poor administration and not being properly observed. There are cases where unauthorized persons contracted loans without the consent of the Minister of Finance. This partly explains some foreign loans being contracted without respect for the legal limits, leading to the current unsustainable foreign debt burden.

Tanzania's current external public debt burden is ascribed to the inadequacy of Act No 30 of 1974. The law fell short of conformity to external public debt best practices with regards to public participation, regulatory framework for public debt management, external borrowing and external debt management.

The eventual response to these shortcomings came in March 2003, through an Act of Parliament to amend Government Loans, Guarantees and Grants Act No. 30 of 1974 and replace it with the Government Loans, Guarantees and Grants (Amendment) Act No. 9 of 2003.

2.2 Borrowing Strategy and Negotiations

The Statutes provide guidance on administrative strategy geared to promote operational efficiency in external public borrowing and negotiations thereof. The Constitution is silent on matters pertaining to borrowing strategy and negotiations, except for a brief explanation of 'safe custody of the gains' from public debt and providing the constitutional meaning of the same.

Act No. 30 of 1974 sheds light on Tanzania's borrowing strategy and negotiations practices. The institutional set up defining borrowing strategy and negotiations in Tanzania involves four key central institutions, namely, the Ministry of Finance; the Planning Commission (now Presidents Office-Planning and Privatisation); the Attorney General's Chambers; and the Bank of Tanzania - the Central Bank.

The Attorney General's Chambers provide legal opinions at the time of loan negotiation so as to ensure that agreements are in line with the 1974 Act No. 30 on Government Loans, Guarantees and Grants, as amended by the 2003 Act No. 9 on Government Loans, Guarantees and Grants.

As mentioned earlier in this report, external borrowing is guided by the national Debt Strategy (NDS). The policy sets such benchmarks as DSA compulsion to determine grant element minimum of 35 percent, interest rate maximum of 1 percent, grace period minimum of 7 years, loan repayment period minimum of 23 years and undertaking regular debt sustainability analysis (six months).

Processing for external debt to finance a project/programme usually starts and is, therefore, raised by beneficiary. Loan beneficiaries, say, independent project/programmes, quasi government institutions, government departments or public corporations, established and operating within government ministries make relevant requisitions by way of project/ programme proposals.

Be they for extending the existing or initiating new project/programmes, proposals are presented to project planning departments in parent ministries. The latter appraise proposals, weighing their respective social, economic and environmental viability (significance). Expert level project/programme consultative process may start right at this stage. If satisfied, proposals are forwarded, for further review, to the National Budget Committee based in MoF. The Committee assesses financial viability aspects of the proposals, make recommendations and forward the same to PO-PP.

PO-PP may commission feasibility study, whenever deemed necessary, especially for clearing such mandatory technical issues as EIA. Moreover PO-PP may allow potential financiers to participate in the process at this stage, in which case they provide risk capital.

Upon clearance, PO-PP takes the proposals with recommendation for financing, back to MoF. At this stage a number of technical personnel addressing the legal, coordination, managerial and administrative, Monitoring and Evaluation (M&E) and financial aspects, come into the loan cycle to facilitate processes leading to access at external credit facility. Office of the Attorney General, BoT, National Debt Management Committee (NDMC), which is the advisory body (with legal powers) to the Minister for Finance on all matters relating to debt management; and the Technical Debt Management Committee (TDMC) of the National Committee, will all come in at this stage.

The loan cycle covers activities for project identification, project appraisal and approval, loan negotiations and contracting, loan disbursement, implementation and monitoring, project evaluation as well as loan repayment.

Nevertheless, in most cases the procedures explained for accessing external credit funding facility are not always adhered to. Projects/programmes in which creditors have vested interest do not follow all these procedures, but usually start at MoF. This is partly because creditors already have the financial and expertise, which local concerns seeking credit facility must indicate to command beyond reasonable doubt. In fact this is the weakness. Another weakness is the practice of appealing to Cabinet in cases where external loan applications fail to get PO-PP's approval.

The Central Bank (BoT) effects the payments, monitors the private sector debt and keeps those records of public debt flows required for their overall objective to preserve monetary stability. The Ministry of Finance has been strengthening its debt management capacity by recruitment and training of new staff and investment in Information Technology (IT) infrastructure. As a result, some of duties previously performed by the BoT are being transferred to the Ministry of Finance.

2.3 Role of Public Institutions

2.3.1 National Debt Management Committee (NDMC)

The National Debt Management Committee is an advisory body to the Minister of Finance on all matters relating to debt management and has the following functions:

a) to advise the Minister on matters relating to external and domestic borrowing, issuing of government guarantees and acceptance of grants on behalf of Government;

b) to monitor the implementation of the Annual Debt Strategy and borrowing plan approved by the Government for the ensuing quarter;

c) to prepare quarterly debt and budget execution reports;

d) to advise on the formulation of an Annual Debt Strategy and borrowing plan;

e) to monitor, co-ordinate and direct the activities of all government departments and institutions involved in the management of debt, grants and guarantees; and

f) to advise on the measures to be taken against any person for non-compliance of the provisions in the Act.

In terms of composition, the National Debt Management Committee is composed of The NDMC is composed of Permanent Secretaries drawn from the ministries of Treasury (Chairperson), Finance, Finance Zanzibar, President's Office, Planning and Privatization, Attorney Genera's office, Prime Minister's Office, Foreign Affairs and International Cooperation, as well as the Governor of the Central Bank, Accountant General (Ministry of Finance) and Accountant General (Ministry of Finance Zanzibar).

It is also important to note, especially with regard to institutional relations in loan negotiations, the following provisions from the statute (Act No. 9 2003) that the NDMC has a secretariat composed of not less than five and not more than seven members appointed from the TDMC and the Policy Analysis Department of the Ministry of Finance. Furthermore, the NDMC may from time to time form such sub-committees as it may determine where the need arises and it is in the interest of sustainable public debt management.

NDMC meetetings are held quarterly or at any time as may be advised by the TDMC. The NDMC regulates its own meeting procedures.NDMC members hold office by virtue of the offices they hold, and continue to be members of the NDMC for as long as they hold their offices and their successors shall also succeed them as NDMC members.

In a nutshell, Government Loans, Guarantees and Grants Amendment Act No. 9 of 2003 gives NMDC powers to authorise public external debt contracts. This law makes the Minister of Finance more accountable than in previous cases. In conformity to this law, the Minister of Finance is obliged to prepare the Annual Debt Strategy and Borrowing Plan, the quarterly Debt Strategy Implementation Report and Debt and Budget Execution reports. Furthermore, upon government approval the Minister of Finance shall be obliged to prepare and submit to Parliament semi-annual debt strategy and borrowing plan, debt strategy implementation report and debt and budget execution report.

2.3.2 Technical Debt Management Committee (TDMC)

The Technical Debt Management Committee serves as a technical committee to the National Debt Management Committee. It is entrusted with the duty of providing advice to the National Debt Management Committee in respect to its functions. The TDMC is composed of the heads of the units involved in debt management from the respective institutions that have members in the NDMC and is chaired by the Commissioner of Policy Analysis in the Ministry of Finance.

2.3.3 The Minister of Finance's Responsibilities

The Minister of Finance has two main responsibilities pertaining to the execution of his/her authority to borrow for or on behalf of the Government. The responsibilities are:

1) Cause to be prepared for approval by the Government within three months prior to the commencement of the fiscal year
    a) An annual debt strategy and borrowing plan;
    b) A debt strategy implementation report on a quarterly basis;
    c) A debt and budget execution reports.
2) Cause to be laid semi-annually before the National Assembly the plans and reports in (1) above after approval by the Government.

2.3.4 National Assembly

The National Assembly has the power to alter the contents of the Government's annual estimates of public revenue and expenditure that pertain to loans by varying the ceilings for loans. Furthermore, Parliamentary committees examine and discuss reports which the National Assembly receives semi-annually from the Minister of Finance. These reports are the annual debt strategy and borrowing plan, quarterly debt strategy implementation report and debt and budget execution reports. A key committee in the loan contraction process is the Public Account Committee which examines all Government's Accounts and direct the respective Ministers to take necessary actions against Accounting Officers whose reports seem not to adhere to the relevant regulations and legislation.

Despite the fact that the PAC is, under the Parliamentary Standing Orders, empowered by law to conduct independent audits on all public spending and to take appropriate measures as deemed necessary according to provisions of the law, there is no documented evidence of the PAC ever coming out boldly on matters of external public debt.The PAC powers are compromised by the influence and dominance that the ruling Chama cha Mapinduzi (CCM) enjoys over the weak and fragmented opposition in parliament. The CCM has an 87 percent majority in the current Parliament.

2.3.5 Attorney General

The Attorney General is the member of the National Debt Management Committee which is the main advisory board to the Minister for Finance on all matters which relate to the national debt. The Attorney General provides legal advice during the loan contraction process so as to ensure that the process is consistent with legislation. Once the loan negotiations between the Government and potential creditors are concluded, the Attorney General examines the contents of the agreement in order to ascertain if it consistent with legislation. If the Attorney General approves of the contents of the agreement, he/she gives the Minister of Finance the green light to sign the agreement on behalf of the Government. If it happens that the Attorney General does not approve of the agreement, he/she advices the Government to negotiate for amendment of the agreement.

2.3.6 Internal Controls

Internal controls are an important aspect of the loan contraction process because they are aimed at ensuring that loans are utilized effectively with regards to their intended use. Internal controls pave the way for smoother loan contraction in the future due to the fact that their existence provides an incentive for the institutions utilizing the loans to perform effectively.

The responsibility of monitoring the implementation of a project funded by a loan lies with the project implementing agency/parastatal. However, this responsibility lies with the Ministry of Planning, Economy and Empowerment at the national level. The project coordinator of the respective line or sector ministry of which the agency/parastatal belongs is required by law to submit to the Ministry of Finance a report indicating the following:

- Disbursement of the loan.
- Utilization of the loan by item
- Compliance in repayment obligations for the loan.
- Impact assessment with respect to target, performance against targets, problem identification and corrective measures taken or to be taken.

After examining the reports from the line/sector ministries, the TDMC secretariat within the Ministry of Finance shall consolidate the reports and submit them to the which also shall submit it them the NDMC. It is this consolidated management report which forms the basis for preparing the Annual Debt Strategy and the borrowing plan which is assessed by the NDMC on quarterly basis and then used as a basis for advising the Minister of Finance accordingly.

2.3.7 Bank of Tanzania

The Bank of Tanzania is responsible for conducting domestic securities auctions, executing debt service payments, maintaining and settling accounts and reporting of debt data in line with policy and strategy and maintain debt data base. The Bank of Tanzania is the Government's Agent for executing loans both domestic and external loans as it is responsible for all loan disbursement and payments.

3.0 An analysis of the Loan Contraction Procedure

The Loans, Guarantees and Grants Act No. 30 of 1974 (amended in 2004) empowers the Minster of Finance to borrow on behalf of the Government, Government agencies and parastatals. There is a laid down procedure for facilitating such borrowing.

When a Government agency or parastatals wishes to get a loan from abroad it submits a request to the Chairman of the National Debt Management Committee within thirty days before the end of each quarter of each respective financial year. The request is then examined by the Technical Debt Management Committee to ensure that all information pertaining to purpose of financing, repayment schedule, collateral requirement, project implementation schedule, and other information are available. When the Technical Debt Management Committee is satisfied with the request it submits its recommendations to the National Debt Management Committee (NDMC) for further discussion in order to enable it to advice the Minister for Finance.

The National Debt Management Committee's advice to the Minister for Finance must take into consideration the following:

- Annual Debt Strategy and borrowing plan;
- New borrowing and guarantees to be issued quarterly
- Consolidated Debt Management and Execution reports on quarterly basis

The NDMC then provides the Minister for Finance with its recommendations on the request. After examining the NDMC's recommendations, the Minister will then make a decision to approve or disapprove the request. If the Minister approves the request, he/she will give the Permanent Secretary of the Ministry of Finance the go ahead to pursue the loan contraction on his/her behalf with the potential creditors.

A thorough examination of the legal framework regulating the Government's lending practices reveals several weaknesses which are:

a. Finance Minister's excessive powers: The Finance Minister has the authority to borrow on behalf of Government agencies, departments and parastatal organizations as well as to guarantee loans to parastatal organizations under the Loans, Guarantees and Grants Act No. 30 of 1974 (Revised 2004). Although the Minister uses such authority after receiving advice from the National Debt Management Committee (NDMC) which is an advisory body, such advice is not binding upon the Minister. The Minister can thus reject the NDMC's advice and still be in the bounds of the law. Such a situation leaves open the possibility of contraction of loans that may be not so effective in poverty reduction but instead just score political mileage by benefiting cronies and a small minority. It is thus necessary to make the NDMC's advice to the Finance Minister binding because the body is composed bureaucrats who are less prone to seek political mileage from their decisions than the Finance Minister who is basically a politician.

b. The National Assembly enters the monitoring and evaluation fray through its Parliamentary committees which examine and discuss the annual debt strategy and borrowing plan, quarterly debt strategy implementation report and debt and budget execution reports it receives semi-annually from the Minister of Finance. After examining the reports, the National Assembly can direct the respective Ministers to take necessary actions against Accounting Officers whose reports seem not to adhere to the relevant regulations and legislation. However, the National Assembly's role in the monitoring and evaluation of loan utilization is not as effective as it seems because of the fact that it has low capacity in terms of not having adequate staff that can provide members of parliament and its committees with expert advice necessary for effectively deciphering the reports received from the Government. The result of this is that the National Assembly usually fails in its role of controlling the Government's loan contraction activities. Such a situation leaves a gap for contraction of loans with little poverty reduction effects. Such weakness in the National Assembly can be rectified by recruitment of experts as well as establishment of an adequately staffed budget office.

c. Divergence of capacity of staff in various coordination units: Units that coordinate the loan contraction process in Tanzania are the departments of external finance, policy analysis and Accountant General's department in the ministry of finance as well as the Bank of Tanzania. The external finance department in the ministry of finance negotiate for the loans; the policy analysis department is involved with policy issues pertaining to loans while the Accountant General's department and the Bank of Tanzania record the loans. Amongst the four coordination units, it is the Bank of Tanzania which has the most trained staff relative to the staff in units in the ministry of finance. Most of the staff in the debt management section of the Bank of Tanzania have undergone intensive debt management training while this cannot be said for staff in the debt coordination units in the ministry of finance. Furthermore, the Bank of Tanzania has an adequate number of computers which have the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) software package installed. However, there is only a handful of staff in the ministry of finance that has undergone intensive debt management training.

The ministry of finance also does not have an adequate number of computers which have the CS-DRMS software package installed. The fact that there is a serious divergence in capacity of staff in the various debt management and coordination units implies that the debt coordination mechanism cannot work as efficiently as required. This is because low capacity in some coordination units tends to hinder the development of an effective feedback mechanism between debt analysis and macroeconomic planning. Such a situation will eventually lead to weakness in the loan contraction process via poor negotiation and utilization of loans subsequently dampening the effectiveness of such loans in reducing poverty.

The divergence of capacity of staff in the various debt coordination units is a result of the fact that although the various units are pursuing a single common goal of debt coordination, they do not have a tendency to behave as if they are pursuing a common broad objective. This is evident from the fact that the various units hardly have a common debt management training initiative in which there is a common training schedule for all the units involved in debt coordination. The units instead opt to pursue debt management training individually which results in divergence in capacity amongst the units which leads to an ineffective feedback mechanism between debt analysis and macroeconomic planning.

d. Difference between Written Laws and Normal Practice: One of the reasons for amending the Loans, Guarantees and Grants Act No. 30 of 1974 was to make the loan contraction process simpler and clearer by addressing issues which led to persistent divergence between the written laws and actual practice on the ground. Thus there is virtually no difference between the written laws and normal practice on the ground as far as loan contraction is concerned. However, a difference between written laws and normal practice can be found in the disbursement of loan funds after the loan contracts have been signed. The major problem here is that the disbursement of funds may at times fall behind schedule or may be different to the terms of the loan contract in terms of amount per disbursement.

Tanzania's borrowing powers are almost entirely concentrated in the executive arm of Government. The role of legislature (and the judiciary, where necessary) in the whole external public debt cycle is, by implication of the law, insignificant. Important to note also, is the inability of the law and the Constitution to define and set priority areas for which external public debt may be acquired. There is a conspicuous variation between development and recurrent expenditure in the national budgets, and the sources of financing.

4.0 The Role of Other Stakeholders

Both the IMF and the World Bank have established their country missions in Tanzania. These missions have been established in order to expedite the dialogue between the government and these Breton Woods institutions, and to speed up the processing of credit facility applications that the Tanzanian government often requests from the two institutions. According to IMF and the World Bank, they respect the sovereignty of member countries. Thus, they do not initiate loans processes, they just respond to loan applications. Of course, these institutions, as creditors participate in negotiations with the government regarding terms and conditions of the loans.

Over time, the two institutions have increasingly been sensitive to public opinion in developing countries. This has been partly a result of these institutions' reform programmes and policies being unpopular especially in the 1980s. The failure of the first generation programmes to alleviate poverty, and actually, in the majority of cases increasing the incidence of poverty, in reforming countries has also increased the sensitivity of these institutions to the plight of poverty in reforming countries. To a large extent, this has increased the bargaining power of governments in developing countries in negotiations with these institutions.

These institutions now realise that effective alleviation of poverty in Tanzania, and in developing countries in general, requires broad participation of stakeholders (the parliament, civil societies etc.). In principle, it is expected that loan contraction processes should draw into dialogue as broad a spectrum of stakeholders as possible. In the opinion of the IMF and World Bank, to what extent do stakeholders actually participate in the process is another question; but the point is that they strongly encourage broad participation.

The IMF (2004), in particular, believes that, compared to previous approaches, there is a significant improvement in stakeholders' participation. The fund notes that the current weaknesses (in stakeholders' participation) are due to the nascent domestic institutional processes for policy formulation and accountability. IMF has high hopes that institutional arrangements to sustain the process are beginning to develop around the budgetary cycle.

As far as loan contraction process is concerned, the major role of IMF and the World Bank can be summarized as follows:

- Providing technical support to government to facilitate efficient implementation of economic reform programmes;
- Monitoring and evaluation of development projects that have been financed by the institutions;
- Building and strengthening local capacity to carry out research that would inform policy making process; and
- In collaboration with the government, reviewing completed programmes, and making recommendations for follow up.

Generally, for both the World Bank and IMF, there is still a need for them to understand that solving poverty problems in developing countries need policies that go beyond "creating favourable macroeconomic framework

It has been common practice for WB and IMF officials to tend to prefer working with certain individuals (those they consider to be powerful) in institutions instead of following the laid down rules and procedures established primarily to make institutional systems work. This tendency has had a far reaching impact on power relations with respect to matters pertaining to decision making on external public borrowing.

5.0 The role of Civil Society in Loan Contraction

Since early 1990s, Tanzania has witnessed a proliferation of non-governmental organizations (NGOs) and civil society organizations (CSOs). However, very few NGOs and CSOs seem to be interested in the loan contraction process. Some NGOs such as ACORD-Tanzania, Tanzania Gender Networking Programme (TGNP), Tanzania Social and Economic Trust (TASOET), Rural Initiatives and Relief Agency, and Tanzania Association of NGOs have keen interest in the loans contraction process.

The Tanzania Coalition on Debt and Development (TCDD) is currently undertaking a small-scale district-level (Ilala District, Dar es Salaam) PRS expenditure tracking of corresponding debt relief funds, with some implication on monitoring of external debt.

Another CSO, the Campaign for Good Governance (CGG) is also doing expenditure tracking (small scale) in Kwimba district, Mwanza region. Moreover, HakiElimu, the Dar es Salaam-based elite advocacy group concerned with the rights to education (primary), undertook nationwide survey in 2002, tracking PRS funds allocated to districts for expending on education. Findings of the survey were alarming. Strong evidence was established indicating district officials' misuses of PRS funds allocated to education.

Some of the NGOs and CSOs have taken an active role in monitoring of programmes. For example, the Campaign for Good Governance (CGG) is tracking government expenditure in Kwimba district (Mwanza region). The Rural Initiatives and Relief Agency has helped 10 local communities track government programmes expenditures for health and education. The Haki Elimu advocacy group has been, since 2002, been monitoring and tracking funds allocated to districts to improve primary education. The group has been using the local media to reveal the misuse of funds and mismanagement of the programme.

Most of the NGOs and CSOs are critical of the loan contraction process. They perceive the process as being simply geared to maintaining the status quo; and 'putting markets and profits at the top of the agenda at the expense of the people'. They cite 'harsh conditionalities by the IMF, World Bank, and bilateral creditors to be among the major cause of poverty in Tanzania. In the eyes of these organizations, the loan contraction process lacks passion, popular democracy and mobilization.

The Tanzania Gender Networking Programme specifically believes that most of the debts to the World Bank are 'odious, accumulated on very unfair grounds based on tied aid and conditionalities, the perpetuation of unfair trade, and forcible opening up of the country's market and economy to importation of goods and services from outside without adequate protection of home industries, including agriculture'. The TGNP generally accuse the World Bank of its role in perpetuating in debt and neo-liberal macro-economic policies in Tanzania.

There is still a strong feeling among NGOs and CSOs that perhaps loan processes are not initiated by governments, but rather by creditors. NGOs and CSOs admit that in some occasions, the government do organize stakeholders' workshop to discuss programmes. Good examples that are cited are the Poverty Reduction Strategy Paper (PRSP) and the Agricultural Sector Development Strategy. However, they complain that whenever such opportunities arise, the workshops are last minute arrangements, hurriedly pushed up by the governments to beat the deadline set by donors and creditors. They argue that this denies them their right and opportunity to influence the loan contraction process to ensure it is in the interest of the nation.

It is important to not that the role of Civil Society in the process loan contraction is constrained by the weakness of some NGOs and CSOs. Some of these organizations (a few organizations) lack leadership and skilled personnel. Some of these organizations also lack credibility. Apparently, some of these organizations, very few, do not have any cause to champion. It appears the main reason for their existence is to generate income for their founders.

There are cases of these organizations involving themselves in mobilizing resources from donors for championing a cause (such as caring for the orphans), but the resources never reaching the targeted recipients. Unfortunately, the bad behaviour of these very few NGOs and CSOs tarnishes the image of the whole "NGO/CSO industry" to the extent of the government and the general public deciding not to take them seriously.

This is quite unfair, for the majority of these organizations are very serious, sincerely committed to champion the cause of disadvantaged groups.

The other serious constraint facing CSOs in influencing the loan contraction process is the lack of opportunities for these organizations to participate or influence the decision making machinery.

6.0 MDGs and MDRI in Tanzania

Since 2000, the Tanzanian economy has become better at withstanding adverse shocks and has consistently achieved growth rates above 5% per year, up from an average of 3% per year in the late 1990s. Tanzania has implemented a Poverty Reduction Strategy, supported by a comprehensive and strong National Poverty Monitoring System. Over this period, public spending doubled in most of its priority sectors; education, health, agriculture, roads, water, the judiciary and HIV/ AIDS. The Government has now launched a second poverty reduction strategy called the National or 'Mkukuta'. It concentrates on three main areas (i) reducing income poverty by achieving and sustaining broad economic growth (ii) Improving the quality of life and social well-being of Tanzanians by ensuring that everyone has equal access to quality services (iii) Promoting good governance and the rule of law.

Tanzania has been noted to be on the line to success with only two MDGs pertaining to education and gender equality while been off-track and lacking capacity to take along the rest. According to a report by the International Monetary Fund and the International Development Association, Tanzania has made progress in reducing income poverty (MDG 1), malnutrition (MDG 1), gender inequality in primary education (MDG 3) and child mortality (MDG 4). The success in the two MDGs is mainly associated with abolition of primary school fees through a deliberate policy of universal education for boys and girls. Agriculture showed a small drop to 5.2 percent in 2005, down from 5.8 percent in 2004. Poverty is still rife in the rural areas.

Despite being a beneficiary of the Multilateral Debt Relief Initiative (MDRI), Tanzania remains one of the most donor-dependent countries in the world with between 25- 45 % of the total government budget and 80 % of the development budget dependent on foreign aid in the form of grants, consessional loans and debt relief. Tanzania has development cooperation programmes with over 50 donors, international financial institutions and NGOs covering hundreds of projects in virtually all sectors. The principal exports of Tanzania are minerals (especially gold), coffee, cotton, tea, sisal, tobacco, clove, pyrethrum, cashew nuts and manufactures (Such as textiles and yarn, processed coffee and tea, sisal twine and ropes, paper and chemical products).

Tanzania has been implementing a number of structural conditionalities for ensuring fiscal discipline and stability. Successful implementation of the conditionalities has helped Tanzania to get external resource flows from many donors. Increased donor financial resource flows coupled with improved export earnings has enabled Tanzania increase re-source allocations to sectors providing social services. In-spite of the achievements, poverty remains high in the country especially in rural areas. There are still immense challenges to substantially reduce poverty, improve further social services and achieve the other MDGs.

In general, the Tanzanian government has continued with strong implementation of sound macro-economic policies and structural reform under a two 3-year PRGF programmes. The policies have substantially boosted Tanzania's eco-nomic growth, raised average per capita incomes, and reduced inflation. Moreover, this policy record has helped Tanzania obtain debt relief under the enhanced HIPC Initiative, thus allowing the country to reach debt sustainability and support higher social sector spending. The external sector is strong with steady foreign assistance and direct investment supporting privatization and economic diversification. The country's indebtedness has been improving following the improvement of prudent management policies and the Multilateral Debt Relief Initiative (MDRI).

7.0 Conclusions and Recommendations

Tanzania has been a recipient of significant amount of loans from multilateral international financial institutions over the past three decades. However, the utilization of loans has to a large extent failed to enhance the standards of living of people and alleviate poverty. On the contrary, repayment of loans has become a heavy burden on the citizens; making standards of living of people even worse.

Attempts have been made to improve the loan contraction process. Currently, the Public Committee of the Parliament examines and discusses the government's annual debt and borrowing plan. The IMF and World Bank have broadened the loan conditions. Unlike in the past, when only macroeconomic performance was used as a criterion to approve loans, now social development indicators and good governance indicators are also used to approve loans. There has also been slight improvement in involving stakeholders in the loan contraction process. However, there is still a long way to go on this front.

In view of the fact that Tanzania still needs some loans to accelerate socio-economic development, some measures are necessary to be taken to improve the loan contraction process:

1 The lending institutions, including the IMF and the World Bank should continue to review and streamline loan conditions to ensure that loans are effectively used to alleviate poverty. Currently, the IMF and the World Bank are working more closely with the government. To some extent, this has helped these institutions to know much better about the realities on the ground. Dialogue and working more closely with CSOs will enable the IMF and the World Bank to be even more informed of the local conditions. It is important for the Bretton Woods institutions to realize that the current development challenges go beyond the necessity of having "conducive macroeconomic environment" in developing countries

2 The government should provide more room for the participation of the civil society in the loan contraction process. The government should ensure that more time is allocated for dialogue with stakeholders' on critical development programmes.

3 Donors who support local CSOs and NGOs should help to build the capacity of these institutions. Training the personnel of these institutions will enhance the capacity of these institutions to manage their activities more efficiently and effectively; and enhance their influence on important national issues, loan contraction process being one of them. Local NGOs and CSOs should also work hard to maintain and enhance their credibility to convince the government and the general public to take them seriously.

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Appendix 1:

Tanzania's External Debt Stock as at 31st March, 2006 (Millions of USD)

Creditor Category	Disbursed Outstanding Debt	Interest Arrears	Debt Stock
Bilateral	1,486.70	649.6	2,136.30
Paris Club Members	1,022.10	258.1	1,280.20
Austria	1.6	0	1.60
Belgium	12.1	0	12.10
Brazil	231.3	7.7	239.00
Canada	9	0.7	9.70
France	11.6	0	11.60
Italy	7.5	0	7.50
Japan	716.5	246.3	962.80
Russia	18.6	3.1	21.70
Spain	13.9	0.3	14.20
Non-Paris Club	464.6	391.5	856.10
United Arab Emirates	6.2	7.1	13.30
Angola	3.4	0	3.40
Algeria	58	62.5	120.50
China	148.7	0	148.70
Slovak and Czech	1.9	0.3	2.20
Egypt	2	0	2.00
India	10.8	5.4	16.20
Iran	77.7	180.8	258.50
Kuwait	50.2	0.1	50.30
Libya	61.7	1	62.70
Romania	0.1	0	0.10
Saudi Arabia	7	1.4	8.40
Zambia	0.9	0.1	1.00
Multilateral	4,673.80	21.3	4,695.10
ADB	5.9	0	5.90
ADF	760.3	0	760.30
BADEA	3.7	0	3.70
EADB	8.4	19.2	27.60
EIB	87.3	0	87.30
IDA	3,359.80	0	3,359.80
IFAD	76.6	0	76.60
IFC	4.7	1.7	6.40
IMF	308.8	0	308.80
NODF	21.9	0.1	22.00
NORSAD FUND	34.6	0	34.60
OPEC	0.5	0.1	0.60
PTA BANK	0.5	0.1	0.60
Commercial	399.7	354.6	754.30
			0.00
Export Credit	266.2	171.3	437.50
TOTAL	6,826.40	1,196.80	8,023.20

Source: Quarterly Debt Report: Jan-Mar 2006

Appendix 2 Sample of Loan Terms

	Amount	Creditor	Date of Loan	Maturity Date	Annual Interest	Grace Period	Grant Element
East Africa Trade and Transport Facilitation Project	SDR 25.5 million	IDA	2006	2045	0.75%	10 Years	81.63%
4th Poverty Reduction Support Development Policy Financing	SDR 140 million	IDA	2006	2046	0.75%	10 years	82.75%
Private Sector Competitiveness Project	SDR 65.5 million	IDA	2006	2045	Fixed interest 0.75%	10 years	75.84%
Chalinze Water Supply Project Phase II	US$ 7.9 million	BADEA	2005	2035	10%	10 years	44.95%
Vocational Training Centres Establishment Project	US$ 18 million	Export-Import Bank of Korea	2005	2026	1%	2 years	0%
Songowe Airport Mbeya	US$ 4.62 million	OPEC Fund for International Development	2005	2028	1%	5 years	33.39%
2nd Social Action Fund Project	SDR 87.9 million	IDA	2005	2044	0.75%	10 years	92.95
State University of Zanzibar (Phase I)	US$ 5.6 million	BADEA	2004	2035	1%	12 years	44.35%
DSM International Airport	Euro 11.478 million	ING Bank N.V. Corp Bank	2004	2016	Variable Rate 2.27%	3 years	15.40%
Special Loan for TAZARA	Yuan 45 million	Government of China	2004	2019	0%	11 years	52.95%
DSM Water & Sanitation Project	Euro 35 million	European Investment Bank	2003	2029	Fixed 1%	5 years	46.31%
El Nino Infrastructure Rehabilitation Project	US$ 1.485 million	Africa Development Fund	1999	2048	0.75%	10 years	75.54%
Mara Farmers Initiative Project	SDR 9.65 million	International Fund for Agricultural Development	1996	2036	0.75%	24 years	80.62%
Tanzania Telecommunication Network Project	KWD 4 million	Government of Kuwait	1995	2018	Fixed Interest 2.5%	5 years	54.70%