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**Folder Title:** Country Files: Tanzania - Correspondence 02

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**Series:** Country files

**Dates:** 09/01/1982 - 10/31/1983

**Sub-Fonds:** Records of President A. W. Clausen

**Fonds:** Records of the Office of the President

**ISAD Reference Code:** WB IBRD/IDA EXC-09-3965S

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THE WORLD BANK

Washington, D.C.

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The World Bank

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Washington DC 20433

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**PUBLIC DISCLOSURE AUTHORIZED**

CLAUSEN'S - Country Files: Tanzania

Vol 2

  
**Archives**



1775109

A1990-013 Other #: 19 Box #: 209502B

Country Files: Tanzania - Correspondence 02

DECLASSIFIED  
WITH RESTRICTIONS  
WBG Archives



His Excellency  
Mwlimu Julius Kambarage Nyerere  
The President of the United Republic of Tanzania  
P. O. Box 9120  
Dar es Salaam, Tanzania

October 6, 1983

Dear Mr. President:

Thank you for your thoughtful letter of September 1, 1983; it reached me just before the beginning of our Annual Meetings. Minister Msuya will have reported to you on our discussion of the questions raised by you. I appreciate your serious concern and would also like to give you a frank response to the important points you have made.

Like you, we look back with satisfaction at the constructive relationship which has existed between Tanzania and the Bank. We are pleased that we have been able to provide support to the efforts which your Government has made to develop the Tanzanian economy in the interest especially of the poorest members of your society. We wish that this relationship should continue and become closer. We hope to have opportunities to extend to Tanzania the financial support which you need within the constraints IDA is facing and with which you are familiar.

In recent years, we have followed economic developments in Tanzania with growing concern. Like most low-income countries, Tanzania has been hit hard by the effects of the world-wide recession. Deteriorating terms of trade have been accompanied by declining aid flows; weather conditions have worsened the situation. Nevertheless, the causes of Tanzania's difficulties have not been all external. Overextended financial commitments have contributed to delays in project implementation, to the pervasive lack of maintenance, and to the low utilization of existing capacity. The extent of the economic crisis, persistent domestic inflation at annual rates well above 30%, costly and inefficient support by the parastatal marketing organizations, and, more generally, domestic terms of trade which put agricultural producers at a disadvantage, have all contributed to the decline in production and exports.

To overcome the crisis and restore stability will in the first place call for tough and, no doubt, painful policy action. I am encouraged by the measures which your Government has taken in recent months. I believe these are steps in the right direction, especially with regard to budgetary restraint, tax collection, budgetary allocations to agriculture, and agricultural producer prices. We are also encouraged by



the measures taken to improve export performance. However, the prospects for recovery depend on the magnitude of the adjustment measures introduced. In the absence of an adjustment commensurate with prevailing imbalances, there is the distinct danger that the effectiveness of the steps your Government has already taken will be quickly eroded. It is for this reason that we share the IMF's concern that there be introduced an active and effective exchange rate policy. Beyond that it is important to agree on a program of specific, supportive and appropriately phased measures that will bring about the necessary adjustment and rectify existing distortions in an expeditious manner.

The principal short-term objective of such a program must be to restore incentives for increased production and for exports. A significant increase in producer prices should both stimulate production and return a larger share to formal marketing channels. This has clearly been the case in Uganda. We would agree that the provision of the necessary inputs and of incentive goods must accompany these measures. Their availability will depend - to a great extent - on external support. The financial returns to the producer and the timely provision of inputs are, however, also dependent on the efficient functioning of the marketing and distribution system. A meaningful recovery program therefore needs to include measures to promote greater efficiency of parastatal organizations. Increased managerial autonomy and the use of commercial business practices, combined with diminishing the scope of price controls and some liberation of the distribution and procurement system, could be an important beginning in reducing excessive controls and oppressive regimentation. Our staff has worked closely with your officials on these questions and, I believe, there exists substantial agreement on what has to be done. It is important to agree on a set of specific measures which would be taken according to a firm timetable to translate intentions into reality. The Bank mission, which is about to visit Tanzania to review the economic situation, should be able to discuss the detailed measures which your Government intends to take in the course of the next 12 to 18 months.

The relationship between the Bank and the IMF has been the subject of many questions. Briefly, it is our view that the Bank and the IMF need to work closely together in addressing the serious short- and medium-term adjustment problems now experienced by so many countries, including Tanzania. Successful reform must start with short-term measures of fiscal, monetary and exchange rate policy. It must extend to the institutional and structural measures which we in the Bank support in the interest of provoking an early and sustained supply response and in initiating economic diversification. The magnitude of the problems besetting Tanzania is such that the participation and close cooperation of both institutions is essential to demonstrate the adequacy of a recovery program, to promote a concerted international response, and to help mobilize adequate external financial support. In practice, this means that in



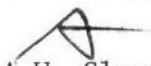
considering non-project assistance we plan to work closely with the IMF in its attempts to restore a measure of equilibrium to the economy.

I am pleased that - while your Government is preparing for comprehensive reforms - we have been able to extend several credits to Tanzania for a variety of projects. However, as the economic crisis in Tanzania deepens, it is becoming difficult to demonstrate that the provision of new capacity in the absence of adequate maintenance and use of existing facilities is beneficial. The pervasive shortages of materials, spare parts, and supplies are affecting the execution of many of our ongoing projects; these shortages cannot be remedied by financing new projects. The question of adequate incentives and of institutional reform which must be at the center of your recovery program cannot be separated from appraisal and implementation of agricultural or industrial investments. Finally, the wide-spread underutilization of capacity and the depressed level of economic activity renders investments in additional infrastructure or even in the rehabilitation of existing infrastructure less urgent than they might otherwise be. There still remain important needs which have to be addressed. Thus, we have recently provided credits for the rehabilitation of the Dar es Salaam sewerage system, for technical studies in the energy sector, and, most recently for the Mtera power project. There are other critical investment priorities which we expect to support such as the rehabilitation of Dar es Salaam's harbor and your Government's education program; however, without determined action on the overriding issues affecting economic recovery, the beneficial effect of this kind of assistance will also become more limited as time goes on and - in consequence - project support in Tanzania less attractive than elsewhere.

I hope that this will not be allowed to happen and that it will be possible to reach agreement on an appropriate recovery program. Such a program should have the support of the IMF, the Bank and of Tanzania's many partners who are anxious to ensure the effectiveness of their assistance in the context of constructive policy reforms carrying the prospects of gradual and sustained recovery.

Let me thank you for addressing your questions directly to me; I hope my answer conveys to you my serious concern and our willingness to be of assistance. With my personal good wishes.

Sincerely,

  
A.W. Clausen

JKraske:WAWapenhans:ad

cc: Messrs. Stern, Southworth(2), Dunn, W.Smith(ED)

THE WORLD BANK

ROUTING SLIP

Date

Sept. 20

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Wapenhans

B 1210

To Handle

Note and File

Appropriate Disposition

xx

Prepare Reply

Approval

Per Our Conversation

Information

Recommendation

Remarks

~~Would you please prepare a reply  
for Mr. Clausen's signature - if  
possible, by Sept. 27.~~

~~Thanks.~~

Roy Southworth

cc: Mr. Stern

From



President A.W.Clausen,  
Please find hereby enclosed letter  
from President J.K.Nyerere.



*With the Compliments of the  
Embassy of  
The United Republic of  
Tanzania*

  
B.L. Ngollo

T/S/C

19/9/83

WASHINGTON, D. C. 20008

1299

THE STATE HOUSE,  
DAR ES SALAAM,  
TANZANIA.

1st September 1983

President A. W. Clausen,  
The World Bank,  
Washington D.C., 20433,  
U.S.A.

Dear Mr. Clausen,

Tanzania has in the past received very considerable World Bank assistance for many different projects, mostly through I.D.A. In 1981 we also received an Export Rehabilitation Credit of US \$ 50 million. Our relations have always been those of friendly Banker and client; we have dealt directly with each other.

After the July meeting of the IDA Board, Executive Director William Smith informed my Minister for Planning and Economic Affairs that the Board has approved a credit of \$ 35 million for the Mtera Hydroelectric Scheme. We were - and are - pleased that the Directors of IDA share our conviction about the importance of that project to our economy, and particularly to our endeavours to reduce our foreign exchange dependence. When giving us this information, however, Mr. Smith also told us that "in the absence of agreement on appropriate structural adjustment measures, the project under consideration is the only one planned for presentation to the Board of Executive Directors in the current financial year". When I spoke to Mr. Smith during his recent visit to Tanzania, he confirmed that this is the position. In the light of all the surrounding circumstances, my clear impression is that "in the absence of appropriate structural adjustment measures" means, in this context, "in the absence of an Agreement with the I.M.F."

Tanzania has been negotiating with IMF since 1979. In the last quarter of 1980 we did reach an Agreement, but only the first quarterly disbursement was made. We had accepted some first quarter "target" figures on certain known assumptions about coffee prices and the receipt of the World Bank Credit within that period - both of which assumptions turned out in

.../2



retrospect to have been unjustified. Negotiations with IMF started again - and have been limping along since.

The major problem between IMF and Tanzania is their demand that we increase export producer prices by 40% in real terms. The arithmetic of their T. Shilling devaluation demand appears to be based on that. Put briefly, our argument makes three points. First, that this producer prices demand is based on ignorance of the realities of crop production conditions in Tanzania. Secondly, that it takes no account of the structure of the Tanzanian economy or the nature of the present disincentives caused by lack of manufactured goods for the peasants to buy. And thirdly, that the consequent devaluation and other proposals would cause both a reinvigorated and more rapid inflationary spiral, and social disorder which would be economically (as well as politically) disastrous. The IMF have not answered our arguments up to now; they have simply said that our own proposals "do not go far enough". Discussions continue; meanwhile our problems intensify.

I am writing to you now in the hope that you will be able to consider helping us in two ways.

Firstly, since producer prices are primarily within the functioning areas of the Bank I am asking that the Bank should appreciate that this demand for a producer price increase of "40% in real terms" is unrealistic. Even our own endeavour to give the export producers an extra 5% in real terms will not be easy to achieve and involves political and economic risk. If this can be appreciated then our next discussions with the IMF have a greater prospect of success. For the other substantive issue now separating us - that of how much devaluation - should also become susceptible to rational debate. Last year we had a 10% devaluation without an agreement with the Fund and in June this year we had another 20% devaluation without an Agreement. We have told the Fund that we are prepared to have another 10% devaluation as part of an Agreement.

My second request is that the World Bank should in any case continue to make its own judgement about Tanzania's needs, the economic viability and usefulness of any project or programme support proposals submitted to it, and the



seriousness with which we are trying (in very adverse circumstances) to effect the necessary reforms in our economy. Let me at once make it clear that I am fully aware of the severe limitations now existing on IDA resources; when this problem first arose I did in fact use such influence as I have to try to persuade European friends of Tanzania not to cut their contributions to IDA when the U.S. Government made its own cut in allocations. But it is one thing for IDA or the Bank to say that a particular measure of assistance is justified but beyond their current resources; it is a quite different thing to suspend Board consideration of all other Tanzanian projects, even those which have already been appraised or have been moving along the negotiation pipe line.

I conclude by taking this opportunity to send my personal good wishes to you.

Yours sincerely,

Tulius K. Gyau

1973 12 14 2 23



RECEIVED

1983 SEP 19 PM 5:52

OFFICE OF THE PRESIDENT

Handwritten signature or initials, possibly "J. G. [unclear]".

Handwritten text, possibly "J. G. [unclear]".

Handwritten text, possibly "J. G. [unclear]".

Handwritten text, possibly "J. G. [unclear]".

Handwritten text, possibly "J. G. [unclear]".

action Reading

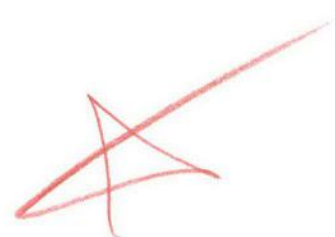
September 13, 1983

Mr. Clausen

Tom -

I met with Mr. Smith as you requested. The discussions covered Tanzania, Bank-Fund coordination in Africa's IDA share. It was amicable. On Tanzania, I explained the difficult choices we have to make, in view of the scarce resources. We have no option but to concentrate support more on those countries which were implementing sufficient policy changes. He accepted the need for such choice. The other items were merely repetitions of what had been said before.

Ernest Stern *ES*.



1983 SEP 13 AM 5 24



September 13, 1983

Mr. [Name]

Dear Sir:

I am writing you today as we have received your letter of September 12, 1983, regarding the [Name] case. The [Name] case is a matter of internal security and is being handled as such. We are sorry that we cannot provide you with more information at this time. We will keep you informed as the situation develops. We appreciate your interest in this matter and your patience.

Sincerely,  
[Signature]

RECEIVED  
1983 SEP 13 PM 2:57  
OFFICE OF THE PRESIDENT



# Record Removal Notice

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**Archives**  
& Records Management

<b>File Title</b> Country Files: Tanzania - Correspondence 02		<b>Barcode No.</b>  1775109		
<b>Document Date</b> 26 July, 1983	<b>Document Type</b> Board Record			
<b>Correspondents / Participants</b>				
<b>Subject / Title</b> IBRD.IDA Executive Directors Meeting - July 26, 1983 Remarks Concerning Bank Lending to Tanzania in FY 1984 (Ref. Tanzania - 4th Power Project (IDA/R83-94) - excerpts of Board transcript				
<b>Exception(s)</b>				
<b>Additional Comments</b> Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td><b>Withdrawn by</b> Sherine M. Thompson</td><td><b>Date</b> May 31, 2019.</td></tr></table>	<b>Withdrawn by</b> Sherine M. Thompson	<b>Date</b> May 31, 2019.
<b>Withdrawn by</b> Sherine M. Thompson	<b>Date</b> May 31, 2019.			



September 15, 1983

Dear Minister Jamal:

I am glad that we had the opportunity for an exchange of views during the UNCTAD conference. I am convinced that increased awareness of the mutuality of interests is the first step to finding solutions to the problems confronting the global economy.

I also wish to thank you for your letter of August 15th. As you know, I attach the greatest priority to the successful conclusion of the discussions on the replenishment of IDA resources. IDA is an integral part of the World Bank activities and we can justly take pride in its achievements. For over 20 years, IDA has been a major source of concessionary assistance to the low-income countries and a replenishment of IDA at a higher level than IDA VI is essential if we are to respond effectively to the financing needs of the poorest countries.

An adequate flow of concessionary assistance is of course essential if economic reform programs are to be successfully implemented in the low-income countries. But the capacity and willingness of governments to introduce and implement economic reforms remains the most critical need.

I understand that discussions are underway between Tanzania and the IMF. I hope that agreement can soon be reached and will lead to additional support from the international donor community for the Government's structural adjustment program. We have been encouraged by the measures which have been taken to increase the budget allocation for agriculture, raise producer prices and find ways to reduce the cost of various government services. A Bank mission will be visiting Tanzania later this month to review the Government's program and the measures proposed for institutional reforms, especially in the agricultural sector. The findings of this mission will help us to better define how best Bank assistance can respond to the Government's priorities.

Thank you again for writing.

Sincerely,



A. W. Clausen

The Honorable Amir Jamal  
Minister Without Portfolio  
The State House  
P. O. Box 9120  
Dar es Salaam, Tanzania

CHardy:sdb

cc: Messrs. Stern, Wapenhans, Southworth(2), Kraske, Dunn

ROUTING SLIP

Date

September 7/83

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Wapenhans

Mr. Krasker

pls. prepare draft

response for discussion. Journal review

again a large number of red hearings.

To Handle

Note and File

Appropriate Disposition

X

Prepare Reply

Approval

Per Our Conversation

Information

9/8 by

Recommendation

Remarks

Please have reply prepared for Mr. Clausen's signature, by September 14.

Roy Southworth

From



THE UNITED REPUBLIC OF TANZANIA

1231  
Telegrams: "CABINET", DAR ES SALAAM.

Telephone: 23261-23266.

In reply please quote:

Ref. No. SHC/PF.1

PRESIDENT'S OFFICE,  
THE STATE HOUSE,  
P.O. Box 9120,  
DAR ES SALAAM.

15th August, 1983.

Mr. A.W. Clausen,  
President,  
World Bank,  
1818 H Street, N.W.  
Washington, D.C. 20433.

Dear Mr. Clausen,

I want to thank you for the courtesy you extended me of inviting to lunch with you in the course of the UNCTAD Conference. It was most thoughtful of you to give some of the African delegates an opportunity to exchange views with you.

I realise that my intervention in the UNCTAD debate has been criticised in some quarters. This is a price one must be prepared to pay in discharging public responsibility.

At the same time I continue to believe that:

IDA is so crucial to the process of Global stabilisation that it can now abdicate its role only at the risk of precipitating a calamitous process of destabilisation. I cannot understand how the wealthy of the world can at all benefit from this situation. So, we will have to reiterate the case, while there is time left for some of us.

I also continue to believe that the IMF would not have been so beastly to the least developed countries, had it been endowed with adequate resources, which it would allocate in an equitable manner. What has actually happened over the years is that increasingly it has been almost obliged to ration out its limited resources in the only way it has been fit. This is to place such demands on the borrowing poor country that the whole process of negotiation becomes

time-consuming. To this day I have not understood why the IMF did not make the necessary adjustment itself in the 1980 stand-by agreement with Tanzania when the performance criteria failed to be met after the first drawing, when it was quite clear that the two contributory causes were beyond Tanzania. One, the significant fall in price of coffee - it was the peak selling season and the impact on foreign exchange earning and export tax revenue was immediate. Two, the World Bank Structural Adjustment Loan materialised too late and too little, contrary to the projections made at the time of the standby negotiations with the IMF.

I have just returned after visiting the various refugee settlements, - 175,000 people - in different parts of the country. I could not but feel the excellence of the results achieved due to timely, well-planned and well implemented programmes with due flexibility. The three parties, UNHCR, Tanzania Christian Relief Service, and the Tanzania Government have worked as a single team.

I had warned nearly four years ago of the vicious negative multiplier effect of starving the economy of the necessary inputs which were immediately needed. Exchange rate adjustment could only produce positive results if resources were going to be available. We were frightened and continue to remain frightened of a situation where more money will be in the hands of the farmers but nothing of significance to them - bicycles, torch batteries, kerosene, soap, etc. We fully understand that unrealistic exchange rate is harmful. The dilemma is that no exchange rate will be 'realistic' without the essential items being made available on the day the crops are sold by the farmers.

Inflation has been imported by us from outside since the early 70's and deprivation of essential inputs when needed has compounded inflation. Continuously rising inflation is a product of both cost-push ( due to unit costs rising because of under-utilization of capacity ) and demand-pull ( due to shortages caused by under-utilization of capacity ) forces. So what is an effect of long drawn out frustrating negotiations based on unrealistic demand for raising producer prices in real terms by 40 to 50 percent ( without being told which sector of the economy would yield this quantum of resource to be transfered to the peasants when wages/salaries had already remained frozen ) is being presented as a cause of our difficulties and a reason for massive single step devaluation, without assurance of



- 3 -

either a minimum critical mass of resource input or its timely availability. In increasing producer prices this year we have already taken considerable risks. The prospects for significant and timely improvements in the terms of trade and exchange are not in the least promising.

I thought I should write to you at some length on these current issues.

With warm regards.

Yours sincerely,



Amir Jamal

MINISTER WITHOUT PORTFOLIO

OFFICE OF THE MINISTER

I attach here 1 BN to 2nd copy of  
my CONCEPT intervention



1983 SEP -7 PM 1:54

OFFICE OF THE PRESIDENT

MINISTER WITHOUT PORTFOLIO

Letter 10/11/83

Yours sincerely,

With warm regards.

current issues.

I thought I should write to you at some length on these

not in the least promising.

and timely improvements in the terms of trade and exchange are  
already taken considerable steps. The prospects for significant  
satisfactorily. In increasing producer prices this year we have  
either a significant surplus or a loss of resource input or the timely



THE WORLD BANK  
Washington, D. C. 20433  
U. S. A.

A. W. CLAUSEN  
President

June 14, 1983

His Excellency  
Julius K. Nyerere  
President of the United Republic  
of Tanzania  
The State House  
Dar es Salaam  
TANZANIA

Dear Mr. President,

Thank you for your letter of May 23 and your kind comments on my speech in Bonn on April 18, 1983.

I am glad that you found an echo in my remarks of statements which you have made on the particular difficulties of the poorest developing countries. I am especially pleased that our views coincide on the interdependence of the industrialized and the developing world.

In referring to the real accomplishments of developing countries, I had in mind the considerable progress which a number of least developed countries - including your own - have made since Independence in sharply increasing the literacy of their peoples, expanding education, improving access to clean water and extending basic health services in rural areas. These accomplishments, as you have noted, are now under strain as the economies struggle to afford the costs of operating, maintaining and gradually expanding basic services. We know that you too are facing difficult choices and hard decisions to protect the social progress your country has already achieved. We are hence following carefully your own efforts to adjust your domestic economic policies to initiate the process of recovery and to cope with dramatic changes in the international economic environment.

As you know, we are in the process of preparing a Seventh Replenishment for the International Development Association. We hope that you will continue to speak as clearly and as persuasively as ever on the need for additional efforts by the major contributors to IDA.

His Excellency Julius K. Nyerere

- 2 -

June 14, 1983

I very much appreciated your good wishes. Please accept my own expression of respect for the strong voice you have been on the need for forceful and imaginative steps in international cooperation. Please also convey to Minister Jamal how pleased we are that he is recovering his health. We are looking forward to perhaps seeing him in Washington during our Annual Meeting in September of this year.

Thank you again for your thoughtful letter.

Sincerely,

A handwritten signature in dark ink, appearing to be 'A.W. Clausen', with a stylized initial 'A' and a flourish.

A.W. Clausen  
President



819  
54

<b>ROUTING SLIP</b>		Date June 6/83	
<b>OFFICE OF THE PRESIDENT</b>			
Name		Room No.	
Mr. Wapenhans			
	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation
<div>Remarks</div> <div>Would you please prepare a reply/acknowledgement for Mr. Clausen's signature--if possible by June 13.</div> <div>Roy Southworth</div>			
From			



*Embassy of the United Republic of Tanzania  
Washington, D. C.*

3 June, 1983

President A.W. Clausen  
The World Bank  
1818 H Street NW  
Washington, D.C. 20433

Dear Mr. President,

I have great pleasure in forwarding the enclosed letter from my President to you.

I take this opportunity to add my thanks for the work you and the Bank are doing to contribute to the development of Third World countries, and especially my own.

With highest consideration,

Yours sincerely,

Benjamin Mkapa  
Ambassador

Enc.





Embassy of the United States of America  
Washington, D. C.

5 June, 1963

President A. N. Sengco  
The White House  
1616 N Street NW  
Washington, D.C. 20503

Dear Mr. President:

I have great pleasure in forwarding the enclosed letter from my President to you.

I take this opportunity to add my thanks for the work you and the Bush are doing to contribute to the development of Third World countries, and especially my own.

With highest consideration,

Yours sincerely,

*Benjamin M. Maza*

Benjamin Maza  
Ambassador

Enc.

OFFICE OF THE ATTORNEY GENERAL

1963 JUN -3 PM 5:31

RECEIVED

420  
THE STATE HOUSE,  
DAR ES SALAAM,  
TANZANIA.

25th May, 1983

President A. W. Clausen,  
The World Bank,  
Washington D.C.  
U.S.A.

Dear Mr. Clausen,

Your speech of 18th April 1983, delivered in Bonn, was drawn to my attention by Ndugu Amir Jamal, currently the Minister in my office who is helping me with some international economic matters, but whom you will have known when he was our Minister for Finance.

My purpose in writing to you now is simply to say how much I appreciate what you said in Bonn, and the fact of your saying it. There have indeed been too many voices talking about "failure" in the Developing World, and this does create an atmosphere hostile to success in grappling with the terrible problems faced by poor countries. Your clear statement on this question, and your clearly expressed sympathy with the poorest Developing Countries, will do something to redress the balance and perhaps even to reverse the present trend towards a reduction of Aid in real terms. I have asked our Government Newspaper, the "Daily News", to reproduce your speech.

It is pure coincidence, but early in May, before reading this speech of yours, I had myself spoken to the Annual Meeting of CIRDAFRICA in which I said, inter alia,

"Looking back over what we have done since independence, most African states do have much to be proud of .... To speak as if we have done nothing, or as if independence had been an economic disaster for our people is to talk arrant nonsense ... We have not failed. We have made mistakes - especially in our economic priorities - and we are experiencing "growing pains" as others may be experiencing "decaying pains" ...."



There are many detailed comments which I could make on your welcome speech - for example, to agree with the economic importance you give to human development, to suggest that the high fertility rate in Sub-Saharan Africa is probably linked very closely with its poverty, and especially to endorse what you said about the after-effects on the Developing countries of the present Recession. But most important is the truth with which you conclude, about the inter-dependence of the industrialised and the developing world.

I take this opportunity to send my personal good wishes to you.

Yours sincerely,

Julius K. Nyerere





ROUTING SLIP		DATE:	
FROM THE VICE PRESIDENT OPERATIONS POLICY			
NAME		ROOM NO.	
Mr Clausen			
APPROPRIATE DISPOSITION		NOTE AND RETURN	
APPROVAL		NOTE AND SEND ON	
COMMENT		PER OUR CONVERSATION	
FOR ACTION		PER YOUR REQUEST	
INFORMATION		PREPARE REPLY	
INITIAL		RECOMMENDATION	
NOTE AND FILE		SIGNATURE	
REMARKS:			
<p>Good news... if true.</p> <p>W Baum 10/4</p>			
FROM:		ROOM NO.:	EXTENSION:

# OFFICE MEMORANDUM

478  
TO: Mr. Warren C. Baum, Act. OVP  
THROUGH: Andre Gue, Act. RVP EAN  
FROM: David G. Greene, Act. Director, EAL

DATE: October 4, 1982

SUBJECT: TANZANIA - Payments

We have received a message from Mr. Kraske in Tanzania informing us that the Government of Tanzania intends to pay \$ 4.5 million tomorrow, \$4.8 million next week, and \$3.6 million week of October 18. This will still have to be confirmed in writing by the Governor of the Central Bank which will supposedly happen tonight. We will keep you informed of further developments.

cc: Mr. Thomas, EA1DA  
Mr. Qureshi, SVPFI  
Mr. Rotberg TREVP

DGGreene:ad

10-4-82  
△



RECEIVED

1982 OCT -4 PM 2:41

OFFICE OF THE PRESIDENT

10/4/82

10/4/82

10/4/82

MEMORANDUM FOR THE PRESIDENT  
SUBJECT: [Illegible]

TO: [Illegible]

FROM: [Illegible]

DATE: [Illegible]

OFFICE MEMORANDUM

10/4/82

March 1, 1983

Dear Mr. Minister:

It is indeed thoughtful of you to write concerning your recent change in job. I'm sure you will find your new position as Minister without Portfolio both challenging and rewarding.

Let me assure you that we in the Bank will continue to work closely with the staff at the Ministries of Finance and Planning.

Please accept my best wishes for every success in your new position.

Warm regards.

Sincerely,



A. W. Clausen

*Dear Min. Fin.  
Cleopa Msuya*

His Excellency  
Amir Jamal  
Minister without Portfolio  
Dar es Salaam  
The United Republic of Tanzania

bcc & cleared with: Mr. Wapenhans

RSouthworth:MH

I checked this with Mr. Wapenhans who felt this was an appropriate reply even though Minister Jamal did not directly mention leaving his post as Minister of Finance.

Roy





THE TREASURY,  
P.O. Box 9111,  
DAR ES SALAAM.

THE UNITED REPUBLIC OF TANZANIA  
**THE MINISTER FOR FINANCE**

Ref. No. TYC/MF/1

16th February, 1983.

Mr. A.T. Clausen,  
President,  
World Bank,  
Washington, D.C.

Dear


*Mr. Clausen*

As I come to the end of a period, I write to thank you for the concern you expressed at the time of the surgery which I had to undergo. I deeply appreciated your kind thought and good wishes which, together with those of many friends, sustained me very much during my weeks and months of need.

May I take this opportunity of expressing my devout hope that you and members of your staff will continue to co-operate with and assist the small but quite gifted members of the staff of the Ministries of Planning and of Finance, in future as in the past, so that with everyone's joint effort we are able to turn the corner and to again build up a sustainable momentum of development in the interest of the peasants and workers of Tanzania.

With warm regards.

Yours sincerely,

  
Amir Jamal  
MINISTER FOR FINANCE

RECEIVED  
1003 FEB 58 PM 11:00

RECEIVED

THE TREASURY,  
P.O. Box 9111,  
DAR ES SALAAM.

THE UNITED REPUBLIC OF TANZANIA  
THE MINISTER FOR FINANCE



16th February, 1983.

Ref. No. TYC/MF/1

Mr. A.T. Clausen,  
President,  
World Bank,  
Washington, D.C.

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With warm regards.

Yours sincerely,

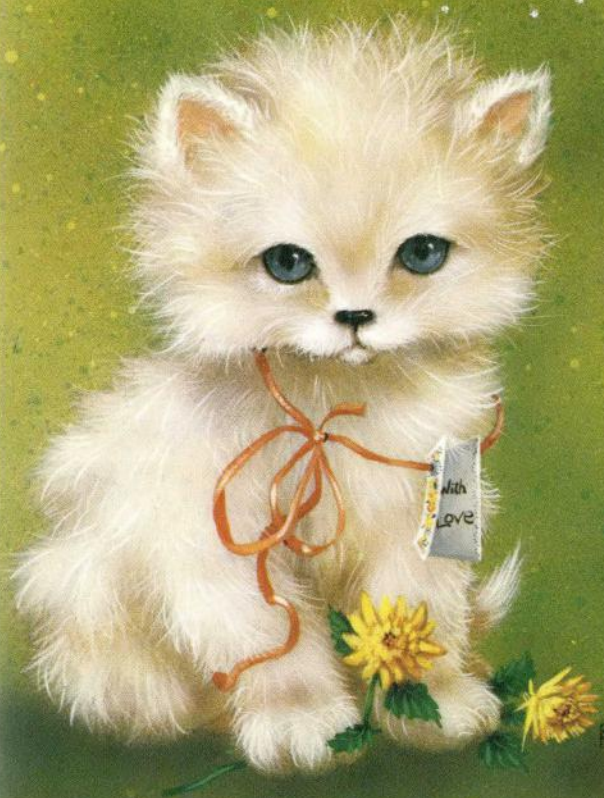
Amir Jama

MINISTER FOR FINANCE

OFFICE OF THE PRESIDENT

1983 FEB 29 AM 11:06

RECEIVED





Dear Mr. Clauson,

I write to thank

you for your good  
wishes. All throughout  
my travels. they  
sustained me.

I cannot express my  
gratitude adequately.

I look forward to  
full recovery in another  
two months.

Thank  
You

Wishing you and  
your family a  
very happy 1983.

Devin J. Jansel  
ToRonto, 24 12 82.

OFFICE OF THE PRESIDENT

1983 JAN -3 PM 2:53

RECEIVED

Designed by Brian © Gordon Fraser, Bedford  
Printed in England  
20 GF 13581 Australia 30  
R3

THE WORLD BANK  
Washington, D. C. 20433  
U. S. A.

A. W. CLAUSEN  
President

November 4, 1982

Dear Mr. Minister:

I am delighted with the good news that your bypass surgery has been successful and that you are improving. Hopefully, your recovery will be a speedy one and that it will not be too long before you are able to make the trip home.

Your friends at The World Bank join me in sending you our best wishes for a complete return to good health.

Warm regards.

Sincerely,

A handwritten signature in dark ink, appearing to read "A. W. Clausen". The signature is fluid and cursive, with a large initial "A" and "W" that are connected to the rest of the name.

His Excellency  
Amir Jamal  
Minister of Finance  
Dar es Salaam, Tanzania

Envelope addressed: H.E. Amir Jamal  
c/o Toronto General Hospital  
136-12NU  
101 College Street  
M5G 1L7  
Toronto, Canada



(416) 595-3111 - main number  
of hospital

Mr. Amir Jamal  
c/o Toronto General Hospital  
136-12NU  
101 College Street  
M5G 1L7  
Toronto, Canada

Helen/Myra (for Mr. Clausen's  
information):

Mr. Jamal was operated on last  
night (heart). The operation  
was successful and his condition  
has been improving steadily. He  
will be staying in the Intensive  
Care Unit during the next two  
days before being moved to a  
regular room.

Yupin

11/4/82

February 9, 1983

Dear Mr. Mosha:

Thank you for your note and the calendar. It certainly brought back many pleasant memories of my visit to Tanzania and Tanesco. And, incidentally, it was quite a surprise to find myself featured for January and February. I think this is the first time that has ever happened!

It was very thoughtful of you to send the calendar. Thanks again.

Sincerely,



A. W. Clausen

Mr. S. L. Mosha  
Managing Director  
Tanzania Electric Supply  
Company Limited  
P. O. Box 9024  
Dar es Salaam  
Tanzania

123  
TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

TELEPHONE  
27281  
TELEGRAMS  
TANESCO



HEAD OFFICE  
P. O. Box 9024  
DAR ES SALAAM  
TANZANIA

YOUR REF.

OUR REF.

DATE

MD/C/1

24th January, 1983

Mr. A.W. Clausen,  
President,  
The World Bank,  
1818 H. Street,  
N.W. Washington D.C.  
20433, U.S.A.

Dear Mr. Clausen,

With this note I am enclosing a Calendar produced by Tanesco which shows various events in 1982. I hope you will find it of some interest.

May I at the same time take the opportunity to wish you a very happy 1983 and look forward to meeting you some time this year when I visit Washington to negotiate the loan for the 4th power project.

Yours sincerely,

S. L. Mosha  
MANAGING DIRECTOR

RECEIVED

1983 FEB - 17 PM 1:23

RECEIVED



RECEIVED

1983 FEB -4 PM 1:53

OFFICE OF THE PRESIDENT

MANAGING DIRECTOR  
S. F. MORRIS

Yours sincerely,

for Power Project.

Let me when I visit Washington to negotiate the loan for the  
a very happy 1983 and look forward to meeting you some time this  
May I at the same time take the opportunity to wish you

of some interest.

With warmest wishes to you in 1983. I hope you will find it  
with this note I am enclosing a calendar produced by Tanesco

Best Wishes,

30433, N.S.A.  
H.M. Washington D.C.  
1818 N. Street,  
The World Bank,  
President,  
Mr. A.M. Clausen,

WD/C/J

3444 JANUARY 1983

ADP/REL

ADP/REL

ADP/REL

TANESCO  
TELEPHONE  
22501  
TELEPHONE

TANESCO

TANESCO  
MANAGER  
P.O. BOX 8054  
HEAD OFFICE

TANESCO ELECTRIC SUPPLY COMPANY LIMITED

January 26, 1983

Dear Mr. Ambassador:

It was indeed thoughtful of you to let me know of your impending departure from Washington.

We at The World Bank are grateful for your comments about our work and are encouraged by them. Your cooperation and commitment to the Bank's efforts in the developing world have been especially appreciated.

Please accept my best wishes for success and happiness in the future.

Sincerely,



A. W. Clausen

His Excellency  
Paul Bonani  
The Ambassador of the United  
Republic of Tanzania  
2139 R Street, N. W.  
Washington, D. C. 20008



*Embassy of the United Republic of Tanzania  
Washington, D. C.*

20 January, 1983

Mr. A.W. Clausen  
President  
1818 'H' Street  
World Bank  
Washington, D.C. 20431

Dear Mr. Clausen:

I would like to let you know of my recall home after having represented my country in the United States and Mexico since 1972, a period which also brought me in close working relationship with the World Bank.

On my return home, I want to express the hope that inspite of the prevailing global economic difficulties, the Bank would continue to discharge its responsibility for which developing countries like Tanzania have always appreciated, depended upon. I particularly wish to commend your leadership assumed at a time when economic demands on the Bank facilities are even more critical and at a time of dwindling resources. The development thrust to which the Bank is committed to, evidently still remains the hope for millions of lives in the world struggling to overcome ignorance, hunger and poverty.

Let me assure you of my personal commitment and my country's desire to sustain the best relationship with the Bank and wish you all the best in your efforts to enhance the effectiveness and capability of the institution in fulfilling the need for economic development and global prosperity.

sincerely,

Paul Bomani  
Ambassador

RECEIVED  
JAN 21 1983  
U.S. DEPARTMENT OF STATE





Embassy of the United Republic of Tanzania  
Washington, D. C.

20 January, 1983

Mr. A. A. Gonsky  
President  
1818 W. Street  
N.W.  
Washington, D.C. 20001

Dear Mr. Gonsky:

I would like to let you know of my recent home visit having represented my country in the United States and Mexico since 1972, a period which also brought me in close working relationship with the World Bank.

On my return home, I want to express the hope that despite of the prevailing global economic difficulties, the Bank would continue to discharge its responsibility for world development. Tanzania has always depended upon the Bank for financial assistance and I particularly wish to commend your leadership assumed at a time when economic demands on the Bank facilities are even more critical and at a time of dwindling resources. The development thrust in which the Bank is committed to, evidently still retains the hope for all those of lives in the world struggling to overcome ignorance, hunger and poverty.

Let me assure you of my personal commitment and my country's desire to sustain the best relationship with the Bank and wish you all the best in your efforts to enhance the effectiveness and capability of the institution in fulfilling the need for economic development and global progress.

Sincerely,

RECEIVED  
1983 JAN 21 PM 4:47  
OFFICE OF THE PRESIDENT

1584  
OFFICE MEMORANDUM

TO: Files

DATE: October 19, 1982

FROM: Jochen Kraske *JK*SUBJECT: Meeting with President Nyerere *11-2-82*  
*[Signature]*

Mr. Wapenhans called on President Nyerere on October 1. I accompanied him. Finance Minister Mr. Jamal, Planning Minister Mr. Malima, Finance Secretary Mr. Kazaura and the President's Private Secretary also were present at the meeting.

Mr. Wapenhans thanked President Nyerere for his helpful intervention on behalf of IDA with several of the major donor countries. Mr. Wapenhans thought that this intervention had contributed to the completion of funding of the 6th IDA replenishment and to reaching agreement on interim arrangements for FY84.

Mr. Wapenhans then went on to explain that the purpose of his visit was to seek the President's support in the settlement of the problem of overdue payments. Some of Tanzania's service payments were now overdue by some 170 days and, notwithstanding frequent reminders, no payments had been received since early April. The total amount of overdue payments amounted to close to \$15 million equivalent. Mr. Wapenhans expressed the Bank's serious concern and explained that the settlement of these overdues was extremely urgent because of the impact that such arrears - though small in amount - would have on the financial standing of the Bank in the capital markets. Following the step-up on the Bank's commitments in the second half of the 1970s the Bank's annual borrowing program was now increasing rapidly to the unprecedented level of \$9 billion. This implied that the Bank had to tap continuously all major financial markets including those with stringent disclosure requirements such as the short-term markets of the U.S. Any disclosure of overdue payments was likely to have a damaging effect on the credit rating of the Bank and hence on the cost of borrowing. Furthermore, there was concern that the overdue problem could also make agreement on IDA VII more difficult as the Bank's failure to maintain its credit record might be interpreted as an indication of the Bank's inability to assume increased responsibilities.

The suspension of disbursements was beginning to have serious consequences on the implementation of high priority projects financed in Tanzania. To avoid disproportionate increases in project costs and serious delays and disruptions it was imperative that the Bank be again put into a position to continue disbursements. In fact since the suspension of disbursements withdrawal applications in amounts approaching \$20 million had been received by the Bank and would be acted upon as soon as Tanzania was clearing up her overdues. It was essential for the Bank to know what Tanzania intended to do in this respect because the continuation of the overdue problem for such an extended period without a clear indication of Tanzania's intentions was not likely to be ignored by the Bank's



auditors who could advise that appropriate provision be made to write off what appeared to be non-performing assets. This could entail the need to make provisions from net income for the entire amount of Bank lending outstanding in Tanzania. Needless to say this would have serious consequences for the Bank's net income position and financial standing.

President Nyerere said that he had received Mr. Clausen's letter on the subject. He had read this letter extremely carefully. He said the letter was very clear, he understood the points made in the letter as well as those made by Mr. Wapenhans. Yet again he found it extremely difficult to understand the letter. Specifically he said he was very disturbed by two assumptions implicit in the letter: the assumption that Tanzania was not prepared to pay its debts even though it had the means to do so, and the suggestions in the final paragraph of the letter that the Finance Minister and the Governor of the Bank of Tanzania were not cooperating with the Bank in the matter of the overdue payments. President Nyerere said that Tanzania stood firmly by its commitments and that it was a matter of Tanzania's honour to pay her debts. He went on to say that Tanzania had no option but to pay her debts because it was a poor country and unlike Mexico, Brazil and Argentina could not afford to default. He was surprised that the Bank should be unable to understand that Tanzania was simply unable to make these payments now. He felt that the Bank and the Fund were better informed than anyone else about the details of Tanzania's economic situation and the serious consequences that had arisen from the several problems that had befallen Tanzania in the last three years in particular.

Mr. Wapenhans agreed that the Bank was familiar and concerned about Tanzania's plight and financial difficulties. However, he pointed out that export earnings together with financial transfers still amount to a sizeable annual inflow in the order of \$1.1 billion. Compared to this inflow the amount overdue to the Bank was small and did not appear unmanageable. Yet the consequences arising out of Tanzania's non-payment were serious for Tanzania as well as for the Bank and its members and suggested that it was in Tanzania's best interest to settle this matter, even in the prevailing difficult conditions.

President Nyerere agreed that the consequences of the disbursement suspension for Tanzania were indeed extremely serious. He said that Tanzania could not afford to do without the assistance of the Bank and the Fund. It was for this reasons that Tanzania had made efforts to negotiate with the Fund, would continue these efforts and had also cooperated with the Bank in every respect. In this spirit he had accepted the Bank's suggestion of the Advisory Group even though he had been reluctant to do so since the economy was as well managed as was possible, and Tanzania was sinking under too much external advice. He also had written at the request of the Bank to IDA Donors and had received their encouraging replies. Tanzania had given and was continuing to give priority to service payments due to the Bank at the expense of many other creditors who also suffered delays in receiving payments of their debts. President Nyerere



pointed out that the fact that overdue amounts were no larger than \$14.7 million reflected the efforts made by Tanzania in honouring its commitments. These payments had represented a painful sacrifice; the interruption in payments which led to the suspension of disbursements last year occurred because of an acute foreign exchange shortage.

Mr. Wapenhans in response said that the efforts made by Tanzania in settling the service payments despite the serious economic situation was much appreciated. He emphasized, however, that it was now important for the Bank to know what Tanzania intended to do to deal with the present problem. He underlined again the urgency of the matter. The consequences arising out of the continuation of this overdue problem might not leave further steps at the discretion of the Bank's Management for much longer.

President Nyerere reiterated that Tanzania simply had not the funds to make the outstanding payments. He explained that on various occasions he had pleaded with Mr. McNamara and with Mr. Clausen to receive help from the Bank to deal with the difficult financial situation. Tanzania's problems were extremely serious. Nobody was better aware of these than he, himself. He enquired what the Bank was now planning to do in support of the Government's Structural Adjustment Program. Mr. Wapenhans replied that the Bank had sent a mission which was at present reviewing the Government's plans. However, he stated that the Bank's reaction to the Structural Adjustment Program became irrelevant if the problem of overdue payments were to prevent the Bank from extending further support to Tanzania. As long as the overdue position continued and the Bank was compelled to maintain the suspension of disbursements there could be no further lending, the Dar Sewerage Project would not be presented to the Board, negotiations of the Mtera Power Project could not proceed. President Nyerere, after a period of reflection, replied that it was not necessary for Mr. Wapenhans to tell him how serious the consequences of the continued disruption of the Bank assistance would be for Tanzania. He was responsible for the welfare of Tanzania's 20 million people. He suffered along with the Tanzanian people and understood very well how urgent external support for the survival and the development of the country was. It was ridiculous to assume that a small amount of \$14.7 million should be all that was standing in the way of the essential assistance by the Bank. He found it exceedingly difficult to understand why the Bank should feel threatened because such a small amount was not paid. Mr. Wapenhans at this point emphasized again that the problem was not the financial consequences associated with the amount overdue but the disproportionate impact this small problem could have on the Bank's records as a sound credit institution and the costs of its borrowing.

President Nyerere then asked not to be pressed any further. He promised that he would respond to Mr. Clausen's letter in due course. He asked that we not talk to him about this problem any more. He expressed regret that Mr. Wapenhans should have talked to him about this problem at all. Instead he asked that we talk to the Finance Minister and Governor Nyirabu. He felt that Mr. Jamal and Governor Nyirabu could explain to us

the entire situation in detail. He thought that it was most unfortunate that he should have been brought into this matter. Mr. Wapenhans, in closing, expressed his regret that his visit and this embarrassing discussion with the President should have been necessary and should have cast a shadow on their otherwise excellent relations.

cleared with and cc: Mr. W.A. Wapenhans

cc: Messrs. Clausen, Stern and Qureshi

PAGE

OF

EXTENSION

72491

MESSAGE NUMBER

TEST NUMBER  
(FOR CASHIER'S USE ONLY)

START  
HERE

TO:

BOOK OF THREE (SEE ATTACHED TEXT)

- (1) H.E. D.T. ARAP MOI  
PRESIDENT (KENYA)  
RAIS  
NAIROBI, KENYA
- (2) H.E. M.J.K. NYERERE  
PRESIDENT (TANZANIA)  
CABINET  
DAR ES SALAAM, TANZANIA
- (3) H.E. A.M. OBOTE  
PRESIDENT (UGANDA)  
TLX 69186 (FINANCE)  
KAMPALA, UGANDA

END  
OF  
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE

TELEX

TELEX NO.

DATE

10/07/82

SUBJECT

EAC

DRAFTED BY:

V. Umbricht

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AUTHORIZED BY (Name and Signature):

A.W. Clausen, President

DEPARTMENT:

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OF

EXTENSION

72491

MESSAGE NUMBER

TEST NUMBER  
(FOR CASHIER'S USE ONLY)

START  
HERE

TO:

THE MEDIATOR FOR THE FORMER EAST AFRICAN COMMUNITY, DR. VICTOR UMBRIGHT, HAS INFORMED ME OF THE DIFFICULTIES WHICH HAVE RECENTLY ARISEN IN THE CONTEXT OF THE MEDIATION EXERCISE AND WHICH HAVE LED TO CANCELLATION OF MINISTERIAL MEETING IN ENTEBBE ON 24 SEPTEMBER, AND OF OTHER PLANNED MEETINGS. HE ALSO TOLD ME THAT HE INTENDS TO PAY A VISIT TO EACH PARTNERSTATE, IN FIRST HALF NOVEMBER TO REVIEW SITUATION AND TO PREPARE ARRANGEMENTS WITH CONSENT OF ALL THREE GOVERNMENTS FOR BRINGING MEDIATION TO A POSITIVE CONCLUSION. WE WOULD DEEPLY REGRET IF THE MEDIATION EXERCISE WERE TO FAIL AFTER THE INTENSIVE EFFORTS AND SUBSTANTIAL PROGRESS ALREADY MADE. A SETTLEMENT OF THE QUESTION OF EAC ASSETS AND LIABILITIES APPEARS TO US TO CONSTITUTE AN INDISPENSABLE PRECONDITION FOR THE FUTURE COOPERATION IN THE REGION AND WOULD PROVIDE A STIMULUS FOR ECONOMIC PROGRESS IN THE THREE COUNTRIES INVOLVED. MOREOVER, IT WOULD ALLOW CONSIDERATION OF IMPORTANT REGIONAL PROJECTS AND FACILITATE CONTINUED FLOW OF ASSISTANCE BY THE INTERNATIONAL AID COMMUNITY. FINALLY, AS EXECUTING AGENCY FOR THE MEDIATION, THE BANK HAS A SPECIAL INTEREST IN ITS SUCCESSFUL COMPLETION. WE WOULD, THEREFORE, APPRECIATE VERY MUCH IF YOUR EXCELLENCY WOULD KINDLY AGREE TO AN EXCHANGE OF VIEWS WITH THE MEDIATOR AT YOUR

END  
OF  
TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE

TELEX

TELEX NO

DATE 10/07/82

SUBJECT

EAC

DRAFTED BY

V. Umbricht

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AUTHORIZED BY (Name and Signature)

A.W. Clausen, President

DEPARTMENT:

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OF

EXTENSION

MESSAGE NUMBER

TEST NUMBER  
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3

72491

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START  
HERE

TO:

CONVENIENCE AND TO LEND YOUR VALUABLE HELP TO HIM TO BRING THE  
NEGOTIATIONS TO AN EARLY CONCLUSION.

WITH BEST REGARDS, A.W. CLAUSEN, PRESIDENT, WORLD BANK

END  
OF  
TEXT

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CLASS OF SERVICE

TELEX

TELETYPE

DATE 10/07/82

SUBJECT

EAC

DRAFTED BY

V. Umbricht

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A.W. Clausen, President

DEPARTMENT:

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Use OCR-B210 Sphere and set typewriter for DOUBLE SPACING — No other markings acceptable.  
Align First Characters at Line Number 1.



M. Stern

September 22, 1982

His Excellency  
Julius K. Nyerere  
President of the Republic of Tanzania  
The State House  
Dar-es-Salaam  
TANZANIA

Dear Mr. President:

I am writing to you concerning a most serious matter affecting relations between Tanzania and the World Bank. You will know that the World Bank and IDA have committed some \$1 billion in support of Tanzania's development. Of this amount, some \$400 million remains to be disbursed for the implementation of over 35 projects.

We were obliged to suspend disbursements on all IBRD loans and IDA credits to Tanzania on June 15, 1982 because of your Government's inability to meet service payments to the Bank Group for a considerable period of time. Some payments have by now been overdue for more than four months. Suspension of disbursements because of overdues has occurred only once before in Tanzania last September. On that occasion, the Ministry of Finance and the Bank of Tanzania were able to make the necessary payments within a month.

Since we advised your Government of the suspension, the amount overdue has grown to about US\$14.7 million. When my staff discussed this problem with Minister Jamal in Toronto during the Annual Meetings of the Bank and the IMF earlier this month, we were assured that the Government was making every effort to clear the overdue service payments as quickly as possible. However, to date we have received neither payments nor advice on how Tanzania intends to honor its obligations to the Bank and IDA.

We know that Tanzania is facing the most difficult economic situation in its history. Together with most other Sub-Saharan African countries, Tanzania is being hard pressed to cope with rising import prices and falling primary commodity prices at the same time as amounts of official development assistance available to support economic adjustment are stagnating. However, as a result of good financial management during the early 1970's and the high level of grant assistance received from bilateral sources, Tanzania's debt obligations in relation to export earnings are not excessively large. Other countries, including those with much higher debt service burdens, have been able to maintain their payments to the Bank Group even in circumstances far more difficult than those prevailing in Tanzania.



September 22, 1982

As you know, the Bank's ability to raise resources in the international capital markets on favorable terms depends critically on the non-default record the Bank has been able to maintain. Tanzania's non-payment -- and the current suspension -- could thus potentially have very serious implications for all of the Bank's borrowers. It could also add to IDA's difficulties in mobilizing resources, as many contributors to the Association regard the Bank's financial reputation and strength as a further guarantee that these highly concessional resources will be well managed and employed productively. The damage done by a continuing suspension could hence extend well beyond Tanzania's borders by increasing the cost of new funds for the Bank and further dampening new commitments to IDA, which, as you know, are particularly important for the least developed countries of Africa.

At a time when we are making a special effort to reserve an increased proportion of scarce IDA funds for Sub-Saharan Africa -- at the expense, it must be said, of IDA allocations to other deserving areas of the world -- it would be most regrettable if one of the causes for a diminution of new commitments to IDA should come from within Sub-Saharan Africa itself. As one of Africa's most respected and responsible leaders, I know you appreciate fully the extent to which the developing world has benefitted from the resource transfers which IDA has been able to achieve. I feel very positively that you would be among the last to condone any action which might jeopardize a continuation of IDA assistance at the highest possible level, particularly to the poorest of the developing countries in Africa.

Despite the suspension, we have tried to maintain our operations in Tanzania on as normal a basis as possible in the expectation that the overdues would be settled in a matter of weeks. We also have exempted the Songo Songo Petroleum Project and expenditures for technical assistance and training from this general suspension. However, the continued delay will begin to affect project implementation and makes it impossible to continue any exemptions.

Projects are beginning to suffer the effects of the suspension as contractors and suppliers understandably lose hope of being paid for goods and services already supplied to Tanzania. While no major contracts have yet been cancelled, we understand that companies are about to serve notice of their intention to terminate contracts and orders, or will insist on higher prices as a result of suspension. Cost overruns are also likely to re-emerge on certain large projects after considerable efforts by the implementing agencies to control costs in recent months.

The amounts owing to the Bank Group (US\$14.7 million) are modest, compared with the US\$114 million which was disbursed on Bank Group projects in Tanzania during the last financial year. Indeed, the undisbursed sum of US\$400 million would ensure a substantial net transfer of resources to Tanzania once the suspension is lifted. We remain most interested in assisting your country in overcoming its current economic difficulties.

11. 12.  
His Excellency  
Julius K. Nyerere

- 3 -

September 22, 1982

However, until we can remove the suspension, it will not be possible for us to resume normal operations.

I have asked Mr. W. A. Wapenhans, Vice President for the Eastern Africa Region, to proceed to Dar-es-Salaam to discuss the implications of overdue for Tanzania, as well as the Bank and its members, with you. I hope that he will have the support of your office and full cooperation from Minister Jamal and Governor Nyirabu to settle the overdue accounts expeditiously.

Sincerely,



A. W. Clausen  
President

cc: Mr. Clausen's Office (2)  
Mr. E. Stern  
Mr. M. Qureshi

cc: H.E. Amir Jamal, Minister of Finance  
H.E. K. A. Malima, Minister of State  
for Planning and Economic Development  
H.E. Paul Bomani

WAWapenhans:rsvh  
September 22, 1982



5

# OFFICE MEMORANDUM

OPS/MC82-28

TO: Members of the Managing Committee

DATE: September 17, 1982

FROM: Ernest Stern, SVPOP *ES*

SUBJECT: TANZANIA - Overdue Service Payments

Attached is a paper from Mr. Wapenhans on Tanzanian debt.

*[Handwritten red ink marks: a large circle around the subject line, a large 'X' over the text, and several large, overlapping red scribbles at the bottom right.]*



## OFFICE MEMORANDUM

TO: Mr. Ernest Stern, SVPOP

DATE: September 17, 1982

FROM: Mr. Willi A. Wapenhans, RVP, EAN

SUBJECT: TANZANIA - Overdue Service Payments

1. The purpose of this memorandum is to brief you on the status of overdue service payments from Tanzania.

2. As you know, we suspended disbursements on all loans and credits to Tanzania (with the exception of the Songo Songo Petroleum Exploration Project and expenditures for technical assistance and training) on June 14, 1982. Since then, we have received no payments from the Government, despite persistent efforts by our Resident Mission to remind the Ministry of Finance and the Bank of Tanzania of the damaging effects of the suspension. At the Annual Meetings in Toronto, the Minister of Finance (Mr. Jamal) said that the Government was still hoping to make the necessary payments soon, but that the problem remained one of limited foreign exchange resources rather than administrative will within Tanzania.

3. The Tanzanian overdues to the Bank Group now amount to US\$14.7 million, of which US\$13.3 million is owed to the Bank. Neither the suspension of disbursements nor the prospects of sizeable net transfers to the Government (once the suspension is lifted) have been enough to persuade the Tanzanian authorities to allocate the necessary foreign exchange to meet the payments. (Debt service to the Bank Group in FY82 was approximately US\$35 million, compared with disbursements of US\$114 million.)

4. By Regional standards, Tanzania's total external debt is not very large. Debt service in 1982 was expected to absorb about 15% of export earnings, compared with 100% in the Sudan. Tanzania's obligations increased sharply during 1979 and 1980 as a result of commercial borrowing and suppliers' credits, made necessary by the Uganda War, and have not been growing significantly since then, mainly because Tanzania is no longer creditworthy even for export insurance cover in Europe. The Bank holds 14% of Tanzania's external debt outstanding and disbursed (for the Bank Group it is 28%) and accounts for 25% of Tanzania's debt service (27% for the Bank Group). This relatively high level of Bank exposure reflects the large amount of grant assistance provided by bilateral sources during the 1970s and the write-off of US\$277 million in earlier loans by bilateral agencies in 1978 and 1979. The Bank Group's share of Tanzania's debt service is projected to fall during the 1980s, following the ending of IBRD lending in FY79 and the continued need for the country to borrow funds from non concessional sources (e.g. suppliers' credits).

90  
25  
165  
from 6/14/82  
Lump

Tanzania  
\$ 350 grants  
250 loans  
\$ 600  
new year

\$ 11 million  
to get  
made 15 lump.



As of June 30, 1982, the status of Bank loans and IDA credits was as follows:

	<u>US\$ million</u>
Bank Loans Outstanding	295.04
Bank Loans Outstanding and Disbursed	212.91
IDA Credits Outstanding	695.91
IDA Credits Outstanding and Disbursed	377.48

(These figures do not include Tanzania's share of loans to the former East African Community, which account for US\$2.4 million of the total US\$14.7 million currently owed to the Bank Group.) Service payments to the Bank Group have been problematical since January 1980 and consistently late during the last eighteen months; however, once accumulated, arrears were usually settled entirely and within a short period of time. There has been only one previous suspension (in September 1981) and this lasted barely a month.

5. The economic situation in Tanzania remains extremely difficult and it is certain that settlement of the overdue service payments will entail unfortunate domestic costs, such as a further reduction of resources available for food imports and productive inputs. In 1981, it was estimated that only US\$85 million would be available for the foreign exchange needs of the entire economy, once adequate provision was made for oil, food imports and debt service to the Bank Group only. Since then, Tanzania's circumstances have deteriorated further and it is more difficult for the Government to maintain the priority for repayment to the Bank. The prospects for an early settlement with the IMF are still not bright, although a Fund mission will be going to Dar es Salaam for formal negotiations of a Standby Arrangement in mid-October 1982. No other lending institution (except the IMF) is apparently being paid and Bank Group repayments have been the last to be discontinued. Other agencies - including IFAD, the Commonwealth Development Corporation and the Kuwait Fund - have suspended their own disbursements, at least temporarily, during the last year.

6. Despite the duration of the present suspension, the Government has yet to feel major consequences in project implementation, although during the Annual Meeting the Tanzanians were concerned about the contract for the Morogoro Water Supply project, for which the Board approved a supplemental credit in June which we have not signed. No major contracts have been cancelled, and the first formal notice of a possible cancellation that we are aware of (on the Morogoro Textile Project) will not be given to the Government until October 1, 1982. It is now likely that the costs of the suspension will mount rapidly. In an effort to minimize the disruptive effects of the suspension, we had been advising suppliers and contractors who contacted us that we hoped the matter would be resolved prior to, or during, the Annual Meetings. They are now not likely to accept further assurances that the suspension will be temporary.

7. While cancellations of some contracts may soon occur and dramatize the importance to the Government of settling the overdue payments quickly, we believe that additional steps need to be taken now. In the hope that the suspension would prove relatively brief, we have attempted as far as possible to maintain normal operations in the country. While approved credits have not been declared effective and Closing Dates have not been formally postponed, we have continued to process new projects and made certain special allowances, e.g. we have kept some project accounts open longer than normal to allow for processing of disbursement applications already received.

8. To encourage an almost immediate resolution of the payments problem, I now propose that we inform the Government that we will suspend the processing of the Dar es Salaam Sewerage and Sanitation Project (due for Board Presentation on October 19) and defer the appraisal of a Coal Engineering Credit (which was scheduled for October 10), as well as all other appraisals. We will also inform the Government that unless all arrears are paid by October 31, 1982, we will (a) defer negotiations of the Mtera Hydroelectric Project; (b) close those project accounts which have been unilaterally kept open for projects under implementation; and (c) approve no new contracts for technical assistance and training under existing credits. Economic work, including the mission which is due to review the Government's Structural Adjustment Program later this month would, however, go forward.

9. While these actions will have damaging consequences for our Tanzanian operations, we believe that they would communicate further to the Government the importance of making the overdue service payments to the Bank Group. In current circumstances, they would also be more persuasive than the ultimate remedies at our disposal, such as cancellation of loans and credits, which should be considered as a last resort.

10. Mr. Kraske and Mr. Dunn will be visiting Tanzania later this month and will take up this matter again with Ministers and senior officials. I shall report to you on future developments, as promptly as possible. In the meantime, I would be grateful for any additional suggestions which you would wish to make on this subject.

Cleared with and cc. Mr. Dunn

cc. Messrs. Rotberg, Hittmair, Hattori, Scott, Ducker, Takahashi, Wyss,  
Greene, Thomas, van Opstal, Moussu-Rizan

RCalderisi:dsl



# **DEVELOPMENT MEANS STRUCTURAL ADJUSTMENT**

*Statement by Minister Amir H. Jamal on  
behalf of the United Republic of Tanzania  
at UNCTAD VI*

*Belgrade: 14th June, 1983*

**STATEMENT BY NDUGU AMIR H. JAMAL (MP)  
MINISTER WITHOUT PORTIFOLIO IN THE OFFICE  
OF THE PRESIDENT, AT THE SIXTH SESSION OF  
THE UNITED NATIONS CONFERENCE ON TRADE  
AND DEVELOPMENT (UNCTAD VI) AT BELGRADE,  
YUGOSLAVIA JUNE 14, 1983**

Mr. President,

Please accept, on behalf of the Tanzania delegation, our heartfelt congratulations and good wishes on your being elected to steer the Sixth UNCTAD, at a crucial time in world affairs. Please be assured of my delegation's full co-operation in the performance of your challenging task. The international economic situation is much too critical for this global conference not to make a determined contribution towards making a decisive beginning of its resolution. Our deeply cherished objective of a New International Economic Order cannot be reached if we fail to deal with the causes of the deep structural crisis in which the world has been plunged, and to take remedial measures in the short and in the medium term.

We are deeply indebted to the brotherly people and the government of the Socialist Federal Republic of Yugoslavia for the gracious courtesy and hospitality extended to us. We truly feel at home in this historic city of Belgrade, the eternal resting place of the great Tito, whose memory continues to inspire the youth of today, as he himself in his time inspired millions all over the world.

Mr. President, at the outset we express our particular appreciation to the Secretary-General, Mr. Gamani Corea and his hard-working staff for their service par excellence to delegates by way of most valuable documentation, including policy papers of direct relevance to the substance of the



agenda of this Conference. We thank the secretariat for its energetic and sustained follow-up of the decisions of past Conferences as well as of the Trade and Development Board. If I make a special mention of the Secretary-General's report entitled "Development and Recovery: the realities of the new Interdependence", it is because, with its exceptional analytical value, and its comprehensiveness, it epitomises what we all are here for. The developed and the developing countries alike should find their discussions very considerably facilitated by this truly valuable document.

The distinguished President of Argentina has already presented with such eloquence, the comprehensive Buenos Aires Platform on behalf of the Group of 77, which is in full harmony with the Economic Declaration of the Summit of the Non-Aligned Movement, for due consideration by distinguished representatives of participating states. We endorse the Platform whole-heartedly and express the hope that the industrialized countries will demonstrate their political will in a most positive manner, so as to enable the developing countries to discharge their obligations towards restructuring the world economy in the direction of a more just and equitable international Order. Representing as I do one of the least developed countries, I am grateful for this opportunity to make a statement in the sincere hope that it will assist in widening and extending the area of understanding between the developed and the developing societies.

Mr. President, it has been heartening to listen to a number of very positive statements made on behalf of several industrialized countries. In addition to the statements made on behalf of the Nordic group of countries as well as the European Community it was particularly encouraging to listen to the distinguished leaders of the delegations of Sweden, Denmark, The Netherlands, Finland, France, New Zealand and Japan. When at least an outline of the diagnosis of the serious malady afflicting the economy begins to be commonly perceived, there is reason to hope that national as well as international action to deal with the



situation may follow without delay. Obviously no one desires an acute crisis either to become a chronic one or to lead to a collapse of the global structures with all its implications.

Admittedly, we must avoid at all costs talking ourselves into a global depression. The almost unprecedented recession has been cruel enough. But neither should we delude ourselves that we can talk our way out of the present crisis. Flashes in the pan may look scintillating, especially when election time draws nearer. The danger is that most valuable time may be lost, doing irretrievable damage to all.

There seems to be reasonably common agreement that action is needed on two tracks simultaneously. There are certain immediate measures which cannot be delayed any longer. Already it is quite late, especially for the least developed countries. They need balance of payment support, as well as quickly disburseable import support to rehabilitate their capacity thus enabling them to restore the lost momentum of development. At the same time the issue of remunerative prices of their Commodities should now be pursued, firstly in terms of compensatory financing of the STABEX character rather than the IMF variety, while relating it to the weighted price index of their essential imports, and secondly through the implementation of the Common Fund and the Integrated Programme of Commodities. And for all developing countries, access to markets and debt settlement are matters of urgency.

Mr. President, it must be stated at the outset that the primary responsibility rests with the developing countries to manage their economies in a manner conducive to their development in conformity with their own values. Indeed, from the very first day of achieving political independence it becomes necessary to exercise that responsibility. The immediate task is to embark on a long, long journey of structural adjustment on a continuous basis. And the less developed an economy, the more imperative the need for structural changes on the entire front constituting the development process. Quite often structures need to be built for the first time, because they were needed and were not there. Education, Health, Water supply, Village development, roads,

communications and transport, agricultural support services, import substitution, processing of one's own raw materials—all this and much more calls for structural adjustment. We hear so much about such adjustment these days! The developing countries have been doing nothing if not structural adjustment ever since the first day of their independence.

Mr. President, the cause of the malaise afflicting the world economy does not lie with the poor developing countries, especially those who rely for their existence for the most part on primary commodities and the early stages of their processing. Nor do the large land masses of Asia and Latin America, with their large concentration of population, seem to have affected the world economy adversely. If anything, without their participation in world trade together with those of the least developed, the economies of the industrialized countries would have been under still greater strain. So what happened? How?

The O.E.C.D., the UNCTAD Secretariat and several other economic analysts have pointed at low productivity, inadequate research and savings, rigidities in production structures, too many market decisions of a short-term nature thus jeopardising long-term investment plans—including investment in structural changes, as some of the factors which have been at play. Mr. President, could it be that the rules of international trade and exchange established by the industrialized countries themselves were flaunted beyond an acceptable margin? Could it be that certain trans-national consequences and implications of pursuing basically national policies wedded to the free play market forces, produced irreconcilable contradictions which in the last analysis meant the building-up of multiple surplus capacity structured for quick mass consumption, thus leading inevitably to high levels of unemployment? Could it be that the dimension introduced by arms manufacture based on an ever-rising level of technology became an additional factor in the structural distortion caused by the progressive trans-nationalisation of the world economy, without corresponding trans-national political control of that process? And could it be that the incompatibility of institutional capability with



fiscal and monetary policies, and the structural dis-orientation of the economies of the industrialized countries inevitably led, among other things, to the enormous overhang of hundreds of billion dollars of credit and debt balances which are equally asymmetrical structurally? And finally, could it be that in this forest of thick weeds, basic human values have been the first to be smothered beneath?

A *prima facie* conclusion is hard to escape, namely that the slow and somewhat tortuous evolution of some kind of practicable international order that was potentially premised through the establishment of the Bretton Woods institutions was decisively interrupted by the pursuit of nationalistic objectives, based on the possession of technological and military power. This meant the abandoning of the logic, even if one ignored the ethics, which motivated the founders of the Bretton Woods institutions and which pointed towards steady surrendering of sovereignty to steadily increasing international control and surveillance in the field of trade and exchange, with all its implications for human evolution.

Mr. President, that logic, with its ethical component, led the industrialized countries under the inspiration of the United States to establish the International Development Association in 1960. This was a historic milestone in human evolution. And so was the U.N. General Assembly decision to convene the United Nations Conference on Trade and Development. Not only did the poor developing countries find cause for hope, they were actually beginning to receive some predictable form of material assistance with which to connect themselves one day with the international chain of trade and exchange as part of a larger human community. But then somewhere, somehow, the process was not only interrupted but actually detracted on to another and seemingly altogether unregulated orbit.

As a poor developing country, Tanzania, like many other poor developing countries, had perceived at an early stage the importance of managing its economy within the overall limits of its resources and such resources as were made



available to it by other progressive enlightened societies. The IDA has been a source of real help in building our physical and social infrastructure. Together with other helpers, it was possible for us in the Sixties to compensate ourselves for what we lost in terms of trade in only one commodity, sisal. We had calculated in 1971 that if the price of sisal throughout the Sixties had been indexed to the weighted price of our imports of essential manufactured goods, Tanzania would have been left with a little surplus even if it had not received any assistance at all. And of course, with the resources that it actually did receive, it would have had greater capital formation, with all the incremental return to the economy that would have thus accrued.

Even so, from 1961 to 1977, Tanzania was able to balance its budget on recurrent account, while relying on grants, soft loans of the IDA type, and internal savings to finance its development effort. With some considerable difficulty and despite prolonged drought in 1973/74, we succeeded in absorbing the first rise in the price of oil. Later, from 1977 onwards within a short span of less than 3 years we were afflicted with the overnight loss of access to vital transport and communications services following the collapse of the East African Community; the completely unforeseen aggression on our territory calling for instant mobilization of all our resources, meagre as they were; the second oil shock; and very heavy flooding. All this constituted a body blow to our economy which deflected us from our painfully laid course, and the deepening world economic crisis did nothing to make things any easier.

Our own errors of commission and omission, which at the best of times could not have been avoided in one form or another for a developing country, compounded our problems. A whole burden of adjustment fell upon us, even though a very large component of the causes related to factors outside our control. With recourse to private banking quite out of question, we hoped that the World Bank and the IMF would give us assistance and understanding. Instead,

we encountered an insistence on applying to us a set of criteria with which even more developed countries would have quite some difficulty in complying.

We had already perceived that while the IMF was a most useful source of technical assistance, the premises on which it was established made its operational policies relevant only to industrialized societies endowed with a critical quantum of financial and fiscal infrastructure in addition to physical infrastructure. Captive as we were of historical under-development, with only rain-fed agriculture but with no assurance of adequate rainfall or of absence of pests or of remunerative prices, and with the task of building physical and social infrastructure still ahead of us, we were only too aware of the immense task of differentiating a balance of payment problem arising from short-term disequilibrium in income and expenditure in both fiscal and external trade accounts, and a negative balance of payment outcome due to our inherited circumstances. We realized that with so many gaps in our economic structure, monetary policies could only yield results over a period of time, that is after we had made adequate investment in a broad spectrum of priority areas including roads, transport, education, health, water supply, credit institutional network and the like, covering 1 million square kilometres, sharing our border with eight countries and the Indian Ocean. In short, a per capita income of 200 dollars was no qualification for a classical IMF programme with its litany of prescriptions related to exchange rates, cuts in social expenditure and so forth.

In the seventies, we found ourselves taking first faltering steps in some light industrial activities aimed at import substitution. It was neither politically nor economically feasible to remain content with only production of primary commodities. We had to make efforts to begin the escape from that historical bondage. And we believed that a policy of meeting basic needs through the establishment of industrial activities would receive international understanding and support. We entered a new phase in which the profile of our external trade was to change from year to year,



to the extent we succeeded in adding value, through processing and manufacturing, to our primary commodities, themselves hostage to weather conditions. Having embarked upon the task of restructuring our economy in order to carry out import substitution and to add further value to our own raw materials, we came face to face with the contradictions inherent in having to reconcile the needs of short-term external and internal equilibrium and the much longer process of restructuring our economy.

Mr. President, if I have referred to the economy of my country, I have done so to make a number of important points. **First**, developing countries are in a continuous process of structural adjustment. **Second**, an economy large or small, develops a strain in one area or another from time to time. When this happens, it is the function of responsible management to take remedial action. In order to do so, it becomes necessary to lean on the rest of the economy to find resources needed to take that remedial action. When an economy receives such a total all-pervasive blow as I have described it has no alternative to seeking assistance from outside. **Third**, a least developed country does not get any commercial bank loan. It is not considered credit-worthy. It can only seek assistance from friendly countries and seek a short-term facility from the IMF and long-term structural adjustment loan from the World Bank out of its quite limited funds—only 10 per cent of World Bank total lending being available for this purpose. **Fourth**, there is a limit to what assistance friendly countries can give in addition to the commitments already made which are intended to assist development rather than meeting balance of payment needs. **Fifth**, the IMF does not recognize the particular category of the least developed countries. It insists on applying criteria or conditionality as if a social and financial infrastructure comparable to that of an industrialised country was in place and responsive to monetary and fiscal measures, when in actual fact there are constraints at practically every step along the way—be they lack of feeder roads, or sparseness of bank facilities, or uncertain weather, or unpredictable appearance of pests, or erratic world market prices, or fluctuating exchange rates, or high interest



rates, not to mention availability of fuel, transport equipment and spare parts in the first place in addition to improved seed, fertilizers and so on. **Sixth**, the World Bank will not commit even the very limited funds available to it for lending towards structural adjustment without the poor developing country first concluding an arrangement with the IMF, with its unrealistic terms of conditionality.

Finally, there is a cruel contradiction between the very short-term frame work of an IMF programme, and the medium and long-term framework of a structural adjustment programme. In order to obtain an improvement in both external and internal accounts in the shortest possible time, under an IMF programme, a poor country has no choice but to try to make the most of the existing tracks in its economy. There is no way a country can seriously pursue long term changes in its structures and at the same time struggle to obtain short-term results by concentrating on the micro-economic activities based on the existing profile of its economy.

Mr. President, I listened with attention to what the Managing Director of the IMF had to say to us all the other day. I must admit I felt greatly perplexed and also somewhat depressed. Evidently, he was not prepared for the IMF to give recognition to the special needs of the least developed, as the rest of the entire international community had done. He was happy that 20 out of 27 countries which had concluded stand-by arrangements had shown improvement in their economies in the first year. Apart from the question as to how many of these were in the group of the least developed, it would be instructive to know whether the governments of these countries imposed their decisions on the people or whether the policies were given consent through the functioning of democratic processes; or whether policies produced successful outcome because they were applied in an environment which was just preceded by chaos and disorder thus rendering the population willing to try almost anything that might have some promise of working.

We were told by the IMF Managing Director that he expected the non-oil developing countries to pick-up a growth rate of about two and a half per cent in 1983 while their current account deficit would decline to less than 70 billion dollars. Again, Mr. President, not a word about the prospects for the least developed countries which, most unfortunately, are not expected to register any growth at all. And it is not clear if the decline of the current account deficit is due to depressed imports or greater real earnings through exports, or due to relative decline in interest rates from their unbearably high levels of 1982. The IMF is cautioning the industrialized countries against reflation of their economies too early, which leads one to the question whether the Fund shares the now almost universally held view that long term economic growth for the industrialized countries is predicated on early revival of the economies of developing countries. The illustrious predecessor of the present Managing Director, i.e., Mr. Witteveen recently commented:

“With present high unemployment rates and low capacity utilization, surpluses in oil and other raw materials markets and pervasive deflationary pressures in the world financial system, the risk that a somewhat higher increase in money supply would rekindle inflation is practically non-existent. This should be explained clearly and forcefully to overcome dogmatic and unrealistic monetarist fears”.

Mr. President, a very responsible body of opinion now advocates a special allocation of a substantial quantum of SDRs specifically aimed at stimulating development of the relatively underdeveloped.

Even if the international community does not wish to concern itself with the problems and difficulties of Tanzania, could it avoid asking itself those questions I have posed with regard to the evolution of the international economic system, and the digression of its logical and ethical evolution? While the IMF “disciplines” Tanzania and similarly placed other developing countries who, we insist,



have not contributed to the malaise in the international economy, the international community has not much time left for diagnosing the illness and taking the necessary remedial measures.

Quite apart from the fundamental questions related to equity in the decision-making process and in the treatment of historically dis-franchised developing societies, has the IMF achieved the avowed purpose for which it was established? The primary function of the IMF was to ensure that the legitimate balance of payment needs of the world's trading nations were met as and when necessary, and that this basic purpose was to be achieved in the context of a sustained growth in world trade. The responsibility to achieve and maintain an equilibrium in the community of trading nations was premised on the self-evident fact that there could not be balance of payment surplus at one and the same time for all countries engaged in trade and exchange. It was obvious from the start that adequate resources would have to be placed at the disposal of the IMF from its inception, and that these resources would have to be increased in proportion to the growth of world trade, if the IMF was to serve the purpose for which it was created.

What actually happened? In 1950 against world exports of 57.2 billion dollars, the IMF quota resources amounted to 8.04 billion dollars, a ratio of 14 per cent. In 1960, world exports reached 113 billion dollars, against IMF quota resources of 14.74 billion dollars, a ratio 13 per cent. In 1970 world exports amounted to 282 billion dollars against IMF quota of 31.85 billion dollars, or a ratio of 11.3 per cent. In 1980, world exports amounted to 1,869 billion dollars, whereas the IMF quota inclusive of SDR allocation amounted to 98.18 billion dollars or a ratio of 5.25 per cent. Quite clearly the IMF had been forced to abdicate its due function because it was not given the required resources, while at the same time its function was all but taken over by private banks with their own terms of reference within the framework of their shareholders, mandate.

Mr. President, it is of course true that history does not offer any retrospective options. But I believe it is possible and indeed necessary to draw some important conclusions.



I say this in all humility and do not wish to be misunderstood. It seems that the step by step necessary adjustment in both the Articles of Agreement and in the resources of the Fund have not kept pace with either the dynamic requirements of the logic of the Fund's establishment or with the objective needs of the international community from year to year. It is possible to visualize quite a different scenario for the remainder of the Sixties and the whole of the Seventies if an adequately resourced Fund had been truly sensitive to developments at both the extremes. At one end a wholly identifiable new group of countries was just barely making faltering entry into the complex field of finance and fiscal management of their just recently monetized economy. At another end, a powerful combination of capital and technology was leading to fiscal and monetary behaviour both within and across national boundaries quite contrary to IMF tenets. An IMF that was truly committed to the goal of maintaining a continuing equilibrium in the world economy would have leaned much more towards the needy, fragile incipient economies and at the same time would have demanded early compliance from forces which were cutting loose from responsibility implied in the role of a particular currency being *de facto* international trading and reserve unit.

An orderly organic development of the Fund's policies and performance, with due regard for the needs of resources to match its responsibilities, would have in the end enabled more orderly growth of trade, more sustained development, orderly exchange rate regimes, less unemployment and more effective containment of private banking, which even the banks themselves would have come to appreciate in due course.

An international conference participated in by all the countries of the world, to deal with money and finance for trade and development is now an urgent need. Both the super powers have a major role to play in the world economy. A great power, more than most, realizes its true limits. In the event, its own security cannot be assured without the security of all the rest. Deliberately limiting one's power

is a manifestation of mature power. Limiting it in order to advance collective security through collective participation makes it humane power.

As for private investment, least developed countries are in a very peculiar situation. They need both capital and technology. And they need management skills to be developed. But an investor with these resources asks to be provided with such services as electricity, telephones, water supply, sewerage, well-maintained roads, transport services, physical security and a minimum of social amenities, to mention a few pre-requisites. Each one of them has a high foreign exchange content, both in terms of initial capital and subsequent maintenance. Unless private investment can yield sufficient returns to make significant contribution to these sectors in addition to meeting the recurrent requirements of the enterprise itself, the whole exercise on the face of it is much less than a zero sum affair for a least developed country.

Mr. President, many of the basic questions raised in UNCTAD I still remain to be resolved in UNCTAD VI. The question of remunerative prices of primary commodities which it was hoped would be meaningfully dealt with through a comprehensive Commodity Fund still remains with us. Even in its diminished form, the Common Fund has not seen the light of day. The transition from primary production to industrialization needs time and resources. IDA is now poised on a thin razor's edge with a real risk of undoing all the good it has done. The debt of the developing countries needs urgent attention if it is not to contribute to inflation or to collapse of private banking. Energy has assumed a time and resource dimension unforeseen in 1964. The poor countries are going to the wall. The unemployed in the industrialized world as yet do not see any glimpse of light. And all this when intelligent synchronisation of capacity in the industrialized world with the unmet needs of basic goods for development in the poor countries is altogether within the resourcefulness of mankind. All this enormous pain, when a two per cent reduction in defence expenditure by the industrialized countries would meet the minimum unsatisfied needs of poor



developing countries who left the PARIS meeting with the SNPA Programme in their briefcases and hopes in their hearts. Ninety eight instead of a hundred tanks, ninety eight instead of a hundred bombs, ninety eight instead of a hundred missiles. Is this such a huge sacrifice?

Mr. President, the issues facing the international community are not just economic. Indeed they are fundamentally political. The issues before this conference concern man—his well being, his self respect. Even as we deliberate here, three freedom fighters went to the gallows in racist South Africa because they chose to take all the risks they could for the sake of asserting the dignity of man. When we plead for an equitable deal in commodities, in trade, in liquidity adjustment to safe-guard the process of development, we are concerned with man and his well-being. These are no abstract subjects we are deliberating on. The manner and the speed with which we deal with these urgent matters, which cumulatively constitute the core of the world crisis, will determine whether democratic values will have a chance of taking firm roots in the yet developing societies or whether authoritarianism, repression and trampling of basic human rights will be the order we will bequeath to our children.

The response the developing countries get in respect of the main resolutions they have presented here will not decide the fate of the world tomorrow morning. But the day after tomorrow is not very far, certainly not for our children. I trust no one wants the scenario of Horatio at the end of HAMLET looking over the dead bodies of Hamlet, Laertes, and the King and Queen of Denmark and saying in Shakespeare's inimitable words:

“And let me speak to th’ yet unknowing world,  
How these things came about. So shall you hear  
Of carnal, bloody and unnatural acts, of accidental  
judgements,  
Casual slaughters of deaths put on by cunning and  
forced cause,  
And in this upshot, purposes mistook  
Fall’ n on th’ inventors’ heads.”.



Mr. President, yes, indeed we are all in one boat. We need to be extremely careful that the distribution of weight through the various structures of that boat does not become so uneven as to endanger its seaworthiness, in high tide or low tide. Courage and imagination, as much as careful calculation of global costs and global benefits, need to be our equipment in these crucial days.

Thank you.

