



**TANZANIA - HIPC APPROVAL DOCUMENT**  
**DECISION POINT UNDER THE ENHANCED FRAMEWORK\***

**NB : This document contains errata or corrigenda (see Annexes)**

## **HIPC APPROVAL DOCUMENT FOR TANZANIA: Completion Point under the Enhanced Framework**

### **1. INTRODUCTION**

1.1 The Boards of Directors approved the Bank Group's participation in the enhanced HIPC Initiative, on July 6, 2000. During this meeting, Management's proposal for the delivery modalities and financing arrangements were also approved. Accordingly, the Bank Group would provide its debt relief by releasing eligible countries from up to 80 percent of their annual debt service obligations until the total debt relief is delivered. Debt service delivery would commence at the decision point, with no more than 40 percent of HIPC assistance being provided during the interim period, viz., between the decision and completion points. Whenever possible, total debt relief will be provided within 15 years.

1.2 During their deliberations, the Boards of Directors took note of an earlier meeting of the Deputies of the African Development Fund on June 30, 2000 in Paris. At this meeting the Deputies endorsed the Bank Group's proposed delivery modalities and further agreed that the Bank Group has made the maximum effort in generating internal resources for the HIPC Initiative. The Deputies gave assurance to the Bank Group that they would meet the remaining financing gap to cover the full cost of the Bank's participation in the Initiative.

1.3 In November 2001, Tanzania reached its completion point and the Boards of the IMF and World Bank approved US\$ 2,026 million worth of debt relief in end-1999 net present value (NPV) terms under the enhanced HIPC Framework. This document invites the Boards to note the justifications for Tanzania's qualification for HIPC assistance, and approve the proposed plan to finance the Bank Group's share of Tanzania's costs. Section 2 of this document summarises details of Tanzania's qualification, while the total debt relief is disaggregated in Section 3 to illustrate how the Bank Group's share of the HIPC costs have been derived. The Bank Group's operations are reviewed in Section 4, with particular emphasis on activities related to the Poverty Reduction Strategy Papers (PRSPs). Section 5 presents details of the proposed delivery modality. The proposed financing plan is presented in Section 6. Recommendations for the Boards' consideration are contained in Section 7.

### **2. HIPC QUALIFICATION**

Tanzania qualified for US\$ 2,026 million worth of debt relief assistance, equivalent to 54 percent reduction in the country's outstanding stock of debt at end-1999, after full use of traditional debt relief mechanisms. The country reached its completion point in November 2001, under the enhanced HIPC framework by satisfactorily fulfilling agreed conditions in a number of key areas including the following: continued implementation of strong macroeconomic and structural policies, monitored under the Poverty Reduction and Growth Facility (PRGF); the development of a PRSP endorsed by the Executive Directors of the Bank and the Fund, and the satisfactory implementation of its poverty reduction strategy for at least one year. In

addition, the country has implemented a set of social, structural and institutional reforms.

A copy of the relevant HIPC completion point document is annexed to this report.

### 3. HIPC COSTS

- 3.1 Bilateral creditors will account for US\$ 1,006 million (49.7 percent) of Tanzania's debt relief, while multilateral creditors will deliver the remaining US\$ 1,020 million (50.3 percent). The Bank Group's share of debt relief will amount to US\$ 124.90 million in 1999 NPV terms. In addition, Table 1 provides a breakdown of Tanzania's total debt relief in NPV terms. In nominal terms, Bank Group assistance to Tanzania under the enhanced HIPC Initiative amounts to US\$ 190.75 million.
- 3.2 Bank Group debt relief to Tanzania during the interim period April 2000 to November 2001 amounted to US\$ 12.63 million ( NPV, 1999 terms) equivalent to US\$ 13.11 million in nominal terms.

**Table 1. Breakdown of Tanzania's HIPC Assistance as approved at Decision Point**

	US\$ million (1999NPV terms) Completion point
<b>Total HIPC Debt Relief</b>	<b>2,026</b>
Bilateral Creditors	1,006
Multilateral Creditors	1,020
<i>Of which:</i>	
<i>African Development Bank Group</i>	<i>125</i>
<i>World Bank</i>	<i>695</i>
<i>IMF</i>	<i>120</i>
<i>Other</i>	<i>80</i>

### 4. BANK GROUP INVOLVEMENT IN THE PRSP PROCESS

4.1 Following the approval of Tanzania's I-PRSP, the Bank Group participated in discussions held in Maputo by the Government with the country's development partners aimed at articulating the principles of the PARPA (Action Plan for the Reduction of Absolute Poverty) into concrete activities with time-bound objectives and indicators in a Full-PRSP. The Bank Group's participation in the Full PRSP was effected during normal field missions for project supervision, preparation and/or appraisal. One priority of the Bank during these discussions was effective decentralization as a precondition for meaningful poverty reduction. Subsequently, the Bank financed an economic adjustment program with poverty reduction and good governance as main elements, and decentralization the key instrument. A follow-up institutional support operation for local government capacity building is envisaged.

4.2 The preparation of the Bank Group's CSP for 1999-2001 involved exchanges with civil society representatives, officials of the Ministry of Planning and Finance, and line Ministries, on the key activities of the I-PRSP that held the best promise of early results on poverty reduction. The CSP incorporated the outcome of these participatory meetings while taking into account the country's development constraints as well as the priorities of the government, the private sector, civil society organizations and major development partners. The design of the operations programming of the CSP also reflected the PRGF program that had been negotiated with the IMF. Within this context, the Bank Group's medium-term assistance strategy (1999-2001) has the following objectives: Boosting food security and promoting the diversification of the agricultural sector; supporting human resources' development through increased investment; development of infrastructure to promote rural development, open up the country and reduce transport costs; and promoting private sector development through support for macroeconomic reforms.

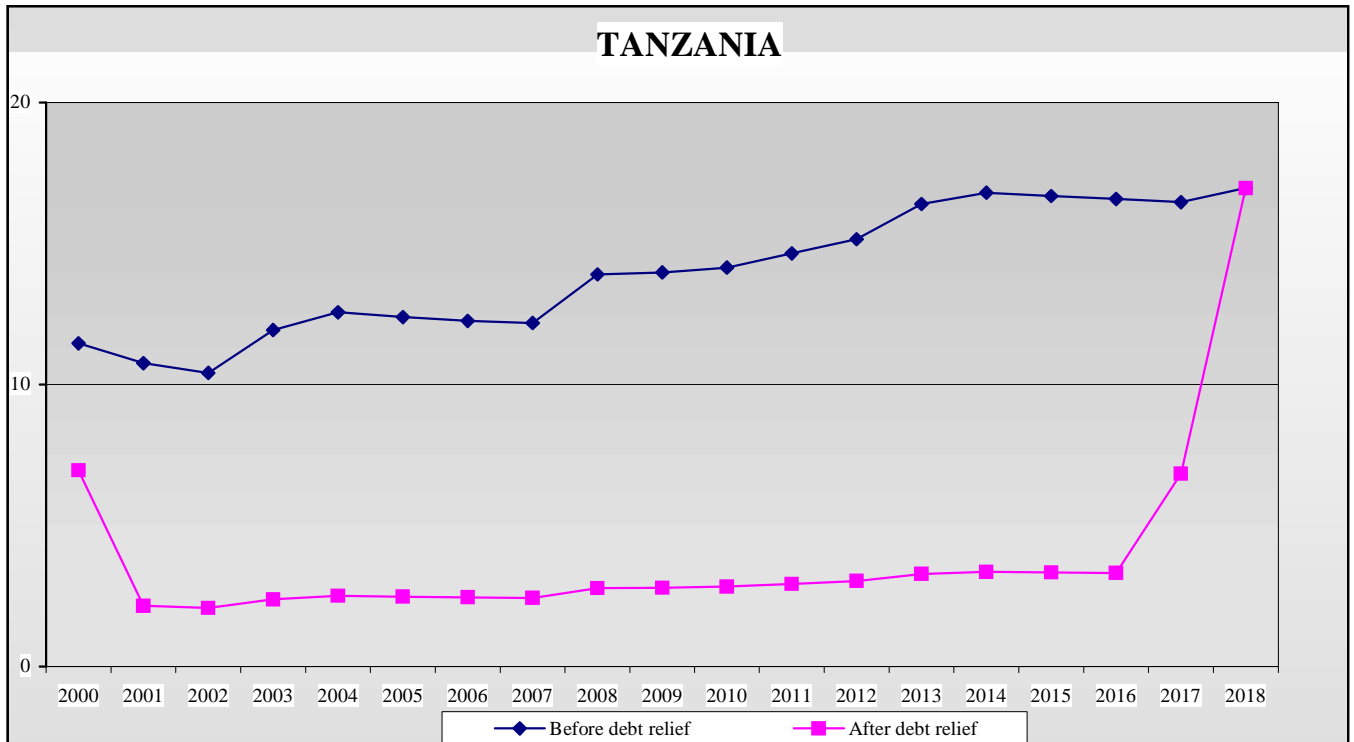
## **5. PROPOSED DELIVERY MODALITY**

5.1 As Tanzania has reached its completion point, it is proposed that the Bank Group makes an irrevocable commitment to provide, with effect from November 2001. The Bank Group's debt relief would be provided by releasing Tanzania from up to 80 percent of its debt service obligations to the Bank Group each year, until the entire amount of US\$ 124.90 million is delivered. Total debt relief will be delivered by end 2017.

### **Legal Aspects of Debt Relief Operation**

5.2 Debt relief for Tanzania is to be provided, under the enhanced framework of the HIPC Debt Initiative, through the mechanism of debt service relief, in accordance with the terms described in the preceding paragraphs. These terms will be implemented by a Debt Relief Agreement between the Bank Group and the government of Tanzania; and a HIPC Trust Fund Grant Agreement between the Bank Group, the International Development Association (IDA) and the government of Tanzania. The provision of debt relief, as described, is consistent with the rules of the African Development Bank and the African Development Fund.

**Chart A. Impact of Debt Relief on Tanzania's Bank Group Debt Service Profile**  
(in million US dollars)



## 6. PROPOSED FINANCING ARRANGEMENTS

The Bank Group's share of debt relief will be financed as follows:

*Million US\$ end- 1999 NPV*

Internal Resources	<b>24.98</b>
European Commission pledge	<b>49.96</b>
Balance with HIPC Trust Fund	<b>49.96</b>
<b>TOTAL</b>	<b>124.90</b>

## 7. RECOMMENDATIONS

The Boards are invited to:

1. Note the justifications for Tanzania's qualification for HIPC assistance at its completion point, under the enhanced framework; and
2. Approve the plan to finance the Bank Group's share of HIPC debt relief, in accordance with the arrangements presented in Section 6.

**AFRICAN DEVELOPMENT BANK**

**HIPC Debt Relief Schedule  
(in US\$ millions)**

Tanzania Completion Point Date	<b>TOTAL ADB</b>	<b>TOTAL Debt Relief</b>	
Nov. 2001	2000	1.390744	4.507553
	2001	2.106837	8.603444
	2002	1.449854	8.330696
	2003	1.364634	9.546345
	2004	1.296325	10.046514
	2005	1.233137	9.917581
	2006	1.171504	9.801811
	2007	1.109500	9.743978
	2008	1.014884	11.124455
	2009	0.934924	11.182635
	2010	0.878219	11.318501
	2011	0.821274	11.719539
	2012	0.764693	12.121385
	2013	0	13.119579
	2014	0	13.435497
	2015	0	13.346399
	2016	0	13.262860
	2017	0	9.617373
		<b>15.536529</b>	<b>190.746145</b>

**Summary**

Total Nominal Relief	US\$ 190.746145 mn
<b>of which ADB</b>	<b>US\$ 15.536529 mn</b>
of which ADF	US\$ 175.209616 mn
Total NPV Relief	US\$ 124.90 mn
Duration	18 years

**AFRICAN DEVELOPMENT FUND**

**HIPC Debt Relief Schedule  
(in US\$ millions)**

<b>Tanzania</b>		<b>TOTAL</b>	<b>TOTAL</b>
Completion		<b>ADF</b>	<b>Debt Relief</b>
Point Date			
Nov. 2001	2000	3.116809	4.507553
	2001	6.496607	8.603444
	2002	6.880843	8.330696
	2003	8.181711	9.546345
	2004	8.750188	10.046514
	2005	8.684444	9.917581
	2006	8.630307	9.801811
	2007	8.634479	9.743978
	2008	10.109572	11.124455
	2009	10.247710	11.182635
	2010	10.440282	11.318501
	2011	10.898265	11.719539
	2012	11.356691	12.121385
	2013	13.119579	13.119579
	2014	13.435497	13.435497
	2015	13.346399	13.346399
	2016	13.262860	13.262860
	2017	9.617373	9.617373
		<b>175.209616</b>	<b>190.746145</b>

**Summary \***

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**IMF/ World Bank HIPC Document for  
TANZANIA**

# Annex

**SUBJECT : TANZANIA - HIPC APPROVAL DOCUMENT  
COMPLETION POINT UNDER THE ENHANCED FRAMEWORK  
CORRIGENDUM – ENGLISH ONLY\***

Please note that the exact title of the document is TANZANIA-  
HIPC Approval Document - **Completion Point** under the enhanced framework  
Instead of *Decision Point* under the Enhanced framework as mentioned in the document  
distributed on 7/2/2002.



**TANZANIA - HIPC APPROVAL DOCUMENT - COMPLETION**  
**POINT UNDER THE ENHANCED FRAMEWORK**

#### **4. BANK GROUP INVOLVEMENT IN THE PRSP PROCESS**

4.1 Following the approval of Tanzania's I-PRSP, the Bank Group participated in broad-based consultations with stakeholders to develop the full PRSP. The Bank was involved in the PRSP review process and provided suggestions and comments to improve the report which was completed in August 2000, and endorsed by the World Bank and the IMF Boards in November and December 2000 respectively. The full PRSP recognizes the multi-dimensional nature of poverty in Tanzania. Thus, it is focused on measures to promote economic growth, reduce poverty and strengthen human resources development. The Bank Group approved, in August 2001, a policy-based loan of UA 40.8 million in support of the PRSP process in Tanzania.

4.2 The country's limited progress made to date in reducing widespread poverty is underscored by slow economic growth and insufficient investment in human capital. Thus the Bank Group's CSP for 1999-2001 focused on poverty reduction in line with the Government's development agenda, the Bank's Vision Statement as well as the ADF-VIII operational policy guidelines. The Bank Group strategy sought to promote broad-based growth and strengthen human resource development to enable Tanzania meet the internationally agreed development goals. This strategy complemented the assistance of other development partners and built on the Bank Group's past interventions in Tanzania.