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SM/83/124  
Correction 1

CONTAINS CONFIDENTIAL  
INFORMATION

June 22, 1983

To: Members of the Executive Board  
From: The Secretary  
Subject: Tanzania - Staff Report for the 1983 Article IV Consultation

The following correction has been made in SM/83/124 (6/13/83):

Page 18, "Monetary movements," last line: for "Of which: Fund purchases  
(net)"  
read "Of which: Fund purchases"

A corrected page is attached.

Att: (1)

Other Distribution:  
Department Heads

In the nonbank financial sector the largest institution is the Tanzania Rural Development Bank (TRDB), which had loans outstanding amounting to T Sh 815 million at end-September 1981 (the latest available data). Since 1977 this institution has received funds entirely from foreign aid and has provided loans and loan guarantees for crop financing and small loans for rural investment. Loan repayment experience has been very poor, with arrears amounting to as much as 33 per cent of total loans outstanding.

### 3. The balance of payments

The Tanzanian representatives said that there had been a serious further deterioration in the balance of payments in 1982. In contrast to the expectations of the Structural Adjustment Program, the value of exports fell sharply from US\$528 million in 1981 to US\$373 million in 1982 (Table 4). Unit values of exports rose slightly, but there was a significant decline in shipments of cotton, coffee, sisal, and unprocessed cashew nuts. The decline in cotton exports was very sharp (from 44.1 thousand tons to 19.6 thousand tons), which the Tanzanian representatives attributed to a virtual cessation of ginning operations as a result of a breakdown of the plant due to maintenance difficulties. The total value of agricultural exports fell from US\$329 million in 1981 to US\$235 million in 1982. The value of other exports also fell from US\$199 million to US\$138 million. The value of imports was estimated to have declined sharply from US\$1,100 million in 1981 to US\$899 million in 1982. 1/ Reflecting the tighter foreign exchange position, foreign exchange allocations to the importation of spare parts and consumer goods, including medicines, were further curtailed while those for petroleum were maintained at virtually the same level as in 1981.

Net receipts from transfers and capital declined sharply in 1982. Official grant receipts were slightly lower than in 1981, and government and parastatal borrowing was sharply lower than in the previous year, when Tanzania received an export rehabilitation credit of US\$50 million from the World Bank. These developments led to a further substantial buildup in arrears in 1982, amounting to US\$108 million. Of this increase US\$12 million was in respect of suppliers' credits and US\$60 million in respect of long- and medium-term debt service (including obligations due to the Fund). Total arrears amounted to US\$403 million at the end of 1982. The external payments arrears incurred by the Tanzanian Government on account of its loan repayments started in 1981 and increased sharply in 1982. 2/

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1/ Customs data are available only up to June 1982 and are thought to be subject to considerable revision. The estimates presented above for 1982 were based on licenses issued.

2/ The counterpart of commercial arrears, totaling US\$339 million, is held by the National Bank of Commerce, but no similar deposits are held in respect of arrears on debt service payments for which transfers have not been effected.

Table 4. Tanzania: Summary Balance of Payments, 1980-82

(In millions of U.S. dollars)

	1980	1981	1982 Prel.
Trade account	-710	-572	-526
Exports, f.o.b.	511	528	373
Imports, c.i.f.	-1,221	-1,100	-899
Services (net)	19	70	17
Private transfers (net)	22	24	22
Current account	-669	-478	-487
Government transfers (net)	268	294	292
Of which: program aid	(116)	(91)	(199)
Medium- and long-term borrowing (net)	144	219	76
Government (net)	(113)	(170)	(53)
Nonfinancial public enterprises (net)	(34)	(48)	(22)
Private (net)	(-3)	(1)	(1)
Suppliers' credits (net)	61	101	1
Other capital movements and errors and omissions	-7	-129	-9
SDRs	7	6	--
Overall balance	-196	13	-127
Monetary movements	196	-13	127
Arrears (decrease -)	147	-8	108
Commercial	(147)	(-9)	(45)
Debt service	(--)	(1)	(48)
CF overcompensation	(--)	(--)	(15)
Other reserve movements (increase -)	49	-5	19
Of which: Fund purchases	(52)	(19)	(2)
<u>Memorandum item:</u>			
T Sh/US\$1	8.20	8.29	9.33

Sources: Data provided by the Tanzanian authorities; and staff estimates.