

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/85/256
Supplement 2

CONFIDENTIAL

December 4, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Tanzania - Overdue Financial Obligations to the Fund -
Review of Decision on Complaints under Rule K-1 and Rule S-1,
and Notice of Failure to Settle Trust Fund Obligations

Attached for the information of Executive Directors is the text of a communication dated December 3, 1985 sent by the Managing Director to the Honorable C.D. Msuya, Governor of the Fund, Tanzania.

Att: (1)



THE HONORABLE C.D. MSUYA
GOVERNOR OF THE FUND
DAR ES SALAAM, TANZANIA

DEAR GOVERNOR MSUYA:

1. AS YOU KNOW, ON NOVEMBER 25, 1985, THE EXECUTIVE BOARD REVIEWED ITS DECISION OF AUGUST 26, 1985 RELATING TO TANZANIA'S OVERDUE OBLIGATIONS TO THE FUND. THE TEXT OF THE NOVEMBER DECISION WAS COMMUNICATED TO YOU BY THE SECRETARY ON NOVEMBER 26, 1985. I WOULD LIKE TO TAKE THIS OPPORTUNITY TO PROVIDE YOU WITH SOME COMMENTS AND BACKGROUND ON THE EXECUTIVE BOARD'S DISCUSSION.

2. EXECUTIVE DIRECTORS WELCOMED THE RECENT PARTIAL PAYMENT BY TANZANIA AND THE AUTHORITIES' INDICATION THAT A FURTHER PAYMENT WILL BE MADE BEFORE THE END OF DECEMBER 1985, BUT BECAUSE OF FUND POLICIES THE SUGGESTION BY TANZANIA TO PAY ARREARS IN INSTALMENTS SO AS TO BE CURRENT WITHIN EIGHTEEN MONTHS WAS NOT ACCEPTABLE. THE EXECUTIVE BOARD URGED THAT THE ARREARS TO THE FUND BE SETTLED WITHOUT DELAY.

3. DIRECTORS WERE, HOWEVER, ENCOURAGED BY THE WILLINGNESS OF THE AUTHORITIES TO HOLD COMPREHENSIVE DISCUSSIONS ON REQUIRED POLICY MEASURES WITH THE STAFF IN THE CONTEXT OF THE FORTHCOMING ARTICLE IV CONSULTATION MISSION AND I AM PERSONALLY HEARTENED BY THE POSITIVE INDICATION IN THE PRINCIPAL SECRETARY'S TELEX OF NOVEMBER 26, 1985. AS YOU KNOW, UNDER THE POLICIES OF THE FUND NEGOTIATIONS OF AN ARRANGEMENT SUPPORTED BY USE OF FUND RESOURCES CAN BE CONDUCTED ONLY IF A MEMBER IS CURRENT ON ITS PAYMENTS OBLIGATIONS TO THE FUND. FOR THIS REASON, IT IS ALL THE MORE URGENT THAT TANZANIA TAKE PROMPT ACTION TO SETTLE ITS OVERDUE OBLIGATIONS IN FULL.

4. IN THE MEANTIME, I AM PREPARED TO AUTHORIZE THE STAFF TO DISCUSS WITH YOU AND YOUR COLLEAGUES POLICY MEASURES THAT WOULD CONSTITUTE THE NECESSARY ELEMENTS OF A STRONG AND COMPREHENSIVE PROGRAM OF ECONOMIC ADJUSTMENT. UPON DISCHARGE OF ALL TANZANIA'S OVERDUE OBLIGATIONS, MORE PRECISE UNDERSTANDINGS COULD RAPIDLY BE REACHED THAT COULD LEAD TO EARLY CONSIDERATION OF THE USE OF FUND RESOURCES IN THE CONTEXT OF SUCH AN ADJUSTMENT PROGRAM AND CONSISTENT WITH THE GUIDELINES ON ACCESS TO THESE RESOURCES.

5. REFLECTING THE IMPORTANCE OF THESE ISSUES AND EXECUTIVE DIRECTORS' DESIRE TO BE KEPT CLOSELY INFORMED OF DEVELOPMENTS IN TANZANIA, THE EXECUTIVE BOARD DECIDED TO REVIEW FURTHER ITS DECISION ON TANZANIA'S OVERDUE OBLIGATIONS TO THE FUND ON JANUARY 24, 1985. DIRECTORS WILL ALSO WISH TO CONSIDER AT THAT TIME AN EARLY REPORT BY THE STAFF ON THE FORTHCOMING DISCUSSIONS.

6. I LOOK FORWARD TO A POSITIVE OUTCOME OF THESE DISCUSSIONS AND I AM CONFIDENT OF YOUR CONTINUING COOPERATION TO BRING ABOUT A SPEEDY RESOLUTION OF THIS DIFFICULT PROBLEM. I HOPE THAT IT WILL BE POSSIBLE TO REPORT TO THE EXECUTIVE BOARD IN ADVANCE OF THE REVIEW IN JANUARY THAT FULL SETTLEMENT OF TANZANIA'S OVERDUE OBLIGATIONS HAS BEEN MADE AND THAT NORMAL FINANCIAL RELATIONS BETWEEN TANZANIA AND THE FUND ARE BEING RESTORED.

WITH BEST REGARDS

J. DE LAROSIERE
MANAGING DIRECTOR
INTERFUND

Dispatched on December 3, 1985