

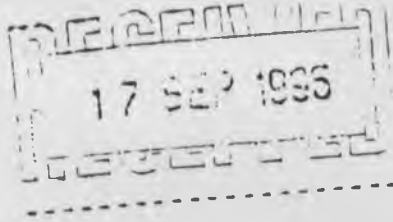
Lady Lynda's Lyrics

1. In respect to debt writedown there is nothing particularly wrong with the reply: a) it is broadly accurate; b) it backs writedown for Tanzania; c) it indicates UK will continue to push. (The target country is Germany.) Least satisfactory when on non-debt issues.
2. Para 3 is self delusion. The Tanzania public service peaked at 360,000 odd in 1974 and has since fluctuated between 320,000 and 350,000. It may now be down to 310,000. This is the result of a series of domestic initiatives (and creep) not external. The concentration on cutting staff not retraining, reprofessionalising, restoring pay (e.g. \$50 a month minimum not \$25) in WB Civil Service Reform wasted four to five years, and still bedevils progress on very slow moving reform planning over past four. Unless the "shedding" actually relates to parastatals there is very little to be gained by cuts; certainly a total trivial relative to health/education/water/roads revival needs. **Defence** (10% of Budget) could in theory be cut. With 20,000 (of 40,000) troops on the border to avert spillover from/clashes across Rwanda/Burundi frontiers and another 7,500 'semi forward' to be able to respond to outward directed blowup in R/B or explosions in Zaire/Uganda, now is **not** a propitious time to try. **Domestic debt service** is too high because **real** interest rates are too high on government paper (25% real taxable - albeit down from over 100% real tax free). That is largely an IMF pushed folly.
3. Last para 1/to 2. **Well**. Had Tanzania had a 75%-90% writedown it wouldn't be spending over 25% of export earnings and 20% odd of tax revenue on external debt service. (As much of debt is **not** serviced with no overt pressure, evidently there is a *de facto* agreement: service Bank/Fund plus others up to about 25% of exports and 20% of tax revenue and will accept good faith attempt.) It is true inflows exceed outflows. That WB/IMF is helpful re social sector restoration so long as it sidesteps the 'no pay/no productivity' trap on the public service (see paper under separate cover) is a matter of opinion.
4. Next para in fairness accepts that. **Interesting** point is that it *de facto* criticises WB/ADB for 1970's/80's loans that proved to be unproductive.
5. 3rd para page 2. Hum - half of problem with IMF is on the interest rate issue cited above. That has little to do with "propping up". As all conceivably saleable industries are on offer - except telecommunications (which I think should be) - little risk on that head.
6. Next para very positive. (I'd be somewhat less optimistic as was recent **FT** review.) But last para page 2 - **Naples alone** won't do (and WB recent proposals do go beyond it) - need **over** 67% writedown. But a start.

7. **Last para** is open to challenge. Tanzania had a costed - argued - targeted programme of the order of \$60 million to "Make Whole Again" (based on my UNICEF report of that title, which I sent you at beginning of '95 or end '94). So far as I know **no** UK funds (as opposed to kind words). Only major response Dutch in agriculture. To talk of UK help to refugees (especially by the egregious "Tear Fund" which can be summed up - by Tanzanian churchmen not just me - as "Jesus Wept") sidesteps Tanzania's moral claim to large chunk of cost of "making whole again" for its own people. (It has **not** asked for \$25 million a year security costs imposed by horrendous UN botch of Rwanda 'preventative' operation.) Whether UK really supports "Nyerere Group" (Tanzania-Kenya-Uganda-Zambia-Ethiopia and as 'associates' Mozambique, Malawi, Zimbabwe, South Africa) we'll see when (if) it needs money for police-troops-etc. The only actual offer to date has been by Secretary Christopher not Minister Rifkind!

R.H. Green
15-X-96

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ODA

Overseas Development
Administration

94 Victoria Street, London SW1E 5JL

Telephone: 0171-917 0134

From The Minister

16 September 1996

The Right Reverend Barry Rogerson
Bishop of Bristol
Bishop's House
Clifton Hill
Bristol BS8 1BW

Dear Bishop,

Thank you for your letter of 29 August 1996. I was very interested to hear of your visit to Tanzania.

I share your concern about the debt burden of certain developing countries, including Tanzania. The British Government has continued to play a leading role in seeking to reduce to a manageable level the debt service of the poorest, most indebted countries with a good track record of economic reform.

The Tanzanian Government has for some time been pursuing a policy of economic and budgetary reform in cooperation with the multilateral and bilateral donors. A key element of this programme has been to bring the budget under control both by cutting expenditure, shedding unnecessary government staff and functions, and by increasing revenue. If it is successful, this will enable the government to spend more on the things which really matter, such as health and education. Donors have been providing substantial assistance in support of these aims.

Though expenditure has been curbed, including in the social sectors, it is misleading to imply that Tanzania has had to do this in order to service its debts. It is more meaningful to look at the net financing flows than at debt service in isolation. In fact,

/Tanzania receives substantially more in



Tanzania receives substantially more in grants and loans than it pays in debt service. In 1994 against the \$174 million paid in debt service, it received \$827 million in new loans and grants (excluding technical co-operation). Furthermore, IMF and World Bank programmes and bilateral programmes seek to protect social expenditure, such as health care, and encourage governments to treat social sectors as a priority within their budgets. Donors have been discussing with the Tanzanian Government ways of minimising the problems in these sectors.

Nevertheless, I agree that the level of Tanzania's debt service payments remains high. Tanzania's overall debt burden is estimated by the World Bank as approximately \$7.5 billion. Much of this derives from heavy borrowing from the multilateral institutions in the 1970s and 1980s for projects which turned out to be wholly unproductive and, in some cases, consumed more foreign exchange than they ever earned or saved.

The British Government is well aware of the burden this debt service places on the Tanzanian budget. In line with our policy towards the poorest countries, we wrote off our aid loans of some £3.4 million to Tanzania back in 1979 and since then all our assistance to Tanzania has been on grant terms so as not to increase their debt burden. But, as with all other developing countries in this situation, Tanzania must show a sustained record of improved budgetary and financial management and have reached agreement on an IMF economic reform programme before it can obtain a rescheduling of its official bilateral debts from the Paris Club of government creditors. Otherwise there is no way of ensuring that further assistance will be put to productive use and not wasted in propping up inefficient state-run industries.

Since it has been largely successful in meeting the targets of the recent IMF shadow programme, there is a good chance a programme under the IMF's Enhanced Structural Adjustment Facility can be agreed later in the year and a Paris Club rescheduling follow shortly thereafter. This would substantially reduce Tanzania's burden of debt.

With the implementation of Naples terms - terms which were first put forward by John Major - the Paris Club is now making real progress in addressing the burden of bilateral official debt of the poorest, most indebted countries. Nineteen countries have so far benefited from the higher levels of relief (up to 67%) available under Naples terms. Over \$6 billion of debt have been restructured under Naples terms. When Tanzania comes to the Paris Club, we shall certainly support a rescheduling on Naples terms.

/Finally, we are fully aware of the great



Finally, we are fully aware of the great contribution Tanzania has made in accomodating the large number of refugees from Rwanda and Burundi. The donor community, including the UK and a large number of British NGOs, have played a major part in funding the relief operation in the refugee camps. But we also fully support Tanzania's efforts to find a political solution, which is the only long-term solution to the crisis.

Yours sincerely,

Christine McKenna
Aps/Minister

for

BARONESS CHALKER OF WALLASEY
(Approved by Baroness Chalker and signed in her absence)



THE BISHOP OF BRISTOL

The Right Reverend Barry Rogerson

F + C

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Clifton Hill

Bristol BS8 1BW
Tel: 0117 973 0222

The Rt. Hon. The Baroness Chalker,
Minister for Overseas Development,
94 Victoria Street,
LONDON, SW1E 5JL.

29 August 1996.

Dear Baroness Chalker,

International Debt & Aid

I, along with six other people from the United Kingdom, attended the World Council of Churches' Plenary Commission on Faith & Order held at Moshi in Tanzania between 10th and 24th August this year. As guests of the Tanzanian Churches the Plenary Commission of 105 members was addressed by the President of the United Republic of Tanzania, His Excellency Benjamin William Mkapa. His was a powerful speech, from his personal conviction as a Christian, concerning the unity of the nation of Tanzania and issues of relating to the creation of a just world in which the proper care of Tanzanian citizens could be addressed.

We were in Tanzania to face issues of unity, especially the visible unity of the churches, but also the unity and renewal of the human community. So we were interested to hear the President speak about creating a nation which was at one with itself - despite tribal, social and religious differences. The contrast with Burundi in the present and Kenya and Uganda in the past was very telling as the President made a plea for a political culture of tolerance and unity in diversity.

However, our purpose in writing to you is to convey the very strong message the President had concerning the care of the people of Tanzania, of whom a very large proportion are under 18 years of age. He saw his Government, as are all sub-Saharan Governments, facing a challenge to provide good education, good health care and good nutrition for young people against a background of strict budgetary controls brought about by large interest repayments. We are sure you are aware that Tanzania has an external debt of \$7 billion, which is equivalent to the average earnings for every man, woman and child in Tanzania for two and half years. The interest charges alone amount to 135.8 billion shillings(Ts) and represents the total budgeted expenditure of seven major Government ministries of Home Affairs, Defence, Agriculture, Education, Health, Finance and Science and Technology.

We appreciate the very positive actions which the Prime Minister and yourself have taken concerning International Debt but, if Tanzania is going to be able to help itself, relief from this size of debt has to be addressed. We heard the President quote the Book of Proverbs, "Lazy hands make a man poor, but diligent hands bring wealth". There is a great desire in Tanzanians to help themselves and a willingness to develop their own economy in relation to those of Europe and other developed countries. Already there is a growing voice in the United Kingdom that the International Debt Crisis ought to be addressed as we come to the beginning of the third millennium, and addressed with generosity which, in the end, may be to our own

The Rt. Hon. The Baroness Chalker

29 August 1996

well-being. It was, however, with some shame that we heard that the British Government had reduced its aid budget to Africa by a further 5.4% this year and that diplomatic representation had been cut by 10% since 1990.

The General Secretary of the WCC, Dr. Konrad Raiser, in responding to the President's speech praised Tanzania for the very heavy burden of caring for the refugees of the Burundi Civil War. Some 750,000 of them are, we believe, in camps in the North Western region of the country. For a country which ranks as one of the poorest in the world, their level of generosity, out of their poverty, to these refugees was, and is, an outstanding testament to Christian love and charity which we would hope, given similar circumstances, we might be able to emulate.

We have brought these matters to your attention in the hope that your voice might be added to those who seek a solution to Africa's International Debt Crisis and to those who seek a more generous response to Africa's need for creative aid and not least Tanzania.

We thank you for taking the time to read this letter.

With best wishes,

Yours sincerely,

+ Larry Kristin :

For and on behalf of:-

Sister Cecily Boulding

(Dominican Sister)

The Reverend Keith Clements

(Baptist Union and CCBI)

The Reverend Tony Coates

(United Reform Church)

The Reverend Martin Cressey

(United Reform Church and lately, Principal of Westminster College, Cambridge)

The Reverend Peter Donald

(Church of Scotland)

The Right Reverend Barry Rogerson

(Church of England)

Ms Catrin Williams

(Presbyterian Church of Wales)

27 August 1996



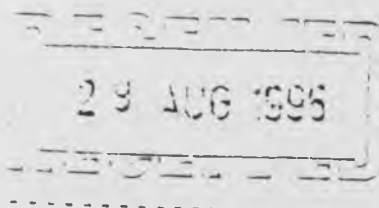
THE COUNCIL OF CHURCHES
FOR BRITAIN AND IRELAND

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General Secretary
REV JOHN REARDON

Co-ordinating Secretary
for International Affairs
REV KEITH CLEMENTS



Dear Barry,

I trust you too have got back safely from Moshi. My main adversity was a six-hour delay in the flight from Dar-es-Salaam.

Shortly after you had left, a number of us in the British group still at Uhuru were talking about a possible follow-up to the State President's address. We thought it would be very appropriate for a letter to go to Lynda Chalker at the ODA, referring to our experience in Tanzania and drawing attention to the President's speech, especially his comments on overseas aid and the reduction in aid by the British government, and to the debt crisis. There was (unanimous!) agreement that it would probably be most effective if this letter were to go over your name, but on behalf of all of us all in the British contingent at Moshi and mentioning us by name (Cecil Boulding, myself, Tony Coates, Martin Cressey, Peter Donald, Catrin Williams). Catrin in fact was the only one who could not be contacted but I'm sure that she, as were all the others, would be strongly in favour.

Could you oblige on this? I'm sure we do not need to agree a draft, but maybe be a copy of what you have sent could be circulated to each of us. Depending on the protocol within the Church of England, you might think it appropriate also to send a copy to Roger Williamson at the BSR.

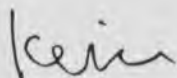
Address of the letter would be:

The Rt Hon The Baroness Chalker
Minister for Overseas Development
94 Victoria Street
London SW1E 5JL

I shall be away now for three days and am back in the office on Monday 2 September.
No doubt you will tell me if there are any problems in all this!

With all good wishes,

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Keith'.

Revd Keith Clements
Co-ordinating Secretary for International Affairs