

Japan cancels Tanzania's 584m-dollar debt

By Austin Beyadi, *The Guardian* (Tanzania), Jan. 31

Japan yesterday signed an agreement with Tanzania through which the latter will cancel a commercial debt amounting to 742bn shillings [584.2m dollars].

The cancelled sum is roughly equivalent to the total amount of general budget support which the government receives from 14 development partners annually.

Speaking during the signing ceremony held in Dar es Salaam yesterday, the permanent secretary in the Ministry of Finance Gray Mgonja, said that debt cancellation had been extended for the purpose of mitigating Tanzania's economic constraints, particularly those of external debts.

Mgonja said the government of Japan had decided to cancel all commercial debts as a measure of assisting developing countries, particularly those that have met necessary conditions needed to receive comprehensive debt relief under the enhanced Heavily Indebted Poor countries (HIPC) initiative.

He said the money that would have been allocated for debt repayment would now be used for other activities, particularly those that were geared towards poverty reduction and promotion of social and economic development of the country.

Mgonja further said that the debts occurred after various organizations had borrowed money and equipment from Japanese companies.

He said that debt cancellation entailed a cushion against the burden of debt payment obligations that were currently facing the country.

For his part, the Japanese ambassador to Tanzania, Makoto Ito, said that foreign debts owed by low-income countries including Tanzania, had increased in the 1970s and 80s, thus becoming a serious bottleneck for the countries to embark upon economic and social development.

Ito said that discussions on debt issues in the international community had led to the launching of the enhanced heavily indebted poor countries initiative in 1999. Debt relief for the HIPCs was recognized as essential for reducing poverty in developing countries.