

Tanzania



Debt summary

With an unpayable debt burden, Tanzania qualified for the **Heavily Indebted Poor Countries** (HIPC) initiative, having US\$488 million of its total debt cancelled in 2001 and a further \$4.4 billion in 2006 with the **Multilateral Debt Relief Initiative**. This cancellation vastly reduced the countries debt burden from around 70% of GDP to 15%. However, since the cancellation, the debt burden has steadily increased, now reaching US\$10.33 billion, over 40% of Tanzania's GDP.

Debt history

When the country gained independence, the first president, Julius Nyerere, claimed that he would avoid dependence on outside funds, stating that;

"Tanzanians are poor people. To burden the people with big loans, the repayment of which will be beyond their means, is not to help them but to make them suffer."

Despite these initial words, the Tanzanian government accepted conditional loans from the IMF and underwent a Structural Adjustment Plan, focusing largely on privatisation and liquidation of the countries extensive public sector in addition to deregulation designed to increase trade. Rather than the IMF's planned economic advancements, as with many countries, Tanzania suffered from this vast change and poverty, as well as debt, became entrenched challenges. The commodification of vital services such as healthcare led to disproportionately high facilities in urban areas, resulting in an escalating inequality between those in urban and rural areas.

Debt cancellation

Before cancellation, Tanzania was spending four times more on debt repayment than healthcare and education. The debt cancellation in Tanzania freed up funds for public services including over 2,500 new primary schools and the training of 28,000 extra teachers. In 2005, Mbeke, the President at the time, thanked debt campaigners for preventing leaders in poor countries like Tanzania from having to choose between the life of a child- dying of a preventable disease- and the servicing of an external, historical debt. However, the case of Tanzania illustrates further that without changes in the extension of loans, the potential for large debts to escalate are high. Furthermore, although the economy in Tanzania is growing and foreign debt has become more manageable, large numbers of Tanzanians remain impoverished, showing that benefits are not equally felt.

The current situation

In June 2012 the IMF concluded that Tanzania was at a low risk of debt distress. The debt burden was nearly as high as before HIPC cancellation but it was suggested that the promise of discovering gas reserves, as well as the further extension of liberal economic policies would secure the economy.

Only one month after this conclusion, the IMF approved an additional loan of US\$224 million for Tanzania, as a precautionary measure designed to prove "assistance to low-income countries with short-term payment needs". This directly contrasted with their own assessment of Tanzania's risk of debt distress and added to their debt stocks.

Tanzania is struggling to progress towards several Millenium Development Goals, forced once more to prioritise macroeconomic development without convincing evidence that this will lessen the ongoing problems faced by many Tanzanian people, particularly in rural areas.

Factfile

Population
46.9 million

Life expectancy
57.4 years

69.4%
Total adult literacy rate

68 out of 1000
children die before the
age of 5

36%
of the population live
below the poverty line

Human Development
Index rated
152
out of 187 countries

56 out of 1000
adults live with
HIV/AIDS

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