



**African Conference on Debt and Development (AfCoDD)  
In-Country Session - TANZANIA  
22<sup>nd</sup>, May 2024**

**Introduction**

Tanzania Coalition on Debt and Development (TCDD) in collaboration with its partner organisation the African Forum and Network on Debt and Development (AFRODAD) are organising the Tanzania Debt conference as a layout mapping for the upcoming fourth African Conference on Debt and Development (AfCoDD IV) in Maputo Zimbabwe. The Conference will provide a platform for stakeholders to discuss alternative policy options including, reforms to the global financial architecture that governs public debt; Public Debt sustainability and redemption vis a vis expenditure on social protection amidst challenges like climate change; Enhancing Domestic Revenue Mobilisation and closing financial leakages through addressing illicit financial flows (IFFs), unnecessary tax expenditure among others.

**Context and Problem**

Tanzania benefited from debt relief through the Highly Indebted Poor Countries Initiative- HIPC (late 1990s) and Multilateral Debt Relief Initiative- MDRI (mid-2000s) which led to total debt cancellation. At the end of the year 2023, Tanzania debt stock inclusive of the public and private sector debt was about \$42.26 billion which is purely attributed to government borrowing to finance its development projects. In other words, in every \$1 collected in revenue, Tanzania government must allocate at least 30 to 40 percent towards repayment of the debt. Tanzania's debt-to-gross domestic product (GDP) ratio is 31.8%, which is much lower than the maximum of 55 percent of the debt convergence criteria for the East Africa Community.

However, public debt is rapidly rising in Tanzania and the country has moved from low risk to moderate risk countries. According to CAG report (Presented on 28<sup>th</sup> March 2024) as of June 30<sup>th</sup>, 2023, the National debt amounted to \$32 billion which is equal to an increase of 15% from \$ 27 billion for the year 2021/2022. The debt includes domestic debt of \$11 billion and external debt \$20 billion. Though the report shows that the debt remains sustainable, its risks remain constant to service delivery obligations, especially to the poor and most vulnerable Tanzanians. It is also worth noting that the country's inflation increased to 4.7 percent in 2023 from 4.3 percent in the year 2022 due to higher food and energy prices. As a result, the fiscal deficit kept widening to 3.5 percent of GDP in 2023 and 2024 due to higher spending on infrastructure, financed by domestic and external borrowing. The current account deficit narrowed to 4.8 percent of GDP in 2023 and is projected to keep narrowing to at least 4.4 percent in 2024 due to higher merchandise exports



and tourism receipts which is majorly financed by external borrowing. It is a bit worrying that instead of financing development blueprints of Tanzania to achieve Africa Agenda 2063, in the fiscal year 2023–2024, the Tanzanian government has set aside a staggering \$4.4 billion to pay down the country's debt. The sum represents a 15% increase over \$3.8 billion that the Parliament had previously approved for paying the loans that the government had obtained in the fiscal year ending 2022–2023 from a variety of sources.

Debt Servicing burden can exert pressure on government finances through debt servicing obligations, which require allocating significant portions of the budget to interest payments and principal repayments. This can crowd out spending on essential public services including health, education and social sectors, and infrastructure, potentially hindering long-term economic growth. Therefore, it's crucial for Tanzania to strike a balance between debt accumulation and debt servicing capacity to ensure sustainable fiscal management. With irresponsible borrowing, Tanzania risks being exposed to inability to invest in essential public services which are critical for the enjoyment of a range of basic social and economic rights, such as the rights to health, education, work and social security.

Climate change predicaments remains a thorny development issue in Tanzania. Currently the country's climate change financing gap over 2020–30 is an estimated \$3.4 billion a year. In addition, Tanzania has vast natural capital that can complement public financing of climate change and green growth. However, the natural resource governance in Tanzania remains to be corrected in the long run. With dismayed revenue performance, the direct impact this has had on budgetary performance calls for a clear road map for parliamentarians to play a major role in their oversight role and promoting accountability and transparency in making sure that the capitation is directly to developmental sectors within the economy. Efforts to increase capacity to attain at least the projected internal revenues are important to decrease the stranglehold that debt service might have.

The rising debt levels in Tanzania and Africa, including its negative effects on people, has led to a new debt movement through the Stop the Bleeding campaign (STB) that is pushing for greater responsibility in borrowing and lending, and stronger transparency, accountability, and good governance. It also demands for Africa's rightful place within the global community as a Rule Maker and Not a rule taker. The campaign seeks to address power imbalances between people and their governments, borrowers and creditors as well as the inequality and unfairness rooted in the global financial system which continues to push Africa in deeper debt and poverty.



## **Overall Objective of the Debt Conference**

The overall purpose for this conference is to “facilitate a multi-stakeholder policy dialogue on debt and public finance management in Tanzania, aimed at creating an enabling policy environment for prudent public debt management”. There will also be the launch of the STB campaign in Tanzania.

The meeting is also organised within the broader framework of national advocacy in the run up to AfcoDD IV in August 2024.

## **Expected Outputs**

- A report on the conference proceedings.
- Policy messages on each of the areas of focus during the conference.
- Message from the workshop widely shared via various media platforms like TV, Radio, social and print media.
- The STB campaign endorsed in Tanzania,

\*\*\*