TANZANIA COALITION ON DEBT AND DEVELOPMENT (TCDD)

THE IMPACT OF EXTERNAL DEBT AND ITS SERVICING ON TANZANIA'S GOVERNMENT CAPACITY TO FINANCE HEALTHCARE SERVICES

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LIST OF ACRONYMS

AIDS	-	Acquired Immuno Deficiency Syndrome
ARI	-	African Research Institute
BoT	-	Bank of Tanzania
CAG	-	Controller and Auditor General
CHF	-	Community Health Fund
E-HIPC	-	Extended Highly Indebted Poor Country
EGMA	-	Enterprise Growth Market Advisors
GDP	-	Gross Domestic product
HIPC	-	Highly Indebted Poor Country
HIV	-	Human Immunodeficiency Virus
HSSP	-	Health Sector Strategic Plan
IMF	-	International Monetary Fund
JDC	-	Jubilee Debt Campaign
MOHSW	-	Ministry of Health and Social Welfare
MOH	-	Ministry of Health
NHIF	-	National Health Insurance Fund
SAPs	-	Structural Adjustment Programs
SFO	-	Serious Fraud Office
SILIC	-	Severely Indebted Low Income Country
TRA	-	Tanzania Revenue Authority
TZS	-	Tanzanian Shillings
UNCTAD	-	United Nations Conference on Trade and Development
UNICEF	-	United Nations Children Fund
UK	-	United Kingdom
URT	-	United Republic of Tanzania
WB	-	World Bank
WBG	-	World Bank Group
WHO	-	World Health Organization
WTI	-	West Texas Intermediate

MESSAGE FROM THE EXECUTIVE DIRECTOR

This study on ***the impact of external debt on its servicing on Tanzania government's capacity to finance healthcare services*;** it is therefore very topical, classical and timely in the public debt arena. The public debt is how much a country owes to lenders outside itself. These can include individuals, businesses, international organizations and even other governments.

The term **public debt** is often used interchangeably with the term **sovereign debt** or **national debt.** Regardless of what it is called, public debt is the accumulation of annual budget deficit. It's the result of years of government spending more than they take in via tax revenue. It may also be classified as **internal** or **domestic debt** which is money borrowed within the country and **external** or **foreign debt** which is money owed to foreigners or foreign governments or institutions.

In his budget speech for 2020/2019 Dr. Phillip Mpango (MP), Minister of Finance and Economic Planning said that by 30th November 2019 total public debt had reached 54.84 Trillion Tanzania Shillings however. Debt servicing is eating a chunk of financial resources from our budget for example during 2019/2020 budget the government spent 6.19 Trillion Tanzania Shillings which is 18.70% of the total budget.

We would like to thank **Mr. Christian Gama** who was a consultant for this study he worked very hard to accomplish this important assignment on public debt discourse in the contemporary public debt and development series. It is my humble request that readers and stakeholders of these research findings that they should find time and read this paper thoroughly and implement what is in their confines of power.

Hebron Timothy Mwakagenda

Executive Director

1.0. Background

Tanzania, like 41 other Third World countries, is currently dubbed as a severely indebted low income country (SILIC) (IMF, 2001; Global Issues, 2001; Boyce, K. & Ndikumana, L., 1997). One common characteristic of the "SILICs" is that they all are heavily indebted to the rich and their agent Bretton Woods Institutions – the World Bank and the IMF – (CADTM, 2017), and as a consequence, they do spend lesser and lesser public funds on social services like health, education, water and sanitation.

According to the World Bank Group, the developing world owed the rich as much as US$7.8 trillion in 2018, the debt having risen by 5.3% from previous year (WBG, Oct. 2019). Between 2009 and 2018 Sub-Saharan Africa's external debt stocks had more than doubled 'and in some instances more than trebled' (WBG, ibid).

A 2019 study by Jubilee Debt Campaign (JDC) revealed that debt repayments by the world's poorest countries have doubled since 2010 and they account for more than 12% of government revenues on average, the highest level since 2004 (Elliott, 2019; The Guardian, 2019). Angola's debt repayments, for instance, were 57% of government revenue in 2018 and for Cameroon and Egypt they were 30% and 20% respectively in that same year 2018 (Elliott, ibid., The Guardian, ibid.).

Inconsistently however, when debt repayments were rising quite sharply, public spending of these same countries got severely cut. When, for instance, Angola's repayments were 57% of her revenues, her public spending was cut by 19% between 2016 and 2018. Cameroon cut her spending by 20% and Egypt by 23% (ibid.). Moreover, the JDC informs that public spending per person across 15 countries with highest repayments fell by an average of 4% between 2016 and 2018 (The Guardian, ibid.).

By June 2019, (18 years after Enhanced HIPC), Tanzania's external debt stock amounted to US$21,917.0 million and her external debt service equaled 11.6% of her exports (BoT, June 30, 2019). On average, the debt has been growing at a rate of 10.9% per annum since 2010 and its repayments grew at around 52% per annum (this researchers' calculations). Incidentally, aggregate public spending on education, health, water and sanitation has been growing at almost the same rate of 5% per annum since financial year 2015/16.

When the IMF and World Bank launched their Enhanced HIPC initiative in the 1990s they said that the aim of the Program was "to channel government resources available as a consequence of debt relief, as a result finance the saved money to public social services that directly affecting the poor, such as preventive healthcare and primary education" (WHO) (2002). However, today, given the narrative above, it is tempting to conclude that foreign debt and its servicing are mercilessly robbing the poorer countries of their capacity to effectively finance their social services delivery.

1.1. Statement of the problem

The wish by the IMF and World Bank to direct E-HIPC saved money to the financing of social services like healthcare, education, water and sanitation in beneficiary countries including Tanzania, has hardly materialized. Instead, these countries have become worse borrowers, and the very services the HIPC initiative "wished" were better financed are the worst victims! In this regard, external borrowing and its servicing appear to be robbing poor debtor countries' capacity to finance their social services, public healthcare in particular.

1.2. Objectives of the Study

The main objective of this study was to assess the impact of Tanzania's external debt and its repayment on the financing (and thus provision) of social services in the country, healthcare in particular. The purpose is to finally engage the government to undertake responsible borrowing and support its efforts to secure fair and equitable borrowing terms by helping build capacity in sovereign debt negotiations.

1.3. Specific objectives: -

i. To identify Tanzania's public health financing arrangements;

ii. To assess the way and extent to which Tanzania's external debt and its servicing impact on the financing of social services, healthcare in particular;

iii. To establish how carefully is the national debt managed, to the satisfaction of meeting the financing needs of social services, public healthcare financing being the focus.

1.4. Methodology and Data Analysis

In principle, this was desk research. Most data sources were secondary sources in form of documents, articles, government policies, laws, directives and reports. Both, qualitative and quantitative data have been used and presented in forms of narratives or themes (qualitative), and basic statistics have been displayed in form of tables and charts (quantitative).

1.5. Stress of External Debt

A 2019 report by JDC (Elliott, 2019; The Guardian, 2019) has shown that between 2010 and 2018, debt repayment rates for the poorest countries, have more than doubled, and have accounted for more than 12% of government revenues on average. Angola's debt repayments, for instance, were 57% of government revenues in 2018 and those for Cameroon and Egypt were 30% and 20% respectively (opcit.). Paradoxically, to be able to meet demands of their creditors, these countries had to "suicidal" cut their public expenditures, some by as much as 20% or even more (ibid.).

Hiked debt repayment rates are one way that external debt uses to rob the poor of development finance. There are several other ways it uses for the same purpose. The sheer size of the loan can be sufficient distress. Exchange and interest rate depreciation; commodity price crashes; irresponsible lending and borrowing practices; borrower governments' preference for commercial rather than concessional loans, and poor or bad management of the borrowed funds are yet the other means. A brief discussion of each of these methodologies below helps to understand them better.

According to the World Bank Group, the developing world owed the rich as much as US$7.8 trillion in 2018, the debt having risen by 5.2% from previous year (WBG, Oct. 2019). Between 2010 and 2018 Sub-Saharan Africa's external debt stocks had more than doubled 'and in some instances more than trebled' (WBG, ibid). For the past five years (2013/14 – 2018/19), Tanzania's external debt, for instance, has grown a total of 45 per cent or an average rate of 9.0% per annum (UNCTAD, 2019; BoT, 2019). Table 1 below attest to this.

Table 1. Tanzania's external debt growth in percentage points

GROWTH OF EXTERNAL DEBT	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
EXTERNAL DEBT (US$ Millions)	14,236.9	15,884	17180.9	18651.1	20503.0	21,917.0
Annual Growth rate in Per cent	0.0	11.575.34	8.16	8.56	9.93	6.9
Total Growth in 5 years in per cent						45.12
Average Annual Growth rate in per cent						9.0

Source: Bank of Tanzania Annual Report 2018/19

Large debts have the temptation of default and the risk of capital flight by means of repayments, particularly for countries having weak economies. Both aspects, default which is breach of trust, and capital flight, deny the borrower the most needed development finance. Reports by JDC indicate that countries which have had high debts for many years (Lebanon, Jamaica, Grenada and Sri Lanka), had never been allowed into debt relief schemes (JDC, 2018). Inability to pay has denied them confidence and right to borrow again.

Fall in global commodity prices and fluctuations of exchange rates are two other factors that increase the burden of debt of borrowing countries. In mid-2014 for instance, global commodity prices tumbled to such miserable low levels that they seriously reduced the incomes of commodity exporting countries. Oil revenues for instance, which account for over 90% of Nigeria's and Angola's revenues and 70% to their national budgets, plunged from US$100 per barrel in 2013 to only US$26 per barrel in 2016 (rising a little to US$50 in October).

The situation is very likely worse now after the Covid-19 pandemic. It is noted that by April 30th 2020, West Texas Intermediate (WTI) crude went negative for the first time in history as oil traders got stuck between a mammoth oversupply and lack of places to store it. WTI was trading at about US$17, while the Brent equivalent was around US$25. Brent and WTI are the two main grades of oil that are used to benchmark prices around the world.

The fall of commodity prices was accompanied by depreciation of exchange rates and rising inflation. As examples, the value of Nigeria's naira fell from 150 to 450 naira to the dollar (300% fall) between January 2014 and October 2016. The Sierra Leonean currency faced the same fate, declining, within a year, from 5,000 to 6,500 leones to the dollar, (130% fall) (Ighobor, ibid.). In his annual general report, Tanzania's Controller and Auditor General (CAG) indicated that adverse exchange rate movements caused an exchange loss of 20% of the country's external debt increase for the fiscal year 2017/18, nine points more than it caused in the previous year (CAG, 2018, p.78).

It is an irony that regardless of these misfortunes (which combined to deplete export earnings to which external debts are pegged), foreign creditors kept on pressing for full pay on their debts, thus no wonder the severe cuts in domestic spending of almost all these countries! Concerning irresponsible lending and borrowing, Dr. Cephas Lunina a United Nations independent expert on the effects of foreign debt (Jubilee USA, 2013) has made it quite clear that "Irresponsible lending and borrowing is a major reason for the eruption of financial and debt crises in many countries around the globe."

In the eyes of human rights watchers, "irresponsible lending and borrowing lead to excessive debt service obligations, and these, seriously threaten the ability of governments – in developing and developed countries alike – 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" (Jubilee USA, ibid.).

Irresponsible lending and borrowing refers to lending or borrowing beyond a certain level of debt relative to gross domestic product; the absence of authority on the part of those who negotiate the loan; lending for activities that are harmful to the environment or undermine the enjoyment of human rights, and corruption in the loan contracting process (ibid).

Irresponsible lending and borrowing is said to be generally motivated by several factors - some shared and some not shared between lenders and borrowers-.

For lenders, the reason is the irresistible pursuit for high yield investments and inadequate financial regulation (JDC, ibid.). Always, "the greater the borrowers' competition" and absence of control over lenders' predatory behaviour, the more the borrower is hoodwinked to borrow! For borrowers, the factors include easy access to credit and lack of financial knowledge. This happens more when lenders come without strings (e.g. human rights demands or political sanctity clauses). For both, moral hazard through implicit bailout guarantees is often a key factor. It means, both lender and borrower believe that in case of bad debts or financial crisis, government will bail them out.

Over the past 10 years, more than US$80 billion in bonds have been issued to thirsty European investors by governments in Africa south of the Sahara. Much of irresponsible borrowing in Africa is blamed on rampant corruption within governments (Bitcoin.com, 2020). The case of Jose Dos Santos of pilfering to the tune of $500 million of $21.2 billion that Angola borrowed to finance its oil sector (Bitcoin.com, ibid) is one of several examples of irresponsible borrowing guided by theft and corruption in Africa.

A similar recent case concerned Tanzania in 2015. In that year, through UK's Serious Fraud Office (SFO) intervention, Standard Bank was fined US$25.2 million and ordered to pay the government of Tanzania US$7 million in compensation for allegedly failing to prevent bribery. The case related to a US$6 million payment made by Stanbic Bank Tanzania (a sister bank) to a local agent, Enterprise Growth Market Advisors (EGMA), as sovereign loan facilitation fees of 1% (US$6 million), even though there was no proof that EGMA provided any such services, and Stanbic Bank Tanzania had not conducted appropriate due diligence in relation to EGMA (ARI, 2016).

1.6. Impact of External Debt on financing of Healthcare in Tanzania

In 2001, Tanzania received debt relief of US$3.0 billion through the Extended HIPC Program. Tanzania's external debt stock by then was US$49.1 million. The basic motive of Extended HIPC was to restrain the highly indebted poor countries from plunging back to unsustainable debts, or rather, to ensure that subsequent debts will be paid in full. The pronounced motive, in the words of the IMF and World Bank, however, was "to channel government resources available as a consequence of debt relief, into poverty-reduction activities, and more specifically – to increase government spending on public services that directly affect the poor, such as preventive health care, primary education, water and sanitation" (IMF, 2011)

By 2011 Tanzania's external debt stock was US$10,670 million and its service was only US$8.0 million. From there on, the trend began to rise as Table2 below indicates.

Table 2: Tanzania's External Debt and Debt Repayment History

									Millions of US$
Item	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17r	2017/18r	2018/19P	2019/20
External debt stock	10,670.00	12,482.20	14,236.90	15,884.00	17,180.90	18,651.10	20,503.00	21,917.00	16,619.66
External debt service	7.99	150.15	489.59	566.55	882.61	851.47	1,073.56	993.15	604.31

Source: **Bank of Tanzania Annual Report 2018/19**

Table 3: Tanzania External Debt Repayment (Conversion from US$ into TZS)

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17r	2017/18r	2018/19P	2019/20
External Debt Service (US$ Million)	7.99	150.15	489.59	566.55	882.61	851.47	1,073.56	993.15	604.31
End of Period exchange rate (TZS/$)	1,568.90	1,602.70	1,649.70	2,020.30	2,178.90	2,230.10	2,266.40	2,289.50	2298.00
External Debt Service (TZS Billions)	12.54	240.65	807.68	1,144.60	1,923.12	1,898.87	2,433.13	2,273.81	1,388.70

Exchange Rate Source: **Bank of Tanzania**

While amounts of external debt were rising, social spending of almost all debtor countries were falling. For Tanzania, for instance, the picture of government financing of education, healthcare and water sectors between fiscal years 2014/15 and 2019/20 looked as is in Table4 below, but with the water sector being the least financed:

Table 4: Government Financing of Education, Health and Water, in fiscal years 2014/15 – 2019/20

	2014/15	2015/16	2016/17r	2017/18r	2018/19P	2019/20
Education Sector Budget (TZS Billion)	3,465.10	1,094.20	1,397.00	1,367.00	1,407.16	1,388.70
Health Sector Budget (TZS Billion)	1,588.20	1,852.00	2,100.00	2,222.00	2,105.00	990.71
Water Sector Budget TZS Billion)	665.10	541.00	939.63	648.10	697.58	634.20

Source: **Budget Speeches; SIKIKA Policy Forum Budget Analyses**

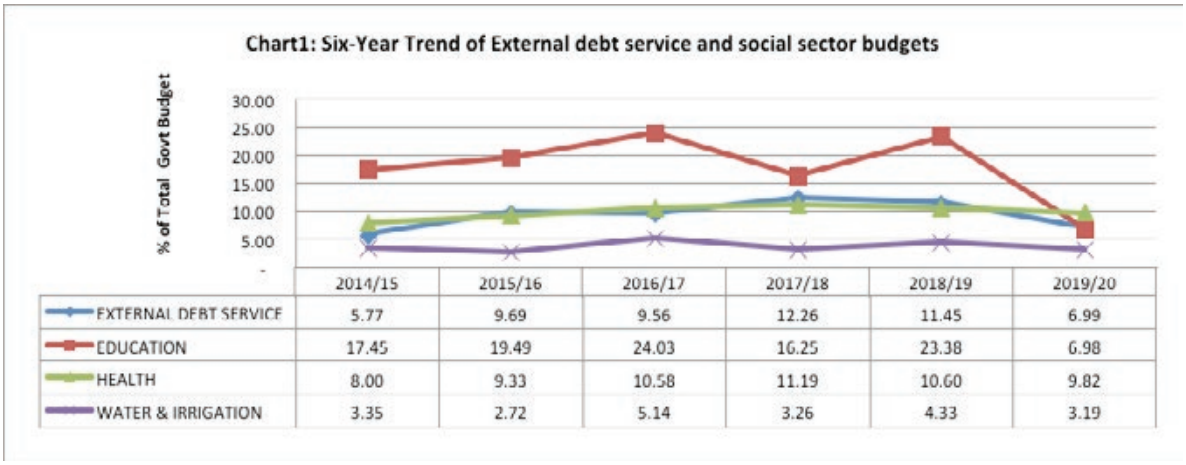
When these budget figures are compared to debt financing as percent of total annual government budgets of those same years, the data paint the picture as is in Table5 below. Careful analysis shows that the government of Tanzania honours external debt repayment just as it does healthcare.

Table 5: External debt service and social sector budgets as percent of annual government budget

Fiscal Year	2014/15		2015/16		2016/17		2017/18	2018/19		2019/20		Averages	
ITEM	**TZS**	**%**	**TZS**	**%**	**TZS**	**%**	**TZS**	**%**	**TZS**	**%**	**TZS**	**%**	%
TOTAL GOVT BUDGET	19,853.33	**100.00**	22,495.50	**100.00**	29,539.60	**100.00**	31,712.00	**100.00**	32,476.00	**100.00**	33,100.00	**100.00**	100
EXTERNAL DEBT SERVICE	1,144.60	**5.77**	1,923.12	**9.69**	1,898.87	**9.56**	2,433.13	**12.26**	2,273.81	**11.45**	1,388.70	**6.99**	9.30
EDUCATION	3,465.10	**17.45**	3,870.20	**19.49**	4,770.00	**24.03**	3,226.24	**16.25**	4,641.50	**23.38**	1,386.51	**6.98**	17.93
HEALTH	1,588.20	**8.00**	1,852.00	**9.33**	1,988.20	**10.01**	1,115.90	**5.62**	1,731.80	**8.72**	1,950.00	**9.82**	8.60
WATER & IRRIGATION	665.10	**3.35**	541.00	**2.72**	1,020.00	**5.14**	648.10	**3.26**	859.20	**4.33**	634.20	**3.19**	3.33

Source: Policy Forum: **Citizens budgets 2014/15 - 2018/19; Ministries' Budget Speeches for 2019/20**

Chart 1: External debt service and social sector budgets as percent of annual govt budget



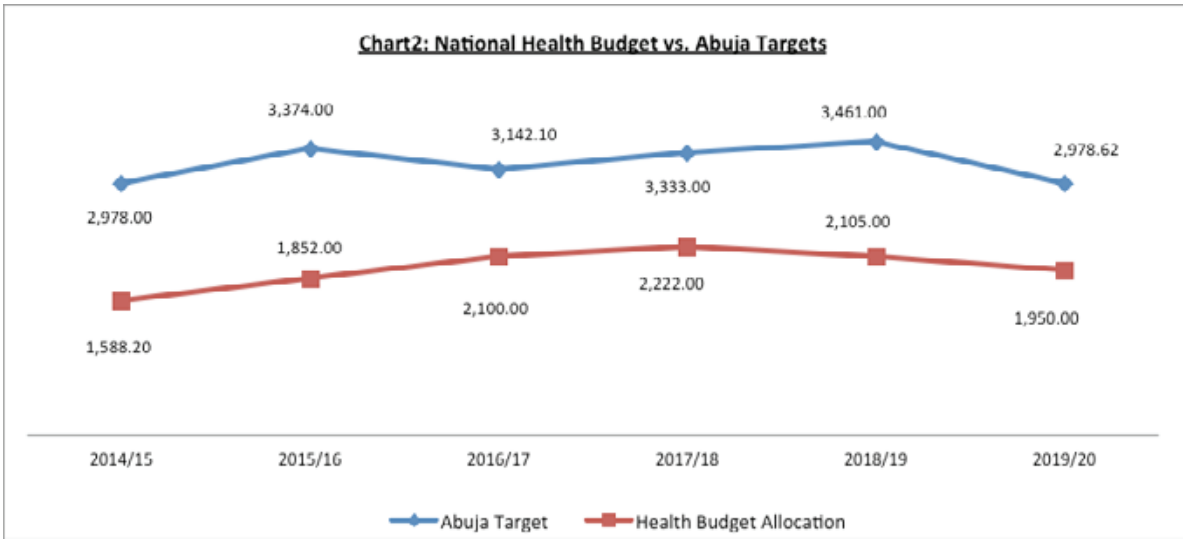
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
EXTERNAL DEBT SERVICE	5.77	9.69	9.56	12.26	11.45	6.99
EDUCATION	17.45	19.49	24.03	16.25	23.38	6.98
HEALTH	8.00	9.33	10.58	11.19	10.60	9.82
WATER & IRRIGATION	3.35	2.72	5.14	3.26	4.33	3.19

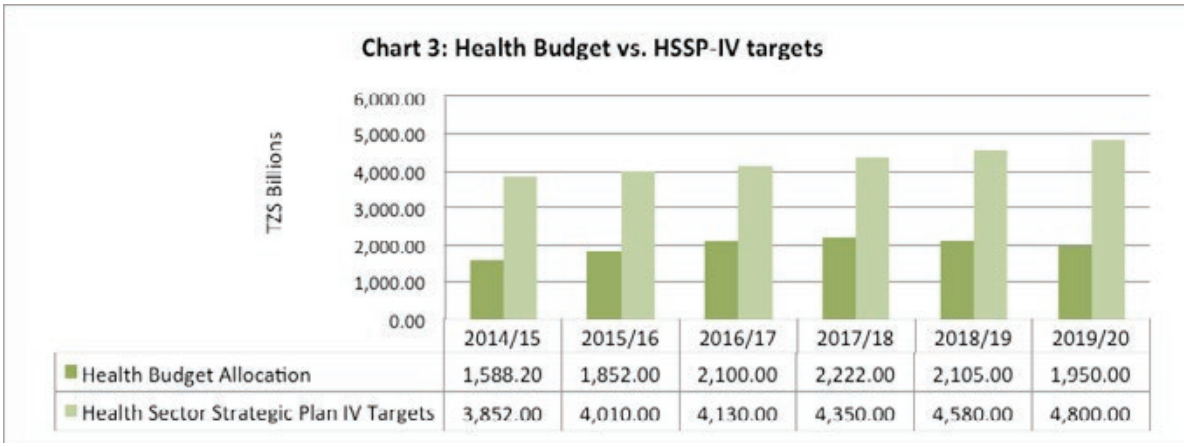
Source: **Bank of Tanzania Annual Report 2018**

The E-HIPC spoken motive was "....channeling government resources available as a consequence of debt relief, into poverty-reduction activities specifically .....on public services that directly affect the poor....." (IMF, 2011). The relief did not come without strings but with all the neo-liberal conditionalities (of the IMF and WB) which include: economic stabilization, trade and financial liberalization, deregulation, and privatization (Thomson et al., ibid).

Without going into known details of these conditions, one basic requirement to qualify for the relief was to prepare and sign a poverty reduction strategy paper (PRSP) so that when the fangs of debt begin to bite, it could be easily claimed...." but all is by their consent....!" and this was common to all beneficiary countries.

Among the outcomes of debt relief of the early 2000s was, governments being under explicit or implicit pressure to cut down social spending in order to meet fiscal targets (Kentikelenis, A., 2017). Like what we saw on Angola, Cameroon, and Egypt, Tanzania did also experience a reduced fiscal space to finance healthcare, education, and even water and sanitation systems. Regardless of growing population and increase in disease distress, Tanzania government's funding of health sector after E-HIPC relief has met neither the Abuja targets nor those of her Health Sector Strategic Plan IV (HSSP-IV) (Mujinja & Kida, 2014).





Data Source: **Policy Forum SIKIKA Budget Analyses for f/y 2014/15 – 2019/20**

The picture painted by the preceding statistics indicates that Tanzania has taken courageous steps to finance healthcare services regardless the biting fangs of Structural Adjustment Programs (SAPs) imposed by the IMF and World Bank. The Government of Tanzania chose to consider IFIs' conditionalities as basic challenge and wake-up call and undertook serious health sector reforms, starting in 1991. In brief terms, these reforms included!

i. Starting in 1991, the Government liberalized health care provision. It re-allowed the once banned for-profit health care services (banned in 1977). The underlying purpose was to increase access to healthcare services for the population and also to encourage the private sector to complement public health services (Mujinja et al., ibid).

This liberalization led to a rapid increase in private health care facilities in the country. It was estimated that by 2014, voluntary agencies ran about 40 per cent of all health facilities and provided 40% of hospital beds (Mujinja et al., ibid). By 2019 this number had proportionately decreased to 26.3% of all facilities, meaning that the number of public facilities had increased by 13.7% (Mujinja et al., ibid.; Health Portal, 2019).

ii. In 1993 user fees were introduced. The aim was to generate additional resources for the underfunded health sector and improve the quality and quantity of health services (Kawakyu, 2009; Mubyazi, GM, 2004; Mujinja and Kida, 2014,). This move, however, was the beginning of "commercializing public healthcare provision and access to it." This meant both, healthcare provision and access to it were to be met through a fee based market system in both public and private sectors (Mujinja et al., ibid). And, the user fees were introduced in phases. First, in 1993/94 they were introduced at the referral, regional and district hospital levels.

In 2004 they were rolled out to primary health care facilities, public dispensaries and healthcare centres. By mid-2000s almost all consultations and treatments at all levels from both public and private facilities required payment mainly through out-of-pocket payment system (ibid.). As well- documented by Mwabu et al., 2002, Criel, 1998 and Gilson, Russell and Buse (1997), user fees are highly regressive and have been associated with declines in attendance at hospitals and clinics (Randolph K. Quaye, 2019).

iii. For purposes of establishing equity between user groups, the Government introduced equity seeking mechanisms to protect the poor and other vulnerable groups who are unable to pay the fees. This was also intentioned to cushion the loss of income and wealth due to large unexpected medical expenditures amongst other groups. These initiatives included the establishment of a public exemption and waiver system, introduction of Community Health Fund (CHF) and of a National Health Insurance Fund (NHIF). According to SIKIKA (2020), until 2019 there were a total of four main categories of health insurance schemes and at least 34% of all Tanzanian residents were registered with them.

Table 6: Percentage of Tanzanians Enrolled in Health Insurance

	NHIF	CHF	Private Insurance	Total
2016/17	7%	19%	1%	27%
2017/18	7%	24%	1%	32%
2018/19	8%	25%	1%	34%

Source: **SIKIKA Health Sector Budget Analysis 2019/2020**

iv. In the 1990s, SAPS had caused the Government to retrench a good number of civil servants, including health workers. This resulted into a significant decline in absolute numbers of skilled and unskilled health workers. It is documented that more than a third of the entire health workforce was lost due to the advice of the Bretton Woods Institutions (Maestad, 2006; CEGAA, 2009).

Similar to retrenchment, the Government was forced to freeze employment in the public sector. This exacerbated the manpower problem in the health sector in the 2000s. in 2006, the Ministry of Health and Social Work estimated there was a shortage of about 65% of the human resource for health working in government health facilities, and about 86% shortage in the private health facilities (URT/MOHSW, 2008; Mujinja et al., ibid).

It was also documented that (because of the SAPs) it would require the Government to train as many as 144,700 workers to work in the government sector, and another 39,400 for the non-governmental sector, between 2007 and 2017 (Mujinja et al., ibid; URT/MOHSW, 2008). By 2018, however, the Government had trained and employed a total of only 28,352 health workers, as listed in the following table:

Table 7: Health sector human resources deployment, 2018

Worker Category	Number Employed
Nurses	17,415
Clinical Officers	1,601
Clinical Assistants	6,466
Medical Officers	1,312
Pharmacists	306
Nursing Officers	1,252
Total health workforce	28,352

Source: Ministry of Health Portal, 2019

When not considering retirements and natural removals from employment, then Tanzania is yet to train and employ a total of 456,100 health workers. This is a huge distance to travel if the goal of universal healthcare provision is to really be met by 2030.

As to what sovereign debt has actually done to Tanzania's healthcare system, one can describe it as "grace in disguise", though seriously biting on the poor. Because of the SAPs constraints, the government was forced to undertake comprehensive health sector reforms in almost all areas.

In summary, they involved managerial reforms which led to decentralization of health services; financial reforms leading to introduction of user charges in public facilities, introduction of health insurance and community health funds; public-private mix reforms - to encourage private sector to compliment public health services; organizational reforms – leading to integration of vertical health

programs into the general health service; health research reforms – establishment of a health research users' fund and propagation of demand oriented researches in the sector. The ultimate goal was to improve the quality and quantity of health services and increase equity in health accessibility and utilization (Mujinja et al, ibid., quoted from MOH, 1994).

Though not to the full, the reforms have addressed shortages of drugs/medicines, equipment and medical supplies; overall deterioration of the physical health infrastructure (electricity supply, water and sanitation) at health facilities; compensation and other incentives for health workers, as well as human resource development – (training and skills development (see Table7 above)).

Some outcomes of these reforms include improvement in infant mortality rate (from 47.5 deaths per 1000 live births in 2010 to 37.6 in 2018) (Plecher, H., 2020), under 5 mortality rate (from 72 per 1000 under 5 in 2010 down to 53 in 2018 (UNICEF, 2019)) and reduction in HIV/AIDS and malaria prevalence and incidence (drop from 14.4% in 2016 to 7.3% in 2018 (Xinhua, 2018; NBS, 2018). Although in the initial stages of introducing user fees led to reduced health seeking behaviour, this aspect later began to reverse, even though it is not necessarily because of the reforms (Mujinja et al., ibid., quoted from MOHSW, 2009, 2013).

The direct negative impact of sovereign borrowing on healthcare service is the delays it causes because of a number of things: one is the chunk of money that goes to external debt financing. Because what goes to debt financing is equivalent to that going to health, one can conclude that the Government could solve as many as twice or more the number of health financing problems as it does today (see Table 5 and Chart 1 above).

Two, because the Government must also budget for debt financing, not always do ministries receive what is approved by Parliament. For this reason, the financial space is made even thinner. Third, the fact that debt financing is pegged to export revenues and these are subject to exchange rate variations (mostly exchange rate depreciation), resources for health and other social services financing are depleted even the more.

But records of Tanzania's external debt financing don't show any traces of default regardless her internal difficulties. Reports from the Minister of Finance, through the Parliament indicate that so far Tanzania's debt is sustainable as per IMF/WB standards. In the Minister's words, ".....solvency indicators show that the ratio of present value of total public debt to GDP was 27.1 percent compared to the threshold of 70 percent; present value of external public debt to GDP was 16.3 percent compared to the threshold of 55 percent; and present value of external public debt to exports was 103.9 percent compared to the threshold of 240 percent" (Minister Philip Mpango, (MP), June 2020).

Given that Tanzania is keeping her promises and paying her external debts as required, one could advocate for debt relief for Tanzania. There is every indication of government zeal to fight corruption and theft/embezzlement of government monies. Even the 2015 episode that involved UK Serious Fraud Office (SFO) and Standard Bank was a backup to the efforts President Dr. John Pombe Magufuli to fight corruption and theft within the Government. The Government has strengthened the anti-corruption law and machinery to fight all sorts of graft and money laundering.

Moreover, great effort has been invested in collecting government revenues. For the past four years ever since President Dr. John Joseph Magufuli came into leadership in 2016, average monthly revenue collection has not been less than TZS 1,241 billion (TRA, 2020). In other words, Tanzania is taking every effort to meet her domestic and international obligations, in spite of the paucity of resources she has. There is every good reason for international creditors to be motivated by this diligence and consider debt forgiveness/relief for the country. Whereas default is one technical reason to not forgive debts, trustworthiness should be the virtue calling for forgiveness.

1.7. Conclusion

This paper has considered the way external debt and its financing impact on health financing in Tanzania. Findings show that sovereign external debt has brought both, challenges and blessings in disguise. The key challenge is that because the government must budget for debt repayment, the resources sent to finance health and other social services are reduced by that amount going for debt repayment, thereby making the fiscal space to finance social services even thinner/smaller.

On the other hand, debt and debt repayments have led to tremendous improvement in the financing and provision of health and other social services and the government took structural adjustment programs (SAPs) as a wakeup call. The Government made serious effort to properly use borrowed monies to finance development projects which subsequently bring/cause efficiency in the delivery of social services including healthcare.

1.8. Recommendations

1.1. There are still indications of fraud and theft of government resources in spite of stern measures being taken against culprits. The war against fraud, theft and embezzlement of government funds must be ruthlessly fought. Projects and procurement by government officers and consultants must be well monitored and supervised to save resources.

1.2. Tanzania is doing her best in paying her debts as required. It is worthy for advocates of debt relief to step up their advocacy for Tanzania's debt relief since she is a faithful payer.

1.3. Budgets for social services are hampered by inadequate collections from internal and external sources. One reason is the narrowness of tax avenues. Another is, especially on the part of foreign donors, donor fatigue may have wrapped them. The answer is in stepping up efforts to collect more revenues from internal or domestic sources.

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