



Concerns over sovereignty of development finance: Tanzanians want local solutions and local control

By Cornel Jahari

Key messages

Despite concerted efforts by the Government to attract external development finance, Tanzanians perceive that the country should finance its own development plans from its own resources even if it requires people to pay more taxes than depending on external resources.

Tanzanians want the Government to have a greater say over the use of external loans and development grants and not cede to donor conditionality.

Tanzanians say the Government should not trade-off sovereignty over democracy and human rights for external loans and development assistance.

Introduction and Background

Grants and external loans are invaluable sources of revenue for most developing countries. Unlike other developing countries, public debt stock in Tanzania as of June 2021 increased to USD 28.0 billion (41.7 per cent of GDP) compared with USD 24.5 billion (39.2 per cent of GDP) in June 2020. Out of total public debt stock, external public debt was USD 19.8 billion, equivalent to 29.4 per cent of GDP and domestic debt was USD 8.3 billion equivalent to 12.3 per cent of GDP (URT, 2021). The national debt increased from USD 37.6 billion in January 2022 to USD 40.6 billion in January 2023 (BOT, 2023). The results of the Debt Sustainability Analysis (DSA) published in September 2021 underscore the importance of accessing, to the extent possible, external financing on concessional terms.

Nevertheless, in recent years, non-concessional borrowing has increased to finance the public infrastructure agenda. Despite its importance, foreign financing of development has traditionally been associated with the trading of sovereignty over concerns on associated conditionalities (Flentø & Simao, 2020; Oelberger & Shachter, 2021).

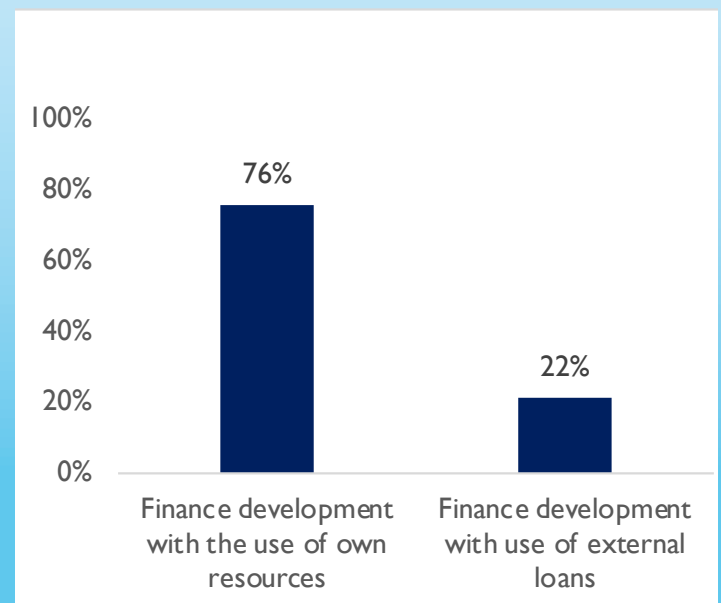
Round 8 of the Afrobarometer survey conducted in March-April 2021 in Tanzania assessed public opinion with respect to the sovereignty of international finance. Analysis shows that most Tanzanians prefer their Government to finance development from own domestic resources and call their government to avoid external loans or development assistance with a lot of conditionalities.

Findings

✖ External borrowing vs own sources

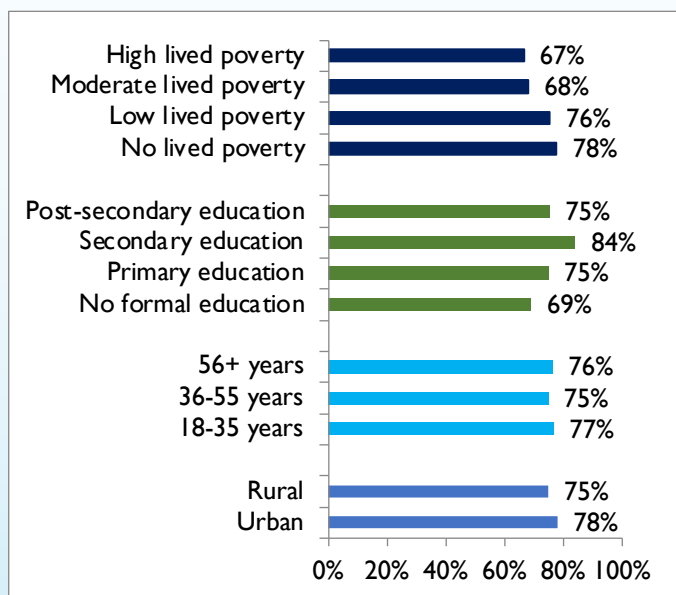
The majority of Tanzanians (76%) said the country should finance its development plans from its own resources even if it will require people to pay more taxes. Only two out of ten Tanzanians claim that Tanzania should use external loans for the country's development, even if it increases the country's indebtedness to foreign countries and institutions.

Figure 1: Country financing its development or use of external loans|Tanzania|2021



A considerable majority of Tanzanians with secondary education (84), have the opinion that the country should finance development from its own resources than those with no formal education (67%), and three-quarters (75%) of citizens with primary education and post-secondary education also support it. Furthermore, about eight out of ten citizens with no lived poverty citizens and the urbanities also said the country should finance its development from its own resources.

Figure 2: The country should finance development from its own resources | by socio-demographic | Tanzania | 2021



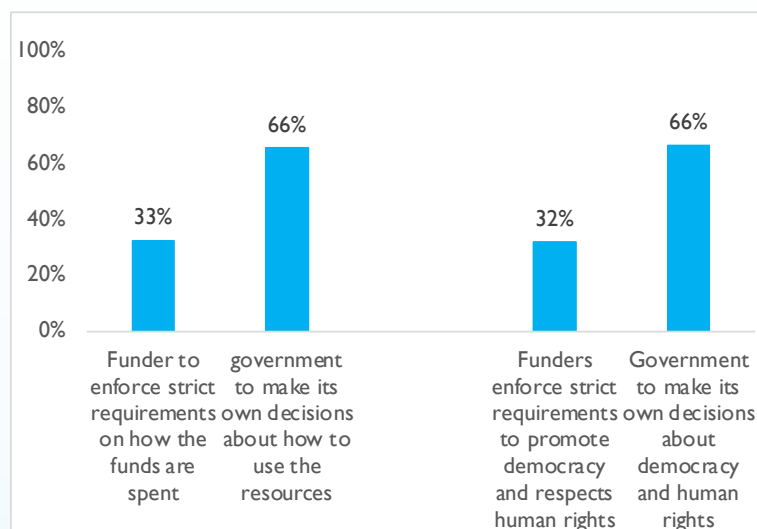
(% of citizens who said “It is important that as an independent nation, we finance development from our own resources, even if it means paying more taxes).

Government autonomy over strict conditions on external Financing

While nearly seven out of 10 citizens (66%) say the Government should have complete discretion over how to use loans and other development assistance obtained from foreign countries, one-third (33%) of Tanzanians say, funders should enforce strict requirements on how the funds are to be spent.

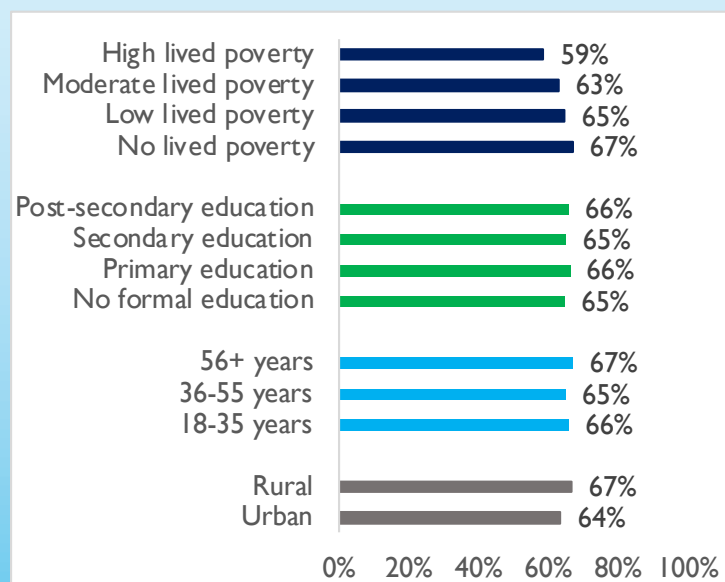
The clamour for sovereignty is reinforced by observations that two-thirds (66%) of citizens do not want their Government to trade off decision-making powers to foreign partners on key matters such as the handling of democracy and respect for human rights.

Figure 3: Government autonomy over Strict conditions on a loan | Tanzania | 2021



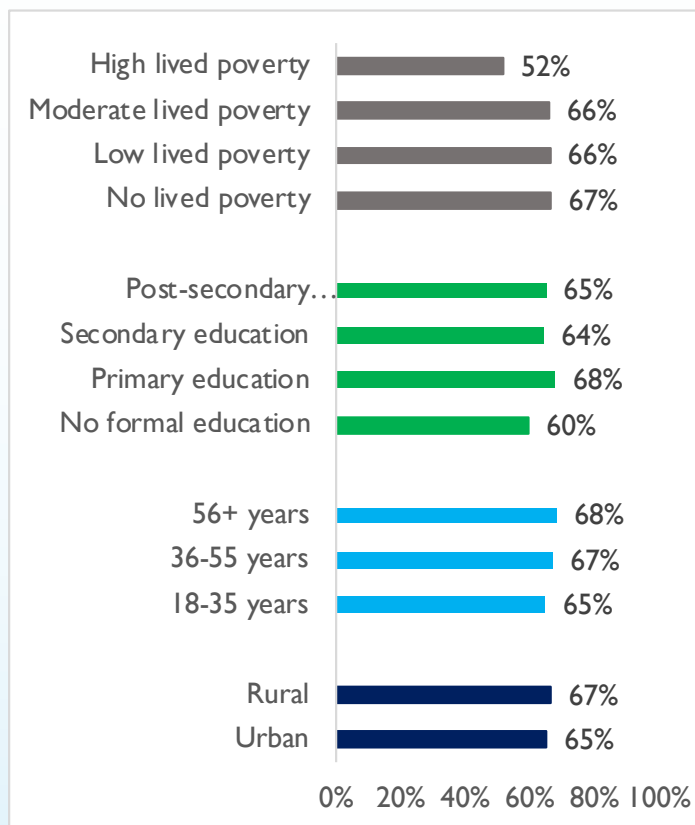
Popular support for enhanced local autonomy is more pronounced in rural areas where 67% of citizens with low-lived poverty support the opinion that Government should have autonomy in making decisions over the use of resources obtained as loans or development assistance from external funders. However, more than three-fifths of Tanzanians (60%-68%) across all socio-demographic groups, support enhanced local autonomy on democracy and human rights.

Figure 4: The government to make decisions on the use the external resources | Socio-demographic group | Tanzania | 2021



(% who “agree” or “agree very strongly” that other countries that give Tanzania loans or development assistance should allow the Government to make its own decisions about how to use the resources.”

Figure 5: Government to make its own decisions about democracy and human rights| Socio-demographic group|Tanzania|2021



(% of citizens who said “Even if other countries give Tanzania loans or development assistance, our government should make its own decisions about democracy and human rights”).

Conclusions and policy recommendations

Findings reveal that Tanzanians value more independent pursuit of development than conditional foreign financing. The following are the key policy recommendations:

- First, the Government should continue to make efforts to protect national sovereignty by minimizing aid that comes with unfavourable conditionalities. .
- Second, although, Tanzanians have the view

that their government should finance its development plans from its own resources even at the expense of higher taxes than depending on external resources, government efforts to mobilize domestic resources should effectively involve key stakeholders to identify alternative tax- and non-tax sources so that revenue base can be broadened without distorting economic efficiency and growth..

- Third, the Government should avoid taking loans before involving financial experts and international loan consultants who can do a feasibility analysis and advise the government on the most appropriate loan mix instead of borrowing under undue political influence that may cause unwarranted debt burden to the citizens and the country in the future.

References

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Afrobarometer surveys

Afrobarometer is a pan-African, nonpartisan survey research network that provides reliable data on African experiences and evaluations of democracy, governance, and quality of life. Eight rounds of surveys have been completed in up to 39 countries since 1999. Round 8 surveys (2019/2021) cover 34 countries. Afrobarometer conducts face-to-face interviews in the language of the respondent's choice.

The Afrobarometer team in Tanzania, led by REPOA, interviewed a nationally representative, random, stratified probability sample of 2,398 adults in March-April 2021. A sample of this size yields country-level results with a margin of error of +/-2 percentage points at a 95% confidence level. Previous surveys were conducted in Tanzania in 2001, 2003, 2005, 2008, 2012, 2014, and 2017.

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