

# **Structural Adjustment Program (SAP) alert on IMF and World Bank lending to Tanzania**

**Executive Summary.** By Globalization Challenge Initiative, A Project of the Tides Center, USA and the Integrated Social Development Programme, (ISODEC), Ghana [for the full 30-plus page text of the "Structural Adjustment Program (SAP) Information Alert for Tanzania" contact: [global.challenge@juno.com](mailto:global.challenge@juno.com)]

Robert Weissman <[rob@essential.org](mailto:rob@essential.org)>  
Essential Information  
P.O. Box 19405, Washington, DC 20036, USA  
Tel: 1-202-387-8030  
Fax: 1-202-234-5176  
[www.essential.org](http://www.essential.org)

In late November and early December, the Government of Tanzania (GOT) will seek endorsement of its Poverty Reduction Strategy Paper (PRSP) from the Boards of the IMF and World Bank. Preparation of an acceptable PRSP, which is a three-year national development strategy, is a new pre-condition for low-income governments seeking assistance from donors and creditors, especially the IMF and World Bank. Never before have the IMF and World Bank possessed the power to endorse a borrowing country's entire national plan. Ironically, the institutions have seized these powers in the name of enhancing "country ownership" of the development process.

The Government of Tanzania (GOT) prepared its PRSP with more input from foreign creditors and donors than from its own citizens. The government is dependent on donors and creditors for the majority of its development budget and, to survive, it must heed its creditors and donors. There are fewer incentives to heed the cries of citizens -- especially the poor and disadvantaged.

The PRSP lacks credibility because the process lacked the informed participation of citizens' groups. (See attached statement from Tanzanian organizations.) Citizen "participation for validation" of the PRSP arises when donors and creditors, especially the IMF and World Bank, negotiate with the GOT in secret and fail to disclose agreements and commitments to the public. This was the case in Tanzania.

Key macroeconomic and structural adjustment issues were addressed in secret negotiations, occurring in parallel to the PRSP consultations. These negotiation excluded citizen's groups. Citizens that buy and sell and pay taxes were excluded from key decisions about whether or how the economy of Tanzania will be liberalized, privatized and increasingly oriented to produce exports. Policies, such as those relating to the price of money and goods, taxation options, trade liberalization, and the privatization of key state-owned enterprises were not "on the table" for negotiation during the PRSP consultations. Beyond public view, a handful of government officials negotiated the following arrangements with the IMF and the World Bank during the first half of 2000:

1. IMF and World Bank Action in March 2000, which structured a debt relief operation for the GOT [through the Highly Indebted Poor Country (HIPC) Initiative] and set the terms and conditions of such relief.
2. IMF Action in April 2000, which extended a \$181 million structural adjustment loan [through the IMF Poverty Reduction and Growth Facility (PRGF)] to the GOT. To secure the loan, the GOT agreed to execute a multitude of policies.

3. World Bank Action in June 2000, which extended a \$290 million structural adjustment loan to the GOT. The World Bank's policy does not require disclosure of information about this loan.

4. Tanzania's macroeconomic and structural policy framework, which provides the basis for the PRSP. Although the PRSP will be disclosed to the public, the policy framework will not be.

Secrecy, especially secrecy about the role of powerful foreign creditors, undermines democratic processes and the rights of citizens. The daily lives of citizens are profoundly affected by the economic policies that the GOT is obligated to implement as conditions for securing loans and obtaining debt reduction. Tanzanian citizens have a right to participate in the formulation of public policies through open and democratic analysis, debate, and consensus-building. They have the right to hold their government accountable for its performance, including its commitments to foreign creditors and donors. Ultimately, citizens bear the burden of repaying debts to the IMF and World Bank. Currently, the citizens of Tanzania experience "taxation without representation" because they are denied participation in formulating critical IMF and World Bank-financed operations.

Fifteen years of structural adjustment programs (SAPs) have not improved the quality of life for Tanzanian citizens. The IMF and the World Bank have financed structural adjustment policies in Tanzania for about 15 years. Per capita income and basic human welfare indicators have fallen during this time period. For example, per capita GDP has fallen to the 1960 level and primary school enrollment rates plunged below 50 percent from an average of 80 percent during the 1980s. (further details in Tanzania SAP Alert, box 6.)

The excessive number of policy prescriptions, or conditions, attached to the new loans and debt relief amount to micromanagement of the GOT. Tanzania's Policy Matrix, 2000-2002," which was appended to the Interim PRSP by the IMF and World Bank lists approximately 157 policies that the Government of Tanzania will be pressured to implement during this time period. In addition, there are more than 20 policy conditions linked to debt relief, ten policy conditions linked to the World Bank's Country Assistance Strategy (CAS), and additional conditions linked to IMF and World Bank-financed structural adjustment loans.

Policy prescriptions will have various impacts on the citizens of Tanzania; some will be negative. Some policy conditions may principally benefit foreign creditors and investors. Others may support or undermine the objectives of sustainable development and poverty reduction in Tanzania. The "SAP Alert" elaborates on problematic policy prescriptions, including those which:

- Set fiscal and monetary targets that may continue to undercut public services, reduce internal demand, aggravate unemployment, and handicap efforts to boost investment in infrastructure and human development.
- Impose cost-sharing (i.e. new fees for services) in schools, health care centers and hospitals, which will continue to rob vulnerable communities of essential health and education services. The U.S. Government is now bound by law to oppose loans involving cost-sharing provisions. On October 25, 2000, the U.S. Congress passed a bill that requires the United States Executive Directors at the IMF, the World Bank and the regional development banks to oppose any loan that imposes user fees or service charges on poor people for primary education and health care. The legislation was subsequently signed into law.
- Further reduce import tariffs. Such tariff reductions often result in a flood of imports that can undermine domestic industrial and agricultural producers.
- Require capital account liberalization to attract foreign investment. However, speculative transactions provide profits to foreign investors while offering few, if any, benefits to the poor majority of Tanzania.

- Require privatization of public companies, which can increase unemployment, lower wages, increase the cost of goods and services, and decrease access to poor populations.
- Require the privatization of agricultural enterprises. Already, privatization has increased the prices of fertilizer and other inputs, and reduced access to credit. While large farmers and private traders have benefited from liberalization and privatization, small farmers, who constitute the majority of Tanzania's population, have not.

Require the GOT to remain current on debt service payments. This is a standard condition of IMF loans. However, nearly a quarter of the government's 2001 budget is devoted to servicing external debt. In fact, even after debt relief, the level of Tanzania's external debt service rises. (Debt servicing requirement in 2001 will be higher than requirements in 1996-2000.)

It is important to assess whether such policy conditions will hurt or help Tanzanians, especially poor and marginalized groups and women. However, the main issue relates to how these policy conditions are formulated. Behind closed doors, the IMF and World Bank push these policies on a government which is "on its knees" and desperate for foreign exchange. Negotiations relating to PRSPs and adjustment conditions should never undermine domestic consensus-building processes. How to Convey Your Views to the Executive Directors of the IMF and World Bank

Tanzanian citizens are conveying their views of the PRSP and adjustment processes to their government and to their representatives on the Executive Boards of the IMF and World Bank. To convey your views, locate the names, addresses, phone, fax and e-mail contacts of the World Bank and IMF Executive Directors that represent your country at: [www.challengeglobalization.org](http://www.challengeglobalization.org). In designing the PRSP process, the Executive Directors committed their institutions to open and transparent processes that would reconcile structural adjustment conditions with poverty reduction goals. Their promises are unfulfilled. Macroeconomic and structural policies cannot be designed in a participatory fashion to serve poverty reduction goals because, for the most part, they are formulated in secret. [For the full text of the Tanzania SAP Alert contact: [global.challenge@juno.com](mailto:global.challenge@juno.com)]

### **Comments from the Tanzania Gender Networking Project Regarding the IMF and World Bank endorsement of the Government of Tanzania's "Poverty Reduction Strategy Paper"**

Since the government, forced by the policies of the IMF and the World Bank, has embarked on policies of withdrawal of state support, women, children, and the rural poor have been most heavily indicated, and there is data that demonstrates this. The following are some specific comments on user fees in the areas of health and education.

In general, the position of gender groups and many CSOs is that unconditional withdrawal of user fees in the areas of health, education, and water is necessary. It is in these sectors that vulnerable groups, particularly women, poor men, youth, and the rural population in general, have been impacted greatly; these sectors also are the arenas in which the government could have most positively helped these groups. Low performance in these sectors is one of the primary indicators of poverty; health and education are central to the development of the country and key to increasing productivity and economic growth. It is the responsibility of the government to ensure that these sectors are sufficiently resourced, without conditions.

### **User Fees in the Education Sector**

In terms of the decision to abolish user fees at the primary school level, while we understand that the government is constrained, we contest that removing user fees at only one level is not sufficient and not sustainable. Even if this decision opens up the opportunity for primary school education to

more students, which is not clear in and of itself, this creates an even wider gap between the number of students attending primary school and those attending secondary school. This gap has implications for increasing inequalities in terms of both gender and class. In addition, there is no indication that other constraining aspects related to education for poor families will be removed and no assurance that the levels of support currently provided to teachers will be maintained or increased. On the whole, the actual amount of money returning to the sector (Tsh. 10 -12 billion) is a very small amount of money and does not offer enough hope of addressing the major issues within the education sector.

Attendance in primary schools in Tanzania remains at low levels. In 1995, the gross enrolment of school age children stood at 77%. This implies that 23% of school age children had not enrolled in schools. Since the net enrolment was 55%, then 45% of school age children were not attending school (URT: 1997, Basic Statistics in Education, p. 8). These figures only address one issue involved in primary school education, and do not touch other areas of quality, participation, retention, achievements, and other factors. There should be more analysis on the expected implications of this policy that addresses these other factors.

In general, in order to encourage equality of opportunity in education, user fees must be eliminated at the secondary school and other levels. These fees contribute to the continued marginalisation of groups and a disadvantaged status between boys and girls, urban and rural, rich and poor. A study by TGNP shows that, out of the 39% of secondary school students attending government schools, a mere 8% come from the poorest households in the Tanzania communities and 34% are from the relatively well-off 20% in the communities (TGNP, 1998). Research by Katunzi and Sumra (1991) and TADREG (1996) showed that the cost-sharing policy has hit hardest boys and girls from low-income families, and therefore, reinforced low participation of both girls and boys. Therefore, user fees for secondary school have a great deal of implications when discussing reducing poverty within the country. The implication of these costs is that only an elite group receives the necessary education to be the prime decision-makers within the country.

According to the Tanzania Gender Networking Programme's research on the Gender Budget Initiative, for the Ministry of Education and Culture alone, about 57% of its budget was devoted to salaries and personal emoluments for the Ministries in 1997. Salaries for employees of institutions accounted for 9% and 34% of the recurrent budget was for other charges. The overarching feature is the increase in the budget share for personnel emoluments, which has risen dramatically from 1994 to 1997. On the contrary the budgetary allocation for instructional materials, which is the key determinant of quality has fallen from 7% to 3% over the same period. In Tanzania, a mere 15% of the overall recurrent budget is reserved for financing the education sector, as compared to 35% in Kenya and 22% in Uganda.

Cost sharing, with its implications of the allocation of fewer resources at different levels, has implications for quality, gender equality, corruption, and even more, the fact that you are depriving the majority of the people of their basic rights. The government has the ability, if it would efficiently reallocate its internal resources within government and sectors, it can do this work.

In order to address serious concerns about inadequacy of access of poor Tanzanians to primary and secondary education, we recommend that the government PRSP process, to be approved by the WB soon, consider the following, among others:

- Cost sharing interventions should be eliminated at the primary and secondary levels within the PRSP.

- Include a broader examination of user fees, looking at not only the actual fee but also all the other associated factors that constrain many people. This includes recognition of the fact that costs for a secondary education include books, desk, uniform, transport, housing, and others.
- Reshuffle its current resources, in order to better finance education. There are areas that it could do so; for example the Personnel and Annulments that go to key people within government and Parliament; if they would reduce these, it could return to the people themselves. For instance, one-tenth of the money spent on houses, furniture and transport of top officials should be given to a girls scholarship fund.
- Instituting mechanisms for private sector to contribute to education,
- If there is any need remaining, creating creative and flexible mechanisms for parents and students to contribute to the educational system, such as through loans.

## **User Fees in the Health Sector**

Although the government's overall objective of providing health status for all Tanzanians remains the same, there is an increased move towards privatisation and the public health sector is increasingly deprived of vital funds. In this process marginalized groups are increasingly impacted. The government needs to get rid of the user fees in the health sector, as the health of Tanzanians is crucial to development of the country. The Public Health System is the right of all Tanzanians, who contribute to government revenue. If the government can shirk some of its responsibilities, it cannot do so for health. The private sector has an important role to play but the Public Health System should be the backbone of health services the country. Otherwise the lives of the citizens would be at risk, as so many examples have begun to emerge showing this.

First, we do not believe that the user fee policy in Tanzania is functioning. There is evidence from several studies and newspaper articles to the contrary, indicating that pregnant women and rural poor are unable to access crucial medical services, although these groups are supposedly exempted. These, especially the women, are the same groups that are doubly taxed, in that they are contributing to the future workforce of the country and then are required to pay for doing so. Women give involuntary subsidies to the health sector in various ways, including working as TBAs and caring for the infirm at home, and they should get some benefit. The government has yet to make this connection between the health of the people and the unpaid labour of some groups such as women. Apart from contributing to foreign exchange revenues through production and paying their taxes, they feed most of the patients in hospitals. On top of all that and cost sharing, they have to bring all important items during delivery when it is hypocritically claimed that mothers and children under five receive free treatment.

For antenatal care and childhood immunisations, the exemption seems to still be functioning. However, for AIDS, mental illness and other diseases, fees are still imposed in one way or another. The problem is that determination is done at the time of service. Medicines and supplies are often not available at government hospitals, even if supposedly free, meaning that individuals have to buy from private dispensaries. From research conducted in Kondoa district, if a maternity patient fails to pay the said amount, the normal procedure is that the patient will be given delivery services but will not be discharged until costs are met (TGNP, GBI research, 1997).

As it stands now, women pay for essential services that include cervical and breast cancer screening and treatment. These preventative measures are among the most cost-effective services. The government would be reaching most women in Tanzania if these services were funded. Donors could be asked to fund the initial equipment and supplies, but the government should be able to maintain the network through correct management and replacements. It is difficult to understand that a government which has funds to send leaders abroad for casual medical check-ups fails to get the Tsh. 600 million donor money allocated for x-rays because it could not pay its contribution of Tshs. 25 million (MoH appropriation account for the year ending 30 June 1996, p. 13).

In terms of the Health Sector Reforms, which provide more responsibilities for health sector at the local level, the vision is sound but problematic is whether the reforms would adequately confront the entrenched weaknesses in the health sector without marginalising large sectors of Tanzania's population from health services. Although in some few districts the CHF is working, there are many areas where it is not working, as mechanisms for ensuring its implementation have not been established.

The PRSP document needs to provide coherent strategies and evidence on how the current policy is going to be affected in the real sense. It should also establish mechanisms for monitoring that this policy is currently being implemented.

We are aware that the health reform programme has brought in a number of cost effective health interventions to be developed. The government Budget if used effectively and according to proper priorities can meet most of the costs and donors can make important contributions since most of these are preventive or curative at dispensary and Health Centre levels. Interventions affecting infants and children such as immunisations receive much donor assistance. The government, through the MoH, needs to install management mechanisms to ensure that equipment obtained is not lost, as well as providing annual maintenance funds and replacements when necessary.

In a country like Tanzania where communication is difficult, household surveys are expensive and cannot be done every day. Yet those few which were done show important trends. The most recently available is the Tanzania Human Resources Development Survey (HRDS) 1992/94 used by the Social Sector Review of the World Bank (1996). This survey showed that people were alienated by poor services especially shortage of drugs caused partly by mismanagement and scarcity of funds. Health workers attempted to supplement their wages through drug sales. The current cost sharing plan is based on the assumption that with improved finances, the supply of drugs service will improve and the public system will win back patients. However, without management reform patients will still get poor services.

## **Overall Comments**

From the above discussions, we are proposing the following demands:

- The proposals by the government on user fees on education and health sectors should be further analysed with more input from the civil society, meaning the public. Relevant revelations have shown that there are at times some mis-communication between the government and the voices of the people. Many issues on the constraining environment in the sectors of education and health were raised by voters and candidates most recently during the course of the General Elections in October 2000. How come the PRSP processes continue without taking into consideration these issues being expressed by the public?
- The PRSP process as it is currently drawn, does not allow for collection and use of available data and case studies from the public, meaning that the proposals are not coming from concrete experiences that are happening every day. It is of critical importance that the PRSP processes open up and listen to the voices of the marginalised groups, such as women, youth and poor groups who will address the impacts of many of these policies, particularly the user fee.
- What we need is the abolition of user fees for health, education and water sectors, and the World Bank should stop making conditions on the same.
- Also we are demanding that the World Bank, when it looks at issues of cost sharing, it should look at the issue much more broadly and holistically. Experience shows that their strategies to overcome the constraints created by the effects of withdrawal of support to the social sectors come in piecemeal, e.g. special funds for education and for health.
- We are also demanding from our own government to devise more innovative strategies to obtain revenue, such as taxing and encouraging donations from the rich and the companies in the country, so that it helps to increase the money that government has to spend. The revenue base of the government is looking primarily at traditional sources of revenue.

- We also want to demand a more transparent monitoring and documentation of the implication of the costs of user fees and costs by government, donors, and the World Bank. Women and men of Tanzania have the right to know how their own government is serving their health and educational needs. In this way, we want our government to report in a transparent way how many women and men, girls and boys are able to access and benefit from the provided services. We want them to report the different types of services received by women and men, girls and boys. This is because good services are a right and not a privilege.
- A greater part of the money saved when overseas countries say Tanzania can pay less interest on its loans or can pay interest later should be dedicated to education and health, while ensuring that spending from other sources remains the same or is increased.

## **A few Additional Comments on the PRSP from a Tanzanian perspective**

### **Process**

Throughout the PRSP processes, civil society organisations were demanding for more active involvement and participation in the process of both NGOs and communities. However, on the whole CSOs were involved in a superficial and half-handed manner. The government developed the document internally, while civil society organisations were involved in a separate process, convened by the Tanzania Coalition for Debt and Development (TCDD). At a later stage, the civil society working groups managed to participate in the sharing sessions in the documents already prepared by the government (the zonal workshops). Rather than having a joint-sharing process about the best way to merge the civil society and government inputs, the inputs prepared by the civil society organisations were simply sent to the government-led processes for integration. The consultation that was done was all in a rushed manner, not allowing for true dialogue, discussion, and debate.

The latest stage, the National Workshop carried after the zonal workshops of the government process, involved NGOs to some extent, in that some NGOs were invited to comment at that workshop on all the topics in the strategy paper. Some of their inputs were very critical but ended there. They were not again called for their participation in the final drafting of the paper, although they had argued that the final process should include representatives of civil society organisations. In this way, civil society organisations were involved only at late stages of the process and did not truly participate in the process of preparing the poverty strategy paper for the United Republic of Tanzania.

### **Content**

The Civil Society Report on PRSP described a more holistic approach to poverty eradication in Tanzania and sought to provide a detailed direction to address issues of globalisation and liberalisation as well as debt relief. Among many other specific recommendations, the paper called for:

- Mechanisms to be adopted to ensure full participation of all sectors of society in policy-formulation, implementation and monitoring of the debt relief strategy, with a pro-poor gender perspective approach.
- On the public and NGOs, in particular, need to be informed on the on-going dialogue between the government and the WB/ IMF. Major recommendations for the civil society, such as how to make the processes around debt relief funds more transparent, need to be taken into more serious consideration

Monitoring and reporting tools and structures need to be developed which are transparent and participatory, so to ensure that the funds released as a result of debt relief are allocated and used as planned, to fit the vision and objectives of the PRSP programme.

On the whole, the final PRSP document does not demonstrate any gender perspectives and civil society inputs in a meaningful way. Many of the civil society actors feel cheated by both the government and the

donors, especially the World Bank, who have been emphasising the importance of the civil society participation in the PRSP preparations and approval processes.

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