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Budget Execution Reports

2023-02

The Budget Execution Report for the Second Quarter of 2022 to 23 (July -December, 2022)

The United Republic of Tanzania

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THE UNITED REPUBLIC OF TANZANIA



MINISTRY OF FINANCE AND PLANNING

**THE BUDGET EXECUTION REPORT FOR THE SECOND QUARTER OF 2022/23
(JULY TO DECEMBER 2022)**

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FEBRUARY 2023

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LIST OF ABBREVIATIONS

| | | |
|------|---|------------------------------|
| BoT | - | Bank of Tanzania |
| DSA | - | Debt Sustainability Analysis |
| GDP | - | Gross Domestic Product |
| LGAs | - | Local Government Authorities |
| PAYE | - | Pay as You Earn |
| REA | - | Rural Electrification Agency |
| TRA | - | Tanzania Revenue Authority |
| USD | - | United States Dollar |
| VAT | - | Value Added Tax |

EXECUTIVE SUMMARY

During the third quarter of the year 2022, the value of Quarterly Gross Domestic Product (QGDP) in absolute term at current prices increased to 42.9 trillion shillings from 38.4 trillion shillings in the similar quarter in 2021. Further, the value of QGDP at 2015 constant prices also increased to 33.9 trillion shillings in the third quarter of 2022 from 32.2 trillion shillings in the similar period in 2021.

For the second quarter of 2022/23, total domestic revenue collection (including LGAs own source) amounted to 7,102.3 billion shillings, which was 11.7 percent higher than 6,355.0 billion shillings collected in the corresponding period in 2021/22. On cumulative basis (July to December 2022), total amount collected was 13,400.5 billion shillings against the target of 13,877.6 billion shillings, equivalent to 96.6 percent and an increase of 13 percent when compared with the amount collected in the first half of 2021/22.

The total expenditure for the second quarter was 9,147.4 billion shillings against the target of 10,688.4 billion shillings of which recurrent expenditure was 6,236.8 billion shillings against a target of 6,686.1 billion shillings, while development expenditure amounted to billion shillings 2,910.6 against a target of 4,002.3 billion shillings.

Grants received during the second quarter of 2022/23 were 355.6 billion shillings, equivalent to 86.6 percent of the target of 410.6 billion shillings, while the total borrowing amounted to 1,924.7 billion shillings against the target of 2,644.6 billion shillings equivalent to 72.8 percent.

As at end December 2022, debt stock was 74,637.91 billion shillings compared to 68,286.18 billion shillings in the corresponding period in 2021, equivalent to an increase of 9.30 percent. The increase in the Central Government debt stock was due to Government borrowing to finance development projects.

The likely outturn to June 2023 for the 2022/23 budget is recommended to remain as approved by the Parliament in June 2022, with total revenue and expenditure of 41,480.6 billion shillings. The implementation of the Government budget will require a total of 21,978.3 billion shillings from all sources of revenue for the remaining period (January to June 2023). Out of the amount, 7,792.6 billion shillings will be used to finance development expenditures and 14,185.7 billion shillings for recurrent expenditures. In the remaining period macroeconomic assumptions will remain as projected.

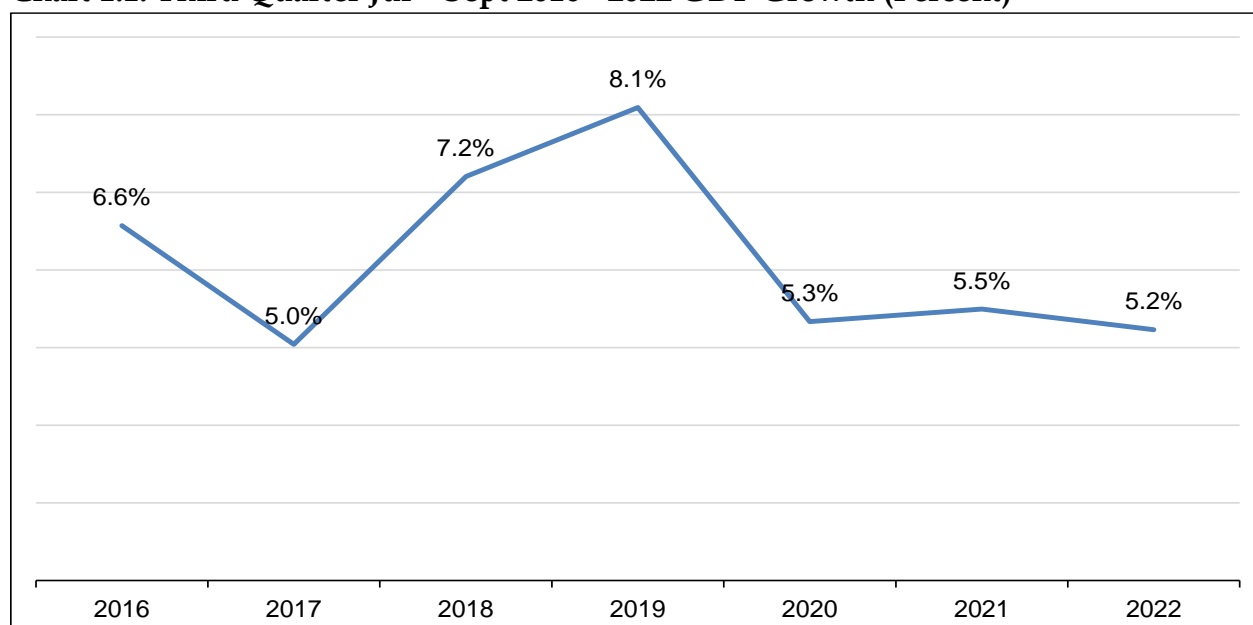
1.0 RECENT MACROECONOMIC PERFORMANCE

1.1 Real GDP Growth in the third Quarter of 2022

During the third quarter of 2022, the value of Quarterly Gross Domestic Product (QGDP) in absolute term at current prices increased to 42.9 trillion shillings from 38.4 trillion shillings in the similar quarter in 2021. Further, the value of QGDP at 2015 constant prices also increased to 33.9 trillion shillings in the third quarter 2022 from 32.2 trillion shillings in the similar period in 2021.

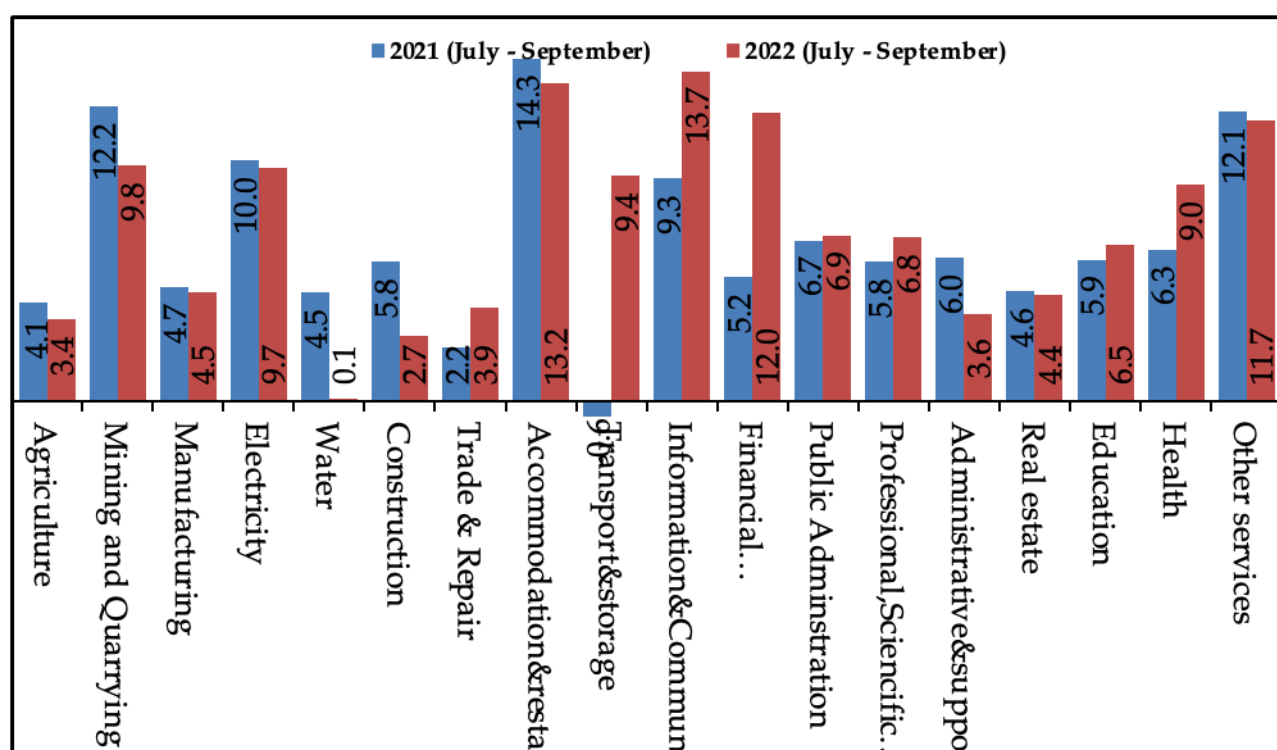
During the third quarter of 2022 (July to September) the economy grew by 5.2 percent compared to 5.5 percent recorded in the same period in 2021. The increase in growth was due to: strategies imposed by the Government to counteract effects of the war between Ukraine and Russia; strategic investment in energy, water, health, education, roads, railways and airports; increased production of minerals especially gold and coal; rebound in tourism activities; and increased credit to the private sector. Sectors which recorded highest growth during the period under review include: Information and communication (13.7 percent); accommodation and food services (13.2 percent); mining and quarrying (9.8 percent); electricity (9.7 percent); transportation and storage (9.4 percent); and other services which includes arts and entertainment (9.0 percent). Economic activities that significantly contributed to the growth include: Transport and storage (14.2 percent); Agriculture (12.4 percent), Mining and quarrying (9.8 percent); Construction (8.3 percent), Financial and Insurance Service (8.3 percent); and Manufacturing (7.9 percent). Status of real GDP growth and GDP growth by economic activity are presented in **Charts 1.1 and 1.2** respectively.

Chart 1.1: Third Quarter Jul – Sept 2016 - 2022 GDP Growth (Percent)



Source: National Bureau of Statistics

Chart 1.2: GDP Growth by Economic Activity in the Third Quarter (July - September, 2021-2022)

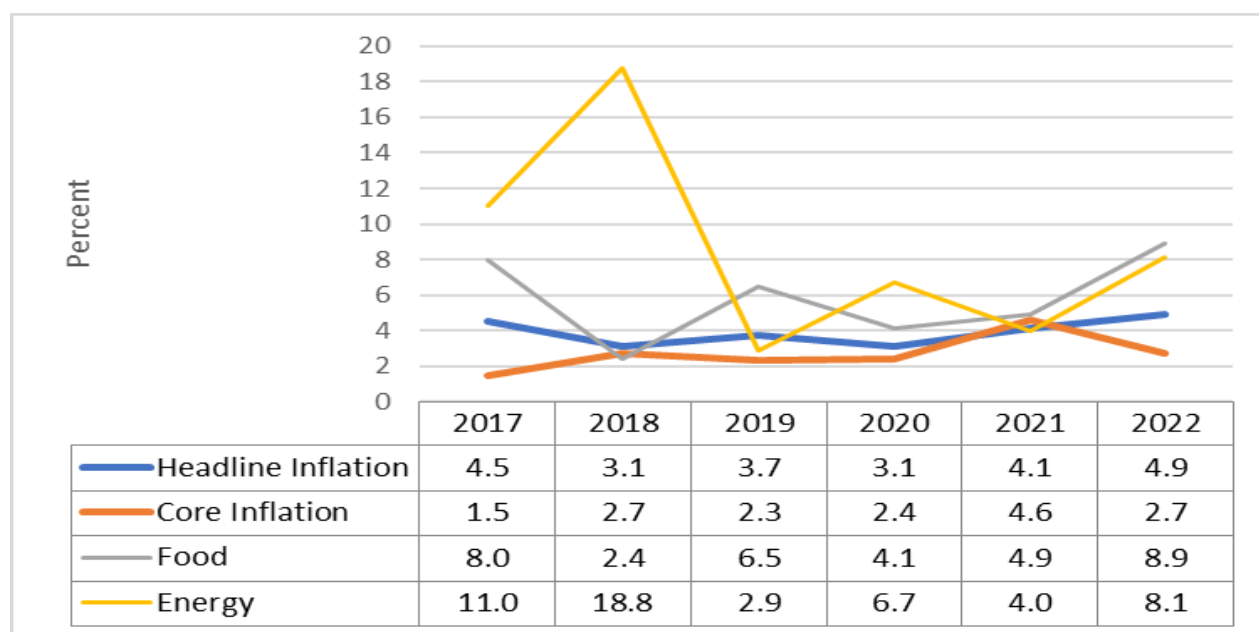


Source: National Bureau of Statistics

1.2 Inflation Development

During the quarter ending December, 2022, the headline inflation averaged at 4.9 percent compared to an average of 4.1 percent recorded in the corresponding quarter in 2021. On monthly basis, the headline inflation for the month of December, 2022 was 4.8 percent compared to 4.2 percent recorded in December, 2021. The increase in inflation was largely on account of instability of the world economy as a result of COVID-19 as well as the war between Russia and Ukraine which led to an increase in the prices of petroleum products, cooking oil, wheat and fertilizers. Despite the increase, inflation still remained low and within the national target of 3.0 - 5.0 percent, EAC convergence criteria of not more than 8.0 percent and SADC benchmarks of between 3.0 and 7.0 percent as a result of Government subsidy on fuel and fertilizer. Chart 1.3 presents the trend of inflation in the second quarter (October - December) from 2017 to 2022.

Chart 1.3: Trend of Inflation in the Second Quarter (October – December) from 2017 to 2022



Source: National Bureau Statistics

1.3 External Trade

External sector of the economy continued to endure challenges of commodity prices, tight financial conditions, high inflation among trading partners, and supply-chain disruptions caused by the resurgence of COVID-19 and war in Ukraine. The current account balance recorded a deficit of USD 5,347.2 million in 2022, wider than a deficit of USD 2,407.2 million recorded in the previous year, mainly due to high import bill relative to export earnings. Accordingly, overall balance of payments was a deficit of USD 995.1 million in 2022, compared with a surplus of USD 1,852.1 million recorded in the previous year, driven by higher payments abroad. In the second quarter of 2022/23, the overall balance of payment recorded a surplus of USD 410.1 million compared with a deficit of USD 283.0 million recorded in the similar quarter of 2021/22. The current account recorded a deficit of USD 1,448.2 million during the quarter ending December 2022 compared to a deficit of USD 792.0 million in the corresponding period in 2021, driven by higher imports bill particularly oil and capital goods.

Exports of goods and services amounted to USD 11,604.1 million during the year ending December 2022 from USD 9,508.6 million in the corresponding period of 2021. During the quarter ending December 2022 exports of goods and services increased by 15.2 percent to USD 3,183.0 million compared to USD 2,762.8 million recorded in the similar quarter in 2021. The exports of goods and services were largely driven by non-traditional exports, particularly manufactured goods and minerals; and services receipts—mostly from tourism.

Imports of goods and services increased to USD 16,710.4 million in 2022 compared to USD 11,610.4 million recorded in 2021. During the quarter ending December 2022 imports of goods and services increased by 30.9 percent to USD 4,566.4 million compared to USD 3,489.0 million recorded in the similar quarter in 2021. Almost all import categories recorded increases, much reflecting rise in prices owing to disruption of global supply chain. Fuel accounted for much of the import bill, around 23 percent of the value of goods imports. In 2022, services payments increased to USD 2,465.4 million from USD 1,607.0 million in 2021, largely driven by higher freight payments consistent with the rise in import bill. During the quarter ending December 2022, services payments averaged at USD 708 million, up from USD 487.2 million recorded in December 2021.

1.4 Gross Official Reserves

As at December 2022, foreign reserves were USD 5,177.2 million, sufficient to cover about 4.7 months of projected imports of goods and services compared to USD 6,386.0 million recorded in December 2021, covering 6.6 months of projected imports of goods and services. Foreign reserves continued to decrease due to increase in the cost of importing products including petroleum products. Despite the decrease in foreign reserves, the level achieved was above the country, EAC and SADC benchmarks of not less than 4 months, 4.5 months and 6.0 months, respectively.

1.5 Credit to Private Sector

Credit to private sector grew by 20.5 percent in December 2022 compared to 10.0 percent recorded in December 2021. In the quarter ending December 2022, credit extended to the private sector grew at an average of 22.9 percent compared to 7.8 percent recorded during the corresponding period in 2021. The strong growth was largely attributed to improved business conditions, recovery of economic activities, as well as supportive monetary and fiscal conditions.

1.6 Money Supply

Extended broad money supply (M3) grew by 11.6 percent during the quarter ending December 2022 compared to a growth of 15.5 percent recorded during the quarter ended in 2021. The slowdown in M3 growth was on account of decrease in net foreign assets of the banking system. During the period under review, broad money supply (M2) and narrow money (M1) grew by 12.1 percent and 7.5 percent compared to 17.6 percent and 23.1 percent recorded in the quarter ended December 2021, respectively. The decline in NFA was mainly due to payment of foreign Government obligations in favour of on-going public investments.

1.7 Interest Rates Development

During the second quarter of 2022/23, the overall lending rate and one-year lending rate averaged 16.07 percent and 16.97 compared to 16.47 percent and 16.73 percent recorded in the corresponding period in 2021/22 respectively. In 2022, one-year lending rate averaged at 16.79 percent compared to 16.43 percent recorded in 2021. The overall time deposits interest rate and 12-months deposit rate averaged at 7.18 percent and 8.59 percent in the quarter ending December 2022, compared to 6.74 percent and 7.75 percent recorded in the corresponding period of 2021, respectively.

1.8 Exchange Rate

The value of Tanzanian shilling against the US dollar remained broadly stable during the second quarter of 2022/23. This was reinforced by low inflation differentials relative to trading partners, prudent fiscal and monetary policies and market confidence due to adequacy of foreign exchange reserves. In the quarter ending December 2022, the shillings were traded at an average of 2,308.57 shilling per US dollar compared to 2,294.85 shilling per US dollar in the quarter ending December 2021, equivalent to a depreciation of 0.59 percent.

2.0 GOVERNMENT OPERATIONS

2.1 Revenue

In 2022/23, the Government planned to implement various revenue policy measures including: strengthen use of ICT systems in tax estimation for small entrepreneurs who are incapable of maintaining records and preparing their accounts; invest in the use of technology to facilitate electronic filing of tax returns and timely payment of taxes; strengthen the Government electronic Payment Gateway (GePG) and emphasize on the use of control numbers; and strengthen control systems in Government Agencies, Public Institutions and Corporations to increase efficiency and ensure appropriate dividends and contributions are timely paid by government.

In the second quarter of 2022/23, total domestic revenue collection (including LGAs own source) amounted to 7,119.3billion shillings, which was 12.0 percent higher than 6,355.0 billion shillings collected in the corresponding period in 2021/22. On cumulative basis (July to December 2022), total amount collected was 13,414.1 billion shillings against the target of 13,873.1billion shillings, equivalent to 96.7 percent and an increase of 13 percent when compared with the amount collected in the first half of 2021/22. Out of the amount, collections from Tanzania Revenue Authority (TRA) were 11,677.1billion shillings against the target of 11,900.7 billion shillings equivalent to 98.1 percent. Non-tax revenues collected by Ministries, Departments and Agencies (MDAs) were 1,261.5billion shillings equivalent to 86.1 percent of the targeted collection of 1,465.8 billion shillings and collections from LGAs own source were 475.6billion shillings against the target of 506.7billion shillings, equivalent to 93.9 percent.

2.2 Revenue by Source

2.2.1 Taxes on Imports

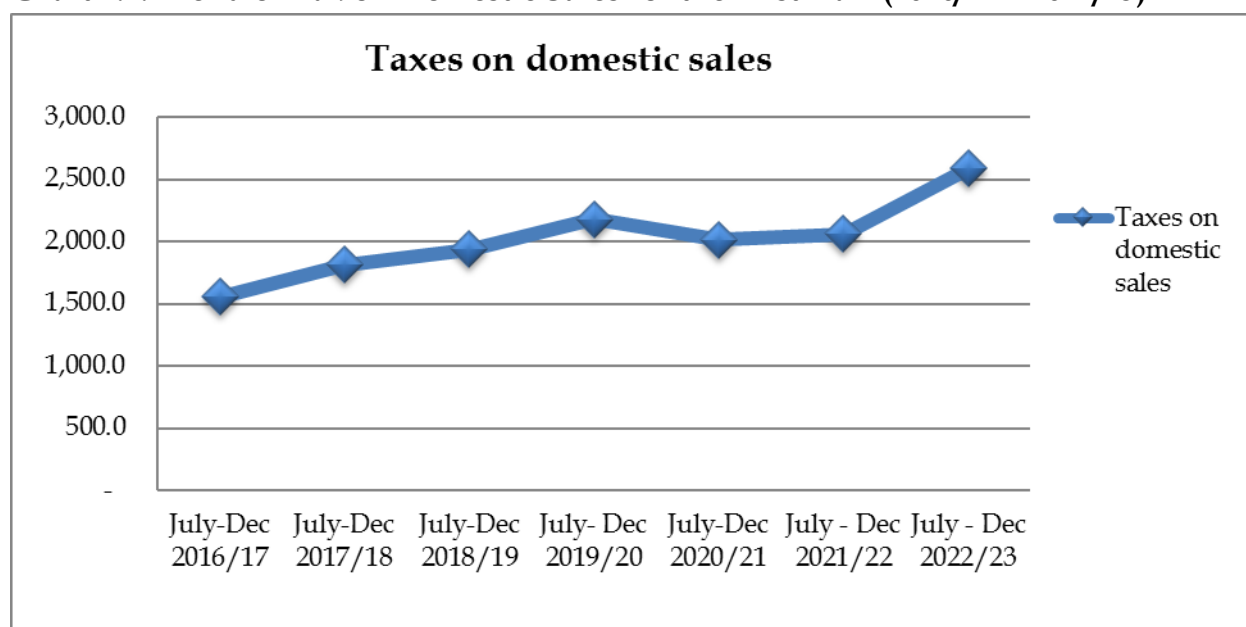
Import taxes and duties collections in the second quarter of 2022/23 amounted to 1,763.9 billion shillings, reflecting a performance of 98.7 percent of estimated 1,787.1 billion shillings, and 8 percent higher when compared to collections of 1,627.4 billion shillings registered in the similar period in 2021/22. Cumulatively, for the first half of 2022/23, import taxes and duties collections amounted to 3,416.0 billion shillings, reflecting a performance of 99.6 percent of estimated 3,429.4 billion shillings. The excise on petroleum imports was 452.9 billion shillings, which was 66.3 percent of the planned target of 683.3 billion shillings. Excise on other imports collections were 235.4 billion shillings, registering a performance of 169.0 percent. On the other hand, import duty collections amounted to 855.8 billion shillings, equivalent to 107.3 percent of the target and VAT on non-petroleum performed at 103.7 percent of the target by collecting 1,871.9billion shillings. The performance of import taxes and duties in the first half was attributed to the increase in the value of imports of capital and intermediate goods especially importation of machinery, industrial transport equipment, iron and steel,

and plastic items.

2.2.2 Taxes on Domestic Sales

In the second quarter of 2022/23, actual tax collection from domestic sales increased to 1,349.6 billion shillings from 1,046.4 billion shillings, reflecting an increase of 28 percent when compared with the corresponding period in 2021/22. The amount collected was equivalent to 91.5 percent of the targeted collection of 1,475.6 billion shillings. On cumulative basis, during the first half of 2022/23, actual tax collection from domestic sales increased by 25 percent to 2,584.4 billion shillings from 2,060.8 billion shillings collected in the first half of 2021/22 and 98.8 percent of the target of 2,615.2 billion shillings. Out of the total domestic sales tax, the excise duty was 811.1 billion shillings, equivalent to 100.6 percent of the target of 806.2 billion shillings while VAT on domestic sales amounted to 1,773.3 billion shillings, which was 98.0 percent. The underperformance of VAT on domestic sales was mainly attributed to the following: increase in input taxes claimed by beverage and cement manufacturing companies in respect of the acquisition of raw materials; and increase in VAT exemption granted to Government construction projects. The impressive performance of the domestic excise duty was mainly due to close follow up of Electronic Tax Stamp usage, declarations, electronic Tax Stamp campaigns and enforcements. **Chart 2.1** shows the trend of the first half tax collection performance on domestic sales from 2017/18 – 2022/23.

Chart 2.1: Trend of Tax on Domestic Sales for the First Half (2016/17 – 2022/23)



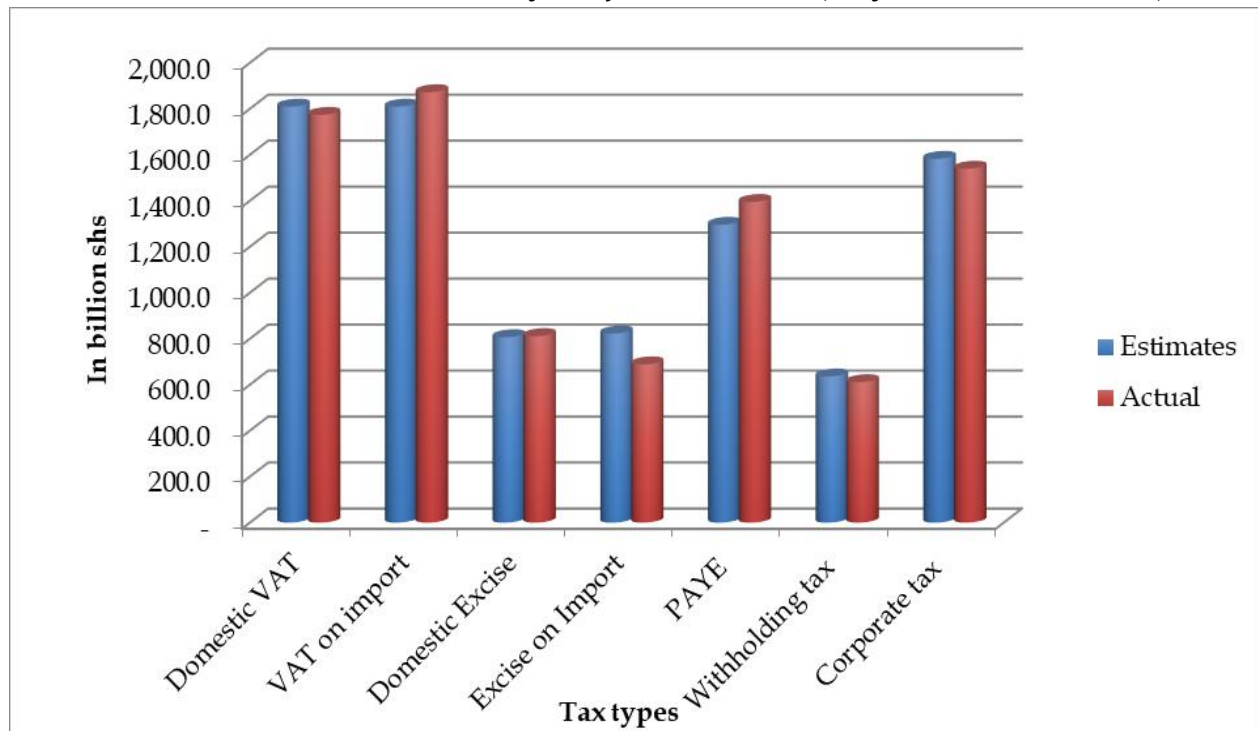
Source: Tanzania Revenue Authority

2.2.3 Income Tax

Income tax collections during the second quarter of 2022/23 amounted to 2,184.3 billion shillings, equal to 108.3 percent of the target of collecting 2,017.6 billion shillings, which is lower than the amount collected in the same period in 2021/22 (2,187.7 billion shillings). Cumulatively, income tax collections for the first half of 2022/23 were 3,905.5 billion shillings, equal to 99.7 percent of estimates of 3,917.9 billion shillings. In the second quarter of 2022/23, PAYE collections were 729.0 billion shillings, equivalent to 110.9 percent of the target. Cumulatively, during the first half of 2022/23, PAYE collections were 1,394.4 billion shillings against the target of 1,295.3 billion shillings, signifying performance of 107.7 percent and 19.4 percent higher when compared to 1,167.9 billion shillings collected in the first half of 2021/22. The good performance is due to increased recruitments and salaries in the public sector and close follow up of employers to settle their tax obligations on time which led to an increase in the collection of employment taxes from the Government, parastatals and Private Sector.

During the second quarter of 2022/23, revenue collections from the corporate tax were 930.6 billion shillings, which was 111.8 percent of the target of 832.7 billion shillings. Cumulatively, the amount collected from corporate tax was 1,539.1 billion shillings, equivalent to 97.3 percent of the target. The performance was mainly contributed by improved compliance through various interventions such as EFD and ETS campaigns, Taxpayers engagements, returns examinations, verification and tax audits; successful settlement of tax disputes and good business performance in various sectors of the economy which resulted to increase in collection from Transport and Storage Sector by 104.3 percent, Financial and insurance activities by 40 percent and Construction activities whose collection increased by 39.1 percent in the second quarter of 2022/23. Collections from withholding taxes for the second quarter were 321.1 billion shillings, equivalent to 100.5 percent of the target. The cumulative collections for the first half of 2022/23 from withholding taxes were 610.8 billion shillings against the target of 635.7 billion shillings, equivalent to 96.1 percent. Revenue performance by major tax items is shown in **Chart 2.2**.

Chart 2.2: Revenue Performance by Major Tax Items (July – December 2022)



Source: Tanzania Revenue Authority

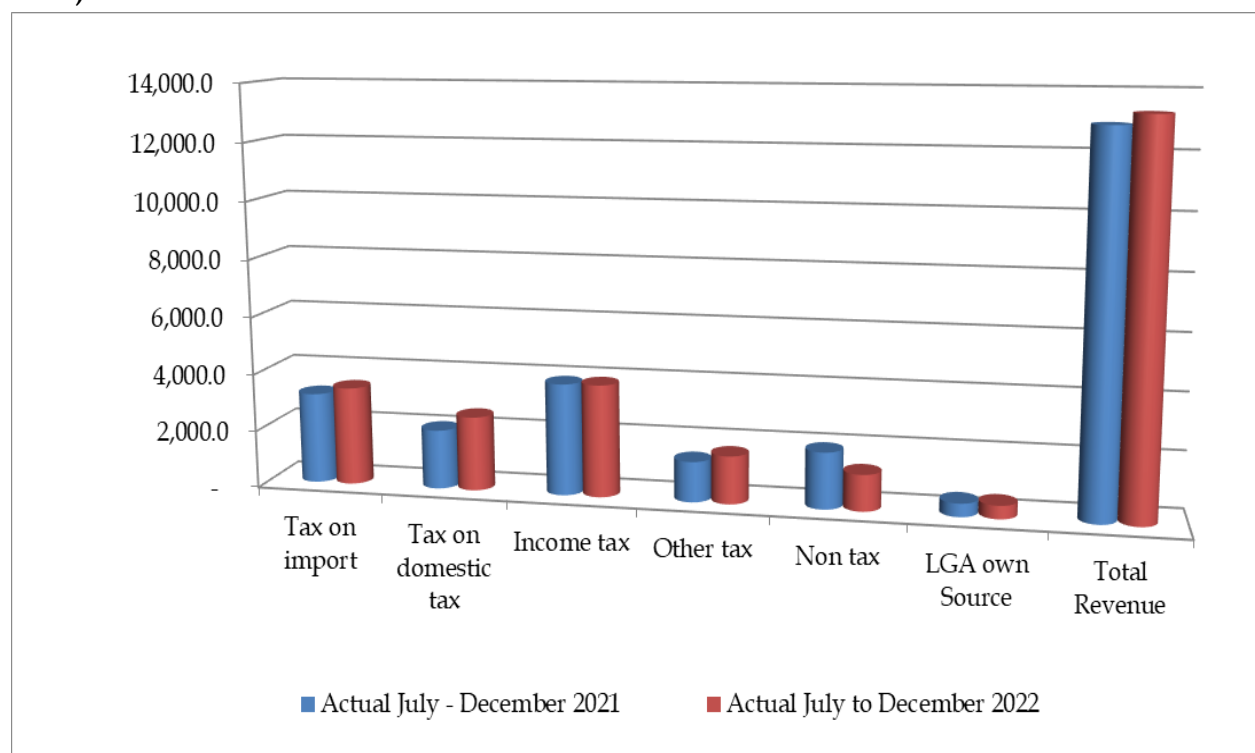
2.2.4 Other Taxes

During the quarter ended December 2022, actual collections from other taxes category amounted to 863.2 billion shillings, which was 105.7 percent of the period estimate of 816.5 billion shillings. On cumulative basis, the amount collected was 1,663.6 billion shillings, which was 106.5 percent of estimates of 1,562.3 billion shillings, and a decrease of 18.5 percent when compared to the amount collected in the same period in 2021/22. Out of the collected amount, Fuel Levy and Transit Fee amounted to 709.9 billion shillings, equivalent to 99.0 percent of estimates; collections meant for National Water Development Fund were 95.1 billion shillings, which was 95.9 percent of estimates; and collections for Rural Energy Agency (REA) amounted to 200.7 billion shillings, equivalent to 135.2 percent of estimates. In addition, collections from other sources were as follow: collections for Railway Development Fund were 232.5 billion shillings, equivalent to 123.6 percent of estimates; Business Skill Development Levy (SDL) recorded 196.9 billion shillings, equivalent to 124.3 percent of estimates, and Departure Service Charges performed at 134.4 percent of estimates of 26.6 billion shillings. The overperformance of SDL was due to increase in recruitments and salaries in the public sector and close follow up of employers. The overperformance of Departure Service Charges was mainly due to increased number of both international and domestic flights following the strengthening international trade. Revenue performance in July to December 2022 compared to July to December 2021 is indicated in

Chart

2.3.

Chart 2.3: Revenue Performance (July to December, 2022) Compared to (July to December, 2021)

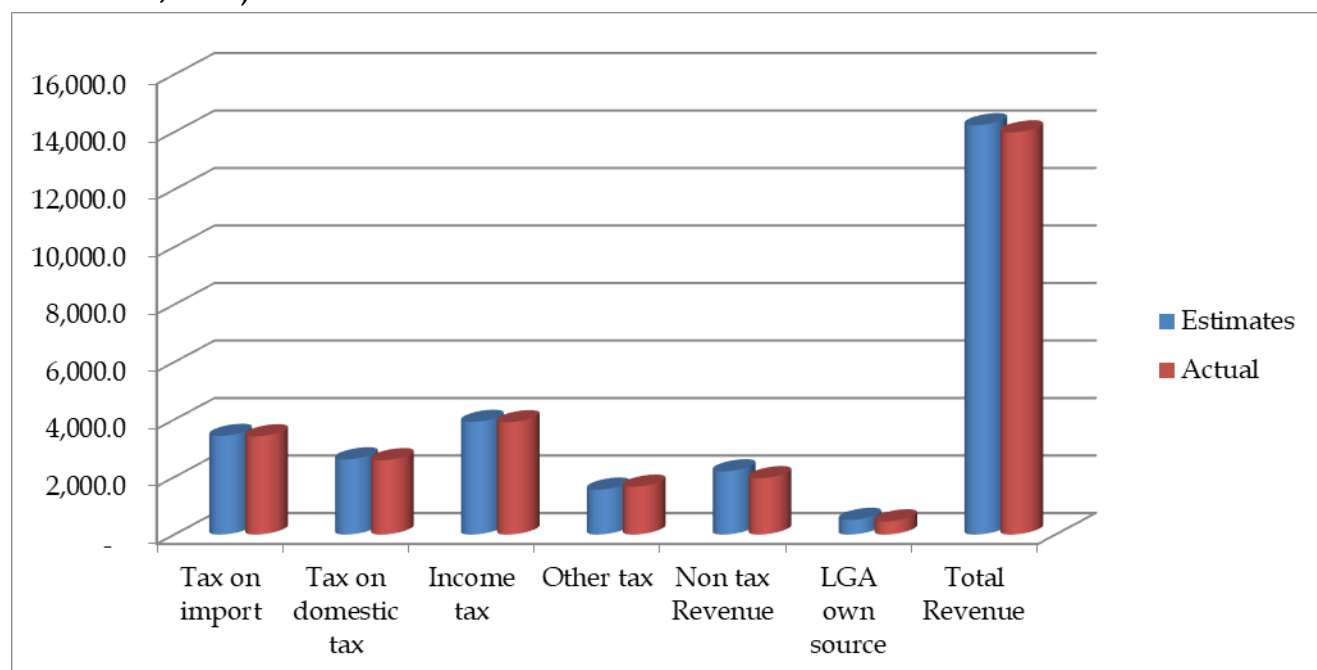


Source: Tanzania Revenue Authority

2.2.5 Non-Tax Revenue

Collections of non-tax revenue in the second quarter of 2022/23 were 1,077.2 billion shillings, equivalent to 95.1 percent of quarter estimates of 1,132.9 billion shillings. For the period of July to December 2022, collections of non-tax revenue were 1,959.4 billion shillings, equivalent to 89.2 percent of period estimates of 2,197.7 billion shillings and 27.0 percent higher when compared to collections registered in the same period in 2021/22. Out of the amount, non-tax revenues collected by Ministries were 836.7 billion shillings, against the target of 1,148.2 billion shillings, equivalent to 72.9 percent, dividends and contribution from Government Institutions were 424.7 billion shillings which was 133.7 percent of the target, non-tax revenues collected by TRA (mobile money transactions levy, billboard fee, property tax, tourist sector and others) were 697.9 billion shillings, which was 95.4 percent of the period estimates of 731.9 billion shillings. The underperformance of non-tax revenue was largely attributed to existence of some houses with meters which are still under reconciliation exercise; reduction of withdraw and transfer rates; and challenges in monitoring of revenue collection in some of the ministries and Independent Department such as effective use of systems. The Local Government Authorities (LGAs) own sources collections in the second quarter were 235.3 billion shillings, equivalent to 91.9 percent of estimates while the collections recorded for the first half of 2022/23 amounted to 475.6 billion shillings, which was 93.9 percent of the target. Domestic revenue performance for the first half of 2022/23 compared to estimates is depicted in **Chart 2.4**.

Chart 2.4: Domestic Revenue Performance (July to December, 2022) Compared to (July to December, 2021)



Source: Tanzania Revenue Authority

2.3 Expenditure

Total spending in the second quarter of was broadly in line with projections. Total expenditures amounted to 9,147.4 billion shillings equivalent to 85.6 percent of the period target of 10,688.4. Recurrent expenditure totaled 6,236.8 billion shillings, against the target of 6,686.1 billion shillings, while development expenditure was 2,910.7 billion shillings, falling short of the target of 4,002.3 billion shillings.

2.3.1 Recurrent Expenditure

Total recurrent expenditure amounted to 6,236.8 billion shillings equivalent to 93.3 percent of the quarter target.

2.3.2 Wages and Salaries

The Government continued to honor payment of wages and salaries so as to promote employees' morale in the public sectors. Total expenditure on wages and salaries amounted to 4,648 billion shillings, equivalent to 47 percent of the target of 9,871 billion shillings. The budget execution under this category was subject to Government's wage bill for the period under review.

The payment of wages and salaries in the second quarter amounted to 2,245.7 billion shillings compared to 2,479.5 billion shillings projected for the period.

2.3.3 Debt Service

Total debt service expenditure for the second quarter amounted to 2,202.4 billion shillings, equivalent to 87.4 percent of the target. The amount released includes 1,390.6 billion shillings

for principal repayment and 811.8 billion shillings for interest payment.

2.3.4 Goods, Services and Transfers

The spending under goods, services and transfers amounted to 1,788.7 billion shillings against the target of 1,685.7 billion shillings.

2.3.5 Development Expenditure

In the second quarter of 2022/23 an amount of 4,002.3 billion shillings was estimated to be spent under development expenditure. The amount comprises 3,128.7 billion shillings of domestic expenditure and 873.6 billion shillings of foreign expenditure. A total 2,910.6 billion shillings was released, equivalent to 72.7 percent of the estimated target. The underperformance of development expenditure was attributed to delays in accounting for direct to project funds. The expenditure performance by major categories and economic classification for the second quarter is as shown in **Table 2.1**.

Table 2.1: Expenditure Performance by Major Categories and Economic Classification

| Category | Quarter Target | Actual Expenditure | Performance |
|--------------------------------|-----------------|--------------------|--------------|
| Recurrent Expenditure | 6,686.1 | 6,236.8 | 93.3% |
| o/w Wages and Salaries | 2,479.5 | 2,245.7 | 90.6% |
| Debt Amortization | 1,753.2 | 1,390.6 | 79.3% |
| Interest Repayments | 767.6 | 811.8 | 105.8% |
| Goods, Services and Transfers | 1,685.7 | 1,788.7 | 106.1% |
| Development Expenditure | 4,002.3 | 2,910.6 | 72.7% |
| Development Local | 3,128.7 | 2,864.1 | 91.5% |
| Development Foreign | 873.6 | 46.6 | 5.3% |
| Grand Total | 10,688.4 | 9,147.4 | 85.6% |

Source: Ministry of Finance and Planning

2.3.6 Cumulative Expenditure Performance (July to December)

The cumulative expenditure performance amounted to 19,105.5 billion shillings against a target of 20,537.3 billion shillings, equivalent to 92.6 percent. Recurrent expenditure was an aggregate of 12,288.9 billion shillings reflecting a performance of 95.6 percent of a target of 12,857.7 billion shillings. Development expenditure, totaled to 6,726.6 billion shillings, equivalent to 87.6 percent of the estimates of 7,679.6 billion shillings was released for financing projects and programs. The expenditure comprised of 6,047.0 billion shillings from domestic sources and 679.6 billion shillings from foreign sources. On the other hand, during the reporting period, a total of 755.2 billion shillings was disbursed direct to projects by Development partners thus reflecting a performance equivalent to 97.4 percent for development expenditure. The cumulative performance of budget execution in major categories for July to December 2022 is as shown in Table 2.2.

Table 2.1: Cumulative Expenditure Performance by Major Categories and Economic Classification

| Category | Quarter Target | Actual Expenditure | Performance |
|--------------------------------|----------------|--------------------|-------------|
| Recurrent Expenditure | 12,857.7 | 12,288.9 | 95.6% |
| o/w Wages and Salaries | 4,871.5 | 4,478.4 | 91.9% |
| Debt Amortization | 2,817.6 | 2,487.1 | 88.3% |
| Interest Repayments | 1,387.8 | 1,512.4 | 109.0% |
| Goods, Services and Transfers | 3,780.7 | 3,810.9 | 100.8% |
| Development Expenditure | 7,679.6 | 6,726.6 | 87.6% |
| Development Local | 6,184.7 | 6,047.0 | 97.8% |
| Development Foreign | 1,494.9 | 679.6 | 45.5% |
| Grand Total | 20,537.3 | 19,015.5 | 92.6% |

Source: Ministry of Finance and Planning

2.3.7 Government Expenditure on Arrears

During the period (July to December, 2022) 2022/23 total of 175.5 billion shillings was released for payment of verified arrears. The breakdown of the released amount is as follows 33.9 billion shillings for Supplies (Goods & Services), 138.4 billion shillings for construction works, 1.5 billion shillings for Staff and 1.6 billion shillings for Utilities. The released amount as per major categories of economic classification for the first quarter is as shown in **Table 2.3**.

Table 2.3: Arrears Paid July - December, 2022

| S/No. | ARRERAS CATEGORY | AMOUNT PAID |
|-------|-----------------------------|---------------------------|
| 1 | Supplies (Goods & Services) | 33,916,793,908.59 |
| 2 | Construction Works | 138,396,924,139.74 |
| 3 | Staff | 1,542,992,559.42 |
| 4 | Utilities | 1,648,436,829.74 |
| | TOTAL | 175,505,147,437.49 |

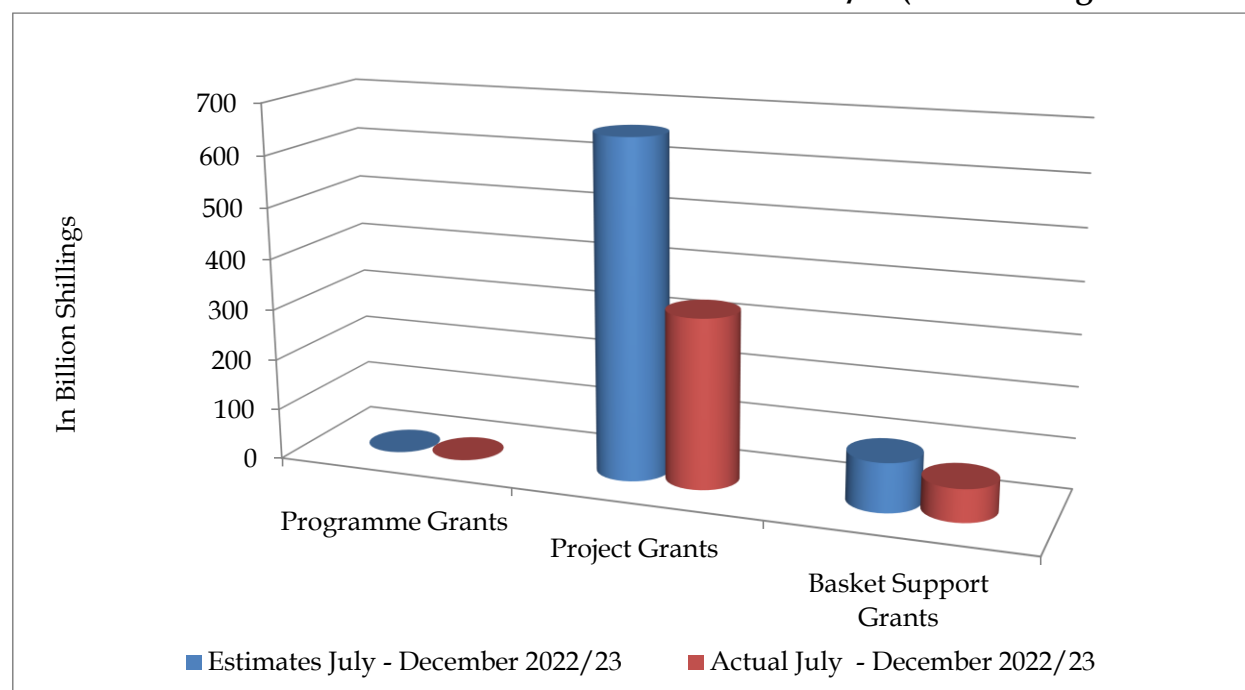
Source: Ministry of Finance and Planning

2.4 Grants

Grants received during the second quarter of 2022/23 were 355.6 billion shillings, equivalent to 86.6 percent of the estimated amount of 410.6 billion shillings. Out of the total grants, Project Grants were 291.5 billion shillings, equivalent to 83.4 percent of estimates and Basket Funds amounted to 64.1 billion shillings, which was 104.7 percent of estimates. Cumulatively, during the first half of 2022/23, total grants received were 396.0 billion shillings, equivalent to

59.4 percent of the estimated amount of 666.3 billion shillings. Out of the amount, project grants were 331.9 billion shillings equivalent to 58.2 percent of the estimates and basket fund were 64.1 billion shillings equivalent to 66.8 percent of the estimates as shown in Chart 2.5.

Chart 2.5: Performance of Grants for the First Half of 2022/23 (Estimates against Actual)



Source: Ministry of Finance and Planning

2.5 Financing

Total financing during the second quarter was 1,480.7 billion shillings against the borrowing target of 1,489.4 billion shillings equivalent to 99.4 percent of the target. Total foreign net financing amounted to 1,073.3 billion shillings against the target of 1,874.0 billion shillings. Total domestic net financing through borrowing was 407.4 billion shillings against the build-up target of 384.7 billion shillings. Total financing during the first half of 2022/23 was 3,398.3 billion shillings against the target of 3,180.2 billion shillings equivalent to 106.9 percent. Out of the total financing, total foreign net financing was a financing of 1,846.3 billion shillings against the target of 2,480.6 billion shillings equivalent to 74.4 percent. Total domestic net financing was 1,552.0 billion shillings against the borrowing target of 699.6 billion shillings.

2.5.1 Domestic Financing

In 2022/23 Government budget, domestic borrowing was planned at 5,780.1 billion shillings, whereas 3,300 billion shillings were for financing rolling over of maturing Treasury Bills and Bonds and 2,480.1 billion shillings were new loans for financing development projects. During the second quarter, the Government managed to borrow 1,069.0 billion shillings for redemption (rollover) of maturing obligations against the target of 982.6 billion shillings. In addition, 407.4 billion shillings were borrowed for financing development projects against build up target of 384.7 billion shillings. During the first half of 2022/23, a total of 3,223.6

billion shillings were borrowed from domestic market against the target of borrowing 2,352.2 billion shillings equivalent to 137.0 percent. Out of the amount borrowed, 1,671.5 billion shillings was for redemption (rollover) of matured obligations and 1,552.0 billion shillings was borrowed for financing Government budget.

2.5.2 Foreign Financing

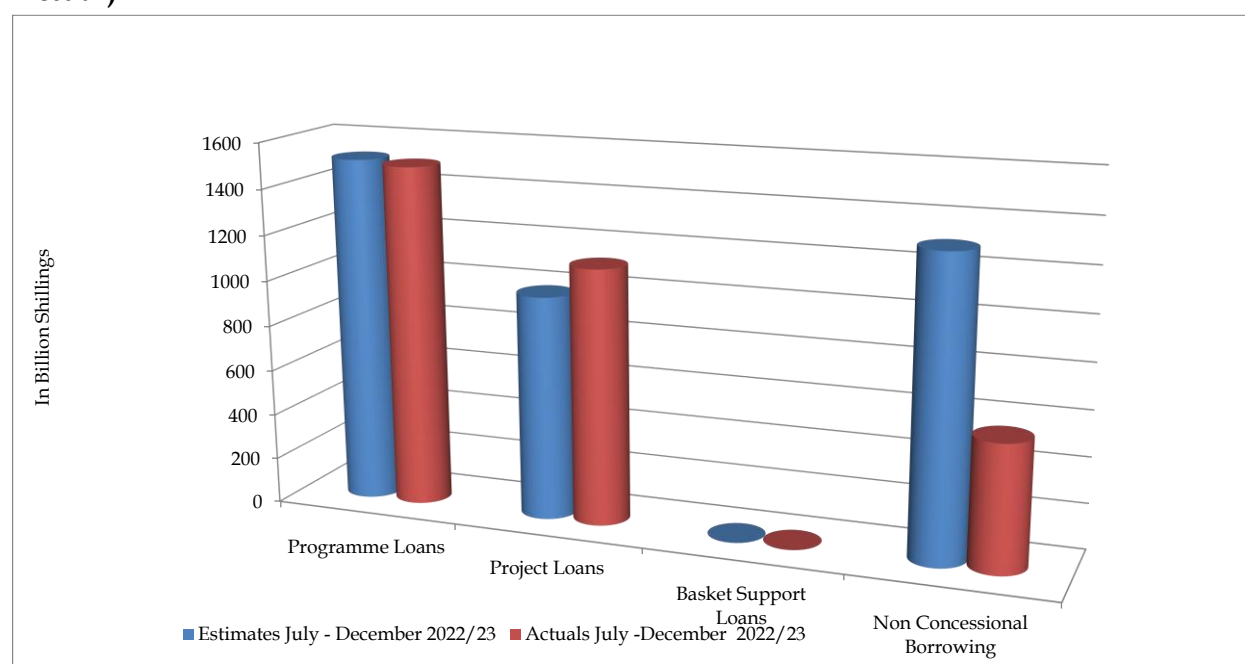
Net foreign financing for the second quarter was 1,073.3 billion shillings against the borrowing target of 1,874.0 billion shillings equivalent to 57.3 percent of the target. During the quarter under review, disbursement of concessional loan were 1,615.6 billion shillings against the target of 1,709.9 billion shillings and non-concessional loan were 309.2 billion shillings against the borrowing target of 934.7 billion shillings. In addition, amortization of foreign loans was 851.5 billion shillings against the estimates of 770.5 billion shillings. Net foreign financing for the first half was borrowing of 1,846.3 billion shillings against a borrowing target of 2,480.6 billion shillings which is 74.4 percent of the target. During the period under review, disbursements of concessional loans were 2,510.5 billion shillings against the target of 2,345.3 billion shillings equivalent to 107.0 percent. This performance is attributed to Government commitment toward implementation of Development Cooperation Framework (DCF) and timely submission of implementation reports to Development Partners. Disbursement of non-concessional loans were 552.3 billion shillings against the target of 1,300.2 billion shillings. In addition, amortization of foreign loans was 1,216.5 billion shillings against estimates of 1,165.0 billion shillings which was 104.4 percent of the estimates. The trend of grants and external concessional loans is shown in Table 2.4 and the performance of foreign financing for the first half of 2022/23 is presented in Chart 2.6.

Table 2.4: Trend of Grants and External Concessional Loans for the first Half of 2022/23

| Summary of Disbursement July - December 2022/23 (All figures in millions shillings) | | | | | |
|---|--------------------|---------------------------------|-----------------------------------|---|-----------------|
| AID MODALITY | Type of assistance | Annual commitment as per budget | Estimates July - December 2022/23 | Actual Disbursement July December 2022/23 | % of Commitment |
| GBS | Grants | 55,530 | - | - | 0.0% |
| GBS | Concessional Loan | 1,893,949 | 1,516,753 | 1,498,512 | 98.8% |
| Sub Total | | 1,949,480 | 1,516,753 | 1,498,512 | 98.8% |
| Basket Funds | Grants | 122,122.8 | 95,912 | 64,105 | 66.8% |
| Basket Funds | Concessional Loan | - | - | - | 0.0% |
| Sub Total | | 122,123 | 95,912 | 64,105 | 66.8% |
| Development Projects | Grants | 923,836 | 658,133 | 331,855 | 50.4% |
| Development Projects | Concessional Loan | 1,653,122 | 981,263 | 1,120,123 | 114.2% |
| Sub Total | | 2,576,958 | 1,639,395 | 1,451,978 | 88.6% |
| Grand Total | | 4,648,561 | 3,252,060 | 3,014,594 | 92.7% |

Source: Ministry of Finance and Planning

Chart 2.6: Performance of Foreign Financing for the First Half of 2022/23 (Estimates Vs Actual)

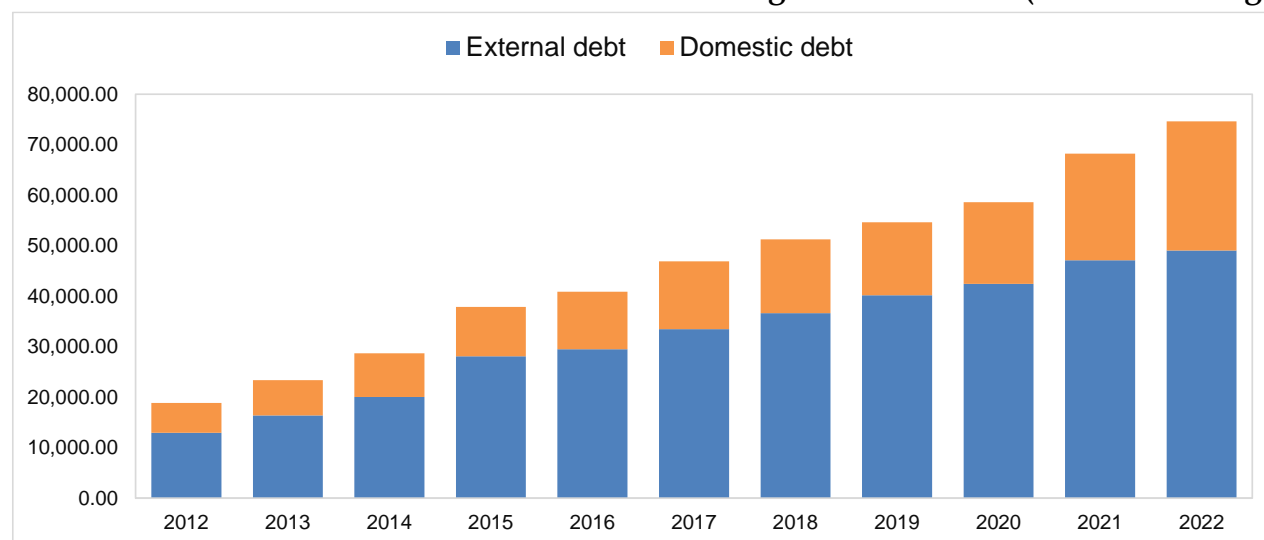


3.0 GOVERNMENT DEBT DEVELOPMENT

3.1 Overall Debt Stock

As at end Desember 2022, Central Government debt stock was 74,637.91 billion shillings compared to 68,286.18 billion shillings in the corresponding period in 2021, equivalent to an increase of 9.30 percent (**Chart 3.1**). The increase in the Central Government debt stock was due to Government borrowing to finance development projects. Out of the Central Government debt stock, domestic debt amounted 25,567.93 billion shillings (equivalent to 34.26 percent) and external debt amounted 49,069.98 billion shillings (equivalent to 65.74 percent).

Chart 3.1: Trend of Central Government Debt ending December 2022 (Billion Shillings)



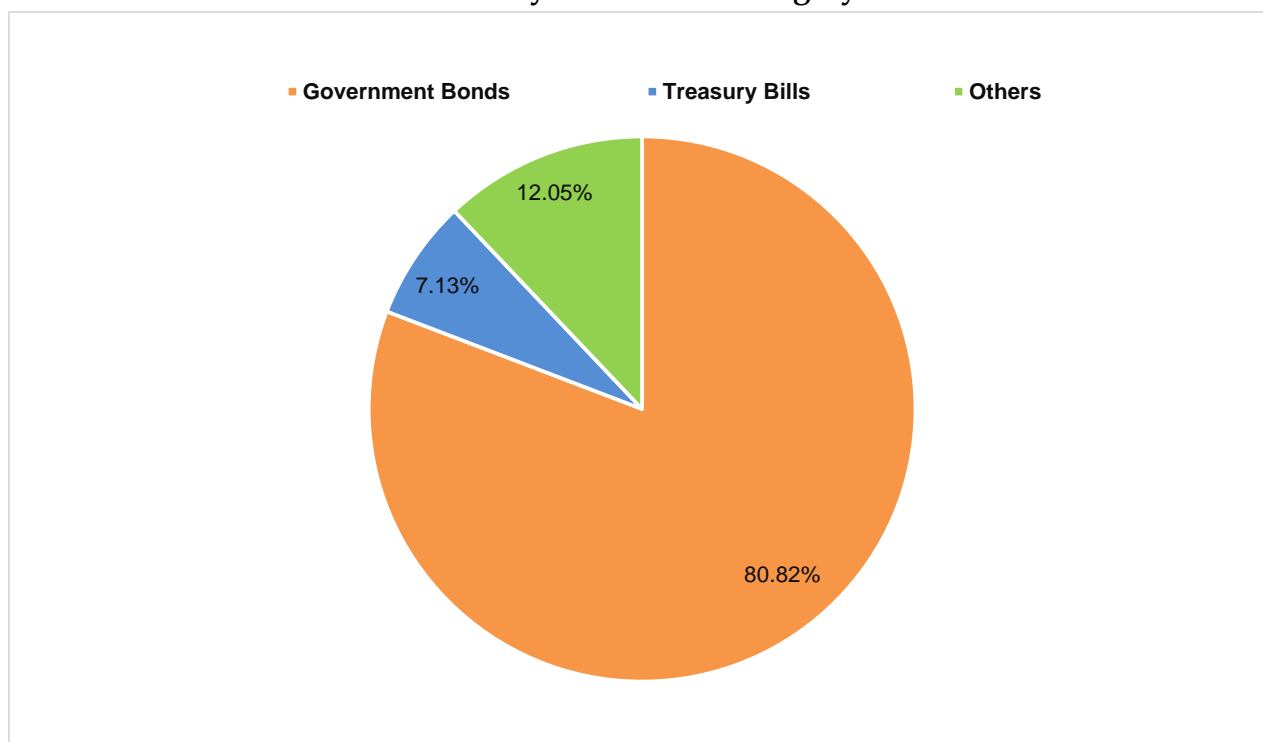
Source: Ministry of Finance and Planning

3.2 Central Government Domestic Stock

At end of December 2022, the domestic debt stock was 25,567.93 billion shillings compared with 21,121.33 billion shillings in the corresponding period in 2021, equivalent to an increase of 21.1 percent. The increase in domestic debt was due to the issuance of bonds and Treasury bills for financing development projects and the rollover of the matured securities. The composition of domestic debt by instruments shows that Government bonds accounted for 80.8 percent of total domestic debt stock, followed by treasury bills 7.2 percent, and other debt¹ instruments account for the remaining 12.0 percent. The composition of domestic debt by instrument category is depicted in **Chart 3.2**.

¹ Other debt instruments include Overdraft from BoT, NMB bank Plc standard loan and duty drawback

Chart 3.2: Share of Domestic Debt by Instrument Category

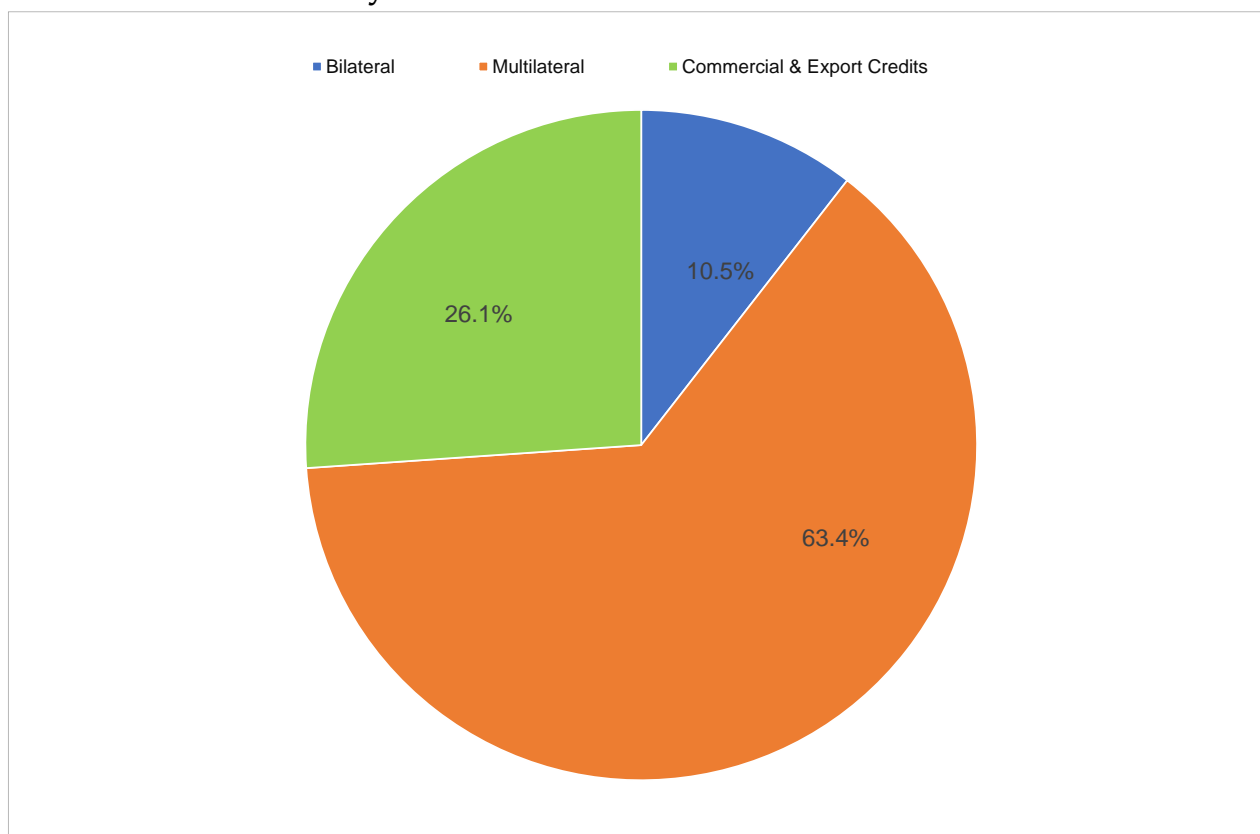


Source: Ministry of Finance and Planning

3.3 Central Government External Debt

The stock of external Central Government debt as of end of December 2022, stood at TZS 49,069.98 billion (USD 21,252.60 million) from TZS 47,164.85 billion (USD 20,526.00 million) end December 2021 which is an increase of 4.04 percent. The increase was attributed to disbursements and interest arrears in the period under reference. The external debt portfolio consisted of loans mainly contracted on concessional terms, multilateral creditors accounting for 63.4 percent of the total external debt portfolio, Commercial banks and Export Credit Agency (ECA) 26.1 percent, and Bilateral 10.5 percent. The multilateral institutions remained dominant, accounting for more than half of the total external debt stock **Chart 3..**

Chart 3.3: Concessionalality of Government External Debt



Source: Ministry of Finance and Planning

3.4 The Result of Debt Sustainability Analysis

The Debt Sustainability Analysis (DSA) conducted in November 2022 revealed that, Tanzania's debt remains sustainable in the short, medium to long-term. However, country debt carrying capacity has been impacted by the negative effects of COVID-19 pandemic and Russia -Ukraine war on growth of the economy and slowdown of exports. The debt burden indicators were below the international agreed baseline thresholds (see **Table 3.1 and 3.2**). This implies that, the country has space to borrow for funding development projects while meeting future financial obligations without sharp adjustment to revenue and expenditure.

Table 3.1: Projected External Public Debt Burden Indicators

| External DSA | Threshold | 2021/22 ² | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2031/32 | 2032/33 |
|-------------------------------|-----------|----------------------|---------|---------|---------|---------|---------|---------|---------|
| PV of debt-to GDP ratio | 40 | 18.1 | 17.7 | 17.3 | 16.4 | 15.8 | 15.8 | 16.3 | 15.4 |
| PV of debt-to-exports ratio | 180 | 119.6 | 113.4 | 108.1 | 104.0 | 101.9 | 101.3 | 99.7 | 92.1 |
| Debt service-to-exports ratio | 15 | 13.5 | 14.1 | 9.6 | 8.9 | 8.5 | 8.2 | 8.8 | 10.6 |
| Debt service-to-revenue ratio | 18 | 14.1 | 14.9 | 10.4 | 9.6 | 9.3 | 9.3 | 10.9 | 12.2 |

Source: Ministry of Finance and Planning

Table 3.2: Projected Overall Public Debt Burden Indicators

| Public DSA | Threshold | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2031/32 | 2032/33 |
|---|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| PV of debt-to GDP ratio | 55 | 32.5 | 31.9 | 30.9 | 29.5 | 28.4 | 27.8 | 28.6 | 30.8 |
| PV of debt-to-revenue and grant ratio | N/A | 217 | 207 | 202 | 196 | 194 | 195 | 207.7 | 207.1 |
| Debt service-to-revenue and grant ratio | N/A | 34.0 | 41.6 | 33.3 | 30.5 | 27.6 | 27.7 | 30.1 | 41.0 |

Source: Ministry of Finance and Planning

² Represent actual ratios as of 30th June 2022

4.0 LIKELY BUDGET OUT TURN TO JUNE 2023

Despite the positive trend observed in the first three quarters of 2022, downside risks to growth remain in the near term but real GDP growth target of 4.7 percent in 2022 is expected to be achieved and is projected to pick up to 5.2 percent in 2023. The GDP growth projections are based on ongoing measures taken by the Government in response to the effects of the war between Ukraine and Russia including: stimulating production in the agricultural, livestock, fishing and mining sectors; strengthening of urban and rural road infrastructure, energy and water; improvement of community services; continue with the implementation of projects that stimulate economic activities including railways, port expansion, rural electricity supply; and improvement of business environment. However, according to weather forecast, there is possibility of below average rainfall that may affect production in the agricultural sector, access to electricity, water and economic growth. The exchange rate will remain market determined and the BoT will continue to participate in the foreign exchange market for liquidity management purposes and to smooth out fluctuations in the exchange rate, while maintaining an adequate level of international reserves.

During the first half of 2022/23, the performance of tax and non-tax revenue were slightly below the anticipated target which resulted to under realization of expenditure targets. During the second half of 2022/23, revenue collection strategy will focus on strengthening the use of electronic systems, controlling revenue leakage and strengthening tax audits so as to meet revenue target set for 2022/23. The Government has made progress in raising funds from external non-concessional borrowing. To end June 2023, the Government is expected to meet the ENCB target by contracting the remaining balance from various commercial Banks. In addition, Government expenditure will be adjusted in line with available resources while protecting key expenditure items.

The likely outturn to June 2023 for the 2022/23 budget is recommended to remain as approved by the Parliament in June 2022, with total revenue and expenditure of 41,480.6 billion shillings. The implementation of the Government budget will require a total of 21,978.3 billion shillings from all sources of revenue for the remaining period (January to June 2023). Out of the this, 7,792.6 billion shillings will be used to finance development expenditures and 14,185.7 billion shillings for recurrent expenditures. Macroeconomic assumptions for January to June 2023 will remain as projected.

| Revenue Performance July - September 2022 | | | | | | |
|--|---------------------|-----------------------|----------------|------------------------|------------------------------------|---------------------------|
| Billion Shillings | | | | | | |
| | Budget Estimates | July - September 2022 | | | July - September 2021 Actual | Year on year change |
| | | Estimates | Actual | Percent of estimate | | |
| Revenue (Including LGAs own sources) | 28,017.9 | 6,537.0 | 6,293.1 | 96% | 5,509.4 | 14% |
| Revenue (Excluding LGAs own sources) | 27,005.6 | 6,286.4 | 6,052.8 | 96% | 5,293.7 | 14% |
| Tax Revenue | 22,400.4 | 5,221.5 | 5,172.4 | 99% | 4,512.9 | 15% |
| Taxes on Imports | 6,789.5 | 1,642.3 | 1,652.1 | 101% | 1,529.2 | 8% |
| Import Duty | 1,579.3 | 382.0 | 413.3 | 108% | 335.7 | 23% |
| Excise on Petroleum | 1,352.9 | 327.2 | 247.6 | 76% | 294.3 | -16% |
| Excise | 1,352.9 | 327.2 | 247.6 | 76% | 294.3 | -16% |
| Others | 3,857.3 | 933.1 | 991.2 | 106% | 899.2 | 10% |
| Excise | 275.7 | 66.7 | 74.2 | 111% | 54.1 | 37% |
| VAT on Non-Petroleum imports | 3,581.7 | 866.4 | 917.1 | 106% | 845.1 | 9% |
| Taxes on Domestic Sales | 5,317.4 | 1,139.7 | 1,234.8 | 108% | 1,014.4 | 22% |
| Excise | 1,574.8 | 391.7 | 398.7 | 102% | 353.6 | 13% |
| Value Added Tax (VAT) | 3,742.6 | 748.0 | 836.1 | 112% | 660.8 | 27% |
| Income Tax | 7,871.5 | 1,900.3 | 1,721.2 | 91% | 1,699.0 | 1% |
| PAYE | 2,553.2 | 638.2 | 665.4 | 104% | 574.9 | 16% |
| Corporate and Parastatals | 3,209.2 | 749.5 | 608.5 | 81% | 749.1 | -19% |
| Individuals | 255.4 | 59.8 | 58.5 | 98% | 56.1 | 4% |
| Withholding Taxes | 1,273.9 | 316.2 | 289.7 | 92% | 239.8 | 21% |
| Rental Tax | 133.8 | 32.0 | 30.5 | 95% | 24.7 | 23% |
| Other Income | 446.0 | 104.6 | 68.6 | 66% | 54.5 | 26% |
| Other Taxes | 3,079.9 | 745.8 | 800.4 | 107% | 646.0 | 24% |
| Business Skill Development Levy | 317.2 | 76.8 | 79.3 | 103% | 69.0 | 15% |
| Fuel Levy and transit fee | 1,419.1 | 343.3 | 369.7 | 108% | 310.0 | 19% |
| Stamp Duty | 23.8 | 5.9 | 4.1 | 69% | 3.7 | 8% |
| Departure Service Charges | 50.5 | 12.5 | 18.0 | 143% | 9.0 | 101% |
| Processing Fee-dry cargo-TRA | 91.1 | 22.0 | 26.6 | 121% | 18.0 | 48% |
| Export Duty | 91.2 | 22.1 | 1.5 | 7% | 3.4 | -57% |
| Railway Development Fund | 372.4 | 90.1 | 114.1 | 127% | 58.7 | 94% |
| National Water Development Fund | 196.4 | 47.5 | 49.3 | 104% | 42.7 | 15% |
| Motor vehicle taxes | 171.7 | 41.8 | 28.7 | 69% | 36.0 | -20% |
| Treasury Voucher Cheque | 52.649 | 12.736 | 3.496 | 27% | 0.02 | 15206% |
| Transer to REA | 293.8 | 71.1 | 105.8 | 149% | 95.5 | 11% |
| Refunds | -657.8 | -206.6 | -236.1 | 114% | -375.8 | - |
| Refunds - VAT | -606.8 | -194.5 | -174.6 | 90% | -369.0 | - |
| Refunds - other | -51.0 | -12.1 | -61.4 | 509% | -6.8 | - |
| Non Tax Revenue | 4,605.2 | 1,064.9 | 880.4 | 83% | 780.9 | 13% |
| Parastatal Dividends | 933.0 | 74.2 | 57.4 | 77% | 85.1 | -33% |
| Ministries and Regions | 2,419.8 | 547.6 | 412.8 | 75% | 492.1 | -16% |
| TRA Non Tax | 178.8 | 43.2 | 57.9 | 134% | 26.3 | 120% |
| Tourism Sector | 501.6 | 174.7 | 246.0 | 141% | 105.1 | 134% |
| Transaction levy on Mobile money sending | 500.0 | 215.1 | 89.5 | 42% | 64.4 | 39% |
| Property tax | 43.2 | 9.1 | 9.2 | 100% | 0.5 | 1657% |
| Billboard Fee Collections | 28.7 | 0.8 | 7.7 | 946% | 7.3 | 5% |
| LGAs own source | 1,012.3 | 250.7 | 240.2 | 96% | 215.7 | 11% |

Source: Ministry of Finance and Planning