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Budget Execution Reports

2023-05

The Budget Execution Report for the Third Quarter of 2022/23 (July - March 2023)

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THE UNITED REPUBLIC OF TANZANIA



MINISTRY OF FINANCE AND PLANNING

**THE BUDGET EXECUTION REPORT FOR THE THIRD QUARTER OF 2022/23
(JULY 2022 TO MARCH 2023)**

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MAY 2023

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LIST OF ABBREVIATIONS

BoT	-	Bank of Tanzania
DSA	-	Debt Sustainability Analysis
ENCB	-	External Non-Concessional Borrowing
GDP	-	Gross Domestic Product
LGAs	-	Local Government Authorities
PAYE	-	Pay as You Earn
MDAs	-	Ministries Departments and Agencies
REA	-	Rural Electrification Agency
TANESCO	-	Tanzania Electricity Supply Company
TIN	-	Tax Identification Number
TRA	-	Tanzania Revenue Authority
QGDP	-	Quarterly Gross Domestic Product
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.

During the third quarter of 2022/23, total domestic revenue collection (including LGAs own source) amounted to 6,406.4 billion shillings, which was 2.6 percent higher than 6,243.6 billion shillings collected in the corresponding period in 2021/22. On cumulative basis, for the first three quarters of 2022/23, total amount collected was 19,823.9 billion shillings against the target of 20,907.4 billion shillings, equivalent to 94.6 percent, and an increase of 9.3 percent when compared with the amount collected in the same period in 2021/22.

The total expenditure for the third quarter was 9,488.1 billion shillings against the target of 10,613.4 billion shillings of which recurrent expenditure was 6,415.8 billion shillings against a target of 6,799.1 billion shillings, while development expenditure amounted to billion shillings 3,072.3 against a target of 3,814.3 billion shillings.

Grants received during the third quarter of 2022/23 were 107.3 billion shillings, equivalent to 39.2 percent of the estimated amount of 273.8 billion shillings. Out of the total grants, Project Grants were 86.0 billion shillings, equivalent to 44.8 percent of estimates and Basket Funds amounted to 21.3 billion shillings, which was 81.4 percent of estimates. Cumulatively, during the first three quarters of 2022/23, total grants received were 503.3 billion shillings, equivalent to 53.5 percent of the estimated amount of 940.1 billion shillings.

As at end March 2023, Central Government debt stock was 77,010.45 billion shillings compared to 69,497.40 billion shillings in the corresponding period in 2022, equivalent to an increase of 10.81 percent (Chart 3.1). The increase in the Central Government debt stock was due to Government borrowing to finance development projects.

The likely outturn to June 2023, the Government will strive to address challenges experienced in the first three quarters of 2022/23 by several interventions including strengthening tax administration and the use of electronic systems. The Government will also control revenue leakage and strengthening tax audits so as to meet revenue target set for 2022/23. 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.

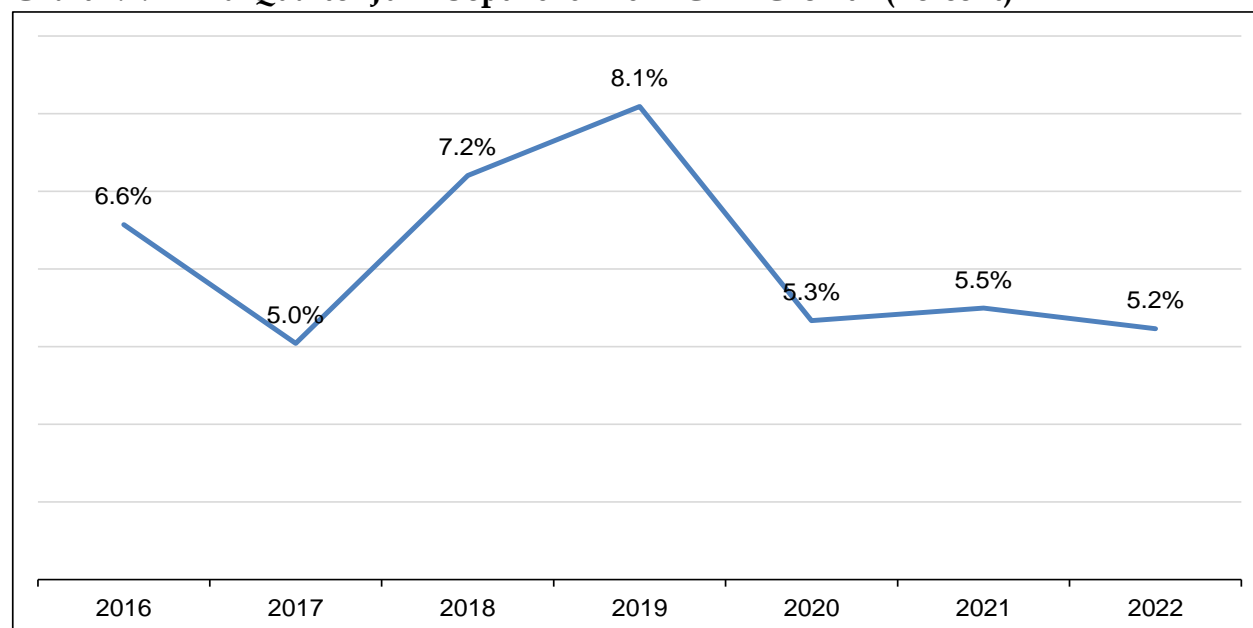
1.0 RECENT MACROECONOMIC PERFORMANCE

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.

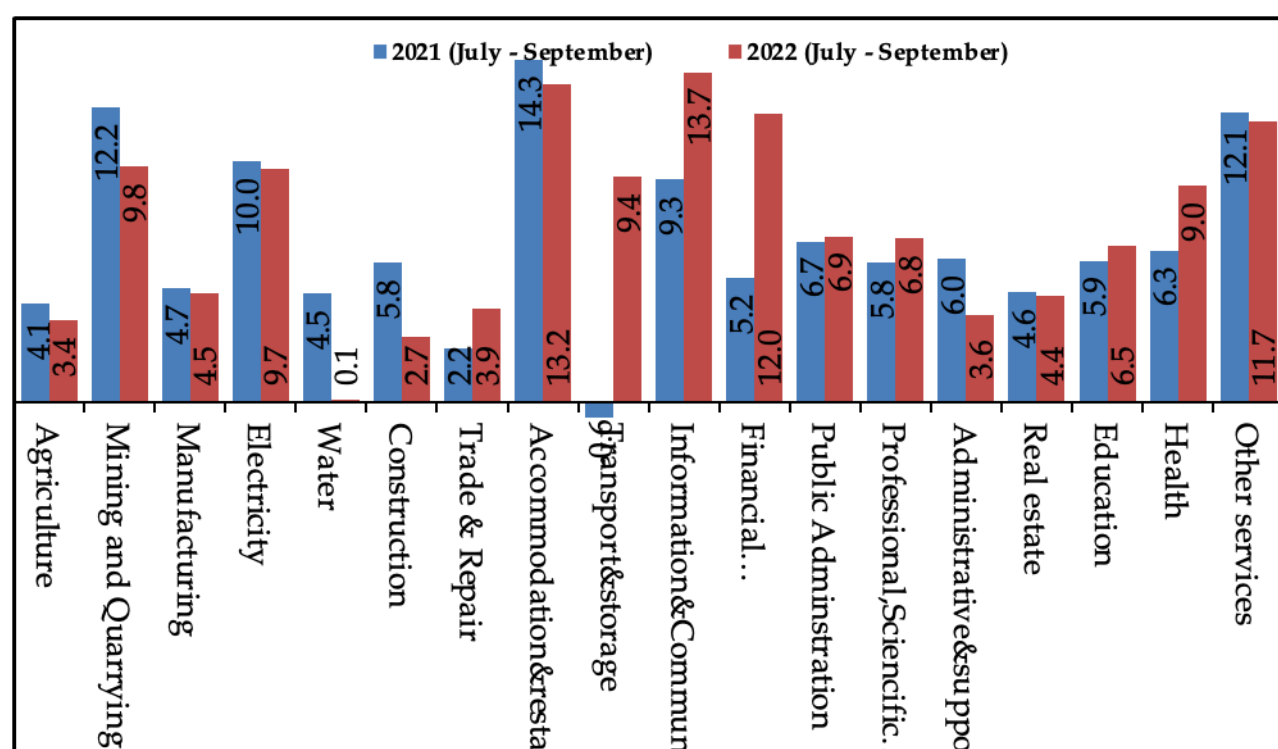
During the third quarter of 2022 (July to September) the economy grew by 5.2 percent compared to 5.5 percent recorded in the same period in 2021. The increase in growth was due to: strategies imposed by the Government to counteract effects of the war in Ukraine; strategic investment in energy, water, 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)

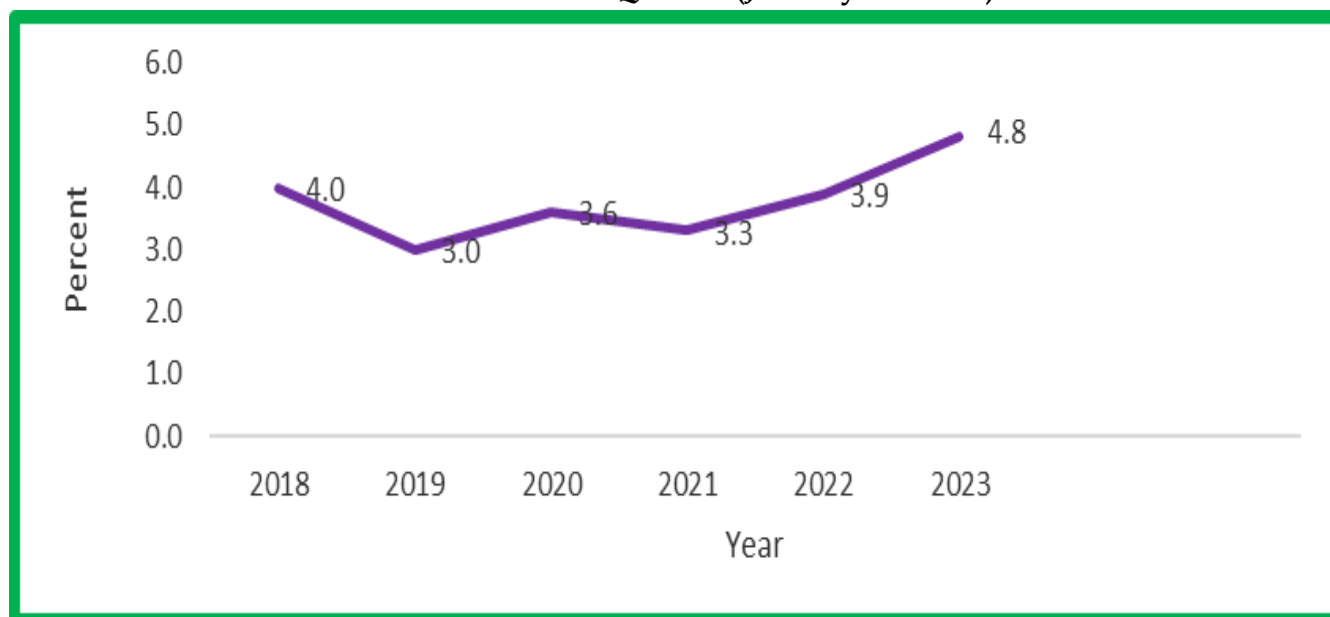


Source: National Bureau of Statistics

1.2 Inflation Development

During the first three quarters ending March 2023, the headline inflation remained low and below the country's medium-term target of 5.0 percent, increasing to an average of 4.8 percent from 3.9 percent recorded in the similar period in March 2022. During the third quarter of 2022/23, the average headline inflation was 4.8 percent compared to 3.7 percent recorded in the corresponding period in March 2022. The increase largely owing to global supply chain disruptions caused by the war in Ukraine.

Chart 1.3: Trend of Inflation in the Third Quarter (January – March) from 2018 to 2023



Source: National Bureau Statistics

1.3 External Trade

The external sector continued to be susceptible to the effects of the previous shocks namely war in Ukraine and COVID-19 pandemic. During the quarter ending March 2023, the current account recorded a deficit of USD 1,008.9 million, compared to a deficit of USD 995.2 million in the corresponding quarter in 2022. Widening of the deficit was driven by a rise in import bill. As a result, foreign exchange reserves decreased to USD 5,012.5 million at the end of the quarter, from USD 5,581.6 million in the similar period in 2022. Despite the decrease, the reserves remained adequate, covering 4.5 months of projected imports of goods and services, in line with the country and EAC benchmarks of 4 and 4.5 months, respectively.

1.2 Export of Goods and Services

During the quarter ending March 2023, the value of goods exported increased to USD 1,685.9 million from USD 1,502.1 recorded in the quarter ending March 2022. Much of the increase emanated from non-traditional exports, in particular minerals. Value of minerals exports rose by 20.1 percent to USD 853.3 million from the corresponding quarter in 2022, largely driven by gold and coal. Traditional exports also decreased to USD 156 million from USD 164 million.

1.3 Import of Goods and Services

The value of goods imported rose by 12.9 percent from USD 2,870.9 in March 2022 compared to USD 3,240 million during the quarter ending March 2023, mainly driven by refined white petroleum products, fertilizers, industrial transport equipment and machinery. White petroleum products worth USD 681.3 million were imported during the quarter, compared with USD 584.4 million in the corresponding quarter in 2022.

1.4 Money Supply and Credit to Private Sector

During the first three quarters of 2022/23, extended broad money supply (M3) growth averaged at 12.3 percent, broad money supply (M2) grew by 12.4 percent and narrow money supply (M1) grew by 8.0 percent compared with 13.5 percent, 16.0 percent and 19.3 percent in similar period in 2021/22 respectively. In particular, during the quarter ending March 2023, extended broad money supply (M3) registered an average growth of 13.4 percent compared to a growth of 14.6 percent in similar period in 2022. In addition, broad money supply (M2) and narrow money (M1) grew by 12.7 percent and 8.4 percent compared to 18.4 percent and 20.5 percent in a quarter ending March 2023 respectively. During the first three quarters of 2022/23, credit to the private sector grew by an average of 22.2 percent compared with 7.8 percent in the similar quarter in 2022. On the other hand, during the quarter ending March 2023, credit to the private sector grew by an average of 22.9 percent compared with 11.8 percent in the similar quarter in 2022. The outturn aligns with the improvement in business environment, recovery of economic activities from the adverse impact of global shocks coupled with supportive fiscal and monetary policies.

1.5 Interest Rates Development

During the first three quarters ending March 2023, overall time deposit rate averaged at 7.28 percent compared with an average of 6.81 percent recorded in the corresponding period in 2022. During the period under review, overall lending rate increased to an average of 16.07 percent in March 2023 from an average of 16.48 percent recorded in March 2022. During the quarter ending March 2023 overall time deposit rate averaged at 7.12 percent compared with an average of 6.94 percent recorded in the corresponding period in 2022. During the similar period, overall lending rate decreased to an average of 16.03 percent in March 2023 from an average of 16.28 percent recorded in corresponding period of March 2022. The 12 months deposit rate was at an average of 8.46 percent in the quarter ended March 2023 compared to 8.21 percent recorded in the similar period ending March 2022. The short-term lending rate averaged at 17.07 percent during the quarter ending March 2023 compared to compared with an average of 16.66 percent recorded in corresponding period of March 2022.

1.6 Exchange Rate

The value of the shilling remained stable against the US dollar, trading at an average of shilling 2,309.82 per USD in the quarter ending March 2023, compared to shilling 2,298.18 per USD traded in the corresponding period in 2022, representing an average depreciation of 0.5 percent, owing to moderate current account deficit, low and stable domestic inflation and sustained prudent monetary and fiscal policies.

2.0 GOVERNMENT OPERATIONS

2.1 Domestic Revenue

In the period ending March 2023, the Government continued to implement various strategies to ensure the revenue target set in the financial year 2022/23 is achieved. During the third quarter, total domestic revenue collection (including LGAs own source) amounted to 6,406.4 billion shillings, which was 2.6 percent higher than 6,243.6 billion shillings collected in the corresponding period in 2021/22. On cumulative basis, total amount collected from July 2022 to March 2023 was 19,823.9 billion shillings against the target of 20,907.4 billion shillings, equivalent to 94.6 percent and an increase of 9.3 percent when compared with the amount collected in the same period in 2021/22. Out of the amount, collection from Tanzania Revenue Authority (TRA) was 15,630.7 billion shillings against the target of 17,260.3 billion shillings, equivalent to 97.6 percent. Non-tax revenue collected by MDAs was 1,872.6 billion shillings, equivalent to 75.8 percent of the target of 2,470.6 billion shillings and collection from LGAs own source was 691.0 billion shillings against the target of 753.8 billion shillings, equivalent to 91.7 percent.

2.2 Revenue by Source

2.2.1 Taxes on Imports

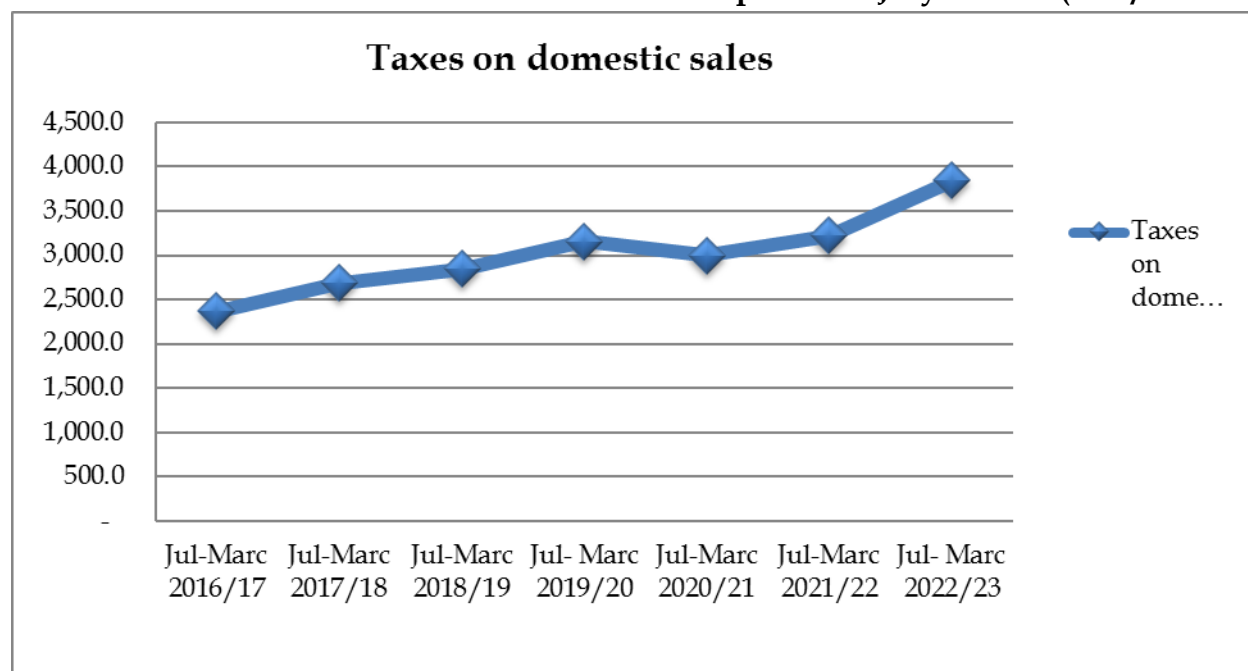
Import taxes and duties collection in the third quarter, amounted to 1.587.9 billion shillings, reflecting a performance of 96.7 percent of estimated 1,641.6 billion shillings, and 2.7 percent higher when compared to collections registered in the similar period in 2021/22. Cumulatively, import taxes and duties collection amounted to 5,003.8 billion shillings, reflecting a performance of 98.7 percent of estimated 5,071.1 billion shillings, and 6.4 percent higher when compared to collections registered in the similar period in 2021/22. The excise on petroleum imports recorded the performance of 728.0 billion shillings, which was 72.0 percent of the planned target of 1,010.4 billion shillings. Excise on other imports registered performance of 150.5 percent of the target by collecting 309.9 billion shillings. Import duty performed above the target by collecting 1,225.3 billion shillings, equivalent to 103.9 percent of the target and VAT on non-petroleum performed at 102.4 percent of the target by collecting 2,740.7 billion shillings. The performance of VAT on non-petroleum was attributed by the increase in the value of consumer goods.

2.2.2 Taxes on Domestic Sales

In the third quarter of 2022/23, actual tax collection from domestic sales increased by 8.2 percent to 1,257.4 billion shillings from 1,161.8 billion shillings collected in the corresponding period in 2021/22. This collection was equivalent to 91.0 percent of the target of 1,382.3 billion shillings. On cumulative basis, in the first three quarters of 2022/23 actual tax collection from domestic sales increased by 19.2 percent to 3,841.8 billion shillings from 3,222.5 billion shillings collected in the same period in 2021/22 and 96.1 percent of the target of 3,997.5 billion shillings. Out of the total domestic sales tax, the excise duty was 1,199.6

billion shillings, equivalent to 100.6 percent of the target of 1,192.0 billion shillings while VAT on domestic sales amounted to 2,642.2 billion shillings, which was 94.2 percent of the target and 22.9 percent higher when compared to similar period in 2021/22. Under performance of VAT on domestic sales was due to the performance was highly attributed by poor performance on the sales of consumable products which are the major contributor in VAT revenues, such as sugar, cement and beer. In the third quarter, domestic excise duty recorded 100.7 percent against the target due to good performance of spirits (116.5 percent), mobile phones (111.6%), Bottled water (101.4%) due to good performance of mobile phone services in terms of data and airtime and increase in the production wines (16.1 percent), spirits (30.3 percent), juice (24.1 percent) and bottled water (6.3 percent). **Chart 2.1** shows the trend of tax on domestic sales for the first three quarters of the financial years (2015/16 – 2022/23).

Chart 2.1: Trend of Tax on Domestic Sales for the period of July -March (2016/17 – 2022/23)



Source: Tanzania Revenue Authority

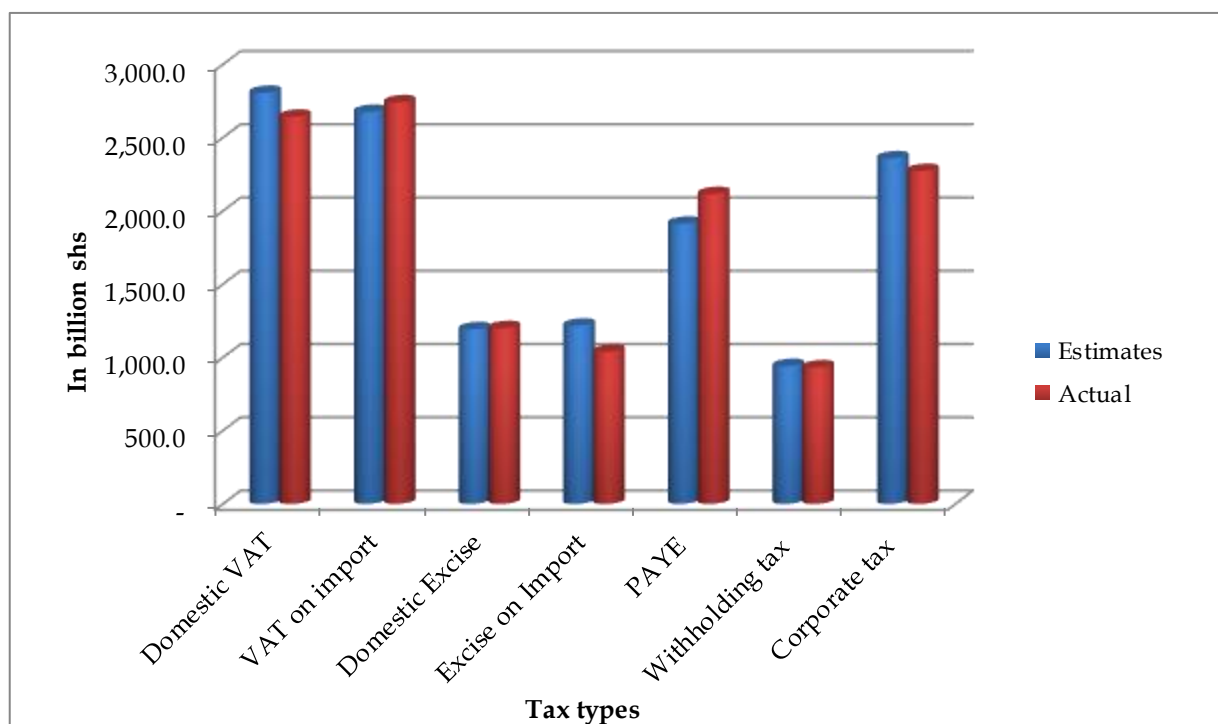
2.2.3 Income Tax

The overall income tax collection during the third quarter of 2022/23 amounted to 1,962.3 billion shillings which was 103.6 percent of the target of collecting 1,894.5 billion shillings, reflecting an increase of 6.6 percent compared to collections registered in the same period in 2021/22. Cumulatively, up to March 2023 income tax collection was 5,867.8 billion shillings, which was 101.0 percent of estimates of 5,812.4 billion shillings. In the third quarter of 2022/23, PAYE collection was 720.3 billion shillings, equivalent to 116.8 percent of the target. Cumulatively, during the first three quarters of 2022/23, PAYE collection was 2,114.7 billion shillings against the target of 1,912.1 billion shillings, signifying the performance of 110.6 percent and higher by 17.4 percent when compared to 1,800.5 billion shillings collected

in the corresponding period in 2021/22. The overperformance was due to increase in recruitments in the public sector and close follow up of employers to settle their tax obligations on time and ensuring that every employee has TIN which led to an increase in compliance and collection of employment taxes from the Government, parastatals and Private Sector.

During the third quarter of 2022/23, revenue collection from the corporate tax was 733.1 billion shillings, which was 94.5 percent of the target of 775.9 billion shillings, recorded a decrease of 5.9 compared to the similar period in 2021/22. Cumulatively, amount collected from corporate tax was 2,272.2 billion shillings equivalent to 96.4 percent of the target. The reasons for underperformance are as follows: The performance was attributed by poor business performance of some economic activities in the economy which explains the decline in tax collections. Such economic activities include mining and quarrying. Collections from withholding taxes for the third quarter were 321.1 billion shillings equivalent to 105.3 percent of the target. The main reason attributed to the good performance during the quarter was the increase in the number of transactions that attracts withholding taxes. Such transactions with their respective percentage increase include capital gain (223 percent); Royalties (110 percent); director's fee (40 percent); and Bank interest (81 percent). During the period ending March 2023, collection from withholding taxes was 931.9 billion shillings against the target of 940.9 billion shillings, equivalent to 99.1 percent. Revenue performance by major tax items is shown in **Chart 2.2**.

Chart 2.2: Revenue Performance by Major Tax Items (July 2022 – March 2023)

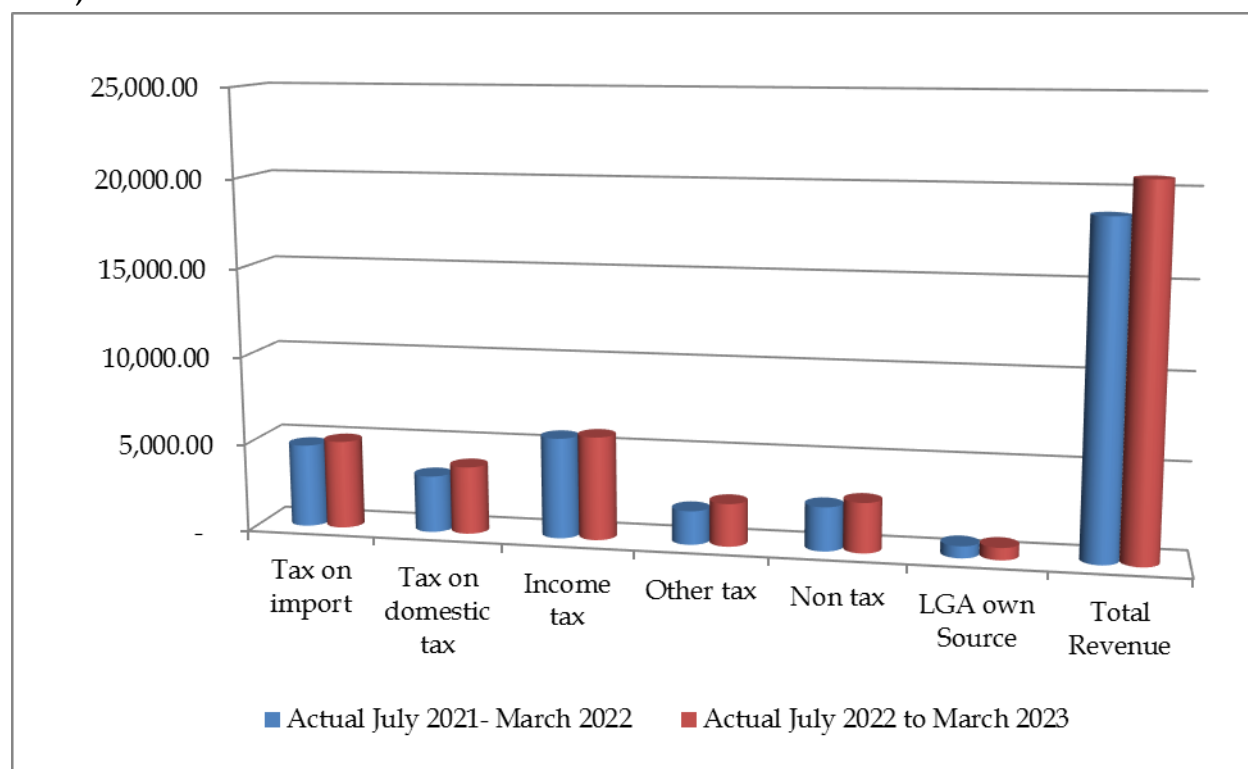


Source: Tanzania Revenue Authority

2.2.4 Other Taxes

During the period (January – March 2023), actual collections from this category amounted to 757.6 billion shillings, which was 101.7 percent of the period estimate of 744.8 billion shillings. On cumulative basis, amount collected from this source was 2,421.2 billion shillings, which was 104.9 percent of the target of 2,307.1 billion shillings, and an increase of 26.7 percent when compared to the amount collected in the same period in 2021/22. Out of the amount, Fuel Levy and Transit Fee amounted to 1,041.1 billion shillings, equivalent to 98.2 percent of estimates; collections meant for National Water Development Fund was 140.7 billion shillings, which was 95.9 percent of estimates; and collections for Rural Energy Agency (REA) amounted to 296.1 billion shillings, or 134.9 percent of estimates. On the other hand, collections from other sources recorded the performance as follows: collections for Railway Development Fund 339.0 billion shillings, equivalent to 121.9 percent of estimates; Business Skill Development Levy (SDL) recorded 285.7 billion shillings, equivalent to 122.2 percent of estimates, and Departure Service Charges performed at 133.7 percent of estimates of 39.9 billion shillings which is higher than the amount of 33.1 billion shillings recorded in 2021/22. The overperformance of SDL was contributed by close follow up of employers in terms of filing employment taxes and ensuring that every employee has a TIN number. Overperformance of Departure Service Charges was mainly due to an increase in the number of both international and domestic flights following the strengthening of international trade and diplomatic relations. For instance, during the quarter under review the number of inward aircrafts and inward passengers increased by 113.4 percent and 138.2 percent respectively while outward aircrafts and outward passengers increased by 114.6 percent and 136.0 percent respectively when compared with the same period in 2021/22. The trend of revenue performance is indicated in Chart 2.3.

Chart 2.3: Revenue Performance (July 2022 to March 2023) Compared to (July 2021 to March, 2022)



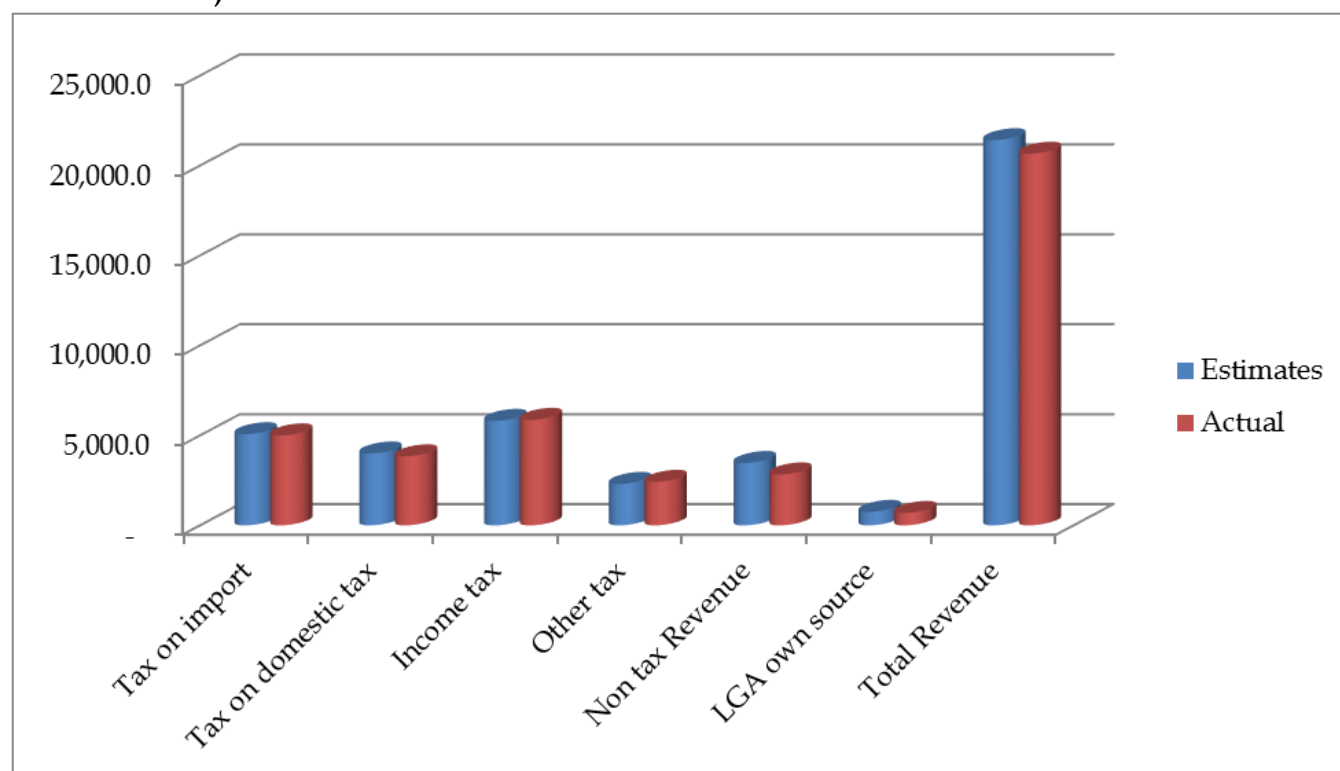
Source: Tanzania Revenue Authority

2.2.5 Non-Tax Revenue

Collections of non-tax revenue in the third quarter of 2022/23 were 872.5 billion shillings, equivalent to 68.6 percent of quarter estimates of 1,272.0 billion shillings. The collections were lower by 7.8 percent when compared to collections registered in the same period in 2021/22. For the period of July 2022 to March 2023, collections of non-tax revenue were 2,835.2 billion shillings equivalent to 81.7 percent of period estimates of 3,470.0 billion shillings. Out of the amount, non-tax revenues collected by ministries were 1,247.0 billion shillings, against the target of 1,825.0 billion shillings, equivalent to 68.3 percent, dividends and contribution from Government Institutions were 625.5 billion shillings, which was 96.9 percent of the target, non-tax revenues collected by TRA (money transactions levy, billboard fee, property tax, tourism sector and others) were 962.6 billion shillings, which was 96.3 percent of the period estimates of 999.5 billion shillings. The performance of non-tax revenue was largely attributed to behavioral change among the users of mobile money transfers and withdraws from mobile money service to banking services has also added to the decline in mobile money transfers levy, some of Institutions or Parastatals fail to pay 15 percent contribution or dividend to the Consolidated Fund timely; and existence of some houses with meters which are still under reconciliation exercise with TRA, NAPA and TANESCO database so as to make them compatible with the TANESCO billing system for paying property tax.

Collections from LGAs own source in the third quarter of 2022/23, was 215.5 billion shillings, equivalent to 87.2 percent of estimates. For the first three quarters of 2022/23, LGAs own source recorded 691.0 billion shillings, which was 91.7 percent of the target, and higher by 2.2 percent when compared to same period in 2021/22. Domestic revenue performance up to March 2023 compared to estimates is depicted in **Chart 2.4**.

Chart 2.4: Domestic Revenue Performance (July 2022 to March 2023) Compared to (July 2021 to March 2022)



Source: Tanzania Revenue Authority

2.3 Expenditure

During the third quarter the government spending was broadly in line with projections. Total expenditures amounted to 9,488.1 billion shillings equivalent to 89.4 percent of the period target of 10,613.4. Recurrent expenditure totaled 6,415.8 billion shillings, against the target of 6,799.1 billion shillings, while development expenditure was 3,072.3 billion shillings, falling short of the target of 3,814.3 billion shillings.

2.3.1 Recurrent Expenditure

Total recurrent expenditure amounted to 6,415.8 billion shillings equivalent to 94.4 percent of the quarter target.

2.3.1.1 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

2,250.4 billion shillings, equivalent to 90.0 percent of the target of 2,501.5 billion shillings. The budget execution under this category was subject to Government's wage bill for the period under review.

2.3.1.2 Debt Service

Total debt service expenditure for the third quarter amounted to 2,485.4 billion shillings, equivalent to 104.2 percent of the target. The amount released includes 1,723.1 billion shillings for principal repayment and 762.3 billion shillings for interest payment.

2.3.1.3 Goods, Services and Transfers

The spending under goods, services and transfers amounted to 1,680.0 billion shillings against the target of 1911.4 billion shillings.

2.3.2 Development Expenditure

During the third quarter, the Government spending under development expenditure category amounted to 3,072.3 billion shillings against the estimated amount of 3,814.3 billion shillings. The released amount comprised of 2,982.2 billion shillings of domestic expenditure and 90.1 billion shillings of foreign expenditure. 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 third 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	6,799.1	6,415.8	94.4%
o/w Wages and Salaries	2,501.5	2,250.4	90.0%
Debt Amortization	1,627.9	1,723.1	105.9%
Interest Repayments	758.3	762.3	100.5%
Goods, Services and Transfers	1,911.4	1,680.0	87.9%
Development Expenditure	3,814.3	3,072.3	80.5%
Development Local	3,225.3	2,982.2	92.5%
Development Foreign	589.0	90.1	15.3%
Grand Total	10,613.4	9,488.1	89.4%

Source: Ministry of Finance and Planning

2.3.3 Cumulative Expenditure Performance (July to March)

The cumulative expenditure performance amounted to 27,789.3 billion shillings against a target of 31,150.7 billion shillings, equivalent to 89.2 percent. Recurrent expenditure was an aggregate of 18,501.2 billion shillings reflecting a performance of 94.1 percent of a target of 19,656.8 billion shillings. Development expenditure, totaled to 9,288.1 billion shillings,

equivalent to 80.8 percent of the estimates of 11,493.9 billion shillings was released for financing projects and programs. The expenditure comprised of 8,545.2 billion shillings from domestic sources and 742.9 billion shillings from foreign sources. On the other hand, during the reporting period, a total of 665.0 billion shillings was disbursed direct to projects by Development partners thus reflecting a performance equivalent to 86.6 percent for development expenditure. The cumulative performance of budget execution in major categories for July to March 2023 is as shown in Table 2.2.

Table 2.2: Cumulative Expenditure Performance by Major Categories and Economic Classification

Category	Quarter Target	Actual Expenditure	Performance
Recurrent Expenditure	19,656.76	18,501.23	94.1%
o/w Wages and Salaries	7,373.06	6,729.60	91.3%
Debt Amortization	4,445.46	4,023.72	90.5%
Interest Repayments	2,146.14	2,177.83	101.5%
Goods, Services and Transfers	5,692.10	5,570.08	97.9%
Development Expenditure	11,493.92	9,288.07	80.8%
Development Local	9,410.01	8,545.17	90.8%
Development Foreign	2,083.90	742.90	35.6%
Grand Total	31,150.67	27,789.30	89.2%

Source: Ministry of Finance and Planning

2.3.4 Government Expenditure on Arrears

During the period (July to March, 2023) 2022/23 total of 779.4 billion shillings was released for payment of verified arrears. The breakdown of the released amount is as follows 74.1 billion shillings for Supplies (Goods & Services), 695.9 billion shillings for construction works, 7.7 billion shillings for Staff and 1.7 billion shillings for Utilities. The released amount as per major categories of economic classification for the third quarter is as shown in Table 2.3.

Table 2.3: Arrears Paid July - March, 2023

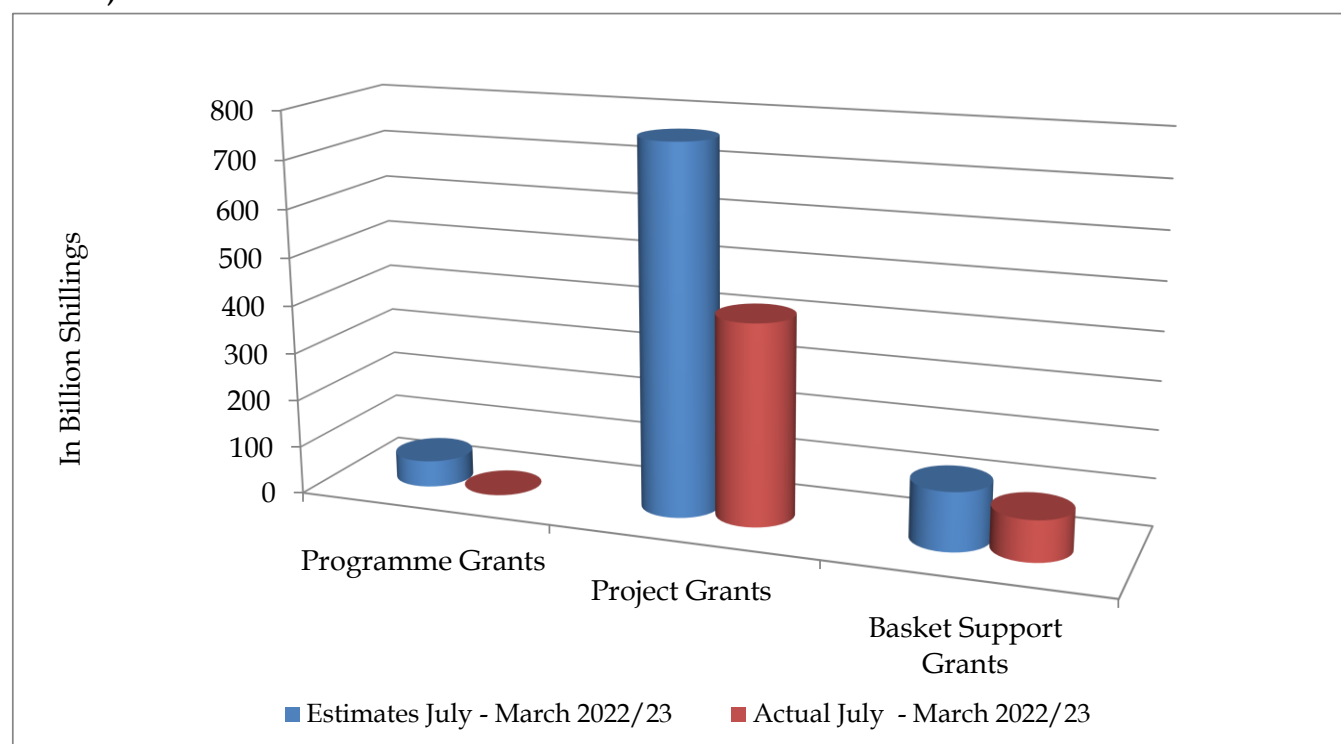
S/No.	ARRERAS CATEGORY	AMOUNT PAID
1	Supplies (Goods & Services)	74.15
2	Construction Works	695.94
3	Staff	7.68
4	Utilities	1.66
	TOTAL	779.42

Source: Ministry of Finance and Planning

2.4 Grants

Grants received during the third quarter of 2022/23 were 107.3 billion shillings, equivalent to 39.2 percent of the estimated amount of 273.8 billion shillings. Out of the total grants, Project Grants were 86.0 billion shillings, equivalent to 44.8 percent of estimates and Basket Funds amounted to 21.3 billion shillings, which was 81.4 percent of estimates. Cumulatively, during the first three quarters of 2022/23, total grants received were 503.3 billion shillings, equivalent to 53.5 percent of the estimated amount of 940.1 billion shillings. Out of the amount, project grants were 417.8 billion shillings equivalent to 54.8 percent of the estimates and basket fund were 85.4 billion shillings equivalent to 70.0 percent of the estimates as shown in **Chart 2.5**.

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



Source: Ministry of Finance and Planning

2.5 Financing

Total financing during the third quarter was 1,387.9 billion shillings against the borrowing target of 1,898.6 billion shillings equivalent to 73.1 percent of the target. Total foreign net financing amounted to 443.2 billion shillings against the target of 1,004.3 billion shillings. Total domestic net financing through borrowing was 944.7 billion shillings against the borrowing target of 894.2 billion shillings. Total financing during the first three quarters of 2022/23 was 4,786.2 billion shillings against the target of 5,078.8 billion shillings equivalent to 94.2 percent. Out of the total financing, total foreign net financing was a financing of 2,289.5 billion shillings against the target of 2,735.0 billion shillings equivalent to 83.7 percent. Total domestic net financing was 2,496.7 billion shillings against the borrowing target of 2,343.8 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 third quarter, the Government managed to borrow 1,228.9 billion shillings for redemption (rollover) of maturing obligations against the target of 939.4 billion shillings equivalent to 130.8 percent of the target. In addition, 944.7 billion shillings were borrowed for financing development projects against borrowing target of 894.2 billion shillings. During the first three quarters of 2022/23, a total of 2,900.5 billion shillings were borrowed from domestic market for redemption (rollover) of maturing obligations against the target of 2,592.0 billion shillings equivalent to 111.9 percent of the target. Further, 2,496.7 billion shillings was borrowed for financing Government budget against the target of 2,343.8 billion shillings equivalent to 106.5 percent of the target.

2.5.2 Foreign Financing

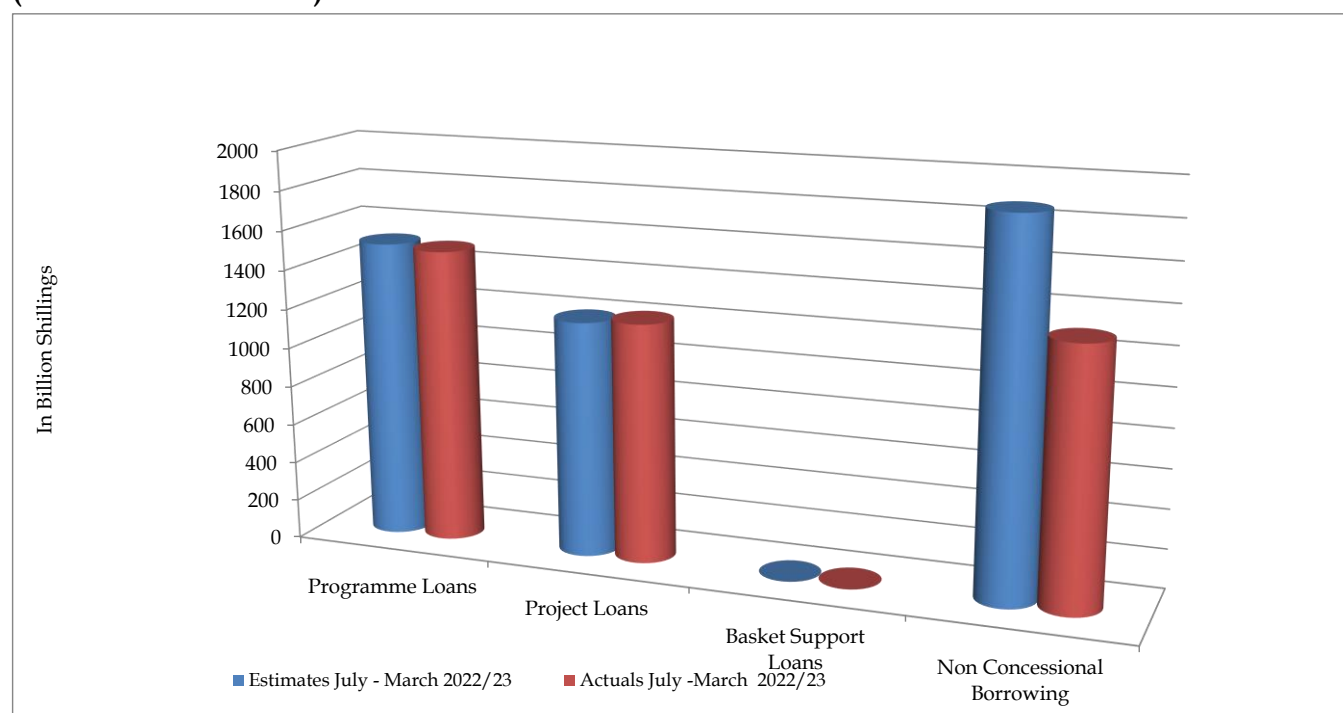
Net foreign financing for the third quarter was 443.2 billion shillings against the borrowing target of 1,004.3 billion shillings equivalent to 44.1 percent of the target. During the quarter under review, disbursement of concessional loan were 203.9 billion shillings against the target of 370.8 billion shillings and non-concessional loan were 750.1 billion shillings against the borrowing target of 1,322.1 billion shillings. In addition, amortization of foreign loans was - 510.8 billion shillings against the estimates of 688.5 billion shillings. Net foreign financing for the first three quarters was borrowing of 2,289.5 billion shillings against a borrowing target of 2,735.0 billion shillings which is 83.7 percent of the target. Disbursements of concessional loans were 3,217.7 billion shillings against the target of 3,656.2 billion shillings equivalent to 88.0 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 1,302.4 billion shillings against the target of 1,872.3 billion shillings. In addition, amortization of foreign loans was 1,727.3 billion shillings against estimates of 1,853.4 billion shillings which was 93.2 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 three quarters of 2022/23 is presented in **Chart 2.6**.

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

Summary of Disbursement July - March 2022/23 (All figures in millions shillings)					
AID MODALITY	Type of assistance	Annual commitment as per budget	Estimates July - March 2022/23	Actual Disbursement July March 2022/23	% of Commitment
GBS	Grants	55,530	55,530	-	0.0%
GBS	Concessional Loan	1,893,949	1,516,753	1,498,512	98.8%
Sub Total		1,949,480	1,572,283	1,498,512	95.3%
Basket Funds	Grants	122,123	122,123	85,449	70.0%
Basket Funds	Concessional Loan	-	-	-	0.0%
Sub Total		122,123	122,123	85,449	70.0%
Development Projects	Grants	923,836	762,477	417,836	54.8%
Development Projects	Concessional Loan	1,653,122	1,199,305	1,215,869	101.4%
Sub Total		2,576,958	1,961,782	1,633,705	83.3%
Grand Total		4,648,561	3,656,188	3,217,665	88.0%

Source: Ministry of Finance and Planning

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

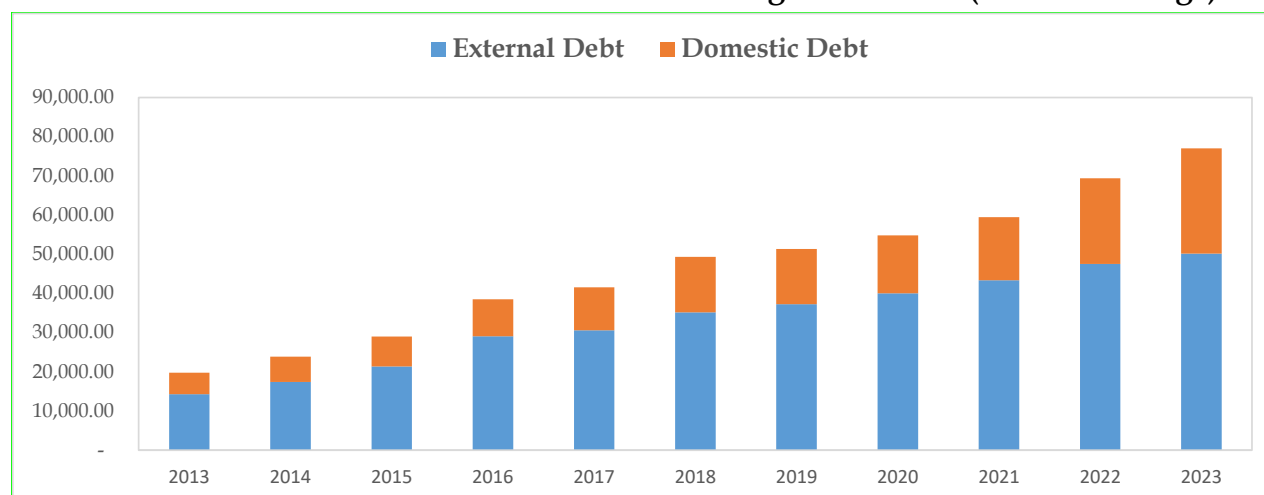


3.0 GOVERNMENT DEBT DEVELOPMENT

3.1 Overall Debt Stock

As at end March 2023, Central Government debt stock was 77,010.45 billion shillings compared to 69,497.40 billion shillings in the corresponding period in 2022, equivalent to an increase of 10.81 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 26,851.73 billion shillings (equivalent to 34.87 percent) and external debt amounted 50,158.72 billion shillings (equivalent to 65.13 percent).

Chart 3.1: Trend of Central Government Debt ending March 2023 (Billion shillings)



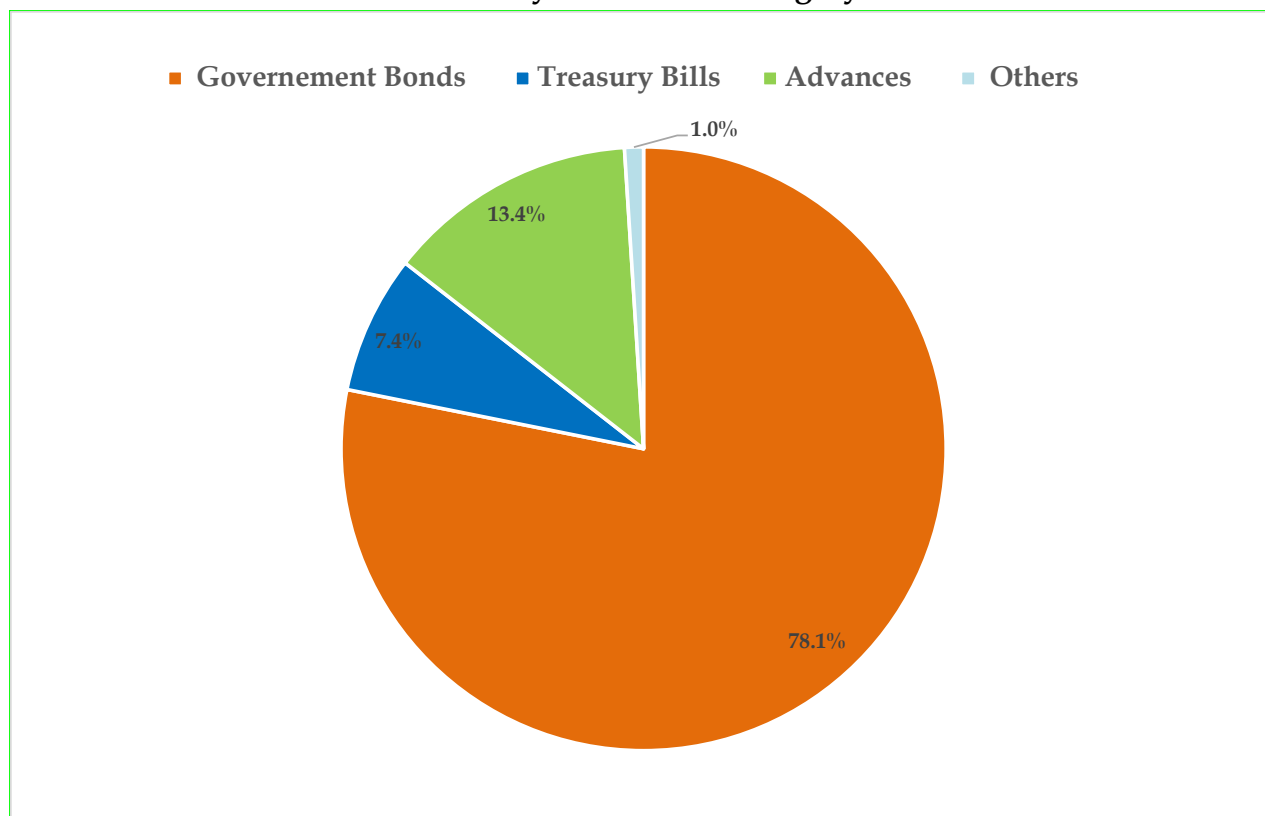
Source: Ministry of Finance and Planning

3.2 Central Government Domestic Stock

At end of March 2022, the domestic debt stock was 26,851.73 billion shillings compared with 21,777.99 billion shillings in the corresponding period in 2022, equivalent to an increase of 23.3 percent. The increase in domestic debt was due to the issuance of securities for financing development projects and the rollover of the matured securities. The composition of domestic debt by instruments shows that Government bonds accounted for 78.1 percent of total domestic debt stock, followed by Government advances to BoT 13.4 percent, treasury bills 7.4 percent, and other debt¹ instruments account for the remaining 1.0 percent. The composition of domestic debt by instrument category is depicted in **Chart 3.2**.

¹ Other debt instruments include Government stock, tax reserve certificate, NMB loan facility and duty drawbacks.

Chart 3.2: Share of Domestic Debt by Instrument Category

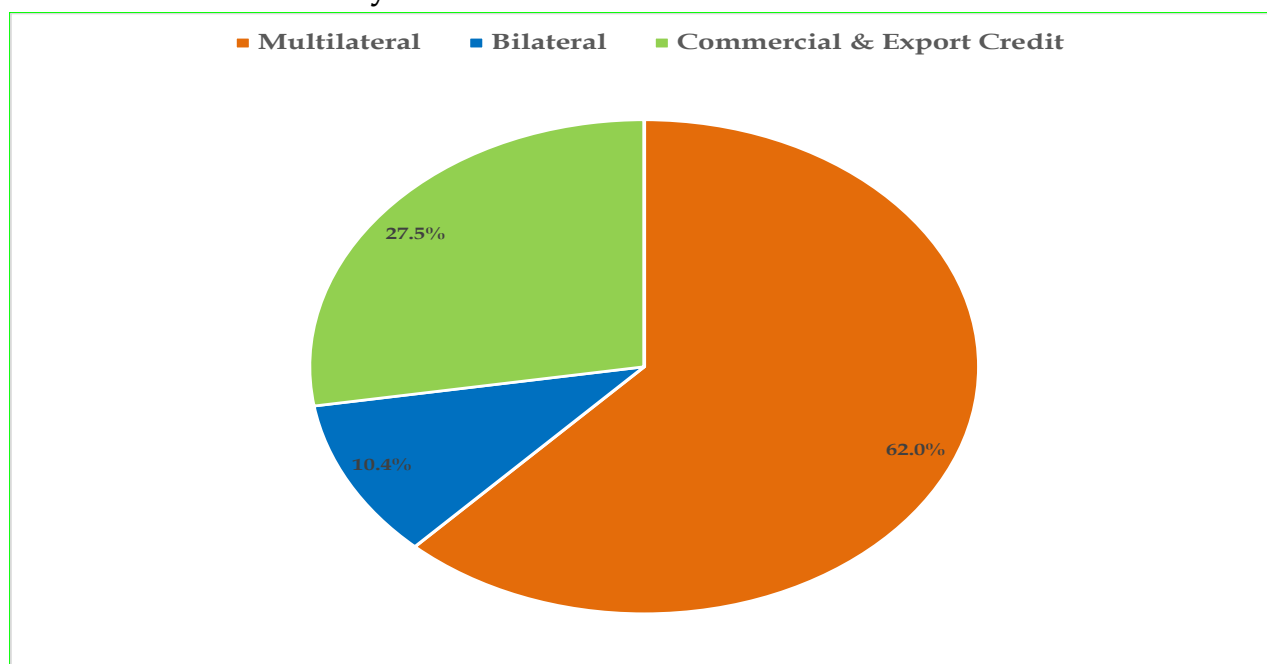


Source: Ministry of Finance and Planning

3.3 Central Government External Debt

The stock of external Central Government debt as of end of March 2023, stood at TZS 50,158.72 billion (USD 21,700.20 million) from TZS 47,719.41 billion (USD 20,658.20 million) end March 2022 which is an increase of 5.11 percent. The increase was attributed to disbursements and technical interest arrears in the period under reference. The external debt portfolio consisted of loans mainly contracted on concessional terms, multilateral creditors accounting for 62.0 percent of the total external debt portfolio, Commercial banks and Export Credit Agency (ECA) 27.5 percent, and Bilateral 10.4 percent. The multilateral institutions remained dominant, accounting for more than half of the total external debt stock **Chart 3.3**.

Chart 3.3: Concessionality 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 2022/23, 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.

On domestic revenue, the Government is striving to address challenges experienced in the first three quarters of 2022/23 by several interventions including strengthening tax administration, strengthening the use of electronic systems, in order derive effectiveness in revenue. The Government will also control revenue leakage and strengthening tax audits so as to meet revenue target set for 2022/23. Various progress has been made 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.

Revenue Performance July 2022 - March 2023											
	Budget Estimates	January - March 2023			Jan-March 2021/22 Actual	Year on year % change	July 2022 - March 2023			Billion Shillings	
		Estimates	Actual	Percent of estimate			Estimates	Actual	Percent of estimate	July-March 2021/22 Actual	Year on year % change
Revenue (Including LGAs own sources)	28,017.9	6,994.1	6,422.8	92%	6,243.6	3%	20,867.2	19,840.3	95%	18,129.2	9%
Revenue (Excluding LGAs own sources)	27,005.6	6,746.9	6,190.9	92%	6,027.9	3%	20,113.4	19,132.8	95%	17,453.3	10%
Tax Revenue	22,400.4	5,514.8	5,318.5	96%	5,081.1	5%	16,683.6	16,297.7	98%	14,964.5	9%
Taxes on Imports	6,789.5	1,641.6	1,587.9	97%	1,545.6	3%	5,071.1	5,003.8	99%	4,702.3	6%
Import Duty	1,579.3	381.9	369.5	97%	368.5	0%	1,179.6	1,225.3	104%	1,094.5	12%
Petroleum	1,352.9	327.1	275.1	84%	298.6	-8%	1,010.4	728.0	72%	928.1	-22%
Excise	1,352.9	327.1	275.1	84%	298.6	-8%	1,010.4	728.0	72%	928.1	-22%
Others	3,857.3	932.7	943.4	101%	878.5	7%	2,881.0	3,050.6	106%	2,679.7	14%
Excise	275.7	66.7	74.6	112%	60.3	24%	205.9	309.9	151%	185.3	67%
VAT on Non-Petroleum imports	3,581.7	866.0	868.8	100%	818.3	6%	2,675.1	2,740.7	102%	2,494.4	10%
Taxes on Domestic Sales	5,317.4	1,382.3	1,257.4	91%	1,161.7	8%	3,997.5	3,841.8	96%	3,222.5	19%
Excise	1,574.8	385.8	388.5	101%	359.9	8%	1,192.0	1,199.6	101%	1,073.1	12%
Value Added Tax (VAT)	3,742.6	996.5	868.9	87%	801.9	8%	2,805.5	2,642.2	94%	2,149.5	23%
Income Tax	7,871.5	1,894.5	1,962.3	104%	1,852.2	6%	5,812.4	5,867.8	101%	5,738.9	2%
PAYE	2,553.2	616.7	720.3	117%	632.6	14%	1,912.1	2,114.7	111%	1,800.5	17%
Corporate and Parastatals	3,209.2	775.9	733.1	94%	778.7	-6%	2,358.1	2,272.2	96%	2,565.1	-11%
Individuals	255.4	60.1	69.4	116%	64.1	8%	183.5	192.6	105%	182.8	5%
Withholding Taxes	1,273.9	305.1	321.1	105%	279.7	15%	940.9	931.9	99%	910.2	2%
Rental Tax	133.8	31.7	36.5	115%	32.1	14%	97.1	104.4	108%	91.7	14%
Other Income	446.0	105.0	81.9	78%	64.9	26%	320.8	252.0	79%	188.6	34%
Other Taxes	3,079.9	744.8	757.6	102%	696.1	9%	2,307.1	2,421.2	105%	2,099.9	15%
Business Skill Development Levy	317.2	75.4	88.8	118%	74.6	19%	233.8	285.7	122%	216.2	32%
Fuel Levy and transit fee	1,419.1	343.1	331.2	97%	366.4	-10%	1,059.9	1,041.1	98%	1,013.0	3%
Stamp Duty	23.8	5.8	5.3	91%	9.7	-46%	18.5	25.1	136%	16.6	51%
Departure Service Charges	50.5	13.4	17.7	132%	12.4	43%	39.9	53.4	134%	33.1	61%
Processing Fee-dry cargo-TRA	91.1	22.0	27.1	123%	20.9	29%	68.0	83.9	123%	59.8	40%
Export Duty	91.2	22.1	14.1	64%	24.7	-43%	68.1	67.5	99%	79.2	-15%
Railway Development Fund	372.4	90.0	106.4	118%	93.6	14%	278.1	339.0	122%	243.0	39%
National Water Development Fund	196.4	47.5	45.6	96%	50.5	-10%	146.7	140.7	96%	139.5	1%
Motor vehicle taxes	171.7	41.7	22.2	53%	36.8	-40%	135.1	76.9	57%	111.2	-31%
Treasury Voucher Cheque	52.6	12.7	3.8	30%	0.0	34971%	39.3	11.8	30%	0.0	28110%
Transer to REA	293.8	71.0	95.4	134%	6.5	1378%	219.4	296.1	135%	188.2	57%
Refunds	-657.8	-148.5	-246.7	166%	-174.5	41%	-504.5	-837.0	166%	-799.1	5%
Refunds - VAT	-606.8	-135.6	-208.8	154%	-159.6	31%	-466.7	-708.8	152%	-761.2	-7%
Refunds - other	-51.0	-12.8	-37.9	295%	-15.0	153%	-37.8	-128.2	339%	-37.9	238%
Non Tax Revenue	4,605.2	1,232.2	872.4	71%	946.7	-8%	3,429.8	2,835.2	83%	2,488.8	14%
Parastatal Dividends	933.0	287.9	200.8	70%	333.2	-40%	605.5	625.5	103%	555.8	13%
Ministries and Regions	2,419.8	676.7	406.9	60%	380.6	7%	1,824.8	1,247.0	68%	1,266.8	-2%
TRA Non Tax	178.8	43.2	47.9	111%	40.7	18%	133.5	161.5	121%	99.2	63%
Tourism Sector	501.6	113.1	131.8	117%	80.0		407.5	520.8	128%	266.5	
Transaction levy on Mobile money s	500.0	93.0	70.5	76%	99.3		405.1	233.5	58%	260.9	
Property tax	43.2	10.5	10.3	98%	9.5	8%	32.6	29.4	90%	22.5	31%
Billboard Fee Collections	28.7	7.8	4.2	54%	3.4	24%	20.8	17.4	84%	17.1	2%
LGAs own source	1,012.3	247.1	231.8	94%	215.7	7%	753.8	707.4	94%	675.9	5%

Source: Ministry of Finance and Planning