

THE UNITED REPUBLIC OF TANZANIA



MINISTRY OF FINANCE AND PLANNING

**THE BUDGET EXECUTION REPORT FOR THE SECOND QUARTER OF 2021/22
(OCTOBER - DECEMBER 2021)**

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MARCH 2022

LIST OF ABBREVIATIONS

COVID	-	Corona Virus Disease
DCF	-	Development Cooperation Framework
DSA	-	Debt Sustainability Analysis
EAC	-	East African Community
GBS	-	General Budget Support
GDP	-	Gross Domestic Product
ICT	-	Information and Communication Technology
IMF	-	International Monetary Fund
LGAs	-	Local Government Authorities
PAYE	-	Pay as You Earn
REA	-	Rural Energy Agency
SADC	-	Southern African Development Community
SDL	-	Skills Development Levy
TANESCO	-	Tanzania Electric Supply Company
TASAF	-	Tanzania Social Action Fund
TCRP	-	Tanzania COVID-19 Socio-economic Response and Recovery plan
TRA	-	Tanzania Revenue Authority
USD	-	United States Dollar
VAT	-	Value Added Tax

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Executive Summary

Budget execution report for the second quarter of 2021/22 provides insights on the implementation of Government budget by highlighting the macro-economic performance as well as performance of revenue, expenditure and financing during that period. In addition, it covers the cumulative performance for the period of July to December 2021.

During the third quarter (July - September) of 2021, real GDP grew by 5.2 percent compared with 4.5 percent recorded in the corresponding quarter in 2020. Accommodation and food services had a leading growth of 14.3 percent followed by mining and quarrying activities (12.2 percent). During the period under review, inflation rate was 4.1 percent, which is within the medium-term target of less than 5.0 percent, EAC convergence criteria of not more than 8.0 percent and SADC benchmarks of between 3.0 and 7.0 percent

Total domestic revenue collection (including LGAs own source) amounted to 6,376.2 billion shillings, which was 16 percent higher than 5,508.2 billion shillings collected in the corresponding period in 2020/21.

Government released a total of 8,494.9 billion shillings to spending units, equivalent to 90.9 percent of the estimates of 9,344.2 billion shillings. Out of the total amount, recurrent expenditure was 5,626.1 billion shillings and development expenditure amounted to 2,868.8 billion shillings.

During the period under review, grants received were 325.5 billion shillings, equivalent to 109.8 percent of the estimated amount of 296.5 billion shillings. Out of the total grants, Project Grants were 265.0 billion shillings, equivalent to 110.8 percent of the estimates of 239.1 billion shillings, Basket Funds were 8.2 billion shillings against the target of 57.4 billion shillings and General Budget Support grants were 52.2 billion shillings.

Total financing for the reviewed period was 1,809.6 billion shillings against the target of 1,570.4 billion shillings which is 115.0 percent. Out of the total financing, total foreign net financing was a buildup of 341.7 billion shillings against a borrowing target of 355.6 billion shillings and total domestic net financing was 2,151.2 billion shillings against the target of borrowing 1,214.8 billion shillings equivalent to 177. percent.

As at end December 2021, debt stock stood at 68,520.8 billion shillings compared to

58,684.4 billion shillings as at end December 2020, reflecting an increase of 16.8 percent. The increase in the Central Government debt stock was a result of the issuance of the non-cash special bond in favor of the Public Service Social Security Fund (PSSF) on payment of arrears as well as new borrowing from domestic market through issuance of Government Securities and disbursements from external creditors.

1.0 RECENT MACROECONOMIC PERFORMANCE

1.1 Real GDP Growth

During the third quarter (July - September) of 2021, Gross Domestic Product (GDP) at current prices increased to 37.1 trillion shillings from 34.5 trillion shillings in the corresponding quarter in 2020. Likewise, the real GDP at 2015 constant prices increased to 32.0 trillion shillings from 30.3 trillion shillings recorded in the similar quarter in 2020, equivalent to an average growth of 5.2 percent compared with 4.5 percent registered in the corresponding quarter in 2020 (**Chart 1.1**). This growth was largely attributed to growth in accommodation and food services activities which recorded the highest growth of 14.3 percent, up from a negative growth of 25.1 percent recorded during the corresponding period in 2020, following the recovering of service sector particularly tourism. Other activities that recorded higher growth were mining and quarrying (12.2 percent), Electricity Supply (10.0 percent) and Information and Communication (9.3 percent) (**Chart 1.2**). Despite the slower growth of construction activities, it had the highest share to GDP of 18.1 percent, followed by agriculture (15.1 percent), mining and quarrying (11.4 percent) and manufacturing (8.6 percent).

Chart 1.1: Trend of GDP Growth for the Third Quarter (July - September, 2015-2021)

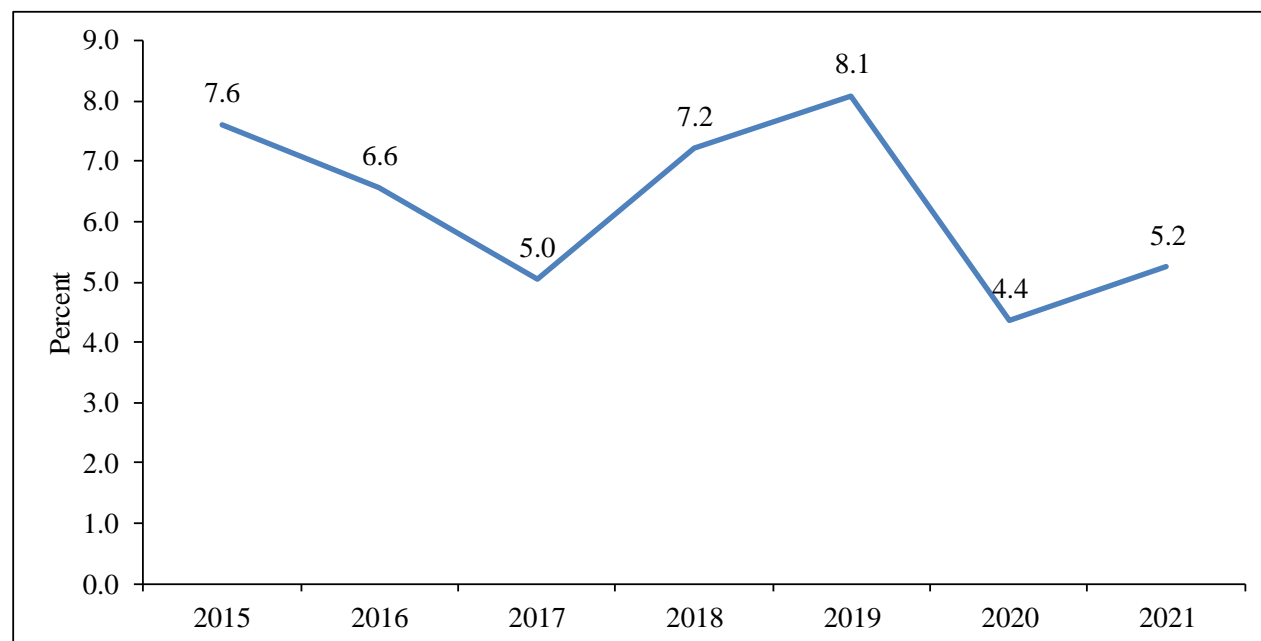
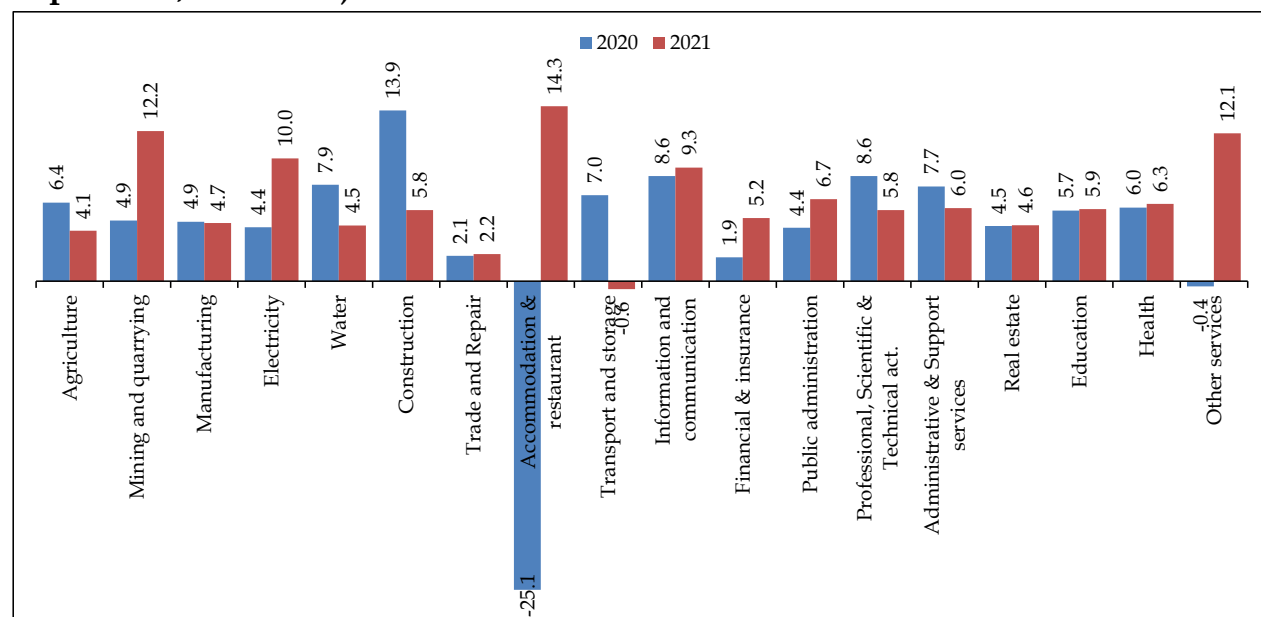


Chart 1.2: GDP Growth by Economic Activity in the Third Quarter (July - September, 2020-2021)

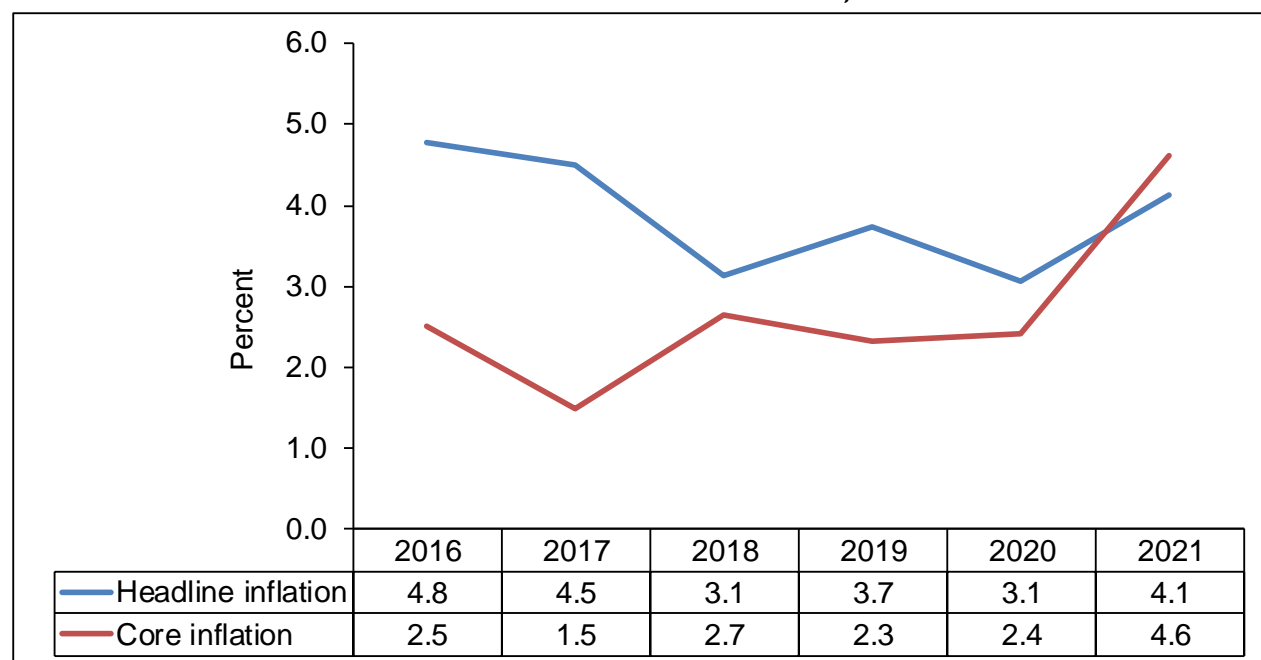


1.2 Inflation Development

Headline inflation averaged at 4.1 percent in the second quarter of 2021/22 compared to 3.1 percent in similar period in 2020/21. Core inflation increased to an average of 4.6 percent during the second quarter of 2021/22 from 2.4 percent in the corresponding period in 2020/21.¹ The increase in inflation was attributed to increase in energy and fuel prices, disruption of production and distribution chain of goods and services in the world market resulting from COVID-19; and inadequate supply of food crops in some local markets due to climate change. 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. **Chart 1.3** presents the trend of inflation in the Second quarter (October - December) from 2016 to 2021.

¹ Core inflation is an inflation measure that excludes items with volatile prices that is unprocessed food; energy and utilities with exception to maize flour.

Chart 1.3: The Trend of Inflation in October to December, 2016 – 2021



1.3 External Trade

During the reporting period, the current account registered a deficit of USD 755.6 million from a surplus of USD 14.2 million recorded in the corresponding period in 2020/21. The current account deficit was attributed to an increase in importation of goods.

1.4 Export of Goods and Services

The value of exports of goods and services increased to USD 2,901.4 million from USD 2,445.0 million recorded in the corresponding quarter in 2020/21, equivalent to an increase of 18.7 percent. The increase was largely attributed to increase in service receipts by 65.9 percent to USD 1,005.9 million from USD 606.5 million recorded in similar period in 2020/21. Travel services had a quarterly increase of 106.8 percent signifying improvement in the tourism sector. During the period under review, exports of goods increased by 3.1 percent to USD 1,895.5 million from USD 1,838.5 million in the corresponding period in 2020/21.

1.5 Import of Goods and Services

During the period under review, the value of imports of goods and services amounted to USD 3,591.6 million compared to USD 2,328.9 million recorded in the corresponding period in 2020/21, equivalent to an increase of 54.2 percent. Import of goods was USD 3,014.0 million compared to 2,015.8 recorded in similar period in 2020/21, equivalent to an increase of 49.5 percent. Similarly, services payments increased to USD 577.5 million

from USD 313.1 million, equivalent to an increase of 84.5 percent.

1.6 Gross official reserves

Foreign exchange reserves amounted to USD 6,386.0 million in December 2021, covering 6.6 months of projected imports of goods and services. 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.

1.7 Money Supply and Credit

In the quarter ending December 2021, extended broad money supply (M3) registered an average growth of 15.5 percent compared to a growth of 5.7 percent in similar period in 2020. In addition, broad money supply (M2) and narrow money (M1)² grew by 17.6 percent and 23.1 percent compared to 8.2 percent and 7.5 percent in a quarter ending December 2020, respectively. Growth of credit to private sector improved to 10.0 percent in December 2021 compared to a growth of 3.1 percent recorded in December 2020. The large growth of private sector credit was attributed to accommodative monetary conditions, ongoing initiatives by the Governments to improve business environment and picking up of various economic activities that were highly impacted by the COVID - 19 pandemic.

1.8 Interest Rates Development

The overall lending rate and one-year lending rate averaged 16.47 percent and 16.73 in second quarter of 2021/22 compared to 16.66 percent and 15.76 percent in the corresponding period 2020/21, respectively. Similarly, the overall time deposits interest rate and one-year deposit rate averaged 6.74 percent and 7.75 percent to 6.78 percent and 8.35 percent in the corresponding period of 2020/21, respectively.

1.9 Exchange Rate

In the second quarter of 2021/22, the value of a shilling remained stable, trading at an average rate of 2,294.76 shillings per US dollar compared to 2,297.74 shillings per US dollar in corresponding period in 2020/21, equivalent to an appreciation of 0.1 percent. The stability in Tanzanian shilling was primarily attributed to low inflation, prudent monetary and fiscal policies, and adequate foreign exchange reserves.

² M1- Currency in circulation outside banking system plus demand deposits (cheque account) of residents with banks in the country.

M2- M1 plus fixed deposits and savings deposits of residents with banks in the country

M3- M2 plus residents' foreign currency deposits

2.0 GOVERNMENT OPERATIONS

2.1 Revenue

The Government continued to strengthen domestic resource mobilization efforts to ensure adequate financing of Government operations. For the quarter ending December 2021, total domestic revenue collection (including LGAs own source) amounted to 6,376.2 billion shillings, which was 16 percent higher than 5,508.2 billion shillings collected in the corresponding period in 2020/21. On cumulative basis (July to December 2021), total amount collected was 11,885.7 billion shillings against the target of 13,054.9 billion shillings, equivalent to 91.0 percent and an increase of 14 percent when compared to the amount collected in the first half of 2020/21. Collections from Tanzania Revenue Authority (TRA) were 10,316.8 billion shillings against the target of 11,173.3 billion shillings equivalent to 92.3 percent. Non tax revenues collected by Ministries, Departments and Agencies (MDAs) were 1,108.7 billion shillings equivalent to 77.2 percent of the target of 1,436.02 billion shillings and collections from LGAs own source were 460.2 billion shillings against the target of 445.6 billion shillings, equivalent to 103.0 percent.

2.1.2 Revenue by Source

2.1.3 Taxes on Imports

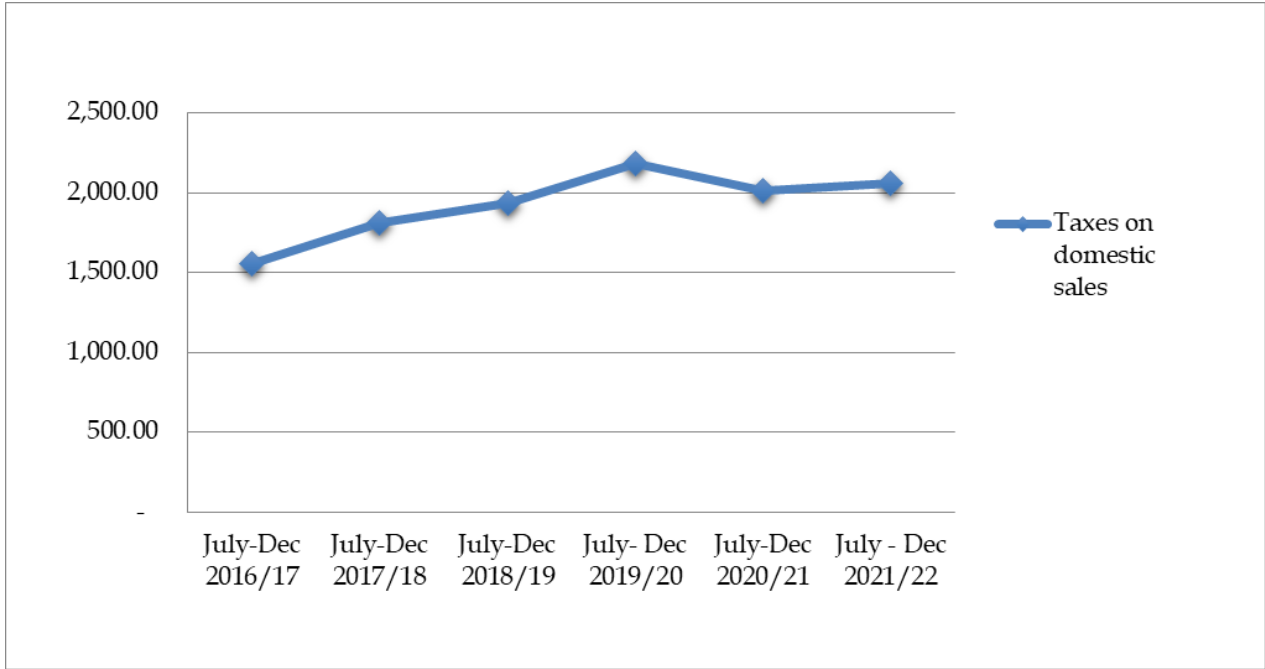
Import taxes and duties collections amounted to 1,627.4 billion shillings, reflecting a performance of 103.6 percent of estimated 1,570.2 billion shillings, and 20.0 percent higher when compared to collections of 1,355.7 billion shillings collected in the similar period in 2020/21. For the first half of 2021/22, import taxes and duties collections amounted to 3,156.6 billion shillings, reflecting a performance of 103.0 percent of estimated 3,064.0 billion shillings and 18.0 percent higher compared to what was collected in the similar period in 2020/21. The excise on petroleum imports was 629.5 billion shillings, equivalent to 91.3 percent of the planned target of 689.8 billion shillings. Excise on other imports collections were 125.0 billion shillings, registering a performance of 106.6 percent. On the other hand, import duty collections amounted to 726.1 billion shillings, equivalent to 97.9 percent of the target and VAT on non-petroleum performed at 110.6 percent of the target of collecting 1,676.1 billion shillings. Overperformance of import taxes and duties in the first half was attributed to increase in volume and value of importation.

2.1.4 Taxes on Domestic Sales

Actual tax collection from domestic sales increased to 1,046.4 billion shillings from 969.8 billion shillings collected in the second quarter of 2020/21, reflecting an increase of 8.0 percent. The amount collected was equivalent to 79.1 percent of the target of 1,323.3 billion shillings. On cumulative basis, actual tax collection from domestic sales increased

by 2.0 percent to 2,060.8 billion shillings from 2,015.0 billion shillings collected in the first half of 2020/21 and marked 85.1 percent of the target of 2,423.1 billion shillings. Out of the total domestic sales tax, excise duty was 713.2 billion shillings, equivalent to 93.1 percent of the target of 766.3 billion shillings while VAT on domestic sales amounted to 1,347.6 billion shillings, which was 81.3 percent of the target and 3.0 percent lower when compared to the first half of 2020/21. The underperformance of VAT on domestic sales was mainly attributed to the following: low sales of soft drinks, sugar and cigarettes; more input tax claimed by the cigarettes and cement manufacturing companies as well as low compliance in the use of electronic devices (EFD). The underperformance of the domestic excise duty was mainly due to a decrease in production of some excisable goods like spirit and wine. **Chart 2.1** shows the trend of tax on domestic sales for the first half of the financial years (2016/17 - 2021/22).

Chart 2.1: Trend of Tax on Domestic Sales for the First Half



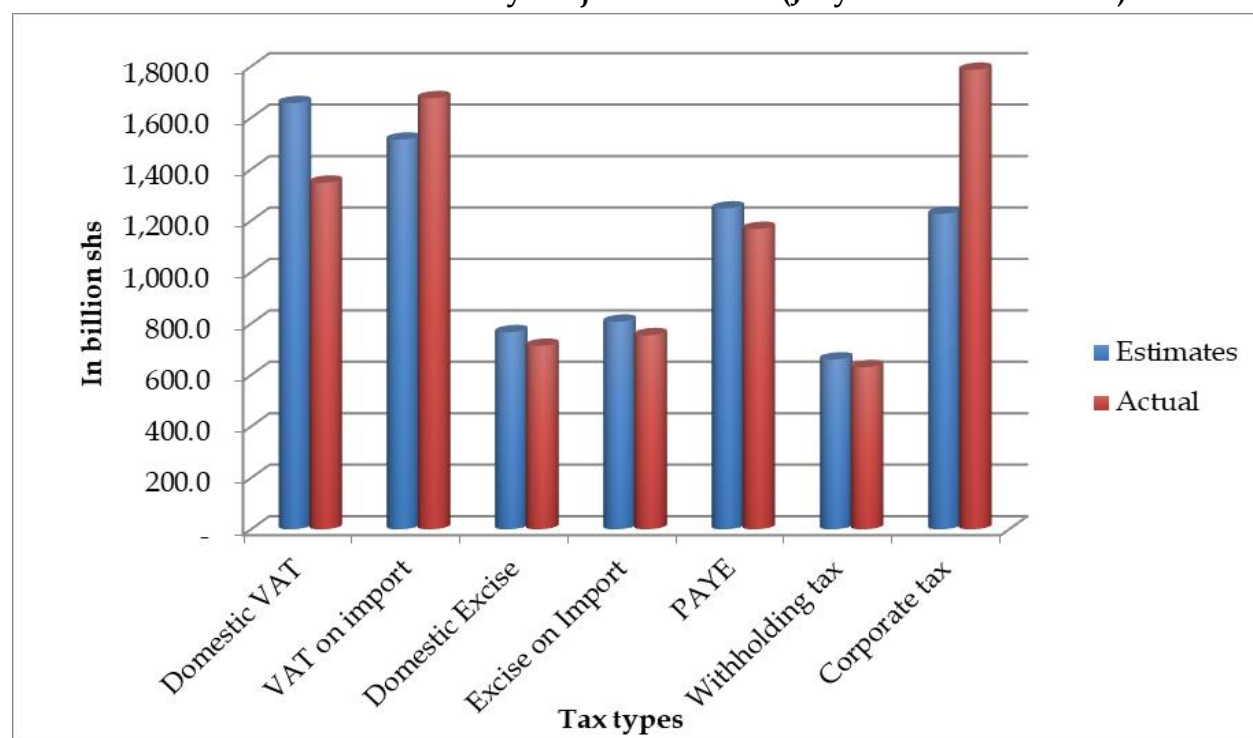
2.1.5 Income Tax

Income tax collections amounted to 2,187.7 billion shillings, equal to 124.0 percent of the target of 1,763.6 billion shillings, reflecting an increase of 24.0 percent when compared to collections registered in the same period in 2020/21. PAYE collections were 593.1 billion shillings, equivalent to 93.4 percent of the target. Cumulatively, income tax collections for the first half of 2021/22 were 3,886.7 billion shillings, equal to 112.4 percent of estimates of 3,458.4 billion shillings and an increase of 25 percent when compared to collections registered in a similar period in 2020/21. During that time, PAYE collections were 1,167.9 billion shillings against the target of 1,247.5 billion shillings, signifying a

performance of 93.6 percent and 9.0 percent higher when compared to 1,066.7 billion shillings collected in the first half of 2020/21.

Revenue collections from corporate tax were 1,037.3 billion shillings, which was 164.3 percent of the target of 631.31 billion shillings for the period under review. Cumulatively, the amount collected from corporate tax was 1,786.4 billion shillings, equivalent to 146 percent of the target and 53 percent higher when compared to the amount collected in the corresponding period in 2020/21. The performance was contributed mainly by payments from stakeholders in the financial sector, mining, oil and gas sectors who made changes to their tax estimates due to strengthening of businesses and improved business relations between the Tanzania Revenue Authority and taxpayers, including the resolution of out-of-court tax disputes. Collections from withholding taxes for the period under review were 390.7 billion shillings, equivalent to 118 percent of the target. The cumulative collections for the first half of 2021/22, from withholding taxes were 630.5 billion shillings against the target of 660.3 billion shillings, equivalent to 95 percent. Revenue performance by major tax items is shown in **Chart 2.2**.

Chart 2.2: Revenue Performance by Major Tax Items (July to December 2021)

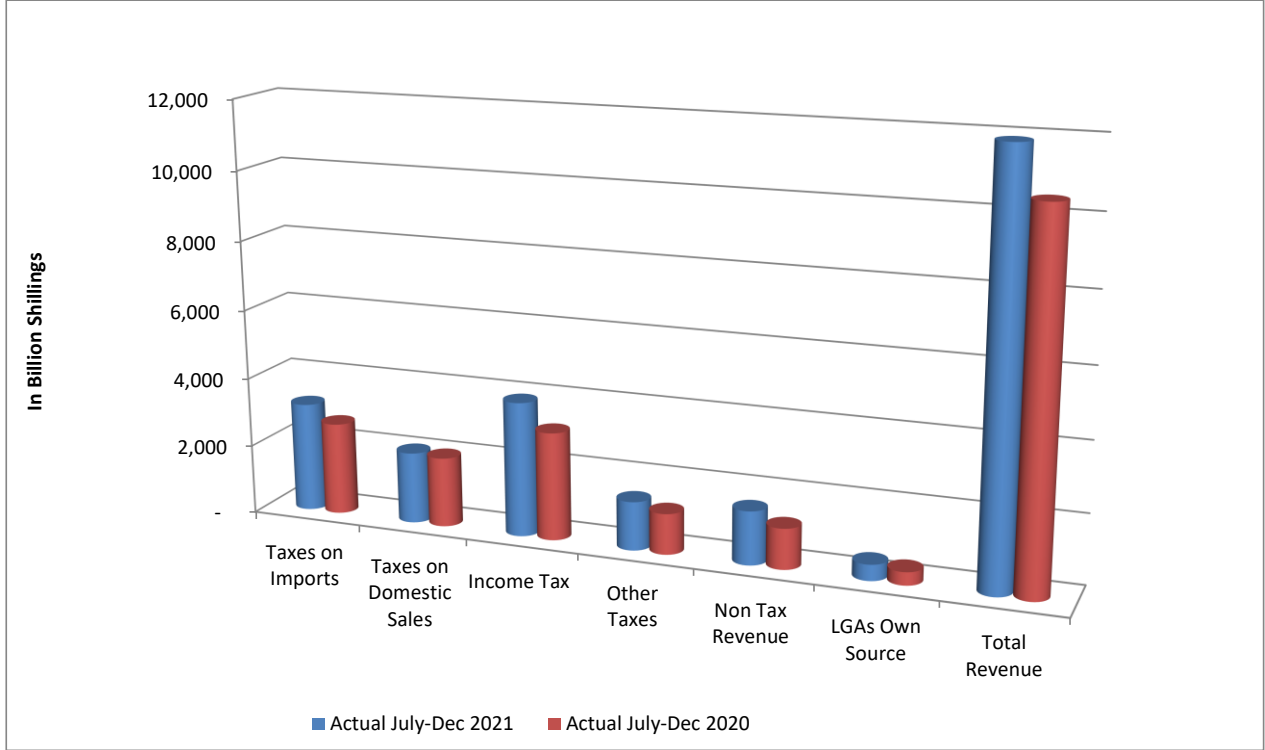


2.1.6 Other Taxes

Actual collections from other taxes category amounted to 757.8 billion shillings, which was 93 percent of the period estimates of 813.5 billion shillings. On cumulative basis, the

amount collected was 1,403.8 billion shillings, which was 96 percent of estimates of 1,467.6 billion shillings, and a decrease of 20 percent when compared to the amount collected in the same period in 2020/21. Out of the collected amount, Fuel Levy and Transit Fee amounted to 646.6 billion shillings, equivalent to 104 percent of estimates; collections meant for National Water Development Fund were 89.1 billion shillings, which was 98 percent of estimates; and collections for Rural Energy Agency (REA) amounted to 181.8 billion shillings, equivalent to 92 percent of estimates. In addition, collections for Railway Development Fund were 149.4 billion shillings, equivalent to 104 percent of estimates; Business Skill Development Levy (SDL) recorded 141.5 billion shillings, equivalent to 86 percent of estimates, and Departure Service Charges performed at 73 percent of estimates of 28.2 billion shillings. The performance of Departure Service Charges was affected mainly by slowdown of economic activities resulted from the impact of COVID -19 pandemic. The trend of revenue performance is indicated in **Chart 2.3**.

Chart 2.3: Revenue Performance (July to December, 2021) Compared to (July to December, 2020)

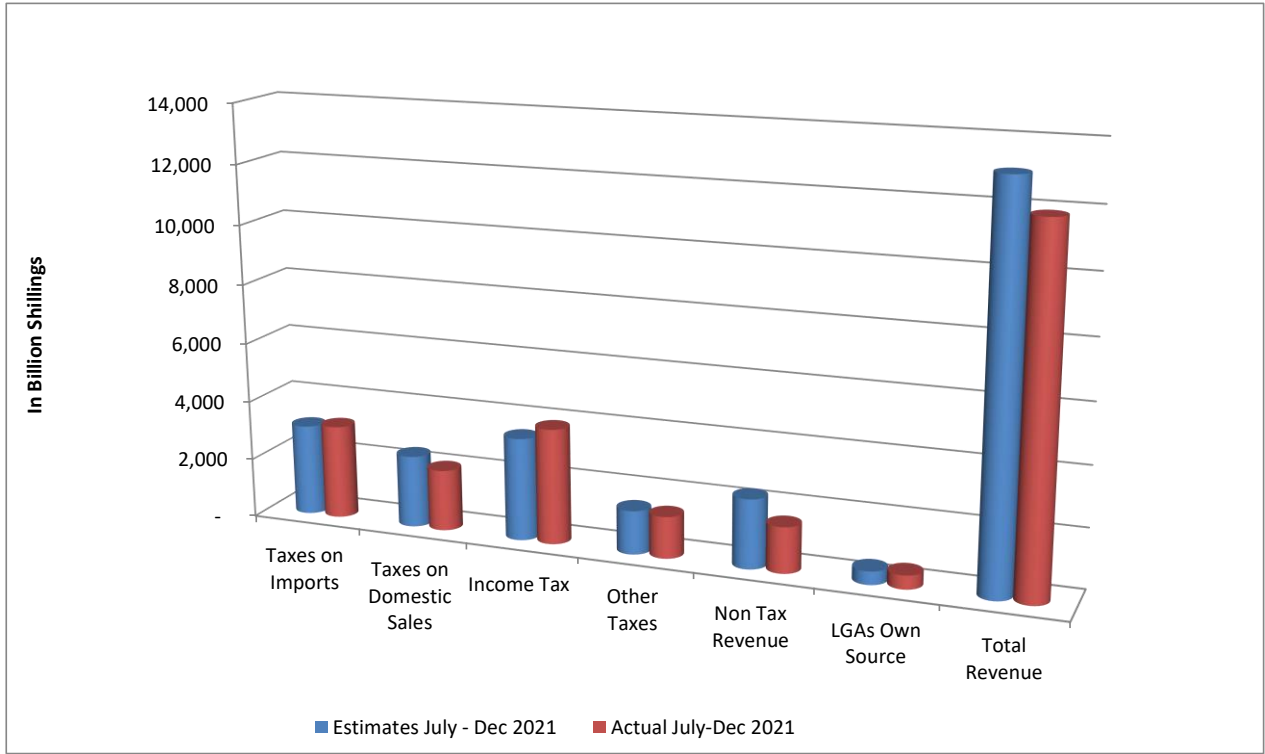


2.1.7 Non Tax Revenue

Collections of non-tax revenue were 1,063.0 billion shillings, equivalent to 87 percent of quarter estimates of 1,216.0 billion shillings. For the period of July to December 2021, collections of non-tax revenue were 1,542.3 billion shillings, equivalent to 66 percent of

estimates of 2,325.1 billion shillings and 32 percent lower when compared to collections registered in the same period in 2020/21. Out of the amount, non-tax revenues collected by Ministries were 886.4 billion shillings, against the target of 1,202.5 billion shillings, equivalent to 74 percent; dividends and contribution from Government Institutions were 222.6 billion shillings which was 95 percent of the target; non-tax revenues collected by TRA (mobile money transactions levy, billboard fee, property tax, tourist sector and others) were 433.4 billion shillings, which was 49 percent of the estimates of 889.1 billion shillings. The underperformance of non-tax revenue was largely attributed to existence of houses that are not yet captured to pay property tax; and impact of COVID-19 pandemic in the performance of some economic activities. Local Government Authorities (LGAs) own sources collections in the second quarter were 244.5 billion shillings, equivalent to 112 percent of estimates while collections recorded for the first half of 2021/22 amounted to 460.2 billion shillings, equivalent to 103 percent of the target of 445.6 billion shillings, and 22 percent higher when compared to the same period in 2020/21. Domestic revenue performance for the first half of 2021/22 is depicted in **Chart 2.4**.

Chart 2.4: Domestic Revenue Performance for the first half of 2021/22 compared to estimates



2.2 Expenditure

Government spending for the reporting period was good as evidenced by 90.9 percent execution of the target. During that period, a total of 8,494.9 billion shillings, for both recurrent and development expenditure was disbursed to spending units against the target of 9,344.2 billion shillings. Expenditure continued to be aligned with identified priority areas including financing development projects and provision of social services.

2.2.1 Recurrent Expenditure

Recurrent expenditure for the period under review was 5,626.1 billion shillings, against the target of 5,627.1 billion shillings, equivalent to 99.9 percent and 5.0 percent higher than spending recorded in a similar period in 2020/21. The performance was attributed to the Government's commitment in honoring statutory obligations.

2.2.2 Wages and Salaries

The Government continued to honor payment of wages and salaries so as to promote employees' morale. Expenditure on wages and salaries amounted to 1,932.2 billion shillings, equivalent to 95.7 percent of the target of 2,019.3 billion shillings. The budget execution for this category was subject to Government's wage bill for the period under review.

2.2.3 Debt Service

Debt service is a priority expenditure aligned with matured obligations. During the second quarter, debt service recorded 2,494.5 billion shillings reflecting a performance of 100 percent of the target. Out of that amount, amortization was 1,705.5 billion shillings and interest payment was 789 billion shillings.

2.2.4 Goods, Services and Transfers

Funds disbursed for goods, services and transfers amounted to 1,199.5 billion shillings, equivalent to 96 percent of the target of 1,249.5 billion shillings.

2.2.5 Development Expenditure

During the second quarter of 2021/22, a total of 2,868.8 billion shillings was released for financing development projects, equivalent to 77.2 percent of the target of 3,717.1 billion shillings and 102 percent higher than 1,422.4 billion shillings released in a similar period in 2020/21. Out of that amount, domestic resources amounted to 2,827.0 billion shillings whereas foreign funds amounted to 41.8 billion shillings. The underperformance of development expenditure was attributed to delays in accounting for direct to project funds. The performance of budget execution in major categories of recurrent and development as well as economic classification for the second quarter of 2021/22 is presented in **Chart 2.5** and **Chart 2.6**.

Chart 2.5: Expenditure Performance by Recurrent and Development Budget (October to December 2021)

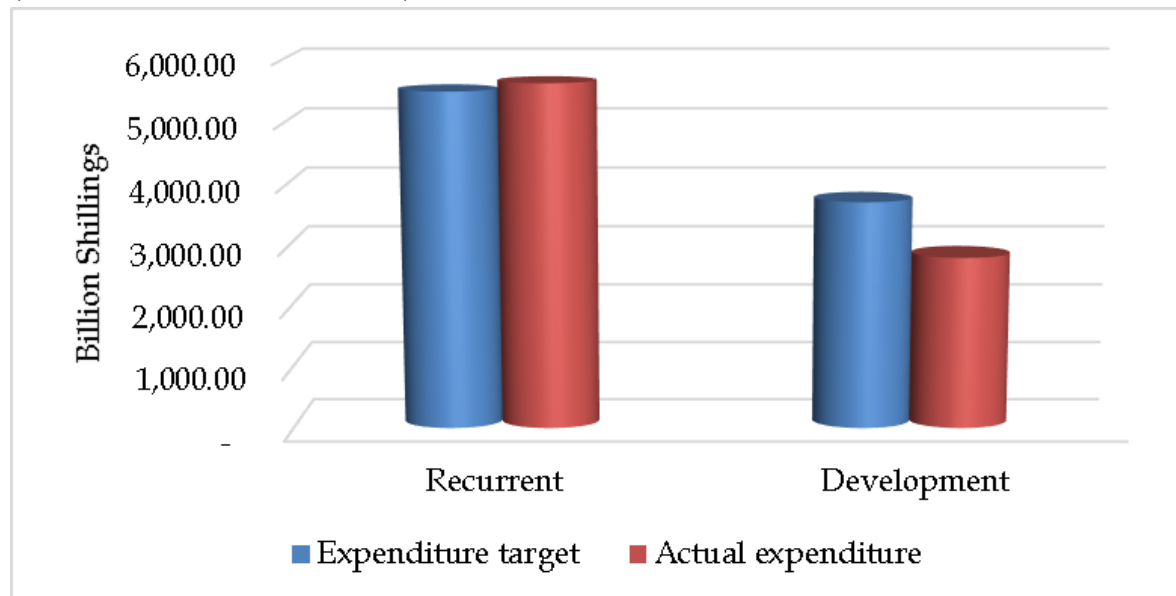
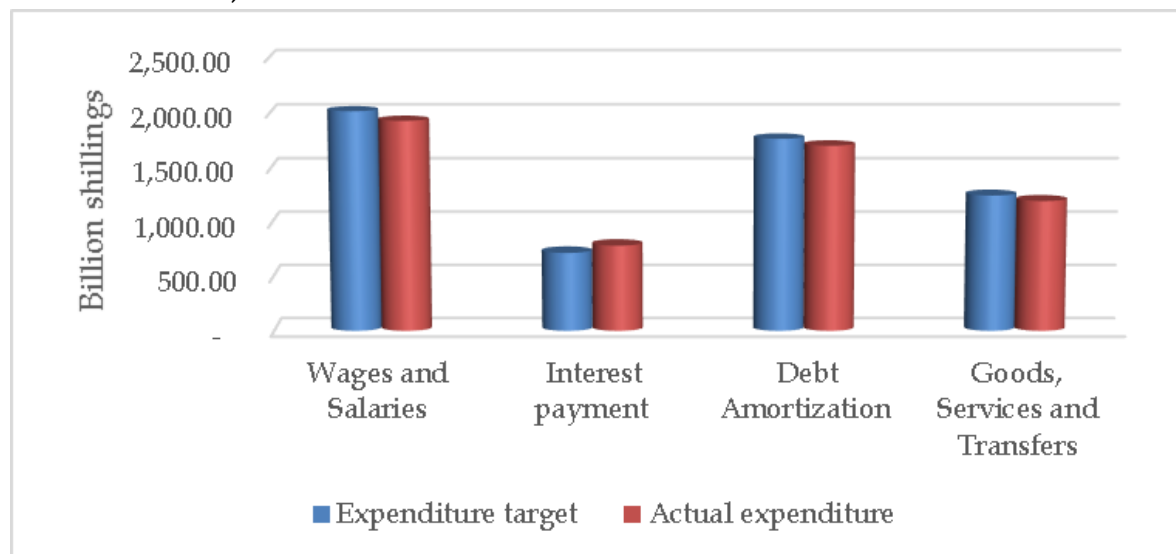


Chart 2.6: Expenditure Performance by Economic Classification (October to December 2021)



2.2.6 Cumulative Expenditure Performance (July to December)

The cumulative expenditure performance amounted to 16,505.2 billion shillings against a target of 18,238.3 billion shillings, equivalent to 90.5 percent. Recurrent expenditure was an aggregate of 11,143.8 billion shillings reflecting a performance of 96.9 percent of a target of 11,501.5 billion shillings. The recurrent expenditure comprised of: wages and salaries 3,985.1 billion shillings (equivalent to 97.8 percent of the target of 4,075.3 billion

shillings); debt service 4,430.0 billion shillings (equivalent to 99.8 percent of estimates of 4,439.2 billion shillings); and goods, services and transfers 2,728.7 billion shillings (equivalent to 91.4 percent of the target of 2,987.0 billion shillings).

With regard to development expenditure, a total of 5,361.3 billion shillings, equivalent to 79.6 percent of the estimates of 6,736.9 billion shillings was released for financing projects. The expenditure comprised of 5,194.3 billion shillings from domestic sources and 167.1 billion shillings from foreign sources. On the other hand, during the reporting period, a total of 443.7 billion shillings was disbursed direct to projects by Development partners thus reflecting a performance equivalent to 86.2 percent for development expenditure.

The cumulative performance of budget execution in major categories of recurrent and development as well as economic classification for July to December 2021/22 is presented in **Chart 2.7 and Chart 2.8**.

Chart 2.7: Cumulative Expenditure Performance by Recurrent and Development Budget (July to December 2021)

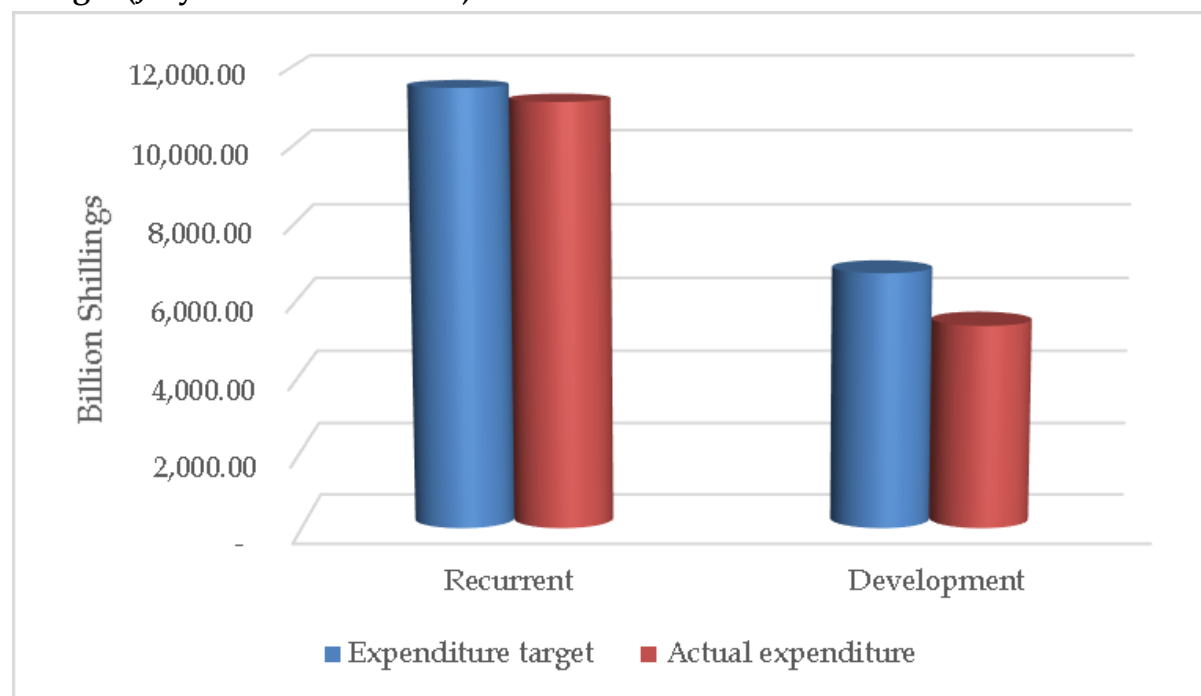
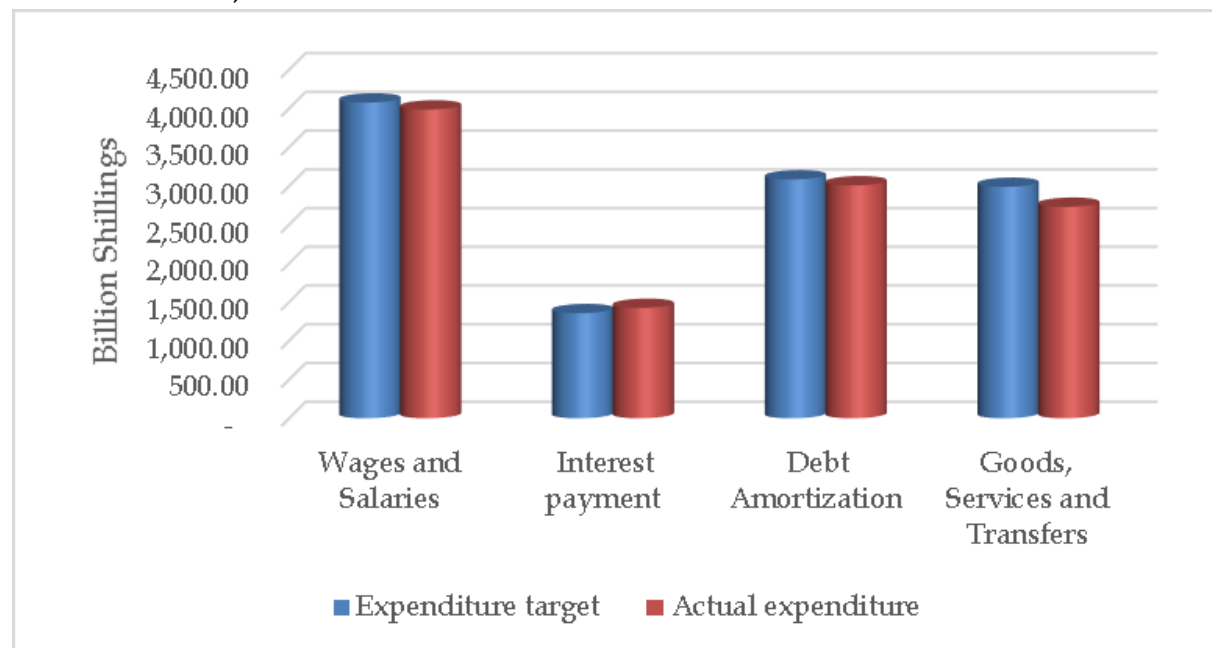


Chart 2.8: Cumulative Expenditure Performance by Economic Classification (July to December 2021)



2.2.7 Implementation of Tanzania COVID-19 socio-economic Response and Recovery Plan – TCRP

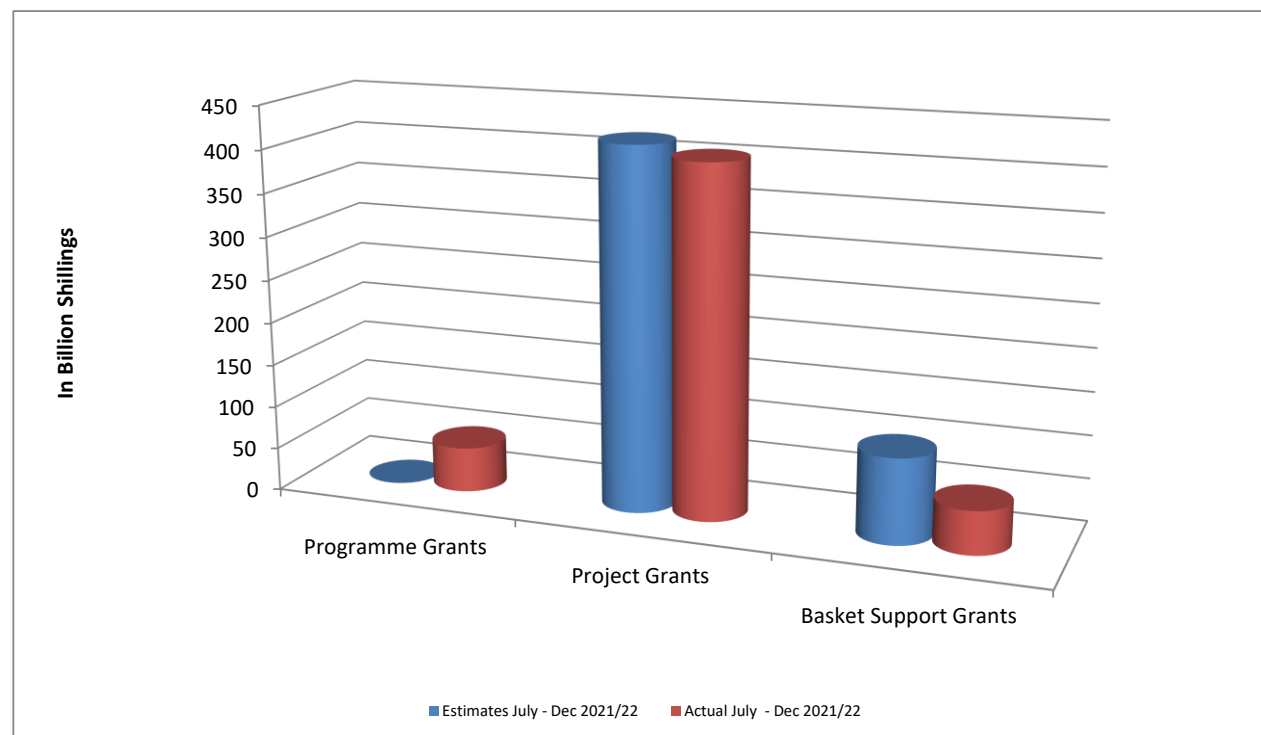
During the second quarter, the Government began to implement the Tanzania COVID-19 socio-economic Response and Recovery Plan (TCRP) following receipt of a concessional loan amounting to 1,310.6 billion shillings (USD 567.3 million) from IMF to address the health and socio-economic impacts of COVID-19. As of December 2021, a total of 817.1 billion shillings, equivalent to 62.3 percent of the receipts was disbursed to spending units including a transfer of 231 billion shillings to the Revolutionary Government of Zanzibar. The disbursed funds were directed to education, health and water service infrastructure, tourism as well as addressing poverty through Tanzania Social Action Fund (TASAF).

2.3 Grants

Government received grants amounting to 325.5 billion shillings, equivalent to 109.8 percent of the quarter estimates of 296.5 billion shillings. Out of the total grants, Project Grants were 265.0 billion shillings equivalent to 110.8 percent of the estimates of 239.1 billion shillings, Basket Funds were 8.2 billion shillings against the target of 57.4 billion shillings and General Budget Support grants were 52.2 billion shillings. Cumulatively, grants received were 508.4 billion shillings, equivalent to 98.0 percent of the estimated amount of 518.4 billion shillings. Out of the amount, Project Grants were 405.5 billion

shillings equivalent to 96.7 percent of the estimates of 419.2 billion shillings, Basket Funds were 50.4 billion shillings against the target of 99.2 billion shillings and General Budget Support grants were 52.2 billion shillings.

Chart 2.9: Performance of Foreign Grants for the First Half of the year 2021/22 (Estimates against Actual)



2.4 Financing

Total financing during the second quarter was 1,809.6 billion shillings against the target of 1,570.4 billion shillings which is 115 percent of the target. Out of the total financing, total foreign net financing was a buildup of 341.7 billion shillings against a borrowing target of 355.6 billion shillings and total domestic net financing was 2,151.2 billion shillings against the target of borrowing 1,214.8 billion shillings, equivalent to 177 percent. For the first half of 2021/22, total financing was 2,512.9 billion shillings against the target of 2,986.1 billion shillings, equivalent to 84 percent. Out of the total financing, total foreign net financing was a borrowing of 1,861.8 billion shillings against a borrowing target of 1,497.2 billion shillings equivalent to 124 percent and total domestic net financing was a borrowing of 651.0 billion shillings against the target of borrowing 1,488.9 billion shillings, equivalent to 44 percent of the target.

2.4.1 Domestic Financing

In 2021/22 Government budget, domestic borrowing was planned at 4,989.1 billion shillings, whereas 3,150.3 billion shillings were for financing rolling over of maturing Treasury Bills and Bonds and 1,838.8 billion shillings were new loans for financing development projects. During the reporting period, a total of 1,140.8 billion shillings were borrowed from domestic market against the target of borrowing 1,244.0 billion shillings equivalent to 91.7 percent. Out of the amount borrowed, 471.2 billion shillings was for redemption (rollover) of matured obligations and 669.5 billion shillings was borrowed for financing development projects. Cumulatively, a total of 2,361.8 billion shillings were borrowed from domestic market against the target of borrowing 2,532.8 billion shillings equivalent to 93.2 percent. Out of the amount borrowed, 1,201.8 billion shillings was for redemption (rollover) of matured obligations and 1,159.92 billion shillings was borrowed for financing development projects.

2.4.2 Foreign Financing

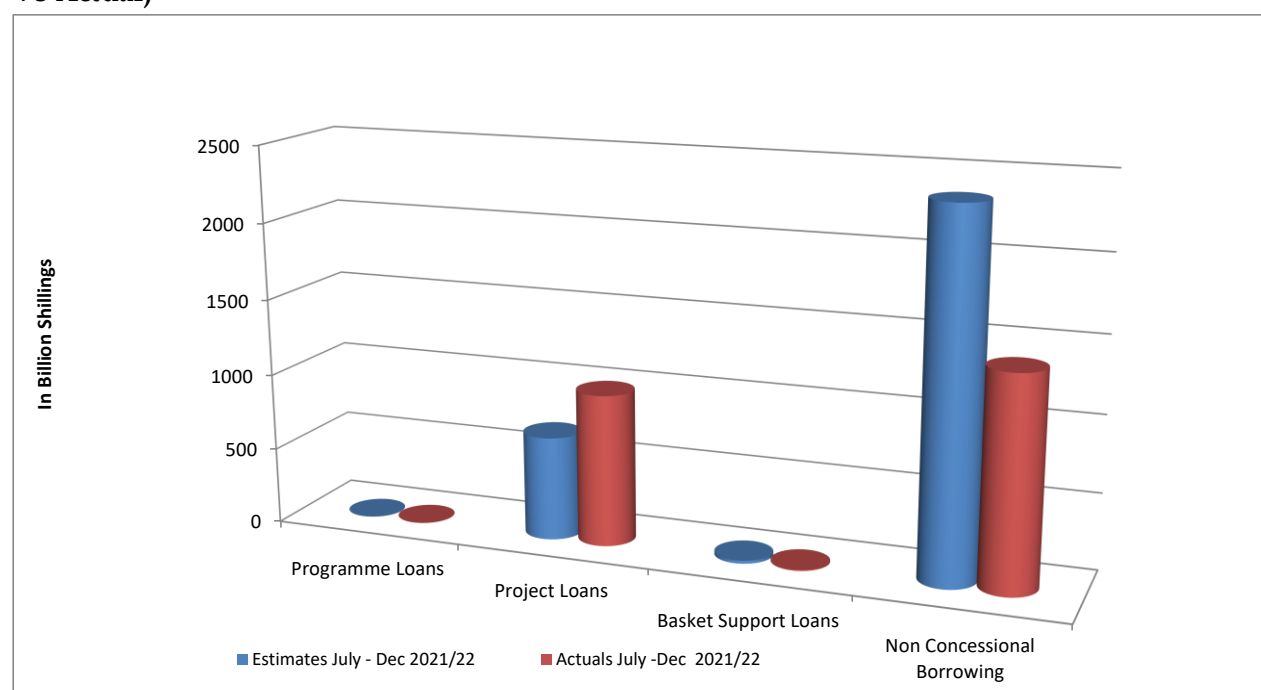
Net foreign financing for the quarter under review was a buildup of 341.7 billion shillings against a borrowing target of 355.6 billion shillings. Disbursements of concessional loans were 441.4 billion shillings against the target of 317.7 billion shillings. Disbursement of non-concessional loans were 210.4 billion shillings against the target of 250.0 billion shillings. In addition, amortization of foreign loans was 993.4 billion shillings against estimates of 1,102.6 billion shillings. From July to December 2021, Net foreign financing was a borrowing of 1,861.8 billion shillings against a borrowing target of 1,497.2 billion shillings. Out of the amount, disbursements of concessional loans were 1,000.7 billion shillings against the target of 679.0 billion shillings. Disbursement of non-concessional loans were 1,382.3 billion shillings against the target of 2,352.1 billion shillings. In addition, amortization of foreign loans was 1,351.1 billion shillings against estimates of 1,553.6 billion shillings. The trend of grants and external concessional loans is shown in **Table 2.1** and the performance of foreign financing for the first half of the year 2021/22 is presented in **Chart 2.10**.

Table 1: Trend of Grants and External Concessional Loans(July - December 2021/22)

Summary of First Half Disbursement (All figures in millions shillings)					
AID MODALITY	Type of assistance	Annual commitment as per budget	First Half Commitment (July - December 2021)	First Half Disbursement (July - December 2021)	% of Commitment
GBS	Grants	-	-	52,186	
GBS	Concessional Loan	-	-	-	
Sub Total		-	-	52,186	
Basket Funds	Grants	222,570	99,213	50,405	50.8%
Basket Funds	Concessional Loan	59,736	19,750	6,760	34.2%
Sub Total		282,306	118,963	57,165	48.1%
Development Projects	Grants	915,506	419,213	405,472	96.7%
Development Projects	Concessional Loan	1,758,111	678,992	993,933	146.4%
Sub Total		2,673,617	1,098,205	1,399,406	127.4%
Grand Total		2,955,923	1,217,168	1,508,757	124.0%

Source: Ministry of Finance and Planning

Chart 2.10: Performance of Foreign Financing for the First Half of the year 2021/22 (Estimates Vs Actual)

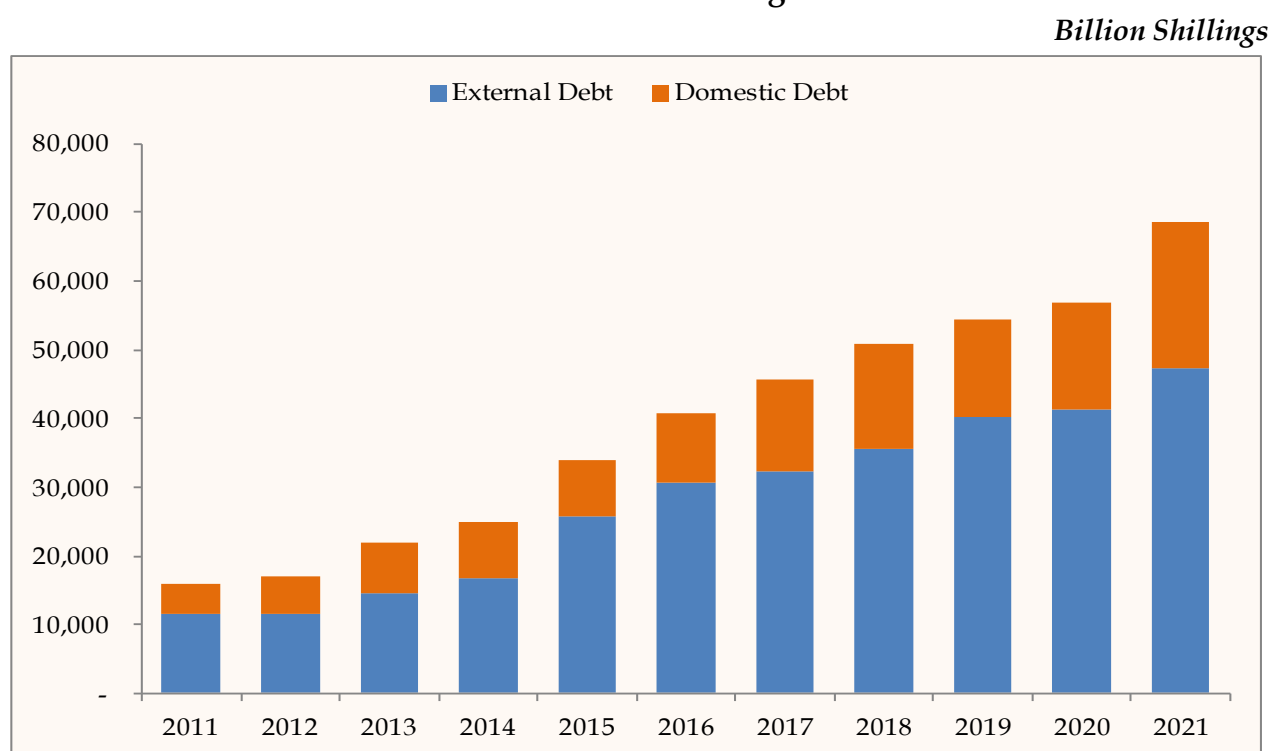


3.0 GOVERNMENT DEBT DEVELOPMENT

3.1 Overall Debt Stock

As at end December 2021, Central Government Debt Stock stood at 68,520.8 billion shillings (USD 29,717.94 million), an increase of 16.8 percent compared to 58,684.4 billion shillings at end December 2020 (chart 3.1). On quarterly basis, Central Government debt stock increased by 7.7 percent compared to 63,642.2 billion shillings at end September 2021. The increase in the Central Government debt stock was due to issuing of the non-cash special bond worth 2,176.74 billion shillings in favor of the Public Service Social Security Fund (PSSSF) for payment of arrears; domestic borrowing through issuance of Government Securities; and disbursements from external creditors. Out of the Central Government debt, domestic stock accounts for 21,121.33 billion shillings equivalent to 30.8 percent and external stock accounts for 47,399.46 billion shillings equivalent to 69.2 percent.

Chart 3.1: Trend of Central Government Debt Ending December 2021

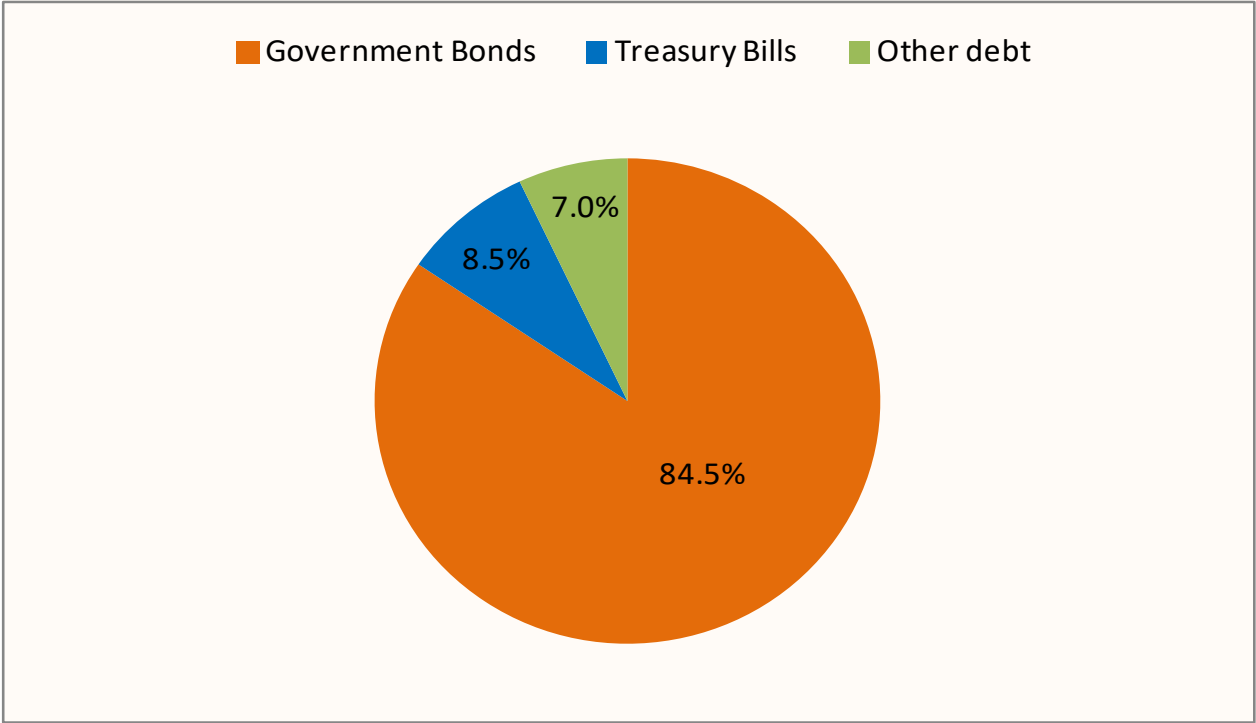


3.2 Central Government Domestic Stock

As at end December 2021, the domestic debt stock stood at 21,121.33 billion shillings (USD 9,191.94 million). This translates to an increase of 23.58 percent from September 2021 position of 17,091.87 billion shillings. Out of which Government Treasury bills and bonds amounted to 1,788.82 billion shillings and 17,851.50 billion shillings respectively

while other domestic liabilities accounted for the remaining 1,481.01 billion shillings. The increase in debt was a result of the PSSSF special bonds, new issuance of securities and Central Bank advances to the Government which in aggregation outweighs the principal repayments (rollover). The composition of domestic debt by instrument category is depicted in **Chart 3.2**.

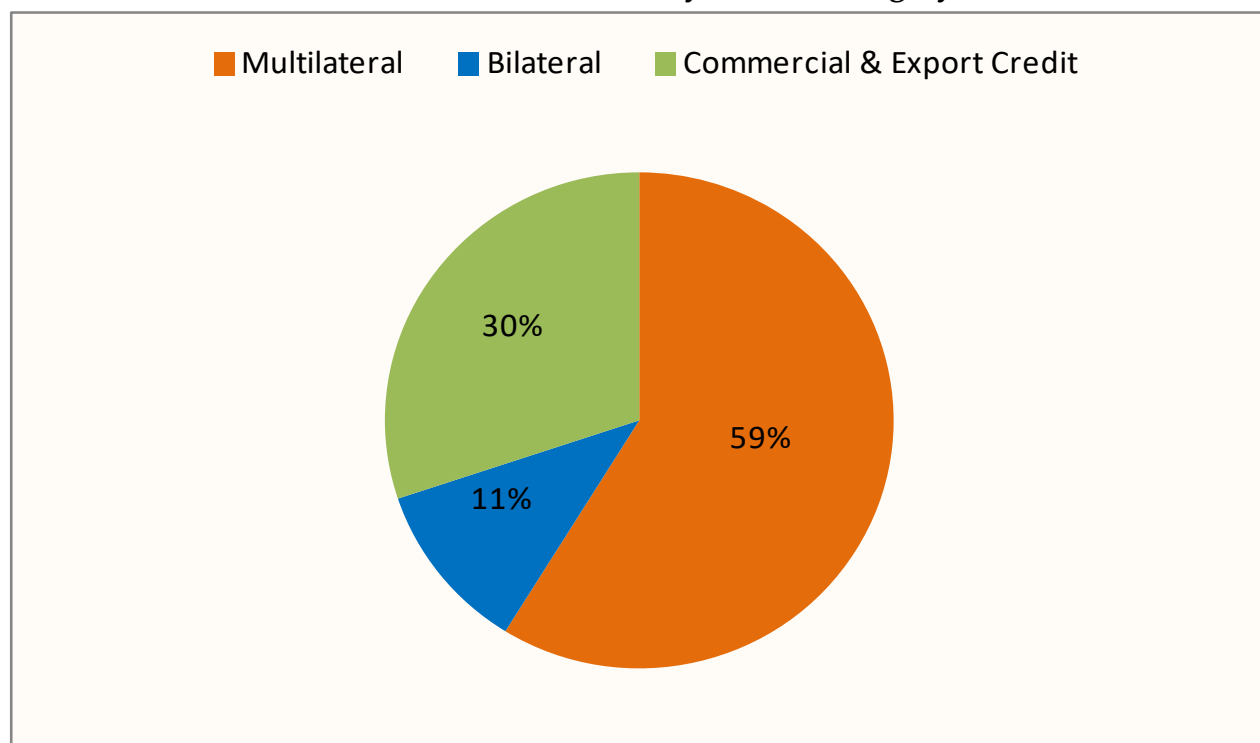
Chart 3.2: Share of Domestic Debt by Instrument Category



3.3 Central Government External Debt

The stock of external Central Government debt as of end of December 2021 stood at 47,399.4 billion shillings (USD 20,526.0 million) from 42,784.0 billion shillings end December 2020, which is an increase of 10.8 percent. On quarter-to-quarter basis, external Central Government debt experienced a slight increase of 1.8 percent from 46,550.3 billion shillings (USD 20,163.0 million) recorded as at end September 2021. The increase was attributed to disbursements for financing development projects. External debt portfolio consisted of loans mainly contracted on concessional terms which accounted for 70 percent of the total external debt portfolio while the commercial terms accounted for 30 percent. The multilateral institutions remained dominant, accounting for more than half of the total external debt stock. The composition of External debt stock by creditor category is shown in **Chart 3.3**.

Chart 3.3: Central Government External debt by creditor category



3.4 The Result of Debt Sustainability Analysis

The Debt Sustainability Analysis (DSA) conducted in November 2021 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 on growth of the economy and slowdown of exports. The debt burden indicators were below the international agreed baseline thresholds (see Table 2 and 3). 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 2: Projected External Public Debt burden indicators

External DSA	Thres hold	2020/21 ³	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2031/32
PV of debt-to GDP ratio	40	18.8	18.8	18.7	18.8	18.8	18.5	18.4	20.2
PV of debt-to-exports ratio	180	142.4	132.9	117.4	108.5	102.8	96.9	93.7	95.7
Debt service-to-exports ratio	15	14.8	14.9	11.5	9.4	9.2	9.2	7.7	9.4
Debt service-to-revenue ratio	18	14.6	14.2	12.1	10.6	10.9	11.3	9.6	12.1

³ Represent actual ratios as of 30th June 2021

Table 3: Projected Overall Public Debt burden indicators

Public DSA	Thres hold	2020 /21	2021 /22	2022 /23	2023 /24	2024 /25	2025 /26	2026 /27	2031 /32
PV of debt-to GDP ratio	55	31	31.8	31.8	31.5	30.7	29.4	29	33
PV of debt-to-revenue and grant ratio	N/A	224.9	206.2	201.9	198.3	191.8	181.8	179.4	199.3
Debt service-to-revenue and grant ratio	N/A	36.2	32.4	31.2	27.4	25.6	23	20.6	26.3

4.0 LIKELY BUDGET OUT TURN TO JUNE 2022

Tanzania's macroeconomic performance remained strong in the third quarter of 2021, with GDP growth rate of 5.2 percent compared with the growth of 4.5 percent during the corresponding quarter in 2020. GDP growth for 2021 is estimated to reach the projected target of 5.0 percent. The country's economic projections for 2022 and the medium term continue to look bright as GDP growth is expected to continue improving towards the pre-pandemic levels of more than 6 percent owing to Government efforts to contain the spread of COVID-19 pandemic and the global economic recovery.

Domestic revenue collections during the second quarter of 2021/22 continued to be in line with budget goals and is expected to reach the target following Government's efforts to implement the strategies for improving revenue collection. Disbursement of grants and concessional loans is expected to be in line with the target due to strengthening of cooperation with Development partners by implementing the Development Cooperation Framework (DCF). Also, domestic and external non-concessional loans are expected to reach target as of end June 2022.

Expenditures in the second quarter of 2021/22 were consistent with set priorities. As of end June 2022, the Government will continue to disburse funds by considering available resources and priority areas of spending.

ANNEX A

Revenue Performance July - December 2021											
Billion Shillings											
	Budget Estimates	October - December 2021			Oct-Dec 2020/21 Actual	Year on year % change	July - December 2021			July-Dec 2020/21 Actual	Year on year % change
		Estimates	Actual	Percent of estimate			Estimates	Actual	Percent of estimate		
Revenue (Including LGAs own sources)	26,384.7	6,883.9	6,376.2	93%	5,508.2	16%	13,054.9	11,885.7	91%	10,467.2	14%
Revenue (Excluding LGAs own sources)	25,520.9	6,665.0	6,131.7	92%	5,305.5	16%	12,609.3	11,425.5	91%	10,090.7	13%
Tax Revenue	20,738.3	5,404.4	5,370.5	99%	4,635.6	16%	10,284.2	9,883.4	96%	8,921.9	11%
Taxes on Imports	6,200.6	1,570.2	1,627.4	104%	1,355.7	20%	3,064.0	3,156.6	103%	2,664.9	18%
Import Duty	1,542.3	349.0	390.3	112%	332.2	18%	741.8	726.1	98%	656.7	11%
Petroleum	1,383.7	362.7	335.1	92%	355.0	-6%	689.8	629.4	91%	676.9	-7%
Excise	1,383.7	362.7	335.1	92%	355.0	-6%	689.8	629.4	91%	676.9	-7%
Others	3,274.7	858.4	902.0	105%	668.5	35%	1,632.5	1,801.1	110%	1,331.3	35%
Excise	235.2	61.7	70.9	115%	55.0	29%	117.3	125.0	107%	107.2	17%
VAT on Non-Petroleum imports	3,039.4	796.7	831.0	104%	613.5	35%	1,515.2	1,676.1	111%	1,224.1	37%
Taxes on Domestic Sales	4,898.7	1,323.3	1,046.4	79%	969.8	8%	2,423.1	2,060.8	85%	2,015.0	2%
Excise	1,522.1	395.1	359.6	91%	313.8	15%	766.3	713.2	93%	631.4	13%
Value Added Tax (VAT)	3,376.6	928.2	686.8	74%	656.0	5%	1,656.8	1,347.6	81%	1,383.6	-3%
Income Tax	7,021.6	1,763.6	2,187.7	124%	1,759.3	24%	3,458.4	3,886.7	112%	3,116.1	25%
PAYE	2,501.1	635.1	593.0	93%	549.4	8%	1,247.5	1,167.9	94%	1,066.7	9%
Corporate and Parastatals	2,501.4	631.3	1,037.3	164%	764.6	36%	1,226.7	1,786.4	146%	1,165.6	53%
Individuals	282.2	69.1	62.6	91%	62.3	1%	134.6	118.7	88%	129.8	-9%
Withholding Taxes	1,341.2	331.1	390.7	118%	299.1	31%	660.3	630.5	95%	596.7	6%
Rental Tax	113.8	27.9	34.9	125%	24.2	44%	54.9	59.6	108%	45.4	31%
Other Income	281.8	69.0	69.1	100%	59.8	16%	134.4	123.6	92%	111.9	11%
Other Taxes	2,879.4	813.5	757.8	93%	599.6	26%	1,467.6	1,403.8	96%	1,174.7	20%
Business Skill Development Levy	335.4	84.9	72.5	85%	72.3	0%	164.9	141.5	86%	140.6	1%
Fuel Levy and transit fee	1,246.8	326.8	336.6	103%	206.4	63%	621.5	646.6	104%	450.3	44%
Stamp Duty	26.8	7.4	3.1	42%	9.1	-66%	13.9	6.9	49%	12.9	-47%
Departure Service Charges	53.7	15.0	11.7	78%	5.8	103%	28.2	20.7	73%	9.0	131%
Processing Fee-dry cargo-TRA	78.5	20.6	21.0	102%	17.7	18%	39.1	38.9	99%	34.5	13%
Export Duty	124.8	88.2	51.2	58%	72.6	-30%	89.4	54.5	61%	74.0	-26%
Railway Development Fund	288.5	75.6	90.7	120%	61.9	46%	143.8	149.4	104%	122.7	22%
National Water Development Fund	182.3	47.8	46.4	97%	39.2	18%	90.9	89.1	98%	85.6	4%
Motor vehicle taxes	146.3	43.3	38.5	89%	30.9	25%	78.2	74.4	95%	60.1	24%
Treasury Voucher Cheque	0.0	0.0	0.0	500%	0.0	1133%	0.0	0.0	936%	0.0	3196%
Transfer to REA	396.4	103.9	86.2	83%	83.7	3%	197.6	181.8	92%	185.0	-2%
Refunds	-262.0	-66.1	-248.8	376%	-48.7		-128.9	-624.6	484%	-48.7	
Refunds - VAT	-221.0	-55.8	-232.7	417%	-46.7		-108.5	-601.7	555%	-46.7	
Refunds - other	-41.0	-10.3	-16.1	157%	-2.0		-20.5	-22.9	112%	-2.0	
Non Tax Revenue	4,782.6	1,260.5	761.3	60%	669.8	14%	2,325.1	1,542.1	66%	1,168.8	32%
Parastatal Dividends	779.0	187.5	137.5	73%	153.5	-10%	233.6	222.6	95%	204.7	9%
Ministries and Regions	2,270.7	604.4	394.0	65%	413.6	-5%	1,202.5	886.2	74%	822.2	8%
TRA Non Tax	178.7	46.8	32.2	69%	94.3	-66%	89.1	58.5	66%	124.0	-53%
Tourism Sector	227.9	55.4	81.5	147%			195.2	186.6	96%		
Transaction levy on Mobile money s	1,254.4	342.1	97.2	28%			570.2	161.7	28%		
Property tax	46.6	13.8	12.4	90%	1.7	649%	23.5	13.0	55%	3.7	250%
Billboard Fee Collections	25.2	10.5	6.4	61%	6.8	-6%	11.2	13.7	122%	14.1	-3%
LGAs own source	863.9	219.0	244.5	112%	202.8	21%	445.6	460.2	103%	376.5	22%

Source: Ministry of Finance and Planning