

**THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF FINANCE AND PLANNING**



**THE BUDGET EXECUTION REPORT FOR THE FIRST HALF OF 2019/20 (JULY -
DECEMBER, 2019)**

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LIST OF ABBREVIATIONS

BoT	-	Bank of Tanzania
ENCB	-	External Non-Concessional Borrowing
BCG	-	Budgetary Central Government
NFA	-	Net Foreign Assets
GBS	-	General Budget Support
GDP	-	Gross Domestic Product
LGA	-	Local Government Authorities
MDAs	-	Ministries Departments and Agencies
OC	-	Other Charges
PAYE	-	Pay as You Earn
REA	-	Rural Electrification Agency
RAS	-	Regional Administrative Secretary
SGR	-	Standard Gauge Railway
TACAIDS	-	Tanzania Commission for AIDS
TRA	-	Tanzania Revenue Authority
US DOLLAR	-	United State Dollar
VAT	-	Value Added Tax

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Executive Summary

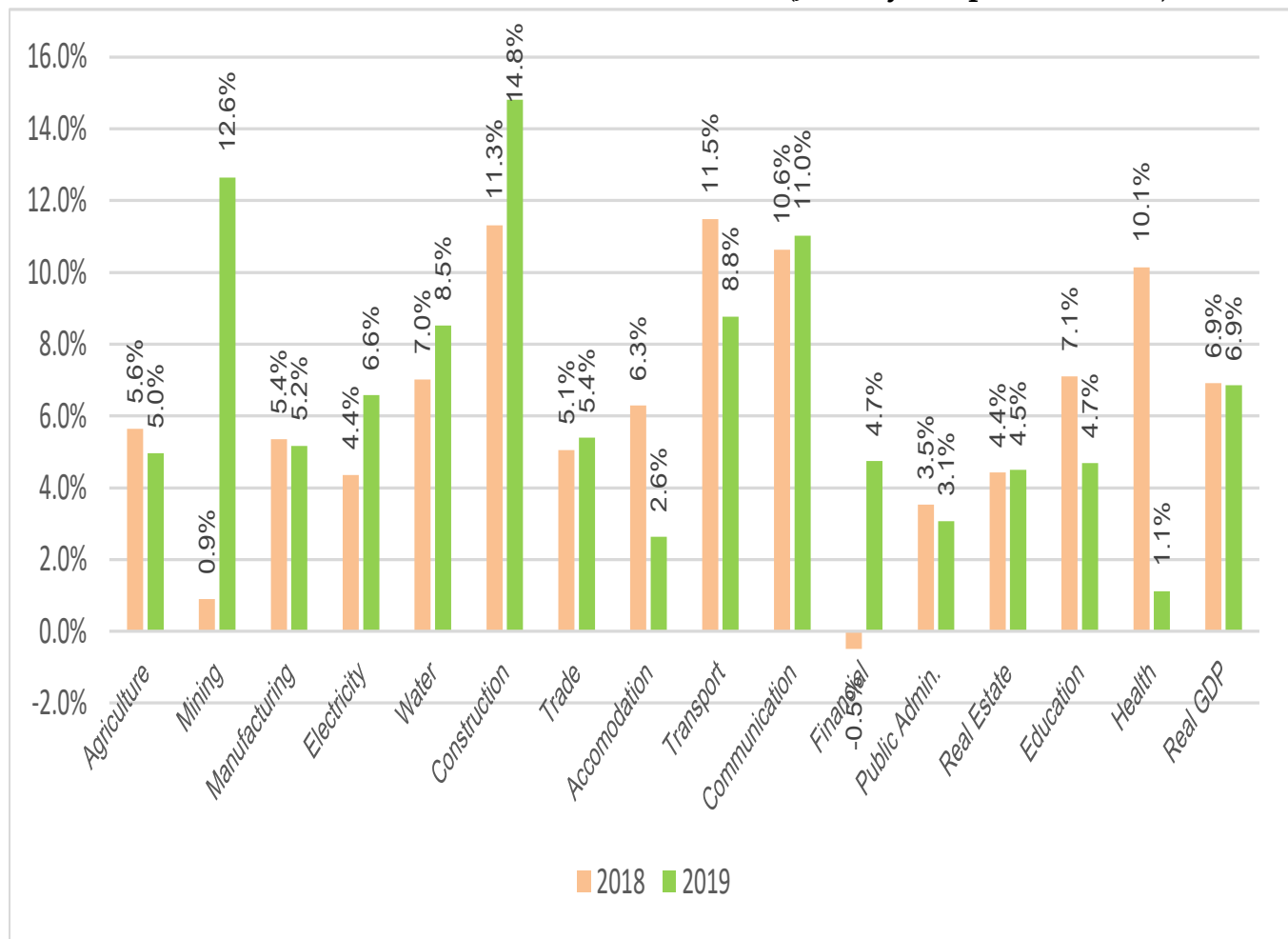
- *Real GDP grew by 6.9 percent in the first three quarters of 2019 (January to September), same growth as was reported in the corresponding period in 2018. The growth was mainly attributed to public investment in infrastructure development; increase in gold, coal and natural gas production; and improved transport and communication services. The sectors which recorded impressive performance included construction, mining, communication, and transport.*
- *The headline inflation continued to be in single digit territory in the quarter ending December 2019 mainly driven by stability in exchange rate and implementation of prudent fiscal policy. In November 2019, the value of the shilling sustained stability against the US dollar, trading at Shilling 2,300.58 per US dollar compared with Shilling 2,300.70 per US dollar in the preceding month. During the period, credit to the private sector grew by 8.9 percent compared with 5.0 percent recorded in the corresponding period in November 2018.*
- *During the first half of 2019/20, total domestic revenue collection increased by 11 percent to 10,167.4 billion shillings compared to 9,189.7 billion shillings collected in the corresponding period in 2018/19. However, the amount collected in the review period was 7 percent lower, when compared to estimates of 10,934.1 billion shillings.*
- *Government spending for the first half of 2019/20 amounted to 12,979.8 billion shillings equivalent to 83.5 percent of the targeted amount of 15,552.7 billion shillings, and 21.8 percent higher when compared to 10,656.7 billion shillings recorded in the corresponding period in 2018/19. Out of the total spending, 10,255.9 billion Shillings were recurrent expenditure and 2,723.9 billion shillings were development expenditure.*
- *Grants received for the second quarter of 2019/20 was 305.5 billion shillings, equivalent to 52.4 percent of the estimated amount of 583.2 billion shillings and an increase of 91.0 percent when compared to the same period in 2018/19.*
- *As of end December 2019 debt stock was 54,611.65 billion shillings compared to 49,636.45 billion shillings recorded in December 2018, equivalent to an increase of 10 percent. Out of this amount, domestic debt was 14,435.19 billion shillings and external debt stock was 40,476.46 billion shillings. The increase was driven by new external disbursement for funding development projects and Tanzanian shilling depreciation against USD particularly for external debt stock.*
- *The budget performance during the period under review showed considerable achievement in terms of key macroeconomic variables, particularly GDP growth. The performance of tax revenue was reasonably good, while the performance of expenditure had also showed an encouraging achievement when compared to similar period in 2018/19.*

1.0 RECENT MACROECONOMIC PERFORMANCE

1.1. Real GDP Growth

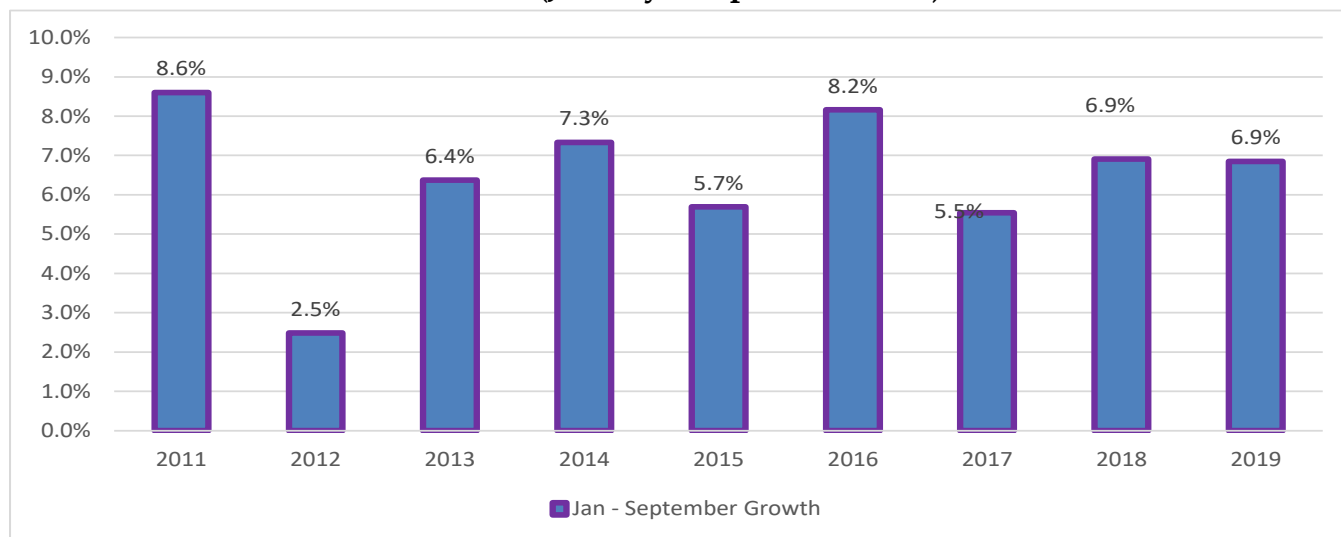
In the first three quarters of 2019 (January - September), nominal GDP increased by Shillings 100,921,413 million compared to Shillings 94,912,994 million recorded in the same period in 2018. During the review period, real GDP grew by 6.9 percent, same growth as reported in the corresponding period in 2018. The growth was on account of public investment particularly in construction of infrastructure such as roads, railways, and airports; increase in the production of gold, coal and natural gas; improved transport and communication services; and stability in power supply. Economic activities which recorded higher growth included: construction (14.6 percent); Mining and quarrying (12.6 percent); information and communication (11.0 percent); transport and storage (8.8 percent) and water (8.5 percent). The GDP growth in selected sectors and the cumulative GDP growth is summarized in **Chart 1.1** and **Chart 1.2** respectively.

Chart 1.1: GDP Growth in Selected Economic Activities (January - September, 2019)



Source: Ministry of Finance and Planning

Chart 1.2: Cumulative GDP Growth (January - September, 2019)



Source: Ministry of Finance and Planning

Real GDP growth for the third quarter of 2019 (July - September) was 6.8 percent compared to 7.1 percent recorded in the similar quarter in 2018. During the quarter under review, Information and Telecommunication activity recorded the highest growth of 11.7 percent followed by Construction 11.2 percent, Water supply 10.9, and Mining and quarrying 10.6 percent.

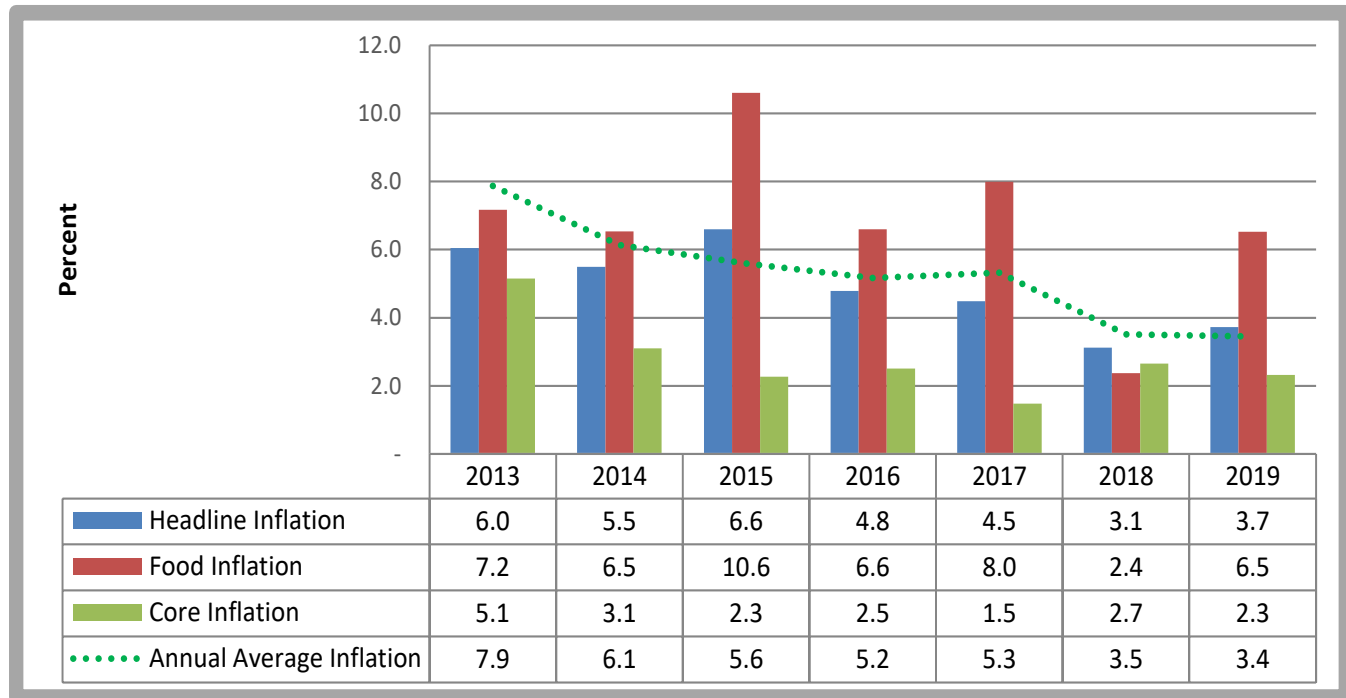
1.2. Inflation Development

Headline inflation continued to remain at single digit level in the second quarter of 2019/20 (October - December) mainly driven by stability in exchange rate and implementation of prudent fiscal and monetary policies. Nonetheless, headline inflation increased marginally relative to similar period in 2018/19. In the second quarter of 2019/20, headline inflation was 3.7 percent compared to 3.1 percent recorded in the corresponding period in 2018/19. This was largely due to increase in the general price of food. During the review period, food inflation increased by 6.5 percent compared to 2.4 percent in the same period in 2018/19. This was caused by shortage of food supply in the domestic market following increase in demand in the neighboring countries.

The second quarter witnessed an increase in overall inflation by 3.8 percent during the month ending December 2019 up from 3.3 percent recorded in December 2018. Food inflation increased to 6.9 percent in December 2019 compared to 2.6 percent in the same period in 2018 while core inflation decelerated to 2.1 percent from 3.1 percent in the same timeframe. Overall, headline inflation recorded the lowest ever rate attained over the past 40 years, decelerating from an annual average of 3.5 percent in 2018 to 3.4 percent in 2019. The trend of

inflation for October – December, 2019 is presented in **Chart 1.3**.

Chart 1.3: The Trend of Inflation (Average for October – December, 2019)



Source: Ministry of Finance and Planning

1.3. Monetary and Credit Development

During the year ending November 2019, extended broad money supply (M3) grew by 10.5 percent compared to a growth of 3.2 percent recorded in November 2018. The increase was driven by expansion in net foreign assets of the banking system and continued strong growth of credit to the private sector. During the period under review, credit to the private sector grew by 8.9 percent compared to 5.0 percent recorded in the corresponding period in November 2018. The strong credit growth continued to be supported by accommodative monetary policy and ongoing measures implemented by the Government to improve business environment.

1.4. Interest Rate Development

Overall time deposit rate averaged to 6.97 percent on the year ending November 2019 compared to an average of 7.84 percent recorded in the corresponding period in 2018. During the same period, overall lending rate decreased to an average of 16.94 percent from an average of 17.13 percent recorded in the year ending November 2018. The 12 months deposit rate averaged at 9.38 percent compared to 8.03 percent in November 2018, whereas short term lending rate decreased to an average of 16.90 percent from 18.69 percent in November 2018. The spread between short-term lending and one-year time deposit rates decreased to 7.51 percentage points during the year ending November 2019 compared with 10.65 percentage

points in the corresponding period in 2018. The downward movement of interest rates on loans and deposits by banks was on account of measures taken to reduce risk premium coupled with sustained accommodative monetary policy stance and streamlined fiscal policy.

1.5. Exchange Rate Development

The value of shilling remained fairly stable against US dollar on the year ending November 2019. In November 2019, the value of the shilling sustained stability against the US dollar, trading at Shilling 2,300.58 per US dollar compared with Shilling 2,300.70 per US dollar in the preceding month. Stability of the shilling also manifested on annual basis, as it depreciated by 0.4 percent from Shilling 2,290.58 per US dollar in November 2018.

1.6. External Sector Development

During the year ending November 2019, current account deficit narrowed to US dollar 1,863.6 million from a deficit of US dollar 1,989.7 million in the year ending November 2018. The improvement in the current account was largely explained by increase in exports. Gross official reserves amounted to USD 5,533.7 million at the end of November 2019, sufficient to cover 6.4 months (excluding FDI related import) of projected imports of goods and services. The import cover was above the country benchmark of not less than 4 months, EAC benchmark of at least 4.5 months, and SADC benchmark of a minimum of 6 months.

Earnings from exports of goods and services amounted to US dollar 9,534.4 million on the year ending November 2019 compared with US dollar 8,522.7 million in the corresponding period in 2018. This was due to an increase in the value of non-traditional goods exports and service receipts. During the same period, the value of import of goods and services increased by 9.0 percent to US dollar 11,004.5 million from US dollar 10,093.5 million in the corresponding period in 2018. Capital and intermediate goods were the main driver of the import bill and accounted for the largest share in goods import, mostly on account of on-going construction of infrastructural projects.

2.0 GOVERNMENT OPERATIONS

2.1 Domestic Revenue

In the first half of 2019/20, the Government continued to strengthen domestic resource mobilization in order to finance Government operations, infrastructure projects as well as social services.

During the second quarter of 2019/20, total domestic revenue collection (including LGAs own source) amounted to 5,484.0 billion shillings, which was 15 percent higher when compared to

4,778.4 billion shillings collected in the corresponding period in 2018/19. The collected amount was 98 percent of estimates of 5,611.3 billion shillings. On cumulative basis, total amount collected was 10,167.4 billion shillings against the target of 10,934.1 billion shillings, equivalent to 93 percent and an increase of 11 percent when compared with the amount collected in the same period in 2018/19. Out of the amount, collection of import taxes and duties for the first half of 2019/20 were 2,622.2 billion shillings against the target of 2,752.4 billion shillings, equivalent to 95 percent and 25.8 percent of total domestic revenue and 29.0 percent of tax revenue. Domestic taxes were 2,181.1 billion shillings against the target of 2,517.4 billion shillings which was 87 percent. Collections from income tax were 3,081.2 billion shillings which was 101 percent of the target of 3,059.1 billion shillings. Other taxes amounted to 1,235.0 billion shillings, equivalent to 110 percent of the target of 1,122.1 billion shillings. Collections from non tax sources were 780.0 billion shillings against the target of 1,160.8 billion shillings, which was 67 percent of the target.

2.2 Revenue by Source

2.2.1 Taxes on Imports

During the second quarter of 2019/20, collections from imports taxes and duties were 1,333.7 billion shillings reflecting a performance of 94 percent of estimated 1,417.9 billion shillings. The collection for the period was 16 percent higher when compared to the amount collected in the similar period in 2018/19. On cumulative basis, from July to December 2019, import taxes performed at 95 percent of the target of 2,752.4 billion shillings. All imports taxes performed well except for excise on other import which performed at 85 percent of the target of 101.4 billion shillings. Import duty was 97 percent of the target with collections of 672.7 billion shillings against the estimates of 694.6 billion shillings, while excise on petroleum imports was 596.8 billion shillings against the target of 572.5 billion shillings, equivalent to 104 percent. VAT on non-petroleum imports were 1,251.3 billion shillings equivalent to 92 percent of the estimates of 1,365.5 billion shillings.

The major reason for the performance of the taxes on imports was outstanding performance of some major tax items such as the Excise duty and Levy and the Excise duty on imports. Some of commodities which recorded good performance include exportation of raw minerals, sisal, cotton, coffee, cashew nuts and horticultural products.

2.2.2 Taxes on Domestic Sales

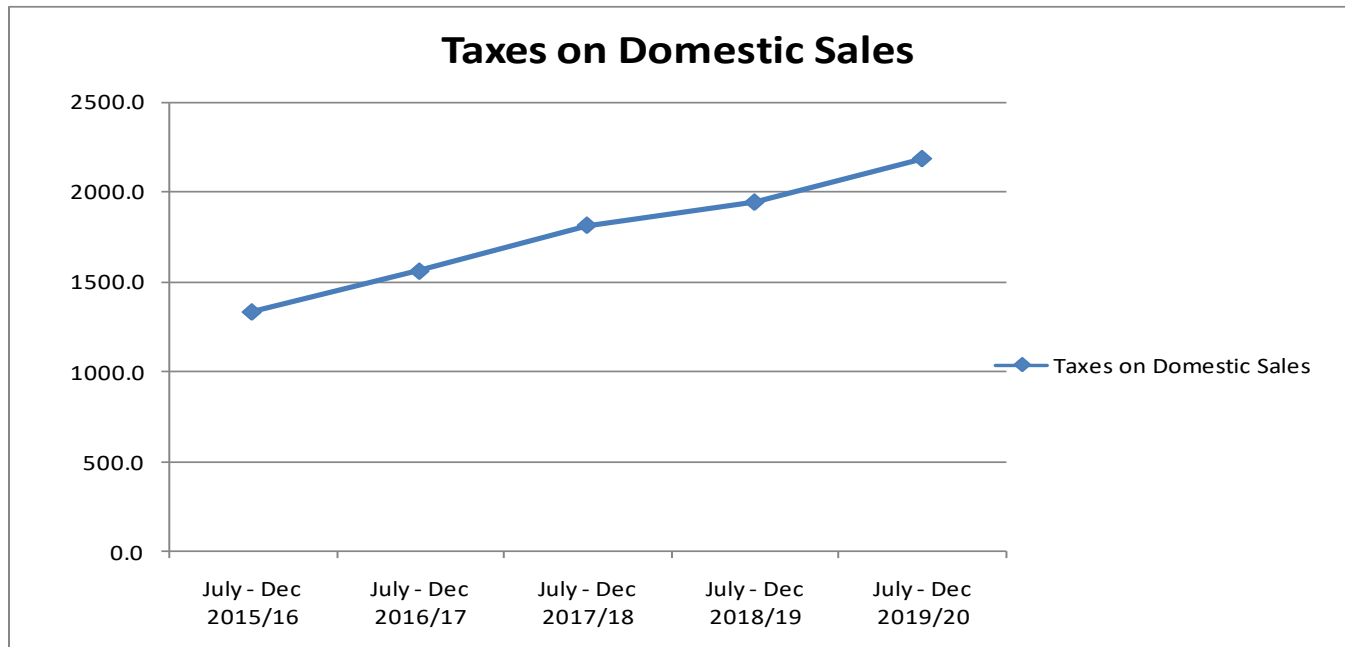
In the second quarter of 2019/20, actual tax collection from domestic sales increased by 18 percent to 1,187.5 billion shillings from 1,008.8 billion shillings collected in the corresponding period in 2018/19. The collection was equivalent to 87 percent of the target of 1,368.5 billion

shillings. On cumulative basis, actual tax collection from domestic sales increased by 12 percent to 2,181.1 billion shillings from 1,940.5 billion shillings collected in the corresponding period in 2018/19 and 87 percent of the target of 2,517.4 billion shillings. Out of the total domestic sales tax, the excise duty was 690.1 billion shillings, equivalent to 90 percent of the target of 766.8 billion shillings while VAT on domestic sales amounted to 1,491.0 billion shillings, which was 85 percent of the projection of 1,750.6 billion shillings and 13 percent higher when compared to the first half of 2018/19.

The underperformance was mainly attributed to the following: Low demand of beers and cigarettes in the market as reflected in the net sales; change of technology in some telecommunication and cement companies resulted to VAT repayment position due to high input tax claim; reduction in consumption which forced some manufactures such as Tanzania Distilleries Ltd (TDL) and spirit manufacturers to reduce production and volume of vatiable transactions by the wholesale traders; decrease in sales volume of the lubricants and heavy furnace oil that are mainly used in heavy machines and equipment. Some of the heavy plants & machines have significantly reduced consumption of the industrial engine oils and lubes.

The underperformance of the domestic excise duty was mainly due to decrease in production and consumption of some excisable goods like sugar, fruits and juice, perfumes, beer, bottled water, spirits and liquors. **Chart 2.1** shows the trend of tax on domestic sales for the first half of financial years (2015/16 – 2019/20).

Chart 2.1: Trend of Tax on Domestic Sales for the First Half (2015/16 – 2019/20)



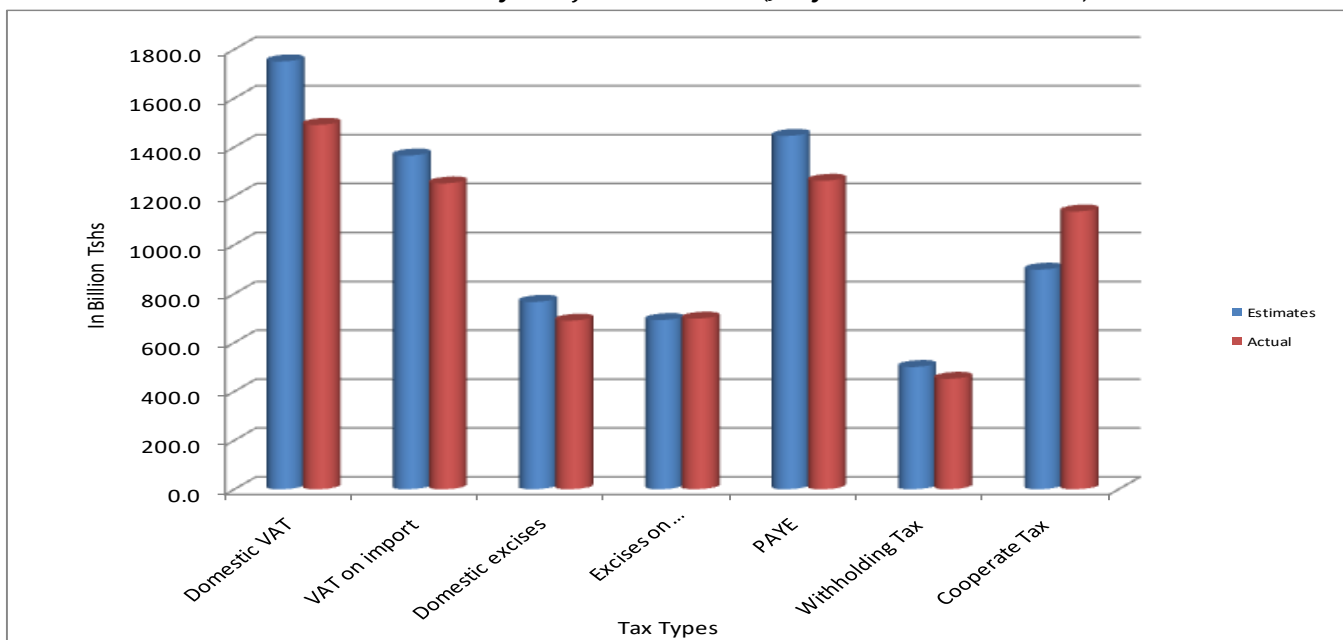
Source: Ministry of Finance and Planning

2.2.3 Income Tax

The overall income tax collection during the second quarter of 2019/20 amounted to 1,636.8 billion shillings which was 102 percent of the target of collecting 1,603.0 billion shillings, reflecting an increase of 19 percent compared to collections registered in the same period in 2018/19. Cumulatively, collections from income tax were 3,081.2 billion shillings, equivalent to 101 percent of the estimates of 3,059.1 billion shillings. The PAYE collections were 1,262.2 billion shillings against the target of 1,445.8 billion shillings million, signifying the performance of 87.3 percent. The underperformance was due to the reduction in staff allowances and replacement of expatriates with local experts by some private companies aimed at reducing operational costs.

Revenue collection from the corporate tax was 1,136.5 billion shillings, which was 126 percent of the target of 898.6 billion shillings. The impressive performance was mainly contributed by: recovery of tax arrears through legal instruments including Agency Notices that resulted to a significant increase in tax collection; close follow up of the current assessments and tax receivables from the Tax Payers. Collections from withholding taxes were 451.9 billion shillings against the target of 500.2 billion shillings, equivalent to 90 percent. The main reasons for the performance in the period under review were attributed to the increase in the number of transactions like dividend payments, rental charges, management fees, interest payment, services rendered to resident and/or nonresident and capital gain payments. Revenue performance by major tax items is shown in **Chart 2.2**.

Chart 2.2: Revenue Performance by Major Tax Item (July - December 2019)

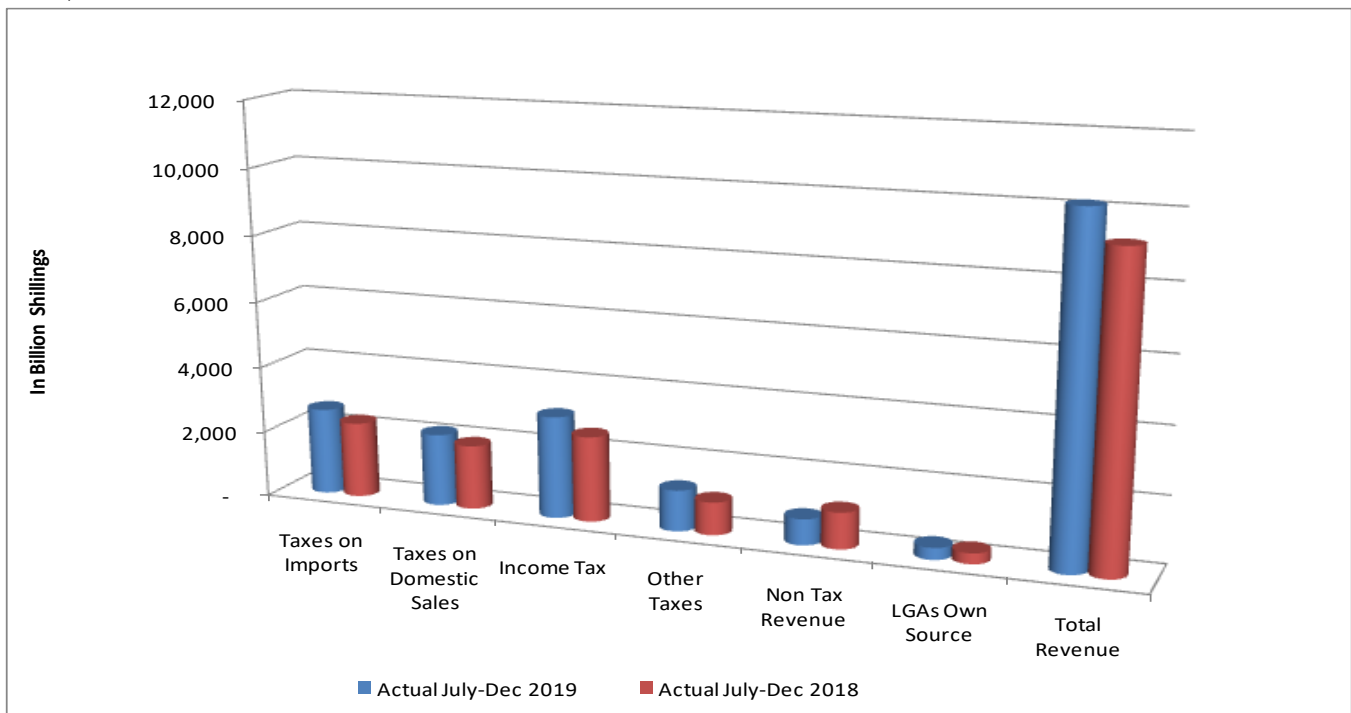


Source: Ministry of Finance and Planning

2.2.4 Other Taxes

During the quarter ended December 2019, actual collections from this category amounted to 690.9 billion shillings, which was 119 percent of the period estimate of 581.4 billion shillings. On cumulative basis, amount collected from this source was 1,235.0 billion shillings, which was 110 percent of the target of 1,122.1 billion shillings, and an increase of 25 percent when compared to the amount collected in the same period in 2018/19. Out of the amount, Fuel Levy and Transit Fee amounted to 434.7 billion shillings, equivalent to 105 percent of estimates, Railway Development Fund was 131.3 billion shillings, equivalent to 96 percent of estimates; National Water Development Fund was 82.6 billion shillings, equivalent to 105 percent of estimates; and Business Skill Development Levy recorded 157.5 billion shillings, equivalent to 89 percent of estimates. On the other hand, Departure Service Charges performed at 93 percent of estimates. In addition, collections for Rural Energy Agency (REA) recorded 171.7 billion shillings, which is 96 percent of estimates. The trend of revenue performance is indicated in **Chart 2.3**.

Chart 2.3: Revenue Performance (July - December, 2019) Compared to (July - December, 2018)

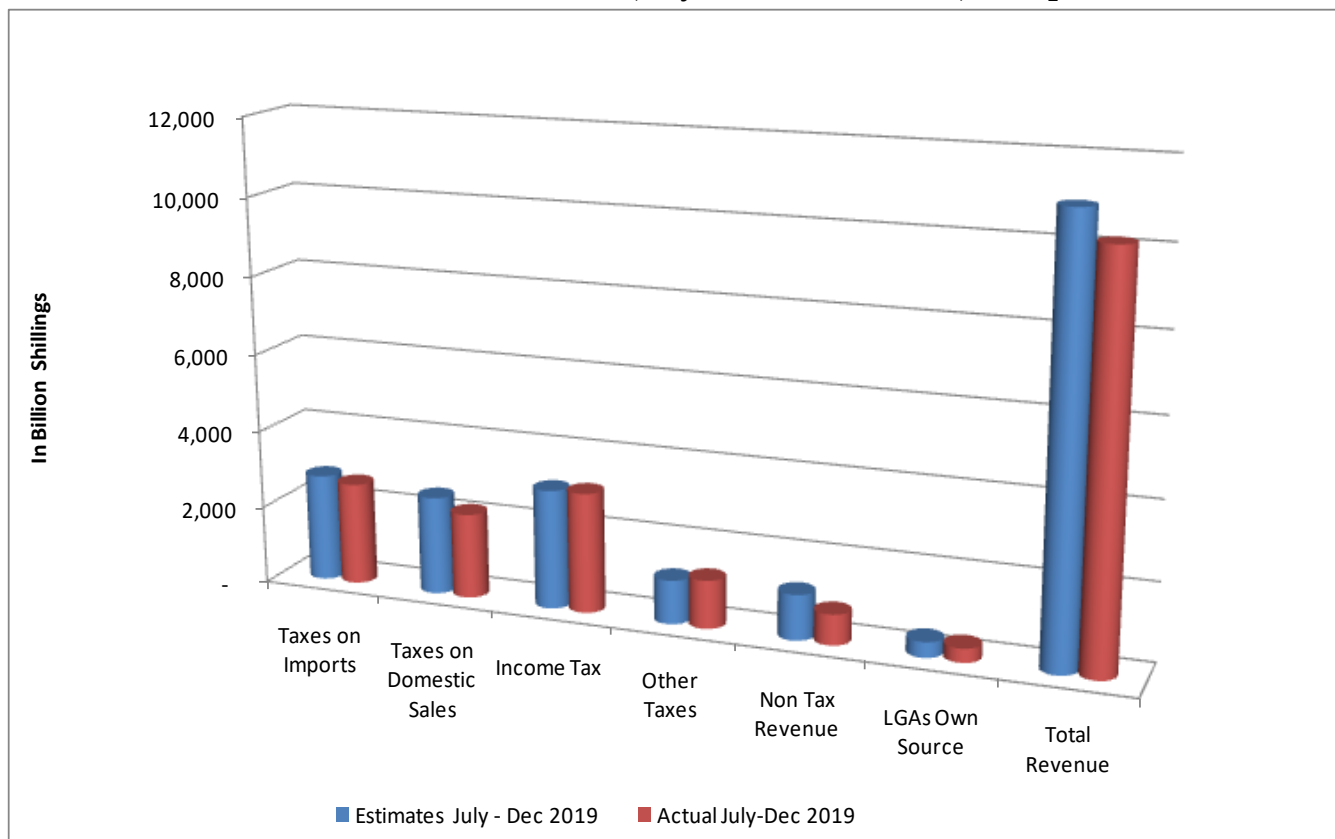


Source: Ministry of Finance and Planning

2.2.5 Non Tax Revenue

Collections of non-tax revenue¹ in the second quarter of 2019/20 were 494.7 billion shillings, equivalent to 102 percent of quarter estimates of 486.6 billion shillings. The collections were lower by 14 percent when compared to collections registered in the same period in 2018/19. For the period of July to December 2019, non-tax revenues collected by Ministries were 551.3 billion shillings against the target of 800.6 billion shillings, equivalent to 69 percent, while non-tax revenues collected by TRA were 76.7 billion shillings, which was 107 percent of the quarter estimates of 71.4 billion shillings. LGAs own source revenue collection performance recorded 355.4 billion shillings, which was 91 percent of the target of 392.7 billion shillings. Domestic revenue performance for the first half of 2019/20 compared to estimates is depicted in **Chart 2.4**.

Chart 2.4: Domestic Revenue Performance (July - December, 2019) Compared to Estimates



Source: Ministry of Finance and Planning

2.3 Expenditure

In 2019/20 the Government planned to spend 33,105.4 billion shillings for recurrent and development expenditure priorities. The attainment of these projections will be achieved through implementation of the following expenditure policies: ensuring discipline in the

¹ Including Non Tax revenue collected by TRA and excluding LGAs own source

public funds spending and reducing unnecessary expenditure; allocation of funds to priority areas in order to stimulate economic growth; control accumulation of arrears; and ensuring the budget deficit does not exceed 3.0 percent of GDP.

2.3.1 Second Quarter Expenditure Performance

The Government spending during the second quarter amounted to 6,961.5 billion shillings, equivalent to 83.9 percent of the quarter target of 8,294.6 billion shillings, and 28.0 percent higher when compared to 5,439.5 billion shillings spent in the corresponding quarter in 2018/19. The amount comprised of 5,155.9 billion shillings recurrent expenditure (including LGAs Own Source), which was 98.9 percent of the quarter projection of 5,214.2 billion shillings and 1,805.6 billion shillings development expenditure or 65.4 percent of the quarter target of 2,762.2 billion shillings. The impressive performance recorded for recurrent expenditure was mainly contributed by the fact they are largely financed by domestic revenues which are more predictable than the development budget, which is partly financed by grants and borrowings.

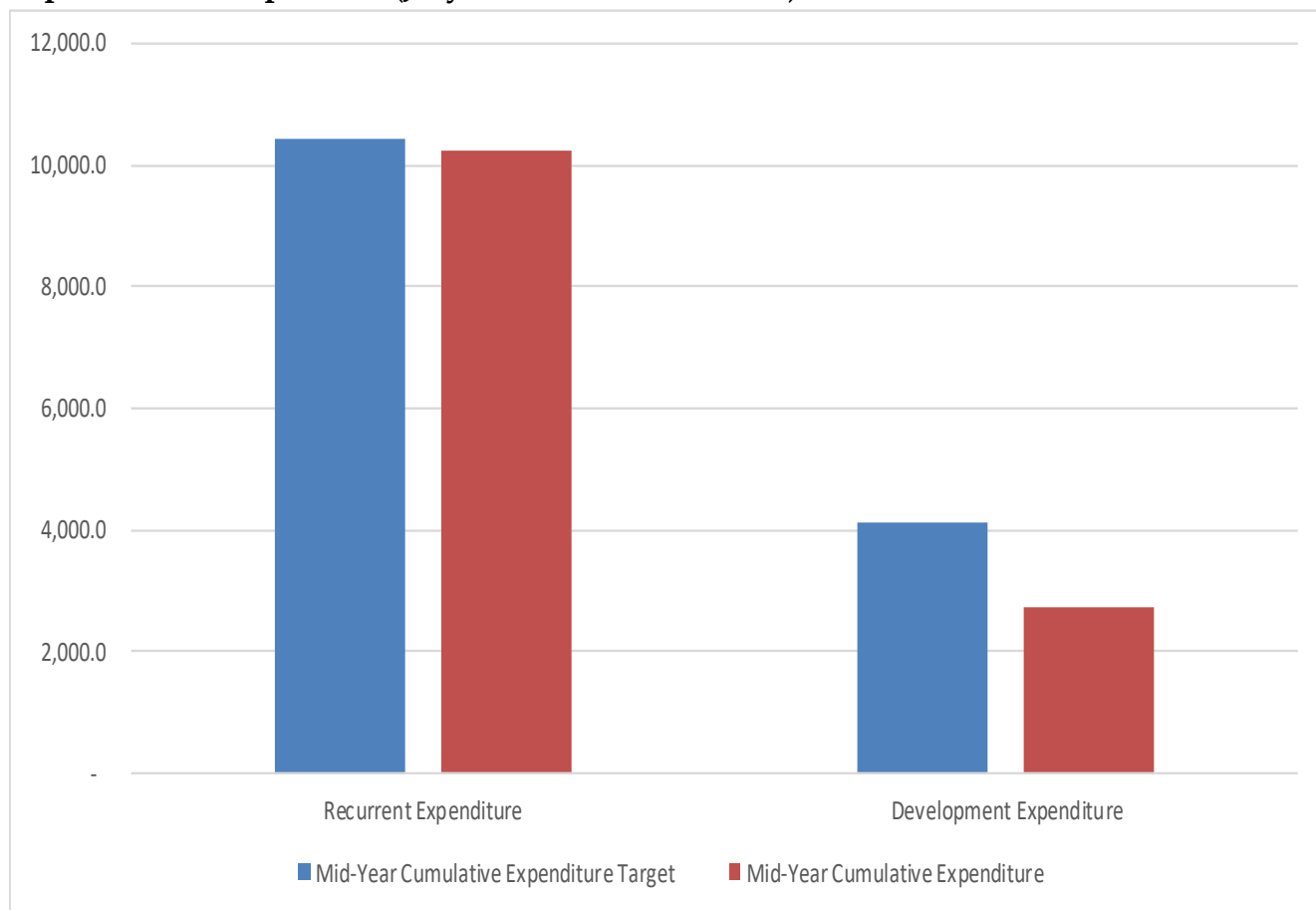
The execution of budget for the major categories of recurrent spending had also shown an encouraging performance, with the debt service registering the highest spending of 2,409.0 billion shillings, equivalent to 98.1 percent of the target of 2,455.6 billion shillings. Wages and salaries followed with the total spending of 1,539.6 billion shillings, which was 96.8 percent of the target of 1,589.7 billion shillings, while expenditure on other charges amounted to 1,207.3 billion shillings or 95.9 percent of the second quarter projection of 1,258.8 billion shillings. Nevertheless, execution of development budget was to a greater extent below the target mainly on account of lower than expected revenue collection in some domestic and external revenue sources. The total development funds released during the second quarter amounted to 1,805.6 billion shillings, equivalent to 65.4 percent of the planned quarter spending of 2,762.2 billion shillings. Out of this amount, 1,615.7 billion shillings were locally financed expenditure (including LGAs Own source) which was 72.3 percent of the quarter target of 2,234.5 billion shillings and 189.9 billion shillings were externally financed expenditure, equivalent to 44.4 percent of the planned quarter spending of 427.7 billion shillings.

On cumulative basis, total expenditure for the mid-year (July to December, 2019) amounted to 12,979.8 billion shillings, which was 83.5 percent of the mid-year target of 15,552.7 billion shillings, and 21.8 percent higher when compared to the amount of 10,656.7 billion shillings spent in the similar period in 2018/19. This amount included 10,255.9 billion shillings recurrent expenditure, equivalent to 98.3 percent of the cumulative target of 10,428.4 billion shillings and 2,723.9 billion shillings were development expenditure, equivalent to 66.0 percent of the mid-year target of 4,124.3 billion shillings. Wages and Salaries cumulative execution were 3,450.3 billion shillings, which was 97.0 percent of the target of 3,558.5 billion shillings while expenditure on other charges were 2,992.0 billion shillings or 97.8 percent of the target of 3,060.6 billion shillings. The cumulative spending on debt service during the period under review amounted to 3,813.6 billion shillings, equivalent to 98.2 percent of the

cumulative projection of 3,881.3 billion shillings.

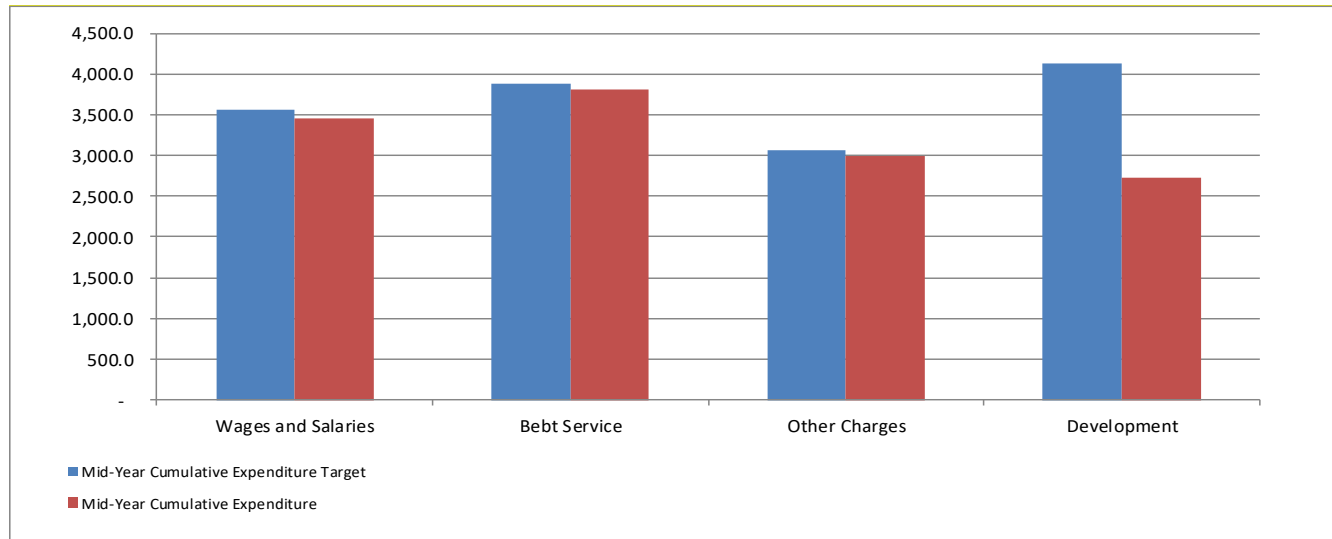
The total amount released for financing of development projects amounted to 2,723.9 billion shillings (including 24.7 billion shillings channeled through direct-to-project funding modality), equivalent to 66.0 percent of the mid-year target of 4,124.3 billion shillings. Out of the amount, spending on the locally financed development projects amounted to 2,453.2 billion shillings while expenditure on externally financed development projects were 270.7 billion shillings. Cumulative expenditure on transfers to Local Government Authorities (LGAs) (including own sources revenue) amounted to 2,518.4 billion shillings. Out of this: 1,758.4 billion shillings were for wages and salaries; 401.6 billion shillings for Other Charges; 333.0 billion shillings for development (locally financed); and 25.4 billion shillings for development (externally financed). The overall performance of the budget by main budget classification and major category items is presented in **Chart 2.5** and **2.6** respectively.

Chart 2.5: Second Quarter Expenditure Performance by Recurrent and Development Expenditure Composition (July 2019 - December 2019)



Source: Ministry of Finance and Planning

Chart 2.6: Second Quarter Expenditure Performance by Major Category Items (July 2019 - December 2019)



Source: Ministry of Finance and Planning

2.3.2 Mid-Year Expenditure Priorities

Debt Service: Government released 3,813.6 billion shillings for payment of domestic and external debt obligations;

Salaries and Wages: 3,450.3 billion shillings were released for payment of salaries and wages to Government employees;

Improvement of Infrastructure: 800.8 billion shillings were released for implementation of roads, railway and airports projects;

Higher Education Students' Loans and Vocational Education: 303.4 billion shillings were released for financing of higher education students' loans, vocational education and training and skills development;

Water Supply Services: 123.5 billion shillings were released for improvement of water supply services in urban and rural areas;

Fee Free Basic Education: 128.1 billion shillings were released for financing outlays of the fee free basic education; and

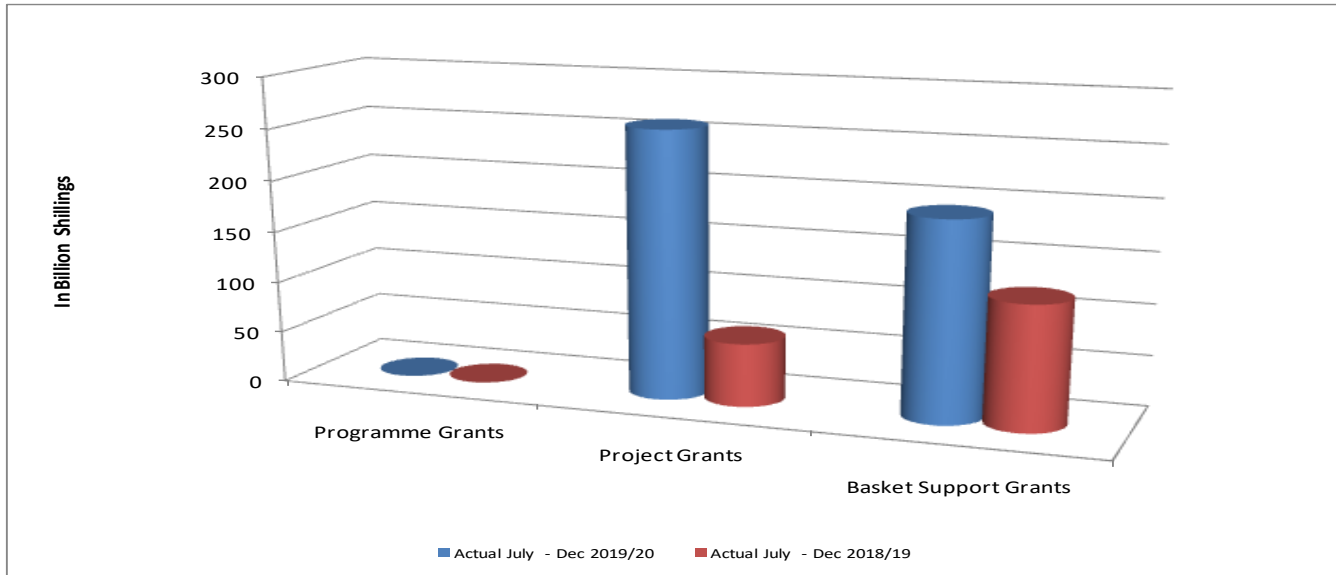
Julius Nyerere Hydroelectric Power Project: 108.6 billion shillings were released for construction of Julius Nyerere Hydroelectric Power Project.

2.4 Grants

Grants received for the second quarter of 2019/20 was 305.5 billion shillings, equivalent to 52.4 percent of the estimated amount of 583.2 billion shillings, and an increase of 91.0 percent when compared to the same period in 2018/19. For the period of July - December 2019, amount of Grants received was 452.7 billion shillings, equivalent to 59.7 percent of the estimated amount of 758.0 billion shillings, and an increase of 148.6 percent when compared

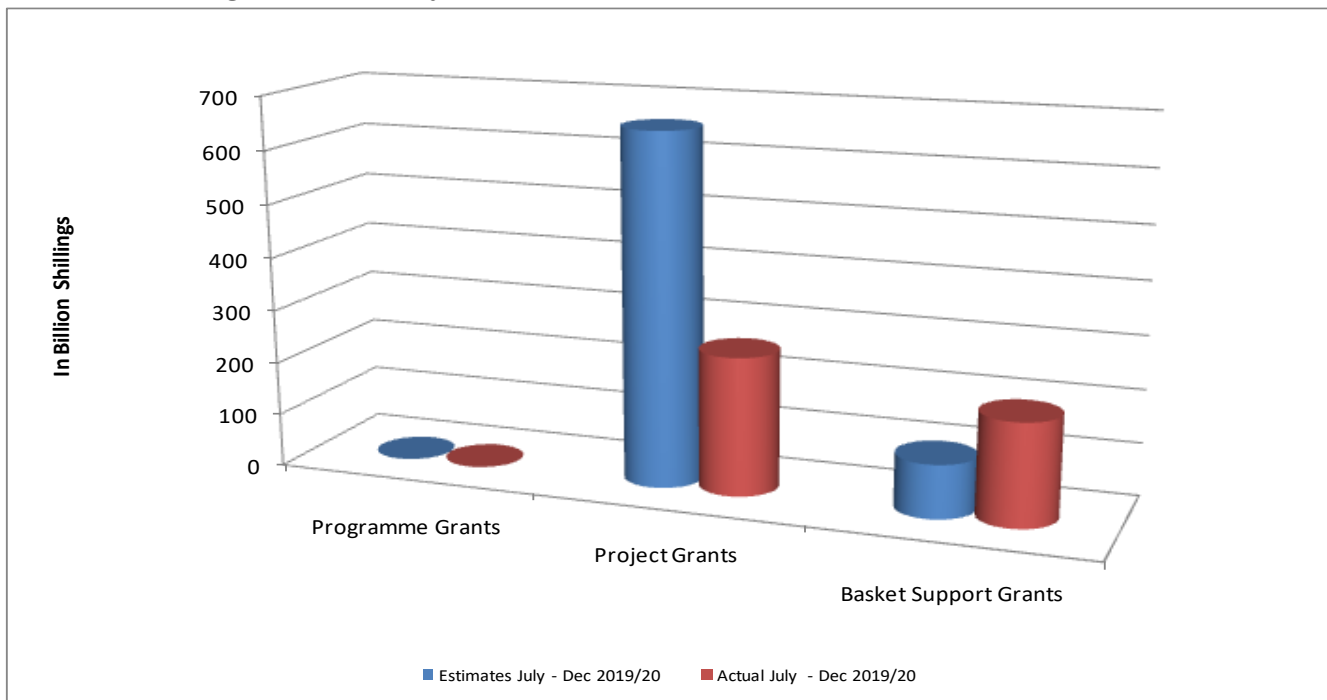
to the same period in 2018/19. Out of the total grants, project grants were 259.9 billion shillings, equivalent to 39.5 percent of the estimates of 657.5 billion shillings and basket funds amounted to 102.8 billion shillings, or 191.8 percent of estimates of 100.5 billion shillings. The performance of foreign grants is shown in **Chart 2.7**.

Chart 2.7: Foreign Grants July - December 2019 Compared to July - December 2018



Source: Ministry of Finance and Planning

Chart 2.8: Foreign Grants (July - December 2019) Estimates Vs Actual



Source: Ministry of Finance and Planning

2.5 Financing

Total financing during the period under review was a buildup of 66.0 billion shillings against the target of buildup of 1,237.6 billion shillings. Total foreign net financing was 1,753.4 billion shillings against the target of 1,866.8 billion shillings which was 93.9 percent of the target. Total domestic net financing was a buildup of 1,687.5 billion shillings against the target of a buildup of 629.1 billion shillings, equivalent to 268.2 percent of estimates.

2.5.1 Domestic Financing

Domestic borrowing in 2019/20 is expected at 4,960.0 billion shillings, whereas 3,460.2 billion shillings is for financing rolling over of maturing Treasury Bills and Bonds and 1,499.8 billion shillings are new loans for financing development projects. During the first half of 2019/20, the Government managed to borrow 2,614.2 billion shillings for redemption (rollover) of maturing obligations against the target of 1,844.0 billion shillings. In addition, 1,687.5 billion shillings was a buildup of Government deposit against the target of a buildup of 629.1 billion shillings.

2.5.2 Foreign Financing

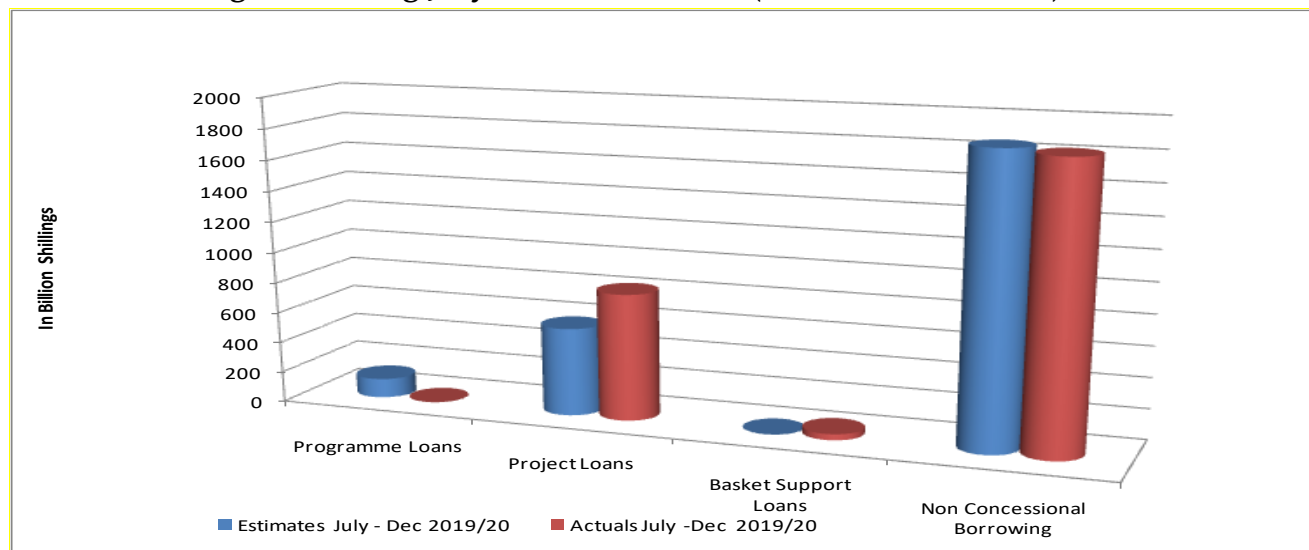
Net Foreign financing was 1,753.4 billion shillings against the target of 1,866.8 billion shillings. During the period under review, disbursement of concessional loans were 865.4 billion shillings, which was 117.9 percent of the target of 700.6 billion shillings. In addition, the Government managed to raise 1,822.1 billion shillings as external non concessional loans against the target of 1,853.1 billion shillings. Amortization of foreign loans was 934.1 billion shillings against the estimates of 1,150.2 billion shillings. **Table 1** and **Chart 2.9** indicates the trend of grants and external concessional loans.

Table 1: Trend of Grants and External Concessional Loans

Summary of quarterly disbursement (All figures in million Shillings)					
AID MODALITY	Type of assistance	Annual Commitment as per budget	Quarterly commitment (July - Dec 2019/20)	Quarterly disbursement (July - Dec 2019/20)	% of Commitment
GBS	Grants	146,822	-	-	0%
GBS	Concessional Loan	125,990	657,540	259,884	40%
Sub Total		272,813	657,540	259,884	40%
Basket Fund	Grants	164,713	100,483	192,772	192%
Basket Fund	Concessional Loan	34,746	-	39,407	
Sub Total		199,459	100,483	232,179	231%
Direct Project Fund	Grants	896,987	657,540	259,884	40%
Direct Project Fund	Concessional Loan	1,414,416	574,607	825,984	144%
Sub Total		2,311,404	1,232,147	1,085,868	88%
Grand Total		2,783,676	1,990,170	1,577,931	79%

Source: Ministry of Finance and Planning

Chart 2.9: Foreign Financing July - December 2019 (Estimates Vs Actual)



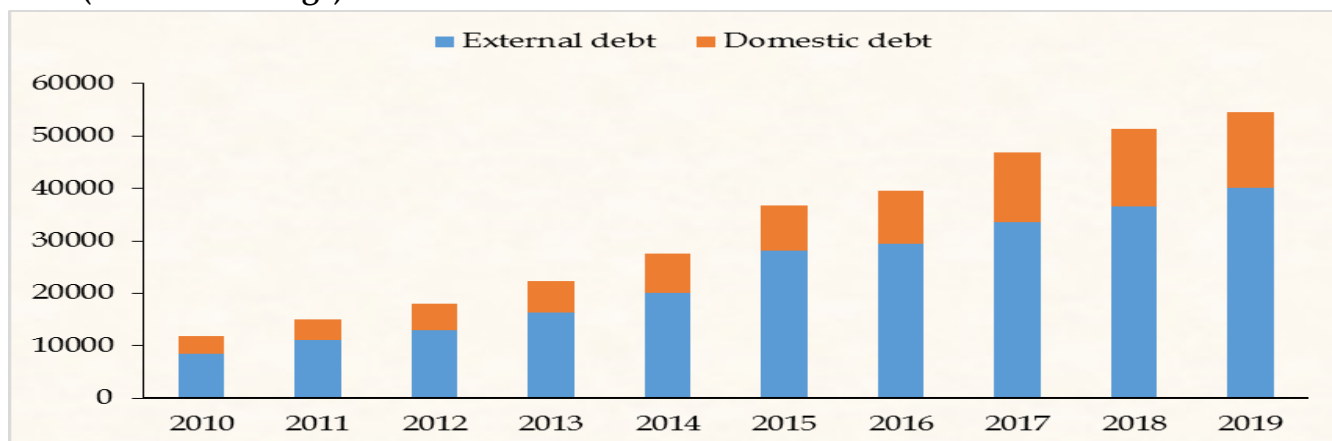
Source: Ministry of Finance and Planning

3.0 PUBLIC DEBT DEVELOPMENT

3.1 Central Government Debt Stock

As of end December 2019 debt stock was 54,911.65 billion shillings compared to 49,636.45 billion shillings in December 2018, equivalent to an increase of 10 percent. Out of this amount, domestic debt was 14,435.19 billion shillings which is 26.3 percent of the debt stock and external debt stock was 40,476.46 billion shillings, equivalent to 73.7 percent of the debt stock. The increase was driven by new external disbursement for funding development projects and Tanzanian shilling valuation against USD particularly for external debt stock. **Chart 2.10** presents the trend of the Central Government Debt Stock for the period 2010 to 2019.

Chart 2.10: Trend of Central Government Debt Stocks for the Period Ending December 2019 (Billion Shillings)

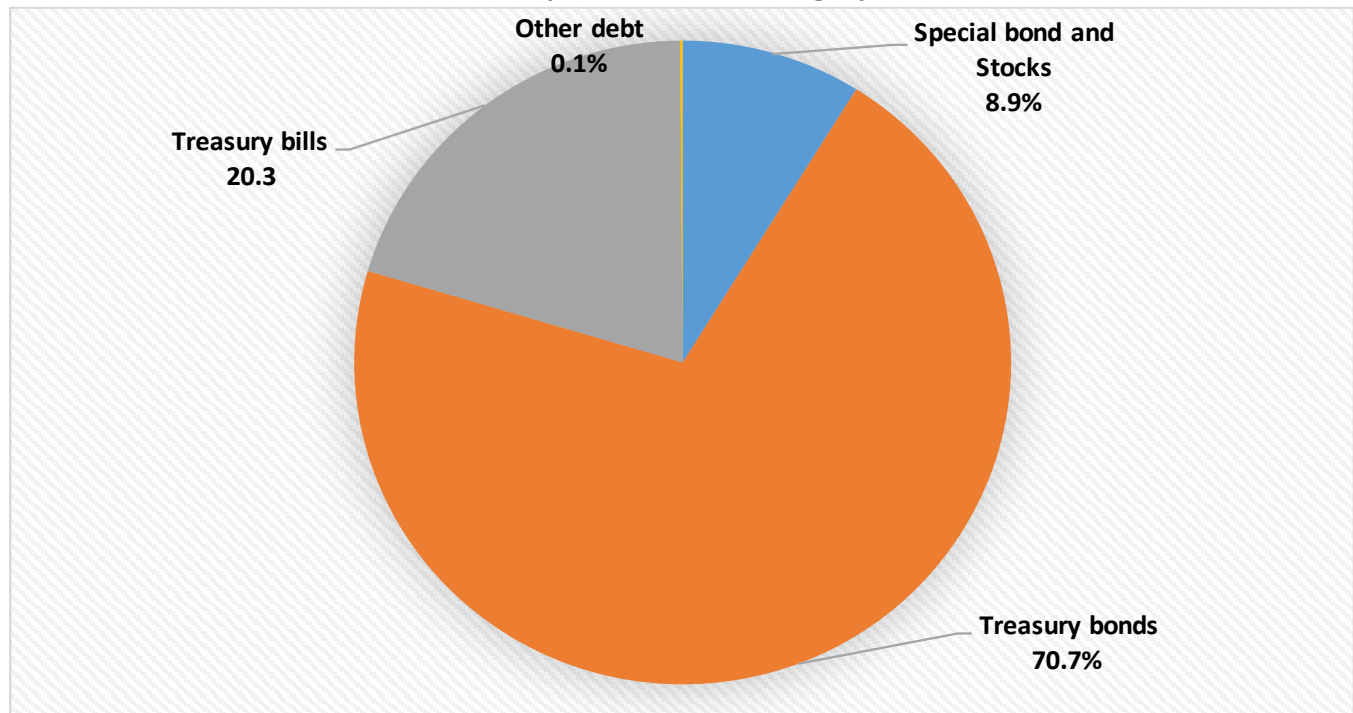


Source: Ministry of Finance and Planning

3.2 Central Government Domestic Debt Stock

As of end December 2019, the stock of domestic debt was 14,435.19 billion shillings compared to 13,013.42 billion shillings in December 2018, equivalent to an increase of 10.9 percent. The increase was on account of new borrowing acquired to finance the budget deficit. Large share of domestic debt instruments was dominated by Treasury bond recording 70.7 percent followed by Treasury bills 20.3 percent, special bond and stocks 8.9 percent and other debt 0.1 percent. Share of domestic debt by instrument category is depicted in **Chart 2.11**.

Chart 2.11: Share of Domestic Debt by Instrument Category

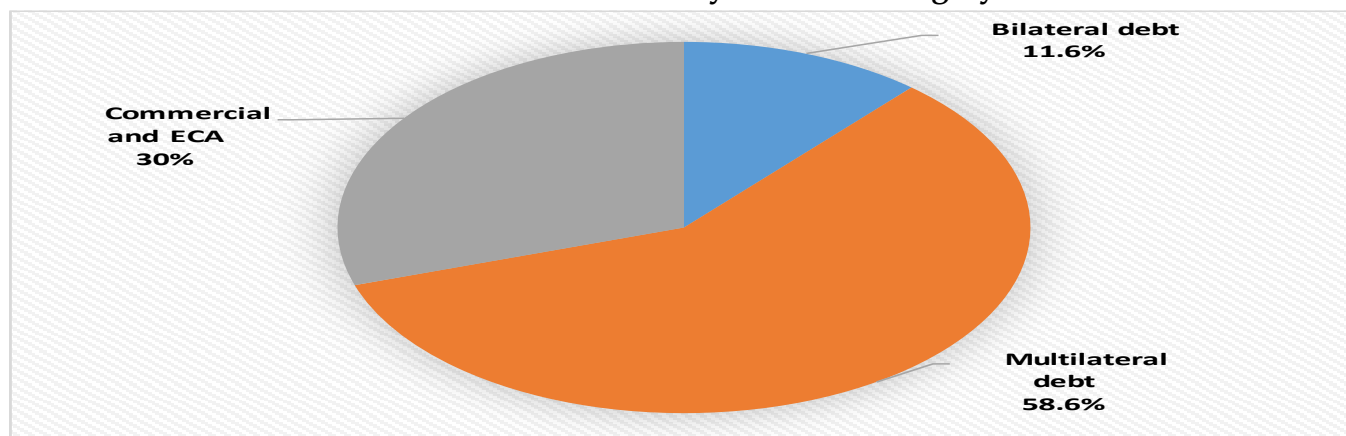


Source: Ministry of Finance and Planning

3.3 Central Government External Debt Stock

During the period under review, the Central Government external debt stock was USD 17,560.20 million compared to USD 15,975.90 million in the corresponding period in 2019, equivalent to an increase of 9.9 per cent. Out of this, Disbursed Outstanding Debt was USD 16,610.20 million and USD 950.0 million was Interest Arrears. The increase of debt was due to new disbursements. External debt portfolio consisted of loans from different creditor category, of which Multilateral creditors was 58.4 percent of the total external debt portfolio, followed by Commercial banks and Export Credit Agency (ECA) 30 percent and Bilateral 11.6 percent (**Chart 2.12**). The multilateral institutions remained dominant, accounting for more than half of the total external debt stock. The largest multilateral creditors are International Development Association and the African Development Bank.

Chart 2.12: Central Government External Debt by Creditor Category



Source: Ministry of Finance and Planning

3.4 Debt Sustainability Analysis

The Debt Sustainability Analysis (DSA) conducted in December 2019 revealed that, the debt is sustainable in the short, medium and long run as the debt burden indicators were below the international agreed thresholds. 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. The results of debt sustainability analysis and the projected overall public debt burden indicators are shown in **Table 1 and 2**

Table 1: Result of Debt Sustainability Analysis

External DSA	Threshold	2019/20	2020/21	2021/22	2022/23	2023/24	2029/2030	2039/40
PV of debt-to-GDP ratio	55	16.3	16.8	17.6	18.2	18.0	13.7	9.1
PV of debt-to-exports ratio	240	103.9	105.5	110.9	116.7	115.4	83.9	53.5
Debt service-to-exports ratio	21	11.9	11.1	9.5	10.3	11.2	11.7	8.1
Debt service-to-revenue ratio	23	11.9	11.9	10.1	10.7	11.6	11.8	7.9

Source: Ministry of Finance and Planning

Table 2: Projected Overall Public Debt Burden Indicators

Public DSA	Benchmark	2019/20	2020/21	2021/22	2022/23	2023/24	2029/2030	2039/40
PV of debt-to-GDP ratio	70	27.1	27.5	28.1	29.2	29.6	33.2	28.2
PV of debt-to-Revenue and grant	N/A	163.7	175.6	178.4	185.3	187.8	202.5	160.9
Debt service-to-revenue ratio	N/A	33.4	29.7	27.5	29.3	29.9	46.8	44.8

Source: Ministry of Finance and Planning

4.0 BUDGET OUTTURN TO JUNE 2020

The budget performance in the first half of 2019/20 showed considerable achievement in terms of performance of key macroeconomic variables, particularly GDP growth. The performance of tax revenue was reasonably good, but the performance of non tax revenue and expenditure during the period under review was below the targets. The Government will continue with her efforts to ensure that the budget is executed as planned to achieve the desired outputs.

ANNEX A

Revenue Performance July - September 2019						
Billion Shillings						
	Budget Estimates	July - September 2019			July-Sept 2018/19 Actual	Year on year % change
		Estimates	Actual	Percent of estimate		
Revenue (Including LGAs own sources)	23,045.3	5,399.1	4,966.9	92%	4,411.3	13%
Revenue (Excluding LGAs own sources)	22,279.9	5,196.7	4,796.8	92%	4,268.0	12%
Tax Revenue	18,955.2	4,446.1	4,228.1	95%	3,752.0	13%
Taxes on Imports	5,538.0	1,334.6	1,288.5	97%	1,132.8	14%
Import Duty	1,402.3	336.0	341.7	102%	302.2	13%
Petroleum	1,155.7	276.9	272.9	99%	232.0	18%
Excise	1,155.7	276.9	272.9	99%	232.0	18%
Others	2,979.9	721.6	674.0	93%	598.6	13%
Excise	223.2	61.1	49.9	82%	41.6	20%
VAT on Non-Petroleum imports	2,756.7	660.5	624.1	94%	557.0	12%
Taxes on Domestic Sales	4,985.1	1,149.0	993.6	86%	931.7	7%
Excise	1,582.5	356.4	333.8	94%	291.9	14%
Value Added Tax (VAT)	3,402.6	792.5	659.8	83%	639.8	3%
Income Tax	6,322.8	1,456.1	1,444.4	99%	1,203.9	20%
PAYE	2,953.3	696.1	616.2	89%	576.5	7%
Corporate and Parastatals	1,921.6	435.5	497.6	114%	382.3	30%
Individuals	257.6	59.7	51.8	87%	45.2	15%
Withholding Taxes	1,004.4	217.5	217.9	100%	135.3	61%
Rental Tax	38.4	8.7	24.7	284%	25.5	-3%
Other Income	147.5	38.5	36.2	94%	39.1	-7%
Other Taxes	2,247.2	540.8	544.1	101%	483.6	13%
Business Skill Development Levy	362.8	86.3	76.6	89%	69.4	10%
Fuel Levy and transit fee	838.1	200.8	195.4	97%	183.1	7%
Stamp Duty	17.9	4.3	6.7	156%	2.3	191%
Departure Service Charges	69.7	16.2	17.9	111%	18.3	-2%
Processing Fee-dry cargo-TRA	67.7	16.2	17.4	107%	14.3	21%
Export Duty	26.8	6.4	26.4	411%	2.6	931%
Railway Development Fund	276.9	66.3	65.4	99%	59.7	10%
National Water Development Fund	146.2	38.0	37.1	98%	34.8	7%
Motor vehicle taxes	39.1	9.3	29.5	316%	22.6	30%
Treasury Voucher Cheque	39.7	9.9	2.6	26%	0.1	3447%
Transfer to REA	362.3	86.8	69.1	80%	76.5	-10%
Refunds	-137.9	-34.3	-42.6	124%	0.0	
Refunds - VAT	-121.3	-29.4	-32.3	110%	0.0	
Refunds - other	-16.6	-4.9	-10.3	211%	0.0	
Non Tax Revenue	3,324.7	750.6	568.7	76%	516.0	10%
Parastatal Dividends	947.0	162.9	64.5	40%	84.8	-24%
Ministries and Regions	2,231.9	558.0	472.4	85%	406.2	16%
TRA Non Tax	103.8	24.9	26.4	106%	21.6	22%
Property tax	21.5	4.4	3.2	71%	2.4	31%
Billboard Fee Collections	20.5	0.4	2.2	559%	1.0	125%
LGAs own source	765.5	202.4	170.1	84%	143.3	19%

Source: Ministry of Finance and Planning