

THE UNITED REPUBLIC OF TANZANIA



MINISTRY OF FINANCE AND PLANNING

**THE BUDGET EXECUTION REPORT FOR THE FINANCIAL YEAR 2021/22
(JULY 2021 TO JUNE 2022)**

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LIST OF ABBREVIATIONS

ATCL	
BoT	- Bank of Tanzania
DSA	- Debt Sustainability Analysis
EFD	- Electronic Fiscal Device
ENCB	- External Non-Concessional Borrowing
GBS	- General Budget Support
GDP	- Gross Domestic Product
JNHPP	- Julius Nyerere Hydropower Project
LGAs	- Local Government Authorities
MDAs	- Ministries Departments and Agencies
PAYE	- Pay as You Earn
REA	- Rural Electrification Agency
SDL	- Skills Development Levy
SGR	- Standard Gauge Railway
TRA	- Tanzania Revenue Authority
USD	- United States Dollar
VAT	- Value Added Tax

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Executive Summary

In the first quarter (January – March) of 2022, the economy registered a real GDP growth of 5.4 percent compared to 5.0 percent in a corresponding quarter of 2021. In 2021/22, headline inflation continued to maintain single digit averaged at 4.0 percent compared to 3.3 percent in 2020/21. The increase in inflation was on account of Russia-Ukraine war and residual effects of COVID-19 pandemic.

During the fourth quarter, total domestic revenue collection (including LGAs own source) amounted to 6,261.2 billion shillings, which was 22.6 percent higher than 5,107.9 billion shillings collected in a corresponding period in 2020/21. On cumulative basis, total domestic revenue collected for the year 2021/22 was 24,395.8¹ billion shillings against the target of 25,691.7 billion shillings, equivalent to 95.0 percent of the target for the period and an increase of 18.6 percent when compared with amount collected in the year 2020/21.

Government spending for the fourth quarter was 10,210.9 billion shillings, equivalent to 105.5 percent of the target of 9,682.9 billion shillings whereby recurrent expenditure was 5,985.4 and development 4,225.5. For the period (July 2021 to June 2022) total expenditure amounted to 36,292.1 billion shillings, equivalent to 95.5 percent of the annual target of 37,992.5 billion shillings.

Grants received during the fourth quarter were 182.0 billion shillings, equivalent to 114 percent of the estimated amount of 160.0 billion shillings. Cumulatively, total grants received as at June 2022 were 708.5 billion shillings, equivalent to 62.0 percent of the estimates.

Total financing for the reviewed period was 1,673.5 billion shillings against the target of 354.1 billion shillings. Total foreign net financing was a borrowing of 125.0 billion shillings against the target of 410.7 billion shillings. Total domestic net financing was 1,548.6 billion shillings against the target repayment of 56.6 billion shillings. Cumulatively, total financing for the year 2021/22 was 6,117.6 billion shillings against the target of 4,949.1 billion shillings.

As of end June 2022, Debt stock amounted to 71,559.02 billion shillings compared to 64,272.27 billion shillings in the corresponding period 2021, equivalent to an increase of 11.34 percent. Out of the amount, domestic debt stock was 24,039.82 billion shillings and external debt stock was 47,519.20 billion shillings.

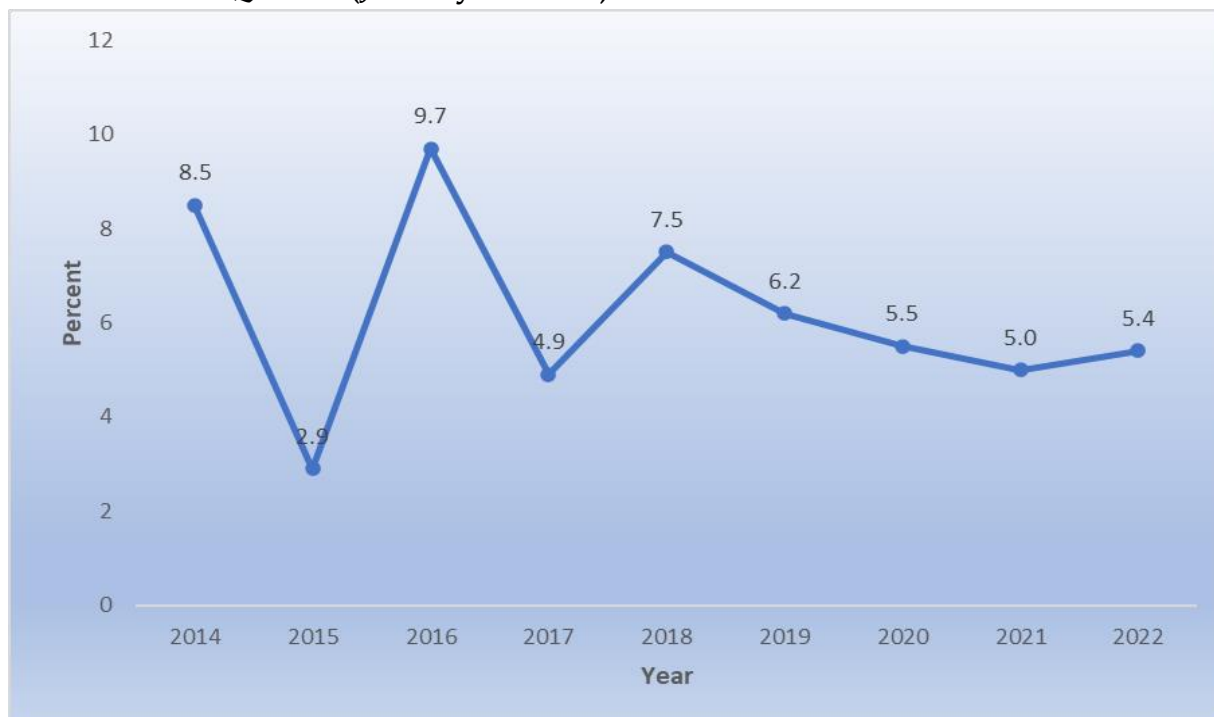
¹ Numbers contained in the report are preliminary. Final numbers will be reflected in the Consolidated Audited Financial Statements.

1.0 RECENT MACROECONOMIC PERFORMANCE

1.1 Real GDP Growth

During the first quarter (January – March, 2022) Gross Domestic Product (GDP) at current prices in absolute terms was 43.4 trillion shillings compared to 38.9 trillion shillings attained in the corresponding quarter of 2021. GDP at 2015 constant prices for the first quarter of 2022 in absolute terms was 34.9 trillion shillings compared to 33.1 trillion shillings recorded in the corresponding quarter of 2021, equivalent to a growth of 5.4 percent compared to a growth rate of 5.0 percent observed in the corresponding quarter in 2021 (Chart 1.1). During the period under review, sectors which recorded high growth rate included Water Supply (11.9 percent), Financial and Insurance (10.0 percent), Other social services (8.5 percent), Mining and Quarrying (8.5 percent), Electricity (8.3 percent), Information and Communication (8.0 percent), and Public Administration and Defense (6.1 percent).

Chart 1.1: First Quarter (January – March) GDP Growth Rates

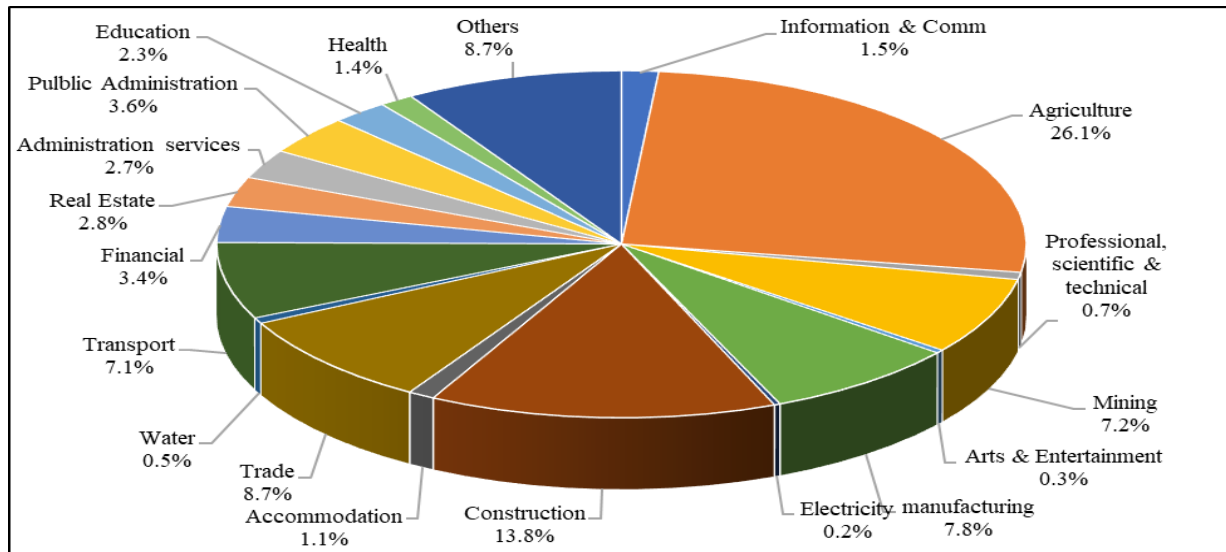


Source: National Bureau of Statistics

1.2 Real GDP Growth in 2021

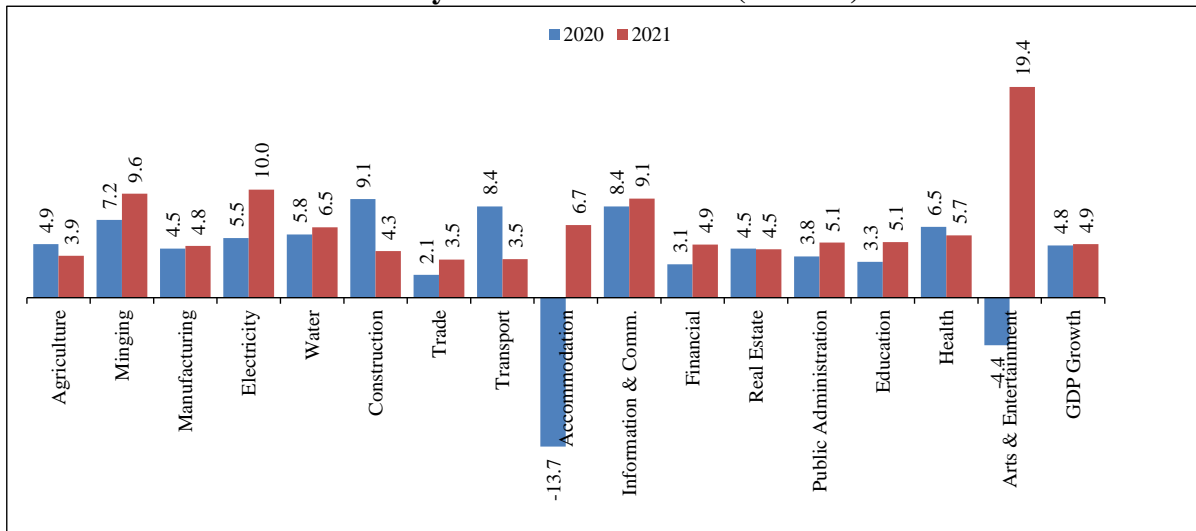
On annual basis, real GDP grew by 4.9 percent in 2021 compared to 4.8 percent in 2020 based on the new series of 2015 base year. The increase in growth was due to: strategic investment especially in infrastructures (energy, water, health, education, roads, railways and airports); increased mineral production particularly gold and coal; and increased credit to private sector which stimulated economic activities. Sectors which recorded high growth during the period under review were: arts and entertainment (19.4 percent); electricity (10.0 percent); mining and quarrying (9.6 percent); and information and communication (9.1 percent). Accommodation and food services as well as arts and entertainment sectors which were adversely affected by COVID-19 in 2020, recovered in 2021 and registered positive growth following resumption of tourism activities which is the main driver of these sectors' growth. Despite recording highest growth among other sectors, the share of arts and entertainment activity to GDP is still small, averaging at 0.3 percent. The status of sectoral contribution to GDP in 2021 and the real GDP growth by economic activity are presented in Charts 1.2 and 1.3.

Chart 1.2: Contribution of Economic Activities to GDP



Source: Ministry of Finance and Planning

Chart 1.3: Real GDP Growth by Economic Activities (Percent)



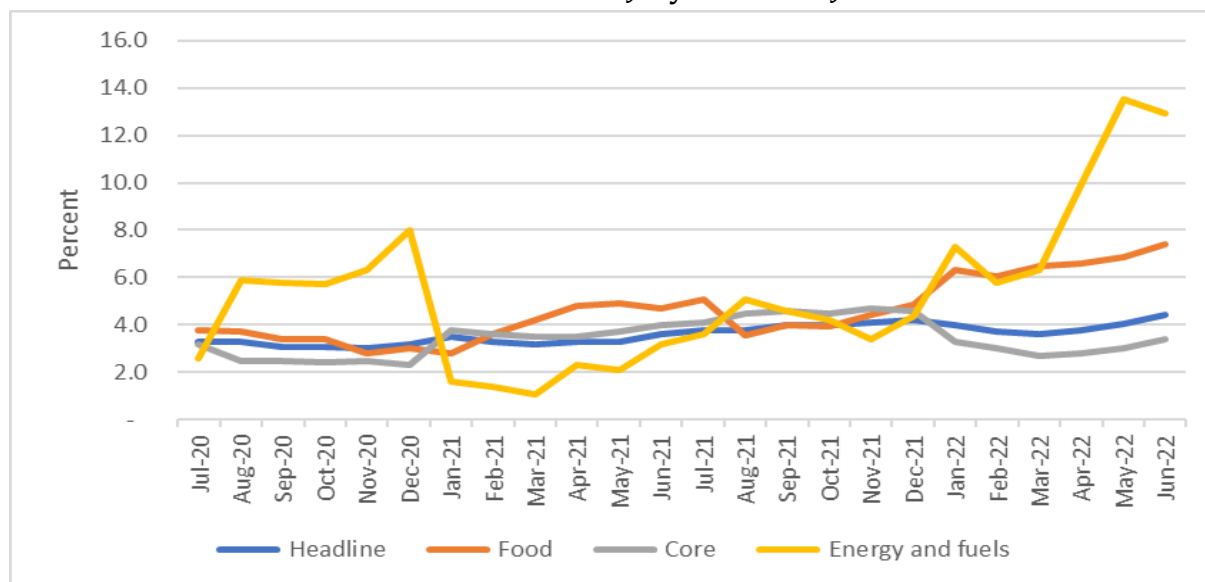
Source: Ministry of Finance and Planning

1.3 Inflation Development

Russia-Ukraine war and residual effects of COVID-19 pandemic continue to affect inflation rates in many countries including Tanzania. In 2021/22, headline inflation continued to maintain single digit averaged at 4.0 percent compared to 3.3 percent in 2020/21. During the quarter ending June, 2022, the headline inflation averaged at 4.1 percent compared to an average of 3.4 percent recorded in the corresponding quarter in 2021. On monthly basis, the headline inflation for the month of June, 2022 was 4.4 percent compared to 3.6 percent recorded in June, 2021.

During the period under review, annual food inflation (food and non-alcoholic beverages) increased to 5.9 percent from 4.7 percent in 2020/21. The increase in food inflation was mainly due to a rise in prices of maize grains and flour, wheat flour, sweet potatoes, fresh cassava and rice. Core inflation, whose index accounts for the largest share in the consumer price index (CPI) basket decreased to 3.4 percent in June 2022 from 4 percent recorded in the corresponding period in 2021, mainly due to a fall in prices of accommodation, recreation, sports and cultural items, garments as well as information and communication. **Chart 1.4** presents the trends of inflation.

Chart 1.4: The Trend of Inflation Between July 2020 and June 2022



Source: Ministry of Finance and Planning

1.4 External Trade

In 2021/22, the external sector of the economy continued to endure shocks emanating from high commodity prices, tight financial conditions, and resurgence of COVID-19 in China. These global challenges have been aggravated by Russia-Ukraine conflict, which has caused supply disruptions. During the year ending June 2022, the current account had a deficit of USD 3,766.9 million compared to a deficit of USD 1,789.5 million in the corresponding period in 2021, driven by higher imports bill particularly of goods. However, the overall balance of payments was a surplus of USD 75.6 million up from a deficit of USD 132.7 million, on account of loan receipts and grants.

Exports of goods and services amounted to USD 11,098.6 million during the year ending June 2022 from USD 8,848.4 million in the corresponding period of 2021, driven by non-traditional exports and services receipts. The exports of goods increased by 11.7 percent to USD 7,202.7 million, with non-traditional exports rising by 27.6 percent. The rise was largely in the exports of manufactured goods particularly iron and steel, textiles, horticultural products, fish and fish products as well as cereals in particular maize and rice. During the fourth quarter, exports of goods increased to USD 1,745.8 million from USD 1,445.6 million in the corresponding period in 2020/21, equivalent to an increase of 20.8 percent, mainly due to rise in exports of cashewnuts and cloves.

Imports of goods and services was USD 14,135 million in the year ending June 2022 up from USD 9,841.4 million the corresponding period in 2021. Much of the rise emanated

from imports of intermediate goods particularly white petroleum products, iron and steel and plastic products. Imports of white petroleum products surged to USD 2,447.2 million from USD 1,458.5 million, on account of both volume and price effects. The war in Ukraine has been a driving factor - adding on to the already rising energy prices which also led to higher prices of other commodities including edible oil, wheat grain and fertilizers. Services payments rose to USD 2,422.3 million from USD 1,294.9 million in the year ending June 2021. During the fourth quarter, imports of goods and services increased to USD 4,091.3 million from USD 2,750.8 million in the corresponding period in 2020/21, equivalent to an increase of 48.7 percent, mainly due to rise in travel and transportation payments.

1.5 Gross official reserves

Foreign reserves amounted to USD 5,110.3 million at the end of June 2022. The reserves were sufficient to cover about 4.64 months of projected imports of goods and services.

1.6 Money Supply and Credit

In 2021/22, money supply in extended broad money (M3) grew at an annual average of 12.2 percent, broad money supply (14.8 percent) and narrow money supply (16.4 percent) compared with 7.3 percent, 8.9 percent and 9.4 percent in similar period in 2020/21 respectively, largely due to increase in foreign assets and credit to private sector. In addition, credit to the private sector grew by an average of 9.9 percent compared with 4.3 percent in 2020/21. During the quarter ending June 2022, money supply in extended broad money (M3) grew by 8.5 percent compared to 9.1 percent recorded in June 2021. During the period under review, credit to the private sector expanded by 15.9 percent compared with 4.4 percent in corresponding period in 2021.

1.7 Interest Rates Development

During the year ending June 2022, overall lending rate decreased to an average of 16.41 percent compared to an average of 16.60 percent recorded in the year ending June 2021. The decrease was largely attributed to sustained accommodative monetary policy. One year lending rate averaged at 16.73 compared to an average of 16.58 percent recorded in the corresponding period in 2021. On the other hand, one-year and overall deposit rate averaged at 8.03 percent and 6.80 percent from 8.43 percent and 6.75 percent in corresponding period of 2020/21 respectively.

During the quarter ending June 2022, the overall and one-year lending interest rates averaged 16.26 percent and 16.74 percent compared with 16.63 percent and 16.32 percent recorded in similar quarter 2020/21 respectively. Overall and one-year time deposits

interest rates averaged at 6.77 percent and 8.13 percent compared to 6.96 percent and 8.74 percent that was recorded in similar quarter 2020/21 respectively.

1.8 Exchange Rate

In 2021/22, the exchange rate averaged at 2,298.12 shilling per US dollar as it was recorded in 2020/21. The stability of Tanzania shilling was attributed to prudent fiscal and monetary policies, moderate current account deficit and stable inflation of below 5 percent. In a quarter ending June 2022, the shilling was traded at an average of shilling 2,300.32 per USD compared to shilling 2,298.60 per USD in similar period in 2021, equivalent to an average depreciation of 0.1 percent. The sustained stability of the shilling against USD and other major global currencies was due to low and stable inflation environment, moderate current account deficit and continued prudence in both monetary and fiscal policies.

2.0 GOVERNMENT OPERATIONS

2.1 Domestic Revenue

During the year 2021/22, the Government continued to implement various strategies to ensure the revenue target is achieved. During the fourth quarter, total domestic revenue collection including LGAs own source amounted to 6,261.2 billion shillings, which was 22.6 percent higher than 5,107.9 billion shillings collected in a corresponding period in 2020/21. On cumulative basis, total domestic revenue collected for the year 2021/22 was 24,395.8 billion shillings against the target of 25,691.7 billion shillings, equivalent to 95.0 percent of the target and an increase of 18.6 percent when compared with the amount collected in the year 2020/21. Out of the collected amount, collection from Tanzania Revenue Authority (TRA) was 20,931.3 billion shillings against the target of 21,778.1 billion shillings, equivalent to 96.1 percent. Non tax revenue collected by MDAs was 2,575.0 billion shillings, equivalent to 84.4 percent of the target of 3,049.8 billion shillings and collection from LGAs own source was 889.5 billion shillings against the target of 863.9 billion shillings, equivalent to 103.0 percent.

2.2 Revenue by Source

2.2.1 Taxes on Imports

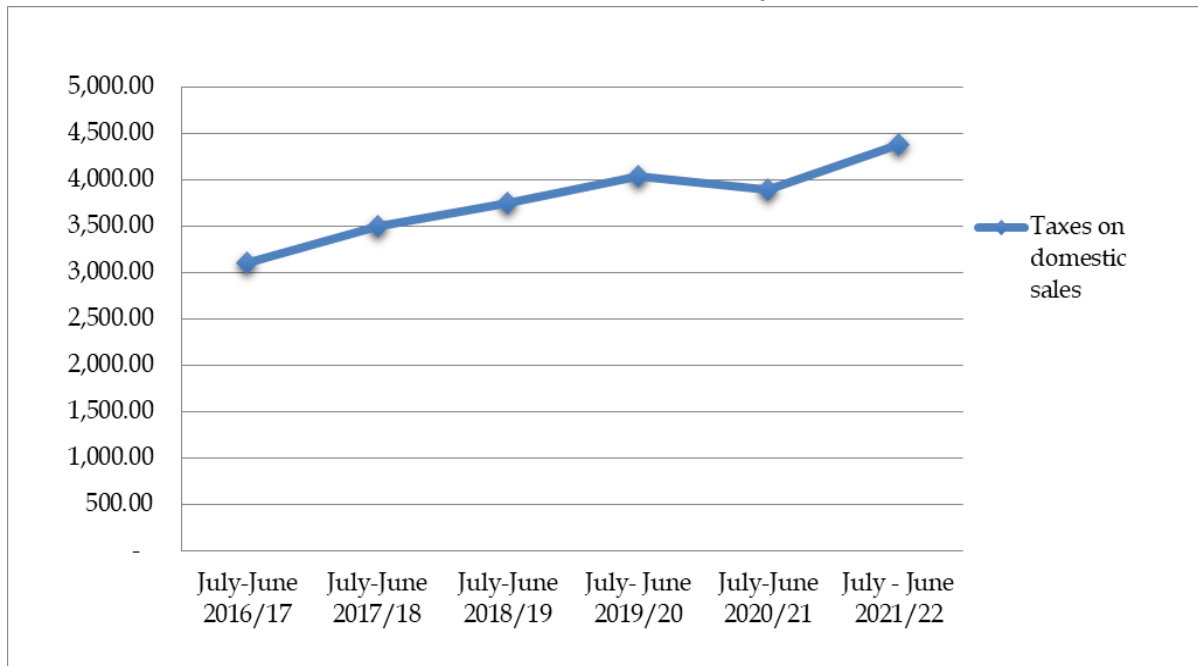
Import taxes and duties collection in the fourth quarter, amounted to 1,586.6 billion shillings, reflecting a performance of 99.4 percent of estimated 1,596.1 billion shillings, and 8.7 percent higher when compared to collections registered in a similar period in 2020/21. Cumulatively, import taxes and duties collection amounted to 6,288.9 billion shillings, reflecting a performance of 101.4 percent of estimated 6,200.6 billion shillings, and 18.3 percent higher when compared to collections registered in a similar period in

2020/21. The excise on petroleum imports recorded the total collection of 1,210.8 billion shillings, which was 87.5 percent compared to the planned target of 1,383.7 billion shillings. Excise on other imports registered performance of 108.1 percent of the target by collecting 254.4 billion shillings. Import duty performed below the target by collecting 1,479.0 billion shillings, equivalent to 95.9 percent of the target and VAT on non-petroleum surpassed the target by collecting 3,344.8 billion shillings equivalent to 110.1 percent of the target. Despite of not achieving the target of import duty collection, it showed an impressive performance on intermediate goods as it increased to 71.3 percent from 67.3 percent recorded in 2020/21 and the capital and consumer goods grew by 29.7 percent and 15.7 percent respectively in 2021/22.

2.2.2 Taxes on Domestic Sales

In the fourth quarter of 2021/22, actual tax collection from domestic sales increased by 29.2 percent to 1,153.8 billion shillings from 893.2 billion shillings collected in a corresponding period in 2020/21. This collection was equivalent to 115.8 percent of the target of 996.3 billion shillings. On cumulative basis, for the year 2021/22 actual tax collection from domestic sales increased by 12.5 percent to 4,376.3 billion shillings from 3,889.2 billion shillings collected in the year 2020/21 which was equivalent to 94.4 percent of the target of 4,636.8 billion shillings. Out of the total collection, excise duty was 1,423.4 billion shillings, equivalent to 94.0 percent of the target of 1,414.5 billion shillings while VAT on domestic sales amounted to 2,952.9 billion shillings, which was 94.6 percent of the target and 12.1 percent higher when compared to the year 2020/21. The underperformance annual tax on domestic sales was attributed to an increase of tax refunds payments by 431.7 percent above the set budget which recorded an increase of 405.7 percent compared to the refunds paid in the previous year. Underperformance of excise duty was mainly due to low demand caused by various reasons including change in consumer behaviour which led to low production of excisable goods, such as beer, cigarette and soft drinks. Underperformance of VAT on domestic sales was due to low sales of consumable products such as soft drinks and more input taxes claimed by the manufacturing companies such as beverage, cement and steel manufacturing companies. **Chart 2.1** shows the trend of tax on domestic sales for the financial years (2016/17 - 2021/22).

Chart 2.1: Trend of Tax on Domestic Sales from the year 2016/17 to 2021/22



Source: Ministry of Finance and Planning

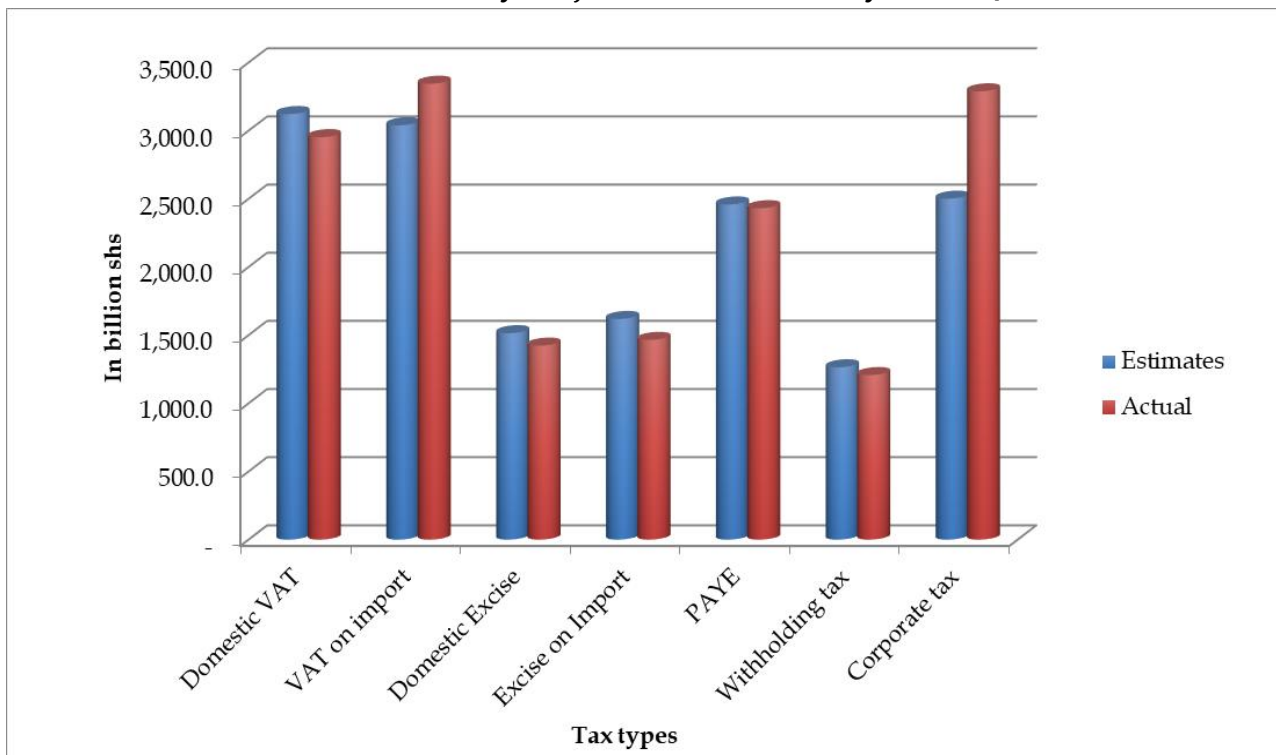
2.2.3 Income Tax

The overall income tax collection during the fourth quarter of 2021/22 amounted to 1,810.3 billion shillings which was 106.2 percent of the target of collecting 1,703.0 billion shillings, reflecting an increase of 22.2 percent compared to collections registered in the same period in 2020/21. Out of that, PAYE collection was 631.0 billion shillings, equivalent to 105.1 percent of the target. Cumulatively, up to June 2022 income tax collection was 7,549.2 billion shillings, which was 109.9 percent of estimates of 6,869.4 billion shillings. PAYE collection was 2,431.5 billion shillings against the target of 2,458.8 billion shillings, signifying the performance of 99.0 percent and higher by 10.6 percent when compared to 2,198.1 billion shillings collected in the year 2020/21.

Revenue collection from the corporate tax for the period under review was 724.2 billion shillings, which was 112.1 percent of the target of 646.1 billion shillings. Cumulatively, revenue collected from corporate tax was 3,289.3 billion shillings equivalent to 131.5 percent of the target and 52.9 percent higher compared to amount collected in the year 2020/21. The performance was attributed to increase in voluntary tax payments from taxpayers due to enhancement of revenue administration systems such as E - filling and EFD campaigns; improved profitability performance for some taxpayers in sectors such as Banking, Mining, oil and gas and; and close monitoring of the current assessments, tax arrears and installment payment plans to ensure that all taxpayers who were under installment agreement met their commitments.

Collections from withholding taxes for the fourth quarter were 297.1 billion shillings equivalent to 101.5 percent of the target. Cumulatively, for the year 2021/22, collections of withholding taxes were 1,207.3 billion shillings against the target of 1,264.4 billion shillings, equivalent to 95.5 percent and 11.3 percent higher compared to what was collected in the year 2020/21. The main reason for underperformance was a decrease in the number of transactions that attract withholding taxes including dividend from resident cooperation, management fee, Interest on deposit, directors fee and Bank interest. Revenue performance by major tax items is shown in **Chart 2.2**.

Chart 2.2: Revenue Performance by Major Tax Item for the year 2021/22



Source: Ministry of Finance and Planning

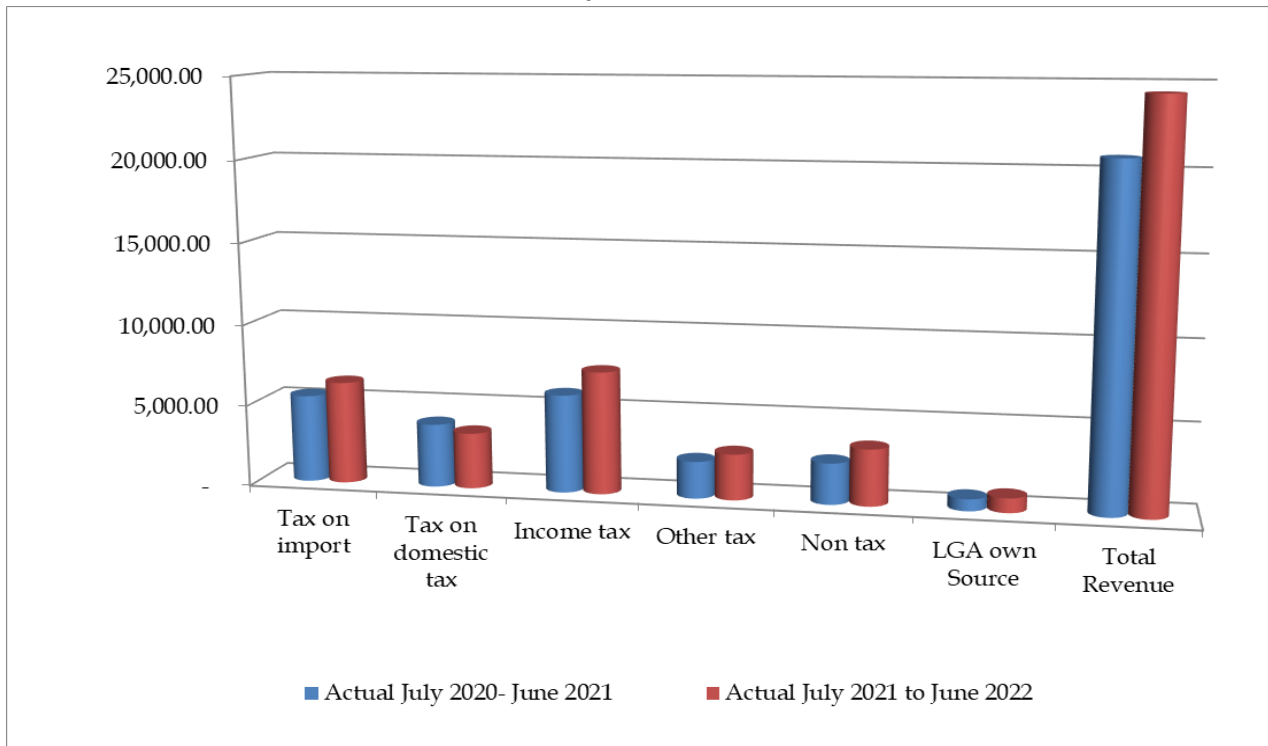
2.2.4 Other Taxes

During the period (April – June 2022), actual collections from this category amounted to 710.6 billion shillings, which was 106.9 percent of the estimate of 664.4 billion shillings. On cumulative basis, amount collected from this source was 2,810.5 billion shillings, which was 98.8 percent of the target of 2,843.5 billion shillings, an increase of 24.1 percent when compared to the amount collected in the year 2020/21.

The breakdown of other taxes is as follows: Fuel Levy and Transit Fee was 1,353.1 billion shillings, equivalent to 108.5 percent of estimates; collections meant for National Water Development Fund was 176.1 billion shillings, equivalent to 96.6 percent of estimates;

Rural Energy Agency (REA) was 256.0 billion shillings, equivalent to 64.6 percent of estimates; Railway Development Fund 346.7 billion shillings, equivalent to 102.2 percent of estimates; Business Skill Development Levy (SDL) 291.0 billion shillings, equivalent to 95.3 percent of estimates; and Departure Service Charges performed at 92.1 percent of estimates of 42.2 billion shillings. The trend of revenue performance is indicated in **Chart 2.3**.

Chart 2.3: Revenue Performance for the year 2021/22 Compared to 2020/21



Source: Ministry of Finance and Planning

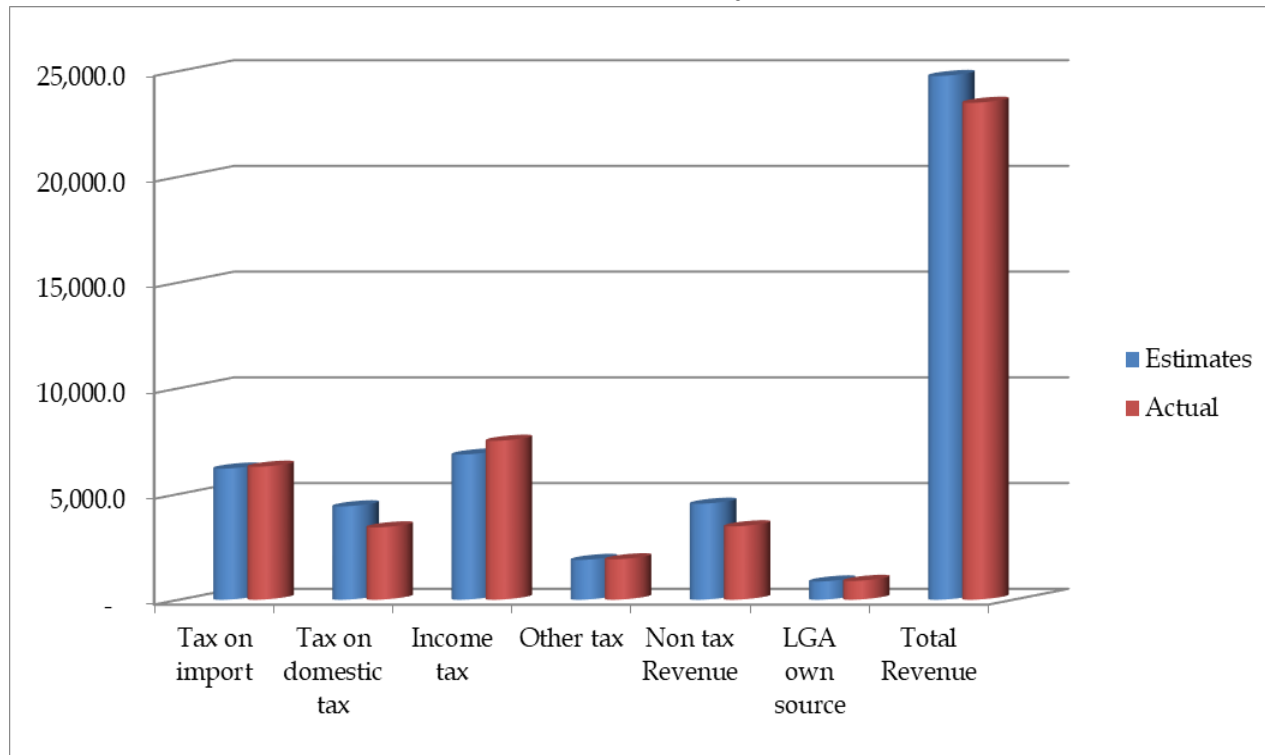
2.2.5 Non Tax Revenue

Collections of non-tax revenue in the fourth quarter of 2021/22 were 982.9 billion shillings, equivalent to 94.5 percent of estimates of 1,039.9 billion shillings. The collections were higher by 48.9 percent when compared to collections registered in the same period in 2020/21. For the year 2021/22, collections of non-tax revenue were 3,476.9 billion shillings equivalent to 76.6 percent of estimates of 4,539.7 billion shillings and higher by 38.0 percent when compared to collections registered in the year 2020/21. Out of the amount, non-tax revenue collected by ministries was 1,724.7 billion shillings, against the target of 2,270.7 billion shillings, equivalent to 76.0 percent; dividends and contribution from Government Institutions were 850.1 billion shillings, equivalent to 109.1 percent of the target; non-tax revenue collected by TRA (billboard fee, property tax, tourism fee, mobile money transfer and withdraw levy and others) was 902.0 billion shillings, which was 60.5 percent of estimates of 1,489.9 billion shillings.

Underperformance of non-tax revenue was due to various reasons including: the adverse behavioral change among the users of mobile money transfers and withdrawals due to the introduction of the mobile money transaction levy; existence of houses that are not captured to pay property tax; and inefficiency in monitoring and collection of revenue in some of the MDAs. On the other hand, good performance was observed in dividend and contributions from parastatals as well as collections from tourism sector.

Collections from LGAs own source in the fourth quarter of 2021/22, was 213.6 billion shillings, equivalent to 98.9 percent of estimates and an increase of 27.7 percent compared to collections in the similar period of 2020/21. For the year 2021/22, LGAs own source recorded 889.5 billion shillings, equivalent to 103.0 percent of the target, and higher by 22.7 percent when compared to the year 2020/21. Domestic revenue performance for the year 2021/22 compared to estimates is depicted in **Chart 2.4**.

Chart 2.4: Domestic Revenue Performance for the year 2021/22 Compared to Estimates



Source: Ministry of Finance and Planning

2.3 Expenditure

The approved Government expenditure for 2021/22 was 37,992.5 billion shillings which comprised of 23,002.9 billion shillings for recurrent activities and 14,989.6 billion shillings for development projects. During the fourth quarter, expenditure amounted to 10,210.9 billion shillings, equivalent to 105.5 percent of the targeted spending of 9,682.9 billion shillings. The high expenditure performance for this quarter was mainly attributed to impressive performance in revenue collection from majority of revenue sources including LGAs own source.

2.3.1 Recurrent Expenditure

Total expenditure on recurrent activities were 5,985.4 billion shillings, equivalent to 102.3 percent of the target of 5,849.6 billion shillings and 21.9 percent higher than 4,911.5 billion shillings registered in the similar quarter in 2020/21. The performance was attributed to continued Government's commitment to honoring statutory obligations which include cost of debt service, expenses on wages and salaries and intergovernmental transfers to local government authorities and public institutions.

2.3.2 Wages and Salaries

Expenditure on wages and salaries was 2,053.9 billion shillings, equivalent to 101.4 percent of the target of 2,024.8 billion shillings. The performance above target for this quarter was attributed to most promotions being effected within the last three months for the year 2021/22 as opposed to preceding quarters.

2.3.3 Debt Service

Expenditure on debt service totaled 2,568.9 billion shillings, reflecting a performance of 100.2 percent of estimates of 2,562.1 billion shillings. Out of the total debt service, amortization amounted to 1,736.9 billion shillings and interest payments were 832.0 billion shillings. The spending on debt service was in line with the matured debt obligations for the period under review.

2.3.4 Goods, Services and Transfers

The total spending on goods, services and grant transfers to lower-level Government and Parastatals was 1,362.6 billion shillings, equivalent to 107.9 percent of the target of 1,262.6 billion shillings and 24.1 percent higher than spending recorded in the corresponding quarter in 2020/21.

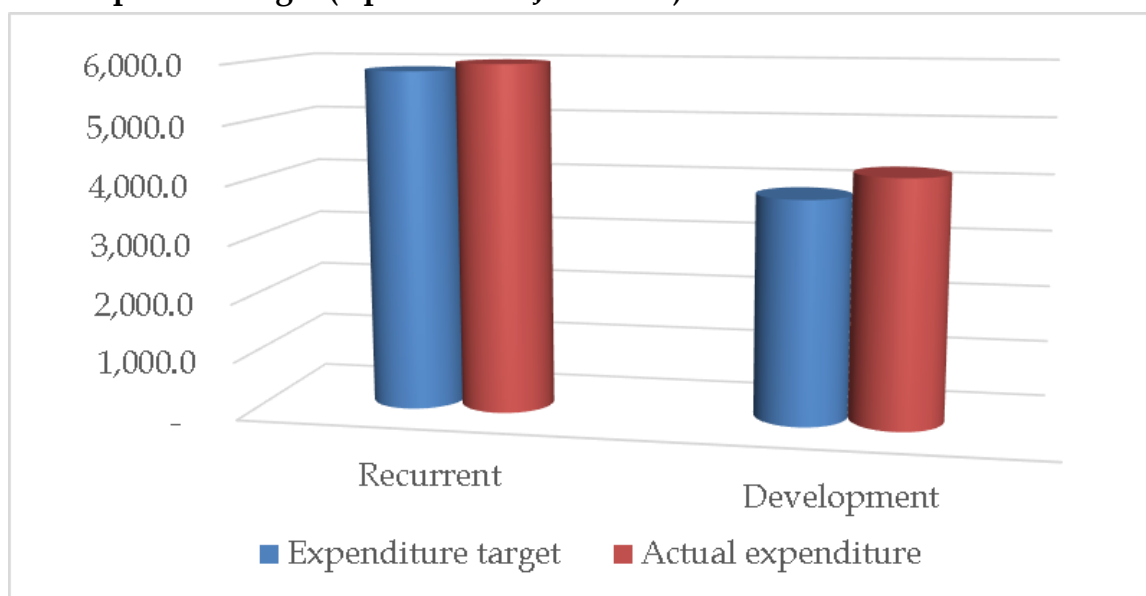
2.3.5 Development Expenditure

During the period under review, disbursement for development activities amounted to 4,225.5 billion shillings, equivalent to 110.2 percent of the target of 3,833.3 billion

shillings, and 19.6 percent less than disbursement recorded in the same period in 2020/21. The performance above target was highly on account of increased absorption capacity for projects financed by local resources and improved accounting for direct to project funds as the year ends. Disbursement for projects financed by local resources was 3,017.2 billion shillings equivalent to 116.0 percent of the target of 2,601.7 billion shillings. On the other hand, foreign resources disbursement including direct to project funds amounted to 1,208.2 billion shillings, equivalent to 98.1 percent of the target of 1,231.7 billion shillings.

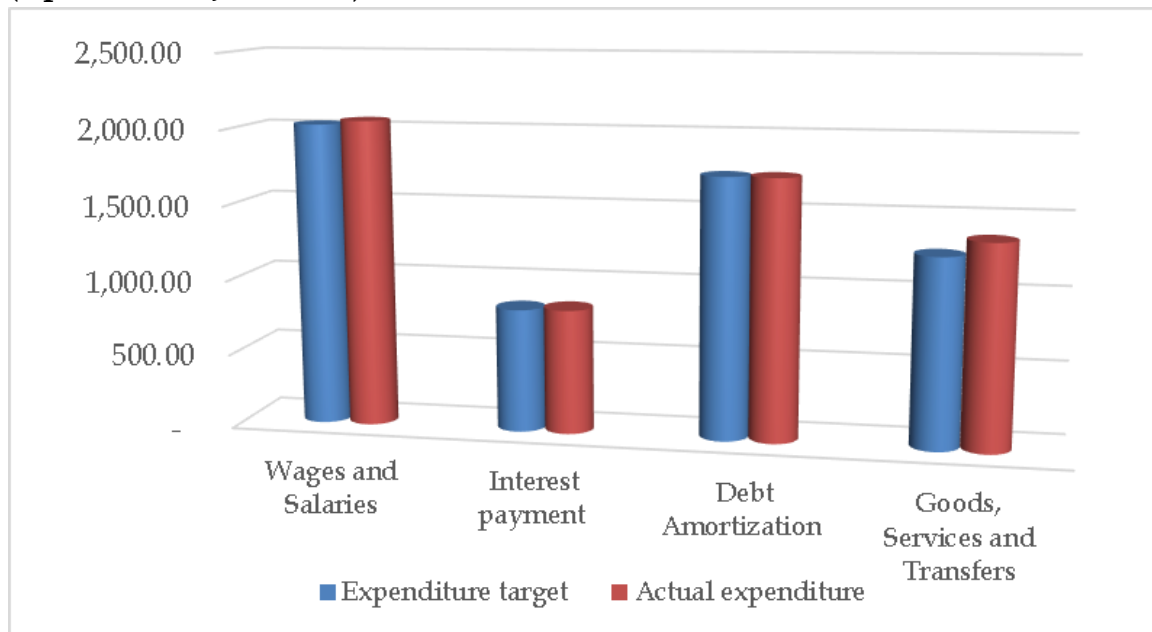
The fourth quarter performance of budget by major categories of recurrent and development and by economic classification is presented in **Chart 2.5** and **Chart 2.6**.

Chart 2.5: Fourth Quarter Expenditure Performance by Recurrent and Development Budget (April 2022 to June 2022)



Source: Ministry of Finance and Planning

Chart 2.6: Fourth Quarter Expenditure Performance by Economic Classification (April 2022 to June 2022)



Source: Ministry of Finance and Planning

2.3.6 Cumulative Expenditure Performance

As at end June 2022, Government spending amounted to 36,292.1 billion shillings, equivalent to 95.5 percent of the annual target of 37,992.5 billion shillings, and 16.6 percent higher when compared to 31,137.9 billion shillings recorded as at June 2021. The annual expenditure performance was impressive owing to good performance of domestic revenue and adequate financing through receipt of loans as planned.

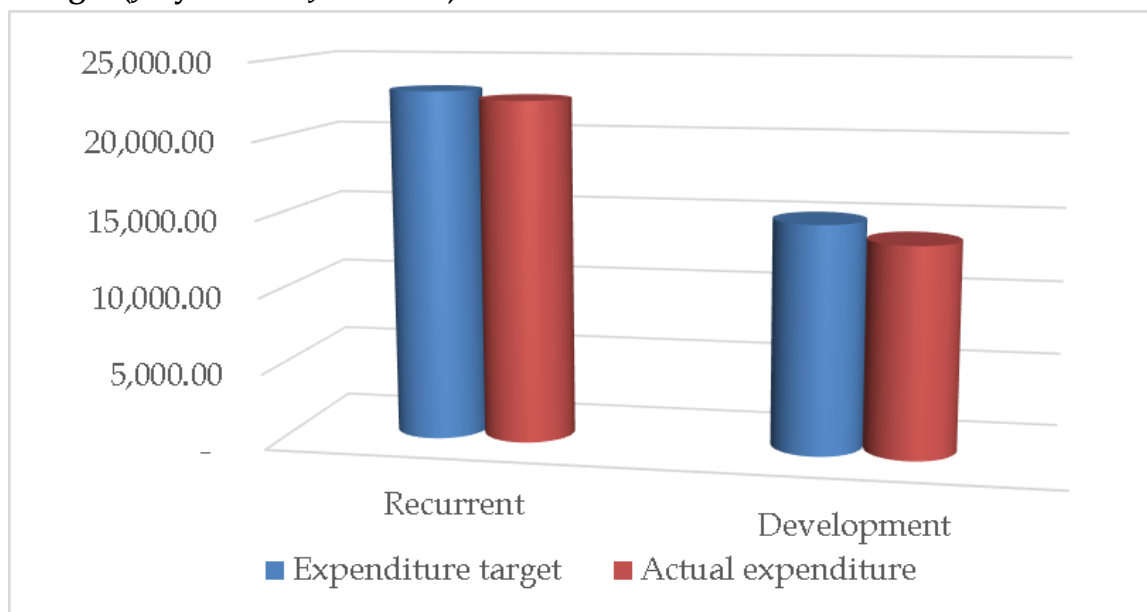
The recurrent expenditure stood at 22,468.8 billion shillings, equivalent to 97.7 percent of the annual target of 23,003.0 billion shillings. Out of the recurrent spending: wages and salaries were 8,087.4 billion shillings (equivalent to 99.2 percent of the target of 8,150.5 billion shillings); debt service 8,698.2 billion shillings (equivalent to 98.5 percent of the target of 8,834.8 billion shillings whereby amortization was 5,860.5 and interest payments 2,837.7); and goods, services and transfers 5,683.2 billion shillings (equivalent to 94.4 percent of the target of 6,017.6 billion shillings).

Expenditure on development activities as of June, 2022 amounted to 13,823.3 billion shillings, reflecting the performance of 92.2 percent of the target of 14,989.6 billion shillings. The projects financed by local resources had the largest share of the disbursed

funds, amounting to 11,461.6² billion shillings, which was 106.9 percent of the target of 10,723.0 billion shillings. Among others, the performance above target was attributed to the ongoing strategic projects including construction of the Standard Gauge Railway (SGR), Julius Nyerere Hydropower (JNHPP) and revamping of ATCL which recorded high absorption capacity. Conversely, the share of foreign funded projects amounted to 2,361.7 billion shillings, equivalent to 55.4 percent of the target of 4,266.6 billion shillings. The underperformance of foreign development budget is highly attributed to unfulfillment of development partners' commitments and delays in implementation of activities for direct to project funds such that it affects the release of funds as well as delays in accounting of expenditure.

The annual performance of budget execution by major categories of recurrent and development and by economic classification for July 2021 to June 2022 is presented in **Chart 2.7 and Chart 2.8**.

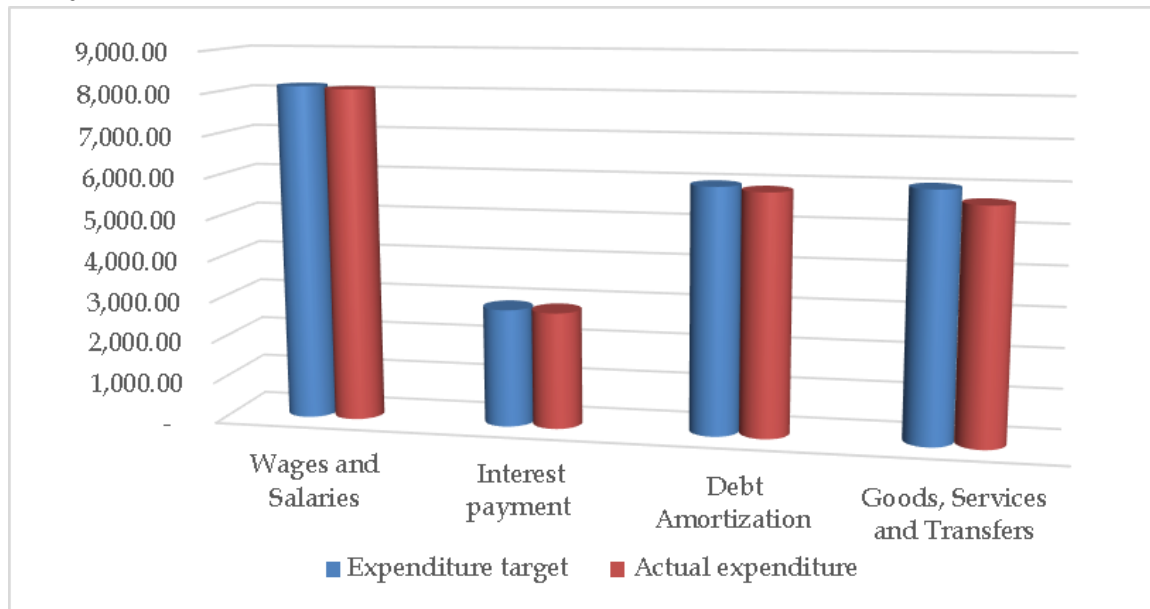
Chart 2.7: Cumulative Expenditure Performance by Recurrent and Development Budget (July 2021 to June 2022)



Source: Ministry of Finance and Planning

² The annual execution for local development budget was achieved through reallocation from activities budgeted with foreign resources following the mid – year review

**Chart 2.8: Cumulative Expenditure Performance by Economic Classification
(July 2021 to June 2022)**



Source: Ministry of Finance and Planning

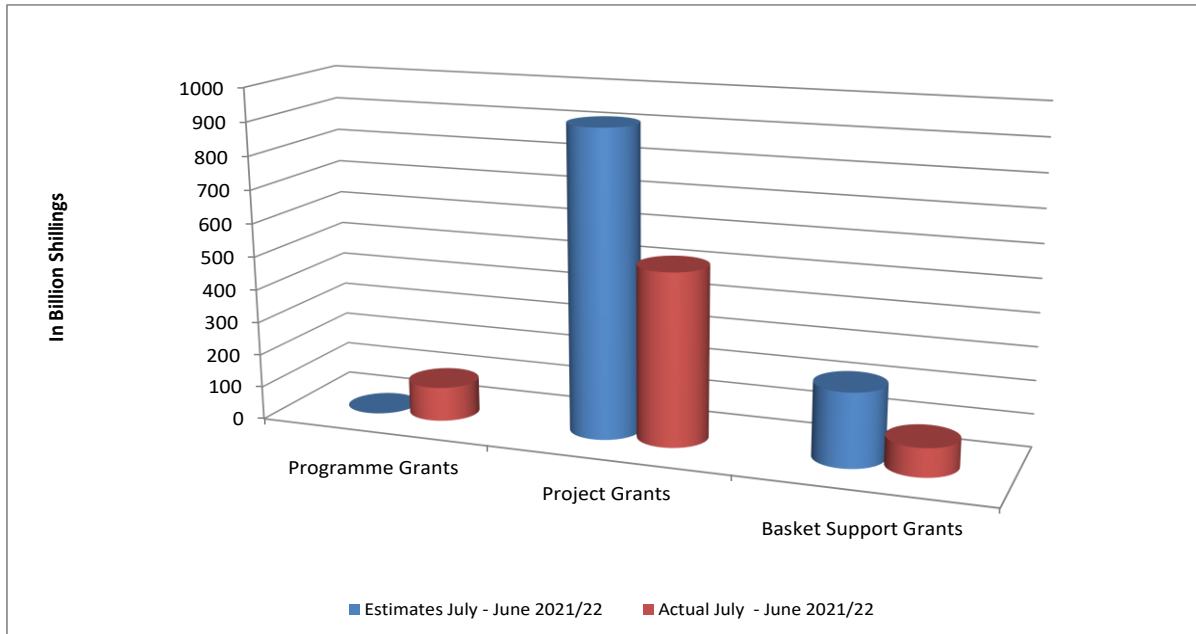
2.3.7 Government Expenditure Arrears

In financial year 2021/22 the government approved 600.0 billion shillings for payment of domestic arrears. Ending June 2021, a total of 772.87 billion shillings were paid cumulatively of which 39.57 billion shillings were paid in the fourth quarter.

2.4 Grants

During the fourth quarter of 2021/22, grants received were 182.0 billion shillings, equivalent to 114 percent of the estimated amount of 160.0 billion shillings. Out of the total grants, General Budget Support grants was 51.0 billion shillings, Project Grants were 95.5 billion shillings equivalent to 94 percent of the estimates of 101.4 billion shillings and Basket Funds were 35.6 billion shillings equivalent to 61 percent of estimates of 58.6 billion shillings. For the year 2021/22, grants received were 708.5 billion shillings, equivalent to 62 percent of the estimated amount of 1,138.1 billion shillings. Out of the amount, General Budget Support was 103.2 billion shillings, Project Grants were 519.3 billion shillings, equivalent to 57 percent of the estimates of 915.5 billion shillings, Basket Funds were 86.0 billion shillings against the target of 222.6 billion shillings, equivalent to 39 percent.

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



Source: Ministry of Finance and Planning

2.5 Financing

Total financing during the fourth quarter was 1,516.2 billion shillings against the target of 354.1 billion shillings. Out of the total financing, total foreign net financing was a re-financing of 32.3 billion shillings against a borrowing target of 410.7 billion shillings and total domestic net financing was 1,548.6 billion shillings against the target of repayment of 56.6 billion shillings. For the year 2021/22, total financing was 5,960.3 billion shillings against the target of 4,949.1 billion shillings which was 120 percent of the target. Out of the total financing, total foreign net financing was a borrowing of 3,110.3 billion shillings against a borrowing target of 3,110.3 billion shillings, equivalent to 100 percent and total domestic net financing was a borrowing of 2,850.0 billion shillings against the target of borrowing 1,838.8 billion shillings, equivalent to 155 percent of the target.

2.5.1 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 fourth quarter of 2021/22, a total of 2,231.2 billion shillings were borrowed from domestic market against the target of borrowing 799.1 billion shillings. Out of the amount borrowed, 682.6 billion shillings was for redemption

(rollover) of matured obligations and 1,548.6 billion shillings was borrowed for financing development projects. Cumulatively, for the year 2021/22, a total of 5,894.4 billion shillings were borrowed from domestic market against the target of borrowing 4,989.1 billion shillings equivalent to 118 percent. Out of the amount borrowed, 3,044.4 billion shillings was for redemption (rollover) of matured obligations and 2,850 billion shillings was borrowed for financing development projects.

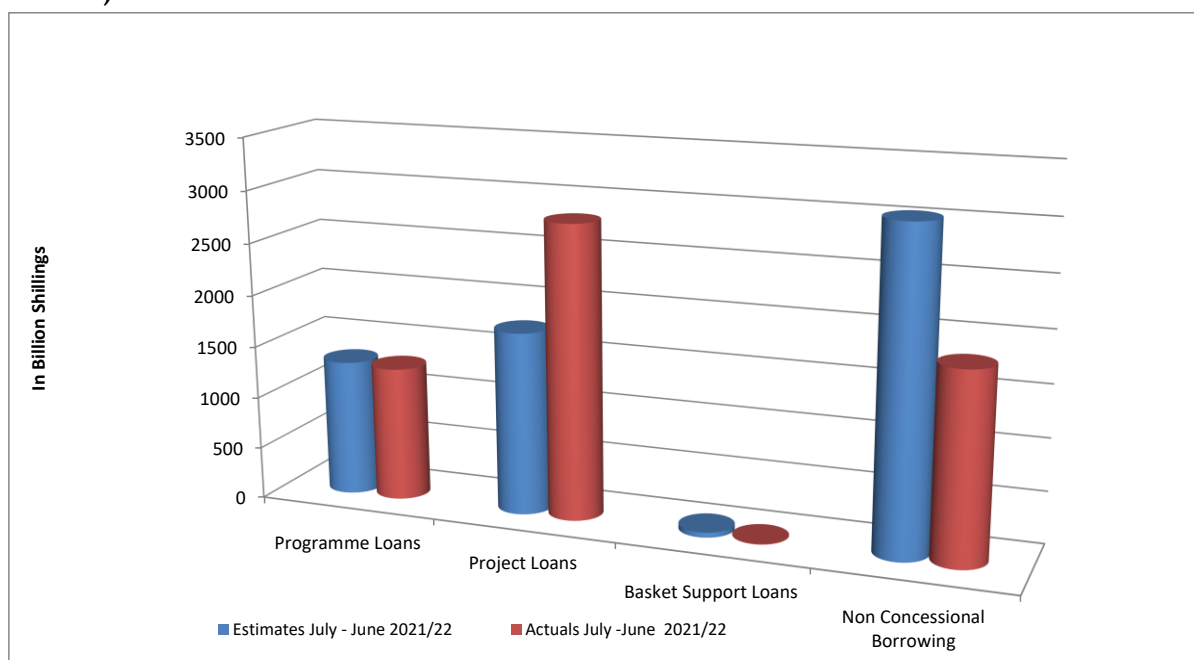
2.5.2 Foreign Financing

Net foreign financing for the fourth quarter was re-financing of 32.3 billion shillings against a borrowing target of 410.7 billion shillings. During the quarter under review, disbursements of concessional loans were 1,009.5 billion shillings against the target of 410.7 billion shillings. Disbursement of non-concessional loans were 708.4 billion shillings against the target of 769.9 billion shillings. In addition, amortization of foreign loans was 1,211.7 billion shillings against estimates of 1,067.5 billion shillings. For the year 2021/22, total foreign borrowing was 5,926.3 billion shillings against the target of 6,161.7 billion shillings equivalent to 96 percent. Out of the amount, disbursements of concessional loans were 4,116.8 billion shillings against the target of 3,116.6 billion shillings. Disbursement of non-concessional loans were 1,809.5 billion shillings against the target of 3,045.1 billion shillings. In addition, amortization of foreign loans was 2,816.1 billion shillings against estimates of 3,051.4 billion shillings, equivalent to 92 percent. The trend of grants and external concessional loans is shown in **Table 2.1** and the performance of foreign financing for the year 2021/22 is presented in **Chart 2.10**.

Table 2.1: Trend of Grants and External Concessional Loans for the year 2021/22

Summary of Disbursement July 2021 - June 2022 (All figures in millions shillings)				
AID MODALITY	Type of assistance	Annual commitment as per budget	Disbursement 2021/22	% of Commitment
GBS	Grants	-	103,202	N/A
GBS	Concessional Loan	1,310,650	1,291,743	98.6%
Sub Total		1,310,650	1,394,945	106.4%
Basket Funds	Grants	222,570	85,967	38.6%
Basket Funds	Concessional Loan	47,789	6,760	14.1%
Sub Total		270,359	92,727	34.3%
Development Projects	Grants	915,506	519,323	56.7%
Development Projects	Concessional Loan	1,758,111	2,818,337	160.3%
Sub Total		2,673,617	3,337,660	124.8%
Grand Total		4,254,626	4,825,332	113.4%

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

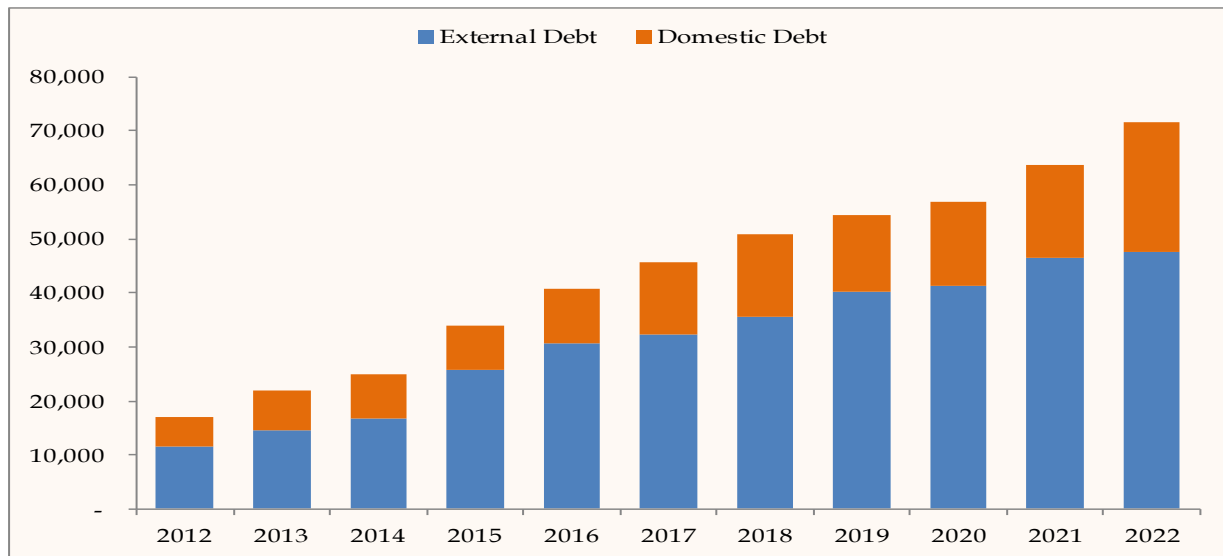


3.0 GOVERNMENT DEBT DEVELOPMENT

3.1 Overall Debt Stock

As at end June 2022, Central Government debt stock was 71,559.02 billion shillings compared to 64,272.27 billion shillings in the corresponding period 2021, equivalent to an increase of 11.34 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 24,039.82 billion shillings (equivalent to 33.59 percent) and external debt amounted 47,519.20 billion shillings (equivalent to 66.41 percent).

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

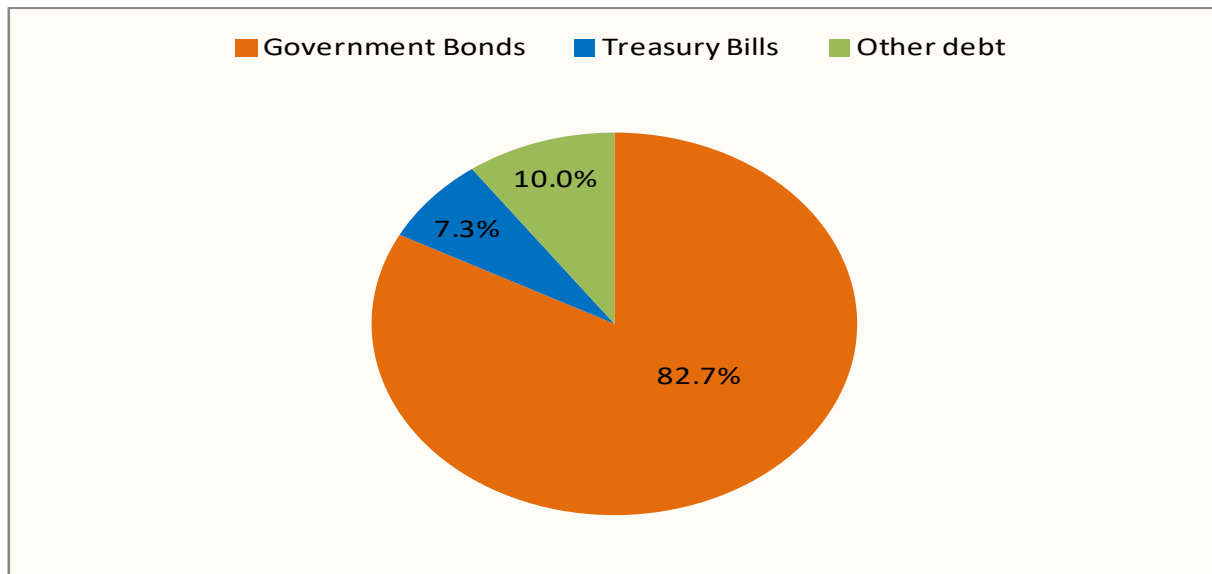


3.2 Central Government Domestic Stock

As at end June 2022, the domestic debt stock was 24,039.82 billion shillings compared with 18,934.3 billion shillings in the corresponding period 2021, equivalent to an increase of 27 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 82.7 percent of total domestic debt stock, followed by treasury bills 7.3 percent, and other debt³ instruments account for the remaining 10 percent. The composition of domestic debt by instrument category is depicted in **Chart 3.2**.

³ Other debt instruments include Overdraft from BoT, NMB bank Plc standard loan and duty drawback

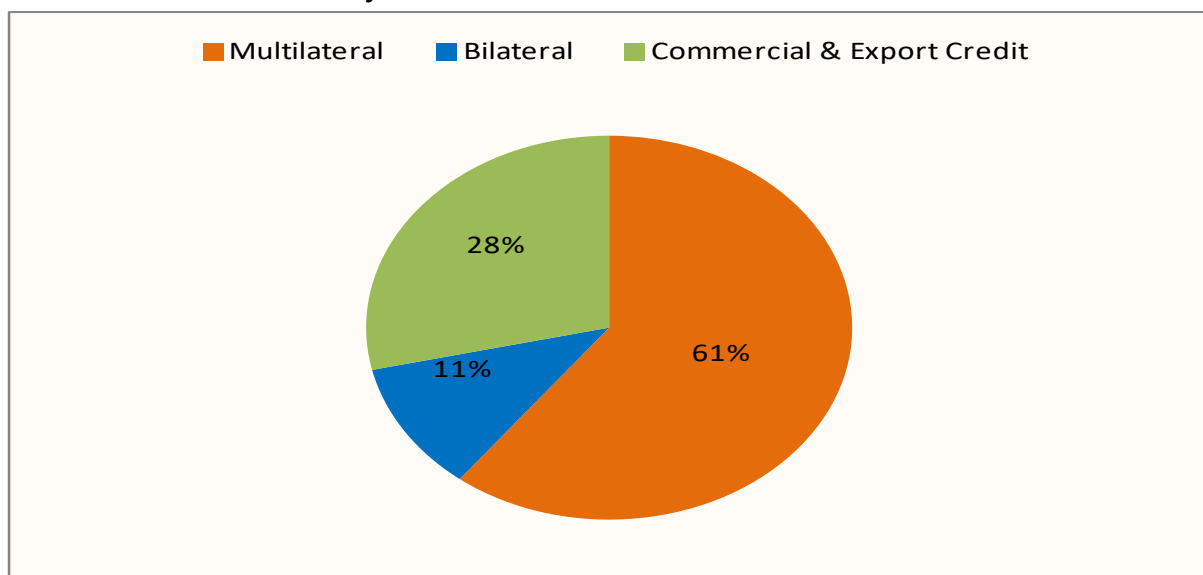
Chart 3.2: Share of Domestic Debt by Instrument Category



3.3 Central Government External Debt

The stock of external Central Government debt as of end of June 2022, stood at TZS 47,519.20 billion (USD 20,520.80 million) from TZS 45,934.33 billion (USD 19,721.30 million) end June 2021 which is an increase of 4.1 percent. The increase was attributed to disbursements and interest arrears in the period under reference. The external debt portfolio consisted of loans mainly contracted on concessional terms, multilateral creditors accounting for 61 percent of the total external debt portfolio, Commercial banks and Export Credit Agency (ECA) 28 percent, and Bilateral 11 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



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 1 and 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	2020/21 ⁴	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

Table 3.2: Projected Overall Public Debt Burden Indicators

Public DSA	Threshold	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2031/32
PV of debt-to GDP ratio	55	31.0	31.8	31.8	31.5	30.7	29.4	29.0	33.0
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	23.0	20.6	26.3

⁴ Represent actual ratios as of 30th June 2021

ANNEX A

Revenue Performance April - June 2022						
<i>Billion Shillings</i>						
	Budget Estimates	April - June 2022			April - June 2021 Actual	Year on year change
		Estimates	Actual	Percent of estimate		
Revenue (Including LGAs own sources)	25,691.7	6,144.7	6,261.2	102%	5,107.9	23%
Revenue (Excluding LGAs own sources)	24,827.9	5,928.7	6,047.6	102%	4,940.7	22%
Tax Revenue	20,288.2	4,893.4	5,064.7	104%	4,280.4	18%
Taxes on Imports	6,200.6	1,596.1	1,586.6	99%	1,459.3	9%
Import Duty	1,542.3	420.3	384.4	91%	342.7	12%
Excise on Petroleum	1,383.7	349.3	282.7	81%	305.1	-7%
Excise	1,383.7	349.3	282.7	81%	305.1	-7%
Others	3,274.7	826.6	919.5	111%	811.5	13%
Excise	235.2	59.4	69.1	116%	47.9	44%
VAT on Non-Petroleum imports	3,039.4	767.2	850.4	111%	763.5	11%
Taxes on Domestic Sales	4,636.8	996.3	1,153.8	116%	893.2	29%
Excise	1,514.5	366.9	350.3	95%	309.4	13%
Value Added Tax (VAT)	3,122.3	629.4	803.4	128%	583.9	38%
Income Tax	6,869.4	1,703.9	1,810.3	106%	1,481.0	22%
PAYE	2,458.8	600.3	631.0	105%	571.2	10%
Corporate and Parastatals	2,501.4	646.1	724.2	112%	512.5	41%
Individuals	260.5	63.2	56.3	89%	53.1	6%
Withholding Taxes	1,264.4	292.8	297.1	101%	259.6	14%
Rental Tax	113.8	31.0	29.7	96%	20.5	45%
Other Income	270.4	70.4	72.0	102%	64.1	12%
Other Taxes	2,843.5	664.4	710.6	107%	562.6	26%
Business Skill Development Levy	305.5	66.1	74.9	113%	71.7	4%
Fuel Levy and transit fee	1,246.8	314.7	340.1	108%	219.5	55%
Stamp Duty	24.2	4.3	4.6	106%	3.4	34%
Departure Service Charges	50.2	8.7	13.1	150%	6.3	107%
Processing Fee-dry cargo-TRA	78.5	19.8	22.0	111%	17.7	25%
Export Duty	124.8	0.4	9.2	2257%	6.3	46%
Railway Development Fund	288.5	72.8	103.7	142%	70.5	47%
National Water Development Fund	182.3	46.0	36.6	80%	41.7	-12%
Motor vehicle taxes	146.3	31.5	38.6	123%	32.4	19%
Treasury Voucher Cheque	0.007	0.002	0.001	81%	0.0	1366%
Transter to REA	396.4	100.1	67.8	68%	93.0	-27%
Refunds	-262.0	-67.3	-196.5	292%	-115.6	-
Refunds - VAT	-221.0	-57.0	-192.8	338%	-111.7	-
Refunds - other	-41.0	-10.3	-3.7	36%	-3.9	-
Non Tax Revenue	4,539.7	1,035.3	982.9	95%	660.2	49%
Parastatal Dividends	779.0	252.7	294.3	116%	213.2	38%
Ministries and Regions	2,270.7	548.6	452.8	83%	377.3	20%
TRA Non Tax	178.7	45.1	40.2	89%	31.5	28%
Tourism Sector	227.9	15.4	85.5	556%	34.4	-
Transaction levy on Mobile money send	1,016.3	163.5	97.6	60%	N/A	-
Property tax	41.8	7.7	10.3	135%	1.3	690%
Billboard Fee Collections	25.2	2.3	2.3	100%	2.6	-11%
LGAs own source	863.9	216.0	213.6	99%	167.2	28%

Source: Ministry of Finance and Planning