

**THE UNITED REPUBLIC OF TANZANIA**



**MINISTRY OF FINANCE**

**THE BUDGET EXECUTION REPORT FOR THE FINANCIAL YEAR 2022/23  
(JULY 2022 TO JUNE 2023)**

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## **LIST OF ABBREVIATIONS**

BoT	-	Bank of Tanzania
DSA	-	Debt Sustainability Analysis
GDP	-	Gross Domestic Product
LGAs	-	Local Government Authorities
MDAs	-	Ministries Departments and Agencies
PAYE	-	Pay as You Earn
REA	-	Rural Electrification Agency
SDL	-	Skills Development Levy
TRA	-	Tanzania Revenue Authority
USD	-	United States Dollar
VAT	-	Value Added Tax

## **Executive Summary**

In the first quarter (January – March) of 2023, the economy registered a real GDP growth of 5.6 percent compared to 5.4 percent in a corresponding quarter of 2022. In 2022/23, headline inflation continued to maintain single digit averaged at 4.6 percent compared to 4.0 percent in 2021/22. The increase in inflation was on account of Russia-Ukraine war and residual effects of COVID-19 pandemic.

During the year 2022/23, the Government continued to implement various strategies to ensure that revenue target is achieved. During the fourth quarter, total domestic revenue collection amounted to 6,463.2 billion shillings, which was 3.2 percent higher than 6,261.2 billion shillings collected in a corresponding period in 2021/22. On cumulative basis, total domestic revenue collected for the year 2022/23 was 26,277.9 billion shillings against the target of 28,017.9 billion shillings, equivalent to 93.8 percent of the target for the period and an increase of 7.8 percent when compared with amount collected in the year 2021/22.

Government spending for the fourth quarter was 11,726.1 billion shillings, equivalent to 113.5 percent of the target of 10,329.9 billion shillings whereby recurrent expenditure was 7,284.8 and development 3,442.4. For the period (July 2022 to June 2023) total expenditure amounted to 39,515.4 billion shillings, equivalent to 95.3 percent of the annual target of 41,480.6 billion shillings.

During the fourth quarter of 2022/23, grants received were 93.1 billion shillings, equivalent to 57.6 percent of the estimated amount of 161.4 billion shillings. For the year 2022/23, grants received were 596.4 billion shillings, equivalent to 54.1 percent of the estimated amount of 1,101.5 billion shillings.

Total financing during the fourth quarter of 2022/23 was 3,174.3 billion shillings against the target of 1,512.4 billion shillings. For the year 2022/23, total financing was 7,690.4 billion shillings against the target of 6,145.2 billion shillings which was 125.1 percent of the target. Out of the total financing, total foreign net financing was a borrowing of 3,084.7 billion shillings against a borrowing target of 3,665.0 billion shillings equivalent to 84.2 percent and total domestic net financing was a borrowing of 4,605.8 billion shillings against the target of borrowing 2,480.1 billion shillings equivalent to 185.7 percent of the target.

As of end June 2023, debt stock amounted to 80,329.6 billion shillings compared to 71,559.0 billion shillings in the corresponding period in 2022, equivalent to an increase of 12.3 percent. Out of the amount, domestic debt stock was 28,926.1 billion shillings and external debt stock was 51,403.5 billion shillings.

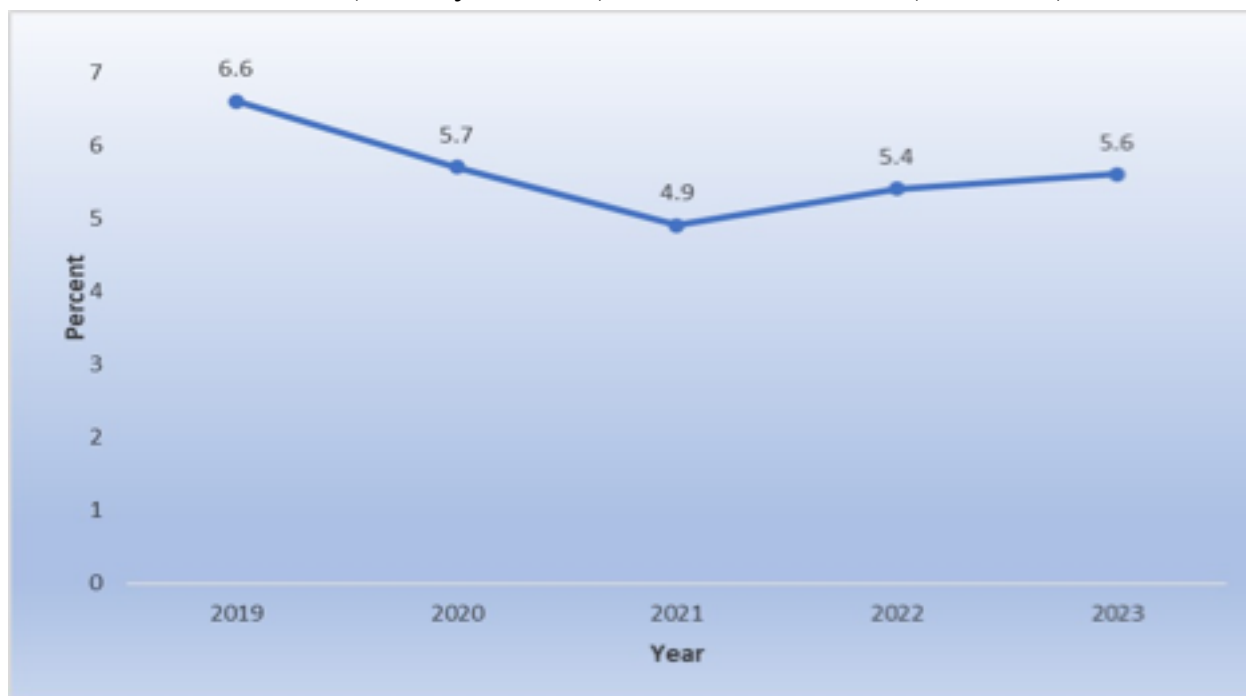
## 1.0 RECENT MACROECONOMIC PERFORMANCE

### 1.1 Real GDP Growth

During the first quarter (January – March, 2023), the value of Quarterly Gross Domestic Product (QGDP) in absolute terms at current prices increased to TZS 46.5 trillion from TZS 41.5 trillion in the similar quarter in 2022. Further, the value of QGDP at 2015 prices also increased to TZS 36.9 trillion in the first quarter 2023 from TZS 34.9 trillion in the similar period in 2022 equivalent to the growth rate of 5.6 percent.

During the period under review, mining and quarrying services activities recorded the highest growth of 14.2 percent, followed by financial and insurance (12.9 percent), other services which includes arts & entertainment and activities of household as an employer (9.5 percent), accommodation and food services (12.3 percent), electricity (8.1 percent), manufacturing (6.5 percent) information and communication (6.4 percent), construction (6.2 percent) and trade and repair (6.0). The trend of GDP growth is indicated in Chart 1.1.

**Chart 1.1: First Quarter (January – March) GDP Growth Rates (2019-2023)**



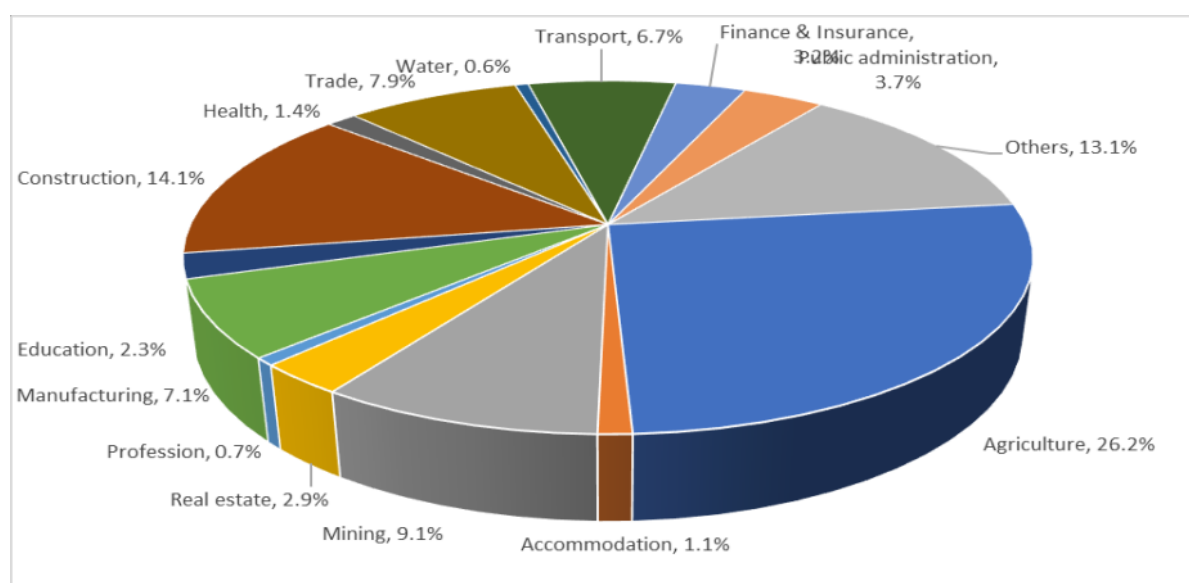
**Source:** National Bureau of Statistics

### 1.2 Real GDP Growth in 2022

In 2022, real GDP was 141,872,730 million shillings compared to 135,478,189 million shillings recorded in 2021, equivalent to a growth of 4.7 percent. The growth was driven by: Government measures to contain the impact of war in Ukraine; strategic investment

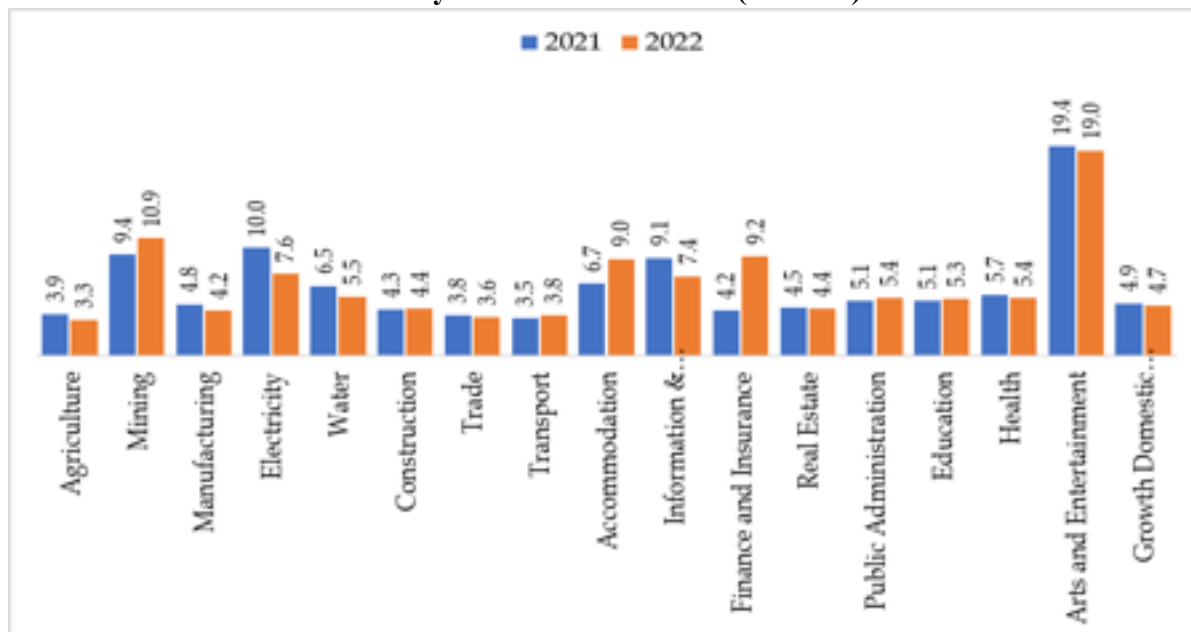
in energy, water, health, education, roads, railways and airports infrastructure; increased production of minerals particularly coal, gypsum, salt, diamonds, limestone and copper; and increased tourism activities. However, the growth rate slowed down by 0.2 percentage point from 4.9 percent growth recorded in 2021 mainly due to the impact of war in Ukraine which escalated production costs as well as the climate change spill over which affected agriculture production in some areas. Economic activities which recorded the highest growth during the period under review included: arts and entertainment (19.0 percent); mining and quarrying (10.9 percent); financial and insurance (9.2 percent); accommodation and food service (9.0 percent); and electricity (7.6 percent). The status of sectoral contribution to GDP in 2022 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

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

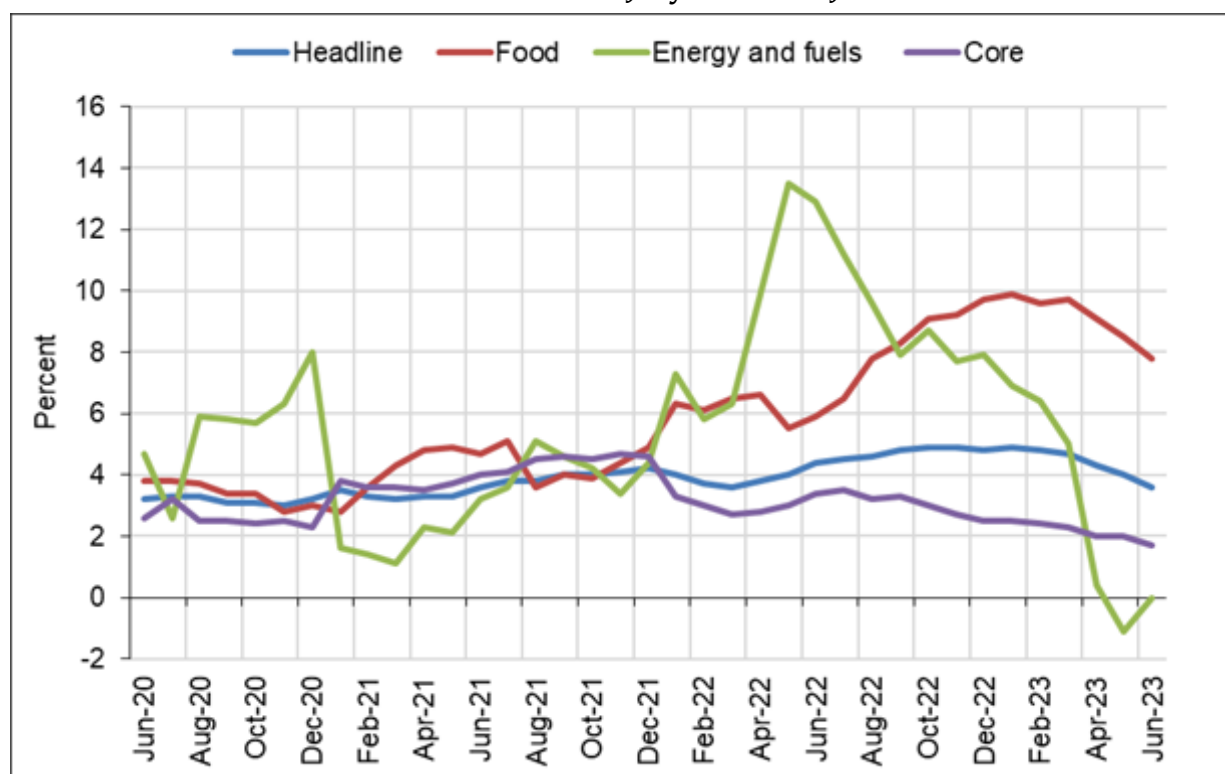


**Source:** Ministry of Finance

### 1.3 Inflation Development

In 2022/23, the annual inflation rate increased to an average of 4.6 percent compared to an average of 4.0 percent in 2021/22 mainly driven by food inflation and increase in the global commodity prices particularly petroleum products, edible oils, fertilizer, wheat and industrial raw materials which led to increase in production and distribution costs of goods and services in the domestic market. However, the inflation rate was below the country medium term target of 5.0 percent due to effective implementation of fiscal and monetary policies. During the period under review, food and non-alcoholic beverages group recorded the highest inflation rate of 7.3 percent followed by transportation group at 6.1 percent. During the quarter ending June 2023, headline inflation eased to an average of 3.9 percent compared to 4.1 percent recorded during the corresponding quarter in 2022. The trend of inflation is reflected in Chart 1.4.

**Chart 1.4: The Trend of Inflation Between July 2020 and June 2023**



Source: Ministry of Finance

## 1.4 External Trade

### External Trade Developments in 2022/23

In 2022/23, the external sector of the economy continued to experience shortage of foreign exchange and fast depreciation of the exchange rate due to the global challenges associated with the Russia - Ukraine war, residual effects of the COVID-19 pandemic and climate-related impact. As a result, the current account recorded a deficit of USD 4,868.7 million compared with USD 3,398.1 million recorded in 2021/22, driven by high import bills. Meanwhile, the balance of payments improved to a surplus of USD 114 million, from a deficit of USD 1.1 million in 2021/22.

Exports of goods and services amounted to USD 12,767.6 million in the year ending June 2023, higher than USD 11,004.1 million in the previous year, driven by non-traditional exports, in particular minerals and services receipts. Export of non-traditional goods recorded an annual growth of 4.2 percent largely driven by minerals, particularly gold, coal and diamonds. Coal exports increased to USD 229 million in the year ending June 2023, from USD 57.6 million in the previous year, due to growing demand in the wake of supply shortages following the Russia - Ukraine war. Exports of diamonds almost doubled to USD 46.9 million from USD 29.6 million in the year ending June 2022, largely



due to price effects. As for gold exports, the increase was largely on account of volume effects. Manufactured goods exports also recorded an annual growth of 6.1 percent to USD 1,402.2 million, largely driven by fertilizers and cement. Exports of traditional goods slightly increased to USD 752.3 million from USD 737.8 million. The increase was mostly manifested in exports of tobacco, cotton, and coffee.

Services receipts amounted to USD 5,398 million in the year ending June 2023, higher than USD 3,906.7 million in the year ending June 2022, driven by travel (tourism) and transportation receipts. The increase in travel receipts is mostly explained by the escalation in tourist arrivals, which rose by 45.9 percent to 1,638,850 – the highest level reached historically – as the tourism sector continues to recover.

Imports of goods and services increased to USD 17,007.2 million in the year ending June 2023 from USD 13,715.7 million in the corresponding period in 2022. The main drivers of the increase were white petroleum products, machinery and mechanical appliances, industrial transport equipment, fertilizers and service payments, in particular freight payments. Import of white petroleum products, which accounted for 18.4 percent of the total import bill, increased to 28.3 percent, with price effects exerting the larger impact accounting for 25.1 percent while the volume effect was only 2.5 percent. The price of crude oil decreased by 5.4 percent to USD 84.3 per barrel in 2022/23 from USD 89.2 per barrel in 2021/22.

Services payments also rose to USD 2,537.4 million in the year ending June 2023 from USD 2,002.4 million in the corresponding period in 2022, largely driven by freight payments consistent with the growing import bill.

### **External Trade Developments in the Quarter Ending June 2023**

The current account deficit narrowed to USD 833.2 million during the quarter ending June 2023 compared with a deficit of USD 1,296 million in the similar quarter in 2022, largely owing to the global commodity price moderation. Foreign exchange reserves also increased to USD 5,282.6 million at the end of June 2023, compared with USD 5,110.3 million in the similar period in 2022. The reserves remained adequate, covering 4.8 months of projected imports of goods and services, in line with the country and EAC benchmarks of 4 and 4.5 months, respectively.

During the quarter ending June 2023, the value of goods exported was USD 1,740.3 million, almost the same as in the corresponding quarter in 2022. While non-traditional goods exports registered a slight increase, traditional goods exports decreased. The

increase in non-traditional goods exports was mostly on account of mineral exports, which recorded an annual increase of 2.9 percent to USD 864.1 million, largely driven by gold and coal. Traditional goods exports declined to USD 80.3 million from USD 86.4 million in the corresponding quarter in 2022.

Goods worth USD 3,223.3 million were imported during the quarter to June 2023, lower than USD 3,318.4 million in the similar quarter in 2022. The decline is largely on account of refined white petroleum products and industrial supplies. White petroleum products worth USD 504.9 million were imported during the quarter, compared with USD 776.5 million in the corresponding quarter in 2022, owing to volume and price effect.

The services account recorded a significant improvement to a surplus of USD 814.9 million from a surplus of USD 489.4 million in the quarter ending June 2022, mostly due to an increase in service receipts, mainly travel and transport. The increase in travel receipts reflects the surge in tourist arrivals to 350,245 in the quarter under review from 286,025 in the similar quarter in 2022. The primary income account recorded a deficit of USD 376.2 million, slightly higher than a deficit of USD 374.5 million in the same period in 2022. Meanwhile, the secondary income account improved to a surplus of USD 211 million from a surplus of USD 166.9 million in the quarter ending June 2022, explained by higher private sector inflows.

### **1.5 Gross official reserves**

Foreign exchange reserves increased to USD 5,282.6 million at the end of June 2023, compared with USD 5,110.3 million in the similar period in 2022. The reserves remained adequate, covering 4.8 months of projected imports of goods and services, in line with the country and EAC benchmarks of 4 and 4.5 months, respectively.

### **1.6 Money Supply and Credit**

During the year ending June 2023, money supply in extended broad money (M3) grew by 18.8 percent compared with 6.5 percent in the corresponding period in 2022. This growth was predominantly driven by continued strong growth of credit to the private sector. Credit to the private sector sustained a strong growth of 21.2 percent during the year ending June 2023, compared with 19.4 percent in the corresponding period in 2022. This growth reflects improved business environment that motivates investments in the private sector in line with recovery of economic activities. The strong growth also aligns with the lagged impact of the accommodative monetary policy coupled with supportive fiscal policy.

During the quarter ending June 2023, money supply in extended broad money (M3) grew

by 17.9 percent compared to 8.5 percent during the corresponding period in 2022. During the period under review, credit to the private sector expanded by 22.1 percent compared with 15.9 percent in corresponding period in 2022.

### **1.7 Interest Rates Development**

In 2022/23, one-year and overall lending rates averaged at 16.90 percent and 16.04 percent compared with 16.73 percent and 16.41 percent recorded in 2021/22 respectively. On the other hand, one-year and overall deposit rate increased to an average of 8.62 percent and 7.19 percent from 8.03 percent and 6.80 percent in corresponding period of 2021/22 respectively. During the quarter ending June 2023, interest rates charged by banks on loans broadly remained unchanged. The overall lending and negotiated rates averaged around 16 percent and 13 percent, respectively, almost similar to the rates recorded in the corresponding quarter in 2022.

### **1.8 Exchange Rate**

In 2022/23, the exchange rate was averaged at 2,310.22 shilling per US dollar compared to 2,298.12 shilling per US dollar recorded in 2021/22, equivalent to a depreciation of 0.53 percent. In a quarter ending June 2023, the shilling was traded at an average of shilling 2,317.36 per USD compared to shilling 2,300.32 per USD in similar period in 2022, equivalent to an average depreciation of 0.74 percent. The fast depreciation was due to the global challenges associated with the Russia - Ukraine war, residual effects of the COVID-19 pandemic and climate-related impact.

## **2.0 GOVERNMENT OPERATIONS**

### **2.1 Domestic Revenue**

During the year 2022/23, 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 6,437.2 billion shillings, which was 2.8 percent higher than 6,261.2 billion shillings collected in a corresponding period in 2021/22. On cumulative basis, total domestic revenue collected for the year 2022/23 was 26,277.9 billion shillings against the target of 28,017.9 billion shillings, equivalent to 93.8 percent of the target for the period and an increase of 7.8 percent when compared with the amount collected in the year 2021/22. Out of the collected amount, collection from Tanzania Revenue Authority (TRA) was 22,610.2 billion shillings against the target of 23,652.8 billion shillings, equivalent to 95.6 percent. Non tax revenue collected by MDAs was 2,646.7 billion shillings, equivalent to 78.9 percent of the target of 3,352.8 billion shillings and collection from LGAs own source was 1,021.0 billion shillings against the target of 1,012.3 billion shillings, equivalent to 100.9 percent.

### **2.2 Revenue by Source**

#### **2.2.1 Taxes on Imports**

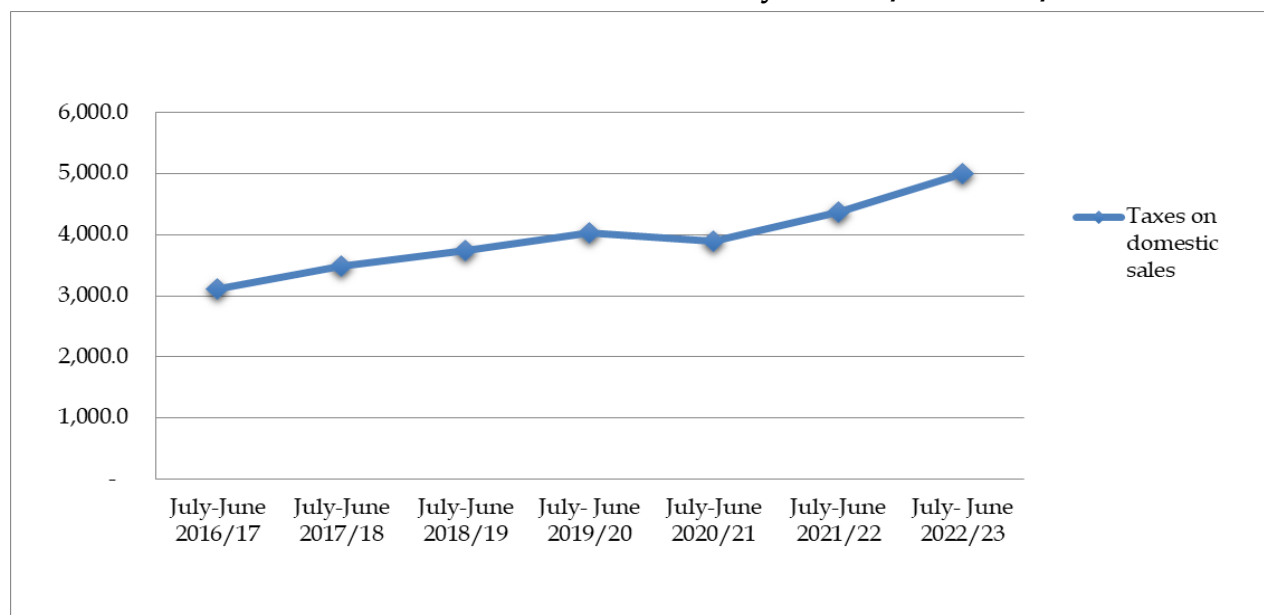
Import taxes and duties collection in the fourth quarter, amounted to 1,643.4 billion shillings, reflecting a performance of 95.6 percent of estimated 1,718.4 billion shillings, and 3.6 percent higher when compared to collections registered in a similar period in 2021/22. Cumulatively, import taxes and duties collection amounted to 6,647.3 billion shillings, reflecting a performance of 97.9 percent of estimated 6,789.5 billion shillings, and 5.7 percent higher when compared to collections registered in a similar period in 2021/22. The excise on petroleum imports recorded the total collection of 973.7 billion shillings, which was 72.0 percent compared to the planned target of 1,352.9 billion shillings. Excise on other imports registered performance of 143.8 percent of the target by collecting 396.3 billion shillings. Import duty performed below the target by collecting 1,637.7 billion shillings, equivalent to 103.7 percent of the target and VAT on non-petroleum performed surpassed the target by collecting 3,639.6 billion shillings equivalent to 101.6 percent. Import duty shows the impressive performance on intermediate goods has it increased by 21.8 percent, capital goods grew by 57.8 percent and consumer goods by 23.8 percent compared to 2021/22. On the other hand, excise on petroleum imports were recorded below the target due to decrease in value of taxable products which falls under oil products.

#### **2.2.2 Taxes on Domestic Sales**

In the fourth quarter of 2022/23, actual tax collection from domestic sales increased by 0.7 percent to 1,161.7 billion shillings from 1,153.8 billion shillings collected in a corresponding period in 2021/22. This collection was equivalent to 88.0 percent of the

target of 1,319.9 billion shillings. On cumulative basis, for the year 2022/23 actual tax collection from domestic sales increased by 14.3 percent to 5,003.5 billion shillings from 4,376.3 billion shillings collected in the year 2021/22 and equivalent to 94.1 percent of the target of 5,317.4 billion shillings. Out of the total domestic sales tax, excise duty was 1,576.2 billion shillings, equivalent to 100.1 percent of the target of 1,574.8 billion shillings and increased by 10.8 percent compared to the previous year while VAT on domestic sales amounted to 3,427.3 billion shillings, which was 91.6 percent of the target and 16.1 percent higher when compared to the year 2021/22. The performance of excise duty was largely attributed by impressive performance of telecommunication services, and increase in production of sprits and konyagi. VAT on domestic sales performance were due to decline in payment in manufacturing sector by 0.9 percent compared with previous year especially in cement, soft drinks and beer and poor performance observed in electricity. In addition, the underperformance of annual tax on domestic sales was attributed to an increase of tax refunds payments by 63.1 percent above the annual budget. **Chart 2.1** shows the trend of tax on domestic sales for the financial years (2016/17 - 2022/23).

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



### 2.2.3 Income Tax

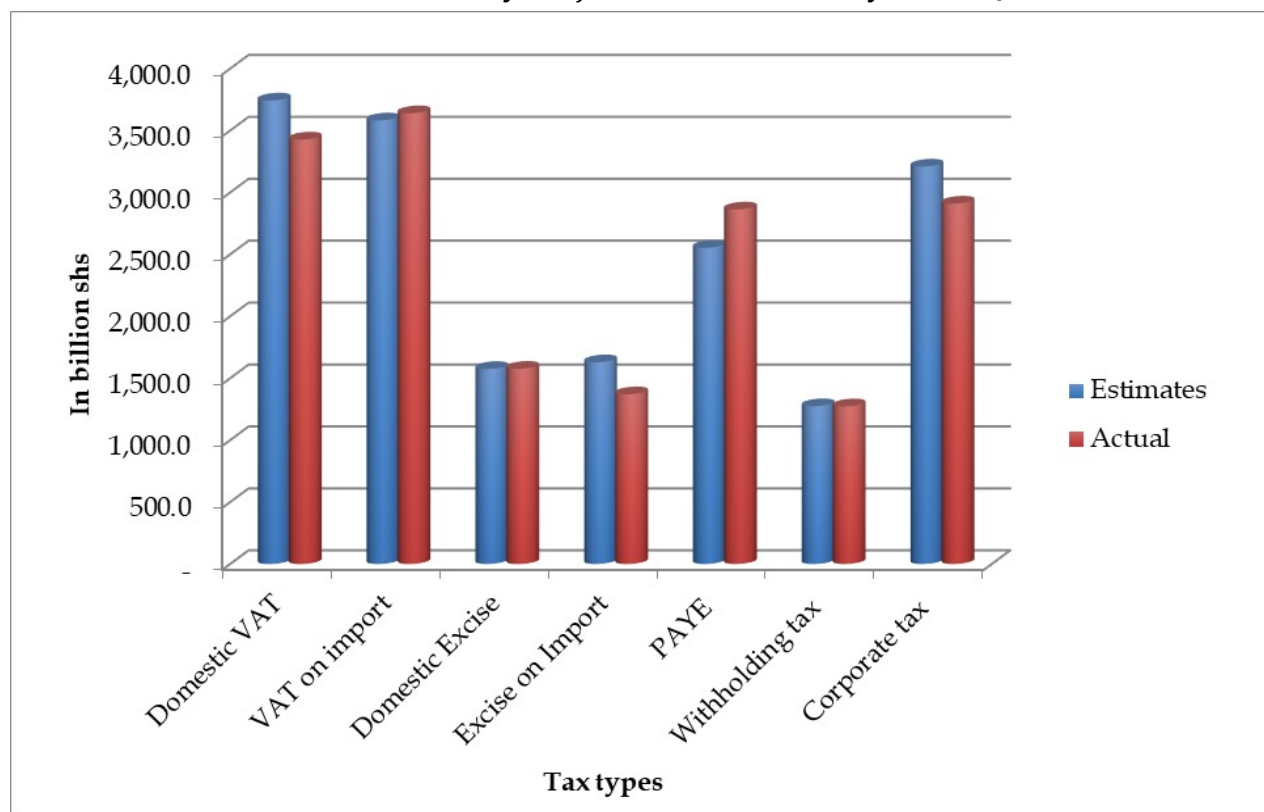
The overall income tax collection during the fourth quarter of 2022/23 amounted to 1,892.5 billion shillings which was 91.9 percent of the target of collecting 2,059.1 billion shillings, reflecting an increase of 4.5 percent compared to collections registered in the same period in 2021/22. Cumulatively, up to June 2023 income tax collection was 7,760.3 billion shillings, which was 98.6 percent of estimates of 7,871.3 billion shillings. In the

fourth quarter of 2022/23, PAYE collection was 747.7 billion shillings, equivalent to 116.6 percent of the target. Cumulatively, in the year 2022/23, PAYE collection was 2,862.4 billion shillings against the target of 2,553.2 billion shillings, signifying the performance of 112.1 percent and higher by 17.7 percent when compared to 2,431.5 billion shillings collected in the year 2021/22. The performance is due to close follow up of employers in terms of filing employment taxes that enhanced collection of employment taxes, there has been an increase of 43.4 percent, 15.7 percent and 14.7 percent reported employees from parastatal, Government and private sector employees in 2022/23 compared to previous year.

During the fourth quarter of 2022/23, revenue collection from the corporate tax was 637.7 billion shillings, which was 74.9 percent of the target of 851.0 billion shillings. Cumulatively, amount collected from corporate tax was 2,910.0 billion shillings equivalent to 90.7 percent of the target and 11.5 percent lower compared to amount collected in the year 2021/22. The performance was mainly attributed to decrease in payment from information & communication, human health and social work activities 10.7 percent, 8 percent 38.1 percent respectively.

Collections from withholding taxes for the fourth quarter were 340.7 billion shillings equivalent to 102.3 percent of the target. Cumulatively, for the year 2022/23, collections of withholding taxes were 1,272.6 billion shillings against the target of 1,273.9 billion shillings which was 99.9 percent and 5.4 percent higher compared to what was collected in the year 2021/22. The main reason for good performance was due to increase in the number of transactions that attracts withholding taxes. Such transactions include goods and services (27.2 percent), insurance and communication (10.1) and bank interest (10.3 percent). Revenue performance by major tax items is shown in **Chart 2.2**.

**Chart 2.2: Revenue Performance by Major Tax Item for the year 2022/23**

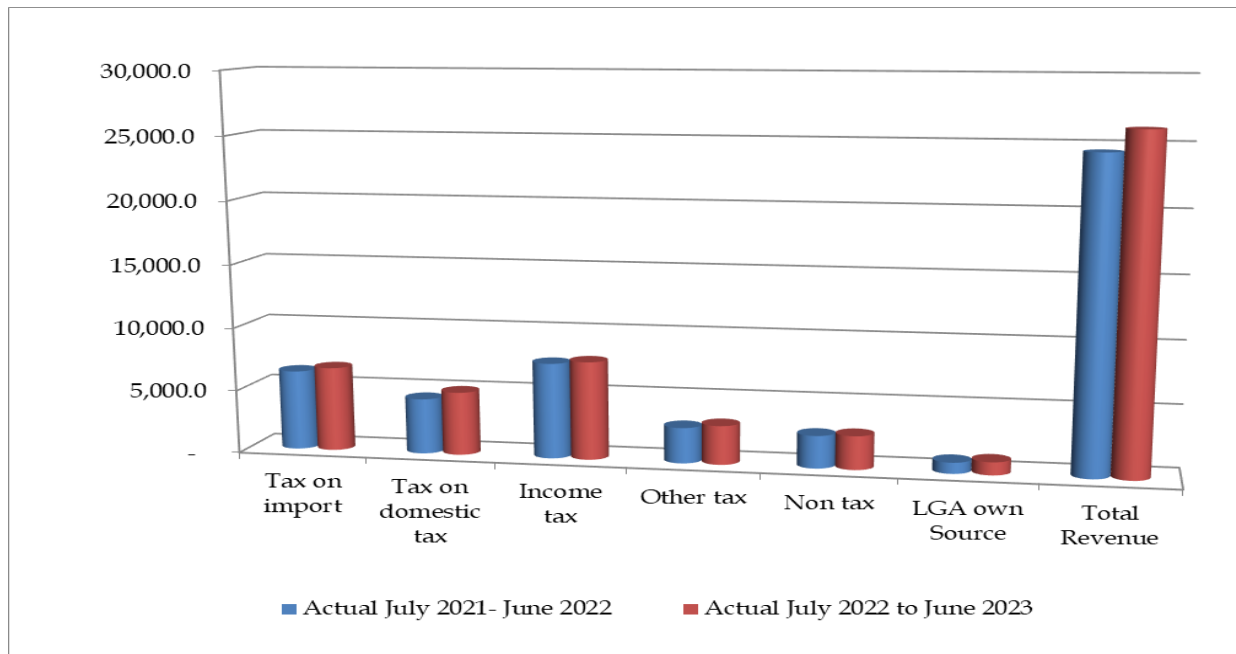


#### **2.2.4 Other Taxes**

During the period (April – June 2023), actual collections from this category amounted to 652.0 billion shillings, which was 84.4 percent of the period estimate of 772.9 billion shillings. On cumulative basis, amount collected from this source was 3,073.1 billion shillings, which was 99.8 percent of the target of 3,079.9 billion shillings, an increase of 9.3 percent when compared to the amount collected in the year 2021/22. Out of the amount, Fuel Levy and Transit Fee was 1,314.9 billion shillings, equivalent to 92.7 percent of estimates; collections meant for National Water Development Fund was 179.5 billion shillings, which was 91.4 percent of estimates; and collections for Rural Energy Agency (REA) was 377.2 billion shillings, or 128.4 percent of estimates. On the other hand, collections from other sources were performed as follows: collections for Railway Development Fund 436.5 billion shillings, equivalent to 117.2 percent of estimates; Business Skill Development Levy (SDL) recorded 374.3 billion shillings, equivalent to 118.0 percent of estimates, and Departure Service Charges performed at 137.8 percent of estimates of 50.5 billion shillings. SDL was underperformed but higher by 28.6 percent compared to the previous year which is due to close follow up of employers in terms of filing employment taxes that enhanced collection of employment taxes. Departure service charges performed higher by 50.6 compared to the previous year. Collections from departure service continued to increase and recorded a high performance due to

increased number of both international and domestic flights. The trend of revenue performance is indicated in **Chart 2.3**.

**Chart 2.3: Revenue Performance for the year 2022/23 Compared to 2021/22**



### 2.2.5 Non Tax Revenue

Collections of non-tax revenue in the fourth quarter of 2022/23 were 1,010.3 billion shillings, equivalent to 89.0 percent of quarter estimates of 1,135.1 billion shillings. The collections were higher by 2.9 percent when compared to collections registered in the same period in 2021/22. For the year 2022/23, collections of non-tax revenue were 3,854.6 billion shillings equivalent to 83.7 percent of period estimates of 4,605.2 billion shillings and higher by 11.1 percent when compared to collections registered in the year 2021/22. Out of the amount, non-tax revenues collected by ministries were 1,647.0 billion shillings, against the target of 2,419.8 billion shillings, equivalent to 68.1 percent, dividends and contribution from Government Institutions were 1,008.9 billion shillings, which was 108.1 percent of the target, non-tax revenues collected by TRA (billboard fee, property tax, tourism fee, mobile money transfer and withdraw levy and others) were 1,198.8 billion shillings, which was 95.7 percent of the period estimates of 1,252.3 billion shillings.

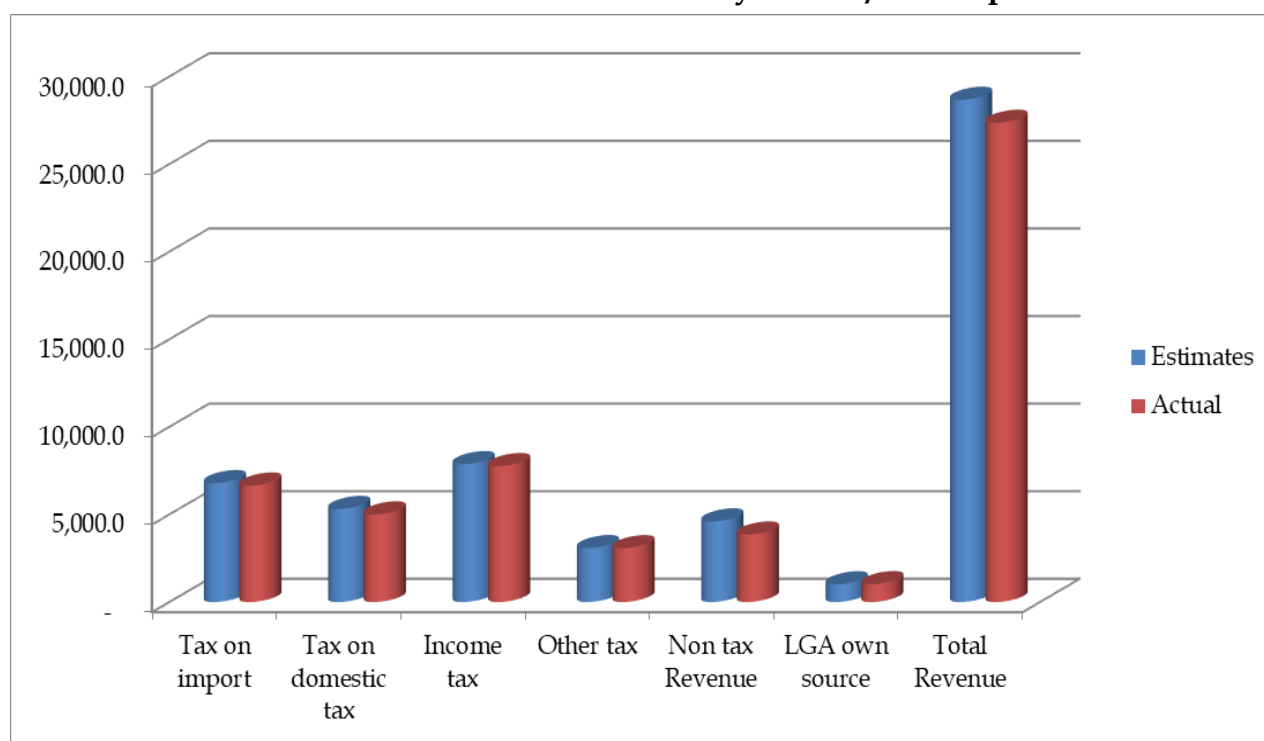
Property tax was performed by 100.7 percent equivalent to a growth of 32.5 compared to 32.8 billion shillings collected in 2021/22. The performance was attributed by improvement on mapping TANESCO LUKU meter numbers with buildings in order to determine their respective property rates. Advertising fee was 68.2 percent due to change in modality of advertisements from analogue to digital technology enabled by technological advancement. On the other hand, tourism fee performed by 124.9 percent



and grew by 78.0 percent due to the increase in number of international tourists visiting the country as evidenced by increase of the international visitors by 44.2 percent while flights increased by 28.7 percent when compared with same period previous year. Dividends and contribution performed by 108.1 percent due to close follow up to the institutions in remitting specific amount timely. The underperformance of non-tax revenue was partly due to the suspension of production of mines due to the challenge of the availability of electricity and low revenues from land rent due to the non-compliance of landowners to pay rent.

Collections from LGAs own source in the fourth quarter of 2022/23, was 330.0 billion shillings, equivalent to 127.7 percent of estimates and an increase of 54.5 percent compared to collections in the fourth quarter of 2021/22. For the year 2022/23, LGAs own source recorded 1,021.0 billion shillings, which was 100.9 percent of the target, and higher by 17.1 percent when compared to the year 2021/22. Domestic revenue performance for the year 2022/23 compared to estimates is depicted in **Chart 2.4**.

**Chart 2.4: Domestic Revenue Performance for the year 2022/23 Compared to Estimates**



## 2.3 Expenditure

The approved Government expenditure for 2022/23 was 41,480.6 billion shillings which comprised of 26,474.6 billion shillings for recurrent activities and 15,006.0 billion shillings for development projects. During the fourth quarter, expenditure amounted to 11,726.1 billion shillings, equivalent to 113.5 percent of the targeted spending of 10,329.9 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 7,695.0 billion shillings, equivalent to 112.9 percent of the target of 6,817.8 billion shillings. The performance was attributed to continued Government's commitment to honouring statutory obligations which include cost of debt service, payment of arrears, 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 2,313.5 billion shillings, equivalent to 94.1 percent of the target of 2,457.7 billion shillings.

### **2.3.3 Debt Service**

Expenditure on debt service totalled 3,751.4 billion shillings, reflecting a performance of 150.3 percent of estimates of 2,495.4 billion shillings. The performance was attributed by maturity of loans and exchange rate fluctuations. Out of the total debt service, amortization amounted to 1,906.1 billion shillings and interest payments were 1,176.3 billion shillings.

### **2.3.4 Goods, Services and Transfers**

The total expense on goods, services and grant transfers to other level Government and Parastatals was 1,630.2 billion shillings, equivalent to 87.4 percent of the target of 1,864.7 billion shillings.

### **2.3.5 Development Expenditure**

During the period under review, disbursement for development activities amounted to 4,031.1 billion shillings, equivalent to 124.0 percent of the target of 3,512.1 billion shillings. The performance was highly on account of increased absorption capacity for projects financed by local resources and increased compliance on accounting for direct to project funds as the year ends. Disbursement for projects financed by local resources was 3,591.2 billion shillings equivalent to 124.0 percent of the target of 2,896.9 billion shillings. On the other hand, foreign resources disbursement including direct to project funds amounted to 439.9 billion shillings, equivalent to 71.5 percent of the target of 615.2 billion shillings. The fourth quarter performance of budget by major categories of recurrent and development and by economic classification is presented in **Table 2.1**.

**Chart 2.1: Fourth Quarter Expenditure Performance by Major Categories and Economic Classification (April 2022 to June 2023)**

**Billion Shillings**

Category	Quarter Target	Actual Expenditure	Performance
<b>Recurrent Expenditure</b>	<b>6,817.80</b>	<b>7,695.00</b>	112.9%
o/w Wages and Salaries	2,457.70	2,313.48	94.1%
Debt Amortization	1,770.60	2,494.00	140.9%
Interest Repayments	724.8	1,257.36	173.5%
Goods, Services and Transfers	1,864.70	1,630.16	87.4%
<b>Development Expenditure</b>	<b>3,512.10</b>	<b>4,031.08</b>	114.8%
Development Local	2,896.90	3,591.16	124.0%
Development Foreign	615.2	439.92	71.5%
<b>Grand Total</b>	<b>10,329.90</b>	<b>11,726.08</b>	113.5%

Source: Ministry of Finance

### **2.3.6 Cumulative Expenditure Performance**

As at end June 2023, Government spending amounted to 39,515.4 billion shillings, equivalent to 95.3 percent of the annual target of 41,480.6 billion shillings, and 8.8 percent higher when compared to 36,350.7 billion shillings recorded as at June 2022. The annual expenditure performance was impressive owing to good performance of domestic revenue and adequate financing through receipt of loans.

The recurrent expenditure stood at 26,190.3 billion shillings, equivalent to 98.9 percent of the annual target of 26,196.2 billion shillings. Expenditure on development activities as of June, 2023 amounted to 13,319.1 billion shillings, reflecting the performance of 93.1 percent of the target of 15,006.0 billion shillings.

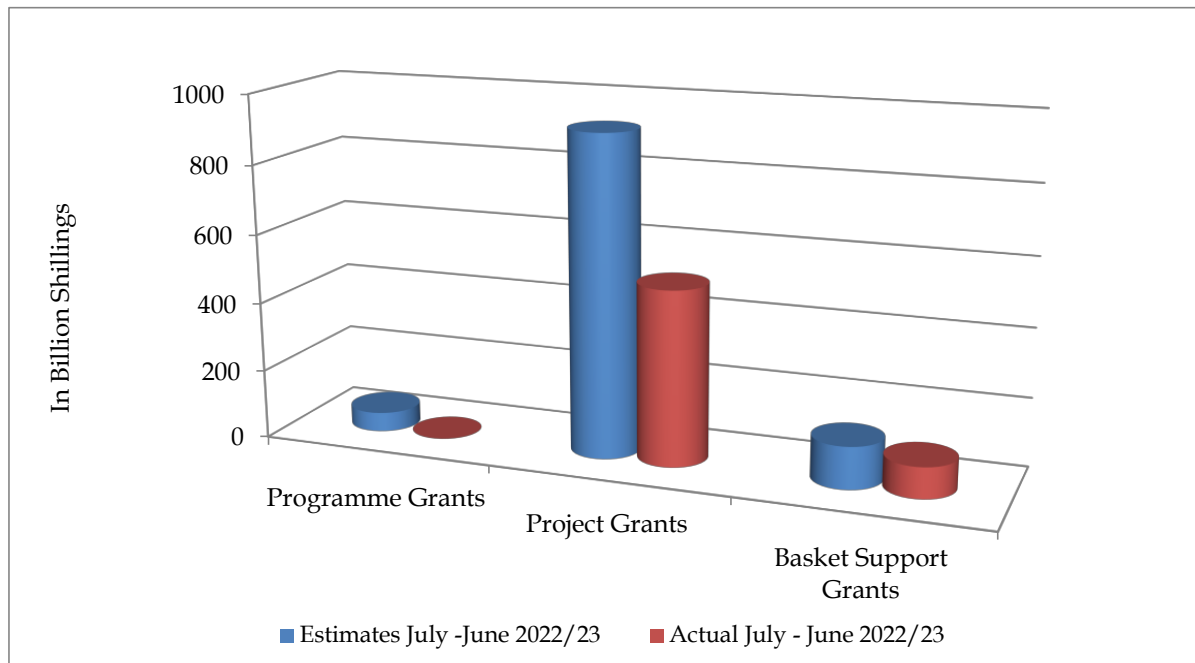
### **2.3.7 Government Expenditure on Arrears**

In the year 2022/23, payment of arrears was among the government expenditure priorities. During the period under review a total of 1,055.1 billion shillings was paid to clear the expenditure arrears against the target of 430 billion shillings. The breakdown of the paid amount is as follows: 314.4 billion shillings for supplies (goods & services), 695.9 billion shillings for construction works, 18.5 billion shillings for staff and 26.3 billion shillings for utilities.

## 2.4 Grants

During the fourth quarter of 2022/23, grants received were 93.1 billion shillings, equivalent to 57.6 percent of the estimated amount of 161.4 billion shillings. Out of the total grants, Project Grants were 88.5 billion shillings equivalent to 54.8 percent of the estimates of 161.4 billion shillings and Basket Funds were 4.6 billion shillings. For the year 2022/23, grants received were 596.4 billion shillings, equivalent to 54.1 percent of the estimated amount of 1,101.5 billion shillings. Out of the amount, Project Grants were 506.3 billion shillings equivalent to 54.8 percent of the estimates of 923.8 billion shillings, Basket Funds were 90.1 billion shillings against the target of 122.1 billion shillings equivalent to 73.7 percent.

**Chart 2.5: Performance of Foreign Grants for the year 2022/23 (Estimates against Actual)**



## 2.5 Financing

Total financing during the fourth quarter of 2022/23 was 3,174.3 billion shillings against the target of 1,512.4 billion shillings. Out of the total financing, total foreign net financing was a borrowing of 1,065.2 billion shillings against a borrowing target of 930.1 billion shillings and total domestic net financing was 2,109.1 billion shillings against the target of repayment of 582.3 billion shillings. For the year 2022/23, total financing was 7,690.4 billion shillings against the target of 6,145.2 billion shillings which was 125.1 percent of the target. Out of the total financing, total foreign net financing was a borrowing of 3,084.7 billion shillings against a borrowing target of 3,665.0 billion shillings equivalent to 84.2 percent and total domestic net financing was a borrowing of 4,605.8 billion shillings

against the target of borrowing 2,480.1 billion shillings equivalent to 185.7 percent of the target.

### **2.5.1 Domestic Financing**

In the year 2022/23, the Government planned to borrow 5,780.1 billion shillings from the domestic financial market, whereas 3,300.0 billion shillings were for financing rolling over of maturing Treasury Bills and Bonds and 2,480.1 billion shillings were new loans for financing development projects. During the fourth quarter of 2022/23, a total of 2,848.7 billion shillings were borrowed from domestic market against the target of borrowing 1,290.3 billion shillings. Out of the amount borrowed, 739.7 billion shillings was for redemption (rollover) of matured obligations and 2,109.1 billion shillings was borrowed for financing development projects. Cumulatively, for the year 2022/23, a total of 8,119.7 billion shillings were borrowed from domestic market against the target of borrowing 5,780.1 billion shillings equivalent to 140.5 percent. Out of the amount borrowed, 3,513.9 billion shillings was for redemption (rollover) of matured obligations and 4,605.8 billion shillings was borrowed for financing development projects.

### **2.5.2 Foreign Financing**

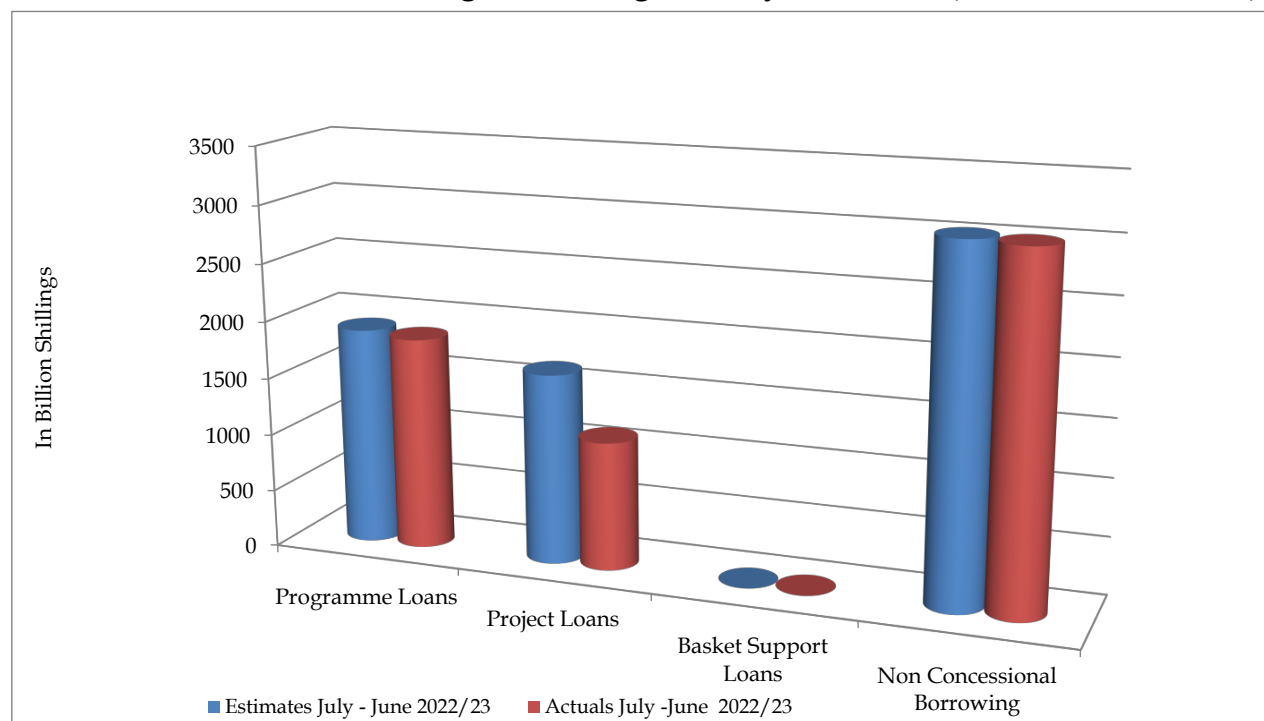
Net foreign financing for the fourth quarter of 2022/23 was a borrowing of 1,065.2 billion shillings against a borrowing target of 930.1 billion shillings. During the quarter under review, disbursements of concessional loans were 522.1 billion shillings against the target of 831.0 billion shillings. Disbursement of non-concessional loans were 1,709.4 billion shillings against the target of 1,161.7 billion shillings. In addition, amortization of foreign loans was 1,166.3 billion shillings against estimates of 1,062.6 billion shillings. During the year 2022/23, net foreign financing was a borrowing of 3,084.7 billion shillings against a borrowing target of 3,665.0 billion shillings. Out of the amount, disbursements of concessional loans were 2,966.5 billion shillings against the target of 3,547.1 billion shillings. Disbursement of non-concessional loans were 3,011.7 billion shillings against the target of 3,034.0 billion shillings. In addition, amortization of foreign loans was 2,893.5 billion shillings against estimates of 2,916.0 billion shillings. The trend of grants and external concessional loans is shown in Table 2.4 and the performance of foreign financing for the year 2022/23 is presented in Chart 2.6.

**Table 2.4: Trend of Grants and External Concessional Loans for the year 2022/23**

Summary of Disbursement July - June 2022/23 (All figures in millions shillings)				
AID MODALITY	Type of assistance	Annual commitment as per budget	Actual Disbursement July -June 2022/23	% of Commitment
GBS	Grants	55,530	-	0.0%
GBS	Concessional Loan	1,893,949	1,851,237	97.7%
<b>Sub Total</b>		<b>1,949,480</b>	<b>1,851,237</b>	<b>95.0%</b>
Basket Funds	Grants	122,123	90,053	73.7%
Basket Funds	Concessional Loan	-	-	0.0%
<b>Sub Total</b>		<b>122,123</b>	<b>90,053</b>	<b>73.7%</b>
Development Projects	Grants	923,836	506,328	54.8%
Development Projects	Concessional Loan	1,653,122	1,115,244	67.5%
<b>Sub Total</b>		<b>2,576,958</b>	<b>1,621,572</b>	<b>62.9%</b>
<b>Grand Total</b>		<b>4,648,561</b>	<b>3,562,862</b>	<b>76.6%</b>

Source: Ministry of Finance

**Chart 2.7: Performance of Foreign Financing for the year 2022/23 (Estimates Vs Actual)**

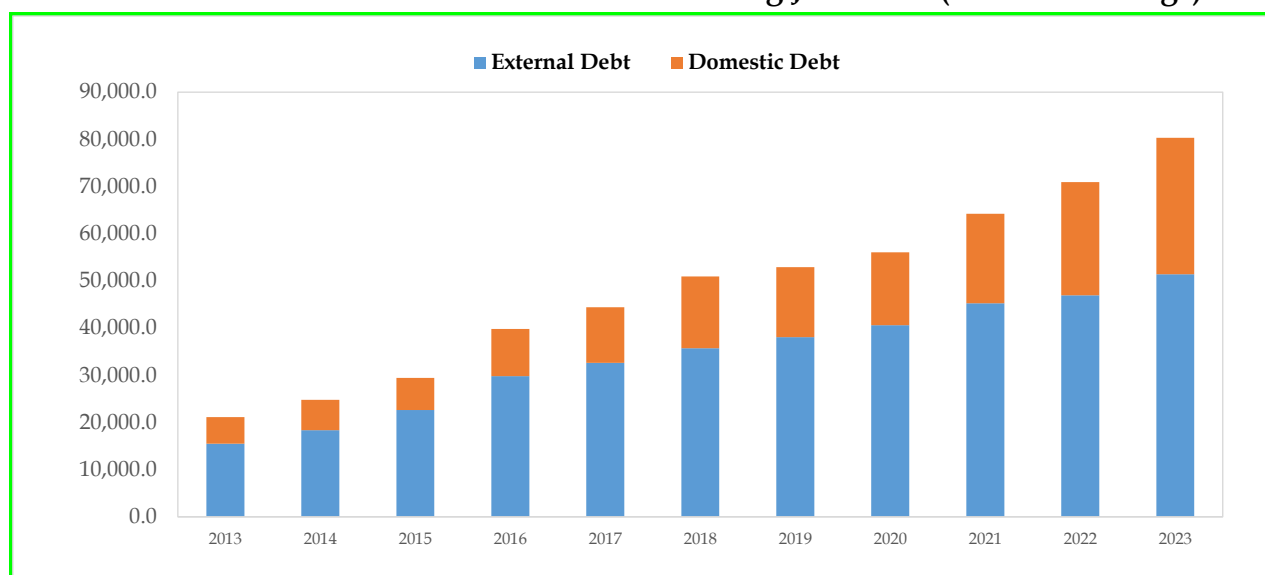


### 3.0 GOVERNMENT DEBT DEVELOPMENT

#### 3.1 Overall Debt Stock

As at end June 2023, Central Government debt stock was 82,138.2 billion shillings compared to 71,312.4 billion shillings in the corresponding period in 2022, equivalent to an increase of 15.2 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 28,926.4 billion shillings (equivalent to 36.01 percent) and external debt amounted 53,211.8 billion shillings (equivalent to 63.99 percent).

**Chart 3.1: Trend of Central Government Debt ending June 2023 (Billion Shillings)**

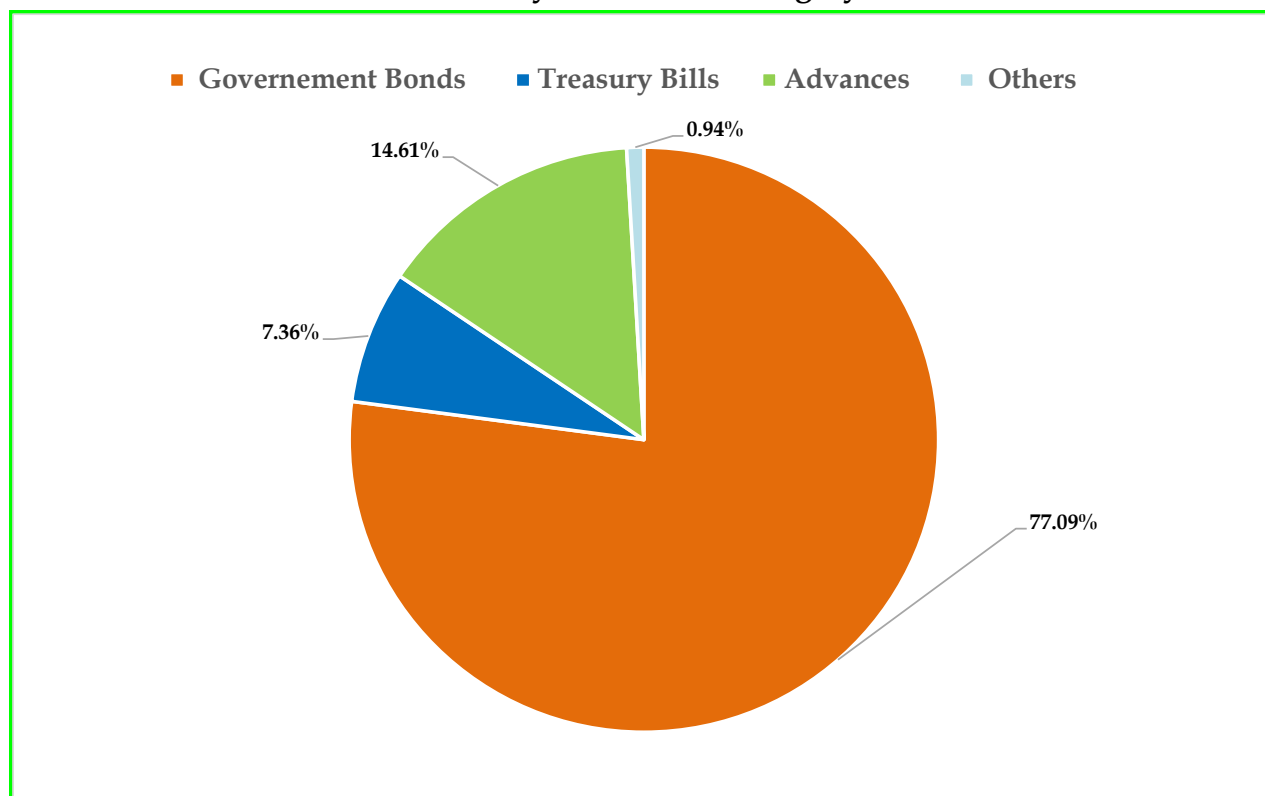


Source: Ministry of Finance

#### 3.2 Central Government Domestic Stock

As at end of June 2023, the domestic debt stock was 28,926.4 billion shillings compared with 24,039.8 billion shillings in the corresponding period in 2022, equivalent to an increase of 20.3 percent. The increase in domestic debt was due to the issuance of securities for financing development projects and the rollover of the matured securities. The composition of domestic debt by instruments shows that Government bonds accounted for 77.1 percent of total domestic debt stock, followed by Government advances to BoT 14.6 percent, treasury bills 7.4 percent, and other debt instruments account for the remaining 0.9 percent. The composition of domestic debt by instrument category is depicted in **Chart 3.2**.

**Chart 3.2: Share of Domestic Debt by Instrument Category**



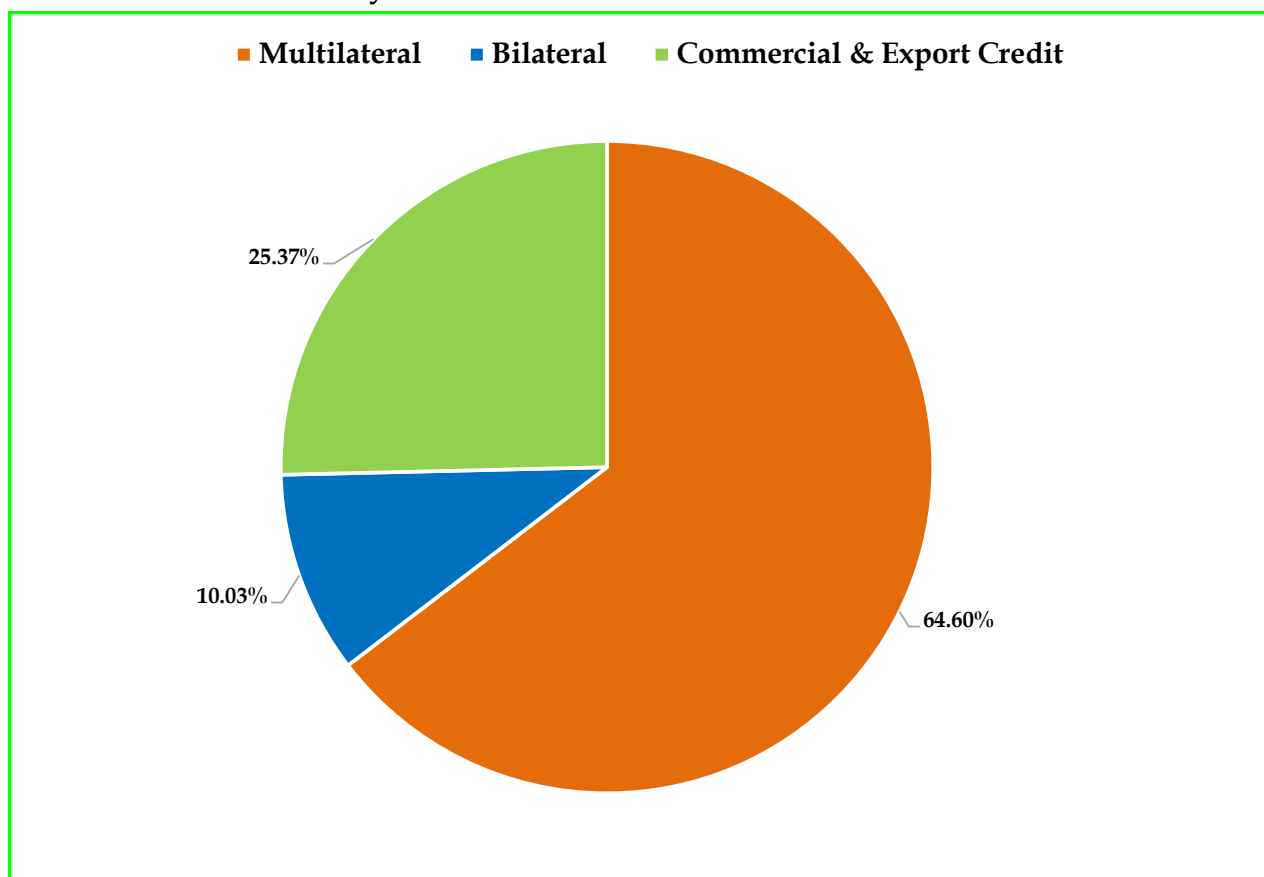
Source: Ministry of Finance

### 3.3 Central Government External Debt

The stock of external Central Government debt as of end of June 2023, stood at 53,211.08 billion shillings (USD 22,862.02 million) from 47,272.60 billion shillings (USD 20,414.3 million) end June 2022 which is an increase of 12.6 percent. The increase was due to disbursements from committed loans contracts and technical interest arrears in the period under reference. The large share of external debt portfolio consisted of loans mainly contracted on concessional terms. In terms of external debt by creditor category multilateral remained dominant accounting 64.6 percent of the total external debt portfolio, Commercial banks and Export Credit Agency (ECA) 25.4 percent, and Bilateral 10.0 percent **Chart 3.3**.



**Chart 3.3: Concessionality of Government External Debt**



Source: Ministry of Finance

### **3.4 The Result of Debt Sustainability Analysis**

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

**Table 3.1: Projected External Public Debt Burden Indicators**

External DSA	Threshold	2021/22 <sup>1</sup>	2022/23	2023/24	2024/25	2025/26	2026/27	2031/32	2032/33
PV of debt-to GDP ratio	40	18.1	17.7	17.3	16.4	15.8	15.8	16.3	15.4
PV of debt-to-exports ratio	180	119.6	113.4	108.1	104.0	101.9	101.3	99.7	92.1
Debt service-to-exports ratio	15	13.5	14.1	9.6	8.9	8.5	8.2	8.8	10.6
Debt service-to-revenue ratio	18	14.1	14.9	10.4	9.6	9.3	9.3	10.9	12.2

Source: Ministry of Finance

**Table 3.2: Projected Overall Public Debt Burden Indicators**

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

Source: Ministry of Finance

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<sup>1</sup> Represent actual ratios as of 30<sup>th</sup> June 2022

# ANNEX A

Revenue Performance April 2022 - June 2023						
					Billion Shillings	
	Budget Estimates	April 2022 - June 2023			April 2021 - June 2022	Year on year change
		Estimates	Actual	Percent of estimate		
<b>Revenue ( Including LGAs own sources)</b>	<b>28,017.9</b>	<b>7,110.4</b>	<b>6,437.6</b>	<b>90.5%</b>	<b>6,242.7</b>	<b>3.1%</b>
<b>Revenue (Excluding LGAs own sources)</b>	<b>27,005.6</b>	<b>6,852.0</b>	<b>6,124.0</b>	<b>89.4%</b>	<b>6,046.7</b>	<b>1.3%</b>
<b>Tax Revenue</b>	<b>22,400.4</b>	<b>5,716.9</b>	<b>5,113.7</b>	<b>89.5%</b>	<b>5,064.7</b>	<b>1.0%</b>
<b>Taxes on Imports</b>	<b>6,789.5</b>	<b>1,718.4</b>	<b>1,643.4</b>	<b>95.6%</b>	<b>1,586.6</b>	<b>3.6%</b>
Import Duty	1,579.3	399.7	412.4	103.2%	384.4	7.3%
Excise on Petroleum	1,352.9	342.4	245.7	71.8%	282.7	-13.1%
Excise	1,352.9	342.4	245.7	71.8%	282.7	-13.1%
Others	3,857.3	976.3	985.3	100.9%	919.5	7.2%
Excise	275.7	69.8	86.4	123.8%	69.1	25.0%
VAT on Non-Petroleum imports	3,581.7	906.5	898.9	99.2%	850.4	5.7%
<b>Taxes on Domestic Sales</b>	<b>5,317.4</b>	<b>1,319.9</b>	<b>1,161.7</b>	<b>88.0%</b>	<b>1,153.8</b>	<b>0.7%</b>
Excise	1,574.8	382.8	376.6	98.4%	350.3	7.5%
Value Added Tax (VAT)	3,742.6	937.1	785.1	83.8%	803.4	-2.3%
<b>Income Tax</b>	<b>7,871.5</b>	<b>2,059.1</b>	<b>1,892.5</b>	<b>91.9%</b>	<b>1,810.3</b>	<b>4.5%</b>
PAYE	2,553.2	641.1	747.7	116.6%	631.0	18.5%
Corporate and Parastatals	3,209.2	851.0	637.7	74.9%	724.2	-11.9%
Individuals	255.4	71.9	58.4	81.2%	56.3	3.8%
Withholding Taxes	1,273.9	333.1	340.7	102.3%	297.1	14.7%
Rental Tax	133.8	36.7	29.2	79.4%	29.7	-1.7%
Other Income	446.0	125.2	78.8	62.9%	72.0	9.4%
<b>Other Taxes</b>	<b>3,079.9</b>	<b>772.8</b>	<b>652.0</b>	<b>84.4%</b>	<b>710.6</b>	<b>-8.2%</b>
Business Skill Development Levy	317.2	83.4	88.6	106.3%	74.9	18.3%
Fuel Levy and transit fee	1,419.1	359.2	273.8	76.2%	340.1	-19.5%
Stamp Duty	23.8	5.4	3.8	71.3%	4.6	-16.5%
Departure Service Charges	50.5	10.5	16.2	153.4%	13.1	23.5%
Processing Fee-dry cargo-TRA	91.1	23.1	25.6	110.8%	22.0	15.9%
Export Duty	91.2	23.1	1.4	6.2%	9.2	-84.5%
Railway Development Fund	372.4	94.2	97.6	103.5%	103.7	-5.9%
National Water Development Fund	196.4	49.7	38.8	78.1%	36.6	6.1%
Motor vehicle taxes	171.7	36.6	20.7	56.5%	38.6	-46.5%
Treasury Voucher Cheque	52.649	13.3	4.4	32.7%	0.00	324276.6%
Transer to REA	293.8	74.3	81.1	109.1%	67.8	19.7%
<b>Refunds</b>	<b>-657.8</b>	<b>-153.4</b>	<b>-235.9</b>	<b>153.8%</b>	<b>-196.5</b>	<b>-</b>
Refunds - VAT	-606.8	-140.2	-192.2	137.1%	-192.8	-
Refunds - other	-51.0	-13.2	-43.6	330.8%	-3.7	-
<b>Non Tax Revenue</b>	<b>4,605.2</b>	<b>1,135.1</b>	<b>1,010.3</b>	<b>89.0%</b>	<b>982.0</b>	<b>2.9%</b>
Parastatal Dividends	933.0	287.5	383.3	133.3%	294.3	30.3%
Ministries and Regions	2,419.8	594.7	390.8	65.7%	451.9	-13.5%
TRA Non Tax	178.8	45.3	42.6	94.1%	40.2	6.0%
Tourism Sector	501.6	94.2	105.9	112.4%	85.5	23.9%
Transaction levy on Mobile money sending and withdrawing	500.0	94.9	71.4	75.2%	97.6	-26.8%
Property tax	43.2	10.6	14.1	133.5%	10.3	36.6%
Billboard Fee Collections	28.7	7.9	2.1	27.0%	2.3	-6.6%
<b>LGAs own source</b>	<b>1,012.3</b>	<b>258.5</b>	<b>313.6</b>	<b>121.3%</b>	<b>196.0</b>	<b>60.0%</b>

Source: Ministry of Finance