

THE UNITED REPUBLIC OF TANZANIA



MINISTRY OF FINANCE

**THE BUDGET EXECUTION REPORT FOR THE SECOND QUARTER OF 2023/24
(JULY TO DECEMBER 2023)**

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LIST OF ABBREVIATIONS

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

EXECUTIVE SUMMARY

During the third quarter (July – September, 2023), nominal Quarterly Gross Domestic Product (QGDP) in an absolute term (at current prices) increased to TZS 45.8 trillion from TZS trillion 40.1 recorded in the similar quarter in 2022. Further, the real QGDP (at 2015 prices) increased to TZS 35.7 trillion from TZS 33.9 trillion achieved in the corresponding period in 2022.

In the second quarter of 2023/24, total domestic revenue collection amounted to 7,798.7 billion shillings, which was 9.8 percent higher than 7,102.3 billion shillings collected in the corresponding period in 2022/23. On cumulative basis (July to December 2023), total amount collected was 14,745.5 billion shillings against the target of 15,404.2 billion shillings, equivalent to 95.7 percent and an increase of 9.9 percent when compared with the amount collected in the first half of 2022/23.

The total expenditure for the second quarter was 11,455.8 billion shillings against the target of 13,284.3 billion shillings, of which recurrent expenditure was 7,081.6 billion shillings against a target of 7,838.4 billion shillings, while development expenditure amounted to billion shillings 4,374.2 against a target of 5,445.8 billion shillings.

During the second half of 2023/24, total grants received were 252.5 billion shillings, equivalent to 49.9 percent of the estimated amount of 506.3 billion shillings, while the total financing during the first half of 2023/24 was 3,169.4 billion shillings against the target of 2,934.3 billion shillings equivalent to 108.0 percent.

As at end December 2023, debt stock was 87,187.70 billion shillings compared to 74,759.82 billion shillings in the corresponding period in 2022, equivalent to an increase of 16.62 percent. The increase in the Central Government debt stock was due to Government borrowing to finance development projects.

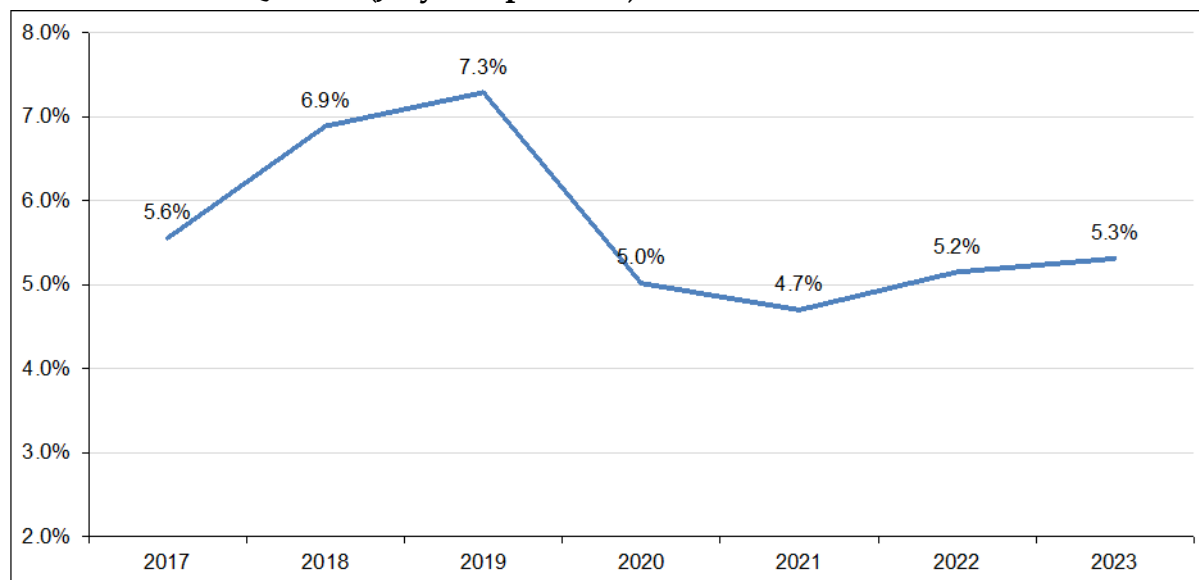
The likely outturn to June 2024 for the 2023/24 budget is recommended to remain as approved by the Parliament in June 2022, with total revenue and expenditure of 41,480.6 billion shillings. The implementation of the Government budget will require a total of 22,108.8 billion shillings from all sources of revenue for the remaining period (January to June 2023).

1.0 RECENT MACROECONOMIC PERFORMANCE

1.1 Real GDP Growth in the third Quarter of 2022

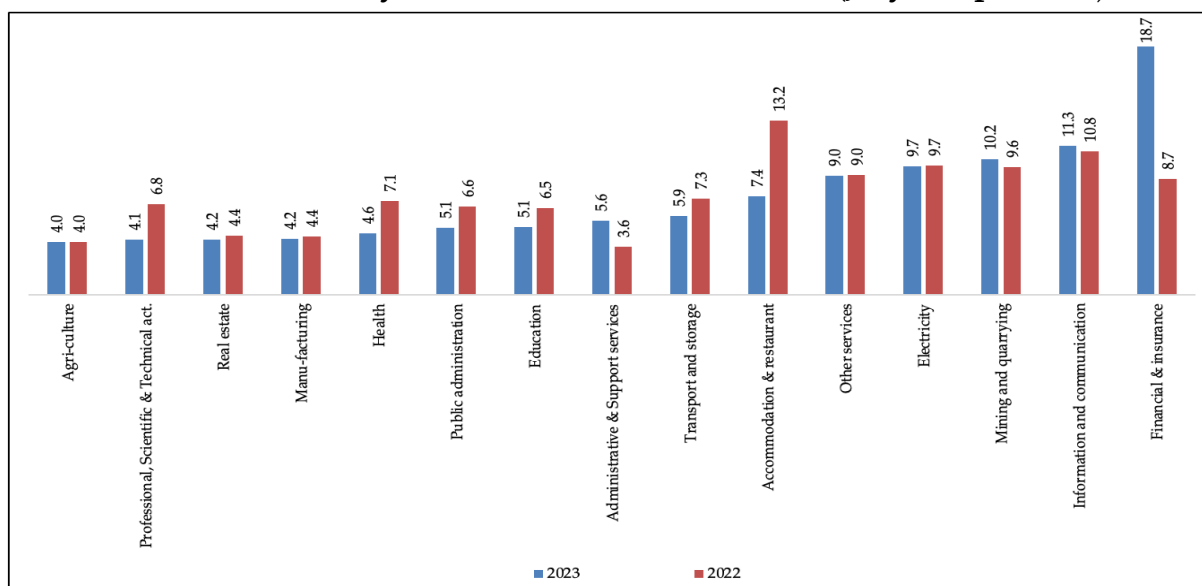
During the third quarter (July – September, 2023), nominal Quarterly Gross Domestic Product (QGDP) in an absolute term (at current prices) increased to TZS 45.8 trillion from TZS trillion 40.1 recorded in the similar quarter in 2022. Further, the real QGDP (at 2015 prices) increased to TZS 35.7 trillion from TZS 33.9 trillion achieved in the corresponding period in 2022. As a result, real GDP growth in the third quarter was 5.3 percent compared with 5.2 percent recorded in the corresponding quarter in 2022 (Chart 1.1). During that quarter, Financial and Insurance services recorded the highest growth of 18.7 percent, followed by Information and Communication (11.3 percent); Mining and Quarrying (10.2 percent); Electricity (9.7 percent), Other Services which includes Arts & Entertainment and Activities of Household as an Employer (9.0 percent); and Accommodation and Food Services (7.4 percent). Chart 1.2 presents the Growth rates by economic activity.

Chart 1.1: Third Quarter (July – September) GDP Growth rates



Source: National Bureau of Statistics

Chart 1.2: Growth Rates by Selected Economic Activities (July - September)

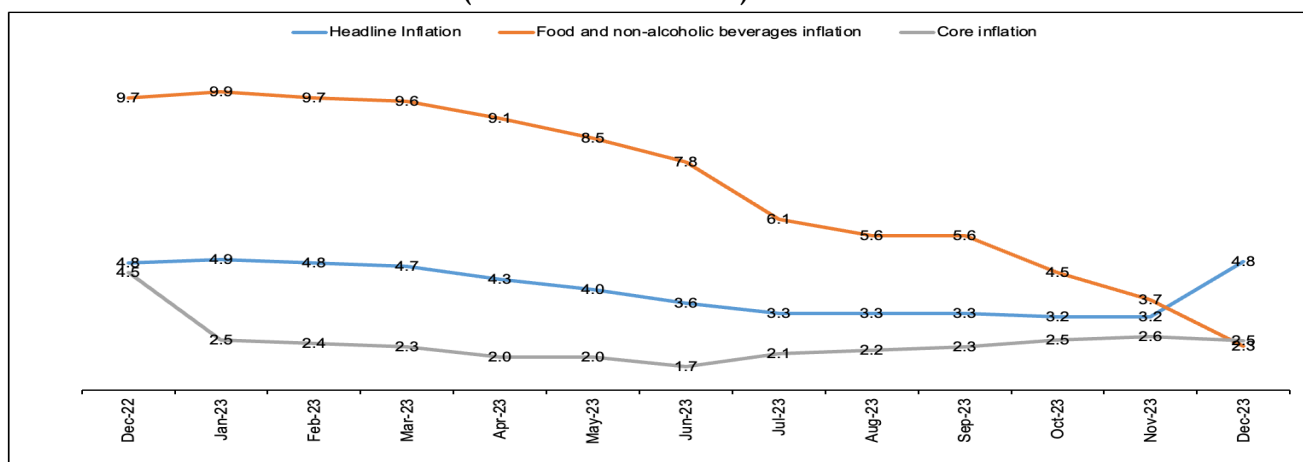


Source: National Bureau of Statistics

1.2 Inflation Development

During the second quarter of 2023/24 (October - December), headline inflation averaged 3.1 percent, a decline from 4.9 percent recorded in the corresponding quarter in 2022. The decrease in inflation rate was attributed to the slowdown in the rate of increase in the price of various products compared to 2022. Annual food and non-alcoholic beverages inflation decreased to an average of 3.5 percent, from 9.4 percent in the corresponding quarter in 2022, mainly associated with decrease in the price of grains, especially wheat, rice, corn and sorghum following the various measures taken by the Government to increase production. Energy, fuel and utilities inflation declined to an average of 3.7 percent, a substantial decline from 8.1 percent recorded in the corresponding quarter in 2022. Meanwhile, core inflation averaged 2.7 percent, a similar rate recorded in the corresponding quarter in 2022. Chart 1.3 presents the trends of inflation.

Chart 1.3: Trend of Inflation from (October - December)



Source: National Bureau Statistics

1.3 External Trade

The external sector continued to improve from the adverse effects of the ongoing war in Ukraine. During the quarter ending December 2023, the current account deficit narrowed to USD 1,010.7 million compared to a deficit of USD 1,415.3 million recorded in the corresponding period in 2022. During the same period, the value of goods exported increased to USD 2,016.9 million from USD 1,969.6 million recorded during the corresponding quarter in 2022. Much of the increase was recorded in both traditional exports and non-traditional exports, in particular gold and horticultural products. Traditional exports rose to USD 430.6 million from USD 331.1 million in the corresponding quarter in 2022, driven by an increase of exports of tobacco and cashewnuts. Meanwhile, the value of goods imported rose by 1.4 percent to USD 3,874.8 million during the quarter, from the amount registered in the same period in 2022. Main drivers of the increase were iron and steel, electrical machinery and equipment, sugar for industrial use and refined white petroleum products. Sugar for industrial use worth USD 51.5 million were imported during the quarter, compared with USD 30.7 million in the corresponding quarter in 2022, equivalent to an increase of 68.0 percent.

Services account recorded a surplus of USD 1,109.9 million in the quarter ending December 2023, higher than USD 626.2 million reported during the corresponding quarter in 2022. The outturn was a result of increase in services receipts, particularly from travel and transportation. The primary income account recorded a deficit of USD 458.2 million compared to a deficit of USD 356.1 million recorded during the corresponding period in 2022. On the other hand, secondary income account, a surplus of USD 195.5million was recorded, higher compared to USD 167.1 million in the quarter ending December 2022, driven by higher private sector inflows.

1.4 Gross Official Reserves

Foreign exchange reserves mounted to USD 5,450.1 million at the end of December 2023. The reserves were sufficient to cover 4.5 months of projected imports of goods and services, in line with the country benchmark and EAC convergence criteria of at least 4 months and 4.5 months respectively.

1.5 Credit to Private Sector

During the quarter under review, credit to the private sector grew by 17.8 percent, a 5.1 percentage point lower than the growth in the corresponding quarter in 2022. However, the growth was above the target of 16.4 percent for the first half of 2023/24. This was attributable to the increase in the demand for new loans following the improvement of the business environment in the country accompanied by the consistent implementation of monetary and fiscal policies. In addition, agricultural activities have continued to benefit to a large extent from the increase in the credit to the private sector, followed by construction, personal loans and mining activities.

1.6 Money Supply

During October - December 2023, extended broad money supply recorded an annual growth of 13.4 percent, being 0.9 percentage point higher than the corresponding quarter in 2022. This was attributed to the increase in growth of credit to private sectors. In addition, the growth of money supply was above the target of 10.1 percent set for the first half of 2023/24.

1.7 Interest Rates Development

During the second quarter, the overall lending rate averaged 15.40 percent, down from 16.07 percent in the corresponding quarter in 2022. Likewise, the negotiated lending rates averaged 13.31 percent, 0.55 percentage points lower than the corresponding quarter in 2022. The overall time deposit rate rose to 7.38 percent from 7.18 percent.

1.8 Exchange Rate

The value of the shilling against the currencies of major trading partners declined during the second quarter of 2023/24 due to a number of challenges the world economy is experiencing, especially the increase in commodity prices, which caused a great demand for foreign currency in the economy. During the period, shilling a was traded at an average rate of TZS 2,490.5 per US dollar compared with TZS 2,308.4 per US dollar in the corresponding quarter of 2022.

2.0 GOVERNMENT OPERATIONS

2.1 Domestic Revenue

In the second quarter of 2023/24, the Government continued to strengthen domestic resource mobilization efforts to ensure adequate financing of Government operations, infrastructure projects, as well as social services. Total domestic revenue collection (including LGAs own source) amounted to 7,798.7 billion shillings, which was 9.8 percent higher than 7,102.3 billion shillings collected in the corresponding period in 2022/23. On cumulative basis (July to December 2023), total amount collected was 14,745.5 billion shillings against the target of 15,404.2 billion shillings, equivalent to 95.7 percent and an increase of 9.9 percent when compared with the amount collected in the first half of 2022/23. Out of the amount, collections from Tanzania Revenue Authority (TRA) were 13,096.8 billion shillings against the target of 13,355.9 billion shillings equivalent to 98.1 percent. Non tax revenues collected by Ministries, Departments and Agencies (MDAs) were 1,095.1 billion shillings equivalent to 75.4 percent of the targeted collection of 1,452.5 billion shillings and collections from LGAs own source were 553.6 billion shillings against the target of 595.8 billion shillings, equivalent to 92.9 percent.

Revenue by Source

Taxes on Imports

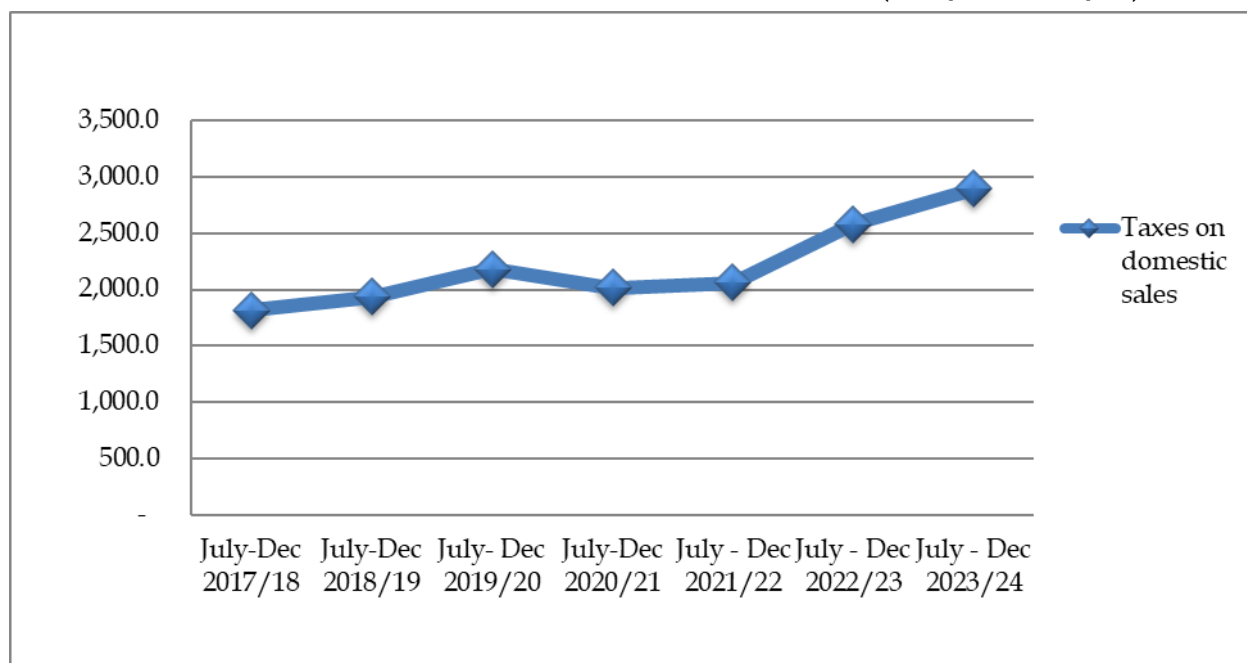
Import taxes and duties collections in the second quarter of 2023/24 amounted to 1,873.4 billion shillings, reflecting a performance of 96.0 percent of estimated 1,950.9 billion shillings, and 6.2 percent higher when compared to collections of 1,763.9 billion shillings registered in the similar period in 2022/23. Cumulatively, for the first half of 2023/24, import taxes and duties collections amounted to 3,605.6 billion shillings, reflecting a performance of 96.3 percent of estimated 3,743.7 billion shillings. The excise on petroleum imports was 630.4 billion shillings, which was 102.3 percent of the planned target of 616.4 billion shillings. Excise on other imports collections were 171.4 billion shillings, registering a performance of 96.4 percent. On the other hand, import duty collections amounted to 939.1 billion shillings, equivalent to 99.3 percent of the target and VAT on non-petroleum performed at 93.0 percent of the target by collecting 1,864.7 billion shillings. The performance of import taxes and duties in the first half was attributed to increase in importation volume of excisable product and the value of imported consumer goods.

Taxes on Domestic Sales

In the second quarter of 2023/24, actual tax collection from domestic sales increase to 1,471.86 billion shillings from 1,349.64 billion shillings, reflecting an increase of 9.1 percent when compared to the corresponding period in 2022/23. The amount collected was equivalent to 84.5 percent of the targeted collection of 1,741.65 billion shillings. On cumulative basis, during the first half of 2023/24, actual tax collection from domestic sales increased by 12.0 percent to 2,894.4 billion shillings from 2,584.4 billion shillings collected in the first half of 2022/23 and

93.6 percent of the target of 3,092.1 billion shillings. Out of the total domestic sales tax, the excise duty was 995.1 billion shillings, equivalent to 101.9 percent of the target of 976.7 billion shillings while VAT on domestic sales amounted to 1,899.3 billion shillings, which was 89.8 percent. The underperformance of VAT on domestic sales was mainly attributed to the following: Decreased sales of consumable products and services; Non issuance of EFD receipts, issuance of EFD Receipts with Incorrect amount and existence of input tax claim from ghost EFD machines; and decline in VAT collections in various economic activities such as electricity, gas, steam & air conditioning supply activities, human health & social work activities and transport & storage. The impressive performance of the domestic excise duty was mainly due to increase in the production excisable commodities such as wines, spirits, soft drinks, bottled water, Cigarette and juice. Further, Close follow up of Electronic Tax Stamp usage, declarations, electronic Tax Stamp campaigns and enforcements also led to the good performance. Chart 2.1 shows the trend of tax on domestic sales for the first half of the financial years (2017/18 – 2023/24).

Chart 2.1: Trend of Tax on Domestic Sales for the First Half (2017/18 – 2023/24)



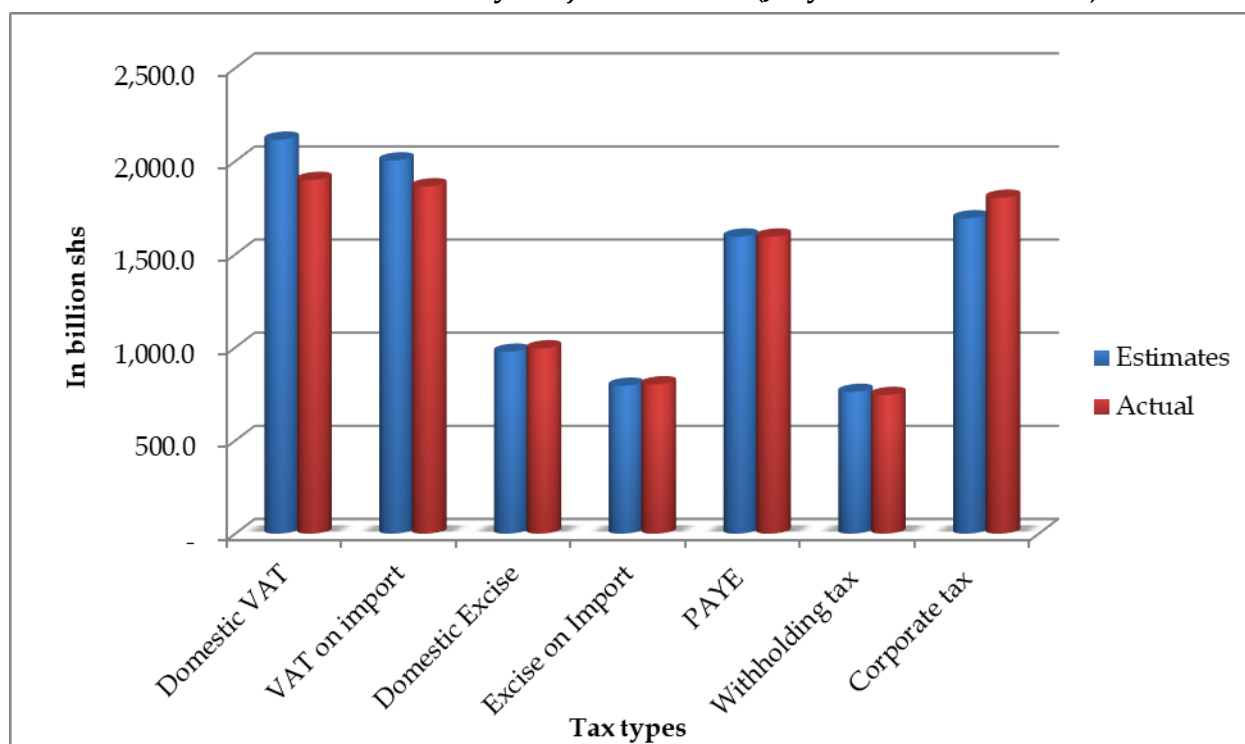
Income Tax

Income tax collections during the second quarter of 2023/24 amounted to 2,457.8 billion shillings, equal to 106.5 percent of the target of collecting 2,307.0 billion shillings, which is higher than the amount collected in the same period in 2022/23 (2,184.3 billion shillings). Cumulatively, income tax collections for the first half of 2023/24 were 4,480.9 billion shillings, equal to 99.8 percent of estimates of 4,488.8 billion shillings. In the second quarter of 2023/24, PAYE collections were 820.5 billion shillings, equivalent to 101.7 percent of the target. Cumulatively, during the first half of 2023/24, PAYE collections were 1,595.0 billion shillings against the target of 1,595.0 billion shillings, signifying performance of 100.0 percent and 14.4

percent higher when compared to 1,394.4 billion shillings collected in the first half of 2022/23. The good performance is due to increase in the allowances and close follow up of normal flows, collection of the current assessments and tax arrears which led to an increase in the collection of employment taxes from the Government, parastatals and Private Sector.

During the second quarter of 2023/24, revenue collections from the corporate tax were 1,025.5 billion shillings, which was 115.1 percent of the target of 891.4 billion shillings. Cumulatively, the amount collected from corporate tax was 1,803.8 billion shillings, equivalent to 106.5 percent of the target. The performance was attributed by the impressive performance of major economic activities that resulted to increase in collection from information & communication, construction, administrative & support service, mining & quarrying and Financial & insurance. Collections from withholding taxes for the second quarter were 414.0 billion shillings, equivalent to 108.1 percent of the target. The over performance was associated with the increase in the number of transactions that attracts withholding taxes. The cumulative collections for the first half of 2023/24, from withholding taxes were 744.6 billion shillings against the target of 761.1 billion shillings, equivalent to 97.8 percent. Revenue performance by major tax items is shown in **Chart 2.2**.

Chart 2.2: Revenue Performance by Major Tax Item (July to December 2023)

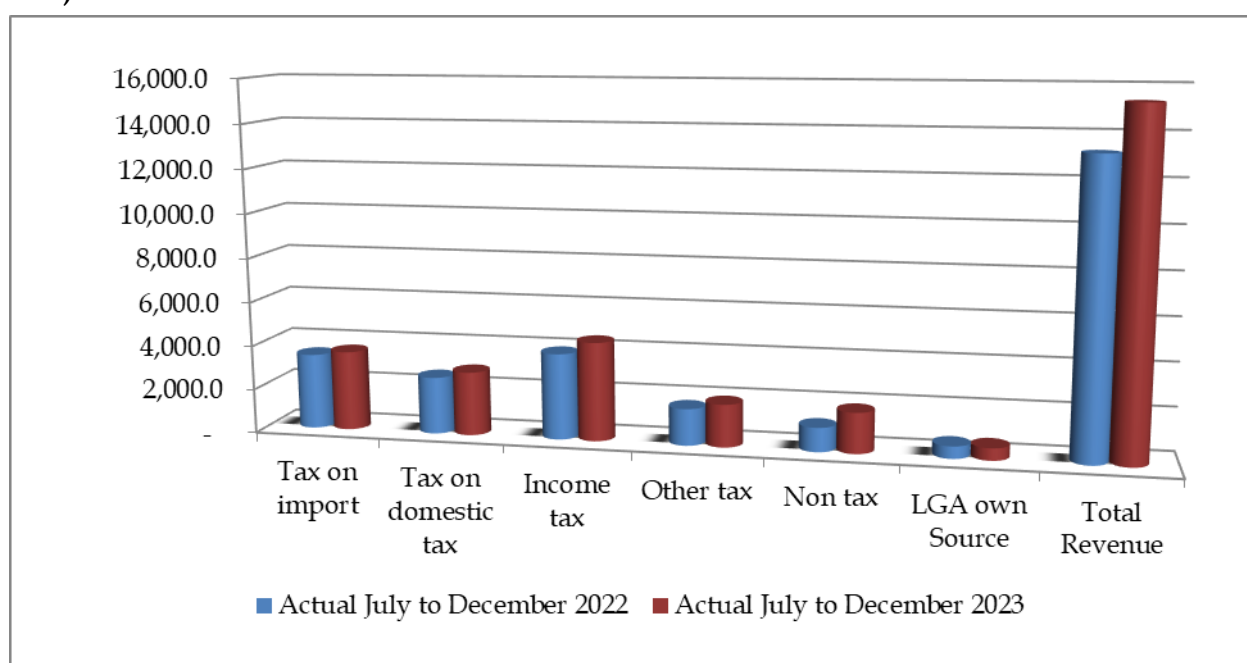


Other Taxes

During the quarter ended December 2023, actual collections from other taxes category amounted to 1,079.4 billion shillings, which was 115.1 percent of the period estimate of 937.6 billion shillings. On cumulative basis, the amount collected was 1,937.5 billion shillings, which was 107.9 percent of estimates of 1,794.8 billion shillings, and a decrease of 16.5 percent when

compared to the amount collected in the same period in 2022/23. Out of the collected amount, Fuel Levy and Transit Fee amounted to 949.5 billion shillings, equivalent to 124.1 percent of estimates; collections meant for National Water Development Fund were 102.5 billion shillings, which was 97.7 percent of estimates; and collections for Rural Energy Agency (REA) amounted to 217.6 billion shillings, equivalent to 100.2 percent of estimates. In addition, collections from other sources were includes: collections for Railway Development Fund were 253.3 billion shillings, equivalent to 98.7 percent of estimates; Business Skill Development Levy (SDL) recorded 168.1 billion shillings, equivalent to 79.2 percent of estimates, and Departure Service Charges performed at 101.2 percent of estimates of 41.7 billion shillings. The underperformance was due to as decline in SDL paid by various sectors such as Transportation and Storage, Mining and Quarrying and Construction. The trend of revenue performance is indicated in **Chart 2.3**.

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



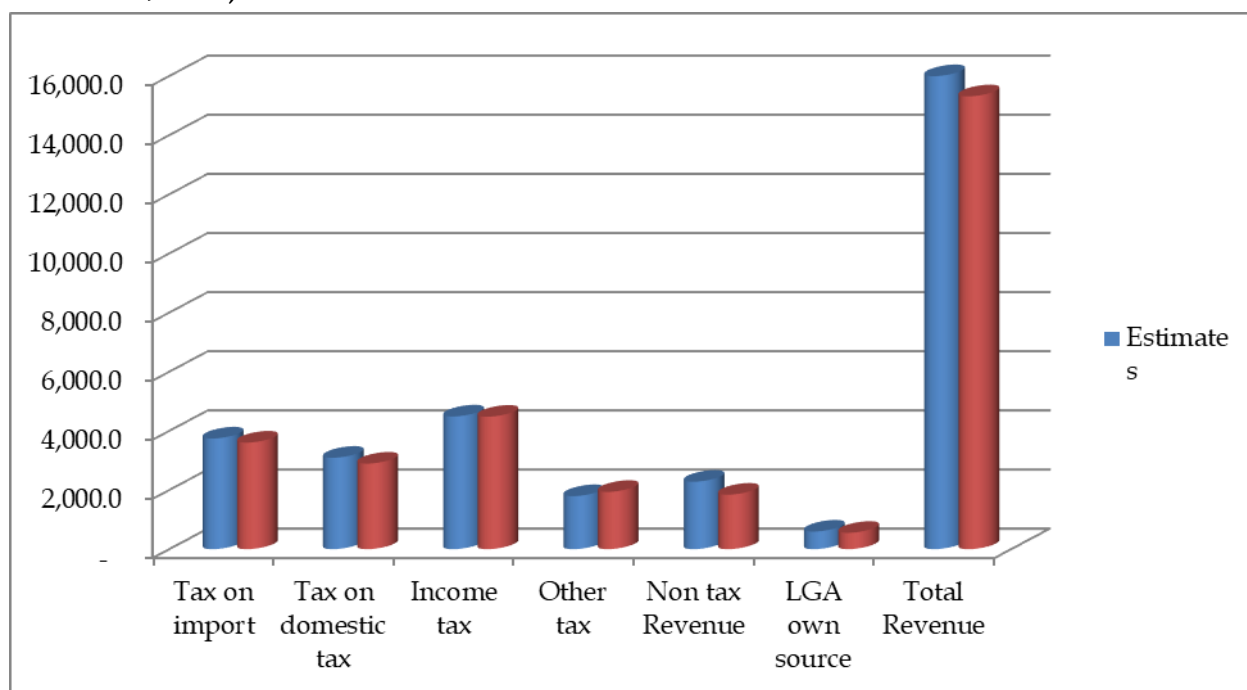
Non-Tax Revenue

Collections of non-tax revenue in the second quarter of 2023/24 were 926.3 billion shillings, equivalent to 76.8 percent of quarter estimates of 1,206.1 billion shillings. For the period of July to December 2023, collections of non-tax revenue were 1,843.5 billion shillings, equivalent to 80.8 percent of period estimates of 2,281.7 billion shillings and 5.9 percent lower when compared to collections registered in the same period in 2022/23. Out of the amount, non-tax revenues collected by Ministries were 913.9 billion shillings, against the target of 1,212.2 billion shillings, equivalent to 75.4 percent, dividends and contribution from Government Institutions were 181.3 billion shillings which was 75.6 percent of the target, non-tax revenues collected by TRA (mobile money transactions levy, billboard fee, property tax, tourist sector and others) were 748.3 billion shillings, which was 90.2 percent of the period estimates of 829.6 billion

shillings. The underperformance of non-tax revenue was largely attributed by low efficiency in monitoring of revenue source and some of the institutions does not remit their contribution as anticipated.

The Local Government Authorities (LGAs) own sources collections in the second quarter 2023/24 were 254.5 billion shillings, equivalent to 86.7 percent of estimates while the collections recorded for the first half of 2022/23 amounted to 553.6 billion shillings, which was 92.9 percent of the target. The Domestic revenue performance for the first half of 2023/24 compared to the first half of 2022/23 is depicted in Chart 2.4.

Chart 2.4: Domestic Revenue Performance (July to December, 2023) Compared to (July to December, 2022)



2.2 Expenditure

The spending for the second quarter of the year was generally consistent with targets. The total amount spent was 11,455.8 billion shillings, which is equivalent to 86.2 percent of the target amount of 13,284.3 billion shillings for the period. Recurrent expenditure amounted to 7,081.6 billion shillings against the target of 7,838.4 billion shillings and the other hand; development spending stood at 4,374.2 billion shillings against the target of 5,445.8 billion shillings.

2.2.1 Recurrent Expenditure

In the second quarter, the Government spent 7,081.6 billion shillings equivalent to 90.3 percent of the planned target. Large spending of was allocated in priority social spending including health and education.

2.2.2 Wages and Salaries

During the period under review, Government spent 2,495.0 billion shillings on wages and salaries out of the target of 2,735.8 billion shillings. The amount released was in line with expenditure need submitted by Votes.

2.2.3 Debt Service

Total debt service expenditure for the second quarter amounted to 2,767.4 billion shillings, equivalent to 90.0 percent of the target. The amount released includes 1,589.6 billion shillings for principal repayment and 1,177.8 billion shillings for interest payment.

2.2.4 Goods, Services and Transfers

During the second quarter, an amount of 1,819.2 billion shillings was released under Goods, Services and Transfers against the target of 2,027.3.

2.2.5 Development Expenditure

For the second quarter of 2023/24 an amount of 5,445.8 billion shillings was projected to be spent under development expenditure where by 4,856.3 billion shillings of domestic expenditure and 589.5 billion shillings of foreign expenditure. A total of 4,374.2 billion shillings was released, equivalent to 80.3 percent of the estimated target. The amount spent enabled the Government to implement strategic projects and priority programs which were planned to be executed during the period under review. In addition to the amount released, 476.4 billion shillings was disbursed direct to project by Development Partners. The expenditure performance by major categories and economic classification for the first quarter is as shown in **Chart 2.5 and Chart 2.6**.

Chart 2.5: Expenditure Performance by Economic Classification to (October to December, 2022)

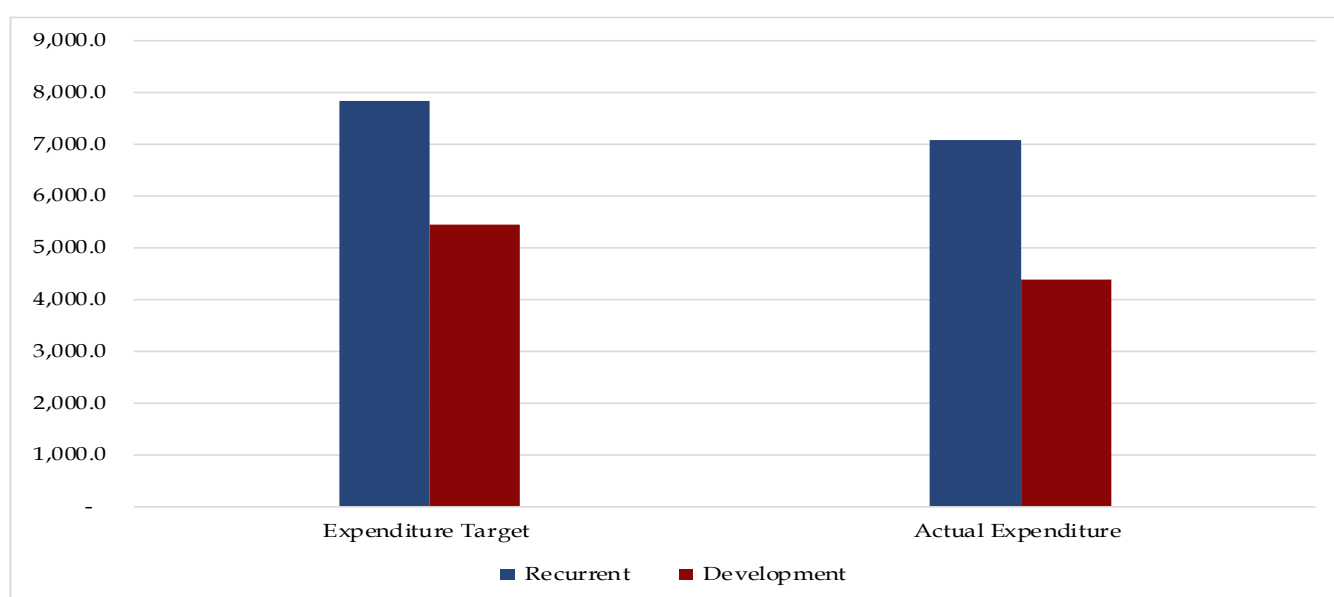
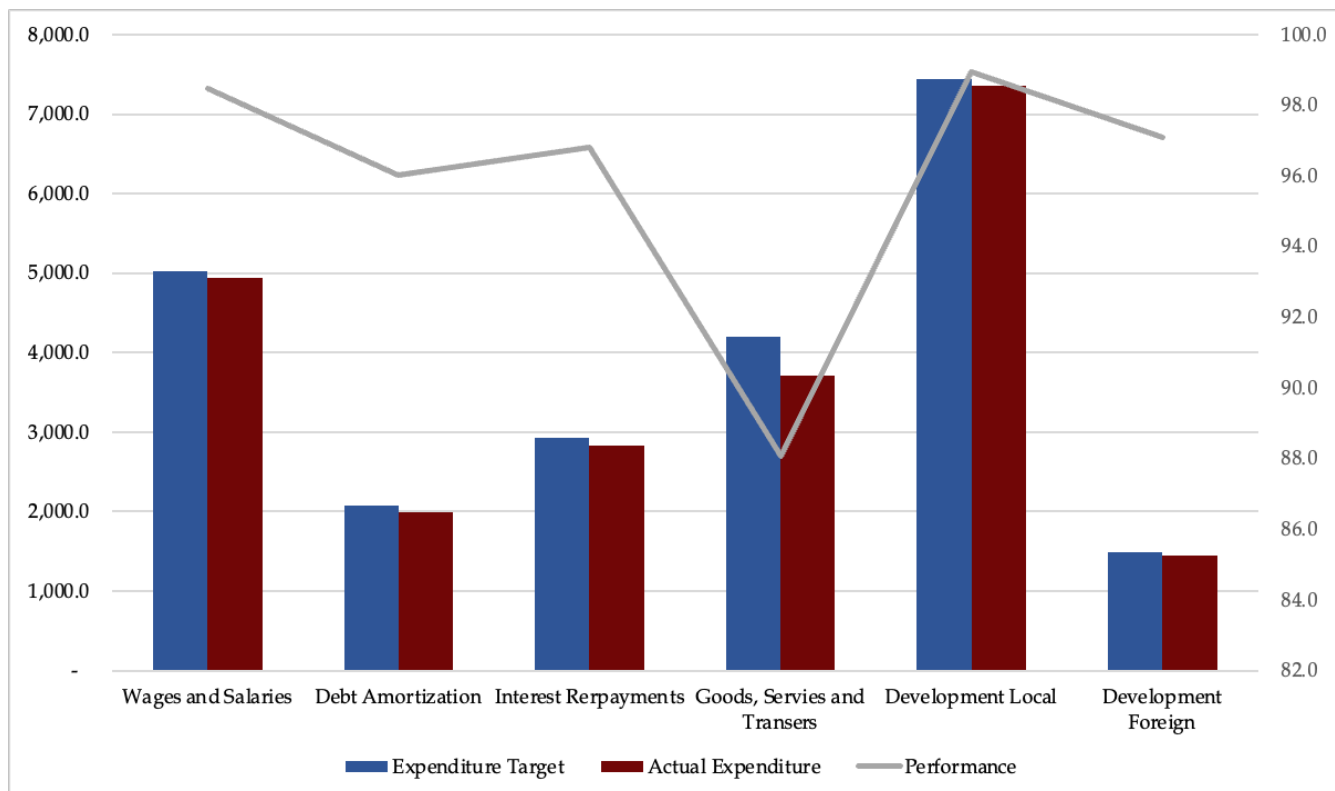


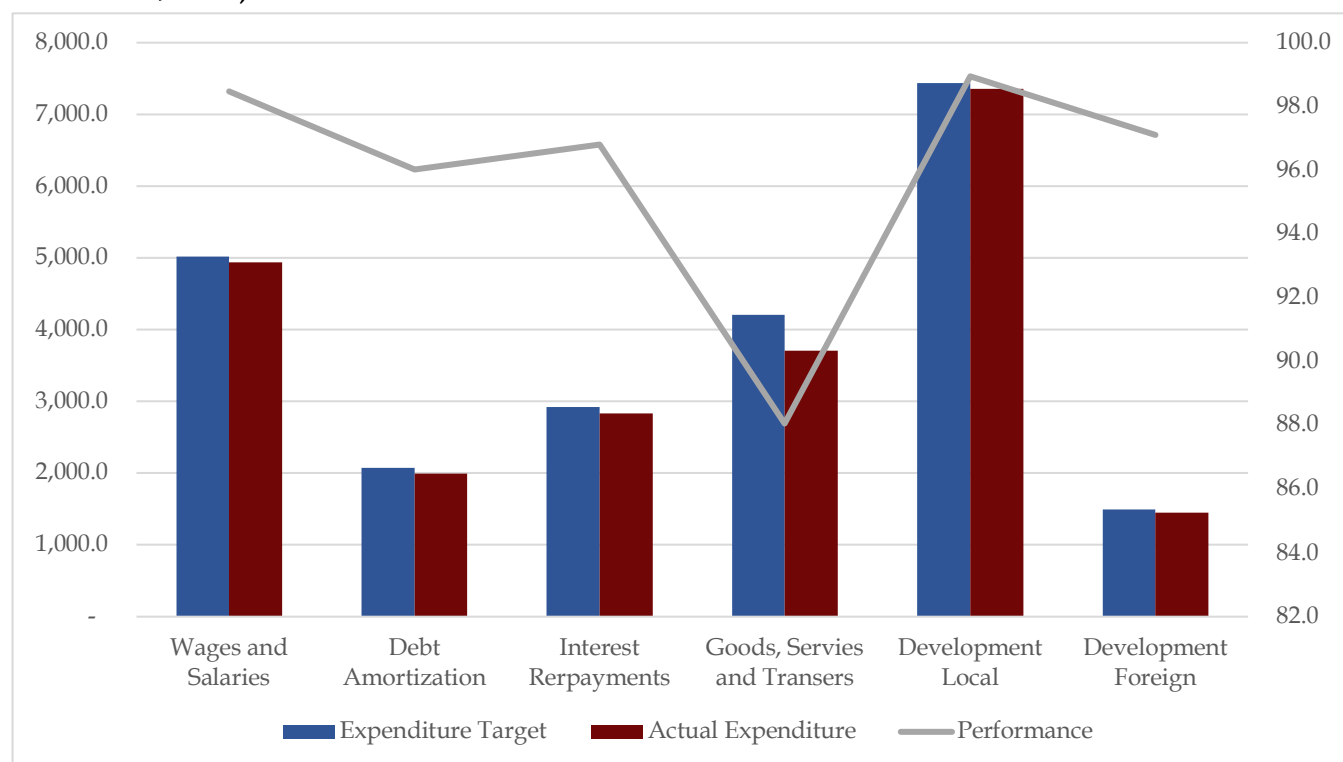
Chart 2.6: Expenditure Performance by Economic Classification to (October to December, 2022)



2.2.6 Cumulative Expenditure Performance (July to December)

The cumulative expenditure performance amounted to 22,279.3 billion shillings against a target of 23,155.5 billion shillings, equivalent to 96.2 percent. Recurrent expenditure was an aggregate of 13,473.5 billion shillings reflecting a performance of 94.7 percent of a target of 14,227.9 billion shillings. Development expenditure, totaled to 8,805.8 billion shillings, equivalent to 88.1 percent of the estimates of 8,927.7 billion shillings was released for financing projects and programs. The expenditure comprised of 7,356.0 billion shillings from domestic sources and 1,449.8 billion shillings from foreign sources including funds disbursed direct to projects by Development partners. The cumulative performance of budget execution in major categories for July to December 2024 is as shown in **Chart 2.7**.

Chart 2.7: Cumulative Expenditure Performance by Economic Classification to (July to December, 2022)



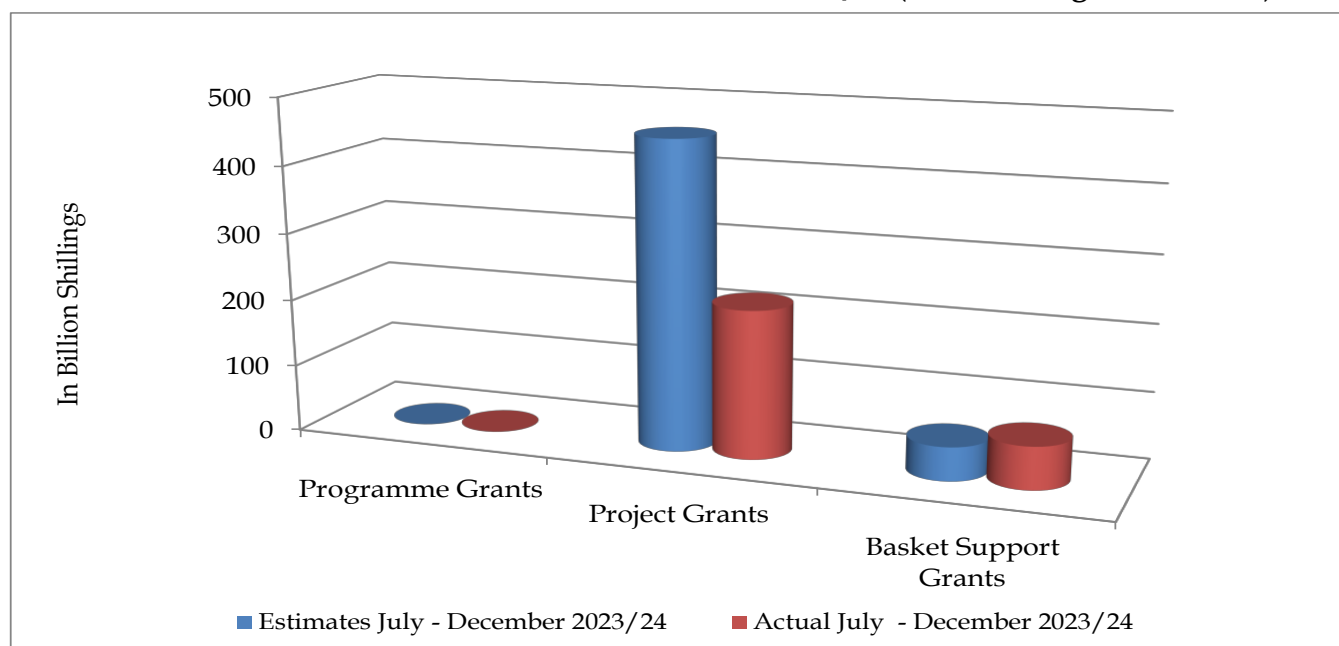
2.2.7 Government Expenditure on Arrears

During the period of July to December, 2023 total of 617.1 billion shillings was released for payment of verified arrears. The breakdown of the released amount is as follows 151.0 billion shillings for Supplies (Goods & Services), 435.1 billion shillings for construction works, 30.9 billion shillings for Staff and 0.1 billion shillings for Utilities.

2.3 Grants

Grants received during the second quarter of 2023/24 were 211.6 billion shillings, equivalent to 65.3 percent of the estimated amount of 324.0 billion shillings. Out of the total grants, Project Grants were 158.1 billion shillings, equivalent to 55.4 percent of estimates and Basket Funds amounted to 53.5 billion shillings, which was 138.7 percent of estimates. Cumulatively, during the first half of 2023/24, total grants received were 252.5 billion shillings, equivalent to 49.9 percent of the estimated amount of 506.3 billion shillings. Out of the amount, project grants were 189.3 billion shillings equivalent to 41.5 percent of the estimates and basket fund were 63.2 billion shillings equivalent to 126.9 percent of the estimates as shown in Chart 2.8.

Chart 2.8: Performance of Grants for the First Half of 2023/24 (Estimates against Actual)



Source: Ministry of Finance

2.4 Financing

Total financing during the second quarter was 2,115.0 billion shillings against the borrowing target of 1,383.0 billion shillings equivalent to 152.9 percent of the target. Total foreign net financing amounted to 2,100.8 billion shillings against the target of 1,810.2 billion shillings. Total domestic net financing was a borrowing of 14.2 billion shillings against the build-up target of 429.2 billion shillings. Total financing during the first half of 2023/24 was 3,169.4 billion shillings against the target of 2,934.3 billion shillings equivalent to 108.0 percent. Out of the total financing, total foreign net financing was a financing of 2,527.7 billion shillings against the target of 2,678.4 billion shillings equivalent to 94.4 percent. Total domestic net financing was 641.7 billion shillings against the borrowing target of 255.9 billion shillings equivalent to 250.7 percent.

2.4.1 Domestic Financing

In 2023/24 Government budget, domestic borrowing was planned at 5,440.4 billion shillings, whereas 3,542.1 billion shillings were for financing rolling over of maturing Treasury Bills and Bonds and 1,898.3 billion shillings were new loans for financing development projects. During the second quarter, the Government managed to borrow 517.6 billion shillings for redemption (rollover) of maturing obligations against the target of 834.1 billion shillings. In addition, 664.0 billion shillings were borrowed for financing development projects against build up target of 427.2 billion shillings. During the first half of 2023/24, a total of 1,136.6 billion shillings was borrowed for redemption (rollover) of matured obligations against the target of 1,445.6 billion shillings equivalent to 78.6 percent and 1,175.3 billion shillings was borrowed for financing Government budget.

2.4.2 Foreign Financing

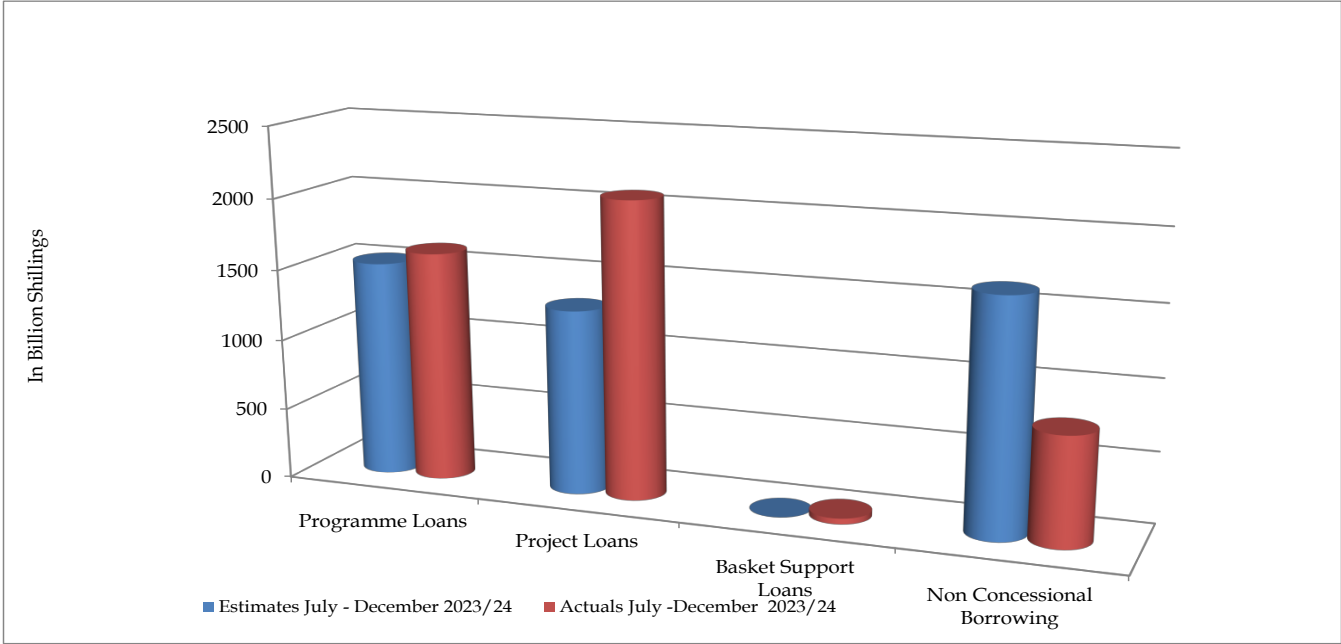
Net foreign financing for the second quarter of 2023/24 was 2,100.8 billion shillings against the borrowing target of 1,810.2 billion shillings equivalent to 116.1 percent of the target. During the quarter under review, disbursement of concessional loan were 2,799.6 billion shillings against the target of 1,824.7 billion shillings equivalent to 153.4 percent of the target. On the other hand, non-concessional loan were 386.9 billion shillings against the borrowing target of 938.0 billion shillings equivalent to 41.2 percent of the target. In addition, amortization of foreign loans was 1,085.7 billion shillings against the estimates of 952.6 billion shillings equivalent to 114.0 percent of the target. Net foreign financing for the first half was borrowing of 2,527.7 billion shillings against a borrowing target of 2,678.4 billion shillings which is 94.4 percent of the target. During the period under review, disbursements of concessional loans were 3,255.1 billion shillings against the target of 2,524.4 billion shillings equivalent to 128.9. This performance attributed by Government commitment toward the implementation of Development Cooperation Framework (DCF) and timely submission of implementation reports to Development Partners. Disbursement of non-concessional loans were 763.3 billion shillings against the target of 1,634.6 billion shillings, which was 46.7 percent of the target. In addition, amortization of foreign loans was 1,490.7 billion shillings against estimates of 1,480.6 billion shillings which was 100.7 percent of the estimates. The trend of grants and external concessional loans is shown in **Table 2.1** and the performance of foreign financing for the first half of 2023/24 is presented in Chart 2.9.

Table 2.1: Trend of Grants and External Concessional Loans for the first Half of 2023/24

Summary of Disbursement July - December 2023/24 (All figures in millions shillings)					
AID MODALITY	Type of assistance	Annual commitment as per budget	Estimates July - December 2023/24	Actual Disbursement July December 2023/24	% of Commitment
GBS	Grants	56,363	-	-	0.0%
GBS	Concessional Loan	2,127,770	1,523,653	1,622,697	106.5%
Sub Total		2,184,134	1,523,653	1,622,697	106.5%
Basket Funds	Grants	130,123	49,833	63,225	126.9%
Basket Funds	Concessional Loan	-	-	40,312	0.0%
Sub Total		130,123	49,833	103,537	207.8%
Development Projects	Grants	924,836	456,433	220,130	48.2%
Development Projects	Concessional Loan	2,227,122	1,300,749	2,083,977	160.2%
Sub Total		3,151,958	1,757,182	2,304,106	131.1%
Grand Total		5,466,215	3,330,669	4,030,340	121.0%

Source: Ministry of Finance

Chart 2.9: Performance of Foreign Financing for the First Half of 2023/24(Estimates Vs Actual)

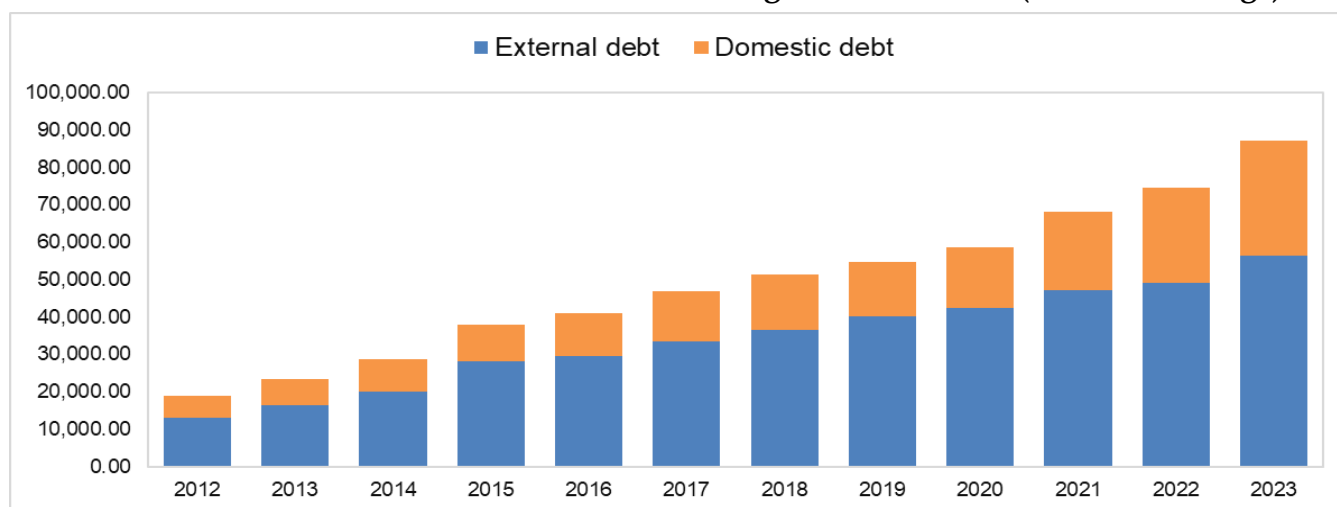


3.0 GOVERNMENT DEBT DEVELOPMENT

3.1 Overall Debt Stock

As at end December 2023, Central Government debt stock was 87,187.70¹ billion shillings compared to 74,759.82 billion shillings in the corresponding period in 2022, equivalent to an increase of 16.62 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 30,674.45 billion shillings (equivalent to 35.18 percent) and external debt amounted 56,513.26 billion shillings (equivalent to 64.82 percent).

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



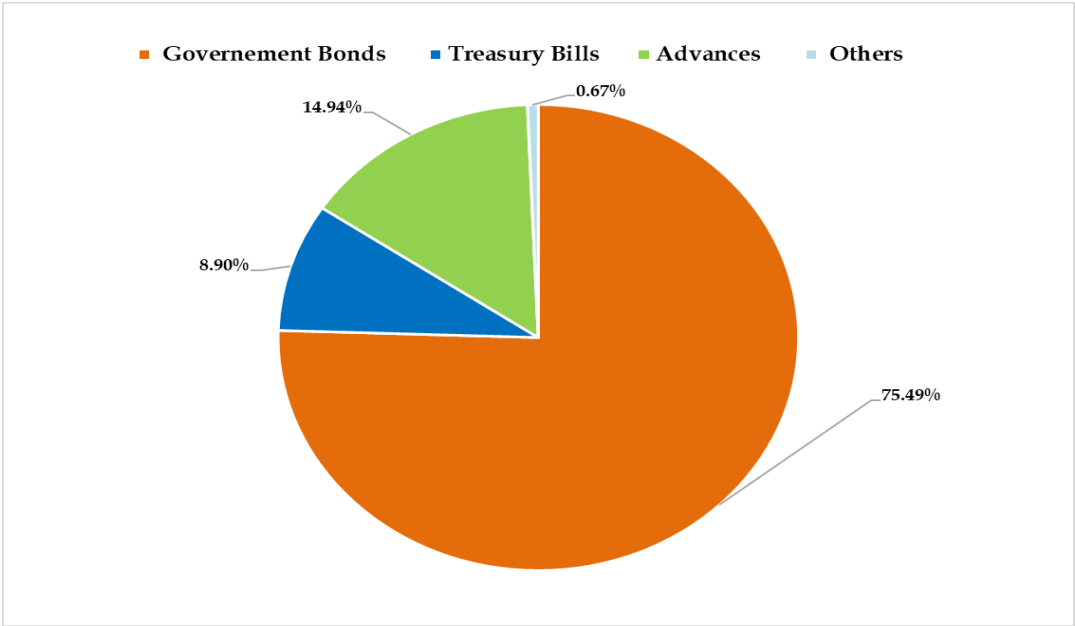
3.2 Central Government Domestic Stock

At end of December 2023, the domestic debt stock was 30,674.45 billion shillings compared with 25,567.93 billion shillings in the corresponding period in 2022, equivalent to an increase of 19.97 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 75.49 percent of total domestic debt stock, followed by advances from the central bank debt² instruments 14.94 percent and treasury bills 8.90 percent and others account for the remaining 0.67 percent. The composition of domestic debt by instrument category is depicted in **Chart 3.2**.

¹ Provisional number

² Other debt instruments include NMB bank Plc standard loan and duty drawback

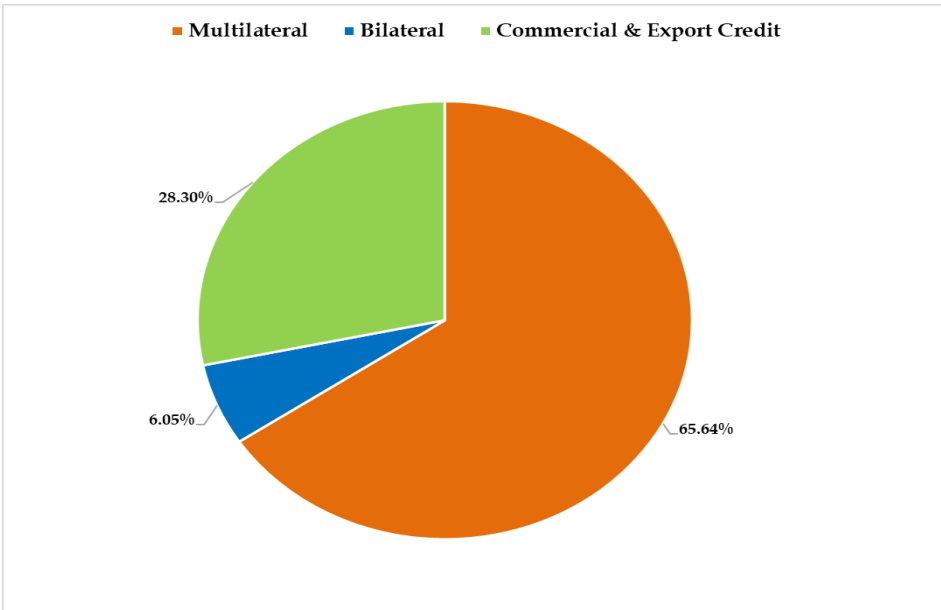
Chart 3.2: Share of Domestic Debt by Instrument Category



3.3 Central Government External Debt

The stock of external Central Government debt as of end of December 2023, stood at TZS 56,513.26 billion (USD 22,550.89 million) from 49,191.89 billion (USD 21,305.40 million) end December 2022 which is an increase of 16.95 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 65.64 percent of the total external debt portfolio, Commercial banks and Export Credit Agency (ECA) 28.30 percent and Bilateral 6.05 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 December 2023 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	2022/23 ³	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2033/34
PV of debt-to GDP ratio	40	19.0	20.1	20.4	19.8	18.6	18.1	17.6	15.8
PV of debt-to-exports ratio	180	113.2	114.2	114.9	111.1	104.3	101.4	105.1	93.8
Debt service-to-exports ratio	15	12.7	11.1	11.5	11.2	12.2	11.3	12.2	10.0
Debt service-to-revenue ratio	18	14.3	11.6	11.9	11.7	12.9	12.0	12.2	10.0

Source: Ministry of Finance

Table 3.3: Projected Overall Public Debt Burden Indicators

Public DSA	Threshold	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2033/34
PV of debt-to GDP ratio	55	35.6	36.4	36.7	35.7	34.9	33.8	33.0	30.3
PV of debt-to-revenue and grant ratio	N/A	232.9	209.2	207.3	204.2	200.7	194.7	189.6	172.8
Debt service-to-revenue and grant ratio	N/A	34.2	44.3	33.6	31.1	31.3	31.1	30.9	25.2

Source: Ministry of Finance

4.0 LIKELY BUDGET OUT TURN TO JUNE 2024

The implementation of the government budget is expected to achieve the set goals for the year 2023/24 by increasing the monitoring in the collection of revenue as well as managing the discipline of the use of public funds in accordance with the existing laws and guidelines. In revenue collection, the government will continue to implement various measures including: managing the correct use of electronic revenue collection systems; to ensure that dividends and eligible contributions are submitted to the Consolidated Fund on time; and strengthen cooperation with Development Partners. On the other hand, the Government will continue to manage and control the its expenditure: by giving priority to mandatory expenditures including salaries, government debt, and social spending sectors; to analyze projects and identify projects that can be implemented more effectively by the private sector through the

³ Represent actual ratios as of 30th June 2023

PPP procedure in order to reduce costs for the government; and strengthen the management and implementation of projects by conducting effective real time audit in order to save additional costs that may arise during the implementation of projects.

Revenue Performance July - December 2023						
	Billion Shillings					
	Budget Estimates	July - December 2023			July - Dec 2022 Actual	Year on year change
		Estimates	Actual	Percent of estimate		
Revenue (Including LGAs own sources)	31,381.0	15,404.2	14,745.5	95.7%	13,417.5	9.9%
Revenue (Excluding LGAs own sources)	30,237.1	14,808.4	14,191.9	95.8%	12,941.9	9.7%
Tax Revenue	25,197.2	12,526.7	12,348.4	98.6%	10,979.2	12.5%
Taxes on Imports	7,411.7	3,743.7	3,605.6	96.3%	3,415.9	5.6%
Import Duty	1,872.0	945.5	939.1	99.3%	855.8	9.7%
Excise on Petroleum	1,220.3	616.4	630.4	102.3%	452.9	39.2%
Excise	1,220.3	616.4	630.4	102.3%	452.9	39.2%
Others	4,319.4	2,181.8	2,036.1	93.3%	2,107.2	-3.4%
Excise	352.0	177.8	171.4	96.4%	235.4	-27.2%
VAT on Non-Petroleum imports	3,967.4	2,004.0	1,864.7	93.0%	1,871.9	-0.4%
Taxes on Domestic Sales	6,330.0	3,092.1	2,894.4	93.6%	2,584.4	12.0%
Excise	1,926.1	976.7	995.1	101.9%	811.1	22.7%
Value Added Tax (VAT)	4,403.9	2,115.4	1,899.3	89.8%	1,773.3	7.1%
Income Tax	9,007.6	4,486.1	4,480.9	99.9%	3,905.5	14.7%
PAYE	3,142.2	1,595.0	1,585.3	99.4%	1,394.4	13.7%
Corporate and Parastatals	3,433.3	1,693.2	1,803.8	106.5%	1,539.1	17.2%
Individuals	291.3	140.8	137.4	97.6%	123.2	11.5%
Withholding Taxes	1,528.7	761.1	744.6	97.8%	610.8	21.9%
Rental Tax	165.7	80.8	69.4	85.9%	67.9	2.2%
Other Income	446.5	215.2	140.5	65.3%	170.1	-17.4%
Other Taxes	3,553.5	1,798.0	1,937.5	107.8%	1,663.6	16.5%
Business Skill Development Levy	421.6	212.2	168.1	79.2%	196.9	-14.7%
Fuel Levy and transit fee	1,514.4	764.9	949.5	124.1%	709.9	33.8%
Stamp Duty	35.6	19.1	12.7	66.5%	19.8	-36.1%
Departure Service Charges	83.3	41.7	42.2	101.2%	35.7	18.1%
Processing Fee-dry cargo-TRA	126.7	64.0	61.9	96.7%	56.8	9.0%
Export Duty	85.1	43.0	75.3	175.3%	53.4	40.9%
Railway Development Fund	508.2	256.7	253.3	98.7%	232.5	8.9%
National Water Development Fund	207.8	105.0	102.5	97.7%	95.1	7.8%
Motor vehicle taxes	83.2	45.3	45.9	101.5%	54.7	-16.0%
Treasury Voucher Cheque	57.762	29.2	8.6	29.4%	8.05	6.7%
Transer to REA	429.9	217.1	217.6	100.2%	200.6	8.4%
Refunds	-1,105.7	-593.2	-570.0	96.1%	-590.3	-
Refunds - VAT	-913.2	-498.9	-506.4	101.5%	-500.0	-
Refunds - other	-192.5	-94.4	-63.6	67.4%	-90.3	-
Non Tax Revenue	5,039.9	2,281.7	1,843.5	80.8%	1,962.7	-6.1%
Parastatal Dividends	1,069.5	239.9	181.3	75.6%	424.7	-57.3%
Ministries and Regions	2,442.2	1,212.2	913.9	75.4%	840.1	8.8%
TRA Non Tax	196.1	99.0	139.2	140.5%	113.6	22.5%
Tourism Sector	713.0	418.4	470.7	112.5%	389.0	21.0%
Transaction levy on Mobile money se	366.7	183.4	105.2	57.4%	163.0	-35.5%
Property tax	194.9	99.9	32.9	32.9%	19.1	72.1%
Billboard Fee Collections	57.4	28.9	0.4	1.4%	13.2	-96.9%
LGAs own source	1,143.9	595.8	553.6	92.9%	475.6	16.4%
<i>Source: Ministry of Finance</i>						