



THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE

**THE BUDGET EXECUTION REPORT FOR THE FINANCIAL YEAR 2023/24
(JULY 2023 TO JUNE 2024)**

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TABLE OF CONTENTS

1.1	Real GDP Growth.....	1
1.2	Real GDP Growth in 2023	1
1.3	Inflation Development.....	3
1.4	External Trade.....	4
1.4.2	External Trade Developments in the Quarter Ending June 2024	5
1.5	Gross official reserves	5
1.6	Money Supply and Credit.....	5
1.7	Interest Rates Development	6
1.8	Exchange Rate.....	6
2.1	Domestic Revenue.....	7
2.2	Revenue by Source	7
2.2.1	Taxes on Imports	7
2.2.2	Taxes on Domestic Sales.....	7
2.2.3	Income Tax	8
2.2.4	Other Taxes.....	10
2.2.5	Non Tax Revenue	11
2.3	Expenditure.....	12
2.3.1	Recurrent Expenditure	12
2.3.1.1	Wages and Salaries.....	13
2.3.1.2	Debt Service.....	13
2.3.1.3	Goods, Services and Transfers.....	13
2.3.2	Development Expenditure	13
2.3.3	Cumulative Expenditure Performance	15
2.4	Grants	17
2.5	Financing	18
2.5.1	Domestic Financing.....	18
2.5.2	Foreign Financing.....	18
3.1	Overall Debt Stock.....	20
3.2	Central Government Domestic Stock	20
3.3	Central Government External Debt	21
3.4	Debt Sustainability Analysis.....	22

Executive Summary

During the first quarter (January – March) of 2024, the real GDP (constant 2015 prices) rose to 38.7 trillion shillings from 36.7 trillion shillings recorded in the similar period in 2023, equivalent to the growth rate of 5.6 percent. In 2023/24, headline inflation averaged at 3.2 percent, lower than the 4.6 percent recorded in 2022/23. This was mainly attributed to the implementation of prudent monetary policy and adequate food supply. During the quarter ending June 2024, headline inflation maintained an average of 3.1 percent compared to 3.9 percent recorded during the corresponding quarter in 2023.

During the year 2023/24, the Government continued to implement various strategies to ensure that revenue target is achieved. During the fourth quarter, total domestic revenue collection (including LGAs own source) amounted to 7,803.9 billion shillings, which was 20.7 percent higher than 6,463.2 billion shillings collected in a corresponding period in 2022/23. On a cumulative basis, total domestic revenue collected for the year 2023/24 was 29,829.9 billion shillings against the target of 31,366.7 billion shillings, equivalent to 95.1 percent of the target for the period and an increase of 13.5 percent when compared with amount collected in the year 2022/23.

Government spending for the fourth quarter was 11,467.0 billion shillings, equivalent to 98.9 percent of the target of 11,604.7 billion shillings whereby recurrent expenditure was 7,612.1 and development 3,863.9. For the period (July 2023 to June 2024) total expenditure amounted to 42,945.2 billion shillings, equivalent to 96.7 percent of the annual target of 44,388.1 billion shillings.

During the fourth quarter of 2023/24, grants received were 182.0 billion shillings, equivalent to 66 percent of the estimated amount of 272.5 billion shillings. For the year 2023/24, grants received were 634.7 billion shillings, equivalent to 57 percent of the estimated amount of 1,111.3 billion shillings.

Total financing during the fourth quarter of 2023/24 was 1,883.5 billion shillings against the target of 365.8 billion shillings. For the year 2023/24, total financing was 6,211.7 billion shillings against the target of 5,589.7 billion shillings. Out of the total financing, total foreign net financing was a borrowing of 4,036.3 billion shillings against a borrowing target of 3,691.4 billion shillings and total domestic net financing was a borrowing of 2,175.3 billion shillings against the target of borrowing 1,898.3 billion shillings.

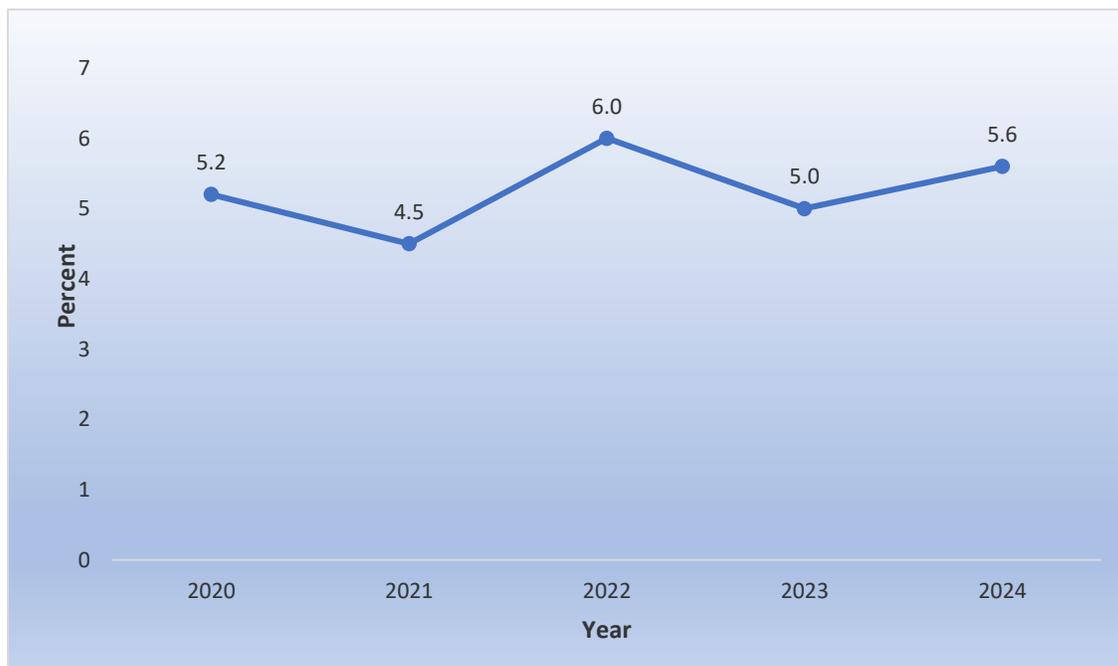
As of end June 2024, Debt stock amounted to 96,884.18 billion shillings compared to 81,980.26 billion shillings in the corresponding period in 2023, equivalent to an increase of 18.18 percent. Out of the amount, domestic debt stock was 31,951.24 billion shillings and external debt stock was 64,932.94 billion shillings.

1.0 RECENT MACROECONOMIC PERFORMANCE

1.1 Real GDP Growth (January - March 2024)

During the first quarter (January - March 2024), the Gross Domestic Product (GDP) at current prices increased to 50.8 trillion shillings from 46.1 trillion shillings recorded in the same period in 2023. In addition, the real GDP (constant 2015 prices) rose to 38.7 trillion shillings in the first quarter in 2024 from 36.7 trillion shillings recorded in the similar period in 2023, equivalent to the growth rate of 5.6 percent. During the period under review, sectors which recorded high growth rate included Financial and Insurance (17.1 percent), Other social services (8.6 percent), Electricity (7.6 percent), Transportation and Storage (7.6 percent), Accommodation and Food Services (7.2%), Public Administration and Defense (6.6 percent) and Construction (6.4 percent). The trend of GDP growth is indicated in Chart 1.1.

Chart 1.1: First Quarter (January - March) GDP Growth Rates (2020-2024)



Source: National Bureau of Statistics

1.2 Real GDP Growth in 2023

In 2023, real GDP was 148.4 trillion shillings compared to 141.2 trillion shillings in 2022, equivalent to a growth of 5.1 percent compared with 4.7 percent growth recorded in 2022. The growth was attributed to various Government initiatives to contain the impact of the Russia - Ukraine war; strategic investments in energy, water, health, education and transportation infrastructures; increased production of minerals, especially gold and

coal; and increased credit to the private sector that stimulated economic activities. Despite impressive performance, GDP growth rate of 5.1 percent recorded in 2023 was below the annual target of 5.2 percent. The growth target was not achieved due to reasons beyond Government control such as: rising production costs in some sectors associated with increase in global commodity price; climate change that affected agriculture production in some areas and damaged infrastructure including bridges and roads; and measures taken by developed countries to curb inflation that increased the cost of borrowing from the international financial markets thus affected implementation of some projects.

In 2023, arts and entertainment activities recorded the highest growth of 17.7 percent followed by financial and insurance activities at 12.2 percent, mining and quarrying (11.3 percent), accommodation and food services (8.3 percent) as well as information and communication (7.6 percent) (Chart 1.2). In addition, agricultural activities recorded the largest contribution to GDP at 26.5 percent followed by construction (13.2 percent), mining and quarrying (9.0 percent), and trade and repair (8.3 percent) (Chart 1.3).

Chart 1.2: Real GDP Growth by Economic Activities (Percent)

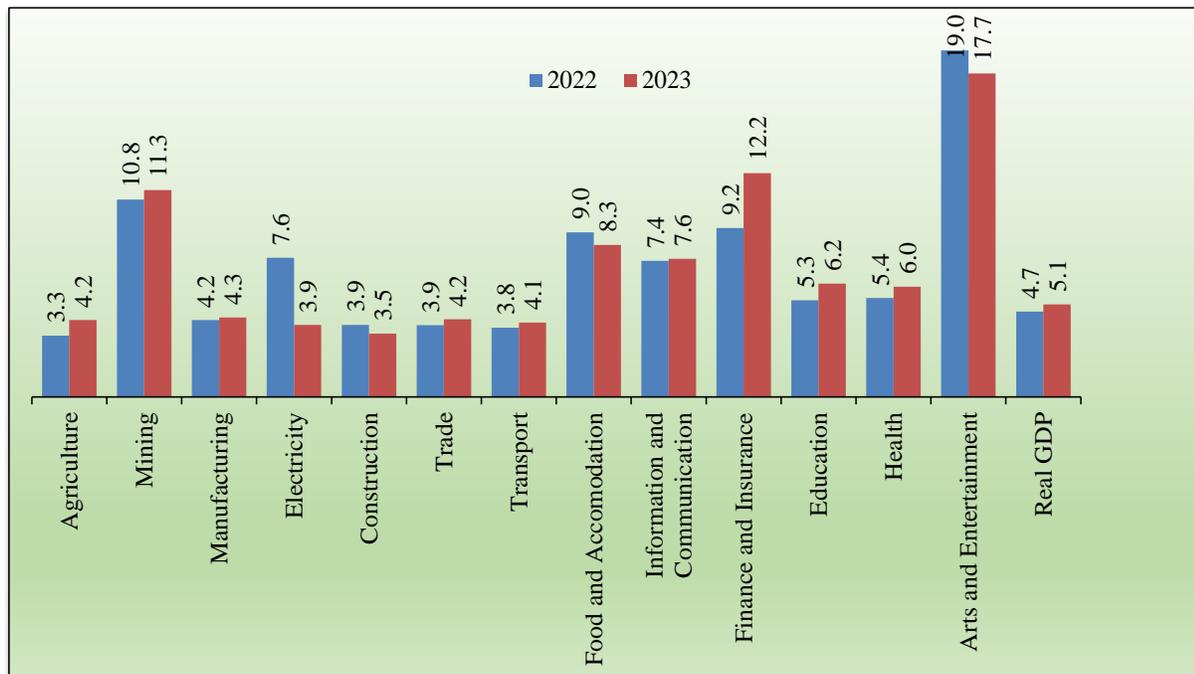
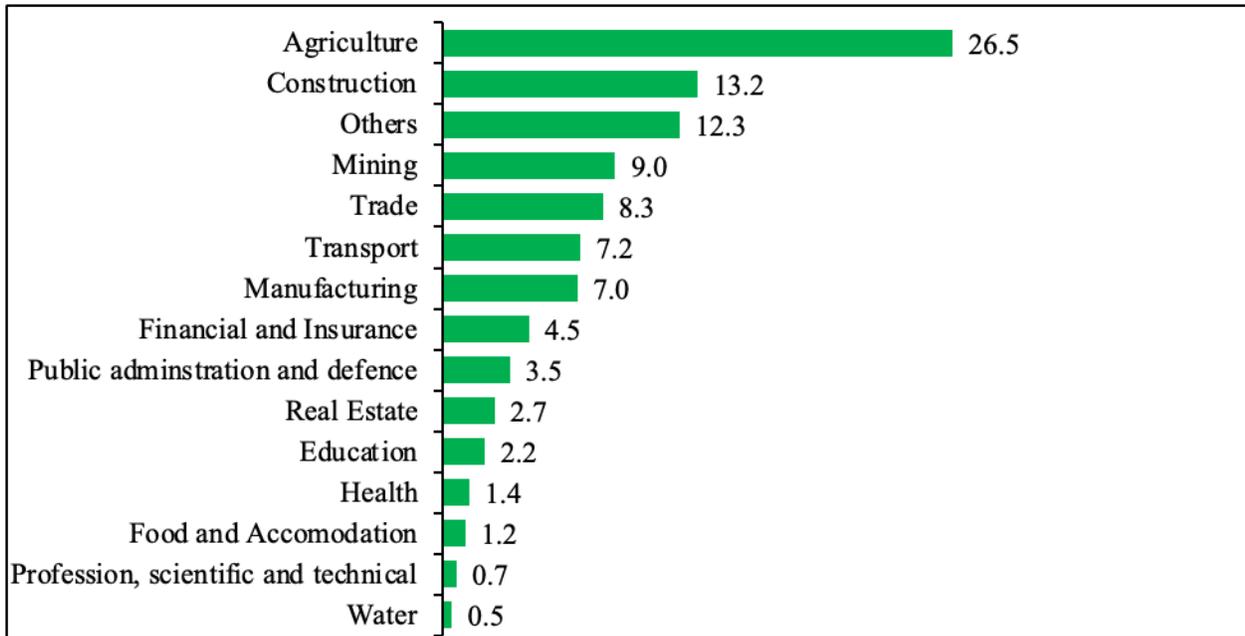


Chart 1.3: Share of Economic Activities to GDP (Percent), 2023

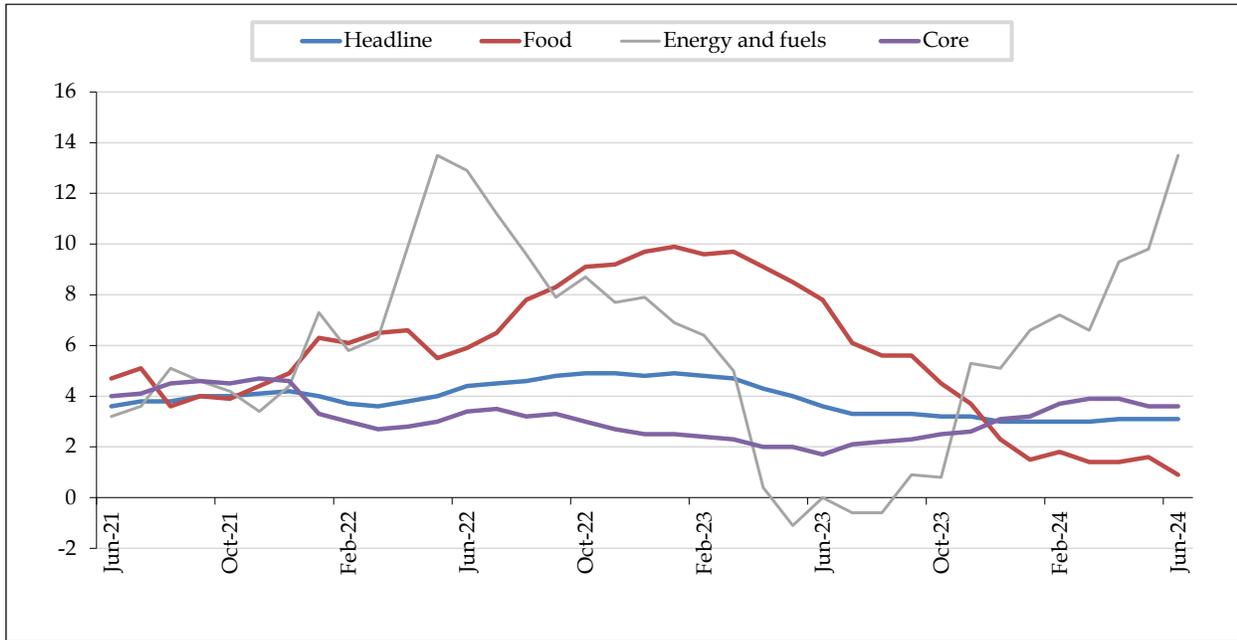


Source: Ministry of Finance

1.3 Inflation Development

In 2023/24, inflation has remained moderate despite global economic shocks that led to higher energy prices and currency depreciation. Headline inflation averaged 3.2 percent, lower than the 4.7 percent recorded in 2022/23. This was mainly attributed to the implementation of prudent monetary policy and adequate food supply. Food inflation declined to an average of 3.0 percent compared to 8.8 percent in 2022/23. Energy and fuel inflation showed a downward trend, averaging 5.3 percent from 5.9 percent (Chart 1.4). However, core inflation increased to an average of 3.1 percent compared with 2.6 percent in 2022/23 and it's a major contributor to overall inflation from September 2023. During the quarter ending June 2024, headline inflation eased to an average of 3.1 percent compared to 3.9 percent recorded during the corresponding quarter in 2023.

Chart 1.4: Inflation Developments (percent)



Source: National Bureau of Statistics

1.4 External Trade

1.4.1 External Trade Developments in 2023/24

The external sector performance has shown significant recovery from global shocks due to enhanced export performance and prudent import management policies amid favourable global commodity prices. The current account deficit decreased by 50.2 percent to USD 2,469.5 million in 2023/24 from USD 4,955.6 million in 2022/23. The outturn was on account of earnings from tourism and decline in import bill.

In 2023/24, export of goods and services have maintained strong performance, rising by 14.7 percent to USD 14,663.9 million from 2022/23. The rise was primarily driven by higher service receipts from travel and increased export of gold, traditional goods, and horticultural products. Export of gold rose to USD 3,121.8 million, in 2023/24 from USD 2,909.2 in 2022/23, accounted for 49 percent of total goods exported. Service receipts amounted to USD 6,811.3 million in 2023/24, marking an increase of USD 1,382.6 million compared to 2022/23. The growth was driven primarily by travel receipts, which rose to USD 3,642.5 million, accounting for 53.5 percent of total service receipts. Accordingly, the number of international tourist arrivals increased by 21.7 percent to 1,994,242 in 2023/24.

During the year 2023/24, import of goods and services amounted to USD 16,027 million, lower than USD 16,980.4 million in the corresponding period in 2022/23, primarily driven by decrease in the goods import, largely white petroleum products. Import of

goods decreased to USD 13,785.4 million in 2023/24 compared with USD 14,445.9 million recorded in previous year, equivalent to a decrease of 4.6 percent. Capital and intermediate goods accounted for 89.9 percent, and consumer goods (10.1 percent). Import of intermediate goods fell by 4.4 percent with much of the decrease registered in white petroleum products and fertilizers. White petroleum products, which account for 20.3 percent of the total import bill, fell by 10.2 percent to USD 2,802.2 million, due to decline of oil prices in the world market. The average price of crude oil during 2023/24 decreased by 1.7 percent to USD 82.9 per barrel from USD 84.3 per barrel in 2022/23. Services payments slightly decreased to USD 2,241.6 million during 2023/24 from USD 2,534.5 million in 2022/23, due to a fall in freight payments consistent with the decrease in goods import bill.

1.4.2 External Trade Developments in the Quarter Ending June 2024

During the quarter ending June 2024, the current account deficit narrowed to USD 736.9 million compared to a deficit of USD 977.8 million recorded in the corresponding period in 2023. During the same period, the value of goods exported increased to USD 1,853.3 million from USD 1,722.6 million recorded during the corresponding quarter in 2023. Much of the increase was recorded in both traditional exports and non-traditional exports. Traditional exports rose to USD 115.5 million from USD 80.2 million in the corresponding quarter in 2023, driven by an increase of exports of tobacco, cashewnuts and cloves. Non-traditional exports rose to USD 1,639.7 million from USD 1,554.8 million recorded in 2023 backed by an increased export of gold and other minerals. Meanwhile, the value of goods imported rose to USD 3,236.2 million from USD 3,218.8 million during the quarter ending June 2023, largely driven by an increase of imports of industrial sugar, other capital goods and fertilizers. Services account recorded a surplus of USD 1,012.4 million in the quarter ending June 2024 up from USD 740.5 million reported during the corresponding quarter in 2023. The improvement was largely associated with the increase in services receipts, largely travel and transportation.

1.5 Gross official reserves

The stock of foreign exchange reserves was USD 5,345.5 million in June 2024 compared with USD 5,446.1 million at the end of June 2023. The reserves were adequate to cover about 4.4 months of projected import of goods and services, above the country's target of not less than 4 months.

1.6 Money Supply and Credit

Money supply continued to grow, albeit at a slower pace, aligning with the current monetary policy stance. The extended broad money supply (M3) grew by 10.9 percent in

the year ending June 2024, down from 18.8 percent recorded in the corresponding period in 2023. Likewise, broad money supply (M2) grew by 8.2 percent in the year ending June 2024 compared with 18.0 percent recorded in the same period in 2023. In the quarter ending June 2024, extended broad money supply (M3) registered an average growth of 11.3 percent compared to a growth of 17.9 percent in a similar period in 2023. In addition, broad money supply (M2) and narrow money (M1) grew by an average of 8.8 percent and 7.6 percent compared to 17.1 percent and 17.0 percent in a quarter ending June 2023, respectively. Growth of credit to private sector remained strong averaged at 17.2 percent in June 2024, although it was relatively lower compared to a growth of 21.3 percent recorded in June 2023. Meanwhile, credit extended to the private sector grew at an average of 17.1 percent in the quarter ending June 2024 compared with 22.1 percent in the quarter ended June 2023.

1.7 Interest Rates Development

Interest rates on loans charged by banks remained broadly unchanged, though slightly declined, owing to a decrease in credit risk, reflected by the decrease in the ratio of non-performing loans to the level below the tolerable threshold of 5 percent. During 2023/24, lending rate eased to an average of 15.47 percent compared to 16.04 percent recorded in the preceding year, while deposit rates slightly increased to an annual average rate of 7.32 percent in 2023/24 from an average rate 7.16 percent in 2022/23. During the quarter ending June 2024, interest rates charged by banks on loans and those offered on deposit recorded a modest decline. The overall lending rate averaged 15.40 percent, down from 15.96 percent in the corresponding quarter in 2023. Likewise, the negotiated lending rates averaged 13.15 percent, lower than 13.26 percent recorded in similar quarter in 2023. The overall time deposit rate averaged at to 7.58 percent from 6.93 percent.

1.8 Exchange Rate

In 2023/24, the shilling experienced pressure stemming from high demand for foreign exchange, attributed to the impact of monetary policy tightening in advanced economies coupled with higher global commodity prices. The pressure was more evident in the first quarter and the third quarter attributed to seasonality in foreign exchange inflows from tourism and export crops. Consequently, Tanzanian shilling depreciated by 8.5 percent in the year ending June 2024.

2.0 GOVERNMENT OPERATIONS

2.1 Domestic Revenue

During the year 2023/24, 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 7,803.9 billion shillings, which was 20.7 percent higher than 6,463.2 billion shillings collected in a corresponding period in 2022/23. On a cumulative basis, total domestic revenue collected for the year 2023/24 was 29,829.8 billion shillings against the target of 31,381.0 billion shillings, equivalent to 95.1 percent of the target for the period and an increase of 13.5 percent when compared with the amount collected in the year 2022/23. Out of the collected amount, collection from Tanzania Revenue Authority (TRA) was 26,072.4 billion shillings against the target of 26,725.4 billion shillings, equivalent to 97.6 percent. Non-tax revenue collected by MDAs was 2,610.9 billion shillings, equivalent to 74.3 percent of the target of 3,512.2 billion shillings and collection from LGAs own source was 1,146.6 billion shillings against the target of 1,143.8 billion shillings, equivalent to 100.2 percent.

2.2 Revenue by Source

2.2.1 Taxes on Imports

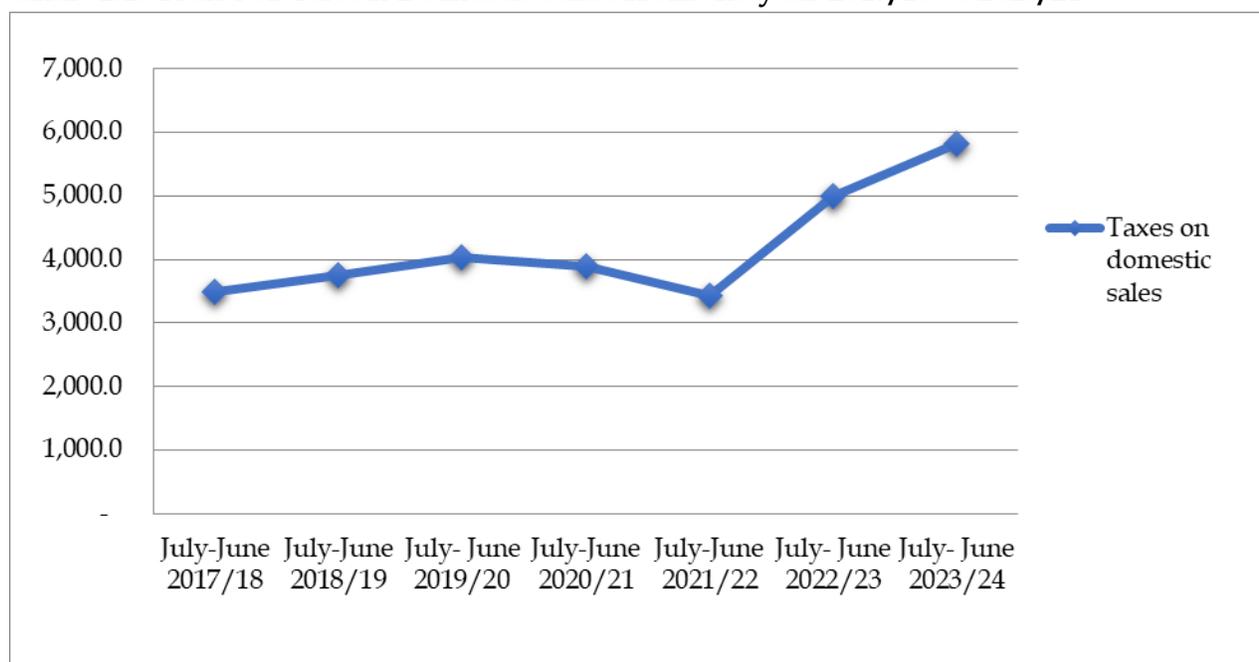
Import taxes and duties collection in the fourth quarter amounted to 1,810.5 billion shillings, reflecting a performance of 96.5 percent of estimated 1,875.9 billion shillings, and 10.2 percent higher when compared to collections registered in a similar period in 2022/23. Cumulatively, import taxes and duties collection amounted to 7,127.7 billion shillings, reflecting a performance of 96.2 percent of estimated 7,411.7 billion shillings, and 7.2 percent higher when compared to collections registered in a similar period in 2022/23. The excise on petroleum imports recorded the total collection of 1,195.2 billion shillings, which was 97.9 percent compared to the planned target of 1,220.3 billion shillings. Excise on other imports registered performance of 338.5 percent of the target by collecting 352.0 billion shillings. Import duty performed below the target by collecting 1,845.1 billion shillings, equivalent to 98.6 percent of the target and VAT on non-petroleum performed by collecting 3,748.9 billion shillings equivalent to 94.5 percent. The performance was due to a decline of importation volume of excisable products such as soft drinks by 19.0 percent, beer malt by 12.7 percent and spirits alcohols by 0.2 percent.

2.2.2 Taxes on Domestic Sales

In the fourth quarter of 2023/24, actual tax collection from domestic sales increased by 27.5 percent to 1,481.6 billion shillings from 1,161.7 billion shillings collected in a corresponding period in 2022/23. This collection was equivalent to 93.4 percent of the target of 1,586.8 billion shillings. On cumulative basis, for the year 2023/24 actual tax

collection from domestic sales increased by 16.3 percent to 5,818.0 billion shillings from 5,003.5 billion shillings collected in the year 2022/23 and 92.0 percent of the target of 6,327.3 billion shillings. Out of the total domestic sales tax, excise duty was 1,972.5 billion shillings, equivalent to 102.6 percent of the target of 1,926.1 billion shillings and increased by 25.1 percent compared to the previous year while VAT on domestic sales amounted to 3,845.5 billion shillings, which was 87.3 percent of the target and 12.2 percent higher when compared to the year 2022/23. The performance of excise duty was largely attributed by an increase in production of excisable products such as juice by 55.9 percent, wine grapes by 37.6 percent, soft drinks by 20.2 percent, mineral water by 17.3 percent, and spirits alcohols by 16.2 percent. VAT on domestic sales performance were due to: most of taxpayers in the manufacturing sector ceased their production due to rain season as the weather impacted harvesting, haulage and crushing; financial challenges that hindered some taxpayers from making VAT payments; increase in input tax claims due to ongoing mobile networks stabilization projects; and low compliance level of taxpayers due to Kariakoo strike of 15th May 2023. Chart 2.1 shows the trend of tax on domestic sales for the financial years (2017/18 - 2023/24).

Chart 2.1: Trend of Tax on Domestic Sales from the year 2017/18 to 2023/24



2.2.3 Income Tax

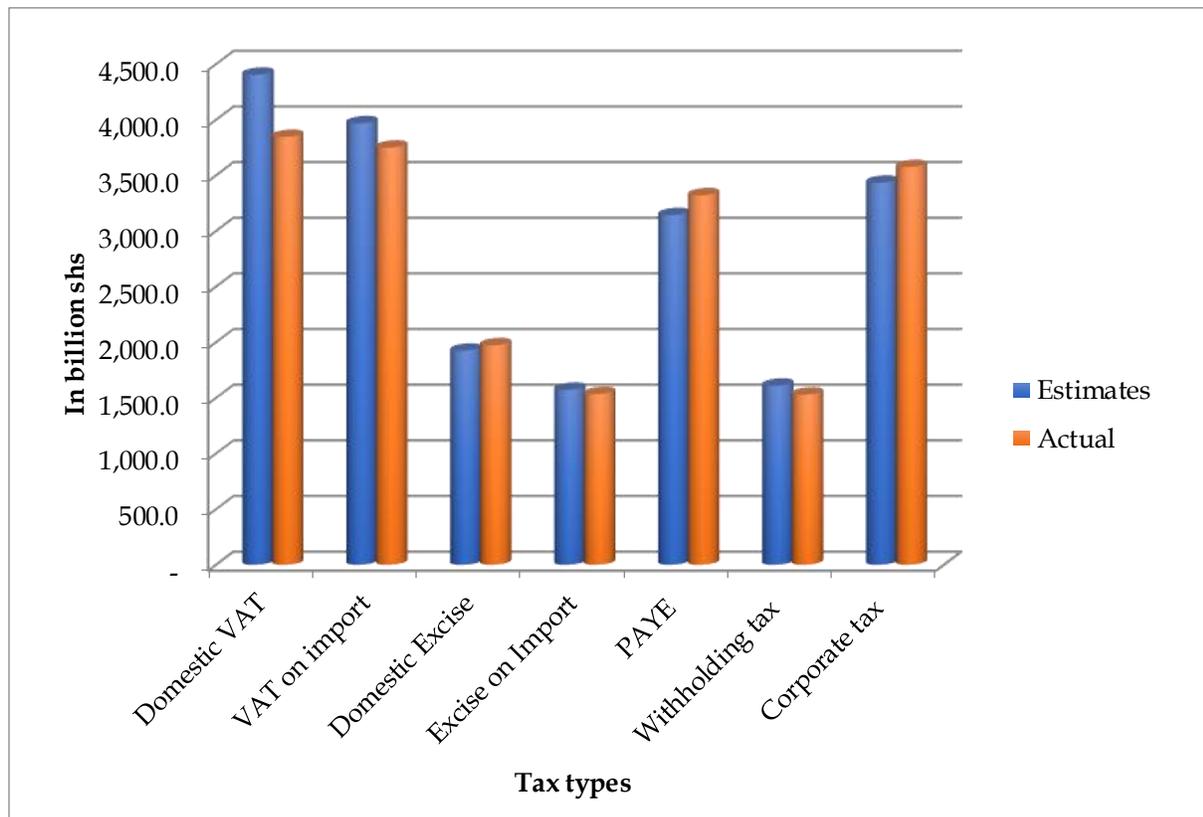
The overall income tax collection during the fourth quarter of 2023/24 amounted to 2,487.8 billion shillings which was 105.8 percent of the target of collecting 2,351.4 billion shillings, reflecting an increase of 31.5 percent compared to collections registered in the same period in 2022/23. Cumulatively, up to June 2024 income tax collection was 9,159.4

billion shillings, which was 101.7 percent of estimates of 9,007.6 billion shillings. In the fourth quarter of 2023/24, PAYE collection was 898.9 billion shillings, equivalent to 113.9 percent of the target. Cumulatively, in the year 2023/24, PAYE collection was 3,320.6 billion shillings against the target of 3,142.2 billion shillings, signifying the performance of 105.7 percent. The performance is due to: Government hiring of new staff in the public sector; recovery of the tax arrears and current assessments; close follow up of employers in terms of filing employment taxes that enhanced collection of employment taxes, there has been an increase of 23.5%, 15.9 % and 14.4% reported employees from parastatal, government and private sector employees in 2023/24 compared to 2022/23.

During the fourth quarter of 2023/24, revenue collection from the corporate tax was 984.0 billion shillings, which was 108.2 percent of the target of 909.7 billion shillings. Cumulatively, the amount collected from corporate tax was 3,574.3 billion shillings, equivalent to 104.1 percent of the target and 22.8 percent lower compared to amount collected in the year 2022/23. The performance was attributed to: close monitoring of the provisional tax instalment payment of tax arrears and submission of income tax returns for the majority of taxpayers; increase in the price of gold which resulted into upward amendment of provisional taxes by some players in extractive sector by 53,953.98 million shillings and 55,169.47 million shillings; and improved business environment in the banking sector.

Collections from withholding taxes for the fourth quarter were 410.7 billion shillings, equivalent to 102.2 percent of the target. Cumulatively, for the year 2023/24, collections of withholding taxes were 1,528.9 billion shillings against the target of 1,528.7 billion shillings which was 100.0 percent and 20.1 percent higher compared to what was collected in the year 2022/23. Revenue performance by major tax items is shown in **Chart 2.2**.

Chart 2.2: Revenue Performance by Major Tax Item for the year 2023/24

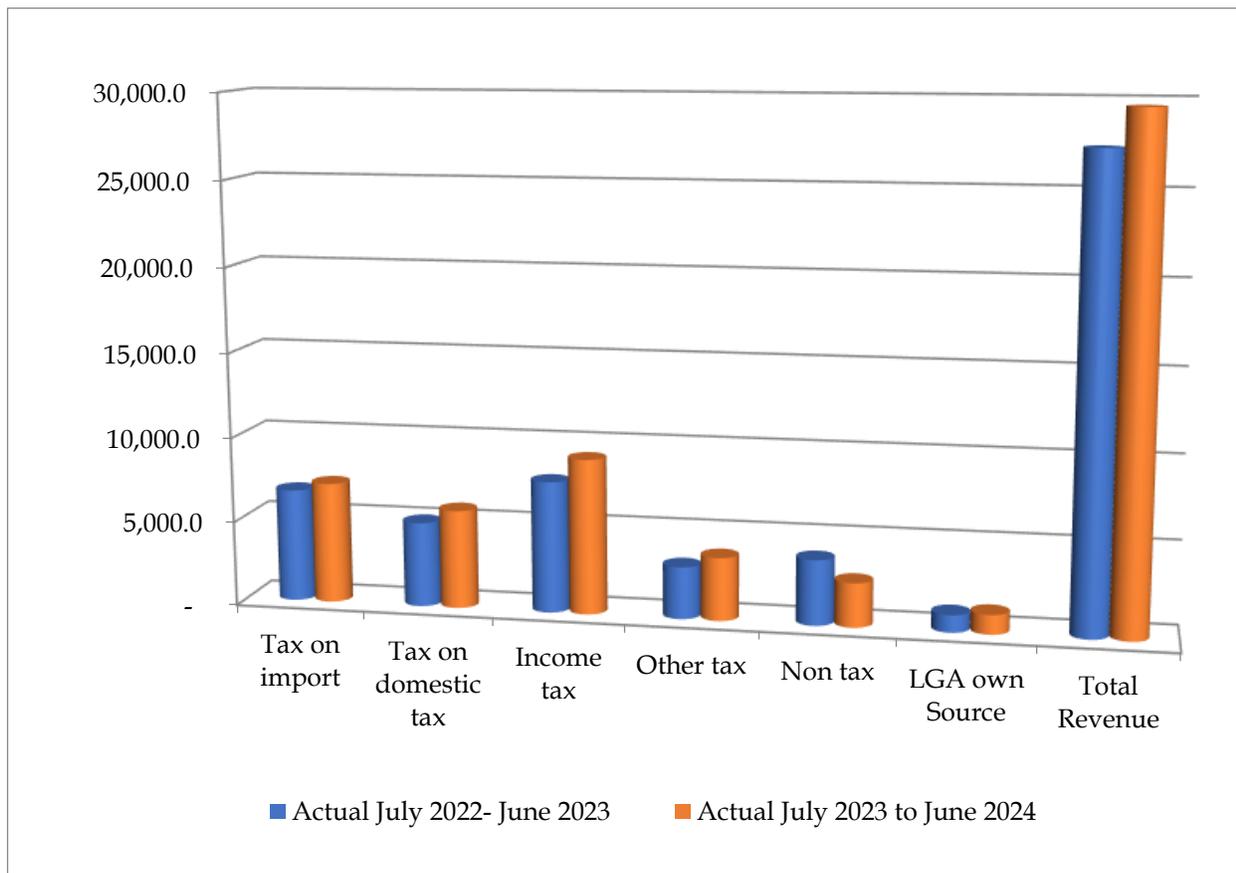


2.2.4 Other Taxes

During the period (April – June 2024), actual collections from this category amounted to 919.4 billion shillings, which was 102.8 percent of the period estimate of 893.9 billion shillings. On cumulative basis, amount collected from this source was 3,718.2 billion shillings, which was 104.6 percent of the target of 3,553.5 billion shillings, an increase of 21.0 percent when compared to the amount collected in 2022/23. Out of the amount, Fuel Levy and Transit Fee was 1,800.2 billion shillings, equivalent to 118.9 percent of estimates; collections meant for National Water Development Fund was 500.5 billion shillings, which was 98.5 percent of estimates; and collections for Rural Energy Agency (REA) was 413.1 billion shillings, equivalent to 96.1 percent of estimates. On the other hand, collections from other sources performed as follows: collections for Railway Development Fund 500.5 billion shillings, equivalent to 98.5 percent of estimates; Business Skill Development Levy (SDL) recorded 358.9 billion shillings, equivalent to 85.1 percent of estimates, and Departure Service Charges performed at 103.9 percent of estimates of 86.6 billion shillings. The performance of the SDL was due to a decrease in the tax rate applicable from 4.0% to 3.5%, as amended in the Finance Act of 2023. Departure service charges performed higher compared to the previous year 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 2023/24 Compared to 2022/23



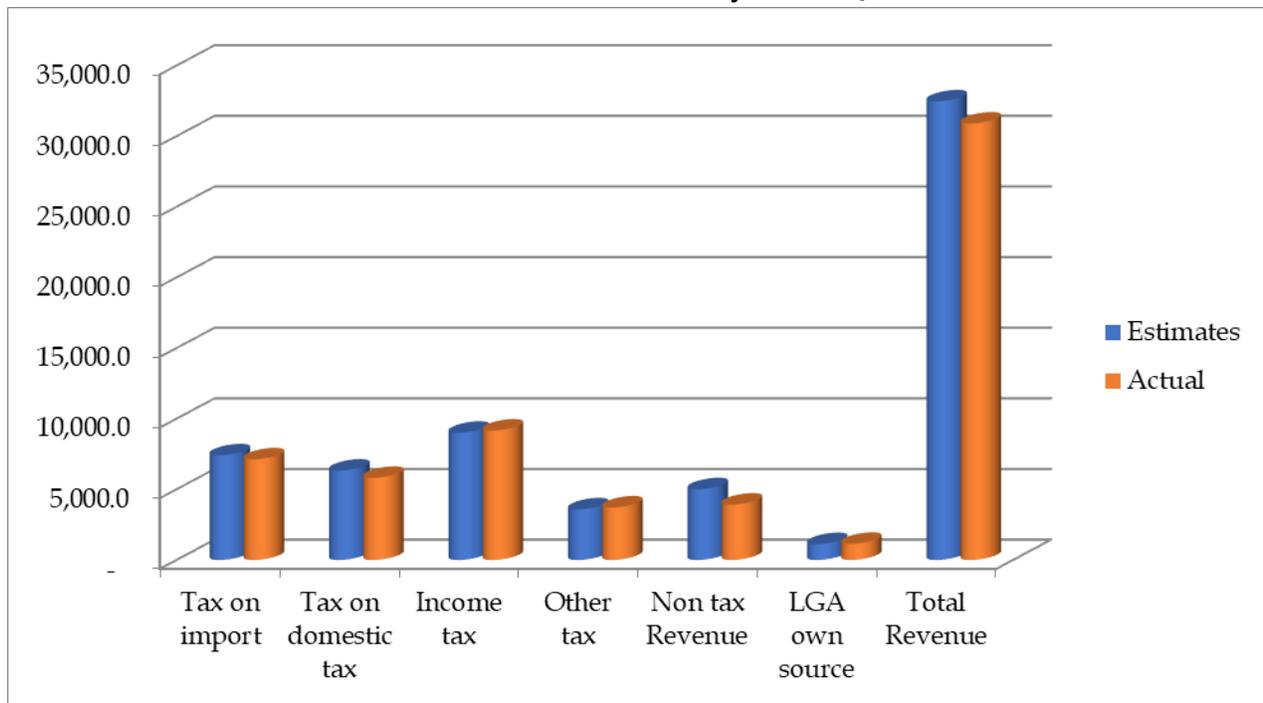
2.2.5 Non-Tax Revenue

Collections of non-tax revenue in the fourth quarter of 2023/24 were 1,121.5 billion shillings, equivalent to 77.7 percent of quarter estimates of 1,444.2 billion shillings. The collections were higher by 10.0 percent when compared to collections registered in the same period in 2022/23. For the year 2023/24, collections of non-tax revenue were 3,922.5 billion shillings equivalent to 77.8 percent of period estimates of 5,039.8 billion shillings and higher by 1.8 percent when compared to collections registered in the year 2022/23. Out of the amount, non-tax revenue collected by ministries was 1,843.9 billion shillings, against the target of 2,442.2 billion shillings, equivalent to 75.5 percent, dividends and contribution from Government Institutions were 767.1 billion shillings, which was 71.7 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 1,311.6 billion shillings, which was 85.8 percent of the period estimates of 1,528.2 billion shillings. The underperformance of non-tax revenue was due to: delays in higher education loans

repayment from beneficiaries as estimated; low revenue collected from sales of National ICT Broadband (NICTBB) services; patrols monitoring across the country and slow internet outage that impact services delivery in remote areas and untimely remittance of 15% contribution.

Collections from LGAs own source in the fourth quarter of 2023/24, was 298.4 billion shillings, equivalent to 107.6 percent of estimates and a decrease of 9.6 percent compared to collections in the fourth quarter of 2022/23. For the year 2023/24, LGAs own source recorded 1,146.6 billion shillings, which was 100.2 percent of the target, and higher by 12.3 percent when compared to the year 2022/23. Domestic revenue performance for the year 2023/24 compared to estimates is depicted in **Chart 2.4**.

Chart 2.4: Domestic Revenue Performance for the year 2023/24



2.3 Expenditure

During the fourth quarter, expenditure amounted to 11,467.0 billion shillings, equivalent to 98.9 percent of the targeted spending of 11,604.7 billion shillings. The expenditure performance for this quarter was aligned to the government priorities.

2.3.1 Recurrent Expenditure

Total expenditure on recurrent activities was 7,612.1 billion shillings, equivalent to 91.8 percent of the target of 8,294.6 billion shillings. The performance was attributed to continued Government’s commitment to honoring statutory obligations which include

debt service and expenses on wages and salaries, transfers to local government authorities and public institutions and priority social spending.

2.3.1.1 Wages and Salaries

Expenditure on wages and salaries was 2,531.5 billion shillings, equivalent to 89.0 percent of the target of 2,843.8 billion shillings. The performance corresponded to the expenditure requirements for Votes.

2.3.1.2 Debt Service

Expenditure on debt service totalled 3,243.8 billion shillings, reflecting a performance of 96.6 percent of estimates of 3,357.8 billion shillings. Out of the total debt service, amortization amounted to 1,723.2 billion shillings and interest payments were 1,520.6 billion shillings. The spending on debt service was in line with the matured debt obligations for the period under review.

2.3.1.3 Goods, Services and Transfers

The total spending on goods, services and grant transfers to lower-level Government and Parastatals was 1,836.8 billion shillings, equivalent to 87.8 percent of the target of 2,093.0 billion shillings and 206.6 billion shillings more than spending recorded in the corresponding quarter in 2022/23.

2.3.2 Development Expenditure

During the period under review, disbursement for development activities amounted to 3,864.0 billion shillings, equivalent to 116.7 percent of the target of 3,310.1 billion shillings. The performance above target was highly on account of reconstructions of various infrastructures (medical centers, schools and roads) which were destroyed by the occurrence of mud slide and heavy rainfalls. Disbursement for projects financed by local resources was 3,341.5 billion shillings equivalent to 195.2 percent of the target of 1,711.5 billion shillings. On the other hand, foreign resources disbursement including direct to project funds amounted to 522.5 billion shillings, equivalent to 32.1 percent of the target of 1,598.5 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 2024 to June 2024)

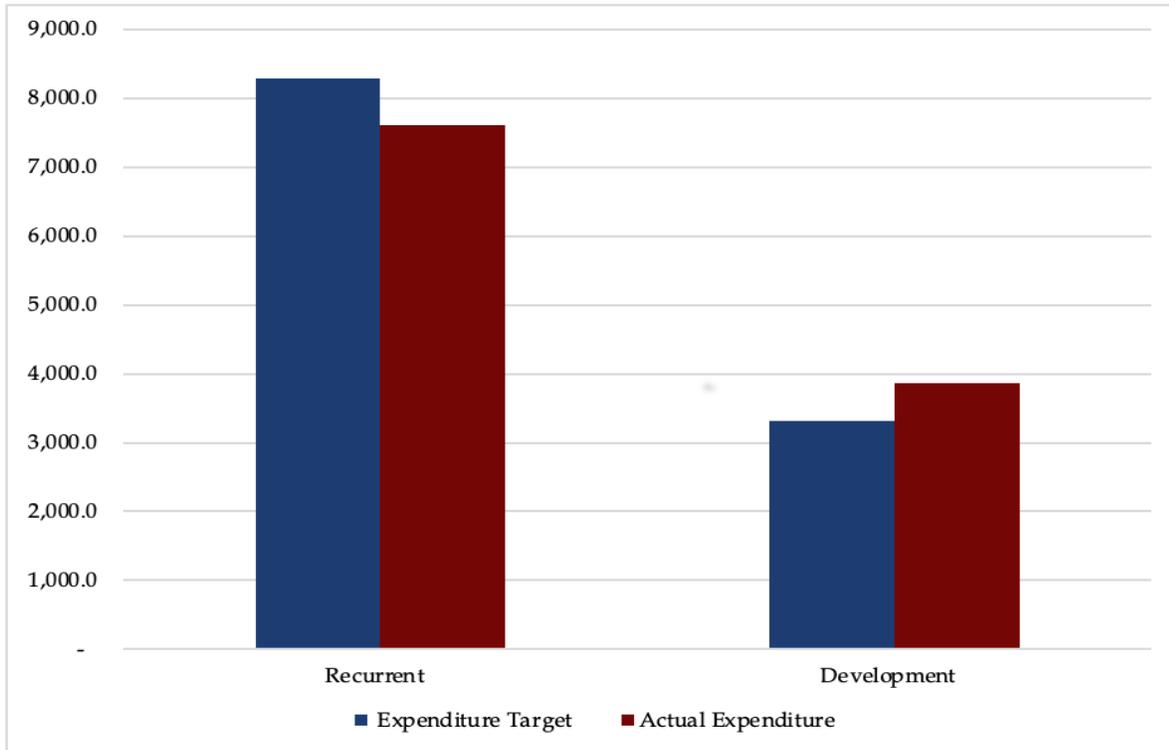
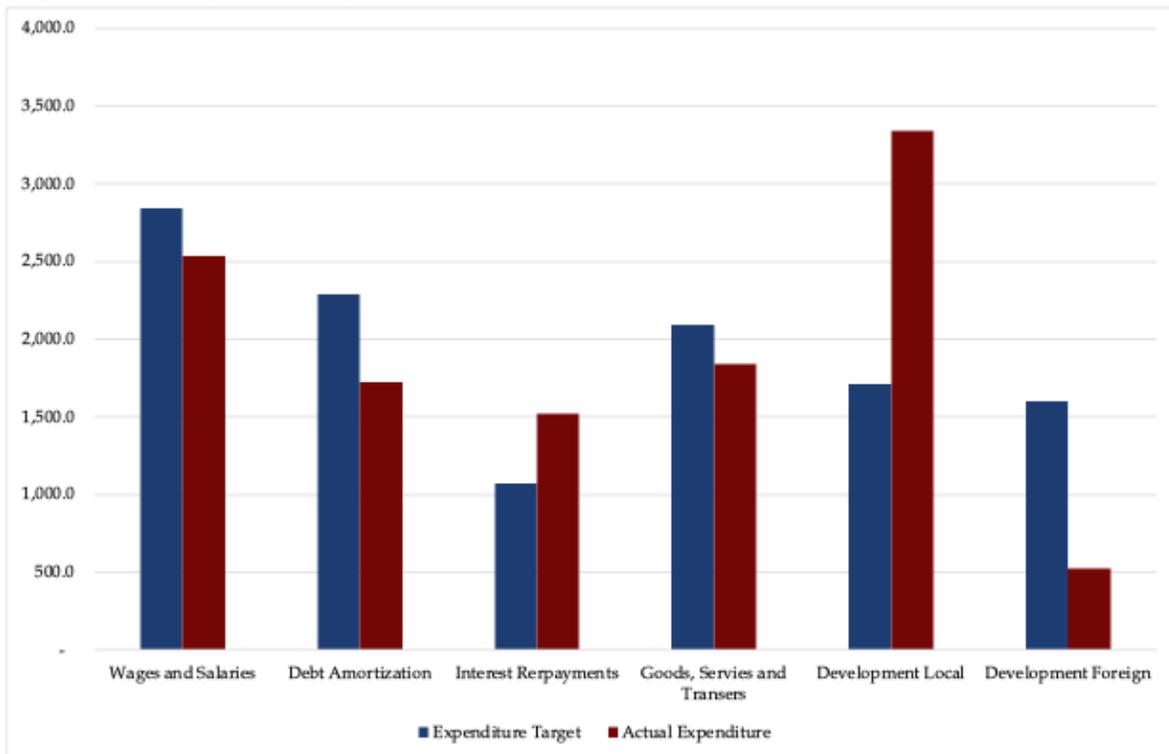


Chart 2.6: Fourth Quarter Expenditure Performance by Economic Classification (April 2024 to June 2024)



2.3.3 Cumulative Expenditure Performance

The approved Government expenditure for 2023/24 was 44,388.1 billion shillings which comprised of 29,172.5 billion shillings for recurrent activities and 15,215.29 billion shillings for development projects. As at end June 2024, Government spending amounted to 42,945.2 billion shillings, equivalent to 96.7 percent of the annual target of 44,388.1 billion shillings, and 8.6 percent higher when compared to 39,515.3 billion shillings recorded end June 2023. 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 27,157.1 billion shillings, equivalent to 93.0 percent of the annual target of 29,172.5 billion shillings. Out of the recurrent spending: wages and salaries were 9,978.9 billion shillings (equivalent to 91.7 percent of the target of 10,882.1 billion shillings); debt service 10,752.4 billion shillings (equivalent to 102.7 percent of the target of 10,469.8 billion shillings); and goods, services and transfers 6,425.8 billion shillings (equivalent to 80.8 percent of the target of 7,820.6 billion shillings). The higher performance of debt service is attributed to changes in exchange rate and maturity of debts obligations.

Expenditure on development activities as of June 2024 amounted to 15,788.1 billion shillings, reflecting the performance of 105.2 percent of the target of 15,216.6 billion shillings. The disbursement of funds for projects financed by local resources, amounted to 12,333.4 billion shillings, which was 103.4 percent of the target of 11,933.5 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 and reconstructions of various infrastructures (medical centers, schools and roads) which were destroyed by the occurrence of mud slide and heavy rainfalls. Conversely, the share of foreign funded projects amounted to 3,454.1 billion shillings, equivalent to 105.2 percent of the target of 3,282.0 billion shillings. The performance of foreign development budget is highly attributed to fulfilment of development partners' commitments to various projects.

The annual performance of budget execution by major categories of recurrent and development and by economic classification for July 2023 to June 2024 is presented in **Chart 2.7 and Chart 2.8**.

Chart 2.7: Cumulative Expenditure Performance by Recurrent and Development Budget (July 2023 to June 2024)

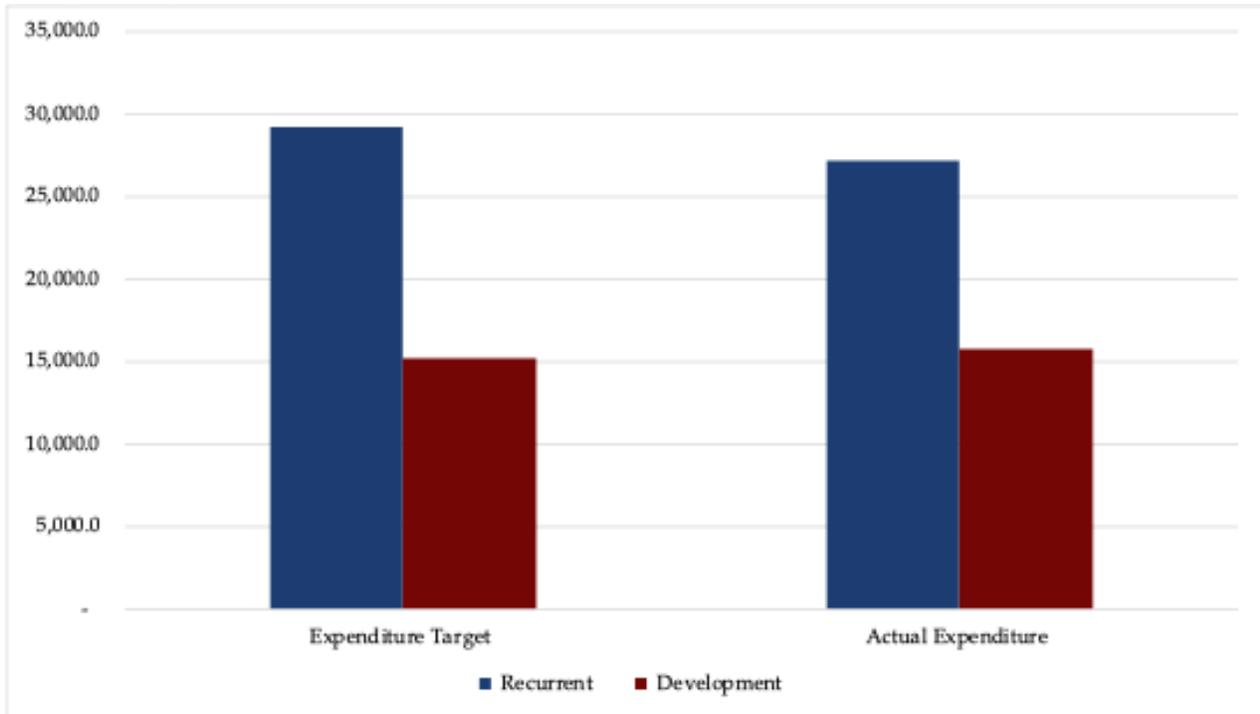
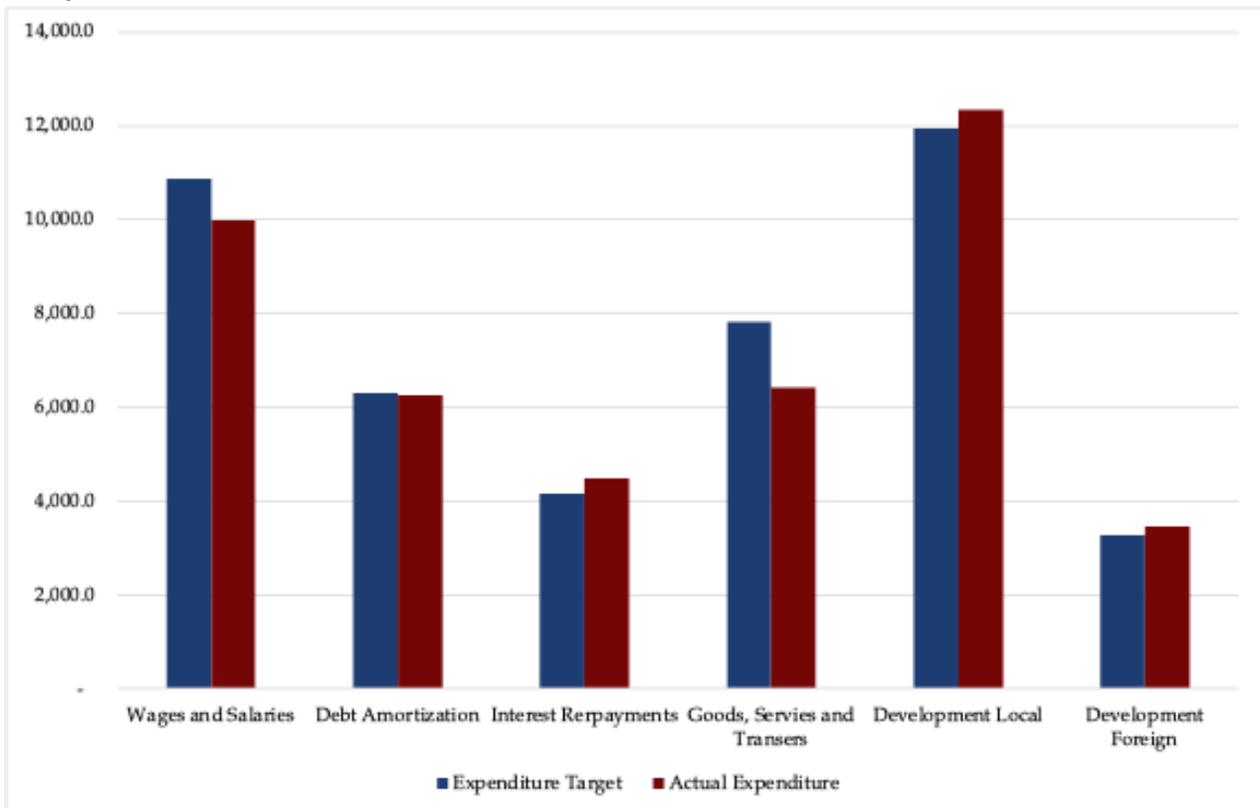


Chart 2.8: Cumulative Expenditure Performance by Economic Classification (July 2023 to June 2024)



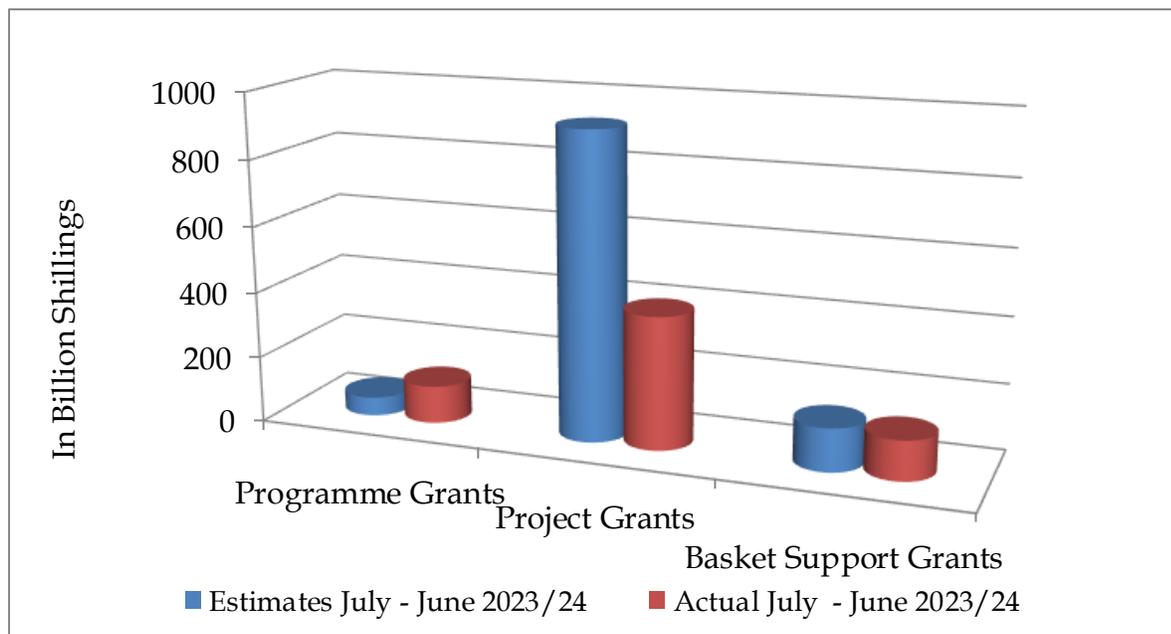
2.3.4 Government Expenditure on Arrears

In the year 2023/24, payment of arrears was among the government expenditure priorities. During the period under review a total of 1,411.9 billion shillings was paid to clear the expenditure arrears. The breakdown of the paid amount is as follows: 612.7 billion shillings for supplies (goods & services), 237.1 billion shillings for construction works, 195.1 billion shillings for staff and 367.1 billion shillings for utilities.

2.4 Grants

During the fourth quarter of 2023/24, grants received were 182.0 billion shillings, equivalent to 66 percent of the estimated amount of 272.5 billion shillings. Out of the total grants, General Budget Support grants was 92.9 billion shillings, Project Grants were 41.9 billion shillings equivalent to 18 percent of the estimates of 231.4 billion shillings and Basket Funds were 46.2 billion shillings equivalent to 112 percent of estimates of 41.2 billion shillings. Cumulatively, for the year 2023/24, grants received were 634.7 billion shillings, equivalent to 57 percent of the estimated amount of 1,111.3 billion shillings. Out of the amount, General Budget Support was 113.8 billion shillings, Project Grants were 401.0 billion shillings equivalent to 43 percent of the estimates of 924.8 billion shillings, Basket Funds were 119.9 billion shillings against the target of 130.1 billion shillings equivalent to 92 percent. Low performance in grants was due to the change of Development Partners' disbursement modality by channelling funds directly to Non-Government Organization (NGOs).

Chart 2.9: Performance of Foreign Grants for the year 2023/24 (Estimates against Actual)



2.5 Financing

Total financing during the fourth quarter of 2023/24 was 1,883.5 billion shillings against the target of 365.8 billion shillings. Out of the total financing, total foreign net financing was a borrowing of 550.1 billion shillings against a borrowing target of 1,036.6 billion shillings and total domestic net financing was 1,333.5 billion shillings against the target of repayment of 670.9 billion shillings. For the year 2023/24, total financing was 6,211.7 billion shillings against the target of 5,589.7 billion shillings equivalent to 111 percent of the target. Out of the total financing, total foreign net financing was a borrowing of 4,036.3 billion shillings against a borrowing target of 3,691.4 billion shillings, equivalent to 109 percent and total domestic net financing was a borrowing of 2,175.3 billion shillings against the target of borrowing 1,898.3 billion shillings equivalent to 115 percent of the target.

2.5.1 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 maturing Treasury Bills and Bonds and 1,898.3 billion shillings were new loans for financing development projects. During the fourth quarter of 2023/24, a total of 2,143.7 billion shillings were borrowed from domestic market against the target of borrowing 757.5 billion shillings. Out of the amount borrowed, 810.3 billion shillings was for redemption (rollover) of matured obligations and 1,333.5 billion shillings was borrowed for financing development projects. Cumulatively, for the year 2023/24, a total of 5,432.5 billion shillings were borrowed from domestic market against the target of borrowing 5,440.4 billion shillings, equivalent to 99.8 percent. Out of the amount borrowed, 3,257.1 billion shillings was for redemption (rollover) of matured obligations and 2,175.3 billion shillings was borrowed for financing development projects.

2.5.2 Foreign Financing

Net foreign financing for the fourth quarter was a borrowing of 550.1 billion shillings against a borrowing target of 1,036.6 billion shillings. During the quarter under review, disbursements of concessional loans were 1,127.8 billion shillings against the target of 1,230.1 billion shillings which was 92 percent of the target. Disbursement of non-concessional loans were 501.6 billion shillings against the target of 664.7 billion shillings equivalent to 75 percent of the target. In addition, amortization of foreign loans was 1,079.3 billion shillings against estimates of 858.1 billion shillings which was 126 percent of the estimates. For the year 2023/24, net foreign financing was a borrowing of 4,036.3 billion shillings against a borrowing target of 3,691.4 billion shillings, equivalent to 109 percent of the annual target. Out of the amount, disbursements of concessional loans

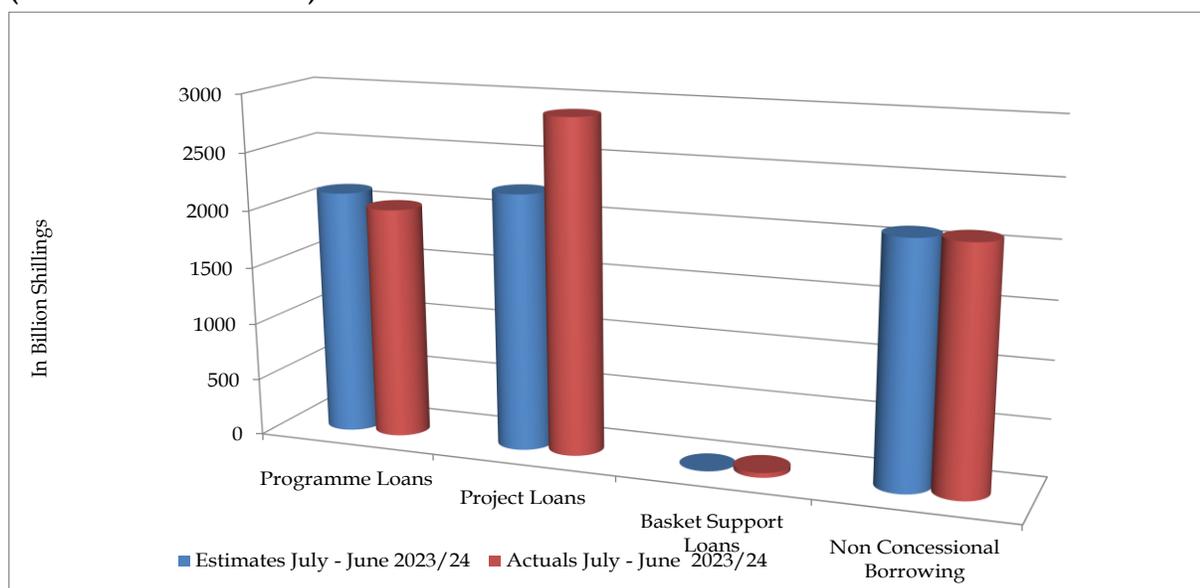
were 4,946.9 billion shillings against the target of 4,354.9 billion shillings, equivalent to 114 percent of the target. Disbursement of non-concessional loans were 2,101.2 billion shillings against the target of 2,100.5 billion shillings. In addition, amortization of foreign loans was 3,011.8 billion shillings against estimates of 2,763.9 billion shillings which was 109 percent of the target. The trend of grants and external concessional loans is shown in Table 2.1 and the performance of foreign financing for the year 2023/24 is presented in Chart 2.10.

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

Summary of Disbursement July - June 2023/24 (All figures in millions shillings)					
AID MODALITY	Type of assistance	Annual commitment as per budget	Estimates July - June 2023/24	Actual Disbursement July - June 2023/24	% of Commitment
GBS	Grants	56,363	56,363	113,796	201.9%
GBS	Concessional Loan	2,127,770	2,127,770	2,013,708	94.6%
Sub Total		2,184,134	2,184,134	2,127,504	97.4%
Basket Funds	Grants	130,123	130,123	119,903	92.1%
Basket Funds	Concessional Loan	-	-	40,312	0.0%
Sub Total		130,123	130,123	160,215	123.1%
Development Projects	Grants	924,836	924,836	400,988	43.4%
Development Projects	Concessional Loan	2,227,122	2,127,770	2,892,901	136.0%
Sub Total		3,151,958	3,052,606	3,293,890	107.9%
Grand Total		5,466,215	5,366,863	5,581,609	104.0%

Source: Ministry of Finance

Chart 2.10: Performance of Foreign Financing for the year 2023/24 (Estimates Vs Actual)

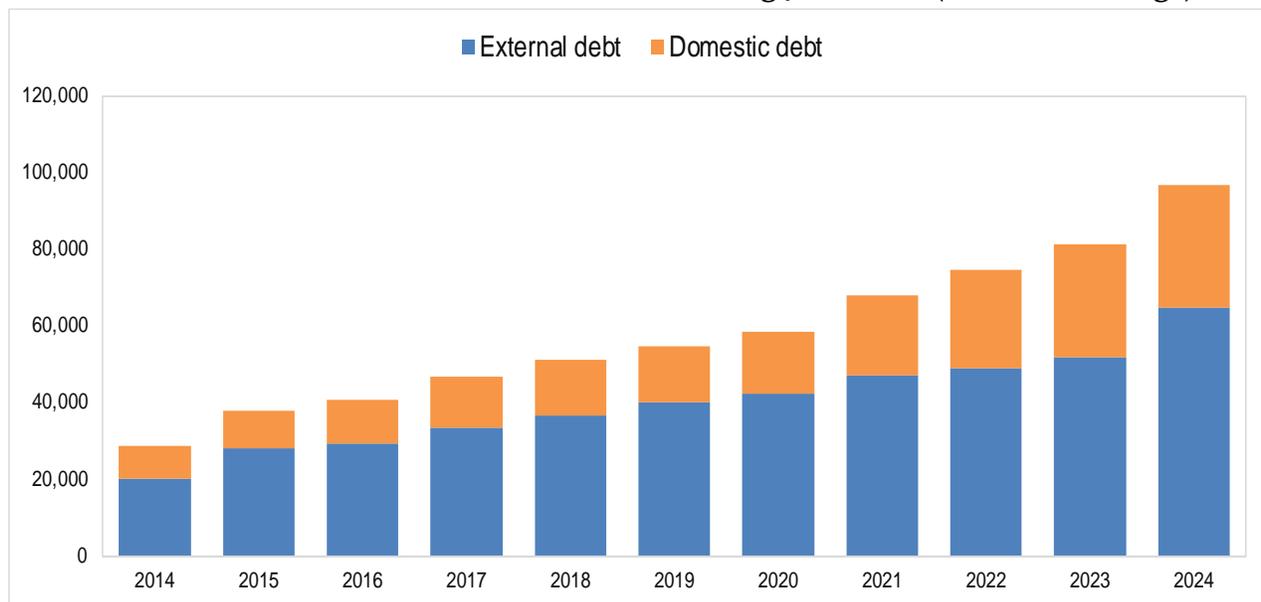


3.0 GOVERNMENT DEBT DEVELOPMENT

3.1 Overall Debt Stock

As at end June 2024, Central Government debt stock was 96,884.18 billion shillings compared to 81,980.26 billion shillings in the corresponding period in 2023, equivalent to an increase of 18.18 percent (Chart 3.1). The increase in the Central Government debt stock was primarily driven by new domestic borrowing through the issuance of Government Securities, disbursements from external creditors to finance development projects and the depreciation of the Tanzanian shilling against the US Dollar. Out of the Central Government debt stock, domestic debt amounted 31,951.24 billion shillings (equivalent to 32.98 percent) and external debt amounted 64,932.94 billion shillings (equivalent to 67.02 percent).

Chart 3.1: Trend of Central Government Debt ending June 2024 (Billion Shillings)

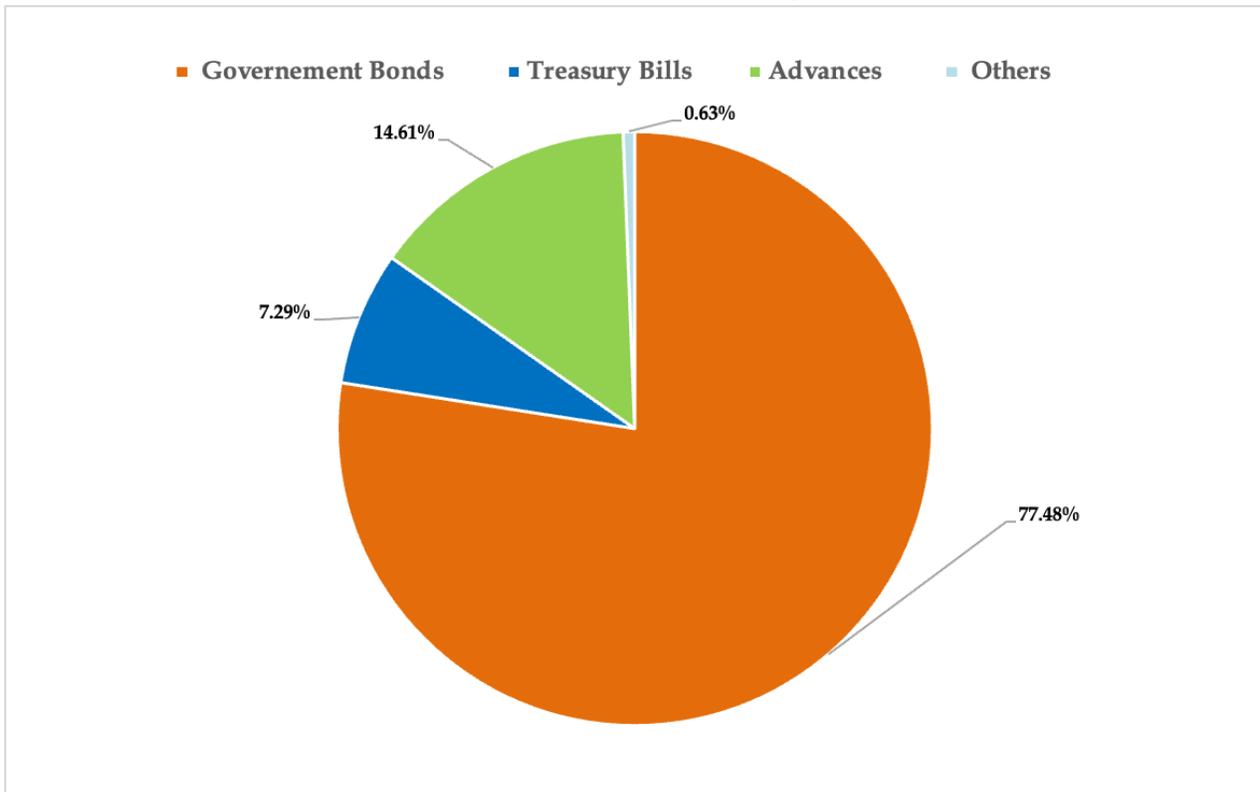


Source: Ministry of Finance

3.2 Central Government Domestic Stock

As at end June 2024, the domestic debt stock was 31,951.24 billion shillings compared with 28,926.06 billion shillings in the corresponding period in 2023, equivalent to an increase of 10.46 percent. The profile of domestic debt by instrument (excluding Bank of Tanzania liquidity paper) shows that, treasury bonds account for the largest share (77.48 percent). The greater share of Treasury bond is consistent with the Medium-Term Debt Strategy which requires the Government to develop domestic bond market by issuing instrument with longer tenure to reduce refinancing risk. The composition of domestic debt by instrument category is depicted in **Chart 3.2**.

Chart 3.2: Share of Domestic Debt by Instrument Category

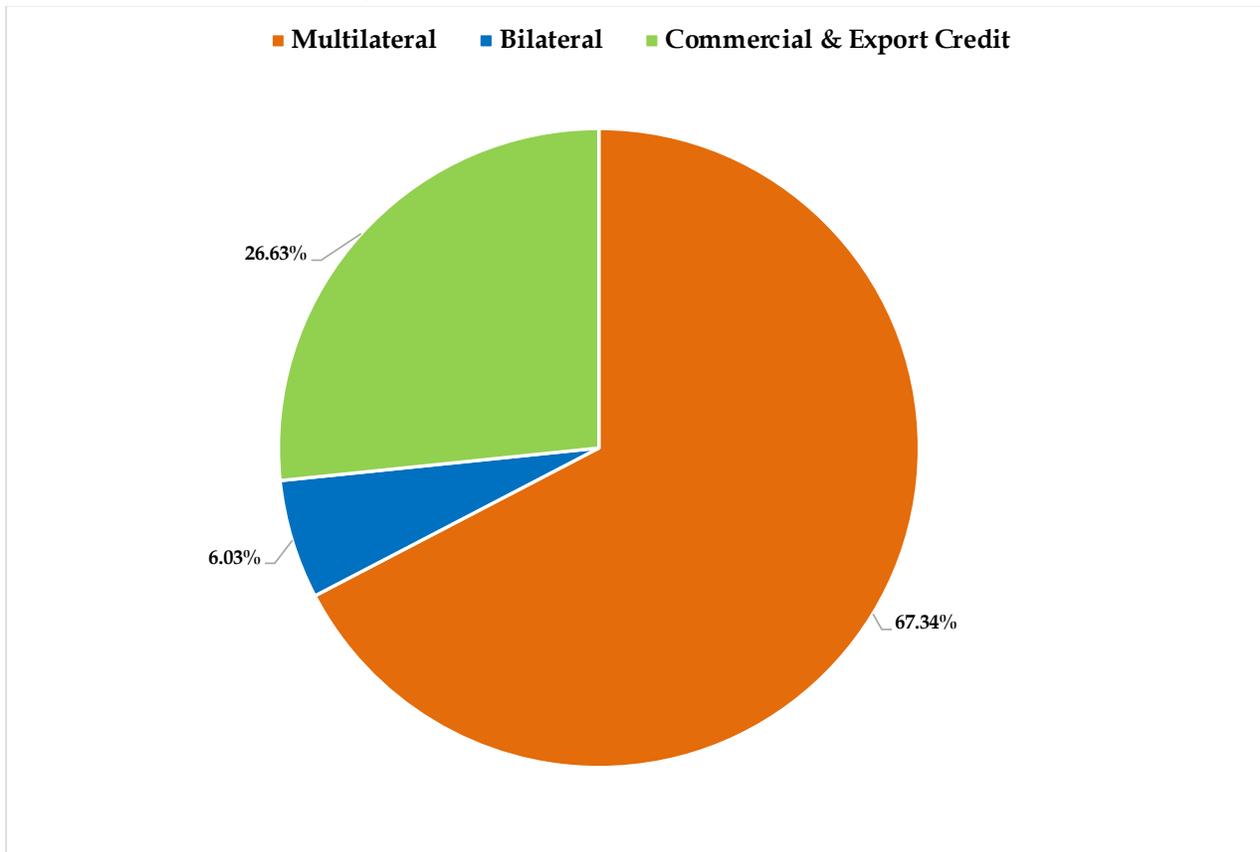


Source: Ministry of Finance

3.3 Central Government External Debt

The external Central Government debt stock as of end of June 2024, stood at 64,932.94 billion shillings (USD 24,595.81 million) from 53,054.20 billion shillings (USD 22,794.30 million) end June 2023 which is an increase of 22.39 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 67.34 percent of the total external debt portfolio, Commercial banks and Export Credit Agency (ECA) 26.63 percent, and Bilateral 6.03 percent (**Chart 3.3**).

Chart 3.3: Concessionalality of Government External Debt



Source: Ministry of Finance

3.4 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 negatively by the effects of COVID-19 pandemic and Russia -Ukraine war particularly the slowdown of economic growth and 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 ¹	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 3.2: 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

¹ Represent actual ratios as of 30th June 2023

ANNEX A

Revenue Performance April 2024 - June 2024						
						Billion Shillings
	Budget Estimates	April 2023 - June 2024			July 2023 - June 2024	Year Perf.
		Estimates	Actual	Percent of estimate	Actual	
Revenue (Including LGAs own sources)	31,381.0	8,169.9	7,803.9	95.5%	29,829.9	95.1%
Revenue (Excluding LGAs own sources)	30,237.1	7,892.4	7,505.5	95.1%	28,683.3	94.9%
Tax Revenue	25,197.2	6,448.3	6,384.0	99.0%	24,760.8	98.3%
Taxes on Imports	7,411.7	1,875.9	1,810.5	96.5%	7,127.6	96.2%
Import Duty	1,872.0	473.8	463.9	97.9%	1,845.1	98.6%
Excise on Petroleum	1,220.3	308.9	295.7	95.7%	1,195.2	97.9%
Excise	1,220.3	308.9	295.7	95.7%	1,195.2	97.9%
Others	4,319.4	1,093.3	1,050.9	96.1%	4,087.4	94.6%
Excise	352.0	89.1	87.8	98.6%	338.5	96.2%
VAT on Non-Petroleum imports	3,967.4	1,004.2	963.1	95.9%	3,748.9	94.5%
Taxes on Domestic Sales	6,330.0	1,587.5	1,481.6	93.3%	5,818.0	91.9%
Excise	1,926.1	476.0	489.2	102.8%	1,972.5	102.4%
Value Added Tax (VAT)	4,403.9	1,111.5	992.4	89.3%	3,845.5	87.3%
Income Tax	9,007.6	2,351.4	2,487.8	105.8%	9,159.4	101.7%
PAYE	3,142.2	789.1	898.8	113.9%	3,320.6	105.7%
Corporate and Parastatals	3,433.3	909.7	984.0	108.2%	3,574.3	104.1%
Individuals	291.3	82.0	72.6	88.6%	284.8	97.8%
Withholding Taxes	1,528.7	402.0	410.7	102.2%	1,528.9	100.0%
Rental Tax	165.7	45.7	36.3	79.4%	142.8	86.2%
Other Income	446.5	122.9	85.4	69.5%	308.0	69.0%
Other Taxes	3,553.5	893.9	919.4	102.8%	3,718.2	104.6%
Business Skill Development Levy	421.6	108.9	104.1	95.6%	358.9	85.1%
Fuel Levy and transit fee	1,514.4	383.3	445.3	116.2%	1,800.2	118.9%
Stamp Duty	35.6	7.9	9.1	116.2%	27.8	78.0%
Departure Service Charges	83.3	17.9	20.9	117.2%	86.6	103.9%
Processing Fee-dry cargo-TRA	126.7	32.1	28.8	89.9%	120.0	94.7%
Export Duty	85.1	21.5	2.5	11.5%	103.6	121.8%
Railway Development Fund	508.2	128.6	128.3	99.8%	500.5	98.5%
National Water Development Fund	207.8	52.6	48.1	91.4%	194.2	93.5%
Motor vehicle taxes	83.2	17.7	23.6	132.9%	92.8	111.6%
Treasury Voucher Cheque	57.762	14.6	5.9	40.3%	20.41	35.3%
Transfer to REA	429.9	108.8	102.7	94.4%	413.1	96.1%
Refunds	-1,105.7	-260.5	-315.4	121.1%	-1,062.4	96.1%
Refunds - VAT	-913.2	-210.6	-294.0	139.6%	-969.1	106.1%
Refunds - other	-192.5	-49.8	-21.4	42.9%	-93.3	48.5%
Non Tax Revenue	5,039.9	1,444.2	1,121.5	77.7%	3,922.5	77.8%
Parastatal Dividends	1,069.5	450.6	361.2	80.2%	767.1	71.7%
Ministries and Regions	2,442.2	656.9	499.8	76.1%	1,843.9	75.5%
TRA Non Tax	196.1	49.6	68.2	137.4%	271.2	138.3%
Tourism Sector	713.0	133.9	145.6	108.8%	800.5	112.3%
Transaction levy on Mobile money send	366.7	91.7	46.5	50.7%	199.8	54.5%
Property tax	194.9	47.7	0.0	0.0%	39.5	20.2%
Billboard Fee Collections	57.4	13.8	0.2	1.4%	0.7	1.2%
LGAs own source	1,143.9	277.4	298.4	107.6%	1,146.6	100.2%
<i>Source: Ministry of Finance</i>						