

 **THE UNITED REPUBLIC OF TANZANIA** 



**MINISTRY OF FINANCE**

**BUDGET FOR FISCAL YEAR 2014/15**

**QUARTERLY ECONOMIC REVIEW AND BUDGET  
EXECUTION REPORT  
JANUARY- MARCH 2015**

**JUNI, 2015**

## SUMMARY

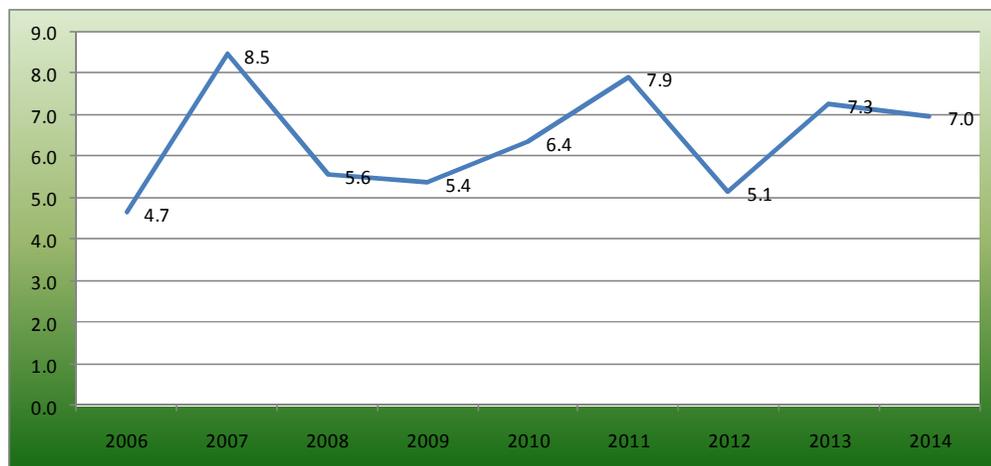
- Based on the revised/rebased GDP series, the real GDP at market price was 7.0 in 2014 compared to 7.3 percent in 2013. During the period, sectors which has high growth rate were construction 14.1 percent; transport and storage (12.5 percent); financial and insurance activities (10.8); wholesale and retail trade and repair (10.0 percent); mining and quarrying (9.4 percent); and electricity supply (9.3 percent). Agriculture sector grew by 3.4 percent in 2014 but it continued to have a larger share in the economy.
- The annual headline inflation rate has decreased to 4.3 percent for the quarter ended March 2015 from 6.1 percent recorded in the corresponding period in 2014. The decrease of inflation was mainly on account of a decrease in food, energy and fuel prices. The inflation rate which excludes food and energy decreased to 2.5 percent from 4.7 percent for the period ended March 2014. Inflation rate on food consumed at home and away from home decreased to 6.1 percent from 7.9 percent during the corresponding period of 2014.
- During July 2014 to March 2015, total revenue collection was Tshs. 7,886.6 billion which is 87 percent of the estimate of Tshs. 9,113.7 billion. Tax revenue collections amounted to Tshs. 7,425.7 billion or 88 percent of estimated TShs. 8,452.9 billion. Non-tax revenue continued to perform significantly below the estimates during this period whereas the actual revenue collection from this category was Tshs. 460.9 billion against the estimates of Tshs. 660.7 billion. Details of revenue in major components are presented in **Annex B**.
- Expenditure policies focused on aligning expenditure with expected revenues, strengthening the control and management of public expenditure through: preparation of Budget Act; ensuring use of EFDs by all Government institutions and agencies in procuring good and services; ensuring all Government institutions, agencies and local Government authorities submit their budget estimates to the Paymaster general for scrutiny and approval; continuing with verification of arrears and claims; and ensuring bulk procurement from producers instead of agents.
- Cumulative Net Domestic Financing (NDF) for the period of July 2014 to March 2015 registered a drawdown of deposits of Tshs 1,310 billion, well above the PSI indicative target of Tshs 946 billion. **Annex D** provides detailed performance in foreign grants and loans and domestic financing.

## 1.0 RECENT MACRO ECONOMIC PERFORMANCE

### Real GDP Growth

1. The Government through the National Bureau of Statistics has released GDP figures that have been revised and rebased from 2001 base year to 2007 base year. According to the revised/rebased GDP series, the real GDP at market price was 7.0 in 2014 compared to 7.3 percent in 2013. During the period, sectors which has high growth rate were construction 14.1 percent; transport and storage (12.5 percent); financial and insurance activities (10.8); wholesale and retail trade and repair (10.0 percent); mining and quarrying (9.4 percent); and electricity supply (9.3 percent). Agriculture sector grew by 3.4 percent in 2014 but it continued to have a larger share in the economy.

**Chart 1 Real GDP Growth (2006 – 2014)**



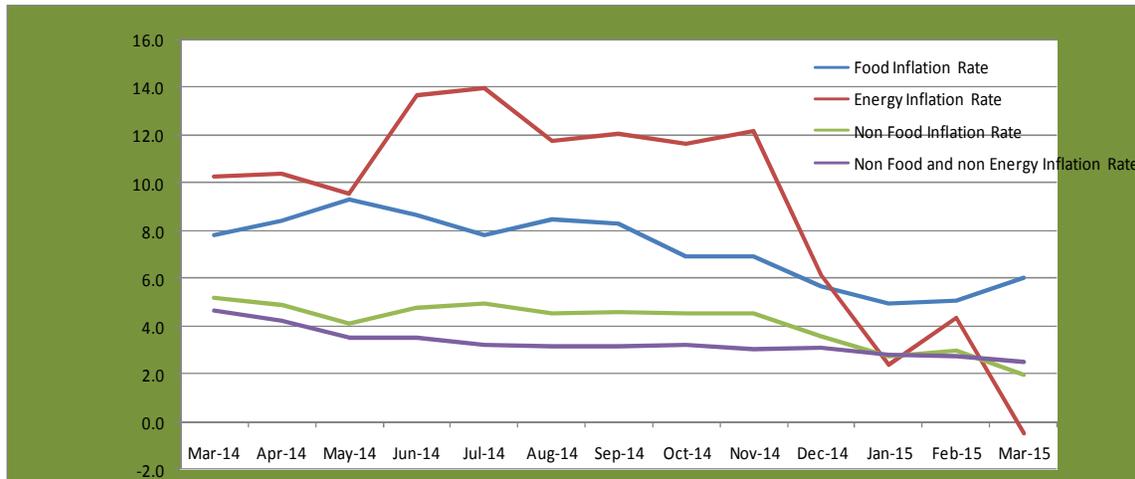
**Source:** Ministry of Finance

### Inflation

2. The annual headline inflation rate has decreased to 4.3 percent for the quarter ended March 2015 from 6.1 percent recorded in the corresponding period in 2014. The decrease of inflation was mainly on account of a decrease in food, energy and fuel prices. The inflation rate which excludes food and energy decreased to 2.5 percent from 4.7 percent for the period ended March 2014. Inflation rate on food consumed at home and away from home decreased to 6.1 percent from 7.9 percent during the corresponding period of 2014. On monthly basis, the Annual Headline Inflation Rate for March 2015 has slightly increased to 4.3 percent from 4.2 percent recorded in February 2015. The increase explains that, the

speed of price increase for commodities in the year ending March, 2015 has increased as compared to the speed of price increase recorded for the year ended February.

**Chart 2: Price Movement from March 2014 – March 2015**



**Source:** Ministry of Finance

### External trade

3. During the year ending March 2015, current account deficit narrowed by 45.8 percent to USD 846.8 million compared to a deficit of USD 1,562.2 million recorded in the corresponding quarter in March 2014. The narrowing deficit was mainly accounted by the improved performance of goods and services export coupled with decline in imports. During the same period, the value of exports of goods and services improved by 25.1 percent to USD 2,540.3 million compared to USD 2,030.0 million recorded in the corresponding period of March 2014.

4. During the year ending March 2015, the value of import of goods and services amounted to USD 3,342.6 million, a decrease of 6.0 percent, compared with USD 3,555.7 million recorded in the year ending March 2014. The value of goods import declined as importation of intermediate goods and other consumer goods decreased. The average world market prices for oil declined in the quarter of March 2015 relative to the preceding quarter. Oil prices declined due to excess supply and weak demand.

5. On the other side, the value of traditional exports increase by 26.0 percent to USD 298.0 million during the quarter ending March 2015 from USD 236.5 million recorded in the quarter ending March 2014. This was caused by a fall in export

volumes and unit prices of some crops. The value of non-traditional exports increased by 26.9 percent to USD 1,093.6 million compared with USD 861.7 million in the year ending March 2014. The increase was largest attributed with the exports of minerals, manufactured goods, and re-exports. During the period, gold continued to dominate non-traditional exports, it was increased by 15.7 percent to USD 409.6 million from USD 354.1 million in the corresponding period 2014.

6. During the year ending March 2015, the overall balance of payments recorded a deficit of USD 282.5 million compared to a deficit of USD 56.1 million recorded in the year ending March 2014. As at end March 2015, the stock of gross official reserves amounted to USD 4,620.4 million, sufficient to cover 3.6 months of projected imports of goods and services.

### **Money Supply**

7. During the year ending March 2015, money supply in extended broad money definition (M3) grew by 13.2 percent compared to a growth of 11.6 percent recorded in March 2014. The growth was largely contributed by the increase in domestic private sector credit, which grew by 19.8 percent in March 2014 from 16.4 percent in March 2014. Full impact of the increase in private sector credit to money supply was particularly subdued by the contraction in Net Foreign Assets (NFA). During the period, NFA contracted by 3.2 percent in the year ended March 2015 compared to a contraction of 3.1 percent in March 2014.

### **Interest Rates Development**

8. During the quarter ended March 2015, overall deposit rate averaged to 8.07 percent compared with an average of 8.68 percent recorded in the corresponding period in 2014. On the other hand, overall lending rate decreases to an average of 15.66 percent March 2015 from an average of 16.63 percent recorded in corresponding period of March 2014. The 12 months deposit rate was at an average of 10.81 percent in the quarter ended March 2015, whereas short term lending rate was averaged at 13.95 percent. The Margin between short-term lending and one-year time deposit rates narrowed to 3.14 percentage points during the quarter ending March 2015 compared with 3.50 percentage points during the corresponding quarter in 2014.

## Exchange Rate

9. The value of shilling weakened by 8.9 percent against the US dollar from an overall weighted average rate of shilling 1,635.3 per USD in March 2014 to shilling 1,794.8 per USD in March 2015. The depreciation of the shilling against the US Dollar was on account of general strengthening of the US Dollar against major currencies.

## 2.0 GOVERNMENT OPERATIONS

### DOMESTIC REVENUE

10. The Government has taken various policy and administrative measures to enhance domestic revenues with a view to reduce foreign dependence. These measures include increasing domestic revenue collection by strengthening existing sources and identify new potential sources of revenue; and strengthening the effective use of Electronic Fiscal Devices – EFDs which are linked to TRA database to ensure that the Government gets appropriate tax revenue.

11. From January to March 2015, total revenue collection was Tshs. 2,616.7 billion, which was 85 percent of the estimate of Tshs. 3,081.5 billion. Tax revenue collections amounted to Tshs. 2,460.2 billion equivalent to 86 percent of estimated TShs. 2,861.1 billion. On cumulative (July 2014- March 2015) tax revenue collections were Tshs 7,425.9 billion equivalents to 88 percent of estimates and 10 percent increase when compared to the same period in 2013/14. Non-tax revenue continued to perform significantly below the estimates during this period whereas the actual revenue collection from this category was Tshs. 156.4 billion against the estimates of Tshs. 220.4 billion, equivalent to 71 percent. Cumulatively, non-tax revenue collection were Tshs 460.9 billion against the target of Tshs 660.7 equivalents to 70 percent and 24 percent higher when compared to the same period in 2013/14. (See, **ANNEX B** for details)

## **REVENUE BY SOURCE**

### **Taxes on Imports**

12. During the quarter under review (January – March 2015), collections on imports taxes and duties were Tshs. 765 billion reflecting a performance of 88 percent of estimated TShs. 870.2 billion. All taxes and duties on importation performed below targets except excise on import. Import duty performed at 77 percent whereby collection was Tshs 177.4 billion against the target Tshs 230.4 billion. Collection from Excise on petroleum was Tshs 137 billion against the target of Tshs 185.7 equivalent to 74 percent. On cumulative basis (July 2014 – March 2015), total collection from Taxes on imports was Tshs 2,365.6 billion against the target of Tshs 2,605.7 billion equivalent to 91 percent and 10 percent higher compared to the same period in 2013/14. Under performance was due to low collection of excise duty from soft drinks, cigarettes, beers and bank service fees; low response from traders on the usage of electronic fiscal devices; and decrease in importation of non-capital goods.

### **Taxes on Domestic sales**

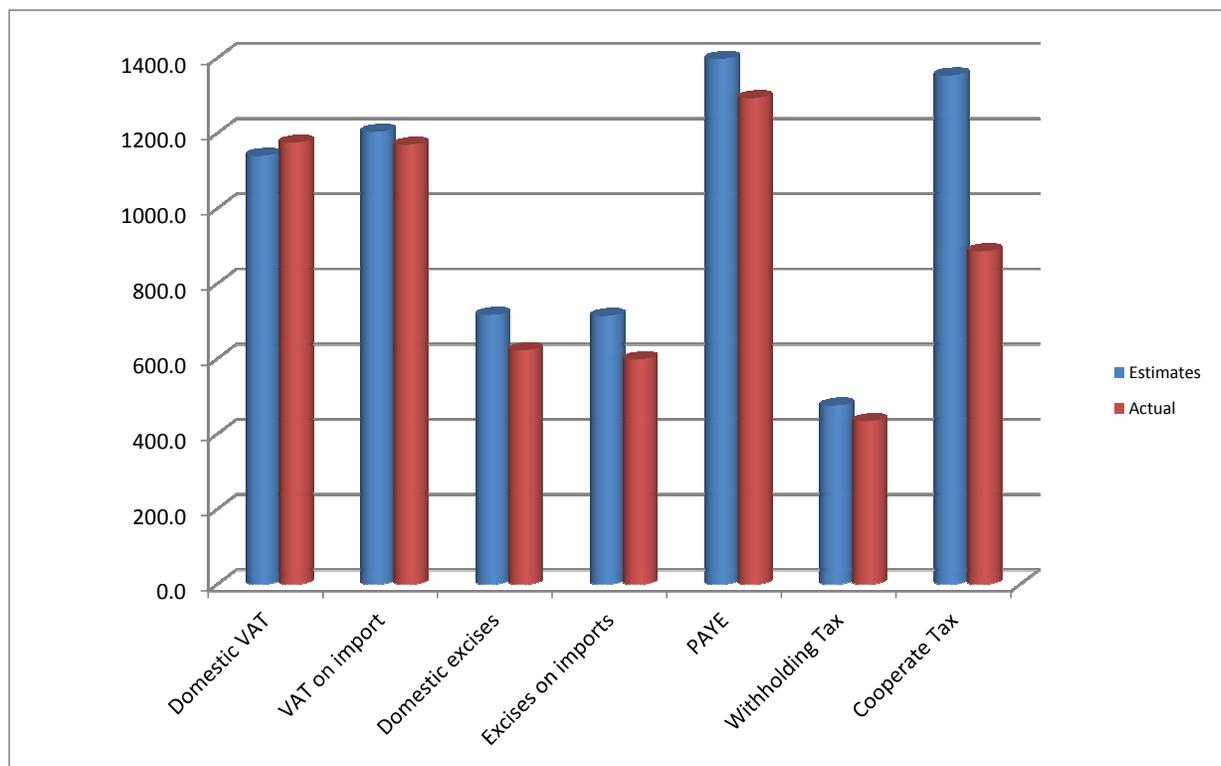
13. During the quarter under review, overall collections of taxes on domestic sales amounted to Tshs 589.9 billion against the target of 628.5 billion. This reflect performance rate of 94 percent. Even though, collections were under the target, still it was 13 percent higher compared to the same period in 2013/14. On cumulative basis, Tshs 1,795.5 have been collected against the target of Tshs 1,854.7 equivalent to 97 percent of the target and 16 percent increase when compared to the same period in 2013/14.

### **Income Tax**

14. The overall Income tax collection during the quarter under review was TShs. 927.2 billion, which is 79 percent of the target to collect Tshs. 1,176.5 billion. However, this is lower by 5 percent when compared to collection registered in the same period in fiscal year 2013/14. Cumulative income tax collections for the

period of July 2014 to March 2015 were Tshs 2,760.0 billion being 81 percent of the estimates of Tshs 3,428.4 billion and 7 percent increase when compared to the same period in 2013/14. All types of income taxes underperformed during this period. Under performance of income tax collected was caused by decline in revenue from exploration and production of oil, gas and minerals, especially withholding tax.

**Chart 3: Revenue performance by category**



**Source:** Ministry of Finance

### Other taxes

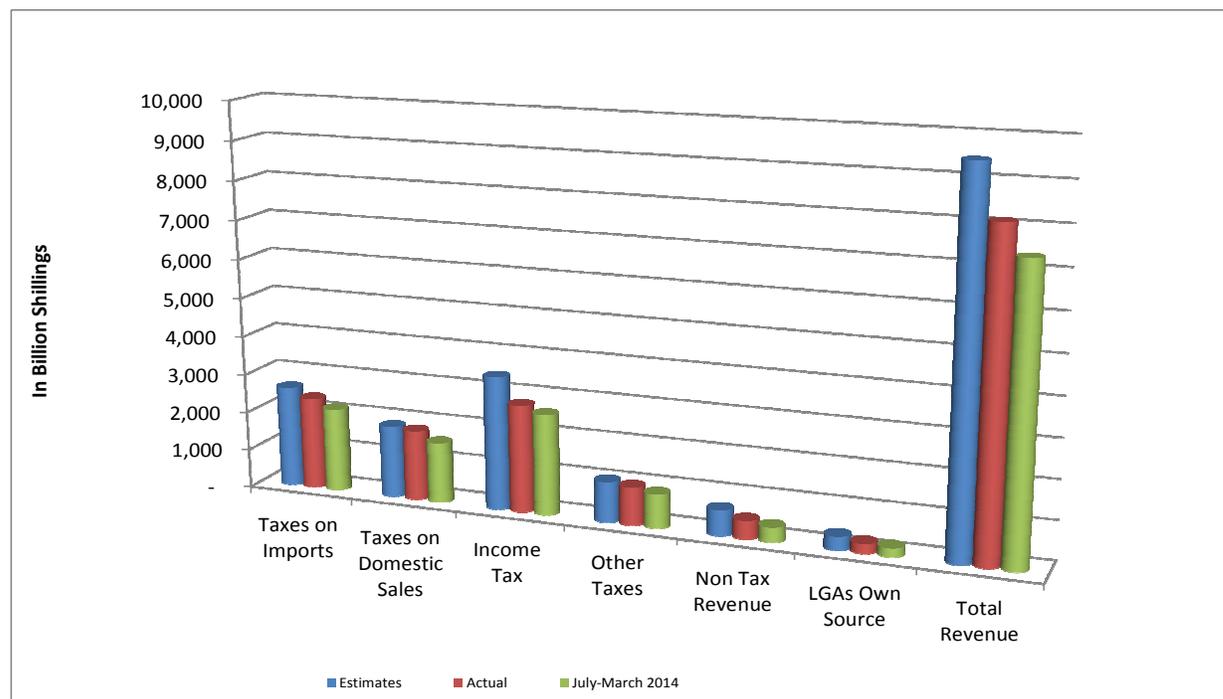
15. During the period of January – March 2015, actual collections from this category amounted to TShs. 307.6 billion, which was 89 percent of estimates of Tshs 345.1 billion. Business Skill Development levy had a impressive record of Tsh. 70.8 billion against Tsh. 50.3 billion, which was equivalent to 141 percent of estimates. Fuel levy and transit fees were 79 percent whereas the actual collection was Tshs. 143.3. Collections from departure service charge also recorded a good performance of 99 percent with the actual collection being Tshs. 12.4 billion. Stamp

duty; motor vehicle taxes; and treasury voucher cheque indicated a performance of 65 percent, 85 percent and 46 percent respectively. Cumulative collections for the period of July 2014 to March 2015 were Tshs 970.1 billion being 93 percent of estimates and 12 percent increase when compared to the same period in 2013/14.

### Non tax revenue

16. Collections of non-tax revenue were 71 percent of the estimates to collect Tshs. 220.4 billion for the period; this is an increase of 1 percent when compared with the corresponding period in 2013/14. The underperformance is explained by poor collection systems, lack of enforcement and capacity from the implementing bodies. On cumulative basis, total collections of non-tax was Tshs 460.9 billion being 70 percent of the target of Tshs 660.7 billion and 24 percent higher when compared to the same period in 2013/14. During the first nine months of 2014/15, LGAs own source revenue collection performance has recorded Tshs. 237.1 billion, being 69 percent of the target to collect 343.9, equivalent to an increase of 11 percent when compared to the same period in 2013/14. Existence of poor system in management and monitoring of collections in LGAs contribute to this shortfall.

**Chart 4: Revenues Performance July 2014-March 2015**



**Source:** Ministry of Finance

### 3.0 EXPENDITURE BY CATEGORY

17. During 2014/15, expenditure policies continue to focus on aligning expenditure with expected revenues, strengthening the control and management of public expenditure through: preparation of Budget Act; ensuring use of EFDs by all Government institutions and agencies in procuring good and services; ensuring all Government institutions, agencies and local Government authorities submit their budget estimates to the Paymaster general for scrutiny and approval; continuing with verification of arrears and claims; and ensuring bulk procurement from producers instead of agents.

18. Total expenditure for the third quarter of the year 2014/15 amounted to Tshs 3,580.1 billion, being 73 percent of the estimates for the period. Expenditure was lower when compared to the corresponding period in 2013/14 by 2 percent. Cumulative expenditure from July 2014 to March 2015 was Tshs 10,366.3 billion, equivalent to 77 percent of budget estimate and 4 percent higher when compared to the same period in 2013/14. Under performance of expenditure was mainly due to un realization of revenue both domestic and external sources as expected.

19. The recurrent expenditure excluding CFS, for the quarter under review was Tshs 2,208.9 billion or 98 percent of estimates and 14 percent higher when compared to the same period a year earlier. On cumulative basis, recurrent expenditure excluding CFS for the period of July 2014 to March 2015, was Tshs 5,659.8 billion equivalent to 84 percent of estimates and 4 percent higher when compared to the same period in 2013/14.

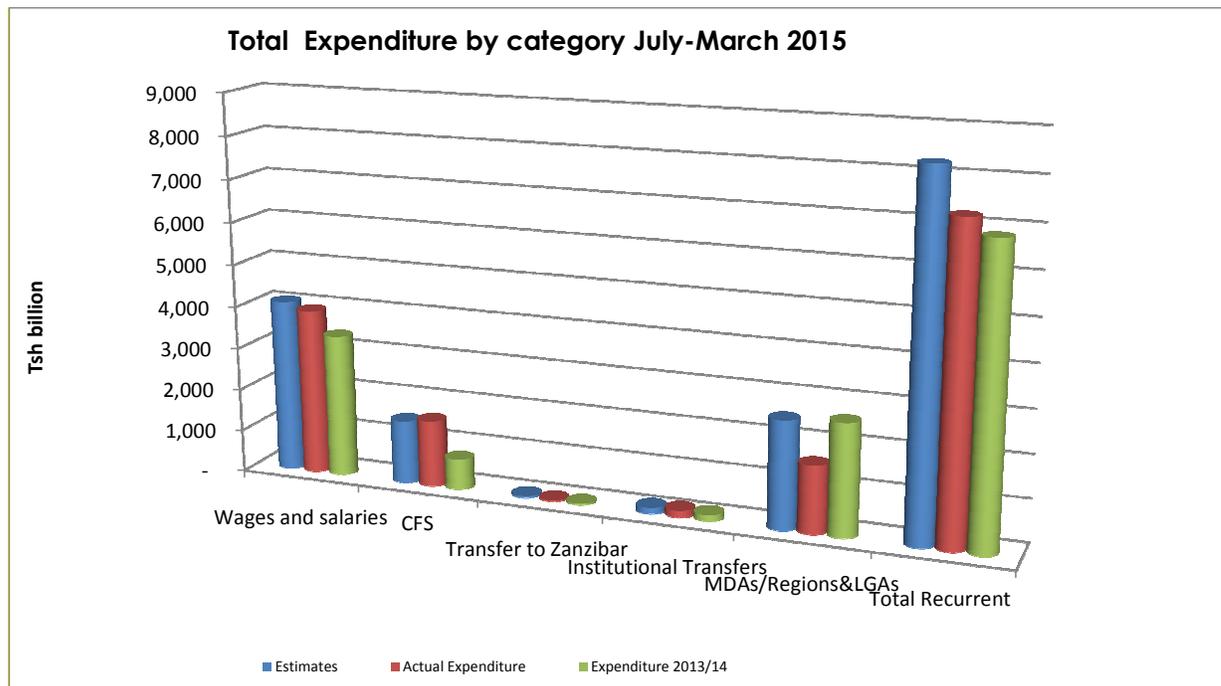
20. Government (including parastatals) wages and salaries for the third quarter was Tshs 1,153.8 billion which performed at 98 percent of estimates and 17 percent higher when compared to the same quarter previous year. Total payments of wages and salaries for the period of July- March, 2015 was Tshs 3,430.4 billion being 97 percent of the estimates of Tshs 3,552.9 billion and 17 percent higher compared to the same period last year.

21. Domestic interest payments for the third quarter amounted to Tshs 218.5 billion which was 170 percent of estimates whereas foreign interest payments were Tshs 125 billion equivalent to 166 percent of estimates. Interest payments were 45 percent higher than the payments made during the same period of the 2013/14 fiscal year. Cumulative interest payments from July 2014 to March 2015 were 105 percent of the estimates of Tshs. 790.5 billion for the period. When examining the performance of interest payments in totality from July 2014 to March, 2015 there was 16 percent more compared to corresponding period of the preceding year. Domestic interest payments were higher compared to the estimates on account of high market interest rates on Government securities than budgetary projections and for the foreign interest the main reason was devaluation of Tanzanian shillings.

22. Total development expenditure for the third quarter was Tshs 849.5 billion, being 36 percent of budget estimate. Of this amount, locally financed development expenditure was Tshs 499.3 billion while foreign financed development expenditure was Tshs 350.1 billion being 26 percent and 80 percent of estimates respectively. Total development expenditure for the first nine months of the year was Tshs. 3,141.8 billion which is 61 percent of estimate and 1 percent higher when compared to the same period the year earlier.

23. For the first nine months of 2014/15, locally financed development expenditure was Tshs 1,808.1 billion being 47 percent of the estimates while foreign financed development expenditure was Tshs 1,333.7 billion equivalent to 99 percent of the estimates. Foreign financed development expenditure experienced delays in disbursement of project funds as well as delays in data reporting of direct-to-project funds. Financing of local development expenditure has been through domestic and non-concessional borrowing as well as savings from recurrent spending. Under funded in locally financed expenditure was due to un realization on non-concessional loans from external sources. **Annex c** represents a detailed analysis of expenditure performance by categories.

**Chart 5: Expenditure performance for major categories during the period July 2014– March 2015.**

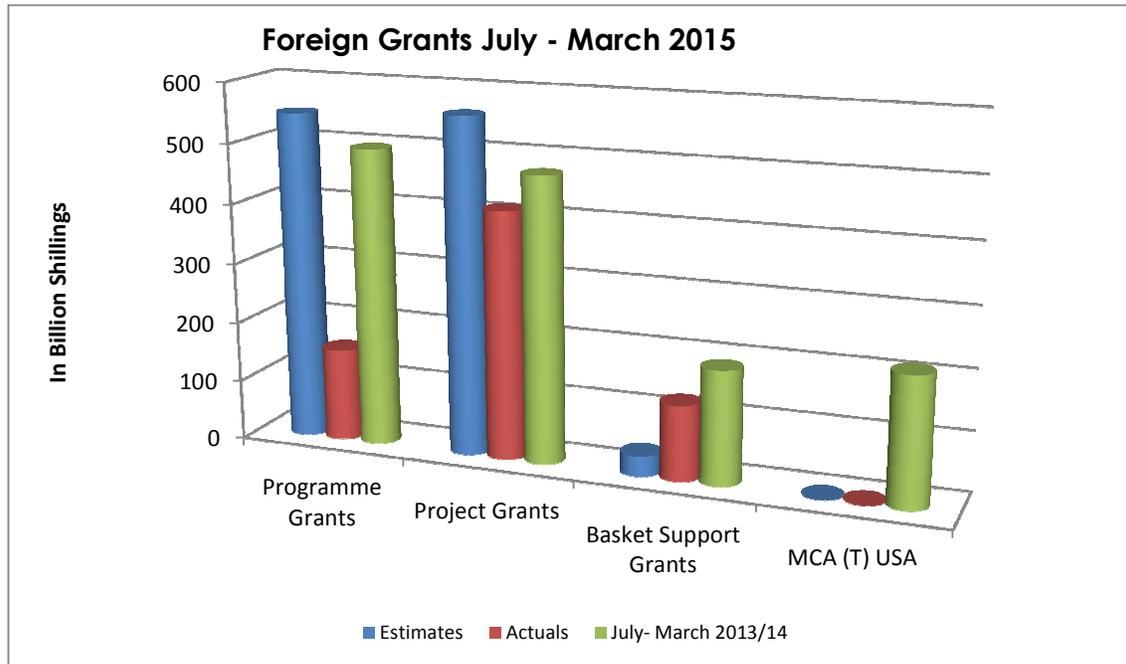


#### 4.0 GRANTS AND FINANCING BY COMPONENT

24. During the quarter under review, total grants received amounted to Tshs. 143.3 billion; equivalent to 67.4 percent of the estimated Tshs 212.8 billion primarily due to un-disbursement of general budget support and basket grants associated with escrow saga. Total grants disbursed were 20.2 percent lower than the actual amount realized in the corresponding quarter in 2013/14. Total grants received for the period of July 2014 to March 2015 was Tshs. 689.2 being 60.5 percent of the estimates and 49.7 percent lower when compared to the same period in 2013/14.

25. Out of the total grants received for the period of July 2014 to March 2015, foreign assistance in the form of General Budget Support (GBS) amounted to 153.5 billion against a year target of Tshs 546.7 billion equivalent to 28.1 percent of the target, while project and basket funds were Tshs 411.4 billion and Tshs 124.4 billion respectively. Total amount of project grants recorded for the period of July 2014 to March 2015 of 2014/15 were 73.6 percent of budget estimates for the period while disbursements for basket support funds were 372.7 percent of the estimates.

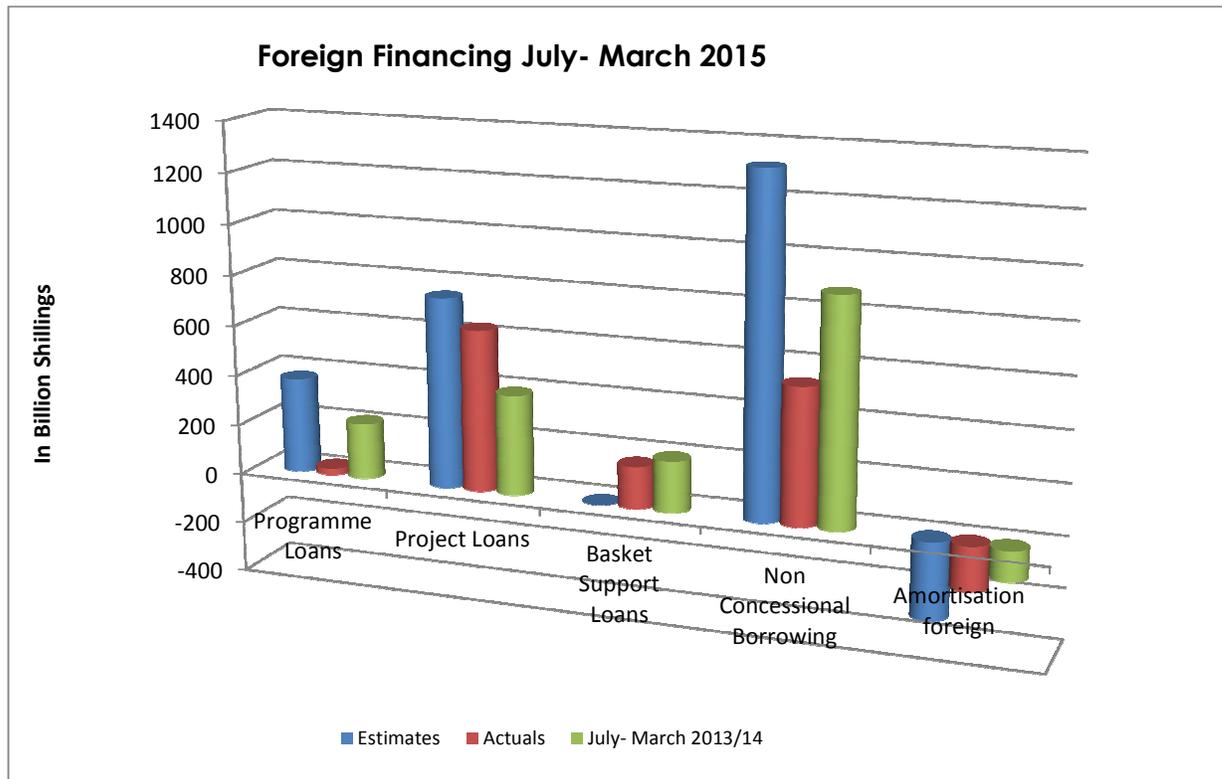
**Chart 6: Foreign Grants from July 2014 to March 2015**



26. Total financing during the period of July 2014 to March 2015 was 2,492.4 billion being 88 percent of the budget estimate. Disbursements were Tshs 24.2 billion for general budget support loans; Tshs 634.8 billion for project; Tshs 163.2 billion for basket loans and Tshs 531.8 for non-concessional loans, all being below their respective budget estimates.

27. Total domestic financing (net) for the period of July 2014- March 2015 was TShs 1,310.0 billion equivalent to 190.8 percent of estimate as a result of frontloading domestic borrowing so as finance development expenditure.

**Chart 7: Foreign Loans from July 2014 to March 2015**



## 5.0 NATIONAL DEBT DEVELOPMENT

28. Total National Debt Stock, which is constituted by Public and Private Sector Debt, stood at TZS 35,010.4 billion (equivalent to USD 19,483.2 million) as at end March 2015, compared to TZS 30,601.9 billion (equivalent to USD 18,673.2 million) recorded for the quarter ending March 2014. Of this amount TZS 9,376.9 bn (USD 5,218.17 mn) was domestic debt (including BOT liquidity paper) and TZS 25,633.6 bn (USD 14,265.0 mn) was external debt. The debt stock as at end of March 2015 represent an increase of 14.4 percent relative to the level in the corresponding period in 2014.

29. The increase was attributed to new contracted domestic and foreign loans for financing of various development projects, accumulation of arrears to Non Paris Club Creditors in the external debt portfolio and the depreciation of Tanzanian Shillings against the US Dollar.

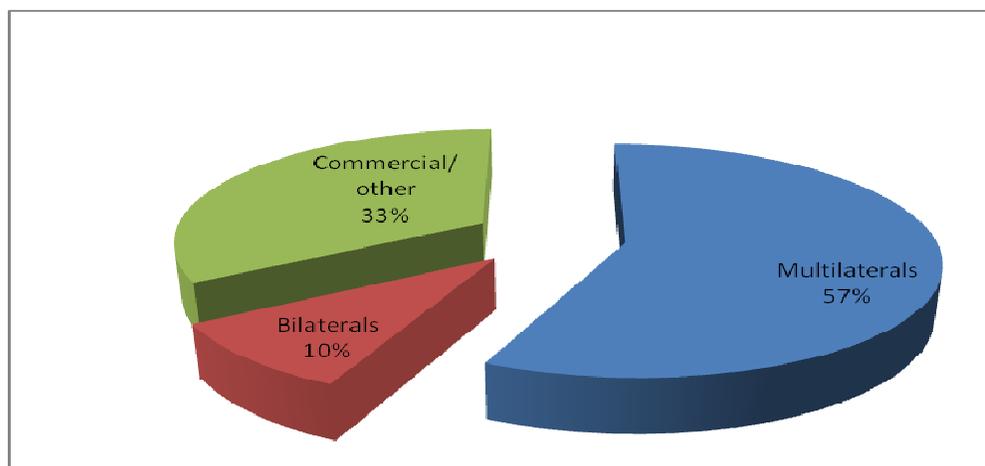
## EXTERNAL DEBT STOCK

30. The total National External Debt Stock as of end of March, 2015 stood at USD 14,265.0mn, of which USD 11,719.8mn was public debt and USD 2,545.2mn was private sector debt. Total Public External Debt comprises Disbursed Outstanding Debt (DOD) of USD 10,854.5mn and Interest Arrears of USD 865.3mn. Total public external debt stock in USD terms increased by 1.1 percent to USD 11,719.8mn (TZS 21,060.0bn) from USD 11,592.3mn (TZS 18,997.6bn) recorded at the end of the corresponding period 2014. However, due to the depreciation of shilling against US Dollar in the period under review, the Public External Debt as expressed in domestic currency increased by 10.9 percent.

## EXTERNAL DEBT STOCK BY CREDITOR CATEGORY

31. Concessional multilateral loans have been the major source of external financing. As a result, the majority of external debt (57 per cent) came from multilateral sources followed by commercial and export credits which accounted for 33 per cent, whereas bilateral debt constituted 10 per cent as at end of March 2015 (Figure 1).

**Figure 8: External debt by creditor category**

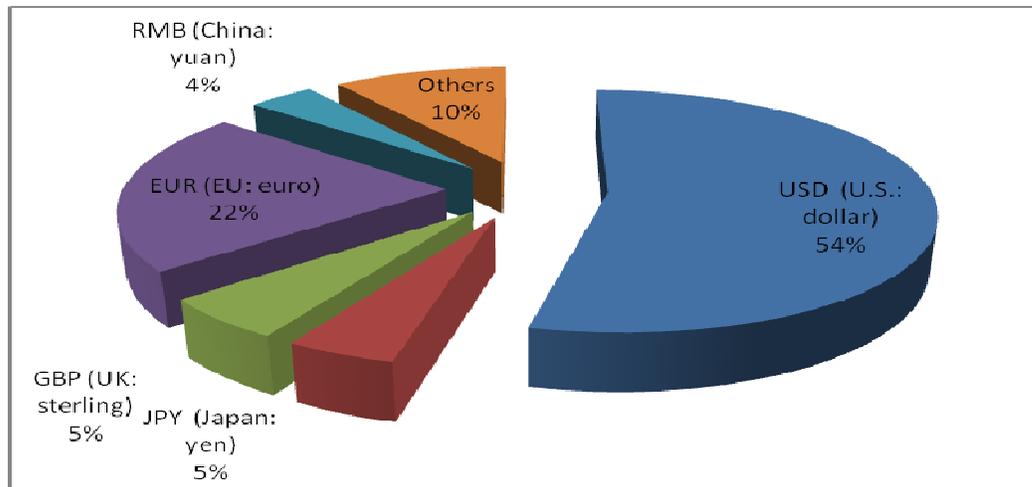


## CURRENCY COMPOSITION OF EXTERNAL DEBT

32. The USD continued to be the leading currency of Tanzanian's external debt portfolio which indicates that the Government has been borrowing more from IDA which commonly uses SDR (in which USD has a significant share). As shown in figure

6 below the external debt held in USD accounts for 54 percent of the total external debt, followed by EURO which holds 22 percent of the total external debt. Given the distribution below, the exchange rate risk in the external debt portfolio is highly dependent upon USD and EURO currencies movement relative to Tanzanian shillings (Figure 2).

**Figure 9: Currency composition of external debt**

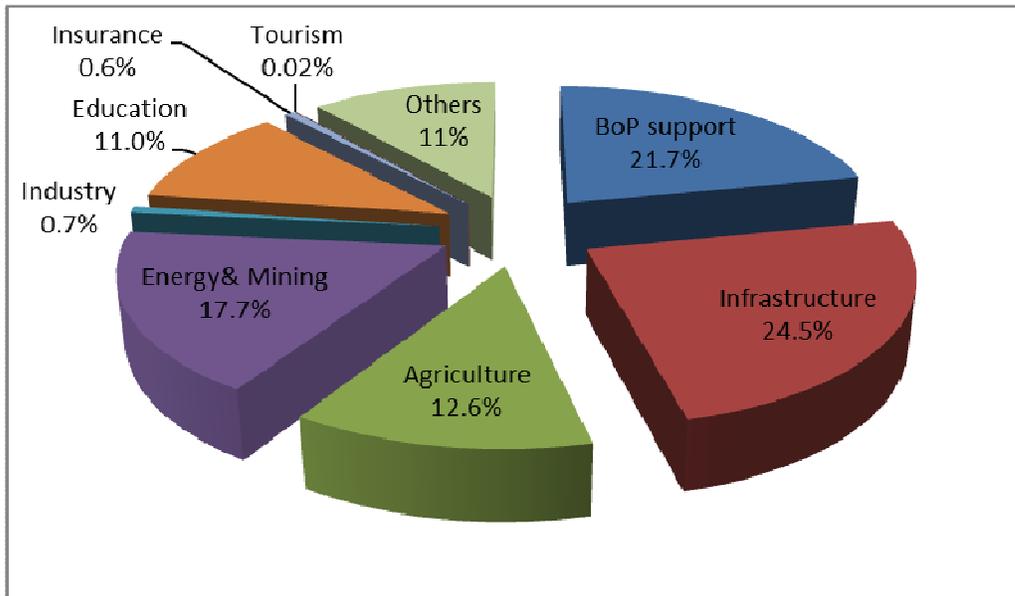


### SECTOR BREAK DOWN DEBT STOCK

33. During the quarter ending March 2015, the economic sector break down of Disbursed Public External Debt consisted Budget Support USD 2,360.0mn (21.7 percent), Infrastructure USD 2,664.0mn(24.5 percent), Agriculture USD 1,371.0mn (12.6 per cent), Energy and Mining USD 1,916.0mn (17.7 percent), Industry USD 72.0mn (0.7 percent), Education USD 1,198.0mn(11 per cent), Insurance USD 68.0mn (0.6 per cent), Tourism USD 2.0 mn(0.02 percent) and Others USD 1,204.0 mn(11.0 percent) (figure 7).

34. The Infrastructure sector gets a comparatively larger fund from external loans because the policy of external borrowing is to finance infrastructure projects which has a positive impact on the economy and can easily repay the debt.

**Figure10: Economic sector break down debt stock**



## **DOMESTIC DEBT STOCK**

35. Total Domestic Public Debt Stock (including BOT liquidity paper) as of end of March 2015, stood at Tshs 9,376.85bn equivalent to USD 5,218.2mn, out of which Central Government Securities outstanding amounted to Tshs 7,303.30bn (USD 4,064.3mn) and other liabilities stood at Tshs 2,073.55bn (USD 1,153.9mn).

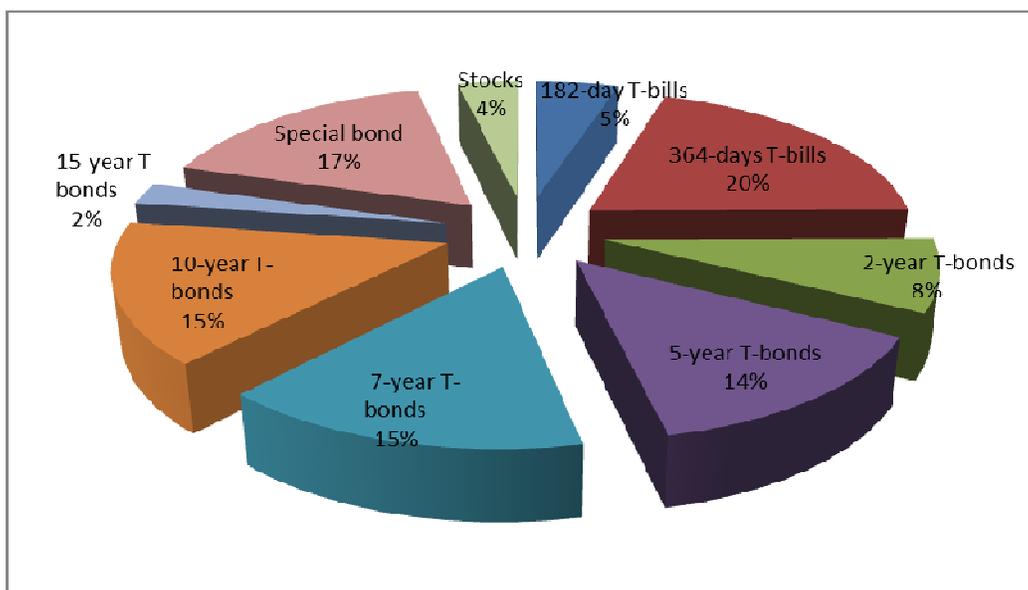
36. The domestic public debt constituted 30.8 per cent of total public debt compared with 29.2 per cent at the end of March 2014. Marketable securities accounted for 74.2 per cent of total domestic public debt as compared with 81.0 per cent as at March 2014. On a year to year basis, the total domestic debt increased by 19.7 per cent compared with the corresponding period in 2014.

37. The increase in domestic debt is associated with higher issuance of treasury bills, medium and long-term Treasury bonds for financing budget deficit and development of domestic financial market.

## **DOMESTIC DEBT BY INSTRUMENT CATEGORY**

38. By March 2015, large share of public domestic debt (77.9 per cent) was held in government securities compared with 82.4 per cent in the corresponding period 2014. And, the profile of domestic debt by instrument indicates that as at end of March, 2015 treasury bonds ranked the highest, accounting for 42.7 percent of the total debt followed by treasury bills (including BOT liquidity paper) which accounted for 31.5 percent while special bonds and government stocks accounted for 15.8 percent (figure 4). The greater share of Treasury bonds is consisted with the National Debt Strategy of borrowing from long term instruments for financing development project :

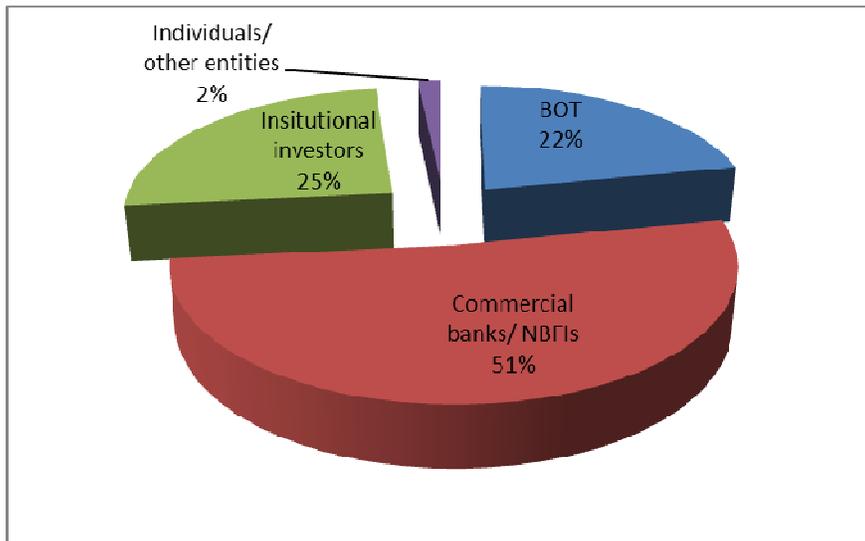
**Figure 11:- Domestic Debt by Instrument as at end March 2015**



### **GOVERNMENT SECURITIES BY HOLDER CATEGORY**

39. The analysis of government securities (excluding BOT liquidity paper) by holder category shows that commercial banks/non-bank financial institutions are the leading creditors, holding 51 percent of the total, followed by the institutional investors (pension's funds and insurance companies) 25 percent, Bank of Tanzania 22 percent, and Individuals and other entities 2 percent (figure 5). The relatively low investment risk in government securities and expansion of the banking sector explains the dominance of commercial banks in securities market.

**Figure 12: Government Securities by Holder category**

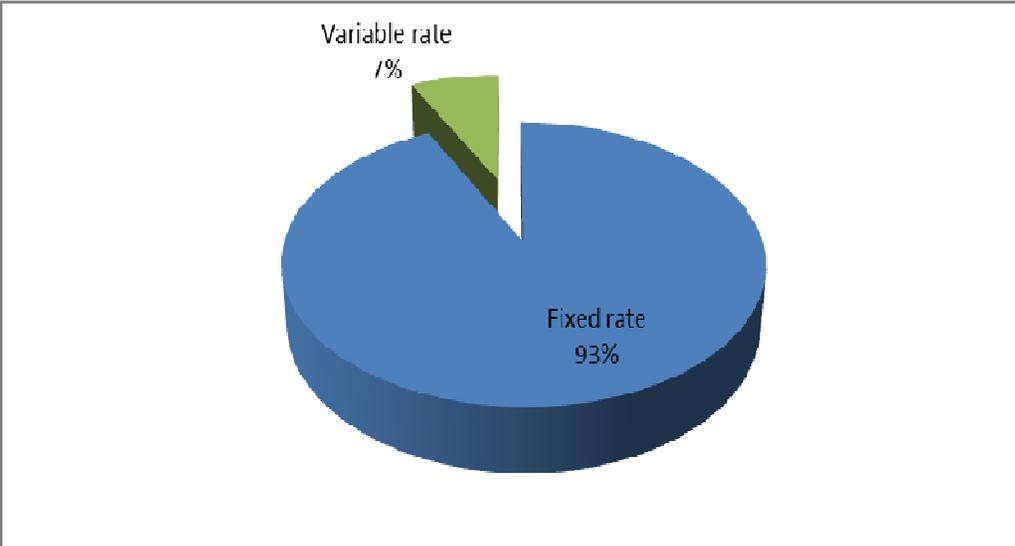


#### **INTEREST RATE STRUCTURE OF GOVERNMENT SECURITIES**

40. The proportion of fixed to variable rate debt in the domestic public debt portfolio is 92.7 percent and 7.3 percent respectively (figure 6). The 35-day, 91-day and 182- day Treasury bills are classified as variable rate instruments given that they have to be rolled over more than once during the year and hence exposed to changes in the interest rate.

41. Further analysis shows that, the average nominal interest rate of domestic debt, during the quarter under review was 8.0 per cent marking a fall by 0.8 percent on a quarter to quarter basis, and by a rise of 1.0 percent on comparison to quarter ended March 2014.

**Figure 13: Interest rate structure of government securities**



## 6.0 LIKELY OUTTURN

42. Given continued efforts by the Government to improve and stabilize power supply including the ongoing construction of the gas pipeline from Mtwara to Dar es Salaam and implementation of economic policies under the FYDP1, the overall performance of the economy in 2014 and beyond is expected to be buoyant. Other strategies/policies to be implemented to support the growth in the medium term include ASDP, MKUKUTA II, Southern Agricultural Corridor of Tanzania (SAGCOT), implementation of Special Economic Zones; and infrastructure development (Dar es Salaam Rapid Transport System, roads, railways, and ports). Further, continuing financial sector reforms and expansion of economic activities will drive rapid development in financial services. Expansion of regional trade in line with the implementation of EAC common market and other integration efforts. Based on those assumptions, GDP is projected to increase to 7.2 percent in 2015 and progress upwards in the medium term.

43. The Bank of Tanzania (BoT) will continue to implement its reserve money program targeting framework with a view to keeping core inflation at single digit levels. Going forward, inflation is projected to ease down to around 5 percent by end June, 2015. This is based on expected good rains which will improve food supply in the Eastern African region; stabilization in global oil prices and recently observed exchange rate stability.

44. The exchange rate will remain market determined and the BoT will continue to participate in the foreign exchange market for liquidity management purposes and to smooth out short-term fluctuations in the exchange rate, while maintaining an adequate level of international reserves.

45. On domestic revenue, the Government is striving to address challenges experienced in the first nine months of 2014/15 by several interventions including strengthening tax administration in order derive effectiveness in revenue collections and accounting especially utilization of Revenue Gateway, focused education and service to drive voluntary compliance.

46. Expenditure will be adjusted in line with available resources while protecting key expenditure items including investment spending on BRN projects taking into account the anticipated shortfall in foreign resources. Debt service is expected to be higher than budget estimates due to rising domestic interest rates.

47. The Government has made progress in raising funds from external non-concessional borrowing. To end June 2015, the Government is expected to meet the ENCB ceiling of USD 800 million.

Annex A: Summary of Central Government Operations July - March 2015											
Billion Shillings											
	Budget Estimate	January - March 2014			January - March 2013/14 Actual	Year on year % change	July - March 2015			July - March 2013/14 Actual	Year on year % change
		Estimate	Actual	Percent of Estimate			Estimate	Actual	Percent of Estimate		
<b>Total Domestic Revenue</b>	<b>12,637</b>	<b>3,196</b>	<b>2,681</b>	<b>84%</b>	<b>5,039</b>	<b>-47%</b>	<b>9,458</b>	<b>8,124</b>	<b>86%</b>	<b>7,358</b>	<b>10%</b>
Tax Revenue	11,297	2,861	2,460	86%	4,834	-49%	8,453	7,426	88%	6,775	10%
Taxes on Imports	3,472	870	765	88%	2,142	-64%	2,606	2,366	91%	2,142	10%
Taxes on Domestic Sales	2,474	629	590	94%	1,554	-62%	1,855	1,796	97%	1,554	16%
Income Tax	4,603	1,177	927	79%	975	-5%	3,428	2,760	81%	2,588	7%
Other taxes	1,386	345	308	89%	300	3%	1,042	970	93%	868	12%
Net refunds	(637)	(159)	(129)	81%	(137)	-5%	(478)	(466)	97%	(377)	23%
Non tax revenue	881	220	156	71%	154	1%	661	461	70%	371	24%
LGAs own source	458	115	64	56%	51	27%	344	237	69%	213	11%
<b>Total Expenditure</b>	<b>17,194</b>	<b>4,886</b>	<b>3,580</b>	<b>73%</b>	<b>3,355</b>	<b>7%</b>	<b>13,427</b>	<b>10,738</b>	<b>80%</b>	<b>9,944</b>	<b>8%</b>
<b>Recurrent expenditure (Excl. CFS)</b>	<b>9,026</b>	<b>2,254</b>	<b>2,209</b>	<b>98%</b>	<b>1,940</b>	<b>14%</b>	<b>6,775</b>	<b>5,660</b>	<b>84%</b>	<b>5,459</b>	<b>4%</b>
Wages & salaries(Central & Local Govt)	4,733	1,180	1,154	98%	985	17%	3,553	3,430	97%	2,932	17%
Goods and services and Transfers	4,994	1,163	1,233	106%	1,201	3%	3,923	2,965	76%	3,197	-7%
TRA	188	47	38	80%	43	-14%	141	157	112%	130	21%
Parastatal wages	701	180	157	87%	144	9%	521	477	92%	425	12%
Retention scheme	360	90	62	69%	26	136%	270	197	73%	120	65%
Other goods and services	3,745	846	976	115%	987	-1%	2,991	2,134	71%	2,522	-15%
<b>Development Expenditure</b>	<b>6,473</b>	<b>2,340</b>	<b>849</b>	<b>36%</b>	<b>930</b>	<b>-9%</b>	<b>5,160</b>	<b>3,513</b>	<b>68%</b>	<b>3,101</b>	<b>13%</b>
Domestic	4,454	1,900	499	26%	621	-20%	3,818	1,808	47%	1,633	11%
Foreign	2,019	440	350	80%	309	13%	1,342	1,705	127%	1,468	16%
<b>Interest payment</b>	<b>995</b>	<b>204</b>	<b>344</b>	<b>168%</b>	<b>238</b>	<b>45%</b>	<b>790</b>	<b>829</b>	<b>105%</b>	<b>714</b>	<b>16%</b>
Domestic	652	129	219	170%	164	34%	524	552	105%	529	4%
Foreign	342	75	125	166%	74	69%	267	276	104%	185	49%
<b>CFS (Other)</b>	<b>701</b>	<b>88</b>	<b>178</b>	<b>201%</b>	<b>247</b>	<b>-28%</b>	<b>701</b>	<b>736</b>	<b>105%</b>	<b>670</b>	<b>10%</b>
<b>Overall Deficit (before grants)</b>	<b>(4,558)</b>	<b>(1,690)</b>	<b>(899)</b>	<b>53%</b>	<b>1,685</b>	<b>-153%</b>	<b>(3,969)</b>	<b>(2,614)</b>	<b>66%</b>	<b>(2,586)</b>	<b>1%</b>
<b>Grants</b>	<b>1,481</b>	<b>213</b>	<b>143</b>	<b>67%</b>	<b>180</b>	<b>-20%</b>	<b>1,139</b>	<b>761</b>	<b>67%</b>	<b>1,371</b>	<b>-45%</b>
Programme	547	23	10	43%	-	-	547	153	28%	495	-69%
Project	745	186	83	45%	120	-31%	559	483	86%	473	2%
Basket grants	189	4	50	1430%	59	-15%	33	124	373%	189	-34%
MCA (T) - USA	-	-	-	0%	-	-	-	-	0%	214	-100%
<b>Overall Deficit (after grants)</b>	<b>(3,076)</b>	<b>(1,478)</b>	<b>(756)</b>	<b>51%</b>	<b>1,865</b>	<b>-141%</b>	<b>(2,830)</b>	<b>(1,853)</b>	<b>65%</b>	<b>(1,215)</b>	<b>53%</b>
Expenditure Float	-	-	-	-	-	-	-	(248)	-	(611)	-59%
Adjustment to cash & other items	-	-	(294)	-	(2,448)	-88%	-	(778)	-	(240)	224%
<b>Overall balance</b>	<b>(3,076)</b>	<b>(1,479)</b>	<b>(1,050)</b>	<b>71%</b>	<b>(584)</b>	<b>80%</b>	<b>(2,832)</b>	<b>(2,878)</b>	<b>102%</b>	<b>(2,065)</b>	<b>39%</b>
<b>Financing</b>	<b>3,076</b>	<b>1,479</b>	<b>1,050</b>	<b>71%</b>	<b>584</b>	<b>80%</b>	<b>2,832</b>	<b>2,878</b>	<b>102%</b>	<b>2,065</b>	<b>39%</b>
<b>Foreign (net)</b>	<b>2,390</b>	<b>1,502</b>	<b>245</b>	<b>16%</b>	<b>478</b>	<b>-49%</b>	<b>2,145</b>	<b>1,568</b>	<b>73%</b>	<b>1,578</b>	<b>-1%</b>
Programme loans	375	83	-	0%	97	-100%	375	24	6%	220	-89%
Project loans	1,000	250	147	59%	112	31%	750	935	125%	393	138%
Basket loans	85	-	70	-	18	291%	-	163	-	199	-18%
Non-Concessional Borrowing	1,320	1,320	17	-	292	-94%	1,320	532	-	882	-40%
Amortization	(390)	(151)	11	-7%	(40)	-127%	(300)	(86)	28%	(117)	-27%
<b>Domestic (net)</b>	<b>686</b>	<b>(23)</b>	<b>805</b>	<b>-3570%</b>	<b>105</b>	<b>663%</b>	<b>687</b>	<b>1,310</b>	<b>191%</b>	<b>488</b>	<b>169%</b>
Bank Borrowing	618	(23)	646	-2868%	219	196%	687	1,079	157%	510	112%
Non-Bank Borrowing	69	-	158	-	(113)	-240%	-	231	-	(22)	-1165%
Borrowing/Roll over	(2,262)	(784)	(514)	66%	310	-266%	(1,749)	(1,417)	81%	1,243	-214%
Amortisation of contingent debt	(3)	(2)	-	0%	-	-	(3)	-	0%	-	-
Domestic amortisation/Rollover	2,262	784	514	66%	(310)	-266%	1,749	1,417	81%	(1,243)	-214%

Source: Ministry of Finance

## ANNEX B

## Revenue Performance July - March 2015

Billion Shillings

	Budget Estimates	January - March 2015			January-March 2013/14 Actual	Year on year % change	July - March 2015			July-March 2013/14 Actual	Year on year % change
		Estimates	Actual	Percent of estimate			Estimates	Actual	Percent of estimate		
<b>Revenue ( Including LGAs own sources)</b>	<b>12,636.5</b>	<b>3,196.1</b>	<b>2,680.9</b>	<b>84%</b>	<b>2,544.1</b>	<b>5%</b>	<b>9,457.5</b>	<b>8,123.8</b>	<b>86%</b>	<b>7,358.2</b>	<b>10%</b>
<b>Revenue (Excluding LGAs own sources)</b>	<b>12,178.0</b>	<b>3,081.5</b>	<b>2,616.7</b>	<b>85%</b>	<b>2,493.5</b>	<b>5%</b>	<b>9,113.7</b>	<b>7,886.6</b>	<b>87%</b>	<b>7,145.2</b>	<b>10%</b>
<b>Tax Revenue</b>	<b>11,297.3</b>	<b>2,861.1</b>	<b>2,460.2</b>	<b>86%</b>	<b>2,339.0</b>	<b>5%</b>	<b>8,452.9</b>	<b>7,425.7</b>	<b>88%</b>	<b>6,774.6</b>	<b>10%</b>
<b>Taxes on Imports</b>	<b>3,472.0</b>	<b>870.2</b>	<b>765.0</b>	<b>88%</b>	<b>677.8</b>	<b>13%</b>	<b>2,605.7</b>	<b>2,365.6</b>	<b>91%</b>	<b>2,141.8</b>	<b>10%</b>
Import Duty	919.3	230.4	177.4	77%	169.2	5%	689.9	599.7	87%	553.2	8%
Petroleum	741.0	185.7	137.0	74%	165.3	-17%	556.1	437.7	79%	499.3	-12%
Excise	741.0	185.7	137.0	74%	165.3	-17%	556.1	437.7	79%	499.3	-12%
Others	1,811.7	454.1	450.7	99%	343.2	31%	1,359.7	1,328.2	98%	1,089.3	22%
Excise	208.7	52.3	63.0	120%	29.6	113%	156.7	160.0	102%	95.2	68%
VAT on Non-Petroleum imports	1,603.0	401.8	387.7	97%	313.6	24%	1,203.0	1,168.2	97%	994.1	18%
<b>Taxes on Domestic Sales</b>	<b>2,473.6</b>	<b>628.5</b>	<b>589.9</b>	<b>94%</b>	<b>522.8</b>	<b>13%</b>	<b>1,854.7</b>	<b>1,795.5</b>	<b>97%</b>	<b>1,554.2</b>	<b>16%</b>
Excise	958.5	243.4	202.9	83%	205.0	-1%	715.3	621.5	87%	551.4	13%
Value Added Tax (VAT)	1,515.1	385.1	387.0	101%	317.8	22%	1,139.4	1,174.1	103%	1,002.8	17%
<b>Income Tax</b>	<b>4,602.9</b>	<b>1,176.5</b>	<b>927.2</b>	<b>79%</b>	<b>975.1</b>	<b>-5%</b>	<b>3,428.4</b>	<b>2,760.1</b>	<b>81%</b>	<b>2,588.2</b>	<b>7%</b>
PAYE	1,864.2	465.0	455.9	98%	423.9	8%	1,396.8	1,292.8	93%	1,190.3	9%
Corporate and Parastatals	1,829.9	471.6	280.0	59%	379.0	-26%	1,353.1	885.1	65%	892.1	-1%
Individuals	152.8	41.9	28.9	69%	25.9	11%	114.4	73.3	64%	64.8	13%
Withholding Taxes	635.6	165.6	138.9	84%	129.3	7%	474.5	433.1	91%	379.5	14%
Rental Tax	79.2	21.2	14.8	70%	12.7	16%	58.9	49.4	84%	48.3	2%
Other Income	41.1	11.3	8.7	77%	4.3	100%	30.8	26.4	86%	13.1	101%
<b>Other Taxes</b>	<b>1,385.7</b>	<b>345.1</b>	<b>307.6</b>	<b>89%</b>	<b>299.8</b>	<b>3%</b>	<b>1,041.8</b>	<b>970.1</b>	<b>93%</b>	<b>867.9</b>	<b>12%</b>
Business Skill Development Levy	203.6	50.3	70.8	141%	47.1	50%	152.9	208.9	137%	117.7	78%
Fuel Levy and transit fee	722.8	181.2	143.3	79%	164.7	-13%	542.5	470.3	87%	491.9	-4%
Stamp Duty	10.3	2.6	1.7	65%	3.5	-52%	7.8	8.0	103%	6.3	27%
Departure Service Charges	51.1	12.5	12.4	99%	11.2	11%	38.6	40.8	106%	31.7	29%
Motor vehicle taxes	212.3	52.1	44.5	85%	32.7	36%	160.7	130.7	81%	96.4	36%
Treasury Voucher Cheque	43.2	10.8	5.0	46%	7.6	-34%	32.4	8.6	26%	16.9	-49%
The Use of Telecommunication Traffing	0.0	0.0	0.0	0%	0.0		0.0	0.0	0%	10.9	
Transfer to REA	142.5	35.7	30.0	84%	33.0	-9%	106.9	102.7	96%	96.1	7%
<b>Refunds</b>	<b>-636.9</b>	<b>-159.2</b>	<b>-129.5</b>	<b>81%</b>	<b>-136.5</b>	<b>-5%</b>	<b>-477.7</b>	<b>-465.6</b>	<b>97%</b>	<b>-377.5</b>	<b>23%</b>
Refunds - VAT	-608.2	-152.1	-120.0	79%	-127.4	-6%	-456.2	-419.9	92%	-324.5	29%
Refunds - other	-28.7	-7.2	-9.4	132%	-9.1	3%	-21.5	-45.7	212%	-52.9	-14%
<b>Non Tax Revenue</b>	<b>880.8</b>	<b>220.4</b>	<b>156.4</b>	<b>71%</b>	<b>154.5</b>	<b>1%</b>	<b>660.7</b>	<b>460.9</b>	<b>70%</b>	<b>370.6</b>	<b>24%</b>
Parastatal Dividends	142.4	35.6	59.6	167%	39.8	50%	106.8	114.5	107%	60.4	90%
Other Treasury collections	2.7	0.7	0.0	0%	3.2	-100%	2.0	0.2	8%	19.9	-99%
Ministries and Regions	714.8	178.7	92.5	52%	105.0	-12%	536.1	334.4	62%	276.2	21%
TRA Non Tax	20.9	5.4	4.3	79%	6.5	-34%	15.9	11.9	75%	14.1	-15%
<b>LGAs own source</b>	<b>458.5</b>	<b>114.6</b>	<b>64.2</b>	<b>56%</b>	<b>50.6</b>	<b>27%</b>	<b>343.9</b>	<b>237.1</b>	<b>69%</b>	<b>213.0</b>	<b>11%</b>

Source: Ministry of Finance

## Expenditure by Category July - March 2015

Billion Shillings

	Budget Estimate	January- March 2015			Jan- March 2013/14 Actual	Year on Year % Change	July - March 2015			July- March 2013/14 Actual	Year on Year % Change
		Estimate	Actual Expenditure	Percent of Estimate			Estimate	Actual Expenditure	Percent of Estimate		
<b>Total Expenditure</b>	<b>17,194.1</b>	<b>4,886.5</b>	<b>3,580.1</b>	<b>73%</b>	<b>3,664.0</b>	<b>-2%</b>	<b>13,427.0</b>	<b>10,366.3</b>	<b>77%</b>	<b>9,944.0</b>	<b>4%</b>
<b>Recurrent Expenditure (Excl. CFS)</b>	<b>9,025.6</b>	<b>2,254.1</b>	<b>2,208.9</b>	<b>98%</b>	<b>1,939.8</b>	<b>14%</b>	<b>6,775.2</b>	<b>5,659.8</b>	<b>84%</b>	<b>5,459.4</b>	<b>4%</b>
Wages and salaries	4,732.6	1,179.7	1,153.8	98%	985.4	17%	3,552.9	3,430.4	97%	2,931.9	17%
<b>Goods, services and transfers</b>	<b>4,293.0</b>	<b>1,074.4</b>	<b>1,055.1</b>	<b>98%</b>	<b>954.3</b>	<b>11%</b>	<b>3,222.2</b>	<b>2,229.4</b>	<b>69%</b>	<b>2,527.5</b>	<b>-12%</b>
TRA	188.0	47.0	37.5	80%	43.5	-14%	141.0	157.4	112%	130.4	21%
Parastatal wages	700.9	180.2	157.4	87%	144.0	9%	520.7	476.9	92%	424.7	12%
Retention scheme	360.3	90.1	62.2	69%	26.4	136%	270.2	197.2	73%	119.9	65%
<b>Other goods and services</b>	<b>3,043.8</b>	<b>757.1</b>	<b>798.0</b>	<b>105%</b>	<b>740.4</b>	<b>8%</b>	<b>2,290.3</b>	<b>1,397.9</b>	<b>61%</b>	<b>1,852.5</b>	<b>-25%</b>
Transfer to Zanzibar (BGS)	30.1	3.7	1.9	50%	11.8		30.1	7.1	24%	13.5	
Transfer to Zanzibar (PAYE)	21.0	5.3	5.3	100%	5.3	0%	15.8	17.5	111%	15.8	11%
TANESCO (IPTL- Capacity Charge)	-	-	-	0%	-		-	-	0%	9.0	-100%
Treasury Voucher Scheme	36.0	9.0	5.0	56%	9.0	-44%	27.0	20.5	76%	23.1	-11%
Other charges	2,956.7	739.2	785.9	106%	719.6	9%	2,217.5	1,352.8	61%	1,806.8	-25%
<b>Development Expenditure</b>	<b>6,473.0</b>	<b>2,339.9</b>	<b>849.5</b>	<b>36%</b>	<b>1,239.5</b>	<b>-31%</b>	<b>5,160.4</b>	<b>3,141.8</b>	<b>61%</b>	<b>3,100.9</b>	<b>1%</b>
Domestic	4,453.6	1,900.0	499.3	26%	930.1	-46%	3,818.0	1,808.1	47%	1,633.3	11%
o/w Fuel Levy - Road Fund	751.7	180.7	136.3	75%	164.7	-17%	541.2	421.6	78%	491.9	-14%
Transfer to HESLB - SDL	122.1	30.2	33.4	111%	34.4	-3%	91.7	86.8	95%	80.8	7%
Transfer to HESLB -BUDGET	186.2	-	-		-		186.2	176.2	95%	125.0	41%
Transfer to REA	269.2	67.5	30.4	45%	33.0	-8%	174.1	115.3	66%	96.1	20%
Foreign	2,019.4	439.9	350.1	80%	309.4	13%	1,342.4	1,333.7	99%	1,467.6	-9%
o/w basket grants	189.1	3.5	50.3	1430%	59.5	-15%	33.4	86.6	260%	188.6	-54%
o/w basket loans	85.0	-	70.0		17.9	291%	-	163.2		-	
o/w MCA (T)- USA	0.0	0.0	0.0		-		0.0	0.0		213.6	-100%
<b>Interest</b>	<b>994.5</b>	<b>204.0</b>	<b>343.8</b>	<b>168%</b>	<b>237.9</b>	<b>45%</b>	<b>790.5</b>	<b>828.7</b>	<b>105%</b>	<b>714.1</b>	<b>16%</b>
Domestic	652.4	128.7	218.5	170%	163.6	34%	523.8	552.5	105%	529.2	4%
Foreign	342.1	75.4	125.3	166%	74.3	69%	266.7	276.2	104%	185.0	49%
<b>CFS others</b>	<b>700.9</b>	<b>88.4</b>	<b>178.0</b>	<b>201%</b>	<b>246.8</b>	<b>-28%</b>	<b>700.9</b>	<b>735.9</b>	<b>105%</b>	<b>669.6</b>	<b>10%</b>

Source: Ministry of Finance

## Annex D

## Foreign Grants and Financing July - March 2015

Billion Shillings

	Budget Estimates	January- March 2015			Jan - March 2013/14 Actual	Year on year % change	July - March 2015			July - March 2013/14 Actual	Year on year % change
		Estimate	Actual	Percent of estimate			Estimate	Actual	Percent of estimate		
<b>Overall deficit before grants</b>	<b>(4,557.6)</b>	<b>(1,690.4)</b>	<b>(899.2)</b>	<b>53.2%</b>	<b>(810.5)</b>	10.9%	<b>(3,969.4)</b>	<b>(2,242.5)</b>	<b>56.5%</b>	<b>(2,585.8)</b>	-13.3%
<b>Grants</b>	1,481.2	212.8	143.3	67.4%	179.7	-20.2%	1,139.1	689.2	60.5%	1,370.7	-49.7%
Programme	546.7	22.9	10.0	43.4%	0.0		546.7	153.5	28.1%	495.5	-69.0%
Project	745.3	186.3	83.1	44.6%	120.3	-30.9%	559.0	411.4	73.6%	473.0	-13.0%
Basket Support	189.1	3.5	50.3	1430.0%	59.5	-15.4%	33.4	124.4	372.7%	188.6	-34.1%
MCA(T) - USA	0.0	0.0	0.0		0.0		0.0	0.0		213.6	-100.0%
<b>Overall deficit after grants</b>	<b>(3,076.4)</b>	<b>(1,477.6)</b>	<b>(755.8)</b>	<b>51.2%</b>	<b>-630.8</b>	<b>20%</b>	<b>(2,830.4)</b>	<b>(1,553.3)</b>	<b>54.9%</b>	<b>-1,215.1</b>	<b>28%</b>
<b>Expenditure Float</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>		<b>0.0</b>	<b>-247.7</b>		<b>-610.6</b>	<b>-59%</b>
<b>Overall Balance</b>	<b>(3,076.4)</b>	<b>(1,477.6)</b>	<b>(755.8)</b>	<b>51.2%</b>	<b>(583.6)</b>	<b>30%</b>	<b>(2,830.4)</b>	<b>(1,800.9)</b>	<b>63.6%</b>	<b>(2,065.4)</b>	<b>-13%</b>
<b>Financing</b>	<b>3,076.4</b>	<b>1,479.2</b>	<b>963.7</b>	<b>65.2%</b>	<b>583.6</b>	<b>65%</b>	<b>2,831.9</b>	<b>2,492.4</b>	<b>88.0%</b>	<b>2,065.4</b>	<b>21%</b>
Foreign (net)	2,390.0	1,501.7	159.1	10.6%	478.1	-67%	2,145.2	1,182.4	55.1%	1,577.6	-25%
Programme (Loans)	375.5	82.5	0.0	0.0%	96.8	-100%	375.5	24.2	6.4%	219.7	-89%
Project (Loans)	1,000.0	250.0	146.7	58.7%	111.8	31%	750.0	634.8	84.6%	392.9	62%
Basket Support	85.0	0.0	70.0		17.9	291%	0.0	163.2		199.4	-18%
Non-Concessional Borrowing	1,320.0	1,320.0	17.4		291.9	-94%	1,320.0	531.8		882.4	-40%
Amortisation Foreign (outflow)	-390.4	-150.8	-75.1	49.8%	-40.2	87%	-300.2	-171.6	57.2%	-116.9	47%
Domestic (net)	686.4	-22.5	804.6	-3570.4%	105.5		686.7	1,310.0	190.8%	487.8	
Bank Borrowing	617.7	-22.5	646.4	-2868.3%	218.7	196%	686.7	1,078.8	157.1%	509.5	112%
Non-Bank Borrowing	68.6	0.0	158.2		-113.2	-240%	0.0	231.2		-21.7	-1165%
Borrowing/Roll over	-2,262.5	-783.9	-513.5	65.5%	-309.6	66%	-1,749.3	-1,417.0	81.0%	-1,242.8	14%
Amortisation of contingent debt	-3.2	-1.6	0.0	0.0%	0.0		-3.2	0.0	0.0%	0.0	
Domestic amortisation/Rollover	2,262.5	783.9	513.5	65.5%	309.6	66%	1,749.3	1,417.0	81.0%	1,242.8	14%
Source: Ministry of Finance											