THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE

BUDGET EXECUTION REPORT

BUDGET FOR FISCAL YEAR 2002/03
BUDGET PERFORMANCE
JANUARY - MARCH 2003

July 2003

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SUMMARY

1. Overall budget performance in the third quarter of the fiscal year January – March 2003, has as with previous quarters, continued to be broadly in line with estimates. There has been continued favourable revenue performance this quarter, a catch-up in actual expenditures, and an improvement in disbursements of programme and project loans compared to disbursement delays in the first half of the year, resulting in a net domestic borrowing of Tsh 28.4 billion. The summary of central government operations is presented in Annex A.

2. Total domestic revenue for the third quarter registered at Tsh 307.1 billion, 1 percent above estimates. The over performance in the third quarter has slowed down as compared to the first half of the fiscal year where total revenue performed 6 percent over estimates. This is due to the revenue estimation approach, where less is estimated to be collected in the initial quarters than in the latter two. However, a year-on-year comparison shows that third quarter revenue performance in 2002/03 increased by 20.5 percent as compared to the third quarter of 2001/02. The components of domestic revenue that contribute to this strong performance are: collection of VAT on non-petroleum imports and domestic goods and services; import duties; income taxes, particularly PAYE and corporate income taxes; and non tax revenue.

As with the strong performance of revenue in the first half of the fiscal year, the possible reasons for the third quarter's performance continue to be a mixture of the following elements: policy changes; administration improvements; and a rise in the nominal growth rate of the economy. The details on revenue performance are presented in Annex B.

3. Total expenditures for the third quarter have registered at 91 percent of estimates, compared to the average actual expenditures of 82 percent over the first two quarters. There has therefore been a catch up in expenditures. Priority sectors have continued to receive their full quarterly allocations, and actual expenditures for the third quarter have been 22 percent over estimates. This is due to both the general catch-up experienced across most expenditure items, as well as the high basket fund inflows received in the third quarter, which are recorded in this item. Development expenditures have also improved. Local development expenditure for the third quarter has been 34 percent above estimates, while that for foreign is 43 percent of estimates, giving cumulative performances over estimates for the first three quarters, of 92 percent and 64 percent respectively. Details of expenditure in all categories are presented in Annex C.

4. Following the net repayment of Tsh 6.4 billion made at the end of the first half of the fiscal year, the net domestic financing (NDF) position of the Government at the end of March registered a net borrowing of Tsh 28.4 billion, while the Poverty Reduction Growth Facility (PRGF) programme target for the NDF position at end March was Tsh. 16 billion. However, the shortfall to date in foreign programme assistance

of Tsh 154.2 billion compared with the savings on debt service of Tsh 43.5 billion would provide for an adjusted NDF target of Tsh 126.7 billion. The Government is therefore in a favourable domestic net financing position. On foreign financing, Tsh 46 billion was received in the third quarter from the International Development Agency (IDA), of which Tsh 41.4 billion was the Programmatic Structural Adjustment Credit (PSAC) II, Business Environment tranche, received after a delay in disbursement during the first half of the fiscal year. However, net foreign financing during the first three quarters of the fiscal year reached Tsh 83.6 billion, only 35 percent of estimates, due to a significant shortfall in other programme loans. Details of financing items are presented in Annex D.

REVENUE BY SOURCE

5. Revenue performance during the first three quarters of this year has been higher than the most recent nominal GDP growth figures. The acceleration in revenue collection points to better administration, although this cannot yet be established. The strong revenue performance is likely to continue so that revenue for the total fiscal year will exceed estimates.

6. The following table shows tax items which diverged most from estimates (in absolute terms) during the last six months.

Table 1: Revenue items with the largest divergence from estimates (Cumulative July-March 2002/03)

Revenue Source	Difference to estimate (Tsh Bn)	% difference to estimate
VAT - domestic	17.3	15%
Income Tax - corporate and parastatals	15.9	40%
VAT - non petroleum imports	8.6	7%
Income tax - PAYE	7.3	8%
Fuel Levy	-5.2	-11%
VAT - petroleum imports	-5.7	-11%
Excise - non-petroleum imports	-5.7	-61%
Excise - petroleum imports	-9.6	-12%
All other revenue	16.8	6%
Total revenue	39.5	5%

Performance compared to last year

7. The following table shows tax items which grew or declined most (in absolute terms) compared to the same six months of last year.

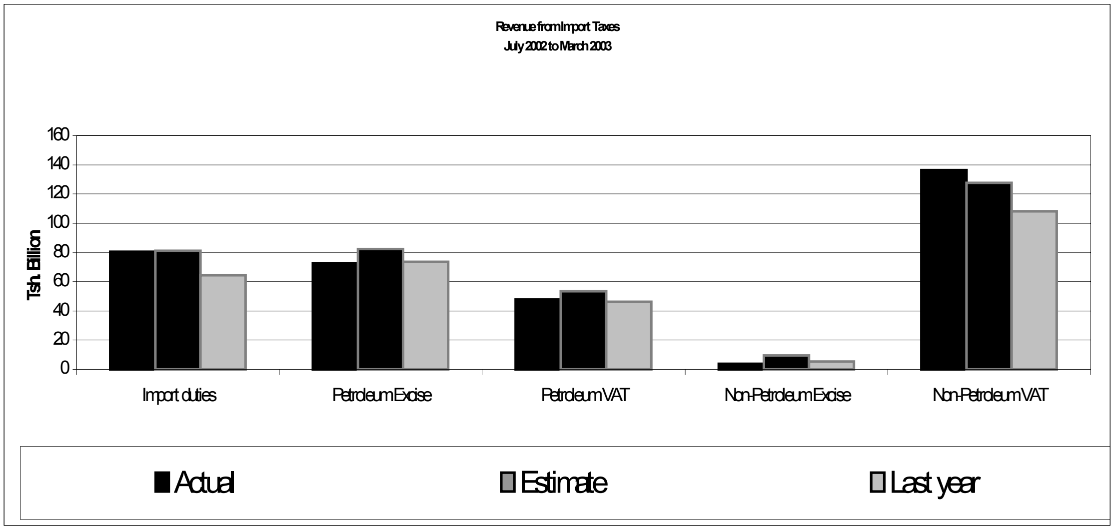
TABLE 2: Revenue Items with the largest year-on-year changes (Cumulative, July-March 2002/03)

Revenue Source	Change over last year (Tsh Bn)	% change
VAT - non petroleum imports	28.1	26%
VAT - domestic	25.8	25%
Income tax - PAYE	17.6	21%
Import duties	16.1	25%
Excise - petroleum imports	-0.8	-1%
Excise - non-petroleum imports	-1.6	-30%
Non tax revenue collected by Treasury	-5.3	-35%
All other revenue	58.2	19%
Total revenue	39.5	18%

Explanations for these performances and trends are given below.

Taxes on Imports

Figure 1



8. Notable trends within taxes on imports were the good performance by import duties and VAT on non petroleum imports, but the poor performance by taxes on petroleum imports and excise on non-petroleum imports, for which overall performance has been poor throughout the year. Overall import tax performance was 95% of estimates in the third quarter. Cumulative year on year growth (14%) is low relative to the growth rates achieved in taxes on domestic goods and income.

9. The most important import categories in terms of import values are machinery, petroleum and vehicles. However, the majority of machinery imports are non-taxable. A notable trend in overall import values is that imports of vehicles have shown strong growth of 18% year-on-year.

10. Import duties have shown 25% year-on-year growth, picking up in the third quarter in this respect. The main contributor to import duty growth has been import duties on vehicles. Import duties on vehicles have shown 39% growth. The abolition of the Government exemption on import duties is likely to be having some positive impact on these figures.

11. VAT on non-petroleum imports continued to perform well, and has shown 26% year-on-year growth, picking up in the third quarter. This item shows the largest absolute growth over last year of all the revenue items. The main contributor to VAT on non-petroleum imports is motor vehicles. VAT on motor vehicle imports has shown 33% growth.

12. Excise on non-petroleum imports continues to perform poorly, with 30% decline on last year, and achieving only 39% of estimates. This is made up primarily of excise on motor vehicles and beverages. While excise on motor vehicles has shown strong growth, excise on beverage imports has declined. This could be due to increased production of beverages in the country replacing importation.

Taxes on petroleum imports and the fuel levy

13. Taxes on petroleum imports in the third quarter were 85 percent of estimates, slightly less than the 91 percent of estimates achieved in the first half of the fiscal year. However, cumulative collections remain poor, with only 1% year-on-year growth over the first three quarters in the previous fiscal year.

14. The pick-up was mostly in VAT on petroleum which showed year on year growth of 4 percent. Excise on petroleum has a 1% decline despite the elimination of the government exemption. The fuel levy has 14% growth despite rates being raised by 13% in the budget (from Tsh 80 to Tsh 90 per litre).

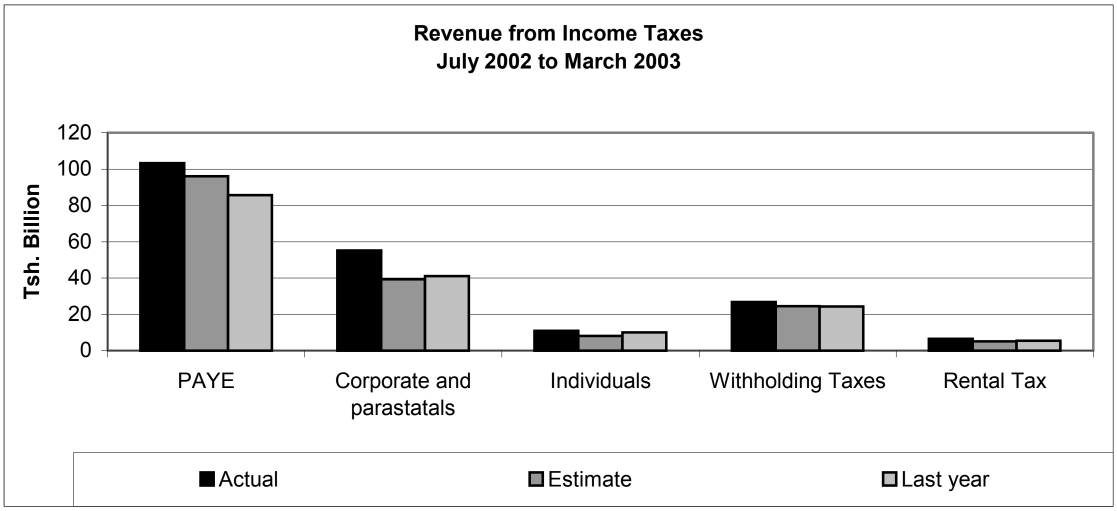
Taxes on Domestic Sales

15. Performance in domestic taxes overall, and in domestic VAT in particular, has been strong in the third quarter. Year to date figures for domestic taxes are 112% of estimates and show strong 22% growth. Domestic VAT shows the largest absolute difference to estimates of all the revenue items, at Tsh 17 billion. TRA has also reported refund arrears of approximately Tsh 4 billion. The positive performance is likely to be attributed to the introduction of compulsory cash-registers this fiscal year and last fiscal year's introduction of a specialized TRA department for large taxpayers.

16. Domestic excise grew at 17%. The largest contributors to domestic excise were excise on beer (comprising 52%) and excise on cigarettes (comprising 31%). Domestic excise on beer has shown strong growth due to replacement of imported beer with domestic beer in the market, but there has been negative growth in excise on cigarettes. The figures also include the new excise duty on mobile phone services.

Income Taxes

Figure 2



17. Income taxes continue to perform very well, but third quarter performance shows a slight slowdown relative to the first two quarters. Year-on-year growth now stands at 23%. Income tax shows very strong performance relative to estimates, at 119%. Corporate income tax and PAYE contribute most to the strong figures.

18. Corporate income tax shows very strong performance, improving further in the third quarter, and reaching 34% growth relative to the first three quarters of last year. Factors contributing to this are likely to be the expiry of the last tax holidays under the old tax holiday system which began to be phased out in 1997, and the new capital expensing regime put in place in this fiscal year.

19. Individual (small businesses and the self-employed) income taxes have picked up somewhat in the third quarter, but still do not match the performance of PAYE and corporate taxation. Withholding taxes show slightly poorer performace this quarter, but remain strong overall.

20. The payroll levy continues to perform very well at 130% of estimates. While PAYE grew at 21%, the payroll levy has grown at 36% over last year. The payroll levy is levied only on private sector employment while PAYE includes private and public sector. See section on petroleum imports for comments on the fuel levy.

Non-Tax Revenue

21. The most important component of non-tax revenue, revenue collected by Ministries and Regional Administrations, continued its strong performance in the third quarter, registering a year-on-year growth of 18% growth. The timing of parastatal dividends is difficult to predict, and large dividends of Tsh 7.6 billion from the Bank of Tanzania were received during the third quarter this year, bringing this item into positive year-on-year growth. There was a continued large decrease in the third quarter of revenue which comes directly to Treasury due to the lumpiness of loan repayments.

EXPENDITURE BY CATEGORY

22. Total expenditure for the quarter ended March 2003 was Tsh. 458.7 billion, 91 percent of estimates. This trend shows a catch up in the utilization of budget allocations when compared to the first two quarters of the fiscal year. Total expenditure for the the first three

quarters was Tsh. 1,345.8 billion, 15 percent below estimates of Tsh. 1,583.5 billion. Year-on-year, actual expenditure for the July – March period increased by 36 percent. Annex C presents a quarterly detailed breakdown of expenditures by category.

23. Recurrent expenditures for January - March 2003 were Tsh. 359.4 billion, 111 percent of estimates. For the first three quarters of the year, actual recurrent expenditure was 94 percent of estimates of Tsh. 1,043.4 billion, although year-on-year recurrent expenditures were 22 percent higher. The lower than estimated expenditure for the first three quarters of the fiscal year is explained mainly by delays experienced by spending authorities as well as a cash rationing between non – priority sectors emanating from shortfalls in foreign financing, particularly programme loans. Figures 3 and 4 depict the expenditure performance for major expenditure categories.

24. Development expenditures for January - March 2003 were Tsh. 99.3 billion, which is 55 percent of the estimate of Tsh. 180 billion. July – March 2003 development expenditure was Tsh. 366.1 billion, only 68 percent of estimates. There has been a catch up in local development expenditures in the third quarter, bringing the cumulative total for the first three quarters to Tsh 66.2 billion, which is 92 percent of estimates (compared to the 71 percent of estimates in the first half of the fiscal year). The lower than expected foreign development expenditure of Tsh 67.3 billion in the third quarter, which is 43 percent of estimates, can be explained by the delays in disbursements. The better performance compared to last year is due to better data capturing of all

foreign funded Government projects, both those that go through the exchequer system and those that go direct to projects.

25. The cash management system has continued to make quarterly allocations for priority sectors based on their respective cash flow plans submitted to the Ministry of Finance. Total priority sector expenditure for January - March 2003 was Tsh 78.4 billion, 22 percent higher than estimates. During the first three quarters of the fiscal year, expenditure of Tsh 227.1 billion was realized. This is 8 percent higher than estimates. Year-on-year, actual priority sector expenditure increased by 32 percent. The 'other social' sub-item of priority sector has experienced a high year on year increase of 112 percent mainly on account of the high basket fund disbursements which have been recorded in this expenditure item. Even when priority sector actual expenditure is analysed without the basket funds element, it can still be seen that there has in fact been a catch-up in spending over the first three quarters as seen below.

TABLE 3: **Priority Sector Expenditure Without Basket Funds Element, Fiscal Quarters 1-3, 2002/03**

	FQ 1	FQ 2	FQ 3
Actual Expenditure	44,065	64,309	62,894
Actual Expenditure as % of estimates	66%	82%	98%

Figure 3

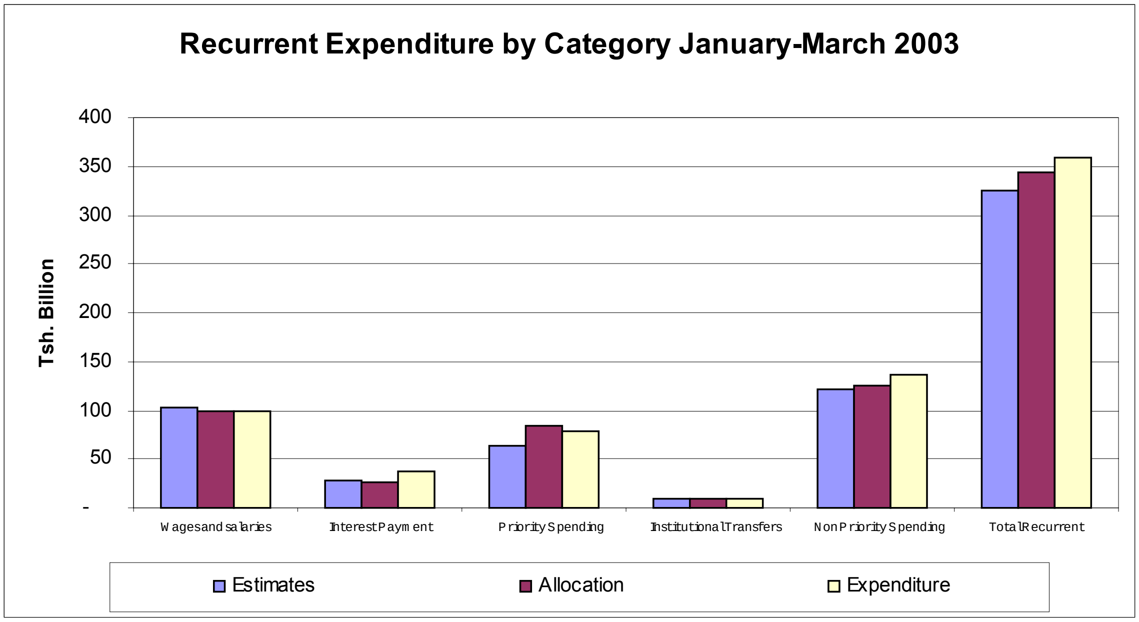
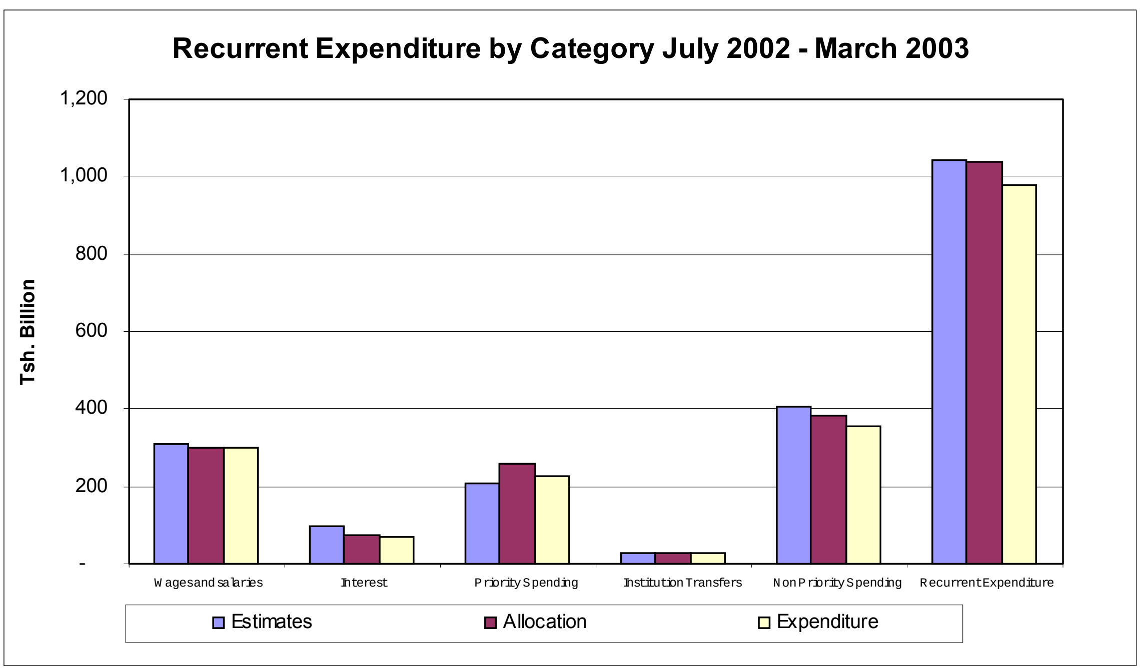


Figure 4



26. Expenditure on wages and salaries during January - March 2003 was Tsh. 99.6 billion, 3 percent below estimates. For the first three quarters of the fiscal year, expenditure was Tsh. 299.3 billion, only 3 percent below estimates. Year-on-year, however, an increase of 18 percent was realized. The lower than budgeted expenditure on wages and salaries is on account of lower than expected rate of recruitment.

27. Interest payment for January - March was Tsh. 36.9 billion, 36 percent above estimates. Cumulative interest payment was Tsh. 71.2 billion, which is 25 percent below estimates. Year-on-year interest payment saw a decrease of 19 percent. The lower than estimated interest payment was on account of debt services which are unlikely to be serviced in this fiscal year due to debt relief.

28. Transfers to Tanzania Revenue Authority, and the Capital Markets and Securities Authority (subventions) remained as per their respective estimates. Year-on-year transfers to TRA and CMSA increased by 8 percent. Non-priority expenditures were above estimates in the third quarter of the fiscal year 2002/03 on account of a catch up in the spending by MDAs.

FINANCING BY COMPONENT

29. Foreign financing in the form of grants in the third quarter was primarily through programme grants received through the Poverty Reduction Budget Support Facility (including basket fund disbursements to the health and education sectors). These amounted to Tsh 44.1 billion, higher than the estimate of Tsh 41.3 billion. This

'over performance' is due to contributions to the education and health basket funds worth Tsh 15.5 billion. This reflects better disbursement profiles for basket funds which allowed earlier utilization of these funds. Project grants registered at Tsh 38.3 billion in the third quarter and at 95 percent of estimates for the first three quarters. This better performance (as compared to that recorded in the budget execution reports of the first half of the fiscal year) is due to better data capturing of all Government project grants rather than recording only those that go through the exchequer system.

30. Part of Tanzania's grants continue to be received in the form of debt relief under the HIPC programme. In the third quarter this amounted to Tsh 14.4 billion and has cumulatively totaled Tsh 46.4 billion for the first three quarters, which was 84 percent of estimates. In the first half of the fiscal year, six bilateral agreements were signed with the Government (Belgium, Norway, USA, Italy, Canada), while the UK provided total debt cancellation. Three additional agreements were signed in the third quarter with France, Germany and the Netherlands. Most of these nine countries have provided debt relief over and above the HIPC programme. The Government currently awaits to sign agreements with Brazil, Japan and Russia. With the Non Paris Club creditors, discussions are still on going to request relief on comparable terms to the Paris Club. To date only Kuwait has provided relief under the HIPC framework. China has offered debt relief by canceling some of the debts but not on terms comparable to the PC. In addition, some dialogue has been initiated with India, Zambia and Libya but no commitment has been made yet.

31. The overall balance in the third quarter was financed primarily (70 percent) by foreign funds, particularly loans. The remaining 30 percent was financed by domestic financing and comprised mostly of a drawdown of Government deposits amounting to Tsh 20.9 billion.

32. On foreign loan financing, unlike during the first half of the fiscal year where no programme loans were received, the third quarter saw an inflow of Tsh 46 billion, from the International Development Agency (IDA). This comprised Tsh 41.4 billion of the PSAC II, Business Environment tranche and Tsh 4.6 billion for the health basket. However, there continue to be shortfalls in other programme loans, as cumulative third quarter receipts of programme loans remain at only 71 percent of estimates. The situation is expected to improve in the final quarter, with further disbursements from IDA and from the African Development Bank, Structural Adjustment Loan II. Project loans for the first three quarters have been only 38 percent of estimates due to delays in disbursements.

33. For the third quarter foreign amortization was Tsh 23.6 billion vis-à-vis estimates of Tsh 24 billion. The lower than estimated foreign debt payments is due to HIPC relief as discussed above.

34. The overall Government operations in the third quarter resulted in a cumulative drawdown for the first three quarters of Tsh 28.4 billion. While the PRGF target for end-March was Tsh 16 billion, the PRGF programme allows for an adjusted net domestic financing position of Tsh 126.7 billion due to a shortfall in foreign programme assistance of

Tsh 154.2 billion and savings on debt service of Tsh 43.5 billion. The Government is therefore in a favourable net financing position.

35. Annex D provides detailed financing developments while figures 5 and 6 show the summary of financing for the third quarter and cumulative for the first three quarters respectively.

Figure 5

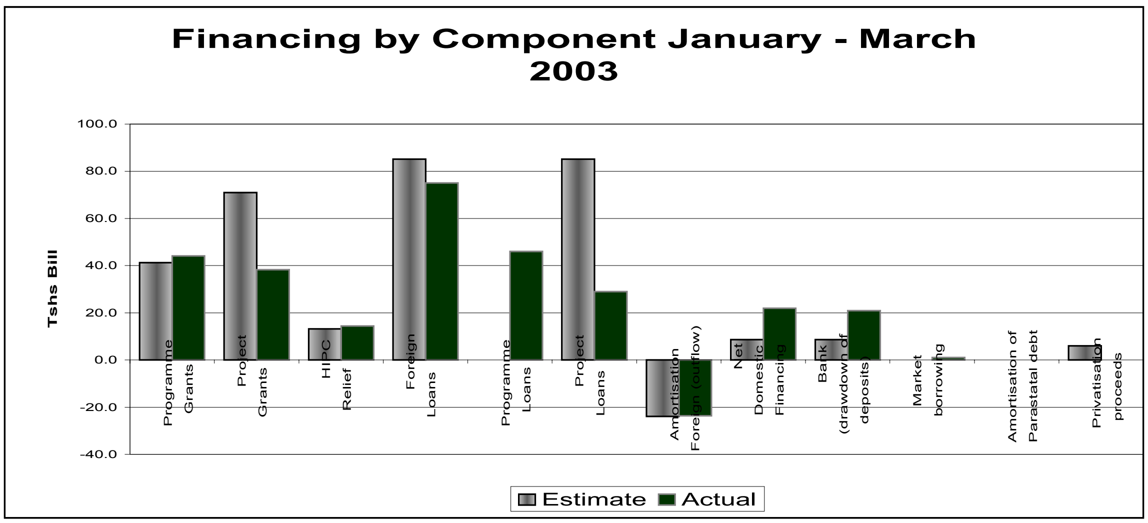
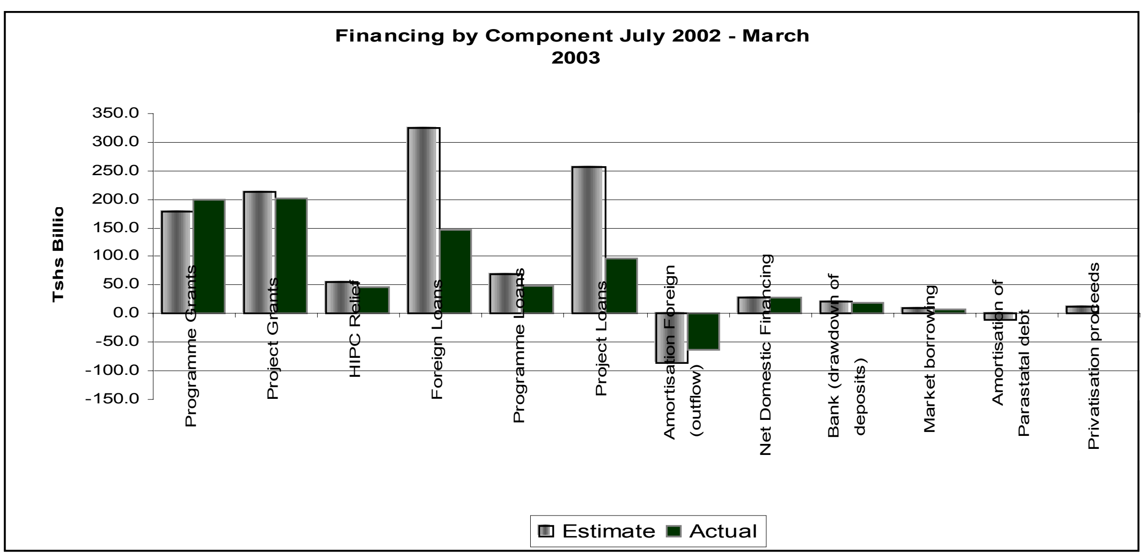


Figure 6



Annex A

Summary of Budget Performance January - March 2003

(In Tsh Bn)

	Budget Estimate	January- March 2003					July - March 2002/03				
		Estimate	Actual	Percent of Estimate	January - March 2002 Actual	Year on year % change	Estimate	Actual	Percent of Estimate	July - March 2001/02 Actual	Year on year % change
Total Domestic Revenue	**1,172.3**	**303.3**	**307.1**	**101%**	**255.1**	**20.4%**	**862.4**	**901.9**	**105%**	**763.8**	**18.1%**
Tax Revenue	1,066.9	277.8	275.1	99%	232.7	18.2%	788.0	820.5	104%	693.6	18.3%
Taxes on Imports	474.6	122.6	116.1	95%	94.5	22.8%	354.1	339.9	96%	297.1	14.4%
Taxes on Domestic Sales	233.0	58.8	63.7	108%	53.6	18.8%	174.9	195.5	112%	159.8	22.4%
Income Tax	240.9	66.0	70.5	107%	60.4	16.9%	175.3	208.0	119%	161.3	29.0%
Other taxes	118.3	30.4	24.8	82%	24.3	2.3%	83.8	77.1	92%	75.4	2.2%
Non tax revenue	105.4	25.6	32.0	125%	22.4	42.8%	74.3	81.4	110%	70.2	16.0%
Total Expenditure	**2,106.3**	**504.7**	**458.7**	91%	**394.5**	**16.3%**	**1,583.5**	**1,345.8**	**85%**	**989.0**	**36.1%**
Recurrent expenditure	1,386.2	324.6	359.4	111%	285.4	25.9%	1,043.4	979.7	94%	804.9	21.7%
'Wages & salaries(Central & Local Gov't)	411.5	103.2	99.6	97%	85.4	16.7%	308.3	299.3	97%	253.7	18.0%
'Interest payment	131.6	27.2	36.9	136%	26.2	41.1%	94.8	71.2	75%	87.5	-18.6%
Domestic	57.4	13.9	25.2	181%	12.8	96.5%	44.8	41.6	93%	48.9	-15.1%
Foreign	74.2	13.3	11.7	88%	13.3	-12.3%	50.0	29.6	59%	38.6	-23.1%
CFS (Other)	79.0	17.5	27.1	154%	26.1	3.7%	60.7	74.2	122%	54.7	35.7%
Goods and services and Transfers	764.1	176.8	195.8	111%	147.8	32.5%	579.6	535.0	92%	409.1	30.8%
TRA/CMSA	34.2	8.5	8.5	100%	7.9	8.1%	25.6	25.6	100%	23.7	8.1%
Parastatal wages	68.2	17.0	19.4	114%	14.2	36.4%	51.1	52.1	102%	40.9	27.3%
Retention scheme	50.5	12.2	11.6	95%	N/A	-	36.8	35.5	96%	N/A	-
Retrenchment costs	13.4	0.0	0.0	-	N/A	-	13.4	2.1	16%	N/A	-
Population census	10.5	0.0	0.0	-	N/A	-	10.5	10.5	100%	N/A	-
Other goods and services	587.4	139.0	156.3	112%	125.7	24.4%	442.2	409.2	93%	344.5	18.8%
Priority Sector Spending	278.5	64.4	78.4	122%	54.2	44.7%	209.6	227.1	108%	173.3	31.1%
Other Charges	308.8	74.6	77.9	104%	71.4	9.1%	232.6	182.1	78%	171.2	6.4%
Development Expenditure	**720.1**	**180.0**	**99.3**	55%	**109.1**	**-9.0%**	**540.1**	**366.1**	**68%**	**184.1**	**98.9%**
Local	95.7	23.9	32.0	134%	16.7	91.3%	71.7	66.2	92%	32.0	106.6%
Foreign	624.5	156.1	67.3	43%	92.4	-27.2%	468.3	300.0	64%	152.0	97.3%
Overall Deficit (before grants)	-934.0	-201.3	-152	75%	-139.4	8.8%	-721.2	-444	62%	-225.2	97.2%
Grants	542.3	125.5	96.7	77%	91.4	5.8%	446.2	447.8	100%	223.2	100.7%
Programme	178.3	41.3	44.1	107%	75.4	-41.5%	178.3	199.0	112%	164.5	21.0%
Project 1/	283.9	71.0	38.3	54%	3.6	954.3%	212.9	202.5	95%	17.8	1035.3%
HIPC Relief	80.1	13.2	14.4	109%	12.4	16.1%	55.0	46.4	84%	40.8	13.6%
Overall Deficit Checks issued(After Grants)	-391.7	-75.8	-54.9	72%	-48.0	14.5%	-275.0	3.9	-1%	-2.0	-291.7%
Expenditure Float	0.0	0.0	-0.1	-	0.0	-311.4%	0.0	-79.4	-	34.1	-332.5%
Adjustment to cash & other items	0.0	0	-18.3	-	35.2	-152.0%	-0.6	-36.2	-	28.8	-225.6%
Overall balance	-391.7	-75.8	-73.3	97%	-12.8	472.0%	-275.0	-111.7	41%	-7.4	1417.2%
Financing	**391.7**	**75.8**	**73.3**	**97%**	**12.8**	472.0%	**275.0**	**111.7**	**41%**	**7.4**	1417.2%
Foreign (net)	348.4	61.2	51.4	84%	70.2	-26.8%	238.9	83.6	35%	112.6	-25.8%
Programme loans	110.8	0.0	46.0	-	0.0	-	68.6	48.4	71%	33.2	45.9%
Project loans 1/	340.6	85.1	29.0	34%	88.8	-67.3%	255.4	97.5	38%	134.2	-27.4%
Amortization	-102.9	-24.0	-23.6	99%	-18.6	27.2%	-85.1	-62.3	73%	-54.8	13.8%
Domestic	**43.3**	**14.7**	**21.9**	**150%**	**-57.4**	-138.2%	**36.1**	**28.1**	**78%**	**-105.3**	**-126.7%**
Bank (net)	21.3	8.7	20.9	242%	-68.6	-130.5%	20.1	19.9	99%	-92.4	-121.5%
Non Bank (net)	9.0	0.0	1	-	34.6	-97.1%	9.0	8.5	94%	34.3	-75.2%
Amortisation of contingent debt	-10.0	0.0	0.0	-	-0.1	-100.0%	-10.0	-0.3	3%	-0.1	304.7%
Privatisation Proceeds	18.0	6.0	0	0%	0.0	-	12.0	0	0%	0.0	-
Recovery from NBC bond	5.0	0.0	0	-	N/A	-	5.0	0	0%	N/A	-
Change in arrears	N/A	N/A	N/A	N/A	-23.365	-	N/A	N/A	-	-47.1	-

Source: Ministry of Finance

Notes: N/A refers to data that is not available due to reclassification of items

1/ Unlike in the first half 2002/03 BER reports, in this report project loans and grants data is obtained from the Ministry of Finance External Finance Department in orde to record both projects that are and those that are not channeled through the exchequer system. It is derived from donor statistical reporting on disbursements to Government projects (not including budget support, debt relief). Disbursements to the PER and legal baskets funds are included in project grants.

Annex B

Revenue Performance

(In Tsh Bn)

Billion Shillings	**Budget 2002/03**	**January to March 2003 - FQ 3**				**July 2002 to March 2003 - FQ 1, 2 & 3**				**July 2001 to March 2002**	
	Estimates	**Estimates**	**Actual**	**Difference**	**Actual as % of Estimates**	**Estimates**	**Actual**	**Difference**	**Actual as % of Estimates**	**Actual**	**% growth over last year**
Revenue	**1,172.3**	**303.3**	**307.1**	**3.7**	**101%**	**862.4**	**901.9**	**39.5**	**105%**	**763.8**	**18%**
Tax Revenue	**1,066.9**	**277.8**	**275.1**	**-2.7**	**99%**	**788.0**	**820.5**	**32.4**	**104%**	**693.8**	**18%**
Taxes on Imports	***474.6***	***122.6***	***116.1***	***-6.6***	***95%***	***354.1***	***339.9***	***-14.2***	***96%***	***297.6***	***14%***
Import Duty	109.4	26.8	28.6	1.9	107%	81.1	80.6	-0.5	99%	64.5	25%
Petroleum	185.9	46.6	39.7	-6.9	85%	135.8	120.5	-15.3	89%	119.6	1%
Excise	109.3	28.1	23.1	-5.1	82%	82.4	72.7	-9.6	88%	73.5	-1%
Value Added Tax (VAT)	76.6	18.5	16.6	-1.8	90%	53.5	47.8	-5.7	89%	46.1	4%
Others	179.3	49.3	48.1	-1.1	98%	137.1	140.0	2.9	102%	113.5	23%
Excise	12.4	2.7	1.2	-1.4	46%	9.5	3.7	-5.7	39%	5.3	-30%
Value Added Tax (VAT)	166.9	46.6	46.9	0.3	101%	127.7	136.3	8.6	107%	108.2	26%
Net refunds - taxes on imports			(0.4)				-1.2				
Taxes on Domestic Sales	***233.0***	***58.8***	***63.7***	***4.9***	***108%***	***174.9***	***195.5***	***20.6***	***112%***	***160.3***	***22%***
Excise	82.2	20.7	21.4	0.6	103%	61.3	64.7	3.4	105%	55.3	17%
Value Added Tax (VAT)	150.8	38.1	49.6	4.3	111%	113.5	152.5	17.3	115%	105.0	25%
Net refunds - taxes on domestic sales			(7.3)				-21.7				
Income Tax	***239.4***	***66.0***	***70.5***	***4.5***	***107%***	***175.3***	***208.0***	***32.7***	***119%***	***168.6***	***23%***
PAYE	134.2	37.6	35.6	-2.1	94%	96.0	103.3	7.3	108%	85.7	21%
Corporate and Parastatals	51.2	13.1	18.4	5.2	140%	39.3	55.2	15.9	140%	41.1	34%
Individuals	13.1	3.3	4.0	0.7	120%	8.2	11.0	2.8	135%	10.0	10%
Withholding Taxes	32.3	9.1	8.3	-0.7	92%	24.5	26.9	2.4	110%	24.4	10%
Rental Tax	6.8	1.9	2.1	0.1	107%	5.2	6.5	1.3	126%	5.4	21%
Other Income	1.9	0.9	1.4	1.3		2.1	2.5	3.0		2.0	159%
Net refunds - income taxes			0.9				2.7				
Other Taxes	***119.8***	***30.4***	***24.8***	***-5.5***	***82%***	***83.8***	***77.1***	***-6.7***	***92%***	***67.4***	***14%***
Payroll Levy (net of transfer to VETA)	15.7	3.8	4.7	0.9	123%	11.1	14.4	3.3	130%	10.6	36%
Fuel Levy	64.4	13.9	13.7	-0.2	99%	47.8	42.5	-5.2	89%	37.4	14%
Stamp Duty	12.2	2.9	3.2	0.2	107%	8.9	10.7	1.9	121%	8.1	33%
Departure Service Charges	8.8	2.1	1.8	-0.3	87%	6.4	5.6	-0.8	87%	5.7	-2%
Other	18.8	7.6	1.4	-6.2	18%	9.6	3.8	-5.8	40%	5.5	-30%
Non Tax Revenue	**105.4**	**25.6**	**32.0**	**6.4**	**125%**	**74.3**	**81.4**	**7.1**	**110%**	**70.0**	**16%**
Parastatal Dividends	12.0	3.0	9.3	6.3	310%	6.0	11.0	5.0	183%	5.4	103%
Treasury	11.9	3.0	2.5	-0.5	83%	9.0	9.9	0.9	110%	15.2	-35%
Ministries and Regions	77.2	18.6	19.3	0.6	103%	56.3	58.3	1.9	103%	49.5	18%
Appropriation in Aid	0.0	0.0	0.0	0.0	117%	0.0	0.0	0.0	111%	0.0	
TRA	4.2	0.9	0.9	0.0	96%	3.0	2.3	-0.7	77%	-0.2	

Source: Ministry of Finance

Annex C

Expenditure by Category - Estimates, Allocations and Actual Expenditures

(In Tsh Bn)

	Budget Estimate	July - December 2002						January - March 2003						July - March 2003 Cumulative						
		Estimate	Allocation	Actual Expenditure	Percentage of estimates	July - December 2001 Actual	Year on year % change	Estimate	Allocation	Actual Expenditure	Percentage of estimates	January - March 2002	Year on year % change	Estimate	Allocation	Actual Expenditure	Percentage of estimates	Divergence between estimates and Actuals	July - March 2002 Actual	Year on year % change
	(In billions of Tanzania shillings)																			
Total Expenditure	2,106.3	1,078.9	729.9	887.2	82%	594.5	49%	504.7	380.4	458.7	91%	394.5	16%	1,583.5	1,110.3	1,345.8	85%	-237.7	989.0	36%
Recurrent Expenditure	1,386.2	718.8	695.7	620.3	86%	519.5	19%	324.6	348.4	359.4	111%	285.4	26%	1,043.4	1,044.1	979.7	94%	-63.8	804.9	22%
Wages and salaries	411.5	205.2	199.8	199.7	97%	168.3	19%	103.2	100.0	99.6	97%	85.4	17%	308.3	299.8	299.3	97%	-9.0	253.7	18%
Interest	131.6	67.6	47.8	34.3	51%	61.3	-44%	27.2	25.6	36.9	136%	26.2	41%	94.8	73.4	71.2	75%	-23.6	87.5	-19%
Domestic	57.4	30.8	28.4	16.3	53%	36.0	-55%	13.9	11.5	25.2	181%	12.9	96%	44.8	39.8	41.6	93%	-3.2	48.9	-15%
Foreign	74.2	36.7	19.4	18.0	49%	25.3	-29%	13.3	14.1	11.7	88%	13.3	-12%	50.0	33.5	29.6	59%	-20.4	38.6	-23%
CFS others	79.0	43.2	52.5	47.2	109%	29.0	63%	17.5	22.1	27.1	154%	25.7	5%	60.8	74.6	74.2	122%	13.5	54.7	36%
Goods, services and transfers	764.1	402.8	395.5	339.1	84%	260.9	30%	176.8	200.7	195.8	111%	148.1	32%	579.6	596.3	535.0	92%	-44.6	409.0	31%
TRA	34.2	17.1	18.8	17.1	100%	15.8	8%	8.5	8.5	8.5	100%	7.9	8%	25.6	27.3	25.6	100%	0.0	23.7	8%
Parastatal wages	68.2	34.1	33.3	32.7	96%	26.7	22%	17.0	17.3	19.4	114%	14.2	36%	51.1	50.6	52.1	102%	0.9	40.9	27%
Retention scheme	50.5	24.6	23.9	23.9	97%	N/A	N/A	12.2	11.6	11.6	95%	N/A	N/A	36.8	35.5	35.5	96%	-1.3	N/A	N/A
Retrenchment costs	13.4	13.4	2.1	2.1	16%	N/A	N/A	-	-	-		N/A	N/A	13.4	2.1	2.1	16%		N/A	N/A
Population census	10.5	10.5	10.5	10.5	100%	N/A	N/A	-	-	-		N/A	N/A	10.5	10.5	10.5	100%	0.0	N/A	N/A
Other goods and services	587.4	303.2	307.0	252.9	83%	218.4	16%	139.0	163.3	156.3	112%	126.0	24%	442.2	470.3	409.2	93%	-33.0	344.4	19%
Priority sector expenditures	278.5	145.2	169.9	148.7	102%	118.2	26%	64.4	84.9	78.4	122%	53.7	46%	209.6	254.8	227.1	108%	17.5	171.9	32%
Education	89.2	44.6	45.3	36.7	82%	32.0	15%	22.3	22.3	23.4	105%	17.5	34%	66.9	67.6	60.0	90%	-6.9	49.5	21%
Health	53.3	26.7	26.7	18.5	69%	19.2	-4%	13.3	13.3	10.6	80%	8.6	24%	40.0	40.0	29.1	73%		27.8	5%
Water	11.7	5.9	5.9	3.4	57%	4.4	-24%	2.9	2.9	2.6	90%	2.3	14%	8.8	8.8	6.0	68%	-2.8	6.7	-11%
Roads	67.3	35.4	30.6	30.4	86%	31.1	-2%	14.6	16.1	16.1	110%	13.2	22%	50.0	46.7	46.4	93%	-3.5	44.3	5%
Fuel levy	64.3	33.9	29.2	29.2	86%	26.4	10%	13.9	15.3	15.3	110%	9.5	61%	47.8	44.5	44.5	93%	-3.3	35.9	24%
Other roads	2.9	1.5	1.5	1.2	83%	4.7	-74%	0.7	0.7	0.7	99%	3.7	-80%	2.2	2.2	2.0	89%	-0.2	8.4	-77%
Agriculture	20.3	10.2	10.2	10.2	101%	7.4	38%	5.1	5.1	4.8	94%	1.6	199%	15.2	15.2	15.0	99%	-0.2	9.0	67%
Justice and legal services	12.3	6.2	6.2	5.1	83%	4.4	16%	3.1	3.1	3.1	99%	2.5	23%	9.3	9.3	8.2	88%	-1.1	6.9	18%
Other social	19.9	14.1	42.8	42.1	298%	19.7	114%	2.0	20.9	16.8	852%	8.0	110%	16.1	63.7	58.9	366%	42.8	27.7	112%
Ministries	5.0	3.0	2.5	1.8	59%	1.3	36%	1.3	1.3	1.2	98%	0.9	37%	4.2	3.8	3.0	71%	-1.2	2.2	37%
Basket Funds	14.9	11.1	40.3	40.3	362%	18.4	119%	0.7	19.6	15.5	2180%	7.1	119%	11.8	59.9	55.9	472%	44.0	25.5	119%
HIV/AIDS	4.5	2.2	2.4	2.4	105%	N/A	N/A	1.1	1.2	1.1	100%	N/A	N/A	3.4	3.6	3.5	104%	0.1	N/A	N/A
Other charges	308.8	158.0	137.1	104.2	66%	100.2	4%	74.6	78.3	77.9	104%	72.3	8%	232.6	215.5	182.1	78%	-50.5	172.5	6%
Development Expenditure	720.1	360.1	34.2	266.9	74%	75.0	256%	180.0	32.0	99.3	55%	109.1	-9%	540.1	66.2	366.1	68%	-173.96	184.1	99%
Domestic	95.7	47.8	34.2	34.2	71%	15.4	122%	23.9	32.0	32.0	134%	16.7	92%	71.7	66.2	66.2	92%	-5.6	32.1	106%
Foreign 1/	624.5	312.2		232.7	75%	59.6	290%	156.1		67.3	43%	92.4	-27%	468.3		300.0	64%	-168.4	152.0	97%

Source: Ministry of Finance

Notes: N/A refers to data that is not available due to reclassification of items.

1/ Foreign development figures are updated here as compared to the first half of 2002/03 BER reports. This data is based on updated figures from the External Finance Department on project grants and loans that are channeled through the exchequer system *and* that go direct to Government projects.

Annex D

Financing by Source

(In Tsh Bn)

		First and Second Quarter						Third Qurter						Cumulative first three quarters					
		July - December 2002						January - March 2003						July - March 2003					
	Budget Estimates	Estimate	Actual	Divergence between Estimates and Actuals	Actual as percent of Estimate	July - December 20001 Actual	Year on year % change	Estimate	Actual	Divergence between Estimates and Actuals	Actual as percent of Estimate	January - March 2002 Actual	Year on year % change	Estimate	Actual	Divergence between Estimates and Actuals	Actual as percent of Estimate	July 2001- March 2002 Actual	Year on year % change
(In billions of Tanzania shillings)																			
Grants	542.3	320.7	**351.1**	209.2	109%	131.9	166.2%	125.5	**96.7**	-28.7	77%	91.4	5.8%	446.2	**447.8**	1.7	100%	314.9	42.2%
Programme	178.3	137.0	**154.9**	154.9	113%	89.1	73.8%	41.3	**44.1**	2.8	107%	75.4	-41.6%	178.3	**199.0**	157.7	112%	172.5	15.3%
Project 1/	283.9	142.0	**164.2**	22.3	116%	14.3	1048.5%	71.0	**38.3**	-32.7	54%	3.6	962.8%	212.9	**202.5**	-10.4	95%	107.8	87.8%
HIPC Relief	80.1	41.8	**32.0**	32.0	77%	28.5	12.3%	13.2	**14.4**	1.2	109%	12.4	16.1%	55.0	**46.4**	33.2	84%	34.6	34.1%
Net Foreign Financing	348.4	177.7	**32.2**	-145.5	18%	42.4	-24.2%	61.2	**51.4**	-9.8	84%	70.2	-26.8%	238.9	**83.6**	-155.3	35%	110.5	-24.4%
Foreign Loans	451.4	238.9	**70.8**	-168.1	30%	78.6	-9.9%	85.1	**75.0**	-10.1	88%	88.8	-15.5%	324.0	**145.9**	-178.2	45%	167.5	-12.9%
Programme	110.8	68.6	**2.4**	-66.2	3%	33.2	-92.9%	0.0	**46.0**	46.0		0		68.6	**48.4**	-20.2	71%	33.2	45.8%
Project 1/	340.6	170.3	**68.5**	-101.8	40%	45.4	50.8%	85.1	**29.0**	-56.1	34%	88.8	-67.3%	255.4	**97.5**	-158.0	38%	134.3	-27.4%
Amortisation Foreign (outflow)	-102.9	-61.2	**-38.7**	22.5	63%	-36.2	6.8%	-24.0	**-23.6**	0.3	99%	-18.6	27.0%	-85.1	**-62.3**	22.9	73%	-57	9.3%
Domestic Sources	43.3	21.5	**6.2**	-15.3	29%	-26.4	-123.5%	14.7	**21.9**	7.3	150%	-34.2	-164.1%	36.1	**28.1**	-8.0	78%	-100.5	-128.0%
Net Domestic Financing	30.3	20.5	**6.4**	-14.0	32%	-26.5	-124.3%	8.7	**21.9**	13.3	253%	-34.0	-164.5%	29.1	**28.4**	-0.7	97%	-58.1	-148.8%
Bank (drawdown of deposits)	21.3	11.5	**-1.1**	-12.5	-9%	-26.2	-96.0%	8.7	**20.9**	12.3	242%	-68.6	-130.5%	20.1	**19.9**	-0.2	99%	-92.4	-121.5%
Market borrowing	9.0	9.0	**7.5**	-1.5		-0.3	-2600.0%	0.0	**1.0**	1.0		34.6	-97.1%	9.0	**8.5**	-0.5		34.3	-75.2%
Amortisation of Parastatal debt	-10.0	-10.0	**-0.3**	9.7		0.1	0	0.0	**0.0**	0.0		-0.2	-100.0%	-10.0	**-0.3**	9.7			
Privatisation proceeds	18.0	6.0	**0.0**	-6.0		0.0		6.0	**0.0**	-6.0	0%			12.0	**0.0**	-12.0	0%		
Recovery from NBC bond	5.0	5.0	**0.0**					0.0	**0.0**	0.0		0		5.0	**0.0**	-5.0	0%	-42.4	-100.0%

Source: Ministry of Finance

Notes:

1/ Unlike in the first half 2002/03 BER reports, in this report project loans and grants data is obtained from the Ministry of Finance External Finance Department in order to record both projects that are and those that are not channeled through the exchequer system. It is derived from donor statistical reporting on disbursements to Government projects (not including budget support, debt relief). Disbursements to the PER and legal baskets funds are included in project grants.