



# MACRO - FISCAL FRAMEWORK FY2010/11

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Key features/assumptions of the  
resource envelope for FY2010/11

Presented by:

B.A. Shallanda

Commissioner for Policy Analysis Dept

Ministry of Finance

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# Introduction

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- **Budget:** Comprises of Resources(*taxes, non-tax, foreign inflows, borrowing, other revenues*) and Expenditure(*recurrent, development*).
- **Government expenditure** is aimed at a variety of objectives, including economic development, and social goals. In our case it is an instrument aimed at achieving Vision 2025, MDGs and MKUKUTA aspirations.
- **Cash budget** system is used during budget execution
- The next part of the presentation will outline assumptions in developing the budget framework and concentrate on the resource envelope

# Assumptions

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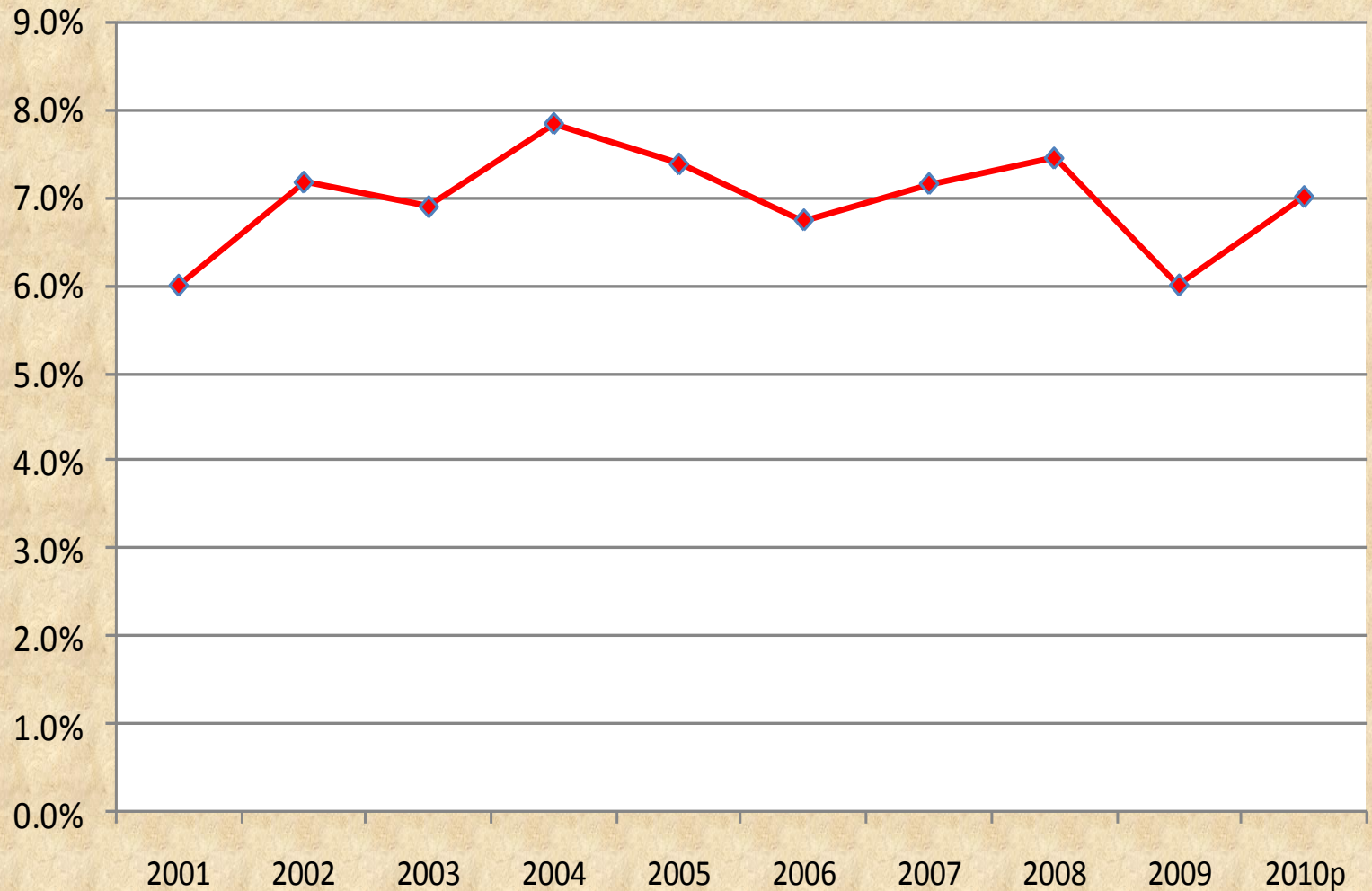
- Sustaining macroeconomic stability
- GDP growth is expected at 7.0% in 2010 and remaining above 7% in the medium term.
- Inflation rate of around 5 percent in 2011
- A supportive monetary policy, reflected in low inflation, a narrowing interest rate spread, and increased credit to the private sector;
- Increased progress in private sector development, including further improvements in the business environment

# Assumptions *Cont'd*

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- Maintain a market determined exchange rate
- Promote private sector participation in infrastructure development through the Public Private Partnership (PPP)
- Continue with the implementation of Second Generation Financial Sector Reform Program
- Promote research and development (R&D) through improving infrastructure of research institutions
- Strengthen public expenditure management at all levels

# Real GDP Growth Rate 2001 - 2010p



# Budget Framework 2007/08 – 2010/11

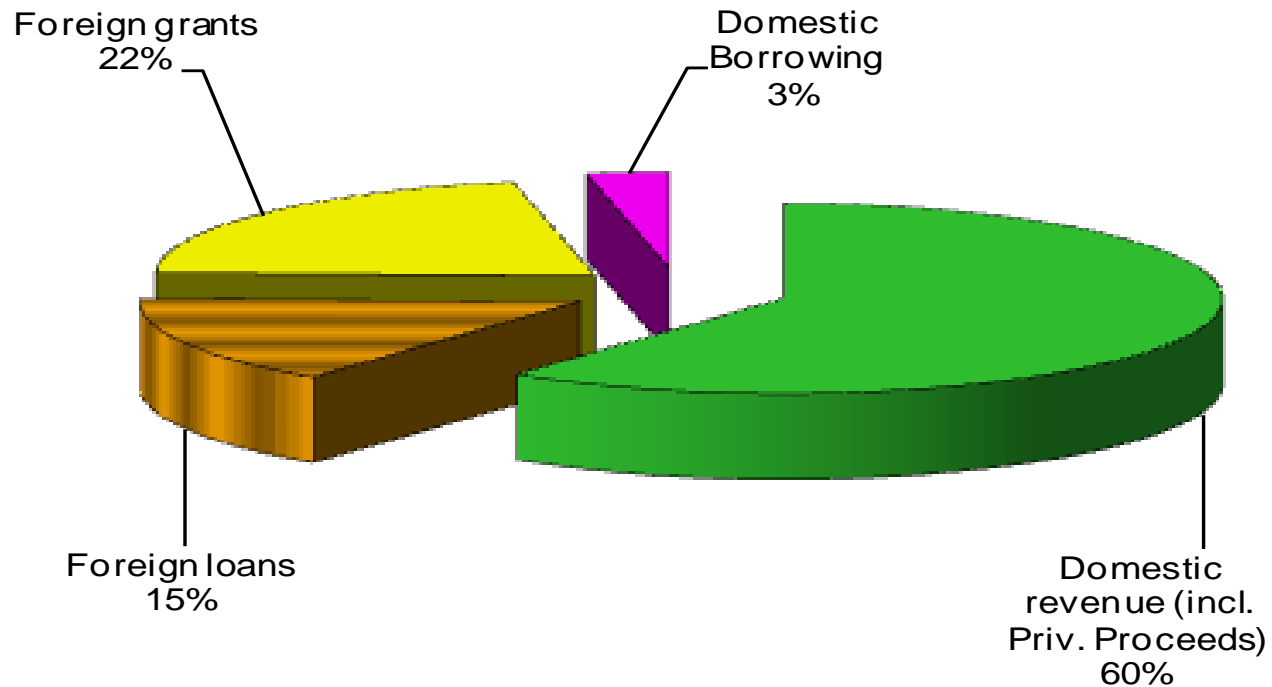
	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>
<b>I. TOTAL RESOURCES</b>	5,269,042	7,055,811	8,965,856	11,609,557
Domestic revenue	3,634,581	4,240,074	4,661,540	6,003,590
LGAs Own Sources				172,582
Programme loans and grants	990,452	936,422	1,224,096	821,645
Project loans and grants	844,970	797,376	1,134,708	1,706,370
Basket support Loans	200,628	151,370	194,071	256,219
Basket support Grants	197,953	263,866	258,067	221,569
MDRI (IMF)	114,200	67,997	22,403	0
MCA (T) USA	0	11,733	19,930	268,750
Non-Bank Borrowing/ Roll-over	-19,795	1,108	714,315	797,620
Bank Borrowing	-316,755	212,567	568,269	600,000
Adjustment to Cash	-377,192	275,298	158,798	0
Privatisation Funds	0	45,000	9,659	30,000
Non-Concessional borrowing	0	0	0	731,212
EPA Resource		53,000	0	0

# Budget framework (% of GDP)

	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Budget
I. TOTAL RESOURCES	23.0	26.6	28.8	33.4
Domestic revenue	15.9	16.0	15.0	17.3
LGAs Own Sources	0.0	0.0	0.0	0.5
Programme loans and grants	4.3	3.5	3.9	2.4
Project loans and grants	3.7	3.0	3.6	4.9
Basket support Loans	0.9	0.6	0.6	0.7
Basket support Grants	0.9	1.0	0.8	0.6
HIPC relief - Multilateral	0.0	0.0	0.0	0.0
MDRI (IMF)	0.5	0.3	0.1	0.0
MCA (T) USA	0.0	0.0	0.1	0.8
Non-Bank Borrowing	-0.1	0.0	2.3	2.3
Bank Borrowing	-1.4	0.8	1.8	1.7
Adjustment to Cash	-1.6	1.0	0.5	0.0
Privatisation Funds	0.0	0.2	0.0	0.1
Non-Concessional borrowing	0.0	0.0	0.0	2.1
EPA Resource	0.0	0.2	0.0	0.0

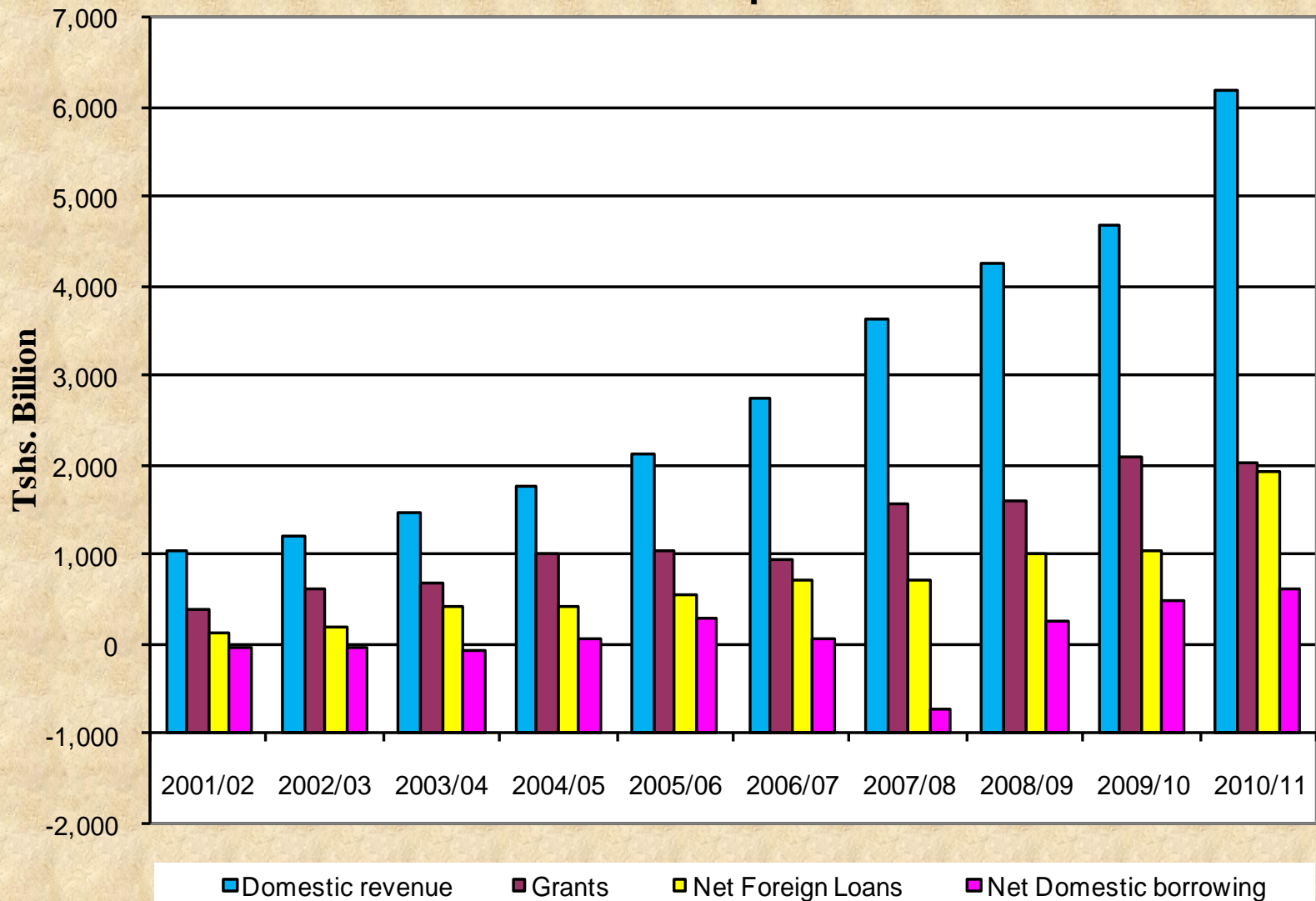
# Sources of Funds for Budget 2010/11

(Total resources Tsh 11,609,557million)

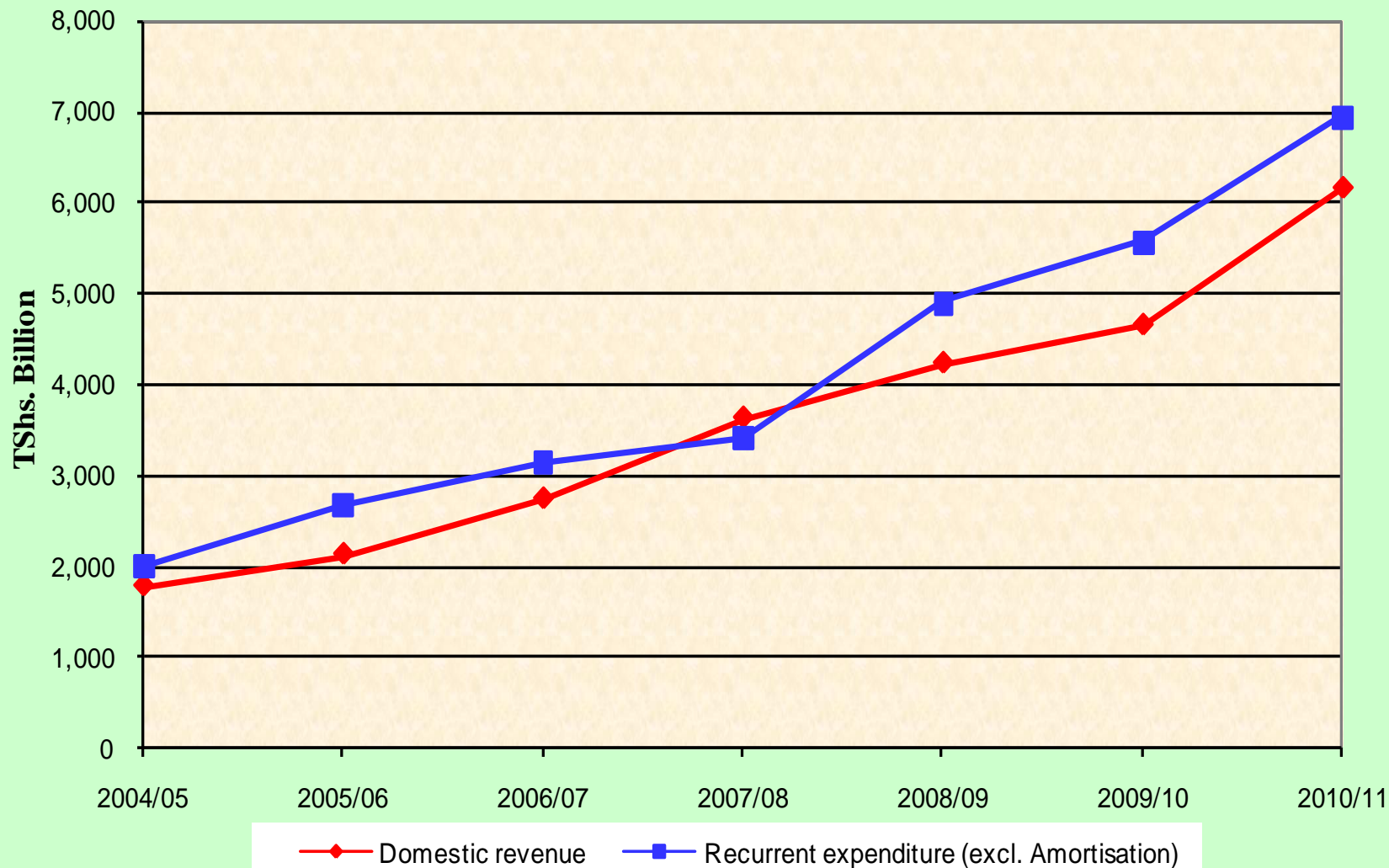


**Source:** Ministry of Finance and Economic Affairs

## Resource Envelope 2001/02 - 2010/11



# Trend in domestic revenue and recurrent expenditure 2004/05 – 2010/11



# Budget 2010/11 – Revenue Status

Billion Shillings

	Budget Estimate	July - October 2010			July - October 2009/10 Actual	Year on year % change
		Estimate	Actual	Percent of Estimate		
<b>Total Domestic Revenue (Incl. LGAs)</b>	<b>6,176.2</b>	<b>1,820.1</b>	<b>1,665.1</b>	<b>91%</b>	<b>1,463.3</b>	<b>14%</b>
<b>Total Domestic Revenue (Excl. LGAs)</b>	<b>6,003.6</b>	<b>1,762.6</b>	<b>1,665.1</b>	94%	<b>1,463.3</b>	14%
Tax Revenue	5,638.6	1,643.7	1,581.4	96%	1393.0	14%
Taxes on Imports	2115.3	638.2	609.4	95%	530.2	15%
Taxes on Domestic Sales	1396.6	403.1	387.5	96%	341.6	13%
Income Tax	1702.3	473.9	472.2	100%	414.1	14%
Other taxes	620.9	188.1	170.1	90%	155.2	10%
Net refunds	-196.5	-59.6	-57.7	97%	-48.2	20%
Non tax revenue	365.0	118.9	83.6	70%	70.3	19%
LGAs own source	172.6	57.5	0.0	0%	0.0	

# Budget 2010/11 *Cont'd*

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- Domestic revenue excluding LGAs own sources was 94% of estimates for July-October 2010
  - Measures are being implemented to improve collections going forward
- Foreign aid: GoT continues to benefit from foreign aid in the form of grants and loans.
  - Disbursements are being received under GBS, projects and basket funds modality



# Budget 2010/11 *Cont'd*

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- The considerations for borrowing are made in line with the debt sustainability framework
  - Non-concessional loans: processes are at advanced stage to raise the budgeted amount of USD 525 million. These funds will be used to finance infrastructure projects
  - The government budget was partly financed from domestic borrowing in the first 4 months of the fiscal year, in line with estimates. These borrowings are made in a way that does not squeeze private sector credit and push interest rates up.

# Key challenges and way forward

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- Increasing domestic revenue collection to fully fund recurrent spending
- Increasing savings to scale up investment in infrastructure development
- Scaling up resources from both domestic and external sources to adequately fund MKUKUTA II interventions



# Expenditure Framework

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- *Having said that, I now invite the Commissioner for Budget, Mrs Monica Mwamunyange, to present Expenditure framework, which is the second part of the budget framework.*



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○ Thank you for your  
attention