THE UNITED REPUBLIC OF TANZANIA

PUBLIC EXPENDITURE REVIEW

2020/21 - 2024/25

ENHANCING EFFICIENCY

DRIVING DEVELOPMENT

PROMOTING ACCOUNTABILITY

IMPROVING LIVES SUSTAINABLY

MINISTRY OF FINANCE

June 2026

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LIST OF ABBREVIATION AND ACRONYMS

ATMIS	Agricultural Trade Management Information System
CAADP	Comprehensive Africa Agriculture Development Programme
COFOG	Classification of the Functions of the Government
COVID-19	Coronavirus Disease 2019
DSA	Debt Sustainability Analysis
EAC	East African Community
EWURA	Energy and Water Utilities Regulatory Authority
FiRCIS	Fisheries Revenue Collection Information System
FYDP	Five-Year Development Program
GDP	Growth Domestic Product
GePG	Government electronic Payment Gateway
GER	Gross Enrollment Ratio
GFS	Government Finance Statistics
Govt	Government
LGAs	Local Government Authorities
MIMIS	Mifugo Integrated Management Information System
MoF	Ministry of Finance
NER	Net Enrollment Ratio

PE	Personnel Emolument
PER	Public Expenditure Review
PMO-RALG	Prime Minister's Office-Regional Administration and Local Government
PPP	Public Private Partnership
PV	Present Value
RUWASA	Rural Water Supply and Sanitation Agency
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SGR	Standard Gauge Railway
SSA	Sub-Saharan Africa
STEM	Science, Technology, Engineering, Mathematics
STI	Research, Science, Technology, and Innovation
TARI	Tanzania Agricultural Research Institute
TFRA	Tanzania Fertilizer Regulatory Authority
TPHPA	Tanzania Plant Health and Pesticides Authority
TVET	Technical and Vocational Education and Training
USD	United States Dollar

UNESCO	United Nations Educational, Scientific and Cultural Organization

DEFINITION OF TERMS

Sector	Represents a functional area of government spending according to COFOG Classification
Agriculture Sector	The sector consists of: Ministry of Agriculture; Ministry of Livestock Development and Fisheries; Ministry of Natural Resources and Tourism (Forestry and Beekeeping); National Irrigation Commission; The Tanzania Cooperative Development Commission; Transfer to LGAs for Agriculture and Livestock Operations; Prime Minister's Office for Market Infrastructure, Value Addition and Rural Financing; and Prisons - Enhancement of Prison Farms.
Education Sector	The sector consists of: Ministry of Education, Science and Technology; PMO–RALG (Basic Education Coordination Division); Regional Secretariats (Education Divisions); Transfer to LGAs-

	Primary Education and Secondary Education; Local Government Training Institute Hombolo; Treasury; Ministry of Finance; Teachers Service Commission; and UNESCO.
Water Sector	The sector consists of: Ministry of Water; Regional Secretariats; and LGAs (8083-Transfer to LGAs-Rural Water Supply, 8088-Transfer to LGAs-Water Supply).
UTAMBUZI	Commonly referred to as the Animal Disease Diagnosis and Identification System

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FOREWORD

It is my pleasure to present the Public Expenditure Review Report covering the five-year period from financial year 2020/21 to 2024/25. The Government of the United Republic of Tanzania remains committed to prudent public financial management, fiscal sustainability and results-oriented budgeting as key pillars for achieving Tanzania Development Vision (DIRA 2050). During the review period, significant public investments were directed towards expanding access to safe and clean water, enhancing agricultural productivity and food security, and improving the quality and accessibility of education services. These investments were implemented within a dynamic economic environment characterized by the recovery from the effects of the COVID-19 pandemic, global economic uncertainties, climate-related challenges, and evolving development priorities.

This report offers valuable evidence on expenditure trends, budget execution performance, resource allocation patterns, and service delivery outcomes across the three sectors of water, agriculture and education. It highlights notable achievements, identifies persistent challenges, and presents opportunities for strengthening resource allocation priorities, public expenditure efficiency and ultimately, maximizing development impact. The review findings demonstrate that while substantial progress has been achieved in expanding infrastructure, increasing service coverage, and improving sector performance indicators, there is a need to further enhance value for money, strengthen expenditure management systems, and improve resource allocation coordination among implementing institutions, and ensure optimal resources allocation. The insights generated through this review provide an important foundation for evidence-based policymaking, medium-term expenditure planning, and resource prioritization.

I wish to express my sincere appreciation to all stakeholders including Ministries, Departments, Agencies, Regions, Local Government Authorities, Development Partners, Non-state actors, researchers and technical experts who contributed to the preparation of this report. Their cooperation, commitment and technical inputs were instrumental in ensuring the quality and credibility of the analysis presented.

As we advance our national development agenda, let us continue to strengthen fiscal responsibility including the culture of accountability, transparency, and evidence-based decision-making to ensure that every public resource contributes meaningfully to improving the lives and livelihoods of Tanzanians.

NMwamba

Dr. Natu E. Mwamba

Permanent Secretary

ACKNOWLEDGEMENT

This report was prepared by a dedicated team of staff from Ministry of Finance, whom we acknowledge. Similarly, sincere appreciation to all sectors and institutions that contributed to the preparation of this Public Expenditure Review (PER) report covering the financial years 2020/21 to 2024/25. The report provides valuable insights into the efficiency and effectiveness of resource allocation in Tanzania and reflects the Government's commitment to sustainable socio-economic development.

Special gratitude is extended to the Management of the Ministry of Finance, led by Honorable Ambassador Khamis Mussa Omar, for his leadership and continued support in strengthening public financial management and national development initiatives. Together with Dr. Natu E. Mwamba, Permanent Secretary of the Ministry of Finance, for her guidance, dedication, and commitment to ensuring effective coordination and implementation of the Ministry's responsibilities.

The review highlights notable achievements, including improved access to water services, progress in sanitation, increased agricultural support and technology adoption, as well as improvements in education enrollment, dropout rate and transition rates. It also recognizes the Government's efforts in domestic revenue mobilization, fiscal discipline, and strategic infrastructure investment.

Finally, heartfelt appreciation is extended to all stakeholders including UNICEF, UNESCO, REPOA, Policy Forum, Haki Elimu;

researchers from higher learning institutions including University of Dodoma (UDOM) and Institute of Rural Development Planning (IRDP); and policymakers whose contributions, expertise, and support made this review possible. Their continued efforts play an important role in promoting transparency, accountability and sustainable development in Tanzania.

EXECUTIVE SUMMARY

This Public Expenditure Review (PER) assesses Tanzania's public expenditure performance over the five-year period from 2020/21 to 2024/25, with a focus on the water, agriculture, and education sectors. The review examines the extent to which public resources have been allocated and utilized efficiently, effectively, and equitably in support of national development priorities and the implementation of Tanzania Development Vision 2050 (DIRA 2050).

The review indicates that macroeconomic environment remained generally stable and supportive of public expenditure management throughout the review period. Real GDP growth averaged 5.2 percent, exceeding regional average, while inflation remained within the national target range, averaging 3.6 percent. The Tanzanian Shilling remained relatively stable, supported by strong export earnings and prudent monetary policy. Revenue performance improved significantly, with Government revenue reaching 100 percent of the annual target in 2024/25 and tax revenue increasing to 12.8 percent of GDP. Total Government expenditure increased from 34.9 trillion shillings in 2020/21 to 50.3 trillion shillings in 2024/25, while budget execution improved from 89 percent to 98 percent, indicating stronger fiscal management and expenditure control. Although public debt increased over the review period, debt sustainability indicators remained within acceptable thresholds, confirming that Tanzania's debt position remains sustainable.

The review of the Sectoral performance reveals mixed but generally positive results. In the water sector, access to safe water and sanitation services improved considerably, with rural water access reaching 83 percent and sanitation coverage surpassing sector targets. However, high levels of non-revenue water, climate-related vulnerabilities and financing constraints continue to affect sector performance. The sector's share of GDP declined from 0.5 percent to 0.3 percent during the review period, suggesting that investment growth has not kept pace with rising demand.

In the agriculture sector, budget allocations increased significantly, reflecting Government recognition of agriculture as a strategic sector for economic transformation and food security. Important achievements include expanded fertilizer distribution, strengthened agricultural research and extension services, increased livestock vaccine production, growth in fisheries infrastructure, and a substantial rise in agricultural exports. Nevertheless, actual expenditure remained below approved allocations, indicating implementation challenges. Public expenditure on agriculture averaged 2.6 percent of the national budget, below the CAADP target of 10 percent, limiting the sector's ability to fully realize its contribution to inclusive growth and structural transformation.

The education sector recorded sustained growth in financing, with the budget increasing by approximately 35 percent over the review period. Significant progress was achieved in expanding pre-primary enrolment, increasing secondary school participation, improving teacher deployment, and expanding education infrastructure. However, concerns remain regarding declining primary enrolment and survival rates, inadequate infrastructure, shortages of qualified teachers in science subjects, regional disparities, and insufficient investment in research, science, technology, and innovation. Higher education participation also remains below national targets despite gradual improvement.

The review identifies several cross-cutting challenges affecting public expenditure effectiveness across the three sectors. These include implementation inefficiencies, increasing pressure from recurrent expenditure, inadequate institutional coordination, climate-related risks, and financing constraints. These factors limit the translation of public spending into desired development outcomes.

To address these challenges, the review recommends strengthening budget credibility and public investment management, increasing development expenditure in strategic sectors, enhancing institutional coordination and accountability, expanding domestic resource mobilization and innovative financing mechanisms, strengthening human capital development, promoting value addition and structural transformation, and investing in climate resilience and sustainability.

Overall, the review concludes that Tanzania has made notable progress in expanding public investment and improving service delivery outcomes. However, achieving the ambitions of DIRA 2050 will require a stronger focus on expenditure quality, efficiency, and impact. Success will depend not only on mobilizing additional resources but also on ensuring that public funds are allocated strategically, implemented effectively, and translated into tangible socio-economic benefits.

CHAPTER ONE: BACKGROUND INFORMATION

1.1 Introduction

Public Expenditure Review (PER) provides systematic and evidence-based assessment of public spending patterns, enabling government institutions to evaluate whether resource allocation and expenditure outcomes align with national development policies and priorities. Specifically, PER examines macro-economic environment, budget credibility, expenditure efficiency, sectoral performance, and financial sustainability, thereby strengthening accountability and ensuring that public investments generate measurable socio-economic outcomes consistent with the long-term development vision. The PER in Tanzania is mandated in Budget Act CAP 439, Regulations (7- 9).

The PER serves as a critical fiscal governance instrument that supports the implementation of Tanzania Development Vision 2050 (DIRA 2050), which was launched in July 2025. The vision is accompanied by several policy reforms that strives to achieve various development objectives, focusing on areas including economic transformation; human capital development; infrastructure development; governance, leadership and institutional capacity; environmental sustainability and climate resilience; social development and inclusion; and science, technology and innovation. Therefore, assessing the efficiency, effectiveness and equity of public expenditure is essential to ensuring that public resources contribute meaningfully towards realization of DIRA 2050 objectives.

1.2 Scope of the Report

The PER covers a five-year period (2020/21–2024/25) and focuses on three key sectors: education, water, and agriculture. The review mainly covers the performance of macro economy, sectoral expenditure patterns consolidated as per COFOG and it involves development as well as recurrent expenditure including national debt. Furthermore, tax and non-tax revenue performance were used to form the basis for the review of resource mobilization.

1.3 Purpose of the Report

The purpose of this PER is to examines the extent to which public resources for the fiscal period 2020/21 to 2024/25 across the water, agriculture, and education sectors have been allocated and utilized efficiently, effectively, and equitably in support of national development priorities and the implementation of DIRA 2050. This report aims to provide a detailed macro-fiscal analysis, assessing how national budgetary trends, fiscal space, and resource mobilization efforts have shaped the fiscal capacity. Further, this review is designed to provide evidence-based insights and policy recommendations to strengthen institutional oversight, improve budget credibility, and ensure that public expenditure in these vital sectors effectively contributes to long-term national development goals.

1.4 Organization of the report

The report is structured into four main chapters, with enhanced analytical depth as follows: first, background which provides conceptual framework and role of PER. Second, macro fiscal analysis, that examines the economic environment in which fiscal policy operates. Third, selected sectoral analysis, which constitutes mainly budget review and service delivery achievements with challenges. Last, recommendation and conclusion, which provides measures that can strengthen the effectiveness of public expenditure management to achieve policy objectives.

CHAPTER TWO: MACRO-FISCAL ANALYSIS

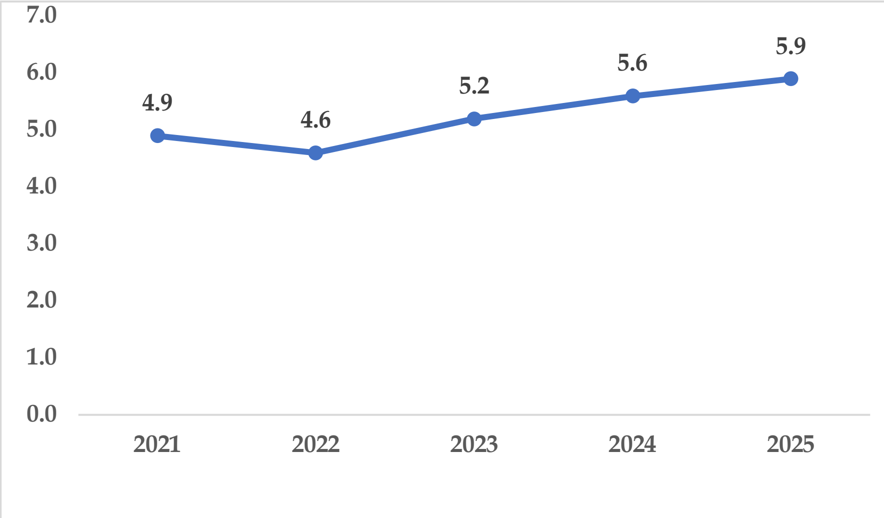
2.1 Macroeconomic Context and Economic Growth Dynamics

This chapter examines the broader economic environment in which fiscal policy operates. It includes trends in GDP growth, inflation, exchange rates and external sector performances, as they directly affect the operation of the Government budget in terms of revenue, expenditure and financing.

2.1.1 GDP Growth

For the past five years, the Tanzanian economy recorded positive growth, averaging annual growth of 5.2 percent **(Chart 2.1).** Economic growth has continued to gain momentum, outpacing regional and global averages (SADC 3.95%, SSA 4.2%, and global 4.12%). This performance was driven by several factors, including continued Government investment in strategic and flagship projects, particularly in energy and transport infrastructure; commencement of electricity generation at the Julius Nyerere Hydropower Project; increased credit to the private sector; implementation of prudent fiscal and monetary policy; favorable weather conditions that supported agricultural production; and increased public investment in social services such as education, health, water supply and social protection.

Chart 2.1: The Trend of Real GDP Growth, 2021-2025 (Percent)

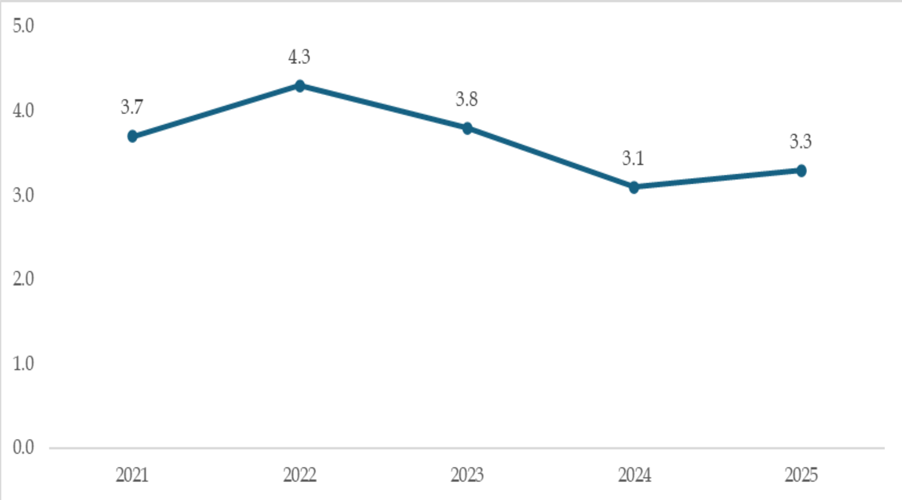


Source: Ministry of Finance

2.1.2 Inflation Trend

Over the past five years, Tanzania has generally maintained moderate and stable inflation, averaging 3.6 percent which is within the country's target range of 3.0 to 5.0 percent and within EAC convergence criteria benchmark of 8.0 percent. This was due to implementation of prudent monetary and fiscal policy, reliable electricity supply, sustaining food self-sufficient ratio following implementation of climate resilience measures as well as provision of fertilizer subsidies and the stabilization of global oil prices. **(Chart 2.2)**

Chart 2.2: Inflation trend, 2021-2025 (Percent)



Source: Ministry of Finance

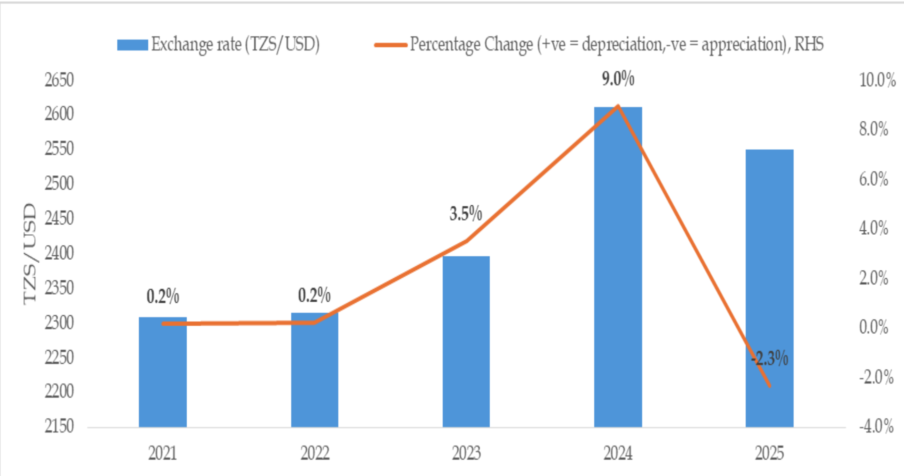
2.1.3 Exchange Rate Trend

Exchange rate fluctuations have a direct and significant effect on the Government budget through both revenue and expenditure channels. When the domestic currency depreciates, the cost of servicing external debt and financing imports such as fuel, medicines, and capital goods increase in local currency terms, thereby raising Government expenditure and putting pressure on the budget deficit.

Over the past five years, Tanzanian shilling against the currencies of major trading partners continued to remain stable despite existing global economic challenges particularly, increase of commodity prices in the world market **(Chart 2.3).** During the period under review, the Tanzanian Shilling recorded an average depreciation of 2.1 percent, trading at an average of 2,435.94

shillings per US dollar. This performance was supported by increased foreign exchange inflows from exports of goods and services, particularly tourism, adequate reserve buffers and prudent monetary policy. In addition, the shilling recorded an appreciation of 5.52 percent in the first six months of 2025/26 following export receipts, particularly gold, tourism and cashew nuts.

Chart 2.3: The Trend of Exchange rate, 2021-2025



Source: Ministry of Finance

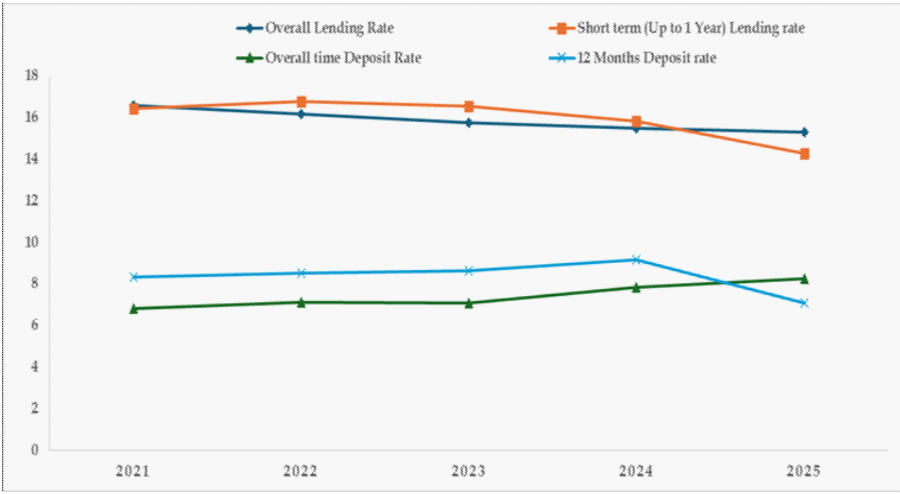
2.1.4 Interest Rate Trend

Interest rate movements have a significant impact on the Government budget, particularly through debt servicing costs and overall fiscal sustainability. Over the past five years, the overall lending rate gradually declined from 16.59 percent in 2021 to 15.28 percent in 2025, while the negotiated lending rate decreased from 13.87 percent to 12.79 percent over the same period, indicating a reduction in borrowing costs that is likely to support private sector investment and economic activity.

Conversely, the savings deposit rate increased from 1.96 percent in 2021 to 2.89 percent in 2025, while the negotiated deposit rate rose from 9.47 percent to 11.15 percent, suggesting increased competition within the banking sector and the broader financial market to attract deposits.

At the same time, the overall Treasury bill rate increased from 4.78 percent in 2021 to 8.38 percent in 2025, implying higher government domestic borrowing costs and increased expenditure on debt servicing. **(Chart 2.4)**

Chart 2.4: The trend of Lending and Deposits Interest Rates, 2021-2025 (Percent)



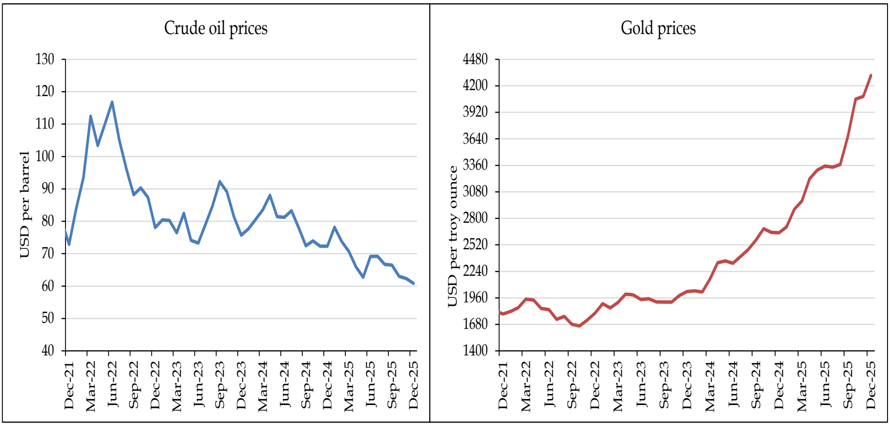
Source: Ministry of Finance

2.1.5 External Sector Developments

The external sector plays a crucial role in shaping the Government budget through its influence on revenues, expenditures, and overall fiscal stability. Strong performance in exports increases Government revenue through trade taxes, export duties, and income generated from export-oriented sectors, while also boosting foreign exchange earnings. The external sector of the economy improved, with the current account deficit narrowing to a five-year low of 2.2 percent of GDP in 2025, on account of a significant improvement in exports of gold, tourism, and transport.

The decline in global oil prices over the reviewed period also contributed to the narrowing of the current account. Foreign currency liquidity was adequate in the fourth quarter of 2025, mainly due to proceeds from exports of cashew nuts, tourism, and gold. Consequently, the Shilling remained stable against USD, recording a slight appreciation of about 0.8 percent by the end of the quarter. Foreign exchange reserves were high, amounting to more than USD 6.3 billion. This level was sufficient to cover about 4.9 months of imports, in line with the minimum requirement of four (4) months **(Chart 2.5).**

Chart 2.5: Crude oil and gold prices



Source: Ministry of Finance

2.2 Revenue

During the period under review, performance of revenue was on average of 92 percent of the annual target **(Chart 2.6)**. Government revenue contributed on average of 66 percent of the Government Budget. In 2024/25, collection of Government revenue depicted impressive performance amounting to 35,525 billion shillings, equivalent to 100 percent of the annual target. Out of the amount, tax revenue amounting to 28,658 billion shillings, while grants and other revenue (non-tax revenue including LGAs own source) reached 6,867 billion shillings. Tax revenue was 28,658 billion shillings, representing 102.3 percent of the annual target and 12.8 percent of GDP—an improvement from 12.2 percent in 2023/24. This was mainly driven by improved voluntary compliance and strengthened tax administration **(Chart 2.7).** The contribution of tax revenue, non-tax revenue, grants and LGAs own source to Government revenue is depicted by **Chart 2.8.**

Chart 2.6: Annual Performance of Government Revenue

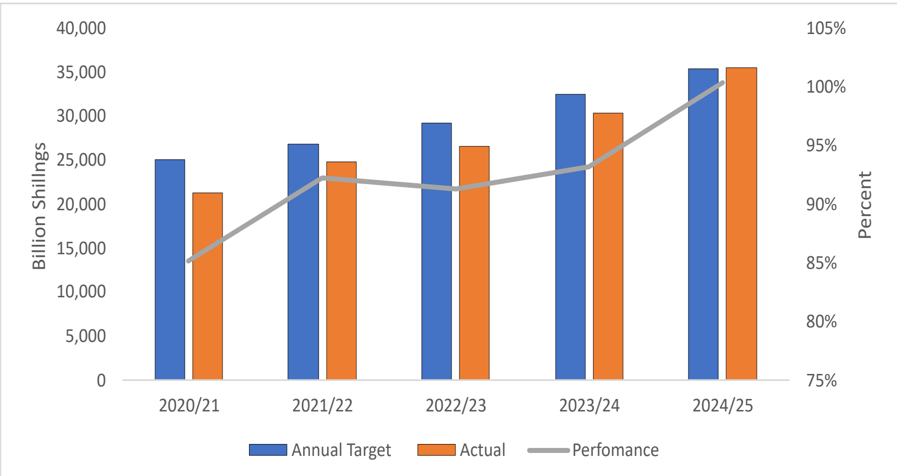
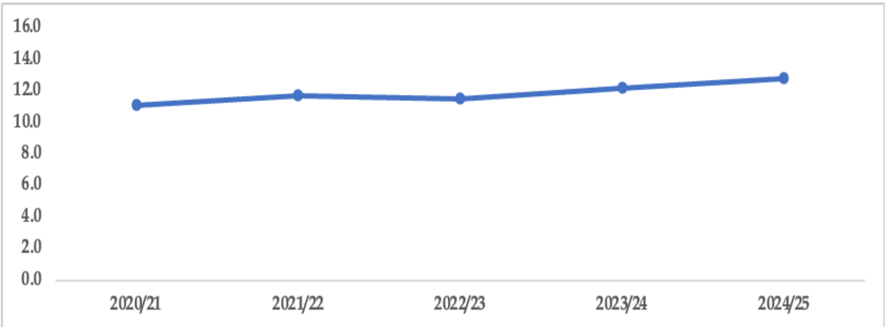
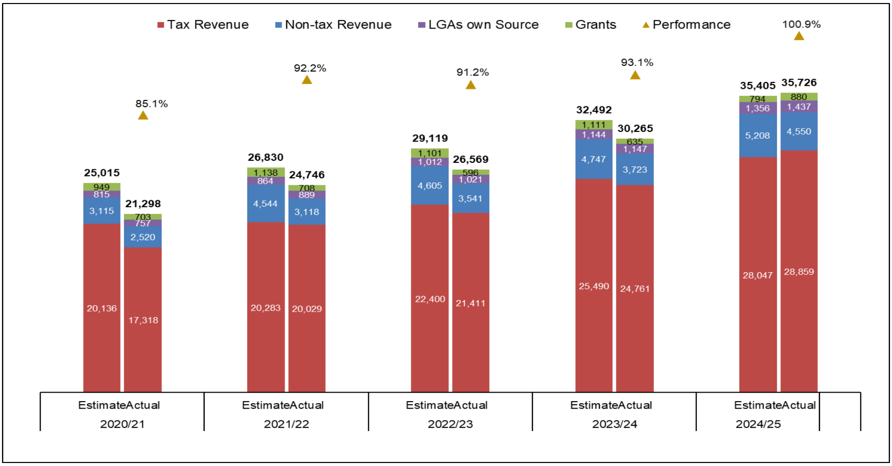


Chart 2.7: Tax Revenue as percentage of GDP



Note: 2025/26 is projection

Chart 2.8: Tax Revenue, Non-Tax Revenue, Grants and LGAs Own Source



Source: Ministry of Finance

2.3 Expenditure Performance

Over the review period, total Government expenditure demonstrates a steady upward trend, increasing from 34,879.80 billion shillings in 2020/21 to 50,291.41 billion shillings in 2024/25. The budget execution improved significantly, rising from 89% in 2020/21 to 99% in 2024/25. This indicates strengthened budget credibility, planning accuracy, and expenditure control mechanisms.

The recurrent expenditure consistently accounted for the largest share of total spending, reflecting Government commitment to sustaining public service delivery. Execution rates remained high and stable, ranging from 92% to 100%.

On the other hand, development expenditure increased from 12,779.30 billion shillings in 2020/21 to 15,402.72 billion shillings in 2024/25, demonstrating continued investment in infrastructure and strategic projects **(Table 2.1).**

Table 2.1: Government Expenditure From 2020/21 to 2024/25 (Billion Shillings)

Year	Category	Budget	Actual	Performance
2020/21	Recurrent Expenditure	22,100.50	20,612.90	93%
	o/w Wages and Salaries	7,762.40	7,638.50	98%
	Debt services	8,649.90	8,020.10	93%
	Development Expenditure	12,779.30	10,525.00	82%
	Development Local	10,043.20	9,239.50	92%
	Development Foreign	2,736.00	1,285.40	47%
	Total	34,879.8	31,137.9	89%
2021/22	Recurrent Expenditure	23,003.00	22,468.80	98%
	o/w Wages and Salaries	8,150.50	8,087.40	99%
	Debt services	8,834.80	8,698.20	98%
	Development Expenditure	14,989.60	13,823.30	92%
	Development Local	10,723.00	11,461.60	107%
	Development Foreign	4,266.60	2,361.70	55%
	Total	37,992.50	36,292.10	96%
2022/23	Recurrent Expenditure	26,196.20	26,190.30	100%
	o/w Wages and Salaries	9,830.75	9,046.21	92%
	Debt services	9,094.00	9,970.30	92%
	Development Expenditure	15,006.00	13,319.10	89%
	Development Local	12,306.92	12,259.08	100%
	Development Foreign	2,699.08	1,711.62	63%
	Total	41,480.90	39,521.60	95%

Year	Category	Budget	Actual	Performance
2023/24	Recurrent Expenditure	21,931.20	20,232.00	92%
	o/w Wages and Salaries	10,882.13	9,978.93	92%
	Debt services	10,480.10	10,801.30	92%
	Development Expenditure	14,636.40	11,706.00	80%
	Development Local	10,795.14	11,182.32	104%
	Development Foreign	3,282.08	3,454.10	105%
	Total	44,388.1	43,356.70	105%
2024/25	Recurrent Expenditure	34,937.81	33,959.56	97%
	o/w Wages and Salaries	11,767.99	11,238.56	96%
	Debt services	23169.83	22720.94	98%
	Development Expenditure	15,353.60	15,402.72	100%
	Development Local	11,712.76	12,715.89	109%
	Development Foreign	3,640.83	2,686.83	74%
	Total	50,291.41	49,362.28	98%

Source: Ministry of Finance

- Budget – approved budget
- Actual – actual expenditure

2.4 Public Wage Bill Management

Tanzania's public sector wage bill has shown a steady upward trend over the period 2020/21 to 2024/25, increasing from 7,762.39 billion shillings to about 11,767.99 billion shillings yet it remains moderate relative to key fiscal indicators and global average **(Table 2.2).** This expansion reflects the Government's continued efforts to strengthen public service delivery through recruitment of staff in priority sectors such as education and health; salary adjustments and promotions; and the expansion of public institutions and services.

The public sector wage bill on average over five-year period accounts for about: 34.1 percent of domestic revenue which is around the global average of 36 percent; 23.1 percent of total government expenditure which is slightly below the global average of 27 percent; and 4.9 percent of GDP where by globally, the wage bill constitutes approximately 9 percent of GDP (World Bank, 2025).

This suggests the existence of significant fiscal space, providing the Government with the necessary capacity to pursue a carefully managed expansion of personnel within priority areas.

Table 2.2: Public Wage Bill Analysis (billion shillings)

Year	PE Approved Budget VS Expenditure		Domestic Revenue incl. LGAs own source		GDP	Govt Expenditure	PE share to Govt Expenditure	PE share to Domestic Revenue	PE Share Of GDO
	Budget	Actual	Budget	Actual					
2020/21	7,762.39	7,638.53	24,065.54	20,594.74	155,544.67	34,879.79	22.3%	37.1%	4.9%
2021/22	8,150.51	8,087.44	25,691.73	24,395.57	169,992.16	36,329.74	22.4%	33.2%	4.8%
2022/23	9,830.75	9,044.92	28,017.87	26,277.89	185,692.09	41,480.58	23.7%	34.4%	4.9%
2023/24	10,882.13	9,978.92	31,381.01	29,829.89	202,323.90	44,388.07	24.5%	33.5%	4.9%
2024/25	11,767.99	11,238.56	34,610.65	34,845.87	223,676.81	49,821.15	22.6%	32.3%	5.0%

Source: Ministry of Finance

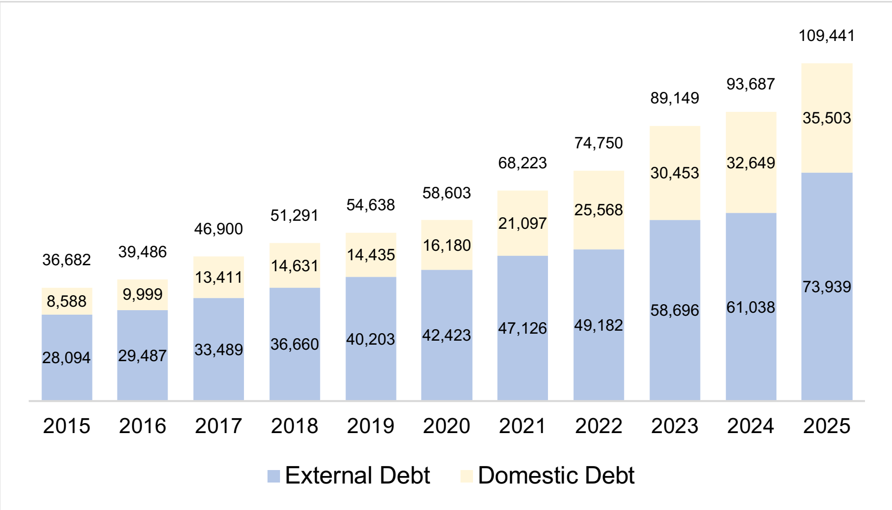
2.5 Budget Financing

Over the past five years, the fiscal deficit averaged 3.5 percent of GDP slightly higher than the EAC threshold of 3.0 percent, reflecting a moderate level of budget imbalance. This deficit was financed through a combination of external and domestic sources, with external financing contributing an average of 1.7 percent of GDP and domestic financing accounting for 1.8 percent of GDP. The relatively balanced composition of financing indicates a diversified approach to deficit funding, helping to spread risks between foreign and local borrowing.

2.5.1 Government Debt

As at end of June 2025, Government Debt Stock stood at 109,441.3 billion shillings (USD 41,642.51 million), increase of 13.0 percent compared to 96,884.2 billion shillings (USD 36,698.55 million) recorded at the end of June 2024 **(Chart 2.9).** Out of the recorded Government debt stock, domestic debt accounts for 35,502.78 billion shillings, equivalent to 32.4 percent and external debt accounts for 73,938.5 billion shillings, equivalent to 67.6 percent. The increase in the debt stock was primarily driven by new domestic borrowing through the issuance of government securities, disbursements from external creditors, and the depreciation of the Tanzanian shilling against the US Dollar. Multilateral creditors continue to dominate the external debt portfolio; however, the degree of concession has shifted toward semi-concessional credit facilities, a trend reflected in the steady increase in annual interest payments.

Chart 2.9: Trend of Central Government Debt Stock (Billion shillings)



Source: Ministry of Finance

2.5.2 Government Debt Sustainability

The Debt Sustainability Analysis (DSA) aimed to assess the Government's capacity to withstand its debt obligations in the short, medium, and long term, while ensuring that borrowing remains sustainable without adversely affecting economic growth.

The assessment is conducted based on key sustainability indicators, including the ratio of the present value (PV) of debt to Gross Domestic Product (GDP); the ratio of the PV of debt to external payments; and the ratio of debt service to domestic revenue and export earnings.

Over the past five years, Tanzania's public debt has remained sustainable, with key liquidity and solvency indicators consistently staying within internationally accepted thresholds. This reflects a continued commitment to prudent borrowing practices and improved debt management frameworks **(Table 2.3).**

Table 2.3: Debt Sustainability Indicators under the Baseline Scenario

External DSA	Threshold	Actuals for each year (percent)				
		2020/21	2021/22	2022/23	2023/24	2024/25
PV of debt-to GDP ratio	40	18.8	18.1	19.0	23.6	24.9
PV of debt-to-exports ratio	180	142.4	119.6	113.2	127.5	125.4
Debt service-to-exports ratio	15	14.8	13.5	12.7	11.7	11.6
Debt service-to-revenue ratio	18	14.6	14.1	14.3	14.5	14.7
Public DSA						
PV of debt-to GDP ratio	55	31.0	32.5	35.6	41.1	40.7
PV of debt-to-revenue and grant ratio	N/A	224.9	217.3	232.9	267.6	254.7
Debt service-to-revenue and grant ratio	N/A	36.2	34.0	34.2	35.4	35.0

Source: Ministry of Finance

CHAPTER THREE: SECTORAL ANALYSIS

This chapter presents a structured performance analysis for the three selected sectors of water, agriculture and education as priority areas for national development and public service delivery. It assesses sector performance against policy objectives, budget allocations and service coverage indicators, while identifying systemic constraints that limit efficiency and impact.

3.1 Water Sector

3.1.1 Overview

Water sector is an important driver for supporting other sectors such as energy, manufacturing, agriculture and health. It encompasses the systems, infrastructure, and management of water resources, including the extraction, treatment and distribution of water, along with waste water collection and treatment. The sector is guided by the National Water Policy (2002 version 2025), which recognizes water as a finite and strategic resource for national development. The core mandate is vested in the Ministry of Water in accordance with Government Notice No. 534 of July 2021, covering policy and strategy formulation, regulatory oversight, resource mobilization, and coordination of water resources management and service delivery. These functions are implemented in alignment with national priorities outlined in DIRA 2050, FYDP IV and global commitments under the Sustainable Development Goals.

The sector is coordinated by the Ministry of Water and implemented through various institutions including National Irrigation Commission, transfers to RS and LGAs, the Rural Water

Supply and Sanitation Agency (RUWASA), Urban Water Supply and Sanitation Authorities (WSSAs), Basin Water Boards, Water Quality Laboratories, and the Water Institute. These institutions are responsible for water resources management, development and maintenance of water supply and irrigation infrastructure, regulation and delivery of water and sanitation services, water quality monitoring, research, training, and capacity building to ensure sustainable and reliable water services for socio-economic development *(Figure 3.1).*

Figure 3.1: Lake Victoria water production facility, Ihelele - Mwanza

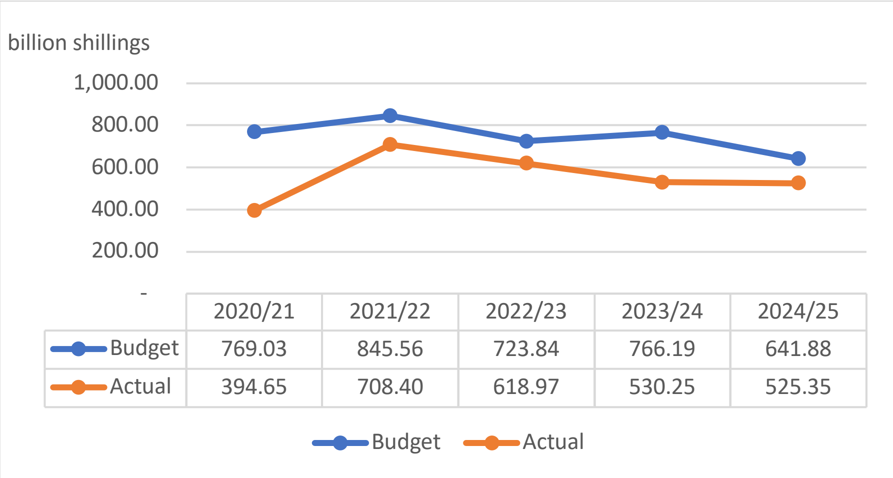
3.1.2 Budget Review

i) Budget Review Analysis

Over the review period, the water sector budget in Tanzania showed notable volatility, reflecting both fiscal adjustments and evolving sector priorities. The approved budget declined from 769.03 billion shillings in 2020/21 to 641.88 billion shilling in

2024/25. Actual spending measured on a disbursement basis followed a similarly uneven pattern, increasing significantly from 394.65 billion shillings in 2020/21 to 525.35 billion shillings in 2024/25. While execution rates improved markedly after 2020/21, the persistence of gaps between approved budgets and disbursements in later years points to ongoing implementation and cash flow constraints, particularly affecting the timing and pace of project execution ***(Chart 3.1).***

Chart 3.1: Water Sector Budget Performance for the period 2020/21 – 2024/25



Source: Ministry of Finance

The budget allocation has shown a decline trend throughout the review period due to the following reasons:

a) **Shift from Development to Recurrent Expenditure:** The decrease in the budget allocation is primarily attributed to the completion of two major strategic water supply projects of Same-Mwanga-Korogwe Water Supply Project and the Mugango-Kiabakari-Musoma Water Supply Project. The completed projects are now operational and continue to provide water services to the intended beneficiaries, shifting expenditure needs from capital investment to routine operation and maintenance activities;

b) **Increasing Competition for Limited Public Resources:** In recent years, the government has allocated substantial funds to strategic infrastructure and social sectors such as transport, energy, health, and education. Large national projects including the Standard Gauge Railway (SGR), Julius Nyerere Hydropower Project, and road infrastructure have placed significant pressure on the national budget; and

c) **Dependence on Development Partner Financing:** Fluctuations in development partner support, changing donor priorities, and delays in disbursement of external funds have affected the implementation of planned water projects.

ii) Water Sector Share to GDP

The water sector's share of GDP declined from approximately 0.5 percent in 2020/21 to about 0.3 percent in 2024/25. This suggests that investment in water infrastructure and services is not expanding proportionately with increasing population, urbanization, and economic activities that continue to raise demand for water services.

iii) Major Water Sector Projects Over Review Period

Over the five-year period from 2020/21 to 2024/25, the Government invested highly on several water projects, reflecting a clear strategic focus on addressing both rural equity and rapid urban growth. The largest portion of this budget, amounting to 1,401.44 billion shillings, was directed to the Rural Water Supply and Sanitation Programme, signaling a national priority to bridge the rural-urban water access gap and improve public health outcomes.

Concurrently, significant investments exceeding 883.55 billion shillings were channeled into the expansion and rehabilitation of urban water supplies to keep pace with the mounting demand created by Tanzania's ongoing urbanization. Collectively, these disbursements imply a heavy reliance on high-capital infrastructure projects to ensure future water security, which in turn necessitates strong administrative oversight to ensure that these substantial financial commitments effectively deliver sustainable service improvements for the population ***(Table 3.1).***

Table 3.1: Major water sector projects 2020/21 – 2024/25 (million shillings)

Project Name	2020/21	2021/22	2022/23	2023/24	2024/25
WSDP Monitoring & Coordination	10,327.45	8,725.95	7,390.30	9,667.05	6,100.00
Development & Management of Water Resources	39,000.00	37,500.00	29,870.00	41,500.00	37,224.45
Rural Water Supply & Sanitation Programme	326,377.28	326,377.28	249,072.20	273,563.08	226,047.76
Rehabilitation & Expansion of Urban Water Supply	101,723.78	72,303.78	77,797.60	109,117.98	55,246.43
Expansion of Urban Water Supply	85,507.87	68,158.87	103,190.33	104,384.85	106,115.64
Same- Mwanga-Korogwe Project	29,200.00	12,200.00	11,648.00	19,300.00	5,000.00
Lake Victoria Shy/Kahama Water Supply	26,491.00	27,421.00	28,889.00	16,882.79	37,893.15
Improvement of DAWASA Project	48,000.00	51,000.00	46,624.27	35,400.00	29,945.29
Kidunda Dam Construction	3,000.00	1,000.00	62,500.00	60,426.81	43,978.00

Source: Ministry of Water

3.1.3 Service Delivery Achievements

During the period under review the following were achieved:

i. Percentage of rural population with access to piped or protected water as their main source reached 83 percent out of 85 percent which was targeted. Continued efforts and enhanced funding will support the completion of ongoing schemes, ensuring that the remaining 1,575 out of 12,318 villages attain access to water by 2030;

ii. Proportion of households in rural areas with improved sanitation facilities reached 80 percent out of 75 percent, reflecting strong progress in sanitation improvement initiatives and effective coordination efforts. Going forward, Ministry of Water in collaboration with Ministry of Health, Ministry of Education and PMO-RALG, will intensify efforts to promote sanitation in rural areas;

iii. Regional Centre population with access to piped or protected water as their main source reached 91.6 percent out of 95 percent which was targeted, with most of the population covered. Additional investments, including securing alternative financing such as an Innovative Water Sector Bond, will accelerate progress toward achieving the remaining target;

iv. Percentage households connected to conventional public sewer systems in Regional Centers reached 13 percent out of 30 percent target. Initial progress has been recorded in expanding sewer connections, providing a strong foundation for scaling up through increased partnerships and investments;

v. Non-Revenue Water (NRW) in Regional Centers reached 36.8 percent, with increased attention to system improvements expected to enhance efficiency toward achieving acceptable national NRW levels. The Government aims for NRW in Regional Centers to be equal or less than 20 percent; and

vi. District capitals and small towns population with access to piped or protected water reached 80 percent out of 85 percent targeted. Ministry of water is implementing 28 town water projects, which upon completion will significantly increase access in district capitals and small towns.

3.1.4 Key Sector Challenges

i) **High Financial Resource Requirements for Investment in Large Water Projects:** Investment in large strategic water projects such as the construction of major dams, as well as infrastructure for transmission of water from reliable sources to areas facing scarcity, requires substantial financial resources. There have been challenges in mobilizing funds for the implementation of such projects, including strategic dams at Kidunda, Farkwa, Lugoda, and Lower Songwe;

ii) **High Non-Revenue Water (NRW):** Although progress has been made in reducing NRW levels, losses remain above the recommended benchmark of 20 percent, indicating persistent inefficiencies in water production and distribution systems. High NRW continues to result in substantial water losses, reduced revenue collection, and increased operational costs, thereby constraining the sector's ability to expand and sustain quality water services;

iii) **Pollution and Degradation of Water Sources:** The water sector has continued to face encroachment on water sources, conflicts over water use, pollution of water sources, and unregulated water abstraction, thereby threatening the sustainability of water resources in the country; and

iv) **Climate Change:** Climate change has continued to affect projects implementation across various sectors, including the water sector. For instance, in 2023/24, heavy rains caused disasters and destroyed water infrastructure in Hanang' (Manyara), Lindi, and Mbeya. In other areas, climate change has contributed to the reduction or drying up of some water sources, decreased water production, and increased water rationing.

3.2 Agricultural Sector

3.2.1 Overview

The agricultural sector remains a cornerstone of Tanzania's economy, contributing significantly to employment, food security and rural livelihoods. The sector employs approximately 60–65 percent of the population and plays a central role in poverty reduction and inclusive growth. Its strategic importance is reinforced by national frameworks such as the National Agricultural Policy (2013), National Livestock Policy (2006), National Fisheries Policy (2015), DIRA 2050, Agricultural Master Plan (2050), National Irrigation Policy (2010), Agricultural Sector Development Plan (ASDP II) and the Agenda 10/30 Initiative, alongside with regional and global commitments including CAADP and the Sustainable Development Goals (SDGs).

Agricultural sector is coordinated through multiple agencies, including Ministry of Agriculture, Ministry of Livestock and Fisheries, Ministry of Natural Resources and Tourism and Prime Minister's Office. These ministries collectively support productivity enhancement, regulatory oversight, and technological transformation. In recent years, the sector has increasingly shifted toward modernization through digital platforms (e.g., GePG, ATMIS, e-Kilimo, FIRCS, MIMIS, UTAMBUZI), climate-smart agriculture practices, and value chain development. This transition reflects a broader global movement toward resilient and sustainable agri-food systems **(Figure 3.2 & 3.3).**

Figure 3.2: Agricultural Investment, Kilombero

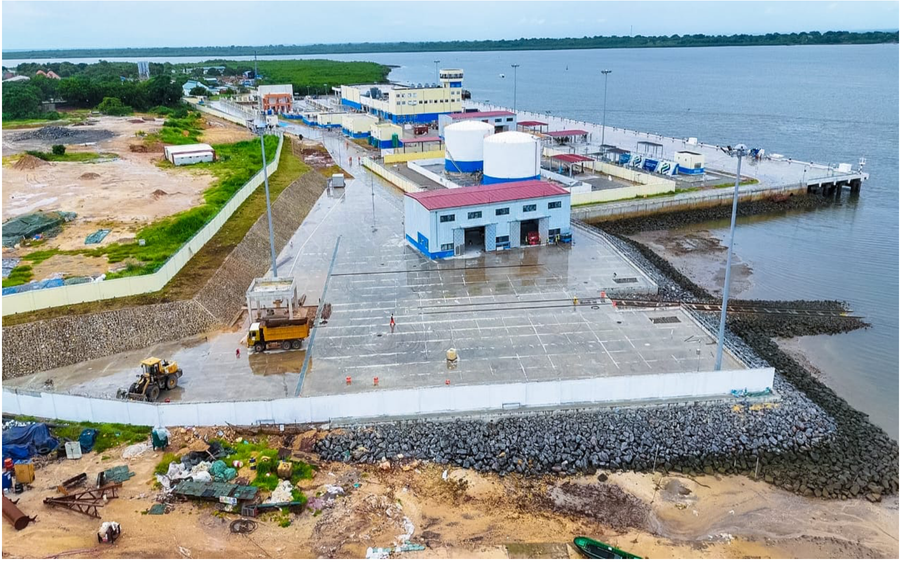


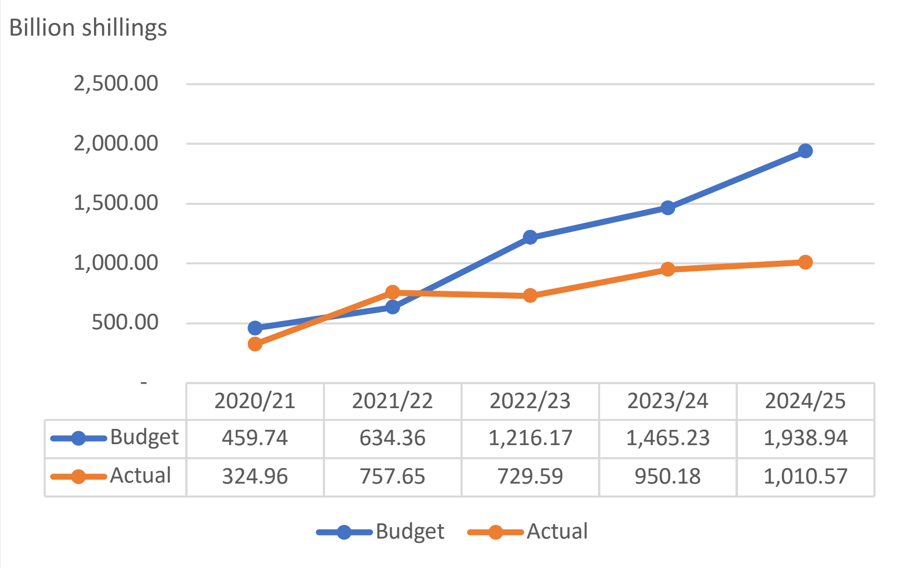
Figure 3.3: Kilwa Masoko Fishing Port

3.2.2 Budget Review

i) Budget Review Analysis

Over the review period (2020/21–2024/25), the agricultural sector experienced a substantial increase in approved budget allocations, rising from 459.7 billion shillings in 2020/21 to 1,938.9 billion shillings in 2024/25, reflecting the Government's continued recognition of agriculture as a strategic sector for economic growth, food security, industrialization, employment creation and rural development. Actual expenditure also increased from 325.0 billion shillings in 2020/21 to 1,010.6 billion shillings in 2024/25 as illustrated in **Chart 3.2.**

Chart 3.2 Agriculture Sector Budget Review and Trend Analysis (2020/21 – 2024/25)



	2020/21	2021/22	2022/23	2023/24	2024/25
Budget	459.74	634.36	1,216.17	1,465.23	1,938.94
Actual	324.96	757.65	729.59	950.18	1,010.57

Source: Ministry of Finance

The trend suggests the existence of structural constraints affecting budget implementation, including cash flow limitations, competing fiscal priorities, and delays in disbursement of development funds. The sharp increase in approved allocations from 2022/23 onwards appears to be associated with the expansion of strategic agricultural interventions and government initiatives aimed at accelerating sector transformation. Nevertheless, relatively lower expenditure performance compared to approved budgets indicates implementation challenges within the sector affecting the timely execution of development projects, extension services, input distribution programs, and other productivity-enhancing interventions within the sector.

ii) Agriculture Sector Share to GDP and Public Expenditure

Over the review period, the sector's contribution to GDP has remained relatively stable, averaging between 26 and 28 percent. Despite this substantial contribution, the sector's share of public expenditure remains comparatively low averaged 2.6 percent, which is below CAADP recommended allocation of at least 10 percent of the total national budget.

This level of public investment on agriculture does not unlock sector's full potential, which in particular may limit the pace of productivity improvements due to constrained funding for key areas such as research, extension services, and irrigation. This may also slow progress towards commercialization and reduce sector's capacity to respond effectively to climate-related challenges. From a public finance perspective, this indicates untapped opportunities, given the well-established role of agriculture in supporting poverty reduction and broad-based growth. As a result, the current level of expenditure moderates the sector's potential to fully contribute to inclusive economic growth and long-term structural transformation **(Table 3.2).**

Table 3.2: Agriculture Share to GDP

Financial Year	Agriculture Share to GDP (%)	Agriculture Share in Total Budget (%)	CAADP Benchmark (≥10%)	Gap Analysis (Based on CAADP Benchmark)
2020/21	27.2	1.3	10	-8.70
2021/22	26.9	1.7	10	-8.30
2022/23	27.5	2.9	10	-7.10
2023/24	26.7	3.3	10	-6.70
2024/25	27.0	3.9	10	-6.10
Average	27.1	2.6	10	-7.40

Source: Tanzania National Bureau of Statistics (GDP Reports); World Bank (World Development Indicators); Ministry of Finance Tanzania (Budget Speeches); African Union (Biennial Review Reports).

iii) Major Agriculture Sector Projects Over Review Period

Over the five-year period from 2020/21 to 2024/25, government expenditure in the agriculture sector, demonstrated a direct productivity support and infrastructure modernization. The crop development program and agricultural input support projects emerged as critical areas for government interventions, signaling an intensified national commitment to subsidizing essential inputs to drive crop yields. Simultaneously, investment in livestock infrastructures and health has improved the production, export and livestock - keepers' livelihoods.

Furthermore, investment in fisheries and aquaculture infrastructure grew rapidly, rising from zero in 2020/21 to 154.44 billion shillings in 2024/25, which shows an effort to diversify the sector beyond traditional practices. While this increased capital commitment aims to boost food security and productivity, the observed funding volatility in established initiatives, such as the National Food Security Programs, suggests that long-term stability in budget execution remains essential for sustaining these developmental gains **(Table 3.3).**

Table 3.3: Major Agriculture sector projects 2020/21 – 2024/25 (billion shillings)

AGRICULTURE SECTOR PROJECT/PROGRAM	2020/21	2021/22	2022/23	2023/24	2024/25
National Food Security Programs	72.80	92.09	41.50	62.40	4.23
Tanzania Food System Resilient Project (TFSRP)	-	-	-	-	70.91
Agricultural and Fisheries Development Programme	-	9.00	22.23	18.40	18.35
Tanzania Agricultural Input Support Project -TAISP	-	-	-	168.30	346.64
Southern Agricultural Corridor of Tanzania (SAGCOT)	1.50	1.18	2.00	0.80	0.80
Building a Better Tomorrow - BBT	-	-	-	-	28.58
Crop Development Program	25.11	325.56	80.78	125.74	99.60
Fisheries & aquaculture infrastructure development	-	-	3.11	58.32	154.44
Fisheries aquaculture research, training ext. Serv	-	3.18	5.64	0.80	-
Grazing land and animal feed resources development	1.48	0.72	8.56	13.44	10.57
Livestock production and marketing	6.24	3.77	21.27	22.04	32.68

Source: Ministry of Finance

3.2.3 Service Delivery Achievements

Over the review period, the sector recorded gradual improvements in Crop, Livestock and Fisheries sub-sectors productivity, as described below:

a) Crop Production Sub - sector

i. **Strengthened Research and Innovation Systems:** Tanzania Agricultural Research Institute (TARI) developed and disseminated improved seed varieties across a range of crops, including cereals, legumes, oilseeds, and horticultural crops. These interventions contributed to steady growth in agricultural output, consistent with estimates from the World Bank indicating average annual agricultural growth of about 3 to 4 percent;

ii. **Increased Supply of Fertilizer and Additives:** Reducing farmers' production costs by investing in access to agricultural inputs such as fertilizers, improved seeds and pesticides through subsidy program. For example, Tanzania Fertilizer Regulatory Authority (TFRA) coordinated the supply of 1,213,729 tonnes of fertilizers and additives in 2024/25, representing 80.9 percent of the annual target of 1,500,000 tonnes. Of this amount, 542,096 tonnes valued at TZS 182.13 billion were distributed to farmers. The fertilizer access has strengthened the utilization from 19 kilograms to 24 kilograms per hectare equal to 48 percent of the target of 50 kilograms per hectare, in line with the CAADP resolution;

iii. **Pest Control Efficiency and Technology Adoption:** The government strengthened pest and disease control through adoption of modern technologies and enhanced institutional capacity, including acquisition of an aircraft for aerial crop pest control, registration of 20 bio-pesticides, installation of Remote Sensing and Geographical Information Systems, and procurement of advanced laboratory equipment, drone sprayers, boom sprayers, acre packs, and sprayers. These interventions improved response efficiency, reduced crop losses, and stabilized production levels, particularly for strategic crops;

iv. **Extension Services Delivery and Outreach:** to strengthen extension services to farmers, the government managed to procure and distribute working tools including: 44 vehicles; 6,444 motorcycles; 143 soil testing kits; 5,426 tablets; and 1,662 extension kits. In addition, 50 houses for Extension Officers were constructed for the purpose of improving extension services to farmers, thus allowing timely recommendations, improved farmer advisory services, promotes sustainable farming, capacity building and demonstrations; and

v. **Increase in Export:** The value of agricultural export has increased from approximately USD 1.2 billion to about USD 3.54 billion in 2023/2024. This growth has been driven by exports of various crops including cashew nuts, avocados, sesame, pigeon peas, cotton, coffee, and tobacco.

b) Livestock Sub-sector

i. **Livestock Vaccine Production:** to strengthen national animal health systems and reducing transboundary animal disease risks, the Tanzania Veterinary Laboratory Agency managed to produce and distribute 82.8 million doses of livestock vaccines compared to 65.1 million doses, equivalent to an increase of 27.2 percent. These doses were for Newcastle disease, Anthrax, Blackleg, Contagious Bovine Pleuropneumonia, Brucellosis (abortion-related), and Contagious Caprine Pleuropneumonia;

ii. **Animal Feed Production and Processing:** the number of livestock feed manufacturing plants increased to 279 from 199, which has accelerated to the increase of pasture seeds from 3,874.5 kilograms to 45,492 kilograms. This increase has resulted to the increase in production of hay from government farms from 81,188.00 to 169,172.00 rolls; and

iii. **Livestock Research:** to improve upgrading of processing infrastructure, procurement of farm equipment, and expansion of production farms, the Tanzania Livestock Research Institute on average conducts over 50 researches annually. Through those researches, 450 hybrid beef and dairy cattle, and 407 hybrid goats were produced compared to 217 hybrid beef and dairy cattle and 84 hybrid goats produced.

c) Fisheries Sub-sector

i. **Investment in Fishery:** the continued improvement in investment and infrastructure has accelerated the growth of fishery sub-sector through: construction of Kilwa Masoko Fishing harbour; increased fishery products transport vessels from 541 to 2,694; increased fishery product warehouses from 90 to 555; large scale fish processing industries from 19 to 64; small scale industries from 34 to 38; increased investment in aquaculture including fish cage farming from 473 cages to

1,636; and construction of seven (7) Aquafarm Field schools; and

ii. **Safety and Quality Control of Fishery Products:** The Government conducted 8,452 inspections to ensure safety and quality of fishery products on 64 large and medium fish processing factories, 143 fish landing sites, and 555 fish warehouses compared to 7,685 inspections, 51 large and medium fish processing factories, 124 fish landing sites, and 52 fish warehouses.

3.2.4 Key Sector Challenges

i) **Limited Access to Agricultural Inputs:** Although progress has been made in fertilizer and vaccines distribution through subsidy programs, the access to key inputs remains below national demand. For example, fertilizer supply reached about 80.9 percent of the target in 2024/25, leaving a notable gap. Additionally, reliance on imported inputs exposes the sector to global price volatility and supply chain disruptions, limiting affordability and accessibility for smallholder farmers and fishers;

ii) **Weak Extension Services Coverage:** Despite recent investments in extension infrastructure and mobility, the sector continues to experience inadequate extension service coverage. The extension worker-to-farmer ratio remains below recommended standards, limiting the dissemination of improved agricultural practices and technologies. For example, livestock extension officer to farmer ratio is 1:2,800 which was significantly lower than the World Bank recommendation of 1:500 (NAOT 2024). This reduces the effectiveness of other interventions such as improved seeds and fertilizers;

iii) **Climate Change and Environmental Vulnerability:** The sector remains highly vulnerable to climate variability due to over-dependence on rain-fed agriculture, and reliance on natural environmental systems for production. The existence of prolonged droughts, changing rainfall patterns, floods and pest outbreaks has reduced production and productivity. Moreover, Livestock keepers largely depend on natural grazing in forests, rangelands, and communal pastures, making animal production sensitive to droughts and seasonal feed shortages. Similarly, fishers rely on small-scale, locally constructed boats and traditional fishing methods, which are heavily influenced by weather patterns, water levels, and seasonal changes in aquatic ecosystem;

iv) **Low Level of Agro-Processing and Value Addition:** The agricultural sector is characterized by low levels of value addition and weak linkages with agro-processing/industrial sector leading to a significant proportion of post-harvest loses, raw agricultural produce exports, low income to farmers and reduces export earnings; and

v) **Limited Access to Finance:** Despite the public and private initiatives focus on farmers access to finance, affordable finance for farmers remains constrained. This has been attributed by perception of agriculture as high-risk venture by financial institutions, resulting in limited credit accessibility.

This restricts investment in productivity-enhancing inputs and technologies, thereby slowing sector growth.

3.3 Education Sector

3.3.1. Overview

Education is a key driver of Tanzania's social and economic development, providing the knowledge, skills, and competencies needed to build a productive, innovative, and prosperous society. Recognizing education as a fundamental human right and a foundation for sustainable development, the Government continues to invest in expanding access to quality, equitable, and inclusive education at all levels. The sector is guided by the Education and Training Policy, 2014 (2023 Edition), which provides the overarching framework for the provision of quality, inclusive, and relevant education and training at all levels. At the international level, Tanzania's education priorities are aligned with Sustainable Development Goal 4 (SDG 4), the Education 2030 Agenda, the Dakar Framework for Action, the Salamanca Statement on Inclusive Education, the African Union's Agenda 2063 and Continental Education Strategy for Africa (CESA 2016–2025), which collectively promote inclusive, equitable, and quality education for all.

Education services are delivered through various institutions comprising; the Ministry of Education, Science and Technology (MoEST), the Education Administration Department under the President's Office – Regional Administration and Local Government (PO-RALG), Ministry of Finance, Regional Secretariats, Local Government Authorities, the Teachers Service Commission (TSC), and other institutions responsible for curriculum development, examinations, quality assurance, teacher education, technical and vocational training, higher education, and the promotion of science, technology, and innovation **(Figure 3.4).**

Girls' Secondary School - Rukwa

Digital technology in teaching - Dar es Salaam

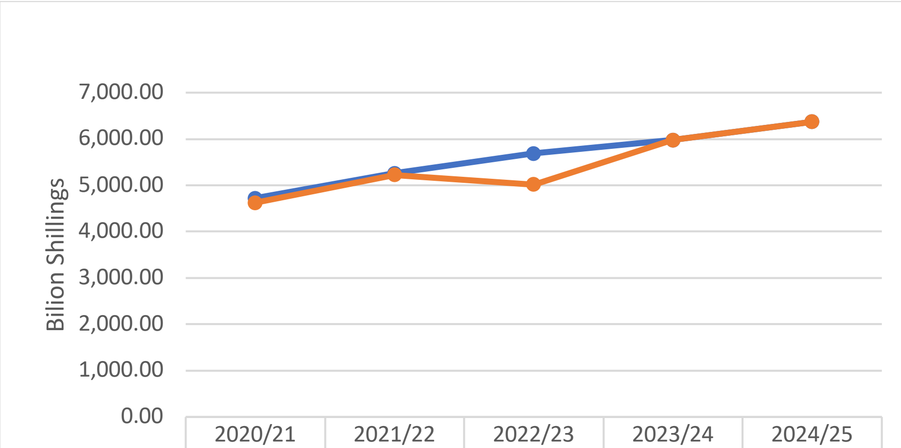
Figure 3.4: Modern education infrastructure in Tanzania

3.3.2 Budget Review

i) Budget Review Analysis

The trend in education sector financing between 2020/21 and 2024/25 reflects the Government's strong and sustained commitment to investing in human capital development. Over this period, the sector's budget increased from 4,721.68 billion shillings to 6,338.84 billion shillings, representing a growth of approximately 35 percent. This substantial increase demonstrates the high priority accorded to education as a key driver of social and economic development and highlights the Government's determination to expand access to quality education and training opportunities for all Tanzanians. The growth in sector financing has been accompanied by targeted investments across all levels of education **(Chart 3.3).**

Chart 3.3: Education Sector Budget Performance Trend 2020/21 – 2024/25



	2020/21	2021/22	2022/23	2023/24	2024/25
Budget	4,723.38	5,257.29	5,684.60	5,979.60	6,369.83
Actual	4,625.35	5,224.94	5,016.68	5,979.64	6,369.83

Source: Ministry of Finance

ii) Education Sector Budget Composition

Further analysis shows that, during the period under review, allocation for Basic Education consistently absorbs the dominant share of the sector around 71 to 77 percent highlighting a continued focus on foundational learning and broad system access. Additionally, allocation for Technical and Vocational Education and Training (TVET) increased by 36 percent, while allocations to Higher Education rose by 16 percent compared to 2023/24 **(Table 3.4).** This growth reflects the Government's commitment in improving the production of skilled workforce that contributes to national social and economic development. The allocated funds supported the implementation of a new curriculum, construction of vocational secondary schools, provision of teaching and learning materials, and recruitment of teachers.

Table 3.4: Education Budget Performance Trend 2020/21 – 2024/25

Education Sector	2020/21		2021/22		2022/23		2023/24		2024/25	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Basic Education	3,544.25	3,289.51	4,353.52	3,866.39	4,368.25	3,679.92	4,485.05	4,485.05	4,395.26	4465.26
Education Administration	86.11	282.44	99.54	180.17	97.91	86.09	122.91	122.91	157.19	327.98
Higher Education	890.24	870.3	916.23	959.7	1,006.38	1,056.81	1,165.85	1,165.85	1,347.03	1347.03
Science & Technology	50.6	57.55	61.35	58.23	67.01	52.65	61.38	61.38	72.37	72.37
TVET	152.18	125.55	195.55	160.45	145.03	141.2	144.44	144.44	196.54	157.19
Total	4,723.38	4,625.35	5,626.19	5,224.94	5,684.57	5,016.68	5,979.64	5,979.64	6,168.39	6369.83
GDP(Billion)	156,167.14		170,820.03		186,753.69		205,846.49		230,073.71	
Share to GDP	3.0%		3.3%		3.0%		2.9%		2.7%	
Component share to total budget										
Basic Education	75.04		77.38		76.84		75.01		71.25	
Education Administration	1.82		1.77		1.72		2.06		2.55	
Higher Education	18.85		16.29		17.70		19.50		21.84	
Science & Technology	1.07		1.09		1.18		1.03		1.17	
TVET	3.22		3.48		2.55		2.42		3.19	

Budget approved budget Actual- actual Expenditure

Source: Ministry of Finance

iii) Major Education Sector Investment

Tanzania has significantly increased investment in education infrastructure, whereby over the past five years a total of 2.87 trillion shillings has been used as part of its strategy to improve access and learning environment in both primary and secondary education. The investment has increased the number of primary schools from 16,656 to 19,783, secondary schools from 5929 to 5001, classrooms from 191,708 to 254,393, libraries from 1,537 to 2,665, laboratories from 8072 to 8710, dormitories from 2245 to 3245, dining from 871 to 1004, primary and secondary schools' books 66,553,455. These investments have contributed to measurable improvements in student retention, attendance, and examination performance, especially in underserved rural districts.

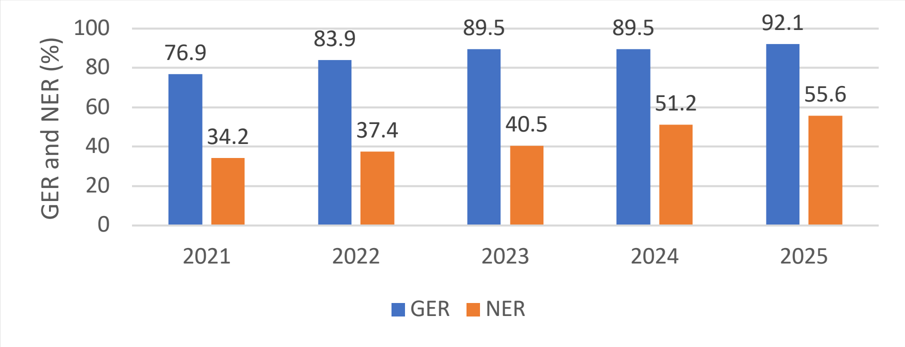
3.3.3 Service Delivery Achievements

Tanzania's economic future depends on having a skilled workforce. Over the period under review, the sector observed notable improvement in the following areas:

i. Enrolment Rate

At the pre-primary level, significant progress was recorded in expanding access to early childhood education. In 2025, the Gross Enrolment Ratio (GER) reached 92.1 percent, representing an increase of 15.2 percentage points from 76.9 percent in 2021. Similarly, the Net Enrolment Ratio (NER) increased from 34.2 percent in 2021 to 55.6 percent in 2025. These improvements reflect the positive impact of sustained public investment and policy interventions aimed at expanding access to early learning opportunities, particularly among disadvantaged and vulnerable groups **(Chart 3.4).**

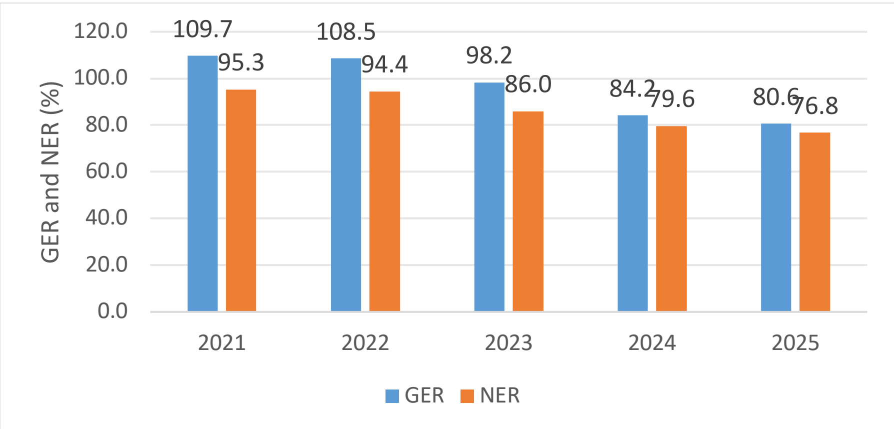
Chart 3.4: The GER and NER for Pre-Primary Pupils from 2021 to 2025



Source: BEST, 2025

At the primary level, GER decreased from 109.7 percent in 2021 to 80.6 percent in 2025, while the NER decreased from 95.3 percent to 76.8 percent over the same period. The decrease suggests challenges related to enrolment, attendance, or retention, which may affect the efficiency of public investment in education and require further investigation **(Chart 3.5).**

Chart 3.5: GER and NER for Primary Schools from 2021 to 2025



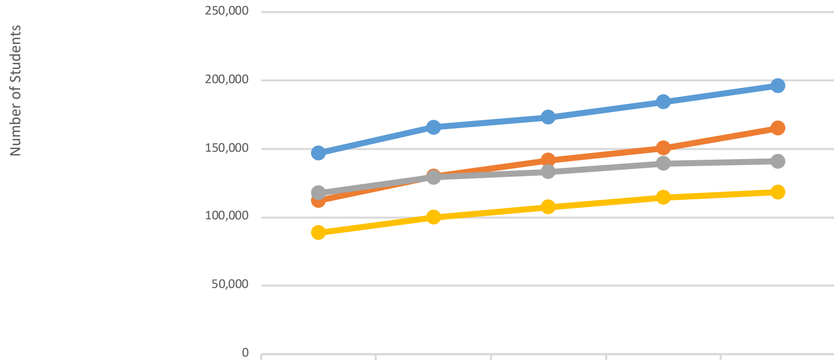
Source: BEST, 2025

At the secondary level, enrolment continued to improve during the review period. Total enrolment in Forms 1–6 increased by 3.4 percent, from 3,314,198 students in 2024 to 3,425,822 students in 2025. This growth reflects the positive impact of sustained Government investments in education infrastructure, implementation of the fee-free education policy, increased community awareness on the importance of secondary education, and the expansion of vocational and technical education opportunities.

However, gender analysis shows that girls continued to account for a larger share of enrolment in lower secondary education (Forms 1–4), with a Gender Parity Index (GPI) of 1.2 in 2025. However, at the upper secondary level (Forms 5–6), the GPI declined to 0.96, indicating lower participation of girls compared to boys. While the overall enrolment trend demonstrates improved access to secondary education, the disparity observed at upper secondary level highlights the need for continued efforts to strengthen retention and progression of girls through higher levels of education.

At high education level, the GER improved to 5.7 percent in 2025 from 3.7 parent in 2021. Regardless of the improvement, the GER is below the national target of 10 percent. This reflects the effects of multiple education pathways and the government's emphasis on technical and vocational education for employability and self-reliance. Tanzania's GER remains below the Sub- Saharan Africa average (9 percent) and lags behind other EAC member states (6 to 12 percent), highlighting the need for targeted investments and coordinated policy measures. Nevertheless, positive progress was observed in female participation, with female enrolment growing faster than male enrolment during the review period. Consequently, the Gender Parity Index improved from 0.82 in 2023/24 to 0.84 in 2024/25, reflecting gradual progress toward a more inclusive higher education system **(Chart 3.6).**

Chart 3.6: Enrolment from 2020/2021 to 2024/2025



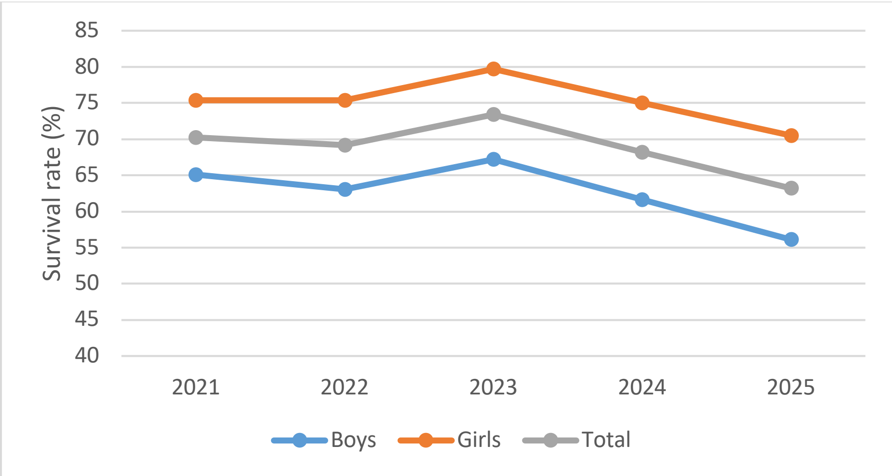
	2020/2021	2021/22	2022/23	2023/24	2024/25
HEIs Male	146,986	165,889	173,005	184,311	196,239
HEIs Female	112,280	130,030	141,638	150,543	165,018
University Institutions Male	117,638	129,148	133,152	139,296	140,995
University Institutions Female	88,667	99,901	107,371	114,405	118,439

Source: TCU VitalStats, 2025

ii. Primary School Survival Rate

During the review period, there was substantial decrease in primary school survival rate from 70.2 percent to 63.2 percent, below the national target of 80 percent. This implies that there is about 36.8% of pupils drop out, which in turn reduce the return on public education investment as resources spent on early grades fail to produce the intended human capital outcomes and weakens the development of a skilled labor force. Throughout the review period, girls recorded higher survival rates of 70.5 percent than boy's 56.1 percent **(chart 3.7).**

Chart 3.7: Percentage of Primary Survival Rate by Sex from 2021 to 2025



Source: BEST 2025

iii. Transition Rate From Primary to Secondary Schools

During the reviewed period, the transition rate from primary to secondary education improved from 74.9 percent in 2024 to 77.7 percent in 2025. Both boys and girls recorded the same transition rate, indicating gender parity in progression to secondary education. While this improvement reflects increased opportunities for learners to access secondary education, regional disparities persist, highlighting the need for targeted interventions to improve progression rates in lower-performing regions.

However, transition from lower secondary to upper secondary education remained relatively low at 24.4 percent, suggesting that a significant proportion of learners are unable to progress beyond basic education. While gender parity has improved at some levels, disparities persist, particularly in higher levels of education, where socio-economic and cultural barriers continue to affect participation among some groups.

iv. Free Basic Education

The government has continued to ensure that schools have the necessary resources to meet range of teaching and learning objectives. Over the reviewed period, the percentage of the released Capitation Grants against the budget has increased from 85.7 percent in 2020/21 to 100 percent in 2024/25. This upward movement reflects a deliberate and sustained effort by the government to boost financial support for both primary and secondary education **(Table 3.5).**

Table 3.5: Amount of Capitation Grants from 2020/21 to 2024/25 (billion shillings)

Category	2020/21	2021/22	2022/23	2023/24	2024/25
Budget Required as per Guidelines	94.29	100.58	106.37	114.37	119.21
Amount Budgeted	94.29	100.48	107.12	106.37	109.51
Amount Released	80.81	89.37	107.12	106.37	109.51
Amount Released against Budget	85.7%	88.9%	100.0%	100.0%	100.0%

Source: PO-RALG, 2025

The government's commitment to providing fee-free primary and secondary education is reflected through the disbursement of capitation grants to primary and secondary schools. The annual allocations of these Capitation Grants for the previous five years, 2020/21 to 2024/25, are presented in **Table 3.6**. The Capitation Grant for primary pupils increased from 5,070 to 5,822 per pupil, while decreased in secondary from 11,122 to 10,320 per student. The variations are due to enrolment fluctuations and rounding in disbursements.

Table 3.6: Composition of Released Capitation Grants from 2020/21 to 2024/25

Category	2020/21	2021/22	2022/23	2023/24	2024/25
Releases for Primary schools	58,162	66,924	74,620	73,965	74,324
Releases for Secondary schools	22,648	22,446	32,502	32,408	35,182
No. of Primary Pupils	11,472,088	11,848,544	12,327,497	12,709,290	12,766,154
No. of Secondary Students	2,036,342	2,359,303	2,592,606	3,049,479.00	3,409,129.00
Capitation per Pupils in Primary Schools	5,070	5,648	6,053	5,820	5,822
Capitation per Students in Secondary Schools	11,122	9,514	12,536	10,627	10,320

Source: Ministry of Education

v. Higher Education Financing

Higher education is financed through Government grants, loans, parents, communities and non-government institutions. Under the review period, the Government continued to finance students in Teacher Colleges, FDCs, Technical and Higher Learning Institutions. Government financing in higher education includes providing loans, grants, teaching and learning materials, and meal services to some institutions. The Higher Education Students' Loans Board (HESLB) was established to provide loans to cover some financial costs for needy students, particularly undergraduate students at both public and private higher learning institutions.

Over the past five years (2020/21 to 2024/25), the amount of loans disbursed increased to 787.4 billion shillings, and the number of beneficiaries increased to 248,331. In addition, due to SAMIA scholarship established in 2023/24 to support students with outstanding performance in priority programs (STEM), the number of beneficiaries increased to 1,407 **(Table 3.7, Chart 3.8 and Chart 3.9)**

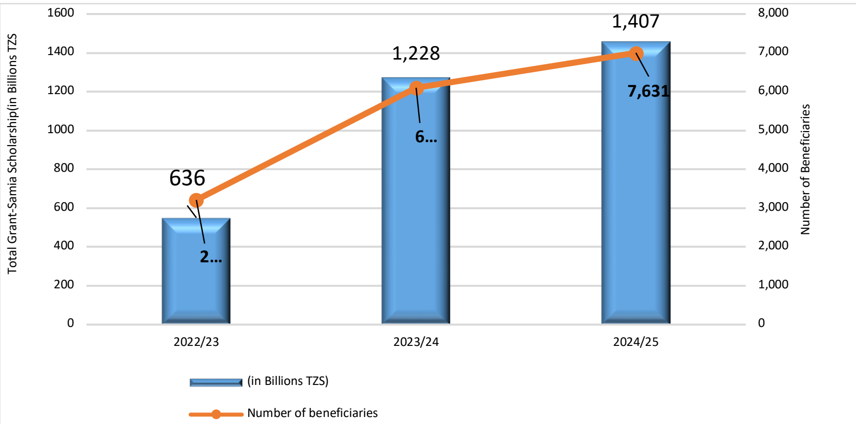
Table 3.7: Funds Disbursed to HESLB Beneficiaries (billion shillings)

Description	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Total HESLB Loans	464	570	657	786.7	787.4	3,265.1
Number of beneficiaries	149,472	177,925	197,469	226,760	246,924	1,001,831
Samia Scholarship loans	-	-	2,995	6,429	7,631	17,055
Number of beneficiaries	-	-	636	1,228	1,407	3,271

Source: HESLB, 2025

Chart 3.8: The Amount of Loans Disbursed and Number of Beneficiaries

Chart 3.9: Samia Scholarship Grants Disbursed and Number of Beneficiaries



Source: HESLB, 2025

Students in Teacher Colleges (TCs), Folk Development Colleges (FDCs), and some Technical Colleges (ATC, MUST, DIT) are funded by the government through grants in various areas such as tuition fee coverage, meal provisions, teaching and learning materials, as well as Industrial Practical Training (IPT) and Block Teaching Practices (BTP) as shown in **Table 3.8.**

Table 3.8: The Amount of Grants Disbursed from 2020/21 to 2024/25

Institution	Categories	2021/22	2022/23	2023/24	2024/25
TCs	Tuition Fees	-	-	-	-
	Meals	11,389.55	11,389.55	21,593.21	16,389.55
	IPT/BTP	11,280.26	11,280.26	13,811.79	10,030.70
FDCs	Tuition Fees	-	-	-	-
	Meals	10,935.00	10,935.00	16,404.32	11,661.30
	IPT/BTP	-	-	-	-
ATC	Tuition Fees	502.56	451.82	481.34	575.64
	Meals	1,092.27	1,092.27	1,092.27	1,092.27
	IPT/BTP	410.00	410.00	401.00	401.02
DIT	Tuition Fees	609.26	650.26	813.20	917.70
	Meals	985.14	985.14	985.14	985.00
	IPT/BTP	475.50	475.50	475.00	475.00
MUST	Tuition Fees	560.56	575.19	609.07	611.38
	Meals	618.80	618.80	892.50	892.50
	IPT/BTP	637.98	637.98	637.98	637.98
Total	Tuition Fees	1,672.38	1,677.27	1,903.61	2,104.72
	Meals	25,020.75	25,020.75	40,967.44	31,020.61
	IPT/BTP	12,803.74	12,803.74	15,325.77	11,544.71
	Grand Total	39,496.87	39,501.76	58,196.82	44,670.04

Source: Ministry of Education

vi. Education Quality improvement

Public investments in teacher recruitment, curriculum reforms, and school quality assurance continued to contribute to improvements in education quality during the review period. The Government has continued to invest in teacher recruitment and deployment contributed to improvements in Pupils Teacher Ratio (PTR) across most levels of education. In pre-primary education, the PTR improved from 83 pupils per teacher in 2024 to 76 pupils per teacher in 2025. Although this remains above the national target of 50:1, the improvement indicates progress towards reducing classroom congestion and enhancing the learning environment for young learners.

At the primary level, the PTR improved from 50:1 in 2024 to 49:1 in 2025, surpassing the national target of 50:1. This achievement reflects sustained efforts to recruit and deploy teachers to areas with the greatest need, thereby improving access to quality instruction and supporting better learning outcomes. Similarly, secondary education continued to benefit from increased teacher deployment, contributing to improved teaching and learning conditions and supporting the continued improvement in student performance observed in national examinations.

Overall, the positive trend in pupil teacher ratios demonstrate the impact of public expenditure on strengthening teacher availability across the education system. Continued investments in teacher recruitment, deployment, and professional development will be essential to further improve learning conditions and enhance education outcomes across all levels of education **(Table 3.9).**

Table 3.9: PTR in Primary Education from 2021 to 2025

Indicator	2021	2022	2023	2024	2025	% Change
Government	171,993	173,276	176,540	194,367	195,726	0.70%
Non-Government	25,926	28,403	30,783	35,473	38,798	9.37%
Overall Total Teachers	197,919	201,679	207,323	229,840	234,524	2.04%
Pupil Teacher Ratio (PTR)	1:57	1:57	1:55	1:50	1:49	-0.91%
Government	1:62	1:63	1:61	1:55	1:55	0.00%
Non-Government	1:20	1:19	1:20	1:18	1:19	1.28%

Source: BEST, 2025

3.3.4 Challenges

i) **Shortage of Infrastructure:** the national Pupil-Classroom Ratio (PCR) stands at 1:62, exceeding the national standard of 1:45, which indicates a persistent shortage of classrooms. In addition, sanitation facilities remain inadequate, with the Pupil-Latrine Ratio (PLR) recorded at 1:41 for boys against the standard of 1:25 and 1:39 for girls against the standard of 1:20. These shortages affect the quality of the learning environment and highlight the need for continued investment in classrooms and sanitation facilities;

ii) **Shortage of Teaching Staff:** The sector continues to experience shortages of qualified teachers across various levels of education. The challenge is particularly noticeable in Science, Mathematics, Technical, and Vocational Education subjects, where demand for specialized teachers has increased following curriculum reforms. Teacher shortages affect both the quality of instruction and the effective implementation of competency-based teaching approaches. Similarly, higher education institutions face a critical shortage of academic staff in key disciplines such as Health Sciences, Allied Health Sciences, Engineering, Technology, and Natural Sciences. These shortages limit research capacity, constrain Programme expansion, and affect the overall quality and relevance of higher education.

iii) **Gender Disparities and Regional Inequalities:** Despite notable progress in expanding educational opportunities, gender and regional disparities continue to affect equitable access to education. Cultural practices, socio-economic challenges, early pregnancies, and other social barriers continue to limit girls' participation and retention, particularly at the secondary education level. Furthermore, disparities in enrolment, learning outcomes, and teacher distribution persist across regions. Rural and remote areas often experience lower participation rates, limited access to qualified teachers, and fewer educational resources compared to urban areas. These inequalities contribute to uneven educational outcomes and require targeted interventions to ensure that all learners have equitable access to quality education. Refer **Chart 3.6 and 3.7;** and

iv) **Inadequate Investment in Research, Science, Technology, and Innovation (STI):** Research institutions and higher learning institutions often face challenges in securing sustainable funding to support long-term research programmes, innovation initiatives, and commercialization of research outputs. As a result, many promising research projects are either delayed or discontinued, limiting their contribution to national development. Furthermore, the integration of STI priorities into national planning and budgeting processes remains limited, reducing the sector's ability to drive productivity, industrialization, competitiveness, and socio-economic transformation.

CHAPTER FOUR: RECOMMENDATIONS AND CONCLUSION

4.1 Strategic Recommendations

This section presents strategic recommendations aimed at improving budget implementation by addressing systemic challenges identified in the analysis, in order to ensure more predictable, transparent, and effective budget performance within defined implementation timelines. The following are proposed:

i. Strengthening Public Investment Efficiency and Budget Credibility

Across the water, agriculture, and education sectors, a persistent disconnect between approved budgets and actual disbursements continues to undermine project implementation and reduce the effectiveness of public expenditure. To address this, there is a need to:

a) Institutionalize realistic and credible budgeting frameworks anchored on resource envelopes and robust cash flow forecasting;
b) Introduce performance-based disbursement mechanisms, linking fund releases to implementation milestones;
c) Sectors to implement few projects in alignment with resource envelope; and
d) Strengthen project preparation and appraisal systems to ensure only well-prepared and implementation-ready projects enter the budget.

ii. Rebalancing Expenditure Toward High-Impact Development Investments

The increasing share of recurrent expenditure, particularly in the water sector, risks crowding out capital investments required for infrastructure expansion and long-term growth. Policy priorities should include:

a) Establishing minimum thresholds for development expenditure in strategic and productive sectors;

b) Ring-fencing high-impact projects aligned with DIRA 2050 and FYDP IV;

c) Promoting lifecycle costing approaches to ensure sustainability of investments, including operations and maintenance; and

d) Scaling up financing especially alternative financing in the water sector to increase its share of GDP, while maintaining a balance between expansion and operational needs.

iii. Strengthening Institutional Coordination and Governance

Fragmentation across institutions remains a key constraint affecting efficiency and timely implementation, particularly in water and agriculture sectors. Reforms should focus on:

a) Strengthening integrated coordination platforms linking ministries, regulatory bodies, and local government authorities;

b) Strengthening accountability frameworks through clear institutional roles, performance contracts, and monitoring systems; and

c) Enhancing regulatory effectiveness, including measures to reduce inefficiencies such as non-revenue water.

iv. Enhancing Domestic Resource Mobilization and Innovative Financing

Financing gaps in key sectors, particularly agriculture and water, necessitate diversified and sustainable funding mechanisms. Priority actions include:

a) Strengthening domestic resource mobilization through broadening the tax base, formalization of the informal sector, and expansion of digital (cashless) revenue systems;

b) Expanding the use of Public-Private Partnerships (PPPs) in water supply, sanitation, irrigation, and agro-processing; and

c) Leveraging climate finance and green financing instruments to support sustainable infrastructure and resource management.

v. Strengthening Human Capital and Service Delivery Systems

Despite progress in access, challenges persist in service quality, workforce capacity, and learning outcomes, particularly in education and agricultural extension systems. Key measures include:

a) Increasing investment in teacher training, STEM education, and technical and vocational skills development;
b) Enhancing digital service delivery platforms (e.g., e-Kilimo) to improve outreach and efficiency; and
c) Establishing dedicated funding windows for education infrastructure, research, science, technology, and innovation.

vi. Promoting Value Addition and Structural Transformation

Despite its significant contribution to GDP, the agricultural sector remains constrained by low levels of value addition and weak linkages with industry. To unlock its full potential, the Government should:

a) Strengthen agricultural value chains and market systems through localizing Input Production and Optimize Digital Subsidy Frameworks by Increasing investment in agro-processing infrastructure and industrial clusters;
b) Provide incentives to attract private sector participation in value addition by scaling up climate-smart aquaculture practices such as integrated fish farming and adaptive pond management; and
c) Promote stronger linkages between agriculture, manufacturing and export sectors.

vii. Investing in Climate Resilience and Sustainability

Climate change remains a cross-cutting risk affecting water resources, agricultural productivity, and infrastructure sustainability. To enhance resilience, there is a need to:

a) Scale up adoption of climate-smart technologies and early warning systems as well as expanding irrigation infrastructure to reduce reliance on rain-fed agriculture;

b) Integrate climate risk assessment into project appraisal and planning processes; and

c) Strengthen natural resource management systems, including water source protection and environmental conservation.

4.2 Conclusion

The Public Expenditure Review highlights that while Tanzania has made significant progress in expanding public investment and improving access to essential services, challenges remain in ensuring that these investments translate into optimal development outcomes.

Across the water, agriculture, and education sectors, four systemic challenges stand out:

a) Weak budget credibility and unpredictability of fund releases;

b) Imbalances between recurrent and development expenditure;

c) Implementation inefficiencies, slowing the translation of spending into tangible outcomes; and

d) Institutional coordination gaps.

Despite these challenges, the Government has demonstrated strong commitment to development, as evidenced by improvements in service delivery indicators, increased sectoral investments and ongoing policy reforms. Looking ahead, achieving the ambitions of DIRA 2050 will require a strategic shift from increasing expenditure to optimization of impact by improving expenditure quality and efficiency. This entails:

a) Strengthening public financial management systems;
b) Prioritizing high-impact investments/interventions;
c) Enhancing institutional coordination (i.e., break institutional silos); and
d) Building resilience to climate and economic shocks.

By implementing the recommendations outlined in this chapter, the Government can significantly improve the effectiveness of public spending, accelerate service delivery, and promote inclusive and sustainable economic growth.

Ultimately, the success of Tanzania's development agenda will depend not only on the volume of resources mobilized, but on how effectively those resources are allocated, managed and translated into tangible outcomes for Tanzanians. The PER therefore serves as a strategic tool for transforming public resources into national prosperity

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P.O. Box 2802, Dodoma, Tanzania

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