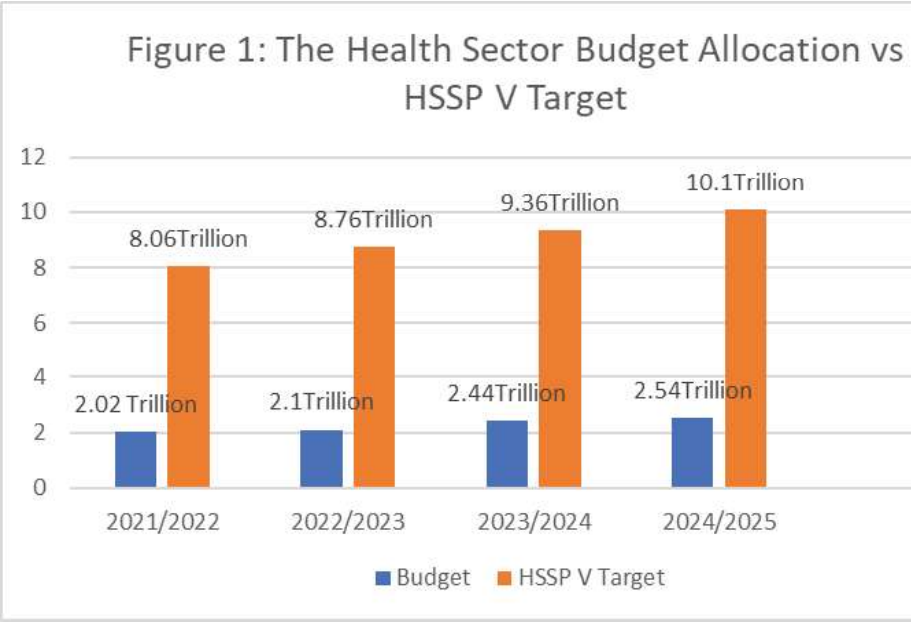
1. About the Policy Brief.

This policy brief highlights the urgent need for Tanzania to strengthen its domestic resources to finance the health sector, as foreign aid continues to decline rapidly. It explores the importance of raising the bar in mobilizing enough resources from within Tanzania to finance the health sector. Despite a notable contribution from external sources, it has recently been confirmed that foreign aid is declining at a shocking pace. The Policy Brief at hand underscores the urgent need of bolstering internal health financing mechanisms as foreign aid continues to wane. It is therefore produced as an advocacy tool to alert the general public and influence policymakers on the need for deliberate efforts, viable policies, and workable strategies for enhancing DRM to locally finance critical health services. At the end, the policy brief recommends a strategic overhaul of Tanzania's domestic resource mobilization strategy.

2. The Trend of Health Sector Financing in Tanzania.

Tanzania's health sector is supported by a combination of public, private, and foreign funding. Despite the unfulfilled targets every financial year, the health sector allocation for the past five years has been aligned to the Health Sector Strategy Plan V (HSSP V 2021-2025) and the regional commitment of the Abuja declaration.
While the Abuja Declaration recommends governments to allocate at least 15% of their national budgets to health sector, Tanzania has consistently fallen short, with budgetary allocation of only 4.8% in FY 2021/2022, 5.2% in FY 2022/2023, 5.5% in FY 2023/2024, and 5.2% in FY 2024/2025. In contrast, HSSP V calls for an allocation of 12% of the national budget (or 5% of GDP) to the health sector and allocating the specific health sector needs for the specific five years, still the allocations have failed to meet even at least the half of the health sector HSSP V targets.

Figure 1 below compares the yearly allocations with HSSP V targets, highlighting the critical need for enhanced domestic resource mobilization to bridge the resulting funding gap.



3. Government Initiative in Health Services Provision.

Recent data from the Biomed Central – Resource Allocation Journal (2024) indicate that as of 2023–2024, Tanzania's health insurance coverage generally is 20.87% whereby; 9% are covered by the National Health Insurance Fund (NHIF), 10.87% under the Improved Community Health Fund (iCHF), and 1% through private insurance schemes. The iCHF has been implemented across 26 regions and 185 districts, reaching over 4 million Tanzanians and providing access to more than 8,000 health facilities nationwide. The Government also recently enacted a new legislation (The Universal Health Insurance Act, 2023) for Universal Health Insurance, with an intention to cover every Tanzanian under the health insurance scheme.

It is also important to note that,from 2018 to 2023, the Government of Tanzania collected over TZS 25 billion through iCHF premiums. In parallel, the National Digital Health Strategy (2019–2024) continues to drive reforms by leveraging digital technologies to improve health service delivery, enhance efficiency, and support data-driven decision-making across all levels of the health system.

4. Navigating Aid Cuts: Challenges to Domestic Health Financing

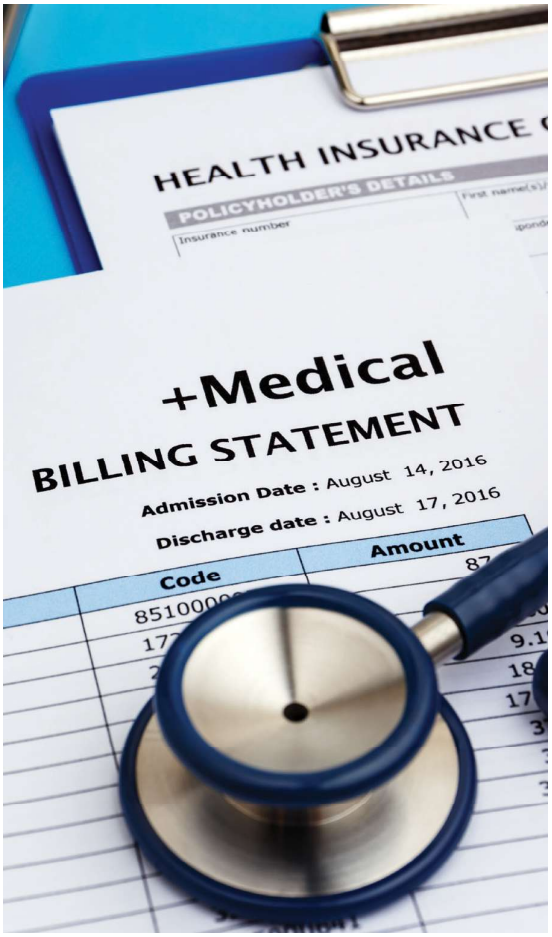
Foreign aid constitutes a critical component of financial support in Tanzania's health sector. For FY 2022/23, Government allocated 212 billion (19% of the Ministry of Health budget), to HIV/AIDS Treatment & Prevention. Donor funds from USAID, Global Fund, and PEPFAR was 250 billion while the percentage missing without Foreign Aid was 54.1%. In Reproductive Health 80 billion (embedded within overall health allocations), 100 billion earmarked supports from UNFPA and FHI 360) percentage missing without Foreign Aid was 55.6%. Malaria Prevention and Treatment 150 billion allocated as part of MOH strategic spending, while 200 billion was from the Global Fund, Roll Back Malaria, and USAID. The Percentage Missing without Foreign Aid in this area was 57.1%. In Healthcare Workforce Support 100 billion was recurrent resources for salaries and training while 50 billion was additional capacity-building via USAID and WHO programs. The Percentage Missing without Foreign was 33.3%. In Maternal and Child Health the government allocated 200 billion as part of comprehensive health sector funding while 250 billion targeted donor contributions from UNICEF, the Gates Foundation, and USAID. In this area the Percentage Missing without Foreign Aid was 55.6%. This significant dependency on external resources highlights the potential vulnerability of key health programs to donor withdrawal.

Table 1: Financial support in Tanzania's health sector.

Program Area	Government Allocation (TZS, FY 2022/23)	Foreign Aid Contribution (TZS, FY 2022/23)	Percentage Missing without Foreign Aid (%)
HIV/AIDS Treatment & Prevention	~212 billion (≈19% of the Ministry of Health budget)	~250 billion (Donor funds from USAID, Global Fund, and PEPFAR)	~54.1%
Reproductive Health	~80 billion (embedded within overall health allocations)	~100 billion (Earmarked support from UNFPA and FHI 360)	~55.6%
Malaria Prevention & Treatment	~150 billion (allocated as part of MOH strategic spending)	~200 billion (From the Global Fund, Roll Back Malaria,and USAID)	~57.1%
Healthcare Workforce Support	~100 billion (recurrent resources for salaries and training)	~50 billion (Additional capacity building via USAID and WHO programs)	~33.3%
Maternal & Child Health	~200 billion (as part of comprehensive health sector funding)	~250 billion (Targeted donor contributions from UNICEF, the Gates Foundation, and USAID)	~55.6%

5. Recommendations

5.1 Government should identify and take advantage of new revenue sources such as Green Taxes and Levies on carbon emissions, plastic use, or other environmentally harmful activities to generate revenue while promoting sustainability. This may work by introducing taxes on carbon emissions, plastic packaging, and unsustainable environmental practices. This not only boosts domestic revenue but also supports Tanzania's commitments under the Environmental Management Act, 2004. Amendments could introduce a Green Levy Framework under this Act or the Finance Act.



Another area could be **Digital Services Tax (DST)** by extending taxation to digital platforms and streaming services operating in Tanzania's digital economy under the **Income Tax Act (Cap. 332)**, through a localized version of the Digital Service Tax to ensure tech companies contribute fairly

5.2 Tax the informal businesses: By Developing a simplified Registration and taxation regime/mechanism for the informal sector under **Section 79 of the Tax Administration Act,** introducing a presumptive tax tailored for informal businesses.

Other measures under this recommendation may include: -

Amend the **Business Licensing Act** to make licenses more accessible and coupled with simplified tax obligations.

- Strengthen cross-agency collaboration to formalize businesses through local government structures (LGA Act) and improve access to infrastructure, finance, and markets and

- Improve financial support and business environment (infrastructure facilities and reliable market access) to the informal sector operators

5.3 Create Conducive Environment for Tax Compliance Mechanism: by Implementing measures such as establishing **Flexible Payment Arrangements** and **Dispute Resolution Mechanisms** within the **Tax Administration Act** (especially Section 38–44 on payment and enforcement), including community-level tax education programs. This approach fosters a cooperative relationship between taxpayers and the administration, ultimately enhancing compliance and trust in the system.

It is also recommended that

- Expand the use of mobile platforms for tax payments and filings, particularly for youth- and women-led businesses.

5.4 Strengthen Corporate Tax Compliance:

Enhance enforcement measures to ensure that large corporations fully comply with existing corporate tax regulations, including capital gains and property taxes. This will secure a fair contribution from large entities and reinforce fiscal equity, supporting sustainable domestic revenue mobilization. For instance Enforce compliance with **Capital Gains Tax (CGT)** and **Withholding Tax provisions** under the Income Tax Act, Cap. 332.Improve audit capacity within TRA and establish public reporting mechanisms for large taxpayers under the **Public Finance Act.**

5.5 Oversight Bodies should strengthen public financial management by enforcing strict accountability measures, enhancing transparency in budget allocation and expenditure management , s to prevent fund mismanagement.

Strengthening anti-corruption frameworks, conducting regular audits, and reinforcing fiscal discipline will safeguard public funds, ultimately supporting a self-reliant and sustainable health sector.

5.6 The government should develop a Rapid Emergency Response Plan to mitigate the immediate impacts of aid cuts and ensure the uninterrupted delivery of essential healthcare services.

This plan should prioritize efficient resource allocation, strengthen domestic funding mechanisms, and establish emergency intervention strategies to safeguard public health during financial constraints.

Conclusion

To ensure sustainable healthcare financing, the government must prioritize fiscal responsibility and avoid reallocation of borrowed funds intended for health sector development. Excessive borrowing leads to a growing debt burden, which diverts critical resources away from essential healthcare services, limits future fiscal flexibility, and increases dependency on external lenders. High debt servicing costs reduce the government's ability to invest in infrastructure, medical supplies, and workforce development, ultimately compromising healthcare accessibility and quality. Instead, safeguarding allocated resources and directing them toward essential healthcare services will strengthen the nation's healthcare infrastructure and improve accessibility for citizens. By maintaining transparent financial management and enhancing domestic revenue mobilization, Tanzania can reduce reliance on external borrowing and build a resilient health system that consistently delivers quality care to its population.

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