2010

Speech of Government Budget of the Year 2010 - 2011

Tanzania, United Republic

Ministry of Finance and Planning

SPEECH BY THE MINISTER FOR FINANCE AND ECONOMIC AFFAIRS HON. MUSTAFA HAIDI MKULO (MP), INTRODUCING TO THE NATIONAL ASSEMBLY THE ESTIMATES OF GOVERNMENT REVENUE AND EXPENDITURE FOR THE FINANCIAL YEAR 2010/ 2011

INTRODUCTION

1. ***Mr. Speaker***, I beg to move that this esteemed House now resolve to debate and approve Government proposals for Revenue and Expenditure estimates for the Financial year 2010/11. Together with this speech, there are four volumes of books, which provide detailed explanation of the budget estimates. Volume one presents revenue estimates; volumes two and three describe recurrent expenditure for ministries, government departments, regions and local government authorities; and volume four presents development expenditure estimates for the ministries, government departments, regions, and local government authorities. In addition, there is Finance Bill for the year 2010, which is also part of this budget.

2. ***Mr. Speaker***, I would like to take this opportunity to state that, the Budget for 2009/2010 marks the end of the first five-year period of the Fourth Phase Government, which came into power in December 2005. During this period, the Budget has been used as an important instrument for the implementation of economic and social development policies and objectives, in accordance with the ruling party – CCM Election Manifesto. Therefore, the budget for 2010/11 financial year, is an extension to the implementation of the economic and social objectives. During this period, there have been satisfactory achievements in service delivery and

strengthening of infrastructure in order to facilitate economic growth and poverty reduction.

3. ***Mr Speaker***, I would now like to express my sincere gratitude to all those who, in one-way or another, participated in the preparation of this budget. Preparation of the Government budget involves many stakeholders and institutions. Specifically, I would like to thank the Finance and Economic Affairs Parliamentary Committee, under the Chairmanship of Honourable Dr Abdallah Omari Kigoda (MP) and other committees for their constructive scrutiny of the proposals for this budget. I would like to extend my special thanks to the Office of the Attorney General for the timely preparation of the 2010 Finance Bill and other legal documents that are part of this budget.

4. ***Mr Speaker***, I would also like to thank my colleagues at the Ministry of Finance and Economic Affairs, particularly the Deputy Ministers, Hon. Jeremiah S. Sumari (MP) and Hon. Omari Y. Mzee (MP); the Permanent Secretary, Ramadhani M. Khijjah; Deputy Permanent Secretaries, John M. Haule, Laston T. Msongole and Dr. Servacius B. Likwelile; and the Executive Secretary to the Planning Commission, Dr Philip I. Mpango. Further, I would like to thank all Heads of Departments and staff of the ministry of Finance and Economic Affairs for working tirelessly to produce this budget in time. I am also indebted to the Chief Government Printer for timely printing all budget documents. Lastly, my sincere thanks go to experts and all who made proposals regarding policy, strategies and tax related measures, which, to a large extent, have been taken into account in the preparation of this budget.

5. ***Mr Speaker***, this is the last Budget Session of the first five years of the Fourth Phase Government. Most of us will go back to our constituencies to seek re-election in order to come back to this esteemed House. It is my expectations that voters and the general public will not forget the achievements made by the Honourable

Members of Parliament of this House and the Fourth Phase Government.

6. ***Mr Speaker***, the Government continued to implement its responsibilities in line with the National Development Vision 2025; National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA; Millennium Development Goals; and the CCM Election Manifesto of 2005. I would like to commend your esteemed House, under your able leadership, for the valuable contribution that enabled the Government to make remarkable achievements during this period.

ACHIEVEMENTS AND CHALLENGES THAT THE FOURTH PHASE GOVERNMENT FACED IN IMPLEMENTING THE 2009/10 BUDGET

7. ***Mr. Speaker,*** the following are some of the achievements by the Government in the past five years:

- (1) Domestic revenue has increased by 121 percent from Tshs 2,124.8 billion in 2005/06, to Tshs 4,688.3 billion expected to be collected in 2009/10. In other words, domestic revenue has more than doubled from an average of Tshs 177 billion per month to an average of more than Tshs 390 billion per month over the same period. As percentage of GDP, domestic revenue increased from 12.5 percent to 16.4 percent over the same period. This was due Government's efforts in improving tax and non-tax revenue administrations;

- (ii) Disbursement of General Budget Support grants and loans increased from Tshs 588.702 billion in 2005/06 to Tshs 1,307.707 billion by end of-June 2009/10. At the same time, disbursement of grants and loans for development projects increased from Tshs 1,047.266 billion to Tshs 2,825.431 billion over the same period. This increase was partly attributed to the implementation of the

Joint Assistance Strategy for Tanzania (JAST) and the cordial relationship that exists between Tanzania and Development partners.

- (iii) Government expenditure increased from Tshs 4,131.946 billion in 2005/06 to Tshs 9,238.801 billion by end-June 2010. During the period, Government expenditure focused on the implementation of the objectives of the National Development Vision 2025, National Strategy for Growth and Reduction of Poverty (NSGRP), Millennium Development Goals and implementation of the CCM Election Manifesto of 2005.

- (iv) Commercial bans credit to the private sector for financing various economic activities increased from Tshs 1,571.0 billion in December 2005 to Tshs 4,836.0 billion on October 2009. The increase is a result of prudent monetary policies;

- (v) National Debt has decreased from USD10.01 billion in the year 2005/06 to USD 8.25 billion in 2008/09 equivalent to a decline of 18 percent. According to debt sustainability analysis benchmarks, the current level of National Debt is sustainable;

- (vi) During the period, the Government took measures to rehabilitate and construct new economic infrastructure including roads, energy and irrigation schemes. Measures taken to improve education at all levels, including construction of secondary schools in each ward, construction of the University of Dodoma and upgrading of some colleges to universities status;

- (vii) The Economic Empowerment Fund has continued to assist citizens economically by providing Tshs 10.5 billion I the first phase to CRDB and NMB banks for on lending to small and medium entrepreneurs. The Fund was replenished three times to boost it to the tune of Tshs 31.5 billion. By December 2009, a total of 66,559 entrepreneurs had benefited from loans provided by the Fund. Out of the total beneficiaries, 42851 are men and 23,708 are women. During the second phase of lending, the Government provided Tshs 10.5 billion out of which Tshs 600 million was allocated to Zanzibar and the remaining Tshs 9.9 billion was allocated to Mainland Tanzania. The Government also recognizes and appreciates the important role played Non-governmental organizations such as FINCA, Presidential Trust Fund (PTF), PRIDE, VICOBA, etc in the provision of micro finance services;

- (viii) The Small Entrepreneurs Loan Facility (SELF) project continued to provide microfinance services to small entrepreneurs. In 2005, SELF provided loans amounting to shillings 5.6 billion. By March 2010, shillings 25.1 billion worth of loans had been delivered to beneficiaries. This is an in crease of about 348 per cent. Also the number of microfinance institutions benefiting from SELF loans increased from 175 in 2005 to 247 in March 2010, equivalent to an increase of 72 institutions. Correspondingly, the number of beneficiaries increased from 20,526 in 2005 to 69,795 in 2010, of which women are 58 percent.

- (ix) In December 2007, the Government established the Mwananchi Empowerment Fund with a start-up capital of shillings 400 million. By December 2009, loans amounting shillings 4.2 billion had been disbursed to 4,437 entrepreneurs, including 1,341 women and 3,096 men; and

- (x) The Export Credit Guarantee Scheme and the Small and Medium Entrepreneurs Credit Guarantee Scheme increased their capital from Tshs 500 million in September 2005 to Tshs 5,751 million in March 2010. This strengthened capacity of the two schemes to provide more loans to entrepreneurs through the designated banks.

8. ***Mr. Speaker,*** despite the achievements I have cited above, the government faced several budgetary challenges including the following:

    - (i) Inadequate domestic revenue to finance Government programmes, particularly infrastructure projects such as railways, ports, roads, airports and irrigation; social services (education, health and water; and agriculture;

- (ii) Existence of a large informal sector which is not adequately integrated in the formal economy, hence contributing minimally to domestic revenue;
- (iii) Slow pace of implementation of development projects due to insufficient knowledge on public procurement procedures as stipulated in the Public Procurement Act of 2004 and delays in the disbursement of funds for development project; and
- (iv) The use of the Integrated Financial Management System (IFMS) has not yet been rolled out to all Local Government Councils in the country.

9. ***Mr. Speaker***, in my speech on the economic Survey this morning, I explained the trends in our economy since 2005/06 to date. I also presented the medium-term target for the period 2010/11 – 2011/12. I would like now to take this opportunity to review implementation of the budget during the first nine months of 2009/10; and the likely outturn to end June 2010. I will also explain the basis and objectives of the budget for 2010/11.

REVIEW OF IMPLEMENTATION OF FISCAL POLICIES FOR 2009/10

10. *Mr Speaker*, fiscal policies for the year 2009/10 include policies for domestic revenue, expenditure, grants and loans. Revenue policies included measures to broaden the tax base strengthening administrative procedures and controls in revenue collection, reducing tax exemptions and increasing incentives in order to attract local and foreign investors.

11. *Mr Speaker*, expenditure policies focused on higher resource allocation to priority sectors including Education, Infrastructure and Agriculture. In addition expenditure policies entailed strengthening the Public Financial Management System and expenditure tracking including budget evaluation in order to ensure efficient use of financial resources.

Budgetary measures were taken to mitigate the impact of the global financial and economic crisis; allocate financial resources to special programmes aimed at attracting and retaining staff in underserved areas, improve service delivery and sustain achievements realized in health, education and water sectors.

12. *Mr Speaker*, with special respect to foreign grants and loans, the government planned to mobilize grants and concessional loans in order to enhance Government capacity to finance big infrastructure projects including involving the private sector.

13. *Mr Speaker*, taking into account the above policies, Government planned to collect a total of Sh 9,513.685 billion from domestic revenue, foreign grants and loans, domestic borrowing and revenue from privatization. Correspondingly, Government estimated to spend a total of Sh 9,513.685 billion. However, following the Supplementary Budget that was approved by Parliament in February 2010, the revenue and expenditure increased by Sh 19 billion and therefore the total budget reached Sh 9,532.685 billion.

DOMESTIC REVENUE

14. *Mr Speaker*, Government estimates for domestic revenue in 2009/10 was Sh 5,096.016 billion (Sh 5.1 trillion) equivalent to 16.1 per cent of the GDP compared to 15.9 0f the GDP in 2008/09.

In order to ensure efficient collection of the estimated revenue, several measures were taken including the following:

(i) Broadening of the tax base, reduction of tax exemptions, sustain macroeconomic stability and improvement of the business environment in order to promote the growth of the private sector.

(ii) Effectively implement reforms in the Tanzania Revenue Authority (TRA) as stipulated in the Third Five-Year Corporate Plan, whose objectives include curbing tax evasion to controlling revenue leakages; raising awareness on the importance of paying taxes; and continuing to streamline the methodology for business tax assessment;

(iii) Adjust the tax structure and strengthen the Large Tax Payers' Department by improving the operational systems;

(iv) Strengthen supervision and operations in Customs and Exercise Department by enhancing accountability and application of technology in order to reduce inconveniences to tax payers;

(v) Strengthen monitoring and tracking of movement of cargo the port of Dar es Salaam to Inland Container Depts (ICD), including the use of modern technology;

(vi) Strengthen monitoring of fuel imports by ensuring full time efficient operation of flow metres;

(vii) To ensure transit fuel is not sold in the domestic market.

(viii) Collaborate with respective authorities in controlling adulteration of fuel with the aim of curbing tax evasion and ensure quality of fuel with a view of safe guarding vehicles and plants operated by diesel;

(ix) Establish a Fuel Bonded Ware House using TIPER facilities, to facilitate bulk importation of fuel. This measure will enable the country to have sufficient stock of fuel, curb tax evasion and increase efficiency in the fuel market by reducing costs of fuel imports and operations and hence reduce prices to the final consumers.

(x) Improve field and desk tax audits, as well as strengthening supervision in collection of tax arrears.

(xi) Improve supervision in the collection of property tax and tax on rental incomes; and

(xii) Finalise review of procedures and identification of new sources of non-tax revenue from Ministries, Regions, and Independent Departments, with the objective of identifying weaknesses and take remedial measures in increasing efficiency in revenue collection.

15. *Mr Speaker*, during the year 2009/10, the Government amended the Value Added Tax act CAP 148. The amendments included reducing the VAT rate from 20 per cent to 18 per cent, with the view to encourage voluntary compliance in paying tax; imposing VAT on mobile services on face value vouchers at source and not on discounted value sold to wholesalers, and charging VAT on leased houses and buildings. Also, the Government granted VAT exemption on heat insulated milk cooling tanks and aluminium jerry cans, used for storage and collection of milk in the dairy industry, in order to improve the quality of milk and income of dairy farmers. Furthermore, VAT exemption was also provided on strengthening services on foreign vessels as well as on agricultural services including land preparation; cultivation, planting and harvesting in order to reduce production costs.

16. *Mr Speaker*, in 2009/10 budget, Government revised the Excise (Tariff and management) Act by imposing excise duty on mobile phones at the point of sale of scratch cards (credit vouchers) or airtime at its full face value rather than the end of such use.

17. *Mr Speaker*, in compliance with the East African Community (EAC) Protocol requirements, the EAC Ministers for Finance agreed to make various amendments to the East Africa Community Customs Act 2004 as was elaborated in my 2009/10 Budget speech.

18. *Mr Speaker,* during the July 2009 to March 2010 period, the Government collected domestic revenue amounting to Sh 3,490.263 billion, equivalent to 91.3 per cent of estimates of Sh 3,821.397 billion

for the period. This trend represents a shortfall of Sh 331.133 billion, compared to the target for the period. There was a shortfall in excise duty collection due to the decrease in production of taxable products especially cigarettes, beers and soft drinks. There was also a short fall in non-tax revenues.

19. ***Mr Speaker***, VAT collection from local sales amounted to Sh 564.798 billion, equivalent to 90 per cent of the estimate for the period. On the other hand collections of VAT on imports amounted to Sh 556.643 billion, which is higher by 2 per cent above the target. The Government targeted to collect Sh 314.251 billion on import duty but collected 282.309 billion equivalent of to 90 per cent of the target. Excise duty collection on locally manufactured products amounted to 230.846 billion equivalent to 83 per cent of the target of Sh 278.617 billion, while Sh 393.555 billion was collected from excise duty on imported products which was 12 per cent below the target of Sh 448.666 billion. Actual income tax collection amounted to Sh 1,039.887 billion equivalent of the target for the period of Sh1, 108.908 billion for the period.

20. ***Mr speaker***, Collection of non-tax revenue by Ministries, Departments and Regions amounted to Sh 160.243 billion, equivalent to 80 per cent of the estimated amount of Sh 199.653. Also by March 2010 Government had collected Sh 9.659 billion from the sale of NMB shares, compared to the target of Sh15 billion. The process of selling the remaining shares through the Stock Exchange Market is being worked on.

LOANS AND GRANTS

21. ***Mr Speaker,*** during the year 2009/10, the Government planned to borrow Sh 506.193 billion equivalent to 1.6 per cent of the GDP from domestic sources, as one of the measures to ease the impact of the global financial and economic crisis. By March 2010 Sh 155 billion had been borrowed for that purpose.

In addition Government securities and bonds amounting to Sh 424.393 billion were sold in the domestic market in form of rollover of maturing bonds and for liquidity management.

22. Mr. Speaker, during the period July 2009 to March 2010, total grants and loans received as General Budget Support amounted to Tshs 998.676 billion.

External grants and concessional loans for development projects and programmes including Basket Funds amounted to Tshs 1,380.883 billion, equivalent to 93 percent of the estimate of the year.

EXPENDITURE

23. Mr. Speaker, in the financial year 2009/10, the government has continued to align expenditures and policy objectives as outlined in MKUKUTA, as the foundation to attain objectives of the Development Vision 2025.

Areas of focus in resources allocation were education, agriculture and health. Actual expenditure for the period of July 2009-March 2010 amounted to Tshs 6,718.713 billion. Recurrent expenditure was Tshs

4,189.721 billion. These expenditures were financed through domestic revenue, foreign grants and loans as well a domestic loans.

24. Mr. Speaker, the Government wage bill for the period of July 2009-March 2010 amounted to Tshs 1,276.706 billion, equivalent to 97 percent of the estimate of Tshs 1,320.908 billion. Interest payments on domestic debt amounted to Tshs 145.914 billion, equivalent to 62 percent of the estimate. Foreign interest payments amounted to Tshs 27.681 billion, equivalent to 73 percent of the estimate.

Expenditure on other debts servicing obligations (CFS) was Tshs 276.569 billion, equivalent to 81 percent of the estimate.

25. Mr. Speaker, other charges in all Ministries, Departments, Agencies, Regions and Councils amounted to Tsh 2,462.851 billion, equivalent to 97 percent of the estimate for the period.

The Government continued to use the cash budget system in the release of funds during the period under review. Development expenditure amounted to Tshs 1,954.197 billion, of which Tshs 1,328.814 billion were foreign funds. This level of expenditure was equivalent to 75 per cent and 93 per cent of local and foreign funds estimates respectively.

ISSUES RELATED TO LOCAL GOVERNMENT

26. **Mr. Speaker**, during 2009/10 the central government continued to support local authorities trough the provision of subventions, manpower, equipments and technical support on pertinent areas as provided for in the budget. By March 2010, the local governments had received a total of TShs 1,348.370 billion, equivalent to 65.9 per cent of the target of TShs 2,044.567 billion. With respect to human resource, the government recruited 394 staff, of which 307 are accountants and 87 are internal auditors. In addition, 800 heads of departments from local authorities were trained on budget preparation techniques in order to enhance their budget execution capacities.

27. **Mr. Speaker** the local governments continued to collect revenue from various local sources in accordance with chapter 290 of the local government finance act. During 2009/10, revenue from local governments was estimated at Tshs 138.052 billion. By March 2010, actual revenue collection by local government amounted to Tshs 86.263 billion, equivalent to 62.5 per cent of the target.

28. **Mr. Speaker,** for some time now the central government has been disbursing funds to the local authorities through numerous accounts, which were opened for various purposes. This has led to a multitude of unnecessary accounts leading to confusion and increased accounts. The multitude of accounts has also increased the work-load of the already over-stretched staff in managing the books of accounts, as well as increasing operational costs of maintaining dormant accounts. In order to improve cash management, the government will continue reducing the number of accounts in local government to appropriate levels.

29. **Mr. Speaker,** according to the controller and auditor general's report some of the local government authorities were found to have

inappropriate expenditures that led to getting qualified or adverse certificates. Likewise, a lot of funds disbursed to local governments have been accumulating in bank accounts without being spent on time for the intended purposes, and hence denying their people essential services. Measures will be taken to address this problem.

30. **Mr. Speaker,** the government continued to implement the Integrated Financial Management System (IFMS). So far, 87 local authorities have already been connected to the system. Efforts are being made to connect the remaining authorities to the system.

31. **Mr. Speaker,** the government has established the Constituency Development Fund as provided for by the Act number 6 of 2009, to promote community based development initiatives. During 2009/10 the government started to allocate funds to implement this initiative, in order to accelerate implementation of development projects at the grass-root level.

32. **Mr. Speaker**, in order to ensure that all funds disbursed to local authorities are utilized for the intended purpose, the government continued to strengthen the capacities of planning, accounting, and internal audit departments. Essentially, these are the departments that are responsible for accountability for expenditure, and instilling fiscal discipline in the local authorities.

PUBLIC FINANCIAL MANAGEMENT

33. Mr. Speaker, the controller and auditor general's audit report for 2008/2009 has shown substantial improvements in public financial management in ministries and central government agencies along with a decline in audit queries. The report also shows an increase in unqualified audit reports for ministries and independent departments from 70 percent in 2007/2008 to 86 percent in 2008/2009. I wish to commend those ministries and departments with unqualified audit reports. Despite the noted improvement, the government is aware of weaknesses in the management of public funds in the local authorities. These weaknesses have also been cited in the Parliamentary Local Authorities Accounts Committee (LAAC) Report.

34. **Mr. Speaker,** the controller and auditor general's audit report for 2008/2009 identifies weaknesses in public financial management in the following areas: non-compliance to international standards in the preparation of public accounts (IPSAS); non-adherence to procurement procedures and regulations; weak systems for control and management of government assets and revenue collection; weak salary payment systems; and non-implementation of recommendations from the CAG's past reports. Measures are being undertaken to address these weaknesses.

NATIONAL STRATERGY FOR GRWOTH AND REDUCTION OF POVERTY (NSGRP)

35. **Mr. Speaker,** the government has completed the preparation of the MKUKUTA II whose implementation will start in the financial year 2010/11. The preparation of MKUKUTA II is a result of studies and numerous consultations with various stakeholders including Members of Parliament, ministries, independent departments and agencies, non government organizations, religious organizations, development partners, TUCTA and the private sector. MKUKUTA II is built on results based strategies organized around three clusters, namely growth and reduction of income poverty, quality of life and social well-being, and

governance and accountability. The emphasis and agenda of the next strategy will be on growth and economic management, social services delivery and strengthening coordination of its implementation.

36. **Mr. Speaker,** in the next five years, the government will allocate funds for MKUKUTA II to finance few and important priorities that have potential for broad based economic growth and improved social services. The private sector is expected to complement government efforts through implementation of joint venture projects, including public-private partnership (PPP). MKUKUTA II priorities are based on four pillars, including; (i) to develop and ensure efficient use of means of production, including human resources, land and capital; (ii) strengthening the economic management institutions; (ii) investing in key economic infrastructure in particular electricity, water, roads, railways, ports and airports; and (iv) strengthening of economic management capacity of the government in facilitating the private sector to participate in production and social service delivery.

THE 2009/10 BUDGET LIKELY OUT-TURN TO JUNE, 2010

37. **Mr. Speaker**, the budget execution trends over the first nine months to March 2010 suggest that revenue collection to June 2010 will fall short of the planed target. Domestic revenue is expected to amount to Tshs 4,688.335 billion (4.7 trillion), which is below target by 8 percent, or Tshs 407.681 billion. Some development partners have front loaded grants and loans projected for fiscal year 2010/11 to support government efforts in mitigating the adverse impact of the global financial and economic crisis. By end-June 2010, disbursement of the General Budget Support is expected to amount to Tshs 1,307.707 billion, compared to the budgeted target of Tshs 1,193.91 billion. This

additional funding has helped to bridge shortfall domestic revenue. Disbursement of grants and loans for the implementation of projects is expected to be on target. The government will proceed with plans to raise funds from the domestic market to finance essential expenditure and maturing government securities. On the expenditure side, the government has taken measures to align expenditure with expected revenue collection.

THE BASIS AND OBJECTIVES OF THE 2010/11 BUDGET

38. **Mr. Speaker,** the 2010/11 budget takes into account the objectives for the National Development Vision 2025, MKUKUTA II, the Millennium Development goals, the National Debt Strategy and priorities outlined in the budget guidelines 2010/11-2012/13. The budget also takes due account of the objectives of the Joint Assistance Strategy for Tanzania (JAST). The basis and objectives of the 2010/11 budget are:

(i) Improvement of the tax administration system, including identification of new sources of revenue;

(ii) Strengthening management and control of revenue collection from various sources;

(iii) Reduction of tax exemptions in order to increase revenue collection;

(iv) Allocation of financial resources for the implementation of Kilimo Kwanza;

(v) Acceleration of the process of introducing National Identity Cards;

(vi) To allocate more funds for MKUKUTA II implementation;

(vii) Allocate funds the ministry of Lands and Human Settlements for land survey and land use planning;

(viii) Protecting achievements in education and health sectors;

(ix) Allocate funds for 2012 Population and human settlement census;

(x) Strengthening good governance and accountability;

(xi) Improve remuneration for civil servants and employment creation;

(xii) Allocate sufficient funds for facilitating the October 2010 General Election;

(xiii) Continue improving conducive environment for attracting local and foreign investment;

(xiv) Improve and expand essential infrastructure services, including roads, railways, ports, airports and electricity projects;

(xv) Harmonise monetary and fiscal policies in order to control inflation and interest rates and enhance access to credit by the private sector;

(xvi) Strengthening the local government authorities to manage financial and human resources for efficient implementation of the decentralization by devolution (D by D) policy; and

(xvii) Mobilise both concessional and commercial loans in order to enable the government finance large infrastructure projects including involving the private sector though the Public Private arrangement.

REVENUE POLICIES

39. **Mr. Speaker,** in the year 2010/11 the government plans to collect domestic revenue amounting to Tshs 6,003.59 billion equivalent to 17.3 per cent of GDP, compared with 16.4 per cent of GDP in financial year 2009/10. Out of this amount, Tshs 5,652.59 billion is tax revenue and 351.0 billion is non-tax revenue. Revenue collection from local government authorities is estimated at Tshs 172.582 billion. In addition, the government expects to raise Tshs 30.0 billion through selling some of its shares in the NBC Limited.

40. **Mr. Speaker,** the government will continue to implement measures to strengthen domestic revenue collection in order to be able to finance most of recurrent expenditures. These measures include:

(i) Strengthening systems for tax collection, and where possible use of banking system for tax collection;
(ii) Put in place a strategy to improve services in the tourism industry, in particular grading hotels in accordance with international standards, with a view to increase revenue collection from fees;
(iii) Enforce the implementation of the Finance Act that directs parastatals and other public institutions to remit to the Treasury, surplus funds generated from their operations;
(iv) Widening the tax base by registering new tax payers and sustaining macroeconomic stability along with efforts to improve the business environment that will support growth of the private sector;
(v) Monitor closely the implementation of TRA’s Third Five Year Corporate Plan, which has been the basis for increased tax revenue collection;
(vi) Implement measures to increase collection of non-tax revenue by Government Ministries and Departments;

(vii) Review procedures for tax exemptions with a view to strengthen controls; and
(viii) Enhanced capacity building of Local Authorities through allocation of adequate manpower in order to strengthen assessment and collection of revenue in Local Authorities.

NEW GRANTS AND CONCESSIONAL LOANS

41: ***Mr. Speaker,*** grants and concessional loans from Development Partners will continue to form a major source of Government revenue. During year 2010/2011 the Government plans to mobilize Tshs 821,645 billion as General Budget Support, compared to Tshs. 1,307,707 billion expected to be received by the end of this year. The decline in GBS grants and loans is due to the fact that some Development Partners disbursed in 2009/10 resources that were planned for the financial year 2010/11 to support Government initiatives in mitigating the adverse impact of global financial and economic crisis. Furthermore, the Government plans to mobilize from Development Partners grants and loans worth Tshs 2,452,908 billion for financing development projects and programmes.

42. ***Mr. Speaker,*** I would like to mention before your esteemed House our Development Partners who have been providing substantial support in our development efforts. As follows; United Kingdom, Denmark, Netherlands, Belgium, Canada, China, Finland, France, Germany, Ireland, Italy, Japan, Korea, Kuwait, Norway, Spain, Sweden, Switzerland, United States of America, World Bank, Africa Development Bank, BADEA, European Union, Global Funds, IMF, Kuwait Fund, Nordic Fund, OPEC Fund, Saudi Fund and United Nations. I wish to thank them all for their valuable support.

43. ***Mr. Speaker,*** the Government will continue to mobilize grants and concessional loans to finance development programmes. However, beginning next financial year (2010/11), the Government will also start using commercial loans for the purpose of financing the development budget. In view of the huge financial requirements of infrastructure projects, the Government intends to borrow Tshs 1,331.2 billion from both domestic and external financial markets to finance such projects. In addition, Tshs 797.6 billion will be mobilized to finance maturing government securities. I would like to emphasise that commercial loans are only intended for financing priority infrastructure projects. The Government will not use commercial loans to finance recurrent expenditures. The decision to raise commercial loans will take into account the need for maintaining macroeconomic stability and continued availability of affordable credit to the private sector. This decision also takes into account the need for maintaining sustainable levels of public debt.

ECONOMIC EMPOWERMENT

44. ***Mr. Speaker,*** during the financial year 2010/11, the Government will continue coordinating the implementation of the National Economic Empowerment Policy, including promoting the establishment and strengthening of SACCOS a viable vehicle for assess to concessional loans to small entrepreneurs; especially women and the youth harmonize training for enhancing entrepreneurial skills.

LOCAL GOVERNMENT ISSUES

45. ***Mr. Speaker,*** in financial year 2010/2011, Local Government Authorities are expected to collect revenues amounting to Tshs 172.582 billion, which is equal to 2.9 percent of total domestic revenue collected by the Central Government. This amount is small compared to the

available potential revenue opportunities in the Local Authorities. In the next financial year, the Government will continue to strengthen the capacity to Local Authorities in identifying new revenue sources and improve efficiency in revenue collection from existing sources. The Government also plans to revise the Local Government Finance Act in order to broaden the tax base and set benchmarks for recurrent and development expenditures. In addition, the Government will assist in training on Tax assessment and collection for the pertinent staff in order to enhance their capacities.

46. ***Mr. Speaker,*** in order to ensure that funds disbursed to Local Authorities are spent for intended purposes, the Government will empower and strengthen the departments of planning, accounts and internal audit, with a view to increase accountability and management of public funds in all Local Authorities.

EXPENDITURE POLICY

47. ***Mr. Speaker,*** during the financial year 2010/2011, Government expenditure policies will focus on improving the management of public funds; increasing efficiency in the use and management of public funds with particular emphasis on areas that have potential for accelerating economic growth and reduction of income poverty. In recognition of the importance of the forthcoming General Elections which will be held in October 2010, the Government has allocated sufficient funds to ensure that the General Elections are held as planned.

Alignment of the Plan and Budget

48. ***Mr. Speaker,*** in order to ensure effective plans and discipline in the execution of the budget, there is a need to strengthen alignment of the Medium Term Plan and the budget. This will ensure effective use of public resources. Furthermore, in order to speed up implementation of

the Development Vision 2025, the Government, through the Planning Commission will start to prepare five year Medium Term Plans (MTPs).

PRIORITIES FOR THE 2010/2011 BUDGET

49. ***Mr. Speaker,*** priority areas in the budget for 2010/11 take into account expenditure policies which I have explained above. The Government will pay special attention to the October 2010 General Elections to ensure that they take place as scheduled. The Government will ensure that achievements realized in social services (education, health and water) are sustained. Other priorities areas include agriculture and livestock development, industries, water and irrigation, research and development, infrastructure including roads, railway, ports, airports and energy; and implementation of the decentralization by devolution policy. In summary, the areas involved include:

(i) Modernize agriculture to realize high productivity through supporting production of high quality seeds; provision of subsidy on farm inputs; improving market information system for farmers; developing marketing infrastructures; and promoting value addition activities on agricultural products;

(ii) Strengthening extension services and research on production of better livestock breeds with high productivity; and improving provision of subsidies on veterinary drugs and vaccination;

(iii) Strengthening and developing irrigation schemes, in order to attain the aspirations of Kilimo Kwanza, including construction of rain water harvesting dams to increase irrigation capacity;

(iv) To increase of water supply in urban and rural areas;

(v) To establish national centres for land surveys and mapping and implementation of national land use plans;

(vi) To accelerate implementation of the national identity card project;

(vii) To protect and sustain achievements attained in education and health sectors;

(viii) To allocate more resources for construction and rehabilitation of transport infrastructure, especially roads and railways; to strengthen road infrastructure in Dar es Salaam City in order to reduce traffic congestion; rehabilitation of airports in order to make Tanzania a regional and international commercial hub for air transport services;

(ix) Enhanced impetus in the production of energy and implementation of various projects in collaboration with the private sector in order to increase energy generation and distribution capacities in urban and rural areas;

(x) To promote small and medium scale businesses in order to increase quality and value addition by investing in agro-processing industries, storage facilities and incubator sites; promotion of the use appropriate industrial technologies that conserve the environment, including production of farm implements; and

(xi) To establish the Agricultural Bank, strengthening the Tanzania Investment Bank and the Tanzania Women Bank and accelerate the implementation of agricultural financial leasing services and completes the establishment of the Tanzania Mortgage Refinance Company (TMRC).

50. ***Mr. Speaker,*** on the basis of the above priorities, the sectoral allocation of the 2010/11 budget is summarized as follows:

(i) **Infrastructure** has been allocated Tshs 1,505.1 billion, compared to Tshs 1,096.6 billion in 2009/10. This represents an increase of 37.3 percent;

(ii) Agriculture has been allocated Tshs 903.8 billion, compared to Tshs 666.9 billion in 2009/10. This represents an increase of 35.5 percent;

(iii) Education has been allocated Tshs 2,045.3 billion compared to Tshs 1,743.9 billion in 2009/10. This represents an increase of 17.2 percent;

(iv) Health has been allocated Tshs 1,205.9 billion compared to Tsh963.0 billion in 2009/10. This represents an increase of 25.2 percent;

(v) Water has been allocated Tshs 397.6 billion compared to Tshs 347.3 billion in 2009/10. This represents an increase of 14.5 percent;

(vi) Energy has been allocated Tshs 327.2 billion compared to Tsh 285.5 billion in 2009/10. This represents an increase of 14.6 percent; and

(vii) Tshs 30 billion has been allocated for research and monitoring. Priority will be on rehabilitation of infrastructure in various research institutions. During the year, the Government intends to prepare a National Strategic Research Agenda. The objective is to identify few research areas that can give useful results in a short period, at affordable costs.

CONTROL OF PUBLIC EXPENDITURE

51. **Mr Speaker**, in order to improve management and control of public expenditure, the Government intends to implement the following measures;

(i) To curb misuse of telephone and electricity;

In recent years the Government has been spending huge amounts of money to pay telephone and electricity bills for Ministries, Independent Departments, Regions and Local Authorities. In the next fiscal year, the Government, in collaboration with the telephone and electricity companies (TTCL and TANESCO) has decided to adopt a prepaid service delivery systems for all Ministries, Independent Departments, Regions and Local Authorities offices in order to control accumulation of payment arrears. This measure is intended to improve the revenues of the two utility companies; and

(ii) Control of procurement and use of Government motor vehicles:

During the fiscal year 2010/11, the Government plans to reduce procurement of new vehicles. The Government will also take measures to strengthen the capacity of the Government Procurement Service Agency (GPSA) to better coordinate procurement of Government vehicles, including identification of type of vehicles to be procured in order to reduce the cost of procurement, running and maintenance.

52. **Mr Speaker**, other measures that will be implemented during the next fiscal year include the following;

(i) The Government plans to pay a fixed amount for house allowances to eligible public servants, instead of percentage of the basic salary, as it is the case now;

(ii) Substantial reduction and control of expenditure on allowances in Ministries, Independent Departments, Regions and Local Authorities in order to reduce unnecessary expenditure;

(iii) Ensure that the Integrated Financial Management System (IFMS) is rolled out to the remaining Local Authorities with a view to ensuring prudent use of public funds;

(iv) Provide training to accountants and internal auditors on preparation of accounts according to international standards (IPSAS);

(V) Commencing the financial year 2010/11, Councils will be required to show balances in their accounts at the end of each financial year, in order to carry forward such balances to the following financial year as sources of income;

(vi) Commencing 2010/11, the Government will start using the inter-bank settlement system (TISS) administered by the Bank of Tanzania for payments made by all Ministries in Dar es Salaam and region administration in order to speed-up payment transactions. Appropriate safeguards have been put in place to protect the system;

(vii) Control the issuance of Government guarantees for loans to various public institutions, in order to prevent unsustainable increases in public debt; and

(viii) Establish a specialized body that will supervise the r construction and enforce standards that will be set for Government buildings.

53. **Mr Speaker**, in order to strengthen public financial management, the Government has made several amendments to Article 348 of the Public Finance Act. The amendments will be presented to Parliament during this Session. These amendments are intended to empower the Treasury, through the Accountant General, to control the use of public funds in the Local Authorities. Moreover, amendments will allow establishment of the Internal Audit General Department, in order to

strengthen internal auditing in Ministies, Departments and Local Authorities. The Internal Auditor General will be accountable to the Paymaster General (PMG). In addition to internal auditing, the Department will also involve technical auditors and stock verifiers to ensure that the Government gets the value for the money spent.

54. **Mr Speaker**, the Government will continue to strengthen internal auditing through training, monitoring through expenditure tracking, including regular verification of the payroll in order to eliminate ghost workers. In addition, the Government will continue to strengthen the Integrated Financial Management System (IFMS) at all Government levels in order to control expenditure and curb the accumulation of the arrears. Moreover, the Government will establish a project database which will be linked to the IFMS to facilitate monitoring of the flow of funds to projects.

EMPLOYEES' WELFARE

55. **Mr Speaker**, the Government is aware of the importance of the employees' welfare in improving efficiency and productivity. During fiscal year 2010/11, the Government will take further measures in improving the employees' welfare. Alongside this measure, the Government will continue the verification of the payroll in order to eliminate payment to ghost workers.

MANAGEMENT OF PUBLIC ENTREPRISES

56. **Mr Speaker**, in recent years, a number of challenges related to management of public corporations have emerged. Some of the public corporations and institutions have failed to sustain themselves and hence turning into huge burdens to the Government, as they continue

surviving on Government subsidies, contrary to objectives for which they were established.

57. **Mr Speaker,** the Government has been taking measures to strengthen management of public corporations and institutions with a view to improve efficiency, productivity, and their revenues in order to reduce their dependency on Government subsidies. During the 19th Parliamentary Session in April, 2010, the Parliament passed amendments to the Public Enterprises Act, CAP 257 and CAP.370 of the Act that established the Treasury Registrar's Office. The amendments are aimed at empowering the Treasury Registrar's Office to be an autonomous authority with the mandate to oversee management and operations of public corporations and institutions. In line with these amendments, the structure of the Treasury Registrar's Office will be reviewed in order to facilitate it appropriately in assuming its mandate. The Government will also evaluate public corporations and institutions in order to identify challenges that need to be addressed.

REFORM OF THE TAX STRUCTURE, FEES AND OTHER REVENUE MEASURES:

58**. Mr Speaker**, the Government will continue to broaden tax base and strengthen domestic revenue collections to finance major portion of expenditure. The Government will review tax laws that grant exemptions with a view of controlling and instituting measures to improve its supervision. Tanzania Revenue Authority (TRA) will monitor closely implementation of its third five years Corporate Plan for the period of (2008/09-2012/13) which has been the basis and catalyst for growth of domestic revenue. Likewise, the government will improve administration and collection of Non Tax revenue to contribute in the National Income.

59. **Mr Speaker**, The proposed measures will cover the following tax laws;

(a) The Value Added Tax Act, CAP 148;

(b) The Income Tax Act, CAP 332;

(c) The Excise (Management &Tariff) Act, CAP 147;

(d) Local Government Finance Act, CAP 290;

(e) The Motor Vehicles (Tax On Registration and Transfer) Act CAP 124;

(f) Road Traffic Act, CAP 168;

(g) Cashewnut Industry Act, CAP 203;

(h) The Gaming Act, CAP 41;

(i) The East African Community Customs Management Act, 2004;

(j) Tax Laws and Government Notices (GNs) granting exemptions on motor vehicles; and

(k) Minor Amendments in various Tax Laws;

(l) Amendments of the Fees and Levies Charged by Ministries, Regions and Independent Departments.

A. The Value Added Tax Act;

60. **Mr Speaker,** Following the government decision to give first priority to the Agricultural sector development under "KILIMO KWANZA," I

propose to make the following amendments to the Value Added Tax Act;

(i) Exempt VAT on transportation (intra-transport) of agricultural products i.e transportation of sugar cane, sisal and tea plantations from the farm to the processing industry. This will apply to organized farming only;

(ii) Exempt VAT on machines and equipments used in the collection, transportation and processing of milk products. This measure is aimed at promoting investment in the diary sub-sector and improve the income of livestock keepers. Machines and Equipments which are proposed for exemptions are as follows:-

(a) Milk Cans (HS Code.7310.29.90);
(b) Milk Pumps (HS Code no. 8413.81.00);
(c) Milk hoses (HS Code no. 8413.70.20);
(d) Compressor used in refrigerating equipment (HS Code 8414.30.00);
(e) Milk Storage tanks (HS code 7309.00.00);
(f) Milk tankers (HS Code 8716.31.90);
(g) Milk pasteurisers (HS Code 8434.20.00);
(h) Butter churns (HS Code 8434.90.00);
(i) Storage chillers (HS code 8415.81.00);
(j) Cheese presser (HS Code 8434.20.00).

(iii) Exempt VAT on animal feeds or seed cake (locally known as Mashudu). The measure is intended to improve the livestock keeping and enable the oil seed farmers to receive better prices for their products,;

(iv) Provide VAT Special relief for the supply of equipments to a registered Veterinary Practitioner under the Third Schedule to the VAT Act;

(v) Exempt VAT on agricultural implements i.e. combine harvesters, pick-up balers, hay making machinery and the mowers used in agricultural production and livestock;

(vi) Exempt VAT on Airfreight charges for transportation of flowers. The measure is aimed at promoting horticulture farming;

(vii) Granting VAT special relief on “green houses” by adding a new item under the Third Schedule to the VAT Act, to read “importation by or supply of green houses to growers”. The measure is also intended to boost horticulture farming;

(viii) Grant VAT special relief to the supply of goods and services to the organised farms and farms under the registered cooperatives unions for the purpose of building of farms infrastructures in the farms, such as irrigation canals, construction of road networks, construction of godowns and similar storage facilities; and

(ix) Exempt VAT on Breeding services through artificial animal insemination.

61. **Mr Speaker**, I propose to make other amendments in the VAT Act with a view to promote investment and enhance productivity in the Industrial sector as follows:

(i) Provide for VAT special relief to the supply of building materials and construction services to EPZ developers;

(ii) Zero rate VAT on locally produced edible oil using local oil seeds by local processors;

(iii) Exempt VAT on supply of packaging materials for fruit juices and milk products. The measure is intended to reduce production costs and improve the quality of goods produced by local processors; and

(iv) Reinstate the practice of classifying certain goods intended for use in specific investments as "deemed capital goods" to provide tax relief to investors. However, to avoid abuse of this facility, the government will form a Technical committee (Inter disciplinary committee) under Tanzania Revenue Authority to oversee its implementation. A list of goods involved will be prepared and made available to the beneficiaries.

The VAT measures together will reduce Government revenue by Shs2.391 billion.

B. The Income Tax Act;

62. **Mr. Speaker**, I propose to make the following amendments to the Income Tax Act, Cap 332:-

(i) Amend section 11 of the Income Tax Act CAP 332 to introduce Ring fencing within the mining areas. The measure will restrict companies to utilise losses of one mine against the taxable income of another mine while determining tax liabilities. This measure will ensure that each mine is taxed separately and will apply to all mining companies;

(ii) Reduce Individual Income Tax rate from 15 per cent to 14 per cent for employees, this is in conjunction with the increment of the minimum wage to be announced by the Minister of State, President's Office, Public Service Management. The measure is intended to reduce the tax burden to the lower income earners; and

(iii) Extend the application of withholding taxes on goods and services to non-TIN holders supplying goods and services to all taxpayers. The measure is to encourage voluntary registration of TIN and capture transactions made outside the tax net as currently some business transactions takes place between non-TIN and TIN holders in private sector.

The Income tax measures together will reduce Government revenues by Shs4.468 billion.

C. The Excise (Management & Tariff) Act;

63. **Mr. Speaker**, I propose to make the following amendments in the Excise (Management & Tariff) Act:

(i) Reduce excise duty rate on HFO from Shillings 97 to Shillings 80 with a view to reducing industrial production coasts. The measure conforms to the government's intention to promote industrial growth, create employment and generate revenue. This reduction is in line with the decision reached between the government and stakeholders in the industrial sector to reduce it in phases and subsequently eliminate the whole duty within three years;

(ii) Adjust the specific excise duty rates by 8 per cent on non-petroleum products. The adjustment considers the average inflation rate for the period. The current and proposed rates are as follows:-

(a) Carbonated soft drinks from the current rate of Shillings 58 per litre to Shillings 63 per litre;

(b) Beer made from local un-malted cereals from the current rate of Shillings 209 per litre to Shillings 226 per litre;

(c) Other beers from the current rate of Shillings 354 per litre to Shillings 382 per litre;

(d) Wine produced with more than 25 per cent imported grapes, from the current rate of Shillings 1,132 to Shillings 1,223 per litre; and

(e) Spirits from the current rate of Shilling 1,678 per litre to Shillings 1,812 per litre.

(iii) The Excise Duty rates on Cigarettes are amended as follows:-

(a) Cigarettes without filter tip and containing domestic tobacco more that 75 per cent, from the current rate of Shillings 5,749 to Shillings 6,209 per thousand cigarettes.
(b) Cigarettes with filer tip and containing domestic tobacco more than 75 per cent, from the current rate of Shillings 13,564 to Shillings 14,649 per mil;
(c) Other cigarettes not mentioned in (a) and (b) from the current rate of Shillings 24,633 to Shillings 26,604 per mil;
(d) Cut rag or cut filler from the current rate of Shillings 12,441 per kilogram to Shillings 13,436 per kilogram; and
(e) The excise duty rate on "Cigars" remains at 30 per cent.

The excise duty measures together are expected to increase Government revenue by Shs20.042 billion.

D. Local Government Finance Act:

64. **Mr. Speaker**, I propose to effect the following amendments under the Local Government Finance Act.

(i) Exempt Old persons from above 60 years and disabled persons who have no reliable source of income, from payment of Property tax. However, exemptions will only cover one residential building. Approval for exemption shall be subject to Local Government Authority's recommendations on the status of an applicant; and
(ii) Review produce Cess chargeable on agricultural products to be charged between 3 per cent and 5 per cent of farm gate price, this measure allows the Local Government Authorities to impose rates based on the available resources.

E. The Motor Vehicle (Tax on Registration and Transfer) Act

65. **Mr. Speaker,** I propose to review motor vehicle/cycle registration fees as follows:

(i) Motor vehicle from Shillings 120,000 to Shillings 150,000
(ii) Motor cycle from Shillings 35,000 to Shilling 45,000

The motor vehicle/cycle registration together will increase Government revenue by Shs 3.19 billion.

F. Road Tariff Act;

66. **Mr. Speaker,** I propose to review the annual motor vehicle license fee as follows:

(i) Motor vehicle with 0-500.cc from Shillings 30,000 to Shillings 50,000;
(ii) Motor vehicle with 501-1500.cc from Shillings 50,000 to Shillings 100,000;
(iii) Motor vehicle with 1501-2500.cc from Shillings 100,000 to Shillings 150,000; and
(iv) Motor vehicles with 2501.cc and more from Shillings 150,000 to Shillings 200,000.

The Annual Motor Vehicle License fees together will increase Government revenue by Shs.16.981 billion.

G. Cashewnut Industry Act;

67. **Mr. Speaker,** I propose to increase levy on raw cashew nuts from 10 per cent to 15 per cent of Free on Board (FOB) value or USD 160/MT whichever is higher. The measure is aimed at encouraging value addition, reviving cashew nut processing factories which closed business and creating local employment both in cashew farms and factories.

The Cashew nut measures are expected to increase Government revenue by Shs.2.613 billion.

H. The Gaming Act;

68. **Mr. Speaker,** I propose to increase Gaming tax on slot machines from Shs.16,000 to Shs.32, 000 and impose gaming tax on "forty machines site" at the rate 13 percent of gross gaming revenue.

The Gaming measures are expected to increase government revenue by Shs. 0.5 billion.

1. The East African Community Common External Tariff (CET) and Customs Management Act, 2004

69. Mr. Speaker, Ministers for Finance from EAC Partner States held the meeting of Pre-budget consultations on 12 May, 2010 in Kampala, Uganda. The Ministers discussed proposals for reviewing of the Common External Tariff rates submitted by the Partner States; Tanzania, Kenya, Uganda and Rwanda. The review has taken into account the requirement under the Protocol for the establishment of the Customs Union that the Common External Tariff structure be reviewed after five years.

70. Mr Speaker, Ministers for Finance recognizing that there is n EAC Common Market, they agreed to implement policy measures to promote growth of the important sectors like industries, agriculture and transport. These sectors play a crucial role in supporting economic growth in the region through their forward and backward linkages with other sectors of the economy. With respect to the industrial sector, the Ministers agreed to undertake the following measures:-

(i) Review the CET rate applicable on bare aluminium conductors and cables under HS Code 7614.10.00 and HS Code 7614.90.00 from 10% to 25% to protect producers in the region against unfair competition from imported like products;

(ii) Review the CET rate applicable on other cables of copper wire under HS Code 7413.00.90 from 10% to 25%, the measure is intended to harmonize with cables under HS Code 7413.00.10 attracting the CET rate of 25% and are competing products;

(iii) Grant duty remission to the specific inputs which attract duty and are used in production of duty free finished products. The measure is intended to create environment of fair competition because some of inputs attract CET rate of 10% or 25%. To enjoy duty remission, EAC Partner States are required to submit a list of specific inputs to the Secretariat for implementation. In line with the agreed measure, the local manufacturers in Tanzania are required to submit a list of the inputs to the Ministry of Industry, Trade and Marketing for submission to the EAC Secretariat;

(iv) Review the CET rate applicable on driers under HS Code 3211.00.00 from 10% to 0%;

(v) Review the CET rate applicable on Petroleum coke, not calcined under HS Code 2713.11.00 from 10% to 0%;

(vi) Review the CET rate applicable on Stamping foils under HS Code 3212.10.00 from 10% to 0%;

(vii) Review the CET rate applicable on Pigments dispersed in non aqueous media, in liquid or paste form, of a kind used in the manufacture of paints under HS Code 3212.90.10 from 10% to 0%;

(viii) Grant duty remission on textile coated with gum used in manufacturing of outer book covers under HS Code 5901.10.00;

(ix) Grant duty remission on looped pile fabrics of gum boot manufacturing under HS Code 6001.22.00;

(x) Review the CET rate applicable on Flat – rolled products of iron or non alloy steel coated or plated with tin of a thickness of 0.5 mm or more under HS Code 7210.11.00 from 25% to 0%;

(xi) Review the CET rate applicable on Flat–rolled products of iron and/or non alloy steel, of width of less than 600 mm under HS Code 7212.10.00 from 10% to 0%; and

(xii) Extend the stay of application of CET rate of 35% on wheat grain under HS Code 1001.90.20 and HS Code 1001.90.90 and apply the CET rate of 10% for one year because production of wheat grain in the region does not satisfy the market demand.

71. Mr Speaker, as explained earlier, the EAC Ministers for Finance have also agreed to take measures to support the transport sector with a view to reducing transportation costs and stimulate economic growth. The Ministers agreed to implement the following measures:-

(i) Extend the stay of application of CET rate of 25% and apply CET rate of 10% on trucks of carrying capacity of 5 tones under HS Code 8704.22.90 for one year;

(ii) Extend the remission of import duty on trucks of carrying capacity of over 20 tones under HS Code 8704.23.90 from 25% to 0% for one year;

(iii) Extend the exemption of import duty on buses under HS Codes 8702.10.99 and 8702.90.99 to be imported in Tanzania under the Dar ES Salaam Fast Truck Bus project for one year. The measure is intended to improve the safety of public transport by reducing congestion and traffic jams and facilitates economic activities. The Government is currently undertaking rehabilitation and expansion of roads and related infrastructures in the city in order to ensure that, the project starts as soon as possible;

(iv) Grant duty remission to Motor Vehicles Assemblers, and
(v) Exempt import duty on tractors under HS Code 8701.20.90 to apply the CET rate of 0%.

72. Mr Speaker, measures taken to support agriculture and other sectors involved the review of the tariff rates and amendments of the EAC Customs Management Act, 2004 as follows:-

(i) Amend item 25 of Part B of the EAC Customs Management Act (CMA) 2004 to include under the exemption regime lamps/bulbs made using LED technology imported into the region in order to save usage of electricity;
(ii) Amend the 5th Schedule of the EAC Customs Management Act (CMA) 2004 under Part B (15) in order to include parent stocks as an input for agriculture. The measures is intended to promote investments in the poultry industry in the country;
(iii) Extend the exemption regime granted to Armed Forces Canteen (AFCO) for one year;
(iv) Amend Part B of the 5th Schedule of the EAC CMA 2004 to review the exemption of the import duty granted on importation of motor vehicles to returning residents in order to limit the period to four (4) years before the beneficiary can enjoy another exemption granted to returning residents from abroad;
(v) Extend the application of CET rate of 25% on imported cement under HS Code 2523.29.00 fro one year. A study will be done on production capacity, demand and price

competitiveness so as to enable the Minister for Finance to determine the appropriate CET rate on the product;

(vi) Extend the application of CET rate of 35% or US$ 0.20 per Kg on worn out clothes under HS Code 6309.00.00. Furthermore, the EAC Partner States agreed to prohibit the importation of used undergarments in the region.

(vii) Review the CET rate applicable on Gas cookers and other cookers of dual power sources under HS Code 7321.11.00 from 25% to 10%; and

(viii) Amend Part B of the 5th Schedule of the EAC CMA 2004 under the exemption regime.

The amendment of EAC CMA, 2004 and the review EAC Common External Tariff will reduce the Government revenue by shillings 4.175 billion

J. Tax Laws and Government Notices (GNs) Granting Exemption on Motor Vehicles

73. Mr Speaker, I propose to abolish tax exemptions on motor vehicles aged more than 10 years. The measure is intended to discourage importation of obsolete vehicles and preserve/protect environment.

K. Minor amendments in various Tax Laws

74. Mr Speaker, I recommend other minor non-fiscal amendments in tax laws in order to facilitate proper execution and administration of respective laws.

L. Amendments of the Fees and Levies Charged by Ministries, Regions and Independent Departments

75. Mr Speaker, I recommend to amend rates of fees and penalties charged by Ministries, Regions and Independent Departments in order to rationalize with the current level of economic growth.

M. Effective Dates for Implementation of these measures

76. Mr Speaker, unless otherwise stated, the new revenue measures shall become effective on 1st July 2010.

THE BUDGET FRAME FOR 2010/11

77. Mr Speaker, consistent with macroeconomic and fiscal policy objectives, the Government is expected to collect domestic revenue of Tshs 6, 003.590 billion (Tshs 6.0 trillion), which is 17.3 percent of Gross Domestic Product, compared to 16.4 percent in year 2009/10. Revenue

form Local Authorities (LGAs own sources) is projected at Tshs 172.582 billion and privatization proceeds at Tshs 30.0 billion.

78. Mr Speaker, Government expenditure is planned to be Tshs11, 112.419 billion (Tshs 11.1 trillion) for both recurrent and development expenditure. Expenditure will be financed through domestic revenue, domestic loans and external grants and loans.

79. Mr Speaker, our Development Partners are expected to provide Tshs3, 274.553 billion (Tshs 3.27 trillion) to support our 2010/11 budget. Of this amount, Tshs 821.654 billion will be for General Budget Support and Tshs2, 452.91 billion (Tshs 2.4 trillion) will be grants and loans for development projects.

80. **Mr. Speaker**, the Government intends to borrow Tshs 2,128.832 billion (2.1 trillion) from both domestic and external commercial sources. Of this amount, Tshs 797.62 billion will be for rolling over maturing Government securities and the remaining amount of Tsh 1,331.2 billion (1.3 trillion) will be used to finance the development projects.

81. **Mr. Speaker**, the budget frame takes into account the expected outcomes of the tax measures that I explained above. The following table summarizes the budget frame for 2010/2011.

BUDGET FRAME 2010/2011

	Revenue	Shillings in Millions	
A	**Domestic Revenue**		6,003,590
	(i) Tax Revenue	5,652,580	
	(ii) Non Tax Revenue	351,000	
B	**LGAs Own Source**		172,582
C	Foreign Loans and Grants- general Budget Support		821, 645
D	Foreign Loans and Grants- Basket and projects		2,452,908
	(i) Project Loans and Grants (ii) Basket Loans and Grants	1,975,120 477,788	
E	**External and Domestic Borrowing**		1,331,212
F	**Domestic Borrowing (Roll Over)**		797,620

G	**Privatization Proceeds**		30,000
	Total Revenue		**11,609,557**
	Total Expenditure		
H	**Recurrent Expenditure**		7,790,506
	(i) Public Debt	1,756,044	
	(ii)Ministries	4,155,768	
	(iii)Regions	119,580	
	(iv)Local Government Authorities	1,759,114	
I	**Development Expenditure**		3,819,051
	(i) Local	1,366,143	
	(ii)Foreign	2,452,908	
	Total Expenditure		**11,609,557**

82. **Mr. Speaker**, the 2010/2011 budget is a continuation of Government's efforts in pursuing the objectives of MKUKUTA, Millennium Development Goals and Development Vision 2025. However, in order to achieve these objectives much earlier, every citizen should participate effectively in utilising emerging opportunities in engaging in income generating activities.

83. **Mr. Speaker**, active involvement of all Tanzanians in production activities is important for growth of our national economy. Improving agriculture, livestock and industrial sectors, as well as agro-business have the potential to contribute to the GDP and employment creation. This budget is also focusing on land development and connecting the country with a network of roads, railways, communication and energy infrastructures.

84. **Mr. Speaker**, as I stated earlier, this is the last Budget Session for the five-year term of the Fourth Phase Government. Most of us will go back to our constituencies to seek re-election in order to come back to this esteemed House. I hope that our voters will not forget the achievements made by the Honorouble Members of Parliament of the Fourth Phase Government.

85. **Mr. Speaker,** I would like to extend my special thanks to his Excellence, Dr. Jakaya Mrisho Kikwete, President of Tanzania, for his outstanding leadership and for giving me the honour to serve as Minister for Finance and Economic Affairs during the Fourth Term Government. I also wish to thank His Excellence, Dr. Mohamed Shein, the Vice

President, for his leadership especially in dealing with union matters. Likewise, I also wish to thank Honourable Mizengo Kayanza Peter Pinda (MP), the prime Minister for effectively coordinating Government business in Parliament and for his cooperation and guidance that helped me to perform my duties effectively. I also wish to thank my fellow ministers and all Members of the Parliament for the cooperation you extended to me in the course of performing my duties.

Finally, I would like to thank all voters in Kilosa who voted for me and made it possible for me to be their representative in this House for five years and I believe I did not let them down.

86. **Mr. Speaker**, I beg to move.