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Financing Strategy of the National Five-Year Development Plan 2021/22 – 2025/26

Tanzania, United Republic

Ministry of Finance and Planning

THE UNITED REPUBLIC OF TANZANIA

FINANCING STRATEGY OF THE NATIONAL FIVE-YEAR DEVELOPMENT PLAN 2021/22 – 2025/26

MINISTRY OF FINANCE AND PLANNING

JUNE, 2021

TABLE OF CONTENT

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

AEO	Authorised Economic Operators
AF	Adaptation Fund
BITs	Bilateral Investment Treaties
BOT	Bank of Tanzania
BRELA	Business Registration and Licensing Agency
BTAs	Bilateral Trade Agreements
CCF	Climate Change Fund
CICO	Cash In Cash Out
CMSA	Capital Market and Security Authority
DCF	Development Cooperation Framework
DFA	Development Financing Assessment
DFIs	Development Finance Institutions
DMD	Debt Management Division
DPs	Development Partners
DTA	Double Taxation Agreement
DTIs	Diagnostic Trade Integration Study
DTTs	Double Taxation Treaties
EAC	East African Community
ECA	Export Credit Agency
ECTs	Electronic Cargo Tracking System
EFD	Electronic Fiscal Device
EGM	Enterprise Growth Market
EMAU	East Africa Monetary Union
EoI	Exchange of Information
EPZ	Economic Processing Zone
FCC	Fair Competition Commission
FDI	Foreign Direct Investment
FPI	Foreign Portfolio Investment
FSD	Financial Sector Development Division
FYDP II	Five Year Development Plan II
FYDP III	Five Year Development Plan III
GCF	Green Climate Fund
GBD	Government Budget Division
GDP	Gross Domestic Product
GEF	Global Environment Facility
GePG	Government Electronic Payment Gateway
GFCF	Gross Fixed Capital Formation
ICT	Information Communication Technology
IDRAS	Integrated Domestic Revenue Administration System
INFF	Integrated National Financing Framework
IPO	Initial Public Offering
JV	Joint Venture

LDCF	Least Developed Countries Fund
LGAs	Local Government Authorities
LGLB	Local Government Loans Board
LTPP	Long Term Perspective Plan
M&A	Merger and Acquisition
MAC	Multilateral Convention Exchange of Information and Assistance in Tax Collection
MDAs	Ministries, Departments and Agencies
MIGA	Multilateral Investment Guarantees Agency
MOFP	Ministry of Finance and Planning
MSMEs	Micro, Small and Medium Enterprises
NBS	National Bureau of Statistics
NCCFM	National Climate Change Financing Mechanism
NDF	Net Domestic Finance
NEMC	National Environment Management Council
NID	National Identification
NIDA	National Identification Authority
NPD	National Planning Division
NPL	Non -Performing Loans
NPMIS	National Project Management Information System
ODA	Official Development Assistance
OSC	One Stop Centre
OTR	Office of Treasury Registrar
PAD	Policy Analysis Division
PIM-OM	Public Investment Management - Operational Manual
PE	Private Equity
PMO	Prime Minister Office - Investment
PORALG	President’s Office, Regional Administration and Local Government
PPP	Public - Private Partnership
PPPD	Public - Private Partnership Division
RISDP	Regional Indicative Strategic Development Plan
RSs	Regional Secretariats
SACCOS	Saving and Credit Cooperation Societies
SADC	Southern Africa Development Cooperation
SCCF	Special Climate Change Fund
SDGs	Sustainable Development Goals
SEZ	Special Economic Zone
SID/DIB	Social & Development Impact Bond
SMEs	Small and Medium Enterprises
SMR	Statutory Minimum Reserve Requirement
SOEs	State Own Enterprises
SPVs	Special Purpose Vehicles
STR	Simplified Trade Regime

TADB	Tanzania Agricultural Development Bank
TCRA	Tanzania Communication Regulatory Authority
TEITI	Tanzania Extractive Industries Transparency Initiative
TIB	Tanzania Investment Bank
TIC	Tanzania Investment Bank
TIRA	Tanzania Insurance Regulatory Authority
TIN	Taxpayer Identification Number
TMRC	Tanzania Mortgage Refinance Company
TRA	Tanzania Revenue Authority
TZS	Tanzania Shillings
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Conversion on Climate Change
URT	United Republic of Tanzania
USD	United State Dollar
VAT	Value Added Tax
VC	Venture Capital
VPO	Vice President’s Office

EXECUTIVE SUMMARY

Realizing effective implementation of the prioritized interventions under The Third National Five-Year Development Plan (FYDP III) requires mobilizing a diverse range of public and private financial resources. This Financing Strategy has been designed to ensure optimum resources are secured from both public and private sources. The strategy's overall objective is to ensure effective financial mobilization to realize FYDP III prioritized interventions and targets and address financing bottlenecks of plan's implementation. The strategy's expected outcomes include: widened domestic revenue collection base; increased resources mobilization from development partners; increased participation of and capital inflows by non-Governmental actors; and identified and tapped new and innovative financing sources.

The resource envelope for the FYDP III is estimated at 114.8 trillion shillings comprising public and private sources. This is 6.7 percent higher than the resource envelope for Five Year Development Plan II (FYDP II), which was 107 trillion shillings. FYDP III will be financed through the development budget component of the Government budget, which is 74.2 trillion shillings for the entire period of five years. This is equivalent to 25.8 percent increase from the development budget of FYDP II, which was 59 trillion shillings. The Domestic sources are 62.0 trillion shillings, while external grants and concessional loans are 12.2 trillion shillings. Private sector sources are 40.6 trillion shillings. The public sector's resources to finance the Plan include tax and non-tax revenue, external grants and loans. The private sector will be directly engaged in financing the Plan through Direct Investment, Joint Venture (JV) and Public-Private Partnerships (PPP) modalities.

Existing domestic revenue sources include taxes on imports, income taxes and taxes on local goods (mostly in the form of value-added tax – VAT) and non-tax revenue in the form of surpluses of state-owned enterprises (SOEs), dividends and profits from investments, auctioning of natural resources (i.e. forest, hunting blocks), and LGA's sources. Other potential sources are domestic borrowing using treasury bonds and bills.

Several measures will be taken to ensure that the estimated public sector resources are mobilized. These include tax reforms to enhance fiscal space for domestic revenue include: strengthening the collection of various taxes; expanding the tax base and tax net. Likewise, measures will be taken to increase transparency and competition by selling and leasing public resources though auctions, improving the capital base of state-owned enterprises, management and governance of state-owned enterprises, and facilitating Special Purpose Vehicles (SPVs) to manage investments and ventures at national and LGAs levels; increase the efficacy of Government expenditures; and ensuring dissemination and enforcement of the Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants.

To fully utilize external grants and loans, necessary measures to enhance and sustain cooperation between the Government and Development Partners, efforts to adhere to the principles enshrined in the mutually agreed Development Cooperation Framework (DCF) will be prioritized. Strengthening regional and bilateral relations will also foster collaboration and partnerships with both traditional and non-traditional partners. Such cooperation will reflect the Government's commitment to attaining national and international goals, including SDGs and Agenda 2063. To enhance efficiency and effectiveness in external borrowing, the following will be pursued: continue building institutional capacity to prepare bankable quality projects; enhance negotiation skills and contract management for prudent borrowing; and strategically undergo borrowing for high impact projects and projects that transfer technology to Tanzanians.

Innovative financing sources including Climate Change Fund (CCF) are potential options identified in this Strategy. Mobilization of financial resources from CCF will require skills to prepare responsive project documents, meet the set criteria and have accredited entities that can directly access the fund. To tap this opportunity, the following strategies will be pursued: The Ministry of Finance and Planning (MOFP), Vice President's Office (VPO) and President's Office, Regional Administration and Local Government (PO-RALG) will finalize the accreditation process to the Green Climate Fund to be one of the accredited entities; building institutional capacity for mobilising Climate Change Fund from various sources; Climate Change Unit under the External Finance Department will sensitize other MDA and private sector to apply for accreditation to various Climate Change Fund to increase opportunities from these funds and build institutional capacity on the preparation of bankable projects and responsive to Climate Change Fund requirements.

The public sector will also partner with the private sector to implement projects and programs under FYDP III. To accelerate the use of Public-Private Partnership (PPP) framework in the public investment arena, the following strategies will be pursued: (i) accelerating project feasibility studies and approval processes; (ii) strengthening the PPP unit with the required human resources and expertise; (iii) enhancing PPP capacities at the MDAs, RSs and LGAs levels and ensure that during budget preparations, PPP projects are considered in compliance to PPP Act, Cap 103; (iv) accelerating the development, review and the implementation of regulations, guidelines and other instruments to streamline private sector participation through PPP; (v) strengthening enabling investment climate including macro-economic stability, access to long-term financing, lower interest rates, and enhance political support; (vi) establishing and strengthening the institutional framework for promoting PPP projects as elaborated by the PPP Act, Cap 103 and (vii) fast tracking establishment of PPP Centre and PPP Project Facilitation Fund.

Several strategies are needed to attract and retain FDI to diversify the production base and enhance productive capacity during FYDP III. These include: improving the strategies aimed at attracting and facilitating FDI, including establishing enhanced investor entry regimes, streamlining investment procedures, and enhancing investment promotion capacity; improving the effectiveness of investment incentives; strengthening investor confidence; improving human capital and create critical mass of skilled labour; developing EPZ/ESZ basic infrastructures to attract investors; promoting the availability of local raw materials, and ensure effective implementation of the Blueprint for Regulatory Reforms to Improve the Business Environment.

To mobilize private sector resources, the Government will implement the following strategies: to develop the corporate bond market for enterprises to raise long-term finances from capital markets; increasing formal savings for easing domestic credit constraints; strengthening monetary and fiscal management systems relevant to regional integration; strengthening oversight and promote risk management systems in the financial sector; strengthening the legal and regulatory framework for an effective deposit insurance system; and continue with the implementation of monetary policy to reduce borrowing costs to improve credit growth.

CHAPTER ONE

INTRODUCTION

1.1. Background

Realizing sustainable national development outcomes requires mobilizing a diverse range of public and private financial resources to enable effective implementation of the prioritized interventions. This message has been cemented by the Long-Term Perspective Plan (LTPP) 2011/12 – 2025/26, SADC Regional Indicative Strategic Development Plan (RISDP) – 2030, the Addis Ababa Action Agenda for Financing for Development - (Agenda 2063) and Financing Strategy for 2030 Agenda for Sustainable Development which calls for integrated approaches, driven at the national level, to finance national development objectives. In Tanzania, the development objectives are articulated in the Tanzania Development Vision 2025 and translated into actions through the National Five-Year Development Plans (FYDPs).

For successful mobilization of financial resources, it is important to understand the financial landscape and opportunities, to enable a reliable, predictable and steady financial resource flow to strategize how best such opportunities can be tapped. Thus, mapping of financing landscape for the FYDP III was done through a Development Finance Assessment (DFA) and Integrated National Financing Framework (INFF), which led to the formulation of and this Financing Strategy. The DFA and INFF give a comprehensive picture of possible public and private financing in the country context. They map trends in public and private finances and assesses opportunities to mobilize development financing.

This Financing Strategy for FYDP III is expected to solicit financial resources from both public and private resources. In the same vein, the Strategy aims to improve traditional sources' efficiency and identify innovative finance sources. The purpose is to ensure that optimum resources are secured from various stakeholders, including the Central Government, Local Governments, Development Partners, the private sector, Civil Society Organizations and Faith-Based Organizations and communities to implement the Plan. Further, the Strategy identifies potential financing sources that can be explored in the future to widen the scope of financing development projects.

In recent years, changes and shifts in the development finance landscape have created new opportunities and options for developing countries to access external resources to finance countries' development priorities. These changes have created new challenges and risks for managing development finance flows, such as the declining popularity of some financing instruments like the General Budget Support and dynamics in the international development cooperation. Both tax revenues and Gross Fixed Capital Formation (GFCF) by the private sector have, however, increased. This demonstrates that, the private sector has a significant role to play in financing development projects/ interventions. Dependency on aid as a source of development financing can be reduced and more efforts directed towards mobilising domestic sources hand in hand with strategies to increase tapping into investment resources from the private sector.

1.2. Objectives and Outcomes of the Strategy

1.2.1. Objectives

The strategy's overall objective is to ensure adequate financial resource mobilization to realize FYDP III prioritized interventions, targets and address financing bottlenecks of plans implementation. The strategy has been developed to attain the following specific objectives:

(a) Improving or enhancing mobilization of domestic public and private financial resources;
(b) Enhancing mobilization of international public and private financial resources;
(c) Identifying and tapping financial resources from innovative and non-traditional sources;
(d) Strengthening the coordination and harmonization mechanism for financial resources mobilization; and
(e) Identifying policies and processes needed to promote financing and achieving national priorities.

1.2.2. Expected Outcomes

(a) **Widen Domestic Revenue Collection Base:** The Government has taken stern measures towards enhancing its revenue base. These measures include: clamping down challenges for revenue leakages, widening the tax base and strengthening mobilization of domestic revenue through ICT, including effective use of the electronic fiscal device (EFD). These initiatives resulted in increased monthly average domestic revenue collection to 1.756 trillion shillings in 2019/20 from 1.387 trillion shillings in 2016/17. Over the same period, monthly average tax revenue increased to 1.456 trillion shillings from 1.173 trillion shillings. During the implementation of FYDP III, monthly average domestic revenue is expected to increase from 2.169 trillion shillings in 2021/22 to 3.005 trillion shillings in 2025/26, of which monthly average tax revenue is expected to increase from 1.842 trillion shillings in 2021/22 to 2.555 trillion shillings in 2025/26. With the continuous broadening of the tax base through increased investment and formalization of the economy, the focus must be on fostering tax compliance through ICT investment, creating public awareness and shared value across stakeholders.

(b) **Increased financial resources mobilization from Development Partners:** Since domestic revenues cannot adequately finance all interventions, it will be necessary to strengthen external resources' mobilization from Development

Partners.

(c) **Increased participation and capital inflows by non-Governmental actors:** Implementation of FYDP III takes at heart the tripartite partnership between the public, private and people (including individual persons, community, and non-Governmental institutions). During the implementation of FYDP III, non-state actors are expected to be engaged either as direct owners, partners, supporters, financiers, beneficiaries or a combination of all. However, a number of legal and regulatory frameworks to facilitate the realization of the envisaged participation of non-state actors in most planned activities will either be strengthened or put in place**.**

(d) **Identified and tapped new and innovative financial sources:** Besides the traditional sources of finance, FYDP III recognizes and promotes increased exploration of new and innovative financing sources. The potential and latent sources include Social and Development Impact Bonds (SIB/DIB), crowdfunding, municipal bonds, impact investing, diaspora bonds, climate change financing, foreign bonds, debt-to-health swaps, insurance and risk financing, and Islamic bond (Sukuk). Mechanisms such as regional and international economic arrangements and commercial banks as well as national Development Finance Institutions (DFIs), notably Tanzania Investment Bank (TIB) and the Tanzania Agricultural Development Bank (TADB), will be strengthened.

1.3. Approach for Developing the Financing Strategy

Formulation of the Financing Strategy involved complementary methods and approaches, including desk study of the research and policy papers, review of the Financing Strategy for FYDP II, undertaking of the Development Financing Assessment (DFA) and stakeholders' consultations.

1.4. Structure of the Document

This Strategy is organized into four (4) chapters as follows: Chapter One presents introduction. Chapter Two presents the recent financing trends for National Development Plans, including public and private finance sources. Chapter Three explains the opportunities and strategies for enhancing FYDP III resources. Chapter Four highlight risks and mitigation measures.

CHAPTER TWO

RECENT FINANCING TRENDS

2.1. Introduction

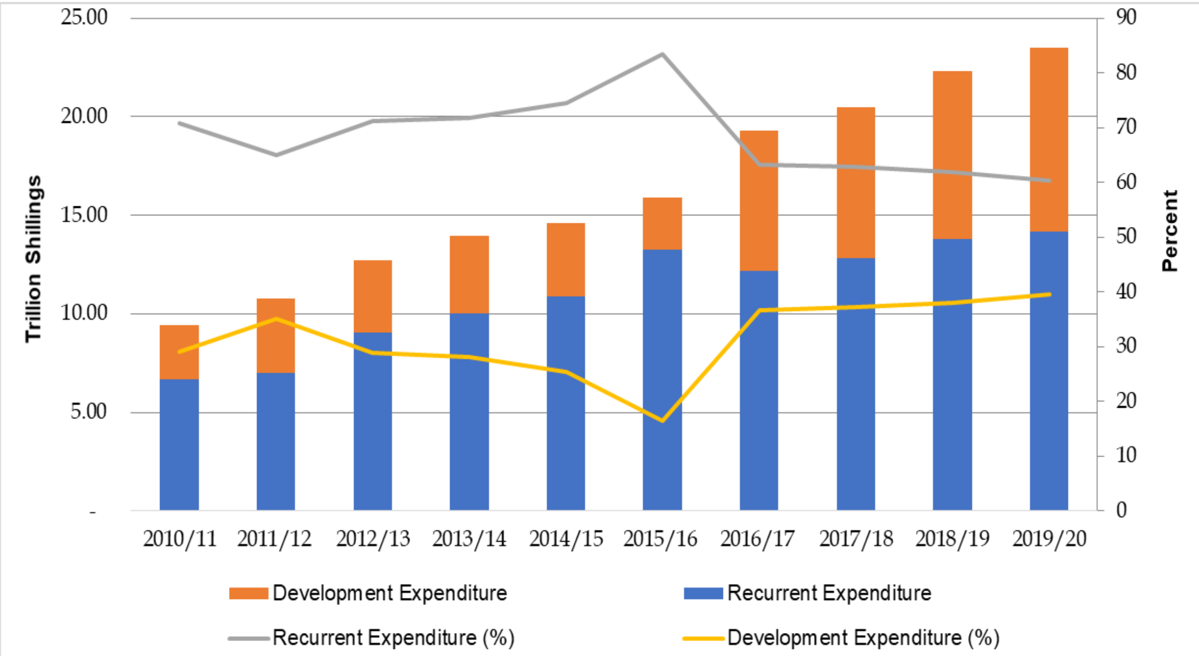
This chapter presents the financing trends for national development plans in the country. The trends are for public sources, private sources and innovative financing instruments.

2.2. Public Finance

2.2.1. Domestic Revenue

For the past ten years (2010/11 – 2019/20), the Government budget has been increasing at an average rate of 12.7 percent, with the development component increasing faster (17.2 percent) than the recurrent component (11.8 percent). The budget is predominated by recurrent expenditure, representing an average of 68.5 percent with a peak of 83.5 percent in 2015/16 and a low of 60.4 percent in 2019/20 (**Figure No. 1**). Development expenditure has averaged at 31.5 percent with steady growth from 2016/17 to 2019/20. Declining trend in recurrent and increasing development spending reflect Government commitment in financing core priority areas.

Figure No. 1: Trends of Government Recurrent and Development Expenditure

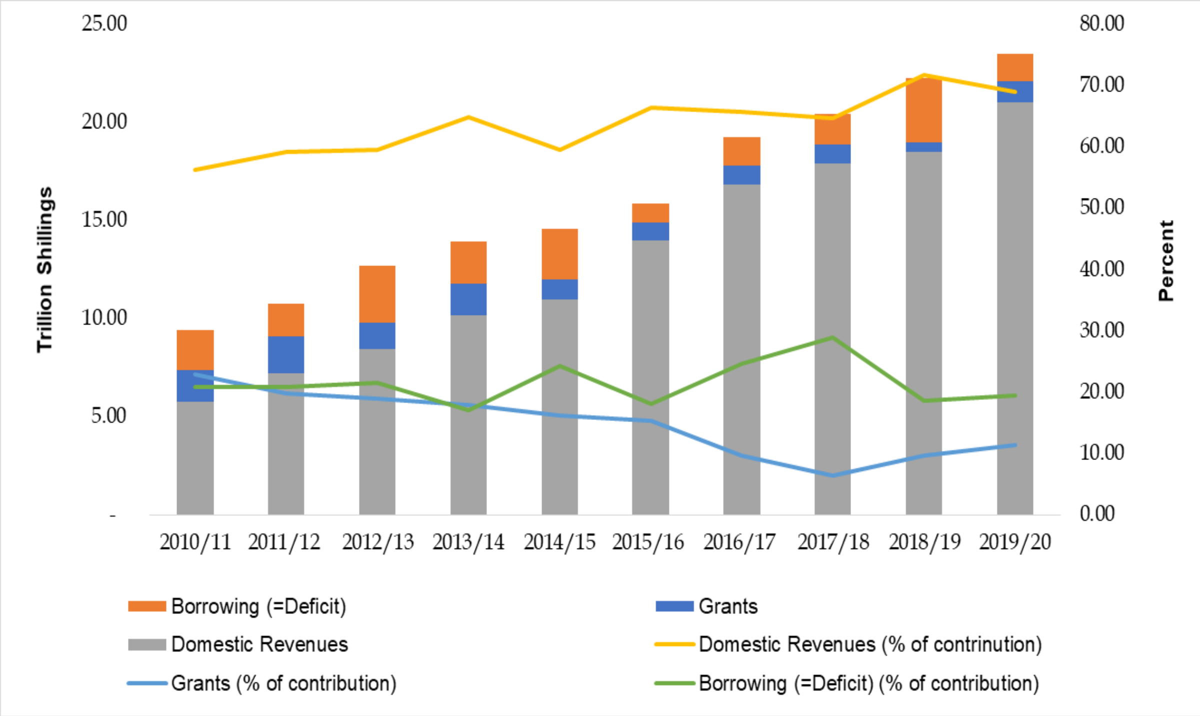


Source: Ministry of Finance and Planning, 2010/11 – 2019/20

The growth in Government expenditure is funded by increasing Government revenue, including domestic revenue (tax and non-tax), grants and loans. For the past ten years, domestic revenue has been increasing at an average annual rate of

15.4 percent, contributing to nearly 63.8 percent of the Government revenue. In addition, during the same period, contribution of Official Development Assistance (ODA) and commercial loans to Government revenue were 15.2 percent and 21.0 percent respectively. (**Figure No. 2**). This implies that domestic revenue is a significant source of financing Government expenditure.

Figure No. 2: Trends of Government Revenue 2010/11 – 2019/20



Source: Ministry of Finance and Planning, 2010/11 – 2019/20

During the last ten years, tax revenue increased from 4.43 trillion shillings in 2010/11 to 17.47 trillion shillings in 2019/20 at an average annual growth rate of 15.0 percent (**Figure No. 3**). This is associated with tax administration improvements, mostly in the assessment, collection and enforcement and widening of the tax base. Moreover, the efforts to enforce the use of Electronic Fiscal Devices (EFDs) promoted voluntary compliance. On the other hand, non-tax revenue increased significantly from 284.71 billion shillings in 2010/11 to 2,880.6 billion shillings in 2019/20. The growth was attributed by improvement in the collection, including using ICT, particularly the Government Electronic Payment Gateway (GePG) system.

Figure No. 3: **Trends of Domestic Revenue**

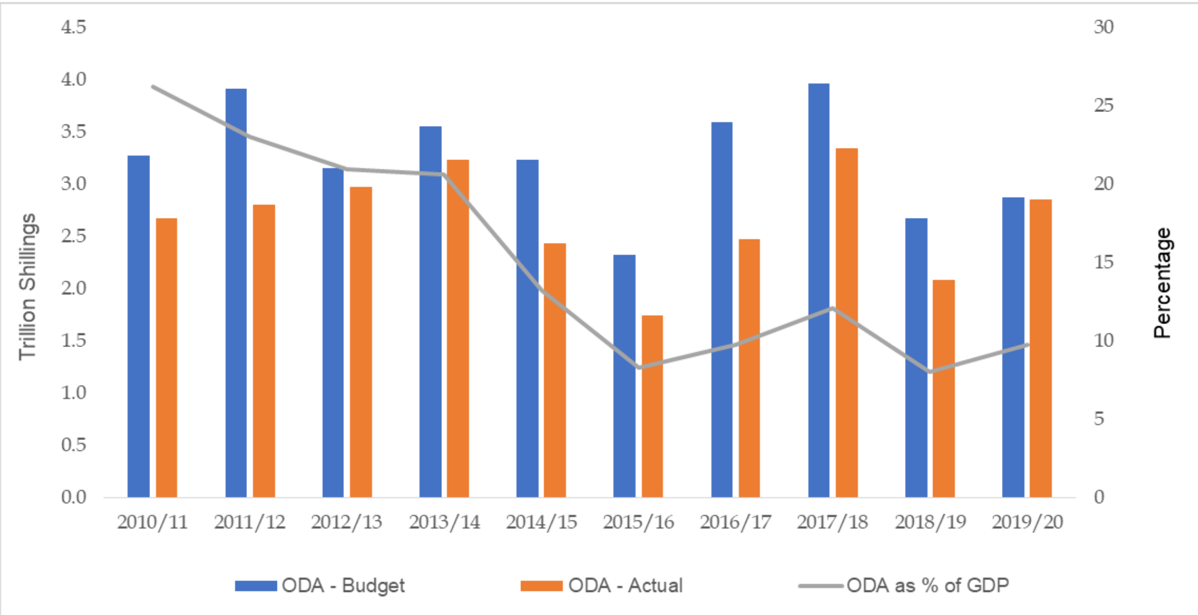
Source: Ministry of Finance and Planning, 2010/11 – 2019/20

2.2.2. Grants and Concessional Borrowing

2.2.2.1. Official Development Assistance (ODA)

For the past ten years, the Official Development Assistance (ODA) has been a significant source of external public finance in Tanzania. However, improvement of domestic revenue resulted into a declining proportion of ODA to the budget from 28.2 percent in 2010/11 to 8.7 percent in 2019/20 (**Figure No. 4**). This implies that, budget dependence has decreased.

Figure No. 4: ODA inflows to Tanzania, 2010/11 – 2019/20

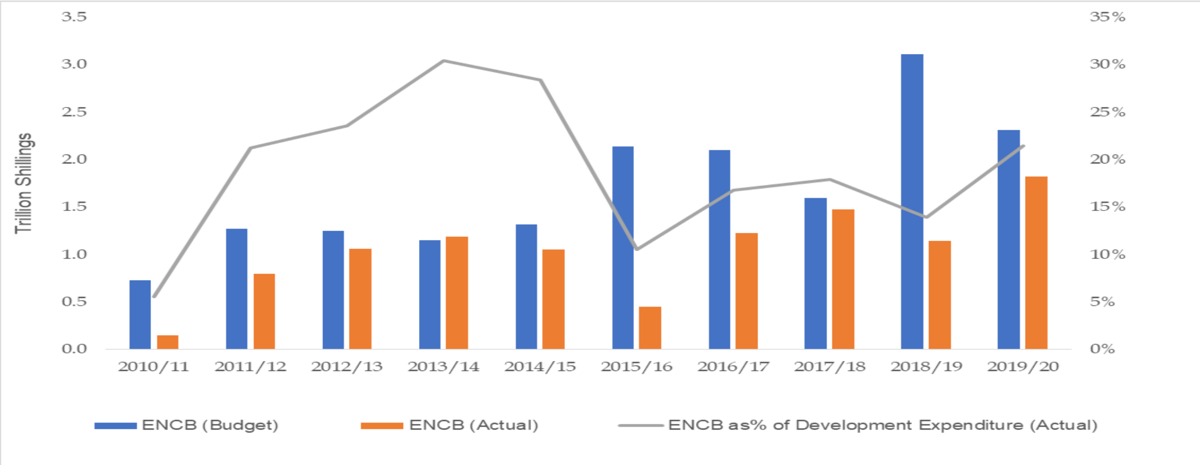


Source: Ministry of Finance and Planning, 2010/11 – 2019/20

2.2.2.2. External Non-Concessional Borrowing

The proportional of external non-concessional borrowing to development spending increased from 4.0 percent in 2010/11 to 21.5 percent in 2019/20 (**Figure No. 5**). The increase was associated with declining concessional loans from both traditional and non-traditional lenders and growing need to finance development projects. This implies that, external non-concessional borrowing is directed towards public investment with immediate expected revenue to services debt and stimulate the economy.

Figure No. 5: Trends of External Non-Concessional Borrowing

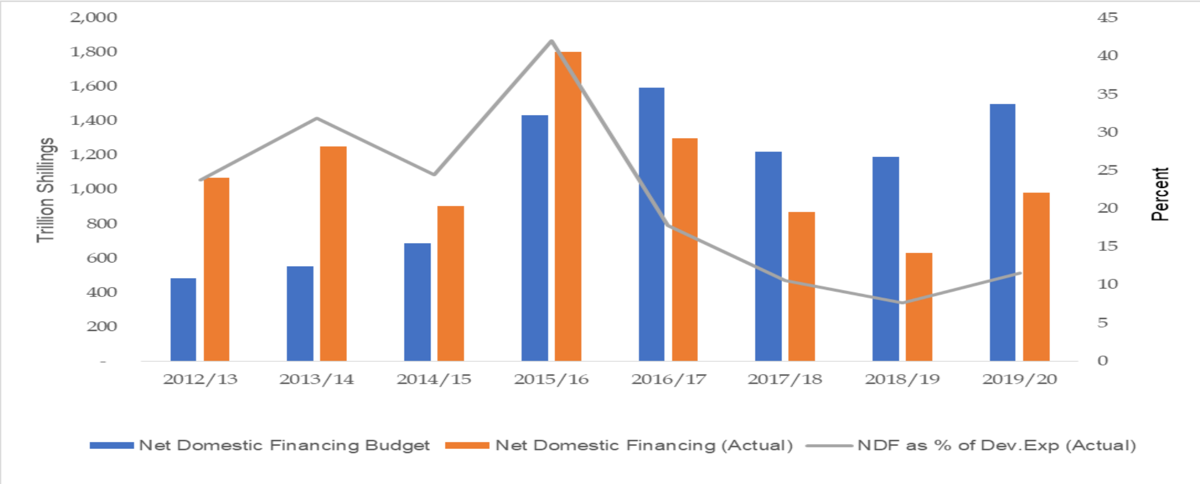


Source: Ministry of Finance and Planning, 2010/11 – 2019/20

2.2.2.3. Domestic Borrowing

The proportional of net domestic borrowing to the development spending decreased from 24 percent in 2012/13 to 12.0 percent in 2019/20 (**Figure No. 6**). The decrease was associated with high borrowing costs in the domestic market and Government policy to avoid crowding out of private sector.

Figure No. 6: Trends of Net Domestic Financing



Source: Ministry of Finance and Planning, 2010/11 – 2019/20

2.2.2.4. Climate Change Financing

Efforts to address the impacts of climate change have been at the heart of development finance. During the FYDP II, the target was to mobilize a total of 705,250 million shillings equivalent to USD 304 million from various international climate financing sources largely overseen by the United Nations Framework Conversion on Climate Change (UNFCCC) financial mechanism, which includes Green Climate Fund (GCF) and Global Environment Facility (GEF). Other sources of climate change funds such as the Least Developed Countries Fund (LDCF), Adaptation Fund (AF) and the Special Climate Change Fund (SCCF), Norfund, Finfund and JECTRO were also earmarked. To achieve the set target, it was planned to establish national accredited entities and implementing entities and establish a framework to leverage climate finance through a National Climate Change Financing Mechanism (NCCFM).

Currently, CRDB Bank and the National Environmental Management Council (NEMC) are accredited by GCF and Adaptation Fund hence qualifying to access climate finance and scrutinize submitted proposals for climate and environmental projects. Despite the efforts, up to year 2020, a total of 24.7 billion shillings equivalent to the USD 10.7 million was mobilized, which is only 3.6 percent of the total target. This calls for action to accelerate the accreditation process and encourage both public and private entities to participate in soliciting climate finances actively. Since other climate finances do not require accreditation, entities are encouraged to develop responsive proposals to access climate finances. Preferable funds include GEF and SCCF. These funds align with national goals, SDG and agenda 2063 to curb global climate and environmental issues.

2.3. Private Finance

2.3.1. Domestic Private Sources

2.3.1.1. Private Sector Credit[1]

By 2019, the total outstanding private credit amounted to 20 trillion shillings, of which 14 trillion shillings was in the business activities and 6 trillion shillings in the household activities. The mortgage loans account for only 3 percent of the total outstanding private credit. In terms of sectorial distribution over the past ten years, trade, manufacturing and agriculture activities led by absorbing 68 percent of the private sector credit.

To improve the supply side of lending to the private sector, the Bank of Tanzania (BoT) undertook several important measures including: reducing the discount lending rate from 7 percent in August 2018 to 5 percent in May 2020; BoT reduced the Statutory Minimum Reserves Requirement (SMR) for banks to 6 percent in June 2020 from 7 percent in July 2019 so as to increase liquidity for banks; introduced a SMR averaging that allowed banks to withdrawal up to 20 percent of the required

[1] The private sector credit is measured as a stock variable.

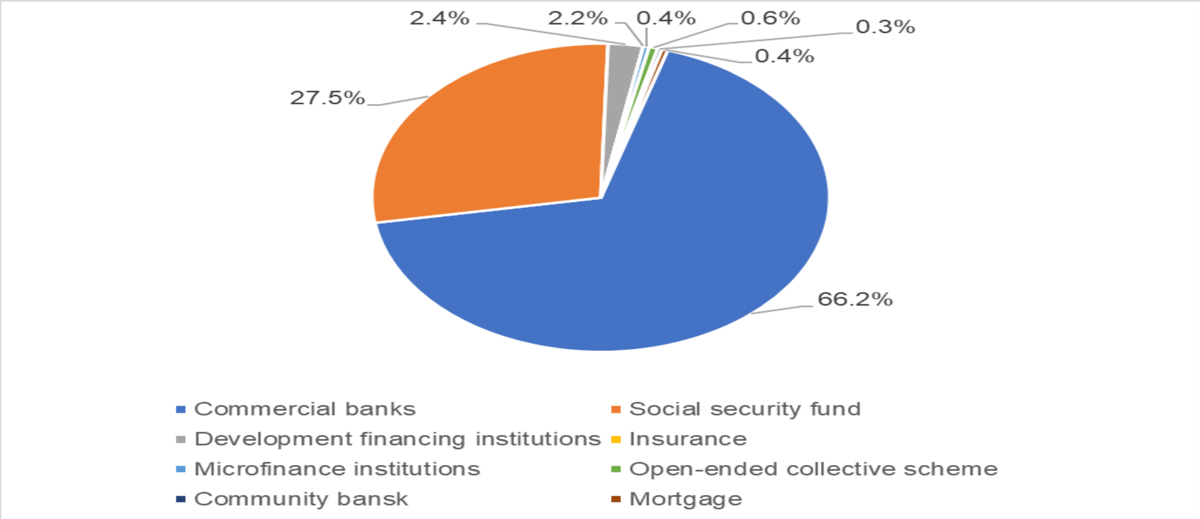
SMR; removed the general provision of 1 percent requirements on all unclassified loans;—risk-weighted reduced for qualifying instruments such as Government exposures and first-class international banks; and improving the forecasting mechanisms for micro and macro-prudential oversight.

2.3.1.2. Private Equity and Venture Capital

The Development Finance Institutions (DFIs) and the high-net-worth individuals are the leading sources of private equity, accounting for 52 percent of the total funds raised for East Africa between 2017 and 2018. Alternate asset managers, international and local pension funds follow next by collectively accounting for 34 percent of the total funds raised. The pension funds' role is rising, from 15 percent of the PE funds invested between 2015 to 2016 to 19 percent from 2017 to 2018. Most of these resources coming into the East African region originate from companies based in Europe (33 percent), followed by companies based in the region (20 percent of the funding). PE funds invested in the East Africa region increased to 97 in 2019 from 72 funds in 2015.

In 2018, Tanzania's private equity and venture capital was dominated by commercial banks with asset values of 29,023.8 billion shillings, equivalent to 66.2 percent of the total assets of financial institutions; followed by pension funds with 12,042.1 billion shillings (27.5 percent) and DFIs valued at 1,037.2 billion shillings (2.4 percent) while community banks, mortgage, microfinance banks and open-ended collective schemes had only 1.8 percent of total assets of financial (**Figure No. 7**)

Figure No. 7: Source of PE funding for Tanzania



Source: Ministry of Finance and Planning[2] 2020

2.3.1.3. Corporate Bonds and Equity Market

Financial companies have dominated the corporate bonds market in Tanzania. There are six corporate bonds currently; two bonds each have been issued by the

[2] Financial Sector Development Master Plan 2020/21 – 2029/30

NMB Bank and the Tanzania Mortgage Refinance Company (TMRC), and the remaining two by Exim Bank and The Eastern and Southern African Trade and Development Bank formerly known as PTA bank. The outstanding debt in corporate bonds reached 176 billion shillings in 2019, which is more than 3 times the outstanding debt in 2013. Trading activity in corporate bond markets has increased despite the low participation of social security funds.

The main challenges constraining the growth of the capital market in Tanzania include: low level of financial education and public awareness on financial markets products and services; low saving culture among Tanzanians leading to low level of participation in the capital markets; the inadequacy of appropriate savings opportunities and products in the capital market sub-sector; fear of losing control; fear of being diluted by majority shareholders of private companies; and unwillingness on the private sector's side to meet information disclosure requirements.

2.3.1.4. Domestic Savings

Domestic saving consists of savings of the households, private sector and public sector. Domestic savings provides an essential investment source, and its relatively high share of GDP signals the general availability of investable funds. For the past decade, the gross domestic saving rate has been positive, in nominal terms, the gross domestic savings had increased from 5.7 trillion shillings in 2010 to 23.9 trillion shillings in 2019. The increase is equivalent to an annual average growth rate of 22.8 percent. Its share of GDP responded by reaching 17.1 percent in 2019, up from 13.1 percent in 2010. The trend in gross domestic savings correlates with the trend in bank deposits. Over the past 10 years, bank deposits' stock had increased from 9.7 trillion shillings in 2010 to 22.7 trillion shillings in 2019.

2.3.1.5. Private Investment

The past decade saw the private sector Gross Fixed Capital Formation (GFCF[3]) (current prices) increasing from 14 billion shillings in 2010 to 60 billion shillings in 2019). The annual average growth rate stands at 18 percent. The rate is 2 percentage points higher than the annual average growth rate of the public sector GFCF. The private sector GFCF's role in the economy (percent of GDP) has also been rising, reaching 27 percent in 2019 from 24 percent in 2010. The expanding private sector GFCF is attributed to private sector investments in commercial and residential properties and transport.

2.3.2. External Private Sources

2.3.2.1. Foreign Direct Investment

FDI reflects the foreign ownership of properties in a country. Factors that attract FDI include investors’ long-term perception of peace and stability on political and macro-economic stability, low cost of production, which takes into account labour costs and favourable legal and regulatory framework to investors. During FYDP II, Tanzania continued to attract foreign investors. Foreign Direct Investments have been increasing over time (**Table No. 1**). The sectors that attracted FDIs mainly include mining and quarrying, finance and insurance, food and accommodation, manufacturing and agriculture. Most of the FDIs originate from the Canada, Kenya, Germany, China, India, Mauritius, the Netherlands, Oman, South Africa, United Kingdom, the United Arab Emirates and the United States.

Foreign Direct Investments (FDIs) bring in new capital, along with new technical, managerial and networking capabilities. Among the concerns that feature frequently include the speed of investor facilitation and administration of incentives as well as costs of obtaining permits (work, residence, building, licenses and approvals). At the country's Tanzania Investment Centre (TIC) which is a formal investment promotion agency, a One Stop Centre (OSC) was established, in order to make possible provision of (most of) the facilitation services by government agencies under 'one roof'. This arrangement saves the investor's cost in time and money of moving from one office to another.

Table No. 1: Foreign Direct Investment between 2016 and 2019

Year	2016	2017	2018	2019
FDI (Million USD)	755.4	937.7	971.6	990.6

Source: Bank of Tanzania

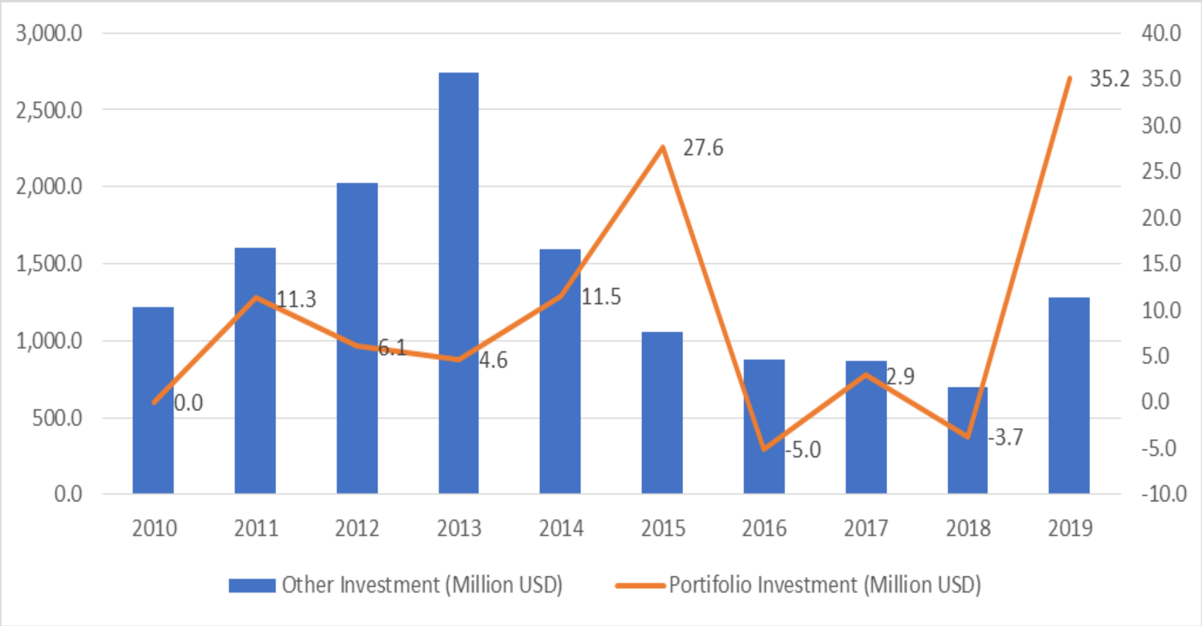
2.3.2.2. Portfolio Investment

Portfolio investment represents equity investment in a company with foreign liabilities accounting for less than ten percent of its ordinary shares or voting rights. During the past decade, inflows of portfolio investment in Tanzania have been rather cyclical, partly reflecting their volatility. Between 2011 and 2019, foreign portfolio investment (FPI) inflows increased from USD 11.3 million to USD 35.2 million. However, the general trend shows that the market keeps growing in inflows and stocks (**Figure No. 8**). Despite the growth, the portfolio's share in total foreign private investments has remained below one percent.

2.3.2.3. Other international private investment

Other international private investments were mainly comprised of loans and trade credits from non-traditional partners. During 2019, this category of inflows amounted to USD 1,282.4 million, up by five percent from USD 1,221.5 million recorded in 2010. The largest number of inflows for other investments was recorded in 2013 (USD 2,745 million) and the lowest in 2018 (USD 700.3 million) (**Figure No. 8**), partly explained by the reduction in the financing of foreign private investments through loans from Traditional Partners in 2017. The large share of inflows of other investments was in the form of long-term loans and trade credits. The main recipient activities of other investment inflows were finance and insurance, manufacturing and agriculture.

Figure No. 8: Portfolio and Other Investments Inflows, 2010 – 2019



Source: Bank of Tanzania 2010 - 2019

2.3.2.4. Remittances

Trend on remittance show flows have remained fairly constant during the period. Table No. 2 shows inflows of personal transfers into the country from 2012 to 2019. These flows are largely personal transactions from migrants to their friends and families and they tend to address various needs. They directly increase the income of recipient households increasing their financial resources and savings and therefore increasing investment capital in the country.

Table No. 2. Trends of Remittances 2012 – 2019 (USD Million)

	2012	2013	2014	2015	2016	2017	2018	2019
Remittances	368,70	351,74	357,61	365,31	371,55	363,85	365,48	371,41

Source: World Development Indicators.

Generally, the chapter highlighted various issues, including: a need to widen the tax base and tax net; harnessing innovative source of financing development; strengthening private investment; and creating an enabling environment for private sector development.

CHAPTER THREE

OPPORTUNITIES AND STRATEGIES FOR ENHANCING RESOURCES FOR FINANCING FYDP III

3.1. Introduction

This Chapter presents the available opportunities regarding the domestic and external public and private revenue sources to finance the prioritized interventions for FYDP III. The Chapter also highlights the strategies which will be employed to enhance the mobilization of such resources.

3.2. Resource Envelope for FYDP III

The resource envelope for the FYDP III is estimated at 114.8 trillion shillings comprising public and private sources. This is 6.7 percent higher than the resource envelope for FYDP II, which is 107 trillion shillings. FYDP III will partly be financed through the Government development budget, estimated at 74.2 trillion shillings. This is equivalent to 25.8 percent increase from the Government budget of FYDP II, which was 59.0 trillion shillings.

For FYDP III, public domestic sources are estimated at 62.0 trillion shillings, and external grants and loans are estimated at 12.2 trillion shillings. In addition, private sector sources are estimated at 40.6 trillion shillings. The public sector's resources to finance the Plan include tax and non-tax revenue, external grants and loans. The private sector will be directly engaged in financing the Plan through direct investment, Joint Venture (JV) and Public-Private Partnerships (PPP) projects. Description of FYDP III resource envelope is provided in **Table No. 3**.

Table No. 3: Resource Envelope for FYDP III (Million Shillings)

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Domestic Revenue	**26,032,576**	**28,214,919**	**30,852,142**	**33,503,374**	**36,059,574**	**154,662,586**
Tax Revenue	22,178,721	24,104,998	26,269,832	28,574,140	30,658,286	**131,785,977**
Non-Tax	2,989,998	3,192,899	3,606,752	3,885,388	4,299,588	**17,974,625**
LGAs Own Sources	863,858	917,022	975,558	1,043,847	1,101,700	**4,901,985**
Grants	**1,138,076**	**959,108**	**865,416**	**745,557**	**520,261**	**4,228,418**
Financing	**2,933,636**	**2,880,930**	**2,345,708**	**2,136,303**	**2,051,673**	**12,348,250**
Foreign (Net)	1,154,884	1,097,745	429,783	58,989	-178,308	**2,563,093**
Concessional	1,817,847	1,706,574	1,663,106	1,627,871	1,596,144	**8,411,542**
Non concessional	2,352,107	2,421,900	1,840,650	1,745,450	1,646,775	**10,006,882**
Amortization	-3,015,070	-3,030,729	-3,073,973	-3,314,332	-3,421,227	**-15,855,330**
Domestic (Net)	1,838,796	1,783,185	1,915,925	2,077,315	2,229,981	9,845,201
NDF	1,838,796	1,783,185	1,915,925	2,077,315	2,229,981	9,845,201
Rollover	3,150,337	3,050,728	3,070,117	3,264,332	3,321,227	15,856,741
Total Government Budget	**36,329,740**	**38,136,414**	**40,207,356**	**42,963,899**	**45,373,962**	**203,011,371**
Total Public Resources for FYDP III	**13,326,788**	**14,023,994**	**14,936,994**	**15,815,289**	**16,214,611**	**74,317,676**
Local	10,370,865	11,408,312	12,459,472	13,564,196	14,220,541	**62,023,386**
Foreign	2,955,923	2,615,682	2,477,522	2,251,093	1,994,071	**12,294,291**
Total Private Resource	**4,132,000**	**4,546,000**	**9,076,000**	**12,297,000**	**10,560,000**	**40,611,000**
Domestic Sources	1,355,000	719000	5,165,000	7,902,000	5,887,000	**21,028,000**
Foreign Sources	2,777,000	3,827,000	3,911,000	4,395,000	4,673,000	**19,583,000**
Total Resources for FYDP III	**17,387,855**	**18,569,994**	**24,012,994**	**28,112,289**	**26,774,611**	**114,828,676**
GDPmp	**163,879,616**	**174,534,634**	**185,936,799**	**198,952,375**	**212,879,041**	
Tax to GDP ratio	13.5%	13.8%	14.1%	14.4%	14.4%	

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Non-tax to GDP	1.8%	1.8%	1.9%	2.0%	2.0%	
LGAs Own Sources	0.5%	0.5%	0.5%	0.5%	0.5%	
Domestic Revenue to GDP	15.9%	16.2%	16.6%	16.8%	16.9%	
NDF to GDP	1.1%	1.0%	1.0%	1.0%	1.0%	
Public FYDP III as % of Total Budget	36.6%	36.8%	37.1%	36.8%	35.7%	36.6%

3.3. Public Finance

3.3.1. Domestic revenue

Domestic revenue sources include traditional and non-traditional.

Opportunities for Traditional Domestic Revenue Sources: Domestic public revenues provide the bulk of financing for development, with the traditional sources still being taxes, non-tax revenue and LGA own sources. Further, during FYDP III, as percent of GDP, domestic revenues is expected to remain between 15.9 percent and 16.9 percent.

Table No. 4 summarises projections to be raised from domestic public revenue sources. Taxes on imports and income taxes (currently making up at least 65 percent of revenues) remain the two most important taxes. These, together with taxes on local goods (mostly in the form of excise duty on locally produced goods and value-added tax – VAT), are expected to grow in line with the economy's growth and strengthening administrative tax measures. This notwithstanding, the proportion of taxes to GDP will be between 13.5 percent and 14.4 percent in the foreseeable future.

Non-tax revenue mostly in the form of surpluses of State-Owned Enterprises (SEO) and dividends and profits from investments (currently at less than 2 percent of GDP) have a potential for improvement considering the Government's efforts to improve the operations of entities it controls. The Government has increased its stake in mining, agriculture and construction entities and has adopted SOEs preferences in procuring goods and services. Prudence in SOEs management and governance is critical in realizing the potential in this source.

In Tanzania, Local Government Authorities (LGAs) collect fees, levies and charges on various services. These revenues are mostly for covering LGA's recurrent expenditure at less than 4 percent of total revenues and less than 0.5 percent of GDP.

Table No. 4: Projected Domestic Revenues (2020/21 to 2025/26) (Trillion Shillings)

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Tax Revenue	22.098	24.105	26.270	28.574	30.658	131.705
Non-tax Revenue	3.071	3.192	3.607	3.885	4.300	18.056
LGAs Own Sources	0.864	0.917	0.976	1.044	1.102	4.902
Total	**26.033**	**28.215**	**30.852**	**33.503**	**36.040**	**154.663**

Source: Ministry of Finance and Planning, 2020

Strategies for Enhancing Traditional Domestic Revenues

Several tax reforms expected to contribute towards enhancing fiscal space in relation to taxes are necessary, which include:

1. Strengthening collection of various taxes such as income tax, import duties, excise duties and VAT. This calls for a number of interventions, including:
   (i) Using maximum automation to simplify payment of taxes. This will also go hand in hand with strengthening online operations to minimize human subjectivity and thus enhance taxpayers' efficiency and trust;
   (ii) Strengthening person (natural and corporate) registration and identification and linkage of personal (financial) information to enhance compliance. This can be achieved by linking and harmonizing Taxpayer Identification Numbers (TIN) and the National Identification (NID) number systems and ensuring that all payments and transactions with potential tax implications can be tracked into these systems;
   (iii) Developing capacity to monitor tax evasion avenues such as transfer pricing and invoice mispricing within the revenue authority;
   (iv) Establishing systems and strengthening the capacity to speed up tax collection procedures and track cargo at ports/border posts, inland container depots, and in transit;
   (v) Intensifying mining inspections, including verification of mineral values, quantities, mineral production contents, and regular auditing of mining company transactions; maximizing the collection of both taxes and royalties from the mining, extraction, processing, production and marketing of mineral resources. This also calls for strengthening the capacity of the Mining commission and Tanzania Extractive Industries Transparency International (TEITI);
   (vi) Review tax exemptions and tax relief systems as incentives to investors; and
   (vii) Expanding the ongoing taxpayers' education and awareness programs for improving tax compliance.

2. Expanding the tax base and tax net in a number of areas, including:
   (i) Bringing in the informal sector and taxing incomes that are not channelled through the payroll. This will also require the use of TIN and/or national identifications as well as registered SIM card numbers in transactions and payments with tax implications;
   (ii) Encourage compliance in the informal sector through incorporating taxpayers in tax nets using ICT, capture potential economic activities, provision of education; and
   (iii) Broadening the tax base's geographical and sectoral distribution, including strengthening collection of property tax in sub-urban and rural areas.

3. Improving capital base, management and governance of State-Owned Enterprises. This will aim at enhancing their performance in delivering

services, executing Government assignments and ensuring corruption temperance. They will also invest in strategic areas and increase their dividend and remittances to the Government. Among the State-Owned Enterprises (SOEs) that need strengthening their capital base are TIB Development Bank and Tanzania Agricultural Development Bank (TADB).

4. Facilitating the establishment of Special Purpose Vehicle (SPV) at national and LGA levels to manage investments and ventures that the Government has interest instead of such ventures being run directly by the Government.

5. Reducing non-priority expenditure and increasing the efficacy of Government expenditures. This includes Government institutions' improvements to efficiently manage, execute, or regulate public resources to allow quality service delivery with less money. Transparency and participatory planning, and budgeting are also critical. These measures can also improve tax compliance as taxpayers see the results of the taxes they pay.

6. Ensuring dissemination and enforcement of the provisions in the recently approved Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants. The guidelines offer room to improve borrowing both domestic and foreign, among other things, by ensuring:
   (i) Increased efficiency in the preparation, implementation and management of projects;
   (ii) Increased funding of projects that are in line with national priorities;
   (iii) Minimized negotiation costs and expedited the borrowing process;
   (iv) Minimised cost and risks related to contracting loans, guarantees and grants;
   (v) Enhanced transparency in the process of raising loans, issuance of guarantees and receiving grants by the Government;
   (vi) Improved coordination and ownership of the project amongst the MDAs involved in project financing and implementation through the National Project Management Information System – NPMIS;
   (vii) Enhanced public debt management;
   (viii) Using standardized approaches in the engagement between the Government and financiers and
   (ix) Minimize borrowing costs and improve the quality of projects and thus the realization of value for money.

3.3.2. Borrowing and Grants

3.3.2.1. External Grants

External grants result from bilateral, multilateral and regional cooperation arrangements and have been traditional sources for financing Government development expenditure for a long time. Upholding confidence-building measures and sustaining existing frameworks while exploring new opportunities are important to utilize this opportunity optimally. This is critical for the next five years, external grants will stand at 3.487 trillion shillings **(Table No. 5)**. Although it is projected to decline from 1.127 trillion shillings in 2021/22 to 0.434 trillion shillings in 2025/26, which is a decrease of about 38.5 percent, its contribution cannot be underestimated as resource mobilization for FYDP III is concerned. Further, the mobilization of other sources of financial resources is required to achieve national and international development agendas such as SDG, and Addis Ababa Action Agenda – 2063, hence justifying a need for effective implementation of the Financing Strategy.

Table No. 5: Projected External Grants from 2021/22 - 2025/26 (Trillion Shillings)

2021/22	2022/23	2023/24	2024/25	2025/26	Total
1.270	0.659	0.677	0.589	0.434	3.487

Source: Ministry of Finance and Planning, 2020

Proposed Strategies

To fully utilize this source, the following will be undertaken

(i) Continue taking necessary measures to build confidence among Development Partners, including enhancing coordination mechanisms, transparency and accountability;

(ii) Strengthening regional, multilateral and bilateral relations will intensify fostering collaboration and partnerships development partners;

(iii) Adherence to the Development Cooperation Framework (DCF) principles (**see Box No. 1**) that will enforce smooth cooperation with Development Partners;

(iv) Promoting social sectors and sustainable programs that are more prone to secure grant financing;

(v) Expanding the development partners base providing grant financing as new grant providers are emerging and engaging with developing countries and an effort should be made to engage them in Tanzania´s development strategy; and

(vi) Further develop South/South cooperation which can be a useful tool for knowledge transfer without reimbursable terms.

Box No. 1: DCF Guiding Principles

1. The Government of Tanzania must be in the driver's seat (i.e. coordinate development cooperation and use own analyses to reach key decisions).
2. Successful development cooperation requires the sharing of a shared vision in addressing the needs of Tanzania.
3. Commitments must be honoured by both sides.
4. Regular formal and informal forums for exchanging views between the Government and DPs are necessary for effective policy dialogue.

5. Adequate capacity in Government departments is key to effective development cooperation.
6. High transactions costs related to development cooperation are counterproductive and must be avoided.
7. Predictability and effective delivery of development support is essential but require good policy design, planning and effective implementation.
8. Periodic monitoring and evaluation are crucial for determining whether progress is being made and in the right direction.

3.3.2.2. External Borrowing

External borrowing, which includes concessional and non-concessional loans, forms one of the traditional financing budget deficits. This source will continue to be used for the coming five years as the possibility for financing Government budget using domestic resources is still not attained. For the next five years (2021/22 – 2025/26), the Government expects to receive concessional loans through various financing instruments such as Budget Support, Basket Funding and Project Support. Also, the Government will borrow from commercial sources in the forms of Export Credit Agencies (ECAs) and syndication facilities collectively are projected to contribute 19.539 trillion shillings. **Table No. 6** presents the projected external borrowing.

The Government will continue monitoring external borrowing to ensure that debt sustainability is maintained, and non-concessional loans borrowing will be done strategically to big projects with high impacts.

Table No. 6: Projected External Borrowing from 2020/21 to 2025/26 (Trillion Shillings)

Borrowing Type	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Budget Support loans	0	0.005	0.005	0.005	0.005	0.02
Project Support loans	1.758	1.776	1.812	2.001	2.164	9.512
Non-Concessional loans	2.352	2.423	1.841	1.745	1.647	10.007
Projected Total	**4.110**	**4.204**	**3.658**	**3.751**	**3.816**	**19.539**

Source: Ministry of Finance and Planning, 2020

Proposed Strategies

With Tanzania's graduation from low-income countries to a middle-income country, grants and concessional loans will be decreasing, and the only option will be for semi concessional and non-concessional loans, which tend to carry much higher interest rates. To optimally utilize this source, the following actions will be undertaken:

(i) Build institutional capacity to prepare bankable quality project documents. This is important to ensure that borrowing is done for implementing projects with high returns to enable loan repayment;

(ii) Skills development on negotiation skills and contract management is inevitable if prudent borrowing with the win-win situation has to be realized.

Without strengthened negotiation skills, there is a danger of agreeing that lethal to the country;

(iii) Strategically undergo borrowing for costly and high impact projects and projects that ensure technology transfer to Tanzania. This will enable to build of capacity within the country;

(iv) Conduct borrowing under the framework provided by the Medium-Term Debt Management Strategy that takes into account the cost and risk vulnerabilities of the existing debt portfolio.

(v) Finalize the Sovereign credit rating will also allow for establishing a benchmark against to measure private sector ratings; and

(vi) Increase engagement with New and Emerging Development Partners.

Domestic Borrowing

The Government has been using Treasury bonds to borrow domestically as guided by the Medium-Term Debt Strategy. Bonds are issued both to raise new funds and to roll-over maturing bonds. Currently, the Government issue bonds in seven maturities, including 2-year, 5-year, 7 year, 10 year, 15 year, 20 year and 25 year. Introducing a bond with 25 years is underway. Net domestic financing will be maintained at 1 percent of GDP to avoid crowding out. In the next five years, Net Domestic Financing (NDF) is projected to contribute 9,845.2 billion shillings (**Table No. 7**).

Table No. 7: Projected NDF in 2020/21 to 2025/26 (In billion shillings)

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Net Domestic Finance	1,828.8	1,783.2	1,915.9	2,077.3	2,229.9	9,845.2

Source: Ministry of Finance and Planning, 2020

Proposed Strategies

(i) In order to develop debt domestic market and a need to finance development projects, the Government will borrow more on the longer-end instrument in order to lengthening maturity of its domestic debt portfolio;

(ii) Undertake the planned market analysis so as to continue developing and deepening the domestic capital market, including: shifting domestic market preferences to longer term maturities, issuing benchmark bonds and about the potential crowding out of the private sector in the domestic capital markets; and

(iii) Review and assess the opportunity for opening up the domestic debt market to investors from abroad. This would involve assessing the potential new investor base, strengthening the existing legislation and the impact on the domestic debt market.

3.3.2.3. Climate Change Financing

Climate Change Fund is currently presented with high potential to leverage sources for financing interventions geared towards addressing challenges related to the environment and climate change. The United Nations Framework Conversion on Climate Change (UNFCCC) financial mechanism, which includes the Green Climate Fund (GCF) and the Global Environment Facility (GEF), are the main sources for climate financing. Other sources of climate change funds such as Least Developed Countries Fund (LDCF), Adaptation Fund (AF), the Special Climate Change Fund (SCCF), Norfund, Finfund and JECTRO, to mention a few. Although during FYDP II, the opportunity was not optimally tapped, it is projected that during the implementation of FYDP III, a total of USD 304 million (equivalent to 705,280 million shillings) will be mobilized.

Proposed Strategies

Mobilization of financial resources from the Climate Change Fund requires skills to prepare project documents that are responsive and meet the set criteria. Another requirement is having in place accredited entities that can access fund directly. To tap this opportunity, the following will be undertaken:

(i) The Ministry of Finance and Planning (MOFP), Vice President's Office (VPO) and President's Office Regional Administration and Local Government (PORALG) finalize accreditation process to the Green Climate Fund;

(ii) The Ministry of Finance and Planning will strengthen the External Finance Department for mobilising Climate Change Fund from various sources. The unit under the Department will be responsible for the day-to-day activities related to climate change fund and competent personnel be attached to it;

(iii) The unit responsible for Climate Change finance will continue sensitizing other MDAs and the private sector to apply for accreditation to various climate change funds to increase opportunities; and

(iv) Build institutional capacity on the preparation of bankable projects and responsive to climate change Fund requirements, including preparation of an action plan.

3.3.3. Non-Traditional Domestic Sources

(a) LGAs Sources

LGAs in Tanzania have minimal revenues to finance development expenditure. As a result, they depend heavily on the central Government transfers to implement development projects. The potential for using municipal bonds or other instruments of raising funds from private investors to finance LGA projects with commercial elements is huge. The legislation allows LGAs to borrow from banks, the Local Government Loan Board (LGLB) and any other entity approved by the Minister responsible for Finance and Planning.

Since 2006, at least three studies have been carried out in Tanzania on Municipal bonds' feasibility. The studies have pointed out that LGAs do have bankable projects (mostly bus terminals and markets) around which revenue-linked municipal bonds can be structured. They also pointed out some impediments to issuing municipal bonds, including:

(i) The perceived lack of creditworthiness of local Government authorities (LGAs) and their inadequate financial and risk management capability.
(ii) Ineffective operational process and politically entrenched managerial structure of local Governments on LGAs’ business interests
(iii) Lack of expertise at municipal level in relation to the impediments to issuing municipal bonds, and
(iv) Requirement for Government Guarantee at the early stages of issuing municipal bonds when deemed necessary.

Proposed Strategies

(i) President’s Office – Regional Administration and Local Governments (PO-RALG) to be capacitated with enough staff to spearhead Municipal Bond's issuance. This champion will be responsible for working with other stakeholders to stimulate the will and initiative at the municipal level and guide the availability of appropriate expertise;
(ii) Provide technical capacity for LGA officials to assess the need for such instruments, assess the economic returns of projects to be financed and, once issued, to properly report debt flows to the Debt Management Department at the Ministry of Finance and Planning;
(iii) Provide performance-based grants/transfers towards LGA capacity development, relating to improvement of planning, financial management, collection of revenues from their own source of revenues (OSR), expenditure prioritization, transparency and accountability;
(iv) Improving operation of the LGLB as an intermediary for raising finance for development for LGAs, including issuing municipal bonds; and
(v) Innovative financing can also involve individual LGAs approaching microfinance, saving and credit cooperative societies (SACCOs) and local community banks to fund small scale municipal projects such as water and sanitation facilities that charge a fee for usage.

(b) Social Development Impact Bonds

The Social and Development Impact Bonds (SIBs/DIBs) are innovative ‘payments for results’ financing mechanisms that harness private capital to fund social projects. In a SIB, the Government agrees to repay the investors only if agreed-upon social outcomes are achieved (after the investors has invested his/her own resources into a project). The demand for these instruments is increasing as more individual investors and Investment Fund managers channel their investment funds towards sustainable investment options. Efforts will be made to gather lessons from the early experience of other countries on factors for successful.

(c) Sukuks and Green Sukuks

Discussion for issuing Islamic Based Financial Instruments (Sukuks) is underway for both domestic and international level. There are different Sukuk Modes including

Murabaha (Trade Finance), Salam (Forward Sale), Istisna' (Project Finance), Quasi-Debt Instruments and Ijarah (Sale & Lease Back). Choosing the appropriate model will be a subject before issuance of bond. Review of laws and preparation of strategies to tap this opportunity will be conducted in the medium term.

(d) SDG Sovereign Bonds

This type of bond can finance specific projects targeting SDG objectives. The Government in collaboration with Development Partners will develop a thorough framework to issue this type of bonds to target specific needs related to the 2030 Agenda such as illiteracy and school attendance, targeted level of health services and sanitation and energy. The proceeds are then channelled to identified vulnerable populations fitting the required criteria based, for instance in the country's social gap index. Efforts will be made to utilize this opportunity during the second half of implementation of this strategy.

(e) Crowdfunding

Crowdfunding is a platform/website that facilitates interaction between fundraisers and the funders who are entirely general population. This debt-free alternative financing method could provide an effective funding source for the private sector. This is particularly true for the start-ups and small and medium enterprises which often have difficulty in accessing financing via traditional means such as bank credit. The public makes financial pledges, which are collected through the crowdfunding platform/website and remit the same to the fundraisers. The platform charges a fee when the fundraising campaign succeeds. Crowdfunding takes advantage of the power of the public to help meet a business funding target. The need for appropriate regulatory environment for setting up and managing an equity crowdfunding platform is necessary. Currently crowdfunding platform in Tanzania include 'gogetfunding' and 'WEZESHAsasa'. It is therefore important to invest in evaluating its potentiality and putting a supportive ecosystem and enabling initiatives and actions, including forward-thinking regulations and effective technological solutions.

(f) Impact Investment

Impact investing can be placed at the centre of one of the principles adopted in the Addis Ababa resolution. This resolution aimed at promoting the creation of the necessary conditions within the countries for an inclusive and sustainable investment by the private sector framed in a transparent and stable legal and regulatory context. The objective of this effort to include private investment rests on the importance of its contribution to the implementation of the FYDP III.

(g) South - South Cooperation

South - South Cooperation which refers to technical cooperation among developing countries. It is a very useful tool to benefit from the experiences of other countries that have gone through similar problems or circumstances and that have already developed mechanisms or methods to deal with such issues. More specifically, South - South Cooperation is used by states, international organizations, academics, civil society and the private sector to collaborate and share knowledge, skills and successful initiatives in specific areas such as agricultural development, human rights, urbanization, health, climate change, and many others. This presents an opportunity for Tanzania to benefit as far as implementation of the FYDP III is concerned.

(h) Green Taxes

This option allows for using fiscal policy to incentivize specific behaviours consistent with the national development priorities. This type of taxing aims at making individuals and firms pay, fully or partially, the social cost of their actions and impact on the environment. With carbon emission being a major cause of environmental pollution, this has become a useful fiscal policy tool to steer consumption away from fossil-based fuels into the usage of renewable energies and it is the way of instituting “polluter pays” principle which was incorporated into international law at the 1992 Rio Summit. The revenues thereof are then used to create future alternatives of production, energy generation, or mitigation of climate change impacts. This option will be explored during the first half of implementation of the FYDP III.

Strategies to be Undertaken to Utilize Innovative Financing Instruments

The following are recommended to expedite its utilization:

(i) Develop mechanisms for effecting the innovative financing instruments
(ii) Build capacity for effective execution of the innovative instruments;
(iii) Work with development partners and other stakeholders to explore the issuance of sovereign Sukuk that support sustainable and green development of Tanzania;
(iv) Identify the appropriate platform with technology-based infrastructure safeguarding investors’ money before money is disbursed to companies;
(v) Identify companies suitable for crowdfunding;
(vi) Review the policy and legal and regulatory framework to enhance execution of innovative financing instruments; and
(vii) Strengthen South - South Cooperation agreements.

3.4. Private Sources

3.4.1. Domestic Private Sources

3.4.1.1. Domestic savings

Limited awareness and knowledge on participation in financial market results into savings being held in non-financial form. To tap into such assets, the Government will create an enabling environment that will facilitate the financial industry to innovate financial products characterized by easy access and usage. **Table No. 8** shows that from the baseline of 24.6 trillion shillings (2020/21), the gross domestic savings is projected to reach 25.9 trillion shillings by 2025/26.

Table No. 8: Projected Domestic Savings 2021/22 – 2025/26 (Billion Shillings)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Gross Domestic Savings	24,613	24,923	25,215	25,480	25,682	25,867
Bank Deposits	25,738	27,506	29,427	31,583	33,969	36,575

Source: Ministry of Finance and Planning, 2020

Proposed Strategies

Increasing savings is important for easing domestic credit constraints and for the banking sector, the mobilization of savings is important for maintaining their loan-deposit ratios. The following activities will be prioritised:

(i) Incentivize innovation of affordable demand-driven financial products that respond to the saving needs of households and special groups;
(ii) Expand the range of products offered by banks with extensive network;
(iii) Incentivize technology-dominated banking business models such as digitization and mobile money;
(iv) Stabilize short-term interest rates through open market operations;
(v) Promote affordable distribution channels including rural agents to serve the Cash In/Cash Out (CICO);
(vi) Promote linkage between community microfinance groups and financial services providers;
(vii) Enhance collaboration between public and private sector to deepen and broaden financial inclusion;
(viii) Enhance legal regime and supervision framework for financial consumer protection;
(ix) Promote competition in the financial sector;
(x) Improve security on electronic money transfer; and
(xi) Develop proper requirements for maintaining appropriate balance in financial inclusion and stability.

3.4.1.2. Bank Financing and Private Sector Credit

Banks lend to the private sector, SOEs and the Central Government through Treasury Bonds and Treasury Bills. **Table No. 9** highlights the projected private sector credit for the next five years. It is expected that by 2025/26, the overall private sector credit will reach 36.7 trillion shillings, up from 23.2 trillion shillings in 2020/21.

Table No. 9: Projected Private Sector Credit 2021/22 – 2025/26 (Billion Shillings

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Private Sector Credit – Overall	23,181	25,289	27,628	30,308	33,340	36,726
Private Sector Credit – Business	15,261	16,235	17,289	18,466	19,762	21,171
Private Sector Credit – Households	7,704	9,233	11,096	13,445	16,381	20,012

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Private Sector Credit – Overdraft	3,820	3,926	4,036	4,156	4,283	4,416

Source: Ministry of Finance and Planning, 2020

Proposed Strategies

To increase competition banks are changing the way of doing business, the following activities will be undertaken to advance the banking sector further:

(i) Intensifying efforts towards the harmonization process of monetary and financial issues relevant to regional integration;
(ii) Improving financial education and awareness;
(iii) Strengthening the oversight as well as promoting risk management systems in the financial sector;
(iv) Strengthen and support the conducive environment for private guarantee schemes and institutions to facilitate access to loans for MSMEs;
(v) Strengthening the crisis management mechanism in the financial sector;
(vi) Enhancing coordination among regulators in relation to the financial sector;
(vii) Strengthening the legal and regulatory framework for an effective deposit insurance system;
(viii) Accelerating commercial banks adaptability to any-to-any digital payments to enable full interoperability between all bank accounts and mobile money wallets;
(ix) Continuing to monitor the credit market through the proper credit-underwriting process, mandatory use of credit reference information and enhancement of loan recovery efforts;
(x) Establishing and enhancing the interface of the National Identification Authority's (NIDA) database with banks, Business Registration and Licensing Agency (BRELA) and credit reference bureau;
(xi) Accelerating implementation of the postal code and address systems;
(xii) Establishing a centralized collateral registration database; and
(xiii) Conduct a Digital Finance Ecosystem Assessment for evaluating the inclusiveness and development level of digital finance for national SDG priorities and identifying gaps in aligning digital finance to national SDG priorities.

3.4.1.3. Public-Private Partnerships (PPP) and Venture Capital Modalities

PPP initiatives are recognized as important to attract private investment in areas that yield social returns in addition to financial returns. Before the PPP policy in 2009 was introduced, projects worth about USD 1,000 million were executed in the transport, ICT and energy sectors. In addition to the PPP Policy 2009, the other important instruments making the PPP regulatory frameworks include the PPP Act, Cap 103 (RE, 2018) and PPP Regulations 2020.

Table No. 10 highlights the projected trends of private sector investments in PPP projects. The potential PPP projects are from various sectors, including water, transport and communication, education, health sector and energy. As a flow variable, the PPP resources are expected to sum up to 21.0 trillion shillings over the next five years.

Table No. 10: Projected PPP Resources from the Private Sector (Billion Shillings)

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
PPP Resources	1,355	719	5,165	7,902	5,887	**21,029**

Source: Ministry of Finance and Planning, 2020

Proposed Strategies

To accelerate the use of the PPP framework in the implementation of public investment, the following strategies will be pursued

(i) Accelerate project development and approval processes;

(ii) Strengthen the PPP Division, PPP Desk and PPP Node with the required human resources and expertise;

(iii) Avoid reversal of projects prepared under PPP to the traditional procurement;

(iv) Enhance PPP capacities at the MDA and LGAs levels, including requiring the two to include PPP projects during budget preparations (as well as enhancing compliance to PPP Act, Cap 103 during budget preparation);

(v) Accelerate the development, review and the implementation of regulations, guidelines and other instruments to streamline private sector participation through PPP) in the implementation of development projects;

(vi) Strengthen enabling investment climate including macro-economic stability, access to long-term financing and lower interest rates;

(vii) Establish and strengthen the institutional framework for promoting PPP projects as elaborated by the PPP Act, Cap 103 by fast tracking operationalization of PPP centre; and

(viii) Establish and strengthen PPP facilitation fund to cater for project development, capacity development and viability gap fund

3.4.1.4. Corporate Bonds and Private Equity

The bonds market in Tanzania is steadily growing but remains relatively underdeveloped, despite the vital need for long term funding for enterprise development. There remain opportunities for non-financial corporate entities to engage in raising capital through the market, especially with the current state of low inflation, macroeconomic stability and the ongoing drive to enforce ethical business practices.

The current sectoral distribution of PE or VC deals shows that the financial services, agribusiness, telecommunications, technology, energy, and natural resource sectors have relatively more potentials. Consumer goods and healthcare attract PE investors' interest in the EAC region. In terms of characteristics of the business entities, the PE or VC investors are interested in businesses requiring development, growth and expansion, followed by start-ups and early-stage businesses. **Table No. 11** presents projects for the outstanding corporate bonds expected to reach 915 billion shillings in 2025/26 from 272 billion shillings in 2020/21.

Table No. 11: Projected Stock Market Capitalization and Corporate Bonds 2021/22 – 2025/26 (Billion Shillings)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Stock market capitalization – Domestic	9,192	9,284	9,376	9,470	9,565	9,661
Stock market capitalization - Cross listings	8,413	8,581	8,752	8,927	9,106	9,288
Stock market capitalization – Total	17,787	18,143	18,506	18,876	19,253	19,638
Stock market – Liquidity	1,382	2,103	3,218	5,009	7,884	12,479
Stock market liquidity – Bonds	1,681	2,043	2,491	3,063	3,788	4,699
Outstanding corporate bonds	272	342	432	552	709	915

Source: Ministry of Finance and Planning, 2020

Proposed Strategies

The following activities will be pursued:

(i) Develop Capital Market Master Plan as a platform to identify actions that would advance capital markets in Tanzania;

(ii) Accelerating investments in targeted education and training programs to domestic corporate businesses to improve their governance systems, increase transparency, and become more aware of possibilities of raising long term finances from capital markets;

(iii) Expediting the introduction of M-Akiba savings bills and bonds facilities can raise public participation in the capital markets;

(iv) Incentivizing the introduction of other key capital market institutions (PE/VC, IPO transactions underwriters, investment banks, market makers and liquidity providers);

(v) Creating an attractive environment for companies to list on the stock market;

(vi) Introducing tax incentives to debt-based capital, particularly to those issued by the private sector; and

(vii) Addressing policy impediments to the expansion of the credit markets high-interest rate spreads.

To foster the private equity market, four priority areas will be addressed:

(i) Reassess the Fair Competition Commission's (FCC) threshold of Merger and Acquisition (M&A), which currently stands at USD1.5 million to attract investors;

(ii) Evaluate possible tax reliefs targeting VC backed start-ups and VC exiting

via the DSE's Enterprise Growth Market (EGM);
(iii) Incentivize public and private investment in supplying industry market data to facilitate businesses making informed investment decisions; and
(iv) The authorities responsible for capital market development to design awareness programs for family and informal business owners to improve their governance systems, increase transparency, and become more PE/VC attractive from the governance point of view.

3.4.1.5. Domestic Private Investment

Investment opportunities aiming at attracting the private sector are outlined in the National Investment Guide published by the Tanzania Investment Centre (TIC). The National Investment Guide provides a highlight on developing regional investment guides. Private sector drives to take advantage of the opportunities will likely depend on the ongoing reforms discussed in the next sub-section. **Table No. 12** shows that, the private sector investment is projected to grow from 53.8 trillion shillings (2020/21) to 108.8 trillion shillings (2025/26).

Table No. 12: Projected Private Sector GFCF 2021/22 – 2025/26 (Billion Shillings)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Private sector GFCF	53,758	61,441	70,368	81,096	93,844	108,821

Source: Ministry of Finance and Planning, 2020

Proposed Strategies

Key reforms that aim to facilitate private sector development are outlined in the two-reform agenda: The Blueprint for Regulatory Reforms to Improve the Business Environment of 2018; and the 2017 Tanzania Diagnostic Trade Integration Study (DTIS). The Blueprint outlines both sector-specific and cross-cutting regulatory issues to be addressed. For instance, the latter includes business licensing regime; standards, safety and quality; weigh and measurements; and social security and labour issues. The 2017 DTIS identifies priority actions supporting the country's strategy to deliver broad-based growth through trade integration. It focuses on trade policy and trade facilitation, agriculture, mining and extractives industry and tourism.

With more than 232 fees and levies have been abolished or restructured in response to the two-reform agenda's recommendations, further efforts will be directed towards accelerating action areas associated with institutional reforms (transforming Government agencies). Several measures will be introduced to expedite institutional reforms, including:
(i) Intensifying intra-Governmental interactions;
(ii) Undertaking periodical reviews of the reform agenda to contain and address constraints that impede progress towards reform objectives; and
(iii) Intensifying dialogue between the private sector and the Government through reviving the national and regional national business councils and the

investors' roundtables.

The Financial Sector Development Master Plan (2020/21 – 2029/30) will guide the financial sector's reform agenda and complement other efforts to advance private sector investments. Among the important aspects of the Plan that will be implemented include:

(i) Broadening financial instruments to advance the availability of long-term capital;
(ii) Incentivizing banks and financial institutions to provide long term credit to productive sectors;
(iii) Promoting cross-border capital flows to support the efficient allocation of capital to long-term investment;
(iv) Creating financial instruments for Tanzania diaspora to finance long term projects;
(v) Enhancing the financial, technical and managerial capacity of DFIs;
(vi) Strengthening affordable housing finance schemes; and
(vii) Promoting insurance companies and social security schemes to mobilize long term savings.

3.4.2. External Private Sources

Tanzania is endowed with plenty of investment opportunities, and is increasingly becoming open to foreign participation in the economy. Besides being peaceful and politically stable, it has abundant natural resources and occupies a strategic geographical location in the Eastern and Central African regions facilitating trade and investments. The country's strong economic growth of 7 percent over the past decade coupled with the ongoing air, road and rail infrastructure developments and utility provision provide bright prospects for investment inflows to Tanzania.

The high levels of foreign direct and portfolio investment recorded over the past decade exemplify the diversity of investment opportunities and affirm that Tanzania has sustained its brand as one of the region's attractive investment destinations. The Tanzania Investment Centre (TIC) is mandated to, among other functions: create and maintain a favourable environment for private sector investment; stimulate local and foreign investments, and facilitate foreign and local investors; providing and disseminating up-to-date information on investment opportunities and incentives available to investors; and monitoring investment environment and growth of FDI in the country.

Further, increased regional integration is also an opportunity for new investment opportunities. During FYDP II implementation, generous fiscal incentives were introduced under the EPZ/SEZ by offering investment land, making the authority operate as a one-stop service centre, thus, creating an opportunity for investors. In addition, investment promotion was undertaken by offering a well-balanced and competitive package of fiscal incentives to investors, both international and domestic. Collaboration with the private sector through PPP arrangement by allocating more resources to cater to necessary infrastructure in areas earmarked for EPZ is another opportunity. Tanzania has also signed various Bilateral Investment Treaties (BITs), Double - Taxation Treaties (DTTs) and Bilateral Trade Agreements (BTAs) for investment and trade protection purposes. The country is also a signatory to the Multilateral Investment Guarantees Agency (MIGA) to protect investments against non-commercial risks.

To attain the sustainable level of Foreign Direct Investment (FDI) inflows, the Government will continue building a conducive environment for doing business and promote investment potentials. Profitable sectors for FDI in Tanzania have traditionally included agriculture, mining and services, construction, tourism and trade. Currently, Government-funded infrastructure development offers investment opportunities in rail, estate and construction. The Government, therefore, welcomes FDI as it pursues its industrialization agenda. Other notable projects attractive for FDI include manufacturing cement, tiles, steel, soap and detergents, and beverages and banking services.

Table No. 13 shows that, a total amount of USD 7,980.7 million (equivalent to 19.693 trillion shillings) FDI inflows is expected to be invested in different economic sectors over the next five years. It is estimated that during FYDP III, FDI inflows will grow by 59.5 percent from USD 1,173.5 million in 2021/22 to USD 1,871.1 million in 2025/26. Significant investments are expected to be in oil and gas, mining and quarrying, food and accommodation, manufacturing, and finance and insurance activities.

Further, there is a need to ensure private to private finances whereby private firms may access finances to fund investment projects from external private sources. Such modality has shown little achievements, with many domestic private firms concentrating on domestic financial institutions. Currently, identified private sources opportunities include: SWEDFUND, DEG-German Association for Economic Cooperation, FinDev Canada, FINFUND and FMO-Entrepreneurial Development Bank

Table No. 13: Projected FDI Inflows, 2021/22 – 2025/26

Currency	2021/22	2022/23	2023/24	2024/25	2025/26	Total
USD (Million)	1,173.5	1,580.0	1593.5	1,762.6	1,871.1	7.980.7
Exchange Rate	2,352	2,389	2,454	2,494	2,543	
TZS (Billion)	2760.2	3775.3	3910.8	4395.1	4758.1	19599.5

Source: Ministry of Finance and Planning and Bank of Tanzania (2020)

Proposed Strategies

Several strategies are needed to attract and retain FDI to diversify the production base and enhance productive capacity during FYDP III. These include:

(i) Developing Investment Strategy aligned with ongoing reform agenda as well as setting priorities for investment policy and promotion reform agendas at both economy-wide and sector levels;

(ii) Improving efforts aimed at attracting and facilitating FDI by establishing enhanced investor entry regimes, streamlining investment procedures and enhancing investment promotion capacity;

(iii) Strengthen domestic private entities on accessing international private finances;

(iv) Improving provisions of investment incentives and strengthening investors' confidence;

(v) Conduct SDG Investor Mapping to provide private sector investors with market intelligence on identified investment opportunities towards the SDG-aligned development priorities;

(vi) Improving provisions of investment incentives and strengthening investors' confidence; and

(vii) Promoting practices for linkages between FDI and the local economy.

CHAPTER FOUR

RISKS AND MITIGATION MEASURES

4.1. Introduction

This Chapter highlights the Risks that the Strategy is anticipated to encounter with their mitigation measures during the implementation of the FYDP III.

4.2. Public Finance Sources

4.2.1. Domestic Public Sources

Risks related to domestic public finance are economic, political and social. They are summarized as follows:

(i) Shocks/economic crisis that affects the economy and targeted sources of funds. This includes the risk related to economic recession, which does not yield projected revenue. This can be mitigated by diversification in finance sources and creating a buffer in financing for development.

4.2.2. External Grants

The risks associated with access to external grants and necessary mitigation plans are suggested as follows:

(i) Change of Foreign Aid policy by Traditional Development Partners will reduce external assistance for various reasons. This may be mitigated by strengthening the performance of domestic revenue sources;

(ii) Global Economy/Financial Crises/Outbreak of Pandemic may necessitate donors to reduce aid. This may be mitigated through consolidated fiscal policy; and

(iii) Untimely and un-predicted disbursement of the funds against the commitment will lead to an interruption in implementing planned activities. This may be mitigated by adhering to the cooperation framework's principles and strengthening consultation and dialogue at the appropriate decision-making level.

4.2.3. External and Domestic Borrowing

External borrowing is associated with market and refinancing risks. The market risks include interest rate and foreign exchange risk. The following are mitigation measures:

(i) Contracting external loans with fixed interest rate in order to minimize risk resulted from fluctuation of variable interest rate;

(ii) Borrowing more in local currency domestically in order to mitigate foreign exchange rate and refinancing risks; and

(iii) Domestic borrowing is associated with refinancing risks. This will be mitigated through borrowing more on the longer-end instrument.

4.2.4. Climate Change Fund

Inadequate financial resources from climate change financing fund would affect implementation of climate change related projects in Tanzania. These will be addressed by expediting the process of assigning personnel specifically to deal with climate change fund, promotion of risk and insurance financing, and accelerating public and private institutions' accreditation. In addition, funds that do not require accreditation, it is critical to enhance the capacity to develop responsive projects that meet the requirements. Furthermore, it is important to establish tracking systems for climate finance channelled to private sectors.

4.3. Private Finance Sources

4.3.1. Domestic Private Sources

(i) Risks to the existing potential in accessing bank funding include undercapitalized banks for reasons such as high levels of NPLs, which may erode banks' capital position. Mitigation measures to be introduced (enhanced) include: enhancing compliance and enforcing contingency plan for the banking sector as well as mandatory use of credit reference bureau. The continued investment in early warning systems such as stress testing will mitigate risks against undercapitalised banks;

(ii) Unforeseen decline in real estate prices, which may reduce real estate owners' ability to service their debts (real estate properties are commonly used as collaterals for loans provided by banks). Mitigation measures for this particular risk include adherence to guidelines by the central bank on how to to contain NPLs in the banking system;

(iii) The ongoing dominance by foreign investors poses potential market liquidity risk. To mitigate such risk, efforts will be directed towards close monitoring and promoting local investors' participation in the equity market;

(iv) Dynamic change in business environment. Such risk will be mitigated by investing in supportive infrastructure, accelerating the legal and regulatory on-going reforms, including ensuring proper sequencing of the reforms;

(v) Reversal of PPP preparations to traditional procurement posed as a risk despite the fact that analysis shows that private sector participation will deliver more value for money. This may be mitigated by establishing mechanisms that prohibit such reversals; and

(vi) Private sector stakeholders opting out of projects that are in advance feasibility and approval processes. This may be mitigated through continued compelling of the private sector partner to commit resources before approval stages.

4.3.2. External Private Sources

In 2018, the Government formulated the Blueprint for Regulatory Reforms to Improve the Business Environment. The Government identified the existing challenges in the business environment and articulated areas for intervention by different actors regarding policy, regulations, and coordination for improvement.

Broadly, these challenges include (i) existence of high compliance costs in monetary terms and time in starting and operating a business; (ii) cumbersome pre-approval procedures, which create rent-seeking opportunities; (iii) presence of multiplicity and duplicity of processes; (iv) loopholes in some of the laws and regulations; and (v) prevalence of high costs in enforcing implementation of regulations, both at the Central and Local Government levels. In relation to these challenges, the associated risks and mitigation measures are as follows:

(i) Fluctuations in interest rate. This may be mitigated through Government borrowings from sources with fixed interest rate to avoid possible future fluctuation and renegotiation on proposed interest rates;
(ii) Changing diplomatic ties with the private lender's countries. This may be mitigated by strengthening diplomatic relations and commitment on the financial agreements; and
(iii) Changing the lender's policies. This may be mitigated through re-negotiation with a lender to provide relief on borrowing modalities.

ACTION PLAN FOR IMPLEMENTATION OF THE FINANCING STRATEGY OF THE NATIONAL FIVE YEAR DEVELOPMENT PLAN, 2021/22 – 2025/26

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
1.	**DOMESTIC REVENUE**							
	Using maximum automation to reduce potential (negative) human influences out of physical contact. This will also go hand in hand with strengthening online operations to minimize physical contact and human subjectivity and thus enhance taxpayers' efficiency and trust	Strengthen online tax assessment system through online e-filling						**TRA**
		Strengthen and integrate *Domestic Revenue Administration System (IDRAS)* with other domestic revenue collection systems						
		Expand coverage on the use of EFD in order to facilitate the VAT returns						
		Improve systems for tax collection and administration such as *Debt Management and Refund Module System*						
	Strengthening person (natural and corporate) registration and identification and linkage of personal (financial) information to enhance compliance. This can be achieved by linking and harmonizing taxpayer-identification numbers (TIN)	Integrate information of Tax Identification Number (TIN) and National Identification Number (NIN), BRELA and Immigration Department in order to facilitate the One Stop System for business registration and tax administration for business						**TRA, BRELA and NIDA**
		Integrate both domestic and foreign system in order to access taxpayer's						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	and the national identification (NID) number systems and ensuring that all payments and transactions with potential tax implications can be tracked into these systems	information						
		Continue with provision of NID number in order to develop database with accurate information useful for taxpayer's identification						
		Integrate the NIDA and TRA systems to ensure dual linkage between institutions customers						
		Integrate systems of public and private institutions which shows taxpayer's capacity relevant to income and expenditure						
	Developing capacity to monitor tax evasion avenues such as transfer pricing and invoice mispricing within the revenue authority	Strengthen capacity of International Tax Unit to handle international tax						TRA
		Ensure Exchange of Information (EOI) system to enhance tax systems to comply with Double Taxation Agreements (DTAs)						
		Facilitate registration to the Multilateral Convention on Exchange of Information and Assistance in Tax Collection (MAC).						
		Apply various systems to assess market commodities including use of Used Motor vehicle Valuation System for valuation of used vehicles						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	Establishing systems and strengthening the capacity to speed up tax collection procedures and track cargo at ports/border posts, inland container depots, and in transit	Strengthen *''e-single window system'* for Cargo Clearance at Ports						**TRA**
		Ensure effective management of "Electronic Cargo Tracking System" (ECTS new version) for proper handling and clearance of neighboring countries' cargos						
		Review the East Africa Community Customs regulations through Simplified Trade Regime (STR) procedures						
		Enhance the implementation of *Authorized Economic Operators (AEO)* Project for referencing to customs services						
		Intensify use of Pre-Arrival Declaration (PAD) Scheme						
		Improve custom systems to enable warfare charges for Zanzibar Port						
		Integrate Tanzania Customs TANCIS and Zambia - ASYCUDA World						
	Expanding the ongoing taxpayers' education and awareness programs for improving tax compliance.	Prepare and implement system to enhance provision of feedback to taxpayers						**TRA**
		Facilitate taxpayer's education using various means including TV, radio, social media, seminars and						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
		workshops and call centre for TRA						
		Develop and implement taxpayers' communication strategy						
		Create awareness on tax issues to youth through their respective '*Tax Clubs'* at secondary schools in order to increase awareness and knowledge for youth						
		Strengthen customer and taxpayer's services						
	Establish tax ombudsman for taxpayer's complaints	Create awareness, advocacy and taxpayers' complaints through various tax administration offices and centres						**TRA**
		Receive and deal with taxpayer's complaints and challenges through *'Tax Consultation Bureau'* at zero fee						
	To expand the tax net by bringing in the informal sector and taxing revenue that is not formally channelled	Link taxpayer identification system (TIN) and the national identification (ID) system to enhance collection and availability of taxpayers' information						**TRA and PO-RALG**
		Improve business identification for small and medium enterprises to include necessary information to enable collection of necessary tax						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	Encourage compliance in the informal sector through incorporating taxpayers in tax nets, capture potential economic activities, provision of education	Facilitate taxpayer's education using various means including TV, radio, social media, seminars and workshops and call centre for TRA						**TRA**
		Encourage tax compliance for informal sector through various modalities including visiting taxpayers at their respective workplaces and responding to field question to increase trust of taxpayers						
		Commence the online registration to identify, monitor and formalize SMEs in informal sector						
	Broadening the tax base's geographical and sectoral distribution, including strengthening collection of property tax in sub-urban and rural areas.	Undertake annual review of fiscal policies to enhance tax administration acts and regulation and deal with revenue leakages;						**TRA**
		Encourage the tax compliance culture by creating business enabling environment to attract investors through imposing friendly tax rates on manufacturing and protecting local industries						
	Improving capital base, management and governance of state-owned enterprises to enhance performance in delivering	Strengthen capital base of TIB Bank Development and Tanzania Agricultural Development Bank (TADB) to improve their performance						**OTR**

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	services, executing Government assignments and ensuring corruption temperance as well as investing in strategic areas and increase their dividend	Install system to collect revenue of 15 percent contribution from the state-owned enterprises						
		Issuing the bonds market to finance commercial and strategic projects						
		Develop a framework for revenue collection from state-owned enterprises						
		Establish rescue revenue fund to support the state-owned enterprises in need funded through unclaimed financial asset						
		Monitoring and evaluation of performance of state-owned enterprises						
		Assess the actual provisions of public shares in corporations with minor share holdings and propose relevant measures						
	Facilitating the establishment of Special Purpose Vehicle (SPV) at national and LGA levels to manage investments and ventures that the Government has interest instead of such ventures being run directly by the	Develop Guideline for Using Special Purpose Vehicle to Manage Strategic Projects						**NPD and PO-RALG**
		Collaborate with PO-RALG to train LGAs and RSs on SPV Guideline						
		Coordinate establishment of national SPV on management of strategic development projects						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	Government.							
	Intensifying mining inspections, including verification of mineral values, quantities, mineral production contents, and regular auditing of mining company transactions; maximizing the collection of both taxes and royalties from the mining, extraction, processing, production and marketing of mineral resources. This also calls for strengthening the capacity of the Mining commission and Tanzania Extractive Industries Transparency International (TEITI);	Undertake inspection and management of large mines at mining sites during production						**Ministry of Minerals**
		Collaborate with other authorities to manage performance of 39 mineral markets and 50 mineral trading centres						
		Regulate mineral export trading to ensure the Government collects relevant fees, royalty and tax revenues						
		Strengthen the Tanzania Mineral Commission laboratory by recruiting and providing equipment in order to examine minerals produced by small-scale miners						
		Extend provision of mining license to encourage investment in mining sector						
		Undertake auditing of finance, taxes and local content for companies dealing with mining related activities						
		Enforce and create awareness on Mining Act Cap. 123						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
		Amendment of the acts and regulations for transparency and accountability on management of minerals, oil and natural gas in Tanzania						
		Dissemination of annual comparative report for revenue from mining, oil and natural gas companies						
		Transparency on agreements and contracts between Government and mining, oil and natural gas companies						
		Transparency on shareholders in mining, oil and natural gas companies (Beneficial ownership disclosure)						
	Reducing non-priority expenditure and increasing the efficacy of Government expenditures. This includes Government institutions' improvements to efficiently manage, execute, or regulate public resources to allow quality service delivery with less money. Transparency and participatory planning, and budgeting are also critical.	Developing Plan and Budget Guideline annually to provide highlights on management of public resources						GBD
		Undertake expenditure tracking to ensure accountability and value for money						
		Strengthen electronic systems for Government Budget Management						
		Capacity building for budget and planning officers of Government institutions on management of public expenditure						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	These measures can also improve tax compliance as taxpayers see the results of the taxes they pay.							
	Increased efficiency in the preparation, implementation and management of projects	Capacity building to MDAs on developing development projects						**NPD**
		Ensure national development plans aligned with sector strategies for MDAs						
		Collaborate with MDAs on monitoring and evaluation of development projects						
	Increased funding of projects that are in line with national priorities;	Analyze and advice on project proposals for development projects in order to be incorporated in Government budget						**NPD**
		Provide guidance on identifying and preparing development projects to increase financing from various sources						
	Improved coordination and ownership of the project amongst the MDAs involved in project financing and implementation through the National Project Management Information System – NPMIS	Capacity building to MDAs on NPMIS						**NPD**
		Overseeing the implementation of Public Investment Management – Operational Manual						
		Updating the NPMIS and PIM-OM						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	Minimized negotiation costs and expedited the borrowing process	To analyze various debt financing sources for borrowing						**DMD**
		Evaluate conditions on borrowing for semi-concessional and non-concessional loans						
		Developing and implementing Medium Term Debt Management Strategy -MTDS.						
		Developing domestic debt and capital markets						
	Minimised cost and risks related to contracting loans, guarantees and grants	Undertake Debt Sustainability Analysis - DSA						**DMD**
		Surveillance of risks for borrowing through Government bonds as contingent liabilities						
		Developing and implementing Medium Term Debt Management Strategy -MTDS.						
	Using standardized approaches in the engagement between the Government and financiers	Coordinate meeting for Technical Debt Management Committee (TDMC) and National Debt Management Committee (NDMC).						**DMD**
		Create awareness on enforcing the Government Loans, Guarantees and Grants Act Cap 134 to MDAs						
		Review the Government Loans,						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
		Guarantees and Grants Act Cap 134 and related guidelines						
		Create awareness on Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants of 2020						
	Enhanced public debt management;	Developing Debt Sustainability Analysis Report						**DMD**
		Undertake Debt Sustainability Analysis - DSA						
		Create awareness on surveillance and evaluating risks related to contingent liabilities						
		Developing and implementing Medium Term Debt Management Strategy -MTDS.						
		Capacity building to Government officials on debt and capital markets						
		Enhancing the frameworks for cooperation between the Government, development partners and financiers through Development Cooperation Framework						**EFD**
	Minimize borrowing costs and improve the quality of	Analyze MDAs financing proposals for development projects						**DMD**

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	projects and thus the realization of value for money	Create awareness on Create awareness on Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants of 2020						
		Developing domestic debt, financial and capital markets						
		Ensure non-concessional borrowing towards development projects for economic growth and exports						
2.	**EXTERNAL GRANTS**							
	Taking necessary measures to build confidence among Development Partners, including enhancing coordination mechanisms, transparency, and accountability	Organize biannual dialogue and strategic discussion with development partners on development agenda						**EFD**
	Strengthening regional, multilateral and bilateral relations will intensify fostering collaboration and partnerships development partners	Undertake monitoring and evaluation of the Development Cooperation Framework (DCF)						
3.	**EXTERNAL BORROWING**							
	Build institutional capacity to prepare bankable quality project documents	Capacity building to MDAs on preparation of development projects						**NPD**
		Provide guidance on identifying and preparing development projects to						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
		increase financing from various sources						
	Skills development on negotiation skills and contract management is inevitable if prudent borrowing with the win-win situation has to be realized	Continue with capacity building to Government officials on negotiation and contract management						DMD
		Create awareness on Guidelines for Project Planning and Negotiations for Raising Loans, Issuing Guarantees and Receiving Grants of 2020						
	Strategically undergo borrowing for costly and high impact projects and projects that ensure technology transfer to Tanzania. This will enable to build of capacity within the country;	Developing and implementing Medium Term Debt Management Strategy -MTDS.						
		Assessing various borrowing sources for deficit financing						
		Collaborate with MDAs on identifying and preparing bankable projects						
4.	**DOMESTIC BORROWING**							
	Borrow domestically through bonds to raise new funds and to roll-over maturing bonds	Developing Borrowing and Bond Issuance Plan						DMD
		Awareness creation and enhancing on participation in primary and secondary treasury bond and bills market						
5.	**CLIMATE CHANGE FUND**							
	The Ministry of Finance and Planning (MOFP), Vice	Undertake meetings for accreditation process for MOFP in						**EFD and VPO**

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	President's Office (VPO) and President's Office Regional Administration and Local Government (PORALG) finalize accreditation process to the Green Climate Fund	GCF						
		Encourage MDAs and private sector to utilize opportunities to access funds from GCF						
	The Ministry of Finance and Planning will establish a dedicated unit for mobilising Climate Change Fund from various sources	Establish the Unit at MOFP responsible for processing and accessing funds from at the GCF						**EFD**
		Develop the Action Plan on processing and receiving the funds for climate change projects from various financing sources						
	The Climate Change Unit will continue sensitizing other MDAs and the private sector to apply for accreditation to various climate change funds to increase opportunities	Capacity building to MDAs on preparing and developing the climate change projects						**EFD**
		Capacitate MDAs on undertaking accreditation in order to facilitate access financial resources from the climate change funds						
	Build institutional capacity on the preparation of bankable projects and responsive to climate change Fund requirements, including preparation of an	Integrating project preparation frameworks and criteria for accessing funds from GCF						**EFD**
		Collaborating with NPD to capacitate MOFP on developing projects for climate change						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	action plan	Collaborating with VPO – Environment on reviewing international agreements to identify possible opportunities for accessing funds to implement climate change projects						
6.	**NON-TRADITIONAL DOMESTIC SOURCES**							
	Recruiting expert at PO-RALG to spearhead Municipal Bond's issuance. This champion will be responsible for working with other stakeholders to stimulate the will and initiative at the municipal level and guide the availability of appropriate expertise.	In consultation with MOFP and PO-PSMGG the PO-RALG employ the experts on issuance of the Municipal Bonds						**PO-RALG**
	Improving operation of the LGLB as an intermediary for raising finance for development for LGAs, including issuing municipal bonds	Capacity building on preparation of the bankable projects which can be financed through municipal bonds						**PO-RALG**
		Collaborating with MOFP on gaining experience on issuing and financing development projects through municipal bonds						
	LGAs approaching microfinance, saving and credit cooperative societies	Collaborating with SACCOs and local community banks on identifying and preparing bankable						**FSD and PO-RALG**

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	(SACCOs) and local community banks to fund small scale municipal projects such as water and sanitation facilities that charge a fee for usage	projects						
		Create awareness on the financing frameworks and guidelines to access funds for various social projects						
7.	**DOMESTIC PRIVATE SOURCES**							
7.1	**DOMESTIC SAVINGS**							
	Incentivize innovation of affordable demand-driven financial products that respond to the saving needs of households and special groups;	Undertake market research on product and services to meet national standards						**FSD**
		Facilitate service providers to address emerging needs and potential models						
		Enhancing service providers to develop products which are demand-driven						
		Encourage innovation and technological utilization on financial service provision including FinTech						
	Expand the range of products offered by banks with extensive network	Sensitize banks, mobile money providers and financial technology (FinTech) to innovate on alternative financial service provision;						**FSD**

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
		Promote affordable distribution channels including rural agents to serve the Cash In/Cash Out (CICO);						
		Promote financial institutions with large network to extend service provision						
		Promote use of financial technologies on service provision						
	Incentivize technology-dominated banking business models such as digitization and mobile money	Evaluate and recommend on the performance of mobile money services and financial service distribution network						**FSD**
		Promote service providers on the use of Fintech as a means for innovation						
	Stabilize short-term interest rates through open market operations	Continue implementing effective monetary policy to ensure stable interest rates						**FSD**
	Promote linkage between community microfinance groups and financial services providers;	Review collaboration models between banks and community financial groups						**FSD**
		Incentivize banks to have affordable financial services and products						
		Provision of financial education on importance of using formal financial institutions to deposit and access credit						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
		Strengthen supervision in the financial sector to ensure compliance of policies, laws, regulation and guidelines						
	Enhance collaboration between public and private sector to deepen and broaden financial inclusion	Implementation of the National Financial Inclusion Framework of 2018 – 2022						**FSD**
		Ensure private sector participation on formulating policies, strategies, laws and regulations and guidelines for financial sector						
	Enhance legal regime and supervision framework for financial consumer protection	Prepare policies, laws, strategies and guidelines to enhance management of financial sectors;						**FSD**
		Review policies, laws, regulation and guidelines to be in line with the prevailing situation in the financial sector						
		Strengthen supervision in the financial sector to ensure compliance of policies, laws, regulation and guidelines						
	Promote competition in the financial sector	Finalize preparation of financial consumer protection scheme						**FSD**
		Ensure financial service providers protects financial consumers						
		Put in place transparency mechanisms in financial service provision						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	Improve security on electronic money transfer	Put in place policies, laws and regulation governing provision of electronic money services;						**FSD**
		Provide public education on appropriate use of electronic financial services						
	Develop proper requirements for maintaining appropriate balance in financial inclusion and stability	Develop and provide financial products, services and modalities for access to special groups						**FSD**
		Overseeing policies and strategies for balanced financial inclusion and stability						
7.2	**BANK FINANCING AND PRIVATE SECTOR CREDIT**							
	Intensifying efforts towards the harmonization process of monetary and financial issues relevant to regional integration	Participate into various steps for integration of monetary and financial services in the EAC and SADC region						**FSD**
		Ensure implementation of rectified regional monetary and financial issues.						
	Improving financial education and awareness	Prepare and implement financial services awareness creation programme						**FSD**
		Use various media to educate the public on financial services						
	Strengthening the oversight as well as promoting risk management systems in the	Ensure financial service providers operates in accordance with laws, regulations and guidelines pertained						**FSD and BOT**

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	financial sector	to financial risk management;						
		Employing ICT instruments including AML/CFT to combat money laundering						
		Enforcing existing regulations on overseeing payment systems to meet provided globally agreed standard						
		Formulating regulations on cyber financial crimes to Digital Financial Service Providers (DFSPs)						
		Strengthen supervision of risks in the Tanzania Interbank Settlement System and Tanzania Automated Clearing House (TISS and TACH)						
		Strengthen systems for dealing with complaints on financial services provided by banks						
		Formulation of the (Macro-prudential Policy Framework)						
		Strengthen stress testing systems for banks, insurance and social protection sectors						
		Developing Financial System Interconnectedness to identify sources of financial sector risks						
		Strengthen Stability of Financial Sector Forum						
		Ensure active participation on						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
		regional and international forums related to quality of financial sector in EAC, SADC and AACB						
		Surveillance on performance of insurance and social protection funds and financial and capital markets						
	Strengthen and support the conducive environment for private guarantee schemes and institutions to facilitate access to loans for MSMEs	Prepare implement MSMEs Financial Service Access Strategy						**FSD**
		Put in place MSMEs identification mechanism						
		Capacitate MSMEs on access to financial service and enterprise management skills.						
	Strengthening the crisis management mechanism in the financial sector;	Ensure effective implementation of monetary policies, financial laws and regulations on financial sector						**FSD and BOT**
		Overseeing the performance of financial sector through respective forums including Financial Stability Forum						
		Developing the Financial Crisis Management Framework						
		Developing Emergency Liquidity Assistance Framework						
		Developing Resolution Funding Framework						
		Collaborating with SADC and EAC						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
		on overseeing financial crises within regions						
	Strengthening the legal and regulatory framework for an effective private deposit insurance system	Finalize preparation of Bank Sector Development Policy to streamline effective deposit insurance system;						**FSD**
		Strengthen legal financial sector supervision						
	Continuing to monitor the credit market through the proper credit-underwriting process, mandatory use of credit reference information and enhancement of loan recovery efforts;	Strengthen creditors registration and credit access through credit reference bureau						**DMD**
		Strengthen banks and financial service institutions on the use of credit reference from respective bureau						
		Create awareness to creditors and public on the credit reference and its importance						
	Establishing and enhancing the interface of the National Identification Authority's (NIDA) database with banks, Business Registration and Licensing Agency (BRELA) and credit reference bureau	Review governing laws and regulations to be in harmony with the intended interface						**FSD, BOT, BRELA and NIDA**
		Awareness creation to creditors and public on the use of NID on accessing credit services from banks and microfinance institutions						
	Establishing a centralized collateral registration	Develop database for registering treasury bills and bonds						**DMD**

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	database.	Capacity building to government officials on the utilization of database for registering treasury bills and bonds						
7.3	**PUBLIC - PRIVATE PARTNERSHIP – (PPP) AND VENTURE CAPITAL**							
	Accelerate project development and approval processes	Capacitate 100 MDAs and 50 LGAs on Public – Private Partnership Act Cap 103 and its regulations						**PPPD and NPD**
		Review the Public – Private Partnership Act Cap 103 and its regulations						
		Coordinate the establishment of PPP Centre						
		Coordinate the establishment of the PPP Facilitation Fund						
		Coordinate four (4) meetings for PPP Management Committee						
		Coordinate twelve meeting for analyzing and recommending on feasibility studies for PPP projects						
	Strengthen the PPP Division, PPP Desk and PPP Node with the required human resources and expertise	Identify skills gaps for officials and PPP Division						**PPPD**
		Capacitate 10 Government officials on the concepts of PPP						
		Additional of the operational instruments for PPP Division						
	Avoid reversal of projects prepared under PPP to the	Review the Public – Private Partnership Act Cap 103 and its						**PPPD and NPD**

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	traditional procurement	regulations						
	Enhance PPP capacities at the MDA and LGAs levels, including requiring the two to include PPP projects during budget preparations (as well as enhancing compliance to PPP Act Cap 103 during budget preparation)	Capacitate 100 MDAs and 50 LGAs on Public – Private Partnership Act Cap 103 and its regulations						**PPPD**
		Monitoring and Evaluation of 100 MDAs and 50 LGAs to facilitate inclusion of PPP Projects in their respective plans and budgets						
		Undertake evaluation for 50 MDAs on their respective projects to identify their qualifications to reclassification as PPP Projects						
		Formulating and implementing the PPP Communication Strategy						
	Accelerate the development, review and the implementation of regulations, guidelines and other instruments to streamline private sector participation through PPP in the implementation of development projects	Develop and implement programs in relevant to the PPP concepts especially to private sector						**PPPD**
		Develop and implement programs which encourage dialogue between private and public sector on PPP						
		Formulate frameworks for implementation of the PPP Act Cap 103 and its regulation						
		Identify challenges due to implementation of the PPP Policy, Act and its regulations						
		Promote investment opportunities for PPP Projects to attract private						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
		investors						
	Establish and strengthen the institutional framework for promoting PPP projects as elaborated by the PPP Act, Cap 103 by fast tracking operationalization of PPP Centre	Coordinate the establishment of the PPP Facilitation Fund						**PPPD**
		Develop the Framework for Management of the PPP Facilitation Fund						
		Coordinate the funding of the PPP Facilitation Fund						
	Establish and strengthen PPP facilitation fund to cater for project development, capacity development and viability gap fund.	Develop proposal for strategies to strengthen domestic financial sector by creating enabling environment for long-term financing for PPP						**PPPD**
		Capacitate financial sector stakeholders on developing instruments for long-term borrowing for project financing						
7.4	**CORPORATE BONDS AND PRIVATE EQUITY**							
	Accelerating investments in targeted education and training programs to domestic corporate businesses to improve their governance systems, increase transparency, and become more aware of possibilities of raising long term finances from capital markets	Accelerate establishment of bonds for M-Akiba to increase participation of public corporations in capital markets						**FSD FSD, DMD, PAD and TRA**
		Facilitate introduction of other key capital market institutions (PE/VC, IPO transactions underwriters, investment banks, market makers and liquidity providers)						
		Create enabling environment to attract listing of companies at DSE						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
		Develop tax incentives for debt-based capital especially from private sector						
	Addressing policy impediments to the expansion of the credit markets high-interest rate spreads.	Evaluate identified tax reliefs targeting VC backed start-ups and VC existing via the DSE's Enterprise Growth Market (EGM);						**FSD and CMSA**
		Design awareness programs for family and informal business owners to improve their governance systems, increase transparency, and become more PE/VC attractive from the governance point of view.						
7.5	**PRIVATE INVESTMENT**							
	Broadening financial instruments to advance the availability of long-term capital	Incentivizing banks and financial institutions to provide long term credit to productive sectors						**FSD and CMSA**
	Enhancing the financial and technical capacity of DFIs	Assess the performance of the DFIs						**FSD**
		Capacitate DFIs on analyzing, advocacy and supervision of the financing for development projects						
	Strengthening affordable housing finance schemes	Assess performance of affordable housing finance schemes						**FSD and BOT**
		Build capacity of affordable housing finance schemes						**FSD and TIRA**
	Promoting cross-border	Promote long-term investment by						**CMSA and**

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	capital flows to support the efficient allocation of capital to long-term investment	developing frameworks for investment and capital markets development						**DMD**
	Creating financial instruments for Tanzania diaspora to finance long term projects	Promote Diaspora participation on financing development projects through respective embassies						**EFD**
8.	**EXTERNAL PRIVATE SOURCES**							
	Developing Investment Strategy aligned with ongoing reform agenda as well as setting priorities for investment policy and promotion reform agendas at both economy-wide and sector levels	Evaluate the implementation of the National Investment Policy 1997						**PMO-INVESTMENT**
		Develop the National Investment Promotion Strategy						
	Improving efforts aimed at attracting and facilitating FDI by establishing enhanced investor entry regimes, streamlining investment procedures, and enhancing investment promotion capacity	Develop investment database to identify number of investors and respective sectoral incentive packages						**PMO - INVESTMENT**
		Develop the portal for land for investment						
		Develop a national website to facilitate provision of investment information to investors and traders						
		Develop a National Investment Guideline						
		Strengthen investment facilitation centres						

No.	Strategies	Proposed Activities	2021/22	2022/23	2023/24	2024/25	2025/26	Responsible
	Strengthen domestic private entities on accessing international private finances	Review of the Tanzania Investment Act to expand incentive packages						**PMO - INVESTMENT**
		Develop tax incentive packages for investment promotion						