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2014

# Speech of Government Budget for the year 2014-2015

Tanzania, United Republic

Ministry of Finance and Planning

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**SPEECH BY THE MINISTER FOR FINANCE  
HON. SAADA MKUYA SALUM (MP)  
INTRODUCING TO THE NATIONAL  
ASSEMBLY, THE ESTIMATES OF  
GOVERNMENT REVENUE AND  
EXPENDITURE FOR FISCAL  
YEAR 2014/2015**

**I. INTRODUCTION**

1. *Madam Speaker*, I beg to move that this esteemed House now resolves to debate and approve Government proposals for Revenue and Expenditure estimates for Fiscal Year 2014/15. Together with this speech, there are four volumes of books which provide detailed explanation of the budget estimates: volume **one** presents revenue estimates; volume **two** presents recurrent expenditure estimates for Ministries; Government Departments and Agencies; while volume **three** provides recurrent expenditure estimates for Regions and Local Government Authorities, and volume **four** presents development expenditure estimates for Ministries, Government Departments; Regions and Local Government Authorities. In addition, there is a Finance Bill of the year 2014 which is part of this budget.

2. *Madam Speaker*, as I mentioned when I was presenting the Budget estimates for the Ministry of Finance, the Ministry suffered a great loss following the sudden death of the immediate past Minister for Finance, the late Dr. William Augustao Mгимwa. Dr. Mгимwa was a distinguished Finance expert. During his brief stay at the Ministry of Finance, he was able to effectively apply his expertise in guiding preparation of the Budget and its execution with emphasis on reducing dependency by

strengthening domestic revenue mobilization and improving discipline in public expenditure. Dr. Mgimwa was keen to observe laws, rules and regulations in performing his duties. This is the legacy he left behind that everyone is proud to emulate. May the Almighty God rest his soul in eternal peace, Amen.

3. **Madam Speaker**, I wish to take this opportunity to express my sincere gratitude to His Excellency Dr. Jakaya Mrisho Kikwete, the President of the United Republic of Tanzania for having confidence in me and appointing me the Minister for Finance. I commit myself to execute the responsibilities conferred on me with full diligence and integrity. Further, I would like to thank the Vice President, Honourable Dr. Mohammed Gharib Bilal and Honourable Prime Minister, Mizengo Kayanza Peter Pinda for their guidance during the budget preparation. I would also like to congratulate Hon. Adam Kighoma Malima (MP) and Hon. Mwigulu Lameck Nchemba (MP) for their appointments as Deputy Ministers for Finance. I wish to thank Hon. Omar Yussuf Mzee, Minister for Finance of the Revolutionary Government of Zanzibar for the support he extended to us during the preparation of this budget. I would also like to take this opportunity to thank you Madam Speaker, Deputy Speaker and Presiding Chairs for your able leadership in guiding proceedings in the House.

4. **Madam Speaker**, I would like to extend my appreciation to the Ministries, Independent Departments, Institutions and Agencies, Regions and Local Government Authorities and all stakeholders who were involved in one way or another during preparations of this Budget. I would like in a special way to thank the Parliamentary Budget Committee under the chairmanship of Hon. Andrew John

Chenge (MP), for their constructive advice and guidance on the proposals of this budget. Likewise, I thank all Chairpersons of Sectoral Parliamentary Committees for their recommendations and advice during the preparation of this budget.

5. **Madam Speaker**, I would like to thank the Permanent Secretary (URT), Permanent Secretary (RGoZ), Deputy Permanent Secretaries, Governor of the Bank of Tanzania; the Commissioner General of the Tanzania Revenue Authority, Director General of the National Bureau of Statistics and Heads of Institutions under the Ministry of Finance, Heads of Departments and Sections and all members of staff under the Ministry and its Institutions for their tireless efforts during the preparation of this Budget. I would also like to thank the Attorney General for the timely preparation of the 2014 Finance Bill and various documents which are an integral part of this Budget. Lastly, I would like to thank the Chief Government Printer for the timely publication of the Budget documents.

6. **Madam Speaker**, the 2014/15 budget is aligned to the CCM Election Manifesto of 2010, Five Year Development Plan, and Second phase of National Strategy for Growth and Reduction of Poverty (MKUKUTA II). The aim of these plans and strategies is to attain the country's Vision 2025.

7. **Madam Speaker**, implementation of the Second Phase of MKUKUTA, is coming to an end in June, 2015. This is, therefore, the last Budget for its implementation. Likewise, the implementation period of Millennium Development Goals (MDGs) which informed preparation of poverty reduction strategies in Tanzania, will come to an end in 2015. However, the First Five-Year Development Plan

for implementation of Vision 2025 will come to an end in June 2016. This means that, MKUKUTA II will come to an end one year before the end of the First-Five Year Development Plan. The challenge ahead is how to integrate issues of poverty reduction in our national strategies and plans during the post June 2015 period as we approach the end of the Five Year Development Plan. The Government is undertaking a review of MKUKUTA II with a view to identifying the best way to integrate issues of poverty reduction in our plans beyond June 2015. The intention is to have one framework to guide development efforts in our nation.

8. **Madam Speaker**, this budget intends to reduce the cost of living, by continuing with efforts to reduce inflation rate; improve social services; improve roads, energy and irrigation infrastructure; increase wages and salaries of public servants, reducing the tax burden for workers, creation of employment opportunities and enhance good governance. The budget has also considered the ongoing preparations of the New Constitution; 2014 Local Government Elections; and preparations for the 2015 General Elections.

9. **Madam Speaker**, likewise, the budget intends to reduce tax exemptions. The Government has tabled in this House, a new Value Added Tax Bill for deliberation and approval. The objective of this bill is to minimise issuance of VAT exemptions and remain with exemptions that are economically productive and spur socio-economic development and ensure fairness. The Government has also submitted a Bill on tax administration for approval. In the 2014 Finance Bill, I have proposed various amendments in the tax laws with the view to minimize tax exemptions, as

it will be explained later. I humbly request the Honourable Members of Parliament to consider and approve this Bill together with the Tax Administration Bill in order to enhance efficiency in tax administration and bring about relief to tax payers with a view to enhancing government revenues.

10. **Madam Speaker**, along with efforts to reduce tax exemptions and enhance fairness in the tax system, from 2014/15, the Government intends to undertake two important measures. First, the Government will publish quarterly tax exemption reports at the Ministry of Finance Website. The reports will include, among other things, the names of individuals, Institutions, Organizations and companies benefiting from exemptions; the value of exemptions and laws applicable in granting the exemptions. Exemptions that will be published are those granted from the year 2010 onwards. This step will enhance transparency and accountability and create awareness to citizens on the beneficiaries of tax exemptions. Second, the Government will annually submit to the Parliament, a comprehensive report of all tax exemptions granted for the Members of Parliament to deliberate on and provide recommendations.

11. **Madam Speaker**, another critical issue that has been taken into account in this budget relates to strengthening management and control of public funds. The Government is preparing and will table to the Parliament, a Budget Bill before the end of FY 2014/15. The purpose of the Bill is to enhance discipline and promote accountability for all stakeholders who are implementing the Government budget including: Accounting and public Officers, Vote holders, Members of Parliament, Parastatals, Government

Institutions and Agencies, contractors and suppliers of goods and services. During the drafting of the Bill, the Government will solicit views from all stakeholders including, Honourable Members of the Parliament through Parliamentary Standing Committees.

12. **Madam Speaker**, one of the challenges faced during implementation of development projects relates to poor quality whereby some of the projects are implemented below standards. In order to address this challenge and ensure value for money, the Government has procured quality assurance equipment to monitor the quality of development projects. The equipments will be used to inspect projects being implemented by Ministries, Departments, Agencies and Local Government Authorities to determine if they meet the required standards. This will also help to expose contractors who poorly execute infrastructure projects with a view to taking appropriate legal measures.

13. **Madam Speaker**, in order to control public expenditure and ensure value for money, the Government will from now onwards use bulk procurement system whereby goods and services will be procured directly from manufacturers and suppliers instead of the current practice of procuring through agents. To begin with, all vehicles and ICT Equipment will be procured through bulk procurement. Given the large volume of fuel used in vehicles and machineries, the Government will install an electronic system that will be used in purchasing, storing and selling of fuel in order to ensure value for money in these transactions. Likewise, all diaries, calendars will be printed by the Prime Minister's Office only. This is for Ministries, Departments, Agencies, Regions and Local Government

Authorities as compared to the current practice whereby each Government Institution prints its own diaries and calendars. Further, in order to cut down the use of electricity in Government offices, the Government intends to use energy saving technology sensors.

14. **Madam Speaker**, Another measure for managing the use of public funds is through integrating expenditures of all Ministries, Government Departments, Regional Secretariats and Local Government Authorities, into one system managed by the Paymaster General. From now on, all public institutions that collect revenue will have their budgets reviewed and approved by the Paymaster General and all excess funds will be deposited into the Government Consolidated Fund. A similar system is currently used by a number of countries including some of our neighbours. In Tanzania, this system is applied by the Tanzania Revenue Authority. The Finance Bill for 2014 contains proposals for amending the relevant laws in order to enable implementation of this system and I humbly request Honourable Members of Parliament to support the Government on this and approve this Bill.

15. **Madam Speaker**, after this introduction, allow me to present an overview of the implementation of the 2013/14 Budget and estimates of Revenue and Expenditure for 2014/2015.

## **REVIEW OF FISCAL POLICY IMPLEMENTATION FOR 2013/14**

16. **Madam Speaker**, the Government plan and budget for the 2013/14 fiscal year were prepared in accordance with the new budget cycle and macroeconomic policies. The



plan was to collect total revenue of shillings 18,249 billion from domestic and external sources whereby shillings 12,604 billion was planned to be spent for recurrent expenditure and shillings 5,645 billion for development expenditure.

## **Revenue Policies**

17. **Madam Speaker**, Revenue policies in 2013/14 were aimed at broadening the tax base and enhancing revenue collection to finance the Government Budget. Such policies included: reviewing tax laws which have provisions for tax exemptions with a view to reduce tax exemptions; establishing a one stop center at the port of Dar es Salaam for provision of customs services and establishment of One Stop Border Posts; as well as reviewing land and property tax collection system.

## **Domestic Revenue Performance**

18. **Madam Speaker**, Revenue policies were aimed at collecting tax and non-tax revenue amounting to shillings 11,154 billion. Actual tax revenue collection up to April 2014 was shillings 7,771.5 billion which is equivalent to 75 percent of annual projections of shillings 10,395.4 billion. Failure to achieve the projected target was due to dismal performance of revenue sources which were expected to generate more revenue. As a result of this trend of revenue performance, it is anticipated that up to 30 June, 2014 tax revenue collection is expected to reach 93 percent.

19. **Madam Speaker**, until April, 2014 non-tax revenue collection reached shillings 425.5 billion which is 57 percent of the annual target of collecting shillings 741.1

billion. It is estimated that, non-tax revenue will reach 65 percent of the annual target by June, 2014.

20. **Madam Speaker**, on Local Government Authorities collection of own source revenues reached shillings 252.5 billion which is equivalent to 66 percent of the annual estimates of shillings 383.5 billion. This is on account of delays in collecting business licences fees and in carrying out mass property evaluation exercise to determine appropriate property taxes to be levied.

### **External Grants and Concessional Loans**

21. **Madam Speaker**, in year 2013/14 the Government expected to receive Shillings 3,855.2 billion from Development Partners. By April 2014, the Government received grants and loans through General Budget Support (GBS) amounting to shillings 734 billion which is 63 percent of the annual estimate. As for Basket Funds, shillings 368.6 billion were received which is equivalent to 74 percent of annual estimates. In addition, project loans and grants amounting to shillings 1,200 billion was received which is equivalent to 55 percent of annual estimates.

### **Domestic Commercial Loans**

22. **Madam Speaker**, in 2013/14, the Government planned to borrow shillings 1,699.9 billion from the domestic market through issuance of short term Treasury Bills and Bonds in order to finance its budget. Out of this amount, shillings 552.3 billion was for financing development projects and shillings 1,147.6 billion was for discharge of Treasury Bills and Bonds (rollover). During the

period from July 2013 to April 2014, the Government borrowed a total of shillings 1,803.9 billion. Out of this, shillings 1,113.3 billion was for Rollover and shillings 690.6 billion was used to finance development projects.

### **External Non Concessional Loans**

23. **Madam Speaker**, in 2013/14, the Government planned to borrow shillings 1,156.4 billion equivalent to US Dollars 700 million from external financial markets to finance development projects. To date, the Government has obtained shillings 176.9 billion from Credit Suisse Bank for financing roads, water and railway projects and US Dollars 83 million has been obtained from Citi Bank to finance power generation projects under TANESCO. In addition, the Government plans to get US Dollars 148 million from HSBC Bank under the Export Credit Arrangement for financing the expansion of the Julius Nyerere International Airport. Further, negotiations are in final stage with Sumitomo Mitsui Banking Corporation (SMBC) and Japan Bank for International Cooperation (JBIC) in order to secure US Dollars 292 million to finance the construction of 240 Megawatts Kinyerezi II gas fired power generation plant.

### **Expenditure Policy**

24. **Madam Speaker**, during the financial year 2013/14, the Government planned to implement the following expenditure policies: to align expected revenues with expenditures; Controlling the budget deficit (including grants) not to exceed 5 percent of GDP; Expenditure Votes to comply with the budget approved by the Parliament; Allocating adequate funds for the priority projects as

stipulated in the Development Plan; and to comply with Public Finance Act and the Public Procurement Act.

### ***Expenditure performance***

25. ***Madam Speaker***, up to April 2014, the Government has issued exchequer worth shillings 13,034.7 billion equivalent to 71 percent of the annual estimates. The Government continued to pay salaries to public employees, up to April 2014 shillings 3,760 billion was paid which is equivalent to 79 percent of the annual budget for salaries of shillings 4,763 billion. A total of shillings 1,098 billion was paid to employees in the Central Government; shillings 92 billion was issued for employees in Regional Secretariat and shillings 2,097 billion for 161 cities, municipalities, towns and District Councils. In addition, the Government paid shillings 473 billion as salaries to public institutions and parastatals.

26. ***Madam Speaker***, the Government planned to spend shillings 3,319.2 to service the Public Debt and other debts. Up to April 2014, interest payments on domestic and foreign loans amounted to shillings 782.7 billion, equivalent to 79 percent of the annual estimates of shillings 998 billion. Amortization of foreign loans amounted to shillings 139 billion equivalent to 36 percent of the annual estimates. Payment of other Debts (CFS Others) amounted to shillings 750 billion equivalent to 96 percent of the annual estimates of shillings 783 billion. In addition, shillings 1,243 billion was used to pay for matured Term Treasury Bills and Treasury Bonds (rollover) equivalent to 97 percent of the annual estimates of shillings 1,148. Expenditure on other charges in Ministries, Independent Departments, Government, Agencies, Institutions, Regions

and Local Governments Authorities amounted to shillings 3,374.7 billion equivalent to 69 percent of annual estimates of shillings 4,912 billion.

27. **Madam Speaker**, up to April 2014, a total of shillings 3,115 billion was approved and disbursed for development projects compared to annual estimate of shilling 5,645. This amount is equivalents to 55 percent of the estimates. Out of this approved and disbursed amount, local funds were shillings 1,543 billion compared to estimates of shillings 2,953 billion, equivalent to 52 percent. Further, foreign funds were shillings 1,569 compared to estimates of shilling 2,692 billion equivalent to 58 percent of annual estimates.

### **Public Expenditure Management**

28. **Madam Speaker**, the Government has continued to implement the Five Year Strategic Plan which aims at ensuring that the Consolidated Financial Statements of the Government are prepared in accordance with the International Public Sector Accounting Standards (IPSAS) Accrual Basis. This measure also aims at integrating the accounts of the Central Government, Local Government, Social Security Funds, Public Institutions and Public Enterprises.

29. **Madam Speaker**, in implementing this intention of the Government, the Government Consolidated Financial Statements for the year ended 30<sup>th</sup> June, 2013 were for the first time prepared in accordance with IPSAS Accrual Basis and submitted to the Controller and Auditor General in accordance with the law. The purpose of this approach is to improve Government transparency and accountability in

the utilization and management of public resources. Moreover, the Government has continued to strengthen controls in public expenditure by expanding the utilization of the Tanzania Inter-Bank Settlement System (TISS) in 20 Regions in Tanzania Mainland by May 2014. This exercise will be extended to cover the remaining Regions and is expected that by end of June, 2014 all remaining Regions will have been connected to this system.

30. **Madam Speaker**, in enhancing discipline and accountability in the management of public funds, in July 2013 the Government started to conduct internal audits in accordance with the International Standards Governing Internal Audit. The Government has also prepared Guidelines for Audit Committees in the Public Sector with a view to improve their performance and hence enhancing transparency and accountability in managing Government revenues and expenditures. Moreover, the Government has continued to verify contractors', suppliers' and employees' claims before effecting payment saving in the process shillings 58 billion has been saved from this exercise.

### **IMPLEMENTATION OF THE NATIONAL STRATEGY FOR GROWTH AND REDUCTION OF POVERTY (NSGRP)**

31. **Madam Speaker**, The National Strategy for Growth and Reduction of Poverty (NSGRP) identifies strategies in its three cluster outcomes, namely: growth and reduction of income poverty; improving quality of life and social wellbeing; and good governance and accountability. The year 2013/14 was the third year of NSGRP-II implementation. Indicators used to measure outcomes of implementation of NSGRP II in the three clusters mentioned

above indicate both achievements and challenges. I will highlight achievements on some of the indicators.

32. **Madam Speaker**, in the growth and reduction of income poverty cluster, the economy continued to grow at a satisfactory rate. The growth rate of the economy enabled the per capita income of Tanzanians to increase to shillings 1,186,200 in 2013 from shillings 1,025,038/= in 2012. Further, according to the Household Budget Survey of 2012, Income poverty continued to decline whereby income poverty declined by an average of 6.2 percent in the period between 2007 and 2012 from 34.4 percent in 2007 to 28.2 percent in 2012. Similarly, food poverty declined by an average of 2.1 percent in the same period from 11.8 percent to 9.7 percent.

33. **Madam Speaker**, progress in the cluster of improving quality of life and social wellbeing is satisfactory. The ratio of teacher to students in primary education improved from 1:47 in 2012 to 1:43 in 2013 as compared to the target of 1:40. In secondary education, the teacher to students' ratio reached NSGRP II target of 1:28 in 2013. Efforts to improve health services, nutrition, as well as availability of clean and safe water have continued to improve quality of life and social wellbeing. According to Population and Settlement Census of 2012, infant mortality rate continued to decline from 51 deaths per 1,000 live births in the year 2000 to 45 deaths per 1000 live births in 2012. Further, the life expectancy for Tanzanians improved from 51 years in 2002 to 61 years in 2012.

34. **Madam Speaker**, the Government continued to implement various reforms to improve good governance and accountability. Through those reform programs, the

government undertook various measures to improve public finance and assets management systems, legal and rights delivery system, democracy, and delivery of public services to the society. The measures resulted into improved public service delivery, strengthened democracy, and increased speed in handling cases at the primary and district courts levels.

### **Review of the Millennium Development Goals (MDGs)**

35. *Madam Speaker*, with regard to Millennium Development Goals, all member states of the United Nations including Tanzania committed to the achievement of the Millennium Development Goals. The review of implementation of the MDGs indicates that Tanzania performed well and that the following targets are achievable: Universal Primary Education; Gender Equality; Reduction of Infant Mortality rate; and Combating HIV/AIDS. The Government in collaboration with stakeholders will continue with its efforts to ensure that all the remaining targets are achieved.

### **Financial Sector**

36. *Madam Speaker*, the Government continues to implement the Financial Sector Reforms Program with the objective of making financial sector contribute significantly to economic growth. In December 2013, the Government launched the National Financial Inclusion Framework with the aim of ensuring that more people access formal financial services. Furthermore, Government completed preparation of Banking Service Agent guidelines which enabled the Bank of Tanzania to issue licenses to CRDB, Postal Bank, Equity Bank, and DCB. This arrangement of



using service Agents has widened the scope of banking services and enabling more targeted people to get access to these services at an affordable cost.

37. **Madam Speaker**, a survey conducted in 2013 to identify hurdles that hinder access to financial services in the country indicated achievements as follows: 13.9 percent of the population has access to banking services compared to 9.2 percent in 2009. In addition, the survey also showed that 43.5 percent of the population uses non-bank services (Insurance, SACCOS, Microfinance institutions and Mobile payments) compared to 6.7 percent in 2009. 15.8 percent of the population is using informal financial services such as VICOBA, ROSCA (Rotating Saving and Credit Association), VSLA (Village Saving and Lending Association) compared to 28.9 percent in 2009. In general this survey indicates that 57.4 percent of the population has access to formal financial services.

### **Public – Private Partnership (PPP)**

38. **Madam Speaker**, the Government recognizes the important role the private sector plays in economic growth. In order to enhance private sector participations and fast track implementation of PPP projects, the Government has submitted to the Parliament a Bill to amend the PPP Act No. 18 of 2010. Further, the Government intends to establish a PPP Facilitation Fund; the PPP Technical Committee; and establish the PPP Centre.

### **National Debt**

39. **Madam speaker**, the National Debt is managed based on the Government Loans, Grants and Guarantees

Act No. 30 of 1974 as amended in 2004 and the National Debt Strategy. As at the end of March, 2014 the national debt stock which comprise public debt and private external debt stood at shillings 30,563 billion compared to shillings 23,673.5 billion as at the end of March 2013. Out of this amount, public debt stock was shillings 26,832.4 billion and private sector external debt was shillings 3,730.6 billion. Public external debt comprises loans from multilateral organizations, bilateral development partners and commercial banks. By the end of March 2014, public external debt stood at shilling 18,997.6 billion while domestic debt was shillings 7,834.8 billion. The increase of debt stock is due to new contracted loans, disbursements from previous contracted loans and depreciation of the shilling.

### **National Debt Sustainability**

40. **Madam speaker**, in order to ensure the National Debt remains sustainable; the Government has been borrowing and investing in projects with acceptable economic returns that ensures repayment of the loan as it falls due. The Government is required by law to conduct Debt Sustainability Analysis (DSA) on an annual basis to assess the state of the country's debt and ability to service it in the short, medium and longer terms. Based on the legal requirement, in September 2013 the Government conducted Debt Sustainability Analysis using internationally approved criteria. The results of the Debt Sustainability Analysis revealed that the National Debt is sustainable.

41. **Madam Speaker**, according to the DSA study, all indicators are below the international debt sustainability

thresholds as follows: the ratio of present value of external debt to GDP was 24.8 percent compared to the threshold of 50 percent; ratio of present value of external debt to domestic revenue was 121.2 percent compared to threshold of 300 percent; ratio of external debt service to export was 3.34 percent compared to threshold of 25 percent; ratio between debt service using domestic revenue was 4.32 percent compared to threshold of 22 percent; and ratio of public debt (including government guarantees to MDAs) to GDP was 35.58 percent compared to threshold of 74 percent.

42. **Madam Speaker**, it is the intention of the Government to ensure that the national debt remains sustainable by implementing various strategies including borrowing mainly from concessional sources and utilize the borrowed money on development projects. In addition, The Government has set a ceiling on non-concessional borrowing to ensure that it does not affect debt sustainability. Further, the Government insists on its decision of not to issue Government guarantees to the MDAs that receive subsidies from the Government.

### **The Big Results Now (BRN) Initiative**

43. **Madam Speaker**, during the fiscal year 2013/14, the Government introduced the Big Results Now (BRN) initiative as a tool to guide and speed up the implementation, monitoring and evaluation of key strategic projects. The BRN initiative cover six (6) National Key Results Areas (NKRA), namely Agriculture, Education, Water, Energy, Transport and Resource Mobilization. The main objective of the BRN initiative is to enable the Government achieve the National Vision 2025 by

implementing strategic projects in the shortest time frame in order to stimulate economic growth.

44. **Madam Speaker**, under the Resource Mobilization strategy, the Ministry of Finance is tasked to achieve the following top line Key Performance Indicators: to raise shillings 1,160 billion in 2013/14; to reduce budget deficit from 6.8% of GDP to 5.5% of GDP; to cap Government expenditure; and to raise resources for financing projects implemented under BRN by the six (6) BRN Ministries. During the current fiscal year, a total of shillings 1,700 billion was allocated to the NKRA Ministries for implementing projects under the BRN initiatives.

45. **Madam Speaker**, by April, 2014 BRN Ministries received shillings 1,566.7 billion which is equivalent to 92 percent of the budgeted resources for the 2013/14 financial year. Funds were disbursed to the NKRA Ministries as follows: rural Water shillings 226.1 billion; Education shillings 48.4 billion; Energy shillings 577.5 billion; Transport including roads and rail infrastructures shillings 663.6 and Agriculture shillings 51.1 billion.

## **ACHIEVEMENTS AND CHALLENGES IN THE IMPLEMENTATION OF THE BUDGET FOR 2013/14**

46. **Madam Speaker**, during the ten month period of the 2013/14 Budget implementation, the Government has successfully implemented important activities despite the challenges as highlighted in the Plans and Budget estimates of the various Ministries and Local Government Authorities, and which were deliberated upon by the Parliament and endorsed. Further, the budget speech of Minister for State, Presidents Office, Public Relations and Coordination has

elaborated on the achievements and the challenges in the implementation of Development Projects. In view of that, I will briefly explain some of the achievements and challenges as follows:-

47. **Madam Speaker**, in the year 2013, Gross Domestic Product (GDP) grew by 7.0 per cent as per target. In 2012 the growth was 6.9 percent and was at 6.4 per cent in the year 2011. This achievement is attributed to the Government efforts in strengthening macroeconomic stability and good governance which are important pillars in attracting investments in the Country. According to the International Monetary Fund (IMF) report for the Month of April, 2014, Tanzania ranks 8th in economic growth in Sub Saharan Africa, and ranks first in the East African countries.

### ***Employment***

48. **Madam Speaker**, until April 2014, a total of 630,616 new jobs were created in the public and private sector. Out of the created new jobs, education sector created 36,073; health produced 11,221; Agriculture created 130,974; infrastructure construction created 32,132; energy and mining created 453, and communication created 13,619 new jobs. Moreover, the Government through Employment Secretariat in the public services employed 3,055 people. These numbers do not include jobs created in the health and education sectors. New jobs created in the private sector totalled 211,970.

## ***Inflation***

49. ***Madam Speaker***, the annual inflation rate has continued to decline from 9.4 per cent in April, 2013 to 6.3 per cent in April, 2014. The targeted inflation rate to end June 2014 is 6.0 percent which is likely to be achieved. The decline in inflation was mainly due to strong macro-economic policy, good climate conditions, which led to increase in food production, provision of farm inputs, subsidies, and availability of electricity.

## ***Foreign reserve***

50. ***Madam Speaker***, the foreign financial reserves continue to be satisfactory during the period ending April 2014. In the same period, foreign reserves amounted to US Dollar 4,647.5 million compared to US Dollar 4,380.3 million in April 2013. The April 2014 reserve is enough for the importation of goods and services covering 4.6 months as compared to the target of 4.0 months of imports by end June, 2013.

51. ***Madam Speaker***, other achievements include meeting the costs for the Constitution Reform Commission and the Constitutional Review Assembly, timely payment of salaries of Government employees, construction and laying out of the gas pipeline from Mtwara to Dar es Salaam which is being implemented as planned, continued construction and rehabilitation of different infrastructural networks in the Country, timely disbursements of loans to students of higher education, meeting the costs of purchasing food kept by the National Food Reserve Agency, continuing meeting the costs for the provision of social services, and the purchasing of agriculture implements.

## **CHALLENGES ENCOUNTERED**

52. **Madam Speaker**, despite these achievements, various challenges arose in the course of implementation of 2013/14 budget. Challenges include delay in accessing commercial loans; mismatch between government requirements and revenue collection; underperformance in non tax revenue collection; increased cost of producing emergency power; accumulation of arrears from contractors, service providers, and employees; and low pace in the use of Electronic Fiscal Devices in business and tax payments.

53. **Madam Speaker**, in addressing the aforesaid challenges, the Government will continue to provide education to tax payers on the importance of tax payment to the economy through use of electronic payment systems and supervise voluntary tax compliance by using improved Electronic Fiscal Devices, and improve the collection of non-tax revenues by enforcing use of electronic payment system (ICT).

54. **Madam Speaker**, in order to enhance efficiency in managing the Budget, the Government is planning to enact the Budget Act. Regarding accumulation of arrears emanating from contractors and service providers, the Government is finalizing the strategy for clearing those arrears. Treasury will pay verified arrears centrally. Furthermore, all Accounting Officers are urged to use the Integrated Financial Management System (IFMS) generated local purchasing orders (LPOs) to avoid engaging new contracts and awarding tenders which cannot be funded.

55. **Madam Speaker**, with regard to grants and loans, the Government will continue to negotiate with development partners and other lending institutions including banks to ensure that the committed funds are readily available as programmed. The Government will also ensure adherence to terms and conditions related to grants and loans as per respective agreements.

### **III. THE BUDGET FOR 2014/15**

56. **Madam Speaker**, the 2014/15 budget will have taken into account priorities set in the: CCM Election Manifesto 2010; Annual Development Plan for 2014/15 and the Big Results Now initiative; National Strategy for Growth and Poverty Reduction phase II (NSGPR II), the Millennium Development Goals (MDGs) 2015; and the Public Sector Reform Programmes. The goal being to realize the objectives of the Tanzania Development Vision 2025.

### **BASIS AND OBJECTIVES OF THE 2014/15 BUDGET**

57. **Madam Speaker**, macroeconomic objectives and targets for the FY 2014/15 are as follow:

- (i) Real GDP is projected to grow by 7.2 percent in 2014 and continue growing at an annual average of 7.7 percent in the medium term;
- (ii) Maintaining a single digit annual inflation rate whereby annual inflation rate for the period ending June 2014 is projected at 6.0 percent and 5.0 percent in June 2015;
- (iii) Increase domestic revenue to 18.9 percent of GDP in 2014/15;
- (iv) Maintain budget deficit after grants not exceeding 4.9 percent of GDP in 2014/15;



- (v) Contain the growth of extended broad money supply (M3) at 15.5 percent in June 2015, consistent with real GDP growth and inflation targets;
- (vi) Accumulate gross official reserves adequate to cover at least 4.0 months of imports of goods and services by June 2015; and
- (vii) Strengthen the shilling and maintain a stable and market determined exchange rate.

58. **Madam Speaker**, to achieve the above objectives and targets, the basis for the Government budget for 2014/15 are as follows:

- (i) Continue improving and sustaining peace, security, stability and tranquility in the country, regional - wise and globally;
- (ii) Social-economic activities, external trade and financial services will be strengthened and improved;
- (iii) Domestic revenue will increase by strengthening existing revenue sources, identifying new potential sources of revenue and reduce tax exemptions;
- (iv) Strengthening financial management system and maintain discipline in the use of public funds;
- (v) The Integrated Financial Management System (IFMS) will be strengthened and ensure that funds commitments are made before acquisition of goods and services, in line with the objectives spelt out in Five Year Development Plan, MKUKUTA II and Big Results Now initiatives;

- (vi) Sustained supportive monetary and fiscal policies to dampen inflationary pressures and interest rate spread;
- (vii) Continue strengthening Regional Integration in East African Community and SADC and exploit existing opportunities; and
- (viii) Business and investment environment will continue to be improved, including addressing barriers to the implementation of the PPP law to attract private sector participation in the economy.

## **Revenue Policies**

59. **Madam Speaker**, In 2014/15, the Government will continue with efforts to strengthen the collection of domestic revenue by taking various policy and administrative measures including broadening the tax base, introducing new sources of revenue, strengthening tax administration, reducing tax exemptions provided through various tax laws, including reenacting the VAT Act. In 2014/15, the Government will continue to implement recommendations submitted by various stakeholders, including the Standing Parliamentary Budget Committee proposals, and team of experts (Lab) for identifying new sources of revenue in the implementation of the 'Big Results Now'.

60. **Madam Speaker**, policy measures that will be considered in the 2014/15 budget for the purpose of increasing domestic revenue include: -

- (i) Strengthening revenue collection systems as well as continuously reviewing various laws which

grant exemptions for the purpose of controlling and reducing such exemptions;

- (ii) Registration of new taxpayers and improve efficiency in revenue collection;
- (iii) Extend working hours and days of the Tanzania Revenue Authority staff at Dar es Salaam Port and border posts;
- (iv) Enactment and subsequently commencement of new Tax Administration Act;
- (v) Enact and implementation of a new Tax Administration Act;
- (vi) Continue strengthening and ensure effective use of Electronic Fiscal Devices-EFDs as well as providing taxpayers' education on the use of these machines;
- (vii) Following the completion of the study on integration and harmonization of revenue collection systems, the Government will introduce non-tax administration and collection system;
- (viii) Continue with formalization of the informal sector in order to incorporate it in the tax base;
- (ix) Public Institutions, Government Agencies and Authorities which collect non tax revenue to remit all revenues collected through the retention schemes to the Government Consolidated Fund;
- (x) To combat tax evasion, the Ministry of Finance will provide a hotline number and e-mail address to receive complains on the problem from the public; and
- (xi) Ministries, Independent Departments, Regions, Municipalities, City Councils, Agencies and Authorities that collect fees and charges are

directed to introduce electronic payment systems in order to minimize leakage of revenue.

61. **Madam Speaker**, Revenue policies in 2014/15, are aimed at collecting tax and non-tax revenue amounting to Shillings 11,974.2 billion, equivalent to 18.9 percent of GDP. Out of this amount, Shillings 11,114.4 billion is tax revenue and Shillings 859.8 billion is non-tax revenue. The Local Government Authorities own sources revenues are estimated at Shillings 458.5 billion, equivalent to 0.7 percent of GDP.

### **Grants and Concessional Loans**

62. **Madam Speaker**, the government will continue with efforts to mobilize grants and concessional loans from Development Partners to support the implementation of the Government budget. For 2014/15 the Government expects to receive grants and concessional loans amounting to shillings 2,941 billion, out of which Shillings 922 billion are grants and loans for General Budget Support (GBS), Shillings 274.1 billion for basket funds and shillings 1,745 billion for development projects.

63. **Madam Speaker**, for 2014/15, the Government will finalize and start implementation of a new Development Cooperation Framework (DCF) following the expiry of the Joint Assistance Strategy for Tanzania (JAST) in June 2011. This framework builds on achievements of the JAST and lays down a new foundation for Development Effectiveness. In addition, this framework sets the basis for a productive dialogue between the Government and Development Partners.

64. **Madam Speaker**, at this juncture I wish to recognize and thank our Development Partners for their cooperation and continued support to our development efforts. These partners are: Belgium, Canada, China, Denmark, Finland, France, Germany, Spain, India, Ireland, Italy, Japan, South Korea, Norway, Sweden, Netherlands, United Kingdom, United States of America and Switzerland. Others are International Multilateral Development Agencies, including the African Development Bank, BADEA, Global Funds, OPEC Fund, Saudi Fund, European Union, United Nations agencies, World Bank and the International Monetary Fund. Apart from their financial assistance, we have also benefited greatly from their technical assistance and advice on how to implement various programs. We thank them all for their valuable contributions.

### **Domestic and External Non Concessional Borrowing**

65. **Madam Speaker**, considering the high financing requirement for the country's infrastructure projects, the Government will continue to borrow non-concessional loans from domestic and external sources for financing the development budget. In 2014/15, the Government plans to borrow Shillings 2,955.2 billion from the domestic market. Out of this amount, Shillings 689.56 billion equivalent to 1.1 percent of GDP is for financing development projects and Shillings 2,265.67 billion is for financing rollover of maturing treasury bills and treasury bonds.

66. **Madam Speaker**, The Government also intends to borrow Shillings 1,320.0 billion equivalent to USD 800 million from external markets on non-concessional terms to finance strategic development projects. The decision to continue to borrow on reasonable non-concessional terms is

based on the positive results of the 2013 assessment of the sustainability of the national debt and the need to sustain financing of priority infrastructure projects that have the potential to open up economic opportunities and serve as catalysts for robust economic growth.

### **Expenditure Policies**

67. **Madam Speaker**, in 2014/15, the Government has estimated to spend a total of shillings 19,649.5 billion for Recurrent and Development expenditures. Recurrent expenditure is shillings 13,204.4 billion while Development expenditure is shillings 6,445.1 billion.

68. **Madam Speaker**, in 2014/15, the Government will implement the following expenditure policies:

- (i) Releases of funds will be subject to requests received and submissions of quarterly performance expenditure reports by MDAs;
- (ii) Aligning expenditures to expected revenues;
- (iii) Strengthening public expenditure management and control including preparation of the Budget Act;
- (iv) Government Institutions and Agencies must use the e-Government Agency instead of consultants in installing their ICT systems in order to minimize costs;
- (v) Procurement made by Ministries, Independent department, Regional Secretariat, Local Government Authorities must be attached with EFDs receipts;
- (vi) Government payments to be made through single Treasury Account at the Bank of Tanzania;

- (vii) Budget deficit (including grants) not exceeding 4.9 percent of Gross Domestic Product (GDP);
- (viii) Votes to abide by planned expenditures and the ceilings approved by the Parliament;
- (ix) Allocating adequate funds for the implementation of priorities identified in the Development Plan;
- (x) Government institutions, agencies and authorities to submit their respective budgets to the Paymaster General (PMG) for scrutiny and approval;
- (xi) Verification and payments of contractors, suppliers and employees' arrears/claims will be made by the Ministry of Finance based on the respective vote's budget;
- (xii) Implement direct bulk procurement from manufacturers/producers instead of agents; and
- (xiii) Enforcing compliance to the Public Finance Act of the 2004 and the Public Procurement Act of 2011.

## **Sectoral Budget Allocation**

69. **Madam Speaker,** in 2014/15 the sectoral allocation of the budget is as follows:-

(i) **Energy and Minerals:**

A total of shillings of 1,090.6 billion has been set aside. Shillings 290.2 billion is for Rural Electrification Agency (REA) for distribution of electricity in rural areas; shillings 151 billion for the completion of gas pipeline from Mtwara to Dar es Salaam; and shillings 90 billion is for the construction of Kinyerezi I gas fired electricity generation plant. This

measure is aimed at ensuring the availability of reliable electricity and reduction of power tariff and thus encouraging investment and employment creation.

**(ii) Transportation Infrastructure:**

A total of shillings 2,109.0 billion has been set aside of which shillings 179.0 billion is for procurement of wagons and rehabilitation of central railway line and shillings 1,414.8 billion for construction and rehabilitation of roads and bridges. This move is aimed at reducing congestion in urban areas, costs of transport and transportation of goods and services and therefore curbing inflation;

**(iii) Agriculture:**

A total of shillings 1,084.7 billion has been set aside for strengthening irrigation infrastructure in various areas including those under SAGCOT; construction of warehouses and markets; and availability of loans for promotion of food and cash crops production. The Government will continue to invest in extension services by strengthening agricultural research institutes and ensuring that there is adequate number of extension officers and provision of better seeds and seedlings. This measure will enhance production of crops, food security and ensure availability of reliable markets.



(iv) **Education:**

A total of shillings 3,465.1 billion has been set aside, whereby shillings 307.3 billion is for financing higher education loans. Moreover, the Government will continue to improve the quality of education including educational infrastructure. This measure will assist in availing learning and teaching equipment and tools, improve and construct classrooms and laboratories. In order to ensure that our youths are able to access employment opportunities, efforts will also be directed towards strengthening vocational training centers under VETA.

(v) **Water:**

A total of shillings 665.1 billion has been set aside to improve urban and rural water infrastructure which include continuing with the construction of 10 water wells in every Local Authority and completion of water pipeline from Lower Ruvu, Bagamoyo to Dar es Salaam. This measure will remove the hassle faced by people walking long distance in search of water and therefore spare time for other productive activities and also removing the possibility of people contracting water borne diseases resulting from consuming unsafe water.

(vi) **Health:**

A total of shillings 1,588.2 billion has been set aside for procurement of medicines, prevention of epidemic diseases,

immunization for children, construction of Hospitals and dispensaries and HIV and malaria control.

(vii) **Good Governance:**

A total of shillings 579.4 billion has been set aside to strengthen good governance which includes funding the Constituent Assembly, national identification, 2014 Local government elections; updating voters register; preparations for 2015 General elections, the fight against corruption and dispensing justice all the time.

## **SPECIFIC ISSUES FOR REGIONAL AND LOCAL GOVERNMENT ADMINISTRATION**

70. **Madam Speaker**, during the fiscal year 2014/15 a total of shilling 4,499 billion has been allocated for Regional Administrations and Local Government Authorities as compared to a total of shilling 3,813 billion allocated for fiscal year 2013/14, an increase of shilling 685.87 billion, equivalent to an increase of 18 percent. Similarly, non-tax revenue collection is estimated at shilling 458.5 billion for fiscal year 2014/15 compared to shilling 372.6 billion for fiscal year 2013/14, equivalent to an increase of 23 percent.

71. **Madam Speaker**, in the fiscal year 2014/15, a total of shilling 46.5 billion is allocated for construction of offices for the newly established Local Government Authorities (LGAs). Each LGAs has been allocated shilling 1.5 billion. Also shilling 9.5 billion is for the construction of new district administrative headquarters. The Government will continue to facilitate the LGAs to get the necessary

equipments to facilitate them to execute their responsibilities. Furthermore, in 2014/15 the government will continue to give priority to disadvantaged LGAs in allocation of resources and has set aside Shillings 53.99 billion, for construction of houses, offices, hospitals, bridges, roads and other important projects, including in the sectors of water, education and health.

72. **Madam Speaker**, in 2014/15, the Government has set aside Shillings 8.7 billion for construction and rehabilitation of 9 hospitals. The beneficiary regions are Katavi, Simiyu, Njombe, Geita, Arusha, Coast, Kilimanjaro, Singida, and Tabora regions. The completion of these projects will ensure the provision of quality social services to the people.

### **Expenditures for Special Groups:**

73. **Madam Speaker**, the Government is aware of the challenges facing teachers' especially primary school teachers. In order to address these challenges, the Government is determined to implement the following measures:

**(i) Construction of Houses for Teachers:**

The Government will continue with its program to construct houses for school teachers in phases. In 2013/14, forty (40) councils were allocated with shillings 500 million each in order to begin the construction of houses for teachers and the same amount will be allocated in 2014/15. Moreover, shillings 500 million will be allocated to additional 80 more councils, making a total of 120 councils benefiting from this

program. The target is to cover all councils by 2015/16. Government leaders at the level of Regions, Districts and Ward are urged to manage effectively these funds in order to ensure that they are spent on intended projects; and

**(ii) Payment of Teachers Claims:**

The Government will continue paying the verified teachers claims; in 2013/14 a total of shillings 5.6 billion has been so far spent to pay teachers claims. During FY 2014/15 all verified teachers claims will continue to be paid.

74. **Madam Speaker**, in 2014/15 the Government will continue to improve students' welfare in various schools and colleges in order to ensure that they study under conducive and peaceful environment. In order to implement this, the Government has planned the following:

- (i) Construction of laboratories in schools and colleges and equip them with essential equipments and tools and we will also encourage the use of mobile laboratories to ensure that more students have access to service;
- (ii) Continue allocating funds for loans to students who are in colleges and those expecting to join higher education institutions; and
- (iii) Construction of new libraries, rehabilitating and improve the existing libraries by stocking them with recommended text books and reference books.

75. **Madam Speaker,** Government is aware of various challenges facing defense and security organs, which include shortage of houses and other essential requirements. In addressing this, in the 2014/15, the Government is planning to implement the following:

- (i) Continue to implement the house construction project in various areas in the country, shillings 27.13 billion has been set aside for this purpose;
- (ii) Continue providing tools and equipments to our security organs; and
- (iii) Continue improving salaries for uniformed officers and other entitlements in phases in line with available budget.

76. **Madam Speaker,** the fourth phase Government under His Excellency Dr. Jakaya Mrisho Kikwete has continued to improve benefits of public servants including salaries. As a continuation of these efforts, in 2014/15, the Government has planned the following:

- (i) Raise the minimum wage for public servants; and
- (ii) Review the Pay as you Earn (PAYE) structure by reducing the tax rate to 12 percent, from the rate of 13 percent in 2013/14, while the rate was 18.5 percent in 2005/06.

77. **Madam Speaker,** the Government is aware of the importance of retired employees who have contributed immensely to this Nation. Currently, the retired employees

are divided into two categories that is Government retirees who did not contribute to Social Security Funds and are paid shillings 50,000 per month and retirees whose pensions are pegged on their respective contributions to the Funds.

78. **Madam Speaker**, the Government is aware that the current amounts do not reflect the real situation. In an effort to address this problem, the Government is reviewing these rates in order to improve them depending on Government's budget ability and to ensure that pensions are paid timely. In addition, the Government in collaboration with Social Security Funds will continue to review and rationalize the formula for computing benefits with a view to harmonise benefits paid by all Social Security Funds.

### **Public Procurement**

79. **Madam Speaker**, during the year 2014/2015, the Government through Public Procurement Management Institutions, will continue to administer the implementation of the Public Procurement Act No. 7 of 2011 that came into force in December, 2013 following the finalization of its Regulations. The Act is intended to address challenges experienced during the implementation of the Public Procurement Act of 2004, including the overly long procurement process and the high prices of goods and services procured through the public procurement system as compared to the actual market prices. I call upon Ministries, Government Independent Departments, Agencies and Institutions, Regional Secretariats, LGAs, and all stakeholders in general to effectively comply with this Act.

In so doing, we will be able to eliminate previously experienced shortcomings and complaints.

## **Financial Sector**

80. **Madam Speaker**, in 2014/15, the Government will finalize the formulation of the National Insurance Policy and Strategy in order to provide guidelines on how to indemnify against losses due to various accidents. The Government will also finalize the formulation of the National Microfinance Institutions Policy and will legislate the law for these institutions. Furthermore, the Government will legislate the law on the payment systems in order to enhance the use of electronic payment, especially in making payments by using mobile phone, internet banking, point of sales and automated teller machines.

81. **Madam Speaker**, the Government recognizes the effect of high interest rates charged on loans by commercial banks and financial institutions in Tanzania. A major adverse effect of high interest rates is access to financial services for the majority of the population. The Government has taken several initiatives to address these challenges, including: continuing with implementation of the Property and Business Formalization Programme (MKURABITA); establishment of the Tanzania Mortgage Refinancing Company (TMRC); continue with issuance of National Identification Cards and residential addresses; utilization of the Credit Reference Bureau; and strengthening of Credit Guarantee Schemes under supervision of the Bank of Tanzania. Further, in collaboration with the Bank of Tanzania and other stakeholders the Government will conduct an analysis of the causes to high interest rates

charged by the banks and financial institution with a view to address them.

## **Regional Economic Cooperation**

82. **Madam Speaker**, our country is progressively strengthening her position in the East African Community (EAC) and the Southern African Development Community (SADC). This follows the signing, ratification and implementation of key trade, finance and economic protocols intended to guide the integration processes. The achieved milestones will open up the economy and create opportunities for attracting foreign and domestic investments, hence providing avenues for economic growth and job creation. On the East African Community, I wish to inform this House that the integration process has reached a stage of establishing a Monetary Union. Its Protocol was signed by the Heads of States on 30th November, 2013. In order to consolidate and support the integration process, the Central Banks in the EAC Partner States have agreed to simplify procedures to facilitate cross border payments across the EAC countries. This initiative will facilitate cross border payments and therefore promote investment and trade in the region.

83. **Madam Speaker**, regarding the Protocol for the establishment of the East African Custom Union, I would like to report that the Government is putting in place mechanisms which will enable cargo destined to other Partner States to be examined and cleared at Dar es Salaam port once the electronic communication is provided by the consignee country to TRA to prove that relevant duties have been paid. The Government will start implementing the Single Custom Territory (SCT) by 1st July, 2014. The SCT



will facilitate the clearing of goods, reduce cargo port dwell time and turn around, reduce cost of doing business, generate more revenues and hence support economic growth. Regarding the implementation of the Common Market Protocol, I wish to report that the Government has gazetted amendments to the Foreign Exchange Regulations to eliminate restrictions on the movement of capital among the Partner States. Also I wish to report that negotiations on harmonization of domestic taxes are ongoing and once concluded, this House will be informed accordingly. Regarding SADC, I wish to report that progress has been made on several key integration issues as contained in the SADC Protocol on Trade. On the SADC Protocol on Finance and Investment, I would like to take this special opportunity to thank this House for ratifying this protocol.

### **Relationship between Tanzania and the International Monetary Fund (IMF) under Policy Support Instrument (PSI)**

84. **Madam Speaker**, Tanzania continued to maintain good relations with the IMF under the Policy Support Instrument. Tanzania joined the PSI program following successful maintenance of macroeconomic stability and good governance. PSI phase one started in February 2007 and ended in June 2010. The second phase began in July 2010 and came to a close in June 2013. The PSI program serves as an indicator to investors and development partners on the quality of the country's strategic policies, plans and Government efforts to manage its National Development Vision 2025, economic growth and poverty reduction. Based on the PSI program, the country continued to receive loans and grants for budget support, development projects and sectoral basket funds. In

addition, IMF has continued with financial support to mitigate shocks in the balance of payments by reducing deficit in foreign currency.

85. **Madam Speaker,** following successful implementation of phase one and two of PSI, the Government will start implementation of Phase Three of PSI in July 2014 for a period of three years. Phase Three of PSI will continue to build on the country's capacity to prepare, implement and manage policies to sustain the achievements of the previous two phases. Furthermore, Phase Three is intended to ensure that Tanzania continues to have stable and sustainable growth that will attract more investors and create jobs and growth.

### **Sovereign Credit Rating**

86. **Madam Speaker,** the Government is in the process of recruiting Credit Rating Agencies that will conduct the Credit Rating exercise on Tanzania. Until now, the Government has recruited an international legal advisor to assist in negotiations with potential Credit Rating Agencies. Further, the Government is at an advanced stage in the recruitment of companies that will conduct the Rating on Tanzania. This exercise has taken longer than expected due to protracted negotiations and disagreements on some aspects of the draft contracts between the Government and the Rating Agencies. A positive rating from this exercise will create conducive conditions for both the Government and Private Sector to borrow from the International Financial Market at relatively better terms than is the case now.

## **REFORMS OF THE TAX STRUCTURE, FEES, LEVIES AND OTHER REVENUE MEASURES**

87. **Madam Speaker**, In order to increase revenue and achieve economic growth target in 2014/15; I propose to make amendments of the tax structure, including reforms of fees and levies imposed under various laws as follows: -

- a. The income Tax Act, CAP. 332;
- b. The Excise (Management & Tariff) Act, CAP 147;
- c. The Road and Fuel Tolls Act, CAP. 220;
- d. The Motor Vehicle Registration and Transfer Tax Act, CAP 124
- e. The Export Levy Act, CAP 196;
- f. The Tanzania Investment Act, CAP 38;
- g. The Vocational Education and Training Act, CAP 82
- h. The Business Licensing Act, No. 25 of 1972;
- i. The East African Community Customs Management Act, 2004;
- j. Amendments of the Fees and Levies charged by Ministries, Regions and Independent Departments;
- k. Administration of Taxes on import of petroleum products.
- l. Minor Amendments in various Tax Laws and other Laws; and
- m. Amend the Public Finance Act, CAP 348, the Treasury Registry Act, CAP 418 and Executive Agencies Act, CAP 245 with a view to consolidate public finances under the Consolidated Fund which is managed by the Pay Master General.

**A. The income Tax Act, CAP 332;**

88. *Madam Speaker*, I propose to make amendments to the Income Tax Act, CAP 332 as follows:

- (i) To exempt from taxes all incomes and gains to the holders of the bonds that will be issued by the African Development Bank in Tanzania domestic capital market. This measure is intended to enhance the Bank's ability to offer low cost loans in investment of various development projects such as infrastructure projects etc;
- (ii) Impose 15 percent final withholding tax on Board of Directors' fees;
- (iii) Remove corporate tax exemption to companies for income derived from gaming;
- (iv) Remove exemption of withholding taxes on Rental charges on aircraft lease paid to a non-resident by a person engaged in air transportation business. The measure is intended to scale down level of exemptions and increase Government revenue;
- (v) Remove powers of the Minister for Finance to grant exemptions for projects relating to expansion and rehabilitation undertaken by investors. This exemption is currently granted to investors who own TIC Certificates;
- (vi) Adjust PAYE threshold from 13 percent to 12 percent. This measure is intended to provide relief of tax burden to employees; and

- (vii) To increase the rate of presumptive tax from 2 percent to 4 percent for annual turnover which exceeds Shs. 4,000,000 but not exceeding Shs. 7,500,000 for record keeping businesses; and increase the current flat rate from Shs. 100,000 to 200,000 for non record keeping businesses.

These measures together are expected to increase Government revenue by **shillings 31,504 million.**

#### **B. The Excise (Management & Tariff) Act, CAP 147.**

89. **Madam Speaker,** I propose to make amendments to the Excise (Management & Tariff) Act, CAP 147 as follows:-

- (i) Remove the excise duty rate of 0.15 on money transfers in order to provide a relief to a person who transfers money through banks and telecommunication. Instead, I propose to introduce excise duty of 10 percent to be paid by banks and telecommunication companies and various agencies for the fees and levy they collect on money transfer services;
- (ii) Remove powers of the Minister for Finance to grant exemption on excise duty on petroleum products. However, this measure will not involve exemptions granted through Agreements signed between the Government and development partners to finance development projects such as roads and water supply infrastructures. The measure is intended to rationalize and harmonize Government policies on fuel exemption and limit

the abuse. It is further intended to harmonize with TIC Act, CAP 38 as amended by Finance Act, 2013 which removed exemption on petroleum products;

- (iii) To change the threshold on the age of non-utility motor vehicles that are currently being charged an excise duty of 25 percent from the current 10 years to 8 years. The measure is intended to protect environment and discourage importation of aged (obsolete) vehicles that are prone to accidents, deaths as well as draining foreign currencies from import of spare parts;
- (iv) Continue to impose an excise duty of 5 percent on non- passenger utility motor vehicles but adjust the limit from 10 years to 8 years. Also, I propose to adjust the threshold of the passenger carrying vehicles that are currently being charged 5 percent from the limit of 10 years to 8 years and above. This measure is intended to promote employment, protect environment and discourage importation of aged vehicles that increase demand for foreign exchange and are prone to accidents. However, this measure will not affect tractors that will continue to be imported without any tax;
- (v) Impose excise duty rate of 15 percent on imported furniture under HS Code 94.01. During the financial year 2013/14 the Government introduced an excise duty of 15 percent on furniture under HS Code 94.03. All these measures are intended to promote local production of furniture using locally available timber. It is also aimed at promoting employment,

technology development and increase Government revenue;

- (vi) I propose to adjust by 10 percent the specific rates of excise duty on non-petroleum products; these products include soft drinks, alcohol, spirits etc. Also, excise duty of 25 percent will be charged on cigarettes as part of implementation of Framework Convention on Tobacco Control by World Health Organisation (WHO) of which Tanzania is a signatory;
- (a) Excise duty on soft drinks from shillings 91 per litre to shillings 100 per litre; being an increase of shillings 9 per litre.
  - (b) Excise duty on locally produced fruit juices from shillings 9 per litre to shillings 10 per litre, being an increase of shillings 1 per litre.
  - (c) Excise duty on imported fruit juices from shillings 110 per litre to shillings 121 per litre; being an increase of shillings 11 per litre.
  - (d) Beers made from local un-malted cereals from shillings 341 per litre to shillings 375 per litre, being an increase of shillings 34 per litre.
  - (e) Other beers from shillings 578 per litre to shillings 635 per litre; being an increase of shillings 57 per litre.

- (f) Wine produced with domestic grapes content exceeding 75 percent, from shillings 160 per litre to shillings 176 per litre, being an increase of shillings 16 per litre.
  - (g) Wine produced with more than 25 percent imported grapes from shillings 1,775 per litre to shillings 1,953 per litre; being an increase of shillings 178 per litre.
  - (h) Spirits from shillings 2,631 per litre to shillings 2,894 per litre; being an increase of shillings 263 per litre.
  - (i) Excise duty on bottled water will not be affected by these adjustments;
- (vii) To amend excise duty rates on cigarettes as follows:
- (j) Cigarettes without filter tip and containing domestic tobacco more than 75 percent from shillings 9,031 to shillings 11,289 per thousand cigarettes; being an increase of shillings 2.25 per cigarette.
  - (k) Cigarettes with filter tip and containing tobacco more than 75 percent from shillings 21,351 to shillings 26,689 per thousand cigarettes; being an increase of shillings 5.30 per cigarette.
  - (l) Other cigarettes not mentioned in (j) and (k) from shillings 38,628 to shillings 48,285 per thousand cigarettes; being an increase of



shillings 9,657 per thousand cigarettes or shillings 9.65 per one cigarette.

- (m) Cut rag or cut filler from shillings 19,510 per kilogram to shillings 24,388 per kilogram; being an increase of shillings 4,878 per kilogram; and,
- (n) The excise duty rate on “cigar” remains at 30 per cent.

The excise duty measures together are expected to increase Government revenue by **shs. 124,292.0 million**.

### **C. Road and Fuel Tolls Act, CAP 220**

90. *Madam Speaker*, I propose to amend the Road and Fuel Tolls Act, **CAP 220** to remove powers of the Minister for Finance in granting fuel levy exemption, except for exemptions granted through Agreements signed between the Government and development partners to finance development projects such as roads and water supply infrastructures etc.

### **D. The Motor Vehicle Registration and Transfer Tax Act, CAP 124**

91. *Madam Speaker*, I propose to make amendments to the Motor Vehicle Registration and Transfer Tax Act, CAP 124 with a view to differentiate the registration system of motor cycles from motor vehicles by changing the prefix from T to TZ. The aim of this is to fight crime practices which are associated with the use of motor vehicles prefix in motor cycles. This measure is not expected to contribute any revenue to the Government.

## **E. The Export Levy Act, CAP 196**

92. *Madam Speaker*, I propose to reduce the export levy on raw hides and skins from 90 percent or Shs 900 per kilogram to 60 percent or Shs 600 per kilogram whichever is higher. The measure is intended to curb illegal exportation of raw hides. Investigation indicates that there has been no raw hides that have been exported through recognized border posts, in stead most of it is smuggled out. This measure is also intended to promote domestic processing value addition and employment creation.

This measure is expected to increase Government revenue by **Tshs. 5,778.7 million**.

## **F. The Tanzania Investment Act, CAP 38;**

93. *Madam Speaker*, I propose to make amendments to the Tanzania Investment Act, CAP,38 as follows:-

- i. Remove cement from the list of deemed capital goods which enjoys tax exemptions under the Tanzania Investment Centre. This measure is intended to promote the production of cement in the country and protect local industries from competition with imported cement;
- ii. Remove all tax exemptions on investments granted to telecommunication operators under the Tanzania Investment Center for deemed capital goods such as telecommunication towers and their accessories, generators, tower fences, vehicles, base station accessories, earthing, surge, and lightening protection system etc;

- iii. I propose to introduce a new definition for strategic investor by changing the lower threshold capital that an investor is required to invest in order to qualify as strategic investor. Therefore, I propose to increase the threshold of capital for foreign investors from US Dollars 20 Million to US Dollars 50 millions. The objective of this measure is to direct investment incentives to large capital investments. However, I propose to maintain the threshold of US Dollars 20 Million for Tanzanian Citizens in order to promote local investors.

The government will continue to explore better means of attracting large investors in strategic projects so as to contribute to economic growth, employment and income generation to the people.

These measures will increase Government revenue by **Tshs. 43,703.4 million.**

#### **G. The Vocational Education and Training Act, CAP 82;**

94. **Madam Speaker**, the amendment which was made to the Vocational Education and Training Act, CAP 82 through the Finance Act 2013 retained exemptions only to Government departments, parastatal organizations and Institutions that receive 100 percent subventions from Government.

95. **Madam Speaker**, the amendment has erroneously omitted important institutions that are supposed to benefit from the exemption. For example, the United Nations

Organisations and Diplomatic Missions are not supposed to be taxed according international Agreements. In view of these circumstances, I propose to amend the Vocational Education and Training Act, CAP 82, in order to include the following institutions in the list of beneficiaries of such exemptions:-

- i. The Diplomatic Missions;
- ii. The United Nations and its organizations, international and other foreign Institutions dealing with technical assistance but which do not undertake any business activities;
- iii. Religious Institutions whose employees are solely employed to administer places of worship, to give instructions or administer religious activities only;
- iv. Charitable organizations which do not perform any business activities;
- v. Local Government Authorities; and
- vi. Education and training institutions that offer free services. However, this does not apply for institutions that provide business oriented services.

#### **H. The Business Licensing Act, No.25 of 1972;**

96. *Madam Speaker*, the Ministry of Industries and Trade have submitted proposals to impose various rates of business licensing fees through the Business Licensing Act, No. 25 of 1972. I propose to make amendment to the Business Licensing Act, No. 25 of 1972 to enable the Government impose the proposed business licensing fees.

## **I. The East African Community Customs Management Act, 2004**

97. **Madam Speaker**, The Pre-Budget Consultations of the Ministers responsible for Finance from the EAC partner states which was held in Nairobi, Kenya on 3<sup>rd</sup> May, 2014 agreed to effect changes in the Common External Tariff (CET) and amend the EAC Customs Management Act, 2004 for the Financial Year 2014/15.

**Madam Speaker**, the changes in the Common External Tariff (CET) which were recommended and agreed are as follows:-

- (i) Impose a duty rate of 10 percent instead of 25 percent on buses under HS Code 8702.10.99 for transportation of more than 25 persons for the period of one year. This measure is intended to improve passenger transportation services and reduce accidents;
- (ii) Extend the stay of application of CET rate of 35 percent on wheat grain under HS Code 1001.90.10 and HS Code 1001.99.90 and apply CET rate of 10 percent for the period of one year. The measure is intended to continue providing relief to producers of products which use wheat grain as an input and ensure price stability for such products;
- (iii) Continue to grant duty remission to soap manufacturers using LABSA as raw materials from 10 percent to 0 percent under HS Code 3402.11.00; HS Code 3402.12.00 and HS Code

3402.19.00 for the period of one year. This measure is intended to encourage growth, production and employment in small and medium scale industries producing soaps in the country;

- (iv) To increase duty rate from 10 percent to 25 percent on chemical based (petroleum) aerosol spray under HS Code 3808.91.39. The aim of this measure is to apply a uniform import duty rate of 25 percent on all chemical based and pyrethrum based aerosol sprays. Furthermore, this measure is expected to promote local production of pyrethrum and encourage investment in the pyrethrum based aerosol production;
- (v) To reduce the duty rate on papers under HS Code 48.05.11.00 ; HS Code 4805.12.00; and HS Code 4805.30.00 from 25 percent to 10 percent. The aim of this measure is to provide relief to industries that produce paper products taking into account that such type of papers are not produced in the EAC region. However, a duty rate of 25 percent will be maintained for papers under HS Code 4804.11.00; HS Code 4804.21.00; HS Code 4804.31.11 and HS Code 4804.41.00. These papers are being produced by Southern Paper Mills Ltd in Tanzania hence the need to protect the industry.

98. **Madam Speaker**, the Ministers responsible for Finance also agreed to make amendments to the EAC Customs Management Act, 2004 as follows:-

- (vi) Tanzania to grant import duty exemption on Electronic Fiscal Devices (EFD) for a period of one year. The measure is intended to make them affordable and induce the willingness of taxpayers to acquire the devices;
- (vii) Amend the 5<sup>th</sup> schedule of the EAC-CMA 2004 to remove exemption of import duty granted on splints used in the manufacturing of matches; the objective is to promote the use of locally available raw materials in producing splints;
- (viii) Continue to grant exemption of import duty to Armed Forces Canteen Organisation for the period of one year. During this period, the government of Tanzania has been asked to look into alternatives especially budgetary measure to provide relief on living cost to Army personnel;
- (ix) Amend the 5<sup>th</sup> Schedule of the EAC-CMA 2004 in order to provide import duty exemption on inputs used for manufacturing of gas cylinders. The measure is intended to promote their production in the East African Region; and
- (x) Amend the 5<sup>th</sup> Schedule of the EAC – CMA 2004 in order to provide import duty exemption on machinery spares and inputs used for the development and generation of wind and solar energy. This measure is aimed at providing cost relief to investors in generation and distribution of wind and solar energy and ensures availability of renewable energy.

The Import duty measures together will decrease Government revenue by **Tshs 1,456.1 million**.

**J. Amendment of Various Fees and Levies imposed by Ministries, Regions and Independent Departments.**

99. *Madam Speaker*, I propose to amend rates of fees and various levies charged by Ministries, Regions and Independent Departments in order to rationalize with the current level of economic growth.

**K. Administration of taxes on imported petroleum products;**

100. *Madam Speaker*, the current procedures that are used in the taxation of imported petroleum products require that tax assessment is done and payment is effected within 45 days. Tanzania is the only country in the EAC which is having such procedures. In the other EAC partner states; taxes are paid immediately after assessment;

101. *Madam Speaker*, the delay in collection of assessed taxes, affects the implementation of Government budget and in some cases provides room for tax evasion. In order to ensure that the Government realizes the assessed tax revenue on time, and curb tax evasion, I propose that payment of taxes be effected immediately after assessment.

**L. Minor Amendments in various Tax Laws and other Laws**

102. *Madam Speaker*, I propose to make minor amendments to various tax laws and other laws so as to ensure their smooth and effective implementation.



## **Effective Date for Implementation of New Revenue Measure**

103. **Madam Speaker**, unless stated otherwise, the new revenue measures shall become effective on 1<sup>st</sup> July, 2014.

### **I. BUDGET STRUCTURE FOR 2014/15**

104. **Madam Speaker**, consistent with macroeconomic and fiscal policy objectives, the budget frame for 2014/15 will be as follows: the Government intends to raise shillings 19,853.3 billion from both domestic and foreign sources. Tax and Non-Tax revenue are projected to be shillings 12,178.0 billion equivalent to 19.2 percent of GDP. In addition, revenue from Local Government own sources is projected to be shillings 458.5 billion equivalent to 0.7 percent of GDP.

105. **Madam Speaker**, in 2014/15, it is expected that Development Partners will continue to provide support to the Government Budget through grants and concessional loans amounting to shillings 2,941.6 billion. Out of this amount, shillings 922.2 billion will be provided in form of General Budget Support; shillings 1,745.3 billion through grants and concessional loans for development projects and the amounts for basket funds is shillings 274.1 billion.

106. **Madam Speaker**, in order to finance the fiscal deficit in 2014/15, the Government intends to borrow shillings 4,275.2 billion from both domestic and external sources. Out of this amount, shillings 2,265.7 billion will be for rolling over of maturing Treasury bills and bonds, shillings 689.6 billion from domestic financing, equivalent

to 1.1 percent of GDP and shillings 1,320 billion will be raised from external non concessional borrowing to finance development projects.

107. **Madam Speaker**, during the financial year 2014/15, Government intends to spend shillings 19,853.3 billion for both recurrent and development expenditure. Out of this, recurrent expenditure is shillings 13,408.2 billion including shillings 5,317.6 billion for wages and salaries for Government, Institutions and Agencies employees, shillings 4,354.7 billion is for Consolidated Funds Service (CFS) and shillings 3,735.9 is allocated for other charges (OC).

108. **Madam Speaker**, in 2014/15, the development expenditure is estimated at shillings 6,445.1 billion, which constitutes 33 percent of the total budget. It should be noted that 69 percent of the development budget amounting to Shillings 4,425.7 billion will be financed using domestic sources. Out of this, shilling 689.6 billion is Net Domestic Financing, shillings 1,320 billion is external non-concessional borrowing, and shillings 375.5 billion is Budget Support loan, and shillings 2,040.6 is domestic revenue. On the other hand, shillings 2,019.4 billion equivalent to 31 percent of total development budget will be raised from external sources in form of loans and grants for projects and baskets.

109. **Madam Speaker**, the amount of funds from domestic resources allocated to development projects has been increasing, whereby in 2014/15, domestic resources for development projects is Shillings 4,425.7 billion compared to Shillings 2,952.9 billion in 2013/14 which is equivalent to a 50 percent increase.

110. **Madam Speaker**, the budget for 2014/15 takes into account a number of pressing needs and priorities including financing of the 2014 local Government Elections, preparation for 2015 National Elections, Constitution Assembly, referendum and updating the Voters' register.

111. **Madam Speaker**, consistent with the budget structure I have outlined, the budget for 2014/15 will be as follows:

<b><u>Revenue</u></b>		<b>Shillings Million</b>
<b>A. Domestic Revenue</b>		<b>12,178,034</b>
(i) Tax Revenue (TRA)	11,318,222	
(ii) Non Tax Revenue	859,812	
<b>B. LGAs own Source</b>		<b>458,471</b>
<b>C. General Budget Support</b>		<b>922,168</b>
<b>D. Foreign Loans and Grants</b>		<b>2,019,431</b>
<b>E. Domestic Borrowing</b>		<b>2,955,227</b>
<b>F. Non Concessional Borrowing</b>		<b>1,320,000</b>
<b>TOTAL REVENUE</b>		<b>19,853,331</b>
<b><u>Expenditure</u></b>		
<b>G. Recurrent Expenditure</b>		<b>13,408,218</b>
(i) Consolidated Financial Services	4,354,731	
(ii) Wages and Salaries	5,317,550	
(iii) Other charges	3,735,937	
Ministries	3,087,680	
Regions	84,805	
LGAs	563,452	
<b>H. Development Expenditure</b>		<b>6,445,113</b>
(i) Local	4,425,682	
(ii) Foreign	2,019,431	
<b>TOTAL EXPENDITURE</b>		<b>19,853,331</b>

## CONCLUSION

112. **Madam Speaker**, as I have earlier explained, the 2014/15 budget aims at increasing revenue collection, particularly domestic revenues by introducing new sources, improving the existing ones, as well as reducing tax exemptions. Furthermore, this budget aims at increasing capacity to generate electricity, improve quality of education, ensuring accessibility through construction and rehabilitation of roads and railways networks and airport infrastructure. These infrastructure networks will support the utilization of geographical opportunities arising from our country's geographical location.

113. **Madam Speaker**, as I explained, the Government plans to put more efforts in addressing various challenges facing our citizens including access to clean and safe water, reliable energy, education on the importance and benefits of paying taxes electronically and managing voluntary tax payment through the use of improved Electronic Fiscal Devices system controls and improving non-tax revenues collection through Information Communication Technology (ICT).

114. **Madam Speaker**, in enhancing budget management efficacy, the Government is preparing a Bill for the Budget Law. Regarding contractors and suppliers claims, the Government is finalising procedures for managing and paying verified claims through the Treasury in collaboration with the respective Ministries, Independent departments, Regional Secretariat and LGAs. Furthermore, the Government continues to encourage Ministries and Institutions to use the Integrated Financial Management

System (IFMS) that requires every Accounting Officer not to enter into contracts without having Local Purchase Orders when making payments.

115. **Madam Speaker**, in order to ensure that funds from grants and loans are received as planned and on time, the Government will continue to ensure that negotiations with Development Partners and banks are undertaken early. It is important to note that accessibility to grants and loans in time depends on keenness and speedy in the implementation of the identified projects in accordance with the agreed objectives and targets between the Government and Development Partners.

116. **Madam Speaker**, successful implementation of this budget requires high discipline from all stakeholders including the Government and its institutions, Honourable Members of Parliament and the Public in general. To achieve this, collaborative efforts between the government and all stakeholders are needed, including encouraging participation of the private sector in the economy by investing in the priority areas. My plea is for everyone to play his/her role responsibly, so that the budget is implemented as envisaged.

It can be done, let's play our part.

117. **Madam Speaker**, I beg to move.

**Table 1: Domestic Revenue Collection Trend: 2007/08 - 2014-15**

Tshs Million

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15
	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Likely	Budget
<b>Total domestic revenue (including LGAs own source)</b>	<b>3,634,580.6</b>	<b>4,240,074.3</b>	<b>4,661,540.3</b>	<b>5,736,266.1</b>	<b>7,221,408.6</b>	<b>8,442,610.8</b>	<b>11,537,522.6</b>	<b>10,580,149.9</b>	<b>12,636,504.6</b>
<b>A. Tax Revenue</b>	<b>3,359,249.8</b>	<b>4,043,673.0</b>	<b>4,427,833.7</b>	<b>5,293,277.3</b>	<b>6,480,477.8</b>	<b>7,729,985.9</b>	<b>10,395,439.8</b>	<b>9,682,642.3</b>	<b>11,318,222.0</b>
1. Import duty	289,275.6	359,255.3	367,070.1	448,650.2	497,686.8	584,136.9	852,199.0	796,355.0	941,904.5
2. Excise Duty	660,888.2	762,092.7	837,622.3	1,052,152.2	1,028,883.8	1,258,242.1	1,908,857.0	1,666,831.2	1,953,287.7
3. Value added tax	1,042,489.7	1,231,135.4	1,389,624.3	1,530,641.3	1,974,820.2	2,146,336.7	2,590,291.0	2,442,887.2	2,869,214.9
4. Income tax	983,804.3	1,228,645.8	1,334,019.7	1,660,385.2	2,246,783.7	3,034,359.9	3,656,505.6	3,691,175.8	4,299,715.4
5. Other taxes	382,792.0	462,543.8	499,497.2	601,448.4	732,303.2	706,910.4	1,387,587.3	1,085,393.1	1,254,099.5
<b>B. Non-tax revenue</b>	<b>275,330.8</b>	<b>196,401.3</b>	<b>233,706.6</b>	<b>442,988.8</b>	<b>740,930.9</b>	<b>712,624.9</b>	<b>1,142,082.7</b>	<b>897,507.6</b>	<b>1,318,282.6</b>
1. Parastatal dividends	58,253.5	25,865.9	18,630.7	26,154.6	207,352.0	47,602.4	122,047.1	87,012.0	142,393.3
2. Ministries and regions	172,797.3	155,334.5	177,841.2	231,839.4	311,317.7	414,925.0	614,654.1	499,551.6	717,418.3
3. Other nontax revenue	44,280.0	15,200.9	37,234.7	26,714.9	26,736.7	29,262.6	21,929.7		
3. LGAs own source	0.0	0.0	0.0	158,280.0	195,524.5	220,835.0	383,451.8	310,944.0	458,471.0

Source: Ministry of Finance

Table 2a: Budget Frame for 2007/08-2014/15

Tshs Million

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15
	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Likely	Budget
<b>I. TOTAL RESOURCES</b>	5,269,042	6,839,106	8,965,856	10,202,603	12,171,877	15,404,216	18,248,983	17,096,772	19,853,331
Domestic revenue /1	3,634,581	4,043,673	4,645,213	5,577,986	7,025,884	8,221,776	11,154,072	10,098,696	12,178,034
LGAs Own Sources	0	0	0	158,280	195,525	220,835	383,452	268,416	458,471
Programme loans and grants	990,452	936,422	1,224,096	900,825	967,163	894,955	1,163,131	988,661	922,168
Project loans and grants	844,970	797,376	1,134,708	1,013,078	1,207,445	1,423,579	1,796,874	922,255	1,745,344
Basket support Loans	200,628	151,370	194,071	220,681	172,212	186,336	234,352	199,199	84,975
Basket support Grants	197,953	263,866	258,067	334,609	301,152	280,936	266,070	266,070	189,112
MDRI (IMF)	114,200	67,997	22,403	0	0	0	0	0	0
MCA (T) USA	0	11,733	19,930	196,114	221,601	220,350	394,773	335,557	0
Non-Bank Borrowing/ roll over	-19,795	1,108	714,315	720,249	1,326,852	1,734,535	1,147,576	1,973,677	2,265,665
Bank Borrowing	-316,755	212,567	559,769	1,244,330	334,864	1,069,321	552,284	552,284	689,562
Adjustment to Cash	-377,192	307,994	164,625	-317,498	-382,101	88,588	0	335,557	0
Privatisation Funds	0	45,000	9,659	0	0	0	0	0	0
Non-Concessional borrowing				153,948	801,282	1,063,006	1,156,400	1,156,400	1,320,000
EPA Resource			19,000	0					
<b>II. TOTAL EXPENDITURE</b>	5,269,042	6,839,106	8,956,395	10,202,602	12,171,877	15,404,216	18,248,983	17,096,772	19,853,331
<b>RECURRENT EXPENDITURE</b>	3,458,070	4,708,737	6,345,089	7,453,565	8,397,155	10,904,521	12,574,949	12,085,214	13,408,218
CFS	583,799	682,183	1,464,318	1,625,883	2,518,207	3,383,124	3,319,156	4,251,539	4,354,731
Debt service	324,880	269,947	1,031,536	1,116,572	1,843,666	2,627,946	2,535,700	3,223,083	3,653,790
CFS Others	258,919	412,237	432,782	509,311	674,541	755,178	783,456	1,028,456	700,941
Recurrent Exp. (excl. CFS)	2,874,271	4,026,554	4,880,770	5,827,682	5,878,949	7,521,397	9,255,792	7,833,675	9,053,487
o/w Wages and Salaries	1,134,709	1,608,591	1,723,414	2,346,378	2,722,084	3,349,959	4,246,239	4,336,239	5,317,550
Parastatal PE	216,762	303,290	349,188	457,665	455,006	518,755	516,957	546,957	627,204
LGAs Own Sources	0	0	0	158,280	195,525	362,206	383,452	268,416	458,471
Other Charges	1,522,800	2,141,950	3,600,274	3,628,554	2,506,333	3,290,477	4,109,144	2,682,063	2,650,263
<b>DEVELOPMENT EXPENDITURE</b>	1,810,972	2,130,368	2,611,306	2,749,037	3,774,722	4,499,695	5,674,034	5,011,559	6,445,113
Local	567,421	906,023	1,004,530	984,555	1,872,312	2,314,718	2,981,965	2,952,920	4,425,682
Foreign	1,243,551	1,224,345	1,606,776	1,764,482	1,902,410	2,184,977	2,692,069	2,058,638	2,019,431
GDPmp	22,865,041	26,497,163	30,253,063	34,913,220	41,125,481	48,385,096	55,228,402	55,559,000	63,262,582

Source: Ministry of Finance

**Table 2b: Budget Frame 2007/08 - 2014/15 as Percentage of GDP**

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15
	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Likely	Budget
<b>I. TOTAL RESOURCES</b>	23.0	25.8	29.6	29.2	29.6	31.8	33.0	30.8%	31.4%
Domestic revenue /1	15.9	15.3	15.4	16.0	17.1	17.0	20.2	18.2%	19.2%
LGAs Own Sources	0.0	0.0	0.0	0.5	0.5	0.5	0.7	0.5%	0.7%
Programme loans and grants	4.3	3.5	4.0	2.6	2.4	1.8	2.1	1.8%	1.5%
Project loans and grants	3.7	3.0	3.8	2.9	2.9	2.9	3.3	1.7%	2.8%
Basket support Loans	0.9	0.6	0.6	0.6	0.4	0.4	0.4	0.4%	0.1%
Basket support Grants	0.9	1.0	0.9	1.0	0.7	0.6	0.5	0.5%	0.3%
MDRI (IMF)	0.5	0.3	0.1	0.0	0.0	0.0	0.0	0.0%	0.0%
MCA (T) USA	0.0	0.0	0.1	0.6	0.5	0.5	0.7	0.6%	0.0%
Non-Bank Borrowing/ roll over	-0.1	0.0	2.4	2.1	3.2	3.6	2.1	3.6%	3.6%
Bank Borrowing	-1.4	0.8	1.9	3.6	0.8	2.2	1.0	1.0%	1.1%
Adjustment to Cash	-1.6	1.2	0.5	-0.9	-0.9	0.2	0.0	0.6%	0.0%
Privatisation Funds	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0%	0.0%
Non-Concessional borrowing	0.0	0.0	0.0	0.4	1.9	2.2	2.1	2.1%	2.1%
EPA Resource	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0%	0.0%
<b>II. TOTAL EXPENDITURE</b>	23.0	25.8	29.6	29.2	29.6	31.8	33.0	30.8%	31.4%
<b>RECURRENT EXPENDITURE</b>	15.1	17.8	21.0	21.3	20.4	22.5	22.8	21.8%	21.2%
CFS	2.6	2.6	4.8	4.7	6.1	7.0	6.0	7.7%	6.9%
Debt service	1.4	1.0	3.4	3.2	4.5	5.4	4.6	5.8%	5.8%
CFS Others	1.1	1.6	1.4	1.5	1.6	1.6	1.4	1.9%	1.1%
Recurrent Exp. (excl. CFS)	12.6	15.2	16.1	16.7	14.3	15.5	16.8	14.1%	14.3%
o/w Salaries and wages	5.0	6.1	5.7%	6.7	6.6	6.9	7.7	7.8%	8.4%
Parastatal PE	0.9	1.1	1.2	1.3	1.1	1.1	0.9	1.0%	1.0%
LGAs Own Sources	0.0	0.0	0.0	0.5	0.5	0.7	0.7	0.5%	0.7%
Other Charges	6.7	8.1	11.9	10.4	6.1	6.8	7.4	4.8%	4.2%
<b>DEVELOPMENT EXPENDITURE</b>	7.9	8.0	8.6	7.9	9.2	9.3	10.3	9.0%	10.2%
Local	2.5	3.4	3.3	2.8	4.6	4.8	5.4	5.3%	7.0%
Foreign	5.4	4.6	5.3	5.1	4.6	4.5	4.9	3.7%	3.2%

Source: Ministry of Finance



**Table 3: External Loans and Grants 2011/12-2014/15**

**Tshs Million**

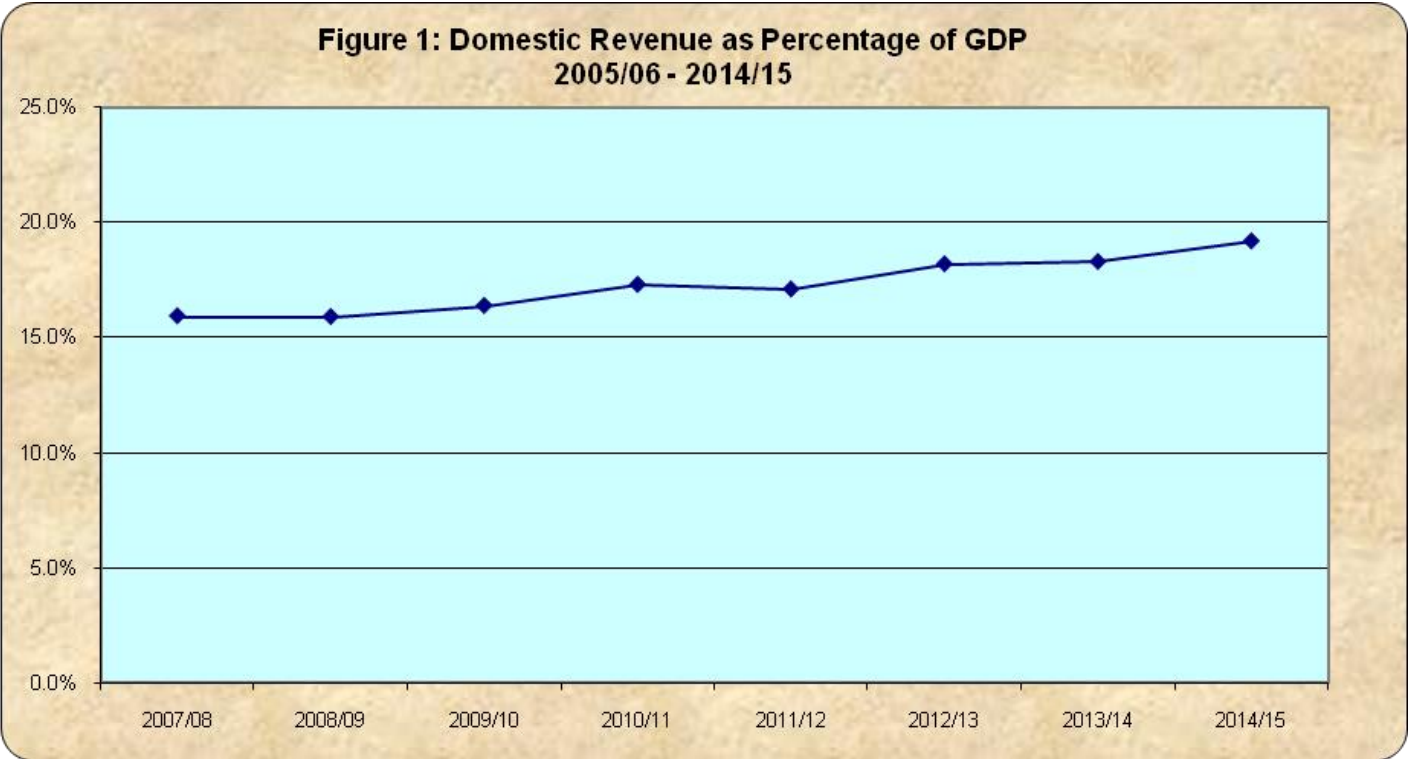
		<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
		<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>
<b>General budget Support</b>	Grants	720,313	537,474	776,910	546,709
	Concessional Loans	246,850	357,481	386,221	375,459
	<b>Total</b>	<b>967,163</b>	<b>894,955</b>	<b>1,163,131</b>	<b>922,168</b>
<b>Baskets Funds</b>	Grants	301,152	280,936	266,070	189,112
	Concessional Loans	172,212	186,336	234,352	84,975
	<b>Total</b>	<b>473,364</b>	<b>467,272</b>	<b>500,422</b>	<b>274,087</b>
<b>Projects</b>	Grants	612,031	689,190	952,413	745,344
	Concessional Loans	595,414	734,389	844,461	1,000,000
	MCC Projects	221,601	220,350	394,773	-
	<b>Jumla</b>	<b>1,429,046</b>	<b>1,643,928</b>	<b>2,191,647</b>	<b>1,745,344</b>
	<b>Jumla Kuu</b>	<b>2,869,573</b>	<b>3,006,155</b>	<b>3,855,199</b>	<b>2,941,599</b>

Chanzo: Wizara ya Fedha

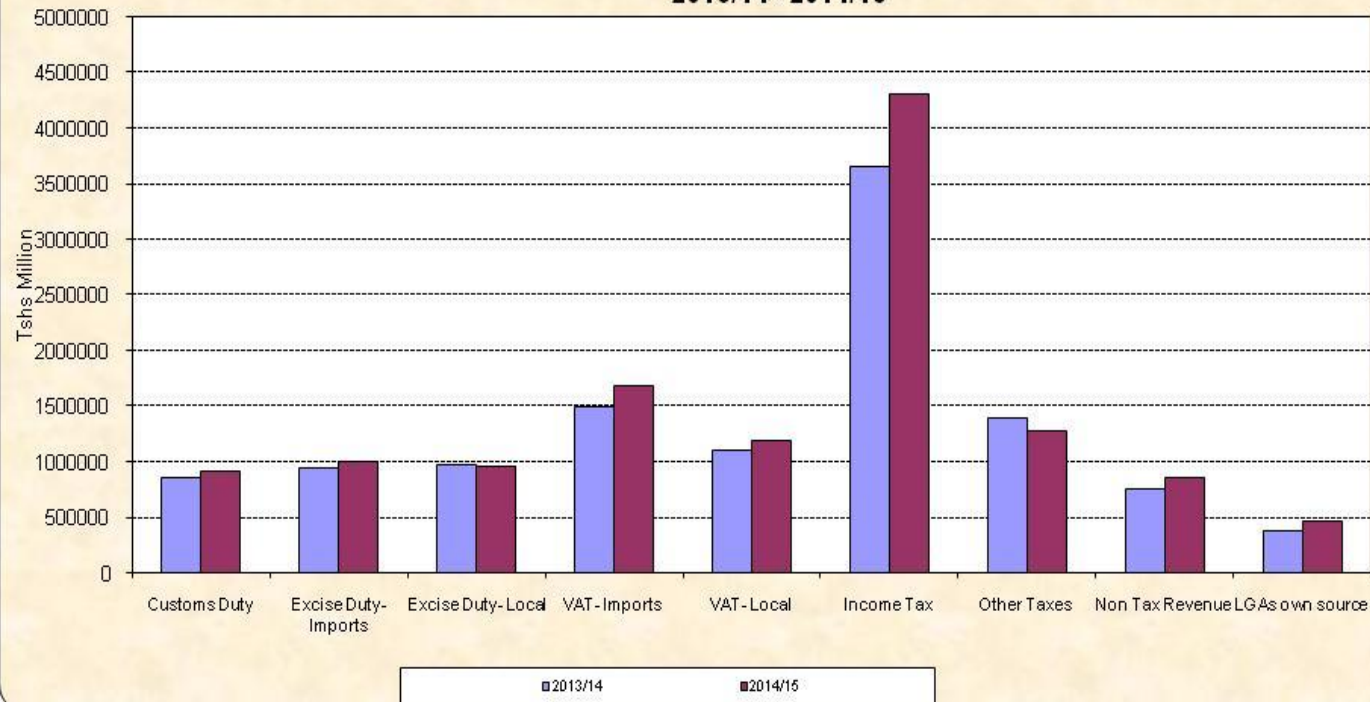
**Table 4: National Debt and Its Trend**

<b>NEW EXTERNAL AND DOMESTIC BORROWING (SHILLINGS MILLION)</b>			
	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>1. Total of New External and Domestic Borrowing (a-b)</b>	<b>4,034,257.0</b>	<b>4,321,293.7</b>	<b>5,735,661.7</b>
<b>(a) New Domestic Borrowing</b>	<b>1,631,958.0</b>	<b>1,699,860.0</b>	<b>2,955,227.5</b>
(i) New Domestic Borrowing (Rollover)	1,148,107.0	1,147,576.0	2,265,665.3
(ii) Net Domestic Financing	483,851.0	552,284.0	689,562.1
<b>(b) New External Borrowing</b>	<b>2,402,299.0</b>	<b>2,621,433.7</b>	<b>2,780,434.2</b>
(i) Concessional Projects Borrowing	928,223.0	1,078,812.7	1,084,975.0
(ii) Concessional General Budget Support	219,984.0	386,221.0	375,459.2
(iii) Non - Concessional	1,254,092.0	1,156,400.0	1,320,000.0
<b>(c ) Amortization of Domestic Debt</b>	<b>1,543,276.0</b>	<b>1,767,840.8</b>	<b>2,921,270.2</b>
(i) Principal -Rollover	1,148,107.0	1,147,576.0	2,265,665.3
(ii) Interest Payments	395,169.0	617,087.8	652,427.8
(vi) Principle Payments-(Lakilaki)		3,177.0	3,177.0
<b>(d ) External Debt Services</b>	<b>321,255.9</b>	<b>767,859.5</b>	<b>732,519.5</b>
(i) Interest	220,047.4	377,426.0	342,086.00
(ii) Principle	101,208.5	390,433.5	390,433.47
<b>(e) Net Domestic Debt Increase (a-c(i))</b>	<b>483,851.0</b>	<b>549,107.0</b>	<b>686,385.1</b>
<b>(f) Net External Debt Increase (b-d(ii))</b>	<b>2,301,090.5</b>	<b>2,231,000.2</b>	<b>2,390,000.7</b>
<b>2. Net Increase on Domestic and External Debt (e+f)</b>	<b>2,784,941.5</b>	<b>2,780,107.2</b>	<b>3,076,385.8</b>

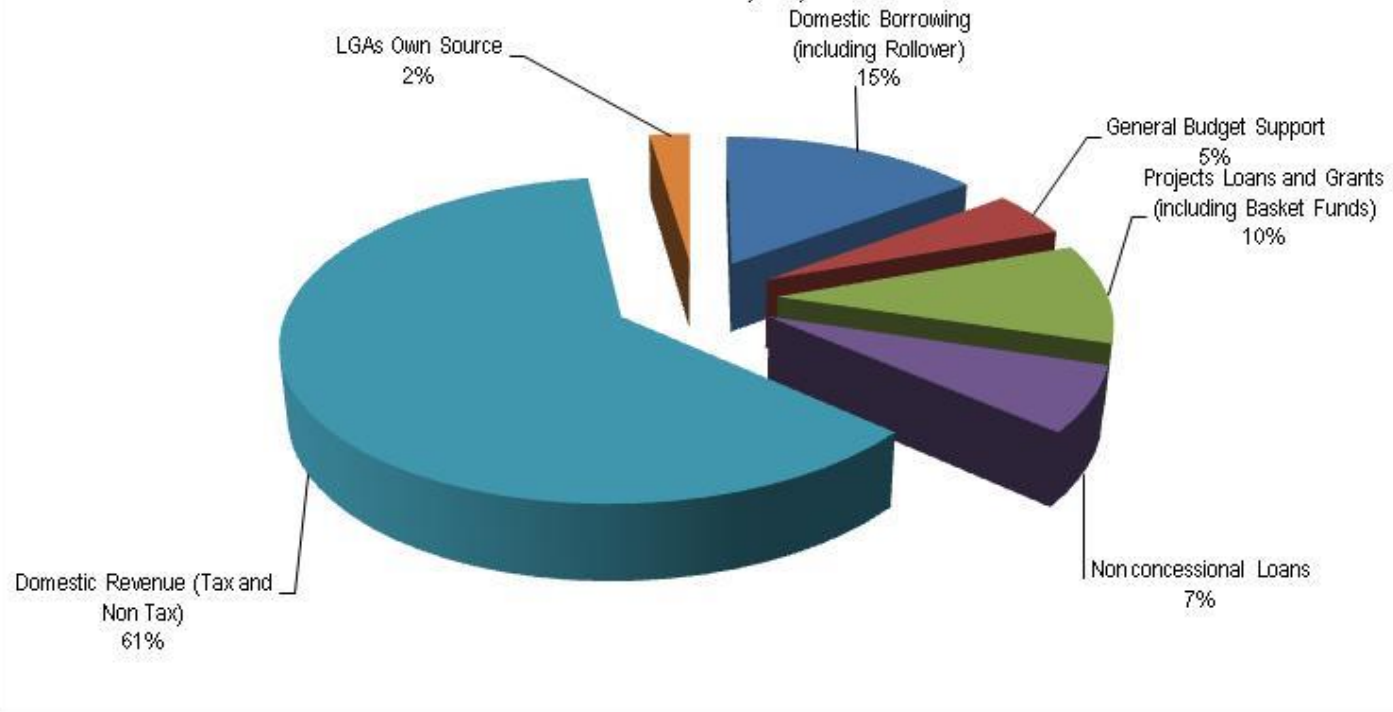
**Figure 1: Domestic Revenue as Percentage of GDP  
2005/06 - 2014/15**



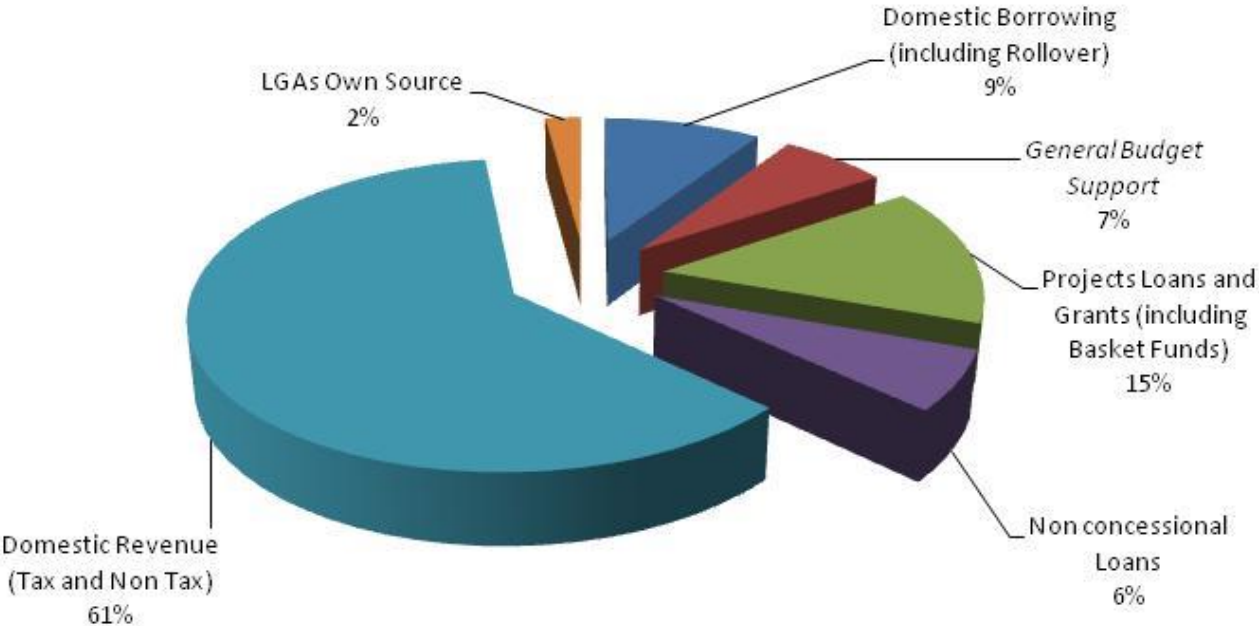
**Figure 2: Composition of Domestic Revenue  
2013/14 - 2014/15**



**Figure 3a: Source of Funds in 2014/15 Budget**  
**Total Resource Tshs 19,853,331 million**



**Figure 3b: Source of Funds in 2013/14 Budget**  
**Total Resource Tshs 18,248,983 million**



**Figure 4a: Government Expenditure, 2014/15**  
**(Total Expenditure Tshs. 19,853,331 million)**

