

**SPEECH BY THE MINISTER FOR FINANCE AND
PLANNING, HON. DR. PHILIP I. MPANGO (MP),
PRESENTING TO THE PARLIAMENT THE
ECONOMIC SURVEY REPORT 2018 AND
THE NATIONAL DEVELOPMENT PLAN 2019/20**

INTRODUCTION

1. **Honourable Speaker,** I beg to submit to your esteemed house, to receive, debate and deliberate, the Economic Survey 2018 and the National Development Plan 2019/20. Together with this speech, I am submitting the Economic Survey 2018 Report and the National Development Plan for 2019/20 documents. These documents form the basis for the Government budget for 2019/20 which will be presented in this esteemed house later today.

2. **Honourable Speaker,** I would like to start by thanking Almighty God for granting us good health, a peaceful and stable nation as well as enabling us to participate in this session of the Parliament of the United Republic of Tanzania to deliberate on ways to expedite our development agenda.

3. **Honourable Speaker,** our nation is blessed to have a strong, hardworking, developmental, visionary and bold leader, His Excellency Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania. May I take this opportunity to convey my sincere congratulations to him for his distinctive leadership. In the three and a half years of his leadership, we have witnessed significant

improvements in our economy with the annual growth reaching 7.0 percent, inflation maintained at a single digit, flagship projects implemented vigorously, improved public service accountability and pragmatic solutions meted out to challenges facing the citizens particularly the under privileged. Me and my colleagues in the Government vow to accord His Excellency, the President, our highest cooperation. Further, I would like to thank him for the continued trust in my leadership of the Ministry of Finance and Planning.

4. Honourable Speaker, allow me also to congratulate Her Excellency Samia Suluhu Hassan, Vice President of the United Republic of Tanzania, and Hon. Kassim M. Majaliwa, Prime Minister of the United Republic of Tanzania who is also the overseer of Government matters in this house for their outstanding leadership and support to His Excellency the President. I would also like to congratulate Hon. Innocent Lugha Bashungwa (Mp), for being appointed by H.E the President to serve as Minister for Industries and Trade.

5. Honourable Speaker, the preparation of my speech has benefited from a wide stakeholder consultation, where we received a wide variety of comments and recommendations from various segments of the community

and Government institutions. It is not possible to mention all those who contributed to this speech, however through you Honourable Justino Ndugai, Speaker of the Parliament of the United Republic of Tanzania, it is most fitting to acknowledge the significant and invaluable contribution of this Parliament. In the same vein, I would like to take this opportunity to commend the Parliamentary Standing Committee for Budget under the leadership of its Chairman, Hon. George Boniface Simbachawene (Mp) and its Vice Chairman, Hon. Mashimba Mashauri Ndaki (Mp), and all committee members for their constructive advice. Their wise counsel availed to us was very useful in the preparations and shaping of economic survey 2018 report and Annual Development Plan 2019/20, that I am submitting before your esteemed house.

6. Honourable Speaker, the Economic Survey 2018 Report and the National Development Plan 2019/20 were prepared in line with the national development priorities stipulated in the National Five Year Development Plan 2016/17 - 2020/21 and the CCM General Election Manifesto of 2015. In order to facilitate and expedite our economic development, the implementation of the ongoing development projects is paramount. It will help us to attain our planned objectives, refine the investment and business environment and in so doing attract increased private sector

investment in the economy, and thus ultimately, nurture industrialisation and human development.

ECONOMIC PERFORMANCE 2018

World Economy

7. **Honourable Speaker**, in 2018, the world economy grew at an average annual rate of 3.6 percent compared to 3.8 percent in 2017. The declined growth rate was attributed to subdued growth in both developed and developing countries due to various reasons including: a decline in demand for imported goods and services; uncertainty around effects of the pending Brexit decision; declined pace of global investments; trade tensions between China and USA; underperforming financial markets in Argentina and Turkey; and political conflicts and unrest in the Middle East.

8. **Honourable Speaker**, in 2018, the global inflation rate rose to an average of 3.8 percent up, from 3.1 percent recorded in 2017. The rise is attributed to decline manufacturing activities, particularly in developing countries, natural disasters, and expansionary fiscal and monetary policies in some countries. Consumer price inflation in developed countries rose to an average of 2.0 percent in 2018 up, from 1.7 percent in 2017. During the

period, inflation in emerging and developing countries in Asia rose to an average of 2.6 percent compared to 2.4 percent in 2017.

Africa and the Regional Economy

9. Honourable Speaker, economic growth in Sub-Saharan Africa increased to 3.0 percent in 2018 compared to 2.9 percent recorded in 2017. This growth was attributed to increased consumer demand as well as reforms in economic policies. Consumer price inflation in Sub Saharan Africa declined to an average of 8.5 percent from 11.0 percent in 2017. The trend resulted from improved implementation of monetary policies including stable exchange rates and improvements in expenditure policies.

10. Honourable Speaker, the trend of the economy for countries in the East African Community shows that Rwanda economy grew at 8.6 percent in 2018 compared to 6.1 percent in 2017. The Ugandan economy grew at 6.1 percent in 2018 compared to 5.9 percent in 2017. In Kenya, the economy grew at 6.3 compared to 4.9 percent in 2017.

11. Honourable Speaker, up to December 2018, the trend of consumer price inflation for East African Countries remained at single digit levels whereby, it declined to an average of 2.9 from an average of 7.9 percent in 2017.

During the period, the average inflation rate for Tanzania was 3.5 percent, Kenya 4.6 percent, Rwanda 1.4 percent, Uganda 2.6 percent, and Burundi 2.3 percent. This trend was a result of improved food supply within East African countries.

National Economy

GDP and Economic Growth

12. Honourable Speaker, in 2018, the Government through the National Bureau of Statistics rebased the GDP statistics by changing the base year from 2007 to 2015. Following that revision, several changes occurred to the structure size of GDP, GDP overall growth, sectoral growth and the contribution of various sectors to GDP as well as ratio of various indicators to GDP.

13. Honourable Speaker, according to the new 2015 base year statistics, GDP grew at 7.0 percent in 2018, compared to the growth of 6.8 percent in 2017. This growth was attributed to increased investments especially in infrastructure such as construction of roads, railway and airports; stable supply of electricity; improvement in transport services; and favourable weather conditions that enabled a bumper harvest of food and other crops. Economic activities with highest growth rates include: arts

and entertainment (13.7 percent); construction (12.9 percent); transport and storage (11.8 percent); professional, scientific and technical activities (9.9 percent); and information and communication (9.1 percent). Agriculture sector grew by 5.3 percent. Economic activities with highest contribution to GDP were agriculture (28.2 percent), construction (13.0 percent) and trade and repairs (9.1 percent).

14. Honourable Speaker, in 2018, GDP at current prices was 129.4 trillion Shillings, compared to 118.7 trillion Shillings in 2017. Further, in 2018, Tanzania Mainland population was estimated at 52,619,314 people whereby, per capita GDP was 2,458,496 Shillings from 2,327,395 Shillings in 2017, equivalent to an increase of 5.6 percent. The level of per capita GDP for 2018 is equivalent to USD 1,090, compared to USD 1,044 in 2017, equivalent to an increase of 4.4 percent.

Inflation Trend

15. Honourable Speaker, in 2018, the rate of inflation continued to remain at a single digit level and reached the lowest level ever in the past 40 years. The inflation rate eased to an average of 3.5 percent in 2018 from 5.3 percent recorded in 2017. As of end of April 2019, inflation rate was 3.2 percent compared to 3.8 percent recorded during the

same period of time in 2018. The decrease was due to various factors including:

- (i) Improved food supply in domestic markets and neighboring countries;
- (ii) Increased food production to 15.9 million tons compared to domestic demand of 13.3 million tons during that period, thus having food self-sufficiency level of 124 percent; and
- (iii) Implementation of prudent monetary and fiscal policies.

Implementation of Monetary Policy 2018/19

16. Honourable Speaker, The Government through the Central Bank continued to implement sound monetary policy aimed at ensuring adequate level of liquidity in the economy to support broader macroeconomic objectives of the Government of maintaining economic stability and sustainable as well as inclusive economic growth.

17. Honourable Speaker, monetary policy targets set for 2018/19 were as follows:

- (i) Annual growth of average reserve money of not more than 11.5 percent;
- (ii) Annual growth of broad money (M3) of not more than 12.2 percent;

- (iii) Annual growth of private sector credit not exceeding 10.2 percent; and
- (iv) Maintaining gross official reserves at levels adequate to cover at least 4 months of projected imports of goods and services.

18. Honourable Speaker, during the period ending April 2019, the Government took various measures aiming at increasing the level of liquidity in the economy in order to enable banks and financial institutions to stimulate growth of credit to private sector for the growth of various economic activities. These measures included: provision of short-term loans to banks; purchase of foreign currency from commercial banks and government institutions; reducing the bank discount rate from 9.0 percent to 7.0 percent in August 2018; and payment of arrears to contractors, service providers and civil servants whereby about 598.4 billion Shillings of verified arrears was paid between July 2018 and May 2019.

19. Honourable Speaker, these measures helped to improve banks' and financial institutions liquidity and reduced money market interest rates whereby, for the period of July 2018 to April 2019, overnight interbank cash market rate remained moderate down to an average of 3.18 percent compared to 3.67 percent recorded in the

corresponding period in 2017/18. The overall Treasury bills rate reached 8.07 percent in July 2018 to April 2019 compared to 7.75 percent registered in the corresponding period in 2017/18. In addition, the interest rate charged on loans extended by commercial banks decreased to an average of 17.15 percent in July 2018 to April 2019 from 17.93 percent recorded in the corresponding period in 2017/18.

20. Honourable Speaker, Overall, the average lending rate continued to decline gradually following precautionary measures taken by banks to deal with the borrowers who failed to repay loans on time. In addition, the Central Bank continues to take various measures to ensure that overall lending rates are kept low, consistent with the prevailing economic situation. The measures included: ensuring that the banks and financial institutions get accurate information of the loan applicants by enforcing requirements to use the credit reference system during loan approval processes in order to reduce non performing loans; and continuing with the amendments of the laws regulating the financial sector.

Money Supply

21. Honourable Speaker, up to April 2019, extended broad money supply (M3) increased by an average of 4.9

percent to 25,629.1 billion Shillings from 24,433.8 billion Shillings recorded in the corresponding period in 2018. This growth was consistent with the level of demand in the economy due to an increase in velocity of money circulation following an increased use of electronic payment systems which reduced the need for holding money in terms of cash.

Deposits in Commercial Banks

22. Honourable Speaker, commercial banks deposits increased to 21,322.7 billion Shillings in April 2019 up from 20,298.1 billion Shillings during the same period in 2018. This was a result of the banks' efforts in encouraging people to use banking services through the use of various incentives, increasing branches and the use of agent banking.

Credit to Private Sector

23. Honourable Speaker, credit to the private sector on average increased by 10.6 percent in April 2019 compared to an average of 0.8 during the same period in 2018. The rapid increase in credit released to private sector was attributed to ongoing efforts by the Government to improve the business environment, effective management of the fiscal policy; decrease of non - performing loans in commercial banks resulting from the use of the credit database during loan approvals. The credit released has helped in stimulating

and strengthening various economic activities including business, construction and agriculture.

24. Honourable Speaker, credit was mostly allocated to personal activities which received 28.8 percent of the total release, followed by business activities with 18.5 percent and manufacturing activities with 11.3 percent. In addition, the Government is taking various measures to ensure that commercial banks are liquid enough and to increase growth of credit to private sector. The measures include strengthening financial markets and banking services, improving the business environment and availability of borrowers' information so as to increase transparency and efficiency.

Capital Formation

25. Honourable Speaker, capital formation at current prices reached 50,383.14 billion shillings in 2018 compared to 40,427.43 billion shillings in 2017 equivalent to a 24.6 percent growth. The ratio of capital formation to GDP at current prices increased to 39.0 percent in 2018 from 34.0 percent in 2017. Fixed assets increased by 19.4 percent from 42,141.92 billion Shillings in 2017 to 50,316.24 billion shillings in 2018. Further, the value of capital accumulation at current prices increased by 66.9 billion shilling in 2018 compared to a decrease by 1,714.49 billion Shillings in 2017.

Public sector capital formation increased to 15,265.61 billion shillings in 2018 equivalent to a 17.2 percent growth while private sector capital formation increased by 20.4 percent to 35,050.63 billion shillings.

External Sector

26. Honourable Speaker, during the period ending April 2019, the balance of payments recorded a deficit of 1,089.2 million USD compared to a surplus of 299.2 million USD during the same period in 2018. This was mainly a result of increase in deficit in the goods, services, primary and secondary income account of which the deficit increased by 423.1 million USD to reach 2.132.6 million USD in April, 2019.

27. Honourable Speaker, between July 2018 and April 2019, the value of goods and services exported reached 7,210.6 million USD, up from 7,291.9 million USD recorded during the same period in 2017/18.

28. Honourable Speaker, between July 2018 and April 2019, the value of goods and services imported reached 9,024.9 million USD compared to 8,464.6 million USD recorded during the same period in 2017/18 equivalent to an increase of 6.6 percent. This resulted from the importation of construction materials for railway, airports,

ports and roads. The value of imported fuel increased on account of the rise in the world's prices from an average of 52.81 USD per barrel in 2017 to 68.33 USD per barrel in 2018. However, importation of food products decreased at a high rate as a result of enough local food production in the year 2018/19. On the service side, value of payments abroad decreased to 1,709.3 million USD in April, 2019 compared to 1,848.5 million USD in April 2018.

Foreign Currency Reserves

29. Honourable Speaker, foreign currency reserves have continued their encouraging trend where they are satisfactory and sufficient for importation of goods and services which is among the factors for foreign investor attraction. During the period ending April, 2019, foreign currency reserves reached 4,395.2 million USD, sufficient to cover 4.3 months of imports. This amount is more than the national threshold set of 4.0 months of imports.

Value of the Tanzania Shilling

30. Honourable Speaker, the value of the Tanzanian Shilling has been stable while during the year ending April 2019, a single dollar was exchanged with an average of 2,300.9 Shillings compared to an average of 2,270.3 Shillings in the same period in 2018. The stability resulted from: prudent management and implementation of fiscal and

monetary policies; use of natural gas as the alternative source of fuel in power (electricity) generation; and domestic production of goods which were initially imported from abroad including tiles.

31. Honourable Speaker, in the course of enforcement of foreign currency laws, in November 2018 the Bank of Tanzania did a sudden inspection of bureau de change shops in Arusha of which some were suspended for infringing business laws and regulations. Further, in February 2019 the Bank conducted a regular inspection of bureau de change shops in Dar es Salaam of which it was revealed that most of the shops do not comply with laws and regulations for doing foreign exchange business. Following this, the Bank revoked all business licences for bureau de change shops which did business contrary to the obligations. The exercise of revoking the licences to shops which infringe the laws and regulations is ongoing. However, bureau de change services have remained sufficiently available and some of the commercial banks started to offer the services efficiently.

Government Debt

32. Honourable Speaker, in April 2019, Government debt stood at 51,036.42 billion Shillings compared to 49,866.17 billion Shillings during the same period in 2018,

which is equivalent to an increase of 2.4 percent. Out of which, domestic debt was 13,251.66 billion Shillings and foreign debt was 37,784.76 billion Shillings. An increase of debt resulted from disbursement of new loans to finance development projects including construction of central standard gauge railway line, flyovers and road projects. However, with regard to the debt sustainability analysis conducted in December 2018, it was revealed that the Government debt is sustainable providing a room for domestic and foreign borrowing. Further, the analysis showed that the Government has ability to repay the loans without negative effects to economic growth and monetary sector. Moreover, in order to ensure debt sustainability, the Government will continue to borrow concessional loans and ensure that funds are allocated to finance development projects which stimulate economic growth.

ACHIEVEMENTS ATTAINED IN THE IMPLEMENTATION OF DEVELOPMENT PLANS FOR 2016/17 - 2018/19

33. Honourable Speaker, in the period of three and half years of the Fifth Phase Government (2016/17 - 2018/19), various achievements have been realised in the implementation of Development Plans including:

(i) **Economic growth:** economic growth has been stable

for the period under review with an average economic growth of 6.9 percent. Also, the trend of inflation has been decreasing and remained at a single digit, below 5 percent.

- (ii) **Railway:** Construction of railway line to standard gauge is ongoing, of which for Dar es Salaam – Morogoro (300 km) section implementation is at 48.9 percent and Morogoro – Makutupora (422 km) section is at 7.12 percent. Further, construction processes for Makutupora – Tabora (294 km), Tabora – Isaka (133 km), Isaka – Mwanza (249 km), Isaka – Rusumo (371 km), Tabora – Kigoma (411 km), Keza – Ruvubu (36 km) na Kaliua – Mpanda – Karema (321 km) sections are ongoing. Other achievements include: continuing with the improvement of the existing railway line from Dar es Salaam – Isaka section of which activities conducted include improvement of the area for loading and offloading cargos and Ilala and Isaka freight stations of which implementation is at 13 percent and is expected to be completed by June 2020. Likewise, rehabilitation of the Tanga – Arusha (439 km) railway line is underway of which implementation is at 80 percent; 11 locomotives have been procured, 15 wagons rehabilitated; and installation of machines in Tura

gravel plant is completed. Regarding the improvement of TAZARA railway line, procurement of traction motors as well as Excavator, Dumper Track and Drill Rig for Kongolo gravel plant is ongoing of which the Drill Rig was received in April 2019.

- (iii) **Reviving Air Tanzania Company Limited-ATCL:** Six aircrafts have been procured and delivered. These include: one (1) Boeing 787 - 8 Dreamliner, three (3) Bombardier Dash 8-Q400 and two (2) Airbus A220 - 300; Advance payment has been effected for procurement of one (1) Boeing 787-8 Dreamliner and one (1) Bombardier Dash 8 - Q400, that are expected to be delivered at the end of 2019; trainings for 51 pilots, 14 engineers and 66 cabin crews have been conducted; and rehabilitation of the hangar at Kilimanjaro International Airport (KIA) has started. These activities of strengthening of ATCL have resulted in the increase of the number of passengers from 49,854 in 2015/16 to 242,668 in 2018/19; number of flights from 672 to 3,808 in 2018/19; number of regions with access to ATCL services has from 3 to 11; number of international destination increased from one (Hahaya - Comoro) to five (Hahaya, Bunjumbura, Entebbe, Harare, and

Lusaka); number of direct employment from 134 to 448; ATCL's revenue from 11.8 billion shillings to 45.7 billion shillings; and the number of tourists from 1,137,182 in 2016 to 1,505,702 in 2018. The increase contributed to country's revenue amounting to USD 2.4 billion. Furthermore, ATCL is in the process of starting direct routes from Dar es Salaam to Mumbai (India), Guangzhou (China) and Johannesburg (South Africa).

- (iv) **Rufiji Hydro Power Project - 2,115 MW:** The Government signed the project construction contract with contractor, a Joint Venture of Arab Contractors and Elsewedy Electric S.A.E from Egypt in December 2018. In February 2019, the Government officially handed over the project site to the contractor. Currently, the contractor is working on preliminary works. In addition, construction of supporting infrastructure has been completed. These include: a transmission line of 33kV from Msamvu, Morogoro to the project site (170 km); access roads of Ubena-Zomozi and Kibiti - Mloka to the project site; water supply infrastructure; communication system and residential houses for contractors. Moreover, construction of the second transmission line of 33kV from Gongo la Mboti substation through Kisarawe

to project site (245 km) is on progress. Completion of the project will ensure availability of reliable and affordable electricity and thus stimulate economic activities.

- (v) **Construction of the East African Crude Oil Pipeline from Hoima (Uganda) to Tanga (Tanzania):** Valuation for compensation for camps, coating yard and way leave area has been completed; and negotiations on Host Government Agreements (HGA) are going on.

- (vi) **Airports:** Completed works include: construction of the Terminal III Building with a capacity of handling 6 million passengers and its infrastructure at Mwalimu Julius Nyerere International Airport (JNIA); and rehabilitation of Kilimanjaro International Airport (KIA), Dodoma, Tabora (Phase I and II) and Bukoba airports. Works on progress include: installation of civilian aircrafts radar at JNIA where it is at 95 percent, KIA is at 90 percent and Mwanza is at 50 percent; rehabilitation of Mwanza airport is at 75 percent, Songwe airport is at 70 percent and Geita airport is at 72 percent. The rehabilitation of airports is expected to stimulate economic activities in the respective areas and trigger

growth of the aviation as well as tourism industries.

- (vii) **Ports: Dar es Salaam Port:** The construction of the berth No. 1 has been completed and operations started; the construction of a Ro-Ro berth is at quay slab stage and construction of berth No. 2 has started. The expansion of **Tanga** and **Mtwara** ports has reached 86 and 50 per cent respectively. The improvements at Dar es Salaam port aimed at increasing efficiency and effectiveness as well as converting the port to world class standards capable of handling large vessels, 300,000 to 500,000 vessels per year and decreasing ship turnaround time. **Great Lakes Ports: Lake Victoria:** construction of berth at Nyamirembe (Chato) and Magarine is on-going whereas implementation has reached 30 and 54 per cent respectively. **Lake Tanganyika:** The construction of the berth at Kalya/Sibwesa is at 93 per cent. Moreover, the Government has finalised negotiations with JICA for financing the expansion of Kigoma port. **Lake Nyasa:** The construction of a berth at Ndumbi is at 37 per cent.
- (viii) **Roads and Bridges:** The Fifth Phase Government under the able leadership of His Excellency Dr. John Pombe Magufuli, President of the United Republic of

Tanzania has made significant milestones in construction and rehabilitation of roads, as a way of ensuring all regions within the country are accessible throughout the year. These efforts will help the Government to stimulate the agriculture sector and other income generating activities. The roads will facilitate transportation of agricultural inputs to farm areas and agricultural produce to the market located in different parts of the country. The completed projects under road sector include: Same - Mkumbara (96 km); Nzega - Tabora section of Nzega - Puge (58.8 km); Tunduru - Nakapanya - Mangaka - Mtambaswala (202.5 km); Namtumbo - Kilimasera - Matemanga - Tunduru (193 km); Bariadi-Lamadi (71.8 km); Sumbawanga - Kanazi - Kizi - Kibaoni (151.6 km); Kyaka - Bugene (59.1 km); Usagara - Kisesa Bypass (17 km); Magole - Turiani (48.6 km); Dodoma - Mayamaya - Mela - Bonga (231.85 km); KIA - Mererani (26 km); Mwigumbi - Maswa (50.3 km); Uyovu - Bwanga (45 km); Kaliua - Kazilambwa (58.9 km); Tabora - Nyahua - Chaya section of Tabora - Nyahua (85 km); Sitalike - Mpanda (36.90 km); Ndono - Urambo (52 km); and Tabora - Usesula (30 km). Likewise, the construction of the following bridges were completed: Mfugale Flyover - TAZARA (1,998 m); Kavuu - Katavi (85.3 m);

Magufuli Bridge with access roads in Kilombero (9,523 m); and Furahisha pedestrian flyover bridge - Mwanza (45 m).

The Government has also continued with construction of roads and bridges in various parts of the country as follows: Ubungo interchange ;upgrading of the Kimara-Kibaha (19 km) road into an eight lanes; new Selander bridge with 5.2 km access roads; Makutano - Natta - Mugumu/Liliondo - Mto wa Mbu section of Makutano - Sanzate (50 km); Kidatu - Ifakara - Lupilo - Mahenge /Malinyi - Londo - Lumecha/Songea (499 km); Kigoma - Kidahwe - Uvinza - Kaliua - Tabora (389.7 km); Sumbawanga - Matai - Kasanga Port (112 km); and Kidahwe - Kasulu - Kibondo - Nyakanazi (Nyakanazi - Kakonko (Kabingo), 413 km.

- (ix) Procurement and Rehabilitation of Passanger Cum Cargo Vessels in Great Lakes: Lake Victoria:** continue with building of new a ship for transportation of passagers and cargo with the capacity of 1200 pax/400 tons, construction of a dockyard and rehabilitation of MV Victoria and MV Butiama. Furthermore, the contractor for the rehabilitation of MV Umoja and MV Serengeti which

operate in Lake Victoria has been acquired. **Lake Tanganyika:** contracts for building a new ship with capacity of 600 pax/400 tons and rehabilitation of MV Liemba has been signed. **Lake Nyasa:** Building of one ship with capacity of 200 pax /200 tons is ongoing at 86 percent to completion and construction of two barges in Lake Nyasa has been completed.

- (x) **Energy:** electricity generation has increased from 7,092.13 GWh in 2015/16 to 7,374 GWh in 2018/19 which facilitated the increase of access to reliable electricity supply; increased access to electricity supply in rural areas, where a total of 7,127 villages, 3,165 educational institutions, 3,451 businesses, 210 water pumps, 1,211 health institutions and 984 worship houses were provided with electricity by May, 2019; rural electrification in 15 Districts Councils of Mafia, Iringa District (Isimani), Pangani, Rufiji, Bahi, Siha, Moshi, Hai, Mwanga, Rombo, Madaba, Buhigwe, Makambako, Korogwe Urban and Mafinga; construction of transmission lines of 33 kV of 18,227 kilometers long; construction of 4,100 substations; and construction of low voltage transmission lines of 30,797 kilometers long.
- (xi) **Agriculture:** the agriculture sector grew by 5.3

percent in 2018 compared to 4.8 percent in 2016. This growth has contributed to increased food security, decline in food inflation to 2.7 percent in April 2019 compared to 7.3 percent in April 2016 and an increase in receipts from export of traditional goods from USD 793.4 million in 2015 to USD 1,020.7 million in 2017, equivalent to an increase of 28.6 percent. Also, the availability of improved seeds increased to 49,040.66 tons in 2018/19 from 36,482 tons in 2015/16, and 492,394 tons of fertilizer were purchased and distributed in 2018/19 compared to 302,450 tons purchased in 2015/16. In addition, Cooperative Associations increased from 7,888 in 2015 to 11,331 in 2018. The Government has continued to build food storage facilities with capacity of 250,000 tons and construction of warehouses with storage capacity of 60,000 tons in the regions of Ruvuma (Songea), Njombe (Makambako), Songwe (Mbozi), Rukwa (Sumbawanga), Katavi (Mpanda), Shinyanga, Manyara (Babati) and Dodoma is ongoing. Food sufficiency ratio in 2018/19 reached 124 percent. In addition, the Government has embarked on the implementation of the Agricultural Sector Development Program (ASDP II) and emphasis is placed on strategic crops including Coffee, Cotton,

Tea, Cashew, Tobacco, Sunflowers, Palm tree, Rice and Maize.

In addition, the Government through Agricultural Inputs Trust Fund (AGITF) continued to provide loans for agricultural inputs and tools. Since, the establishment of this Fund in 1994, total loans with a value of Shilings 82,103,746,770 have been disbursed and in a period between July 2018 to March 2019, 33 loans with a value of Shillings 1,495,362,060 have been disbursed and used to purchase items including 22 agricultural machinery, six (6) agricultural inputs and five (5) for irrigation have been provided. The issuance of these loans is done hand in hand with monitoring of refund from the previous loans in the year 2018/2019 whereby Shillings 1,842,698,117.73 were paid. These efforts intend to enable farmers to increase the use of the proper and modern tools in their practice and facilitate the increase productivity in production taking into consideration that our agriculture sector is still facing the challenges of low productivity due to poor use of agricultural tools.

- (xii) **Health Services:** procurement and supply of medicines, medical equipment and reagents from Medical Stores Department to public health facilities

in the country, whereby availability of tracer medicine in health centers reached 94.4 percent and 239,020 litres of biolarvicides for controlling breeding of mosquito larvae were delivered in all Municipal; increase the administering of vaccines to 98 percent; purchase of 36 X-ray machines (28 digital machines and 8 for dental services); continuing with the construction of 67 district hospitals, 352 healthcare facilities and 318 staff houses; employment of 7,680 health workers; budget for medicine, vaccines, equipments, medical equipments and reagents increased from 31 billion Shillings in 2015/16 to 260 billion Shillings in 2018/19; provision of kidney transplant services to 45 patients (38 patients from Muhimbili National Hospital and 7 from Benjamin Mkapa Hospital – Dodoma) thus, reduce cost from an average of Shillings 100 million to Shillings 20 million for one patient if he was to be taken abroad; the Government had continued to expand specialized medical services by improving services infrastructure, procurement of modern medical equipments hence reducing referrals from Muhimbili National Hospital, Jakaya Kikwete Cardiac Institute (JKCI), Ocean Road Cancer Institute (ORCI), Muhimbili Orthopaedic Institute (MOI), Benjamin Mkapa Hospital and the Muhimbili Academic

Medical Centre (MAMC) – Mloganzila, following improvement of services from these hospitals. Improved Specialized medical services have led to significant reduction in cost of medical treatment to citizens who were previously receiving referrals abroad.

- (xiii) **Water Services:** completion of 1,659 water projects which has led to an increase of water points to 131,370 with a capacity of serving 25,359,290 people; access to water services in Dar es Salaam reached 85 percent, other region reached 80 percent, small towns reached 64 percent and in villages it reached 64.8 percent; continued with construction and rehabilitation of Water Basins Offices and laboratories in various basins whereby: for Ruvuma and Southern Coast (90 percent), Lake Nyasa (50 percent), Rufiji (65 percent Mkoji and Kimani), Lake Rukwa (65 percent) and Central Basin (95 percent); construction, rehabilitation and expansion of water projects in districts headquarters, small towns and national projects; water projects in new regional headquarters is in progress where Geita is completed, Njombe region reached 95 percent and Songwe 90 percent; continue with expansion of the water pipeline project from Lake Victoria - Kahama -

Shinyanga in Kagongwa and Isaka towns where implementation reached 87 percent and construction of water infrastructure in Tabora, Igunga, Uyui and Nzega towns and 89 villages alongside the main pipeline reached 68.5 percent. Furthermore, Same - Mwanga - Korogwe project continued to be implemented whereby constructions of basic infrastructure including main pipeline, intake, water purification machine, storage tanks, and laboratory have been completed. The completion of these projects will benefit the citizens in different parts of our country and in turn enhance productivity and protect them from diseases particularly in rural areas.

- (xiv) **Industry:** the Government continued with implementation of the industrialization agenda whereby, 3,530 new industries have been established in various regions. The established industries include manufacturing industries for construction (cement, tiles, and steel bars) and agriculture, in particular, processing fruits, oil and skin. Construction of new industries has contributed to employment of more than 482,601 people. In addition, in order to address the challenge of access to credit for small businesses, the Government through the National Entrepreneurship Development Fund (NEDF) has

provided loans worth 7.5 billion Shillings and generated approximately 186,138 new jobs from 91,584 loans. The Government has made progress in the assembling of tractors in TAMCO, Kibaha where a total of 822 Semi Knocked Down, URSUS tractors have been imported from Poland. A total of 571 tractors have been assembled and 399 tractors sold. As of April 2019, the tractors had been used to cultivate 85,464 acres.

CAMARTEC has developed a total of 64 machines, comprising of machines for seedling of cotton, grinding of peanuts, drying of vegetable, cutting grass and construction of 55 biogas mashines; **SIDO** has made progress with the construction of 11 industrial buildings in Dodoma, Geita, Kagera, Katavi, Manyara, Mtwara and Simiyu; and construction of office building in new regions of Geita and Katavi. In addition, the Government is progressing with the development of Special Economic Zones in different areas where investments have begun in Kigoma and Mtwara Special Economic Zone.

- (xv) **Shifting of Government Headquarters to Dodoma:** the Fifth Phase government has successfully moved

the Government Headquarters from Dar es Salaam to Dodoma City where the Vice President, the Prime Minister and 8,883 public servants from the Ministries and Institutions have moved to Dodoma. In addition, the construction of Government offices Mtumba has been completed and inaugurated and all ministries have begun to providing services from them.

- (xvi) **Minerals:** completed activities include: construction of a brokers house and one stop centre in Mirerani area where the investment will strengthen the acquisition of data and control of tanzanite mining; construction of an academic building of the Mineral Resources Institute (MRI) Dodoma; establishment of regional mining markets to ensure that miners have access to formal markets and the Government is earning a fair income; installation of smelter machines for gold mining at Lwamgasha and Katente (Geita) and Itumbi (Mbeya); and their development as centres of excellent training small scale miners about extraction, manufacturing, mining business, health, safety and environmental conservation. These centers will enable small-scale miners to learn in practice so that they can invest in the installation of their own machines that do not use

mercury; construction and rehabilitation of Moshi and Nachingwea mining offices; construction of Seven (7) centre of excellency in Bariadi, Bukoba, Musoma, Handeni, Mpanda, Chunya and Songea which will be used to provide training and knowledge about entrepreneurship, exploration and mining to small scale miners where Bariadi, Musoma, Bukoba and Handeni centres have been completed; and reviewing of the Mining Act to enable the Government, on behalf of the Tanzanian people to benefit from mineral resources. In addition, the Government completed the construction of a wall (24.5 km) around Tanzanite Mirerani mines and installation of digital security system that has helped to reduce smuggling of minerals. These initiatives enabled an increase in revenue collection from 194.4 billion Shillings in 2016/17 to TZS 244.3 billion Shillings for the period of July 2018 to March 2019.

- (xvii) **Education:** the Fifth Phase government which is led by His Excellency President Dr. John Pombe Joseph Magufuli, the chairman of Chama Cha Mapinduzi (CCM) has continued to promote and provide free fee basic education by disbursing 24.4 bilion Shillings monthly. These efforts have led to an increase in class one primary school students' enrollement from

1,568,378 in 2015 to 1,670,919 in 2019, and 448,826 students in 2015 to 710,436 students in 2019 for secondary school enrollement.

Moreover, the Government has: constructed and rehabilitated school infrastructure for 219 primary schools and 285 secondary schools in all regions; constructed and rehabilitated infrastructure for 7 teachers college; procured chemicals and laboratory equipment for 1,696 secondary schools; strengthened the quality of primary and secondary education by improving and printing Primary and Secondary School books; enhanced practical teaching by purchasing laboratory equipment for the University of Dodoma; constructed and rehabilitated teaching and learning infrastructures including 938 classes, 2,141 toilets, 210 dormitories, 76 dinning halls; rehabilitated 17 old schools; completion of classrooms, dormitories and 39 teachers' houses; renovation of 20 Folk Development Colleges; completion and launching of University of Dar es Salaam International Library with the capacity to accommodate 2,100 students at once; completed the rehabilitation of six hostels at Mzumbe University; construction and rehabilitation of infrastructure at Sokoine and Dar es Salaam universities; provided

122,734 higher education students loans; enhanced teaching and learning infrastructure in vocational training institutions; and completed of the construction of Patandi Secondary School for students with special needs capable of taking 640 students. These achievements have contributed to lower education costs in the country and improving the teaching and learning environment of our children as well as stimulating awareness of education to citizens.

NATIONAL DEVELOPMENT PLAN 2019/20

Macro Economic Objectives and Targets for 2019/20

34. Honourable Speaker, the National Development Plan 2019/20 is geared to achieve the following main macroeconomic targets:

- (a) Real GDP growth rate of 7.1 percent in 2019 compared to 7.0 percent in 2018;
- (b) Continuing to manage the inflation rate and ensuring that it remains in the range of 3.0 to 4.5 percent;
- (c) Tax to GDP ratio to reach 13.1 percent in 2019/20 from projected 12.1 percent in 2018/19;
- (d) Government Expenditure is projected to be 22.7 percent of GDP in 2019/20; and
- (e) Budget deficit (including grants) to be 2.3 percent in

2019/20.

Priority Projects for 2019/20

35. Honourable Speaker, the priority projects and activities for 2019/20 are a continuation of the implementation of the National Five Year Development Plan 2016/17 – 2020/21. The implementation of development projects focus on the following priority areas:

(a) Industries to foster Economic Growth and Industrialization: this area has put emphasis on establishment of industries that will utilize locally available raw materials. Specific projects in this area include:

- (i) Development of Industries:** developing industrial parks – TAMCO (Kibaha), leather industrial park (Dodoma), Special Economic Zones at Bunda, Dodoma and Benjamin William Mkapu; and strengthening the research centres of CAMARTEC, TIRDO, TEMDO and SIDO;
- (ii) Crops:** value addition in production by enabling availability of agricultural inputs, extension services, storage facilities and markets for strategic crops of coffee, cotton, tea, rice, tobacco, and sugar cane; the Government will also continue with initiatives

of constructing and rehabilitation of irrigation schemes; and strengthening research on quality seeds and crops' diseases;

- (iii) **Livestock:** strengthening farms for producing quality heifers and centres for animals breeding and advocating the use of quality technology in order to increase the production of heifers and bulls for milk and beef, controlling and preventing eruption of livestock diseases in order to increase production and meet quality of livestock products required for the emerging industries in the country; and surveying and setting aside areas for animal feeds in order to minimizing land conflicts between pastoralists and other land users.
- (iv) **Fisheries:** complete the preparations for construction of a fishing port and procurement of large fishing vessels; revamping Tanzania fisheries cooperation - TAFICO so as to strengthen investment in the coastal economic zone and deep sea; strengthen and promote the protection of fisheries and ecosystems in lake Victoria, lake Tanganyika, and coastal zone so as to increase protection and management of marine

resources; and

- (v) **Minerals:** advocating mineral value addition activities; strengthening mineral markets; completing the construction of smelters and centres of excellence; enabling mineral exploration activities so as to increase the availability of geological information and attracting investors; educating the community about the proper use of mineral resources, oil and natural gas statistics; and management of environmental, health and safety at the mining areas.

- (b) **Economic Growth and Human Development:** priority projects which will be implemented in year 2019/20 will focus on the following areas:

- (i) **Education:** continue training more people in rare professions like medical doctors and oil and gas fuels; continue with provision of fee free education; construction and rehabilitation of teaching infrastructures in schools and teacher's colleges; strengthening technical colleges by rehabilitating, constructing and installing teaching equipments; strengthening and procuring teaching equipments for 500 secondary schools so as to make on job

training centres for science, mathematics and language teachers; construction of 55 school quality control offices; increasing the amount of loan and strengthening the loan management for higher education; and strengthening research and development activities. The implementation of the above mentioned activities will enhance the teaching and training environment and hence increase the pass rate of our children. **Health:** improving infrastructures for health services provision in regional, zonal and national referral hospitals; improving supply of medicine, vaccines and medical equipments to health centres; improving nutrition status and environmental hygiene; improving services at Ocean Road Cancer Institute, Muhimbili Orthopaedics Institute, Jakaya Kikwete Cardiac Institute; construction of district hospitals and health centres; construction and rehabilitation of community development institutes; improving community development services to elders and children who live in harsh and/or vulnerable environments; and strengthening gender balance by empowering women economically.

The implementation of mentioned activities will improve the accessibility of health services at deferent levels of the community.

- (ii) **Water:** improving the availability of water in rural and urban areas; construction of water projects including: Makonde (Mtwara), Wanging'ombe (Njombe), Chalinze (Pwani), Mugango/Kiabakari - Butiama (Mara); water from lake Victoria to Tabora town, Nzega, Igunga, Sikonge and 89 villages which are along the main pipeline and construction of water pipeline to Busega town, Bariadi, Lagangabilili and Mwanhuzi; and strengthening water resources management and water laboratories.

- (c) **Improvement of an Enabling Environment for Business and Investment:** The projects to be implemented focus on construction and rehabilitation of various infrastructures for improving the business environment and attracting private sector investment. This part will focus on: Construction of a standard gauge railway line; construction of Rufiji Hydropower Project (2,115 MW); and reviving of Air Tanzania Corporation. Other projects include: improvement of railway

infrastructure for TAZARA, Tanga - Arusha, Railway Transport in Dar es Salaam as well as improving train engines and wagons; construction of roads including Kigoma roads - Kidahwe - Uvinza - Kaliua - Tabora (389.7 km), Mtwara - Mingoyo - Masasi - Songea - Mbamba Bay (1,470.9 km), Kidahwe Road - Kasulu - Kibondo - Nyakanazi (413 km) , Usagara - Geita - Buzirayombo - Kyamyorwa (230 km); Sibiti (Singida) bridges, New Wami (Coast); Kigongo/ Busisi Bridge (Mwanza), Mtera Bridge (Dodoma), Simiyu (Mwanza), Selander (Dar es Salaam); construction and rehabilitation of ferries; rural electricity supply through the REA project; large-scale projects for the distribution of high voltage electromagnetic systems including the kV 400 power supply of Rufiji - Chalinze - Dodoma (512 km); rehabilitation of airport facilities in Dar es Salaam, Tanga and Mtwara; enhancing access to land and financial services with a view to securing markets and attracting investors; continuing the implementation of Blue Print for Regulatory Reforms to Improve Tanzania Environment including integrating the frameworks, rates and number of taxes, fees and levies; as well as institutional, policy and legal framework to improve business environment.

(d) **Strengthening Implementation Effectiveness of the Plan:** This area emphasizes on strengthening institutions frameworks for implementation of the Development Plan, establishment and enhancement of the system which will facilitate a steady and reliable flow of financial resources and establish measurable indicators for effective monitoring of the implementation of the plan. The priority intervention in this area will include those promoting good governance especially the provision of justice and legal services, Strengthening the Judiciary, Funds and Parliament, strengthening security and security agencies by providing them with tools and training as well as registration of births and deaths.

36. **Honourable Speaker,** further details of priority areas and interventions for 2019/20 are outlined in Chapter Four of the National Development Plan 2019/20.

Risks for Implementing Annual Development Plan 2019/20

37. **Honourable Speaker,** the implementation of development projects could be affected by several internal and external risks. The internal risks include inadequate funds; land ownership conflicts; inadequate participation of

the private sector; and environmental degradation. External risks include regional and global economic and political shocks; natural calamities; international conflicts; and climate change.

38. Honourable Speaker, the Fifth Phase Government will make deliberate efforts to mitigate the risks by taking the following measures: formalization of the informal sector and in so doing, improving and widening the tax base, improving management of funds and processes for development projects; improving the business environment in order to reduce investment costs; initiating and managing proper land use plans by strengthening urban planning so as to ultimately improve the provision of various social services; strengthening disaster preparedness and prediction capacities; and implementing climate resilient development projects and/or implementing development projects in a climate resilient way; and to the extent possible, implementing projects which are not vulnerable to natural calamities.

Financing the Plan 2019/20

39. Honourable Speaker, the Government has allocated 12,248.6 billion shillings for implementing the National Development Plan 2019/20. Out of this, 9,737.7 billion

shillings are local funds and 2,510.9 billion shillings are foreign funds. The allocated amount is equivalent to 37 percent of the total budget. These funds will be obtained from various sources including tax and non-tax revenue, loans, and grants from Development Partners, Direct Investment and Climate Change related Funds.

Foreign Direct Investment

40. Honourable Speaker, The Government will continue to improve the environment for business investment in a bid to attract foreign direct investment in priority areas of the plan such as manufacturing, agriculture, natural resources, gas, oil, telecommunication, construction and tourism. Such improvements will include the construction of key infrastructure, allocation of areas for special economic zones, and rationalising as well as, harmonising laws, regulations and policies governing investment; and empowering local and foreign private sector investors to invest in Public-Private Partnership arrangements.

Public Private Partnerships

41. Honourable Speaker, the Government will continue to sensitise stakeholders regarding identification, preparation and implementation of PPP projects and encourage them to participate in our development efforts by investing through Public Private Partnerships. The

Government will also continue to seek strategic partners for the implementation of PPP priority projects.

Global Climate Change Funds

42. Honourable Speaker, the Government will continue using various global climate change initiatives to finance development projects, especially in the environmental sector. Various steps that will be taken will include consultations with Development Partners and various stakeholders to facilitate access to finance from related climate resources like Least Developed Countries Fund (LDCF); Global Environmental Facility (GEF); Adaptation Fund (AF); the United National Environmental Program (UNEP) and the African Development Bank (AfDB).

Monitoring, Evaluation and Performance Reporting

43. Honourable Speaker, in ensuring that the National Five Years Development Plan 2016/17 - 2020/21 Monitoring and Evaluation Strategy is adhered to in the monitoring, evaluation and reporting of the implementation of National Development Plan 2019/20, the Fifth Phase Government will take into account performance indicators identified in the priority areas. These efforts will be reinforced by and will give due consideration to the midterm evaluation report of the National Five Year

Development Plan 2016/17 2020/21, especially implementation status, challenges and recommendations on the proposed measures to overcome those challenges.

44. Honourable Speaker, in 2019/20, the Ministry of Finance and Planning will continue to monitor the implementation of flagship, strategic and private sector projects quarterly to assess successes and implementation challenges in priority areas of the Plan. The President's Office - Regional Administrative and Local Government Authorities will coordinate monitoring and evaluation of development projects implemented at Regional Secretariats and Local Government Authorities and reports their implementation status to the Ministry of Finance and Planning as per Budget Act, CAP 439. Implementation reports will help the Government to make informed decisions that will enable effective mobilisation of the community to rally behind achieving the goals of the Plan.

SUMMARY AND CONCLUSIONS

SUMMARY

45. Honourable Speaker, the Government aims at building a middle income economy by 2025 as it has been laid out in the Tanzania Development Vision 2025. Along with all other efforts, the Government will continue

building a supportive infrastructure to facilitate and stimulate the development of an industrial economy with a bias on those industries which use locally available raw materials from our natural resources, particularly from agriculture, natural gas and mineral products.

46. Honourable Speaker, additionally, in our efforts to build a middle income economy, the Government shall continue to improve revenue collection systems and exploit proposed innovative sources and systems earmarked in the Financing Strategy for the National Five Year Development Plan, that among other things intended to ensure that plans and budgets are set with specific indicators, and targets and implementation is geared to facilitate private sector involvement, particularly in the industrial sector. We also commit to working diligently on the recommendations and advice on execution of plans and budgets that will be provided by the Parliament.

CONCLUSIONS

47. Honourable Speaker, as we approach the end of the implementation of the National Five Year Development Plan with the theme of *“Nurturing Industrialization for Economic Transformation and Human Development”* I would like to urge Government Leaders, Honourable Members of Parliament and citizens to join hands to bring effectiveness

and efficiency in the last mile implementation of the Plan.

48. Honourable Speaker, on behalf of the Government, I would also like to thank various local and foreign stakeholders including Development Partners, Private Sector and citizens at large for their contribution in the achieved economic growth and implementation of the Plan.

49. Honourable Speaker, Allow me to extend sincere gratitude to Hon. Dr. Ashatu K. Kijaji (MP), Deputy Minister for Finance and Planning, Ministers and Permanent Secretaries of all Government Ministries, Heads of Government Independent Departments and Institutions for their cooperation during the preparation of the Economic Survey 2018 Report and the National Development Plan 2019/20. I would also like to thank all officials from the Ministry of Finance and Planning led by Mr. Doto M. James, Permanent Secretary for managing well the daily routine work of the Ministry.

50. Honourable Speaker, I would like to convey special thanks to Members of Parliament and all citizens for listening to me. This speech, together with the Economic Survey 2018 and the National Development Plan 2019/20, are available on the website of the Ministry of Finance and Planning at www.mof.go.tz.

51. Honourable Speaker, following my presentation, I now beg Members of your Esteemed House to receive, debate and deliberate on the Economic Survey 2018 and the National Development Plan 2019/20.

52. Honourable Speaker, I beg to move.