SPEECH BY THE MINISTER OF FINANCE AND PLANNING, HON. DR. PHILIP I. MPANGO (MP), PRESENTING TO THE PARLIAMENT THE ECONOMIC SURVEY REPORT 2017 AND THE NATIONAL DEVELOPMENT PLAN 2018/19
INTRODUCTION


2. **Honourable Speaker**, first of all, I would like to thank the Almighty God for keeping us in good health and bringing us together in this 11th assembly session of the 11th Parliamentary session of the United Republic of Tanzania in such a peaceful and amicable manner. It is my hope that Honourable Members of this esteemed house will receive, debate and deliberate the Economic Survey Report for 2017 and
the National Annual Development Plan for 2018/19 in a cordial and patriotic way in order to ensure the realisation of the national aspiration of “Nurturing Industrialization for Economic Transformation and Human Development”.

3. **Honourable Speaker,** at the onset, I wish to commend His Excellency Dr. John Pombe Joseph Magufuli, President of the United Republic of Tanzania, who is assisted by Her Excellency Samia Suluhu Hassan, Vice President of the United Republic of Tanzania, and Honourable Kassim M. Majaliwa (MP), Prime Minister of the United Republic of Tanzania, for their outstanding leadership. Under their sincere and sturdy leadership, the Government led by the ruling “Chama cha Mapinduzi” party has successfully implemented a number of national plans
and programmes, which have enabled the nation to make great progress towards realisation of a middle income status by 2025 as stipulated in our National Development Vision. Furthermore, their leadership demonstrates that the battle against corruption, embezzlement, sloth and tax evasion can be won. Therefore, I encourage all Tanzanians to support and rally around these efforts.

4. **Honourable Speaker**, allow me to take this opportunity to congratulate Members of Parliament who were elected in 2017/18 and have joined this House in this session of Parliament namely: Honourable Maulid Abdallah Mtulia, Member of Parliament for Kinondoni Constituency (CCM); Honourable Dr. Godwin Aloyce Ole Mollel, Member of Parliament for Siha Constituency (CCM); Honourable Dr. Damas Daniel Ndumbaro,
Member of Parliament for Songea Municipal Constituency (CCM); Honourable Justin Joseph Monko, Member of Parliament for North Singida (CCM); and Honourable Dr. Stephen Lemomo Kiruswa, Member of Parliament for Longido (CCM). Their successful election bids are an indication of the citizens’ trust in the ability of the ruling party Chama cha Mapinduzi to lead this nation forward successfully. I would also like to congratulate Dr. Adelardus Lubango Kilangi for being appointed by his Excellency President of the United Republic of Tanzania to be the Attorney General.

5. **Honourable Speaker**, may I take this opportunity to also congratulate Honourable Stephen Julius Masele, Member of Parliament for Shinyanga Municipal Constituency (CCM) for being
elected to be the Vice President of the Pan African Parliament, and Honourable Mboni Mohamed Mhita, Member of Parliament for Handeni Rural Constituency (CCM) for being elected to be the President of the Youth Caucus of the Pan African Parliament. Their victory has brought great honour to our nation.

6. **Honourable Speaker**, I am indebted to thank the Parliamentary Standing Committee for Budget under the Chairmanship of Hon. Hawa Abdulrahman Ghasia, Member of Parliament for Mtwara Rural Constituency (CCM); and Vice Chairman, Hon. Jitu Vrajlal Soni, Member of Parliament for Babati Rural Constituency (CCM), for their invaluable, constructive and patriotic advice that has definitely helped in accomplishing the task of preparing and significantly improving the Economic

7. **Honourable Speaker**, I would also like to use this opportunity to offer my sincere condolences to you, to Honourable Members of Parliament and to all citizens for the loss of our fellow legislators, the late Hon. Leonidas Tutubert Gama Member of Parliament for Songea Urban Constituency (CCM) and Hon. Kasuku Samson Bilago Member of Parliament for Buyungu Constituency (CHADEMA). May the Almighty God rest their souls in eternal peace. Amen!

8. **Honourable Speaker**, my presentation is divided into five (5) main parts: First is the introduction; the second part contains a review of economic performance in 2017 and the first quarter of 2018; followed by the third section
which reviews the implementation of the National Development Plan 2017/18; the fourth section outlines priority areas of the National Development Plan 2018/19; and the fifth section concludes.

ECONOMIC PERFORMANCE 2017

World Economy

9. **Honourable Speaker**, in 2017, the World Economy grew at an average of 3.7 percent compared to 3.1 percent in 2016. This was attributed to recovery in global investment, trade and industrial production, increased domestic demand for goods and services in advanced economies as well as recovery in economic growth of developing countries.

10. **Honourable Speaker**, in 2017, global inflation increased to an average of 3.1 percent compared to an average of 2.9
percent in 2016. This was due to exchange rate appreciations, the removal of subsidies, increased tax rates and increased commodity prices, particularly energy prices. Inflation in advanced economies increased to 1.7 percent in 2017 compared to 0.8 percent in 2016. However, average inflation in Asian developing countries decreased to 2.6 percent in 2017 compared to 3.1 percent in 2016. This decrease is attributed to declines in food and oil prices.

**Africa and Regional Economy**

11. **Honourable Speaker,** for Sub-Saharan Africa countries, the average economic growth was 2.8 percent in 2017, double its previous annual rate of growth of 1.4 percent in 2016. Projections indicate that inflation will reach an average of 3.3 percent in 2018. The expectations behind the anticipated increase of economic
growth results from the observed increase in mineral extraction, production of agricultural products and industrial production activities.

12. **Honourable Speaker,** in 2017, inflation in Sub – Saharan Africa countries decreased to an average of 11 percent compared to 11.3 percent in 2016. This decrease in inflation was attributed to improved forex policy and better access to food, the later being attributed to good climatic conditions.

13. **Honourable Speaker,** The East African Community (EAC) recorded an increased economic growth whereby the economy grew by an average of 1.9. Tanzania recorded economic growth of 7.1 percent, which was the highest among the EAC Member States. It was followed by Rwanda with 6.1 percent growth, Kenya
with 4.8 percent, Uganda 4.5 percent and Burundi 0.0 percent. The economy of South Sudan declined by 11.1 percent. The economy of these countries is expected to increase further to an average of 3.6 percent in 2018. The increase is likely to be caused by continued and ongoing improvements especially on policy and procedures for investment and business operations. In addition to policies, Governments of Member States have resolved to implement massive strategic regional projects with the aim of improving regional infrastructure. These include projects like the construction of crude oil pipeline from Hoima (Uganda) to Tanga Port (Tanzania) and the construction of central railway line to standard gauge. Once finished this railway line will connect Tanzania, Rwanda, the Democratic Republic of Congo, Burundi and Uganda.
14. **Honourable Speaker,** for the year 2017 and the first quarter of 2018 (January to March 2018), the inflation trend in East Africa remained at single digit averages except for Burundi. Among East African Community countries. Uganda recorded the lowest average inflation rate of 5.0 percent followed by Tanzania which had an average rate of 5.1 percent, Rwanda 6.6 percent, Kenya 7.3 percent and Burundi 13.1 percent. This outcome was attributed to strong food procurement trends in the region as well as stable prices of oil in the world market.

15. **Honourable Speaker,** the economic growth in SADC Member States averaged at 2.8 percent in 2017 in comparison to real growth of 2.7 percent in 2016. Further, it is expected that economic growth of SADC will rise to 3.1 percent in 2018. This is anticipated to increase in agricultural
production attributed to good weather conditions in 2017.

National Economy

GDP and Economic Growth

16. Honourable Speaker, Real GDP for the year 2017 amounted to 50,525,087 million shillings compared to 47,173,785 million shillings in 2016. This translates to a growth rate of 7.1 percent in 2017 compared to 7.0 percent in 2016. This commendable economic performance is due to the Government’s efforts in the implementing infrastructure projects, increased production of some minerals and improvements in the agricultural sector. Rapidly growing economic activities include: Mining and Quarrying (17.5 percent); Water supply (16.7 percent), Transportation and Storage (16.6 percent), Information and Communications (14.7
percent) and Construction (14.1 percent). Economic activities in the agricultural sector which includes crops, livestock, fisheries and forestry grew by 3.6 percent in 2017 compared to 2.1 percent in 2016. In addition, administrative activities decreased by 1.3 percent.

17. Honourable Speaker, growth in agricultural sector, growth was due to the availability of sufficient rainfall in crop production areas, the increase of extension services and access to sufficient water as well as feed for livestock. In addition, the decline in administrative services was due to the decline in wage costs, resulting from Government efforts to weed out public servants, ghost workers and restoring integrity in the civil service.

Sectoral Shares to GDP
18. Honourable Speaker, in 2017, the
services sector (including fundamental social services, tourism, defense, information and communication, and finance) accounted for 37.5 percent of GDP in comparison to 39.2 percent in 2016. Agricultural activities contributed 30.1 percent in 2017 against 29.2 percent in 2016; and manufacturing and construction activities accounted for 26.4 percent of GDP in 2017 compared to 24.9 percent in 2016.

**GDP Per Capita**

19. *Honourable Speaker*, per capita income in Tanzania Mainland amounted to 2,275,601 shillings up from 2,086,168 shillings in 2016 equivalent to an increase of 9.1 percent. The per capita income in 2017 is equivalent to 1,021 against USD 958 in 2016, an increase of 6.5 percent.
Inflation Trends

20. Honourable Speaker, the inflation trend was relatively stable in 2017 due to improved availability of food in the country, stable energy prices particularly fuel prices in both the domestic market and abroad and the effective implementation of monetary and fiscal policies. Annual average inflation in 2017 was 5.3 percent against 5.2 percent in 2016. Moreover, the inflation trend declined from 5.2 percent in January 2017 to 4.0 percent in December 2017. In addition, from January to April 2018 inflation decreased from 4.0 percent in January to 3.8 percent in April 2018.

Money Supply and Credit

21. Honourable Speaker, during the year ending December 2017, broad money (M3)\(^1\) supply reached 24,711.3 billion

\(^1\) \(M3 = M0 + M1 + M2\)
shillings, up from 22,877.6 billion shillings in December 2016, an increase of 8.0 percent. This growth was above the growth rate of 3.4 percent for the previous year. The trend was mainly attributed to the increase in foreign denominated resources to the Bank of Tanzania that grew by 41.7 percent compared to the growth of 0.7 percent for the same period in 2016. The increase was due to various measures taken by the Government through the Bank of Tanzania to increase

Where by: M0 is Base Money;

M1 is Narrow Money which includes Base Money (M0) and currency in circulation and other forms of money that are easily convertible into cash;

M2 is Broad Money which includes Narrow Money (M1) and saving and time deposits; and

M3 is Extended Broad Money which include Broad Money (M2) and foreign currency reserves.
liquidity in the financial sector.

**Trends on Interest Rate**

22. **Honourable Speaker,** in 2017, on average interest rates increased, where interest rates on loans reached an average of 18.2 percent, up from an average of 15.66 percent in 2016. Interest rates for loans of up to one year increased to an average of 18.24 percent from an average of 12.87 in 2016. On Interest rates for time deposits increased to an average of 9.62 percent in 2017, up from an average of 8.78 percent in 2016. Interest rates for one year deposits declined to an average of 10.86 percent, down from an average of 11.03 percent in 2016. As a result of these trends, annual interest rate differentials for deposits and loans increased to an average of 7.38 percent in 2017, up from an average of 1.83 percent in 2016. Interest rates commercial loans remained high due to
precautions put forward by banks to protect them from customers who fail to pay back their loans on time and increased on non-performing loans.


**Value of the Tanzania Shilling**

24. *Honourable Speaker,* for the year ending December 2017, the trend of the value of shilling against the US Dollar has been stable. In December 2017, a single dollar was exchanged with for 2,228.86 shillings, compared to an average of 2,177.07 shillings in the same period in 2016, the difference being an average of
shilling 57.79. This stable trend has the result of improvements in the management, implementation of prudent fiscal and monetary policies and satisfactory trends of foreign income balances.

**Deposits in Commercial Banks**

25. **Honourable Speaker**, in 2017, commercial banks deposits increased to 20,381.9 billion shillings, compared to 18,766.5 billion shillings in 2016, equivalent to an increase of 8.6 percent. This increase, results from the Government and banks’ efforts to encourage people to use bank services in the implementation of various economic activities, the increase of bank branches in the country as well jointly the growth in the use of agent banking. In that period, private sector had a total of 19,821.3 billion shillings equivalent to 97.2 percent of all
deposits. In the same period, the ratio of foreign currency deposits compared to all deposits declined to 29.9 percent in 2017, down from 31.1 percent in 2016.

**Trends of Credit to Private Sector**

26. **Honourable Speaker**, in 2017, the amount of credit released to private sector increased to 16,883.1 billion shillings, up from 16,608.9 billion shillings in 2016. This amount is equivalent to an average growth of 1.7 percent, which is low compared to an average growth of 7.2 percent in 2016. This trend was attributed to precautions undertaken by commercial banks as a result of increasing non-performing loans and commercial banks preference to invest more in Government Treasury bill.

27. **Honourable Speaker**, to address that situation, the Government through Central Bank continues to take various measures
to increase liquidity in the economy. These measures include: reducing the Statutory Minimum Reserve Requirement (SMR); reducing the discount rate; reducing the interest rates of Government Treasury Bills and payment of domestic cumulative debts of consultants and service providers who had borrowed from commercial banks. Commercial banks have continued to use borrower information storage system in order to reduce risks associated with providing new loans to the private sector.

**Capital Formation**

28. Honourable Speaker, Capital formation at current prices, increased by 17.4 percent in 2017 to 30,350,457 million shillings, up from 25,842,956 million shillings in 2016. Likewise, capital formation at constant (2007) prices in 2017 increased from 13,301,873 million shillings
in 2016 to 15,900,084 million shillings in 2017, equivalent to an increase of 19.5 percent. The ratio of capital formation to Gross Domestic Product (GDP) at current prices was 26.1 percent in 2017 compared to 25.0 percent in 2016. The Public Sector contributed 25.1 percent while Private Sector contributed 74.9 percent to the fixed assets in 2017.

External Sector

Balance of Payments

29. Honourable Speaker, in 2017, the overall balance of payments recorded a surplus of USD 1,649.5 million compared to a surplus of USD 305.5 in 2016. The increased surplus in balance of payments was mainly a result of a decrease in current account deficit and increase in the disbursements of loans and grants for development projects.
Balance of Trade Services
30. Honourable Speaker, in 2017, balance of services recorded a surplus of USD 1,909.7 million, equivalent to an increase of 38.8 percent. This increase was mainly attributed to increase in receipts from services such as transportation. Furthermore, receipts on services increased to USD 3,927.6 million from USD 3,607.5 million recorded in 2016. Payments on services decreased by 9.6 percent to USD 2,017.9 million. This was attributed by decrease in foreign payments related to transportation services.

Current Account Balance
31. Honourable Speaker, the current account deficit which covers trade in goods, services, income and transfer payments narrowed by 43.8 percent in 2017, recording a deficit of USD 1,210.5 million compared to a deficit of USD 2,154.6 million recorded in 2016. This
decrease was a result of decline in importation and payments on services as well as increase in receipts from Development Partners.

Foreign Currency Reserves
32. Honourable Speaker, during the period ending December 2017, foreign currency reserves reached USD 5,906.2 million compared to USD 4,325.6 million recorded during the corresponding period in 2016. This amount was sufficient to cover 5.4 months of imports, exceeding the threshold set for the East African Integration of at least 4.5 months of imports. The increase in foreign currency reserves was a result of measures taken by Bank of Tanzania through purchase of dollars from the market, disbursement of external non concessional loans as well as a decrease in imports of goods and services.
Social Welfare

33. Honourable Speaker, according to a 2018 Report indicating population projections, Tanzania has a population growth rate of 3.1 percent. These projections took into consideration; life expectancy at birth, infant mortality, the rate of migration and HIV infections. The population is projected to increase from 49.0 million people in 2016 to 52.6 million people in 2017 and is expected to be 54.2 million people in 2018. In order to ensure that the population increase is going in tandem with increases in efficiency and productivity of the economy, there is a need to step up efforts to improve production and availability of social services including; fee free basic education, trainings and family planning services, employment opportunities, availability of clean water services and sewage systems, roads, rural electricity as well as
improvements in housing and sanitation.

34. Honourable Speaker, based on the projections, life expectancy at birth has increased from an average of 62.2 years in 2013 to 64.4 years in 2017, and is expected to increase to 66.1 years in 2020 as a result of continued improvements in social services. In addition, crude death rate has continued to decline from an average of 9.0 deaths per 1,000 people in 2013 to 7.2 deaths in 2017 and is expected to decline further to 6.8 in 2018. Crude birth rate declined from an average of 39.2 births per 1,000 people in 2013 to 37.6 births in 2017 and is expected to decline further to 37.2 births in 2018. Total Fertility Rate (TFR) declined from an average of 5.3 children in 2013 to 5.1 children in 2017. Furthermore, Infant Mortality Rate (IMR) declined from 42.8 deaths per 1,000 live births in 2013 to 34.5 deaths in 2017, and is expected to
decline further to 32.6 deaths in 2018.

35. Honourable speaker, the Government has continued to implement concrete policies and plans aimed at improving livelihoods and reducing poverty in the country. According to the Household Budget Survey, poverty level has declined from 28.2 percent in 2011/12 to 24.6 percent in 2015/16. The Government aims to reduce the poverty level further to 16.7 percent and 12.7 percent come 2020 and 2025 respectively. Efforts will be made to continue to improving the availability of various statistical indicators used to analyse poverty trends through the 2017/18 Household Budget survey which is currently underway in the country. The results of the Household Budget Survey, which is usually conducted after every five years, will portray the current situation of
poverty in the country.

36. **Honourable speaker**, the Government has continued to take various measures to improve social service delivery especially in the areas of health, education, water and availability of electricity.

37. **Honourable speaker**, in the **Health** sector: service delivery activities in the health and community development have improved significantly due to various Government interventions. Furthermore, the Government has continued to promote and provide education aimed at combating malaria and HIV transmission. Malaria infection has declined significantly from 14.4 percent in 2016 to 7.3 percent in 2017 and HIV infection for people aged between 15 and 49 years has decreased from 5.8 percent in 2007/8 to 4.8 percent in 2016/17.
38. **Honourable speaker**, in the **Education** sector: the Government has continued to take various measures which have led to an increase in the number of student enrolled in both primary and secondary schools. Pupils in primary school increased to 9,317,791 in 2017 compared to 8,639,202 pupils in 2016; while students in secondary school increased to 1,908,857 in 2017 compared to 1,806,955 students in 2016.

39. **Honourable speaker**, in the **Water** sector: the Government in collaboration with Development Partners has continued to work on improving the availability of water services in rural and urban areas. In January 2018, the availability of water in rural areas was 56.9 percent while in urban areas, the availability of clean and safe water increased to 72 percent in 2017 compared to 51.8 percent in 2017.
Furthermore, the number of residents living within the one kilometre from the sources of clean and safe water has increased to 78 percent in 2017 compared to 57 percent in 2007.

40. **Honourable speaker**, in the **Energy** sector: Government efforts to distribute electricity especially to the rural population through Rural Energy Agency (REA) has accelerated with pace of electrification. The Energy Access Situation Survey conducted in 2016 revealed that the proportion of population benefiting from electricity was 67.5 percent. However, 68.4 percent of households living in rural areas depended on solar power and 34.5 depended on electricity produced by TANESCO. The Government intends to fast track both production and distribution of electricity whilst focusing on the use of natural gas
which has reduced cost of production and hence provide sufficient electricity for household consumption.


**IMPLEMENTATION OF THE NATIONAL DEVELOPMENT PLAN 2017/18**

Implementation of the National Development Plan 2017/18

42. **Honourable Speaker**, 2017/18 was the second year of implementing the National Five Year Development Plan 2016/17 - 2020/21 which emphasizes “Nurturing Industrialization for Economic Transformation and Human Development”. Therefore, the National Development Plan 2017/18 has focused on
four key priority areas:-

(i) Promotion of growth and industrialization for economic transformation;

(ii) Enhancement of human development;

(iii) Improvement of an enabling environment for business and investment; and

(iv) Strengthening implementation effectiveness of the Plan.

43. Honourable Speaker, implementation of the National Development Plan 2017/18 is at different stages and has been adequately assessed during submissions of sectoral budget by the respective Ministers. Therefore, my speech will only highlight the implementation status of some of the projects that have been implemented in 2017/18 as follows:
Flagship Projects:

44. **Honourable Speaker**, These projects have been given special attention because of their key potential to contribute significantly to stimulating the aspired nation economic and social development through industrial development. The implementation status of these projects is as follows:

(i) **Construction of the Central Railway line to Standard Gauge:** Dar es Salaam - Morogoro (300 Km) lot, implementation has reached 10 percent. For the lot from Morogoro to Makutupora (422 Km), initial payment has been effected and the contractor is in the preparatory stages of construction. The process of securing funds for the other lots from Makutupora to Tabora (295 Km), Tabora to Isaka (133 Km), Isaka to Mwanza (250 Km), Tabora –
Uvinza – Kigoma (411 km) and Kaliua – Mpanda – Karema (321 km) is ongoing.

(ii) **Reviving Air Tanzania Company Limited:** in 2017/18, the Government has added one more aircraft - Bombardier Q400 and effected advanced payments for a CS 300 and a Boeing 787. So far, 30 percent was paid for the acquisition of CS 300 and 52 percent for the Boeing 787.

(iii) **Construction of Crude Oil Pipeline from Hoima (Uganda) to Tanga (Tanzania):** Topographical Survey and onshore geotechnical survey at the location of Marine Storage Terminal, Environmental and Social Impact Assessment were completed; affected residents at Chongoleani – Tanga have been compensated; Parliaments of
Uganda and Tanzania agreed with the memorandum of Understanding (MoU) between the Governments of the United Republic of Tanzania and the Republic of Uganda, and an Intergovernmental Agreement (IGA); and negotiations on HGA and Shareholding Agreements – SHA are on-going.

(iv) **Rufiji Hydropower Project**: The contractor has submitted proposals of a tender document for review by the Government, and construction of a 33 kV transmission line from Dakawa to project area has started.

(v) **Mkulazi Sugarcane Plantation and Sugar Factory**: About 1,000 hectares out of 1,200 have been cultivated, of these 860 hectares have sugarcane planted; 800 out of 1,200 hectares belonging private farmers have been cultivated, of these 650 have
sugarcane planted. The processes of buying sugarcane from small scale farmers; and factory construction are ongoing.

(vi) **Provision of Education and Vocational Training on Special Skills for Industrial and Human Development and Promoting Science, Technology and Creativity:** 1,449 students have been admitted to pursue studies in level of diplomas, undergraduates, masters, PhDs in the field of oral and dental health, liver transplant, operations, mental health, nursing and midwife, medical engineering, radiation therapy and laboratory science at the university of health and allied science Muhimbili - Mloganzila campus. Also, 912 staffs at universities of: Dodoma (377), Ardhi (25), Science and Technology Mbeya (105), and from Muhimbili
National Hospital (7), Ocean Road (7), Benjamin Mkapa – Dodoma (3) Mirembe Hospital (12) and Ministry of Health, Community Development, Gender, Elderly and Children (376) are undergoing training at various levels such as diploma, undergraduate, masters and PhD’s. In addition 27 researchers from COSTECH are enrolled in studying masters (23) and PhD (4) programmes.

**Economic Growth and Industrialization**

45. **Honourable Speaker**, projects to promote economic growth through industrialisation aim at creating industries that use and promote value addition of locally available raw materials from primary sectors like agriculture, minerals and natural gas sub sectors. To realize this objective, the Government has
implemented the following: establishing 429 different new industries through SIDO which have produced 1,287 new jobs; assembling a new tractor at TAMCO – Kibaha; preparing suitable partnership terms for investment in the General Tyre factory – Arusha; seeking appropriate investors to invest in the Soda Ash project in Engaruka Valley – Arusha; and improving Tanzania’s Industrial Research and Development Organisation (TIRDO) through establishing and strengthening the labs for oil and gas, coal and steel and ensuring that they are developed to international standards.

46. **Honourable Speaker,** Other initiatives in this category include the development of industries for processing leather and cotton. This includes development of shoes and leather products factory at the Karanga Prison
(Moshi), the Bora Shoes factory, Woiso Shoes Company Ltd and the Mwanza Tanneries Factory Ltd. Effort to promote Cotton to Clothing includes enhancing production at Urafiki Textile Mill, in Dar es Salaam; Morogoro Canvas Mill factory in Morogoro; and Cotton Ginneries of the Nyanza Cooperative Union. The Government has also continued to encourage the private sector to invest in industries that use raw locally available materials, such as meat processing, dairy, water, forestry, lime, ceramics, gypsum food products and fruits.

Infrastructure Development and Enabling Environment

47. Honourable Speaker, the Government has continued to implement various development projects in order to strengthen and improve infrastructure
necessary for supporting the industrialization process. Included in these projects are those that involve construction of roads that connect regional headquarters and those that link Tanzania and neighbouring countries. These include: completion of Dodoma – Babati (251.4 km), Sumbawanga - Kanazi (75.0 km), Kanazi - Kizi - Kibaoni (76.6 km), Sitalike – Mpanda (36.9 km), Kyaka - Bugene (59.1 km), Uyovu - Bwanga (45 km). In addition Kilombero and Kavuu bridges has been completed, construction of the TAZARA flyover has reached 88.82 percent and the construction of Ubungo Interchange is at preparatory stages.

48. Honourable Speaker, the Government has also continued to implement the following projects: Kidahwe - Kasulu - Kibondo – Nyakanazi road ( km 310) where construction has
reached 56 percent for the lot of Kidahwe – Kasulu (63 km); Tabora – Ipole – koga – Mpanda road (373 km) construction has reached 79.1 percent for the lot of Tabora – Sikonge (30 km) and the contract for construction of the lot of Sikonge – Ipole – Koga – Mpanda (343 km) has been signed; feasibility study for construction of Selander bridge is in progress and also, the preparation for the construction of infrastructure for rapid bus transit in Dar es Salaam phase II, III, and IV has commenced.

49. **Honourable Speaker**, progress has also been made with regards to ports, this includes: signing of an agreement contract and commencing construction in the port of Dar es Salaam; completion of 20 percent of the construction of one (1) berth with a length of 300 meters at the port of Mtwara; completion of a review of the feasibility
study for Tanga port in order to the assess possibility of implementing the project through PPP framework; continuation of discussions between the Government and Investors on the development of Bagamoyo port; starting of the construction of Ruvu dry port; proceeding with the construction of berths in Nyamirembe, Chato and Magarine Muleba District in Lake Victoria, Kalya/Sibwesa dock in Lake Tanganyika and Ndumbi in Lake Nyasa.

50. **Honourable Speaker**, the Government has also continued with the construction and rehabilitation of several airports in the country. Progress made in this area includes: completion of 72 percent of construction of Terminal III building at the Julius Nyerere International Airport; completion of 500 meters extension of the runway and
expansion of the apron at Mwanza airport; and the construction of Msalato international airport is at design stage.

51. **Honourable Speaker**, in 2017/18 the installed capacity for electricity generation in the country increased from MW 1,450 in 2016/17 to MW 1,517.47 as of May, 2018 equivalent to a 4.7 percentage increase following successful installation of six (6) gas generators at Kinyerezi II.

52. **Honourable Speaker**, Rural Energy Agency (REA) has continued with implementation of rural energy electrification projects by connecting customers to electricity services whereas by December, 2017 the project reached 99 percent completed. Through this project, electricity supply infrastructure has been constructed in more than 2,598 villages out of 2,697, which is equivalent to 96.3
percent of the target. This has enabled the supply electricity to 178,641 customers which are equal to 71.46 of the prior expectations of 250,000 customers. As a result of this the access of electricity services in rural areas has increased to 49.5 percent.

53. **Honourable Speaker**, in improving the Mining sub sector, the Government has implemented the following: marking amendments to the Minerals Act of 2010 and its Regulations; constructing a protective wall at Mirerani – Tanzanite mines; and the completion of an assessment of gold sediments in small-scale mining licenses in Mpanda (Kapanda – Sikitiko); Mara (Buhemba – Rwabasi); and Tanga (Mukulumuzi, Kiomoni and Kange).
Integrating Economic growth and Human Development

54. Honourable Speaker, in efforts to ensure that economic process is adequately reflected in people’s lives Government continues to strengthen the provision of education and vocational studies, health and water services to promote community development. For the case of Education and Vocational Studies the Government implemented the following: providing fee free education; expanding loans and subsidies to higher learning students; purchasing equipments and facilities for students with special needs; expansion and rehabilitation of Dodoma regional library; and the construction of five VETA colleges in Geita, Simiyu, Njombe, Rukwa and Kagera Regions.

55. Honourable Speaker, in Health
sector: the Government has taken various measures to improve services provided in hospitals, health centres and dispensaries. It has also continued to strengthen availability of medicines, equipments, medical equipments, and reagents and vaccines with their availability at 92 percent in health provision centres all over the country. In addition, availability of 135 essential medicines from Medical Stores Department (MSD) reached 81 percent. Apart from that, the Government strengthened control on communicable diseases especially TB and new cases of HIV especially among youth.

56. **Honourable Speaker**, in Water sector: the Government continues to expand and improve provision of water services in urban and rural areas. The following projects have been implemented: Lake Victoria – Kahama, Nzega, Igunga, and Tabora to Sikonge
Water project; strengthening of water sources and catchment areas, planting trees, and emphasizing the use of renewable technology and environmental protection.

57. Honourable Speaker, the Government continues to implement its objective of moving its core activities and functions to Dodoma. The first and second phase which involved successfully moving 3,829 Civil servants to Dodoma and the third phase is underway. Furthermore, His Excellency Dr. John Pombe Joseph Magufuli, President of the United Republic of Tanzania upgraded Dodoma municipality to become a city on 26th April 2018. The Prime Minister’s office continues to coordinate progress and for construction of Government office buildings in accordance with Dodoma’s Land Use Plan.
Strengthening Implementation Effectiveness of the Plan

58. Honourable Speaker, for effective execution the country’s development plan, the Government will continue to use the Implementation Strategy of National Five Year Development Plan 2016/17 – 2020/21 which provides a solid base sequencing the implementation of development projects. The Strategy contains an Action Plan, Financing Strategy, Monitoring and Evaluation Framework as well as Communication Strategy for the plan. Copies of this strategy are available in the Ministry of Finance and Planning website (www.mof.go.tz).

Implementation of Development Budget

59. Honourable Speaker, in the year 2017/18, the Government planned to spend 11,999.59 billion shillings for development projects, of which 8,969.75
billion shillings are local funds and 3,029.85 billion shillings are foreign funds. Up to April 2018, 5123.2 billion shillings which is equivalent to 42 percent of the development budget were released of which 775. 8 billion shillings are foreign funds. Out of these 325.9 billion shillings were received from development partners and disbursed direct to agriculture, health, energy, education, environment, natural resources and tourism projects implemented by respective Ministries, Independent Department and Agencies as well as Regional and Local Government Administrations.

60. Honourable Speaker, the Government continue to undertake various initiatives to improve the participation of the private sector among them: reviews of various policy, legal and procedures that affect involvement of
private sector; Setting aside areas for investment areas (EPZ, SEZ and finalizing the establishment of land banks under TIC) construction of supportive infrastructure (roads, power, water and railway) that is supportive to investment; and strengthening special funds to facilitate private sector (like SAGCOT Catalytic Fund and PPP Facilitation Fund).

Implementation, Challenges for the National Development Plan 2017/18 and Budget for and Counter Measures

61. Honourable Speaker, implementation of the Plan and budget for 2017/18 faced several challenges including delays in accessing loans and grants; unrealized revenue targets; and inadequate participation of the private sector. Measures taken to address these challenges include strengthening of
stakeholders’ participation, particularly Development Partners by reaching a consensus on cooperation procedures through the Development Cooperation Framework – DCF; preparations of a master plan to guide improvement of the business environment in order to stimulate and widen private sector participation; identification of development projects to be implemented via Public - Private Partnership modality; establishment of a participatory dialogue with business partners; and setting up of procedures that will enhance accessibility of loans for the private sector.

62. Honourable Speaker, detailed information on the implementation of development projects is contained in the National Development Plan 2018/19 (Chapter Three).
63. Honourable Speaker, the Development Plan for 2018/19 is the third in the series of five annual plans through which the National Five Year Development Plan 2016/17 – 2020/21 with the theme “Nurturing Industrialization for Economic Transformation and Human Development” will be implemented. In order to attain the objectives and targets of the plan, emphasis has been put on the following four major areas.

(a). **Industries to foster Economic Growth and an Industrial Economy:** The objective is to proceed with establishment of industries that utilize locally available raw materials mainly agricultural produce, minerals and natural gas. The projects that will be
given a special consideration in this area include: Mchuchuma Coal Mine; Liganga Iron ore Plant; Mkulazi Sugar Cane Farm and Sugar Factory; Lindi Liquefied Natural Gas Plant; Establishment of Special Economic Zones; and Kurasini Trade and Logistics Centre. The Government will also continue with establishment of a Tractor Assembly Plant and textile and clothing industries at TAMCO – Kibaha; Strengthening of Nyumbu Corporation; Completion of preparatory works for the implementation of Soda Ash project at Engaruka Basin; Revamping the General Tyre Factory in Arusha; Strengthening the Centre for Agricultural Mechanization and Rural Technology (CAMARTEC), Tanzania Industrial Research and
Development Organization (TIRDO), Tanzania Engineering and Manufacturing Design Organization (TEMDO), and Small Industries Development Organization (SIDO).

Moreover, in efforts to establish a solid foundation for an industrial economy, the Government is strengthening the Agricultural sector: by facilitating access to extension officers, agricultural inputs and markets; constructing and rehabilitating irrigation systems; strengthening agricultural training colleges; and undertaking research to determine the best crop yields. For the Livestock sector: the Government will continue to improve land management systems and the availability of animal feeds; strengthening the provision of cure
and control of livestock diseases. In **Fisheries** sector: The Government will continue with the construction and rehabilitation of dams; strengthen and promote the protection of fisheries and ecosystems; and continuing with the preparations for the construction of a fishing port. In the **Forestry** sector: The Government will: strengthen the game reserves and anti-poaching units in the country; promote sustainable management of natural resources; and support the development of private forests and associated value chain. In the **Mineral** sector: the Government will continue to: manage mineral resources; to construct smelters and refineries; and construction of facility centers.
(b). Economic Growth and Human Development: This part focuses on promoting and sustaining the achievements attained in efforts to improve the livelihoods of Tanzanians especially in the rural areas. The aim is to improve the availability of health services, essentially, the specialized services; strengthening provision of education and skills development; strengthening community welfare services; ensure reliable supply of food and nutrition; improve availability of clean and safe water in rural and urban areas; improve management of water resources; and strengthen of environment and climate change management. In ensuring that the economic growth translate into human welfare, the Government will implement various
development projects in different sectors of the economy including **Education**: fee free education; rehabilitation of regional libraries; Education Sector Development Programme; Literacy and Numeracy Enhancement Programme; School Water Supply, Sanitation and Hygiene (SWASH) Programme; Construction and rehabilitation of District and Regional Vocational Education Training Colleges; provision of internship opportunities for college students and provision of adequate meals; improvement of Teachers’ Education; provision of loans and grants to higher learning students; construction and rehabilitation of infrastructure at Universities; enhancement of COSTECH’s Research and Development Fund;
and Skills Enhancement Programme. **Health:** Improvement of regional referral hospitals and health sector research institutions. **Water Supply and Sanitation:** Improvement of water supply services in Dar es Salaam city; Supply of water from Lake Victoria; National Major Water Projects; Improvement of Water services in rural and urban areas; construction of strategic water dams of Kidunda, Farkwa and Ndembera.

(c). **Enabling Environment for Doing Business:** This part focuses on construction and rehabilitation of various infrastructures including energy, transport (railways, roads, bridges, airports and ports) and procurement and rehabilitation of ships and ferries. The priority
projects in this category include Rufiji Hydropower Project; Crude Oil Pipeline from Hoima Uganda to Tanga Tanzania; Lindi Liquefied Natural Gas Plant; Standard Gauge Railway Line; and reviving of Air Tanzania Corporation.

Furthermore, the Government will continue to enhance the Railway Fund; construct and rehabilitate roads that unleash economic potentials and connect Tanzania with neighbouring countries; construct infrastructure for BRT Phase II, III and IV in Dar es Salaam; construct flyovers in Dar es Salaam; and construct rural and urban roads. The Government will also facilitate the construction and rehabilitation of bridges; improve water and air transport; construct and rehabilitate
ports; improve information and communication technology services; construct power generation and transmission infrastructure; and construct infrastructure for power distribution in rural and urban areas. In ensuring a conducive business environment, the Government will implement Land Planning and Titling project, establish Land use planning project, Land Distribution and Management System, and maintain regional and international cooperation through economic diplomacy with a view to securing markets and attracting investors.

(d). **Strengthen implementation effectiveness of the Plan and projects:** The activities to be implemented include; setting up a
system that will facilitate access to financial resources for preparation, implementation and monitoring and evaluation of the projects through effective implementation of the financing strategy of National Five Year Development Plan 2016/17-2020/21; establishing criteria for measuring successful implementation; strengthening institutional framework with the aim of improving monitoring and evaluation as indicated in Public Investments Operational Manual; building the capacity of the staff in monitoring and evaluating implementation of development projects; and strengthening information storage and reporting systems for project implementation based on value for money.
In order to realize the objectives of the plan, the Government will continue to create an enabling environment to catalyze private sector development and participation particularly the domestic private sector, in industrialization. Government will also continue to: review policy, laws and regulations that will catalyze private sector participation, set aside specific areas for investment; construct supportive infrastructure that will facilitate investment; strengthen special catalytic funds that will increase the participation of private sector; strengthen the Tanzania Investment Center (TIC); and establish mechanisms to facilitate availability of affordable long term loans.
The government will continue to encourage the participation of Social Security Funds and public corporations to invest in priority areas for development especially, in industries. Public corporations are involved in the implementation of big projects including infrastructure (ports, roads, communication, railway and construction of airports), energy, and other priority areas (Iron industries, minerals, and coal) outlined in this Plan.

(e). Moving of the Core Government functions to Dodoma: in 2018/19, the Government will continue with efforts to implement its objective of moving core Government entities and functions to the Capital City of Dodoma. Implementing this objective, will also entail
transforming Dodoma into a modern well developed City. The Government is collaborating with other stakeholders including the private sector and international institutions to transform Dodoma into a modern city. Prime Minister’s Office continue to coordinate the provision of plots and development spaces for the construction of offices and houses for Government authorities in line with the demands of Dodoma’s land use and development plans.

64. Honourable Speaker: detailed information on the priority projects for next financial year is outlined in Chapter Four of the National Development Plan 2018/19.
Implementation Risks

65. Honourable Speaker: the implementation of development projects could be affected with number of internal and external risks. The internal risks are; inadequate funds; land ownership conflicts; inadequate participation of private sector; high rate of population growth; environmental degradation and climate change. External risks include: regional and global economic and political shocks; natural calamities; and spatial politics that can breed wars and conflicts.

66. Honourable Speaker: the Government in collaboration with stakeholders will make deliberate efforts to mitigate the risks by taking the following measures; increasing revenue collection, collaborating with stakeholders to create innovative sources of finance and strengthening financial and management
discipline in implementing development projects. In addition, the Government will continue to strengthen dialogue with private sector in order to increase investment, boost production and combat environmental degradation.

**Financing the Plan**

**Public sector**

67. **Honourable Speaker,** the Government has allocated 12,000.273 billion shillings for implementing the National Development Plan 2018/19. Out of this, 9,876.393 billion shillings are local funds and 2,130.880 billion shillings are foreign funds. The allocated amount is equivalent to 37 percent of the total budget. These funds will be obtained from various traditional sources such as tax, non-tax, loans and grants from Development Partners. The allocated amount does not
include innovative sources like direct investment from private sector and public private partnerships.

**Public Private Partnership**

68. **Honourable Speaker,** Projects implemented and financed through public private partnership will be implemented in accordance with the Act No. 18 of 2010 along with its amendment of the year 2014. The Government will continue to improve the environment for business investment and enhancing revenue. It will also continue to strengthen the PPP Facilitation Fund in order to finance the preparation of feasibility studies for potential projects.

**Public Corporation**

69. **Honourable Speaker,** the Government will continue to use Public Corporations to finance the development projects. Efforts to improve income from
the public corporations include enforcing Finance Act of 2015 along with the Budget Act No. 11 of 2015. In order to ensure that these entities submit requisite financing amounting to 15 percent through their gross revenues, the Government will also continue to improve performance of these entities by nominating the appropriate members to their respective boards to ensure efficiency.

**Innovative sources of financing the Plan**

**70. Honourable Speaker,** the different sources of financing the plan have been identified in the Five Year Development Plan, 2016/17-2020/21 and its Implementation Strategy. In 2018/19, the Government in collaboration with stakeholders will continue to work out on the proposed sources to improve and initiate their use as appropriate sources: Public Private Partnership frameworks;
Local Government Bonds; Foreign Market Bonds; and Climate Change Financing.

71. **Honourable Speaker**, detailed information on financing of development projects is outlined in Chapter Five of the Annual Development Plan 2018/19.

**Monitoring, Evaluation and Reporting**

72. **Honourable Speaker**, This aspect will be implemented in accordance with the requirements of monitoring, evaluation and reporting framework as stipulated in the Second Five Year Development Plan. Among other things, the framework outlines responsibilities of each stakeholder in coordinating, monitoring, evaluating and periodic reporting of progress.

73. **Honourable Speaker**, in 2018/19, the Government will conduct Mid-term
Evaluation of the Second Five Year Development Plan. The evaluations will assess performance of the Plan against the intended objectives and targets. It will identify challenges and recommend solutions or any change that may be required in order to return to the right trajectory of implementation towards achieving the objectives of the Plan.

74. **Honourable Speaker,** the Ministry of Finance and Planning coordinates monitoring and evaluation of the National Plan in collaboration with Government Ministries, Independent Departments, Agencies and other Institutions responsible for implementing development projects. In order to ensure recommendations arising from the monitoring and evaluation exercise are implemented, the Government will form a special advisory committee (steering
committee) with a Secretariat under the Ministry of Finance and Planning to oversee their implementation.

75. **Honourable Speaker**, in the year 2018/19 the Government will continue to use various strategies to ensure that stakeholders are aware and are well informed of the National development plans and their responsibilities in implementing them. The stakeholders will be given information through news outlets including television, newspapers and magazines following the approval of the National Development Plan for 2018/19 by the Parliament.

76. **Honourable Speaker**, Detailed information on monitoring, evaluation and reporting of the Plan is outlined in the National Development Plan 2018/19 (Chapter Six).
SUMMARY AND CONCLUSIONS

Summary

77. Honourable Speaker, the Government aim to promote industrial development so as to stimulate economic transformation and foster human development. However, there are various challenges that affect the realisation of this goal. These challenges include inadequate revenue collection; delayed access to loans and grants; and inadequate participation of private sector in implementing development projects. The Government will continue to partner and dialogue with Development Partners and to work through the established Development Cooperation Framework to ensure that loans and grants are honoured on time. Moreover, the Government will continue to strengthen the revenue collection systems and to attract innovative sources.
of financing outlined in the Financing Strategy. It will also improve the business and investment environment in order to attract private sector participation in implementing development projects.

78. **Honourable Speaker**, in nurturing an industrial economy, emphasis will be put in reviving and establishing industries that use local raw materials, example those which use raw material from agriculture, livestock, forests and minerals, industries which produce products that can be consumed by many people and those which will create employment opportunities for Tanzanians especially young the youth. The industries include. The Government will also continue to strengthen domestic revenue collection, control tax evasion and focus on prudent management and control of public spending so that in funding development
projects and improve access to quality social services to the citizens.

Conclusion

79. **Honourable Speaker**, I would like to take this opportunity to thank the Deputy Minister for Finance and Planning, Hon. Dr. Ashatu Kachwamba Kijaji (MP), Ministers and Permanent Secretaries of all Government Ministries, Heads of Government departments and institutions for their cooperation and invaluable support during the preparation of the Economic Survey Report 2017 and the National Development Plan for 2018/19. I would like to convey special thanks to all officials from the Ministry of Finance and Planning led by Mr. Doto James, the Permanent Secretary for managing well the routine work of the Ministry very well.
80. **Honourable Speaker,** I would also like to thank Members of Parliament and all citizens for listening. This speech together with Economic Survey report 2017 and the National Development Plan 2018/19 are available on the website of the Ministry of Finance and Planning at [www.mof.go.tz](http://www.mof.go.tz).


82. **Honourable Speaker,** I beg to move.