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2018

# Speech of Government Budget for the year 2018-2019

Tanzania, United Republic

Ministry of Finance and Planning

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**SPEECH BY THE MINISTER FOR FINANCE AND  
PLANNING, HON. DR. PHILIP I. MPANGO (MP),  
PRESENTING TO THE NATIONAL ASSEMBLY,  
THE ESTIMATES OF GOVERNMENT REVENUE  
AND EXPENDITURE FOR  
2018/19**



## I. INTRODUCTION

1. *Honourable Speaker*, I beg to move that this Esteemed Parliament resolves to receive, debate and approve the Government's Revenue and Expenditure Estimates for the year 2018/19. This budget is presented in line with Article 137 of the Constitution of the United Republic of Tanzania of 1977, together with Section 26 of the Budget Act Number 11 of 2015.
2. *Honourable Speaker*, together with this speech, I submit four volumes of budget books: Volume I presents the Revenue Estimates; Volume II presents Recurrent Expenditure Estimates for Ministries, Independent Departments and Government Agencies; Volume III presents the Recurrent Expenditure Estimates for Regional Secretariats and Local Government Authorities; and Volume IV presents the Development Expenditure Estimates for the Ministries, Independent Departments, Government Agencies, Regional Secretariats and Local Government Authorities. In addition, the Finance Bill, 2018 and the Appropriation Bill, 2018 are part of this budget.
3. *Honourable Speaker*, it is a great honour and privilege to stand before your august House to

present the third national budget of the Fifth Phase Government. Therefore, first and foremost, I would like to thank the Almighty God for continuing to bless our country with abundant peace, harmony and tranquillity and by enabling me to present the National Budget to the Tanzania citizens for the third time. Secondly, and without limit, I would like to congratulate, the President of the United Republic of Tanzania, H. E. Dr. John Pombe Joseph Magufuli, our decisive leader, full of energy, trustworthy and the leader who gives hopes to all Tanzanians, particularly the poor; the dependable leader of Tanzanians, the leader who hates and fights corruption, graft and embezzlement of public assets in practical terms; the distinguished President who takes bold decisions of safeguarding the national resources. I would like to congratulate the President for the extraordinary job and glorious achievements over a short period of two and half years in power. I would like to mention only ten important things that His Excellency has bravely implemented with great fame:

- (i) **Relocating the Headquarters of the Central Government to Dodoma:** His Excellency has blended into reality the dream of the Father of the Nation, Mwalimu Julius Kambarage Nyerere and the decision made by the ruling

party in 1972 of relocating the headquarters of the central Government to Dodoma. In addition, using the Constitutional powers of the President, His Excellency has upgraded the then Dodoma Municipal Council to City Council with effect from 26<sup>th</sup> April 2018;

- (ii) **Constructing a Wall around Tanzanite Mines in Mirerani:** His Excellency constructed a wall whose circumference is 24.5 kilometers around Tanzanite Mines in Mirerani in Simanjiro District at a cost of shillings 5.42 billion. The main objective of constructing the wall around the mines is to curb illegal mining and selling of Tanzanite, which is exclusive to Tanzania and brings revenue to the country. For the period of three months starting from January - March 2018, the Government collected royalty amounting to shillings 714.6 million, out of which, shillings 614.6 million was collected from artisan miners. The royalty collected from artisan miners surpassed royalty collected cumulatively for the past three years: shillings 116.8 million (2015); shillings 71.8 million (2016); and shillings 147.1 million (2017);

- (iii) **Control of the Export of Mineral Concentrates and Enactment of New Mining Laws:** His Excellency intervened in the shipment of 277 containers of mineral concentrates outside the country, whose estimated value ranged from shillings 829.4 billion to shillings 1,438.8 billion. Moreover, His Excellency instructed enactment of new mining laws, which will be a model in Africa to enable countries with natural resources to benefit from the resources. The laws passed by the esteemed Parliament are:
- a) The Natural Wealth and Resources (Permanent Sovereignty) Act, 2017;
  - b) The Natural Wealth and Resources Contracts (Review and Re-Negotiation of Unconscionable Terms) Act, 2017; and
  - c) The Written Laws - Miscellaneous Amendments) Act, 2017.
- (iv) **Provision of Fee-free Basic Education and Eight-fold Budget Increase for Medicines, Medical Equipment and Reagents:** His Excellency has provided fee-free basic education, whereas the Government pays shillings 20.8 billion monthly. As a result, enrolments for Standard One pupils have increased from 1,568,378 pupils in 2015 to 2,078,379 pupils in 2018. Moreover, students'

enrolment for Form One has also increased from 448,826 students in 2015 to 562,695 in 2017. Further, His Excellence increased the Higher Education Students loans, whereas the allocations in 2017/18 amounted to shillings 409.9 billion compared to the actual expenditure of shillings 367.4 billion in 2015/16. Total number of students receiving loans increased from 96,589 in 2015 to 122,623 in 2017. In Health Sector, His Excellency has braved to strengthen health services by raising the budget to procure medicines, immunization, equipment, medical equipment and reagents to shillings 269 billion in 2017/18 from shillings 31 billion in 2015/16;

- (v) **Procurement of New Aircrafts and Revamping the Air Tanzania Company Limited (ATCL):** His Excellency has revamped the Air Tanzania Company Ltd by taking bold decisions to procure three new Bombardier Q400 Aircrafts with the capacity of carrying 76 passengers each that are already operating in the country by making internal trips. Further, three (3) big aircrafts, Boeing 787-8 Dreamliner with capacity of carrying 262 passengers and two Bombardier CS 300 aircrafts with capacity of carrying 132 passengers each, will be delivered later this year. In addition, the Government completed



procedures to procure second new aircraft Boeing 787-8 Dreamliner and initial down payment has been paid.

- (vi) **Curbing of Unnecessary Expenditures, Removal of Ghost Workers and those with Forged Certificates:** His Excellency has curbed unnecessary expenditures especially foreign travel for Government workers and removal of 19,708 ghost workers from payroll who were being paid monthly salaries to the tune of shillings 19.8 billion. Moreover, 14,404 Government workers with forged certificates who were being paid shillings 15.5 billion monthly were removed from the payroll. Further, His Excellency, established the Corruption and Economic Crimes Division of High Court to fight those who are involved in grand corruption practices, and under his leadership, integrity of the civil servants has improved remarkably;
- (vii) **Construction of Central Railway Line (Standard Gauge Railway - SGR):** His Excellency has commissioned the construction of Standard Gauge Railway. Phase one of the project from Dar es Salaam to Morogoro (205 km) and phase two from Morogoro to Makutopora, Dodoma (422 km) are in progress.

The estimated cost of both phases is USD 3.14 billion;

- (viii) **Construction of Hydroelectric Power Project at Rufiji River:** His Excellency has embarked on the construction of a huge hydro electric power project at Rufiji River with capacity to generate MW 2,100. This project was also a dream of the Father of the Nation and is at its initial stage of implementation;
- (ix) **To strengthen the management of domestic revenue:** His Excellency has fulfilled his commitment to Tanzanians of improving revenue collections and controlling tax evasion. The measures have contributed to an increase in revenue collections from an average of shillings 850 billion per month to an average of shillings 1.3 trillion at present; and
- (x) **Hastening of Rural Electrification and stopping Independent Power Producers (IPPs):** His Excellency has continued with the implementation of turnkey projects of supplying electricity under REA Phase III, whereby in his two and half years in office, a total of 557 villages were electrified. The villages are part of implementation of REA II, REA III for densification, backbone and Makambako - Songea transmission lines. Moreover, His

Excellency suspended the implementation of the IPPs that were costly to the Government. Further, through his tireless efforts the Government of Uganda was convinced, to construct the major oil pipeline project from Hoima - Uganda to Tanga Port - Tanzania, and the project is now at implementation stage.

4. *Honourable Speaker*, there are many accomplishments by His Excellency (construction of roads, bridges, ships, water supply, financial *sector* supervision etc) but in the interest of time, I cannot exhaust them all. All these are vivid evidences that Tanzania, under the strong leadership of President Magufuli, has gained development momentum. It is therefore, the responsibility of each and every Tanzanian to join the efforts of His Excellency in building a modern Tanzania. To that end, each Tanzanian should be patriotic, join the war against theft, embezzlement of public resources and graft, as well as working hard and paying Government taxes.
5. *Honourable Speaker*, along with these honest congratulations to our President, I would like to sincerely thank His Excellency for continuing to trust and guide me when discharging my duties as the Minister for Finance and Planning. Even when I was overwhelmed by assignments and blames that this Minister is stingy in releasing funds and others

calling me an arrogant minister, His Excellency encouraged me. I once asked President as to why His Excellency decided to give me such a burdensome job like a concrete cross and without a hope of seeing a person like Simon of Kirene in the Holy Bible to help me. The President responded to me that *“God will send His angels to help me!”* and added that *few of us should be ready to suffer for the benefit of poor Tanzanians who are the majority.* Further, let me be honest that, the words from His Excellency irradiated and reminded me the prayer from *“opus Dei”* in hardship which says... *“let the will of God the most righteous and pleasing, be done, fulfilled, praised and glorified above all things forever and ever. Amen”.* Amen. After this remembrance of prayer and comforting words of His Excellency, I became rejuvenated to continue serving in a position assigned to me. I thank you Mr. President. I know you are listening!

6. *Honourable Speaker,* I would like also to congratulate Hon. Samia Suluhu Hassan, the Vice President of the United Republic of Tanzania, for assisting the President to exercise wisdom in leading the Nation. Likewise, I would like to congratulate H.E. Dr. Ali Mohamed Shein, the President of the Revolutionary Government of Zanzibar and the Chairperson of the Revolutionary Council for leading Zanzibar wisely, which has lead the people

of Zanzibar to live in peace and harmony for the period of seven and a half years to date. Moreover, let me take this opportunity to congratulate Hon. Kassim M. Majaliwa, the Prime Minister of the United Republic of Tanzania, who is also the Member of Parliament for Ruangwa Constituency, for being a strong captain of the Government Team in the Parliament and for helping the President in following up the implementation of the Ruling Party CCM Manifesto of 2015 - 2020. Further, I wish to congratulate other heads of National Organs, starting with you Hon. Job Yustino Ndugai, Speaker of the National Assembly of Tanzania and Member of Parliament for Kongwa Constituency, in leading this Esteemed House judiciously; Hon. Professor Ibrahim Hamis Juma, Chief Justice of Tanzania, for excellent job of leading this important organ of giving justice. Furthermore, I would also like to congratulate Honourable Ambassador Eng. John Kijazi, Chief Secretary, who is also the Head of Civil Service and Cabinet Secretary, for his seasoned service to the Government.

7. *Honourable Speaker*, let me also congratulate the honorable spouses of our national leaders for their special importance. Allow me to mention them by their names: Mwalimu Janeth Magufuli, Mr. Ameir Hafidh Ameir, Mama Mwanamwema Shein, Mwalimu Mary Majaliwa, Dr. Fatuma Ramadhani

Mganga, and Mama Marina Papadopoulos Juma. We congratulate and thank them for enabling our national leaders to perform their duties in harmony, excitement and smile from great love they are providing to them at homes.

8. *Honourable Speaker*, I wish to congratulate and thank all heads of defence and security organs starting with General Venance Mabeyo, Chief of Defence Forces; Simon Siro, Inspector General of Police; Dr. Juma Ali Malewa, Commissioner General of Prison; Dr. Anna Makakala, Commissioner General of Immigration; Dr. Modestus Kipilimba, Director of Intelligence and Security Services; Mr. Valentino Mlowela, Director General of the Prevention and Combating of Corruption *Bureau*; Mr. Rogers William Sianga, Commissioner General of Drugs Control and Enforcement Authority; and Mr. Thobias Andengenyne, Commissioner General of Fire and Rescue. My fellow Tanzanians and I are sincerely congratulating these leaders, together with commanders, officers and staff of the respective institutions for being strong and capable of maintaining peace, security, hence enabling all Tanzanians to continue harmoniously with their development activities. Likewise, I wish to congratulate Honorable Dr. Adelardus Lubango Kilangi for being appointed by the President to the post of Attorney General. I also thank him for the

preparation of the 2018 Finance Bill, and the 2018 Appropriation Bill on time.

9. *Honourable Speaker*, Let me take this opportunity to offer my specific thanks to the Parliamentary Standing Committee for Budget headed by Honourable Hawa Abdurahman Ghasia, Member of Parliament for Mtwara Rural Constituency and her deputy, Hon. Jitu V. Soni, Member of Parliament for Babati Rural Constituency. Opinions and advices given by the Budget Committee during the analysis of the budget proposals which I am presenting before your Esteemed House were nationalistic and highly valued. In addition, I am congratulating all chairpersons, vice chairpersons, and all Members of the Standing Committee for their contributions made through sectoral committees in improving the 2018/19 Government Revenue and Expenditure Estimates, in order to provide quality services to Tanzanians.
  
10. *Honourable speaker*, as it was in 2017/18, the theme of the 2018/19 Budget for all East African Countries will be **“to build an industrial economy that will stimulate employment and sustainable social welfare”**. This budget has been prepared basing on the situation of our country which we all know, in the sense of major economic and social challenges we are facing, opportunities available, achievements

today and our National goals. Let me briefly explain the following:

**a) Challenges**

- (i) We still have high level of poverty, whereby the data from the National Bureau of Statistics shows that the level of poverty has slightly decreased from 28.2 percent as of 2012/13 to 26.4 percent as of 2015/16. Expectations from the ongoing Household Budget Survey will avail better information on the decrease of the level of poverty, taking into consideration that the economy is growing at an average rate of 7.0 percent per annum over the last two decades;
- (ii) Limited employment opportunities especially for the youth, whereby statistics show that 10.4 percent of Tanzanians are unemployed. In addition, out of 800,000 graduates per annum, only 40,000 are employed;
- (iii) Agricultural sector (which includes crops, livestock and fisheries) which employs 66 percent of the population and contribute 30 percent to GDP continued to record slow growth at an average of 3.7 percent annually over the past 10 years due to low level investment, low productivity and dependence on rainfall, as well as low contribution of manufacturing sector to



GDP of 5.5 percent;

- (iv) High demand for social services (especially water, health and better education) due to population growth (3.1 percent per annum). Further, the state of energy infrastructure, transport and transportation (roads, railway, air and marine) still does not cater for the needs of the fast and inclusive economic growth. For example, the roads network is 86,472 km whereby only 9.7 percent are at tarmac standard. Furthermore, electricity demand for domestic and industrial uses outpaces the generation capacity; the existing plants have the generation capacity of 1,424.6 MW compared to the high demand of 3,000 MW for enduring the industrial economy; and
- (v) Narrow tax base whereby the ratio of domestic revenue to GDP is almost 15.0 percent compared with 17.0 percent for Sub-Saharan African Countries.

## **b) Opportunities**

11. *Honourable speaker*, the preparations of this budget have taken into account various national opportunities that are available in the country especially huge labour force of the youth generation; vast agricultural resources (crops, livestock and

fisheries); minerals; gas; tourist attractions; agri-business; electricity generation potential; business and cargo transportation service to neighbouring countries.

### **c) Achievements**

12. *Honourable speaker*, this budget has also taken into consideration achievements to date, which we are obliged to strengthen and I will explain it in a summary in the section review of the budget implementation.

### **d) Goals**

13. *Honourable speaker*, this budget has also been prepared in accordance with the Tanzania Development Vision 2025; National Five Years Development Plan 2016/17 - 2020/21 and the CCM Manifesto 2015 - 2020. The main goals are poverty eradication, transforming Tanzania into an industrial economy and Tanzania endeavour to be a middle income country by 2025.

14. *Honourable speaker*, the challenges, opportunities, achievements and goals which I have just explained above must go in tandem with Government, Private Sector, other stakeholders and individuals taking responsibilities in providing solutions to those challenges and contributing to efforts in making our

nation to prosper. We will do that if every citizen will work hard and exhaust his/her full capacity for his/her own development and for the nation. Moreover, it is crucial to continue building and harnessing strategic partnerships. My message to all Tanzanians through this budget is that we must continue making tough choices in allocating scarce resources we mobilize in order to overcome the challenges ahead of us. The fact is that changes are tough and are quite often opposed; therefore, we must be strong and strive to succeed and utilize opportunities and potentials of Tanzanians, Private Sector and Government to achieve our goals.

15. *Honourable speaker*, in the speech I read in the morning today, I explained in detail the state of our economy in 2017, implementation of the 2017/18 Annual Development Plan, our achievements and challenges encountered as well as priority areas for 2018/19. In this speech, I will focus more on budget issues, starting with the implementation of the 2017/18 budget, expenditure measurers that will be taken in the coming financial year, reforms in the tax system and various levies and the 2018/19 budget recommendations.

## II. REVIEW OF 2017/18 BUDGET IMPLEMENTATION

### Revenue Trend

16. *Honourable Speaker*, the amount of resources mobilized during the period of July 2017 to April 2018 was shillings 21.89 trillion, equivalent to 69.0 percent of annual target of shillings 31.71 trillion. The sources of revenue details are as follows:

#### A. Domestic Revenue

17. *Honourable Speaker*, domestic revenue including Local Government Authority (LGAs) own sources amounted to shillings 14.84 trillion compared with the annual target of shillings 19.98 trillion equivalent to the performance of 74.3 percent. Out of that, Tax revenue amounted to shillings 12.61 trillion, Non tax revenue was shillings 1.79 trillion; and LGAs own source was shillings 437.6 billion. The underperformance in domestic revenue was a result of the following challenges:

- (i) Tax evasion;
- (ii) Difficulties in collecting tax/levy from informal sector since participants have no formal and permanent locations and do not keep records of their transactions;
- (iii) Unfriendly environment for tax payment and

imposition of numerous tax and levies especially for services rendered by regulatory authorities (including TBS, TFDA, EWURA, TCRA, OSHA, Fire and Rescue Force); high tax rates, unnecessary bureaucratic procedures in tax compliance and high cost of paying tax;

- (iv) Underutilization of Electronic Fiscal Devices (EFD);
- (v) Weakness in the management of natural resources extraction particularly minerals, natural gas, forestry, aquatic resources, tourism and land; and
- (vi) Low contribution and dependency of public corporations to the Government budget.

## **B. Domestic and External Non Concessional Loans**

18. *Honourable Speaker*, Government borrowed shillings 4.96 trillion from domestic markets equivalent to 80 percent of the annual target of shillings 6.17 trillion that was expected to be borrowed in the year 2017/18. Out of this amount, shillings 4.13 trillion was for rollover of matured Treasury bills and bonds, and shillings 832.3 billion was for financing various development projects. Moreover, the Government borrowed from external sources shillings 1.35 trillion equivalent to 84

percent of the annual target of shillings 1.6 trillion. These funds have been allocated to various strategic development projects. Further, in May 2018, the Government has managed to secure non concessional loan amounting to shillings 1.13 trillion.

### **C. Grants and Concessional Loans from Development Partners**

19. *Honourable Speaker*, grants and concessional loans received from Development Partners (DPs) amounted to shillings 1.87 trillion equivalent to 47 percent of annual target of shillings 3.97 trillion. Out of the received amount, shillings 70.2 billion was General Budget Support (GBS) equivalent to 7.5 percent of the target of shillings 941.3 billion, shillings 182.9 billion was Basket Funds equivalent to 33 percent of the target of shillings 556.1 billion, and shillings 1.61 trillion was Projects Grants and Concessional Loans equivalent to 65 percent of the target of shillings 2.47 trillion.

### **Expenditure Trend**

20. *Honourable Speaker*, for the period of July, 2017 to April 2018, the Government released shillings 21.68 trillion equivalent to 68.4 percent of the annual target of shillings 31.71 trillion for recurrent and development expenditures. Out of that amount,

shillings 16.56 trillion was for recurrent expenditure including shillings 5.63 trillion for wages and salaries for Government employees and shillings 8.42 trillion was for Government Debt Services and General Services.

21. *Honourable Speaker*, as of April 2018, the Government released shillings 5.12 trillion for the implementation of development projects out of that shillings 4.35 trillion was local funds and shillings 775.8 billion was foreign funds. However, foreign funds do not include funds from Development Partners which were directly disbursed to the projects *outside* the exchequer system; the funds will be accounted for when the accounting procedures are completed.

22. *Honourable Speaker*, let me explain the achievements realized from the implementation of the 2017/18 budget for the period from July 2017 to April 2018 as follows:

- (i) A total of shillings 59.0 billion has been released to 110 Districts Councils for construction and rehabilitation of Health Centres, and shillings 24.1 billion for the rehabilitation of 24 Regional Hospitals. In addition, a total of shillings 125.7 billion has been released for procurement of medicines, medical equipment and reagents;

- (ii) Shillings 156.1 billion has been released for the implementation of urban and rural water projects;
- (iii) Shillings 409.9 billion has been released for rural energy projects, geothermal power, generation of electricity from various sources and distribution of natural gas;
- (iv) In implementing fee free basic education and granting loans to higher education students, a total of shillings 618.0 billion has been released;
- (v) The Government has continued with construction of infrastructure in order to open economic opportunities, agriculture, trade and industries including roads that link regions as well as neighbouring countries, roads that decongesting cities, rural roads, railways, airports and ports. In this area a total of shillings 1.87 trillion has been released; and
- (vi) Government has continued to pay arrears to employees, suppliers, contractors and service providers amounting to shillings 1.17 trillion.

23. *Honourable Speaker*, the Government has also continued to take other measures to strengthen management of Government budget as follows:



## a) Public Debt

24. *Honourable Speaker*, in order to ensure proper management and sustainability of the public debt, the Government continue to manage the public debt in accordance to Government Loans, Guarantees, and Grants Act, CAP 134. Moreover, the Government is implementing the Medium Term Debt Strategy that guides on how to raise the appropriate amount of funding at the lowest possible cost consistent with low degree of risk in managing public debt. In controlling rising cost of borrowing, the Government focused to borrow on semi concessional window, particularly, through Export Credit Agency (ECA), and where it was necessary to borrow from commercial sources a great caution was made to ensure that loan proceeds were directed into areas that stimulate economic growth.
25. *Honourable Speaker*, up to April, 2018 the Public Debt Stock was shillings 49.65 trillion equivalent to an increase of 13.4 percent compared to shillings 43.79 trillion recorded in April, 2017. Out of this stock, domestic debt was shillings 14.05 trillion and external debt was shillings 35.60 trillion equivalent to 71.71 percent of the total debt. The increase was mainly due to the disbursement of outstanding loans from either concessional or non-concessional

as well as accumulation of interest arrears of external debt particularly from Non-Paris Club Member countries where the Government continue to negotiate for debt relief in accordance with the Paris Club Agreed Minutes.

26. *Honourable Speaker*, concessional loans from the International Financial Institutions have continued to be the main source of external loans which contributed 59.6 percent of the total external debt. Commercial loans contributed 28.5 percent, while loans from the Bilateral Partners contributed 11.9 percent. These loans were used to finance various development projects.

27. *Honourable Speaker*, the Government debt has been increasing. Nevertheless, this debt is still sustainable and its growth is aligned with economic growth. The Debt Sustainability Analysis (DSA) which was conducted in November, 2017 revealed that the debt is sustainable in medium and long term. The ratio of present value of public debt to GDP was 34.4 percent against the threshold of 56 percent; the present value of external public debt to export was 81.8 percent against the threshold of 150 percent; the present value of external public debt to domestic revenue was 117.1 percent compared to the threshold of 250 percent; the debt services to export was 9.3 percent compared to the threshold of

20 percent; and external debt service to domestic revenue was 13.3 percent compared to threshold of 20 percent. Let me again emphasize that it is not a sin if the country borrows prudently. The most important issue is to ensure that loans are utilized to increase productive capacity and in turn the economy be able to repay loans in accordance with the ability of the economy to sustain the debt burden.

#### **b) Control of Government Arrears**

28. *Honourable Speaker*, the Government has been taking various measures to reduce accumulation of arrears which include to set aside funds in the budget for payment of arrears every year; to emphasize compliance with Laws and Regulations such as: the Budget Act No. 11 of 2015; the Public Finance Act CAP 348; the Public Procurement Act CAP 410; and its corresponding issuance of directives and circulars such as the annual Paymaster General Circular No. 1 on the implementation of the budget, Plan as well as Budget Guidelines issued annually.
29. *Honourable Speaker*, in addressing the challenge, the Government has developed a strategy for the payment of verified arrears and check further accumulation. A kind of arrears which will be

considered in this strategy are those of MDAs, RSs which covers employees' arrears, bidders and service providers, as well as arrears of contractors. The government will continue to set aside funds in the budget to pay for verified arrears based on the roadmap to pay the debts until it *reaches* the preferred level. In making payments of arrears, the priority will be given to arrears that cover majority of service providers and those may grow due to interest payments.

30. *Honourable Speaker*, the strategy requires all Accounting Officers to participate fully in its implementation to enable the Government to achieve its objectives of controlling accumulation of arrears and provide timely delivery of services to the people. Therefore, in ensuring no new arrears are generated each Accounting Officer is required to observe the following:

- (i) All contracts of infrastructure construction adhere to approved budget of respective Vote. Moreover, the respective Vote should not enter into new contracts without the approval of the Pay Master General; Similarly, Section 51 (1) and (2) of the Budget Act No. 2015, stipulates that Multi-annual Commitments shall seek prior approval from Minister for Finance and Planning, adhering to budget ceilings and that

payment of these contracts should not exceed the approved budget by the Parliament, and effect the payments after verification;

- (ii) Prioritize completion of ongoing projects before embarking on new projects and ensure that funds are allocated to ongoing projects;
- (iii) Accounting Officers are not entering into a contract for provision of goods or services without written approval from the Pay Master General; and commitments should be generated from IFMS;
- (iv) The claims of all service providers and contractors should be made after obtaining Local Purchasing Order (LPO) generated from the IFMS in line with approved budget as well as the existence of an Exchequer Releases for the relevant expenditure items. Therefore, the Government insists that only LPOs generated from IFMS should be used as a basis for any payment to the service provider; and
- (v) Obedience on application of Budget Act No. 11 of 2015, the Public Finance Act, CAP 348 the Public Procurement Act CAP 410 and circular issued by the Pay Master General during implementation of the Budget.

### III. FISCAL POLICIES FOR 2018/19

#### Macroeconomic Policy Targets

31. *Honourable Speaker*, macroeconomic targets for 2018/19 budget are *as follows*:

- (i) Attain real GDP growth of 7.2 percent in 2018 up from the actual growth of 7.1 percent in 2017;
- (ii) Continue to contain inflation at single digit;
- (iii) Domestic revenue including LGA's own sources is projected at 15.8 percent of GDP in 2018/19 up from the likely outturn of 15.3 percent in 2017/18 and the actual outturn of 15.6 in 2016/17;
- (iv) Tax revenue is estimated at 13.6 percent of GDP in 2018/19 up from the estimate of 13.0 percent in 2017/8 and the actual outturn of 13.3 percent in 2016/17;
- (v) Total Government expenditures are projected at 24.5 percent of GDP in 2018/19 from the estimate of 23.0 percent in 2017/18 and the actual performance of 22.2 percent in 2016/18;
- (vi) Budget deficit to be 3.2 percent of GDP in 2018/19 compared to the likely outturn of 2.1 percent in 2017/18 and the actual deficit of 1.5 percent in 2016/17;

## **Policy and Strategies to Increase Revenue**

32. *Honourable Speaker*, in order to increase and strengthen domestic resources mobilization, revenue policies for the year 2018/19 will focus on widening tax base; strengthen management of from existing sources especially by intensifying the use of electronic collection systems and other administrative measures.
33. *Honourable Speaker*, in widening the tax base, there are two main measures that the Government will undertake, namely formalization of the informal sector and improve investment environment in order to foster new sources of revenue from such investments. Some of the formalization measures being implemented by the Government are such as land surveys and valuation of properties that is in progress throughout the country. The Government will enhance formalization efforts by using creative measures which are friendly, participatory and strategic ones.
34. *Honourable Speaker*, conducive environment is the basis of attracting business and investment including improvement of supportive infrastructure, tax incentives, policy consistency and predictability, land accessibility and well structured legal and regulatory frameworks. As long as there is conducive environment, it caters for

increased investments, production, employment and business transactions will increase, leading to new sources of revenue.

35. *Honourable Speaker*, analysis that was undertaken by the Government in 2017/18 revealed the following challenges concerning investment and business environment:

- (i) Conflicting laws, regulations and procedures administered by different authorities;
- (ii) High start-up and operating business costs due to multiplicity of taxes, fees and levies accompanied by complex and unproductive bureaucratic procedures and thus resulting into corruption practices; and
- (iii) Overlapping of responsibilities and multiplicity of regulatory authorities in approving, licensing, granting permits and certificates in business and investments.

36. *Honourable Speaker*, following that analysis, the Government prepared a *Blueprint for Regulatory Reform to Improve Business Environment for Tanzania*. The recommendations of the Blueprint which strongly proposed to be implemented in the financial year 2018/19 include: simplification of payment of taxes, levies and different fees, and to



shorten time and bureaucratic procedures in registration of businesses and companies. The Fifth Phase Government believes that sustainable development can only be achieved expeditiously in an environment where there is sincere public and private sector cooperation.

37. *Honourable Speaker*, in **strengthening management of the existing revenue sources**, the Government will continue to connect Ministries, Departments, Agencies, Institutions *and* Parastatal Organization with the Government Electronic Payment Gateway System (GePG) in order to improve revenue collection and control of leakage Government revenues. The system was developed in 2017 and endorsed by Parliament through amendments of the Public Finance Act, CAP 348, requiring all the Government Institutions to collect the revenues using GePG. As of May 2018, a total of 234 Government institutions which collect non tax revenue including all 185 Councils have already been connected to the system. I would like to take this opportunity to direct all the remaining LGAs, MDAs and Institutions to ensure that they are connected to the GePG by June 2019. Apart from using the GePG, I would like to remind all Accounting Officers to ensure the use of EFDs and banks in non-tax revenues collection instead of manual exchequer receipt vouchers.

38. *Honourable Speaker*, regarding administrative measures to raise the Government revenue, I direct the following:

- (i) TRA should take deliberate measures to enhance relationship with taxpayers in order to clear misconception that TRA uses forces and threats in collecting taxes;
- (ii) Office of Treasury Registrar should strengthen administration and inspection to companies of which Government is a shareholder to ensure that the Government earns appropriate dividends from its investments; and
- (iii) LGAs should focus on projects that can generate revenues in their localities especially industries, markets, modern abattoirs, bus stands, heavy trucks parking lots at the borders and warehousing facilities.

### **Strengthen Cooperation with Development Partners**

39. *Honourable Speaker*, grants and concessional loans have been declining from an average of 26.3 percent of the actual budget in 2010/11 to 10.4 percent in 2016/17. In order to ensure sustainable development and timely disbursement of loans and grants as committed, the Government in collaboration with Development Partners and other

stakeholders prepared the framework for development cooperation. The framework was endorsed by the Government in August 2017 putting in place:

- (i) General principles of governing cooperation which includes government to provide guidance in setting up of development project priorities; and
- (ii) System of dialogue which will be in three levels: National Strategic dialogue, Sectoral dialogue and dialogue with political inclination.

## **Expenditure Policies**

40. *Honourable Speaker*, the expenditure policies for the year 2018/19 will include:

- (i) Ensuring that the budget deficit does not exceed 3.2 percent of GDP;
- (ii) Allocation of funds to priority areas and productivity in order to stimulate growth in agriculture and industries, widen job creation opportunities, construct and improve economic infrastructure, and strengthen the provision of quality social services;
- (iii) Ensuring discipline in the use of public funds and continue to reduce unnecessary expenditure; and
- (iv) Control accumulation of arrears.

41. *Honourable Speaker*, in implementing these policies, the Government will take the following measures:

- (i) Take disciplinary actions, legal and administrative measures to those who will contravene the laws and regulations governing their institutions. Once again, I would like to remind them that, embezzlement of public project funds is the same as poisoning yourself - do not dare!!
- (ii) Ensure that Accounting Officers do not award contracts without assurance of funds or prior to approval of the Paymaster General and control expenditure and commitment to spend outside IFMS, in order to control accumulation of arrears;
- (iii) To align actual revenue with expenditure on monthly basis;
- (iv) To honour payments of verified arrears;
- (v) Ensure public procurement realizes Value for Money; and
- (vi) To strengthen monitoring of public funds expenditure as planned.

## Priority Areas for 2018/19

42. *Honourable Speaker*, as highlighted in the Annual Development Plan 2018/19 which I presented today in the morning, the 2018/19 budget will put more emphasis on implementation of flagship projects; interventions for fostering human development; and interventions to create a conducive environment for investment and business.
43. *Honourable Speaker*, priority areas in this budget are as follows:
- (i) **Agriculture:** More funds will be allocated in improving irrigation infrastructure, warehouses and markets, strengthening supply of agricultural inputs and implement, improving extension services, improving researches and dissemination of findings to the people and development of livestock and fisheries sub sectors. Emphasis has been put on this sector due to the fact that it is the source of livelihood to majority of people and provides raw materials for industries, ensures food security and increases of income to the citizens;
  - (ii) **Industries:** In a bid to stimulate industrial development, the Government will direct more efforts in the implementation of a *Blueprint for Regulatory Reform to Improve Business*

*Environment for Tanzania* in order to attract private sector investments particularly in textiles, leather and meat, fish, edible oil, medicines and medical equipment, food and animal feeds and in mining sector. Moreover, agricultural and industrial development should take into account environmental sustainability.

- (iii) **Social Services: Water:** Another important area is to increase availability and distribution of clean water particularly in villages and sewerage systems, drilling of boreholes in arid and semi-arid areas and construction of strategic dams. **Education:** The Government will continue to finance fee free basic education, increasing number of experts in rare and specialized skills in areas of minerals, oil and gas, specialist doctors (cardiologists and kidney specialists) as well as provision of loans to higher education students. **Health:** Financial resources will be allocated to increase distribution of medicines, medical equipment and reagents in health centres, dispensaries and referral hospitals. Moreover, in the next financial year the Government will allocate more funds from LGCD in development projects which are implemented by councils especially health and education. Further, the Government will put more emphasis on the improvement of

availability of **quality food** to mothers and children especially for the first 1,000 days from conception in order to overcome the challenge of stunted growth hence to have well developed body and mind. Furthermore, the needs of **special groups** within our society (women, youth, children, disabled and the elderly) will continue to be attentively cared;

- (iv) Construction and rehabilitation of **supportive infrastructure** especially increasing electricity generation from different sources; to continue with the construction of new central line railway of the standard gauge; construction of roads connecting regions and rural roads; to improve air and marine transport; and
- (v) Other priorities include ease of land acquisition and ownership; to improve communication services; finance and tourism and to improve defence and security, good governance and justice.

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

##### **New revenue measures for the year 2018/19**

44. *Honourable Speaker*, I would like to propose undertaking reforms in the tax structure that will include amendments to the tax rates, levies and fees imposed under various laws governing revenue collection and administration procedures. The amendments are intended to, among other things, increase Government revenue and accelerate economic growth particularly in the industrial and tourism sectors and also promote employment. Furthermore, the amendments take into account the Government intention to continue maintaining the tax system which is consistent and predictable. The proposed amendments will cover the followings tax laws:-

- a) The Value Added Tax Act, CAP 148;
- b) The Income Tax Act, CAP 332;
- c) The Excise (Management and Tariff) Act, CAP 147;
- d) The Local Government Finance Act, CAP 290;
- e) The Tax Administration Act, CAP 438;
- f) The Local Government Finance Act, CAP 290; The Public Finance Act, CAP 348; and The Bank of Tanzania Act, CAP 197;



- g) The East African Community Customs Management Act, 2004;
- h) The Laws Governing the Operation of Crop Boards;
- i) The Gaming Act, CAP 41;
- j) Minor amendments in tax laws and other laws; and
- k) Amendment of various fees and levies imposed by Ministries, Regions and Independent Departments.

#### **A. The Value Added Tax Act, CAP 148**

45. *Honourable Speaker*, I propose to make amendments in the Value Added *Tax* Act, CAP 148 as follows:-

- (i) To exempt Value Added Tax on packaging materials produced specifically for use by the local manufacturers of pharmaceutical products. The packaging materials must be printed or labeled with the name of the local pharmaceutical company in order to control abuse. This measure is aimed at reducing production costs and protecting local pharmaceutical industries;
- (ii) To exempt Value Added Tax on imported animal and poultry feeds additives. This measure is intended to reduce costs incurred by

- livestock keepers and increase the contribution of the sector to the economy;
- (iii) To amend section 6(2) (a) of the Value Added Tax Act, in order to give powers to the Minister responsible for Finance to provide VAT exemption on Government projects funded by non-concessional loans. Currently, the Value Added Tax Act do not provide VAT exemption on such projects, therefore causing delays in the implementation of Government priority projects such as water, and infrastructure projects. The proposed amendment, is therefore expected to contribute to timely completion of projects;
  - (iv) To amend section 6(2) (a) of the Value Added Tax Act in order to give powers to the Minister responsible for Finance to provide VAT exemption when there is an agreement signed between the Government and a Financial Institution or Bank that is representing another Government and has been given powers of Attorney by the said Government to execute the Agreement. Currently, the VAT Act allows the Minister responsible for Finance to provide VAT exemption when there is Agreement between the Government and another Government and does not recognize Financial Institutions or Banks. This has been affecting the implementation of Government projects such as

Water and Infrastructure projects. The proposed amendment will therefore allow for smooth implementation of these projects;

- (v) To exempt VAT on Sanitary Pads (HS Code 9619.00.10). This measure is intended to make the product available and affordable to women and girls, particularly school girls and those in the village. It is the Government expectation that the producers and sellers of sanitary pads will make them available at affordable prices; and

The VAT measures altogether are expected to reduce Government revenue by **shillings 219.1 million**.

## **B. The Income Tax Act, CAP 332**

46. *Honourable Speaker*, I propose to make amendments in the Income Tax Act, CAP 332 as follows:-

- (i) To amend the Income Tax Act in order to reduce the Corporate Income Tax rate from 30 percent to 20 percent for new investors in the Pharmaceutical and Leather industries for five years starting from year 2018/19 up to 2022/23. The Government will sign a Performance Agreement with investors to assign responsibilities of both parties. The measure is

expected to promote investment in the manufacturing of pharmaceutical and leather products, create employment opportunities and increase Government revenue. Furthermore, it is also expected to save foreign exchange which is currently being used for the importation of these products,

- (ii) To delete section 10A of the Income Tax Act which prohibits the Minister responsible for Finance from providing income tax exemption to Government projects financed by non-concessional loans. This measure is intended to give powers to the Minister to exempt income tax when there is Agreement which provides for such exemption; and
- (iii) To amend the Income Tax Act in order to provide Withholding tax exemption on interest on Government Loans provided through Banks and Financial Institutions to finance Government projects;

The Income Tax measures altogether are expected to increase Government revenue by **shillings 220.5 million.**

## **C. The Excise (Management and Tariff) Act, CAP 147**

47. *Honourable Speaker*, According to the Excise Tax (Management and Tariff) Act, CAP 147 Section 124(2), the specific excise duty rates may be annually adjusted in accordance with the projected inflation rate and other key macroeconomic indicators. However, in order to implement the fifth Government strategy of building an industrial economy, I propose to retain the current excise duty rates imposed on locally produced non-petroleum products and increase the excise duty rates for imported non-petroleum products as follows:-

- i) Excise Duty on soft drinks remains at shillings 61 per litre;
- ii) Excise Duty on imported water including mineral waters containing added sugar or other matter of flavour will increase from shillings 61 per litre to shillings 64.05 per litre, which is an increase of shillings 3.05 per litre. The Excise Duty on locally produced water remains at shillings 58 per litre;
- iii) Excise Duty on locally produced fruit juices remains at shillings 9 per litre;

- iv) Excise Duty on imported fruit juices will increase from shillings 221 per litre to shillings 232 per litre which is an increase of shillings 11 per litre;
- v) Excise Duty on beers made from local unmalted cereals remains at shillings 450 per litre;
- vi) Excise Duty on imported beers will increase from shillings 765 per litre to shillings 803.25 per litre which is an increase of shillings 38.25 per litre;
- vii) Excise Duty on imported non-alcoholic beers (including energy drinks and non-alcoholic beverages) will increase from shillings 561 per litre to shillings 589.05 per litre, which is an increase of shillings 28.05 per litre. The excise duty on non-alcoholic beers (including energy drinks and non-alcoholic beverages) produced locally remains at shillings 561 per litre;
- viii) To introduce an Excise duty of shillings 200 per litre on wine produced with domestic fruits (such as banana, rozera, tomato e.t.c) other than grapes with contents of at least 75 percent;

- ix) Excise Duty on wine produced with domestic grapes with content exceeding 75 percent remains at shillings 200 per litre;
- x) Excise Duty on wine produced with more than 25 percent imported grapes will increase from shillings 2,349 per litre to shillings 2,466 per litre which is an increase of shillings 117 per litre;
- xi) Excise Duty on imported spirits will increase from shillings 3,481 per litre to shillings 3,655.05 per litre which is an increase of shillings 174.05 per litre. The Excise Duty on locally produced spirits remains at shillings 3,315 per litre;
- xii) Excise Duty on cigarettes without filter tip and containing domestic tobacco more than 75 percent remains at shillings 12,447 per thousand cigarettes;
- xiii) Excise Duty on cigarettes with filter tip and containing domestic tobacco more than 75 percent remains at shillings 29,425 per thousand cigarettes;
- xiv) Excise Duty on other cigarettes not mentioned in (xii) and (xiii) will increase from shillings 53,235 to shillings 55,896.75 per thousand cigarettes, which is an increase of

shillings 2,661.75 per thousand cigarettes;

xv) Excise Duty on cut rag or cut filler will increase from shillings 26,888 to shillings 28,232.4 per kilogram which is an increase of shillings 1,344.4 per kilogram; and

xvi) Excise Duty on cigar remains at 30 percent.

48. *Honourable Speaker*, I propose to introduce Electronic Tax Stamp to replace the Paper Tax Stamp starting from 1<sup>st</sup> September 2018. The new tax stamp system will enable the Government to use a modern technology to obtain production data on timely basis (real time) from the manufacturers. It is also intended to curb revenue leakages and make it possible to determine in advance the amount of taxes to be paid namely Excise Duty, VAT and Income Taxes. Furthermore, the system will address the challenges associated with the use of fake paper stamps including the sub-standard products which may result to health problems and revenue loss.

The Excise Duty measures altogether are expected to increase Government revenue by **shillings 119,456.6 million.**



#### **D. The Local Government Finance Act, CAP 290.**

49. *Honourable Speaker*, I propose to make amendments in the Local Government Finance Act, CAP 290 as follows:-

- (i) To introduce Section 37A in order to give powers to the Minister responsible for local Government to direct the Local Authorities to set aside 10 percent of all monies collected from their own source of revenue for the purpose of funding registered Women and Youths groups within their jurisdiction. Out of these funds, 50 percent will be allocated for women groups, and 50 percent for youth groups; and these will be provided as interest free loans. The Minister will make regulations to ensure proper running of the funds set aside for these groups; and
- (ii) To amend section 16(6) of the Local Government Finance Act, CAP 290 which provides exemption on Produce Cess for the companies and institutions which pays Service Levy. Basically, the exemption should apply only to Companies and Institutions which produce agricultural crops and process them for value addition. Therefore, I propose to introduce section 16(7) to require any Corporate entity which produces agricultural crops without processing them for

the purpose of adding value to pay Produce Cess.

#### **E. The Tax Administration Act, CAP 438**

50. *Honourable Speaker*, I propose to make amendment in the Tax Administration Act, CAP 438 in order to introduce Tax Amnesty. The proposed 100 percent amnesty on interest and penalties will exist for six months starting from 1<sup>st</sup> July 2018 up to 31<sup>st</sup> December 2018. This measure is expected to improve tax compliance by 10 percent and hence enable the Government to collect the outstanding principal amount.

The amendment in the Tax Administration Act is expected to increase Government revenue by **shillings 500,000 million**.

#### **F. The Local Government Finance Act, CAP 290, The Public Finance Act, CAP 348; and The Bank of Tanzania Act, CAP 197.**

51. *Honourable Speaker*, I propose to make amendments in the Local Government Finance Act, CAP 290, The Public Finance Act, CAP 348; and The Bank of Tanzania Act, CAP 197 in order to introduce a Treasury Single Account which will be used for collection and payment of Government funds. The account is being established following

the agreement reached by the East African Community Partner States aimed at ensuring effective control and management of Government resources. This measure will reduce the number of Government Accounts operated in the Commercial Banks and Central Bank; reduce costs related to services offered by Commercial Banks to the Government and improve the financial position of the Paymaster General Account (Government Net Deficit Position).

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

52. *Honourable Speaker*, the meeting of Ministers responsible for Finance (Pre-Budget Consultation of the Ministers of Finance) which was held on 4<sup>th</sup> May, 2018 in Arusha, Tanzania, agreed to effect changes in the Common External Tariff (CET) and make amendments to the East Africa Community Customs Management Act (EAC-CMA), 2004. The main focus of these amendments was on industrialization for job creation and shared prosperity.
53. *Honourable Speaker*, the changes in the Common External Tariff (CET) which were recommended and agreed are as follows:-
- (i) Continue to grant duty remission and apply an

import duty of 10 percent instead of 35 percent on wheat grain falling under HS Code 1001.99.10 and 1001.99.90 for one year. The measure takes into account that there is no adequate capacity in the EAC region to produce wheat and satisfy the demand;

- (ii) Continue to grant stay of application of EAC-CET on Electronic Fiscal Devices (EFD's) used to collect Government revenues (HS Code 8470.50.00) and apply duty rate of 0 percent instead of 10 percent for one year. The objective of this measure is to continue encouraging the taxpayers to use EFD Machines for accounting of VAT and efficient management control in areas of sales analysis and stock control;
- (iii) Grant duty remission on papers used to manufacture exercise books and text books and apply a duty rate of 15 percent instead of 25 percent. This involves papers falling under Hs Codes 4804.11.00; 4804.21.00; 4804.31.00; and 4804.41.00;. The measure will apply only to the manufacturers of exercise books and text books and it is the Government expectation that producers and suppliers of these books will make them available at affordable prices particularly to school children;

- (iv) Grant duty remission on papers used as raw materials for the manufacturing of Gypsum Board and apply a duty rate of 0 percent instead of 10 percent for one year. The paper falls under HS Code 4805.92.00. This measure is intended to promote local manufacturing of Gypsum Boards, employment and increase Government revenues;
- (v) To impose import duty of 35 percent on sugar (consumption sugar) this is imported under specific arrangements to cover the shortage in the domestic market. Currently an import duty of 25 percent is imposed on sugar;
- (vi) Continue to grant stay of application of EAC-CET rate on Gypsum Powder falling under HS Code 2520.20.00 and apply a duty rate of 10 percent instead of 0 percent for one year. This measure is intended to protect local producers and promote production of Gypsum Powder by using locally available raw materials;
- (vii) Grant duty remission and apply a duty rate of 10 percent instead of 25 percent on Self Adhesive Label (HS Code 4821.10.90) for one year. The aim of this measure is to promote competitiveness of domestic industries by lowering their production costs and create employment;

- (viii) Grant duty remission and apply a duty rate of 0 percent instead of 25 percent on Printed Aluminium Barrier Laminates (ABL) HS Code 3920.10.90 for one year. The objective of this measure is to reduce production costs and promote competitiveness of domestic industries producing toothpaste. It is also intended to promote employment;
- (ix) Grant stay of application of the EAC-CET rate of 0 percent and apply a duty rate of 25 percent on Crude Palm Oil (HS Code 1511.10.00) for one year. This measure is intended to promote local production of oil seeds and edible oil taking into account the available opportunities to increase its production. Furthermore, it is expected to increase employment both in the agricultural and industrial sector;
- (x) Grant stay of application of EAC-CET rate of 0 percent or 10 percent and apply a duty rate of 25 percent on crude edible oils (for example sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil etc.) for one year. The objective of this measure is to promote the production of edible oils by using locally produced seeds. It is also intended to protect domestic producers and create both employment and income to the farmers;

- (xi) Grant stay of application of EAC-CET rate of 25 percent and apply a duty rate of 35 percent for one year on Semi-refined and refined/double refined edible oil (for example sunflower oil, palm oil, groundnuts oil, olive oil, maize corn oil etc.). This measure is intended to promote the processing of edible oils in the country using locally grown seeds and save foreign exchange used in the importation of edible oil;
- (xii) Grant stay of application of EAC-CET and instead apply a duty rate of 25 percent or USD 350 per metric ton whichever is higher for one year on nails, tacks, drawing pins, corrugated nails staples (HS Code 7317.00.00) other than those of heading 83.05 and similar articles of iron or steel, whether or not with heads of other materials. The objective of this measure is to protect local producers of these products against imported cheap products;
- (xiii) Grant stay of application on EAC-CET and apply a duty rate of 25 percent or USD 1.35 per kilogram of safety matches whichever is higher for one year (HS Code 3605.00.00). The measure is aimed at protecting the local industries in the region;
- (xiv) To reduce the duty rate of PolyVinyl Alcohol (HS Code 3905.30.00) from 10 percent to 0

percent in the EAC-CET. The product is a raw material for manufacturing of paints;

- (xv) To grant duty remission at 0 percent on inputs used to manufacture pesticides, fungicides, insecticides, and acaricides as approved by the relevant authorities. The measure will promote investment in the local production of these important inputs which are required for improvement of agricultural production;
- (xvi) Grant duty remission and apply a duty rate of 0 percent instead of 10 percent for one year on RBD Palm stearin (HS Code 1511.90.40). This measure is intended to ensure availability of RBD for stand alone soap industries. It also takes into account the Government decision to impose an import duty of 25 percent on crude palm oil;
- (xvii) Grant stay of application of EAC-CET on potatoes and apply a duty rate of 35 percent instead of 25 percent for one year (HS Code 0701.90.00). This measure is intended to protect Local production of potatoes;
- (xviii) Grant stay of application of EAC-CET on chewing gum (HS Code 1704.10.0) and apply a duty rate of 35 percent instead of 25 percent for one year. The objective of this measure is to protect local production of the products because



there is sufficient capacity to produce in the region;

(xix) Grant stay of application of EAC-CET on other sugar confectionary (sweets), (HS Code 1704.90.00) and apply a duty rate of 35 percent instead of 25 percent for one year. The measure is intended to protect local producers of the product;

(xx) Grant stay of application of EAC-CET on chocolates (HS Code 18.06) and apply a duty rate of 35 percent instead of 25 percent for one year. The measure is taken because there is sufficient capacity to manufacture the product in the region;

(xxi) Grant stay of application of EAC-CET on Biscuits (HS Code 19.05) and apply a duty rate of 35 percent instead of 25 percent for one year. This measure is also aimed at protecting local producers of the product since there is adequate capacity to produce in the region;

(xxii) Grant stay of application of EAC-CET on tomatoe sauce (HS Code 2103.20.00) and apply a duty rate of 35 percent instead of 25 percent for one year. The measure is intended to protect local producers of the product as there is sufficient capacity to produce in the region;

(xxiii) Grant stay of application of EAC-CET on mineral water (HS Code 2201.10.00) and apply a duty rate of 60 percent instead of 25 percent for one year. There is sufficient capacity to produce this type of water in the country and therefore there is a need to protect the local industries;

(xxiv) Grant stay of application of EAC-CET on meat and edible offal under chapter 12 and apply a duty rate of 35 percent instead of 25 percent for one year. This measure is intended to promote local processing and value addition on meat. It is also expected that the measure will create employment opportunities in the Livestock and industrial sector; and

(xxv) Grant stay of application of EAC-CET on Sausages and similar products (HS Code 1601.00.00) and apply a duty rate of 35 percent instead of 25 percent for one year. This measure is also intended to protect domestic industries which produce similar products in the region.

54. *Honourable Speaker*, The Ministers responsible for Finance also agreed to make amendments in the EAC Customs Management Act, 2004 as follows:-

(i) To amend the Fifth Schedule Part A item 9 which provides import duty exemption on rally cars and include motorcycles for rally for them

to also be granted exemption. This measure is intended to promote motorcycles sports and tourism in the region;

- (ii) To amend the EAC-CMA, 2004 and split Hs Code 8903.99.00 to provide for Common External Tariff of 0 percent for Motor Boat Ambulance under HS Code 8903.99.10. This measure is intended to reduce costs related to services provided by Motor Boat Ambulance; and
- (iii) To amend the Fifth schedule of the EAC -CMA in order to provide import duty exemption on various types of motor vehicles for transportation of tourists. These include Motor Cars, Sight Seeing buses and overland trucks which are imported by licensed tour operators and must meet specific conditions. The objective of this measure is to promote investments in the tourism sector, improve services, create employment and increase Government revenue.

55. *Honourable Speaker*, The Minister for Finance had also agreed to provide duty remission on a selected list of raw materials and industrial inputs for the manufacturer of textiles and foot wear. This measure is aimed at accelerating the industrialisation process in the textile and leather sector and creating employment opportunities. The EAC Partner States

have already submitted to the Secretariat a list of raw materials and industrial inputs to facilitate gazetting and implementation during the year 2018/19.

The Import Duty measures altogether are expected to reduce Government revenue by **shillings 1,630.2 million**

#### **H. The Laws Governing the Operation of Crop Boards**

56. *Honourable Speaker*, I propose to make amendments to the Laws governing the operation of Crop Boards in order to require them to deposit in the Paymaster General Account all fees and levies imposed on the sales of crops. The objective of this measure is to ensure that the revenue collected is properly accounted, effectively managed and utilised for the intended purpose. The Crop Boards operations and costs related to crop development will be financed from the Paymaster's General account.

#### **I. The Gaming Act, CAP 41.**

57. *Honourable Speaker*, I propose to change the Gaming tax rate from 6 percent on gross sales to 10 percent on gross sales in sports betting operations.

58. *Honourable Speaker*, I propose to increase Gaming tax from shillings 32,000 to shillings 100,000 per machine/month on slot machines. The measure is

intended to increase Government revenue and promote fairness within the gaming industry.

59. *Honourable Speaker*, I propose to increase gaming tax from 15 percent to 18 percent on Gross Gaming Revenue for Land based Casino operators. The measure is intended to increase Government revenue taking into account that the current rate of 15 percent was introduced in the year 2012.

60. *Honourable Speaker*, I propose to increase gaming tax from 15 percent to 20 percent on Gross Gaming Revenue for Forty Machines.

All these measures on Gaming activities are expected to increase Government revenue by **shillings 21,198.8 millions**

#### **J. Minor Amendments in Tax Laws and Others.**

61. *Honourable Speaker*, I propose to make minor amendments to various Tax Laws and other Laws in order to ensure their smooth and effective implementation. The amendments will be effected through the Finance Bill 2018 and Government Notices

## **K. Amendments of Various Fees and Levies imposed by Ministries, Regions and Independent Departments.**

62. *Honourable Speaker*, I propose to amend rates of fees and levies charged by Ministries, Regions and Independent Departments in order to rationalize with the current level of economic growth. The amendments will be reflected in the Finance Act, 2018 and others through Government Notices. The proposed amendment includes the following:-

- (i) To exempt Government Agencies/Institutions from paying Land rent. These Institutions are providing services and not making profits on their services;
- (ii) To abolish and reduce some levies and fees imposed on salt sub-sector. This measure has taken into account the fact that there are so many levies and fees imposed on salt which leads to high production costs and discourages investors in this sub-sector. I therefore propose to effect changes in the levies and fees imposed on the production of Salt as follows:-
  - a) To abolish Produce Cess imposed on Salt producers by the Local Governments;
  - b) To abolish Inspection and Clearance fees of one percent (1%) of gross value of minerals

- imposed in the Salt industry;
- c) Abolish Mangrove Levy (shillings 100 per hectre per annum) charged on Salt producers;
  - d) Abolish fee for reviewing Salt project concept paper charged by the National Environmental Management Council (NEMC);
  - e) Abolish fee imposed on Solar Salt panel;
  - f) Abolish supervision fee on Salt mining centres charged by Tanzania Forest Services Agency;
  - g) Abolish Registration fee for Salt mining centre;
  - h) Abolish Environmental Impact Assesment fee imposed on Salt producers by NEMC;
  - i) Reduce OSHA Levy from shillings 2,000,000 to shillings 1,000,000 imposed on Salt producers; and
  - j) Reduce application fee for export permit of minerals from USD 100 to shillings 20,000 per annum imposed on Salt producers.
- (iii) I propose to effect changes in the Fees and Levies charged by OSHA as follows:-
- a) Abolish fees imposed on application form for registration of working places;
  - b) Abolish levy imposed on the registration of

- working places;
- c) Abolish fines related to fire and rescue equipments;
- d) Abolish OSHA compliance license of shillings 500,000; and
- e) Abolish consultancy fee of shillings 450,000;

63. *Honourable Speaker*, the Government will continue to review various Levies and Fees imposed by Parastatal Organisations; Institutions and Agencies with a view to improving business and investment environment.

#### **L. Effective Date for Implementation of New Revenue Measures**

64. *Honourable Speaker*, unless otherwise stated, the new measures shall become effective on 1<sup>st</sup> of July, 2018.



## V. BUDGET STRUCTURE FOR THE YEAR 2018/19

65. *Honourable Speaker*, consistent with macroeconomic and fiscal policy objectives, the budget frame for 2018/19 shows that shillings 32.48 trillion will be mobilized and executed in the period. The Government plans to collect domestic revenue including LGAs own sources amounting to shillings 20.89 trillion, equivalent to 64.3 percent of the total budget. Out of this amount, tax revenue is estimated at shillings 18.0 trillion, equivalent to 13.6 percent of GDP. In addition, non-tax revenue is estimated at shillings 2.16 trillion and revenue from LGAs own sources estimated is shillings 735.6 billion.
66. *Honourable Speaker*, Development Partners are expected to contribute shillings 2.68 trillion which is 8.2 percent of the total budget. These grants and concessional loans includes shillings 2.0 trillion as grants and concessional loans for projects; shillings 125.9 billion is Sector Basket Funds and shillings 545.8 billion is General Budget Support (GBS).
67. *Honourable Speaker*, the Government plans to borrow shillings 8.90 trillion non concessional loans from domestic and external sources. Domestic borrowing is expected to be shillings 5.79 trillion, whereas shillings 4.60 trillion is for financing rolling over of maturing Treasury bills and bonds

and shillings 1.19 trillion are new loans for financing development projects. In order to speed up on implantation of projects infrastructure, the Government expects to borrow shillings 3.11 trillion from external source.

68. *Honourable Speaker*, in 2018/19, the Government plans to spend shillings 32.48 trillion. Out of this amount, shillings 20.47 trillion is set aside for recurrent expenditure including shillings 7.41 trillion for wages and salaries and shillings 10.00 trillion for servicing Government debt, Government contributions to Pension Funds and other services. In addition, development expenditure is estimated at shillings 12.01 trillion, equivalent to 37 percent of the total budget whereas shillings 9.88 trillion is locally financed and shillings 2.13 trillion is foreign financed. Funds allocated to development expenditure is consistency with Five year Development Plan (2016/17 – 2020/21) of allocating development expenditure in the range of 30 to 40 percent of the total budget.
69. *Honourable Speaker*, consistent with the budget frame as I have explained above, the budget structure for 2018/19 is as shown in **Table A**.

**Table A: Budget Frame for 2018/19**

	Millions Shillings
	<b>2018/19</b>
<b>Revenue</b>	
<b>A. Government Domestic Revenue</b>	<b>20,158,989</b>
(i) Tax Revenue (TRA)	18,000,219
(ii) Non Tax Revenue	2,158,770
<b>B. LGAs own source</b>	<b>735,589</b>
<b>C. External Grants and Concessional Loans</b>	<b>2,676,645</b>
(i) General Budget Support	545,765
(ii) Projects Loans and Grants	2,005,016
(iii) Basket Loans and Grants	125,864
<b>D. Domestic &amp; External Non Concessional Loans</b>	<b>8,904,727</b>
(i) External Non Concessional Borrowing	3,111,058
(ii) Domestic Non Concessional Borrowing (0.9% of GDP)	1,193,669
(iii) Domestic Non Concessional Borrowing (Rollover)	4,600,000
<b>TOTAL REVENUE (A+B+C+D)</b>	<b>32,475,950</b>
<b>Expenditure</b>	
<b>E. Recurrent Expenditure</b>	<b>20,468,676</b>
o/w (i) National Debt Service	<b>10,004,480</b>
- Domestic Interest	1,413,631
- Domestic Amortization (Rollover)	4,600,000
- External Amortization	1,669,653
- External Interest	689,667
- Government Contribution to Pension Funds	1,195,866
- Other Expenditure under CFS	435,663
(ii) Wages and Salaries	<b>7,409,952</b>
(iii) Other Charges	<b>3,054,244</b>
- Protected Expenditure	1,891,695
- LGAs Expenditure (Own Source)	389,862
- MDAs Operational Costs	772,687
<b>F. Development Expenditure</b>	<b>12,007,273</b>
(i) Domestic Financing	9,876,393
o/w LGAs Expenditure (Own Source)	345,727
(ii) Foreign Financing	2,130,880
<b>TOTAL EXPENDITURE (E+F)</b>	<b>32,475,950</b>
<b>BUDGET DEFICIT AS PERCENTAGE OF GDP</b>	<b>3.2%</b>

*Source: Ministry of Finance and Planning*

## VI. CONCLUSION

70. *Honourable Speaker*, as I explained earlier, the theme of the 2018/19 Budget is “**to build an industrial economy that will stimulate employment and sustainable social welfare**”. The industrial economic reforms will be built through inclusive economic participation, partnership and collective efforts. In order to achieve the intended goals, bold decisions must be undertaken in allocating the available scarce resources to strategic areas. Since it is very difficult to accept changes and changes are quite often opposed, I urge the Honourable Members of Parliament and citizens at large to combine efforts and talents of our people and our businesses in order to achieve our aspirations goals. In light of this, we need patriotism and high level of integrity, while aiming at eradicating poverty, job creation and inclusive economic growth.

71. *Honourable Speaker*, the Government will continue to pursue appropriate measures to increase production in manufacturing and agriculture sectors, increase domestic revenues in order to enhance spending in development projects and recurrent expenditure, thus reducing dependency; the measures include: attract investment, allocate financial resources to few

productive areas, to enhance compliance of tax laws; to formalize informal sector including registration of land and property owners in the taxpayers identification system and the use of electronic systems in various transactions including the use of EFD and electronic bank cards in service areas such as supermarkets, shopping malls, hotels and petrol stations. I therefore, urge my fellow Tanzanians to be committed in paying taxes and ensure that we issue or demand receipts on any transaction made. Moreover, the Government would like to thank all citizens who have shown patriotism in paying taxes voluntarily.

72. *Honourable Speaker*, the Government priority is to foster industrial based economy - utilizing locally available raw materials, notably from agriculture, livestock and fisheries, in order to enhance employment opportunities, to improve availability and accessibility of quality social services (water, health, and education) and to reduce poverty. Moreover, the Government will continue to combat corruption, to improve security and management of natural resources and to control public expenditures. Further, the Government will continue to improve the business environment and investment by implementing the *Blueprint for Regulatory Reform to Improve Business Environment*

*for Tanzania.* The programme intends, among others, to harmonize and simplify the procedures for payment of taxes, fees and levies.

73. *Honourable Speaker,* the Fifth Phase Government intends to promote culture and discipline of adopting realistic revenue projections which form the basis for determining expenditure ceilings instead of the normal practice of starting with planning and listing requirements. For this purpose, the Government will focus on implementation of few strategic projects in such a way that it will involve all sectors and ensure that the projects are completed prior to commencement of new projects.
74. *Honourable Speaker,* I am a passionate reader of biographies of renowned leaders who have succeeded to make social, political and economic changes in their respective countries like Deng Xiaoping-Peoples Republic of China; Dr. Mahathir Mohamed-Malaysia; Lee Kuan Yew- Singapore; Park Chung Hee-Korea; Nelson Mandela-South Africa; Father of our Nation, Mwalimu Julius Kambarage Nyerere-Tanzania; Quett Masire-Botswana etc. What I have learned is that such leaders have the following qualities:

- (i) They have a clear vision for their countries' development;
- (ii) They do not hesitate to implement their visions courageously and without wavering;
- (iii) They are courageous, resilient, daring in implementing what they believe in;
- (iv) They are gifted and sympathetic to the suffering of the poor;
- (v) They are people of integrity, hate corruption and graft, and they are disciplined;
- (vi) They lead by examples; and
- (vii) They have endurance and perseverance in a bid to bring about positive changes in their countries.

75. *Honourable Speaker*, I would like to reiterate to my fellow Tanzanians that, the Almighty God has granted us a State Leader, His Excellency Dr. John Pombe Joseph Magufuli with all attributes outlined above. I have earlier explained few things that His Excellency has bravely executed within a short period of time to affirm the attributes. My plea to fellow Tanzanians is that we utilize this rare opportunity by working hard as a better way of supporting the efforts of His Excellency and endeavour to build a new industrialized Tanzania. This is an important issue as prophesized by the Father of the Nation, Mwalimu Julius Nyerere that,

in a development journey towards building industrial economy, our leader will encounter obstacles and ridicule noises from bad wishers in order to discourage us from attaining the intended aspirations. Therefore, all Tanzanians are obliged to encourage our President not to retreat from the journey His Excellency initiated aimed at attaining Tanzania industrialized economy. Please allow me to complete my plea by quoting the words from the speech of Father of the nation when he was speaking to TANU study Group on 13 June, 1967. He said *“Maendeleo na kazi ni kitu kile kile, hakuna namna nyingine ya sisi kuendelea, hatukupewa namna nyingine ya sisi ya kuendelea ..... Huwezi kutenganisha vitu viwili hivi, kuendelea na kazi, kwani kazi ndiyo shughuli ya .....kuondoa matatizo yanayomzuia binadamu hali yake kukamilika.....hakuna njia nyingine lazima kufanya kazi..... na kila unavyozidi kufanya kazi kwa akili zaidi ndivyo mnavyozidi kwenda, ndivyo mnavyozidi kuendelea, ..... kazi ndio utu ... kazi ndio maendeleo ....kazi ndio maisha, ni uhai, kazi ndio **civilization**, ndio uungwana, ndio kula vizuri, ndio kuvaa vizuri, ndio kuishi katika nyumba nzuri, ....ndio kushinda matatizo yote tuliyonayo duniani – namna ya kuyashinda ni kazi....”<sup>1</sup>*

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<sup>1</sup> Insha Tatu za Kifalsafa, Julius Nyerere, Kivazi Occasional Papers, No. 3, 2016



The message we are getting from the above quotation is that: *Development and work are inseparable. There is no any other means for us to develop; we have not been given another alternative for us to develop. One cannot detach the two, development and work. To develop we need to work hard; work is a living; and work is dignity. Work brings civilization... through work we overcome all the hurdles of life.*

76. **Honourable Speaker**, as I conclude my speech, I would like to thank our Development Partners (DPs) for their continued support in the implementation of development programmes and projects. Some of them are here with us today. Development Partners are expected to contribute shillings 2,676.6 billion to support the Government budget for 2018/19 as follows: The World Bank (shillings 863.13 billion); African Development Bank (shillings 358.63 billion); The Global Fund ( shillings 313.90 billion); Sweden ( shillings 179.80 billion); European Union (shillings 158.40); India shillings (104.57 billion); Germany (KfW & GIZ) (shillings 81.31 billion); JICA/Japan (shillings 76.96 billion); United Kingdom through DFID (shillings 71.21 billion); Denmark (shillings 69.57 billion); AFD/France ( shillings 61.06 billion); Canada ( shillings 48.84 billion); Arab Bank for Economic Development in Africa BADEA (shillings 40.01 billion); South Korea/EDCH (shillings 39.05

billion); UNICEF (shillings 36.53 billion); Finland (shillings 28.08 billion); IFAD (shillings 26.82 billion); Italy (shillings 22.05 billion); Norway (shillings 20.04 billion); European Investment Bank (shillings 17.88 billion); Switzerland (shillings 15.74 billion); UNDP (shillings 12.34 billion); Belgium (shillings 11.08 billion); Saudi Arabia/Saudi Fund (shillings 4.81 billion); USAID (shillings 4.20 billion); OPEC/OFID (shillings 2.75 billion); and UNFPA (shilling 2.56 billion). It is our expectations that, the funds pledged by our Development Partners will be timely disbursed as stated. As the Government, we assure that the funds will be spent appropriately.

77. *Honourable Speaker*, I submit that, this budget I have presented would not have been possible without valuable contributions from Hon. Ministers, Deputy Ministers, Permanent Secretaries, Deputy Permanent Secretaries, Cabinet Secretariat, other Government technocrats and Government institutions. I would like to extend my sincere thanks to every one of you for the contribution you have provided in the entire process of budget preparations.

78. *Honourable Speaker*, I would like to thank my fellow colleagues at the Ministry of Finance and Planning starting with Honourable Dr. Ashatu K. Kijaji,

Member of the Parliament for Kondoa Constituency and Deputy Minister for Finance and Planning, and Mr. Doto M. James, the Permanent Secretary to the Treasury and Paymaster General, and Deputy Permanent Secretaries: Ms. Amina Kh. Shaaban, Dr. Khatibu M. Kazungu, and Ms. Susana B. Mkapa. All of them together, have given me unwavering support and cooperation in undertaking the Ministry's duties and have coordinated well the preparation of this budget. I also congratulate Professor Florens Dominick Makinyika Luoga for being appointed as a Governor of the Bank of Tanzania, and immediately assuming great responsibilities of supervising the financial sector. Through him, I also cherish the support by his three Deputy Governors, Directors, and all staff of the Bank of Tanzania. Likewise, I recognize a commendable job of revenue collection under the leadership of TRA Commissioner General, Mr. Charles E. Kichere, the Controller and Auditor General, Prof. Mussa Assad, and Director General of the National Bureau of Statistics, Dr. Albina Chuwa. Moreover, I would like to congratulate Mr. Athumani Selemani Mbutuka, who has recently been appointed to the position of Treasury Registrar.

79. *Honourable Speaker*, I would also like to acknowledge the support from the heads of

institutions under the Ministry of Finance and Planning including: Banks (TADB, TIB-DFI, TIB-CBL, TPB Bank); National Social Funds (PSPF, GEPF, PPF); Tax Appeals Boards (TRAB, TRAT); Insurance Services (TIRA, NIC); Capital Securities (CMSA, TCEM, DSE); Investment Securities (UTT-MFI, UTT-AMIS, UTT-PID); Tanzania Lottery Board; Training Institutions (IFM, IRDP, IAA, TIA, EASTC); and Fund for Small Financial Services (SELF Microfinance Fund). I also extend my thanks to the Heads of Departments and Units, without forgetting technocrats, Personal Secretaries, Registry Workers, Drivers, Office Attendants and Security Guards of our Ministry and its institutions for the great job well done in FY 2017/18 in accomplishing this budget.

80. *Honourable Speaker*, I cannot conclude my remarks without mentioning my beloved wife Mbonimpaye. Her heart of devotion to the Almighty God, faith and love enabled me to discharge my duties and responsibilities. I thank her so much together with all our children and grandchildren and the family at large. Further, I would like to express my gratitude to all Tanzanians (farmers, workers, business community). I thank them very much for their patriotism in working hard and paying taxes in accordance with the law for our nation's development. Furthermore, I would like to thank

all pupils from nursery to primary schools and students in secondary and tertiary education who study hard and we hope, out of them, we will get good leaders and qualified labour force. In addition, I would also like to thank our elders who made a great contribution to our Nation during their productive age. Also, I cannot afford to forget the people of Buhigwe and Kasulu Districts in Kigoma region in general. I am proud of you because you raised me up. I love you all! In addition, I would like to thank my fellow Nzinje residents in Dodoma (formerly known as Zuzu) for their warm welcome to me and my family.

81. **Honourable Speaker**, since it is expected that today is the last day of the holy month of Ramadan, I would like to wish all Muslims Eid Mubarak.
82. *Honourable Speaker*, let me wind up my speech by thanking The Almighty God for His blessings which enabled me to accomplish the presentation of this speech and to you Honourable Members of Parliament and all Tanzanians – **I thank you very much!**
83. *Honourable Speaker*, I beg to move.

**Table 1: Domestic Revenue Collection Trend: 2012/13 - 2018/19**

**Tshs Million**

	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Budget	2017/18 Likely Outturn	2018/19 Budget
<b>Total domestic revenue (including LGAs own source)</b>	<b>8,442,611</b>	<b>11,537,523</b>	<b>10,957,765</b>	<b>14,139,230</b>	<b>16,639,933</b>	<b>19,977,001</b>	<b>18,692,251</b>	<b>20,894,578</b>
<b>A. Tax Revenue</b>	<b>7,729,986</b>	<b>10,395,440</b>	<b>9,908,996</b>	<b>12,525,378</b>	<b>14,126,590</b>	<b>17,106,336</b>	<b>15,312,632</b>	<b>18,000,219</b>
1. Import duty	584,137	852,199	748,961	880,296	998,164	1,231,135	1,077,034	1,204,090
2. Excise Duty	1,258,242	1,908,857	1,742,721	2,144,395	2,106,442	2,776,302	2,248,954	2,541,287
3. Value added tax	2,146,337	2,590,291	2,488,066	2,992,835	3,912,674	4,767,853	4,390,218	5,463,990
4. Income tax	3,034,360	3,656,506	3,716,685	4,594,971	5,117,862	5,997,039	5,556,523	6,540,038
5. Other taxes	706,910	1,387,587	1,212,563	1,912,880	1,991,449	2,334,006	2,039,904	2,250,814
<b>B. Non-tax revenue</b>	<b>683,362</b>	<b>869,936</b>	<b>1,048,769</b>	<b>1,613,852</b>	<b>2,513,343</b>	<b>2,870,665</b>	<b>3,379,619</b>	<b>2,894,358</b>
1. Parastatal dividends & Contributions	47,602	110,014	161,234	388,551	893,935	529,583	646,415	597,770
2. Ministries and regions	414,925	444,694	527,451	799,449	1,107,690	1,653,776	2,183,359	1,561,000
3. LGAs own source	0	0	0	0	0	0	0	0
	220,835	315,228	360,084	425,852	511,718	687,306	549,845	735,589

**Source:** Ministry of Finance and Planning

**Table 2a: Budget Frame for 2011/12 - 2017/18**

**Tshs Million**

	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2016/17 Budget	2017/18 Likely Outturn	2018/19 Budget
<b>I. TOTAL RESOURCES</b>	12,171,877	15,404,216	15,667,535	17,488,626	22,543,664	25,417,791	31,711,986	28,619,612	32,475,949
Domestic revenue	7,025,884	8,221,776	9,867,227	10,597,681	13,622,182	16,128,215	19,289,695	17,639,052	20,158,989
LGAs Own Sources	195,525	220,835	315,228	360,084	425,852	511,718	687,306	549,845	735,589
Programme loans and grants	967,163	894,955	1,040,659	757,016	291,381	342,785	941,258	684,227	545,765
Project loans and grants	1,207,445	1,423,579	1,194,930	1,154,909	1,186,982	1,857,399	2,473,770	1,804,663	2,005,016
Basket support Loans	172,212	186,336	207,665	163,177	161,842	104,991	355,454	355,454	33,701
Basket support Grants	301,152	280,936	188,623	127,637	86,199	168,984	200,621	177,799	92,163
MCA (T) USA	221,601	220,350	213,612	0	0	0	0	0	0
Non-Bank Borrowing/ roll over	1,326,852	1,734,535	1,528,153	2,064,756	3,005,789	4,615,670	4,948,229	4,835,199	4,600,000
Bank Borrowing (Financing)	334,864	1,069,321	976,712	799,776	2,299,151	1,300,000	1,220,668	1,199,373	1,193,669
Adjustment to Cash	-382,101	88,588	-1,059,790	408,786	1,010,781	-838,731	0	0	0
Non-Concessional borrowing	801,282	1,063,006	1,194,516	1,054,803	453,504	1,226,760	1,594,985	1,374,000	3,111,058
<b>II. TOTAL EXPENDITURE</b>	12,171,877	15,404,216	15,667,535	17,488,626	22,543,664	25,417,791	31,711,986	28,619,612	32,475,950
<b>RECURRENT EXPENDITURE</b>	8,397,155	10,904,521	11,741,493	13,778,397	18,204,111	18,144,967	19,712,394	19,302,746	20,468,676
CFS	2,518,207	3,383,124	3,666,799	4,724,910	6,480,906	8,643,560	9,461,433	9,892,197	10,004,480
Debt service	1,843,666	2,627,946	2,686,455	3,552,426	5,047,764	7,234,530	7,829,918	8,260,682	8,372,951
CFS Others	674,541	755,178	980,344	1,172,484	1,433,142	1,409,030	1,631,515	1,631,515	1,631,529
Recurrent Exp. (excl. CFS)	5,878,949	7,521,397	8,074,693	9,053,487	11,723,205	9,501,407	10,250,961	9,410,549	10,464,196
o/w Wages and Salaries	2,722,084	3,349,959	3,969,108	4,617,648	5,627,497	5,599,246	6,276,267	5,962,454	6,386,265
Parastatal PE	455,006	518,755	568,708	637,711	925,760	767,901	929,501	883,026	1,023,687
LGAs Own Sources	195,525	362,206	315,228	170,627	170,340	251,484	274,922	274,922	389,862
Other Charges	2,506,333	3,290,477	3,221,649	3,627,501	4,999,607	2,882,775	2,770,270	2,290,147	2,664,382
<b>DEVELOPMENT EXPENDITURE</b>	3,774,722	4,499,695	3,926,042	3,710,228	4,339,553	7,272,824	11,999,592	9,316,866	12,007,273
Local	1,872,312	2,314,718	2,121,212	2,264,506	2,904,530	5,141,451	8,969,747	6,978,950	9,876,393
Foreign	1,902,410	2,184,977	1,804,831	1,445,722	1,435,023	2,131,374	3,029,845	2,337,916	2,130,880
GDPmp	57,098,397	66,193,721	75,197,863	85,153,090	97,304,216	106,589,234	120,866,799	118,737,328	132,629,849

**Source:** Ministry of Finance and Planning

**Table 2b: Budget Frame 2011/12 - 2018/19 as Percentage of GDP****Tshs Million**

	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Budget	2017/18 Likely	2018/19 Budget
<b>I. TOTAL RESOURCES</b>	21.3%	23.3%	20.8%	20.5%	23.2%	23.8%	26.2%	24.1%	24.5%
Domestic revenue	12.3%	12.4%	13.1%	12.4%	14.0%	15.1%	16.0%	14.9%	15.2%
LGAs Own Sources	0.3%	0.3%	0.4%	0.4%	0.4%	0.5%	0.6%	0.5%	0.6%
Programme loans and grants	1.7%	1.4%	1.4%	0.9%	0.3%	0.3%	0.8%	0.6%	0.4%
Project loans and grants	2.1%	2.2%	1.6%	1.4%	1.2%	1.7%	2.0%	1.5%	1.5%
Basket support Loans	0.3%	0.3%	0.3%	0.2%	0.2%	0.1%	0.3%	0.3%	0.0%
Basket support Grants	0.5%	0.4%	0.3%	0.1%	0.1%	0.2%	0.2%	0.1%	0.1%
MCA (T) USA	0.4%	0.3%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-Bank Borrowing/ roll over	2.3%	2.6%	2.0%	2.4%	3.1%	4.3%	4.1%	4.1%	3.5%
Bank Borrowing (Financing)	0.6%	1.6%	1.3%	0.9%	2.4%	1.2%	1.0%	1.0%	0.9%
Adjustment to Cash	-0.7%	0.1%	-1.4%	0.5%	1.0%	-0.8%	0.0%	0.0%	0.0%
Non-Concessional borrowing	1.4%	1.6%	1.6%	1.2%	0.5%	1.2%	1.3%	1.2%	2.3%
<b>II. TOTAL EXPENDITURE</b>	21.3%	23.3%	20.8%	20.5%	23.2%	23.8%	26.2%	24.1%	24.5%
<b>RECURRENT EXPENDITURE</b>	14.7%	16.5%	15.6%	16.2%	18.7%	17.0%	16.3%	16.3%	15.4%
CFS	4.4%	5.1%	4.9%	5.5%	6.7%	8.1%	7.8%	8.3%	7.5%
Debt service	3.2%	4.0%	3.6%	4.2%	5.2%	6.8%	6.5%	7.0%	6.3%
CFS Others	1.2%	1.1%	1.3%	1.4%	1.5%	1.3%	1.3%	1.4%	1.2%
Recurrent Exp. (excl. CFS)	10.3%	11.4%	10.7%	10.6%	12.0%	8.9%	8.5%	7.9%	7.9%
o/w Salaries and wages	4.8%	5.1%	5.3%	5.4%	5.8%	5.3%	5.2%	5.0%	4.8%
Parastatal PE	0.8%	0.8%	0.8%	0.7%	1.0%	0.7%	0.8%	0.7%	0.8%
LGAs Own Sources	0.3%	0.5%	0.4%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%
Other Charges	4.4%	5.0%	4.3%	4.3%	5.1%	2.7%	2.3%	1.9%	2.0%
<b>DEVELOPMENT EXPENDITURE</b>	6.6%	6.8%	5.2%	4.4%	4.5%	6.8%	9.9%	7.8%	9.1%
Local	3.3%	3.5%	2.8%	2.7%	3.0%	4.8%	7.4%	5.9%	7.4%
Foreign	3.3%	3.3%	2.4%	1.7%	1.5%	2.0%	2.5%	2.0%	1.6%

**Source:** Ministry of Finance and Planning



**Table 3: External Loans and Grants 2014/15 - 2018/19**

		<b>Tshs Million</b>					
		<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2017/18</b>	<b>2018/19</b>
		<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Likely</b>	<b>Budget</b>
<b>General budget Support</b>	Grants	546,709	0	190,303	190,023	190,613	236,264
	Concessional Loans	375,459	291,381	152,482	751,235	493,614	309,501
	<b>Total</b>	<b>922,168</b>	<b>291,381</b>	<b>342,785</b>	<b>941,258</b>	<b>684,227</b>	<b>545,765</b>
<b>Baskets Funds</b>	Grants	189,112	86,199	168,984	200,621	177,799	92,163
	Concessional Loans	84,975	161,842	104,991	355,454	355,454	33,701
	<b>Total</b>	<b>274,087</b>	<b>248,041</b>	<b>273,975</b>	<b>556,075</b>	<b>533,253</b>	<b>125,864</b>
<b>Projects</b>	Grants	745,344	409,157	733,208	853,815	607,101	752,982
	Concessional Loans	1,000,000	777,825	1,124,190	1,820,576	1,197,563	1,252,035
	<b>Jumla</b>	<b>1,745,344</b>	<b>1,186,982</b>	<b>1,857,399</b>	<b>2,674,391</b>	<b>1,804,663</b>	<b>2,005,016</b>
	<b>Jumla Kuu</b>	<b>2,941,599</b>	<b>1,726,404</b>	<b>2,474,159</b>	<b>4,171,723</b>	<b>3,022,143</b>	<b>2,676,645</b>

**Source:** Ministry of Finance and Planning

<b>NEW EXTERNAL AND DOMESTIC BORROWING (SHILLINGS MILLION)</b>			
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>1. Total of New External and Domestic Borrowing (a-b)</b>	<b>9,653,016.0</b>	<b>10,691,146.5</b>	<b>10,499,963.8</b>
<b>(a) New Domestic Borrowing</b>	<b>5,374,269.0</b>	<b>6,168,897.0</b>	<b>5,793,668.6</b>
(i) New Domestic Borrowing (Rollover)	3,777,112.0	4,948,229.0	4,600,000.0
(ii) Net Domestic Financing	1,597,157.0	1,220,668.0	1,193,668.6
<b>(b) New External Borrowing</b>	<b>4,278,747.0</b>	<b>4,522,249.5</b>	<b>4,706,295.1</b>
(i) Concessional Projects Borrowing	1,874,075.0	2,176,029.4	1,285,735.9
(ii) Concessional General Budget Support	303,677.0	751,235.1	309,501.0
(iii) Non - Concessional	2,100,995.0	1,594,985.0	3,111,058.2
<b>(c) Amortization of Domestic Debt</b>	<b>4,866,262.2</b>	<b>5,973,775.0</b>	<b>6,013,631.0</b>
(i) Principal -Rollover	3,777,112.0	4,948,229.0	4,600,000.0
(ii) Interest Payments	1,089,150.2	1,025,546.0	1,413,631.0
<b>(d) External Debt Services</b>	<b>1,586,640.0</b>	<b>1,856,142.6</b>	<b>2,359,320.0</b>
(i) Interest	620,772.0	673,491.5	689,667.00
(ii) Principle	965,868.0	1,182,651.1	1,669,653.00
<b>(e) Net Domestic Debt Increase (a-c(i))</b>	<b>1,597,157.0</b>	<b>1,220,668.0</b>	<b>1,193,668.6</b>
<b>(f) Net External Debt Increase (b-d(ii)) / 1</b>	<b>3,312,879.0</b>	<b>3,339,598.4</b>	<b>3,036,642.1</b>
<b>2. Net Increase on Domestic and External Debt (e+f)</b>	<b>4,910,036.0</b>	<b>4,560,266.4</b>	<b>4,230,310.8</b>

/1 The increase does not include future disbursement from existing loans

**Source:** Ministry of Finance and Planning





