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Speech of Government Budget for the year 2015-2016

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SPEECH BY THE MINISTER FOR FINANCE
HON. SAADA MKUYA SALUM (MP)
INTRODUCING TO THE NATIONAL
ASSEMBLY; THE ESTIMATES OF
GOVERNMENT REVENUE AND
EXPENDITURE FOR FISCAL
YEAR 2015/2016



I. INTRODUCTION

1. *Madam Speaker*, I beg to move that this esteemed House now resolves to debate and approve Government proposals for Revenue and Expenditure estimates for 2015/16. Together with this speech, there are four volumes of budget books which provide detailed explanation of the budget estimates. Volume one presents revenue estimates; volume two presents recurrent expenditure estimates for ministries; government departments, public institutions and agencies; volume three provides recurrent expenditure estimates for regions and local government authorities; and volume four presents development expenditure estimates for ministries, government departments, public institutions and agencies, regions and local government authorities. In addition, there are two Bills namely the Finance Bill of the year 2015 and the Appropriation Bill of 2015, which are part of this budget.
2. *Madam Speaker*, I would like to take this opportunity to express my condolences to the bereaved family, relatives, friends and to you Madam Speaker and all Honorable Members of Parliament, for the death of Capt. John Damiano Komba and Eugene Mwaiposa. We pray that Almighty God rest their souls in eternal peace.
3. *Madam Speaker*, I would like to thank the Almighty God for protecting and keeping us healthy and for enabling us to participate in this eleventh meeting of the

tenth Parliamentary Session. I also thank His Excellency Dr. Jakaya Mrisho Kikwete, President of the United Republic of Tanzania for his continued confidence in me as the Minister for Finance. Further, I congratulate the Honourable President for his distinguished leadership and for the great achievements recorded during the fourth phase Government. Furthermore, I would like to thank the Vice President, His Excellency Dr. Mohammed Gharib Bilal and the Honourable Prime Minister, Mizengo Kayanza Peter Pinda (MP) for their guidance in the course of executing my daily duties. I would also like to take this opportunity to thank and congratulate you Madam Speaker, Deputy Speaker and Presiding Chairs for your able leadership in guiding proceedings in this House.

4. *Madam Speaker*, I would like to extend my appreciation to the leadership and staff in sector ministries, independent departments, public institutions and agencies, regions and local government authorities and all stakeholders who were involved in one way or another during the preparations of the 2015/16 Budget. I would also like to express my sincere gratitude to the Parliamentary Budget Committee under the leadership of Hon. Dr. Festus Limbu (MP), and Hon. Kidawa Salehe (MP) together with Sectoral Parliamentary Committees for their constructive advice and proposals that have been taken into account in the preparation of this budget. Further, I would like to extend my special thanks to Hon. Dr. Mary Nagu (MP), Minister of State, Presidents Office Public Relations and

Coordination, for her support during the preparation of this budget.

5. *Madam Speaker*, I would also like to take this opportunity to thank deputy Ministers, Hon. Adam Kighoma Ali Malima (MP) and Hon. Mwigulu Lameck Madelu Nchemba (MP) for their cooperation. I wish to thank Hon. Omar Yusuf Mzee, Minister for Finance of the Revolutionary Government of Zanzibar for his cooperation during the preparation of this budget. Further, I would like to thank in a special way Permanent Secretary Dr. Servacius B. Likwelile and his assistants, deputy permanent Secretaries Prof. Adolf F. Mkenda, Ms. Dorothy S. Mwanyika and Dr. Hamisi H. Mwinyimvua for supervising and guiding the preparation of this budget. Furthermore, I would like to thank Executive Secretary Planning Commission, Dr. Philip Mpango, Governor of the Bank of Tanzania Prof. Benno Ndulu, Commissioner General of Tanzania Revenue Authority Mr. Rished Bade, Treasury Registrar Mr. Lawrence Mafuru, and Attonery Generals' Office. I would also like to thank the Commissioner for Budget, Mr. John Cheyo, Commissioner for Policy analysis, Mr. Bedason Shallanda and Commissioner for External Finance, Mr. Ngosha Magonya for their technical inputs during the preparation of this budget. I thank all other heads of departments and sections, public institutions and government agencies under the Ministry of Finance and all staff of the Ministry of Finance for working tirelessly throughout the preparation of this budget.

6. *Madam Speaker*, the 2015/16 Budget is unique for several reasons. First, it is the budget for the year when General Elections will be held and the fourth phase Government will be completing its tenure and the fifth phase Government is expected to assume power. Thus, this is the last budget in the implementation of 2010 Election Manifesto of CCM. Second, implementation of MKUKUTA II was planned to be completed by June 2015. However, the Government has decided to extend the implementation of MKUKUTA II up to June 2016, so that implementation of MKUKUTA II ends simultaneously with the implementation of the First Five Year Development Plan.
7. *Madam Speaker*, the extension of MKUKUTA II is intended to provide sufficient time for a comprehensive review of MKUKUTA II and the Five Year Development Plan, and use the results of the review to prepare the second Five Year Development Plan whose implementation is expected to be launched in July 2016 to June 2021. It is the intension of the the Government to ensure that the new five year development plan takes onboard all issues related to economic growth particularly in the area of industry sector, and poverty reduction; issues that have been previously addressed through MKUKUTA.
8. *Madam Speaker*, this budget has the following priorities. First, to finance the 2015 General Elections, including costs associated with conclusion of the business of your

esteemed Parliament, Local Councils and the fourth phase Government as well as costs related to the launching into office, the next Government and Parliament. Second, to put emphasis on the completion of the ongoing projects; and third, to put special emphasis on rural electrification and water supply projects and human capital development. In order to achieve these objectives, more effort will be put on domestic revenue collection.

New Focus on Domestic Revenue

9. *Madam Speaker*, I would like to explain a new policy drive on tax exemptions. The first issue is about tax reforms. For quite some time, the government has been reducing tax exemptions granted under the discretionary powers of the Minister for Finance as provided for by the law. Instead of continuing to grant tax exemptions by discretion, the Government has opted to reduce or abolish tax on all goods that bear a special meaning to citizens with a view that whoever purchase such goods benefits from the tax relief that is not without dependent on the Minister's discretion.

10. *Madam Speaker*, the new VAT Act which will become operational in 1st July, 2015, has abolished tax on essential goods such as agricultural implement, fishing equipments, medical supplies, and all capital goods. Therefore, citizen will not be charged tax when purchasing these goods. This is the new direction of reforms that the Government

is undertaking to reduce tax exemptions. The slogan for these reforms is "*Reduce Discretionary Powers, Increase Goods*", ie reducing tax exemptions offered by discretion and instead cut taxes on products with special importance for citizens and the economy directly from the tax Law. The aim is to ensure equity and tax efficiency so as to minimize favoritism loopholes and corruption in granting tax exemptions by discretion.

11. *Madam Speaker*, in spite of the intention to reduce tax exemptions, the Government recognizes the importance of granting strategic tax exemption for a specified timeframe in order to attract super strategic investors for the purpose of creating jobs for Tanzanians. However, it is critical that such exemptions are granted in transparent manner and that a mechanism for monitoring and evaluation is in place for beneficiaries to be accountable. The Finance Bill for 2015/16 contains proposals on the identification of super strategic investors who will be eligible for tax exemptions that will to be recommended by the Minister for Finance for approval by the Parliament.

12. *Madam Speaker*, the proposed criteria for the identification of super strategic investors include: minimum capital of USD 300 million in cash and equipment requiring that the cash is channelled through local financial institutions including use of local insurance services; and the investment should create not less than 1,500 jobs for Tanzanians.

These investors will be required to comply with the investment policy of 2004 and use the goods and services that are produced locally.

13. *Madam Speaker*, the Government is taking this stance to ensure fairness and equity of our fiscal policies with a view to accelerate economic growth. In this respect, the Government will continue to publish tax exemption reports in order to promote transparency on tax exemptions granted to beneficiaries and reasons for their provision. The report on tax exemption beneficiaries is available at the Ministry of Finance Website.

Amendments to the Budget Frame

14. *Madam Speaker*, it should be recalled that, in April, 2015 I presented the 2015/16 budget frame to Honorable Members of Parliament when they met as a Committee of Parliament. In that budget frame, I proposed revenue and expenditures estimates amounting to shillings 22,769.1 billion, whereby shillings 13,361.2 billion was tax revenue and shillings 1)12.7 billion was non-tax revenue. However, after thorough discussion with the

Parliamentary Budget Committee, we concurred with their concerns and advise that the projected tax revenue was not consistent with actual revenue performance in the recent past. The Committee recommended reduction of the domestic revenue projections. In addition, the Committee advised that in spite of Government expectations to achieve the targeted revenue collection, it would be appropriate for the Government to maintain low expenditure target. We also concurred with the committee's advice that in case more revenue is collected as originally estimated, the Government could request a supplementary Budget.

15. *Madam Speaker*, as I earlier pointed out, we agreed with the Committee's advice as there is still room to revert to the Parliament for supplementary budget in case the original revenue projection are achieved. Following the budget allocation cuts, I am presenting a revised budget frame. Despite the fact that allocations to votes have been cut, we have increased the budget deficit to 4.2 percent of GDP in order to create space for the Government to meet its obligations including payments of verified arrears in respect of services and goods supplied to the Government by contractors, employees' and part of PSPF liability for the 2015/16 financial year payment of shillings 163 billion to other pension funds. Based on the above explanation, the revised budget frame proposes revenue estimates of shillings 22,495.5 billion, out of which tax revenue is shillings 12,363 billion and non-tax revenue is shillings

1)12.7 billion. The overall budget is indicated in the budget frame for 2015/16. These ammendrments have affected the amounts presented previously on the books of revenues and expenditures Volume t It III and IV. The Budget for 2015/16 of shillings 22A95.5 billion has increased by shillings 2,642.2 billion compared with the Budget of shillings 19,853.3 billion for 2014/15

Commitment to Enhance Resource Mobilization Efforts

16. *Madam Speaker*, together with caution amendment of the budget frame, Government resolved remain that of ensuring that that total revenue collection is increasing. Currently, total tax revenue collection is approximately 12 percent of GDP, which is lower compared to most neighboring countries. I am confident that, there is room for increase in tax revenue. In order to achieve this, The Ministry of Finance will sign performance contracts with Tanzania Revenue Authority Senior staff, with a view to ensure that revenue collection target is achieved. TRA staff performance, particularly those at the managerial level will be appraised based on how they meet their revenue collection targets. Further, the Government will strengthen efforts to avert tax evasion through enforcing the use of EFDs in all business transactions. In this regard, I would like to take this opportunity to thank Hon.Omari Yusuf Mzee, Minister for Finance of the Revolutionary Government of Zanzibar for supporting TRA's

introduction of the Tanzania Customs Integrated System (TANCIS) and Centralized Price Based Valuation System, so that those systems are used throughout the United Republic of Tanzania. Further, the use of these systems will significantly reduce tax evasion and eliminate the need for TRA to reassess the value of goods declared for entry into Tanzania Mainland from Zanzibar. This is a remarkable achievement towards addressing complaints about double taxation by importers of goods from Zanzibar to Tanzania mainland. TRA will need to rollout this system throughout the country.

17. *Madam Speaker*, in order to promote the use of EFD machines and enforce tax payment compliance, the Government will no longer do business with suppliers, contractors and other service providers who do not pay taxes promptly. Further, the Central Government, Government Agencies and Local Government Authorities will not award contracts to any suppliers, contractors and service providers who do not to use EFD machines.

18. *Madam Speaker*, non – tax revenue collections will also be improved by taking various measures. First, electronic payment systems must be used in issuing receipts on payments of charges, fine, fees, and other payments made to central Government, Local Government Authorities and all Government Agencies. I insist, the electronic system must be used in issuing receipts for charges, fine,

fees, and all other payments made to Central Government, Local Government Authorities and Government Agencies. These will include payments for court fines, traffic fines, National Parks entry fees and license fees for natural resources harvesting. All Accounting Officers are responsible to enforce implementation of this policy. Second, Ministries, Government Agencies and Local Government Authorities, their monthly allocation shall be reduced to the tune of the amount they fail to collect in the respective month. Third, Ministry of Finance will enter into performance contracts for revenue collections with Local Government Authorities in order to promote effective revenue collection. Fourth, the Government will speed up valuation of buildings in urban centres. Fifth, the Government will review the system of using revenue collection agencies in Local Government Authorities. Sixth, public corporations and agencies will be closely monitored by the Treasury Registrar in order to ensure that dividends due to the Government are paid; remove malpractices; and that surplus income is deposited into the Consolidated Fund. One of the measures will be to review rates for travel the public institutions and Government agencies.

19. *Madam Speaker*, these Government efforts aimed at increasing revenue collection, it will also reduce budgetary dependency on foreign aid. In fact, the Government has continued to take measures that aim at reducing Budget

dependency, whereby aid dependence has declined from 24 percent 2004/5 to 17 percent 2010/11, down to 6.4 percent in 2015/16. This is a remarkable achievement we need to be proud of. It is my expectation that honourable Members of Parliament and the general public will support us in these efforts.

Public Expenditure Management

20. *Madam Speaker*, along with efforts to increase revenue collections, the Government will prudently manage the use of public financial resources. In implementing this initiative, the Government will finalize and operationalize regulations of the Budget Act, 2014. In addition, claims by suppliers without supporting LPO issued from IFMS will not be recognized as valid claim. Further, the Government will continue to emphasize adherence to Public Procurement law to avoid awarding contracts not supported by availability of funds and thus minimize accumulation of arrears. Fund allocation to votes will depend on availability of fund and submission of expenditure reports. Settlement of arrears will be effected after verification by the Internal Auditor General. These measures are aimed at working the problem of accumulation of arrears.

Claims from Social Security Funds and Suppliers

21. *Madam Speaker*, The Government is aware of the debts owed to Social Security funds. These debts originated from the implementation of various Government development projects through funding from by Social Security Funds as well as pre-1999 PSPF retirees who did not contribute to the Fund. Hence, during FY 2015/16, the Government intends to pay its liabilities to Social Security Funds by issuing non-cash special bonds and continue to allocate funds in the Government Budget specifically for payment of the pre-1999 PSPF debt and investment related due to other funds. The bonds to be issued will have varying maturities, depending on maturity profile of other bonds. This arrangement will enable the Government to recognize these debts in the national debt data base and enable Social Security Funds to earn interest to be paid by the Government annually. In addition, the Social Security Funds will also have the possibility of trading the bonds in the secondary market and thus strengthen their financial positions.

22. *Madam Speaker*, in the recent past, there has been accumulation of arrears from contractors, suppliers and Public servants. The Government is determined to address this problem by strengthening public financial management and control systems and by paying claims that have been verified. In this regard, by April 2015, the

Government had paid claims worth 692.2 billion. Similarly, the Government expects to pay additional shillings 200 billion by end of June, 2015, out of which Shilling 57.7 billion has already been paid. The remaining verified claims have been budgeted for in the 2015/16 Budget.

Welfare of Public Servants

23. *Madam Speaker*, the Government has continued to improve public servants welfare by increasing the minimum wage and reducing minimum tax rate (PAYE) from 12 percent in 2014/15 to 11 percent in 2015/16.

Pension for retirees

24. *Madam Speaker*, The Government recognizes and values the contribution of retired employees to the development of this Nation. In respect of this, during the financial year 2015/16, the Government will increase minimum pension for retired public servants from shillings 50,000 to shillings 85,000 equivalent to 70 percent increase.

Pension for the senior citizens

25. *Madam Speaker*, in recognition the valuable contribution of the senior citizens to the development of this nation, the Government is determined to pay monthly pensions to them. For that case, the Government is in the process of preparing mechanisms for identification of eligible senior citizens in the country in order to establish their exact

number and ensure timely and equitable payments to the intended beneficiaries. In this regard, during financial year 2015/16, the Government intends to start preparations that will create enabling environment for implementation of this initiative. These preparations include, drafting of the relevant bill, identification of eligible senior citizens and to put in place necessary payment mechanisms.

26. *Madam Speaker*, after these introductory remarks, allow me now to present an overview of the 2014/15 budget implementation and revenue and expenditure estimates for 2015/16.

II. REVIEW OF FISCAL POLICY IMPLEMENTATION FOR 2014/15

27. *Madam Speaker*, fiscal policies for 2014/15, focused on economic growth, containing inflation, reducing tax exemptions and increasing revenue collection. During that period, the Government planned to collect shillings 19,853.3 billion from domestic and external sources. Out of the estimated collection, the Government planned to spend shillings 13A08.2 billion for recurrent expenditure and shillings 6A45.1 billion for development expenditure.

Domestic Revenue Performance

28. *Madam Speaker*, revenue policies in 2014/15 were aimed at collecting tax and non-tax revenue amounting to shillings 12,178 billion. In addition, LGAs own sources

was estimated at shillings 458.5 billion. Actual revenue collections up to April 2015 was shillings 8,640.9 billion, equivalent to 86 percent of the period's estimates of shillings 9,991billion. The LGAs own source was shillings 296.7 billion, equivalent to 65 percent of the annual estimates.

29. *Madam Speaker*, up to April 2015, tax revenue amounted to shillings 8)06.5 billion, equivalent to 72 percent of the annual estimate of shillings 11,318.2 billion. It is expected that, tax revenue will reach 91percent of the annual target by June, 2015. The underperformance is due to decline in revenue from exploration and production of oil, gas and minerals, especially withholding tax; low collection of excise duty from soft drinks, cigarettes, beers and bank service fees; low response from traders on the usage of electronic fiscal devices; and decrease in importation of non capital goods.

30. *Madam Speaker*, non-tax revenue collection up to April 2015 was shillings 534.4 billion, equivalent to 62 percent of the annual estimates of shillings 859.9. It is expected that by end of June, 2015, non-tax revenue will be 74 percent of the annual target.

31. *Madam Speaker*, regarding LGAs' own source, shillings 296.7 billion was collected up to April2015, equivalent to 65 percent of the annual estimates of shillings 458.5 billion. It is expected that, about 78 percent of the annual estimates

will be realized by June 2015. The planned revenue target was not achieved due to non-completion mass property valuation exercise which affected property tax collection and non-usage of Electronic Fiscal Devices (EFD's).

32. *Madam Speaker*, in the period between July, 2014 and April, 2015 tax exemptions amounted to shilling 1, 301,167.2 million, equivalent to 1.4 percent of GDP. It is estimated that by the end of June, 2015 tax exemptions are expected to amount to shillings 1A19, 455.2 million which is equivalent to 1.5 percent of GDP compared to 2 percent of GDP in the same period in 2013/14.

Grants and Concessional Loans

33. *Madam Speaker*, for the FY 2014/15, the Government had expected to receive the sum of 2,941.5 billion shillings as grants and concessional loans from Development Partners. Until April 2015, the actual budget support contributions received amounted to shillings 408 billion, which is equivalent to 44 percent of the annual projections of shillings 922.2. The Government received shillings 289.5 billion for Basket Funds, equivalent to 106 percent of the annual estimates. Further, shillings 1)17 billion equivalent to 64 percent of the annual targets of shillings 1,745.5 was received as grants and concessional loans to negotiation procedures. The remaining balance is expected to be realized before the end of June 30, 2015.

finance development projects. Grants and concessional loans are expected to amount to 70 percent of the annual targets by June 30, 2015. The annual targets are not expected to be met due to the slow implementation of development projects and failure of some development partners to fulfill their commitments.

Domestic Borrowing

34. *Madam Speaker*, during 2014/15, the Government planned to borrow shillings 2,955.2 billion from domestic market to finance development projects and payment of maturing Treasury bonds. Out of this amount, shilling 686.4 billion was new loans for financing development projects and shillings 2,265.7 billion was for payment of matured Treasury bills and bonds (rollover). By April, 2015 shillings 1,767.9 billion was borrowed for the payment of matured Treasury Bonds (rollover).

External Non Concessional Borrowing

35. *Madam Speaker*, during 2014/15, the Government planned to borrow US dollar 800 million equivalent to shillings 1,320 billion from external sources to finance development projects. By April 2015, the Government received US dollar 300 million, (equivalent to shillings 514 billion) from China Development Bank (CDB), equivalent negotiation procedures. The remaining balance is expected to be realized before the end of June 30, 2015.

Expenditure Policy

36. *Madam Speaker*, during 2014/15 expenditure policies focused on aligning expenditure with expected revenues, strengthening the control and management of public expenditure through: preparation of Budget Act; ensuring use of EFDs by all Government institutions and agencies in procuring good and services; ensuring all Government institutions, agencies and local Government authorities submit their budget estimates to the Paymaster general for scrutiny and approval; continuing with verification of arrears and claims; and ensuring bulk procurement from producers instead of agents.

37. *Madam Speaker*, expenditure policies were satisfactorily implemented which includee completion of Budget Act of 2014 which will start to be enforceable from 1July, 2015; commencement of bulk procurement of Government vehicles whereby the Government has saved shilling 2 billion by purchasing 50 vehicles by April 2015; Scrutinsation and approval of budgets for Government institutions and agencies; perpetuation of verification before been paid; and the enforcement of the use of EFDs by the Government and its institutions has started.

Expenditure Performance

38. *Madam Speaker*, by April, 2015, the Government has disbursed shillings 14)21.4 billion to various votes for

implementation of the Budget. Out of this, shillings 11,543.3 billion was for recurrent expenditure including salaries for central Government and public institution employees amounting to shillings 4,349.1 billion, shillings 446.9 billion was for Consolidated Fund Service (CFS) and shillings 2,726.3 billion was for other charges. Development expenditure amounted to shillings 2,578.1 billion.

Recurrent Expenditure

39. *Madam Speaker*, interest payment on domestic and foreign loans for the period ending April, 2015 was shillings 921.2 billion. Out of this, shillings 629.7 billion was for payment of interest on domestic loans and shillings 291.6 billion was for interest payment on foreign loans. In addition, amortization of loans amounted to shillings 1,878 billion. Out of this, shilling 110 billion was payment of foreign loans and shillings 1,767.9 was payment of domestic loans and shillings 929.9 was payment of CFS other.
40. *Madam Speaker*, payment for Government employees' salaries was shillings 4,349.1 billion which included shillings 1,822.9 billion for central Government, shillings 106.3 billion for Regional Secretariat and shillings 2A19.8 billion was paid to Local Government Authorities. The Government also paid shillings 530 billion to public institutions and parastatals employees. Further, shillings 2,726.3 billion was disbursed for other charges and a big proportion of it was used to finance the preparation for

general election, procurement of national food reserve, agricultural implements, primary and secondary schools national examinations, Constitutional Assembly, and payment of various arrears.

Development Expenditure

41. *Madam Speaker*, the Government has continued to implement development budget for 2014/15 by aligning revenue with expenditure. Other criteria used in the disbursement of local development funds include: Proposal from Planning Commission which are in line with Big Result Now priorities; submission of execution reports; submission of certificates for construction projects; submission of monthly expenditure reports for funds received; and submission of action plans and cash flows.
42. *Madam Speaker*, for the period ended April 2015, shillings 2,578.1 billion was disbursed for implementation of development projects, out of this, shillings 1,998.9 billion was domestically financed and shillings 579.2 billion was foreign financed. Moreover, shillings 649.5 billion was allocated to votes implementing Big Results Now projects, whereby shillings 544.8 billion was locally financed and shillings 104.7 billion was foreign funds. These funds were disbursed to the following sectors: shillings 302.5 billion for energy; shillings 129.1 billion for education; shillings 105.3 billion for transport; shillings 81 billion for water; shillings 30 billion for agriculture; and shillings 1.5 billion for resource mobilization.

PUBLIC EXPENDITURE MANAGEMENT

43. *Madam Speaker*, For the first time in 2013/14, the Government prepared and submitted to the Controller and Auditor General the Consolidated Financial Statements which covers Central Government, Local Government, Public Institutions and Public Enterprises in accordance with IPSAS Accrual Basis. The Government has continued to promote accountability and transparency in public expenditure by preparing financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) using Accrual Basis.
44. *Madam Speaker*, In strengthening controls of public expenditure, the Government continued to expand the use of Tanzania Inter-Bank Settlement System (TISS) whereby all regions in Tanzania Mainland are now connected. The Government will further expand TISS to all Local Government Authorities from July, 2015, for the purpose of enhancing control over public expenditures. In addition, pensioners who are in the pension register are paid through their bank accounts using this system.

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

45. *Madam Speaker*, in assessing performance in the implementation of National Strategy for Growth and Reduction of Poverty (NSGRP II), the Government continued to monitor, analyse and evaluate the NSGRP II in order to identify outcomes, challenges and measures to be taken so as to bring the desired results. The results of NSGRP II implementation have been reported in the MKUKUTA Annual Implementation Report-2013/14 and Millennium Development Goals (MDGs) report of 2014. In addition, for the first time, the Government has prepared and published the *Tanzania Human Development Report 2014*. This report analyses and compares development and social wellbeing of Tanzanians overtime and across regions.
46. *Madam Speaker*, some of the achievements in the NSGRP II's implementation include increase in GDP growth and per capital income by 7.0 percent and 8.9 percent respectively in 2014. In the mean time, income poverty declined from 34.4 percent in 2007 to 28.2 percent in 2012. There were also achievements in social services, which include increase in primary school net enrollment rate from 89.7 percent in 2013 to 90.2 percent in 2014. I will highlight other achievements in the summary of overall performance in the past five years.

Financial Sector

47. *Madam Speaker*, in 2014/15, the Government continued to implement the Financial Sector Reforms Programme with the view to improve access and usage of formal financial services that aims at reducing poverty and increase economic growth. By December 2014, credit extended to private sector was shilings 12.4 trillion, equivalent to 20.9 percent of GDP. Significant amount of the credit was directed to business activities which accounted for 21.7 percent of the total credit; followed by personal loan 15.8 percent; manufacturing 11.8 percent; and agriculture 8.9 percent.
48. *Madam Speaker*, the Government continues to improve policy and legislation environment in the Financial Sector whereby the National Payment System Act of 2015 which regulate and supervise all electronic payments will be effective beginning July 2015. In addition, the draft National Microfinance Policy and its implementation strategy have been prepared for the purpose of improving access and usage of microfinance services to low income individuals, households and enterprises. Further, the Housing Microfinance Fund for extending housing loans to the low income earners was established.
49. *Madam Speaker*, in 2015/16, the Government will review and establish mechanisms for insuring all assets through the National Insurance Corporation (NIC). The

implementation of this initiative will enhance business opportunity for NIC. It is the intention of the Government to ensure that Central Government, all public Institution including Local Government Authorities will insure their assets by NIC. In the long run, Implementation of this initiative may eventually enable NIC to contribute to the Government Consolidated Fund

Public -Private Partnership (PPP)

50. *Madam Speaker*, in 2014/15, the Government has identified and appraised various projects which are in different stages of implementation under PPP arrangement. By April 2015, the following projects were identified and appraised prior to their approval and technical guidance for improvement. The projects include; Dar es Salaam Rapid Transit (DART); construction of DarEs Salaam to Chalinze toll road; construction of Kinyerezi III power generation plant; construction of plants for manufacture of essential medicines under Medical Stores Department; and expansion of Dares Salaam port. Furthermore, for the first time the Government has approved DART feasibility study report and currently the project is at the stage of procuring an operating partner.

51. *Madam Speaker*, in 2015/16, the Government will be determined to strengthen PPP programme in the country. The approved projects will be implemented as planned. In addition, the Government will continue to

enhance capacity of employees and other stakeholders at different levels including Local Government Authorities and representatives from the private sector. Further, the Government will conduct workshops and create awareness on implementation of PPP concept.

National Debt

52. *Madam Speaker*, the Government has continued to manage National Debt based on Government Loan, Grants and Guarantees Act, Cap.134. In addition, the emphasis has been directed to borrow concessional loans rather than commercial loan which require high integrity, and to be directed to the projects that stimulate economic growth including construction of road and railway infrastructures, construction of power generation plants and construction of airports.

53. *Madam Speaker*, by March 2014, the National Debt stock comprising of domestic and external public debt and private sector external debt stood at US dollar 19.5 billion equivalent to shilling 35 trillion compared to US dollar of 18.7 billion, equivalent to shilling 30.6 trillion in March 2014. This represents an increase of 21 percent. Out of this amount, external debt is shilling 25.6 trillion which is equivalent to 73.2 percent of the National debt while domestic debt is shilling 9.4 trillion, equivalent to 26.8 percent of the National Debt. The increase of debt stock is due to new borrowings of both concessional and non-

concessional loans that were raised to finance development projects, depreciation of the Tanzanian shilling against the US dollar and accumulation of interest arrears of external debt, especially to the Non Paris Club creditors. The Government is still negotiating with the group of creditors in order to get debt forgiveness.

Credit Rating

54. *Madam Speaker*, Discussions between the Government and Moody and Fitch Rating Agencies that will conduct rating to determine credit-worth of Tanzania to borrow from International Financial Market has been finalized. It is our expectation that the contract between Government and Raters will be signed before July, 2015.

Achievement in the Implementation of 2014/15 Budget

55. *Madam Speaker*, in 2014/15, the Government has provided funds for the implementation of various activities including distribution of electricity and water supply in rural areas; transport infrastructure (roads, railways, ports and airports); the gas pipeline project and gas processing plants; purchase of 289,223 tons of cereals for national food reserves; financing the Constitutional Assembly leading to the proposed constitution; financing higher learning student's loans; financing local Government elections; financing the improvement of the permanent register of voters;

preparations for the General Elections; and purchase of the office building for the Tanzanian Embassy in France.

56. *Madam Speaker*, despite the Government efforts in implementing 2014/15 budget there are various budgetary challenges some of which are:

- i. Persistent tax evasion perpetrated by unfaithful businessmen;
- ii. Long process to access external non concessional loans and frequent changes in the foreign market conditions;
- iii. Continued dependency on Government subvention by public corporation such as TANESCO, ATCL, TRL and TAZARA and thus increasing the overhead costs to the Government which should have been avoided had these institutions operated profitably;
- iv. Significant increase in demand for financial resources in socio-economic infrastructure to improve infrastructure especially water, railways, ports, airports and roads aimed at boosting the economy and increase employment;
- v. The global economic crisis has continued to affect various sectors of the economy especially in investment, tourism and access to credit in the financial markets;
- vi. Climate change which has led to various disasters such as destruction of transport infrastructures, inadequate food supply, shortage of hydroelectric power and loss of employment opportunities;

- vii. Continued strengthening of the US dollar against other currencies has increased the cost of imports of goods and services; and
- viii. Frequent fuel price fluctuation has contributed to increased production costs and prices of consumer goods and services.

57. *Madam Speaker*, the Government took several measures to address these challenges as explained in the preceding paragraphs.

Achievement and Challenge in the Implementation of the Budget over the last Five Years (2010/11- 2014/15)

58. *Madam Speaker*, as I said earlier, this Budget is unique since it is the last one in the implementation of CCM election manifesto of 2010. Let me use this opportunity to briefly explain the achievements realised during the implementation of the plan and budget for the past five years.

59. *Madam Speaker*, the Government has continued to allocate funds to implement various projects under the First Five Year Development Plan (2011-2015/16) and the second National Strategy for Growth and Reduction of Poverty (NSGRP II). The Implementation of these plans has brought remarkable achievements in various sectors of the economy. Sectors that recorded achievements include energy, transport and agriculture. In brief, let me explain

to your esteemed House the achievements realised during the period under review.

Infrastructure

60. *Madam Speaker*, In the area of infrastructure, the Government has accomplished construction of the Gas pipeline from Mtwara to Dares Salaam, construction of gas turbine power plant at Ubungo which will produce 105 Mega Watt, Somanga Fungu 7.5 Mega Watt, and the crude oil plant in Mwanza, with production capacity of 60 Mega Watt. These investments have contributed to the increase of electrical power from 788.68 Mega Watt in 2010 to 1,226.3 Mega Watts in 2014. In addition, electricity supply in rural areas has increased through Rural Electrification Agency (REA). The number of people with access to electricity has increased from 7 percent in 2011 to 36 in 2014.

61. *Madam Speaker*, The Government has continued to improve road transport infrastructures whereby construction of roads and bridges in different parts of the country has been completed. These include Tunduma - Sumbawanga, Dodoma - Manyoni, Ndundu - Somanga roads and construction of Kikwete bridge on Malagarasi river in Kigoma has also been completed. Further, the Government continues with efforts to improve the aviation services through expansion of existing Airports. Important projects in this area include J.K Nyerere International Airport (JNIA), Songwe Airport, Mpanda, Kigoma,

Tabora, Mafia and Arusha. Furthermore, rehabilitation of railway infrastructures, purchase of train wagons and locomotives for Central Railway and TAZARA has been successfully implemented.

Agriculture

62. *Madam Speaker*, in the agricultural sector, the Government continued to finance various activities and several achievements have been made in a number of areas, including: increased subsidies for agricultural inputs, increased access to quality seeds, increased use of fertilizers to farmers, increased agricultural extension and livestock officers, increased purchasing of food reserve from farmers and investment in farms under SAGCOT.

Social Services

63. *Madam Speaker*, the Government continued to improve health care services by financing the construction, rehabilitation and expansion of health centers and regional referral hospitals, which include Mbeya region referral hospital Singida regional referral hospital and Ocean Road Cancer Hospital. In the case of education, the Government has increased loans to students of higher learning education to the tune of 1A97.52 shillings which have so far benefited 211J80 students during the period. In addition, the number of teachers in primary schools increased from 165,856 teachers in 2010/11 to 190,957 in

2014/15 where performance has risen from 53.5 percent in 2010 to 56.9 percent in year 2014.

Economic Management

64. *Madam Speaker*, The economy has continued to grow over time, where in 2010 it grew by 6.4 percent and is expected to grow by 7.3 percent in year 2015. Looking at the trends of prices, inflation has continued to decline from 5.6 percent in December, 2010 to 4.5 percent in April, 2015. Moreover, economic growth has been coupled by an increase of 274,030 jobs in 2012/13 and 630,616 jobs for 2013/14. Similarly, foreign investment increased from US \$1.2 billion in 2011 to reach US\$ 2.13 billion by 2013

The value of the shilling

65. *Madam Speaker*, the value of the Tanzania shilling against US dollar has been stable for about three years since 2012. Its value abruptly depreciated in the beginning of the last quarter of 2014. This depreciation was a result of strengthening of the US dollar against all other currencies. The appreciation in the value of US dollar originated from the recovery of the US economy which has attracted many investors to invest in US dollar. Other reasons for depreciation in the value of Tanzanian shilling include:

(i) Lower export earnings compared to the import bill of goods and services;

(ii) Falling in gold price in the world market resulted in

adverse affecting our forex earnings from the export of gold; and

(iii) increasing demand for the US dollar on account of repatriation of dividends by foreign companies.

66. *Madam Speaker*, it was not only the Tanzanian shilling that depreciated, other major currencies such as Euro of Europe, British Pound, Japanese Yen, Ugandan Shilling, and South African Rand also depreciated drastically compared to the Tanzanian shilling.

67. *Madam Speaker*, I would like to assure you Honorable Members of Parliament and all citizens that the Government is taking appropriate measures to stabilize the value of shilling. Those measures include enhancing production in export processing zones and special economic zones. Therefore, we urge Tanzanians to exploit these potential opportunities for the intention of increasing exports while reducing unnecessary imports of goods and services in order to continue strengthening the value of the shilling.

Expenditure Management

68. *Madam Speaker*, in the management of expenditure, the Government has strengthened the TISS payment system where payments are currently payable directly to the accounts of beneficiaries as opposed to the old system of using cheques. This system of payment which used by ministries, independent departments, institutions as

well as all regional secretariats facilitates the immediate payments and reduces transactions costs.

III. REGIONAL ECONOMIC COOPERATION

69. *Madam Speaker*, on the East African Community I would like to report that, the implementation of road map for the Monetary Union Protocol is underway following the ratification of the Monetary Union Protocol by this House in June, 2014. Currently, the EAC is in the early stages of drafting a bill to establish the East Africa Monetary Institute that will prepare establishment of the Monetary Union. Other institutions that will be established include the commission to regulate financial services, the statistical institution and institute for monitoring and enforcing compliance to the requirements of Monetary Union Protocol in order to ensure that the Community creates a stable and sustainable Monetary Union. In addition, the Government is in the final stage of the implementation of the Protocols on Customs Union and Common Market as a foundation for building strong economy that will lead to the creation of a stable Monetary Union.

70. *Madam Speaker*, On the Southern African Development Community (SADC), I wish to inform your esteemed House that the implementation of the road map for Finance and Investment Protocol is also underway following the ratifying of the Protocol in this House in June 2014. SADC member countries have started the implementation of the Revised Regional Indicative Strategic Development

Plan 2015-2020 that was endorsed by the Heads of States in April 2015. The five year Development Plan will guide the implementation of SADC programs. The plan puts emphasis on industrial and market development, regional infrastructure development, defence and security.

IV. BUDGET FOR 2015/16

71. *Madam Speaker*, as I mentioned in my introduction, this is the year we had planned to complete our national development plans and set goals for the next five years. In line with the National Development Plan for FY 2015/16, the priorities of this budget will focus on financing the General Elections, providing electricity and water projects in rural areas, completing the ongoing strategic projects as well as investing in human resources.

Objectives and targets of the 2015/16 Budget

72. *Madam Speaker*, aims and objectives of macroeconomic policy during the year 2015/16 are as follows:

- i. To increase real GDP growth rate to reach 7.2 percent in 2015;
- ii. To continue to control inflation and ensure that it remains on a single digit;
- iii. To increase domestic revenue collections including revenue from the Local Government Authorities to reach 14.8 percent of GDP;
- iv. To Increase tax revenues to reach 13.1 percent of GDP;

- v. Government spending is projected to be 20.6 percent of GDP;
- vi. To have a budget deficit (including grants) of 4.2 percent of GDP;
- vii. Contain the growth of extended broad money supply (M3) at 16 percent for the year ending June 2016;
- viii. To maintain foreign exchange reserves to cover 4 months imports of goods and services,

73. *Madam Speaker*, the basis of the Government Budget for year 2015/16 is as follows:

- i. Continued peace, security, stability and order in the country and neighboring countries;
- ii. Existence of economic stability within and outside the country;
- iii. Existence of favorable weather conditions in the country and in neighboring countries which allow good production food and commercial crops.

REVENUE POLICIES

74. *Madam Speaker*, in my earlier statement, I identified several policy measures which will be taken by the Government to improve revenue collection. Through the application of existing and new measures, the Government plans to collect shillings 22A95.5 billion in 2015/16 as detailed bellow.

Domestic Revenue

75. *Madam Speaker*, the domestic revenue policy aims at collecting tax and non-tax revenue amounting to shillings 14A75.6 billion in 2015/16, equivalent to 14.3 percent of GDP. Out of this amount, shillings 12,363 billion is tax revenue and shillings 1)12.7 billion is non-tax revenue. Local Government Authorities own sources revenues are estimated at shillings 521.9 billion, equivalent to 0.6 percent of GDP.

Gas Sector Development

76. *Madam Speaker*, in the recent years, there has been a series of discovery of tremendous amount gas to about 55.08 trillion cubic feet, which is expected to generate significant amount of government revenue in the future. The public expects that the revenue generated from gas sector will contribute immensely to the economic development to the extent of creating employment opportunities in the country. However, there are challenges in the management of revenue from oil and gas as follows:

- i. To secure optimal share of revenue from oil and gas industry;
- ii. To ensure fiscal and macroeconomic sustainability and to safeguard the economy against uncertainties and volatility of price and production volumes;
- iii. To ensure the sustainability of government revenue after the depletion of these resources;

- iv. To ensure that the Government remains within the approved budget ceiling by taking into account economic sustainability; and
- v. To ensure that revenues from oil and gas are not diverted to rent seeking or to malpractices of corruption, embezzlement and theft.

77. *Madam Speaker*, in addressing these challenges, the Government has prepared Oil and Gas Revenue Management Policy which aims at creating conducive environment that will ensure current and future generations benefit from revenue generated from this sector. This policy was passed in May 2015. Further, this policy provides guidance to establish Oil and Gas Revenue Fund which will be part of the government budget according to fiscal rules. Similarly, that fund will put a limit on the use of such revenue in the government budget and the savings will be kept in the fund in order to ensure the released amount can be sustained by the economy. The preparation for oil and gas revenue management legislation has started and the bill is expected to be submitted in the Parliament in the near future.

V. REFORMS ON TAXES, FEES, LEVIES AND OTHER REVENUE MEASURES 2015/16

78. *Madam Speaker*, I would like to present before you the budget proposals on revenue measures which comprise reforming the tax regime, imposing and varying tax rates, reviewing fees, levies and charges imposed by

various laws as well as to improve collection systems and administration in order to enhance Government revenue collections. The proposed measures are addressed through the following laws:

- a. The Income Tax Act, CAP. 332;
- b. The Vocational Education and Training Act, Cap. 82;
- c. The Export Tax Act, CAP. 196;
- d. The Tanzania Investment Act, CAP. 38;
- e. The East African Community Customs Management Act, 2004;
- f. The Gaming Act, CAP. 41;
- g. The Petroleum Act ,CAP 392;
- h. The Fuel and Road Tolls Act, CAP. 220
- i. The Treasury Registrar Powers and Functions Act, CAP 370;
- j. The Bank of Tanzania Act, CAP 197;
- k. Minor amendments in tax laws and other laws;
- l. Amendment of various fees and levies imposed by Ministries, Regions and Independent Departments.

(A) The Income Tax Act, CAP. 332

79. *Madam Speaker*, I propose to amend the Income Tax Act, CAP 332 as follows: -

- (i) To remove income tax exemptions on Government projects which are implemented through agreements signed between the Government and various institutions which involve non-concessional loans financing arrangements. However, this measure will not apply to agreements signed before 1st July 2015;
- (ii) To exempt withholding tax to the East African Development Bank when making payment in respect of bonds to bond holders in the domestic capital market. The measure is expected to increase the Bank's lending capacity and therefore will provide more concessional loans to development projects in the country such as infrastructure, energy, etc.
- (iii) To adjust Pay-As-You-Earn threshold from 12 percent to 11 percent. It is the Government intension to relieve employees from the tax burden and therefore it has gradually reduced the rate on employment tax from 18.5 in 2006/07 to the current proposed rate of 11 percent.
- (iv) To reduce presumptive tax rates by 25 percent in order to promote voluntary compliance. This follows complaints received from the business community

that the rates which were imposed in 2014/15 were too high for the small businesses to afford and comply.

The measures on income tax are altogether expected to increase Government revenues by **shillings 47,212.2 million.**

(B) The Vocational Education and Training Act, Cap.82;

80. *Madam Speaker*, I propose to restore exemption of Skills and Development Levy in the agricultural sector in order to provide tax relief on farming activities in farms which are basically labour intensive and takes long period to realize the return on investment.

(C) The Export Tax Act, CAP.196;

81. *Madam Speaker*, I propose to increase export tax on raw hides and skins from 60 percent of F.O.B value or 600 shillings per kilogramme, whichever is higher; to 80 percent of F.O.B value or United States dollars 0.52 per kilogramme, whichever is higher. This measure is being implemented following the agreement reached by the East African Community Partner States to harmonise the rates and have a common rate which is applied in the region. Furthermore, it is intended to curb smuggling of raw hides and skins, promote leather processing industries, value addition, employment and increase revenue.

82. *Madam Speaker*, I propose also to introduce an export tax of 10 percent of the F.O.B value on wet blue leather. The aim is to promote local processing, value addition and

encourage local investment in the production of leather products. The measure is also expected to increase revenue and create employment.

These measures altogether are expected to increase Government revenue by shillings 920.6 million.

(D) The Tanzania Investment Act, CAP. 38

83. *Madam Speaker*, I propose to amend the Tanzania Investment Act, CAP 38 as follows:

- (i) Remove PVC and HDPE pipes under HS Code 3917.31.00 from the list of deemed capital goods which enjoys exemptions under the Tanzania Investment Centre. The measure is intended to protect local industries which produce these pipes, increase revenue and create employment.
- (ii) Remove tax exemption granted on trailers through the Tanzania Investment Centre. This measure is intended to enhance competitiveness of the locally produced trailers against imported trailers. Furthermore, the measure is expected to create employment and increase revenue;
- (iii) To establish Special Strategic Investment category. The Investment must meet the following criteria:
 - a) The initial total capital should not be less than United States Dollars 300,000,000 or Tanzanian

shillings of equivalent value in terms of working capita and fixed assets;

- b) The operating capital should be channeled through local financial institutions including local insurance services;
- c) To be able to create direct employment of not less than 1,500 Tanzanian employees out of which a significant number of employees should be at senior position;
- d) To be able to generate foreign exchange or produce import substitution goods.

These measures altogether are expected to increase Government revenue by **shillings 7,965.5 million**.

(E) **The East African Community Customs Management Act, 2004**

84. *Madam Speaker*, during the Pre-budget consultations held in Arusha on 11^h April 2015, the Ministers

responsible for Finance from EAC Partner States agreed to make amendments and changes in the EAC Customs Management Act, 2004 (EAC CMA 2004) and Common External Tariff (CET) for the Financial year 2015/16.

85. *Madam Speaker*, the changes in the Common External Tariff (CET) to be effected are as follows:

- (i) To extend stay of application of CET rate of 35 percent on wheat grain under HS Code 1001.90.10 and HS Code 1001.99.90 and apply a CET rate of 10 percent for the period of one year. This measure is intended to continue providing relief to producers of products which utilize wheat as an input and ensure price stability for such products.
- (ii) To increase import duty on plastic tubes for packing of toothpaste under HS Code 3923.90.20 from 10 percent to 25 percent. The measure is aimed at protecting producers of such products in the EAC region.
- (iii) To impose import duty rate of 0 percent instead of 25 percent on semolina under HS Code 1103.11.00 for one year. This is a raw material which is used to produce pasta and spaghetti. The measure is intended to provide import duty relief to the producer while the establishment of a local industry that will be producing semolina is underway.

(iv) Continue to grant duty remission to soap

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manufacturers using LAESA as raw materials at an import duty of 0 percent instead of 10 percent under HS Code 3402.11.00; HS Code 3402.12.00 and HS Code 3402.19.00 for the period of one year. The measure is intended to promote growth of production and employment in the small and medium scale industries which produce soap in the country.

- (v) Stay application of EAC - CET on HS Code 7213.10.00 and HS Code 7213.20.00 and apply duty rate of 25 percent instead of 10 percent for one year. The measure is intended to protect local industries which produce such products (bars, rods, angles and sections) and it is also expected to increase revenue and create employment.
- (vi) Grant duty remission on splints used in the manufacture of matches under HS Code 4421.90.10 and apply 0 percent instead of 10 percent for one year. This measure is intended to reduce production costs to producers of matches and promote employment creation. However, the East African Community Secretariat will undertake a study to establish the appropriate duty rate for the splints.
- (vii) Grant duty remission on glucose syrup under HS Code 1702.30.00 which is used in the manufacture of a variety of candy products and apply a duty rate of 0 percent instead of 10 percent.

- (viii) Reduce import duty rate of high tenacity yarn under HS Code 5402.20.00 from 10 percent to 0 percent. This measure is intended to align the CET rate of the product in accordance with the degree of processing. This is a raw material for making fishnets which also attracts a duty rate of 0 percent.
- (ix) Increase import duty rate for sugar from United States dollars 200 per metric tonne or 100 percent of the CIF value, whichever is higher; to United States dollars 460 per metric tonne or 100 percent of the CIF value, whichever is higher. The change of the CET rate has taken into consideration the current level of economic growth in the region and it is aimed at protecting local producers against imported sugar.
- (x) Increase import duty rate for rice from United States dollars 200 per metric tonne or 75 percent of the CIF value, whichever is higher; to United States dollars 345 per metric tonne or 75 percent of the CIF value, whichever is higher. The changes have taken into account the current level of economic growth and are aimed at protecting local producers against imported rice.
- (xi) To impose a duty rate of 10 percent instead of 25 percent on buses under HS Codes 8702.10.99 and HS Code 8702.90.99 for transportation of more than 25 persons to be imported under the Dar Rapid Transport Project (DRT) for one year.

86. *Madam Speaker*, the East African Community Ministers responsible for Finance also agreed to make amendments to the East African Community Customs Management Act, 2004 (EAC – CMA, 2004) as follows:

- (i) To amend the 5th Schedule of the EAC – CMA, 2004 in order to include the Prison Forces in the list of Armed Forces that are exempted from import duty on importation of goods for official use only.
- (ii) Continue to grant import duty exemption to Armed Forces Canteen Organisations for a period of one year. The Government of Tanzania has been asked to look into alternative arrangements especially budgetary measures to provide relief on living costs to the army personnel. Other EAC Partner States have already done away exempting duties to armed forces canteens. The Government is working on alternatives of relieving soldiers from import duties to ensure that the benefits reach the targeted persons instead of the current practice which is prone to abuse by a few individuals.

87. *Madam Speaker*, during the pre-budget consultations of the EAC Ministers responsible for Finance which was held on 3m May 2014 in Nairobi, the EAC Partner States agreed to introduce an an infrastructure levy of 1.5 percent of CIF value of imports. The levy will be imposed on all taxable goods imported into the EAC region. In order to implement the agreement, I propose to introduce Railway

Development Levy at the rate of 1.5 percent of CIF value of imports. Three Partner States namely Kenya, Rwanda and Uganda are already implementing this measure and have started to develop infrastructure projects using revenue from this source. However, the Railway Development Levy will not be imposed on the exempted items under the EAC Customs Management Act, 2004.

88. *Madam Speaker*, I propose to introduce a specific modality for effecting deposit payment of import duty on industrial sugar. The current CET rate for industrial sugar is 100 percent of CIF value but duty remission is provided when it is used to manufacture other products. In this case, a duty rate of 10 percent is applied. In the proposed modality, importers will be required to pay a deposit of import duty at a rate of 50 percent of CIF value and claim back 40 percent after verification and confirmation by the Tanzania Revenue Authority that imported industrial sugar was properly utilized in the production of envisaged industrial products. This measure is intended to control and curb abuse in the utilization of industrial sugar to be utilized as normal consumption sugar.

The import duty measures altogether are expected to increase Government revenue by **shillings 155,447.6 million**.

(F) **The Gaming Act, CAP 41**

89. *Madam Speaker*, I propose to amend the Gaming Act, CAP 41 in order to implement the following:

- (i) Introduce gaming tax on winnings at a rate of 18 percent. The measure is intended to widen Government revenue base.
- (ii) Introduce a fee on Principal License of United States dollars 30,000 or an equivalent amount in shillings for sports betting; and a fee of United States dollars 10,000 or an equivalent amount in shillings for slot machines operation. The measure is aimed at improving the control and administration of gaming activities and increasing Government revenues;
- (iii) Introduce certificate of suitability for applicants who after the vetting process qualify and therefore issued with a license at a fee of 1,000,000 per shareholder;
- (iv) Introduce renewal of registration of gaming devices annually at the following fee rates:

Device	Casino	Slot Machines Operations	Sports Betting	40-Machine Site
Slot machine	Sh.50,000	Sh.30,000	-	Sh.40,000
Live Tables	Sh.100,000	-	-	-
Electronic Tables -Seat	Sh.50,000	-	-	Sh.50,000
Sports Betting Terminals	-	-	Sh.30,000	-

The machines will be inspected before renewal of the registration in order to protect players against malpractice and deregister the unfit machines.

These measures together are expected to increase Government revenue by **shillings 12,275.2 million**.

(G) The Petroleum Act, CAP 392

90. *Madam Speaker*, I propose to increase petroleum fee on diesel (GO), petrol (MSP) and kerosene (IK) as follows:

- a) Diesel (GO) from Shiling 50 per litre to shilling 100 per litre, being an increase of shilling 50 per litre;
- b) Petrol (MSP) from shilling 50 per litre to shiling 100 per litre, being an increase of 50 shilling per litre;
- c) Kerosene (IK) from shilling 50 per litre to shiling 150 per litre, being an increase of 100 shilling per litre in order to avoid fuel adulteration.

The measure is intended to raise revenue for the financing of rural electrification projects under REA.

91. *Madam Speaker*, I propose to empower the Minister for Finance to exempt petroleum fee on donor funded projects which are being implemented under specific agreement signed between the Government and the Development Partners with exemption provisions.

The measure to increase petroleum fee is expected to generate Government revenue of **shillings 139,786.8 million**. Which will be earmarked for rural electrification projects under REA.

(H) The Fuel and Road Tolls Act, CAP. 220

92. *Madam Speaker*, I propose to increase fuel levy on diesel (GO) and petrol (MSP) as follows:

- a) Diesel (GO) from shillings 263 per litre to shillings 313 per litre, being an increase of shillings 50 per litre;
- b) Petrol (MSP) from shillings 263 per litre to shillings 313 per litre, being an increase of shillings 50 per litre.

The measure is expected to increase revenue by shillings 136,370.2 milion. Further, I propose that the revenue collected from the increase be transferred to the rural electrification fund under REA for rural electrification projects.

(I) The Treasury Registrar (Powers and Functions) Act, CAP 370

93. *Madam Speaker*, I propose to amend the Treasury Registrar Powers and Functions Act, CAP 370 to impose operating expenditure ceiling on all public institutions which operate without Government subvention. The main purpose of this measure is to restrict expenditures so that these institutions contribute to the Government budget significantly. Hence, I propose to set a ceiling of expenditure such that public instiutions operating

expenditure does not exceed 60 percent of their gross collections and 70 percent of the remaining amount will be remitted to the Treasury while 30 percent is to be retained for development of the institutions.

Further, I propose that public institutions which were remitting 10 percent of the gross income to the Treasury to remit 15 percent of their gross income instead to the Treasury.

(J) The Bank of Tanzania Act, CAP 197

94. *Madam Speaker*, I propose to amend the Bank of Tanzania, CAP 197 so as to enable the Government to borrow one – eighth of previous one year collected revenue instead of the current provision which allows borrowing one – eighth of the average of the three previous year's revenues. The aim of this measure is to enable the Government to implement its budget.

(K) Minor Amendments in Tax Laws and Other Laws

95. *Madam Speaker*, I propose to make minor amendments to various tax laws and other laws so as to ensure smooth and effective implementation. The proposed amendments will be *presented* in the Finance Bill 2015.

(L) Amendment of Various Fees and Levies Imposed by Ministries, Regions and Independent Departments

96. *Madam Speaker*, I propose to amend various rates of fee

and levies charged by Ministries, Regions and Independent Departments with a view to rationalize with the current economic development.

(M) Effective Date for Implementation of New Revenue Measures

97. *Madam Speaker*, unless otherwise stated, the new measures shall become effective on 1st July 2015.

OTHER SOURCES OF REVENUE

Grants and Concessional Loans

98. *Madam Speaker*, total grants and concessional loans estimated for 2015/16 is shillings 2,322.5 billion, equivalent to 10 percent of the Budget. Allow me specifically to recognize and thank our Development Partners who are expected to support our 2015/16 Budget as follows: Canada, China, Denmark, Finland, Spain, India, Ireland, Italy, Japan, South Korea, United States of America, Norway, Sweden, Belgium, France, Holland, United Kingdom, Germany and Switzerland. In the same spirit, I would like to recognize various international organizations including: African Development Bank, World Bank, Arab Bank for Economic Development for Africa (BADEA), Global Fund, Organization of Petroleum Exporting Countries (OPEC) Fund, Saud Fund, Kuwait Fund, European Union and United Nation Organizations. Further, I would also like to recognize the good relationship

we have with International Monetary Fund (IMF) under the Policy Support Instrument (PSI). In a very special way, i would like to thank Mr. Thomas Baunsgaard Resident Representative of the IMF in Tanzania, Mr. Phillipe Dongier World Bank Country Director in Tanzania and Ms. Tonia Kandiero African Development Bank Resident Representative in Tanzania for the support they have given us.

Domestic and External Non Concessional Borrowing

99. *Madam Speaker*, the Government will continue to borrow from both domestic and foreign sources with the aim of financing development projects. In 2015/16, the Government plans to borrow shillings 4,033 billion from domestic market by issuing of Treasury bills and Treasury bonds. Out of this amount, shillings 805 billion is for financing development projects, shillings 2,600 billion is for paying matured Treasury bills and bonds (rollover) and shillings 628.3 billion is for settling outstanding verified claims.

100. *Madam Speaker*, during 2015/16, the Government plans to borrow USD 1,074.0 million from external sources, equivalent to shillings 2)42.5 billion to finance various strategic development projects. The decision to borrow complies with debt sustainability indicators.

EXPENDITURE POLICIES

101. *Madam Speaker*, the 2015/16 Budget aims at completing on-going projects started by the outgoing Government and to safeguard achievements realized in education, health, water and social welfare sectors. There will be no any new project in 2015/16 except only projects whose dialogue is in the completion stage. Projects that are expected to be completed during 2015/16 of which funds have been allocated include: extension of Julius Nyerere International Airport; construction of Kinyerezi II power generation plant; construction of warehouses with storage capacity of 5,000 tones in Mbozi District and 10,000 tones in Songea; construction of Integrated Land Management Information System; strengthening and improving working tools and services for the central railway; construction of new Mbegani port; construction of phase III of National Optic Fibre; expansion of lower and upper Ruvu Water Projects; voters registrations and national identity card project.

102. *Madam Speaker*, during 2015/16, Government expenditure is estimated at shillings 22A95.5 billion for both recurrent and development expenditure. This amount includes shillings 16,576.4 billion for recurrent expenditure and shillings 5,919.1 for development expenditure.

Sectoral Budget Allocation

103. *Madam Speaker*, during 2015/16, budget allocation sector-wise that exclude sectoral debts which are settled under the Consolidated Fund Services (CFS) is as follows:-

- i. Energy and minerals: shillings 916.7 billion is allocated for energy sector which is 5.7 percent of the budget excluding the Consolidated Fund Services. Out of which, shillings 447.1 billion is for rural electrification project;
- ii. Infrastructure: shillings 2A28.8 billion is allocated for infrastructure and transport sectors which is 15.1 percent of the budget excluding the Consolidated Fund Services, of which shillings 322.4 billion is for transport infrastructure; shillings t608.5 billion is for construction and rehabilitation of roads and bridges; and shillings 9.5 billion for construction and improvement of harbours;
- iii. Agriculture: shillings 1,001.4 billion is allocated

for strengthening irrigation infrastructure, construction of warehouse and markets in different areas which is 6.2 percent of the budget excluding the Consolidated Fund Services;

- iv. Education: shillings 3,870.2 billion is allocated for this sector to finance quality education and improve educational infrastructure which is 24 percent of the budget excluding the Consolidated Fund Services. Out of this amount, shillings 348.3 billion is for advancing loans to higher education students;
- v. Water: shillings 573.5 billion is allocated for enhancing urban and rural water infrastructure which is 3.6 percent of the budget excluding the Consolidated Fund Services; and
- vi. Health: a total of shilling 1,821.1 billion which is 11.3 percent of the budget excluding the Consolidated Fund Services is allocated for improving health services that includes procurement of medicines, prevention of epidemic diseases, child vaccination, construction of dispensaries and control of AIDS and malaria.

Issues Related to Local Government Authorities

104. *Madam Speaker*, during 2015/16, a total of shillings 4,947.8 billion is allocated to regional administration and local government authorities which is an increase of shillings 448.8 billion compared to 2014/15 budget.

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Local Government Authorities are expected to collect their own-source revenue amounting to shillings 521.8 billion. Likewise, the Government continues to facilitate Local Government Authorities in revenue collection through the use of Information Communication Technology (ICT), improving different legal aspects and build staff capacity so as to strengthen estimation and revenue collection.

105. *Madam Speaker*, in 2015/16, the Government has allocated shillings 36.5 billion for the construction of public servants' houses and buildings for new Local Government Authorities' headquarters. Similarly, shillings 27.2 billion is allocated for the construction of offices and residential houses for Regional Commissioners, District Commissioners as well as Division Secretaries in those areas.

VI. BUDGET STRUCTURE FOR 2015/16

106. *Madam Speaker*, consistent with macroeconomic and fiscal policy objectives, the budget frame will be as follows: the Government intends to raise shillings 22A95.5 billion from both domestic and foreign sources. Tax and non-tax revenue are estimated to be shillings 13A75.6 billion, equivalent to 14.3 percent of GDP. In addition, revenue from Local Government own sources is estimated to be shillings 521.9 billion equivalent to 0.6 percent of GDP.

107. *Madam Speaker*, in 2015/16, Development Partners have committed to contribute shillings 2,322.5 billion to support the budget through grants and concessional loans. Out of this amount, shillings 660.3 billion will be provided as General Budget Support; shillings 1A63.2 billion will be given as grants and concessional loans for development projects and shillings 119 billion will be for basket funds.
108. *Madam Speaker*, in order to finance the fiscal deficit, the Government intends to borrow shillings 6)75.5 billion from both domestic and external sources. Out of this amount, shillings 2,600 billion will be for rolling over of maturing Treasury bills and bonds; shillings 1A33 billion will be domestic loan, which includes shillings 628.3 billion for repayment of pre-audited arrears and shillings 804.7 for financing development projects; and shillings 2J24.5 billion will be raised from external non-concessional borrowing to finance development projects.
109. *Madam Speaker*, the Government intends to spend a total of shillings 22A95.5 billion for both recurrent and development expenditure. Out of this amount, recurrent expenditure is shillings 16,576.4 billion, which include shillings 6A66.5 billion for wages and salaries for Government employees, institutions and agencies, shillings 6,396.6 billion is for Consolidated Funds Service (CFS) and shillings 3,713 billion is allocated for other charges (OC). Development expenditure is

estimated at shillings 5,919.1 billion. According to the Budget Frame, development expenditure is 26.3 percent of the total budget. However, if recurrent expenditure with development element is included such as Human capital development, then development expenditure becomes 37.4 percent of the budget.

110. *Madam Speaker*, consistent with the budget frame as explained above, the Budget Frame for 2015/16 will be as follows:

	Revenue	Shillings Million	
A.	Total Government Revenue		13,475,644
	(i) Tax Revenue (TRA)	12,362,959	
	(ii) Non Tax revenue	1,112,685	
	o/w Revenue from Gas	42,060	
B.	LGAs own Source		521,879
C.	Grants and Concessional Loans		2,322,518
	(i) Concessional Loans	660,337	
	(ii) Projects Loans and Grants	1,463,155	
	(iii) Basket Loan and Grants	199,026	
D.	Non Concessional Loans		6,175,452
	(i) External Non Concessional Borrowing	2,142,469	
	(ii) Domestic Financing (1.5 percent of GDP)	1,432,983	
	(iii) Rollover	2,600,000	
	TOTAL REVENUE		22,495,492
	Expenditure		
E.	Recurrent Expenditure		16,576,439
	(i) Consolidated Fund Services	6,396,602	
	o/w Payments of Loans used to finance Dev. Exp.	2,499,499	
	(ii) Wages and Salaries	6,466,481	
	(iii) Ministries	3,146,320	
	(iv) Regions	38,273	
	(v) LGAs	528,763	
F.	Development Expenditure		5,919,053
	(i) Ministries	5,179,702	
	(ii) Regions	50,906	
	(ii) LGAs	688,445	
	TOTAL EXPENDITURE		22,495,492

CONCLUSION

111. *Madam Speaker*, as I conclude my speech, I wish to emphasize on five important issues. Firstly and foremost, the Government intends to increase its effort in revenue collection in order to enable the execution of Government budget as planned. We will never tolerate anyone who will in one way or other try to hinder Government efforts in achieving revenue goals. We as leaders, there is need for us to live by example in paying tax and ensure that we do not use our influence and power to exonerate tax evasion. Secondly, in order to ensure honourable Members of Parliament through legislative are providing effective supervision to the public corporations and implementing controller and Auditor General recommendations, honourable Members of Parliament who are the board members of public corporations and government agencies, their membership will cease effectively on 1st July 2015. Thirdly, the Government is very much aware of the difficulties faced by contractors, suppliers, service providers and employees due to the delays in payment of their claims. Starting from the next financial year, the Government will centrally pay all electricity and water utility bills by deducting from the respective votes. As I said before, the Government has started taking action in addressing this problem. Fourthly, pension funds arrears will be dealt with as a priority. I wish to assure

Tanzanians that the Government will ensure that all pension fund continue to lender services unencumbered. The Government will also remain vigilant to ensure that all pensioners are paid their benefits in full and on time. Fifthly, as I said earlier, the Government has decided to increase the minimum monthly pension from 50,000 shillings to 85,000 shillings in effort to improve the pensioners' well being. In recognition of contribution of our elders to prosperity of our country, the Government is introducing non contributory benefit to those of the age 70 and above.

112. *Madam Speaker*, I would like to take this opportunity to wish Honourable members seeking re-election, all the best. To my fellow Tanzanians, I strongly encourage you to register yourself in the voter's Register and actively participate in the General Election in peace and harmony.

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

Table 1: Domestic Revenue Collection Trend: 2007/08-2015/16

	Tshs Million									
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2014/15	2015/16
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Likely	Budget
Total domestic revenue (including LGAs own source)	3,634,581	4,240,074	4,661,540	5,736,266	7,221,409	8,442,611	11,537,523	12,636,505	11,321,908	13,997,523
A. Tax Revenue	3,359,249.8	4,043,673.0	4,427,833.7	5,293,277.3	6,480,477.8	7,729,985.9	10,395,439.8	11,318,221.9	10,150,631.9	12,362,988.6
Import duty	289,275.6	359,255.3	367,070.1	448,650.2	497,686.8	584,136.9	852,199.0	858,684.9	781,021.0	863,939.7
Excise Duty	660,888.2	762,012.7	837,622.3	1,052,152.2	1,028,883.8	1,258,242.1	1,908,857.0	1,908,185.3	1,686,367.0	1,927,752.7
Value added tax	1,042,489.7	1,231,135.4	1,339,624.3	1,564,641.3	1,974,820.2	2,146,336.7	2,590,291.0	2,568,928.1	2,855,261.1	3,513,989.6
Income tax	983,804.3	1,228,645.8	1,334,019.7	1,660,385.2	2,246,783.7	3,034,359.9	3,650,536.6	4,797,675.0	3,845,411.8	4,553,054.2
Other taxes	382,792.0	462,543.8	497,517.2	601,448.4	732,303.2	700,910.4	1,017,337.3	1,184,748.7	982,090.9	1,504,172.4
B. Non-tax revenue	275,330.8	196,401.3	233,706.6	442,988.8	740,930.9	712,624.9	1,142,082.7	1,318,282.6	1,171,276.1	1,634,564.1
Parastatal dividends	58,253.5	25,865.9	18,630.7	26,154.6	207,352.0	47,602.4	122,047.1	142,113.3	142,393.3	142,532.3
Ministry and regions	172,797.3	155,334.5	177,841.2	231,839.4	311,317.7	414,925.0	614,654.1	717,418.3	570,411.8	757,844.8
Other non-tax revenue	44,280.0	15,200.9	37,234.7	26,714.9	26,736.7	29,262.6	21,929.7			212,303.0
LGAs own source	0.0	0.0	0.0	158,291.0	195,524.5	220,835.0	383,451.8	458,471.0	458,471.0	521,819.0

Source: Ministry of Finance

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Budget Frame for 2007/08-2015/16

LOA = Own Sources	0,219,042	0,830,100	8,150,8015	10,202,150	12,171,87	10,404,217	10,155,7030	1,881,13,3	18,140,3	22,40,4
Projects	3,034,03	4,043,073	4,040,23	0,077,080	7,020,884	8,22,770	0,807,227		10,810,72	13,203,33
Projects	0,411,12	1,915,422	1,224,00115	00,8211	ge7,1153	8,000	1,040,1500	02,2,1158	750,710	1,60,337
Project loans and grants	844,070	707,3711	1,34,708	1,03,078	207,440	423,070	1,04,030	1,740,344	1,371,741	1,1,5,355
Support Loans	200,1528	101,370	1,4,071	220,1581	172,212	185,3311	207,19150	84,070	7,6000	117,003
Support Grants	17,113	213,8111	211,8,67	334,150	301,102	280,0311	188,1523	18,11,2	202,000	81,073
MDRI (IMF)	4,200	07,997	22,403							
MCA (T) USA		11,733	10,30	1,015,114	2,11,1501	220,300	213,1512			347,800
Bank Borrowing	-0,700	1,108	714,310	720,240	320,802	734,030	1,028,03	2,215,0155	2,205,004	2,000,000
Bank Borrowing	-310,700	212,017	500,710	1,244,330	334,854	1,010,321	7,5712	158,0152	1,180,0152	1,432,083
Adjustment to Cash	-377,12	307,04	1,54,1120	-317,408	-382,101	88,088	-1,00,7,0		103,83	22,308
Non-Concessional borrowing		40,000			801,282	1,013,0015	1,104,011	1,320,000	1,320,000	2,142,15
EPA R...sour...			10,000	103,480						
RECURRENT EXPENDITURE	5,200,042	0,830,100	8,056,395	10,202,002	2,71,877	15,404,210	0,007,035	1,0,853,331	18,46,388	22,495,402
CFS	3,458,070	4,708,737	15,340,080	7,403,5150	8,307,100	10,004,0,21	11,741,403	1,3408,2	13,010,09	11,075,4
CFS Others	3,70	1582,183	1,154,318	2,018,207	3,383,124	3,15155,7	4,304,731	3,581,070	4,803,230	4,803,230
Recurent Exp. (excl CFS)	324,880	200,047	1,03,530	1,152,083	843,666	2,1527,040	2,080,455	3,153,790	2,1572,034	3,082,887
Salaries	208,010	412,237	432,782	000,311	174,041	750,178	80,344	700,041	13,191	1,770,348
Wages and	2,874,271	4,0215,0114	4,880,770	0,827,1582	0,878,040	7,021,37	8,074,153	053,487	1,01,023,481	11,723,200
LOAs Own	1,134,709	008,50	723,44	2,3415,378	2,722,084	3,340,050	3,009,08	4,732,1520	5,072,70	5,072,70
Other Charges	215,752	303,20	340,188	407,1150	1110,0015	018,750	1158,708	584,5031	1,732,1520	804,303
DEVELOPMENT EXPENDITURE	1,022,800	2,141,110	3,150,274	108,280	100,520	3152,200	35,228	2,0,00	1,00150	208,701
Foreign	1,810,1072	2,130,3158	2,111,3015	3,1528,004	2,0015,333	3,200,477	3,221,154	1,1500,2153	4,401,27	0,047,072
ODPr-np	567,42	000,023	004,530	2,7410,037	872,32	2,314,718	2,21,212	4,453,070	4,130,332	4,200,873
Foreign	243,55	224,345	1,500,770	984,505	002,40	2,184,077	1,804,831	2,010,431	1,040,741	1,002,81
ODPr-np	20,704,20	35,303,321	40,032,800	48,283,324	00,840,883	15,085,228	74,778,700	84,82,240	84,318,700	04,275,80

Source: Ministry of Finance

Table 2b: Budget Frame 2007/08-2015/16 as Percentage of GOP

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2014/15	2015/16
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Likely	Budget
I. TOTAL RESOURCES	17.7%	19.3%	21.9%	21.1%	21.4%	23.5%	21.0%	23.4%	21.5%	23.9%
Domestic revenue / 1	12.2%	11.4%	11.3%	11.6%	12.4%	12.5%	13.2%	14.4%	12.8%	14.1%
LGAs Own Sources	0.0%	0.0%	0.0%	0.3%	0.3%	0.3%	0.4%	0.5%	0.0%	0.6%
Programme loans and grants	3.3%	2.6%	3.0%	1.9%	1.7%	1.4%	1.4%	1.1%	0.9%	0.7%
Project loans and grants	2.8%	2.3%	2.8%	2.1%	2.1%	2.2%	1.6%	2.1%	1.6%	1.2%
Basket support Loans	0.7%	0.4%	0.5%	0.5%	0.3%	0.3%	0.3%	0.1%	0.1%	0.1%
Basket support Grants	0.7%	0.7%	0.6%	0.7%	0.5%	0.4%	0.3%	0.2%	0.2%	0.1%
MDRI (IMF)	0.4%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
MCA(T) USA	0.0%	0.0%	0.0%	0.4%	0.4%	0.3%	0.3%	0.0%	0.0%	0.4%
Non-Sank BorrMng/rdl over	-0.1%	0.0%	1.7%	1.5%	2.3%	2.6%	2.0%	2.7%	2.7%	2.8%
Bank Borrowing	-1.1%	0.6%	1.4%	2.6%	0.6%	1.6%	1.3%	0.8%	0.8%	1.5%
Adjustment to Cash	-1.3%	0.9%	0.4%	-0.7%	-0.7%	0.1%	-1.4%	0.0%	0.8%	0.0%
Privatisation Funds	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Non-Concessional borrowing	0.0%	0.0%	0.0%	0.3%	1.4%	1.6%	1.6%	1.6%	1.6%	2.3%
EPA Resource	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
II TOTAL EXPENDITURE	17.7%	19.3%	21.9%	21.1%	21.4%	23.5%	21.0%	23.4%	21.5%	23.9%
RECURRENT EXPENDITURE	11.6%	13.3%	15.5%	15.4%	14.8%	16.6%	15.7%	15.8%	16.0%	17.6%
CFS	2.0%	1.9%	3.6%	3.4%	4.4%	5.2%	4.9%	5.1%	4.3%	5.1%
Debt service	1.1%	0.8%	2.5%	2.3%	3.2%	4.0%	3.6%	4.3%	3.2%	3.3%
CFS Others	0.9%	1.2%	1.1%	1.1%	1.2%	1.2%	1.3%	0.8%	1.1%	1.9%
Recurrent Exp. (excl. CFS)	9.7%	11.4%	11.9%	12.1%	10.3%	11.5%	10.8%	10.7%	11.8%	12.4%
o/w Salaries and wages	3.8%	4.5%	4.2%	4.9%	4.8%	5.1%	5.3%	5.6%	5.6%	5.9%
Parastatal PE	0.7%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.7%	0.7%	0.9%
LGAs Own Sources	0.0%	0.0%	0.0%	0.3%	0.3%	0.6%	0.4%	0.2%	0.2%	0.2%
Other Charges	5.1%	6.1%	8.8%	7.5%	4.4%	5.0%	4.3%	3.1%	5.2%	5.4%
DEVELOPMENT EXPENDITURE	6.1%	6.0%	6.4%	5.7%	6.6%	6.9%	5.3%	7.6%	5.5%	6.3%
Local	1.9%	2.6%	2.5%	2.0%	3.3%	3.5%	2.8%	5.3%	3.5%	4.5%
Foreign	4.2%	3.5%	3.9%	3.7%	3.3%	3.3%	2.4%	2.4%	2.0%	1.8%

Source: Ministry of Finance

Table 4: National Debt and Its Trend

NEW EXTERNAL AND DOMESTIC BORROWING SHILLINGS MILLION)				
	2012/13	2013/14	2014/15	2015/16
1. Total of New External and Domestic Borrowing (a-b)	4,034,257.0	4,321,293.7	5,735,661.7	7,067,097.5
(a) New Domestic Borrowing	1,631,958.0	1,699,860.0	2,955,227.5	4,032,982.9
(i) New Domestic Borrowing (Rollover)	1,148,107.0	1,147,576.0	2,265,665.3	2,600,000.0
(ii) Net Domestic Financing	483,851.0	552,284.0	689,562.1	1,432,982.9
(b) New External Borrowing	2,402,299.0	2,621,433.7	2,780,434.2	3,034,114.7
(i) Concessional Projects Borrowing	928,223.0	1,078,812.7	1,084,975.0	462,753.0
(ii) Concessional General Budget Support	219,984.0	386,221.0	375,459.2	428,892.8
(iii) Non-Concessional	1,254,092.0	1,156,400.0	1,320,000.0	2,142,468.9
(c) Amortization of Domestic Debt	1,543,276.0	1,767,840.8	2,921,270.2	3,564,893.0
(i) Principal - Rollover (ii) Interest	1,148,107.0	1,147,576.0	2,265,665.3	2,600,000.0
Payments (vi) Principle	395,169.0	617,087.8	652,427.8	964,893.0
Payments-(La-c)(a-d)		3,177.0	3,177.0	
(d) External Debt Services	321,255.9	767,859.5	732,519.5	1,061,361.1
(i) Interest	220,047.4	377,426.0	342,086.00	578,474.40
(ii) Principle	101,208.5	390,433.5	390,433.47	482,886.69
(e) Net Domestic Debt Increase (a-c(i))	483,851.0	549,107.0	686,385.1	1,432,982.9
(f) Net External Debt Increase (b-d(ii))	2,301,090.5	2,231,000.2	2,390,000.7	2,551,228.0
2. Net Increase on Domestic and External Debt (e+f)	2,784,941.5	2,780,107.2	3,076,385.8	3,984,210.8

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Figure 1: Domestic Revenue as Percentage of GDP
2006/06 - 2016/16







