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 2017/18

08 June, 2017 Dodoma

I. INTRODUCTION

1. **Honourable Speaker,** I beg to move that this esteemed House, now resolves to receive, debate and approve the Government's Revenue and Expenditure Estimates for the year 2017/18. 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 that explain in detail the budget estimates in each Vote. 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, 2017 and the Appropriation Bill, 2017 are part of this budget.

3. **Honourable Speaker,** first of all, I would like to thank the Almighty God for His continuous grace, blessings and peace He is granting to our Nation; and enabling me to stand before this Esteemed House to present the Government Budget for the year 2017/18.

4. **Honourable Speaker,** in a very special way, I would like to thank His Excellency Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania for his trust on me to serve the country in a sensitive Ministry which is the heart of the Nation. In addition, I extend my sincere gratitude for his guidance and encouragement especially on various issues that needed great attention. His words which carried a lot of weight that I was appointed to bear blames on his behalf and on behalf of poor Tanzanians, and that I should always believe in God for guidance, have been my strength in fulfilling my responsibilities. I also commend His Excellency the President together with his principal aides, Her Excellency Samia Suluhu Hassan, the Vice President of the United Republic of Tanzania, Right Honourable Kassim Majaliwa Majaliwa, the Prime Minister of the United Republic of Tanzania and MP for Ruangwa Constituency for the great work they are undertaking for the benefit of Tanzanians.

5. **Honourable Speaker**, let me also congratulate senior public officials of the State Organs, starting with yourself Hon. Speaker of the Parliament of the United Republic of Tanzania and a Member of Parliament for Kongwa Constituency, and Hon. Dr. Tulia Ackson (MP), the Deputy Speaker. I commend you for your competence and wisdom in leading this esteemed House. I would like to sincerely congratulate Hon. Professor Ibrahim Juma, Acting Chief Justice for leading the Judiciary in delivering justice.

6. **Honourable Speaker,** I would also like to congratulate the defence and security chiefs, starting with General Venance Mabeyo, Chief of Defence Forces; Simon Siro, Inspector General of Police; Dr. Juma Alli Malewa, Commissioner General of Prisons Services; Dr. Anna Makakala, Commissioner General of Immigration; Dr. Modestus Kipilimba, Director of Intelligence and Security Services; Mr. Valentino Mlowola, Director General of the Prevention and Combating of Corruption Bureau; Mr. Rogers William Siang'a, Commissioner General of Drugs Control and Enforcement Authority; and Mr. Thobias Andengenye, Commissioner General of Fire and Rescue Force; and all other commandants, officers and servants of

respective institutions for being strong and capable of ensuring maintenance of peace, security and sustainability of political and economic freedom.

7. **Honourable Speaker,** I would also like to congratulate the new Members of Parliament who joined this House in this fiscal year namely: Hon. Juma Ali Juma, Dimani Constituency MP (CCM); Hon. Dr. Getrude Pangalile Rwakatare, Special Seats MP (CCM); and Hon. Dr. Catherine Nyakao Ruge, Special Seats, (CHADEMA). Further, I congratulate other new members of Parliament who were appointed by the President: Hon. Abdallah Majura Bulembo (MP); Hon. Anne Kilango Malecela (MP); Hon. Salma Rashidi Kikwete (MP); and Hon. Prof. Palamagamba John Aidan Mwaluko Kabudi (MP), the Minister for Constitution and Legal Affairs. I highly congratulate you all. On the same vein, I would like to congratulate all representatives elected by this House to represent our Country to the East African Legislative Assembly (EALA) namely: Hon. Fancy Nkuhi, Hon. Happiness Legiko, Hon. Maryam Ussi Yahya, Hon. Dr. Abdallah Makame, Hon. Dr. Ngwaru Maghembe, Hon. Eng. Habibu Mnyaa, Hon. Alhaji Adam Kimbisa, Hon. Pamela Massay and Hon.

Josephine Lemoyani. I wish them all the best and I urge them to remain strong in safeguarding the national strategic interests during the EALA sessions.

8. **Honourable Speaker,** I would like to take this opportunity to express my deepest sympathy to this esteemed House, following the demise of our beloved Hon. Hafidh Ali Tahir, former Dimani Constituency MP (CCM); and Hon. Dr. Elly Marko Macha, former Special Seats MP (CHADEMA). In addition, we lost our retired Speaker the late Samuel John Sitta, the legend of "speed and standards". Further, I express my sincere sympathy to parents, relatives and friends for the sudden loss of 32 pupils, two teachers and a bus driver of Lucky Vincent Nursery and Primary School, following the road accident in Karatu District that occurred on 6th May, 2017. Furthermore, I extend my deepest sympathy to the relatives of eight police and other victims of gangsters for the loss of their lives in Kibiti and Rufiji Districts that occurred at different periods. May the Almighty God rest their souls in eternal peace. Amen!

9. **Honourable Speaker,** I am indebted to the Parliamentary Standing Committee

for Budget under the leadership of Hon. Hawa Abdulrahman Ghasia, Member of Parliament for Mtwara Rural Constituency and her deputy, Hon. Josephat Sinkamba Kandege, Member of Parliament for Kalambo Constituency for reviewing and analysing the budget proposals which I am presenting now, and providing advice and recommendations which improved the Government budget for 2017/18. In addition, I would like to thank the chairpersons of the Sectoral Standing Committees and all Honourable Members of Parliament for your invaluable comments and recommendations you provided when scrutinizing the sectoral budgets. I also thank Hon. George Mcheche Masaju (MP), Attorney General for timely preparation of the Finance Bill for 2017 and the Appropriation Bill for 2017.

10. **Honourable Speaker,** I wish to recognize the support of Hon. Dr. Ashatu Kachwamba Kijaji, Member of Parliament for Kondoa Constituency and the Deputy Minister for Finance and Planning in discharging the duties of my Ministry. In addition, I would like to thank Mr. Doto Mgosha James, the Permanent Secretary Ministry of Finance and Planning and Paymaster General, for the supervision of the daily ministry's

operations and effective coordination of the preparations of this budget. This has been achieved in collaboration with Deputy Permanent Secretaries: Ms. Dorothy Mwanyika; Ms. Amina Kh. Shaaban; and Dr. Khatibu Kazungu, which I also cherish.

11. **Honourable Speaker,** I continue to register my appreciation to Prof. Benno Ndulu, the Governor of the Bank of Tanzania, for his distinguished leadership of this key institution responsible for ensuring the integrity of the financial system and maintenance of a balanced and sustainable growth of the national economy. Moreover, I would like to recognize the good work done by the management of Tanzania Revenue Authority (TRA) under the leadership of Commissioner General, Mr. Charles Kichere. Further, I would like to thank Dr. Oswald Mashindano, Treasury Registrar and Dr. Albina Chuwa, Director General of the National Bureau of Statistics. Furthermore, I extend my sincere gratitude to the Acting Executive Secretary of the Planning Commission; Heads of institutions under the Ministry; Heads of Departments and Units, and all the staff of the Ministry and its institutions for their active participation during the preparation of this Budget.

12. **Honourable Speaker,** the Budget has taken on board the recommendations from various stakeholders, including business community and Development Partners. I would like to extend my sincere gratitude to them for their invaluable opinions and recommendations during the preparation of this Budget. Last but not least, my appreciation to the Advisory Committee on Revenue Measures and Members of the Task Force on Tax Reforms which constitute representative from the private sector and experts from academic and research institutions. Their analysis and comments contributed immensely in devising new revenue measures that I will present in this budget.

13. **Honourable Speaker,** this is the second budget submitted by the Fifth Phase Government under the leadership of His Excellency Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania. The Government presents this Budget with sincere intention of fast trucking realization of the aspirations of the National Development Vision 2025 through implementation of the CCM 2015-2020 Election Manifesto; Five Year Development Plan 2016/17-2020/21; and Long Term

Perspective Plan (LTPP); and the Global Sustainable Development Goals (SDGs) 2030.

14. **Honourable Speaker**, in his inaugural speech of the 11th Parliament on 20th November, 2015, His Excellency, Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania, laid down the economic priorities of his Government focused on sustaining and strengthening economic principles built by his predecessors. The priorities are as follows:

    i. To accelerate inclusive economic growth to reach middle income status;

    ii. To increase revenue, curb leakages of government resources, control expenditure and enforce public procurement legislations;

    iii. To improve economic infrastructure such as roads, railways, air and marine transport and energy to with the objective of attracting investors from within and outside the country;

    iv. To ensure that minerals and our natural resources are utilized effectively for the benefit of our nation;

    v. To emphasize on industrial development bearing in mind that Private Sector plays a key role in building industrial economy. Furthermore, the targeted industries are those which will create jobs, utilize domestically produced raw materials, and produce goods which will be consumed by the majority of the people in the country;

vi. To improve agricultural produce, livestock, and fisheries focusing more on value addition and modernization through training, provision of inputs, and extension services;

vii. To emphasize on improving tourism, land use and environment management;

viii. To improve the quality of education, health services, water and energy;

ix. To combat rampant corruption, embezzlement and drug abuse; and

x. To undertake major reforms in government operations with a view to minimize bureaucracy.

Therefore, the national economic performance review and evaluation of the government budget implementation for 2016/17 aim at providing a reflection on the priorities of the Government of His Excellency, Dr. John Pombe Joseph Magufuli.

15. **Honourable Speaker**, in the speech I presented in the morning on the state of the economy for the year 2016 and the first four months of the year 2017, I made it clear that, our economy has continued to register high economic growth whereas Tanzania was among the top five African Countries. According to the recent economic statistics provided in the IMF World Economic Outlook Database, the five countries are: Ivory Coast (7.9 percent); Tanzania (7.1 percent); Senegal (6.6 percent); Djibouti (6.5 percent); and Ethiopia (6.5 percent). The Deputy Managing Director of the IMF, Mr. Tao Zhang also made his evaluation when he visited Tanzania in May, 2017, that Tanzania's economy has remained stable due to implementation of policy reforms under the strong leadership of His Excellency Dr. John Pombe Joseph Magufuli, particularly in domestic resource mobilization and the fight against corruption.

16. **Honourable Speaker,** similar sentiments were provided by the World Bank through the report on Tanzania Economic Update released in April 2017. According to the Report, the national economy remains stable based on various indicators such as real GDP growth, inflation, trade balance, foreign reserves and the value of the shilling

against USD; I beg to quote part of the report as follow:

"*Tanzania's economic performance continues to rank among the highest in the region. The real GDP growth rate has consistently outpaced its EAC peers. The inflation rate remains relatively low. The current account deficit has significantly improved, with gross reserves sufficient to cover four months of imports. The shilling has also remained stable in 2016, following significant depreciation and volatility in 2015.*"

17. **Honourable Speaker,** Notwithstanding the aforementioned achievements, there have been some issues that dominated public debates regarding the stability of our economy, which I would like to elaborate. The issues include: liquidity squeeze, business shutdown and diminishing private sector confidence.

Liquidity conditions in the Economy

18. **Honourable Speaker,** liquidity is the amount of money in the economy which is quickly available for investment and spending. High liquidity is when money is easy to get as opposed to tight liquidity when money is difficult or expensive to get. There

are various indicators of liquidity conditions, including money supply, credit to private sector, capital levels (which include cash, credit and equity) and the ratio of liquid assets to demand liabilities.

19. **Honourable Speaker,** during the period ending March 2017, extended broad money supply (M3), which include coins and notes outside the banking system, demand deposits, savings and fixed deposits, and residents' foreign currency deposits in the banking system, increased to shillings 22.53 trillion from shillings 21.65 trillion with compared to the corresponding period in 2016, equivalent to an increase of 4.1 percent. During the period, the banking sector remained sound, safe and stable with levels of capital and liquidity staying above regulatory requirements as follows: the ratio of liquid assets to demand liabilities stood at 35.9 percent in March, 2017 compared to the minimum legal requirement of 20 percent. The ratio of core capital to total risk weighted assets and off-balance sheet exposure was 19.0 percent, which is above the minimum legal requirement of 10 percent. In addition, customer deposits in commercial banks increased by 0.3 percent from shillings 18.84 trillion in March, 2016 to shillings 18.89 trillion shillings in March 2017.

20. **Honourable Speaker,** the ratio of non-performing loans to gross loans (NPLs) increased from 8.3 percent in March 2016 to 10.9 percent in March 2017 compared to the acceptable industrial average of 5 percent. Credit to private sector grew by 3.7 percent in the period ending March 2017 compared to the growth of 23.6 percent recorded in the same period in 2016. The decrease was partly due to cautious measures taken by banks in lending to private sector following the increase in non-performing loans.

21. **Honourable Speaker,** in order to increase liquidity of the commercial banks, the Government through the Bank of Tanzania reduced the discount rate, whereby banks will be able to borrow at lower costs; the rate was reduced from 16.0 percent as applied since November 2013 to 12.0 percent which became effective on 6 March, 2017. Further, in strengthening the financial markets, the Bank of Tanzania reduced the Statutory Minimum Reserve Requirement (SMR) in April 2017 from 10.0 percent to 8.0 percent. It is expected that enhancement of commercial banks' liquidity will stimulate lending to the private sector at comperatively low cost. It is our hope that with this decision, the commercial banks will be able to raise

sufficient liquidity to lend at low interest rates, to private sector and general public at large.

22. **Honourable Speaker**, in 2016/17, three banks were put under administration for various reasons. They are Twiga Bancorp Limited; FBME Bank Limited; and Mbinga Community Bank. The Government, through the Bank of Tanzania, took over the administration of Twiga Bancorp Limited (Twiga) with effect from 28th October, 2016 after establishing that the bank was significantly undercapitalized. It was observed that continuation of Twiga operations would have been detrimental to its depositors and other creditors. However, following completion of financial assessment of the undercapitalised Twiga Bancorp, the Government allowed the Bank to resume some of its operations. The Government is currently reviewing applications from potential investors who are interested to buy shares and inject new capital in the bank.

23. **Honourable Speaker;** on 8th May 2017, the Government closed operations of FBME Bank Limited, revoked the banking license, placed it under liquidation; and appointed

the Deposit Insurance Board (DIB) as a Liquidator. The decision was reached after US Court upheld "the US Financial Crimes Enforcement Network" (FinCEN) final rule to bar FBME from accessing the US Financial Markets; which in turn would have jeopardized FBME domestic operations. I once again use this opportunity to warn all banks that will be involved in money laundering, financing terrorism or operate against the country's rules. Stern measures will be taken to revoke their business licenses and other legal actions in accordance with the Banking and Financial Institutions Act, 2006 and other applicable international laws.

24. **Honourable Speaker,** the Government, through the Bank of Tanzania revoked license of Mbinga Community Bank, with effect from 12th May, 2017 and appointed the Deposit Insurance Board (DIB) its liquidator. The decision was taken upon determination that Mbinga Community Bank was undercapitalized as provided under the Banking and Financial Institutions Act, 2006 and its regulations. This posed a risk to the stability of the financial system and that continuation of operations would have been detrimental to its depositors and other

creditors. The Bank of Tanzania assures the public that it will continue to protect interests of depositors and maintain the stability of the banking sector.

25. **Honourable Speaker,** the financial sector outreach has deepened further across the country and at relatively low rates as a result of expanded network of banking and other financial institutions. At present, there are 64 banks and other financial institutions: 40 commercial banks, 3 development banks, 11 community banks, 5 micro finance banks, 2 private credit and 3 financial lease institutions. Moreover, there are financial services that are provided through mobile banking, Agents and mobile phones. Currently, it is estimated that more than 17 million Tanzanians transact payments through mobile phones.

Business Shutdown

26. **Honourable Speaker,** another issue that has been widely debated by the public and the Members of this House is the concern of the increasing frequency of businesses closure, notably at Kariakoo in Dar es salaam and other cities. According to the information revealed by TRA during the period from

July 2016 to March 2017, a total of 7,277 businesses were shutdown in different regions in the country. Generally, this trend is discouraging since residents lose jobs and incomes and the Government loses tax revenue, while the economy slows down. It is important therefore that whenever there is rampant closure of businesses, appropriate action should be taken to identify the type of businesses affected, the underlying factors with a view to take appropriate mitigating measures.

27. **Honourable Speaker,** factors put forward as contributing to business shutdown include, among others, stiff business competition, weak business management, increasing business operating costs attributed to transportation, taxes and levies; and non-compliance to business rules and principles. However, it is worth-noting that, following public awareness campaigns on tax compliance conducted by TRA, business owners have become aware of the need to report to TRA as soon as they cease their business operations in order to avoid accumulation of tax liabilities.

28. **Honourable Speaker,** it is worth noting that, business start-up and closure is a common

phenomenon in business operations. I would like to inform your esteem House that during the period from July 2016 to March 2017, TRA registered 224,738 businesses. Therefore, the image reflected should not be one sided. It is also important to note that this phenomenon does not happen in Tanzania alone. Historically, this has been happening in various countries in different forms and magnitudes. Many of us have learned about The Great Depression which occurred in Europe and America between 1929 – 1939. Likewise, many businesses in China encountered great shocks in 1980s whereas some of which could not survive while others managed to grow. This is well explained in the book by Tian Tao, et al, titled, *Huawei: Leadership, Culture and Connectivity, 2017.* I would like to quote a citation in page XXIV of the book:

"From the 1980s *onward, China was swept up in the largest wave of commercial development in human history. Businesses at the time were like ships, each raised up and carried along by the sheer momentum of the wave. Some, however, soon capsized and were swallowed up, while most drifted along, going with the flow. Others crashed against barriers in the sea or got stranded on deserted islands. Only a few rose atop the crest of the wave and survived, eventually sailed towards new lands."*

29. **Honourable Speaker,** The Government through the Ministry of Industry Trade and Investment in collaboration with my ministry will continue to monitor closely business trends and will take appropriate measures when needed. The Government appeals to the business community in the country to conduct their businesses confidently by adhering to the country's laws, regulations and procedures.

Loss of Private Sector Confidence

30. **Honourable Speaker,** there have been assertions that business community have lost confidence due to statements given by leaders and steps taken by the government in streamlining business operations. I would like to reassure the business community that the Fifth Phase Government strongly believes that the private sector is an engine of the economy and highly values the contribution of the business community in economic development and the nation welfare in general. It is vivid that the great portion of goods and services for domestic use and exports which earn the country the foreign exchange are produced by the private sector. Similarly, private sector is the main

employer and source of government revenue. Therefore, private sector is a great partner of the government in an effort of bringing national development.

31. **Honourable Speaker,** in recognition of great importance of the private sector and business community, the government has continued to improve business and investment environment by strengthening macroeconomic stability, minimize bureaucracy, timely decision making, promote peace and security and ensure availability of improved infrastructure and services including access to reliable power and credit to private sector. Those are the areas that the Government focuses on and will continue to get priority. In addition, the Government is still determined to continue dialogue with business community through Tanzania National Business Council (TNBC), Tanzania Private Sector Foundation (TPSF) and other fora.

32. **Honourable Speaker,** we have now started to witness improved business environment as reflected through various performance indicators. According to the World Bank Doing Business report of 2017, Tanzania

has done better in doing business by moving 12 positions up from 144 in 2016 to 132 in 2017. Moreover, according to the report by Quantum Global Research Lab of UK on Africa Investment Index 2016, Tanzania was ranked as the most attractive investment destination in East Africa and the 8th in Africa up from 19th in 2015.

33. **Honourable Speaker,** the Government will sustain dialogue with business community aimed at getting their proposals on policy reforms and consider their concerns for economic development. The Government aspiration is to ensure that businesses are conducted under predictable and conducive environment conducive to economic growth and job creation; revenue generation for financing development projects; and social services delivery. The Government, through TRA, will continue to modernize tax systems, improve procedures and create an enabling business environment to facilitate smooth operations. TRA, in collaboration with other government entities, will continue to conduct public awareness programs on the importance of formalization of their economic activities. I would like to emphasize that, paying taxes is an obligation, which every Tanzanian should adhere to, for national

development. Hence, the Government will protect business community but will not tolerate looting of national resources and tax evasion.

34. **Honourable Speaker,** on the same vein, I would like to take this opportunity to remind TRA staff that, tax collection is guided by legal and regulatory framework. The use of threats and harassments to tax payers, soliciting bribes or inflating tax estimates maliciously are neither acceptable nor tolerable. The TRA staff involved in such malpractices, whom I believe are few, should stop henceforth. Those who will be identified will suffer the consequences in accordance with the public service legislations. I take this opportunity to appeal to the business community and loyal citizens to provide right information regarding any misconduct by TRA staff to enable the Government to act accordingly. Likewise, I urge you to provide information on businesses evading taxes so that stern measures can be taken against them.

II. REVIEW OF 2016/17 BUDGET IMPLEMENTATION

Revenue

35. **Honourable Speaker,** total resources mobilized during the period between July 2016 and April 2017 amounted to shillings 20,710.5, billion, equivalent to 70.1 percent of annual target of shillings 29,539.6 billion. These were mobilized from the following sources:

i. Tax revenue amounted to shillings 11,644.6 billion, equivalent to 77.1 percent of annual target of shillings 15,105.1 billion;

ii. Non tax amounted to shillings 1,611.0 billion, equivalent to 59.8 percent of annual target of shillings 2,693.0 billion;

iii. LGAs own source was shillings 399.3 billion, equivalent to 60.0 percent of the annual target of collecting shillings 665.4 billion;

iv. Loans from domestic sources were shillings 4,715.6 billion, equivalent to 87.7 percent of annual target of shillings 5,374.3 billion; and

v. Disbursement of grants and external concessional loans were shillings 2,340.1 billion, equivalent to 65.0 percent of the annual DPs commitment of shillings 3,600.8 billion for 2016/17 budget.

36. **Honourable Speaker,** in 2016/17 budget, the Government planned to borrow shillings 2,100.9 billion from non-concessional sources to finance development projects but could not be raised due to constraints in the international financial market. However, the Government is in the final stage of negotiations with lenders and USD 500 million is expected by June, 2017.

Curbing Revenue Leakages

37. **Honourable Speaker,** in 2016/17, the Government continued to pursue various measures to contain revenue leakages. In this context, some Government entities are now collecting revenue through electronic systems. For instance, Local Government Authorities and the Police Force in Dar es Salaam region are applying Local Government Revenue Collection System (LGRCS) and the Traffic Management System, respectively. Moreover, the Government has developed the Government e-Payment Gateway System (GePGs) to facilitate revenue collection. The System will enable the Government to capture actual revenue collected from different sources in real time and simplify payment of tax, levies and various fees. In addition, on 1st June, 2017, President of the United Republic of Tanzania, His Excellency

Dr. John Pombe Joseph Magufuli launched a new Electronic Revenue Collection System (e-RCS). The system aim at capturing right information of tax payers and service providers especially telecommunication companies, banks and television.

Collection of Property Tax

38. ***Honourable Speaker***, the Finance Act, 2016 which was passed by your Esteemed House mandated TRA to collect property tax for all Local Government Authorities effectively 2016/17 Financial year. The decision was based on TRA's experience and efficiency in revenue collection and existing systems across the country which could facilitate revenue collection from that source.

39. ***Honourable Speaker*****,** following the enactment of this law, the Government Notice (GN) No. 276 was gazetted on 30th September, 2016, directing TRA to start collecting property tax in 30 Local Government Authorities in Tanzania Mainland. Responsibility for collecting property tax for the rest of Local Government Authorities remained within the mandate of the respective Authorities. During the period

under review, the Government through TRA developed property tax collection procedures and systems. The preparatory work included the preparation of regulations, putting in place property tax collection system, establishment of a unit responsible for property tax collection, recruitment of staff and procurement of working tools.

40. **Honourable Speaker,** following completion of the preparatory arrangements, TRA commenced property tax collection effective 1st October, 2016 in 30 Local Government Authorities. Up to May, 2017 TRA collected shillings 15,134.2 million. The Government remains optimistic that TRA will perform much better in collecting property tax in 2017/18. Reform measures to collect property tax will be presented before concluding my speech. I urge all stakeholders, including property owners, council officials, district commissioners and TRA officials to work hand in hand in fulfilling this important task for development of our communities and the nation at large.

Expenditure

41. **Honourable Speaker,** during the period ending April 2017, the Government released shillings 20,036.5 billion to Ministries, Independent Departments, Regional Secretariats, and Local Government Authorities. Out of this, shillings 15,480.9 billion was for recurrent expenditure, equivalent to 87.4 percent of the annual target and while shillings 4,555.5 billion was for development expenditure, equivalent to 38.5 percent of the annual target of shillings 11,820.5 billion. The amount released for development projects includes shillings 3,647.7 billion local funds and shillings 907.8 billion foreign funds. However, part of foreign funds earmarked for development were not captured in expenditure mainly due to time lag in accounting for actual value of the funds directly disbursed to projects since some of the DPs continue to operate this item outside the Government exchequer system.

42. **Honourable Speaker,** some of the areas accorded priority in the release of development funds during the period under review include:

i. Construction and maintenance of regional and district roads (under the Road Fund) shillings 675.9 billion;

ii. Roads construction projects including payment of contractors and consultants shillings 540.3 billion;

iii. Power generation projects, improving transmission lines and rural electrification shillings 421.5 billion;

iv. Higher education students loans shillings 393.2 billion;

v. Advance payment of shillings 300 billion for the first phase construction of standard gauge railway line from Dar es Salaam – Morogoro (Km 205);

vi. Acquisition of two aircrafts and advance payment for four other aircrafts amounting to shillings 234.9 billion;

vii. Improvement of water supply in rural and urban areas shillings 186.4 billion; and

viii. Improving health services delivery at all levels shillings 170.6 billion, which includes procurement of medicines, medical equipment and reagents shillings 156.1 billion.

43. **Honourable Speaker,** funds released for recurrent expenditure include shillings 5,320.3 billion for wages and salaries, representing 80.6 percent of the annual estimate; shillings 7,775.5 billion for

public debt, equivalent to 97.2 percent of the annual estimate; and shillings 2,385.1 billion for Other Charges (OC), equivalent to 76.5 percent of the estimate.

44. **Honourable Speaker,** with regards to release of funds for other charges, areas that were accorded priorities include:

i. Financing operations of defence and security forces shillings 591.3 billion;

ii. Financing free basic education programme shillings 203.0 billion;

iii. Facilitating national examinations shillings 69.9 billion;

iv. National Assembly Fund shillings 69.1 billion;

v. Facilitating operations of Tanzania's embassies abroad shillings 68.7 billion;

vi. Internship allowance for medical students shilings15.3 billion;

vii. Subsidies for agricultural inputs shilings15.0 billion;

viii. Subsidies for political parties shillings 14.2 billion; and

ix. Procurement of grains for national food reserve shillings 13.0 billion.

Expenditure Control Measures

45. **Honourable speaker,** in 2016/17, the Government expenditure policies were set to instil discipline in public expenditure in line with the Budget Act, No. 11 of 2015, the Public Finance Act, CAP 348, the Local Authority Finance Act, CAP 290, the Procurement Act, CAP 410 of 2013 and their respective Regulations, and Government Circulars and Directives. The aim is to control unnecessary expenditure, to plug loopholes and leakages and allocate high proportion of resources to priority areas.

46. **Honourable speaker,** in 2016/17, the Government continued to control expenditure in various areas, including reducing foreign travel by ensuring that permits are granted only to travels with national interest; effective management of utilities; and control of the motor vehicle operational costs. In addition, the usage of public conference facilities has helped to control Government expenditure on meetings, seminars and workshops.

Accumulation, Verification and Clearance of Arrears

47. **Honourable Speaker,** as of June, 2016, outstanding arrears raised by Ministries,

Independent Departments, Agencies (MDAs) and Regional Secretariats (RSs) amounted to shillings 2,934.4 billion. Following the verification by Internal Auditor General, it was established that shillings 1,997.9 billion or 68.1 percent of the verified amount was genuine. Government paid shillings 796.5 billion out of the verified amount, and leaving a balance of shillings 1,201.4 billion. Out of the paid arrears, shillings 632.1 billion was paid to contractors and consultants; shillings 78.9 billion to suppliers of goods and services including shillings 11.2 billion for Medical Stores Department (MSD); shillings 67.6 billion for employees; and shillings 17.9 billion to service providers.

48. **Honourable Speaker,** during the period from July to December, 2016, the stock of Government arrears increased by shillings 899.55 billion reaching shillings 2,100.90 billion: shillings 910.30 billion is for constructions activities; shillings 890.16 billion in respect of suppliers of goods and services; shillings 159.10 billion is for staff claims; shillings 75.45 billion is for outstanding utility bills; and shillings 65.89 billion is in respect of office rent. Out of the suppliers' outstanding amount, shillings 145.89 billion is the MSD arrears in respect

of purchased medicines, medical equipment and reagents.

Public Debt

49. **Honourable Speaker,** the Government continued to manage the public debt in accordance to Government Loans, Guarantees, and Grants Act, Cap 134. In order to ensure proper management of the public debt, your Esteemed House passed the amendment of the aforementioned Act in November 2016. The amendments, among others, include: new conditions to statutory and public corporations upon application for Government Guarantee in order to limit its issuance; imposition of condition to ensures that borrowed funds by the Union Government to finance development projects in Zanzibar are disbursed as planned; and inclusion of additional members from Zanzibar in the National Debt Management Committee.

50. **Honourable Speaker,** the national debt stock as at end March 2017 was shillings 50,806.5 billion, of which public debt amounted to shillings 42,883.6 billion and the private debt was shillings 7,922.9 billion. Public debt increased by 9.2

percent from shillings 39,274.6 billion in March, 2016 to shillings 42,883.6 billion in March 2017. The increase in public debt is attributed to disbursement of new borrowing and previously committed loans from concessional and non-concessional sources, increase in interest arrears from Non Paris Club bilateral creditors and depreciation of the shilling against the US dollar.

51. **Honourable Speaker,** the public debt comprised domestic debt amounting to shillings 12,073.7 billion, equivalent to 28.1 percent and the external debt shillings 30,809.9 billion, equivalent to 71.9 percent. External public debt consisted of concessional loans from multilaterals institutions which accounted for 56.8 percent, bilateral creditors 16.3 percent and international commercial banks 26.9 percent. The loans were used to finance development projects such as roads construction, railways, energy, transport, education and water.

Debt Sustainability Analysis

52. **Honourable Speaker,** the Debt Sustainability Analysis (DSA) conducted in November, 2016 revealed that the public debt is sustainable in the short, medium and long

term. The result further revealed that: the present value of total public debt to GDP was 34.2 percent compared to the threshold of 56 percent; the present value of external debt to GDP was 19.9 percent compared to the threshold of 40 percent; the present value of external public debt to export was 97.7 percent compared to the threshold of 150 percent; and the present value of external public debt to domestic revenue was 145.3 percent compared to the threshold of 250 percent. These indicators measure the credit worthiness of a country.

53. **Honourable Speaker,** in line with the DSA results on public debt which measures a country's ability to service its debt, the ratio of debt service to domestic revenue has reached 11.5 percent against the threshold of 20 percent, and the debt service of external public debt to export is 7.8 percent against the threshold of 20 percent. Based on the observed indicators which are well below the threshold, Tanzania still has a borrowing space from external and internal sources to finance development activities and be able to service the maturing obligation timely through domestic revenue and export earnings.

III. FISCAL POLICIES FOR 2017/18

54. **Honourable Speaker,** the East African Community Partner States agreed that, the 2017/18 budget theme should revolve around **'industrialization for job creation and shared prosperity'**. This is consistent with the industrialization agenda for Tanzania under the Fifth Phase Government of His Excellency, Dr. John Pombe Joseph Magufuli.

Macroeconomic Policy Targets

55. **Honourable Speaker,** implementation of 2017/18 budget is aimed at achieving the following macroeconomic targets:

i. Attain real GDP growth of 7.1 percent in 2017 up from the actual growth of 7.0 percent in 2016;

ii. Continue to contain inflation at single digit in the range of 5.0 – 8.0 percent in 2017;

iii. Domestic revenue including LGA's own sources is projected at 16.5 percent in 2017/18 up from the likely outturn of 15.8 percent in 2016/17;

iv. Tax revenue is estimated at 14.2 percent of GDP in 2017/18 up from the estimate of 13.3 percent in 2016/7;

v. Total expenditures are projected at 26.2 of GDP percent in 2017/18 from the estimate of 23.7 percent in 2016/17;

vi. Narrow the budget deficit to 3.8 percent of GDP in 2017/18 from 4.5 percent in 2016/17;

vii. The ratio of current account deficit to GDP is projected at 7.0 percent: and

viii. Maintain gross official reserves sufficient to cover at least 4.0 months of projected import of goods and services (excluding FDI).

Revenue Policies

56. **Honourable Speaker,** the Government is committed to increase and strengthen domestic revenue collections by pursuing the following policies:

i. Continue emphasizing effective use of electronic devices and systems in revenue collection to contain revenue leakages;

ii. Continue to widen the tax base including formalization of the informal sector to capture it into the tax net;

iii. Improve collection and strengthen management of non-tax revenue;

iv. Continue with mass valuation of properties to increase property tax revenue;

v. Formalizing land ownership with a view of increasing revenue; and

vi. Continue with control measures to minimize abuse of tax exemptions.

57. **Honourable Speaker,** in 2017/18, the Government will continue to expand domestic financial market in order to increase number of participants in the market from both internal and external that will enable the Government to raise resources to close the budget deficit at an affordable rate. The Government will expedite negotiation process for external non-concessional borrowing, while safeguarding the national interests and ensuring that proceeds raised are directed to development projects.

58. **Honourable Speaker,** the Government, in collaboration with Development Partners, engaged a team of independent consultants in a bid to fostering development cooperation and ensuring that funds committed for various projects and programs are timely released. The Team, led by Dr. Donald P. Kaberuka, the former President of the African Development Bank, was commissioned to assess and recommend on improvement of development cooperation and financing instruments.

59. **Honourable Speaker,** the consultants' recommendations to strengthen development cooperation, amongst others, include:

i. **Establishing effective dialogue**: The focus is to hold annual review and strengthen Public Expenditure Review (PER) process, optimizing impact of sector working groups as well as addressing sensitive issues without affecting budget process;

ii. **Building institutional capacity:** The drive is to create a world-class skills across a range of areas such as negotiation skills for exploitation of natural resources, financial sector management, trade policies, external debt management, and research and policy analysis; and

iii. **Financing Development Agenda:** The motive is to leverage resources from the Private Sector through Public Private Partnership (PPP) arrangement. Further, the General Budget Support (GBS) can still be used in strategic areas such as clearance of Government's arrears, which are threatening the growth of our economy.

60. **Honourable Speaker,** the Government is currently incorporating the consultants' recommendations in the Development

Cooperation Framework (DCF). The framework will address various issues, including: principles of development cooperation; the dialogue structure; and financing instruments which match the country's requirements. The Government is optimistic that, these measures will improve cooperation between the parties and enable Development Partners to honour their commitments by disbursing funds timely.

Expenditure Policies

61. **Honourable Speaker,** in 2017/18, the Government will continue to allocate funds in priority areas to ensure effective implementation of the Annual Development Plan (ADP). The Government will sustain financial discipline in order to realize the value for money. In implementing this initiative, the Government will:

i. Ensure that all commercially viable Public Entities are operating profitably without depending on Government subvention;

ii. Ensure that all contracts with Government Entities (Ministries, Independent Departments and Agencies; Regional Secretariats, Local Government Authorities and Public Entities) are expressed in Tanzania shillings to minimize Government exposure to fiscal risks, unless the contracts involve foreign transactions;

iii. Continue to control cost arising from public utilities, coupled with the use of cost saving technologies;

iv. Continue to ensure that salaries are paid to only eligible employees; and

v. Application of ICT to facilitate communications in the Government undertakings.

62. **Honourable Speaker,** on the move to control accumulation of arrears, the Government will pursue the following measures:

i. No expenditure will be effected unless it is budgeted for in the respective Vote;

ii. No goods and services for the Government shall be supplied without provision of system generated Local Purchase Order (LPO);

iii. Government commitments will strictly be subjected to funds availability and awarding of contracts shall be supported by warrants to spend; and

iv. Borrowing by any Government institutions shall seek prior approval from the Minister for Finance and Planning as stipulated in the Government Loans Guarantees and Grants Act, 1974 as amended.

Priority Areas for 2017/18

63. **Honourable Speaker,** the 2017/18 Annual Development Plan is part of the implementation of the National Five Year Development Plan 2016/17 – 2020/21. As spelt out in my speech on the State of the Economy for 2016, priority areas reflected in the Plan include:

i. Interventions for fostering economic growth and industrialization;

ii. Interventions for fostering human development;

iii. Interventions to create a conducive environment for enterprises and businesses to thrive; and

iv. Interventions to strengthen implementation effectiveness.

64. **Honourable Speaker,** the Plan emphasizes successful implementation of **Flagship Projects**, which include: construction of new standard gauge railway line; revamping the national air carrier; mining of coal and iron ore and construction of iron and steel complex in Mchuchuma and Liganga – Njombe; establishment of Special Economic Zones; construction of a Liquefied Natural

Gas (LNG) Plant; establishment of Kurasini Trade and Logistics Centre; development of Mkulazi Agricultural Farm and Sugar Factory; and mass training for development of specialized skills for industrialization and human development and fostering science, technology and innovations.

IV. REFORM OF THE TAX STRUCTURE, FEES, LEVIES AND OTHER REVENUE MEASURES

A. Policy and Administrative Measures

65. **Honourable Speaker,** the Government will continue to undertake various policy and administrative measures in order to strengthen and simplify revenue collection. The measures among others include:-

    i. To strengthen revenue collection systems by applying electronic systems so as to curb revenue leakages. The "Government Electronic Payment Gateway System" is already in place for use by Ministries, Government Departments and Institutions. I am directing all the Ministries, Government Departments and Institutions to start using the system.

ii. The Government has launched a new system of revenue collection (Electronic Revenue Collection System (e-RCS)) which will ensure proper assessment of taxes and provide assurance to the tax payers on the amount of taxes they are supposed to pay. The system will start operating in this financial year and it will be managed by Tanzania Revenue Authority, Tanzania Communication Regulatory Authority and Zanzibar Revenue Board.

iii. During the financial year 2017/18 the Government will continue to collect Property Tax (for valued and non-valued houses) in all local government authorities. The collection of Property Tax will be managed by the Ministry of Finance and Planning through Tanzania Revenue Authority. The Government will impose Property Tax on all houses and the property rate will be determined by the Minister for Finance and Planning. For houses which have not been valued, a flat rate of shillings 10,000 per normal house will apply and the rate of shillings 50,000 per each floor of a story house.

iv. To officially identify informal small businesses and those operating in informal places for example food vendors, small second hand clothes sellers, small agricultural products (vegetables, banana and fruits) sellers, etc by issuing them identity cards.

v. To continue with enforcement measures and emphasis on the use of Electronic Fiscal Devices (EFDs) by Ministries, Government Departments and Institutions and to all businesses.

vi. The Government will open an Escrow Account starting July, 2017 to ease the refund of additional import duty of 15 percent of F.O.B value paid by importers of sugar for industrial use and ensure that the refund is paid on time.

vii. The Government will not allow direct exportation of minerals from the mines to other countries and instead it will establish clearing houses at the international airports, mining areas and other appropriate areas where the minerals will be verified and issued export permit before being exported. The Government will impose a clearing fee of one percent of the value of minerals.

B. **Reform of the Tax Structure, Fees, Levies and Other Revenue Measures**

66. **Honourable Speaker,** together with the policy and administrative measures, I propose to make amendments to the tax structure that will include amendments of tax rates, fees and levies imposed under various laws. These amendments are intended to increase Government revenue, to promote economic growth particularly in the industrial, agricultural and transport sectors and also increase employment opportunities. The proposed amendments are as follows:-

i. The Value Added Tax Act, CAP 148;

ii. The Income Tax Act, CAP. 332;

iii. The Excise (Management and Tariff) Act, CAP 147;

iv. The Road Traffic Act, CAP 168;

v. The Local Government Finance Act, CAP 290;

vi. The East African Community Customs Management Act, 2004;

vii. Minor amendments in tax laws and other laws; and

viii. Amendment of various fees and levies imposed by Ministries, Regions and Independent Departments.

a) The Value Added Tax Act, CAP 148

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

   i. To exempt VAT on capital goods in order to reduce procurement and importation costs on machines and plants used in production. The exemption will apply to edible oil, textile, leather and pharmaceutical (including veterinary) industries. The objective of this measure is to promote investments in small, medium and large scale industries by providing relief of taxes in the purchase of machines and plants. The specific machines and plants that are to be exempted from VAT will be identified under their respective HS Codes.

   ii. To zero rate VAT on ancillary transport services in relation to goods in transit when they are in the United Republic of Tanzania. The objective of this measure is to reduce the costs incurred by transporters when using our ports and make them affordable and competitive. This will make Tanzania a preferred route for landlocked countries' imports and therefore increase employment opportunities and Government revenue.

iii. To exempt VAT on locally produced compounded animal feeds under HS Code 2309. The measure is intended to reduce costs incurred by livestock keepers in the procurement of such feeds and therefore contribute to the growth of the sub-sector.

iv. To amend item 3(13) in the first part of the exemption schedule to the VAT Act to include fertilized eggs for incubation. The measure is intended to provide tax exemption on fertilized eggs, reduce costs related to incubation and promote growth of the poultry sub-sector.

The VAT measures altogether are expected to reduce Government revenue by **shillings 48,034.1 million**.

b) The Income Tax Act, CAP 332

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

    i. To amend part four of the First Schedule to the Income Tax Act, CAP 332 to align the number of years provided for under Section Four of the Income Tax Act, 2004 with the provision of the First Schedule of the Income Tax Act, 2004. The imposition section provide for three consecutive years for a person with perpetual unrelieved loss to pay Altenative Minimum Tax while the First Schedule provide for five consecutive years. This measure is intended to ensure consistency and clarity in application of the law.

    ii. To amend the Third Schedule of the Income Tax Act, CAP 332 to increase the qualifying amount of non-commercial motor vehicles from shillings 15 million to shillings 30 million. This measure takes into account that the current amount of shillings 15 million is outdated when considering the market value of such vehicles at the moment.

iii. To amend the Income Tax Act, CAP 332 in order to reduce the Corporate Income Tax for new assemblers of vehicles, tractors and fishing boats from 30 percent to 10 percent for the first five years from commencement of operations. This measure is intended to increase employment, Government revenue and facilitate technology transfer. Either, the Government will sign a Performance Agreement with the assemblers to reflect the responsibilities of both parties.

iv. To introduce Withholding Tax (final Withholding Tax) of 5 percent of the total market value of minerals to all small miners. The objective of this measure is to ensure optimal collection of Government revenue from the mineral sector.

The Income Tax measures altogether are expected to increase Government revenue by **shillings 88.5 million**.

c) The Excise (Management and Tariff) Act, CAP 147

69. ***Honourable Speaker,*** I propose to make amendments in the Excise (Management and Tariff) Act, CAP 147 as follows:-

i. To adjust for inflation rate of 5 percent the specific excise duty rates on non-petroleum products. The adjustment is done because when the excise duty is imposed by using specific rates, it doesn't consider inflation and therefore erodes Government revenue. The best approach is to adjust the specific duty rates in order to keep pace with inflation rate. This is different from the case where the Excise Duty is imposed by using advalorem rates because the values take account of inflation. 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 support the National Strategy for building an industrial economy, the Excise Duty for some locally produced products will not be adjusted. The adjustment of specific excise duty rates are as follows:-

a. Excise Duty on soft drinks from shillings 58 to shillings 61 per litre which is an increase of shillings 3 per litre;

b. Excise Duty on imported water incluing mineral waters containing added sugar or other matter of flavour from shillings 58 to shillings 61 per litre, which is an increase of shillings 3 per litre. The Excise Duty on locally produced water remains at shillings 58 per litre;

c. Excise Duty on locally produced fruit juices from shillings 9.5 per litre to shillings 9.0 per litre;

d. Excise Duty on imported fruit juices from shillings 210 to shillings 221 per litre which is an increase of shillings 11 per litre;

e. Excise Duty on beers made from local unmalted cereals from shillings 429 to shillings 450 per litre which is an increase of shillings 21 per litre;

f. Excise Duty on other beers from shillings 729 to shillings 765 per litre which is an increase of shillings 36 per litre;

g. Excise Duty on non-alcoholic beers (including energy drinks and non-alcoholic beverages), from shillings

534 to shillings 561 per litre which is an increase of shillings 27 per litre;

h. Excise Duty on wine produced with domestic grapes with content exceeding 75 percent from shillings 202 per litre to shillings 200 per litre;

i. Excise Duty on wine produced with more than 25 percent imported grapes from shillings 2,236 to shillings 2,349 per litre which is an increase of shillings 113 per litre;

j. Excise Duty on imported spirits from shillings 3,315 to shillings 3,481 per litre which is an increase of shillings 166 per litre. The Excise Duty on locally produced spirits remains at shillings 3,315 per litre;

k. Excise Duty on cigarettes without filter tip and containing domestic tobacco more than 75 percent, from shillings 11,854 to shillings 12,447 per thousand cigarettes, which is an increase of shillings 593 per thousand cigarettes;

l. Excise Duty on cigarettes with filter tip and containing domestic tobacco more than 75 percent, from shillings 28,024 to shillings 29,425 per thousand cigarettes, which is an increase of shillings 1,401 per thousand cigarettes;

m. Excise Duty on other cigarettes not mentioned in (k) and (l) from shillings 50,700 to shillings 53,235 per thousand cigarettes, which is an increase of shillings 2,535 per thousand cigarettes;

n. Excise Duty on cut rag or cut filler from shillings 25,608 to shillings 26,888 per kilogram which is an increase of shillings 1,280 per kilogram;

o. Excise Duty on cigar remains at 30 percent.

ii. To abolish Annual Motor Vehicle Licence Fee and increase Excise Duty on Petrol (Motor Spirit and Premium), Diesel (Gas Oil) and Kerosene (IK) by shillings 40 per litre from shillings 339 to shillings 379 per litre of petrol, from shillings 215 to shillings 255 per litre of Diesel and from shillings 425 to shillings 465 per litre of Kerosene. The increase of Excise Duty on Petrol, Diesel and Kerosene is intended to compensate the loss of revenue resulting from the abolition of Annual Motor Vehicle Licence Fee which among others, it will address the complaint of imposing fee even if the vehicle is out of use.

The Excise Duty measures altogether are expected to increase Government revenue by **shillings 27,801.8 million**.

d) The Road Traffic Act, CAP 168

70. **Honourable Speaker**, I propose to amend the Road Traffic Act, CAP 168 as follows:-

i. To abolish the Annual Motor Vehicle Licence Fees so that the fee is paid only once during first registration and thereafter be paid through Excise Duty to be imposed on Petrol (MSP), Diesel (Gas Oil) and Kerosene (IK) by increasing the Excise Duty on Petrol, Diesel and Kerosene by shillings 40 per litre as reflected in para 69(ii). Either, the Government will provide tax amnesty for unpaid fees.

   I also propose to increase the Motor Vehicle Licence Fee on first registration as follows:-

   a. Motor Vehicle with an engine capacity between 501 cc and 1500 cc from shillings 150,000 to shillings 200,000, which is an increase of shillings 50,000;

b. Motor Vehicle with an engine capacity between 1501c and 2500 cc from shillings 200,000 to shillings 250,000, which is an increase of shillings 50,000;

c. Motor Vehicle with an engine capacity above 2501 cc from shillings 250,000 to shillings 300,000, which is an increase of shillings 50,000;

The measures altogether are expected to increase Government revenue by **shillings 77,603.5 million.**

e) The Local Government Finance Act, CAP 290

71. **Honourable Speaker**, I propose to amend the Local Government Finance Act, CAP 290 in order to reduce Produce Cess charged by the Local Government Authorities from 5 percent to 3 percent for cash crops and from 5 percent to 2 percent for food crops. Furthermore, Produce Cess should not be applied on the transportation of crops of less than one ton from one Local Government Authority to another. The objective of this measure is to increase the income earned by farmers when selling their crops and stimulate agricultural production.

f) The East African Community Customs Management Act, 2004

72. **Honourable Speaker,** the Ministers responsible for Finance from the EAC Partner States held their meeting "Pre-Budget Consultations" in Arusha, Tanzania on 6th May, 2017. During the meeting, they agreed to undertake the comprehensive review of Common External Tariff as a requirement under the Custom Union Protocol. Furthermore they agreed to effect changes in the Common External Tariff (CET) and make amendments to the East African Community- Custom Management Act (EAC-CMA), 2004 for the financial year 2017/2018. The focus was mainly on industrialisation for job creation and shared prosperity.

73. **Honourable Speaker,** The changes in Common External Tariff (CET) which were recommended and agreed are as follows:-

    i. Grant duty remission on wheat grain falling under HS Code 1001.99.10 and 1001.99.90 and apply duty rate of 10 percent instead of 35 percent for one year. The measure takes into account that the region has no adequate capacity to produce wheat and satisfy the demand;

ii. Grant Duty Remission on Linear Alkyl Benzen Sulphuric Acid (LABSA) falling under HS Codes 3402.11.00; 3402.12.00 and 3402.19.00 at duty rate of 0 percent instead of 10 percent for one year. The measure is intended to promote cottage industry particularly the stand alone soap manufacturing industries as this is an input for soap manufacturers;

iii. Continue to grant duty remission on CKD kits for motorcycles at a duty rate of 10 percent instead of 25 percent for one year. This measure is taken in order to continue promoting local motorcycle assembling in the EAC region while awaiting a team of experts in the region to develop a list of exclusion and inclusion on CKD motorcycle assembly under duty remission and develop the regulation so that the assembly includes locally manufactured inputs;

iv. To extend stay of application of the EAC CET rate on Crude Palm Oil falling under HS Code 1511.10.00 and apply 10 percent instead of 0 percent for one year. This measure is intended to continue supporting the production of oils seeds and growth of edible oil industries. In order to ensure successful implementation of industrial development strategy, we need to promote oil seeds and edible oil production in the country;

v. Grant stay of application of EAC CET rate and instead apply a duty rate of 25 percent or USD 250 per metric ton whichever is higher on Flat-rolled products of iron or non-alloy steel falling under HS Codes 7210.41.00; 7210.49.00; 7210.61.00; 7210.69.00; 7210.70.00; 7210.90.00; 7212.30.00; 7212.40.00; 7212.50.00; 7212.60.00 for one year. The anti-dumping measure on imports of this nature is aimed at protecting the domestic industries against cheap products from outside the region;

vi. Continue stay of application of EAC CET rate and instead apply a duty rate of 25 percent or USD 200 per metric ton whichever is higher on Steel Rods and Bars and Hot-rolled Angles, Sections, falling under HS Codes 7213.10.00, 7213.20.00, 7214.10.00, 7214.20.00, 7214.30.00; 7214.91.00, 7214.99.00, 7216.10.00, 7216.21.00, 7216.22.00 and 7216.50.00 for one year. This is also aimed at protecting the domestic industries against cheap products from outside the region. Furthermore it promotes further investment and increase employment;

vii. Grant duty remission on inputs falling under HS Code 7228.20.00 and apply duty rate of 0 percent instead of 25 percent or USD 200 per metric ton whichever is higher for manufacturers of leaf spring. The measure takes into account that during the year 2016/17 there was manufacturers of leaf spring in Tanzania who were adversely affected by the introduction of import duty of 25 percent or USD 200 per metric ton whichever is higher on their raw materials. The duty remission measure is therefore intended to protect domestic production of iron and steel products against unfair competition from imported products while at the same time these are raw materials to manufacturers of leaf spring;

viii. Grant stay of application of EAC CET rate and instead apply a duty rate of

10 percent or USD 125 per metric ton whichever is higher on Flat-rolled products of iron or non-alloy steel, with a width of 600 mm or more, cold rolled or cold reduced falling under HS Code 7209.15.00, 7209.16.00, 7209.17.00, 7209.18.00, 7209.25.00, 7209.26.00, 7209.27.00, 7209.28.00, 7209.90.00, for one year. This measure is aimed at protecting domestic industries from influx of cheap imports from outside the EAC region;

ix. Continue to provide duty remission at duty rate of 0 percent on inputs for manufacturers of "air filters" in the region. The measure is aimed at supporting the local manufacturers of the products in the region and create employment;

x. 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 the local producers and promote production of gypsum powder by using locally available raw materials;

xi. Grant stay of application on the reduction of remission level on sugar for industrial use under HS Code 1701.99.10 and apply duty rate of 10 percent. During the financial year 2016/17, it was agreed to reduce progressively the import duty remission levels from 90 percent to 75 percent so that the import duty rate moves from 10 percent to 25 percent for the period of three years. However, the EAC Partner States did not implement this measure. This has taken into account that sugar is a key raw material in the foods, beverages and pharmaceutical sectors which are critical sectors for human needs;

xii. Grant stay of application of EAC CET rates on Electronic Fiscal Devices (EFDs) Machines falling under HS Code 8470.50.90 and apply duty rate of 0 percent instead of 10 percent for one year. This is to encourage the use of electronic devices for accounting of VAT for efficient management control in areas of sales analysis and stock control system;

xiii. To extend the stay of application of the EAC CET rate and apply a duty rate of 25 percent instead of 10 percent on paper products falling under HS Codes 4804.11.00; 804.19.90; 4804.21.00; 4804.29.00; 4804.31.00; 4804.39.00; 4804.41.00; 4804.51.00; 4804.59.00; 4805.11.00; 4805.12.00; 4805.19.00; 4805.24.00; 4805.25.00; 4805.30.00; 4805.91.00; and 4805.92.00 for one year. This measure is intended to protect the local producers of these products and promote production of papers in the region;

xiv. Grant duty remission of on inputs for use in the assembly of equipments specifically designed for use by disabled persons at 0 percent. This measure is intended to promote manufacturing of these essential equipments within the region and therefore increase employment;

xv. Grant stay of application of EAC CET rate on aluminium structures of HS Codes 7610.90.00 and instead apply duty rate of 25 percent instead of 0 percent for one year. This measure is intended to harmonise duty rates of similar articles of base metal i.e. Steel and aluminium;

xvi. To change a wording of tariff code 4911.99.20 to include examination answer sheets so that the import duty of 0 percent applies for both examinations question papers and examination answer sheets; and

xvii. Grant duty remission on inputs for use in the assembly and construction of ships at 0 percent. This measure is intended to provide relief to the assemblers and promote the fishing industry, marine transport and job creation.

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

i. To amend Part B of the 5th Schedule of EAC CMA 2004 by deleting para 25 in order to remove import duty exemption on Compact Fluorescent Bulbs (CFL) and Light Emitting Bulbs (LED). These are finished products;

ii. To amend Section 203 of the EAC CMA by replacing the USD 10,000 fine with USD 20,000 or 50 percent of the dutiable value of the goods, whichever is higher. The intension is to put a deterrent measure on offences (such as false documents, false declarations, fraudulent evasion of payment of taxes, etc). Currently the maximum fine Customs can charge on such offences is only USD 10,000 which is not punitive enough to deter offenders;

iii. To amend Section 218 of EAC-CMA 2004 to give the powers of the restoration of seized items to Commissioner of Customs instead of EAC Council of Ministers;

iv. To amend Para 30 of the 5th Schedule to the EAC-CMA, 2004 to include distribution of Oil and Gas. This measure is intended to provide import duty exemption on projects of Heated Crude Oil Pipeline implemented by Partner States Governments;

The Import Duty Measures altogether are expected to increase Government revenue by **shillings 16,053.9 million.**

g) Minor Amendments in Tax Laws and Other Laws

75. **Honourable Speaker,** I propose to make minor amendments to various Tax Laws and other Laws so as to ensure their smooth and effective implementation. The proposed amendments will be made through the Finance Bill 2017 and Government Notices.

h) Amendment of Various Fees and Levies imposed by Ministries, Regions and Independent Departments

76. **Honourable Speaker**, I propose to amend various rates of fees and levies charged by Ministries, Regions and Independent Departments in order to rationalize with the current level of economic growth. I also propose to abolish some fees and levies which are considered to be undermining the Government efforts to improve business environment and reduce poverty. The proposed amendments will be reflected in the Finance Act, 2017 and others through the Government Notices. The proposed amendments are as follows:-

i. To abolish fees imposed on fertilizer (standards inspection, radiation inspection and weight and measures) by the Tanzania Bureau of Standards (TBS), Tanzania Atomic Energy Commission (TAEC) and Weight and Measures Authority (WMA). The measure intends to increase agricultural productivity;

ii. To abolish standards inspection fee on cash crops such as cotton, tea, cashewnuts and coffee imposed by the Tanzania Bureau of Standards (TBS). The objective of this measure is to reduce production costs for industries processing these crops and also to increase farmers' income;

iii. To abolish Service Levy imposed on guest houses which are subject to Guest House Levy;

iv. To abolish a Levy imposed on posters that direct people to the places where public services such as schools, and hospitals or dispensaries are available. Either, the Tanzania Revenue Authority will start collecting levy on posters intended for commercial purposes by 1st of July, 2017;

v. To abolish permit fees issued by Local Government Authorities on various activities for example permit fees charged on slaughtering places (not including slaughtering and meat inspecting fees), permit fee on transportation of livestock and on establishing pharmacies;

vi. To abolish fees imposed on livestock when they are in the market for auction; and

vii. To increase the amount of fine imposed on the people who fail to comply with the Local Government Finance Act from not more than shillings 50,000 and 12 months sentence up to between shillings 200,000 and shillings 1,000,000 or between 12 months and 2 years sentence.

77. **Honourable Speaker,** the Government will continue with its efforts to review the fees and levies imposed by various institutions, agencies and regulatory authorities in order to create better business environment, attract more investments and provide relief to various economic activities. This will involve reviewing the amounts of imposed fees and levies and also abolishing the nuisance ones.

i) Effective Date for Implementation of New Revenue Measures

78. **Honourable Speaker,** unless otherwise stated, the new measures shall become effective on 1st of July, 2017.

V. BUDGET STRUCTURE FOR 2017/18

79. **Honourable Speaker,** consistent with 2017/18 macroeconomic targets and fiscal policy objectives, the Government plans to mobilize and spend shillings 31,712.0 billion. Domestic revenue, including LGAs own sources, is estimated at shillings 19,977.0 billion, which is 63 percent of the total resource envelope. Out of this amount: tax revenue is estimated to be shillings 17,106.3 billion or 85.6 percent of domestic revenue; non-tax revenue is shillings 2,183.4 billion; and revenue from LGAs own sources is shillings 687.3 billion.

80. **Honourable Speaker,** Development Partners are expected to contribute shillings 3,971.1 billion, which is 12.5 percent of the total budget in the form of grants and concessional loans. The amount is comprised of shillings 2,473.8 billion for development

projects, shillings 556.1 billion for sector basket funds and shillings 941.2 billion for General Budget Support.

81. **Honourable Speaker,** the Government intends to borrow shillings 7,763.9 billion from domestic and external non-concessional sources. Domestic borrowing is estimated at shillings 6,168.9 billion, comprised of shillings 4,948.2 billion for rollover of maturing government securities and shillings 1,220.7 billion equivalent to one percent of GDP is new loans for financing development expenditure. In order to speed up development of infrastructure, the Government expects to borrow shillings 1,595.0 billion from external sources.

82. **Honourable Speaker**, in the year 2017/18 the Government will increase efforts in resource mobilisation from domestic and external sources for implementation of development projects. However, implementation of huge projects, including the construction of the subsequent phases of the standard gauge railway and improvement of various ports in the country, will depend on resources availability after mid-year review. In addition, the process of issuing

non-cash bond to social security funds will proceed immediately after the approval of the Government in order to settle verified arrears owed to Government.

83. **Honourable Speaker,** in 2017/18, the Government plans to spend shillings 31,712.0 billion. Out of this, shillings 19,712.4 billion is for recurrent expenditure, including shillings 7,205.8 billion for wages and salaries, and shillings 9,461.4 billion for public debt and general services. Development expenditure is estimated at shillings 11,999.6 billion equivalent to 38 percent of the total budget, whereby shillings 8,969.7 billion is local funds and shillings 3,029.8 billion is foreign funds. The current level of 38 percent is within the range of 30 to 40 percent of the total budget as stipulated in the Five Year Development Plan 2016/17 – 2020/21.

84. **Honourable Speaker,** consistent with the budget frame I have just explained, the budget structure for 2017/18 is as shown in **Table A.**

Table A: Budget Frame for 2017/18

		Shillings Million
	Revenue	**2017/18**
A.	**Government Domestic Revenue**	**19,289,695**
	(i)Tax Revenue (TRA)	*17,106,336*
	(ii) Non Tax Revenue	*2,183,359*
B.	**LGAs own source**	**687,306**
C.	**External Concessional Loans and Grants**	**3,971,103**
	(i) General Budget support	*941,258*
	(ii)Projects Loans and Grants	*2,473,770*
	(iii)Basket Loans and Grants	*556,075*
D.	**Domestic & External Non Concessinal Borrowing**	**7,763,882**
	(i)External Non Concessional Borrowing	*1,594,985*
	(ii)Domestic Non Concessional Borrowing (1.0 of GDP)	*1,220,668*
	(iii) Domestic Non Concessional Borrowing (Rollover)	*4,948,229*
	TOTAL REVENUE (A+B+C+D)	**31,711,986**
	Expenditure	
E.	**Recurrent Expenditure**	**19,712,394**
	o/w (i) National Debt Service	**9,461,433**
	-Domestic Interest	*1,025,546*
	-Domestic Amortization (Rollover)	*4,948,229*
	- External Amortization	*1,182,651*
	- External Interest	*673,492*
	- Government Contribution to Pension Funds	*1,195,882*
	-Other Expenditure under CFS	*435,633*
	(ii) Wages and Salaries	***7,205,768***
	(iii)Other Charges	***3,045,193***
	- Protected expenditure	*1,985,245*
	- LGAs expenditure	*274,922*
	- MDAs operational costs	*785,025*
F.	**Development Expenditure**	**11,999,592**
	(i) Domestic Financing	*8,969,747*
	o/w LGAs Expenditure	*412,384*
	(ii)Foreign Financing	*3,029,845*
	TOTAL EXPENDITURE (E+F)	**31,711,986**
	BUDGET DEFICIT AS PERCENTAGE OF GDP	**3.8%**

Source: Ministry of Finance and Planning

VI. CONCLUSION

85. **Honourable Speaker,** the proposed measures in this budget aim at building a strong economic base for the industrial economy and widening employment opportunities and trade. Our vision is to attain a middle income economy by 2025. In order to attain this, every one of us has to fully participate in legitimate productive activities effectively and efficiently so as to increase productivity.

86. **Honourable Speaker**, the success of this budget anchored on high level management discipline of financial resources and expenditure. Achievement of this objective requires joint and concerted efforts between the Government and other stakeholders, including sustained sensitization of the private sector to invest in the priority areas. May I call upon everyone to fulfil his/her responsibilities in order to ensure that this budget is successfully implemented.

87. **Honourable Speaker,** one of the basic prerequisites for our country to realize a rapid economic and social transformation,

among others, is to have competent and skilful leaders who can bring about and manage such transformation. Such leaders should possess the following attributes:

i. Endeavor for morality in actions that can give beauty and dignity to life notably to the less privileged community, and dedicating time to reflect on public service;

ii. Capability of crafting a vision that defines the optimal desired future state of what the country wants to achieve over time and set high targets;

iii. Capability of generating results-based indicators for each program and project that will be implemented;

iv. Rock-solid supervision of implementation of programs and projects;

v. Proficiency of making bold decisions, giving concrete directives and bearing in mind their consequences, and the attribute to match such capability with development and implementation of leadership succession plans; and

vi. Cautious in appointing leadership teams to support executive transition, and be able to work with the teams efficiently and effectively.

88. **Honourable Speaker**, I am certain, and your esteemed House and the majority of Tanzanians will agree with me that His Excellency, Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania has all the attributes outlined above. His Excellency is a patriotic leader and proud of his country. His vision is to transform Tanzania with resolute determination and strength of character with passionate to serve all Tanzanians particularly the under-privileged. His personal stance is unwavering and has a spot-on passion to dedicatedly manage performance. His Excellency hates corruption, embezzlement of public funds and misappropriation of natural resources. His Excellency is innovative as opposed to 'doing business as usual' particularly for outcomes decisive to the welfare of the Nation, even if such outcomes are not welcome to some segments in the society.

89. **Honourable Speaker**, at present, Tanzanians have started to witness the accomplishments registered in a relatively short interval of his leadership. In the 18-month period, His Excellency, the President has perfected his endeavours immensely. This in turn has rekindled hopes and revitalized optimism to the majority, but

also brought about resentment to few people because of his no-nonsense style which I wish to refer to as follows: sacking leaders who could not match his resolve and speed; capture of cargo containers which were cleared at the Dar es salaam Port without payment of applicable taxes; sacking civil servants for lack of proper qualifications/ fake education certificates and ejection of students lacking minimum eligible criteria for admission; enhancement of public financial management; control of the civil service payroll and fake invoices to the Government; restoration of discipline in the ministries, departments, agencies and institutions; has invested in education by providing free basic education; increase revenue collections from an average of shillings 800 billion per month to an average of shillings 1.2 trillion; dared to implement long-term decisions by the government to transfer its headquarters to Dodoma; compels every Tanzanian to work hard; construction of a Standard Gauge Railway (SGR); bought two new aircrafts and made an advance payments for four aircrafts in order to revamp the Air Tanzania Company Ltd and boost tourism; persuaded the Government of Uganda to agree on the construction of the major oil pipeline project from Hoima Uganda to Tanga Tanzania in a fiercely competitive environment; continued with the construction and rehabilitation of roads across the country, including the TAZARA flyover and Ubungo interchange; and construction of power and water infrastructure projects and two new ships on Lake Nyasa. In addition, under his leadership, the agenda of building industrial economy has gained great response from the private sector in the country, particularly in the coastal zone.

90. **Honourable Speaker**, I am pleased to inform my fellow Tanzanians that the aforementioned actions are critical and sensible investment. The 2017/18 Budget will continue to sustain these achievements and take more prudent measures to forge forward. There is a Swahili saying "*Ukiona vyaelea, ujue vimeundwa*" implying nothing comes out of nothing. My plea to all fellow Tanzanians, particularly, we the leaders and citizens in general is that, we must make selfless sacrifices to build Tanzania, join hands with our President to work hard focusing on the vision and goals of the Fifth Phase Government of building a strong economy that can create jobs, new opportunities and fair and equitable distribution of national resources to all citizens. Let us safeguard our unity and

peace, focusing on issues of national interest. On behalf of the Government, I would like to thank and congratulate all citizens who paid appropriate taxes that have enabled the achievements registered todate. The Government is committed to efficiently utilise the resources realised from your taxes to bring the envisaged development. I reiterate the earlier caution that, the government will not hesitate to take legal action against any tax evaders.

91. **Honourable Speaker,** as I approach the end of my speech, I would like to recognize the presence of our Development Partners (DPs) who are with us here today and thank them for their pledges amounting to shillings 3,971.1 billion to support the Government budget for 2017/18 as follows: (amount pledge/committed to 2017/18 budget in the brackets) African Development Bank (shillings 410.9 billion); Abu Dhabi Fund/OPEC Fund (shillings 20 billion) AFD/France (shillings 27.3 billion); Arab Bank for Economic Development in Africa BADEA (shillings 10 billion); Belgium (shillings 13.7 billion); Denmark (shillings 47 billion) United Kingdom through DFID (shillings 364.4 billion); European Union (shillings 150.3 billion); Finland (shillings

25.7 billion); Germany (shillings 58.4 billion); The Global Fund (shillings 431.2 billion) IFAD (shillings 45.3 billion); India (shillings 80 billion); Ireland (shillings 18.3 billion) JICA/Japan (shillings 57.4 billion); Kuwait Fund (shillings 20 billion); Norway (shillings 22.3 billion); OPEC Fund (shillings 8.5 billion); Poland (shillings 61.1 billion); Sweden (shillings 172.5 billion); South Korea (shillings 20 billion); Switzerland (shillings 12.1 billion; UNICEF (shillings 3.4 billion); and The World Bank (shillings 1,862.3 billion). The amount that have been included in this budget have considered historical background of commitments and predictability of disbursements from our Development Partners to finance projects and programmes.

92. **Honourable Speaker,** I would also like to recognize the existing good relationship between the Government of the United Republic of Tanzania and the IMF through the Policy Support Instrument (PSI). It is our sincere hope that the Board of Governors of the Fund will endorse another policy support instrument after December 2017.

It is my plea to the DPs that you continue to support the Fifth Phase Government of His Excellency, Dr. John Pombe Joseph Magufuli, notably in the endeavour to build industrial economy. Tanzanians have heard the amount of funds you have pledged, I humbly request you to honour your commitments; and we reassure you that the funds that will be disbursed provided will be used effectively and in a transparent manner.

93. **Honourable Speaker**, finally, I would like to conclude my speech by registering my appreciation in a special manner to my lovely wife and best friend, Mama Mbonimpaye Mpango, together with all our children and grandchildren, for the daily care and prayers to the Almighty God that enabled me to discharge my duties and responsibilities to serve Tanzanians. Furthermore, I would like to express gratitude to my relatives of Buhigwe District and people of Kigoma region in general, for their invaluable love and wishing me well to continue fulfilling my responsibilities. You groomed and taught me to work hard. Personally, I sincerely promise to continue be faithful and will not disappoint you. Thank you very much Honourable Members of Parliament, leaders and all Tanzanians for your kind attention.

MAY GOD BLESS TANZANIA!

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

Table 1: Domestic Revenue Collection Trend: 2010/11 - 2017/18

Tshs Million

	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Budget	2016/17 Likely	2017/18 Budget
Total domestic revenue (including LGAs own source	**5,736,266.1**	**7,221,408.6**	**8,442,610.8**	**11,537,522.6**	**10,957,765.3**	**14,139,229.8**	**18,463,532.6**	**17,625,384.7**	**19,977,001.1**
A.Tax Revenue	**5,293,277.3**	**6,480,477.8**	**7,729,985.9**	**10,395,439.8**	**9,908,996.3**	**12,525,377.6**	**15,105,100.0**	**14,266,952.1**	**17,106,336.0**
1. Import duty	448,650.2	497,686.8	584,136.9	852,199.0	748,960.9	880,295.5	994,258.0	981,936.0	1,193,270.5
2. Excise Duty	1,052,152.2	1,028,883.8	1,258,242.1	1,908,857.0	1,742,721.2	2,144,395.2	2,516,619.1	2,224,518.7	2,684,335.8
3. Value added tax	1,530,641.3	1,974,820.2	2,146,336.7	2,590,291.0	2,488,066.2	2,992,835.3	4,034,180.7	3,903,755.6	4,628,448.2
4. Income tax	1,660,385.2	2,246,783.7	3,034,359.9	3,656,505.6	3,716,684.9	4,594,971.1	5,316,326.5	4,780,752.2	5,684,217.1
5. Other taxes	601,448.4	732,303.2	706,910.4	1,387,587.3	1,212,563.1	1,912,880.4	2,243,715.7	2,375,989.6	2,916,064.4
B. Non-tax revenue	**416,274.0**	**714,194.2**	**683,362.3**	**869,935.9**	**1,048,769.0**	**1,613,852.2**	**3,358,432.6**	**3,358,432.6**	**2,870,665.1**
1. Parastatal dividends & Contributions	26,154.6	207,352.0	47,602.4	110,014.0	161,234.0	388,550.7	1,306,524.2	1,306,524.2	522,315.6
2. Ministries and regions	231,839.4	311,317.7	414,925.0	444,694.0	527,450.7	799,449.3	1,386,493.8	1,386,493.8	1,661,043.4
3. LGAs own source	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Source: Ministry of Finance and Planning	158,280.0	195,524.5	220,835.0	315,227.9	360,084.3	425,852.2	665,414.6	665,414.6	687,306.1

Table 2a: Budget Frame for 2010/11 - 2017/18

Tshs Million

	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Budget	2016/17 Likely	2017/18 Budget
I. TOTAL RESOURCES	10,202,603	12,171,877	15,404,216	15,667,535	17,488,626	22,543,664	29,539,603	25,919,009	31,711,986
Domestic revenue	5,577,986	7,025,884	8,221,776	9,867,227	10,597,681	13,622,182	17,798,118	16,326,295	19,289,695
LGAs Own Sources	158,280	195,525	220,835	315,228	360,084	425,852	665,415	532,332	687,306
Programme loans and grants	900,825	967,163	894,955	1,040,659	757,016	291,381	483,002	311,989	941,258
Project loans and grants	1,013,078	1,207,445	1,423,579	1,194,930	1,154,909	1,186,982	2,745,659	1,647,395	2,473,770
Basket support Loans	220,681	172,212	186,336	207,665	163,177	161,842	193,472	154,777	355,454
Basket support Grants	334,609	301,152	280,936	188,623	127,637	86,199	178,675	142,940	200,621
MCA (T) USA	196,114	221,601	220,350	213,612	0	0	0	0	0
Non-Bank Borrowing/ roll over	720,249	1,326,852	1,734,535	1,528,153	2,064,756	3,005,789	3,777,112	4,615,670	4,948,229
Bank Borrowing (Financing)	1,244,330	334,864	1,069,321	976,712	799,776	2,299,151	1,597,157	873,926	1,220,668
Adjustment to Cash	-317,498	-382,101	88,588	-1,059,790	408,786	1,010,781	0	0	0
Non-Concessional borrowing	153,948	801,282	1,063,006	1,194,516	1,054,803	453,504	2,100,995	1,313,684	1,594,985
II. TOTAL EXPENDITURE	10,202,602	12,171,877	15,404,216	15,667,535	17,488,626	22,543,664	29,539,603	25,919,009	31,711,986
RECURRENT EXPENDITURE	7,453,565	8,397,155	10,904,521	11,741,493	13,778,397	18,204,111	17,719,101	17,647,607	19,712,394
CFS	1,625,883	2,518,207	3,383,124	3,666,799	4,724,910	6,480,906	8,000,000	8,679,239	9,461,433
Debt service	1,116,572	1,843,666	2,627,946	2,686,455	3,552,426	5,047,764	6,452,902	7,132,141	7,829,918
CFS Others	509,311	674,541	755,178	980,344	1,172,484	1,433,142	1,547,098	1,547,098	1,631,515
Recurrent Exp. (excl. CFS)	5,827,682	5,878,949	7,521,397	8,074,693	9,053,487	11,723,205	9,719,101	8,968,369	10,250,961
o/w Wages and Salaries	2,346,378	2,722,084	3,349,959	3,969,108	4,617,648	5,627,497	5,705,697	5,843,222	6,276,267
Parastatal PE	457,665	455,006	518,755	568,708	637,711	925,760	894,303	894,303	929,501
LGAs Own Sources	158,280	195,525	362,206	315,228	170,627	170,340	266,166	212,933	274,922
Other Charges	3,628,554	2,506,333	3,290,477	3,221,649	3,627,501	4,999,607	2,852,935	2,017,911	2,770,270
DEVELOPMENT EXPENDITURE	2,749,037	3,774,722	4,499,695	3,926,042	3,710,228	4,339,553	11,820,503	8,271,402	11,999,592
Local	984,555	1,872,312	2,314,718	2,121,212	2,264,506	2,904,530	8,702,697	6,326,290	8,969,747
Foreign	1,764,482	1,902,410	2,184,977	1,804,831	1,445,722	1,435,023	3,117,805	1,945,113	3,029,845
GDPmp	48,607,221	57,098,397	66,193,721	75,197,863	85,153,090	97,304,216	109,240,803	106,908,467	120,866,799

Source: Ministry of Finance and Planning

Table 2b: Budget Frame 2010/11 - 2017/18 as Percentage of GDP

	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Budget	2016/17 Likely	2017/18 Budget
I. TOTAL RESOURCES	21.0%	21.3%	23.3%	20.8%	20.5%	23.2%	27.0%	24.2%	26.2%
Domestic revenue	11.5%	12.3%	12.4%	13.1%	12.4%	14.0%	16.3%	15.3%	16.0%
LGAs Own Sources	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.6%	0.5%	0.6%
Programme loans and grants	1.9%	1.7%	1.4%	1.4%	0.9%	0.3%	0.4%	0.3%	0.8%
Project loans and grants	2.1%	2.1%	2.2%	1.6%	1.4%	1.2%	2.5%	1.5%	2.0%
Basket support Loans	0.5%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.1%	0.3%
Basket support Grants	0.7%	0.5%	0.4%	0.3%	0.1%	0.1%	0.2%	0.1%	0.2%
MCA (T) USA	0.4%	0.4%	0.3%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-Bank Borrowing/ roll over	1.5%	2.3%	2.6%	2.0%	2.4%	3.1%	3.5%	4.3%	4.1%
Bank Borrowing (Financing)	2.6%	0.6%	1.6%	1.3%	0.9%	2.4%	1.5%	0.8%	1.0%
Adjustment to Cash	-0.7%	-0.7%	0.1%	-1.4%	0.5%	1.0%	0.0%	0.0%	0.0%
Non-Concessional borrowing	0.3%	1.4%	1.6%	1.6%	1.2%	0.5%	1.9%	1.2%	1.3%
II. TOTAL EXPENDITURE	21.0%	21.3%	23.3%	20.8%	20.5%	23.2%	27.0%	24.2%	26.2%
RECURRENT EXPENDITURE	15.3%	14.7%	16.5%	15.6%	16.2%	18.7%	16.2%	16.5%	16.3%
CFS	3.3%	4.4%	5.1%	4.9%	5.5%	6.7%	7.3%	8.1%	7.8%
Debt service	2.3%	3.2%	4.0%	3.6%	4.2%	5.2%	5.9%	6.7%	6.5%
CFS Others	1.0%	1.2%	1.1%	1.3%	1.4%	1.5%	1.4%	1.4%	1.3%
Recurrent Exp. (excl. CFS)	12.0%	10.3%	11.4%	10.7%	10.6%	12.0%	8.9%	8.4%	8.5%
o/w Salaris and wages	4.8%	4.8%	5.1%	5.3%	5.4%	5.8%	5.2%	5.5%	5.2%
Parastatal PE	0.9%	0.8%	0.8%	0.8%	0.7%	1.0%	0.8%	0.8%	0.8%
LGAs Own Sources	0.3%	0.3%	0.5%	0.4%	0.2%	0.2%	0.2%	0.2%	0.2%
Other Charges	7.5%	4.4%	5.0%	4.3%	4.3%	5.1%	2.6%	1.9%	2.3%
DEVELOPMENT EXPENDITURE	5.7%	6.6%	6.8%	5.2%	4.4%	4.5%	10.8%	7.7%	9.9%
Local	2.0%	3.3%	3.5%	2.8%	2.7%	3.0%	8.0%	5.9%	7.4%
Foreign	3.6%	3.3%	3.3%	2.4%	1.7%	1.5%	2.9%	1.8%	2.5%

Source: Ministry of Finance and Planning

Table 3: External Loans and Grants 2013/14 - 2017/18

Tshs Million

		2013/14	2014/15	2015/16	2016/17	2016/17	2017/18
		Actual	**Actual**	**Actual**	**Budget**	**Likely**	**Budget**
General budget Support	Grants	514,502	546,709	0	179,325	154,527	190,023
	Concessional Loans	526,157	375,459	291,381	303,677	157,462	751,235
	Total	**1,040,659**	**922,168**	**291,381**	**483,002**	**311,989**	**941,258**
Baskets Funds	Grants	188,623	189,112	86,199	178,675	142,940	200,621
	Concessional Loans	207,665	84,975	161,842	193,472	154,777	355,454
	Total	**396,288**	**274,087**	**248,041**	**372,147**	**297,718**	**556,075**
Projects	Grants	670,912	745,344	409,157	1,065,055	639,033	653,194
	Concessional Loans	524,019	1,000,000	777,825	1,680,603	1,008,362	1,820,576
	MCC Projects	213,612	-	-	-	-	-
	Jumla	**1,408,542**	**1,745,344**	**1,186,982**	**2,745,659**	**1,647,395**	**2,473,770**
	Jumla Kuu	**2,845,490**	**2,941,599**	**1,726,404**	**3,600,807**	**2,257,102**	**3,971,102**

Source: Ministry of Finance and Planning

Table 4: National Debt and Its Trend

NEW EXTERNAL AND DOMESTIC BORROWING (SHILLINGS MILLION)	2015/16	2016/17	2017/18
1. Total of New External and Domestic Borrowing (a-b)	**7,067,097.5**	**9,653,016.0**	**10,691,146.5**
(a)New Domestic Borrowing	**4,032,982.9**	**5,374,269.0**	**6,168,897.0**
(i) New Domestic Borrowing (Rollover)	2,600,000.0	3,777,112.0	4,948,229.0
(ii)Net Domestic Financing	1,432,982.9	1,597,157.0	1,220,668.0
(b) New External Borrowing	**3,034,114.7**	**4,278,747.0**	**4,522,249.5**
(i) Concessional Projects Borrowing	462,753.0	1,874,075.0	2,176,029.4
(ii) Concessional General Budget Support	428,892.8	303,677.0	751,235.1
(iii) Non - Concessional	2,142,468.9	2,100,995.0	1,594,985.0
(c) Amortization of Domestic Debt	**3,564,893.0**	**4,866,262.2**	**5,973,775.0**
(i) Principal -Rollover	2,600,000.0	3,777,112.0	4,948,229.0
(ii) Interest Payments	964,893.0	1,089,150.2	1,025,546.0
(d) External Debt Services	**1,061,361.1**	**1,586,640.0**	**1,856,142.6**
(i) Interest	578,474.4	620,772.0	673,491.52
(ii) Principle	482,886.7	965,868.0	1,182,651.10
(e)Net Domestic Debt Increase (a-c(i)	**1,432,982.9**	**1,597,157.0**	**1,220,668.0**
(f) Net External Debt Increase (b-d(ii)	**2,551,228.0**	**3,312,879.0**	**3,339,598.4**
2. Net Increase on Domestic and External Debt (e+f)	**3,984,210.8**	**4,910,036.0**	**4,560,266.4**

TABLE No. 5: SUMMARY OF EXTERNAL FINANCE IN 2017/18

DONOR	GBS	BASKET	PROJECT	TOTAL TSHS	TOTAL USD
AfDB	159,498,500,000	-	251,396,555,381	410,895,055,381	180,331,814.26
Abu Dhabi/OPEC	-	-	20,000,000,000	20,000,000,000	8,777,512.01
AFD/French	-	27,342,600,000	-	27,342,600,000	12,000,000.00
BADEA	-	-	10,000,000,000	10,000,000,000	4,388,756.01
BELGIUM	-	-	13,666,011,215	13,666,011,215	5,997,678.88
DENMARK	23,355,137,500	21,874,080,000	1,737,446,073	46,966,663,573	20,612,522.69
DFID	-	127,455,707,060	236,895,870,644	364,351,577,704	159,905,017.53
EUROPEAN UNION	120,410,362,500	-	30,880,986,355	151,291,348,855	66,398,081.61
FINLAND	-	2,904,194,191	22,793,194,014	25,697,388,205	11,277,956.69
GERMAN	-	5,924,230,000	53,426,960,533	59,351,190,533	26,047,789.40
GLOBAL FUND	-	-	431,198,195,418	431,198,195,418	189,242,367.04
IFAD	-	11,392,750,000	33,905,367,557	45,298,117,557	19,880,238.55
INDIA		-	80,000,000,000	80,000,000,000	35,110,048.06
IRELAND	-	18,280,761,079	-	18,280,761,079	8,022,980.00
JICA/JAPAN	-	-	57,384,145,811	57,384,145,811	25,184,501.46
KUWAIT FUND	-	-	20,000,000,000	20,000,000,000	8,777,512.01
NORWAY	-	9,326,105,150	13,003,046,412	22,329,151,562	9,799,719.81
OPEC FUND	-	-	8,476,134,485	8,476,134,485	3,719,968.61
POLAND	-	-	61,100,000,000	61,100,000,000	26,815,299.20
SOUTH KOREA	-	-	20,000,000,000	20,000,000,000	8,777,512.01
SWEDEN	-	489,888,250	172,033,757,504	172,523,645,754	75,716,418.67
SWITZERLAND	-	12,087,954,913	-	12,087,954,913	5,305,108.47
UNICEF	-	2,278,550,000	24,906,863,871	27,185,413,871	11,931,014.84
USAID	-	-	3,388,019,843	3,388,019,843	1,486,919.24
WORLD BANK	637,994,000,000	316,718,450,000	907,577,444,885	1,862,289,894,885	817,313,596.32
TOTAL	**941,258,000,000**	**556,075,270,643**	**2,473,770,000,000**	**3,971,103,270,643**	**1,742,820,333.39**

Source: Ministry of Finance and Planning

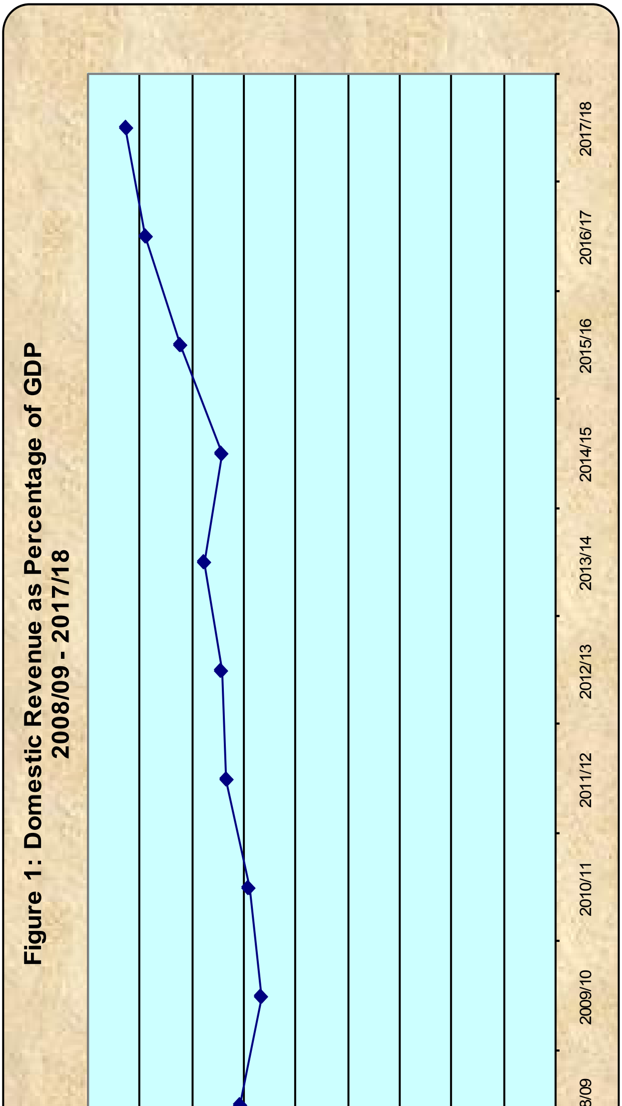

Figure 1: Domestic Revenue as Percentage of GDP 2008/09 - 2017/18

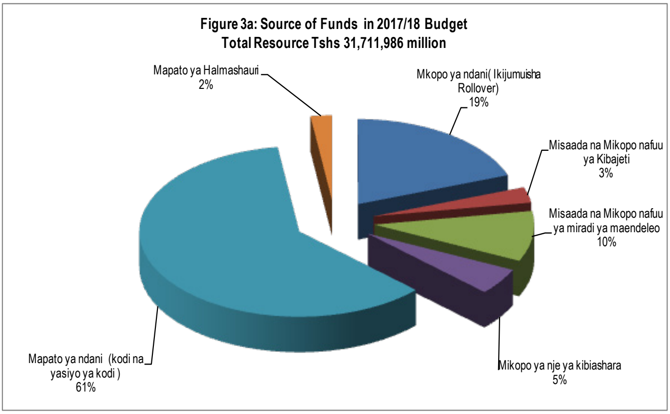
Figure 3a: Source of Funds in 2017/18 Budget
Total Resource Tshs 31,711,986 million
Mapato ya Halmashauri 2%
Mkopo ya ndani(Ikijumuisha Rollover) 19%
Misaada na Mikopo nafuu ya Kibajeti 3%
Misaada na Mikopo nafuu ya miradi ya maendeleo 10%
Mikopo ya nje ya kibiashara 5%
Mapato ya ndani (kodi na yasiyo ya kodi) 61%

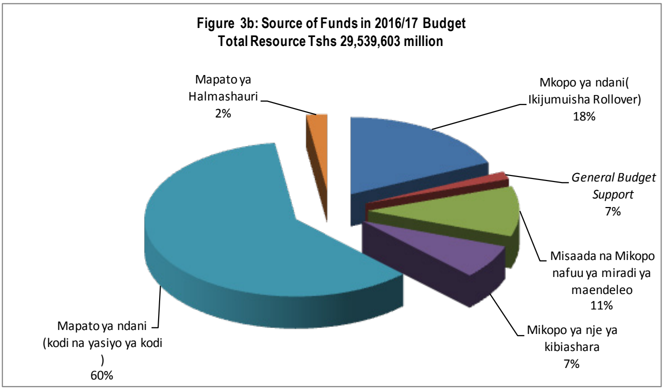
Figure 3b: Source of Funds in 2016/17 Budget
Total Resource Tshs 29,539,603 million
Mapato ya Halmashauri 2%
Mkopo ya ndani(Ikijumuisha Rollover) 18%
General Budget Support 7%
Misaada na Mikopo nafuu ya miradi ya maendeleo 11%
Mikopo ya nje ya kibiashara 7%
Mapato ya ndani (kodi na yasiyo ya kodi) 60%

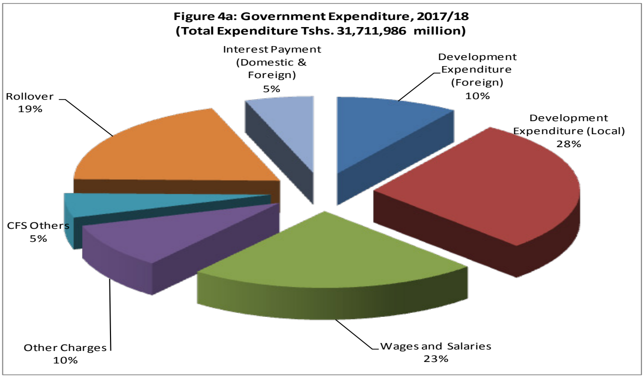
Figure 4a: Government Expenditure, 2017/18
(Total Expenditure Tshs. 31,711,986 million)
Interest Payment (Domestic & Foreign) 5%
Development Expenditure (Foreign) 10%
Rollover 19%
Development Expenditure (Local) 28%
CFS Others 5%
Other Charges 10%
Wages and Salaries 23%

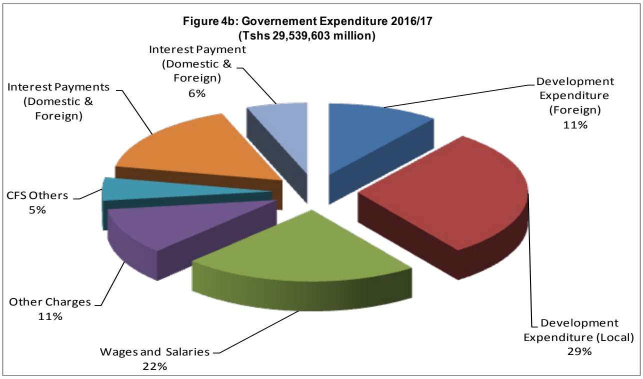
Figure 4b: Governement Expenditure 2016/17
(Tshs 29,539,603 million)
Interest Payment (Domestic & Foreign) 6%
Interest Payments (Domestic & Foreign)
Development Expenditure (Foreign) 11%
CFS Others 5%
Other Charges 11%
Development Expenditure (Local) 29%
Wages and Salaries 22%