

**SPEECH BY THE MINISTER FOR FINANCE HON. DR. WILLIAM AUGUSTAO
MGIMWA (MP) INTRODUCING TO THE NATIONAL ASSEMBLY, THE
ESTIMATES OF GOVERNMENT REVENUE AND EXPENDITURE FOR FISCAL
YEAR 2013/2014**

I. INTRODUCTION

1. **Madam Speaker,** I beg to move that this esteemed House now resolves to debate and approve Government proposals for Revenue and Expenditure estimates for Fiscal Year 2013/14. Together with this speech, there are four volumes of books which provide detailed explanation of the budget estimates: volume **one** presents revenue estimates; volume **two** describes recurrent expenditure estimates for Ministries and Independent Government Departments, Institutions and Agencies while volume **three** provides for recurrent expenditure estimates for Regions and Local Government Authorities; and volume **four** presents development expenditure estimates for Ministries, Independent Government Departments, Institutions and Agencies, Regions and Local Government Authorities. There is also the Finance Bill of the year 2013 which is part of this budget.

2. **Madam Speaker,** allow me to start by thanking the Almighty God for giving us good health and for enabling us to participate in this eighth meeting of tenth Parliamentary session of the United Republic of Tanzania. I also wish to express my gratitude to His Excellency, Dr. Jakaya Mrisho Kikwete, the President of the United Republic of Tanzania for his able leadership. I also take this opportunity to thank you Madam Speaker, Deputy Speaker and Presiding Chairs for the able manner in which you guide proceedings in parliamentary.

3. **Madam Speaker,** I wish to inform this House that the Government has accepted and implemented the recommendations made by the Parliament regarding the new budget cycle, which provides opportunity for wider stakeholder participation and enable the execution of the budget to start on 1st July every year. The Government has fulfilled this recommendation by adjusting the time and procedures in the preparation of budget, which have been considered in the preparations of the 2013/14 budget.

4. **Madam Speaker,** in order to align with these changes, the Government will be preparing the Plan and Budget Guidelines from August to October every year; approving and distributing the Guidelines in November; preparing sectoral draft plans and budgets from November to January; to scrutinizing draft budgets and entering data in the Intergrated Financial Management System (IFMS) in February; presenting the draft budgets and memorandum to Sectoral Parliamentary Committees in March; printing and submit budget books to Parliament in April; scrutinization and approving of the budget by the Parliament from April to June; and monitoring and evaluation of approved activities during the period of budget implementation.

5. **Madam Speaker,** following this new budget cycle, Ministries are required to prepare and table their annual revenue and expenditure estimates to Parliament before this speech councludes the National Budget.

6. **Madam Speaker,** I wish to express my gratitude to Ministries, Independent Government Departments, Institutions and Agencies, Regions and Local Government Authorities and various stakeholders who have participated in the preparation of this budget. I would like, in a special way, to thank the Parliamentary Budget Committee under the Chairmanship of Hon. Andrew John Chenge, Member of Parliament for West Bariadi for their productive advice and valuable recommendations. I thank also the Speaker's Special Committee on revenue; Chairperson of the Parliamentary committee

on Economic, Industry and Trade, Hon. Mohmoud Assan Mгимwa (MP), and other Honourable Members of the committee; as well as Chairpersons of Sectoral Parliamentary Committees for their advice, recommendations and guidance when scrutinizing this Budget. Further, I wish to extend my sincere gratitude to all Honorable Members of Parliament for their advice and recommendations which improved this National Budget.

7. **Madam Speaker,** I sincerely congratulate the Prime Minister, Hon. Mizengo Kayanza Peter Pinda (MP), for his speech that summarised the review of the implementation of 2012/13 budget and provided the outlook for Government operations for 2013/14. Also, I thank Hon. Stephen Masatu Wasira (MP), the Minister of State in the President's Office responsible for Social Relations and Co-ordination for presenting the 2012 Economic Survey and the Annual Development Plan for 2013/14. Further, I congratulate my fellow Ministers for presenting their respective budgets which are part to this budget.

8. **Madam Speaker,** I thank the Deputy Ministers for Finance, Hon. Janet Zebedayo Mbene (MP) and Hon. Saada Mkuya Salum (MP), the Permanent Secretary; Deputy Permanent Secretaries; the Governor of the Central Bank; Commissioner General for Tanzania Revenue Authority; the Chief Executive Officer of the National Bureau of Statistics; Chief Executives of Institutions under the Ministry of Finance, Heads of Departments and Units, and all members of staff of the Ministry of Finance and its Institutions for their valuable inputs during the preparation of this budget. I also thank the Attorney General, for the timely preparation of the 2013 Finance Bill and other legal documents that are part of this budget. I would also like to thank the Government printer for the timely publication of the budget books.

9. **Madam Speaker**, the 2013/14 budget is the third in implementation of the First Five Year Development Plan, CCM Election Manifesto of 2010, and Second phase of National Strategy for Growth and Reduction of Poverty (MKUKUTA II). This budget also continues to implement the 2015 Millennium Development Goals. The objectives of these plans and strategies are to achieve the 2025 National Development Vision. Moreover, this budget aims at unlocking social and economic opportunities for sustainable development through implementation of priority projects which will bring about big results now.

10. **Madam Speaker**, as explained in the speech by Hon. Stephen Masatu Wasira (MP), regarding the new procedure of identifying national priorities that brings about big results now, the 2013/14 budget intends to implement six main areas identified as national priorities. These strategic priorities are water, energy, transport, agriculture, education and resource mobilization.

11. **Madam Speaker**, after this introduction, allow me to present a review of 2012/13 budget implementation and the estimates of Government revenue and expenditure for the fiscal year 2013/14.

II. REVIEW OF FISCAL POLICY IMPLEMENTATION FOR 2012/13

12. **Madam Speaker**, the objectives and targets for 2012/13 Budget aimed at attaining real GDP growth rate of 6.8 percent for 2012; increasing domestic revenue to 18 percent of GDP; curbing inflation to single digit level; maintaining a stable and market determined exchange rate and increasing credit to private sector to 20 percent of GDP.

13. **Madam Speaker**, other objectives and targets for the Government Budget 2012/13 include availability of reliable supply of electricity and sensitizing the use of

natural gas; to improve financial and budgetary policies; to strengthen the development cooperation with Development Partners; to implement public sector reforms including continued strengthening of public finance management; to ensure improved business environment as well as increased productivity and investment opportunities; to protect and sustain the achievements that were attained in the social services; to ensure improved good governance and accountability; and ensure the public private partnership (PPP) arrangement is enhanced.

Revenue Policies

14. ***Madam Speaker,*** in 2012/13, revenue policies that were implemented by the Government targeted at increasing domestic revenue, both tax and non tax in order to increase Government's ability to provide public services and reduce budget dependence. The policies that were implemented aimed at improving procedures for assessment and collection of revenues; improving tax laws; increasing application of electronic systems in tax collection; minimizing tax exemptions; and harmonizing tax rates and levies.

15. ***Madam Speaker,*** as you may recall, in 2012/13 the Parliament approved several tax policies that were implemented by the Government. Such policies aimed at improving domestic revenue collection by expanding tax base, improving revenue collection procedures as well as reducing tax exemptions in order to enable the Government to finance its expenditures by using domestic revenue. With this commitment, the Government has taken the following measures:

- (i) Improvement in the systems for collecting and administering tax and non tax revenue by reviewing the tax assessment procedures, provision of receipts and licenses, as well as reviewing retention rates applicable to Ministries, Departments and Government Institutions;

- (ii) Expansion of tax base through formalization of informal sector in order to capture them in the tax net;
- (iii) Reviewing laws that established Agencies and Public Institutions that collect revenue in order to ensure they contribute significantly to the Government coffers;
- (iv) Reviewing various laws that grant tax exemptions with the aim of controlling and minimizing them;
- (v) Reviewing the system of property tax collection in cities, municipal council, towns, districts and townships with a view to improve it;
- (vi) Reviewing sources of revenue and collection system in the Local Government Authorities in order to increase revenue; and
- (vii) Building the capacity of the Ministry of Finance, Ministry of Energy and Minerals, Tanzania Petroleum Development Corporation, Tanzania Revenue Authority, and Tanzania Minerals Audit Agency to administer revenue collection in the areas of minerals, gas and petroleum.

Domestic Revenue Performance

16. **Madam Speaker**, up to April 2013 tax and non tax revenue collection, amounted to shilling 6,717.2 billion, equivalent to 93.2 percent of the targeted amount of Shilling 7,209.2 billion for the period. This collection is equivalent to 77.1 percent of the annual estimate of shilling 8,714.7 billion. Out of the total collection, tax revenue was shilling 6,371.3 billion, equivalent to 96 percent of the target in that period and 79 percent of the annual target of shilling 8,070.1 billion. Non-tax revenue collection was shilling 357.8 billion, equivalent to 55.5 percent of the annual target of shilling 644.6 billion.

17. **Madam Speaker,** the performance of tax revenue collection up to April 2013 was satisfactory as import duty collections amounted to shilling 487.8 billion, equivalent to 84.6 percent of the target of shilling 576.7 billion; Value Added Tax collection was shilling 1,965.5 billion, equivalent to 90.3 percent of the target of shilling 2,176.4 billion. With regard to excise duty, shilling 1,050.7 billion was collected; equivalent to 90.3 percent of the estimate of collecting shilling 1,163.1 billion; and income tax collections was shilling 2,381.9 billion, equivalent to 105.4 percent of the target of shilling 2,260.7 billion.

18. **Madam Speaker,** the increase in tax revenue collection was attributed to significant increase in corporate tax and withholding tax realized from dividends of mining companies; collection of various tax arrears; and increase in excise duty on mobile phone airtime. Other administrative measures deployed to enhance revenue collections included: ensuring effective use the Electronic Fiscal Devices (EFDs) in business transactions; strengthening Block Management System; improving valuation systems for tax purposes; strengthening tax audits; and effective collection of excise duty from non petroleum products, as well as revenue realised from sale of shares of M/s BP Tanzania.

19. **Madam Speaker,** despite these achievements, some taxes such as Value Added Tax, import duty, excise duty on non-petroleum products and PAYE indicated unsatisfactory performance. This was partly due to decrease in volume of production in some industries which has negatively affected the performance of excise duty and VAT. Moreover, there has been an increase of importation through informal routes and hence evading taxes.

20. **Madam Speaker,** non-tax revenues performance has been unsatisfactory due to limited capacity in collection and lack of expertise; poor facilities and weak systems in revenue collection resulting in revenue loss. Some of government institutions and

agencies are not contributing adequately to the Government Consolidated Fund. Further, several Government Departments that happened to contribute to the Government Consolidated Fund were transformed into agencies under their respective ministries and hence reducing their contribution.

21. **Madam Speaker,** revenue collected by Local Government Authorities up to April 2013 amounted to shilling 177.4 billion, representing 49 percent of the annual target of shilling 362.2 billion.

Grants and Concessional Loans

22. **Madam Speaker,** in the year 2012/13, the Government projected to receive shilling 842.5 billion as General Budget Support. Up to April, 2013 the Government received General Budget Support amounting to shilling 645.4 billion, equivalent to 77 percent of the estimates for the year. On the other hand, the amount of shilling 443.4 billion was received through Basket Funds, equivalent to 107 percent of the estimated shilling 415.1 billion per year.

23. **Madam Speaker,** grants and concessional loans received for development projects up to April, 2013 amounted to shilling 1,235.7 billion, equivalent to 65 percent of the estimated shilling 1,899.1 billion per year. There have been some challenges related to delays of reports from Development Partners who make disbursements direct to projects; slow pace in the implementation of projects, delays in the progress report of the projects from Ministries, Departments, Government Institutions, Regional, and Local Governments, and extended procurement processes, especially when it involves seeking for no objection.

Domestic Debt

24. **Madam Speaker**, during the period, July to April, 2013, the Government borrowed from domestic market a total of shilling 2,173.8 billion, out of which, shilling 1,364.7 billion was for rolling over matured government securities and shilling 809.1 billion was utilized to finance development projects.

External Non Concessional Loan

25. **Madam Speaker**, in 2012/13, the Government planned to borrow shilling 1,254.1 billion equivalent to USD 800 million from Non concessional sources to finance various development projects. For the period up to May, 2013, Government borrowed shilling 947 billion, equivalent to USD 600 million from Stanbic Bank and Shilling 59.2 billion, equivalent to USD 37 million from Credit Suisse Bank.

Expenditure Policies

26. **Madam Speaker**, the Government implemented expenditure policies based on the priorities outlined in the Development Plan 2012/13 in order to increase the pace of economic growth and reduction of poverty. Further, expenditure policies targeted at reducing budget deficit by balancing revenue and expenditure; adherence to the Public Finance Act and Public Procurement Act; managing payroll; and continued assessment and payment of arrears to contractors, suppliers, service providers and employees as well as monitoring budget implementation.

27. **Madam Speaker**, in 2012/13, the Government planned to spend shilling 15,191.9 billion, of which shilling 10,597.1 billion was for recurrent expenditure and shilling 4,594.8 billion for development expenditure.

Expenditure Performance

28. **Madam Speaker,** during the period ending April 2013, recurrent expenditure excluding payment for rollover of matured government securities amounted to shilling 7,582.6 billion, equivalent to 82 percent of the annual estimates. Out of that, payment of salaries to the Government employees in Ministries, Independent Departments, Regional Secretariats, Local Government Authorities and Public Institutions amounted to shilling 3,209.2 billion, equivalent to 85 percent of annual estimates of shilling 3,781.1 billion.

29. **Madam Speaker,** Government continued to manage and control the wage bill, in which the verification of employees in all MDAs and Regional Secretariats was undertaken in 2012/13. This exercise started by verifying all employees from the Local Government Authorities as well as Government Institutions in 2011/12. The outcome of the verification was communicated to the relevant employers for necessary action. In addition, the Government installed the Payroll Management System (Lawson) to all government institutions in order to implement the necessary adjustments of the Payroll (like entry of new employees, deletions of employees after completing their services including retirees, terminated deceased and absconded employees). In the forthcoming financial year, the Government will continue to manage payment of salaries and ensure there are strong internal controls.

30. **Madam Speaker,** the Government continued with a priority to service the public debt. During the period, interest payment on domestic and foreign loans amounted to shilling 438.8 billion, equivalent to 79 percent of annual estimates of shilling 555.2 billion. Payment of principal on foreign loans amounted to shilling 79.0 billion, equivalent to 34 percent of annual estimates. Moreover, the Government spent shilling 1,364 billion on payment of short term treasury bills and matured treasury bonds. Expenditure on other charges in Ministries, Independent Departments,

Government Institutions, Regions and Local Governments Authorities amounted to shilling 3,000.8 billion, equivalent to 74 percent of annual estimates of shilling 4,070.9 billion.

31. **Madam Speaker,** up to April, 2013, a total of shilling 3,956.3 billion were disbursed for development projects compared to annual estimates of spending shilling 4,594.8 billion. Out of which domestic resources amounted to shilling 2,277.2 billion as compared to estimates of shilling 2,280.6 billion, equivalent to 99.9 percent. Further, external resources amounted to shilling 1,679.1 billion compared to estimates of shilling 2,314.2 billion, equivalent to 73 percent of annual estimates.

Public Financial Management

32. **Madam Speaker,** in financial year 2012/13, the Government started to implement a five years action plan to enable the Central Government to prepare financial statements using International Public Sector Accounting Standards (IPSAS Accruals Basis). For the first time, Financial Statements of Ministries, Independent Departments, and Regional Secretariats will be prepared using these standards from the financial year ending 30th June, 2013. To this end, the Ministry of Finance issued Treasury Circulars and conducted various trainings in order to enhance capacities of Accountants and other stakeholders.

33. **Madam Speaker,** in controlling revenue and expenditure, the Government has prepared and issued Guidelines for Implementation of Institutional Risks Management in the Public Sector and the Quality Assurance Improvement programme. In addition, the Government prepared an Internal Audit Manual which is in line with the International Professional Practice framework (IPPF) that will be used with effect from July, 2013. These documents will be used to improve performance of internal audit function in the public sector.

Employees' welfare

34. **Madam Speaker,** in 2012/13 the Government continued to improve the welfare of public employees in line with available resources to meet their costs of living. Areas that were given attention include raising the minimum wage, lowering the income tax rate, timely payments of salaries and terminal benefits after retirement.

National Strategy for Growth and Reduction of Poverty-MKUKUTA II

35. **Madam Speaker,** several achievements were noted during the implementation of MKUKUTA II, notwithstanding the existing challenges. Some of the achievement include: continued increase in real GDP, increase in tax revenue collection, growth in financial sector and increased credit to private sector, improvement in the management of public funds, and in social service provision and accessibility.

36. **Madam Speaker,** in assessing poverty levels in the country, the Government has successfully completed data collection for the Household Budget Survey 2012. Data analysis is on going and is expected to be completed before December 2013. In addition, the 2012 Population and Housing Census data and the results of 2012 *Employment and Earnings Surveys* will be analysed to determine poverty incidence at various levels. These surveys will provide implementation progress for cluster two in MKUKUTA.

37. **Madam Speaker,** several indicators under Cluster II of MKUKUTA, which is to improve quality of life and social well being had shown positive progress. Enrolment Ratio at primary and secondary education levels continued to improve. In addition, enrolment at tertiary and higher education levels continued to record impressive performance. Such performance is attributed to implementation of various initiatives including increased number of schools, colleges, teachers, expansion in teaching infrastructure and increased loan funds for higher learning students. The underlying

challenge is to improve learning and teaching environment at all levels. Moreover, in 2012/13, the Government continued to take various initiatives to improve health services, nutrition, availability of clean and safe water and public education on malaria and HIV/AIDS prevention.

38. **Madam Speaker**, in order to strengthen good governance and accountability, the Government undertook several measures including improvement of public assets management system, and improvement of legal system and human right particularly at lower levels by increasing the number of magistrates. This measure has improved the pace of resolving cases in the courts of law. Further, the Legal Sector Reform Program continued to be implemented, with the aim of ensuring that human rights are improved and protected, especially those in risky environment.

Population and Housing Census

39. **Madam Speaker**, in 2012/13, the Government conducted population and Housing census as envisaged and a total of shilling 127.3 billion was spent. The result of census revealed that Tanzania has a population of 44.9 million people, equivalent to an increase of 2.6 percent per annum compared with the result of 2002 Census that had a population growth of 2.9 percent per annum.

40. **Madam Speaker**, the average population growth rate was highest in Dar es Salaam and Mjini Magharibi whereby the annual growth rate was 5.6 percent for Dar es Salaam and 4.2 percent in Mjini Magharibi. In addition, Dar es Salaam was found to have the largest population compared with other regions, accounting for 10 percent of the total Tanzania Mainland population. Moreover, the average household size remained almost constant between 2002 and 2012 censuses. The average household size was 4.9 persons per household in 2012 compared with 4.8 persons per household in 2002. I wish to inform Honourable Members of Parliament that the Government is

using the census data in preparing policies, strategies and plans as well as undertaking evaluation of the strategies and the plans. I advise other stakeholders to do the same when preparing development projects for the betterment of our nation.

41. **Madam Speaker,** the Government is still undertaking thorough analysis of Census result that will include economic and social indicators. I wish to inform you that the next analytical report will cover population distribution by age and sex at nation, region and district levels and will be issued in July 2013. The subsequent results that cover economic and social indicators will be issued as per the distribution schedule and also in the Government website.

Financial Sector

42. **Madam Speaker,** the Government continued to implement the Financial Sector reform Programme in order to ensure that this sector contribute effectively in the economic activities and to GDP growth. In the year 2012, the financial sector contributed 1.8 percent of GDP growth rate compared to 1.7 percent in 2011. Moreover, during the period under review financial sector grew by 13.2 percent compared to the growth rate of 10.7 percent in 2011. This increase is based on the achievement made in reforming the sector which has resulted into the increased number of registered banks from 49 in February 2012 to 51 in February 2013; also the number of insurance companies increased from 26 in year 2011 to 28 in year 2012; the number of registered SACCOS also increased from 5,424 in March 2012 to 5,559 in March 2013.

43. **Madam Speaker,** the Bank of Tanzania continued to implement monetary policy with the objective of controlling inflation through reducing liquidity in the economy by the Central Bank (BOT) increasing sales of foreign currency in the foreign exchange market and auctioning of Government securities. Further, the Central Bank increased the amount of reserve requirement for banks from 30 percent to 40 percent

and reduced foreign exchange holding by banks in relation to their core capital from 10 percent to 7.5 percent from December, 2012. These measures enabled reduction of core inflation rate from 8.7 percent in May, 2012 to 7.1 percent in May, 2013. Furthermore, these measures contributed to stability in the exchange rate of Tanzania shillings against the United States Dollars.

44. **Madam Speaker,** the Government conducted a study on micro insurance services for the purpose of strengthening the availability of these services to the ordinary citizens who are the majority. The study concluded that the rate of accessibility to insurance services is still very low in the country, as only 19 percent of adult people access insurance services (including the insurance services provided under the National Health Insurance). The study also found out that there is potential requirement of the micro insurance services; therefore the availability of such services will help to support Government efforts to stimulate economic growth and to reduce poverty. The Government continued to sensitize people on the importance of accessing insurance services.

45. **Madam Speaker,** the Government has established the Tanzania Mortgage Refinancing Company (TMRC) to enable banks to issue mortgage loans. In order for banks to access these loans, they are required to buy shares from this company. As of December 2012, a total of 12 banks purchased shares from TMRC. Further, the Government through TMRC has issued loans amounting to shilling 4.2 billion to 12 banks who are members. These banks have in return issued 1,799 loans worth shilling 106.2 billion.

46. **Madam Speaker,** in implementing government commitment to enhance supervision and development of the financial sector, the Government continued to improve supportive environment by establishing a department to deal with Financial Sector Development in the Ministry of Finance. This Department will have a section

dealing with supervision of micro finance services and a section dealing with financial sector policies. This new Department, which is in the approval process, will among others be responsible for preparing micro finance policies.

47. **Madam Speaker,** in sensitizing the establishment of community banks, the Central Bank (BOT) has minimized conditions relating to capital requirements to facilitate their establishment. For example, while commercial banks are required to have capital of shilling 15 billion when starting business, capital requirement for community banks is shilling 2 billion. The Government has also been urging the establishment of SACCOS, VICOBA and community banks to enable people access credits for commercial and production purposes.

Public Procurement

48. **Madam Speaker,** The Public Procurement Act (PPA) No. 7 of 2011 was enacted to replace Act No. 21 of 2004 as part of Government's endeavour to improve procedures and enhance value for money in procurement of goods and services in the public sector. Further, following the recent introduction of Public-Private Partnerships (PPPs), the PPA will soon be amended to accommodate procurement of PPPs using the PPA. Apart from these measures, the new PPA is intended to clearly specify the statutory responsibilities of the various authorities charged with public procurement; to give more powers to public procurement oversight institutions; to cut down time for dealing with complaints by bidders; and to streamline tender evaluation and award procedures. The aim of these measures is to improve public procurement and enhance supervision with a view to bring about efficiency in public procurement.

Public-Private Partnership

49. **Madam Speaker,** during 2012/13 the Government has continued to strengthen the PPP arrangement with the objective of making it the main vehicle for investment in public infrastructures aiming at improving the provision of public

services and enhancing GDP growth. To implement this arrangement, the Government has carried out initial appraisal of potential PPP projects in ports and road sectors. The projects include construction of Dar–Chalinze Expressway and development of Katanga, Mtwara and Mwambani Ports.

50. **Madam Speaker**, in the course of implementing the PPP Act of 2010, there are several challenges that have inhibited smooth operations. These include multiple units and offices dealing with PPP related issues. In view of this, during the year 2013/14, the Government will merge the PPP Units into one Unit and review the PPP Act and Regulations with a view of improving them. In addition, during the 2013/14, the Government plans to establish PPP Facilitation Fund to finance feasibility studies for implementing PPP projects in the country.

National Debt

51. **Madam Speaker**, the National Debt Stock (including public and private sector) as at end of March 2013 was shilling 23,673.53 billion compared to shilling 20,276.6 billion recorded in March, 2012, equivalent to an increase of 17 percent. Out of the National Debt Stock, external debt is shilling 18,282.02 billion and domestic debt is shilling 5,397.50 billion. The total external debt comprises public debt stock of shilling 15,203.34 billion and private debt stock of shilling 3,078.69 billion. This stock of external debt includes net Disbursed Outstanding Debt (DOD) of Shilling 16,087.43 billion and Technical Interest Arrears of Shilling 2,194.59 billion. On the other hand, domestic debt stock consists of Treasury bonds amounting to shilling 4,261.03 billion and Treasury bills of shilling 1,136.48 billion. The disbursed loan amount has been utilized by the Government to finance the ongoing and new development projects mainly infrastructure projects in accordance with National priorities approved by the Parliament.

National Debt Sustainability

52. **Madam Speaker,** the Government manages National Debt in line with the National Debt Strategy of 2002 and the Government Loans, Guarantees and Grants Act No. 30 of 1974 as amended in 2004. In compliance with the requirements of the Act, in 2012 the Government conducted Debt Sustainability Analysis (DSA) to assess resilience of the national debt. I wish to inform your esteemed House that the DSA of 2012 indicators revealed that the Tanzanian debt is sustainable in both, short term and the medium term. For instance the ratio of Present Value of National Debt to GDP and the ratio of Present Value of National debt to export was 18.9 and 53.6 percent which are far below the threshold of 50 and 200 percent respectively.

Sovereign Credit Rating

53. **Madam Speaker,** Sovereign Credit rating for Tanzania is at an advanced stage as the Government is finalizing the process of acquiring an international credit rating Agency. The Government has planned to complete the rating process by 2013/14. The completion of this exercise will enable the Government to raise funds from International financial Markets at low cost for financing infrastructure projects. In addition, Tanzanian companies will be able to easily access capital from international capital markets.

Regional Economic Cooperation

54. **Madam Speaker,** the Government continues to strengthen the participation of the country in Regional Economic Communities, especially in East African Community (EAC) and Southern African Development Community (SADC). Participation in these regional groupings is one of the strategies to ensure that the country's geographical location is fully utilized for economic growth.

55. **Madam Speaker**, the integration process in the EAC has reached a stage of establishing a Monetary Union and negotiations on this protocol are ongoing and expected to be concluded in November 2013. Concurrently, steps are being taken to implement the Common Market Protocol. We have identified sections in the laws which need to be amended to enable the country to effectively participate in the common market. Some of the laws that will be amended are those relating to procedures to enable Tanzanians to invest their capital in the member states and to facilitate flow of capital and services so as to promote investments.

56. **Madam Speaker**, in 2012/13, the Government continued with the implementation of the SADC Regional Indicative Strategic Development Plan, whereby procedures are finalized in order to ratify the SADC Finance and Investment Protocol. This protocol will simplify investment procedures in SADC countries and will enable SADC countries to harmonize tax policies especially investment incentives. Under this Protocol, SADC countries will formulate and implement policies to strengthen their economies and finance so as to ensure economic stability in the Region and thus attract investment. In order to ensure this commitment is implemented, SADC countries are finalizing procedures for establishing a SADC Regional Development Fund.

III. ACHIEVEMENTS AND CHALLENGES IN THE IMPLEMENTATION OF THE BUDGET FOR 2012/13

57. **Madam Speaker**, the achievements and challenges in the implementation of the budget on each sector has been explained in detail during the presentation of budget speeches of respective Ministries which your esteemed House had an opportunity to debate and approve.. In view of this, I will therefore briefly explain some of these achievements and challenges.

Revenue Collection

58. **Madam Speaker**, the budget for 2012/13 was implemented successfully especially in the construction of infrastructure, delivery of social services, strengthening defence and security, together with regional and international stability. Moreover, the Government has succeeded to raise domestic revenue collection especially from tax revenue from the average of shilling 540 billion per month in 2011/12 to shilling 640 billion per month in 2012/13. With this monthly average, the peak in revenue collection was realized in the month of December, 2012, when tax and non tax revenue collections were shilling 890 billion.

Economic Growth

59. **Madam Speaker**, the Gross Domestic Product (GDP) continued to grow in 2012 in which the real growth was 6.9 percent compared to 6.4 percent in 2011. The growth has been attributed to the improvement in transport and communication infrastructure together with the growth in industrial production as a result of Government's efforts in ensuring the availability of reliable electricity, together with utilization of alternative energy in the industrial production.

60. **Madam Speaker,** the communication sector recorded the highest growth rate of 20.6 percent in 2012/13. Notwithstanding this impressive growth rate, the communication sector contributed only 2.3 percent to the Gross Domestic Product (GDP) compared to agricultural sector which, inspite of its low growth rate of 5.0 percent for the past five years, contributed 24.7 percent to the GDP in 2012. More than 70 percent of Tanzanians are engaged in agricultural activities; therefore the Government will continue to accord high priority to ensure that it brings expected results to the majority, including reduction of poverty.

61. **Madam Speaker,** the Government will continue with its efforts to strengthen the agricultural sector in order to hasten growth, increase incomes and hence reduce poverty to the majority of its citizens. These efforts include developing irrigation infrastructure in order to reduce dependence on rain-fed agriculture; timely provision of subsidized agricultural inputs including fertilizers, seeds, pesticides and chemicals to farmers; removal of taxes on various equipment and implements used in agricultural sector in order to increase productivity; value addition to agricultural, livestock and fisheries produce and the storage; and to improve rural roads. In addition, the Government will continue with its efforts to ensure availability of reliable supply of electricity and water in rural areas. Also, Government will improve other economic sectors with higher employment creation such as construction, industrial production including scaling up provision of social safety nets in a bid to raise citizens' income and hence reduce poverty.

Price Trends

62. **Madam Speaker,** the average inflation in 2012 increased by 16.0 percent compared to 12.7 percent in 2011. This increase in price was mainly due to high price of petroleum products in the world market and upsurge in price of food caused by high demand for food in the neighbouring countries. It should be noted that food

alone contributes 47.8 percent in the basket of goods and services used to calculate the price index, followed by transport (9.5 percent) and energy (9.2 percent). These groups are very important in influencing the direction of prices of various goods and services. In containing inflation, the Government has taken the following measures :

- (i) To ensure availability and good supply of food that matches the country's demand;
- (ii) To expand food crop production and increase the availability of agricultural inputs including fertilizers, improved seeds and pesticides;
- (iii) To strengthen the transportation infrastructure;
- (iv) To raise the interest rate which the Central Bank imposes on loans issued to local financial institutions from 7.58 percent to 12.58 percent; and
- (v) To improve availability of electricity.

63. **Madam Speaker**, these measures enabled the decline of inflation rate from 18.2 percent in May, 2012 to 8.3 percent in May, 2013.

Sectoral Performance

64. **Madam Speaker**, the Government provided a total of shilling 826.1 billion to facilitate availability of reliable electricity supply to consumers through implementation of strategic projects including: commence construction of Natural Gas Pipeline from Mtwara to Dar Es Salaam; procurement of fuel for emergence power generation; construction of 150MW gas Fired Plant at Kinyerezi; complete construction and start generating electricity using heavy fuel at Ubungo - Dar es Salaam (MW 105) and Nyakato-Mwanza power plant (MW 60); implementing rural electrification projects in 16 regions; and continue with feasibility study and design at Mchuchuma and Liganga coal mines. Further, in a move to provide adequate electricity to the manufacturing and other consumers, as at end of December, 2012 the amount of electricity generated and connected to the national grid was 5,759,756MWh compared to 5,153,400MWh generated in 2011, an increase of 11.8 percent.

65. **Madam Speaker**, the water sector continued to be accorded high priority during the fiscal year 2012/13 by receiving a total of shilling 106.6 billion for implementing projects at ministerial level and shilling 98.4 billion for implementing water projects at LGAs level as a strategy to ensure citizens access to water supply. Other noted achievements including: construction of Lower Ruvu - Dar es Salaam water pipeline; enhancing capacity of Urban Water Authorities; and construction of water projects in 682 villages as part of implementation of a ten Rural Water projects Programme per each LGA.

66. **Madam Speaker**, in 2012/13, the Government provided shilling 537.40 billion for improving curative and preventive health services as well as enhancing social welfare services at all levels. The amount was also spent on: construction and rehabilitation of health infrastructures; enhancing skills development and human resources capacity; and commencing the construction of Health University at Mlonganzila – Dar es Salaam.

67. **Madam Speaker**, on education sector, the Government spent a total of shilling 2,421.5 billion for financing various activities in primary schools, secondary schools, adult education, vocation training centers and higher education institutions. Some of activities implemented include: timely payments of teachers salaries, recruitment of 27,773 teachers (13,633 for primary schools, 14,060 for secondary schools, and 80 for teachers college) and paying their statutory benefits on time; providing capitation grants for schools operational; providing higher education loans worth shilling 326.1 billion to 96,350 students; providing shilling 102.3 billion for constructing two (2) laboratories in each of the 132 LGAs; purchase of 27,159,106 text and reference books for primary schools; and improving education infrastructure at all levels.

68. **Madam Speaker**, the Government disbursed a total of shilling 1,044.2 billion for construction and rehabilitation of tarmac roads; carry out sport improvements as well as periodic and general maintenance of gravel roads; improving districts and feeder roads as well as construction and rehabilitation of bridges. Further, the funds were used for construction of three ferries, and parking yards, and rehabilitation of five ferries; and conducting feasibility studies for construction of new strategic roads and ferry parking yards across the country. Furthermore, regarding addressing traffic jam in the urban areas especially in the City of Dar Es Salaam, the Government continued with rehabilitation of roads with a view to addressing traffic congestion in the cities.

69. **Madam Speaker**, regarding the transport sector, a total of shilling 181.8 billion was spent for various activities including establishment of passengers train services in the city of Dar Es Salaam to reduce traffic congestion; restore and improve passengers and cargo train services in TAZARA and central railway; and construct Songwe, Katavi, Mwanza, Kigoma and Tabora airports.

70. **Madam Speaker**, in ensuring good governance, the Government disbursed a sum of shilling 27 billion for Constitutional Review Process including collection of citizen opinions in 30 regions from both Tanzania Mainland and Zanzibar and also shilling 40 billion for implementation of National Identity Card Project. Other specific activities recorded include; preparation and distribution of initial draft of Constitution of the United Republic of Tanzania to the public for deliberation as well as conducting constitution councils meetings.

71. **Madam Speaker**, in addressing food shortage to some drought affected areas in the country, the Government disbursed a sum of Tsh. 42.87 billion in fiscal year 2012/13 for purchasing 53,269.70 tones of grain for boosting the national food

reserves. The Government also distributed food aid to needy people in 47 LGAs; and sold 16,653 tons of cereals to the domestic millers as a strategy for curbing food inflation in the country. Further, the production of food reached 13.34 million tons in fiscal year 2012/13 compared to the requirement of 11.97 million tons.

Challenges

72. **Madam Speaker**, despite the recorded achievements in the course of 2012/13 budget implementation, the Government encountered several challenges including: enhancing domestic revenue collections, timely accessing grants and loans for financing projects. Other challenges including increasing arrears emanating from contractors, suppliers, employees and service providers; improving economic infrastructure; managing public procurement to ensure value for money; improving productivity across economic agents; unlocking geographical potentials to bolster economic growth; ensuring self food sufficiency; providing reliable power supply to consumers from the energy mixed sources; high lending interest rates; sustaining national debt; curbing inflation; and climate change.

73. **Madam Speaker** other challenges including enhancing provision of quality social services in particular education, water and health; creating employment opportunities for the citizens; motivating private sector to participate effectively in projects execution through the Public-Private Participation arrangement; and also availability of agricultural inputs at affordable cost to farmers. The Government is committed to address these challenges during the fiscal year 2013/14 and also in the medium and long terms.

IV. THE BUDGET FOR 2013/14

74. **Madam Speaker**, the 2013/14 budget takes into account the priorities set in the Annual Development Plan of 2013/14 and the *Big Results Now*, National Strategy for Growth and Poverty Reduction phase II (MKUKUTA II), the Millennium Development Goals (MDGs) 2015, the CCM Election Manifesto 2010 and the Public Sector Reform Programmes. The goal is to realize the objectives of the Tanzania Development Vision 2025.

Objectives and Targets for the 2013/14 Budget

75. **Madam Speaker**, the 2013/14 budget focuses on achieving the following macroeconomic objectives and targets:-

- (i) Real GDP is projected to grow by 7.0 percent in 2013 and 7.2 percent in 2014;
- (ii) Maintaining a single digit annual inflation rate with annual inflation expected to decline further to 6.0 percent by June 2014;
- (iii) Increase domestic revenue to 20.2 percent of GDP in 2013/14 compared to the likely outturn of 17.7 percent of GDP in 2012/13;
- (iv) Maintain budget deficit after grants not exceeding 5.0 percent of GDP in 2013/14;
- (v) Contain the growth of extended broad money supply (M3) at 15.0 percent in June 2014, consistent with real GDP growth and inflation targets;
- (vi) Accumulate gross official reserves adequate to cover at least 4.0 months of imports of goods and services in 2013/14;
- (vii) Reduce interest rate spread; and
- (viii) Strengthen the shilling and maintain a stable and market determined exchange rate.

Basis for the Government Budget 2013/14

76. **Madam Speaker**, to achieve the above mentioned targets, the basis for the Government budget 2013/14 include:

- (i) Continue improving and sustain peace, security, stability and tranquillity;
- (ii) Continue improving social economic indicators including GDP, external trade, money supply, revenue and expenditure and other social indicators;
- (iii) Increasing domestic revenue collection by strengthening existing sources and identify new potential sources of revenue;
- (iv) Strengthening management of public funds;
- (v) Strengthening Integrated Financial Management System (IFMS) and ensuring there is funds commitments before acquisition of goods and services;
- (vi) Considering priorities identified under the First Five Year Development Plan, particularly the priority sectors under the *Big Results Now*, as well as MKUKUTA II;
- (vii) Improving the implementation and accountability systems in the priority areas;
- (viii) Continue strengthening fiscal and monetary policies that will facilitate curbing inflation and interest rate spread; and
- (ix) Continue improving business environment and investment climate to attract private sector participation in economic activities.

Revenue Policies

77. **Madam Speaker**, in the year 2013/14, the Government intends to take various measures to enhance collection of domestic revenues. The policies that will be undertaken are determined to widen revenue base by identifying new sources and strengthening administration of the current sources as well as controlling and reducing the magnitude of tax exemptions. Moreover, the policies intend to enhance domestic revenue collection with a view to reducing dependence on foreign aid as well as on international trade taxes which have shown a declining trend as a result of growth of

regional economic cooperation in the East African Community (EAC) and the Southern African Development Community (SADC).

78. **Madam Speaker,** as regard to joint strategies in enhancing revenue collection, I would like to take this opportunity to thank you in person for your decision to constitute Speaker's Special Committee with a view to advice the Government on new revenue sources, some of which have been considered in 2013/14 Budget.

79. **Madam Speaker,** the Government will implement some of the recommendations to enhance revenues collection through the LABS initiative under Big Result Now (BRN). The recommendations include auctioning forestry and tourist hunting blocks as well as undertaking valuation of land and property together with the collection systems so that land and property tax will be effectively collected. Other measures to enhance non-tax revenue collection have already been mentioned in respective line Ministries' budgets.

80. **Madam Speaker,** in 2013/14, the Government will take various measures to enhance domestic revenues with a view to reduce foreign dependence. One of the measures that will be undertaken during the 2013/14 budget will be to review tax exemptions with a view to reduce them. Among the policy and administrative measures that will be taken in the year 2013/14 include:

- (i) To reduce tax exemptions by abolishing VAT exemptions on tourist services; moreover, the Tanzania Investment Act will be reviewed with a view of reducing exemptions and retain few which will stimulate strategic investments;
- (ii) To continue supporting initiatives to establish a one stop service centre at the port. Moreover, the Government will continue to implement the plan to establish

One Stop Border Posts at Holili, Mutukula, Sirari, Horohoro, Kabanga, Tunduma, Rusumo and Namanga borders;

- (iii) Continue with capacity building to Government officials including Tanzania Revenue Authority (TRA) officials in order to enhance their knowledge and skills with a view to curb tax evasion and avoidance particularly on tricks often used by big companies especially in communication, minerals and gas sectors including transfer pricing;
- (iv) The Government through TRA will continue to strengthen the effective use of Electronic Fiscal Devices – EFDs which are linked to TRA database to ensure that the Government gets appropriate tax revenue;
- (v) To build capacity of officials through short and long term training local and foreign especially in oil, gas and mining sectors to enable them properly manage revenues accruing from these resources; and
- (vi) The Government through the Tanzania Revenue Authority has established a new system known as Revenue Gateway (RG) which will be operationalised with effect from 1st July 2013. RG is intended to improve the tax payment systems to be in real time gross settlement electronically. The system will simplify transfer of money from commercial banks to the Bank of Tanzania. In order for the system to operate properly, taxpayers will have to register in the payment systems through the Tanzania Revenue Authority website before making any payment through the Tanzania Interbank Settlement System (TISS). This will enable the taxpayers to receive feedback on the tax payments made through their email addresses.

81. **Madam Speaker**, the revenue policies for year 2013/14 aim at collecting tax and non tax revenue amounting to shilling 11,154.1 billion, equivalent to 20.2 percent of the GDP. Tax revenue is estimated to be shilling 10,412.9 billion and non-tax revenue is shillings 741.1 billion. Revenue of the Local Governments Authorities own sources are estimated at shillings 383.5 billion, equivalent to 0.7 percent of GDP.

Domestic Borrowing

82. **Madam Speaker,** the Government is still faced by challenge of financing development projects through domestic revenue. In addressing this challenge, the Government will borrow shiling 552.3 equivalent to 1 percent of GDP to finance development projects. Moreover, in 2013/14 the Government will borrow shilling 1,147.6 billion to finance rollover of maturing treasury bills and short term treasury bonds.

Grants and Concessional Loans

83. **Madam Speaker,** Development Partners have been contributing to Government Budget. In 2013/14, the Government expects to receive grants and concessional loans amounting to shillings 3,855.2 billion. Out of that amount, shillings 1,163.6 billion is programme loans and grants, projects grants and loans amounting to shillings 2,191.6 billion and Sector Basket Funds shillings 500 billion. Similarly, the Government will continue to improve management of DP's funds and ensure that the funds are used efficiently as planned.

84. **Madam Speaker,** in recognition of their efforts to support our development agenda, I beg to acknowledge and thank our Development Partners as follows: Belgium, Canada, China, Denmark, Germany, Finland, India, Ireland, Italy, Japan, Norway, South Korea, Spain, Sweden, Switzerland, United Kingdom and United States of America, also various international institutions including the African Development Bank, BADEA, European Union, Global Funds, Kuwait Fund, Nordic Fund, OPEC Fund, World Bank, International Monetary Fund and United Nations Agencies. We very much thank them.

External Non Concessional Borrowing

85. **Madam Speaker,** considering huge requirements needed to finance development projects and the existing challenges in mobilizing domestic revenue, the Government will borrow external non-concessional loans amounting to shillings 1,156.4 billion equivalent to USD 700 million. The loans will be used to finance development projects identified in the 2013/14 Development Plan. The decision to borrow concessional and non concessional loans is based on the debt sustainability.

Expenditure Policies

86. **Madam Speaker,** in 2013/14 the Government will implement the following expenditure policies:-

- (i) aligning expected revenues with expenditures;
- (ii) Controlling the budget deficit (including grants) not to exceed 5 percent of GDP;
- (iii) Expenditure votes to comply with the budget approved by the Parliament;
- (iv) Allocating adequate funds for the priority projects as stipulated in the Development Plan; and
- (v) Complying with Public Finance Act and the Public Procurement Act.

87. **Madam Speaker,** recurrent expenditure for 2013/14, aims at financing the following: salary increments including timely payment of the same; improving economic services and social development; finalizing the process of getting the new Constitution of the United Republic of Tanzania; continue issuing citizen identity cards; finalizing the analysis of population and housing census data; preparations for 2015 General Elections; and continue paying matured domestic and foreign debts and verified arrears and claims by various suppliers and employees.

88. **Madam Speaker**, in the 2012/13 budget, the Government aimed to reduce expenditure in areas such as seminars, domestic and foreign travel, exhibitions and trade fairs, procurement of furniture and motor vehicles. Such measures have brought about some achievements including the following: procurement of new motor vehicles, seminars and workshops have declined. Any procurement of new motor vehicles has to be approved by the Prime Minister whereby, the engine capacity for purchased vehicles should not exceed 3000 cubic capacity (cc), participation in exhibitions and trade fairs has been reduced significantly, for instance, the Public Service Week celebrations did not take place in 2012/13.

89. **Madam Speaker**, in 2013/14, the Government will continue to control its expenditure in various areas including the use of prepaid telephone services; to centralize the procurement of motor vehicles in order to reduce procurement costs; to reduce the use of government vehicles by providing loans to entitled Government officials for the purchase of private motor vehicles; to harmonize the Public Procurement Regulations applicable to the Central Government with the Procurement Regulations applicable to Local Governments with a view to strengthen procurement in Local Authorities; and to encourage the use of locally made furniture.

90. **Madam Speaker**, on development expenditure, the budget will emphasize the implementation of priorities of the first five year Development Plan, which in 2013/14, will be in its third year of implementation as follows:-

- (i) Infrastructure: - energy infrastructure; transportation (roads, railway, airports and marine transport); ICT; clean water and sewerage and irrigation;
- (ii) Agriculture: - including food and cash crops, industrial raw materials, livestock, fisheries and forestry;

- (iii) Industries:- which use domestic raw materials and value addition, heavy industries for fertilizers and cement, factories in the Special Economic Zones, electronics and ICT;
- (iv) Human resources and skills development by emphasizing science, technology and innovations;
- (v) Developing tourism, trade and financial services; and
- (vi) Social services: improve the availability and quality of social services.

91. **Madam Speaker,** in 2013/14, the Government will continue to improve the system of allocating funds to Local Government Authorities on the basis of Decentralization by Devolution Policy. Moreover, the Government will strengthen the internal controls of revenue and expenditure by issuing specific circulars on internal audit, to strengthen the execution of audit committees, capacity building on internal control systems to the Executive Directors in the Councils. Also, Local Government Authorities will be empowered to identify the revenue potential of each council and the existing opportunities for own source revenue collection; to build capacity of councils in the application of IFMS; to rationalize the sources of some own source revenues in order to raise revenue collection; to improve the property valuation system by applying general principles; to encourage councils to use simple mobile phones technology in effecting various payments.

92. **Madam Speaker,** in order to enable Ministries, Independent Department, Regions and Local Government Authorities to execute their mandates, the Government will ensure that Votes receive fund as approved by your esteemed Parliament.

93. **Madam Speaker,** following the dialogue between the Budget Committee and the Government, a total of Shillings 538.6 billion have been added in this budget as shown in the table below.

DETAILED ALLOCATION OF FUNDS APPROVED BY THE GOVERNMENT FOLLOWING THE DISCUSSION WITH THE PARLIAMENTARY BUDGET COMMITTEE FOR 2013/14 BUDGET

| VOTE | VOTE DESCRIPTION | BUDGET BEFORE INCREMENT IN YEAR 2013/14 | FUNDS APPROVED BY GOVERNMENT | TOTAL BUDGET VOTE INCLUDING THE INCREMENT | EXPLANATION |
|-------------|--|--|-------------------------------------|--|--|
| 15 | Commission for Mediation and Arbitration | 1,924,748,000 | 350,000,000 | 2,274,748,000 | Funds for mediation of employees' disputes. |
| 21 | Treasury | 1,416,332,728,000 | 5,600,000,000 | 1,421,932,728,000 | Funds for analysis of extra sources of revenue proposals |
| 35 | Directorate of Public Prosecution | 13,011,796,000 | 10,000,000,000 | 23,011,796,000 | Funds for recurrent expenditures |
| 40 | Judiciary Fund | 141,696,825,000 | 20,000,000,000 | 161,696,825,000 | Funds for Development expenditure |
| 43 | Ministry of Agriculture, Food Security and Cooperative | 328,134,608,000 | 21,150,000,000 | 349,284,608,000 | Funds for Subsidy on Fertilizers |

| VOTE | VOTE DESCRIPTION | BUDGET BEFORE INCREMENT IN YEAR 2013/14 | FUNDS APPROVED BY GOVERNMENT | TOTAL BUDGET VOTE INCLUDING THE INCREMENT | EXPLANATION |
|--------------|--|--|-------------------------------------|--|---|
| 44 | Ministry of Industry and Trade | 78,492,632,000 | 30,000,000,000 | 108,492,632,000 | Funds for developing Kurasini Logistic Hub-EPZ |
| 49 | Ministry of Water | 398,395,874,000 | 184,500,000,000 | 582,895,874,000 | Funds for Reccurrent and Development expenditures on Water Project in the Rulal Areas |
| 53 | Ministry of Community Development, Gender and Children | 21,870,448,700 | 2,000,000,000 | 23,870,448,700 | Development Fund for Women Development Fund |
| 70-95 | Local Government Authorities | 1,247,049,476,000 | 10,800,000,000 | 1,257,849,476,000 | Reccurent Expenditures due to increase of LGAs revenues Collections |
| 58 | Ministry of Minerals and | 1,102,429,129,000 | 186,900,000,000 | 1,289,329,129,000 | Development Funds for Rural Energy Agency (REA) |

| VOTE | VOTE DESCRIPTION | BUDGET BEFORE INCREMENT IN YEAR 2013/14 | FUNDS APPROVED BY GOVERNMENT | TOTAL BUDGET VOTE INCLUDING THE INCREMENT | EXPLANATION |
|--------------|---|--|-------------------------------------|--|---|
| | Energy | | | | |
| 62 | Ministry of Transport | 491,105,994,000 | 38,300,000,000.0 | 529,405,994,000 | Development Funds for Railways Infrastructure and capitalization of TAZARA |
| 96 | Ministry of Information, Youth, Cultural and Sports | 21,328,045,000 | 9,000,000,000 | 30,328,045,000 | Development Funds for widening TBC broadcast coverage - shilling 6 billion and Youth development Fund - shilling 3 billion. |
| 99 | Ministry of Livestocks and Fishing Development | 47,180,225,000 | 20,000,000,000 | 67,180,225,000 | Development Fund for Livestocks and Fishing Development |
| TOTAL | | 5,308,952,528,700 | 538,600,000,000 | 5,847,552,528,700 | |

94. **Madam Speaker,** in view of this, the Government will raise efforts on domestic revenue collection; hasten discussions with Development Partners and various lenders in the timely search for grants and loans. I therefore, urge Ministries, Independent Departments, Regions and Local Government authorities to make sure that they fulfill all rules and procedures as approved by the Parliament in order to get funds.

New System for Preparing and Implementing Priority Development Projects

95. **Madam Speaker,** as previously explained through the Speech of the Minister of State in the President's Office responsible for Social Relations and Co-ordination, Hon. Steven Massatu Wassira (Mb), the Government has identified strategic areas that will open up opportunities for economic revolution that bring big social and economic results in a shortest possible period. These areas are resource mobilization, agriculture, water, education, energy, and transport. The Government is committed to implement the priority projects in the medium term. A concerted effort to implementation of these projects will enable the achievement of the national Development Vision 2025 which is expected transform Tanzania into a middle income country.

96. **Madam Speaker,** in order to strengthen the implementation of development projects, the Government has put in place strategies to improve discipline in planning and execution of development projects in order to get value for money. On the basis of this, the Government has identified six key strategic areas as explained before which will be taken into account in the coming three years. Moreover, as you are aware the Government has formed a Presidential Delivery Bureau (PDB), which will coordinate, monitor and evaluate the implementation of the identified projects.

97. **Madam Speaker,** in 2013/14, the Government has prioritized to resolve the critical problem of access to clean and safe water to citizen by allocating shillings 747.6 billion to finance water infrastructures in rural and urban areas. In the medium term, the Government will continue with the efforts to increase accessibility to clean and safe water.

98. **Madam Speaker,** in improving transport infrastructure which include roads, railways, bridges, airports, and ports; the Government has allocated shillings 2,169.0 billion in 2013/14 as compared to shillings 1,940.0 billion allocated in 2012/13. Out of this amount, shillings 196.9 billion will finance improvement of railway infrastructure compared to shillings 134.2 billion allocated in 2012/13. This is equivalent to an increase of 46.6 percent. The Government is determined to increase the budget for this sector and take measures to involve the private sector in funding improvement of railways infrastructure.

99. **Madam Speaker,** in developing energy sector, efforts will be directed towards raising generation, transmission and distribution of electricity. For 2013/14, shillings 1,426.9 billion has been allocated for this purpose compared to shillings 731.8 billion allocated in 2012/13.

Financial Sector

100. **Madam Speaker,** in 2013/14, the Government will take the following steps to improve performance in the financial sector:

- (i) Prepare laws which will govern the National Payments System in order to improve and enhance performance in the utilization and provision of Electronic Services such as mobile phones, banking services through the system, Sales centres and ATM Machines;
- (ii) Prepare National Insurance policy; and

(iii) Review the National Microfinance Institutions Policy of 2002.

101. **Madam Speaker**, in 2013/14, the Government will continue improving social security sector by implementing the following:

- (i) Prepare regulations and guidelines aimed at improving social security sector and ensure its sustainability so as to contribute to members' welfare development and the economy at large;
- (ii) Register Funds, Fund managers and Custodians with a view to separate responsibilities in the operations of the Funds in order to increase efficiency; and
- (iii) Conduct awareness campaigns and sensitization programmes to the public on social security issues

Strategies to Address the Challenges

102. **Madam Speaker**, with reference to the challenges mentioned earlier, in 2013/14 the Government is planning to implement the following measures to address them:- encourage commercial farming in order to increase productivity in agricultural sector and promote livestock keeping and fishing; improve irrigation schemes; increase the availability of agricultural inputs; improve agriculture extension services; ensure availability of credit facilities to farmers; provide markets for agricultural produce and improve investment climate in the agricultural sector.

103. **Madam Speaker**, regarding public expenditure, the Government will continue to build capacity to accountants, procurement officers, stock verifiers and internal auditors. Moreover, the government will strengthen government assets management and carryout verifications of Government assets in Ministries, Regions, Local Government Authorities with an aim of improving Government Assets Register as well as identifying obsolete assets for disposal.

104. **Madam Speaker,** regarding expenditure control, the Government intends to reduce expenditure in areas which will not affect basic services delivery. The Government is reviewing Public Procurement Regulations to ensure that goods and services procured achieve value for money objective. The Government will continue with sensitization programmes on the use of Information Communication Technology to reduce operational expenses.

105. **Madam Speaker,** in implementing Public Procurement Act, there are challenges concerning variability of procurement regulations applicable in the Central Government and those in the Local Governments. In order to address the challenges, the Government has planned to harmonize these regulations. This measure will improve the management of public procurement in line with relevant Public Procurement Policy and Public Procurement Act. The Ministry of Finance will oversee its implementation.

106. **Madam Speaker,** in order to improve management of national debt, the Government is finalizing the establishment of a National Debt Management Department in the ministry of finance which is expected to be in operation by year 2013/14. Moreover, the Government is revising the National Debt Management Strategy of year 2002 together with the amendment of the Government Loans, Guarantees and Grants Act of 1974 as amended in 2004 aimed at recognizing the establishment of the National Debt Management Department.

107. **Madam Speaker,** to ensure the implementation of the budget, the Government will build capacity to users of the Integrated Financial Management System (IFMS) especially on the improved areas of EPICOR version 9.02; will ensure that commitments and payments are made through the system; carryout procurement

audit in Ministries, Independent Government Departments, Agencies, Regions, Local Government Authorities and Public Institutions. Moreover, the Government will put in place a mechanism to identify and conduct feasibility studies before allocating funds to feasible projects in the relevant yearly budget in order to ensure that projects are implemented on time and Government achieves value for money.

108. **Madam Speaker**, in order to take advantage of geographical opportunities for spurring economic growth, the Government will continue to improve transport infrastructure especially roads, rail, ports, and airports; improve availability of electricity, improve tourism services, reduce costs of doing business in the country to attract local and foreign investors and strengthen defence and security at all levels.

109. **Madam Speaker**, in 2013/14, the Government will continue to control inflation, by promoting production and equitable distribution of goods and services such as; food, energy, fuel, sugar, building materials and transport services. Moreover, the Government will use NFRA stocks to augment food supply in the market with a view to stabilize prices.

110. **Madam Speaker**, in addressing challenges associated with climate change, the Government will strengthen the sectoral committees for coordinating and monitoring systems for sustaining and mitigating the effect of climate change. Moreover, the Government will continue implementing the National Strategy for Climate Change; promote the use of alternative sources of energy; sensitize and encourage people to grow drought resistant crops; use of available foods responsibly in order to suffice the basic needs; take measures to ensure availability of reliable power supply; to educate people on the adverse effects of climate change so as to take precaution and avoid shortage of food.

V. REFORMS OF THE TAX STRUCTURE, FEES, LEVIES AND OTHER REVENUE MEASURES

111. **Madam Speaker,** the Government will continue to undertake deliberate measures to increase revenue and widen tax base particularly through identification of new sources of revenue. Furthermore, it will continue to reduce the magnitude of tax exemptions in the medium term from 4.3 percent of the Gross Domestic Product in 2011/12 to at least 1 percent. The review on tax exemption indicates that a large part of exemptions is attributed to incentives provided to strategic investors in designated investments areas under the Tanzania Investment Act. The Government has continued to provide exemption on fuel levy and excise duty on fuel for the fuel used to run the emergency power plants and import duty exemptions granted on importation of sugar and rice to fill the gap in the domestic production and meet the demand. Furthermore, the Government provides tax exemptions to investors in the Economic Processing Zones and Special Economic Zones to promote production of exports and investments in desirable economic activities; infrastructure projects particularly donor funded projects so as to facilitate smooth implementation of projects which involves massive investments.

112. **Madam Speaker,** the Government efforts to reduce tax exemptions will focus on those which are not productive, excessive and prone to abuse. In that respect the Government is currently undertaking a comprehensive review of the Value Added Tax Act and is also in the process of finalizing the study on Tax Exemptions with a view to assess Costs and Benefits so as to come up with policy recommendations that will minimize tax exemptions.

113. **Madam Speaker,** following a persistent underperformance of non tax revenue, the Government is finalizing a study in this area with a view to identify the

potential sources of revenue and to review the revenue collection systems for selected MDAs. The major objective is to come up with policy recommendations that will focus on integration and harmonization of revenue collection systems. The recommendations of the study will be considered during the financial year 2014/15.

114. **Madam Speaker**, in order to achieve the projected economic and revenue targets of the year 2013/14, I propose to make amendments of the tax laws as follows: -

- a. The Value Added Tax Act, CAP. 148;
- b. The income Tax Act, CAP. 332;
- c. The Excise (Management & Tariff) Act, CAP 147;
- d. The Road and Fuel Tolls Act, CAP. 220;
- e. The Vocational Education and Training Act, CAP 82;
- f. The Road Traffic Act, CAP. 168;
- g. The Petroleum (Exploration and Production) Act, CAP 392;
- h. The Tanzania Investment Act, CAP 38;
- i. The East African Community Customs Management Act, 2004;
- j. Minor Amendments in various Tax Laws and Financial Management Laws; and
- k. Amendments of the Fees and Levies charged by Ministries, Regions and Independent Departments.

A. The Value Added Tax Act, CAP 148

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

- (i) Abolish VAT exemption on tourist services Tourist guiding, game driving, water safaris, animal or bird watching, park fees, tourist charter services and ground transport under item 14 of the Second Schedule of the VAT Act. This measure is aimed at reducing the magnitude of exemptions. However, the Government will continue to provide import duty exemption on important items that are required for provision of tourism services;
- (ii) Amend the Third Schedule of the VAT Act in order to provide Special relief to domestic textiles manufacturers using locally produced cotton instead of the current practice of zero rating through the First Schedule of the VAT Act. This means that domestic producers of textiles using locally grown cotton will not pay VAT on their purchases of cotton, electricity and raw materials related to the production of products.

These measures together will increase Government revenue by Tsh. **48,977.60 million.**

B. The income Tax Act, CAP 332;

116. **Madam Speaker,** I propose to make amendments in the the Income Tax Act, CAP 332 as follows:

- (i) To reduce the minimum tax rate chargeable on income of a resident individual for a year of income from 14 percent to 13 percent;

The current rates and the proposed rates are as follows:

Current Rates

| TOTAL INCOME | TAX RATES |
|---|---|
| Where total income does not exceed 2,040,000 | NIL |
| Where total income exceeds Tshs. 2,040,000 but does not exceed Tshs. 4,320,000/= | 14% of the amount in excess of Tshs. 2,040,000 |
| Where total income exceeds Tshs. 4,320,000/=but does not exceed Tshs. 6,480,000/= | Tshs 319,000/= plus 20% of the amount in excess of Tshs. 4,320,000/= |
| Where total income exceeds Tshs. 6,480,000/=but does not exceed Tshs. 8,640,000/= | Tshs. 751,200/= plus 25% of the amount in excess of Tshs. 6,480,000/= |
| Where total income exceeds Tshs. 8,640,000/= | Tshs. 1,291,200/= plus 30% of the amount in excess of Tshs. 8,640,000/= |

Proposed Rates

| TOTAL INCOME | TAX RATES |
|---|---|
| Where total income does not exceed 2,040,000 | NIL |
| Where total income exceeds Tshs. 2,040,000 but does not exceed Tshs. 4,320,000/= | 13% of the amount in excess of Tshs. 2,040,000 |
| Where total income exceeds Tshs. 4,320,000/=but does not exceed Tshs. 6,480,000/= | Tshs 296,400/= plus 20% of the amount in excess of Tshs. 4,320,000/= |
| Where total income exceeds Tshs. 6,480,000/=but does not exceed Tshs. 8,640,000/= | Tshs. 728,400/= plus 25% of the amount in excess of Tshs. 6,480,000/= |
| Where total income exceeds Tshs. 8,640,000/= | Tshs. 1,268,400/= plus 30% of the amount in excess of Tshs. 8,640,000/= |

- (ii) Introduce withholding tax at a rate of 10 percent on the commission chargeable on money transfer through the mobile phone;
- (iii) Introduce withholding tax at a rate of 5 percent on services, irrespective of whether the supplier of services has Tax Identification Number or not. This measure is intended to curb tax evasion by non compliant traders;
- (iv) Introduce 2 percent withholding tax on the supply of goods, to Government and its institutions irrespective of whether the supplier has Tax Identification Number

or not. This measure is also intended to curb tax evasion by non compliant traders;

- (v) Abolish exemption of withholding tax on rental charges of aircraft lease paid to a non-resident by a person engaged in air transport business. This measure is intended to reduce tax exemptions.

These measures together are expected to increase Government revenue by **shillings 131,686 million**.

C. The Excise (management & Tariff) Act, CAP 147.

117. **Madam Speaker,** I propose to make amendments in the Excise (Management & Tariff) Act as follows:-

- (i) Increase excise duty on non-utility vehicles aged more than 10 years from 20 percent to 25 percent. This measure is intended to discourage importation of aged vehicles, reduce accidents resulting from aged motor vehicles and protect environment.

- (ii) Introduce excise duty rate of 5 percent on utility vehicles aged, more than 10 years under HS Code 87.01, 87.02 and 87.04. This measure will not apply to vehicles under HS Code 8701.10.00 and HS Code 8701.90.00 which includes assembled tractors and unassembled vehicles under HS Code 8702.10.11; 8702.10.21; 8702.10.91; 9702.90.11; 8702.90.21; 8702.90.91; HS Code 87.04; 8704.10.10; 8704.21.10; 8704.22.10; 8704.23.10; 8704.31.10 and 8704.32.10; 8704.23.10; 8704.31.10; 8704.32.19; and 8704.90.10. The introduction of excise duty on aged vehicles is aimed at discouraging importation of such

vehicles, reduce accidents and protect environment. However assembled tractors and unassembled vehicles will not be affected by these measures so as to encourage investment in the motor vehicles assembly and promote employment in the industry.

- (iii) Amend excise duty rates on petroleum products as follows:-
 - (a) Increase excise duty on diesel (Gas Oil) from shillings 215 per litre to shillings 217 per litre which is an increase of shillings 2 only per litre;
 - (b) Increase excise duty on petrol (Motor Spirit Premium) from shillings 339 per litre to shillings 400 per litre; and
 - (c) Increase excise duty on Kerosene (Illuminated Kerosene) from shillings 400.30 per litre will not be affected by these adjustments.
- (iv) Impose excise duty at various rates ranging from 10 percent to 25 percent on various products including carpets and other textile floor coverings, make – up preparations; Leather suitcases, Articles of leather or composition leather apparel and clothing, guns and ammunition Aircraft and Helicopters of an unladen weight exceeding 2,000 kg; yatch and other vessels for pleasure or sports; rowing boats and canoes; wing cheaters, wind jackets and similar articles; Anoracks (including ski-jackets);
- (v) Introduce excise duty rate of 15 percent on imported furniture under HS Code 94.03. This measure is intended to protect and promote local production of furniture. It is also aimed at promoting of employment.

- (vi) Impose excise duty on all mobile services at 14.5 percent instead of airtime only. Out of this, 2.5 percent will be used to finance education;
- (vii) Widen coverage of excise duty on telecommunication to include landlines and wireless telecom services;
- (viii) I propose to adjust the specific duty structure on non-petroleum products by 10 percent as follows:-
 - (a) Excise duty on carbonated soft drink from shillings 83 per litre to shillings 91 per litre; being an increase of shillings 8 per litre.
 - (b) Excise duty on locally produced fruit juices from shillings 8 per litre to shillings 9 per litre, being an increase of shillings 1 per litre.
 - (c) Excise duty on imported fruit juices from shillings 100 per litre to shillings 110 per litre; being an increase of shillings 10 per litre.
 - (d) Beer made from local un-malted cereals from shillings 310 per litre to shillings 341 per litre, being an increase of shillings 31 per litre.
 - (e) Other beers from shillings 525 per litre to shillings 578 per litre; being an increase of shillings 51 per litre.
 - (f) Wine produced with domestic grapes content exceeding 75 percent, from shillings 145 per litre to shillings 160 per litre, being an increase of shillings 15 per litre.

- (g) Wine produced with more than 25 percent imported grapes from shillings 1,614 per litre to shillings 1,775 per litre; being an increase of shillings 161 per litre.
 - (h) Spirits from shillings 2,392 per litre to shillings 2,631 per litre; being an increase of shillings 239 per litre.
 - (i) Excise duty on bottled water will not be affected by these adjustments;
- (ix) To amend excise duty rates on cigarettes as follows:
- (a) Cigarettes without filter tip and containing domestic tobacco more than 75 percent from shillings 8,210 to shillings 9,031 per thousand cigarettes; being an increase of 82 cents per cigarette.
 - (b) Cigarettes with filter tip and containing tobacco more than 75 percent from shillings 19,410 to shillings 21,351 per thousand cigarettes; being an increase of shillings 1.94 per cigarette.
 - (c) Other cigarettes not mentioned in (a) and (b) from shillings 35,117 to shillings 38,628 per thousand cigarettes; being an increase of shillings 3.50 per thousand cigarettes
 - (d) Cut rag or cut filler from shillings 17,736 per kilogram to shillings 19,510 per kilogram; and
 - (e) The excise duty rate on "cigar" remains at 30 per cent.

The excise duty measures together are expected to increase Government revenue by **shs. 510,017.50.**

D. Road and Fuel Tolls Act, CAP 220

118. *Madam Speaker*, in order to be able to rehabilitate infrastructural road networks which are critical for economic development, I propose to make amendments in the Road and Fuel Tolls Act by increasing fuel levy from shillings 200 per litre to shillings 263 per litre, being an increase of shillings 63 per litre. This measure is expected to increase Government revenue by **Tshs. 155,893.50 million.**

E. Skills Development Levy Act, CAP.82

119. *Madam Speaker*, I propose to make amendments in the skills Development Levy Act by reducing Skills Development Levy from 6 percent to 5 percent and require Government Institutions which do not receive substantial Government Subventions to pay skills Development Levy. This measure is expected to increase Government revenue by **Tshs. 28,213.90 million.**

F. Road Traffic Act; CAP 168

120. *Madam Speaker*, I propose to make amendments in the Road Traffic Act in order to increase Annual Motor Vehicle License Fee as follows:-

- (i) Motor vehicles with engine capacity between 501cc and 1500cc from shillings 100,000 to shilling 150,000.

- (ii) Motor vehicles with engine capacity between 1501cc and 2500cc from shillings 150,000 to shillings 200,000.
- (iii) Motor Vehicles with engine capacity above 2501cc from shillings 200,000 to shillings 250,000.
- (iv) Motor vehicles with engine capacity below 501cc shall not be charged annual Motor Vehicle License Fee.

These measures together will increase Government revenue by **Tshs. 19,710.90 million.**

G. Petroleum Act; CAP. 392

I propose to introduce Petroleum Levy of shillings 50 per litre. This levy is to be collected by Tanzania Revenue Authority and the revenue will be remitted to Rural Energy Authority for the financing of rural electrification. This measure is expected to increase Government revenue by **Tshs. 123,725 million.**

H. Tanzania Investment Act; CAP.38

I propose to make amendments in the Tanzania Investment Act in order to impose 25 percent of the applicable import duty rate on goods referred to as "deemed capital goods" (to provide import duty exemption of 75 percent instead of the current 90 percent) and establish a negative list of items that can not be deemed. The items in the negative list include office equipments, stationeries, furniture, sugar, beverages, spirits, tiles, fuel, saloon cars, air conditioners, fridges and electronic equipments.

I. The East African Community Customs Management Act, 2004

121. **Madam Speaker**, the Ministers for Finance from EAC Partner States, during the Pre-Budget Consultative meeting which was held in Arusha on 7th June 2013, agreed to effect changes in the Common External Tariff (CET) and amend the EAC Customs Management Act, 2004 for the financial year 2013/14.

122. **Madam Speaker** the changes in the Common External Tariff (CET) which were recommended and agreed are as follows:-

- (i) Extend the stay of application of CET rate of 35 percent on wheat grain under HS code 1001.90.20 and HS code 1001.90.90 and apply the CET rate of 10 percent for the period of one year. The measure is intended to continue providing an import relief to the importation of wheat grain in the country.
- (ii) Impose a duty rate of 25 percent on rice and sugar instead of 75 percent and 100 percent respectively when imported to cover the gap in the local market. These products are currently imported at a reduced import duty rate of 10 percent when there is a shortage of supply in the domestic market, hence the Government allows importation of specific quantities in a given period after obtaining the approval from the EAC Council of Ministers for stay of application of the CET rate.

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

- (i) Amend the 5th Schedule of the EAC – CMA 2004 in order to provide exemption of import duty to machinery and spare parts imported by

Tanzania Railways Limited (TRL) for use in railway operations. This measure is intended to reduce operational costs and improve railway operations.

- (ii) To abolish the procedures used in the inspection of goods imported by traders referred to as "compliant Trader Scheme" which has shown that there is abuse by some unfaithful traders hence leading to revenue leakages.
- (iii) To improve the valuation system for imported goods so as to address the problem of under declaration which leads to revenue leakages. Measures will be taken to improve the Import Export Commodity Data Base (IECDB).
- (iv) Continue to grant duty remission to soap manufacturers using LABSA as raw materials from 10 percent to 0 percent under HS Code 3402.11.00; HS Code 3402.12.00 and HS Code 3402.19.00 for the period of one year. This measure is intended to encourage growth and production of soap manufacturing especially small and medium scale industries producing soaps in the country.
- (v) Grant import duty exemption to plastic bag biogas digesters under HS Code 3926.90.90. This measure is intended to promote the use of alternative sources of energy and preserve environment.
- (vi) Increase import duty rate for millstones and grindstones for milling, grinding or pulping (HS Code 6804.10.00) from 0 percent to 25 percent. This measure is intended to protect local industries in the EAC region.
- (vii) To split the tariff line under HS Code 8421.29.00 in order to grant exemption of import duty to water treatment effluent plant. This measure is intended to promote the usage of the plant in the industries and preservation of environment.
- (viii) Continue to grant exemption of import duty to Armed Forces Canteen Organization for the period of one year.

- (ix) Grant exemption of import duty to goods imported by the National Intelligence Services.

The Import duty measures together will increase Government revenue by **Tshs. 135,526.90 million.**

J. Minor Amendments in various Tax Laws and other Laws

124. **Madam Speaker,** I propose to make minor amendments to various tax laws and other laws as follows:-

- (i) In recognition of the role of the private sector in promoting economic growth, I propose to make amendments in the Public Procurement Act, 2011 and Public Private Partnership Act 2010 in order to enable complex “unsolicited Public Private Partnership proposals” not to be subjected to competitive bidding process. This measure is aimed at attracting both local and international investors.
- (ii) To amend the Public Finance Act, CAP 348, the Treasury Registrar Powers and Functions Act, CAP 418 and Executive Agencies Act, CAP 245 so that public institutions including regulatory authorities, public corporations and Government agencies which do not receive subventions to remit to the Consolidated Fund 10 percent of their gross revenues.

K. K. Amendment of Various Fees and Levies imposed by Ministries, Regions and Independent Departments.

125. **Madam Speaker**, I propose to amend rates of fees and various levies charged by Ministries, Regions and Independent Departments in order to rationalize with the current level of economic growth.

L. Effective Date for Implementation of New Revenue Measures.

126. **Madam Speaker**, unless stated otherwise, the new revenue measures shall become effective on 1st July, 2013.

VI. THE STRUCTURE OF 2013/14 BUDGET

127. **Madam Speaker**, consistent with macroeconomic and fiscal policy objectives, the budget frame for 2013/14 will be as follows: the Government estimates to collect shillings 18,249 billion from domestic and foreign sources. Tax and non tax revenue are projected to be shillings 11,154.1 billion equivalent to 20.2 percent of GDP. In addition, revenue from Local Government own source is projected at shillings 383.5 billion equivalent to 0.7 percent of GDP.

128. **Madam Speaker**, in 2013/14, Development Partners will continue to contribute to the Government budget through grants and concessional loans, whereby shillings 3,855.2 billion is expected. Out of this amount, shillings 1,163.1 billion are General Budget Support; shillings 2,692.1 billion are grants and concessional loans for development projects and basket funds is shillings 500.4 billion

129. **Madam Speaker**, in order to finance fiscal deficit in 2013/14, the Government intend to borrow shillings 2,856.3 billion from both domestic and external sources. Of this amount, shillings 1,147.6 billion will be for rolling over of maturing Treasury bills and bonds, shillings 552.3 billion from domestic financing, equivalent to 1 percent of

GDP and shillings 1,156.4 billion which will be raised from external non concessional borrowing are for financing development projects.

130. **Madam Speaker**, during the financial year 2013/14, Government expenditures are estimated at shillings 18,249 billion for both recurrent and development expenditure. Out of which, recurrent expenditure is shillings 12,574.9 billion including shillings 4,763 billion for wages and salaries of Government Institutions and Agencies, shillings 3,319.2 billion is for Consolidated Funds Service (CFS) and shillings 4,492.6 is allocated for other charges (OC).

131. **Madam Speaker** In 2013/14, development expenditure is estimated at shillings 5,674 billion with shillings 2,982 billion from domestic source including Net Domestic Financing equivalent to 1 percent of GDP (shillings 552.3 billion), external non concessional borrowing (shillings 1,156.4 billion), General Budget Support loan (shillings 386.2 billion) and 8 percent of domestic revenue (shillings 887.1 billion). On the other hand, shillings 2,692.6 billion will be raised from external sources including project's loans and grants, MCC projects and basket loans and grants.

132. **Madam Speaker**, the summary of the budget frame for 2013/14 is as shown in the table below.

| Revenue | | Shillings Million |
|--|------------|--------------------------|
| A. Domestic Revenue | | 11,154,071 |
| (i) Tax Revenue (TRA) | 10,412,937 | |
| (ii) Non Tax Revenue | 741,134 | |
| B. LGAs own Source | | 383,452 |
| C. General Budget Support | | 1,163,131 |
| D. Foreign Loans and Grants including | | |
| (MCA (T)) | | 2,692,069 |
| E. Domestic Borrowing | | 1,699,860 |
| F. Non Concessional Borrowing | | 1,256,400 |
| TOTAL REVENUE | | 18,248,983 |
| Expenditure | | |
| G. Recurrent Expenditure | | 12,574,949 |
| (i) Consolidated Financial Services | 3,319,156 | |
| (ii) Wages and Salaries | 4,763,196 | |
| (iii) Other charges | 4,492,566 | |
| Ministries | 3,738,316 | |
| Regions | 49,701 | |
| LGAs | 704,549 | |
| H. Development Expenditure | | 5,674,034 |
| (i) Local | 2,981,965 | |
| (ii) Foreign | 2,692,069 | |
| TOTAL EXPENDITURE | | 18,248,983 |

VII. CONCLUSION

133. **Madam Speaker**, as I have explained earlier, the budget for 2013/14 aims to implement the Five years' Development Plan Phase One; the 2010 CCM Election Manifesto; the National Strategy for Growth and Poverty Reduction Phase Two (MKUKUTA II); the Millennium Development Goals (MDGs) 2015; and initiate implementation of priority areas as identified in *Labs*. The purpose of the plans and strategies is to realize the objectives of the Tanzania Development Vision 2025.

134. **Madam Speaker**, I would like to emphasise the need for collective efforts to effectively manage expenditure and resources in order to enhance efficiency. The matters that have been discussed in this Parliamentary session so far are of much importance. Effective implementation will lead to the realisation of the objectives of Tanzania Development Vision 2025 which targets to transform Tanzania from poor to middle income countries with better standard of living.

135. **Madam Speaker**, this budget also aims to raise revenue collections, especially domestic revenue by introducing new sources as well as developing the existing ones. The objective is to have sufficient revenues to finance implementation of various development projects and also improving services to the people. In this Parliamentary Session, Honourable Members of Parliament recommended for addition of funds to some of the Votes so as to enable them to effectively accomplish their responsibilities. I would like to assure your august Parliament that the CCM Government has seriously taken into account all the recommendations. In order to implement these recommendations, the government has adjusted different taxes and charges/penalties as it could not be possible to implement the recommendations without affecting tax measures. I therefore urge the Honourable Members of Parliament to support this budget so as to enable the funded Votes to effectively implement and ultimately achieve our objectives.

136. **Madam Speaker**, the Government continues to improve economic, social and financial infrastructures so as to increase opportunities for citizenry participation in production so as to improve their standards of living. This budget is also focusing on increasing the availability of electricity, land development and connecting different parts of our country through roads, railways, airports and communication infrastructures. This will also facilitate the effective use of geographical opportunities which are a result of being surrounded by land locked-countries. Moreover, this Budget focuses on opening up economic and social opportunities for sustainable development through new system of implementing priority projects which yield big results.

137. **Madam Speaker**, the Government Budget for the year 2013/14 has taken into account the recommendations from the respective Parliamentary committees responsible for Government Budget and other sectors. The recommendations from these Committees and Honourable Members of Parliament were worked upon while preparing this Budget. With the new Budget cycle, whereby budgets for various votes are approved, my presentation concludes the debate for the Government Budget for the year 2013/14.

138. **Madam Speaker**, all that I have said are possible only if all of us and the public in general will play our part responsibly in implementing the agreed policies and plans.

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