

**SPEECH BY THE MINISTER FOR FINANCE
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INTRODUCING TO THE NATIONAL ASSEMBLY
THE ESTIMATES OF PUBLIC REVENUE
AND EXPENDITURE FOR THE FINANCIAL YEAR 1995/96**

1. Mr. Speaker, I beg to move that this House now resolves itself into a committee of supply in order to debate and approve the Estimates of Government Revenue and Expenditure for the Financial Year 1995/96.

2. Mr. Speaker, I would like, at the outset to express my deep appreciation and sincere gratitude to all those who were involved in the preparation and accomplishment of this Budget exercise. It is indeed through their collective efforts that I am now able to present before this House the Government Budget proposals. As we all know, preparation of a Government Budget involves a number of officials and various public institutions. I would like therefore to take this opportunity to thank all my colleagues and staff members of the Ministry of Finance, Planning Commission, Sectoral Ministries, Regions, International organisations and Institutions for their valuable contributions to enable completion of this budget. Furthermore, I would like to pay special tribute to the Government Printer and his staff for the timely publication of this speech and other Budget documents; the Chief Parliamentary Draftsman who was heavily involved in the preparation of various Bills connected with this Budget; and the Finance Economic Committee of this House, who, under the Chairmanship of Bon. Raphael L. Shempemba have assisted greatly in the improvement of this budget.

INTRODUCTION

3. Mr. Speaker, the 1995/96 budget session will be the last one before the October 1995 Multi Party Presidential and Parliamentary Elections we will **all** be back to the people requesting their consent to join the next parliament. Hopefully most of us will go through the elections successfully. October 1995 will be the end of the current phase Government which undertook various reforms in all aspects of life in Tanzania, and has stayed in power for ten years (1985 - 1995) under the leadership of President Ali Hassan Mwinyi. It will be realised that during this phase, the Government embarked on a more liberal democratic politics. Multi-partism is in full swing with a total of thirteen registered political parties to-date. Liberalization of the media was effected by permitting the operations of private radios, televisions, stations news-papers which have been on the forefront in commenting on the Government and its leaders behaviour though at times they went into unrealistic extremes. But that is probably the cost to any democratic development. Hopefully we will acquire a much more stable future. We are consoled by the fact that reforms have so far been conducted within a peaceful and stable atmosphere. We pray that the Almighty guide and lead us into the next phase Government.

4 Mr. Speaker, before embarking at length, on the successes and problems encountered by the 2nd phase Government, I would like to register my sincere gratitude to the members of this House under your able leadership and that of the former Speaker, for the profound contribution which enabled the Government to attain enormous social; economic and political reforms within the defined period.

5. Allow me, Mr. Speaker to review the budgetary implementation during the 1994/95fiscal year. On the economic front, there has been substantial basic reforms effected in the policy and economic structure of Tanzania. The trend has been a general shift from the Public sector and strengthening the participation of the Private sector. Slowly, practical solutions to problem, which were hindering economic

development, were found. The GDP has been increasing at a rate of 4.0% per annum during the ten years of the 2nd phase Government compared to the previous rate of 1.0% per annum (1981-1985). Inflation has been showing a downtrend each year for this period when related to the previous term, despite Government's efforts to abolish price control system. Inflation has been reduced from 30% (19-81-1985) to an average of 25% for the period 1985-1995. The 25% inflation rate is still high, and appropriate measures need to be taken to attain reasonable levels. Good performance in Agricultural and Industrial Sectors were facilitated by reforms and appropriate economic policies, and the availability of raw materials and other inputs. These measures have enabled the people to avail themselves with the basic needs. Successes and achievements in the production sector along with the distribution of commodities is not only the result of adjustment in economic policies but is coupled with the deliberate Government efforts in road rehabilitation under the integrated Roads Program (IRP) together with the ongoing rehabilitation of the telecommunication network. These measures have enabled the people to smoothly afford the basic needs. All these achievements were made possible through a revision of various different old policies. These adjustments include the abolishment of the price control system, foreign exchange controls and the control of exchange rate regime and the abandonment of the monopoly in the importation and distribution of all commodities, be it imported or locally manufactured.

6. Foreign and local entrepreneurs have been encouraged by the Government to invest in different sectors and jointly revamp the economy. The Government is still working on a more enabling environment to attract more investments. The second phase Government has reiterated its desire to concentrate on the core functions with an objective of attaining a small and manageable structure and reduction of its running

costs. It is from this perspective that production and trading parastatals were required to operate commercially and detach themselves from Government subsidies.

Review of Policy and Budget implementation for the Year 1994/95

7. Despite the above achievements, there are yet problems that have to be attended to so as to ensure a stronger economy and improved development. Some of these problems emanate from policy adjustments adopted during the 2nd phase of the Government and some were inherited from 1st phase Government. The first one is in regard to shrinkage of the employment base. Those graduating from institutions are not being employed to enable them earn their living. Besides, as a result of the parastatal sector restructuring there has been a lot of unemployment creation. The private sector expected to take over the production and trading industry is still in its infancy to solve the employment problem. It therefore requires innovative strategies to expand employment opportunities. Secondly, services rendered by the social service sector to the public especially in the areas of education, water and health have been deteriorating. The reasons for this trend is insufficient budgetary provision. The cost sharing scheme introduced in 1993/94 is still being implemented on a pilot basis. It is inevitable that appropriate policy in monitoring the operations of these sectors is developed in order to ensure the delivery of the desired services. Thirdly, the external sector is still very weak. Our exports earnings can finance only one third of our imports, meaning that we are still running a dependent economy. There is every need to review our policies to enhance exports so as to boost our external earnings. Fourthly, the Government is still operating a budget, with a large portion of the Government expenditure being financed from foreign loans and grants. This trend cannot be allowed to continue as it deprives the Government of the freedom to make decisions of national interest. It is incumbent on the Government to take drastic measures to avert this trend by developing a budget that can wholly be financed from domestic revenues.

Fifthly, the performance of our industrial sector has been very poor. Most of the industrial enterprises are bankrupt and heavily indebted. They have been operating in losses for a long time. The Government being the sole shareholder of the majority of these entities has been forced to absorb the losses and the concurrent debts. It

8. In the 1994/95 budget the Government had planned to undertake measures in the areas of Revenue, Expenditure, Financial Sector, Parastatal and Civil Service. The general assessment indicates that an average performance has been achieved Government Budget.

9. Mr. speaker, for a long time we have had a Budget dependent on foreign financing and characterised by higher expenditure compared to revenue, Unfortunately the Budget had been dependent on Foreign Aid and bank borrowing instead of financing it from tax and non-tax revenue. Recently auctioning of Treasury Bills has been used as a source of revenue. Bank borrowing, Treasury Bills and donor funds, all have had some adverse effects on the economy. It is a well-known fact that bank borrowing has been a catalyst in fueling inflation due to the increased money supply without equivalent production. Treasury Bills have been denying production and services sectors investment credits while at the same time contributing to high bank interest rates thus discouraging investors to borrow. Dependency on donor financing means having a very uncertain budget. This is so due to the fact that such funds are normally made available upon fulfillment of numerous preconditions hence the uncertainty of receiving such funds. Worse still this dependency usually affects our freedom in decision making.

10. It was deliberately decided during last budget session, 1994/95, to address the Anomaly of "dependent budget", and the proposed measures were tabled. The objective was to have a small, structured Government with high level of efficiency and productivity and whose functions would be practicable to finance to a great

extent from domestic resources. It was decided that the Government should abandon its involvement commercial from production and activities so as to enable it undertake its core functions more efficiently, and create a more enabling environment for economic growth.

Revenue

11. As regards revenue, the Government had a target of collecting not less than 24.5% of the GDP in relation to the actual collections of 21.0% of the GDP in 1993/94. To attain the desired target of 24.5% of GDP the Government had planned to take the following measures: to reduce, adjust and even abolish some of the issued Tax exemptions; to ensure collection of arrears; and closure of some bonded warehouses. The collection of the revenue from transit cargo had been strengthened.

Expenditure

12.. In March 11995, the Government, through the Bank of Tanzania, entered into a three years Agreement with SGS and COTECNA for pre-shipment inspection with the objective of controlling quality and value of all imports into the country. These same agreements incorporate assessment and collection of customs duties. The Agreement with COTECNA was terminated in April, 1995 and in its place the Government entered into another Agreement with a British Company, the Inchicape Testing Services (SSI). The main reason for the change was the fact that COTECNA was bought by SGS therefore eliminated the thrust of competition between them.

13. Mr. speaker, the decision to contract these companies has go far shown positive results due to the enhanced collection in customs duties. Nevertheless the ministry is aware of the complaints regarding weak performance of: these companies. We are currently embarking on a thorough review regarding the operations

of these companies with the objective of identifying any weaknesses so as to take appropriate corrective measures.

14. Mr. Speaker, a review of these measures indicates a successful implementation in that there is an improved revenue collection. In our 1994/95 budget the Government estimated to collect Revenue totaling Shs.549,814 million including a supplementary estimates of Shs.35,530 million expected from donors to finance its recurrent expenditure. Of the total, Shs.23,000 million was a grant from the European Union for the Health and Education Sector. Of the total expected revenues, Tshs 329,288 m is recurrent revenue Tshs 204,376 will be foreign loans and grants and Tshs 36,310 will come from domestic borrowing. It was expected to reduce Government debt by Tshs.20,160 million.

15. Mr. Speaker, by the end of March, 1995, the total recurrent Revenue collected amounted to Shs. 238,177 million; Foreign loans and grants disbursed amounted to Shs.71,317 million. At the same time non-bank borrowing amounted to 29,451m, while bank borrowing was Tshs.28,236 million, contrary to the targeted reduction in accumulated bank borrowing by sh.20.160m/-.

16. Mr. Speaker, following this trend the total Government revenue collection is expected to reach Tshs.329,660 million by the end of June, 1995, This amount is slightly higher than the initial estimate of Shs.329,288 million. Loans and Grants are expected to amount to Shs.88,531 million revealing a deficit of Shs.80,315 million or 48% of the initial budget of Shs.168,846 million. The problems of Tax Collection which were revealed during this financial year, induced the donor community to withhold disbursement. However, the Government has already adopted measures to rectify the situation. Non-bank borrowing is expected to amount to Tshs.43,106 million; while bank

borrowing is envisaged to reach Tshs 38,125m by June 1995. This borrowing level has been necessitated by the excessive recurrent expenditure. It is obvious that this is not a healthy situation as it will affect other set macro economic targets, including control of inflation.

17. On the expenditure front, the Government was determined to effectively control expenditure to match the actual revenue collections. The Government had in place some measures to enable it attain this goal. These include the streamlining of the Government structure and functions as recommended by the Mramba Commission. Some of the services which were classified as non-core and could be hired off were not accommodated in the Government Budget. Furthermore, the government decided to release exchequer issues on monthly basis; to close some of our Embassies, for example in Kinshasa, Bujumbura, Paris, Rome, The Hague, and to allocate resources based on the grade of the service; i.e. core functions; critical and nonessential functions. Moreover the fleet of Government vehicle was drastically reduced, and four sub-Treasuries were established in our Regions; Mwanza, Tanga, Rukwa and Coast. The sub Treasuries have managed to control unbudgeted expenditure.

18. The Government has also introduced cost sharing exercise in the social sector which goes hand in hand with the expenditure control and monitoring. School fees paid by students which was in the past collected and submitted to the Central Government, is currently being used by the schools themselves. Even the collections made under the cost sharing program in the Health sector is being used by the institution making the said collection as a supplementary amount which is an addition to the budgeted expenditure Provided by the Government. Nevertheless the ongoing poor services is due to budgetary constraints and meager contribution collected under the cost sharing scheme.

19. Mr. Speaker, Notwithstanding the aforementioned measures , the Government Expenditure has the following outlook. In 1994/95, the Government had initially planned to spend Shs.514,284 Million. Out of the total amount, Tshs.362,797 million was estimated for Recurrent Expenditure, and Tshs.151,487 million for Development Expenditure. However due to the budgetary changes effected in the middle of the Financial Year, the Recurrent Expenditure was increased by Tshs.35,530 million bringing the Total Expenditure to Shs.549 814 million.

20. The Recurrent Expenditure trend up to March, 1995 has been very unsatisfactory. As of March, 1995, the level of Recurrent Expenditure had reached Tshs 290,119 million. The projected Expenditure to June 1995, based on the trend is Tshs.444,281 million. The excessive Recurrent Expenditure can be attributed to the unimplemented measures to reduce the Government structure and functions, increase in salaries and allowances beyond the initial estimates and the growth of the national debt which is expected to increase from Tahs.100,325 million to Tshs.158,110 million by the end of this financial year. This amount is 39.7% of the annual recurrent Budget.

21. Mr. Speaker, regarding Development Expenditure Tshs.9,515 million had been spent by March, 1995. By this trend the Development Expenditure by June, 1995 will be Tshs.78,408 million indicating a shortfall of Tshs.73,085 or 48% compared to the initial estimates of Shs.151,487 million. Domestic financing is expected to be Tshs.43,000 million while External financing will amount to shs. 35,402m.

Financial Sector

22. Mr. speaker, in February, 1995, this Honorable House passed the New Bank of Tanzania Act replacing the 1965 Act as amended in 1978. Basically the Central Bank functions will now also accommodate the Revolutionary Government of Zanzibar. This will in principle mean that it will also be its bank; providing advances when required and all bank-services as provided by the said Act. With this new Act the Central Bank will as of now concentrate on monetary policy, and will thus be required to provide its monetary policy statement to the Parliament of the United Republic of Tanzania, semiannually through the Minister for Finance.

23. The new Act is now in place and is being operationalized. The Bank itself has already been restructured to enable it take up these responsibilities successfully. Plans are underway to move the Zanzibar Revolutionary Government Accounts from the Peoples' Bank of Zanzibar to the Bank of Tanzania Branch after the Zanzibar Government's decision to do so.

24. Money Supply during the period April 1994 - April 1995 was 30.6% while the estimated real GDP growth is 3.5% only. On the same footing therefore the overall economy of Tanzania during the 1994/95 fiscal year was not impressive because money supply increase rate outgrew the GDP growth rate by a very wide margin recording an inflation rate of 42.2% by December, 1994. Among the measures taken by the Bank of Tanzania to rectify this situation include the reduction of Bank lending capacity by increasing the minimum reserve requirement imposed on commercial banks by the Bank of Tanzania and charging interest on bank advances to Government in line with the average interest rates used in the weekly short term Treasury Bills Auctions. This is the same rate used on credits provided to commercial banks by the Bank of

Tanzania to other Commercial Banks. This move has reduced the rate of borrowing from the Bank of Tanzania by the Government and the Commercial Banks. Moreover, beginning December 1994, the Bank of Tanzania started to put some of the funds raised from the treasury Bills Auction in a blocked account as an effort to mop up excess liquidity from the economy. Though there is some success, this exercise will continue until its impact is realized.

25. Apart from the Standard Chartered Bank and Meridien Biao Bank, which have been operative since 1993, the Central Bank has continued to license additional private banks during the 1994/95 fiscal year. These banks include the Eurafrican Bank (TZ) Ltd. Trust Bank Tanzania Ltd., Habib African Bank, Akiba Commercial Bank Ltd., and the CITIBANK Tanzania Ltd.. Other Financial Institutions licensed by the Central Bank include the Savings and Finance (T) Ltd., the 1st Adili Bankcorp, and Meridien Financial Services (TZ) Ltd.

26. Within this same period, the Bank of Tanzania, as a supervisor of the overall financial institutions continued to undertake on-site inspection for banks and like institutions. Inspection was also conducted on Bureau de Change which were permitted to join the Interbank Foreign Exchange Market. So far the performance of these institutions is satisfactory especially when considering that we have recently introduced the restructuring program of the financial institutions. It is nevertheless very disappointing to note that in April 1995 the Tanzania public witnessed the down all of the Meridien Biao Bank. It was after realizing that there was deliberate evasion of required Banking procedures that the Bank of Tanzania was left with no alternative but to take-over the operation of the Bank. The Bank of Tanzania also supervised the sale of the Meridien Bank to the STANBIC Bank of South Africa which officially commenced its operations on the 2nd of May 1995.

27. To enable the successful establishment of the Capital Market Authority (CRA), the Bank of Tanzania organised various seminars for the secretarial staff of CMA. The Bank has also issued regulations and guidelines on the basis of which CMA will license securities dealers, stock exchange establishment, advertisements, registration of the securities and maintenance of account books.

External Sector

28. Mr. Speaker, different measures have been undertaken by the Government to instill efficiency in this sector. Trade liberalization and the abolishment of the foreign exchange control which was implemented in recent years has produced some encouraging, results. To safeguard these achievement, the initial steps for the establishment for a successful inter-bank market for foreign exchange are in place. Some Bureaus were permitted to join the inter-bank markets. The underlying objective is to enable the Banks sell and buy surplus foreign exchange from and to one another as a means towards creation of a mechanism for a market determined exchange rate. This arrangement will enable our currency reflect its real value. More over this will inhibit the temptation by private banks to illegally transfer abroad the surplus forex they have generated.

Parastatal Sector

29. Mr. Speaker, this sector is still undergoing restructuring under the Parastatal Sector Reform Commission (PSRC). Some Parastatals have been restructured and its implementation is on track. It is too early to provide the overall assessment of the achievements. Nevertheless, the successes of this exercise could be measured from the benefits accruing to the nation or on the performance of the companies which have

been involved in the Parastatal Restructuring Policy. Unfortunately this may take a long time.

30. Mr. Speaker, some of the bottlenecks experienced in the Parastatal Sector Reform Program include the inability by some Parastatals to pay terminal benefits to its retired workers; and at times even failing to contribute to pension Funds. Despite the intervention by the Government, this has been a bitter experience by the public on several occasions. The Government has observed that it is those group of parastatals with huge commercial debts which normally land into this category of problem.

31. Mr. Speaker, it has recently been realized that privatization of parastatals has some complexities. Some people are of the view that the whole policy is of no relevance at all, and that the Government should continue subsidizing these institutions. There are others who think that while the policy itself is acceptable, the implementation is conducted in such a way that there is no consideration of the interests of the Tanzanian public. While both these observations are sound and realistic they both have different perspectives. As regards the first argument it is a fact that the Government does have basic responsibility to care for its institutions, but the issue here is not the non- recognition of this responsibility but rather, the meager resources it has to shoulder those responsibilities. The Government's current ability to satisfy all the budgetary requirements' of putting all parastatals on a sound financial status, while at the same time undertaking the core functions of a Government satisfactorily is very constrained. It will only be able to honour its responsibility to very few parastatals, but for the majority, by going into joint ventures with other investors. In this perspective, therefore, this policy has clearly defined those parastatals which will remain with 100% ownership of the Government; those to undergo a joint venture arrangements, and the other category which will be listed for sale. The underlying objective is to enable the

government undertake its traditional core functions of the state, and provide basic services pertaining to health, education, water, communications and the like. All production and commercial activities should be left to the private sector alone or in a joint venture arrangement with the Government. The basic requirement is proper arrangement for the supervision and the control of the private sector for purposes of controlling employment, production and not forgetting enhancing provision of services, government revenue.

32. Mr. Speaker, the second issue is to make sure that the whole exercise of Privatization is transparent enough and that it takes into account National Interest, Workers interest and above all the interest of the Tanzanian people. Those issues are outlined in the Terms of reference given to the Parastatal Sector Reform commission and are being observed during implementation. Regarding the need to have nationals participation in the privatization exercise, arrangements to have a Privatization Trust Fund which will be used by the Government to acquire parastatal shares, on behalf of Tanzanians have been completed. The Fund will be used to finance nationals to buy shares when they are offered for sale. At the same time the Establishment of Stock Exchange market and Unit Trusts have been completed and what remains now is to give them legal basis through an Act of Parliament.

33. Mr. Speaker, may I mention here that, up to 31st December 1994 the privatization exercise had earned the government, some income totaling shs.4.386, million and US Dollars 29,245,464. This amount is not negligible considering the financial constraints the government is facing at present. The revenue realised from the privatization exercise has helped and will continue to assist solve some of the problems encountered during implementation process, for example, the payment of terminal benefits to employees who have been retired and settlement of commercial debts owed by the parastatals. Any remaining balance thereon will be treated as revenue payable to the Exchequer. It is expected that beginning next financial year this source of revenue will be reflected in the Budget.

Employment

34. Mr. Speaker, the current economic environment facing the country calls for the Government to seriously address the issue of employment. Employment has been declining tremendously mainly because most of the Parastatal companies have stopped operating, others are operating under capacity and some have been sold. Other factors which have contributed to the high rate of unemployment is the government's policy of Retrenchment and employment Freeze. It is interesting to note that while the two big employers are laying off workers there are young graduates from colleges and secondary schools who are seeking employment. This situation has forced the government to encourage the creation of opportunities in the informal sector. This led to the establishment of Special Funds for young men, women and Small entrepreneurs. Unfortunately only half of the amount which was initially promised was realised and hence affected the smooth take-off of the Funds. Moreover the amount realized was not fully utilized due to either delayed or misinterpreted guidelines. The Government is committed to fully pay the balances into the fund accounts during 1995/96.

Civil Servants Welfare

35. Mr. Speaker, the government for its employees, appreciates its prime obligations to facilitate conducive working environment including an attractive pay package so as to enhance efficiency and productivity. The Government has gradually continued to improve the welfare of the Civil Service by increasing the salaries and other incentives depending on its budgetary ability and economic performance. The Government is determined to continually review salaries to sufficiency levels. However this objective can only be achieved by strengthening Revenue collection.

36. Mr. Speaker, another problem facing civil servants has been either delays in getting their salaries on time, or receiving less amount for unexplainable reasons. This problem is mainly due to negligence and bureaucracy on the part of the officials in the ,Ministries, Regions and Districts. This issue has already been addressed and all those concerned have been notified of intended disciplinary action in case they allow it to recur. The situation has improved tremendously ever since we issued this directive and out aim is to maintain this stance. Alongside these measures the Government has decided to transmit all the subsidies to the Local Government councils directly to the town and district councils.

37. Mr. Speaker, the Government intends to streamline some administrative problems which have created inconveniences to the Civil Servants. These problems include Traveling on leave allowances which the officer has to account for by presenting a receipted account. It is the intention of the Government to abolish this requirement.

Basis for the 1995/96 Budget

38. Mr. speaker, having elaborated on the trends and performance of the 1994/95 budget, I now wish to explain the basis for the 1995/96 budget. It will be recalled that in his speech earlier today, the Minister of State and Vice Chairman of the Planning Commission went into detail in explaining the economic situation for the year 1994/95 and the Policy measures that the Government will implement during the coming financial year. This year's budget is, aimed at achieving the set targets and rectifying the problems which were encountered during the current financial year. For that reason, the 1995/96 budget is based on the following assumptions:-

- (i) To Collect Revenue amounting to 25.5% of the GDP
- (ii) GDP to grow by 5%
- (iii) Reduce inflation to 15% in 1995/96 and 7.5%, by 1996/97 financial year.

- (iv) Recurrent expenditure level not exceeding 24.0% of the GDP and salary increase of not more than 7.2% of GDP
- (v) To have recurrent savings of not less than 1.5% of the GDP
- (vi) The Government will implement restructuring of its functions and size as recommended by Mramba Commission.
- (vii) To reduce accumulated bank borrowing by 1.5% of the GDP.
- (viii) To reduce accumulated debts owed by ministries/department and regions
- (ix) To discourage the utilization of donor funds for recurrent expenditure.
Example:- Salaries, other charges and payments of interest.
- (x) To review the cost sharing policy with a view to establishing a realistic rate which reflect the actual cost.
- (xi) To continue negotiation with International financing institutions and other donors to sustain the current levels of assistance.

Budget Policies for the Year 1995/96

39. Mr. Speaker, taking into account the budget and scenarios as hitherto elaborates, the budgetary policies and measures embodied in the 1995/96 budget aim at fulfilling those scenarios. Allow me to briefly elaborate the basis and scenario in regard to revenue and expenditure.

Revenues

40. Mr. Speaker, the government has been taking different measures during 1994/95 fiscal year to increase its revenues. Measures taken include substantial reduction in tax remission and exemptions and vigorously pursuing tax evaders and taking disciplinary action against tax officials who facilitate evasion of taxes. As regards 1995/96 policy measures adopted to raise Government Revenues have targeted at total domestic revenue collections equivalent to 25.5 per cent of G.D.P., which is a rather ambitious target. It therefore means that there must be other strong complement;?, y measures

to enable the Government to achieved the targets Measures to be taken include the establishment of the Revenue Authority which will be responsible for revenue collection and all matters related to tax administration. The Act to establish the authority has already been passed by your Honorable Parliament. The Government intends to give full support to the authority to enable it function effectively as on 1st July, 1995. The Authority together with the Revenue Departments will be given sufficient equipment and funding to enable them reach the targeted collections. Staff welfare in the Departments will soon be enhanced to dissuade them from corrupt practices.

41. Mr. Speaker, besides the above, the government has undertaken a self assessment regarding the tax rebate area exemption policy as an incentive with an objective effecting amendments to granting of such incentives. In spite the good intentions with which this policy was adopted it is an open secret that the tax exemption granted to investors have been a drain on government revenues. Under the present circumstances whereby Government is faced with serious revenue deficits, it is amicably inevitable to review the policy of granting tax incentives to investors. It has therefore been decided that instead of the current practice whereby investors are completely exempted from paying taxes on imported capital goods and equipment, they will now pay duty and sales tax at the rate of 5%. This measure will now provide equal relief to all investors without the current preferential treatment given to IPC certificate holders only. Further elaboration on the capital goods and equipment will be given later.

42. Mr. Speaker, during this financial year, the Government has decided to review different tax rates with a purpose of expanding the tax base and at the same time to encourage compliance and avoid tax exemption applications to the Minister for Finance. It is a fact that tax evasion and applications for tax exemptions are factors of high tax

rates. Along with such a measure, the Government will endeavour to widen the tax bases and to strengthen tax administration and collection procedures so as to ensure that tax collections are not affected by the reduction in tax rates. As mentioned above the objective is to induce voluntary tax compliance and eliminate tax evasion.

43. Mr. Speaker, the Government will, this financier year, encourage Agricultural and Industrial production by effecting tariffs which will introduce fair competition in the Local Market. For instance the import duty rate for fertilizer and agrochemicals which were reduced to 5% in the past two years will remain at the same rate, and which is a small contribution to the budget to enable the Government service the Agricultural Sector.

Concurrently, the Government has established the "Inputs Revolving Fund" with an initial capital of Tshs.3,0 million to ensure availability of the agrochemicals is far as the Industrial Sector is concerned, the Government has reduced the sales tax rate on raw materials for Industrial goods from 30% to 5%. The Industrial Sector that will benefit from this measure will include motor vehicle assemblies and Body builders, Trailer Manufacturers, Bicycle Manufacturers, Human Pharmaceutical Manufacturers and Manufacturers of Water Pumps. Meanwhile the Import duty Rates for raw material will continue to be charged at 5%. The customs duty rates on imported finished, products will remain at 20%, The Government will also strengthen its stance to curb smuggling through our borders including strict control on transit goods and goods originating from Zanzibar.

44. Mr. Speaker, another Government objective in this Budget is to bring relief to the standard of living of an ordinary person. The Government has therefore reduced the import duty rates for some of the essential imported commodities which are either wholly or partially imported. These commodities includes sugar, rice, cooking oil and

wheat. These items will now be taxed at 20% instead of 50% for import duty and 5% instead of 30% for sales tax.

45. Mr. Speaker, alongside all these measures, the Government is preparing sound grounds for the new system of collecting sales tax, stamp duty and hotel levy through the establishment of Value Added Tax (VAT). It is believed that this system will streamline the collection of taxes. Preliminary preparations will include training personnel and tax payers to educate them on VAT implementation.

General Strategy

46. The most fundamental strategy to boost Government revenues during 1995/96 is to strengthen tax administration and collection procedures of the present taxes and not to increase tax rates; although in practical it may be inevitable to do so in certain cases. Among the first functions of the Revenue Authority will be to review technical and procedural regulations in enhancing efficiency and effectiveness in tax administration.

Expenditure

47. Mr. Speaker, as regards expenditure the Government is forced to reduce the size of its structure. As of today Government functions have remained numerous and it has been impossible for the Government Revenue to suffice its expenditure targets despite efforts taken so far to reduce unnecessary expenditures. Due to this constraint all government sectors are being allocated insufficient funds compared to their estimates. This has resulted in the TREASURY and especially the Minister for Finance brandished as mean etc. being blamed and the government and its organs to survive on bank borrowing. This borrowing has its disadvantages especially when it involves borrowing from banks and suppliers of goods and services. Bank borrowing by the government

has accelerated the inflation rate and thereby raising the cost of living. For those supplying goods and services to the government, non payment of their claims in time causes them financial and economic embarrassment. The Government must revert to its traditional functions and be able to match its expenditure with Revenues.

48. Restructuring of the Government functions will be undertaken concurrently with strict control measures over expenditure. Measures intended to be taken include the following:- monthly exchequer releases equivalent to the resources available; ban financial commitments in excess of budgeted funds and strictly enforce conditions restricting Government organs from effecting payment from unfunded items. At the same time the Government is intending to introduce a new procurement system for purchasing goods, services and building materials activities. The aim of, this new arrangement is to enable the Government to secure goods and services at a reasonable price and faster than is with the present system of tendering. Under this arrangement the Government will make a follow up of all purchases the country. The Government will no longer borrow from the banks under the present system whereby the Central Bank automatically lends to the Government expenditure exceeds revenue. The extent of Bank borrowing will be determined by special arrangement. The aim of this measure is to prevent Government organs from spending in excess of budgeted funds. The Government is also in the process of establishing more Sub-Treasuries in the regions. The Sub-Treasuries which have already been established are performing well and efforts are underway to strengthen them and enhance their efficiency. Meanwhile the Government is to post Accounts Examiners in some of the Government Institutions to enforce control on expenditure. To start with, the Accounts Examiners have been posted to those Institutions with big expenditures.

49. Mr. Speaker, regarding recurrent expenditure, all sectors are faced with deficit financing, a situation which has necessitated the increase of the Government debt. Debt servicing for both domestic and foreign loans has continued to rise every year making it very difficult for the Government to meet its repayment obligations. The 1995/96 statistics indicate that debt repayment obligations is almost equal to the total revenue expected to be collected which amounts to Shs.400 billion. The Government can only meet one third of the total debt obligation and the remaining two thirds will be carried over to 1996/97 financial year. It is the Government's intention to reduce substantially both domestic and foreign borrowing in order to avoid the possibility of the total revenue being utilised entirely for debt servicing. The only way the Government can reduce both domestic and foreign debt -is to match expenditure and Government revenue.

50. Hon. Speaker, another problematic area of expenditure involves salaries and perks. It has been difficult to develop accurate statistic regarding the number of Civil Servants and other public employees paid from the Government budget. Moreover total monitoring and controlling numerous allowances paid has been difficult. The Government is determined to put in place appropriate to ensure existence of accurate statistics of paid employees. With effect from September 1995 only employees incorporated in the vote budgeted for and included on the Government payroll will be paid by the Government. Therefore every Accounting Officer is required to ensure that this is implemented accordingly, and that no salary payments will be effected through vouchers.

Loans and Grants

51. Hon. Speaker, regarding development expenditure the Government has been dependent on foreign aid as a result of the Budget deficit. Dependency on grants in

funding development projects is unreliable due to its periodic nature and conditionalities which may be difficult to adhere to or may interfere with our freedom in decision making. It is therefore high time that the Government partly finances its development expenditure from domestic revenues effective 1995/96. Due to limited financial resources, the Government intends to systematically reduce the number of development projects with the objective of fully funding the remaining few, instead of the current practice of thinly funding many projects resulting into uncompleted projects in spite of the long implementation period. It is undesirable to continue with this practice which, at the end of the day, does not satisfy anybody.

52. Hon. Speaker, problems of over dependency on donor funding- have for the last three years been obvious. First and foremost the pledges made at the Consultative Group meetings were not honoured as promised. Most of these grants were for Balance of Payment support grant meant to finance part of the Budget. Where assistance was made available it was either delayed or reduced. For instance for the period of 1992/93 to 1994/95 less than 50% of the import support pledged were disbursed.

53. Another problem which denied or delayed pledged assistance was the frequent changes in the conditionalities imposed by the donors. Normally we effectively commence implementation in line with the negotiated terms, but at times some donors would vary the terms unilaterally. This behaviour has delayed disbursements of ESAF II Loans and grants , SAC and some of BOP for the past two to three years. It should be clear to all that there are all indications to suggest that the Donor Community is refraining from supporting our budget.

The Financial Sector

54. Hon. Speaker, the financial reforms being undertaken call for strengthening the Banks Capital bases. Deliberate measures are being taken to facilitate bank credits to the private sector. It is expected that bank credit to parastatal sector will fall as a result of enhanced efficiency emanating from parastatal restructuring programme. It has also been observed that contrary to our expectations, Treasury Bills have been a major source of Government borrowing to finance expenditures. This has a negative effect in that the Government is depriving the deserving production sector of loan funding. Therefore this trend has a paralyzing effect on the economy besides fueling inflation. Therefore the Government intends to Use Treasury Bills for its intended purposes, i.e. mopping up excess liquidity in the economy.

The External Sector

55. Hon. Speaker, following the trade liberalization, importation through the open market, that is through the bureaus de change and self financed imports has flourished and has become an important channel for importation Foreign Exchange Earnings through the Bank of Tanzania has stabilized with no major changes. This implies that, the Unified Exchange Rate regime has not been fully accomplished. Besides the various measures already taken by the Government to improve this market, it will continue to strengthen the forex money market. The Government, through the Bank of Tanzania will enhance controls of the market to curb possibilities of capital flight from the country. Emphasis will be placed on the control and monitoring of the bureau de change which are being accused of malpractices.

Parastatal Sector

56. Hon. Speaker, restructuring of the parastatal organizations is one of the important measures in the Economic restructuring policy. Although the restructuring process has been done on a good number of parastatals, there is still a lot of work ahead due to the vast number of the parastatals. Implementation of this policy will continue this financial year 1995/96. The Commission and LART will endeavour to accomplish the task within the scheduled time.

57. As a result of the restructuring problem, especially where employers fail to pay off employees their retirement benefits, the Government, as the sole shareholder of the parastatal concerned has yet another liability to meet. Due to budgetary constraints, it is very difficult for the Government to satisfy this demand. However, due to legal requirements pertaining to the contribution to Pension funds, the Government will ensure that, all parties required to contribute to the fund do so to facilitate the retirees to be paid. This measure will sufficiently respond to the problem but would not necessarily guarantee them better terminal benefits.

Private Sector

58. Hon. Speaker, the Government has emphasized on the importance of the participation of the private sector in the overall economic development. The experience gained from the National Investment Promotion and Protection policy has enlightened the Government on the necessity to improve the policy to attract more investors. In order to improve the environment for investment, it is important to ensure that the said investments are beneficial to the Government and the nation as a whole. It is the intention of the Government to revisit the law and make amendments where necessary with the objective of encouraging investors and to ensure substantial benefits to the nation.

59. Hon. Speaker, one of the underlined objective of the Government remains to be . the creation of an enabling environment for the development of the informal sector, henceforth improving the standard of living. It is the intention of the Government to revisit the present policy on informal sector and deliberately redirect it to modern technology in production and services.

Civil Servants Welfare

60. Hon. Speaker, as I have already explained while submitting the review of this year's budgetary policy implementation, it is the Government's intention to improve the welfare of civil servants. The Government has once again decided to increase the minimum wage to sh 17,506/= per month. The new minimum wage will not be taxed. It is also expected that the income tax rates for salaries higher than sh.17,500/= will be rationalized so as to increase the net take home of workers.

61. Hon. Speaker, although the percentum increase (75%) appears to be high, in real terms the salary increase will not necessary meet the basic needs of the employer due to the prevailing high rate of inflation. The Government would very much wish to pay better salaries to its civil servants, but due to the meager available finances and other financial commitments, e.g. national debt, provision of public services, education, health, water, defense and national security, it has been difficult to fulfill this wish. incidentally even these sectors have not been receiving their full financial requirements. The Government will continue reviewing the civil servants salaries annually depending on its budgetary ability and economic performance with the intention of enabling them to meet their fundamental requirements. Therefore the Government will continue to improve the cost of living by taking measures to curb inflation. It will also review the present salary structure in order to incorporate some of the allowances in the salaries.

This exercise will also have an impact on terminal benefits and pension it will also rationalize income to the profession and minimize complaints among civil servants. The Minister responsible for civil Service will explain more clearly on the adjustments to be made to the civil servants welfare.

62. Mr. Speaker, in the 1993/94 budget, the Government introduced a Housing Revolving Fund, to alleviate accommodation problems for Civil Servants. So far the scheme is operating satisfactorily. The Government is looking into the possibility of introducing in the 1995/96 fiscal year, a special fund known as Mortgage Finance Facility to provide housing loans to the public servants, farmers and all Tanzanians. It will be financed through contributions from the Government and other financial institutions. The Government's objective is to provide more -sources from which housing loans can be provided. The appropriate guidelines will-: expounded later.

63. Hon Speaker, the Government has favorably reviewed the current pension rates. This was necessitated by the prevailing cost of living and the decision to increase the minimum wage. Therefore beginning 1st July, 1995 the G6verrment has decided to increase the minimum pension rate to 2,000/= per month. Nevertheless this will not include the pensioners who have been paid lumpsum payment of their pension.

64. For the year 1995/96 the Government will introduce a fund to be contributed at, a rate of 2% of the Civil Servants salary. The objective is to increase benefits to pensioners. This fund will be under the GEPF. The Government has also made some review to allow its civil Servants to opt to join whichever among NPF and GEPF. The main objective is to get the Government to be more accountable to its Civil Servants.

The Budget Frame for 1995/96

65. Mr. Speaker, having explained the basis for the budget, targets and different policies which the Government intends to implement in the next fiscal year, allow me to announce the 1995/96 Budget Structure. During the 1995/96 the Government has planned to spend a total of sh.627,688 million, sh.488,830 million for Recurrent Expenditure and sh.138,850 million is for Development Expenditure. The breakdown of which is as follows:

A.	Recurrent Expenditure	sh.	million
(a)	Consolidated Fund Service (CFS)	172,081	
	(b) Ministries/Departments	199,544	
	(c) Regions	13,476	
	(d) Councils	62,069	
	(i) Districts	49,853	
	(ii) Urban	12,216	
	(e) Special Expenditure	41,660	
	Total Recurrent Expenditure	488,830	

B. Development Expenditure

	Local Funds sh. million	External Funds sh. Million	Total -
(a) ministries/ Departments	18,449	7,225	115,674
(b) Regions	4,223	18,961	23,184
Total Dev. Expenditure	22,672	116,168	138,858

66. Mr. Speaker, in general the 1995/96 expenditure of Sh. 627,688 million implies an increase of Sh. 113,404 million or 22.1% compared to the 1994/95 Budget. On the other hand the recurrent budget of Sh. 488,830 million shows an increase of Sh 126,033 million or 34.7%. However the large portion of the increase is due to the internal/external debt servicing which increases yearly. When compared to the 1994/95 the national debt (CFS) has increased by Sh 71,790 million or 71.6% that it is to say from Sh 100,291 million to Sh 172,081 million.

67. Mr. Speaker, In order to sufficiently finance expenditure the Government is expecting to collect revenue amounting to Sh 439,326 million excluding additional revenue arising from new measures. Comparing with expenditure this amount has a deficit of Sh 188,362 million whose financing must be sought from other sources. It is expected to receive grants and loans from outside the country of a total of Sh 184,744m for 1995/96. This amount will reduce the gap to Sh 3,618m which will have to be financed from other sources of revenue,

68. Alongside measures to be invoked to decrease Treasury Bills, reduction of the bank borrowing levels by Shs 26,822m will be necessary to achieve economic goals mentioned earlier. This will nevertheless increase the Government Debt to Shs 30,440m which will have to be financed by other sources of revenue.

69. Mr. Speaker, as I have already stated earlier on, that for the past two years the Government has enormously utilized the Treasury Bills to finance its expenditure. This has weakened the financial and production sectors which have not been able to obtain sufficient financing for their operations. In view of this the Government for the 1995/96 has decided to reduce the issuance of Treasury Bills to a great extent. Therefore the Government expects to get Sh 13,785 million from the Treasury Bills. The amount

realized will reduce the gap to shillings 16,655 million which will be needed to be financed from sources of revenue.

New Revenue Measures

70. Mr. Speaker, having mentioned the major Revenue policies which will guide revenue collection for the coming year, I wish to announce the following new measures the Government intends to take in this financial year to fill the gap of Shs.16,655 million.

The new measure are as follows:-

- (i) Measures to raise Tax Rates
- (ii) Measures to increase fees
- (iii) Rationalization of Tax Rates

- (iv) Steps to improve Tax Administration and collection of Government Revenue.

Measures to increase Tax Rates

71. Mr. Speaker, the Government in its effort to increase government Revenue it is intended to adjust various tax rates under the following Laws:--,

- (i) The Road Toll Act

- (ii) Motor Vehicle Registration and Tax on Transfer Act
The Income Tax Act

72. Mr. Speaker, in order to boost the existing Road Fund to meet the rising costs in road construction, rehabilitation and maintenance it is proposed to raise the road toll by Shs.10/= per litre of petrol and diesel. The Road Toll Rate will now be Shs. 50/= instead of Shs. 40/= per litre of petrol and diesel. This measure is expected to generate an extra revenue of Shs.5,856 million. Secondly it is intended to increase the road toll rates on foreign Registered Motor Vehicles from US Dollar 3 to, US Dollar 5 for Vehicles

with the lowest gross vehicle weight and US Dollars 21 to US Dollar 25 for vehicles with the highest gross vehicle weight.

However, Motor Vehicles required to pay transit charges will not be charged this road toll because we are members of the Preferential Trade Area (PTA) and are bound by the PTA treaty. This measure will raise additional Revenue of 150 million Shillings.

73. Mr. Speaker, it is also proposed to raise the rates of registration fees of Motor Vehicles and Motor Cycles from Shs.50,000/= to Shs.75,000/= and shs.15,000/= to Shs.22,500/= respectively. It is expected to raise Shs.350 million from this measure.

74. Mr. Speaker, it is proposed to amend the Income Tax Act in order to impose a withholding tax to be known as a Branch withholding tax at the rate of 20% on profits after tax in respect of foreign registered companies with branches in Tanzania.

Simultaneously with this measure its is proposed to reduce the nonresident corporation tax rate of 40% to 35% so as to have a common tax rate for resident and non resident companies. The aim of this measure is to rationalise the taxation of dividends payable to shareholders without discriminating residents and nonresident shareholders in Tanzania. The measure is expected to generate Shs.350 million.

Measures to increase fees.

75 Mr. Speaker, another area intended to raise revenue for the Government is to review fees charged under the Transport Licensing Authority Act. It is proposed that fees presently charged for a period of 27 months should now be charged on annual basis; taking into account the weight of the Vehicle so that Vehicles with greater weight contribute proportionally more for the maintenance of the road. It is proposed to increase the current fees of Shs.6,220/= for a period of 27 months for Vehicles with 2 Excels with gross Vehicle weight not exceeding 5 tons to Shs.10,000/= per annum. For Vehicles with 6 Excels and gross Vehicle weight of 52 tons and above; currently

charged Shs.91,100/= for a period of 27 months shall now be charged Shs.310,000/= annually. This measure is intended to raise Revenue for the Government and boost the Road Fund. Additional Shs.2,136/= billion is expected to be raised from this measure.

76. Mr. Speaker, In order to curb tax evasion arising from under declaration of Imports especially in respect of beer and Textiles, it is proposed to change the taxation on imports of these commodities by charging customs duties at advalorem rates and combining the current advalorem rates on excise duty and sales tax into one specific Excise duty.

The new rates for new Textiles will be 30% Customs duty and Shs.2,255/= per kilogramme or Shs.226/= per Sq. metre Excise duty. For used Textiles the rates will be 30% Customs duty and Shs.251/= per Kg. excise duty. With regard to beer the rates will be 10% Customs duty for beer imported from PTA Countries and 25% for beer imported from NON-PTA Countries.

Excise duty will be charged at the rate of Shs.255/= per litre for locally produced beer while imported beer from PTA Countries will be charged at the rate of Shs.340/= per litre and Shs.340/= per litre from NON-PTA Countries.

The apparent reduction of duties and taxes is not expected to have a negative impact on revenues instead the control of evasion of tax through undervaluation is expected to raise additional Government Revenue of Shs.1,684 million from Textiles and shs.6,129 million from beer.

77. Mr. Speaker, after highlighting the various measures that are intended to be taken in order to bridge the gap,, I now wish to summarise the outcome of these measures as follows:-

(i) **MEASURES ON TAX RATES:**

- (a) Road Toll on petrol and diesel Shs.5,856m/=
- (b) Road Toll on Foreign Registered Vehicles - Shs.150m/=
- (c) Registration of Motor Vehicles shs.350m/=
- (d) Branch withholding Tax - Shs.350m/=

(ii) **MEASURES TO INCREASE FEES (TLA)** shs.2,136m/=

(iii) **MEASURES TO RATIONALISE TAX RATES:**

- (a) Tex-tiles - Shs.1,684.0m/=
- (b) Beer - Shs.6,129m/=
- TOTAL:- shs.16,655m/-

78. Mr. Speaker, all the measures I have mentioned will be effective from 16th June, 1995 except for those under the Income Tax Act which will be effective from 1st July 1995.

79. Mr. speaker, as your Honourable House will have noted most of the measures I have mentioned are intended to grant tax relief to the ordinary people-. However experience has shown that often times when such tax reliefs are granted it is the businessman rather than the intended ordinary people who benefit from them.

We all realise that the motive of every businessman is to maximise profits but it is not in the interest of Public accountability for businessmen to maximise profits by taking advantage of tax reliefs intended for the ordinary people. This is tantamount to robbing the poor of the little they have which is devolish. It is my hope that the business community will this time be considerate enough to reduce the prices of the various-goods for the benefit of the consumers. However the Government will no hesitate to

review these reliefs if they will continue to be abused- As for the tax evaders I Would like to warn them that we shall be very strict with them this time and unlike in the past severe measures including criminal Procedures will be taken against them.

Special Policy and implementation measures

80. Mr. Speaker, alongside the measures explained a while ago regarding revenue, I Would like to elaborate on additional policy measures to be implemented in 1995/96.

Tax exemptions

81. Experience has indicated that several Tax Exemptions applications emanates from agreements with Public Institutions and Non-Government Organizations (NGO) together with Foreign donors while under pressure to approve projects. I would like to reiterate that from now onwards the Government will not approve any agreements with tax-exemption provisions without a written approval from the Ministry of Finance. It is emphasized that the Government will not. honour any agreements for which it has not consented to. Furthermore the tax exemptions already legally granted to charitable and religious organizations will only cover items to be used for religions service and for project goods education intended for health and the social sector and not for business purposes.

Imports Procedures

82. As earlier explained we have been using foreign companies for pre-shipment inspection of imports. Currently pre-shipment inspection threshold covers imports valued from USD 1,000 and above. It has been decided to raise the current minimum threshold to USD 5000. This measure is expected to reduce the fee for this service and at the same time minimize inconveniences caused to the importer. The exchange

rate validity period for assessment of duty and taxes has also been increased from the current one week to one month.

I wish at this juncture Mr. Speaker to inform your honorable house that the question of using foreign pre-shipment companies to assess and collect taxes on imported goods is of a temporary and soon nature, and that our Tax Departments will have to take over this exercise. Presently we are considering which of the function performed by SGS and SSI will be taken over by our Tax Departments.

83. Nevertheless Mr. Speaker, I would wish to clarify on the Government's decision to contract foreign firms to undertake the pre-shipment inspection and assessment and collection of the relevant taxes thereto.

This is not intended to be a permanent arrangement but a stop gap facility while we build our under capacity to effectively carry out the same functions.

Gold Purchase

84. Hon. Speaker, you may wish to be reminded that a few years ago the Government through the BOT purchased gold from miners and private dealers. This arrangement enabled us to have enough gold reserve which protected the value bur shilling. In 1994 however the BOT terminated this arrangement due to various problems. Mr. Speaker, the discontinuation of Gold purchases by the BOT had adverse effects to the economy as it encouraged sale of gold in the black market. The Government is at present considering reintroduction of the gold purchases once again through an arrangement which will ensure that the control of the problems encountered before.

Frame for the 1995/96 Budget

85. Mr. Speaker, after elaborating new measures to be adopted to improve Government Revenue, allow me to present 1995/96 budget structure:

Recurrent Revenue	455,981 million
External Grants & Loan	184,744 million
Non Bank Borrowing	13,785 million
Bank Borrowing	(26,822),million
Total Revenue	627,688 million
Recurrent Expenditure	488,830 million
Development Expend	138,858 million
Total Expenditure	627,688 million

86. Mr. Speaker, the 1995/96 Budget which has a total expenditure of Sh 627,688 million, shows an increase of Sh. 77,874 million or 14.2%, compared to the approved amount in 1994/95. The Recurrent Budget which is normally characterized with over expenditures, will have an increase of Sh. 90,503 million or 22.7% from Sh. 398,327 million in 1994/95 to Sh. 488,830 million for 1995/96. A large portion of the increase is in the financing of servicing of the national debt. An amount of Sh 303,961 million will cover the expenditure budget for the Ministries, Departments, Regions and Councils. Comparing with the amount of Sh. 262,507 million approved for 1994/95 the increase is about 15.8% to cover salaries and other expenditures.

87. Mr. Speaker, Budget constraints have been recurring every year. Actual requirement was sh.916 billion while the total Budget is sh.627 billion, thus starting with a deficit of 300 billion. It is obvious that this is a tough budget because the amounts

provided will not satisfy demands. It is essential therefore to reiterate that, the budget deficit is a result of a weak revenue administration on one hand and a huge uncontrolled Government expenditure on the other. We all know the underlying problems bedeviling the Government budget. A number of commissions have conducted various studies and recommended appropriate measures to the Government on how to improve and bring about efficiency. This is the right time to start implementing the recommendations, and curb the deficit budget.

88. The Government has already taken measures to enhance revenue, which includes; stringent action against tax evasion, plugging loopholes that cause losses of revenue and the establishment of the Tanzania Revenue Authority effective July 1, 1995. Also Measures to control expenditure and to enhance efficiency have been put in place. Nevertheless it is crucial to take stern and bold measures to resolve the problems created by the excessively large government structure, weak leadership, accountability and debt accumulation. If action is not taken now, under-funding of Government services we will continue, dependence of the budget will persist and eventually the economy will be in shambles.

89. Mr. Speaker, as regards non retirement of imprests, I would like to remind everybody that government regulations require that no imprests should be outstanding at the end of the financial year. Apparently this particular regulation is not honoured and there are Imprests Holders owing hundreds of thousands if not millions of shillings. They are reminded that outstanding imprests should be retired by June 30, 1995 and all Chief Accountants are required to submit to the Paymaster General, within two weeks of the closure of the financial year, lists of outstanding imprest holders will enable the Government to institute recovery measures.

90. Mr. Speaker, another area which has been adversely affected by the budget deficit and which requires government attention is inflation. The rise in inflation rate affects government ability to provide quality services to the people. In other words inflation also erodes peoples' purchasing power thus lowering their living standards.

Conclusion

91 Mr. Speaker, allow me to conclude this speech by saying that at the end of the second phase government this year, Tanzania will have completed 35 years of Independence. During this period we adopted appropriate policies for the development of the people. There are some areas where our efforts paid but we also had some failures to those problems which are not addressed to-date we logically be a challenge to the 3rd phase Government.

92. Mr. Speaker I beg to move.