

**SPEECH BY THE MINISTER FOR FINANCE
HON. ZAKIA HAMDANI MEGHJI (MP),
INTRODUCING TO THE NATIONAL ASSEMBLY,
THE ESTIMATES OF GOVERNMENT REVENUE
AND EXPENDITURE FOR FINANCIAL YEAR
2007/08 ON 14TH JUNE, 2007**

INTRODUCTION:

1. **Mr. Speaker,** I beg to move that this esteemed House resolves to debate and approve Government proposals for Revenue and Expenditure estimates for the Financial Year 2007/08. This Government budget has been consolidated into four volumes: volume one presents revenue estimates; volumes two and three describe recurrent expenditure estimates for Ministries, Government Departments, Regions, Urban and District Councils; and volume four presents development expenditure estimates for the Ministries, Government Departments, Regions and Councils. In addition, there is the 2007 Finance Bill.

2. **Mr. Speaker,** I would like to take this opportunity to express my sincere appreciation to everyone, who in one way or the other, contributed to the preparation of this budget, which indeed involved many stakeholders. I would like to thank the Finance and Economic Committee of the Parliament, under the chairmanship of Hon. Dr. Abdallah Omari Kigoda, Handeni Member of Parliament, for their excellent work in keenly

scrutinizing the budget proposals and for their very important advice. The Committee's advice has been of great help in improving the budget that I am presenting today.

3. *Mr. Speaker,* for the first time in the history of this Parliament, the Union Parliament had the opportunity in April 2007 to discuss the budget and planning guidelines for the period 2007/08 to 2009/10. The Budget and Planning Guidelines is an important step in the preparation of the budget. I would like to take this opportunity on behalf of the Government, to thank the Honourable Members of Parliament for their valuable contributions, which to a great extent, have been taken into account in the preparation of this budget. This procedure will continue to be practiced in the coming years. Jointly, we will use this opportunity to put in place strategies that will facilitate the achievement of our promise for a better life to every Tanzanian.

4. *Mr. Speaker,* I would also like to thank all Ministries, Independent Government Departments, Regions, Councils, National and International Organizations, and the Private Sector, for their valuable inputs to the preparation of this budget. Let me take this opportunity to thank the Office of the Attorney General for the timely preparation of the bills and legal notices for this budget. I would also like to thank the Government Printer for the timely publication of this budget speech, the budget books and bills related to this budget. I

would also like to express my gratitude to my colleagues in the Ministry of Finance, in particular, the Deputy Ministers for Finance, Hon. Abdisalaam Issa Khatib (MP) and Hon. Mustafa Haidi Mkulo (MP); the Permanent Secretary, Mr. Gray S. Mgonja; and Deputy Permanent Secretaries, Mr. Ramadhani M. Khijjah and Andrew Nyumayo; Heads of Department and all members of staff of the Ministry. Finally, I would like to extend my special thanks to all experts and stakeholders who offered professional suggestions on how to improve the collection of revenue. Their recommendations and advice were taken into consideration in preparing this budget.

5. *Mr. Speaker*, we are approaching the end of the first fiscal year of the Fourth Phase Government. During the first year, we witnessed positive achievements and many challenges. Since June 2006, three new Members of Parliament have joined the House. I would like to take this opportunity to congratulate Honourable Yusuf Rajab Makamba (MP), Nominated Member of Parliament, Honourable Mtutura Abdallah Mtutura, Tunduru Member of Parliament and Honourable Florence Essa Kyandesya (MP). We welcome them aboard our team, that is guided by the philosophy of new zeal, new vigour and new speed. I would also like to congratulate Members of Parliament who have been elected to represent us at the East African Legislative Assembly, namely; Honourable Dr. Didas John Massaburi, Honourable Dr. Aman Walid Kabourou, Honourable Dr. George

Francis Nangale, Honourable Sylvia Kate Kamba, and Honourable Septuu Nasoro. Others are; Honourable Abdallah Ally Hassan Mwinyi, Honourable Dr. Said Gharib Bilal, Honourable Janeth Deo Mmari, and Honourable Dr. Fortunatus Lwanyatika Masha. Their election victory demonstrates the confidence that the people of Tanzania through their Members of Parliament have in them. I wish them success in their new responsibilities of promoting the welfare of the East African Community.

6. *Mr. Speaker*, our nation has been honoured to be given senior leadership positions in International Organisations. I would like to take this opportunity once again to congratulate Honourable Dr. Asha Rose Migiro on her appointment as UN Deputy Secretary General. Tanzanians have confidence in her leadership ability. Being the first woman to hold that position at the UN, we trust she will work diligently for the common benefit of the International Community. I would also like to congratulate Honourable Dr. William Shija, who was appointed Secretary General of the Commonwealth Parliaments Secretariat. I also, want to congratulate Ambassador Liberatta Mulamula, on her appointment as the first Executive Secretary of the Secretariat of the Great Lakes. These appointments are an honour to our country.

7. *Mr. Speaker*, despite the positive developments, we experienced sad events. We lost

our colleague, the late Honourable Juma Jamaldin Akukweti, the former Member of Parliament for Tunduru, and former Minister of State in the Prime Minister's Office (Parliamentary Affairs), who passed away on 4 January, 2007 following a plane accident. We will always remember the late Akukweti as a hardworking and loving person. We also remember the other Government officials who died on account of the same plane accident that occurred at Mbeya airport; John Bendera, Nathaniel Katinila, and Theresia Nyantori. May God rest their Souls in Eternal Peace, Amen.

IMPLEMENTATION OF THE 2006/07 BUDGET

8. ***Mr. Speaker***, macroeconomic targets for fiscal year 2006/07 were as follows: -

- (i) Attaining a real GDP growth of 5.9 percent in 2006, and 7.3 percent in 2007;
- (ii) Inflation rate not exceeding 4.0 percent (base year 2001) by end June 2007;
- (iii) A domestic revenue to GDP ratio of 14.5 percent in 2006/07;
- (iv) Increase in broad money supply (M2) consistent with the country's economic growth and inflation targets;

- (v) Maintaining foreign exchange reserves to about 5 months of imports of goods and services;
- (vi) The reforms in the financial sector were expected to improve availability of credit to productive sectors, particularly small and medium size businesses;
- (vii) Management of the National Debt in accordance with the National Debt Strategy and the Loans, Guarantees and Grants Act of 1974 as amended in 2003.

9. **Mr. Speaker**, trends in key macroeconomic indicators during the first nine months of 2006/07 are very encouraging, despite the effects of the prolonged drought that caused severe food shortage and adversely affected hydropower generation, resulting in crippling power shortage. Inadequate food supply contributed significantly to the increase in domestic prices and corresponding increases in the rate of inflation, which reached 7.2 percent by end March 2007. Following improvements in food supply, statistics for April 2007 indicate that inflation has declined to 6.1 percent. Preliminary economic data further indicate that GDP grew at 6.2 percent in 2006, compared with 6.8 percent for 2005 and the target of 5.9 percent for 2006. These indicators suggest that if it was not for the drought, the economy could have performed even better. The foreign exchange reserve position has also remained

positive. As at end of March 2007, international reserves were equivalent to 5.3 months of imports of goods and non-factor services.

10. **Mr. Speaker**, in 2006/07 the Government planned to collect Shillings 4,850.588 billion (4.85 trillion) in both domestic revenue and foreign aid. The Government had planned to spend the same amount for recurrent and investment activities.

DOMESTIC REVENUE

11. **Mr. Speaker**, in the year 2006/07, the Government planned to collect Shillings 2,460.995 billion (2.460 Trillion) in domestic revenue. In order to achieve this target, the Government implemented a range of policy and institutional reform measures, including continued efforts to improve the business environment, broadening the tax base through registration of new tax payers, restructuring of the tax system and close monitoring of implementation of institutional reforms currently being implemented by the Tanzania Revenue Authority (TRA) under its five-year corporate plan that has led to significant improvement in revenue collection through the use of modern technology, improved efficiency at the Large Tax Payers Department, and strengthening supervision and performance at the Customs Department. Implementation of these measures has also enhanced efficiency in the collection of non-tax revenue by sector ministries and independent government departments.

12. **Mr. Speaker**, during the July 2006 – March 2007 period, domestic revenue reached Shillings 2,002.4 billion (2.0 trillion), equivalent to 81.4 percent of the annual budget estimate and 109.7 percent of the estimate for the period. In other words, TRA surpassed the target and set a new record for monthly revenue collection by collecting about Shillings 260 billion for the month of March 2007. The problem of power shortage had little adverse effect on revenue collection as the Government had directed TANESCO to exempt key industries from power rationing, to protect Government revenue. Improved revenue collection was also due to measures taken during the 2006/07 budget. Generally, all revenue sources performed well except for levy on Petroleum Products and VAT on imports.

13 **Mr. Speaker**, during 2006/07 the Government implemented various policy and structural reforms of the tax system as indicated below:-

- (i) The Government reduced the Corporate Income Tax rate from 30 percent to 25 percent for a period of three years, in respect of newly listed companies at the Dar es Salaam Stock Exchange (DSE), with at least 35 percent of equity ownership issued to the public. This reduction was intended to encourage companies to go

public and broaden corporate ownership in Tanzania. The Government also reduced the withholding tax rate from 30 percent to 10 percent for Collective Investment Schemes in order to encourage collective investments in the country. The impact of these measures is expected to be realised in the medium to long-term time frame. I would like to take this opportunity to call upon private companies to get listed with the Dar es Salaam Stock Exchange in order to contribute to the growth of the capital market in the country;

- (ii) Excise duty rate on soft drinks, beer, imported wines, spirits, and cigarettes was raised by 7 percent to adjust for inflation. This measure generated additional revenue of **Shillings 2.390 billion during the first half of the fiscal year which is 18 percent higher than estimated;**

- (iii) The Government also increased excise duty on mobile phone airtime from 5 to 7 percent in order to increase revenue and move to harmonization within the East African Community. **This measure raised additional government revenue of Shillings**

15.661 billion for the period July 2006 to January 2007;

- (iv) A number of amendments on import duty tariffs were also made under the East African Community Customs Management Act. The amendments involved reduction of tariffs on raw materials for soap and paper. Import duty on Liquefied Petroleum Gas (LPG) Cylinders was abolished in order to encourage usage of gas so as to protect the environment. The implementation of these measures generated revenue amounting to **Shillings 2.998 billion to the Government for the period July – December 2006;**

- (v) Fuel Levy was raised from shillings 90 per litre to shillings 100 per litre, in order to generate resources for road maintenance. **This measure raised additional revenue of Shillings 5.98 billion to the Government during the period July 2006 to January 2007. It is expected that more than shillings 10 billion will be collected by the end of this fiscal year;**

- (vi) The Gaming Act was amended with a view to empowering the Gaming Board to collect the gaming tax on behalf of the Tanzania Revenue Authority (TRA).

The procedures for levying Gaming Tax on Casino Business were changed from special rates on gaming equipment to 13 percent of total gaming revenue. This measure has generated revenue to the government of shillings 2.2 billion for the first half of this fiscal year compared to the target of shillings 1.1 billion during the same period;

- (vii) Import duty on Crude Palm Oil was increased from zero to ten percent. The aim was to encourage production of oil seeds in the country, and thus increase income to Tanzanian farmers. Available data indicate that there has been an increase in the prices of oil seeds especially for sunflowers and cotton seeds in the past season. The Government will maintain this rate in order to protect the incomes of our farmers.
- (viii) The excise duty on plastic bags was raised from 15 percent to 120 percent for permitted items, in order to reduce the usage of these bags and therefore protect the environment. A review shows that this measure is bearing fruits as the usage of plastic bags is declining;

- (ix) The Government introduced a 20 percent excise duty on imported used non-utility motor vehicles aged 10 years or more. This measure aimed at discouraging the importation of dilapidated vehicles that have adverse impact on the environment and require high maintenance costs;
- (x) The Government made some amendments to the Value Added Tax Act, with the objective of improving the business environment. The amendments made include, exemption of VAT on Liquefied Petroleum Gas (LPG) and its cylinders with the aim of encouraging people to use gas instead of charcoal and firewood so as to protect the environment. The impact of this measure is expected to be noticed in the medium to long term time frame;
- (xi) The Government amended Article 19 (2) of the Tanzania Investment Act of 1997 in order to limit its application to Strategic Investors only. Further, tax exemption on non-utility vehicles for investors was abolished. The purpose of this measure was to eliminate non productive tax exemptions that also create room for revenue leakage;

- (xii) The Government exempted VAT on petroleum products in order to minimize the impact of VAT on petroleum prices. Excise duty on petroleum products was also adjusted to safeguard Government revenues. Further, the Government increased the transit period for petroleum products on transit to neighbouring countries, from 15 days to 30 days so as to simplify and improve efficiency in the transit petroleum business.

14. **Mr. Speaker,** the strong revenue performance is a result of sound macroeconomic policies and efficient tax administration. The tax measures I have explained above that were implemented and continue to be implemented have also contributed to the improvement in revenue collection. The improvement is also partly due to the implementation of TRA's modernization programme.

FOREIGN LOANS AND GRANTS

15. **Mr. Speaker,** Shillings 745.686 billion, equivalent to 93 percent of the annual target for General Budget Support (GBS) had been disbursed by Development Partners by end March 2007. The bulk of disbursements were made during the first half of 2006/07 consistent with the agreement between the Government and the GBS Development Partners. During the same period,

disbursement to development projects reached Shillings 726.332 billion or 92 percent of the annual target. Early disbursement of GBS resources helped to mitigate the adverse effects of the drought and the corresponding food and power shortages that were experienced during the period under review.

EXPENDITURE TREND

16. **Mr. Speaker**, during the period July 2006 – March 2007, Government expenditure reached shillings 3,415.412 billion (3.41 trillion), equivalent to 70.4 percent of the 2006/07 budget of shillings 4,850.6 billion. This level of expenditure is 94 percent of shillings 3,638.314 billion (3.6 trillion) estimated for the period. Out of that amount, shillings 2,134.621 billion (2.1 trillion) was recurrent expenditure and shillings 1,282.791 billion (1.281 trillion) was development expenditure. Recurrent expenditures comprise salaries for government employees, debt servicing, pension, medical supplies, teaching materials, equipment and other administrative expenses. Shillings 18.7 billion were spent on emergency food imports. The Government also expects to spend shillings 204.5 billion to purchase and hire equipments for power generation. In December 2006, the Government paid shillings 20 billion as subvention to TANESCO and also Guaranteed TANESCO to secure a bank loan in the amount of shillings 126.5 billion.

17. **Mr. Speaker**, other emergence needs that were financed through reallocation include; domestic debt servicing which increased as a result of a sudden rise in domestic interest rate on treasury bills and government bonds, hiring of secondary school teachers following a sharp rise in the number of students passing primary school examination, expenditures related to the cost of food distribution from the National Strategic Grain Reserves (SGR) to areas that experienced food shortage, and expenses related to government effort to combat the outbreak of Rift Valley Fever.

18. **Mr. Speaker**, the Government continued to strengthen public financial management and budgetary control. Measures implemented during the year include increasing the number of Councils (LGAs) connected to the Integrated Financial Management System (IFMS) network to 85 out of 122 Councils. The remaining 37 Councils will be connected by the end of 2007/08. During 2006/07, the Central Government pledged to assist District and Urban Councils to strengthen their performance, especially in the areas of accounting and internal auditing. In implementing this pledge, the Government employed 207 accountants and 64 internal auditors who were allocated to various Councils. The Government has also continued to strengthen the National Audit Office by equipping it with modern tools including at the Local Government level.

19. **Mr. Speaker**, in 2006/07, Government continued to strengthen the Expenditure Tracking and the Technical Audit Units in the Ministry of Finance. A total of 197 projects around the country were inspected during 2006/07. Efforts to enhance public accountability were given a boost on April 15, 2007 when H.E. President Kikwete convened a meeting involving all relevant Government officials to discuss the Controller and Auditor General's Audit Report for 2005/06. At the meeting, the President directed that the entire leadership in Government Ministries, Departments and Agencies should take interest in financial management and other accountability requirements. The leaders were urged to closely monitor Government revenues and expenditures to ensure adherence to financial regulations. The President also instructed leaders to take actions on all audit queries raised in the Auditor General's Report.

PROCUREMENT

20. **Mr. Speaker**, the Government has begun implementation of an out reach strategy to educate key stakeholders in central and local Government on the implementation of the Public Procurement Act of 2004. The Government is in the process of identifying problems in Local Councils with a view to preparing a comprehensive short, medium and long-term strategy to ensure that Local Councils are properly staffed. Public procurement regulations for Local Councils have been signed by

relevant authorities and will soon be published in the Government Gazette so as to become effective. Implementation of these regulations will help to reduce procurement problems in Local Authorities. This is an important area for management of public expenditure, given that a major part of the Government budget is implemented through procurement.

ECONOMIC EMPOWEREMENT OF THE PEOPLE

21. **Mr. Speaker**, during 2006/07, the Government continued to implement the second-generation financial sector reform programme with a view to improving access to financial services, and to enable the sector to enhance its contribution to economic development of our country. Measures taken in this regard include the following: -

- (i) The Government is finalizing a bill on lease financing to facilitate acquisition of equipment and other capital items on lease basis;
- (ii) Government is preparing a bill to amend several clauses of the Land Act with a view to improving the environment for development of mortgage finance;
- (iii) The Government will continue to provide guarantees for bank loans

through the schemes managed by the Bank of Tanzania for the purpose of providing medium and long term funding for development projects;

- (iv) As of end of March 2007, the Development Finance Guarantee Scheme guaranteed loans worth shillings 19.61 billion. The Small and Medium Size Credit Guarantee Scheme provided guarantees for loans worth Shillings 1.204 billion, and the Export Credit Guarantee Scheme extended guarantees to cover loans worth Shillings 149.17 billion. The Government will continue to strengthen these schemes so as to enable more people to benefit from them; and

- (v) In 2006/07 the Government introduced a scheme for soft loans to the poor people through CRDB Bank and the NMB. Each Region was allocated shillings 1 billion under the scheme. The Bank of Tanzania in collaboration with CRDB and NMB banks has made arrangements to assist with provision of training to prospective borrowers to apply and secure loans under this scheme. Plans are underway to extend the scheme to Zanzibar. The Government expects that

the people have now better understanding of the borrowing requirements, in preparation for phase two of the scheme.

JOINT FINANCE COMMISSION

22. **Mr. Speaker**, the Joint Finance Commission that was established in accordance with paragraph 134 of the 1977 Union Constitution, and the Joint Finance Commission Act, Chapter 140; has submitted to the Government, recommendations on Criteria for sharing of revenues, and costs for running the Union Affairs. Currently, both the Union and Zanzibar Governments are reviewing the recommendations. In this connection the Union Minister for Finance and her Zanzibar counterpart, have met and agreed that each side completes internal consultations and submit respective positions to the Committee of the Union Prime Minister and Zanzibar Chief Minister.

RELATIONSHIP WITH DEVELOPMENT PARTNERS

23. **Mr. Speaker**, relationship between the Government of Tanzania and her Development Partners has continued to improve. The Government continued to receive grants, concessional financing and debt relief. In December 2006, the Government together with 19 Development Partners signed a Memorandum of Understanding committing their respective

countries and institutions to implement the Joint Assistance Strategy for Tanzania (JAST). Among others, the Strategy requires Development Partners to increase official development assistance and channel their financial assistance through the General Budget Support, as the preferred modality. The strategy also provides for division of labour among Development Partners on one hand and between donors and the Government on the other. This should be based on respective comparative advantage among the donors. Further, the strategy emphasizes the need for Government leadership and ownership of the development process. The Government is also responsible for setting priorities and determining the choice of technical assistance needed, without unnecessary influence by Development Partners.

24. Mr. Speaker, following the agreement and the promises made by rich countries, the International Monetary Fund (IMF), the World Bank and the African Development Bank have cancelled all debt owed by Tanzania as at the end of 2003. Nevertheless, the mode of delivery of the debt relief differs from one institution to the other. The World Bank debt relief amounting to US Dollars 2.8 billion was officially announced on 1st July 2006 and will be delivered on maturity basis for a period of forty years. The African Development Bank has cancelled the debt owed by Tanzania amounting to US Dollars 750 million. The relief from this debt cancellation is also delivered on maturity basis and will be delivered over a period of twenty years. On

its part, the IMF provided US Dollars 336 million in debt cancellation and unlike the other two institutions; the IMF's relief has been delivered in one installment. The Government continues to seek debt cancellation from the remaining creditors, in particular Brazil, Algeria, Iraq and Iran. This is in accordance with the international agreements reached in the framework of HIPC.

25. Mr. Speaker, as I explained in my last year's speech, the Government of the United States of America, through its Millennium Challenge Corporation (MCC), selected Tanzania as one of eligible countries for assistance through the Millennium Challenge Account. Since last year, we have received US Dollars 11.5 million under an interim programme called "threshold programme". Assistance under this programme aims at strengthening key institutions for good governance such as the Judiciary, the Prevention of Corruption Bureau (PCB), Public Procurement Authority, and fight against money laundering, just to mention a few. Currently, the Government and the MCC are preparing the full compact programme that will attract project funding from the Millennium Challenge Account (MCA). We expect to complete the process by the end of 2007.

26. Mr. Speaker, following success in macroeconomic performance, under the PRGF arrangement, Tanzania's relations with the IMF is now coordinated under the new arrangement, the 'Policy Support Instrument' (PSI). This arrangement

was introduced by the IMF in October 2005, and is intended for poor countries that have built capacities for formulating and supervising successfully economic policies that promote macroeconomic stability and growth and which have developed national poverty reduction plans. Countries under the PSI Programme do not borrow from the IMF anymore; instead, they obtain advice on implementation of appropriate macroeconomic policies. Through this arrangement, Tanzania's relationship with the IMF, remains very good and the Fund continues to promote Tanzania in the international arena.

THE 2006/07 LIKELY OUT-TURN TO 30 JUNE 2007

27. Mr. Speaker, due to the return of favourable weather conditions, agricultural production is expected to increase significantly. Given that there is no more power rationing, and with reliable water supply to production entities, the Government is confident that the full 2006/07 budget will be executed as planned. Domestic revenue is expected to surpass the target of 14.5 percent to reach 15.7 percent of GDP by the end of June 2007. External grants and concessional borrowing is also expected to be on target. A full report in connection with the internal re-allocation that was done during the year to cater for emergency needs will be presented to the House at the end of this fiscal year as required by financial regulations.

CHALLENGES AHEAD OF US

28. Mr. Speaker, despite achievements in economic growth, revenue collection, and provision of social services particularly in the areas of education and health, our country continues to face challenges. These challenges include but not limited to the following:-

- (i) Our economic growth rate is still low compared to the actual needs, especially considering the population growth rate at about three percent per annum. Accelerated rate of economic growth is needed in order to enhance domestic revenue and improve government ability to provide public service;
- (ii) Infrastructures, including roads, railways, harbours and power in particular, are important and essential requirements for stimulating economic growth. However, financial resources that are required for development of the appropriate level of infrastructure are enormously larger than the Government can afford. I shall explain this in more details later;
- (iii) Although rich countries and the international financial institutions are making promises to scale up aid, the assistance will have meaningful benefit

only if we direct it to areas that have the potential to increase our capacity for self reliance; the challenge is to agree on how to invest development assistance from development partners;

- (iv) The resource requirements for the implementation of NSGRP, particularly resources for development of infrastructure, including power, roads, railways, water supply, communication and agriculture, expanding health and education, and promoting good governance, are immensely large compared to the resources available (financial and human resources);
- (v) In view of these limitations, another major challenge is to prioritize government intervention. It is equally a daunting challenge to get agreement on non-priority areas that would have to wait;
- (vi) It is now time to identify economic and social services that can be taken up by the private sector, to allow the Government to concentrate on priority areas for better results; and
- (vii) Foreign currency demand in our economy by far exceeds the country's export

earnings. It is important to give priority to exports, as a means to being self-reliant.

THE BASIS AND OBJECTIVES OF THE FY 2007/08 BUDGET

29. Mr. Speaker, the FY 2007/08 budget is the second after the December 2005 General Elections. The focus of this budget is centered on the challenges that I have pointed out above, along with the implementation of the CCM Election Manifesto of 2005, the MKUKUTA, and the Millennium Goals, which are also enshrined in MKUKUTA. These guidelines provide the basis of the Economic Policies for 2007/08 that were presented earlier this morning by the Minister for Planning, Economy and Empowerment when presenting his speech on the State of the National Economy. The macroeconomic objectives of this budget include:

- (i) Real Gross Domestic Product growth rate of 7.3 percent in 2007, 7.7 percent in 2008, and 7.8 percent in 2009;
- (ii) To contain inflation at 4.5 percent by end June 2008;
- (iii) To increase domestic revenues from Tanzania shillings 2.6 trillion in 2006/07 (14.5 percent of GDP), to Tanzania shillings 3.5 trillion in 2007/08 (18.1 percent of the GDP) (on

the basis of available data at the time of preparing this budget) and to Tanzania Shillings 4.4 trillion in 2009/10;

- (iv) To contain growth of broad money supply in line with the macro-economic targets;
- (v) To maintain the level of foreign exchange reserves at not less than 5 months of imports of goods and services.
- (vi) To continue implementing the policy of market determined exchange rate with the Bank of Tanzania intervening to smoothen volatility of the exchange rates. Furthermore, there is need to strengthen the enforcement of the Foreign Exchange Act, 1992 especially in respect of forex shops (bureau de change transactions), as well as local businesses that issue invoices in foreign currency; and
- (vii) To accelerate the reforms in the financial sector with a view to increasing availability of credit to the private sector, particularly small and medium size entrepreneurs.

REVENUE POLICIES

30. Mr. Speaker, in the FY 2007/08, the Government will continue to focus efforts on domestic revenue collection. This will include expanding the tax base and implementing tax administration reforms. These objectives will be achieved through the following measures:

- (i) Strengthening macroeconomic performance by improving the environment for investment that will enable the private sector to grow and consequently expand the tax base;
- (ii) Registration of new tax payers who will emanate from the MKURABITA initiative; and other initiatives that aim at increasing registered businesses and employment;
- (iii) Implementing fully the Second Corporate Plan of the Tanzania Revenue Authority including strengthening tax administration.
- (iv) Reviewing various tax rates and collection procedures with a view to increasing voluntary compliance and reducing tax administration costs;
- (v) Instituting a strategy for increasing non-tax revenues, particularly in regard to the utilization of natural resources.

31. Mr. Speaker, following strong improvement in domestic revenue performance, and the policy measures I have mentioned to enhance revenue collection, the Government plans to collect domestic revenue amounting to shillings 3,502.583 billion (or 3.503 trillion) during 2007/08, representing an increase of more than 30 percent on the likely outturn for 2006/07. This is 18.1 percent of Gross Domestic Product, on the basis of statistics available at the time of preparing this budget. Moreover, the Government expects to get shillings 15.0 billion from the sale of 21 percent of its shares in the National Microfinance Bank (NMB). I will provide more details on domestic revenue shortly.

FOREIGN CONCESSIONAL FINANCING AND GRANTS

32. Mr. Speaker, on the basis of commitments by the Development Partners including International Financial Institutions, the Government in the year 2007/08 expects to receive grants and concessional financing of a total of shillings 2,549.249 billion (2.549 trillion). This amount includes shillings 881.320 billion GBS, Shillings 273.194 billion sectoral basket funds, shillings 1,188.698 billion (1.189 trillion) for development projects and Shillings 206.037 billion debt relief.

33. Mr. Speaker, considering domestic revenue of Shillings 3,502.583 billion (3.503 trillion), proceeds from sale of Government shares in NMB of Shillings

15.0 billion, and foreign grants and loans (including HIPC/MDRI) of Shillings 2,549.249 billion (2.549 trillion), the Government budget for 2007/08 adds to Shillings 6,066.832 billion (6.0668 trillion), which is 25 percent higher than the 2006/07 budget, and equivalent to 31 percent of GDP.

DOMESTIC FINANCING

34. *Mr. Speaker,* in fiscal year 2007/08, the Government will not resort to domestic financing for deficit financing of the budget through Treasury Bills and Government Bonds. However, in order to continue facilitating development of the financial market, the Government's intervention in the market for liquidity mopping up will be guided by the Cash Management Committee that has been set up for treasury management purposes.

PRIORITIES FOR THE 2007/08 BUDGET

35. *Mr. Speaker,* as said earlier, the budget for FY 2007/08 takes into account the Ruling Party's Election Manifesto of 2005, MKUKUTA, and other National guidelines for the development. The budget proposal also takes into account the views expressed by the Members of Parliament during the meeting on Budget Guidelines in April 2007.

CCM 2005 ELECTION MANIFESTO

36. Mr. Speaker, the 2007/08 budget has addressed major issues stipulated in the second year programme of implementation of CCM 2005 election manifesto. They include:-

- (i) Strengthening basic national infrastructure which is a catalyst for growth of the economy;
- (ii) Enhancing agricultural production through district agricultural development programmes, such as irrigation projects, research, technology development and provision of seeds and agricultural input subsidy;
- (iii) Facilitation of construction of teachers houses especially in the areas with adverse living conditions, provision of teaching materials and learning kits;
- (iv) Improving civil service welfare and provision of employment in key sectors such as education and health;
- (v) Implementing National Identity Card project;
- (vi) Rehabilitation of regional hospitals, health centres and dispensaries; and

- (vii) Mobilisation of wananchi in forming social groups such as SACCOS that will enable entrepreneurs individually or in groups, to secure loans from banks for their development projects.

MKUKUTA

37. Mr. Speaker, the budget proposal for 2007/08, is in line with the MKUKUTA Clusters, namely;

- (i) economic growth and reduction of income poverty;
- (ii) improvement of quality of life and social security; and
- (iii) good governance and accountability.

38. Mr. Speaker, in principle, this budget puts emphasis on the need to increase investment as a basis for sustainable poverty reduction. The exercise of costing MKUKUTA has not been completed yet. However, certain indicators show that resources needed for implementation of MKUKUTA are much more than the Government can afford. In that regard the implementation of MKUKUTA requires much lower levels of funding which would have to come from the public sector, the private sector, communities, and from development partners.

39. Mr. Speaker, the proxy for estimating the cost of implementing MKUKUTA would be the following:-

- (i) Transport Sector Investment Programme, that includes roads, railways, ports, airports, etc. requires more than USD 5 billion, equivalent to shillings 6.4 trillion in a period of ten years (or shillings 640 billion per year;
- (ii) The rehabilitation of transmission and distribution lines of TANESCO requires USD 1.3 billion, equivalent to shillings 1.6 trillion, in five years.
- (iii) Basic Health Programme for achieving the Millenium Development Goals requires USD 15.0 billion, equivalent to shillings 19.5 billion in five years.
- (iv) Strengthening of Extension services programme is estimated to require shillings 193 billion in three years.

40. **Mr. Speaker,** total budgetary resource requirements as submitted by Ministries, Departments, Regions, and Local Authourities for 2007/08, was more than Shillings 12.0 trillion. This is a good indicator for estimating financial needs for the implementation of MKUKUTA. This amount is twice the available domestic and foreign resources combined. Under this situation, we

cannot avoid setting and respecting priorities. It is also not realistic to think that domestic resources can be sufficient to finance the implementation of MKUKUTA in the foreseeable future. It is important to understand that institutions such as the World Bank and the African Development Bank were established to provide financial resources for development. Thus, borrowing from these institutions should not be construed as perpetuating aid dependence. In this world, there is no country or company that has developed without borrowing. The bulk of external financing for this budget is in form of concessional financing from the World Bank and the African Development Bank. There is nothing wrong in mobilizing official development aid from development partners so long it is directed to areas that will strengthen our capacity to generate increased domestic resources in future.

41. Mr. Speaker, the 2007/08 budget takes into account the Government's policy of empowering the population to enhance their capacity to bring about their own development. This stance is reflected in the following provisions: -

- (i) **First,** accelerating the implementation of the second Generation Financial Sector Reforms that will enable more people to access bank loans for production, business, mortgage finance, lease finance and improvement in pension funds;

- (ii) **Second**, the Government will continue improving the policy environment for enhancing savings habit among the citizens by facilitating them to establish associations such as SACCOS that will enable them individually or as a group to access credits from commercial banks across the country.
- (iii) **Three**, the guarantee funds, which are managed by the Bank of Tanzania will continue to be strengthened so as to guarantee more entrepreneurs; and
- (iv) **Four**, the Tanzania Investment Bank will continue to be recapitalized in order to perform its new role of a development bank.

DECENTRALIZATION BY DEVOLUTION (D by D)

42. Mr. Speaker, the Government is determined to accelerate implementation of its policy of devolving power to the people through the Local Governments. It has been determined that some activities undertaken by the Central Government can be better done by the Local Government Authorities with a higher degree of efficiency and commitment. Beginning with the budget of 2007/08, some responsibilities with resources from five Ministries will be transferred to Local

Authorities. The Ministries are: Health and Social Welfare, Education and Vocational Training, Agriculture, Food Security and Cooperatives, Water, and Prime Ministers Office, Regional Administration and Local Government. Moreover, the Government will continue to build capacity at the level of Local Authorities to enable them to take up more responsibilities in service delivery. In strengthening management of the government budget, several administrative steps will be taken to improve procedures of managing the implementation of the budget and to increase efficiency, transparency and accountability to the tax payers and to all the people as a whole.

43. **Mr. Speaker**, in the proposed budget the following matters have been considered:-

- (i) Priority has been accorded to completion of ongoing projects and programmes, especially those in the sectors of infrastructure and water;
- (ii) Allocation of budget funds for 2007/08 has followed the MKUKUTA Clusters, with focus on broad outcomes rather than on Sectors. Even when focus is Sector wise, it is important to pay attention to all areas within a given Sector, instead of focusing Ministry-wise. For example, the Agriculture Sector broadly defined has been allocated shillings 379.578 billion in the year 2007/08, and includes Ministry of Agriculture, Food Security and Cooperatives, Department of Marketing of

the Ministry of Industries, Trade and Marketing, Rural Roads under Local Government, Livestock Development, District Councils etcetera. Following this interpretation, Agriculture has been allocated 6.3 percent of the 2007/08 budget. The Infrastructure Sector broadly defined, incorporates items in vote 98 for the Ministry of Infrastructure Development, but also includes funds for road rehabilitation under the Road Fund Board, vote 56 (Regional Administration and Local Government) and District Councils, which have been allocated funds for village infrastructure. In this regard, the roads have been allocated a total of shillings 777.2 billion including adjustments made following suggestions by the members of Parliament through Parliamentary Committees. In this broad interpretation, areas of priority in the 2007/08 budget include the following: -

- (1) Education Shillings 1,086.1 billion (1.086 trillion) equal to 18 percent of the budget,
- (2) Roads, Shillings 777.2 billion equal to 12.8 percent of the budget,
- (3) Health, Shillings 589.9 billion equal to 10.0 percent of the budget,

- (4) Agriculture, Shillings 379 billion equal to 6.2 percent of the budget, and
- (5) Water Shillings 309.1 billion equal to 5.1 percent of the budget.

44. Mr. Speaker, other important considerations in the context of the 2007/08 budget are as follows:

(i) Procedure for Pension Services

Mr. Speaker, for a long time, there have been complaints against pension services at the Treasury. Research undertaken by the Ministry of Finance in collaboration with Pension Funds, has revealed that the complaints are on account of a number of factors, some of which are within the ability of the Ministry of Finance to handle, while others are beyond the mandate of the Ministry of Finance. In line with the consensus reached between the Government and the Pension and Social Security Funds, all Pensioners currently serviced by the Ministry of Finance, will be transferred to the various Pension Funds including the National Social Security Fund (NSSF), Public Service Pension Fund (PSPF), Parastatal Pension Fund (PPF) and Government Employees Provident Fund (GEPF). The transfer exercise will be conducted in the 2007/08 fiscal year. This step will eliminate the nuisance and suffering that pensioners have experienced overtime.

(ii) National Assembly Fund:

Mr. Speaker, effective immediately, vote 42 of budget will be called “National Assembly Fund” and will be administered directly by the Clerk of the Parliament.

(iii) Constituency Development Fund:

Mr. Speaker, the issue of establishment of a Constituency Development Fund will be presented by the Prime Minister when delivering his proposals to the Parliament.

(iv) Salaries:

Mr. Speaker, the Government has received recommendations by the Presidential Commission on improvement of Public Service remuneration. The Government is reviewing the recommendations and will implement those accepted in phases, beginning the 2007/08 budget. Moreover, this budget has taken into account the needs for hiring new staff in the sectors of Education and Health. Additional information will be given by the Minister for Public Service Management and the Ministers responsible for the two Sectors;

(v) National Identity Card:

Mr. Speaker, the project for development of National Identity for all Tanzanians is ongoing. Office building for the Coordinator of the Project has been secured, and the 2007/08 budget has set aside funds for hiring of key staff, procurement of office equipment and rehabilitation of the building. This project is coordinated by the Immigration Department. Citizen Identity Card is vital too for facilitating tax collection, accessing bank credits, and in war against crime and in building political democracy etc.

(vi) Transfers to the Revolutionary Government of Zanzibar (RGZ):

Mr. Speaker, as I pointed out earlier, the Joint Finance Commission has submitted its recommendations to the Government and the process for reaching a decision on the recommendations is ongoing. Therefore, the 2007/08 budget has allocated budgetary transfer to the Revolutionary Government of Zanzibar on the basis of the existing formular.

45. **Mr. Speaker,** other important issues considered in this budget include:

- Rehabilitation of Regional Hospitals;
- Strengthening of the accounting profession and internal auditing functions in Central Ministries and Local Governments;

- Strengthen public procurement and monitoring of budget implementation;
- Rehabilitation of District Head Offices;
- Dar es Salaam Rapid Buses Project;
- Regions have been allocated funds twice as much as in 2006/07 budget;
- Implementation of D by D would involve transfer of funds to the tune of Shillings 286 billion to Councils.

REFORM OF THE TAX STRUCTURE, FEES AND REVENUE MEASURES

46. *Mr. Speaker Mr. Speaker,* in order to strengthen the capacity to deliver better life to every Tanzanian, the Government will take additional steps to enhance domestic revenue collection. TRA will also continue to improve tax administration. The Government proposes to make certain changes in the tax structure and rates with a view to simplifying tax administration and collection; encouraging voluntary tax compliance, as well as generating additional revenue for road maintenance.

47. *Mr. Speaker,* the Government proposes to review the rates of fees and other charges administered under the following laws:-

The Value Added Tax Act, 1997

48. *Mr. Speaker,* it is proposed to make the following amendments in the Value Added Tax Act:-

- (i) Exempt from VAT fire extinguishers equipment, to reduce their cost and encourage their installation and use, for fire fighting;
- (ii) Remove the VAT exemption on locally processed yarn, to allow domestic yarn producers to recover input VAT paid and thus improve their competitiveness;
- (iii) Exempt VAT on diapers, urine and hygienic bags for medical use; and
- (iv) Extend the special relief provided under item 8 of the Third Schedule to the Act to cover prospecting and exploration of petroleum and gas.

These measures are estimated to generate additional Government revenues by **Shillings 400 million**.

The Income Tax Act, 2004

49. Mr. Speaker, it is proposed to reduce the marginal tax rate for the individuals lowest income band from 18.5 percent to 15 percent in order to reduce the tax burden to the low income earners.

This measure, which will increase the net take home income for employees will reduce

Government revenues by **Shillings. 1,809 million.**

The Excise (Management & Tariff) Act

50. Mr. Speaker, it is proposed to make the following amendments in the Excise (Management & Tariff) Act:-

- (i) Remove the marking requirement “FOR EXPORT ONLY” on exported excisable products. The requirement has been found to interfere with the country’s export drive;
- (ii) Provide for automatic transfer to the Revolutionary Government of Zanzibar, the excise revenue collected on goods produced and taxed in Tanzania Mainland and supplied or consumed in Tanzania Zanzibar; and
- (iii) Adjust by 7 percent all specific excise duty rates. The Excise Duty law provides for annual indexation for inflation of the specific excise rates to preserve the real value of Government revenue from these sources. The current and proposed rates are as follows:-
 - a) Carbonated soft drinks, from shillings 45 per litre to shillings 48 per litre;

- b) Beer made from local un-malted cereals, from shillings 161 per litre to shillings. 173 per litre;
 - c) Other beers, from shillings 274 per litre to shillings 294 per litre;
 - d) Wine produced with more than 25% imported grapes, from shillings 878 per litre to shillings 940 per litre; and
 - e) Spirits, from shillings 1,302 per litre to shillings 1,394 per litre.
- (iv) The current and proposed rates for petroleum products are as follows:-
- a) Motor Spirit Regular (MSR) and Premium (MSP), from shillings 315 per litre to shillings 337 per litre;
 - b) Gas Oil (GO), from shillings 292 per litre to shillings 312 per litre;
 - c) Illuminating Kerosene (IK), from shillings 52 per litre to shillings 56 per litre;
 - d) Heavy Furnace Oil (HFO), from shillings 109 per litre to shillings 117 per litre; and

- e) Industrial Diesel Oil (IDO), from shillings 366 per litre to shillings 392 per litre.

(v) The rate structure for cigarettes is as follows:-

- a) Cigarettes without filter tip and containing domestic tobacco exceeding 75%, from shillings 4,462 to Shillings. 4,775 per mil;
- b) Cigarettes with filter tip and containing domestic tobacco exceeding 75%, from shillings 10,529 to shillings 11,266 per mil;
- c) Other cigarettes not mentioned in (a) or (b), alone from shillings 19,195 to shillings 20,460 per mil;
- d) Cut rag or cut filler, from shillings 9,657 per kilogram to shillings 10,333 per kilogram; and
- e) The excise duty rate for “cigars” remains at 30 percent.

The excise duty measures are expected to generate additional revenue to the Government amounting to **Shillings. 34,446 million.**

Road and Fuel Tolls Act,

51. Mr. Speaker, in order to assist the Road Fund to meet the increasing road maintenance costs as the country's road network expands, the Government proposes to increase the fuel levy paid by road users from the current rate of shillings 100 per litre to shillings 200 per litre of petrol and diesel.

The Government also proposes to amend the structure of the annual motor vehicle licence fee, charged under the motor vehicles (Registration and Transfer Tax) Act, 1972 from the current flat rate of shillings 20,000 per motor vehicle to a three tier structure based on engine capacity as follows:-

- (a) Motor vehicles with an engine capacity not exceeding 1500cc, to be charged shillings 80,000 per annum;
- (b) Motor vehicles with an engine capacity exceeding 1500cc but not exceeding 5000cc to be charged shillings 230,000 per annum; and
- (c) Motor vehicle with an engine capacity exceeding 5000 cc, to be charged shillings 100, 000 per annum. This category consists mostly of commercial and other utility vehicles.

These measures together are expected to generate ***Shillings. 169,737 million*** in additional revenue.

The East African Community (Customs Management) Act

52. Mr. Speaker, the pre budget consultation meeting of the EAC Ministers for Finance which was held on 31 May 2007 in Arusha proposed amendments to the common external tariff rates. The following proposals of the Minister's for Finance were subsequently approved by the Sectoral Council on Trade, Finance and Investment:

- (i) Tanzania to apply import duty at a rate of 10 percent instead of 25 percent on buses to be imported for the DART Project;
- (ii) Tanzania to apply import duty at a rate of 10 percent on imported pharmaceuticals other than anti-retroviral drugs (ARVs), anti malaria's, TB medicines and Government procurement;
- (iii) To reduce import duty on filter materials HS Code 4805.50.00 from 25 percent to 10 percent in order to reduce production cost;
- (iv) To reduce import duty on textile fabric and felts of HS Code 5911.32.00) from 10 percent to 0 percent;

- (v) To reduce import duty on millstones and grindstones for milling, grinding or pulping (HS Code 6804.10.00) from 25 percent to 0 percent;
- (vi) To exempt energy saving bulbs from import duty;
- (vii) To exempt from import duty inputs for use in the manufacture of solar equipment;
- (viii) To exempt from import duty medical equipment for use in licensed hospitals;
- (ix) Tanzania to stay application of the Common External Tariff of 35 percent on wheat, and apply 10 percent, instead, for a further period of two years ending on 30th June 2009.
- (x) To reduce import duty on screws, bolts, nuts, washers and other articles of HS heading 7415, from 25 percent to 10 percent;
- (xi) To exempt from import duty raw materials for the manufacture of school chalks;
- (xii) To reduce the import duty rate applied on cordless line telephone handset (HS Code 8517.11.00) and for cellular or other wireless networks (HS Code 8517.12.00) from 10 percent to 0 percent in order to support the

ICT development in the telecommunication industry.

These import duty measures are expected to increase Government revenue by ***Shillings 2,772 million***.

53. Mr. Speaker, these customs management measures will be published in the East African Community Gazette before July 1, 2007.

Non Tax Revenue

54. Mr. Speaker, it is proposed to review the rates for various fees and charges imposed by the Ministry of Natural Resources and Tourism to bring them in line with current prices and protect our natural resources.

This measure is expected to generate ***Shillings. 33,616 million*** in additional revenue.

Effective Date for Implementation of New Revenue Measures

Unless otherwise stated, the proposed revenue measures shall become effective on 1st July 2007.

55. Mr. Speaker, in addition to the proposed amendments in the import duty structure, many of which aim at reducing the cost of production for manufacturers in the East African Region, action is needed to address public complaints related to

delays in clearing goods at the Dar es Salaam port. Analysis reveals that the multiplicity of institutions administering the importation of goods into the country is one of the main contributors to the problem. The various port stakeholders have consulted on ways of harmonizing their procedures, with a view to eliminating the problem. On its part, the Tanzania Revenue Authority has taken the following measures effective from 1st June 2007 to address the problem:-

- (i) The clearance of goods for the identified tax compliant traders shall be on a fast track basis;
- (ii) The incidence of goods cleared through the “Red Channel” is to be reduced from the current 80 percent to the following:-
 - a. 40 percent of goods will be cleared directly through the Green Channel;
 - b. 40 percent of goods will be cleared on the basis of normal risk assessment procedures, followed by post clearance audits, and
 - c. Only 20 percent of goods will be subjected to inspection before clearance from the port.
- (iii) 75 percent of goods imported by investors registered with the Tanzania Investment

Centre will be cleared directly through the green channel and the remaining 25 percent will be subjected to normal risk assessment to be followed by post clearance audit;

- (iv) Motor vehicles not more than five years old shall not be subject to “Red Channel” procedures;
- (v) Goods requiring special permits from other Government departments will be subjected to documentary checks only, and
- (vi) The Tanzania Revenue Authority shall ensure that the value of goods whose transaction values are not available in the reference price database is determined within hours or release the goods on the basis of declared value to be followed by a post clearance audit where unnecessary.

SUMMARY

Mr. Speaker, the revenue impact of the proposed measures is as follows:

	(billion Shilling)
Value added Tax (VAT)	0.400
Income Tax	(1.809)
Excise Duty	34.446
Customs Duty	2.772
Motor Vehicles Fees	60.500
Fuel Levy	109.237
Non Tax Revenues	33.616
Total	239.161

56. Mr. Speaker based on the foregoing, the budget frame for 2007/08 can be summarized as follows:

Budget Structure

<u>Resources</u>		Billion TSh
A. Domestic Revenue		3,502
i. Tax Revenue (TRA)	3,237	
II. Nontax Revenue	265	
B. Foreign Grants and Loans (incl. HIPC/MDRI)		2,549
C. Privatization Proceeds		15
Total Resources		6,067
<u>Expenditure</u>		
D. Recurrent Expenditure		3,866
i. Public Debt/CFS	615	
II. Ministries	2,358	
iii. Regions	83	
iv. Local Government Authorities	810	
E. Development Expenditure		2,201
i. Demestic Resources	739	
ii. Foreign Resources	1,462	
Total Expenditure		6,067

57. **Mr. Speaker,** as explained earlier, consultations between the Government of Tanzania and the Millennium Challenge Corporation of the USA Government are progressing well and it is most likely that the MCC Compact Programme will be signed by the end of December 2007. Based on the agreements reached so far, the projects expected to benefit from the programme include, infrastructure, power and water. As the Compact Programme agreement is not yet signed, the budget I am presenting today does not include MCC resources. Upon signing of the agreement, the Government will submit to the Parliament a request for the utilization of MCC funds through a supplementary budget.

58. **Mr. Speaker,** to recap, the budget for 2007/08 takes into consideration, Government's effort to implement the following:-

- (i) CCM Election Manifesto of 2005;
- (ii) National Development Vision, 2025;
- (iii) National Strategy for Growth and Reduction of Poverty (MKUKUTA);
- (iv) Millennium Development Goals (MDGs); and
- (v) Broad Macroeconomic Policies for 2007/08.

59. **Mr. Speaker,** in 2007/08, the Government has increased resource allocation to the major priority areas in order to expedite the implementation of MKUKUTA and the Election Manifesto of 2005. In this regard, the budget takes into consideration the need to increase resources to the growth sectors as a basis for accelerating

wealth creation and better life for every Tanzanian. Investment in education, health, infrastructure, agriculture and energy at all levels needs to be emphasized since it is for economic growth and development.

60. *Mr. Speaker*, the forth phase government has vowed to build internal capacities for mobilization of domestic resources. The capacity needed includes, effective use of the external support in areas that will increase our ability to eventually become self reliant. Thus, there is a need for every one of us individually or severally to increase creativity in production in order to bring about efficiency that would increase national income, reduce poverty and finally ensure better life for every Tanzanian. It is also important for every one of us to abide by good governance requirements and be accountable for improving the welfare of the Tanzanians.

61. *Mr. Speaker*, the resource requirement for the implementation of MKUKUTA is higher than the Government capability. The private sector has a role to play in the implementation of MKUKUTA. The Government will continue to improve the environment to allow the private sector to make its contribution particularly through employment generation and tax revenue. The micro finance sector has a role to play in the implementation of MKUKUTA by increasing finance to the local entrepreneurs who are also part of the private sector.

62. Mr. Speaker, challenges ahead of us are many, however, we can overcome them, if each of us fulfills his/her responsibilities. “It can be done, play your part”.

63. Mr. Speaker, I beg to move.