

SPEECH BY THE MINISTER FOR FINANCE,
PROF. KIGHOMA A. MALIMA (MP) INTRODUCING TO THE
NATIONAL ASSEMBLY THE ESTIMATES OF PUBLIC
REVENUE AND EXPENDITURE FOR THE FINANCIAL
YEAR 1994/95 ON THE 16TH OF JUNE, 1994

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 1994/95.

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 able to timely present before this House the Government .Budget proposals. As we all k now, preparation of a Government Budget involves a number of officials and various public institutions. I would like therefore, to take this opportunity to thank the Deputy Minister for Finance, the Principal Secretary to the Treasury and his staff in the Ministry as well as officials of

the Planning Commission, Sectoral Ministries; Regions and other National institutions for their valuable contributions which have enabled me to firm up this Budget. Further more, 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 and to the Chief Parliamentary Draughtsman who was heavily involved in the preparation of various Bills connected with this Budget. Mr. Speaker, may I end my vote of thanks by expressing my deep appreciation to Members of the Finance and Economic Committee of this House who, under the able Chairmanship of Hon. Mathias Kihaule, Member of Parliament for Ludewa assisted greatly in the improvement of this Budget.

INTRODUCTION

3. Mr. Speaker, the year 1993/94 has been eventful. One of the major events which took place this Financial Year was your own election as the Speaker of this House following the retirement of Chief Adam Sapi Mkwawa. Please allow me to congratulate Hon. Mathias Kihale for having been elected Deputy Speaker. His long experience as Chairman of the Economic and Finance Committee of this House has greatly enriched his leadership qualities and I am certain that this House will benefit a great deal from his leadership as Deputy Speaker.

4. Mr. Speaker, I am sure that all Members of this House -would like to join me in thanking Chief Adam Sapi Mkwawa for the able and dedicated leadership which he provided to this House as its Speaker for more than thirty years. We have particularly learned from this elder man the art to provide leadership with humbleness but at the same time, with firmness and dedication of the highest standard.

5. The other major event which occurred this year was the election of Hon. Mathias Kihale, Member of Parliament for Ludewa Electoral District, to be your Deputy following your elevation to the Speaker's chair. I would like to take this opportunity to congratulate you personally, Mr. Speaker, for having been elected to assume the highest office in this House. I have no doubt that, based on your long experience in Parliamentary matters, this House has secured the highest quality of leadership it deserves.

6. Besides the happy events which I have just listed above, the year (1993/94) was also marked by unhappy and sorrowful events of the demise of our fellow leaders. Two Ministers have since passed away. These are the Late Hon. Steven Kibona, the former Member of Parliament for Ileje District and Minister of State and Deputy Chairman of the Planning Commission, and the Late Hon. Charles Kabeho who was Member of Parliament for Igunga and Minister for Education and Culture. In addition to the

untimely demise of these leaders, this House was further aggrieved by the untimely demise of its three other Members. These were the Late Hon. Rajabu Mbanu (former Member of Parliament for Kigoma Urban District the Late Hon. Ayoub Mohamed Ayoub (former Member of Parliament for Kwahani) and the late Hon. Hafidhi Makolokolo (former member of Parliament for Tabora North). It may also be recalled with grief, that it was during this same financial year that we lost the Governor of the Bank of Tanzania the late Mr. Gilman Rutihinda. The loss of these eminent leaders within a short span of one year was indeed a serious blow to our nation. We pray to the Almighty God to rest their souls in eternal peace.

7. These misfortunes apart, this House has been graced with new Members of Parliament who have assumed responsibilities from our fallen compatriots, Notwithstanding the participation of other political parties in vying for the vacancies formerly held by our fallen compatriots, CCM candidates emerged victorious. members who triumphed in the multiparty by-elections are Hon. Gideon Cheyo, (Ileje) Hon. Azim Premji (Kigoma) and Hon. Mohamed Ally Khamis (Kwahani). I would like at this juncture to congratulate these Members individually as well as Chama cha Mapinduzi for their resounding Victory and for having conducted the, elections peacefully.

8. Mr. Speaker, besides the events which occurred within our borders this financial year, there was one major political event of great historic significance which occurred within our Continent. This event is non other than the obliteration of the Apartheid Regime and its policies of segregation in South Africa. After long years of political and military confrontation, that regime has at long last collapsed and today, South Africa is under the leadership of its distinguished Nationalist, His Excellency President Nelson Mandela, the leader of The African National Congress. This event has no doubt brought about triumphatic changes in the social, political and economic outlook of this

continent especially for the countries of the Southern African region. All of us who participated in one way or the other in the liberation of South Africa are hopeful and confident that President Nelson Mandela will ably steer the cause of his nation successfully and peacefully and that he will face with courage, and determination all emerging problems. We wish him all the best.

9. Mr. Speaker, leaving aside the social and political developments which occurred this financial year (1993/94) our economy on the whole showed signs of improvement in spite of problems which persist in various sectors. Various measures to bring about economic reforms have been taken and there are signs of positive results.

REVIEW OF BUDGETARY POLICY IMPLEMENTATION FOR THE YEAR 1993/94

10. Mr. Speaker, after discussing the general overview, I would now like to review Budgetary policy implementation during the current financial year 1993/94. Last year, in the corresponding Budget Speech, the Government announced various macro-economic measures which it had resolved, to take within the framework of Rolling Plan and Forward Budget (RPFb). This morning the minister of State and Vice chairman of the Planning Commission, Hon. Horace Kolimba, had the opportunity to appraise you in great detail regarding our macroeconomic policies in general and I would like to thank him for his excellent presentation by putting in clear perspective, the basis for review of these budgetary policies.

11. Mr. Speaker, various measures were taken to implement our budgetary policies for the year 1993/94 within the context of the economic environment then prevailing. The areas affected by these measures included Revenue, Expenditure, the Financial and Parastatal sectors and the Civil Service.

THE GOVERNMENT BUDGET

12. With regard to budget control and management, various measures were taken in the course of the financial year, 1993/94. The Government also continued to take measures in the area of revenue geared towards enhancement of revenue collection.

Measures taken in this direction included the following:-

- (i) Suspension of payment of taxes in staggered installment and taking enforcement measures to collect arrears of revenues which had accumulated on account of defaults by those who had previously been allowed to pay taxes in installments.
- (ii) Intensification of supervision of Bonded warehouses to ensure proper control with a view to plugging leakages of goods in respect of which taxes have not been paid.
- (iii) Strengthening of assessment and collection by using the services of pre-shipment inspection Companies; (PSI) with respect to all imports in order to ensure that all revenues are collected.
- (iv) Review of all Tax Exemptions with a view to minimising them.
- (v) The Customs Department has been directed and has stepped up its surveillance activities with a view to netting illegal imports including those coming in through Zanzibar, and curb tax evasion. In this connection, the assistance of the ministry of Home Affairs has also been enlisted.
- (vi) The Government has taken action to strengthen Revenue collection Departments through training and provision of modern equipment like computers. We will continue with, these efforts towards strengthening of these Departments.
- (vii) Ministries and Regions have been directed to render periodic reports and statements pertaining to revenues under their jurisdiction.

(viii) Strategies have been set for collection of arrears of commodity Import Support by the establishment of a special Task Force charged with the responsibilities of monitoring Collections. In addition, the procedure of direct allocation of Import Support Funds to Companies and individuals has been adjusted and a new block system introduced by which a substantial portion of these funds are now being procured through the auctions conducted by the Central Bank. Under the new system, all beneficiaries of Import Support facilities are required to deposit all counterpart funds at the auctions before foreign exchange⁶ is allocated to them. This move will eliminate the resultant accumulation of huge arrears in respect of Commodity Import Support Funds.

13. Mr. Speaker, it will be recalled that as a result of the unsatisfactory budget performance this financial year (1993/94) due to the dramatic increase in expenditure coupled with a fall in the flows of external financial assistance, the Government has had to initiate new measures in January, 1994 aimed at increasing revenues to bridge the budgetary deficit which had emerged. These measures included imposition of new taxes, raising of various tax rates, customs duties and fees, reduction of tax and duty exemptions and improve the administration of tax collection.

EXPENDITURE

14. Mr. Speaker, on the expenditure front, the Government has had to take steps directed, not only at overall expenditure reduction in line with its new policy, but also at closer control and monitoring. In this regard, the Presidential Commission on Public Expenditure was created under the Chairmanship of Honourable Horace Kolimba, (MP) and later Honourable Basil Mramba (MP). The Commission's Report has already been submitted and is being studied by the Government for implementation. Furthermore, the Government continued implementing instituted additional expenditure control measures.

15. As you all know, the Government retrenched 10,000 employees in 1992/93. A further 20,000 employees will have been retrenched by the end of June, 1994. As explained to this House last year, employee retrenchment is a necessary outcome of the major policy reforms we have embarked on to reduce the size of Government, Government expenditure and implement budgetary reforms. It is our hope that successful implementation of these reforms will enable the Government to improve wages and incentives for its employees. The Government continued to modify the arrangements of providing free transportation by providing car loans to entitled officers. Apart from these expenditure control measures, the public continued to participate in the cost sharing exercise to improve services in the health, education and water sectors. Please allow me to commend the Tanzania public for their positive response to participate in the development of their country.

16. Mr. Speaker, in order to institute financial discipline the Government had to take expenditure control measures in the following two main areas:

- (a) Instructing the Bank of Tanzania to bounce Government cheques written without drawer's accounts being funded.
- (b) issuing recurrent funds to Accounting Officers on a monthly. basis instead of quarterly; the objective for the cash budgeting system is to ensure that the allocations being made are within the expected revenues for the month to avoid expenditures that are not supported by revenue flows.

17. Mr. Speaker, besides the above mentioned, other measures taken to control expenditure included the suspension of Government funded overseas trips and even where the trip is financed by donors the Government has abolished payment of allowances that are granted for such trips.. The Government also suspended all transfers of Government employees except where absolutely necessary, but under strict supervision.

18. Mr. Speaker, in looking for ways to bridge the gap between the revenues and expenditures, without having to borrow from the Banks, the Government through the Bank of Tanzania introduced Treasury Bills auctioning in 1993/94 to individuals, public and private organisations. A total of sh. 10, 619 million was raised to cover the cash flow deficit resulting from revenue shortfalls.

FINANCIAL SECTOR

19. Mr. speaker, during this financial year the Government continued with the financial sector restructuring. The Government took several measures to restructure the Banks through cleaning up of their balance sheets and recapitalization. The institutions involved include the National Bank of Commerce (NBC), the cooperative and Rural Development Bank (CRDB), the Tanzania Investment Bank (TIB) and the Tanzania Postal Bank (TPB) to enable these institutions to be licensed to comply with the Banking and Financial Institutions Act 1991. As of May 1994, three private banks had been licensed.

These are the Standard Chartered Bank (T) Ltd., Meridien Biao Bank (T) Ltd. and Adili Bancorp Ltd. Other private financial institutions were also licensed; namely Tanzania Development Finance Ltd. (TDFL) and Diamond Trust (T) Ltd. Besides the capital restructuring in public banks, retrenchment of excessive employees and disposal of surplus assets as well as enhanced debt recovery efforts are in progress to improve the performance of the banks.

20. Mr. Speaker, I stated in my last year's speech that the Government intended to finalize the establishment of the Stock Exchange Market. Measures have already been taken to implement this decision. Regarding the Money Market the Bank of Tanzania has already started the auctioning of Treasury Bills as stated earlier, as well as auctioning of Foreign Exchange Auctions beginning September, 1993. These are only a few of the initial measures towards establishment of the Stock Exchange and Money Markets. As regards the Capital Market, the Government has already created the enabling environment and has already submitted to Parliament the "Capital Markets and Securities Act, 1994 which was passed by your esteemed Parliament in its January 1994 session. Along with these measures, efforts were made to reduce the Money

supply. The interest rate regime was liberalised allowing banks to charge interest at rates commensurate to sectoral needs and quality competitive banking services.

EXTERNAL SECTOR

21. Mr. Speaker, to enhance our foreign exchange earnings, the Government strengthened its Export Promotion policies including import liberalization, relaxation of foreign exchange controls, introduction of Bureaus de change and the abolishment of Import Licensing and other import permits. These measures have minimized bureaucracy, enhanced efficiency, and instilled confidence in both local manufacturers and the business community in and outside the country. As regards the Exchange Rate regime, the unification of the Bureaus and the Central Bank rates was achieved, hence the eradication of the evident problem of having parallel exchange rates.

FOREIGN AID

22. Mr. Speaker, last year, I explained the grave problem of the unavailability of correct data on foreign aid received by the Government, specifically in regard to project equipment and machinery sent directly to projects under the D-funds category. The newly introduced control procedure through the office of the Accountant General has been successful during this period. It is my hope that those concerned will adhere to this procedure to improve our record keeping in this area.

23. Mr. Speaker, as regards the availability of foreign aid, our country has, in this financial year, continued to receive foreign assistance from different donors. Please allow me, on behalf of the Government, to extend our appreciation to all foreign Governments and International Organisations which have assisted in our development efforts. Governments that provided assistance to Tanzania include Australia, Austria,

Belgium, Canada, China, Denmark, Finland, France, Germany, India, Ireland, Iran, Italy, Japan, Kuwait, the Netherlands, Norway, Saudi Arabia, Sweden, Switzerland, the United Kingdom, and the United States of America. International Organisations include the African Development Bank (ADB/ADF), Commonwealth Secretariat, European Communities (EEC), International Monetary Fund (IMF), International Fund for Agricultural Development (IFAD), OPEC Fund, United Nations Development Programme (UNDP) and the World Bank. I would like to take this opportunity to commend and request the donor community to continue with their integrated efforts in augmenting to our social and economic development endeavours. We assure them that the assistance so provided will be utilized for the intended purposes and for the benefit of the Tanzanian people.

Parastatal Sector

24. Mr. Speaker, as regards the parastatal sector, the Government continued with its Restructuring plan. The report of the Presidential Parastatal Sector Reform Commission, shows that twenty six corporations have finalized their restructuring procedures, and agreements signed accordingly. Some were offered for joint venture, and some were placed under management's contracts. The Commission has already completed the preliminary analysis for 32 Parastatals and 26 more had been selected for similar analysis with a view of restructuring them. The Commission continued to educate the public and other institutions regarding the Parastatal restructuring program through seminars and workshops.

25. Mr. Speaker, may I inform the House that the Commission's work is on schedule as planned. I would like to mention that this assignment needs to be conducted very diligently so as to safeguard national interest. Although we would want the set objectives, such as, the attainment of the restructuring in the shortest time possible, securing substantial revenue out of the sale of Parastatals, to secure the best available

purchasers, to protect employment in those parastatals, to get good and trustworthy investors who will attract new investments in those parastatals; etc., it is not practicable to achieve all these objectives correspondingly. Hence it becomes inevitable to accept compromises and trade offs in the implementation process. Further more, in our endeavour to institute a proper legal framework for carrying out reforms in this sector, the Government proposed amendments to the Public Corporations Act, 1992 which were legislated upon by your esteemed House during its November, 1993 session. These amendments elaborated and clarified, certain provisions of the Act as well as the functions and the responsibilities of the Commission.

26. Mr. Speaker, as regards the indebted Parastatals, the Loans and Advances Realisation Trust (LART), on behalf of the Government, has been taking over debts (non-performing Assets) of our local banks, and is pursuing their recoveries. Up to April, 1994, takeover procedures had been completed in regard to 49 debts to the National Bank of Commerce (NBC); 32 debts to the Cooperative & Rural Development Bank (CRDB); 11 debts to the Peoples Bank of Zanzibar and debts to the Tanzania Investment Bank were at their final stages. Regarding the recovery of the debts, LART had already collected about Tshs.1.10b/=. LART has already nominated seven (7) liquidators, including itself, for those Parastatals which have completely failed to honour their obligations, and have put 22 companies under receivership.

27. Mr. Speaker, the provisions of Section .13 of the Act establishing LART sets out legal formalities to be followed by all Banks and Financial Institutions prior to effective transfer of non-performing assets held by these institutions to LART. These formalities include submission to LART of authentic documents and other instruments as proof for such indebtedness. Usually LART notifies all listed by it and initiates direct negotiations regarding their ability and modality to pay the debts. Where a debtor enterprise is not able to present a viable repayment plan, such an enterprise is formally listed under LART and its assets assigned to LART. Where an indebted company or Public

Enterprise is not satisfied with the decision of LART in this regard, an appellate mechanism has been in place within the Law. Under this mechanism any Corporation or Company aggrieved by LART's decision may appeal to a special Tribunal charged with the adjudication of such matters. The Tribunal whose decision is final on these matters has already been established and being headed by Honourable Justice Mkude. Therefore, parties wishing to extricate themselves from the debt collection measures under LART are encouraged to take advantage of these provisions rather than resorting to the news media for redress.

Private Sector

28. Mr. Speaker, as explained earlier, different measures have been taken to develop and strengthen this sector. Private Banks, which have been issued with Banking licences have increased in number. Enabling environment for the introduction of Capital Markets has already been created by passing the relevant law for the establishment of those markets. In this very financial year, the Government introduced the Women's Development Fund, National Entrepreneurs Development Fund and Youth Development

BUDGET PERFORMANCE 1993/ 94

30. Mr. Speaker, in our 1993/94 budget we estimated to collect revenue totaling Tshs. 428,750.3 million, broken down as follows: Domestic Revenue Tshs. 235,591.3 million, Grants and loans were estimated at Tshs. 226,551.0 million, and Tshs. 6,000.0m. was expected from internal non-bank borrowing. The Government, had also planned to reduce the accumulated bank borrowing by Shs. 39,392.0 million during 1993/94.

31. Mr. Speaker, as of December, 1993, actual Revenue Collection was Tshs. 102,906.6 million, equal to 43.7%. Foreign loans and grants amounted to Tshs. 68,831m reflecting a percentage of 30.4 of the initial estimates. Non-bank borrowing

amounted to Tshs. 10,619.0 million reflecting an excess of Tshs. 4,619m or 77% compared to the estimated Tshs. 6,000 million. The auctioning of Treasury Bills contributed in attaining this level of borrowing. As regards bank borrowing, the Government had borrowed a total of Tshs. 43,473.0 million as at December, 1993, contrary to the targeted repayment of Tshs. 39,392.0 million. This situation is a result of cashing 1992/93 payments from 1993/94 Revenues.

32. Mr. Speaker, after taking into account the Revenue Measures taken in January 1994, the domestic Revenue trend to June 1994 shows a projected achievement of shs.242,596.2 million. Regarding Foreign loans and grants the indication is that Tshs. 150,756 million will be received instead of Tshs. 226,551 million. The sale of Treasury Bills to different Public and Private institutions will realise an amount of Tshs. 21,789 million, as non-bank borrowing by the end of June 1994. Although it was targeted to repay part of the Bank borrowing, the trend reveals inability to achieve the targeted amount. Instead the Government will have borrowed an amount of Tshs. 21,708.2 at the end of June, 1994. This is not a healthy position as it will adversely affect other set macro economic targets.

33. Mr. Speaker, regarding expenditure, it will be recalled that in our 1993/94 budget, Tshs. 292,826.7 million was estimated for the recurrent budget and Tshs. 1.35,923.6 million for development budget. The total expenditure was budgeted at Tshs. 428,750.3 million. To date, the expenditure trend is unsatisfactory. It is evident that the level of recurrent expenditure will surpass the initial budget. An amount of Tshs. 163,384 million or 55.8% of the initial Estimates had been expended as of 31st December, 1993. This expenditure trend reflects on the weak budgetary controls and the failure of using the budget as an implementing instrument for Government policies and decisions. Often times Ministries, Departments and Regions do make decisions with financial implications outside the budget and spend beyond the budgetary limits, causing over 20 expenditure resulting in Bank borrowing. Therefore the financial control

measures undertaken to curb government expenditure and enhance financial discipline will be strengthened.

34. In its endeavour to address this problem, the Government has adopted certain measures to rectify this weakness, some of which have already been explained earlier. The trend of the Recurrent expenditure, ending June 1994 indicates a level of Tshs. 332,779.0 million. As regards the Development budget, the expenditure as of end December 1993, stood at Tshs. 12,401 million and the overall trend indicates that an amount of Tshs. 59,354 millions, equal to 46.7% of the initial estimates, will have been spent at the end of June 1994.

BASIS FOR THE 1994/95 BUDGET

35. Mr. Speaker, having elaborated on the trends and performance of the 1993/94 budget, I wish now to explain the basis for the 1994/95 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, inter alia, the Policy Measures that the Government will implement during the coming financial year for the attainment of objectives set in the Rolling Plan and Forward-Budget (RPFb). Financial year 1994/95 is the second year in the implementation of the RPFb.

36. As elucidated in the speech by the Minister of State and Vice Chairman of the Planning Commission the 1994/95 Economic Policy framework is aimed at reinforcing our efforts to establish a free market economy. This would enable the Government to focus more on its traditional functions of maintenance of peace and order, provision of basic social and economic infrastructure and ensuring existence of a conducive environment for growth and development. In order to achieve the above objectives, the Government will gradually disengage from active involvement in production and commercial activities is aimed at enabling the Government to more adequately create an enabling and attractive environment for more active participation of the people in economic development. The Minister of State has further clearly elaborated on

Government commitment and determination to change the current situation of heavily depending on foreign loans and grants for financing the Budget. Based on this determination, the Government will effective this coming financial year, strive to finance the large part of its recurrent expenditure from domestic sources. It should therefore be noted that the 1994/95 Budget has been prepared on the basis of a reduced contribution of foreign loans and grants for financing of recurrent expenditures and on the basis of the policies and macroeconomic objectives that have been set.

BUDGETARY POLICIES FOR 1994/95

37. Hon. Speaker, the Government will, during the financial . year 1994/95, take various budgetary measures which are aimed at successful implementation of policies and achievement of goals set in the Rolling Plan and Forward Budget (1994/95 - 1996/97). The policy reform measures will be implemented in the following areas namely; Government. revenue and expenditure, the Financial Sector, the Parastatal Sector and the Civil Service.

38. In the area of the Government budget, the objective for the year 1994/95 will be to achieve a recurrent budget saving of not less than 1.5 per cent of Gross Domestic Product (GDP), This is aimed at making domestic savings become the main source of funding our development budget contrary to the current situation whereby it is largely financed through loans and grants. The revenue measures, which I will explain later, are aimed at enabling the Government to collect revenue equivalent to not less than 24.5 percent of GDP.

39. Mr. Speaker, on expenditure reduction and expenditure control, persistent problems still exist with Government expenditure requirements by far in excess of its financing capability. The major cause of this mismatch is the Government structure, whose size and its running costs have continued to grow despite efforts to reduce it.

We cannot continue operating this way for ever. This calls for bold and pragmatic corrective measures. If no significant progress is made on the area of Government expenditure reduction and control then any positive results on revenue collection measures as explained above, will have no impact on the Government Budget on the basis of this fact; the 1994/95 Budget aims at a recurrent Budget amortisation) equivalent to 23 percent of GDP.

40. Mr. Speaker, as it will be recalled, in our endeavour to search for a lasting solution to the persistent problem of excessive expenditure within the Government, His Excellency the President of the United Republic of Tanzania appointed a special Commission, to look into this problem. This Commission known as the Mramba Commission in recognition of the services rendered to it by Honourable Basil Mramba, Member of Parliament for Rombo District, drew a substantial number of its Members from this House. The Commission conducted its work with great dedication and submitted its recommendations to the Government in March 1994. As I explained earlier, the Government is reviewing these recommendations in greater detail with a view to implementing them. May I at this juncture, take the opportunity to congratulate the Commission and its entire membership for the work well done. Members of the Commission will have noticed that some of their recommendations have already been adopted in these Budget proposals.

41. Mr. Speaker, the Commission, amongst other things, has recommended a review of the Government structure and its size. Given the changed role of the Government under a free market economy, the structure of the Government need to be reviewed to conform to its recommended role and functions. Needed is a small Government size with a small but highly efficient civil service. In view of the recommendations of the Commission, the Government aims at reviewing its structure during 1994/95 with the view to reducing its size substantially. The prime objective of this pragmatic measures is to ensure that the Government remains with a structure and size that it can adequately finance.

42. Mr. Speaker, the Government, apart from reducing its size, aims at continuing with measures to stringently control and monitor its expenditure in order to ensure diligent and judicious use of tax payers money. The measures, include, inter alia, a review and changing of Government purchases system, an area that has for a long time, provided a loophole for misuse and embezzlement of public funds. Likewise, analysis has shown that the transport item on sub-votes has each year carried huge expenditure. Ministries, Regions and various Government departments have been spending a lot of public funds each year for purchase of motor vehicles, their running expenses as well as for maintenance costs. During the budget session last year, I did indicate the various measures that the Government had decided to take in order to curb these huge expenditure. Some of these measures were implemented but others required more time for preparation as was explained in the review of the performance of the 1993/94 Budgetary Policies. The Government is now set to complete implementation of these expenditure control measures during the financial year 1994/95. Accordingly, during the year 1994/95, the Government has decided to substantially reduce the number of motor vehicles in all Government institutions except for special departments. All employees entitled to transport will therefore be obliged to secure loans for the purchase of motor vehicles under the system that was established in 1992/93. It should, however, be noted that the Government capability to avail loans to all its employees for purchase of motor vehicles is very limited. As of now, there are about 2000 unprocessed loan applications due to depletion of funds in the Advances Fund. I strongly believe that it is high time we abandon the practice of conducting business on the basis of cash transactions for Hire Purchase System; especially where a business transaction involves huge sums of money, such as in the case of motor vehicles purchases.

43. The Government therefore requests all car dealers and also trading companies involved with importation and selling of expensive equipment, to reintroduce the hire

purchase system. The Government, as employer, will provide the guarantee to the companies for recoveries from salaries of its employees. The hire purchase agreements will be between the buyers and sellers. My Ministry in collaboration with the Central Establishment will initiate discussions with the companies that will come forward on the scheme itself and procedures to be followed, including the terms and conditions of the agreements that will be entered into.

44. Mr. Speaker, together with all these measures, the Government will strengthen the measures adopted in 1993/94 for expenditure control and monitoring. All accounting officers are reminded once again that they are obliged to abide by all financial, regulations and Treasury instructions and that where funds are exhausted, no expenditures what so ever should be defrayed. In order to more closely monitor expenditure trends, four sub-Treasuries will be established in 1994/95 in four regions, namely Mwanza, Tanga, Rukwa and Coast. All Regional vote payments and of the non decentralised departments will be made by these sub Treasuries. The sub-Treasuries will also be responsible for accounting for revenue collections in the respective regions with the exception of revenue collected by Income Tax, Sales Tax, and Customs Departments. This measure will greatly minimize both the possibility of having expenditure that were not allocated any funds in the votes as well as misuse and embezzlement of public funds.

45. Mr. Speaker, the other aspect of expenditure that the Government intends to address relates to settlement of Government bills. The Government, in this aspect, will take measures that will not leave any loopholes for Government Ministries, departments and regions to accumulate unpaid bills. It has now come to light that because of insufficient funds being allocated in the Budget, these departments procure supplies and services from both public and private organizations without paying for them. This has resulted into accumulation of huge debts every year. This has always adversely

affected the Government budget every year as these commitments for expenditure (unsettled bills of the preceding year) have to-be settled out of subsequent financial year's allocated funds. To rectify this problem, Accounting officers are instructed not to make any commitments that are not funded in their corresponding votes.

LOANS AND GRANTS

46. Mr. Speaker, on the area of foreign loans and grants, the Government will, during 1994/95, continue reducing dependency on loans and grants for financing the Budget. The Government will however, continue borrowing from the public for financing the budget deficit. There will be strictly no bank borrowing given its adverse macro economic implications. It follows, therefore, that from now onwards, the Government budget will depend on domestic revenues and contributions from the public as the main sources of financing. Foreign grants will be used to supplement our efforts, as a catalyst, will mainly be directed towards financing of development projects only.

THE FINANCIAL SECTOR

47. Mr. Speaker, during the April 1994 Parliamentary Session, the Government did propose, and this House approved, certain amendments to the Banking and Financial Institutions Act 1991 in order to give room to the establishment of Intermediary Financial Institutions at Regional level. The objective was to enable individuals to cooperate and establish Banks with minimal core capital wholly owned by themselves and suitable for their own local needs. These Banks could be used as catalysts for development in respective areas . The Government will, in this respect, continue motivating and encouraging individuals to establish such Banks for their development. The Government will also continue to further liberalize the operations of Bureau de change by giving them more autonomy in the management of their affairs. Procedures will also be formulated to allow raw gold purchasing and selling by commercial Banks instead of

the Bank of Tanzania alone as at the moment. These measures are intended to create competition in gold trading. The Government also intends to amend the Parastatal Pension Fund Act 1978 in order to change management of the Parastatal Pension Fund (PPF) from the National Insurance Corporation to the Board of Trustees. The amendments will also be directed at enabling the PPF obtain contributions from Private Companies instead of solely depending on Parastatal organisations.

48. Mr. Speaker, the Government has also continued with its efforts to ensure that our Banks have sound capital structures. In this respect the Acts establishing the Cooperative and Rural Development Bank (CRDB) and the Tanzania Investment Bank (TIB) have been amended. The Government also intends to make amendments to the Acts establishing the National Bank of Commerce (NBC) as well as the Tanzania Housing Bank (THB) in order to liberalize shareholding and allow individuals and Private companies own shares in those Banks. Given these changes and in light of the thrust of the reforms in the financial sector world wide, the Act establishing the Bank of Tanzania will also at a later stage need to be amended in order to enable the Bank of Tanzania operate effectively in this nationally and globally changing financial environment. The interest rate policy will continue to emphasize autonomy for the Banks to set competitive interest rates for efficient mobilization of deposits.

THE EXTE L SECTOR

49. Mr. Speaker, the Government has continued, for sometime now, to take various measures aimed at the improvement and promotion of this sector. The results of these measure are encouraging. Trade liberalization and the liberalization of the foreign exchange regime have all significantly contributed to the promotion, of allocative efficiency in this sector. The already achieved benefits is no course for complacency, a

lot more is needed to be done in preserving the gains achieved as well as inducing more efficiency in the sector. In the financial year 1994/95 therefore, the Bank of Tanzania will establish an inter-bank market system for foreign exchange in place of the current foreign exchange auctioning system. This is aimed at enabling 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 done, the foreign exchange auctions conducted by Bank of Tanzania will cease.

THE PARASTATAL SECTOR

50. Mr. Speaker, as I pointed out earlier, the parastatal Sector Reform exercise is continuing. It is important, however, to note that any privatization transaction for Parastatal organization or company need detailed preparation and ingenuity as well as broad consultations and agreement with various government institutions in order to conclude such a transaction with transparency and consensus. This process therefore entails Involvement of different institutions and individuals with different interests and different objectives. For example there are issues of the peoples, interests as well as Government objectives, issues that relate to vested interests of the management as well as employees of a parastatal to be sold and the interests and objectives of the prospective buyers of the parastatal to be sold. All the parties involved are interested in ensuring that the privatization transaction is concluded in their benefit.

Privatization is therefore a very tricky and intricate matter, necessarily requiring a long time for consensus of all involved parties. , The Parastatal Sector Reform Commission (PSRC) and the Loans and Advances Realisation Trust (LART) will thus further their efforts with the same vigour that they have shown in order to ensure that this exercise is successfully accomplished.

51. Mr. Speaker, PSRC has already prepared an action plan for 1994/95 under which about 227 parastatals will be prepared for privatization. It should however be noted that not all the parastatal companies will be suitable for sale, likewise those identified as

suitable for sale may not get appropriate buyers. It should therefore be emphasized that measuring success and progress in the parastatal reform programme should be based on the benefits that accrue to the nation as a whole as well as to the company that is sold instead of emphasizing the number of public companies being sold as the measure of performance in the reform programme. The PSRC, in collaboration with other institutions will continue with its efforts and determination in securing buyers who would make the overall restructuring exercise bring positive benefits to this nation.

52. It is obvious that, the parastatal sector restructuring exercise entail also retrenchment of staff in respective companies. It is the sole responsibility of the respective public companies to pay the retrenched staff all their due terminal benefits. Experience has, however, shown that most of the ailing public companies failed even to make requisite contributions to the pensions fund. This has resulted into a lot of problems to former employees of the respective companies in getting their payments. The Government is now looking into this matter with a view to finding a solution.

53. Mr. Speaker, the Government intends to introduce Investment Unit Trusts (IUT), which will trade in shares. These Investment Unit Trusts will enable individuals owning shares to sell them and those wishing to buy shares do so without problems. The establishment of the IUT's, however is likely to take sometime before it is completed. In the meantime the Government will therefore, establish a Privatization Trust Fund which will own and manage some of the shares of the public companies that will have been restructured under the PSRC. The objective of this measure is to facilitate selling of the shares to foreign share-trading companies in the future.-or to sell the shares to Investment Unit Trusts after their establishment.

54. Likewise, the Loans and Advances Realisation Trust (LART) has planned to complete analysis of all non-performing assets with Tanzania Housing Banks (THB) for

take over in 1994/95. Efforts will also be exerted in the finalization of remaining procedures for the take over of non-performing assets from other Banks. In the direction, LART will enhance efforts to collect these debts or in case of failure to do so, the respective debtors will have to be liquidated.

PRIVATE SECTOR

55. Mr. Speaker, after the decision of the Government to withdraw its participation in the production and commercial sectors, the private sector is now expected to perform those activities efficiently. To achieve this goal the Government has been creating conducive environment especially for the private sector to be able to take over the activities that have been left by the Government. It is the intention of the Government, during the year 1994/95 to improve the informal sector, by creating an enabling environment in order to enable it to increase productivity and efficiency.

CIVIL SERVANTS WELFARE

56. Mr. Speaker, Civil Servants welfare is one of the area which the Government has not yet found a satisfactory solution. This is due to many factors, among them being the Government financial constrains, the big size of the Civil Service and the failure to control inflation. Besides these problems the Government has to see that the measures taken in respect of wages and salaries do not affect other sectors, especially the production sector, thus hindering other measures in the economic adjustment. Taking into account the above factors the Government has continued to adjust Civil Servants salaries for several years according to its financial ability.

57. Mr. Speaker, it is true that salary increases have not been sufficient to meet the basic needs, however it has also been realized that besides granting of salary increases yearly, the Government has to take stern measures to curb inflation. This is the only way to increase the real income of a civil servant. Therefore the Government projects to reduce the inflation rate in 1994/95. Together with this Government intention,

measures are being taken to adjust the salary structure, by increasing the salaries and incorporating allowances into the salary structure. This measure is incorporated in the Civil Service Reform Programme being administered by the Civil Service Department.

58. Mr. Speaker, the Government has further reviewed the current system for the payment of pension to retired civil servants in order to enhance efficiency and reduce even more, the drudgery and frustrations that face retired civil servants in getting their pension payments. It will be recalled that in 1989, after passing an amendment to the Pensions Act No. 4 of 1989, the government introduced an optional system of lumpsum payment of pensions to pensioners whose monthly pensions were less than Shs. 3,000/=. This arrangement has significantly benefited pensioners by eliminating the drudgery involved in following up monthly payments. As a result of these tangible benefits, the Government intends to introduce further amendments to the Pensions Act during 1994/95 for the following intentions:-

- (i) To raise the optional lumpsum limit from shs. 3,000/= to shs. 5,000/=. This option is applicable to civil servants only.
Arrangements to give similar treatment to members of the Parastatal Pension Fund will be announced in due course after completion of an actuarial valuation of the Fund later this year
- (ii) To change the current monthly pension payment system to a semi-annual pension payment system.
- (iii) For those who did not opt for lumpsum payment to allow families of decease pensioners to receive "survivors pension" for a period of three years or thirty six months.

59. In addition to the above amendments, the Government also intends to make further amendments to the Pensions Act, GEPF Regulations and Civil Service Regulation with a view to:

- (i) enabling Tanzanians who were pensionable employees of the East African community under the General Fund services before July 1 1977 be classified as employees in the service of the Government of the United Republic of Tanzania and eligible for Government pension. This change will significantly eliminate the problems they are encountering in following up pension payments from two different employers.
- (ii) Employee under the permanent and pensionable Terms who opted for GEPF to revert to pension terms if they so wish

THE BUDGET FRAME FOR 1994/95

60. Mr. Speaker, having explained the basis for different policies which the government intends to implement in the next Financial year, allow me now to explain the 1994/1995 Budget structure. In conformity with the targets stated in the Rolling Plan and Forward Budget (RPFb), the Government has planned to spend a total of shs. 514, 284 million during the year 1994/95. Out of this shs. 362, 487 million is for development Expenditure. The breakdown of the proposed expenditure is as follows:

A.	<u>Recurrent Expenditure</u>	<u>Shs.</u> million
(a)	Consolidated Fund Services (CFS)	100,290.5

(b)	Ministries/Departments	140,159.2
(c)	Regions	14,094.6
(d)	Councils	46,196.7
	(i) Districts	(37,926.7)
	(ii) Urban	8,369.9)
(e)	Special Expenditure	62,056.0
	Total Recurrent Expenditure	362,797.0

B. Development Expenditure:

	Local <u>Funds</u> Shs. .mill.	External <u>Funds</u> <u>Shs. mill.</u>	Total -----
(a) Ministries/ Departments	16,274.4	120,800.5	137,074.9
(b) Regions Total/Dev./	3,725.6	10,686.5	14,412.5
Expenditure	20,000.0	131,487.0	151,487.0

61. Mr. Speaker, this expenditure level of shs.514,284 million implies an increase of sh.85,533.7 million which is about 20% compared to shs.428,750.3 million for financial year 1993/94. The recurrent expenditure estimates of sh.362,797 million shows an increase of sh.68,970.3 million which is 23.9% compared to the 1993/94 estimates of shs. 292,826.7 million. The development Expenditure estimates of shs. 151,487 million exceeds the 1993/94 Estimates by shs.15,563.4 million or 11.5%. The large increase in recurrent expenditure is due to the internal and external debt servicing and also the need to set aside Funds for financing in the financial and parastatal sector restructuring. The rise in the development expenditure is a result of the Government's action to record the Donor's actual amount of commitments in its Budget as per the

donor/Government agreements, the implementation of which started in 1992/93 financial year.

62. Mr. Speaker, with respect to revenue, it is expected that in the year 1994/95 revenue from tax and non tax sources will be shs.292,310 million. of this amount shs.267,284 million will be tax revenue and shs.25,026 will be collected from non tax sources. The revenue level assumes no changes in the existing tax structure as well as no additional revenue raising measures. Comparing this amount of revenue to total expenditure of shs.,514,284 million there -is a deficit of shs.221,974.0 million whose financing must be sought from other sources.

63. Mr. Speaker, the Government has already reiterated 'its intention to reduce its Budgetary dependency on foreign aid, especially in the recurrent expenditure. This is intended to make Tanzania less dependent. However, to achieve this, certain adjustment measures have to be taken and effectively implemented before we can be financially independent. From experience, implementation of adjustment measures in the Government need and take time. This therefore, means that, while effecting the adjustments we will continue receiving external aid. In view of this, the Government is expecting to receive a total of Shs.168,846.0 million as grants and loans from different donors for 1994/95. This amount will reduce the gap to Shs.53,128.0 million which will have to be covered by other sources of revenue.

64. Mr. Speaker, due to the high rate of inflation the Government is compelled to take measures to address this problem. As I said earlier, the high rate of inflation frustrates Government efforts to improve standards of living for workers and farmers. Therefore, the Government, in its efforts to find a solution to this problem, does not intend to borrow from the banking system during the year 1994/95. Instead, it is

expected to reduce its accumulated bank borrowing by Shs. 20,160. 0 million. This implies that, the financing gap increases to Shs.73,288.0 million, which will have to be covered by other sources of revenue.

65. Mr. Speaker, it will be remembered that with effect from September, 1993 the Government started auctioning of Treasury Bills. The auctions are being conducted by the Bank of Tanzania on behalf of the Government. Up to December, 1993 a total of shs. 10,619 million had been raised as I explained earlier in my review of the 1993/94 financial year. The Government will continue with the auctions for the purpose of financing the gap between expenditure and revenue. The Government expects to raise Shs. 36,310.0 million from the Treasury Bills Auctioning for 1994/95 and the amount realized will reduce the financing gap to Shs. 36,978.0 million which will have to be covered by other sources of revenue.

FISCAL POLICIES AND NEW REVENUE MEASURES

66. Mr. Speaker, before announcing new tax measures to bridge the gap of revenue of shs. 36,978 million I wish to highlight to Honourable Members of Parliament government policies which have guided our revenue projections for the next financial year. Mr. Speaker, I wish to state that revenue policies for the coming year are not different from the ones which were implemented last year although more emphasis will be put on the following fiscal policies, viz:

- (a) bringing about equality and equity in income distribution amongst Tanzanians;
- (b) enabling the government to raise revenue, in order to meet its financing needs;

- (c) assisting local industries through protection from competition of imported goods.

NEW REVENUE MEASURES

67. Mr. Speaker, having mentioned the major, revenue Policies which will guide revenue collection for the coming year, I Wish to announce the following new revenue measures the Government intends to take this financial year to fill in the gap of Shs. 36,978 million:

- (a) to broaden the sales tax;
- (b) to Adjust customs tariff and increase road toll rates;
- (c) to introduce new administrative and legal measures intended to enhance efficiency in revenue collection;
- (d) to review tax exemptions with a view to abolishing and reducing some of them;
- (e) to increase various fees charged on Government services;

BROADENING THE SALES TAX BASE

68. Mr. Speaker; Honourable Members will recall that the Government already has been levying sales tax on telephones, electricity and hotel catering services. The Government in an effort to get new sources of revenue intends to broaden the tax base on services to include Building contractors, Electrical Contractors, Engineers, Accountants, Lawyers, Auctioneers, Consultants, Clearing and Forwarding Agents and Garages. other services on which this tax will be imposed are tour operators, laundry, Dry cleaning, Photographic and Video Services, Physical Fitness Service Centres, Barber Shops, Hair Saloon, Tailoring Mart, Secretarial Services and Advertisements by radio or television.

69. Mr. Speaker, this measure which is intended to come into force on the 1stt July, 1994 will not affect services whose monthly turnover is less than Shs.400,000.0. The expected revenue from this measure is Shs. 3,500 million.

ADJUSTMENT OF CUSTOMS TARIFF RATES

70. Mr. Speaker, it is proposed to increase the maximum customs tariff rate from forty percentum to fifty percentum. The purpose of this measure is twofold; first, to raise more Government revenue which is expected to be Shs. 3,597 million and secondly, to protect our industries against unfair competition from imports. This measure however, will not cover agricultural and livestock inputs.

71. Along with this measure the Government intends to increase the import duty relief hitherto granted to our local industries by reducing the import duty rate on industrial inputs from the present ten percentum (100%). In addition to the above relief the Government also intends to grant more relief to "Wananchi by imposing a reduced single import duty rate of 10% on all human medicines and by retaining the current maximum import duty rate of forty percentum (40%) on wheat, wheat flour, maize, maize flour and rice. the reduction in the import duty rate on industrial inputs is expected to reduce the Government revenue by Shs. 994 million.

72. Mr. Speaker, following the decision to levy a 5% import duty on all industrial inputs the Government intends to impose a similar rate on crude petroleum oils. This measure which comes into effect from the 17th June, 1994 has two objectives; first, to raise Government revenue which is expected to be Shs. 3,850 million. Secondly, to curb smuggling of our petroleum products to neighbouring countries and by International airlines due to low price.

INCREASE OF ROAD TOLL

73. 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 road toll by 5/= per litre of petrol and diesel. The new road toll rate will now be 35/= instead of 30/= per litre of petrol and diesel. This measure is expected to generate an extra revenue of Shs.3,269 million.

74. Mr. Speaker, the other, reason for taking this measure follows the decision to abolish the Road Licence fees chargeable under the Road Traffic Act, 1973 and will now be collected as Road Toll. The emerging of the road licence fees with the road toll has the advantages of simplifying its collection mechanism, reducing collection costs, making it convenient for the taxpayers to pay and minimising its loss through forged receipts and thefts.

REVIEW AND ABOLITION OF EXEMPTIONS

75. Mr. Speaker, for quite sometime now, Government tax revenue has been adversely affected by the magnitude of exemptions. This aspect was critically examined by the Presidential Commission of Inquiry into Public Revenue and Expenditure under the able chairmanship of Hon. Edwin Mtei which also noted that exemptions erode the tax base and recommended their drastic reduction. Acting upon this recommendation the Government, in the 1992/93 financial year, tabled a bill in this Honourable House for the abolition of a number of exemptions and subsequently passed into a law, but due to the pressure exerted by the various beneficiaries, the Government decided to suspend its applications. However, Mr. Speaker, due to the continued adverse effects on Government revenue caused by exemptions the Government has been forced, once again, to take redressive measures intended to (a) prevent loss of Government revenue (b) plug loopholes in the tax systems (c) eliminate social and economic distortions. The intended redressive measures are:

- (i) to abolish some of the exemptions
- (ii) to review the existing exemptions and
- (iii) to change the current exemption procedures.

76. Mr. Speaker, as regards the issue of the abolition of some exemptions, it is intended to abolish all exemptions except those which concern the:

- (i) Central and Local Government and Institutions which are entirely dependent on Government subsidy;
- (ii) Ambassadors, High Commissioners and other diplomatic personnel;
- (iii) diplomatic Institutions;
- (iv) Religious Institutions including items for use in the conduct of their religious services;
- (v) Voluntary Agencies or NGO for projects recognized by the Government;
- (vi) Government Employees and those employed by Government Institutions which are entirely dependent on Government Subsidy and lastly,
- (vii) items and equipment for mineral exploration.

Mr. Speaker, following this measure, which became effective on 17th June, 1994, the Government also intends to review the various technical assistance Agreements with a view to reducing or abolishing the exemptions already granted.

77. Mr. Speaker, the other areas which the Government has critically examined concerns tax exemptions granted under National Investment Promotion and Protection Act (NIPPA), 1990. It has been discovered that this area is prone to abuse. In view of this it has been decided that with effect from the 17th June, 1994 the procedures governing the granting of exemptions under this law will be revised to provide that the Minister for-Finance will be the sole authority for granting such exemptions, which will now be granted ex post facto. Mr. Speaker, it is emphasized that exemptions under the law will from now on be granted only after completion and the commencement of production of goods or services.

Mr. Speaker, further to the changes already stated it has also been decided that, in the case of new projects, the exemption shall only be granted to those worth US\$ 10.0 million or more and for expansion and rehabilitation of existing projects, the exemption will not be granted unless the projects are worth US 5.0 million or more., The exemption will be restricted to capital goods. This means that raw materials and consumer items,

including spare parts, will not qualify for exemption. It is hoped this measure will remove the anomalies which cause enterprises without IPC approvals to be disadvantaged. Lastly, Mr. Speaker, the other decision taken concerns the exclusion of some projects from the list of qualifying projects under IPC. The affected projects are those related to the following business activities; Transportation, in particular transit trade; banking; radio and television;. studios; restaurants; casinos and gambling tour operators and other similar businesses.

78. Mr. Speaker, the third and last area which relates to exemptions concerns the procedure under which exemptions granted shall operate. Mr. Speaker, with effect from the 1st July, 1994 all exemptions granted shall not be operative unless and until a Government notice to that effect has been issued and published in the Government Gazette. Similarly, those exemptions which require a certificate to be issued by the Principal Secretary, Treasury will also be operative only after a certificate to that effect has been issued. Mr. Speaker, I wish to take this opportunity to remind all Ministries, Regions, Independent Departments and various Institutions to refrain from entering into contracts or agreements which provide for exemptions without prior approval of my Ministry. All contracts which will be entered into without the sanction of my Ministry will not be binding and no exemption of taxes will be granted.

79. Mr. Speaker, it is the hope of the Government that the measures taken to review, reduce and abolish exemptions will significantly arrest their misuse and abuse. It is expected that these measures will save the Government Shs. 10,000 million.

ABOLITION OF INCOME TAX EXEMPTION ON INTEREST ON THE TREASURY BILLS

80. Mr. Speaker, another type of exemption which the Government has decided to abolish with effect from 1st July, 1994 is the income tax exemption in respect of interest on Treasury Bills. Mr. Speaker, currently income tax is withheld on Bank interest at 19% withholding tax rates and in order to provide for equity in the tax system, the Government sees now no justification for not taxing this source of income in the manner and at the rate bank interest is taxed. Revenue expected is Shs.400 million.

INCREASE IN FEES

81. Mr. Speaker, another area in which the Government intends to raise extra revenue is in raising a variety of fees on services rendered by various Government Ministries and Departments. The reason for this measure is to align the charges to their administrative costs. The services which will be affected are those rendered by the:

- Ministry of Home Affairs;
- Ministry of Water, Energy and Minerals;
- Ministry of Works, Communications and Transport;
- Ministry of Labour and Youth; and the Judiciary.

Details of the chargeable fees have been announced together with the Finance Bill No. 2 of 1994. So, as for now, the Tax will be paid by all at the stage of car registration or transfer.

TRADE CONTROL

82. Mr. Speaker, as Honourable Members of this House may recall, the Government took measures in April, 1994 to plug areas of tax evasion which have been a source of revenue leakage. The affected areas are:

- (i) Transit trade
- (ii) Use of Customs Bonded warehouses
- (iii) Duty Free Shops
- (iv) Transshipment cargo destined to Zanzibar.

It is the Government's resolve to strictly control and monitor these areas. It is anticipated that these measures will significantly reduce the level of tax evasion. This measure is expected to bring in extra revenue of: Shs. 12,000 million.

83. Mr. Speaker, due to laxity of the control in the use of Customs Bonded warehouses it has been found out that unscrupulous businessmen have been misusing this facility thereby evading proper payment of Government taxes. After getting a report of findings submitted by an expert from H.M. Customs and Excise Department of the United Kingdom which showed that there was a lot of weaknesses in the control of Customs Bonded Warehouses, the Government has decided to take corrective measures concerning the operations of Customs Bonded Warehouses. Furthermore the Government has decided to reduce the period of storing goods in bonded warehouses from twelve to six months, and for perishable goods, the period has been reduced to three months. In addition to this measure, the Government has also decided that the following category of goods, namely, foodstuffs, medicines, textiles and beverages will not be stored in the warehouses. The measure is being taken to protect Government revenue and human health. Mr. Speaker, a bill to that effect will soon be tabled before this Honourable House.

ADMINISTRATIVE AND LEGAL MEASURES TO IMPROVE EFFICIENCY IN TAX ADMINISTRATION

84. Mr. Speaker, the Government intends to take several administrative and legal measures aimed at enhancing the efficiency of tax administration. Amongst the measures intended to be taken include the establishment of a Revenue Board which will be charged with the formulation of revenue policies, procedures and advising the Government on any revenue issues. Further to this, the Board will scrutinize all tax exemptions and bring up appropriate recommendations to the Minister for Finance for its final ruling. Mr. Speaker, a Bill for the establishment of the Revenue Board will be tabled in this House at a later date.

85. Mr. Speaker, another measure intended to be taken by the Government is the introduction of a Taxpayer's Identification Number. This number which is a unique identification number allocated to each taxpayer will be used for tax identification and eventually for banking and other transactions. Initially Income Tax Account Numbers will be used for all tax-matters. The purposes of this measure is to control tax evasion by requiring the taxpayers to maintain proper business and bank records for purpose of tax audit and to ensure that they do not fail to make: returns. The use of the Taxpayer Identification Number will facilitate easy exchange of taxpayer information among tax departments. This measure will be effective beginning July 1, 1994.

86. Mr. Speaker, the Government wants to make several amendments to various tax laws with the view to strengthening the administration and enhancing the level of tax compliance. This measure is intended to review and raise the rates of penalties and fine, to streamline and rationalize areas of controversy and to make them more transparent. Mr. Speaker, the tax laws to be affected by this measure includes the Customs Management Act, 1970, which is being amended to raise the fine and penalty rates; the Motor Vehicle Surtax Act, 1994 which is being amended to provide that payment be done upon First Registration of the Motor Vehicle and on Transfer. Further to this measure, the Government has decided to abolish exemption which had hitherto been enjoyed by the Government and parastatal employees who had acquired their vehicles through loans. In view of the foregoing the Government has also decided to rationalize the rates chargeable under this Act.

87. Mr. Speaker, the last amendment of the tax laws to be brought before this House is the Specified Building Tax Act, 1993 which is being amended to provide that the tax be paid only in excess of the shs. 20.0 million threshold instead of the total value of the building.

SUMMARY

Mr. Speaker on the basis of the new revenue measures which I have announced to fill the gap of Shs. 36,978 million for the year 1994/95, the position in summary is as follows:

(i)	Sales Tax on Services	Shs. 3,500.Om
(ii)	Import Duty on Petrol	Shs. 3,850.Om
(iii)	Increase of Import Duty rate from 40% to 50%	Shs. 3,597.Om
(iv)	Road Toll	Shs. 3,269.Om
(v)	Increase of Fees	Shs. 2,762.Om
(vi)	Review/Abolition of exemptions	Shs.10,000.Om
(vii)	Tax on Treasury Bills	Shs. 400.Om
(viii)	Strengthening Custom Control	<u>Shs.12,000.Om</u>
	TOTAL (A)	Shs.39,378.Om
		=====
(ix)	LESS:	
	(a) Abolition of Road Licence fees	Shs.1,406.0m.
	(b) Reduction of import duty on industrial inputs 10% to 5%	<u>Shs. 994.Om</u>
	TOTAL (B)	<u>Shs.2,400.Om</u>
(x)	Balance (A-B)	Shs.36,978.Om
		=====

Mr. Speaker, from the above summary, the deficit of Shs. 36,978.0 million which we started with in this budget speech is now fully funded.

88 Mr. Speaker, on the basis of the proposed new revenue measures to bridge the expenditure gap, the structure of the Government Budget for the year 1994/95 will be as follows:

Recurrent Expenditure	Shs.362,797m
Development Expenditure	Shs.151,487m
Total Expenditure	<u>Shs.514,284m</u>
Recurrent Revenue	Shs.329,.288m
External Grants and Loans	Shs.168,846m
Non-Bank Borrowing	Shs. 36,310m

Bank - Borrowing	Shs.(20,160)m
Total Revenue	Shs.514,284m

CONCLUSION:

Mr. Speaker, since 1986 when the implementation of the Economic Recovery Programme began, the Government has taken various reform measures. Some of these have been fully implemented with successful results. Efforts are being undertaken to implement the rest of the measures. Together with the achievements made so far there are many problems that require solutions. The employment situation is not satisfactory. The rate of inflation is still high, while the Civil Service welfare is poor. We still continue to depend on donors, assistance for bridging our Government Budget and the gap between foreign earnings and the foreign exchange requirements. Our exports do not satisfy our needs. The Government structure is far too big compared to our financing ability. All these require decisive decisions in order to successfully implement the economic recovery programme to the peoples' expectations. It is in the interest of the CCM Government's aim that these problems are rectified as soon as possible. Apart from the economic reforms, the CCM Government has been in the forefront towards political pluralism in the country. We have adopted the multi-party system peacefully without disintegration of our National Unity. This is not a mean achievement. Many nations have split and fallen apart during the transitional period to multipartism. We deserve to commend ourselves, and the Tanzanian people for this achievement.

91.. Mr. Speaker, 1995 will be the year of General Elections. We have only one Budget Session in hand before these elections. It should be noted that CCM will not be the only Party during the General Election, as it previously used to be the case. Therefore CCM contestants, together with all CCM members have to prepare themselves to ensure that CCM comes back to power. I am confident that consolidation of our solidarity will guarantee US landslide victory It is for this reason that Tanzania

should implement correct economic policies if development, political and social stability are to be sustained.

92. Mr. Speaker, to conclude, I would like to reiterate here that, for quite a long period we have depended on Donors to sustain our operations and it is now clear that they are weary. It is important that we are aware of this and decide to take bold and deliberate actions out of this financial dependency. To achieve this, the Government has to implement all measures towards self sufficiency. These include effective collection and accounting for Government revenues; stringent control over expenditure by reducing the structure of Government to an affordable size; and full implementation of the ongoing Reforms.: We cannot avoid carrying out the reform process we have already embarked upon. The world political and economic environment compel us to take such measure, or else we shall find ourselves perishing and in an unbearable situation, which our people will not be able to understand. To do so would tantamount to failing in our responsibilities and live up to the expectations of most Tanzanians I am however sure that CCM Members and Tanzanians at large will not tolerate us for such obvious mistakes.

Leadership means providing direction and vision and we should not allow ourselves to act under undue pressures.

93. **Mr. Speaker, I beg to move**