

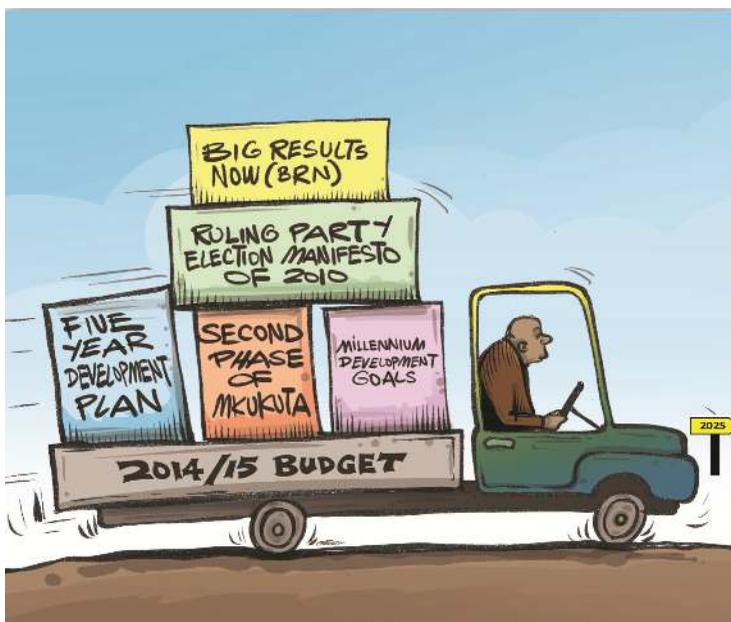
UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE

GOVERNMENT BUDGET FOR FINANCIAL YEAR

2014/15

CITIZENS' BUDGET EDITION



Issued by Ministry of Finance in collaboration with Policy Forum

1 INTRODUCTION

The Citizen’s Budget document is issued to improve citizen’s access to budgetary information with the objective of promoting accountability and transparency in public finance management. It presents the Government budget in a simple language, highlighting its important features and making it easy for a common person to understand and grasp the budget. The policies and programmes reflected in the Government budget affect the lives of all citizens and therefore it is important for them to fully comprehend its implications.

What is Government Budget?

Government Budget is an important tool used by the Government to implement policy decisions to achieve social, economic and political objectives. It provides projected revenues to be raised and expenditures to be incurred by the Government in a particular year. The basis for the budget is the Constitution of the United Republic of Tanzania of 1977, Article 137 (1) which provides that, “The President shall give directions to persons concerned to prepare and submit to the National Assembly for approval the year estimates of the revenue and expenditure of the Government of the United Republic for the next financial year”.

The 2014/15 budget is aligned to the, Five Year Development Plan, Second phase of the National Strategy for Growth and Reduction of Poverty (MKUKUTA II), Millennium Development Goals, and Ruling Party Election Manifesto of 2010; in order to realize the Tanzania Development Vision 2025.



2 WHAT DOES THE GOVERNMENT WANT TO ACHIEVE IN 2014/15?

The main focus for the 2014/15 budget includes: reducing the cost of living by continuing with efforts to reduce inflation rate; improve social services; improve roads, electricity and irrigation infrastructure; increase wages and salaries of public servants, reducing the tax

burden to workers, creation of employment opportunities and enhance good governance in line with Big Results Now (BRN)¹ Initiative. The budget has also considered the ongoing New Constitution Making Process; Local Government Elections of 2014; and preparations for the General Elections of 2015.



¹ **Big Result Now** is the initiatives of the government aiming at putting a strong and effective framework to oversee, monitor and evaluate the implementation of its plans. Is about sticking to the few agreed priorities and ensuring that the identified projects are adequately resourced for effective implementation.

Macroeconomic objectives and targets for the FY 2014/15 are as follow:

- ⇒ Real GDP² is projected to grow by 7.2 percent in 2014 and continue growing at an annual average of 7.7 percent in the medium term;
- ⇒ Maintaining a single digit annual inflation rate whereby annual inflation rate for the period ending June 2014 is projected at 6.0 percent and 5.0 percent in June 2015;
- ⇒ Maintain budget deficit³ after grants not exceeding 4.9 percent of GDP in 2014/15;
- ⇒ Contain the growth of extended broad money supply (M3)⁴ at 15.5 percent in June 2015, consistent with real GDP growth and inflation targets;
- ⇒ Accumulate gross official reserves adequate to cover at least 4.0 months of imports of goods and services by June 2015; and
- ⇒ Strengthen the shilling and maintain a stable and market determined exchange rate.

² **GDP** is the total market value of all final goods and services produced in a country in a given year.

³ Government Budget deficit is the amount by which a government's spending exceeds its revenue from taxes or other forms of internal revenue over a particular period of time.

⁴ Broad Money Supply (M3) includes: All money which are easily convertible into cash; saving accounts; Deposits; Money market funds and purchase agreements.

The above macroeconomic objectives and targets will be achieved by pursuing the following strategies:

- ⇒ Continue improving and sustaining peace, security, stability and tranquility in the country, regional - wise and globally;
- ⇒ Improving and strengthening social-economic activities, external trade and financial services;
- ⇒ Increasing Domestic revenue by rising existing revenue sources, identifying new potential sources of revenue and minimizing tax exemptions;
- ⇒ Strengthening financial management system and maintain control in the use of public funds;
- ⇒ The Integrated Financial Management System (IFMS) will be strengthened and ensure that funds commitments are made prior to acquisition of goods and services;
- ⇒ Continue with supportive monetary and fiscal policies to diminish inflationary pressures and interest rate spread;
- ⇒ Continue strengthening Regional Integration in East African Community and Southern Africa Development Community (SADC) and exploit existing opportunities;
- ⇒ Business and investment environment will continue to be improved, including addressing barriers to the implementation of the Public Private Partnership Law to attract private sector participation in the economy;
- ⇒ Minimising issuance of tax exemptions and remain with exemptions that are economically productive and spur socio-economic development and ensure fairness;

- ⇒ Strengthening Government budget management and control by preparing a Budget Legislation Bill to be tabled to the Parliament before the end of FY 2014/15.

3 MEASURES AND GUIDING POLICIES IN THE FINANCIAL YEAR 2014/15

3.1 REVENUE POLICIES:

In the financial year 2014/15, the Government will continue with efforts to strengthen the collection of domestic revenue by taking various policies and administrative measures. Policy measures that will be considered in the 2014/15 budget for the purpose of increasing domestic revenue include: -

- ⇒ Strengthening revenue collection systems as well as continuously reviewing various laws which grant exemptions for the purpose of controlling and reducing such exemptions;
- ⇒ Registration of new taxpayers and improve efficiency in revenue collection;
- ⇒ Extend working hours and days of the Tanzania Revenue Authority staff at Dar es Salaam Port and border posts;
- ⇒ Enactment and subsequently commencement of new Tax Administration Act;
- ⇒ Continue strengthening and ensure effective use of Electronic Fiscal Devices (EFDs) as well as providing taxpayers education on the use of these devices (machines);

- ⇒ Integration and harmonization of non-tax revenue collection systems;
- ⇒ Widening the tax base which includes formalization of the informal sector;
- ⇒ Public Institutions, Government Agencies and Authorities which collect non tax revenue to remit 10 percent of gross revenues collected through the retention schemes to the Exchequer;
- ⇒ In a bid to combat tax evasion, the Ministry of Finance will provide a hotline number and e-mail address to receive complains on the problem from the public; and
- ⇒ Ministries, Independent Departments, Regions, Municipalities, City Councils, Agencies and Authorities that collect fees and charges are directed to introduce electronic payment systems in order to minimize leakage of revenue.

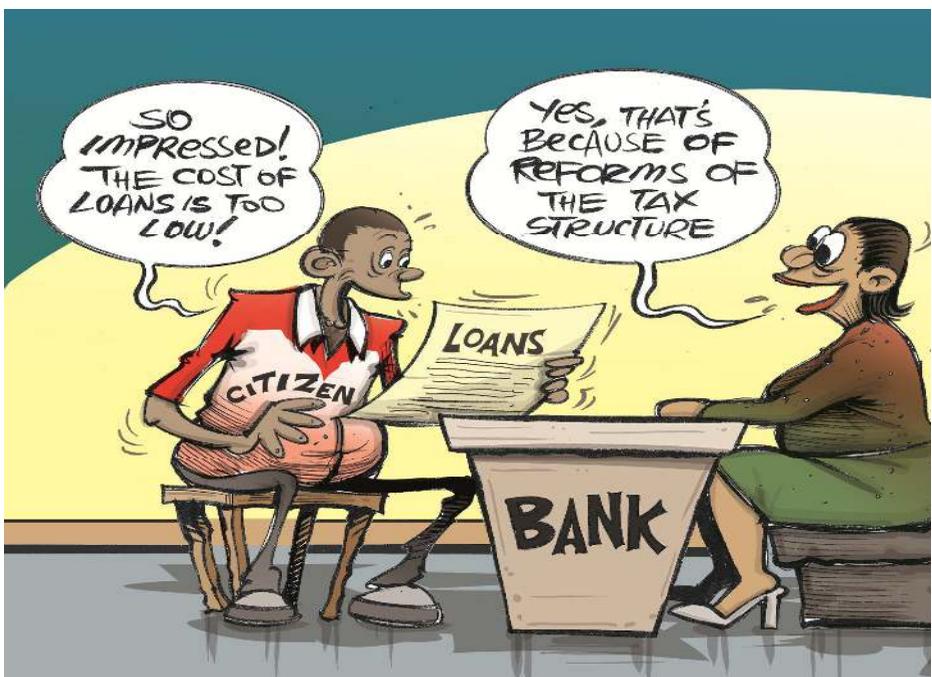
Reforms of the tax structure, fees, levies and other revenue measures

In order to increase revenue and achieve economic growth target in 2014/15; several amendments of some tax structure are proposed, including reforms of fees and levies imposed under various laws as follows: -

- i. Amending *The income Tax Act, CAP. 332* so as to exempt from taxes all incomes and gains to the holders of the bonds that will be issued by the African Development Bank in Tanzania domestic capital market. The measure is intended to enhance the Bank's ability to offer low cost loans in

- investment of various development projects. Other amendments, include adjusting PAYE threshold from 13 percent to 12 percent; to increase the rate of presumptive tax from 2 percent to 4 percent; and increase the current flat rate from Shs. 100,000 to 200,000 for non-record keeping businesses;
- ii. Amending *The Excise (Management & Tariff) Act, CAP 147* to remove the excise duty rate of 0.15 on money. Instead, introduce excise duty of 10 percent to be paid by banks and telecommunication companies and various agencies for the fees and levy they collect on money transfer services. Other amendments include to remove exemption on excise duty on petroleum products; To charge 30% on all motor vehicles with age limit more than 10 year and 15% on all motor vehicles with age limit between 8 to 10 years. Also to increase excise duty by 20% on tobacco products and to impose excise duty rate of 15 percent on imported furniture under HS Code 94.01;
 - iii. Amending *The Export Levy Act, CAP 196* to reduce the export levy on raw hides and skins from Shs 900 per kilogram to Shs 600 per kilogram whichever is higher;
 - iv. Amending *The Tanzania Investment Act, CAP 38* so as to amend Finance Minister's power to grant exemptions under Tanzania Investment Center (TIC)

- certificates such that no exemptions shall be granted in respect of expansion and rehabilitation projects;
- v. Amending *The Business Licensing Act, No. 25 of 1972* to enable the Government impose the proposed business licensing fees;
 - vi. Amending *The East African Community Customs Management Act, 2004*; to effect changes in the Common External Tariff (CET) and amend the EAC Customs Management Act, 2004 for the Financial Year 2014/15;
 - vii. Amendments of *the Fees and Levies* charged by Ministries, Regions and Independent Departments in order to rationalize with the current level of economic growth;
 - viii. Administration of Taxes on import of petroleum products that payment of taxes be effected immediately after assessment; and
 - ix. Amending *the Public Finance Act, CAP 348; the Treasury Registrar Act, CAP 418 and Executive Agencies Act, CAP 245* with a view to consolidate public finances under the Consolidated Fund which is managed by the Pay Master General.



3.2 EXPENDITURE POLICIES:

The Government will implement the following expenditure policies:

- ⇒ Aligning expenditures to expected revenues;
- ⇒ Releases of funds will be subject to requests received and submissions of quarterly performance expenditure reports by MDAs, RS and LGAs;
- ⇒ Strengthening public expenditure management and control including enactment of the Budget Act;
- ⇒ Government Institutions and Agencies must use the e-Government Agency instead of consultants

- in installation of ICT systems in order to minimize costs;
- ⇒ Procurement made by Ministries, Independent Department, Regional Secretariat, Local Government Authorities must be attached with EFDs receipts;
 - ⇒ Government payments to be made through single Treasury Account at the Bank of Tanzania;
 - ⇒ Budget deficit (including grants) not exceeding 4.9 percent of Gross Domestic Product (GDP);
 - ⇒ Government Institutions, Ministries, Regions and Local Government to abide by planned expenditures and the ceilings approved by the Parliament;
 - ⇒ Allocating adequate funds for the implementation of priorities identified in the Five Year Development Plan;
 - ⇒ Government institutions, Agencies and Authorities to submit their respective budgets to the Pay Master General (PMG) for scrutiny and approval;
 - ⇒ Verification and payments of contractors, suppliers and employees arrears/claims will be made by the Ministry of Finance based on the respective vote's budget;
 - ⇒ Implement direct bulk procurement from manufacturers/producers instead of agents; and
 - ⇒ Enforcing compliance to the Public Finance Act of the 2001 and the Public Procurement Act of 2011.

4 WHERE IS THE MONEY COMING FROM AND HOW MUCH?

In the financial year 2014/15 the Government plans to collect a total of **Shs 19,853.3 billion** from the following sources:

- ⇒ **Shs. 12,178.0 billion** from domestic revenue comprising of **Shs. 11,318.2 billion** from taxes and **Shs. 859.8 billion** from non tax revenue.
- ⇒ **Shs. 458.5 billion** from Local Government own source Revenue.
- ⇒ **Shs. 922.2 billion** from General Budget Support (GBS).
- ⇒ **TSh. 2,019.4 billion** from Foreign Loans and Grants.
- ⇒ **Shs. 2,955.2 billion** from Domestic Market Borrowing.
- ⇒ **Shs. 1,320.0 billion** from External Market on Non Concessional Borrowing terms.



5 GOVERNMENT SPENDING PLAN

Total expenditure estimated for the year 2014/15 is **Shs. 19,853.33 billion**. This amount has increased by 8.8% as compared to **Shs. 18,248.98 billion** which was estimated for expenditure in 2013/14.

5.1 MAIN EXPENDITURE ALLOCATION:

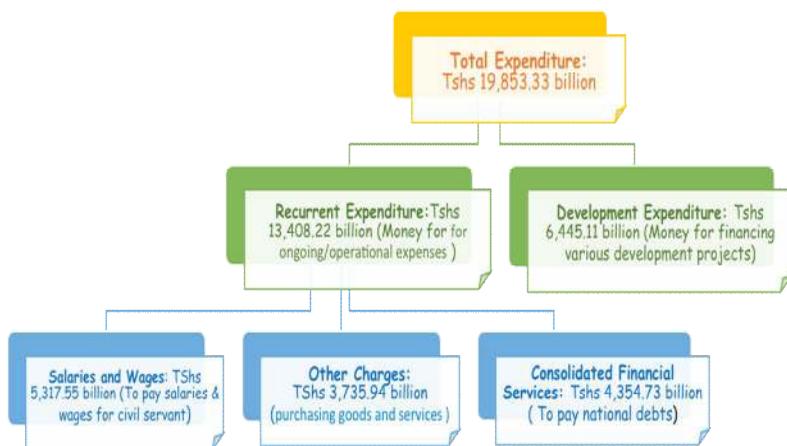
- i. *Recurrent Expenditure (TSh. 13,408.22 billion):*
This is the total money allocated by the government

to meet operational expenses. It is the expenses mainly for: (a) *paying wages and salaries for public servants*; (b) *purchasing goods and services* (like school equipment, hospital equipment, fuel, rent, maintenance, etc.); and (c) *payment of national debts*. The amount allocated for recurrent expenditure has increased by 6.6%, compared to **Shs. 12,574.95 billion** allocated in 2013/14;

- ii. *Development Expenditure (TSh. 6,445.11 billion):* This is expenditure which will be used to finance various development projects such as: building schools and hospitals; Electricity and water supply; Agricultural projects; Construction of infrastructures (roads, railways, ports, airports, etc.); and supporting industrial development. The amount allocated for development expenditure has increased by 13.6%, compared to **Shs. 5,674.03 billion** allocated in 2013/14.



How is the Money planned to be spent by main categories?



5.2 SECTOR ALLOCATION

A. Education Sector

In the financial year 2014/15, the allocation to education sector increased to **Shs 3,465.1 billion from Shs. 3,127.9 billion** allocated in the previous year. Therefore, there is an increase of 337.2 billion equals to 10.8 percent. The increase budget allocation in the sector reflects the Government commitment in implementing BRN programmes and projects in the sector.

Sector plans and Spending Highlights

The education sector is focusing at improving education quality and to enhance equal opportunity to all groups including the disadvantaged group (students with disability). Following the stated priorities, the allocation on education sector is on the following components:-

i. Technical, Vocational Education Training

- ⇒ **Shs. 13.4 billion** is allocated for supporting Vocational and Technical Educational training institutions; and
- ⇒ **Shs. 1.6 billion** set aside for rehabilitation of Arusha Technical College.

ii. Primary Education

- ⇒ Primary education has a budget of **Shs.115.3 billion** for management and operational expenses. These include costs for examination Shs 26.2 billion, Capitation Grant Shs 29.9 billion leave travel expenses Shs 12.0 billion and transfer costs Shs 13.4 billion; and
- ⇒ In order to improve the access to Education for disadvantaged groups, a total of **Shs 9.7billion** is allocated for special schools including school for pupils with disabilities.

iii. Secondary Education

- ⇒ **Shs. 92.3 billion** has been allocated to cover operational costs. This includes examinations cost Shs. 14.9 billion, capitation Shs. 19.9 billion, Leave and travel allowances Shs 4.6 billion; and school meals Shs. 41.7 billion;
- ⇒ **Shs. 49.5 billion** is allocated for construction of school laboratories, 408 school building and for procurement of laboratory equipments; and
- ⇒ **Shs. 4.2 billion** set aside for Hostel construction in different secondary schools.



iv. Higher Education

- ⇒ In expanding higher education sector, a total amount of **Shs. 247.3 billion** is allocated for recurrent expenditure including Shs 215.87 billion for salaries and wages, and Shs 31.5 billion for management and administrative costs;
- ⇒ In order to increase access to higher learning institution a total amount of **Shs 377.0 billion** is allocated for Higher Education Student's Loan Board (HESLB); and
- ⇒ **Shs. 64 billion** is allocated to higher education for development projects including; rehabilitation and expansion of MUHAS costing Shs 2.4 billion; MUCCoBS Shs 550 million; SUA Shs 500 million; Construction of PMO building at Mzumbe University Shs 850 million and Shs 49 billion is allocated for Tanzania Education authority.

v. Teacher education

- ⇒ **Shs. 48.5 billion** is allocated for management and operational expenses, it cover salaries and wages and other charges; and
- ⇒ **Shs. 13 billion** is allocated for rehabilitation of schools and Colleges.

B. Health Sector

The budget for the health sector for Financial Year 2014/2015 is Shs. 1,588.2 **billion** which is higher by 6.0 percent compared to **Shs. 1,497.8 billion** shillings allocated in year 2013/2014. The increase in the budget allocation aimed at improving preventive and curative health service especially maternal health services in the country.

Sector plans and Spending Highlights

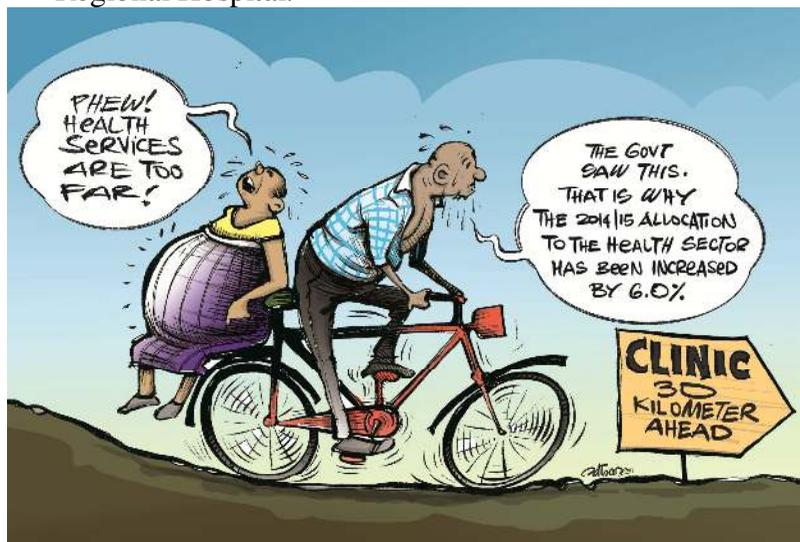
Health services are among the important aspect for human wellbeing in the country. In financial year 2014/2015, the sector plan to spend the allocated amount to make health services available to the entire country at a sustainable manner, by ensuring quality and adequate preventive and curative services are available to the nearest service centers.

- ⇒ **Shs. 23.02 billion** has been directed to improve antenatal and maternal health programs, to prevent and reduce under – five and maternal deaths; also for the supply of vitamin A and D supplements, and for delivery packs to delivering mothers;
- ⇒ **Shs. 31.24 billion** has been budgeted for supporting and strengthening Primary Health care services through (MMAM/PHSD programme) in District level specially in the areas of construction of dispensaries, mortuary, maternity wards Health centers and District Hospitals; out of that 1.2 billion is allocated for procurement of ambulances at underserved/selected Councils;

- ⇒ **Shs. 15.94 billion** has been allocated for preventing and combating HIV and AIDS countrywide. Also providing other HIV&AIDS related services to people living with HIV and AIDS;
- ⇒ **Shs. 278.1 billion** has been allocated for procurement and distribution of medicine, equipment and reagents throughout the country for prevention and treatment of communicable and non-communicable diseases. Of which **Shs. 134.89 billion** has been allocated for HIV/AIDS medicines while **Shs. 35.72 billion** is for malaria drugs;
- ⇒ **Shs. 6.8 billion** has been set aside for services in Muhimbili Orthopedic Institute (MOI);
- ⇒ **Shs. 9.2 billion** has been set aside for referral services at Muhimbili National Hospital;
- ⇒ **Shs. 260.3 billion** has been set aside for health services operations at national level; out of that Shs. 116.6 billion allocated for the procurement and supply of other medicines and medical equipments for health care quality improvement at district level. Also for capacity building of health workers (Nurses, Doctors, and Midwives) at council level;
- ⇒ **Shs. 29.19 billion** has been set aside for on-call allowances for Doctors, out of that and Shs. 7.13 billion allocated for internship allowances for *graduate Doctors under-supervision* countrywide to facilitate emergence health services and capacity building trainings;
- ⇒ **Shs. 3.0 billion** has been allocated to Ocean Road Cancer Institute for procurement Radiotherapy Treatment Machine and mosaic system;
- ⇒ **Shs. 26.5 billion** has been budgeted for procurement and distribution of medicines and medical equipment

country wide through Medical Stores Department (MSD);

- ⇒ **Shs. 4.26 billion** has been set aside for food supply, construction of classrooms at children and elders' social welfare centers countrywide to support social welfare services;
- ⇒ **Shs. 4.0 billion** has been set aside for health upgrading of four District Hospitals to be referral Hospitals in four new Regions namely Simiyu, Njombe, Geita and Katavi;
- ⇒ **Shs 3.5 billion** has allocated for ongoing construction of new Singida Regional Hospital;
- ⇒ **Shs. 0.45 billion** and construction of internship hostel in Ligula- Mtwara Referral Hospital; and
- ⇒ **Shs. 1.0 billion** for upgrading Tumbi Hospital to Regional Hospital.



C. Agricultural Sector

In fiscal year 2014/15, the Government has allocated a budget of **Shs. 1,084.7 billion** to the Agricultural Sector. This is an increase of 16.3 percent compared to the year 2013/14 allocation **which was Shs. 908.1 billion**. The increase in the budget allocation in the sector is in line with the BRN initiative. Also the increase reflects the importance of the sector to the economy as it provides employment for 74 percent of the population.

Sector planning and Spending Highlights

In fiscal year 2014/15, the agricultural sector plans to implement specific strategies in order to raise productivity in the sector. Efforts will be directed towards increasing the efficiency of cooperatives, improve extension service, improving the delivery of subsidized inputs to farmers, improving and rehabilitation of irrigation schemes. Other areas of intervention include; developing of strategic plan that will deal with pesticides, implement strategies to eradicate chronic diseases in crops, and preparation of proposal for legislation to protect agricultural land.

Allocation of funding in key areas will focus on the following activities:

- ⇒ **Shs. 23 billion** has been allocated for the implementation of irrigation projects in the various councils in the country;
- ⇒ **Shs. 89.1 billion** has been allocated for fertilizers subsidies;

- ⇒ **Shs. 6.3 billion** has been set aside for Agricultural Inputs Fund to facilitate availability of farm implements such as tractors and power tillers, irrigation equipments and seeds;
- ⇒ **Shs. 28.9 billion** has been allocated for the Irrigation Commission to implement various activities including; development of 39 irrigation projects under the Southern Agricultural Zone Corridor in Tanzania (SAGCOT);
- ⇒ **Shs.111.3 billion** has been allocated to enable National Food Reserve Agency (NFRA) to purchase 200,000 metric tons of cereals from areas with surplus for national food reserve and for conducting surveys to assess the status of food security in the country and construction of grain storage facility with a capacity to store 10,000 tons in Songea; and
- ⇒ **Shs 25.1 billion** has been allocated for construction of dam at Kidunda for irrigation and flood control purposes.

D. Water Sector

A total of **Shs 665.1 billion** has been set aside for water sector in the financial year 2014/15 with the aim of improving infrastructure for urban and rural water supply. The allocation is about 4.3% of the overall national budget.

Sector planning and Spending Highlights

The main spending areas includes the construction of 10 water wells in every Local Authority; completion of water pipeline from Lower Ruvu, Bagamoyo to Dar es

Salaam; management and development of water resources; Extension of Lake Victoria - Shinyanga - Kahama Water Project to neighbouring districts of Nzega, Igunga and Tabora including villages and townships along the project; and implementing ongoing water projects and facilitating the Urban Water Authorities to control water leakages and rehabilitate water supply infrastructures.

These measures are intended among others to remove the hassle faced by people walking long distance in search for water and therefore spare time for other productive activities and also removing the possibility of people contracting water borne diseases resulting from consuming unsafe water.

The allocated highlights for activities are as follows:

- ⇒ **Shs 96.4 billion** has been allocated for the rehabilitation and expansion of Urban Water Supply;
- ⇒ **Shs 86.7 billion** is set aside to implement Rural Water Supply and Sanitation program (ten village schemes);
- ⇒ **Shs 148.2 billion** is budgeted under Regions and LGAs' votes to implement urban and rural water projects;
- ⇒ **Shs 50.0 billion** is budgeted to implement borehole drilling and Dams construction;
- ⇒ **Shs 12.5 billion** is budgeted to implement Regional Headquarter water projects;
- ⇒ **Shs 23.5 billion** is budgeted for implementation of a Special Program for improving water supply and sanitation services in the Dar Es Salaam City;

- ⇒ **Shs 6.0 billion** is allocated for the implementation of Kahama – Nzega - Tabora Water Project;
- ⇒ **Shs 15.0 billion** is allocated for the implementation of Lake Victoria Shy - Kahama Water Supply;
- ⇒ **Shs. 21.5 billion** is set aside for Kidunda Dam project;
- ⇒ **Shs. 23.0 billion** is budgeted for Kimbiji and Mpera Water Project;
- ⇒ **Shs 30.3 billion** is allocated for the implementation of Same – Mwangi - Korogwe Water Project; and
- ⇒ **Shs. 5.3 billion** is allocated for water sanitation and health campaigns at school and household levels, exhibitions, brochures and Medias.

E. Transport Sector

The Government has allocated **Shs 2,109 billion** in 2014/15 for transport sector as compared to **Shs 2,139.02 billion** allocated in 2013/14. The allocation in 2014/15 is about 14% of the total national budget and has decreased by about 1% from 2013/14 allocations due to completion of some projects.

Sector planning and Spending Highlights

The Government is determined to improve road and transportation sector by taking different initiatives one of them being involving the private sector in funding the infrastructure and running the sector in agreed modalities.

Besides, the Government intends to complete connecting of all cities and Regions as well as creating good environment in the transport sector so as to stimulate economic growth and social development across the country. In addition, it intends to deal with rehabilitation and improvement of railway and air transport as well as expansion of water transport and port services. The allocation highlights for sector are as follows:

- ⇒ **Shs. 126.9 billion** has been allocated to strengthen and improve the performance of TRL (rail equipment and track maintenance);
- ⇒ **Shs. 2.9 billion** will be used for commuter train transport services in Dar es Salaam city;
- ⇒ **Shs. 261.6 billion** has been allocated towards construction, rehabilitation, and improvement of various airports. Of this amount, Shs 44. billion will be used for construction of Terminal III at Julius Nyerere International Airport (JNIA);
- ⇒ **Shs. 5.6 billion** has been allocated towards aircraft maintenance, procurement of Tanzania Meteorology Authority (TMA) radar, equipment and infrastructure;
- ⇒ **Shs 526.2 billion** has been set for “Road Fund” to fund maintenance, construction and management of various road projects, managed by TANROADS and Local Authorities;
- ⇒ **Shs 25.5 billion** has been allocated for construction of various bridges. ;

- ⇒ **Shs 7.4 billion** has been set aside for Kigamboni bridge;
- ⇒ **Shs 31.9 billion** has been allocated for rehabilitation of regional roads;
- ⇒ **Shs 25.5 billion** has been allocated for procurement of Emergency Mabey bridges parts and rehabilitation of bridges in Kirumi, Nangoo, Sibiti, Maligisu, Kilombero, Lukuledi II and other bridges in the country.
- ⇒ **Shs 28.9 billion** has been allocated to finance projects on decongestion of Dar es salaam City;
- ⇒ New Bagamoyo road – Tegeta project has been allocated **Shs. 14.5 billion**;
- ⇒ Sumbawanga – Matai – Kasanga road has been allocated **Shs.10.2 billion**
- ⇒ **Shs 20.5 billion** has been allocated for construction of Isaka- Lusahunga – Rusumo road; and
- ⇒ **Shs 36.6 billion** has been set aside for construction of Kigoma- Kidahwe-Uvinza- Kaliua – Tabora road.

F. Energy and Minerals Sector

Budget allocation for Energy and Minerals Sector in 2014/15 is **Shs. 1,090.6 billion** compared to **Shs. 1,303.2 billion** allocated in 2013/14 representing a 2 percent decline due to completion of some projects, which were implemented in 2013/14.

Sector plans and Expenditure Focus

Sector priorities for 2014/15 are the continuation of those priorities implemented in FY 2013/14 in line with the Five Year Development Plan and BRN initiative. These include: generation, transmission and distribution electric power; construction of gas infrastructure; promotion of investments in energy and mineral projects; improving revenue collection in energy and mineral sources; and enhancing sector's capacity in management and monitoring of energy and mineral projects. In achieving these priorities funds have been allocated to the following priority projects:

I. Power generation, transmission and supply

- ⇒ Allocation of **Shs. 290.2 billion** for Rural Energy Agency and Rural Energy Fund to facilitate distribution of power to District Headquarters and rural areas;
- ⇒ **Shs. 145.0 billion** is allocated for Institutional Cooperation Project to facilitate TANESCO's institutional capacity building on planning and operation of transmission system;
- ⇒ **Shs. 90.0 billion** is allocated for construction of 150 MW natural gas fired plant at Kinyerezi in Dar Es Salaam in order to increase power supply into the National Grid;
- ⇒ **Shs. 5.0 billion** is allocated to facilitate rehabilitation of Hale hydro electric power plant;
- ⇒ Allocation of **Shs. 22.5 billion** to facilitate rural power supply in Ngara, Biharamulo and Mpanda Districts;
- ⇒ **Shs. 145.6 billion** is allocated for transfers to TANESCO to support power generation,

- transmission and distribution to increase access to electricity for both industrial and domestic use;
- ⇒ Allocation of **Shs. 50.3 billion** for construction of 132 KV power transmission line from Makambako-Songea;
 - ⇒ Allocation of **Shs. 11.8 billion** for development of Liquid Bio-Energy Policy as a measure to enhance promotion and access to renewable energies; and
 - ⇒ **Shs. 4.0 billion** is set aside for implementation of electricity project focusing on construction and rehabilitation of power distribution networks.

II. Natural Gas and Petroleum

- ⇒ Allocation of **Shs. 117.0 billion** for construction of natural gas pipe line from Mtwara to Dar Es Salaam;
- ⇒ **Shs. 8.4 billion** is allocated for development of Petroleum Sub-Sector in order to speed up exploration and access to petroleum products;

III. Mining

- ⇒ **Shs 13.0 billion** is allocated for completion of construction of Regional Mining Offices in Dodoma, Mpanda and Mtwara and supply of equipment and working tools in Regional Mining Offices;
- ⇒ Allocation of **Shs. 5.0 billion** to facilitate implementation of Kiwira Coal Mines and construction of 200MW power generation plant;
- ⇒ **Shs 3.2 billion** is allocated for improvement of Mineral Resources Institute; and
- ⇒ **Shs 9.2 billion** is allocated to ensure effective and sustainable management of mineral resources.

G. Industrial Sector

For the country to attain its middle income status highlighted in the Tanzania Development Vision 2025, the Government has allocated **Shs 112.5 billion** in 2014/15 budget compared to **Shs 108.50 billion** allocated in 2013/14 to implement various interventions, this is an increase of 3.67 percent compared to the year 2013/14 allocation. The areas of emphasis include development of special economic zones, promoting investment in industries that add value to agricultural produces, improving the business environment, facilitate easy and access to financing for small and medium entrepreneurs.

Major spending highlights:

- ⇒ **Shs 7 billion** has been budgeted for land valuation and compensation, people relocation and infrastructure design in Bagamoyo special economic zone.
- ⇒ **Shs 53 billion** has been set aside to continue with construction of Tanzania China Logistics Centre at Kurasini area in Dar es Salaam where more than by 25,000 employment opportunities will be created upon completion;
- ⇒ **Shs 5 billion** has been allocated for Mchuchuma and Liganga project of which Shs 2 billion is allocated to Mchuchuma coal project for design, compensation, training and feasibility studies for construction of roads and electricity infrastructures and Shs 3 billion is allocated to Liganga iron project for construction

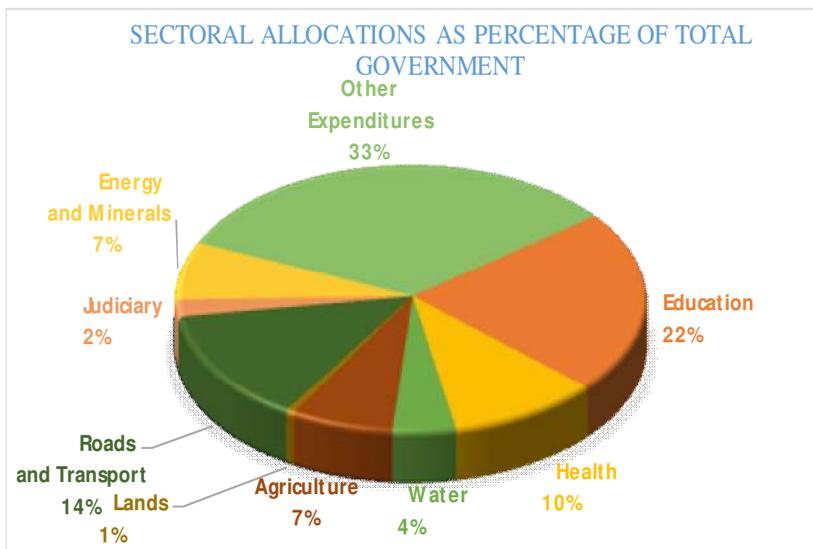
- of iron mine, valuation, compensation and procurement of equipment;
- ⇒ **Shs 2.03 billion** has been allocated for establishment of commodity exchange market, strengthen Warehouse Receipt System and contribution to Agriculture Sector Development Programme focusing on value addition of agriculture products;
 - ⇒ **Shs 2.9 billion** has been set aside for completion construction of Mosquito Biolarvicides plant at Tamco Industrial Estate at Kibaha in the Coast region;
 - ⇒ **Shs 990 million** has been allocated for harnessing renewable and sustainable energy mainly for construction of wind power plant in Singida region;
 - ⇒ **Shs 804 million** has been set aside for strengthening National Entrepreneurs Development Fund (NEDF), strengthening of seven (7) technological development stations under SIDO and capacity building for small and medium entrepreneurs on business management; and
 - ⇒ **Shs 1.2 billion** has been allocated for Business Environment Strengthening Programme (BEST) to facilitate online registration of companies.

H. Employment Creation

The Government will continue with the implementation of the National Employment Policy of 2008. Major policy emphasis is to increase employment opportunities through creating enabling environment for all stakeholders to participate fully in human capital

development. In achieving this, the following have been allocated in the 2014/15 budget are;

- ⇒ **Shs. 3 billion** has been allocated to facilitate youth entrepreneurship programmes including; skills training, vocational guidance and counseling, capacity building, business development and financial services for business start-up. It is expected that a total of 700,000 employment opportunities will be generated 2014/2015; and
- ⇒ **Shs. 230.7 billion** has been allocated to finance recruitment of new employees in the public sector for 2014/2015 compared to **Shs. 182.3 billion** allocated for recruitment of 61,915 new employees in 2013/2014.



BUDGET REFERENCE DOCUMENTS

The following is a list of the documents published by Government and used as sources of information to prepare the budget:

1. Tanzania Development Vision 2025,
2. Five Year Development Plan 2010/11-2016/17
3. MKUKUTA II, which started in 2010 wind up in 2015:
4. The Millennium Development Goals 2015:
5. Ruling Party Election Manifesto of 2010;
6. Macro-Economic Policy Framework: Provides information about fiscal policies and reforms;
7. National Debt Strategy;
8. Joint Assistance Strategy for Tanzania;
9. Sector Policies & Strategies;
10. Performance Assessment Framework (PAF) under General Budget Support Annual Review (GBSAR);
11. Ministries Budget Speeches for year 2014/15;
12. Medium Term Plans and Medium Term Expenditure Framework Budget Memoranda;
13. The Appropriation Act, 2014;
14. The Annual Finance Act, 2014;
15. The State of the Economy Speech for Year 2014/15;
16. National Economic Survey; and
17. The Estimates of Public Revenue and Expenditure for year 2014/15 (Volumes I – IV).

In order to access some of these documents and previous versions of Citizens Budget you can visit:

- Ministry of finance website (www.mof.go.tz)

- President's Office -Planning Commission website (www.mipango.go.tz)
- Policy forum website (www.policyforum.or.tz)

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What are your ideas, questions, thoughts or comments on the budget 2014/15?

Do you need more information than is provided in this booklet? YES NO

If “YES” What kind of information do you need?

Is there anything more you would like us to know?

Was this booklet useful to you?

- Yes No Somewhat

Was the booklet easy to read and understand?

- Yes No Somewhat

Post OR deliver this leaflet to:

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P.O. Box 9111, Dar es Salaam.
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