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REVOLUTIONARY GOVERNMENT OF ZANZIBAR

BUDGET PROPOSALS (REVENUE AND EXPENDITURE ESTIMATES) FOR THE FISCAL YEAR 2019/2020 AT THE HOUSE OF REPRESENTATIVES 20 JUNE 2019

I. INTRODUCTION

1. **Honorable Speaker**, allow me to begin by praising the name of our Lord, the creator and Almighty, for his continued blessings in granting us life, good health and other blessings which made it possible for us to meet here this afternoon. Once again, we congregate here in order to fulfill our noble duty to the community we serve and lead, the duty which emanates from Article 105 of the 1984 Constitution of Zanzibar (as amended) and Section 41(3) of the Public Finance Management Act number 12 of 2016.
2. **Honorable Speaker**, as per these Clauses, the Minister responsible for Finance is obliged to prepare and submit before this House, estimates for Government Budget for the coming fiscal year, before the end of the ensuing financial year. Since we are on the verge of closing the fiscal year 2018/19, I submit these Revenue and Expenditure estimates for 2019/20 in compliance with the cited Constitutional and legal requirements.

3. **Honorable Speaker,** for that reason, it is my single privilege and honour to move a motion that this House be now reconstituted as a special Committee to receive and deliberate on the Proposals for Revenue and Expenditure Estimates for the Revolutionary Government of Zanzibar for the fiscal year 2019/2020.

4. **Honorable Speaker,** I stand before you as a Minister of Finance and Planning following my appointment by His Excellency, the President, to this post which is crucial for the government and our country at large. Obviously, this is a huge trust vested upon me by the leader of our country and the Head of the Government. I wish to express my profound gratitude to His Excellency, Dr. Ali Mohamed Shein, the President of Zanzibar and Chairman of the Revolutionary Council, for his trust on me and his continuous assistance and guidance which indeed gives me a great courage in fulfilling my duties with ease.

5. **Honorable Speaker,** Above all, I salute his Excellency the President, for his great leadership which is full of wisdom, patience, ability and exemplary integrity. To all of us who are close to His Excellency, there is very much we can learn from him on leadership and life in general.

6. **Honorable Speaker,** with the same tone, I also thank his chief aide, Honorable Ambassador Seif Ali Iddi, the Second Vice

President of Zanzibar, for his great assistance to His Excellency the President and to us, the Ministers, and for his strong leadership which inspires us to achieve more from our responsibilities. Honourable Ambassador Seif Iddi remains our strong pillar in our performance in the government and in leading and coordinating us in this crucial organ of our country, this esteemed House, which is composed of representatives of all peoples of Zanzibar and their special groups.

7. **Honorable Speaker,** Zanzibar is one among the two countries that united in April 1964 to form one United Republic, the United Republic of Tanzania, the other country being Tanganyika, now known as Tanzania Mainland. This year we marked the 55th anniversary of our Union. Each part's tranquility and development is dependent on the other's tranquility as well, the cooperation between the leadership of the two sides of the Union and our joint leadership in the government of the United Republic.
8. **Honorable Speaker,** I seize this opportunity to sincerely congratulate and thank His Excellency Dr. John Joseph Pombe Magufuli, President of the United Republic of Tanzania, for his strong leadership, which puts the interests of the country and her people first, majority being the rural poor. Through him we are pleased with the new and unwavering direction that is built

on zeal to public sector accountability, combating corruption and embezzlement of public funds and protection of national resources.

9. **Honorable Speaker**, our ancestors taught us many things through proverbs and short statements which carries huge messages. One of these proverbs goes as **“one finger won’t kill a louse”**. Its main message lies with the emphasis on the great benefits of cooperation whose synergy brings more results than individual efforts.

10. **Honorable Speaker**, On the part of the government of the United Republic of Tanzania, the invaluable cooperation that His Excellency the President receives from his close aide, Honorable Mama Samia suluhu Hassan, the Vice President and Honorable Kassim Majaliwa Majaliwa, the Prime Minister, is a good testimony to the benefits envisaged under this proverb. We are also very much relieved with this cooperation and therefore congratulate Her Excellency Mama Samia and Honorable Majaliwa, for their leadership.

11. **Honorable Speaker**, allow me to also advance my congratulations to the leadership of this House, under your able stewardship, Honorable Zubeir Ali Maulid. The House has now set new standards in serving the people and supervising the government with great respect but without compromise.

Honorable Speaker, during this budget session, for instance, we have witnessed Honorable representatives pinning down the government with strong arguments, on behalf of the people they represent, and the government was compelled to go an extra mile in correctly responding to the queries from Honorable Representatives of the people.

12. **Honorable Speaker**, however, all this was done on a manner that maintained mutual respect without using abusive language, ridiculing each other or contempt. I sincerely congratulate you, Honorable Speaker, your deputy, Honorable Mgeni Hassan Juma and chairpersons of the House, Honorable Mwanaasha Khamis Juma and Honorable Shehe Hamad Mattar. Certainly, yours is a very tough job but you have delivered it with great efficiency and ability. We congratulate you!

13. **Honorable Speaker**, I would like to end my special thanks with a recognition and appreciation of the contribution from two important institutions. First, is our third Pillar which deals with ensuring that justice prevails to all; the Judiciary. Under our state arrangement, Judiciary is the third and final pillar. During all this time we have witnessed a tranquil delivery of justice through our Judiciary. This is a great sign that all is well with the Judiciary and that people are satisfied and have great confidence in its functioning. Therefore, on behalf of the entire Judiciary system, allow me to congratulate and thank

Honorable Judge Omar Othman Makungu, the Chief Justice of Zanzibar for his able leadership of the Judiciary pillar.

14. **Honorable Speaker**, the second important institution which I wish to sincerely thank is the Defence. Without prejudice to the efforts of the people in maintaining peace and tranquility, we are all pleased with the performance of our defence and security organs. It is their effective performance that makes us all live peacefully and work and do our social duties without fear. I know that there are many organs that deal with security and defence, be it in securing our borders or internal security, Union organs as well as special departments of the revolutionary Government of Zanzibar, in their totality I called the “Defence”. On behalf of all the people of Zanzibar, I sincerely thank this institution for the good work they do in keeping us safe and in maintaining law and order.

15. **Honorable Speaker**, after these introductory, congratulations and appreciative remarks, allow me now to start by briefly presenting the performance of our economy for the year 2018 and implementation of government budget for nine months period that ended March 31st, 2019.

II. ZANZIBAR ECONOMIC PERFORMANCE

16. **Honorable Speaker**, this morning I gave a detailed account of the performance of our economy for the year 2018 while submitting the report on Economic Performance for 2018 and Implimentation of the Development Plan for 2018/19. I wish to reiterate that the Socio-Economic Survey Report for 2018 shows that our economic growth remained strong in 2018. The real GDP increased to TZS 2,874 billion from TZS 2,684 billion reported in 2017.
17. **Honorable Speaker**, as I highlighted this morning, further improvement in tourism services, the rise in tourist arrivals and their prolonged average stay, on the one side, and and success in agriculture production, especially food crops and sead weed on the other side, are the main contributors to the recorded growth.
18. **Honorable Speaker**, in accordance with these indicators, it implies there is a good performanc of Zanzibar economy growing at 7.1 percent; which is among the highest in Sub Saharan African countries.
19. **Honorable Speaker**, in terms of sectoral contribution to GDP, Service sector continued to lead and remain the main pillar to our economy. Durig 2018, the Sector's contribution to GDP

further increased to 51.3 percent, up from 48.6 percent recorded in 2017. Notable is the performance of the Accommodation and Food Services Subsector whose contribution jumped from 14.7 to 19.5 percent between these two years. This remarkable contribution was mainly due to fast growth of the Sector recording a growth of 10.4 percent in 2018 from 7.7 percent the year before.

20. **Honorable Speaker**, contrarry to the good performance of the Services Sector, growth declined in the Sectors of Agriculture and Industry. Agriculture grew by 2.2 percent in 2018 compared with 5.6 percent in 2017 while Industry grew by 3.7 percent, down from 7.9 percent during the same period.
21. **Honorable Speaker**, due to these differential growth rates between Service Sector on the one hand and Agriculture and Industry on the other, and the weight that services sector has on the GDP, the growth on Service Sector's contribution has displaced that of Agriculture and Industry. Agriculture managed to contribute 21.3 percent in 2018, slightly lower than 21.5 percent of 2017 while Industry's share was 17.8 in 2018 from 19.6 of the previous year.

A. Population and GDP Per Capita

22. **Honorable Speaker**, due to impressive performance of the GDP in 2018 as highlighted before, the per capita GDP also improved from TZS 2,104,000 equivalent to US Dollars 944 in 2017 to TZS 2,323,000 equivalent to USD 1,026 last year. This is based on the estimated population of 1,579,849 for 2018. While more efforts is still needed in improving production and GDP growth, it at least encourages to note that we are closing up with attaining our middle income country's target of GDP per capita of USD 1040 as enshrined in our Zanzibar development Vision 2020.

B. Inflation

23. **Honorable Speaker**, another fundamental area for any economy including on decisions of whether to save or to invest is on stability of prices of goods, services and currency. During the calendar year 2018, we have witnessed yet another year of price stability at a rate which is conducive from both savers and investors. This situation was reflected in the inflation rate which maintained a single-digit at an average annual rate of 3.9 percent, down from 5.6 percent the year before. On goods, more stability was recorded on prices of foodstuff whose inflation dipped from 5.5 percent in 2017 to 1.4 percent in 2018. As for non-food items, inflation has slightly declined to 5.7 percent in 2018 from 5.8 percent of 2017.

C. Tanzania Shilling Value

24. **Honorable Speaker**, the value of Tanzania shilling against the US dollar has remained stable for the whole 2018 relative to other world currencies. The shilling against US Dollar depreciated by 1.6 percent in 2018 compared with a depreciation of 2.4 percent in 2017. On average, a US Dollar was bought at TZS 2,264 in 2018 from TZS 2,229 in 2017. The slight depreciation was attributed to various factors mainly a decline in exports and strengthening of the Dollar.
25. **Honorable Speaker**, this encouraging price stability benefited from a decline in prices of petroleum products at the world market, good weather supporting food production in Tanzania and in the region and interventions by the central Bank through implementation of its Monetary Policy.

III. THE NINE MONTHS BUDGETARY PERFORMANCE (July - March) 2018/19

A. Revenue Estimates

26. **Honorable Speaker**, for fiscal year 2018/19, your esteemed House approved the government estimates of collecting TZS 1.315 Trillion as shown on the following breakdown:

- i. A total of TZS 807.5 billion from domestic sources;
- ii. Official Development Assistance of TZS 464.2 billion, which includes Grants of TZS 75.6 billion and soft loans amounting to TZS 388.4 billion;
- iii. Basket Fund grant of 3.4 billion.
- iv. Domestic loans of TZS 40 billion.

27. **Honorable Speaker**, out of the domestic resources of TZS 807.5 billion, a total of TZS 728.4 billion is from tax sources while TZS 79.1 billion is from non-tax. Institutional estimates were as follows:

- a) the Zanzibar Revenue Board (ZRB) TZS 405.9 billion equivalent to 50 percent of domestic revenue estimates;
- b) Tanzania Revenue Authority (TRA) TZS 301.5 billion, equivalent to 37 percent of the domestic revenue estimates;
- c) Ministerial collections TZS 70.1 billion, being 9 percent of domestic revenue estimates;

- d) Personal Income Tax for staff of the Union government residing in Zanzibar TZS 21.0 billion, equivalent to 3 percent of total domestic revenue estimates;
- e) Bank of Tanzania (BoT) Dividend of TZS 4.0 billion, equal to 0.5 percent; and
- f) Dividend from the RgoZ State Owned Enterprises TZS 5.0 billion equivalent to 0.6 percent of the aggregate doestic revenue estimates.

B. Actual Performance

28. **Honorable Speaker**, during the nine months period under review, the actual revenue collection performance has been satisfactory, although the collection target was slightly missed due to various reaosns. Overall, the government managed to net in a total of TZS 864 billion. Out of this amount, domestic revenue was TZS 579.3 billion, equivalent to 93.9 percent of the period's estimates of collecting TZS 617.3 billion; TZS 247.5 billion were realized as Loans and Grants from Development Partners; TZS 32 billion from domestic borrowing and TZS 6.4 billion from General Budget Support (GBS).
29. **Honorable Speaker**, compared to the corresponding period in the previous fiscal year (2017/2018), there arises a domestic

revenue growth of TZS 110.7 billion, equivalent to 21.9 percent, from a collection of TZS 506.6 billion. Out of the 2018/19's collection, tax revenue is TZS 512.6 billion equivalent to 92.6 of the original period's estimates of TZS 553.7 billion. This implies a tax revenue growth of 10.1 percent compared to TZS 465.2 billion collected during a corresponding period last year. Based on the target attainment criteria, Non-tax revenue had the best performed after netting in TZS 66.7 billion, thereby surpassing its target by 4.9 percent.

30. **Honorable Speaker**, another achievement was registered on disbursement of loans and grants from development Partners. Total revenue collected from this source amounted to TZS 247.5 billion, thus an increase of 63.9 percent when compared with the actual collection of TZS 151.0 billion for a same period the year before. The performance was mainly attributed to a take off of the Irrigation project funded by the Korean Exim bank. During the period under review, the government has also received General Budget Support (GBS) amounting to TZS 6.4 billion.
31. **Honorable Speaker**, by end of March 2019, the government borrowed a total TZS 32 billion from domestic market, equivalent to 80 percent of the approved annual borrowing of TZS 40.0 billion.

C. Revenue Collection by Institution

i. Tanzania Revenue Authority (TRA)

32. **Honorable Speaker**, during the July 2018 – March 2019 period, the TRA collected a total of TZS 217.4 billion being 95.7 percent of the period's estimates of collecting TZS 222.5 billion. Out of the collection the Customs and Excise Department contributed TZS 108.9 billion, equivalent to 88 percent of its target of collecting TZS 123.6 billion during the period while the Domestic Revenue Department surpassed its target by 10 percent after collecting TZS 108.5 billion against a target of TZS 99.8 billion.

33. **Honorable Speaker**, the performance by Customs and Excise department was marred by the erratic importation trend due to the port congestion. For this reason, Customs revenue registered a dismal 2 percent growth compared to its collection of TZS 116.8 billion during the corresponding period in 2017/18. To the contrary, the Domestic Revenue department recorded an impressive 30 percent growth in actual collection compared to TZS 83.4 Billion it realized same period the year before.

ii. Zanzibar Revenue Board (ZRB)

34. **Honorable Speaker**, during the period under review, ZRB collected a total of TZS 281.2 billion, equal to 89.4 percent of its period's estimates. The performance was mainly hampered by failure to transfer TZS 17.0 billion of VAT and Excise Duty refund for goods manufactured in Mainland Tanzania and subsequently transferred and consumed in Zanzibar and changes on taxation system for telecom operators. However, despite this pitfall, the ZRB collections grew by 8.6 from TZS 258.9 billion netted in 2017/18.

iii. Non-Tax Revenue

35. **Honorable Speaker**, a total of TZS 66.7 billion have been collected by the government from non-tax sources, equivalent to 104.9 of the review period target. This performance rate led to a significant 61.1 percent growth in not-tax revenue compared to TZS 41.4 billion realized during a corresponding period last year. Good performance from various ministries, dividend from State Owned Enterprises led to this strong performance. However, the major contributor is dividend from the BoT which brought in TZS 15.75 billion, which is 293.8 percent above the estimated TZS 4.0 billion.

iv. PAYE from Staff of the Union Government Working in Zanzibar

36. **Honorable Speaker**, the source contributed TZS 14.0 billion, equivalent to 88.9 percent of the target for the review period. The shortfall was mainly due to late disbursement of the respective transfer for the month of March from the Treasury of the Union government, which was subsequently received in April, after the quarter ended.

v. Revenue for Infrastructure Fund

37. **Honorable Speaker**, a total of TZS 24.3 billion has been collected for the Fund up to march 2019, equal to 60.8 percent of the annual's target of collecting TZS 39.4 billion. Out of the collection, ZRB contributed TZS 17.0 billion, equivalent 63.3 percent of its target while the TRA TZS 7.3 billion, equivalent to 58.3 its target. The performance was mainly affected by the slow importation of goods due to port congestion and below estimate importation of white petroleum products.

IV. IMPLEMENTATION OF THE 2018/19 REVENUE ENHANCING MEASURES

38. **Honorable Speaker**, through the Finance Act 2018, your esteemed House endorsed changes in various statutes with a view to improve governments revenue collection and administration. Below is a summary of the implimentation of the approved meausres:

i. Changes on Stamp Duty

39. **Honorable Speaker**, this House approved the following changes in the Stamp Duty Act number 7 of 2017:

- a) Abolishment of Stamp Duty on VAT exempted rice and wheat flour, with a view to relieving the ordinary citizen from living hardship;
- b) Abolishing Stamp Duty of air tickets issued by international airlines in Zanzibar for traveling outside the United Republic of Tanzania with a view to ensuring that Zanzibar remains competitive in this industry; and
- c) Abolishing the Stamp Duty on Transfer of Property without consideration by way of inheritance or between spouses through affection.

All these measures have been implemented effective from July 2018.

ii. Extending time for filing returns and payment

40. **Honorable Speaker**, the government has already amended the Tax Administration Act (TAPA) number 7 of 2009 by consolidating due dates for filing returns and making payment

into 20th day of the month immediately following the month to which the sales relates.

The measure also became effective since July 2018.

41. **Honorable Speaker**, in addition to these legal measures, the government also embarked on various administrative measures aiming at enhancing revenue administration and collection. Below are some of these administrative measures:

iii. Issuance of Withholding Tax Guideline

42. **Honorable Speaker**, for the fiscal year 2018/19 the government planned to issue a Withholding Tax Guideline to all Ministries, Departments and Agencies with a view to ensure consistency and observed weaknesses in withholding VAT and Income Tax. The Ministry held several meetings with officials from TRA and ZRB, Accountants and Internal Auditors for awareness creation and training. These efforts bore fruits with a total collection **TZS 13.05 billion** during the period under review, with TRA collecting **TZS 4.95 billion** and ZRB netting in **TZS 8.10 billion**.

iv. Strengthening of Business Licensing

43. **Honorable Speaker**, the government vowed to oversee all business licencing agencies, including local governments with a view to ensuring that business licenses are issued only after a

taxpayer is registered with TRA and ZRB and posses a valid Tax Clearence Certificate from those institutions. A total of 11 meetings were conducted, 7 in Unguja and 4 in Pemba which brought together Councillors, Revenue officers, and Directors of District and Township Councils and Municipals. By end of March 2019, a total of **TZS 3.9 billion** have been realized.

v. Review of various Fees

44. **Honorable Speaker**, the government gave a commitment to review various user fees charged in delivery of certain services. In implementing this measure, the government initiated a special task of reviewing Ministries and Departments so as to identify the revenue sources, rates and levies charged and challenges encountered leading to under collection of government revenue. A total of six ministries were subjected to such scrutiny by end of March 2019. Some results have already started to be seen as ministerial collections recorded a good performance after colecting **TZS 47.0 billion** by March 2019 compared to **TZS 39.3 billion** collected during similar period in 2017/2018.

V. GOVERNMENT'S ACTUAL EXPENDITURE FOR JULY – MARCH 2019

45. **Honorable Speaker**, a total of TZS 863.3 billion was spent until end of March 2019, equivalent to 83 percent of the period's target. Within this expenditure, TZS 535.8 billion was for recurrent activities, equal to 96 percent of the estimates while TZS 327.6 billion were spent for capital expenditure, equivalent to 68 percent of the target for the review period. Breakdown for recurrent expenditure is as follows:

i. Salary payments

46. **Honorable Speaker**, a total of TZS 247.7 billion were spent by the government during the period under review for payment of wages and other benefits to her employees. This amounts represent a 100 percent performance since the target was to spend TZS 247.5 billion for this purpose. Out of the expenditure, a total of TZS 169.7 billion was spent for Ministries and Agencies with expenditure Votes, equivalent to 99 percent of their nine months estimate of spending 171.4 billion. Salaries spent on Institutions that receive Sbuvention from the government amounted to TZS TZS 78.0 billion, equal to 102 percent of the estimated TZS 76.5 billion.

ii. Other Charges Expenditure

47. **Honorable Speaker**, during the same review period, the government spending on other charges reached TZS 178.0 billion, equivalent to 96 percent of estimated expenditure of TZS 185.4 billion. Out of this aggregate, Ministries and Agencies with Votes received TZS 116.4 billion, equivalent of 96 percent from a target of spending TZS 121.25 billion. This level of spending implies a 40 percent rise in other charges spending compared to similar period last year. As for the Subvention receiving institutions, a total of TZS 61.6 Billion was disbursed, equal to 96 percent of the estimated TZS 64.17 billion.
48. **Honorable Speaker**, through this spending of domestic revenue, the government continued to deliver basic services to the society. Among areas that benefitted from this spending are the following:
- a. Continued provision of free health services;
 - b. Procurement of medicine and drugs where a total of TZS 12.7 billion has been spent as disbursed;
 - c. Strengthening of the services of the Mnazi Mmoja and other hospitals;
 - d. Provide overseas health referral services;

- e. Continued free education services, without parentakl contributions for pre-primary, primary and secondary education up to O level, including provision of excercise books and examination costs;
- f. Finance the vocational training and continued provision of higher education loans;
- g. Implementing maintenance and repairs to the road netowrk; and
- h. Provide other public services to the people including efficient run of this House and the Judiciary.

iii. Expenditure for Consolidated Fund Services

49. **Honorable Speaker**, during the review period, a sum of TZS 110.0 billion equivalent to 88 percent of the estimates of TZS 125.2 billion. This expenditure was directed towards the following areas:
- a. To pay salary and other benefits for top leaders mentioned in the Constitution TZS 941 million;
 - b. Gratuity and Pension TZS 25.1 billion;

c. Domestic Loans and Interest TZS 18.7 billion; na

d. Other government expenditure through the CFS TZS 65.3 billion.

iv. Development Expenditure:

50. **Honorable Speaker**, as I have explained earlier, during the review period, expenditure for financing the Development Plan amounted to TZS 327.6 Billion equivalent to 53.4 of the annual estimates of spending TZS 613 billion. Out of the total, government contribution from its internal sources TZS 83.0 billion while external Grants and Loans was TZS 244.6 billion. This morning I gave a detailed account of the expenditure on our development plan when I presented the nine-months implimentation of the Development Plan of 2018/19.

v. Expenditure from Infrastructure Fund

51. **Honorable Speaker**, Honorable members of this House will recall that the government eastablished a special Infrastcture Fund in 2015 with a view to speed up development of our basic infrastructure. Expenditure from the Fund is part of the Development expenditure. During the review period, a total of TZS 39.5 billion was estimated for expenditure from the Fund to finance various infrascture programmes and projects. The

actual expenditure for the period amounted to TZS 23.2 billion, equivalent to 59 percent of the annual estimates.

VI. THE PROJECTED OUTTURN TO JUNE 2019

A. Revenue Projections

52. **Honorable Speaker**, According to the trend of revenue collection in July 2018 to June 2019, the Government intends to collect a total of TZS 1,101.8 billion equivalent to 83.8 percent of annual budget. Of the total estimated collection, TZS 790.8 billion is domestic revenue equivalent to 97.9 percent of the budget of TZS 807.5 billion. The collection will lead to domestic revenue growth by 16.3 percent compared to the actual revenue of TZS 680.0 billion collected last year. Revenue from Development Partners is expected to reach a total of TZS 261.2 billion which is equal to 56.3 percent of the annual estimates. Budget assistance is expected to reach TZS 6.4 billion. The Joint Grants Fund is expected to reach a total of TZS 3.4 billion and Treasury Treasury and is expected to reach a total of TZS 40 billion.

53. **Honorable Speaker**, tax revenue is projected to reach TZS 707.0 billion, equivalent to 97.1 of the budgetted TZS 728.4 billion, hence a 15.4 growth compared to TZS 612.4 billion

collected last year. The projected institutional performance is as follows:

- a. TRA - Zanzibar is projected to collect TZS 286.0 billion equivalent to 94.9 of the annual target of TZS 301.5 billion, thus an 11.6 percent increase compared to a collection of TZS 256.3 billion realized in 2017/18;
 - b. ZRB's projection is to collect TZS 400.0 billion against the estimated TZS 405.9 billion, equivalent to 98.6 of the target and a 16.9 increase when compared to TZS 342.2 billion collected last year;
 - c. PAYE from staff of Union government residing in Zanzibar is projected to reach TZS 21.0 billion same as its estimates hence a 100 percent performance.
54. **Honorable Speaker**, non-tax revenue is estimated to net in a total of TZS 83.7 billion, which is equivalent to a performance 105.9 and a 23.0 percent increase from a revenue of TZS 68.1 billion collected in 2017/18. Following is the breakdown of such collection:
- a. Ministries collection TZS 63.1 billion equivalent to 89.9 ya of the targetted TZS 70.1 billion;

b. Dividend from State owned Entreprises TZS 6.9 billion equal to 139.2 of the estimated TZS 5.0 billion.

c. Dividend from BoT of TZS 13.7 billion equivalent to 343.8 of the annual estimates of TZS 4.0 billion.

Infrastructure Fund

55. **Honorable Speaker**, for the fiscal year 2018/19, the Fund is projected to realize a total of TZS 32.7 billion, same as 82.5 of the original estimates. Out of the total amount, TRA is projected to collect TZS 10.2 billion while ZRB's projection is to collect TZS 22.5 billion.

B. Projected Expenditure for July - June 2019

56. **Honorable Speaker**, by end of June 2019, the government expenditure for the whole year is projected to reach TZS 1.10 trillion, equivalent to 83.8 percent of the year's budget of spending TZS 1.315 trillion. This expenditure level implies an increase in total expenditure by 22.5 when compared to TZS 899.5 billion spent the year before. Out of the aggregate, TZS 721.8 billion will be on recurrent expenditure with the following breakdown:

i. Salaries and wages are projected at TZS 341.5 billion with TZS 232.2 billion going to Ministries and Agencies with

Votes, equivalent to 99.9 percent of its annual budget while TZS 109.3 billion is for institutions which receive subvention from the government, which is equivalent to 104.5 percent of their annual budget;

- ii. Expenditure on Oher Charges is projected to sum up to TZS 231.9 billion, with TZS 148.6 billion going to Ministries and Agencies with Votes, equal to 100.9 of their total budget for the year and TZS 83.3 billion is for subvention receiving institutions, same as 98.1 of their annual estimates; and
- iii. Expenditure for Consolidated Fund Services are projected to close the year at TZS 148.5 billion equivalent to 100 of the adjusted annual estimates.

57. **Honorable Speaker**, with regard to Capital Expenditure, it is projected that a total of TZS 392.8 billion will be spent by the end of the year, equivalent to 64 percent of the original estimates. A total of TZS 131.6 billion of this expenditure is from domestic resources, equivalent to 88.4 percent of the annual estimates and TZS 261.2 billion comes from Development Partners in the way of Loans and Grants, being 56.2 percent of the annual estimate of TZS 464.2 billion.

VII. Public Debt

58. **Honorable Speaker**, by end of March 2019, our public debt stock increased by 57 percent to TZS 815.9 billion compared with a stock of TZS 519.8 billion at end of March 2018. Domestic debt followed suit reaching TZS 137.5 billion, an increase of 20 percent from TZS 114.4 billion as at the end of March 2018. The increase is attributed to a rise in gratuity arrears to public staff and fresh borrowing of TZS 12.0 billion from ZSSF and TZS 22.5 billion in Treasury Bonds through the BoT. The increase is recorded despite the government's payment of a total of TZS 25.1 billion as gratuity to 1,286 retirees, TZS 18.72 billion loan and interest repayment and TZS 3.80 billion in clearing some suppliers' arrears.
59. **Honorable Speaker**, external debt stock reached TZS 678.4 billion by end of March 2019, an increase of 88 percent compared to TZS 361.5 billion recorded by end of March 2018. This significant rise came from fresh disbursements of USD 79.7 million to ongoing projects, equivalent to TZS 181.8 billion and reconciliation made with the Union Government which brought to books a total of USD 56.1 million, same as TZS 127.8 billion. Another contributing factor is the slight depreciation of Tanzania Shilling against the US Dollar. However, despite the increase, the total debt stock is equivalent to 24 percent of our GDP, and based on both the national and international criteria, the debt is still sustainable.

60. **Honorable Speaker**, proper management of public debt, utilization of the borrowed funds and their benefits to the country remain crucial in order to avoid our country plunging into a huge debt burden in the future. It is for this reason that the Public Finance Management Act number 12 of 2016 contains a special Part, Part 10, with 13 Sections from Section 58 through 70 specifically for regulating public debt and borrowing, including a requirement for establishment of Debt Management Committee under Section 59. I am glad to inform your esteemed House that under the powers vested on me under Section 59 of the Act, I have already constituted the Zanzibar Debt Management Committee, led by the Principal Secretary to the Treasury, and a Technical Debt Management Committee, led by the government's Accountant General. It is my sincere hopes that the management and supervision of our national debt will further strengthen based on the legal requirements under the Act and with the establishment of the Committees.
61. **Honorable Speaker**, before I sum up my statement for the nine months performance review and projections to the year end, allow me to briefly highlight a few issues of importance that were dealt with by the government during this period. I will start with the report on construction of the new oil tanker, MT Ukombozi II.

62. **Honorable Speaker**, from the beginning, the government decided to construct new vessels to replace MV Mapinduzi, a passenger and cargo ship that was sold due to old dilapidation and, MT Ukombozi, a government oil tanker which we are obliged to remove from service also due to old age and the new requirements for oil tankers which it cannot comply with. We are all aware that the government has already procured a new passenger ship, MV Mapinduzi II, which is already operational and serving the people between our two main islands.
63. **Honorable Speaker**, with regard to an oil tanker, I am delighted to inform your esteemed House that its construction has been completed in Yichang, China. Preliminary handing over are scheduled to take place early next month in Shanghai after the inspection and acceptance by our technical team. The official handing over, as per the contract, will be done here in Zanzibar after its arrival within the first quarter of the fiscal year 2019/20. ***As it was for MV Mapinduzi II, MT Ukombozi II has been constructed fully using domestic resources.***
64. **Honorable Speaker**, the vessel will cost us a total of Euro 14,324,000, equivalent to TZS 37.1 billion. As per the existing Contract, so that the government has timely paid four installments aggregating to Euro 12,891,600, equivalent to TZS 33.4 billion. Accordingly, we are left with the final installment which will become due after the ship handing over.

65. **Honorable Speaker**, another area worth reporting is the progress on construction of storm water drainage systems financed by the World Bank's soft loan under the Urban Services Project (ZUSP). We have all witnessed completion of the many areas that were planned to be covered under the ZUSP project which has alleviated the challenge of flooding during rainy seasons to many peoples in the covered areas.
66. **Honorable Speaker**, it is my hoesnt belief that residents of the areas of Mwembemakumbi, Kwamtipura, Sogea, Magomeni, and Mpendae, will bear witness for these great achievements. More work is on progress to finalize the construction at Mwanakwerekwe area and connect it with the new drainage system that crossess through Magogoni Sebleni, Mikunguni, Saateni to the sea. The work which involves raising the road section at Mwanakwerekwe and strengthening of the edges of the ponds at both Mwanakwerekwe and Sebleni is planned to be completed within the next financial year.
67. **Honorable Speaker**, despite the success stories with the project, the government is aware of the challenge at Kilimani area where two new large drainage system connects with the old relatively small system leading to flooding and affecting the residents of that area. This problem will also be resolved in the next financial year by constructing a new drainage system from

Kilimani to the sea, with larger capacity to handle storm water from the other two new systems.

68. **Honorable Speaker**, for the same reason of alleviating the people from flooding difficulties and maintain the good the image of Zanzibar, the government has constructed and completed a new dual way bridge at the Kibonde Mzungu valley. We all recall the problems this area posed in the past including loss of life to our people. The area is now passable at all times. With this success, the government has also decided to extend the dual road from the area with a view to connect it with the new Mwanakwerekwe – Fuoni road.
69. **Honorable Speaker**, for years, the Kiembesamaki area on the road to the airport has been a nuisance to the users of the road, including the ordinary people and our tourists, due to lack of drainage for the storm rain water. Finally a lasting solution has been found after construction of a new stormwater drainage system which runs from Mbweni to the sea at Mazizini. The Kibonde Mzungu bridge and Kiembesamaki stormwater drainage system have also been funded through our domestic resources.
70. **Honorable Speaker**, during the same period, the government through its “Construction of Government Office Programme” completed the construction of a new Office block at Gombani,

Chake-Chake, Pemba. The block with three interconnected wings have created an office space for six ministries. Details of the building have been given on the inaugural day, 2nd May 2019, which was officiated by His excellency, President of Zanzibar and Chairman of the Revolutionary Council. This is another project which was fully funded by our own resources.

71. **Honorable Speaker**, on a different note, allow me to brief your esteemed House on the results of long negotiations between the government and the Zanzibar Telecom Plc Limited, commonly known as Zantel, with regard to the use of the National Telecommunicationa Backborne. I am aware that at various occassions, the issue was a subject for a hot debate here at the House. In short, the government and Zantel entered into an agreement in February 2013 which, among other things, wanted Zantel to do the following:

- a. Oversee operations and maintenance of the fibre;
- b. Use some cores of the fibre for its internal use;
- c. Give the government internet capacity of 1 STM 1 for its use;
and
- d. Sell the extra capacity to other telecom companies with understanding that the proceeds shall be shared, net of the

operationans and maintenance cost, at 70 percent for the government and 30 percent for Zantel.

72. **Honorable Speaker**, very unfortunately, Zantel has been using the fibre but failed to monetize the extra capacity hence denying the government its revenue. Accordingly, with a view to address the anomaly, the government initiated discussions with Zantel as on how it would compensate the government for the cost of its use.
73. **Honorable Speaker**, finally the government formed a special Committee of the Revolutionary Council, under the leadership of Honorable Attorney General, to negotiate with Zantel on the matter. The government has also established its own Agency to manage the fibre and sell capacity to telecom companies and relieved Zantel from that responsibility. I have the honour to inform this House that the negotiations have been successfully finalized to the satisfaction of both parties.
74. **Honorable Speaker**, an agreement recording the these understanding and a new agreement for use of the fibre by Zantel were concurrently signed on 30th May 2019. The following are the salient features under the agreement:

- a. That Zantel shall pay USD 11.0 million for use 39 STM 1 capacity for the period February 2013 until 31 December 2024;
 - b. Zantel will pay the government a one off sum of USD 220,000 to support the capacity building for the new Agency which will manage the fibre;
 - c. Zantel will pay the government a monthly operation and maintenance fee of USD 15,000; and
 - d. Zantel will give the government an internet capacity of 3 STM 1 for its internal use, free of charge.
75. **Honorable Speaker**, this is a great achievement, first on resolving a long standing impasse between the government and Zantel, a company which the government is also a shareholder, and secondly for the government to finally realize revenue from its strategic investment. Thirdly, the agreement will enable the government to manage the fibre itself and sell the capacity to other telecom companies.
76. **Honorable Speaker**, may I use this opportunity to sincerely congratulate His Excellency, the President of Zanzibar and Chairman of the Revolutionary Council, Dkt. Ali Mohamed Shein, for his able leadership and the way he oversaw this

difficult and very technical matter. I also congratulate Honorable Attorney General, the entire Committee of the Ministers and our technical team who participated in these negotiations for a good job which they did with zeal and bore good fruits; to them all I say *well done!*

77. **Honorable Speaker**, I also thank sincerely representatives of Zantel in the negotiations for their transparency, real commitment to resolve the matter and for facilitating reaching of the final agreements.

78. **Honorable Speaker**, after these remarks, I now wish to present the outlook for government budget for fiscal year 2019/2020.

VIII. BUDGET OUTLOOK, 2019/2020

REVENUE ESTIMATES

79. **Honorable Speaker**, the budget outlook for the next financial year is derived from the following targets;

80. To build a strong economic growing at 7.8 percent resulted from continued growth of public and private investments, increased productivity of goods and services and improved tourism services in the country;

- a) The domestic revenue ratio to GDP of 24 percent, amongst the highest levels of revenue collection in sub-Saharan Africa;
- b) Continue to stabilize the price of goods and services by having a single standard rate of inflation;
- c) Improved investment in the country and its environment and therefore increase employment for youth; and
- d) Promoting the extraction and development of Oil and Gas resources.

81. **Honorable Speaker**, the next fiscal year Budget will continue to be guided by the objectives of the implementation of the Vision 2020, Poverty Reduction Strategy (MKUZA III) and the 2015 CCM manifesto and Sustainable Development Goals (SDGs). The budget will also focus on implementing the national priorities as I mentioned this morning when presenting the Development Plan.

82. **Honorable Speaker**, for nearly two decades now we have been led by our long-term Development Plan, Development Vision 2020. This vision has been implemented since 2000 and is expected to be completed in the next year. For this reason, and because of the need for a comprehensive system to guide us to long-term development, the Government through the Planning

Commission has begun the preparation of a new long-term development plan, Vision 2050. Two committees have been established; to evaluate the implementation of the Vision 2020 and the other to prepare the new Vision. The expectation is to complete these activities within the next financial year when the new Vision is expected to include Zanzibar to the Oil and Gas economy.

83. **Honorable Speaker**, the budget preparation is also based on the key principles of the Budget Policy as set out in the Public Finance Management Act No. 12 of 2016. In addition, according to the requirements of the Act, the 2019/2020 budget preparation, preceded by two Budget and Economic Forums for Central and Local Governments. Certainly, the budget preparation has significantly benefited from the comments and advice drawn from the forums. The forums have also helped the Government to achieve its objectives through Ministries, Departments and Government Institutions, Local Government and other Institutions from Private Sector and Civil Society.
84. **Honorable Speaker**, in line with regulations of our House of Representatives, the budget framework paper was presented to the House in February this year. The Government has taken into account the comments and advice of Honorable Members of your House in the preparation of the budget for the next financial year.

Domestic Revenue

85. **Honorable Speaker**, It is estimated that a total of TZS 976.5 to be collected for financial year 2019/20 from domestic sources, equivalent to 23.5 percent compared to projected revenue of TZS 790.7 billion for financial year 2018/19. Out of TZS 976.5 billion a total of TZS 859.7 billion is tax revenue, which is equivalent to 21.6 percent of projected revenue of 707.0 billion for financial year 2018/19. Non-tax revenue is estimated to be 116.8 billion equivalent to 39.5 compared to projected revenue of TZS 83.7 for financial year 2018/19.

The PAYE transfer for staff of URT working in Zanzibar is TZS 21.0 billion.

86. **Honorable Speaker**, the non-tax revenue collection is projected to be TZS 116.8 billion equivalent to 39.5 percent compared to revenue projection of TZS 83.7 billion which includes;
- a. Collection of revenue of Ministries TZS 99.3 billion;
 - b. Dividends from State-Owned Enterprises TZS 8.0 billion;
and

- c. The Dividend from Bank of Tanzania TZS 9.5 billion.

Infrastructures Fund

87. **Honorable Speaker**, for the year 2019/20 the Infrastructure Fund is projected to collect TZS 40.9 billion, of which ZRB is estimated to collect TZS 26.0 billion and TRA is estimated to collect TZS 14.9 billion.

OVERSEAS DEVELOPMENT ASSISTANCE (ODA)

88. **Honorable Speaker**, despite our intention to fast track self-reliance, we will continue to cooperate with Development Partners in financing our development. For the year 2019/20 the Government is projecting a total of TZS 394.6 billion in the form of Loans and Grants. Out of that amount TZS 299.1 billion is Loans and TZS 95.5 is Grants. The government is also projecting to receive 8.3 billion through Basket Fund. With regards to GBS, the government is yet to include it in the budget. Instead, Government will continue to utilize the budget arrangement of “100T” so as to suffice the expenditure gap until when the GBS becomes available.

IX. GOVERNMENT EXPENDITURE ESTIMATES

89. **Honorable Speaker**, for the next financial year (2019/2020), the Government is expected to spend a total amount of TZS 1.4194 trillion, of which Recurrent Expenditures is estimated to be TZS 842.4 billion while Development Expenditures is TZS 577.0 billion.
90. **Honorable Speaker**, out of the Recurrent Expenditure, a total amount of TZS 417.9 billion is for salaries & allowances and compulsory contributions for the Social Security Fund (ZSSF). This is equivalent to 42.7 percent of domestic revenue and hence it's in accordance with the requirements of Section 5(1) (d) of the Public Finance Management Act prohibiting the amount of salaries for public employees to be larger than the economic capacity of the country. Either, I am happy to inform your esteemed House that in next year, the Government intends to make salary adjustments to its experienced staff to complete the transformation of employees' benefits.
91. **Honorable Speaker**, it is emphasized that these amendments will not be for all employees but only those who have served for many years whose supplementation has been provided in two phases to date. The amendments will also apply to other categories of government recipients who have not benefited from the salary increases over time, ***including Honorable***

Representatives. A total of TZS 75.7 billion has been allocated for the salaries adjustments, annual increments, promotion and new employments.

92. **Honorable Speaker,** Considering the domestic revenues of TZS 960.4 billion, this expenditure for salaries will leave a total of TZS 542.5 billion for other expenditure. In addition, out of the domestic revenues, there is an earmarked amount of revenues that cannot be allocated to other expenditure.
93. **Honorable Speaker,** For the year 2019/2020, these earmarked revenue is expected to reach TZS 108.7 billion as follows:
- i. Revenue for Infrastructure Fund, TZS 41.0 billion;
 - ii. The ZRB retention of TZS 18.6 billion in accordance with the Act;
 - iii. Road Development Fund of TZS 15.1 billion;
 - iv. Port fee for the contribution of desks is TZS 2.5 billion;
 - v. Skills Development Levy (SDL), TZS 16.9 billion for Higher Education and Vocational Training;
 - vi. Restoration of the Zanzibar Immigration Department of TZS 13.9 billion, equivalent to 25 percent of their total collections; and
 - vii. Airport Safety Fees for TZS 650 million Airports.
94. **Honorable Speaker,** After deducting the amount of TZS 108.7 billion, it remains the total amount of TZS 433.8 billion which

have the opportunity to be allocated for the expenditure of Government operation including other charges, CFS and development expenditure; The allocation of these funds has taken into account the following factors:

- i. National priorities for 2019/20;
- ii. Specific Government directives in accordance with National priorities, including;
 - a. Free Secondary Education.
 - b. Purchase of essential drugs.
 - c. Construction of a new High Court.
 - d. Implementation of Results for Prosperity (R4P)
- iii. Proposal from Budget and Economic Forums;
- iv. Recommendations from Budget Framework Paper discussion from the House of Representatives for the year 2019/2020;
- v. Flagship programs and projects in MKUZA III;
- vi. All programs and projects that the Government has Commitments from Development Partners;
- vii. All incomplete programs and projects for the implementation of its activities for the 2018/19 budget; and
- viii. The election manifesto of the ruling party (CCM) of 2015-2020.

95. **Honorable Speaker**, another key area justified by the Government last year and led to a great debate at this budget

session is the issue of Youth Employment. Last year the Government introduced a special Program and allocated TZS 3.0 billion for these purposes. Unfortunately, the preparation of areas that will benefit from the funding system and its management were delayed and led to disburse of only one third of the money in the previous nine months.

96. **Honorable Speaker**, recognizing the importance of employment for our youth, the Government will continue with the Program for next year whereby it will allocate extra TZS 2.0 billion for the next financial year. It is my belief that these funds together with the Empowerment Fund will supplement our efforts to reduce the problem of employment for our youth.
97. **Honorable Speaker**, in addition to these general areas, the Government has also made a special decision on special projects for the next financial year. The first is to complete the payment for the construction of the oil tank of MT. Ukombozi II. According to the Agreement, the Government should still pay an instalment of 1,432,400 euros, equivalent to TZS 3.71 billion when the vessel is delivered.
98. **Honorable Speaker**, you will recall that Honorable Members have always been discussing the completion of the multi-year construction of a new passenger building in Abeid Amani Karume Terminal III in Unguja. This project is funded by the

Exim Bank of China and there are still a number of issues that need to be resolved between the Government of the United Republic of Tanzania, which is constitutionally responsible for borrowing abroad, and the Government of the People's Republic of China and its Exim Bank. The end of this issue is not yet known. However, the incomplete construction of the building has negative economic, social and political impact on Zanzibar.

99. **Honorable Speaker**, for this reason, I would like to report to this Council that the Government has made a specific decision on the completion of the construction. While efforts to achieve additional funding from Exim Bank continued, ***the Government has decided to give priority to the project. For this purpose, it has decided to develop and complete the project in its own funds whereby it has allocated a total of TZS 61 billion, equivalent to \$ 27 million, in the next financial year.***
100. **Honorable Speaker**, the negotiation with the Contractor, Beijing Construction and Engineering Company Ltd (BCEG) and China Exim Bank has already taken place and agreed on the completion of the project within the next 15 months and that the payment process should be completed in three-year period of. The expectation is that the contractor will resume the work in July this year.

101. **Honorable Speaker**, the Government also intends to gradually implement the establishment of some of the key building projects of the new referral and training Hospital in the area of Binguni and the new port of Mpigaduri. We do all this not because the Government has great financial capabilities, but because these projects are of special importance to our society and citizens, and have a great impact in economic development. These projects themselves are part of the commitments of the Ruling Party through its 2015 Election Manifesto.

102. **Honorable Speaker**, our elders taught us that “**Planning is selection**”; we have chosen those projects to be special priorities. For this decision, we were obliged to stop implementing a number of other projects, which are also important, so that all the funds should be directed to the projects we have prioritized.

A. Expenditure on Infrastructure Fund

103. **Honorable Speaker**, through the Infrastructure Fund, a total of TZS 41.0 billion has been allocated to finance specific development projects. Projects expected to be funded by the Fund for 2019/20 are as shown below:

DEVELOPMENT PROJECTS FINANCED BY INFRASTRUCTURE 2019/2020

S/N	INSTITUTION	PROGRAM	ESTIMATE FOR THE YEAR 2019/20 TZS "000"
1	D VICE PRESIDENT OFFICE	uction of the Second Vice President's House	350,000
		Sub Total	350,000
2	RY OF HEALTH	uction of Binguni Hospital	6,000,000
		Sub Total	6,000,000
3	RY OF TRADE AND INDUSTRIES	ngthening the Zanzibar Bureau of Standards	2,000,000
		Sub Total	2,000,000
4	RY OF EDUCATION AND VOCATIONAL TRAINING	tion of Alternative Education (II)	1,000,000
		Sub Total	1,000,000
5	RY OF LANDS, HOUSING, WATER AND ENERGY	al Electricity distribution	650,000
		veloping Ras el Khaimah Wells	3,000,000
		Sub Total	3,650,000
6	RY OF FINANCE AND PLANNING	m of Access of Financial Resources	300,000
		Sub Total	300,000
7	RY OF CONSTRUCTION, COMMUNICATIONS AND TRANSPORT	truction of Chake-Wete road	1,000,000
		urement of land crafts	1,900,000
		nstruction of Ole Kengeja road	5,600,000
		Sub Total	8,500,000
8	RY OF AGICULTURE, NATURAL RESOURCES, LIVESTOCK AND FISHERIES	ngthening of the Great Sea Fishing (Malindi Market Construction)	1,400,000
		Sub Total	1,400,000
9	DENT'S OFFICE REGIONAL ADMINISTRATION AND SPECIAL DEPARTMENT	allation of Camera and Security Equipment	7,000,000
		nstruction of ZQTL Clothes Factory (Purchasing Equipment and Raw Materials)	3,600,000

		Sub Total	10,600,000
10	RY OF YOUTH, CULTURE, ARTS NA SPORTS	struction of District ground Park	2,000,000
		Sub Total	2,000,000
11	MUGGLING UNIT	ngthening Immigration and Residential Services	2,900,000
		Sub Total	2,900,000
12	SM COMMISSION	cing Tourism for all	1,500,000
		Sub Total	1,500,000
13	AR ANTI CORRUPTION AND ECONOMIC CRIMES AUTHORITY	uction of ZAECA office	800,000
		Sub Total	800,000
		Grand Total	41,000,000

Source: Zanzibar Planning Commission

104. **Honorable Speaker** Considering the total expenditure of TZS 1,419.4 billion, the Domestic Revenue of TZS 960.4 billion and Foreign Resource of TZS 394.6 billion as well as the Basket Fund of TZS 8.3 billion, there emerged a budget deficit of TZS 56.1 billion. In order to reduce the deficit, several measures to improve revenue will be taken in the next financial year. The proposed measures include the following.

X. REVENUE MEASURES PROPOSALS FOR 2019/2020

105. **Honorable Speaker** the Government has been taking special efforts to ensure stability in our tax system as a way to attract investment and enhance voluntary tax compliance. For the

financial year 2019/20 in line with this commitment, once again, ***in principle the Government does not recommend any tax increase in the next fiscal year.*** It is expected that both business persons and citizens will benefit from this decision.

106. **Honorable Speaker**, Instead, the Government will continue to institute various measures to strengthen the Tax Administration and revenue collection in order to ensure that government revenue is effectively collected as well as reducing opportunities for tax evasion and avoidance. It should be noted, that these proposed measures do not affect Union Taxes as presented by Honorable Minister of Finance and Planning in the Parliament on June 13, 2019. Among the revenue measures proposed for 2019/20 include;

i. To amend the VAT Act

107. **Honorable Speaker**, there has been complains from taxpayers engaged in hotel operations on the limitation of two criteria imposed for VAT registration. Currently, for a hotel to be registered for VAT it has to meet a criteria of annual turnover on TZS 30 million and an additional criteria of charging USD 100 per person per night.

This situation has led to many hotels to be registered under Hotel Levy regime instead of VAT and thus imposing tax burden to due failed to claim VAT refunds.

108. **Honorable Speaker** in order to rectify the shortfall, it is proposed to remove the additional criteria of USD 100 per person per night. However, in order to protect tax government revenue ZRB will take precautions on unlawful reporting of accommodation rates by hotel operators.

ii. To include in tax net guests staying in Cruise Ships

109. **Honorable Speaker**, currently the Government imposes levy on Hotels and Guest houses in accordance with the Hotel Levy Act No.1 of 1995. However, due to the growth of tourism sector, there has been a tendency of some tourists to stay in cruise ships and vessels instead of hotels.

110. **Honorable Speaker**, in order to address tax equity the government is proposing to amend Hotel Levy Act No.1 of 1995 to include tourists using the cruise ships and vessels accommodation services. This measures is expected to increase government revenue by **TZS 0.60 billion**.

iii. To include the motor vehicles with a carrying capacity of less than one tone in Stamp Duty.

111. **Honorable Speaker**, It has been observed that many motor vehicles with a carrying capacity of less than a tone are commonly used to transport goods for commercial activities. Previously such vehicles were not covered in the Stamp Duty scheme, as they were not permitted to transport goods for commercial purposes.

112. **Honorable Speaker**, for the financial year 2019/20 the Government is proposing the amendment of The Road Transport Act No. 7 of 2003 to identify and register motor vehicles with a carrying capacity of less than a tone, engage in commercial activities. The proposed amendment will lead to another amendment of the Stamp Duty Act No.7 of 2017 to include those motor vehicles in tax net and protect government revenue. This measure is expected to increase government revenue by **TZS 0.8 billion**.

iv. Measures to Improve Tax Administration and Collection

113. **Honorable Speaker**, for the financial year 2019/20 the Government is expected to take several administrative measures in order to reduce administration cost and to increase effectiveness in collection and administration of domestic revenue as follows;

v. Strengthening revenue collection system in Ministries and Government Institutions.

114. **Honorable Speaker:** The government, in ensuring the improvement in administration and collection of non-tax revenue(charges and fees) from Ministries, Departments and Agencies (MDAs), intends to put in place special payment system through bank (Revenue Gateway) that will simplify payment through different modalities including mobile bank services, PBZ agency banking or through PBZ directly. This measure is expected to increase effectiveness on tax administration and hence lead to an increase of non-tax revenue amounting to **TZS 3.0 billion**.

vi. Strengthening administration and enforcement revenue

115. **Honorable Speaker,** Government through ZRB and TRA will continue to ensure the improvement of tax administration systems by harmonizing the existing systems between tax administrators and other Government institutions to get additional taxpayers' information. To conduct vetting of returns and different documents presented by taxpayers. To conduct tax audits to ensure correct payment of taxes, to register more taxpayers and to provide tax education so as to increase voluntary compliance for taxpayers and public at large. This

measure is expected to increase government revenue by **TZS 7.11 billion** (TRA **TZS 4.06 billion** and ZRB **TZS 3.05 billion**)

vii. To recover Tax arrears

116. **Honorable Speaker**, for the financial year 2019/20 the Government is expecting to put in place the specific arrangement to recovery tax arrears which will involve the exemption of penalty and interest at 100 percent for ZRB taxpayers' with such tax arrears. This exemption will be provided for a period of 6 months starting from 1st July, 2019 to 31st December 2019. This measure is expected to collect tax arrears amounting to **TZS 4.6 billion**.

viii. Extension of working hours and efficiency of importation and exportation of goods through port.

117. **Honorable Speaker**, for some time there have been complaints from our business community on the delay of clearing and forwarding of goods due to over-crowded containers at Zanzibar port, which lead to increased costs of doing their businesses and reducing rate of tax collection. In ensuring that goods are cleared and forwarded on time, the Government has introduced a system to provide all clearing and forwarding services for 24 working hours. If this measure is utilized as intended it will:

- a. Improve economic activities in Zanzibar
- b. Reduce the congestion of containers at the port
- c. Improve business environment resulting from timely flow of importation and exportation of goods.
- d. Enhancing Government and Port Revenue.

I also urge business persons to play their part and support the government and I urge them not to inflate the freight charges and other cost, without probable cause, which increase financial burden to consumers.

ix. Capacity building to TANCIS users

118. **Honorable Speaker**, for the year 2019/20 TRA is expected to prepare a special capacity building program for TANCIS users. Among the main beneficiaries are Custom Agents and Zanzibar Port Authority staff, so as to increase their efficiency and effectiveness during importation and exportation of goods. The objective of this measure is to increase revenue from international trade, on one hand and to reduce cost of doing business in Zanzibar and motivate the rate of business transactions, on the other hand.

x. Reduction of tax avoidance Arrangements

119. **Honorable Speaker**, there are still some taxpayers who are utilizing sophisticated means to avoid tax liability without breaking the tax laws. Similar to tax evasion, tax avoidance though not illegal it reduces tax revenues. To address these means, the year 2019/20, TRA will build capacity of Domestic Revenue Department staff in transfer pricing and international taxation issues.

xi. Encouragement of Public to demand Electronic Receipt

120. **Honorable Speaker**, the arrangement of issuing electronic receipts is expected to commence in the financial year 2019/20. Aiming to encourage the public to demand those receipts, ZRB will prepare rewards program. Just as it is an offence for a taxpayer not to issue receipts, is equal an offence for a citizen not to demand a receipt. Therefore, we are remind buyers of goods to demand receipt to avoid unnecessary consequences. All are obliged to demand receipt and to assist the collection of tax to the government, for the government to provide quality public goods and services.

xii. Review of Laws and Regulations granting exemptions

121. **Honorable Speaker**, tax exemption is another area in which the Government loses the revenue especially if misused. For the year 2019/20 Government will review the criteria for granting exemptions prescribed in regulations administered by ZRB so as to align them with current needs of exemptions and to curb tax loopholes observed during administration.

In addition, to accelerate implementation for the development projects supported by Development Partners, for the year 2019/20 Government is intending to look for the possibility of adopting United Nations Guidelines on the tax treatment of ODA projects after review, if need be. The exemptions will be only granted to those projects that will abide to the law and will benefit our society.

xiii. Review of various fees and charges for enhancement of business environment

122. **Honorable Speaker**, for the year 2019/20 Government is intending to undertake a review of fees and charges imposed to business, industries and services sectors with objective of enhancing business environment and encourage the increasing of registration of businessmen into formal sector, hence widening tax base and encouraging voluntary payment of tax, fees and charges. This measure will also eradicate conflict of

roles and responsibilities of performance between authorities for licensing, permits and approvals and regulatory authorities.

123. **Honorable Speaker**, areas that will be considered in review of those fees and charges, in cooperation with specific sectors include:

- a. Fees charged by the ministries, licensing authorities and local government authorities for issuing License, permits and approval for doing business, industry and providing services.
- b. Registration fees for business, warehouse, business premises and goods.
- c. Registration and Inspection fees for Industries, Stores and Goods for protection of quality, safety and use of chemicals
- d. Registration and Inspection Charges for quality and safety of goods during importation and exportation.
- e. Fees for exportation of seaweeds, anchovy and other cash products.

- f. Other fees for license, permit and approval that affects operation of business, investment, industry and provision of services.

xiv. To enhance Lands Use and Administration

124. **Honorable Speaker**, recently the Government has conducted a study on all small islands surrounding Zanzibar and the preliminary report has been issued. Based on the results of that preliminary study, Zanzibar Planning Commission and Commission for Lands have tasked to complete additional works. Results for the assigned work has led the Government to undertake the following decisions with regards to lands supervision:

- i. To review the land rent and
- ii. To review all Land Lease issued for small islands

Currently the government is not issuing land lease for small islands until further notice. The assigned tasks are expected to be completed in upcoming financial year.

125. **Honorable Speaker**, it is expected that these enhanced revenue measures will increase Government revenue by TZS 16.1 billion, including TZS 13.1 billion in enhancing tax revenue and TZS 3.0 billion in enhancing non-tax revenue. This

additional revenue will reduce the budget deficit to TZS 40.0 billion. The government is therefore proposing to borrow the deficit from domestic market so as to balance revenue and expenditure.

Domestic Revenue by Institutions

126. **Honorable Speaker**, from the above measures, Domestic revenue is expected to be TZS 876.5 billion. Out of those projections, The Revenue Authority (TRA) is estimated to collect a total of TZS 350.2 billion, equivalent to a growth of 22.4 percent compared to TZS 286.0 expected to be collected in 2018/19. Out of TZS 350.2 billion, Customs & Excise Department is estimated to collect TZS 179.2 billion and the Domestic Revenue Department to collect TZS 171.0 billion. Department wise, his projections reflect expected growth of 20.1 percent and 25.0 percent respectively.
127. **Honorable Speaker**, The Zanzibar Revenue Board is estimated to collect TZS 488.5 billion, equivalent to a growth of 22.1 percent compared to TZS 400 billion expected to be collected in 2018/19. In addition, Non Tax Revenue is estimated to reach TZS 116.8 billion and PAYE Transfer for staff of URT working in Zanzibar is expected to be TZS 21.0 billion.

BUDGET FRAME

128. **Honorable Speaker**, Given the estimates of revenue and expenditure presented, the 2019/20 Budget is expected collect a total revenue of TZS 1,419.4 billion. The revenue includes:

- a. Domestic Revenue of TZS 976.5 billion;
- b. Foreign Grants and Loans of TZS 394.6 billion;
- c. TZS 8.3 billion grants of Basket Fund (BF); and
- d. Domestic Loans of TZS 40.0 billion.

129. **Honorable Speaker**, for expenditure side, TZS 1,419.4 billion is expected to be expended as follows:

- i. Recurrent Expenditure of TZS 842.4 billion, and
- ii. Development Expenditure of TZS 577.0 billion.

130. **Honorable Speaker**, This budget frame, implies the following:

- i. Our domestic revenue of TZS 976.5 billion is expected to meet our recurrent expenditure of TZS 842.4 billion;
- ii. Implementation of the Development Plan, according to the requirements of the Public Finance Management Act No. 12 of 2016, will be funded by the following sources of funding:
 - a. Domestic revenue of TZS 93.1 billion;
 - b. Infrastructure Fund of TZS 41.0 billion;

- c. Foreign Loan TZS 299.1 billion;
 - d. Foreign Grants of TZS 95.5 billion, and
 - e. Domestic Loans of TZS 40.0 billion.
- iii. The full Budget Frame for 2019/2020 is as shown below.

The Budget Frame 2019/2020

BUDGET FRAME 2019/2020						
Discriptions	Estimates 2018/19	Likely Outurn 2018/19	Estmate 2019/20	Estimate 2020/21	Estimate 2020/22	%of the budget
REVENUES						
Domestic Revenues	807.5	790.8	976.5	1159.9	1326.5	97.9
4.5% General Budget	0.0	6.4	0.0	0.0	0.0	0.0
Supoort						
Domestic Loanms	40.0	40.0	40.0	40.0	40.0	100.0
Mulatitral Debt	0.0	0.0	0.0			0.0
Realif Initiative						
Foreign Recources	464.2	261.2	394.6	406.1	442.8	56.3
Basket Fund	3.4	3.4	8.3			100.0
Total Revenues	1,315.1	1,101.8	1,419.4	1,606.0	1,809.3	
EXPENDITURES						
Recrrent Expenditures	702.1	709.0	842.4	908.7	1072.2	101.0
Salaries of Vote	293.8	232.2	309.8	377.2	434.9	79.0
Subvention Salaries	43.5	109.3	108.1	53.1	68.5	251.3
Other Charges of Vote	148.6	135.7	168.6	238.5	297.4	91.3
Other Charges of Subvention	83.2	83.3	97.7	89.5	111.9	100.1
Concolidated Funds Services	133.0	148.5	158.2	150.5	159.5	111.7
Development Expenditures	613.0	392.8	577.0	737.7	789.7	64.1
Government Contributions	148.8	131.6	182.4	211.9	233.3	88.4
Foreign Recources	464.2	261.2	394.6	525.8	556.4	56.3
Total Expenditures	1,315.1	1,101.8	1,419.4	1,646.4	1,861.9	

Source: Ministry of Finance and Planning

131. **Honorable Speaker**, we normally describe the position of budget dependence of our Budget. The budget dependence is derived from the foreign Grants as a percentage total budget. Fortunately, the 2019/2020 estimates indicate the growth of Grants for TZS 19.9 billion from TZS 75.6 billion of 2018/2019 to TZS 95.5 billion for the next financial year, equivalent to 26.3 percent growth.
132. **Honorable Speaker**, while on the one hand, this situation means that we are still accepted by our international friends (Development Partners) and international financial institutions, on the other hand has changed our modesty on our self-reliance. With these figures, the rate of dependence on the next financial year slightly increased from 5.7 percent for the current year to 6.7 percent in the next financial year. However, it is still low and very encouraging.

XI. ACKNOWLEDGEMENTS

133. **Honorable Speaker**, the presentation of this budget to your Esteemed House of Representative is made possible by a major workforce, involving many people, of different institutions and levels. I owe them all many thanks. I would like to start by thanking the President of Zanzibar and the Chairman of the Revolutionary Council, Dr. Ali Mohamed Shein. His guidance and vision helped a lot in the preparation of this budget. It is from him that we have had specific priorities for our

development and therefore the allocation of budget funds. I am very grateful to Honorable Mr. President.

134. **Honorable Speaker** I also thank the Honorable Second Vice President, Ambassador Seif Ali Iddi for his management and coordination of all Government activities in the preparation of this budget. I thank you, Honorable Speaker, Mr. Zubeir Ali Maulid, your Deputy Honorable Madam Mgeni Hassan Juma and the Chairpersons Honourable Shehe Hamad Mattar and Honorable Mwanaasha Khamis Juma for their hard work of running this budget session seriously. All the time, your leadership was very stable which made the House to experience a great stability.

135. **Honorable Speaker** in accordance with our House Regulations, prior to submission to the House of Representative, the Budget proposal are first reviewed by the Standing Budget Committee. May I bear witness to you that the committee has done a great deal of work and a great deal of understanding and cooperation. I sincerely thank Honourable Chairman Mohammed Said Mohammed (Dimwa) together with Honorable Members of your Permanent Budget Committee for their work and utmost cooperation.

136. **Honorable Speaker**, in general, we are grateful to all the standing Committees of your House and all Honorable Members as they have generally achieved the approval of the Revenue and

Expenditure estimates of all Government Departments and made them possible to be submitted today this Government Estimates. They have critically argued, asked for additional information, restricted the budget, but have finally agreed with the Government budget proposal and allowed its implementation. This is the main responsibility of Citizens' Representatives in the Democratic Representative System.

137. **Honorable Speaker** these preparations have largely involved Actors, led by the Public Service Leader, Secretary of the Revolutionary Council and Secretary General. I take this opportunity to sincerely thank Dr, Abdulhamid Yahya Mzee, the Chief Secretary and the Secretary of the Revolutionary Council. I also thank the Principal Secretaries and all actors who participated in preparing this Budget. Surely we have all benefited from their great work, and we really recognize and appreciate their efforts.

138. **Honorable Speaker** the top leaders contributing to the preparation of this Budget are in my Ministry of Finance and Planning. I faithfully thank and congratulate the Principal Secretary of the Ministry of Finance and Planning, Mr Khamis Mussa Omar, Mr Juma Hassan Reli who was the Executive Secretary of the Planning Commission - who is now appointed as the Principal Secretary for Trade and Industry, Deputy Secretary General of Finance and Planning. - Mr Iddi Haji Makame, Accountant General - Ms Mwanahija Almas Ali and

the Commissioner for Budget Mr Mwita Mgeni Mwita, who is now appointed as Executive Secretary of the Planning Commission.

139. **Honorable Speaker** through them, I also thank all the staff of the Ministry, Planning Commission and Institutions under the Ministry especially the Tanzania Revenue Authority (TRA) and the Zanzibar Revenue Board (ZRB) for their significant contribution. I congratulate Mr Juma Reli and Mr Mwita Mgeni for their latest appointments and I wish them success in their new positions. Special compliments should also go to the Government Printing Agency (ZAGPA) and all those who have contributed to successfully and on time printing of the budget book.
140. **Honorable Speaker**, this budget speech cannot be completed without recognizing and appreciating the cooperation and the great support we get from donating countries and International Financial Institutions. In this context, I am very grateful to the following countries: Bahrain, Canada, Cuba, Denmark, Finland, India, Ireland, Japan, the People's Republic of China, Spain, Indonesia, Israel, Itali, South Korea, Kuwait, Malaysia, America, Egypt, Norway, Oman, Saudi Arabia, Sweden, Belgium, Netherlands, UK, Germany, United Arab Emirates (UAE) and Turkey.
141. **Honorable Speaker**, I am either very grateful to the support

and cooperation from the following friendly organizations: ACBF, ACCRA, AfDB, AGRA, BADEA, CARE INTERNATIONAL, CDC, CHAI, CIDA, DANIDA, DFID, EGH, EU, EXIM Bank of China, EXIM Bank of Korea, FAO, FHI, GAVI, GEF, GLOBAL FUND, IAEA, ICAP, IDB, IFAD, ILO, IMF, IPEC, JICA, JSDF, KOICA, MCC, NORAD, OFID, ORIO-Netherlands, PRAP , SAUDI FUND, Save the Children, AIDS, UNAIDS, UN, UNDP, UNESPA, UNFPA, UN-HABITAT, UNICEF, UNIDO, USAID, WB, WHO, WFP and WSPA.

XII. CONCLUDING REMARKS

142. **Honorable Speaker** For the next time, I am very grateful to you for the opportunity to fulfill my constitutional obligations as a Minister Responsible of Finance. This opportunity has enabled me to present the Revenue and Expenditure estimates of the Zanzibar Revolutionary Government for the next financial year, 2019/2020.
143. **Honorable Speaker**, for this year 2019/2020, I request your esteemed House to approve the Government Revenue Estimates of Tanzanian shillings One Trillion, four hundred and nineteen billion, and four hundred million (TZS 1.4194 Trillion) out of which domestic revenue is TZS 976.5 billion, External Grants and Loans are TZS 394.6 billion and TZS 40.0 billion are domestic loans.

144. **Honorable Speaker** as per expenditure for this year 2019/2020, I have the honor to request your esteemed House to approve the expenditure of Tanzanian shillings One Trillion, four hundred and nineteen billion, and four hundred million (TZS 1.4194 Trillion). Out of this Expenditure, TZS 842.4 billion is for Recurrent Expenditure and TZS 577.0 billion for the implementation of the Development Plan.

145. **Honorable Speaker** I beg to move.

**Ambassador Mohamed Ramia Abdiwawa,
MINISTER OF FINANCE AND PLANNING
ZANZIBAR.**

20 JUNE 2019.