

**SPEECH BY THE MINISTER FOR PLANNING,
ECONOMY AND EMPOWERMENT HON. DR.
JUMA NGASONGWA (MP), PRESENTING TO THE
NATIONAL ASSEMBLY THE ECONOMIC
SURVEY FOR 2005 AND PROPOSALS FOR THE
MEDIUM TERM PLAN AND EXPENDITURE
FRAMEWORK FOR 2006/07 – 2008/09**

INTRODUCTION

1. **Mr. Speaker,** I beg to move that this esteemed house now resolves itself into a committee to consider the Economic Survey for 2005 and proposals for the Medium Term Plan and Expenditure Framework for 2006/07–2008/09. Together with this speech I present the Economic Survey for 2005 and the Annual Development Plan for 2006/07.

2. **Mr. Speaker,** At the outset, I would like to take this opportunity to congratulate the President of the United Republic of Tanzania H.E Jakaya Mrisho Kikwete and the Vice President Dr. Ali Mohamed Shein for being elected with landslide victory to lead our nation during the Fourth Phase Government. Likewise, I would like to congratulate the Hon. Amani Abeid Karume for being elected President as well as Chairman to the Revolutionary Council of Zanzibar. I would also like to congratulate the Hon. Edward

Ngoyai Lowasa (MP) for being elected as a Member of Parliament and for his appointment as Prime Minister in the Fourth Phase Government.

3. **Mr. Speaker**, May I also congratulate you Hon. Samwel John Sitta (MP) and the Hon. Anna Makinda (MP), for being elected Speaker and Deputy Speaker respectively. Furthermore, and through you Mr. Speaker, may I congratulate all my fellow Ministers and Deputy Ministers for their Presidential appointments. Lastly, but not least I would also like to congratulate all the Members of Parliament for the trust bestowed upon them by the voters of their respective constituencies. I would also like to take this opportunity to thank all the voters for West Ulanga Constituency for electing me once again to represent them in this House for the third term. I would like to assure them that we will continue working together to facilitate development in our constituency.

4. **Mr. Speaker**, I would like to thank all the members of the Finance and Economic Committee of the Parliament, under the very able Chairmanship of Hon. Abdallah Omari Kigoda Member of Parliament of Handeni, for the valuable comments and advice, which greatly assisted us in improving and completing this report. Allow me furthermore to express my heartfelt appreciation and gratitude to all those with whom we worked closely together to accomplish this task in time. Firstly, I would like to thank the Hon. Salome Joseph Mbatia (MP) the Deputy Minister, the team of experts in the Ministry of Planning, Economy and Empowerment under the leadership of Dr. Enos Bukuku Permanent Secretary, and his Deputy Dr. Stergomena Tax-Bamwenda who worked diligently for the successful completion of this report. Secondly, I would like to thank all of our colleagues from the Ministry of Finance, all line Ministries, and Government

Institutions for their contributions and continued support.

5. **Mr. Speaker**, Allow me now to take this opportunity to present to you the summary of the Economic Survey for 2005 and Proposals for the Medium Term Plan and Expenditure Framework for 2006/07 – 2008/09, this being the first year of reviewing implementation report of the National Strategy for Growth and Reduction of Poverty (NSGRP), a strategy that aims at realizing the goals of the National Development Vision 2025. During 2005/06 the plan and budget focused on implementing the Socio- economic Reforms aimed at sustaining the economy through the implementation of various policies, plans, programs and strategies that were targeted at fostering economic development. However, let me hasten to add that, this report covers only the year of January-December 2005 and the first quarter of 2006.

REVIEW OF MACRO-ECONOMIC PERFORMANCE

Gross Domestic Product (GDP)

6. **Mr. Speaker**, During 2005, the Gross Domestic Product (GDP) grew by 6.8¹ percent compared to the growth target of 6.9 percent, and actual growth rate of 6.7 percent in 2004. The increase in growth rate was mainly attributed to an increase in the growth of wholesale and retail trade; hotels and restaurants (including tourism); manufacturing; mining and quarrying; transport and communication; and construction sectors. The growth rate was also contributed by the growth of electricity and water sectors; financial and business services sector; and public administration and other services. However, the GDP growth rate was not attained as targeted due mainly to drought that affected many parts of the country particularly in the last quarter of 2005.

¹ Statistics on GDP growth were reviewed based on statistics collected by the national Bureau of Statistics (NBS)

7. **Mr. Speaker,** In the year 2005, per capita income increased to shs. 360,865 from shs. 319,754 in 2004 at current prices, equivalent to an increase of 12.9 percent. The real per capita income (at 1992 prices) was shs. 61,798 in year 2005, compared to shs. 59,335 in 2004, equivalent to an increase of 4.2 percent.

8. **Mr. Speaker,** The contribution of the agricultural sector to GDP continued to decline gradually while the contribution of other sectors particularly manufacturing; wholesale and retail trade which includes tourism, mining and construction continued to increase. This shows a change in the composition and structure of the economy that does not depend on contribution of the agriculture sector alone. However, the contribution of the agriculture sector to GDP remained significant compared to other sectors. In 2005, the sector's contribution to

GDP was 45.6 percent compared to 46.3 percent in 2004.

9. **Mr. Speaker**, In 2005, the agriculture sector grew by 5.2 percent compared to 5.8 percent in 2004. The decrease in growth rate of the sector was attributed to a decrease in the production of crop and livestock sub-sectors. The growth rate of these sub-sectors decreased from 6.0 and 4.8 percent in 2004 to 5.2 and 4.2 percent in 2005 respectively. However, the rate of growth in fishing, and forestry and hunting sub-sectors increased from 6.7 and 3.8 percent in 2004 to 7.3 and 4.5 percent in 2005 respectively.

10. **Mr. Speaker**, The growth rate of manufacturing sector was 9.0 percent in 2005 compared to 8.6 percent in 2004. This was attributed to an increase in the production of goods in some industries, particularly those of cement, aluminium

and iron sheets. The contribution of the manufacturing sector to GDP increased to 9.0 percent in 2005 from 8.8 percent in 2004.

11. **Mr. Speaker,** The growth rate of hotels, wholesale and retail trade (including tourism) sector increased by 8.2 percent in 2005, compared to 7.8 percent in 2004. The contribution of the sector to GDP increased from 16.9 percent in 2004 to 17.2 percent in 2005.

12. **Mr. Speaker,** In the year 2005, the mining and quarrying sector grew by 15.7 percent compared to 15.4 percent in 2004. The increase in the growth of the sector was largely attributed to the new and additional investments in Tulawaka Gold Mine in Biharamulo. The contribution of the sector to GDP increased to 3.5 percent in 2005 from 3.2 percent in year 2004.

13. **Mr. Speaker,** The contribution of the construction sector to GDP was 5.7 percent in 2005 compared to 5.4 percent in 2004. The growth rate of construction sector increased to 11.9 percent in 2005 from 10.8 percent in 2004. The growth was largely due to an increase in residential and non-residential buildings, roads and bridges construction, and land development.

14. **Mr. Speaker,** The transport and communication sector grew by 6.4 percent in 2005 compared to 6.0 percent in 2004. This growth was due to the improvement in transport infrastructure and availability of telecommunications services. However, the sector contribution to GDP in 2005 was 5.4 percent similar to that of 2004.

15. **Mr. Speaker,** The electricity and water sector grew by 5.1 percent in 2005 compared to 4.5 percent in 2004. The increase in the growth rate was

the result of growth in electricity and water sub-sectors, which was 4.7 and 2.8 percent in 2004 compared to 5.3 and 3.4 percent in 2005 respectively. The contribution of the sector to GDP in 2005 remained at 1.6 percent, similar to that of 2004.

16. **Mr. Speaker,** The financial and business services sector grew by 5.3 percent in 2005 compared to 4.4 percent in 2004. The increase in the growth rate was attributed to the growth in finance and insurance sub-sector, real estate and business services sub-sector which grew by 5.7, 5.0 and 6.1 in 2005 compared to 4.4, 4.3 and 5.5 percent in 2004 respectively. The sector's contribution to GDP was 9.6 percent in 2005 compared to 9.7 percent in 2004.

17. **Mr. Speaker,** The growth rate of the public administration sector and other services increased

from 4.3 percent in 2004 to 5.1 percent in 2005. The increase was attributed to an increase in the growth rate of the public administration sub-sector, which grew by 4.7 percent in 2005 compared to 2.8 percent in 2004. Education and health sub-sectors and other services grew by 6.3, 5.7 and 4.9 percent respectively, recording a low growth compared to what was achieved in 2004 that is 6.6, 6.0 and 5.8 percent respectively. The sector's contribution to GDP declined slightly from 7.1 percent in 2004 to 7.0 percent in 2005.

Inflation

18. **Mr. Speaker**, In the year 2005, average inflation rate was 4.3 percent compared to the target of 4.0 percent, and real inflation rate of 4.2 percent in 2004. The increase in inflation rate was a result of the increase in the average price of food following severe drought in some parts of the country, and increased prices of petroleum and its products,

which subsequently increased transportation costs and electricity bills.

Government Budget

Revenue

19. **Mr. Speaker**, During the first half of 2005/06, collection of domestic revenue reached shs. 1,013.8 billion compared to shs. 869.9 billion collected during a similar period in 2004/05. This is equivalent to a monthly average collection of shs. 169 billion compared to shs. 145 billion during a similar period in 2004/05 that is an increase of 16.6 percent. The increase in domestic revenue collection was mainly due to improved tax administration particularly income tax and Value Added Tax (VAT) on imported and domestic goods. By the end of March 2006, domestic revenue collection was shs. 1,544.4 billion, equivalent to 100.5 percent of the target for the period.

Expenditure

20. **Mr. Speaker**, During the first half of 2005/06, Government expenditure amounted to shs. 2,122.9 billion compared to shs. 1,641.3 billion during the same period in 2004/05. By the end of March 2006, total expenditure was shs. 3,180.5 billion compared to the estimates of shs. 3,171.1 billion, equivalent to an over expenditure of 0.3 percent. Out of that amount, shs. 2,199.6 billion were used for recurrent and shs. 980.9 billion for development expenditure. The increase in Government expenditure was due to the cost of postponing the October 2005 General Elections, provisional of subsidy to TANESCO for procurement of transformers for the Ilala substation in Dar es Salaam, and the cost for rescuing the ailing Air Tanzania Company Limited. Other requirement, which caused the increase on expenditure, was the Government's decision to adjust ration allowances for soldiers and salaries for health workers.

Money Supply and Credit

21. **Mr. Speaker**, In the year 2005, broad money supply (M_2) increased by 36.2 percent compared to 19.2 percent during 2004, while the extended broad money supply (M_3)² increased by 38.2 by end of December 2005 from 19.3 percent during end of December 2004. The increase was above the target level of 24.0 percent for M_2 and the band of 23-24 for M_3 during 2005/06 fiscal year. The increase in money supply was largely attributed to an increase in demand deposits, savings deposits in banks and increase in loans to the private sector. In addition, the average interest rates increased from 14.8 percent in 2004 to 15.0 percent in 2005.

Capital Formation

22. **Mr. Speaker**, Capital formation increased to shs. 735,180 million in 2005 from shs. 624,371 million in 2004, at 1992 constant prices, equivalent

² M_0 include money in circulation outside banking systems;
 $M_1 = M_0 + \text{deposits}$; $M_2 = M_1 + \text{time deposits}$ $M_3 = M_2 + \text{foreign reserves}$

to an increase of 17.7 percent. Capital formation at current prices increased from shs. 2,598,974 in 2004 to shs. 3,149,402 million in 2005, equivalent to an increase of 21.2 percent. The increase in capital formation was largely due to construction of buildings, importation of equipment; and the increase in other capital formation activities including land improvement, roads and bridges, and water. Capital formation as a percentage of GDP was 32.9 percent compared to 29.8 percent in 2004, at 1992 constant prices.

23. **Mr. Speaker,** The contribution of private sector to capital formation was 65.1 percent in 2005 compared to 62.4 percent in 2004. Public sector, capital formation increased to 1,068,171.0 million in 2005 from 950,077.0 million in 2004 at current prices, equivalent to an increase of 12.4 percent. The contribution of public sector in capital formation

was generally 33.9 percent in 2005 compared to 36.6 percent in 2004.

Commercial Banks' Credit to Various Sectors

24. **Mr. Speaker**, Commercial banks' credit to various sectors increased from shs. 965,985.9 million in 2003/04 fiscal year to shs. 1,219,305.6 million in 2004/05 fiscal year, equivalent to an increase of 26.2. By end-December 2005, loans to private sector had increased to shs.1,425,062.3 million compared to shs.1,060,077.3 million at end-December 2004. The increase was equivalent to 34.4 percent compared to 30.0 percent at end-December 2004.

Merchandize Exports and Imports

25. **Mr. Speaker**, The value of merchandize exports increased by 13.8 percent in 2005, to USD 1,676.3 million from USD 1,473.1 million in 2004. The value of traditional exports increased to USD

354.4 million in 2005 from USD 297.8 million in 2004, equivalent to an increase of 19.0 percent. The increase was mainly contributed by increase of traditional exports of coffee, tobacco and cotton. The value of non-traditional exports increased to USD 1,321.8 million in 2005 from USD 1,175.3 million in 2004, equivalent to increase by 12.5 percent. Non-traditional exports contributed to 78.8 percent of total exports, while traditional goods contributed 21.2 percent. Despite of these achievements, revenue that accrued from exports was capable to fund only 63.0 percent of imports. The challenge ahead is that of increasing exports and the production of high quality goods that can compete in the international market such as the “Kilicafe” of Kilimanjaro, and horticultural products from Gomba Estate of Arusha, which fetch attractive prices in the world markets.

26. **Mr. Speaker,** The value of merchandise imports (f.o.b) increased from USD 2,339.7 million in

2004 to USD 2,661.8 million in 2005, equivalent to an increase of 13.8 percent. Imports bills were higher than export earnings, and thus widened the trade balance deficit. The importation of consumer goods declined by 1.8 percent, due mainly to increased food crops production, particularly maize. The importation of other consumer goods (non-food items) increased from USD 515.9 million in 2004 to USD 583.0 million in 2005, equivalent to an increase of 13.0 percent.

27. **Mr. Speaker,** During 2005, the overall balance of payments indicated a deficit of USD 437.5 million compared to a surplus of USD 43.4 million during 2004. The deficit was a result of increased deficit in the trade account balance that widened to USD 985.5 in 2005, equivalent to 13.7 percent higher than the deficit of USD 866.6 registered in 2004.

Foreign Reserves

28. **Mr. Speaker**, The stock of foreign reserves decreased to USD 2,048.4 million in 2005 from USD 2,296.1 million in 2004, equivalent to a decrease of 10.8 percent. The gross official reserves in 2005 were equivalent to 6.4 months of imports compared to 8.2 months in 2004. This amount is below the planned target of having foreign reserves equivalent to more than 7 months of imports of goods and services.

Exchange Rate

29. **Mr. Speaker**, The value of the domestic currency continued to be market determined. In 2005, the value of the domestic currency averaged Tshs.1,128.8 against USD compared to Tshs.1,089.3 in 2004. This shows currency depreciation by 3.6 percent compared to 5.0 percent in 2004. Furthermore, the value of Tshs. per USD was Tshs. 1,165.5 by the end of December 2005

compared to Tshs. 1,043.0 per USD recorded at the end of December 2004.

Grants and External Loans

30. **Mr. Speaker,** Grants and Loans were disbursed at a reasonable level as Development Partners responded positively in supporting the implementation of National Strategy for Growth and Reduction of Poverty (NSGRP). Grants and loans for the recurrent budget was sh. 576,956 million by March 2006 compared to the projection of sh. 589,913 million, equivalent to 97.8 percent of the total projection. The under- disbursement was due to the reduction of grants and loans by some development partners and the World Bank as well as late disbursement of the Basket funds. Nonetheless, most of the Development Partners adhered to their pledges. In the case of grants and loans for supporting the development budget, the amount disbursed was sh. 731,711 million compared to the

pledge of sh. 783,467 million, equivalent to 80.7 percent.

National Debt

31. **Mr. Speaker**, By end of December 2005, the National debt amounted to USD 9,961.3³ million compared to USD 9,726.9 million in December 2004, equivalent to an increase of 2.4 percent. Out of that amount, external debt was USD 7,934.4 million, equivalent to 79.6 percent, while domestic debt amounted to USD 2,026.9 million. External debt decreased slightly by 1.1 percent compared to USD 8,022.9 million in 2004. The external debt is sustainable, though it appears to be high due to the interest arrears of debts from non-Paris Club members.

³ This amount is higher than those in BoT publications since BoT numbers do not include some of government debts including those of privatized or liquidated companies.

32. **While taking precaution of the debt burden, the government will contract soft loans for enhancing economic development capacity, increasing investments and thereby enabling creation of employment opportunities, increasing exports and government revenues; improving infrastructure, and developing human resources.**

33. **Mr. Speaker,** Payment of external debt improved from USD 77.8 million in 2004 to USD 91.1 million in 2005. This amount comprised principal USD 53.4 million and interest USD 37.7 million. The improvement was due to payment of uncanceled debts by non-Paris Club members.

Domestic Debt

34. **Mr. Speaker,** Total domestic debt as at the end of December 2005 amounted to shs. 2,362.5 billion compared to shs. 1,813.1 billion at end of

December 2004, equivalent to an increase of 30.3 percent. The rise was caused by an increased Government expenditure. In 2005, domestic debt valued shs. 716.8 billion was paid. Out of which, shs. 616.4 billion was principal and shs. 100.4 billion was in form of interest.

THE STATE OF THE WORLD ECONOMY AND INTERNATIONAL COOPERATION

State of the World Economy

35. **Mr. Speaker,** The world output grew by 4.8 percent in 2005, as compared to 5.3 percent in 2004. The decline of the economy was contributed largely by the instability of the economies of developed European countries of France, Germany, Italy and the United Kingdom. The increase in petroleum prices and occurrence of disasters affected the world economic growth. In spite of the decline in world economic growth, some emerging industrial countries in Asia recorded high economic

growth, for example, China recorded a growth rate of 9.9 percent during 2005.

36. **Mr. Speaker,** The economy of developed countries grew by 2.7 percent in 2005 as compared to 3.4 percent in 2004. This economic decline was due to increased petroleum prices as well as decline of exports. Developing countries and emerging industrial Asian countries recorded economic decline of 7.2 and 8.6 percent in 2005 as compared to 7.6 and 8.8 in 2004 respectively. The economic growth of developing countries as compared to economic growth of the world in general stabilized due to the growth of commercial and industrial production activities and successful implementation of policies on economic reforms.

37. **Mr. Speaker,** The economic growth of Sub-Saharan Africa grew by an average of 5.5 percent in 2005 compared to an average of 5.6 percent in

2004. In 2005, the economic growth of African countries decreased to an average of 5.2 percent from an average of 5.5 in 2004. The economic growth of the African Continent depended on increase in petroleum and minerals exports, as well as increase of prices of some agricultural products. In addition, successful policy implementation and economic reforms by some of African countries contributed to the economic growth. However, the rate of economic growth decreased between 2004 and 2005 due to drought and political crisis, which engulfed some of the African countries.

38. **Mr. Speaker,** The economic growth of the Great Lakes Countries including Tanzania, grew by an average of 5.6 percent in 2005 similar to that recorded in 2004. The economic growth of East African Countries grew by an average of 5.7 percent in 2005 as compared to an average growth of 5.5 in 2004. The growth was due to an increase of mineral

exports and increase of prices for some agricultural products. The economic growth of the Central and West African countries grew by 5.4 percent in 2005 compared to an average of 6.6 percent in 2004.

39. **Mr. Speaker,** The economic growth of Tanzania of 6.8 percent in 2005 was the best performance in the East, Central and Sub-Sahara African countries. This is due to the implementation of good economic, social and community development strategies, which attracted investors, and also created conducive business environment. These efforts will be continued with more zeal and vigour in the years ahead.

REGIONAL AND INTERNATIONAL COOPERATION

40. **Mr. Speaker,** Our cooperation with other Nations in the world and International Agencies as well as Regional Cooperation continued to stabilize,

thus created a conducive environment for economic and community development in our nation.

East African Community (EAC)

41. **Mr. Speaker,** The implementation of the Protocol on East African Community Customs Union commenced on 1st January 2005 after being signed by the Presidents of the member countries and assented by the Parliaments of the respective countries. Also the East African Community prepared a Five Year Development Strategy after the completion of the 2001-2005 strategy, which led to the establishment of cooperation of the Joint Customs Protocol as well as laying the foundation for the creation of the Joint East African Market.

42. **Mr. Speaker,** The EAC continued to implement development projects in the Lake Victoria Development Basin as follows: Lake Victoria Co-operation Fishing Project, preparation of

infrastructure projects including roads, railways, lake transportation power generation and distribution; and agricultural projects. Also in the endeavour of owning permanent buildings, preparations for constructing a permanent EAC Headquarter is advancing after Tanzania accepted to allocate an area for the construction. The building consultant was also selected.

43. **Mr. Speaker**, In 2005, the International Committee Ministers Meeting on the Great Lakes area was held in Lusaka chaired by Tanzania. The Meeting discussed short, medium and long term plan and programme protocols and approved projects on the following four major areas: Peace and Security; Democracy and Good Governance; Regional Economic Development Co-operation; and Human Rights and Community Affairs. Also in that particular meeting Egypt was accepted as a member of the Great Lakes area.

Southern Africa Development Community (SADC)

44. **Mr. Speaker**, During 2005 SADC celebrated 25 years since its inception. The activities implemented in 2005/06 fiscal year include: adoption of adjusted lowest level of women percent participation in politics and leadership positions from current 30 percent to 50 percent by 2010. This level is the same as planned in the East African Community. Other activities were: approving the construction of the SADC headquarters in Gaborone, Botswana within the coming 15 years; and agreement on the procedures for resolving commercial disputes aimed at enhancing the SADC commercial protocol.

45. SADC Secretariat completed the procedures for connecting Tanzania on the Zambia-Tanzania Power Inter-connector System following the availability of resources, thus enabling connection of

Tanzania to the project of Southern African Power Pool (SAPP) project.

New Economic Partnership For Africa Development (NEPAD)

46. **Mr. Speaker**, The Government extended an invitation to the Secretariat of African Peer Review Mechanism (APRM) to assess the extent of implementing NEPAD agreements, which include Rule of Law, Human Rights, Freedom of Media, Political Parties' Freedom and Economic Reforms aimed at promoting economic growth and poverty reduction and co-operation between the government and the private sectors. This is in accordance with the joint agreement that allows a country to carry out self-assessment on the implementation of the agreed NEPAD benchmarks as ratified by the Parliament of the United Republic of Tanzania in February 2005.

47. **Mr. Speaker,** According to the economic reforms being undertaken under the National Development Vision 2025, the Government submitted the following projects to NEPAD Secretariat: construction of a joint bridge linking Tanzania and Mozambique; expansion of the Dar es Salaam Harbour; power connection from Zambia to Kenya, Development of the Mtwara corridor and EAC roads improvement.

Technical Cooperation Among Developing Countries

48. **Mr. Speaker,** During 2005 Tanzania continued to utilize the opportunities offered by the Government of China under the Developing Countries Co-operation, assisted by the United Nations Development Programme. Tanzania experts from various Ministries and Agencies were trained in China on rainwater harvesting, alternative energies and television technology.

SECTOR DEVELOPMENT

Agriculture

49. **Mr. Speaker**, During 2005/06, production of food crops declined for some crops including wheat, maize, sorghum and banana. However, production increased for cassava, legumes and paddy. On commercial crops, production of pyrethrum, tobacco and cotton increased, whereas production of coffee and cashew nuts decreased. Also the area under irrigation decreased from 23,970 hectares in 2004 to 22,506 hectares in 2005. The decrease in production of some crops was due to drought, inadequate extension services and volatile crop prices.

50. **Mr. Speaker**, During the year 2006/07, the issue of irrigation farming will be given special emphasis while implementing the green revolution strategy focusing on improving availability of food and increasing stock of the National Strategic Grain Reserve.

Manufacturing

51. **Mr. Speaker**, During the year 2005/06, the manufacturing sector recorded an increase in the production of manufactured goods for domestic needs and external market. Agro-processing industries started applying appropriate technologies on various crops including the use of biogas, for curing tobacco and for processing edible oil and salt to meet international standards. Other achievements for the year in the area of manufacturing include strengthening of the food quality assurance laboratory of the Tanzania Bureau of Standards (TBS).

52. In promoting investments in Export Processing Zones (EPZ) to produce goods for external markets, two industries were constructed and commenced production. The two industries are A-Z at Kisongo, Arusha, producing mosquito nets, and the African

Packaging System at the Millennium Business Park in Dar es Salaam.

53. **Mr. Speaker**, During 2006/07, the planned activities include: building capacity of the private sector for value addition and improving the quality of goods in accordance with the requirements of local and international markets; scaling up efforts to establish EPZs, promoting investments in textile and leather, agriculture and livestock products processing industries; improving the environment for manufacturing activities; and strengthening regional and international economic relations. Efforts will be intensified in the utilization of preference markets of AGOA, EBA, Canadian PACT and the markets of Japan, South Korea and China.

Minerals

54. **Mr. Speaker**, During 2005/06, the mineral sector recorded remarkable achievements including:

operationalisation of a framework of issuing mining licenses; completion of surveying small mining plots in Morogoro Region; construction of the Arusha mineral processing industry which was completed and commenced production; and education and training to small scale miners. The revenue accrued from mining activities is minimal; the government therefore has formed a special committee to undertake an in-depth evaluation on the issue.

55. **Mr. Speaker,** In the year 2006/07 the mineral sector aims at: improving relations between small scale miners and mining companies, increasing employment opportunities, ensuring safety in mining and adherence to environmental protection, establishment of a unit to coordinate small scale miners development, promoting private sector investments in the mineral sector and ensuring minerals value added before they are exported.

Energy

56. **Mr. Speaker,** The achievements in the energy sector during 2005 include: commencement of electricity generation using Songosongo natural gas; signing the agreement of intent between the government and the Mnazi Bay gas project investor to generate 14MW of electricity for Lindi and Mtwara regions; and completion of the research undertaken in Mwanza region to establish the obstacles that hinder the promotion of using solar power as an alternative energy source. TANESCO also entered into an agreement with Wartisila company to convert the IPTL plant from thermal to natural gas. Other achievements were: the completion of the Kihansi Power Project, completion of connecting electricity to Serengeti and Ukerewe districts as well as Urambo district under the electricity distribution project.

57. **Mr. Speaker,** During 2006/07, the energy sector will continue to develop projects that will

generate electricity using Songosongo gas. The amount of electricity expected to be generated is: 45 MW (IPTL Tegeta), 200 MW (Kinyerezi Plant), 60 MW (Ubungo Phase I) and 40 MW (Ubungo Phase II) and 100 MW from power leasing. Other targets include: connecting power from Zambia, preparation of a strategy to improve production and distribution of electricity in urban and rural areas, increasing the availability of alternative energy in rural areas in order to reduce adverse effects on the environment; intensifying oil exploration activities; and increasing the use of solar energy. A private investor will expand the Kiwira coal project with the aim of generating 200 MW of electricity. Efforts to identify additional sources of electricity instead of relying on hydropower alone will be accorded more priority.

Roads

58. **Mr. Speaker**, During 2005, the following achievements were attained in the roads sector:

10,062 kilometres of regional roads and 5,968 kilometres of trunk roads were rehabilitated into good condition, 699 bridges were rehabilitated while 17 new ones were constructed; and training was provided to 315 contractors from the private sector in order to enhance their capacity.

59. **Mr. Speaker**, During 2006/07 period, the government intends to implement the following: rehabilitation of 15,000 kilometres of regional and district roads; continuing with implementation of the special program for improving infrastructure in the six regions of Lindi, Mtwara, Ruvuma, Kigoma, Rukwa and Tabora; continuing with the program of capacity building for local contractors and other stakeholders; and to review and improve the infrastructure sector policies.

Communication and Transport

60. **Mr. Speaker**, During the period of 2005/06, the communication and transport sector implemented the following: 40 percent completion of new Songwe Airport construction; rehabilitation of run-ways of Mwanza, Arusha and Kigoma airports; rehabilitation of Singida airport infrastructure; and rehabilitation of wharfs in the Great Lakes ports as well as rehabilitation of the central railway line to improve services.

61. **Mr. Speaker**, During 2006/07 period, the Government intends to implement the following: commencement of transforming the central railway system, by replacing the current railway sleepers with 80 pound sleepers; rehabilitation of infrastructure for airports, ports, wharfs, rails and communication network; continue harmonizing local and international transportation and communication standards; improving the Civil Aviation Authority

services; and monitoring passenger transportation vessels in order to reduce accidents.

Information and Communication Technology

62. **Mr. Speaker**, During 2005, the Government focused on Information Communications and Technology (ICT) by implementing the following:- assessing the development of National Communication System; formation of the ICT Coordination Team; opening of telecentres in Singida, Morogoro, Mtwara, Mpwapwa, Rungwe and Pemba towns; and project implementation of incorporating ICT training curricular in Tanzania (e-schools, e-education, e-learning).

63. **Mr. Speaker**, During 2006/07, the Government's objectives are as follows: to coordinate activities on the development of ICT and enhancing zonal and international cooperation in the field of ICT.

Natural Resources

64. **Mr. Speaker**, During 2005, the Government implemented the following: 66,182,502 seedlings were planted as compared to 65,558,138 planted seedlings in 2004, this is an increase of 0.95 percent; completion of demarcating forest reserves in the areas of Kapingo, Engoma, Mikikagi and Itira in Ukerewe district; and completion of forest resources stock taking in Morogoro, Mvomero, Kilombero, Ulanga, Handeni, Kilindi, Kilwa, Nachingwa, Liwale, Tunduru, Mpanda and Rufiji Districts.

65. **Mr. Speaker**, During 2006/07, the government intends to implement the following: establishing a firm foundation for natural resources management in order to increase its contribution to GDP; enforcing laws and regulations for sustainable forest conservation and harvesting of forest products through improved management and other

operations; putting in place an effective management system in order to improve service delivery and to expand participation spectrum of private sector, NGOs and other stake-holders in the protection, conservation and supervision of natural resources.

CROSS CUTTING ISSUES

66. **Mr. Speaker,** During 2005, the Government continued to implement various policy decisions on crosscutting issues. The following is a summary of implementation:

(i) Good Governance

67. **Mr. Speaker,** The Government continued to evaluate the state of corruption in the country by using the available indicators. The Government also established Ministerial Ethics Committee as well as prepared the second phase of the National Ant-

corruption strategy and Action Plan (NACSAP) at working places.

68. **Mr. Speaker**, During 2006/07, Issues to be given emphasis include: improvement of public finance management and accountability; involvement of various stakeholders on preparation, monitoring and implementation of policies, plans and development strategies; continue implementing the Local Government Reform Programme; continue with corruption campaigns; curbing crime, and prosecuting suspected criminals; continue reforming regulations and Laws including management frameworks; and improving openness in information dissemination for improved decision making.

(ii) Fight Against HIV/AIDS

69. **Mr. Speaker**, During 2005, the Government continued to take various measures including mainstreaming HIV/AIDS in Ministries, public and

private institutions activities and preparation of strategies for controlling HIV/AIDS with a focus on identifying activities to be undertaken in combating HIV/AIDS. The annual report on HIV/AIDS and Sexually Transmitted Infections (STI) Surveillance (October 2005) indicates that new HIV/AIDS cases have increased from 188,140 people in 2004 to 188,400 people in 2005. Amongst them, women were 97,130, equivalent to 51.6 percent.

70. **Mr. Speaker,** During 2005, training on HIV/AIDS control was provided to people at various levels. The guideline on HIV/AIDS control in the public sector was prepared which provide clear procedures for care and support to people living with HIV/AIDS. Until December 2005, 96 centres were administering ARVS to people living with HIV/AIDS, and 25,840 people living with HIV/AIDS were registered under the National Care and Treatment Plan.

71. **Mr. Speaker,** During 2006/07, the Government will increase the number of centres providing ARVS to people living with HIV/AIDS as well as registering people living with HIV/AIDS in the National Care and Treatment Plan and providing education at all levels.

(iii) Gender Issues

72. **Mr. Speaker,** During 2005, the Government in collaboration with various stakeholders continued to implement policies; plans and strategies aimed at improving gender issues. Also, the number of seats for women representation in the Parliament is increasing due to amendments in the Constitution of the United Republic of Tanzania as well as amendments in the general election regulations, which provide for 30 percent of representation for women members in the Parliament. May I take this opportunity to congratulate the President of the Fourth Phase Government H.E Jakaya Mrisho

Kikwete, for appointing a good number of women to hold high decision-making positions in the Government. Currently, 30.41 percent of Members of Parliament are women, this is slightly higher than the minimum target set in the Constitution and the agreement of SADC member countries.

73. **Mr. Speaker,** In order to empower women in business participation, 127 women participated at the Dar Es Salaam International Trade Fair, sponsored by the Government and Equal Opportunities Trust Fund (EOTF) during 2005 compared to 130 who participated in 2004.

74. **Mr. Speaker,** In the year 2006/07, the Government will continue to promote the use of gender segregated data in various decision-making processes as well as reviewing the laws that are discriminatory against women. The Government will ensure that women representation at different levels

of management is sustained and will provide opportunities for training and economic activities to enable them attain benefits in economic development.

(iv) Population

75. **Mr. Speaker**, Projections based on the 2002 Population and Housing Census show that Tanzania had a total population of 37,267,530 in 2005. Out of which, females were estimated to be 19,009,051, equivalent to 51.01 percent, while males were 18,258,479 equivalent to 48.99 percent. Tanzania Mainland had a total population of 36,197,313, while Zanzibar had a population of 1,070,217.

76. **Mr. Speaker**, Based on that projections, Dar es Salaam region had on average a population density of 2,010 people per square kilometre, followed by Mwanza and Kilimanjaro with 163 and 108 people per square kilometre respectively.

Regions with lowest population density are Lindi with 12 people followed by Rukwa with 18 people per square kilometre. In Zanzibar, almost all regions had high population densities, ranging between 117 and 1,919 people per square kilometre.

77. **Mr. Speaker,** In year 2005, the task of reviewing the National Population Policy was completed and the Action Plan for Implementation was prepared. Training on mainstreaming population issues into development plans were conducted at districts and wards levels, to Non Governmental Organizations and to Parliamentarians.

(v) Environment

78. **Mr. Speaker,** During 2005/06, the Government prepared a National Strategy for Land and Water Sources Conservation. The Strategy addresses the problems of environmental degradation caused by agriculture and livestock

keeping in the water catchment areas. The strategy also covers on issues of environmental degradation caused by excessive tree cutting for firewood, charcoal and other uses.

79. **Mr. Speaker**, During 2006/07, the Government will adopt the following measures: controlling agricultural and livestock activities within the water catchments areas; continue to sensitise livestock keepers to abandon nomadic livestock keeping; prepare appropriate land use plans; continue with National Tree Planting Campaign by planting and protecting trees; building and constructing dams and wells for livestock keepers and farmers; promoting appropriate rainwater harvesting technologies; preserving and distributing harvested rainwater and underground water for agricultural and livestock husbandry activities; sensitising institutions, tobacco farmers and other major users of wood, charcoal and firewood such as

educational institutions, the army and industries to establish their own tree plantations; continue controlling burning of forests and haphazard tree cutting; controlling irrigation activities; and planting appropriate tree species at water catchments areas.

SPECIAL PROGRAMMES FOR SOCIAL AND ECONOMIC DEVELOPMENT

80. **Mr. Speaker**, In the medium term, the Government will continue to implement various programmes and strategies for socio-economic development which include: National Strategy for Growth and Reduction of Poverty (NSGRP-MKUKUTA); Agricultural Sector Development Programme (ASDP); Property and Business Formulation Program (PBFP/MKURABITA), Tanzania Mini-Tiger Plan 2020 (TMTP 2020); Business Environment Strengthening for Tanzania (BEST/MKUMBITA); National Debt Management Strategy and Joint Assistance Strategy (JAS). The

recently prepared National MKUKUTA Monitoring System will be used to evaluate implementation outputs for five years. The evaluation system will identify the successes and constraints in order to facilitate decision-making.

81. **Mr. Speaker**, During the 2005/06, the Government continued to implement the following programmes and strategies: -

(i) The National Strategy for Growth and Reduction of Poverty (MKUKUTA)

82. **Mr. Speaker**, The implementation of MKUKUTA started during 2005/06 financial year, whereby all sectors, public and private institutions participated in the implementation of its three major clusters, which are: (i) economic growth and reduction of income poverty; (ii) improvement of social well being; and (iii) good governance and accountability. Some of the activities that have so far been implemented include:- harmonization of MKUKUTA with Strategic Planning and

Medium Expenditure Framework (MTEF); completion of guideline on how to harmonize sector programmes with MKUKUTA and completion of the National MKUKUTA Monitoring System; and training of officials at the Regional Secretariats and Local Government Authorities on the guidelines for harmonizing sector plans with MKUKUTA. **In addition there was an initiation of costing exercise for MKUKUTA activities and Action Plan.**

83. **Mr. Speaker,** During 2006/07, the Government will harmonize all costs for implementing MKUKUTA objectives and will implement plans, programmes and various strategies for successful implementation of MKUKUTA. **At the same time, the Government will undertake costing of 2005 CCM Election Manifesto during 2006/07.**

(ii) Implementation of the Business Environment Strengthening for Tanzania (BEST)

84. **Mr. Speaker**, The government continued to implement BEST Programme that aims at reducing the costs of establishing and operating business by removing the obstacles emanating from policy, legal, regulatory, procedural and institutional frameworks that impede the growth of the private sector. During 2005/06 BEST Programme continued to improve business environment in the country through:

- Completion of various laws and regulations review aimed at strengthening business environment in the country. The Laws and Regulations recognised land as collateral from August 2005 and Business Registration Act. of 2006; and
- Preparation of various draft legal bills for enacting various laws such as: **valuation of land, safety at the workplace**, workman's compensation, **social security**, and **land**

market agencies which were submitted to the Attorney General's Chambers that enabled the preparation of the Private Sector Development Strategy.

85. **Mr. Speaker,** During 2006/07, the government will continue to coordinate BEST programme by providing special emphasis to develop the private sector through creating conducive environment for undertaking investment in the country, particularly in continuing to improve policies, laws and regulations that affect negatively the private sector development, as well as strengthening Tanzania Investment Centre and reforming the Commercial court.

(iii) The Tanzania Mini -Tiger Plan 2020

86. **Mr. Speaker,** In 2005, the government started to implement Tanzania Mini Tiger Plan 2020 by using the experience and success of the South East Asian countries. The aim of this plan is to increase

the rate of growth of the economy as the basis for increasing the average income; to increase exports of goods and services, and to increase employment opportunities in order to reduce poverty.

87. **Mr. Speaker,** In the process of implementing this plan, the following projects were undertaken: inauguration of a company to import and rehabilitate motor vehicles, machines and various spare parts (Tsubasa Renew car EA Ltd.); and commencing construction of a special Economic Zone at Mabibo-Dar es salaam that is known as “The Benjamin William Mkapa Special Economic Zone (BWM-SEZ)”. In addition, a committee to supervise the construction of International Centre of Technology (ICT-SEZ) was formed and its activities were coordinated by the University of Dar es Salaam.

88. Experts also visited India in 2005 to learn on Indian experience in establishing and operating such

centres in the country. To facilitate the implementation of this Plan, the Special Economic Zone Act was passed by your esteemed Parliament in February, 2006 and was assented by the President in March 2006 and came into effect on 1st May 2006

89. **Mr. Speaker,** During 2006/07, the Tanzania Mini-Tiger Plan 2020 will implement the following activities: continue with the construction and publicity of “The Benjamin William Mkapa Special Economic Zone at Mabibo to attract local and foreign investors; establish Special Economic Zone Authority; provide short term training to Tanzanians in countries with successful experience in Special Economic Zones; and commence construction of ICT in the special investment area of the University of Dar es Salaam.

(iv) Property and Business Formalization Programme (PBFP)

90. **Mr. Speaker**, During the 2005/06, Phase One of PBFP involved evaluation of the informal sector and the report was submitted to the Government on 5th October 2005. The Evaluation report identified revealed the informal sector network, the real value of the sector; and the procedures and practices used by various stakeholders to own properties and conduct business outside the formal and legal system. In addition, the evaluation identified the legal obstacles, which restrict many Tanzanians from observing the rules for conducting business and owning properties especially land, and buildings.

91. Other activities undertaken included: sensitisation of leaders at various levels on the objectives and goals of PBFP; sensitisation of targeted beneficiaries and administrators through various workshops; sensitisation of small and

medium scale entrepreneurs on activities of PBFP; preparations of the Memorandum of Understanding between Ministries and other Government institutions which can work closely with PBFP; and finalization of the Action Plan for PBFP Phase II.

92. **Mr. Speaker**, During 2006/07, the activities to be performed by PBFP will include: conducting research in 26 districts of Tanzania Mainland and Zanzibar; preparing initial proposals for improving legal and regulations used in the informal sector; providing initial proposals for structure institutional arrangement; training local experts to ensure ownership and participation of Tanzanians in formulation of laws; implementation of activities which are in tandem with preparations of reforms to sustain the enthusiasm of Tanzanians that emanate from research reports; completion of the concept document for the programme to be used as a focal

guideline for the programme; and continue with construction of the PBFP website.

(v) Tanzania Social Action Fund (TASAF)

93. **Mr. Speaker**, Due to successes obtained during the implementation of TASAF Phase I, the Government decided to implement TASAF Phase II. Implementation of TASAF is facilitated by soft loan funds of US Dollars 129 million and a grant of US Dollars 21 million from the World Bank. TASAF Phase II aims at implementing MKUKUTA and the Millennium Development Goals (MDGs).

94. **Mr. Speaker**, During the second Phase of TASAF which commenced on 11th May, 2005, the Government has been able to sensitise the public through television, radio programmes, special features in newspapers and brochures; prepare implementation guidelines of the project at Local Government Authority levels including District

Councils, Municipals, Cities and Shehia in Zanzibar; and translate the various guidelines into Kiswahili.

95. **Mr. Speaker**, During 2006/07, TASAF plans to reach out all Tanzanians through training on the procedures involved in implementing TASAF supported projects. In addition, arrangements will be put in place to ensure that the communities implement the projects efficiently and effectively; and prepare implementation reports timely for evaluation purposes.

(vi) Privatisation and Private Sector Development

96. **Mr. Speaker**, During 2005/06, the Government through the Tanzania National Business Centre (TNBC) facilitated the establishment of regional business councils with the objective of enhancing Public Private Partnership to improve investments in the regions and districts. The

business councils were established in 12 regions viz Kilimanjaro, Arusha, Manyara, Tanga, Mwanza, Kagera, Morogoro, Iringa, Mbeya, Ruvuma, Mtwara, and Dodoma. Also, the Zanzibar Business Council was established under the chairmanship of the President of Zanzibar and the Chairman of the Revolutionary Council.

97. **Mr. Speaker,** The Government continued with its efforts to sensitise and coordinate local and foreign investors in different sectors with the objective of enhancing private sector development. During 2005, the Tanzania Investment Centre (TIC) registered 550 project valued at shs. 1,876,063 million that provided employment opportunities to 55,663 people, compared to 454 projects valued at shs. 1,246,040 million in 2004. TIC is also implementing strategies that are intended to develop investment opportunities in the regions. In order to achieve this, the centre has established Lake and

North Zone Offices in Mwanza and Kilimanjaro regions respectively.

98. **Mr. Speaker**, Foreign Direct Investments (FDIs) were valued at USD 325 million in 2005 compared to USD 470 million in 2004, equivalent to a decrease of 30.8 percent. The decrease was due to decline of investments in the mining sector.

99. **Mr. Speaker**, During 2006/07, TIC activities will include: establishing an office in the Southern Zone; continuing to sensitise foreign investors through “Investor Targeting” style in order to increase Foreign Direct Investments; facilitating small and medium scale investors to prepare bankable investment projects; and to work with regions in the preparation and coordination of investment workshops.

100. **Mr. Speaker,** During 2005, a total of 11 public corporations were privatised and 126 non-core assets were sold making a total of 322 public corporations and non-core assets compared to 647 assets that were privatised since the exercise began 13 years ago. The corporations were privatised to local and foreign investors through buying of shares, outright sale of assets, and hiring. In order to complete privatisation of the remaining public enterprises an additional period of four years covering January 2004 up to December 2007 was extended to the Presidential Parastatal Sector Reform Commission (PSRC).

101. **Mr. Speaker,** During 2006/07, the Government will continue to restructure the remaining 36 corporations including TAZARA, commercial units of the Tanzania Ports Authority (excluding the container terminal that has been leased) and National Insurance Corporation. PSRC

will officially close its activities by end of December 2007. The Government aims at retaining a small unit for monitoring and evaluation of the privatised enterprises and coordinating the activities of the Regulatory Authorities.

(vii) Implementation of the National Economic Empowerment Policy

102. **Mr. Speaker**, Economic empowerment of the Tanzanians has been one of the long-term agenda in our National Development Policies. Members of your esteemed Parliament witnessed the launching of the National Economic Empowerment Policy in June 2004 and the National Economic Empowerment bill was passed in November 2004 that became effective in February 2005. Various initiatives have been undertaken to empower the citizens of Tanzania even before the formulation of the National Economic Empowerment Policy. The main goal of this Policy is to empower the citizens to

participate in various economic activities and provide general guidelines, which will ensure that the majority of the citizens of Tanzania have access to opportunities to participate effectively in economic activities in all sectors of the economy. Furthermore, the National Empowerment Council was established and inaugurated in November 2005. The President appointed the Executive Secretary of the Council on 3rd April 2006 and his main responsibility is to coordinate the implementation of Empowerment Policy. The Secretariat will start implementing its assigned activities from the 2006/07 fiscal year. About shs. 1.4 billion have been budgeted for the Council and its secretariat during the same period.

103. **Mr. Speaker,** To implement this Policy, all sectors are responsible for formulating, elaborating and implementing their own strategies. Sector policies will focus on providing preferential treatment to nationals and empower them by providing better

services of education and training in entrepreneurship, improving infrastructure, and providing them with opportunities to participate in the formulation, planning and implementation of sectoral policies and strategies for economic empowerment.

104. **Mr. Speaker**, In the financial year 2006/07, the activities to be implemented will include: recruitment of the key staff of the Council Secretariat; conducting research studies leading to identification of quick wins in the implementation of the Policy; preparing indicative guidelines for people to participate in the implementation of the Policy; preparing a system that will ensure the Empowerment Policy is well published and understood by all citizens.

105. **Mr. Speaker**, Despite the fact that Tanzania has recorded successes at Macro-level, the challenge ahead is to translate those achievements

at the micro-level where the majority of rural poor live. The accomplishment of the following projects; the National Identity Cards, preparation of maps through Geographical Information System (GIS) and National Spatial Data Infrastructure (NSDI) will enhance availability of timely reliable statistics. The latter will assist in the various researches on socio-economic development. Furthermore, the Government has established Guarantee Fund for SMEs and will continue to implement the Property Business Formalization Programme (PBFP), the Business Environment Strengthening for Tanzania (BEST), Tanzania Mini Tiger Plan 202 and TASAF Programmes.

BASIS AND OBJECTIVES OF THE MEDIUM TERM PLAN AND BUDGET FOR 2006/07-2008/09

106. **Mr. Speaker**, This Medium Term Plan and Budget is the first to be prepared by the Fourth Phase Government in implementing the National

Strategy for Growth and Reduction of Poverty (MKUKUTA). The basis and objectives of the Medium Term Plan and the Government Budget for 2006/07-2008/09 has taken into account implementation of the **CHAMA CHA MAPINDUZI (CCM)** Election Manifesto 2005; which targets to achieve the objectives of the Tanzania Development Vision 2025, including improved life for every Tanzanian and halving income poverty by 2015.

107. The Minister for Finance will table the Government Revenue and Expenditure Framework for 2006/07, by explaining in details the revenue and expenditure trend for 2005/06, budget estimates and the major areas of focus for 2006/07 budget allocation.

108. **Mr. Speaker**, The basis of the Plan and Budget for the Medium Term 2006/07–2008/09 are as follows:

- i) Continue to sustain the Macro economic stability;
- ii) Increase impetus in the implementation of MKUKUTA, including continued implementation of BEST; Tanzania Mini-Tiger Plan 2020; Lake Victoria-Kahama-Shinyanga water supply project; and construction of roads, bridges and irrigation infrastructure;
- iii) Continue to identify and implement plans and strategies that will accelerate economic growth such as National ID registration programme, and Geographical Information System–GIS and National Spatial Data Infrastructure–NSDI;
- iv) Strengthen and supporting the informal sector to expand and stabilize in order to be mainstreamed into formal sector;
- v) Strengthen frameworks for coordination and monitoring of development project at all levels;

- vi) Continue with the implementation of Decentralisation by Devolution Policy through Local government Reform Programme;
- vii) Sensitise the community to be disciplined and aggressive in implementing economic activities; and
- viii) Providing resources and be used efficiently.

109. **Mr. Speaker**, On the basis of the above, the overall macro-economic objectives are as follows:

- i) Real GDP is projected to grow by 5.9 percent in year 2006, 7.3 percent in year 2007, 7.7 percent in year 2008, and to 7.9 percent in year 2009;
- ii) The rate of inflation not to exceed 4.0 (at 2001 prices) by June 2007;
- iii) Government's domestic revenue to increase by 14.5 percent in year 2006/07, 14.7 percent in year 2007/08 and 14.8 in year 2008/09;

- iv) Broad money supply (M_2) to be consistent with GDP growth and the agreed rate of inflation; and
- v) Maintain sufficient official foreign reserves to sustain imports of goods and non-factor services of not less than seven months.

CONCLUSION

110. **Mr. Speaker**, After the appraisal of the state of the economy for 2005 and Proposals for the Medium Term Plan and Expenditure Framework for 2006/07–2008/09 may I take this opportunity to emphasize on important issues which, as a nation, we have to accord priority during implementation and close follow-up in 2006/07 as follows:

- i) To sensitise people on the important issues that have been stipulated in the 2005 CCM General Election Manifesto, and the National Strategy for Growth and

- Reduction of Poverty (MKUKUTA), by publicizing them through mass media;
- ii) To implement plans, strategies and targets focus on the growth of the economy, employment creation, increased productivity and national income;
 - iii) To continue with the implementation of decentralization by devolution;
 - iv) To strengthen and enhance the monitoring and evaluation system for the implementation of development plans and strategies as outlined in the 2005 CCM General Election Manifesto, and in the National Strategy for Growth and Reduction of Poverty;
 - v) To continue sensitising all sectors to design sustainable strategies that will improve the living conditions of the people;
 - vi) To continue with the formalization of the informal sector so that it can contribute to

the economic growth and expand employment opportunities;

vii) To continue encouraging investors to invest in small and medium scale agro-processing industries;

viii) To continue designing and implementing plans and strategies that will empower people economically so that they can improve their social and economic activities; and

ix) To promote strategies for National Food Security.

111. **Mr. Speaker**, In order to realise the objectives of the National Development Vision 2025, we have to sustain the achievements attained during the Third Phase Government focusing on eradicating the obstacles faced by our people. During the Fourth Phase Government we shall have to be more careful in determining our priorities for attaining economic

growth and reduction of poverty. Since our resources are limited we have to prioritise resource allocation in order to hasten our development. This will mean delaying some of our activities and providing others with funds that only meet the operational costs. The challenge facing us is to agree on those areas that should be given more priority in the allocation of resources. In order to be more successful in the implementation of our policies, plans and strategies, there is a need to improve methods for implementation, supervision, monitoring and evaluation of government policies, strategies, programmes and projects.

112. **Mr. Speaker**, I would like to reiterate that our resources are limited as compared to the problems facing our nation. We can bring economic and social changes more quickly if we use our resources more efficiently. **Therefore, I wish every one of us to use the opportunities available for the purposes**

of increasing productivity and economic growth so that we can overcome poverty.

113. I would like to emphasize that, the Government will continue with the mandate of supporting the efforts of the people through directing resources, and formulation of policies, strategies and guidelines. The community in participatory manner will implement the development plans and initiatives. Moreover, supervision as well as monitoring and evaluation of implementation will be enhanced. Each of us has to play his part so that we can attain the national objectives as outlined in MKUKUTA, National Development Vision 2025 and MDGs.

114. **Mr. Speaker**, Lastly I would like to take cognisance of the efforts by different development partners for their assistance, which has been catalyst for our development. It will be lack of appreciation to overlook them as they have been

working hand in hand with us in the efforts to fight against poverty and improve our economy. Allow me now to take this opportunity to mention by name and thank all those who assisted us, as follows: Governments of Switzerland, Netherlands, Germany, Denmark, France, United Kingdoms, Spain, Belgium, Canada, Peoples Republic of China, South Africa, Japan, Kuwait, Italy, Ireland and all other friendly countries: The World Bank, IMF, United Nations Organizations such as UNDP, UNESCO, UNFPA, UNHCR, UNICEF, UNIFEM, FAO, IFAD, WFP, and WHO: The European Union, OPEC Fund, DFID, NORAD, USAID, SIDA, FINNIDA, DANIDA, JICA, Swiss Development Corporation, ADB and different international Non Governmental Organizations (NGOs).

Mr. Speaker, I beg to move.