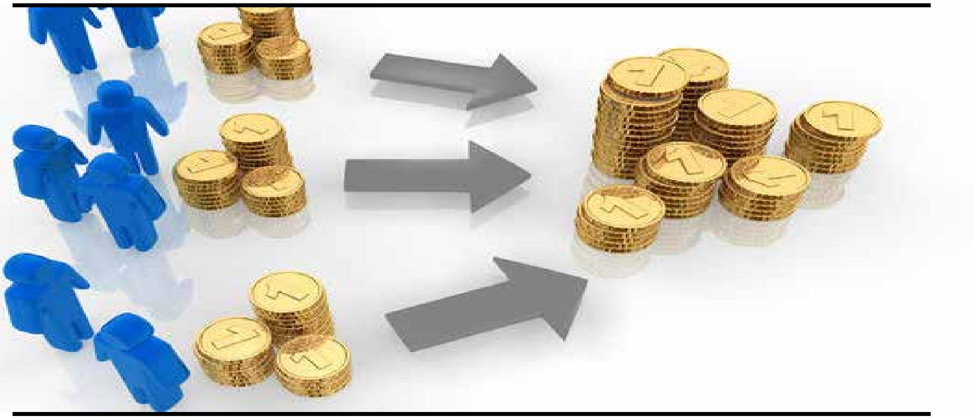
THE UNITED REPUBLIC OF TANZANIA

Implementation Strategy for the National Five - Year Development Plan 2016/17 – 2020/21

VOLUME II

FINANCING STRATEGY



Ministry of Finance and Planning

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LIST OF ABBREVIATIONS

AF	Adaptation Fund
AfDB	African Development Bank
BADEA	Banque Arabe pour le Développement Economique en Afrique
BIT	Bilateral Investment Treaty
BNDES	Brazilian Development Bank
BRICS	Brazil, Russia, India, China and South Africa
CM	Commission of Minerals
DBSA	Development Bank of South Africa
DFI	Development Financial Institutions
EADB	East African Development Bank
EFDs	Electronic Fiscal Devices
EPZA	Export Processing Zone Authority
FYDP	Five Year Development Plan
FDI	Foreign Direct Investment
FOCAC	Forum for China and Africa Cooperation
FS	Financing Strategy
GEF	Global Environment Facility
GFCF	Gross Fixed Capital Formation
GNI	Gross National Income
GHG	Green House Gases
KOAFEC	Korea – Africa Cooperation Forum
LDCF	Least Developed Countries Fund
LGAs	Local Government Authorities
MDAs	Ministries, Department and Agencies

MOU	Memorandum of Understanding
NDC	National Development Corporation
NHC	National Housing Corporation
NRF	Natural Resource Fund
NSAs	Non State Actors
ODA	Official Development Assistant
PPP	Public Private Partnership
REA	Rural Energy Agency
SCCF	Special Climate Change Fund
SGR	Standard Gauge Railway
SSRA	Social Security Regulatory Authority
TAF	Technical Assistant Fund
TAWA	Tanzania Wildlife Management Authority
TEITI	Tanzania Extractive Industries Transparency International
TFS	Tanzania Forestry Services
TICAD	Tokyo International Conference on African Development
TMAA	Tanzania Minerals Auditing Agency
TIN	Tax Payer Identification Number
TRA	Tanzania Revenue Authority
TR	Treasury Registrar
UNFCC	United Nations Framework Conversion on Climate Change

EXECUTIVE SUMMARY

Implementation of the National Five Year Development Plan (2016/17 – 2020/21) is estimated to cost Tanzanian Shillings 107 trillion, equivalent to an average of Tanzanian Shillings 21.4 trillion per annum over the five year period. The public sector is expected to contribute a total of Tanzanian Shillings 59 trillion while the private sector is expected to invest Tanzanian Shillings 48 trillion. Successful implementation of the Plan (FYDP II) will depend on the extent to which mobilization of financial resources has succeeds.

The Financing Strategy aims at ensuring that strategic financial planning is in place to match the financial requirements for the implementation of the Plan. In light of the challenges, experiences and lessons learnt from implementation of previous Plans and industrialization initiatives, the Government has resolved to prepare and implement a comprehensive financing strategy to improve and strengthen implementation of the Plan.

In preparing the Strategy, lessons from past implementation efforts have been taken into account in order to reduce the risks of underperformance. While securing maximum revenues from the traditional sources remains justifiable, the Strategy emphasizes on increased resources mobilization from non-traditional and innovative sources of financing. The improvement in available resources for development will create space for new development projects to be implemented and speed-up completion of projects which could have taken long-time due to unavailability of resources. The traditional sources of financing considered in this Strategy include tax revenues, non-tax revenues, domestic borrowing, and external sources of financing. With the traditional sources of financing, emphasis is to introduce or strengthen measures which will improve the mobilization and participation of private sector.

The non-traditional sources of financing emphasized include, Local Government Bonds/Municipal Bonds, Pension Equity Fund, Foreign Market Bond, National Climate Fund, Public Private Partnerships (PPP), Foreign Direct Investment, and enhanced use of Development Financial Institutions. Although these sources of financing development are not adequately used in Tanzania, experiences of most semi-industrialised and industrialised countries confirm use of diverse financing sources. This experience offers opportunity for Tanzania to start utilising diverse development financing sources in order to foster implementation of FYDP II.

The Strategy has also highlighted other potential sources of financing the Plan which need to be explored in future.

In order to ensure that the proposed modalities are pragmatic and targets/goals are achievable, a number of stakeholders from the Government Ministries and Institutions, Agencies, and the Private sector were involved through various workshops, meetings and working sessions in shaping the Strategy.

A total of Shillings 135.9 trillion is expected to be mobilized. Out of the total amount, Shillings 82.4 trillion is expected to be mobilised from traditional sources and shillings 53.3 trillion from non-traditional sources. This amount is over and above the estimated amount to implement FYDP II by Tshs. 28.9 trillion.

1 CHAPTER ONE

INTRODUCTION

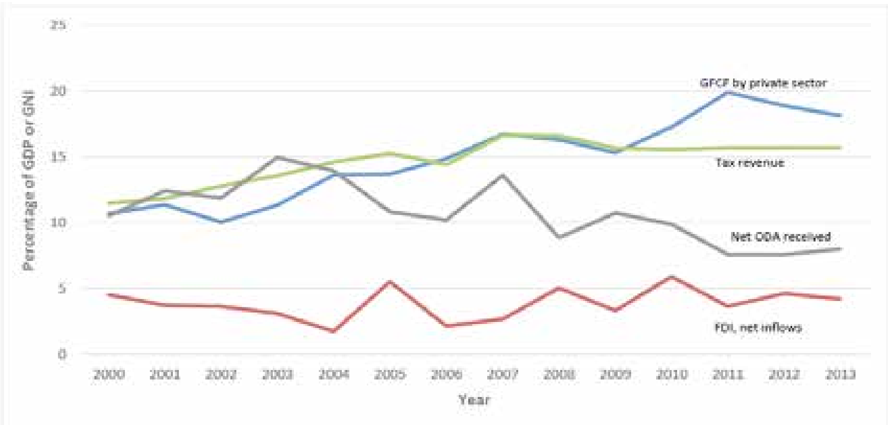
1.1. Background

The experience of financing implementation of the previous Development Plans which relied mostly on traditional sources (government revenues, grants and donations, and concessional borrowing) and conventional approach to private sector investment promotion indicate that, resources mobilised have always fallen short of projections and therefore contributing to underperformance of the Plans. In order to meet the financial requirements for effective implementation of FYDP II, this Strategy identifies innovative/non-traditional sources of mobilization beyond the traditional sources. The purpose is to ensure that maximum resources are secured from all stakeholders including the central Government, local governments, national and international donors, the private sector, civil society organizations and, communities; for effective implementation of the Plan. In addition, the Strategy identifies potential sources of financing that can be explored in future to finance the Plan.

In recent years changes and shifts in the development finance landscape have created new opportunities and options for developing countries to access external finance for their development priorities. They have also created new challenges and risks for managing development finance flows. Analyses of trends for Tanzania from 2000 to 2013 revealed that there has been a declining influence of international sources of finance relative to domestic sources. Aid flows as a proportion of Gross National Income (GNI) have declined, while Foreign Direct Investment (FDI) flows have more or less remained stable. Both tax revenues and Gross Fixed Capital Formation (GFCF) by private sector have however, increased sharply over the period. This demonstrates that private sector has significant role to play in financing development. Dependency on aid as a source of development financing can be reduced and more efforts directed towards mobilising domestic sources hand in hand with strategies to increase the capacity of tapping into investment resources from the private sector.

The measures proposed in this strategy are aimed at enabling Tanzania to become less dependent on debt-creating sources of finance and ODA, a source which is already in the declining trend. This Financing Strategy, instead, focuses on non-traditional sources which will widen the scope of financing development projects. **Figure 1.1** indicates trends in selected Domestic and International Public and Private Financial Flows in Tanzania, 2000 – 2013.

Figure 1.1: Comparison of Trends in Selected Domestic and International Public and Private Financial Flows in Tanzania, 2000 – 2013



1.2. New Developments in Development Financing

There have been some notable developments towards innovative development financing mechanisms in the country in recent years. A notable step is development of an operational manual for public investment management to guide preparation of bankable projects in order to ease access to financing.

The manual has been developed in response to the fact that many public projects are only concepts lacking rigorous technical and financial analysis. In tandem, with regard to development finance, measures that have been taken include strengthening capital base of the two public development financing institutions, namely Tanzania Investment Bank (TIB) and Tanzania Agricultural Development Bank (TADB). TIB has creating a Technical Assistant Fund (TAF) to facilitate project preparation, which focuses on funding project preparation, including technical designs (architectural, mechanical), financial analysis and development of business plan. A number of projects have utilized this facilitation

This Strategy places special emphasis on project preparation by indicating the mechanism and institution that will be involved. Measures proposed include capacity building for TIB, establishment of a Project Preparation Fund, strengthening PPP Fund and PPP division, developing a pipeline of project data base, establishing Infrastructure Fund and strengthening the National Development Corporation (NDC).

1.3. Objectives and Outcomes

1.3.1. **Objectives**

The overall objective of the Financing Strategy is to address the chronic bottleneck in the implementation of Development Plans due to inadequate funding by putting in place a robust mechanism to ensure effective mobilization of resources for implementation of FYDP II targets. The Strategy addresses the following specific objectives, to:

i. Strengthen domestic revenue mobilization and thereby expanding the fiscal space for increased development financing;
ii. Develop innovative ways on mobilisation and utilisation of available financial resources;
iii. Ensure smooth flow of financial resources to allow projects implementation according to action plans and timeline deliverables; and

iv. Strengthen coordination mechanism for financial resources mobilisation.

1.3.2. Outcomes

The following are the main outcomes of implementing the Financing Strategy:

i. **Enhanced Domestic Revenue Mobilization:** The Government has taken comprehensive measures towards enhancing its revenue base, including clamping down revenue leakages, widening tax base, education and awareness campaigns to increase public awareness and compliance and modernizing revenue collection and management of collected revenues. These and other measures have enabled increased average monthly tax revenue collection to over TShs 1.2 trillion. Sustaining these efforts will lead to which mobilization of sufficient resources to enable financing of the Plan.

ii. **Increased resources mobilization from Development Partners:** Development Partners have pivotal role in Tanzania's development discourse. Although, their contribution has been declining in recent years, efforts have been taken by the Government towards strengthening dialogue with a view to increasing resource mobilisation. The renewed dialogue between the Government and development partners is not only timely but will be crucial in renewing, sustaining and forging strategic partnerships and support from the DPs.

iii. **Increased mobilization and participation of Non state Actors:** Implementation of FYDP II hinges on partnerships between the public on the one hand, and NSAs on the other hand; including private and individual persons, communities, non-governmental organisations, etc. Through innovative ways of financing the Plan, non-governmental actors are expected to engage as direct owners, partners, supporters, financiers or beneficiaries in implementation of the Plan. Increased engagement with this group is expected to enhance financing and implementation of the Plan. A number of legal and regulatory frameworks including procurement procedures and investment promotion and facilitation measures that enhance such participation of non-governmental actors are in place.

iv. **Improved coordination for financial resources mobilisation:** As a result of capacity building which will help to enhancing the ability to prepare projects to the bankable level (including PPP projects), the renewed dialogue framework and regular review of cooperation frameworks with strategic partners will improve coordination and deliver more resources.

1.3.3. **Structure of the document**

This document is organised along four chapters together with the introduction. Chapter two presents record of financing development plans in Tanzania, drawing on success lessons from other countries as well. Chapter three presents the Financing Strategy, highlighting the cost, sources of finance, as well as risks and how to mitigate. Chapter four provides concluding remarks. An annex detailing objectives, key output/target; activities; time lines, cost and responsibility of Stakeholders forms part of this document.

2 CHAPTER TWO

RECORD OF FINANCING DEVELOPMENT PLANS IN TANZANIA

2.0. Overview

This Chapter presents the experience of financing development plans in Tanzania and the scenario for financing FYDP II. Successful lessons from selected countries have also been pointed out with the view of informing practice of resource mobilization and spending during implementation of development Plans. The Chapter has three sections.

2.1 Past experiences

Tanzania has a long history of implementing development plans since independence. In the course of implementation of plans the country experienced cycles of changes in political and economic scenes. In recent years execution of development plans has mainly experienced challenges with respect to inadequate mobilization and poor predictability. These These have been detailed in many reports and in FYDP II main document (pp15-16; 22-23; 23-25 & 87-103).

2.2 Challenges to mobilizing Financing for FYDP II

Financing has been a major challenge of implementing Development Plans Tanzania since independence. In the public sector, despite concern about inefficiencies in the use of public funds, majority of Ministries, Departments and Agencies (MDAs) cite funding as a key constraint to delivery of public goods and services. The financial constraint is manifested mainly in under-funding of priorities of public sector programmes and projects, thereby impeding the quantity and quality of service delivery. Challenges facing the mobilization of financing for Development Plans can be described as follows:-

i. **Dependence on traditional sources** (i.e. taxes, donor funds and non-tax revenue): Traditionally, the country has been financing development projects using resources provided from mostly taxes, donor funds and non-tax revenues. The main challenges relating to dependence on these sources are:

(i) Timing; This relates to unpredictability on when funds will be available for project implementation,

(ii) Insufficient Amount of resources: Taking into consideration country's funding requirement and development needs, dependence on these sources is never sufficient to bring about the expected economic progress,

(iii) Conditions: most development partners finance projects in areas of their interest and with a number of conditionality. In most cases to cover mostly social services and not infrastructure development.

ii. **Reliance on Government budget to finance all development projects:** some of the development projects have been financed through government budget but could be financed through partnership with the private sector or solely by the private sector. Concentration therefore has to shift towards selecting projects which can be financed by government and those which the private sector can execute; all those which the private sector can invest will have to be excluded in the government budget. A good number of infrastructure projects can be implemented by the private sector, particularly; power generation, railway operation, airport operation, marine services and even road construction projects.

iii. **Managing Official Development Assistance (ODA)**
Most developing countries have found that donor activities such as the existence of large vertical funds, whilst beneficial to development in some areas, may have distortionary effects on the Government's effort to attain an optimal allocation of resources across sectors and sub-sectors. Furthermore,

technical assistance is not always effective, and in some instances is perceived to undermine local capacities rather than improving.

iv. **Cash flows that are incompatible with projects implementation action plan:**
The Government operates using cash budget system, this system does not support projects which requires more than one budget season for its implementation. Funds allocation for these type of projects will either be front loaded, and thus deny financing to other sectors or under financed at the beginning of the project and thus as and when payment are required there are no funds to do so. This has resulted into most of the projects being delivered very late compared to their implementation timeline.

v. **Project unpreparedness mostly due to lack of project risk financing mechanism:** Most of project presented for financing either from sector ministries or from State Owned Enterprises (SOEs) are yet to be prepared. The tendency has been for MDAs to provide preliminary feasibility studies and the same are used to allocate resources. This tendency has resulted into the government funding the project without knowing the actual costs.

vi. **Other Challenges**

(i) A large part of the economy being operating in extra-legal arrangements;

(ii) Lack of proper identification of eligible tax payers due to absence of national identification and physical addresses for residential and business; and

(iii) Weak domestic financial sector being evidenced with a virtual lack of medium to long term development financing institutions.

2.3 Lessons from other countries

Review of experiences from other countries on resource mobilization and financing of development plans provide useful lessons in terms of areas that made the difference. Remittances are another important source of finance, which has proved a success in many countries and have become a vital part of mobilization of financing. It is estimated that developing countries receive remittances which are three times larger than ODA and two-thirds of global total remittances. Ghana records an average remittance of $ 2 billion a year and Kenya, $1.6 billion. Though the bulk of remittances is used to cushion livelihoods of home country relations, some of it go into financing development where the appropriate institutional framework exists.

With respect to resource mobilization these country experiences show innovative ways of financing. Diaspora Bonds have been successfully used in Israel and India to finance local development for building infrastructure.

Diaspora Bond was used in Ethiopia. First issuance, Millennium Corporate Bond was issued in 2008 for financing Ethiopian Electric Power Corporation. The first issuance was not successful. The second issuance, “Renaissance Dam Bond” turned out to be a success. Nigeria issued a Diaspora bond to the tune of $100 million.

Carbon tax has been implemented successfully in Bangladesh. This is tax levied on the carbon content of fuels. It is a form of carbon pricing. Carbon is present in every hydrocarbon fuel (coal, petroleum, and natural gas) and is released as carbon dioxide (CO_2) when they are burned. CO_2 is a heat-trapping “greenhouse” gas which represents a negative externality on the climate system. A tax is levied on the carbon content of fossil fuels at any point in the product cycle of the fuel. The revenues thereof are then used to create future alternatives of production, energy generation, or mitigation of climate change impacts.

On the expenditure side, effective use of revenues is critical in implementing development projects. Prudent use of fiscal revenues has achieved laudable results in a number of countries. Botswana, for example, demonstrates the importance of right policy choices and stable fiscal regime. Use of revenue from mineral resources is the case in point.

Key messages taken from best countries include:

- ✓ Financing mobilization is political, hence political will and support is crucial;
- ✓ Organisation structure is crucial to marshal coordinated prioritization, sequencing and alignment of actions of key players;
- ✓ There is a need to have one organisation with commanding powers over others when there are vested interests;
- ✓ Culture of smart partnerships, trust and objective dialogue between stakeholders is important;
- ✓ Swift decision making mechanism is key to ensure deliverables of the Plan are achieved;
- ✓ Conducive business environment, including policy predictability and clear processes and procedures are essential components of successful implementation of the Plan; and
- ✓ Preparedness in project development and implementation is necessary ingredient when looking for support particularly from external financiers.

2.4 The Rationale and Areas of Emphasis

The challenges highlighted above provide the basis of the proposed Strategy to mobilise finance. With regard to reliance on traditional sources of financing, the strategy has identified both traditional and no-traditional sources of financing so that the government can have the flexibility in sourcing resource to finance the Plan. These include amongst others the PPP Framework, Establishing Climate Change Fund, Equity Fund, Using Development Financing and establishing Project Preparation Fund.

Project preparation is one of the aspects that has been emphasised in the financing Strategy. This will give opportunity for analysis of the projects proposed such that government financing will be on those projects which the private sector has less interest to invest while giving room to private investors in the areas where they can be more efficient. This will help to reduce the burden on the national budget.

In Managing Official Development Assistant (ODA), development partners are encouraged to ensure that technical cooperation is well coordinated and that is demand driven and responding to Government priorities. The Government will ensure that capacity to effectively and efficiently coordinate technical cooperation is in place. Uganda is a good example in this case where the country has developed Partnership Policy which is supplemented by a Memorandum of Understanding (MOU) between Government and all Development Partners, binding all signatories to the commitments therein. The MOU makes clear reference to existing agreements between the Government and each Development Partner to ensure alignment. The Partnership Policy addresses, inter alia, the following issues:

i. Alignment of aid with country priorities and systems;
ii. Financing development dialogue and aid framework in Tanzania;
iii. Transaction costs / burden of inefficiency;
iv. Coordination with development partners and other stakeholders;
v. Predictability of and information on aid flows;
vi. Mutual accountability for development results; and
vii. Partnerships beyond aid.

The overall objective is to ensure that there are strategies to improve the effectiveness of Partnerships and Assistance and that all development assistance is aligned with the objectives and priorities of the National Development Plan. Also, there are a number of initiatives aimed at involving donors in scaling up resources to support capacity building in domestic revenue mobilization efforts. As a result, many development partners have committed a substantial increase of their support for building capacity to enhance revenue mobilization. This option can as well be considered during dialogue with DPs or during review of the Development Cooperation Frameworks.

As stated earlier in this chapter cash flows to implement development projects have in many cases been incompatible with projects implementation action plan. In order to improve the financial muscle of the government in implementing huge and demanding infrastructure projects, the proposal to use DFIs is given. This proposal needs bold decision by the Government to trust and empower local bank to finance development. This in turn increases the space for implementation of new projects. This proposal may be implemented with agreed terms to the entrusted Bank with specific timeframe to prove the option worthwhile when compared to the current status where most financial assistance if offered by foreign banks.

The proposed traditional and non-traditional sources of financing the Plan are aimed at addressing challenges of financing Development Plan that have been experienced for a long-time. Chapter five provides details of the proposed sources of financing and give indicative amount which can be mobilised from the proposed financing modalities.

3 CHAPTER THREE

PROPOSED MEASURES TO ENHANCE FINANCIAL MOBILISATION AND UTILIZATION; RISKS AND MITIGATION

3.0 Introduction

The total amount of financial resources required for implementing FYDP II amounts to TShs 107 trillion. Based on past performance, it is clear that concerted efforts are needed to mobilize finance to achieve the objectives of the Plan. This chapter explores the major sources of financing the Plan from traditional and non traditional sources and also highlights sources which can be explored in future to finance the Plan. Initiatives to boost traditional sources of financing have also been suggested. The Implementation matrix attached to this Financing Strategy indicates the major objectives in each source of financing, activities, targets, amount of resources needed, financier, and responsible party to ensure the proposed initiatives do deliver.

3.1 Traditional Sources of Financing FYDP II

The sources of funding Government development Plans have traditionally been tax revenue, non-tax revenue, domestic borrowing and external finance. During FY 2016/17, for example, tax and non-tax revenue constituted 60 percent of total revenue; domestic borrowing including roll-over, at 18 percent; Local Government sources, 2.0 percent and the rest from external borrowing. Out of the total of tax and non-tax revenue, about 88 percent is tax revenue.

3.1.1 Tax Revenue

The components of tax revenue are customs duties, taxes on goods, Value Added Tax, income tax and other taxes. Income tax has been the main source over the years.

The total amount of tax revenues expected to be used for development budget is TSs 41,887,675 million. Projection of total tax revenue collections for the period of five years is estimated at TShs 104,719,187 million. **Table 3.1** shows tax revenue projects for the period of five years.

Table 3.1: Tax Revenue Projections (2016/17 – 2020/21)

Source	Years (Million Shillings)					Total
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2016/17-2020/21**
Tax revenue	15,105,100	18,126,120	21,751,344	24,143,992	25,592,631	**104,719,187**
Development Budget (40%)						**41,887,675**

Source: MacMod, 2016

The challenges to tax revenue mobilization include over reliance on income tax; inadequate formalization of the large informal sector and low compliance of tax payers; which, together with other challenges lead to low tax effort (tax to GDP ratio) and low domestic revenue to GDP ratio (at around 16 percent compared to peers at 20 percent).

Although the trend of tax revenue collection shows an upward trend, the full potential has not yet been realized. It is thus important that measures to sustain the collection and even exceed the amount projected are scaled up. The proposed measures to sustain the current achievements include the following:

(i) Strengthening collection of various taxes such as import duties, excise duties, VAT and other taxes through maximum automation in order to reduce potential negative human influences out of physical contact;

(ii) Expanding the tax net by bringing in the informal sector and taxing incomes that are not channelled through the payroll. The strategies in this regard include finding ways to link the Taxpayer Identification System (TIN) and the National Identification (ID) system, quantifying the size of the informal economy and enforcing compliance;

(iii) Strengthening framework for taxing mobile money transactions for revenue collection from electronic payments;

(iv) Strengthening the use of Electronic Fiscal Devices machines (EFDs) in all eligible transactions and expanding coverage to all regions;

(v) Intensifying mining inspections including verification of quantities, contents of mineral production and regular auditing of mining company transactions;

(vi) Maximizing collection of both taxes and royalties from mineral resources and strengthening the capacity of Tanzania Revenue Authority (TRA), Commission for Minerals, Tanzania Extractive Industries Transparency International (TEITI) and enhance joint audits by the same institutions;

(vii) Ensuring temperance from corruption in all aspects of revenue collection across all MDAs and LGAs;

(viii) Reviewing tax holidays, tax exemptions and tax relief systems being offered as incentives to investors in order to minimize their abuse and thus increase tax collection; and

(ix) Increasing education and awareness to promote voluntary compliance.

3.1.2 Non tax revenue

Traditional sources of Non-tax revenue have been parastatals (e.g dividends); income from MDAs and regions, as well as income from Local Government Authorities; with MDAs and regions being the main source. Total non-tax revenues are expected to increase from TShs 3,358,433 million during 2016/17 to TShs 4,962,637 during 2020/21. The total amount of non – tax revenue expected to be spent for financing the Plan for the period of five years is TShs 8,345,970 billion. **Table 3.2** indicates the projected amount of non-tax revenues from 2016/17 - 2020/21.

Table 3.2: Non – Tax Revenue Projections (2016/17 - 2020/21)

Source	Years (Billion Shillings)					
	2016/17	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**Total**
Non Tax revenue (Including LGAs)	3,358,433	3,760,817	4,127,879	4,655,159	4,962,637	**20,864,925**
Development Budget (40%)						**8,345,970**

Source: MacMod, 2016

The challenges to increasing non tax revenue include poor performance of parastatals especially producing goods and services; and low revenue mobilization by LGAs.

In order to ensure that non-tax revenue collections are in line with the target set in the Plan, several measures will be taken to sustain and enhance the non-tax revenue base. The measures include the following:

(i) Scaling up the practice of auctioning of natural resources to other such resources in order to achieve highest value. The resources include forestry, hunting blocks, minerals, etc;

(ii) Reviewing legislatives on harvesting of natural resources that hinder maximization of revenue to the Government (e.g. Wildlife Conservation Act No. 5 of 2009, to provide for auctioning of hunting blocks);

(iii) Enforcement of the Oil and Gas Revenue Management Act, 2015;

(iv) Expediting the implementation of deep sea fishing initiatives;

(v) Intensification on the use of Electronic Fiscal Devices in collection of all non-tax revenues; and,

(vi) Ensuring that Government agencies and parastatals improve their performance and thus able to comply with the mandatory remittance of 15 percent of their gross annual revenue to the Government as well as dividends.

3.1.3 Domestic Borrowing

Domestic borrowing will be particularly important for investments in infrastructure development. The government will pursue this line in consideration that such borrowing does not affect growth of the private sector (crowding out effect). A total of TShs 15,614,034 million is expected to be mobilized in the period of five years to finance the Plan as indicated in **Table 3.3**.

Table 3. 3: Domestic Borrowing (2016//17 - 2020/21)

SOURCE	YEARS (Millions)					Total
	2016/17	2017/18	2018/19	2019/20	2020/21	2016/17-2020/21
Domestic Borrowing	5,374,269	4,666,572	2,601,994	1,690,202	1,280,997	**15,614,034**

Source: MacMod, 2016

3.1.4 External Sources

External sources have all along been complementing Government efforts in development financing. Tanzania benefits from various bilateral and multilateral cooperation frameworks that enable the country to access sources of finance. The sources from multilateral frameworks include AfDB, BADEA, World Bank, IMF, EADB and regional and international Funds while bilateral frameworks are among sovereign states. The main sources of financing in this category are grants and foreign borrowing (concessional and non-concessional). A total amount of TShs 16,568,883 million is expected to be mobilized in a period of five years to finance the Plan as indicated in **Table 3.4.**

Table 3.4: External Sources of Financing

Source	Years (Million Shillings)					Total
	2016/17	2017/18	2018/19	2019/20	2020/21	
Grants	1,423,055	938,123	833,891	775,284	643,954	**4,614,307**
Concessional	2,177,752	1,505,808	1,233,678	639,631	659,846	**6,216,715**
Non – Concessional	2,100,995	1,444,943	1,065,144	565,860	560,920	**5,737,861**
Grand Total						**16,568,883**

Source: MacMod, 2016

Despite external source of financing being among important sources of financing, predictability in terms of both quantum and disbursement schedules has continued to be a challenge. Also, this source has not been fully utilized.

In order to address these challenges the following measures will be taken:

(i) Promoting confidence building measures such as maintaining good macroeconomic performance;
(ii) Sustaining existing frameworks while also scaling-up and exploring more opportunities for sources of external finance;
(iii) Improving coordination.

3.2 Innovative Sources of Financing the Plan

Beside the traditional sources of financing FYDP II, innovative sources have also been identified in order to complement the traditional sources. This category includes both domestic and external sources of financing; through either exploring related opportunities that were not utilized or coming up with new products.

3.2.1 Foreign Markets Bonds

The global financing architecture has developed in terms of diversity and sophistication and so has it been with this category. Bonds in their various forms have been one of the effective modalities for development financing. The Bond market is currently underutilised both by the public and private sector; at only about 5 percent of GDP compared to peer countries at double digit figures.

The main challenge with this source is that the market for Bonds in Tanzania is skewed, with Government Bonds constituting about 98.5 percent. There are four corporate bonds (worth 100 billion) while there are no municipal, infrastructure, industrial or other forms of Bonds.

In this regard, the Government is intent on reforming the domestic bond market architecture. Foreign Marker Bond is one of the potential products which can be used to finance the Plan. This is a bond issued by floating sovereign bonds in international capital markets.

The Government recognizes the importance of accessing the international capital market to raise its finances for infrastructure projects at reasonable borrowing costs. To this end, the Government has opted for Sovereign credit rating to facilitate such access. Upon such achievement, Tanzania will be able to raise around USD 1.5 billion from this source for development financing, especially for infrastructure and industrial development projects.

3.2.2 Local Government Bonds/Municipal Bonds

One of the innovative sources of financing that can be used to finance FYDP II is Local Government/municipal Bonds. A municipal bond is a promissory note issued by a local government (or local public infrastructure development authority) to finance capital investments in infrastructure made by the issuer on pledges to repay bondholders the face value of the bond plus interest over a specific period of time. The bonds are most often issued at a fixed interest rate, *albeit*, variable rate bonds are also possible with long repayment period that approximates the useful life of the infrastructure being financed. Payments can become due quarterly, semi-annually or annually.

Despite its feasibility and viability, use of such bonds has been virtually nonexistent in Tanzania due to structural hindrances especially the weak capacity of many Municipals to generate enough revenues. However, there are Municipals that can generate sufficient revenues and therefore be able to issue Municipal bonds to finance development projects if the structural weaknesses are debottlenecked.

A number of reforms are being proposed to effect realization and utilization of this source, including separation of political entrenched managerial structure of local governments from business interests by establishing village, districts, regional and municipal development corporations. In the view that administration boundaries of local governments in Tanzania face frequent changes, guidelines for divisibility of assets and debts when separation of administration occurs have to be developed. This will allow lifting guarantee requirement for local government debts. The scrutiny of powers can be given to the Treasury Registrar instead of the current powers conferred to the Minister of Finance/Local Government with limit on loan size becoming a consideration on viability and return on investment.

Arusha city has been earmarked as a pilot case to operatationalize this modality of financing development projects. If successful the experience will be scaled up to other cities and municipalities. Other cities earmarked for the programme are Dar es Salaam and its three municipalities; Dodoma; Mwanza (Ilemela), Tanga and Mbeya. The initiative is supported by the United Nations Capital Development Fund (UNCDF) and is geared towards exploring ways in which the urban authorities can access long-term finance to improve economic development and livelihoods.

This source of financing is expected to generate a total of TShs 400 billion for development financing.

The following actions are proposed in order to realise the full potential from this source:

(i) Inclusion of issuance of bonds at the municipal level (Local Government Finance Act of 1982 as amended in 2000 and 2008);

(ii) Creation of an enabling environment for issuing of Local government bonds and;

(iii) Institution of operational mechanisms and institutional framework.

3.2.3 Pension Equity Fund

Pension Funds remain one of the more liquid components of the Tanzanian financial architecture. The fiduciary duty of pension funds to their members is to maximize returns whilst guarding against exposure to risky assets. In view of this, Pension Funds, with estimated holding of close to TShs 7 trillion, have limited their investment options to debt financing of few national development projects only with government guarantee; buying government debt instruments, and venturing investment in risk free assets.

The Social Securities Regulatory Authority (SSRA) regulations require fund managers to diversify their holdings, including, to 5 percent on private equity, 25 percent to infrastructure development, 30 percent to collective investment schemes and 20 up to 70 percent on government securities. It is proposed, that each fund should allocate at least 2 - 5 percent of the total fund to create a liquid equity fund. With this arrangement a liquid equity fund of worth more than TShs 300 billion can be established, allowing pooling of funds into a development basket and thus reduce exposure for individual funds. These moneys can then be used as additional collateral for the securities issued under the development funding initiative proposed for equity investment.

In order to realise the full potential of this source, the following measures are proposed to be taken:-

i. Reviewing legal investment regulations for Pension Funds to allow and put in place enforcing mechanism; and
ii. Establishing Equity Fund.

3.2.4 Climate Change Financing

The impacts of climate change in the United Republic of Tanzania have already been felt on the environment and livelihood systems. The National Climate Change Strategy (2012) indicates that adverse effects of climate change are projected to further increase in both frequency and intensity leading to more severe and adverse socio-economic and financial implications in the absence of adaptive capacity. Climate Change financing needed to build national resilience has been estimated by the National Climate Change Strategy (2012) to be between USD 100 to USD150 million per year. However, additional resources may be substantial as estimation is complex due to scientific uncertainties and data limitations.

Although Tanzania has been able to access climate change funds from multiple international and domestic sources, an integrated climate financing mechanism is highly required to strengthen the national capacity to access these funds and align climate finance spending with the national development priorities as identified in FYDP II. International climate financing is largely overseen by the United Nations Framework Conversion on Climate Change (UNFCCC) financial mechanism; mainly the Green Climate Fund (GCF) and Global Environment Facility (GEF). Other sources of funds such as Least Developed Countries Fund (LDCF), Adaptation Fund (AF) and the Special Climate Change Fund (SCCF) can also be accessed.

In order to realize the full potential from this source, Tanzania needs to establish national accredited entities and implementing entities; a framework to leverage and manage climate finance through National

Climate Change Financing Mechanism (NCFM). A target of USD 304 million has been set for mobilization by 2021.

The following interventions are proposed:

i. Establishment of a National Climate Change Financing Mechanism for coordinated and enhanced resources mobilization;
ii. Mainstreaming of climate change in the development policy and planning process by considering climate change in the economic analysis and budgeting (MACMOD and FP);
iii. Establishing an Environment Unit at the Ministry of Finance and Planning to handle issues related to climate change and environment;
iv. Facilitating accreditation of the Ministry of Finance and Planning to the Green Climate Fund (GCF) to allow direct access;
v. Developing proposals to access USD 4 million for GCF readiness and preparatory support programme;
vi. Identifying other green financial products and their financing sources; and,
vii. Identifying and monitoring climate change funds mobilized by Non State Actors (NSAs).

3.2.5 Public Private Partnerships (PPPs)

Public Private Partnership (PPP) approach has been widely used in other countries to finance infrastructure and other long-term investment projects particularly in projects which the private sector has interest in partnering. The PPP Policy was introduced in Tanzania in 2010 to guide participation of private sector.

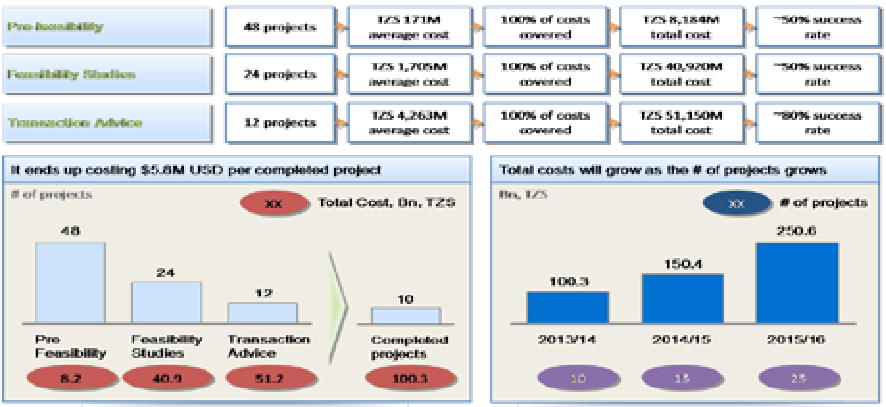
Implementation of PPP projects in Tanzania encounters the following main challenges: lack of clarity on institutional frameworks; incomprehensive technical, socio-economic and commercial feasibility analysis; insufficient capacities for negotiations, procurement, implementation and management of PPPs; and, inadequate enabling environment, which includes lack of long-term financing instruments and appropriate risk sharing mechanisms.

In order to ensure effectiveness in the implementation of PPP projects, the following actions are proposed:

i. Strengthening PPP Fund along with the PPP Division;
ii. Establishing criteria for accessing PPP Fund;
iii. Developing PPP pipeline project database.

The proposed projects which are currently potential for PPP implementation are Kinyerezi III power project (USD 389.7 Million); Dar - Chalinze - Morogoro Express highway (USD 1.136 billion); and construction of medical equipment factory under MSD (USD 175.4 million). The list of prospective projects for PPP financing will increase based on the experience gathered from implementing these projects. An analysis done by BRN resource mobilization Lab indicated that if funds are provided to support pre-feasibility and feasibility studies for 48 projects there is likelihood to produce 10 PPP implementable projects. This implies that, government investment in supporting PPP Fund to facilitate the studies is critical to ensuring that PPP modality is effective **(See Figure 3.1).**

Figure 3.1: Supporting Pre-Feasibility and Feasibility Studies



Source: BRN Resource Mobilization Lab

3.2.6 Foreign Direct Investments

Foreign Direct Investments (FDIs) involves international investment in which the investor obtains a lasting interest in an enterprise in another country. It may take the form of buying or constructing a factory in a foreign country or adding improvements to such a facility, in the form of property, plants, or equipment. FDIs are expected to be one of the main sources of financing the implementation of FYDP II. A total amount of TShs 29,565,870 million is expected to be invested in different sectors of the economy for the period of five years. Major investments are expected to be in oil and gas, mining and manufacturing sectors. **Table 3.5** shows projected FDI flows for the Plan period (2016/17 to 2020/21).

Table 3.5: Foreign Direct Investment (2016/17 - 2020/21)

Source	Years (Million Shillings)					Total
	2016/17	2017/18	2018/19	2019/20	2020/21	
Foreign Direct Investment	4,456,019	4,588,027	4,860,310	7,068,865	8,592,649	**29,565,870**

Source: MacMod, 2016

In order to facilitate the increase of FDI in the country and support implementation of FYDP II significantly, the following measures are proposed to be implemented:

i. Reviewing legal and regulatory framework of Tanzania Investment Centre to act as one-stop investment facilitator,
ii. Developing and ensuring stable guidelines for investment incentives;
iii. Strengthening Statistical capacity of TIC;
iv. Ensuring stable and predictable macroeconomic environment and fiscal regime;,
v. Establishing Land bank for large investments, and,

vi. Increasing number of Bilateral Investment Treaties (BITs) with strategic partners;

vii. Reviewing Labour Laws to meet International Standards;

viii. Reducing corruption.

3.2.7 Development Finance Institutions (DFIs)

DFIs play a crucial role in providing credit, equity positions and risk guarantee instruments to investments. The Tanzania Investment Bank (TIB Development Bank) is uniquely positioned as a development/investment bank which can innovatively finance a significant number of development projects of FYDP II. The proposal is to use TIB as an "agency" of the Government, on financial resources mobilization. Three specific roles are expected to be played by TIB to operationalize this financing proposal:

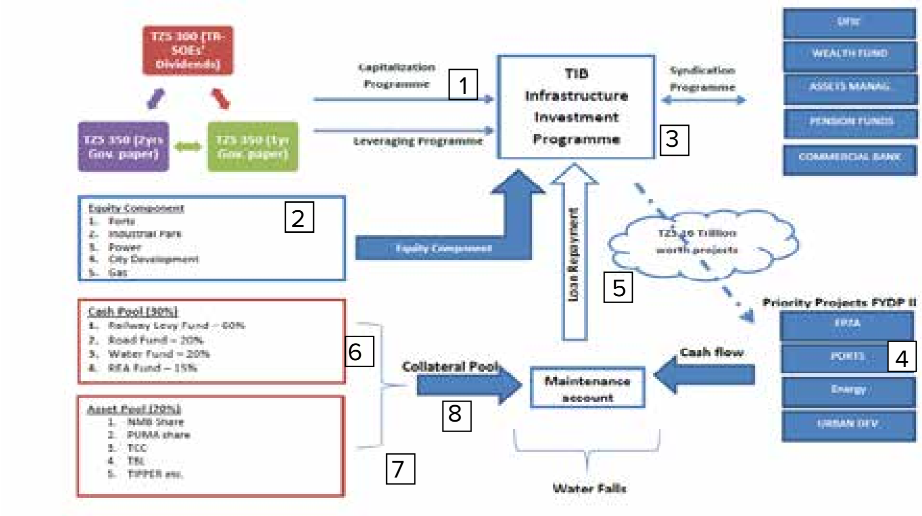
i) Establishing an Infrastructure Fund to finance development budget;

ii) Channelling available financial resources to the public and private sectors for timely implementation of strategic infrastructure and industrial projects; and

iii) Facilitating establishment of an equity fund – through Pension Funds.

The proposal to recapitalize TIB Development Bank for a period of five years carries a price tag of TShs 1 trillion to enable the DFI leverage its augmented balance sheet to establish the envisaged TIB Infrastructure Development Fund. TIB will at the same time explore partners, international/local, for syndication.

Figure 3.2: Architectural Design for TIB Financing Mechanism



Key:

1) Government Capitalization of TIB (Tsh 1 trln)
2) TIB Creates a Leveraging Program to leverage the capital to 5 times. (Tsh 5 trln)
3) TIB creates syndication group with other international/local lenders x3 (Tsh 16 trln)
4) Government identifies priority projects from FYDP II
5) A financing program is put together to finance the projects with implementation agents
6) Implementing agents are then asked to contribute small equity portion per project. If they don't have, an equity fund is used.
7) In order to remove Government guarantee and allow scaling up the size of projects to be implemented collateral pool is constituted.

All loans are to be extended on commercial basis.

In a strategic efforts to participate in projects of developmental nature in both domestic and international syndications, the most recent examples on participation in the domestic arena include TIB's contribution of TZS 10 Billion to the TZS 300 billion TANESCO syndicated loan, TZS 20 billion in Kagera Sugar and USD 21 million in the development of gas infrastructure for Wentworth Resources. All these three transactions were funded through local banks. This modality can be used also to syndicate with international and regional DFIs as illustrated in the USD 320 million gas-to-power project for Kilwa Energy Limited. TIB together with DBSA, CRDB and PTA bank raised the said amount with the transaction financial closure achieved within twelve months. TIB contributed USD 20 million in the implementation of those projects. The participation in syndications not only ignites the sector but also spreads the concentration risk of the portfolio, allowing the bank to support more projects.

In the real estate financing TIB has participated in a number of syndications including extending term loans to the tune of USD 23.3 million to National Housing Corporation's (NHC) for the development of Golden Premium Residence landmark project in Kawe, Dar es Salaam. The total project cost is USD 122 million where NHC will provide the remaining amount.

In order to implement the proposed financing modality, the following measures/ initiatives need to be taken;

(i) Recapitalization of TIB by Government;
(ii) Reviewing legal and organizational framework to allow TIB to tap on funds and assets currently being held by other public and quasi-public institutions;
(iii) Reviewing legislation governing respective funds to allow allocation to the cash pool; and,
(iv) Preparing legal and regulatory framework for the establishment of the infrastructure Fund.

The summary of all sources of financing FYDP II (2016/17-2020/21) is provided in **Table 3.6**. It must be noted that the realization of the expected amount will not be automatic but will depend entirely on Government decision to implement the recommendations put forward in this Strategy on each option.

Table 3.6: Summary of the Sources of Financing FYDP II (2016/17-2020/21)

No.	Source of Finance	Expected Amount (TShillings Million)
1.	**Traditional Domestic Sources**	**65,847,679**
	Tax revenue	41,887,675
	Non Tax revenue	8,345,970
	Domestic borrowing	15,614,034
2.	**Traditional External Sources**	**16,568,883**
	Grants	4,614,307
	Concessional	6,216,715
	Non concessional	5,737,861
3.	**FDI**	**29,565,870**
4.	**Innovative sources of Financing**	**23,761,730**
	Local Government Bonds/Municipal Bonds	400,000
	Sovereign Market Bond	3,450,000
	Climate Change Financing	699,200
	PPP	3,912,530
	Development Financial Institutions (TIB)	15,000,000
	Pension Equity Fund	300,000
	TOTAL	135,963,492

Exchange rate: 1 USD – Tshs 2,300

3.3 Bilateral Cooperation

Tokyo International Conference on African Development (TICAD), Forum for China and Africa Cooperation (FOCAC) and Korea-Africa Cooperation Forum (KOAFEC) are among substantial financial pledges to support development in Africa. These forums are meant to help African countries to solve development challenges particularly infrastructure development in order to bring social-economic transformation in the continent. The Sixth Tokyo International Conference on African Development which was held in August, 2016 in Japan, agreed to invest for the future of Africa through implementing measures centering on developing quality infrastructure, building resilient health systems and laying the foundations for peace and stability. A total of USD 30 billion under PPP arrangements was promised for that purpose.

In a similar initiative, through the Korea-Africa Forum for Economic Cooperation (KOAFEC), the Republic of Korea pledged a total of USD 5 billion to support private infrastructure financing, concessional loans, grants for technical assistance and capacity building. This amount has the potential to increase in the near future to USD 10 billion. On the other hand the People's Republic of China through FOCAC pledged 10 billion USD to support Africa in Infrastructure, Industrialization, Energy, and Health. Tanzania being one of the African countries and a strategic partner of all the three countries stands to benefit. Mechanisms to follow-up on the resolutions and ensure timely review of the agreed bilateral cooperation frameworks need to be in place.

In order to capitalize on these new opportunities the following actions need to be taken:

(i) Preparing Business Plans with Strategic Partner States;
(ii) Ensuring capacity for negotiations and implementations; and,
(iii) Strengthening participation in regional and international fora.

3.4 Other Sources to be explored and Initiatives to Support Financing

This section explores other sources of financing the Plan which can be utilised in the medium term. These include, Diaspora Bond, Infrastructure Bond and the Natural Resource Fund.

3.4.1 Diaspora Bond

Diaspora Bonds are essentially a form of government debt that targets members of the national community living abroad based on presumption that their ties to the country make investing in such products worthwhile. Expatriates who work in other (wealthier) countries are expected to support home country development initiatives and receive discounts on government debt from home countries. This source will diversify financial products and be used to finance the Plan.

In this regard, the following measures are proposed:

i. Building mutual trust and developing a sustainable relationship with Diaspora populations.
ii. Ministries/institutions responsible for coordination of Diaspora conduct study on prospects for Diaspora bond and develop a roadmap for operationalisation in Tanzania.

3.4.2 Infrastructure Bonds

Infrastructure bonds are debt instruments through which finance for infrastructure development can be raised. These bonds may be issued by governments or government-authorized Infrastructure companies or Non - Bank Financial Institutions. These Bonds offer a reasonable rates of interest (8.5 to 9 percent) and tax benefits. The maturity of these bonds is often between 10 to 15 years with an option of buy-back after a lock-in of 5 years. These bonds can be listed either on National Stock Exchange or any other authorized financial intermediaries.

It is recommended to use the capital markets especially Dar Es Salaam Stock Exchange (DSE) to mobilize resources from the public to finance infrastructure projects. In this modality, a project needs to qualify as a bankable project. The cost of the project will be distributed in form of shares that the public can purchase. A special purpose vehicle (SPV) should be created to acquire the funds and invest them in the construction and implementation of the project. This gives an opportunity for the public to fund these projects.

Infrastructure bonds will also help those in the informal economy to formalize such as through buying shares in setting up infrastructure bonds; open bank accounts (use of formal financial institutions) for trading in such shares. Such Bonds should be open to be purchasing by both nationals and non nationals on predetermined ratios.

3.4.3 Other Bonds

Research is needed to uncover other types of bonds such as industrial bonds and green bonds to finance the Plan.

3.4.4 Natural Resource Fund

Tanzania's economy is largely reliant on its natural resources, both renewable and non-renewable. However, the rate of depletion of the later is unsustainably high. To reverse this situation, there is need to take measures that will not only prevent environmental degradation but also ease current pressure exerted on them. Establishment of a Natural Resource Funds (NRF), whose principal source of financing is revenue derived from the respective natural resources earmarked will help balance current and future generation needs from extractive resources. This fund is a type of sovereign wealth fund owned by a government. Natural Resource Funds ensure attainment of the following macroeconomic or governance objectives: saving for current and future generations, sterilizing capital inflows, earmarking resource revenues for specific expenditure items, and ring-fencing such expenditures.

Such initiative has been taken for oil and gas (Oil and Gas Revenue Management Fund) which was approved in 2015 with the general objective of ensuring revenues obtained are spent to support national development budget and that such resources benefit both current and future generations.

The following actions are required to be taken in order to establish the Fund:

(i) Developing Policy for the Natural Resource Fund;

(ii) Developing Natural resource Fund Act and Regulations to monitor the use of generated funds; and
(iii) Alignment of Natural Resource Fund Act with the Budget Act, Finance Act, and sectoral Act (Mining, Fisheries, Wildlife, Forest Act).

3.4.5 Strengthening National Development Corporation

One of the critical challenges on implementation of projects has been weak preparedness, particularly in project feasibility studies as many of the projects identified in the Plan are at their conceptual stages. In order to increase the possibility of soliciting financiers to support implementation, there is need to strengthen capacity of National Development Corporation (NDC) to undertake project feasibility studies and create a pipeline of credible and bankable projects. It is proposed therefore that special fund for facilitating projects feasibility studies be established and managed by NDC. Expenditure by NDC in relation to project feasibility studies will be recouped to redeem the project feasibility fund once projects are handed over to investors. In case the project is directly implemented by government departments, an equivalent fee can be provided through government budget subvention to NDC.

3.5 Risks and Mitigation Measures

A Financing Strategy, just like other Strategies or policies may encounter risks which may hinder the realisation of the objectives. Moving beyond traditional mechanisms of financing development is one side that may be challenging, taking into consideration that these are new practices that have not been implemented in the country before. However, new sources have to be found to complement traditional mechanisms of financing.

In this regard, risks will be part and parcel of the search for innovative ways of financing development. What is needed is proper assessment of the risk (identification of source, magnitude and direction as well as mitigation measures). The sources of risks associated with mobilization of new financing mechanisms are wide, covering political, economic and social. Conventional ways of dealing with risks are avoidance, passing to another party and mitigating.

In order to deal with risks the following measures are proposed:

i. Sustaining political will; such as with respect to expropriation, licence revocation, taxation regime changes, honouring Agreements and Contracts not honoured, exchange rate regimes, the fight against corruption;
ii. Ensuring stability of the operating environment such as through special comfort agreements without an enforceable obligation or commitment and signing Bilateral Investment Treaties (BIT) with established terms and conditions mutually favourable;
iii. Ensuring that external mobilization excludes sources from countries/partners with instabilities (political, social and economic) in order to sustain the source and realize the projected amount. Relatedly, also expanding the range of such countries/partners in order to offset any decrease from the primary source;
iv. Implementing in time, reviews of legal and regulatory frameworks for facilitating realization of the proposed financing measures;
v. Scaling-up measures for domestic resource mobilization such as increasing tax payer compliance in order to counter unexpected shock on identified foreign sources out of shocks in the global economy. In the event of shocks such as financial crisis flows are likely to fall below the estimated level;
vi. Diversifying the portfolio (type and countries/regions) such that decline in one can be offset and stabilized by others.
vii. Strengthening dialogue mechanisms with countries/institutions of source of external finance.
viii. Improving disaster preparedness and management: risks such as natural calamities in forms like earthquakes, vagaries of weather, floods, etc, lead to the generated revenues being channelled to mitigating the negative impacts thus leading to possible diversion and depletion of resources that had been earmarked for development financing.

APPENDIX

FINANCING STRATEGY MATRIX: The matrix below presents objectives and key outputs that will be addressed in order to enhance resource mobilisation for the implementation of FYDP II

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
TRADITIONAL SOURCES							
A: TAX REVENUES							
1.	Strengthening collection of various taxes and expanding the tax base.	Tax revenues from import duties, excise duties, VAT increased to 104,719,187 million shillings by June 2021	To expand tax base by bringing in the informal sector	2018 - 2021		MOFP	TRA, MKURABITA
			To link tax payer identification system (TIN) and National Identification (ID) system	2019		MOFP	TRA, MDAs, LGAs
			To enforce the use of EFD machines for both tax and non-tax revenue collection	2018 - 2021		MOFP	TRA, MDAs, LGAs
			To review of tax holidays, tax exemptions and tax relief systems	2018		MOFP	TRA
			To strengthen framework for taxing mobile money transactions.	2018		MOFP	TRA, TCRA, MoCST

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
2.	Strengthening the capacity of Commission of Minerals and Tanzania Extractive Industries Transparency International (TEITI).	Capacity of TMAA and TEITI in collecting taxes and royalties from mineral resources increased by June 2021	To intensify mining inspections	2017 - 2021		MEM	**CM, TEITE, TRA**
			Verification of quantities and contents of mineral production	2017 - 2021		MEM	**CM, TEITI, TRA**
			Regular auditing of mining company transactions	2017 - 2021		MoFP	TMAA, TEITI, TRA
B. NON TAX REVENUES							
3.	Harnessing natural resources-based revenues particularly in fisheries, tourism, minerals and natural gas.	Non tax revenues increased to 20,864,925 million shillings by June 2021	To auction wildlife hunting blocks	2018 - 2021		TAWA	MNRT MOFP
			To auction forestry harvesting lots	2018 - 2021		TFS	MNRT MOFP
			To review Wildlife Conservation Act No. 5 (2009)	2018		MNRT	TAWA AG
			To enforce the Oil and Gas Revenue Management Act, 2015	2018		MOFP	MEM, TPDC, TRA, BOT
			To expedite the implementation of deep sea fishing initiatives;	2018		MALF	MOFP, MNRT, TRA

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
4.	Ensuring Government agencies and parastatals comply with the mandatory remittance of 15% of their gross annual revenue and dividends.	Revenue collection from government agencies and parastatals increased by June 2021	To implement performance contracts on parastatals	2018 - 2021		TR	MOFP, BOT
			To ensure mandatory remittance of 15 percent of company gross revenue annually	2018 - 2021		TR	MOFP, BOT
C: EXTERNAL FINANCING							
5.	Strengthening relation between bilateral and multilateral financial institutions.	External sources of finance increased to 16,568,883 by June 2021	To develop national agenda for International Development Fora	2017 - 2021		MFAE-AC	MOFP
			To prepare bankable projects	2017 - 2021		MoFP	MDAs, LGAs
			To improve coordination between government and private sector to utilize financing opportunities in international financial institutions	2017 - 2021		MFAE-AC	MOFP, MDAs, LGAs
		Capacity of MoFP as focal point for coordination of analysing foreign financing projects enhanced by 2021	To provide sufficient budget for project securitization	2018 - 2021		MOFP	
			To increase the number of specialized M&E experts	2018 - 2021		PO-PSMGG	MOFP
			To establish cooperation mechanism with other relevant institutions for Project, Appraisal	2018		PO-PSMGG	MOFP

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
INNOVATIVE SOURCES							
A: LOCAL GOVERNMENT BONDS/MUNICIPAL BONDS							
6.	Enabling environment for issuing of Local government bonds;	A total amount of shillings 400 billion be generated for development financing by June 2021	To conduct a comprehensive research study on Municipal Bonds	2018		PO-RALG	MOFP, LGAs, TIB
			To develop guidelines for divisibility of assets and debts when separation of administration occurs	2018		PO-RALG	MOFP, LGAs
			To develop an operational mechanism and institutional framework	2018		PO-RALG	MOFP, LGAs
			To review Local Government Finance Act 1982 to accommodate issuing of Local Government Bonds/Municipal Bonds	2018		PO-RALG	MOFP/AG
		Municipal Bond in the local market for strategic infrastructure issued by June 2021	To provide resources to develop feasibility studies	2017 - 2021		TIB Rasilimali Ltd	PORALG/ MOFP/CAG
			To establish Municipal development company	2018 - 2021		TR	MOFP,BOT, CMSA,PO-RALG, TR

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
			To issue circular that will recognise TR as the owner of the LGA development companies	2018		MOFP	PORALG, TR
			To develop the Bond program	2018		TIB Rasil-imali Ltd	TIB Development Bank/MOFP
			To prepare procurement and implementation monitoring modus operand	2018		TIB Rasil-imali Ltd	PORALG/TIB Development Bank/AG
			To prepare project management agreements	2018		TIB Rasil-imali Ltd	PORALG/TIB Development Bank/AG
			To approach credit enhancement Agencies to offer security cover	2018		TIB Rasil-imali Ltd	MOFP
			To prepare promotion plan for small savers to invest in development projects especially those who are in the project area	2018		TIB Rasil-imali Ltd	PORALG, LGAs

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
7.	Strengthening TIB Development Bank in bringing innovation for utilizing scarce available financial resources	Financial resources for infra-structure investment through do-mestic DFIs mobilized by 2018	To prepare project management agreements	2018		TIB Rasil-imali Ltd	PORALG/TIB Development Bank/AG
			To review legal and regulatory framework to allow TIB Development Bank to tap on funds and assets currently being held by other public and quasi-public institutions.	2018		TIB	MoWTC MoEM MITI MoWI BOT DSE CMSA MOFP-
			To prepare legal and regulatory framework for the establishment of the Infrastructure Fund	2018		TIB	
			To prepare cabinet paper for approval and adoption of TIB infrastructure investment financing Programme	2018		TIB	MoWTC, MoEM, MITI, MoWI, BOT DSE, CMSA MOFP
			To prepare infrastructure/industrial investment detailed action plan	2019		TIB	

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
			To review the Loans, Grants and Guarantee Act Cap 134 to accelerate approval process for a projects under TIB infrastructure/ industrial investment Programme	2018		MOFP	TIB AG BOT MOF-SMZ
			To prepare and secure approval of final list of projects to be financed through infrastructure and industrial Programme	2018 - 2021		TIB	MOFP MoWTC MoEM MITI MoWI TADB
			To develop detailed implementation plan per project under Programme	2018 - 2021		TIB	
		TIB Development Bank re-capitalized to TZS 1.0 trillion by June 2018	To discuss and agree the modality for TIB capitalization	2017		MOFP	TIB
			To allocate TZS 300 billion through TR for 2017/18 Government budget	2018		TIB	MOFP
			To prepare and agree on the disbursement plan	2018		TIB	MOFP
			To review Government Loan and Guarantee Act Cap 134 to waive government guarantee to TIB when syndicating loans for financing of development project	2018		MOFP	TIB/AG

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
		National project preparation fund established at TIB by 2018	To develop fund's operation and financing strategy	2018		TIB	MoWTC, MoEM ,MOFP MITI, MoWI, TADB,
			To prepare a circular instructing MDAs, SOEs and LGAs to contribute to the project preparation fund	2017		MOFP	TIB.
			To set criteria for use and access of national project preparation fund	2018		TIB	MoWTC, MoEM, MITI, MoWI, TADB MOFP.
		Cash and Asset pool for mobi-lization of financial resource to finance capital in-vestment approved by 2018	To table Finance Bill to include usage of proportion of Road fund, Railway funds REA fund, Water fund etc. to be escrowed for infrastructure investment Programme (cash pool)	2018		AG	MOFP, TIB, MEM, MoWTC, MoWI.
			To review legislation governing respective funds to allow allocation to the cash pool	2018		AG	
			To secure approval to collateralize identified Government assets	2018		MOFP	TR, TIB, SOEs.
			To prepare risk management framework.	2018		MOFP	

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
C:PENSION FUND ESTABLISHED EQUITY FUND							
8.	Ensure Pension Funds rising capital through Equity to facilitate government infrastructure program	Establishment of Equity fund to shillings 300 billion by June 2021	To preparation of the budget for establishment of Equity fund.	2017		TIB Rasilimali Limited & TIB Development Bank	MOFP, DSE, Pension Funds.
			To list equity fund of TZS 300 Billion in the DSE	2017 -2021		TIB Rasilimali Limited	MOFP, TIB Development Bank
			To source financing for the preparation of necessary documents.	2017 -2021	250	TIB Rasilimali	MOFP, TIB Development Bank
			To prepare of necessary documents for submission to the Capital Market and Security Authority (CMSA): i. Memorandum ii. Subscription agreement iii. Partnership terms iv. Custody Agreements etc.	2017 -2021	250	TIB Rasilimali Limited	MOFP, TIB Development Bank

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
			To submit application to the regulator (CMSA)	2017 -2021		TIB Rasil-imali Limit-ed	MOFP, TIB Development Bank
			To prepare of Prospectus	2017 -2021		TIB Rasili-mali	MOFP, TIB Development Bank
			To conduct a road show to all pension funds	2017 -2021		TIB Rasili-mali	MOFP, TIB Development Bank
			To list Equity fund in DSE	2017 -2021		TIB Rasil-imali Limit-ed	MOFP, TIB Development Bank
III: EXTERNAL INNOVATIVE SOURCES							
A:FOREIGN MARKETS BONDS							
9.	Raising finance for infrastructure and industrial investment by floating sovereign bonds in international capital markets	Financial resources for capital investment from external capital markets mobilised to USD 1.5 billion by June 2021	To fast track credit rating	2017 -2021		MoFP	BOT, TIB, CMSA, AG.

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
			To select and prepare viable projects to be financed by foreign bonds	2017 -2021		MoFP TIB	MDAs LGAs
			To prepare risk management profile/ framework	2017 -2021		MoFP	TIB, BOT.
		Sound and stable mac-roeconomic policies maintained by 2021	To maintain Monetary Policy at benchmark level (Interest rate, inflation and money supply) to 2020/21	2017 -2021		BOT	MOFP
			To maintain Fiscal Policy effectiveness at benchmark level (Government spending, borrowing, contingent liabilities)	2017 -2021		BOT	MOFP
			To operationalize TSA for effective cash management	2017 -2021		BOT	MDAs LGAs MOFP
			To conduct DSA and external risk assessment	2017 -2021		MOFP	BOT
			To review the Loans, Grants and Guarantee Act CAP 134	2017 -2021		MOFP	AG, TBA,BOT, TR,PORALG
			To monitor and review contingent liabilities and sub-national government liabilities	2017 -2021		MOFP	TR, BOT
			To minimize domestic borrowing cost through T-bills and bonds	2017 -2021		MOFP	BOT

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
B: FOREIGN DIRECT INVESTMENT							
10	Raising finance for infrastructure and industrial investment by attracting FDI	Foreign Direct Investment (FDI) raised to shillings 29,565,870 million by June 2021	To review legal and regulatory framework of Tanzania Investment Centre act as investment facilitator	2018		TIC	MOFP /MITI/ AG
			To develop and ensure stable guidelines for investment incentives;	2018		TIC	MOFP /MITI/ AG
			To strengthen Statistical capacity of TIC (Investment Database);	2017 -2021		TIC	MOFP / NBS
			To ensure stable and predictable macroeconomic and fiscal policies	2017 -2021		TIC	MOFP
			To establish Land bank for large investment	2017 -2021		TIC	MOFP, MLHHSD, NLUPC.
			To increase number of Bilateral Investment Treaty (BIT) with strategic Partners	2017 -2021		MoFP	TIC, MFAEAC, MITI
			To prepare guidelines for issuing investment incentives	2017 -2021		TIC	MITI, MoFP
		Skills level and work ethics improved by June 2021	To enhance internships programs	2017 -2021		MoEST	PMO – LYEPD, TaESA

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
			To design program that will help to improve work ethics among Tanzanians.	2017 -2021		MoEST	PMO – LYEPD, TaESA
			To review the skills development levy to be responsive with the changes of skills required	2017 -2021		PMO – LYEPD	MoEST
		EPZA to have completed zones with required infrastructure by June 2021	To fast-track compensation for the land identified by EPZA for construction of industrial zones	2017 -2021		EPZA	MITI, TANESCO, MOFP
			To complete construction of infrastructure in the identified industrial zones	2017 -2021		EPZA	MOFP/MITI
		Tanzania index in corruption ranking improved by June 2021.	To enhance public awareness on corruption matters.	2017 -2021		PCCB	Judiciary of Tanzania/ Ministry of Justice and Constitution, MEST,POPS-MGG,
			To introduce multiple corruption reporting channels.	2017 -2021		PCCB	POPSMGG
			To develop a Curriculum on ethical education in schools	2017 -2021		PCCB	MOEST
			To create a web-based bribe reporting platform.	2017 -2021		PCCB	eGA

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
			To implement integrity pledge i.e. Integrity Pledge for the private sector which will be precondition for bidding government contract	2017 -2021		Ethics Secre-tariat	TPSF/TIC
		Tanzania's commercial dispute resolution system improved by June 2021.	To strengthen Commercial Disputes Resolution Institutions (Commercial Courts, Tanzania Institute of Arbitrators, National Construction Council, Fair Competition Tribunal)	2017 -2021		TIC	Judiciary/ Ministry of Justice and Constitution
			To prepare arbitration rules that will be used in guiding the arbitration process in the Tanzania	2017 -2021		TIC	Judiciary/ Ministry of Justice and Constitution/ TLS
			To increase use of Alternative Dispute Resolution (ADR)	2017 -2021		TIC	
C: FINANCING THROUGH PPP							
11	Reducing the government development expenditures by increasing private financing of infrastructure projects	Three prospective projects for PPP costing a total of shilling 3,912,530 million being financed by June, 2021.	To strengthen PPP Fund along with the PPP Division.	2017 -2021		MOFP	AG, PC,POPSM

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
			To establish criteria for accessing PPP Fund	2017 -2021		MOFP	MITI, AG, PORALG
			To expedite the finalization of the review of PPP Act and Regulation	Nov - 2017		MOFP	AG, PMORALG
			To review and suggest the workforce and skills needed for the PPP Division.	2017 -2021		MOFP	POPSMGG
			To identify PPP National Steering Committee and Technical Committee.	2017 -2021		MOFP	TPSF
			To review the procurement procedures/Act to allow for dispensation unsolicited projects.	2017 -2021		MOFP	PPRA, AG
			To prepare of PPP Awareness plan to PPP opportunities for public and private sectors.	2017 -2021		MOFP	TPSF, CTI
		PPP Facilitation Fund for project appraisal and development strengthened by June 2021.	To review the organization, functionalism and management structure of the PPP Facilitation fund.	2017 -2021		MOFP	TR, NDC
			To identify and develop fund channels for the PPP fund.	2017 -2021		MOFP	TPSF, CTI
			To identify proper methodology/ mechanism to access the PPP fund for project appraisal and development facilitation	2017 -2021		MOFP	

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
		PPP Pipeline projects developed by June 2021.	To set up project development fund approval process.	2017		MOFP	EPZA, ND-C,TIC,TI-B,TADB
			To develop of all potential PPP bankable projects.	2019		MOFP	EPZA, ND-C,TIC,TI-BTADB
			To list and promote all bankable PPP projects	2019 - 2021		MOFP	EPZA, ND-C,TIC,TI-B,TADB
D: CLIMATE CHANGE FINANCING							
12	Ensuring sustainable financing to support environmental sustainability, resilience to climate change and green growth	Climate change financing mechanism for coor-dinating resource mobilization enhanced by June 2019	To develop a coordination framework to guide resource mobilisation process.	2017 - 2018		MOFP	VPO
			To establish a dedicated unit in the ministry of finance to handle climate change resource mobilisation	2017 - 2019		MOFP	VPO (NDA) NEMC

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
			To expedite “accreditation” process for establishment of National Accredited and Implementing Entity to access GCF and AF respectively	2017 - 2019		MOFP	VPO (NDA) , NEMC,
		US$4 million for GCF readiness and preparatory support programme realized by June, 2021	To develop a feasible project proposal amounting to US$1 million for generic GCF readiness support programme	2017 - 2021		VPO	MOFP
			To develop a fundable project proposal amounting to US$3 million for development of the National Climate Change Adaptation Plan	2017 - 2021		VPO	MOFP
			To build capacity of stakeholders institutions in preparation of projects related to climate change	2017 - 2021		VPO	MDAs, RS, LGAs MOFP
		US$ 300 Million mobilized for imple-mentation of climate change projects and pro-grammes by June, 2021	To develop projects and programmes amounting $ 200 Mil under GCF	2017 - 2021		VPO	MOFP, MDAs RS & LGAs, Private Sector, NSAs
			To develop projects to access Global Environment Facility (GEF) (estimated $ 28 Mil)	2017 - 2021		VPO	

Na.	Objectives	Key Output/ Target	Activities	Time Frame		Responsible Institution	
						Lead	Others
			To develop projects to access Least Developed Countries Fund (LDCF) (estimated $ 12 Mil)	2017 - 2021		VPO	
			To develop projects to access Adaptation Fund (AF) ($ 10 Mil)	2017 - 2021		VPO	MOFP, MDAs, RS & LGAs, Private Sector NSAs
			To facilitate mobilisation of bilateral and international climate funds amount $ 50 Million	2017-2021		MOFP	VPO, MDAs, NEMC
		Identify and monitor funds directed to NSAs for climate change related projects by June, 2021	To identify NSAs that implement climate change related projects	2017 - 2021		MOFP	VPO, LGAs, NSAs
			To establish a mechanism of tracking funds directed to climate change activities by NSAs	2017 -2021		MOFP	VPO, LGAs, NSAs
			To develop a computerized system for record keeping and projection of climate change interventions by NSAs	2017 -2021		MOFP	VPO, LGAs, NSAs
		Three new green financial products and their sources identified by June, 2021	To identify at least three new green financial products and their sources	2017 -2021		BOT	VPO, MOFP, TRA