

Highlights of the

Prime Minister's 2023 Budget Speech

**E-MAGAZINE
SPECIAL
EDITION**



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EXECUTIVE SUMMARY

On Wednesday, 5th April 2023, the Prime Minister of the United Republic of Tanzania (URT), Hon. Kassim Majaliwa Majaliwa (MP) delivered a speech at the Parliament entailing the review of the implementation of Government's key undertakings for the year 2022/2023 and its plans for the year 2023/2024 including budget estimates for the Prime Minister's Office and the Parliamentary Fund.

Some of the key issues that have been highlighted in his speech include the economic situation at a global, regional, and national level as well as Government's efforts to cushion the national economy from global geopolitical turmoil.

The speech also highlighted the Government's intervention in citizens' economic empowerment, decent work issues, social security issues, youth development, youth-employment creation opportunities, and skills development initiatives in collaboration with the Private Sector.

This article attempts to summarize some of the key issues in the speech.



GLOBAL ECONOMIC UPDATES

- As of January 2023, the global economic growth rate slowed down from 6.2% in 2021 to 3.4% in 2022. Moreover, global economic growth is expected to decline to 2.9% in 2023 (International Monetary Fund, 2023)
- However, Africa is set to outperform the rest of the world in economic growth over the next two years, with real gross domestic product (GDP) averaging around 4% in 2023 and 2024 (AFDB, 2023)
- The rate of growth in developed economies has shrunk to 2.7% in 2022 from 5.4% in 2021 and is expected to decline to 1.2% in 2023.
- The economic growth in developing and emerging economies in Asia, including China and India declined to 4.3% in 2022 compared to 7.4% in 2021.
- In 2022, the Sub Saharan Africa region's growth trajectory was hugely disrupted. In 2021, the region bounced back from the Covid-19 distortions with an average growth of 4.6%, however, in 2022 growth rate has sharply declined by 1 percentage point to 3.6%. In 2023, growth rate is expected to slightly increase by 0.1 percentage point to 3.7% (IMF, 2023).
- In 2022, the average economic growth rate for most countries in the Southern Africa Development Community (SADC) region was 4.0% compared to an average growth rate of 4.2% in 2021.
- The average economic growth for EAC member states was 5.6% in 2022 compared to an average of 5.7% in 2021.
- This has been caused by a decrease in productivity due to COVID-19 restrictions such as closing borders, suspension of international flights, and suspension of some economic activities.

Tanzania Economic Outlook 2023:

- Country's economic growth is expected to rise to 5.3% (2023) from 4.7% (2022)

- Despite the slowdown in global economic growth, including in African countries, especially in sub-Saharan Africa, SADC Communities, and East Africa, Tanzania experienced an increase in its economic growth between the first to the third quarter of 2022 compared to the same period in 2021.
- Tanzania's economic growth for 2022 was expected to slow to an average of 4.7 % from 4.9 % growth in 2021 and increase to 5.3% in 2023.
- The growth rate of Tanzania's economy is associated with the government's ongoing measures in countering the consequences of the Russia-Ukraine war. These include:

- The promotion of the Agricultural, Livestock, Fisheries, and Mining Sectors,
- Construction of infrastructure in urban and rural areas, energy, and water; improvement of community services
- Continued implementation of projects that diversify economic activities including railways, expansion of ports, rural electricity supply, and
- improved business environment and Investment.

Key drivers of the economic growth in the Period January-September 2022

The growth of the economy was associated with the government's ongoing measures including.

- Strategic investments in energy infrastructure, water, health, education, roads, railways, and airports.
- Increased production of minerals, especially gold, and coal,
- Increased lending to the Private Sector that has stimulated economic activities and
- Increased tourism activities

Economic effects of Russia-Ukraine War....

- The effects of the Russia-Ukraine war have caused a rapid rise in global oil prices, contributing to the rise in production and shipping costs, hence rising prices of various commodities.
- Inflation in the country for 2022 reached an average of 4.3% compared to an average of 3.7 % in 2021.
- However, this rate falls within the target of between 3.0 % to 5.0% which is the criteria for EAC and SADC countries..
- Some of the factors that contributed to the rising inflation include rising prices of commodities such as edible oil, fertilizers, and petroleum following the disruption of the production and supply chain for goods and services in the world market caused by the impact of the Russia-Ukraine war and a decline in supply of food crops in the country and neighbouring countries caused by climate change, especially in areas dependent on rainfall.
- Despite these distortions, inflation in the country is expected to remain highly stable and remain in the single-digit range and within the compatibility parameters of regional inflation targets due to measures taken by the Government.
- These include increasing budgets in the agriculture, livestock, fisheries, and energy sectors to stimulate domestic production and reduce the trade balance deficit; strict fiscal and budgetary policies; stability of the value of the shilling and strengthening access to electricity in the country.

CREATING ENABLING INVESTMENT CLIMATE

- The Government has continued to implement various measures aimed at boosting investment in the country.
- In the year 2022/2023, the Government through the Parliament enacted the Tanzania Investment Act No. 10 of 2022 which among other things aims to create a better investment climate.
- In addition, the Government is on the verge of constructing an “Industrial Park” of about 2,500-acre at Kwala with about \$3 billion expected to be invested. The project is expected to create a total of 100,000 direct jobs, 300,000 indirect jobs, and products of approximately 6 billion USD a year.
- The government is also continuing to coordinate the establishment of industrial parks and economic zones in Magu, Misungwi and a special economic zone in Nala.
- The Government has continued to implement targeted programs to improve the country’s business and investment climate. These efforts include improving the conditions for cargo removal at the port where the Government is building a Joint Electronic System for Cargo Removal at the Port.
- In addition, the Government has finalized the operational strategy of the system and the Delivery System of Permits and Licenses for Crops to be integrated with the Joint Electronic System to facilitate the issuance associated permits and licenses.
- In 2023/2024, the Government commits to incentivize the private sector to participate in development projects and programs to increase the sector’s contribution to economic growth.
- In addition, the government will continue to review various policies, laws, regulations, and guidelines about investment to create a better investment climate in the country, including promoting Tanzanians’ participation in strategic investment projects.

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EMPLOYMENT AND LABOUR MATTERS



- The Government has continued to improve working conditions for Employees by managing labor standards and advocating for decent work.
- In 2022/2023, a total of 3,327 labor standards inspections were conducted equivalent to 69.31% of the 4,800 inspections scheduled to take place. Also, 96,693 workplace health and safety inspections were conducted and there has been an increase in health checks from 125,616 employees in 2021/2022 to 169,735 employees in 2022/2023.
- Compliance has increased, with only 173 employers have been found to have violated labor laws.
- The Government has strengthened the Electronic Process of Work Permit Applications. The strengthening of the system, among other things that have contributed significantly to increasing efficiency in the issuance of work permits in the country.
- As of February 2023, total approvals of 8,576 work permits were issued equivalent to 92.14% of the 9,307 permit applications received.
- workers, employers, and their unions are urged to comply with employment and labor standards.
- In 2023/2024, the Government will continue to strengthen the administration and enforcement of labor laws, the coordination of foreign employment, and compliance to occupational safety health related issues.
- In addition, the government commits to engage employers and workers through their representatives (unions) to provide education and advice on employment related matters.

SOCIAL SECURITY ISSUES

- The Social Security Sector has played a major role in the economy as well as the prosperity of citizens.
- As of February 2023, a debt of 2.17 trillion shillings has been paid to the Public Service Social Security Fund (PSSSF). These funds are associated to benefits eligible to members inherited from the former PSPF in 1999.
- In the year 2022/2023, PSSSF paid benefits for pensioners, dependents, and 41,939 other beneficiaries worth 1.074 trillion shillings and a monthly pension of 507.28 billion shillings equivalent to an average of Sh63.41 billion per month for 158,351 pensioners.
- The National Social Security Fund (NSSF) has paid benefits of 438.32 billion shillings to pensioners, dependents, and some 66,628 beneficiaries. Out of that amount, 72.3 billion shillings were paid as monthly pensions to 27,570 pensioners, an average of 9.04 billion shillings per month.
- Public Sector workers who were terminated due to forged education certificates have started to receive their pension contribution. A total of 11,896 workers have had their contributions worth 35.02 billion shillings refunded through PSSSF and NSSF.
- The Government has continued to take various measures to create an enabling environment for employers, improve the business environment and investments, and reduce operating costs to boost the country's economy and protect human resources.
- The measures include reducing the Workers' Compensation Fund contribution rate for Private Sector Employers from 0.6% to 0.5%.
- The Government commits to strengthening the social security sector by ensuring that more citizens are included in the Social Security program.
- Informal sectors, boda-bodas, farmers, fishermen, herders, etc., are urged to join the funds for their future benefit.

ECONOMIC EMPOWERMENT:

About 326.6 billion shillings extended to 903,763 entrepreneurs (53% women)

- The Government continues to carry out various activities aimed at empowering entrepreneurs to raise their capital and access larger markets through Economic Empowerment Centres.
- In the year 2022/2023, a total of 326.6 billion shillings have been disbursed to 903,763 entrepreneurs, among them, women 478,994 (53%) and 424,769 males (47%). The availability of funds has enabled entrepreneurs to start and grow their businesses.
- Either, through the Women's Development Fund (WDF), Loans worth 663.4 million shillings were given to 96 women to empower them economically.
- In 2023/2024, the Government plans to improve and strengthen economic empowerment funds and programs and connect entrepreneurs with economic opportunities.





YOUTH DEVELOPMENT...

- The Government has continued to empower young people to become self-employed, participate in development activities and contribute to the national GDP.
- In 2022/2023, the Youth Development Fund provided loans worth 1.88 billion shillings for facilitating 85 youth projects in Agricultural sectors, Industry and Commerce in 28 councils.
- In addition, the Government has provided training, entrepreneurship, management, institutionalization, and business development for 2,497 young people in Kagera, Dodoma, Katavi, Shinyanga, and Lindi regions.
- Similarly, efforts to improve the guidelines for lending through the Youth Development Fund have been completed and the fund is providing loans to young people in groups, individually, and in companies.
- The Government continues to implement the Agricultural Sector Development Programme Phase II through “Building A better tomorrow initiative.”
- The initiative aims to increase youths’ participation in the Agriculture Sector by providing them with tailored-made training, farms, capital and connecting them with potential market opportunities.
- The first phase of implementation of the plan has begun in Dodoma with a 400-acre Chinangali II Farm. In addition, more than 47,000 hectares have been found in various regions of the country, and soil testing is ongoing.



SKILLS DEVELOPMENT & JOB CREATION

- Through the National Skills Development Programme, the Government provided self-employed or employable skills training opportunities to 14,542 youth in a range of fields through training in directorships, work experience, aquaculture, and organisms water and modern agriculture through cages.
- The Government commits to continue strengthening the capacity of the Youth Development Fund in providing loans and training on entrepreneurship for many youths to enable them to become employable and contribute to the national economy.
- The Government has continued to take steps to ensure that graduates of vocational training are linked with self-employment opportunities. This approach will enable the graduate of vocational training to be equipped with the required skill standards under the supervision of experienced professionals in the relevant fields for a specific period of 6 to 12 months, depending on the type of field.
- In the year 2023/2024, the Government commits to facilitate and coordinate the development of employment opportunities and decent jobs by improving and implementing various national, regional
- and international policies, strategies, and programs to ensure the national workforce has opportunities for self or paid-up employment to contribute to the national development aspirations.
- The Government has and commits to continue coordinating strategies aimed at generating employment opportunities in the country through the implementation of strategic projects, creating an enabling environment for investors, and strengthening cooperation between the Government and the Private sector.

2023/24 BUDGET ESTIMATE

PRIME MINISTER'S OFFICE

BUDGET ITEM	AMOUNT (TSHS)
Recurrent expenditure	121,364,753,320
Development expenditure	52,368,356,680
Total budget	173,733,110,000

PARLIAMENT FUND

BUDGET ITEM	AMOUNT (TSHS)
Recurrent expenditure	160,458,877,000
Development expenditure	5,169,020,000
Total budget	165,627,897,000



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