

THE UNITED REPUBLIC OF TANZANIA



OUR ECONOMY

1965—1967

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*Speech by the President
Mwalimu Julius K. Nyerere
to the National Assembly*

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*Speech by the President
of the United Republic of Tanzania,
Mwalimu Julius K. Nyerere,
to the National Assembly:
Monday, June 13th 1966*

This is the third year running in which I have addressed the National Assembly during its Budget session. In 1964 I introduced the Five-Year Development Plan for Tanganyika, and commended it for your attention. In 1965 I announced the forthcoming Dissolution of Parliament and, at the same time, gave a brief survey of the nation's progress during the first months of the Development Plan. This year I shall be making no specific announcement about big changes in policy but I am able to tell you that the draft Economic Development Plan for Zanzibar has now been received by the Zanzibar Government and the Union Government and is under consideration. It is also my intention today to give a general assessment of the advances we have made with the existing Plan, and of the setbacks we have experienced in certain fields. I have chosen to do this now despite the fact that we have not yet completed the second year's work on the Plan because of the importance of the subjects you will be discussing in the coming weeks.

You will be considering Government's Budget proposals for the coming financial year—in other words, you will be considering how much money should be taken out of the pockets of your constituents and spent by Government, and in what manner any such money should be allocated between one activity or another. No-one could doubt the importance of this work and I believe that the voters of Tanzania will be waiting anxiously to see how their representatives are caring for their interests.

I do not myself believe, however, that the people of this country are interested only in not paying taxes! I believe that they are also interested in the development of Tanzania, and that they desire this development to be as rapid as possible. Government's task, with the support of this

House, is therefore to account to the people for all plans it makes and to convince them that these plans are reasonable. Our plans must be seen to be within the capacity of the nation, and such that they will achieve our objects at minimum cost and maximum speed. And because the Budget shows the way in which Government proposes to translate into action a particular phase of the Development Plan, it is important that the Members of this House should know the present economic position of the country and the progress we have made. Only after that can they usefully listen to the Minister for Finance on Budget Day, and assess his proposals.

For this reason, my general survey will be followed tomorrow by a more detailed exposition of development progress given by the Minister for Economic Affairs and Development Planning. And it is in the light of these surveys that the Minister for Finance will discuss with you the resources which are available to us in the coming year, and the Government's proposals for their allocation between different tasks.

1965 was not an easy year for Tanzania. We experienced two major difficulties—widespread drought conditions which reduced the output of certain important crops, and big decreases in the world market price of certain of our major exports. These two factors have resulted in the slowing down of the speed of our advance towards better economic standards for our people. But, these difficulties have not stopped that advance. This is very important. Because the people of this country have worked as never before we have been able to overcome this combination of drought and price-drop without disaster and without having to appeal to other countries for special assistance. This is a matter on which our people are to be congratulated and on which they can take legitimate pride. I shall come back to this point.

These difficulties were beyond our control. Government cannot do anything about the weather, and unfortunately, neither can it control world prices—although we continue to work for an international system of price stabilization

for primary commodities. Matters such as the organization of our economy and arrangements for economic co-operation with other nations are, however, the responsibility of the Government, and these can also vitally affect the success of our people's efforts. And in these respects we certainly made improvements last year or prepared the ground for improvements in the coming 12 months.

Thus, for example, members of the House will be aware of the Government's recognition that existing arrangements for E.A. co-operation were militating against the proper development of Tanzania. This awareness did not and does not, indicate any lack of desire to co-operate with our brothers in Kenya and Uganda, nor does it indicate a failure to recognize that only through united action can Africa as a whole really make progress. But while African States remain separately sovereign then each of the Governments has an exclusive responsibility to its own people. It must therefore insist that co-operation brings benefit not just to the area as a whole but also to its own particular country. For this reason Tanzania has pressed for revisions in the arrangements of the Common Market and the Common Services which were agreed in 1961. It is just not possible for us to continue indefinitely to provide an ever increasing market for the products of our neighbours without achieving similar E.A. market for our own goods. And the fact is that the deficit for Tanzania's trade with Kenya has continued to grow so that last year it mounted to more than Shs. 200,000,000/-. With E.A. as a whole our deficit was more than Shs. 225,000,000/-.

As members know the Governments of Kenya and Uganda understood our position, and we jointly appointed a Commission under the chairmanship of Mr. Kjeld Philip to investigate and make recommendations. Our 3 Governments have now received the Report and it is under urgent consideration. Presidents Kenyatta, Obote, and myself will be discussing the recommendations and outstanding matters at the next Authority meeting later this month.

Let me stress that in these discussions the purpose of Tanzania will be to achieve the maximum inter-African co-operation and trade which is consistent with the develop-

ment of this country. It is not our purpose to break up existing institutions; it is our purpose to share fairly in their benefits. Neither do we believe that these "fair shares" have to balance each year; it is inevitable that over certain periods one country will receive more benefit than another from international co-operation. But we believe that it must be possible for the legitimate interests of each country to be safeguarded and for the arrangements to be such that no one partner has a permanent and ever increasing advantage over the others. It is in this spirit of co-operation and conciliation that your Government will be considering the Philips Report along with the Government of Kenya and Uganda.

There have been internal arrangements also which time has shown to require further attention from Government. After the first few months of operation of the Five-year Plan it became clear to us that the whole question of the organization and administration of development planning must be re-examined. This was therefore made the subject of a detailed investigation by a team of British experts, headed by Professor Ross of the University of East Anglia. Their Report has been considered by the Economic Committee of the Cabinet chapter by chapter, and many of its administrative recommendations have now been implemented—or have led to revisions in procedure which should, over time, help us to achieve the development we aim at. It is not Government's intention to publish this detailed and extremely valuable document.

Of more direct relevance and interest to this House, however, will be the reports of the Presidential Commission of Enquiry into the Co-operative Movement and N.U.T.A. The Co-operative Commission has already reported to Government: its document is frank, hard-hitting and extremely well written. It is Government's intention to submit this Report to the House in due course and after a Swahili version has been adequately prepared. I believe that the views of members will be of great assistance to Government in the careful consideration which it intends to give to the Commission's recommendations. The same procedure will be adopted when the N.U.T.A. Report is submitted.

Review of the Year

What then did we achieve in 1965? First of all, we have to accept that in monetary terms our national income did not increase to any significant extent. The drought and world prices are responsible for this. That is disappointing after the great efforts which everyone made. Yet it should not be a cause for despondency. In a year when it would have been acceptable if we have experienced a fall in our overall economic standards because of these factors beyond our control, we nonetheless held our position. More, in real terms we improved it. Our total output of most goods increased considerably, so that while at current prices our gross domestic product remained about the same as 1964, in terms of constant prices our national income increased by almost 2 per cent in 1965. This increase made it 16 per cent higher in 1965 than it was in 1960, and 20 per cent higher than 1961 when our country was hit by an even bigger climatic disaster.

What do these figures mean? The gross domestic product is the sum total of all goods and services which were produced in the country during the year. It is the total wealth which is available for distribution among our people and for investment in the future, leaving aside any question of grants or loans from outside. Thus to say that we increased our Gross Domestic Product (or National Income) in terms of constant prices, means that we increased the amount of goods available for distribution. To say that the Gross Domestic Product remains static in terms of current prices means that those goods which we produced for sale on the world market averaged a lower price than the previous year so that the total amount of goods we could purchase from outside went down by the same amount as the value of the increase in the number of goods which we produced.

Our nation—as thus in the same position as a canoe which is moving between the same two ports two years running. The first year the crew work hard and cover the distance in 10 hours. The second year they work harder because they want to arrive more quickly but the wind and

tide are unexpectedly against them, so that, although they do work harder, they still take 10 hours to reach their destination. The difference which their hard work has made is that the adverse weather and water conditions did not make them take longer than before, and nor did they result in the canoe being water-logged or overturned.

About the hard work of our people in 1965 there can be no doubt. It covered the whole country, although in relation to maize and rice, as well as sisal and one or two other crops the result was a smaller output because of the drought. But we succeeded in producing almost 20 per cent more cotton than in 1964, 18 per cent more tea, 52 per cent more pyrethrum, and we more than doubled the output of tobacco. Part of these increases was due to the use of fertilizers and better seed; some of it was due to sheer physical labour and sweat. The farmers of Tanzania have undoubtedly played their part, and they have deserved the congratulations of the Government and of this House. I am confident that in the coming year they will increase the amount of their production still further, in particular by the use of better methods of husbandry and wider use of fertilizers.

The output and sale of minerals also increased in 1965, with a 25 per cent increase in the quantity of diamonds, and a 19 per cent increase in the quantity of salt. Unfortunately, the extra cost of working some of the mines now that the most productive seams are exhausted, meant that the total value added to the economy by mineral production increased only slightly despite better prices for tin and mica.

Particularly encouraging, however, was the considerable increase in the output of industrial goods. The total value of manufactured output last year was also £10,000,000 (Shs. 200 million), which is 16 per cent in value terms, and 10 per cent in quantity terms, above the production of 1964. This is very important, because although the industrial sector still accounts for only about 5.7 per cent of our total national product, this proportion is increasing and must increase if our Plan objectives are to be fulfilled. The

number of new factories which started working or which began building operations last year, gives hope that this rate of increase will continue or even get faster. I think we should use this opportunity to congratulate those private investors who made it possible for us to record these achievements. They are helping us at the same time as they are helping themselves.

Let me also mention the work of the National Development Corporation. This national institution came into being only on January 1st, 1965, but even so more than $\frac{1}{2}$ of million pounds (Shs. 15 million) was invested by them during that year and they can claim direct responsibility for a further £1.3 million (Shs. 26 million) of actual private investment during the year. Government has now instructed this Corporation to concentrate more on direct public investment, so that the public sector of our economy grows alongside the private sector, but this does not mean that we are critical of what the N.D.C. has already achieved, nor that we are unwilling to go into joint operations with private companies. We have merely told the N.D.C. to shift its emphasis; but it is important to remember that it will only be able to expand the Government-owned sector as fast as it is given money to do so, that is, as fast as the nation collectively makes available money for new investment by restraining itself from spending on current consumption.

In almost all branches of production, therefore, the people of Tanzania have the right to feel proud and happy about their efforts in 1965. It was no small achievement to overcome the 35 per cent fall in the world price of our biggest single export commodity, sisal. It was an even bigger achievement that, during the same year, we were able to get through a period in which rice production was almost halved by bad weather, and maize production was inadequate for the same reason, without having to ask for outside help from any nation or international agency to meet this emergency. We did it ourselves this time. We imported rice and maize, but we paid for them ourselves. True, the problem was not as big as in 1961, but it would have forced us to look for outside charity in any of the past

years. Only the hard work of our people enabled us to surmount it. Clearly we have come some way towards the position where we shall feed ourselves and also build up reserves which can be used against domestic disaster, or made available to other peoples in time of famine.

On all these things we can congratulate ourselves. But we have a long way to go before we can be satisfied even with our rate of progress, for the past year revealed other things too. The cost of living for urban workers went up, and although it is true that on average the lower paid workers improved their wages more than the amount of the increase in costs, this did not apply to everyone. There are still many workers in Tanzania who are not receiving a wage sufficient to keep themselves and their families healthily fed and clothed. There are still too many of our people living in hovels, and who could not afford to pay an economic rent for a decent house even if one were available. We must deal with this situation! The lowest wages must increase still further.

But let us understand that in saying this we are also saying that the amount of goods produced by each of these workers must also be increased. If a man receives Shs. 100/- a month for producing 10 shirts, an increase in his wages will only mean an increase in the price of shirts unless there is, at the same time, an increase in the number of shirts he makes during the month. And if the price of shirts goes up, the farmer will have to do one of two things. He can produce and sell more of his crop in order to be able to buy the same number of shirts as before; that would mean a re-distribution of real income in favour of the wage-earner and away from the farmer. Or the farmer can buy fewer shirts; in that case the number of people employed in shirt-making will decrease. For we cannot say often enough that money is not itself wealth. It is only useful for what it represents in terms of goods. Wealth is things, not money. While the quantity of goods remains the same, an increase in the money held by one section of the population simply means that those particular people have a larger share of the wealth and others have a smaller share.

In fact, that is what happened in Tanzania during 1965. Adding together the value of the subsistence crops, and the money received for cash crops, the farmers (as a group) had slightly less wealth available to them in 1965 than in 1964. That was the effect of the poor maize and rice harvests. But the prices of the goods the farmer wanted to buy increased. Therefore, while the nation as a whole was as well off in 1965 as in 1964, the farmers, taken altogether, did not have a very good year.

But this is not true of all farmers. Those who were not hit by the drought, and especially the cotton farmers, received more money in 1965 than even before. This was because the amount of cotton they produced increased by more than the reduction in the money they received for each pound of cotton. Their total earnings were thus greater. Tobacco farmers, too, found that, although the average price per lb. was lower than in 1964, the total money they received was more because they had produced more. These cases illustrate the attitude which must be adopted in Tanzania, for although we cannot control world prices we can, subject to the weather, control our total output by working harder and more intelligently. And it is a combination of output and prices which determines the actual amount of money we have to spend at the end of the year. Our salvation will thus lie in continuing to extend the quantity of the things we produce.

There is, however, one aspect of the farmers incomes which we now realize needs further attention from this House and from the Government. That is the question of deductions.

When a farmer sells his crop he finds that a whole list of organizations are taking a cut from his money, so that the amount he walks away with is considerably less than the amount he is shown on paper to have earned for the crop he is selling. There are deductions for research, for education, for local government on perhaps two levels, for a Co-operative Society and Co-operative Union and so on, until in some cases as much as half his income is being deducted away! In so far as these deductions are justified the farmer must accept them. Services have to be paid for.

But there is some evidence to support the view that in the past, and in some areas the idea of meeting a financial difficulty by adding a cess to the local crop may have been too easily and light-heartedly adopted. If that is so then correcting it is the responsibility of the people and their representatives in the bodies concerned. This should be easier in the future, because, as I have said, the Co-operative Movement aspects of this question have been included in the Commissions' Report which we have just received, and about which Government will be communicating with the Assembly. The Local Government aspects of it will be relevant to the proposals for new Local Government elections which will come before this House shortly, and which should result in a new closeness between the Local Government institutions and the people whom they are intended to serve.

Capital Formation and External Help

Always we come back to the need for money if we want to develop our nation and our particular area. Nothing can be done without money—which is a claim on the total resources of the country. And the truth is that the more wealth we hope to have available in the future, the less of our existing wealth can we use for our food, shelter, and enjoyment now. In this matter the nation is like a farmer who begins a season with a certain crop. He then has to decide how much of that crop he will eat during the coming year, how much he will sell to buy clothes and other goods, and how much he will reserve for seed for the next year's planting. And however much he may need clothes today, or even his food, he must not forget his seed for the next season. It is only in dire necessity that he eats his seed. If the farmer wants to plant two acres next year, then he must leave enough seed for two acres.

Tanzania has decided that it wants to get richer as fast as possible, which means (in terms of the farmer) that he wants to go on increasing every year the amount of land planted. The nation has decided, in other words, that it will spend as much as possible of the current wealth on things which will,

in the long run, produce more wealth. It does this by building factories, schools, roads, telephones, offices, houses, and so on, instead of increasing the amount of clothes which are available to the people now, or the amount of what they can drink or cigarettes they can smoke, or even food they can eat. And every year, in order to do this, the nation taxes itself, or the people save by putting money in the Post Office Savings, in the Banks, or if they are individually rich enough—by themselves building factories, etc. By these development taxes and savings the people take away from themselves the opportunity of buying things now, and thus leave available that amount of resources for investment in the future.

And in this respect we have done extremely well considering the low level of our national income. By our taxation alone, we have made available £3 million (Shs. 60,000,000/-) in each of the last two years, for spending on development work. It has been hard, but in time to come we shall know that it was worth it. And we must continue along this same road.

There is only one way in which a nation, or a farmer—can invest in the future without refraining from consuming all his current income. That is by receiving gifts, or loans from other people. If such things are obtained, then investment can be made without present sacrifice.

Over the past year Tanzania did receive capital assistance from abroad; for technical reasons it is not possible to say exactly the amount, but it was something like £5 million if grants in money and in kind, loans and credits, on an official or government to government basis are added up. This was a great help to us, and we appreciate it. But it is important that we should understand what it means in real terms and in comparison with our needs. For the truth is that the total amount of external capital aid which our sisal earnings went down because of the fall in international prices. That is to say, instead of this external aid resulting in an increase over the previous year in the total resources available for investment, it did not even make up for the reduction in our total purchasing power

which was caused by the fall in the price of just one of our major exports. It would have been for better if we had received no aid at all, but the prices of our commodities had not fallen.

Further, although we may expect some increase in this figure of external aid when we use more of the credits which have been negotiated recently, experience indicates that we would be stupid to rely on this kind of help. Quite apart from the problems of unacceptable political conditions which possible donors have tried to attach to capital assistance, and which has caused us to receive less than we at one time hoped, there are hard facts to be faced about the amount of international aid likely to be available. For the truth is that since 1961 the amount of capital assistance given by the wealthy countries of the world to the developing countries has not increased at all, despite their own rising standards. It has not even increased to the extent necessary to keep pace with the rising costs of development goods. The amount of aid given in 1965 to underdeveloped countries of the world bought less goods than the amount given in 1961. In terms of goods, aid has decreased—and there is no sign that this trend will suddenly change.

There is no choice for us. We shall be thankful for any outside assistance we receive, but we must not expect it. The only people we can rely upon are ourselves. We simply have to face up to the question: how much of our national income shall we spend on things we want now, and how much of it shall we invest in better living standards for the future?

So far Tanzania has done extremely well. Our people have made the effort, and have faced up to present sacrifice. In 1965 an amount equal to about 19 per cent of our monetary gross income was devoted to gross capital formation. In other words, an amount equal to almost 1/5th of the wealth we produced and sold during the year was spent on things which will only bring benefit in the long run, not immediately. This is a much larger proportion than ever before, and I believe that our people are now earning the gratitude which future generations should feel towards those of us who have inherited the opportunity of independence.

There is one other aspect of our development which I wish to raise today because of its relevance to our progress in the coming years. That is the question of foreign exchange. This is as important to us as a nation, as cash is to our farmers. At an extremely low level farmers can confine themselves to subsistence agriculture and hardly ever feel the need for cash. But if they want to have good tools to work their farms, if they wish to get a permanent roof for the house, and so on, then they need money. To get it they have to sell some of their crops at whatever price they can obtain. Tanzania too could, manage, at an extremely low level, without international exchange. But at the present time we should be unable to make modern roads, build modern schools, obtain metal tools for farm work, or machines for modern industrial production, or do very much of the basic development work we need if we are ever to live at a higher standard. To get these things we sell our goods abroad, and receive in return the foreign currencies we need in order to buy them. And the more we sell abroad, the more we can buy of these overseas goods.

But once again we come to the question of choice. With this foreign currency we can either buy things we want to eat or wear now, or we can buy "investment goods" like machines. For instance we must choose between buying another car for the President or a tractor for a maize farm. The more we buy of the goods to enjoy, the less we can buy of the goods which will produce wealth in the future. Yet our position will only improve if we do buy things with which we can, in the future, make and grow our own consumption goods. And if we insist on spending our money on imported products even when a similar thing is produced in Tanzania, then we have—by that act—reduced the amount of overseas money which is available for the things we still do not make here. This is the importance of the "Buy Tanzanian" campaign which began last week. For we have started some industries of our own: the newspaper supplements last week showed their surprising number and variety considering our recent start. By buying their products we help them to succeed and provide employment

for our own people, and at the same time we make it possible to spend more money on the things our nation needs for its development.

Last year, because of this fall in prices of our goods, our balance of payments position was worse than in 1964. That is to say, whereas in 1964 we earned a lot more overseas currencies than we spent, in 1965 we only had a very little more overseas currency than we needed to spend. But, and this is very important now that we are establishing our own currency in 1966, we still had a favourable balance on our current foreign exchange account, and there was still a favourable balance on visible trade between Tanzania and other countries. On capital account our position remained good. Since exchange control was introduced last year there has been a net inflow on capital account of about £4 million (Shs. 80,000,000/-) from sources outside East Africa.

In the future, however, we shall want to buy more and more machinery and other things for development. It is therefore important that we should do as much as possible to reduce the demands on foreign exchange, especially for consumption goods. We have started along the right path. The oil refinery will mean that we have to spend less money abroad for petrol and diesel. The operation of the cement works will also mean that this essential part of any building programme can be provided from within our country. The textile mills will begin to make their goods available in the next year or so, and so on. But we must do more. It is absurd that this country should still be buying food from abroad, yet last year we spent outside Tanzania more than £3 million (Shs. 60,000,000/-) on food products alone.

Self-Reliance

The experience of the past year shows two things. Firstly, that we cannot rely on outside help. It comes much later than one expects—the newspaper announcements of loans and credits, are usually months, and sometimes years, in advance of agreement on the detailed projects, and the actual money comes a long time after that. It is not always

in the form it is wanted; whereas we might feel that we want a particular kind of machine from country X, we can only get a different kind of machine from country Y. And it suddenly becomes “unavailable” for reasons which have nothing to do with the economics of our development!

But secondly, the last year shows that we can do more for our own development than we had thought possible. The investment which was carried out last year by Tanzanians, either directly or through their government and other institutions, was at a higher level than anyone could reasonably have expected. Our failure to reach many of the Development Plan targets was due mainly to our having received a lower level of outside help than we had estimated for, and to the rather over-ambitious speed at which the Plan expected us to be physically ready to carry out certain major investment works.

(Here, let me make it clear that I make that statement not as a political excuse, but on the basis an outside intellectual assessment of our achievements and failures: our local contribution to development in 1965, and the reasonably anticipated contribution in 1966, has called forth congratulations from a number of expatriate economists who have been called to advise on how we can do more!).

But we cannot stop our effort now. We have to increase it. When you have pushed a load a little way up a hill it is no use relaxing. You have to go on. Otherwise the load may well fall back to its original position—and perhaps crush the people in the process.

There is one area in which we, as a people, have to take some corrective action if these continued efforts for development are to succeed—and once again, it will be neither easy nor pleasant. We have to cut back Government expenditure on recurrent services in some fields, and hold it in others. The Development Plan proposed a certain annual increase in recurrent expenses—that is an increase in the cost of running the services of Government—which, together with the proposed rate of investment, would be within the resources of the nation. In practice we have allowed running expenses to increase much faster than we had

planned. Now we must either reduce services, or provide them more economically. We must have more financial discipline within Government, and government institutions. I think it is fair to say that we improved on this last year; but we have proposals in this regard to do more in the time ahead. Further, we have to concentrate our expenditure on those fields which are directly productive; we must streamline our administration, and every government employee—whether he is cutting grass or working in senior offices—must become more efficient. And however difficult, nothing short of disaster will be allowed to cause any Minister to come to this House with Supplementary Estimates unless he can, at the same time, show an equivalent or greater saving on another Vote in his Ministry.

This question of reducing government expenditure is very serious, and it is important that everyone understands it. For what is required is not simply an obedience to the letter of the law in this; people must understand the motive of these economy regulations, and they must support their spirit. This applies to everyone; but to politicians and civil servants particularly. It does not always happen: last year I announced two minor economies—in hospitality, and in Government cars. But I have noticed that occasionally expensive wines replace the spirits I banned, and that certain parts of a particular car are sometimes classified as “spares” so that its price can be within the limit I set!

This year I do not propose to establish new peculiar economies of my own, although I do intend that those of last year should be implemented in the spirit as well as in the letter. But there are two areas which I shall instruct the Minister for Finance and others to watch very closely indeed. Firstly, prestige projects, and secondly, Delegations.

Our nation has got a deservedly good reputation for not wasting money on things which someone says are good for prestige; but we must tighten up even further. But our Delegations do tend to be rather large, and there do tend to be rather a lot of them! We have to cut them down in

size, and we have to think more often about the worth of a particular visit. Neither should we automatically accept invitations if the fares and expenses are paid. When we go under these conditions our freedom is inevitably restricted, and in any case we are not getting on with our regular job—which is therefore being neglected. We cannot afford that.

Of course, this does not mean there will be no more visits abroad by Ministers and Officials. The economic Ministers in particular have often to travel if they are to fulfil their functions, and foreign affairs matters are often settled more quickly and economically by a visit than by a series of letters and telephone calls. Co-operation with our neighbours too demands considerable travel. It is for these reasons that it would not be sensible to limit numbers of personnel or visits to any arbitrary figure. But we have to recognize that in the aggregate they are limited by our resources!

The Coming Year

It is in this spirit of ever increasing self-reliance that Tanzania must face the coming financial year. This does not mean that we should be isolationist. It means that we must be efficient, and scientific both in our decision making and in our execution of decisions. When a job has to be done we must get the right person to do it; it is better to leave a vacancy unfilled or fill it with a competent expatriate than fill a key post with a citizen who is so incompetent that he prevents others from working properly. Neither is there any point in paying the people's taxes out in a salary for someone who is doing nothing useful!

Most important of all, we must work to our Economic Plan, as amended and interpreted by the experience of the past two years. And we must work hard, and intelligently.

One of the very important tasks of the Government in the immediate future will be the consideration, in conjunction with the Government of Zanzibar, of the Draft Economic Plan for Zanzibar which has just been submitted to us by a team of expatriate experts. It would obviously

be wrong of me to comment on this Plan today; there has not yet been time for the Ministers to read it, much less for discussions to start. But I would like to say that the Draft Plan seems to me to be realistic, and to show very real prospects for increasing the prosperity of us all as the economies the two parts of the Union are linked ever more closely together. The Plan does, in fact, show the very real advantages which can accrue to African peoples by unity, provided this is followed up by detailed and disciplined hard work.

Because this Plan deals with the development of the islands, it will be the prime responsibility of the Zanzibar Government to consider it in detail. On the other hand, it is clear that whatever amendments are made by the Zanzibar administration, the Plan can only be implemented by the joint action of the Union and the Zanzibar Governments. In due course, therefore, the Zanzibar Plan will be published and will be submitted to this National Assembly.

There is another important change taking place in our economic affairs which will affect the whole future of our Government. Tomorrow Tanzanian currency notes will be issued for the first time and in August Tanzanian coins will be issued. These will gradually replace the East African notes and coins which are at present our means of exchange in this country. They will be issued at par—that is to say that anyone taking an East African note or coin to a Bank will be given an equivalent amount of Tanzanian money.

This change was not decided upon for prestige reasons; the decision was made because it is impossible to plan economic development properly if currency and credit are not within the control of the planners—that is, of the Government. Had an East African Federation been inaugurated, an East African currency could have continued. Indeed, if Federation does come in the future, the currencies of the countries involved will have to be re-merged. But for the present our Tanzanian currency is essential to us.

Issuing our own money does not, however—as I am sure Members by this time know—mean that we can print notes whenever the Government is short of money. The Tanzanian currency—like that we are now using—will be useful to

us only as long as we recognize that it represents goods. We can therefore increase the amount of money issued when the production of goods increases, but not otherwise.

The Tanzanian Government, through the Central Bank of Tanzania which it has established, will safeguard the value of the new currency, both by steps to ensure it has adequate backing, and by the strictest financial discipline throughout the economy. No one need have any more fears about the safety of our new money than they have had about our present money. The present state of our economy, and our continuing favourable balance of payments, means that our currency starts off in a very strong position. Further, as the Governor of the Bank has already announced, the foreign exchange assets of the Bank will at least amount to between £23 and £24 million when all East African notes in Tanzania have been exchanged. Thus, for international purposes, and for internal purposes, there can be full confidence in the Tanzanian Shilling.

In order that the Bank may get into full operation as quickly as possible, the Government asks Members of this House to encourage all their constituents to bring for conversion in the next few weeks all the East African notes which they are holding. We know that despite all the arguments against it, some of our people still hoard money rather than put it in the Bank or Post Office. They must be told to bring these hoards to the Bank for exchange into the new notes and coins. If they do that quickly they will be helping our country; if they don't do it all they may find in a year or so is that their savings have no value because the East African Currency Board which issued the notes will no longer exist!

Our new currency will, as I have said, start off with strong backing, both because of the assets which our new Bank will inherit from the Currency Board, and because our economy is a very healthy one. In the long run, however, any currency depends for its international and internal reputation on the economic progress of the country. We shall now determine the strength of our currency by our own actions; it is Our balance of payments, the level of Our production,

Our stability, and Our national integrity, which will determine whether both foreigners and Tanzanians accept our notes in ten years' time in the full confidence that they are meaningful—that they really represent wealth which exists.

I am confident that the Government and People of Tanzania, working together in the future as they have in the past, will continue to strengthen the economy of this country. We have had setbacks since independence, we have encountered difficulties which we did not anticipate. We have made mistakes. But we have also achieved a very great deal indeed. We who live here do not always notice the changes which we have made, just as the man who plants a mango tree does not notice its growth between one week and the next. But those who have been away, and visitors who come here after a long absence, see many changes, and many improvements. They are often amazed at the speed with which a country which had the reputation of being a "quiet backwater" is now moving forwards.

In the coming year we must maintain, and even increase, this pace of development. It appears that the prices of our exports will remain low; they may even fall further. We cannot guarantee that the rains will come in the right places at the right times. But we can decide that we will apply in the coming 12 months the lessons we have learnt from the first two years of the Development Plan. We can decide to continue to work hard, and to build for the future. We can accept the fact that although outside events will affect our achievement, only we ourselves will determine our endeavour. We can rely on ourselves, and what we achieve will ultimately depend on that more than on any other factor. For the man who shoots an arrow at a target is the man who really determines whether the target is hit. If the wind blows hard from one direction then he must take that into account. If the target is moving, then he adjusts his aim accordingly. And always he aims a little higher than the target itself, knowing that only if he does that will he really hit the objective.*

*"If you would hit the mark, you must aim a little above it; Every arrow that flies feels the attraction of earth."

Let our motto for the coming year be "self-reliance", and in that spirit let us pursue our goal of economic betterment for our country and all its people.

Mr. Speaker, I look forward to the wholehearted co-operation of the Members of this House in the work which lies before our nation.