The Economist Review

“Public Investment Management Project System and Economic Growth Perspective in Tanzania”

Objectives

Public investment projects shapes choices about where people live and work, influences the nature and location of private investment, and affects quality of life. When done right, public investment can be a powerful tool to boost growth and provide right infrastructure to leverage private investment. In contrast, poor investment choices or badly managed investment waste resources, erode public trust and may hamper growth opportunities.

“Public Investment Protect and Economic Growth, a Case of Tanzania Economic Growth.

Public investment project is a component of aggregate demand (AD). Therefore, if there is an increase in investment, it will help to boost AD and short-run economic growth.

Public investment has the wide and deep effect on economic growth under two terms: Aggregate Demand and Aggregate Supply.

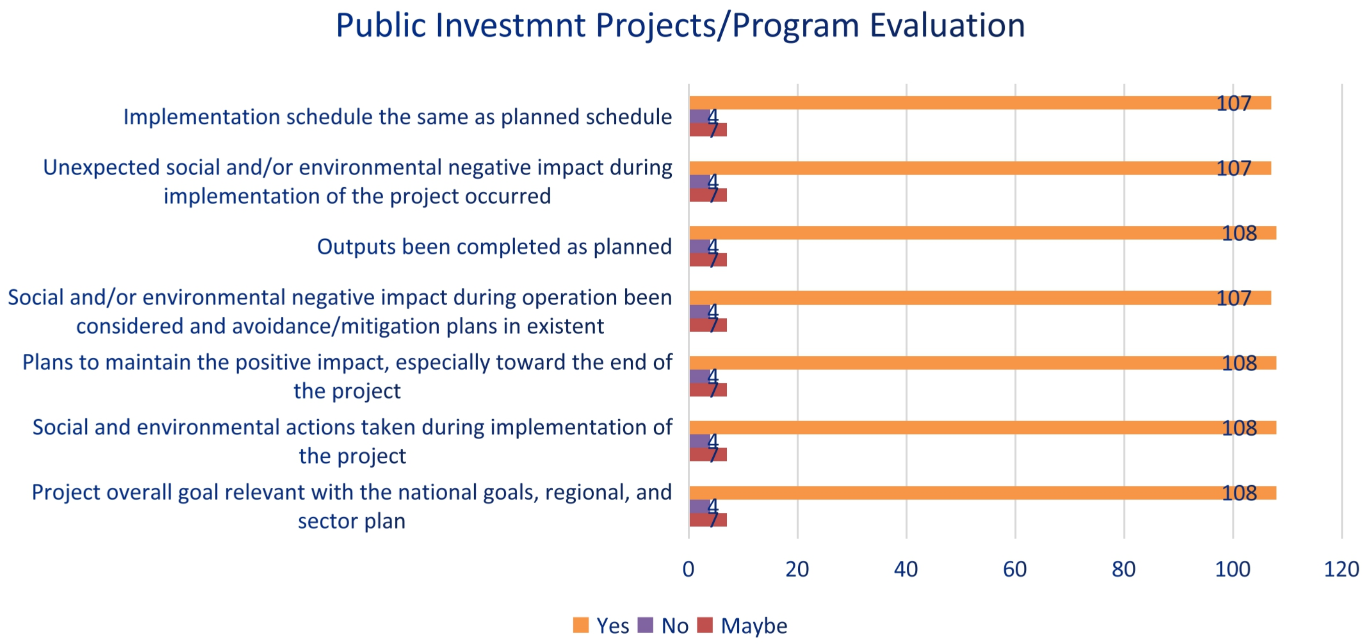
Public investment also indirectly affects Aggregate Demand through stimulating private investment and Aggregate Supply through attracting investment capital from the private sector.

Increasing public investment project provide a near-term boost to the job market like SGR project and Rufiji Hydroelectric power project provide job opportunities for Tanzanian.

It fasten the development such as the construction of Kijazi interchange now it makes fast and easy in transport because no more jam any more in Morogoro road”

Public Investment Management Project System is the key tool for assessing infrastructure governance over the full investment cycle and supporting economic institution building in Tanzania. The key motivation for its development has been that strong infrastructure governance is critical for public investment to spur economic growth. This tool offer rigorous assessment of infrastructure governance, that is, the key public investment management (PIM) institutions and processes of a country.

This tool helps to improve infrastructure governance by identifying strengths and weaknesses of country practices and providing targeted recommendations. The tool evaluates infrastructure governance using 15 key institutional features across the three stages of the public investment cycle:
(i) Planning public investment; (ii) Allocating public resources to sectors and projects; and (iii) Implementing productive public assets.



Public investment Projects Evaluation in-terms of Implementation schedule, environmental impacts, its output and project overall goals are developed Strategical based on program potential opportunities for, and impediments to, growth in each region (or locality). Investment strategies are results-oriented (with clearly defined policy goals), realistic and well informed (based on evidence that points to the region's ability to make fruitful use of investments), and forward looking (with investments that can position each regions for competitiveness and sustainable development in the context).

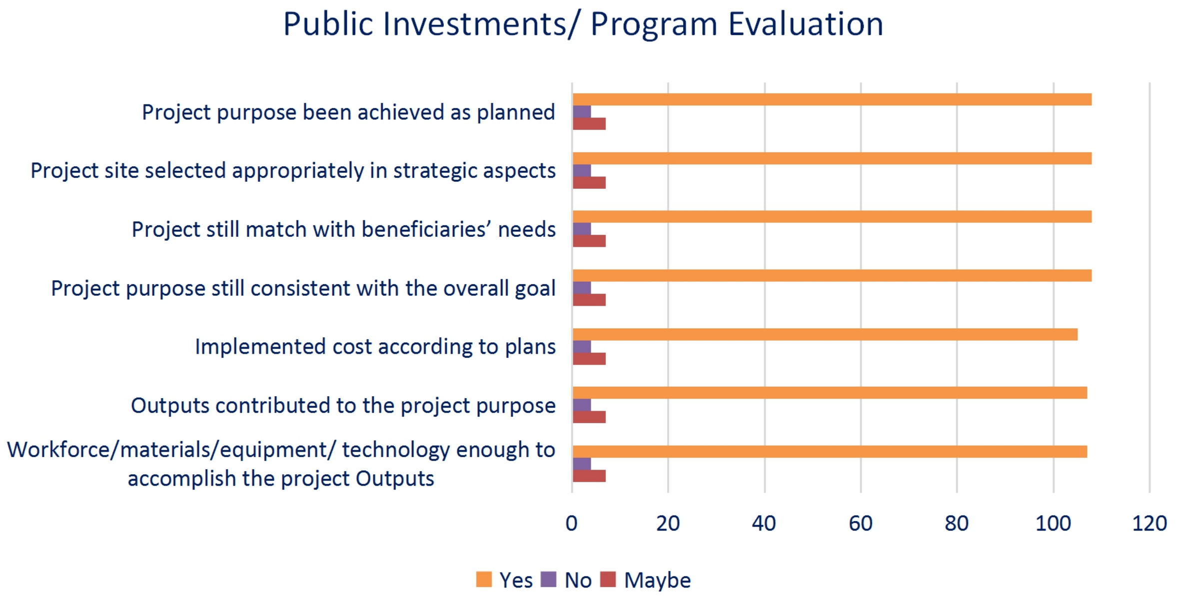
"It is important to empower Tanzania's Public Investment Projects due affected with global pandemic covid-19.

The Public infrastructures sch as Airports has experienced dropped number of local travelers going outside and international travelers coming to visit Tanzania due to travel bans imposed by their countries or WHO so as part of responding to Covid-19 disease.

The Public National Parks/Game reserves have also been largely experiencing huge drop in number of tourists due travel bans and ongoing knockdowns introduced by their governments.

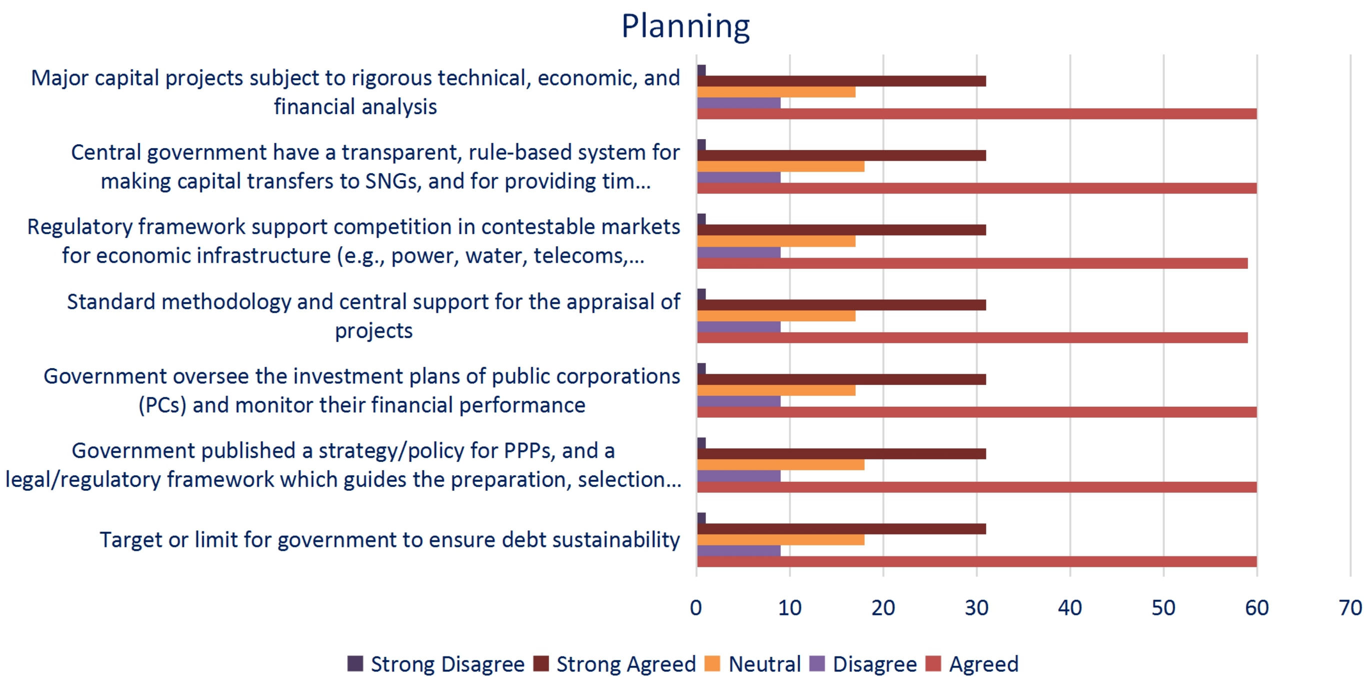
The Public Investments Hospitals has been overflown with Covid-19 patients resulting to insufficient supply of healthy attention to some hospitals due to their holding capacity (wards & healthy supporting devices) and staffs to sustain the flow.

The Public Investments Projects constructions of infrastructures like roads and railways has been delayed due to departure of foreign experts who were in construction sites back to their home countries to obey their local government requirements to come back home. Also construction equipment delay due to stopped shipping activities within the countries they were procure"



Public Investment Projects encourage the production of data at the right territorial scale to inform investment strategies and produce evidence for decision making. For example, During this Program Evaluation based on Projects Purpose, Projects sites, Projects beneficiaries Implementation cost and technology are both perfect/effective and both goes as planned.

We emphasize Effective of public investment across levels of government requires substantial *co-ordination* to bridge a series of information, policy or fiscal gaps that may occur. Collaboration for public investment strategies across jurisdictions and levels of government is difficult, even in situations where the actors involved clearly recognise the need for it. Transaction costs, competitive pressures, resource constraints, differing priorities and fears that the distribution of costs or benefits from co-operation will be one-sided, can all impede efforts to bring governments together.



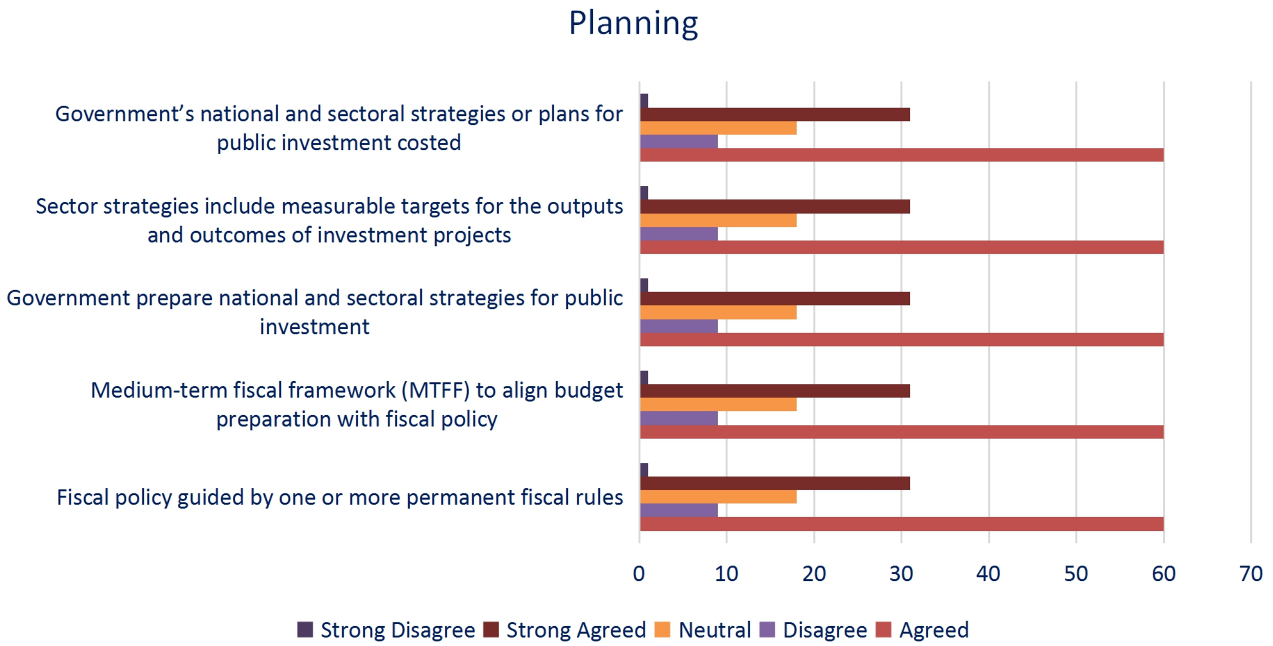
CASE STUDY

The relationship between Public investment Projects and Economic growth has always been fare and fruitful.

For example on different projects that are being implemented by Units such as PSSSF have led to economic growth for instance construction of Apartments that are for sale and for rent has led to increase in revenues collection. different PSSSF projects has resulted to employment opportunities.

The government strategy to expand roads infrastructure to rural areas whereby raw materials and agricultural products are found will ease trade among buyers and traders and also will also resulting create employment expansion into several sectors for example transportation whereby there will be a huge opportunity for transporters to invest more on their activities. By doing these government will earn more revenues on taxes and levies and also individual house hold economy has improved. Also during country's road networks construction is facilitated a reasonable number of local staffs both skilled and unskilled labour found employment opportunities.

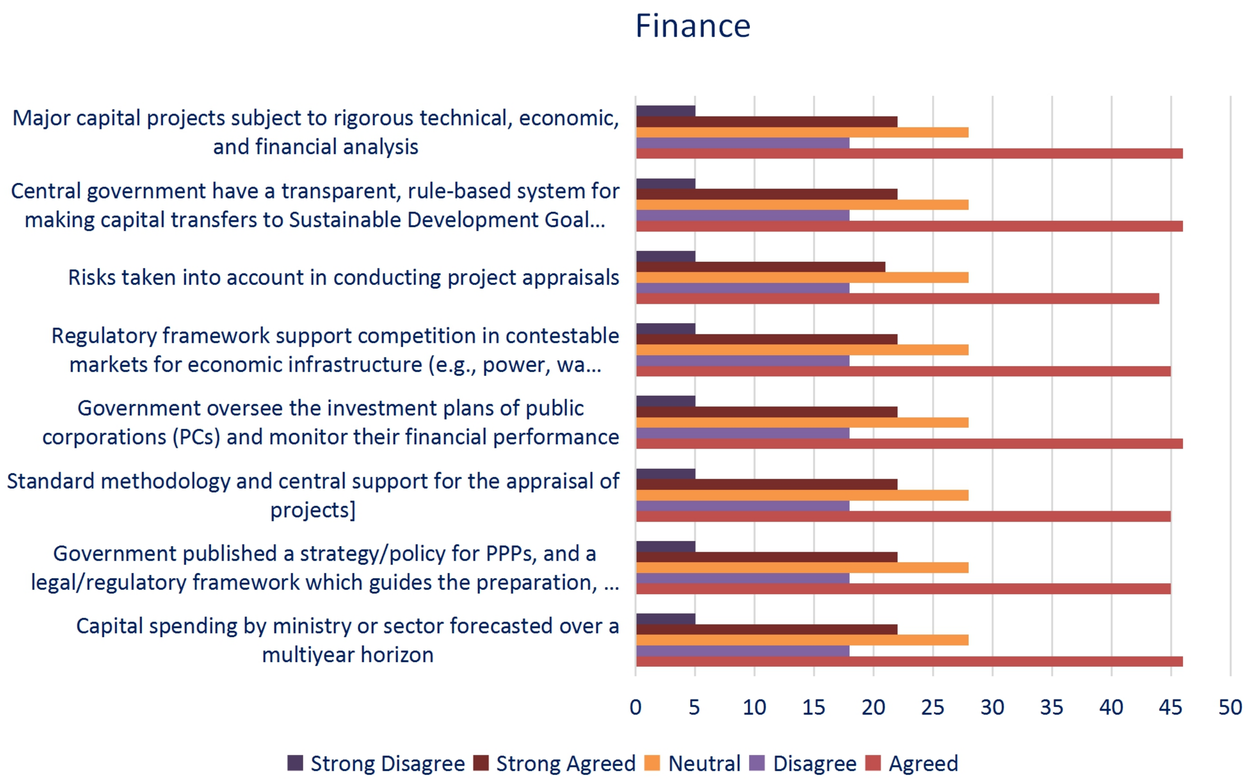
1) The government decision to construct a modern Standard Gauge Railway a lot of employment opportunities were created to both skilled and unskilled labours who their individual economies have improved also the social facilities like hotels,lodges,local transportation motorcycles, tricycles have been introduced along the SGR Construction sites hence improving economy at different levels.
2) The Financial institutions introduced by government Tanzania Commercial Bank and Tanzania Agricultural Development Bank have improved the economic growth at large scale as they have transformed a number of peasant farmers to settlers with funds, equipment and access to local and international markets by doing these the economy has largely grow up at different angles



The scale and positive (or negative) spillovers of a public investment may require joint action, either to reduce the cost of the investment or to implement the complementary measures needed to make the most of that investment.

On this Planning sections both Fiscal policy, MTFF, Government national and sector plan, Projects capital and financial analysis etc are Effective.

While co-ordination on all aspects of public investment is not necessarily feasible, at a minimum, there is an aim to avoid ntradictory approaches across levels of government.



CASE STUDY:- Effects of Tax on Public Investment

High marginal tax rates can discourage work, saving, investment, and innovation, while specific tax preferences can affect the allocation of economic resources. But tax cuts can also slow long-run economic growth by increasing deficits. The long-run effects of tax policies thus depend not only on their incentive effects but also their deficit effects.

Economic activity reflects a balance between what people, businesses, and governments want to buy and what they want to sell. In the short run, demand factors loom large. In the long run, though, supply plays the primary role in determining economic potential. Our productive capacity depends on the size and skills of the workforce; the amount and quality of machines, buildings, vehicles, computers, and other physical capital that workers use; and the stock of knowledge and ideas.

TAX INCENTIVES

By influencing incentives, taxes can affect both supply and demand factors. Reducing marginal tax rates on wages and salaries, for example, can induce people to work more. Expanding the earned income tax credit can bring more low-skilled workers into the labor force. Lower marginal tax rates on the returns to assets (such as interest, dividends, and capital gains) can encourage saving. Reducing marginal tax rates on business income can cause some companies to invest domestically rather than abroad. Tax breaks for research can encourage the creation of new ideas that spill over to help the broader economy. And so on.

Note, however, that tax reductions can also have negative supply effects. If a cut increases workers' after-tax income, some may choose to work less and take more leisure. This "income effect" pushes against the "substitution effect," in which lower tax rates at the margin increase the financial reward of working.

Tax provisions can also distort how investment capital is deployed. Our current tax system, for example, favors housing over other types of investment. That differential likely induces over-investment in housing and reduces economic output and social welfare.

BUDGET EFFECTS

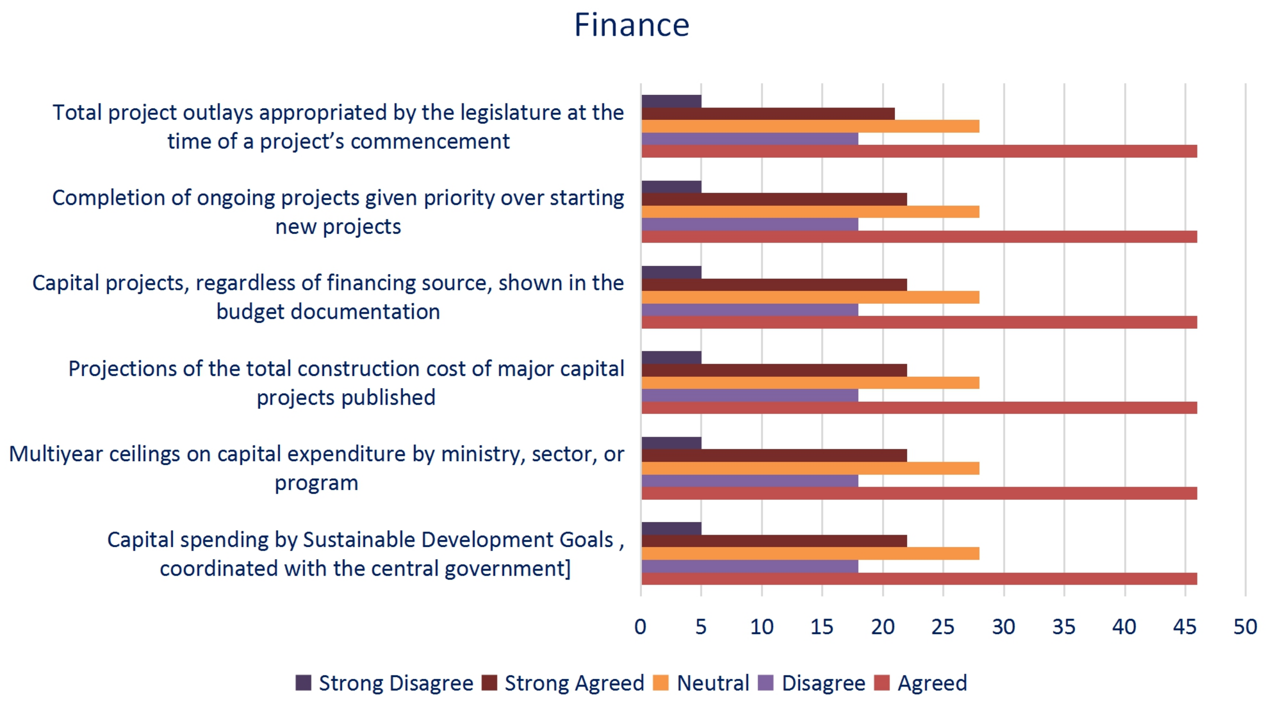
Tax cuts can also slow long-run economic growth by increasing budget deficits. When the economy is operating near potential, government borrowing is financed by diverting some capital that would have gone into private investment or by borrowing from foreign investors. Government borrowing thus either crowds out private investment, reducing future productive capacity relative to what it could have been, or reduces how much of the future income from that investment goes to US residents. Either way, deficits can reduce future well-being.

The long-run effects of tax policies thus depend not only on their incentive effects but also on their budgetary effects. If Congress reduces marginal tax rates on individual incomes, for example, the long-run effects could be either positive or negative depending on whether the resulting impacts on saving and investment outweigh the potential drag from increased deficits.

PUTTING IT TOGETHER

That leaves open questions on how large incentive and deficit effects are, and how to model them for policy analysis. The Congressional Budget Office and the Joint Committee on Taxation each use multiple models that differ in assumptions about how forward-looking people are, how the United States connects to the global economy, how government borrowing affects private investment, and how businesses and individuals respond to tax changes. Models used in other government agencies, in think tanks, and in academia vary even more. The one area of consensus is that the most pro-growth policies are those that improve incentives to work, save, invest, and innovate without driving up long-run deficits.

There are many reasons why national horizontal coordination is essential to encourage investment. The small scale of public investment projects in Tanzania both Major capital project, risk, investment plan, PPP, total project outlays, projections, and capital spending by sustainable development goals,coordinated with central government are Effective, with high levels of administrative fragmentation result in high returns on that public investment projects. The fragmentation of this variables may result in an insufficient minimum scale for the investment to even be considered at all.



On the other hand, high taxes on the public Investment and economy can have the following negative effects on the economy;

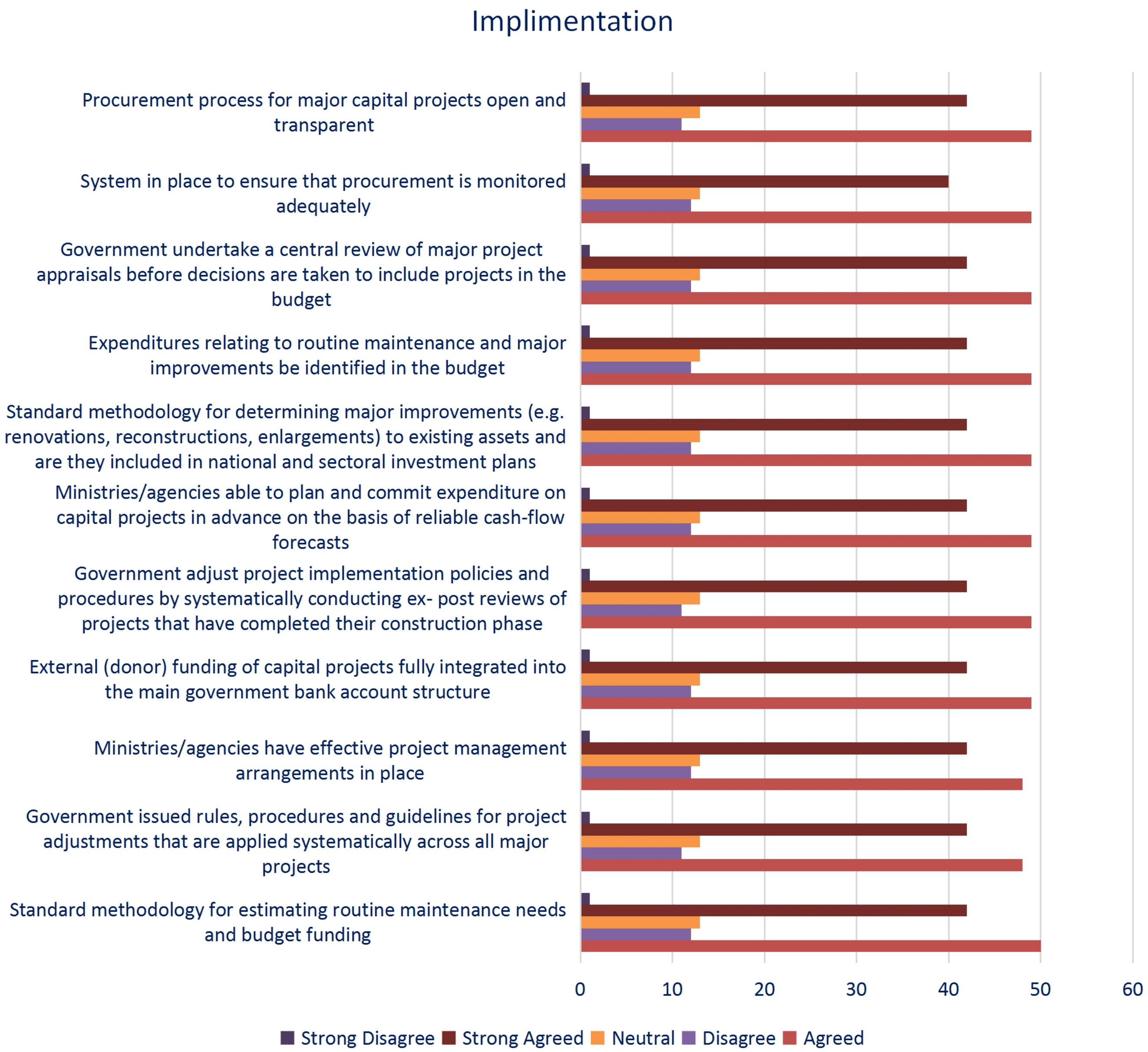
1. It may cause inflation;
High income tax may cause workers to demand for more wages and therefore lead to demand pull inflation. Also, high indirect tax can lead to increase in the prices of goods and services.

2. It discourages savings;
High direct taxes reduces disposable income and savings of the income earners, who at the end fails to save for the future.

3. It discourages investment;
Large tax on firm's profit becomes disincentive against the entrepreneurs to reinvest their profit in production and even to attract more entrepreneurs.

4. Discourages people from working hard;
High taxes especially on direct tax discourages people from working hard, as it reduces their disposable income for consumption after tax deductions, which at the end can result to unemployment as people may decide to quit their jobs due to high cost of living.

5. Diversion in allocation of resources;
Potential investors may deviate the allocation of resources from heavily taxed but more productive sectors, to less taxed and low productive sectors, this harms production in the country.



Public investment projects, especially if they concern large infrastructure projects as far as implementation are concerned on Procurement process, appraisal, expenditure, funding of capital, standard methodology for estimating routine maintenance needs and budget funding are so Effective.

But also often highly politicized and susceptible to being undermined by a lack of consensus building. Stakeholder consultation at different levels of government is of key importance to build consensus and ensure transparency as to how the project meets the needs of directly affected citizens and society at large. Public investment information, such as expenditure data, should be exposed to public scrutiny to promote transparency and accountability.

CASE STUDY;- Effects of high taxes on the Public Investment and Economy Growth: -

1. The permanent recession and losses of jobs caused by the high taxes cause a drop in government revenue, as economic production drops. If government then raises tax rates to recoup the lost revenue, production drops again, and the revenue drops even more, So high tax rates cause lower real tax revenue collection,

2. Imposition of taxes results in the reduction of disposable income of the taxpayers. This will reduce their expenditure on necessaries which are required to be consumed for the sake of improving efficiency. As efficiency suffers ability to work declines. This ultimately adversely affects savings and investment. However, this happens in the case of poor persons,

3. Taxation on rich persons has the least effect on the efficiency and ability to work. Not all taxes, however, have adverse effects on the ability to work. There are some harmful goods, such as cigarettes, whose consumption has to be reduced to increase ability to work. That is why high rate of taxes are often imposed on such harmful goods to curb their consumption,

4. The effects of taxation on the willingness to work, save and invest are partly the result of money burden of tax and partly the result of psychological burden of tax. Taxpayers have a feeling that every tax is a burden. This psychological state of mind of the taxpayers has a disincentive effect on the willingness to work. They feel that it is not worth taking extra responsibility or putting in more hours because so much of their extra income would be taken away by the government in the form of taxes. Thus, we have conflicting views on the incentives to work. It would seem logical that there must be a disincentive effect of taxes at some point but it is not clear at what level of taxation that crucial point would be reached.

5. The higher the tax wedge the stronger the disincentives to work. These tax burdens discourage employers from hiring. They also reduce the incentives for the unemployed to look for a job, and for those in employment to work longer or harder, It may be to effect changes in consumption patterns, stimulate business spending, provide jobs for the unemployed, redistribute income and wealth, or even reshape the economic system.

Recommendations

With Regard on our Public Investment Projects and Economic Growth

1. The government through TRA (Tanzania Revenue Authority) should strengthen the functions of EFD machines used in tax collection. Few use them and those who use them do not use them appropriately.

2. The people should be Educated and Sensitized on the importance of paying taxes, new introduced taxes and the laws, rules and regulations governing the whole process of tax payment and collection.

3. The government should invest in those infrastructure projects like roads, railways, water systems, electricity so that the common citizens can be convinced that indeed his taxes being paid is being out into good use. Also, those who misuse and allocate the funds, should be reprimanded so that it can be a lesson for others never to do so.

4. The parliament should review the recommendations of the Finance Minister before the bills regarding revenue collection are passed. A case in point is the mobile money transfers bill just passed recently, they passed it without through research and scrutiny and the results are affecting the government, the businesses and the general public at large.

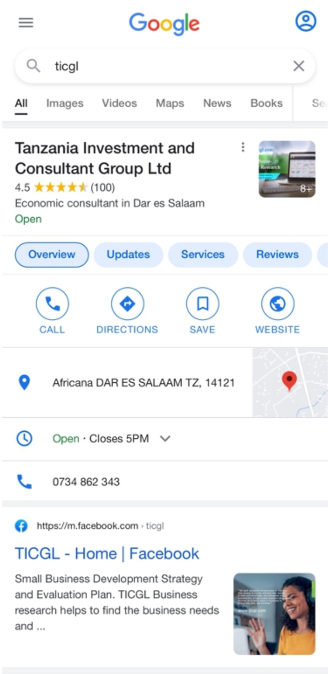
5. Our Constitution should be revisited in that money meant for a certain and specific project should not be diverted to a different area by a decision of one individual or a few individuals. This is mostly done for political reasons and agenda which do not benefit a common citizen.

6. Professionals should be hired to implement these fiscal policies in our country. People who are knowledgeable in this field should be put to a better use. For example,a few months ago,the ministry of finance selected a few individuals like Kumwembe, a football pundit, Mobeto an actress and socialite to be tax ambassadors. They were to sensitise and teach Tanzanians on how to pay taxes yet they do not have much knowledge about how taxes operate in our country. So The Ministry should have hired people like Professor Assad, the former CAG (Chief Attorney General) to do such a job because he has much knowledge and experience in on that area.

7. The government to try to put use the idle and redundant resources in our country like minerals.

8. Finding new ways and sources to acquire capital like listing government controlled companies like Tanesco, Dawasa, on the stock exchange which can help we citizens raise capital and them expanding their investment strategies and opportunities

9. Government should increases the planning and surveying land in Tanzania. This will help the authorities to register all land and hence each land owner to pay for it. Also Government should found a best way of recognizing all owners of parcel of land and property. By doing so they will reduce the burden to citizens in paying huge amounts of money for tax.



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THE ECONOMIST REVIEW

ECONOMIST PLATFORM FOCUS ON ANALYSIS OF INTERNATIONAL AFFAIRS BASED ON BUSINESS, ECONOMY, POLITICS, SOCIAL, TECHNOLOGY AND LEGAL

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