

**GBS Statement at the 2012 Annual National Policy Dialogue by
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Introduction

When I arrived in Tanzania recently it gave me enormous pleasure to hear that the 2011 General Budget Support [GBS] annual review was the best for many years. We wrapped up the GBS annual review in November by jointly rating the PAF 2011 and the overall GBS cycle as “Satisfactory”. This, indeed, marked a point of departure from previous reviews where the final rating became an issue to be negotiated well after the event had finished.

We know, however, that GBS is going through challenging times as the global economic crisis bites into the public expenditure of many GBS donor countries. Today, even more than before, our donor constituents back home are asking us to clearly demonstrate the impact of our aid, most specifically for the poor in Tanzania. Presenting concrete results is therefore becoming the core of all annual reviews, as it is getting to the heart of the issues that matter for the poor in Tanzania. These are key reference points for GBS development partners and my remarks are therefore based on three priorities the European Union outlined at the beginning of our GBS Chairmanship, which were: **Strengthening dialogue; Delivering results; and Improving accountability.**

So, First on Dialogue:

As the Development Partners Group Chairperson made clear in his opening statement, anti-corruption measures are essential for development cooperation. I am pleased to note that the anti-corruption high level dialogue initiated in February 2011 has been successful in re-energizing and re-focusing the way to talk frankly about corruption and to track results. We expect this fruitful dialogue to continue well into 2012 in a format that is still being determined.

Towards the end of last year we all recognized that the public expenditure review process was not delivering all its promises. On this issue I must echo the comments made by my predecessor, Ambassador Tim Clarke, in his closing remarks at the GBS annual review, where he said that: "There is unanimous support for getting the public expenditure review process back on track. And I hear we really mean it this time." So, let us please make this happen.

Also the dialogue around the budget was a major challenge last year. It is important to continue exercising fiscal prudence by reducing unproductive expenditure and protect development expenditures and public investment, which is essential in preserving macroeconomic stability.

Second, on Results:

What can be said about results over the last year? Overall PAF 2011 performance has improved as comprehensively presented by Dr. Likwelile. I will not repeat this. The PAF results are a good proxy to track the government's efforts to achieve wider broad based economic growth and the equitable expansion of quality social services. I will therefore highlight some issues which are worth emphasizing in going forward.

On the positive side: the PAF 2011 revealed progress in key areas, including public financial management with a new 5-year strategy, and the water sector with a new

information system which is crucial to help track the water Millennium Development Goal. There is also fruitful dialogue going on around Tanzania moving beyond aid and to increasingly rely on revenues from agriculture and its mineral and potential gas reserves. The revenue track record in this year's budget is positive so far and we are close to agreeing to include for the first time a revenue-related action and indicator in PAF 2012.

On the challenges side, I have to mention the energy sector which reacted to another crisis by submitting an emergency power plan to Parliament. Tanzania needs a long-term solution to the energy situation, which is critical for harnessing private sector activities and the development agenda in general. Furthermore, the overall quality of education was in and out of the media spotlight, as exemplified by the poor standard 4 pass rates. Going forward we need to target many more standard 4 children passing their end of year exams. The target for maternal mortality was also just missed. In the future we need therefore to focus on systems that support pregnant mothers to deliver their new born children in the safest possible environments.

With a forward looking perspective, we can say that the major elements of the PAF 2012 are almost in place and should be finalised in the near future. The next PAF will be more strategic, more ambitious – reflecting the new Mkukuta and Mkuza and the 5 year Development Plan, and it will include a 3-year rolling timeframe with milestones – recognizing that many on-going reforms take time. The core set of actions will focus on the budget process, public financial management and on some cross cutting themes critical to reducing poverty such as improvements of the business environment, public service reform and strengthening of local governments.

An in-depth impact evaluation of GBS starts in Tanzania next month and I believe we will get initial findings to present at the next ANPD. Results from impact evaluations in other countries were generally positive stating that GBS gives space to governments to follow national priorities and increase discretionary financing.

And I come to the third theme, the Accountability:

As some of you will know the “rules” of General Budget Support are documented in the Partnership Framework Memorandum. We signed a new 5-year agreement in the presence of Honorable Prime Minister Pinda, in May last year. The reason why I tell you this is because the main changes inserted into the document were about accountability – accountability between us and the Government of Tanzania as contractual partners, but also the strengthening of Tanzania’s economic and governance accountability to the citizens of Tanzania. In this respect, we need to continue to jointly focus on:

Accountability to the media by being open and transparent, making publicly available documents and responding swiftly to enquiries from the press.

Accountability to the Parliament and their priorities which included: energy, rural roads, judicial reform, and timely availability of resources.

Accountability to the key oversight institutions such as the Controller and Auditor General and the National Audit Office with a view to ensuring that their recommendations are followed up.

And finally, accountability to the citizens of Tanzania – which is why it is so important to talk about GBS today with you, representatives of such a wide range of Tanzanian stakeholders, to tell you about our GBS discussions and to listen to your priorities for 2012 and beyond.

And now to conclude:

This is a good year for GBS in Tanzania. The donor indicative commitments of around US\$ 500 million show that for the coming financial year 12/13 at least, the levels of GBS financing will remain stable. But today's global financial outlook remains bleak and in that context aid instruments such as GBS remain exposed to criticism and continuing with the status quo will not be good enough.

Part of the answer is you, and the people you represent. As partners we must work harder to shift Government accountability directly to face the citizens of Tanzania. The Parliament and its various organs, civil society organizations, the media, and the people of Tanzania are the guardians of the national budget into which we as GBS partners invest. It is your scrutiny and your questions that are fundamental to getting the best value for every Tanzanian Shilling spent by the public sector.

Finally we as donors are accountable, and we have clear GBS obligations. One obligation of paramount importance is to provide our GBS finance predictably. We as a GBS group delivered more than 90% of our GBS resources measured in Tanzanian schillings on time, just missing out by 5% on our target. Our bottom line is to be predictable partners and we will do our utmost to live up to that commitment.

Asanteni Sana.