

**OPENING SPEECH BY HONOURABLE MUSTAFA HAIDI MKULO
(MP), MINISTER FOR FINANCE, AT 2011 GENERAL BUDGET
SUPPORT ANNUAL REVIEW 24 – 25 NOVEMBER 2011 AT UBUNGO
PLAZA, DAR ES SALAAM**

Hon. Ministers

Permanent Secretaries,

Excellencies Ambassadors and High Commissioners,

Excellencies Resident Representatives,

Heads of Development Cooperation,

Government Officials,

Invited Guests,

Ladies and Gentlemen.

INTRODUCTION

1. It is a great honour for me to have the opportunity to officiate the opening of the 2011 General Budget Support (GBS) annual review meeting. The large number of representatives from the Government and Development Partners present at this annual review is clear evidence of the importance we as development stakeholders attach to this event. I am very encouraged and would like to welcome you all and thank you for your time.

2. ***Excellencies, Ladies and Gentlemen,*** the GBS annual review event is an important requirement of the Partnership Framework Memorandum that we signed on in May 2011. It is intended to provide an opportunity for the Government and the GBS partners to assess Government and GBS partners' performance in implementing our mutually agreed commitments that are considered essential for Tanzania's growth, development and poverty reduction. The experiences of the past years annual reviews have proved to be very beneficial in various aspects. With these reviews, we have been able to assess our performance against set targets. We have also been able to identify areas of strengths, weaknesses and challenges, along with identifying appropriate actions to tackle them. These events have also helped us, as development stakeholders, to strengthen our dialogue in advancing the country's development agenda.

3. ***Excellencies, Ladies and Gentlemen,*** preparations of events like this normally involve many hours of hard work by various stakeholders. I would like to take this opportunity to thank all Government officials, development partners, CSOs and all other stakeholders who have worked tirelessly to make this event possible. Let me assure you that the Government and the People of the United Republic of Tanzania value tremendously your time and contributions to this country's overall development efforts.

4. ***Excellencies, Ladies and Gentlemen,*** in particular, I would like to commend the sector and cluster working groups for their outstanding work during the year, and for regularly monitoring the implementation of the 2011 GBS Performance Assessment Framework (PAF). Let me also commend the joint GBS secretariat for the support and guidance to the sector and cluster working groups, and for the logistical arrangement of this event. I also wish to commend the good work done by the Troika Plus, under the Chairmanship of Dr. Servacius Likwelile, Acting Permanent Secretary - Ministry of Finance and H.E. Tim Clerk, Head of EU Delegation in Tanzania and GBS-DPs Chair for guiding the 2011 GBS annual review cycle. I wish to thank them earnestly for their able leadership and demonstrated high level commitment. Last, but not least, I commend the

joint strategic PAF team for their work and effort to make the PAF more focused, result oriented and for making it more relevant and better aligned to the country's needs.

5. ***Excellencies, Ladies and Gentlemen,*** among the key issues that were identified and agreed upon at the last year GBS annual review include: linking tangible results to GBS's Performance Assessment Framework (PAF), reviving the Public Expenditure Review (PER) process as a tool for strengthening budget management and systems that aim at promoting accountability and efficiency in the utilization of public resources, as well as continuing with strengthening of public financial management system. These issues and the way forward agreed upon in the last annual review form the basis around which this year's discussions revolve, along with emerging issues in line with developments since the last annual review.

GENERAL BUDGET SUPPORT AND PERFORMANCE ASSESSMENT FRAMEWORK

6. ***Excellencies, Ladies and Gentlemen,*** I wish to reiterate my Government repeated statement that General Budget Support is the Government's preferred modality of providing official development assistance to Tanzania. This is because GBS gives the Government full

ownership over resource allocation in line with national priorities for the implementation of the MKUKUTA and other national policies, strategies, plans and programmes. Furthermore, GBS is consistent with the Constitution of the United Republic of Tanzania, Chapter 7, Articles 135 and 136, which provides for the control of public finances. The Article states that all Government finances must be deposited into the Consolidated Fund and be appropriated by the Parliament. It is also in line with the Public Finance Act No. 6, 2001, Part II on the control and management of public finance, which states that the Parliament should maintain control over public money. By making full use of the national budget process for resource allocation and spending as well as the national systems and procedures for procurement, accounting and auditing, it contributes to strengthening national capacities. GBS helps also to reduce transaction costs and facilitates harmonization among Development Partners, as all GBS Partners use single system/ process for dialogue, review and assessment (the Performance Assessment Framework).

7. ***Excellencies, Ladies and Gentlemen,*** let me use this opportunity to request our Development Partners to continue using the GBS modality and to increase the GBS share in their portfolio. The Government on its part will continue to strengthen its systems and processes for ensuring that the funds received are effectively allocated, managed and accounted

for in support of the country's growth, development and poverty reduction efforts.

8. ***Excellencies, Ladies and Gentlemen***, the experience of this financial year reveals, however, that the GBS modality is facing some challenges which need to be addressed if it is to remain a long term predictable financing instrument. We are witnessing signs of non-adherence to the agreed commitments and principles as laid out in the Partnership Framework Memorandum (PFM). This has seriously affected the disbursement schedule. Over the past few years our GBS Partners have not met the agreed commitments of frontloading 95% of commitment in the first quarter. This causes a huge challenge as far as implementation of the Government Budget is concerned. I pray that this trend should not be encouraged. As of today, for example, GBS disbursement for FY 2011/12 is only 7% against their agreed target of 95%. In the spirit of partnership let us identify and address the challenges that the GBS modality is facing.

9. ***Excellencies, Ladies and Gentlemen***, as I have stated earlier on, the GBS annual review is intended to provide an opportunity to the Government and GBS-DPs to assess their respective performance in implementing the mutually agreed Performance Assessment Framework. I

have been made to understand that the 2011 GBS-PAF performance is above average, which is an encouraging performance; but we have to aim for higher performance. Let us draw lessons from this and work to achieve higher result in 2012.

10. *Excellencies, Ladies and Gentlemen*, the message we get in that, we need to undertake sufficient scrutiny of the actions we propose before committing ourselves. Equally important is the need to have a few actions and indicators in order to make meaningful impact. Following the 2010 GBS annual review, the Government and Development Partners agreed to revisit the PAF, in substance and structure, to ensure that the PAF is results-oriented, and with few but strategic actions. The 2011 GBS-PAF was the first such joint output of these reforms and has shown some success. The Government and its Development Partners will continue to work further to ensure that the GBS-PAF 2012 is more focused and results-oriented, and were better aligned to the country's growth and development agenda.

PUBLIC EXPENDITURE REVIEW AND PUBLIC FINANCIAL MANAGEMENT

11. ***Excellencies, Ladies and Gentlemen,*** the Public Expenditure Review has continued to be an important tool for strengthening budget management, and in ensuring efficiency and transparency. This has been done in the context of MKUKUTA implementation, and in a participatory manner, involving all stakeholders. The overall objective has been to provide avenue for all relevant stakeholders in growth, development and poverty reduction issues to effectively engage in open dialogue; particularly in the budget process in terms of management, control and accountability. It has, therefore, helped Government in identifying priority areas and directing resources towards them.

12. ***Excellencies, Ladies and Gentlemen,*** over the last year the Government has undertaken efforts to revive and strengthen the PER process and provide space for it to play its role effectively. A joint task force with membership from Government and Development Partners was constituted. A PER retreat was convened where four analytical papers were presented and discussed. The conclusions reached at the retreat provided some inputs to the Plan and Budget Guideline Committee. I would like to reiterate the Government's commitment to further strengthen the PER process so that it can continue to provide a basis for relevant dialogue on budget issues between Government, civil society, academia, private sector, research institutions and DPs; as well as to provide the

comfort needed in strongly supporting the GBS as a preferred modality. It should also significantly contribute to the Government's capacity to analyze budget issues, and to strengthening its capacity in budget management.

13. ***Excellencies, Ladies and Gentlemen,*** I believe you are aware of the PFM reforms the Government has undertaken since the mid-1990s. PFM is among the priorities of the Government with the objective to achieve a high level of public service delivery and reduction of poverty. The PFM Reform Program will, therefore, continue to guide the reforms in the area so as to strengthen the public financial management system in the country. The PFMRP Phase IV, which is being finalized will be implemented in a span of five years, and will cover revenue management, planning and budget management, budget execution, transparency and accountability, budget control and oversight, change management, and programme monitoring and evaluation.

14. ***Excellencies, Ladies and Gentlemen,*** recent measures in the PFM area include: the amendment of the Public Finance Act in 2010 which established the Directorate of Internal Audit in April 2011, the Internal Auditor General has been appointed to further strengthen the internal control system in LGAs and MDAs. The Head of the National Internal Audit Department is reporting directly to the Permanent Secretary – Ministry of

Finance, who is also the Paymaster General. This arrangement gives more operational independence to the Head of the Internal Audit Department in providing professional guidance to internal audit function. Strengthening the internal audit function will reduce internal control deficiencies among the MDAs and LGAs, as well as developing risk management strategies.

15. ***Excellencies, Ladies and Gentlemen,*** in strengthening the management and control of public funds, the Public Finance Act has been reviewed to empower the Paymaster General and the Accountant General to oversee public financial management at the level of Local Government Authorities. Through these changes, the Government has created the post of Assistant Accountant General responsible for management of finances at the Local Government Authorities. The appointment of the office bearer has been done. Further, the Government has begun to compile outstanding liabilities by aging analysis on a quarterly basis since end June 2010. Currently, the Government has compiled the report for financial year 2010/11 and for the first quarter of 2011/12.

16. ***Excellencies, Ladies and Gentlemen,*** in the financial year 2010/11, a total of 13,236 dormant bank accounts were closed, in order to reduce Government bank accounts for efficient supervision and cost reduction. For the current financial year, 983 dormant accounts have been

identified and the closure process is ongoing. Under the new arrangement the Local Government Authorities, will maintain six accounts which were already opened at National Microfinance Bank.

OTHER NATIONAL ISSUES

17. ***Excellencies, Ladies and Gentlemen,*** since last year's GBS annual review a number of other issues of national importance have occurred. I would like to share with you some of these national political, social and economic developments. First, are the ongoing celebrations commemorating of 50 years of independence of Tanganyika which will culminate on 9th December, 2011. Durith these 50 years of independence, the country has witnessed significant political, social and economic achievements (development) though many challenges still remain. We still face challenges in winning the war we launched soon after independence against our three enemies, namely poverty, ignorance and diseases. Let me take this opportunity to welcome you all to the climax of the celebration at the National Stadium under the theme "**tumethubutu, tumeweza na tunasonga mbele**", which means in English "**we dared, we succeeded and we are forging ahead...**"

18. ***Excellencies, Ladies and Gentlemen,*** our country has faced persistent power shortages (crisis) since 2006 due to heavy dependence

on hydro power generation which we now know that is no longer reliable. The 2010-11 power crises were too severe to the lives of the people and to the national economy. The Government is taking measures to address this issue in the short and long term. The short term measures include inter alia: the completion of the Dar es Salaam 100MW plant and 60MW in Mwanza; and assisting TANESCO to secure loans from Financial Institutions for the purchase of power generation plants. Further, the government is encouraging power consumers to use alternative sources of energy, including Solar Energy, Wind Power and Biogas, and make efficient use of the available energy. Independent Power Producers are also invited to participate in power generation.

19. ***Excellencies, Ladies and Gentlemen***, the long term measures to deal with the energy crisis include; re-examining the power activities with a view to separating electricity generation, its transmission and distribution by engaging private operators in the process in order to reduce the financial burden and ensure that TANESCO concentrates in area it has competitive advantage and thus increase efficiency in the electricity sector. With the completion of PPP Regulations, it is expected that some of the power generation projects will be implemented in a Joint Venture between the Government of the United Republic of Tanzania and the Private Sector. The government has also initiated joint venture negotiations with power

generation investors in the following projects: Mtwara 300 MW, Mpanga 144 MW, and power transmission projects of 400 KV for Morogoro – Tanga – Kilimanjaro – Arusha (682 kms) and expansion of the North West Grid for Kagera, Kigoma and Rukwa Regions (1000 kms).

20. ***Excellencies, Ladies and Gentlemen,*** the country has also witnessed a sharp rise in the price of petroleum products caused by a number of factors including the rise of prices of crude oil in the world market; the increase in the cost of sea freight insurance for ships coming to our country due to piracy in the Indian Ocean; importation of oil by individual companies; and political conflicts in the Middle East and Northern African countries. The country has taken measures to ease the situation including introduction of bulk importation, and the removal of Value Added Tax (VAT) and imposing special rates for fuel levy and excise duty on oil products.

21. ***Excellencies, Ladies and Gentlemen,*** the Government is committed to good governance and accountability as a critical requirement for promoting broad-based economic growth and poverty reduction. Various measures and reforms towards strengthening good governance and accountability have been implemented. The recent development in this area is the submission of a Bill in November 2011 to the Parliament for

reviewing the Constitution of the United Republic of Tanzania. This move is expected to strengthen the country's democracy. I would like to ask all Tanzanians to effectively participate in the process of our Constitution review.

CONCLUSION

22. ***Excellencies, Ladies and Gentlemen,*** after those few remarks, let me now take this opportunity to declare the 2011 GBS Annual Review meeting officially opened.

I thank you for your kind attention.