

TANZANIA

JOINT ANNUAL REPORT 2008

EXECUTIVE SUMMARY

In 2008 the political situation in Tanzania was relatively stable. Two by-elections were conducted in a largely peaceful manner. Both seats were won by the parties which held them originally, the ruling CCM and the opposition CHADEMA.

Key feature was the battle against corruption. Following an audit of the External Payment Account of the Bank of Tanzania (BoT), which indicated fraudulent transactions and serious shortcomings in the controls within the BoT led President Kikwete to create a High Level Task Force that resulted in the arrests of the prominent businessmen and BoT senior staff. They are facing charges ranging from forgery to theft. In February, an investigation and a critical report by the Parliament on the questionable procurement of a 1000MW generator (the Richmond case) led to the resignation of Prime Minister Lowassa and to the dissolution of the cabinet. Other high profile businessmen, civil servants and politicians were arrested on corruption allegations towards the end of the year. The list included the National Authorising Officer and the Permanent Secretary of the Ministry of Finance. The persistent active participation of the Opposition political parties and civil society, in particular the media played an important role in exposing and fighting corruption.

The economic evolution witnessed a good performance despite the turbulent external environment. Economic growth reached 7.5%, but inflation broke into double digits in September (13.5%) as a result of the rise in global food and fuel prices, reaching its highest level in a decade. According to the IMF, Tanzania's 2008/2009 current account deficit increased by 1.9% points to 9.7% of GDP as a result of food price increases, while foreign reserves decreased from 3.2 to 2.5 months of imports.

Tanzania's public financial management systems still score better than most African countries, as indicated by the 2008 Public Expenditure Financial Accountability (PEFA) assessment. However, little progress was made between 2004 and 2008. Inadequate leadership on PFM was an important reason behind the unequal efforts in addressing the shortcomings of the earlier reforms. The PFM Reform Programme, despite the introduction of a basket fund in 2004, did not fully play its role of driver of reforms it was supposed to play. The PFM donor group chaired by the EC Delegation has worked together with the Government to redesign the programme over the last two years, leading to the launch of the much more comprehensive and strategic PFMRP III in July 2008.

The results of the Household Budget Survey 2007 became available in 2008. The survey did not show a change in the share of the population (about one third) living in poverty since 2001. Nevertheless, due to the growth of the population, the absolute incidence of income poverty has increased by 1.6 m people. As a result, Tanzania is clearly off-track to achieve the income poverty MDG goal. The HBS also showed mixed results in terms of how public expenditures have reached poor people, with a good performance for education and health but poor results for water and electricity.

At least 26 albinos were killed in 2008 and numerous others were mutilated to support a criminal trade of their body parts. Investigative reporters have played a key role in raising the attention of local authorities and the international community to this problem. As a result, in March, president Kikwete ordered a crackdown on witchdoctors, announced plans to register persons with albinism to improve their safety and appointed Ms Alshimaa Kwegyir (who has albinism) as a Member of Parliament to enhance albinism's public image.

In terms of implementation of the development cooperation programme between the European Commission and Tanzania, despite a considerable uncertainty during the course of the year related to the corruption scandals, operational targets were maintained – and even exceeded –.

Regarding the on-going 9th EDF programme:

- Commitments were 127% of our target
- Payments were 117% of our target
- The RAL was reduced by 84 million

Regarding the 10th EDF programme:

- The Country Strategy was launched in July
 - A draft for a new budget support program for €305 million was submitted to Brussels in December
 - A draft for a budget support programme in the transport sector was submitted to Brussels in November 2008
 - An € 9.4 million programme to support trade and agriculture (TASP) was approved by the EDF Committee in May 2008
 - A €2.5 M Technical Cooperation Facility was approved in October 2008
 - A €2 M Sugar AAP obtained the favourable opinion of the September DCI Committee
- An agreement was reached on the utilisation of remaining STABEX funds (€ 3.4 million) - The Regional Strategy and Regional Indicative Programme were signed and approved
- At the end of 2008 2% of the A-envelope had been committed. The global commitment rate was 45% of the target. It is foreseen that 72% of the A-envelope will be committed by the end of 2009.

Finally, following the approval by the European Council of the EU Code of Conduct, during 2008 the EC Delegation and EU member states in Tanzania came to a draft agreement on the division of labour with EU member states in Tanzania, . Discussions are on going between the development partners to reach an overall agreement on division of labour consistent with the new dialogue structure proposed by the Government and accepted by the DPG.

1. Country update

1.1 Update on the political situation and political governance

In 2008 the political situation in Tanzania was relatively stable. Two by-elections were conducted in a largely peaceful manner. Both seats were won by the parties which held them originally, the ruling CCM and the opposition CHADEMA.

Key feature of the year was the battle against corruption. The corruption scandals that become public in 2008 put into question the proper management of public finances and resulted in the temporary suspension of the budgetary support by development partners. The resulting enquiries have led to the arrest and demotion of high profile businessmen, civil servants and politicians.

Current and former members of the government were forced to resign and arrested. The Prime Minister and two Cabinet Ministers were forced to resign under corruption allegations after the publication of a report of the Parliamentary Special Committee set up to inquire into the Richmond electricity contract. The report indicated serious procurement flaws and questionable behaviour of a number of civil servants and ministers including the Prime Minister. Similarly, two former senior Cabinet Ministers and Permanent Secretary – Finance and Economic Affairs were arrested following allegations of misuse of public office by granting tax exemptions contrary to the advice given by the Tanzania Revenue Authority.

Senior officials at the Bank of Tanzania and prominent businessmen were arrested. An audit of the External Payment Account of the Bank of Tanzania indicated fraudulent transactions and serious shortcomings in the controls within the Bank and led to the arrest of the personalities involved. They are facing charges ranging from forgery to theft.

Parliament and the media played an important role in exposing and fighting corruption. The corruption scandals have resulted in a more vocal Parliament, as the parliamentary enquiry on the Richmond contract testifies. Opposition parties have taken a more active role in scrutinising the Government undertakings. This falls in line with the Paris Declaration which requires the government to be more accountable to its people than to the Development Partners.

The active role of the media resulted in punctual assaults to senior editors. Media enjoy freedom of expression in the mainland. Nevertheless, following the publication of critical articles, the senior editors of the Mwanahalisi newspaper were attacked and the paper subsequently banned. Hopefully these will be punctual developments and the approaching elections will not result in new incidents.

Tanzania was actively involved in the resolution of regional conflicts. President Kikwete personally ensured a deal in post-election Kenya. Tanzanian troops were the backbone of the AU authorised intervention in the Comoros and a first consignment of troops has already left for Darfur. The President and the Minister for Foreign Affairs and International Cooperation were actively involved in negotiating a solution to the conflict in Zimbabwe.

Progress has been made on reinforcing the political dialogue. The political dialogue between the Government of Tanzania and the European Union has lacked in former years the dimensions foreseen by the Article 8 of the Cotonou Agreement. In 2008 both parties have re-launched the dialogue process and committed to a

schedule of meetings during the year. Further works will need to be undertaken to structure the discussions and the follow ups.

1.2. Update on the economic situation and economic governance

The Tanzanian economy performed relatively well. Despite the turbulent global environment, real economic growth reached 7.5%. Inflation, however, reached its highest level in a decade at 13.5% as a result of the rise in global food and fuel prices.

Growth was led by mining, manufacturing, construction and services. Mining, fuelled by foreign investment, has grown from a low base to provide almost half of all merchandise exports. Manufacturing maintained the growth rates of 2007 and contributed to 9.2% of GDP. However, agriculture - which still accounts for the largest share of GDP and provides a livelihood for the majority of the population - lagged behind with a growth rate of 4 %.

The global environment deteriorated slightly the current account. According to the IMF, Tanzania's 2008/2009 current account deficit increased by 1.9% points to 9.7% of GDP as a result of food price increases. The deficit was financed by large amounts of donor assistance and increasingly, by foreign direct investment and large syndicated loans to major Tanzanian corporations put together by local branches of international banks. Exports of goods and services are expected to have a gradual recovery to the pre-crisis growth rates and the current account deficit is expected to narrow moderately once the effects of the crisis have passed.

Little progress was achieved in the area of public financial management. The 2008 Public Expenditure Financial Accountability (PEFA) assessment has shown little progress since 2004. While Tanzania's public financial management systems still score better than most African countries, this performance partly reflects the efforts made between 1995 and 2002 in a number of key PFM areas, such as cash management, the introduction of IFMS and policy-based budgeting. Since then, the operationalisation and integration of software and management systems have proved particularly challenging.

The PMF Reform Program has been reshuffled to accelerate reforms. The PFM Reform Programme did not fully play the role of driver of reforms that it was supposed to play. The main reason for this lack of progress was lack of ownership and inadequate leadership. To address this, the Government and the PFM donors group, chaired by the EC Delegation, have been working together to redesign the programme over the last two years. These efforts have resulted in the launch of a more comprehensive and strategic PFMRP III in July 2008. The Government appointed a new Deputy PS with a special mandate to oversee PFM reform and the monitoring of performance was placed under ministerial responsibility.

To accelerate economic growth Tanzania will need to increase investment in infrastructure. Investment in infrastructure is lower than in the region as shown by a smaller expenditure per capita. To increase investment in infrastructure and free-up resources for development spending the government intends to contain the growth of the recurrent budget. To raise the quality and the returns of investments, the Government is currently working on a more robust investment appraisal system.

Similarly, urgent and more determined actions are needed to improve the business environment. To maintain and improve the rates of investment (23% of

GDP) of the last years, Tanzania will need to improve its investment climate and promote a friendlier investment policy. The World Bank's Doing Business Indicators show a lack of progress to improve the business environment. Key areas of concern include constraints related to registering a business; obtain construction permits and hiring employees. To promote reforms and encourage political discussions in this area, indicators have been included for the first time in the GBS dialogue in 2008. In 2008, to improve accountability and transparency in the mining sector and in public finances, Tanzania has joined the Extractive Industries Transparency Initiative (EITI).

Tanzania remains engaged to the process of regional integration. Progress was made in 2008 in the East African Community (EAC) negotiations towards the establishment of a Common Market by 1st January 2010. Likewise, negotiations continued between the EC and the EAC on a comprehensive Economic and Partnership Agreement (EPA) following the initialling of the Framework EPA in Kampala in November 2007. Further progress in the negotiations has notably been made on the outstanding market access issues as well as on sanitary and phytosanitary measures, customs and trade facilitation. Negotiations on the development chapter have started and negotiations on trade in services and trade-related issues are expected to start in 2009. The signature of the Framework EPA is expected to take place during the first half of 2009. Among the EAC Partner States, Tanzania remains the most critical voice of the EPA-process putting particular emphasis on the need for additional aid for EPA-accompanying.

1.3. Update on the poverty and social situation

The Household Budget Survey 2007 was the first review of the incidence of poverty since 2001. The survey, which became available in 2008, showed mixed results in terms of how public expenditures have reached poor people, with substantial improvements in the areas of education and health but poor results in economic poverty and areas such as water and electricity.

Substantial gains have been made towards achieving universal primary education. The education sector has benefited from a relatively stable budget allocation between 2006 and 2008 (18.8%, 19.3%, and 17.7%). Total primary enrolment rates have increased from 53% in 2000 to 98% in 2007. At the same time, the completion rate of primary school has increased from 55% to 85%. The increase in the number of teachers has improved the ratio of pupils to qualified teacher in primary school from 73 in 2005 to 61 in 2008. The transition rate from Standard VII to Form I is in a positive trend, having increased from 36% in 2005 to 57% in 2008.

Child mortality has declined significantly and HIV infection rates have stabilized. Mortality rates have declined constantly and significantly since 1990, both at birth and during the first 5 years of life. Infant mortality rates have decreased from 96 per 1,000 births in 1990, to 89 in 2000, to 73 in 2007. The under-5 child mortality rate has decreased from 157 per 1,000 in 1990, to 143 in 2000, to 116 in 2007. The HIV pandemic appears stable with the infection ratio declining slightly to 6.2% in 2007, from 7.1 in 2000 and 7.4 in 1995. Women remain more vulnerable than men, with an infection rate of 6.8% and 4.7% respectively. Women in the age range of 30 to 34 show the highest infection rate at 10%. The HBS 07 survey showed no change between 2001 and 2007 in the proportion of the population consulting a health provider when sick (69%), but showed an increase in the number of consultations at government facilities (55% to 65%).

But government spending in health remains low and large regional imbalances persist. Health accounted for 10.5% of the government budget. Despite the recruitment of 3,500 health workers in 2006/07, underserved regions still suffer from a severe lack of staff. Cash flow problems at the MOFEA affect the implementation of planned activities, and resulted in long processing times of salary payments (up to six months for new recruits). Similarly, much of the health infrastructure is still run down despite funding through the LGCDG and the Joint Rehabilitation Fund.

Strong macroeconomic growth is not translating into a significant reduction of poverty. The HBS 07 showed no significant change in the share of the population (about one third) living in poverty. Nevertheless, due to the growth of the population, the absolute incidence of income poverty has increased by 1.6 m people. As a result, Tanzania is clearly off-track to achieve the income poverty MDG.

A sharp increase of food prices during 2008 impacted particularly the most vulnerable households. As a result of the spike in the world prices of cereals and a reduction in domestic production, food price inflation reached 18%. To reduce the impact of food price increases on vulnerable households, the government adopted several measures including a temporary export ban on maize, the removal of import duties on cereals, the release of the Strategic Grain Reserve and an increase in the budget for fertilizer subsidies.

Access to clean water in rural areas is increasing slowly. Implementation of reforms in the water sector has proceeded slowly. A National Water Sector Development Strategy, aiming at improving the governance of water resources and the delivery of related services, was finally approved in March 2008. Accordingly, the percentage of the population with access to clean and safe water has increased only slightly, from 73% to 80% in urban areas and from 53% to 57% in rural areas between 2003 and 2007 putting at the risk the MDG in this area.

To reduce poverty the new MKUKUTA will need to enhance policies to promote pro-poor growth. Preparations have started on the successor to the MKUKUTA which will link to the long-term development strategy "Vision 2025". One of the major issues for the successor programme to MKUKUTA will be how the HBS findings can be used to improve policies to enhance pro-poor growth and poverty reduction.

Tanzanian and international reporters exposed increasing attacks on the albino population and a flourishing trade of their body parts. At least 26 albinos were killed in 2008 and numerous others were mutilated to support a criminal trade of their body parts. Investigative reporters have played a key role in raising the attention of local authorities and the international community to this problem. In March, Tanzania president Kikwete ordered a crackdown on witchdoctors, announced plans to register persons with albinism to improve their safety and appointed Ms Alshimaa Kwegyir (who has albinism) as a Member of Parliament to enhance albinism's public image.

Progress is underway to implement the principles of the CEDAW and the Beijing Process. Women are actively represented in the political life. The law requires that women occupy at least 30 percent of seats in parliament. Women are appointed by their respective political parties according to the number of seats they win. In 2008, out of 320 members of parliament, 91 were women. In new government appointed in February 2008, women held 6 ministerial positions out of 25. Nevertheless, certain forms of discrimination against women persist. Progress to address discriminatory laws such as Inheritance and Marriage laws has been slow, despite the support from the Legal Sector Reform Programme. In other areas, such as addressing the problem of girls being expelled from school due to early

pregnancies, progress has been made. With the support of Unicef the government is reviewing the Education and Training Policy so as to include re-entry mechanisms for girls that have been expelled due to this reason.

Socioeconomic conditions make it difficult to fully implement the ILO convention on children labour. The law prohibits the exploitation of children in the workplace, establishes fourteen as the minimum age of employment and foresees criminal penalties for abusive employers. To try to enforce the law, the government has increased the number of labor inspectors and promoted primary schooling with penalties for parents that do not enrol their children. Despite this, in 2007 an estimated total of four thousand children were subject to the worst forms of child labour. To combat these abuses in 2008 the Ministry of Labor and the ILO launched a National Employment Policy. By 2009, the government and the ILO aim at preventing and withdrawing 22,000 children from the worst forms of child labour.

Tanzania continued to host at the end of 2008 more than 125,000 refugees. However, in the course of the year, more than 110,000 have found durable solutions to their situation. 30,000 Burundian refugees have been repatriated, while UNHCR screened more than 158,000 Burundian refugees that opted for naturalization after the Tanzanian Government allowed them to opt for citizenship in 2007. As a result of this progress, the refugee camps in north western Tanzania have been reduced from 5 to 3 camps.

1.4. Update on the environmental situation

Deforestation, climate change, water quality and overfishing are impending environmental problems. Tanzania's natural resources are the main source of peoples' livelihoods. Deforestation, ecosystem deterioration, loss of wildlife habitat and biodiversity, and degradation of water resources are critical environmental problems, requiring urgent intervention. The impacts of poverty and climate change are likely to further aggravate these problems, increasing the vulnerability of urban and rural communities.

Forest areas fell by 15% between 1990 and 2005. Although 40% of the country is protected in parks, forest areas are decreasing at a rate of 1% per year. This represents CO₂ emissions of up to 100 million tonnes per year, which places Tanzania as an important source of CO₂ emissions in Africa. The main causes of deforestation are felling for fuel wood by a rapidly expanding population, commercial felling and expanding agriculture. Fires destroy or degrade 9,000 ha annually. Tanzania's timber exports have grown by 1,400% in value between 1997 and 2005, fuelled by an increasing demand, especially from China. A big part of the trade of timber is illegal and goes unregistered. Chinese statistics, for instance, account ten times more timber imported from Tanzania than Tanzania's export records. Concerns over deforestation led the government to ban the export of logs in July 2004. However, the regulations were not effectively enforced and illegal logging continued almost unabated. A report by TRAFFIC estimated that Tanzania lost \$58 million a year in 2004 and 2005 in timber revenue due to poor governance and corruption in the forestry sector. In early 2006, the government reinforced the export ban on logs and sandalwood.

Uncoordinated development of water resources is resulting in their over-exploitation and degradation. Tanzania has abundant water resources, but is

projected to become water stressed by 2025, as a result of the increase in population. Overuse and pollution are only exacerbating the problem. The effects of over-use are already evident in some areas. The water levels of the lake Victoria have decreased by 1.6 m as a result of over-abstraction for power generation at Jinja, causing ecological stress and social and economic losses to the communities sharing the lake. Since 2005 the water sector transformed its planning framework into a sector wide approach planning. In March 2008, the government approved the National Water Sector Development Strategy, paving the way for the preparation of water bills and the enactment of new water laws by the Parliament.

Climate change is aggravating these problems. The effects of climate change are already evident in Tanzania. Glaciers in Kilimanjaro, for instance, have lost 85% of their surface in the last century. Other effects include increased floods, frequent prolonged droughts, reduced water supply, decline in crop yield, increase of vector-borne diseases such as malaria and dengue fever, rising sea levels leading to displacement of people and disruption of both terrestrial and marine ecosystems and important natural habitats.

Slow progress has been made to tackle climate change effects. The Tanzania National Adaptation Programme of Action (NAPA) of 2007 identified six high-priority projects. However, no funding has materialized so far for the proposed projects. The development partners group on environment has agreed with the Government to undertake a stocktaking exercise on the climate situation and donor interventions. The interventions of 21 development partners are estimated to have a total budget of EUR 73 million over the 2004-2013 period.

Environment is streamlined in the EC cooperation. Environmental issues are tackled by programs such as Stabex, the Sugar Protocol Measures, and specific programs such as an Energy project to modernize energy sources and address energy needs of poor rural populations and the Global Climate Change Alliance. In 2008, a workshop on "Integrating environment into EC assistance", was widely attended by government officials and local NGOs.

2. Overview of past and ongoing cooperation

2.1 Reporting on the financial performance of EDF resources

Three EDF were still ongoing at the end of 2008. The 10th EDF is mostly in its definition phase. The Country Strategy for the 10th EDF was launched in a blaze of publicity in July, and at the end of the year 3.5% of the 10th EDF had been committed to a trade and agriculture support programme and a technical cooperation facility. The commitment rate is expected to jump to 72% in 2009 following the approval of a budget support programme of €305 million. The execution of the 9th EDF proceeded smoothly, with the execution of commitment and payments well above target (27% and 18%). This has brought the funds committed to 322 million euro and reduced the RAL by 84 million euro. The last 8th EDF programs have exhausted their execution period and are in a closing phase.

2.2 Reporting on General and Sector Budget Support

General Budget Support (9th EDF)

The General Budget Support Programme (9th EDF) allocated €87 million to contribute to the general budget of the Government of Tanzania. This allocation consisted of a fixed tranche and a variable tranche. The disbursement of the variable tranche depends on the level of progress in the modernization of the public finance management (PFM) systems PFM and in the quality of social services (mainly health and education) to be monitored through an annual review. Up to December 2007, the total actual disbursement amounted to €44.75 million.

The overall outcome of the General Budget Support Annual Review 2008 was deemed 'moderately satisfactory'. The GBS annual review took place in November 2008 and was attended by an unprecedented number of Ministers and PSs. On the side of DPs, all PRBS partners were represented at Head of Missions (HoM) and/or Head of Chancellors (HoC) level. A number of civil society and private sector representatives were invited to the annual review as well. Of the 26 outcome indicators that were assessed, 16 were achieved. Good progress was achieved its education and health targets, although there is room for improvement in the quality of education and health services. However, progress on agriculture, energy infrastructure, the investment climate, and the core reforms has not been sufficient to make a big impact on the reduction of income poverty.

Reform of the Public Financial Management (PFM) slowed down. The slow progress has become an area of major concern for development partners and led to extensive discussions with the government. Necessary improvements to the programme have been agreed, including the appointment of a new Deputy Permanent Secretary in the Ministry of Finance and Economic Affairs to oversee the implementation of the reforms and the involvement of the Minister in the monitoring of progress.

	Indicative allocation (M€)	Commitments planned in 2008 (M€) (add in brackets planned share of SBS)	Commitments realised in 2008 (M€) (add in brackets planned share of SBS)	Realised/planned (%) (add in brackets ration realised/planned SBS)	Disbursements realised in 2008 (M€)
10th EDF					
Focal sector 1 - Infrastructure, communications, transport	139.0				
SBS I	70.0				
SBS II	69.0				
Focal sector 2 - Trade / Regional	55.5				
Project I	24.0	24	9.4	39.17%	0
Project II	31.5				
General budget support	305.0				
Macro-economic support I	305.0	305 (98%)			
Non focal sector	55.5				
Support to NSA	23.0				
Support to NAO	5.0				
TCF I	2.5	2.5	2.5	100.00%	0
TCF II	2.5				
Support to core reforms	11.0				
Energy	8.0				
Contingencies/claims	3.5				
Total A envelope	555.0	331.5	11.9	3.59%	0
Total B envelope	10.1				
Total 10th EDF NIP	565.1				

Policy assessment and analysis of the impact on social indicators is complicated by weak data. The systems to collect and process statistical data are weak, complicating policy assessments. To improve the reliability of statistics related to the MDGs a €5 million capacity building programme has been included in the Commission's MDG contract. The programme will focus on improving the quality and timeliness of poverty relevant statistics, with special attention to the National Panel Survey.

With regards to economic data, with the help of IMF-AFRITAC technical assistance, the authorities have stepped up efforts to develop quarterly national accounts and more timely higher frequency economic indicators.

Concerns over corruption allegations delayed partners support. Corruption allegations related to the External Payments Arrear account forced the Development Partners to suspend temporarily their contributions to the general and sector budgets. A positive Safeguards Assessment of the Bank of Tanzania by the IMF, a proper follow-up by Government on the EPA action plan, and the prosecution of senior officials involved in other corruption cases have reassured Development Partners on the Government's commitment to tackle grand corruption.

The EC was finally able to meet its financial commitments. Following the government reassurances with respect to the corruption cases, the EC, in line with

other donors, disbursed € 34.1 million in GBS under the PRBS 03 programme. This disbursement consisted of a fixed tranche of € 15 million and a variable tranche of € 19.1 million. This is an improvement compared to previous years that highlights a more performance oriented approach by the Government. The assessment of the indicators was as much as possible aligned with the GBS Annual Review.

Supplementary funds were sought to mitigate the impact of the increase of food prices. A rider to the PRBS 03 programme for an additional €14.8 million was prepared during the year. The objective was to mitigate the fiscal impact of the significant increase in world food prices since late 2007 on Tanzania.

Education Sector Budget Support (9th EDF)

The Education SBS Programme (9th EDF) committed € 43.5 million to the support of the education sector. Financial support was structured with a fixed tranche and a variable tranche to be based on the progress in key indicators of the education sector. This indicators included: 1) Reduction of cross district disparities in pupil/teacher ratio in primary education; 2) Pupil/textbook ratio in primary schools; 3) Access in secondary education; 4) Percent of students passing the form 4 examination; 5) Public expenditure on education as percentage of total expenditure. Up to the end of 2007, €13.186 million had been disbursed, of which €12 million paid to the Governments, and the rest to Unesco and the Tanzania Education Network.

A second payment of the sector budget support of €12.15 million was made to the Treasury in December 2008. The payment consisted of a fixed and variable component. The fixed component (€ 9 million) was paid on the basis of significant progress in establishing the Education Sector Review, producing an annual performance report for the sector, developing a sector Performance Assessment Framework, implementing the Education Sector Management Information System, and finalising the revised ESDP. Only 52% of the variable tranche (€ 6 million) 52.5% was disbursed. This performance results from the problems linked to a rapidly expanding system and too ambitious targets set by the Government.

The budget support to the education sector has not resulted in a bigger share of the budget for education. The share of the government budget for education has decreased from 18.8% in 2006 when the program started to 17.7% in 2008. Despite this decrease, the program has created a space for improved dialogue between government and donor partners, and resulted in improved planning, budgeting and M&E systems and contributed to the goal of universal access to primary education. In 2008 the MoE committed to undertake a full Public Expenditure Tracking Survey (PETS) for primary and secondary education during 2009. The last disbursements will be made in 2009.

Budget Support Programmes (10th EDF)

Work is ongoing to launch the new generation of budget support programs. The identification and formulation phase for the successor programme to PRBS 03 (MDG Contract € 305 million) and the preparation of a sector budget support for infrastructure (€ 70 million) started in 2008. A key input for the MDG Contract is the Performance Assessment Framework (PAF) for 2009, agreed with Permanent Secretaries (PSs) of all relevant ministries on 17 December. The PAF contains

annual targets with a three year rolling horizon. This was the first time that all PSs were involved in the process. As a result, this PAF can now genuinely be considered as owned by the government at large. This should guarantee a better monitoring of progress of the indicators and enhance the policy dialogue. The Government has agreed to start looking at the issue of regional disaggregation of targets. Action Fiches were submitted in December 2008.

2.3.1 Other focal areas of support

a. Infrastructure, Communications and Transport (10th, 9th and 8th EDF)

Transport

The development of efficient transport systems supported by well maintained infrastructure has become an increasingly important element in the Government's poverty reduction strategy. In line with this development, the share of the budget allocated to road infrastructure has increased from 6.45% to 11.51% of the total expenditure from 2006/2007 to 2008/2009. Effective from the 2007/08 financial year Government increased the road maintenance budget through a doubling of the fuel levy.

The transport sector remains a traditional area of support from the European Commission in Tanzania. The 8th and 9th EDF have supported the transport sector through project interventions. The 10th EDF will support the transport sector through budgetary aid. This shift in the aid delivery mechanism aims at easing implementation procedures in the spirit of the Paris Declaration, and at promoting a broader policy and planning dialogue in the transport sector between the Government and development partners.

Project support has focused on supporting national development, regional trade and market access for agricultural products. EC interventions have focused on two areas: the development and improvement of the Central Corridor which links Dar es Salaam with the Western regions of the country and with Rwanda, Burundi and the Democratic Republic of Congo, and the improvement of road access to and from coffee, sugar and cereals producing areas.

The 10th EDF Country Strategy Paper earmarks \$139 million for budgetary support to the infrastructure sector. This budget support will be partly conditioned by indicators of performance, related to the condition of the main road network and rural accessibility. During 2008 the identification and formulation phases for a first €70 million transport sector budget support intervention were completed. To support the transition from project support to budget support, the Commission approved €3 million in institutional support to the Ministry of Infrastructure Development and its agencies.

The 8th and 9th EDF projects to upgrade the Central Corridor were completed in 2008. End of maintenance period inspections were carried out for the Morogoro-Dodoma Road (248 km) and the Shinyanga Region Roads (164 km) and an ex-post evaluation was carried out with overall positive results. Contractual matters regarding the Morogoro-Dodoma road were settled and the project was closed. The Shinyanga Roads were inaugurated by President Kikwete in August 2008. Disputes on the works contract remained unsettled with both contractual parties claiming

substantial amounts. The rehabilitation of the Mandela Road in Dar Es Salaam, connecting the Port of Dar Es Salaam with the main arteries of the national road network and industrial areas in the metropolitan region, is ongoing. The delays resulting from slow mobilisation and difficulties encountered by the contractor in obtaining a suitable supply of construction materials will delay the project by at least six months.

Feasibility studies for the rehabilitation of the Isaka - Lushunga and the Nyanguge – Musoma Roads have been completed. The feasibility studies and detailed design of these two roads has been financed by the 9th EDF. Works contracts for the rehabilitation of the Isaka - Lushunga road will be tendered for mid June 2009 from the resources of the national budget. To avoid the defective designs of previous projects that resulted in budget over-runs the preparation phase for these works was enhanced. Both studies were given adequate budgets and were closely followed up by TANROADS.

Summary status of transport infrastructure projects at the end of 2008			
<i>Project</i>	<i>Budget (M€)</i>	<i>Status</i>	<i>Comments</i>
9 EDF			
Rehabilitation of the Zanzibar Port	31.00	Completed	Cost overrun and delays due to unforeseen soil conditions.
Construction of the Mwanza Roads	34.85	Completed	Good Office procedure to resolve disputes.
Construction of the Shinyanga roads	115.00	Completed	Good Office procedure proposed to resolve disputes, no action yet. Arbitration not excluded.
Rehabilitation of the Morogoro-Dodoma road	44.00	Completed	Agreement has been reached on all disputes. Ex-post evaluation done.
Planning of the Isaka - Lushunga and the Nyanguge – Musoma Roads	1.8	Feasibility studies complete	Construction will be finance through the state budget
10 EDF			
Rehabilitation of the Nelson Mandela Road	32.00	On-going	Works are progressing after initial delays related to mobilisation and production of aggregates.
STABEX			
Rehabilitation of 33 sections of regional roads in 7 coffee producing regions (645 km)	12.00	Substantially completed	Final acceptance of 4 projects pending.
Sugar Protocol			
Construction and/or up-grading of 140 km of sugar roads in 3 sugar producing regions	2.40	Two sections completed	Tender dossier prepared for 5 new lots

The agricultural sector is one of the main beneficiaries of investment in the infrastructure sector. The Improvement of priority sections of regional roads in seven coffee producing regions was financed by Stabex funds and completed in December. In total 33 sections with a total length of 645.3 km have been brought to all-weather gravel road standard. Funds from the Sugar Protocol mechanism have been earmarked to upgrade 140 km of all weather gravel roads serving out-growers in the three major sugar cane growing areas. A total of 14.8 km of new roads has been completed. These roads now in use had an immediate impact on production and income of the out-growers concerned, as they unblocked transport of cane

during the 2007/2008 long rains. Tender dossiers for the roads to be financed from a second release of funds have been drawn up.

The rehabilitation of the Zanzibar port was completed in November 2008. The project, of a value of € 31 million, has upgraded the port infrastructure. The port can now serve 60 containers in eight hours per berth, compared to 10 in the past, allowing it to manage a considerable increase of traffic. The problems encountered as a result of the very complicated sub-soil conditions delayed the implementation of this project for approximately 20 months. A service contract for an external assessment of the related technical and contractual implications was tendered for to identify objective conditions for an amicable settlement of claims submitted by the contractor.

Water supply and sanitation

Important interventions in the water supply and sanitation sector are being financed from the resources of the 8th and 9th EDF NIP and the EU Water Initiative. The impact of the above mentioned interventions is substantial, as they directly improve the living conditions of 5% of the population of Tanzania through the provision of reliable drinking water and improved sanitation.

The 8th and 9th EDF interventions concern the improvement of water supply and sanitation in the towns of Mwanza, Mbeya and Iringa. These interventions were co-financed with KfW for a total amount of € 95.04 million in two phases. KfW manages the interventions on behalf of the two funding agencies. The first phase is substantially completed and resulted in a drastic improvement of the water supply and sanitation situation in both Mwanza and Mbeya. By the end of 2008 works contracts for Phase II were in place for Mbeya and Iringa, whereas the works contract for Mwanza was being re-tendered.

Thirteen projects were under implementation by the end of 2008 co-funded by the Water Initiative. The resources for these projects amount to €36.26 million. of which €20.08 million are funded from the Water Initiative. The interventions concern both rural and urban water supply and sanitation projects and institutional support interventions. Institutional support aims at strengthening the management of the Urban Water and Sanitation Authorities and facilitating fund raising for these public bodies through the provision of master plans and detailed designs for their water supply networks.

Location and population served by EC funded water and sanitation projects		
District/Town	Region	Population served
Mwanza Urban	Mwanza	600,000
Hai District	Kilimanjaro	117,000
Same District	Kilimanjaro	40,000
Kigoma District	Kigoma	52,000
Kisarawe District	Pwani	45,000
Dar Es Salaam	Dar Es Salaam	270,000
Kilosa District	Morogoro	28,000
Iringa Urban	Iringa	145,000
Iringa District	Iringa	38,000
Njombe District	Iringa	42,000
Mbeya Urban	Mbeya	342,000
Mtware District	Mwara	22,000
Zanzibar		27,500
Total		1,768,500

b. Trade and Regional Integration (10th EDF)

Trade and Agriculture Support Program I (10th EFD - € 9,400,000)

Less than one fifth of the funds allocated by the NIP to Trade and Regional Integration has been committed. The NIP allocated € 55.5 million to support trade and the process of regional integration. Financial Agreement for the Trade and Agriculture Support Program I (€ 9.4 M), the first program in this focus sector, was signed on Dec 08 by the EC. The program will support agricultural research for tea and coffee crops and the development of national trade policies and standards.

Support to Trade and Private Sector Development and Support to the EPA negotiations (9th EDF - € 508,000)

The Technical Cooperation facility has supported two initiatives to reinforce the capabilities of the Tanzanian Government to negotiate the Economic Partnership Agreement with the EU and to share information with the private sector.

Stabex (8th EDF – € 5,577,604)

Stabex funds supported agricultural research and the construction of roads and irrigation systems. The activities corresponding to the Stabex 94/99 (€ 45 M) were finalized at the end of 2008. A component in support of improved transport infrastructure for coffee growers in 8 regions allowed to upgrade a total of 661 km of unpaved roads to gravel standard in 8 regions. They are now maintained in good condition by TANROADS. The only deviation from the initial programme concerns the late completion of three road sections in Tanga and Kigoma regions. Poor results were achieved in the component of support the research centres in tea, coffee and cotton.

2.3.2 Non-focal area support

a. Governance

Tax Administration Project (8th EDF - €7,000,000)

The Tax Administration Project has supported the modernization of the tax collection system. The Programme started in 2000 and ended in December 2008. It was part of a multi-donor effort aiming at increasing the number of registered taxpayers by type of tax, increasing total revenue collection, reduce the amount of tax arrears, and simplify tax related procedures. Collection targets have increased sharply, increasing by 48% for FY 2007/2008 and again by 34% for FY 2008/2009. The corporate plan of the Tax Revenue Authority assumes that the high growth rate will continue and that the revenue yield, which amounted to 13.6% of GDP in FY 2006/2007, will reach 20.3% of GDP in FY 2012/13. However the targets set for the customs department and for trade facilitation (including stakeholders other than the customs department such as the port of Dar es Salaam) have been missed considerably. As a result, the overall progress towards development objectives has been rated as moderately satisfactory.

Support to the Local Government Grant Scheme (9th EDF - 22,700,000 €)

Local Governments have been provided resources to implement their development priorities. The progress in the decentralization process has not been accompanied by the transfer of financial resources to local governments. The program has provided temporary support to local governments and has resulted in

minor infrastructural developments such as schools and health posts. Currently discussions between the Government and development partners are ongoing to define how to advance the decentralization process in the next future.

Deepening Democracy programme (9th EDF - 1,500,000 €)

Key democratic institutions are being provided the means to operate more proactively. The program, of a total of €12 million, is managed by UNDP. Started in 2007 has been supporting the Parliament, the Registrar of Political Parties and the Election Management Bodies. The political events of 2008 have shown a more active Parliament, increasing the accountability of the executive branch of Government to the legislative.

Support to the NAO (9th EDF- € 2,500,000)

The design phase of this project, which will support the Ministry of Finance to manage the EDF resources, started in 2008.

b. Environment and Natural Resources

Support to Tanzania Game Reserves (9th EDF - € 1,980,000)

The programme only punctually contributed to improve wildlife conservation and the welfare of local populations. The evaluation of October 2008 concluded that the programme contributed to improve the surveillance activities in the parks during its implementation. After its conclusion, the aging of the infrastructure and lack of resources have resulted in an increased risk of poaching activities. The benefits for the local communities were extremely punctual and related to the employment created through the construction of infrastructure. The programme failed to involve the local communities and did not address critical aspects of conservation such as research and monitoring. Future interventions in this area should focus on improving the long term institutional management of game reserves and involve and gain the support of local communities.

c. Non-state actors

Support to non-state actors (9th EDF - € 3,000,000)

The programme aims to empower Non State Actors to contribute to the development of policies through improved dialogue with the Government. The programme has made good progress. First, NSAs are participating in learning platforms where they engage with representatives from the GoT. Second, the NSAs' access to information on policy issues has been improved with the establishment of seven Zone Focal Centres in Dar es Salaam, Mbeya, Mwanza, Arusha, Zanzibar, Pemba and Dodoma. Pending activities include the finalisation and implementation of a Code of Conduct for NSAs, the design of a National NSA Coordination Body, and the execution of tripartite meetings on EC cooperation and public accountability.

In addition to this, the European Commission is currently providing direct support to 39 projects implemented by Non State Actors (NSAs). The overall EC contribution amounts to € 53.621.182, of which € 22 million correspond to the EDF and € 31 million correspond to the EC Budget.

d. Tourism

Tourism Training Programme (9th EDF - €2,500,000)

The Tourism Training Program aimed at improving the skills of employees in the tourism sector. The programme has been supporting the development of a national curricula of professional education oriented to the tourism industry and the upgrading of educational capabilities at training centres. It has been supporting as well the creation of the National College of Tourism in cooperation with the French Development Agency.

Nevertheless, a deficient governance structure in this sector persists. The programme aimed at supporting two existing organizations to supervise and regulate the tourism schools. Nevertheless, the Vocational Education and Training Authority (VETA) failed to get involved in the project and the National Council for Technical Education (NACTE) has only marginally improved its capabilities to supervise and certify the accreditation of training centres. In addition to this, the public sector has failed so far to bring on board private sector representatives with broad experience in this area. As an example, the National College of Tourism has failed to leverage the know-how and capabilities of the numerous private companies operating in this sector and cater to their specific needs. Similarly, restrictions on the hiring of personnel make it difficult to attract experienced educators to improve the standards of the overall industry.

e. Others

Technical Cooperation Facility (9th EDF - € 5,777,750 / 10th EDF €5,000,000)

The Technical Cooperation Facility has financed the realization of preparation studies and supported the participation of the Ministry of Trade and other Tanzanian stakeholders in international discussions regarding the world trade system.

2.4 Other forms of cooperation

a. Regional Programmes

The Regional Strategy and Regional Indicative Programme for the 10th EDF were signed and approved in the course of the year. The RIP has been allocated €644 million and will focus on supporting political and economic integration. The summary status of 9th EDF programmes is provided in the table below.

Results/Actions	Situation at 31/12/2008
9.ACP.RSA.022 Monitor and follow Bridging Phase for Lake Victoria Environmental Management Project	EC agreed to formally withdraw from the MDTF
9.ACP.RSA.031 Monitor and follow Regional Avian Flu Programme	Implementation agreements were signed with both FAO and EAC
Monitor and follow Lake Victoria programmes with Uganda and Kenya Delegations	Ongoing
Monitor and follow Indian Ocean programmes with relevant delegations if possible	Ongoing
Contribute to closure of regional projects/programmes	Ongoing

b. Food facility

The EC Food Facility allocated €32 M for Tanzania. The facility aims at improving access to agricultural inputs, enhancing agricultural production and developing safety net measures for the most vulnerable population groups. Project proposals will be reviewed in 2009.

c. Water facility

The EU water Facility has allocated € 20 million for interventions in Tanzania. Details are provided in paragraph 2.3.1.

d. Sugar accompanying measures

Tanzania has been allocated €6 million to adapt to the termination of the Sugar Protocol. The sugar accompanying measures support ACP countries to adapt to the termination by the EU of the Sugar Protocol. The termination of the Sugar Protocol will eliminate guaranteed prices and quotas for ACP countries to the EU market. In the long run it provides the opportunity to benefit from the elimination on quotas. The Sugar accompanying measures support the sector in this transition period through the rehabilitation of infrastructures and applied sugar research, key components of the National Sugar Strategy of 2006.

e. Humanitarian assistance

The regional B-envelope is supporting the naturalization process of more than 170,000 Burundian refugees. The Commission has been supporting the naturalization process through a grant of €2.5 million to UNHCR from the regional B-envelope. The funds have allowed the repatriation of 30,000 Burundian and the screening of more than 158,000 Burundian refugees opting for Tanzanian citizenship.

ECHO continued its support to camps of refugees and operations of repatriation. ECHO allocated €10.75 million to the refugee programme via UNHCR, WFP UNICEF and Spanish Red Cross. 235,000 refugees, as well as some members of the local community near the camps, benefited from programs in the sectors of water, sanitation, transport, health, nutrition, shelter, protection and repatriation. Specific efforts were made to target vulnerable groups, such as unaccompanied minors, disabled people and elderly persons without family support. Attention was paid to gender-related problems, via the Sexual and Gender-Based Violence Programme. Reproductive health services continued to receive support, with Prevention of Mother-to-Child Transmission of HIV programmes running in every camp. In the sphere of repatriation, the programme was well organised, using Project Profile registration system as much as possible and achieving the goal of voluntary return in safety and dignity.

f. Budget line support

Through its budget lines, the European Commission has been providing support to 27 projects with an overall contribution of €31,581,970 in the sectors of Environment, Health, Agriculture, Education, Gender, Energy, Disabled People and Water.

g. European Investment Bank

The EIB supports the development of the country's infrastructure. The EIB is undergoing discussions with the Tanzanian Ports Authority (TPA) for the financing of several projects, including the upgrade of the Single Point Mooring (SPM) and the construction of two new berths at the Dar es Salaam port. In the energy sector, TANESCO is considering EIB's funding for the construction of the 650 km backbone transmission line from Iringa to Shinyanga. The EIB is in discussions with the Tanzanian Airports Authority to participate in the financing of the rehabilitation of 7 medium airports. There have been discussions to support ongoing studies that analyse the possibility to build a railways corridor from Dar es Salaam to Burundi and Rwanda.

h. The Global Fund

The Global Fund disbursed USD 169 million in Tanzania in 2008. Since its inception the Global Fund to fight HIV, tuberculosis and malaria has disbursed USD 384,096,420. The government received 90% of the funds disbursed in 2008 and remains the main beneficiary. The EC is one of the major contributors to the GF having disbursed USD 926,535,931 (7% of the total resources of the fund) since 2001. The Global Fund in Tanzania is managed independently and the EC does not participate in the country coordinating mechanisms.

i. Others

Due to record exports of agricultural and mineral products in 2008, Tanzania was not eligible for Flex funds. Tanzania has not Fishery arrangements with the EU and thus does not benefit of support from related instruments. Tanzania is not yet covered by the European Instrument for Democratic and Human Rights and the Instruments for Stability.

2.5 Policy coherence for development

The initialling of the interim EPA with the EAC allowed to keep the preferential trade regime with the region. Activities in the area of climate change following an allocation of 2.5 m€ from the Global Climate Change Alliance.

2.6 Dialogue in country with the National Parliaments, Local Authorities and Non State Actors

Contacts between the EC Delegation and the Parliament were strengthened in 2008. The fact that the EC Delegation is the lead agency for the Deepening Democracy Programme with Parliament does facilitate these contacts. Discussions focus on political developments in the country, EC's policies, positions and programmes. There are plans for a workshop with relevant Committees of Parliaments on EC support to Tanzania, including a briefing on the EPA.

2.7 Aid Effectiveness

The EC is active on cluster 1 (Economic Growth) and Cluster 3 (Governance) of the MKUKUTA. The EC Delegation is phasing out from cluster 2 (social sectors).

During 2008 the EU came to a draft agreement on the division of labour (DOL), following the approval, by the Council, of the EU Code of Conduct. The DOL exercise was then transferred to the Development Partners Group (DPG), where it was discussed a number of times. In the mean time, the Dialogue Structure was agreed with Government, which identified the sectors and thematic areas on the basis of which working groups are formed.

But bright spots exist that could extended to other sectors. The EC has in Tanzania a de-facto delegating agreement with Germany in the water sector, where a number of projects, co-financed by the EC, are implemented by KFW or GTZ.

ANNEX 1A. Table of macroeconomics indicators

	2003	2004	2005	2006	2007	2008	2009 (f)	2010 (f)	Source	
Basic data										
1	Population (in million)	35.9	36.7	37.5	38.2	39.0	39.7	40.5	41.3	IMF
	- annual change in %	2.9%	2.2%	2.2%	1.9%	2.0%	2.0%	2.0%	2.0%	IMF
2a	GDP, current prices (billion TZS)	12,107	13,972	15,965	17,941	20,948	24,817	28,941	32,343	IMF
2b	GDP, current prices (billion USD)	11.7	12.8	14.2	14.4	16.7	20.7	21.8	23.3	IMF
3	GDP per capita (current prices, USD)	324.6	349.1	377.7	375.7	428.4	521.4	538.7	563.4	IMF
4	Inflation (CPI change)	4.4	4.1	4.4	7.3	7.0	10.3	10.9	5.7	IMF
5	Real GDP growth (%)	6.9	7.8	7.4	6.7	7.2	7.5	5.0	5.7	IMF
6	Gross fixed capital formation (in % of GDP) - investment to GDP	18%	21%	22%	24%	25%				UNSTATS
International transactions										
7	Trade balance (% of GDP)		-7.8	-9.3	-15.0	-15.8	-18.9	-19.2		OECD
8	Exports of goods (fob, % of GDP)		11.5	11.8	12.2	12.2	11.5	10.9		OECD
9	Imports of goods (fob, % of GDP)		19.4	21.2	27.2	28.0	30.4	30.1		OECD
10	Current account balance (in % of GDP)		-2.9	-6.2	-9.6	-10.7	-13.4	-13.6		OECD

ANNEX 1B

Indicators	1990	2001	2005	2007	2008	Interm. Targets	2015
1. Proportion of Population below Poverty Line (%)	22	35.7		33.3			11
2. Prevalence of underweight children (under – five years of age)	28.8		21.9				14.4
3. Infant mortality rate	115		83				38
4. Net enrolment ratio in primary education (%)	54.2		94.8	97.3		99	100
5. Primary Completion Rate			66.9	65		90	
6. Ratio of girls to boys in:							
➤ Primary education	0.98		0.98	0.97			1
➤ Secondary education			0.87	0.89			1
➤ Tertiary education							1
7. Proportion of births attended by skilled health personnel (%)	43.9		46	51		80	90
8. Proportion of 1 year old children receiving DPT3 vaccination (under 1)			85	85		85	
9. HIV prevalence among 15-24 year old pregnant women (%)			6.8	7.3			5
10. Proportion of population with sustainable access to an improved water source (%)	46		53	57		65	82
11. Fixed lines and mobile telephone per 1000 inhabitants				256			
12. Formal cost required for business start up					41.5 (GNI per capita)		
13. Time requested for business start up					29 days		
14. Real GDP per capita and annual change			€283	€381	€386		
15. Access of rural population to an all season road							
16. Household electrification target				12.7		20 (2010)	

Source (s): MDG Progress Report Dec. 2006; Poverty and Human Development Report 2005; 2007; MKUKUTA Progress Reports, Household Budget Survey, Doing Business, PAF 2008; Basic Education Statistics in Tanzania 2003-2008, Data refer to Tanzania Mainland (excluding Zanzibar);

ANNEX 2. Annual report on budget support

The Commission disbursed € 31.4 million in GBS in 2008 under the PRBS 03 programme, in line with the amount it had committed to the Government (€ 32 million). This level of predictability represents an improvement compared to previous years.

As for most other GBS donors, the disbursement took place later than scheduled (in December), as a result of the EPA affair. With a positive Safeguards Assessment of the Bank of Tanzania by the IMF, good follow-up by GoT on the EPA action plan, and the prosecution of senior officials involved in other corruption cases, Development Partners have been reassured about the GoT's commitment to tackle grand corruption.

The performance of the variable tranche was much higher (71.4%) than in the past, highlighting the progress made in PFM, health and social indicators.

Performance for the PFM variable tranche was 75%, representing significant progress compared to the previous year. The only indicator not achieved regarded the production of quarterly anti-corruption reports.

For the social sector variable tranche (health and education), performance was also higher than in the past (68.8%), with only two indicators scoring 0 (girl/boy ratio in secondary education and HIV prevalence rate).

The full list of PFM and social sector variable tranche indicators and their scores is attached. Most indicators are coming from the Performance Assessment Framework (PAF). From the 2009/10 disbursement, all indicators will be PAF indicators, in line with other donors. The Commission was up to last year seen as an exception by not being fully aligned with the PAF.

The disengagement of the EC from the health and education sectors has represented a challenge in terms of the monitoring, policy dialogue and management of this programme, given its social sectors orientation. The Commission plans to sign DoL agreements with member states active in both sectors in order to address this for the next programme (MDG-C).

What plans to use the additional staff planned under the redeployment exercise to get support in social sector policy dialogue?

Under the Education SBS, € 12.15 million were transferred to the Treasury in December, more than a year later than originally planned in the FA. This amount reflects a disbursement rate for the variable tranche of 52.5%. Notwithstanding this, 2008 has been marked by noticeable progress in a number of key education developments, including the preparation of the Public Expenditure Tracking Study (PETS) and of the sector monitoring tool.