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## **Tanzania Receives \$18m to Fight Poverty**

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TANZANIA WILL receive a non-repayable financial grant of \$18 million from Switzerland for its Poverty Reduction Budget Support (PRBS).

According to the agreement, the funds will be used by the government in the implementation of the poverty reduction strategy and in the continuation of the economic and structural reform process.

"It is the third time that the Swiss government has extended support to the Tanzania government, bringing the Swiss general support to a total of \$42 million," said a statement from the Swiss Embassy in Dar es Salaam last week.

Tanzania's and sound macro-economic performance over the past few years has brought the Tanzanian economy onto a sustainable growth path, increasingly underpinned by a growing private sector, the embassy said.

The bilateral relationship between Tanzania and Switzerland dates back to the 1960s when the Swiss Development Co-operation started operations in the country.

Last November, the European Union (EU) gave Tanzania a second instalment of Tsh40 billion (\$36.6 million) under the Poverty Reduction Budget Support Programme.

According to the EU, the \$36.6 million is part of the Tsh150 billion (\$136.6 million) programme, which is being disbursed over a three-year period (2003-2006).

"The purpose of budget support in Tanzania is to reduce poverty by supporting the ongoing government reforms," the EU statement said, adding: "New schools have been constructed all over the country while the distribution of vaccination and medicine has been improved, new roads have been built and the management of public funds has been upgraded. All this could not have been achieved if the government was facing financial difficulties."

The acting head of delegation, Anthony Knott said, "This new allocation of budget support shows the commitment of the EU to invest in a mid-term process of reforms aimed at reducing poverty in Tanzania. The first results of these reforms are encouraging, therefore it is logical that funds should be agreed upon and transferred early in the financial year."

The overall EC aid to Tanzania for 2001-2007 is provided according to the jointly agreed Country Strategy Paper (CSP) between the government of Tanzania and the EC and the total "programmed" envelope amounts to Tsh370 billion of which 45 per cent is budget support.

The statement said the current talks around the mid-term review of the CSP could lead to an increase of this proportion to over 60 per cent as the "unprogrammed" aid amount could be utilised as budget support.

The "unprogrammed" share of the envelope could also in principle be used to fund the FLEX scheme aimed at compensating for variations in export revenues due to sharp decreases in commodities' world prices.

"However it is not certain that, from technical point of view, Tanzania will be eligible for FLEX over the next years-therefore, given its strong macroeconomic record, an increase in the overall budget support envelope looks appropriate," the EU said.

The dialogue around budget support takes place between Tanzania and 14 development partners, which contributed over Tsh440 billion (\$400 million) last year.