

**MEMORANDUM OF UNDERSTANDING**

between

**Government of the United Republic of Tanzania**

and

**Development Partners contributing to the**

**Health Basket Fund**

in

**support of achieving results under**

**Health Sector Strategic Plan IV**

**July 1, 2015 – June 30, 2020**

## **Preamble**

For the past fifteen years, the pooled funding arrangement, referred to as the Health Basket Fund (HBF), has focused on strengthening the Tanzanian mainland health system by providing additional funding to central ministries and local authorities. During this time, allocation of funding to Local Government Authorities (LGAs), who are responsible for delivering primary healthcare services, has been prioritised. As the HBF moves into a new phase, health systems strengthening and supporting primary healthcare services will continue to be a focus of the pooled funding support.

The HBF is intended to contribute to the achievement of the targets of the Fourth Health Sector Strategic Plan (HSSP IV) in line with its mission 'Reaching all Households with Quality Health Care'. It is also intended to contribute to Government of Tanzania's programme of strategic prioritisation in the health sector, 'Big Results Now', which has been incorporated into HSSP IV.

Specifically, the objective of the Health Basket Fund is to promote achievement of the HSSP IV targets by increasing resources in the health sector, with a focus on LGAs, in order to reach underserved populations with essential, effective and affordable health services, and to contribute to effective decentralisation to enhance delivery of quality primary health care. To promote achievement of the HSSP IV targets, disbursement of the HBF is linked to performance.

This Memorandum of Understanding (MOU) sets out the principles of cooperation between Government of the United Republic of Tanzania and the Development Partners providing financial support through the HBF in support of HSSP IV. It builds on past MOUs for the pooled funding arrangement, capitalising on the strengths and addressing past weaknesses. The MOU comprises the following articles:

- 1. Principles:** This article defines the principles and objectives of the Memorandum of Understanding.
- 2. Cooperation and Administration:** This article defines the management structures for the pooled funding arrangement between Government of Tanzania and Development Partners.
- 3. Joint Contributions and Obligations:** This article details the joint responsibilities of both parties (Development Partners and Government of Tanzania) regarding the pooled funding arrangement.
- 4. Contributions and Obligations of Development Partners:** This article details the responsibilities of Development Partners regarding the pooled funding arrangement.
- 5. Contributions and Obligations of Government of Tanzania:** This article details the responsibilities of Government of Tanzania regarding the pooled funding arrangement.
- 6. Implementation Arrangements:** This article outlines the implementation arrangements for the pooled funding arrangement, including the governance structure, disbursement arrangements, reporting requirements, procurement arrangements, and financial and audit management.

7. **Amendment of the MOU:** This article provides for any amendments to be made to the MOU.
8. **Withdrawal from and Admission to the MOU:** This article details the process for admission and withdrawal from the MOU.
9. **Corruption:** This article provides for cooperation on prevention of and communication on corruption.
10. **Non-compliance to the MOU:** This article outlines the process in the event of non-compliance with the MOU.
11. **Dispute Settlement:** This article outlines the process in the event of a dispute between Signatories.
12. **Entry into Effect and Duration:** This article details the entry into effect and duration of the MOU.

**Annexes:**

1. Basket Financing Committee Terms of Reference
2. Performance Scorecard
3. Implementation Calendar
4. Flow of Funds Chart

**The following documents form an integral part of this MOU:**

- Health Sector Strategic Plan IV 2015-2020
- Health SWAp Code of Conduct 2015
- Regional Health Planning Guidelines (2014)
- Comprehensive Council Health Plan Guidelines (2011)
- GoT Financial Regulations & Local Government Financial Act & Regulations
- SWAp Annual Meeting Timetable

**For the purposes of this MOU, the terms below have the following meanings:**

- “GoT” refers to Government of the United Republic of Tanzania represented by Ministry of Health and Social Welfare (MoHSW), Prime Minister’s Office - Regional Administration and Local Government (PMORALG) and Ministry of Finance (MoF).
- “DPs” refers to Development Partners that are Signatories to this MOU and financially contributing to the pooled funding arrangement.
- “HSSP IV” refers to the Health Sector Strategic Plan IV.
- “Health sector programme” means all activities in the health sector set out in HSSP IV, the MTEFs of MoHSW, PMORALG and Regions, and the Comprehensive Council Health Plans of Local Government Authorities.
- “Signatories” refers to parties that have signed this MOU.
- “Health Basket Fund” and “pooled funding arrangement” refer to the performance based pooled funding modality in support of the achievement of the targets of the health sector strategic plans.
- “Performance” refers to meeting agreed targets that lead to the release of pooled funds.

- “Extraordinary circumstances” means any unforeseeable events, not within the control of Government of Tanzania and, which by the exercise of due diligence, Government of Tanzania is unable to overcome such as strikes, lock-outs or other industrial disturbances, acts of the public enemy, wars whether declared or not, blockades, insurrection, riots, public health emergencies, epidemics, landslides, earthquakes, storms, lightning, floods, washouts, civil disturbances and explosions.

## **1. Principles**

- 1.1.** GoT and DPs recognise that respect for human rights, the rule of law, good governance and sound financial management are the fundamental principles on which the cooperation amongst the Signatories rests and constitute essential elements of the MOU.
- 1.2.** All Signatories confirm their commitment to implementing the principles of aid effectiveness and Sector Wide Approaches (SWAs) in support of building an effective health system that benefits all people of Tanzania and contributes to sustainable development. Country leadership, a focus on results, mutual trust and respect, shared responsibility, transparency and accountability are key principles of this commitment.
- 1.3.** GoT confirms its commitment to attaining a healthy life for all people in Tanzania, and further commits to provide to the extent possible quality of care in an effective and efficient manner in order to respond to the population’s health need and demand, and to promote geographic and gender equality in health service provision.
- 1.4.** Pooled funds are intended to complement GoT efforts in the health sector and will be integrated into the respective Medium Term Expenditure Frameworks (MTEFs) and Comprehensive Council Health Plans (CCHPs) and equitably distributed in alignment with the focus on LGAs and underserved areas.
- 1.5.** This MOU is neither a binding legal agreement nor an international treaty and it is not intended to create any legal commitments. It is understood by the Signatories that any matter that is not expressly provided for in this MOU will be governed by the bilateral agreement that DPs have signed or may sign with GoT. In the event of any conflict between the provisions of this MOU and the bilateral agreements, the latter will prevail.

## **2. Cooperation and Administration**

- 2.1.** The Basket Financing Committee (BFC), which includes representatives of each Signatory, will be responsible for ensuring that the values of the MOU are respected by the Signatories. Any amendment to the MOU or its attachments is subject to the approval of the BFC.
- 2.2.** In matters pertaining to administration of this MOU, DPs and GoT shall be authorised to represent their respective government/agency and shall be fully authorised to approve health plans to receive basket support.

- 2.3. GoT and DPs will develop an annual Side Agreement that will define any specific HBF related priorities for the year to come, the contribution by DPs, and the allocation to recipients.
- 2.4. Disbursement of funds is aligned to performance in the health sector as outlined in Article 6.4 of this MOU and defined in the Performance Scorecard.

### **3. Joint Contributions and Obligations**

- 3.1. GoT and DPs participating in the HBF are signatories to the Code of Conduct of the Health SWAp 2015 and thus commit to abide by the rules and procedures defined in that document, when not otherwise stated in this MOU.
- 3.2. GoT and DPs participating in the HBF will cooperate fully to ensure that the health sector programme (as defined in HSSP IV, MTEFs of MoHSW, PMORALG and Regions, and CCHPs of LGAs) is successfully implemented and that it achieves the intended results.
- 3.3. GoT and DPs are committed to achieving results in the health sector and are mutually responsible for implementing the performance mechanism and monitoring the performance scorecard.
- 3.4. GoT and DPs will consult and negotiate through the BFC on all issues, concerns and priorities that may arise, with a view to reach decision by consensus.
- 3.5. GoT and DPs will adhere to responsibilities and implementation arrangements as outlined in this document and its annexes.
- 3.6. GoT and DPs, through the BFC, will ensure the new performance-based financing mechanism adopted by HBF is understood by all stakeholders, including implementers at the regional and local government level.

### **4. Contributions and Obligations of Development Partners**

- 4.1. DPs will indicate as early as possible, and in line with the budget cycle, the likely amounts available in the subsequent year in order to inform the development of the health sector MTEFs.
- 4.2. DPs will specify commitments to the HBF within the annual Side Agreement, subject to consideration of need (as indicated in the MTEFs of MoHSW, PMORALG and Regions and the CCHPs of all councils), sector performance and each DP's ability.
- 4.3. DPs will endeavour to disburse as early as possible following the signing of the Side Agreement their total annual commitments to the designated US Dollar Holding Account at the Bank of Tanzania, once all criteria (as described in Articles 6.3, 6.4 and 6.5) are met. On making a deposit, DPs will comply with GoT procedures for channelling funds through the exchequer system.
- 4.4. Prior to any decision to withhold anticipated disbursements, DPs will consult other members of the BFC with a view to resolving concerns.

- 4.5. In the event of extraordinary circumstances that may lead to non-compliance with the MOU, DPs will consult with GoT through BFC and endeavour to reach a common position on the way forward.
- 4.6. Notwithstanding the provision foreseen in Article 10, DPs will provide six months' notice of intent to withdraw from the HBF in advance of the upcoming financial year.
- 4.7. The common review process (HSSP IV Mid-term Review, Joint Annual Health Sector Review, SWAp meetings, BFC meetings), together with the requirements of performance monitoring, is intended to satisfy the monitoring requirements of individual DPs. DPs will refrain from requesting any parallel and/or additional reviews of their contribution to the HBF.
- 4.8. DPs will refrain from earmarking their individual contributions within the HBF for specific thematic areas or activities.
- 4.9. If DPs establish bilateral agreements, they should be compatible with the spirit and provisions of this MOU and DPs should refrain from setting conditions in the bilateral agreements that contradict or diverge from the spirit of the provisions of this MOU.

## **5. Contributions and Obligations of Government of Tanzania**

- 5.1. GoT will adhere to good public financial management and procurement practices as per standard operating procedures, will ensure transparency and good governance in the use of funds, and will provide strong institutional and management capacity in the health sector.
- 5.2. GoT will maintain a health data portal with validated real-time data accessible to DPs contributing to the HBF.
- 5.3. GoT will make efforts to facilitate the successful implementation and achievement of targets of HSSP IV, including BRN related initiatives, and will:
  - 5.3.1. assume overall responsibility for the leadership, oversight, resource allocation, planning and administration of the health sector programme, including procurement of all categories of goods, works and services made available through the HBF;
  - 5.3.2. make commitments to the health sector that are consistent with the Five Year Development Plan and HSSP IV, including BRN initiatives; supportive of enhancing institutional capacities for achievement of results; and adequate to finance the health sector as per the MTEFs of MoHSW, PMORALG and Regions, and the CCHPs of all councils in the country;
  - 5.3.3. promptly inform the BFC and appropriate authorities within GoT of any condition that interferes or threatens to interfere with the successful implementation of the health sector programme.
- 5.4. GoT will make all reasonable efforts to effectively manage the HBF and will:

- 5.4.1. provide DPs with the necessary information and data to monitor performance on a quarterly basis;
  - 5.4.2. facilitate a timely flow of funds to the recipients of the HBF, monitor this flow of funds and communicate the same to the BFC;
  - 5.4.3. coordinate an annual high-level meeting between the Ministers of the undersigned Ministries and the Heads of Mission/Agency of the undersigned DPs.
- 5.5. GoT will make all reasonable efforts to ensure the efficient use of funding through the basket arrangement and will:
- 5.5.1. ensure that HBF financing is reflected in the plans and budgets of GoT, and is used exclusively to finance achievement of results under HSSP IV in line with the approved MTEF budget and supplementary budgets as reflected in the budget book tables approved by the Parliament or reallocations approved by the Treasury;
  - 5.5.2. apply value for money principles according to the respective budget guidelines;
  - 5.5.3. maximise flexibility in use of pooled funds in LGAs;
  - 5.5.4. Sustain investments supported through the HBF, including the maintenance of building and equipment and the utilisation of evidence, consultancies and capacity building.
- 5.6. Explicitly acknowledge the undersigned DPs' support through recognition and branding in all appropriate communications with the public or third parties about the HBF.
- 5.7. GoT will promote the use of the HBF to other DPs currently not engaged in the HBF and advocate for continued financing through the HBF from current contributing DPs.

## **6. Implementation Arrangements**

- 6.1. DPs will continue working towards strengthening and utilising government systems including planning and budgeting arrangements, and rules and procedures for procurement, disbursement, accounting, auditing, reporting, monitoring and evaluation. Enhancing GoT's management systems and using these to implement the health sector programme will strengthen ownership, internal capacity, and sustainability of the programme.
- 6.2. Basket Financing Committee
- 6.2.1. The BFC is the formal decision making body for the HBF. The BFC is co-chaired by the Permanent Secretary of MoHSW and the Permanent Secretary PMORALG.
  - 6.2.2. The mandate of the BFC is to provide strategic oversight, guidance and direction to the HBF, to agree annually a side agreement to the MOU setting out commitments and budget allocations, and to approve

disbursements from the USD Holding Account through the annual Side Agreement.

**6.2.3.** The BFC will have two standing sub-committees namely; Audit and Finance Sub-Committee (AFSC) and Performance Monitoring Sub-Committee (PMSC). The BFC may form any other committee or task force to help to fulfil its mandate.

**6.2.4.** The BFC will be managed in accordance with the Terms of Reference for the committee (see Annex 1).

### **6.3. Reporting**

**6.3.1.** To provide accountability for use of pooled funds, the following reports<sup>1</sup> must be submitted to the BFC by GoT:

- a. Controller and Auditor General (CAG) audits of the health sector for the prior fiscal year
- b. MTEFs of MoHSW and PMORALG (Health)
- c. Financial statement of the Holding Account
- d. Cumulative Quarterly Health Basket Finance Report

**6.3.2.** The yearly approval for the release of funds by BFC will follow submission of the above listed documents and achievement of the targets of base indicators.

### **6.4. Performance Mechanism**

**6.4.1.** Disbursement of funds to the HBF is aligned to performance in the health sector and will include two components: a base tranche and a performance tranche.

**6.4.2.** The Performance Scorecard (see Annex 2) is the mutually agreed basis to define and monitor performance. Targets may be reviewed on an annual basis.

**6.4.3.** Disbursement of the base tranche will be on an all-or-nothing basis following an assessment of the achievement of relevant targets as set out in the base indicator section of the Performance Scorecard.

**6.4.4.** Disbursement of the performance tranche will be on a sliding scale basis following an assessment of progress against relevant targets as detailed in the performance indicator section of the Performance Scorecard.

**6.4.5.** In alignment with the focus on underserved areas, an equity-based allocation formula<sup>2</sup> will apply to all allocations to LGAs.

**6.4.6.** A review of the performance approach and its implementation will be undertaken as part of the mid-term review of the HSSP IV.

### **6.5. Monitoring and Verification**

---

<sup>1</sup> Details of documents required, timelines & responsibilities are outlined in the HBF Performance Scorecard

<sup>2</sup> The current equity-based allocation formula includes population, poverty; capped land area and health need factors; this will continue to be applied to the base tranche. Any proposed changes to this allocation formula, and the proposed equity formula to be applied to the performance tranche, will be discussed through the BFC.



- 6.5.1. The selection of and Terms of Reference for the independent verifier will be agreed by the BFC.
- 6.5.2. Implementers will submit all relevant information to assess progress against the HBF Performance Scorecard to the Permanent Secretary-MoHSW by date as agreed in the BFC.
- 6.5.3. The Permanent Secretary will instruct the independent verifier to verify data submitted by implementers.
- 6.5.4. The independent verifier will have access to raw data sets for indicators included in the HBF performance scorecard.
- 6.5.5. The report of the independent verifier will be discussed in the PMSC. The findings and recommendations of the PMSC will be presented to the BFC for decision.
- 6.5.6. The Signatories will work through the BFC to resolve any issue that may arise from independent data verification.
- 6.5.7. If independent verification reveals intentionally falsified data, relevant sanctions will be determined through the BFC.

#### 6.6. Budget Consultations

- 6.6.1. Through SWAp dialogue, MoHSW and PMORALG will communicate to DPs on health sector priorities, budget preparation guidelines, and preparation of actual budget requirements, budget ceilings, and draft and final MTEFs for LGAs, Regions and central Ministries.

#### 6.7. Financial Management

- 6.7.1. The release of funds from the US Dollar Holding Account to the Exchequer will be in accordance with GoT disbursement mechanisms and as per the Flow of Funds Chart (Annex 4).
- 6.7.2. The US Dollar Holding Account will be used exclusively to finance agreed basket activities in the health sector programme.
- 6.7.3. Transfers of funds to LGAs, Regions and central Ministries will be posted on the website of MoHSW and MoF. In addition, all Regions and LGAs will publish funds received on their notice boards and table the same in council fora to enhance accountability and transparency.
- 6.7.4. Accounts for the health sector programme will be maintained in accordance with the CCHPs, GoT financial regulations and guidelines, and the proposed health facility financial guidelines. Where changes are made to these guidelines, Signatories should be notified in writing.
- 6.7.5. A joint Public Financial Management (PFM) risk assessment will be conducted at least twice (mid-term and near the end) over the period of the MOU to assess the capacity of MoHSW and PMORALG to plan, budget and manage funds. DPs will provide technical and financial assistance in support of this area upon request.
- 6.7.6. All findings and recommendations resulting from this assessment and subsequent discussions through the BFC and the annual health sector review will constitute the basis for corrective measures and reforms.

6.7.7. MoHSW and PMORALG will report to the BFC on progress of actions taken to correct anomalies and to address audit queries. Any member of the BFC may request and finance a special audit to be conducted. The results of such audits will be made available to all other BFC members.

6.7.8. Any contribution that would remain unexpended after termination of this MOU should be refunded to each DP in proportion to its contribution unless otherwise agreed through the BFC.

#### **6.8. Procurement**

6.8.1. All procurement shall be done in accordance with the Public Procurement Act No. 7 of 2011 and its respective regulations.

6.8.2. To ensure value for money, health sector programme procurement will be guided by two annual procurement plans, which will be prepared on the basis of the MTEFs of MoHSW and PMORALG.

6.8.3. Procurement audits that assess compliance and value-for-money will be undertaken annually by CAG/Public Procurement Regulatory Authority (PPRA).

6.8.4. Any member of the BFC may request and finance a special procurement audit to be conducted or may conduct a post review of any specific procurement that has been reasonable questioned. The results of such audits or reviews will be shared with all other BFC members.

#### **7. Amendment of MOU**

7.1. This MOU may be amended at any time through the BFC upon written agreement of all.

7.2. Any Signatory of the BFC may propose an amendment to be discussed and decided upon by the BFC.

#### **8. Withdrawal from and Admission to the MOU**

8.1. Notwithstanding the provision foreseen in Article 10, any of the undersigned DPs may withdraw from this MOU, following consultation with GoT and other DPs participating in the Health Basket Fund, through written notice to all other parties and informing the BFC within six months of the start of the upcoming financial year.

8.2. Any entity that is not currently a party to this MOU and wishes to fund the HSSP IV through the HBF may, with the endorsement of the BFC, become an additional party to this MOU upon consultation with MoHSW and confirming in writing to the MoF of its acceptance to the provisions of this MOU. Admission will be documented through an amendment to this MOU signed by the new entity and GoT.

#### **9. Corruption**

- 9.1. The Signatories will cooperate on preventing corruption within and through the health sector, and will require that GoT's staff and consultants under projects or programmes refrain from offering third parties, or seeking, accepting or being promised by third parties, for themselves or any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice. The Signatories will take swift legal action to stop, investigate and prosecute in accordance with applicable law any person suspected of misuse of resources or corruption.
- 9.2. The Signatories will promptly inform one another and the appropriate authorities within GoT of any instances of corruption and of the measures taken as referred to in the above paragraph.

#### **10. Non-compliance to the MOU**

- 10.1. In the event of major non-compliance with the MOU, any Signatory may suspend, reduce or cancel further disbursements and commitments to the HBF.
- 10.2. If a DP intends to suspend or terminate disbursement, the DP will call for a meeting of the BFC to attempt to reach a joint position on the measure, remedial or otherwise, and is required to inform the other Signatories of its intentions regarding the continuation or discontinuation of support.
- 10.3. Suspensions of disbursements by DPs may be lifted when the circumstance that gave rise to the suspension has ceased to exist and/or appropriate actions satisfactory to DPs have been implemented by GoT.

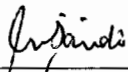
#### **11. Dispute Settlement**

- 11.1. If any dispute arises between the Signatories as to the interpretation, application or implementation of this MOU, they will consult one another through the BFC for the purpose of reaching an amicable solution.

#### **12. Entry into Effect**

- 12.1. This MOU will come into effect after it has been signed by each party. It shall remain in effect until June 30th, 2020, unless extended or terminated by agreement in writing by all Signatories.

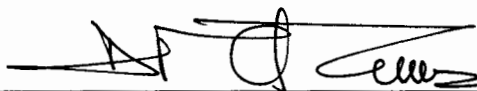
## SIGNATORIES



Dr Donan W. Mmbando, Permanent Secretary  
Ministry of Health and Social Welfare

29<sup>th</sup> August, 2015

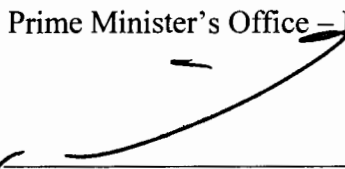
Date



Jumanne Sagini, Permanent Secretary  
Prime Minister's Office – Regional Administration and Local Government

AUGUST 29<sup>th</sup> 2015

Date



Dr Servacius B. Likwelile, Permanent Secretary  
Ministry of Finance

29/08/2015

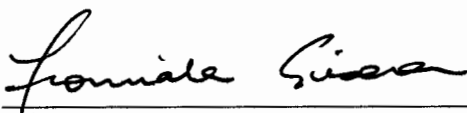
Date



Einar Hebogård Jensen, Ambassador  
Government of Denmark

14 Sept. 2015

Date



Fionnuala Gilson, Ambassador  
Government of Ireland

29 August 2015

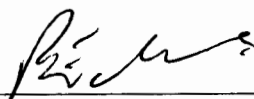
Date



Dr Natalia Kanem, Representative  
UNFPA

2 Sep 2015

Date



Paul Edwards, OIC Representative  
UNICEF

29/08/2015

Date



Bella Bird, Country Director for Tanzania, Burundi, Somalia and Malawi  
World Bank

3 Sept. 2015

Date