

MEMORANDUM OF UNDERSTANDING

Between

**The Partners (Government of Tanzania and Donors¹)
participating in the pooled funding (“basket financing”)
of the Health Sector**

concerning

**The pooled funding for the Government of Tanzania’s
Health Sector Programme based on the
Second Health Sector Strategic Plan**

and the

Health Sector Medium Term Expenditure Framework

July, 2003 – June, 2008

¹ Danish International Development Assistance (DANIDA), Development Cooperation Ireland (DCI), German Government (GTZ and KfW), Government of the Netherlands, International Development Association (IDA) and Swiss Development Cooperation (SDC).

A. Principles and objectives

1. The Government of Tanzania (GoT) initiated a Program for the reform and development of the health sector, in July 1999, supported by the Programme of Work. In May, 2003, the GoT and its Partners endorsed the Second Health Sector Strategic Plan: July, 2003-June, 2008 (the HSSP). This Memorandum of Understanding (MOU)² is intended to support the implementation of the HSSP.
2. The Ministry of Health (MOH), the President's Office, Regional Administration and Local Government (PORALG), Ministry of Finance and the Development Partners signing this MOU confirm their commitment to implementing the principles of Sector-Wide Approaches (SWAs) to achieve sustainable improvements in the health and well-being of the Tanzanian people, while reducing the burden and transaction costs of multiple procedures. They commit to expanding the scope of pooled financing, improving the implementation of the joint procurement and disbursement mechanisms, and disbursing an increasing share of external financing through the basket mechanism(s).
3. This (MOU) sets forth the terms and procedures for the Pooled Donor funding of the Health Sector Programme throughout the Health Sector Medium-Term Expenditure Framework (MTEF) at central level and Comprehensive Council Health Plans (CCHPs) at council level. The MOU applies to partners who intend to channel funds using the pooled account and joint disbursement and procurement mechanisms. The MOU represents an agreement on how these resources will be managed, while fully respecting separate bilateral agreements and commitments between these Development Partners and the (GoT). Pooled funds are intended to complement Tanzanian Government efforts in the health sector. The specific outputs will be contained in the MTEFs.
4. The Basket Financing Committee (BFC) see Annex A for the Terms of Reference which represents each government and donor agency participating in the pooled funds arrangements will be responsible for the implementation of this MOU. Any amendment to the MOU or its attachments is subject to the approval of the BFC.

B. Cooperation and Administration

1. The GoT and Development Partners participating in the pooled financing will cooperate fully to ensure that the Health Sector Programme (as defined in the MTEFs of both MOH, PORALG and Comprehensive Council Health Plans of all Councils in the Country and the HSSP) are successfully implemented and that it achieves intended results. To this effect, each party will make available to the other parties all such information as may reasonably be required pertaining to the Health Sector Programme.

² An earlier MOU encompassed the MTEF 2000/2001-2002/2003

2. In matters pertaining to implementation of this MOU, the Development Partners and GoT shall be authorized to represent their respective governments/agencies and shall be fully authorized to approve strategies and activities to receive basket support.
3. The MOH and PORALG will have the overall responsibility for the implementation of the programme.
4. Representatives of the GoT and Development Partners will meet quarterly four times a year (one out of the 4 quarterly meetings will coincide with the annual review) or as otherwise agreed by the members, in the forum of the BFC. Detailed Terms of Reference are attached as Annex A. The BFC will meet in order to:
 - a. approve the annual and quarterly sector plans for pooled funding and approve the release of resources against those agreed plans and budgets
 - b. oversee that the use of basket resources to support the activities in the MTEFs of both MOH, PORALG and Comprehensive Council Health Plans of all Councils in the Country, following set financial, administrative and management procedures in the context of good governance and gender perspective
 - c. monitor overall progress and sector performance by comparing agreed quarterly and annual achievements and outputs in relation to resources spent.
 - d. releases for 2nd and 4th Quarter funds for both the central and council basket will be done administratively as specified in the guidelines.

C. Contributions and Obligations of the Development Partners

1. The Development Partners will, subject to consideration of need (as indicated in the MTEFs of MoH, PoRALG and the Comprehensive Council Plans of all Councils) and each donor's ability, specify annual commitments to the pooled funds within the Side Agreement.
2. The Development Partners will indicate each March the likely amounts available to finance the pooled account in the subsequent year in order to inform the development of the health sector MTEFs.
3. Development Partners will make semi-annual disbursements to the US Dollar Holding Account at the Bank of Tanzania based upon quarterly cash flow requirements and each Donor Partner's share of total commitments.
4. The US Dollar Holding Account will be used exclusively to finance agreed basket activities in the health sector programme.
5. Prior to withholding the release of funds from the US Dollar Holding Account or disbursements into the US Dollar Holding Account, the Development Partners will consult with the BFC with a view to resolving concerns.
6. That agreed activities based on the objectives of the Health Sector Strategic Plan and the use of funds are satisfactorily budgeted, presented, monitored and

reported to the Basket Finance Committee and that the Basket Finance Committee approves substantial deviations before they take place.

7. Consistent with the Rome Declaration on Harmonization, partners are expected to align individual agency requirements and demands with the GoT fiscal year, the GoT budget review process, the Health Sector Public Expenditure Review (PER) and the Joint Annual Review.
8. Additional sub sector reviews, planning and or technical inputs that may be supported by individual development partners will be requested by and coordinated by the GOT. Findings of these may be made available to BFC and SWAP Partners.
9. A Joint Annual Review is intended to meet the review and monitoring requirements of individual Development Partners. This review will be inclusive and the GOT will not expect parallel reviews of individual projects except other wise concluded in specific arrangements stated under paragraph 8 above.
10. The bilateral agreements of the development partners shall prevail over the MoU, and there is no linkage between one bilateral agreement and another.

D. Contributions and Obligations of the Government of Tanzania

1. The GoT, through the Ministry of Finance, MOH and PORALG will make all reasonable efforts to facilitate the successful implementation of the HSSP and will:
 - a. make commitments to the health sector that are consistent with the Poverty Reduction Strategy (PRS) and the Sector's demonstrated capacity to perform;
 - b. contribute financing to the Programme per the MTEFs of both MOH, PORALG and Comprehensive Council Health Plans of all Councils in the Country;
 - c. have the overall responsibility for the planning, administration and implementation of the Programme, including all categories of goods, works and services made available through the pooled financing;
 - d. sustain investments supported through the pooled financing, including the maintenance of building and equipment and the utilization of studies, consultancies and capacity building;
 - e. ensure that donor financing is reflected in the plans and budgets of the GoT, and that the pooled financing is managed in accordance with the implementation arrangements described below;
 - f. Defray any custom duties, and other taxes, fees and levies on all equipment, materials and supplies financed by the grants and purchased for the benefit of the programme.
 - g. prepare capacity building plans to ensure sufficiently qualified personnel that may be required for the successful implementation of the Programme;
 - h. grant all necessary permits, including work permits for consultants, import licenses and foreign exchange permissions that may be required to implement the Programme, and are financed under the pool funds; and

- i. promptly inform the Development Partners of any condition (including theft of misuse of funds) which interferes or threatens to interfere with the successful implementation of the Programme.
2. Annually conduct a Health Sector Public Expenditure Review (PER) and share and discuss the findings with Development Partners.
3. Conduct at the end of March each year a Joint Health Sector Review with representation of all key stakeholders that will:
 - a. assess progress in implementing the MTEFs of both MOH, PORALG and Comprehensive Council Health Plans of all Councils in the Country in line with the HSSP;
 - b. report on the performance and achievement of milestones (including those in the Side Agreements) agreed during the previous Review; and
 - c. consider priority issues in the plans for next financial year and their importance for the identified milestones.
4. Prior to its completion, review the draft MTEFs of both MOH, PORALG and Comprehensive Council Health Plans of all Councils in the Country with Development Partners, to agree on the objective and outputs to be in line with the sector investment plan (HSSP). Furthermore, agree on the level of funding.

E. Implementation Arrangements

1. Partners will continue working towards strengthening and utilizing Government systems including planning and budgeting arrangements, mechanisms, rules and procedures for procurement, disbursement, accounting, auditing, reporting, monitoring and evaluation. Enhancing the Government's management systems and using it to implement the program will strengthen ownership, internal capacity, and sustainability of the Program.
2. The quarterly approval for the release of funds from the Holding Account by the BFC will be conditional upon the following:
 - a. that the Health Sector Program is being implemented as agreed at the Annual Joint Health Sector Review and as reflected within the MTEFs of both MOH, PORALG and Comprehensive Council Health Plans of all Councils in the Country;
 - b. that resources available from Donors are consistent with commitments reflected in the Side Agreement and resources from the MOF are consistent with the MTEFs of both MOH, PORALG and Comprehensive Council Health Plans of all Councils in the Country; and
 - c. that agreed activities in the MTEFs of both MOH, PORALG and Comprehensive Council Health Plans of all Councils in the Country are satisfactorily budgeted, presented, and reported to the BFC, and that the Basket Finance Committee approves substantial deviations before they take place.

3. The release of funds from the US Dollar Holding Account to the Consolidated Fund will be in accordance with GoT disbursement mechanisms.
4. Accounts for the Programme will be maintained in accordance with the Joint Disbursement accounting manual at the central level (Annex B) and the Procedures Manual for the Joint Disbursement System for Council Health Basket Funds (Annex C), GoT Financial Regulations and the Local Government Financial Regulations.
5. Annual consolidated financial statements will be prepared for the agreed MTEFs of both MOH, PORALG and Comprehensive Council Health Plans of all Councils in the Country

Financial Audits

6. An annual audit by the Controller and Auditor General for the pool funds will be undertaken, with sub-contracted assistance of an audit company of international standard at the end of the financial year. The annual report will be made available to the Basket Financing committee within six month of the end of financial year. The sub contractor will be required to set up such working arrangements which will allow sharing of knowledge and skills as well as building capacity within the office of Controller and Auditor General
7. An Audit Sub-Committee will receive the annual external audit reports, and propose options for actions on the audit queries and make recommendations to the BFC. The Audit sub committee will report to each meeting of the BFC (Terms of Reference of the Audit Sub-Committee are attached as annex). The MoH and PORALG will report regularly at each BFC meeting on progress of actions taken to correct anomalies and to address audit queries. When a particular risk (s) has been identified, any development partner in the BFC may request that a special audit be conducted. The results of such an audit will be made available to the Government and other development partners.

Procurement

8. By July 31 of each year, the Government will provide the Development Partners for their review a draft annual procurement plan, which will include on-going contracts rolling into the following year, and detailed procurement plans for the following year based on the MTEFs of both MOH, PORALG and Comprehensive Council Health Plans of all Councils in the Country. The Basket Financing Committee will endorse the annual procurement plan by 15th August of each year.
9. The Government and the Partners have agreed that all procurement above US\$500,000 equivalent for civil works and US\$200,000 equivalent for goods will be conducted using international competitive bidding (“ICB”), as set forth in Section II of the Guidelines for Procurement under IBRD Loans and IDA Credits and consultancy contracts expected to cost above US\$100,000 will be recruited under

procedures set forth in Sections II (which refers to quality and cost based selection): Selection and Employment of Consultants by World Bank Borrowers.

10. With respect to each contract for goods or works to be procured using ICB, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the World Bank Procurement Guidelines will apply. With respect to each contract for the employment of consulting firms estimated to cost the equivalent of US\$100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the World Bank Guidelines for Selection of Consultants will apply.
11. All non ICB contracts (less than US\$ 500,000 equivalent for civil works and US\$ 200,000 equivalent for goods) and consultancy contracts expected to cost less than that US\$ 100,000 shall be awarded in accordance with provisions of the Public Procurement Act (PPA) of 2001. This notwithstanding, the applicable contract thresholds and prior review requirements for the procurement methods indicated below will be as set forth in this MOU:

	GOODS	WORKS
NCB	<200,000	<500,000
LIB/RESTRICTED TENDERING	All values; prior review >200,000	All values; prior review >500,000
SHOPPING/QUOTATIONS	<30,000	<50,000
SINGLE SOURCE	All values; prior review	All values; prior review
MINOR VALUE	<2,500	<8,000

12. During implementation of the Procurement Plan, the Government will provide the Development Partners with quarterly procurement monitoring reports concerning progress in implementation of the Procurement Plan and identify any contracts that were not included in the approved Procurement Plan. The Government and Partners will provide information to other Partners concerning the award of contracts and appointment of consultants, and any material modifications of the terms and conditions of such contracts after their award.

Procurement Audits

13. Selection of the consultant will be in line with the provisions in the Public Procurement Act, or if the estimated values is greater than US\$100,000 equivalent with the procedures set forth in the Guidelines: Selection and Employment of consultants by the World Bank Borrowers.

14. If cases of misprocurement occur, each development may take the action established in its own guidelines and any development partner may decide, after consulting with the other development partners, whether to cancel from its respective financing an amount equivalent to the contract amount multiplied by its percentage participation in the Basket.

The other Development Partners will make the same determination in respect of their financing of the same contract.

15. When particular risks have been identified, any development partner may request that a special procurement Audit be conducted or may conduct post review specific procurement which have been questioned. The Development Partner will provide the Government and the other Development Partners with the results of any such procurement review conducted by the Development Partner.

16. The findings of the annual procurement audit will be provided to all Partners and the Government by December 31³ of each year. Partners will provide their comments within four weeks of receiving such report. The Government will by March 31st of each year provide the Partners with a proposed plan of action to correct any anomalies and errors identified in the procurement audit or review. Taking comments of the Partners into account, the Government will implement such plan of action in accordance with the agreed action by the Development Partners and the Government, within the framework of the existing laws.

F. Reporting Arrangements

Central and Council Baskets Disbursements (conditions and timing of the releases/disbursements).

1. Disbursement of first quarter funds for both central and council baskets will be dependent upon submission of first six months financial accounts and first six months technical reports of the previous year and approved MTEFs of both MOH, PORALG and Comprehensive Council Health Plans of all Councils in the Country and cash flow forecasts for the current year or approved CCHPs.
2. Disbursement of 3rd quarter funds for both central and council baskets will be dependent on submission of previous years annual accounts and annual technical reports. The annual technical report should be detailing progress, that is, achievements and obstacles. The annual accounts report should be related to the agreed budget, specifying expenditure against budget and giving reasons for variance.
3. Release of 2nd and 4th Quarter funds will be automatic unless there are financial or technical irregularities identified in the preceding reports.

Reports for the Council Basket (lay out and timing of reports)

1. PORALG will submit a semi and annual consolidated report on the use of the conditional grants and basket funds one week in advance to the BFC for approval.
2. The MOH will submit a semi and annual technical report which summarizes performance against technical objectives as described within the Comprehensive Council Health Plans one week in advance to the BFC for approval.

³ This date agreed with TZ MOH procurement staff.

3. The Regional Secretariat will oversee the quality of the submitted Comprehensive Council Health Plans and Reports through technical backstopping and logistic support.

G. Amendment of MOU

This MOU may be amended at any time upon written agreement of all the parties hereto.

H. Entry into effect and duration

This MOU will come into effect after it has been duly signed by all the parties hereto, and shall remain in effect for the duration of the HSSP (FY2003-2008) unless extended by agreement in writing by the parties hereto.

I. Admission of New Development Partners

New Development Partners may join this MOU if they are prepared to provide part or all of their financing for the sector through the basket under these established terms and procedures.

J. Withdrawal from the MOU

Any Development Partner and Government hereto, following consultation with the other parties to this MOU, may terminate its participation in this MOU by written notice to the other parties hereto.

M.J. Mwaffisi
Permanent Secretary,
Ministry of Health

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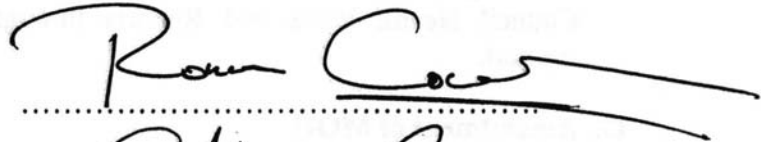
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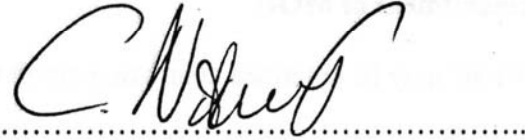
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Charge' d' Affaires,
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H.E. Carsten Nilaus Pedersen
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Dr. Emanuel Malangalila
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World Bank



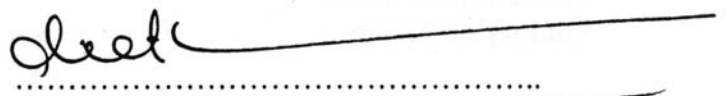
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