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**SIDE AGREEMENT WITH BASKET PARTNERS
 FY07/08**

- 1) This agreement sets out mutual understandings, undertakings and commitments by Government of Tanzania and Basket Financing Partners.
- 2) The Basket Partners hereby pledge continued financial support to the Health Sector for the period FY07/08, based on the Ministry of Health & Social Welfare and Prime Minister's Office Regional Administration & Local Government Medium Term Expenditure Frameworks FY07/08 - FY09/10 and Comprehensive Council Health Plans FY07/08,
- 3) All parties agree that the health sector basket for the period FY07/08 will continue to finance earmarked transfers to the councils (minimum US\$ 0.75 per capita) to enhance the provision of basic services and quality health care. The remaining basket resources will be used to support the agreed upon priority activities at the central Ministry of Health & Social Welfare and rehabilitation of First line Health Services (Dispensaries and Health Centres) through the Joint Rehabilitation Fund.
- 4) All parties agree that adherence to the Health Basket Memorandum of Understanding (MoU) FY03/04-FY07/08 to which all parties have signed is essential for the continued release of Health Basket Funds. To this effect a Schedule and Check List that includes key time-lines, responsibilities and reporting requirements has been attached as Annex 1 and forms part of this Agreement.
- 5) All parties agree that the issuing of the Audit Reports (Central Health Basket FY05/06, Council Basket FY05/06, District Health Infrastructure Rehabilitation Component FY04/05, FY05/06 and Procurement Audit FY04, FY05, FY06), together with a clear set of management actions by MoHSW, PMO-RALG and Councils respectively to address any irregularities, shortcomings or internal control weaknesses should be completed as soon as possible. Follow-up corrective actions in light of Audit findings will be a standing item in the agenda of all BFC meetings and will be monitored on a monthly basis by the Audit Sub-Committee. At the same time, all parties agree that as far as possible mobilising for the financial audits (central, district) for FY06/07 will begin in October 2007 and be completed by December 2007.

- 6) All parties agree that the results from the District Health Infrastructure Rehabilitation Component (DHIRC) Study which will assess the options and implications of merging the DHIRC into the Local Government Capital Development Grant (LGCDG) will inform a decision on the future funding of the DHIRC from FY08/09 onwards.
- 7) All parties agree that in this current fiscal year there is a need to chart a way forward that will address expectations for the Health Basket in the medium term. This will draw on the Joint Assistance Strategy Tanzania (JAST), findings of the External Evaluation of the Health Sector, preparations for the development of the third Health Sector Strategic Plan FY08/09 - FY12/13, and changes in financiers of the Health Basket. Thus all parties agree that a small group comprising Government and Development Partners will address this issue and present their findings to a special BFC meeting in December 2007.
- 8) All Basket Partners will endeavour to make all annual allocations at the beginning of the financial year in-line with the JAST and with the understanding that Government will ensure that such resources reach the intended beneficiaries in a timely manner, particularly at the district level.
- 9) The table below shows commitments for disbursement into the pooled Basket fund in FY07/08 being contingent upon the mutual undertakings made above.

Development Partner	\$ Contribution FY 2007 - 2008 (millions)	Modality: e.g. Project /basket
World Bank	45	20 million Basket
		25 million Projects
Germany	20	5 million Basket
		10 million Projects
		5 million Programmes
ADB	32.6	Projects
Japan	0.7	Projects
Ireland	10	9 million Basket
		1 million NGO Projects
USG PMI	34	Projects
USAID Other Health	42.8	Projects

Canada	5	4 million Basket
		1 million NGO Projects
Netherlands	15	8.6 million Basket
		6.6 million Projects
Denmark	17	12 million Basket
		3.5 million Earmarked funding 2 million Zanzibar
Norway (TBC)	8.7	6.4 million Basket
		2.3 million Projects
Switzerland	6.5	4.5 million Basket
		2 million Projects
UNICEF	0.5	Basket
UNFPA	0.6	Basket
Budget Support (14 donors)	74	GBS (notional calculation based on 10.5% of government budget allocated to health sector)
TOTAL	312.6	

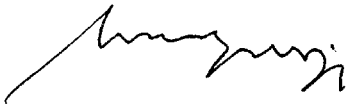
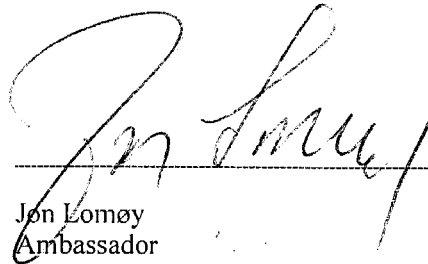
Notes:

* The amount in USD depends on the actual exchange rate at the date of request

Done in Dar es Salaam on the 29th day of November 2007.

For the Government of
the United Republic of Tanzania

For the Norwegian Ministry of
Foreign Affairs

Mr. Gray S. Mgonja
Permanent Secretary - Treasury

Jon Lomøy
Ambassador