

**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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November 25, 2014

Dr. Servacius B. Likwelile  
Permanent Secretary  
Ministry of Finance  
Dar es Salaam

Dr. Donan Mmbando  
Permanent Secretary  
Ministry of Health and Social Welfare  
Dar es Salaam

Mr. Jumanne Sagini  
Permanent Secretary  
Prime Minister's Office  
Regional Administration and Local Government  
Dar es Salaam

Dear Dr. Likwelile, Dr. Mmbando and Mr. Sagini,

***Subject: Future Support to Health Basket Fund by Development Partners***

We are writing to you on behalf of Development Partners supporting the Health Basket Fund to highlight a number of our concerns for your immediate attention.

**1. Essential Health Commodities and Government Debt to MSD**

Development Partners have long been concerned with the rising level of Government debt to Medical Stores Department (MSD) and have raised this issue through both the Basket Finance Committee and the Audit Sub-Committee. This debt has eroded the MSD capital for procurement of essential medicines, vaccines and other health commodities for primary health care. The recent directive to health facilities to remit 50% of self-generated funds to MSD will not resolve the issue: 2014/15 Comprehensive Council Health Plan (CCHPs) show that councils are already allocating approximately 50% of their National Health Insurance Fund (NHIF)/Community Health Fund (CHF) and user fees for medicines and commodities. We request an update on a clear action plan to clear the MSD debt and prevent it from growing, and for the impact of the order on self-generated revenues to be reviewed.

In addition, during the recent Big Results Now Health Lab the MSD Director informed attendees that over 40% of commodities are lost through pilferage. We request clarity on the causes of such pilferage and that actions be taken to hold those responsible to account.

These concerns have damaged the confidence of the Development Partners in the ability of MSD to ensure availability of essential medicines and other commodities for primary health care.

Given this situation, the Health Basket Fund Development Partners are not willing to allocate further funding directly to MSD after fiscal year 2014/15.

## **2. CHF Matching Funds**

Development Partners have learned that no payments of matching funds for CHF have been paid by NHIF for financial years 2012/13 and 2013/14. As health basket funds have been transferred to NHIF for that purpose and are incurring administrative costs, development partners are concerned about value for money and the impact this is having on health service delivery at the primary level. We understand that the Memorandum of Understanding between NHIF, Prime Ministers' office Regional Administration and Local Government (PMO-RALG) and Ministry of Health and Social Welfare (MoHSW) on CHF has expired and that NHIF has introduced additional restrictive requirements that are affecting councils' abilities to submit claims for payments. Even those districts that do meet the requirements have not been paid their matching funds.

Development Partners request that the MoHSW identify the reasons why NHIF matching funds are not being paid and what is being done to address this situation.

## **3. Timely Follow up of Audit Recommendations**

Development Partners are also concerned by the lack of timely follow up to audit recommendations. The Audit Sub-Committee, which aims to minimize Public Financial Management risk (PFM) and provide confidence to Development Partners using government systems to support the health sector, had not received all the required audit action plans for 2012/13 at the time of writing this letter. An ad hoc Audit Sub Committee (ASC) meeting to discuss audit action plans has been postponed several times. This is a concern, particularly given the weaker audit performance of both the Ministry of Health and Social Welfare (MoHSW) and PMO-RALG in recent years. Follow up on Controller and Auditor General (CAG) recommendations needs to be adhered to. We have seen a negative trend in key PFM indicators, such as increases in the amount of unsupported payments (including unsupported salary payments). Development Partners would like to see how the two ministries plan to improve their financial management performance.

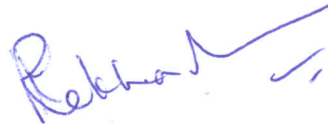
## **4. Commitments of Development Partners**

Please note that some Development Partners do not yet have approval for funding Health Basket Fund in 2015/16 and future years. This means that some Development Partners, including Canada and the World Bank, which are the two largest contributors, will not be in a position to provide indicative allocations for fiscal year 2015/16 until after the Government of Tanzania has prepared its 2015/16 budget.

Development Partners continue to support the Health Basket Fund as a modality and look forward to addressing these and other concerns through ongoing discussions and continued cooperation on the development of the next Memorandum of Understanding.

Thanking you in advance for your consideration and timely response.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Rekha Menon', with a stylized flourish at the end.

Rekha Menon  
DP Health Basket Fund Coordinator  
Program Leader Health, Education, Water and Urban