

Draft Standardized MOU for District Governments

MEMORANDUM OF UNDERSTANDING Re: Punjab Devolved Social Services Program

THIS MEMORANDUM OF UNDERSTANDING (“MOU”) is made and entered into at _____ on this ____ day of ____ 200__ by and between the PROVINCE OF PUNJAB (“Punjab”) and the DISTRICT OF _____ (“XYZ”).

WHEREAS:

(A) the Asian Development Bank (“ADB”) has agreed to make to the Islamic Republic of Pakistan (“Borrower”): (i) a loan (“Ordinary Operations Loan”) of _____ [Dollars] ([\\$] _____); and (ii) a loan (“Special Operations Loan”) of _____ Special Drawing Rights (SDR _____) for the purpose of strengthening devolved social services in Punjab to achieve progress toward the Millennium Development Goals (MDGs) related to poverty, gender, education, health, and water supply and sanitation (“Program”);

(B) the ADB has agreed to make the Ordinary Operations Loan and the Special Operations Loan (“Loans”) only on the condition that the proceeds of the Loans be made available to Punjab, which shall, in turn, transfer the proceeds of the Special Operations Loan as Conditional Grants (“Conditional Grants”) to the district governments and the Program tehsil municipal administrations in the Punjab;

(C) the Department for International Development (“DfID”) has agreed to provide grant in assistance (“DfID Grant”) in an amount equivalent to United States Dollars Fifty Million (\$50,000,000), comprising the equivalent of: (i) United States Dollars Thirty Million (\$30,000,000) as complementary financing; and (ii) United States Dollars Twenty Million (\$20,000,000) as technical assistance grant, for the purposes of the Program; and

(D) Punjab and XYZ, in consideration of: (i) the ADB agreeing to provide the Loans for the purposes of the Program; and (ii) the DfID Grant, have agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

1. Program Support

1.1 Punjab and XYZ shall work together to: (i) improve social sector financing; (ii) promote and support programs focusing on improving social service delivery in XYZ; and (iii) formulate long-term strategies for reducing poverty and gender inequities by improving governance and financing, rationalization of services, public-private partnership, community participation and public accountability.

1.2 Punjab and XYZ shall provide financial, managerial and technical support for the Program and its activities so as to strengthen, improve and expand equitable, efficient, effective and sustainable delivery of social services in the education and health sectors.

2. Gender Mainstreaming

2.1 Punjab and XYZ shall demonstrate their commitment towards gender mainstreaming by: (i) giving priority to gender issues and needs in sector plans; and (ii) involving women in decision making by including, at least, two (2) women councilors on Budget, Accounts and Sector Monitoring Committees formed/to be formed pursuant to the Punjab Local Government Ordinance (“Ordinance”).

3. Obligations and Responsibilities of Punjab

3.1 Punjab shall establish the Provincial Program Support Unit (PSU) and the Local Support Groups (LSGs), which shall provide XYZ technical expertise and support in the areas of sector planning, monitoring, capacity building and community development.

3.2 Punjab shall provide XYZ its share from the Conditional Grants, as determined by the Provincial Finance Commission (“PFC”), based on a clear and objective formula. For FY 2005-06 the PFC shall disburse to XYZ seventy percent (70%) of its share from the Conditional Grants on the basis of population, and thirty percent (30%) on the basis of backwardness measured by the Social Policy Development Centre (SPDC) Deprivation Index.

3.3 Punjab shall, through PFC, announce: (i) the exact share of XYZ from the Conditional Grants, before the start of each fiscal year (“FY”) as a means of promoting predictable and transparent flow of funds from Punjab.

3.4 Punjab shall transfer XYZ’s share from the Conditional Grants under the PFC Award.

3.5 Punjab shall inform XYZ through the PFC, before the start of FY 2005-06, the number and timing of Conditional Grants tranches and shall transfer XYZ's share from the Conditional Grants, through Account IV, directly to the district fund of XYZ within thirty (30) days of XYZ's compliance with the access criteria outlined in this MoU.

3.6 Punjab shall treat the Conditional Grants as an additionality over the regular annual budgetary allocations and grants for the social sector as a proportion of total revenue and shall maintain this proportion at least at the levels of FY 2003-04.

3.7 Punjab shall notify operational guidelines to facilitate public-private partnership initiatives.

4. Obligations and Responsibilities of XYZ

4.1 Eligibility Criteria: XYZ shall become eligible for its share from the Conditional Grants upon:

- a. entering into this MOU;
- b. providing evidence that it has established the Sector Monitoring; Accounts; and Mushavirat Committees; and
- c. providing evidence of representation of, at least, two (2) women in each of the Sector Monitoring; Accounts; Mushavirat; and District Development Committees.

4.2 Access Criteria¹: XYZ shall only be entitled to access the Conditional Grants if it:

- a. in FY 2005-06 prepares annual sector plans covering situation analysis, sector priorities and the list of prioritized services/schemes/projects for the education (including Special Education) and health sectors (Annual Sector Plans), to be included in the approved annual budget for FY2005-06;
- b. agrees to maintain allocations for the education and health sectors, at least, at the level of sector allocations as a proportion of total revenues for FY2003-04 and to treat its share of the Conditional Grants as an additionality to regular budgetary allocations in FY 2005-06.
- c. agrees to increase social sector expenditures to at least 80% of social sector allocations in FY 2005-06.
- d. agrees to demonstrate an increase over the FY2003-04 levels in
 - non-salary expenditures as a percentage of total budgets for the health and education sectors;
 - development expenditures earmarked specifically for women in health and education sectors;
 - number of completed schemes in annual development plan (ADP) as percentage of total schemes.
- e. agrees to use sixty-five percent (65%) of its share of the Conditional Grants for the health sector and seventeen percent (17%) in the education sector, including the Special Education sector. (Out of this 17% allocation, 70% would be utilized in the education sector whereas 30% would go to the special education sector);
- f. subject to the provisions of the Ordinance, agrees to allocate, at least, ten percent (10%) of its share of the Conditional Grants in FY 2005-06 for public-private partnership initiatives²;
- g. ensures that services/schemes/projects included in the Annual Sector Plans are pro-poor and gender sensitive by targeting women and population and areas within the district which have the lowest access to services and where quality of services is demonstrably low; and
- h. agrees NOT to invest more than US\$100,000 in any one scheme/project/activity.

¹ In year two (2) of the Program period, XYZ shall be required to prepare comprehensive annual sector plans for the education and health sectors for FY2006-07, which shall form part of the annual budget for FY2006-07 and shall procure approval of the district council for such plans. In year three (3) of the Program period, XYZ shall be required to develop and procure approval of the district council for 3-year sector rolling plans for the education and health sectors.

² XYZ shall be required to allocate fifteen percent (15%) in FY 2006-07 and twenty-five (25%) in FY 2007-08 from its share of the Conditional Grants for public-private partnership initiatives.

5. Use of Funds

5.1 Punjab and XYZ agree that the Conditional Grants shall only be used:

- i. for rationalization/ operationalization of existing services/schemes/projects and for rationalization of staff. Where necessary, Punjab shall assist XYZ in carrying out any technical and financial feasibility studies required for the rationalization/ operationalization process;
- ii. for investments in new services/ schemes/ projects and recruitment of staff only if there are clear technical and financial feasibility plans for sustainability of such services/ schemes/ projects and recruitment, and the recruitment of staff for the purposes of rationalization/ operationalization of services/ schemes/ projects shall be transparent, merit-based, contractual and facility specific, with preference to locals and females;
- iii. in health sector, to improve basic package of primary health care services as identified and agreed by the Provincial and District Health Departments. XYZ shall ensure that its share of Conditional Grants shall be used to reduce under five child mortality and maternal mortality, including, but not limited to, investments in basic health units to district hospitals; midwifery schools; training of midwives; recruitment of paramedic staff on contractual, facility specific basis; and support to community led management through Health Boards and other community led and public-private partnership initiatives, but the Conditional Grants shall not be used for developing tertiary health care facilities; and
- iv. in education sector: (a) for up-gradation of female middle schools to high schools in the most deprived districts; (b) to encourage public-private partnerships in the education sector; and (c) to support selective provision of new multi-disability primary schools for handicapped children and support for community led and public-private partnership initiatives.

5.2 Subject to the conditions laid down in this MOU, XYZ shall have complete flexibility to use its share of the Conditional Grants based on a demand-driven and need-based sector priorities in the district. XYZ may use its share of the Conditional Grants in combination with other funds available for any services/ schemes/ projects. XYZ shall ensure that the costs proposed to be financed through these different sources are clearly identified.

6. Non-compliance with the MOU

6.1 PFC may withhold XYZ's share of Conditional Grants in subsequent Program years if XYZ does not meet the conditions laid down in this MOU for accessing and using the Conditional Grants. In such an event, XYZ's share may be pooled into a fund to be set up and managed by the PFC. Monies available in such fund may become accessible to XYZ and/or other district based on the criteria to be determined by the PFC.

7. Annual Sector Plans

7.1 To access the Conditional Grants in FY 2005-06 , XYZ shall prepare the Annual Sector Plans for the education (including Special Education) and health sectors, clearly indicating therein the activities, plans, projects, services and schemes proposed to be undertaken by XYZ as well as their source of financing.

7.2 The Annual Sector Plans shall be prepared for the entire education and health sectors and shall not be restricted to those activities, projects, schemes which are to be financed from the Conditional Grants.

7.3 In accordance with the provisions of the Ordinance and the Budget Rules 2002, the Annual Sector Plans shall form part of the district annual budget and shall be approved by the district council.

8. Accounting and Accountability

8.1 XYZ shall deposit its share of the Conditional Grants in a civil account for efficient tracking of Conditional Grants and shall have such account and related financial statements audited annually by the District Audit Office of the Pakistan Auditor General. The use of Conditional Grants may also be subject to a supplementary audit by an independent and qualified commercial auditor whose qualifications, experience and terms of reference are acceptable to Punjab, XYZ and the ADB.

9. Assessment, Monitoring and Evaluation

9.1 Punjab and XYZ shall independently and jointly undertake reviews of the Program implementation and shall carry out a comprehensive annual performance review of the entire Program.

9.2 Punjab and XYZ may, in addition to specific reviews to be carried out by PFC and the Local Government Commission (“LGC”), employ third party evaluation (TPE) and social audit methods and techniques for the purposes of the Program review. Punjab shall develop the terms of reference for TPE and the social audit and shall communicate the same to XYZ prior to the initiation of such TPE/social audit.

9.3 The assessment, monitoring and evaluation shall take place on the basis of a clear process, input, output and outcome indicators as given in Attachments A to this MOU. These indicators may be refined by the PFC in conjunction with PLDs and shall be communicated to XYZ before commencement of the FY2005-06.

10. Reporting, Documentation and Communication

10. XYZ shall produce and submit reports, as required by Punjab, within the timeframes and in formats as prescribed by Punjab.

11. Tenure of the MOU

11.1 This MOU shall come into force on date of its execution by the parties hereto and shall remain in full force and in effect until the end of year one (1) of the Program.

12. Termination of MOU

12.1 [This MOU may be terminated either by mutual agreement of the Parties] or Punjab may terminate this MOU if it has demonstrable reason to believe, based on the recommendations of the PFC that XYZ is consistently not fulfilling its obligations as laid down in this MOU.

13. Review of the MOU

13.1 PFC shall review compliance with and implementation of the MOU in FY05-06. Based on this review, it may amend the conditional grants design and the provisions of this MOU to introduce more performance incentives to XYZ.

14. Technical Assistance

14.1 Punjab and XYZ agree that: (a) the PSU shall be based in the Provincial Department of Health; and (b) the LSGs, consisting of full-time social sector officers and other officers providing intermittent support, shall be based in XYZ. All Officers of the LSGs shall be recruited by the PSU, through a transparent and competitive process. Punjab shall place such officers, on a full-time basis, at the relevant departments of XYZ. XYZ shall provide administrative facilitation in operationalizing the LSGs.

15. Support from Other Organizations

15.1 Punjab and XYZ agree to receive funds and technical cooperation/support from other donors, organizations, Provincial Line Departments/agencies or Federal Government Ministries/agencies, Trusts / Foundations in furtherance of the principles, objectives and activities under this MOU.

IN WITNESS WHEREOF the parties hereto, acting through their duly authorized representatives, have caused this MEMORANDUM OF UNDERSTANDING to be signed in their respective names and to be delivered in _____ as of the day and year first above written.

For and on behalf of

For and on behalf of

PROVINCE OF PUNJAB

XYZ

By: _____
Authorized Representative

By _____
Authorized Representative

WITNESSES:

- 1.
- 2.