

1st December 2015

Health Services Joint Fund (HSJF)

for a

Development Partners

and

Malawi Government

by

Joint Declaration of Intent

Definitions and Acronyms

This Joint Declaration of Intent uses certain key words, terms and acronyms with the following definitions. Other definitions are given with the body of the JDI:

Annual Implementation Plan (AIP): The plans developed on an annual basis by health sector cost centres, designed to achieve the objectives and targets of the Health Sector Services Plan (HSSP).

Budget lines: Refers to financial allocations within the Government of Malawi (Government) national and district health budgets. These can include whole budget lines (such as District ORT) and items within budget lines (e.g. utilities or equipment).

Common Fiduciary Oversight Arrangement (CFOA): An overarching arrangement between Government and several Development Partners (DPs) under which Government intends to utilise certain DP-funded fiduciary oversight arrangements and related technical assistance. The aim of the CFOA is to strengthen health sector fiduciary systems. The CFOA is expressed as a separate Joint Declaration of Intent.

Co-approve: The joint agreement for a procurement, financial transfer or payment to proceed between the Government and either the FA or the POA (usually shown by joint signature on a recommendation or bank account).

Controls: The ability for the FA or the POA to prevent a procurement process or payment proceeding. These controls can be in-process or post-hoc.

In-process control of individual procurement/payment transactions that are subject to 'real time' control by FA and/or the POA. This includes: the use of a commercial bank account signed jointly by Government officers and the FA; the use of a procurement agent to review and co-approve each decision point in the Government's procurement process (tender documents, bid award, contract signature).

Post hoc controls over tranche releases where Government payment systems are used but subject to after the event controls by the FA. This is where HSJF funding is disbursed to district commercial bank accounts where it is not practical to have the FA as a co-signatory. Hence the FA will co-approve a maximum of one month tranche

release in advance to each account for earmarked expenditure; and prior to the co-approval of the next monthly tranche review the use of these funds through assessment of acquittal reports, sampling transactions; and monitoring the effectiveness of Government's own monitoring systems.

DHOS and CHS: District Health Offices and Central Hospitals.

Fiscal Agent (FA): A contracted entity that controls the payment of DP funds in accordance with the rules established for the HSJF.

Health Services Joint Fund (HSJF): The funding modality that is the subject of this Declaration of Intent, designed to channel pooled DP funds to address priority health service constraints in Malawi, designed to be aligned with Government systems, while maintaining a parallel funds flow with strong fiduciary oversight, procurement and controls.

Implementation support: The provision of 'on call' technical assistance and/or management support to various functions within Ministry of Health (MoH) and/or Districts necessary to implement and monitor the financial support provided through the HSJF, and, as appropriate, the broader Government budget.

MoH and MoH HQ: Ministry of Health and its Headquarters

NLGFC: National Local Government Finance Committee, the body charged with fiduciary oversight of Local Authorities including DHOS

Operational support: Funding provided through the HSJF for travel and other approved administrative support for MOH, NLGFC and DHOS to be able to conduct required monitoring of district, central hospital and CHAM financial management and implementation. On a case-by-case basis this funding can include some additional contracted staff to complement MOH, NLGFC and DHO monitoring capacity.

ORT: Other Recurrent Transactions, all recurrent Government expenditures other than PE, including medical supplies.

Oversight: Part of the role of the FA and POA with respect to the use of DPs funds and, in the case of the Procurement Oversight Agent, also with respect to the use of Government's health sector funds.

PFM: Public Financial Management.

Procurement Oversight Agent (POA): A contracted individual(s) whose role is to review and co-approve each decision point on the procurement process (bid documents, selection of the preferred tenderer, and contract award) conducted within the health sector – for both Government and DPS.

Senior Fiduciary Risk Adviser (SFRA): A contracted individual who will conduct periodic independent assessments of the operation of the HSJF; the performance of the FA and POA; and the performance of the Government in improving PFM.

SLAs: Service Level Agreements between the Government of Malawi (usually District Health Offices) and Christian Health Association of Malawi (CHAM) facilities in which Government in effect contracts these facilities to provide specified services free of charge to clients.

1. Introduction and Scope

1. This Joint Declaration of Intent (JDI) reflects understandings between the Government of Malawi acting through the Ministry of Finance, Economic Planning and Development; the Ministry of Health; the Central Medical Stores Trust; and the National Local Government Finance Committee (together referred to as the Government) and those Development Partners who are intending to provide funds into the Health Services Joint Fund (the HSJF DPs).
2. The HSJF is a funding mechanism designed to receive funding from multiple DPs and uses elements of Government systems (such as planning, budgeting, procurement, reporting) but maintains a parallel funds flow with strong fiduciary and procurement oversight and controls. It is designed as a means to efficiently and securely channel DP funds to approved, priority government budget lines/ activities; reduce fragmentation of DP support; and strengthen government fiduciary and related systems, as long as DPs deem it not feasible to use alternative mechanisms for channelling funds that are more fully integrated with Government financial systems.
3. This JDI sets out the specific understandings of the principles, objectives, structure, processes, governance and reporting arrangements of the HSJF.
4. The JDI HSJF supports the objectives, principles and understandings agreed in the Memorandum of Understanding concerning the Health Sector Wide Approach (SWAp) in Malawi signed by the Government and 12 collaborating partners in October 2012.
5. The JDI HSJF is consistent with, and linked to, the Joint Declaration of Intent for a Common Fiduciary Oversight (CFOA) of the Malawi Health Sector that sets out efforts of the Government and the CFOA DPs to facilitate harmonised ways of working to more efficiently and effectively strengthen the Government's health sector fiduciary system.
6. The Government and the HSJF DPs acknowledge the JDI HSJF is not an obligation of funds, nor is it meant to constitute any legally binding commitment by any signatory or create rights in any third party. The Government and the HSJF DPs understand that any

- specific funding commitment to the HSJF will be reflected in specific bilateral financing agreements with Government.
7. The Government and HSJF DPs will endeavour to make - to the extent possible under their own regulations - any specific bilateral or joint financing agreement for funding to the HSJF consistent with this JDI, and the JDI for Common Fiduciary Oversight of the Malawi Health Sector.
8. The underlying principles on which the partnership between the Government and the HSJF DPs rest are:
- i. respect of human rights, the rule of law, and free and fair democratic processes;
 - ii. strengthening public financial management, and tackling corruption, and
 - iii. open and transparent government including strengthening of accountability between the Government and the citizens of Malawi.
9. In addition, there are a number of other principles specific to the operation of the HSJF:
- i. The joint coordination of Government and DP resources to the health sector under the Malawi Health Sector Strategic Plan 2011-2016 (and any costed, prioritised successor Health Sector Strategic Plans), and their corresponding annual implementation plans.
 - ii. Joint effort to support and deliver tangible and sustainable actions under both the Government's Public Service Reforms and Public Financial Management Reforms.
 - iii. The Government will maintain the overall contribution of the Government to the Health sector budget (domestic resources excluding all DP funds) at least at the same proportion of the overall government budget each year (with 2015/16 being the base year at 9%) and will seek to progressively increase the proportion of the government budget going to Other Recurrent Transactions (ORT) in the health sector.
 - iv. Under Government leadership, DP funded oversight arrangements and related technical assistance will be utilised to facilitate improvement in Government fiduciary systems.

13. The HSJF will support two types of expenditures - i) national level investments; and ii) district and central hospital ORT expenditures. Within the HSJF, national level investments will be subject to 'in-process' controls where individual procurement/payment transactions are subject to 'real time' control by the FA and/or the POA; whereas district and central hospital ORT expenditures will be subject to 'post hoc' controls of limited tranches to commercial bank accounts where Government payment systems are used but subject to

12. The HSJF will only fund activities and or budget lines which are high priority for achieving the objectives of the HSSP (and successor plan) and make a direct and tangible contribution to the delivery of health services for the poor in Malawi. Further these activities will need to be included in the health sector Annual Implementation Plan (AIP).

Eligible Funding Streams and Annual Planning

- i. address specific, priority issues constraining the delivery of health services to the poor of Malawi;
- ii. provide a secure, efficient and accountable mechanism to channel DP funds to defined Government budget lines at national and district level; and
- iii. provide incentives and resources for the Government of Malawi to improve its financial management performance.

11. The HSJF is a targeted, performance based DP fund that aims to:

Objectives

3. The Operation of the HSJF

10. Both the Government and HSJF DPs intend that the HSJF is an interim arrangement – albeit it over the medium term. It is expected that the HSJF will be replaced by alternative mechanisms for channelling funds that are more fully integrated with Government systems once these systems are sufficiently strong and functioning and the fiduciary risk of using these systems is substantially reduced.
- v. Transparent reporting on the use of the HSJF and other sector resources and the continuation of bi-annual performance reviews to measure and assess overall sector progress under the HSSP (and any successor strategic plans).

- after the event controls by the FA. (Details of these controls are provided in para's 27-34 below).
14. Each HSJF DP may choose to earmark the funds that it contributes to the HSJF. Each DP may also choose earmarked expenditures that are subject to 'in-process controls' and/or others that are subject to 'post-hoc controls'.
15. Where additional expenditure types are jointly determined between the Government and HSJF DPs, the additional expenditure types will have to be reflected in an amendment to this JDI (see Section 8). Where additional expenditure types are jointly determined to be added to the HSJF, the FA will be responsible for proposing a payment and accountability process for approval of the Government and HSJF DPs.
16. Within the HSJF, the Government and HSJF DPs can decide to fund activities on a reward or performance basis. These activities could, for example, include results based financing (RBF) or additional incentive funding for specific cost centres who develop and demonstrate more accountable/effective ways of managing activities/ budget lines previously not funded within the HSJF – e.g. a better approach to fuel management, or in line with Government reform program, an effective outsourcing arrangement (such as food, or pharmacy management, medical supplies distribution). Decisions on this type of funding would be made in the HSJF Management Group (see para's 45-48 below), and they would need to be consistent with the eligible funding types described in para 13 above.
17. On an annual basis, the MoH and the HSJF DPs will jointly decide which activities, budget lines and/or geographical areas (cost centres) will be eligible for funding through the HSJF in the coming year. The decision to add/exclude budget lines in the coming year will be based on experience from the current year (and any previous years) including an assessment of the performance of the relevant Government cost centres in controlling the expenditure. This decision will be made by the HSJF Management Group. The HSJF Management Group will also decide on the timing of the annual budget setting.
18. Each HSJF DP will indicate HSJF funding expected to be available for the coming year, including any earmarking. Then the Government and the Fiscal Agent will submit to the HSJF Management Group for approval an overall HSJF annual budget for the approved activities/budget lines showing planned income, expenditures and procurements and a corresponding results framework. This will be approved by the HSJF Management Group.

19. The defined activities and budget lines to be supported under the HSJF each year and the indicative budget will be reflected in Annex A to this JDI. This Annex will be revised each year by the Government and the HSJF DPs to reflect annual funding priorities and available funds.
- Oversight and Control**
20. At the heart of the HSJF will be a Fiscal Agent (FA) and a Procurement Oversight Agent (POA). The purpose of these external agents will be to mitigate the fiduciary risks associated with funds channelled through the HSJF, and to support improvements in overall Government FM in the health sector.
21. The FA will be a contracted entity that controls the payment of DP funds in accordance with the rules established for the HSJF. The POA will similarly be a contracted individual(s) whose role is to review and co-approve procurements conducted within the health sector – for both Government and the HSJF.
22. The FA and POA will provide the following services to the HSJF:
- i. The FA will verify and co-sign payments for HSJF expenditures at MoH HQ and NLGFC, with the requirement to stop payments if approved procedures have not been followed.
 - ii. The FA will manage both holding and operating HSJF bank accounts (see paragraphs 24 and 25 below) including doing bank reconciliations, accounting for transactions and financial reporting, in respect of eligible DP-funded expenditures (noting that over time the accounting function may be done by MoH/NLGFC staff with verification by the FA).
 - iii. The POA will review and co-approve the procurement processes of eligible HSJF expenditures.
 - iv. The FA will apply post-hoc control of eligible HSJF expenditures through DHOs and central hospitals (CHs); this will include review of the work of NLGFC and MoH, in their supervision of DHOs and CHs respectively.
 - v. The POA will review and co-approve the procurement processes of eligible HSJF expenditures through DHOs and CHs.

23. In addition, under the CFOA the FA and POA will also provide some oversight and technical assistance services to the Government. These services are specified in the Joint Declaration of Intent for the CFOA and include POA review and co-approval of the procurement processes of each procurement transaction by MoH, CHS, CMST and DHOS above an approved threshold; and technical assistance to specified Government financial management, procurement, reporting and audit functions.

24. Funding for the POA and FA to carry out the above services for the HSJF and the broader Government funding under the CFOA will be met by the HSJF DPs. The services will be managed through direct contracts with one or more of the HSJF DPs. The workload of the FA and POA will be reviewed from time to time.

Banking Arrangements

25. At the highest level, HSJF DPs will contribute funds to one or more commercial bank accounts, which would be jointly signed by FA and the Government. These accounts will be hard currency holding accounts (perhaps GBP and Euro). The FA will maintain records of each receipt and each payment from the receipt and can do so in a way that the use of each HSJF DP's receipts is traceable through to each corresponding payment.

26. The Government and the FA will also set up discrete operating bank accounts with a commercial bank – including one for MoH and one for NLGFC expenditures. These will also be co-signatory accounts between the FA and MoH and/or NLGFC officials respectively.

27. The Government in coordination with the FA will also set up districts' and CHS' discrete commercial bank accounts to receive HSJF funds. As it is not practical for the FA to be co-signatories to these accounts, the FA will mitigate risks with these accounts via alternate mechanisms described below.

Payment Process and Accountabilities

28. The payment processes and accountabilities for the 2 HSJF expenditure types (national level investments and District/Central Hospital ORT) are described below.

Eligible national level investments

29. The MoH will:

- i. plan for the relevant program and reflect in AIP and if required, develop an annual procurement plan;

32. The CH/DHO will:

Eligible budget lines in central hospital/district health office ORI

signature) in the procurement process and endorse/not endorse to IPC and FA/MoH. review and co-approve at each decision point (tender documentation, bid award and contract

31. The POA will

- iv. co-sign cheques for approved payments from the FA/MoH operating account directly to the approved provider/ contractor bank account.
- iii. ensure all requests for payments under approved procurements/ contracts have been verified by the cost centre and (where approved) by any additional verification mechanism (eg a construction manager or additional technical/financial monitors);
- ii. ensure payments are only made for contracts that have been co-approved by the POA;
- i. Mutually approve with the relevant cost centre an estimated annual budget estimate and monthly required cash flow as per the AIP;

30. The FA will:

- vii. follow-up/monitoring deliverables and contract.
- vi. resolve implementation issues under the contract;
- v. verify payments for deliverables under the contract;
- iv. implement Government procurement policy, including tender, selection, contract signature;
- iii. develop/approve technical specifications for items/services to be procured;
- ii. develop an estimated annual budget and monthly required cash flow for the approved budget lines/activities;
- i. plan for the relevant program and reflect it in the Annual Implementation Plan (AIP) and an annual procurement plan;

34. The FA will:
- i. jointly decide with each cost centre an annual budget estimate and monthly required cash flow as per the AIP (based on advice from MoH/NLGF(C));
 - ii. advance monthly funds from the FA holding account to either the FA/MoH or FA/NLGF(C) operating account as per approved cash flow;
 - iii. advance, together with MoH/NLGF(C) officials for each cost centre, the first month's required cash to the district/CH account;
 - iv. review/approve reports, together with MoH/NLGF(C) officials, and if approved, co-sign ongoing approved monthly transfer to the District/CH operating account;

33. The MoH/NLGF(C) will:
- i. support the CH/DHO to develop and approve annual budget and monthly cash flow;
 - ii. review/approve monthly financial reports from Districts/CH;
 - iii. co-sign with the FA the approved monthly transfer to district/CH accounts;
 - iv. conduct quarterly financial performance monitoring reviews of each CH/district to assess compliance with approved procedures and as necessary develop actions for improvement;

- v. develop monthly finance/acquittal reports and bank reconciliations for all expenditure under the HSJF;
 - vi. monitor the performance of suppliers/providers funded under the HSJF (and broader Government ORT).
- ii. develop an estimated annual budget and monthly required cash flow for the approved budget lines/activities;
 - iii. follow approved Government procedures for payment of invoices for approved budget lines as per budget;
 - iv. implement Government procurement policy, including tender, selection, contract signature;
 - v. develop monthly finance/acquittal reports and bank reconciliations for all expenditure under the HSJF;
 - vi. monitor the performance of suppliers/providers funded under the HSJF (and broader Government ORT).

37. The FA will implement in-process and post hoc controls on all expenditure through the HSJF.

- i. The FA will not co-sign payments for national level procurements that have not been co-approved by the POA;

- ii. Post hoc controls over tranche releases where Government payment systems are used but subject to after the event controls by the FA. This is where HSJF funding is disbursed to district commercial banks accounts where it is not practical to have the FA as a co-signatory. Hence the FA will co-approve a maximum of one month tranche release in advance to each account for earmarked expenditure; and prior to the co-approval of the next monthly tranche review the use of these funds through assessment of acquittal reports, sampling transactions; and monitoring the effectiveness of Government's own monitoring systems.

- i. In-process control of individual procurement/payment transactions that are subject to 'real time' control by FA and/or the POA. This includes: the use of a commercial bank account signed jointly by Government officers and the FA; the use of a procurement agent to review and co-approve each decision point in the Government's procurement process (tender documents, bid award, contract signature); and use of a management agent to monitor, and approve/not approve each transaction on construction contracts implemented in conjunction with Government.

36. The different budget lines handled through the HSJF, together with the related approach adopted for each, will involve different degrees of control by the FA and the POA. These are summarised into two types.

Types of Control

review and co-approve all district-level HSJF procurements.

35. The POA will

- v. monitor, and where necessary supplement, the financial monitoring of districts/CH by MoH/NLGF/C through on-the-job monitoring, report verification, and review of a sample of approved transactions on risk basis.

- i. a construction contract manager to monitor and verify progress payments under government infrastructure contracts.
- ii. additional technical or financial expertise to monitor performance, to verify payments or to check financial compliance of third party providers (such as CHAM SLAs or private providers of services such as medical supplies distribution, maintenance, rations etc) in implementing government contracts.

41. The FA will recommend and/or HSJF DPs will request and may arrange any additional expertise and/or payment verification processes that are required to enable the FA to co-approve HSJF-funded payments. This will apply to national procurements and third party provider arrangements, for example:

40. The FA will oversee the performance of the Government (NLGFC/MoH/DHO) in verifying payments through on-the-job monitoring, report verification and ongoing review of a sample of approved transactions. In conjunction with MoH/NLGFC, the FA will use this information to inform decisions about the continuation or suspension of funding, to districts or to third party providers under the HSJF.

39. The FA will facilitate strengthened financial monitoring and (where necessary) additional payment verification mechanisms for activities within the HSJF. Specifically the HSJF and/or the associated implementation support (see para 42 below) will provide funds for operational support to allow the NLGFC and MoH financial monitors to conduct their scheduled quarterly financial review of each district/CH (including any outsourced third party providers); and for DHOs to be able to more effectively monitor and verify payments to CHAM facilities under the SLAs.

38. The FA will not co-sign new monthly transfers to districts/CH (for approved ORT budget lines) that are not supported by the appropriate documentation review conducted by the NLGFC and the FA. With this arrangement, each disbursement to a DHO or CH will depend on particular criteria being met. The next disbursement of an advance is made only once an acceptable monthly report for the previous month is presented, including the reconciliation of the local bank account.

- ii. The FA will not co-sign for progress payments under contracts or third party provider arrangements that are not supported by appropriate documentation and verified by the approved monitoring/verification process;

42. The FA/Government and HSJF DPs will then determine how this would be put in place – directly via a DP, contracted to the FA, or contracted to Government.
- Audit**
43. Annual financial and procurement audits of the HSJF will be conducted. The audit reports should be available within 6 months of the financial year end being audited, i.e. by 31 December following each 30 June year end. As per the CFOA, the HSJF audits will be part of the single sector audits and will be conducted by an audit firm, recruited through international competitive bidding in accordance with the Public Procurement Act 2003 and Public Audit Acts 2003, in liaison with the National Audit Office. The scope of the audits will be based on Terms of Reference that will be reviewed by the Technical Working Group concerned with health sector financial management and procurement in accordance with the Governance arrangements set out in the CFOA.
44. The HSJF will, in coordination with the FA, fund additional operational support for MoH, NLGFC and District internal audits functions with specific, risk based internal audit investigations.
- Implementation Support**
45. The HSJF DPs will provide access to 'on call' technical assistance if needed to assist the FA, POA and the Government in meeting the requirements of the HSJF to accountably and effectively implement approved activities within the HSJF. For example, this 'on call' TA may:
- i. assist the Government in developing technical specifications and tender documents for procurements;
 - ii. assist in verifying the quality of payment deliverables under procurements or service agreements;
 - iii. perform a contract management/verification role for large scale, complicated procurements – such as rural infrastructure;
 - iv. provide additional support to meet necessary financial, accounting and reporting requirements of the HSJF and CFOA.
46. This technical assistance will come from two sources.

50. Each HSJF DP may nominate a representative for any quarterly meeting.
- HSJF in mitigating risks to DP funds.
- iv. consideration of the performance of the FA in supporting Government with the
 - iii. proposals for new funding that may be included in the HSJF;
 - ii. quarterly financial and output/outcome reports of the HSJF, including actual results compared to the annual budget and the results framework referred to in paragraph 18;
 - i. review of the progress of the HSJF;
49. Government will appoint a Chair and DPs will choose from amongst themselves a Deputy Chair. Each meeting's agenda will include, inter alia:
48. The Government and HSJF DPs will meet quarterly concerning the HSJF – the HSJF Management Group (HSJFMG). This Group will consist of MoF, MoH, NLGFC, CH and DHO representatives and the HSJF DPs. The FA and POA will be observers at these meetings.
- Governance Arrangements**
47. At the time of signing this Joint Declaration of Intent, there was already substantial TA in the health sector that was relevant to the HSJF. Any requirement for additional 'on call' TA under the HSJF will need to demonstrate that it could not be met from existing sources.
- a. There will be funds allocated within HSJF for the MoH to plan, procure and use technical assistance. The amount allocated to TA from the HSJF each year will be approved by the HSJF Management Group as part of the annual budget process (see para 16 above). The MoH will be able to conduct specific procurements for TA to support particular pieces of work. The MoH will also be able to procure a framework agreement for a provider to be able to provide TA on a more flexible or as needed basis. As per the principles of the HSJF, all TA procurement will be co-approved by the POA, with payments for deliverables being co-approved by the FA from the FA/MoH operating account.
 - b. As the MoH approach may take some time to establish, the HSJF DPs will also consider providing access to externally contracted and provided on call TA. One potential HSJF DP has an existing TA program that can provide this kind of support.

53. In the event that, in the view of Government, any aspect of the work of the FA and POA in carrying out their functions may not be sufficiently consistent with the terms of this HSJF, especially 50 i, and ii, above, and/or may be impairing the ability of Government officers to carry out their own duties, then the Government officers involved will seek clarification and if appropriate attempt to resolve the issue with the FA/POA. In the event that any such issue is not being satisfactorily resolved, then the Government may call for a higher level meeting

d. In event that any issue under iii, above is not being satisfactorily resolved, then the FA or POA may call for a higher level meeting including both the Secretary of Health and a representative of the HSJF DPs at which all parties will endeavour to resolve the issue within the framework of the HSJF and CFOA.

c. In the event that, in the view of the FA or POA, the carrying out of any of the functions of the FA and POA is being impaired by lack of support from Government officers, then the FA or POA will attempt to resolve the issue with Government. Alternatively, in the event that the FA or POA notices that any aspect of the work of the FA and POA in carrying out its functions may be impairing the ability of Government officers to carry out their own duties, then the FA or POA will seek clarification and if appropriate attempt to resolve the issue with Government.

b. The FA and POA will liaise closely with those Government officers they need to work with in order to carry out the functions in such a way that (a) mutual respect between Government officers and the FA and POA can be maintained and (b) aid effectiveness principles, especially Government's ownership, are respected.

a. The FA and POA will familiarize themselves with those Government rules, regulations and procedures that relate to the carrying out of the functions of the FA and POA.

52. The terms of reference for the FA and the POA will include standards of working with Government and its officers that include the following:

51. Government and HSJF DPs will together choose if and when these quarterly HSJF meetings and the corresponding agenda will be absorbed into the quarterly meetings of the Technical Working Group concerned with health sector financial management and procurement, in accordance with the Governance Arrangements set out in the CFOA. Until then, the HSJFMG will keep the Technical Working Group informed on progress.

58. The HSJF will include performance incentives in a number of interrelated ways:
- i. The Government of Malawi and DPs intend to deliver tangible and sustainable improvements in accordance with Government commitments under both the Public Service Reforms and Public Financial Management Reforms and to continuously improve public financial management (PFM) in the health sector;

4. Performance Management

57. The contribution of the HSJF to the achievement of sector level outputs and outcomes will be monitored through the normal sector process of mid-year and end of year reviews. These reviews will provide national and district level performance reports against approved key performance targets set out in the HSSP (and any successor strategic plan), and any annual performance milestones. These reviews will be organised by the MoH, with support from DPs, and will take place in March/April and October/November each year.
56. The report of the SFRA will be made to the quarterly HSJF/MG meeting.

- i. the operation of the HSJF;
- ii. the performance of the FA and POA;
- iii. the performance of the Government in improving fiduciary systems.

55. Each quarter, the independently contracted Senior Fiduciary Risk Adviser (SFRA) will also conduct an assessment of:

54. The FA and the Government will produce Quarterly HSJF financial and output/outcome reports which will be produced within one month after the quarter end, for submission to the HSJF/MG. This report will include the consolidated payments and reconciliations for all cost centres supported under the HSJF, and any implementation issues and recommendations.

Reporting and Monitoring

including both the Secretary of Health and a representative of the HSJF DPs, as well as the FA/POA, at which all parties will endeavour to resolve the issue within the framework of the HSJF and CFOA.

- ii. The HSJF and/or the associated implementation support will provide additional resources (staff and operating funds) for Government to be able to fulfil its statutory monitoring and reporting arrangements (e.g. NLGFC monitoring of DHOs, and MoH monitoring Central Hospitals). The FA will also have an active role in monitoring and capacity building.
- i. The HSJF uses a wide variety of Government systems – such as planning, budgeting, procurement, payment and reporting – under review from either the FA or the POA. This review of Government in using their own procedures will support the HSJF to contribute to strengthening of Government fiduciary systems in a number of ways:

60. The HSJF will contribute to strengthening of Government fiduciary systems in a number of

5. Capacity building of Government Fiduciary Systems

59. These more systematic approaches to assessing the performance of cost centres will be strengthened by making results publicly available where appropriate. They could also be linked to a broader performance rewards system – either through the Government salary system or via a specific system within the HSJF (such as a top up funding as a prize or other recognition for the best performing cost centres). Any such arrangement will be discussed and approved by the Government and the HSJF DPs in the HSJF Management Group.
- a. the ongoing performance assessments of the Government and FA in managing funds – both HSJF and Government;
 - b. the results of the annual financial and procurement audits;
 - c. an annual independent assessment of the SRFA.
61. The continued flow of funds to the current defined budget lines/activities within the HSJF will be dependent on satisfactory performance of the FA and POA, the government cost centre staff and/or third party providers in implementing the activities;
- iii. The Government and HSJF DPs can decide to fund activities on a performance basis or incentive basis (see para 15 above).
 - iv. Funding of additional budget lines/activities through the HSJF will depend on the performance of the cost centre. The 'readiness' of additional cost centre budget lines to be included in the HSJF will be based on:
 - a. the ongoing performance assessments of the Government and FA in managing funds – both HSJF and Government;
 - b. the results of the annual financial and procurement audits;
 - c. an annual independent assessment of the SRFA.

66. The approved activities, budget lines and indicative budget to be supported in the 2015/16 under the HSJF are contained in Annex A.

65. At the time of signing this Declaration of Intent, there was also an existing POA and SRFA arrangement that will be extended to cover the HSJF and CFA.

64. For 2015/16, the existing fiscal agent which is used by the Global Fund and which is currently based in the MoH HQ will be contracted by one of the potential HSJF DPs as the FA. For 2016/17 and beyond, a new FA will be selected for a period of 5 years and will be contracted by one of the potential HSJF DPs. The arrangements for this will be made during the course of 2015/16 so that the FA is in place within a year from signing this JDI.

63. The HSJF will start with an interim FA mechanism and funding priorities in place for the Financial Year of 2015/16. There will be a longer-term FA mechanism and funding priorities in place for 2016/17 and beyond to coincide with the development of a new HSSP.

7. HSJF Phasing and Year 1 (2015/16) Operation

62. The Government and HSJF DPs will promptly inform each other of all incidents and suspected incidents of corruption that occur in relation to the use of HSJF funds and of the measures taken to stop, investigate and prosecute offenders.

61. The Government and HSJF DPs will cooperate in the prevention of corruption in the implementation of HSJF and require that the Government's officers, FA and POA officers and any consultants/TA refrain from illegal or corrupt practices.

6. Corruption

iii. The HSJF will provide incentives/rewards for those Government cost centres that can demonstrate good financial management performance. Alternatively it will restrict funds to those cost centres that are not managing funds well.

checking the performance of MoH and NLGFC in undertaking this monitoring and supervision.

8. Amendments and Review

67. Any amendments to this JDI may be made in writing followed by consensus among the Government and the HSJF DPs. These amendments will be reflected in the JDI.

68. A signatory to the JDI can withdraw from the JDI after having informed in writing the other participants of this JDI of its intention to leave the cooperation. It should give reasons for the withdrawal to the Government and other HSJF DPs.


69. Any DP who is not yet a signatory to the JDI but wishes to cooperate with the Government and HSJF DPs under the provisions of this JDI may do so through discussions with the Government and

Signed at Lilongwe on 1st December 2015

On behalf of the Government of Malawi:

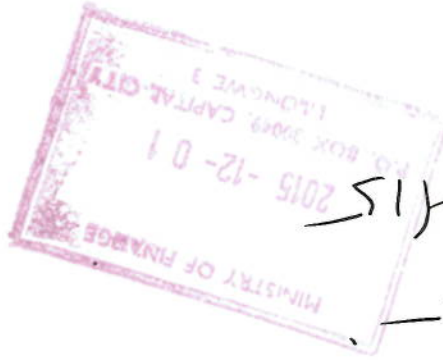
Name: Dr Ronald Mangani

Designation: Secretary to the Treasury, Ministry of Finance, Economic Planning and Development

Signature: 

Date: 01/12/15

Witness:





Date

1/12/15

Signature

Designation: Head of Office, DFID Malawi

Name: Ms Jen Marshall

Date

01.12.15

Signature

Designation: Ambassador, Royal Norwegian Embassy in Lilongwe

Name: Kikka Haugen

On behalf of the HSJF DPs:

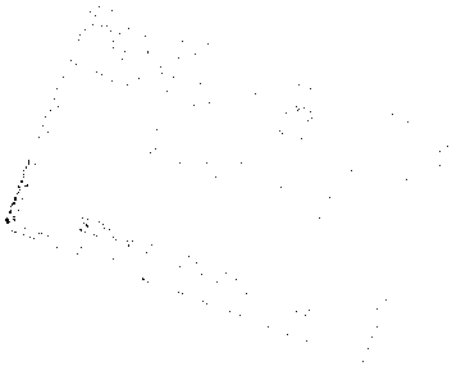
Date

01/12/15

Signature

Designation: Acting Secretary for Health

Name: Dr Charles Mwansambo



Date

Signature

Name: Mr Koen Verlaeck
Designation: Secretary-General, Government of Flanders

Date

Signature

1. 12. 2015

Name: Dr Peter Woeste
Designation: German Ambassador, Malawi

Annex A

HSJF 2015/16 - DP Resources and Expenditure Priorities and Budget

Resources from DPs

DFID	6,000,000
- GBP	6,000,000
- USD	9,100,000
- Prop	42%
Norway	
- Prop	
- GBP	7,680,000
- Prop	53%
Flanders	
- Euros	1,000,000
- USD	1,070,000
- GBP	710,000
- Prop	5%
Total (USD)	21,670,000

Indicative Quarterly Cash Flow from DPs*	USD (m)	GBP (m)	DFID (m)	Norway (m)	Flanders (m)
Qtr 1 Dec to Feb	3.28	2.16	0.91	4.22	0.71
Qtr 2 Mar to May	6.36	4.20	1.76		
Qtr 3 June to Aug	6.53	4.31	1.81	3.46	
Qtr 4 Sep to Nov	5.50	3.63	1.52		
Total	21.67	14.30	6.01	7.68	0.71

* Cashflow will be updated based on final infrastructure costing and actual expenditure.

** Based on DFID's proportional contribution of overall Fund (42%) paid quarterly

MK/USD exchange rate used 560.5

USD/GBP exchange rate used 0.66

NOK/GBP exchange rate used 0.077

Euro to GBP 0.71

HSJF YEAR 1 BUDGET

Expenditure totals	MK	USD at 560.5
SLAs	281,282,101	501,841
Electricity	730,768,106	1,303,779
Water	673,215,610	1,201,098
Total to districts/CHS	1,685,265,817	3,006,719
Equipment	1,637,142,661	2,920,861
Infrastructure	7,790,000,000	13,898,305
Infrastructure supervision	584,250,000	1,042,373
Direct expenditure	11,696,658,478	20,868,258
Audit fee/TA		500,000
Incentive pool		200,000
District monitoring		100,000
Overall total		21,668,258

As detailed 501,841

As detailed 1,303,779

As detailed 1,201,098

As detailed 3,006,719

As detailed 2,920,861

As detailed 13,898,305

Balancing figure 1,042,373

7.5% of above 20,868,258

Provision 500,000

Provision 200,000

Provision 100,000