

1st December 2015

the Common Fiduciary Oversight Arrangement (CFOA)

Referred to as

**Common Fiduciary Oversight
of the Malawi Health Sector**

for

Development Partners

and

Malawi Government

by

Joint Declaration of Intent

Definitions and Abbreviations

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

CFOA: Common Fiduciary Oversight Arrangement, the name commonly given to the JDI.

CFOA DPs: DPs that have joined this JDI.

CHs: Central Hospitals that are part of the MoH.

Development Part 2: Development (i.e. non-recurrent) expenditures funded by the Government.

Direct financing: Funding by any Health Sector DPs to bank accounts maintained by, or in conjunction with, the GoM at the MoH and or at Local Authorities for the benefit of DHOs.

DHOs: District Health Offices that are part of Local Authorities.

DP/DPs: The Development Partner/Development Partners that are supporting Malawi's Health Sector.

FA: Fiscal Agent.

Health Fiduciary Systems: The GoM's systems used to control the use of GoM-funded Health Sector Resources. These systems include the Government's planning/budgeting, financial reporting, procurement and related oversight systems that are used to control Health Sector revenues and expenditures both at MoH and at DHOs. The Health Fiduciary Systems include oversight of the use of resources in the Health Sector such as: through audits, both internal and external; through monitoring of districts by the NLGFC and monitoring of CH by the MoH Headquarters; by the Independent Audit Committee; and by elected politicians, both at Parliament and at Local Councils.

Health Sector Resources: For the purposes of this JDI, Health Sector Resources are defined as sector income and expenditures including:

- a) ORT, PE and Development Part 2 funded through Treasury to the MoH;
- b) ORT and other resources funded through Treasury to Local Authorities and to the National Local Government Finance Committee for the benefit of DHOs;
- c) Any revenues collected at MoH and DHOs which do not have to be returned to Treasury;

d) Funding by any Health Sector DPs to bank accounts maintained by, or in conjunction with, the GoM at the MoH and or at Local Authorities for the benefit of DHOs.

HSJF: The Health Services Joint Fund for which a separate joint declaration of intent is being signed in parallel with this JDI.

HSSP: The GoM's Health Sector Strategic Plan, a five-year health sector wide plan.

IPC: Internal Procurement Committee.

JDI: This Joint Declaration of Intent.

MoH: The Government's Ministry of Health.

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

ORT: Other Recurrent Transactions, all recurrent GoM expenditures other than PE.

PE: Personnel emoluments, GoM expenditures that include salaries.

POA: Procurement Oversight Agent. A contracted individual(s) whose role is to review and co-approve the important decision points (the main ones being bid documents, selection of the preferred tenderer, and contract award) conducted within the health sector – for both Government and DPs.

Technical Assistance/TA: Technical assistance (TA) provided with the intention of enhancing the Health Fiduciary Systems. TA provided by DPs may include related financial assistance to the Government. In this CFOA, the work of the FA and POA in connection with this CFOA is part of the TA.

TWG: The Financial Management and Procurement Technical Working Group or its successor.

Introduction

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, Central Medical Stores Trust, and the National Local Government Finance Committee (together referred to as the Government or GoM) and those development partners who are providing fiduciary systems support and/or direct financing to the Malawi health sector (hereafter referred to as the Common Fiduciary Oversight Arrangement development partners or CFOA DPs).

2. The Government and the CFOA DPs:

- i. accept that sound public management within Government fiduciary systems is a critical pre-condition for the effective delivery of health services;
- ii. acknowledge that, despite considerable mutual effort and some improvements, Government fiduciary systems continue to suffer from significant weaknesses;
- iii. recognise that uncoordinated development partners' support for government fiduciary systems can impose considerable transaction costs on Government;
- iv. understand Government fiduciary systems require considerable strengthening to be able to efficiently and effectively meet Government and international expectations and provide sufficient confidence to allow development partners to resume forms of direct budgetary support and/or other forms of harmonised/aligned support.

Scope of this Joint Declaration of Intent

3. This JDI supports the objectives, principles and understandings contained in the Memorandum of Understanding concerning the Health Sector Wide Approach (SWAp) in Malawi signed by the Government and 12 development partners in October 2012.

4. The Government and the CFOA DPs intend to coordinate their support 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.

11. The Government aims to deliver tangible and sustainable improvements in the Health Fiduciary Systems in accordance with the Government Public Service Reforms and Public

Public Sector Financial Reform

do the following:

10. The Government endeavours within the limits of the laws, policies, rules and regulations to

Understandings by the Government

would strive to carry out.

9. This JDI contains actions that Government and CFOA DPs, both separately and jointly,

understandings of this JDI.

8. The Government and CFOA DPs will endeavour to make any specific bilateral or joint

financing agreements for direct funding of the health sector to be consistent with the

provided and managed in the Malawi health sector.

Fiduciary Systems support (be that political, technical or financial in nature) should be

rights in any third party. It does however set out a framework for how existing/future Health

nor does it mean to constitute any legally binding commitment by any signatory or create

7. The Government and the CFOA DPs acknowledge that this JDI is not an obligation of funds,

Health Sector Joint Fund (HSJF).

the MoH development budget; various project discrete accounts, and the newly formed

currently exist in the Malawi health sector include DP funding for capital projects in part 1 of

future forms of budget support. Examples of the various forms of direct financing that

support to the health sector via either discrete bank accounts, joint donor accounts, or in the

assistance for the Health Fiduciary Systems and/or provide any form of direct financial

Health Fiduciary Systems will sign this JDI. This includes those DPs which provide technical

6. It is the intention that all DPs who provide or intend to provide any form of support for the

effectively strengthen the Health Fiduciary Systems.

ways of working between Government and CFOA DPs in order to more efficiently and

fiduciary systems (the Health Fiduciary Systems). The JDI aims to facilitate harmonised

the CFOA DPs to sustainably strengthen the operation of the Governments' health sector

5. This JDI sets out specific understandings and mutual endeavours of the Government and

Health Fiduciary Systems Technical Assistance

- responsible for updating the FMIPs and PIPs.
15. The MoH and NLGFC will nominate officers from their respective organisations who will be and PIP(s) in respect of DHOs and/or their Local Authorities.
14. The NLGFC will support the production, implementation and monitoring of suitable FMIP(s) of performance to show progress.
- Each update will include the progress made against completing each of the actions. Where the actions are on-going (as opposed to one-off), the update will include a suitable indicator
13. The MoH will update the FMIP and PIP from time to time (at least after each annual audit). Each update will include the progress made against completing each of the actions. Where the actions are on-going (as opposed to one-off), the update will include a suitable indicator
12. The MoH will maintain and further develop its Financial Management Improvement Plan (FMIP) and Procurement Improvement Plan (PIP). The FMIP and PIP will set out the actions that are needed to address all significant weaknesses in the design and implementation of the Health Fiduciary Systems, as identified through audits and other sources. These actions will also include all reform initiatives to enhance the performance of the Health Fiduciary Systems as well as to improve the related capacity of Government.

Financial Management and Procurement Improvement

- systems of Malawi.
- v. Enforcement of and staff compliance with laws, regulations, procedures and
- iv. Effective staff performance management and accountability;
- iii. Timely and accurate accounting and monthly/quarterly financial reporting including bank reconciliations;
- ii. Effective and timely implementation of audit recommendations;
- i. Meeting statutory deadlines for submission of financial statements to the auditors;

include:
Financial Management Reforms for the benefit of the health sector. The key improvements

- December following each 30 June year end.
- available within 6 months of the close of the financial year end being audited, i.e. by 31
23. The Government will manage the relationship with the auditors so that audit reports are available within 6 months of the close of the financial year end being audited, i.e. by 31 December following each 30 June year end.
22. In the interest of harmonization and reducing the burden on the Government, the scope of the audits will include not only the GoM-funded health sector resources (as in the previous SWAp audits) but also the audit of the HSJF and, as far as possible, the audit of all other funding by any DPs which would otherwise require a separate audit of parts of the Health Fiduciary Systems.
21. The Terms of Reference and scope of the audits will be reviewed at the TWG (the TWG is described under Governance Arrangements below).
20. The National Audit Office may choose to be involved at various stages of these audits, including the drafting of TORs for these audits, engagement of externally contracted audit services, helping to staff the audit work, preparation of audit reports and management letters and ensuring follow-up of audit observations, through facilitating the work of the Independent Audit Committee.
19. The independent auditors will be recruited by the MoH through international competitive bidding in accordance with Malawi's Public Procurement Act (2003) and the Public Audit Act (2003), in liaison with the National Audit Office.
18. The MoH, through the National Audit Office, will continue to arrange independent annual financial and procurement audits of health sector resources. These audits will be funded by HSJF DPs. The financial and procurement audits should be implemented by a single audit firm as set out in the terms of reference for the audits of 2014/15 through 2016/17.

Audit

17. The Government will take advantage of the TA provided under this CFA, as set out at paragraphs 32 through 34 and 36, in order to strengthen the Health Fiduciary Systems.
16. All Technical Assistance to strengthen the Health Fiduciary Systems will be provided under various TA provided for Health Fiduciary Systems strengthening, as well as coordination with other TA involved with national-level Public Financial Management enhancement.
- prepare a TA plan for enhancing the Health Fiduciary Systems. This plan will coordinate the Government leadership. To facilitate the effective use of TA, the MoH and NLGFC will

28. In addition to annual financial and procurement audits (see para 18 above), the CFOA DPs may commission a harmonized performance audit and/or a second level audit in areas of particular relevance to the HSSP implementation.

27. To the extent that existing bilateral agreements allow, CFOA DPs will strive to rely on the single independent annual financial and procurement audits of health sector resources described in para 18 above to meet the audit requirements of any direct financing arrangements.

Audit

26. DPs provide resources for the health sector through a range of funding modalities. It is the responsibility of Government to lead and manage the coordination of this range in order to enhance aid effectiveness, including greater harmonisation between DPs and greater alignment with GoI systems. CFOA DPs intend to seek ways to achieve greater aid alignment and harmonisation of the various funding modalities, while recognising that each DP may have limiting constraints in this respect.

Coordination

25. CFOA DPs will fund Technical Assistance (TA) to support Government with the enhancement of the Health Fiduciary Systems. This TA will be provided in accordance with the Government coordination arrangements set out above (para 16 above). TA will also be available to support Government with its coordination responsibilities. CFOA DPs intend that the TA provided by them will be implemented in a way that supports Government structures and does not undermine the responsibility and authority of those offices the TA will be working with.

Health Fiduciary Systems Technical Assistance

24. The CFO DPs will endeavour within the limits of the laws, policies, rules and regulations of their respective countries and organisations to do the following:

Understandings by CFOA Development Partners

34. The FA will provide TA to Government in respect of its management of financial and procurement audits of Health Sector Resources, including preparation for the audits,

33. The FA will provide TA to Government in respect of its accounting and regular financial reporting of DP-funded health sector income and expenditures. Such DP-funded income and expenditures will include: the HSJF and other DP funding passing through jointly-signed bank accounts; DP funding passing through Government bank accounts at MoH HQ; and other DP-funded expenditures that use Government procurement and payment approval systems but are made directly from DP bank accounts to suppliers. This TA will include the review of this accounting and regular financial reporting and the provision of recommendations for improvements to Government's accounting and financial reporting of such DP-funded health sector income and expenditures.

32. The FA will provide TA to Government in respect of its quarterly and annual financial reporting of Health Sector Resources, which include both Government-funded expenditures and DP-funded expenditures. This TA will include the review of the quarterly and annual financial reports and the provision of recommendations to Government for improvements to these financial reports and improvements to the processes by which financial reports are produced, with the objective that financial reports may be more timely, more accurate and more informative.

Fiduciary Technical Assistance

31. Under the HSJF, Government and DPs will recruit in consultation with Government (except for year 1, as provided in the HSJF arrangements) and DPs will contract and fund a Fiscal JDI. The recruitment/contracting/funding of these agents will be conducted by the sub-set of CFOA DPs who are providing funds into the HSJF. Details of the HSJF are contained in a separate JDI for the HSJF.

Fiduciary and Procurement Technical Assistance

30. The Government and the CFA Collaborating Partners, subject to the laws, policies, rules and regulations of their respective countries jointly strive for the following:

Joint Understandings by the Government and CFA DPs

29. The costs of the external audits will be financed by CFA DPs through the HSJF.

management of their implementation and follow-up on audit findings. This TA will include the provision of recommendations to Government for improvements in audit management processes, so that audits may be completed on time and findings are followed-up.

Procurement Oversight and Technical Assistance

35. The Procurement Oversight Agent will (above an approved threshold to be set in consultation with the TWG), review and co-approve each procurement process and endorse/not endorse to IPC each procurement, in respect of Government funded health sector resources. The POA will also conduct spot checks on procurements below the approved threshold.

36. The POA will provide TA to Government in respect of its regular procurement processes and transactions in respect of Government funded health sector resources (including MoH and DHO ORT, as well as procurements by the Central Medical Stores Trust). This TA will include the provision of recommendations for improvements to these procurement processes and transactions.

Coordination of Technical Assistance

37. The FA and POA will coordinate the TA provided under paragraphs 32 through 34 and 36 above with other TA and with oversight systems of Government, including amongst others: line management; Internal Audit; the National Audit Office; and the Independent Audit Committee.

Governance Arrangements

38. Governance of this JDI will be through the health sector Financial Management and Procurement TWG. This TWG will be chaired by the Ministry of Finance on behalf of the health sector and co-chaired by a DP and will meet quarterly. It will include Government representatives of the MoF, Accountant General, MoH Finance Department, Procurement Unit and Planning Department and also NLGFC on behalf of DHOs. Membership will also include DPs, the FA and the POA.

39. The agenda of each TWG meeting will include matters relevant to this JDI, including, for example:

i. FMIP and PIP updates;

43. Any DP who is not yet a signatory to the JDI but wishes to cooperate with the Government under the provisions of this JDI may do so through discussions with the Government and CFOA DPs.
42. A signatory to the JDI can withdraw from the JDI after having informed in writing the other participants of this JDI about its intention to leave the cooperation. It should give reasons for the withdrawal to the Government and other CFOA DPs.
41. Any amendments to this JDI may be made in writing following consensus among the Government and CFOA DPs. These amendments will be reflected in the JDI.

Amendments and Review

40. In the event of any difficulties for the GOM or the FA and/or POA regarding this CFOA, then the GOM and FA/POA will seek clarification and attempt to resolve the issue between them. In event that such an issue is not being satisfactorily resolved, then the GOM or the FA/POA may call for a higher level meeting including both the Secretary for 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.
- ii. Financial and procurement reports for the health sector;
 - iii. Audits, audit results and audit follow-ups;
 - iv. Coordination of the Government's TA plan and related DP support to the Health Fiduciary Systems. This includes helping to find funding from DPs for such support, once additional needs are identified by the Government;
 - v. Updates on DP funding in the pipeline and coordination of the various financing modalities of DPs;
 - vi. Coordination between MoH and NLGFC concerning fiduciary systems at DHOS;
 - vii. Coordination between the Health Fiduciary Systems and the related aspects of Public Service Reforms and Public Financial Management Reforms.

Signed at LILONGWE on 1st DAY OF 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:

Dr. Charles Mwansambo

Designation: Acting Secretary for Health

Signature: 

Date: 01/12/15



On behalf of the CFOA DPs:

Name: Kikkan Haugen

Designation: Ambassador, Royal Norwegian Embassy in Lilongwe

Signature

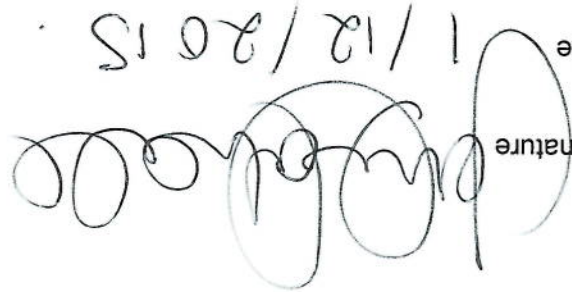
Kikkan Haugen
01.12.15

Date

Name: Ms Jen Marshall

Designation: Head of Office, DFID Malawi

Signature



Date

1 / 12 / 20 15

Name: Dr Peter Woeste

Designation: German Ambassador Malawi

Signature



Date

1. 12. 2015

Name: Mr Koen Verlaeckt

Designation: Secretary-General, Government of Flanders

Signature

Date

