



**MEMORANDUM OF UNDERSTANDING (MOU)**

**BETWEEN**

**THE GOVERNMENT OF THE  
REPUBLIC OF ZAMBIA /**

**MINISTRY OF HEALTH**

**AND**

**COOPERATING PARTNERS**

**Final Draft**

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## List of Abbreviations

Abbreviation	Full meaning
AAP	Annual Action Plan
ABB	Activity Based Budgets
ACM	Annual Consultative Meeting
AIDS	Acquired Immune Deficiency Syndrome
CIDA	Canadian International Development Agency
CMA	Common Management Arrangements
CPs	Cooperating Partners
DANIDA	Danish International Development Assistance
DCI	Development Cooperation Ireland
DfID	Department for International Development of the UK
EU	European Union
FAMS	Financial and Administrative Management System
FMS	Financial Management Systems
GAVI	Global Alliance Vaccine Initiative
GBS	General Budget Support
GFATM	Global Fund for AIDS, TB and Malaria
GRZ	Government of the Republic of Zambia
HIV	Human Immuno-deficiency Virus
HMIS	Health management Information System
iPAF	interim Performance Assessment Framework
IFMIS	Integrated Financial Management Information System
JAR	Joint Annual Review
JASZ	Joint Assistance Strategy for Zambia
JICA	Japan International Cooperation Agency
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MOF&NP	Ministry of Finance and National Planning
MOH	Ministry of Health
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTPP	Medium Term Procurement Plan
MTR	Mid Term Review
NDP	National Development Plan
NGO	Non Governmental Organisation
NHSP	National Health Strategic Plan
PAF	Performance Assessment Framework
PS	Permanent Secretary
PSRP	Public Sector Reform Programme
RNE	Royal Netherlands Embassy
SAG	Sector Advisory Group
SBS	Sector Budget Support
Sida	Swedish International Development Cooperation Agency
TA	Technical Assistance
USAID	United States Agency for International Development
USD	United States Dollars
WHIP	Wider Harmonisation in Practice
WHO	World Health Organisation
ZNTB	Zambian National Tender Board

# **MEMORANDUM OF UNDERSTANDING**

This Memorandum of Understanding (MOU) is signed by the Government of the Republic of Zambia (GRZ) / the Ministry of Health (MOH) (together referred to as the ‘Government’) and the donor community (referred to as Cooperating Partners / CPs) to confirm their commitment to support the National Health Strategic Plan 2006-2011. GRZ/MOH and CPs together are referred to as the ‘signatories’, a list of which is given at the end of this document.

NOW THEREFORE all signatories agree as follows:

## **1. Interpretation**

- 1.1. This MOU is not a legally binding document, and does not create any rights or obligations under international law, but reflects the joint commitment to increased partnership of all parties who recognise it as guidelines for the implementation of the NHSP. The duration of the MOU is six years, similar to that of the NHSP.
- 1.2. The MOU may be complemented by bilateral agreements/arrangements that are signed by each of the CP with the GRZ/MOH. If there is any inconsistency or contradiction between this MOU and any of the bilateral agreements/arrangements, the provisions in the bilateral agreements/arrangements will prevail. Information on such bilateral agreements/arrangements will be shared with MOH and the other CPs.
- 1.3. The purpose of the MOU is to present the jointly agreed terms and procedures for support to the NHSP and serves as a coordinating framework for consultation between the MOH and the CPs, for joint reviews of performance, for various common management arrangements, for reporting and for audits.

## **2. Definitions**

- 2.1 The Zambia National Health Strategic Plan January 2006 – December 2011 (NHSP) sets out the strategy for the development of the health sector in Zambia and as such it is the overarching policy document for all health service activities within the broader framework of national policy set out in the National Development Plan 2006-2011 (NDP) and the National Decentralisation Policy (2003). The NHSP is operating within the processes and systems of the Government’s (revised) Medium-Term Expenditure Framework (MTEF) and the annual Activity Based Budgets (ABB).

- 2.2 The vision of the six year NHSP is to *provide the people of Zambia with equity of access to cost-effective, quality health care as close to the family as possible.*
- 2.3 The Ministry of Health (MOH), the Ministry of Finance and National Planning (MOF&NP), Treasury, the Cabinet Office, the Office of the Auditor General and the Central Statistics Office are the arms of Government involved in the development, management and monitoring of the NHSP.
- 2.4 The Ministry of Finance and National Planning (MOF&NP) is responsible for overall coordination of the NDP and managing the MTEF and the national budget through which the MTEF is executed. The Economic and Technical Cooperation Department within the MOF&NP is responsible for overall aid coordination and for negotiating financing agreements with CPs in the context of the NDP, the MTEF and the annual Activity Based Budget (ABB) by MOH.
- 2.5 CPs are bilateral and multilateral organisations, who are working in partnership together and with the Government of the Republic of Zambia, and who agree to provide financial, technical and other assistance to the Government to support its endeavours to develop and improve health throughout the country. For this MOU, signatories are represented at ministerial and head of agency levels.
- 2.6 The health sector itself is defined as a pluralist sector that includes the following stakeholders involved in improving its performance: government health service providers, private sector, civil society<sup>1</sup>, faith based organisations and major national and international NGOs active in the health sector.
- 2.7 Common Management Arrangements (CMA) refers to joint planning, reporting, monitoring and evaluation systems which will be undertaken jointly between the Ministry of Health and its Co-operating Partners.

### **3. General Principles of Partnership**

- 3.1 The Government of the Republic of Zambia (GRZ) and the CPs recognize and reaffirm the principles of harmonisation as provided in the declarations of aid effectiveness made in Paris (March 2005). These provide a basis for strengthened governance and ownership, and improved performance as a result of reduced transaction costs and increased donor coordination.
- 3.2 The GRZ and most of the CPs are signatory to the Wider Harmonisation in Practice MOU (signed in April 2004) aimed at the development of the Joint Assistance Strategy for Zambia (JASZ). The JASZ will be the GRZ-CPs joint response to the NDP, guided by the Aid Policy and Strategy that is awaiting

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<sup>1</sup> Civil society includes professional associations, labour unions and religious groups.

approval. It aims at enhanced modalities of cooperation amongst CPs and between GRZ and CPs.

- 3.3 MOH and CPs perceive their collaboration as a means to enhance respect for human rights, upholding democratic principles, good governance, transparency and the rule of law, which together govern domestic and international policies.
- 3.4 The GRZ and the CPs also reaffirm their commitment to the achievement of poverty reduction and the Millennium Development Goals (MDG) for the health sector. However, MOH can only be held accountable for the health related outputs and not for the outcome in health status indicators (see Zambia health sector performance framework in the NHSP).
- 3.5 The MOH and CPs agree that there should be enhanced affirmative action and other interventions to support the provision of health services to poor and vulnerable groups. The MOH and CPs also agree that special attention should be given to mainstreaming HIV/AIDS, gender and environmental issues.
- 3.6 These Partnership Principles are subject to joint review by the GRZ/MOH and CPs. If need arises for a revision of these Partnership Principles or the MOU, it will be undertaken as part of the Joint Annual Review (JAR) of the sector.
- 3.7 All Co-operating Partners are active members of the Health Sector Advisory Group (SAG) regardless of their sector funding modalities

## **4. Responsibilities of Ministry of Health**

- 4.1 MOH will be fully accountable and responsible for the implementation of the NHSP and for the management of the financial contributions from the CPs channelled through its financial and administrative management system. MOH will provide overall leadership in planning and budgeting, implementation, monitoring & evaluation of the NHSP and the health component of the NDP. Specifically, MOH is responsible for:
  - Formulating health sector policies and priorities, the Annual Action Plan and the Activity Based Budget (subject to MOF&NP approval);
  - Ensuring effective and efficient management to achieve the agreed results and outputs;
  - Monitoring progress and identifying constraints in the implementation of the NHSP shared on a quarterly basis with MOF&NP;
  - Coordinating all activities from headquarters to the (sub)district levels;The Directorate of Planning and Development is responsible for coordinating the support with the CPs.

- 4.1.1 In addition to the responsibilities of the MOH, the Provincial Health Offices and District Health Management Teams are responsible for the implementation and monitoring of NHSP activities, based on local needs and constraints, under the overall coordination and guidance of the MOH.

## 5. Responsibilities of Cooperating Partners

- 5.1.1 The CPs will support the implementation of the NHSP through dialogue with the GRZ and the MOH, through technical and/or financial support. They will endeavour to adhere to the common management arrangements outlined in this MOU.
- 5.1.2 The CPs will strive to ensure the predictability of their financial support by informing the MOH and each other during the planned bi-annual Sector Advisory Group (SAG) meetings of the support they anticipate providing in the next fiscal year (between April – March). These two SAG meetings take place in March and September each year.
- 5.1.3 CPs-MOH will select (annually) one CP coordinator, mandated by the CPs to speak and act on their behalf on issues of common concern and per specific prior agreement. The CP co-ordinator will represent them in the day-to-day operations of the sector. The CPs will aim to reach internal consensus positions on key health policy and strategic issues to be discussed with the GRZ/MOH. This arrangement may be subject to change, depending developments within the JASZ and the lead Cooperating Partner concept.

## 6. Information sharing by Cooperating Partners and MOH

- 6.1 CPs will regularly provide information to the MOF&NP, the MOH, and the SAG on their future levels of financial support to the health sector and likely financing modalities in order to facilitate GRZ planning and to improve the predictability, the regularity and the appropriateness of resource mobilization. The contributions of the CPs may be subject to the approval of their respective constituencies. MOF&NP and MOH will provide CPs with the required formats and detailed timeframe for use of this information in the GRZ Budget.
- 6.2 CPs will continue to work towards utilising and strengthening GRZ systems, as indicated in the Aid Policy and Strategy for Zambia. Therefore, as far as their funding modalities and alignment to national systems allow, CPs will endeavour to increase the proportion of their funds for the health sector basket account<sup>2</sup> or for the central GRZ Treasury account<sup>3</sup>. All financial support to the various MOH baskets will be included in the GRZ budget.

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<sup>2</sup> There are **three financing modalities** to fund the health sector (in addition to GRZ resources):

- 6.3 CPs will endeavour to provide preliminary commitments to the NHSP for each forthcoming fiscal year before the first SAG meeting in March. They will confirm these commitments during SAG 2 or – latest - at ACM. CPs will communicate promptly to the MOF&NP, MOH and SAG any significant changes in the planned level of their support to the sector. This includes details of any grants or credits, of procurement and of technical assistance. CPs will also communicate quarterly their actual disbursements on the basis of reporting formats to be provided by MOH.
- 6.4 CPs will commit to circulating key documents to MOH and other relevant Government ministries and departments in a comprehensive and timely manner, and to ensuring that copies are made available to the SAG through the Permanent Secretary of the MOH. This includes policy documents, programme and project memoranda, aide memoires, studies and evaluation reports.
- 6.5 MOH will consult in advance with all SAG-members on envisaged changes to policies, plans, management arrangements, or budget allocations that have significant implications for the NHSP or for the CPs that support it. In this context, ‘significant’ means changes that have policy, management or financial implications beyond the specific investment project being supported, including requirements for counterpart funds or for additional recurrent costs that are not included in existing plans and budgets.
- 6.6 The MOH will ensure that all information on relevant plans and activities in the sector (including training opportunities, study tours, long term study awards, consultancies, new project initiatives, request for assistance, project appraisals, financial and progress reports, liquidity plans, technical assistance reports, implementation and evaluation reports) is made available to CPs through the SAG. It will also provide quarterly information on the implementation levels of its annual plan as per format agreed upon by MOH, MOF&NP and CPs.

## **7. Management of the Health Sector**

- 7.1 The overall goal of NHSP is to significantly contribute to the attainment of the health related MDG and to the implementation of well defined national health priorities. For each of these priorities, an objective, various strategies and expected outputs have been defined. These in turn have been linked to the

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1. The general ‘expanded basket’; to be called in the future ‘Health Sector Basket Account’;
  2. Various specific (or designated) basket accounts, providing funds for institutions like: (i) districts (ii) hospitals, (iii) training institutions, (iv) Statutory Boards, (v) CBOH and (vi) MOH; funded by multiple CP; In addition to these baskets there are cost items that provide funds to all levels of the health care system, such as drugs and supplies; recurrent costs, capital investment; human resources account etc.
  3. Specific programme and/or project accounts.

<sup>3</sup> This ‘Budget Support’ includes (i) General Budget Support (GBS) and (ii) targeted Sector Budget Support (targeted SBS).



health sector performance framework and targets for the coming years as presented in the NHSP.

7.2 The health Sector Advisory Group (SAG; formerly know as Health Sector Committee) has been established to (i) support Government ownership and leadership for the NHSP and encourage strong MOH-led coordination; (ii) promote coordinated sector-wide policy dialogue and technical support on strategic issues in health with MOH, the CPs and all stakeholders; and (iii) ensure that the support of CPs to health is increasingly provided to GRZ in a regular, predictable, harmonized and coordinated manner.

7.3 The SAG is presided over by the Permanent Secretary of the MOH and is composed of other arms of government (e.g. MOF&NP, Cabinet Office, Central Statistical Office), representatives from bi-lateral and multi-lateral agencies, development banks, and other stakeholders like the private sector, civil society, faith based organisations and major national and international NGOs operating in the sector

7.3.1 MOH will plan and lead annually two SAG meetings that will involve all NHSP stakeholders<sup>4</sup>.

The purpose of the **first SAG** in March/April is to look back and review overall progress in the sector, in particular for quarter three and four of the previous year. SAG 1 will also approve and trigger disbursements by CPs for quarter two and three of the current year. This SAG will be informed by the Annual Performance Review Report (including technical and financial<sup>5</sup> progress reports over the previous year) together with the findings of the JAR mission (to be finalised by the end of February). CPs will indicate their preliminary (expected) financial commitments for the coming fiscal year (April till March).

The purpose of the **second SAG** in September is to look forward, reviewing progress for quarter one and two of the current year and approving the funding for quarter four and one of the coming year. During SAG 2, CPs will confirm their financial commitments for the next year to be included in ABB. Stakeholders will define priorities for the upcoming Annual Action Plan (AAP) and the draft ABB. Finally, the financial audit report for the previous year will be presented and discussed.

7.4 In November each year, an Annual Consultative Meeting (ACM) will take place in which the MOH and the Heads of Mission of the CPs will discuss (and if possible endorse) the next year (draft) AAP/ABB and confirm their financial commitments to the sector. MOH will inform CPs at least one month in advance about date, venue and agenda of the ACM and the two SAG meetings. MOH will be responsible for drawing up the minutes of these meetings that will be submitted for approval to other signatories.

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<sup>4</sup> Detailed Terms of Reference for the SAG and for other structures where the partners meet for consultation and decision making (such as ACM, Mini SAG, Policy Meetings, sub-committees and TWG's) will be developed and endorsed during SAG 1 / 2006 and annexed to this MOU.

<sup>5</sup> Financial progress reports will be defined by the format given by MOF&NP in their quarterly expenditure report, called 'Statement C'.

- 7.5 In addition to SAG and ACM meetings, joint meetings will take place quarterly as part of the M&E and Income & Expenditure sub-committees with the participation of MOH, CPs, other arms of Government and stakeholders. These technical meetings will review progress and financial reports of previous quarters (4x/yr) to be presented to MOF&NP and CPs.
- 7.6 The SAG and ACM are informed on the performance of the sector by sub-committees such as the Hospital Reform Steering sub-committee and the Monitoring & Evaluation sub-committee. In addition, various Technical Working Groups (TWG) perform specific tasks, such as the TWG for procurement, human resources, Income & Expenditure and the capital fund. The MOH will be responsible for establishing any additional mechanisms for consultation on a needs basis, e.g. specialist ad hoc TWG, and consultation processes with other stakeholders and constituencies (civil society, boards, private sector, NGO).
- 7.7 In addition to the SAG and ACM meetings, there are monthly MOH-CPs Policy Meetings (every last Thursday of the month), presided by the Permanent Secretary (at least once every quarter) or his delegated authority. These monthly policy meetings address general health sector related issues.
- 7.8 MOH and CPs will ensure that sector wide appraisal, supervision, monitoring, auditing and evaluation missions are carried out jointly. CPs will endeavour to reduce bilateral missions to a minimum, consistent with their own organizations' requirements, and to align such missions to the extent possible with the JAR.
- 7.9 Finally, the MOH will be responsible for ensuring relevant and appropriate inter-ministerial coordination in health sector policy dialogue, service delivery and budget allocation, including participation in key fora as appropriate.
- 7.10 Wherever possible and appropriate, consultations on health issues will be undertaken collectively through meetings with the members of the SAG, rather than through bilateral meetings with individual CPs or other stakeholders.

## **8. Harmonisation and alignment**

- 8.1 With the NHSP, the health sector is moving towards a comprehensive approach to planning and budgeting, financial management and accounting, procurement, and performance monitoring of the sector, using agreed indicators of progress in meeting agreed targets and outputs. Reporting should

be based on performance indicators that will be defined as part of the health sector performance framework, as presented in the NHSP.

- 8.2 The CPs should, as far as possible, harmonise, synchronise and implement their programmes and activities, using relevant Government procedures and guidelines. These include planning and budgeting, financial management and accounting systems, procurement, and performance monitoring & evaluation. Common management arrangements are to be developed further with the intention to increasingly use GRZ systems and procedures, aligning itself to the various components of the Public Sector Reform programme (PSRP).
- 8.3 Those CPs, for whom full alignment to GRZ systems is not presently possible, will nevertheless endeavour to align their procedures to the maximum extent feasible in order to minimize multiple and parallel processes and to reduce transaction costs.

## 9. Planning and budgeting

- 9.1 In addition to the Health Sector Budget for the six year period of NHSP, MOH will prepare an AAP with an ABB. In principle, all health sector public resources will be captured in MOH resource envelope and MTEF.
- 9.2 GRZ/MOH will endeavour to ensure that the proportion of the overall GRZ financed discretionary budget allocation to the health sector is increased over the period of the NHSP toward the target of 15% (Abuja Declaration 2001) by the end of 2011<sup>6</sup>. Furthermore GRZ/MOH will ensure that all plans, budgets and expenditures are in line with national policy priorities and the requirements of the NDP, the MTEF and the NHSP. MOH and CPs will monitor the disbursements by MOF&NP to the health sector.
- 9.3 The planning and budgeting framework and process will follow the ABB / MTEF requirements and guidelines. Each level of the health system will formulate its own plan, priorities and budget requirements in line with the budget ceilings allocated to them by MOF&NP and the annual planning and budgeting guidelines issued by the MOH. Increasingly, three year rolling AAP/ABB will be used to facilitate planning and reduce transaction costs.

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<sup>6</sup> This allocation (%) is defined by MOF&NP as follows:  
The **Numerator** includes the 'Total MOH budget', being the MOH allocations in Head 46 + Head 21 + MOH allocation in provinces + MOH share of wage award/creep + MOH share of health allowances + MOH share of employers contributions; The **Denominator** includes the 'GRZ financed Discretionary Budget (incl GBS)', minus: Domestic and Foreign Debt service, Constitutional posts, Amortisation, Arrears of suppliers of goods and services, Awards / Compensations, RDC contingency, the Pension and Road Fund, Rural Electrification Authority and the Land Development fund. It is expected that in 2006, **expenditure** figures from FMS will become available (based on the new Chart of Accounts).

- 9.4 The CPs will support the health sector by aligning their interventions with the MOH priorities and timelines as specified in the NHSP. Based on its commitments, expressed during SAG 1, CPs will make two disbursements to the MOH baskets: in the beginning of April (financing Quarters 2 & 3) and in October (financing Quarters 4 & 1 of the next year). This is linked to the approval and implementation of funding to institutions by the SAG meetings.
- 9.5 CPs will utilize the existing GRZ disbursement channels / systems. In addition, CPs will use the existing Financial and Administrative Management Systems (FAMS) that will be interfaced with the Integrated Financial Management Information System (IFMIS) that is currently being developed within GRZ (as part of the Public Sector Reform Programme).
- 9.6 Where a CP provides funding outside these channels and systems, or uses an NGO or private sector entity to undertake activities, it will commit to ensuring that technical and financial reports are provided in accordance with formats and frequency provided by the MOH.
- 9.7 Where financing and procurement is not undertaken through GRZ systems, CPs will provide MOH information (according to MOH formats) on the costs of implementing programmes and the procurement of goods and grants in kind. Such information will facilitate planning and forecasting, analysis and review and enhancing cost effectiveness and efficiency of operations.
- 9.8 The MOH will develop draft AAP/ABB as part of the MTEF in consultation with the CPs. Efforts are to be made to include proposed expenditures on all health activities, however financed, in the budget, as required by GRZ financial regulations and procedures.
- 9.9 The GRZ will not be expected to request CPs to provide assistance to the health sector which is outside the NHSP, nor agree to support activities derived from any priorities of CPs that are not aligned with the NHSP. Exceptions, such as emergencies or special epidemics will be handled on a case by case basis in consultation between GRZ/MOH and CPs.
- 9.10 Financial assistance received from global and other initiatives, such as GFATM, GAVI, RBM and the Malaria Booster Programme will – to the extent possible - be utilised as part of the Health Sector Basket Account. All such financial assistance will be included into the ABB and MTEF and thus become ‘on-budget’<sup>7</sup>. For all other (non-HSBA) NHSP relevant CP funding the MoH should be informed about budgeted and expended amounts, in order for this to be included in the ABB and the MTEF.

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<sup>7</sup> ‘On-budget’ means not only that the financial contribution of the CP will be included in the national budget (yellow book) but also that it is recorded as expenditure in the national accounting system.

## **10. Financial management, disbursement and accounting systems**

- 10.1 All CPs contributing to pooled funds (expanded basket or designated pooled funding), will work towards the establishment of one 'Health Sector Basket Account'. This Account will be opened at an agreed Commercial Bank.
- 10.2 Contributions from CPs will be transferred after receipt and approval of written payment requests and the applicable approved financial and progress reports. Funds will be transferred to an USD and/or Euro foreign currency exchange account, approved by the MOF&NP and held in the name of Ministry of Health.
- 10.3 The MOH will instruct the Commercial Bank to promptly inform in writing the MOF&NP, the Central Bank of Zambia and the CPs of the receipt of the foreign currency and its counter value in Kwacha. The Kwacha equivalent will be calculated on the basis of the exchange rate on the date of transfer of the funds by the CPs.
- 10.4 MOH will immediately acknowledge receipt of the Kwacha counter value, in writing, to the CPs in question.
- 10.5 During the first SAG meeting of the year, MOH and CPs will agree on the allocation criteria for each of the institutions that receive funds from the Health Sector Basket Account. The JAR will review these criteria the year after and advise MOH and CPs on their effectiveness for priority setting.
- 10.6 At SAG 1, CPs will report the expected levels of their respective contributions to the Health Sector Basket Account for the next financial year. MoH and CPs will try and replenish the Health Sector Basket Account in line with the cash flow needs for the implementation of the NHSP. MOH and CPs have committed themselves<sup>8</sup> to endeavour to secure a standing balance equivalent to six (6) months forecasted expenditure as the 'Buffer' for the respective baskets within the pooled funding arrangements of the MOH (financial buffer).
- 10.7 Financial resources from CPs to be used for projects and programmes that are in support of the NHSP will still be accepted and continue to be disbursed by CPs in line with agreed plans or bilateral agreements. Those CPs disbursing under such arrangements will enter into discussions with GRZ/MOH on a strategy and timetable to align these resources so that they support the National Health Strategic Plan and its priorities.
- 10.8 MOH will ensure that effective and adequate financial management systems and financial control procedures are in place, such that CP resources can be disbursed and accounted for as planned and agreed.
- 10.9 The Financial and Administrative Management System (FAMS) will continue to form the basis for accounting and financial control within the MOH and its agents for all funding sources. It will be interfaced with the systems used by

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<sup>8</sup> Statement recorded at the SAG meeting of 6<sup>th</sup> October 2005.

the MOF&NP (FMS and IFMIS). All sector support, irrespective of the funding source, will thus be brought 'on-budget' and expenditure for all funding sources will also be timely and reliably reflected in the MOF&NP's quarterly 'statements C' (see footnote 5). These statements will be produced and shared within three months after the end of the respective quarter.

- 10.10 Annual financial (income and expenditure, all levels) statements (for the previous year) will be prepared as part of the JAR.
- 10.11 These financial statements will be audited by the Auditor General of Zambia once a year. The audit report will be provided to GRZ/MOH and CPs in September (before SAG 2). It will contain an opinion as to whether the annual financial statements submitted during each financial year together with the procedures and internal controls involved in their preparation, can be relied upon to report against the transactions of pooled and other funds that are contributed by the GRZ and the CPs.
- 10.12 Each quarter, the MOH/GRZ will provide the CPs with a financial monitoring report for the preceding quarter and a reconciliation of the Health Sector Basket Accounts and the various specific basket accounts. Bank statements of all these accounts will be made available on request.
- 10.13 CPs will endeavour to report their disbursements and balances for all contributions relating to the AAP on a quarterly basis within 8 weeks after the end of a quarter in order to establish a comprehensive financial position for the health sector. All funds managed by MOH will be audited by the Office of the Auditor General. CPs will assist this Office in providing timely all the necessary information.
- 10.14 Agreement will be reached between the GRZ and CPs on the independent audit of expenditure and other fiduciary safeguards, designed to ensure sound financial management as governed by their respective bilateral agreements.

## **11. Procurement**

- 11.1 MOH will be responsible for all procurement in accordance with the Zambian National Tender Board (ZNTB) procurement rules, guidelines and procedures. Procurement will provide for goods (pharmaceuticals), works and services (including technical assistance). The Procurement Unit of MOH will elaborate annually a three year rolling Medium Term Procurement Plan (MTPP) to be endorsed by the Procurement TWG.
- 11.2 MOH will finalise and adopt a 'Procurement Procedures Manual' by the end of 2006 that sets out national and sectoral regulations, guidelines and procedures. This manual is subject to the national public procurement regulations, as specified in the Zambia National Tender Board Act. Special attention need to be given to proper assessment of the checks and balances in the procurement process and systems. Given the recurrent nature of most procurement activities and especially for drugs, GRZ/MOH will initiate long-standing framework contracts with the aim of reducing time and cost.

- 11.3 By end of August each year, MOH will produce a draft MTPP, indicating the goods, works and services to be procured. The method of procurement will be indicated and items to be procured by GRZ and the CPs specified. The MTPP will be approved by the second SAG meeting in September. MOH and CPs will adhere to the MTPP and will provide quarterly procurement monitoring reports to the TWG Procurement that indicate the progress in implementing the MTPP.
- 11.4 MOH will play a leading role in the procurement of technical assistance (TA), which will arise out of, and support, the NHSP and be reflected in the MTPP or AAP/ABB. MOH in consultation with CPs will initiate the request for TA, in line with the national TA procurement plan. If TA working on sector issues is procured outside of the MTPP or AAP, MOH's prior agreement will be sought. All TOR's and reports from TA will be shared timely among MOU signatories by either the MOH (if contracted by the Ministry) or by the funding CPs (for TA provided in kind).
- 11.5 In the pharmaceutical sub-sector, MOH will establish and maintain a drug supply and capital budget line, as part of its budget. In addition, MOH will ensure that there is integration of MSL with the MOH procurement systems, including the possible delegation of procurement functions.
- 11.6 In consultation with the ZNTB, an independent procurement audit will be conducted as part of the JAR. Medium to long-term actions to resolve any problems identified during the JAR will be agreed at the SAG 1 and incorporated into the next AAP. Short term actions, particularly for any serious abnormalities will be taken immediately.

## **12. Performance Monitoring & Evaluation**

- 12.1 MOH and CPs will harmonise the health sector performance framework (in line with the NHSP), and use these in the JAR. Indicators will include:
- NHSP benchmarks/triggers for disbursement of sector basket support;
  - MDG and NDP indicators;
  - iPAF indicators from the PAF / Joint Assessment Report, June 2005.
  - Output and process indicators to assess service delivery (quality, access, efficiency);
  - Health status and impact indicators;
  - Financial and disbursement indicators (from MTEF).

These indicators will be derived as far as possible from routine monitoring systems (HMIS) or (population based) surveys (ZDHS, sentinel surveillance). They will include those required for the M&E of the NDP and the MTEF in order to avoid duplication of effort.

- 12.2 MOH will produce twice a year activity and financial reports (see footnote 5 in section 7) for all levels of the health system for consideration in the SAG

meetings. It will also produce an Annual Performance Report in March (to be presented at SAG 1) on the performance of the sector for the previous year against the outputs and targets of the AAP/ABB.

- 12.3 The MOH will be responsible for sector performance monitoring and review. It will plan and lead the annual JAR (to be finalised latest by February), together with appropriate involvement and support of CPs, GRZ ministries and other stakeholders. The findings of the JAR will be presented at the first SAG meeting in March. Preparations for the JAR (selection of consultants) will have begun in August, while the TOR and the composition of the team should be approved by SAG 2 in September of the previous year.
- 12.4 CPs will endeavour to include their own review requirements in the JAR and will accept the JAR as satisfying their own review requirements. They will not undertake separate sector wide monitoring or review missions, without the endorsement of the M&E sub-committee.
- 12.5 MOH will organise a joint Mid-Term Review (MTR) before the end of the third year of NHSP that will coincide with the JAR 2009 (covering the period 2006-2008). This MTR will include an extensive review of this MOU and will be combined with the JAR for that year.
- 12.6 An independent final external evaluation will be undertaken in the final year of NHSP. All stakeholders will agree on the timing, terms of reference and composition of these two review missions. All costs will be included in the Health Sector Budget.

### **13. Capacity development and implementation**

- 13.1 The MOH will establish a capacity development plan, linked to performance, for successful program implementation. Programmes supported by CPs will work through the structures designated by the MOH, in order to build capacity, improve sustainability, and ensure maximum integration with the MOH policies and programmes.
- 13.2 CPs that currently disburse their support via parallel structures are requested to enter into discussions with GRZ/MOH on the strategy and timeframe for bringing functions currently undertaken by such parallel structures back within the GRZ systems and structures.
- 13.3 Notwithstanding the above points, the MOH may choose to use external agents for implementation tasks in circumstances where it is cost-effective and sustainable to do so. Such arrangements are likely to occur as exceptions, and decisions to do so should be based on a clear rationale that is part of the planning process.



- 13.4 In order to avoid negative impacts on service delivery, CP payments to MOH staff should be by agreement and not more than the standard rates advised by MOH. In this respect, MOH will develop and agree on guidelines for the payment and remuneration of civil servants at all levels of the health system that will be endorsed by the Cabinet Office. CPs will conform to these guidelines when making payments to MOH staff. Guidelines for incentive schemes will be shared with the TWG for Human Resources.
- 13.5 CPs will work towards establishing a pooled funding arrangement for externally funded technical assistance to MOH<sup>9</sup>. TA programs should preferably rely on Zambian human resources whenever possible. Expatriate assistance (when required) should be complementary to available national expertise and capacity. It should aim to develop and strengthen national/regional expertise & capacity. Where TA is provided in kind there will be co-ordination in the appointment of that particular TA between MoH and the CP providing in kind TA
- 13.6 The MOH, in consultation with CPs, will be responsible for ensuring that the AAP/ABB includes activities for capacity development to support the planning and implementation of NHSP. CPs will ensure that their current and proposed support to capacity development is aligned with the capacity development plan. A contingency provision to fund urgent tasks that were not anticipated will be included. Allocation of these funds will be approved by SAG policy meetings.
- 13.7 In the medium term, MOH with support from CPs will establish a database of local, regional and international consultants with specialised skills and expertise that can be contracted to provide support to the MOH as need arises. Suitably qualified local consultants will be identified on a competitive basis and will be given priority during selection. MOH will play a central role in the procurement process and selection of the consultants, subject to the respective CP being satisfied as to the feasibility of the TORs, the competence of selected personnel, and the fairness of the procurement process.

## **14. Modification**

- 14.1 The signatories will annually review / discuss the implementation, application and effectiveness of the procedures outlined in this MOU.
- 14.2 Any amendments to the status and terms to this MOU will be made through written agreement between the GRZ/MOH and CPs who are signatories to the MOU and, following their consideration, by the ACM.
- 14.3 Any new partner who wishes to co-operate with the GRZ/MOH under the provisions of this MOU will be free to do so on signing this agreement.

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<sup>9</sup> Technical Assistance is defined as a comprehensive system to develop and strengthen national capacity/experience through the provision of short- and long term human professional expertise by CP.

- 14.4 Each CP may withdraw / terminate its support for the NHSP by giving the other signatories three months written notice. If a CP intends to withdraw / terminate its support, that CP will call for a meeting to inform the other signatories of his decision. The CP will also consult MOH and the other CPs about the consequences of their decision on the NHSP and agreement will be sought on the way the financial loss can be compensated.

## **15. Dispute Settlement**

- 15.1 To the extent possible, CPs will try to ensure that health sector commitments are not interrupted for reasons that are external to the sector or to implementation of the NHSP.
- 15.2 Unless there is a major breach of the fundamental principles underlying the MOU, conditionality will be applied only in the succeeding budget year, thus avoiding disruption to the implementation of the NHSP.
- 15.3 Any disagreement or controversy that arises relating to the implementation of the NHSP or interpretation of this MOU should be settled by dialogue and consultation between the parties; unilateral action should be avoided. In the event that a dispute or controversy cannot be settled in this way, a high level meeting will be arranged with between the GRZ/MOH and CPs.
- 15.4 In the event of a disagreement or dispute that has not been resolved by the mechanisms outlined above, each CP may be released from the undertakings and obligations of this agreement / arrangement as specified in Section 14 above. Parties terminating the agreement / arrangement in this manner will do so without penalty.

## **16. Corruption**

- 16.1 MOH and CPs will require that its staff and consultants under projects or programmes refrain from offering third parties, or seeking, accepting or being promised from or by third parties, for themselves or for any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice or constituting potential conflict of interest.
- 16.2 When signs of corruption that merit further investigations have become apparent, MOH will inform and consult the CPs about possible further action and vice versa.

## **17. MOU coming into effect**

This MOU will become effective in relation to each individual CP on the date it is signed by the individual CP and the MOH.

**SIGNATURES**

**For and on behalf of the Government of the Republic of Zambia,  
Ministry of Health**

.....(Date/signature)  
MINISTRY OF HEALTH OP ZAMBIA (MOH)

**Co-operating Partners**

.....(Date/signature)  
**(Authorised Representative)**  
CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA)

.....(Date/signature)  
**(Authorised Representative)**  
COMMISSION OF THE EUROPEAN UNION (EU)

..... (Date/signature  
)  
**(Authorised Representative)**  
DANISH INTERNATIONAL DEVELOPMENT ASSISTANCE (DANIDA)

.....(Date/signature)  
**(Authorised Representative)**  
DEPARTMENT FOR INTERNATIONAL DEVELOPMENT OF THE UNITED KINGDOM  
(DfID)

.....(Date/signature)  
**(Authorised Representative)**  
DEVELOPMENT CO-OPERATION IRELAND (DCI)

.....(Date/signature)  
**(Authorised Representative)**  
GERMAN AGENCY FOR TECHNICAL CO-OPERATION (GTZ)

.....(Date/signature)  
**(Authorised Representative)**

INTERNATIONAL DEVELOPMENT ASSOCIATION – WORLD BANK (WB)

.....(Date/signature)

**(Authorised Representative)**

EMBASSY OF JAPAN

.....(Date/signature)

**(Authorised Representative)**

ROYAL NETHERLANDS EMBASSY LUSAKA (RNE)

.....(Date/signature)

**(Authorised Representative)**

SWEDISH INTERNATIONAL DEVELOPMENT CO-OPERATION AGENCY (SIDA)

.....(Date/signature)

**(Authorised Representative)**

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)

.....(Date/signature)

**(Authorised Representative)**

WORLD HEALTH ORGANIZATION (WHO) also for UNAIDS, UNDP, UNFPA & UNICEF

.....(Date/signature)

**(Authorised Representative)**

GLOBAL ALLIANCE VACCINE INITIATIVE (GAVI)

.....(Date/signature)

**(Authorised Representative)**

GLOBAL FUND FOR AIDS, TB AND MALARIA (GFATM)

Signed in Lusaka.