

MEMORANDUM OF UNDERSTANDING WITH THE GOVERNMENT OF THE REPUBLIC OF RWANDA (GoR) FOR GROWTH AND POVERTY REDUCTION GRANT (GPRG) 2012-2015

Between

The Government of the United Kingdom of Great Britain and Northern Ireland acting through the Department for International Development ("DFID")
and

The Government of the Republic of Rwanda ("GoR")

together called "the Participants"

United Kingdom/Rwanda Growth and Poverty Reduction Grant 2012-2015 (ARIES no:203399)

1. Following the recent discussions between the Participants, DFID will make available for budget support a sum not exceeding £111million to the GoR over the period 2012/13 to 2014/15. This will be disbursed as follows:

	2012/2013	2013/2014	2014/2015
Maximum disbursement	£37m	£37m	£37m

Made up of:

Core component	£32m	£32m	£32m
Variable component	£5m	£5m	£5m

2. Each year DFID will write to the GoR with details of the funding and disbursement plans for the forthcoming financial year, including the extent to which the indicative amounts for the following year will be confirmed.
3. The indicative amounts are subject to revision and will depend on the fulfilment of the provisions of this Memorandum of Understanding (MOU), the bilateral MoU between DFID and the GoR, the attached Business Case documents and the maintenance of the partnership commitments set out in Annex 1 to this MOU. It will also depend on the availability of resources to DFID and aid modality decisions, which are linked to trends in governance, poverty reduction and financial management.
4. The variable component will also be subject to the provisions set out in paragraph 3, including reviews of performance against the partnership commitments set out in Annex 1 to this MoU. Provided no specific concerns are identified, the variable component will be paid according to performance against the jointly agreed targets and policy actions set out in the Common Performance Assessment Framework (CPAF). Provided performance against the partnership

commitments is maintained, 100% of the performance tranche will be disbursed if a minimum of 80% of CPAF targets and policy actions are met; 75% will be disbursed if between 60% and 80% are met; and 0% disbursed if less than 60% of targets and policy actions are met.

5. When requesting payment, the GoR should complete Annex 3 and confirm GoR bank account details.
6. The Grant will start upon signature of the MoU by the Participants and will end on 30 June 2015.
7. The arrangements and the purpose for which the Grant will be used are set out in this MOU, the attached Business Case documents (Intervention Summary and logical framework) and DFID's Conditionality How to Note, as summarised in Annex 1, collectively referred to in this MOU as "this Arrangement". The details may be varied within the total grant by mutual arrangement between our two Governments.
8. The Grant will be paid in accordance with the attached Procedures and Practices for United Kingdom Growth and Poverty Reduction Grant and Non Budget Support Financial Aid (hereinafter referred to as "the Procedures"). These are attached at Annex 2.
9. The GoR is responsible for ensuring that the Grant provided in support of and transferred to the general fund is used for the intended purposes. This will be achieved through ensuring that public resources support the implementation of nationally owned poverty reduction plans. DFID will work together with the GoR in order to ensure adequate arrangements are in place to assess, monitor and strengthen financial management and accountability systems to achieve this. This will include the GoR providing Annual Financial Statements for the accounting year in which the whole or part of the Grant was transferred, and the certificate and report on these statements by the Rwanda Auditor General for State Finances.
10. Reviews will be conducted as appropriate, to assess progress. The timing of reviews will, where possible, be aligned with existing national processes.
11. If DFID considers that there has been:
 - a) a failure to fulfil the commitments made under this Arrangement by the GoROR
 - b) any change that in the opinion of DFID impairs significantly the development value of the programme, then DFID may take any of the following actions:
 - signal a possible future response
 - change the way DFID delivers aid
 - delay all or part of a specific aid disbursement to the Partner Government
 - reduce, suspend or stop aid under this Arrangement or terminate this Arrangement under paragraph 17 of this MOU.
12. Except in extreme circumstances, DFID will first discuss with the GoR and where appropriate undertake an assessment.

13. Only in exceptional circumstances will DFID interrupt planned disbursements¹ of aid within the GoR financial year.
14. DFID will not be responsible for the activities of any person or third party engaged by GoR as a result of this Memorandum, nor will DFID be responsible for any costs incurred by GoR in terminating the engagement of any such person.
15. GoR commits to collaborate with DFID to build support for development and raise awareness of the UK government's funding for development activity. Both will proactively look for ways to raise awareness of UK government funding for development. GoR will explicitly acknowledge DFID's support through use of DFID's UKaid logo in all communications with the public or third parties about this programme, unless otherwise agreed in advance. GoR also commits to collaborate with DFID on other awareness raising activities where feasible and appropriate, in the UK and overseas, to profile the partnership and the results it is delivering.
16. If at any stage, the GoR should become aware of, or suspect, any misappropriation or diversion of funds or possible fraud or corruption relating to the project/programme activities funded by the DFID grant, the GoR must report the matter immediately to DFID.
17. This Arrangement including this MOU can be terminated by three months' written notice by either Government. It is accepted nonetheless that any decision of either Government regarding termination of this Arrangement will first be subject to discussion, but any other step under paragraph 11 of this MOU may be taken by DFID in the meantime.
18. In line with DFID's Transparency commitments, the GoR gives consent for this arrangement (and any subsequent amendments) to be published on DFID's website.
19. If the arrangements set out in this MOU and its annexes are acceptable to the Government of Rwanda this Arrangement and this MOU will place on record the understanding of the Participants and will come into operation on the date of the GoR signature below. The GoR should please sign both copies of the original, retain one for its own records and return the other to DFID.
20. In the event of translation the English text of this document will prevail.

Signed on behalf of DFID;

Name: **MIKE HAMMOND**
 Position: **HEAD OF OFFICE**
 Date: **05/09/2012**

Signed on behalf of the Government of Rwanda;



Name:
 Position:
 Date:

05 SEP 2012

¹ The variable component remains subject to performance, as described in paragraph 4.

ANNEX 1: Partnership Commitments governing all British Government financial aid to the Partner Government

1. The Partnership commitments

- 1.1 Our development partnership in Rwanda is based on a shared principle commitment to the following four commitments:
- Reducing poverty and achieving the Millennium Development Goals (MDGs) in Rwanda
 - Respecting human rights and other relevant international obligations;
 - Strengthening financial management and accountability and reducing the risk of funds being misused through weak administration or corruption.
 - Promoting transparency and accountability to citizens
- 1.2 All commitments attached to DFID's aid are made public via the DFID website.

2. Assessing the Partnership Commitments

- 2.1 The above commitments made by the GoR will be assessed using benchmarks (indicators) set out in the Common Performance Assessment Framework (CPAF) subset of the National Results Framework for Rwanda's Economic Development and Poverty Reduction Strategy, other information drawn from GoR systems, international indicators and other sources of data.
- 2.2 These benchmarks have been agreed with the GoR and are attached at Annex A. DFID is committed to publishing benchmarks on the DFID website.
- 2.3 Partnership talks will be held as appropriate to assess the commitments and review progress. The timing of reviews will where possible be aligned with existing national processes.

3. Responding to a Breach of the Partnership Commitments

- 3.1 A failure to fulfil any of the commitments referred to in paragraph 1.1 and 1.2 of this annex may lead to DFID's aid being interrupted, reduced, suspended, delivered in a different way or terminated.
- 3.2 Except in extreme circumstances, if DFID is concerned that the commitments may not have been fulfilled by the GoR, DFID will commence an assessment and discussion with the GoR to: enable DFID to explain their concerns; better understand the GoR position and rationale; explain possible implications for the provision of further aid that DFID may deliver or the way it is delivered; and seek solutions where possible.
- 3.3 If DFID considers that there has been a failure to fulfil the commitments of the GoR, DFID will send a clear, transparent signal that the GoR's actions or omissions are being considered

serious and may take any of the following actions: signal a possible future response; delay all or part of a specific aid disbursement to government; change the way DFID delivers aid to government; switch some or all of the aid away from government to other channels; reduce/stop aid to Rwanda or terminate all or any aid arrangement.

3.4 Only in exceptional circumstances will DFID interrupt planned disbursements of aid to government within the GoR financial year.

3.5 The appropriate response will depend on the seriousness of the specific situation and the circumstances that led to the failure to fulfil the partnership commitments. In particular DFID will consider the scale, severity and trend of the change, and the impact that any decision will have on poor people and longer term poverty reduction efforts.

ANNEX 2: PROCEDURES AND PRACTICES FOR UNITED KINGDOM BUDGET SUPPORT & NON BUDGET SUPPORT FINANCIAL AID

Introduction

1. This document which must not be amended by DFID or partner Government is a standard, practical guide for the partner Government. It sets out the procedures and practices applicable to Poverty Reduction Budget Support (BUDGET SUPPORT) and non-Budget Support Financial Aid provided by the United Kingdom, including payment, procurement and audit arrangements. This guide should be read in conjunction with the Memorandum of Understanding (MOU).

FOR ALL FINANCIAL AID

Agency fees

2. The partner Government may also appoint a DFID approved Procurement Agent. Fees for procurement agents are met from the Grant.

Funding procedures

3. As soon as the MOU is agreed, the partner Government must submit to DFID, and the appointed Procurement Agent (if applicable), specimen signatures of persons authorised to sign the indents and claims for reimbursement (if goods are to be purchased). Any change of such persons must be notified to all parties.

Disbursement of the Grant for BUDGET SUPPORT

4. In accordance with the arrangements set out in the Business Case or specified document the Partner Government will request DFID to fund all or part of the Grant. DFID will authorise and make payment of the funds into an Account, which forms part of the Consolidated Fund or equivalent account of the Government for amounts provided in support of the general revenue budget. The Accountant General (or equivalent) of the Partner Government will provide written confirmation to DFID that funds have been received into the Consolidated Fund (or equivalent) including a copy of the voucher which records receipt into the payee account. Audit arrangements will be as specified in the MoU.

Disbursement of the Grant for Non Budget Support Financial Aid

5. In accordance with the arrangements set out in the **Business Case or specified document** the Partner Government, or the Procurement Agents will, in both cases through DFID, request disbursement of all or part of the Grant to an account specified by the Partner Government for the project expenditure, other than amounts to which paragraph 11.1.3 applies for goods and services procured through a Procurement Agent.

6. Any monies paid out and subsequently to be refunded to the partner Government by a contractor or by a guarantor must be returned to DFID by the contractor or guarantor.

7. Any outstanding claims must be submitted within three months of the project end date.

8. DFID will send to the Partner Government at the end of each month a detailed statement showing all debits and credits to the Account during that month.

FOR NON-BUDGET SUPPORT FINANCIAL AID

Procurement

9. Where an MOU allows for the purchase of goods and services, the Partner Government may, using the draft Contract in Appendix 1, appoint a Procurement Agent approved by DFID's Procurement Group, or may undertake procurement through its own systems.

9.1 Procurement through a Procurement Agent

9.1.1 The partner Government must notify the appointed Procurement Agent of authorised signatories mentioned in paragraph 5. The Partner Government will subsequently submit signed indents to the Procurement Agent for goods and services to be procured.

9.1.2 The Procurement Agent sends the indent, proposed contract and any other relevant documents to DFID. DFID authorises the Procurement Agent to proceed where there are sufficient available funds.

9.1.3 On delivery of the goods or services, the Supplier sends invoices to the Procurement Agent who submits these to DFID for payment. DFID makes payments the Procurement Agent for the goods and services to effect payment, and pays their fees.

9.2 Procurement by the Partner government

9.2.1 The **Business Case or specified document** may allow for the Partner Government to undertake procurement (international or local) without the use of a procurement agent. If so, before any commitment is made to procure goods and/or services the following guidelines must be observed:

(i) prior approval for the procurement must be given by DFID (who reserves the right to assess the procurement capacity and capability of the relevant government institution(s) at any time).

(ii) no commitments should be entered into before the start of the MOU;

(iii) all procurement undertaken by the partner government must be carried out in full accordance with current approved Procurement and Financial /accounting procedure of the partner government and must be undertaken by approved procurement personnel;

(iv) financial records of all the procurement must be kept and must be made available for audit discharge purposes;

Submission of claims for Partner Government expenditure

10. Advances for Partner Government expenditure can only be funded if allowed by the **Business Case or specified document**.

11. For reimbursement of payments already made for goods and services in the partner country, payments to an account specified by the Partner Government for the project expenditure will be made on submission of a claim.

12. Claims accompanied by the relevant supporting documents may be submitted in the form of a letter, which should include necessary information to allow DFID to release the funds and/or make payments. This must include the following information:

(i) Title of Grant

(ii) Project location/official address

(iii) Amount of claim

(iv) Details of expenditure (attach details of how the amount claimed is calculated; e.g. work carried out, name of supplier/contractor, material purchased, labour used, machinery hired or bought, contracts entered into, and services used etc)

(v) Details of any local procurement expenditure provided by other organisation

(vi) Bank account details

13. All claims must include the following certification statements:

"I certify that this claim for {insert amount} is correct and that the sum requested is properly due on the basis of the information provided and on the work carried out, material bought in, and other expenses necessarily incurred in connection with the Project. I have the authority to sign this on behalf of the Government of

Authorised Signatory

Date"

14. All claims must bear the authorised signatures provided for in paragraph 3. Claims must additionally specify the means of audit discharge for partner government expenditure, and confirm that the audit authority has been informed and been given details of the claim. If the means of discharge is other than audit, original documents supporting the claim must be included.

Audit discharge for Partner Government expenditure

15. There are three options through which Partner Government expenditure under this project/programme is to be audited. These are:

Annual Audited Statements

15.1. A Partner Government certifies that a particular sum of money has been spent on agreed purposes and this statement is independently audited and a certificate given by a local independent audit authority. Each annual audited statement is provided in triplicate to DFID and is countersigned by the appropriate audit authority; it shows the drawing made from the Grant and the actual expenditure incurred during each financial year and certifies that the expenditure was incurred in accordance with the provisions of the MOU and any conditions on which the project/programme was accepted for financing from the Grant. Completed Annual Audited Statements relating to expenditure actually and necessarily incurred and paid within a particular financial year must be received by the UK Government no later than 9 months after the end of the financial year.

Agency Audit

15.2 A self-contained accounting and audit system is established within the management supervisory structure of a large scale project/programme. Local payments are paid direct to the

contractor against claims certified by a consultant; an external auditor acceptable to DFID is appointed to the consultants to audit the accounts. Reports or certificates should be available to DFID and the National Audit Office (NAO) as of right;

Continuous Audit

15.3 Each request for reimbursement made by the Partner Government is certified by an external auditor acceptable to DFID and the Partner Government. The auditor confirms that the claim is correct and accords with the MOU and is acceptable for payment.

APPENDIX 1

(PARTNER GOVERNMENT HEADED PAPER)

(Draft contract for the appointment of Procurement Agents by the Partner Government)

United Kingdom/{COUNTRY NAME} {NAME OF PROJECT / PROGRAMME IF APPROPRIATE}
Grant 20... {YEAR}

1. I confirm your appointment as Agents of the Government of {COUNTRY NAME} ("the Government") to procure and arrange the shipment of goods required under the above mentioned aid Grant {NAME OF PROJECT / PROGRAMME IF APPROPRIATE}.
2. Procurement and the arrangement of shipment of goods will be handled according to the procedures laid down by the Government of the United Kingdom's Department for International Development (DFID).
3. Original documents generated or any goods or documents coming into the possession of your company in relation to this Contract will be the property of the Government. Such items should not be disposed of without the written permission of DFID.
4. The method of calculating your fees and charges for the services rendered are subject to the prior approval of the Procurement Group of DFID.
5. Your approved fees for undertaking procurement and arranging shipping will be paid directly to you by DFID, acting on behalf of the Government, on presentation of your company invoice for the sum due.
6. This arrangement is made on the understanding that the Government of the United Kingdom representatives may at any time have direct access to original documents and any information it may require to satisfy itself regarding fees and charges made.

Yours faithfully

For the Government of {COUNTRY NAME}

ANNEX 3: REQUEST FOR PAYMENT FROM DFID

To:	Head of DFID Rwanda C/O British High Commission Parcelle 1131, Boulevard de l'Umuganda KacyiruSud P.O Box 576 Kigali, Rwanda
Cc:	Senior Economic Adviser

[Partner Government] requests payment of **[AMOUNT IN FIGURES [AMOUNT IN WORDS]** on **[DATE]** into **[Partner Government]** s bank account as detailed below.

Bank Name:	
Bank Postal Address:	
Name of Account:	
Bank Account Number:	
Sort Code:	
Currency of Bank Account:	
IBAN number: <small>[required for bank accounts within Europe]</small>	
SWIFT number:	
ABA or BIC Number: <small>[BIC required for bank accounts within Europe]</small>	
Intermediary bank details	

In respect of **[PROJECT NAME and DFID Purchase Order Number]**

[Partner Government]	
Name:	
Position:	
Address:	
E-mail:	