



**MEMORANDUM OF UNDERSTANDING WITH THE GOVERNMENT OF
MONTSERRAT FOR
NON BUDGET SUPPORT FINANCIAL AID AND TECHNICAL
CO-OPERATION**

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 Montserrat** ("The Government")
together called "the Participants"

**MONTSERRAT FINANCIAL AID 2017/18
{ARIES 204238}**

1. The arrangements and the purpose for which the Grant will be used are set out in this Memorandum of Understanding (MoU) and its Annex's and the corresponding **Business Case** "Montserrat Financial Aid 2016 to 2019", collectively referred to as "this Arrangement".

Following the 2017/2018 Financial Aid Mission in December 2016 and recent discussions between the Participants, DFID, will make available a sum not exceeding the lower of £22.9m and EC\$78m to **support non budget support Financial Aid to the Government of Montserrat**. The schedule of disbursement for Financial Aid will consist of three payment tranches released in May, September and December.

The budget for financial aid is composed as set out in table 1



Table 1. Composition of DFID Financial Aid to Montserrat 2017/18

Component	Full year Budget	Details
Recurrent	Up to £17,917,511	To support the Government's recurrent expenditure across it's Ministries.
Small Capital Assets Fund	Up to £470,588	To support the Government to obtain any unforeseen items and equipment.
Access Subsidy	Up to £1,588,235	To support and maintain access to Montserrat
Technical Cooperation and Capacity Building	Up to £2,923,266	To support the Government in filling key positions and build capacity

2. The Grant will start of **1 April 2017** and is expected to end on **31 March 2018**.

Funding Requirements

3. The funding amount and disbursement schedule above are subject to revision and will depend on the fulfilment of the provisions of this arrangement, any revisions to budgets, actual expenditure and need. It will also depend on any additional specific conditions accepted by the Government.

4. DFID funds must be separately accounted for by the Government and therefore readily identifiable at all times. The Government will ensure that all goods and services financed from the Grant will continue to be used for the purposes set out within this arrangement. In the event of such goods or services being used for other purposes, the Government must notify DFID in writing and DFID may seek to recover from the Government the value of the goods and services concerned.

5. Budgets will be subject to regular review to identify where any ring fenced line surpluses may occur. The Government must seek DFID approval on the use of any surplus at least one month prior to the date for the proposed use of funds.

Assurance and Audit Arrangements

6. The Government will co-operate fully with DFID and its agents during any assessment of the public financial management system, and the project, providing the information and evidence necessary



for effective assessments to be made. Whenever required and practicable, the Government will permit DFID authorised personnel to visit the project(s) funded, directly or indirectly by this grant. The Government will within 9 months of the end of each financial year provide DFID with Annual Audited Statements from its Auditor General confirming that DFID's Grant has been used for the intended purposes.

Reporting and Reviews

7. Formal reviews and reporting will be conducted, to assess progress against project objectives. It is expected that the Ministry of Financial and Economic Management (MOFEM) will meet with DFID on a monthly basis to report on the following:

- i. Financial and results performance to date and forecasts for both domestic (e.g. tax) revenues and expenditure;
- ii. Related key budget policy and departmental developments
- iii. Performance against financial aid targets (e.g. as set out in the DFID Financial Aid Business Case and supporting logframe);
- iv. Programme delivery risks.

8. The Government must submit full and timely evidence in support of claims, including: a) performance to date and a forecast to the end of the claim period of both domestic (e.g. tax) revenues and of expenditure; b) a breakdown of expenditure needs by key department and spending area, including a separate section of each of the ring-fenced areas. The evidence and required reporting must be submitted by the dates indicated in Table 2 below to enable the planned disbursements in May, July and November, to ensure payment within that month. Failure to provide timely reporting and evidence will delay disbursements.

9. As part of the claim process, the Government will supply DFID with an up-to-date estimate of the actual exchange rate they expect to apply in transferring the 3 sterling claims to EC dollars.

10. There will be a Mid-Year discussion in September 2017 of budget performance and related policy with agreed action to the year end as required. There will be a Financial Aid Mission in early January 2018 to review progress with the 2017/18 budget and gather evidence for the 18/19 proposed budget and DFID settlement. The arrangements covering pre-Fam, FAM and Post-FAM requirements are set out at Appendix 2.



Table 2 – Payment Timelines

Payment Tranche	Deadline for GoM submission of reporting and supporting documentation	Target for release of DFID Funding
1- May 2017	19 May 2017	25 May 2017
2- August 2017	11 September 2017	25 September 2017
3- December 2017	24 November 2017	8 December 2017

Accountability and Indemnity

11. DFID will not be responsible for the activities of any person, organisation or company engaged by the Government or its agencies as a result of this Memorandum, nor will DFID be responsible for any costs incurred by the Government or its agencies in terminating the engagement of the aforementioned persons, organisations or companies.

12. Although accountable to DFID for the appropriate use of funding and delivery of project objectives, the Government will retain ultimate responsibility for the appropriate delivery of aid funding and will as such be solely responsible for any adverse effects of aid expenditure that have an undesired or unexpected result upon recipients.

Communication and Branding

13. The Government will collaborate with DFID and proactively look for ways to build support for development and raise awareness of DFID's funding. Wherever appropriate, the Government will explicitly acknowledge DFID's support through the use of DFID's UK aid logo in all communications with the public or organisations regarding this funding.

14. The Government 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. Consideration of safety and security will always take precedence over the need to brand.



Intellectual Property

15. Intellectual property developed in all material (including, but not limited to, reports, data and designs, whether or not electronically stored) produced by the Government or its personnel, members or representatives in the course of this project ("the Material") will be the property of the Government.

16. In signing this arrangement the Government hereby grants to DFID a worldwide, non-exclusive irrevocable and royalty-free licence to use all the Material, where "use" shall mean, without limitation, the reproduction, publication and sub-licence of all the Material and the intellectual property therein, including the reproduction and sale of the Material and products incorporating the same, for use by any person or for sale or other dealing anywhere in the world.

Fraud and Corruption

17. DFID and the Government will immediately and without undue delay inform the other participant of any event which interferes or threatens to materially interfere with the successful implementation of the project, whether financed in full or in part by DFID, including credible suspicion of or actual fraud, corruption or any other financial irregularity or impropriety.

18. DFID have an expert fraud investigation unit, that should be contacted in the first instance at fraud@dfid.gov.uk or +44 (0)1355 84 3747. All suspicions will be treated with the upmost confidentiality.

19. DFID and the Government have a zero tolerance approach towards fraud and fraudulent behaviour that may lead to the misuse of funds and will fully co-operate with investigation into such events, whether led by DFID or the Government. DFID, may, at any time during the term of this arrangement and up to five years after the end of the programme, arrange for additional audits, on-the spot checks and / or inspections to be carried out. These may be carried out by DFID, or any of its duly authorised representatives.

20. DFID reserve the ability to recover funds that have been subject to a proven fraud and will work with the Government to do so. Where fraudulent or unethical activity is alleged, DFID reserve the right to suspend or terminate funding with immediate effect, in preference to the standard notice period and irrespective of any contractual requirements.



26. When requesting payment the Government should complete **Annex 3**, Payment Request Form. Payment will be made to the bank account details provided in **Annex 2** of this arrangement.

27. The Grant will not, unless agreed by DFID in writing, be used to meet the cost of any import, customs duties or any other taxes or similar charges, applied directly or indirectly, by the Government or by any local public authority on the goods / services provided.

28. The Partner will work towards applying transparency standards in line with the UK aid Transparency Guarantee and the International Aid Transparency Initiative (IATI), to the funds received from DFID. In line with this guarantee and DFID's transparency commitment, the Partner will make substantive efforts to publish information about DFID funded projects, in line with relevant categories of the IATI standard, on their own website. In line with DFID's Transparency commitments, the Partner gives consent for this arrangement (and any subsequent amendments) and associated funding to be published on DFID's website.

29. If this arrangement is acceptable to the Government it will place on record the understanding of the Participants and will come into operation on the date of the Governments signature below.

30. In the event of translation the English text of this document will prevail.


31. Any amendments to the provisions contained within this Memorandum will be set out in writing and approved by the authorised personal through DFID's standard amendment letter or, where significant, a revised Memorandum of Understanding.



Department
for International
Development



Signed on behalf of DFID:



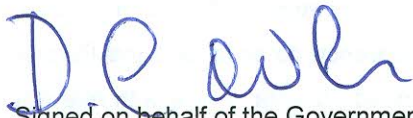
M. PAWSON

PP Name: John Gordon

Position: Head of Department

Address/Contact Details: Overseas Territories Department, DFID

Date: 10/5/17



Signed on behalf of the Government of Montserrat:

Name: Colin Owen

Position: Financial Secretary, Government of Montserrat

Address/Contact Details: Ministry of Finance and Economic Management, Brades, Montserrat

Date:

16/5/17



ANNEX 1. PROCEDURES AND PRACTICES FOR UNITED KINGDOM NON-BUDGET GOVERNMENT SUPPORT & TECHNICAL CO-OPERATION

Introduction

1. This document sets out the procedures and practices applicable to Non-Budget Government Support and Technical Co-operation provided by the United Kingdom, including payment, procurement and audit arrangements. This guide should be read in conjunction with the Memorandum of Understanding (MOU).

Disbursement of the Grant

2. In line with UK financial rules and regulations, disbursements, in advance of operational need should only be made when they have been properly justified. This justification will need to be set out in writing as part of this arrangement. All payments will be made on submission of an appropriate claim from the Government, or where applicable, the acting, Procurement Agent.
3. All claims should be accompanied by any relevant supporting documents and should include the necessary information to allow DFID to make payments to the bank details provided in Annex 3. The **Request for Payment template in Annex 4** sets out the recommended format for this information which must include the following information:
 - a. Title of Grant
 - b. Project location/official address
 - c. Amount of claim
 - d. Details of expenditure (Type of expenditure including how the amount claimed is calculated, material purchased, labour used, name of supplier/contractor, services used etc.)
 - e. Bank account details (To corroborate with the Bank details provided in Annex 3)
 - f. Details of audit discharge being applied to the project and confirmation that the relevant audit authority has been informed of the claim. (*See audit discharge options below*)
 - g. All claims must also include the following certification statements:



"I certify that this claim is correct and that the sum requested is properly due on the basis of the information provided, project objectives and on the work carried out or future work plans. I have the authority to sign this on behalf of the Government of..."

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

Audit discharge for Partner Government expenditure

5. For expenditure where audit discharge is not received through the submission of invoices and supporting documentation, there are three options through which audit discharge can be ascertained. These are:

Annual Audited Accounts

- A Partner Government certifies that a particular sum of money has been spent on approved 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 provisions on which the project/programme was accepted for financing from the Grant. Completed Annual Audited Accounts 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 recipient's financial year.

Agency Audit

- 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).;



Continuous Audit

- 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.

Procurement of Goods and Services

6. There are three routes by which goods and services can be procured under the grant.
 - a) DFID may decide to control the process and buy goods or services directly from the supplier, on behalf of the Partner Government. In these cases, DFID will arrange a separate contract with the respective suppliers.
 - b) DFID may allow the Partner Government to take partial control of the process by managing and appointing a DFID approved procurement agent to procure the goods and services - *refer to guidance below*.
 - c) DFID may allow the Partner Government to take full control of the process and procure goods and services through their own internal processes – *refer to guidance below*.

Procurement through a Partner Government appointed and DFID approved Procurement Agent

- i. The partner Government appoints a DFID approved Procurement Agent, using the draft contract in Appendix 1. Fees for procurement agents are met from the Grant. The Partner Government will notify the Procurement Agent of authorised signatories and submit specifications to the Procurement Agent for goods and services to be procured.
- ii. The Procurement Agent sends the specification, call-down contract (under the Procurement Agent Framework) and any other relevant documents to DFID. DFID authorises the Procurement Agent to proceed where there are sufficient available funds.



- iii. On satisfactory delivery of the goods or services, in line with the call-down contract, the Supplier sends invoices to the Procurement Agent who submits these to DFID for payment. DFID makes payments to the Procurement Agent for the goods and services to effect payment, and pays their fees.
- iv. Receipt of appropriate invoices and supporting documentation is considered to provide adequate audit discharge for DFID and therefore further audit provisions are not required for this type of expenditure.

Procurement by the Partner Government

- 7. If this arrangement allows for the Partner Government to arrange procurement for goods and services, without the use of a procurement agent, 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 ability 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 MoU has been signed;
 - iii. All procurement arranged by the partner government must be carried out in full accordance with current approved procurement and financial accounting procedures of the partner government and must be arranged by approved procurement personnel;
 - iv. financial records of all the procurement must be kept and must be made available for audit discharge purposes



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 and services 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) and the terms and conditions of DFID's Procurement Agent's Framework Agreement.
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 Partner Government.
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 arranging 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

ANNEX2. PARTNER GOVERNMENT BANK ACCOUNT DETAILS



Partner Government Name	
Bank Name:	
Bank Postal Address:	
Name of Account:	
Bank Account Number:	
Sort Code:	
Currency of Bank Account:	
IBAN number: [required for bank accounts within Europe]	
SWIFT number:	
ABA or BIC Number: [BIC required for bank accounts within Europe]	
Intermediary bank details:	
Bank Email Address:	



ANNEX 3. PARTNER GOVERNMENT PAYMENT REQUEST FORM

To:	Accounts Payable, DFID, Abercrombie House, East Kilbride, Scotland <i>(NB. Where payment request is not electronic and originates from overseas, request should be sent via the local DFID Country Office)</i>
Cc:	[DFID Project Manager Country X]

Title and Details of Funding

Partner Government			
Title of Grant / Project name			
Details of Expenditure			
DFID Component Code / Purchase Order No.			
Date of Claim			
Period of Funding Request	[dd/mm/yyyy]	<i>to</i>	[dd/mm/yyyy]
Payment Request Amount			

Partner Government Bank Details

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



Audit Discharge

Specify details of audit discharge through annual audited statements / continuous audit / agency audit, confirming that the audit authority has been informed of the claim and attaching any applicable audit discharge documentation or details of any supporting documentation.

Certification

I certify that this claim is correct and that the sum requested is properly due on the basis of the information provided, project objectives and on the work carried out or future work plans. I have the authority to sign this on behalf of the Government of **{Country}**

Authorised Signatory

Date

Name:

Position:

Address/Contact Details:



ANNEX 4: NOTIFICATION OF RETURN OF FUNDS TO DFID

To:	[DFID Programme Manager Country X]
Cc:	Treasury and Banking, DFID, Abercrombie House, East Kilbride, Scotland

Project Details

Partner Name	
Title of Grant / Project name	
Purchase Order / Component Code	
Payment Date	
Payment Amount to DFID	

Bank Details

DFID Bank:	Nat West
DFID Sort code:	60-70-80
DFID Account number:	10019057
DFID Account Code	
DFID Component Code	

Payment Method

For UK Payments under £10,000 we recommend the use of BACS. For UK Payments in excess of £10,000 we recommend the use of CHAPS. Cheques should be made payable to 'Department for International Development' and sent to the DFID Programme Manager. All payments direct from overseas bank accounts should also quote the following:

Pay	Nat West
BIC/Swift	NWBKGB2L
IBAN	GB02NWBK60708010019057
Posting Address	Nat West, 2nd Floor, 280 Bishopsgate, London, EC2M 4RB

Partner Contact Details

Name:	
Position:	
Address:	
E-mail:	



Appendix 2: Arrangements for Financial Aid Mission (FAM)

1. At the request of the Government of Montserrat's (GoM) Financial Secretary (FS) and to drive improvements in the process for agreeing the Financial Aid (FA) contribution, DFID has agreed to move the annual FAM back to January as the December timing does not fit with GoM's budget cycle. The agreement to delay is subject to concrete commitments from GoM to give us a final draft budget by the end of December and before the start of the mission. The week of the mission will focus on the DFID team and MoFEM team finalising the budget so as to enable DFID officials to submit a FA request to DFID Ministers by mid-February. It is expected that the draft budget will address and include details on the following:
 - a focus on non-discretionary spend;
 - GoM identified efficiencies (in the region of 5%);
 - quantified options for savings including the time horizon for implementation;
 - evidence based/economically sound proposals from across the Ministries which have been screened and prioritised by MoFEM in the final draft budget.
 - a focus on systems including improving budgetary process and public financial management
2. A budget that addresses these points will help make a compelling case to GoM and DFID Ministers.
3. It will be equally important for DFID officials to have regular and routine dialogue with and access to sufficient and reliable information from GoM Ministry counterparts. Each DFID Adviser will agree these requirements with the GoM Ministries. This is critical to enable DFID officials to confirm that Ministry budgets are fair and doing the right things.
4. During the preceding November, DFID officials will hold a consultation meeting by video conference with GoM Ministers and their teams to enable each Ministry to present its intended policy and budget proposals. GoM officials should come prepared to demonstrate how their proposals address the points raised above. These presentations will form a key part of the information that MoFEM will draw upon when drawing up the draft budget to present to DFID at the FAM – it will also provide a useful background of information for DFID officials.
5. GoM and DFID will review annually the documentation required ahead of the FAM. This will be limited to key information that supplements the information flow between GoM Ministry and DFID advisory officials throughout the year. This will be agreed by end October each year. Table 1 below summarises the timeline and outputs required from GoM and DFID to complete the annual FA process.



Activity	Deadline	Lead	Output	Comments
Agree date for next FAM	By end April	DFID SRO and GoM FS	Date set in calendars	
GoM Ministry officials and DFID Advisors hold regular dialogue over the course of the year on results and budget performance and emerging priorities for the following year	Monthly and ad hoc as required	GoM Ministry PS and DFID Advisors	Evidence of regular dialogue and reporting as agreed	
Agree list of documentation required ahead of FAM	End October	DFID Programme Manager & FS	Agreed list of documents/info with deadline for delivery	
GoM Ministries present policy and budget priorities to DFID team (via vc meeting)	November	GoM Ministers and teams	MOFEM has information required to develop a draft budget. DFID has background info in support of context of budget proposals	
GoM MoFEM shares draft budget with DFID	End December	FS	GoM first draft budget	
FAM	Mid-January	DFID team and MOFEM officials	Draft budget	
Submission to DFID Ministers	Mid-February	DFID SRO	Submission on GoM budget and proposals for DFID FA contribution	
Confirmation of DFID FA settlement	End March	DFID SRO	Letter to FS	