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Contract between the Norwegian Ministry of Foreign Affairs (MFA) and Ifakara Health Institute regarding Monitoring and Evaluation of Pwani P4P Pilot.

The Ministry of Health and Social Welfare of Tanzania (MOHSW) has in letter dated 27 May 2011 requested MFA for financial support to Pwani Region Pay for Performance Pilot and that MFA for this reason enters into specific contracts with the Clinton Health Access Initiative (CHAI) and Ifakara Health Institute (IHI). Consequently, IHI has requested MFA for financial support to carry out the evaluation of the Pwani Pay for Performance Pilot, MFA has decided to comply with the request, and the two parties agree as follows:

1. Scope and objectives

- 1.1 This Contract sets forth the terms and procedures for MFA's assistance to the project as outlined in the Agreed Project Summary in Annex I (the Project) and further described in the Project Document "Proposal for the Evaluation of a Pilot 'Pay for Performance' Initiative in Tanzania, dated August, 2011.

The Norwegian Embassy in Dar Es Salaam (the Embassy) is, as a part of MFA, competent to act on behalf of MFA. All communication to MFA in regard to the Contract shall be directed to the Embassy.

- 1.2 The overall Aim of the Project is to assess the effect of the P4P pilot initiative on the quality of maternal and new born health care in Pwani region; and using the pilot's experiences to assess the feasibility and sustainability of the P4P design to inform a national roll out.

Four components will address the overall aim:

1. Process monitoring of P4P implementation
2. Facility based & exit interview study
3. Baseline household survey
4. Cost study of P4P pilot

2. Contributions of MFA

- 2.1 MFA shall, subject to Parliamentary appropriations, make available a financial grant not exceeding NOK 5.400.000 (Norwegian Kroner five million four hundred thousand) (the Grant) to be used exclusively to finance the Project during the planned period from August 2011 to May 2013.
- 2.2 Upon completion of the Project, any unutilised funds above NOK 1000, including accrued interests, shall be returned to MFA, immediately.

3. Obligations of IHI

IHI shall:

- 3.1 Implement the Project on the basis of this Contract, approved budgets and work plans as well as the Project Document. Any revisions have to be agreed upon in advance in writing,
- 3.2 effect purchases for the Project in such a manner as to obtain the most favourable terms with regard to price, quality, delivery date and maintenance facilities, and to keep the same insured,
- 3.3 meet all additional expenses that may be necessary for the completion of the Project,
- 3.4 ensure that Project funds, which shall include any accrued interests, are properly accounted for,
- 3.5 keep MFA informed about plans for major organisational changes as well as keep MFA informed as to the name of the auditor of the Project,
- 3.6 provide copies to MFA of reports submitted to authorities relevant pertaining to the Project,
- 3.7 promptly inform MFA in writing of any condition which interferes or threatens to interfere with the successful implementation of the Project,
- 3.8 guarantee that funds made available in accordance with this Contract are not used in violation of relevant UN conventions and resolutions of the UN Security Council,
- 3.9 ensure that representatives of Norway are permitted to visit any part of the Project for purposes related to the Contract and examine any relevant records, goods and documents.

4. Disbursements

- 4.1 Disbursements from the Grant shall take place upon semi-annual written requests from IHI based on the financial needs of the Project and, with exception of the first request, on approved work plans and budgets. The first disbursement, amounting to NOK 2.0 million, will be made upon signing of this Contract and approval by MFA of a disbursement request from IHI.

Along with the requests, except the first request, IHI shall state the cash balance of the Project and shall submit statements of cash and bank balances from the Project's accounting records.

The Grant includes overhead costs, which shall not exceed 11% of utilized funds associated with Project management and implementation.

- 4.2 When determining the amount to request, IHI shall take into account unspent disbursed amounts and income from all sources as well as any accrued interests.
- 4.3 Funds will be transferred upon MFA's approval of the request to a separate bank account in the name of IHI and will be available for the Project immediately. IHI shall immediately, in writing, acknowledge receipt of the funds. The date of receipt shall be stated as well as the exchange rate applied.

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5. Reporting

5.1 IHI shall submit the following reports/documentation to MFA:

- An annual progress report for the year 2011 within January of 2012,
- financial statements for the Project showing receipts/income and expenditures of the previous year as well as the cash/bank/financial position of the Project as per 31 December the previous year within January of 2012,
- brief semi-annual progress reports and statement of accounts, covering the period January to June within July of 2012,
- a budget and work plan for July to December 2012 within July 2012 with an updated revolving plan for the entire Project period,
- brief semi-annual progress reports and statement of accounts, covering the period July to October within November of 2012,
- a budget and work plan for January to May 2013 within November 2012,
- the audited annual financial statements of the entire organisation within May each year,
- a final report for the whole Project period, as well as financial statements from end of the previous audit until completion of the Project within June 2013.

5.2 The annual progress report shall include the following information:

- A description of actual outputs compared to planned outputs (normally defined in annual work plans)
- a brief summary of the use of funds compared to budget
- an assessment of the efficiency of the Project (a measure of how efficiently resources/inputs are converted into outputs)
- an explanation of major deviations from the plan
- an assessment of problems and risks (internal or external to the Project) that may affect the success of the Project
- an assessment of the need for adjustments to activity plans and/or inputs and outputs, including actions for risk mitigation.

The semi-annual progress report shall be brief and shall focus on major deviations from plans.

5.3 The final report shall include the following information:

- The topics listed in Clause 5.2 above
- an assessment of the effectiveness of the Project, i.e. the extent to which the purpose has been achieved
- an assessment of impact (if possible), i.e. the changes and effects positive or negative, planned and unforeseen of the Project seen in relation to target groups and others who are affected
- an assessment of the sustainability of the Project, i.e. an assessment of the extent to which the positive effects of the Project will still continue after the external assistance has been concluded
- a summary of main "lessons learned".

5.4 MFA shall respond in writing within three weeks after the receipt of the reports and documentation. MFA shall approve the work plans and budgets in writing.

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6. Audit

- 6.1 The annual financial statements of the Project shall be audited by an independent and recognised professional accountant (auditor) acceptable to MFA. The audit shall at least cover the issues mentioned in the Terms of Reference in Annex II to the Contract. IHI shall submit to MFA the audit report, any management letter and any other report from the auditor significant to the implementation of the Project within May the following year. IHI shall comment upon the auditor's findings, and MFA shall respond within three weeks upon reception of the report.
- 6.2 MFA may appoint an independent auditor to undertake audit if deemed necessary. Audits may also be carried out by the Norwegian Auditor General as and when deemed necessary.

7. Meetings and reviews

- 7.1 Formal meetings shall be held within June of each year unless otherwise agreed in writing. The meetings shall be called and chaired by IHI. The purpose of these meetings is to discuss the progress of the Project, including results and fulfillment of agreed obligations, to discuss and, if feasible, approve documentation submitted according to Article 5, as well as to discuss issues of special concern for the implementation of the Project, e.g. risk management. Central elements of the discussion and all decisions from the consultations shall be recorded in agreed minutes.
- 7.2 MFA reserves the right to carry out independent reviews or evaluations of the Project as and when MFA deems it necessary. The cost for such reviews will be covered by funds over and above the Grant.

8. Corruption

The Parties declare their commitment to counteract corrupt practices in the execution of the Contract. Further, the Parties commit themselves not to accept, either directly or indirectly, as an inducement or reward in relation to the execution of the Contract, any kind of offer, gift, payments or benefits, which would or could be construed as illegal or corrupt practice. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to the Project, and undertake to take rapid legal action to initiate investigations of and prosecution against, in accordance with applicable law, any person suspected of corruption or misuse of resources related to the Project.

9. Breach of contract

- 9.1 If IHI fails to fulfill its obligations under this Contract, or if any major organisational changes are found to be contradictory to the objectives of the Project, MFA may, upon consultations with IHI cancel this Contract and claim repayment or withdraw the total or a portion of the funds provided to the Project.
- 9.2 MFA may cancel this Contract or portion of this Contract with immediate effect if it determines that corrupt or fraudulent practices were engaged in by representatives of IHI or of a beneficiary of the aid funds without IHI having taken timely and appropriate action satisfactory to MFA to remedy the situation.


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10. Entry into force – Termination - Disputes

- 10.1 This Contract shall enter into force on the date of its signature and shall remain in force until both Parties have fulfilled all obligations arising from it. Whether these obligations shall be regarded as fulfilled, shall be determined in consultation by the Parties.
- 10.2 Notwithstanding the previous clause, each Party may terminate the Contract upon three months' written notice.
- 10.3 In case of termination of the Contract IHI shall exert its best efforts to bring the Project to an end in a rapid, orderly and economical manner as to the use of the funds from MFA. IHI shall not commit the Project financially from the date of the receipt of the notice of termination. Any unspent funds not committed by the date of the receipt of the notice of termination, shall be returned to MFA without delay.
- 10.4 If any dispute arises relating to the implementation or interpretation of this Contract, the Parties shall consult with a view to reaching a solution. Any disputes that cannot be solved amicably shall be referred to the competent Tanzanian court and settled in accordance with Tanzanian law. The court venue shall be Dar Es Salaam.

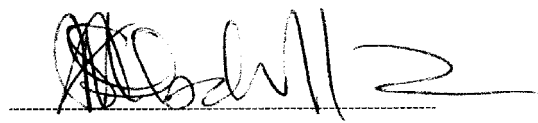
This Contract is drawn in duplicate with one copy for IHI and one for MFA.

Dar Es Salaam, September 2011
For the Norwegian Ministry of
Foreign Affairs



MS ANNE KRISTIN HERMANSEN
Minister Counsellor

Dar Es Salaam, September 2011
For Ifakara Health Institute



DR. SALIM ABDULLA
Executive Director

- Annex I: Agreed Project Summary
- Annex II: Terms of reference for audit

Annex I Agreed Project Summary

Identification of the Project

Project Title/Name: Evaluation of a Pilot 'Pay for Performance' Initiative in Tanzania
Implementing institution: Ifakara Health Institute
Norwegian and/or other Partner institution: Ministry of Health and Social Welfare (MoHSW), Clinton Health Access Initiative (CHAI).

Description of the Project

Goal (Overall Aim)

1. The overall Aim of the Project is to assess the effect of the P4P pilot initiative on the quality of maternal and new born health care in Pwani region; and using the pilot's experiences to assess the feasibility and sustainability of the P4P design to inform a national roll out.

Purpose

Four components will address the overall aim:

1. Process monitoring of P4P implementation
2. Facility based & exit interview study
3. Baseline household survey
4. Cost study of P4P pilot

Outputs

The study will generate an understanding of how P4P affects the behaviour of agents at all levels of the health system, and how (and if) financial incentives influence working practices. The findings will be of direct policy relevance as they will help to inform the refinement and potential roll out of the national P4P programme. Specifically, it is expected that the evaluation will generate the following outputs:

- Tool kits for baseline and ongoing evaluation
- A list of indicators for use in ongoing monitoring and evaluation activities
- Reports following the baseline and follow-up surveys;
- Provide recommendations for refinement of scheme in terms of the:
 - Appropriateness of the process of P4P: how inclusive or restrictive are targets?
 - Definition and choice of performance targets and whether need for refinement/changes;
 - Review of bonus level appropriateness;
 - Approach to external data quality audit: additional safe guard system design
 - Fairness of formula for estimating bonus for different salary grades
 - Frequency of bonus payment – review

Inputs

NOK 5.4 million (equivalent to approximately USD 887,958) has been allocated to achieve the outputs identified above. Relevant personnel will be hired and equipment will be purchased to appropriately execute the activities needed to reach the outputs identified above.

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Main indicators

- Tools for data collected developed.
- Data collection happens in 5 districts (3 intervention districts and 2 control districts).
- Semi-annual reports
- Annual meeting
- Final report.
- Presentation to P4P Advisory Committee.

Major risk factors (internal and external)

There are a variety of potentially unanticipated consequences, and risks associated with implementation of the P4P pilot. Whereas some are valid for result based financing schemes in general, others might be more specific relevant for Tanzania. The risks and mitigation strategies have been identified by the stakeholders in Tanzania and will be monitored in order to provide timely recommendations for improved implementation including IHI. These risks have been documented extensively in the P4P Design Document. IHI will monitor the implementation of the P4P project and thus will develop indicators to monitor the risks outlined in the Design Document for the P4P pilot.

From an evaluation perspective there are 2 major risks involved. The first is risk to participants in providing data to field researchers. IHI has put into place an sufficient mechanism to ensure that anonymity of informants is maintained. IHI will obtain ethical research clearance prior to collecting information from human subjects. The second risk that is possible is the quality of data collected by the field researchers. IHI will put into place a strong verification system which will ensure triangulation of data to ensure quality. Each team collecting data will be over seen by a supervisor who will also cross check data for quality.

A major risk being faced outside of the implementation of the study is the delay in starting up this project. The lead technical support to IHI from LSHTM has been on maternity leave since March 2011. In addition, IHI has also conducted an extensive consultative process to help define the focus of the evaluation. Therefore, the process of finalizing this proposal has taken much longer than originally anticipated. IHI faces the risk of not being able to sufficiently collect baseline data if the first disbursement of the P4P incentive payments is given to the facilities before the data is collected. IHI is aware of this issue and has already hired key personnel to ensure startup activities can begin immediately.

Overall Tentative Budget in US\$

	2011	2012	2013	Total
Process monitor	15,589	21,264	0	36,853
Health Facility Survey	19,877	11,768	0	31,644
Exit Interviews	25,537	24,115	0	49,652
Household Survey	90,161	78,936	0	169,096
IHI Staff Requirements	79,017	226,409	86,348	391,774
LSHTM Staff Requirements	22,040	43,012	23,382	88,435
CMI Staff Requirements	8,050	11,550	3,500	23,100
Dissemination	0	1,500	6,575	8,075
Ethical Review Costs	1,333	0	0	1,333
Overheads	28,776	46,041	13,179	87,996
Total	290,380	464,595	132,983	887,958

Annex II Terms of Reference for Audit

The auditor shall carry out the audit in accordance with any national legislation for NGOs as well as with international standards on auditing.

The objective of the audit is to audit 1) the annual financial statements of the Project as defined in Annex I to this Contract as well as 2) compliance with certain contractual obligations. The auditor shall be given a copy of the present Contract, and decides himself whether to submit one or two reports. The audit report(s) shall state the auditor's opinion/findings as to:

- Whether the financial statements and the cash/bank/financial position present fairly, in all material respects, the income and expenditures of the Project in accordance with an acceptable financial reporting framework
- whether the audit has uncovered any material weaknesses in relevant internal control(s)
- whether the funds have been deposited in a separate bank account in the name of the organisation and that accrued interest are reflected in the statement from the bank
- whether the audit has uncovered any illegal or corrupt practices
- whether funds have been used exclusively to cover Project expenditures
- whether receipts/income and expenditures are properly accounted for.

The above list does not preclude the organisation or the auditor from addressing further issues.

The auditor shall also, if the auditor deems it warranted based on findings during the audit, submit a management letter to the organisation upon completion of the audit. The letter should address deficiencies noted in the system of internal control.

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