

**Memorandum of Understanding
between
The Government of Sindh
and
The TOWN Municipal Administration GADAP
City District Government Karachi**

Preamble

WHEREAS THE GOVERNMENT OF SINDH with headquarters at KARACHI, has entered into an Agreement with the Asian Development Bank for the US\$220 million(\$100m for direct transfer to local governments, \$110m for creating fiscal space for social services and \$10m for capacity building) Devolved Social Services Program (DSSP) to support financing, capacity building, partnership building and reforms of Sindh's devolved social services at the District Government and TOWN Municipal Administration level in accordance with the provisions contained in Part I, II &III of this Memorandum of Understanding (hereinafter referred to as MoU)

AND WHEREAS THE TOWN MUNICIPAL ADMINISTRATION OF GADAP TOWN is a legal, representative entity with its Headquarters at KARACHI charged with the responsibility of providing social services in the areas of Water Supply & Sanitation to its citizens, under the SINDH LOCAL GOVERNMENT ORDINANCE – 2001

AND WHEREAS THE GOVERNMENT OF SINDH and THE TOWN MUNICIPAL ADMINISTRATION OF GADAP TOWN("hereinafter referred to as the Parties") mutually desire to improve social sector financing, promote and support programs focusing on improving social services delivery in and to contribute to the formulation of long-term strategies to help reduce poverty and gender imbalances, through improving governance and financing, rationalization of services, community participation and public accountability

NOW, THEREFORE the Parties execute this Memorandum of Understanding on this ____ day of June 2004 to set forth and coordinate the efforts in favor of improving social services in areas of TOWN Municipal Administration GADAP hereinafter referred to as the TOWN MUNICIPAL ADMINISTRATION.

I. Areas of Collaboration

1. Program Support

The Parties agree to provide support for the Devolved Social Services

Program and its activities to strengthen, improve and expand effective delivery of social services in Water Supply and Sanitation Sector.

2. Financing

THE GOVERNMENT OF SINDH agrees to provide funds equivalent to US\$ 100 million to from the DSSP conditional grant funds (ADF) and from the additionality generated through resource management (OCR funds) in subsequent years, to the Local Governments (District Governments and TMAs) over a period of three years as determined by the Provincial Finance Commission based on clear, objective formula as per procedure detailed in the agreement with the Asian Development Bank, and to make public the exact share of the Local Governments before the start of every Fiscal Year.

- a. THE GOVERNMENT OF SINDH further agrees to transfer the annual share of the TOWN MUNICIPAL ADMINISTRATION from these DSSP funds, directly into the Account of the TOWN Municipal Administration subject to fulfilling the criteria given in para-4.
- b. THE TOWN MUNICIPAL ADMINISTRATION agrees to use its share of funds as per the parameters set by the DSSP loan agreement generally and in this MoU specifically.
- c. THE TOWN MUNICIPAL ADMINISTRATION agrees that the funding available under the DSSP conditional grants will not replace existing allocations for the Water & Sanitation sector and that the level of expenditures shall be maintained at or above the level of existing budgetary allocations.
- d. THE GOVERNMENT OF SINDH agrees that there shall be no responsibility for THE TOWN MUNICIPAL ADMINISTRATION for the repayment of the assistance / funds provided under DSSP during the program implementation period.

3. Technical Assistance

THE GOVERNMENT OF SINDH agrees to provide and THE TOWN MUNICIPAL ADMINISTRATION agrees to effectively utilize requisite technical expertise and support consisting of Water & Sanitation, Finance, Governance, Gender, and Monitoring & Evaluation Experts, made available through the Provincial Program Support Unit and the Local Support Units; with the latter located in District KARACHI in achievement of DSSP objectives. The GOVERNMENT OF SINDH shall also recruit consultants to staff the Program Support Unit, who will work with the Provincial Line Departments and the DISTRICT GOVERNMENT KARACHI to provide support and guidance on DSSP activities and objectives

4. Criteria for Accessing Conditional Grants

- a. THE TOWN MUNICIPAL ADMINISTRATION can access the conditional grant ONLY if it prepares Annual Sector Plan as given in prar-6.
- b. THE TOWN MUNICIPAL ADMINISTRATION shall use the conditional grant ONLY in Water Supply & Sanitation sectors.
- c. THE TOWN MUNICIPAL ADMINISTRATION shall allocate an expenditure of not less than 10% of funds in year 2006-07 through Community Based Organizations (CBOs) in a timely manner as conditional grant for public-private partnership initiatives subject to the guidelines and terms and conditions prepared separately for this purpose by THE GOVERNMENT OF Sindh through PLDs / PSU.
- d. THE TOWN MUNICIPAL ADMINISTRATION shall NOT invest more than \$100,000 (Approximately 5.7 million) from the funds provided under DSSP in any one scheme/project/activity
- e. THE TOWN MUNICIPAL ADMINISTRATION shall use the conditional grants IN THE FIRST INSTANCE, ONLY for rationalization / operationalization of existing services/schemes/projects and staff.
- f. THE TOWN MUNICIPAL ADMINISTRATION can invest in new services /schemes/projects only if there is a clear technical and financial feasibility plan as to how it would be sustained and there is clear commitment of the District Government for allocating Maintenance & Repairs funds in subsequent financial years as well as for funding the staff hired during the program period. These recruitments would however be need / facility based with preference to the specially and female candidates. THE GOVERNMENT OF SINDH shall assist in carrying out the technical and financial feasibility studies
- g. THE TOWN MUNICIPAL ADMINISTRATION shall NOT use the conditional grants on luxury items such as purchase of vehicles, air conditioners, furnishing of existing offices, office equipment etc. unless these are required for fulfilling obligations under this MoU and THE TOWN MUNICIPAL ADMINISTRATION clearly demonstrates to the GOVERNMENT OF SINDH that there exist no other sources of finances for purchase of equipments essentially required for operation and maintenance of water and sanitation sector related work.

h. THE TOWN MUNICIPAL ADMINISTRATION shall use these funds for pro-poor, gender balancing projects; investments, schemes and their feasibilities should clearly identify measurable benefits to the poor specially women.

i. THE TOWN MUNICIPAL ADMINISTRATION in using the conditional grant funds, shall follow all the planning, budgeting and approval processes outlined in the Sindh Local Government Ordinance, 2001 and other relevant rules including the Budget Rules

5. Gender Mainstreaming

The Parties agree to take steps towards gender mainstreaming, giving priority to gender issues and needs in sector plans and also involving women in decision making by including women councilors on Budget, Accounts and Sector Committees formed under the Sindh Local Government Ordinance, 2001 and by following the provisions of GRAP.

II. Work Method

6. Annual Sector Plans:

a. To access the conditional grant funds, THE TOWN MUNICIPAL ADMINISTRATION shall each year prepare detailed Annual Sector Plan for Water Supply & Sanitation, clearly indicating the activities, plans, projects, schemes as well as their source of financing.

b. These Annual Sector Plans shall be prepared for the entire sector and not just for activities, projects, and NOT just for schemes to be funded from the conditional grant.

c. The Annual Sector Plan shall form part of the Annual Budget for the District and shall be approved by the District Council as per the provisions of the Sindh Local Government Ordinance, 2001.

d. Subject to other conditions of this MoU, THE TOWN MUNICIPAL ADMINISTRATION shall have complete flexibility to use the DSSP funds based on demand-driven, need-based sector priorities in the TOWN MUNICIPAL ADMINISTRATION.

7. Accounting and Accountability:

THE TOWN MUNICIPAL ADMINISTRATION shall place the conditional grant funds in a separate account and prepare Statements of Expenditure for the DSSP funds and shall cause the expenditures made

from this DSSP funds to be audited by the District Audit Office of the Pakistan Auditor General and/or supplementary audit by a non-governmental auditor as mutually agreed upon by the Parties.

8. Assessment, Monitoring and Evaluation:

THE PARTIES shall independently and jointly undertake quarterly reviews of the program activities leading up to a comprehensive Annual Performance Review of the whole program and may employ Third Party Validation and Social Audit methods and techniques for this review. The Terms of Reference for Third Party Validation and Social Audit shall be developed separately and communicated to all Local Governments. The assessment, monitoring and evaluation shall take place on the basis of clear process, input and output indicators.

9. Reporting, Documentation and Communication:

THE TOWN MUNICIPAL ADMINISTRATION shall produce and submit all reports and documentation as prescribed by THE GOVERNMENT OF SINDH OR Program Support Unit (PSU) on its behalf. The Parties shall promote the dissemination of learnings from this partnership within their respective organizations and networks.

III. Terms of the Memorandum of Understanding

This MoU will be in effect for the tenure of the DSSP Program and Technical Assistance Loans. It can be terminated either by mutual agreement of the Parties or by the GOVERNMENT OF SINDH if it has demonstrable reasons to believe based on the advice and recommendation of the Provincial Program Steering Committee, that THE TOWN MUNICIPAL ADMINISTRATION is not fulfilling its obligations as laid out under this MoU. The Parties may receive cooperation from other donors, organizations, Provincial Line Departments/agencies or Federal Government Ministries/agencies, Trusts / Foundations based on the acceptance of the Parties. In acceptance of the aforementioned, the duly authorized representatives of the Parties sign this Memorandum of Understanding.

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