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Agreement between

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MW-08/024

the Norwegian Ministry of Foreign Affairs

and

the Government of the Republic of Malawi

regarding

development cooperation concerning support to Lake Chilwa Basin Climate Change Programme

WHEREAS the Government of the Kingdom of Norway (Norway) and the Government of the Kingdom of Malawi (Malawi) have entered into a Memorandum of Understanding dated 9 June 2008 regarding Development Cooperation,

WHEREAS Norway has supported Environmental Programmes in Malawi through agreements, regarding support to the Biodiversity Support Programme dated 30.10.2001, Support to Mulanje Mountain Conservation Trust, dated 20.11.2007; Management for Adaptation to Climate Change dated 25.07.2008,

WHEREAS Malawi in letter dated 31 March 2009 has requested Norway for support to Lake Chilwa Basin Climate Change Programme, and

WHEREAS the Norwegian Ministry of Foreign Affairs (MFA) has decided to comply with the request,

NOW THEREFORE MFA and Malawi (the Parties) have reached the following understanding which shall constitute an Agreement between the Parties:

Article I Scope and objectives

1. This Agreement sets forth the terms and procedures for MFA's support to the Lake Chilwa Basin Climate Change Programme (the Programme) as outlined in the Agreed Programme Summary in Annex I and further described in the Programme Document "Lake Chilwa Basin Climate Change Basin", dated 31 March 2009.

2. The Goal: secure sustainable management of natural resources, secure a basis of livelihoods for 1,5 million people and build capacity of rural communities to manage the impacts of climate change.

The Purpose:

basin-wide climate change adaptations in support of the National Adaptation Programme of Action for Climate Change (NAPA) developed and is enhancing the capacity of communities to adopt sustainable livelihood and natural resource management practices.

3. The Parties may agree on extending existing or including new Programme elements within the Programme, as well as on re-allocating funds within the Programme. Any such agreement shall be in writing, e.g. recorded in the Agreed Minutes from the consultations mentioned in Article IV.

Article II Cooperation – Representation

1. The Parties shall communicate and cooperate fully with the aim to ensure that the Goal and Purpose are successfully achieved. The Parties further agree to cooperate on preventing corruption within and through the Programme, and undertake to take rapid legal action to stop, investigate and prosecute in accordance with applicable law any person suspected of misuse of resources or corruption. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to the Programme.
2. In matters pertaining to the implementation of the Programme the Malawi Ministry of Natural Resources, Energy and Environment (the Ministry), shall be competent to represent Malawi. The Norwegian Embassy in Lilongwe (the Embassy) is, as a part of MFA, competent to act on behalf of MFA. All communication to MFA in regard to the Agreement shall be directed to the Embassy.

Article III Contribution of MFA

1. MFA shall, subject to Parliamentary appropriations, make available to Malawi a financial grant not exceeding NOK 35,000,000 (Norwegian kroner Thirty Five Million) (the Grant) to be used exclusively to finance the Programme in the planned period January 2010-December 2014.
2. Any accrued interests on the Grant may be used for the benefit of the Programme if agreed on by the Parties in writing.
3. Any unspent disbursed funds and accrued interests shall be returned to MFA upon completion of the Programme.

Article IV Contributions and obligations of Malawi

Malawi shall:

1. have the overall responsibility for the planning, implementation, reporting and monitoring of the Programme,
2. provide the financial and other resources required in addition to the Grant,
3. ensure that the Grant is used according to approved work plans and budgets,
4. ensure that Programme funds, which shall include any accrued interests, are properly accounted for, and that the Grant is reflected in the plans, budgets and accounting of Malawi,

5. promptly inform MFA of any circumstances that interfere or threaten to interfere with the successful implementation of the Programme,
6. defray any customs duties, sales taxes and other taxes, fees and levies on all equipment, materials and supplies financed by the Grant and imported into Malawi for the benefit of the Programme,
7. ensure that all permits, import licences and foreign exchange permissions that may be required are granted,
8. ensure that representatives of Norway are permitted to visit any part of Malawi for purposes related to the Agreement and examine any relevant records, goods and documents,
9. enter into contract with the implementing partners, Leadership for Environment and Development (LEAD), and the World Fish Centre. Copies of the contracts shall be submitted to MFA for information before entering into force.

Article V Disbursements

1. The Grant will be disbursed upon semi-annual written requests from Malawi based on the financial needs of the Programme and, except the first request, on approved work plans and budgets. The first disbursement, amounting to NOK 6,000,000 will be made upon signing of this Agreement and approval by MFA of a disbursement request from Malawi.
2. When determining the amount to request, Malawi shall take into account unspent disbursed amounts and income from all sources as well as any accrued interests which the Parties have agreed on using for the benefit of the Programme according to Article III, Clause 2.

Along with the requests, except the first request, Malawi shall state the cash balance of the Programme and submit a statement of bank balances for the Programme from the bank.

3. Funds will be transferred upon MFA's approval of the requests to a separate bank account with the Ministry of Finance, and shall be made available to the Programme immediately.

Malawi shall immediately, in writing, acknowledge receipt of the funds. The date of receipt shall be stated as well as the exchange rate applied.

4. All disbursements to suppliers of goods or services shall be made by Malawi.

Article VI Annual Meeting

1. Representatives of the Parties shall have an Annual Meeting within June each year in order to:
 - discuss the progress of the Programme, including results and fulfillment of agreed obligations,
 - discuss and, if feasible, approve annual work plans and budgets for the following year,
 - discuss issues of special concern for the implementation of the Programme, such as the major risk factors set out in the Agreed Programme Summary in Annex I, and how to manage such risks/issues.

The Annual Meeting shall be attended by the Programme Steering Committee. Each of the Parties may include others to participate as observers or as advisors to their

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delegations.

2. The documentation specified in Articles VII and IX shall form the basis for the consultations.
3. The Annual Meeting shall be called and chaired by Malawi.
4. Main issues discussed and points of view expressed as well as any decisions shall be recorded in Agreed Minutes. The Agreed Minutes shall be drafted by Malawi and be submitted to MFA for comments no later than two weeks after the Annual Meeting.

Article VII Reports

1. Malawi shall submit to MFA the reports and documentation specified below. MFA shall respond within two weeks upon reception of the reports and documentation.
2. An Inception Report shall be submitted within the first three months of the Programme. The inception report shall contain a detailed Programme work plan and budget for the first years of implementation, a revised logframe as well as a monitoring and evaluation framework.
3. A progress report shall be submitted annually six weeks before the Annual Meeting.

The progress reports shall be prepared in accordance with an agreed format, and shall include the following information:

- A description of actual outputs compared to planned outputs (as defined in the work plans),
- a brief summary of the use of funds compared to budget,
- an assessment of the efficiency of the Programme,
- an explanation of major deviations from plans,
- an assessment of problems and risks (internal or external to the Programme) that may affect the success of the Programme,
- an assessment of the need for adjustments to activity plans and/or inputs and outputs, including actions for risk mitigation.

Semi Annual Reports covering activities implemented during the first six months of each annual work plan shall be submitted at least four weeks after the end of the six month period. The semi-annual report, which will be basis for disbursement of funds, shall also include a detailed semi annual financial expenditure report

4. A work plan shall be submitted annually six weeks before the Annual Meeting each year. The work plan shall specify planned outputs and time schedules for the next Programme year.
5. The following annual financial statements and budget shall be submitted six weeks before the Annual Meeting each year:
 - a. Financial statements for the Programme consisting of:
 - i) A statement showing cash receipts/income and expenditures for the previous period structured as and compared to approved budgets for such previous period as well as accumulated for the Agreement period. The statement shall capture all sources of funding, with sufficient segregation of data to permit identification of individual sources of funds and disbursements on major Programme activities or types of expenditure,
 - ii) a statement of cash and bank balances,

- iii) relevant notes to the above mentioned statements including a description of the accounting policies used and any other explanatory material necessary for transparent financial reporting of the Programme.
- b. Budget for the Programme for the coming fiscal year , showing estimated income from all sources and planned expenditures.

The financial statements and budget(s) shall give complete and detailed information on the financing of the Programme.

6. A final report shall be submitted within three months after the completion of the Programme. If the Programme is not completed by the fourth quarter of 2014, a status report shall be submitted to MFA by the said date. The final report shall include:
 - The topics listed in Clause 2 above for the whole Agreement period,
 - an assessment of the effectiveness of the Programme, 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 Programme seen in relation to target groups and others who are affected,
 - an assessment of sustainability of the Programme, i.e. an assessment of the extent to which the positive effects of the Programme will still continue after the external assistance has been concluded,
 - a summary of main "lessons learned".

Article VIII Procurement

1. Malawi undertakes to effect all procurements of goods and services necessary for the implementation of the Programme.
2. The procurements shall be performed in accordance with generally accepted procurement principles, good procurement practices and the procurement regulations of Malawi. Norwegian suppliers shall be given the same opportunities as other suppliers to compete for deliveries.

Malawi shall observe the highest ethic standards during the procurement and execution of contracts, and shall ensure in its national legislation adequate and effective means to punish and prevent illegal or corrupt practices.

No offer, gift, payment or benefit of any kind, which would or could, either directly or indirectly, be construed as an illegal or corrupt practice, e.g. as an inducement or reward for the award or execution of procurement contracts, shall be accepted. Invitations to make offers as well as the procurement contracts shall, respectively, include a clause stating that the offer will be rejected and/or the contract cancelled, in case any illegal or corrupt practices have taken place in connection with the award or the execution of the contract.

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3. Contracts entered into exceeding NOK 100,000 shall be submitted to MFA for information.

Along with the documentation mentioned above Malawi shall confirm in writing that the procurement regulations agreed on in Clause 2 above, have been adhered to.

4. Malawi shall upon request furnish MFA with all relevant information on its procurement practices and actions taken, and provide access to all related records and documents. MFA may require access to information even during the stage in the procurement procedure when it is restricted to the officers performing the procurement. Restrictions on such information shall be respected until the information can be made public without any risk of detriment to the result of the procurement.

Article IX Audit

1. The annual financial statements of the Programme shall be audited by an independent professional accountant/accountancy firm in public practice (external auditor/ audit firm) acceptable to MFA in accordance with principles for governmental sector auditing.

The cost of the audit shall be covered by the Grant.

2. The audit shall be carried out in accordance with international auditing standards. The auditor shall state in the report which auditing standards that have been applied.
3. The audit report shall state the auditor's opinion/findings as to:
 - Whether the financial statements present fairly, in all material respects, the Programme's cash receipts/income and expenditures as well as the cash/bank/financial position in accordance with an acceptable financial reporting framework,
 - whether the audit has uncovered any material weaknesses in relevant internal control(s),
 - whether the audit has uncovered any illegal or corrupt practices,
 - whether the Grant is reflected in the budgets and accounting of Malawi,
 - whether appropriate internal controls to counteract illegal or corrupt practices have been established and are complied with.
4. Malawi shall submit to MFA the audit report and any other report from the auditor significant to the implementation of the Programme within December each year. Malawi shall comment upon the auditor's findings. MFA shall respond within two weeks upon reception of the report.

Article X Reviews – Evaluation

1. A mid-term and end review focusing on progress to date and the effectiveness of the Programme, i.e. the extent to which the Purpose is being/has been achieved, shall be carried during the second quarter of 2012. An assessment of the Programme's impact may also be included in the review(s).
2. The cost of the reviews shall be covered by the Grant.
3. MFA reserves the right to carry out independent reviews or evaluations of the Programme as and when MFA deems it necessary. The cost for such reviews will be covered by funds over and above the Grant.

Article XI Reservations

1. MFA reserves the right to withhold disbursements at any time in case e.g.:
 - The Programme develops unfavorably in relation to the Goal and Purpose,

- substantial deviations from agreed plans or budgets occur,
 - resources to be allocated by Malawi are not provided as agreed,
 - the documentation specified in Articles VII and IX has not been submitted as agreed,
 - the financial management of the Programme has not been satisfactory,
2. MFA reserves the right to reclaim all or parts of the Grant and cancel the Agreement if Programme funds are found not to have been used in accordance with the Agreement or are found not to be satisfactorily accounted for.
 3. MFA has the right to cancel the Agreement or portion of the Agreement, and has the right to demand the cancellation of any contract financed under the Agreement, with immediate effect if it determines that corrupt or fraudulent practices were engaged in by representatives of Malawi or by a beneficiary of Programme funds during procurement or execution of the contract without Malawi having taken timely and appropriate action satisfactory to MFA to remedy the situation.
 4. Before MFA withholds disbursements, reclaims funds or cancels the Agreement, the Parties shall consult with a view to reaching a solution in the matter.

Annex XII Distribution of the Agreement

The Parties shall distribute copies of the Agreement to the respective ministries, authorities and other institutions involved in the Programme or otherwise in need of information on its content.

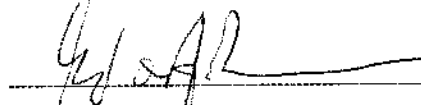
Article XIII Entry into force – Termination – Disputes

1. The Agreement shall enter into force on the date of its signature, and shall remain in force until the Parties have fulfilled all obligations arising from it. Whether the obligations are fulfilled, shall be determined in consultations by the Parties.
2. Notwithstanding the previous clause each Party may terminate the Agreement upon three months written notice.
3. If any dispute arises relating to the implementation or interpretation of the Agreement, the Parties shall consult with a view to reaching a solution.

IN WITNESS WHEREOF the undersigned, acting on behalf of their respective Parties, have signed the Agreement in two originals in the English language.

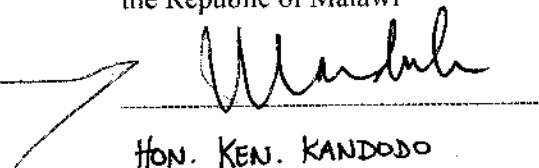
Done in Lilongwe the 8. day of December 2009.

For the Norwegian Ministry of
Foreign Affairs



Bjørn Johannessen
Ambassador

For the Government of
the Republic of Malawi



HON. KEN. KANDODO
MINISTER OF FINANCE

Annexes:

1. Agreed Programme Summary

Annex I Agreed Programme Summary

Identification of the Programme

Programme Title/Name: Lake Chilwa Basin Climate Change Programme

Agreement Partner: The Government of the Republic of Malawi (through the Ministry of Finance)

Implementing institutions: Leadership for Environment and Development (LEAD),
The World Fish Centre

Norwegian and/or other Partner institution: Not Applicable

Description of the Programme

Goal

secure sustainable management of natural resources, secure a basis of livelihoods for 1,5 million people and build capacity of rural communities to manage the impacts of climate change.

Purpose

basin-wide climate change adaptations in support of the National Adaptation Programme of Action for Climate Change (NAPA) developed and is enhancing the capacity of communities to adopt sustainable livelihood and natural resource management practices.

Specific Objectives

- 1) strengthen local and district institutions to better manage and govern natural resources and build resilience to climate change.
- 2) improve household and enterprise adaptive capacity in Basin hotspots.
- 3) facilitate and help build cross-basin and cross-sector sustainable natural resource management and planning for climate change throughout the Basin.
- 4) mitigate the effects of climate change through improved forest management and governance.

Outputs

- Increased capacity of local and district institutions to plan, implement and monitor integrated climate change adaptations.
- Integrated management plan for Lake Chilwa Basin hotspots developed and implemented.
- Vulnerability of Basin households reduced through improved and diversified livelihoods and natural resource management.
- Carbon sequestration throughout the Basin increased.

Inputs

For the Programme outputs to be fully achieved, equipment in form of vehicles, computers, GIS facilities etc will be required. In addition the Implementing organisations will require logistic support.

Issues connected with adaptations to climate change are relatively new and as such capacity in this area is limited. For proper implementation the Programme will therefore rely on technical support from other stakeholders e.g. the University of Malawi and World Fish Centre.

The Programme requires approximately NOK 35,000,000. over a period of five years. Malawi's contribution will be in kind in form of office space, personnel and communication facilities.

Implementation Arrangement

The Programme will be managed by LEAD on behalf of the key partners (FRIM, Forestry Department, WFC and National Herbarium and Botanical Gardens of Malawi). However, overall coordination of the project activities will be the responsibility of the World Fish Centre.

Main indicators

Narrative	Output verifiable indicators
Output 1: Increased capacity of local and district institutions to plan, implement and monitor integrated climate change adaptations.	<p>By end of Dec 2009, institutions working in the basin identified, characterized and their organizational capacity assessed.</p> <p>By end of Year 1, three training programmes for local and district NRM groups (VNRMCs, Water user assoc, etc.) developed and delivered.</p> <p>By end of year 1, curriculum materials developed and integrated in Chancellor College courses.</p>
Output 2: Integrated management plan for Lake Chilwa basin hotspots developed and implemented.	<p>Maximum of 10 hotspots identified for management response.</p> <p>By end of Year 1, weather forecasts and climate change mitigation and adaptation information delivered by community radio and mobile phone.</p>
Output 3: Vulnerability of Basin households reduced through improved and diversified livelihoods and natural resource management	<p>10 livelihoods intervention implemented in all hot spot the third year.</p> <p>70% of the community is food secure.</p>
Output 4: Carbon sequestration throughout the Basin increased	<p>By 2015 communities participating in carbon sequestration earning income through the carbon market.</p>

Major risk factors (internal and external)

Risks associated with implementation of this Programme are mainly four.

- Low and inadequate human capacity in the field of climate adaptation. The proposal collaborative arrangements with World Fish Centre, local NGOs, Government departments will improve the situation.
- Political will and interference on the choice of Programme sites at the local level is not a serious risk since communities will be actively involved in the process.

- Inadequate Government Commitment is also a potential risk. However, government has already showed commitment to promotion of climate change adaptation by developing NAPA and by initiating a process to develop a national response programme for climate change in Malawi. In addition, Government has already demonstrated its commitment to climate change by supporting climate change activities through the national budget.
- Risks associated with corrupt practices are moderate considering Malawi procurement procedures will be followed. The existing national anti corruption measures will also reduce the chances of corruption at the local level.

Overall budget

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTA L
Personnel	1,200	1,200	1,200	1,200	1,200	6,000
Equipment	1,500	180	9	6	6	1,701
Capacity Building	780	615	616	615	616	3,242
Forest management	250	250	250	250	250	1,250
Monitoring and Evaluation	500	190	190	190	1,900	1,260
Consultancies and surveys	400	150	177	1,740	276	1,177
Information Dissemination and Outreach	1,200	440	440	450	400	2,930
Sustainable livelihoods and climate adaptation	1,400	700	500	500	300	3,400
Operational costs	1,200	1,200	1,200	1,200	1,000	5,800
Collaboration	500	500	500	500	500	2,500
Administration and management	1,100	1,140	1,160	1,160	1,180	5,740
Total	10,030	6,565	6,242	6,245	5,918	35,000