



**NORWEGIAN MINISTRY
OF FOREIGN AFFAIRS**

AGREEMENT

between

THE NORWEGIAN MINISTRY OF FOREIGN AFFAIRS

and

NATIONAL SMALLHOLDER FARMERS' ASSOCIATION OF MALAWI

regarding

MWI-2646 MWI-11/0042, NASFAM Strategic Development Plan 2012 – 2017

The National Smallholder Farmers' Association of Malawi (the Grant Recipient) has in a letter dated 22.09.2011 requested the Norwegian Ministry of Foreign Affairs (the Ministry) for financial support to the above project (the Application). The Ministry has decided to comply with the request and the two parties agree as follows:

1. PURPOSE AND IMPLEMENTATION OF THE PROJECT

1.1 The Grant Recipient shall implement the Project as set out in the Agreement including the budget attached as Annex 1, and in the Application, including any attachments, with any agreed adjustments.

1.2 The intended impact of the Project is to improve the livelihoods of smallholder farmers through a sustainable network of smallholder-owned rural innovations and productivity centres.

The intended outcome of the Project is to contribute towards poverty reduction among smallholder farmers in Malawi through:

- Improving commercial revenues or household income by providing members with access to competitive output and input markets.
- Facilitating the production of good quality crop varieties demanded by local and international markets.
- Providing members, and when practical non-members, with the best possible technical help with regard to running their farms as businesses.
- Providing members with livelihoods skills and options that promote improved access to foods, equitable participation of both sexes in Association activities and leadership; and HIV/AIDS interventions.
- Providing smallholder farmers with a voice and enhance their ability to contribute to national development.
- Providing management and financial support to the entire NASFAM system, including the provision of timely and comprehensive information and analysis on the performance and impact of NASFAM activities.

At the end of the implementation period, it is expected that the following impact will have been achieved.

- An increase in members' income generated from agricultural productivity by 50% from the 2011 baseline,
- At least 70% of members will have food throughout the year,
- An increase in members' ownership of productive assets by 50% from the 2011 baseline.
- An increase in overall membership to 120,000 individuals.

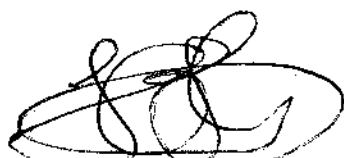
The full result framework or goal hierarchy is as set out in the Application.

1.3 In case of major deviations from the Application, such as changes to the budget, the goal hierarchy, the Grant Recipient's organisation and/or alterations to the implementation plan of more than three months, the Ministry shall be notified in writing in advance. The Ministry may stop disbursements of the Grant until these changes have been approved in writing.

1.4 The Grant Recipient shall ensure that no part of the Project is implemented in a way that is in contravention of UN conventions that Norway adheres to, or of any UN Security Council resolution.

1.5 The Grant Recipient shall identify, assess and mitigate any relevant risks associated with the implementation of the Project and any potential negative effects of the Project on the environment, climate or gender issues as described in Section 4.

1.6 The Grant Recipient should acknowledge the Ministry's support in communications and publications related to the Project.



1.7 If the Grant Recipient is to transfer all or part of the Grant to a cooperating partner, the Grant Recipient shall enter into a written agreement with the partner. In these agreements the Grant Recipient shall require the partner to apply such administrative procedures that ensure compliance with the obligations of the Agreement, particularly with regard to control measures by the Ministry and the Norwegian Auditor General, reporting, audit, procurement and anti-corruption measures.

1.8 The Agreement number shall be used in all further correspondence regarding the Grant, including requests for disbursement, invoice(s) and repayment of unused funds.

1.9 In matters pertaining to the implementation of the Project, the Norwegian Embassy in Lilongwe and the NASFAM Trust shall be competent to represent the Ministry and NASFAM respectively. All communication to the Ministry in regard to the Agreement shall be directed to the Embassy.

2. THE GRANT

2.1. The Ministry shall make available to the Grant Recipient a financial grant not exceeding NOK 100,000,000 (One Hundred Million Norwegian Kroner) (the Grant).

2.2 The tentative distribution of the Grant will be as follows:

2012-13	2013-14	2014-15	2015-16	2016-17	Total
22,600,000	21,400,000	19,800,000	18,100,000	18,100,000	100, 000, 000

Disbursement frequency and other conditions for disbursement are set out in Section 3.

2.3 Disbursements after the current year is subject to Parliamentary appropriations.


2.4 The Grant shall be used exclusively to finance the Project, including indirect costs as described below, during the planned period November 2012 to October 2017 (the Support Period).

2.5 At least 28% of the Project's total budget shall be covered by other funds at the Grant Recipient's disposal.

2.6 The Grant Recipient may use up to 7 % of the Grant for overheads/indirect costs.

2.7 Any accrued interest on the Grant may be used to finance the implementation of the Project during the Support Period if agreed by the parties in writing.

2.8 The Grant Recipient shall provide the financial and other resources required in addition to the Grant.



2.9 If the value of the Grant is reduced due to fluctuations in the exchange rate to such an extent that this will have consequences for the implementation of the Project, the Grant Recipient shall inform the Ministry as soon as possible. If fluctuations in exchange rates increase the value of the Grant, additional funds shall be repaid in accordance with section 6.

2.10 Representatives of the Ministry and the Norwegian Auditor General shall at all times be allowed to undertake control measures to verify that the Grant is being used in accordance with the Agreement and hereunder be permitted to visit any premises and examine any records, goods and documents requested. If the Grant Recipient is to transfer all or parts of the Grant to a cooperating partner, the Grant Recipient shall require in its agreement with the partner that the Ministry and the Norwegian Auditor General have the same access to undertake such control measures related to the partner's use of the Grant.

3. DISBURSEMENT

3.1 The Grant will be disbursed in advance in semi-annual installments.

The first disbursement will amount to NOK 12,000,000 (Twelve Million Norwegian Kroner) and shall be made when the Ministry has received the Grant Recipient's disbursement request. The disbursement shall also cover the expenses incurred under the Project from start-up to the first disbursement.

Subsequent disbursements will be made upon receipt of written requests from the Grant Recipient stating the amount that the Grant Recipient needs for the period up to the next disbursement.

3.2. Except from the first year, one of the disbursements each year (the Main disbursement) is subject to the Ministry's receipt and approval of the

- progress report
- financial report
- auditor's report on the project accounts
- agreed minutes from annual meeting(s)
- and that the Grant Recipient's most recent general annual report, annual accounts and auditor's report have been received by the Ministry.

3.3 Further disbursements are subject to the Ministry's receipt of a confirmation from the Grant Recipient that the Project is implemented in accordance with the Application. The Project's implementation plan indicating current status / the updated financial report shall be attached.

3.4 Funds will be transferred to the following separate bank account in the name of NASFAM and NASFAM Strategic Development Plan 2012 - 2017:



Account number.: 08795017
Account Name: NASFAM
Swift Code: NEDSGB2L
Band Name and address: Fairbairn Private Bank, Old Mutual Place, London, UK.
Currency of the account: Norwegian Kroner
Payment Detail: NASFAM 5292098706

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

4. REPORTING

4.1 The Grant Recipient shall submit to the Ministry the reports listed below. If unable to meet a reporting deadline, the Grant Recipient shall inform the Ministry immediately.

4.2. A **progress report** covering the previous financial year (i.e. October to September) shall be submitted to the Ministry by October each year and at the latest three weeks before the annual meeting. The report shall be signed by an authorised representative of the Grant Recipient. The progress report shall be set up in such a way that it may be compared with the information in the Programme Document. The report shall include:

- a short account of any deviations between the work plan and the implementation of the Project, and of any consequences these deviations will have for achieving the planned results,
- a short statement of the handling of identified risks, and the Project's effects on environment, climate and gender equality,
- the preliminary results achieved under the Project in relation to the result framework or goal hierarchy as set out in the Application: products and services delivered (Outputs) and, if possible, the Project's effect on the target group (Outcome),
- the implementation plan, including current status, i.e. actual start-up and completion date(s) for products and services delivered and, if relevant, completed activities, and the planned new start-up and completion dates if there are any deviations from the original plan,
- a detailed implementation plan for the next reporting period,
- a record of procurements and sales the Project carried out during the reporting period when such documents are required by the Agreement.

4.3 The **financial report** covering the previous financial year shall be submitted to the Ministry by October each year and at the latest three weeks before the annual meeting. The report shall be signed by an authorised representative of the Grant Recipient, and countersigned by the financial controller. The financial report shall consist of project accounts with corresponding notes, using the same structure and items as in the budget, and shall include:



- the latest approved overall budget,
- total expenses charged/capitalised,
- the approved budget for the period,
- expenses charged/capitalised in the period in question,
- income from all sources, including interests accrued
- any deviations between the approved budget for the period and the expenses charged/capitalised during the period in terms of amount and percentage. Deviations of more than 10% above a budget line shall be explained.
- detailed budget for the next period,
- estimated need for funding up to the next reporting deadline.

4.4 The **auditor's report** on the annual project accounts shall be submitted to the Ministry by December each year. The audit shall be carried out by a chartered or certified accountant in accordance with ISA 805. The costs of the audit shall be covered by the Grant. If the auditor in addition submits a Management Letter (matters for governance attention) this shall be attached to the auditor's report.

4.5 The **final report** for the whole Support Period shall be submitted to the Ministry three months after the end of the Support Period. The final report shall be set up in such a way that it may be compared with the information set out in the Application. It shall include:

- a short description of the cooperation and division of roles between partners,
- a short description of the Project and the main lessons learned from its implementation,
- a presentation and assessment of Outputs and Outcome, compared with the result framework/goal hierarchy and the implementation plan of the Application, as well as an estimation of the Project's probable effect on society (Impact) to the extent possible,
- the implementation plan and current status. The plan shall be comparable with the Application, and should include the actual start-up and completion date(s) of the Outputs and, if relevant, completed activities, with comments on any deviations,
- a statement of the risks identified prior to and during implementation of the Project and how these have been handled,
- a brief assessment of the sustainability of the results, and a prognosis for the continuation of the Project,
- a brief assessment of the Project's effects on environment, climate and gender equality,
- a record of procurements and sales the Project carried out during the reporting period when such documents are required by the Agreement.



5. OTHER FOLLOW-UP MEASURES

5.1 **Annual meetings** shall be held within November every year.

The Grant Recipient shall call and chair the meeting and prepare agreed minutes. The purpose of these meetings is to review the Project's progress and preliminary results, and discuss the implementation plan, as well as the expenditures and budget for the next period. The progress report and the financial report for the previous period forms the basis for these meetings, unless otherwise specified in the invitation to the meeting. The minutes shall be submitted to the Ministry within two weeks after the meeting for approval.

5.2. A **Mid-term review** of the Project shall take place by November 2014. The **End review** of the project shall take place three months before completion of the project. The Ministry shall draft a Terms of References for the review, which shall be approved by the other Party.

The costs of the reviews and the annual meetings shall be covered by the Project's budget.

The Ministry may, at any time, carry out independent reviews, field visits or evaluations of the Project. The costs of such reviews, etc. shall be covered by the Ministry over and above the Grant.

6. REPAYMENT OF INTEREST AND UNUSED FUNDS

6.1 Once all activities of the Project have been implemented, any unused funds, including accrued interests, that total more than NOK 1 000 shall be repaid as soon as possible, and at the latest six months after the end of the Support Period. The transaction shall be marked: "Unused funds, MWI-11/0042, NASFAM Strategic Development Plan 2011-2016".

6.2 Repayments shall be made to the following bank account:

Name of the account:	Royal Norwegian Embassy, Lilongwe
Account no.:	76940513657
IBAN no.:	NO83 7694 0513657
Name and address of the bank:	DNB ASA, 0021 Oslo, Norway
Swift/BIC code:	DNBANOKK

7. FINANCIAL IRREGULARITIES

7.1 The Grant Recipient shall organise its operations and internal control systems in such a manner that financial irregularities, including corruption, theft, embezzlement, fraud, misappropriation of funds, favouritism or nepotism are prevented.

7.2 The Grant Recipient shall, without delay, inform the Ministry of any suspicion of financial irregularities that the Grant Recipient becomes aware of during the implementation of the Project. The matter will be handled in accordance with the Ministry's guidelines for dealing with suspicions of financial irregularities.

7.3 Further, the Grant Recipient shall during the implementation of the Project not directly or indirectly demand, receive, accept, offer or give any kind of gift, payment or benefit that could be construed as illegal or corrupt practice.

8. PROCUREMENT

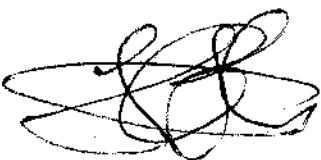
8.1 Any procurement to be undertaken under the implementation of the Project shall be based on competition, and carried out in accordance with good business practice, ensuring transparency, verifiability, equal treatment, predictability and non-discrimination on the basis of nationality or local ties, so that the best possible conditions may be obtained.

The Grant Recipient shall:

- take into account any environmental impact when planning the procurement,
- ensure that the International Labour Organization's core conventions are complied with where relevant,
- request tenderers to inform the Grant Recipient of any potential conflict of interests related to the procurement,
- enforce a strict practice towards tenderers who can be linked to professional misconduct, i.e.:
 - only accept tenders that affirm that the tenderer has not received any final conviction for participating in a criminal organisation, or for corruption, fraud, money laundering, or any other form of economic crime,
 - consider rejecting tenders where the tenderer indicates that, or it is known that, the tenderer has received a final conviction for a criminal offence related to its professional conduct,
 - consider rejecting tenders where the tenderer indicates that, or it is known that, the tenderer has committed a serious breach of professional or ethical standards in the line of business concerned.

8.2 When the total value of a procurement exceeds NOK 100,000 ex VAT, the Grant Recipient shall keep a procurement record that documents assessments and decisions during the whole procurement process from the planning stage to the signing of the agreement. The record shall include assessments and decisions regarding the above points.

8.3 The same applies to procurement undertaken by any cooperating partner of the Grant Recipient, and the Grant Recipient shall include in its agreement with the partner requirements equivalent to those mentioned above.



9. PROPERTY AND EQUIPMENT

9.1 The right of ownership to property, equipment and consumables procured by use of the Grant shall vest in the Grant Recipient or its cooperating partner, unless otherwise indicated in the Application. All matters associated with such property, equipment and consumables are the exclusive responsibility of the Grant Recipient.

9.2 If such property and/or equipment is sold before the end of the Support Period, the Grant Recipient shall prepare sales records or, together with the purchaser draw up a list of the equipment sold and the price. The income from the sale shall accrue to the Project. This record or list shall be attached to the first report after the sale, and the selling price shall be included in the financial report.

9.3 If the activities under the Project do not continue after the end of the Support Period, all remaining property, equipment and goods that have been purchased by use of the Grant shall be sold as described above. The income from the sale shall be repaid to the Ministry as set out in section 6.

10. BREACH OF AGREEMENT

10.1 If the Grant Recipient fails to fulfill its obligations under the terms of this Agreement and/or if there is suspicion of corruption and/or other financial irregularities, the Ministry may withhold all or part of the Grant.

10.2 In the event of material breach of the Agreement, including if it is documented that all or part of the Grant has not been used in accordance with the Agreement, if the use of funds has not been satisfactorily accounted for, and/or if financial irregularities have taken place, the Ministry may, following consultation with the Grant Recipient, cancel the Agreement, and/or claim repayment of all or part of the Grant.

11. SETTLEMENT OF DISPUTES

If any dispute arises relating to the implementation or interpretation of the Agreement, the Parties shall seek to reach an amicable solution. Any dispute that cannot be solved amicably shall be settled in the legal venue of the Defendant. The legal venue of the Ministry is Oslo District Court.

12. ENTRY INTO FORCE – TERMINATION

12.1 The Agreement shall enter into force on the date of the Grant Recipient's acceptance, as described below, and shall remain in force until both Parties have fulfilled all obligations




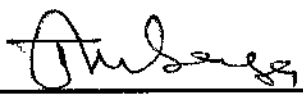
arising from it. Whether these obligations shall be regarded as fulfilled shall be decided in consultation between the Parties.

12.2 Each of the parties may terminate the Agreement upon three months' written notice. In the event of termination of the Agreement, the Grant Recipient shall not commit the Project financially from the date of the receipt of the notice of termination. If the Project cannot be completed without the Grant, the Grant Recipient shall discontinue the Project promptly in an orderly and financially sound manner. Any unused funds not committed by the date of the receipt of the notice of termination shall be repaid to the Ministry immediately.

13. SIGNATURE

This Agreement is drawn in duplicate with one copy for the Grant Recipient and one for the Ministry.

Done in KHOMBEDZA
SALIMA the 26th day of November 2012

<p>For the Norwegian Ministry of Foreign Affairs</p>  <hr/> <p>Heikki Holmås Minister of International Development</p>	<p>For National Smallholder Farmers' Association of Malawi</p>  <hr/> <p>Mr. Jackson M'baya NASFAM Board Chairperson</p>
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Annex 1: NASFAM - SDP III Budget Summary

	2012-13	2013-14	2014-15	2015-16	2016-17	NOK
TOTAL (NOK)	22,600,000	21,400,000	19,800,000	18,100,000	18,100,000	100,000,000
IMPACT ON RURAL LIVELIHOODS	7,400,000	7,000,000	6,900,000	6,700,000	6,500,000	34,500,000
Personnel	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	9,000,000
Departmental Travel	160,000	160,000	160,000	160,000	160,000	800,000
Communications	80,000	80,000	80,000	80,000	80,000	400,000
Programme Activities (per logframe)	5,360,000	4,960,000	4,860,000	4,660,000	4,460,000	24,300,000
<i>Innovation & Productivity</i>						
KRA1.1 Programme	2,830,000	2,480,000	2,470,000	2,310,000	2,190,000	12,280,000
KRA1.2 Crop Production Programmes	330,000	-	-	-	-	330,000
KRA1.3 Traceability and Contract Marketing	40,000	40,000	30,000	30,000	30,000	170,000
KRA1.4 Business Development Programmes	300,000	620,000	540,000	520,000	480,000	2,460,000
KRA1.5 Livelihood Support Services	740,000	710,000	710,000	690,000	670,000	3,520,000
KRA1.6 Governance and Management Systems	1,120,000	1,110,000	1,110,000	1,110,000	1,090,000	5,540,000
CLIMATE ADAPTED AGRICULTURE	300,000	2,700,000	2,500,000	1,200,000	1,200,000	11,900,000
Personnel	550,000	550,000	550,000	550,000	550,000	2,750,000
Departmental Travel	50,000	50,000	50,000	50,000	50,000	250,000
Communications	20,000	20,000	20,000	20,000	20,000	100,000
Programme Activities (per logframe)	3,680,000	2,080,000	1,880,000	580,000	580,000	8,800,000
KRA2.1 Climate Change Mitigation	680,000	460,000	370,000	350,000	350,000	2,210,000

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KRA2.2	Climate Change Adaptation	3,000,000	1,580,000	1,470,000	230,000	230,000	6,510,000
KRA2.3	Climate Change Related Research	-	40,000	40,000	-	-	80,000
BUSINESS OPPORTUNITY AND LINKAGES		800,000	900,000	900,000	800,000	700,000	4,100,000
Personnel		330,000	330,000	320,000	260,000	260,000	1,500,000
Departmental Travel		-	-	-	-	-	-
Communications		-	-	-	-	-	-
Programme Activities (per logframe)		470,000	570,000	580,000	540,000	440,000	2,600,000
KRA3.1	Participation in Value Chains	90,000	180,000	190,000	170,000	130,000	760,000
	NASFAM Market Development						
KRA3.2	Support	200,000	240,000	220,000	230,000	180,000	1,070,000
KRA3.3	NASFAM Brand Expansions	180,000	150,000	170,000	140,000	130,000	770,000
	New Revenue Generation						
KRA3.4	Opportunities	-	-	-	-	-	-
POLICY AND DEVELOPMENT IMPACT		1,700,000	1,900,000	1,600,000	1,600,000	1,500,000	8,300,000
Personnel		680,000	680,000	680,000	680,000	680,000	3,400,000
Departmental Travel		110,000	110,000	110,000	110,000	110,000	550,000
Communications		30,000	30,000	30,000	30,000	30,000	150,000
Programme Activities (per logframe)		880,000	1,080,000	780,000	780,000	680,000	4,200,000
	Mechanisms for Responding to						
KRA4.1	Change	240,000	200,000	130,000	150,000	100,000	820,000
	Contributions to SHH-Led						
KRA4.2	Development	90,000	80,000	20,000	20,000	30,000	240,000
KRA4.3	NASFAM Advocacy	550,000	800,000	630,000	610,000	550,000	3,140,000
CAPACITY TO DIRECT CHANGE		6,200,000	6,600,000	6,000,000	6,000,000	6,400,000	31,200,000
Personnel		2,470,000	2,470,000	2,470,000	2,470,000	2,470,000	12,350,000
Departmental Travel		260,000	260,000	260,000	260,000	260,000	1,300,000

Communications	90,000	90,000	90,000	90,000	90,000	450,000
Programme Activities (per logframe)	3,380,000	3,780,000	3,180,000	3,180,000	3,580,000	17,100,000
KRA5.1 Management Support System	740,000	760,000	690,000	600,000	640,000	3,430,000
KRA5.2 Planning, M&E & reporting	1,680,000	2,020,000	1,530,000	1,600,000	2,010,000	8,840,000
KRA5.3 Support to system requirements	510,000	580,000	560,000	570,000	520,000	2,740,000
KRA5.4 System governance mechanisms	450,000	420,000	400,000	410,000	410,000	2,090,000
OVERHEADS & CAPITAL	2,200,000	2,300,000	1,900,000	1,800,000	1,800,000	10,000,000
Overheads	1,500,000	1,500,000	1,400,000	1,300,000	1,300,000	7,000,000
Capital	700,000	800,000	500,000	500,000	500,000	3,000,000

CONSOLIDATED BY COST TYPE	22,600,000	21,400,000	19,800,000	18,100,000	18,100,000	100,000,000
Personnel	5,830,000	5,830,000	5,820,000	5,760,000	5,760,000	29,000,000
Departmental Travel	580,000	580,000	580,000	580,000	580,000	2,900,000
Communications	220,000	220,000	220,000	220,000	220,000	1,100,000
Programme Activities (per logframe)	13,770,000	12,470,000	11,280,000	9,740,000	9,740,000	57,000,000
Overheads	1,500,000	1,500,000	1,400,000	1,300,000	1,300,000	7,000,000
Capital	700,000	800,000	500,000	500,000	500,000	3,000,000

*KRA = Key Result Area