

2008/00161-2  
ZAM-07/17  
ZAM-3033

**ADDENDUM.1**  
to  
**Contract between**

**the Norwegian Ministry of Foreign Affairs (MFA)**  
and

**Matantala**

**Regarding extension of financial support to  
Programme for Community Development with Traditional Leaders in  
Southern Province**

WHEREAS the Norwegian Ministry of Foreign Affairs and Matantala have entered into a Contract dated 5th December 2006 for financial support to a Programme for Community Development with Traditional Leaders in Southern Province,

WHEREAS Matantala has in a letter dated 23<sup>rd</sup> January 2008 requested MFA for a time-extension and additional financial support to the Programme for Community Development with Traditional Leaders in Southern Province for the period January 2008 – June 2009,

WHEREAS the additional funding requires this support to be regulated by a revised Contract to take account of the size of the total grant given to Matantala,

WHEREAS MFA has decided to comply with the request,

NOW THEREFORE the MFA and Matantala have reached the following understanding which shall constitute Addendum No. 1 to, and an integral part of, the Contract:

**1. Scope and objectives**

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 "Matantala Rural Integrated Development Enterprise – Development Plan Document and Budget", dated 4<sup>th</sup> December 2006, as further elaborated in the proposal for an extension dated 23<sup>rd</sup> January 2008.

The Norwegian Embassy in Lusaka (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.

The Goal of the Project is

- to support durable solutions that redress under-development in rural areas

**Specific Objectives**

- To stimulate desire in the Communities to aspire for change that improves their standard of living.

- To strengthen the role and capacity of traditional and other community leaders' participation in development programmes.
- To raise the community awareness on negative development vices that impedes development.
- To oversee the implementation of development initiatives by the communities.
- To build capacities of the community to be able to plan and account for the development activities in their area.
- To share information gained with other stakeholders and policy makers.

## **2. Contributions of MFA**

MFA shall, subject to Parliamentary appropriations, make available a financial grant not exceeding NOK 5.600.000 (Norwegian Kroner Five Million Six Hundred Thousand (the Grant) to be used exclusively to finance the Project during the planned period January 2008 - June 2009.

Upon completion of the Project, any unutilised funds, including accrued interests, shall be returned to MFA, unless the Parties have agreed in writing upon the utilisation of such funds.

## **3. Obligations of Matantala**

Matantala shall:

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.

- 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, and be responsible for entering into sub-contracts with partner organisations for the successful implementation of the Project,
- meet all additional expenses that may be necessary for the completion of the Project,
- ensure that Project funds, which shall include any accrued interests, are properly accounted for,
- 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,
- provide copies to MFA of reports submitted to authorities relevant pertaining to the Project,
- promptly inform MFA in writing of any condition which interferes or threatens to interfere with the successful implementation of the Project,
- 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,
- 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**

Disbursements from the Grant shall take place upon semi-annual written requests from Matantala based on the financial needs of the Project and, with exception of the first request, on approved work plans, budgets and audit reports. The first disbursement, amounting to NOK 2.000.000, will be made upon signing of this Contract.

The 2nd disbursement of up to NOK 2.000.000 will be made on the basis of receipt and approval of the semi-annual progress report, Audit Report for the period July 2007-June 2008 and updated workplans/budgets due end-August 2008

The final disbursement of up to NOK 1.600.000 will be made on the basis of receipt and approval of reports and updated workplans/budgets due end-February 2009

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

When determining the amount to request, Matantala shall take into account unspent disbursed amounts and income from all sources as well as any accrued interests.

Funds will be transferred upon MFA's approval of the request to a separate bank account in the name of Matantala, and will be available for the Project immediately. Matantala shall immediately, in writing, acknowledge receipt of the funds. The date of receipt shall be stated as well as the exchange rate applied.

## **5. Reporting**

Matantala shall submit the following reports/documentation to MFA:

- Progress report and financial report for the period Jan-June 2008 by end-August 2008
- Updated workplan and budget for the period October 2008-June 2009 by end-August
- Progress report and financial report for the period June 2008- December 2008 by end-February 2009
- Updated workplan and budget for the period April – June 2009 by end-March 2009
- Progress report and financial report for the period Jan-June 2009 by end-August 2009
- 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 September 2009
  
- The financial statements for the Project shall show receipts/income and expenditures for the reporting period.

The 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 reports shall be brief and shall focus on major deviations from plans.

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".

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

#### **6. Audit**

The annual financial statements of the Project shall be audited by an independent and recognised professional accountant (auditor) acceptable to MFA. Audit reports are due as follows:

- Audit report for the period July 2007-June 2008 by August 2008
- Audit report for the period July 2008-June 2009 by August 2009

The audit shall at least cover the issues mentioned in the Terms of Reference in Annex II to the Contract. Matantala shall submit to MFA the audit report, any management letter and any other report from the auditor significant to the implementation of the Project. Matantala shall comment upon the auditor's findings, and MFA shall respond within four weeks upon reception of the report.

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**

Annual Meetings shall be held within 4<sup>th</sup> Quarter of 2008 unless otherwise agreed in writing. The meetings shall be called and chaired by Matantala. The purpose of these meetings is to discuss the progress of the Project, including results and fulfilment 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.

A review focussing on progress to date and the effectiveness of the Project, i.e. the extent to which the Purpose is being/have been achieved, shall be carried out by 1<sup>st</sup> Quarter 2009. An assessment of the Project's impact may also be included in the review.

The cost of the review shall be covered by MFA over and above the Grant.

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**

If Matantala fails to fulfil 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 Matantala cancel this Contract and claim repayment or withdraw the total or a portion of the funds provided to the Project.

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 Matantala or of a beneficiary of the aid funds without Matantala having taken timely and appropriate action satisfactory to MFA to remedy the situation.

**10. Entry into force – Termination - Disputes**

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.

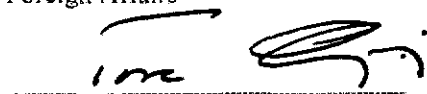
Notwithstanding the previous clause, each Party may terminate the Contract upon three months' written notice.

In case of termination of the Contract Matantala 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. Matantala shall not commit the Project economically 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.

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 Zambian court and settled in accordance with Zambian law. The court venue shall be Lusaka High Court.

This Contract is drawn in duplicate with one copy for Matantala and one for MFA,

Lusaka, **31.1.08**  
For the Norwegian Ministry of  
Foreign Affairs



Tore Gjøs  
Ambassador

Lusaka,  
For Matantala



Mark Chona  
Chairman

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

## Annex I Agreed Project Summary

### 1. Identification of the Project

Project name:	Community development with traditional leaders
Project number:	ZAM 3033
Agreement number:	ZAM-07/17
OECD Statistics:	15150 - Community participation
Agreement partner:	Matantala
Implem. Institution:	Matantala
Budget:	NOK 5.600.000

### 2. Description of the Project

#### Goal

The ultimate goal of MATANTALA RIDE is to support durable solutions that redress under-development in rural areas.

#### Specific Objectives

- To stimulate desire in the Communities to aspire for change that improves their standard of living.
- To strengthen the role and capacity of traditional and other community leaders' participation in development programmes.
- To raise the community awareness on negative development vices that impede development.
- To oversee the implementation of development initiatives by the communities.
- To build capacities of the community to be able to plan and account for the development activities in their area.
- To share information gained with other stakeholders and policy makers.

#### Major risk factors (internal and external)

- Matantala RIDE's ability to quickly establish the necessary capacity to play both a pro-active facilitatory and implementing role, as well as meet its monitoring, reporting and accounting requirements
- Community Development Committees' ability to identify and prioritise viable local development projects, as well as to meet their monitoring, reporting and accounting requirements
- Traditional leaders willingness to adopt and promote an agenda for change relating to gender equality in particular

### Revised budget for the period January 2008-June 2009:

Chiefdoms – Mwanza, Hanjalika and Chona		
Sector	TOTAL (KW)	NOK
Community Projects	1 852 500 000	2 764 925
Productive Projects	570 000 000	850 746
Gender and Culture	285 000 000	425 373
Administration	142 500 000	212 667
<b>Sub Total - Chiefs</b>	<b>2 850 000 000</b>	<b>4 253 731</b>
Matantala Ride		
Coordination Activities	31 000 000	46 269
Capacity Building	17 000 000	25 373
Project Support Costs	57 000 000	85 075
Recurrent Costs - Monze Office	176 780 000	263 851
Staff Costs - Monze Office	387 711 000	678 673
Matantala RIDE Lusaka Office	220 000 000	331 343
Office Equipment	7 900 000	11 791
<b>Sub-Total Matantala</b>	<b>899 391 000</b>	<b>1 342 375</b>
<b>Grand Total</b>	<b>3 749 391 000</b>	<b>5 696 106</b>

-17 000 000 kw

-220 000 000 kw

NOK totals are correct - LMH 21/1/08

## **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.
- <if applicable: whether the counter funds from Matantala have been made available according to the budget in Annex 1.
- 

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.