



A G R E E M E N T

between

**THE GOVERNMENT OF NORWAY (THE NORWEGIAN
MINISTRY OF FOREIGN AFFAIRS-“MFA”)**

and

THE GOVERNMENT OF THE REPUBLIC OF ZAMBIA

regarding

**Consolidation of Capacity Development at the Office of the
Auditor General**

A handwritten signature in the bottom left corner of the page.

A handwritten mark or signature in the bottom right corner of the page.

WHEREAS MFA have supported the Office of the Auditor General ("The Project") through two earlier agreements, Restructuring and Institutional Development Project I and II, with the former from 1995-2000 and the latter from 2003-2006. The latter arrangement also included a 50-50 support from Norway and Netherlands.

WHEREAS the Government of Zambia (Zambia) in a submission of the project to the Norwegian Embassy in November 2006 has requested support from MFA and the Kingdom of Netherlands (the Netherlands) (the Donors),

WHEREAS Norway, upon request from Zambia has decided to provide additional support to the Zambian Office of the Auditor General,

WHEREAS the Minister of Development Cooperation of the Kingdom of the Netherlands, according to an Arrangement with Norway 19 April 2007, has authorised Norway to manage Dutch development funds to support the Office of the Auditor General,

THIS AGREEMENT made the.....9.....day of.....May.....2007 between the Government of Norway acting through the Norwegian Ministry of Foreign Affairs ("MFA") of the one part and the Government of the Republic of Zambia acting through the Ministry of Finance and National Planning of the other part.

NOW THEREFORE MFA and Zambia have reached the following understanding which shall constitute an Agreement between MFA and Zambia:

Article I Scope and Objectives

1. This Agreement sets forth the terms and procedures for Norway's assistance to the Office of the Auditor General ("OAG"), as outlined in Annex 1 to this Agreement ("the Project").
2. The Project is further in accordance with and mentioned in the government Public Financial Management and Accountability Project (PEMFA), Strategic Plan of the Office of the Auditor General (2003-2007) and the Restructuring and Institutional Development Project (RIDP III) Document of January, 2007.
3. The development objective of the Project is to enable the Office of the Auditor General to fulfil its role and mandate as outlined in the Constitution and Public Audit Act and other written law, and contribute to reduced corruption and increased accountability and transparency of public expenditure in Zambia.



4. The immediate objective of the Project is for the Office of the Auditor General in Zambia to finalize its reform and restructuring efforts. This includes the challenge of successfully hiring and retaining a qualified and motivated staff of 500 professionals placed in HQ and in the 9 different provincial offices that are able to deliver both improved audit coverage and quality.

Article II Cooperation – Representation

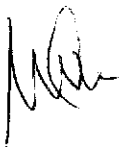
1. Norway and Zambia shall co-operate fully to ensure that the development objective and immediate objective of the Project are successfully accomplished. To that effect each Party shall furnish to the other all such information as may reasonably be required pertaining to the Project.

The Parties further agree to cooperate on preventing corruption within and through the Project, 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 Project.

2. In matters pertaining to the implementation of the Project the Norwegian Embassy and the Ministry of Finance and National Planning (the Ministry) shall be competent to represent Norway and Zambia respectively.

The Ministry through the OAG shall have the overall responsibility for the implementation of the Project.

3. The Norwegian Embassy in Lusaka is, as a part of MFA, competent to act on behalf of MFA. All communication to Norway in regard to the Agreement shall be directed to the Embassy.
4. Zambia will provide the donors with the relevant information regarding the implementation of the Project. The progress reports linked to the annual meeting in Q1 of each year as well as the mid year meeting, shall contain an overview of Project activities, information on actual outputs compared to planned outputs, a financial statement showing the allocation and use of the funds, problems encountered and/or anticipated and any other information relevant to the implementation of the Project.
5. The Financial reporting should compare costs for actual activities for the current reporting period with the budget for the same period, and in the same currency. The financial reports shall be prepared in a form and at a level of detail that enables comparison of the budget with actual progress.



6. Procurement rules and procedures will follow national standards and regulations. Zambia will be responsible for contracting independent auditors. An independent audit by a qualified firm will be carried out not later than 6 months after the end of the financial year, to verify the use of the Project funds. The cost of the audit shall be covered from the Grant.
7. Zambia shall permit representatives of Norway to visit any part of Zambia for purposes related to this Agreement and examine any relevant records, goods and documents.
8. The Ministry (through OAG) will require that its staff and consultants under the Project refrain from offering third parties, or seeking accepting or being promised from or by third parties, for themselves or for any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice.
9. The Ministry will promptly inform MFA of any instances of corruption as referred to in this paragraph.

Article III Contribution and disbursements

1. MFA shall, subject to parliamentary appropriations and the terms and procedures of this Agreement and the JFA, make available to Zambia a financial grant not exceeding NOK 11 Million (eleven million Norwegian kroner) to be used exclusively to finance the project in the planned period 2007-2008.

2. The Netherlands shall, subject to parliamentary appropriations, make available to Zambia a financial grant equivalent to 50% of the total approved budget (787,072.50 USD). ("The Dutch Grant") to be used exclusively to finance the Project in the planned period 2007-2008. The same terms, procedures and conditions set out or referred to in this Agreement shall be applied to the Dutch Grant.

3. Norway will disburse the Project contribution in two separate installments upon written requests from Zambia. The request shall be expressed in NOK, and provide information on the bank account to which money should be disbursed and the currency in which Zambia would like the disbursement to be made.

The first disbursement, amounting to 75% of the total Project amount and based upon liquidity needs, will be made upon the signing of this Agreement and approval of Norway of a disbursement request from Zambia.

4. Any accrued interests on the grant may be used for the benefit of the Project.



5. Any unspent disbursed funds and accrued interests shall be returned to MFA upon completion of the Project.

6. The Grant will be disbursed upon written requests from Zambia (through OAG) based on the financial needs of the Project and except the first disbursement, based on approved work plans and budgets. The first disbursement will be 75% of the total funding for the 2007-2008 period and based upon the liquidity needs and the already approved work plans and budget for the period. The second disbursement will be based upon a financial statement, liquidity forecast and progress report.

7. Funds will be transferred upon MFA's approval of the requests to a separate bank account with the Office of the Auditor General, and shall be made available immediately to the Project.

8. Zambia shall immediately in writing acknowledge the receipt of the funds. The date of reception shall be stated as well as the exchange rate

Article IV Reservations

1. MFA reserves the right to carry out unilateral reviews of the Project at its own expense.
2. MFA reserves the right to withhold or reclaim all or parts of the Grant and cancel this Agreement if Project funds are found not to have been used in accordance with the terms and conditions of this Agreement and the JFA or are found not to be satisfactorily accounted for.
3. MFA has the right to cancel the Agreement or portion of the Agreement with immediate effect if it determines that corrupt or fraudulent practices were engaged in by representatives of Zambia or by a beneficiary of Project funds without Zambia 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.






Article V
Disputes - Entry into force – Termination

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.

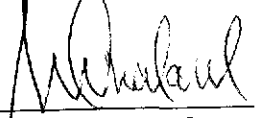
IN WITNESS WHEREOF the undersigned, acting on behalf of the respective Governments, have signed the present Agreement in two originals in the English language.

Done in Lusaka the 9 day of May Zambia (2007)

For the Ministry of Foreign Affairs


Terje Vigtel
Ambassador

For the Government of the Republic of Zambia


Honourable Ng'andu P. Magande, MP
Minister of Finance and National Planning

Annex I Agreed Programme Summary

Given the nature of this support, this summary is rather short. The full overview with details concerning the activities and the detailed budget is to be found in the project document and budget for this RIDP III support (from March 2007).

1. Identification of the Programme

- Programme title: Consolidation of Capacity Development at the OAG
- Implementing institution: Office of the Auditor General (with the MOFNP as the signature to the BA)
- Norwegian institution: MFA through the Norwegian Embassy in Zambia

2. Description of the Programme

The development objective of the project is to enable the Office of the Auditor General (OAG) to fulfill its role and mandate as outlined in the Constitution and the Public Audit Act and other written laws, and contribute to reduced corruption and increased accountability and transparency of public expenditure and revenues in Zambia.

The immediate objective of the project (linked to its direct deliverables), is for the OAG in Zambia to finalize its reform and restructuring efforts. This includes the challenge of successfully hiring and retaining a qualified and motivated staff of 500 professionals placed in HQ and in the 9 different provincial offices that are able to deliver both improved audit coverage and quality.

In summary the project support will deliver financial and technical assistance from Norway and Netherlands (in a 50-50 cost sharing arrangement where Norway is lead CP and Netherlands is silent CP) in the following key areas that support the strategic plan of the OAG:

- Enhancing the independence and the effectiveness of the OAG (Dissemination efforts-newsletters, brochures, radio-television programmes, PR unit, strengthening the legal framework-revision of Public Audit Act)
- Capacity Building of the OAG through different training courses and professional courses, to increase quality of work and establish controls.
- Develop the capacity of the OAG to undertake specialized audits (develop methodologies and capacity within IT, Env, Forensic and Performance audits)

4. Retention of OAG staff

Action: With a change in the Public Audit Act it is expected that the OAG can be independent from the public service commission and thereby with the proper fiscal funding it could offer different conditions to retain staff. The training and management support provided by this project as well as from the institutional cooperation with the OAG in Norway, will also contribute to the same.

5. Lack of follow up from parliament and the executive of the OAG reports.

Action: Norway through its GBS and dialogue with parliament is pushing for measuring the follow up to the OAG reports and

3. Budget

The overall financial plan and budget for this project amounts to 11 000 000 NOK. This will be co financed by Norway with 50% as the lead CP and Netherlands with 50% as the silent CP. The equivalent original project budget is 1 574 145 USD.

Review the Guidelines

\$20 000,00

Sub-Total

\$269 000,00

2.3.0 Performance Audit

Develop Performance Audit Standards
Piloting of Guidelines

\$66 500,00
\$17 000,00

Sub-Total

\$73 500,00

2.4.0 Forensic Audit

Data Collection on Methodology
Consultancy on Methodology Development
Review and Testing of Methodology
Printing and Binding of Guidelines
Sensitisation of Staff on Guidelines
Conduct Joint Audits
Review of Forensic Auditing Standard and Guidelines

\$5 000,00
\$20 000,00
\$10 000,00
\$4 000,00
\$10 000,00
\$10 000,00
\$6 000,00

Sub-Total

\$65 000,00

2.5.0 Information Technology Audit

Review manual
Conduct Joint Audit
Sensitisation to OAG staff
Sensitization of Controlling Officers
Specialised IT Audit Publications

\$6 000,00
\$70 000,00
\$50 000,00
\$10 000,00
\$5 000,00

Sub-Total

\$141 000,00

Total

\$717
972,00 \$135 471,00 \$584 500,00

Training of Trainers		\$20 000,00
Specialised IT Audit Training		\$78 500,00

Total	\$767 300,00	\$78 651,00	\$688 649,00
--------------	-----------------	-------------	--------------

9 Information Technology

5.1.5 Procurement of Hardware and Software

Laptop/Desktop top
Scanner
Printing Equipment
Backup servers
Maintenance of Hardware

Sub-Total			\$0,00
------------------	--	--	--------

5.1.6 Procurement and Development of MIS in line with IFMIS

Record Management and Electronic Management System \$30 000,00
Human Resources System \$20 000,00
Capacity Building in Specialised Software \$10 000,00

Sub-Total			\$60 000,00
Total	\$384 116,00	\$102 510,00	\$60 000,00

Financial audits
Co-operation with OAG N

Overall Total			\$1 574 145,00
----------------------	--	--	----------------