

CONTRACT

between

THE NORWEGIAN MINISTRY OF FOREIGN AFFAIRS

(MFA)

and

THE FOUNDATION FOR CIVIL SOCIETY

regarding

STRENGTHENING OF CIVIL SOCIETY ORGANISATIONS

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The Foundation for Civil society has in letter dated 30.06.05 requested MFA through the Norwegian Embassy in Dar es Salaam for financial support for strengthening Civil society, and MFA has decided to comply with the request, and the Foundation for civil Society have agreed as follows:

1. Scope and Purposes

All communication to Norway in regard to this Contract shall be directed to the Norwegian Embassy in Dar es Salaam.

- 1.1 This Contract sets forth the terms and procedures for MFA's assistance to the project as outlined in the Agreed Project Summary (Annex I) to the Contract, ("the Project"), and further described in the Project Document "Foundation for Civil society-Strategic plan 2005-2008", dated May 2005.

2. The Goal of the Project is to improve civil society's capacity for engagement in the reduction of poverty in Tanzania.

The Purpose(s) of the Project is to strengthen capacities of civil society organisations through capacity building and provision of grants in a more effective and efficient manner focusing on the four impact areas: Policy engagement, governance, advocacy, and safety networks.

2. Contributions of MFA

- 2.1 MFA shall, subject to annual appropriations by the Norwegian Parliament and the terms and conditions set out or referred to in the present Contract, make a financial grant not exceeding NOK four million and five hundred thousand (Norwegian Kroner 4 500 000) (the Grant) to be used exclusively to finance the Project during an estimated period of three years.
- 2.2 Upon completion of the Project, any unutilised funds, including accrued interests, shall be repaid to MFA unless the Parties have agreed in writing upon the utilization of such funds.

3. Obligations of the foundation:

The Foundation shall:

- 3.1 carry out the Project on the basis of the Project description, budget and time schedule contained in Annex I. Any revisions have to be agreed upon in advance in writing,
- 3.2 effect purchases for the Project in such a manner as to obtain the most favourable terms having regard to price, quality, delivery date and maintenance facilities and to keep the same insured,
- bi3.4 meet all additional expenses that may be necessary for the completion of the Project,
- 3.5 keep accounts in such order that the accounts can be audited in accordance with the terms of reference for the auditor, as described in Annex III, and keep available for immediate inspection original invoices, (accounting ledgers, original vouchers and related documentation evidencing the existence, rights and obligations, occurrence, completeness, valuation, measurement, presentation and disclosure of accounting transactions, assets, liabilities and aggregation of and controls implemented to ensure that financial reporting presents a fairly, in all material respects the cash receipts and disbursements of the Project)
- 3.6 provide copies to MFA of reports submitted to authorities relevant pertaining to the Project,

- 3.7 keep MFA informed about plans for major organisational changes,
- 3.9 organise activities in such a way as to combat corruption and irregularities, refuse any form of gift, offer, payment or benefits that entail illegal or corrupt practice.
- 3.10 guarantee that funds made available in accordance with this contract is not used in violation of relevant resolutions of the UN Security Council.

4. Disbursements

- 4.1. Disbursements from the Grant shall take place upon semi annual written requests from the Foundation.

The requests shall be based on and relate to annual work plans and budgets approved by the Parties.

When requests are submitted, any already disbursed, but unspent amounts as well as accrued interest, shall be taken into account.

Along with the requests, with exception of the first request, the Foundation shall submit a certified statement of accounts showing expenditures and a brief report on progress for the foregoing period. When requests are submitted, any unspent amounts as well as accrued interest that the Parties have agreed may be used for the benefit of the Project shall be taken into account.

Withdrawals from the account shall be used solely for the purpose of meeting expenses in accordance with the budget in Annex I,

5. Reporting, meetings, audit and reviews

5.1 Reporting

The Embassy on behalf of MFA shall receive work plans, budgets, progress reports, statement of accounts and audited accounts for the Project as follows:

- The foundation shall submit a statement of expenditure at the end of each quarter, for information.
- A brief Semi-annual progress report (shall be brief and shall focus on major deviations from plans) and statement of accounts,
- Annual report and audited accounts at least two weeks before the Annual general meeting, as well as a budget and work plan for the coming year.

The annual report should as much possible cover the issues specified in Annex II to this Contract.

The final report for the Project shall cover the issues specified in Annex IV to this Contract.

The Embassy shall respond in writing within two weeks after the receipt of the reports.

5.2 Meetings

Formal meetingsAnnual general meetings will be held within the first half of every year, unless otherwise agreed in writing. The meetings will be called and chaired by the Foundation. The purpose of these meetings is to discuss the fulfilment of agreed obligations and approve the documentation, such as the annual report, the annual work plan and the audited statement of account, to be submitted by the Foundation to the Embassy two weeks, at the latest, prior to the meeting.

Central elements of the discussion and all decisions from the consultations shall be recorded in Agreed minutes. The Agreed minutes shall be drafted by the Foundation and shall be sent to the Embassy for comments no later than four weeks after the meeting has been held.

5.3 Reviews

The MFA may carry out independent reviews or evaluations of the Project as and when the MFA deems it necessary. The cost for such reviews will be covered from funds over and above the grant.

5.4 Audits

The Foundation shall keep the Embassy informed as to the name of the auditor of the Project. The MFA may also 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.

6. 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.

7. Breach of contract

- 7.1 If the Foundation fails to fulfil its obligations under this Contract, or if any major organisational changes are found to be contradictory to the Purposes of the Project, the MFA may, upon consultations with the Foundation, claim repayment or withdraw the total or a portion of the funds provided to the Project.
- 7.2 MFA will cancel this Contract or portion of this Contract and have the right to demand the cancellation of any contract financed under this Contract, with immediate effect if it determines, that any contract to be financed under this Contract, that corrupt or fraudulent practices were engaged in by representatives of the Foundation or of a beneficiary of the aid funds during procurement or during the execution of the contract without the Foundation having taken timely and appropriate action satisfactory to MFA to remedy the situation.

8. Entry into force – Termination - Disputes

- 8.1 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 between the Parties.
- 8.2 Both Parties shall be entitled to terminate the present Contract by giving three months' written notice to the other Party.
- 8.3 In any case of termination of the present Contract the organisation shall exert its best efforts to bring the Project to an end in a rapid, orderly and economical manner as regard to the use of the funds from MFA and the Foundation shall not commit the Project economically as regard to the use of funds from the date of the receipt of the note of termination. Any unspent funds not committed for by the date of the receipt of the note of termination, shall be returned to the Embassy without delay.
- 8.4 If any disputes arise relating to the implementation or interpretation of this Contract, there shall be mutual consultations between the Parties, with a view to securing a successful realization of the Purposes of the Project.

Any disputes that cannot be solved amicably shall be referred to the competent Tanzanian court and settled in accordance with Tanzanian law. The court venue shall be in Dar es Salaam.

This Contract is drawn in duplicate with one copy for the Foundation and one for the Embassy

Place: DSM Date: 25/7/05

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For the Norwegian Ministry of

For the Foundation:

Foreign Affairs:

Inge Herman Rydland

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Inge Herman Rydland, PhD
Chargé d'Affaires a.i

Amon Mrutu

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Amon Mrutu
Ag. Executive Director

FOUNDATION FOR CIVIL SOCIETY
P. O. Box 7192
DAR ES SALAAM

PROJECT DESCRIPTION

The Foundation for civil Society

1. Description of the Project

a. Project Beneficiaries

The Foundation provides support to the following: NGO's, CBO's, professional associations, Trade unions, cooperatives and community enterprises, media organisations and faith based organisations.

b. Overall Goal

The Goal of the Project is to improve civil society's capacity for engagement in the reduction of poverty in Tanzania.

c. Project Purposes

The Purpose(s) of the Project is to strengthen capacities of civil society organisations through capacity building and provision of grants in a more effective and efficient manner focusing on the four impact areas: Policy engagement, governance, advocacy, and safety networks.

d. Expected Results

- At least 700 CSOs supported with grants by 2008, especially small and medium organisations
- Five tailored training products, relating to the foundation's grant making programme (and needs of the CSOs) developed, tested and adopted by 2008.
- Strong /functional CSOs that are able to manage funds properly and are capable to deliver their outcomes.
- By 2008 to hold 50 advisory group meetings, public debates and forums aimed at strengthening networks, collaboration and partnership

e. Time Frame

The Ministry for foreign affairs is going to fund activities of the foundation for a period of three years, 2005 to 2007

2. Budget

The following is the total budget (includes commitments for grants made by the foundation in previous years whose duration is longer than 12 months. Figures are in USD

2005	2006	2007
7,137,347	9,993,000	10,143,000

Total for the three years is USD 27273347

It will be observed that there is a gap between the presented budget and commitments made by donors in the year 2005. The resources gap is **USD 1,366,301**, out of which the Norwegian Embassy will contribute **NOK 1 500 000**.

Proposed funding for the Embassy 2005 to 2007: The planned contribution for the Embassy is **NOK 4 500 000** for a period of three years. The annual contribution will be **NOK 1 500 000** and will be made in semi annual disbursements.

3. Plan of Finance

MFA contribution

Not exceeding NOK 4 500 000 for a period of three years.

Commitments by donors (Figures are in USD)

DONOR	2005	2006	2007
DFID	3,440,000		
SDC	2,061,400		
Ireland Aid	69,646		
Netherlands Embassy	200,000	200,000	
Total	5,771,046	200,000	

PROJECT PROGRESS REPORT

(maximum 4 pages)

Project:

Implementing Organisation:

Co-ordinating Officer:

Reporting Period:

Date of Report:

1. Expected results achieved during the reporting period
2. Unplanned achievements. Special positive developments noted
3. Planned results not reached
 - Reasons why the targets were not met
4. Funds utilized:
 - During reporting period
 - Total
 - Balance
5. Planned results for the next period
6. Emerging and potential problems which can hinder project implementation
7. Suggested actions to meet the problem(s)
8. Other relevant remarks/comments

TERMS OF REFERENCE FOR AUDITING OF THE PROJECT

1. Background

A brief summary of accounting and financial management practices in the project by project owner

2. About the project and project owner

Should include a description about the project and project owner. Contact information, information about organization and management/staff, budgets

3. Basis of accounting

The comprehensible basis of accounting used accounting ang for financial reporting must be adequately described and any deviations from applicable laws and standards should be specified.

4. Reporting standards

The format and scope of the financial statements to be audited must be adequately identified/described in compliance with financial reporting requirements in the contract (See 5.1): The format should be provided as an annex to the TOR for audit

5. Contractual terms to be audited

The contractual terms to be audited must be adequately described, covering the following:

- That disbursements from MFA has been deposited to a separate bank account in the name of the NGO and that accrued interest are reflected in the statement from the bank;
- That receipt and use of funds are properly accounted for
- That the counter funds from the NGO or other donors have been made available according to budget
- That funds (including any withdrawal from separate bank account) has been used exclusively for project purposes and activities
- That appropriate internal control to counteract illegal and corrupt practices in the execution of the Contract is designed, implemented and complied with

6. Qualifications of the auditor:

Required qualifications must be stated, The following should as a minimum be required:

- The auditor shall be completely impartial and independent
- The auditor shall have a valid and appropriate certification according to statutory requirements for auditor in the country and/or as agreed with MFA
- The auditor should be experienced in applying ISA or relevant national audit standards applicable for the audit context
- The auditor must employ adequate staff (quality and capacity)

7. Audit scope:

Should describe the standard to be followed for the audit, i.e.;

- That the Auditor shall carry out the audit in accordance with the national legal provision for the NGOs
- That the auditor shall follow applicable national and international auditing standards ;
“ISA 800 The auditor’s report on special purpose audit engagements” and other other relevant audit standards/framework

(The audit context is project/country-specific, the requirements her has to be discussed with relevant accounting/audit professionals in the country.)

The form and content of the report to be issued by the auditor must be adequately described, covering the basic elements outlined in ISA 800 (or give other applicable standards).

The auditor must be asked to give an opinion according to stated audit standards as to whether the financial statements audited presents fairly, in all material income and expenditure (or cash flows) and financial position (or cash position) of the project.

The auditor must also be asked to give an opinion on

- Compliance on the contractual terms – refer to items described above
- Whether the audit has uncovered any material weaknesses in internal control relevant and material to accounting and financial reporting from the project to MFA
- Whether the audit has uncovered any illegal and corrupt practices in the execution of the Contract. has been are designed, implemented and complied with
- To issue a management letter to the project owner

8. Summary

Give details about the procedure to be followed for assigning the auditor, dates for presenting offers e.t.c.