

# **Contract between the Norwegian Ministry of Foreign Affairs (MFA) and the Eastern Arc Mountains Conservation Endowment Fund (EAMCEF) regarding *Improving Conservation of the Eastern Arc Mountains Forests of Tanzania***

EAMCEF has in letter dated 13<sup>th</sup> January 2011 requested MFA for financial support for the management of the Eastern Arc Mountains Forests of Tanzania. MFA has decided to comply with the request, and the two parties agree as follows:

## **1. Scope and objectives**

- 1.1 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 "Improving Conservation of the Eastern Arc Mountains Forests of Tanzania", dated 13<sup>th</sup> January 2011.

The Norwegian Embassy in Dar es Salaam (the Embassy) is, as a part of MFA, competent to act on behalf of MFA. All communication to MFA in regard to the Contract shall be directed to the Embassy.

All communication to EAMCEF in Tanzania relating to the Project will be directed to the Executive Director.

- 1.2 The Goal of the Project is: Enhanced conservation of the forests within the proposed Eastern Arc Mountains Forests World Heritage Site in Tanzania

The Purpose of the Project is: EAMCEF operations in the office and in the field are funded for 5 years, permitting EAMCEF to function as a long term funding mechanism for conservation of the Eastern Arc Mountains

## **2. Contributions of MFA**

- 2.1 MFA shall, subject to Parliamentary appropriations, make available a financial grant not exceeding NOK 38 660 050 (Norwegian Kroner thirty eight million six hundred and sixty thousand and fifty) to be used exclusively to finance the Project during the planned period 1<sup>st</sup> June 2011 to 31<sup>st</sup> May 2016.

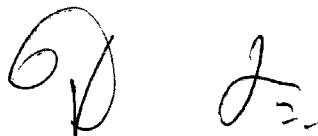
- 2.2 In order to ensure high quality accounting of the Project, MFA shall from time to time on MFA's initiative make available to the EAMCEF and any partner subcontracted by them external financial management advisory services, including technical advice and relevant training. The cost of such services will be covered by MFA over and above the Grant.

- 2.3 Upon completion of the Project, any unutilized funds exceeding NOK 1000, including accrued interests, shall be returned to MFA.

## **3. Obligations of EAMCEF**

EAMCEF shall:

- 3.1 Implement the Project on the basis of this Contract, approved budgets and work plans as well as the Project Document. Any revisions to the total budget for each output beyond what is approved in the Annual meetings referred to in Article 7 have to be agreed upon in advance in writing,



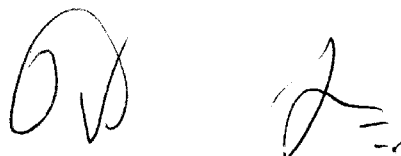
- 3.2 effect purchases for the Project in accordance with established organizational procedures and in such a manner as to obtain the most favourable terms with regard to price, quality, delivery date and maintenance facilities, and to keep capital items insured, and be responsible for entering into sub-contracts with partner organisations for the successful implementation of the Project,
- 3.3 meet all additional expenses that may be necessary for the completion of the Project, and make available necessary administrative, financial and logistical support staff as and when required,
- 3.4 ensure that Project funds, which shall include any accrued interests, are properly accounted for in accordance with established organizational procedures, also by any subcontracted partners. The financial statements shall be structured as and comparable to the budget,
- 3.5 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,
- 3.6 provide copies to MFA of reports submitted to relevant authorities pertinent to the Project,
- 3.7 promptly inform MFA in writing of any condition which interferes or threatens to interfere with the successful implementation of the Project,
- 3.8 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,
- 3.9 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,
- 3.10 cooperate fully with external financial management advisor(s) made available by MFA pursuant to Section 2.2 above,
- 3.11 ensure that subcontracted partners are obliged, through relevant clauses in their contracts, to supply annual certified financial statements to EAMCEF and to cooperate fully with the external financial management advisor(s) (mentioned in Section 3.10 above),

#### **4. Disbursements**

- 4.1 Disbursements from the Grant shall take place upon semi-annual written requests from EAMCEF based on the financial needs of the Project and satisfactory delivery of the project performance milestones, and, with exception of the first request, on approved work plans and budgets. The first disbursement will be made upon signing of this Contract and approval by MFA of a disbursement request from EAMCEF.

Along with the disbursement requests, except the first request, EAMCEF shall submit progress report and financial statements showing income, expenditures and the financial position of the Project from the Project's accounting records.

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



4.3 Funds will be transferred upon MFA's approval of the request to a separate bank account in the name of 'EAMCEF', and will be available for the Project immediately. EAMCEF 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

5.1 EAMCEF shall submit the following reports/documentation to MFA:

- Annual financial statements (1<sup>st</sup> June to 31<sup>st</sup> May) for the Project showing receipts/income and expenditures for the previous year as well as the cash/bank/financial position of the Project, no later than four weeks before the annual meeting referred to in section 7.1,
- a budget and work plan on an annual basis (1 June to 31 May) for the coming year with an updated revolving plan for the entire Project period, no later than four weeks before the annual meeting referred to in section 7.1,
- semi-annual progress reports and statement of accounts in formats to be agreed upon, covering the period June to November and December to May within end of December and June respectively each year, with the latter no later than four weeks before the annual meeting referred to in section 7.1,
- organization annual report (July to June ) within February the following year
- the audited annual financial statements (July to June) of the entire organization within February the following year,
- a final report for the whole Project period, as well as audited financial statements from end of the previous audit until completion of the Project within six months after the completion of the project.

5.2 The semi-annual progress reports shall be prepared in accordance with the format in Annex II to this Contract, and 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

5.3 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 continue after external assistance has concluded,
- a summary of main "lessons learned".

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



## **6. Audit**

- 6.1 The annual financial statements of the Project shall be audited by an independent and recognized professional accountant (auditor) acceptable to MFA. The audit shall at least cover the issues mentioned in the Terms of Reference in Annex III to the Contract. EAMCEF shall submit to MFA the audit report, any management letter and any other report from the auditor significant to the implementation of the Project within November the following year. EAMCEF shall comment upon the auditor's findings, and MFA shall respond within four weeks upon reception of the report.
- 6.2 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**

- 7.1 Formal meetings shall be held within July each year (with the exception of the first formal meeting to be held before the end of the first half of year one) unless otherwise agreed in writing. The meetings shall be called and chaired by EAMCEF. The purpose of these meetings is to discuss the progress of the Project, including results and fulfillment of agreed obligations and performance-based milestones, 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. The minutes shall be drafted by EAMCEF and be submitted to MFA for comments within two weeks.
- 7.2 Mid-term and end-term review shall be carried out tentatively by November 2013 and June 2016 respectively. Reviews will focus on issues of sustainability, complementarity, participation, timeliness, integrity, innovation, credibility, efficiency and results. An assessment of the Project's impact may also be included in the review.

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

- 7.3 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**

- 8.1 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**

- 9.1 If EAMCEF fails to fulfill 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 EAMCEF cancel this Contract and claim repayment or withdraw the total or a portion of the funds provided to the Project.



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

## 10. Entry into force – Termination – Disputes

10.1 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 by the Parties.

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

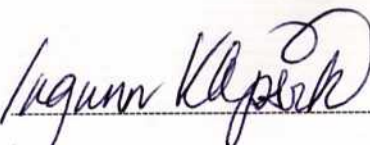
10.3 In case of termination of the Contract EAMCEF shall exert its best efforts to bring the Project to an end in a rapid, orderly and economical manner as to the use of the funds from MFA. EAMCEF shall not commit the Project financially from the date of the receipt of the notice of termination. Any unspent funds not committed by the date of the receipt of the notice of termination, shall be returned to MFA without delay.

10.4 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 Tanzanian court and settled in accordance with Tanzanian law. The court venue shall be Dar es Salaam.

This Contract is drawn in duplicate with one copy for EAMCEF and one for MFA.

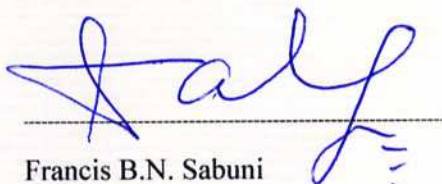
Dar es Salaam, 20 May 2011

For the Norwegian Ministry of  
Foreign Affairs



Ingunn Klepsvik  
Ambassador

For EAMCEF



Francis B.N. Sabuni  
Executive Director

Annex I	Project Summary
Annex ii	Format for progress reports
Annex iii	Terms of reference for audit

# Annex I. Agreed Project Summary

## 1. Identification of the Project

**Project Name:**

Improving conservation of the Eastern arc Mountains forests of Tanzania

**Implementing Institution:**

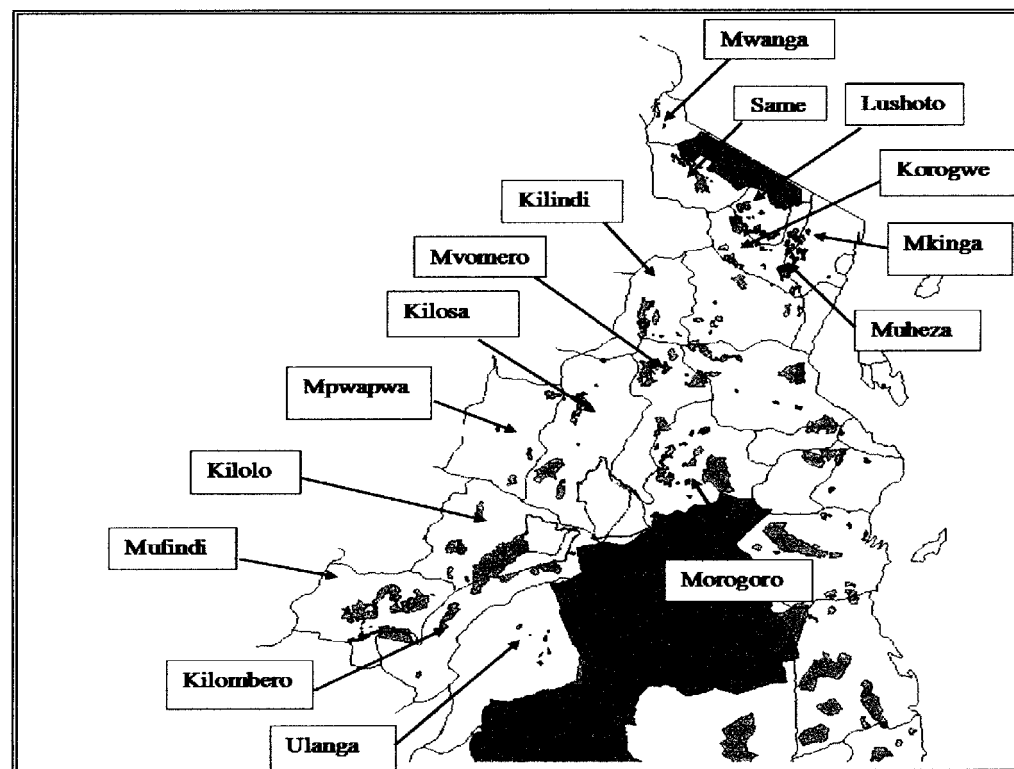
The Eastern Arc Mountains Conservation Endowment Fund (EAMCEF)

**Partner Institution:**

Forest and Beekeeping Division (FBD)

## 2. Description of the Project

The Eastern Arc Mountains Conservation Endowment Fund (EAMCEF) will implement a project on supporting management activities in the Eastern Arc (see map1 showing the project areas). The project will be implemented in a five years period from 2011 to 2016 with a total budget of US\$ 5,947,700. EAMCEF is a reliable funding base providing support for Community Development, Biodiversity Conservation and Applied Research Projects, which promote the biological diversity, ecological functions and sustainable use of the natural resources in the Eastern Arc Mountains of Tanzania.



**Project goal**

The goal of the project is "Enhanced conservation of the forests within the proposed Eastern Arc Mountains Forests World Heritage Site in Tanzania"

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## **Project purpose and inputs**

EAMCEF operations in the office and in the field are funded for 5 years, permitting EAMCEF to function as a long term funding mechanism for conservation of the Eastern Arc Mountains”

The project is comprised of four complementary components, each contributing to the improving of conservation of the Eastern Arc Mountains:

### **Component 1.**

*To fund activities that improve the management of the Eastern Arc Mountains Nature Reserves and National Park*

This Component will provide over \$3 million in grant funding for external partners, and support backup from the EAMCEF to ensure that projects are successfully implemented. The aim would be to support project activities in and around the eight gazetted and proposed Nature Reserves across the Eastern Arc, and the Udzungwa Mountains National Park. These reserves form the core elements of the proposed Eastern Arc World Heritage site.

Activities to be funded will follow the EAMCEF funding guidelines that split the funding allocation between community development projects (50%), forest protection (35%) and research (15%). Agricultural activities form a significant part of the community development projects category in which about half of the grant funding would be used to support sustainable agriculture projects around key sites.

Within the forest protection projects category the activities for grant funding will include marking and clearing reserve boundaries, updating management plans and reserve maps, and providing material support to the reserve management agencies.

EAMCEF funding will also be used to support research, for updating existing biodiversity databases, updating calculations of forest area and forest condition across the Eastern Arc and improving on the existing hydrological monitoring network. Through various competent expertises (SUA, UDSM, TAFORI etc) detailed baselines of biodiversity, forest cover, forest condition, carbon storage, threats, management capacity, socio-economic conditions, and attitudes and awareness will be made available for each of the 9 reserves forming the core of the proposed World Heritage Site.

### **Component 2.**

*To build the capacity of the Eastern Arc Endowment Fund Secretariat to take advantage of new funding opportunities.*

This Component will firstly aim to build the capacity of EAMCEF staff through targeted training programmes. Training will be provided in REDD and payment for watershed mechanisms and opportunities, and other fundraising and sustainable financing mechanisms.

The Component will also seek to assist EAMCEF to raise funding from other sources to support its mission. Several avenues for funding will be explored through both the secretariat staff, and through recruiting sustainable funding expertise internationally.

Awareness raising activities will also be undertaken to raise the profile of the Eastern Arc Mountains and EAMCEF's work both nationally and internationally. This will entail working with, and paying for, the services of professional promotional agencies. A two-phased approach will be pursued by a specialized communication media agency (Regalia Media) partnering with EAMCEF to initially formulate a Communication and Fundraising Strategy for EAMCEF followed by operationalization of the Strategy during the subsequent years of the project.

Included here will be some dedicated staff time to seek to expand the funding base of the Trust Fund through targeted approaches to Tanzanian based funding sources such as REDD



schemes, payment for watershed schemes, etc. This will go hand in hand with a funded consultancy that works internationally on similar issues.

### Component 3.

*To support the Eastern Arc Endowment Fund offices in Morogoro and field stations*

This Component aims to support EAMCEF offices to enable it fulfil its mission. This includes repairing the fence around the secretariat compound, renovating offices, purchasing 1 power generator and 4 new field vehicles, replacing two old vehicles and replacing ageing computers, photocopiers etc. By taking on these investments, this component will enable the EAMCEF to expand to new area and the money saved from the EAMCEF core costs will allow the invested capital of the endowment fund to grow over a period of 5 years. In so doing the EAMCEF capacity to effectively manage the conservation activities will be significantly enhanced.

### Component 4.

*To fund the recurrent costs of the Eastern Arc Endowment Fund Secretariat*

This Component aims to pay all recurrent costs of the EAMCEF for a period of five years. Like component 3, project support for recurrent costs will allow endowment funds to remain invested and enable effective implementation of the conservation activities funded under the project.

## 3. Budget

The table below provides an overview of the project budget. The budget is almost evenly distributed over a period of 5 years. Human resources and core technical support is allocated 20.5%, while core project activities have more than 60%. No administrative cost charged separately.

Summary Budget - EAMCEF (USD '000)							
	Y1	Y2	Y3	Y4	Y5	Total	%
<b>COMPONENT 1:</b> To fund activities that improves the management of the Eastern Arc Mountains Nature Reserves and National Park							
	663,47	553,37	553,37	565,17	715,17	3050,55	51,53 %
<b>COMPONENT 2:</b> To build the capacity of the Eastern Arc Endowment Fund Secretariat to take advantage of new funding opportunities							
	199,37	213	208	203	203	1026,37	18,70 %
<b>COMPONENT 3:</b> To support the Eastern Arc Endowment Fund offices in Morogoro and field stations							
	443	28	3	39	17	530	8,91 %
<b>COMPONENT 4:</b> To fund the recurrent costs of the Eastern Arc Endowment Fund Secretariat							
	243,14	243,14	293,14	255,68	305,68	1340,78	20,86 %
<b>Total</b>	<b>1548,98</b>	<b>1037,51</b>	<b>1057,5</b>	<b>1062,85</b>	<b>1240,85</b>	<b>5948</b>	
%	26,04 %	17,44 %	17,78 %	17,87 %	20,86 %		
In NOK	10068,4	6743,82	6873,8	6908,53	8065,53	38660,1	

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## **Annex II. Format for progress reports**

Project name:

Reporting period:

Completed by:

### **1. Project performance during reporting period**

#### **a. Technical**

(description of actual outputs compared to planned outputs, as defined in semi-annual work plans and Project monitoring indicators)

#### **b. Financial**

(a brief summary of the use of funds compared to budget, explanations of variance, and an outline of any additional funds secured for similar or related activities)

### **2. Project impacts of Project to date**

(a brief assessment of the extent to which the purpose has been achieved according to Project monitoring indicators and milestones)

(final report only: an assessment of impact, 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)

### **3. Adaptive management**

#### **a. Constraints and opportunities during reporting period**

(an explanation of major deviations from the plan)

#### **b. Future risk and opportunity assessment**

(an assessment of problems and risks (internal or external to the Project) that may affect success, as well as opportunities)

#### **c. Project response**

(an assessment of the need for adjustments to activity plans and/or inputs and outputs, including actions for risk mitigation)

### **4. Way forward**

#### **a. Planned activities**

(an outline of activities planned for next reporting period, arranged by output)

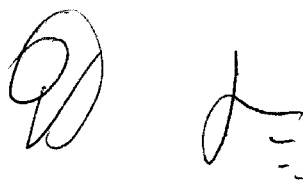
#### **b. Sustainability (final report only)**

(an assessment of the extent to which the positive effects of the Project will continue after the external assistance has been concluded, and status of vehicles/equipment purchased by Project)

#### **c. Lessons learned (final report only)**

(a summary of main lessons learned during Project lifespan)

Progress reports will be made publicly available.



### **Annex III. Terms of Reference for Audit**

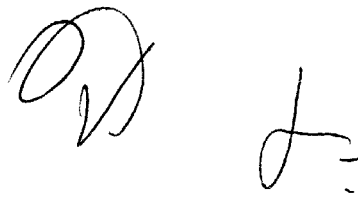
The auditor shall carry out the audit in accordance with any relevant national legislation as well as with international standards on auditing.

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 receipts/income and expenditures are properly accounted for.
- Whether the financial statements are in accordance with the records and books of accounts maintained by the Project.
- Whether the expenditure incurred by the Project is properly documented and is in line with the budget.
- Whether the internal control system exists and is working efficiently to identify possible fraud or material misstatement.
- Whether the expenditures for each activity as per the activity budget are traceable and report on the variance in line with the budget.
- Whether the auditor has obtained all the information and explanation necessary for the purpose of the audit.

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.

Two handwritten signatures in black ink. The first signature is a stylized, cursive 'D' or 'D.' followed by a flourish. The second signature is a simpler, more linear cursive 'J.' followed by a flourish.