

Contract between the Norwegian Ministry of Foreign Affairs (MFA) and Haydom Lutheran Hospital regarding Achieving progress in maternal and neonatal health through integrated and comprehensive healthcare services at Haydom Lutheran Hospital

Haydom Lutheran Hospital (HLH) has in letter dated 1. October 2007 requested MFA for financial support to Achieving progress in maternal and neonatal health through integrated and comprehensive healthcare services at Haydom Lutheran Hospital.

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, dated 1. October 2007.

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 Agreement shall be directed to the Embassy.

- 1.2 The Goal of the Project is to contribute to reduction of maternal and child mortality by improving quality and quantity of lifesaving interventions before, during and after delivery, with a specific on PMTCT.

The Purpose of the Project is to provide additional funding to the hospital's ongoing work, with a focus on maternal and child health care, and especially related to the process of integrating PMTCT in the day to day work.

2. Contributions of MFA

- 2.1 MFA shall, subject to Parliamentary appropriations, make available a financial grant not exceeding NOK 14.000.000 (Norwegian Kroner Fourteenmillion (the Grant) to be used exclusively to finance the Project during the planned period November 2007 – June 2012.
- 2.2 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 HLH

HLH 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 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 with regard to price, quality, delivery date and maintenance facilities, and to keep the same insured,
- 3.3 meet all additional expenses that may be necessary for the completion of the Project
- 3.4 ensure that Project funds, which shall include any accrued interests, are properly accounted for,
- 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 authorities relevant pertaining 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.

4. Disbursements

- 4.1 Disbursements from the Grant shall take place upon semi-annual written requests from HLH based on the financial needs of the Project and, with exception of the first request, on approved work plans and budgets. The first disbursement, amounting to NOK 3,6 mill., will be made upon signing of this Contract and approval by MFA of a disbursement request from HLH.

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

- 4.2 When determining the amount to request, HLH 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 HLH and will be available for the Project immediately. HLH 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 HLH shall submit the following reports/documentation to MFA:
 - An annual progress report for the previous year within March each year,
 - financial statements for the Project showing receipts/income and expenditures the previous year as well as the cash/bank/financial position of the Project as per 31 December the previous year within March each year,
 - a budget and work plan for the coming year within October each year with an updated revolving plan for the entire Project period,

- a preliminary annual progress report (upto October) and a preliminary statement of accounts (upto October) within October each year,
- brief semi-annual progress reports and statement of accounts, covering the period 1. January – 30. June within July each year,
- the audited annual financial statements of the entire organisation within March each year,
- 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 December 2012.

5.2 The annual 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.
- a brief assessment of achievements in relation to purpose.>

The semi-annual progress reports shall be brief and shall focus on major deviations from plans.

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 still continue after the external assistance has been concluded
- a summary of main “lessons learned”.

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

6. Audit

6.1 The annual financial statements of the Project shall be audited by an independent and recognised professional accountant (auditor) acceptable to MFA. HLH 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 March each year. HLH shall comment upon the auditor’s findings, and MFA shall respond within two 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 4th each year unless otherwise agreed in writing. The meetings shall be called and chaired by HLH. 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.
- 7.2 A mid-term and end 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 1st quarter of 2010 and 2nd quarter of 2012. An assessment of the Project's impact may also be included in the reviews.
- 7.3 The cost of the reviews shall be covered by the MFA over and above the Grant.
- 7.4 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

- 9.1 If HLH 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 HLH 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 HLH or of a beneficiary of the aid funds without HLH 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 HLH 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. HLH 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.

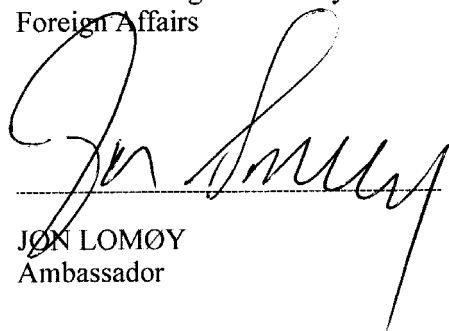
10.4 If any dispute arises relating to the implementation or interpretation of this Contract, the Parties shall consult with a view to reaching a solution. Any disputes that cannot be solved amicably shall be referred to the competent Tanzanian court and settled in accordance with Tanzanian law. The court venue shall be Dar es Salaam.

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

Dar es Salaam 9/11/07

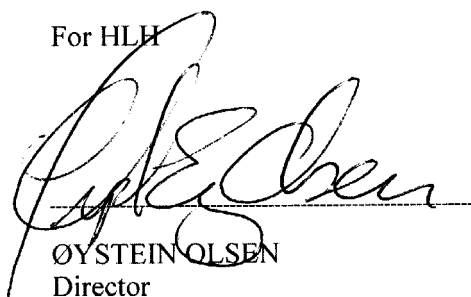
Haydom 14/11-07.

For the Norwegian Ministry of
Foreign Affairs



JON LOMØY
Ambassador

For HLH



ØYSTEIN OLSEN
Director

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

Annex I Agreed Project Summary

Identification of the Project

- Project Title: Achieving progress in maternal and neonatal health through integrated and comprehensive healthcare services at Haydom Lutheran Hospital.
- Implementing institution: Haydom Lutheran Hospital

Description of the Project

Goal

The goal is to contribute to reduction of maternal and child mortality by improving quality and quantity of lifesaving interventions before, during and after delivery, with a specific on PMTCT.

Purpose

The purpose is to provide additional funding to the hospital's ongoing work, with a focus on maternal and child health care, and especially related to the process of integrating PMTCT in the day to day work.

Outputs

Progress will be measured at an ongoing basis in terms of process and output indicators, looking at trends. Among the indicators are:

- the number of women and children examined through reproductive and child health services
- number of women and children helped through ambulance services¹
- number of deliveries and delivery related statistics at the Maternity Ward
- number of mothers and children on PMTCT
- number of children treated through pediatric ward

Major risk factors (internal and external)

At present HLH is one of the best run hospitals in Tanzania, and should be able to fulfill the suggested program according to plan. There are, however, some potential problems ahead for HLH.

HLH is at present in a restructuring phase which started after the death of the former Director in 2005. The accounting system as well as the general administrative system is in the process of being changed and modernized. As all big changes this might cause tension in the organisation. The management is very aware of this and is therefore moving carefully.

There is an ongoing conflict over the ownership to the Mulbadaw farm. This might draw resources from the HLH. It is still unclear whether the conflict will end up in court or be settled outside. The last of the wish of HLH.

HLH is at present very pressed financially as the salaries, a major expense at the hospital, due to a general GoT policy has increased with more than 200 % since 2004. Unless the hospital manages to reduce operating costs and increase income, HLH might have to reduce activity considerably.

¹ Obstetric care is already a priority for the ambulance services

Overall Budget

Tentative budget NOK 14,8 mill.

Annual breakdown (mill. NOK)

2007 II	2008 II	2009 I	2009 II	2010 I	2010 II	2011 I	2011 II	2012 I
3,6	1,4	1,4	1,4	1,4	1,4	1,4	1,4	1,4

Main activity	Component	Unit	Average cost per unit	Number of units	Total running costs	Total investment cost	Comments	NOK	USD
RCHS	Staff	Annual salary per staff	4 800 000	12	57 600 000				
	Transport	Km	800	25 000	20 000 000			220	1250
	Vehicle	Land Cruiser	43 750 000	2		87 500 000	Present vehicles are more than 10 years old with high maintenance costs		
Ambulance	Medicines and equipment				60 000 000		Estimation of total costs based on current activity		
	Staff	Annual salary per staff	3 700 000	6	22 200 000				
	Transport	Km	800	45 000	36 000 000				
	Vehicle maintenance				30 000 000				
Maternity ward	Vehicle	Land Cruiser	43 750 000	1		43 750 000			
	Staff	Annual salary per staff	4 800 000	8	38 400 000				
Paediatric ward	Medicines and equipment				20 000 000				
	Staff	Annual salary per staff	4 800 000	8	38 400 000				
Medicines and equipment					35 000 000				
Lab / Theatre / Intensive Care	Staff	Annual salary per staff	4 800 000	10	48 000 000		Estimated number of staff needed to maintain emergency obstetric care functions on a continuous basis	2 298 091	404 640
PMTCT follow up and support	Medicines and equipment				50 000 000			795 455	140 000
	Staff	Annual salary per staff	4 800 000	4	19 200 000				
	Medicines and equipment				15 000 000				
	Vehicle	Land Cruiser	43 750 000	1		43 750 000			
Subtotal	Transport	Km	800	20 000	16 000 000				
					505 800 000	175 000 000			
Proposed Capacity Building and Research	Staff training	Training costs	4 800 000	5	24 000 000				
Subtotal	Research coordination				45 000 000				
	Collaborative research costs				20 000 000				
	Reagents and equipment				25 000 000				
					114 000 000				
							Annual costs	518 182	91 200
Year	1				3 612 727				
	2				2 817 273				
	3				2 817 273				
	4				2 817 273				
	5				2 817 273				
Total costs					14 881 818			3 612 727	635 840
								2 817 273	495 840

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.

~~Alternatively relevant national auditing standards and practices may be used if acceptable to Norway.~~

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 <the Organisation> 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.