

Contract between the Norwegian Ministry of Foreign Affairs (MFA) and the Tanzania Traditional Energy and Development Organization (TaTEDO) regarding Scaling Up and Commercializing Sustainable Modern Energy Technologies and Services for Poverty Reduction in Tanzania (SUC0SMETS-PORE)

TaTEDO has in letter dated 6 January 2011 requested MFA for financial support for implementing a project on Scaling Up and Commercializing Sustainable Modern Energy Technologies and Services for Poverty Reduction in Tanzania (SUC0SMETS-PORE). 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 "Scaling Up and Commercializing Sustainable Modern Energy Technologies and Services for Poverty Reduction in Tanzania (SUC0SMETS-PORE)", dated 29 April 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 TaTEDO in Tanzania relating to the Project will be directed to the Executive Director.

- 1.2 The Goal of the Project is to contribute to poverty reduction and environmental conservation in 7 districts of Tanzania through increased access to sustainable modern energy technologies and services.

The Purpose of the Project is to scale up and commercialize sustainable modern energy technologies and services through self sustaining markets networks for meeting basic and productive energy needs of at least 35, 000 women and men in seven districts of the Project regions.

2. Contributions of MFA

- 2.1 MFA shall, subject to Parliamentary appropriations, make available a financial grant not exceeding NOK 13,200,000 (thirteen million two hundred thousand Norwegian Kroner) to be used exclusively to finance the Project during the planned period August ,1 2011 to 31 July 2015.
- 2.2 In order to ensure high quality accounting of the Project, MFA may from time to time on MFA's initiative make available to the TaTEDO 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, including accrued interests, shall be returned to MFA, unless the Parties have agreed in writing upon the utilization of such funds.

3. Obligations of TaTEDO

TaTEDO 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 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,
- 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 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,
- 3.10 cooperate fully with any 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 TaTEDO and to cooperate fully with the external financial management advisor(s) (mentioned in Section 3.10),
- 3.12 enter into dialogue with the Embassy if additional related funding or responsibilities are accepted from other development partners or collaborators.

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4. Disbursements

- 4.1 Disbursements from the Grant shall take place upon semi-annual written requests from TaTEDO 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 TaTEDO. Along with the disbursement requests, except the first request, TaTEDO shall submit statements of cash and bank balances from the Project's accounting records.

- 4.2 When determining the amount to request, TaTEDO 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 'TaTEDO', and will be available for the Project immediately. TaTEDO 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 TaTEDO shall submit the following reports/documentation to MFA:

- annual financial statements (1 August to 31 July) 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 August to 31 July) 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 August to January and February to July within September and February respectively each year, with the latter no later than four weeks before the annual meeting referred to in section 7.1,
- the audited annual financial statements (1 January to 31 December) of the entire organization within March 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 March 2016.

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

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- 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 six weeks after 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. TaTEDO 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 the following year. TaTEDO 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 no later than September every year unless otherwise agreed in writing. The meetings shall be called and chaired by TaTEDO. 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 TaTEDO and be submitted to MFA for comments within two weeks. MFA shall respond within two weeks.

7.2 A mid-term and end review shall be carried out tentatively by July 2013 and August 2015 respectively. Reviews will focus on issues of sustainability, complementarity, participation, timeliness, integrity, innovation, credibility and efficiency. 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 TaTEDO 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 TaTEDO 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 TaTEDO or of a beneficiary of the aid funds without TaTEDO having taken timely and appropriate action satisfactory to MFA to remedy the situation.

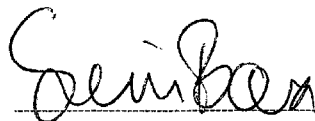
10. Entry into force – Termination – Disputes

- 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 TaTEDO 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. TaTEDO 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 TaTEDO and one for MFA.

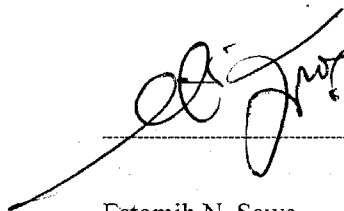
Dar es Salaam, 22 July 2011

For the Norwegian Ministry of
Foreign Affairs



Svein Baera
Charge d' Affairs a.i

For TaTEDO



Estomih N. Sawe
Executive Director

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Annex I. Project Summary

Identification of the Project

Project Title	Scaling Up and Commercializing Sustainable Modern Energy Technologies and Services for Poverty Reduction in Tanzania (SUC0SMETS-PORE)
Project Duration	4 Years (August 2011 – July, 2015)
Implementing Agency	TaTEDO,
Collaborating institutions	Local Government Authorities (District Sustainable Energy Development Clusters), Local CBOs, NGOs, FBOs and MFIs
Beneficiaries	Direct beneficiaries are at least 250 modern energy entrepreneurs and indirect beneficiaries about 35,000 households in 7 districts.
Geographical Area	Kilimanjaro, Arusha, Tanga, Coast and Dar es Salaam
Total Budget	NOK 13,200,000

Project Design

The Project goal is to contribute to poverty reduction and environmental conservation in 7 districts of Tanzania through increased access to sustainable modern energy technologies and services.

The Purpose is to scale up and commercialize sustainable modern energy technologies and services through self sustaining markets networks for meeting basic and productive energy needs of at least 35,000 women and men in seven districts of the programme regions.

Output 1: Enhance self sustained market networks for enabling access to sustainable modern energy technologies and services to (13) women and (12) men in urban and rural areas.

This output aims at addressing the business challenges related to access to efficient modern technologies and services by assessing, analyzing and developing specific solutions in order to enable the entrepreneurs to undertake businesses profitably. The output will enhance entrepreneur's innovation and access to market information and business services beyond their localities. To achieve this, support on how to identify sales agents, establish market outlets and undertake market dialogues will be provided to entrepreneurs according to different categories of businesses and/or services. These will be conducted through organizing formal meetings; facilitate signing collaboration agreement between, dealers, suppliers, and producers.

Results will be measured by achieving the following indicators related to output 1:

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- i. At least twenty five (25) of which ten (10) existing (women (5) and men (5)) and fifteen (15) new (men (7) and women (8)) entrepreneurs in the programme area identified and supported to prepare business plan by year 2
- ii. Twenty five entrepreneurs 13 women and 12 men supported to develop viable business plan and undertake business by year 4
- iii. At least one (1) market network on improved charcoal stove chain (liner and cladding producers, whole sellers, distributors and retailers) established by year 4 with half of the members being women
- iv. At least one (1) market network on sustainable charcoal production and marketing established by year 2014 with one quarter of the members being women
- v. At least one (1) market network on solar PV technologies established by year 2014 with at least half of the members being women
- vi. At least one (1) market network on solar drying technologies established by year 4 with three quarter of the members being women.

Output 2: At least one hundred and twenty five (125) women and one hundred and twenty five (125) men entrepreneurs empowered to undertake and own viable businesses.

The output aims to build self motivated beneficiaries to at least 250 (125 men and 125 women) entrepreneurs who will continuously provide service to the communities in and beyond the programme areas, thereby scaling up access to modern energy technologies and services. Under this output technical and business trainings will be organised and conducted for each category of technology to be promoted in this programme to support implementation of their business plans. Other support will include development of enterprise centres which include provision of facilities and improvement of working premises.

Specifically the results will be measured by achieving the following indicators related to output 2:

- i. Thirty (30) women and thirty (30) men managing, owning and generating income from 4 efficient charcoal stove production workshops in the programme areas by year 4.
- ii. Twenty five (25) women and three (3) men owning and earning income from 6 modern bakeries (using improved charcoal) and biogas fuelled oven in the programme area by year 4
- iii. At least 15 groups of artisans (with at least 25 women and 30 men) constructing and earning income from improved firewood stoves in the programme area by year 4
- iv. At least four (4) women and seven (7) men commercially providing biogas installation services by year 3
- v. At least three (3) women and ten (10) men owning and earning income solar PV systems enterprises by year 4
- vi. At least eighteen (18) women and five (5) men owning and earning income solar drying enterprise by year 4
- vii. At least twenty (20) women and forty (40) men engaging in sustainable charcoal production in 3 districts by year 3
- viii. At least quarter of the reduced emissions sold to carbon markets by year 4

Output 3: Local private capital mobilized for sustaining financing mechanisms for scaling up access to sustainable modern energy technologies and services.

The output aim to contribute in mobilizing local private capital to leverage fund from different sources for supporting dissemination and commercialization of modern energy technologies and services. This will be a good opportunity to mobilize public private partnerships that will complement technical, business and management aspects while reducing financial risks. Some of the private capital funds will be built up by forming self financing groups (SEGs), sensitize larger private companies to invest and/or obtain services from the medium and small energy enterprise.

Results will be measured by achieving the following indicators related to output 3:

- i. At least four (4) MFIs providing financial support to the 25 modern energy enterprises (13 owned by women and 12 by men) by year 4
- ii. At least two (2) enterprises (one owned by women) managed through private public partnership arrangement by year 4
- iii. At least 2 private companies sensitized and contribute to energy access effort under social corporate responsibilities by year 4
- iv. Percentage of individuals paying cash for modern energy technologies and services increased from 5% to 20% by year 4
- v. At least one SEG organized in each village and 4 COSESEs (with equal representation of women and men) in programme districts in year 4

Output 4: Core support and capacity for implementing the Project enhanced and maintained



The output is geared towards enhancing necessary capacity for achieving and tracking the overall anticipated results of the objectives of the Project. In realizing this, Project collaborators will be assessed by their ability to monitor, to mainstream gender, use Information Communication Technology (ICT) and provide Business Development Services (BDS) and thereafter enabled through further training in weaker areas so as to oversee the performance of the Project. Capacity of TaTEDO sustainable energy and development centre will be strengthened to develop and share knowledge with potential stakeholders.

Results will be measured by achieving the following indicators related to output 4:

- i. Ten (10) local level collaborators empowered and quality of their services on gender, ICT, BDS and technical skills to implement the Project improved by year 4
- ii. Project implementation team knowledgeable and applying gender mainstreaming approach
- iii. Sustainable Energy Development Centre (SEDC) providing better services and generating income on sustainable modern energy technologies and services by year 4,

3. Budget

S/N	ACTIVITIES/DESCRIPTION	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL (USD)
1	Output 1: Enhance self sustained market networks for enabling access to sustainable modern energy technologies and services to (13) women and (12) men in urban and rural areas.					
1.1	Prepare and review baseline information in the programme areas	24,226	22,526			46,752
1.2	Conduct market assessments in the previous programme areas	16,860	15,535	2,025		34,420
1.3	Provide BDS and market development support	16,120	34,813	15,537		66,470
1.4	Develop market network of producers, distributors and dealers for each technology promoted under the programme	61,747	39,663			101,410
2	Output 2: At least one hundred and twenty five (125) women and one hundred and twenty five (125) men entrepreneurs empowered to undertake and own viable businesses.					
2.1	Organize and conduct training on technical, quality control and market standards on each technology cluster to the entrepreneurs	99,341	207,144	53,575	5,640	365,700
2.2	Provide support to exploit carbon markets for the reduced emissions	9,870	15,870		14,700	40,440
3	Output 3: Local private capital mobilized for sustaining financing mechanisms for scaling up sustainable modern energy technologies and services					
3.1	Set up collaboration between MFIs and interested entrepreneurs to increase the ability to pay for technologies and services for end users and entrepreneurs	3,810	6,183	1,187		11,180
3.2	Strengthen collaboration between public and private sectors	4,374	9,108	3,398		16,880
3.3	Strengthen villagers credit and savings groups	4,750	12,030	7,280		24,060
4	Output 4: Core support and capacity for implementing the programme enhanced and maintained					
4.1	Asses and capacitate the established local collaborators.	27,357	9,233			36,590
4.2	Build capacity of the programme team on gender mainstreaming and other relevant skills	66,741	38,161	16,369		121,271
4.3	Strengthen capacity of Sustainable Energy Development Centre (SEDC) to develop and disseminate knowledge and skills on sustainable modern energy technologies and services to different energy stakeholders	2,400	12,250	11,550	2,300	28,500
4.4	Prepare and operationalize resource mobilization strategy	60,025	34,225	21,850	17,870	133,970
4.5	Enhance capacity of the programme team	37,415	40,895	28,415	13,015	119,740

	to monitor and evaluate the action					
4.6	Core support and coordination of the programme	184,675	171,075	171,075	171,075	697,900
	TOTAL	619,711	668,711	332,261	224,600	1,845,283
	CONTINGENCY (10% of the Total Budget)	61971	66,871	33,226	22,460	184,528
	GRAND TOTAL	681,682	735,582	365,487	247,060	2,029,811

The overall budget is US\$ 2 029 811 over four years. This amount translates to NOK 13 200 000, using 6.5 exchange rate to cover for exchange rate fluctuations.

4. Risks and mitigation

It is expected that there will be few risks that can affect Project implementation. The table below summarizes some of possible risks

Internal risks		
S/ No	Risks	Possible mitigation measures
1	Conflicts of interest regarding charcoal production	The Project will raise awareness on charcoal production with charcoal producers
2	Social cultural norms will limit participation of women	The Project will use gender responsive approach during implementation The Project is designed to include social economic study which will identify factors which would increase women participation
3	Inadequacy competence of mainstreaming gender by Project implementing team	Gender expert will be hired to train the Project team on gender mainstreaming
4	Limited accessibility to capital among entrepreneurs.	Support will be provided for the preparation of viable business plan by entrepreneurs Awareness will be raised to MFI on existing investment potentials from the business plans The Project will facilitate linkages between entrepreneurs and MFIs;
5	Frequent change of collaborator staff and lack of commitment	The Project will sign a performance based contract with the collaborator institution
6	Local government authorities may not take District Energy Development Clusters seriously	District officials will be involved from onset of Project implementation; The Project will be introduced to District council meetings, village and ward leadership will be sensitized to incorporate energy issues into ward and district development plans; Capacity building strategies for government leadership at district, ward, and village levels.
7	Absence of energy department at the districts	Use existing DiSEDCs and facilitates formation of new ones in new districts

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.

