

Agreement

Between

the Norwegian Ministry of Foreign Affairs

and

the Government of the Republic of Malawi

regarding

development cooperation concerning “Capacity Building for Managing Climate Change in Malawi”

WHEREAS Norway and Malawi have entered into a Memorandum of Understanding dated 9.06.2008 regarding Development Cooperation,

WHEREAS Norway has supported the agricultural sector in Malawi through Bunda College Capacity Building dated 16.11.2005, Agricultural Research and Development Programme (ARDEP) dated 16.11.2005, National Smallholder farmers’ Association of Malawi Phase III dated 16.2.2007, Agricultural Development Programme-Support Programme dated 13.11.2008, the Malawi Lake Basin Project dated 12.3.2009, Farm Input Subsidy Programme dated, 7,12.2010 and 23.11.11,

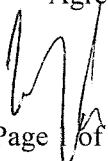
WHEREAS Malawi in letter dated 17.09.2010 has requested Norway for support to the Capacity Building for Managing Climate Change in Malawi, and

WHEREAS the Norwegian Ministry of Foreign Affairs (MFA) has decided to comply with the request,

NOW THEREFORE MFA and Malawi (the Parties) have reached the following understanding which shall constitute an Agreement between the Parties:

Article I Scope and objectives

1. This Agreement sets forth the terms and procedures for MFA’s support to the Capacity Building for Managing Climate Change in Malawi (the Programme) as outlined in the Agreed Programme Summary in Annex I and further described in the Programme



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Document “the Capacity Building for Managing Climate Change in Malawi”, dated February 2013.

2. The Goal of the programme is to improve livelihoods and food security through innovative responses and enhanced capacity for adaptation to climate change in Malawi.

The Purpos of the Programme is to:

- strengthen capacity of the University in research and teaching for climate change mitigation and adaptation,
 - develop new knowledge, technologies and systems to enhance climate change adaptation and mitigation,
 - enhance capacity of the University and relevant key stakeholders in conducting outreach and advocacy in climate change adaptation and mitigation.
3. The Parties may agree on extending existing or including new Programme elements within the Programme, as well as on re-allocating funds within the Programme. Any such agreement shall be in writing, e.g. recorded in the Agreed Minutes from the consultations mentioned in Article VI.

Article II Cooperation – Representation

1. The Parties shall communicate and cooperate fully with the aim to ensure that the Goal and Purpose are successfully achieved. The Parties further agree to cooperate on preventing corruption within and through the Programme, and undertake to take rapid legal action to stop, investigate and prosecute in accordance with applicable law any person suspected of misuse of resources or corruption. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to the Programme.
2. In matters pertaining to the implementation of the Programme the Norwegian Embassy in Lilongwe (the Embassy) and the Malawi Ministry of Finance (the Ministry) shall be competent to represent MFA and Malawi respectively. All communication regarding the Agreement shall be directed to the Embassy.

Article III Contribution of MFA

1. MFA shall, subject to Parliamentary appropriations, make available to Malawi a financial grant not exceeding NOK60,000,000.00 (Norwegian kroner Sixty Million) (the Grant) to be used exclusively to finance the Programme in the planned period from May 2013 to April 2018.
2. Any accrued interests on the Grant may be used for the benefit of the Programme if agreed on by the Parties in writing.
3. Any unspent disbursed funds and accrued interests shall be returned to MFA upon completion of the Programme.

Article IV Contributions and obligations of Malawi

Malawi shall through the Lilongwe University of Agriculture and Natural Resources (LUANAR), as implementing agency be responsible for implementing the Programme, and shall hereunder:

1. Have the overall responsibility for the planning, implementation, reporting and monitoring of the Programme,

2. ensure that the Grant is used according to approved work plans and budgets,
3. ensure that Programme funds, which shall include any accrued interests, are properly accounted for, and that the Grant is reflected in the plans, budgets and accounting of Malawi,
4. promptly inform Norway of any circumstances that interfere or threaten to interfere with the successful implementation of the Programme,
5. defray any customs duties, sales taxes and other taxes, fees and levies on all equipment, materials and supplies financed by the Grant and imported into Malawi for the benefit of the Programme,
6. ensure that all permits, import licenses and foreign exchange permissions that may be required are granted,
7. ensure that representatives of Norway are permitted to visit any part of Malawi for purposes related to the Agreement and examine any relevant records, goods and documents.

Article V Disbursements

1. The Grant will be disbursed upon semi-annual written requests from LUANAR based on the financial needs of the Programme and, except the first request, on approved work plans and budgets. The first disbursement, amounting to NOK 4,000,000.00, will be made upon signing of this Agreement and approval by MFA of a disbursement request from LUANAR.
2. When determining the amount to request, LUANAR shall take into account unspent disbursed amounts and income from all sources as well as any accrued interests which the Parties have agreed on using for the benefit of the Programme according to Article III, Clause 2.

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

3. Funds will be transferred upon MFA's approval of the requests to a separate bank account with LUANAR, and shall be made available to the Programme immediately.

LUANAR shall immediately, in writing, acknowledge receipt of the funds. The date of receipt shall be stated as well as the exchange rate applied.

4. All disbursements to suppliers of goods or services shall be made by LUANAR.
5. MFA may in exceptional cases and if considered necessary for the progress of the Programme, upon request from LUANAR, effect disbursements directly to suppliers for procurement costs incurred under contracts entered into by LUANAR. Such disbursements will only be made against requests accompanied by:
 - a copy of the contract (if applicable),
 - original and specified invoice from the supplier (including enclosures to such invoice) and
 - a written approval of the invoice by the chief financial officer of the Ministry.

MFA shall report payments made according to this clause to LUANAR.

Article VI Annual Meeting

1. Representatives of the Parties shall have an Annual Meeting within second quarter each year in order to:
 - discuss the progress of the Programme, including results and fulfillment of agreed obligations,
 - discuss and, if feasible, approve annual work plans and budgets for the following year,
 - discuss issues of special concern for the implementation of the Programme, such as the major risk factors set out in the Agreed Programme Summary in Annex 1, and how to manage such risks/issues.

Each of the Parties may include others to participate as observers or as advisors to their delegations.
2. The documentation specified in Articles VII and IX shall form the basis for the consultations.
3. The Annual Meeting shall be called by LUANAR and chaired by a representative of the Malawi Ministry of Finance.
4. Main issues discussed and points of view expressed as well as any decisions shall be recorded in Agreed Minutes. The Agreed Minutes shall be drafted by LUANAR and be submitted to MFA for comments no later than two weeks after the Annual Meeting.

Article VII Reports

1. LUANAR shall submit to MFA the reports and documentation specified below. MFA shall respond within two weeks upon reception of the reports and documentation.
2. A progress report shall be submitted annually within the second quarter, at least four weeks before the Annual Meeting.

The progress reports shall be prepared in accordance with the format to be agreed within the first three months of project implementation, and shall include the following information:

- a description of actual outputs compared to planned outputs (as defined in the work plans),
 - a brief summary of the use of funds compared to budget,
 - an assessment of the efficiency of the Programme (how efficiently resources/ inputs are converted into outputs),
 - an explanation of major deviations from plans,
 - an assessment of problems and risks (internal or external to the Programme) that may affect the success of the Programme,
 - 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.
3. A work plan shall be submitted annually within the second quarter, but at least four weeks before the Annual Meeting. The work plan shall specify planned outputs and time schedules for the next fiscal year,
 4. The following annual financial statements and budget shall be submitted within the second quarter, but at least four weeks before the Annual Meeting:
 - a. Financial statements for the Programme consisting of:

- i) A statement showing cash receipts/income and expenditures for the previous period structured as and compared to approved budgets for such previous period as well as accumulated for the Agreement period. The statement shall capture all sources of funding, with sufficient segregation of data to permit identification of individual sources of funds and disbursements on major Programme activities or types of expenditure,
 - ii) a statement of cash and bank balances,
 - iii) relevant notes to the above mentioned statements including a description of the accounting policies used and any other explanatory material necessary for transparent financial reporting of the Programme.
- b. Budget for the Programme for the coming fiscal year showing estimated income from all sources and planned expenditures.

The financial statements and budget(s) shall give complete and detailed information on the financing of the Programme.

5. A final report shall be submitted three months after the completion of the Programme. If the Programme is not completed within the first quarter of 2018, a status report shall be submitted to MFA by the said date. The final report shall include:
- the topics listed in Clause 2 above for the whole Agreement period,
 - an assessment of the effectiveness of the Programme, 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 Programme seen in relation to target groups and others who are affected,
 - an assessment of sustainability of the Programme, i.e. an assessment of the extent to which the positive effects of the Programme will still continue after the external assistance has been concluded,
 - a summary of main “lessons learned”.

Article VIII Procurement

1. LUANAR undertakes to effect all procurements of goods and services necessary for the implementation of the Programme.
2. The procurements shall be performed in accordance with generally accepted procurement principles, good procurement practices and the procurement regulations of Malawi. Norwegian suppliers shall be given the same opportunities as other suppliers to compete for deliveries.

LUANAR shall observe the highest ethic standards during the procurement and execution of contracts, and shall ensure in its national legislation adequate and effective means to punish and prevent illegal or corrupt practices.

No offer, gift, payment or benefit of any kind, which would or could, either directly or indirectly, be construed as an illegal or corrupt practice, e.g. as an inducement or reward for the award or execution of procurement contracts, shall be accepted. Invitations to make offers as well as the procurement contracts shall, respectively, include a clause stating that the offer will be rejected and/or the contract cancelled in case any illegal or corrupt practices have taken place in connection with the award or the execution of the contract.

3. Contracts entered into exceeding NOK1,000,000.00 shall be submitted to MFA for information.

Along with the documentation mentioned above LUANAR shall confirm in writing that

the procurement regulations agreed on in Clause 2 above, have been adhered to.

4. LUANAR shall provide MFA with a copy of invitations to international tenders concerning procurements which value exceeds NOK6,000,000.00 at least 40 days before publishing the invitation. Copies of the contracts entered into shall be submitted to MFA for information within 30 days after the signing.
5. LUANAR shall upon request furnish MFA with all relevant information on its procurement practices and actions taken, and provide access to all related records and documents. MFA may require access to information even during the stage in the procurement procedure when it is restricted to the officers performing the procurement. Restrictions on such information shall be respected until the information can be made public without any risk of detriment to the result of the procurement.

Article IX Audit

1. The audit shall be performed by an independent professional accountant/accountancy firm in public practice (external auditor/ audit firm) acceptable to MFA in accordance with principles for governmental sector auditing.

The cost of the audit shall be covered by the Grant.

2. The audit shall be carried out in accordance with international auditing standards. The auditor shall state in the report which auditing standards that have been applied.
3. The audit report shall state the auditor's opinion/findings as to:
 - whether the financial statements present fairly, in all material respects, the Programme's cash receipts/income and expenditures as well as the cash/bank/financial position in accordance with an acceptable financial reporting framework,
 - whether the audit has uncovered any material weaknesses in relevant internal control(s),
 - whether the audit has uncovered any illegal or corrupt practices,
 - whether funds have been used exclusively to cover Programme expenditures,
 - whether cash receipts/income and expenditures are properly accounted for.
 - whether the Grant is reflected in the budgets and accounting of Malawi.
 - whether appropriate internal controls to counteract illegal or corrupt practices have been established and are complied with.
4. LUANAR shall submit to MFA the audit report and any other report from the auditor significant to the implementation of the Programme within December each year. LUANAR shall comment upon the auditor's findings. MFA shall respond within two weeks upon reception of the report.

Article X Reviews – Evaluation

1. A mid-term and end review focusing on progress to date and the effectiveness of the Programme, i.e. the extent to which the Purpose is being/has been achieved, shall be carried out within the second quarter of 2015 and six months before completion of the programme respectively. An assessment of the Programme's impact may also be included in the review(s).

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

2. Norway reserves the right to carry out independent reviews or evaluations of the Programme as and when MFA deems it necessary. The cost for such reviews will be covered by funds over and above the Grant.

Article XI Reservations

1. MFA reserves the right to withhold disbursements at any time in case e.g.:
 - The Programme develops unfavorably in relation to the Goal and Purpose,
 - substantial deviations from agreed plans or budgets occur,
 - the documentation specified in Articles VII and IX has not been submitted as agreed,
 - the financial management of the Programme has not been satisfactory,
2. MFA reserves the right to reclaim all or parts of the Grant and cancel the Agreement if Programme funds are found not to have been used in accordance with the Agreement or are found not to be satisfactorily accounted for.
3. MFA has the right to cancel the Agreement or portion of the Agreement, and has the right to demand the cancellation of any contract financed under the Agreement, with immediate effect if it determines that corrupt or fraudulent practices were engaged in by representatives of LUANAR or by a beneficiary of Programme funds during procurement or execution of the contract without LUANAR having taken timely and appropriate action satisfactory to Norway to remedy the situation.
4. Before MFA withholds disbursements, reclaims funds or cancels the Agreement, the Parties shall consult with a view to reaching a solution in the matter.

Annex XII Distribution of the Agreement

The Parties shall distribute copies of the Agreement to the respective ministries, authorities and other institutions involved in the Programme or otherwise in need of information on its content.

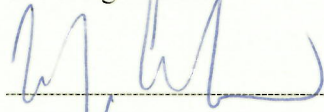
Article XIII Entry into force – Termination – Disputes

1. The Agreement shall enter into force on the date of its signature, and shall remain in force until the Parties have fulfilled all obligations arising from it. Whether the obligations are fulfilled, shall be determined in consultations by the Parties.
2. Notwithstanding the previous clause each Party may terminate the Agreement upon three months written notice.
3. If any dispute arises relating to the implementation or interpretation of the Agreement, the Parties shall consult with a view to reaching a solution.

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

Done in Lilongwe the 9th day of May of 2013.

For the Norwegian Ministry
of Foreign Affairs



ASBJØRN EIDHAMMER
Ambassador

For the Government of
the Republic of Malawi



Dr. Ken Lipenga, M.P.
Minister of Finance

Annexes:

I. Agreed Programme Summary

Annex I Agreed Programme Summary

1.0 Identification of the Programme

- 1.1 Programme Title/Name: Capacity Building for Managing Climate Change in Malawi (CABMACC)
- 1.2 Implementing institution: Lilongwe University of Agriculture and Natural Resources (LUANAR)
- 1.3 Norwegian and/or other Partner institution: The Norwegian University of Life Sciences (UMB)

2.0 Description of the Programme

- 2.1 The strategy of the programme is to build the capacity of the university to mainstream climate change through teaching, learning, training, outreach and research. The programme will be implemented through the following five interlinked thematic areas or components: Teaching and Training; Research and Technology; Capacity building; Up-scaling best-bet practices and Outreach and Advocacy.

2.1.1 Teaching and Training

The aim is to improve the skills of staff in delivering academic programmes through developing new BSc, MSc and PhD programmes, and upgrade teaching materials. This component will also focus on curriculum review to incorporate climate change concerns.

2.1.2 Research and Technology

This will continue with the ARDEP set up of Competitive Grant Scheme (CGS) to support research and technology development in various disciplines. Research grants will only be awarded to research projects that deal with issues of climate change as it relates to food security and natural resource management.

2.1.3: Capacity building

The component will address issues of capacity building at institutional and community levels. The aim of the component is to develop competence and capacity in the formulation of climate-smart agricultural policies and programmes. To achieve this, the programme will establish research and development committees that will support data and information collection. The programme will also establish information management centres which will be platform for researchers and for a voice for vulnerable groups. At the institutional level the programme will improve teaching and learning facilities and also girls' accommodation.

2.1.4 Up-scaling best-bet practices

An inventory of best practices will be produced during research and technology thematic area. These shall be tested, scaled up and replicated.

2.1.5 Outreach and Advocacy

The programme will produce a journal; develop fliers, posters and brochures; and e-learning materials. Short courses will also be developed and administered under this component.

2.2 The overall goal of the programme is to improve livelihoods and food security through innovative responses and enhanced capacity for adaptation to climate change.

2.3 The programme has the following three objectives:

- a. To strengthen the capacity of the University in research and teaching for climate change mitigation and adaptation.
- b. To develop new knowledge, technologies and systems that will enhance climate change adaptation and mitigation.
- c. To enhance the capacity of the University and relevant key stakeholders in conducting outreach and advocacy in climate change adaptation and mitigation.

2.4 Outputs

- a) Capacity of the University and key stakeholders on climate change adaptation and mitigation improved,
- b) Gender and HIV/AIDS within teaching and research programmes mainstreamed,
- c) Information access, documentation and ICT services improved,
- d) Innovative research, best-bet practices and technologies developed on climate change adaptation and mitigation undertaken,
- e) Competitive research grants on climate change established and implemented in collaboration with the Norwegian University of Life Sciences,



3.0 Inputs

Inputs required for the implementation of the programme include vehicles, computers, research equipment, and stationary, laboratory equipment and other teaching equipment. The programme will also require office space for the secretariat from LUANAR and technical assistance from the University of Life Sciences in Norway when it comes to climate change research. Additional technical assistance will be provided by the Malawi Government Ministry responsible for environment and climate change issues. The sum of 60 million NOK will be required to finance programme activities. The contribution of the government of Malawi shall be in the form of staff time, office space and office equipment.

4.0 Main indicators

Major Indicators, Targets and Time Frame	
Goal	<ul style="list-style-type: none"> • Increased agricultural production, utilisation of, and access to food as well as natural resources management in Malawi increased through high-quality demand-driven agricultural research. • Improvement in uptake of demand-driven climate change technologies and outreach activities. • Number of ready technologies leading to sustainable production increase and improved employment in form of numbers, income and quality identified and implemented or applied. • Improvement in capacity enhancement to conduct demand-driven innovative climate change research and outreach activities.
Purpose	<p>By 2018, evidence of application of climate change technologies leading to:</p> <ul style="list-style-type: none"> • sustainable food production increase by at least 5% per year in target areas, • at least 5% increase adoption of climate smart agriculture technologies, • improved access by the rural communities especially, female-headed households and HIV/AIDS affected households to relevant climate change technologies.
Outputs	<ul style="list-style-type: none"> • By 2018, through commissioned climate change research projects, new technologies generated in at least 50% of the research and outreach activities, resulting in: <ul style="list-style-type: none"> o Increased awareness on climate change issues and use of climate adaptive technologies by majority of farmers o 10% increase in adoption of climate smart agriculture technologies

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	<p>leading to 5% increase in production annually</p> <ul style="list-style-type: none"> • By 2018, at least 5 technologies with potential for improving livelihoods identified, promoted and implemented in at least all research sites. • By 2018, the capacity of researchers, NGOs and other extension providers to coordinate and manage climate change policies and programmes is enhanced.
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5.0 Major risk factors (internal and external)

There is no major risk that can affect full realisation of the expected outputs. On average therefore the project is rated as of low risk. The project however is aware of risks that if not managed can delay implementation. These include:

- a) Deteriorating governance issues and poor relation between government, civil society, human rights groups and donors. This is no longer a risk since the new government has established good working relationships with all concerned parties.
- b) Shortage of foreign currency. This can delay procurement of important equipment for the project and this would in turn delay implementation. This risk is insignificant considering that Malawi's foreign reserves have improved with the resumption of donor aid. Additionally the project will maintain a foreign denominated account which the project can use to purchase items directly.
- c) Delays in the full operationisation of the Lilongwe University of Agriculture and Natural Resources due to unresolved technical and legal issues can delay capacity building plans for Bunda College of Agriculture. To go round the problem capacity building activities will focus on Bunda College of Agriculture during the first and second years.
- d) Unpredictable weather patterns will lead to poor crop production. Although this is a high risk, the whole purpose of the project is to explore how communities can adapt to unpredictable weather pattern. The programme plans to implement best-bet practices as mitigation for impacts of climate change.
- e) The capacity of the university to implement climate change activities, undertake advocacy and outreach activities is very low and this can lead to delays in implementation. However the chance of this affecting implementation is minimum considering that the capacity of LUANAR will be improved with the existing collaborative arrangement with the Norwegian University of Life sciences.
- f) Risk of financial mismanagement and corruption. LUANAR has adequate financial capacity. In addition, LUANAR will put in place measures to monitor and improve organizational development and training of the finance section during the proposed programme. The improved capacity in financial management coupled with current anti-Corruption measures will minimize the risk of fraud, corruption and financial mismanagement.

6.0 Overall budget

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The project will require a total of NOK60 million over a period of five years. Research and technology development has been allocated about 35% of the budget. It is expected that 20% of budget will be spent on collaborative research with the Norwegian University of Life Sciences. The budget summary is provided in the table below:

Budget item	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	Total
Teaching & Training	3,610,000	5,320,000	2,830,000	2,110,000	240,000	14,110,000.00
Training of PhD students	1,560,000	1,080,000	1,080,000	1,080,000		4,800,000.00
Training of masters students	750,000	1,230,000	480,000			2,460,000.00
Scholarships to female needy students	420,000	420,000	420,000	420,000		1,680,000.00
Training of Finance and procurement staff for LUANAR	60,000	60,000	60,000	60,000		240,000.00
Climate change, gender and outreach short courses	270,000	270,000	640,000	400,000	90,000	1,670,000.00
Internship or attachment between UMB and LUANAR	150,000	150,000	150,000	150,000	150,000	750,000.00
Development of post graduate programmes & Curriculum reviews	380,000					380,000.00
Teaching and Research Equipment	20,000	2,110,000				2,130,000.00
Research & technology Development	3,760,000	7,710,000	5,920,000	4,200,000	620,000	2,210,000.00
Competitive Research grants for Malawian researchers	2,200,000	2,200,000	1,870,000	1,150,000	70,000	7,490,000.00
Competitive Research grants for Norwegian researchers	400,000	3,500,000	2,500,000	2,000,000	100,000	8,500,000.00
Commissioned Research on Clean Development Mechanism		300,000	300,000	300,000		900,000.00
Commissioned Research on Renewable and clean energy technologies		900,000	300,000	300,000		1,500,000.00
Other research areas (to be identified)			500,000			500,000.00
Postgraduate Research grants	450,000	450,000	450,000	450,000	450,000	2,250,000.00
Baseline Studies	200,000					200,000.00
Management of Research Grants	510,000	360,000				870,000.00
Cross cutting issues	90,000	700,000	550,000	400,000	80,000	1,820,000.00
Gender mainstreamed into teaching & research programmes		350,000	400,000	250,000		1,000,000.00

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HIV&AIDS mainstreamed into teaching & research programmes	90,000	350,000	150,000	150,000	80,000	820,000.00
Information access & management	100,000	1,750,000	1,150,000	1,100,000	800,000	4,900,000.00
Books & Journals	60,000	350,000	450,000	450,000	350,000	1,660,000.00
Upgrading of Communication facilities	40,000	1,400,000	700,000	650,000	450,000	3,240,000.00
Advocacy & outreach	390,000	420,000	700,000	755,000	805,000	3,070,000.00
Short Courses	150,000	150,000	250,000	250,000	300,000	1,100,000.00
Conferences & Meetings	90,000	120,000	350,000	450,000	450,000	1,460,000.00
Websites, Leaflets	150,000	150,000	100,000	55,000	55,000	510,000.00
Monitoring and Evaluation	60,000	510,000	690,000	510,000	650,000	2,420,000.00
Annual surveys		60,000	240,000	60,000	200,000	560,000.00
Development of M&E framework, monitoring tools and monitoring visits	60,000	450,000	450,000	450,000	450,000	1,860,000.00
Programme Implementation and Coordination	2,248,000	2,958,000	2,118,000	2,048,000	2,098,000	11,470,000.00
Honoraria, Salaries & Other Benefits	768,000	768,000	768,000	768,000	768,000	3,840,000.00
Equipment (vehicles, computers and office equipment)	230,000	910,000	20,000			1,160,000.00
Institutional Collaboration, Coordination & networking	390,000	540,000	590,000	540,000	590,000	2,650,000
Operational Costs	540,000	540,000	540,000	540,000	540,000	2,700,000.00
Administrative costs	140,000	200,000	200,000	200,000	200,000	940,000.00
Consultancies (upgrading of financial systems for LUANAR)	180,000					180,000.00
Grand Total	10,258,000	19,368,000	13,958,000	11,123,000	5,293,000	60,000,000.00

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