

Agreement between the Norwegian Agency for Development Cooperation (Norad) and the Government of the Republic of Iraq in connection to development cooperation concerning Strengthening the Management of the Oil and Gas Sector in Iraq regarding Resource- Health- Safety- and Environmental Management

WHEREAS Ministry of Oil of Iraq (MoO) requested support from Norway in letter dated 6 September 2004;

WHEREAS the Norwegian Ministry of Petroleum and Energy (MPE) has agreed to cooperate with MoO within the petroleum sector in a letter to MoO dated 21 September 2004;

WHEREAS Norwegian Petroleum Directorate (NPD), (a regulatory body subordinate to MPE) and the MoO have entered into a Memorandum of Understanding dated 26 May 2005 regarding Institutional and Technical Assistance;

WHEREAS NPD and MoO 1 September 2005 have entered into a Contract regarding Institutional and Technical Assistance;

WHEREAS MPE may decide to transfer its responsibility and obligations in this Agreement to NPD;

WHEREAS the Government of the Republic of Iraq (Iraq) in its letter dated 18 March 2008 has requested Norway for continued support to strengthening the management of the Oil and Gas Sector in Iraq, and

WHEREAS Norway in its letter dated 17 December 2008 agreed to continue the cooperation;



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WHEREAS the Norwegian Ministry of Foreign Affairs (MFA) and the Iraqi Ministry of Foreign Affairs have entered into a Memorandum of Understanding (MoU) dated 7 June 2010;

WHEREAS the Iraqi MoO has been nominated to represent Iraq in the implementation of the development cooperation concerning Strengthening the Management of the Oil and gas Sector in Iraq regarding Resource-, Health-, Safety and Environment Management;;

NOW THEREFORE Norad and Iraq (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 Norads support to Strengthening the Management of the Oil and Gas Sector in Iraq regarding Resource-, Health- Safety and Environment (the Program) as outlined in the Agreed Program Summary in Annex I and further described in the draft Program Document "Strengthening the Management of the Oil and Gas Sector regarding Resource- Health-, Safety and Environment in Iraq" (the Program Document), dated...

2. The Goal of the Program is to ensure that Iraq's oil and gas resources are used in a sustainable manner (economically, socially and environmentally) to meet the needs of present and future generations in Iraq.

The Purpose of the Program is to increase the capacity, efficiency, transparency and institutional arrangements to facilitate well-coordinated and results oriented resource management, environmental management, revenue management and Health, Safety and Environment (HSE) management in the petroleum sector.

3. The Parties may agree on extending existing or including new Program elements within the Program, as well as on re-allocating funds within the Program. 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 and transparently achieved. The Parties further agree to cooperate on preventing corruption within and through the Program, 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 Program.
2. In matters pertaining to the implementation of the Program, the Norwegian Embassy in Bagdad (the Embassy) and the Iraqi Ministry of Oil (MoO) shall be competent to represent Norad and Iraq respectively. All communication to Norad in regard to the Agreement shall be directed to the Embassy.
3. The Parties shall promptly inform each other of any circumstances that interfere or threaten to interfere with the successful implementation of the Program,

Article III Contribution and obligations of Norad

1. Norad shall, subject to Parliamentary appropriations, make available to Iraq a financial grant not exceeding NOK 20 million (Norwegian kroner twenty million) (the Grant) to be used exclusively to finance the Program in the planned period 2011 -2014.
2. Any accrued interest on the Grant may be used for the benefit of the Program if agreed on by the parties in writing.
3. Any unspent funds and accrued interests shall be returned to Norad upon completion of the Program.

Article IV Contributions and obligations of Iraq

Iraq shall be responsible for the implementation of the Program, and shall hereunder:



1. Have the overall responsibility for the planning, implementation, reporting and monitoring of the Program with technical assistance from MPE,
2. provide a financial contribution amounting to USD 2 million to finance the Program in the planned period, and other resources required in addition to the Grant, including covering the cost of any personnel necessary to support the Program Coordination Committee in its work,
3. ensure that the Grant is used according to approved work plans and budgets,
4. Ensure that Iraqi Program funds are managed and accounted for in accordance with relevant Iraqi rules and regulations, and that they will be reflected in the plans, budgets and accounting of the MoO.
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 Iraq for the benefit of the Program,
6. Ensure that all permits, import licenses and foreign exchange permissions that may be required are granted,
7. Ensure that representatives of Norway are warmly welcomed to visit Iraq for purposes related to the Agreement and examine any relevant records, goods and documents.
8. Enter into the following institutional cooperation contract(s):

Contract between MoO and the Norwegian Ministry of Petroleum and Energy (MPE) (the Contract).
9. The Contract and any subsequent amendments thereof shall be submitted to Norad for approval.



Article V Disbursements

1. Disbursements from the Grant will be disbursed directly to MPE upon semi-annual requests from MoO based on the financial need of the Program and, except the first request, on approved work plans and budgets.
2. Norad shall report payments made according to clause 1 to Iraq.

Article VI Annual Meeting

1. Representatives of the Parties shall have an Annual Meeting tentatively in the first quarter each year in order to:
 - Discuss the progress of the Program, including results and fulfillment of the previous year work Plan and budget,
 - Discuss and approve annual work plans and budgets for the following year,
 - Discuss issues of special concern for the implementation of the Program, such as the major risk factors to be set out in the Agreed Program Summary in Annex 1, and how to manage such risks/issues.

MPE shall be invited to the meeting as an observer. 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 and chaired by Norad at a location deemed to be safe and practical for the Parties.



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 Norad and be submitted to the Parties for comments no later than two weeks after the Annual Meeting.

Article VII Reports

1. Iraq shall, with inputs from MPE, submit to Norad the reports and documentation specified below.

2. A progress report shall be submitted semi-annually, one to be submitted within three weeks before the Annual Meeting and one submitted by 1 August each year. The 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 (as defined in the work plans),
- A brief summary of the use of funds compared to budget,
- An assessment of the efficiency of the Program (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 progress and the success of the Program,
- 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 Goal and Purpose.

3. A work plan and budget shall be submitted annually within three weeks before the Annual Meeting. The work plan shall specify planned outputs and time schedules for the next calendar year. The work plan and the budget shall be split according to the source of funding, Norwegian or Iraqi. The budget for the Program shall show estimated income from all sources and planned expenditures.



4. The following annual financial statements shall be submitted within three weeks before the Annual Meeting each year:

a. Financial statements for the Norwegian funded part of the Program consisting of a financial statement, based upon reports from the cooperating Norwegian Institutions through MPE, with regards to all Norwegian funding showing cash receipts/income and expenditures for the previous period structured as and compared to approved budgets for such previous period. The statement shall have sufficient segregation of data to permit identification of funds used on major Program activities or types of expenditure,

b. Financial statement for the Iraqi funded part of the Program. The statement shall have sufficient segregation of data to permit identification of the funds used on major Program activities or types of expenditure.

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

5. A final report shall be submitted within three months after the completion of the Program. If the Program is not completed by 31 December 2013, a status report shall be submitted to Norad through MPE 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 Program, 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 Program seen in relation to target groups and others who are affected,
- An assessment of sustainability of the Program, i.e. an assessment of the extent to which the positive effects of the Program will still continue after the external assistance has been concluded,
- A summary of main "lessons learned".



Article VIII Procurement

1. Iraq and MPE respectively, shall effect all procurements of goods and services necessary for the implementation of the Program from the respective contributions.
2. The procurements shall be performed in accordance with generally accepted procurement principles and good procurement practices and the procurement regulations of Iraq and Norway respectively.

Iraq shall observe the highest ethical standards during the procurement and execution of contracts, and shall ensure that illegal or corrupt practices are prevented.

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 by MPE exceeding NOK 1 million shall be submitted to Norad for information.

Article IX Audit

1. The annual financial statements of the Iraqi contribution as well as the Norwegian contribution shall be audited by the Auditor General separately or by an equivalent governmental audit body or an independent professional accountant/accountancy firm in public practice (external auditor/ audit firm) engaged by the Auditor General.

The audit shall be performed within the first quarter of each calendar year.



If this deadline is not met, Norad can require that subsequent audits be performed by an independent professional accountant/accountancy firm in public practice (external auditor / audit firm) acceptable to Norad in accordance with principles for governmental sector auditing. The cost of such external audits 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. If the audit will be performed by other institution than the Auditor General, 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 cash receipts/income and expenditures are properly accounted for.
- Whether appropriate internal controls to counteract illegal or corrupt practices have been established and are complied with.

4. Iraq shall submit to Norad the audit report and any other report from the auditor significant to the implementation of the Program within the first quarter each calendar year. Iraq shall comment upon the auditor's findings. Norad shall respond within two weeks upon reception of the report.

Article X Reviews – Evaluation

1. An end review focusing on progress to date and the effectiveness of the Program, i.e. the extent to which the Purpose is being/has been achieved, shall be carried out. The reviews shall include in-depth financial reviews. An assessment of the Program's impact may also be included in the reviews.



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

Article XI Reservations

1. Norad and MoO Iraq reserves the right to withhold disbursements at any time in case e.g.:
 - The Program develops unfavorably in relation to the Goal and Purpose,
 - Substantial deviations from agreed plans or budgets occur,
 - Resources to be allocated by Iraq are not provided as agreed,
 - The documentation specified in Articles VII and IX has not been submitted as agreed,
 - The financial management of the Program has not been satisfactory,
 - The contract referred to in Article IV, Clause 9 are is breached or terminated before all obligations therein are fulfilled.

2. Mo shall through its contract with MPE ensure that Norad has the right to seek direct recourse towards MPE and hereunder the right to reclaim all or parts of the Grant and cancel the Contract if Program funds are found not to have been used in accordance with the Agreement or are found not to be satisfactorily accounted for.

3. Norad 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 Iraq or MPE during procurement or execution of the contract without Iraq having taken timely and appropriate action satisfactorily to Norad to remedy the situation.

4. Before withholdings disbursements, reclaim funds or cancels the Agreement, the Parties shall consult with a view to reaching a solution in the matter.



Article XII Distribution of the Agreement

The Parties shall distribute copies of the Agreement to the respective ministries, authorities and other institutions involved in the Program 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 Party, have signed the Agreement in two originals in the English language.

Done in <place> the <number> day of <month> of <year>.

Baghdad 28/9-11

For the Norwegian Agency for Development

Cooperation

Ambassador

For the Government of the

Republic of Iraq


Deputy Minister of Oil
Ahmed Al-Shamma.

Annex I Agreed Program Summary

1. Program Title:

Strengthening the Management of the Oil and Gas Sector regarding Resource-, Health-, Safety- and Environment Management in Iraq

Main implementing institutions

Iraq:

Ministry of Oil, Ministry of Environment

Main Norwegian and/or other Partner institutions:

Ministry of Petroleum and Energy (including Norwegian Petroleum Directorate and Petroleum Safety Authority), Ministry of the Environment (including Directorate for Nature Management and Norwegian Climate and Pollution Authority) and Petrad

Description of the Program

Goal:

Assist Iraq in exploitation of the country's oil and gas resources in a sustainable manner (economic, social and environmentally) to meet the needs of present and future generations in Iraq.

The Goal will be refined during the inception period.

Purpose:

Increase capacity, efficiency, transparency and institutional arrangements to facilitate well-coordinated and results oriented resource management, environmental management and HSE management in the petroleum sector.

The Purpose will be refined during the inception period.



Outputs

Policy

The focus will be on some of these important policy issues (to be refined during the inception period).

Regulation of the sector / Institutional organization

Legislation

Subordinate regulations / petroleum contracts with high regulatory content

Separate regulatory institutions

National Oil Company

Petroleum Resource management

Fiscal control, revenue management

Petroleum data management

Environmental management issues

Health and safety issues in the petroleum industry

HSE Supervisory philosophy

Information management issues

Drivers for increased use of national goods and services

National Education on university and lower technical level

National Research enhancement

Data Management

The focus will be on:

Further development of reporting regulations

National IT Centre

National coordinate reference system

Systems for cultural and administrative data



Petroleum Resource Management including IOR

The focus will be on projects on some of the following issues:

Resource classification/inventory system/requirements for regulation and guidelines

IOR methodologies and practices for Iraqi oil and gas fields

Resource Planning and planning methodology

Strategic planning / scenario planning

Optimizing the use of gas resources

Fiscal metering (regulations, auditing, metering technologies etc)

Training

Options considered:

Participation in Petrad's annual 8 week courses (petroleum management and petroleum operations for high level management)

Training on petroleum policy and resource management, field development and operations Workshop on follow-up of long term O&G contracts-Workshop on accounting and auditing procedures

Leadership and management training for managers in the petroleum sector

Master programs

Tailor made regional (multinational) courses in important disciplines (Data management, Environmental management, Petroleum contracts, Safety management, IOR, etc.) This training can probably be financed externally and Iraq will be invited to participate.

Environmental Issues

Projects will be established on some of the following topics

Regulatory and supervisory framework and methodology (Partly implemented)

Environmental management tools

Base line studies

Environmental Monitoring

Environmental Impact Assessments (partly implemented)



Emergency preparedness Planning and Response Management

Specific Environmental challenges and technologies

Produced water

Production chemicals

Emissions to air

Management of Pollution Data

Flaring reduction - CDM

Health and Safety Issues

The focus will be on:

Regulatory and supervisory framework and methodology

Risk analysis

Emergency Contingency Planning

Assessment of current ability and competence in the petroleum sector on HSE

Fiscal Control / Revenue Management

Optional activity (to be decided with the Ministry of Finance) with focus on:

Fiscal

Revenue

Technical cooperation

Focus on some of the following activities:

Access to engineering and project management competence

Access to information about critical technologies

Twinning between research institutions



Training in QA/QC for procurement of products and services in the petroleum industry

Develop a strategy for national petroleum training, research and development based upon the exchange of ideas and experience

The outputs will be refined during the inception period.

Inputs

Norwegian and Iraqi funds

Institutional support

Manpower contributions from Iraqi institutions

To be refined during the inception period

Main indicators

National policy and legislation

Efficiency and capability of involved Iraqi institutions

Implementation of IOR projects

Resource management planning

Environmental and health and safety monitoring

Monitoring of fiscal metering

Public information of the petroleum activity

To be refined during the inception period

Major risk factors (internal and external)

Political stability

Delays in the Iraqi legal and regulatory process

Lack of support from MoO top level management

Budget/personnel capacity constraints



Language constraints

Travelling safety constraints (including visa procedures)

Overall budget

NOK 20 mill

US\$ 2 local contribution (to be refined during the inception period)

Annex II Format for Progress reports

Overall progress

A summary description of the overall progress of Project implementation

Results progress

- If feasible, a brief assessment of achievements in relation to Purpose.
- A description of actual outputs compared to planned outputs (as defined in the work plans).
- An assessment of the efficiency of the Project (how efficiently resources/ inputs are converted into outputs).
- An explanation of major deviations from plans.
- An assessment of the need for adjustments to activity plans and/or inputs and outputs, including actions for risk mitigation.

Financial status

A brief summary of the use of funds compared to budget and an explanation of major deviations from plans.

Problems and risks

An assessment of problems and risks that may affect the success of the Project

Lessons learned and recommendations

Lessons learned during the reporting period and any recommendations made based on these.

