AGREEMENT

BETWEEN

THE GOVERNMENTS OF DENMARK, FINLAND, NORWAY AND SWEDEN

AND

THE AFRICAN DEVELOPMENT BANK

AND

THE AFRICAN DEVELOPMENT FUND

CONCERNING THE ADMINISTRATION AND MANAGEMENT OF A TRUST FUND FOR GOVERNANCE.
AGREEMENT (the "Agreement") dated 27 May, 2002 between THE GOVERNMENTS OF DENMARK, FINLAND, NORWAY AND SWEDEN, (Collectively the "Governments") and THE AFRICAN DEVELOPMENT BANK and THE AFRICAN DEVELOPMENT FUND (collectively the "Bank") CONCERNING THE ADMINISTRATION AND MANAGEMENT OF A TRUST FUND (the "Trust Fund") FOR GOVERNANCE.

Preamble

1. The Governments and the Bank have been collaborating closely for many years on matters of common concern in regional member countries of the Bank (hereinafter referred to as RMCs) to contribute to the economic development and social progress of the RMCs through, inter alia, the provision of loans, grants, technical assistance and policy advice.

2. The Governments have communicated their intention to make available to the Bank for administration and management a Trust Fund for the purpose of financing activities in support of good governance in the RMCs. The Trust Fund is intended to support initial activities, while the Bank strengthens its internal capacity for good governance activities and allocates its ordinary resources for such purposes.

3. The Bank is willing and able to accept the administration and management of the financial resources of the Trust Fund in accordance with the provisions set forth in this Agreement.

Article 1
Amount, Purpose and Scope of the Trust Fund

1.1 Amount

1.1.1 The Governments hereby entrust, subject to Parliamentary appropriations of funds in each Donor Country (DENMARK, FINLAND, NORWAY AND SWEDEN) and provided that terms and conditions of this agreement are fulfilled, to the Bank the administration and management of the financial resources of a Trust Fund (hereinafter referred to as the "Trust Fund"). The Government of Denmark contributes Danish kroner, the Government of Finland Euro, the Government of Norway Norwegian kroner and the Government of Sweden Swedish kroner, each contribution equivalent to 1 million US Dollars at the date of this Agreement.
1.1.2 The resources of the Trust Fund shall consist of:

(a) all sums received from Governments in the form of instalments and made available to the Bank and credited to a separate interest bearing account to be opened and maintained by the Bank;

(b) interest earned on the interest-bearing account referred to in (a) above to which the proceeds of the Trust Fund shall be deposited.

1.2 Purpose

1.2.1 The overall objective of the Trust Fund is to provide financial resources to the Bank to initiate activities to promote good governance in RMCs, in support of the overarching objective of poverty reduction.

1.2.2 The Trust Fund activities shall be based primarily on RMCs' national plans of development and poverty reduction, as well as, on the Bank Group Policy on Good Governance.

1.3 Scope

1.3.1 The Trust Fund shall be utilised to finance innovative activities in support of good governance and carried out by local/national organisations, governments or NGOs in RMCs. Activities supported by the Trust Fund may be utilised to co-finance relevant activities with other development partners such as bilateral donors, the Bretton Woods institutions, UN Funds and Programmes and the UN Specialised Agencies.

1.3.2 The focus of the Trust Fund activities will be on the following areas:

(i) implementation of measures to prevent, combat and monitor corruption;

(ii) promotion of credible audit and oversight institutions;

(iii) reform of public administration; and

(iii) promotion of sound public financial management.

1.3.3 The activities will aim at:

- mainstreaming these areas of governance into regular Bank programs;
- improving the understanding of good governance issues at the country level;
• helping to build consensus and ownership for national reform programs in support of good governance.
• Support institutional capacity building in RMCs; and
• increasing participation and transparency in RMCs, with regard to public administration and expenditure management.

1.3.4 The activities may include workshops and conferences, policy studies and surveys and other activities, which are innovative and are not suited to financing by the Bank’s lending instruments.

1.3.5 Unless otherwise agreed, the financing of an activity under the present Agreement will not exceed USD 150,000;

1.3.6 The Trust Fund shall not be used:

(i) to finance Bank staff salaries or other costs met by the Bank’s administrative budget. However, as an exceptional and temporary measure, a secondment of a good governance expert to the Bank may be financed out of the resources of the Trust Fund.

(ii) as a substitute for other Bank instruments;

(iii) to finance long-term technical assistance experts.

Article 2
Administration and Management of the Trust Fund

2.1 The Bank shall, in accordance with its financial rules and regulations and policy guidelines, administer and manage the resources of the Trust Fund through its own organisation, services, officers and staff. The Bank designates its Partnership and Cooperation Division as the unit responsible for implementing the Bank’s obligations under this Agreement pertaining to general communications and financial matters, and the Operations Policies and Review Department as the organisation unit responsible for the implementation of the Bank’s obligations under this Agreement pertaining to the execution of the activities and related technical matters.

2.2 On request by the Bank the Governments shall deposit the contributions to the Trust Fund into an interest-bearing account in the names of the African Development Bank and the African Development Fund. The contributions will be deposited by each Government in three equal instalments; the first instalment is due promptly following signature of this Agreement. The other instalments will take place, subject to Parliamentary appropriations
of funds in each Donor Country, provided that the terms and conditions of this Agreement are fulfilled on request by the Bank and when 80 pctl. of the resources provided by an earlier instalment are exhausted.

2.3 In administering and managing the resources of the Trust Fund, the Bank shall exercise the same care in the discharge of its functions under this Agreement as it exercises with respect to the administration and management of its own resources and affairs, and shall have no further liability to the Governments in respect thereof. The Governments shall not have any responsibility or liability for any claims, debts, demands, damage or loss as a result of the implementation of this Agreement.

2.4 When making payment, the Governments shall instruct their relevant and respective services to advise the Treasury Department of the Bank by SWIFT as to the amount received in the Trust Fund Account, that it is from the Governments for activities in support of good governance, and the date of the deposit.

2.5 The Trust Fund shall be administered and managed by the Bank on behalf of the Governments in accordance with the terms of this Agreement. The resources of the Trust Fund may be combined with other trust fund assets/resources administered and managed by the Bank, but shall be kept separate and apart from the funds of the Bank. The resources of the Trust Fund may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

2.6 All financial accounts and statements shall be expressed in the Units of Account of the Bank and shall be subject to the usual internal and external auditing procedures of the Bank.

2.7 The Bank shall levy upon the resources of the Trust Fund an administration fee of 5 percent of the amount disbursed for activities.

2.8 Interest earned on the interest bearing account shall be channelled back into the Trust Fund and accounted for in the financial statements of the Trust Fund to the Governments.

2.9 The Bank shall maintain separate records and ledger accounts in respect of the Trust Fund and disbursement thereof.

Article 3
Operations

3.1 For the purpose of operations under this Agreement, the Bank shall be responsible to the Governments for the administration and management of the resources of the Trust Fund.
3.2 In the discharge of its operational functions, the Bank shall:

(a) to the extent applicable, use the methods it employs to control disbursement of its own resources; and

(b) ensure that the disbursements out of the Trust Fund are applied exclusively for the purpose for which they are made.

3.3 The Bank shall, as administrator on behalf of the Governments, enter into a grant agreement (the "Grant Agreement") with a Regional Member, local/national organisation, NGOs, or other institutions referred to in art. 1.3.1, (the "Recipient") regarding the provision of the resources of the Trust Fund. The Governments hereby authorise the Bank to use the resources of the Trust Fund to pay the Recipient for eligible expenditures made (or, if the bank shall so Agree, to be made) under and in accordance with the Grant Agreement. The Bank shall furnish a copy of the Grant Agreement to the Governments.

3.4 The selection and recruitment of consultants financed out of the resources of the Trust Fund, and the administration and enforcement of any contracts entered into between the Bank and the consultants and/or third parties, shall be the responsibility solely of the Bank and shall be carried out in accordance with the Bank's Rules of Procedure for the Use of Consultants.

3.5 The Grant Agreement shall provide that the resources of the Trust Fund shall be used by the Recipient to finance expenditures for goods and services, as the case may be, in accordance with the Bank's Rules of Procedure for Procurement of Goods and Works and the Banks Rules of Procedure for the Use of Consultants. The Bank shall be solely responsible for the administration of the Grant Agreement and for the supervision of the projects and activities financed by the Grant Agreement.

Article 4
Consultation

4.1 The Governments and the Bank shall co-operate fully to ensure that the purposes of this Agreement will be accomplished. To this end:

(a) the parties shall from time to time exchange views through their representatives with regard to the administration and management of the Trust Fund resources;

(b) the Bank shall, at the end of each calendar year, prepare a report on the use of Trust Fund resources and an assessment of what has been achieved and lessons learned, as well as an activity plan for the coming year for submission to the Governments. The report should highlight what the Trust Fund
has achieved that is additional to what the Bank would have
achieved without the Trust Fund;

(c) the Bank shall, in connection with requests for the second and
third instalment of contributions by the Governments, inform the
Governments on the amounts disbursed from the Trust Fund;

(d) a Financial Report audited and verified by external auditors, for
the Trust Fund will be submitted to the Governments on an
annual basis before the 31 March each year. The Financial
report will specify the amount of contributions by Governments,
amount of interest earned from the interest bearing account, as
well as amounts committed and disbursed from the Trust Fund;

(e) the Bank will submit to the Governments, within six months, a
financial statement audited and verified by external auditors
when the total amount of the Trust Fund has been disbursed or
upon completion of this Agreement, whichever comes first. The
cost of the external financial statements and audit required
under sub-paragraphs (d) and (e) of this Article 4 shall be borne
by the Trust Fund.

(f) the parties shall furnish to each other information with regard to
the general status of the Trust Fund resources; and

(g) the Governments and the Bank will hold consultations each
year after this Agreement enters into force to review the
operation of the Fund and the results being achieved, with a
view to confirming or revising further the scope of activities.

Article 5
Channel of Communications and Notices

Any notice or request required or permitted to be given or made under this
Trust Instrument shall be in writing. Such notice or request shall be deemed to
have been duly given or made when it shall have been delivered by hand,
mail, telex, telegram or telefax, confirmed by letter, to the party to which it is
required to be given or made at the address specified below or at such other
address as either party may have hereafter notified to the other:

FOR THE BANK AND THE FUND Mail Address:
African Development Bank
African Development Fund
01 B.P. 1387
ABIDJAN 01
Côte d'Ivoire
Cable Address: AFDEV ABIDJAN
Telex: 23717/23498
FOR THE GOVERNMENTS

Mail Address:
Office of the Executive Director for
Denmark, Finland, India, Norway,
Sweden and Switzerland
African Development Bank
01 B.P. 1387
ABIDJAN 01
Côte d'Ivoire

Article 6
Anti-Corruption Clause

No offer, gift or payment, consideration or benefit of any kind which constitutes an illegal or corrupt practice will be made to anyone, either directly or indirectly, as an inducement or reward for the award or execution of this Agreement. Any such practice will be grounds for terminating this Agreement or suspending payments and claiming repayment in full or in part, or taking any other corrective actions as required.

Article 7
Entry into Force, Duration and Termination

7.1 The present Agreement shall enter into force on the date of signature thereof.

7.2 The Agreement is concluded for a period ending 31 December 2005. The said period may be modified by mutual agreement between the parties.

7.3 Notwithstanding Paragraph 7.2, the present Agreement may be terminated at any time

a) when resources of the Trust Fund have been exhausted and the Governments have indicated that they do not contemplate a further replenishment; or

b) by either party by giving no less than three months written notice to the other parties. An individual Government shall also have a right to terminate the Agreement on its part by giving no less than three months written notice to the other parties. Such termination shall become effective only on the date specified in the termination notice. Termination shall not affect any activity or commitment entered into under this Agreement with a third party prior to the date of receipt by the other party of the termination notice. The termination of the Agreement by an individual Government shall not affect the validity of the entire Agreement. In the event of termination as provided in
this sub-paragraph 7.3, the parties shall co-operate to ensure that all arrangements made hereunder are settled in an orderly manner.

7.4 The Bank shall, as soon as reasonably practicable and at the latest within six months, after the termination of this Agreement, retransfer to the Governments any balance of the resources on trust that is still outstanding after all remaining obligations have been settled.

Article 8
Settlements of Disputes

8.1 Any dispute over the interpretation or application of this Agreement, between the parties shall be settled through negotiation between the parties.

Article 9
Amendment

This Agreement may be amended by mutual agreement between the parties.

Article 10
Communication and decision making between the Governments

The Governments will communicate with each other in matters concerning the implementation of the Agreement. All decisions concerning the implementation of this Agreement will be made by consensus.

Article 11
Delegation of Powers

The Danish Ministry of Foreign Affairs shall be empowered to represent the Government of Denmark in matters concerning the implementation of this Agreement.

The Finnish Ministry of Foreign Affairs shall be empowered to represent the Government of Finland in matters concerning the implementation of this Agreement.

The Norwegian Ministry of Foreign Affairs shall be empowered to represent the Government of Norway in matters concerning the implementation of this Agreement.

The Swedish International Development Cooperation Agency (Sida) shall be empowered to represent the Government of Sweden in matters concerning the implementation of this Agreement.
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed on the date first above written, in their respective names by their representatives, thereunto duly authorised, in five original counterparts in English.

FOR THE GOVERNMENT OF DENMARK

Name: KIRSTEN GEELAN
Title: Head of Department
Royal Ministry of Foreign Affairs

FOR THE GOVERNMENT OF FINLAND

Name: MATTI KAARIAINEN
Title: Deputy Director General
Ministry for Foreign Affairs

FOR THE GOVERNMENT OF NORWAY

Name: OLAV KJORVEN
Title: Secretary of State
Royal Ministry of Foreign Affairs

FOR THE GOVERNMENT OF SWEDEN

Name: GUN-BRITT ANDERSSON
Title: Secretary of State
Ministry of Foreign Affairs

FOR THE AFRICAN DEVELOPMENT BANK AND THE AFRICAN DEVELOPMENT FUND

Name: OMAR KABBAJ
Title: President
ADDENDUM TO THE AGREEMENT

BETWEEN

THE GOVERNMENTS OF DENMARK, FINLAND, NORWAY AND SWEDEN

AND

THE AFRICAN DEVELOPMENT BANK

AND

THE AFRICAN DEVELOPMENT FUND

CONCERNING THE ADMINISTRATION AND MANAGEMENT OF A TRUST FUND FOR GOVERNANCE

WHEREAS the Governments of Denmark, Finland, Norway and Sweden (collectively called the "Governments") and the African Development Bank and the African Development Fund (collectively called the "Bank") executed an Agreement (the "Agreement") dated 27 May 2002 concerning the administration and management of a trust fund for governance;

WHEREAS pursuant to the said Agreement, the parties agreed that the duration of the Agreement would end on 31 December 2005;

WHEREAS the parties have since determined a need to extend the duration of the Agreement;

WHEREAS by correspondence dated 1 December 2005 from the Bank, 21 December 2005 from the Governments of Denmark and 20 December 2005 from the Governments of Norway and Sweden, the parties agreed to extend the period of the Agreement for a further two years.

NOW THEREFORE, the parties hereto, in confirmation of the said correspondence agree to the following:

1. The duration of the Agreement is hereby modified and extended for an additional period of two years to run until 31 December 2007.

2. All other terms and conditions of the Agreement shall remain applicable.